

REGIONAL NETWORK

National summary

NO. 3 | 2014

INTERVIEWS WERE CONDUCTED IN THE PERIOD
11 AUGUST - 25 AUGUST



NORGES BANK

NATIONAL SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Network enterprises reported that output growth remained moderate over the past 3 months, though growth had slowed somewhat from May. Developments were slightly weaker than contacts' expectations in the previous survey. Cost-reductions in petroleum-related manufacturing, strong international competition and a decline in housing construction in particular had a dampening effect on growth. Overall, contacts expected growth to pick up somewhat over the next 6 months, with construction and the service sectors in particular expecting stronger growth ahead. Oil industry suppliers envisaged a decline in output volume over the next 6 months.

In this survey, contacts in *domestically oriented manufacturing* reported fairly moderate growth. Growth was lower than in the previous survey, and slightly weaker than envisaged by contacts in May. The building materials industry in particular reported lower growth, partially reflecting declining housing construction and increased import competition. As in the previous survey, several contacts reported higher demand from the traditional export industry. Overall, domestically oriented manufacturing expected growth to remain broadly unchanged ahead.

Export industry contacts reported moderate and rising growth since the previous survey, approximately in line with expectations in May. Contacts reported stronger growth in demand from European manufacturing. Solid growth was also reported in the fishing industry. Growth remained solid in the petroleum-related export industry, although several firms also referred to a decline in their order backlog. Overall, the export industry expects growth to edge down over the next 6 months.

Oil industry suppliers as a whole reported that developments had been weaker than expected and that the level of activity was broadly unchanged from May. Overall, contacts expected a decline in activity over the next 6 months, referring to oil companies' cost-reductions and lower willingness to invest, in addition to increasing international competition.

Contacts in the *construction industry* reported fairly moderate volume growth over the past 3 months. Growth has picked up slightly, but has been somewhat weaker than envisaged in May, with contacts referring in particular to the decline in housing construction. At the same time, increasing activity in renovation and solid growth in public building and infrastructure projects have boosted growth. Contacts expected that higher activity in housing construction and a pickup in growth in infrastructure will contribute to slightly stronger growth ahead.

Retail trade reported moderate growth over the past 3 months, approximately the same as in May. Growth was somewhat stronger than contacts had envisaged, especially in turnover of consumer non-durables. Contacts expected growth to remain approximately unchanged ahead.

Growth in the *service sector* as a whole was reported to be moderate. In commercial services, growth was approximately the same as in May, while household services reported that growth had edged down. Growth was still slightly stronger in commercial services than in household services. Network contacts expected growth to pick up in both household and commercial services.

INVESTMENT

Network contacts planned for an approximately unchanged level of investment over the next 12 months, a slight downward revision compared with May. Manufacturing contacts revised down investment plans and envisaged a decline in the level of investment over the coming year, driven in particular by investment cutbacks in petroleum-related manufacturing. The local government and hospital sector has also revised down investment plans and expected an approximately unchanged investment level ahead. A number of municipalities referred to the substantial investments that have already been carried out. Service sector contacts still envisaged a decline in investment ahead, albeit to a slightly lesser extent than assumed in May. Information from the survey indicated a smaller decline in investment in private commercial property. In retail trade, investment plans were virtually unchanged and contacts still anticipated some investment growth ahead.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting that they would have some or considerable difficulty accommodating a rise in demand was 24 percent, compared with 26 percent in the previous survey. Capacity utilisation has decreased in the service sector, while it has picked up in construction. In manufacturing and retail trade, capacity utilisation showed little change from May.

The share of network contacts citing labour supply as a constraint on activity was 17 percent, up from 14 percent in the previous survey. Manufacturing and services in particular reported that the supply of some occupational categories has become somewhat more difficult. For the other sectors, labour supply showed little change.

EMPLOYMENT AND LABOUR MARKET

Overall employment rose marginally and at a slower rate than expected over the past 3 months. Employment has increased in construction, services and the local government and hospital sector and has shown little change in retail trade. Manufacturing sector contacts reported that employment had fallen. Overall, contacts expected slightly higher employment growth over the next 3 months. Manufacturing planned for a slight reduction in employment, while the other sectors expected some employment growth ahead.

COSTS, PRICES AND PROFITABILITY

Contacts estimated that annual wage growth in 2014 would be slightly below 3½ percent. Service sector contacts reported wage growth estimates of slightly below 3¾ percent, while estimates of around 3½ percent were reported by the construction sector. Manufacturing, retail trade and the local government and hospital sector estimated wage growth of around 3¼ percent in 2014.

The rise in prices has been fairly moderate over the past 12 months, and was slightly lower than in May. The rise in prices has remained unchanged in domestically oriented manufacturing, edged up in retail trade and edged down in the other sectors. Slightly more than half of the contacts expected the rise in prices to pick up ahead.

Network contacts as a whole reported a small increase in margins, although the increase was slightly higher than was reported in the previous survey. Oil industry suppliers and service

sector contacts reported a decline in margins, while margins were reported to have increased in the other sectors.