

November 2009: Modest Recovery Signs in Industry; Seasonally-driven Decline in Construction Works

According to the outcome of the business survey conducted by the National Bank of Romania in November, industrial companies display moderate optimism, whereas in construction expectations are deteriorating against the background of unfavourable weather conditions.

Industrial production will see a slight increase for the third month in succession, as reflected by the balance of answers* running at +17 percent, with manufacturing also contributing to this performance. However, expectations regarding the total order portfolio in industry do not reveal significant changes in demand as regards industrial companies, since the balance of answers stood again close to nil. Construction activity appears to post a seasonally-driven contraction, the balance of answers dropping to -42 percent, and the order portfolio dynamics will witness a renewed slowdown; in addition, stagnant demand month on month should not be ruled out.

Estimates of industrial company managers indicate a possible persistence relative to the absorption of inventories of finished goods, as the balance of answers was stuck in negative territory (-7 percent). Opposite developments are anticipated in construction, where such inventories could edge higher. As far as stocks of raw materials are concerned, about 90 percent of the respondents in industry and 73 percent of those in construction further expect them to range between normal limits in November. Nevertheless, the related balances of answers remain in negative territory, suggesting a possible shortfall, especially in construction (-23 percent).

Nearly half of the industrial companies and 53 percent of the total number of companies active in construction pinpointed again the adverse impact of demand on the smooth running of production. Another adverse factor is represented by inter-company arrears, as indicated by 17 percent of company managers in the industrial sector and 48 percent of those in the construction sector. Other factors depressing the activity in both sectors are the high lending rates, the weaker domestic currency and the scarcity of raw materials.

Personnel redundancies will remain manifest in November, as illustrated by the balances of answers standing at significantly negative levels in industry and construction (-44 percent and -29 percent respectively).

The same as in October, respondents foresee little change in industrial producer prices during November, as revealed by 91 percent of the respondents. Price stability is expressed by construction company managers accounting for 78 percent of the total figure, but the substantial rise in the related balance of answers (to as much as 22 percent) hints at possible hikes.

Capital increases are seen resuming in industry, in line with the nearly quadrupling of the positive balance of answers. In construction however, investment spending looks set to remain at the previous month's level, according to 86 percent of the pollees. Profitability ratio will fare worse in the industrial sector, given the noticeable worsening of the balance of answers, but it might expand somewhat in the construction sector, as the balance of answers remained in positive territory.

* 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.