

REGIONAL NETWORK

National summary

NR. 2 | 2017

INTERVIEWS WERE CONDUCTED IN THE PERIOD
2 MAY – 26 MAY



NORGES BANK

SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Norges Bank's regional network contacts as a whole report that output growth has been moderate over the past three months. Output growth has picked up somewhat since February, is slightly higher than expected and is at its strongest since the beginning of 2013. Output growth is primarily being driven by higher public demand, but is also related to growth in private sector demand and a less pronounced decline in the oil industry. Output growth has picked up in all industries except retail trade. The fall in output in the oil service industry has slowed. Output growth is reported to be highest in household services and construction. Contacts as a whole expect slightly stronger output growth over the next six months and expectations have been revised up somewhat from February.

Traditional export industry contacts report moderate output growth. The pace of growth has picked up slightly since February, in line with expectations, driven in particular by the fisheries and aquaculture industries. A number of enterprises report that capacity constraints are having a dampening effect on growth. Enterprises expect somewhat weaker growth ahead. Domestically-oriented manufacturing has shown moderate growth in output. Output growth has picked up slightly since February and has been somewhat stronger than expected, driven in particular by increasing demand from construction and non-oil related maritime industries. Enterprises expect output growth to remain moderate over the next six months.

Oil service contacts have experienced a moderate decline in output over the past three months. The decline has slowed since February and has been somewhat less pronounced than expected. Enterprises expect the decline in output to level off in the next six months.

Construction industry contacts report marked output growth over the past three months. Output growth has picked up slightly more than expected in February. Public building and infrastructure projects and residential construction continue to contribute to growth. Enterprises expect output growth to edge up ahead.

Retail trade contacts report a moderate increase in turnover volume. Output growth has edged down since the previous survey. Several contacts report that a mild winter and a cold spring have dampened growth. Enterprises expect somewhat stronger growth ahead.

Service industry contacts as a whole report moderate growth over the past three months. Growth has picked up since the previous survey. Household demand continues to be higher than business sector demand, but growth in demand has picked up most in the business sector. Enterprises report growth in both public and private sector demand. Service industry contacts expect growth in commercial services to pick up further, while service industry contacts expect growth in household services to remain approximately unchanged over the next six months.

INVESTMENT

Overall, contacts plan for a moderate rise in the level of investment over the next 12 months. All industries except the oil service industry expect an increasing level of investment. The

steepest rise in investment is planned in the local government and hospital sector. Oil service industry contacts report plans for a moderate decline in investment over the coming year.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting full capacity utilisation has risen from 26 percent in February to 29 percent in May. Capacity utilisation has picked up in manufacturing, construction and services. Capacity pressures are highest in manufacturing and construction and lowest in retail trade.

In this survey, 15 percent of contacts cite the labour supply as a constraint on further output growth. The share has risen from 12 percent in February. The constraints are most pronounced in construction, while manufacturing, oil services and retail trade continue to report an ample labour supply.

EMPLOYMENT AND LABOUR MARKET

Overall, employment has shown moderate growth over the past three months. Employment growth has picked up slightly more than expected in February and is strongest in construction. The oil service industry continues to report that employment is declining, albeit at a slower pace than reported in the previous surveys. Contacts as a whole expect employment growth to remain moderate over the next three months.

COSTS, PRICES AND PROFITABILITY

Contacts estimate annual wage growth of 2.5 percent in 2017, unchanged on the February estimate. Oil service contacts report the lowest estimate, at 1.5 percent. The highest estimate is reported by construction, at 2.6 percent. The other industries estimate wage growth of 2.5 percent.

Contacts report some rise in selling prices over the past 12 months. Contacts in household-oriented industries report a moderate rise in prices. The rise in prices has slowed in retail trade and picked up in household services. Overall, a majority of the contacts expect the rise in prices to pick up over the next 12 months.

Overall, contacts report a moderate improvement in operating margins compared with the same period in 2016.