

CONSTRUCTION INDUSTRY SURVEY

ECONOMIC INDICATORS **CNI**

CBIC **CNI** Brazilian National Confederation of Industry

Labor hiring challenges persist as key problem for construction in the 3rd quarter of 2024

In the 3rd quarter of 2024, construction entrepreneurs identified labor hiring difficulties, irrespective of skill level, as a persistent problem for the sector, alongside high interest rates and high tax load.

Moreover, during this quarter, construction entrepreneurs expressed dissatisfaction with their operating profit margins and financial situation, and encountered difficulties in accessing credit. There was also a perception that

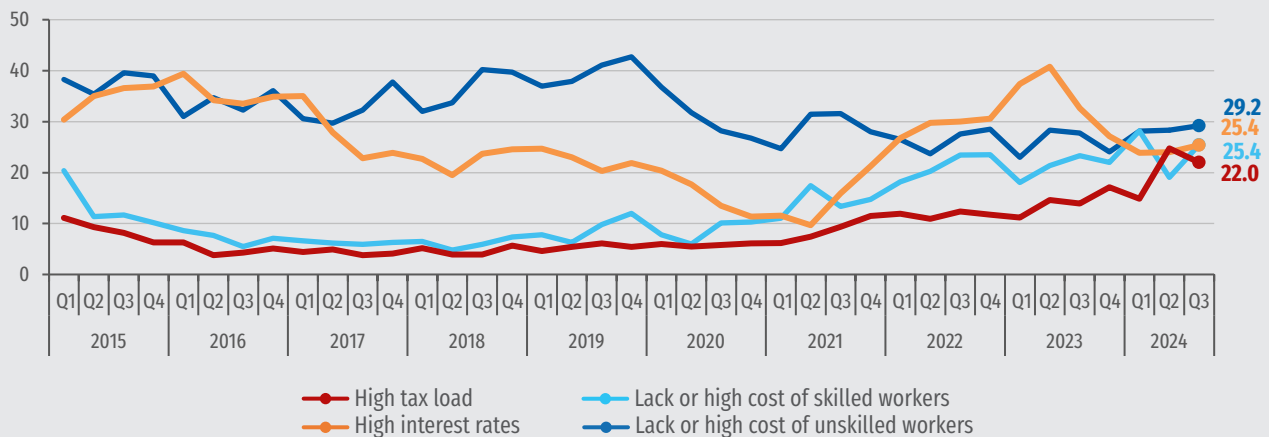
the increase in average prices of inputs and raw materials was more moderate than in the previous quarter.

In September, there was a contraction in the level of activity, employment, and Operational Capacity Utilization (UCO) in the construction sector, with the UCO standing at 67%. Despite this downturn, the UCO remains at an elevated level.

Conversely, business confidence saw an uptick in October 2024, marking the second consecutive month of growth. Expectations for activity levels, new developments and services, input and raw material purchases, and the number of employees also advanced, revealing more intense and widespread growth expectations for the next six months.

Main problems faced by Construction Industry in 2024's 3rd quarter

Percentage of indications (%)*



*In the survey, the entrepreneur is asked to mark up to three items. Thus, the sum of the percentages exceeds 100%.

PERFORMANCE OF THE CONSTRUCTION INDUSTRY IN SEPTEMBER 2024

Activity and employment decline in September

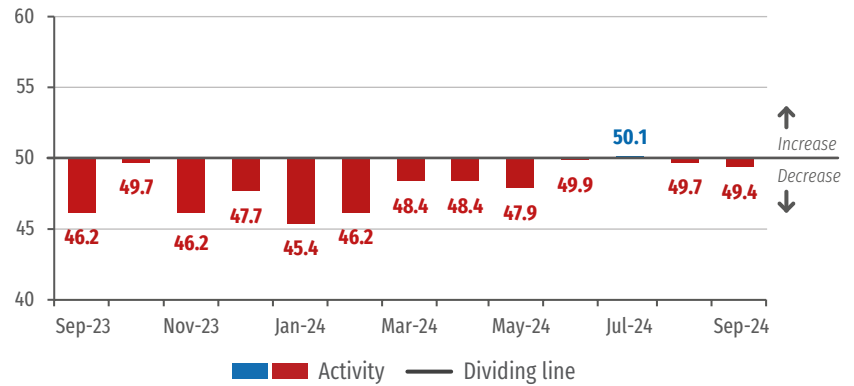
The activity level evolution index for the construction sector was 49.4 points in September 2024. Below the 50-point threshold, the index reveals a decline in sector activity in September, in relation to August.

The decline in activity occurred in companies of all sizes and in the Construction of buildings (49.6 points) and Infrastructure construction (47.8 points) sectors. In the Specialized services for the construction sector (50.6 points) there was an increase in activity level.

The number of employees evolution index stood at 48.4 points in September. Below the 50-point threshold, the index reveals a contraction in sector employment from August to September. This contraction occurred across companies of all sizes and sectors within the construction industry.

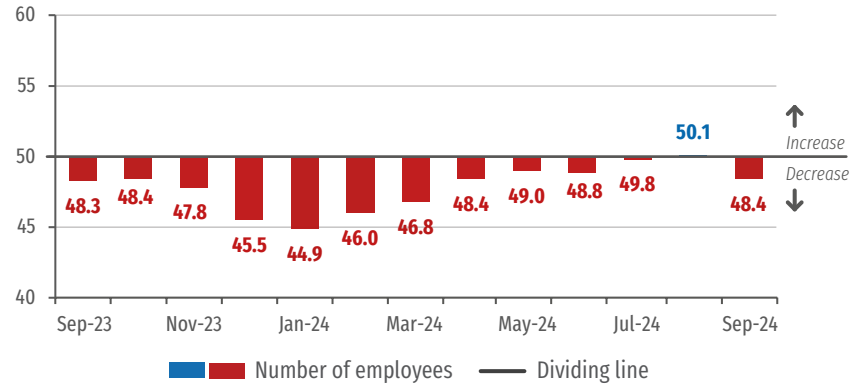
Activity level evolution

Diffusion indices (0 to 100 points)*



Number of employees evolution

Diffusion indices (0 to 100 points)*



*Values above 50 indicate an increase in activity or employment compared to the previous month. Values below 50 points indicate a decrease in activity or employment compared to the previous month. The further away from 50 points, the greater and more widespread is the variation.

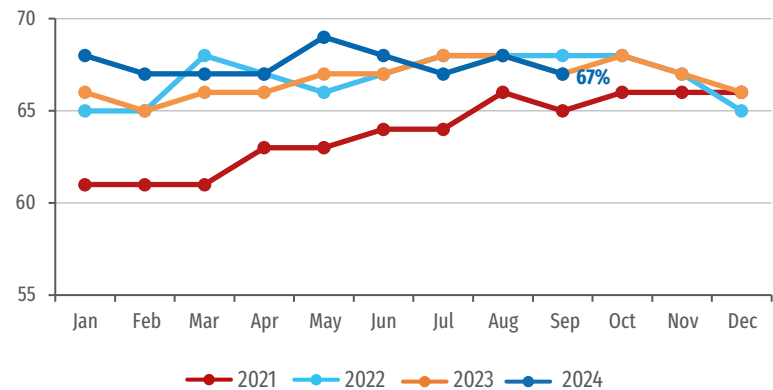
Utilization of Operational Capacity contracts in September

Utilization of Operational Capacity (UCO) reached 67% in September 2024, marking a 1 percentage point (p.p.) contraction in relation to August. The September UCO was on par with that observed in the same month of 2023 and is 3 percentage points above the historical average for the month, which stands at 64%.

The contraction in September was driven by a 3 p.p. drop in the UCO of large companies, the only size category to contract during the month. In contrast, the UCO advanced 1 p.p. in small companies and remained stable in medium-sized companies between August and September.

Utilization of Operational Capacity

Percentage (%)



Among the construction sectors, there was a 1 p.p. advance in the UCO in Construction of buildings, and contractions of 1 p.p. in Specialized services for the construction and 3 p.p. in Infrastructure construction.

FINANCIAL CONDITIONS OF THE CONSTRUCTION INDUSTRY IN THE 3rd QUARTER OF 2024

Dissatisfaction with Financial Situation Intensifies in the 3rd quarter

The financial situation satisfaction index registered 47.7 points in the 3rd quarter of 2024. By declining 1 point in relation to the 2nd quarter, the index moved further away from the 50-point threshold. Dissatisfaction with the financial situation intensified for medium and large companies and for companies in the Infrastructure construction and Specialized services for the construction sectors. However, among different sizes and sectors, only companies in the Construction of buildings sector registered an index above the 50-point threshold, signaling satisfaction with their financial situation.

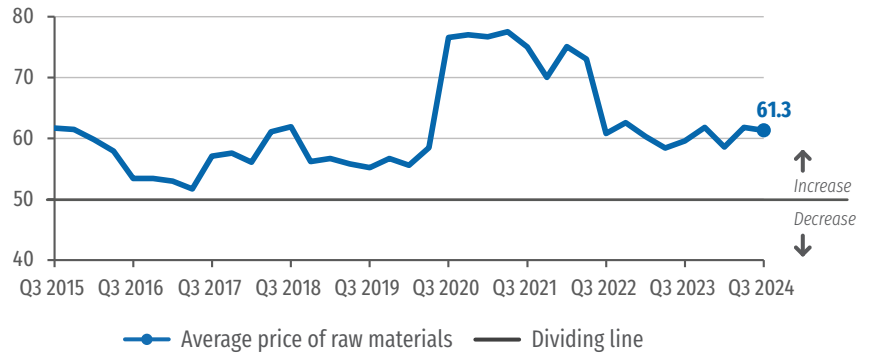
In the 3rd quarter of 2024, dissatisfaction with operating profit margins intensified among construction entrepreneurs: the profit margins satisfaction index reached 45.4 points, marking a 0.2 point contraction in relation to the 2nd quarter. This occurred in medium and large companies and in the Specialized services for the construction sector. However, in small companies and in the Construction of buildings and Infrastructure construction sectors, dissatisfaction decreased during the quarter.

In the 3rd quarter of the year, construction entrepreneurs also perceived an uptick in average prices of input and raw materials: the raw materials average price index reached 61.3 points in the quarter. Notably, the index contracted 0.5 point in the transition to the 3rd quarter of 2024, indicating that the price increase in this quarter was less pronounced and widespread than observed in the 2nd quarter. This occurred in companies of all sizes and sectors, but only the indices for small and large companies and for the Specialized services for the construction sector contracted in the transition between quarters.

During the quarter, sector entrepreneurs also reported significant difficulties in accessing credit. The credit access ease index remains well below the 50-point threshold, at 40.3

Profit margins and financial situation satisfaction

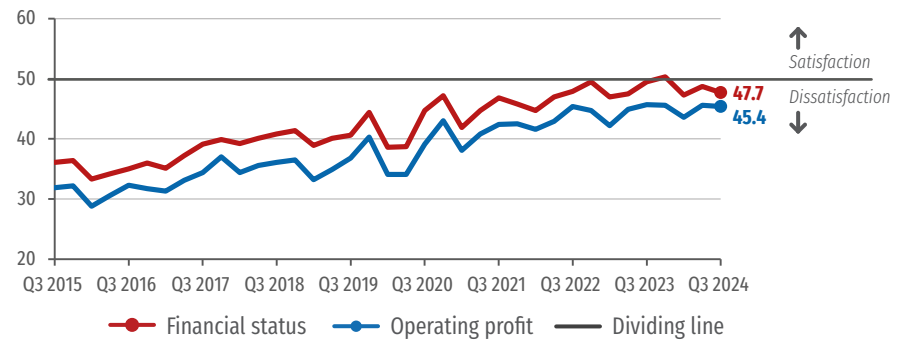
Diffusion index (0 to 100 points)*



*Values above 50 indicate satisfaction with the operating profit margin and the financial situation. Values below 50 indicate dissatisfaction with the operating profit margin and the financial situation. The further away from 50 points, the greater and more widespread is the satisfaction or dissatisfaction.

Satisfaction with operating profit and with the financial situation

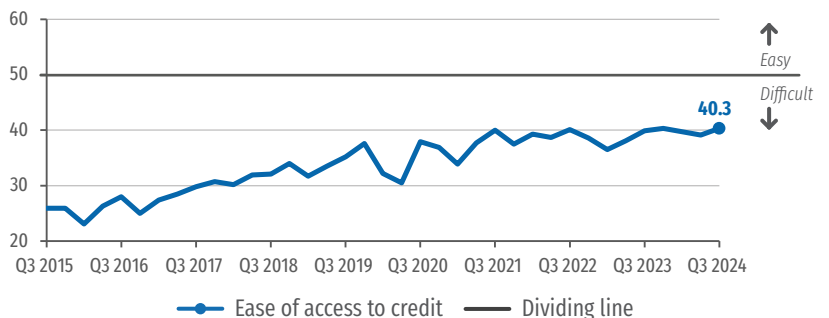
Diffusion index (0 to 100 points)*



*Values above 50 indicate ease of access to credit. Values below 50 indicate difficulty in accessing credit. The further away from 50 points, the greater and more widespread is the difficulty or ease of access to credit.

Ease of access to credit

Diffusion index (0 to 100 points)*



*Values above 50 indicate an increase in the prices of inputs and raw materials compared to the previous quarter. Values below 50 points indicate a decrease in the prices of inputs and raw materials compared to the previous quarter. The further away from 50 points, the more intense and widespread is the variation.

points, despite a growth of 1.2 points in the 3rd quarter of 2024. The difficulty in accessing credit was perceived by companies of all sizes and sectors within the construction industry.

CHALLENGES FACED BY THE CONSTRUCTION INDUSTRY IN THE 3rd QUARTER OF 2024

Lack or high cost of skilled workers reemerges as a key problem in the 3rd quarter

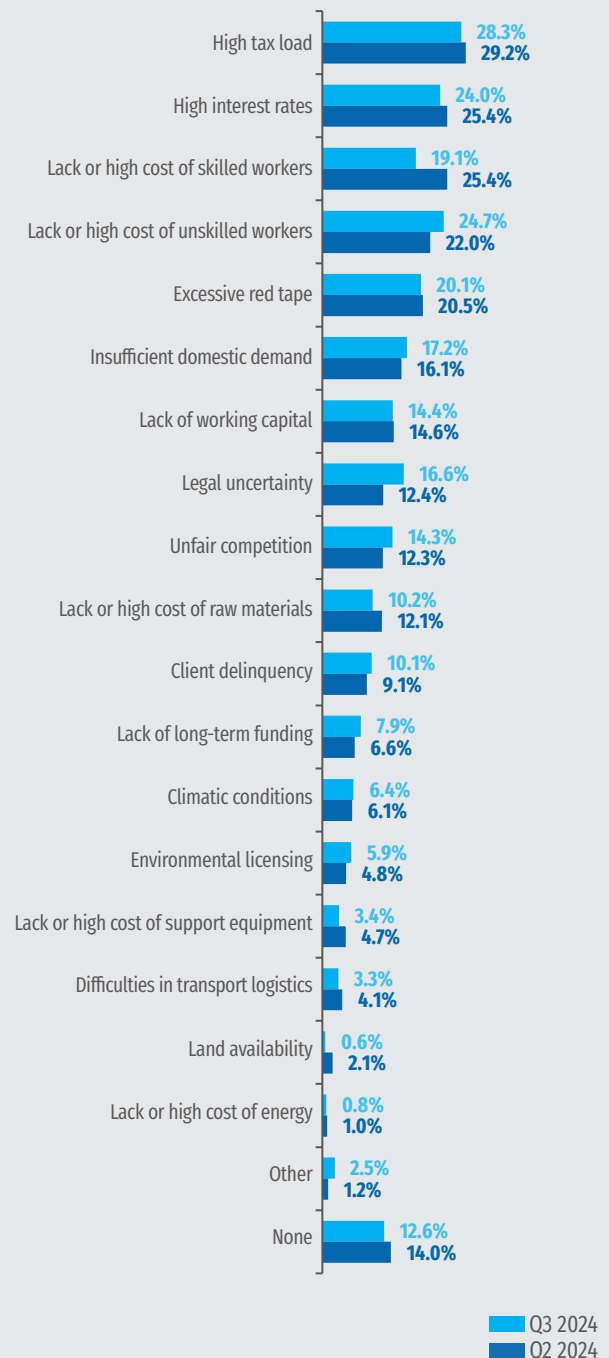
In the third quarter of 2024, the high tax load was identified by 29.2% of construction entrepreneurs and, for the second consecutive quarter, topped the list of the main problems faced by the sector.

Tied for second place are the problems of lack or high cost of skilled workers and high interest rates, both identified by 25.4% of respondents.

The identification of lack or high cost of skilled workers, which occupied the fifth position in the list of main problems in the 2nd quarter of 2024, increased 6.4 percentage points in the 3rd quarter of the year. The identification of high interest rates, a problem that occupied the third position in the 2nd quarter, increased 1.4 p.p. in the 3rd quarter.

Also noteworthy is the lack or high cost of unskilled labor. This problem was mentioned by 22% of construction entrepreneurs in the quarter, marking a 2.7 p.p. decline compared to the second quarter of the year. Despite the decline, the percentage remains at a high level and is 13.4 percentage points above the historical average of the series.

Main problems faced by Construction Industry in 2024's 3rd quarter
Percentage (%)*



*In the survey, the business owner is asked to mark up to three items that constituted real problems for their company. Therefore, the sum of the percentages exceeds 100%.

CONSTRUCTION INDUSTRY BUSINESS CONFIDENCE INDEX IN OCTOBER 2024

Entrepreneurs' confidence rises in October

The Construction Industry Business Confidence Index (ICEI) reached 54.5 points in October 2024, marking the second highest value of the series in 2024, only lower than the January index (55.5 points). In October 2024, the index advanced 1.2 points in relation to September, marking the second consecutive month of growth. By moving further away from the 50-point threshold, the ICEI of construction reveals that the confidence of entrepreneurs became more intense and widespread in the month.

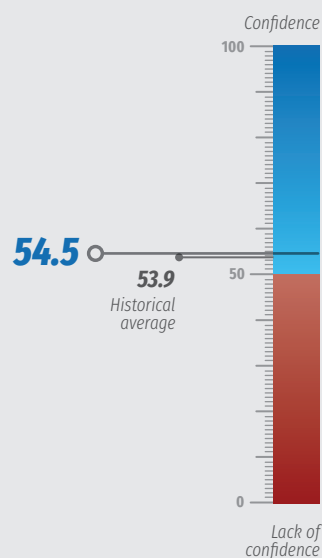
Entrepreneurs of industries of all sizes and sectors remain confident in the month, but, in the transition from September to October, confidence became more intense and widespread in small and large companies, with a decline in confidence among medium-sized companies. Confidence increased in the Construction of buildings and Specialized services for the construction sectors, declining in the Infrastructure construction sector.

The advance of the ICEI in October was due to the improvement of entrepreneurs' evaluations both in relation to current conditions and in relation to expectations.

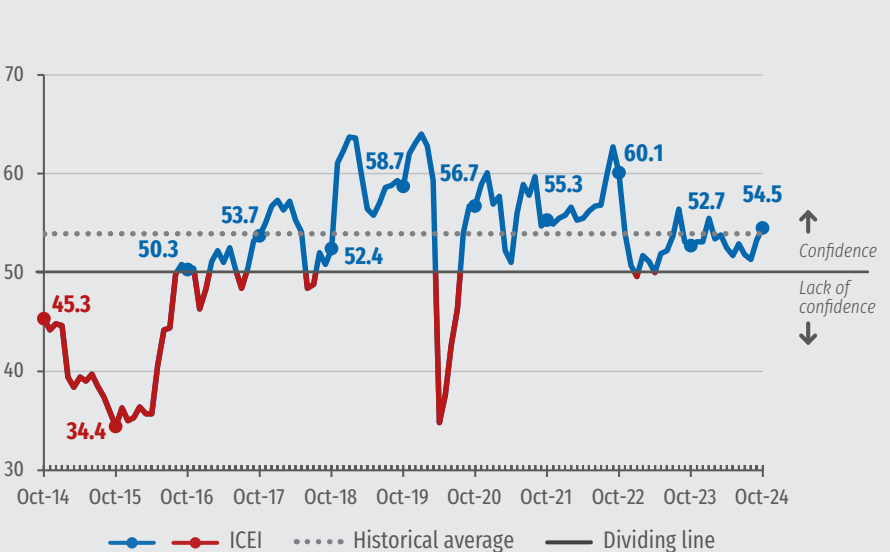
The current conditions index advanced 1.2 points in the transition between September and October, reaching 50 points in the month. The evaluation of current conditions improved in small and large companies, but only the index for large companies was above 50 points, revealing satisfaction with current conditions. The current conditions index also advanced among the Construction of buildings and Specialized services for the construction sectors, but declined in the infrastructure construction sector. Despite the advances, all three segments registered indices below the dividing line of 50 points.

The expectation index also advanced 1.2 points between September and October 2024, reaching 56.7 points in the month. The expectation of entrepreneurs improved in small and large companies, declining among medium-sized companies. Among the Construction of buildings and Specialized services for the construction sectors, there was also an improvement in expectation, which declined in the Infrastructure construction sector. Still, all indices by size and sectors remained above 50 points in the month.

Construction ICEI
Index (0 to 100 points)*



Historical Series
Index (0 to 100 points)*



*Values above 50 points indicate business confidence and the higher above 50 points, the greater and more widespread is the confidence. Values below 50 points indicate a lack of business confidence and the lower below 50 points, the greater and more widespread is the lack of confidence.

CONSTRUCTION INDUSTRY EXPECTATIONS IN OCTOBER 2024

Optimism for the upcoming months increases in October

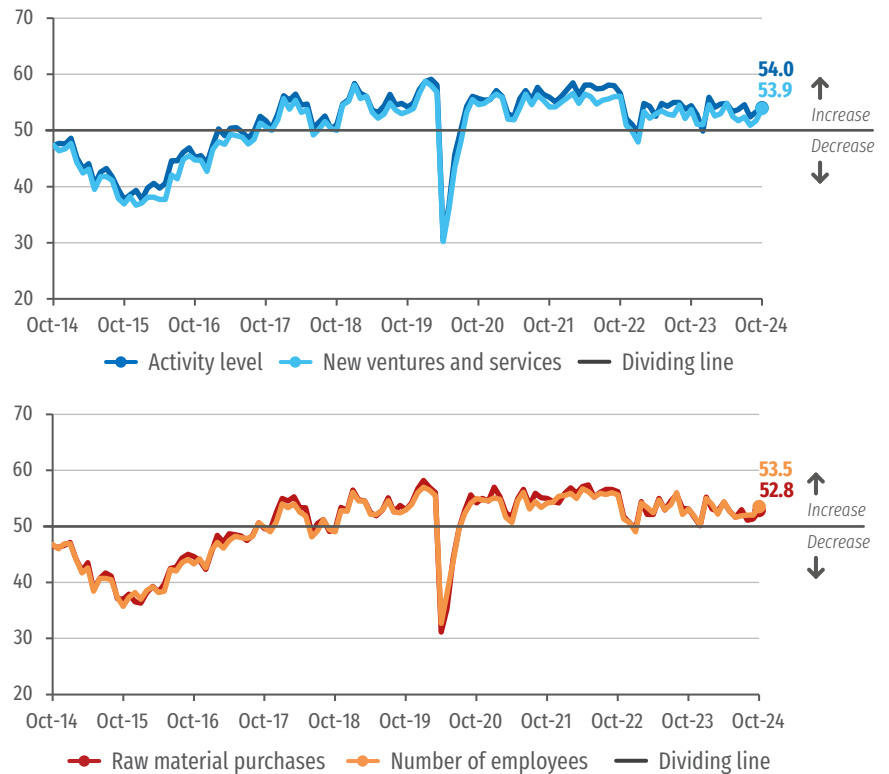
In October 2024, the expectation indices on activity level, new developments and services, purchases of inputs and raw materials, and number of employees advanced. All indices were above the 50 points dividing line, revealing growth expectations for the next six months.

The activity level expectation index, which reached 54 points in October 2024, advanced 0.7 points in relation to September. The expectation of new developments and services index advanced 2.2 points compared to September, reaching 53.9 points in October. The number of employees expectation index advanced 1.5 points in relation to September, and reached 53.5 points in October.

The indices reveal that the expectations on activity level, new developments and services, and number of employees, which had already been of growth in September, became more intense and widespread in the transition between months.

The purchases of inputs and raw materials expectation index, which advanced 1.5 points in relation to September, reached 52.8 points in October, revealing more intense and widespread purchases growth expectations for the next six months.

Expectations indices
Indices (0 to 100 points)*



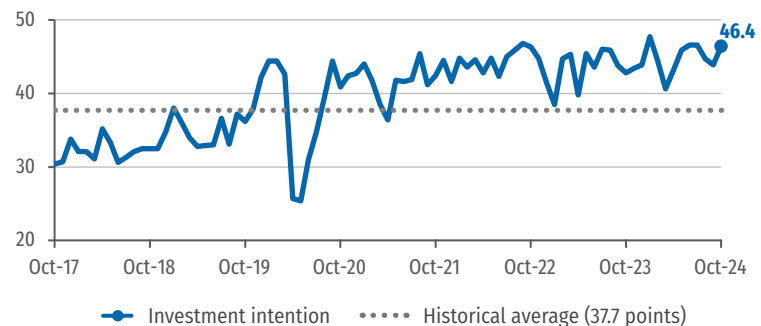
**Values above 50 points indicate an expectation of growth. Values below 50 points indicate an expectation of decline. The further away from 50 points, the greater and more widespread is the expected variation.

The purchases increase expectation became more intense and widespread in small and large companies, while they were less intense and widespread among medium-sized companies. These expectations advanced in the Construction of buildings and Specialized services for the construction sectors, while, in the Infrastructure construction sector, the expectations turned to decline, and not growth.

Investment intention advanced in October

In October 2024, the investment intention index for the construction industry reached 46.4 points, after advancing 2.5 points in relation to September's index. With this growth, the index is 8.7 points above the historical average of the index, which is 37.7 points.

Investment intentions
Index (0 to 100 points)*



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

RESULTS

Financial status in the quarter

SURVEY	OPERATING PROFIT MARGIN			AVERAGE PRICE OF RAW MATERIALS			FINANCIAL STATUS			ACCESS TO CREDIT		
	Q3 2023	Q2 2024	Q3 2024	Q3 2023	Q2 2024	Q3 2024	Q3 2023	Q2 2024	Q3 2024	Q3 2023	Q2 2024	Q3 2024
	45.7	45.6	45.4	59.6	61.8	61.3	49.5	48.7	47.7	39.9	39.1	40.3
BY SIZE												
Small ¹	44.6	42.1	45.9	58.5	61.5	60.4	46.6	44.4	48	38.6	35.2	35.6
Medium ²	43.7	44.7	44.1	60	58.9	60.2	47.6	49.1	46.3	38.2	38.9	38.7
Large ³	47.3	47.3	45.9	59.8	63.6	62.3	51.7	50	48.3	41.3	40.6	42.9

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 the construction industry

Items	GENERAL			SMALL			MEDIUM			LARGE		
	Q2 2024	Q3 2024		Q2 2024	Q3 2024		Q2 2024	Q3 2024		Q2 2024	Q3 2024	
	%	%	Position	%	%	Position	%	%	Position	%	%	Position
High tax load	28.3%	29.2%	1	33.3%	37.5%	1	27.7%	31.3%	1	25.8%	21.9%	4
High interest rates	24.0%	25.4%	2	30.8%	24.2%	3	26.3%	24.2%	2	16.7%	27.4%	2
Lack or high cost of skilled workers	19.1%	25.4%	2	15.4%	23.4%	4	16.8%	23.4%	3	24.2%	28.8%	1
Lack or high cost of unskilled workers	24.7%	22.0%	4	24.8%	25.0%	2	22.6%	18.8%	5	27.3%	23.3%	3
Excessive red tape	20.1%	20.5%	5	17.9%	17.2%	5	24.1%	21.1%	4	16.7%	21.9%	4
Insufficient domestic demand	17.2%	16.1%	6	7.7%	11.7%	9	20.4%	17.2%	6	19.7%	17.8%	7
Lack of working capital	14.4%	14.6%	7	17.9%	14.1%	7	11.7%	10.2%	10	15.2%	19.2%	6
Legal uncertainty	16.6%	12.4%	8	15.4%	14.1%	7	10.9%	8.6%	11	24.2%	15.1%	8
Unfair competition	14.3%	12.3%	9	21.4%	17.2%	5	14.6%	13.3%	8	9.1%	8.2%	10
Lack or high cost of raw materials	10.2%	12.1%	10	14.5%	10.9%	10	8.8%	14.1%	7	9.1%	11.0%	9
Client delinquency	10.1%	9.1%	11	8.5%	9.4%	11	11.7%	12.5%	9	9.1%	5.5%	14
Lack of long-term funding	7.9%	6.6%	12	4.3%	2.3%	16	8.8%	7.8%	12	9.1%	8.2%	10
Climatic conditions	6.4%	6.1%	13	6.8%	7.0%	12	5.1%	4.7%	13	7.6%	6.8%	13
Environmental licensing	5.9%	4.8%	14	3.4%	3.9%	14	5.8%	4.7%	13	7.6%	5.5%	14
Lack or high cost of support equipment	3.4%	4.7%	15	2.6%	5.5%	13	2.9%	0.8%	18	4.5%	8.2%	10
Difficulties in transport logistics	3.3%	4.1%	16	3.4%	3.1%	15	2.2%	4.7%	13	4.5%	4.1%	16
Land availability	0.6%	2.1%	17	0.0%	1.6%	17	1.5%	3.1%	16	0.0%	1.4%	17
Lack or high cost of energy	0.8%	1.0%	18	3.4%	1.6%	17	0.0%	1.6%	17	0.0%	0.0%	18
None	2.5%	1.2%	-	3.4%	2.3%	-	2.9%	1.6%	-	1.5%	0.0%	-
Other	12.6%	14.0%	-	15.4%	14.1%	-	13.9%	15.6%	-	9.1%	12.3%	-

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

RESULTS

Construction industry performance

	CAPACITY UTILIZATION (%) ¹			ACTIVITY LEVEL VARIATION INDEX ²			EFFECTIVE ACTIVITY LEVEL INDEX COMPARED TO USUAL LEVELS ³			NUMBER OF EMPLOYEES VARIATION INDEX ²		
	Sep-23	Aug-24	Sep-24	Sep-23	Aug-24	Sep-24	Sep-23	Aug-24	Sep-24	Sep-23	Aug-24	Sep-24
SURVEY	67	68	67	46.2	49.7	49.4	44.1	47.2	45.7	48.3	50.1	48.4
Small	62	61	62	45.4	47.1	49.2	43.3	41.4	44.6	46.6	47.5	47.7
Medium	62	67	67	45.3	50.9	49.6	39.9	47.3	44.2	47.1	50.2	48.4
Large	71	71	68	47.1	50.0	49.3	46.7	49.3	47.0	49.7	51.0	48.6

Expectations of the construction industry

	EXPECTATION INDICES ⁴												INDEX OF INTENTION TO INVEST ⁵		
	ACTIVITY LEVEL			NEW ENTERPRISES AND SERVICES			INPUT AND RAW MATERIAL PURCHASE			NUMBER OF EMPLOYEES					
	Oct-23	Sep-24	Oct-24	Oct-23	Sep-24	Oct-24	Oct-23	Sep-24	Oct-24	Oct-23	Sep-24	Oct-24	Oct-23	Sep-24	Oct-24
SURVEY	54.4	53.3	54.0	53.7	51.7	53.9	53.1	51.3	52.8	53.1	52.0	53.5	42.8	43.9	46.4
Small	52.0	51.0	52.1	52.0	48.4	52.0	51.2	49.4	51.0	52.2	50.4	51.2	39.7	37.1	41.4
Medium	52.4	52.0	50.2	50.7	51.5	50.4	52.0	50.6	50.6	50.9	51.5	50.8	38.0	43.0	42.0
Large	56.4	54.9	56.8	56.1	53.1	56.5	54.4	52.4	54.8	54.7	52.8	55.8	46.6	46.9	50.7

Construction Industry Business Confidence Index and its components

	ICEI – CONSTRUCTION ⁶			INDEX OF CURRENT CONDITIONS ⁷			EXPECTATIONS INDEX ⁸		
	Oct-23	Sep-24	Oct-24	Oct-23	Sep-24	Oct-24	Oct-23	Sep-24	Oct-24
SURVEY	52.7	53.3	54.5	47.8	48.8	50.0	55.1	55.5	56.7
Small	50.3	51.4	52.4	46.6	46.7	47.7	52.1	53.7	54.7
Medium	50.7	54.2	52.8	45.3	50.2	49.1	53.4	56.2	54.6
Large	54.7	53.4	56.2	49.6	48.7	51.4	57.2	55.8	58.6

1 - The indicator varies within the range from 0% to 100%. The series started in January 2012.

2 - The indicator varies within the range from 0 to 100. Values above 50 show an increase.

3 - The indicator varies within the range from 0 to 100. Values above 50 show higher activity than usual.

4 - The indicator varies within the range from 0 to 100. A score above 50 points indicates positive expectations.

5 - The indicator varies within the range from 0 to 100. The higher the value, the greater the intention to invest.

6 - The ICEI – Construction varies within the range from 0 to 100. A score above 50 points indicates the entrepreneur is confident.

7 - The indicator varies within the range from 0 to 100. A score above 50 points indicates a better status when compared to the last six months.

8 - The indicator varies within the range from 0 to 100. A score above 50 points indicates optimistic expectations for the next six months.



Technical specifications

Sample profile

332 companies: 129 small, 129 medium and 74 large.

Collection period

1 to 10 October 2024.

Document completed on October 24, 2024.



Learn More

For further information on sectorial and regional results, previous issues, methodology and historical series, please visit: www.cni.com.br/e_sondconstr



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