

No. 4 | 2009

Regional network

National summary

Interviews in November 2009

Summary

Demand, output and market prospects

In this round, contacts reported that overall output rose slightly and at a somewhat faster pace than in the previous round. Activity increased in domestically oriented manufacturing, the export industry, retail trade and services. Activity continued to fall in the building and construction sector, although the decline had softened somewhat since the previous round. The steepest fall in output was observed in the oil supplier industry.

Output in domestically oriented manufacturing and the export industry grew for the first time since August 2008, although many enterprises pointed out that output growth must be viewed in the context of low output volumes. In domestically oriented manufacturing, output rose in particular in the building materials industry. Building materials producers pointed to higher demand from public sector renovation projects, increased building activity among households and increased activity in the construction sector as important reasons for output growth. Several contacts in the export industry reported somewhat stronger demand from the European market. Suppliers to the oil industry reported reduced activity and low order intake. The volume of new orders shrank in particular in project development, while activity in operations-related goods and services was more stable.

Building and construction sector contacts reported a fall in private commercial and large apartment building starts, but a rise in building starts initiated by households and the public sector. Many construction sector contacts noted that government stimulus packages and expanded budgets for road and railway development projects had resulted in a higher level of activity.

Retail trade contacts reported an increase in sales volumes. Sales of some consumer durables in particular had picked up since summer. Some contacts indicated that the substantial sales volume of some consumer durables recorded this autumn could be a result of pent-up demand and were concerned that the high sales volume would not persist.

Contacts in the service industry reported moderate growth in demand from both the corporate and the household sector.

Overall, contacts expect growth to continue to edge up in the period ahead. Suppliers to the oil industry and contacts in the building and construction sector were concerned about the order intake and expected some fall in activity over the next six months. There are prospects of moderate growth in the remaining sectors.

Investment

Many contacts in the regional network reported that investment had been lower in 2009 than in previous years, due to both lower demand and recent capacity expansions. Generally, contacts expect the investment level over the next 12 months to remain approximately unchanged compared with the previous 12 months. Retail trade and the public sector plan some increase in investment, while the investment level in manufacturing and services is still expected to decline.

Capacity utilisation and labour supply

In this round, 22 per cent of enterprises reported that they would have some or considerable difficulty accommodating an expected or unexpected rise in demand, and 11 per cent responded that labour would be a constraint on production if demand increased. This is about

the same level as in the previous three rounds, indicating that capacity utilisation is still low and that the labour market is not perceived to be tight.

Employment and labour market

In November, contacts reported that overall employment was relatively stable. Employment had edged down in manufacturing and building and construction, while services and the public sector had noted a slight rise. Employment had remained approximately unchanged in retail trade. Overall, contacts expect employment to remain fairly stable over the next three months. A slight rise is expected in retail trade and services, while a moderate fall is anticipated in manufacturing and building and construction. Contacts in the public sector expect employment to remain unchanged in the period ahead.

Costs, prices and profitability

Annual wage growth in 2009 was expected to be 3½ per cent, about the same as in the previous rounds. Wage growth is expected to be highest in the public sector and lowest in building and construction. Network contacts expect average annual wage growth to be slightly lower than 3½ per cent in 2010.

Contacts reported that aggregate prices had fallen over the past 12 months. Prices had fallen in the export industry, building and construction and corporate services. The fall was explained by lower demand, increased competition and lower commodity prices. Prices had increased slightly in domestically oriented manufacturing, retail trade and household services. Services and building and construction expected prices to rise more rapidly ahead, while manufacturing and retail trade contacts expect the rise in prices to slow.

Overall operating margins were lower in the past three months compared with the same period in 2008. However, the decline had slowed compared with the previous five rounds. This is explained by the positive impact experienced by many contacts over the past three months of cost reduction measures. Furthermore, some contacts explain that profitability in the same period last year had already been influenced by the financial crisis.