



# INVESTMENTS IN INDUSTRY

2018-2019



Brazilian National Confederation of Industry  
THE FUTURE OF INDUSTRY

## Investment remains at low level

The 2017 issue of the Investment in Industry survey was titled “Investments start to recover.” Three-quarters of companies had invested that year and eight out of ten had plans to invest in 2018. Unfortunately, the current survey shows that companies’ investment plans for 2018 were frustrated and that they postponed the idea of resuming investments.

**In 2018, three-quarters of industry ended up investing**, less than the 81% of companies that said they had investment plans in the previous year. Among those that invested, just over half (51%) were unable to carry out their investment as planned.

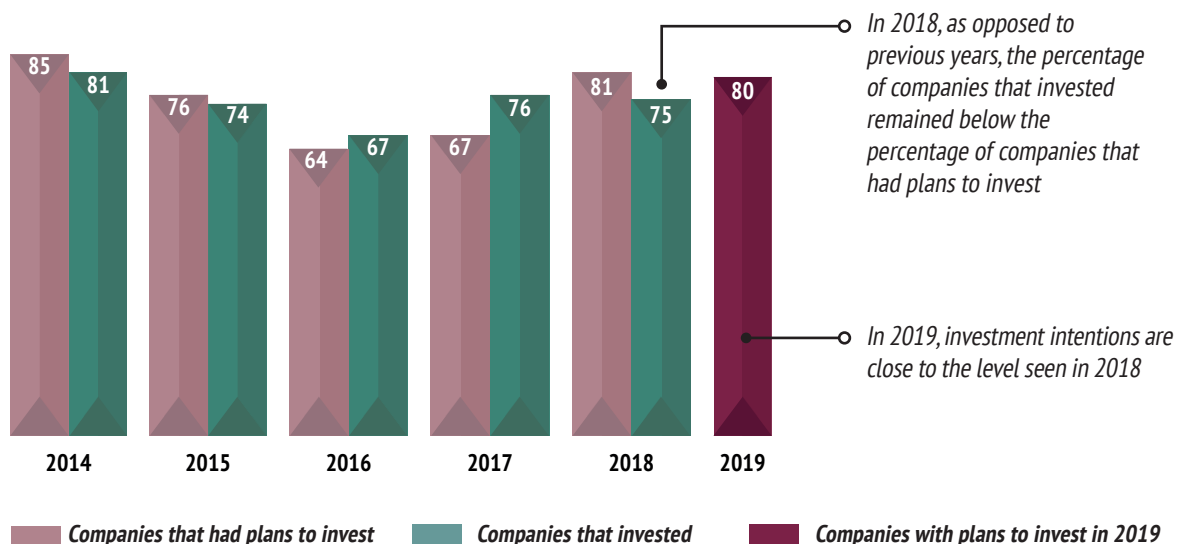
**Companies’ high reliance on their own funds, a long-standing barrier to investment, did not**

**change in 2018.** The share of these funds in total investments remained unchanged at 75%. On the other hand, the share of official development banks fell to its lowest point in the historical series (7%), while the share of private commercial banks went the opposite way and reached an all-time high of 13%.

**The expectation for 2019 is that industrial companies will step up their investment.** Four out of five enterprises (80%) have investment plans – nearly the same figure as last year, but higher than investment intentions observed between 2015 and 2017. The main objectives of investments planned for 2019 are improving production processes (36%) and increasing current capacity (22%).

### *Investment intentions and investments made*

*Share (%) in all valid answers*





## INVESTMENT IN 2018

### Frustrated investment plans

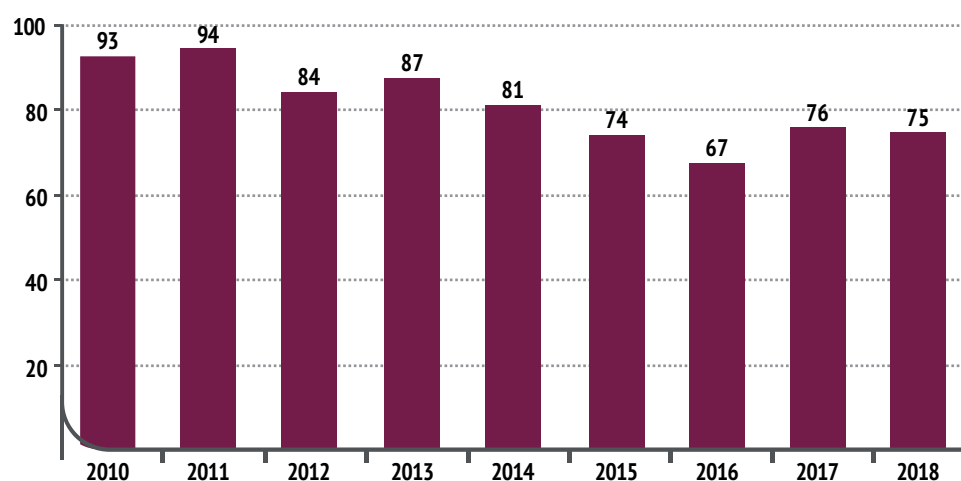
Percentage of companies that actually invested remained below the percentage of companies that had announced investment plans in the previous year

**Three quarters of large industrial companies invested in 2018**, down by one percentage point from 2017 and higher only than the figures recorded in 2015 and 2016. In addition, the figure

is below the percentage of companies that said they had plans to invest in 2018, which stood at 81% in the previous survey.

#### Percentage of companies that invested in the year

Share (%) in all valid answers

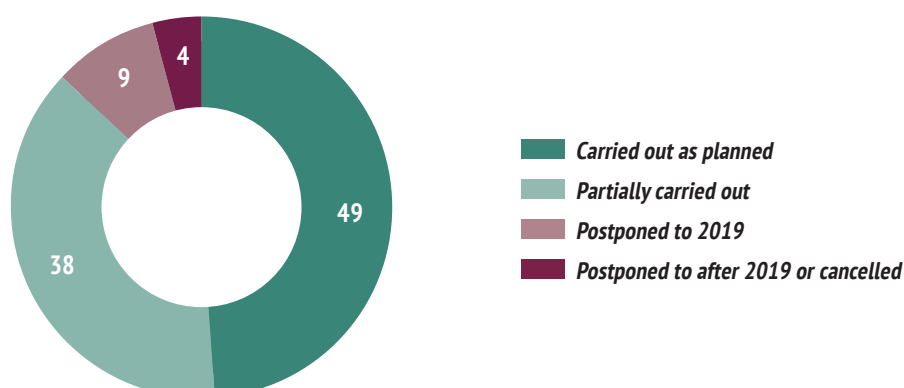


Among the companies that invested in 2018, 56% said they focused their funds mainly on continuing ongoing projects, while the remainder (44%) was targeted at new projects. The percentage of companies that prioritized investments in new projects hit one of its highest points in the series, second only to the figure observed in 2012 (47%). This result is explained by the low investment level in recent years, with spare capacity remaining at consistently high levels in industry.

Of the companies that had investment plans for 2018, almost half (49%) carried out their investments as planned. The figure is up by 2 percentage points from 2017 and reached an all-time high since 2012, when the percentage amounted to 57%. It is worth noting, however, that 84% of companies invested in that year, up from 75% in 2019.

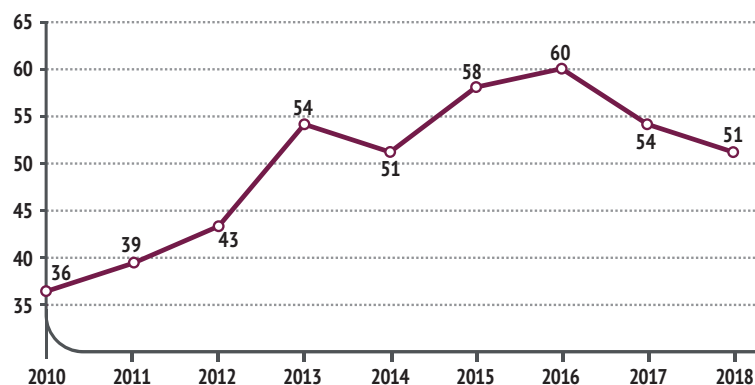
#### Fulfillment of investment plans

Percentage (%) of all companies with investment plans for 2018



## Investments carried out partially, postponed or canceled

Percentage (%) of all companies with investment plans



## Demand provided a stronger stimulus to investment in 2018 than in the previous year

Regulation, red tape, and financial resources continue to hinder investments

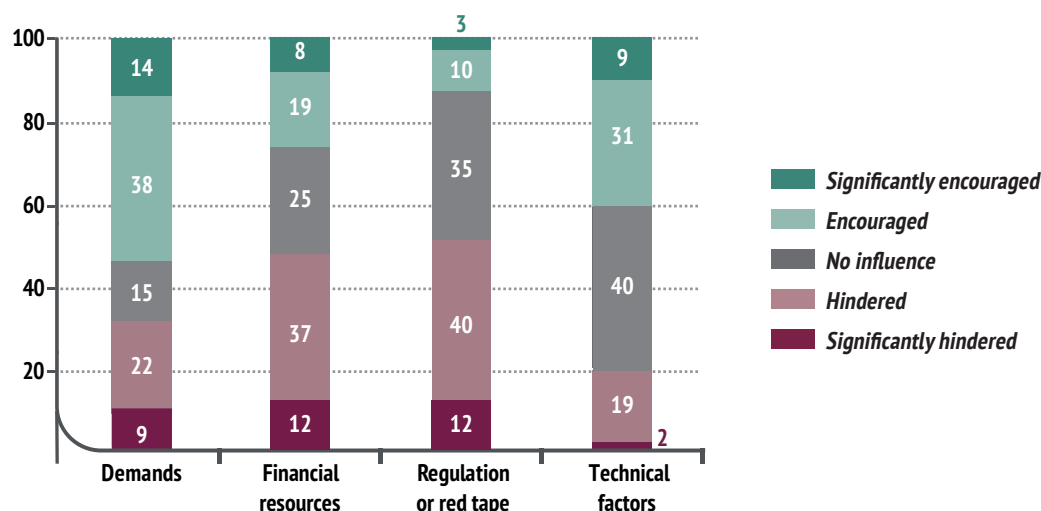
Of the total number of companies covered by the survey, **52% said their investment plans for 2018 were positively affected by demand**, while 31% indicated that demand hindered their investment plans. Demand was the biggest investment driver in 2018 among the factors surveyed<sup>1</sup>. This assessment was more positive than in 2017, when 50% of enterprises said that demand had a positive impact on investment and 38% said the opposite.

Technical factors were another item mostly mentioned as positive: 40% of companies said this factor encouraged or significantly encouraged investments, while 21% said the opposite.

**Regulation/red tape and financial resources in turn were cited as factors hindering investment** by, respectively, 52% and 49% of respondent companies – figures very similar to those registered in the previous survey.

## Factors encouraging or discouraging investment in 2018

Share (%) in total valid answers



1 - The survey asked entrepreneurs how the following factors affected their decision of whether or not to invest in 2018: demand, financial resources, regulation/red tape, and technical factors (technology, labor, raw materials, etc.).

# Increasing production capacity gains importance among main investment objectives

Percentage of companies investing in increasing capacity grows for second consecutive year

**Improving production processes was the main objective of investments made by companies in 2018**, as indicated by 36% of firms that invested in that year. This has been the main goal of industrial investments since 2011.

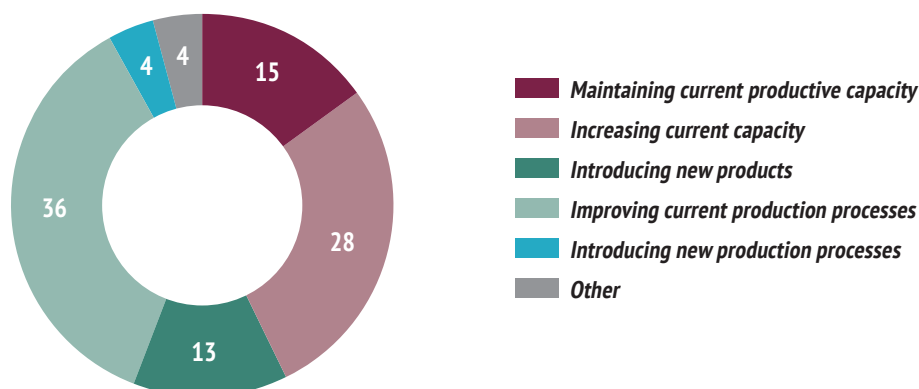
Introducing new products was mentioned by 13% of companies, while introducing new processes accounted for 4% of responses. Thus, innovating processes or products was the main investment objective of 53% of companies in 2018. The figure is down by one percentage point from 2017 and

hit its lowest point since the beginning of the series in 2010, when only 44% of investments were focused on that objective.

Ranking second among major objectives of investments made by companies is increasing current capacity, with 28% of responses. The percentage of answers hit one of its highest levels in the series (started in 2010), exceeded only in 2010 and 2012. In 2017, 22% of companies indicated this investment objective.

## Main investment objective in 2018

Percentage (%) of all companies that invested in 2018



# Purchasing machinery and equipment is the most frequent type of investment

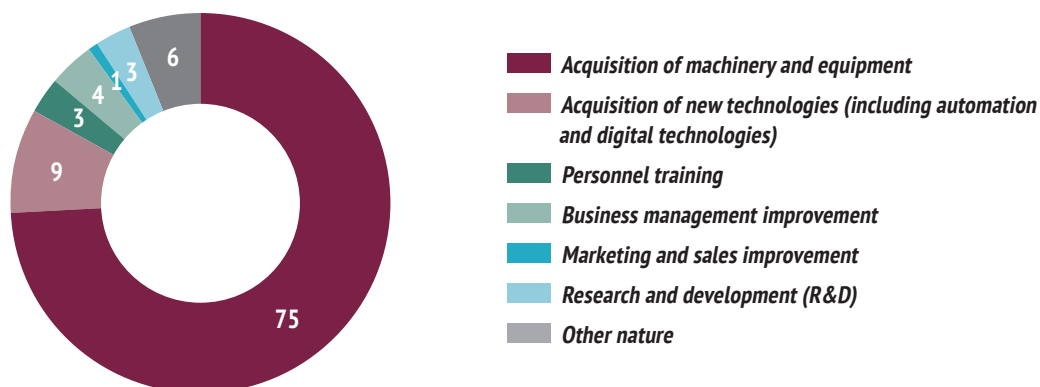
Share of imports in purchases of machinery and equipment increases

**The acquisition of machinery and equipment was the main investment nature in 2018 for 75% of the companies that invested.** In the previous survey, which asked about investments made in 2017, the percentage reached 64% of companies

that invested in that year. Ranking next is the acquisition of new technologies, including automation and digital technologies, with 9% of answers (down by 5 percentage points from the previous survey).

## Nature of main investment in 2018

Percentage (%) of all companies that invested in 2018

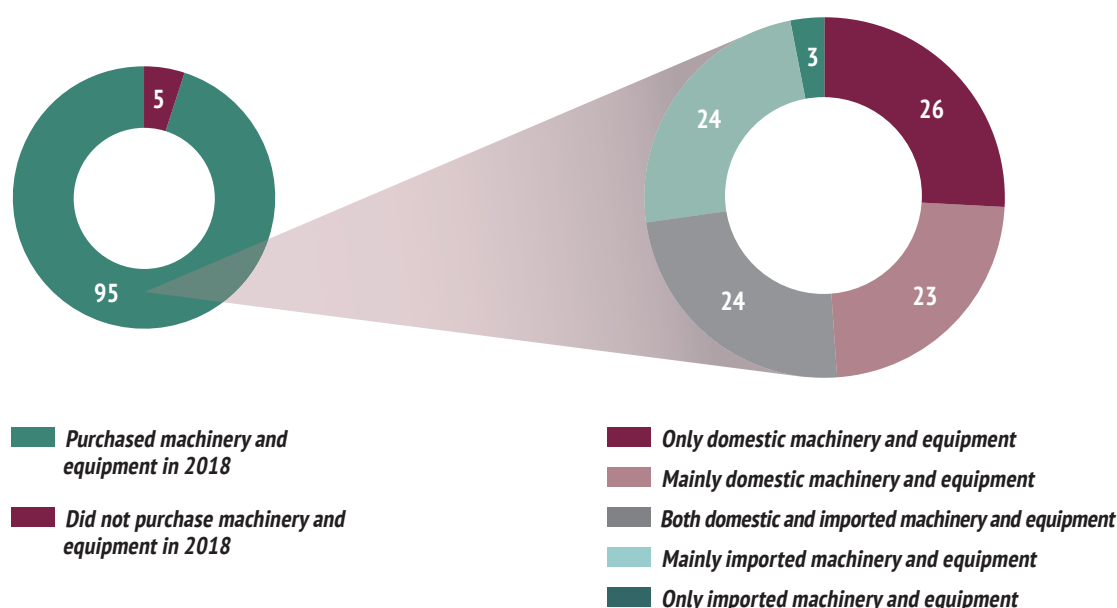


The vast majority (95%) of companies that invested in 2018 purchased machinery and equipment<sup>2</sup>. This percentage is higher than that observed in the last three years: 2017 (92%), 2016 (90%) and 2015 (86%). In 2018, one can see once again that investments focused mainly on purchasing imported machinery and equipment, as had occurred in 2017.

Considering only the companies that made these purchases, the percentage of enterprises that bought only or mainly domestic machinery and equipment fell from 59% in 2016 to 53% in 2017 and 49% in 2018. The percentage of enterprises that bought only or mainly imported machinery and equipment edged up from 20% in 2016 to 21% in 2017 and 27% in 2018.

## Share of imports in purchases of machinery and equipment

Percentage (%) of all companies that invested in 2018



<sup>2</sup> - Note that the fact that the percentage is higher than the figure for the investment nature (75%) is normal, as in the question about the investment nature entrepreneurs are asked to indicate what was their main investment type. In this specific question, all companies that purchased machinery and equipment are identified, even if that was not their main investment.

# Three-quarter of investments are financed with own funds

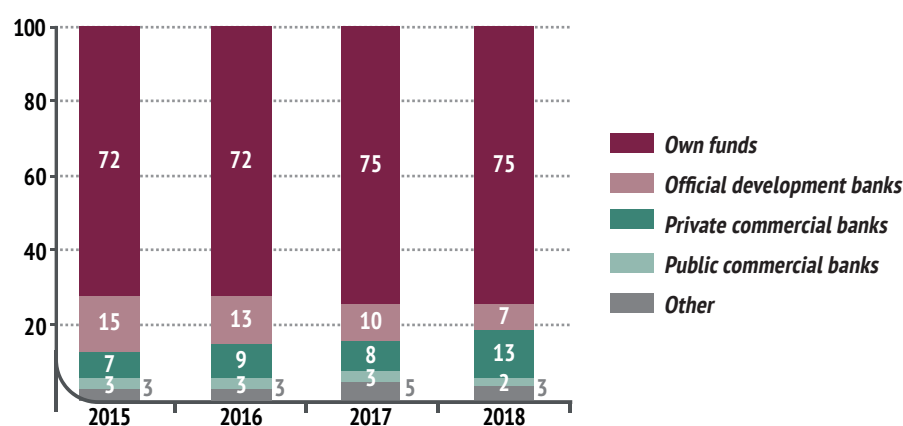
Share of official investment banks drops to a record low

**Companies' reliance on their own funds as a source of investment financing remained high.** In 2018, 75% of companies' investments were financed with equity capital, the same percentage observed in 2017.

On the other hand, the share of private commercial banks grew from 8% to 13%, while the share of official development banks dropped from 10% to 7%. While the share of private commercial banks hit an all-time high, the share of official development banks hit its lowest point in the series started in 2010.

## Average distribution of funding sources for investments made

Average percentage (%) considering only companies that invested



## INVESTMENT IN 2019

# Nine out of ten companies have sufficient productive capacity to meet the demand expected for 2019

Eleven percent of companies believe their installed capacity is insufficient to meet demand

**Eighty-eight percent of respondent companies estimate that their productive capacity is appropriate or more than appropriate (i.e. more than enough) to meet the anticipated demand for 2019.** The figure is lower than that registered in 2018, when it reached 91%.

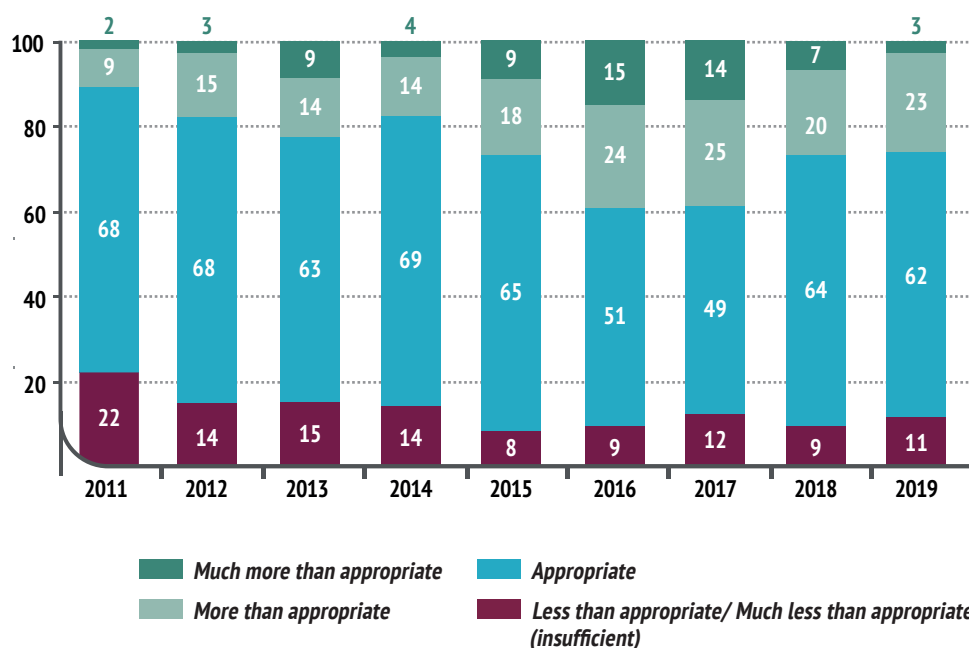
Twenty-six percent of companies say their current capacity is more or much more than appropriate, (i.e. exceeds expected demand). As shown in the graph, this percentage is still high

when compared to the period between 2011 and 2014, but lower than the one recorded in the last four years.

Only 11% of companies believe their current capacity is less or much less than appropriate – i.e. insufficient – to meet the anticipated demand for 2019. The percentage is up from last year (9%), but down from the figure registered in the 2011-2014 period and also from the level registered in 2017.

## Adequacy of installed capacity to meet expected demand

Share (%) in all valid responses



## Investment intention for 2019 is at the same level as last year

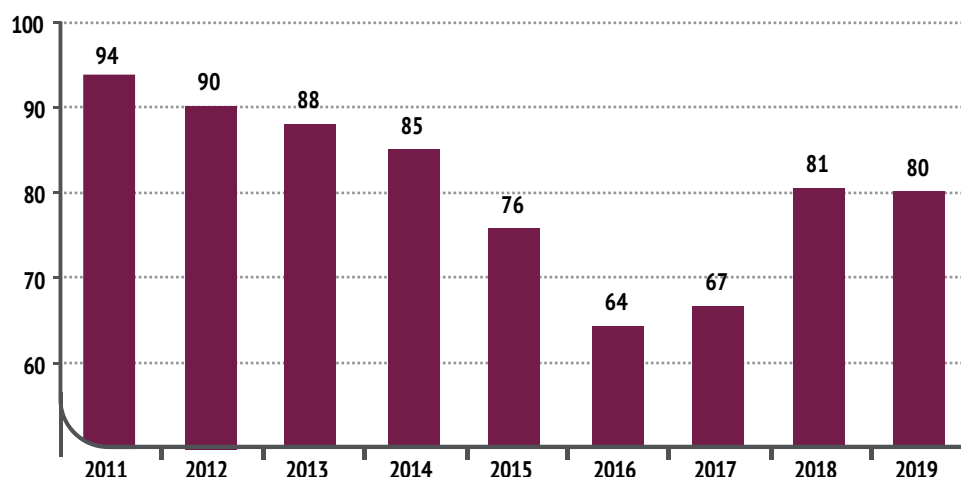
Percent exceeds figure observed in 2015-2017 period

**Four out of five companies (80%) have plans to invest in 2019.** The figure is virtually the same as that in the previous survey, which asked about investment intentions in 2018 (81%), and exceeds the levels registered in the 2015-2017 period.

For 41% of companies, planned investments will be directed to new projects. The figure exceeds that observed in investments planned between 2014 and 2018.

## Investment intentions

Share (%) in all valid answers



# Increased demand is the main investment driver in 2019

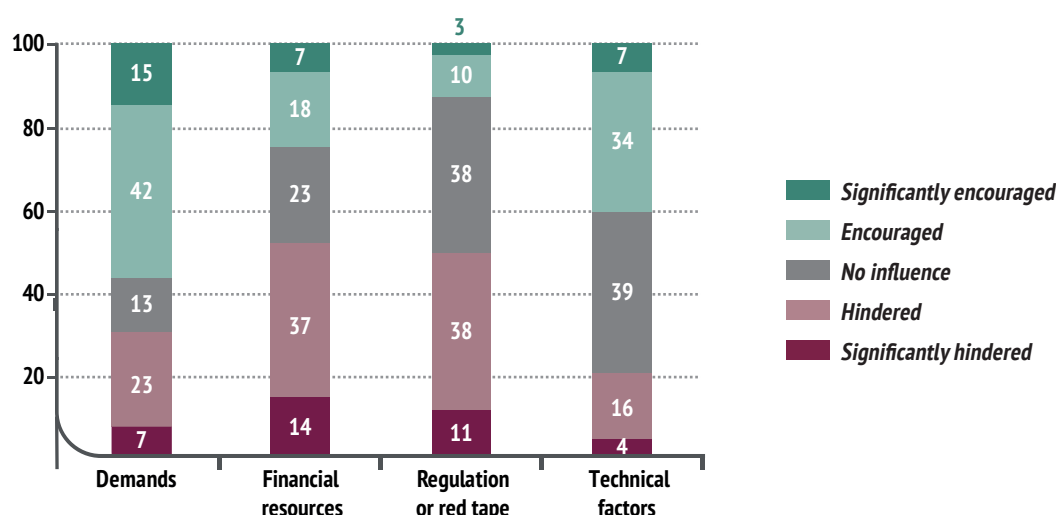
Just over half of companies say their investment decisions are hindered by financial resources

**The main driver of investment decisions in 2019 is the expected demand for the year.** Of the total companies with investment plans for 2019, 57% said this factor encouraged their decision to invest, while 30% said the opposite. Technical factors, such as technology, also encouraged investments: 41% of companies said that this factor led them to invest and 20% said the opposite.

The other two factors considered in the survey – regulation/red tape and financial resources – have hindered companies' decision to invest in 2019. Fifty-one percent of companies said their investments have been limited by financial resources, while 49% said the same thing about regulation/red tape. All percentages are very close to those recorded in the previous survey, which asked about companies' decision of whether or not to invest in 2018.

## Factors affecting investment decisions for 2019

Share (%) in all companies with investment plans



# Investments in improving productive processes grows

Eighteen percent of companies say they intend to acquire new technologies

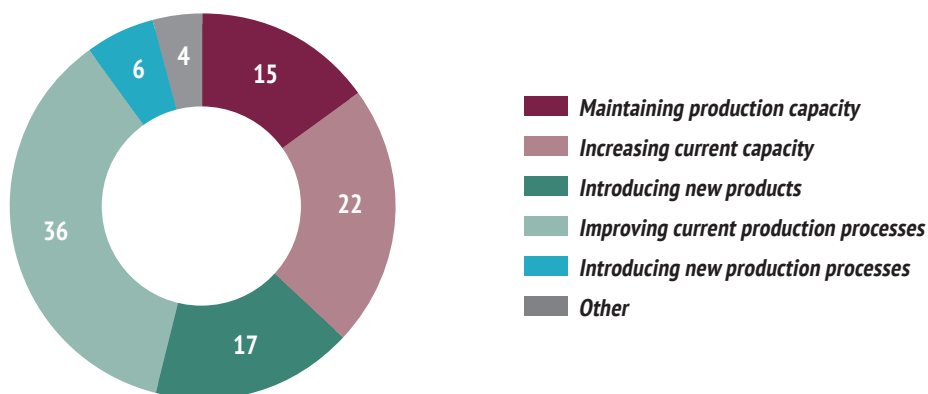
**Concerns over efficiency and competitiveness will steer investments in 2019.** The main objective of investments planned for 2019 is improving production processes. This objective was indicated by 36% of companies, a figure higher than that recorded in the previous survey,

which asked about investment plans for 2018 (29%). Coming next is the increase in current capacity, mentioned by 22% of companies, and the introduction of new products, indicated by 17% of enterprises.



## Main objective of investments planned for 2019

Percentage (%) of all companies with investment plans

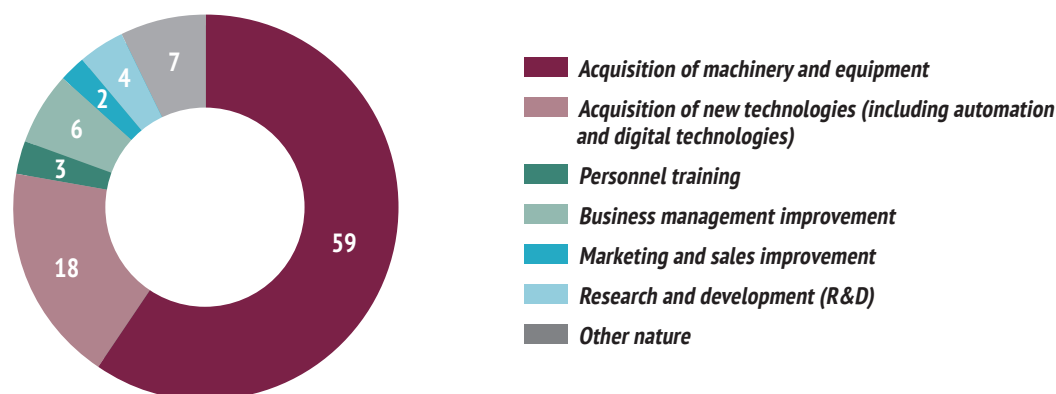


Of the companies with plans to invest in 2019, 59% reported their main investment is focused on purchasing machinery and equipment. Coming next is the acquisition of new technologies, including automation and digital technologies, with 18%

of responses. Management improvement ranked next with 6% of answers, followed by personnel training, marketing and sales improvement, and R&D, which accounted for 9% of all responses.

## Nature of main investment planned for 2019

Percentage (%) of all companies with investment plans



## Investments remain focused on the domestic market

Investing in factories abroad remains uncommon

**Investment focus in terms of target market (i.e. domestic or foreign) remained unchanged as compared to the intentions observed in 2018.**

The percentage of investments focused mainly or only on the domestic market held constant at 67% between 2018 and 2019, while investments focused mainly or only on the foreign market held almost steady, edging down from 8% to 7%. The main factor behind this lack of change in investment orientation is a sluggish domestic demand on the one hand, and uncertainties in the foreign market on the other. Virtually three

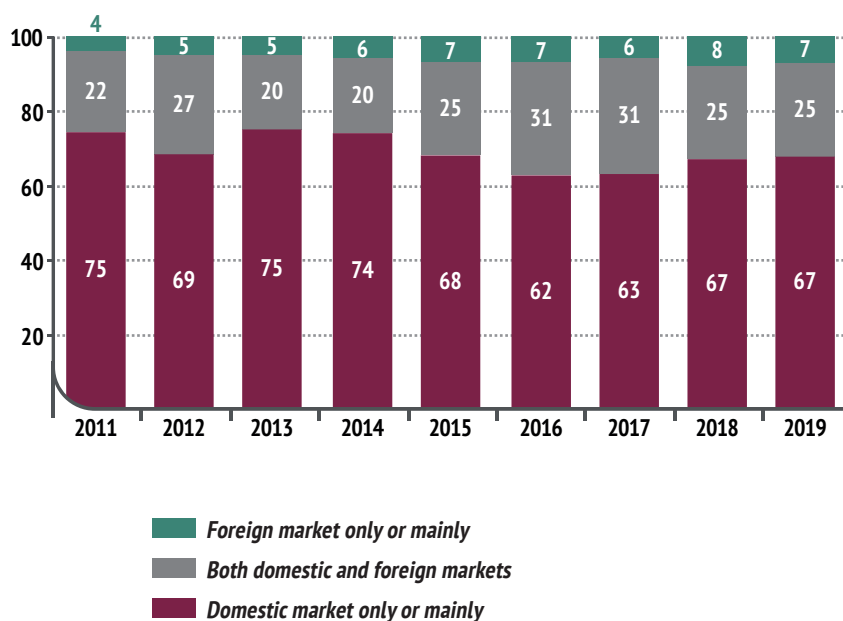
quarters (74%) of Brazilian industrial companies have no productive investment overseas and are not willing to have, while 13% have no productive investment abroad but intend to have.

Among all Brazilian companies, 14% are investing already, with 6% planning to step up this investment and 8% planning to keep it unchanged. None of the responding companies intend to reduce or sell their investment abroad.



## Target market for planned investment

Share (%) in all companies with investment plans



### Technical specifications

Sample profile: 334 companies.

Data collection period: January 29 - April 15, 2019.



### Learn more

For more information on the survey, including its historical series and methodology, please visit:

[www.cni.com.br/e\\_investindustria](http://www.cni.com.br/e_investindustria)