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Regional network

National summary

Interviews were conducted in the period 1-25 November

NATIONAL SUMMARY

Interviews were conducted in November.

DEMAND, OUTPUT AND MARKET PROSPECTS

Overall, network contacts reported marked growth in output. Growth has picked up slightly since the previous round. Market prospects imply somewhat lower growth over the next six months.

Manufacturing reported moderate growth in output, as in the previous round. Contacts in domestically oriented manufacturing reported modest growth, primarily driven by increased activity in the building materials and food industries. The export and oil supplier industries reported marked and rising growth. Continued solid growth in the metal and fish farming industries has contributed to an upswing in the level of activity in the export industry. Overall, output growth in manufacturing is expected to continue at about the same pace over the next half year.

Building and construction continues to follow a positive trend. As in the previous round, contacts reported marked growth in output. Growth was still being driven by residential construction, although there are also prospects of increased activity ahead in private and public commercial property. Contacts in building and construction expect growth to remain approximately unchanged.

Retail trade reported a moderate increase in activity, approximately as in the previous round. Market prospects imply continued moderate growth ahead.

Service industry contacts generally reported marked and rising growth. As in the previous round, growth was strongest – and picked up most – in household services. Overall, service industry contacts expect growth to slow somewhat ahead, primarily as a result of lower growth in household services.

INVESTMENT

Investment growth is expected to be moderate in the coming year, an upward adjustment on the previous round. All industries plan to increase investment and have raised their estimates. Strongest investment growth is expected in the service industry.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of contacts reporting that they would have some or considerable difficulty accommodating a rise in demand was 37 per cent. In the previous round, this share was 30 per cent. In this round, capacity problems had increased in all industries except building and construction. As in the previous round, capacity problems were most pronounced in the service industry. The share of contacts for whom labour would be a constraint on production rose from 17 to 21 per cent. The labour market is still not perceived as tight.

EMPLOYMENT AND LABOUR MARKET

Overall, employment growth has been fairly moderate in the past three months. Growth picked up slightly and was somewhat higher than contacts had envisaged in the previous round.

Employment remained approximately unchanged in retail trade, while the other industries reported an increase. Building and construction and the service industry experienced the most marked increase. Total employment growth is expected to remain unchanged over the next three months, while a pickup is expected in services and retail trade. None of the industries expect employment to fall ahead.

COSTS, PRICES AND PROFITABILITY

Overall annual wage growth in 2010 was estimated at about 3½ per cent. The lowest estimate was in building and construction, where annual wage growth was expected to be just above 3 per cent. Contacts in the service industry, on the other hand, expected annual wage growth to be around 4 per cent. Overall, annual wage growth in 2011 is also estimated at about 3½ per cent.

Prices were reported to have risen at a fairly moderate pace over the past 12 months and at a faster pace than in the previous round in all industries except the export industry. Prices in the export industry have been relatively stable over the past year. There was a modest rise in prices in building and construction and in commercial services, while the rise was slightly higher in retail trade, domestically oriented manufacturing and household services. As in the previous round, network contacts expect the overall rise in prices to pick up over the coming 12 months.

In total, operating margins over the past three months have shown a moderate improvement compared with the same period in 2009. Profitability increased for the third consecutive round, and growth was slightly higher than in the previous round. There were no reports of reduced profitability compared with last year from any industry. Operating margins improved most in the export industry. A moderate rise in profitability was reported in retail trade, services and the oil supplier industry, while margins showed a slight improvement in domestically oriented manufacturing and in building and construction.