

# REGIONAL NETWORK

## National summary

NO. 1 | 2017

INTERVIEWS WERE CONDUCTED IN THE PERIOD  
20 JANUARY – 17 FEBRUARY



NORGES BANK

# SUMMARY

## DEMAND, OUTPUT AND MARKET PROSPECTS

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Network contacts as a whole report moderate output growth over the past three months. Growth has picked up somewhat since November and has been slightly higher than expected. Growth is at its strongest since spring 2014. Output growth is primarily being generated by higher public demand. Growth has picked up in all sectors except for the export industry. Output has fallen at a slower pace in the oil service sector. Growth is reported to be highest in household services but the sharpest rise is reported by commercial services. Contacts as a whole expect slightly stronger output growth over the next six months and expectations have been revised up somewhat since November.

Traditional export industry contacts report moderate output growth. Growth has edged down since November, but enterprises expect somewhat higher growth ahead. This is in part related to expectations of growth in the fisheries and aquaculture sector through spring. Output in domestically-oriented manufacturing has increased moderately, and contacts expect generally small changes in growth ahead. Contacts continue to report increasing demand from construction and non-oil related maritime industries.

Oil service contacts have experienced a marked decline in output over the past three months, but the decline is less pronounced than contacts reported in November. Oil service contacts expect a moderate decline in activity in the next six months, which is a slight improvement on expectations in November. A number of contacts report that the rise in oil prices is improving prospects somewhat.

Construction sector contacts report moderate output growth over the past three months. Growth has picked up somewhat, in line with expectations from the previous survey. Public building and infrastructure projects are the strongest contributors to growth, and growth in residential construction continues to be reported. Enterprises expect a slight pickup in output growth ahead, driven in particular by rising growth in public investment.

Retail trade contacts report a moderate increase in turnover volume and expect moderate growth to continue over the next six months.

Service sector contacts as a whole report moderate growth over the past three months. Growth has picked up since the previous survey in both service sectors. Household demand continues to be stronger than commercial sector demand, but the sharpest rise was for commercial services. Increased public demand in particular is boosting growth for commercial services. Contacts expect a further rise in growth for commercial services, while service sector contacts expect growth for household services to remain approximately unchanged over the next six months.

## INVESTMENT

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Overall, contacts plan for investment growth to remain approximately unchanged over the next 12 months.

The local government and hospital sector plans for the strongest investment growth in the coming year. Manufacturing contacts expect moderate growth, while contacts in retail trade expect small changes in the level of investment ahead. The service and oil service sectors plan to reduce the level of investment over the next 12 months.

## CAPACITY UTILISATION AND LABOUR SUPPLY

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The share of network contacts reporting full capacity utilisation has risen from 23 percent in November to 26 percent in February. Capacity utilisation has picked up in most industries. Capacity pressures are highest in construction and lowest in retail trade.

In this survey, 12 percent of contacts cite the supply of labour as a constraint on further output growth. The share has risen slightly since November and is highest in construction, services and the public sector.

## EMPLOYMENT AND LABOUR MARKET

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Overall, there has been some growth in employment over the past three months. Growth is strongest in construction and the local government and hospital sector. The oil service sector continues to report marked declines in employment. Contacts as a whole expect employment growth to pick up slightly over the next three months.

## COSTS, PRICES AND PROFITABILITY

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Contacts estimate annual wage growth of 2.5 percent in 2017, unchanged on the November estimate. Service sector contacts report the highest estimate, at 2.8 percent. Oil service contacts report the lowest estimate, at 1.0 percent. The other sectors estimate wage growth of between 2.4 and 2.6 percent.

Contacts report some rise in selling prices over the past 12 months. Retail trade continues to report the strongest rise in prices, but the increase has slowed since November. Overall, more than half of the contacts expect the rise in prices to pick up over the next 12 months.

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