



INDUSTRIAL SURVEY

ECONOMIC INDICATORS **CNI**

CNI
Brazilian National Confederation of Industry
THE FUTURE OF INDUSTRY

Industrial Entrepreneurs Manifest Optimism for 2024's First Semester

As expected for December's months, industrial activity fell, with a reduction in the sector's production and employment. In 2023, however, this decline was smaller than usual for the month.

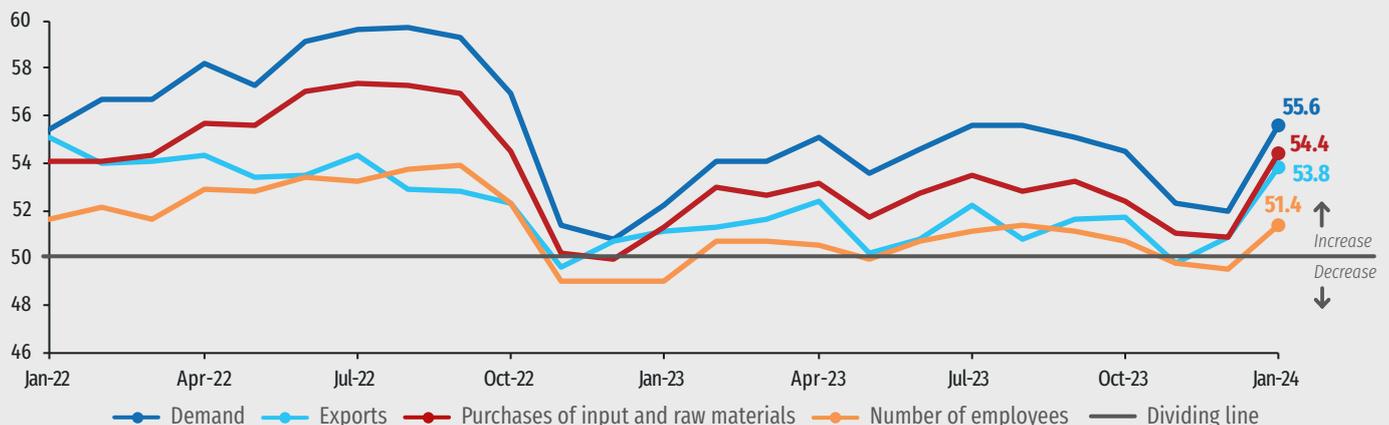
In addition to the activity drop, a reduction in the volume of unwanted inventories is also expected between November and December, which was verified in 2023. Although the decline was weaker compared to the indicator history, December's drop led inventories to the level planned by the sector's companies.

Regarding financial conditions, industrial entrepreneurs show less dissatisfaction with profit, less difficulty in accessing credit and perceive more moderate price increases. In addition, the perception of the overall financial situation is positive.

As for expectations, in January 2024 all indicators advanced, expressing greater optimism. It is usual that entrepreneurs show optimism in January; however, in 2024, it was more intense and widespread than usual.

In this scenario, the main problems faced by industrial entrepreneurs remained the same between the third and fourth quarter of the year: high tax load, insufficient domestic demand and high interest rates. Although they remain the same, the mentions' percentage of insufficient domestic demand and high interest rates problems dropped for the second consecutive quarter.

Expectation indices
Diffusion index (0 to 100 points)*



*A score above 50 points indicates expectations of growth, while 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.

INDUSTRIAL PERFORMANCE IN DECEMBER 2023

Industrial Production and Employment Decline Less Than the Usual for the Month

The production evolution index reached 42.2 points in December 2023. Below the 50-points line, it represents a production decrease in relation to November's production.

Although the index is lower than the dividing line of 50 points, it is 0.4 points higher than the average for December values, which is 41.8 points. Meaning that a production's retreat is expected in December, however, in 2023, this decline was smaller than usual for the month.

Among different sizes' companies, all indices displayed a production decline. Despite this, the small companies' index exhibited a slightly more intense decrease than the usual for the month – the index is 0.2 points smaller than its own average for December's values.

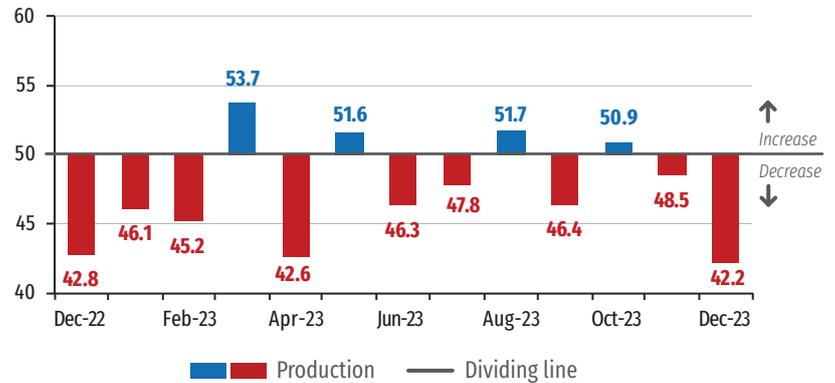
The evolution of number of industry employees' index reached 47.9 points in December 2023, indicating a decline in industrial employment in relation to that recorded in November, since it is below the 50-points dividing line.

The decline in the indicator, as observed in the production evolution index, was also milder than usual for the period, with a smaller and less widespread reduction in the number of employees in the sector – the index is 1.1 points higher than the average for December values.

Among different sizes' industries, the results are homogeneous: they indicate a reduction milder than usual for the month.

Production evolution

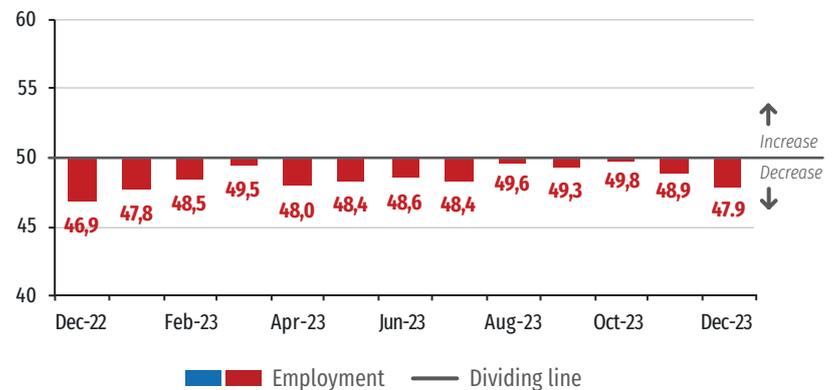
Diffusion index (0 to 100 points)*



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

Number of employees evolution

Diffusion index (0 to 100 points)*



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

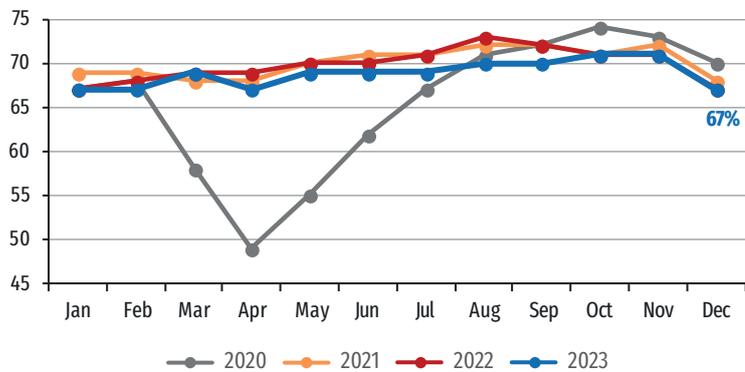
Capacity Utilization Decreases in December

The capacity utilization (UCI) fell by 4 percentage points (p.p.) from November to December 2023, reaching 67%. This percentage is correspondent to the average for December values, indicating the level of capacity utilization is in line with what is expected for the month. Considering companies of different sizes, the indices for small and large companies are 1 p.p. above their respective December averages, while the indicator for medium-sized companies is 1 p.p. below its respective average.

The actual to planned inventory index reached 42.4 points in December, after 2 points decline in relation to November's result. The month's result is 0.4 points above December values' average.

Capacity Utilization

Percentage (%)



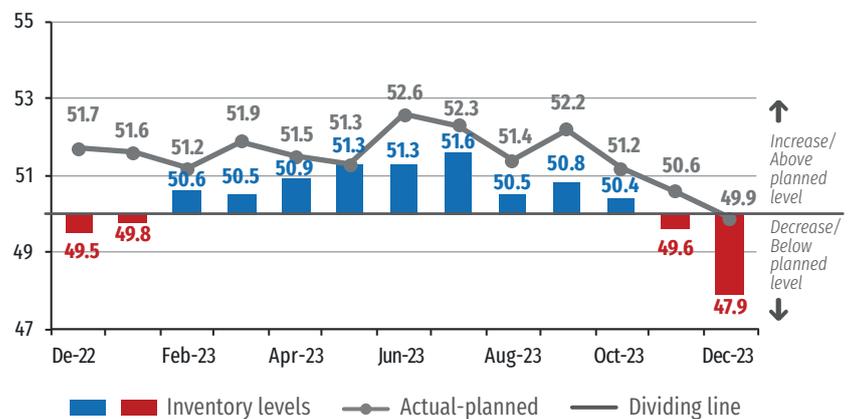
Inventories Decline to the Level Planned by Companies in December

The inventory evolution index reached 47.9 points in December 2023, the series lowest value since December 2020. Below the 50-points dividing line, the result indicates that inventories dropped in December, compared to November's recorded volume.

After 0.7 points decline in December 2023 in relation to November's result, the actual in relation to planned inventories index reached 49.9 points – this is the first time in eighteen months that the index does not record excess inventories. Barely on the dividing line, the result indicates that inventories are at the level planned by the companies in December.

Inventory evolution and actual to planned inventory evolution

Diffusion index (0 to 100 points)*



*A score above 50 points indicates an increase in inventory levels or that actual inventory is above planned levels. A score below 50 points indicates a decline in inventory levels or that actual inventory is below planned levels. The further the point score is from 50 points, the greater the change or the distance from planned levels.

INDUSTRY FINANCIAL CONDITIONS IN THE 4th QUARTER OF 2023

Dissatisfaction with Profit and Credit Access Difficulties, Albeit Milder than Usual for the Period

The profit margins satisfaction index reached 46.0 points in the last quarter of 2023, after advancing 0.7 points in relation to third quarter's result. Although the index is under 50 points, indicating dissatisfaction among entrepreneurs, the quarterly growth indicates an improvement in perception between periods. In addition, the index is still 1.9 points higher than fourth quarter's average value, 44.1 points.

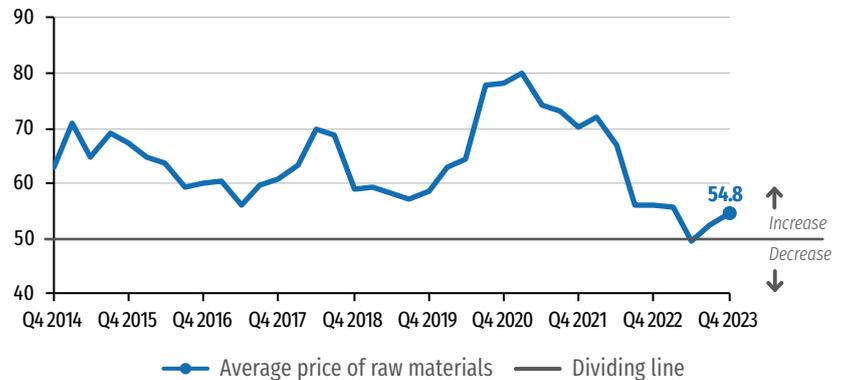
The credit access ease index increased 1.6 points between 2023's third and fourth quarters, reaching 42.8 points. The result indicates a mitigation of credit access difficulty perception across quarters and is positioned 2.9 points above the series historical average, which is 39.9 points.

The raw materials average price index reached 54.8 points in the fourth quarter of 2023, after advancing 2.2 points compared to the result of the third quarter. The result indicates that the increase in raw material prices occurred in a more intense and widespread way among sectors in relation to the previous quarter. Despite the advance, the quarter's index is positioned 8.6 points below the series historical average, at 63.4 points, indicating that the price increase in the quarter is milder than usual for the quarter.

The financial situation satisfaction index, in turn, reached 51.1 points in the last quarter of 2023, after advancing 0.8 points in relation to the third quarter of the year, indicating an improvement in entrepreneurs' satisfaction. Although it was close to the dividing line, the index remained in optimistic field for most of 2023 - except for the first quarter of the year - and in the last quarter it was 2,0 points higher than fourth quarter's average value, which is 49.1 points.

Average price of raw materials

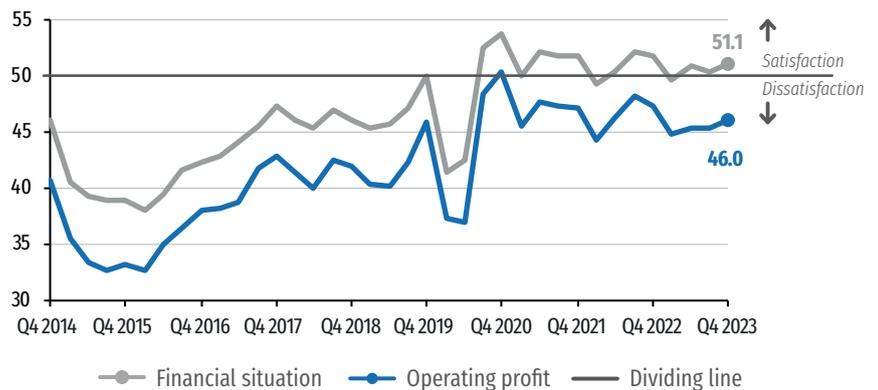
Diffusion index (0 to 100 points)*



* The index ranges from 0 to 100. A score above 50 points indicates an increase in the price of raw materials. A score below 50 points indicates a decrease in the price of raw materials.

Satisfaction with operating profit and financial situation

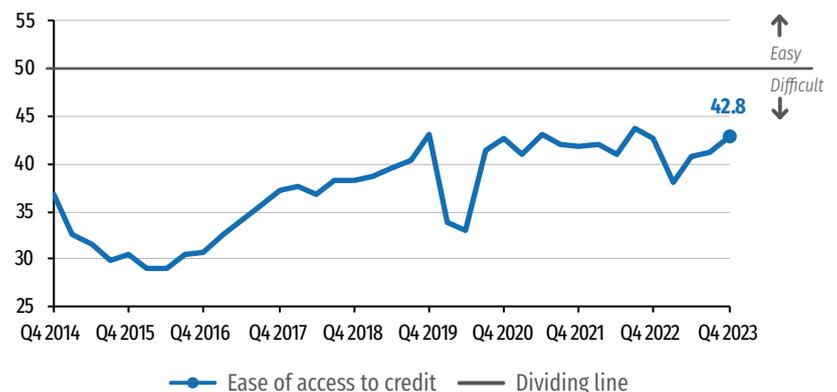
Diffusion index (0 to 100 points)*



* Satisfaction indices range from 0 to 100. A score above 50 points indicates satisfaction. A score below 50 indicates dissatisfaction.

Ease of access to credit

Diffusion index (0 to 100 points)*



* The index ranges from 0 to 100. A score above 50 points indicates easy access to credit. A score below 50 points indicates difficult access to credit.

PROBLEMS FACED BY INDUSTRY IN THE 4th QUARTER OF 2023

High Tax Load, Insufficient Domestic Demand and High Interest Rates are Reported as the Main Problems Faced by Industry

High tax load was listed as the most faced problem by entrepreneurs in 2023's fourth quarter, marked by 35.6% of companies.

The percentage of mentions for the item rose 3,0 percentage points (p.p.) in relation to third quarter's result, a period in which the problem was marked by 32.6% of industrial entrepreneurs. The high tax load problem is being listed as one of the most faced problems since the main problems mapping was introduced in the survey.

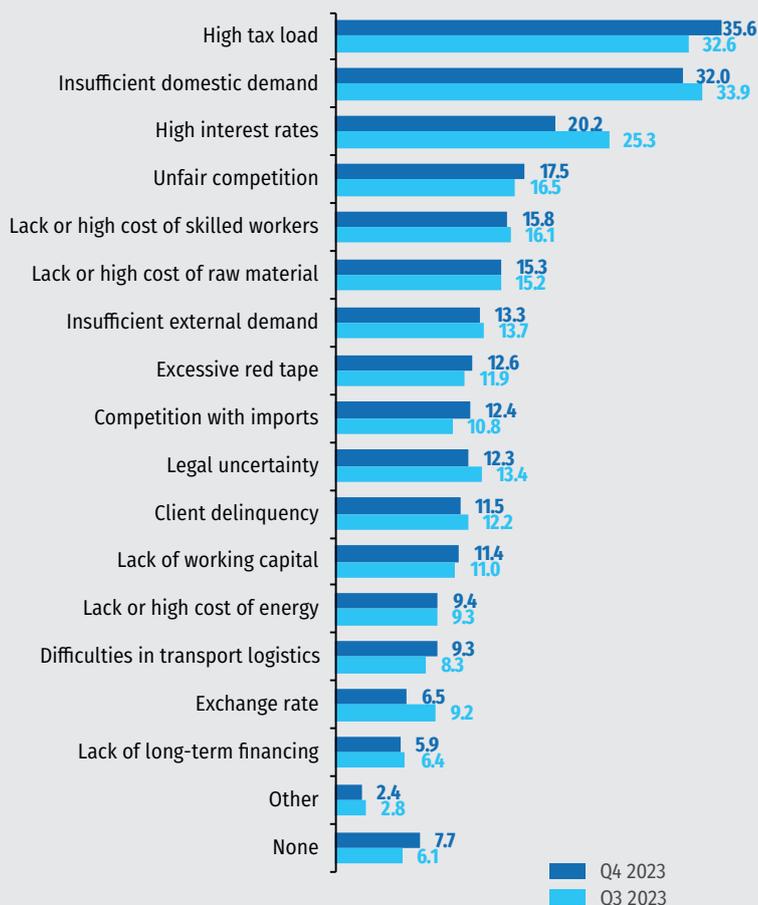
The second most common problem pointed out by companies in the fourth quarter of 2023 was insufficient domestic demand, marked by 32% of industrial entrepreneurs. The percentage of mentions retracted by 1.9 p.p. in relation to 2023's third quarter result. Nonetheless, the problem has been pointed out as one of the most faced by the industrial sector for five consecutive quarters, that is, since the fourth quarter of 2022.

The high interest rates problem was the third most faced by the sector in 2023's last quarter, with 20.2% of mentions. The problem, which has been listed as one of the sector's most faced since 2023's first quarter, started to show a decline in its mentions percentage in 2023's third quarter – as well as the insufficient domestic demand problem. Between the third and fourth quarters of 2023, the percentage of markings retracted by 5.1 p.p..

Additionally, the unfair competition and lack or high cost of skilled workers problems not only received prominence - as well as in the year's third quarter - but also respectively increased by 1.0 and 1.4 points in indications percentage in the fourth quarter of 2023.

Main problems faced by the Industry in the quarter

Percentage of total industries (%)*



*In the survey, the entrepreneur is asked to mention up to three real problems for his or her company. Thus, the sum of the percentages exceeds 100%.

INDUSTRIAL EXPECTATIONS IN JANUARY 2024

Industrial Entrepreneurs Reveal Optimism in January

From December 2023 to January 2024 all expectation indicators increased, reflecting an already seen optimism level amplification – except for the number of employees expectation, which moved from negative to positive field across months. All indices reveal a higher than usual optimism for the period.

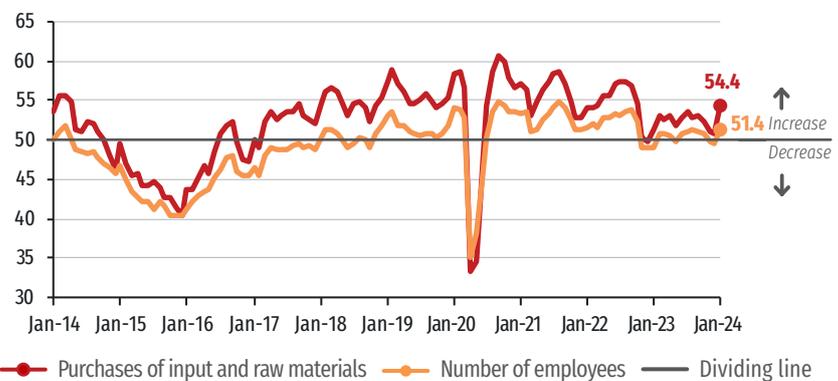
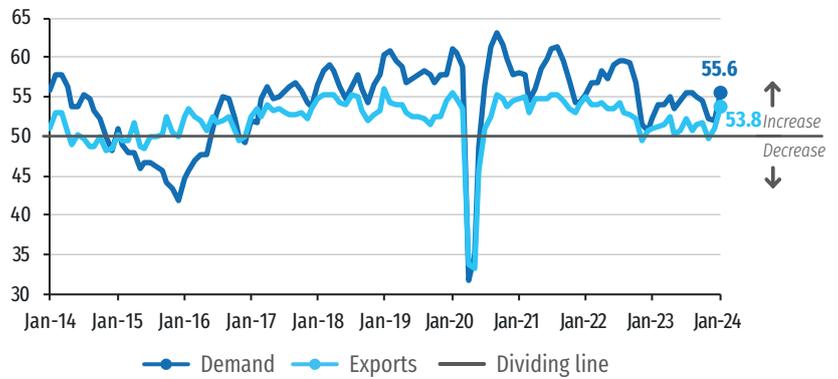
The demand expectation index advanced 3.6 points in January 2024 in relation to December 2023's result, reaching 55.6 points. The index is 0.5 points higher than January's average values, which is 55.1 points.

The purchase of input and raw material expectation index reached 54.4 points in January 2024, after advancing 3.5 points in relation to December 2023's result. The exports expectation index rose by 2.9 points in relation to December's result, reaching 53.8 points in January 2024. The increase in both indices led them to a level 1 point higher than January's average value for each one of the series.

After an increase of 1.9 points between December 2023 and January 2024, the number of employees expectation index returned to optimistic field, reaching 51.4 points. The index is also 1.3 points higher than January's average values, which is 50.1 points, indicating stronger employment growth expectation than usual for the month.

Expectation indices

Diffusion index (0 to 100 points)*



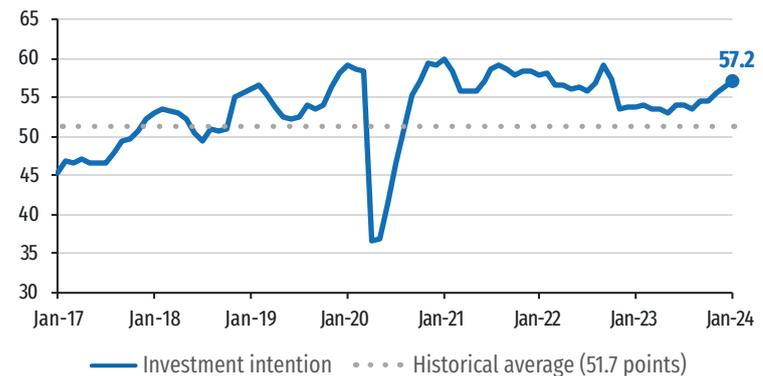
*A score above 50 points indicates expectations of growth, while a score below 50 points indicates an expected decrease. The further the point score is from 50 points, the greater and more widespread the expected variation.

Investment Intention Advances in January

The investment intention index reached 57.2 points in January 2024, after advancing 0.9 points in relation to December 2023's result. The index is 5.5 points higher than the series historical average, which is 51.7 points.

Investment intention

Diffusion index (0-100 points)*



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

RESULTS

Financial conditions in the quarter

	OPERATING PROFIT MARGIN			AVERAGE PRICE OF RAW MATERIALS			FINANCIAL SITUATION			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
General Industry	47.3	45.3	46.0	56.0	52.6	54.8	51.8	50.3	51.1	42.7	41.2	42.8
BY INDUSTRIAL SEGMENT												
Mining and quarrying	51.5	52.4	53.0	59.4	61.1	56.9	56.7	53.3	54.4	49.6	46.5	48.3
Manufacturing	47.1	45.0	45.8	56.0	52.4	54.8	51.7	50.1	50.9	42.5	41.0	42.5
BY SIZE												
Small ¹	44.0	41.6	42.0	59.2	55.3	56.7	46.6	44.9	45.9	38.1	37.4	39.4
Medium ²	45.1	44.3	45.2	56.1	54.7	55.7	50.2	49.2	50.3	42.1	41.4	42.4
Large ³	50.1	47.7	48.5	54.4	50.1	53.4	55.3	53.5	54.0	45.2	43.0	44.6

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 Industry

Items	GENERAL			SMALL			AVERAGE			LARGE		
	Q3 2023	Q4 2023	Position									
High tax load	32.6	35.6	1	38.8	41.1	1	38.3	35.7	1	26.6	32.8	2
Insufficient domestic demand	33.9	32.0	2	26.8	26.3	2	35.8	32.9	2	36.5	34.3	1
Unfair competition	25.3	20.2	3	21.8	18.6	5	24.5	18.2	4	27.5	22.1	3
Lack or high cost of skilled workers	16.5	17.5	4	24.4	24.7	3	16.0	17.8	5	12.8	13.8	6
High-interest rates	16.1	15.8	5	22.0	21.5	4	19.0	15.9	6	11.6	13.0	7
Lack or high cost of raw material	15.2	15.3	6	17.2	18.3	6	15.6	18.9	3	14.0	12.0	10
Client delinquency	13.7	13.3	7	8.3	7.8	13	9.2	7.8	15	18.8	19.0	4
Lack of working capital	11.9	12.6	8	11.6	11.2	10	10.1	14.7	7	13.0	12.3	9
Lack or high cost of energy	10.8	12.4	9	10.1	9.3	12	9.5	11.5	10	11.8	14.5	5
Excessive red tape	13.4	12.3	10	7.8	9.6	11	12.3	13.6	8	16.7	13.0	7
Legal uncertainty	12.2	11.5	11	14.7	14.2	7	11.8	9.7	13	11.1	11.0	11
Competition with imports	11.0	11.4	12	14.4	14.2	7	12.3	12.5	9	8.7	9.5	13
Insufficient external demand	9.3	9.4	13	11.9	13.1	9	10.3	10.6	11	7.5	7.0	15
Difficulties in transport logistics	8.3	9.3	14	5.3	6.1	14	9.3	9.9	12	9.2	10.5	12
Lack of long-term financing	9.2	6.5	15	4.2	2.6	16	7.3	4.6	16	12.6	9.5	13
Exchange rate	6.4	5.9	16	5.9	5.7	15	6.8	8.3	14	6.5	4.8	16
Other	2.8	2.4	-	2.1	2.2	-	3.2	2.3	-	2.9	2.5	-
None	6.1	7.7	-	7.3	7.3	-	5.7	7.8	-	5.8	7.8	-

Note: In the survey, the entrepreneur is asked to flag up to three real problems for his or her company. Thus, the sum of the percentages exceeds 100 100%.

RESULTS

Industry Performance

	PRODUCTION EVOLUTION			NUMBER OF EMPLOYEES EVOLUTION			CAPACITY UTILIZATION (%)			ACTUAL-USUAL CAPACITY UTILIZATION			INVENTORIES LEVELS EVOLUTION			ACTUAL-PLANNED INVENTORIES		
	Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23	Dec-22	Nov-23	Dec-23
Total	42.8	48.5	42.2	46.9	48.9	47.9	67	71	67	42.2	44.4	42.4	49.5	49.6	47.9	51.7	50.6	49.9
BY INDUSTRIAL ACTIVITY																		
Mining and quarrying	49.9	46.2	37.2	47.9	51.0	49.4	75	77	71	47.3	48.2	44.2	47.7	54.5	48.4	52.2	55.7	52.7
Manufacturing	42.7	48.6	42.5	46.9	48.8	47.9	67	71	67	42.1	44.3	42.4	49.5	49.3	47.9	51.7	50.4	49.9
BY COMPANY SIZE																		
Small ¹	43.5	49.0	43.1	46.4	49.0	47.8	63	65	63	41.9	43.8	41.4	47.6	49.3	46.8	46.9	47.7	46.6
Medium ²	42.9	48.3	42.4	48.0	49.1	48.1	66	69	65	41.6	43.2	41.2	50.4	50.5	49.7	51.8	50.1	50.6
Large ³	42.5	48.3	41.7	46.6	48.8	47.9	70	75	71	42.7	45.4	43.6	49.9	49.2	47.5	54.0	52.3	51.1

Indicators range from 0 to 100 points. A score above 50 points indicates an increase, above-planned inventories, or capacity utilization higher than usual. On the other hand, a score below 50 points suggests a decrease, lower-than-planned inventories, or a capacity utilization lower than usual.

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

Industrial Expectations

	DEMAND			EXPORTS VOLUMES			PURCHASES OF RAW MATERIALS			NUMBER OF EMPLOYEES			INVESTMENT INTENTIONS*		
	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
Total	52.2	52.0	55.6	51.1	50.9	53.8	51.3	50.9	54.4	49.0	49.5	51.4	53.7	56.3	57.2
BY INDUSTRIAL ACTIVITY															
Mining and quarrying	56.3	55.3	56.9	51.7	55.9	56.1	54.8	50.3	54.7	50.2	52.5	53.5	64.7	66.9	59.4
Manufacturing	52.1	51.8	55.5	50.9	50.5	53.7	51.2	50.8	54.4	48.9	49.4	51.3	53.3	55.9	57.0
BY COMPANY SIZE															
Small ¹	50.5	50.1	53.8	47.8	48.3	52.9	49.4	50.0	52.4	48.1	49.3	50.0	41.0	43.7	43.9
Medium ²	52.2	51.9	55.0	54.1	53.2	56.0	50.8	51.2	53.6	48.9	50.0	50.6	50.4	54.1	55.5
Large ³	53.1	52.9	56.8	51.2	51.0	53.0	52.6	51.1	55.9	49.5	49.3	52.5	61.8	63.7	64.6

Indicators range from 0 to 100 points. A score above 50 points indicates expectations of growth, while a score below 50 points indicates an expected decrease.

*Indicator ranges from 0 to 100 points. The higher the index, the greater the industry's propensity to invest.

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



Technical specifications

Sample profile

1,653 enterprises, including 688 small, 566 medium and 399 large companies.

Collection period

January 4-16, 2024.

Document completed on January 23, 2024.



Learn more

For further information on sectorial and regional results, previous issues, methodology, and historical series, please 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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