



OCDE ORGANISATION DE COOPÉRATION ET  
DE DÉVELOPPEMENT ÉCONOMIQUES



# OECD Economic Surveys NORWAY

**Economics Department**

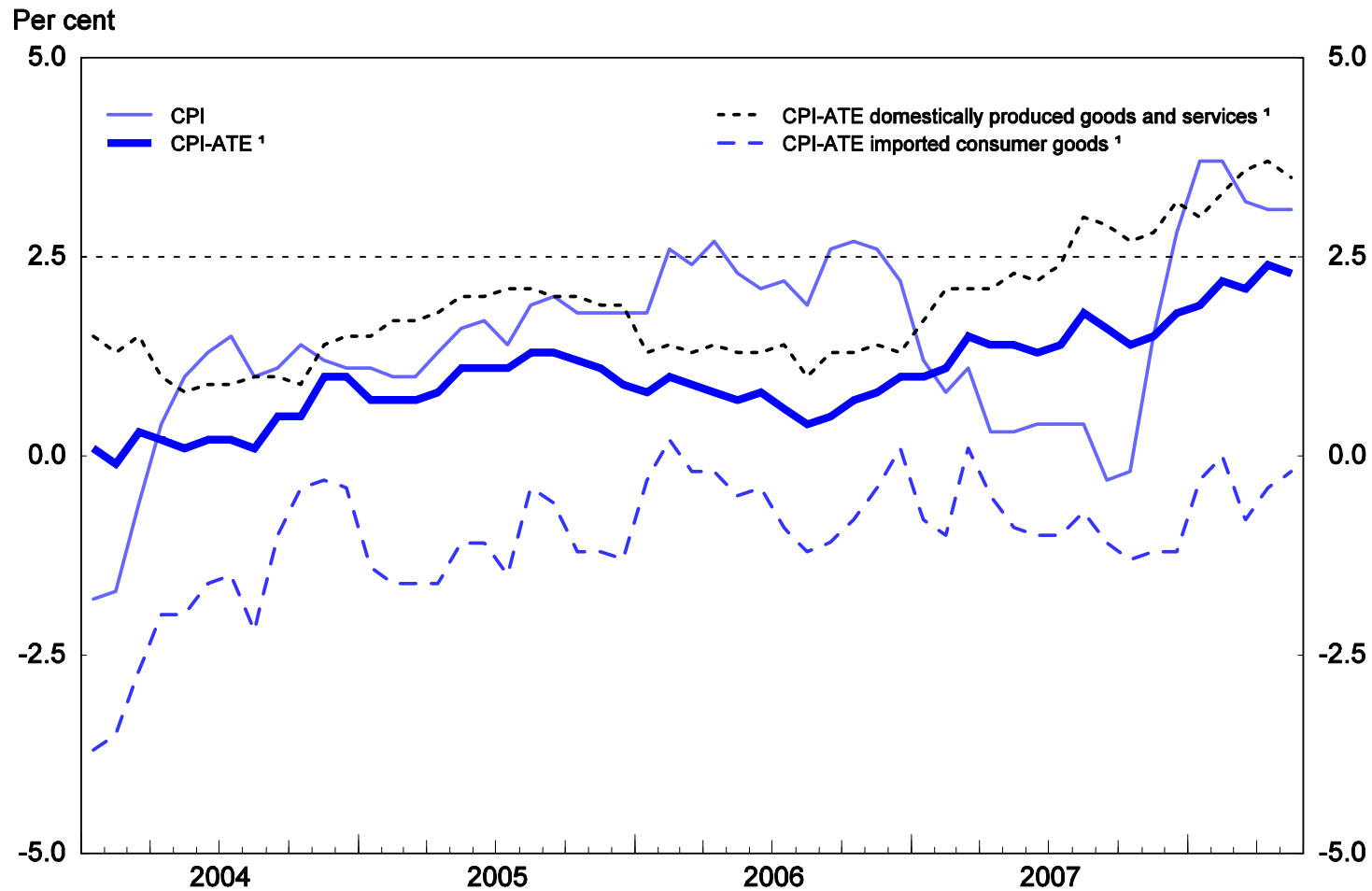
**Patrick Lenain**

**20 August 2008**

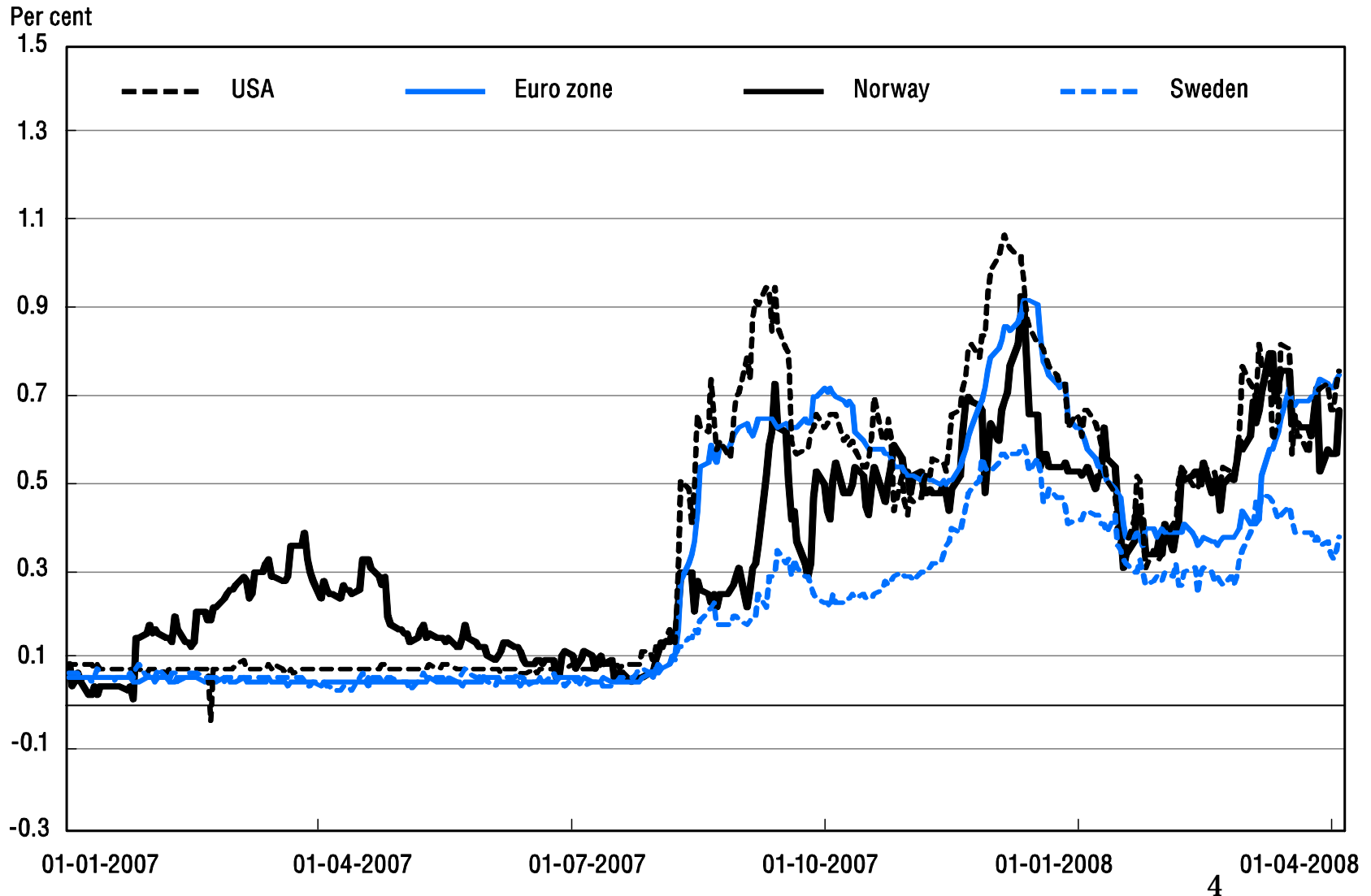
# Main macro challenges

1. Activity slowdown and tighter credit conditions, but rising inflation.
2. How should macroeconomic policy steer the economy?
3. Is the fiscal rule still appropriate?
4. How to make long-term fiscal trends sustainable?

# Rising inflation

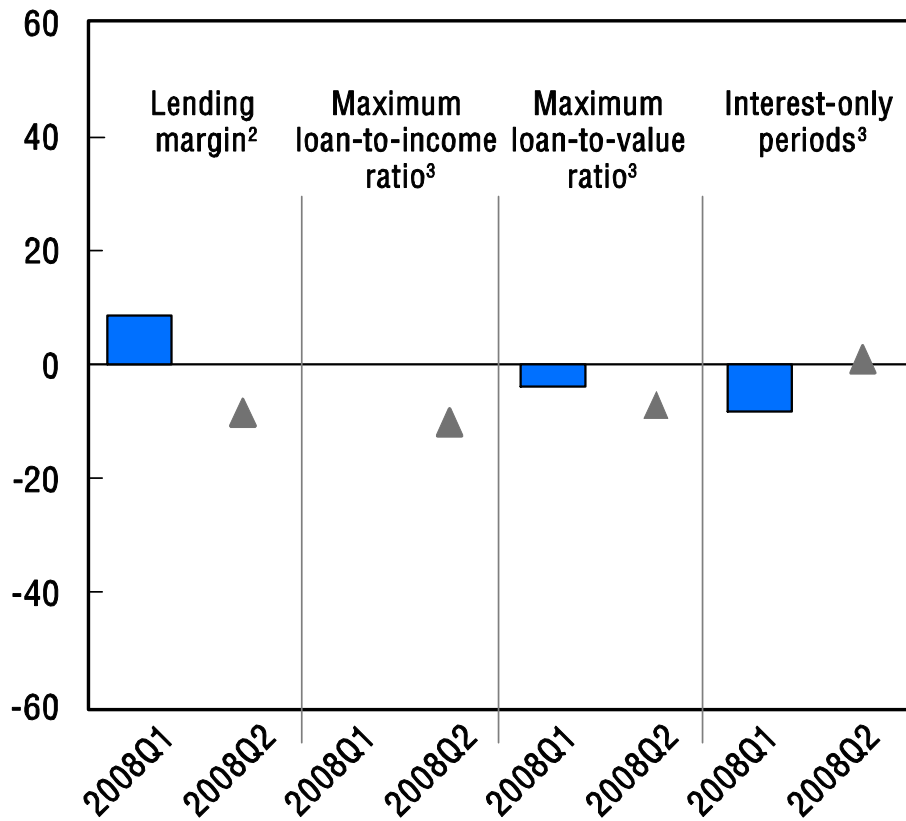


# Effects of financial crisis on interest rates

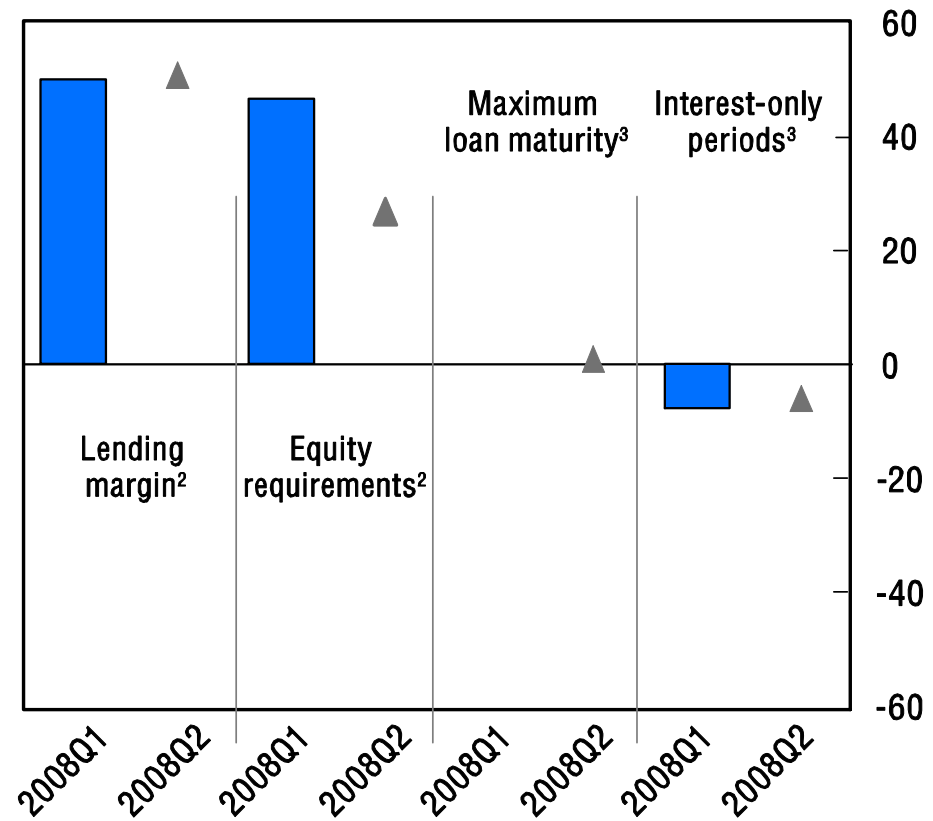


# Stricter lending conditions

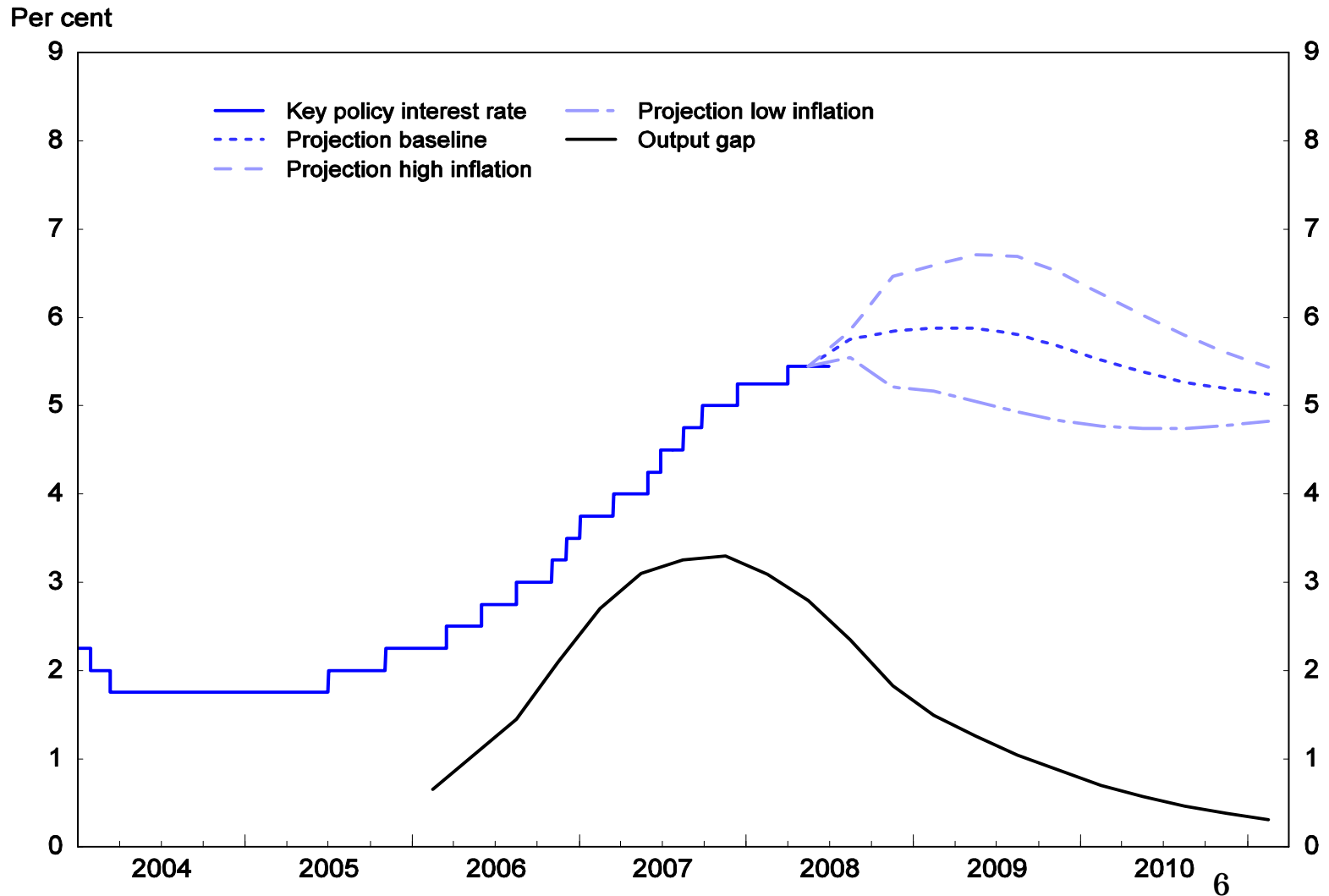
**Households lending conditions**



**Business lending conditions**

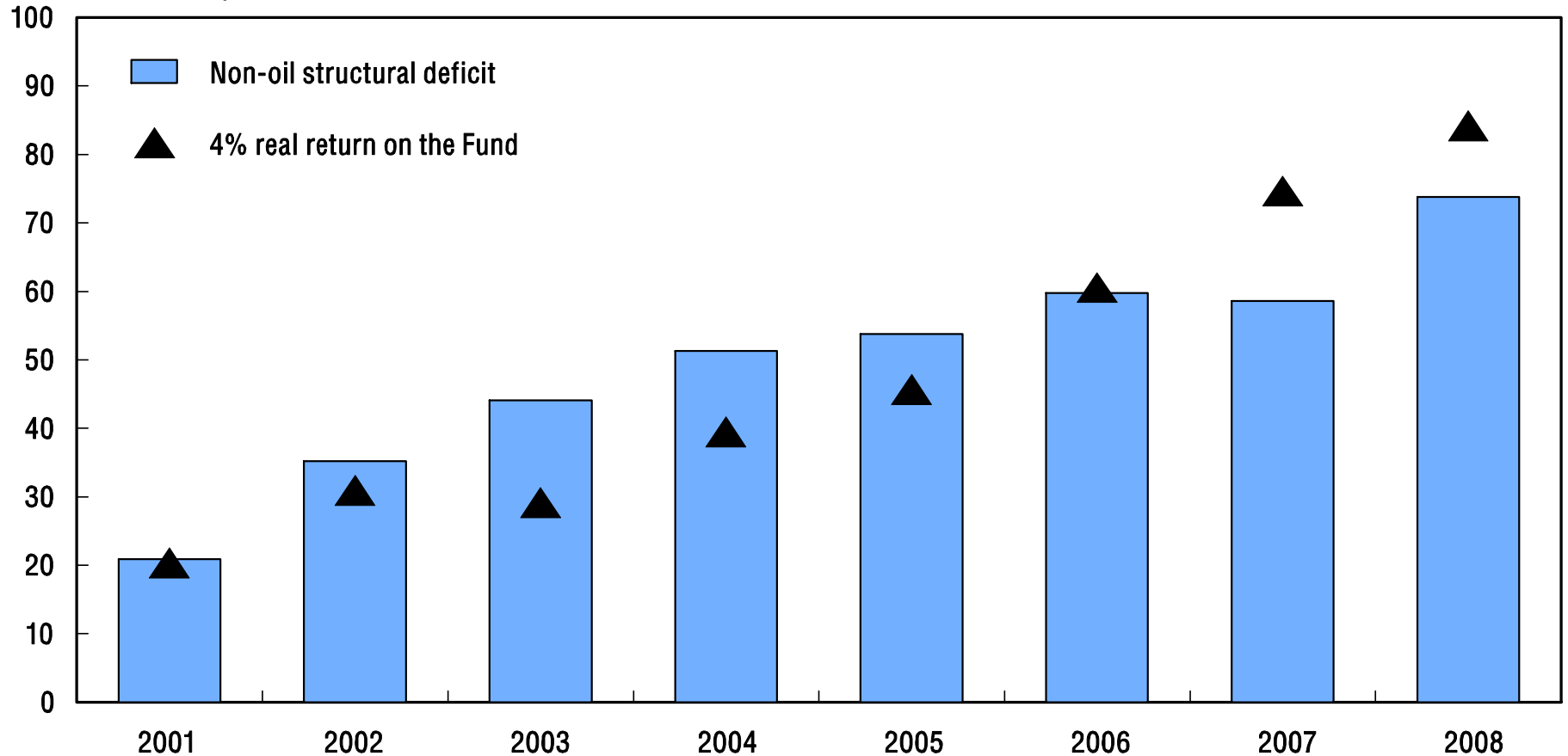


# Monetary policy to remain tight, for now

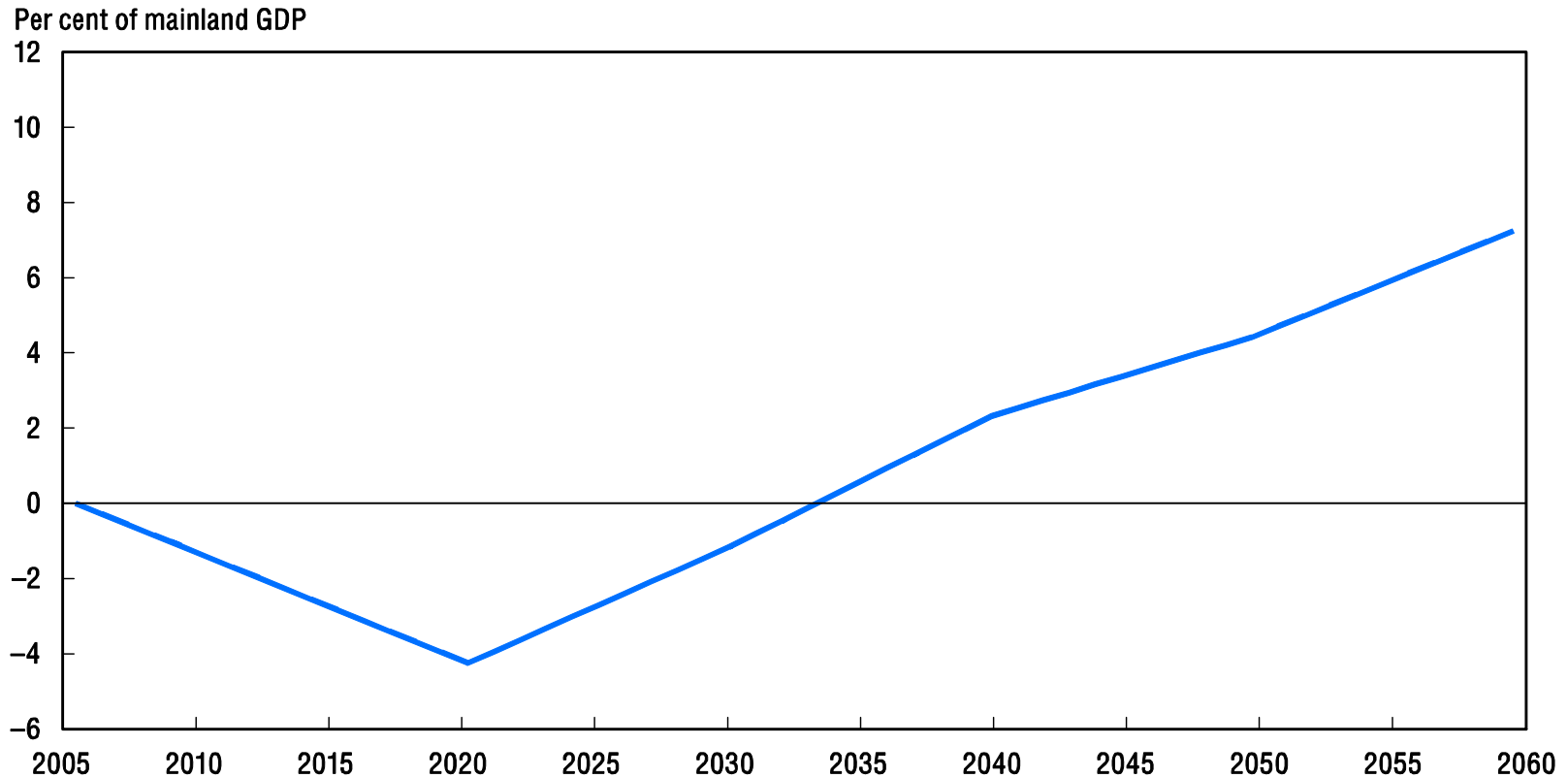


# The 4% fiscal rule should be applied with care

NOK billion, 2008 prices

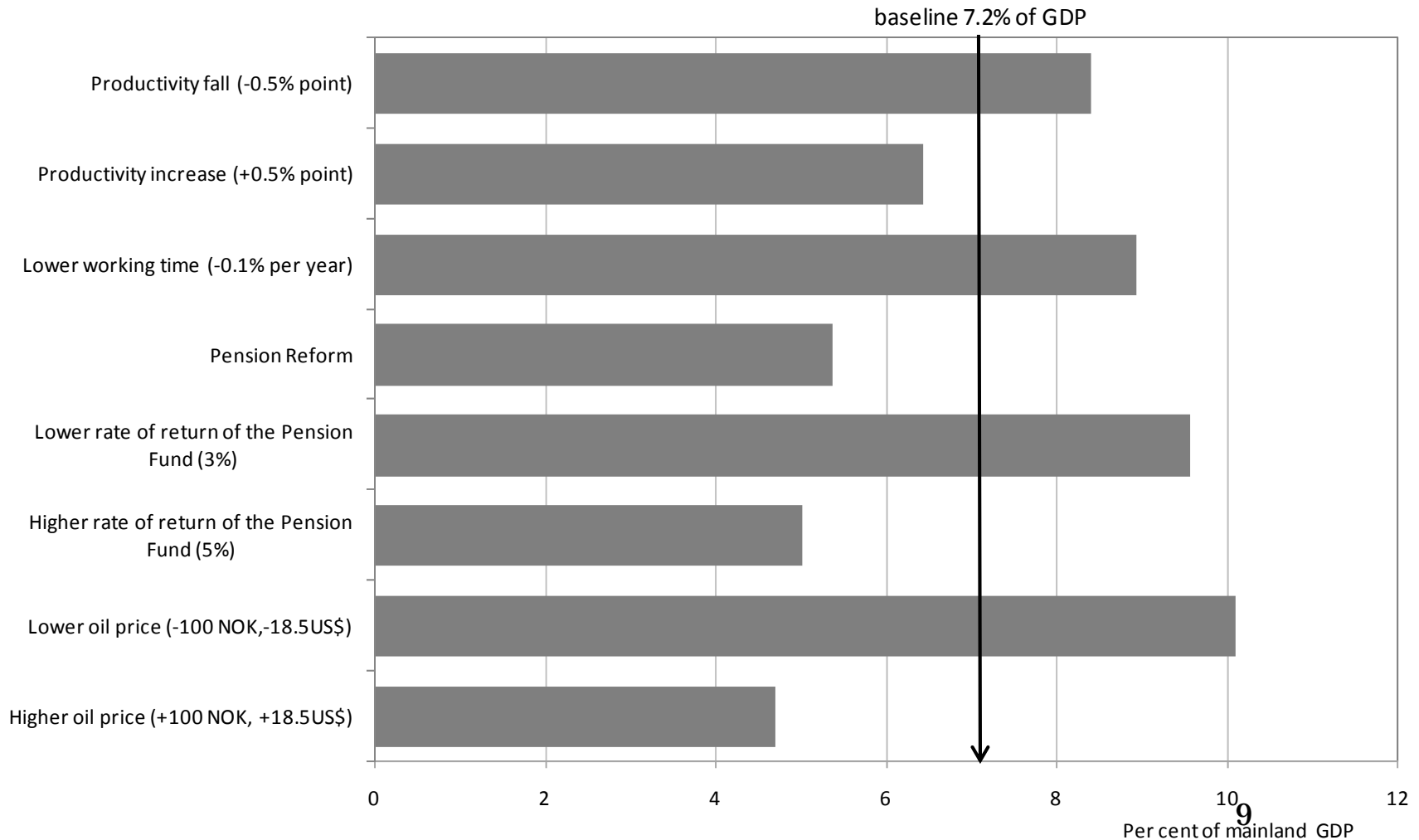


# This remains insufficient to prevent a long-term fiscal gap





# Pension reform and structural policies can reduce the fiscal gap



# Embark toward fiscal sustainability

- Restrict growth of public expenditures
- Limit inefficient use of public resources
- Implement the pension reform, without extending concession to younger cohorts
- Raise potential employment with the help of tax reform, including lower marginal tax rates (see next presentation).