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Regional network

National summary

Interviews were mainly conducted in November 2011

NATIONAL SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Contact enterprises reported fairly marked growth in output over the past 3 months. Growth was slightly lower than in the previous round. Contacts expected growth to slow over the next 6 months. Market prospects were revised down on the previous round, although prospects varied widely across the various industries.

Manufacturing output growth was fairly marked, albeit slightly slower than in the previous round. Growth was still highest in the oil supplier industry. High order intake contributed to expectations of a somewhat further pickup in growth ahead, particularly driven by construction and maintenance activity on the Norwegian continental shelf. Domestically oriented manufacturing reported moderate growth in output over the past 3 months, slightly lower than in September, driven in particular by the building materials industry. Contacts expected somewhat lower output growth ahead. The export industry also reported moderate output growth. However, partly as a result of weak growth in order intake, particularly in the more traditional sectors of the Norwegian export industry, market prospects have deteriorated.

Activity in the construction industry has risen markedly in the past 3 months. Growth was slightly lower than in the previous round. As in the previous round, growth was highest in residential construction and more moderate in commercial construction and civil engineering. Contacts expected that a slower rise in order intake and increasing capacity problems could lead to somewhat lower, albeit still marked, growth in the next 6 months.

Retail trade reported fairly moderate growth over the past 3 months, slightly lower than in the previous round. Many contacts expressed the view that the international financial turbulence had had a negative impact on sales. Contacts expected a further slight slowdown in growth ahead.

Growth in the service industry was fairly marked, approximately as in the previous round. Growth picked up in corporate services, while household services reported slower growth. Service industry contacts expected slightly lower growth ahead.

INVESTMENT

Contacts planned moderate growth in investment in the coming 12 months. Plans were revised down on September. Investment plans were revised down for all industries except services. Contacts in the manufacturing industry and retail trade planned to keep investment levels unchanged for the next 12 months.

CAPACITY CONSTRAINTS AND LABOUR SUPPLY

The share of contacts reporting that they would have some or considerable difficulty accommodating a rise in demand rose from 31 per cent in the previous round to 37 per cent in this round. This share increased in construction and services. Capacity utilisation in

manufacturing and retail trade was about the same as in September. Capacity constraints appeared to be most pronounced in construction.

The share of contacts citing labour supply as a production constraint was 26 per cent, up from 24 per cent on the previous round. This share increased in manufacturing, construction and services. The share remained approximately unchanged in retail trade, but fell in the local government and hospital sector. Labour shortages were most pronounced in construction.

EMPLOYMENT

Employment grew at a solid pace over the past 3 months. Growth was slightly higher than in the previous round and increased more than contacts had envisaged in September. Employment growth was strongest in construction, but also relatively robust in services and manufacturing. Employment growth was weakest in retail trade and the local government and hospital sector. Contacts expected employment to rise at a slightly slower pace over the next 3 months. Lower employment growth ahead was expected by manufacturing and construction industry contacts in particular.

COSTS, PRICES AND PROFITABILITY

Overall annual wage growth in 2011 was estimated at about 4 per cent, as in the previous round. Contacts expected annual wage growth of about 3¾ per cent in 2012. The service industry reported the highest estimate, 4 per cent, while the lowest estimate, about 3¼ per cent, was reported by manufacturing.

Contacts reported that the twelve-month rise in prices had been moderate and slightly lower than in September. The rise in prices was highest in household services and domestically oriented manufacturing. The export industry reported a fall in prices, driven by lower commodity prices. For the first time since spring 2009, contacts expected the rise in prices to slow ahead. Construction and retail trade were the only industries that did not expect a slower rise in prices.

Operating margins over the past 3 months edged up on the same period in 2010. Domestically oriented manufacturing reported lower profitability, while profitability was unchanged or improved in other industries. Profitability growth was most pronounced in the oil supplier industry. Compared with the previous round, operating margin growth picked up in this industry and in services. In other industries, growth in operating margins slowed.