

# REGIONAL NETWORK

## National summary

NR. 1 | 2018

INTERVIEWS WERE CONDUCTED IN THE PERIOD  
22 JANUARY – 16 FEBRUARY



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. Growth was slightly stronger than in November and somewhat stronger than contacts had envisaged. Enterprises report solid growth in public sector demand and improved export markets. A number of contacts also refer to increased demand from the oil sector. Contacts expect slightly stronger output growth to continue over the next six months. Manufacturing enterprises, oil services and household-service enterprises in particular expect growth to pick up ahead. Construction contacts expect slower growth.

Traditional export industry contacts report marked output growth, approximately as reported in the previous survey. They continue to refer to capacity expansion, productivity improvements and increased demand from export markets. Enterprises expect somewhat stronger output growth over the next six months. Output in domestically-oriented manufacturing has increased moderately, and growth is little changed since the two previous surveys. Output growth continues to be driven by increasing demand from construction and non-oil related maritime industries. Enterprises expect growth to pick up slightly over the next six months.

Oil service contacts report some output growth. This is the first time that oil services have reported output growth since the fall in oil prices just over three years ago. Output growth is higher in the domestic market than in the export market. A number of enterprises refer to solid growth in order intake, and oil service contacts as a whole expect rising growth ahead.

Construction contacts report moderate output growth over the past three months. Growth has slowed slightly since the previous survey, but has been somewhat stronger than expected in November. Public building and infrastructure projects are the strongest contributors to growth. Contacts as a whole report that growth is flattening out in residential construction. Construction contacts expect growth to slow further over the next half-year, but prospects have been revised up slightly since the previous survey. Weak new home sales figures are dampening growth expectations for construction ahead. At the same time, there are signs of increasing activity in private commercial building construction, and contacts expect rising growth in public infrastructure projects.

Retail trade contacts report a moderate increase in turnover volume. Volume growth has edged down since the previous survey. Enterprises expect that the pace of growth will remain approximately unchanged over the next six months.

Service industry contacts as a whole report marked growth over the past three months. Growth has picked up since the previous survey and is at its strongest since autumn 2012. Growth in demand has picked up most in the business sector. Service industry contacts expect slightly stronger growth in household services and growth in commercial services to remain approximately unchanged.

## INVESTMENT

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Overall, contacts plan for a marked rise in the level of investment over the next 12 months.

All sectors expect a higher level of investment. Enterprises indicate increased investment in digital solutions and automation in particular. The local government and hospital sector, and service industry contacts plan for the highest rise in investment in this survey.

## CAPACITY UTILISATION AND LABOUR SUPPLY

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The share of network contacts reporting full capacity utilisation is 32 percent, compared with 30 percent in November. Capacity pressures are highest in manufacturing, but have increased the most in oil services. Almost 30 percent of oil service contacts report full capacity utilisation.

In this survey, 15 percent of contacts cite the labour supply as a constraint on further output growth. This share is unchanged since the previous survey. The constraints are still most pronounced in construction and least in retail trade, but the difference between sectors has narrowed.

## EMPLOYMENT AND LABOUR MARKET

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Overall, there has been moderate growth in employment over the past three months. Growth has picked up slightly since the previous two surveys and has been somewhat stronger than expected in November. In this survey, all sectors report an increased level of employment. Growth is strongest in services and manufacturing, and weakest in oil services, retail trade and construction. Contacts as a whole also expect moderate employment growth over the next three months.

## COSTS, PRICES AND PROFITABILITY

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Contacts estimate annual wage growth of 2.7 percent in 2018, compared with 2.6 percent in the previous survey. Oil service contacts report the lowest estimate, at 2.1 percent, while the highest estimate is reported by the local government and hospital sector, at 2.9 percent. The other sectors estimate wage growth of between 2.5 and 2.8 percent in 2018.

Contacts report a moderate rise in selling prices over the past 12 months, and expect the rise in prices to be somewhat higher in the next 12 months.

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