

BUSINESS INQUIRY



Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

Manufacturing industry already affected by coronavirus crisis

The crisis brought about by the new coronavirus affects Brazilian industry as a result of the sharp drop in demand, of the difficulties in procuring inputs and raw materials, and of a lower supply of working capital in the financial system.

Order cancellations have impacted sales significantly. In addition, difficulties in procuring inputs have restricted production. This scenario, combined with

continued routine payments (wages, taxes, energy, rent, etc.) and lower liquidity in the financial market, raises concerns about the survival of companies.

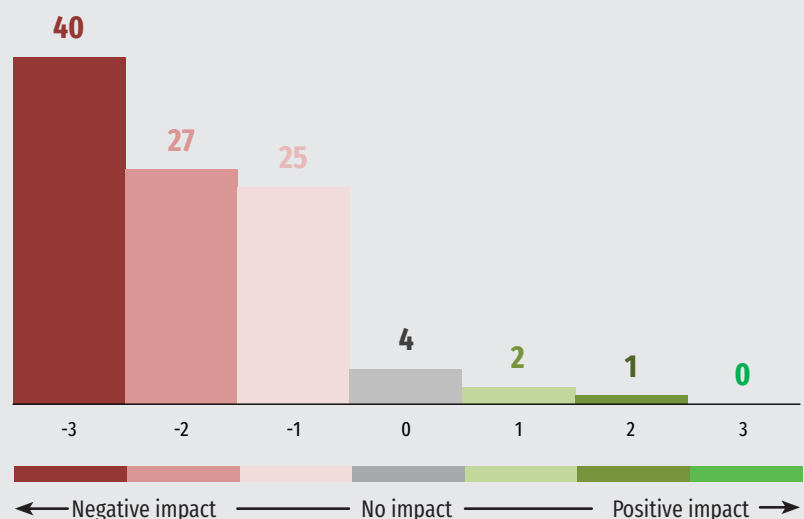
The scenario identified in this survey reinforces the importance of actions to fight Covid-19 and assist both the population and enterprises. However, there is also an urgent need to define a strategy to promote a responsible, safe, and gradual resumption of economic activity. The impacts are significant and cannot be sustained by industry for a long time.

Nine out of ten companies have been negatively affected by the coronavirus pandemic

92% of all the surveyed enterprises have been negatively affected by the coronavirus pandemic; its negative impact on 40% of them was very intense. Only 3% of the surveyed companies are being positively affected.

Intensity of the impact on companies

Percentage (%) of total valid responses - all companies

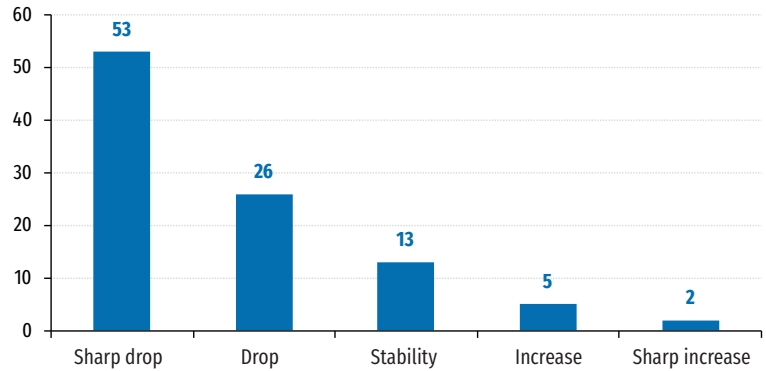


Demand drops sharply for more than half of all the surveyed companies

The crisis caused by the new coronavirus pandemic has been sharply reducing demand for industrial products. Almost eight out of ten (79%) of the surveyed companies have seen a drop in demand. More than half of the companies (53%) indicated that this decline was intense. Another 7% of the companies are experiencing a high demand for their products.

Impact on demand

Percentage (%) of total valid responses - all companies

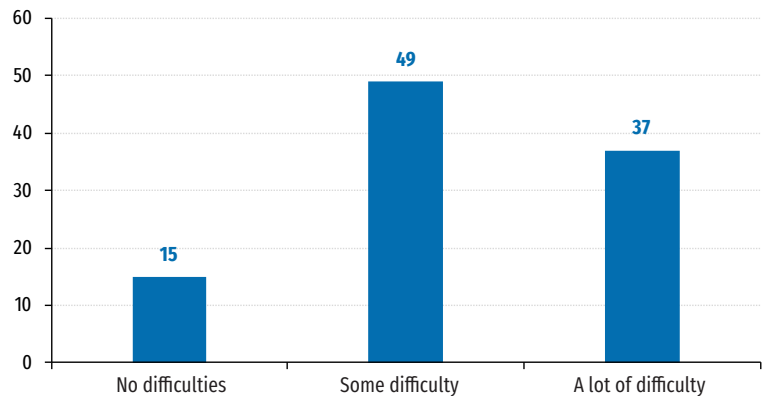


Industry is facing difficulties in procuring inputs

The pandemic is also making it difficult for most Brazilian industrial companies to procure inputs and raw materials. Almost nine out of ten of the surveyed companies (86%) are struggling to procure inputs or raw materials and 37% of them are having a very hard time procuring them. Only 15% of them are not facing difficulties in procuring inputs and raw materials.

Difficulties in accessing inputs or raw materials

Percentage (%) of total valid responses - all companies

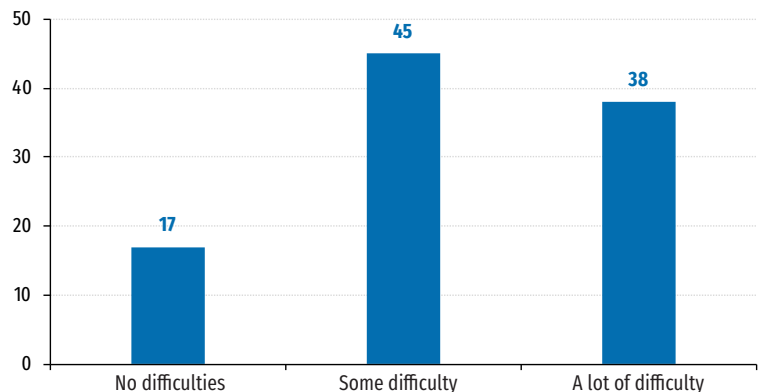


Product and input transportation logistics has also been affected

Industry is also facing difficulties for transporting its input products and raw materials. 83% of the surveyed companies are facing difficulties in their transportation logistics, while 38% are experiencing many difficulties. Only 17% of the companies are not experiencing difficulties in the logistics of transporting their products and/or inputs and raw materials.

Difficulties in the logistics of transporting products and/or inputs and raw materials

Percentage (%) of total valid responses - all companies



Production stalled in four out of ten companies

In four out of ten of the surveyed industrial companies (41%) production has been stalled due to the crisis caused by the new coronavirus pandemic. While in 23% of the companies production has been stalled for a specified period of time, in another 18% of them it has been

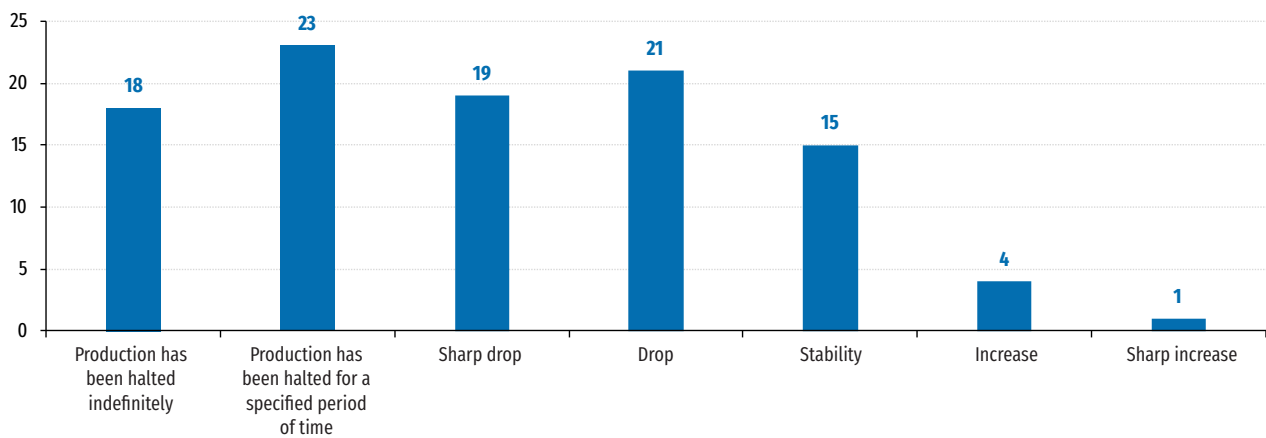
halted indefinitely. Another 40% of the companies reduced their production, 19% of which sharply.

This indicates that production in 81% of the surveyed companies has been interrupted or reduced.

In the other extreme, 5% of the companies increased their production due to the pandemic.

Impact on production

Percentage (%) of total valid responses - all companies

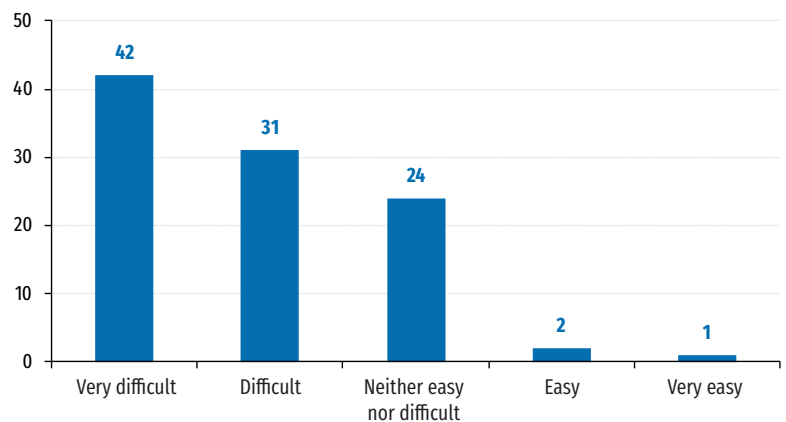


Industrial companies are struggling to deal with routine payments

Industry is struggling to deal with routine payments (taxes, suppliers, wages, electricity, rent) at the moment. Virtually three out of four of the surveyed companies (73%) are facing difficulties; 42% of them are experiencing great difficulties to deal with such payments. Only 3% of the companies continue to deal with routine payments easily.

Financial availability to deal with routine payments (taxes, suppliers, wages, electricity, rent)

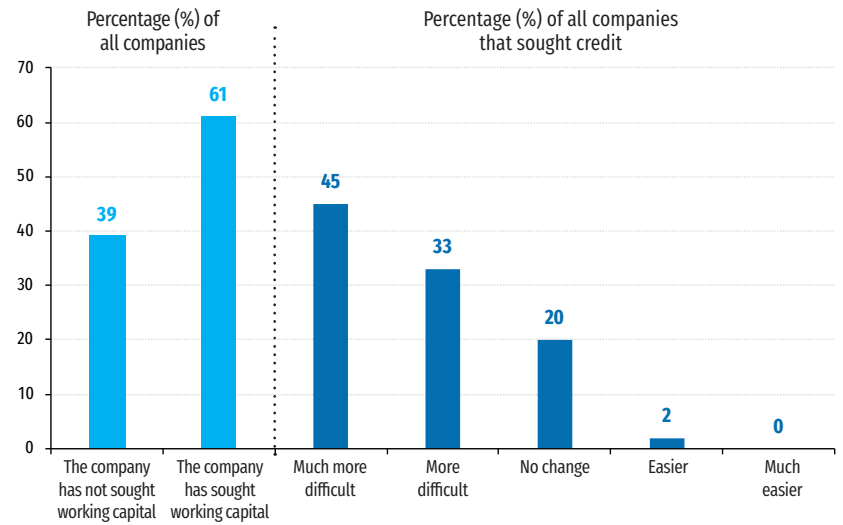
Percentage (%) of total valid responses - all companies



Accessing credit has become even more difficult for industry

Access to credit has also become more difficult for industry. 61% of all surveyed companies have sought working capital. Considering only those that sought working capital, 78% of the companies found it more difficult to access it, while accessing it has become much more difficult for 45% of them. For 20% of the companies that sought working capital, access to it remains unchanged. Only 2% reported that accessing working capital has become easier.

Impact on access to working capital



Home office and vacation arrangements for employees are the most common measures adopted by companies

The crisis caused by the new coronavirus pandemic has forced companies to take a series of measures in relation to their employees. Measures have been taken to prevent the spread of the disease and in response to the drop seen in demand and, consequently, in production.

Home office is the most widely used measure: 58% of the surveyed companies have adopted this measure. However, in the case of industrial companies, this measure does not cover most workers. Another measure related to workers' health security is that of putting employees with symptoms on leave, which has been adopted by 46% of the surveyed companies.

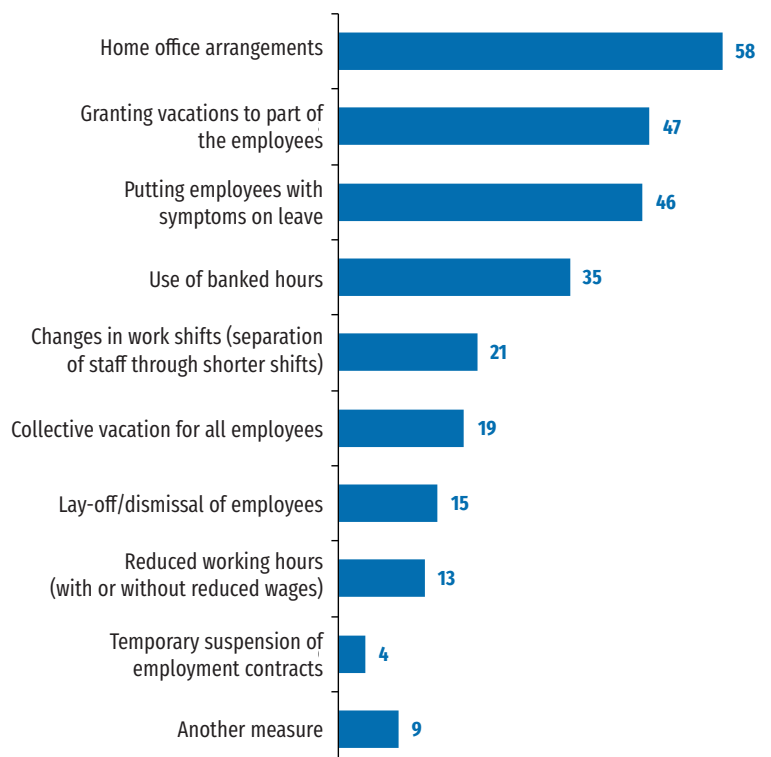
Granting vacations to part of the workers was a measure adopted by 47% of the companies. Even though this measure contributes to reducing the spread of the disease and may have been taken for this reason, it is also an action taken in response to the drop in production.

Other measures include using banked hours, which makes it possible for workers to be absent at this moment and make up for time not worked later (35%).

Note that laying off/dismissing workers was a measure adopted by 15% of the surveyed companies and that 13% of them reduced their working hours.

Measures taken by companies in relation to employees

Percentage (%) of total valid responses - all companies



Declining revenues are the main impact of the crisis

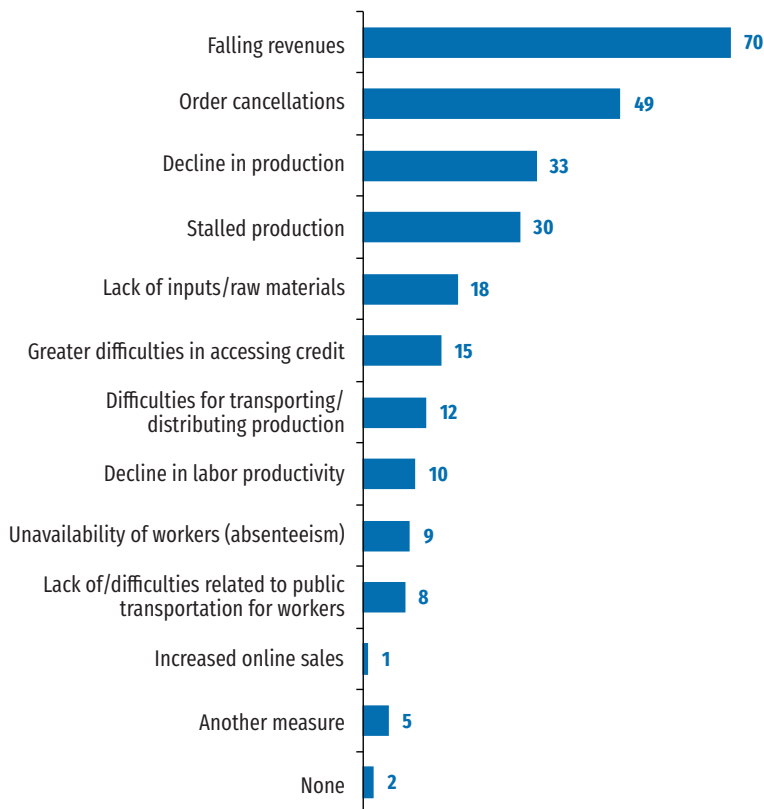
70% of the surveyed companies indicated that lower sales were one of the three main impacts of the crisis caused by the new coronavirus pandemic, followed by order cancellations, which were mentioned by 49% of the companies.

Lower production (33%) and stalled production (30%) are the second main impact. These impacts are likely a consequence of the drop in demand, but could also have been caused by the lack of inputs and/or raw materials. The lack of inputs or raw materials was indicated as one of the three main impacts by 18% of the surveyed companies.

Difficulties for transporting goods and urban mobility issues for workers are also factors with a negative impact on production. These problems were mentioned as one of the three main impacts of the pandemic by 12% and 8% of the surveyed companies, respectively.

Main impacts on companies

Percentage (%) of total valid responses - all companies



Technical specifications

Profile of the respondents

734 small, medium and large enterprises.

Survey period

March 26-27, 2020.

Document completed on March 30, 2020.



Learn more

More information on this survey can be found at:
www.cni.com.br/consultaempresarial

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