

May 2013: Mixed, Moderate Developments in Industry; Less Optimistic Mood in Construction

In May, the results of the National Bank of Romania's business survey point to diverging developments in key indicators in the industrial sector. The expectations of construction managers are less bright than in the previous month, being underpinned largely by seasonal factors.

The upward path in output appears set to witness some moderation in both sectors under review. This outlook is revealed by the gross series of the balances of answers*, as well as by the seasonally- and working-day-adjusted data series. As for the orders portfolio in the industrial sector, the respondents' unadjusted expectations hint at a stalemate, due partially to the demand for exports, while both indicators are headed downwards according to the seasonally-adjusted series. In the construction sector, the growth rate of orders will nevertheless slow down, in line with output estimates, but the positive dynamics will be contingent upon seasonal factors (as indicated by a sign reversal for the adjusted balance of answers).

The industrial sector is likely to further see a slight rise in inventories of finished goods, as shown by the moderately positive level of the balances of answers related to both series. Absorption of inventories of finished goods is seen persisting in the construction sector. The inventories of raw materials are foreseen to range within normal limits in both sectors under review.

Over the period, subdued demand will still impede upon the smooth running of activity in these sectors. This factor is cited by around 41 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 economic activity according to one-third of the respondents in the construction sector and, to a smaller extent, in the industrial sector. 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.

Staff cuts will again be resorted to in the industrial sector, albeit at a more sluggish pace than in April – such prospects derive from both series of the balances of answers. Hirings could be in for a slight pick-up in the construction sector, driven however by seasonal factors alone.

Producer prices in the industrial and construction sectors are likely to remain unchanged, as reflected by the large weight of respondents citing stable prices (94 percent in the former sector and 81 percent in the latter). Nonetheless, considering the paltry increase in the positive balance of answers on producer prices in construction, the likelihood of a meagre advance should not be ruled out.

In month-on-month comparison, industrial company managers expect a moderate step-up in the growth rate of capital investment. Pollees in the construction sector foresee little change in investment. Profitability rate is anticipated to stick to the downward trend, which appears to be less marked across the industrial sector, but steeper in the construction sector.

* 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.