

Business Survey

January 2008: Mixed Developments in Industry, Grim Prospects in Construction

In January, the estimates of company managers polled by the National Bank of Romania point to diverging trends in key indicators in industry, whereas in construction the prospects are grim, due to unfavourable weather conditions.

Industrial output is expected to remain on an upward path, as illustrated by the balance of answers* at 35 percent. Special mention deserves the fact that the upturn will most likely be clouded by the discontinued activity at the turn of the year. The volume of orders in industry is seen remaining broadly unchanged from December 2007, as shown by the balance of answers standing at almost nil. A decrease is envisaged for the output and the order portfolio in construction.

January is about to see a renewed increase in stocks of finished goods in industry – this is suggested by the relatively high level of the balance of answers (14 percent). Stocks of raw materials are foreseen to range within normal limits, according to more than 93 percent of the respondents in the industrial sector. In the construction sector, stocks of finished goods are likely to diminish, with the balance of answers dropping to -24 percent, while the stocks of raw materials are set to remain below the normal levels, as the balance of answers was -30 percent in the month under review.

The chief factors stymieing output growth in both sectors will be the subdued demand (revealed by 19 percent of respondents), inter-company arrears and the exchange rate movements.

Respondents foresee staff numbers to keep declining in January in the two sectors under scrutiny. The balance of answers remained in negative territory in either case, i.e. -18 percent and -53 percent respectively. In industry, more than half of the managers polled say there are no job cuts in sight.

For January, expectations hint at further hikes in producer prices in both industry and construction, as shown by the balances of answers standing at 29 percent and 21 percent respectively. Although in the reviewed month price increases do not appear to be very high (steady developments in this indicator are indicated by more than half of total respondents in industry and 78 percent of those in construction), the fact that all producers in the oil processing, coal coking and nuclear fuel treatment sub-sector expect prices to go up could trigger further rises in prices economy-wide in the months ahead.

Over the period, further investments are expected in industry, as illustrated by the balance of answers equalling 25 percent, whereas in construction the outlook is pessimistic (the balance of answers stands at -32 percent). Similar developments are foreseen for the profitability ratio, with the balances of answers coming in at +17 percent and -39 percent respectively.

* 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