

CONSTRUCTION INDUSTRY SURVEY

ECONOMIC INDICATORS **CNI**

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Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

Confidence of construction industry entrepreneurs advances at the beginning of 2024

In December 2023, the activity level and the number of employees in the construction industry weakened. These declines, common for the period, occurred more mildly than observed in previous years. In this context, the utilization of operational capacity (UCO) also showed a contraction in the transition to December but remained at a higher level than usual for the period.

The financial condition indicators continued to show dissatisfaction with profit and difficulty in accessing credit. In addition, the entrepreneur noticed a rise in the prices of inputs and raw materials

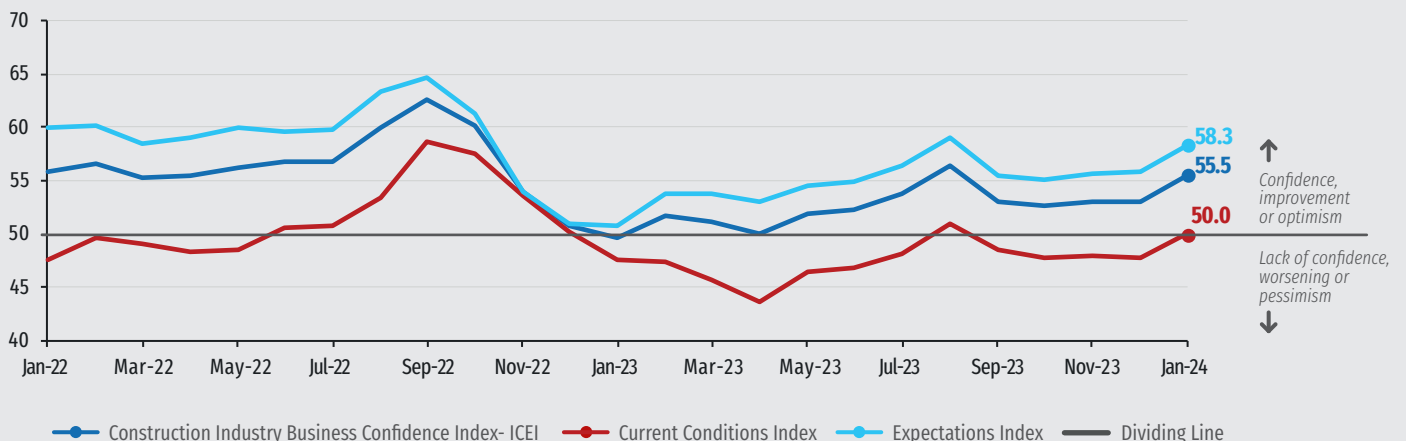
in the last quarter of the year. However, the financial situation satisfaction index shows relative improvement.

The main problems listed by entrepreneurs in the sector remained the same from the third to the fourth quarter of 2023: high interest rates, high tax load, and lack or high cost of skilled workers.

In this scenario, there was an increase in confidence among construction entrepreneurs, which was marked, above all, by the improvement in the perception of current conditions, which were no longer seen as unsatisfactory, in addition to the increase in optimism for the next semester.

During the period, expectations about the purchase of inputs and raw materials, number of employees, new developments and services, and activity level also advanced and began to show expectations of increase.

Construction Industry Business Confidence Index
Diffusion index* (0 to 100 points)



* Values above 50 points indicate confidence among sector entrepreneurs, perception of improvement in current conditions compared to the last semester, or optimistic expectations for the next semester. Values below 50 points indicate a lack of confidence among sector entrepreneurs, perception of worsening current conditions compared to the last semester, or pessimistic expectations for the next semester.

PERFORMANCE OF THE CONSTRUCTION INDUSTRY IN DECEMBER 2023

Industrial activity and employment register a decline in December

The activity level evolution index of the construction industry reached 47.7 points in December 2023. Being below the 50-point line, the index indicates a contraction in the sector's level of activity compared to the previous month. However, it was at a higher level than recorded in November 2023 (46.2 points).

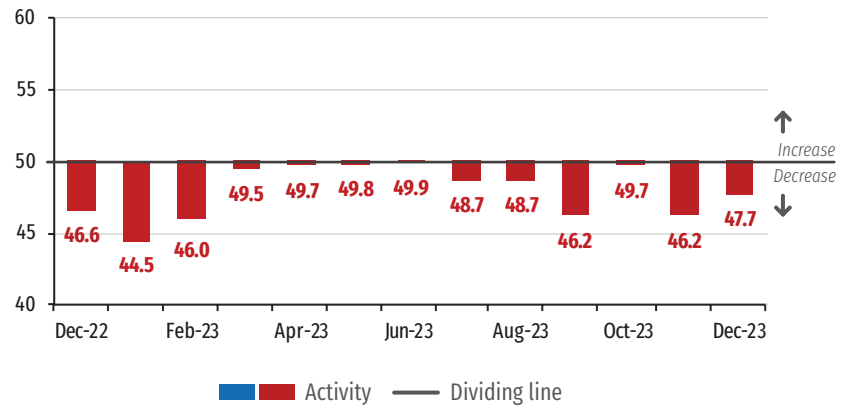
The indicator is 2.6 points above the historical average for the months of December in the series, at 45.1 points, indicating that the contraction was less intense and widespread among companies, compared to the usual for the period.

The number of employees evolution index of the construction industry reached 45.5 points in December 2023. Being below the 50-point line, it denotes a decrease in the number of employees compared to November.

Despite the intensification of the decline, the result of the month is 2 points above the average for the months of December in the series, at 43.5 points, indicating that the contraction in the number of employees was milder than usual for the period.

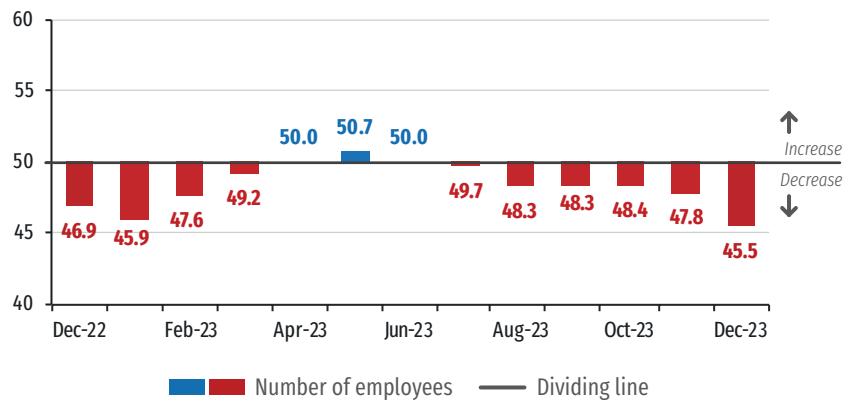
Activity level evolution

Indices (0 to 100 points)*



Number of employees evolution

Indices (0 to 100 points)*



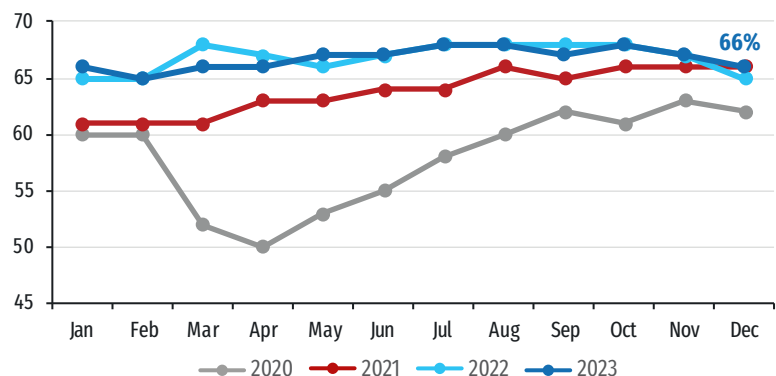
*Values above 50 indicate an increase in activity or employment compared to the previous month. Values below 50 points indicate a decrease in activity or employment compared to the previous month. The further away from 50 points, the greater and more widespread is the variation.

UCO is above the usual for the month

The utilization of operational capacity (UCO) showed a decline of 1 percentage point (p.p.) from November to December 2023, reaching 66%, a movement expected for the period. The index is 4 p.p. above the average for the months of December in the series, indicating that the percentage observed at the end of 2023 exceeds the average for the month.

Utilization of operational capacity

Percentage (%)



FINANCIAL CONDITIONS OF THE CONSTRUCTION INDUSTRY IN THE 4TH QUARTER OF 2023

Despite the improvement at the end of 2023, satisfaction with the financial situation remains at a low level

The financial situation satisfaction indicator reached 50.3 points in the fourth quarter of 2023, after rising 0.8 points compared to the index for the third quarter of the year - when it registered 49.5 points. The movement indicates that entrepreneurs in the sector saw a relative improvement between quarters. The index is 3.8 points above the average for the fourth quarter of the series, indicating a better financial situation of the series, indicating a more positive financial situation than usual for the period.

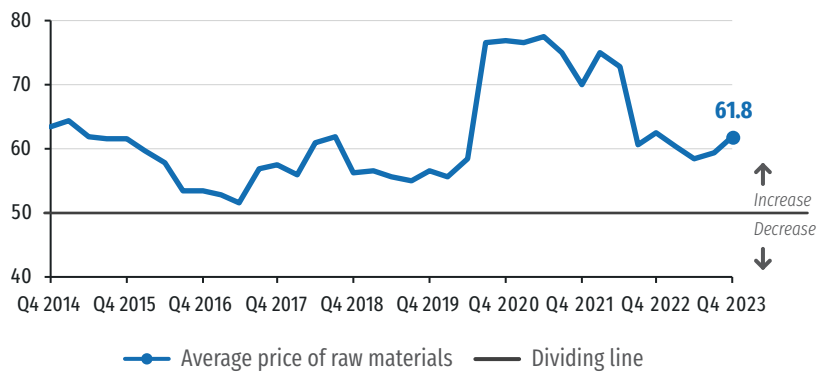
In the last quarter of 2023, the profit margins satisfaction index reached 45.6 points, remaining practically stable compared to the previous quarter the previous quarter - down just 0.1 point compared to the third quarter of the year. Nevertheless, the indicator is 2.9 points above the average for the fourth quarter of the series of 42.7 points, indicating dissatisfaction with the lower-than-usual profit usual for the period. However important to note that the indicator remains below than 50 points, thus indicating that businesspeople remain dissatisfied.

In the fourth quarter of 2023, the rise in prices of inputs and raw materials was felt more intensely and the sector. After advancing 2.2 points compared to the third quarter 2023, the index reached 61.8 points.

The credit access ease indicator advanced by 0.4 points between the third and fourth quarters of and four quarters of 2023 and reached 40.3 points. Despite the advance, the indicator is still a long way from the 50 points, which shows the continuing difficulty in accessing credit entrepreneurs in the sector.

Profit margins and financial situation satisfaction

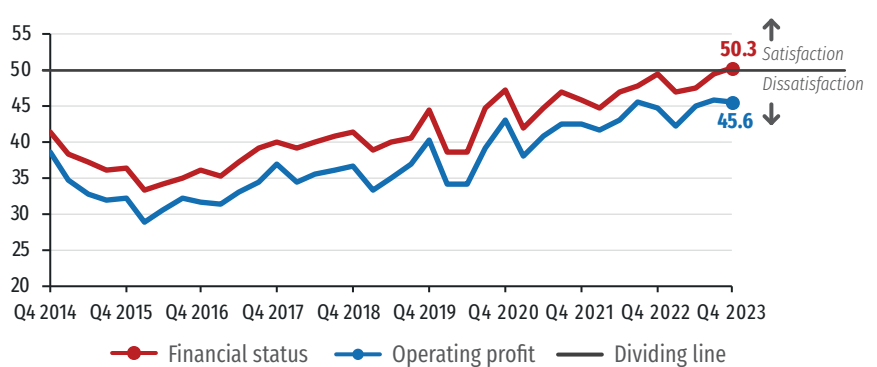
Indices (0 to 100 points)*



*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.

Credit access ease

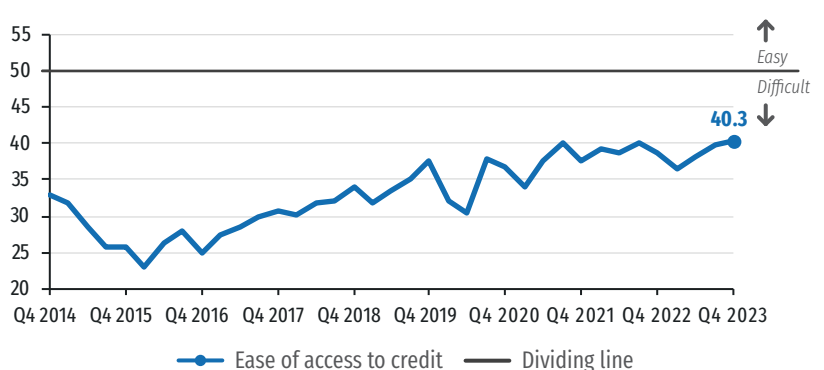
Indices (0 to 100 points)*



*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.

Raw materials average price

Indices (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.

MAIN PROBLEMS FACED BY THE CONSTRUCTION INDUSTRY IN THE 4TH QUARTER OF 2023

High interest rates continue to be the biggest problem for the sector

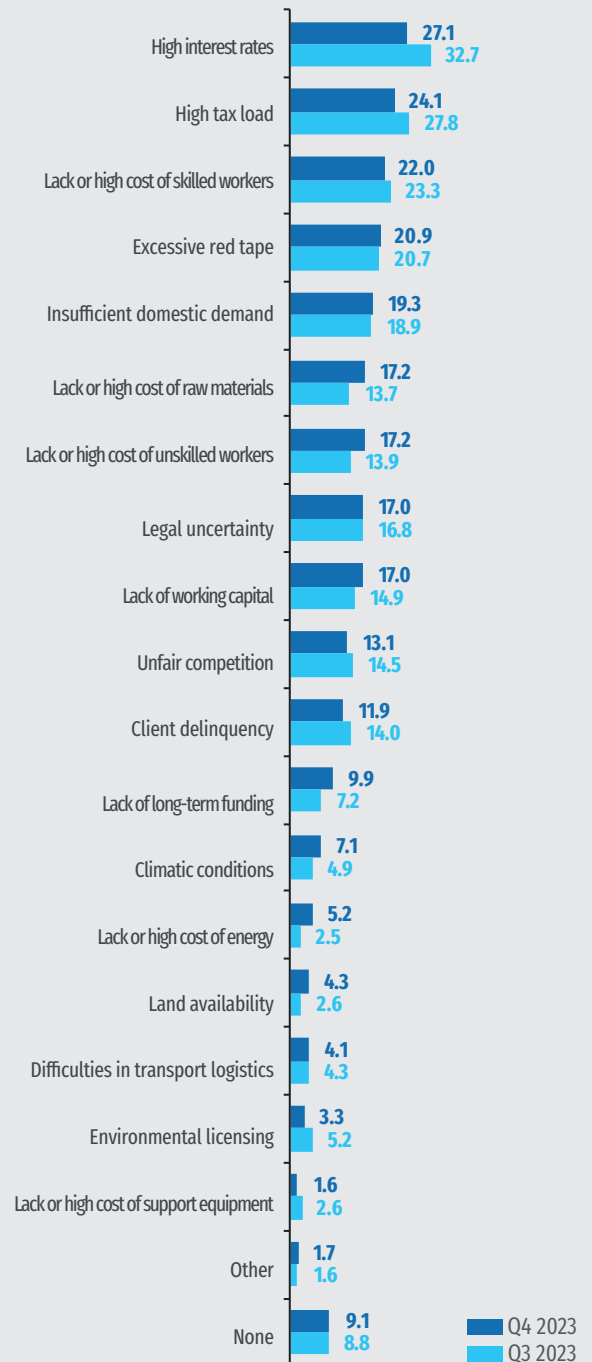
In the fourth quarter of 2023, the main problem reported by entrepreneurs in the industry was once again high interest rates, with 27.1% of comments. For eight consecutive quarters, entrepreneurs have high interest rates as the biggest difficulty faced, and in the last six quarters this issue has occupied the top position in the ranking. Although it remains in first position, the problem shows a reduction in the percentage of mentions for the second consecutive quarter. From the third to the fourth quarter of 2023, the decline was 5.6 percentage points (p.p.).

The high tax load is the second most common problem faced by the sector, with 24.1% of comments in the last quarter of 2023. Throughout entire year of 2023, the problem was listed as the sector's second biggest problem. It is worth noteworthy that this is the second consecutive quarter in which the problem showed a reduction in the percentage of mentions.

The third problem most listed by the sector in the last quarter of the year was the lack or high cost of skilled workers, pointed out by 22% of construction entrepreneurs. In the period, the problem reached the third highest percentage for the second consecutive semester, although it also showed a reduction in the percentage of mentions in the last quarter.

In addition to the top three, the problems of excessive red tape and insufficient domestic demand also stood out in the last quarter. These problems had already reached high percentages in the third quarter of 2023, and in the transition to the last quarter of the year these percentages rose again.

Main problems faced by construction industry in 2023's 4th 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 FOR JANUARY 2024

Business confidence up in January 2024

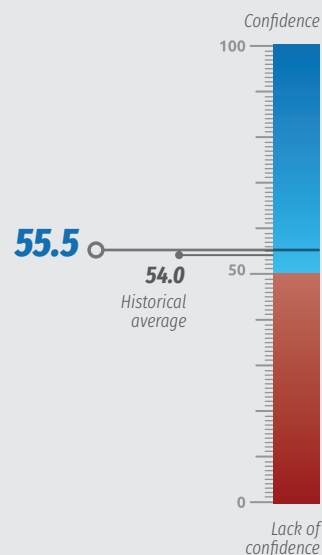
The Construction Industry Business Confidence Index (ICEI) reached 55.5 points in January 2024, after rising 2.4 points compared to the December 2023 index. The move away from the 50-point dividing line represents a more intense and widespread expansion of optimism among industrial entrepreneurs.

The Current Conditions Index, one of the components of the ICEI, reached 50 points in January 2024, after advancing 2.2 points compared to the December, when it registered 47.8 points.

As the index is above the 50-point dividing line, the advance indicates a transition from a perception of worsening current conditions to a perception of stability. Although all the indicators for the different sectors of the construction industry showed an increase, the index is above the 50-point line only for companies in the Building Construction sector.

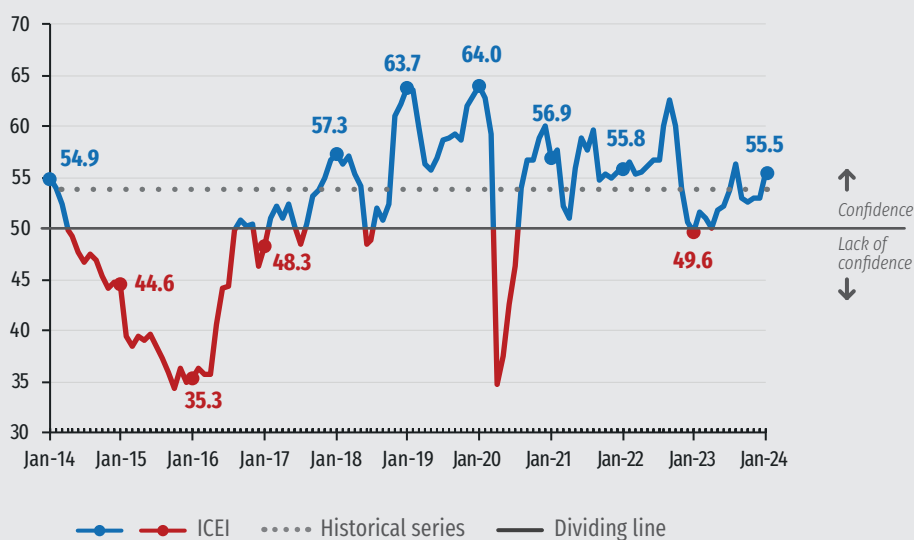
The Expectations Index rose by 2.5 points from December to January 2024 and reached 58.3 points in the period. The advance between the periods represents an increase in optimism among businesspeople in the sector for the coming months. Among the different sectors of the construction industry, the results are homogeneous: all registered an advance, as well as being above the 50-point line.

Construction ICEI
Indices (0 to 100 points)*



Recent Series

Indices (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.

EXPECTATIONS FOR THE CONSTRUCTION INDUSTRY IN JANUARY 2024

Expectations are once again optimistic for the first half of 2024

In January 2024, all the indicators of expectations for the construction industry showed progress.

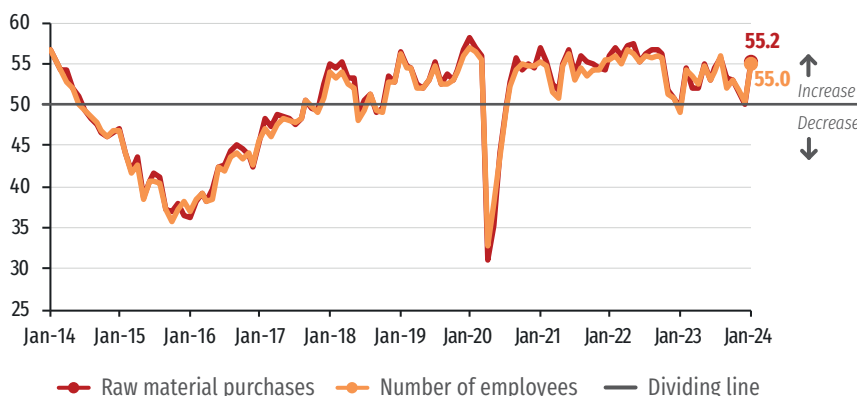
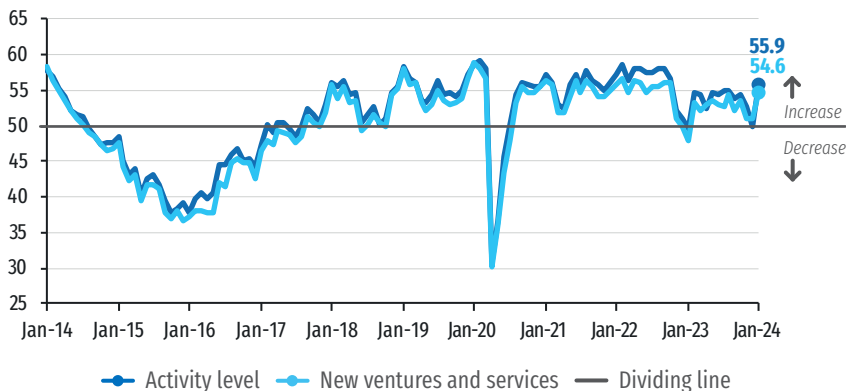
The purchase of input and raw materials expectation index reached 55.2 points in January, after an increase of 5.1 points compared to December. The number of employees expectation indicator reached 55 points, after rising 4.8 points on the same basis of comparison.

During the period, there was also a 3.6 point rise in the new developments and services expectation index, which then reached 54.6 points. These movements signal a move towards optimism - although they were already in positive territory, the indices were very close to the 50-point line, denoting expectations of stability.

Finally, the expectation activity level indicator reached 55.9 points in January 2024. With an increase of 6.0 points the turn of the year, the index, which registered 49.9 points in December 2023, is now optimistic.

Expectations indices

Indices (0 to 100 points)*



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

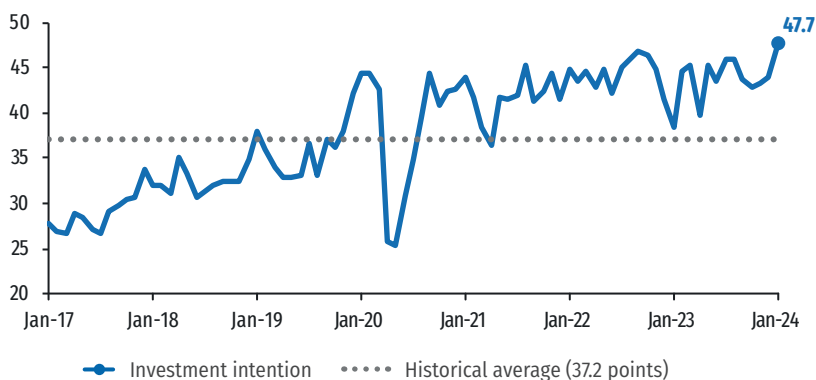
Intention to invest reaches highest level since April 2014

The investment intention indicator reached 47.7 points in January 2024, after advancing 3.8 points compared to the December 2023 result. With this movement, the index reached its highest level since April 2014, and is 10.5 points above the historical average of the series.

Among the different sectors of the construction industry, there was an increase in the investment intention indices for companies in the building construction (+6.2 points) and Infrastructure works (+7.4 points) sectors, which reached 44.6 points and 49.1 points respectively. The index for companies in the Specialized construction services sector fell by 2.2 points to 44.5 points in January 2024.

Investment intentions

Indices (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		
	Q4 2022	Q3 2023	Q4 2023	Q4 2022	Q3 2023	Q4 2023	Q4 2022	Q3 2023	Q4 2023	Q4 2022	Q3 2023	Q4 2023
	44.7	45.7	45.6	62.6	59.6	61.8	49.5	49.5	50.3	38.6	39.9	40.3
POR PORTE												
Small ¹	45.2	44.6	42.4	62.9	58.5	57.1	46.8	46.6	45.4	38.5	38.6	38.8
Medium ²	45.5	43.7	44.8	61.5	60.0	60.5	49.7	47.6	49.2	40.4	38.2	38.8
Large ³	44.1	47.3	47.3	63.1	59.8	64.2	50.3	51.7	52.7	37.7	41.3	41.7

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		
	Q3 2023	Q4 2023		Q3 2023	Q4 2023		Q3 2023	Q4 2023		Q3 2023	Q4 2023	
	%	%	Position	%	%	Position	%	%	Position	%	%	Position
High-interest rates	32.7%	27.1%	1	34.7%	23.5%	3	30.4%	32.1%	1	33.8%	24.3%	2
High tax load	27.8%	24.1%	2	23.4%	26.9%	1	29.7%	27.5%	2	28.4%	18.9%	6
Lack or high cost of skilled workers	23.3%	22.0%	3	22.6%	24.4%	2	18.8%	13.0%	9	28.4%	29.7%	1
Excessive bureaucracy	20.7%	20.9%	4	20.2%	21.0%	4	23.9%	22.9%	4	17.6%	18.9%	6
Insufficient domestic demand	18.9%	19.3%	5	19.4%	10.1%	11	22.5%	23.7%	3	14.9%	20.3%	5
Lack or high cost of raw material	13.7%	17.2%	6	15.3%	16.0%	7	13.0%	12.2%	10	13.5%	23.0%	3
Lack or high cost of non-skilled workers	13.9%	17.2%	6	8.9%	14.3%	8	15.9%	19.8%	5	14.9%	16.2%	9
Juridical insecurity	16.8%	17.0%	8	13.7%	12.6%	10	15.2%	13.7%	8	20.3%	23.0%	3
Lack of working capital	14.9%	17.0%	8	16.1%	17.6%	6	13.0%	16.0%	6	16.2%	17.6%	8
Unfair competition (informality, smuggling, others)	14.5%	13.1%	10	25.8%	19.3%	5	11.6%	14.5%	7	10.8%	8.1%	12
Client delinquency	14.0%	11.9%	11	16.1%	13.4%	9	14.5%	12.2%	10	12.2%	10.8%	11
Lack of long-term funding	7.2%	9.9%	12	5.6%	5.0%	13	7.2%	9.2%	12	8.1%	13.5%	10
Climate conditions	4.9%	7.1%	13	6.5%	9.2%	12	3.6%	6.1%	13	5.4%	6.8%	13
Lack or high cost of energy	2.5%	5.2%	14	4.0%	5.0%	13	1.4%	3.8%	15	2.7%	6.8%	13
Availability of land	2.6%	4.3%	15	1.6%	3.4%	15	4.3%	3.8%	15	1.4%	5.4%	15
Difficulties in transport logistics (roads, others)	4.3%	4.1%	16	3.2%	3.4%	15	5.1%	4.6%	14	4.1%	4.1%	16
Environmental licensing	5.2%	3.3%	17	2.4%	2.5%	17	8.0%	3.1%	17	4.1%	4.1%	16
Lack or high cost of support equipment	2.6%	1.6%	18	3.2%	0.0%	18	2.2%	0.0%	18	2.7%	4.1%	16
Other	1.6%	1.7%		0.8%	3.4%		2.2%	2.3%		1.4%	0.0%	
None	8.8%	9.1%		11.3%	15.1%		9.4%	9.2%		6.8%	5.4%	

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		
	Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23
SURVEY	65	67	66	46.6	46.2	47.7	43.4	45.0	44.5	46.9	47.8	45.5
Small	61	60	59	46.1	45.9	43.0	43.8	43.8	40.7	46.3	47.0	42.8
Medium	63	67	64	45.8	46.2	46.6	41.8	43.5	43.3	46.0	47.5	47.1
Large	68	70	70	47.3	46.3	50.0	44.2	46.3	46.6	47.6	48.3	45.6

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					
	Jan-23	Dec-23	Jan-24	Jan-23	Dec-23	Jan-24	Jan-23	Dec-23	Jan-24	Jan-23	Dec-23	Jan-24	Jan-23	Dec-23	Jan-24
SURVEY	49.6	49.9	55.9	47.9	51.0	54.6	49.5	50.1	55.2	49.0	50.2	55.0	38.5	43.9	47.7
Small	52.9	49.2	56.3	52.2	48.1	52.5	51.9	48.7	53.2	51.4	49.6	53.8	41.7	38.7	42.2
Medium	51.7	51.3	53.6	49.2	52.2	54.4	51.5	51.3	53.6	50.2	51.4	52.5	38.3	39.9	46.0
Large	47.2	49.3	57.1	45.6	51.3	55.4	47.5	50.0	56.8	47.5	49.7	56.8	37.5	48.0	50.7

Construction Industry Business Confidence Index and its components

	ICEI – CONSTRUCTION ⁶			INDEX OF CURRENT CONDITIONS ⁷			EXPECTATIONS INDEX ⁸		
	Jan-23	Dec-23	Jan-24	Jan-23	Dec-23	Jan-24	Jan-23	Dec-23	Jan-24
SURVEY	49.6	53.1	55.5	47.5	47.8	50.0	50.7	55.8	58.3
Small	50.4	53.6	54.1	46.7	47.0	47.3	52.3	56.9	57.5
Medium	50.8	52.9	53.7	49.3	47.3	48.6	51.6	55.7	56.3
Large	48.7	53.1	57.0	46.8	48.4	51.7	49.6	55.4	59.7

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

326 companies: 121 small, 131 medium and 74 large.

Collection period

4 to 16 January 2024.

Document completed on January 25, 2024.



Learn More

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

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

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