

# Business Survey

## Broadly Unfavourable Developments in Key Indicators in December 2007

In December, the estimates of company managers polled by the National Bank of Romania point to unfavourable prospects on key economic indicators in industry and construction.

Output dynamics is expected to slow down, as illustrated by the balance of answers\* plunging to 25 percent from 40 percent in November. The seasonally-induced performance is driven by the fewer working days, which is typical of this time of year. A less optimistic outlook is also anticipated for the overall portfolio of orders, with depressed external demand playing a role (due to its expected slight decrease month on month).

The upward trend in stocks of finished goods looks set to persist into December, with the positive balance of answers remaining relatively high at 17 percent. Stocks of raw materials are foreseen to range within normal limits, according to about 93 percent of total respondents.

The chief factors stymieing output growth appear to be the subdued demand (cited by 18 percent of respondents), inter-company arrears and exchange rate movements.

Payrolls in the above-mentioned sectors are likely to witness a compression, as shown by the balance of answers falling into negative territory (-18 percent compared to +2 percent in the previous month). Roughly 52 percent of respondents pinpointed a stable performance of staff numbers.

Overall, expectations for December show the likelihood of an increase in producer prices, against the backdrop of a significant widening of the balance of answers versus the prior month (from 13 percent to 23 percent). Nevertheless, the change is unlikely to be very high, since most respondents (74 percent) continue to reveal steady developments in this indicator.

Investment in capital goods is seen persisting into December, with the related balance of answers hovering around 25 percent. Estimates on the developments in profitability ratio remain in positive territory, yet the growth rate of this indicator is unlikely to accelerate, as shown by the balance of answers standing at 19 percent, from 30 percent previously.

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\* 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