

BCR Romania Manufacturing PMI®

Romanian manufacturing output expands for first time in ten months

Key findings

Production and new orders rise after nine straight months of decline

Business confidence picks up, while hiring is back on the agenda

Cost inflation eases and selling prices rise only fractionally

An improvement in the health of the Romanian manufacturing sector was signalled for the first time in the survey's history, according to the latest BCR PMI® data. Amid reports of improved market conditions, both new orders and output increased. As a result, jobs growth was renewed following eight successive months of cuts.

Meanwhile, price pressures eased and manufacturers' expectations towards future output were brighter.

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.

A PMI reading above the 50.0 no-change mark signals an improvement in the health of the sector over the month, while a figure below 50.0 points to a deterioration.

Up from 49.3 in March to 51.5 in April, the headline PMI index registered its first above-neutral score seen since data collection began last July. The latest reading signalled a modest improvement in business conditions in the sector.

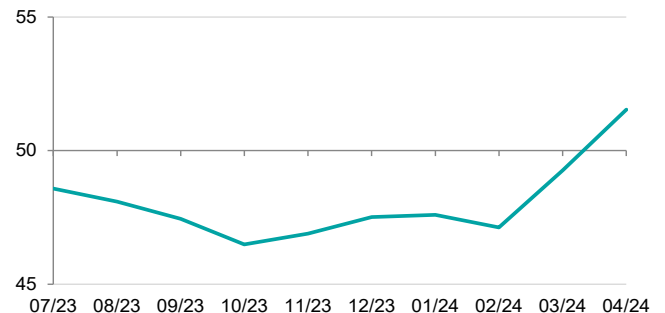
Following nine months of successive declines, output and new orders both recorded growth in April. Renewed job creation also boosted overall business conditions. Though stocks of purchases were depleted again, the rate of decline eased on the month and was also therefore a positive directional influence on the headline figure.

Reports of improved market conditions and new client introductions drove the uplift in order book volumes in April. Though only modest, the uptick ended a nine-month stretch of decline. This in turn led manufacturers to increase their production volumes. Here, the speed of expansion was also only muted, however.

On a less positive note, international sales continued to drop in April. Panel members frequently noted that demand for Romanian manufactured goods from foreign markets, Europe in particular, remained subdued.

Goods producers were increasingly optimistic that output would rise over the year ahead, with firms expecting market conditions to improve and geopolitical tensions to ease. In fact, excluding the opening month of the survey in July 2023, the degree of positive sentiment was the strongest on record so far.

BCR Romania Manufacturing PMI
sa, >50 = growth since previous month



Sources: BCR, S&P Global PMI.
Data were collected 11-24 April 2024.

Comment

Ciprian Dascalu, Chief Economist at BCR said:

"BCR Romania Manufacturing PMI recorded in April its first reading above the 50 no-change mark since the start of data collection in July 2023, the highest reading on record so far. With the index at 51.5 in April the managers in the Romanian manufacturing sector reported for the first time an improvement in the business activity compared with the previous month. This is also a continuation of the positive trend started last month when the index also recorded a significant jump but remained below 50. Both new orders and output components came above 50 this month - indicating an improvement after nine consecutive months of decline and were the main growth drivers for the PMI reading. The employment component came above 50 showing that hiring intentions were also higher this month compared with the previous one. All components except the suppliers' delivery times had a positive directional contribution in April. The HCOB Manufacturing PMI flash release for the German economy which is one of the main trading partners of Romania showed a slight uptick in April but remained below the 50 neutral level.

"It has to be noted that the output improvement was only marginal, and it was reported that it increased in line with the higher new order numbers which also increased at a modest rate and the growth was attributed mainly to higher demand and an influx of new customers. Looking at new export orders the trend remained contractionary due to stagnant foreign demand with some firms mentioning European markets in particular. Seeing the evolution of the German economy which is one of the biggest trading partners and considering that more than one third of the manufacturing production is for export, meaningful signs of recovery for this sector will be particularly reliant on external demand evolution. The panellists remained optimistic in April regarding future business expectations with the index at the highest value in the past nine months. Important this month is also the above 50 value of the employment component which is mainly attributed to rising new orders.

To support the rise in production and in order to fulfil incoming new orders, job creation was renewed across the Romanian manufacturing sector. That said, the rate of jobs growth was only modest.

Meanwhile, there remained a lack of pressure on capacity. Backlogs of work decreased for the tenth month running in April, though only marginally and at the softest rate seen for seven months.

April survey data highlighted a further lengthening of average lead times for inputs, linked to shipping delays and supplier capacity pressure.

Though production requirements had increased, manufacturers' buying activity declined again, as some firms mentioned using up current stocks of purchases to help support production rather than buying new items. The pace of contraction was, however, the slowest seen in the survey's history and modest overall. At the same time, stocks of purchases dropped again in April, though only fractionally.

On the price front, April survey data revealed that Romanian manufacturers faced ongoing cost pressures. This partly reflected revised price lists at suppliers and greater raw material prices. Though sharp, the rate of inflation was the softest seen in 2024 so far. In response, selling prices were increased again, though only fractionally.

"Input prices continued to rise in monthly terms in April as reported by the survey contributors, linked to higher raw material costs but the amplitude to which they were passed along to the customer was less than one-to-one indicating possible shrinking profit margins."

"This month's reading might be the first clear sign of rebound for the Romanian manufacturing sector, though its recovery is expected to be non-linear. Romanian manufacturing was significantly affected by the high inflationary episode over the past couple of years and National Institute of Statistics data shows the output for manufacturing sector contracting in 2023 compared with the previous year by 2.0%. PMI signals that a slight recovery might be on the way starting from the second quarter, though additional data is required to confirm this scenario. Based on PMI data for the first quarter we can assume that manufacturing will not be a contributing factor for the economic growth in the first three months of the year but that might not be the case for the second quarter. Manufacturing accounts for around 15% to 20% of the gross value added in Romania."

Contact

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

Sabrina Mayeen
Corporate Communications
S&P Global
T: +44 (0) 7967 447030
sabrina.mayeen@spglobal.com

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

If you prefer not to receive news releases from S&P Global, please email katherine.smith@spglobal.com. To read our privacy policy, click [here](#).

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

Disclaimer

The intellectual property rights to the data provided herein are owned by or licensed to S&P Global and/or its affiliates. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without S&P Global's prior consent. S&P Global shall not have any liability, duty or obligation for or relating to the content or information ("Data") contained herein, any errors, inaccuracies, omissions or delays in the Data, or for any actions taken in reliance thereon. In no event shall S&P Global be liable for any special, incidental, or consequential damages, arising out of the use of the Data. Purchasing Managers' Index™ and PMI® are either trade marks or registered trade marks of S&P Global Inc or licensed to S&P Global Inc and/or its affiliates.

This Content was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global. Reproduction of any information, data or material, including ratings ("Content") in any form is prohibited except with the prior written permission of the relevant party. Such party, its affiliates and suppliers ("Content Providers") do not guarantee the accuracy, adequacy, completeness, timeliness or availability of any Content and are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, or for the results obtained from the use of such Content. In no event shall Content Providers be liable for any damages, costs, expenses, legal fees, or losses (including lost income or lost profit and opportunity costs) in connection with any use of the Content.