

Kingdom of Norway

Rating report

Rating rationale

Wealthy and resilient economy: Norway demonstrated significant economic resilience during the Covid-19 pandemic and the energy crisis following the escalation of the Russia-Ukraine war. Economic growth slowed in 2023 as high inflation resulted in negative real wage growth while high interest rates increased borrowing costs for firms and households, dampening consumer spending and investment. GDP growth is expected to rise from 0.5% in 2023 to 1.2% in 2024 and 2.0% in 2025 before converging towards Norway’s growth potential of around 1.8%.

Large net public asset position: Norway benefits from a significant net public asset position. This is driven by savings accumulated through the sovereign wealth fund, the Government Pension Fund Global (GPF), which held total assets of USD 1.62tn as of March 2024 (around 440% of mainland GDP in 2023).

Strong fiscal, monetary and financial governance: A strong fiscal, monetary and financial governance framework supports Norway’s crisis resilience. The country also benefits from low central government debt issued solely to finance capital expenditure, and institutional strengths as a mature economy with one of the world’s highest income per capita.

Rating challenges include: i) high household debt and imbalances in the commercial real estate sector where the large share of banks’ exposures could result in significant losses in a stressed scenario; and ii) the long-term transition to a non-commodity-dependent economy, which exposes Norway to stranded asset risks.

Figure 1: Norway’s sovereign rating drivers

Risk pillars		Quantitative		Reserve currency*	Political risk**	Qualitative***	Final rating
		Weight	Indicative rating	Notches	Notches	Notches	
Domestic economic risk		35%	aaa	NOK	Norway	1/3	AAA
Public finance risk		20%	aaa			3/3	
External economic risk		10%	aaa			1/3	
Financial stability risk		10%	aaa			0	
ESG risk	Environmental factors	5%	aa+	[+0]	[-0]	0	
	Social factors	7.5%	bbb			1/3	
	Governance factors	12.5%	aaa			1/3	
Sovereign Quantitative Model		aaa				+2	
Additional considerations						0	

*The reserve-currency quantitative adjustment applies to currencies in the IMF’s Special Drawing Rights (SDR) basket.

**The political-risk quantitative adjustment is based on the World Bank’s Political Stability & Absence of Violence/Terrorism index.

***The qualitative scorecard analyst adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope’s [Sovereign Rating Methodology](#). Source: Scope Ratings.

Foreign currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

Local currency

Long-term issuer rating/Outlook

AAA/Stable

Senior unsecured debt

AAA/Stable

Short-term issuer rating/Outlook

S-1+/Stable

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Credit strengths and challenges

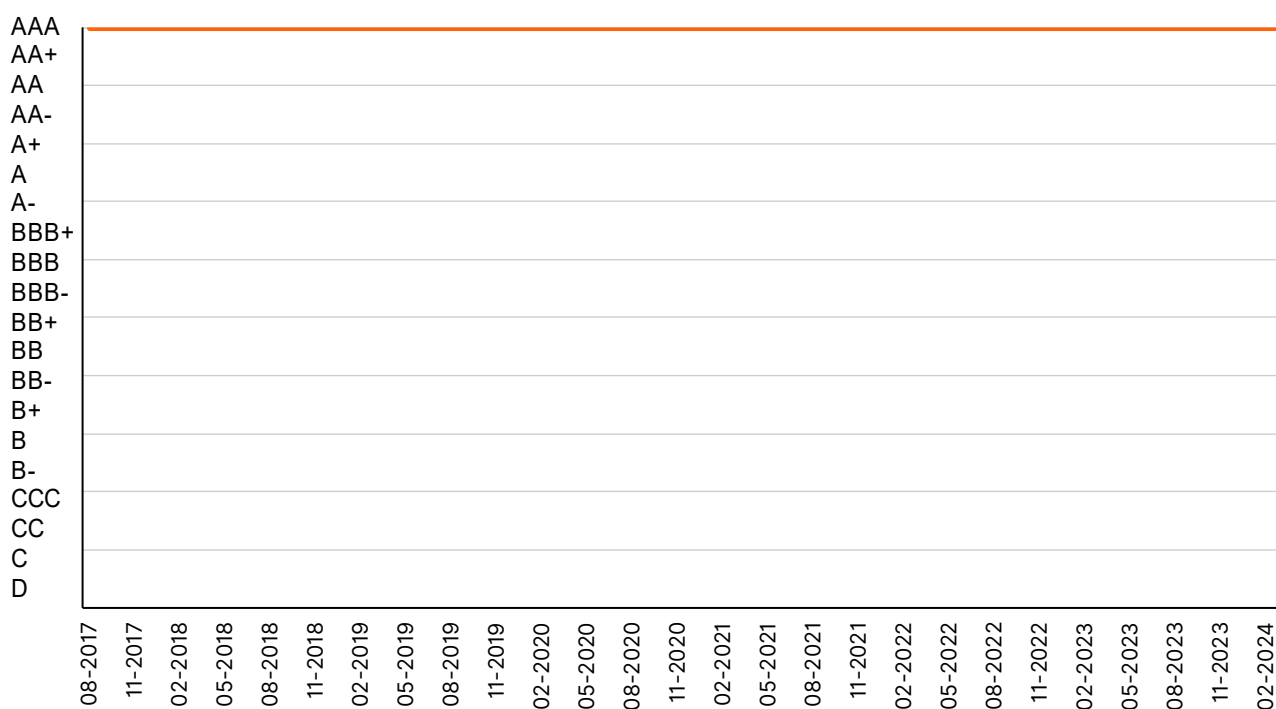
Credit strengths	Credit challenges
<ul style="list-style-type: none"> Wealthy and resilient economy, supported by large general government surpluses Large net public asset position Strong fiscal, monetary and financial governance institutions 	<ul style="list-style-type: none"> High household debt and imbalances in the real estate sector Transition risk from high reliance on oil and gas

Outlook and rating triggers

The Stable Outlook reflects Scope’s view that risks to the ratings are balanced.

Positive rating-change drivers	Negative rating-change drivers
<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Weaker macroeconomic policy threatening long-term net public and external asset positions Financial crisis damaging Norway’s government and financial system balance sheets

Figure 2: Rating history¹



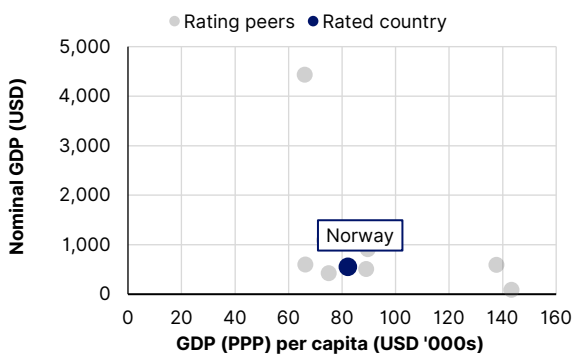
¹Foreign-currency long-term issuer rating. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment. Source: Scope Ratings.

Domestic economic risk

Overview of Scope's assessments of Norway's Domestic Economic Risk

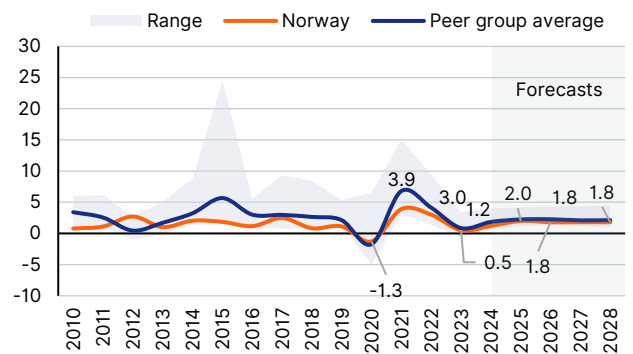
SQM* indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential and outlook	Neutral	0	Moderate growth potential
	Monetary policy framework	Strong	+1/3	Credible and effective central bank
	Macroeconomic stability and sustainability	Neutral	0	Favourable business environment and highly skilled labour force; relatively weak economic diversification; exposure to economic volatility because of oil sector

Figure 3: Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Figure 4: Real GDP growth, %



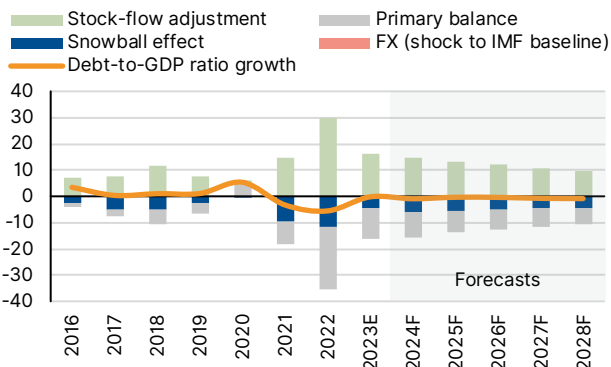
Source: IMF WEO, Scope Ratings forecasts

Public finance risk

Overview of Scope's assessments of Norway's Public Finance Risk

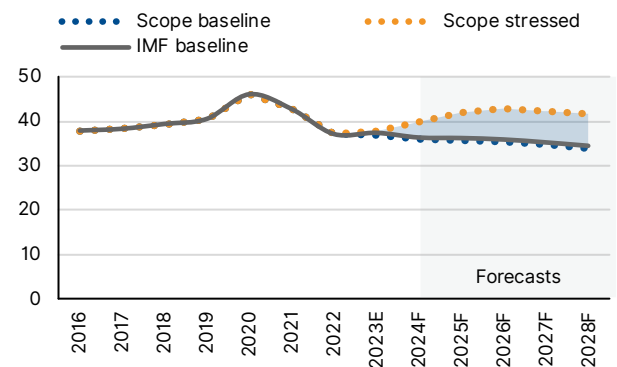
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Strong	+1/3	Very strong fiscal framework supported by large sovereign wealth fund
	Long-term debt trajectory	Strong	+1/3	Debt trajectory very resilient to severe scenarios
	Debt profile and market access	Strong	+1/3	Sizeable sovereign wealth fund, excellent market access, low government financing costs

Figure 5: Contributions to change in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Figure 6: Debt-to-GDP forecasts, % of GDP



Source: IMF WEO, Scope Ratings forecasts

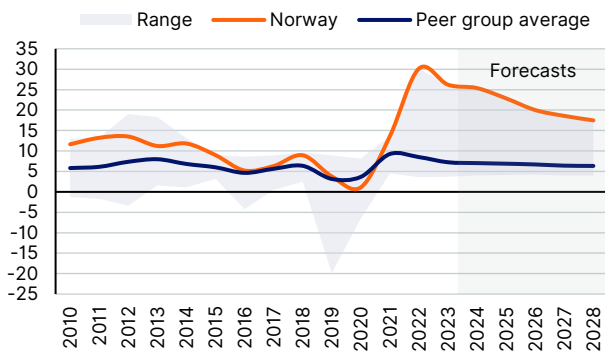
*Sovereign Quantitative Model.

External economic risk

Overview of Scope's assessments of Norway's External Economic Risk

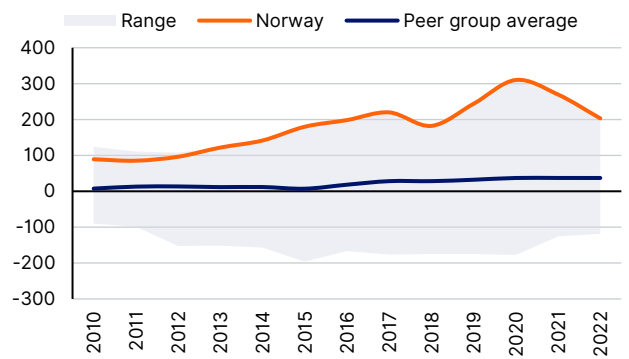
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Neutral	0	Current account balance expected to remain high, but reliance on oil exports exposes current account to volatility
	External debt structure	Neutral	0	High external debt, in line with that of peers
	Resilience to short-term external shocks	Strong	+1/3	Very robust external creditor position, anchored by external assets of sovereign fund

Figure 7: Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Figure 8: Net international investment position (NIIP), % GDP



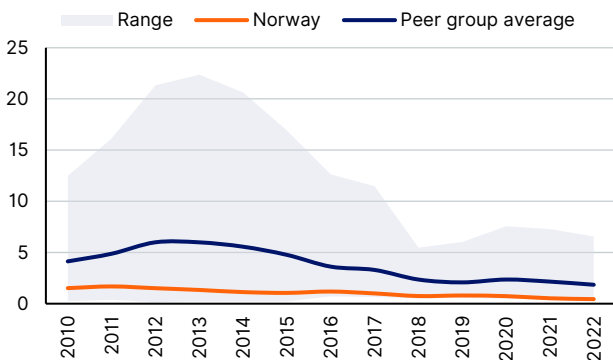
Source: IMF, Scope Ratings

Financial stability risk

Overview of Scope's assessments of Norway's Financial Stability Risk

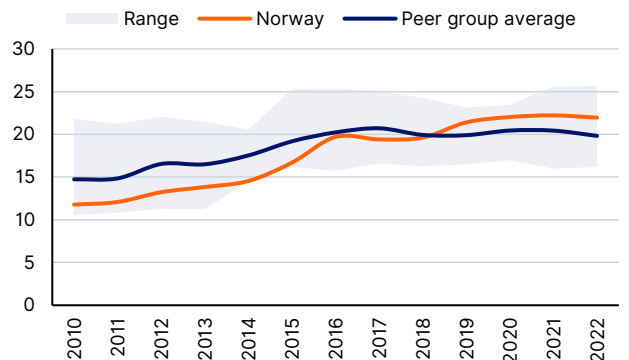
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	High capitalisation and profitability, low non-performing loans, but high exposure to commercial real estate
	Financial sector oversight and governance	Neutral	0	Prudent oversight under Norges Bank and the FSA, with the finance ministry responsible for implementation of macroprudential policy
	Financial imbalances	Neutral	0	High household indebtedness and high exposure to changes in real estate market in line with peers; high interconnectedness in the financial system

Figure 9: Non-performing loans, % of total loans



Source: World Bank (WB), Scope Ratings

Figure 10: Tier 1 capital, % of risk-weighted assets



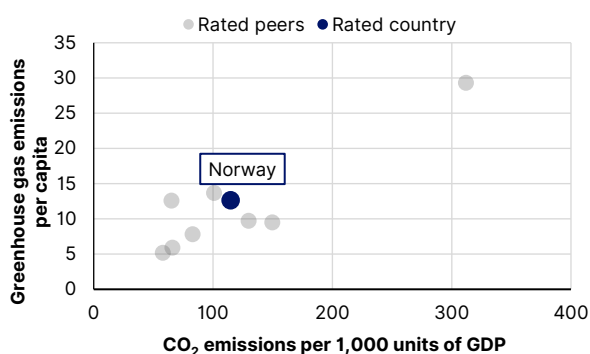
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) risk

Overview of Scope's assessments of Norway's ESG Risk

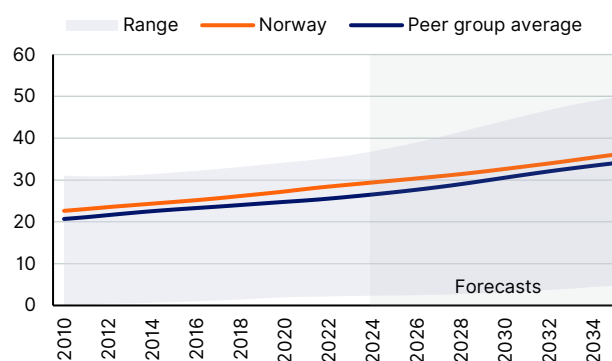
SQM indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Environmental factors	Neutral	0	High but well-managed transition risks to a post-oil economy
	Social factors	Strong	+1/3	Favourable demographics relative to peers and strong social safety nets, inclusive labour market
	Governance factors	Strong	+1/3	High-quality institutions and stable political environment

Figure 11: CO₂ emissions per GDP, mtCO₂e



Source: European Commission (EC), Scope Ratings

Figure 12: Old-age dependency ratio, %



Source: United Nations (UN), Scope Ratings

Reserve-currency adjustment

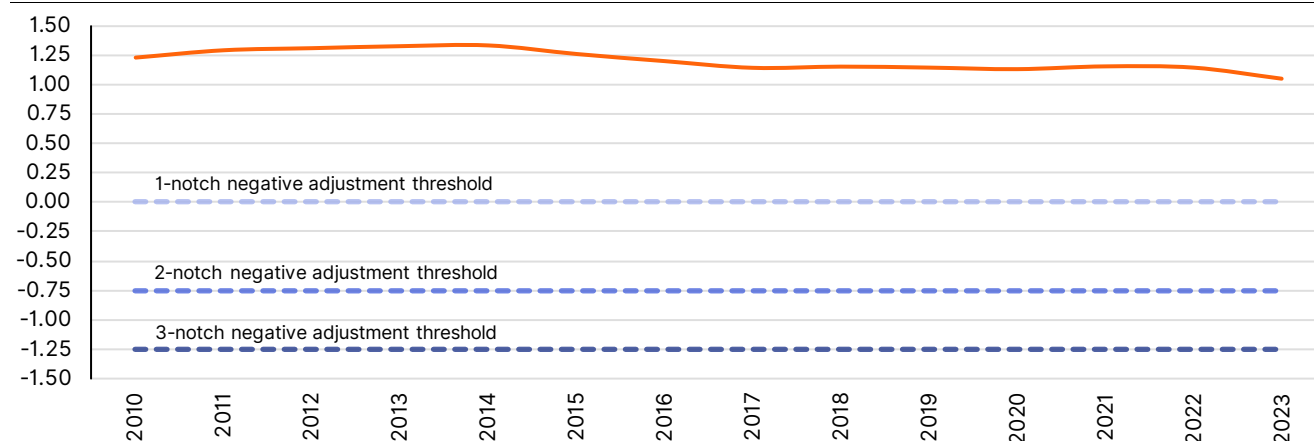
Figure 13: IMF SDR basket and Scope reserve-currency adjustment

Currency	U.S. dollar	Euro	Chinese yuan	Japanese yen	Pound sterling	Other
IMF SDR basket weights, %	43.4	29.3	12.3	7.6	7.4	0.0
Positive adjustment, notches	3	1	1	1	1	0

Source: IMF, Scope Ratings

Political-risk adjustment

Figure 14: WB Political Stability & Absence of Violence/Terrorism index, Norway, 3-year moving average



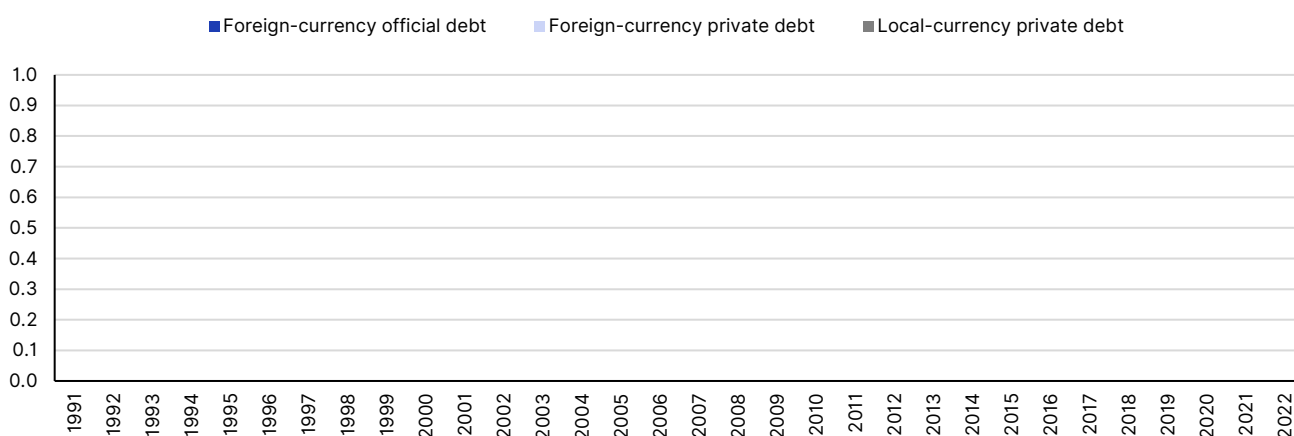
Source: WB, Scope Ratings

Additional considerations

No adjustment was applied to the rating from additional considerations.

Appendix I. Sovereign default history

Figure 15: Sovereign default history, USD m



Depicted private-debt defaults may not always constitute a credit event under [Scope's credit-rating definitions](#).
 Source: [Bank of Canada–Bank of England Sovereign Default Database](#), Scope Ratings.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's sovereign quantitative model after accounting for methodological reserve-currency and political-risk adjustments.

Peer group*
Denmark
Germany
Ireland
Luxembourg
Netherlands
Sweden
Switzerland

*Publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix III. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bp) as of 21 March 2024

9.0

Appendix IV. Statistical table for selected SQM indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of five indicators) used in Scope's quantitative model, in line with Scope's Sovereign Rating Methodology. The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2018	2019	2020	2021	2022	2023
Domestic Economic	GDP per capita (PPP), USD '000s	IMF	65.0	66.5	66.1	71.4	78.0	82.2
	Nominal GDP, USD bn	IMF	440	409	368	490	579	547
	Real growth, %	IMF	0.8	1.1	-1.3	3.9	3.3	2.3
	CPI inflation, %	IMF	2.8	2.2	1.3	3.5	5.8	5.8
	Unemployment rate, %	WB	3.8	3.7	4.4	4.4	3.2	-
Public Finance	Public debt, % of GDP	IMF	39.4	40.6	46.1	42.8	37.1	37.4
	Net interest payment, % of government revenue	IMF	-3.9	-3.6	-3.7	-2.2	-2.3	-8.0
	Primary balance, % of GDP	IMF	5.7	4.5	-4.6	8.7	23.9	10.7
External Economic	Current-account balance, % of GDP	IMF	9.0	3.8	1.1	13.6	30.2	26.2
	Total reserves, months of imports	WB	4.4	4.7	6.5	5.7	4.5	-
	NIIP, % of GDP	IMF	182.3	244.0	310.2	269.6	203.2	-
Financial Stability	NPL ratio, % of total loans	IMF	0.7	0.8	0.7	0.5	0.4	-
	Tier 1 ratio, % of risk-weighted assets	IMF	19.3	19.5	20.2	22.2	21.4	21.7
	Credit to the private sector, % of GDP	WB	142.5	149.4	163.5	141.2	113.5	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	133.1	128.4	126.4	124.1	114.9	-
	Income share of bottom 50%, %	WID	22.9	23.7	25.8	27.5	27.5	-
	Labour-force participation rate, %	WB	77.8	78.2	78.1	79.9	-	-
	Old-age dependency ratio, %	UN	26.2	26.7	27.3	27.9	28.4	28.9
	Composite governance indicators*	WB	1.9	1.9	1.9	1.8	1.8	-
	Political stability, index	WB	1.1	1.1	1.2	1.1	0.9	-

*Average of the following five World Bank Worldwide Governance Indicators: *Control of Corruption, Voice and Accountability, Rule of Law, Government Effectiveness, Regulatory Quality*.

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