

CONSTRUCTION INDUSTRY SURVEY

ECONOMIC INDICATORS **CNI**

CBIC

CNI
Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

Concerns About Current Conditions Are Negatively Impacting Construction Industry Confidence in 2023

During the first four months of 2023, entrepreneurs in the construction industry expressed concern regarding the current economic conditions in Brazil and their respective companies. The negative evaluation of the Brazilian economy's situation has been more extensive and severe.

The high-interest rate is weighing on this assessment, as it has led to a broad deceleration of economic activity. For the third consecutive quarter, the interest rate situation is identified as the primary issue

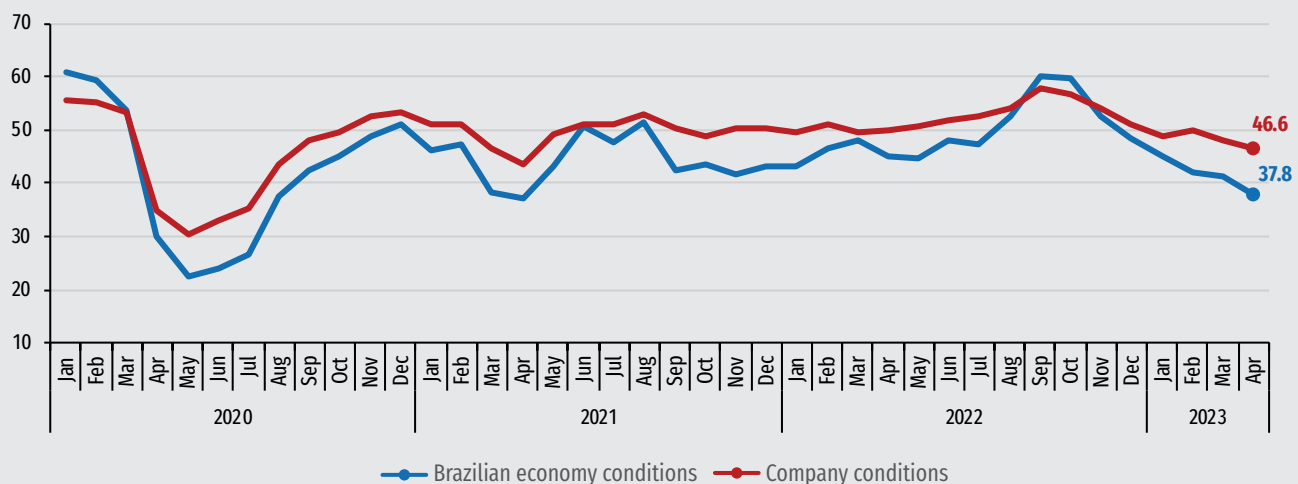
affecting the construction industry. During the first quarter of 2023, entrepreneurs also reported a decline in the accessibility of credit.

At the company level, dissatisfaction with operating income and financial situation increased in the first quarter of 2023, while activity and employment experienced a decline in March. Given this situation, the intention to invest markedly declined in April.

It is noteworthy that the issue of shortages and/or high costs of inputs and raw materials has displayed signs of normalization since the third quarter of 2022. During this phase, the increments in input prices became less intense and extensive. The process of normalization has continued throughout the first quarter of this year.

Brazilian economy and company current conditions index - Construction

Diffusion index* (0 to 100 points)



*A score above 50 points indicates conditions are better than in the last six months. The further above the point score is from 50 points, the greater and more widespread the confidence. A score below 50 points indicates conditions are worse. The further below the point score is from 50 points, the greater and more widespread the lack of confidence.

MARCH 2023 CONSTRUCTION INDUSTRY PERFORMANCE

Activity and Employment Declined in March 2023

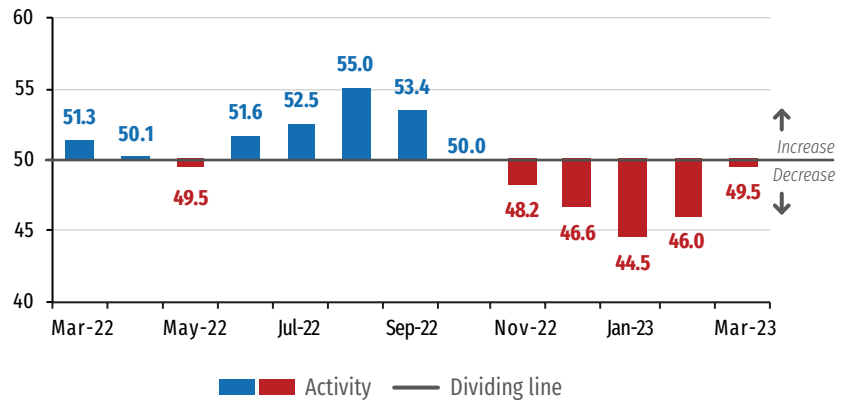
The construction industry experienced a decline in March of 2023, with activity and employment retracting for the fifth consecutive month.

The activity level index increased by 3.5 points from February to March, reaching 49.5 points. The index, which is near the 50-point dividing line that separates an increase from a decrease in activity levels, suggests that the decline in activity was not significantly extensive or severe. The reduction in activity from February to March represents the least significant decline in the series of drops that commenced in November of 2022.

The number of employees index reached 49.2 points, which reflects a 1.6-point increase from February. Similar to the activity level, the reduction in employment in March was the least extensive and severe in the five-month period in which it receded.

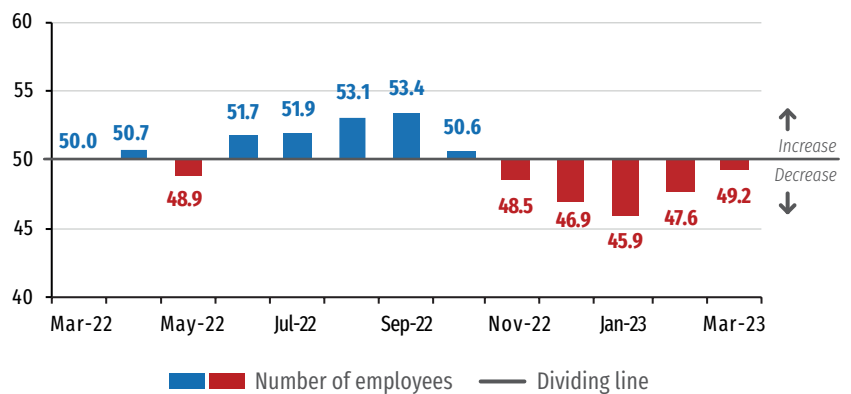
Evolution of activity level

Diffusion Indices (0 to 100 points)*



Evolution of the number of employees

Diffusion Indices (0 to 100 points)*



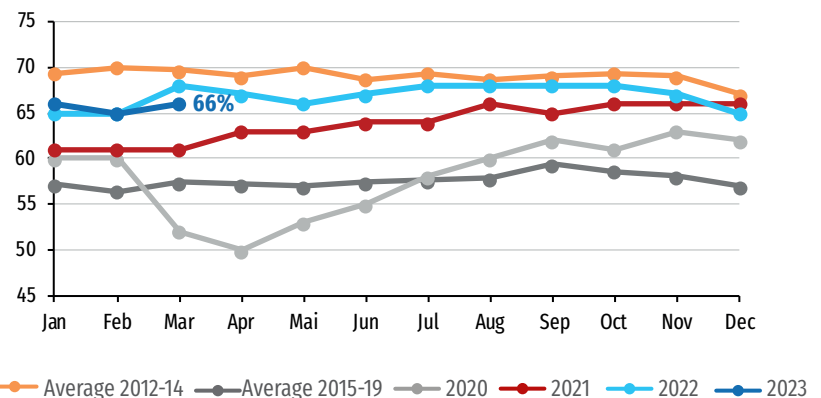
*A score above 50 points indicates an increase in activity or employment compared to the previous month. A score below 50 points indicates a decrease in activity or employment compared to the previous month. The further the point score is from 50 points, the greater and more widespread the variation.

Use of Operating Capacity Increases in March

In March 2023, the Use of Operating Capacity increased by 1 percentage point, rising from 65% in February to 66%. The Use of Operating Capacity has remained relatively stable over the period, fluctuating between 65% and 66% since December 2022.

Average utilization of operating capacity

Percentage (%)



FINANCIAL STATUS OF THE CONSTRUCTION INDUSTRY IN Q1 2023

The Financial Conditions Deteriorate in the First Quarter of 2023

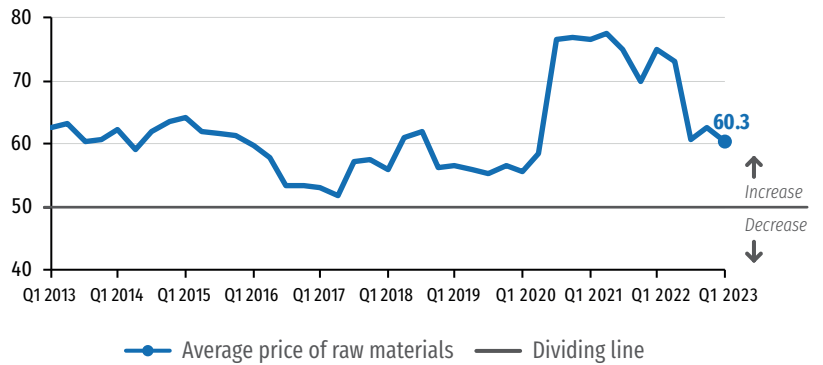
During the first quarter of 2023, entrepreneurs' perception of escalating input and raw material costs became less extensive and severe, with the average input price index decreasing by 2.3 points when compared to the fourth quarter of 2022. The indicator reached 60.3 points, which represents the lowest value since the second quarter of 2022.

In the first quarter of 2023, dissatisfaction with the operating profit margin and financial situation increased among entrepreneurs in the construction industry. Both indicators experienced a 2.5-point decrease, moving further away from the 50-point threshold that separates dissatisfaction from satisfaction.

Construction entrepreneurs perceived more extensive and severe difficulty in accessing credit. The ease of access to credit index decreased by 2.1 points when compared to the fourth quarter of 2022, reaching 36.5 points. This represents the lowest value for this indicator since the first quarter of 2021, indicating a significant challenge in accessing credit.

Average input and raw material price for the quarter

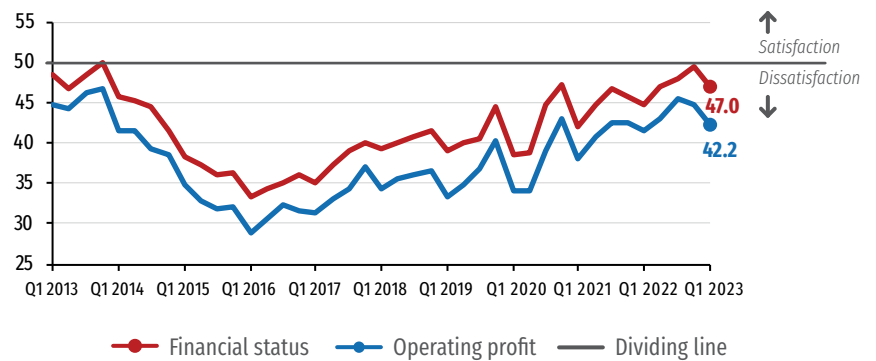
Diffusion Index (0 to 100 points)*



*A score above 50 points indicates an increase in input and raw material prices compared to the previous quarter. A score below 50 points indicates a decrease in input and raw material prices compared to the previous quarter. The further the point score is from 50 points, the greater and more widespread the variation.

Satisfaction with operating profit and financial status

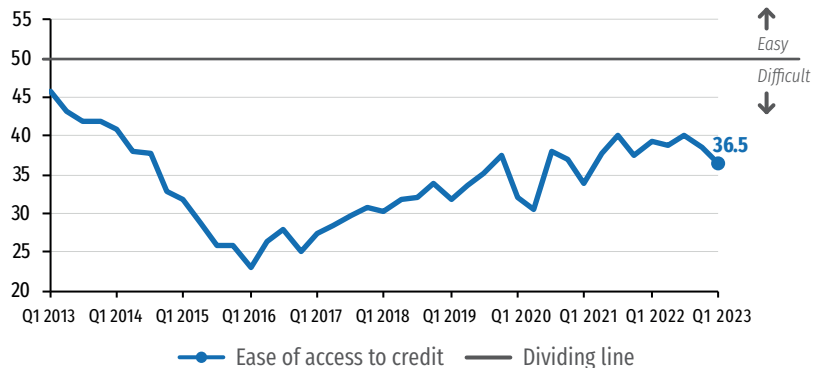
Diffusion Index (0 to 100 points)*



*A score above 50 points indicates satisfaction with the operating profit margin and financial status. A score below 50 indicates dissatisfaction with the operating profit margin and financial status. The further the point score is from 50 points, the more intense and widespread the satisfaction or dissatisfaction.

Ease of access to credit

Diffusion Index (0 to 100 points)*



*A score above 50 points indicates easy access to credit. A score below 50 points indicates difficult access to credit. The further the point score is from 50 points, the more intense and widespread is the ease or difficulty of access to credit.

PROBLEMS FACED BY THE CONSTRUCTION INDUSTRY IN Q1 2023

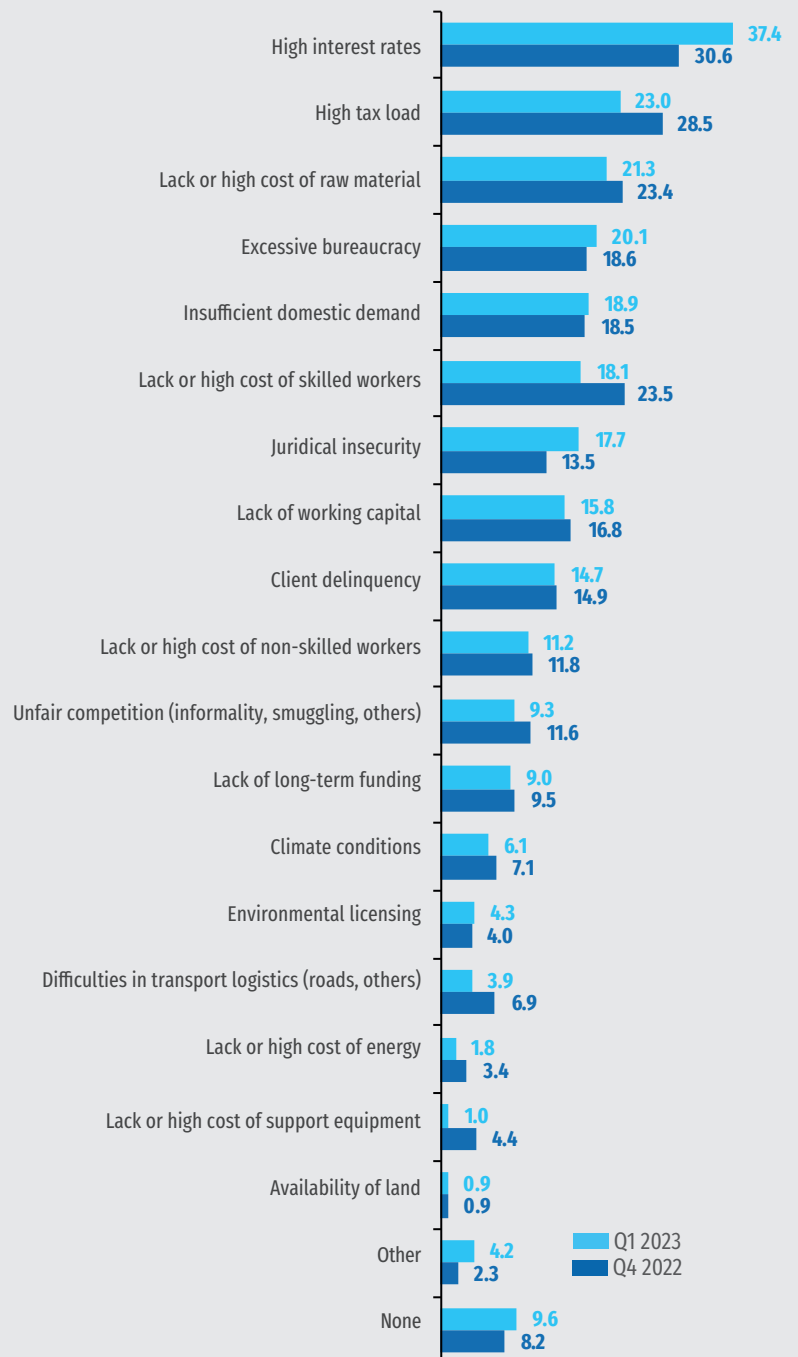
The High-Interest Rate Is Pointed Out as the Construction’s Main Problem for the Third Consecutive Quarter

The high-interest rate has been identified as the primary challenge faced by the construction industry since the third quarter of 2022, highlighting its increasing significance for the sector. In Q1 2023, interest rates were identified as a major issue by 37.4% of construction companies, an increase of 6.8 percentage points compared to the previous quarter.

The second most frequently mentioned problem was the high tax load, followed by the lack or high cost of raw materials. In Q3 2022, this ceased to be the main concern as it dropped by 20.6 percentage points from Q2 2022, indicating the first significant sign of improvement.

Despite a decrease in the mentions of difficulty in acquiring raw materials to 21.3%, the problem remains relatively high with a considerable percentage of mentions. Before the third quarter of 2020 (from the first quarter of 2015 to the second quarter of 2020), that is, before the challenges posed by the pandemic on production chains, the average number of mentions was 8.2%. This suggests that although there has been a decline in recent quarters, the construction sector still faces significant pressure due to the lack or high cost of raw materials.

Main problems faced by the construction industry in the quarter
Percentage (%)*



*In the survey, the entrepreneur is asked to mark up to three items that were real problems for their company. Thus, the sum of the percentages exceeds 100%.

CONSTRUCTION INDUSTRY BUSINESS CONFIDENCE INDEX IN APRIL 2023

Construction Industry Confidence Falls in April 2023

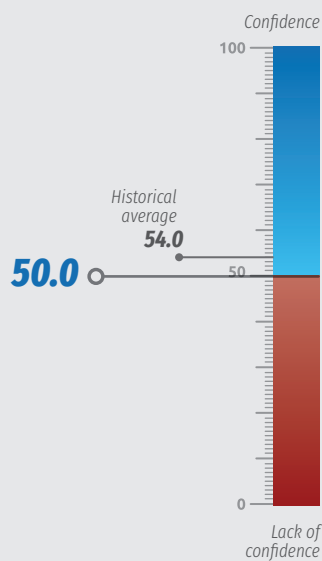
In April 2023, the Business Confidence Index of the construction industry dropped by 1.1 points, reaching 50 points. As it is on the 50-point dividing line between confidence and lack of confidence, it suggests that entrepreneurs have a neutral outlook and are neither particularly confident nor lacking in confidence. The result can be explained by the deteriorating assessment of current conditions.

Since January 2023, the perception of entrepreneurs in the construction industry regarding current conditions has been

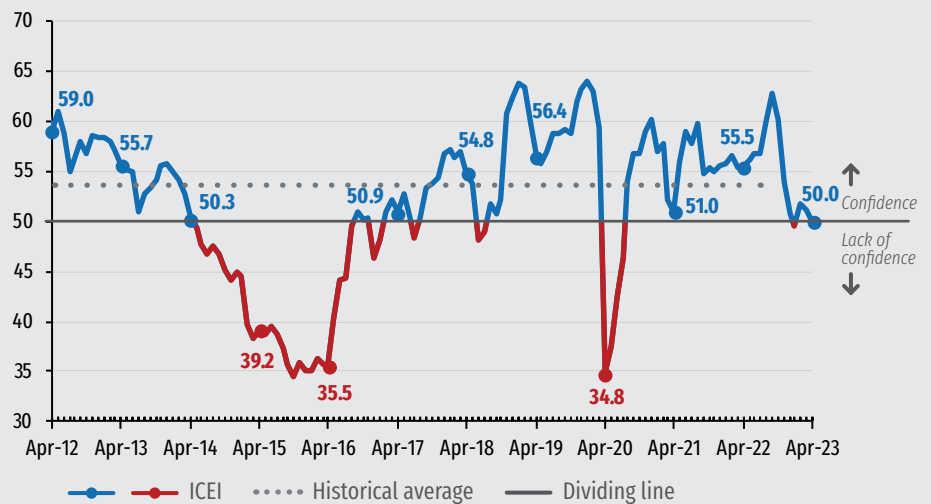
negative. The Current Conditions Index in April reached its lowest point since April 2021, standing at 43.7 points, after a 2.1-point decrease compared to March. Entrepreneurs are showing more pessimistic evaluations, both for the Brazilian economy and for company conditions, with this sentiment being widespread. The indicators measuring these perceptions are also at their lowest since April 2021.

The Expectations Index decreased by 0.7 points to 53.1 points, which remains above the 50-point line. The positive outlook for the company in the coming months is supporting optimism. The expectations for the Brazilian economy, however, have been negative since November 2022 and worsened further from March to April.

Construction ICEI
Index (0 to 100 points)*



Historic Series
Index (0 to 100 points)*



*A score above 50 points indicates confident entrepreneurs. The further above the point score is from 50 points, the greater and more widespread the confidence. A score below 50 points indicates a lack of confidence among entrepreneurs. The further below the point score is from 50 points, the greater and more widespread the lack of confidence.

APRIL 2023 CONSTRUCTION INDUSTRY EXPECTATIONS

Expectations for the Coming Months Are Optimistic

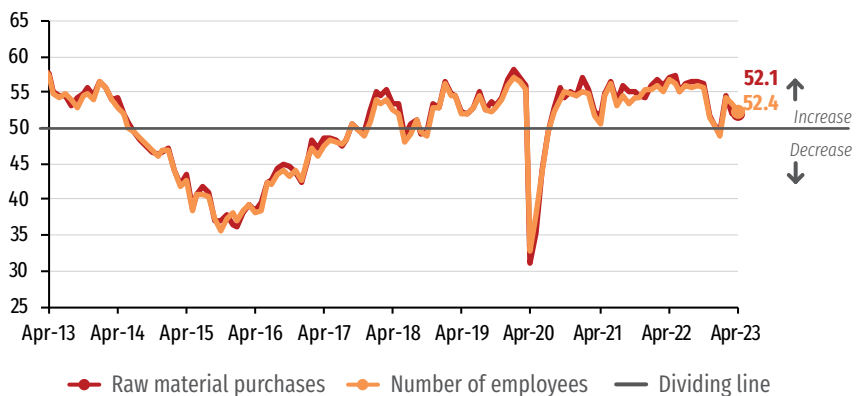
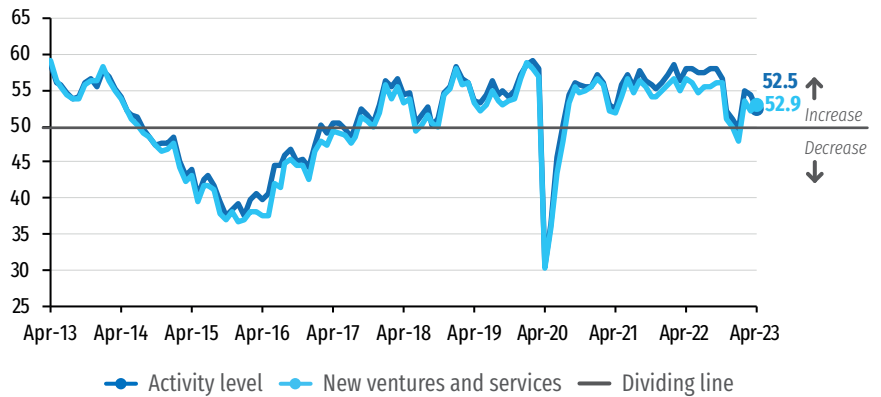
The construction entrepreneurs had positive expectations for all the variables analyzed in April 2023. The construction entrepreneur anticipates an increase in the level of activity, the number of new projects and services, the purchase of inputs, and the number of employees for the next six months.

The entrepreneur's expectation index for the level of activity decreased by 1.8 points in April compared to March, reaching 52.5 points, whereas the index for the expectation of input and raw material purchases increased by 0.7 points to 52.9 points.

In April, the index measuring the construction entrepreneurs' expectations for new ventures and services dropped by 1 point to 52.4 points, indicating a decrease in optimism when compared to the previous month. The expectation index for the number of employees remained stable at 52.1 points in April.

Expectation indices

Diffusion Indices (0 to 100 points)*



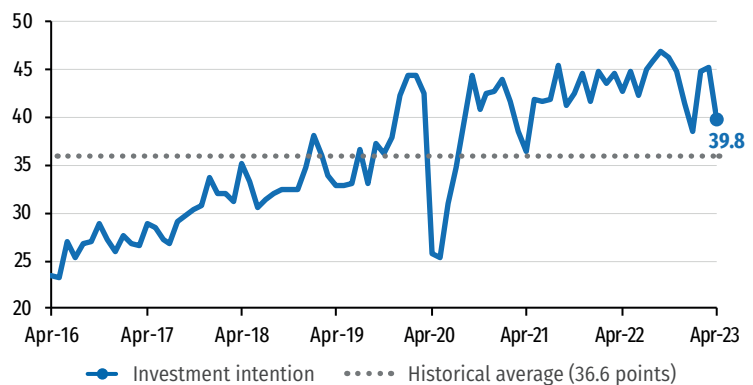
*A score above 50 points indicates expectations of growth, a score below 50 points indicates an expected decrease. The further the point score is from 50 points, the greater and more widespread the expected variation.

Intentions to Invest Drop Again in April After Two Months of Recovery

The construction industry's intention to invest index fell to 39.8 points in April 2023, a decline of 5.5 points following two consecutive months of growth. This value is higher than the historical average of 36.6 points by 3.2 points, but lower than the 2022 average of 44.4 points by 4.6 points.

Investment intention

Diffusion Index (0 to 100 points)*



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

RESULTS

Financial status in the quarter

SURVEY	OPERATING PROFIT MARGIN			AVERAGE PRICE OF RAW MATERIALS			FINANCIAL STATUS			ACCESS TO CREDIT		
	Q1 2022	Q4 2022	Q1 2023	Q1 2022	Q4 2022	Q1 2023	Q1 2022	Q4 2022	Q1 2023	Q1 2022	Q4 2022	Q1 2023
	41.6	44.7	42.2	75.1	62.6	60.3	44.7	49.5	47.0	39.3	38.6	36.5
POR PORTE												
Small ¹	40.5	45.2	42.5	73.5	62.9	62.1	42.7	46.8	44.9	37.8	38.5	34.2
Medium ²	42.8	45.5	42.7	75.4	61.5	60.6	46.7	49.7	47.0	40.6	40.4	38.6
Large ³	41.3	44.1	41.8	75.6	63.1	59.5	44.3	50.3	47.8	39.1	37.7	36.1

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			AVERAGE			LARGE		
	Q4 2022	Q1 2023		Q4 2022	Q1 2023		Q4 2022	Q1 2023		Q4 2022	Q1 2023	
	%	%	Position	%	%	Position	%	%	Position	%	%	Position
High-interest rates	30.6%	37.4%	1	29.3%	31.6%	1	26.0%	40.4%	1	36.3%	38.0%	1
High tax load	28.5%	23.0%	2	24.5%	19.1%	6	32.0%	22.0%	2	27.5%	26.6%	2
Lack or high cost of raw material	23.4%	21.3%	3	21.8%	20.6%	4	25.3%	19.1%	5	22.5%	24.1%	3
Excessive bureaucracy	18.6%	20.1%	4	23.1%	24.3%	2	18.0%	19.9%	4	16.3%	17.7%	6
Insufficient domestic demand	18.5%	18.9%	5	15.0%	19.9%	5	19.3%	20.6%	3	20.0%	16.5%	7
Lack or high cost of skilled workers	23.5%	18.1%	6	20.4%	22.8%	3	24.0%	14.2%	9	25.0%	19.0%	5
Juridical insecurity	13.5%	17.7%	7	13.6%	16.2%	8	12.0%	14.9%	7	15.0%	21.5%	4
Lack of working capital	16.8%	15.8%	8	16.3%	18.4%	7	14.0%	14.9%	7	20.0%	15.2%	8
Client delinquency	14.9%	14.7%	9	15.6%	14.0%	9	18.0%	18.4%	6	11.3%	11.4%	10
Lack or high cost of non-skilled workers	11.8%	11.2%	10	12.9%	13.2%	10	12.7%	13.5%	10	10.0%	7.6%	11
Unfair competition (informality, smuggling, others)	8.2%	9.6%	11	0.7%	1.5%	14	0.7%	1.4%	17	1.3%	0.0%	17
Lack of long-term funding	11.6%	9.3%	12	12.2%	9.6%	11	12.7%	12.1%	11	10.0%	6.3%	12
Climate conditions	9.5%	9.0%	13	6.8%	4.4%	13	10.7%	7.1%	12	10.0%	13.9%	9
Environmental licensing	7.1%	6.1%	14	8.8%	7.4%	12	6.7%	5.0%	14	6.3%	6.3%	12
Difficulties in transport logistics (roads, others)	4.0%	4.3%	15	4.1%	0.7%	17	5.3%	5.7%	13	2.5%	5.1%	14
Lack or high cost of energy	2.3%	4.2%	16	5.4%	0.7%	17	3.3%	2.1%	16	5.0%	0.0%	17
Lack or high cost of support equipment	6.9%	3.9%	17	6.1%	1.5%	14	8.0%	4.3%	15	6.3%	5.1%	15
Availability of land	3.4%	1.8%	18	2.0%	1.5%	14	2.7%	1.4%	17	5.0%	2.5%	16
Other	4.4%	1.0%		4.1%	2.2%		2.0%	2.1%		1.3%	7.6%	
None	0.9%	0.9%		11.6%	15.4%		6.7%	9.2%		7.5%	6.3%	

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		
	Mar-22	Feb-23	Mar-23	Mar-22	Feb-23	Mar-23	Mar-22	Feb-23	Mar-23	Mar-22	Feb-23	Mar-23
SURVEY	68	65	66	51.3	46.0	49.5	43.9	43.6	43.6	50.0	47.6	49.2
Small	62	62	59	52.2	48.2	49.1	43.4	46.3	43.6	50.8	47.7	47.6
Medium	67	61	64	52.0	45.5	45.6	43.6	41.1	38.5	50.7	46.3	47.3
Large	70	68	70	50.6	45.5	51.9	44.3	44.1	46.5	49.4	48.3	50.9

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					
	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23
SURVEY	58.1	54.3	52.5	56.5	52.2	52.9	57.1	52.1	52.1	56.7	53.4	52.4	44.6	45.3	39.8
Small	56.9	54.8	54.0	54.9	52.5	52.6	54.9	52.3	51.7	55.6	52.6	51.5	40.2	40.5	36.6
Medium	60.8	55.4	53.7	60.1	53.3	52.7	60.8	53.8	53.4	59.8	55.1	53.2	43.6	42.5	39.2
Large	56.9	53.5	51.3	55.1	51.4	53.2	55.7	51.0	51.6	55.4	52.8	52.2	46.8	48.6	41.3

Construction Industry Business Confidence Index and its components

	ICEI – CONSTRUCTION ⁶			INDEX OF CURRENT CONDITIONS ⁷			EXPECTATIONS INDEX ⁸		
	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23	Apr-22	Mar-23	Apr-23
SURVEY	55.5	51.1	50.0	48.4	45.8	43.7	59.0	53.8	53.1
Small	54.5	51.2	48.4	46.6	46.1	41.9	58.5	53.7	51.7
Medium	57.6	51.8	49.2	50.0	45.0	42.3	61.4	55.2	52.6
Large	54.6	50.8	51.0	48.1	46.2	45.1	57.8	53.1	53.9

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

356 companies: 136 small, 141 medium and 79 large.

Collection period

3 to 13 April 2023.

Document completed on April 20, 2023.



Learn More

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

CONSTRUCTION INDUSTRY SURVEY | English version of “Sondagem Indústria da Construção Março 2023” | Published monthly by CNI - National Confederation of Industry | www.cni.com.br | Board of Industrial Development and Economy - DDIE | Director: Lytha Battiston Spindola | Economics Office - ECON | Executive officer: Mário Sérgio Carraro Telles | Economic Analysis Unit - GAE | Manager: Marcelo Souza Azevedo | Analysis: Claudia Perdigão e Ieda Vasconcelos and Ieda Vasconcelos (CBIC) | Statistics Management | Manager: Edson Velloso | Team: Brenda Ribeiro | Dissemination Coordination - CDIV | Coordinator: Carla Gadelha | Graphic Design: Simone Marcia Broch

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

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

