

Business Survey

Mixed Developments of Key Indicators in January 2007

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

After staying flat in the previous month – due largely to less working days in the last month of the year –, industrial output appears set to rebound, considering the more than twelve-fold increase in the positive balance of answers* to 26 percent. A pick-up in the new orders received is also anticipated, with stronger foreign demand being one of the driving forces.

As concerns the stocks of finished goods, the negative balance of answers doubled month on month, hinting at the likelihood of stock absorption. Nevertheless, the outlook for the supplies of raw materials is less bright; even though most of the company managers polled (83 percent) continue to foresee an adequate performance of this indicator, the balance of answers plunged to a 12-month low of -13 percent, which could be indicative of below-normal stocks of raw materials.

In January too, the major factors stymieing output growth are still subdued demand (according to 21 percent of respondents), exchange rate movements, supply chain-related difficulties, inter-company arrears, and the high lending rates applied by banks.

The number of payrolls is to follow a downward trend, as indicated by the further deterioration in the balance of answers compared with December (to -21 percent). About 55 percent of the respondents anticipate no changes in staff numbers.

Producer prices are not expected to post substantial changes in their growth rate; however, respondents foresee they will stick to a slightly upward path (the positive balance of answers widened from 6 percent to 10 percent). No change in producer prices was cited by nearly 72 percent of the respondents.

Investment growth is seen slowing against December 2006, as illustrated by the 2.5 time reduction in the positive balance of answers down to 6 percent. As for profitability ratio, an improvement is unlikely, given that the related balance of answers declined to virtually nil.

* 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.