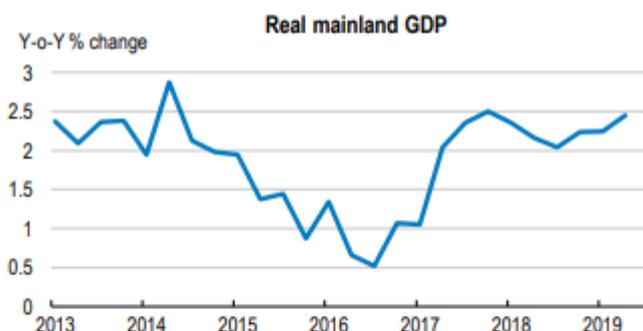


Norway's economy, ensuring continued good outcomes in wellbeing

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Norway's economy is currently growing at annual rates well over 2%. Growth is expected to ease in the coming quarters, but remain sufficiently strong for increases in employment and wages. This good macroeconomic performance is helping sustain Norway's living standards, which remain among the highest in the OECD area. Indicators of wellbeing rank among the top countries including self-reported well-being, job satisfaction, earnings and work-life balance. Norway remains highly inclusive in terms of income equality, labour participation and gender gaps.



Source: OECD Economic Outlook database.

StatLink 2 <https://doi.org/10.1787/888934071346>



Source: OECD Income and Distribution database.

StatLink 2 <https://doi.org/10.1787/888934071422>

However, international and domestic conditions make the economy vulnerable to trade and property-market risks. The global slowdown in trade and investment, together with faltering business and consumer confidence in the euro area, risks Norway's predominantly European trade. Property markets and related credit appear to be heading for a soft landing but risks remain. House-price growth has resumed following some downward correction, suggesting demand for housing remains robust. Household debt continues to increase faster than disposable incomes, signalling a continued build-up of risk. Estimated selling prices of commercial real estate have been rising rapidly, which has previously foreshadowed wider economic difficulties. The high share of wholesale bank funding is also a concern. The Survey urges the authorities to maintain close monitoring on the financial market and housing risks and reduce tax concessions on home ownership.

For the longer term, sustaining the high levels of economic output and comprehensive public services that are key to Norway's wellbeing is a challenge. There is no longer scope for rapid public spending growth financed by fast growth in the wealth fund and the Survey urges conservative application of the fiscal rule to ensure fiscal balances remain on track. It will become tougher to fund public services and develop new projects. Continued weak productivity growth, relatively high labour costs, plus weakening labour-force participation (an issue explored in the Survey's in-depth chapter) are lessening economic capacity to support good outcomes in wellbeing. Sick leave and disability compensation systems require reform, old-age pensions need further attention to ensure people have the right retirement incentives and ongoing efforts to improve education and skills, along with immigrant integration are needed. Despite extensive hydropower, achieving greenhouse-gas abatement targets will be challenging; the Survey recommends intensification of greenhouse-gas reduction measures, particularly in transport and agriculture.

References:

OECD (2019), *OECD Economic Surveys: Norway 2019*, OECD Publishing, Paris,