

SMALL INDUSTRY OVERVIEW

ECONOMIC INDICATORS **CNI**



Small-Scale Companies Are Expressing Growing Concerns Regarding Unfair Competition and the Lack of Skilled Workers

In September 2023, the average Performance Index for small-scale industries experienced a decrease but remained above the average for the third quarter, indicating relatively positive performance.

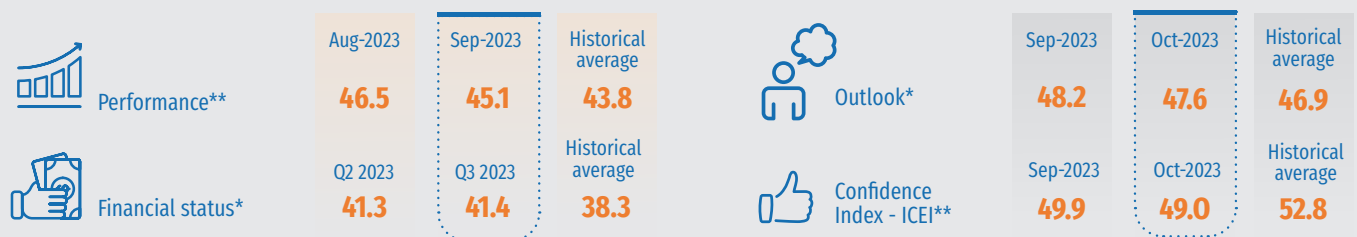
The Financial Situation Index for the third quarter of the year was in line with expectations, signifying stable financial conditions.

Regarding primary concerns, small-scale entrepreneurs ranked the high tax load and high-interest rates at the forefront of the ranking. Nonetheless, the issues of unfair competition and the lack of skilled workers have led to an increase in the number of comments.

In light of these developments, the Industrial Business Confidence Index (ICEI) for small-scale companies declined in October, moving further from the dividing line and indicating a lack of confidence. The Outlook Index for the next six months saw a decrease but remains at a favorable level, surpassing the historical average.

Small Industry Performance indices, Financial Status, Outlook, and Confidence

Diffusion indices (0-100 points)



* The higher the index, the better the performance of the small-scale industry in the quarter, the better the financial situation of the small-scale industry in the quarter, or the more positive the outlook of the small-scale industry entrepreneur for the month.

** A score above 50 points indicates entrepreneur confidence. The further the point score is from 50 points, the greater and more widespread the confidence. A score below 50 points indicates entrepreneurs' lack of confidence. The further the point score is from 50 points, the greater and more widespread the lack of confidence.

PERFORMANCE OF SMALL-SCALE INDUSTRIES IN Q3 2023

Although the Average Performance Experienced a Decrease, the Indicator Still Surpasses the Third-Quarter Historical Average

The Performance Index for small-scale industries, which factors in production volume/activity level, actual-usual capacity utilization, and employee count fluctuations, displayed variations, with declines outweighing improvements over the months comprising the third quarter.

The Performance Index declined from June to July (-1.0 points), increased from July to August (+1.6 points),

and then dropped again from August to September (-1.4 points). Consequently, the declines surpassed the increases throughout the third quarter.

It's important to emphasize that even with these setbacks, the average index for the third quarter stood at 45.5 points, nearly identical to the historical average for third quarters in previous years, which was 45.4 points. In other words, according to small-scale entrepreneurs, the third quarter's performance, compared to the previous quarter, exhibited a more positive trend than in preceding years.

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



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

Note: The Small Industry Performance Index is a weighted average of the Mining and Quarrying, Manufacturing, and Construction small-scale industry performance indices.

SMALL-SCALE INDUSTRY FINANCIAL STATUS IN Q3 2023

Financial Conditions in Small-Scale Industries Are Displaying Stability

The Financial Situation Index for small industries, calculated based on the operating profit margin, financial situation, and access to credit, remained constant in the third quarter of 2023. The minor uptick of 0.1 points, moving from 41.3 points to 41.4 points, can be considered stable.

Notably, the index level stands as positive since it exceeds the average for the third quarter of previous years, which was 39.3 points, and also surpasses the historical average of 38.3 points.

It is possible to attribute the stability to the contrasting movements within various segments of small-scale industries during the third quarter. While there was a decrease in the indicator for small-scale mining and quarrying, and manufacturing industries, the financial situation improved for the small-scale construction industry.

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



*The higher the index, the better the financial status of small industries in the quarter.
 Note: The Financial Status Index is a weighted average of the Mining and Quarrying, Manufacturing, and Construction small-scale industry performance indices.

SMALL-SCALE INDUSTRIES MAIN PROBLEMS IN Q3 2023

Unfair Competition and the Lack of Skilled Workers Emerged As Notable Challenges in the Quarter

In the third quarter of 2023, small-scale business owners consistently identified the high tax load as the primary issue confronting the manufacturing industry, with 38.8% of comments. Conversely, for the construction industry, this concern ranked third, mentioned by 23.4% of entrepreneurs. Historically, it usually claims the top spot.

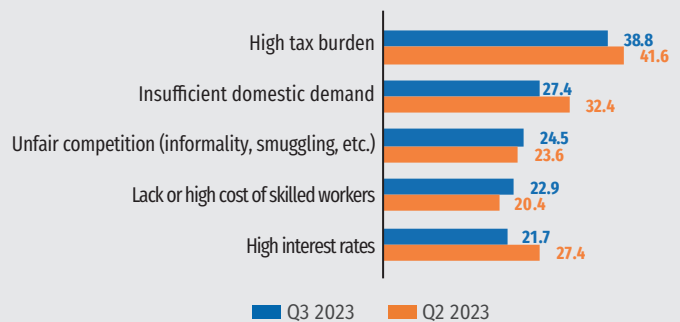
Another concern frequently highlighted by entrepreneurs, insufficient domestic demand, secured the second position for the manufacturing industry, accounting for 27.4% of the comments. A significant drop of 5.0 percentage points (pp) was observed from the second to the third quarter, potentially indicating an increased prominence of other issues during this period.

High-interest rates maintain their position at the top of the list as the primary concerns for the construction industry, accounting for 34.7% of the citations. Conversely, for the small-scale manufacturing industry, this concern falls to fifth place, mentioned by 21.7% of entrepreneurs within that segment.

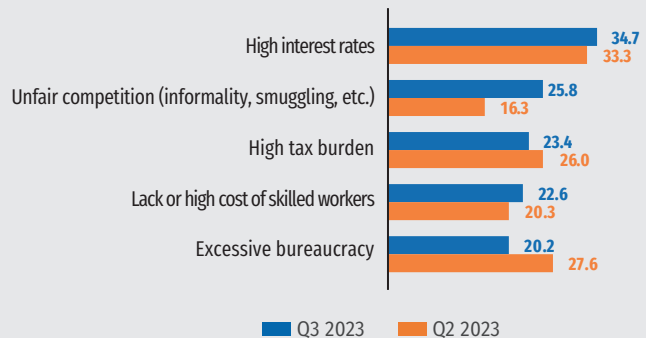
Unfair competition, which encompasses issues like informality and smuggling, claimed the third position for the manufacturing industry, with 24.5% of small business owners acknowledging it as a significant problem. Within the construction industry, this issue secured the second position, cited by 25.8% of small business owners in the sector. This followed a notable increase of 9.5 percentage points (pp) in the number of comments. This underscores the necessity to promote fair competition,

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

Manufacturing



Construction



* The ranking of primary challenges in the small-scale mining and quarrying industry was not included in this publication due to a limited number of respondents in this sector, which introduces a wider margin of error.

through measures aimed at curbing practices that could restrict or harm competition, or potentially lead to market domination.

The lack or high cost of skilled workers ranked fourth in both the manufacturing, with 22.9% – marking the highest percentage ever recorded in the historical series – and in the construction sector, with 22.6% of entrepreneurs recognizing this as a significant issue.

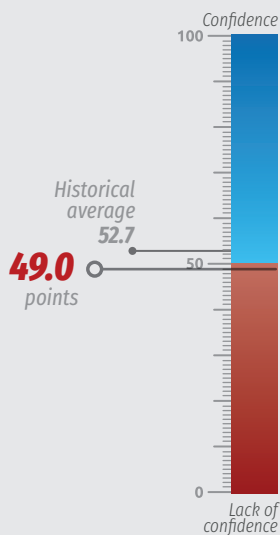
SMALL-SCALE INDUSTRY CONFIDENCE AND OUTLOOK IN OCTOBER 2023

Small-Scale Entrepreneurs Indicate Lack of Confidence

The Industrial Business Confidence Index (ICEI) for small-scale industries stood at 49.0 points, marking a decrease of 0.9 points from September to October 2023. It continues below the critical 50-point threshold that distinguishes confidence from a lack of confidence.

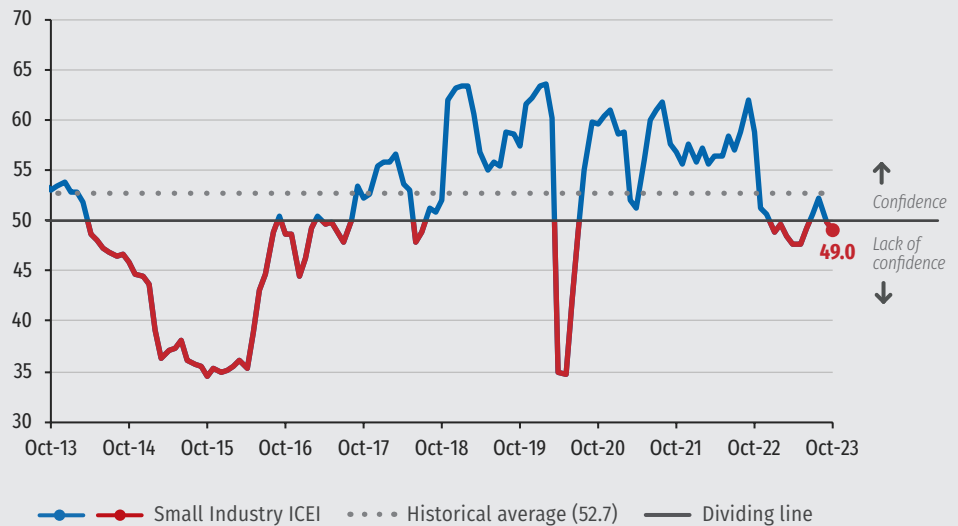
Over the past ten months, the ICEI has fluctuated between 47.6 points and 52.2 points, with only July and August showing signs of confidence. This pattern reveals that small-scale entrepreneurs have experienced lower confidence for most of the year.

Small Industry ICEI
 Index (0 to 100 points)*



Historic Series

Index (0 to 100 points)*



*A score above 50 points indicates entrepreneur confidence. The further the point score is from 50 points, the greater and more widespread the confidence. A score below 50 points indicates entrepreneurs' lack of confidence. The further the point score is from 50 points, the greater and more widespread the lack of confidence.

The Outlook Has Dimmed, but Remains at a Favorable Level

The Outlook Index for small-scale industry, reflecting expectations for the next six months, measured 47.6 points in October 2023.

This marks the third consecutive decrease, with a 0.6-point drop from September to October 2023. Nonetheless, the index continues to surpass the historical average of 46.9 points, signifying a generally favorable outlook.

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



*The higher the index, the more positive the outlook for the small industry 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).

Collection period: 2 to 13 October 2023.

Document completed on October 26, 2023.



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_ppj

SMALL INDUSTRY OVERVIEW | English version of "Panorama da Pequena Indústria, Jul-Set 2023" Published quarterly by CNI - National Confederation of Industry | www.cni.com.br | Board of Industrial Development and Economy - DDIE | Director: Lytha Battiston Spindola | Economics Office - ECON | Executive Officer: Mário Sérgio Carraro Telles | Economic Analysis Unit - GAE | Manager: Marcelo Souza Azevedo | Analysis: Paula Verlangeiro Vieira | Statistics Management- GEST | Manager: Edson Velloso | Team: Aretha Silícia Soares | Dissemination Coordination - CDIV | Coordinator: Carla Gadelha | Graphic Design: Simone Marcia Broch

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

This publication may be copied freely, provided the source is always mentioned.

