

REGIONAL NETWORK

National summary

NO. 2 | 2018

INTERVIEWS WERE CONDUCTED IN THE PERIOD 30 APRIL – 25 MAY



NORGES BANK

SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Norges Bank's Regional Network contacts as a whole report slightly weaker output growth than in January. Overall, contact enterprises expect growth to pick up ahead and expectations have been revised up since January. Contacts cite increasing activity in the oil industry and prospects for an increase in housing starts. Regional Network contacts also point to continued growth in public sector demand.

Traditional export industry contacts report weaker growth in output than in the previous survey, but output continues to expand at a moderate pace. Capacity constraints are having a dampening effect on growth. Enterprises expect continued moderate output growth over the next half year and the outlook has been revised down somewhat since the previous survey. Output in domestically-oriented manufacturing has also shown a moderate increase. Growth has slowed since the previous surveys and has been somewhat weaker than expected. Several contacts report weak growth in demand from the building industry. Contacts as a whole expect growth to expand at a moderate pace also over the next six months.

Oil service contacts report moderate output growth. This is the strongest growth reported since the fall in oil prices a good three years ago. Output growth is higher in the domestic market than in the export market. A number of enterprises refer to solid growth in order intake, and oil service contacts as a whole expect rising growth ahead.

Construction contacts report moderate output growth over the past three months. Growth has slowed somewhat more than expected in the previous survey. Residential construction activity in particular has been weaker than contacts expected in January. Several contacts report lower activity growth owing to heavy snows and the late arrival of spring. Contacts report improved prospects and expect rising growth over the next half year. Increased new home sales in particular is contributing to the upward revision, while public investment in building and infrastructure projects continues to provide the strongest contribution to growth.

Retail trade contacts report that turnover volume has increased somewhat. Nevertheless, growth has slowed since the previous survey. A number of contacts point to loss of market share to foreign online retailers and cross-border shopping. In addition, the late arrival of spring has reduced sales of seasonal goods. Retail contacts expect that the pace of growth will be higher over the next six months.

Service industry contacts as a whole report marked growth over the past three months. Demand has picked up most in commercial services. In the period ahead, service industry contacts expect slightly stronger growth in household services and a broadly unchanged pace of growth in commercial services.

INVESTMENT

As in the previous survey, contacts as a whole plan for a marked rise in the level of investment over the next 12 months, and plans are little changed since the previous survey.

As in the previous surveys, enterprises cite increased investment in digital solutions in particular. The local government and hospital sector, and service industry contacts still plan for the highest rise in investment in this survey.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting full capacity utilisation is 34 percent, compared with 32 percent in January. Capacity pressures are highest in manufacturing and construction. Only a small number of retail trade contacts are experiencing capacity pressures.

In this survey, 17 percent of contacts cite labour supply as a constraint on further output growth. This share has increased since the previous survey. Labour supply constraints are still the most pronounced in construction and the least pronounced in retail trade.

EMPLOYMENT AND LABOUR MARKET

Overall, there has been solid growth in employment over the past three months. Growth has picked up slightly since the previous survey and has been somewhat stronger than expected in January. All sectors report an increased level of employment. Growth is strongest in oil services and the service sectors and weakest in retail trade. Contacts as a whole also expect solid employment growth over the next three months.

COSTS, PRICES AND PROFITABILITY

Contacts estimate annual wage growth of 2.8 percent in 2018, compared with 2.7 percent in the previous survey. Oil service contacts report the lowest estimate, at 2.4 percent, while service sector contacts report the highest, at 2.9 percent. The other sectors estimate wage growth of between 2.6 and 2.8 percent in 2018.

Contacts report a moderate rise in selling prices over the past 12 months, and expect the rise in prices to be higher in the next 12 months.

Overall, contacts report some improvement in operating margins compared with the same period in 2017.