

No. 2 | 2011

Regional network

National summary

Interviews at end-April and in first half of May 2011

NATIONAL SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Network contacts report brisk growth in output over the past 3 months. Growth was slightly weaker than in the previous round, broadly in line with that expected. Output prospects are marginally better than in January and suggest somewhat higher growth over the next 6 months.

Manufacturing report moderate growth in output, approximately in line with that reported in January. Growth has been slightly higher in the export industry than in domestically oriented manufacturing. Growth in the export industry primarily reflects growth in the technology, metals, fisheries and fish farming industries. The long period of cold weather this past winter has curbed growth in some segments of domestically oriented manufacturing. Growth has remained at a fairly moderate level in the oil supplier industry, but contacts expect that an appreciable increase in order intake, particularly from the non-Norwegian sectors of the continental shelf, will provide a basis for solid output growth ahead. Growth in domestically oriented manufacturing and the export industry is expected to be more moderate, at about the pace prevailing over the past 3 months.

The construction industry has shown fairly brisk growth. The long period of cold weather this past winter has nevertheless resulted in somewhat weaker output growth than expected. The highest growth rate has been for residential building. Growth is stable for private and public commercial building activity, but increased tenders in volume terms and rising order intake indicate growth ahead. As a whole, the construction industry is expected to show marked growth over the next 6 months.

Network contacts report relatively low growth in retail trade. Growth has slowed somewhat since the previous round and is lower than expected, confirming the signals of weaker household demand from the April phone survey. However, turnover is expected to show a pronounced pick-up over the next 6 months.

Growth in the service industry has been solid over the past 3 months, but a little weaker than in the preceding 3 months. Growth slowed to a somewhat further extent than expected in the household services sector, but was stronger than expected for commercial services. Contacts point to solid order intake and expect about the same pace of growth ahead.

INVESTMENT

Investment is expected to show moderate growth over the next 12 months, but growth is expected to be slightly lower than in the previous round. The manufacturing sector expects relatively high investment growth and has revised up the growth estimates from January. In retail trade, services and the public sector, investment is expected to expand at a fairly moderate rate over the next 12 months and at a somewhat slower pace than anticipated in January.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of contacts reporting that they would have some or considerable difficulty accommodating a rise in demand was 30 per cent. In the previous round, this share was a

little higher at 32 per cent. It is particularly in services that a lower share of enterprises reports capacity constraints in this round. In manufacturing, the share reporting capacity constraints has increased to more than 50 per cent.

The share citing labour supply as a production constraint in the event of increased demand is 19 per cent, or about the same as in the previous round. Labour supply constraints are most pronounced in the construction industry. Since the previous round, manufacturing has reported the strongest increase in labour supply constraints, while fewer contacts in services noted labour supply as a production constraint.

EMPLOYMENT AND LABOUR MARKET

Employment growth has on the whole been favourable over the past 3 months. Employment grew at a faster pace, broadly as expected in January. The rise was most pronounced in services and construction, and weakest in the public sector. Employment is also expected to grow in the next 3 months, albeit at a slightly slower pace than in the previous 3 months.

COSTS, PRICES AND PROFITABILITY

Overall annual wage growth in 2011 was estimated at about 4 per cent, an upward adjustment of a half percentage point compared with the January figure. Contacts note that several of the centrally negotiated settlements were higher than expected, particularly in the local government and hospital sectors. For retail trade, the upward adjustment of the estimate from the previous round was marginal, while for the other industries the estimate was raised by between $\frac{1}{4}$ and $\frac{3}{4}$ percentage points.

Contacts reported a faster rise in prices over the past 12 months. The rise in prices was highest in commercial industries particularly in the construction industry. Prices for input factors are rising and brisk demand is providing scope for raising selling prices. Global price increases for many commodities are having a positive impact on many export segments. Higher commodity prices and firm growth in demand are also feeding through to prices for household goods and services, but the rate of increase is more moderate. The rise in prices is expected to accelerate over the next 12 months.

All in all, operating margins over the past 3 months have shown a moderate improvement compared with the same period last year. Margins have increased most in services, but an appreciable improvement was also noted in the manufacturing sector. For retail trade and construction, profitability has shown a marginal improvement, while profitability for oil suppliers has deteriorated somewhat over the past 3 months compared with the same period one year earlier. On the whole, operating margins have shown continuous growth over the past year.