

# CONSTRUCTION INDUSTRY SURVEY

ECONOMIC INDICATORS **CNI**

**CBIC**

**CNI**  
Brazilian National Confederation of Industry  
THE FUTURE OF INDUSTRY

## Despite impacts of the pandemic, business confidence and expectations are up

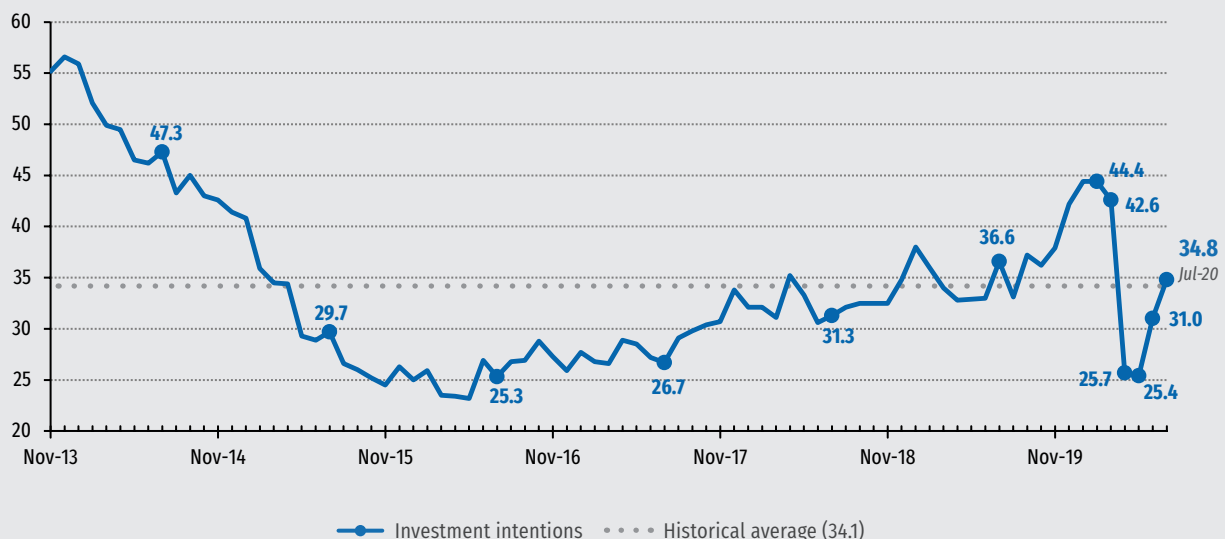
Despite the difficulties facing the sector, the indices measuring activity levels and number of employees grew in June, showing a less significant and widespread decline across the sector's companies.

Operating capacity utilization continues to rebound, but still points to sluggish activity.

An insufficient domestic demand, high tax burden and excessive red tape top the list of major problems faced by the sector in the quarter.

The future trend indicators – those measuring expectations, confidence and investment intentions – have shown an improvement. The ICEI-Construction Index is up, but it has not yet returned to a level that shows business confidence. Entrepreneurs are no longer showing largely negative expectations as in recent months, and already expect activity levels to hold steady over the next six months. They are also more willing to invest.

**Investment intentions index**  
Index (0-100 points)\*



\* The higher the index, the more industry is likely to invest.

## PERFORMANCE OF CONSTRUCTION INDUSTRY IN JUNE 2020

### Milder decline in activity and employment levels

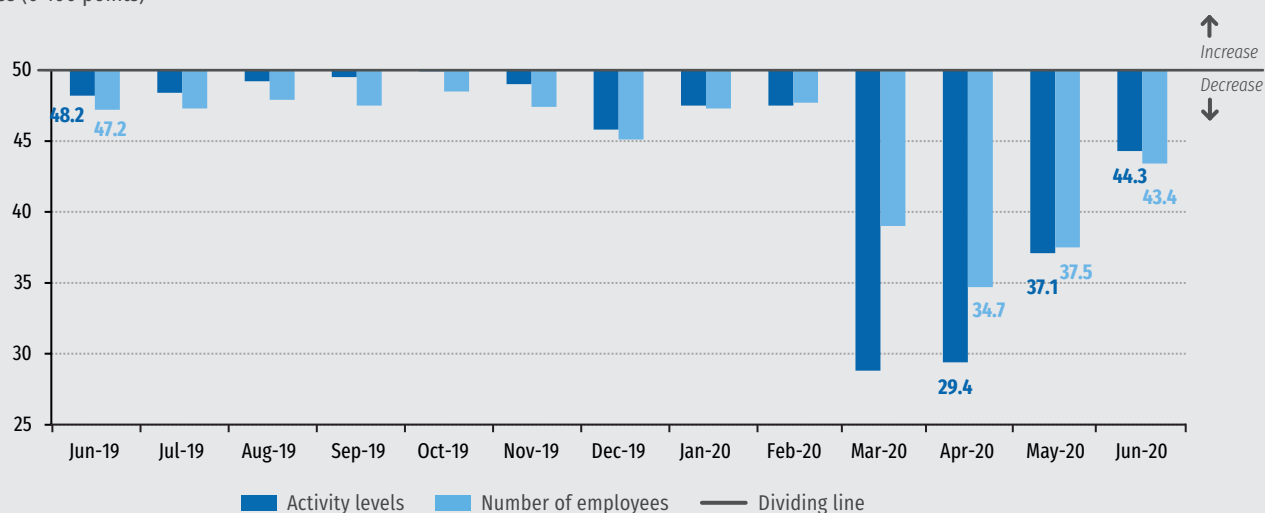
While the coronavirus pandemic remains in force, the indices measuring activity levels and number of employees showed better results in June as compared to May. The indicators still show a decline, but these are milder and less widespread across the sector than in previous months.

The indicator of activity levels edged up from 37.1 points in May to 44.3 points in June. Although it still indicates a decline, the index moved closer to the 50-point dividing line, suggesting a less marked drop than in previous months. The historical average for this index is 45.4 points.

The indicator measuring number of employees amounted to 43.4 points, approached the dividing line and is close to its 43.8-point historical average.

#### Indices of activity and number of employees

Indices (0-100 points)\*



\*Figures above 50 points indicate an increase in activity or employment levels. Figures below 50 points indicate a decline in activity and employment levels. The further away from 50 points, the greater and more widespread the change.

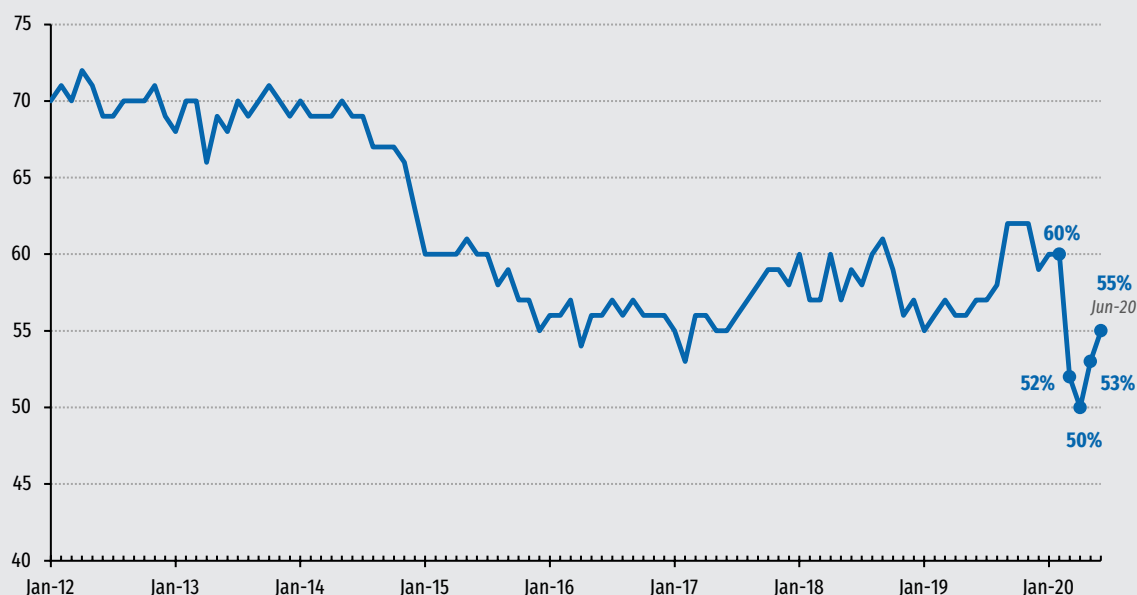


## Operating capacity utilization remains low

The operating capacity utilization rate experienced a small increase in June, but remains at a low level, indicating that the sector is sluggish and idle.

The indicator edged up by 2 percentage points on a month-over-month basis to 55% in June. Despite the improvement, spare capacity in the sector remains high and operating capacity utilization remains below its historical average of 61%. The indicator is 2 percentage points below the reading for June 2019.

**Operating capacity utilization**  
Percentage (%)



## FINANCIAL CONDITIONS OF CONSTRUCTION INDUSTRY IN THE SECOND QUARTER OF 2020

### Dissatisfaction with financial conditions

The crisis caused by the pandemic is still affecting businesses' financial conditions. The indicators measuring businesses' financial conditions remained unchanged in the second quarter at a level that indicates dissatisfaction.

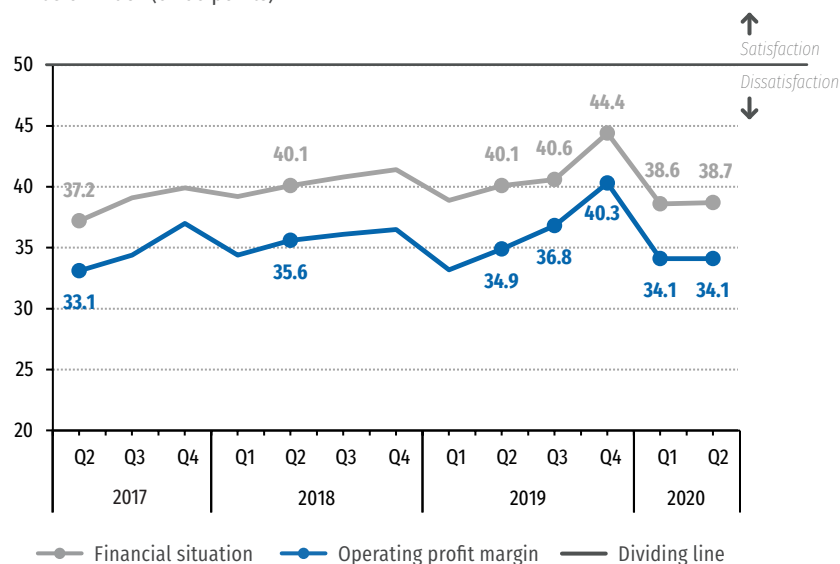
The financial situation indicator increased by 0.1 point from the first quarter, standing at 38.7 points in the second quarter. The series, which started in 2009, sits at an average of 44 points.

The index measuring satisfaction with profits held steady at 34.1 points, also below the 40.2-point average, and indicates dissatisfaction among entrepreneurs.

Companies are having an even harder time accessing credit. The index measuring ease of access to credit declined by 1.7 points in the second quarter on a quarter-over-quarter basis. The indicator remained well below the 50-point dividing line at 30.5 points.

#### Satisfaction with profits and financial situation

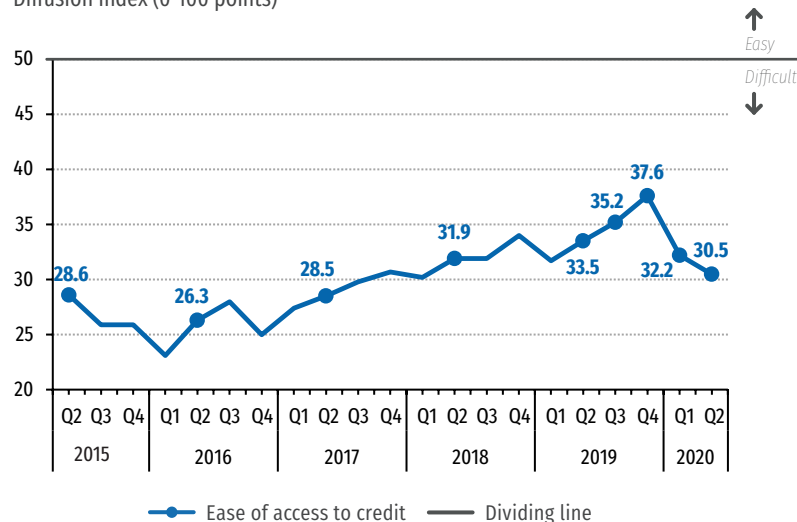
Diffusion index (0-100 points)\*



\* Figures above 50 points indicate satisfaction with profits and financial situation. Figures below 50 points indicate dissatisfaction with profits and financial situation. The further away from 50 points, the greater and more widespread the satisfaction or dissatisfaction.

#### Ease of access to credit

Diffusion index (0-100 points)\*



\* Figures above 50 points indicate easy access to credit. Figures below 50 points indicate difficult access to credit. The further away from 50 points, the greater and more widespread the difficulty or ease of accessing credit.



## PROBLEMS FACED BY CONSTRUCTION INDUSTRY IN THE SECOND QUARTER OF 2020

### Legal insecurity and red tape hinder construction activities

Insufficient domestic demand continued to top the list of major problems in the quarter, accounting for 32.8% of responses. Still as a result of social isolation, demand is expected to remain suppressed for the duration of the pandemic. A high tax burden remains one of the most cited problems and ranked second, followed by excessive red tape.

Among the problems facing construction entrepreneurs, excessive red tape and legal uncertainty were the ones that saw the greatest increase in number of responses as compared to the first quarter. Excessive red tape edged up from 26.6% to 28.4%, while legal insecurity grew from 13.6% to 16% of responses in the period.

On the other hand, weather conditions and a high tax burden were the problems that saw the steepest decline in number of responses. The issue of weather conditions decreased by 5.9 percentage points in the second quarter, which is expected due to the high rainfall levels in the first quarter. Meanwhile, the issue of high tax burden dropped by 5 percentage points and moved down to second place in the ranking of major problems, accounting for 31.8% of responses.

**Main problems faced by the construction industry in the quarter**  
As a percentage (%)\*



\* In the survey, entrepreneurs are asked to indicate up to three items representing the main problems faced for their companies, so the sum of the percentages exceeds 100%.

## CONSTRUCTION BUSINESS CONFIDENCE INDEX IN JULY 2020

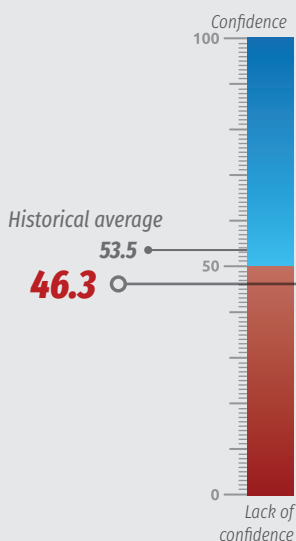
### Entrepreneurs are regaining confidence

The Construction Business Confidence Index (ICEI-Construction) grew by 3.7 points to 46.3 points in July. This marked the third consecutive rise in the index, after the sharp declines registered in March and April. Despite the recent recovery, the index continues to show lack of confidence among entrepreneurs

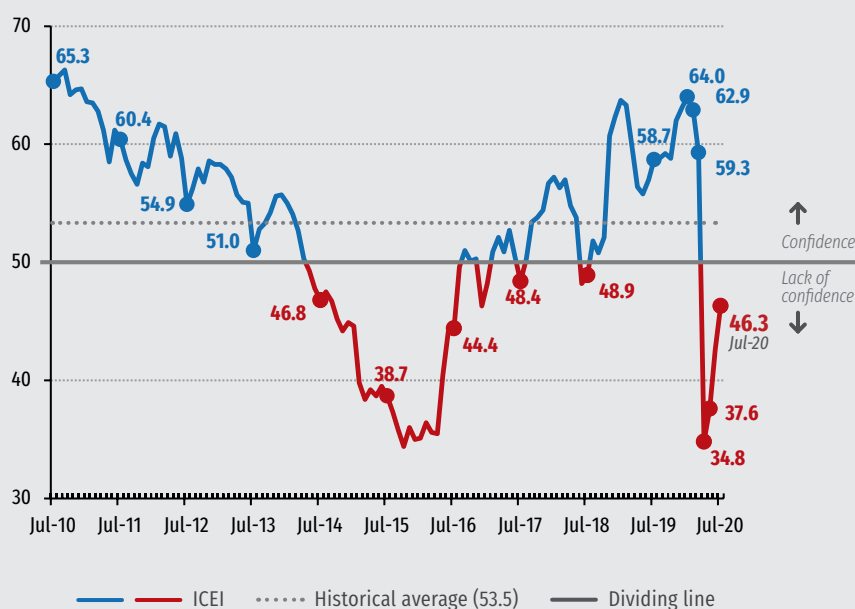
as it stands below the dividing line. It also remains below its 53.5-point historical average.

Among the components making up the ICEI-Construction index, the indicator measuring expectations edged up by 4.4 points, while the current conditions indicator rose by 2.3 points. This evolution suggests that despite the small improvement in current conditions, expectations for the coming months are more positive.

**ICEI Construction**  
Index (0-100 points)\*



**Historical series**  
Index (0-100 points)\*



\* Figures above 50 points indicate business confidence, and the further above 50 points, the greater and more widespread the confidence. \*Figures below 50 points indicate lack of business confidence, and the further below 50 points, the greater and more widespread the lack of confidence.



## INDUSTRY'S EXPECTATIONS IN JULY 2020

### Business expectations on an uptrend

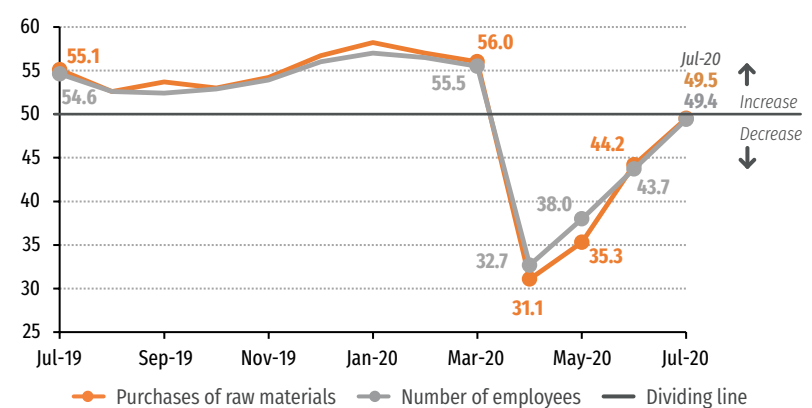
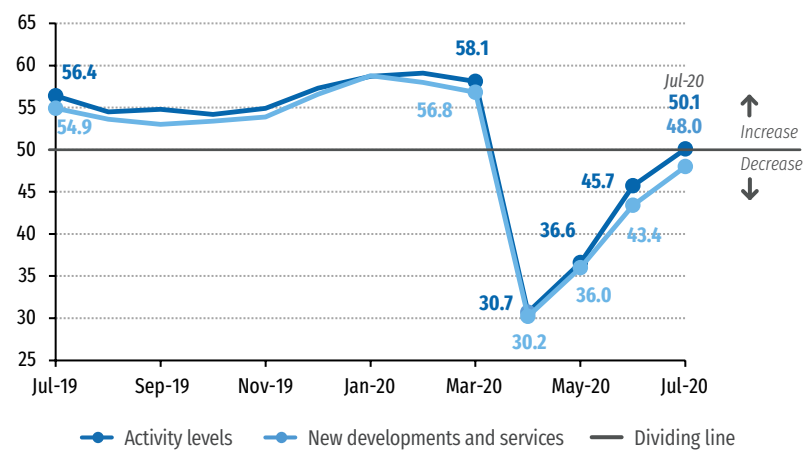
Most expectations indicators are very close to the 50-point dividing line between optimism and pessimism. Entrepreneurs are expecting activity levels to hold steady over the next six months and are no longer expecting to see significant declines.

The indices of expected purchases of inputs and raw materials and of expected number of employees stood at 49.5 and 49.4 points after growing respectively by 5.3 and 5.7 points.

The indicators measuring expected activity levels and expected new developments and services rose respectively by 4.4 and 4.6 points on a month-over-month basis. The indicator of expected activity levels amounted to 50.1 points, showing that expectations about the sector's activity for the coming months went from negative to neutral territory. The index measuring expected new developments and services in turn totaled 48 points, suggesting that entrepreneurs still expect number of new developments and services to fall over the next six months.

#### Expectation indices

Indices (0-100 points)\*



\* Figures above 50 points indicate an expected growth. Figures below 50 points indicate an expected decline. The further away from 50 points, the greater and more widespread the expected change.

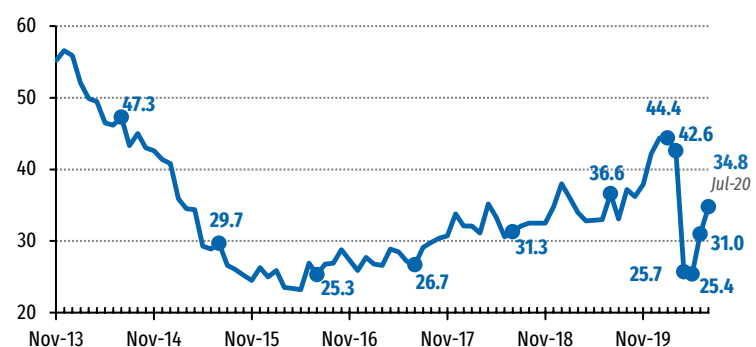
### July sees increase in investment intentions

Despite the negative impacts of the pandemic crisis on the sector's activities and financial conditions, the investment intentions indicator shows that entrepreneurs are more willing to invest.

Investment intentions increased by 3.8 points in July, amounting to 34.8 points and exceeding its historical average of 34.1 points. The index, however, is still a far cry from the pre-crisis period, when it was hovering around 40 points.

#### Investment intentions

Diffusion indices (0-100 points)\*



\* The higher the index, the more industry is likely to invest.

## RESULTS

### Construction industry performance

|                     | OPERATING CAPACITY UTILIZATION (%) <sup>1</sup> |             |             | ACTIVITY LEVEL INDEX <sup>2</sup> |             |             | ACTUAL-USUAL ACTIVITY LEVEL INDEX <sup>3</sup> |             |             | NUMBER OF EMPLOYEES INDEX <sup>2</sup> |             |             |
|---------------------|---|-------------|-------------|-----------------------------------|-------------|-------------|--|-------------|-------------|--|-------------|-------------|
|                     | Jun-19  | May-20      | Jun-20      | Jun-19                            | May-20      | Jun-20      | Jun-19   | May-20      | Jun-20      | Jun-19                                 | May-20      | Jun-20      |
| <b>CONSTRUCTION</b> | <b>57.0</b>                                     | <b>53.0</b> | <b>55.0</b> | <b>48.2</b>                       | <b>37.1</b> | <b>44.3</b> | <b>36.3</b>                                    | <b>26.6</b> | <b>30.3</b> | <b>47.2</b>                            | <b>37.5</b> | <b>43.4</b> |
| SMALL               | 50.0  | 48.0        | <b>51.0</b> | 44.5                              | 34.4        | <b>43.4</b> | 37.6   | 24.8        | <b>30.7</b> | 44.3                                   | 36.2        | <b>43.6</b> |
| MEDIUM              | 56.0  | 50.0        | <b>52.0</b> | 45.4                              | 33.0        | <b>42.9</b> | 35.9   | 22.5        | <b>27.3</b> | 44.3                                   | 36.1        | <b>40.7</b> |
| LARGE               | 61.0  | 57.0        | <b>59.0</b> | 51.2                              | 40.4        | <b>45.4</b> | 36.0   | 29.7        | <b>31.9</b> | 50.0                                   | 38.7        | <b>44.9</b> |

### Expectations of construction industry

| EXPECTATIONS INDEXES <sup>4</sup> |        |        |                               |        |        |                                       |        |        |                     |        |        |        | INVESTMENT INTENTIONS INDEX <sup>5</sup> |        |        |
|-----------------------------------|--------|--------|-------------------------------|--------|--------|---------------------------------------|--------|--------|---------------------|--------|--------|--------|--|--------|--------|
| ACTIVITY LEVEL                    |        |        | NEW DEVELOPMENTS AND SERVICES |        |        | PURCHASES OF INPUTS AND RAW MATERIALS |        |        | NUMBER OF EMPLOYEES |        |        |        |  |        |        |
|                                   | Jul-19 | Jun-20 | Jul-20                        | Jul-19 | Jun-20 | Jul-20                                | Jul-19 | Jun-20 | Jul-20              | Jul-19 | Jun-20 | Jul-20 | Jul-19                                   | Jun-20 | Jul-20 |
| CONSTRUCTION                      | 56.4   | 45.7   | 50.1                          | 54.9   | 43.4   | 48.0                                  | 55.1   | 44.2   | 49.5                | 54.6   | 43.7   | 49.4   | 36.6                                     | 31.0   | 34.8   |
| SMALL                             | 55.4   | 42.6   | 51.1                          | 54.0   | 41.7   | 48.6                                  | 54.3   | 40.2   | 48.7                | 52.5   | 41.7   | 49.4   | 34.5                                     | 28.8   | 34.9   |
| MEDIUM                            | 53.5   | 45.1   | 48.3                          | 51.2   | 41.0   | 47.1                                  | 51.6   | 42.6   | 48.2                | 51.0   | 42.4   | 47.9   | 34.3                                     | 30.6   | 32.9   |
| LARGE                             | 58.5   | 47.1   | 50.8                          | 57.3   | 45.3   | 48.2                                  | 57.4   | 46.5   | 50.5                | 57.5   | 45.1   | 50.3   | 38.7                                     | 32.0   | 35.9   |

### Construction Business Confidence Index (ICEI - Construction) and its components

|                     | ICEI - CONSTRUCTION <sup>6</sup> |             |             | CURRENT CONDITIONS <sup>7</sup> |             |             | EXPECTATIONS <sup>8</sup> |             |             |
|---------------------|----------------------------------|-------------|-------------|---------------------------------|-------------|-------------|---------------------------|-------------|-------------|
|                     | Jul-19                           | Jun-20      | Jul-20      | Jul-19                          | Jun-20      | Jul-20      | Jul-19                    | Jun-20      | Jul-20      |
| <b>CONSTRUCTION</b> | <b>58.7</b>                      | <b>42.6</b> | <b>46.3</b> | <b>48.1</b>                     | <b>30.1</b> | <b>32.4</b> | <b>64.0</b>               | <b>48.9</b> | <b>53.3</b> |
| SMALL               | 56.5                             | 41.1        | <b>46.0</b> | 45.8                            | 28.2        | <b>34.8</b> | 61.8                      | 47.5        | <b>51.6</b> |
| MEDIUM              | 57.0                             | 42.7        | <b>46.5</b> | 45.5                            | 28.4        | <b>32.2</b> | 62.9                      | 49.8        | <b>53.6</b> |
| LARGE               | 60.4                             | 43.2        | <b>46.3</b> | 50.4                            | 31.7        | <b>31.6</b> | 65.4                      | 48.9        | <b>53.7</b> |

1 - The indicator varies in the 0%-100% interval. Series started in January 2012.

2 - The indicator varies in the 0-100 interval. Figures above 50 points indicate growth.

3 - The indicator varies in the 0-100 interval. Figures above 50 points indicate higher-than-usual activity levels.

4 - The indicator varies in the 0-100 interval. Figures above 50 points indicate positive expectations.

5 - The indicator varies in the 0-100 interval. The higher the index, the greater the willingness to invest.

6 - The ICEI varies in the 0-100 interval. Figures above 50 points indicate business confidence.

7 - The indicator varies in the 0-100 interval. Figures above 50 points values indicate a better situation as compared to the last six months.

8 - The indicator varies in the 0-100 interval. Figures above 50 points indicate optimistic expectations for the next six months.

### Financial conditions in the quarter

|                     | PROFITS     |             |             | AVERAGE PRICE OF RAW MATERIALS |             |             | FINANCIAL SITUATION |             |             | ACCESS TO CREDIT |             |             |
|---------------------|-------------|-------------|-------------|--------------------------------|-------------|-------------|---------------------|-------------|-------------|------------------|-------------|-------------|
|                     | Q2 2019     | Q1 2020     | Q2 2020     | Q2 2019                        | Q1 2020     | Q2 2020     | Q2 2019             | Q1 2020     | Q2 2020     | Q2 2019          | Q1 2020     | Q2 2020     |
| Total               | <b>34.9</b> | <b>34.1</b> | <b>34.1</b> | <b>55.8</b>                    | <b>55.6</b> | <b>58.5</b> | <b>40.1</b>         | <b>38.6</b> | <b>38.7</b> | <b>33.5</b>      | <b>32.2</b> | <b>30.5</b> |
| BY SIZE             |             |             |             |                                |             |             |                     |             |             |                  |             |             |
| Small <sup>1</sup>  | 35.3        | 31.9        | <b>35.2</b> | 54.8                           | 57.2        | <b>59.1</b> | 38.4                | 35.2        | <b>38.4</b> | 31.0             | 32.4        | <b>31.7</b> |
| Medium <sup>2</sup> | 35.4        | 33.2        | <b>32.7</b> | 57.4                           | 57.7        | <b>61.4</b> | 39.8                | 37.6        | <b>37.3</b> | 36.1             | 33.7        | <b>31.3</b> |
| Large <sup>3</sup>  | 34.5        | 35.5        | <b>34.5</b> | 55.3                           | 53.8        | <b>56.7</b> | 40.8                | 40.4        | <b>39.7</b> | 32.9             | 31.3        | <b>29.6</b> |

The indicators range in the 0-100 interval. Figures above 50 points indicate satisfaction with profits and with financial conditions, easy access to credit or an increase in the average price of raw materials. Figures below 50 points indicate dissatisfaction with profits and with financial conditions, difficult access to credit or a decrease in the average price of raw materials.

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



## Main problems

|  | CONSTRUCTION |                      |  | SMALL   |                      |  | MEDIUM  |                       |  | LARGE   |                      |  |
|--|--------------|----------------------|--|---------|----------------------|--|---------|-----------------------|--|---------|----------------------|--|
|  | Q1 2020      | Q2 2020              |  | Q1 2020 | Q2 2020              |  | Q1 2020 | Q2 2020               |  | Q1 2020 | Q2 2020              |  |
| ITEMS  | %            | % Ranking            |  | %       | % Ranking            |  | %       | % Ranking             |  | %       | % Ranking            |  |
| High tax burden  | 32.9         | <b>32.8</b> <b>1</b> |  | 28.8    | <b>33.5</b> <b>2</b> |  | 30.2    | <b>31.3</b> <b>3</b>  |  | 36.0    | <b>34.0</b> <b>1</b> |  |
| Insufficient domestic demand                           | 36.8         | <b>31.8</b> <b>2</b> |  | 37.4    | <b>34.2</b> <b>1</b> |  | 35.8    | <b>32.3</b> <b>1</b>  |  | 37.2    | <b>29.9</b> <b>2</b> |  |
| Lack of working capital                                | 26.6         | <b>28.4</b> <b>3</b> |  | 26.6    | <b>27.3</b> <b>3</b> |  | 28.5    | <b>32.3</b> <b>1</b>  |  | 25.6    | <b>24.7</b> <b>4</b> |  |
| Excessive red tape                                     | 26.9         | <b>25.0</b> <b>4</b> |  | 21.6    | <b>23.6</b> <b>4</b> |  | 24.6    | <b>25.1</b> <b>4</b>  |  | 30.2    | <b>25.8</b> <b>3</b> |  |
| Client delinquency                                     | 25.3         | <b>22.0</b> <b>5</b> |  | 23.7    | <b>19.9</b> <b>6</b> |  | 25.7    | <b>22.6</b> <b>5</b>  |  | 25.6    | <b>22.7</b> <b>5</b> |  |
| High interest rates                                    | 20.4         | <b>17.7</b> <b>6</b> |  | 25.9    | <b>23.0</b> <b>5</b> |  | 17.9    | <b>13.3</b> <b>8</b>  |  | 19.8    | <b>19.6</b> <b>7</b> |  |
| Lack of long-term funding                              | 13.6         | <b>16.0</b> <b>7</b> |  | 10.1    | <b>8.1</b> <b>11</b> |  | 11.2    | <b>14.4</b> <b>6</b>  |  | 16.3    | <b>22.7</b> <b>5</b> |  |
| Legal uncertainty                                      | 14.6         | <b>15.3</b> <b>8</b> |  | 18.7    | <b>14.3</b> <b>8</b> |  | 8.9     | <b>13.8</b> <b>7</b>  |  | 16.3    | <b>17.5</b> <b>8</b> |  |
| Weather conditions                                     | 15.7         | <b>12.2</b> <b>9</b> |  | 13.7    | <b>9.9</b> <b>10</b> |  | 24.0    | <b>13.3</b> <b>8</b>  |  | 11.6    | <b>12.4</b> <b>9</b> |  |
| Unfair competition (informality, smuggling, etc.)      | 8.3          | <b>9.6</b> <b>10</b> |  | 11.5    | <b>16.8</b> <b>7</b> |  | 8.4     | <b>9.7</b> <b>11</b>  |  | 7.0     | <b>5.2</b> <b>13</b> |  |
| Lack or high cost of raw materials                     | 8.1          | <b>9.5</b> <b>11</b> |  | 3.6     | <b>12.4</b> <b>9</b> |  | 6.7     | <b>10.8</b> <b>10</b> |  | 10.5    | <b>6.2</b> <b>11</b> |  |
| Lack or high cost of skilled workers                   | 7.8          | <b>6.0</b> <b>12</b> |  | 9.4     | <b>6.2</b> <b>13</b> |  | 6.1     | <b>5.6</b> <b>12</b>  |  | 8.1     | <b>6.2</b> <b>11</b> |  |
| Lack or high cost of unskilled workers                 | 6.0          | <b>5.5</b> <b>13</b> |  | 7.9     | <b>7.5</b> <b>12</b> |  | 5.0     | <b>4.6</b> <b>13</b>  |  | 5.8     | <b>5.2</b> <b>13</b> |  |
| Difficulties in transportation logistics (roads, etc.) | 5.0          | <b>5.3</b> <b>14</b> |  | 2.9     | <b>4.3</b> <b>14</b> |  | 5.0     | <b>4.1</b> <b>14</b>  |  | 5.8     | <b>7.2</b> <b>10</b> |  |
| Environmental licensing                                | 4.9          | <b>3.7</b> <b>15</b> |  | 4.3     | <b>3.1</b> <b>15</b> |  | 5.6     | <b>3.6</b> <b>15</b>  |  | 4.7     | <b>4.1</b> <b>16</b> |  |
| Lack or high cost of energy                            | 8.9          | <b>3.0</b> <b>16</b> |  | 10.1    | <b>1.2</b> <b>16</b> |  | 3.4     | <b>2.1</b> <b>17</b>  |  | 11.6    | <b>5.2</b> <b>13</b> |  |
| Lack or high cost of support equipment                 | 0.4          | <b>1.9</b> <b>17</b> |  | 1.4     | <b>1.9</b> <b>17</b> |  | 0.6     | <b>2.6</b> <b>16</b>  |  | 0.0     | <b>1.0</b> <b>17</b> |  |
| Availability of land                                   | 1.7          | <b>1.2</b> <b>18</b> |  | 0.0     | <b>0.0</b> <b>19</b> |  | 1.7     | <b>2.1</b> <b>17</b>  |  | 2.3     | <b>1.0</b> <b>17</b> |  |
| Others   | 0.3          | <b>1.1</b> <b>19</b> |  | 0.0     | <b>1.2</b> <b>18</b> |  | 1.1     | <b>2.1</b> <b>17</b>  |  | 0.0     | <b>0.0</b> <b>19</b> |  |
| None   | 3.3          | <b>6.1</b> <b>-</b>  |  | 3.6     | <b>6.2</b> <b>-</b>  |  | 5.0     | <b>5.1</b> <b>-</b>   |  | 2.3     | <b>7.2</b> <b>-</b>  |  |

Note: The sum of percentages exceeds 100% because each company may indicate up to three items.



### Technical specifications

#### Sample profile

453 enterprises, including 159 small, 196 medium and 98 large companies.

#### Data collection period

July, 1-13, 2020.

Document closed by July 23, 2020.



### Learn more

For more information on the survey, including sectoral results, previous editions, methodology and historical series, visit: [www.cni.com.br/e\\_sondconstr](http://www.cni.com.br/e_sondconstr)

**CONSTRUCTION INDUSTRY SURVEY** | English version of "Sondagem Indústria da Construção Junho 2020" | Monthly Publication of the National Confederation of Industry - CNI | [www.cni.com.br](http://www.cni.com.br) | Industrial Development Board - DDI | Economics Department - ECON | Executive manager: Renato da Fonseca | Economic Analysis Unit - GAE | Manager: Marcelo Souza Azevedo | Analysis: Dea Fioravante | Statistics Unit | Manager: Edson Velloso | Team: Aretha Silícia Lopez Soares, Roxana Rossy Campos and Ieda Vasconcelos (CBIC) | Editing Unit - CDIV | Coordinator: Carla Gadelha | Graphic Design: Simone Marcia Broch

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

This publication may be copied, provided that the source is mentioned.

