

REGIONAL NETWORK

National summary

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INTERVIEWS WERE CONDUCTED IN THE PERIOD
4 AUGUST – 26 AUGUST



NORGES BANK

SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Norges Bank's regional network contacts report that overall output has increased somewhat over the past three months. The decline in the oil service sector has slowed, and in most of the other sectors, growth has picked up since May. Growth is reported to be strongest in household services, construction and traditional manufacturing. Contacts report solid growth in public demand, improved competitiveness and a slower decline in oil sector demand. Prospects have improved since May in all sectors, and contacts as a whole expect somewhat stronger output growth over the next six months.

Traditional export industry contacts¹ report solid output growth. Enterprises continue to refer to improved competitiveness owing to the depreciation of the krone. Several contacts report capacity expansions, and some have entered new markets. Output in domestically-oriented manufacturing has increased moderately, and contacts continue to report stronger demand from construction and non-oil related maritime industries. Manufacturing enterprises as a whole expect slightly stronger growth over the next six months.

The oil service sector has experienced a marked decline in output over the past three months, but the decline has slowed since May. Enterprises continue to refer to substantial cost reductions and low willingness to invest in the oil sector. Oil service contacts as a whole expect that the decline will continue to moderate over the next six months.

Construction contacts report solid output growth over the past three months, and they expect growth to pick up slightly ahead. As in the previous surveys, increased housing construction and public investment are the primary contributors to growth.

Retail trade contacts report a moderate increase in turnover volume, and contacts expect slightly stronger growth over the next six months.

Service sector contacts as a whole report moderate growth over the past three months. Household sector demand is stronger than business sector demand, and household service enterprises report that a weaker krone is helping to boost activity. Commercial services report increased activity owing to the krone depreciation and higher public investment. Several contacts note that the decline in oil sector demand is slowing. Overall, service sector contacts expect somewhat stronger growth over the next six months.

INVESTMENT

Overall, contacts plan for weak investment growth over the next 12 months.

Oil service contacts expect to reduce investment over the coming year, while service sector contacts expect a broadly unchanged level of investment. The other sectors plan for some investment growth ahead.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting that they would have difficulty accommodating a rise in demand has risen to 21 percent, from 18 percent in May. Service sector contacts in particular

¹ Not including export-oriented oil service firms.

report increased capacity utilisation. Capacity utilisation in the other sectors is approximately unchanged since the previous survey.

There are still only a few contacts that cite the supply of labour as a constraint in further output growth.

EMPLOYMENT AND LABOUR MARKET

The overall level of employment reported by network contacts has remained broadly unchanged over the past three months. The oil service sector reports the most pronounced decline, but service sector contacts also report some decline in employment. There is little change in the level of employment in retail trade, while the other sectors report some growth. Overall, contacts expect weak growth in the level of employment over the next three months.

COSTS, PRICES AND PROFITABILITY

Contacts expect annual wage growth in 2016 of 2.4 percent, compared with 2.3 percent in May. Oil service sector contracts report the lowest estimate, at 0.8 percent. The other sectors' estimates range between 2.4 percent and 2.5 percent.

Contacts report some rise in selling prices over the past 12 months. Retail trade prices have risen substantially, primarily owing to the depreciation of the krone. Oil service contacts report a sharp decline in prices. Overall, contacts expect the rise in prices to remain broadly unchanged over the next 12 months.

Overall, contacts report that operating margins have improved somewhat compared with the same period in 2015.