

SMALL INDUSTRY OVERVIEW

ECONOMIC INDICATORS **CNI**

CNI Brazilian National
Confederation
of Industry

Competition with imports and unfair competition stand out as headwinds for small-scale industries in the 2nd quarter

In the second quarter of 2025, high tax burden and elevated interest rates were the primary constraints for small-scale Manufacturing and Construction industries, respectively.

Notably, within the Manufacturing sector, the issue of competition with imports gained significant traction in the ranking of

principal challenges, following a 4 percentage point (p.p.) increase in reporting. Within the Construction industry, the problem of unfair competition became more prominent in the quarter, with a 5.9 p.p. increase compared to the previous quarter.

In this context, small industry entrepreneurs have reported greater dissatisfaction with their companies' financial situation, alongside a lack of confidence and less favorable expectations for the upcoming months of the year.

Performance, financial situation, prospects and confidence indices of the small industry

Diffusion indices (0-100 points)

Performance*



May-2025

47.4

Jun-2025

45.2

Historical
average

44.1

Financial
situation*



Q1 2025

40.6

Q2 2025

40.3

Historical
average

38.7

Prospects*



Jun-2025

48.6

Jul-2025

48.0

Historical
average

47.2

Confidence
Index - ICEI**



Jun-2025

47.4

Jul-2025

46.7

Historical
average

52.4

*The higher the index, the better the performance of the small industry in the month, the better the financial situation of the small industry in the quarter or the more positive are the prospects of the small industry businessman in the month.

**Values above 50 points indicate businessman's confidence and the higher the index, the more widespread is the confidence. Values below 50 points indicate lack of businessman's confidence and the lower the index, the greater and more widespread is the lack of confidence.

PERFORMANCE OF SMALL INDUSTRIES IN THE SECOND QUARTER OF 2025

Small industry performance advances in the quarter

During the 2nd quarter of 2025, the Small Industries Performance Index advanced compared to the first quarter of the year.

The index began the 2nd quarter with a gain of 0.3 points in April relative to March, followed by an increase of 2.3 points in May and a contraction of 2.2 points in June. Consequently, after the monthly movements, the index reached 45.2 points in June 2025, a

result 0.4 points higher than that observed at the end of the 1st quarter of 2025, in March (44.8 points).

Considering quarterly averages, there was growth of 1.2 points in the 2nd quarter of 2025 (45.9 points), compared to the 1st quarter of the year (44.7 points). Compared to the same period last year (45.4 points), the growth was 0.5 points.

The indicator is calculated using a weighted average of production volume, effective capacity utilization relative to its usual level, and the number of employees evolution. A higher index value indicates better performance in the period.

Small Industry Performance Index
Index (0 to 100 points)*



*The higher the index, the better the performance of the small industry in the month.

Note: The small industry performance index is a weighted average of the performance indices of the small extractive, manufacturing, and construction industries.

FINANCIAL SITUATION OF SMALL INDUSTRY IN THE SECOND QUARTER OF 2025

Financial conditions of small industries deteriorate in the quarter

The Small Industry Financial Situation Index reached 40.3 points in the 2nd quarter of 2025, after retreating 0.3 points from the first quarter of the year. The decline in the index reveals a deterioration in the financial conditions of these firms from the 1st to the 2nd quarter. The quarterly index is also

lower than that observed in the 2nd quarter of 2024 (41.1 points) and the 2nd quarter of 2023 (41.3 points).

The index accounts for satisfaction with operating profit margins and with the financial situation, in addition to the assessment of ease of access to credit. The lower the index, the worse the financial situation of small businesses.

Small Industry Financial Situation Index
Index (0 to 100 points)*



*The higher the index, the better the financial situation of the small industry in the quarter.



MAIN PROBLEMS FOR SMALL INDUSTRY IN THE SECOND QUARTER OF 2025

Competition with imports and unfair competition problems gain importance among small industries

In the 2nd quarter of 2025, the high tax load was cited as the main problem faced by small-scale Manufacturing industries. The problem was reported by 40.7% of firms in the 2nd quarter, after a 1.7 p.p. increase from the previous quarter. In second place, reported by 27% of firms, were insufficient domestic demand (after a 0.5 p.p. increase from the prior quarter) and high interest rates (after a 2.0 p.p. increase).

It is noteworthy that within the manufacturing industries, the problem of competition with imports gained strong prominence. The issue moved from 11th to 10th place in the ranking after a 4 p.p. increase, to 12.3%, in the transition to the second quarter.

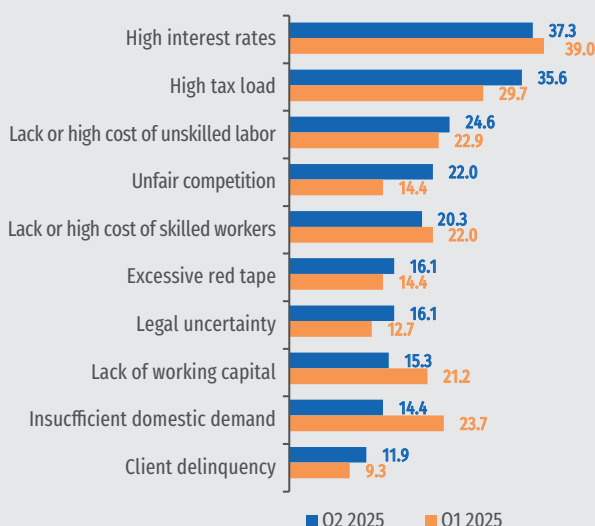
In the Construction industry, high interest rates (37.3%) occupied the top position in the ranking of main problems, after a 1.7 p.p. increase from the previous quarter. Reported by 35.6% of industrialists in the sector, the high tax burden remained the second most reported problem, after a 5.9 p.p. increase in reporting in the quarter. The problem of unfair competition (22.0%) also deserves highlight, having moved from 7th to 4th place in the ranking after a 7.6 p.p. increase.

Main problems faced by Small Scale Industry* Percentage (%)

Manufacturing



Construction



*For the question regarding the main problems, a list of answer options is presented to the businessman. The businessman can choose to indicate up to three answer options.

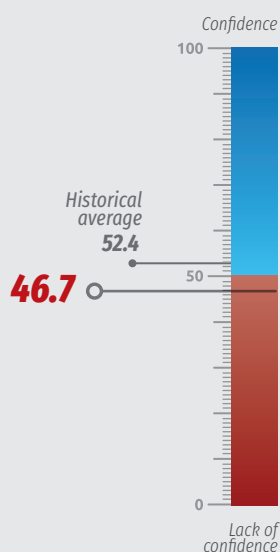
CONFIDENCE AND PROSPECTS OF SMALL INDUSTRY IN JULY 2025

Small industries remain lacking in confidence

The Industrial Entrepreneur Confidence Index (ICEI) for small industries stood at 46.7 points in July 2025, after retreating 0.7 points compared to June. In seven months, this was the fifth contraction recorded by the index, which not only remains below the 50-point mark but has also been moving further away from it, revealing a deterioration of confidence throughout the year.

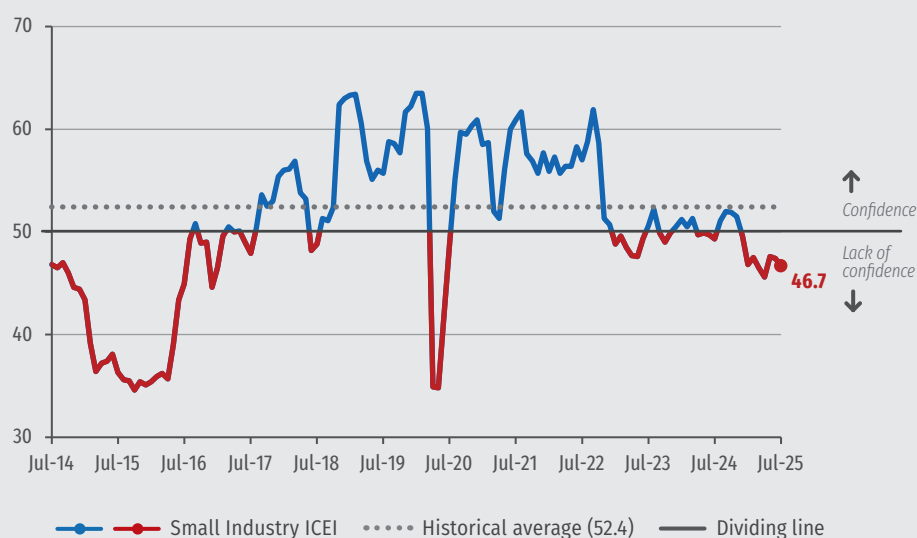
In July, the increased lack of confidence in the sector was driven by a worsening assessment of the current conditions of the Brazilian economy and of their own industries, as well as by a deterioration in expectations, which turned negative between June and July 2025. This deterioration in expectations, in turn, was pulled by a worsening of expectations related to their own firms – which became less positive in the month – while expectations regarding the Brazilian economy remained practically stable compared to June.

Small Industry ICEI
Index (0 to 100 points)*



Historic Series

Index (0 to 100 points)*



*Values above 50 points indicate businessman's confidence. The further above 50 points, the greater and more widespread is the confidence. The further below 50 points, the greater and more widespread is the lack of confidence.

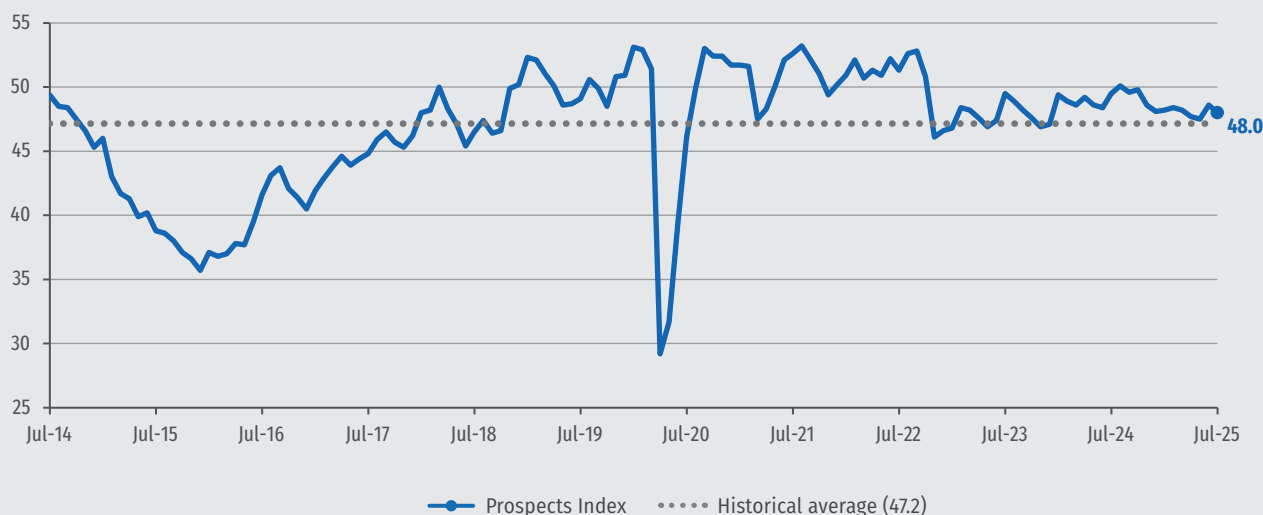
Perspectives of small industries worsened in July

The Small Industry Prospects Index, which captures these firms' expectations regarding performance variables of their own businesses in the upcoming months, stood at 48.0 points in July. The index retreated in two of the last three months: it fell 0.2

points in May, followed by an advance of 1.1 points in June and a retreat of 0.6 points in July.

The result for the month was 0.3 points higher than that observed at the end of the previous quarter, in April (47.7 points), but 1.5 points lower than that observed in July 2024 (49.5 points).

Small Industry Prospects Index
Index (0 to 100 points)*



*The higher the index, the more positive the prospects for the small business 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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