

REGIONAL NETWORK

National summary

NR. 4 | 2017

INTERVIEWS WERE CONDUCTED IN THE PERIOD
23 OCTOBER – 16 NOVEMBER



NORGES BANK

SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Norges Bank's Regional Network contacts as a whole report that output growth has been moderate over the past three months. Growth is little changed since August and has been slightly stronger than contacts' expectations in August. Enterprises report solid growth in public sector demand, and a number of contacts note that activity in the oil sector is no longer declining. Contacts expect moderate output growth to continue over the next six months. Most industries have revised up expectations slightly since the previous survey, but construction and household services have revised down their expectations somewhat since August. A number of contacts cite uncertainty in the housing market.

Traditional export industry contacts report marked output growth. Output growth has picked up somewhat since August. Contacts refer to capacity expansion, productivity improvements and increased demand from export markets. Enterprises also expect marked output growth over the next six months. Domestically-oriented manufacturing has shown moderate growth in output. Growth is approximately as reported in the previous survey, and is somewhat stronger than expected. Growth continues to be driven by increased demand from construction and non-oil related maritime industries. Enterprises expect growth to pick up slightly over the next six months.

The oil service industry reports fairly stable output volumes. Developments have improved somewhat since the previous survey and are also stronger than expected. A number of enterprises highlight that the volume of output is at a low level. Oil service contacts as a whole expect weak output growth over the next six months. This is the first time oil service contacts have expected output growth since the series was started in 2015.

Construction contacts report that output growth over the past three months has been moderate. Growth has slowed since the previous survey and has been somewhat weaker than expected in August. Public building and infrastructure projects contribute most to growth, while slower growth in residential construction is having a dampening effect. Weak new home sales are dampening growth expectations for construction in the next six months.

Retail trade contacts report a moderate increase in turnover volume. Growth has shown little change since the previous survey and enterprises expect growth to remain moderate over the next six months.

Service industry contacts as a whole report moderate growth over the past three months. Overall growth has shown little change since the previous survey and has been slightly stronger than expected in August. In this survey and for the first time since January 2015, contacts report stronger growth in demand from the business sector than from households. Service industry contacts expect growth to remain moderate in the next six months.

INVESTMENT

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

All industries expect an increasing level of investment. A number of enterprises indicate investment in digital solutions in particular. In this survey, the local government and hospital

sector plans for the strongest increase in investment, while the oil service industry contacts plan for the weakest growth.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting full capacity utilisation is 30 percent, compared with 28 percent in August. Capacity pressures are highest in construction and manufacturing, and lowest in retail trade.

In this survey, 15 percent of contacts cite the supply of labour as a constraint on further output growth, compared with 17 percent in the previous survey. The fall is mainly driven by the decline in the share in the local government and hospital sector. The constraints are still most pronounced in construction, while manufacturing, oil services and retail trade report an ample labour supply.

EMPLOYMENT AND LABOUR MARKET

Overall, employment has shown moderate growth over the past three months. Growth has shown little change since the previous survey and has been in line with expectations in August. All industries except the oil service industry report an increased level of employment. Oil services continue to report that employment is declining, albeit at a slightly slower pace than reported in the previous survey. Contacts as a whole expect employment growth to remain moderate over the next three months.

COSTS, PRICES AND PROFITABILITY

Contacts estimate annual wage growth of 2.5 percent for 2017, unchanged on the August estimate. For 2018, contacts expect annual wage growth of 2.6 percent. Oil service and manufacturing contacts report the lowest estimates, at 1.5 percent and 2.4 percent, respectively. Retail trade contacts report the highest estimate, at 2.8 percent. The other sectors estimate wage growth of 2.7 percent for 2018.

Contacts report a moderate rise in selling prices over the past 12 months. Household services contacts report a moderate rise in prices, somewhat lower than in August. For retail trade, the rise has been moderate and in line with the previous survey. Contacts as a whole expect the rise in prices to be somewhat lower in the next 12 months.

Overall, contacts report a moderate improvement in operating margins compared with the same period in 2016.