

Business Survey - July 2007

Declining Optimism Regarding Developments of Key Indicators in July 2007

In July, the estimates of company managers polled by the National Bank of Romania point to a less favourable outlook for activity in the industrial sector and the construction sector overall.

Output is set to grow at a slower pace, as illustrated by the decrease in the balance of answers* to zero (from 25 percent in June). The volume of orders is foreseen to follow the same trend, a contribution in this respect having the flagging demand for exports.

As far as stocks of finished goods are concerned, respondents cited a gloomy picture – stockpiling was suggested by the balance of answers rising almost six times over the previous month. Conversely, raw materials supplies are expected to stay within adequate limits according to 94 percent of the respondents.

The chief factors stymieing output growth continue to be exchange rate movements (according to 20 percent of respondents), subdued demand, inter-company arrears and the high lending rates applied by banks.

The number of payrolls in July is seen falling slightly, given the negative balance of answers (-6 percent). About 57 percent of the pollees foresee staff numbers to remain unchanged.

Producer prices are likely to go up month on month, with the balance of answers increasing tenfold against June (up to 20 percent). About 77 percent of the respondents anticipate that the indicator will post stable developments.

Investment in the two sectors is seen rising further, albeit at a slower rate compared to June, with the balance of answers shrinking nearly four times (down to 10 percent). The outlook for profitability ratio is bright, as the positive balance of answers is seen persisting, at a level similar to that seen a month earlier, i.e. 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.