

# REGIONAL NETWORK

## National summary

NR. 3 | 2017

INTERVIEWS WERE CONDUCTED IN THE PERIOD  
7 AUGUST – 28 AUGUST



NORGES BANK

# SUMMARY

## DEMAND, OUTPUT AND MARKET PROSPECTS

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Norges Bank's regional network contacts as a whole report that output growth has been moderate over the past three months. Output growth has picked up somewhat since May, in line with contacts' expectations in the previous survey and is at its strongest since the end of 2012. Higher public demand and growth in residential construction continue to contribute most to growth. Contacts as a whole expect slightly weaker output growth over the next six months and expectations have been revised down somewhat since May. Some contacts refer to increased uncertainty in the housing market. Most industries have revised down expectations slightly since the previous survey, but the export industry has revised up expectations somewhat since May.

Traditional export industry contacts report moderate output growth, showing little change from May. Enterprises expect slightly stronger growth ahead. Contacts refer to capacity expansion, productivity improvements and increased demand from export markets. Domestically-oriented manufacturing has shown moderate growth in output. Growth has shown little change from May and has been in line with expectations. Growth is being driven in particular by increasing demand from construction and non-oil related maritime industries. Enterprises expect slightly weaker output growth in the next six months.

Oil service contacts have experienced a moderate decline in output over the past three months. The decline is approximately as reported in the previous survey, but is somewhat more pronounced than expected. Enterprises expect the decline in output to slow slightly in the next six months.

Construction industry contacts report marked output growth over the past three months. Growth has picked up slightly since the previous survey and has been somewhat stronger than expected in May. Public building and infrastructure projects and residential construction continue to contribute to growth. Weaker new home sales figures are fuelling expectations of weaker growth towards the end of the next six months.

Retail trade contacts report a moderate increase in turnover volume. Output growth has picked up slightly since the previous survey. Several contacts report that the growth was in part the recovery from a weak start to the year, which was affected by a mild winter and a cold spring. Enterprises expect slightly weaker growth ahead.

Service industry contacts as a whole report moderate growth over the past three months. Growth has shown little change since the previous survey, approximately as expected by contacts in May. Service industry contacts expect slightly slower, but still moderate growth in the next six months. A number of enterprises report that capacity constraints are having a dampening effect on growth ahead.

## INVESTMENT

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Overall, contacts plan for a slight rise in the level of investment over the next 12 months. All industries except the oil service industry expect an increasing level of investment. A number of enterprises indicate investment in digital solutions in particular. Retail trade plans for the

strongest increase in investment in this survey. Oil service industry contacts report plans to reduce the level of investment slightly over the coming year.

## CAPACITY UTILISATION AND LABOUR SUPPLY

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The share of network contacts reporting full capacity utilisation is 28 percent, virtually unchanged since May. Capacity pressures are highest in the construction industry and lowest in retail trade.

In this survey, 17 percent of contacts cite the supply of labour as a constraint on further output growth. The share has risen from 15 percent in May. The constraints are still most pronounced in construction, while manufacturing, oil services and retail trade report an ample labour supply.

## EMPLOYMENT AND LABOUR MARKET

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Overall, employment has shown moderate growth over the past three months. Growth has been slightly weaker than expected in May and is strongest in construction. The oil service industry continues to report that employment is declining, and at a slightly faster pace than reported in the previous surveys. Contacts as a whole expect employment growth to remain moderate over the next three months.

## COSTS, PRICES AND PROFITABILITY

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Contacts estimate annual wage growth of 2.5 percent for 2017, unchanged on the May estimate. Oil service contacts report the lowest estimate, at 1.2 percent. The highest estimate is reported by construction, at 2.8 percent, followed by the estimate reported by services, at 2.7 percent. The other industries estimate wage growth of 2.5 percent.

Contacts report a moderate rise in selling prices over the past 12 months. The rise in prices for household services has picked up, while the rise has been more moderate and in line with the previous survey for retail trade. Overall, contacts expect the rise in prices to remain approximately unchanged in the next 12 months.

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