

Investment intentions in 2014 are the lowest since 2010

Investment in 2013

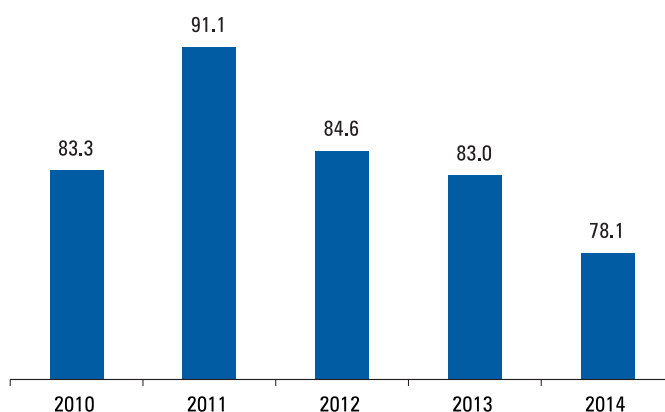
- In 2013, 79.7% of all enterprises invested virtually the same percentage registered in 2012, but less than the 89.6% peak observed in 2010;
- Investment in Brazilian industry is increasingly focused on production processes. The percentage of enterprises that invested in this area soared from 27.5% in 2010 to 36.3% in 2013;
- 62.9% of all investments in 2013 were financed with funds of the enterprises themselves.

Investment in 2014

- The current production capacity of 82.9% of all industrial enterprises is either appropriate or more than appropriate to meet the demand anticipated for 2014;
- 78.1% of all enterprises have plans to invest in 2014, the lowest level since the series began, in 2010. The percentage of enterprises with investment plans in 2011 hit the mark of 91.1%;
- 14.2% of all enterprises that intend to invest in 2014 have plans to give priority to launching new products. 11% of all enterprises that invested in 2013 attached priority to launching new products;
- 79.6% of all enterprises that intend to invest in 2014 will focus on the domestic market. In 2010, 72.9% of all enterprises that intended to invest focused on the domestic market.

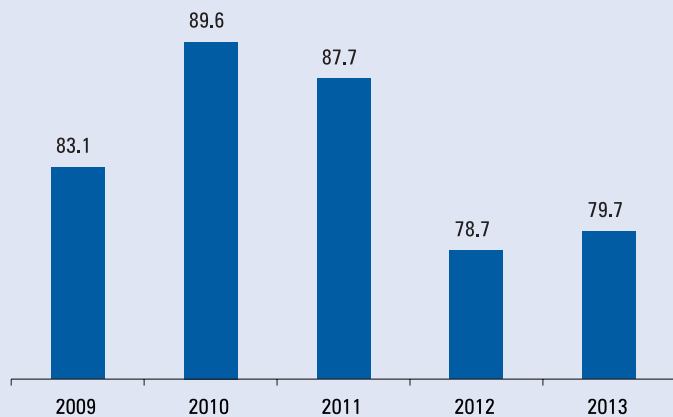
Investment intentions

Percentage (%) of all enterprises



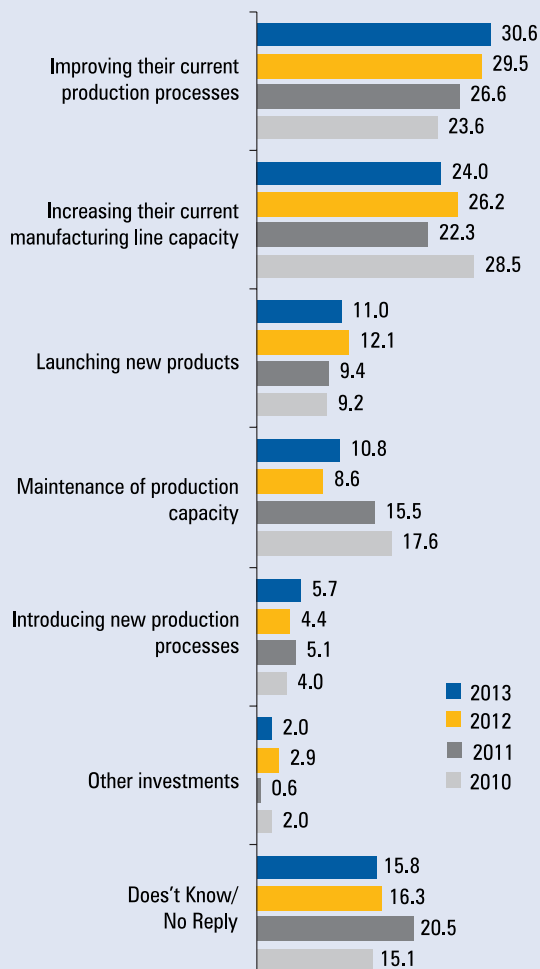
Percentage of enterprises that invested in 2013

Percentage (%) of all enterprises



Investment Goal

Percentage (%) of enterprises that had invested



Investment in 2013

Industry is investing less in production capacity and more in their manufacturing process

In 2013, 79.7% of all companies made investments, although 83.0% of them intended to invest in late 2012. This percentage is similar to the one registered in the previous year (just one percentage point higher), but it is nearly 10 percentage points below the peak observed in 2010. Of all enterprises that invested in 2013, 62.9% did so mainly to keep previous projects going, a figure that represents an increase of 8.8 percentage points in relation to 2012. Investments in new projects were particularly significant for 30.5% of all enterprises that invested in 2013.

Investment in Brazilian industry is increasingly focused on production processes. In 2010, 46.1% of all companies focused their investments in maintenance or increasing their production capacity. In 2013, this percentage dropped to 34.8%. The percentage of enterprises that focused their investments mainly on improving their production processes or in introducing new production processes soared in turn from 27.6% to 36.3% between 2010 and 2013. Launching new products was the main investment goal of 11.0% of all companies, a percentage that is 1.8 percentage points higher than the one recorded in 2010.

Use of third-party funds in investment projects is still below the percentage expected by companies

On average, 62.9% of all investments in 2013 were financed with funds of the enterprises themselves. Compared to 2012, more third-party funds were used for this purpose (increase from 35.1% to 37.2%). Despite this increase, the importance of third-party funds was not as significant in 2013 as before (48%, as indicated in last year's survey).

Official development banks are still the main source of third-party funds: 20.5% of all investments made in 2013 on average. As compared to 2012, an increase of 2.1 percentage points was recorded. Funds lent by public commercial banks (8.0%) were once again higher than those lent by private commercial banks (6.5%).

Investment in 2014

Production capacity is sufficient to meet the demand expected for 2014

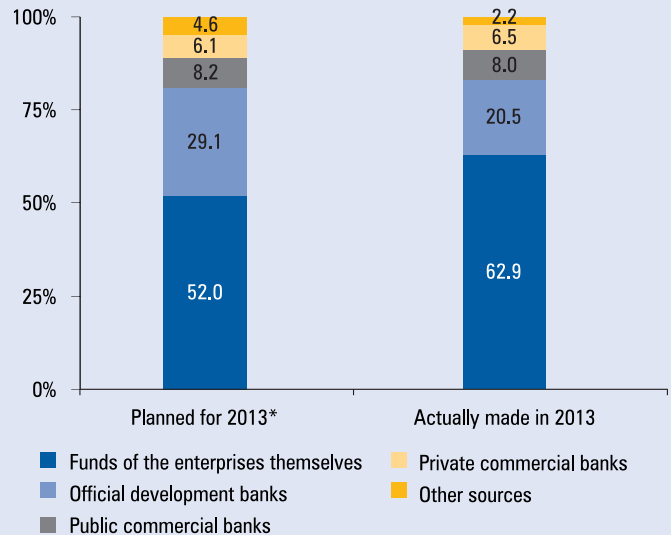
The current production capacity of 82.9% of all industrial enterprises is either appropriate or more than appropriate to meet the demand anticipated for 2014. This percentage rose by 5.3 percentage points as compared to the one indicated in the previous survey, i.e. in relation to the capacity observed in late 2012 to meet the demand anticipated for 2013. What this means is that less enterprises see the need to invest in production capacity.

The percentage of enterprises with no intention to invest increased by 5.6 percentage points

The percentage of companies with plans to invest in the coming year (2014) fell as compared to the one recorded last year, from 83% to 78.1%. The percentage of companies with investment intentions had not been this low since 2010. It should be noted that the percentage of companies with investment plans was as high as 91.1% in 2011.

Average distribution of funding sources of investments of industry in 2013

Percentage (%)

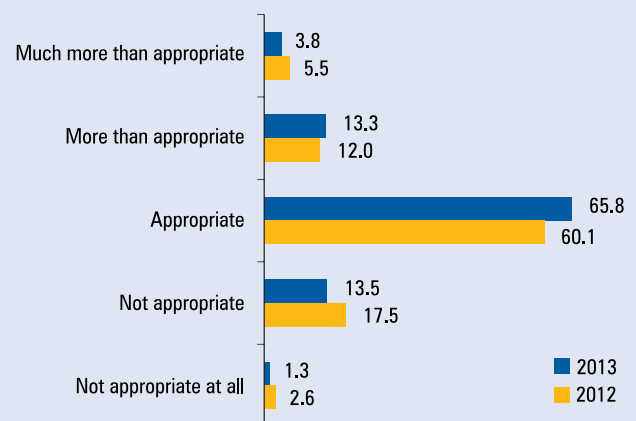


* 2012 survey

** External financing, partnerships, issuing of stocks and other sources.

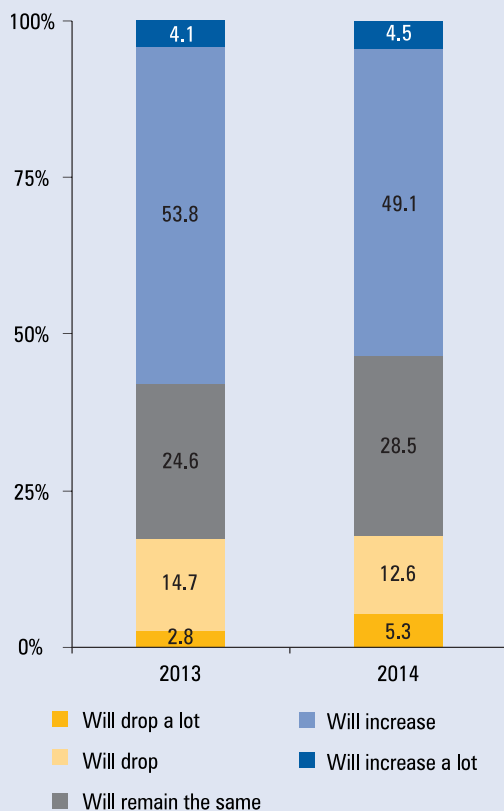
Adequacy of installed capacity to meet the demand expected for the following year

Percentage (%) of all enterprises



Expected evolution of purchases of machines and equipment

Percentage (%) of enterprises that have plans to buy machines and equipment



Of all enterprises with investment intentions in 2014, 55.8% intend to invest in keeping previous projects going and 37.6% of them in launching new projects.

Percentage of enterprises with plans to buy more machines and equipment drops in 2014

Of all enterprises with investment plans in 2014, 91.9% intend to buy machines and equipment, virtually the same percentage registered last year. Most enterprises with plans to buy machines and equipment will either increase or increase significantly (53.6%) their purchases of such items in 2014 as compared to 2013. The purchases of 17.9% of these enterprises that intend to buy machines and equipment purchases will not be as significant. It should be stressed that with reference to investment intentions for 2013 as indicated in the 2012 survey, the percentage of companies with plans to buy more machines and equipment was higher: 57.9%.

Percentage of companies with plans to buy imported machines and equipment drops once again

Of the enterprises that intend to buy machines and equipment in 2014, 62.1% have plans to buy imported machines and equipment. In 2011 this percentage was 73.7%, which dropped to 72.2% in relation to 2012, 66.2% for 2013 and once again for 2014. However, among the enterprises with plans to buy imported machines and equipment, 41.3% intend to increase the share of imports in their total purchases of such items, while 16.1% intend to reduce it. Thus, even though the number of companies that will buy imported machines and equipment dropped by 4.1 percentage points, the remaining companies as a whole have plans to increase the share of imports in their purchases.

Percentage of companies with plans to launch new products increases

Comparing investment plans for 2014 with investment intentions for 2013 as calculated in the previous survey, it can be seen that the distribution of investments in production capacity and production processes has remained virtually the same (34.2% for 2013 and

34.5% for 2014). With regard to those enterprises that invested mainly in their production process, the survey detected a greater intention to launch new processes (2.4 percentage points) offset by a decrease in the percentage of companies that will focus more on improving their production processes (-2.7 percentage points).

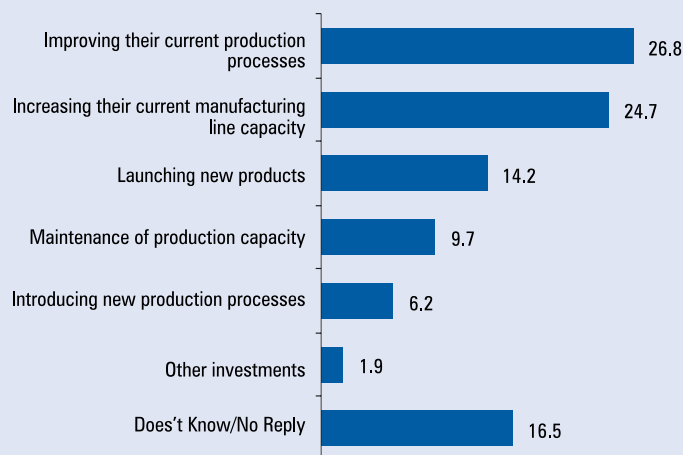
Comparing investment intentions for 2014 and actual investment in 2013, however, the survey detected a reduction in the percentage of companies with investment plans mainly focused on their production processes and an increase in the percentage of companies with investments focused on launching new products.

The percentage of enterprises that invested mainly in launching new products in 2013 was 11.0%. For 2014, 14.2% of the enterprises with investment plans intend to launch new products in the market. It should be highlighted that the percentage of companies that invested mainly in launching new products in 2013 was lower than expected the year before. In 2012, 15.4% of the enterprises had plans to invest in new products.

In 2013, 30.6% of them gave priority to investing in improving their production process. This percentage is expected to hit the mark of 26.8% in 2014. The percentage of companies whose investments will be focused on maintenance or increasing production capacity it is about the same.

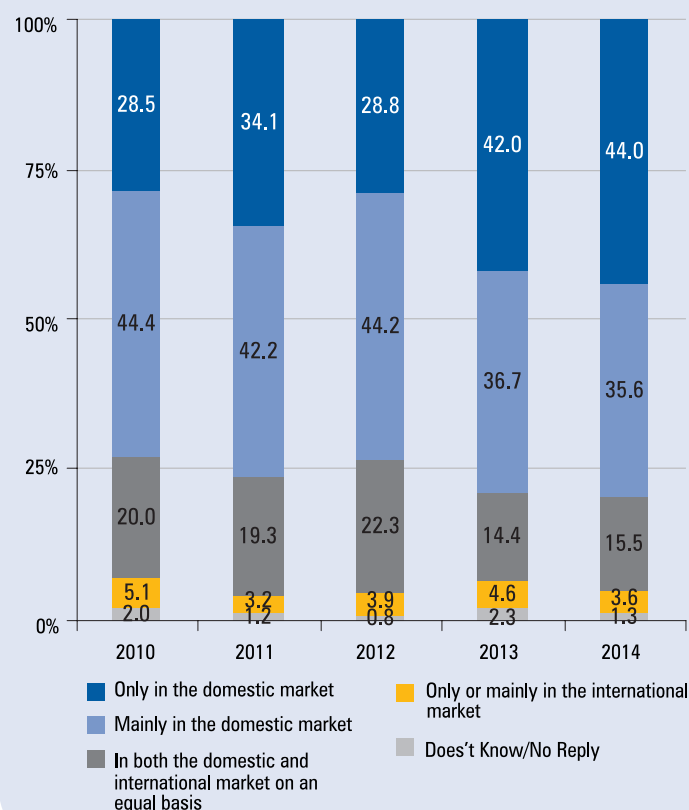
Investment goal in 2014

Percentage (%) of companies with plans to invest in



Target market of investments

Percentage (%) of enterprises with plans to invest



Industry continues to focus mainly on the domestic market

Brazilian industry as a whole shows little interest in the international market. Only 3.6% of the enterprises with investment intentions in 2014 are mainly or fully focused on foreign markets. Apart from being low, this percentage is also declining. In 2010, it amounted to 5.1%.

In 2010, 28.5% of the companies had plans to invest with the sole intention of serving the domestic market, while in 2013 the percentage was 42.0%. A further increase has been projected for 2014. Of all enterprises, 44.0% intend to invest for the purpose of serving the domestic market only.

When companies whose goal is mainly (or exclusively) that of serving the domestic market are also considered, it can be seen that the focus of 79.6% of the enterprises with investment plans for 2014 is on the domestic market. In 2010, this percentage (companies fully or mainly focused of the domestic market) was 72.9%.

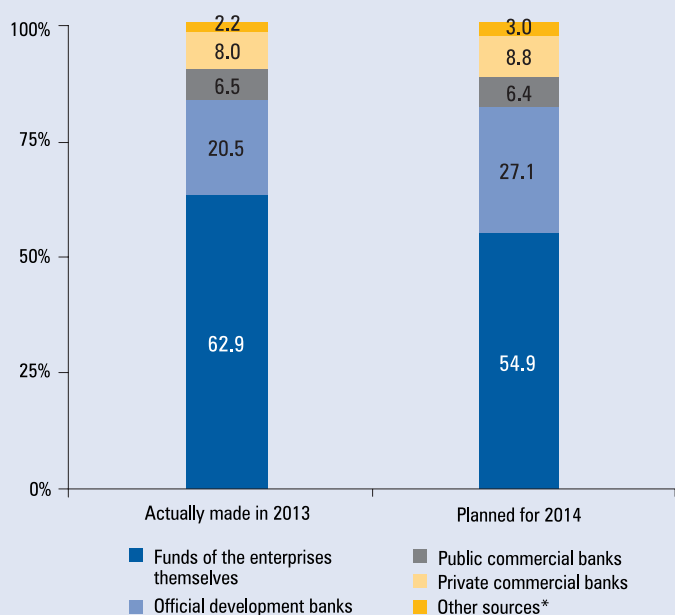
Companies continue to seek more third-party funds to finance their investments

Since the beginning of this survey, it was seen that industrial companies are using more of their own funds to finance their investment projects than they had planned initially. In 2013, funds of the enterprises themselves accounted for 62.9% of all investments of Brazilian industry, while the intention detected in the previous survey was that this percentage would amount to 52%.

For 2014, the average use of funds of the companies themselves to finance their desired investment amounts to 54.9%. For this purpose, the enterprises intend to increase the share of funds lent by official development banks, which accounted for 20.5% of all investments in 2013 on average, to 27.1%.

Average distribution of funding sources

Percentage (%)



* External financing, partnerships, issuing of stocks and other sources.

Companies say economic uncertainty is number one risk factor for carrying out planned investments

Compared to the previous survey, the ranking of factors that could fully or partly hinder investments in the year has not changed significantly. Economic uncertainty is still the main factor mentioned by companies for 2014 (60.9% of companies indicated it as one of the three main factors that could curb planned investments).

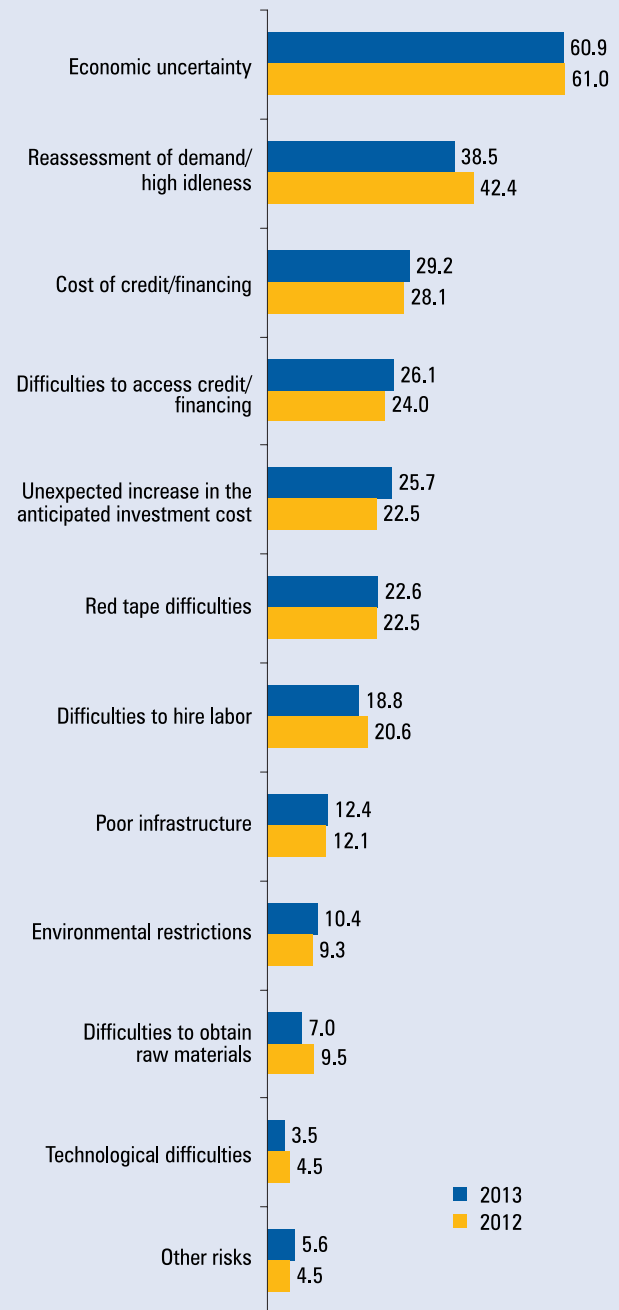
Reassessment of demand or high idleness is the second most quoted factor – 38.5% of all enterprises, down from 42.4% in the previous survey.

Factors related to investment expenditure and resources to cover such expenses also accounted for significant shares. The issue of credit costs was reported by 29.2% of enterprises and difficulties to obtain credit by 26.1%. The unexpected increase in estimated investment costs was indicated by 25.7% of companies.

Other significant and worth-mentioning factors are red tape difficulties (22.6% of firms) and difficulties to hire labor (18.8%).

Risks for planned investments

Percentage (%) of all enterprises*



* The sum of the percentages exceeds 100% due to the possibility of multiple answers

Tables showing the results of this survey are available at www.cni.org.br/investimentosnaindustria
in the download tab SÉRIE HISTÓRICA

TECHNICAL INFORMATION

Coverage of the survey:	National.
Target population:	Manufacturing companies with 35 or more employees.
Sampling method:	Probability sampling, with higher weight given to large companies.
Data collection period:	October 18 - November 25, 2013.
Profile of the actual sample:	684 enterprises.

Size (number of employees)	Number of enterprises
Small (35-99 employees)	99
Medium-sized (100-499 employees)	299
Large (500 or more employees)	286

Error margin: 3.0% with 98% confidence.