

REGIONAL NETWORK

National summary

NO. 4 | 2015

INTERVIEWS WERE CONDUCTED IN THE PERIOD
19 OCTOBER - 12 NOVEMBER



NORGES BANK

SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Overall, Norges Bank's regional network contacts reported that there has been no change in the level of output over the past three months. Output growth has thus eased since August. Although output growth has slowed in most industries, a higher rate was reported by the service sectors. Regional differences have widened, with southern and western Norway showing the weakest developments. Overall, contacts expected the level of output to remain unchanged over the next 6 months.

Export industry contacts¹ reported moderate output growth, somewhat lower than in August. Enterprises continued to refer to improved competitiveness owing to a weaker krone. Growth is being dampened by capacity constraints in many traditional manufacturing segments such as processing and fisheries. Contacts expected slightly lower growth in the export industry over the next 6 months. Growth in domestically-oriented manufacturing has also slowed slightly since August. The building materials industry in particular reported somewhat weaker growth. Contacts in domestically-oriented manufacturing expected the pace of growth to slow further over the next 6 months.

The oil service sector reported a considerable fall in output. The fall has accelerated in pace since August and has been somewhat larger than expected. Contacts expected output to continue to fall sharply ahead. The oil service sector expected export-oriented activity to fall more than activity oriented towards the Norwegian continental shelf, and a number reported that orders for the Johan Sverdrup field will curb the fall in domestically-oriented output.

Contacts in construction reported slight output growth over the past 3 months. Growth has edged down and has so far been weaker than expected in August. A number of contacts reported that higher office vacancy rates have resulted in fewer private commercial building projects, especially in southern and western Norway. Contacts continued to report solid growth in public building and transport development projects. Growth in housing construction was reported to be moderate overall, but with considerable regional differences. Contacts expected that rising growth in public sector investment will contribute to slightly stronger growth in activity ahead.

Retail trade reported that turnover volume had edged up over the past 3 months. Growth has slowed since August, and many contacts reported especially weak developments in Stavanger. Contacts expected continued weak growth over the next 6 months.

Only the service sectors reported somewhat higher growth over the past 3 months than in August. Growth in household services remained most buoyant, although contacts expected considerably lower growth ahead. Commercial services reported an unchanged level of activity over the past 3 months, an improvement on the previous survey, when a decline in demand was reported. A number of enterprises indicated that a weak krone and rising growth in public sector investment had dampened the fall. At the same time, contacts reported reduced demand

¹ Not including export-oriented oil service firms.

from the oil industry. Commercial service providers expect the activity level to remain unchanged over the next 6 months.

INVESTMENT

Contacts reported that they expected an approximately unchanged level of investment over the next 12 months. Contacts in manufacturing and the local government and hospital sector planned for growth in investment ahead, while the other sectors envisaged lower investment. As in the previous rounds this year, the largest fall in investment ahead was expected in the oil service sector.

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 18 percent, down from 19 percent in August. This is the lowest level since the series began in 2005. Capacity utilisation has declined in manufacturing and construction, while it has picked up somewhat in retail trade.

In this survey, 6 percent of contacts responded that labour supply was a constraint on further output growth, the same share as in August. There were only minor changes across sectors compared with August. The share of enterprises reporting the labour supply as a constraint is low across all sectors and regions.

EMPLOYMENT AND LABOUR MARKET

Overall employment levels in enterprises have fallen somewhat over the past 3 months and developments have been slightly weaker than contacts envisaged in August. No private sector industries reported growth in employment and employment is still reported to be falling sharply in the oil service sector. Employment in the local government and hospital sector has risen somewhat.

Network enterprises expected that employment would continue to edge down over the next 3 months. Prospects have not been as weak since spring 2009.

COSTS, PRICES AND PROFITABILITY

Contacts estimated annual wage growth in 2015 of 2.7 percent, slightly lower than estimated in August. Contacts expected annual wage growth of 2.4 percent in 2016. The local government and hospital sector and services reported the highest estimates, at 2.7 and 2.6 percent respectively. The oil service sector reported the lowest estimate of 1.2 percent, while the other sectors' estimates ranged between 1.9 percent and 2.3 percent.

Contacts overall reported that the price levels have remained virtually unchanged over the past 12 months. The oil service sector reported a substantial decline in prices. Retail trade prices have increased markedly and the pace of the increase has picked up since August. Overall, contacts expected the rise in prices to show little change in the next 12 months, but the majority of enterprises in the household-oriented sectors envisaged a slower rise in prices ahead.

Contacts as a whole reported that operating margins had fallen somewhat compared with the same period in 2014.