

Business Survey

Developments in Key Indicators in June 2005

In June, the managers of companies in industry and construction polled by the National Bank of Romania have reported favourable economic developments.

Output growth is likely to gather pace, as reflected by the noticeable increase in the balance of answers¹ (to 41 percent, up nearly fivefold month on month). The adequate levels of both productive capacity (deemed appropriate for the productive needs by 91 percent of the polled managers) and its average utilisation rate (73 percent) indicate that the scheduling of production matches the existing endowment well.

Raw materials supplies are seen improving, with 97 percent of the respondents predicting that the concerned inventories are at adequate levels. The managers have expressed some concerns about finished goods inventories, which look set to build up slightly (given that the balance of answers moved back into positive territory, reaching 6 percent), as a result of faster output growth.

Subdued demand has been noted by an increasing number of managers (whose proportion rose to a 12-month high of 52 percent) as the main factor stymieing production. Inter-company arrears, scarcity of raw materials and the movements in exchange rate of domestic currency have continued to dampen production.

Over the period, labour market is expected to witness, on the one hand, possibly further staff cuts (balance of answers stood at -32 percent) and, on the other, the strongest workforce movements estimated since June 2004 (considering the fact that only 40 percent of the respondents foresee their staff numbers to remain unchanged, compared with a proportion of at least 59 percent during the past 12 months).

Producer prices are likely to increase at a brisker pace, as illustrated by the trend reversal in the balance of answers (+22 percent from -1 percent in May). However, some 71 percent of the polled managers have stated their intentions to leave prices unchanged.

Respondents have continued to report larger investment, as mirrored by the widening to 24 percent of the balance of answers. Profitability ratio is also expected to fare better, with the balance of answers re-entering positive territory (+13 percent from -10 percent in the previous month).

¹ Shows the trend of the concerned indicator and is calculated as the difference between the weight of positive and negative answers in total answers.