

REGIONAL NETWORK

National summary

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INTERVIEWS WERE CONDUCTED IN THE PERIOD
24 OCTOBER – 18 NOVEMBER



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. Growth has picked up slightly since August, but has been somewhat weaker than expected. Growth in construction and the traditional export industry¹ has slowed, while oil service and service sector contacts report improvement. Growth in domestically-oriented manufacturing and retail trade is approximately in line with the previous survey. As in August, growth is reported to be strongest in household services, construction and traditional manufacturing. Prospects are little changed since August, and contacts as a whole expect somewhat stronger output growth over the next six months.

Traditional export industry contacts report moderate output growth. Growth has slowed somewhat since August, but is higher than in May. Enterprises continue to refer to strong competitiveness. Contacts expect growth to remain broadly unchanged over the next six months. Output in domestically-oriented manufacturing has increased moderately, and contacts expect small changes in growth ahead. Contacts continue to report increasing demand from construction and non-oil related maritime industries.

The oil service sector has experienced a marked decline in output over the past three months. The decline has slowed since August, but has been somewhat more pronounced than expected. Several contacts report low levels of activity. Some contacts previously classified as oil service enterprises no longer supply the oil industry. Oil service contacts expect the decline to continue to moderate over the next six months, with prospects little changed since August.

Construction sector contacts report moderate output growth over the past three months, but growth has slowed somewhat since August. Housing construction and public investment are the primary contributors to growth, but there are substantial regional differences. Some contacts point out that construction sector growth is being dampened by strong competition from foreign firms. Contacts expect growth to edge up ahead, but prospects are somewhat weaker than in August.

Retail trade contacts report a moderate increase in turnover volume and expect growth to remain approximately unchanged over the next six months.

Service sector contacts as a whole report moderate growth over the past three months. Growth has picked up since the previous survey in both service sectors. Household demand continues to be stronger than business sector demand. Increased tourism is helping to boost growth in household services, while increased public demand in particular is boosting growth for commercial services. Service sector contacts expect continued moderate growth over the next six months.

INVESTMENT

Overall, contacts plan for investment growth to remain approximately unchanged over the next 12 months.

¹ Not including export-oriented oil service firms.

Local government and hospital sector contacts expect moderate investment growth in the coming year, while manufacturing contacts plan for slightly less investment ahead. The other sectors expect small changes in the level of investment.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting full capacity utilisation has risen from 21 percent in August to 23 percent in November. Capacity utilisation has picked up in the service sectors in particular, while declining somewhat in manufacturing. In the oil service and retail trade sectors, only a few contacts report full capacity utilisation.

In this survey, 10 percent of contacts cite the supply of labour as a constraint on further output growth. This share is approximately unchanged since the previous surveys.

EMPLOYMENT AND LABOUR MARKET

Overall, growth in employment has been weak over the past three months. Contacts in construction, manufacturing and services report growth, while retail trade and oil services report reduced employment. The level of employment in the local government and hospital sector is little changed. Contacts as a whole expect continued weak growth in employment over the next three months.

COSTS, PRICES AND PROFITABILITY

Contacts estimate annual wage growth of 2.4 percent in 2016, in line with the August estimate. For 2017, contacts expect annual wage growth of 2.5 percent. Service sector contacts report the highest estimate, at 2.8 percent. Oil service contacts report the lowest estimate, at 0.9 percent. The other sectors estimate wage growth of between 2.1 and 2.7 percent.

Contacts report some rise in selling prices over the past 12 months. Retail trade prices have risen markedly, but the increase has slowed slightly since August. Oil service contacts report a sharp decline in prices. Overall, slightly more than half of the contacts expect the rise in prices to pick up over the next 12 months.

Overall, contacts report that operating margins are little changed compared with the same period in 2015.