

Business Survey

July 2008: Largely Positive Developments of Key Indicators in Industry and Construction

For July, the expectations of company managers polled by the National Bank of Romania illustrate favourable prospects for key indicators in industry and construction, albeit some indicators display a more moderate optimism as compared with the previous month.

Output is expected to stay on an upward path, but faster growth is unlikely due to the decline in the balance of answers* by 7 percentage points and 1.7 times to +16 percent and +54 percent in industry and construction respectively.

A similar performance is anticipated for the volume of orders; in industry, a deceleration of external orders is also in store.

As for the stocks of finished goods, the related opinions show minor changes compared to the previous period in both sectors. Stocks of raw materials are foreseen to remain within normal limits, as illustrated by 94 percent of the respondents in these sectors.

The chief factors stymieing output growth in industry and construction will be the subdued demand – cited by 17 percent of respondents –, the exchange rate movements and inter-company arrears.

Labour market is going to experience further payroll cuts in industry, which are expected to unfold at a slow pace, given the rather moderate level of the balance of answers, i.e. -9 percent, and the large weight (more than 70 percent) of the polled managers expecting this indicator remain stable. By contrast, the construction sector will see further hirings, with the balance of answers standing at +45 percent.

For July, expectations point to renewed producer price increases in both industry and construction, as shown by the positive balances of answers standing at 44 percent and 31 percent respectively. This indicator looks set to remain unchanged in the opinion of almost half of total respondents.

Over the period, investment is about to expand in industry and construction, with the balance of answers running at +27 percent and +38 percent respectively. A stable performance of this indicator is anticipated by two-thirds of the respondents in industry and by 59 percent of those in construction. In the former sector, the economic performance is likely to return to a slightly upward trend, according to the balance of answers shifting to positive territory (+17 percent against -3 percent in June). The outlook for the latter sector remains favourable, as shown by the balance of answers standing at +65 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