

REGIONAL NETWORK

National summary

NO 2 | 2014

INTERVIEWS WERE CONDUCTED IN THE PERIOD
22 APRIL - 16 MAY



NORGES BANK

NATIONAL SUMMARY

DEMAND, OUTPUT AND MARKET PROSPECTS

Network enterprises reported moderate output growth over the past 3 months. Growth has picked up somewhat, in line with contacts' expectations in February, driven in particular by stronger demand from several export markets and higher public investment, although contacts also referred to the boost to activity provided by an early spring. At the same time, contacts reported that weaker growth in demand from the Norwegian petroleum industry, declining housing construction and increasing competition from foreign operators have dampened activity. Contacts still envisaged that increased public investment would contribute to sustaining growth in the period ahead. Overall, contacts expected growth to remain approximately unchanged over the next 6 months, in line with expectations in the previous survey.

In this survey, the strongest growth was reported by domestically oriented manufacturing. Contacts reported moderate growth, which was higher than in the previous survey. Growth has been stronger than contacts envisaged in February, particularly in the building materials industry. Several contacts also referred to higher demand from the traditional export industry. Overall, domestically oriented manufacturing expected growth to slow ahead, partly as a result of expectations of slightly lower growth in the building materials industry.

Export industry contacts also reported moderate and rising growth, approximately as expected in February. Some contacts reported stronger growth in petroleum-related manufacturing, but growth was also reported to be picking up in traditional manufacturing. A number of contacts referred to higher demand from European markets, including the car and construction industries.

Oil industry suppliers reported fairly moderate growth that has slowed in line with contacts' expectations in the previous survey. Oil industry suppliers expected that growth would slow further over the next 6 months, and growth expectations were also lower than in February. Contacts referred partly to cost reductions among oil operators and partly to increasing competition from foreign suppliers as factors behind the weaker growth outlook.

Contacts in the construction industry reported weak volume growth over the past 3 months, with little change on the previous survey. Growth has been somewhat weaker than contacts envisaged in February, and several contacts referred to postponements of major housing construction projects. Overall, the industry reported a fairly stable level of activity in private commercial building and growth in public building and infrastructure projects. Contacts expected increased housing construction and higher public investment to boost growth to some extent ahead and envisaged fairly moderate growth over the next 6 months.

Retail trade reported moderate growth over the past 3 months. Growth was slightly stronger than reported in the previous survey, and contacts referred in particular to the boost in seasonal goods turnover provided by an early spring. Contacts expected growth to edge down over the next 6 months.

Growth in the service sector as a whole was reported to be moderate. Growth slowed marginally in commercial services, while household services reported that growth had picked up slightly. Growth was still somewhat stronger in commercial services than in household

services. Network contacts expected growth in both household and commercial services to remain unchanged ahead.

INVESTMENT

Network contacts planned for slight investment growth over the next 12 months. Service sector contacts have revised down their February investment plans, while investment plans in the other sectors have been revised up. Service sector contacts as a whole expected a lower investment level ahead. The other sectors planned for a higher level of investment ahead.

CAPACITY UTILISATION AND LABOUR SUPPLY

The share of network contacts reporting that they would have some or considerable difficulty accommodating a rise in demand was 26 percent, compared with 28 percent in the previous survey. Capacity pressures have continued to ease in construction and manufacturing, but have increased slightly in services. Capacity pressures in retail trade have remained low.

The share of network contacts citing labour supply as a constraint on activity was 14 percent, the same as in the previous survey. The share has decreased in manufacturing and construction, while it has shown a marginal increase in services and the local government and hospital sector.

EMPLOYMENT AND LABOUR MARKET

Overall employment rose marginally and at a slower rate than expected over the past 3 months. Employment has increased in services and the local government and hospital sector, while contacts in the other sectors reported that employment had fallen. Overall, contacts expected slightly higher employment growth over the next 3 months. Construction, services and the local government and hospital sector planned for higher employment ahead, while manufacturing and retail trade expected the level of employment to remain approximately unchanged.

COSTS, PRICES AND PROFITABILITY

Contacts estimated that annual wage growth in 2014 would be slightly below 3½ percent. Construction, services and the local government and hospital sector reported wage growth estimates of about 3½ percent, while estimates of about 3¼ percent were reported by manufacturing and retail trade.

The rise in prices has been moderate over the past 12 months, but was slightly lower than in February. The rise in prices has edged up in household-oriented industries and edged down in enterprise-oriented industries. Slightly more than half of the contacts expected the rise in prices to slow ahead.

Network contacts as a whole reported a slight increase in margins, as in the previous survey. In this survey, falling margins were only reported by construction contacts. Oil industry suppliers and retail trade contacts reported fairly stable margins, while margins were reported to have increased in the other sectors.