

No. 1 | 2010

# Regional network

## National summary

*Interviews in February 2010*

## DEMAND, OUTPUT AND MARKET PROSPECTS

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In this round, contacts generally reported that output had risen slightly over the past three months, at a somewhat slower pace than in the previous round.

Manufacturing showed a marginal pickup in activity. Activity in domestically oriented manufacturing fell back somewhat following moderate growth in the previous round. Output volumes are still low. Contacts in the export industry reported moderate growth in demand, particularly in the fisheries and metals industries. Suppliers to the oil industry reported moderately reduced activity while order intake remained low, particularly for project development and test drilling.

Activity in building and construction continued to fall, at a somewhat more rapid pace than in the previous round. Contacts reported a decline in construction of new homes and large apartment building projects. Building projects initiated by the public sector had increased. Government stimulus packages and expanded budgets for road and railway development projects have resulted in further growth in construction sector activity.

Retail trade contacts reported a slight increase in sales volumes. The rise in sales of some consumer durables has slowed somewhat.

Activity increased in the service industry. Contacts reported slight growth in demand from both the corporate and the household sector. Optimism about the future is highest among operators in the corporate service industry.

Overall, contacts expect growth to be moderate over the next six months, at approximately the same pace as expected in the previous round. Growth is expected to be modest in all industries, with the exception of suppliers to the oil industry and the building and construction sector. Contacts in these sectors anticipate somewhat lower activity in the period ahead as a result of lower order intake.

## INVESTMENT

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Growth in investment intentions was reported for the first time since spring 2008. The service industry and the local government and hospital sector plan to expand investment over the next 12 months. The investment level in manufacturing and retail trade is expected to decline, due to both a lower level of activity and recent capacity expansions.

## CAPACITY UTILISATION AND LABOUR SUPPLY

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In this round, 24 per cent of enterprises reported that they would have some or considerable difficulty accommodating an expected or unexpected rise in demand, and 11 per cent responded that labour would be a constraint on production if demand increased. This is about the same level as in the previous five rounds, indicating that capacity utilisation is still low and that the labour market is not perceived to be tight.

## EMPLOYMENT AND LABOUR MARKET

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Contacts reported that employment had edged down over the past three months. Retail trade employment had shown a marginal increase, while the remaining industries reported a slight decline. The decline was sharpest in the building and construction sector, where employment has fallen at a faster pace than in the previous round. Overall, employment is expected to remain approximately unchanged over the next three months, although building and construction and the local government and hospital sector are planning a slight decrease.

#### COSTS, PRICES AND PROFITABILITY

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Annual wage growth in 2010 was expected to be 3 ½ per cent. Wage growth is expected to be highest in the public sector, while contacts in building and construction and in manufacturing are expecting the lowest wage growth.

Contacts reported that overall prices had risen slightly over the past 12 months. A slight decrease in prices had been reported in the two previous rounds. The rise in prices was reported to be moderate in retail trade and household services and somewhat lower in commercial services. Building and construction experienced a marked fall in prices. Contacts in this sector expect prices to increase ahead. The price decrease in manufacturing was more moderate. Prices have fallen to a lesser extent in the export industry than in domestically oriented manufacturing. In domestically oriented manufacturing, prices are expected to rise slightly ahead, while the export industry expects prices to decrease more rapidly.

Overall profitability was unchanged compared with the same period in 2009. Margins in services and retail trade showed some improvement, while margins had fallen in the other industries.