

INDUSTRIAL SURVEY

ECONOMIC INDICATORS **CNI**

CNI
Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

The Industry Continues to Identify Insufficient Domestic Demand as its Primary Challenge

In the third quarter of 2023, industrial entrepreneurs highlighted the primary issues as insufficient domestic demand, followed by the high tax load and high-interest rates. While these factors are traditionally acknowledged as having the most substantial impact on industrial activity, this quarter witnessed a reduction in the number of comments related to them. While the percentages associated with the three main problems fell over the quarters, most other problems listed increased, such as unfair competition and the lack or high cost of qualified workers.

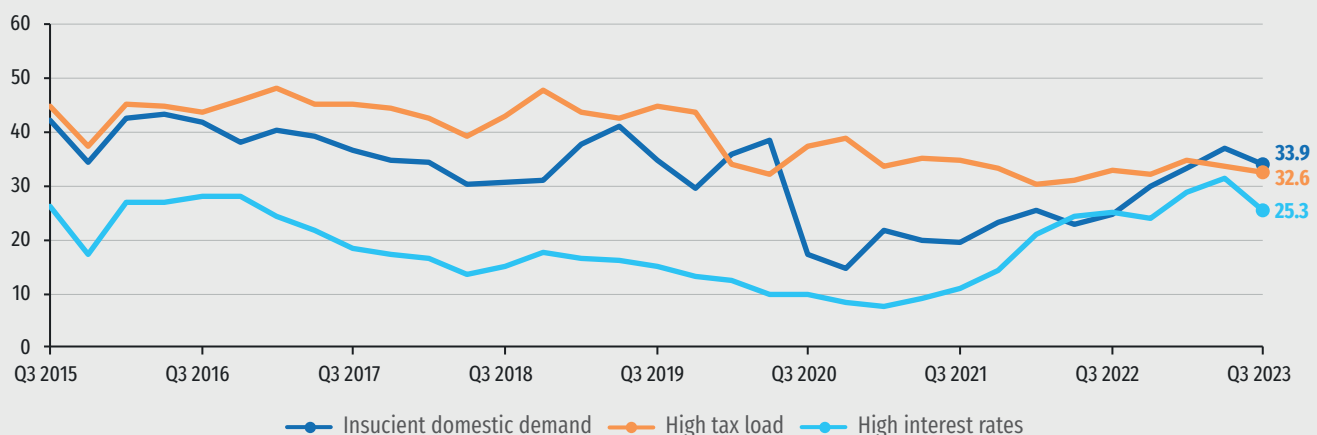
In this context, the impact on the industry was evident, as business owners reported a more pronounced decrease in production compared to previous years, a decline in the workforce, and deviations from planned inventory levels.

Furthermore, there was a deterioration in the perception of raw material prices, satisfaction with the financial condition of companies, and satisfaction with operating profit. The perception of ease of access to credit improved from the previous quarter.

Entrepreneurs' Expectations Remain Optimistic in October. Nevertheless, industrial entrepreneurs temper their optimism regarding demand and raw material procurement.

Main problems faced by the Industry

Percentage of mentions among the three main problems faced by the Industry in the quarter (%)*



*In the survey, the entrepreneur is asked to mention up to three real problems for their company. Thus, the sum of the percentages exceeds 100%. Presented here is the history of the three most frequently mentioned problems in the third quarter of 2023.

INDUSTRIAL PERFORMANCE IN SEPTEMBER 2023

Industrial Production and Employment Both Declined in September

The index that measures the evolution of industrial production reached 46.4 points in September 2023. With an index falling below the 50-point threshold, the data for the month indicates a reduction in production compared to August.

In recent months, the indicator has exhibited a pattern of alternating between increases and decreases. With the data observed in September, the index has returned to negative territory, following an upturn in production recorded in August.

The indicator now stands at 48.9 points, which is 2.5 points below the historical average for September in the series. While a decline in production from August to September is typical, the drop reported by business owners in September 2023 was more significant and widespread than usual.

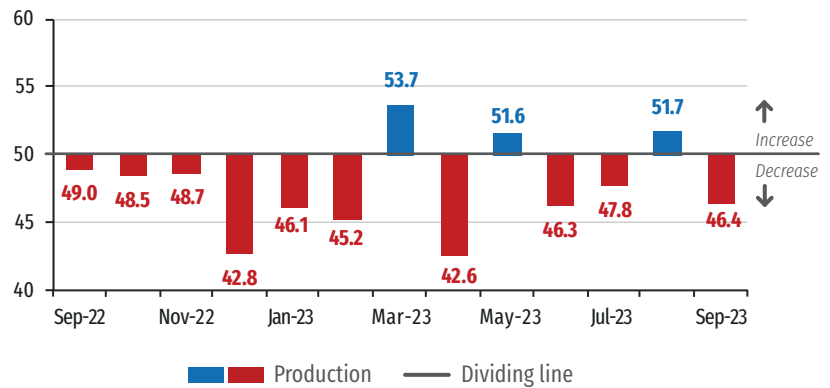
In the historical series that commenced in 2012, results lower than the current one for September have only been recorded in 2015 and 2016.

The Industry's number of employees variation index reached 49.3 points in September 2023. The score below the 50-point threshold indicates a reduction in the number of employees in September compared to August.

Despite falling below the dividing line, the indicator is 0.1 points above the historical average for September in the series, which is 49.2 points. This suggests that the decline observed in the month aligns with the expected seasonal pattern.

Variation of production

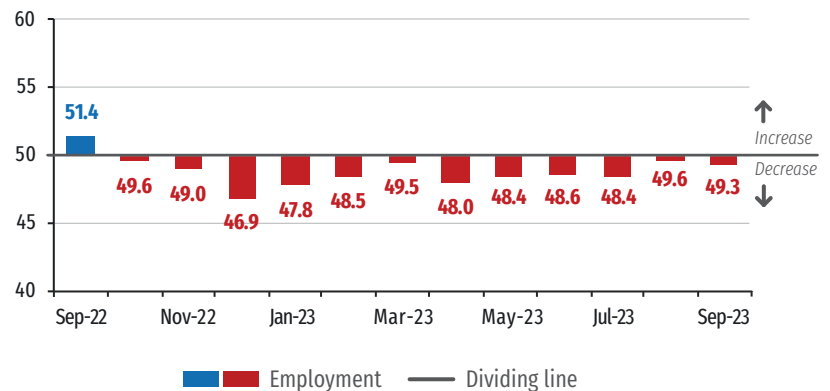
Diffusion index (0 to 100 points)*



*A score above 50 points indicates an increase in production compared to the previous month, while a score below 50 points indicates a decrease in production compared to the previous month. The further the point score is from 50 points, the greater and more widespread the variation.

Variation in the number of employees

Diffusion index (0 to 100 points)*



*A score above 50 points indicates an increase in employment compared to the previous month, while a score below 50 points indicates a decrease in employment compared to the previous month. The further the point score is from 50 points, the greater and more widespread the variation.

It's important to note, however, that the changes in September were not consistent across industries of various sizes. The index for the number of employees in large companies, which was already above the 50-point mark, increased from August to September. Consequently, the decrease in employment was primarily due to reductions in small and medium-sized companies.

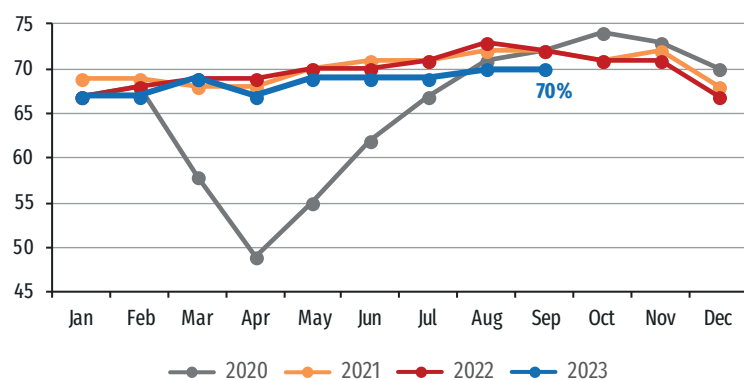
Capacity Utilization Remains Stable in September

Capacity utilization remained stable at 70% from August to September. The indicator stands at the same level as the historical average for September in the series, representing 70%. This indicates that the Average Capacity Utilization (UCI) remains within the anticipated range for this period.

The effective versus common capacity utilization index stood at 42.5 points in September, decreasing by 1.6 points compared to August's result. The index fell below the average for the corresponding months for the third consecutive month. In September, the gap compared to the monthly average was 1.1 points.

Average capacity utilization

Percentage (%)



Inventories Saw an Increase in September

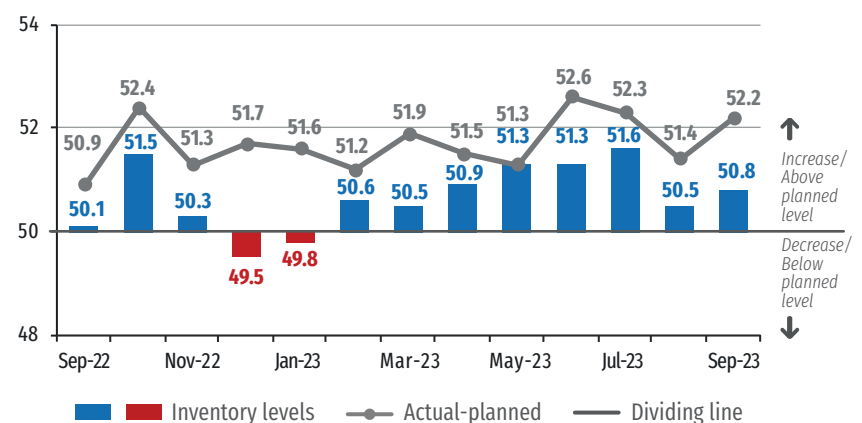
The general industry's indicator for changes in the level of finished product stocks reached 50.8 points in September. This result is above the 50-point threshold, indicating an increase in inventories from August to September. The indicator saw a modest 0.3-point increase from August to September, suggesting that the inventory growth rate during this period was not substantial.

It's important to note that the indicator's movement varies among industries of different sizes. The indicator increased for medium-sized and large companies, which were already above the 50-point threshold, while it declined for small companies.

The effective versus planned inventory index reached 52.2 points in September, increasing by 0.8 points compared to August's result. The shift between periods suggests that the inventory level has diverged from what had been planned for the period.

Variation in inventory levels and actual inventory against the planned level

Diffusion index (0 to 100 points)*



*A score above 50 points indicates an increase in inventory levels or that actual inventory is above planned levels. A score below 50 points indicates a decline in inventory levels or that actual inventory is below planned levels. The further the point score is from 50 points, the greater the change or the distance from planned levels.

FINANCIAL CONDITIONS OF THE INDUSTRY IN Q3 2023

Raw Material Prices Increased During the Quarter

In the third quarter of 2023, satisfaction with the operating profit indicator scored 45.3 points, falling below the critical threshold, indicating dissatisfaction among industrial entrepreneurs. Nonetheless, the quarter-to-quarter change was only 0.1 points, suggesting no significant deterioration in the overall scenario. The performance varied among companies of different sizes: small and large companies saw their indices drop by 0.5 and 0.7 points, respectively, while medium-sized companies recorded a gain of 1.6 points.

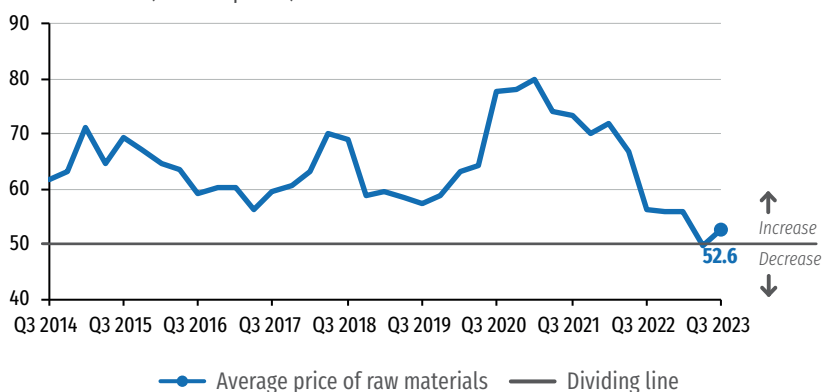
The satisfaction with the financial situation index reached 50.3 points, following a 0.5-point decrease between the second and third quarters of the year. The indicator remains above 50 points, indicating satisfaction with the financial situation of companies, although it is lower than in the previous quarter. Among different company sizes, all indices decreased by 0.5 points, with only the indicator for large companies remaining above the critical threshold.

The ease of access to credit indicator rose to 41.2 points in the third quarter, an increase of 0.4 points compared to the second quarter. This suggests a less intense and widespread perception of difficulty in accessing credit. However, this improvement was not observed in the case of small and large companies, whose indices dropped by 0.2 and 0.3 points, respectively. Only the index for medium-sized companies recorded a gain of 2.2 points.

The Raw Material Price Evolution Index reached 52.6 points in the third quarter of the year, indicating an increase in raw material prices. During the transition from the second to the third quarter, the indicator crossed the critical threshold, advancing by 3.1 points between the periods. Despite the increase, the indicator remains 11 points below the historical average of the series, which stands at 63.6 points.

Average price of raw materials

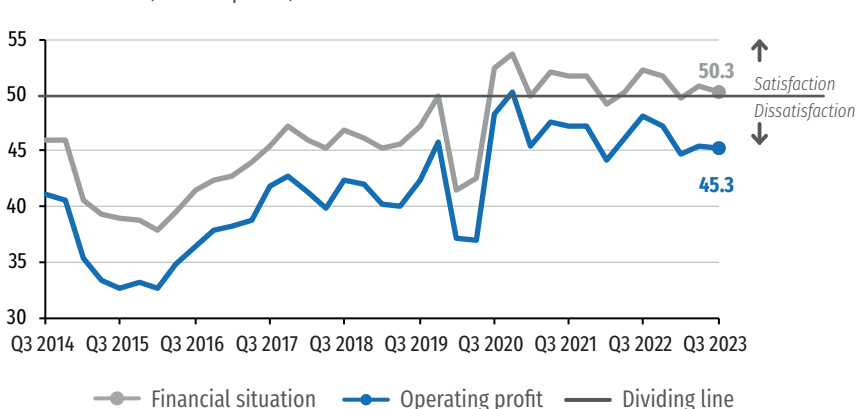
Diffusion index (0 to 100 points)*



* The index ranges from 0 to 100. A score above 50 points indicates an increase in the price of raw materials. A score below 50 points indicates a decrease in the price of raw materials.

Satisfaction with operating profit and financial situation

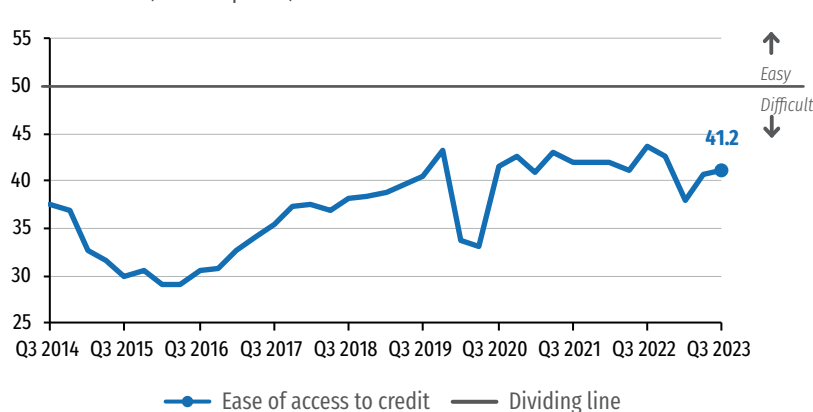
Diffusion index (0 to 100 points)*



* Satisfaction indices range from 0 to 100. A score above 50 points indicates satisfaction. A score below 50 indicates dissatisfaction.

Ease of access to credit

Diffusion index (0 to 100 points)*



* The index ranges from 0 to 100. A score above 50 points indicates easy access to credit. A score below 50 points indicates difficult access to credit.

PROBLEMS FACED BY THE INDUSTRY IN Q3 2023

The Primary Challenges Faced by the Industry Include High Taxes, Insufficient Domestic Demand, and Elevated Interest Rates

In the third quarter of 2023, industrial entrepreneurs identified insufficient domestic demand as the most significant issue confronting companies. The issue was mentioned by 33.9% of companies, after a drop of 3.1 percentage points (pp) compared to the previous quarter. This issue consistently ranks among the most frequently cited concerns and, in the third quarter, it remained among the top three industry challenges for the fourth consecutive semester.

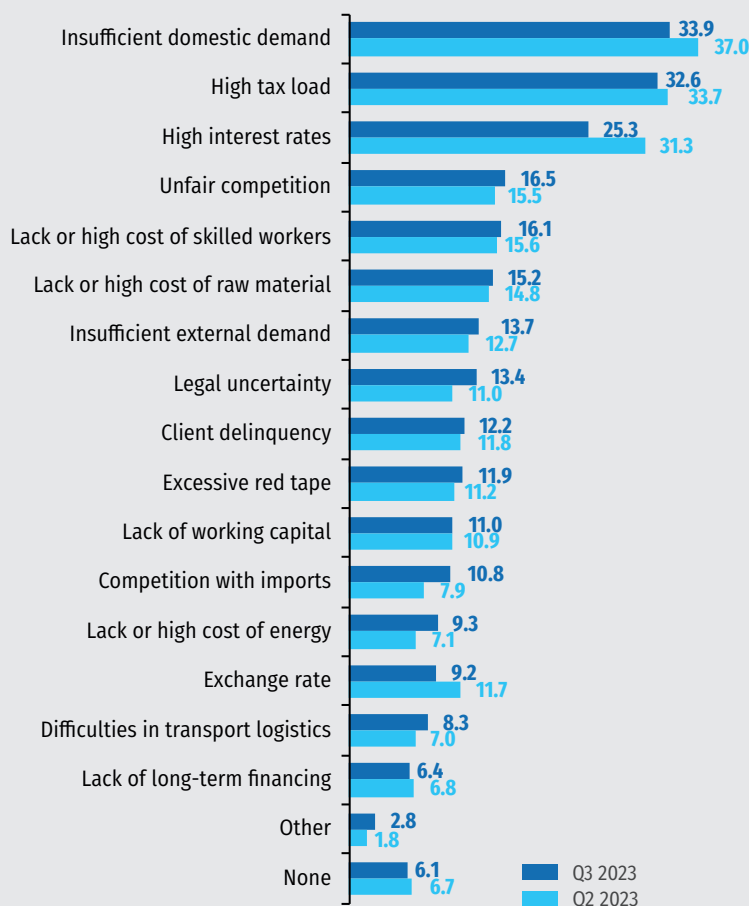
The second most frequently reported problem during the quarter was the high tax load, with 32.6% of industrial entrepreneurs citing it. Between the second and third quarters of the year, the percentage of companies reporting this issue decreased by 1.1 pp.

Finally, high-interest rates were the third most prominent concern for the industry in the third quarter, mentioned by 25.3% of industrial entrepreneurs. The percentage of comments decreased by 6 percentage points between the last two quarters. The improvement in this indicator is attributed to the series of interest rate reductions in the Selic, the economy's fundamental interest rate, initiated by the Central Bank in August 2023.

During the quarter, issues concerning unfair competition and the scarcity or high cost of qualified workers also took center stage. Small and medium-sized companies rated both concerns highly.

Main problems faced by the industry in the quarter

Percentage of total industries (%)*



*In the survey, the entrepreneur is asked to mention up to three real problems for his or her company. Thus, the sum of the percentages exceeds 100%.

INDUSTRIAL EXPECTATIONS IN OCTOBER 2023

Despite the Decrease in Indicators, Expectations Remain Positive

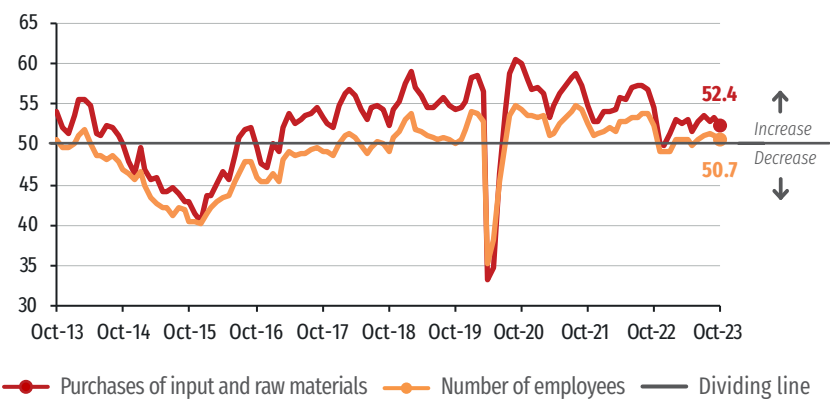
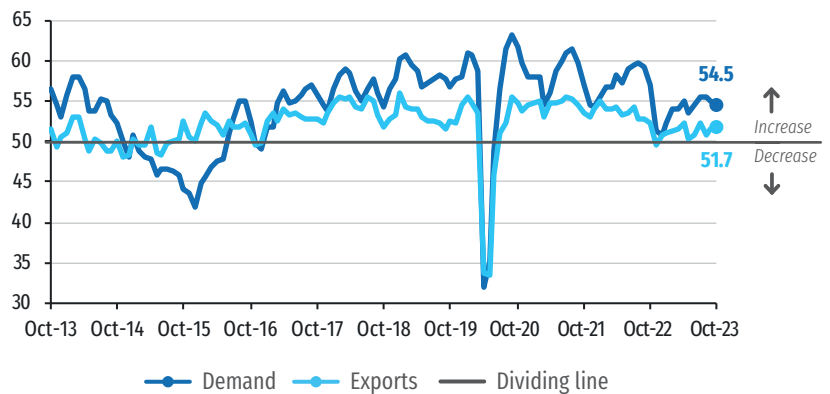
Most indicators of industrial entrepreneurs' expectations declined from September to October, except for the expectation index related to the quantity exported, which remained relatively stable. It's important to note that all these indicators remain above the 50-point threshold, indicating positive expectations among industrial entrepreneurs.

Following a 0.8-point decrease compared to September's expectations, the October raw materials purchasing expectations indicator reached 52.4 points. This figure is 1 point below the historical average for October in the series, which is 53.4 points. After falling by 0.6 points, the demand expectations index for October reached 54.5 points - 1.2 points below the average for the reference months in the series, of 55.7 points. As the indices are below the historical average for the period, they reflect a certain moderation in industrial optimism.

The export quantity expectations index rose by 0.1 points from September to October, reaching 51.7 points - the figure is equivalent to the average for October in the historical series, which means expectations align with those expected

Expectation indices

Diffusion index (0 to 100 points)*



*A score above 50 points indicates expectations of growth, while a score below 50 points indicates an expected decrease. The further the point score is from 50 points, the greater and more widespread the expected variation.

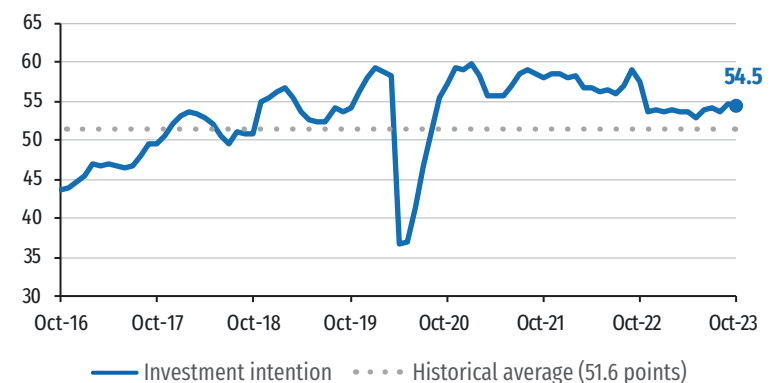
for the period. The indicator for the number of employees expected in October stood at 50.7 points, down 0.4 points from the expectation for September. The index recorded for the month is 0.4 points below the historical average for October.

Investment Intentions Among Industrial Entrepreneurs Remained Stable in October

The investment intention indicator for October reached 54.5 points after falling 0.1 points from the September result of 54.6 points. The indicator is 2.9 points above the series' historical average of 51.6 points.

Investment intention

Diffusion index (0-100 points)*



*The higher the index, the greater the industry's propensity to invest.

RESULTS

Financial conditions in the quarter

	OPERATING PROFIT MARGIN			AVERAGE PRICE OF RAW MATERIALS			FINANCIAL SITUATION			ACCESS TO CREDIT		
	Q3 2022	Q2 2023	Q3 2023	Q3 2022	Q2 2023	Q3 2023	Q3 2022	Q2 2023	Q3 2023	Q3 2022	Q2 2023	Q3 2023
General Industry	48.1	45.4	45.3	56.2	49.5	52.6	52.2	50.8	50.3	43.7	40.8	41.2
BY INDUSTRIAL SEGMENT												
Mining and quarrying	51.4	52.9	52.4	58.5	57.5	61.1	59.3	59.5	53.3	54.2	50.5	46.5
Manufacturing	47.9	45.1	45.0	56.1	49.3	52.4	52.0	50.5	50.1	43.3	40.6	41.0
BY SIZE												
Small ¹	44.8	42.1	41.6	59.4	51.9	55.3	47.5	45.4	44.9	40.1	37.6	37.4
Medium ²	46.2	42.7	44.3	57.1	50.6	54.7	51.7	49.7	49.2	43.2	39.2	41.4
Large ³	50.7	48.4	47.7	54.2	47.8	50.1	54.8	54.0	53.5	45.7	43.3	43.0

Indicators range from 0 to 100 points. A score above 50 points indicates satisfaction with the operating profit margin and financial status, easy access to credit, or an increase in the average price of raw materials. A score below 50 points indicates dissatisfaction with the operating profit margin and financial status, difficult access to credit, or a decrease in the average price of raw materials.

1 - Company with 10 to 49 employees. 2 - Company with 50 to 249 employees. 3 - Company with 250 or more employees.

Main problems in Industry

	GENERAL			SMALL			AVERAGE			LARGE		
	Q2 2023	Q3 2023		Q2 2023	Q3 2023		Q2 2023	Q3 2023		Q2 2023	Q3 2023	
Items	%	%	Position	%	%	Position	%	%	Position	%	%	Position
Insufficient domestic demand	37.0	33.9	1	31.4	26.8	2	37.7	35.8	2	39.4	36.5	1
High tax load	33.7	32.6	2	39.1	38.8	1	38.1	38.3	1	28.7	26.6	3
High-interest rates	31.3	25.3	3	26.6	21.8	5	28.5	24.5	3	35.0	27.5	2
Unfair competition	15.5	16.5	4	23.0	24.4	3	16.8	16.0	5	11.1	12.8	8
Lack or high cost of skilled workers	15.6	16.1	5	19.7	22.0	4	17.4	19.0	4	12.6	11.6	11
Lack or high cost of raw material	14.8	15.2	6	20.2	17.2	6	17.2	15.6	6	10.9	14.0	6
Insufficient external demand	12.7	13.7	7	6.7	8.3	12	10.2	9.2	14	16.9	18.8	4
Legal uncertainty	11.0	13.4	8	7.9	7.8	13	13.3	12.3	7	11.4	16.7	5
Client delinquency	11.8	12.2	9	15.8	14.7	7	12.2	11.8	9	9.7	11.1	12
Excessive red tape	11.2	11.9	10	11.3	11.6	10	11.3	10.1	11	11.1	13.0	7
Lack of working capital	10.9	11.0	11	12.6	14.4	8	11.1	12.3	7	9.9	8.7	14
Competition with imports	7.9	10.8	12	7.5	10.1	11	8.7	9.5	12	7.7	11.8	10
Lack or high cost of energy	7.1	9.3	13	10.2	11.9	9	8.7	10.3	10	4.8	7.5	15
Exchange rate	11.7	9.2	14	3.6	4.2	16	9.2	7.3	15	17.1	12.6	9
Difficulties in transport logistics	7.0	8.3	15	5.7	5.3	15	8.3	9.3	13	7.0	9.2	13
Lack of long-term financing	6.8	6.4	16	6.1	5.9	14	7.0	6.8	16	7.0	6.5	16
Other	1.8	2.8		1.4	2.1		2.0	3.2		1.9	2.9	
None	6.7	6.1		6.5	7.3		4.3	5.7		8.0	5.8	

Note: In the survey, the entrepreneur is asked to flag up to three real problems for his or her company. Thus, the sum of the percentages exceeds 100 100%.

RESULTS

Industry Performance

	PRODUCTION EVOLUTION			NUMBER OF EMPLOYEES EVOLUTION			CAPACITY UTILIZATION (%)			ACTUAL-USUAL CAPACITY UTILIZATION			INVENTORIES LEVELS EVOLUTION			ACTUAL-PLANNED INVENTORIES		
	Sep-22	Aug-23	Sep-23	Sep-22	Aug-23	Sep-23	Sep-22	Aug-23	Sep-23	Sep-22	Aug-23	Sep-23	Sep-22	Aug-23	Sep-23	Sep-22	Aug-23	Sep-23
Total	49.0	51.7	46.4	51.4	49.6	49.3	72	70	70	45.9	44.1	42.5	50.1	50.5	50.8	50.9	51.4	52.2
BY INDUSTRIAL ACTIVITY																		
Mining and quarrying	49.4	56.5	46.4	47.7	52.9	47.7	79	77	77	48.8	46.2	45.1	51.0	47.6	52.6	53.1	54.5	53.4
Manufacturing	48.9	51.6	46.4	51.5	49.4	49.3	72	70	70	45.7	44.0	42.4	50.1	50.6	50.8	50.8	51.3	52.1
BY COMPANY SIZE																		
Small ¹	49.4	48.8	46.0	50.7	48.6	48.1	66	63	63	46.2	42.9	41.6	49.0	49.4	49.0	48.1	47.0	48.3
Medium ²	48.1	50.7	46.0	51.2	49.4	48.7	70	68	67	45.0	42.3	41.4	50.3	51.3	51.9	49.8	51.6	52.1
Large ³	49.2	53.7	46.9	51.9	50.1	50.2	76	75	75	46.2	45.6	43.5	50.6	50.6	51.1	52.8	53.4	54.1

Indicators range from 0 to 100 points. A score above 50 points indicates an increase, above-planned inventories, or capacity utilization higher than usual. On the other hand, a score below 50 points suggests a decrease, lower-than-planned inventories, or a capacity utilization lower than usual.

1 - Company with 10 to 49 employees. 2 - Company with 50 to 249 employees. 3 - Company with 250 or more employees.

Industrial Expectations

	DEMAND			EXPORTS VOLUMES			PURCHASES OF RAW MATERIALS			NUMBER OF EMPLOYEES			INVESTMENT INTENTIONS*		
	Oct-22	Sep-23	Oct-23	Oct-22	Sep-23	Oct-23	Oct-22	Sep-23	Oct-23	Oct-22	Sep-23	Oct-23	Oct-22	Sep-23	Oct-23
Total	56.9	55.1	54.5	52.3	51.6	51.7	54.5	53.2	52.4	52.3	51.1	50.7	57.4	54.6	54.5
BY INDUSTRIAL ACTIVITY															
Mining and quarrying	56.8	53.4	53.2	55.9	57.6	59.2	52.2	51.3	53.1	51.0	54.2	53.1	64.8	66.8	68.0
Manufacturing	56.9	55.2	54.6	52.1	51.1	51.2	54.6	53.2	52.5	52.3	51.0	50.6	56.9	54.1	53.9
BY COMPANY SIZE															
Small ¹	56.0	55.0	53.2	51.9	51.9	48.9	54.2	53.4	51.9	52.1	51.1	49.5	44.3	41.0	40.3
Medium ²	56.8	53.9	53.2	52.9	51.0	51.1	55.1	52.6	51.4	52.2	51.4	49.7	56.1	52.9	52.4
Large ³	57.4	55.8	55.9	52.1	51.7	53.5	54.3	53.4	53.2	52.5	51.0	51.8	64.5	62.3	62.6

Indicators range from 0 to 100 points. A score above 50 points indicates expectations of growth, while a score below 50 points indicates an expected decrease.

*Indicator ranges from 0 to 100 points. The higher the index, the greater the industry's propensity to invest.

1 - Company with 10 to 49 employees. 2 - Company with 50 to 249 employees. 3 - Company with 250 or more employees.



Technical specifications

Sample profile

1,711 enterprises, including 709 small, 594 medium and 408 large companies.

Collection period

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Subscriptions: Customer Service - Phone: +55 (61) 3317-9992 - email: sac@cni.com.br

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