News Release

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BCR Romania Manufacturing PMI®

Confidence fades amid challenging demand environment and ahead of incoming VAT increase

Key findings

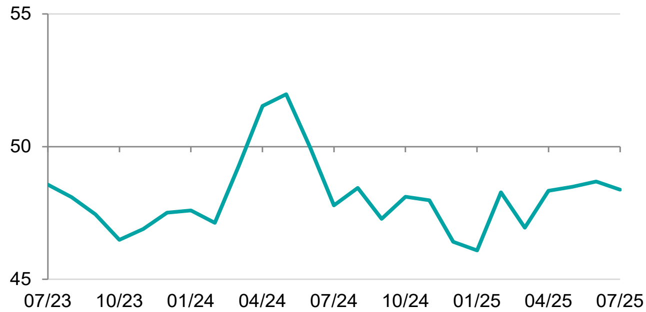
Sharper falls in output and new orders

Fresh growth in input buying leads to renewed rise in stocks

Inflationary pressures abate, but confidence deteriorates

BCR Romania Manufacturing PMI

sa, >50 = growth since previous month



Sources: BCR, S&P Global PMI.
Data were collected 10-25 July 2025.

The BCR Romania Manufacturing PMI® signalled a sustained deterioration in operating conditions in July, with new orders and output both down at sharper rates.

The incoming increase in the standard VAT rate in Romania encouraged firms to increase their purchasing activity and stocks of inputs for only the second time on record in both cases. It was also a key factor in damping confidence across the sector, where sentiment was its weakest recorded across the 25-month survey history.

Nevertheless, cost pressures retreated to a new survey low and factory gate charges were increased at just a mild rate.

The headline BCR Romania Manufacturing PMI® is a composite single-figure indicator of manufacturing performance derived from indicators for new orders, output, employment, suppliers' delivery times and stocks of purchases.

At 48.4 in July, the headline index signalled a continuation of declining business conditions in Romania's manufacturing sector. Down slightly from 48.7 in June, the reading was its lowest for three months.

At the centre of the sustained downturn was a solid and faster decline in factory orders, which panellists attributed to customer hesitancy, reflective of challenging economic conditions and ahead of the incoming VAT increase.

Weighing on total sales was an accelerated decline in new export orders that was similarly solid. Panellists noted a drop in interest from international clients.

Production volumes were down again at the start of the third quarter. The decrease reflected a combination of demand retrenchment, uncertainty and staffing issues. Although stronger than in June, the rate of contraction was softer than the series average, somewhat curbed by firms diverting resources towards backlogs.

Subsequently, the volume of work outstanding fell for a second successive month in July. The rate of depletion was solid and the strongest in ten months. With evidence of spare capacity, employment levels were reduced further in July. However, the decrease in staffing levels was only marginal and largely attributed by panellists to voluntary leavers.

Comment

Ciprian Dascalu, Chief Economist at BCR said:

"The improvement trend in the headline BCR Romania Manufacturing PMI was curbed in July by the announced domestic fiscal consolidation measures and weaker external demand. The index remained in contractionary territory for the thirteenth consecutive month and inched down to 48.4 vs 48.7 in the previous month which marked one-year high. With a value remaining below 50.0, the PMI continues to indicate a contraction. All components had a negative directional contribution except for inventories as manufacturers built up stocks ahead of announced increases in excise duties and VAT rates. Output contracted for the fourteenth consecutive month, though the rate of contraction was softer than the historical average. The contraction in new orders was mainly driven by weaker domestic demand for the third consecutive month, while external demand unexpectedly deteriorated as well. The overall bleak picture was completed by continued job shedding, though mostly linked to voluntary leaving.

"Subdued demand has been an issue for Romanian manufacturing since July last year and, considering that there seems to be no real improvement on this front, especially as export orders contracted at the sharpest rate in the last three months, we should not get our hopes up yet for a meaningful recovery of the manufacturing sector this year. The HCOB Flash Germany Manufacturing PMI inched up in July to 49.2 and reached a 36-month high, though it felt short of consensus. The Eurozone Manufacturing PMI flash reading stood at 49.8 in July, up from 49.5 in June, reaching the highest level in three years.

"Manufacturing output had a disappointing performance and

Despite muted production requirements, goods producers opted to raise their purchasing activity for the first time in 14 months. The uptick, albeit only marginal, was linked to stockbuilding efforts ahead of the upcoming VAT increase and the purchase of inputs deemed as low in stock.

As a result, stocks of purchases also rose at the start of the third quarter, for the first time since February. Some panellists noted that stocks had accumulated due to reduced production requirements. The rate of expansion was the strongest on record, albeit only modest overall.

Latest data showed that suppliers to the Romanian manufacturing sector were unable to meet orders in a timely manner, as delivery times lengthened for a fourth month in a row. There were delays on imported deliveries noted in particular.

Although the upward trend for input costs persisted, the rate of inflation was the least pronounced across the 25-month survey history. It was frequently mentioned in panel member reports that suppliers had raised their prices. Firms noted paying more for raw materials, fuel and utilities.

July data showed that manufacturers continued to transfer cost increases to customers by raising their selling prices. The rate of charge inflation was softer compared to that of costs, only marginal and the weakest in 2025 so far.

Upbeat growth forecasts, investment plans and access to European funds supported business optimism in July. However, the level of confidence was its weakest on record, damped by concerns around the economic climate and the impact on the upcoming VAT increase on customer budgets.

Contact

Ciprian Dascalu
Chief Economist
BCR
T: +40760286581
ciprian.dascalu@bcr.ro

Eleanor Dennison
Economist
S&P Global Market Intelligence
T: +44-1344-328-197
eleanor.dennison@spglobal.com

Hannah Brook
EMEA Communications Manager
S&P Global Market Intelligence
T: +44-7483-439-812
hannah.brook@spglobal.com
press.mi@spglobal.com

the chances of growth in 2025 are quite slim. Second half of the year needs to be very strong in order to avoid the third consecutive year of contraction. Significant investments in EU security, along with large fiscal stimulus approved in Germany for infrastructure and defence spending, are likely to boost European industrial production. Although uncertainty remains high, Romania is mostly indirectly exposed to U.S. tariffs through German car industry supply chains.

"The manufacturing Output Index inched lower in July and continued to signal a contraction vs the previous month for the fourteenth consecutive month as political uncertainty added to subdued demand and staffing issues. New orders were also lower in July, stretching the streak of contraction to 13 months with fiscal changes being cited as reason for cautiousness, while new export orders dropped at the fastest rate in three months. Future business expectations declined among Romanian manufacturing firms in July to the lowest since the survey started in July 2023, though overall the morale remained upbeat supported by investment hopes funded with European money. With the fiscal uncertainty which prevailed over the past year out of the way, we are likely to witness an inflection point in business confidence ahead.

"The Employment Index remained in the contraction zone in July, with the index itself down after three consecutive months of improvement, though mostly linked to voluntary leavings. Stocks of purchases increased for the second time in the survey history, reaching a record high as companies stockpiled ahead of tax increases. Suppliers' delivery times lengthened in July mainly on the back of imported goods.

"Input prices continued to rise in July, though at the softest rate since the survey inception, with the rate of inflation decelerating for the fifth month in a row. Some of the rise in input prices was passed through to customers but the rate at which output prices rose also softened."

Survey methodology

The BCR Romania Manufacturing PMI® is compiled by S&P Global from responses to questionnaires sent to purchasing managers in a panel of around 400 manufacturers. The panel is stratified by detailed sector and company workforce size, based on contributions to GDP. Data collection began in July 2023.

Survey responses are collected in the second half of each month and indicate the direction of change compared to the previous month. A diffusion index is calculated for each survey variable. The index is the sum of the percentage of 'higher' responses and half the percentage of 'unchanged' responses. The indices vary between 0 and 100, with a reading above 50 indicating an overall increase compared to the previous month, and below 50 an overall decrease. The indices are then seasonally adjusted.

The headline figure is the Purchasing Managers' Index® (PMI). The PMI is a weighted average of the following five indices: New Orders (30%), Output (25%), Employment (20%), Suppliers' Delivery Times (15%) and Stocks of Purchases (10%). For the PMI calculation the Suppliers' Delivery Times Index is inverted so that it moves in a comparable direction to the other indices.

Underlying survey data are not revised after publication, but seasonal adjustment factors may be revised from time to time as appropriate which will affect the seasonally adjusted data series.

For further information on the PMI survey methodology, please contact economics@spglobal.com.

About PMI

Purchasing Managers' Index™ (PMI®) surveys are now available for over 40 countries and also for key regions including the eurozone. They are the most closely watched business surveys in the world, favoured by central banks, financial markets and business decision makers for their ability to provide up-to-date, accurate and often unique monthly indicators of economic trends.

www.spglobal.com/marketintelligence/en/mi/products/pmi

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BCR offers a full range of financial products and services through a network of 20 business centres and 18 mobile offices dedicated to companies and 319 retail units located in most of the country's cities with more than 10,000 inhabitants, where 54% of units are cashless. BCR is Romania's No.1 bank in the transaction banking market, with BCR customers having the largest national network of ATMs and multifunctional machines - almost 2000 machines, and full banking services through Internet banking, Mobile banking, Phone-banking and E-commerce. www.bcr.ro

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