

REGIONAL NETWORK

National summary

NO. 1 | 2016

INTERVIEWS WERE CONDUCTED IN THE PERIOD
25 JANUARY - 18 FEBRUARY



NORGES BANK

SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Norges Bank's regional network contacts report that the overall level of output has remained unchanged over the past three months, the same as in the previous survey in October. Growth is still reported to be highest in household services and the traditional export industry, while the sharpest decline in output is reported by the oil service sector. Contacts expect the level of output to remain broadly unchanged over the next six months. Enterprises expect that oil industry demand will continue to fall, but that demand from the public sector will increase further.

Export industry contacts¹ report moderate output growth, as they did in October. Enterprises refer to improved competitiveness owing to the depreciation of the krone. Growth is being dampened by capacity constraints in many segments of the processing and fisheries industries. Fisheries contacts expect salmon louse problems to contribute to a fall in output ahead. Overall, the export industry expects slightly lower growth over the next six months. Growth in domestically-oriented manufacturing has picked up slightly since October. A number of contacts report improved international competitiveness as a result of the krone depreciation. Growth in domestically-oriented manufacturing is expected to remain moderate over the next six months.

The oil service sector reports a considerable fall in output, broadly in line with previous surveys. Development of the Johan Sverdrup field and improved competitiveness will dampen the fall in output in the next six months.

Construction contacts report weak output growth over the past 3 months, as they did in October. Activity was driven in particular by solid growth in public building and infrastructure investment and a pronounced rise in housing construction in southeastern Norway. As in earlier surveys, contacts report wide regional differences, and housing construction in southern and western Norway continues to fall. Higher office vacancy rates have contributed to lower activity in construction and renovation of private commercial buildings. Contacts expect rising growth in public investment to contribute to slightly higher growth in activity.

Retail trade contacts report that turnover volume has increased somewhat over the past three months, approximately as reported in October. Contacts in southwestern Norway continue to report a decline in turnover volume, while the other regions report growth. Overall, contacts expect some turnover growth to continue in the next six months.

Service sector contacts report generally weak growth over the past three months, approximately as reported in the previous survey. Household demand has been stronger than private sector demand. Contacts report reduced demand from the oil industry, but the krone depreciation and growth in public investment have supported the level of activity. Service sector contacts expect growth to remain weak over the next six months.

¹ Not including export-oriented oil service firms.

INVESTMENT

Overall, contacts plan for a slight rise in the level of investment over the next 12 months.

The local government and hospital sector and manufacturing plan for moderate growth in investment, while the oil service sector expects a further decline. The other sectors plan to increase investment slightly over the coming year.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting that they would have some or considerable difficulty accommodating a rise in demand is 16 percent, compared with 18 percent in October. About 20 percent of the enterprises in manufacturing, construction and services report capacity constraints. Almost all of the enterprises in the oil service industry and retail trade report spare capacity.

Only 5 percent of contacts report that labour supply is a constraint on further output growth. This share remains low across all sectors and regions.

EMPLOYMENT AND LABOUR MARKET

The overall level of employment within enterprises has fallen somewhat over the past three months, as contacts expected in October. Developments in the private sector are the weakest that have been reported since February 2010 and are a result of a fall in employment in the oil service sector, manufacturing, services and construction. Enterprises expect employment to edge down further to some extent over the next three months.

COSTS, PRICES AND PROFITABILITY

Contacts estimate annual wage growth in 2016 of 2.4 percent, in line with the October estimate. The highest estimates are again reported by the local government and hospital sector, at 2.7 and 2.6 percent respectively. The oil service sector reports an estimate of 1.0 percent, while the other sectors' estimates range between 2.0 percent and 2.3 percent.

Contacts generally report that selling prices have risen slightly in the past 12 months. Retail trade prices have risen markedly, as also shown in the October survey, primarily as a result of the krone depreciation. Oil service industry contacts report a substantial fall in prices. Overall, contacts expect the rise in prices to pick up slightly over the next 12 months.

Contacts as a whole report a very slight fall in operating margins compared with the same period in 2015.