

INDUSTRIAL SURVEY

ECONOMIC INDICATORS **CNI**

CNI
Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

Industrial activity approaches pre-pandemic levels in July

As in the past two months, industry continues to show signs of recovery. In July, production increased in a particularly strong and widespread fashion – although it should be recognized that industrial activity was still quite low in June.

After three months of rebound, industrial activity moved very close to pre-pandemic

levels. Capacity utilization increased by 5 percentage points, up from 62% to 67%, standing just one percentage point below the figure observed in February 2020 and July 2019. It is also worth noting that July saw an increase in industrial employment.

In this scenario of stronger recovery, business optimism has become even more intense and widespread, with entrepreneurs expecting to see an increase in demand and exports and showing greater willingness to purchase raw materials, hire additional staff and invest.

Actual-usual capacity utilization

Diffusion index (0-100 points)*



* Figures above 50 points indicate that capacity utilization is above usual levels for the month. Figures below 50 points indicate that capacity utilization is below usual levels for the month. The further away from 50 points, the greater and more widespread the distance from usual levels for the month.

PERFORMANCE OF INDUSTRY IN JULY 2020

Production and employment increase in July

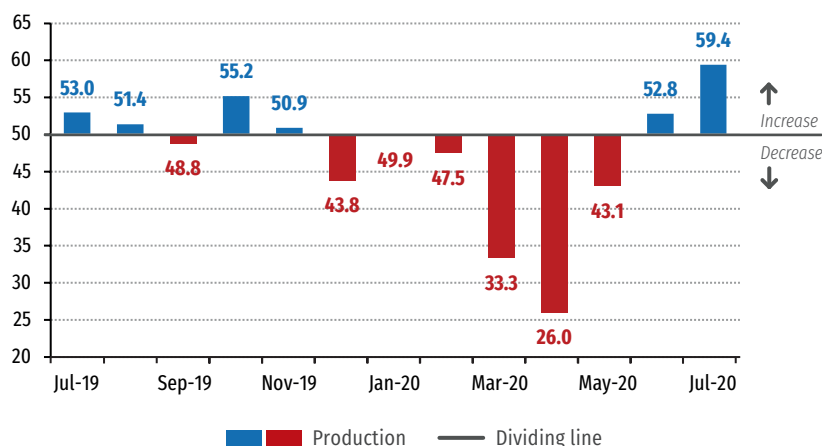
The indices measuring production and number of employees indicate a further recovery in industrial activity in July, one more intense and widespread than in the previous month.

The production index amounted to 59.4 points in June, marking its highest point since March 2010. This is to say that it shows a strong rebound in industrial production in the month, but it should be considered that industrial production in June was at a very low level on account of the pandemic. As it is a diffusion index, readings above the 50-point dividing line indicate month-over-month growth. The further away from the 50-point mark, the stronger and more widespread the growth of industrial production.

The index of number of employees hit the mark of 50.9 points in July. This is the first month that the index exceeds 50 points – thus indicating an increase in employment – since February, before the outbreak of the pandemic in Brazil. In April, the index showed a sharp drop in employee numbers, when the index reached its lowest point in the year: 38.2 points. Since then, the indicator had been moving closer to 50 points, but still showed a downward trend in industrial employment.

Evolution of production

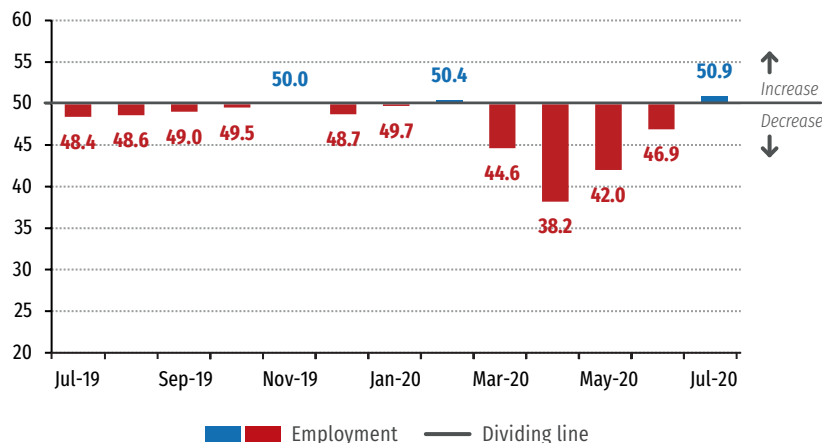
Diffusion index (0-100 points)*



*Figures above 50 points indicate a month-over-month increase in production. Figures below 50 points indicate a month-over-month decline in production. The further away from 50 points, the greater and more widespread the change.

Evolution of the number of employees

Diffusion index (0-100 points)*



*Figures above 50 points indicate a month-over-month increase in employment. Figures below 50 points indicate a month-over-month decline in employment. The further away from 50 points, the greater and more widespread the change.

Capacity utilization recovers rapidly

The capacity utilization indices experienced further increases in July. The results show that capacity utilization is now very close to pre-pandemic levels.

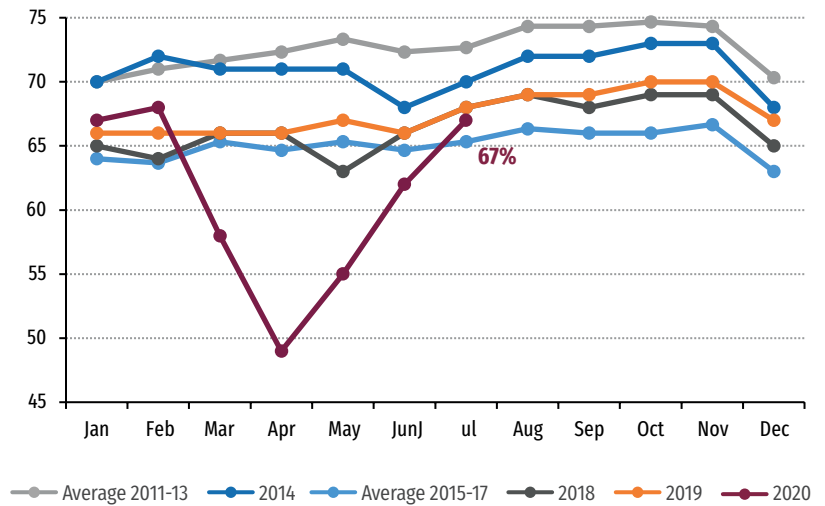
The average capacity utilization rate increased by 5 percentage points from June to July to 67%. The result for the month approached that observed in February and July 2019, when the index stood at 68%. The lowest recent result was 49% in April, the most critical period of the crisis resulting from the pandemic.

The indicator measuring actual-usual capacity utilization reached 44.1 points in July, standing at virtually the same point as in February 2020 (44.6 points). Despite the increase, the index remains below the

50-point dividing line, meaning that actual capacity utilization is below usual levels for July.

Average capacity utilization

Percentage (%)



Inventories remain low

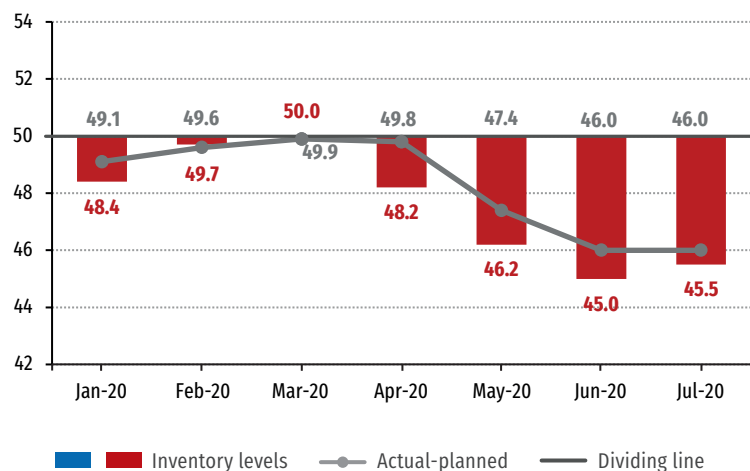
Inventories continued to fall in July this year, remaining below the levels planned by industry. Companies continue to prioritize reducing finished product inventories.

The inventory index stood at 45.5 points in July, showing another decline in inventories. In July, the index measuring actual-planned inventory remained unchanged from June at 46 points, meaning that inventories are currently below the levels planned for the month.

The low availability of working capital in a scenario that, albeit optimistic, presents risks has kept inventories at a low level. The strategy can avoid costs that would not translate into revenue growth.

Inventory levels and actual-planned inventory levels

Diffusion index (0-100 points)*



*Figures above 50 points indicate an increase in inventory levels or that actual inventory is above planned levels. Figures below 50 points indicate a decline in inventory levels or that actual inventory is below planned levels. The further away from 50 points, the greater the change or the distance from planned levels.

INDUSTRY'S EXPECTATIONS IN AUGUST 2020

Business optimism increases

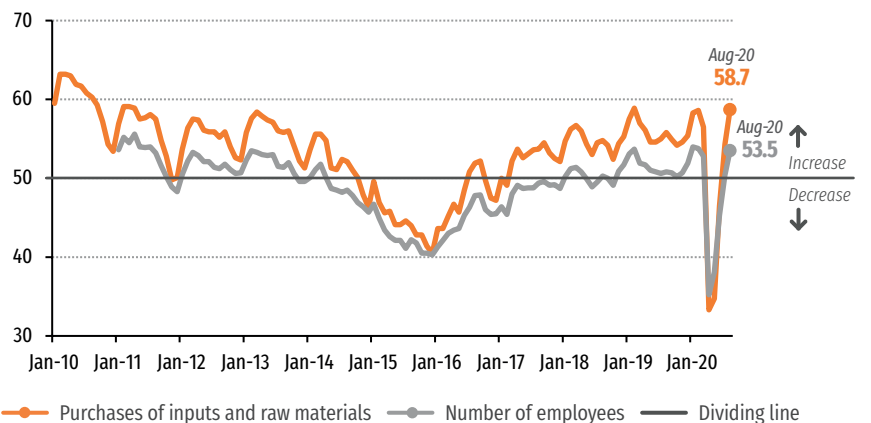
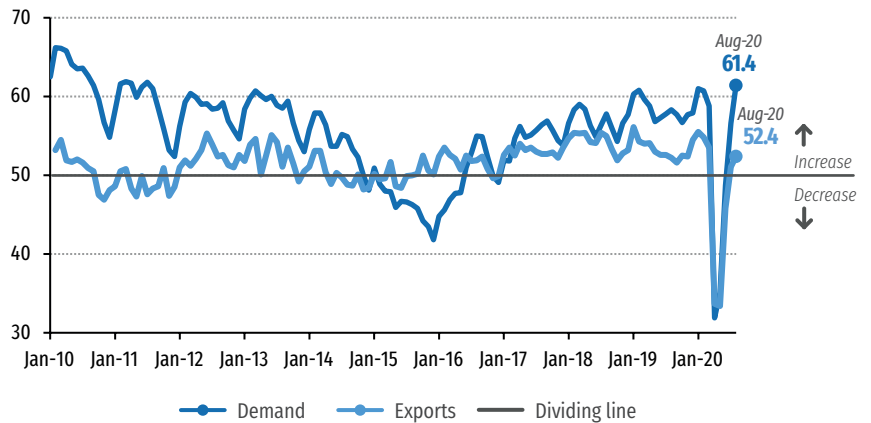
Optimism has increased and become more widespread across industry in August. All expectation indices, which were already above the 50-point mark in July, have remained on the recovery trend started in the previous months.

The indicator of expected demand was the one to experience the highest increase in August, up by 4.8 percentage points from the previous month to 61.4 points. The index of expected export volumes grew again by 1.3 points to 52.4 points, moving further away from the 50-point dividing line.

The indicator measuring expected purchases of raw materials experienced a new increase and stood at 58.7 points, up by 4.4 percentage points as compared to the previous month. The index of expected number of employees has also grown for the fourth consecutive month, growing from 50.4 points to 53.5 points and thus moving away from the 50-point dividing line.

Expectation indices

Diffusion index (0-100 points)*



* Figures above 50 points indicate an expected growth. Figures below 50 points indicate an expected decline. The further away from 50 points, the greater and more widespread the expected change.

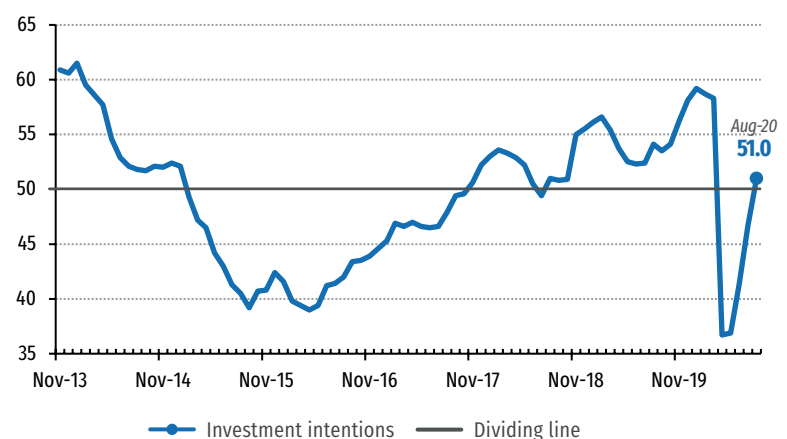
Investment intentions increase for fourth consecutive month

Entrepreneurs' willingness to invest have increased for the fourth month in a row. In August, the index measuring investment intentions increased by 4.3 points on a month-over-month basis to 51.0 points.

With the increase, the index is up by 14.3 points from April. The index has once again surpassed its historical average (currently at 49.4 points), but it is 3.1 points lower than the figure registered in August 2019.

Investment intentions

Diffusion index (0-100 points)*



* The higher the index, the more industry is likely to invest.

RESULTS BY SECTOR

Performance in July

The result for the indices measuring production, number of employees and capacity utilization indicate a recovery in production and a decline in spare capacity across almost all industrial sectors.

The sectors that showed the most significant growth were: Rubber, Plastic products, Textiles, Computers and electronics, Motor vehicles, Electrical equipment, Pulp and Paper, Furniture, Basic metals, and Chemicals, all with a production index above the 60-point mark.

The sectors that showed reductions in production, that is, with indices below 50 points, were: Printing and reproduction of recorded media, Wearing apparel, Other manufacturing, and Repair and installation of machinery and equipment.

In terms of actual-usual capacity utilization, the following sectors deserve special mention: Pharmsochemicals and pharmaceuticals, Cleaning preparations and perfumes, Rubber, Plastic products, and Biofuels, in which activity stood above usual levels for July, that is, with an actual-usual capacity utilization rate above 50 points.

Expectations in August

Regarding demand expectations, the sectors that showed the most optimism were: Plastic products, Computers and electronics, Furniture, Pharmsochemicals and pharmaceuticals, Pulp and Paper, Textile products, Wood products, and Basic metals.

Results by industrial sectors (selected indexes)*

Sectors	Production evolution index	Number of employees evolution	Actual-usual capacity utilization index	Demand expectations index
MINING AND QUARRYING	56.5	49.6	45.8	56.5
Mining of non-metal ores	59.8	50.7	47.3	56.5
MANUFACTURING	52.6	46.7	36.7	56.5
Food products	54.0	48.5	43.1	58.4
Beverages	57.1	45.8	41.7	61.9
Textiles products	64.9	51.7	48.3	63.5
Wearing apparel	44.4	42.6	29.4	56.9
Leather and related products	54.9	47.0	32.3	54.3
Footwear and parts	57.1	48.6	26.4	60.7
Wood products	54.1	51.5	43.9	63.3
Pulp and Paper	62.3	50.9	45.6	63.6
Printing and reproduction of recorded media	44.2	42.7	26.2	57.7
Biofuel	56.3	52.5	51.3	57.5
Chemicals (except Soap and detergents, cleaning preparations and others)	60.8	50.6	46.1	61.4
Soap and detergents, cleaning preparations and others	59.6	51.9	53.8	55.8
Pharmaceutical chemicals and pharmaceuticals	55.6	54.2	54.2	63.9
Rubber products	66.1	54.0	53.2	59.7
Plastics products	65.0	53.9	51.4	66.8
Non-metallic mineral products	59.5	51.9	44.7	62.6
Basic metals	61.2	52.6	44.4	63.1
Metal products (except machinery and equipment)	58.1	50.0	43.9	60.8
Computers, electronics and optical products	63.2	50.0	45.6	65.4
Electrical equipment	62.5	53.1	49.4	60.0
Machinery and equipment	59.8	53.2	44.0	60.6
Motor vehicles, trailers and semi-trailers	63.0	49.1	33.8	59.7
Other transport equipment	51.5	52.9	33.8	51.5
Furniture	62.3	54.3	50.0	64.3
Other manufacturing	48.3	48.9	39.2	58.0
Repair and installation	48.3	43.1	35.3	48.3

* The indicators vary in the 0-100 interval. Figures above 50 points indicate an increase in production, that capacity utilization is above usual levels for the month, satisfaction with financial situation or an expected growth. Figures below 50 points indicate a decline in production, that capacity utilization is below usual levels for the month, dissatisfaction with financial situation or an expected decline.

The Repair and installation of machinery and equipment sector was the only one to show negative expectations for demand in August.

RESULTS

Performance of industry

	PRODUCTION EVOLUTION			NUMBER OF EMPLOYEES EVOLUTION			CAPACITY UTILIZATION (%)			ACTUAL-USUAL CAPACITY UTILIZATION			INVENTORIES LEVELS EVOLUTION			ACTUAL-PLANNED INVENTORIES		
	Jul-19	Jun-20	Jul-20	Jul-19	Jun-20	Jul-20	Jul-19	Jun-20	Jul-20	Jul-19	Jun-20	Jul-20	Jul-19	Jun-20	Jul-20	Jul-19	Jun-20	Jul-20
TOTAL	53.0	52.8	59.4	48.4	46.9	50.9	68	62	67	43.2	36.9	44.1	51.5	45.0	45.5	52.8	46.0	46.0
BY INDUSTRIAL ACTIVITY																		
Mining and quarrying	50.3	53.7	56.5	51.2	49.5	49.6	75	70	72	45.0	40.1	45.8	52.6	51.4	46.9	54.1	52.2	51.2
Manufacturing	53.0	52.6	59.4	48.3	46.7	50.8	68	61	67	43.0	36.7	43.8	51.4	44.8	45.4	52.8	45.7	45.7
BY COMPANY SIZE																		
Small ¹	50.8	46.3	52.8	47.9	45.3	48.2	61	54	59	42.0	35.2	40.6	49.1	42.4	44.0	47.9	40.1	42.3
Medium ²	52.7	50.4	58.7	48.7	46.1	50.6	67	61	66	44.2	37.2	44.0	50.6	44.2	46.3	51.1	43.5	44.8
Large ³	54.2	57.2	63.0	48.5	48.1	52.3	72	66	72	43.2	37.6	45.8	53.1	46.7	45.9	56.2	50.2	48.4

The indicators vary in the 0-100 interval. Figures above 50 points indicate an increase in inventory levels, that actual inventory is above planned levels or that capacity utilization is above usual levels for the month. Figures below 50 points indicate a decline in inventory levels, that actual inventory is below planned levels or capacity utilization is below usual levels for the month.

1 - Company with 10 to 49 employees. 2 - Company with 50-249 employees. 3 - Company with 250-plus employees.

Industrial expectations

	DEMAND			EXPORTS VOLUMES			PURCHASES OF RAW MATERIALS			NUMBER OF EMPLOYEES			INVESTMENT INTENTIONS*		
	Aug-19	Jul-20	Aug-20	Aug-19	Jul-20	Aug-20	Aug-19	Jul-20	Aug-20	Aug-19	Jul-20	Aug-20	Aug-19	Jul-20	Aug-20
TOTAL	58.3	56.6	61.4	52.2	51.1	52.4	55.8	54.3	58.7	50.8	50.4	53.5	54.1	46.7	51.0
BY INDUSTRIAL ACTIVITY															
Mining and quarrying	55.4	57.5	56.5	57.0	55.1	50.3	51.1	50.1	52.3	53.8	49.8	52.5	55.0	49.4	56.2
Manufacturing	58.5	56.5	61.6	52.1	50.9	52.5	56.0	54.4	59.0	50.8	50.4	53.5	54.1	46.5	50.8
BY COMPANY SIZE															
Small ¹	58.9	54.6	58.5	50.0	47.0	45.7	56.6	51.7	56.2	51.9	49.3	51.5	42.6	35.9	40.7
Medium ²	59.0	56.3	60.3	54.4	51.7	52.0	56.3	54.3	58.1	51.2	49.4	53.8	51.7	44.3	50.2
Large ³	57.7	57.8	63.5	52.1	52.8	55.9	55.1	55.6	60.3	50.1	51.4	54.3	61.1	53.3	56.6

The indicators vary in the 0-100 interval. Figures above 50 points indicate an expected growth. Figures below 50 points indicate an expected decline.

* The indicator varies in the 0-100 interval. The higher the index, the more industry is likely to invest.

1 - Company with 10 to 49 employees. 2 - Company with 50-249 employees. 3 - Company with 250-plus employees.



Technical specifications

Sample profile

1,890 enterprises, including 757 small, 659 medium and 474 large companies.

Data collection period

August 3-13, 2020.

Document closed by August 19, 2020.



Learn more

For more information on the survey, including sectoral and regional results, previous editions, methodology and historical series, kindly visit: www.cni.com.br/e_sondindustrial

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

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