

CONSTRUCTION INDUSTRY SURVEY

ECONOMIC INDICATORS **CNI**

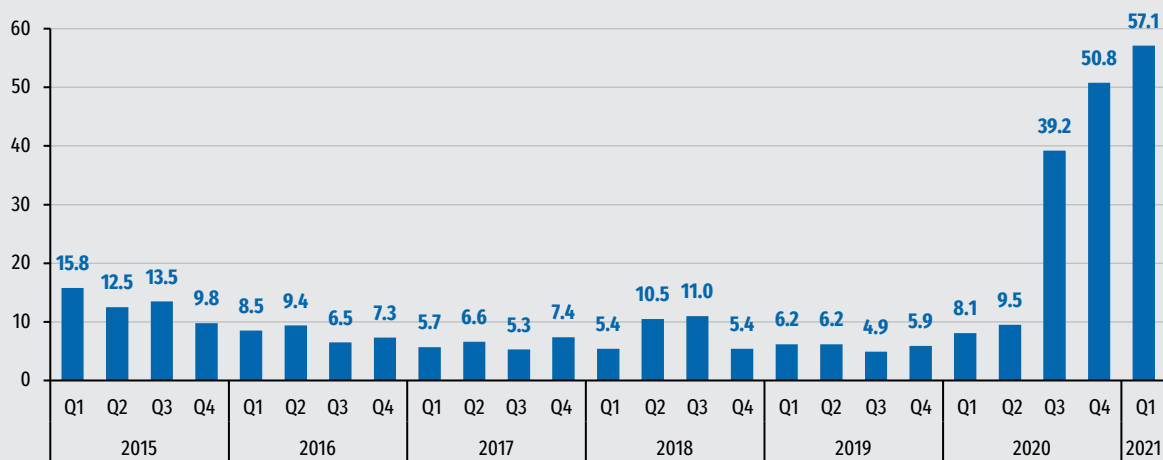


Construction activity is affected by shortage of raw materials and price increases

The shortage or high cost of inputs and raw materials became even more widespread in the first quarter of 2021 in Brazilian Construction Industry, accompanied by dissatisfaction with the financial situation. Business confidence and intention to invest also accumulated drops.

Activity and employment levels declined again in March 2021 in relation to February, and their indices remain lower than the usual figure for the month. Despite remaining at a positive level, expectations continue to lose intensity.

Brazilian Construction companies that listed lack or high cost of inputs as one of the main problems faced
Percentage (%)



PERFORMANCE OF THE CONSTRUCTION INDUSTRY IN MARCH 2021

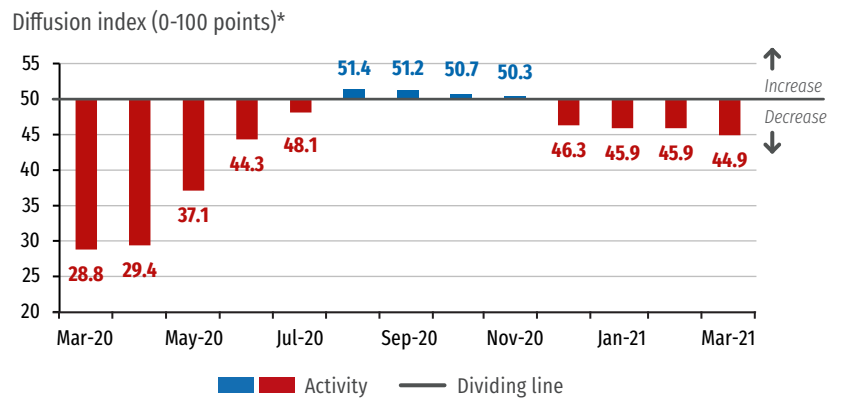
Activity and employment levels reinforce a downward trend

The activity and employment levels dropped again in March, remaining below the 50-point dividing line and thus indicating a decline in relation to February. Both indices, which remained relatively stable between December and February, recorded a sharper decline in March, indicating a period of greater difficulty in the resumption of activities.

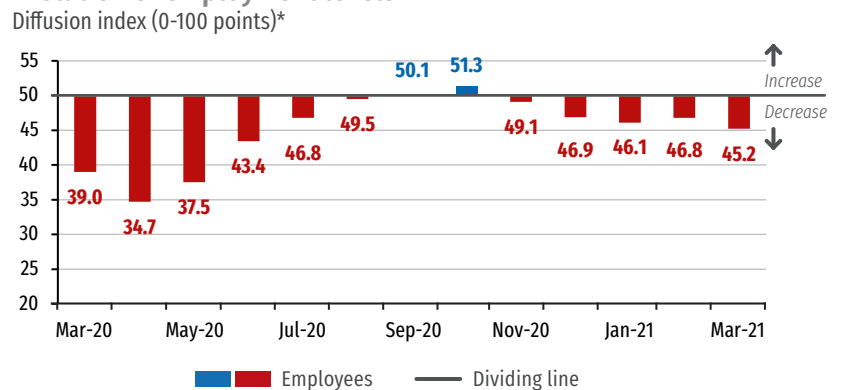
The index measuring activity levels stood at 44.9 points in March 2021. This figure is below the average for the month, that is, it indicates a drop in activity, in relation to February, sharper than the one typically expected for the third month of the year. The average for this month from 2010 to 2019 was 46.4 points, 1.5 points higher than the current figure. The index recorded in March 2020, which was strongly affected by the pandemic, stood at 28.8 points, 16.1 points lower than the current one.

The index measuring the number of employees hit 45.2 points in March 2021, below the 50-point dividing line, but above the average for March. The average for this month from 2011 to 2019 was 44.5, 0.7 points below the current figure. When compared to February, the index dropped by 1.6 points, indicating a sharper downturn.

Evolution of activity levels



Evolution of employment levels



*Figures above 50 points indicate an increase in activity levels or number of employees. 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.

Usual activity level for the month confirms slowdown

The actual-usual activity level index confirms a slowdown in Construction activity. With a drop of 1.9 points in relation to February, when the index stood at 39.8 points, the index recorded 37.9 points in March. Compared to the same month of 2020, the index increased by 12.4 points in 12 months, from 25.5

points. However, this growth should be analyzed with caution, since that was an atypical month, strongly affected by the crisis caused by the pandemic.

Operating Capacity Utilization stabilized at 61%, the same level recorded in the first two months of 2021 and 9 percentage points higher than March 2020, when the index was strongly affected by the pandemic.

Actual-usual activity level

Diffusion index (0-100 points)*



*Figures above 50 points indicate higher than usual activity levels. Figures below 50 points indicate lower than usual activity levels. The further away from 50 points, the greater and more widespread is the difference from usual activity levels.



FINANCIAL CONDITIONS OF THE CONSTRUCTION INDUSTRY IN THE FIRST QUARTER OF 2021

Dissatisfaction with the financial situation in the first quarter of 2021

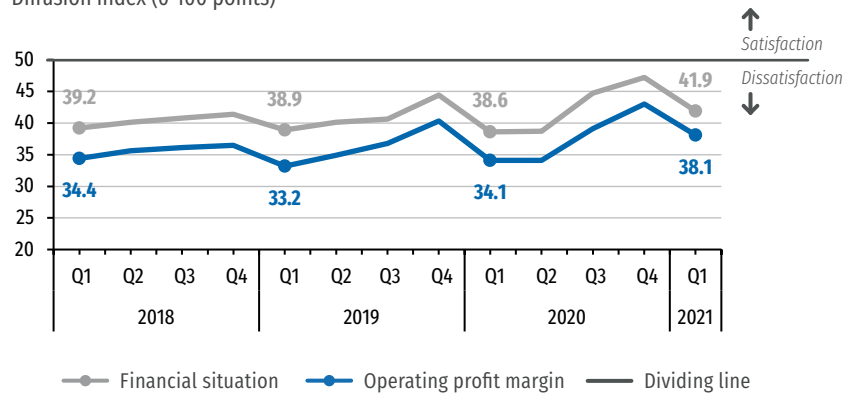
The index measuring satisfaction with the financial situation fell 5.3 points in relation to the fourth quarter of 2020, and increased 3.3 points in relation to the first quarter of 2020, standing at 41.9 points, below its historical average of 44.0. Similarly, the index measuring satisfaction with the operating profit margin also fell 4.9 points in relation to the last quarter of 2020. This index, which stood at 38.1 points, is also below its historical average of 44.0 points.

This behavior is driven in part by the increase in the average price of inputs and raw materials recorded since the second half of 2020. The index measuring the average price of inputs and raw materials in the quarter reached 76.7 points in the current quarter, an increase of 21.1 points in relation to the same quarter of 2020.

The index measuring ease of access to credit, in turn, closed the first quarter at 33.9 points, 16.1 points below the 50-point dividing line. This index dropped 3.0 points in relation to the last quarter and the positive change was small compared to the moment when the pandemic had a strong impact last year, that is, only 1.7 points higher than the first quarter of 2020.

Satisfaction with profits and financial situation

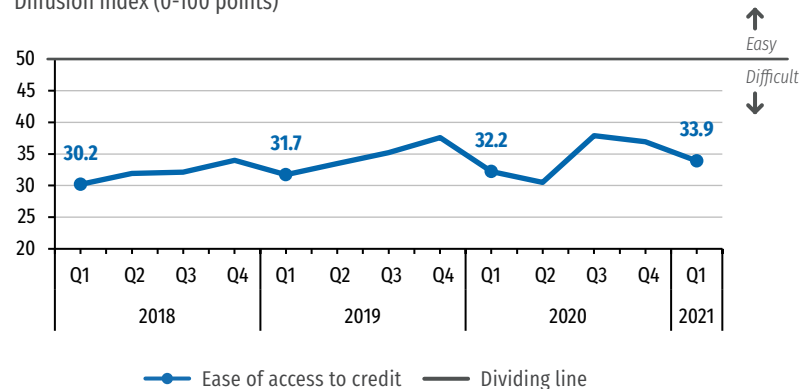
Diffusion index (0-100 points)*



* 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

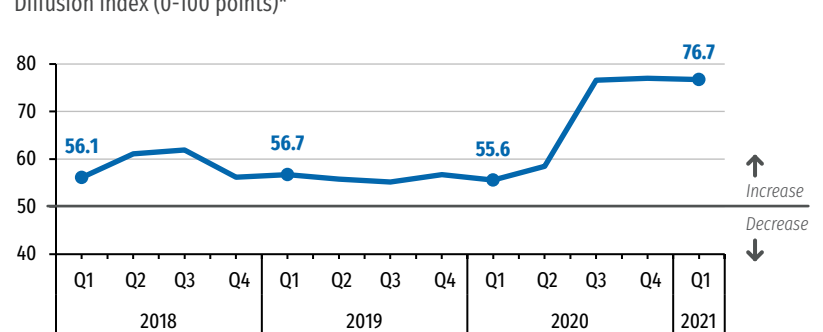
Diffusion index (0-100 points)*



* 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.

Average price of inputs and raw materials in the quarter

Diffusion index (0-100 points)*



* Figures above 50 points indicate raw materials price increase compared to the previous quarter. Figures below 50 points indicate raw materials price decrease compared to the previous quarter. The further away from 50 points, the greater is the raw materials price change.

PROBLEMS FACED BY CONSTRUCTION INDUSTRY IN THE FIRST QUARTER OF 2021

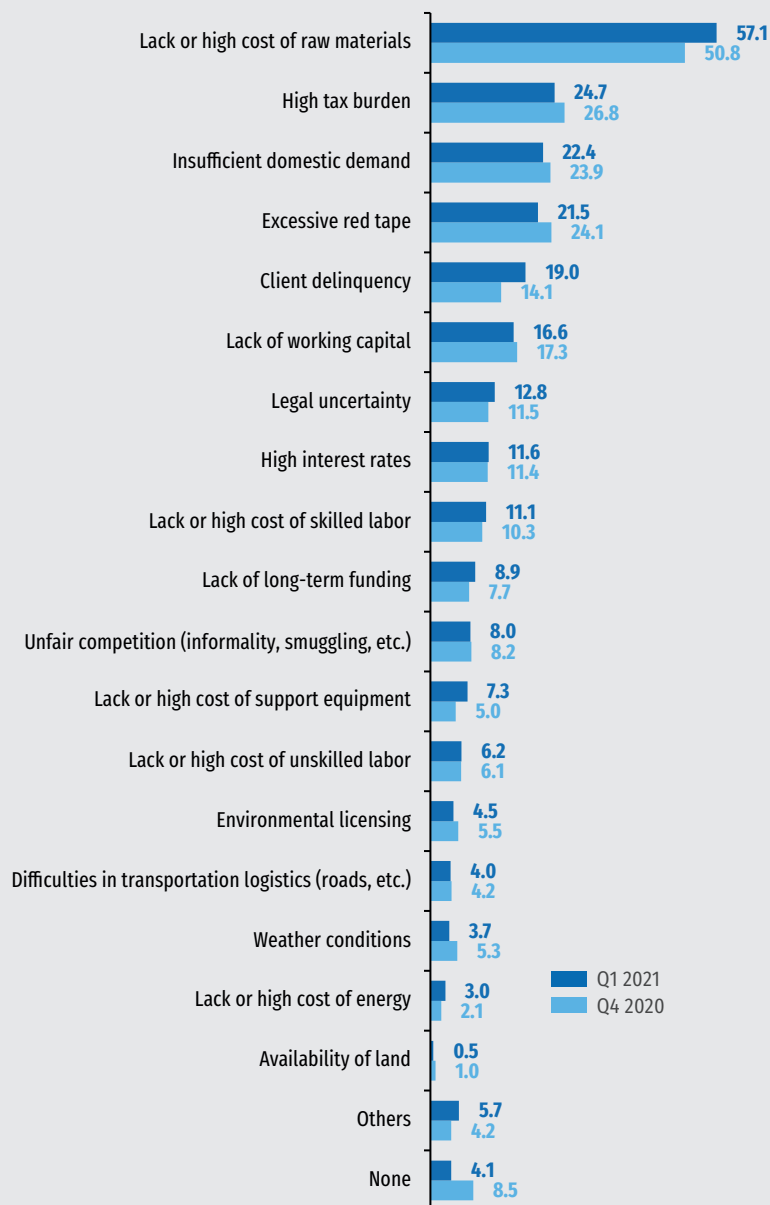
More widespread shortages or high costs of construction inputs

The top ranked issue faced by construction entrepreneurs in the first quarter of 2021 is the shortage or high cost of inputs and raw materials. The percentage of companies facing this issue rose from 50.8% to 57.1% between the fourth quarter of 2020 and the first quarter of 2021, an increase of 6.3 percentage points.

The high tax burden is ranked second, with 24.7% of the mentions. Insufficient domestic demand is ranked third, recalled by 22.4% of companies, followed by excessive red tape, in fourth position, mentioned by 21.5% of the entrepreneurs surveyed, and in fifth place, client delinquency with 19.0% of mentions.

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 APRIL 2021

Business confidence falls again, driven by the assessment of the Brazilian economy

The Construction Business Confidence Index (ICEI-Construction) edged down by 1.2 points from March to April 2021, hitting 51.0 points. Although still above the 50-point dividing line, the index is below its historical average of 53.6 points.

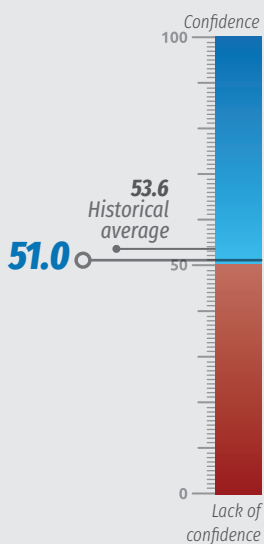
The components of the index indicate a more critical assessment of current conditions. Expectations are more stable compared to March, indicating moderate optimism.

The current conditions index, which stood at 43.8 points in March, hit 41.3 points in April, close to the levels recorded in August 2020. It should be noted that

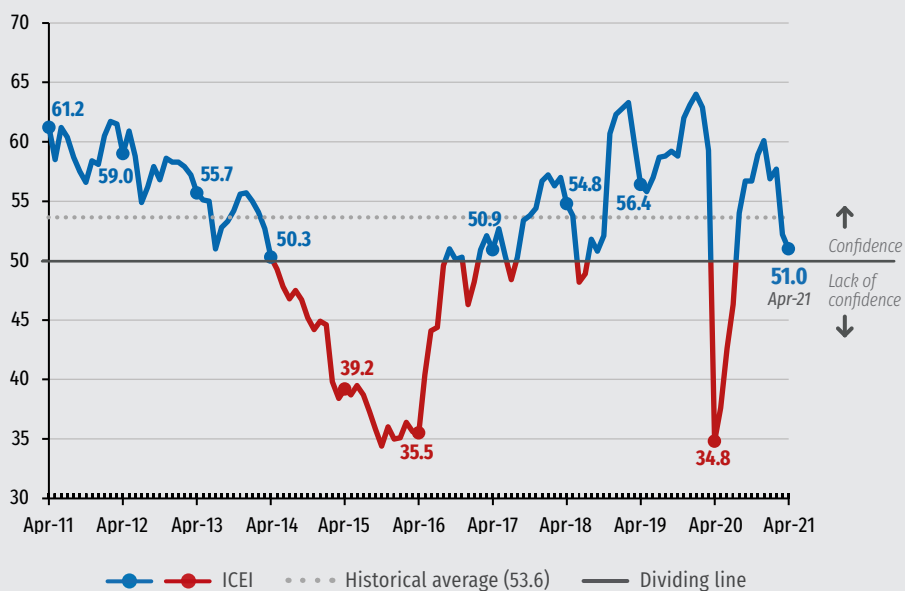
entrepreneurs perceive a deterioration in the current conditions of their companies. The assessment was strongly affected by the assessment of the Brazilian economy, whose index stood at 37.1 points, accumulating a new drop of 1.2 points in relation to February. This level is closer to the one recorded in April 2020 - 33.3 points - than to the 50-point dividing line.

The index measuring expectations retreated 0.6 points, but remained above the 50-point dividing line, indicating positive expectations. Expectations about the company became less optimistic: the index measuring expectations about the entrepreneur's company fell 1.1 points to 57.7 points. The index measuring the expectations about the Brazilian economy only changed slightly, by 0.3 points, to 52 points, indicating a relatively stable optimism in relation to March.

ICEI Construction
Index (0-100 points)*



Historical average
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.

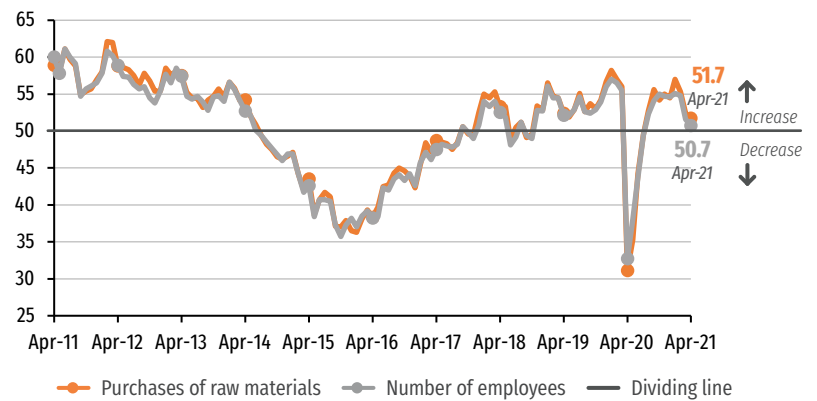
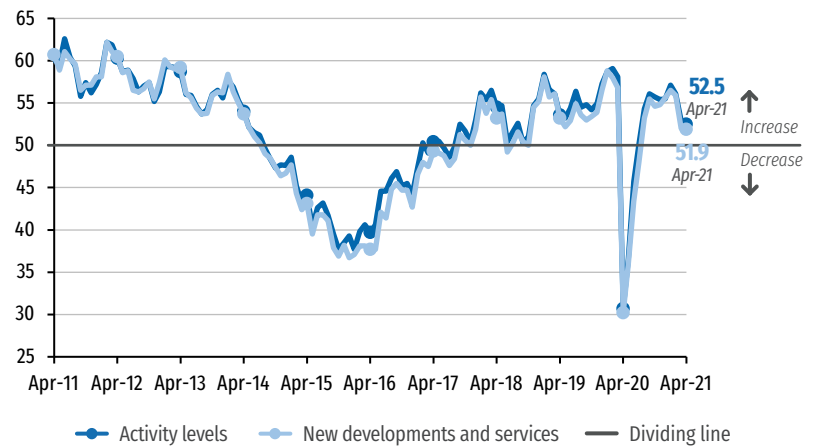
CONSTRUCTION INDUSTRY'S EXPECTATIONS IN APRIL 2021

Expectations remain stable

Expectations remained stable in relation to March. There was a small drop in the indices, which recorded a monthly change of less than one point. However, they remain above the 50-point dividing line, showing that entrepreneurs remain optimistic for the coming months. In comparison with the same period in 2020, a strong recovery is noted, which was expected, since expectations in April 2020 were strongly shaken by the most critical period of the pandemic at the time.

Expectation indices

Indices (0-100 points)*



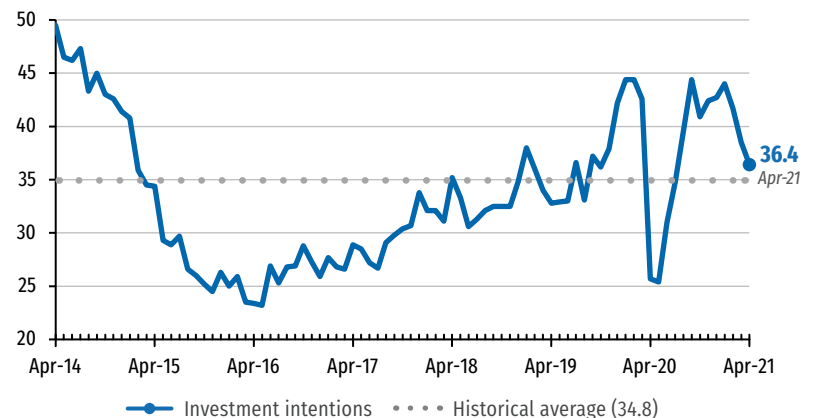
* Figures above 50 points indicate an expected growth. Figures below 50 points indicate an expected decline. The further away from 50 points, the greater and more widespread the expected change.

Intention to invest dropped for the third consecutive time in April

The index measuring the construction industry's intention to invest recorded a new drop of 2.1 points in April, to 36.4 points. It should be noted that the index dropped for three consecutive months, but remains at a level higher than the historical average, of 34.8 points.

Investment intentions

Index (0-100 points)*



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

RESULTS

Construction industry performance

	OPERATING CAPACITY UTILIZATION (%) ¹			ACTIVITY LEVEL INDEX ²			ACTUAL-USUAL ACTIVITY LEVEL INDEX ³			NUMBER OF EMPLOYEES INDEX ²		
	Mar-20	Feb-21	Mar-21	Mar-20	Feb-21	Mar-21	Mar-20	Feb-21	Mar-21	Mar-20	Feb-21	Mar-21
CONSTRUCTION	52	61	61	28.8	45.9	44.9	25.5	39.8	37.9	39.0	46.8	45.2
SMALL	44	54	57	25.9	41.0	44.0	22.6	38.7	39.1	38.6	44.3	45.5
MEDIUM	49	60	59	25.6	45.6	44.3	22.2	39.7	37.5	37.6	46.6	44.8
LARGE	56	64	63	31.6	47.8	45.6	28.4	40.2	37.6	39.9	47.8	45.4

Expectations of construction industry

	EXPECTATIONS INDEXES ⁴												INVESTMENT INTENTIONS INDEX ⁵		
	ACTIVITY LEVEL			NEW DEVELOPMENTS AND SERVICES			PURCHASES OF INPUTS AND RAW MATERIALS			NUMBER OF EMPLOYEES					
	Apr-20	Mar-21	Apr-21	Apr-20	Mar-21	Apr-21	Apr-20	Mar-21	Apr-21	Apr-20	Mar-21	Apr-21	Apr-20	Mar-21	Apr-21
CONSTRUCTION	30.7	52.9	52.5	30.2	52.0	51.9	31.1	52.4	51.7	32.7	51.6	50.7	25.7	38.5	36.4
SMALL	29.4	52.8	52.6	28.7	51.1	51.1	28.6	50.9	51.6	30.4	50.5	51.3	23.0	37.4	35.6
MEDIUM	29.9	52.7	53.8	30.0	50.4	52.5	30.1	51.8	53.4	32.7	51.1	52.0	23.0	40.1	36.6
LARGE	31.7	53.0	51.8	30.9	53.3	51.8	32.6	53.3	50.8	33.5	52.2	49.7	28.2	38.0	36.6

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

	ICEI - CONSTRUCTION ⁶			CURRENT CONDITIONS ⁷			EXPECTATIONS ⁸		
	Apr-20	Mar-21	Apr-21	Apr-20	Mar-21	Apr-21	Apr-20	Mar-21	Apr-21
CONSTRUCTION	34.8	52.2	51.0	33.3	43.8	41.3	35.6	56.4	55.8
SMALL	34.6	51.1	49.1	31.4	42.3	39.4	36.2	55.5	53.9
MEDIUM	33.4	51.6	52.4	30.5	43.6	44.3	34.8	55.6	56.4
LARGE	35.8	52.9	50.9	35.5	44.4	40.3	35.9	57.2	56.2

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		
	Q1 2020	Q4 2020	Q1 2021	Q1 2020	Q4 2020	Q1 2021	Q1 2020	Q4 2020	Q1 2021	Q1 2020	Q4 2020	Q1 2021
Total	34.1	43.0	38.1	55.6	77.0	76.7	38.6	47.2	41.9	32.2	36.9	33.9
POR PORTE												
Small ¹	31.9	40.4	38.2	57.2	73.4	74.9	35.2	44.5	40.3	32.4	35.0	34.1
Medium ²	33.2	44.9	38.4	57.7	79.3	77.3	37.6	49.6	43.5	33.7	39.8	36.5
Large ³	35.5	42.8	37.9	53.8	77.1	77.1	40.4	46.9	41.5	31.3	35.9	32.3

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 in construction industry

ITEMS	CONSTRUCTION			SMALL			MEDIUM			LARGE		
	Q4 2020	Q1 2021		Q4 2020	Q1 2021		Q4 2020	Q1 2021		Q4 2020	Q1 2021	
	%	%	Ranking	%	%	Ranking	%	%	Ranking	%	%	Ranking
Lack or high cost of raw materials	50.8	57.1	1	50.6	55.9	1	49.2	56.3	1	52.6	58.8	1
High tax burden	26.8	24.7	2	29.1	24.6	2	24.6	26.6	2	27.8	22.7	3
Insufficient domestic demand	23.9	22.4	3	17.7	23.5	3	22.0	18.8	5	29.9	25.8	2
Excessive red tape	24.1	21.5	4	20.3	21.8	4	25.7	22.9	3	24.7	19.6	5
Client delinquency	14.1	19.0	5	16.5	14.5	6	16.2	19.3	4	10.3	21.6	4
Lack of working capital	17.3	16.6	6	16.5	14.5	6	15.7	16.1	6	19.6	18.6	6
Legal uncertainty	11.5	12.8	7	8.2	8.4	11	8.9	10.4	8	16.5	18.6	6
High interest rates	11.4	11.6	8	11.4	12.3	8	11.5	10.4	8	11.3	12.4	8
Lack or high cost of skilled workers	10.3	11.1	9	14.6	15.1	5	9.9	13.0	7	8.2	6.2	11
Lack of long-term funding	7.7	8.9	10	8.2	6.1	12	7.9	9.4	10	7.2	10.3	9
Unfair competition (informality, smuggling, etc.)	8.2	8.0	11	13.3	12.3	8	9.9	7.8	12	3.1	5.2	14
Lack or high cost of support equipment	5.0	7.3	12	6.3	4.5	13	4.2	8.3	11	5.2	8.2	10
Lack or high cost of unskilled workers	6.1	6.2	13	12.0	12.3	8	4.7	5.2	14	4.1	3.1	16
Environmental licensing	5.5	4.5	14	5.1	4.5	13	5.2	3.1	15	6.2	6.2	11
Difficulties in transportation logistics (roads, etc.)	4.2	4.0	15	5.7	2.2	16	5.2	3.1	15	2.1	6.2	11
Weather conditions	5.3	3.7	16	4.4	3.4	15	4.2	6.3	13	7.2	1.0	17
Lack or high cost of energy	2.1	3.0	17	3.2	1.1	17	2.6	2.1	17	1.0	5.2	14
Availability of land	1.0	0.5	18	1.9	0.6	18	0.5	1.0	18	1.0	0.0	18
Others	4.2	5.7	-	5.1	3.4	-	3.7	5.7	-	4.1	7.2	-
None	8.5	4.1	-	4.4	6.1	-	11.0	4.7	-	8.2	2.1	-

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



Technical specifications

Sample profile

465 enterprises, including 176 small, 192 medium and 97 large companies.

Data collection period

April, 1-15, 2021.

Document closed by April 28, 2021.



Learn more

For more information on the survey, including sectoral results, previous editions, methodology and historical series, visit: www.cni.com.br/e_sondconstr

CONSTRUCTION INDUSTRY SURVEY | English version of "Sondagem Indústria da Construção Março 2021" | Monthly Publication of the National Confederation of Industry - CNI | www.cni.com.br | Board of Industrial Development and Economy - DDIE | Economics Office - ECON | Economics Executive Officer: Renato da Fonseca | Economic Analysis Unit - GAE | Manager: Marcelo Souza Azevedo | Analysis: Marcelo Souza Azevedo and Ieda Vasconcelos (CBIC) | Statistics Unit | Manager: Edson Velloso | Team: Aretha Silícia Lopez Soares and Prícila Garcia | Editing Unit - CDIV | Coordinator: Carla Gadelha | Graphic Design: Simone Marcia Broch

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

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



CBIC

CNI
Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY