

SMALL INDUSTRY OVERVIEW

ECONOMIC INDICATORS **CNI**



Entrepreneurs Have Reported a Decrease in Confidence and a Deterioration of Their Financial Situation

The performance index for small-sized industries indicates a relatively positive performance, with results above the expected average for the period, as well as exceeding the historical average.

On the other hand, the Financial Status Index declined in the quarter, indicating deteriorating financial conditions.

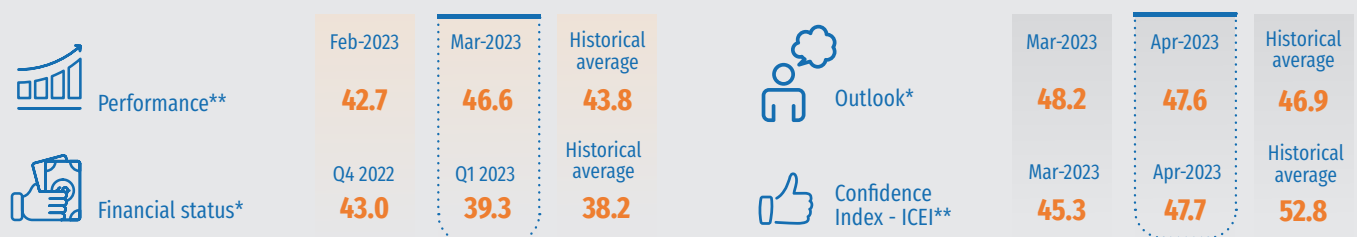
In the first quarter of 2023, small-sized industries' entrepreneurs ranked the

high tax load first for the mining and quarrying, as well as manufacturing industries, and high-interest rates first for the construction industry. As of the last quarter of 2022, these problems were already in the top positions.

The Industrial Business Confidence Index (ICEI) for small companies continues to fall, showing a progressive lack of confidence. Likewise, the Outlook Index indicates that it has been oscillating around the historical average, which suggests some caution by the small industry entrepreneurs.

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

Diffusion indices (0-100 points)



* The higher the index, the better the performance of the small-scale industry in the quarter, the better the financial situation of the small-scale industry in the quarter, or the more positive the outlook of the small-scale 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 Q1 2023

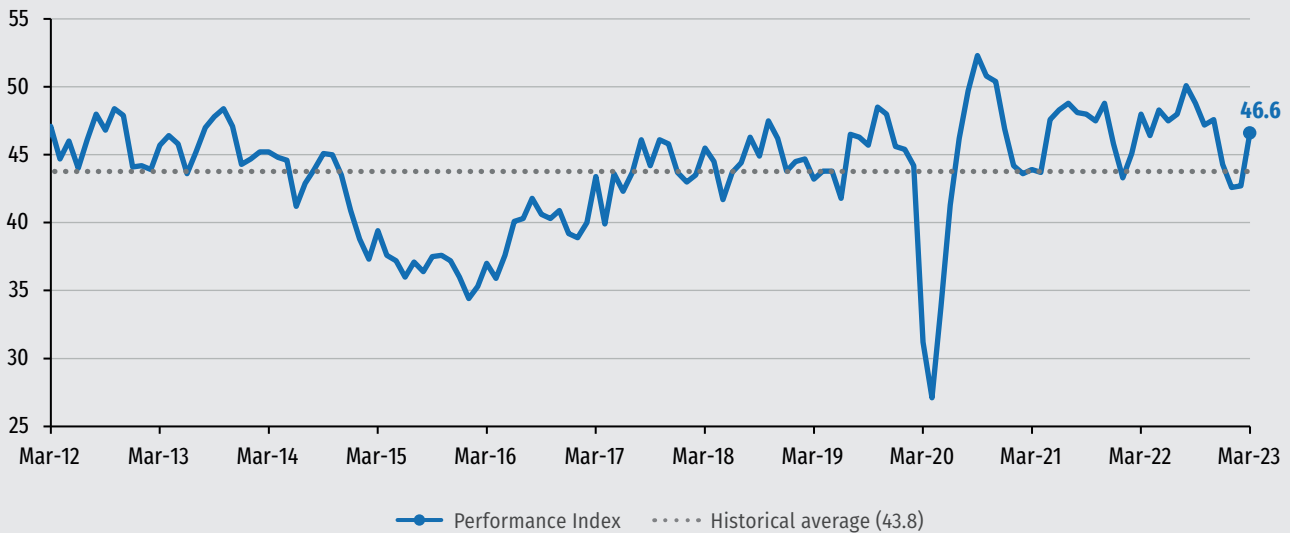
Above-Average Performance for First Quarter

In Q1 2023, small-sized industries achieved a positive Performance Index average of 44.0 points, surpassing the average performance for the first quarters (42.6 points) and the historical average (43.8 points).

The index for the first quarter was buoyed by a strong performance in March, which registered 46.6 points, following weaker performances in January (42.6 points) and February (42.7 points). Industrial activities typically slow down in the first two months of each year.

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 Quarrying, Manufacturing, and Construction small-scale industry performance indices.

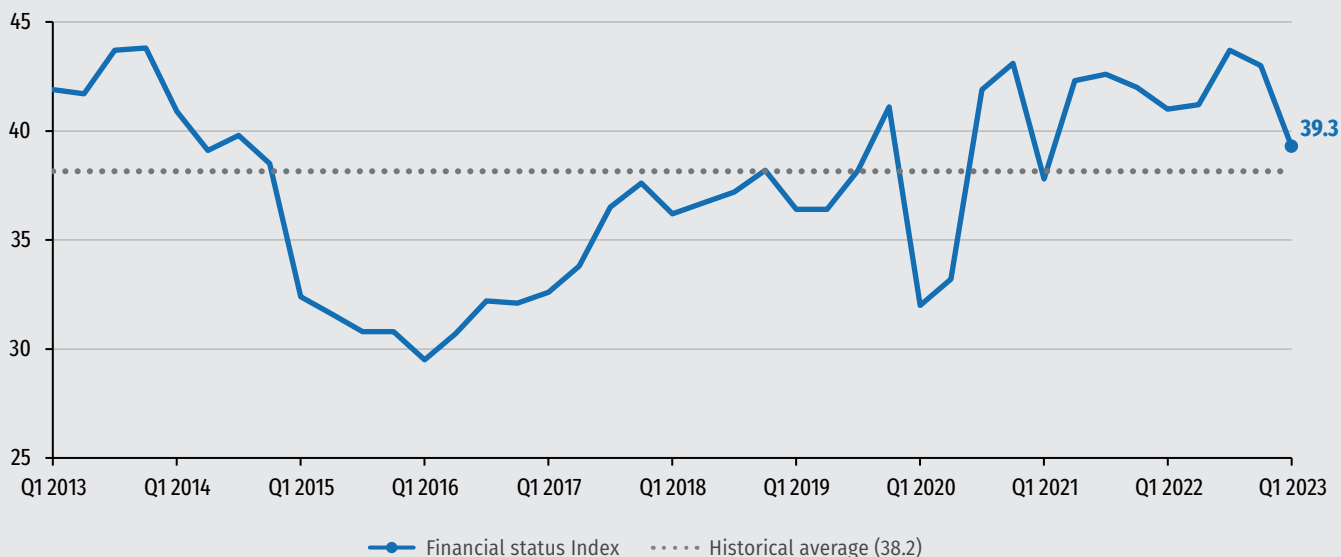
SMALL-SCALE INDUSTRY FINANCIAL STATUS IN Q1 2023

The Financial Conditions Across Industries Have Worsened

The Financial Status Index for small industries, which considers factors such as operating profit margin, financial situation, and credit access, experienced a decline in Q1 2023.

The Performance Index for small-sized industries experienced a decline of 3.7 points from Q4 2022 to Q1 2023, dropping from 43.0 points to 39.3 points. Despite the decline, the index remains above the historical average of 38.2 points, although it is now at its lowest level since Q1 2021 when the index dropped to 37.8 points due to the impact of the Covid-19 pandemic.

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 Quarrying, Manufacturing, and Construction small-scale industry performance indices.

SMALL-SCALE INDUSTRIES MAIN PROBLEMS IN Q1 2023

High Tax Load and High-Interest Rates Remain in First Place

During the first quarter of 2023, small-sized industry entrepreneurs in the mining and quarrying, and manufacturing sectors reported that high tax load was their topmost concern among the issues faced. High-interest rates are in the first place for the construction industry.

High tax load has gained significant importance and ranked first among the major concerns faced by small-sized industries in the mining and quarrying sector (32.7%) and manufacturing sector (39.1%), according to reports by small entrepreneurs. Small companies in the construction industry did not rank high tax load among their top five problems during the period.

The construction industry ranked high-interest rates as the top issue, with 31.6%, while in manufacturing, it was the fourth major problem, with 24.1% of the votes. It is worth noting that this issue has gained increasing importance in recent quarters, which is related to the persistently high level of the basic interest rate, Selic, at 13.75%.

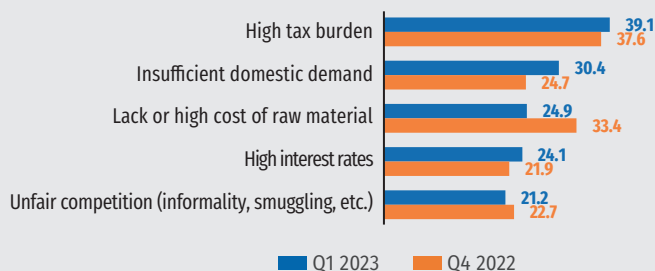
The issue of insufficient domestic demand continues on the list of the main problems, it ranked second for the mining and quarrying industry (23.1%) and manufacturing (30.4%), and fifth for the construction industry (19.9%). This issue is gaining relevance as economic activity shows signs of slowing down, and it is related to the problem of high-interest rates.

The lack or high cost of raw materials, which had already been a concern in the previous quarters, ranked third for manufacturing, with an 8.5 percentage point decline in the current quarter, and

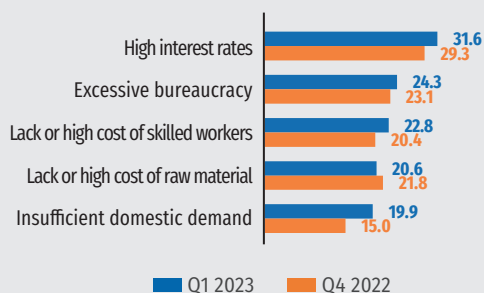
Main problems faced by Small Scale Industry

Percentage (%)

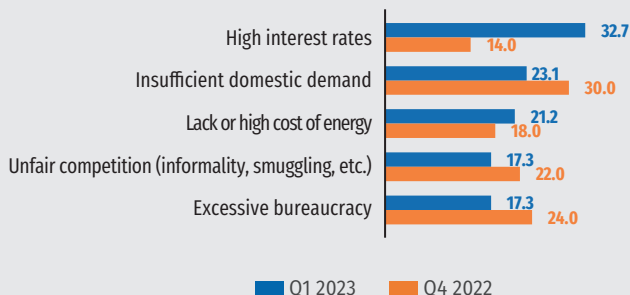
Manufacturing



Construction



Mining and Quarry



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

fourth for the construction industry, with a 1.2 percentage point decline. The drop in the ratings suggests that the process of normalizing the supply of inputs and raw materials, which was a top problem during the pandemic, is progressing.

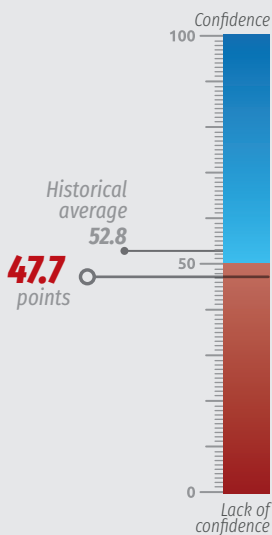
SMALL-SCALE INDUSTRY CONFIDENCE AND OUTLOOK IN APRIL 2023

The Lack of Confidence Among Small Industry Entrepreneurs Is on the Rise

In April 2023, the Industrial Business Confidence Index (ICEI) for small-scale industries dropped by 0.8 points compared to March, standing at 47.7 points. The confidence among small-scale industry entrepreneurs

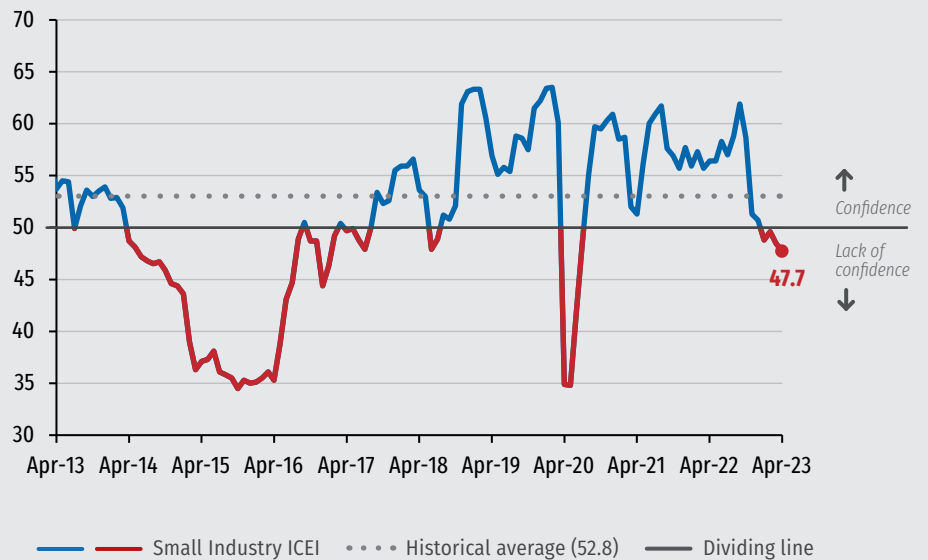
remains on a downward trajectory, having dropped in six out of the last seven months and accumulated a decline of 14.2 points in the period. As the index falls further away from the 50-point dividing line, it indicates an increasingly widespread lack of confidence among small-scale industry entrepreneurs.

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.

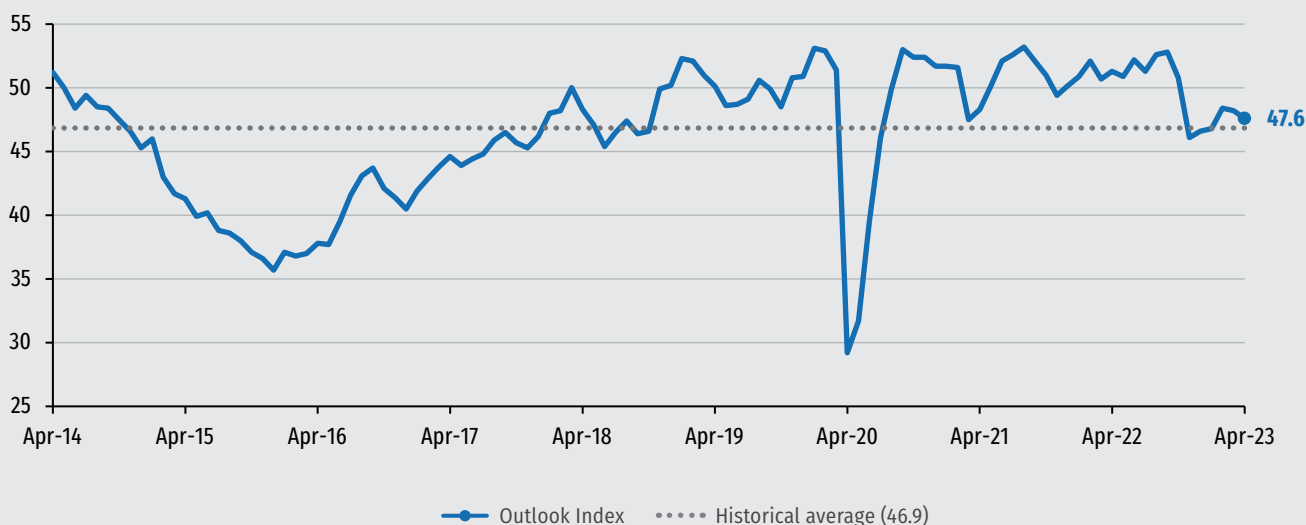
Small-Scale Industry Faces Less Favorable Outlook

The Small Industry Outlook Index, which reflects expectations for the next six months, declined by 0.6 points from 48.2 in March to 47.6 in April. This means that expectations are less favorable.

The April result is close to, but still above, the historical average of 46.9 points. Since November 2022, the outlook index has been fluctuating around the historical average, indicating some caution among entrepreneurs.

Small Industry Outlook Index

Index (0 to 100 points)*



*The higher the index, the more positive the outlook for the small industry 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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