

Business Survey

Mixed Developments of Key Indicators in December 2006

In December, the estimates of company managers polled by the National Bank of Romania point to diverging developments of key indicators in industry and construction overall.

Respondents indicate a possible slowdown in the growth rate of output, and even a stalemate in the output volume at the previous month's level, considering the 19-time reduction in the positive balance of answers*, down to 2 percent, due mainly to the smaller number of working days in the last month of the year. A slowdown in the new orders received is also anticipated, as illustrated by the nearly fivefold decrease in the positive balance of answers to 9 percent.

Similar to the previous months, most of the company managers polled expect the supplies of raw materials to come in smoothly; nonetheless, the fact that the balance of answers was stuck to the November level (a 12-month record low of -8 percent) hints at some supply chain-related bottlenecks in December too. As concerns the stocks of finished goods, the balance of answers improved month on month to -7 percent, as against -1 percent, which could be indicative of stock absorption.

The chief factors stymieing output growth are still subdued demand (according to 19 percent of respondents), inter-company arrears, exchange rate movements, supply chain-related difficulties, and the high lending rates applied by banks.

As for the labour market, even though about 76 percent of the respondents foresee no changes in the number of payrolls, the deterioration in the balance of answers compared with November (from -1 percent to -13 percent) is an indication of possible redundancies.

December could witness a decelerating growth rate of producer prices, with the positive balance of answers shrinking 3.6 times to 6 percent. About 83 percent of pollees have reported no changes in producer prices for December.

Investment is seen increasing. Nevertheless, the 4 percentage point decrease in the positive balance of answers to 15 percent shows the small likelihood of a step-up in investment compared with November. Expectations are less optimistic in case of profitability ratio, as the balance of answers plunged to 9 percent, from 21 percent.

* 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.