Norway’s krona fell to 13-year lows last after it cut interest rates to 0.75% on Thursday and revised growth projections downward due to troubles in the oil and gas sector.

So what headwinds face Norway?

US-bases R-Squared Macro said that the low price of oil – a reflection of global oversupply – is by far the biggest problem for Norway.

“The oil and gas industry accounts for 20% of Norwegian GDP and the ongoing suppression of oil prices has weighed heavily on growth. As highlighted in the Bank's statement, growth projections were revised downward due to further declines in oil investment and the potential for low oil spillover into other parts of the economy. Low oil prices throughout the summer necessitated the most recent cut,” its report on the Scandinavian country said.

On the positive side, a weakening krone is likely to help exports.

“Even though a weaker krone should also spur inflation, Norges Bank believes that low wage growth will keep inflation down once the transitory effects of depreciation have passed. Because Norway's inflation is already above the 2.5% target at 2.9%, the Bank is expecting inflation to edge farther from target in the short term before readjusting to target,” R-Squared Macro said.

As stated in the press release, the Norges Bank will likely ease to nearly 0.5% by 2016 before increasing to 1.0% by 2018. The decision to ease further is directly in response to the outlook for oil, which is expected to curb Norway's growth.

“However, the Bank is concerned that housing prices and household debt will continue to increase with lower-than-expected bank lending and mortgage rates, which will be go lower as the bank cuts rates. The bank predicts that although household consumption is strong now, it will decrease as output slows and companies release workers. The Bank hopes that households will be forced to spend less due to low wages, even if low interest rates tempt spending”, R-Squared Macro said.

"Unemployment in Norway is relatively low at 4.3%, but it is expected to increase due to layoffs in the oil and gas sector. In August there was a measured decline in industry capacity utilization and wage growth. In the longer-term, Norges Bank expects that excess slack in the economy will keep wage growth low, thereby boosting companies' profits and perceived competitiveness. The Bank hopes that excess slack in the short-term will permit additional easing, which will benefit longer-term growth.”