

REGIONAL NETWORK

National summary

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INTERVIEWS WERE CONDUCTED IN THE PERIOD
25 APRIL - 20 MAY



NORGES BANK

SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Norges Bank's regional network contacts report that output growth has been weak over the past three months, in line with their expectations in the previous survey, in February. Solid growth in public demand and improved competitiveness have contributed to a slight rise in the overall level of activity. Growth is still reported to be strongest in household services and traditional manufacturing, while the sharpest decline in output is reported by the oil service sector. Prospects have been revised up slightly since February, but contacts expect output growth to remain weak over the next six months.

Traditional export industry contacts¹ report moderate output growth, as they did in the two previous surveys. Enterprises continue to refer to improved competitiveness owing to the depreciation of the krone, and a number of them have entered new markets. Growth continues to be dampened by capacity constraints in many segments of the processing and fisheries industries. Output volumes have decreased in the aquaculture industry, owing especially to salmon louse problems at the beginning of 2016. Growth in the export industry is expected to remain moderate over the next six months. Growth in domestically-oriented manufacturing has picked up slightly since February. Contacts report increased demand from the construction and non-oil related maritime industries. A number of contacts report improved international competitiveness as a result of the krone depreciation. Contacts in domestically-oriented manufacturing expect growth to remain moderate over the next six months.

The oil service sector has experienced a considerable fall in output, approximately as in February. Enterprises refer to substantial cost reductions and low willingness to invest in the oil sector. Prospects have worsened somewhat since February, and enterprises expect a considerable decline in activity over the next six months.

Construction contacts report moderate output growth over the past three months. Growth has picked up since February, in line with expectations, and enterprises expect growth to continue to pick up in the next six months. Increased housing construction and public investment are the primary contributors to growth. Contacts still report wide regional differences, and housing construction in southern and western Norway continues to fall.

Retail trade contacts report a moderate increase in turnover volume, and that growth has picked up slightly since the previous survey. Overall, contacts expect moderate growth to continue in the next six months.

Service sector contacts as a whole report some growth over the past three months. Household demand continues to be stronger than private sector demand, and household service enterprises report that a weakened krone has contributed to a moderate rise in the level of activity. Commercial services report declining demand from the oil industry, but the

¹ Not including export-oriented oil service firms.

krone depreciation and higher public investment are supporting the level of activity. Overall, service sector contacts expect output to continue to grow somewhat over the next six months.

INVESTMENT

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

The local government and hospital sector plans to increase investment fairly markedly, while the oil service sector expects a further decline. The other sectors plan for weak investment growth over the coming year.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting that they would have some or considerable difficulty accommodating a rise in demand is 18 percent, compared with 16 percent in February. Manufacturing contacts in particular report increased capacity utilisation. Capacity utilisation in the other sectors has changed little since the previous survey.

There are still a few contacts that cite the supply of labour as a constraint on further output growth.

EMPLOYMENT AND LABOUR MARKET

The overall level of employment within enterprises has changed little over the past three months. Oil service sector contacts report a substantial fall in employment, while the local government and hospital sector reports some growth. The level of employment has remained fairly stable in the other sectors. Overall, contact enterprises expect the level of employment to remain approximately unchanged in the next three months.

COSTS, PRICES AND PROFITABILITY

Contacts estimate annual wage growth in 2016 of 2.3 percent, compared with 2.4 percent in February. The highest estimate is reported by the local government and hospital sector, at 2.6 percent. The oil service sector reports an estimate of 0.7 percent, while the other sectors' estimates range between 2.1 percent and 2.4 percent.

Contacts generally report a slight rise in selling prices over the past 12 months. Retail trade prices have risen fairly markedly, primarily owing to the depreciation of the krone. Oil service contacts report that prices have fallen considerably. Slightly more than half of the contacts expect a higher rise in prices over the next 12 months.

Overall, contacts report that operating margins have fallen somewhat compared with the same period in 2015.