

REGIONAL NETWORK

National summary

NO. 1 | 2014

Interviews were conducted in the period 27 January - 19 February 2014.



NORGES BANK

NATIONAL SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Network enterprises reported fairly moderate output growth over the past 3 months. Growth was approximately unchanged compared with the previous survey, as envisaged by the enterprises in October. Contacts had revised up their expectations of growth ahead somewhat, and expected overall growth to be moderate over the next 6 months.

Several contacts in this survey indicated that the depreciation of the krone and increased public investment had contributed to higher production volumes. Some enterprises expected that these factors would also boost output ahead. At the same time, several contacts reported weaker growth and growth prospects as a result of lower demand associated with petroleum-related manufacturing and housing construction.

Oil industry suppliers reported moderate growth, somewhat lower than in the previous survey. Growth had so far been slightly weaker than envisaged by network contacts in October. Oil industry suppliers expected that growth would slow further somewhat over the next 6 months, and expectations had been revised down since October. Contacts pointed to weaker demand growth and strong competition as factors that will dampen growth. Domestically oriented manufacturing reported marginal growth in production volumes, and developments had so far been slightly weaker than enterprises had expected. Some enterprises referred to somewhat improved competitiveness as a result of the krone depreciation. Overall, domestically oriented manufacturing expected weak output growth over the next 6 months. Export industry contacts reported fairly moderate growth. Growth was somewhat slower compared with the previous survey and had so far been weaker than contacts envisaged in October. Petroleum-related exports in particular had a dampening effect on growth. Overall, export enterprises expected growth to edge up ahead.

Contacts in the construction industry reported marginal volume growth over the past 3 months. Growth had slowed compared with the previous survey, particularly as a result of a decline in housing construction. Enterprises expected weak growth over the next 6 months. Overall, contacts in housing construction expected fairly small changes in production volumes ahead, while public building and infrastructure projects were expected to contribute to output growth over the next 6 months.

Retail trade reported weak growth over the past 3 months. Growth was slightly stronger than in the previous survey. Contacts expected approximately unchanged growth over the next 6 months.

Growth in the service sector as a whole was moderate. Growth picked up slightly in commercial services, while household services reported that growth had slowed slightly. Growth was still stronger in commercial services than in household services. Network contacts expected slightly stronger growth in both household and commercial services ahead.

INVESTMENT

Network contacts planned for slight investment growth over the next 12 months. Manufacturing contacts had revised down their investment plans since October, while investment plans in services and the local government and hospital sector had been revised up. Investment plans in retail trade were virtually unchanged. Manufacturing contacts reported plans for a fall in investment level, while the other sectors planned some increase in investment. As in October, strongest growth in investment was expected in the local government and hospital sector, where contacts planned for moderate growth.

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 28 percent, compared with 29 percent in the previous survey. Capacity utilisation is at its lowest level since May 2010. Capacity pressures were reported to have eased in construction and manufacturing and to have increased slightly in retail trade and services.

The share of network contacts citing labour supply as a constraint on activity was 14 percent, down from 18 percent in the previous survey. The share decreased in all sectors except retail trade, where the share has remained at a low level for a long period.

EMPLOYMENT AND LABOUR MARKET

Overall employment rose slightly and in line with expectations over the past 3 months. Employment growth was strongest in services and the local government and hospital sector. Construction reported that employment had fallen. Manufacturing and retail trade reported minor changes in employment. Overall, contacts expected approximately unchanged employment growth over the next 3 months. Construction planned for lower employment ahead, while the other sectors envisaged approximately stable or higher employment.

COSTS, PRICES AND PROFITABILITY

Contacts estimated that annual wage growth in 2014 would be slightly below 3½ percent. The service sector reported the highest estimate for wage growth in 2014 at slightly above 3½ percent, while manufacturing and retail trade contacts reported the lowest, at slightly below 3¼ percent.

The rise in prices had been moderate over the past 12 months, but had edged up slightly since October. Manufacturing and services reported that the rise in prices had picked up. The rise in prices had been fairly stable in retail trade, and had declined marginally in construction. Slightly more than half of the contacts expected the rise in prices to slow ahead.

Network contacts as a whole reported a slight increase in margins. This is an improvement on October, when contacts reported a fall in margins. The export industry, oil industry suppliers and services reported increased margins, while domestically oriented manufacturing and construction reported lower margins. Retail trade reported that margins had remained approximately unchanged.