

February 2013: Contained Optimism In the Industrial Sector; Still Negative Outlook In the Construction Sector

In February 2013, the results of the National Bank of Romania's business survey point towards a broadly unfavourable outlook in the industrial sector, whereas the construction sector continues to grapple with difficulties, partially due to weather conditions.

Both the unadjusted data and the data adjusted for seasonal factors and the number of working days reveal a possible deceleration in the industrial sector growth in terms of both output and orders, given that the positive levels of the corresponding balances of answers* for these two indicators declined markedly from the previous month. Activity in construction is seen posting further month-on-month falls in output and orders (with a slower slope for the former, as suggested by the nearly twofold contraction in the negative balance of answers of the unadjusted data set). These trends are however driven by seasonal factors, as the seasonally adjusted data show a near-stalemate in both indicators.

Inventories of finished goods in industry are expected to stick to the downward path, with the balance of answers standing at -14 percent, and a fall is also envisaged for the construction sector, as illustrated by the balance of answers at -18 percent. Even though most of the company managers anticipate the stocks of raw materials to further range within normal limits, the more negative balance of answers in both sectors is indicative of the likelihood of slightly lower levels.

In February too, subdued demand will further hamper the smooth running of activity in both sectors under review. This factor is cited by around 40 percent of the respondents in the industrial sector and 55 percent of those in the construction sector. Inter-company arrears will continue to depress the activity in the construction sector according to 30 percent of the respondents and, to a smaller extent, in the industrial sector (12 percent). Relatively low negative influences are expected to come from the high lending rates applied by banks and the movements in the exchange rate of the leu.

Over the period, staff cuts are envisaged by company managers in both sectors under review. Such an evolution is suggested by the negative balances of answers (-23 percent and -56 percent respectively) and is accompanied by similar estimates based on the adjusted data set.

Producer prices in the industrial sector will remain on an uptrend, as the balance of answers displays positive levels for both unadjusted and adjusted data (18 percent and 19 percent respectively). In the construction sector, the very remote likelihood of changes in producer prices was further cited by pollees (almost 95 percent).

February appears set to witness a possible, albeit feeble, resumption of capital investment in the industrial sector, given the relatively moderate positive balance of answers (+7 percent for both data series). In the construction sector, capital expenditure is estimated to decline further, but a flattening out of its slope should not be ruled out, in light of the pronounced reduction in the negative balance of answers. The respondents in the industrial sector foresee a renewed slight decrease in profitability, as the balance of answers for both data sets stands at moderately negative levels of -8 percent and -7 percent respectively. Profitability of the construction sector is set to stay deep in negative territory, with the balances of answers standing at -64 percent for the unadjusted data series and -17 percent for the adjusted data series.

* Shows the trend of the concerned indicator and is calculated as the difference between the weight of positive and that of negative answers in total answers. Unless otherwise indicated, the analysis is based on unadjusted data.