

REGIONAL NETWORK

National summary

NO. 4 | 2018

INTERVIEWS WERE CONDUCTED IN THE PERIOD
22 OCTOBER – 19 NOVEMBER



NORGES BANK

Overall picture

The enterprises in Norges Bank's regional network report solid output growth, in line with what they reported in August. Higher activity in the oil sector, higher public investment and digitalisation in both the private and public sector contribute most to growth. The decline in residential construction and weak growth in retail trade are having a dampening impact. Output growth is expected to pick up somewhat over the next six months and the outlook is in line with contacts' expectations earlier this year.

Enterprises expect continued growth in investment ahead. Employment and capacity utilisation have increased in recent months, and enterprises expect annual wage growth to be slightly higher in 2019 than in 2018.

1.1 Output and demand

Solid output growth

Regional Network contacts as a whole report solid output growth, and growth has shown little change since the previous survey (Charts 1.1 and 1.2). Growth is strongest in services and weakest in retail trade. In most sectors, contacts expect higher growth in the next half-year, and the overall growth expectations are little changed since the previous surveys in 2018.

Higher activity in the oil sector has contributed to output growth in oil services and commercial services. In commercial services, output growth is also being pulled up by greater digitalisation efforts and increased infrastructure investment. The latter also boosts growth in construction and domestically-oriented manufacturing. However, growth in construction and domestically-oriented manufacturing is being dampened by the decline in residential construction. Enterprises expect a less pronounced decline in residential construction over the next half year.

Manufacturing enterprises' export volumes continue to rise. As in August, most enterprises report increased demand. Capacity constraints continue to have a dampening effect on output growth. Higher activity in international transportation and development projects abroad are boosting growth. In the aquaculture industry, production problems and reduced access to raw materials are limiting growth.

In retail trade, turnover growth has slowed since August, reflecting delivery problems among car dealerships, falling demand for seasonal goods and weak growth in grocery trade. Growth in household-oriented services has changed little through autumn.

Prospects for slightly weaker investment growth

Overall, enterprises plan for continued investment growth, but investment plans have been revised down slightly since the previous survey. Services and the local government and hospital sector are pushing down overall investment expectations. Investment plans in the other sectors have been revised up since August.

Chart 1.1 Output growth. Growth past three months and expected growth next six months. Annualised. Seasonally adjusted. Percent

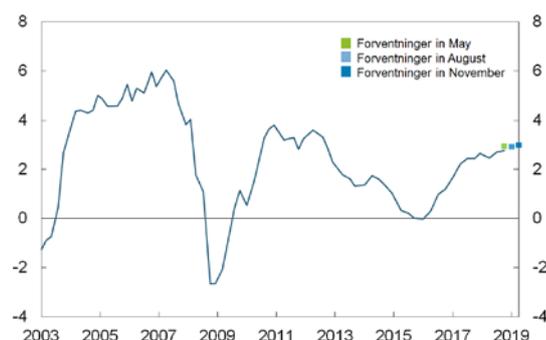
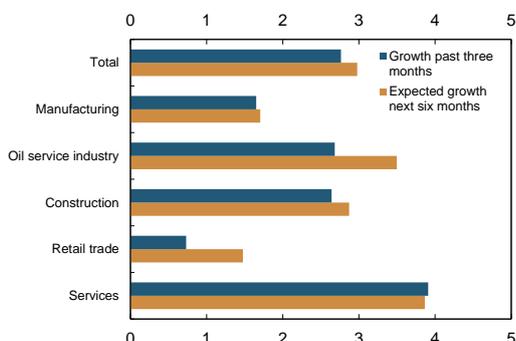


Chart 1.2 Output growth. All sectors. Growth past three months and expected growth next six months. Annualised. Seasonally adjusted. Percent



The local government and hospital sector still plans for the strongest growth.

1.2 Labour market and capacity utilisation

Further employment growth

Growth in the number of employed has picked up slightly since August (Chart 1.3). Enterprises expect somewhat lower growth over the next three months. Growth is strongest in construction, services and in the oil service sector. In retail trade, employment growth has slowed over the past year and contacts now report a slight decline in the number of employees. Most industries are planning for slightly weaker growth over the next three months, but oil service contacts expect rising growth ahead.

Higher capacity utilisation

The share of enterprises reporting full capacity utilisation has risen and is now slightly higher than its historical average (Chart 1.4). The share of enterprises reporting labour shortages has also risen. Capacity pressures are highest in construction and in the oil service sector. Labour constraints are the most pronounced in construction and services. In the construction industry, there are shortages of experienced project managers and trained plumbers and electricians. Growth in the services sector is also being curbed by insufficient technological expertise.

1.3 Costs and prices

Unchanged wage growth in 2018, somewhat higher for 2019

Contacts report annual wage growth of 2.8% for 2018, the same as the August estimate (Chart 1.5). For 2019, contacts expect wage growth of 2.9%. Unchanged wage growth is expected from 2018 in manufacturing, while higher wage growth is expected in the other sectors. Service sector contacts expect the highest wage growth, at 3.1%, while contacts in manufacturing expect the lowest, at 2.6%.

Faster rise in prices

Enterprises report that prices have risen somewhat over the past 12 months. The rise in prices has picked up in all industries. The overall increase in prices is expected to pick up somewhat over the next 12 months, but enterprises expect the rise in prices for household goods and services to slow.

Chart 1.3 Employment growth. Growth past three months and expected growth next three months. Growth contribution by sector. Seasonally adjusted. Percent

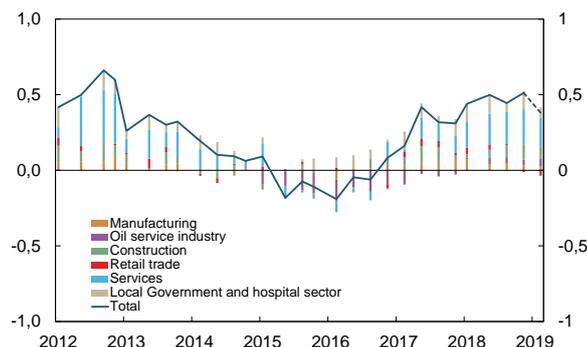


Chart 1.4 Capacity constraints and labour supply. Percent

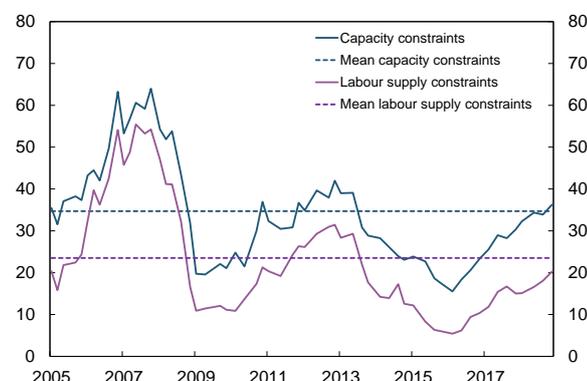


Chart 1.5 Annual wage growth. All sectors. Norwegian Technical Calculation Committee for Wage Settlements (TBU) and Regional Network (RN). Percent

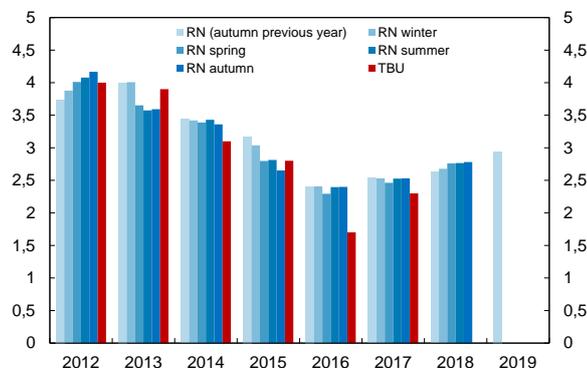


TABLE 1 Economic indicators

	This survey	Previous survey
Output and demand		
Output growth past three months (annualised percentage growth)		
Total	2.8	2.7
Domestically-oriented manufacturing	1.3	1.5
Export industry	2.5	2.6
Oil service industry	2.7	3.1
Construction	2.6	2.4
Retail trade	0.7	1.2
Commercial services	4.2	3.8
Household services	2.8	2.7
Expected output growth next six months (annualised percentage growth)		
Total	3.0	2.9
Domestically-oriented manufacturing	1.4	2.1
Export industry	2.6	2.7
Oil service industry	3.5	2.9
Construction	2.9	2.7
Retail trade	1.5	1.9
Commercial services	4.2	3.9
Household services	2.8	2.5
Labour market and output growth		
Employment growth past three ths (percent)	0.5	0.4
Expected employment growth next three months (percent)	0.4	0.5
Labour supply (percent)	20.3	18.1
Capacity constraints (percent)	36.3	33.9
Costs and prices		
Estimated annual wage growth for current calendar year (percent)	2.8	2.8