

REGIONAL NETWORK

National summary

NO. 1 | 2015

INTERVIEWS WERE CONDUCTED IN THE PERIOD
13 JANUARY - 16 FEBRUARY



NORGES BANK

SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Output growth has been low over the past 3 months and has slowed to a slightly lower pace, in line with contacts' expectations in October. Many contacts referred to weaker demand from the petroleum sector. Enterprises also reported a falling level of activity in private building projects. In this survey, strongest growth was reported by household-oriented industries. Overall, network contacts expected slower growth ahead, and prospects were weaker than in October. Low oil prices have contributed to dampening expectations.

Contacts in *domestically-oriented manufacturing* reported weak output growth. Growth has increased slightly compared with the previous survey and has so far been in line with contacts' expectations in October. Public building and infrastructure projects showed solid growth and a number of enterprises reported higher demand from traditional manufacturing. Contacts expected growth to remain approximately unchanged ahead.

Export industry contacts reported weak output growth, somewhat lower than in the previous survey. Demand from the international petroleum industry was reported to be lower and a number of enterprises have experienced a sharp fall in order intake. In other segments of the export industry, contacts reported an increase in demand but that high machine capacity utilisation was curbing growth. Contacts reported that a weaker krone exchange rate has strengthened competitiveness and some reported that this has contributed to output growth. Enterprises expected that lower demand from the petroleum industry will dampen growth further over the next 6 months.

The oil service sector reported a marked decline in output, reflecting lower activity in exploration, operation, maintenance and modification. Contacts referred to a marked decrease in order intake and expected that output would continue to decline over the next 6 months.

Contacts in the *construction industry* reported weak growth over the past 3 months. Growth has edged down since October and has so far been weaker than expected in the previous survey. Growth is being depressed by lower activity in private construction projects, while growth in public sector investment is still solid. Enterprises expected that reduced demand from the petroleum sector ahead will lead to fewer investments in private commercial buildings. Over the next six months, contacts expected output growth to edge down further.

Retail trade reported continued moderate growth over the past 3 months. Growth was little changed on October and was in line with contacts' expectations in the previous survey. Retail trade contacts expected growth to slow over the next six months.

Service sector contacts reported moderate growth. Weaker demand from the petroleum sector has curbed growth in commercial services. Growth in the household services sector has picked up slightly on October. Both service sectors expected slower growth ahead. Growth prospects were weaker than in October.

INVESTMENT

Contacts reported plans for weak investment growth over the next 12 months. Retail trade enterprises expected some increase in the level of investment, while service providers expected changes to be slight. Manufacturing contacts planned for a slight reduction in investment as a

result of lower investment in petroleum-related manufacturing. Strongest investment growth was planned by contacts in the local government and hospital 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 23 percent, unchanged on the previous survey. Capacity utilisation has edged up in services and declined somewhat in manufacturing and retail trade. In construction, capacity utilisation was in line with the level in October.

The share of network contacts citing labour supply as a constraint on activity was 12 percent, compared with 13 percent in the previous survey. Manufacturing, retail trade and services reported that labour supply was ample. Service providers reported that labour was more easily obtainable compared with the previous survey.

EMPLOYMENT AND LABOUR MARKET

The level of employment has shown little change over the past 3 months, approximately as expected by network contacts in October. Employment was reported to be somewhat lower in both manufacturing and construction. The decrease was most pronounced in manufacturing, where lower employment in petroleum-related manufacturing in particular had a dampening effect. The other sectors reported marginal growth in employment. Overall, network contacts expected little change in the employment level over the next 3 months. Manufacturing contacts envisaged reduced employment ahead, while service providers expected moderate growth. The other sectors expected employment to remain approximately unchanged.

COSTS, PRICES AND PROFITABILITY

Contacts estimated annual wage growth in 2015 of about 3 percent. The estimate was revised down from October, when contacts expected wage growth of slightly below 3¼ percent in 2015. The local government and hospital sector reported the highest estimate, of 3¼ percent, while the other sectors estimated wage growth of about 3 percent. Contacts referred to lower labour market pressures.

Price inflation has been low over the past 12 months and in line with the annual rise in prices reported in October. The rise in prices was highest in retail trade and construction. Manufacturing enterprises reported a lower rise than in October. Contacts expected the depreciation of the krone to push up prices over the coming year, particularly in retail trade.

Network contacts as a whole reported stable operating margins, compared with a slight improvement in the previous survey. Export industry margins have shown a moderate improvement, while construction reported a slight improvement in margins. The other sectors reported slightly weaker margins.