

Increased optimism

- continued focus on competitiveness



Business survey
South-West Coast of Norway

SpareBank 
SR-BANK

SpareBank 1 SR-Bank's business survey

Feedback from 600 businesses in SR-Bank's market area in South-West Norway, counties: Rogaland, Hordaland and Agder

Business survey including

1. Development last 12 months compared to previous 12 months
 2. Businesses expectations the coming 12 months
 - *Employment*
 - *Turnover*
 - *Profitability*
 - *Investments*
 - *Order backlog*
- The indices are presented as a diffusion index (similar to most PMI indices). Businesses respond whether key indicators will increase, be stable or decrease. Indices are constructed by taken share of positive business and half of share of stable businesses. Indices are therefore neutral on 50 (%). Higher than 50 implies more positive than negative business.





Key takeaways from the business survey

1

Increased optimism

The main index has increased significantly during the spring. The index has risen from 54 to 59%. This implies that there is a clear majority of companies expecting growth the coming year. All sub-indices indicate an increase, with highest growth expectations in turnover and a marked rise for both employment plans and order backlog. The index measuring actual development last 12 months has also risen to a positive level and indicates that the oil decline is behind us.

2

From oil decline to oil optimism

Companies with high oil exposure have had very demanding times, and the current situation remains demanding. However, the expectations have changed significantly. Whereas they expected decline in previous measurements (43%), the expectations have improved and these companies now expect growth the coming 12 months (59%). More diversified oil companies showed clear improvement already from autumn 2016. Currently the outlook is roughly the same (index close to 60%) for companies with different degrees of oil turnover (none, low, medium and high)

3

Equal growth expectations in the counties

Rogaland county has the highest oil exposure. The improvement among companies with high oil-related turnover has provided a significant boost for Rogaland. Businesses in Rogaland now seems to have adjusted to an oil price of around USD 50 per barrel. Agder and Hordaland counties also have oil-related businesses, but are more diversified with a larger proportion of business sectors benefiting from weak foreign exchange rate (seafood, traditional exports and tourism).

4

Increased employment

The businesses employment plans have improved from stable in previous measurements (52%) to more marked uplift (59%). This indicates increased employment the coming 12 months, across the region, and reduced unemployment rate (to below 4% for Rogaland, and below 3% for Hordaland and Vest-Agder)

5

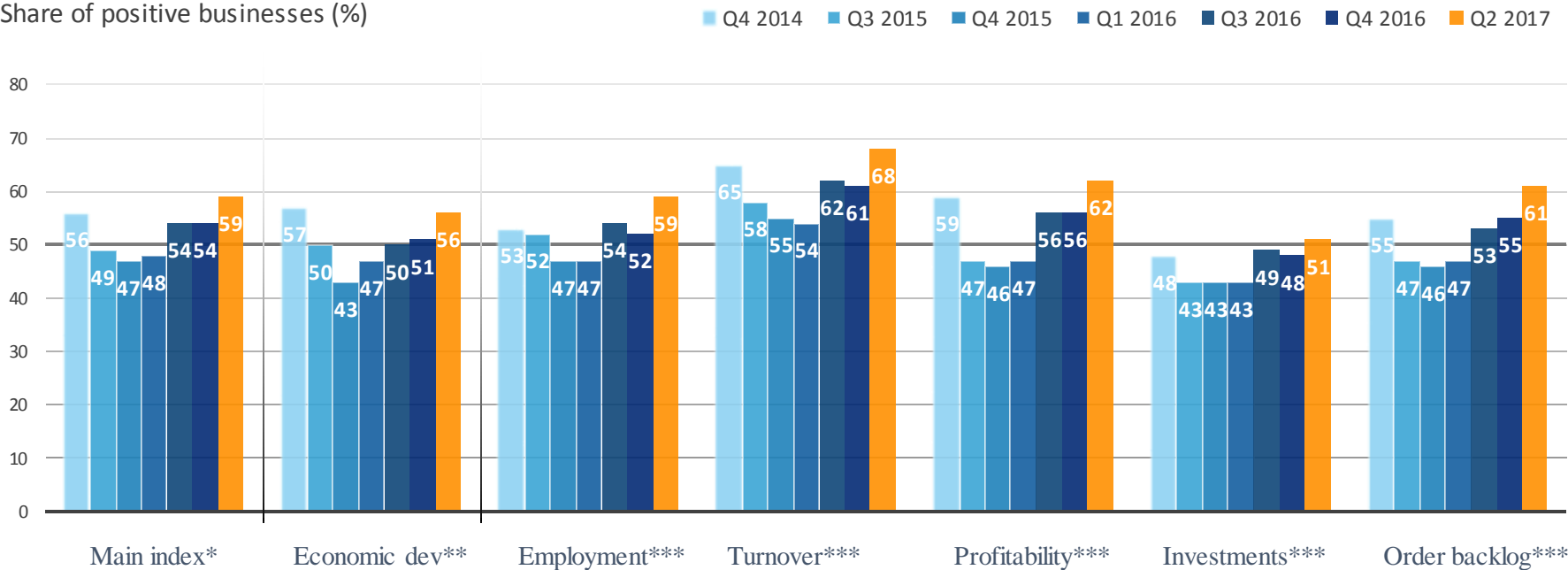
Increased order backlog – improved profitability

Some of the indicators in the survey may shed extra light on turning points in the business cycle. The order reserve index continues to increase (from a decent level of 55%) to 59%. A majority of companies are thus expecting increased order reserves, especially in industry and construction. Businesses also expect improved profitability. The index has risen from 56 to 62%. This reflects that companies' efforts to reduce costs, increase efficiency and improve profitability are expected to yield results.

1

Increased optimism – all subindices increasing to solid levels

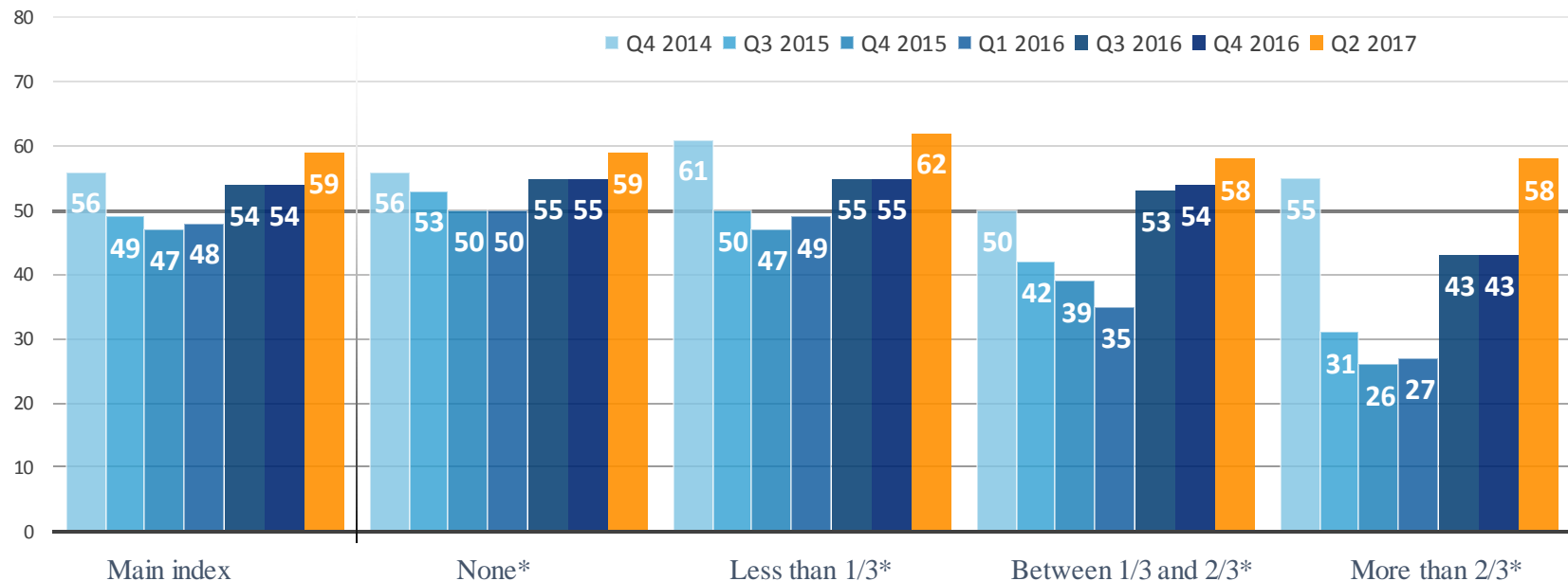
Share of positive businesses (%)



* Main index is average of the six subindices. ** Economic development last 12 months compared to previous 12 months. *** Expectations next 12 months

Businesses by oil-exposure

Share of positive businesses (%)

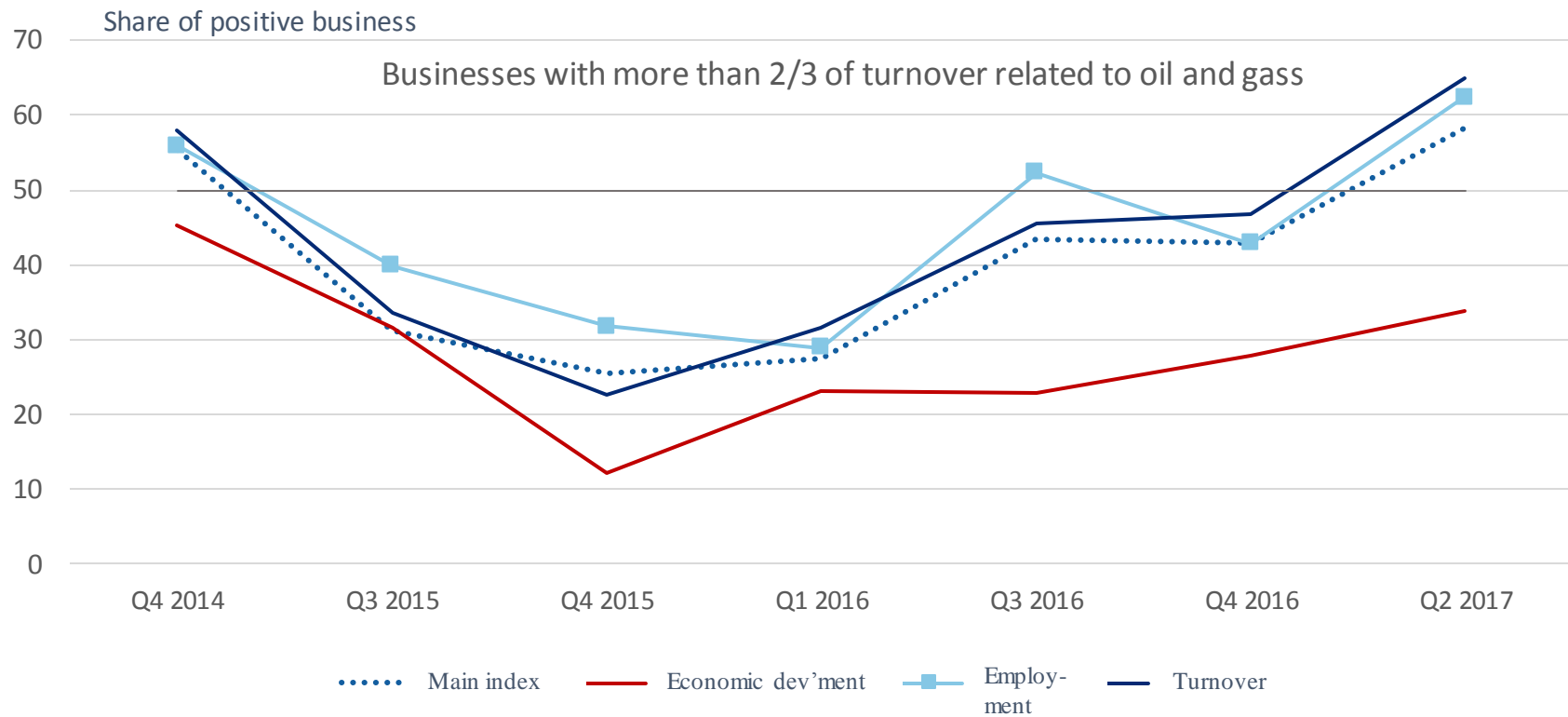


* Share of turnover related to oil and gas activity

2

From oil decline to oil optimism

– even for most oil-exposed businesses

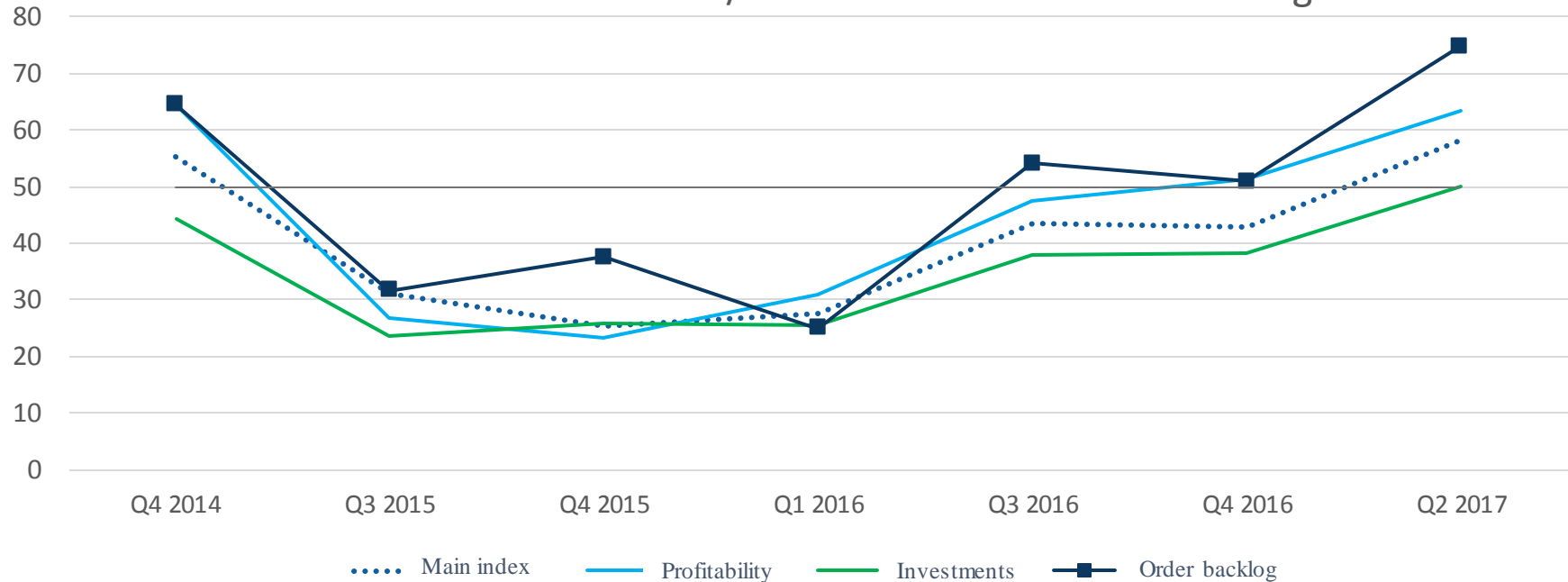


2a

Current situation still challenging for most oil-exposed businesses, but marked uplift in expectations (including employment)

Share of positive business

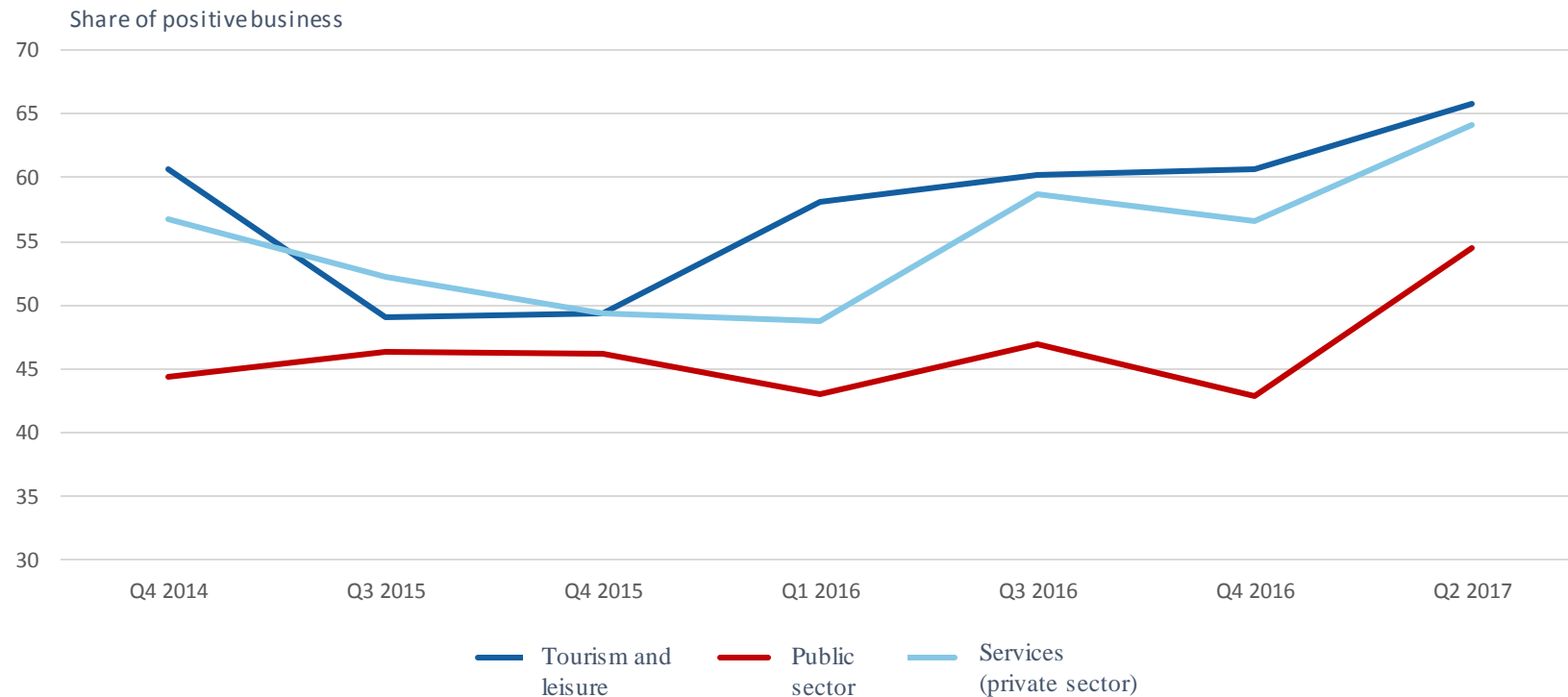
Businesses with more than 2/3 of turnover related to oil and gas



2b

Improved expectations for most oil-exposed businesses, all indices on 50 and over, and improved order backlog is positive

Category «other sectors»: Tourism and leisure remain high, marked increase within public sector



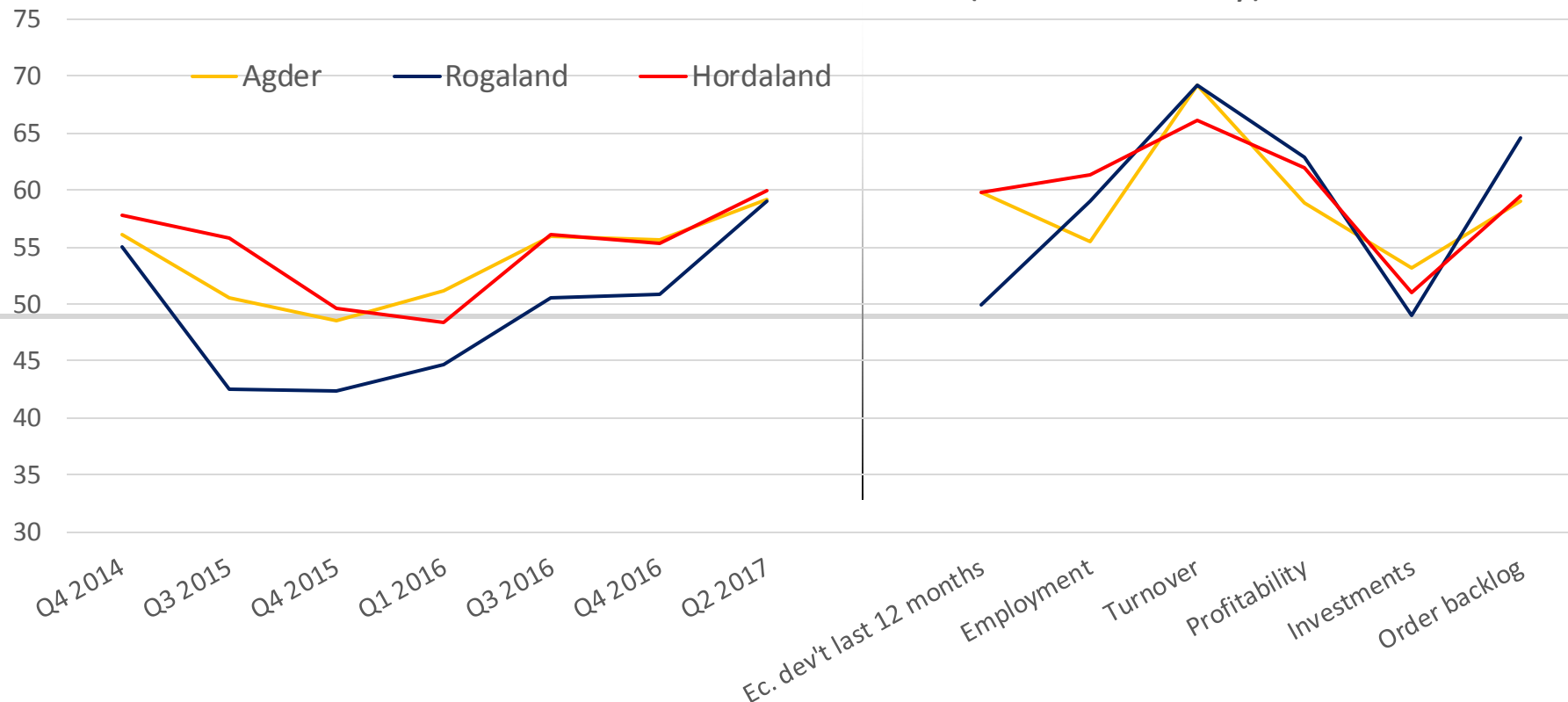


3

Positive expectations in all of the region

(Rogaland, Hordaland og Agder)

Counties. Main index and subindices (as of last survey)

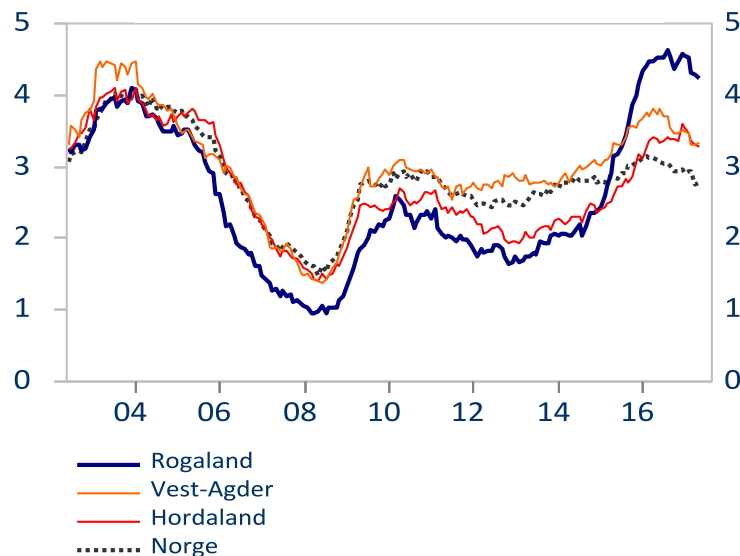


Difference between counties abated

– close to same outlook in the counties

Norway: unemployment rate decreasing and business outlook improving

Norway unemployment rate (registered at the labour office). Seasonal adjusted. %

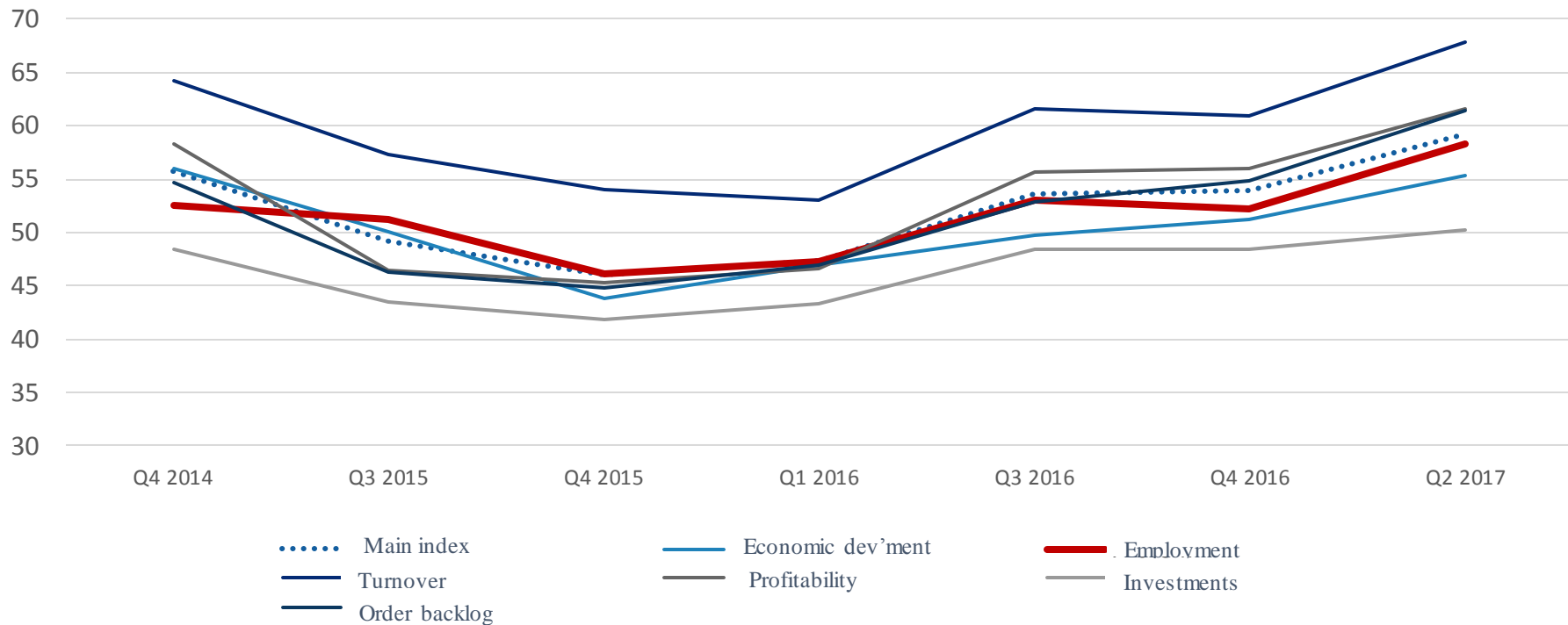


Kilde: Thomson Reuters Datastream, SpareBank 1 SR-Bank

Business survey Norwegian manufacturing (PMI)



Kilde: Thomson Reuters Datastream, SpareBank 1 SR-Bank



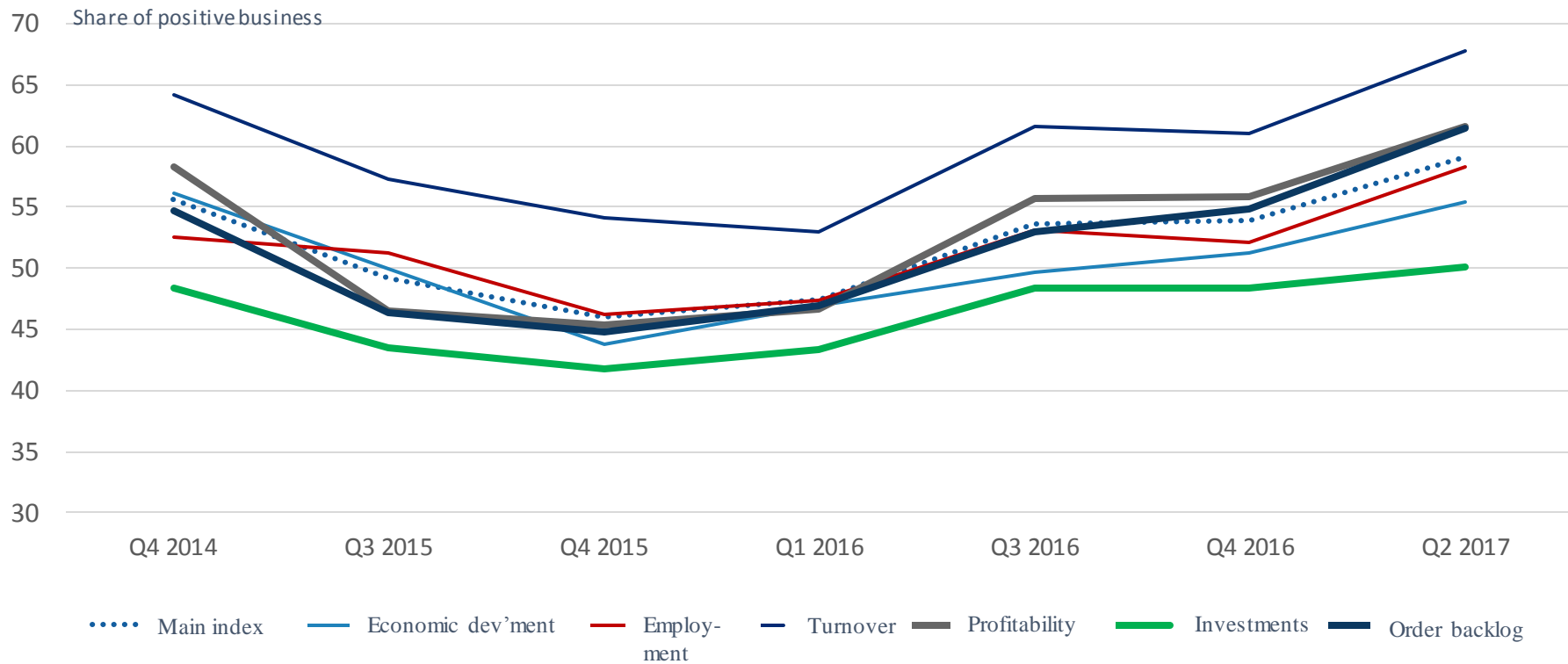
4

Increased employment – lower rate of unemployment

An aerial photograph of a vast ocean with deep blue water and white-capped waves. The perspective is from above, looking down at the water's surface. The waves are moving from the top right towards the bottom left, creating a sense of motion. The lighting is bright, highlighting the texture of the water and the foam of the waves.

5

Order backlog increasing – improved
profitability



5

Order backlog increasing – improved profitability