

REGIONAL NETWORK

National summary

NO. 3 | 2018

INTERVIEWS WERE CONDUCTED IN THE PERIOD
6 AUGUST – 23 AUGUST



NORGES BANK

National summary

Output growth has picked up since May. Growth is broad-based, primarily driven by higher activity in the oil sector, infrastructure development and digitalisation in both the private and public sector. The decline in residential construction is having a dampening impact. Enterprises expect that growth will remain steady over the next half year, and the overall outlook is little changed from May.

Investment plans are somewhat lower than in the previous survey, while employment growth is little changed. Capacity utilisation is at the same level, and the overall estimate for annual wage growth is unchanged for 2018.

Output and demand

Slightly higher output growth

Regional Network contacts as a whole report slightly higher output growth in this survey compared with the previous survey (Chart 1). Output growth has picked up in most sectors, but at a slightly slower pace than contacts expected in May. The increase is most pronounced in construction and oil services, while output growth has slowed in domestically-oriented manufacturing. In most sectors, contacts expect higher growth, and overall growth prospects are little changed from May (Chart 2).

Higher activity in the oil sector has pushed up output growth in oil services and commercial services. In commercial services, output growth has also been pulled up by large-scale digitalisation projects in the private and public sector.

Increased investment in wind power and the power grid has contributed to growth in both the export industry and domestically-oriented manufacturing. Higher demand from the aquaculture industry has also boosted growth in these two industries. Construction growth has picked up from May, fuelled in particular by higher growth in infrastructure development. The decline in residential construction has dampened growth in both the construction industry and domestically-oriented manufacturing, contributing to weaker-than-expected growth in these industries. Both industries anticipate higher growth ahead. Enterprises expect further expansion of the power grid and other infrastructure and a less pronounced decline in residential construction.

A large share of retail trade contacts report that the weather has affected sales through 2018. In the previous survey, several contacts reported that the long winter had dampened sales. In this survey, several contacts report that the warm summer weather has contributed to a fall in sales. Retail trade contacts expect somewhat stronger growth ahead.

Chart 1. Output growth. Growth past three months and expected growth next six months. Annualised. Seasonally adjusted. Percent

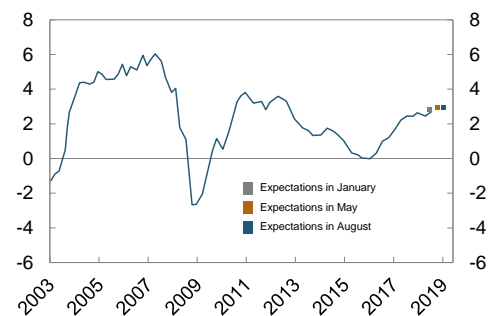
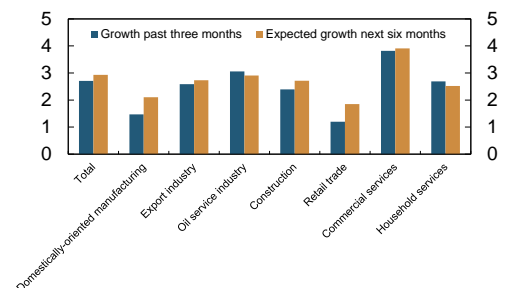


Chart 2. Output growth. All sectors. Growth past three months and expected growth next six months. Annualised. Seasonally adjusted. Percent



Prospects for solid investment growth

Enterprises' investment expectations have edged down since the previous survey, but still point to solid investment growth ahead (Chart 3). Services and manufacturing in particular are planning for weaker investment growth. Other sectors' investment estimates remain relatively unchanged. Also in this survey, local government and hospital sector contacts expect strong growth in investment over the coming year.

Labour market and capacity utilisation

Stable employment growth

Overall, employment growth has been fairly stable since the beginning of the year (Chart 4). In recent months, employment growth has slowed somewhat in retail trade and the local government and hospital sector. On the other hand, growth in the number of employees in construction has picked up, largely in the civil engineering sector. The other sectors report only small changes in employment growth. Network contacts expect employment growth to remain approximately unchanged ahead.

Capacity utilisation at same level as in May

The share of enterprises with high capacity utilisation is fairly stable compared with the previous survey (Chart 5). The share of enterprises reporting labour shortages also shows little change. The oil service industry reports the highest capacity utilisation, while the construction industry is facing the biggest labour constraints.

Costs and prices

Unchanged wage growth

Contacts expect annual wage growth of 2.8 percent in 2018, the same as the May estimate (Chart 6). The wage growth estimate from the previous survey is being pushed up by expectations of higher wage growth in oil services and manufacturing, while expectations in the local government and hospital sector are having the opposite effect.

Somewhat faster rise in prices

Enterprises report that prices have edged up over the past 12 months and expect a faster rise in prices ahead. This is primarily driven by expectations of a stronger rise in retail trade and oil service prices.

Chart 3 Expected investment growth next twelve months. Growth contribution by sector. Percent

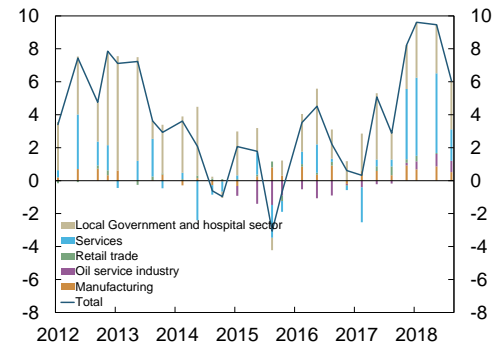


Chart 4. Employment growth. Growth past three months and expected growth next three months. Growth contribution by sector. Seasonally adjusted. Percent

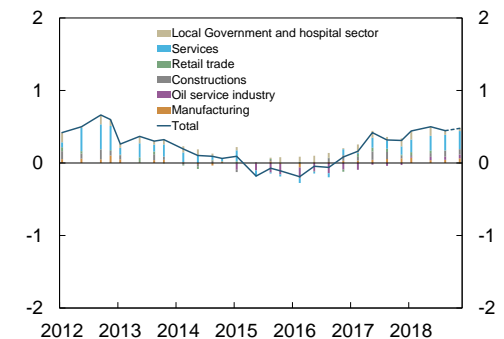


Chart 5. Capacity constraints¹⁾ and labour supply.²⁾ Percent

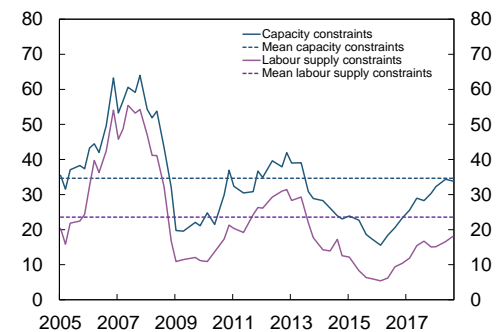
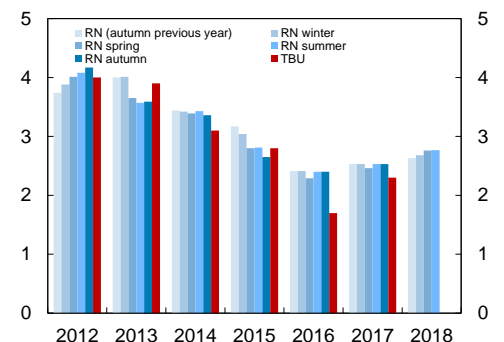


Chart 6. Annual wage growth. Norwegian Technical Calculation Committee for Wage Settlements (TBU) and Regional Network (RN). Percent



Economic indicators

	This survey	Previous survey
Output and demand		
Output growth past three months (annualised percentage growth)		
Total	2,7	2,5
Domestically-oriented manufacturing	1,5	1,7
Export industry	2,6	2,6
Oil services	3,1	2,4
Construction	2,4	1,7
Retail trade	1,2	0,8
Commercial services	3,8	3,7
Household services	2,7	2,5
Expected output growth next six months (annualised percentage growth)		
Total	2,9	2,9
Domestically-oriented manufacturing	2,1	1,9
Export industry	2,7	2,7
Oil services	2,9	3,2
Construction	2,7	3,1
Retail trade	1,9	1,5
Commercial services	3,9	3,8
Household services	2,5	3,1
Investment growth next 12 months (annualised percentage growth)		
Total	6,1	9,5
Labour market and output gap		
Employment growth past three months (percent)	0,4	0,5
Expected employment growth next three months (percent)	0,5	0,5
Labour supply (percent)	18,1	16,6
Capacity constraints (percent)	33,9	34,4
Costs and prices		
Estimated annual wage growth for current calendar year (percent)	2,8	2,8