

SMALL INDUSTRY OVERVIEW

ECONOMIC INDICATORS **CNI**



Confidence decreases, but prospects for the next six months are favorable

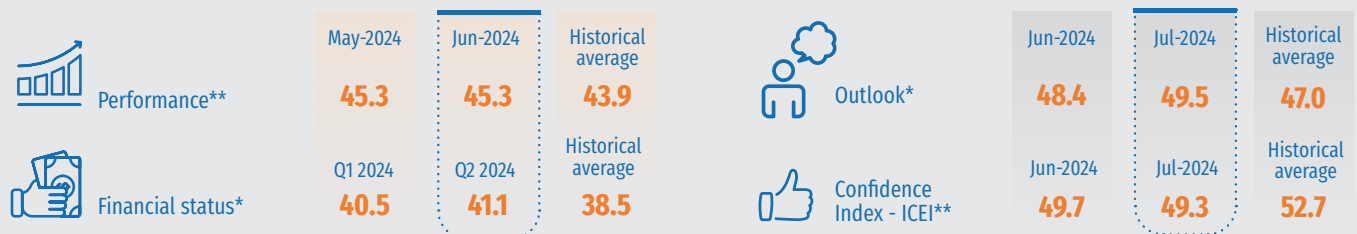
In July 2024, the confidence of small-size industrial business owners decreased, due to a worsening in the perception of current conditions. However, the prospects for the next few months continue to be favorable. The Small Business Industry Business Confidence Index (ICEI) recorded a drop in July, showing a lack of confidence among industrialists, although the Prospects Index showed a more favorable result, particularly for the small-size Manufacturing Industry.

In June 2024, the Performance Index for small-size industries showed stability, a result stemming from the distinct behavior of industrial segments. While performance for the Extractive Industry advanced, it remained stable for Manufacturing and fell for Construction. As a result, the overall performance of small businesses was stable from May to June 2024.

With regards to the Financial Situation Index, there was an improvement in the second quarter, driven by the result for the Manufacturing Industry, which showed an increase in profit margin and financial situation. At the same time, the indices for the small-size Extractive and Construction Industries decreased, primarily due to a worsening in access to credit for these segments.

Small Industry Performance Index, Financial Status, Outlook, and Confidence

Index (0-100 points)



* The higher the index, the better the performance of the small industry in the quarter, the better the financial situation of the small industry in the quarter, or the more positive is the outlook of the small industry entrepreneur for the month.

** A score above 50 points indicates entrepreneur confidence. The further the point score is from 50 points, the greater and more widespread the confidence. A score below 50 points indicates entrepreneurs' lack of confidence. The further the point score is from 50 points, the greater and more widespread the lack of confidence.

PERFORMANCE OF SMALL INDUSTRIES IN THE SECOND QUARTER OF 2024

Performance shows stability in June

In June 2024, the Performance Index for small industries showed stability compared to May, remaining at 45.3 points. Analyzing the performance of June by industrial segment, however, distinct behaviors can be noted from May to June: while the Extractive Industry showed progress (+1.3

points), the Manufacturing Industry recorded relative stability (+0.3 point) and the Construction Industry, a decrease (-1.8 points).

Although the result for June 2024 was lower than June 2023 (45.9 points) and lower than June 2022 (47.5 points), the Performance Index continues to be above the historical average of 43.9 points.

Small Industry Performance Index
Index (0 to 100 points)*



* The higher the index, the better the performance of the small-scale industry in the month.

Note: The Small Industry Performance Index is a weighted average of the Mining and Quarry, Manufacturing, and Construction small-scale industry performance indices.

FINANCIAL SITUATION OF SMALL INDUSTRIES IN THE SECOND QUARTER OF 2024

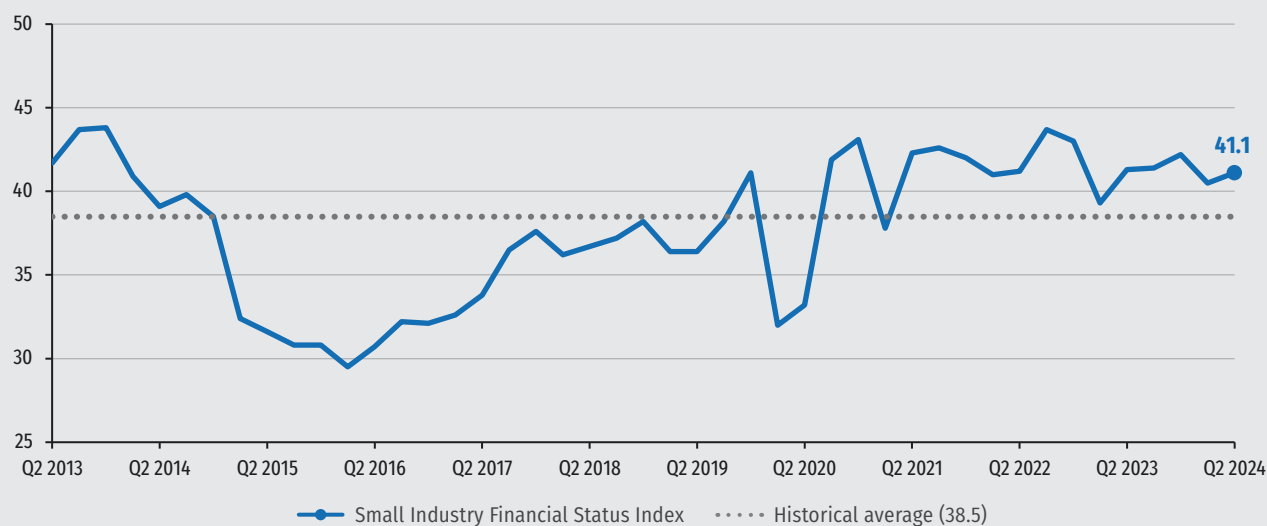
Financial conditions of the small industry improve in the quarter

The Financial Situation Index for small industries, calculated based on the ease of access to credit, satisfaction with the profit margin, and with the financial situation, increased in the second quarter of 2024.

From the first to the second quarter of 2024, the Index increased by 0.6 point, moving from 40.5 points to 41.1 points. As a result, the index distanced itself from the historical average of 38.5 points.

The industrial segment that pushed the indicator up was the Manufacturing Industry, which recorded an increase of 1.1 points in the quarter. This result occurred mainly due to the reduction of dissatisfaction with both the profit margin and the financial situation, since the difficulty in accessing credit remained high for Manufacturing. Regarding the small Extractive and Construction Industries, the indices fell mainly due to the worsening of access to credit for these segments.

Small Industry Financial Status Index
Index (0 to 100 points)*



* The higher the index, the better the financial status of small industries in the quarter.

MAIN PROBLEMS OF SMALL INDUSTRIES IN THE SECOND QUARTER OF 2024

High tax load remains the main issue for small businesses

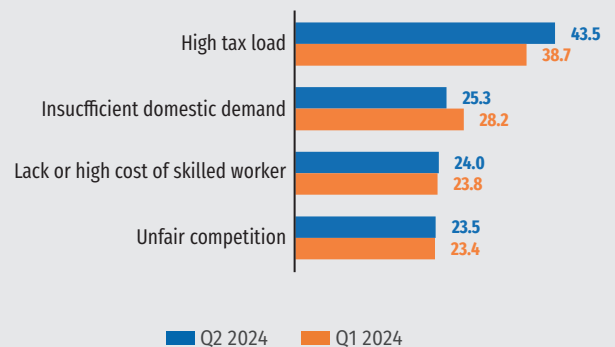
In the second quarter of 2024, small business owners indicated that the high tax load is in first place in the ranking of the main problems faced by both the Manufacturing Industry, with 43.5% of mentions, and by the Construction Industry, with 33.3% of mentions. For both segments, there was an increase in mentions, by 4.8 percentage points (p.p.) for Manufacturing and by 1.3 p.p. for Construction. This issue often appears at the top of the ranking, signaling that high taxes are a significant concern for the small-scale industry.

In second place, small business owners of Manufacturing Industry indicated insufficient domestic demand, noted by 25.3% of industrialists, a decrease of 2.9 p.p. from the previous quarter. The second place for the Construction Industry was the problem of high-interest rates, which saw a significant increase of 12.4 p.p., reaching 30.8% of mentions. This increase is possibly related to the halt in cuts to the basic interest rate, Selic. The maintenance of interest rates at a high level (10.50 p.a.) negatively impacts access to credit for small companies in the sector, making it more expensive and more limited, affecting the level and activity of the sector.

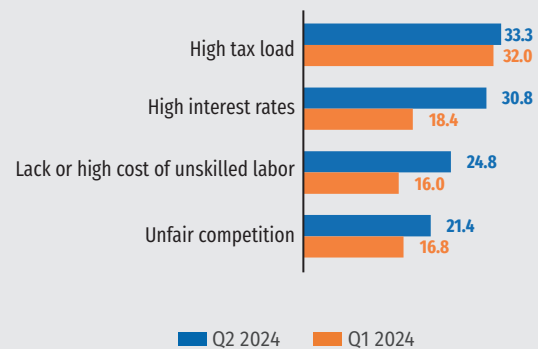
In third place for Manufacturing was the issue of the lack or high cost of skilled workers, with 24.0% of mentions, while the lack or high cost of unskilled workers was the third biggest obstacle for industrialists in Construction, with 24.8% of mentions. This highlights the difficulty of hiring different profiles to work in the Industry and the challenge of covering personnel costs.

Main problems faced by Small Scale Industry Percentage (%)

Manufacturing



Construction



* The ranking of the main problems for small-scale extractive industries was not disclosed in this publication, as there was a low number of respondents in this sector, which increases the margin of error.

Lastly, unfair competition was notable for both segments, cited by 23.5% of small business owners in Manufacturing and perceived by 21.4% of entrepreneurs in Construction. This problem signals the business owners' concern regarding anti-competitive practices, such as informality, smuggling, and piracy.

CONFIDENCE AND OUTLOOK OF SMALL INDUSTRIES IN JULY 2024

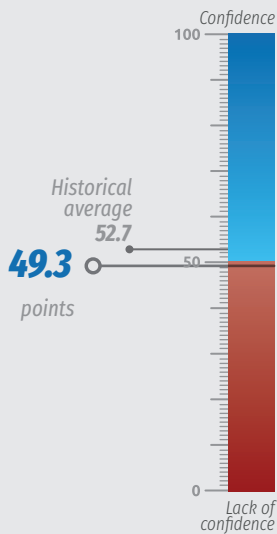
Confidence among small business owners decreases

In July 2024, the Industry Business Confidence Index (ICEI) for small industries was 49.3 points, a decrease of 0.4 point in comparison with June. This drop occurred due to a worsening in the evaluation of current conditions, as expectations remain favorable.

The confidence of small industry business owners has been fluctuating throughout 2024. In the first quarter of 2024, the ICEI for small industries was above the dividing line of 50 points, which separates confidence from lack of confidence. However, in April, the indicator moved from a state of confidence to a lack of confidence and has been fluctuating below 50 points since then, remaining relatively close to the dividing line.

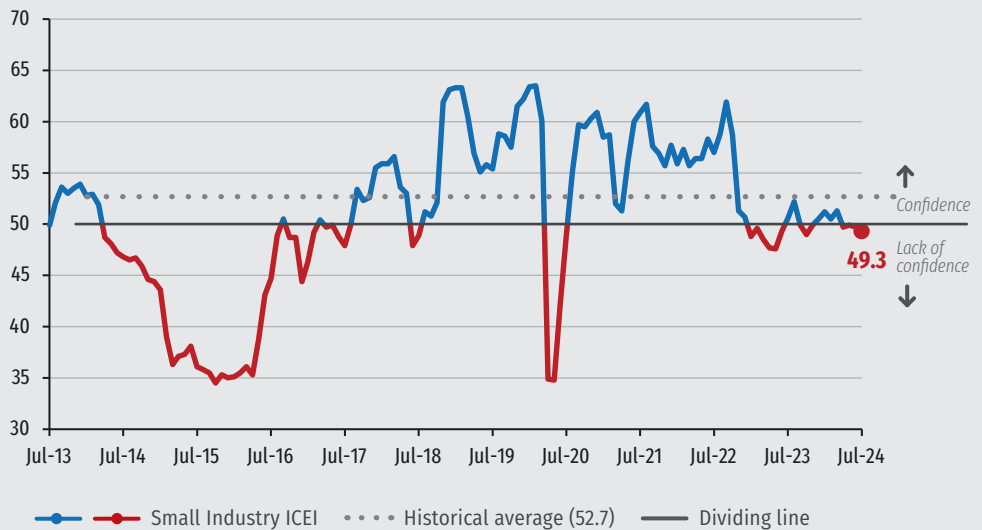
The ICEI for small businesses in July 2024 is lower than that of July 2023 (50.6 points) and lower than that of July 2022 (57.0 points).

Small Industry ICEI
Index (0 to 100 points)*



Historic Series

Index (0 to 100 points)*



* A score above 50 points indicates entrepreneur confidence. The further the point score is from 50 points, the greater and more widespread the confidence. A score below 50 points indicates entrepreneurs' lack of confidence. The further the point score is from 50 points, the greater and more widespread the lack of confidence.

Favorable prospects for small-size industry

The Prospects Index of the small-size industry, which reflects the expectations of business owners for the next six months, showed an increase of 1.1 points in July 2024, reaching 49.5 points.

This result for July is the highest of the year to date. Moreover, it is above the historical average of 46.7 points, which can be considered positive.

The improvement in the prospects indicator is related to better expectations for the Manufacturing Industry, which showed an increase in expectations for demand, number of employees, and investment intentions over the next six months.

Small Industry Outlook Index

Index (0 to 100 points)*



* The higher the index, the more positive the outlook for the small business entrepreneur.



Technical specifications

The Small Industry Overview is a quarterly publication, generated from the results of CNI's Industrial Survey, Construction Industry Survey, and Business Confidence Index (ICEI).

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Learn More

The research methodology and the historical series of the indices of Performance, Financial Conditions, Perspectives, the main problems, and the ICEI of small-scale industry are available at www.cni.com.br/e_ppj

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