MOODY'S
INVESTORS SERVICE

ISSUER IN-DEPTH
28 June 2019

RATINGS

Norway

	Foreign Currency	Local Currency
Gov. Bond Rating	Aaa/STA	Aaa/STA
Country Ceiling	Aaa	Aaa
Bank Deposit Ceiling	Aaa	Aaa

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Government of Norway – Aaa stable

Annual credit analysis

OVERVIEW AND OUTLOOK

The credit profile of Norway (Aaa stable) reflects large fiscal buffers, robust institutional strength, high per-capita wealth, labour market flexibility and strong competitiveness. In addition, it takes into account the government's prudent planning for a time when its hydrocarbons resources are depleted. The Norwegian government has long segregated the domestic economy as much as possible from the volatility of oil revenue using several tools, most importantly through placing a large share of its oil and gas income into a sovereign wealth fund (Government Pension Fund Global, GPFG), which is invested entirely abroad, and a flexible exchange rate.

The impact on the economy from the oil price slump in 2014-16 was small compared to the scale of the oil price collapse, mainly because it was confined to the region around the city of Stavanger in the west of the country where Norway's oil and gas sector facilities are concentrated. Producers were able to achieve cost savings that allowed them to regain profitability. A worse outcome was also avoided thanks to the flexible exchange rate and wage moderation, which helped support the non-oil sectors of the economy and kept unemployment low.

Norway's credit challenges, beyond those deriving from lower oil prices and the gradual depletion of its oil and gas resources, are also manageable. Still, the likelihood that oil prices will stay lower for longer means that future net transfers to the GPFG will be smaller than they were before, or even negative, such that most growth in the value of the GPFG in future will derive from the fund's reinvested earnings. With a population that is ageing and also living longer, the government's recent decision to use less of the fund's income for its annual budgets than previously allowed will be key to stretching its longevity. High household debt is an additional risk that will continue to require cautious measures from bank regulators.

Downward pressure on Norway's rating and stable outlook could arise if the prudent macroeconomic management that sustains the country's strong economic and financial credit attributes were to weaken, leading to a material reduction in its large holdings of financial assets and eroding its exceptional economic strength.

This credit analysis elaborates on Norway's credit profile in terms of economic strength, institutional strength, fiscal strength and susceptibility to event risk, which are the four main analytic factors in our Sovereign Bond Rating methodology.

CREDIT PROFILE

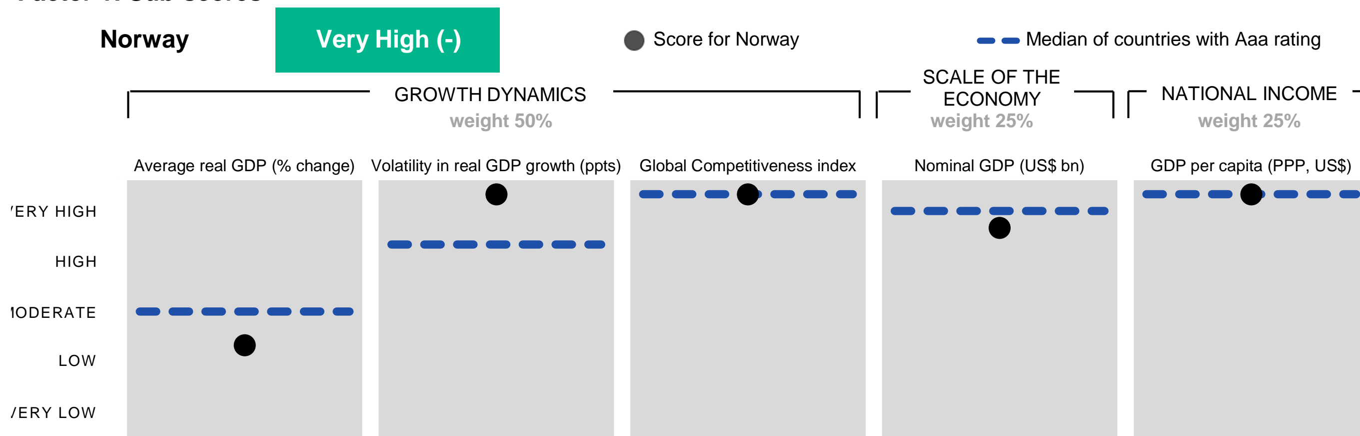
Our determination of a sovereign's government bond rating is based on the consideration of four rating factors: economic strength, institutional strength, fiscal strength and susceptibility to event risk. When a direct and imminent threat becomes a constraint, that can only lower the preliminary rating range. For more information please see our Sovereign Bond Rating Methodology.

Economic strength: Very High (-)

Factor 1: Overall score

Scale	VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-
+			Final												-

Factor 1: Sub-scores



Economic strength evaluates the economic structure, primarily reflected in economic growth, the scale of the economy and wealth, as well as in structural factors that point to a country's long-term economic robustness and shock-absorption capacity. Economic strength is adjusted in case excessive credit growth is present and the risks of a boom-bust cycle are building. This 'credit boom' adjustment factor can only lower the overall score of economic strength.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

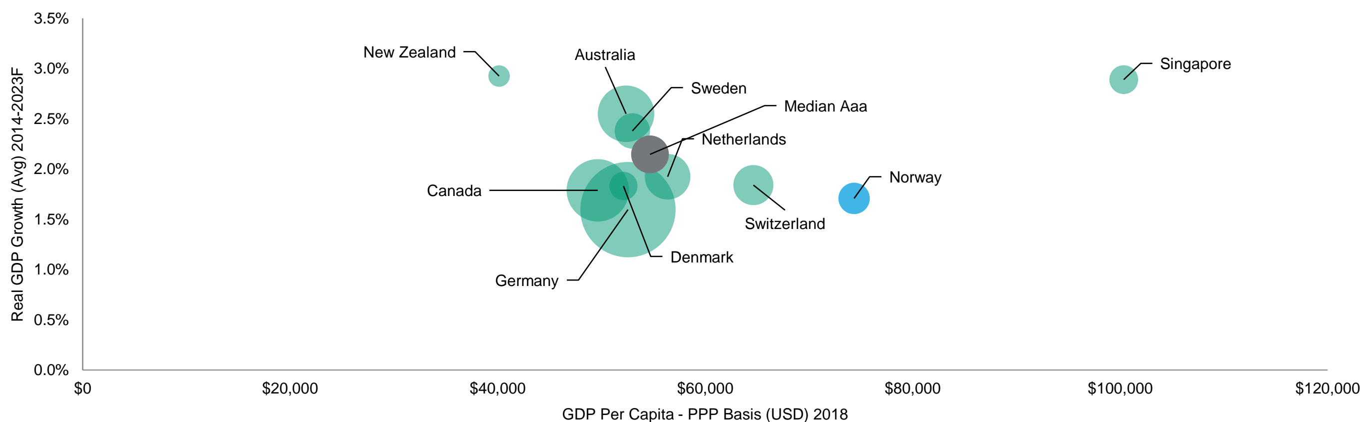
We assess Norway's economic strength as "Very High (-)" to reflect its large economy, low volatility in real GDP growth and strong competitiveness. Moreover, Norway's income per capita is more than double the threshold to achieve a "Very High (+)" assessment among the sovereigns we rate. The score of "Very High (-) is in line with Denmark (Aaa stable) and New Zealand (Aaa stable).

Peer comparison table factor 1: Economic strength

	Norway Aaa/STA	VH- Median	Abu Dhabi Aa2/STA	China A1/STA	Denmark Aaa/STA	France Aa2/POS	New Zealand Aaa/STA	Luxembourg Aaa/STA
Final score	VH-		VH-	VH-	VH-	VH-	VH-	VH-
Indicative score	VH-		H	VH+	H+	VH-	VH-	H
Nominal GDP (US$ bn)	434.8	363.0	253.5	13,608.1	351.3	2,773.4	202.9	69.5
GDP per capita (PPP, US$)	74,356.1	54,032.2	146,082.8	18,109.8	52,120.5	54,032.2	40,135.4	106,704.9
Average real GDP (% change)	1.7	2.7	3.1	6.5	1.8	1.5	2.9	2.9
Volatility in real GDP growth (ppts)	1.2	2.2	4.0	1.4	2.2	1.5	1.1	2.7
Global Competitiveness Index	5.4	5.2	--	5.0	5.4	5.2	5.4	5.2

Norway's nominal GDP was around $435 billion in 2018, which is broadly in line with Denmark and Sweden (Aaa stable) (see Exhibit 1). GDP per-capita on a purchasing power parity (PPP) basis of $74,356 in 2018 is higher than that of Denmark ($52,121) and New Zealand ($40,135), and well above the Aaa median ($54,032), although it is in line with the Aaa-median sub-factor score of "Very High (+)". Norway's average real GDP growth between 2012–21F is on par with the median Aaa-rated sovereign, while its size – as measured in nominal US$ billion – is approximately two-thirds that of the median Aaa-rated sovereign.

Exhibit 1
The size and growth of the Norwegian economy are on par with the Aaa-rated median, yet with considerably higher wealth levels



Note: Size of the bubble depicts size of 2018 nominal GDP in USD
Source: Moody's Investors Service

Hydrocarbon sector's contribution to the overall economy set to diminish in the longer term

The hydrocarbon sector has been an important contributor to economic growth since the government began to fully utilise the economic potential of Norwegian oil and gas reserves in 1971, as well as to the government's vast savings in the Government Pension Fund Global (GPFG, formerly Government Petroleum Fund).

Following the decline in global oil prices in 2014-16, the hydrocarbon sector's contribution to growth diminished. However, the cost-competitiveness of Norwegian producers has since improved (both operating and development costs have declined 30% and 50%, respectively, from their 2013-14 levels). Combined with exploration in the Norwegian Continental Shelf and higher global oil prices, the outlook for the sector's profitability has turned more favourable.

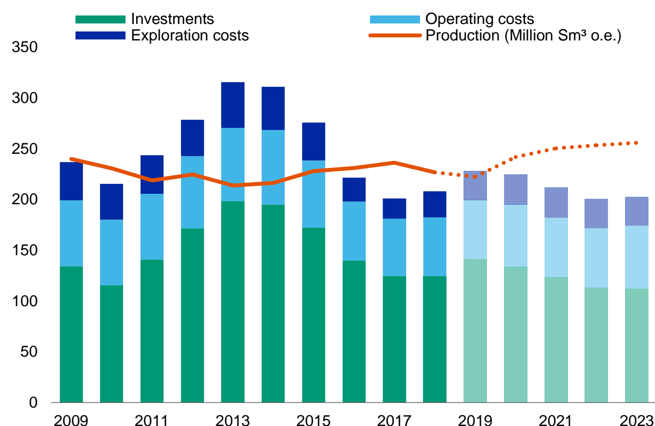
Oil and gas investments stabilised in 2018 – after declining steadily since 2013 (see Exhibit 2) – and will likely to return to robust growth of 13.2% in 2019 driven by projects in both new field developments and operating fields, according to the Norwegian Petroleum Directorate. However, the Norwegian Petroleum Directorate expects growth to then fall again after the completion of major projects such as the Johan Sverdrup and Johan Castberg, with oil and gas investments stabilising at almost 60% of the 2013 peak by 2022.

Oil and gas production levels, on the other hand, after declining slightly in 2019, are expected to increase in 2020-23. Output levels are expected to be bolstered temporarily when the mammoth Johan Sverdrup field begins production later in 2019. Total production is forecast to increase to an average of 245 million standard cubic meters of oil equivalent annually between 2019 and 2023.

Although the hydrocarbons sector will remain a crucial part of the Norwegian economy for the foreseeable future, its contribution to real GDP is nonetheless expected to diminish to around 16%, approaching historical (1982-2010) averages (see Exhibit 3) in the early 2020s. Policymakers have long anticipated these trends – although they have occurred somewhat earlier than expected following a prolonged period of high oil prices – and have been prepared to make adjustments to ease the transition to a less oil-abundant economy.

Exhibit 2

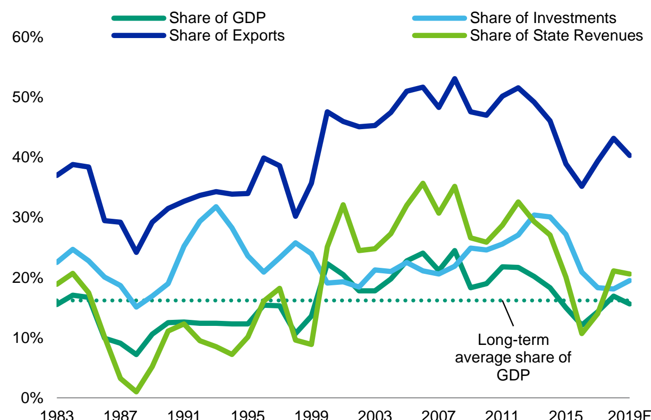
Offshore production is expected to increase in the early 2020s...
(NOK billion 2019)



Sources: Norwegian Petroleum Directorate, Moody's Investors Service

Exhibit 3

...while its contribution to the Norwegian economy will diminish towards historical average
(%)



Sources: Norwegian Petroleum Directorate, Statistics Norway, Ministry of Finance

Nonetheless, new development and exploration continues at a considerable pace, with just over NOK100 billion of investment in new field development projects planned for 2019-20, according to the Norwegian Petroleum Directorate. Established operations have also steadily improved their efficiency, substantially lowering their costs and enabling them to profitably produce with lower oil prices. At this point, Norwegian producers' costs, which range from roughly $30-$55/barrel, now fall between those of the onshore Middle East and North American shale oil production on the global marginal cost curve.

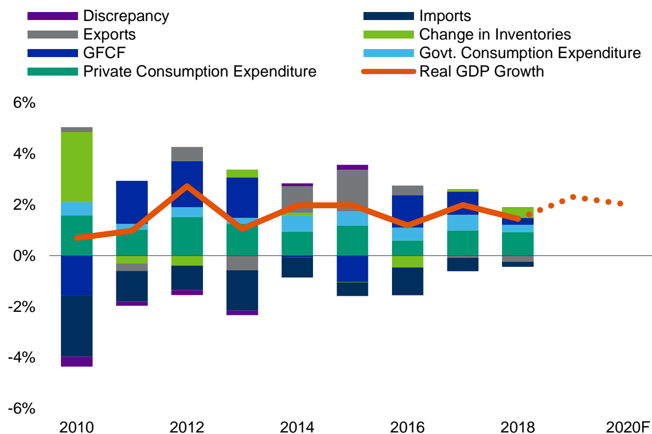
Solid recovery of mainland economy set to continue

The impact of the oil price collapse on the Norwegian economy was relatively small ultimately. The effects were largely confined to the region around Stavanger where the country's oil and gas sector facilities are concentrated and because of companies' cost savings. A worse outcome was avoided also thanks to the flexible exchange rate and wage moderation.

Mainland economic growth (excluding the oil sector) accelerated to 2.2% in 2018 from 2.0% in 2017, while economic activity from petroleum activities and ocean transport fell by 3.8%. Mainland economic growth is expected to accelerate further in 2019 reflecting the pick-up in petroleum investment, while household consumption remains supported by robust labour market dynamics. The continued resilience of the mainland economy and the continuing bright prospects for offshore activity lead us to forecast total real GDP growth of 2.2% in 2019 (see Exhibit 4). Growth will moderate after 2019, however, on the back of tightening monetary policy, lower petroleum investment and less supportive global conditions. Lower-than-expected growth globally and in Europe, an intensification of global trade tensions, and Brexit-related uncertainly pose downside risks to the growth outlook.

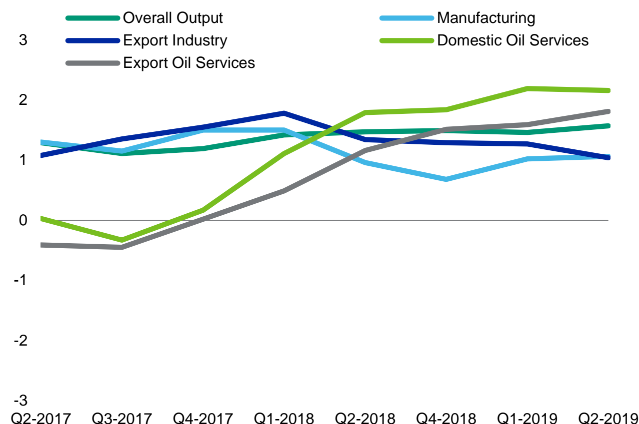
Norges Bank's regional network report[1] on output growth indicates stronger growth across many of the economy's most important sectors (see Exhibit 5). Both domestic and export-oriented oil service industry indicators for growth over the next six months in positive territory, indicating robust growth in economic activity for the second half of 2019.

Exhibit 4
Broad-based economic recovery continues...
(Percentage point contribution to real GDP growth)



Sources: Statistics Norway, Moody's Investors Service

Exhibit 5
...with improved expectations for the coming year
(-5 to +5 based on annualised growth expectations in the next six months)

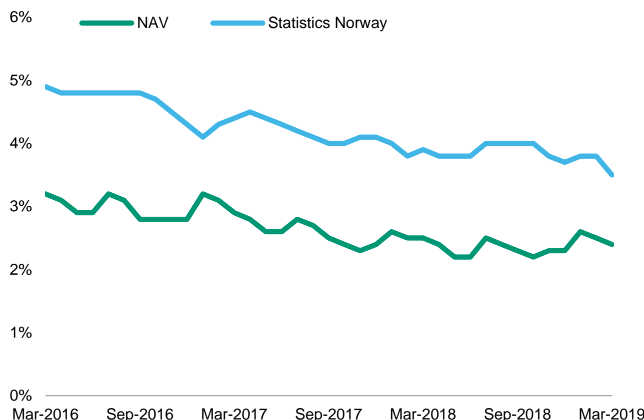


Source: Norges Bank

Labour market remains tight and the inflow of foreign workers has tapered off...

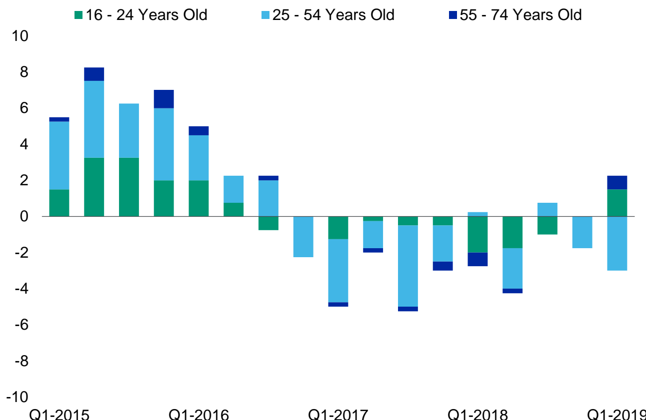
National unemployment, according to Statistics Norway's Labour Force Survey, fell to 3.5% as of March 2019, from a peak of 5.1% in January 2016. According to the Norwegian Labour and Welfare Administration's (NAV) survey, the national unemployment rate was an even lower 2.1% in May 2019 (see Exhibit 6). The lopsided trend of growing unemployment among younger workers (16-24 years old) that was prevalent during the second half of 2014 through 2016 (and particularly pronounced in the oil-dependent regions), reversed in 2017-18 although young unemployment appears to have increased again recently (see Exhibit 7).

Exhibit 6
Unemployment rates continue to fall...
(Percent)



Sources: Norwegian Labour and Welfare Administration, Statistics Norway

Exhibit 7
...with lower jobless growth among younger cohorts now
(Change in thousands of unemployed people, 4-quarter moving average)



Source: Statistics Norway

Flexibility in the labour market is also prevalent among foreign workers, with net immigration continuing to fall as new job opportunities afforded in the hydrocarbons sector and related services have dried up. A notable decline in foreign workers from other Nordic countries employed in Norway's consumer services sector is attributed to the improved performances of those economies as well.

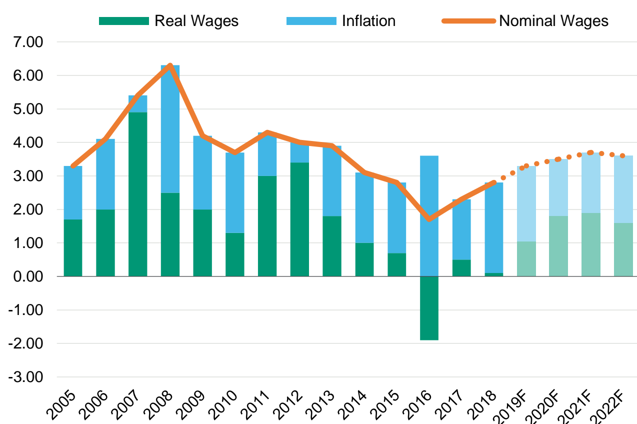
...putting upward pressure on wages

Norway's wage negotiation model – whereby tripartite bargaining begins in the tradeables and manufacturing sectors, setting the tone for the domestic market-facing sectors – has successfully held down wage increases over the past few years given the weak external environment. Small wage increases in the externally competitive sectors effectively capped wage hikes throughout the economy, yielding real wages that were flat or slightly negative, at least for 2016. Low wage growth combined with a weaker krone boosted Norway's competitiveness despite weaker productivity gains.

After returning to growth in 2017, real wages expanded by only 0.1% year-on-year in 2018 due to higher-than-anticipated inflation (see Exhibit 8). Given the tightening labour market, improving offshore economy and the collective bargaining model in Norway, we expect nominal wage growth to reach 3.3% in 2019 and 3.5% in 2020, with real wage growth likely to increase over the next two years given inflation moderation.

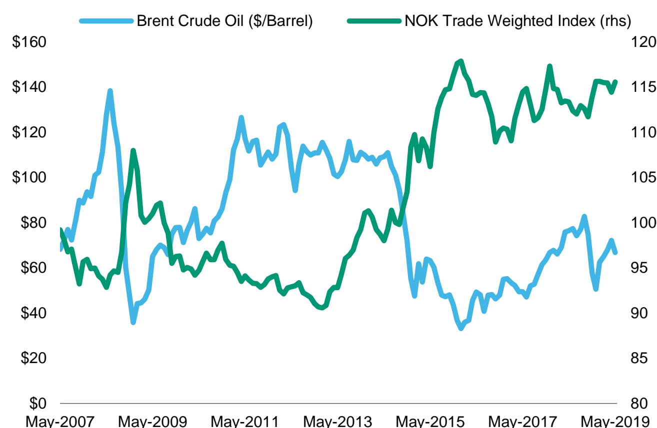
At the same time, the more competitive exchange rate, which weakened significantly during the commodity prices shock (see Exhibit 9) in response to the narrowing of the current account surplus, helped cushion the economy from the weak oil sector by facilitating growth in non-oil exports. The krone strengthened through most of 2016 and 2017, although depreciated again in early 2018, and is now hovering at around 8.6-8.7 to the US dollar.

Exhibit 8
Real wage growth likely to increase in 2019-20
(Annual percent change)



Sources: Statistics Norway, Moody's Investors Service

Exhibit 9
The flexible krone dampened the negative impact of lower oil prices
(US $ - lhs axis, Index 1990 = 100 - rhs axis)

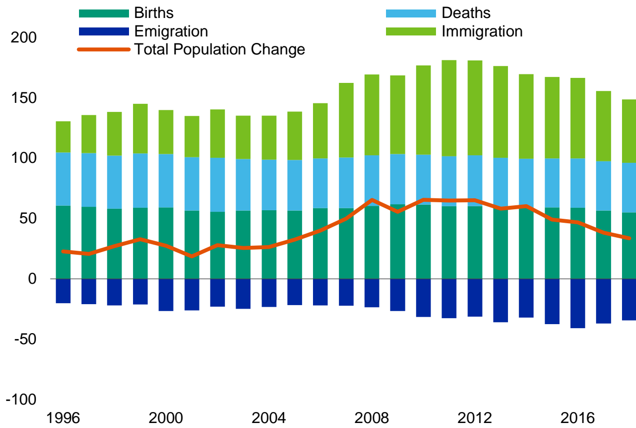


Sources: Norges Bank, International Energy Agency

Demographic dynamics will weigh on growth over the long term

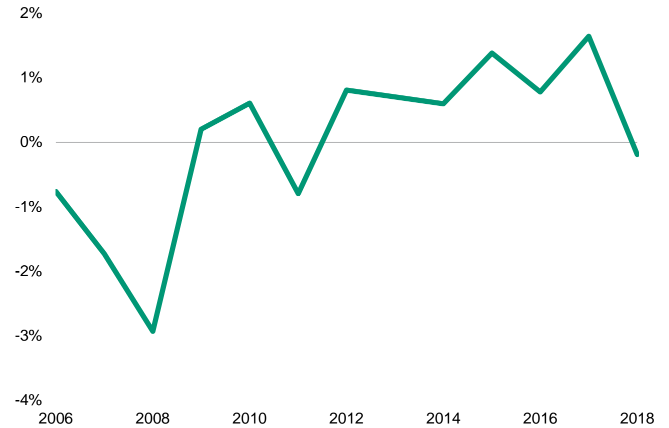
Norwegian population growth has decelerated over the last decade, with the population growing just 0.6% in 2018 – below the 10-year annual average of 1.1% and the slowest pace since 2003. Net population growth has slowed since 2014, largely due to declining immigration (see Exhibit 10). Over the last decade, immigrants and first-generation Norwegians have grown as a share of the population – to 18% at the beginning of 2018 from 4.3% at the beginning of 1992. However, the waves of immigration to Norway after the 2004 European Union (EU) expansion have now slowed to a trickle, and as such, labor productivity growth has been relatively flat over the last decade (see Exhibit 11).

Exhibit 10
Declining immigration has slowed population growth...
(Thousands of people)



Source: Statistics Norway

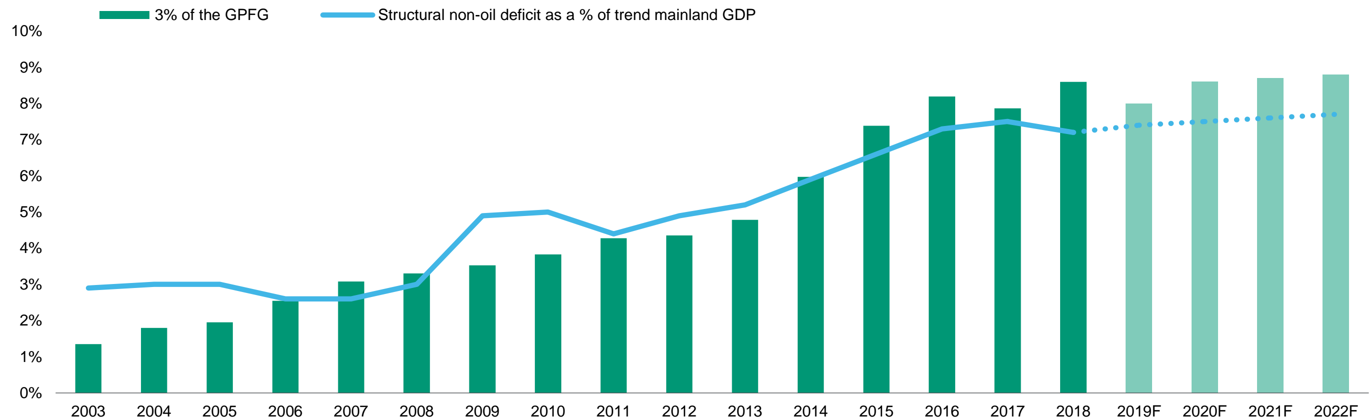
Exhibit 11
...and has occurred during a period of weaker labor productivity growth
(Annual change in labor productivity [GDP per hour worked])



Source: OECD

Similar to most advanced economies, Norway faces long-term demographic challenges as the post-WWII "baby boom" generation ages and enters retirement. Better health care means that these retirees live longer, putting a greater burden on the now fewer numbers of active workers who must support the welfare and health care costs of both the elderly and the school-age populations. Unlike most advanced economies, Norway's sovereign wealth fund gives the government greater ability to cope with the costs of this trend (see Exhibit 12). Still, despite its massive size, the GPFG is not sufficient by itself to solve these challenges.

Exhibit 12
The government's deficit, measured without oil revenue, is now just covered by GPFG returns
(%)



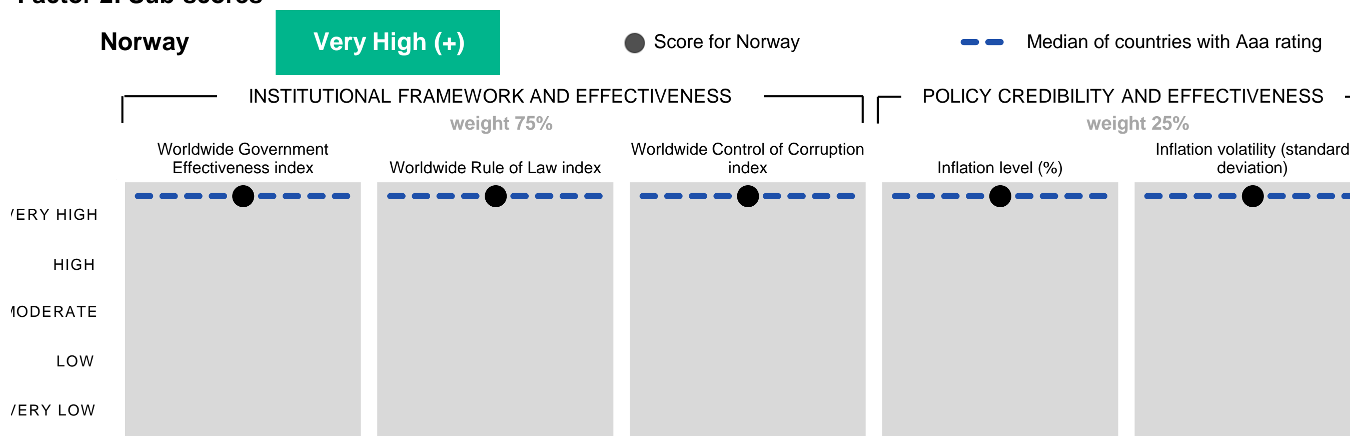
Source: Norges Bank, Moody's Investors Service

Institutional strength: Very High (+)

Factor 2: Overall score

Scale	VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-	
+	Final															-

Factor 2: Sub-scores



Institutional strength evaluates whether the country's institutional features are conducive to supporting a country's ability and willingness to repay its debt. A related aspect of institutional strength is the capacity of the government to conduct sound economic policies that foster economic growth and prosperity. Institutional strength is adjusted for the track record of default. This adjustment can only lower the overall score of institutional strength.
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Norway is among those few countries assessed as having the highest possible level of institutional strength, ranked at "Very High (+)" in every single sub-factor. This ranking reflects the responsible management of the economy, the effective and predictable judicial system and a high level of government transparency, as well as the virtual absence of corruption. Norway's scores exceed those of peers, as shown in the table below. Sovereigns that share this "Very High (+)" score include Canada (Aaa stable), Denmark and Finland (Aa1 stable).

Peer comparison table factor 2: Institutional strength

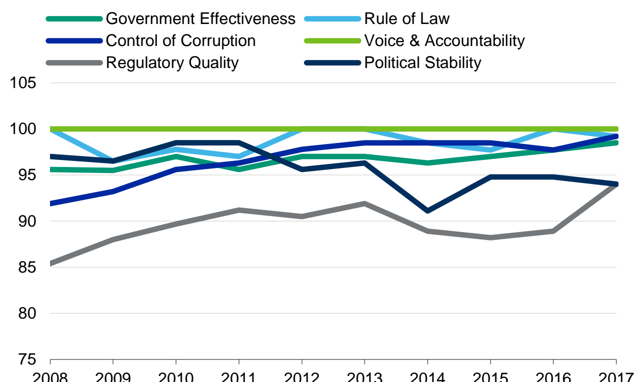
	Norway Aaa/STA	VH+ Median	Canada Aaa/STA	Denmark Aaa/STA	Finland Aa1/STA	Germany Aaa/STA	Netherlands Aaa/STA	Sweden Aaa/STA
Final score	VH+		VH+	VH+	VH+	VH+	VH+	VH+
Indicative score	VH+		VH+	VH+	VH+	VH+	VH+	VH+
Gov. Effectiveness, percentile [1]	98.5	95.5	96.2	94.0	97.7	92.5	95.5	94.7
Rule of Law, percentile [1]	99.2	96.2	93.2	96.2	100.0	88.8	95.5	98.5
Control of Corruption, percentile [1]	99.2	96.2	94.0	97.7	98.5	91.7	93.2	97.0
Average inflation (%)	2.1	1.3	1.8	0.9	1.1	1.4	1.3	1.4
Volatility in inflation (ppts)	0.8	1.0	0.7	1.0	1.1	0.8	1.0	1.1

[1] Moody's calculations. Percentiles based on our rated universe.

We view average inflation and volatility in inflation as proxies for policy effectiveness, particularly in monetary and fiscal policies. Although Norway's average inflation is somewhat higher than the "Very High (+)" median and its peer group, Norway has demonstrated very low volatility in inflation, which is the lowest in its peer group.

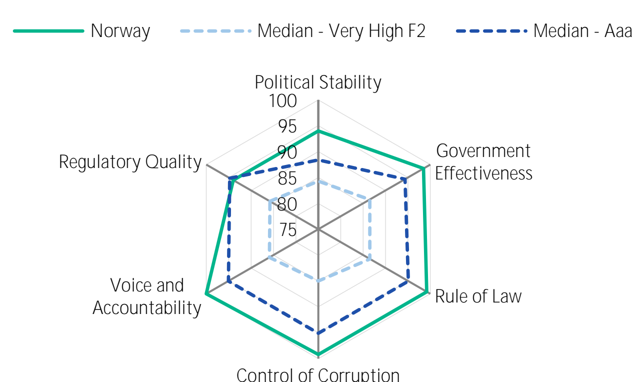
The Worldwide Governance Indicators for Norway are among the highest of the countries we rate, similar to the other mainland Nordic countries and ahead of the Aaa medians (see Exhibits 13 and 14).

Exhibit 13
Norway maintains very high governance scores...
(Percentile rank among Moody's rated sovereigns)



Sources: World Bank, Moody's Investors Service

Exhibit 14
...that are on par or exceed its peer group
(Percentile rank among Moody's rated sovereigns)



Sources: World Bank, Moody's Investors Service

Institutional strength is marked by consistent adherence to the fiscal rule...

The Norwegian government adheres to its fiscal rule, which specifies the amount of oil and gas-related government revenue that can be used in each year's budget. Petroleum revenue net of public investment in the sector is directly saved in the GPFG and the amount needed to cover the non-oil deficit is transferred back to the budget.

The fiscal rule stipulates that only a "gradual and sustainable" amount of such revenue can be transferred to the government's budget (depending also on the stage of the business cycle), an amount that is determined by the expected real return on the GPFG over time. In 2001, the real annual rate of return was estimated at 4% and this was the guideline for actual fund transfers to the central government budget until February 2017. At that point, in keeping with recommendations from a special expert commission, the government reduced the fund's estimated return to 3%. The 2018 budget approved in late 2017 was therefore formulated with the new guideline for fund transfers.

The reduction in the estimated fund return coincided with growing government expenses, particularly in areas related to the ageing population and social benefits. Nonetheless, we expect that the new limit will still be sufficient to cover the budget's structural non-oil deficit (estimated at 7.7% of mainland GDP in 2019).

In the 2019 revised national budget published in mid-May, the government slightly increased its planned spending of petroleum revenue as a percentage of the capital of the GPFG (at the beginning of 2019) to 2.9% from 2.7% in the original budget, in part due to the lower value of the fund at the end of last year. The revised budget implied a slightly expansionary fiscal stance (the "fiscal impulse", as measured by the percentage point change in the structural, non-oil budget deficit as a percentage of trend GDP for mainland Norway, is estimated at 0.5 percentage points).

Compliance with the fiscal rule has helped to shield the economy and public finances from the effects of oil price volatility because the volatility does not directly affect the budget, only the returns for the fund. Accordingly, the impact of volatility in oil prices is much less significant for the Norwegian economy and budget than is the case for other commodity producers. Even in 2009, when the government undertook a very substantial counter-cyclical fiscal stimulus, it managed to stay within the confines of the rule.

Other countries have established fiscal rules with similar intent to Norway's (notably Chile (A1 stable) with copper), but no natural resource-rich country has segregated so much of its income from commodities before or since. Since its inception, a total of NOK3,376 billion has been transferred to the fund[2], while net withdrawals have amounted to NOK170 billion (in 2016-17) – a fraction of the more than NOK9.1 trillion value of the fund at present (14 June 2019).

...and proactive management of hydrocarbon and financial resources

Norway established its sovereign wealth fund (then called the Government Petroleum Fund) in 1990, and its first capital transfer into the fund was in 1996. The GPFG's mandate is to invest the country's hydrocarbon-related wealth responsibly as well as to balance risks against returns. The fund invests solely in foreign assets to reduce the distortions in the domestic economy that typically arise from unrestrained spending of earnings from plentiful natural resources.

The fiscal rule and the accumulated savings in the GPFG will enable the government to extend the financial benefits of the country's nonrenewable resources to many generations in the future. By doing this, the government expects the fund will last indefinitely.

Alongside the February 2017 decision to reduce the estimated return, the government initiated an increase in the strategic asset allocation to equity investments away from fixed income assets. Norges Bank Investment Management (NBIM), which manages the assets, plans to increase its equities allocation to roughly 70% in the coming years, up from 60% previously. Additionally, since 2017, unlisted real estate investments – which now account for 2.8% of the fund's value as of Q1 2019 – were removed from the fund's benchmark index and it is now at the discretion of NBIM as to what real estate investments will be made, up to a maximum of 7% of the fund's value.

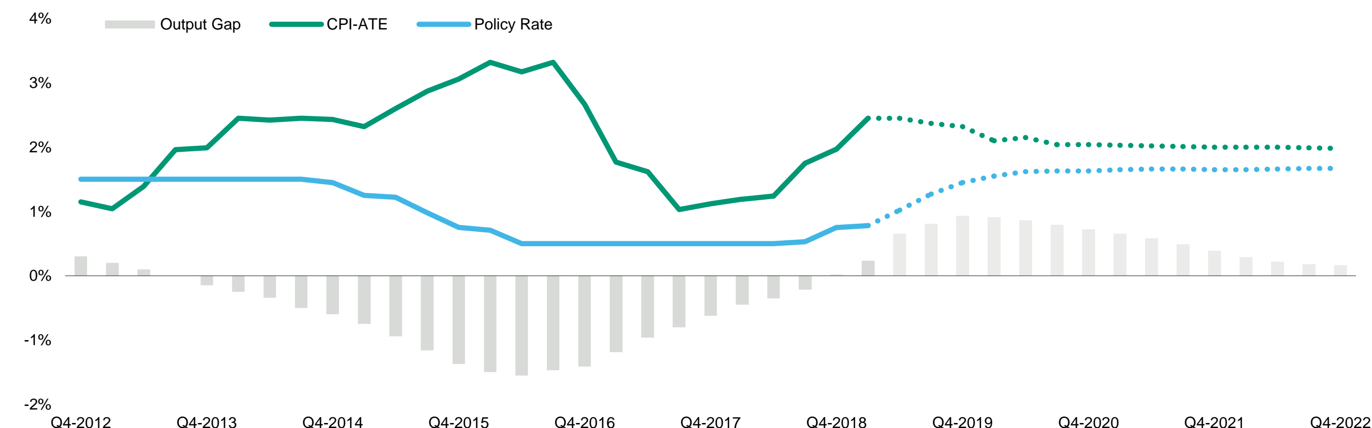
The GPFG is the world's largest sovereign wealth fund in value terms (and at roughly 230% of nominal GDP at end-2018, the second-largest as a percentage of GDP behind Kuwait's). The Norwegian system of managing its natural resource income is a model that a number of other countries have tried to emulate, generally with far less success due to weaker institutional strength or lower economic diversification.

The Ministry of Finance has the formal responsibility for the management of the Fund, whereas the operational management is carried out by Norges Bank. An expert commission recommended that the fund be moved from under the management of the central bank to a new state investment company that would be established and overseen by the Ministry of Finance. The recommendation aimed to alleviate the demands put on Norges Bank from fund management and allow both the fund and the bank to focus on their respective objectives. The government recently decided to maintain the management of the fund within Norway's central bank rather than in an independent organization. Nevertheless, the willingness to regularly reevaluate the fund's structure, as well as investment approach, highlights authorities' flexibility and openness to adapt as the economic and fiscal situation evolves.

Gradual tightening of monetary policy stance expected to continue

Norges Bank is an independent central bank that has adhered to a flexible inflation targeting monetary policy regime since March 2001. Consumer price inflation has pick-up over the past year, and inflation was 2.5% in May 2019 (down from 3.5% in December) while CPI inflation adjusted for tax changes and excluding energy products was 2.3%.

Exhibit 15
Norges Bank projects the output gap to peak in early 2020
(%)



Source: Norges Bank

These levels compare with a recently revised 2% target for CPI-ATE (see Exhibit 15). In September 2018, Norges Bank moved its policy rate for the first time in more than two years, hiking by 25 bps to 0.75%, and two additional increases of the policy rate to 1.25% followed in March and June. The gradual monetary policy tightening is justified by the inflation slightly above the target and solid growth outlook. While we expect further rates increases materializing this year and beyond, Norges Bank's approach will remain cautious, reflecting rising global uncertainty and the sensitivity of household spending to the increase in interest rates.

Macro-prudential regulation helped cool the housing market

Between 2000 and 2017, Norwegian housing prices rose rapidly, nearly tripling and reaching an all-time high in May 2019. In recent years, this trend was fuelled by Norges Bank's accommodative stance, an insufficient supply in many areas, such as the Oslo region, and the long-standing tax benefits provided to Norwegian property owners. In response to accelerating property price inflation and rising household indebtedness, the authorities introduced a series of macro-prudential measures, including maximum loan-to-value (LTV) and loan-to-income ratios, affordability tests for borrowers and amortisation requirements. While these regulations were due to expire in June 2018, the Ministry of Finance has decided to extend them, also leaving in place the special regulations on Oslo mortgage borrowing given the particularly high price gains there, despite recent cooling. The regulation will be reviewed later this year.

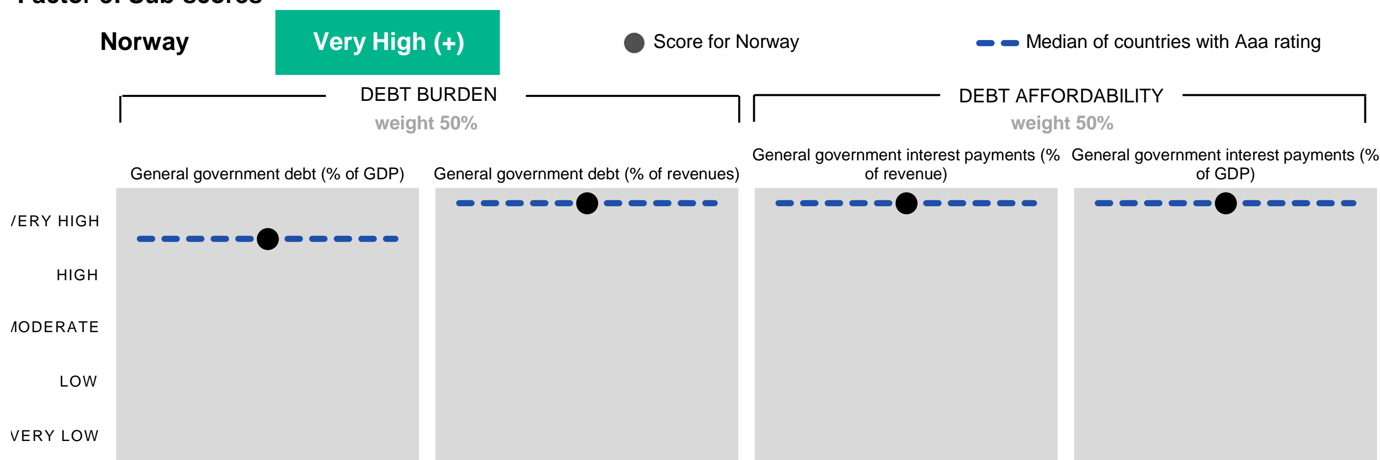
Growth in house prices has moderated significantly over the past two years due to higher supply, ad-hoc regulation and monetary policy normalization. Prices in Oslo have continued to increase faster than in other regions, but regional differences amplified by the oil price shock of 2014-16 have gradually narrowed. Nonetheless, household debt remains a credit challenge for both households and banks (the former is discussed in the Factor 4 banking sector risk section) particularly due to the start of Norges Bank's monetary tightening cycle. More than 90% of all mortgages in Norway carry variable interest rates. Amid overall weak wage growth in the economy, there are risks to consumption growth in the event households need to designate more of their income to servicing their mortgage debt, should they also choose to maintain their current savings rate. However, the effects of gradually increasing interest rates are manageable for most households, given adequate buffers in the form of bank deposits and cash. However, for lower income deciles and younger age groups, the debt burden is likely to continue to be larger than bank deposits and cash as a percentage of disposable income.

Fiscal strength: Very High (+)

Factor 3: Overall score

Scale		VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-	
	+	Final															-

Factor 3: Sub-scores



Fiscal strength captures the overall health of government finances, incorporating the assessment of relative debt burdens and debt affordability as well as the structure of government debt. Some governments have a greater ability to carry a higher debt burden at affordable rates than others. Fiscal strength is adjusted for the debt trend, the share of foreign currency debt in government debt, other public sector debt and for cases in which public sector financial assets or sovereign wealth funds are present. Depending on the adjustment factor the overall score of fiscal strength can be lowered or increased.

Note: The Scorecard-indicated outcome is shown in light blue in the sacle above. In case the Scorecard-Indicated outcome and Final scores are the same, only the Final score will appear in the table above.

We assess Norway's fiscal strength as "Very High (+)," the highest possible assessment in our scorecard, reflecting the exceptional fiscal strength of the sovereign. The Norwegian government's balance sheet is extremely strong, even when compared with other Aaa-rated sovereigns. The government is a substantial net creditor both domestically and externally due to the massive savings buffer that it has accumulated in the GPFG. Countries sharing a "Very High (+)" score for fiscal strength include Chile, Kuwait (Aa2 stable) and Sweden.

Peer comparison table factor 3: Fiscal strength

	Norway	VH+ Median	Chile	Denmark	Kuwait	Singapore	Sweden	Switzerland
	Aaa/STA		A1/STA	Aaa/STA	Aa2/STA	Aaa/STA	Aaa/STA	Aaa/STA
Final score	VH+		VH+	VH+	VH+	VH+	VH+	VH+
Scorecard-indicated outcome	VH+		VH+	VH+	VH+	VH+	VH+	VH+
Gen. gov. debt/GDP	39.9	25.6	25.6	34.1	13.8	26.8	38.8	27.7
Gen. gov. debt/revenue	72.3	65.8	117.0	65.8	29.4	146.9	76.4	81.9
Gen. gov. interest payments/GDP	0.6	0.5	0.8	1.1	0.5	0.0	0.5	0.2
Gen. gov. int. payments/revenue	1.1	1.1	3.9	2.1	1.1	0.0	1.0	0.5

Under the 2019 revised budget published in mid-May, the fiscal impulse for 2019 – measured by the change in the structural non-oil deficit as a percentage of mainland GDP – is expected to be positive (estimated at 0.5% of mainland GDP) compared to close to zero in the original budget last year. The upward revision mainly reflects lower-than-expected expenditure in the previous year, and consequently a revision of the impulse for 2018 to negative (-0.4%). While the 2019 revised budget envisages a slightly expansionary fiscal stance, the government has reduced its fiscal impulse compared to 2014-16. During this time, it stepped up spending to support the economy during the slowdown associated with the collapse in global oil prices. The fiscal stance remains broadly neutral for 2018-19 as a whole.

The Ministry of Finance proposes real expenditure growth of 2% in the 2019 revised budget (up from 1.4% previously estimated), which is below the projected real growth of the mainland economy. While the non-oil budget deficit remains large at a projected NOK 229.2 billion, it will be fully financed by a transfer from the GPFG. Petroleum revenues spending in 2019 is projected to be equivalent to 2.9% of the capital of the GPFG at end-2018. This is higher than the 2.7% that was projected in the original budget, in part due to the lower

value of the GPFG at the end of last year (the fund's return was -6.1% in 2018), and just below the expected real return of the fund estimated at 3%.

Dependence on fund earnings to finance the non-oil deficit remains a long-term challenge

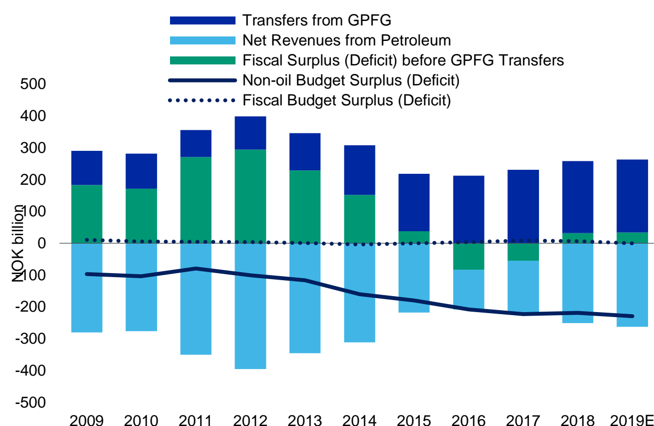
A key risk for the public finances going forward is that the budget will become more exposed to the volatility in financial markets. This is because investment returns will likely contribute more to the growth of the GPFG than oil revenue, since oil and gas revenues will gradually decline as reserves are depleted, especially if oil prices stay relatively low for longer.

In addition, the structural non-oil deficit has been growing at a rapid pace over the past 15 years, to the level of 7.6% of mainland GDP in 2018 (see Exhibit 16). While there is a clear rationale for more stimulus when the economy is trending down, the economy has now recovered from the recent oil price shock and as such, a more neutral or even mildly restrictive fiscal policy stance may be more appropriate as the output gap closes. In this way, the authorities would be able to prevent the economy from overheating amid tightening labour market conditions.

Growth in the value of the GPFG will derive solely from its earnings should net oil revenues fail to exceed the government's non-oil budget deficits. For example, the budget has made net withdrawals from the fund in 2016 and 2017 following the oil price shock. However, the fund is expected to continue to grow, albeit with fluctuations, over the next 15-20 years as its investment earnings outpace the fund's transfers to cover annual non-oil budget deficits.

Exhibit 16

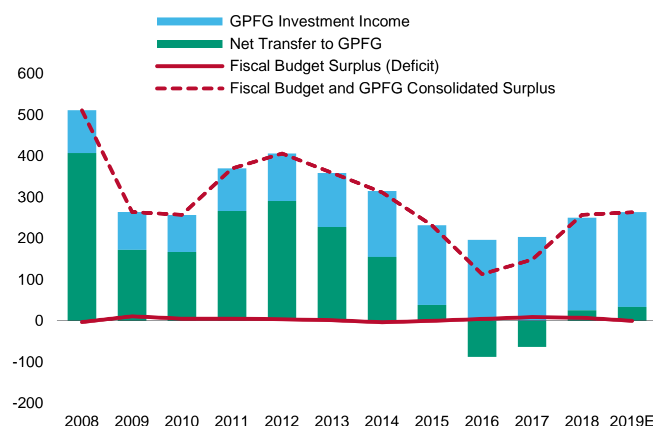
Despite the growth in the structural non-oil deficit, net petroleum revenue and strong GPFG returns...
(NOK Bil.)



Sources: Statistics Norway, Ministry of Finance, Moody's Investors Service

Exhibit 17

...continue to contribute to an overall surplus
(NOK Bil.)



Sources: Statistics Norway, Ministry of Finance, Moody's Investors Service

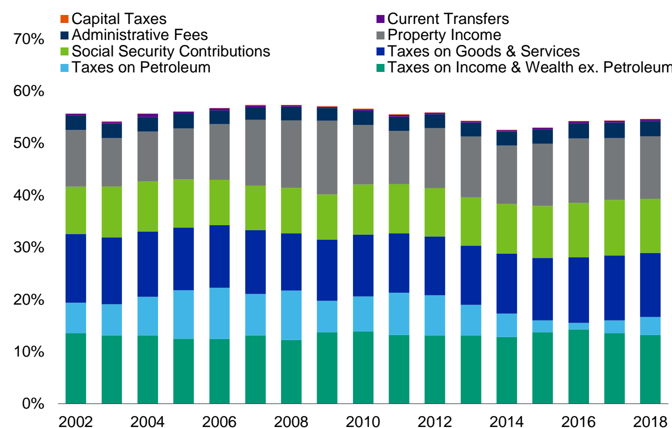
A related concern is that the large size of the GPFG could create disincentives to contain fiscal expenditure. Although the GPFG is worth about 230% of nominal GDP as of end-2018, its share of GDP (although not its nominal value) is expected to decline gradually, particularly as growth in mainland GDP increases and oil revenue diminishes and eventually ceases. With transfers from the fund to the budget approaching the new 3% expected real return, and net contributions from oil revenue to the GPFG likely to ease gradually over the long term, there is shrinking space to further expand the fund's principal.

As a matter of policy, the authorities are expected to continue to consume around 3% of the fund's value every year (the expected real return) depending on the stage of the cycle. Accordingly, the GPFG's value is likely to plateau. As this transition occurs, the Norwegian government may find itself considering additional changes to how much of the fund is used in annual budgets as costs related to the ageing population grow. Prudent management thus far and proactive steps on the part of the current administration give us confidence that these issues will be addressed in a timely manner.

Nevertheless, the government has not relied solely on the GPFG to guarantee the sustainability of public finances. High corporate and personal income tax rates have traditionally been used to bolster non-oil income (see Exhibit 18).

Exhibit 18

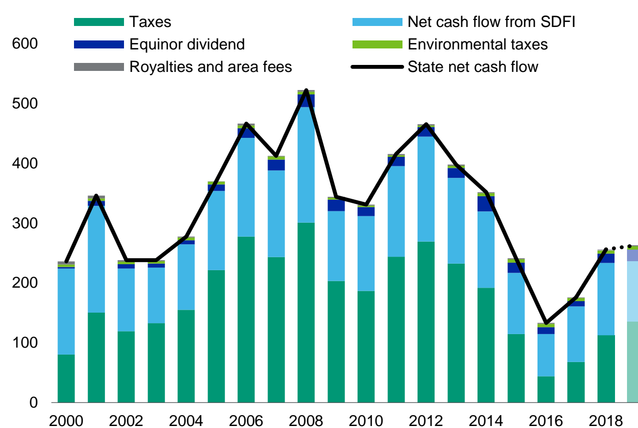
Central government revenue sources are diverse...
(% of GDP)



Source: Statistics Norway, Norwegian Petroleum Directorate, Ministry of Finance, Moody's Investors Service

Exhibit 19

...but the oil sector remains a key source of income for the state
(2019 NOK. Bil.)



Equinor = state-owned energy company (previously Statoil); SDFI = State's Direct Financial Interest (in the hydrocarbons sector)
Sources: Statistics Norway, Norwegian Petroleum Directorate, Ministry of Finance, Moody's Investors Service

Partly because of concerns over the relatively large proportion of spending that goes to social benefits and the sustainability of the benefits system, the government reformed the National Insurance Scheme of old-age pensions in 2010 to: (1) encourage workers to remain active in the labour force for longer; (2) link benefit levels to longevity; and (3) change the indexation rules. However, the impact of these reforms was limited given the significant numbers of Norwegian workers who exit the labour force early due to sickness and disability.

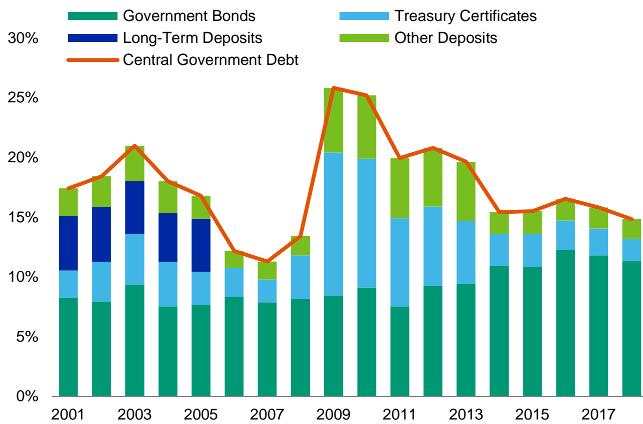
The revised budget for 2019 did not introduce new measures on the revenue side unlike previous years, but increased the spending budget allocated to defence, the policy and security services, as well as to climate change. This will result in a greater fiscal impulse, higher than previously anticipated. However, considering the period 2018-19, the fiscal policy remains broadly neural.

General government gross debt is moderate

In the case of Norway, the non-oil budget deficit is covered by transfers from the GPFG and therefore does not imply any borrowing requirement. The main reason for the existence of government debt is that the central government borrows to cover lending and capital injections to state lending institutions, such as state banks and government lending schemes, and to refinance or repay maturing debt. In addition, liabilities associated with repurchase agreements (repos) in the GPFG are counted as loan debt, according to the ESA95 government finances methodology. When repos fell after the global financial crisis, this was reflected in a reduction in the central government debt stock. Central government debt has declined steadily to 14.8% of GDP at the end of 2018 since peaking at 25.2% in 2009, and consists almost entirely of government bonds (see Exhibit 20). In addition, fluctuations in the exchange rate affect the size of these repos.

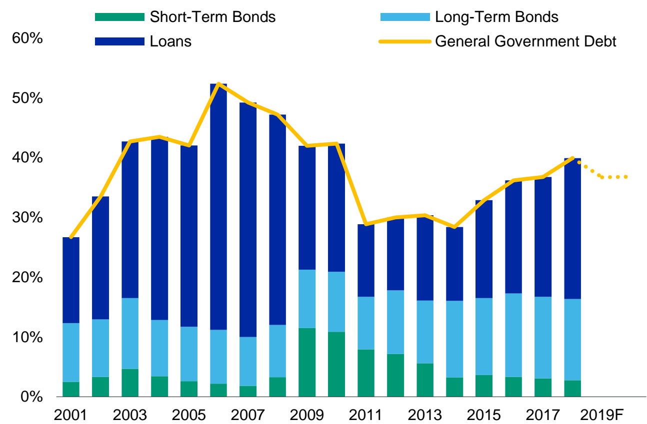
After adding in local governments' debt, Norway's gross general government debt increased only modestly to 39.9% of GDP (see Exhibit 21).

Exhibit 20
Central government debt has stabilized recently...
(% of GDP)



Sources: Statistics Norway, Moody's Investors Service

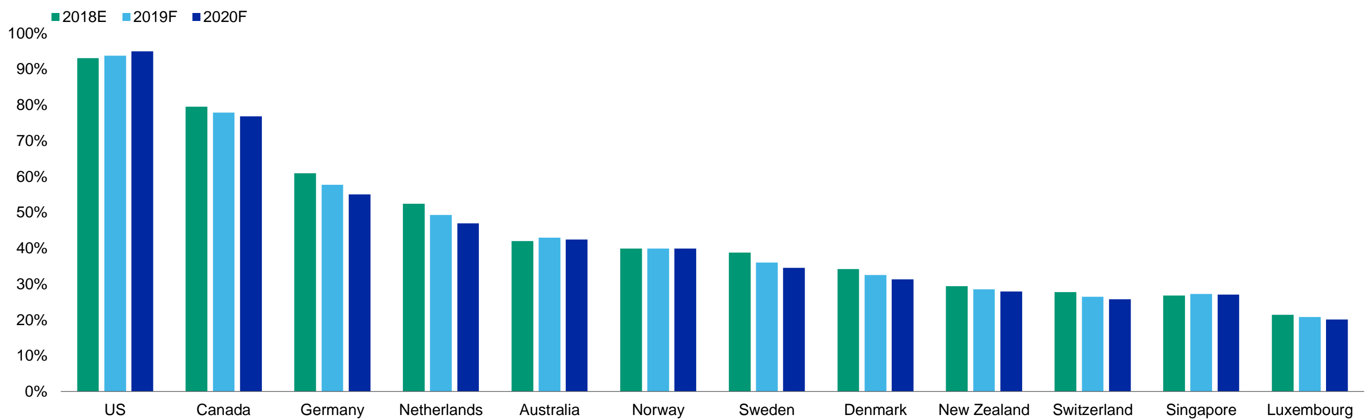
Exhibit 21
...a trend likely to be mimicked by general government debt ratios
(% of GDP)



Sources: Statistics Norway, Moody's Investors Service

Government debt is moderate compared with Norway's peers. Among Aaa-rated peers, Luxembourg (Aaa stable, 21.4%), Singapore (Aaa stable, 26.8%) Switzerland (Aaa stable, 27.7%), New Zealand (29.4%), Denmark (34.1%) and Sweden (38.8%) have lower debt-to-GDP ratios (see Exhibit 22). The median ratio for this group is 39.4% as of the end of 2018, with the highest debt level among Aaa-rated peers at 93.0% in the United States of America (Aaa stable).

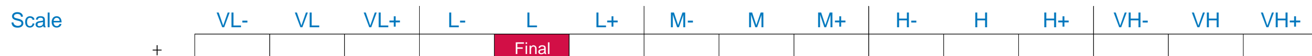
Exhibit 22
General government debt is low in comparison with many Aaa-rated peers
(% of GDP)



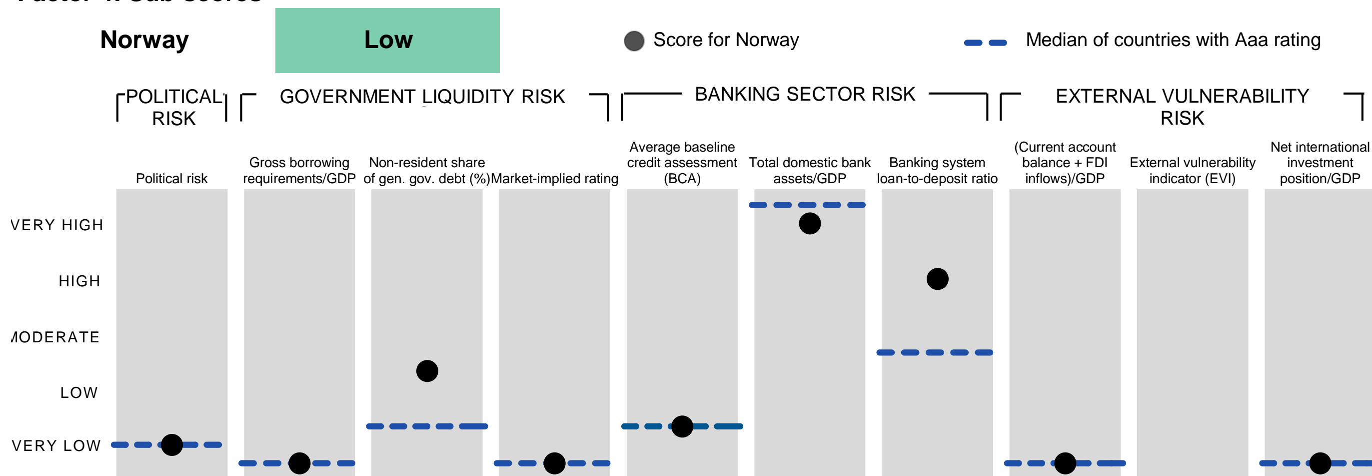
Source: Moody's Investors Service

Susceptibility to event risk: Low

Factor 4: Overall score



Factor 4: Sub-scores



Susceptibility to event risk evaluates a country's vulnerability to the risk that sudden events may severely strain public finances, thus increasing the country's probability of default. Such risks include political, government liquidity, banking sector and external vulnerability risks. Susceptibility of event risk is a constraint which can only lower the preliminary rating range as given by combining the first three factors.

Note: In case the Scorecard-Indicated outcome and Final scores are the same, only the Final score will appear in the table above.

Our assessment for susceptibility to event risk is "Low", and stems from the domestic banking system's reliance on market funding. Political risk is assessed as "Very Low", while government liquidity risk and external liquidity risk are both assessed as "Very Low (-)". Countries with a similar banking sector risk of "Low" driving our assessment of susceptibility to event risk include Austria (Aa1 stable) and France (Aa2 positive).

Consensus-oriented politics leads to policy predictability and continuity

Peer comparison table factor 4a: Political risk

	Norway		Australia	Canada	Denmark	Luxembourg	Singapore	Sweden
	Aaa/STA		Aaa/STA	Aaa/STA	Aaa/STA	Aaa/STA	Aaa/STA	Aaa/STA
Final score	VL		VL	VL	VL	VL	VL	VL
Geopolitical risk	VL	--	VL	VL	VL	VL	VL	VL
Domestic political risk	VL	--	VL	VL	VL	VL-	VL-	VL

Our "Very Low" assessment for political event risk is driven by Norway's consensus-driven political framework, which has shown itself to be proactive in addressing the country's long-term economic and fiscal challenges. There is consensus among the current center-right coalition for lower taxes and less government involvement in the economy (through privatisation of state-owned enterprises and outsourcing of services), and there is progress in implementing reforms. The country has a long-standing track record of stable coalitions and cooperation in parliament, and the consensual style of governance limits risks of an abrupt change in policy direction, regardless of the parties in government.

Following the September 2017 elections and a longer than usual period of coalition negotiations at the turn of the year, the previous center-right coalition returned to office in January 2018 joined this time by the Liberal Party. Early this year, the Christian Democrats joined the ruling coalition. The coalition's policy platform comprises aspects of all involved parties. As regards immigration, the platform increases the number of refugees allowed into Norway through the United Nations quota system and eases restrictions on immigration from countries outside of the European Economic Area (EEA, a free-trade zone composed of the 28 EU member states,

Iceland, Liechtenstein and Norway). Lastly, in May 2018, the government published its strategy for cooperation with the EU over 2018-21, which envisages and affirms continued economic, political and trade, among other, linkages with the EU (Norway's largest trading partner) under the EEA agreement, which continues to benefit both Norwegian businesses and labour market participants.

Nonetheless, long-term political risks may arise given the challenges presented by an influx of asylum seekers and economic migrants that much of Europe is struggling to deal with. Spillovers from the UK's withdrawal from the EU could also increase political risks in the near future.

Government liquidity risk is Very Low (-)

Peer comparison table factor 4b: Government liquidity risk

	Norway Aaa/STA	VL- Median	Austria Aa1/STA	Canada Aaa/STA	Hong Kong Aa2/STA	Netherlands Aaa/STA	New Zealand Aaa/STA	Sweden Aaa/STA
Final score	VL-		VL-	VL-	VL-	VL-	VL-	VL-
Scorecard-indicated outcome	VL-		VL-	VL-	VL-	VL-	VL-	VL-
Gross borrowing req./GDP	1.4	4.6	7.8	11.4	-0.8	6.8	3.5	4.2
Gen. gov. ext. debt/gen. gov. debt	50.5	35.4	68.4	26.6	24.8	35.6	61.0	22.7
Market funding stress indicator	Aaa	Aa1	Aa1	Aaa	--	Aaa	Aa1	Aaa

We assess government liquidity risk as "Very Low (-)". Higher oil prices helped Norway to record a general government budget surplus of 7.3% of GDP in 2018, up from 4.9% of GDP in 2017, as stronger petroleum revenue helped cushion the growing structural, non-oil deficit. The GPFG continues to serve as a shock absorber for fluctuations in the economic cycle and its presence has limited the need for the government to rely on external financing during downturns in the economic cycle. Indeed, foreign investors' holdings of just above 50% of Norway's general government debt highlights the safe haven status of Norway's sovereign bonds.

Banking sector risk is Low

Peer comparison table factor 4c: Banking sector risk

	Norway Aaa/STA	L Median	Austria Aa1/STA	Denmark Aaa/STA	Finland Aa1/STA	France Aa2/POS	Korea Aa2/STA	United Kingdom Aa2/STA
Final score	L		L	L	L	L	L	L
Indicative score	L		L	L	L-	L	L	L
Baseline credit assessment	a3	baa2	baa2	baa1	a3	baa2	baa2	baa1
Total dom. bank assets/GDP	167.0	167.0	219.0	359.0	269.1	375.0	137.7	381.7
Loan-to-deposit ratio	190.4	104.5	104.0	183.6	159.8	115.1	117.3	104.9

We assess Norway's banking sector risk as "Low", with the main risks coming from a high share of wholesale funding, the heavy household debt burden and high commercial property prices. On the other hand, asset quality is strong, the system is well capitalised and macro-prudential measures imposed by the banking regulators (FSA) diminish some of the risks posed by the large scale of mortgage financing.

Wholesale funding makes up just over 50% of banks' funding as a percentage of assets. The loan-to-deposit ratio for the entire financial system including finance companies was around 204% at the end of 2018. As a result, worsening conditions in global capital markets could create liquidity problems for these local institutions.

However, we believe the risks posed by the high share of wholesale funding are mitigated by Norges Bank's proven ability and willingness to provide liquidity when the local financial system has faced liquidity constraints stemming from a closure of international wholesale markets. Local banks have steadily lowered their reliance on interbank funding since the global financial crisis by issuing covered bonds, while their aggregate liquidity coverage ratio (LCR) is above the 100% minimum requirement (it was approximately 135% for the system as of September 2018).

Furthermore, although the financial sector represented approximately 186% of nominal GDP in 2018, the banks are considered to be strong, as measured by our Baseline Credit Assessment (BCA) for the system of baa1 (excluding the government-related issuer Kommunalbanken AS, which has a BCA of a1). The banking system is also well capitalised, with a Common Equity Tier 1 (CET1)

capital ratio averaging above 17% in 2018 (15.7% with the Basel I transitional floor rule), already compliant with new higher capital requirements – the countercyclical buffer will increase to 2.5% from 2.0% at the end of 2019.

Nonperforming loans (NPLs) are expected to remain at relatively low levels (below 2% of total loan assets system-wide), as credit conditions improve following a period of increased provisioning and restructuring of stressed corporate loans in 2016-17.

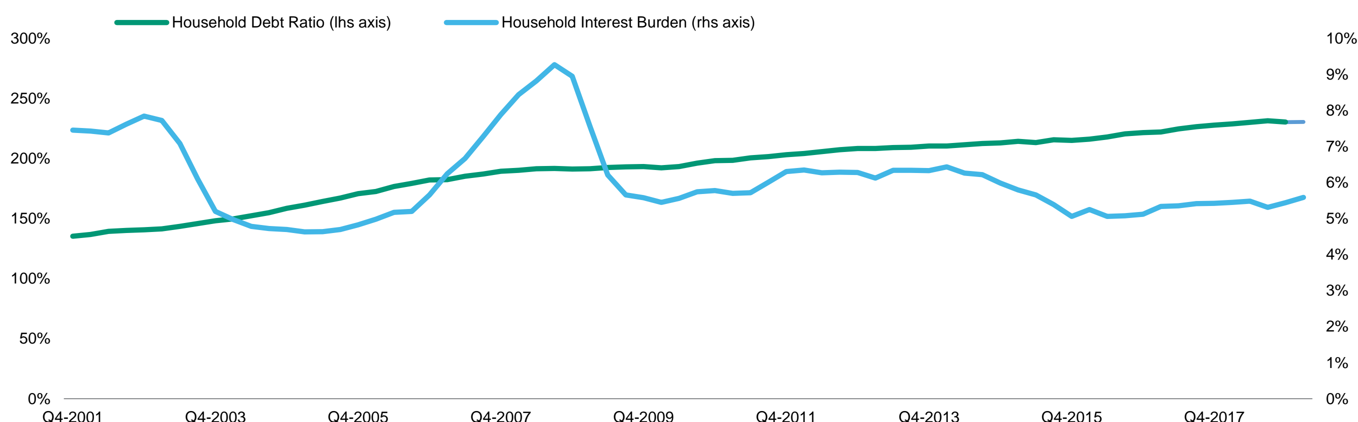
Banks will also need to prepare to meet pillar two requirements, which are communicated by the FSA and differ based on each bank's characteristics. The Ministry of Finance introduced a minimum leverage ratio of 5% for banks and 6% for systemically important banks, which is above the Basel minimum requirement of 3%, and this change will also reduce risk in the sector.

Commercial real estate prices have been increasing rapidly and this poses a risk to the financial sector, given the significant exposure to this segment (commercial real estate loans account for around 50% of banks' and mortgage companies' loans). A comprehensive assessment of the risks is prevented by limited data availability and Norges Bank has stepped-up its efforts to build-up data capacity on the commercial property markets.

Households have high levels of indebtedness, with adequate buffers to absorb rising interest burdens

The Norwegian household sector is one of the most indebted among advanced economies. Norwegians receive a tax subsidy on mortgage interest payments, which promotes property investment, and mortgages rates have been very low. Household debt amounted to more than 230% of disposable income at the end of 2018 (see Exhibit 23), with mortgage debt accounting for a large share. That said, households' interest burden has remained favourable because of the low-interest rate environment. Norges Bank forecasts that the gradual rise in interest rates could lead to a 50% increase in households' interest burden by 2021, albeit from a low level.

Exhibit 23
With household debt continuing to grow, rising interest rates will lead to an increase in households' interest burden
(% of disposable income)



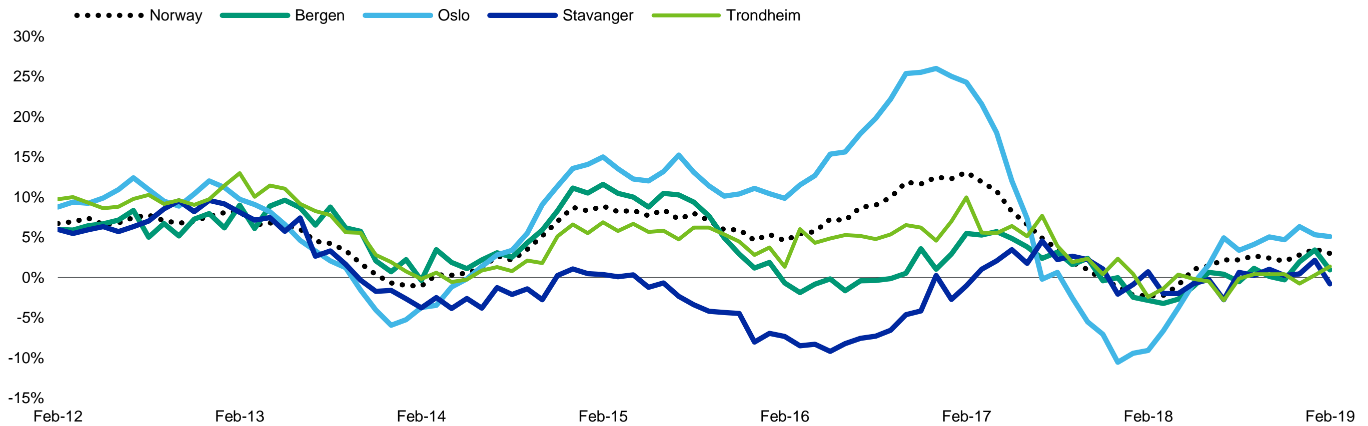
Sources: Statistics Norway, Norges Bank, Moody's Investors Service

Following the implementation of interim regulations defining new mortgage restrictions in July 2015, Norwegian officials renewed a number of measures in 2017, all of which were intended to either cool the housing market and reduce related risks for the banks and borrowers. Among them were: (1) an 85% LTV cap for all mortgages; (2) a maximum 60% for loans without scheduled installments; (3) a 60% LTV cap for a second home or investment property located in Oslo; (4) a debt-to-income limit of 500%; (5) borrower's debt-servicing capacity must tolerate an assumed interest rate increase of five percentage points; and (6) a minimum 2.5% annual amortisation down to 70% LTV. Banks are allowed to grant loans that deviate from these rules, but only up to 10% of the value of the new loans they extend, except in Oslo where the share is 8%. The regulation is expected to be reviewed later this year.

These controls also reflect concerns that Norwegian house prices may have reached unsustainable levels after the rapid increase since 2000 and reaching an all-time high in May 2019. House prices in oil-focused regions, such as Stavanger, corrected when oil prices

collapsed and are now stabilising or inching back up. Those in Oslo and Norway as a whole appear to be in a trough, and should be stabilised by a projected uptick in construction in the coming years (see Exhibit 24).

Exhibit 24
Macroprudential measures have reined in house price growth across Norway to more sustainable levels
(Annual % change)

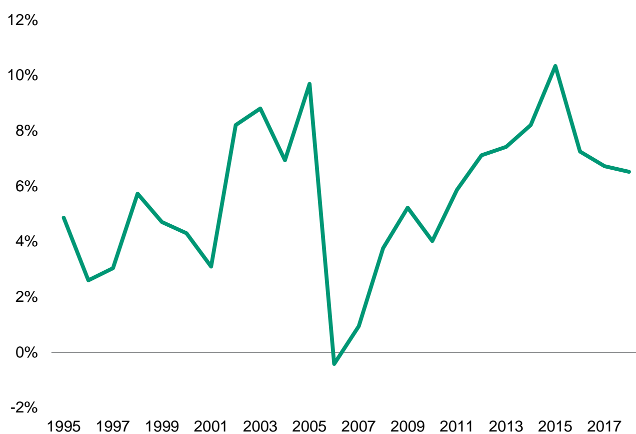


Source: Statistics Norway, Norges Bank, Moody's Investors Service

A regulation on requirements for financial institutions' consumer credit standards has been recently introduced in order to prevent the build-up of additional vulnerabilities in the household sector. Consumer debt accounts for only about 3% of total household debt, but has been growing very rapidly recently.

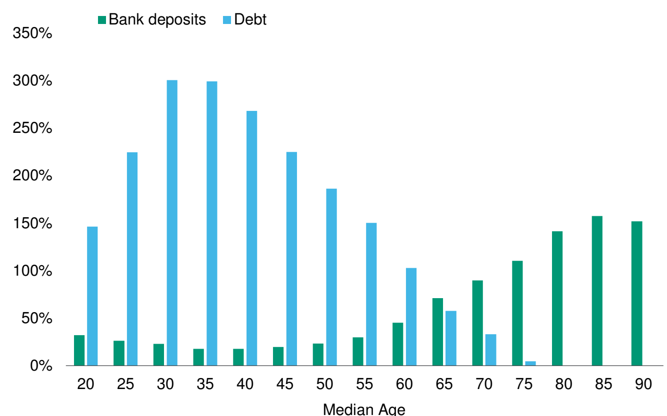
Despite these concerns, households' ability to service their debts is generally strong. Even during the Nordic banking crisis of the 1990s, direct losses on loans to households were limited. This was partly because of a strong savings culture, where the household savings rate has trended around 5%-6% over the long term and rebounded from a trough of negative 0.4% in 2006 (see Exhibit 25). Moreover, many households have two incomes and Norwegian unemployment benefits are quite generous.

Exhibit 25
Households have room to decrease their savings...
(% of disposable income)



Sources: Statistics Norway, Norges Bank

Exhibit 26
...but younger cohorts of the population have smaller buffers against their debt
(% of disposable income)



Sources: Statistics Norway, Norges Bank

These factors increase the likelihood of households being able to continue servicing their debt even in the event of job loss. That said, the rise in household indebtedness has been highest for middle and lower income groups, according to Norges Bank data, unlike other European countries where the largest debt tends to be held by the wealthiest segment of the population. Additionally, younger cohorts

of the population have significantly smaller buffers against their accumulated debt than older cohorts (see Exhibit 26). There has also been an increase in the proportion of households that have very high debt burdens as a percentage of disposable income.

Current-account surpluses continue to bolster strong net external creditor position

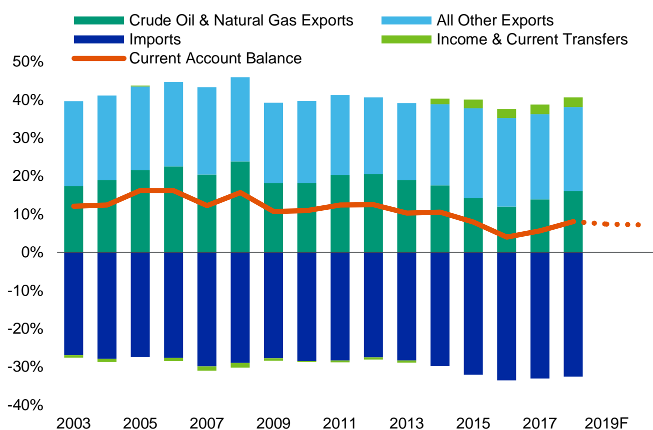
Peer comparison table factor 4d: External vulnerability risk

	Norway Aaa/STA	VL- Median	Belgium Aa3/STA	Denmark Aaa/STA	Germany Aaa/STA	Netherlands Aaa/STA	Singapore Aaa/STA	Switzerland Aaa/STA
Final score	VL-		VL-	VL-	VL-	VL-	VL-	VL-
Indicative score	VL-		L	VL-	VL-	L-	VL-	VL-
(Curr. acc. bal. + FDI inflows)/GDP	3.7	6.9	-13.6	7.7	9.9	-7.6	40.4	0.7
Net international inv. position/GDP	183.5	40.0	43.9	63.2	60.6	68.9	225.6	128.2

Norway's external vulnerability risk is assessed as "Very Low (-)". Even through the oil price collapse of 2014-16, Norway continued to generate current-account surpluses, and more recently, as oil prices have continued to climb, the current-account surplus has increased further (see Exhibit 27). Given the government's policy of investing excess revenue from oil and gas export receipts into overseas assets, the net international investment position (IIP) has improved over the years and stood at 184% of GDP at the end of 2018 (see Exhibit 28), compared with around 52% of GDP a decade ago. These accumulated assets provide Norway with an exceptionally large buffer against external shocks, greatly limiting the economy's reliance on foreign capital inflows.

Exhibit 27

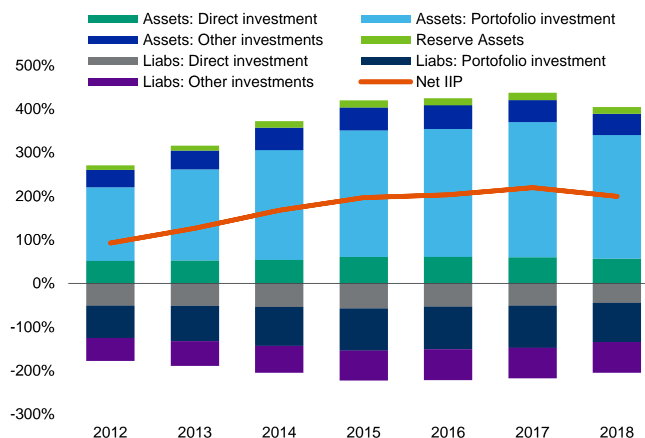
Stronger oil exports will support the current account...
(% of GDP)



Source: Statistics Norway, Moody's Investors Service

Exhibit 28

...and the already healthy net external creditor position
(% of GDP)

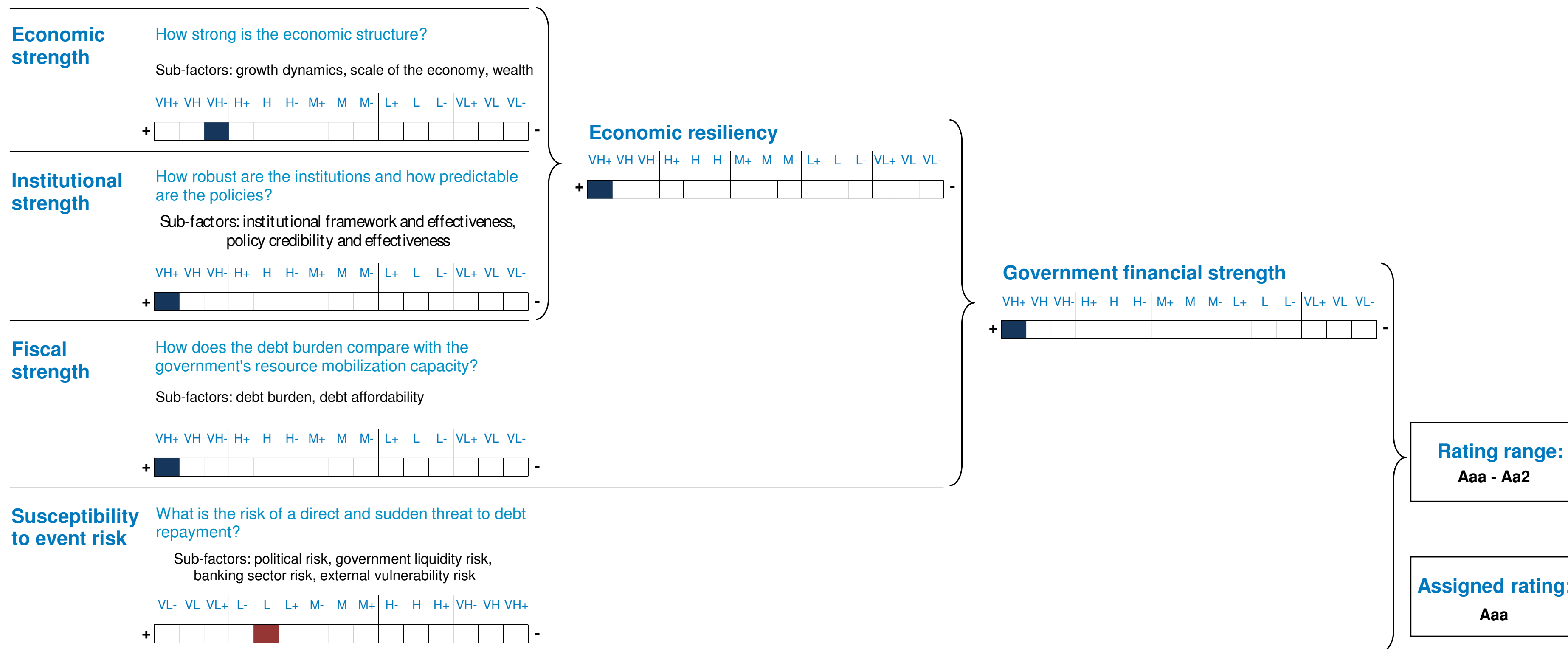


Source: Statistics Norway, Moody's Investors Service

Rating range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our Sovereign Bond Rating methodology.

Exhibit 29
Sovereign rating metrics: Norway



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding Norway with other sovereigns that we rate. It focuses on a comparison with sovereigns within the same rating range and shows the relevant credit metrics and factor scores.

Norway compares favourably with its key peers, positioning itself as a strong Aaa credit. In terms of economic strength, Norway's score of "Very High (-)" puts it on par with peers and better than the Western European median; although the size of the economy contributes to a weaker position than the Aaa median despite Norway's higher wealth. Institutional strength, driven by its exceptional institutional framework, allows Norway to outpace peers, including most Nordics. Likewise, low debt levels, particularly as a share of general government revenues, yield a strong performance in fiscal strength. Banking sector risk drives Norway's susceptibility to event risk, in line with the Western European median and the Aaa median.

Exhibit 30
Norway's key peers

Norway Key Peers

	Year	Norway	Denmark	Sweden	Finland	New Zealand	Australia	Aaa Median	Western Europe Median
Rating/Outlook		Aaa/STA	Aaa/STA	Aaa/STA	Aa1/STA	Aaa/STA	Aaa/STA	Aaa	Aa2
Rating Range		Aaa - Aa2	Aaa - Aa2	Aaa - Aa2	Aa1 - Aa3	Aaa - Aa2	Aaa - Aa2	Aaa - Aa2	Aa2 - A1
Factor 1		**VH-**	**VH-**	**VH**	**H**	**VH-**	**VH+**	**VH**	**H+**
Nominal GDP (US$ bn)	2018	434.8	351.3	551.1	275.7	202.9	1402.9	628.3	445.2
GDP per capita (PPP, US$)	2018	74356.1	52120.5	52984.1	46429.5	40135.4	52373.5	54683.7	52137.4
Avg. real GDP (% change)	2014-2023	1.7	1.8	2.4	1.4	2.9	2.5	2.0	1.8
Volatility in real GDP growth (ppts)	2009-2018	1.2	2.2	3.0	3.4	1.1	0.5	1.9	2.4
Global Competitiveness index	2017	5.4	5.4	5.5	5.5	5.4	5.2	5.5	5.2
Factor 2		**VH+**	**VH+**	**VH+**	**VH+**	**VH+**	**VH**	**VH+**	**VH**
Government Effectiveness, percentile [1]	2017	98.5	94.0	94.7	97.7	93.2	89.5	94.4	88.0
Rule of Law, percentile [1]	2017	99.2	96.2	98.5	100.0	97.0	91.0	95.1	88.8
Control of Corruption, percentile [1]	2017	99.2	97.7	97.0	98.5	100.0	90.2	95.1	91.0
Average inflation (% change)	2014-2023	2.1	0.9	1.4	1.1	1.2	1.6	1.4	1.3
Volatility in inflation (ppts)	2009-2018	0.8	1.0	1.1	1.1	1.1	0.6	1.0	1.1
Factor 3		**VH+**	**VH+**	**VH+**	**VH**	**VH+**	**VH**	**VH+**	**H+**
Gen. gov. debt/GDP	2018	39.9	34.1	38.8	58.9	29.4	42.0	39.4	59.9
Gen. gov. debt/revenue	2018	72.3	65.8	76.4	112.2	78.7	118.6	100.3	126.9
Gen. gov. interest payments/revenue	2018	1.1	2.1	1.0	1.7	4.3	3.9	2.0	3.3
Gen. gov. interest payments/GDP	2018	0.6	1.1	0.5	0.9	1.6	1.4	0.9	1.6
Gen. gov. financial balance/GDP	2018	7.3	0.5	0.9	-0.7	0.4	-1.0	0.7	0.3
Factor 4		**L**	**L**	**L-**	**L**	**L+**	**L**	**L**	**L**
Current account balance/GDP	2018	8.1	6.1	2.0	-1.9	-3.7	-2.1	5.5	2.5
Gen. gov. external debt/gen. gov. debt	2018	50.5	26.1	22.7	67.3	61.0	43.7	35.3	45.9
Net international investment position/GDP	2018	183.5	63.2	6.9	-6.4	-57.0	-53.1	53.6	6.9

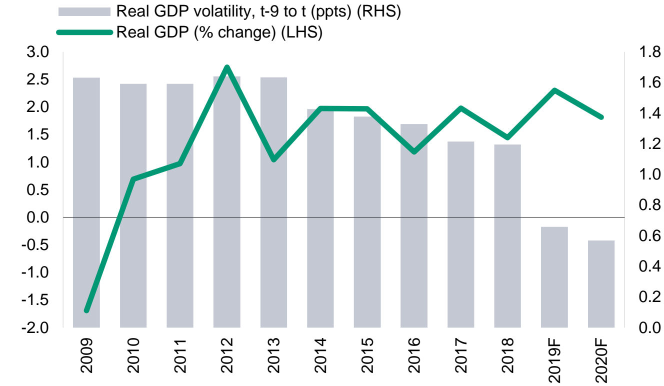
[1] Moody's calculations. Percentiles based on our rated universe.

Notes:
[1] Moody's calculations. Percentiles based on our rated universe.
Source: Moody's Investors Service

DATA, CHARTS AND REFERENCES

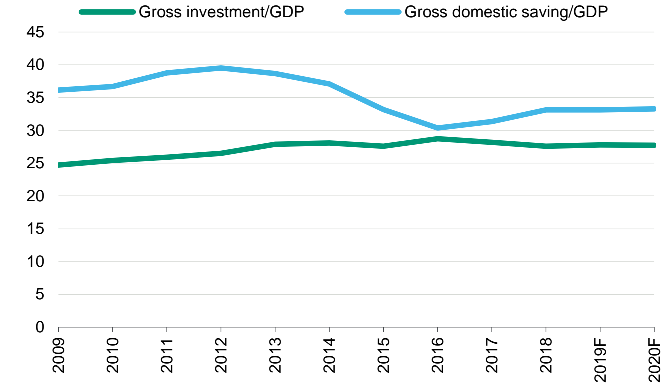
Chart pack: Norway

Exhibit 31
Economic growth



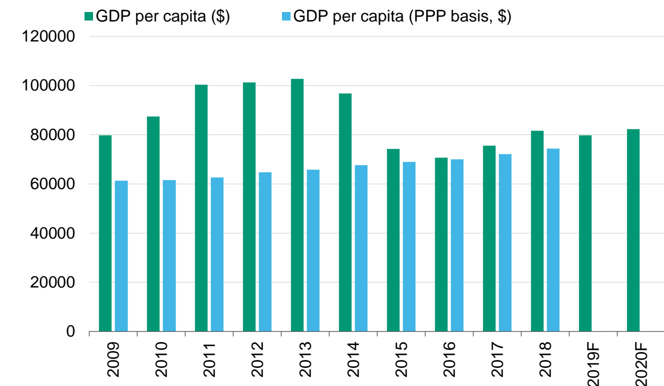
Source: Moody's Investors Service

Exhibit 32
Investment and saving



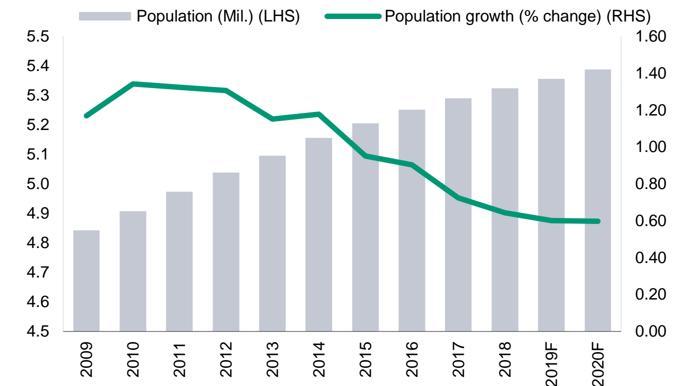
Source: Moody's Investors Service

Exhibit 33
National income



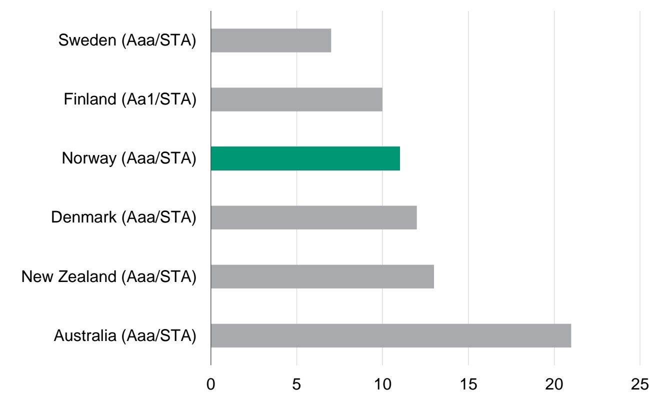
Source: Moody's Investors Service

Exhibit 34
Population



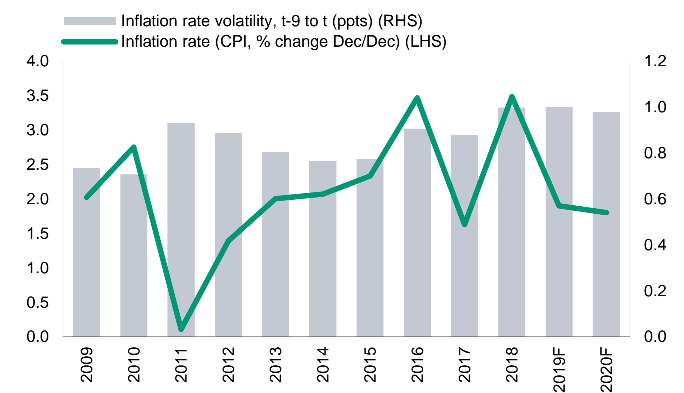
Source: Moody's Investors Service

Exhibit 35
Global Competitiveness Index
Rank 11 out of 138 countries



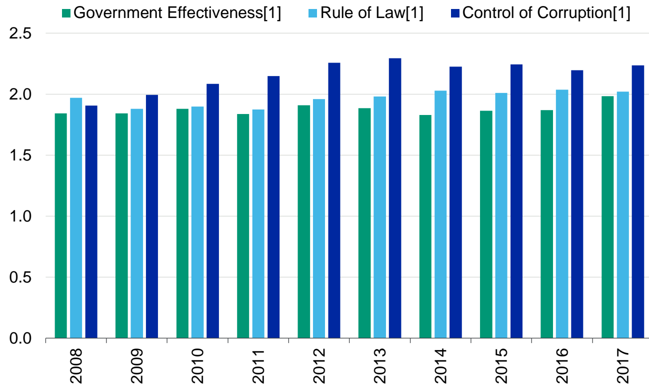
Source: World Economic Forum

Exhibit 36
Inflation and inflation volatility



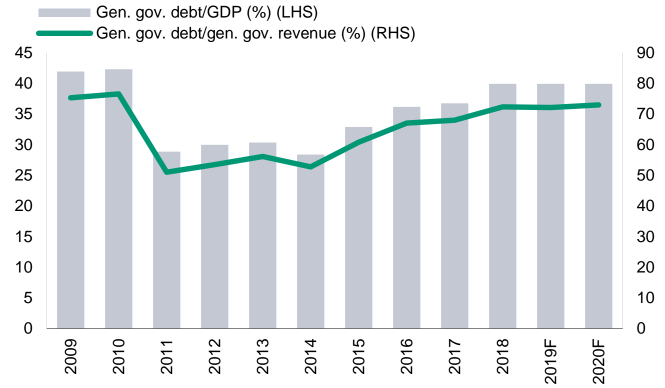
Source: Moody's Investors Service

Exhibit 37
Institutional framework and effectiveness



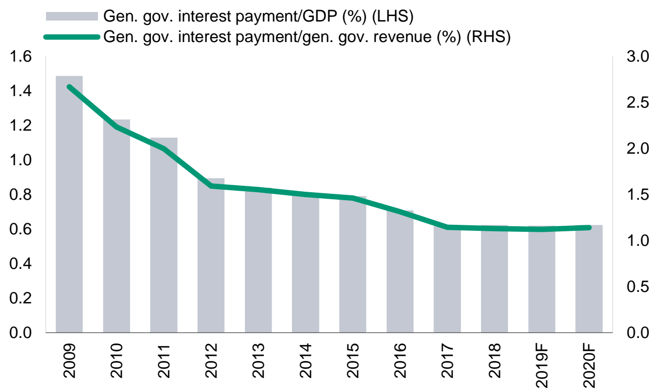
Notes: [1] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions.
Source: Worldwide Governance Indicators

Exhibit 38
Debt burden



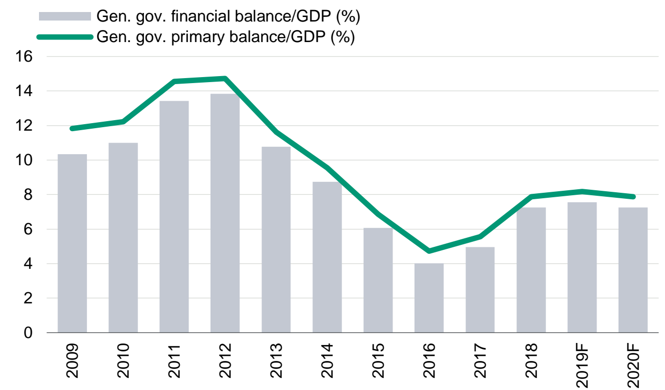
Source: Moody's Investors Service

Exhibit 39
Debt affordability



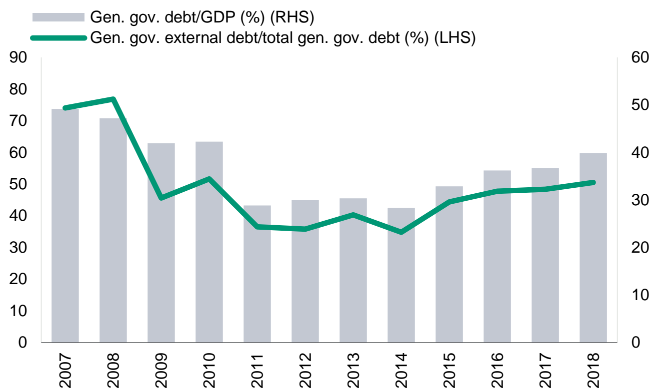
Source: Moody's Investors Service

Exhibit 40
Financial balance



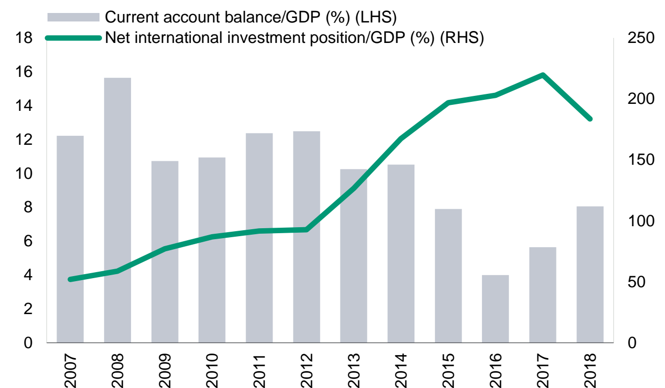
Source: Moody's Investors Service

Exhibit 41
Government liquidity risk



Source: Moody's Investors Service

Exhibit 42
External vulnerability risk



Source: Moody's Investors Service

Rating history

Exhibit 43

Norway[1]

Long Term Ratings		Outlook	Review Action		Short Term Ratings		Action Date
Foreign Currency	Local Currency		Foreign Currency	Local Currency	Foreign Currency	Local Currency	
Aaa	Aaa	STA	-	-	-	-	Nov-03
Aaa	Aaa	-	-	-	-	-	Sep-97
Aa1	Aaa	-	-	-	-	-	Aug-95
Aa1	-	-	-	-	-	-	Jul-87
Aaa	-	-	-	-	-	-	Jan-78

Notes: [1] Table excludes rating affirmations. Please visit the issuer page for Norway for the full rating history.
Source: Moody's Investors Service

Annual statistics

Exhibit 44
Norway

Norway

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019F	2020F
Economic structure and performance												
Nominal GDP (US$ bil.)	386.6	429.1	498.8	510.2	523.5	499.3	386.7	371.3	399.5	434.8	427.4	443.5
Population (Mil.)	4.8	4.9	5.0	5.0	5.1	5.2	5.2	5.3	5.3	5.3	5.4	5.4
GDP per capita (US$)	79,831	87,435	100,308	101,276	102,728	96,846	74,287	70,705	75,518	81,659	79,804	82,318
GDP per capita (PPP basis, US$)	61,277	61,587	62,656	64,748	65,812	67,584	68,998	69,952	72,170	74,356	--	--
Nominal GDP (% change, local currency)	-6.8	6.7	7.8	6.2	3.6	2.3	-0.9	0.0	5.9	7.0	5.1	3.8
Real GDP (% change)	-1.7	0.7	1.0	2.7	1.0	2.0	2.0	1.2	2.0	1.4	2.3	1.8
Inflation (CPI, % change Dec/Dec)	2.0	2.8	0.1	1.4	2.0	2.1	2.3	3.5	1.6	3.5	1.9	1.8
Unemployment rate (%)	3.3	3.8	3.4	3.3	3.8	3.6	4.5	4.7	4.2	3.9	3.7	3.6
Gross investment/GDP	24.7	25.4	25.9	26.5	27.9	28.1	27.6	28.7	28.2	27.6	27.8	27.7
Gross domestic saving/GDP	36.1	36.7	38.8	39.5	38.7	37.1	33.2	30.4	31.3	33.1	33.2	33.3
Nominal exports of G & S (% change, US$ basis)	-28.6	12.5	20.6	0.7	-1.0	-5.5	-24.7	-10.3	10.6	14.3	-1.6	5.0
Nominal imports of G & S (% change, US$ basis)	-19.8	13.7	15.8	-0.7	5.6	0.2	-16.6	0.5	5.9	7.1	-1.1	4.6
Real exports of G & S (% change)	-4.1	0.6	-0.8	1.6	-1.7	3.1	4.7	1.1	-0.2	-0.7	2.4	3.1
Real imports of G & S (% change)	-10.3	8.4	3.9	3.0	5.0	2.4	1.6	3.3	1.6	0.6	2.9	2.7
Net exports of goods & services/GDP	11.4	11.3	12.9	13.0	10.8	9.0	5.6	1.6	3.2	5.5	5.4	5.5
Openness of the economy[1]	67.0	68.2	69.6	68.1	67.5	68.6	69.8	68.8	69.3	70.6	70.8	71.5
Government Effectiveness[2]	1.8	1.9	1.8	1.9	1.9	1.8	1.9	1.9	2.0	--	--	--
Government finance												
Gen. gov. revenue/GDP	55.7	55.3	56.5	56.1	54.1	53.8	54.1	53.9	54.1	55.2	55.3	54.6
Gen. gov. expenditures/GDP	45.4	44.3	43.1	42.3	43.3	45.1	48.0	49.9	49.1	47.9	47.8	47.4
Gen. gov. financial balance/GDP	10.3	11.0	13.4	13.8	10.8	8.7	6.1	4.0	4.9	7.3	7.5	7.2
Gen. gov. primary balance/GDP	11.8	12.2	14.6	14.7	11.6	9.6	6.9	4.7	5.6	7.9	8.2	7.9
Gen. gov. debt (US$ bil.)[3]	176.4	187.3	134.6	159.8	153.5	120.3	116.3	130.9	147.9	162.4	170.5	177.0
Gen. gov. debt/GDP[3]	41.9	42.3	28.8	30.0	30.4	28.4	32.9	36.2	36.8	39.9	39.9	39.9
Gen. gov. debt/gen. gov. revenue[3]	75.3	76.6	51.0	53.5	56.1	52.8	60.8	67.0	68.0	72.3	72.1	73.0
Gen. gov. interest payments/gen. gov. revenue	2.7	2.2	2.0	1.6	1.6	1.5	1.5	1.3	1.1	1.1	1.2	1.2
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	5.8	5.9	6.0	5.6	6.1	7.4	8.8	8.6	8.2	8.7	8.7	8.7
Real eff. exchange rate (% change)	-0.5	7.9	4.3	0.7	-1.9	-2.9	-9.5	-1.0	3.2	2.0	--	--
Relative unit labor cost	97.7	104.3	109.9	113.0	113.3	108.9	100.0	96.7	96.9	97.2	--	--
Current account balance (US$ bil.)	41.5	47.0	61.7	63.7	53.7	52.5	30.6	14.8	22.5	35.0	31.6	31.8
Current account balance/GDP	10.7	10.9	12.4	12.5	10.3	10.5	7.9	4.0	5.6	8.1	7.4	7.2
Net foreign direct investment/GDP	-0.6	-2.0	-0.5	0.2	-2.5	-4.2	-4.0	-6.7	0.4	-4.8	-6.2	-4.7
Net international investment position/GDP	77.0	86.9	91.6	92.6	126.6	167.4	196.9	203.1	219.6	183.5	--	--
Official forex reserves (US$ bil.)	45.7	49.7	45.6	48.0	54.6	61.6	54.6	57.9	63.0	60.2	59.8	59.8

[1] Sum of Exports and Imports of Goods and Services / GDP
[2] Composite index with values from about -2.50 to 2.50; higher values suggest greater maturity and responsiveness of government institutions
[3] Data until 2013 reported under ESA95; ESA2010 from 2014 onwards. Includes liabilities associated with repurchase and re-sale agreements of securities used in the administration of Norway's sovereign wealth fund, as required by ESA accounting
Source: Moody's Investors Service

Moody's related publications

- **Country Statistics:** Norway, Government of, 3 June 2019
- **Credit Opinion**: Government of Norway – Aaa stable: Regular Update, 28 May 2019
- **Banking**: Norway Macro Profile: Very Strong, 24 January 2019
- **Issuer Comment**: 2019 budget addresses longer-term credit challenges amid firmer economic and fiscal outlook, a credit positive, 11 October 2018
- **Rating Action**: Moody's affirms Norway's Aaa ratings; maintains stable outlook, 15 June 2018
- **Rating Methodology**: Sovereign Bond Ratings, 27 November 2018

To access any of these reports, click on the entry above. Note that these references are current as of the date of publication of this report and that more recent reports may be available. All research may not be available to all clients.

Related websites and information sources

- Sovereign risk group web page
- Sovereign ratings list
- Norges Bank
- Statistics Norway
- Ministry of Finance of Norway

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Endnotes

1 Norges Bank's regional network report is a cyclical survey that comprises approximately 1500 companies, organizations, municipalities, hospitals and other public institutions.

2 Total inflow of capital adjusted for accrued, not paid, management fees.

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