

No. 2 | 2013

# Regional network

## National summary

*Interviews were conducted in the period 22 April - 15 May 2013*

## NATIONAL SUMMARY

### DEMAND, OUTPUT AND MARKET PROSPECTS

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Network enterprises reported moderate output growth over the past 3 months. Growth was weaker than in the previous round and had so far been weaker than envisaged by enterprises in January. Contacts in several sectors reported that the long winter and increasing competition from foreign operators have had a dampening effect on growth. Contacts expected continued moderate growth over the next 6 months.

Output growth in *manufacturing* was weak and slightly lower than in the previous round. Growth was still highest among oil industry suppliers. Oil industry suppliers still expected marked growth, but expectations had been revised down slightly since January. Domestically oriented manufacturing reported zero growth. Overall, the domestically oriented manufacturing sector expected weak output growth over the next 6 months. Export industry contacts reported fairly moderate growth, slightly weaker than in January. As in the previous rounds, oil-related products contributed most to growth, while developments in the more traditional export industry were still reported to be fairly weak. Export enterprises as a whole expected somewhat higher growth ahead.

Contacts in the *construction industry* reported that volume growth had been moderate over the past 3 months, slowing slightly compared with the previous round. The level of activity was reported to be stable in residential and private sector commercial construction. Contacts reported that public sector investment is fuelling a rise in building and infrastructure development projects. Output growth was expected to be stable ahead.

Retail trade reported fairly moderate growth over the past 3 months. Growth was slightly weaker than in January. Contacts expected slightly higher growth over the next 6 months.

Growth was moderate in the service sector. Growth was approximately unchanged in commercial services, but slowed marginally in the household service sector. Service industry contacts expected growth to remain approximately unchanged ahead.

### INVESTMENT

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Network contacts planned fairly moderate growth in investment in the coming 12 months. Overall, investment plans were approximately unchanged since the previous round. Investment plans in the service sector had been revised up slightly since January, while contacts in manufacturing, retail trade and the local government and hospital sector had revised down their plans from the previous round. As in the two previous rounds, planned investment growth ahead was still highest in the local government and hospital sector. Service sector contacts expected weak growth in investment, while planned levels of investment in the manufacturing sector were stable. Retail trade contacts planned for a slightly lower level of investment ahead.

### CAPACITY UTILISATION AND LABOUR SUPPLY

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The share of network contacts reporting that they would have some or considerable difficulty accommodating a rise in demand was 39 percent in this round, the same as in January. As in the previous 6 rounds, capacity pressures were still highest in the construction industry but had eased since January. Capacity pressures have increased in the other sectors since the previous round.

The share of network contacts citing labour supply as a constraint on activity was 29 percent, a marginal increase from 28 percent in the previous round. The share increased in services and the local government and hospital sector, while it decreased in the other sectors. Labour shortages were still highest in the construction industry and lowest in retail trade.

## EMPLOYMENT AND LABOUR MARKET

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Overall employment rose as expected over the past 3 months. Employment in the manufacturing and construction sectors was reported to be approximately unchanged. The other sectors reported growth in employment, with the strongest growth in this round reported by service sector contacts. Overall, contacts planned slightly higher employment growth ahead. All sectors reported plans to increase employment in the next 3 months.

## COSTS, PRICES AND PROFITABILITY

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Contacts estimated annual wage growth in 2013 at slightly below 3¾ percent, which is about ¼ percentage point lower than the estimate in January. Contacts in services and the public sector estimated annual wage growth at approximately 3¾ percent. Manufacturing, construction and retail trade expected wage growth of about 3½ percent in 2013.

The rise in prices has been moderate over the past 12 months, approximately as reported in January. All sectors reported a rise in prices in this round, with the highest rise in construction and commercial services. Contacts in domestically oriented manufacturing and retail trade contacts reported the lowest rise in prices. Slightly more than half of the contacts expected the rise in prices to slow ahead.

Profitability has improved marginally over the past 3 months compared with the same period last year. The rise in operating margins was weaker than in the previous round. Domestically oriented manufacturing, oil industry suppliers and retail trade reported a slight decrease in margins, while the other sectors reported a marginal improvement in profitability.