

BCR Romania Manufacturing PMI[®]

Operating conditions for Romanian producers deteriorate at softest rate in 11 months

Key findings

Production volumes decrease at slowest pace in nearly one year

New orders down at sharper rate, despite softer decline in exports

Stocks of purchases depleted at record pace

The Romanian manufacturing sector contracted again in May, on the back of a sustained and slightly stronger drop in total new order levels. There was some evidence that this was domestically driven as the trend of decline in export sales softened noticeably. Output volumes continued to fall, but at a marginal rate that was the least pronounced in 11 months. Meanwhile, there was an accumulation of backlogs of work for the first time on record, following a year-long run of job cuts. Stocks of purchases were reduced at the fastest pace in the series history as firms continued to show reluctance towards spending on inputs. Finally, confidence towards the future came in just above the record low in May.

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.

Up slightly from April's 48.3, the headline PMI posted at 48.5 in May, rising to its highest in nearly a year. The indices for output and employment both imparted positive directional influences, despite posting negative overall contributions.

Factory operating conditions were impacted by the sustained, and sharper, downturn in order books. New work intakes declined for an eleventh straight month in May, reflective of constrained customer budgets and raised levels of uncertainty. Export sales meanwhile decreased at the softest rate on record and only marginally.

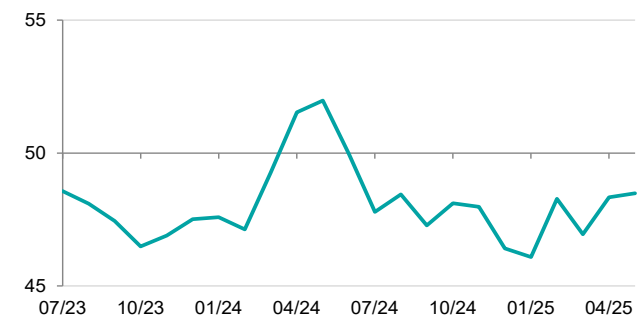
Romanian manufacturers lowered their output again in May to mark exactly one year of decline. The decision to reduce production was closely linked to muted orders and hesitancy created by the presidential election and geopolitical climate. The rate of contraction was only marginal, however.

Workforce requirements were subsequently lower, prompting firms to lay off staff in May. The reduction in factory employment was the least pronounced since last November, however, and only modest overall. At the same time, backlogs of work rose for the first time in the survey history, as firms reported a variety of barriers to the completion of orders.

Romanian manufacturers were neutral in their purchasing activity in May. Buying quantities were unchanged after having reduced in the previous 11 months. Nevertheless, average lead times for the

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sa, >50 = growth since previous month



Sources: BCR, S&P Global PMI.

Data were collected 12-23 May 2025.

Comment

Ciprian Dascalu, Chief Economist at BCR said:

"The headline BCR Romania Manufacturing PMI recorded the second consecutive month of improvement in May reaching 48.5 from 48.3 in the previous month. Even though it remained below the 50 neutral mark which still indicates a contraction, the trend appears to be promising. May's directional improvement of the PMI was mainly driven by the output component. Romanian manufacturing has had slower than expected beginning of the year considering that expectations are for a rebound of the sector in 2025. External demand remains crucial for this scenario to materialize. The HCOB Flash Germany Manufacturing PMI inched up in May to 48.8 reaching a 33-month high.

"Based on PMI readings we should expect that industry will not be growth supportive in the first quarter of 2025. In comparison, data for the first two months of the second quarter show some signs of improvement. The expectations continue to be that industrial output will regain its growth momentum in 2025, after two consecutive years of contraction. External demand should play an important role. 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. The uncertainty remains high, especially in the context of the U.S. tariffs. Romania is mostly indirectly exposed to U.S. tariffs through German car industry supply chains.

"Manufacturing output registered a contraction in May as has been the case in the past 12 months. The rate of contraction, however, was considerably softer compared to the previous month. Market uncertainty and poor demand were reported

delivery of inputs lengthened slightly in the latest survey period, reflective of supply chain issues.

Stocks of purchases were depleted at the fastest pace on record in May. Where pre-production inventories decreased, respondents noted a preference for using current stocks to meet production requirements over purchasing additional inputs.

Turning to prices, as has been the case since the start of data collection, Romanian manufacturers faced a further uptick in their input costs in May. The latest increase was reflective of an unfavourable exchange rate movement against the euro and higher raw material prices. The rate of inflation, although sharp, was the least pronounced in four months. Companies passed some of their cost burdens to customers in the form of higher selling prices. Although the rate of charge inflation was only modest, it was stronger than the series average.

Looking ahead, goods producers in Romania were confident that output would rise over the coming year in May. An improved economic climate and plans to increase capacity were the main reasons for optimism cited in panel member reports. However, the level of confidence deteriorated again and was among the weakest in the series history, above only that recorded in July 2024.

as problems. New orders also continued to post a contraction and at a slightly faster pace. International and domestic elevated uncertainty were mentioned by the surveyed firms as causes. New export orders also continued to decline, but the rate of contraction was the softest on record. Elevated uncertainty likely puts some breaks on any sharp rebound, but with better foreign demand, Romanian manufacturing could take a turn for the better in the second half of the year. The evolution of the external demand index looks promising. Business expectations remained positive, but the degree of confidence was among the lowest on record.

"Employment showed some signs of improvement in May, with a less pronounced rate of contraction compared to April. Crucially, backlogs of work were on the rise in May, partly due to under-staffing. This confirms a build-up of pressure of capacity, which should be good news for employment moving forward. Stocks of finished goods were also on the rise in preparation for future orders. Quantity of purchases and stocks of purchases also suggest that a more intense workflow took place in May, with the latter posting a significant contraction as a result of the need to fulfil the production requirements.

"Input prices continued to rise in May, though with the rate of inflation decelerating for the third month in a row. An unfavourable euro exchange rate movement was the principal reason behind the latest increase. Output prices also continued to rise, accelerating compared to the previous month. Some of the rise in input prices was passed through to consumers."

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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.

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