

SMALL INDUSTRY OVERVIEW

ECONOMIC INDICATORS **CNI**

CNI
Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

Small industries experienced a weaker end to 2023, but are optimistic about 2024

In December 2023, the average Performance Index of small industries was the weakest for the month of December since 2018. Considering the fourth quarter as a whole, performance was also below that observed in recent years.

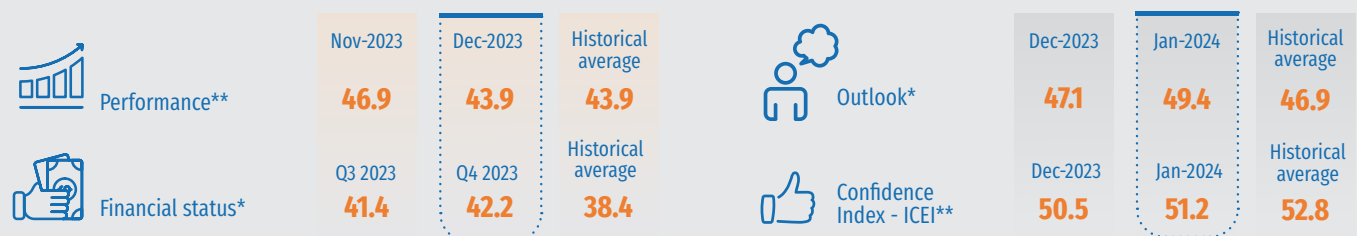
Despite the weak performance at the end of last year, small industries are entering 2024 with confidence,

as shown by the Industry Business Confidence Index (ICEI) for small industries. The outlook for this size of industry has also advanced at the beginning of 2024, marking better expectations for the start of the year.

Regarding the main problems, the high tax load continues to be the main problem faced by small manufacturing industries and in the quarter, it has also become the main problem in construction. For small construction companies, the problem of high interest rates is no longer at the top of the list of main problems, but remains a significant concern, in third place.

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

Diffusion indices (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-SCALE INDUSTRIES IN Q4 2023

Weaker end of the year for small industries

The Performance Index of small-scale industries fell 3.0 points in December, indicating a weaker end of the year for businesses of this size. The drop in the index compared to November is usual for the period, but the index stood at 43.9 points, the weakest result for the month of December since 2018. The indicator is calculated considering a weighting

between the volume of production, the use of the actual installed capacity relative to the usual, and the evolution of the number of employees. The higher the index, the better the performance in the period.

Considering the fourth quarter as a whole, the months of October and November also performed below what was recorded in recent years. Thus, the average index observed in the fourth quarter of 2023 was 45.9 points, also the weakest fourth quarter since 2018.

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.

SMALL-SCALE INDUSTRY FINANCIAL STATUS IN Q4 2023

Financial conditions of small industries are stable

The Financial Situation Index of small industries increased by 0.8 points in the fourth quarter of 2023, indicating an improvement in the financial conditions of small industrial entrepreneurs. The index takes into account satisfaction with the operational profit margin and the financial situation, as well as the evaluation of the ease of access to credit.

The higher the index, the better the financial situation of small businesses.

The advance from the third to the fourth quarter of 2023 is due to less dissatisfaction with the financial situation and a less negative perception of difficulties in accessing credit.

The index stands at 42.2 points in the fourth quarter, which can be considered positive when evaluated against the historical average of 38.4 points.

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.

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

SMALL INDUSTRIES MAIN PROBLEMS IN Q4 2023

High tax load once again tops the list of main problems for the construction industry

Among construction entrepreneurs, 26.9% marked the high tax load as one of the three main problems, an increase of 3.5 percentage points compared to the third quarter of 2023. With this increase, the problem moved to the top of the list of main problems, surpassing high interest rates and unfair competition, which occupied the first and second positions in the previous quarter.

The lack or high cost of skilled workers moved to the second place among the main problems of the construction industry (it was in fourth position in the previous quarter). The problem is one of the three main issues for 24.4% of small construction companies, 1.8 percentage points more than in the previous quarter. The issue of high interest rates is the third most significant problem, with a decrease of 11.2 percentage points compared to the third quarter, but it is still one of the three main problems for 23.5% of the small companies in the sector.

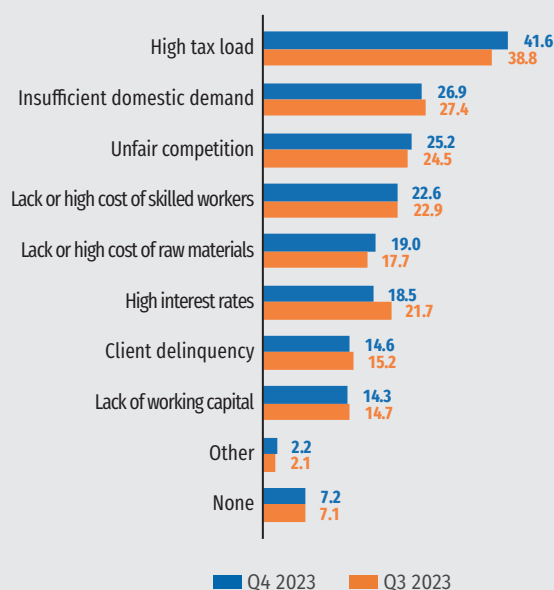
Among transformation industry entrepreneurs, the three main problems in the fourth quarter of 2023 were the same as in the previous quarter: high tax load, insufficient domestic demand, and unfair competition, in that order.

The high tax load was pointed out as one of the three main problems by 41.6% of the companies, an increase of 2.8 percentage points compared to the previous quarter. The high tax load has been the main obstacle for small transformation industry companies since the fourth quarter of 2022. Following this, insufficient domestic demand was mentioned by 26.9% of the companies as one of the three main problems in the fourth quarter of 2023, a decrease of 0.5 percentage points compared to

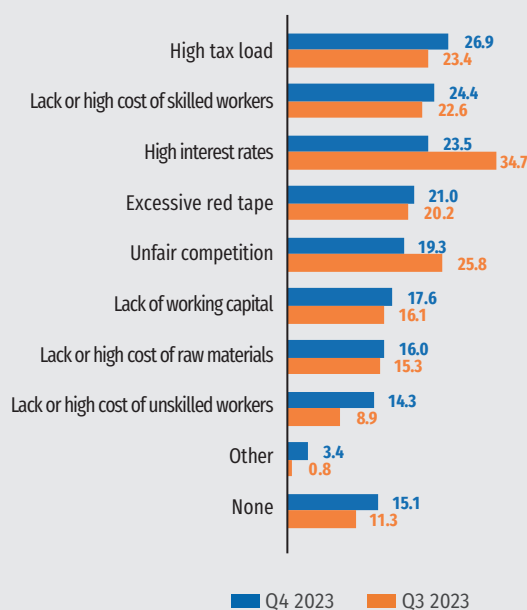
Main problems faced by Small Scale Industry

Percentage (%)

Manufacturing



Construction



* For the main problem question, the entrepreneur is presented with a list of options. The entrepreneur may choose to indicate up to three options.

the third quarter. Both high tax load and insufficient domestic demand are commonly among the top issues for small transformation companies.

In the third position of the ranking of main problems for small transformation

industry companies, unfair competition was pointed out by 25.2% of the companies as one of the three main issues, 0.7 percentage points more than in the third quarter. This is the third consecutive increase in the percentage of companies suffering from this problem. This percentage shows a growth trend since 2021.

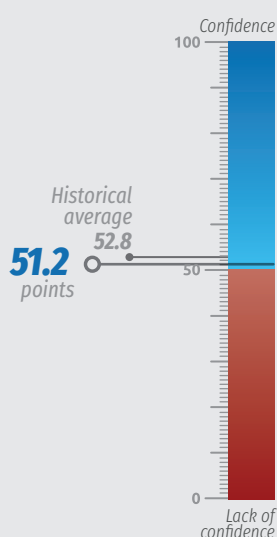
SMALL INDUSTRY CONFIDENCE AND OUTLOOK IN JANUARY 2024

Small industries are optimistic about 2024

Small industries are starting 2024 with an increase of 0.7 points in the Industry Business Confidence Index (ICEI), which now stands at 51.2 points. This is the third consecutive rise in the index.

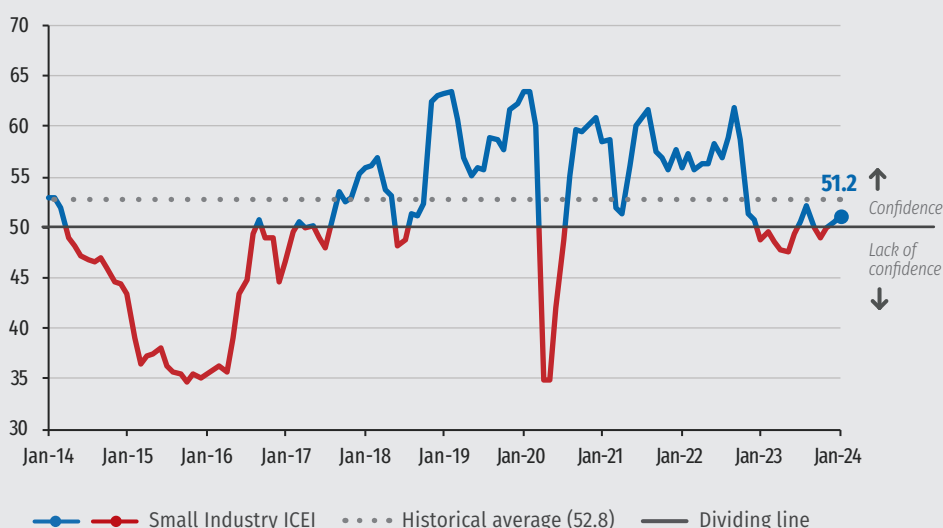
The ICEI, being above the 50-point line that separates confidence from lack of confidence, indicates that entrepreneurs of small businesses are confident at the beginning of 2024. This confidence is explained by the positive expectations for the next six months, while the assessment of the current conditions of the companies and the Brazilian economy compared to the last six months remains negative.

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.

Prospects improve

The Outlook Index for small industries, which captures the expectations of this size of business for the next six months, advanced 2.3 points to 49.4 points in January 2023. The index showed fluctuations throughout 2023, staying for most of the year close to the historical average. The rise in January moves the index away

from this level, showing that, in the entrepreneur's view, the prospects are more positive than usual.

The index takes into account the expectations of small business entrepreneurs regarding the evolution of demand (activity level, in the case of construction), expectation of the evolution of the number of employees, and intention to invest. The higher the index, the more positive the prospects of the small business entrepreneur.

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_ppi

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