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# Regional network

## National summary

*Interviews were conducted in the period from 27 August to 21 September*

## NATIONAL SUMMARY

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*Interviews were conducted in September.*

### DEMAND, OUTPUT AND MARKET PROSPECTS

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Total output has grown markedly and growth has picked up since the previous round. Market prospects have also improved, but growth is expected to slow somewhat in the next six months.

Manufacturing reported moderate growth in output. This is a substantial improvement over the previous round, due primarily to a pickup in growth in domestically oriented manufacturing and for suppliers to the oil industry. At the same time, output growth was high in the export industry, driven by metals industries, fish farming and various niche markets. Since the previous round there has also been a considerable improvement in the maritime industry. In domestically oriented manufacturing, the building materials and engineering industries are experiencing the strongest growth. Growth in manufacturing is expected to continue, albeit at a somewhat more modest pace than in the past three months.

For the first time since spring 2008, there is growth in building and construction. Activity has risen markedly, primarily driven in particular by an increase in residential construction, in line with previous expectations. Projects that had been on hold are now being resumed. Some of the increase in activity is also due to the recovery of production declines caused by the cold winter. Slower growth is expected ahead.

Retail trade sales picked up, albeit at a slower pace than in the previous round. Market prospects have improved and indicate slightly higher growth over the next six months.

Service industry contacts reported a marked increase in activity, an improvement on the previous round. Growth was strongest – and picked up most – in household services. In the service sector overall, there are indications of a modest slowdown in growth ahead.

### INVESTMENT

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Enterprises indicate that the level of investment will remain unchanged next year. In the previous round contacts anticipated a moderate increase. Retail trade and the public sector are planning to reduce investment. The decline in the local government sector follows substantial investment in recent years. Manufacturing and the service industry are expecting a modest increase in the level of investment.

### CAPACITY UTILISATION AND LABOUR SUPPLY

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Thirty per cent of contacts reported that they would have some or considerable difficulty accommodating a rise in demand. This is a somewhat higher share than in the previous round, with manufacturing and the service industry accounting for the increase. Seventeen per cent responded that labour would be a constraint on production. This is also a higher percentage than in the previous round. However, the labour market is not perceived as tight.

## EMPLOYMENT AND LABOUR MARKET

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Overall, contacts reported a modest rise in employment over the past three months. Employment edged upward in building and construction and in services. In manufacturing, retail trade and the public sector, employment remained unchanged. Overall employment is expected to show a marginal increase in the next three months. Contacts in building and construction and retail trade expect a moderate increase. The public sector is expecting a slight decline, while employment is expected to be approximately unchanged in manufacturing and services.

## COSTS, PRICES AND PROFITABILITY

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Overall annual wage growth in 2010 was estimated at 3½ per cent. The lowest estimate was in manufacturing and in building and construction, where annual wage growth is expected to be 3 per cent. Service industry contacts expect annual wage growth of around 3¾ per cent.

A moderate rise in prices was reported over the past twelve months, unchanged from the previous round. In building and construction prices continued to fall, at the same pace as in the previous round. Prices in manufacturing, retail trade and commercial services rose fairly moderately. The rise in prices was highest in household services. In retail trade, prices rose more slowly than in the previous round. Overall, network contacts expect a higher rise in prices over the next twelve months.

Operating margins improved slightly in the past three months compared with the same period in 2009. Although this is the second consecutive period of growth, margins rose less than in the previous period. Suppliers to the oil industry and the building and construction industry reported lower profitability. Contacts in domestically oriented manufacturing report stable profitability, while margins improved in the export industry, retail trade and the service sector.

## REVISED SERIES

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Since the previous round, all series have been revised due to new weightings. The weightings have been updated in accordance with recently published figures for the breakdown of GDP by county and employment statistics.

For more information regarding Regional Network weightings, see Staff Memo 11/2009 by Wulfsberg and Martinsen.