

Kingdom of Norway

Rating Report


AAA
 STABLE
 OUTLOOK

Credit strengths

- Wealthy and resilient economy
- Large net public asset position
- Strong fiscal, monetary and financial governance institutions

Credit challenges

- High household debt and imbalances in the real estate sector
- Transition risk from high reliance on oil and gas

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. The economy is around 5% larger compared to pre-pandemic levels as of Q2 2023. High inflation is expected to result in slow growth during the second half of 2023 with annual growth reaching 1.2% and falling to 0.8% in 2024 before returning to a medium run average of 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 has total assets of USD 1.42tn (more than four times mainland GDP in 2022).

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 residential and commercial real estate sectors; and ii) the long-term transition to a non-commodity-dependent economy, which exposes Norway to stranded asset risks.

Norway's sovereign rating drivers

Risk pillars	Quantitative		Reserve currency	Qualitative*	Final rating	
	Weight	Indicative rating	Notches	Notches		
Domestic Economic Risk	35%	aaa	NOK [+0]	+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
	Social Factors	7.5%		bbb+		+1/3
	Governance Factors	12.5%		aaa		+1/3
Indicative outcome		aaa		+2		
Additional considerations				0		

Note: The qualitative scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. The reserve currency adjustment applies to currencies in the IMF's SDR basket. For details, please see Scope's [Sovereign Rating Methodology](#). Source: Scope Ratings

Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced.

Positive rating-change drivers

- N/A

Negative rating-change drivers

- Weaker macroeconomic policy threatening long-term net public and external asset positions
- Financial crisis damaging Norway's government and financial system balance sheets

Ratings and Outlook

Foreign currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

Local currency

Long-term issuer rating	AAA/Stable
Senior unsecured debt	AAA/Stable
Short-term issuer rating	S-1+/Stable

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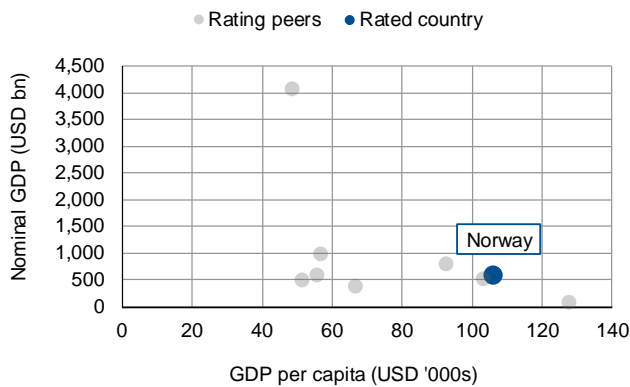
Bloomberg: RESP SCOP

Domestic Economic Risk

Overview of Scope's qualitative assessments for Norway's *Domestic Economic Risk*

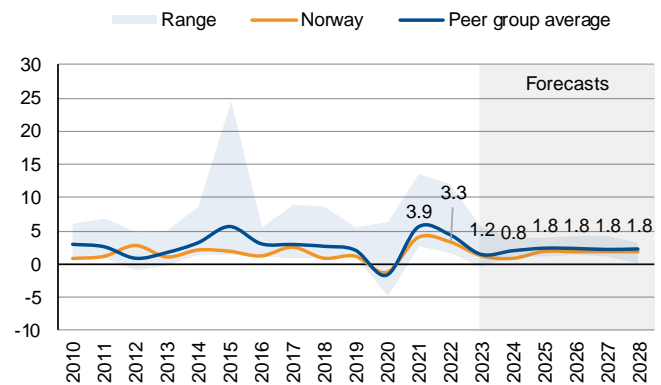
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Growth potential of the economy	Neutral	0	Moderate growth potential
	Monetary policy framework	Strong	+1/3	Credible and effective central bank
	Macro-economic stability and sustainability	Neutral	0	Favourable business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

Nominal GDP and GDP per capita



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

Real GDP growth, %



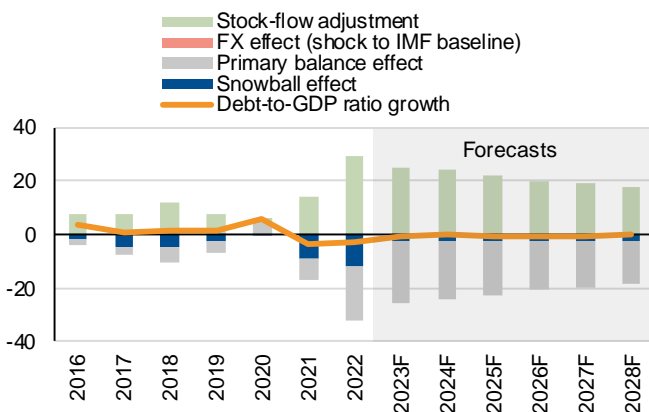
Source: IMF WEO, Scope Ratings forecasts

Public Finance Risk

Overview of Scope's qualitative assessments for Norway's *Public Finance Risk*

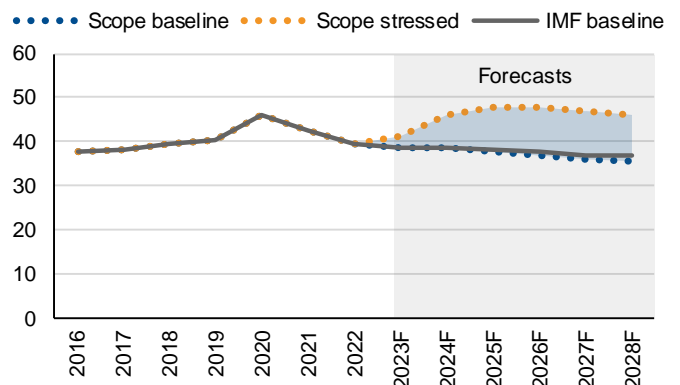
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Fiscal policy framework	Strong	+1/3	Very strong fiscal framework supported by large sovereign wealth fund
	Debt sustainability	Strong	+1/3	Debt trajectory very resilient to severe scenarios
	Debt profile and market access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

Contributions to changes in debt levels, pp of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



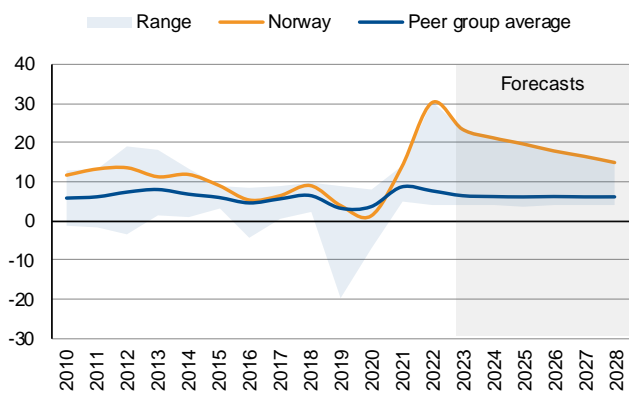
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

Overview of Scope's qualitative assessments for Norway's *External Economic Risk*

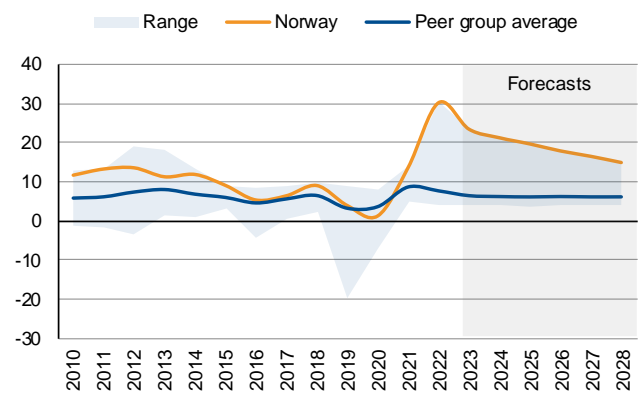
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Current account resilience	Neutral	0	Current account balance expected to remain high, but reliance on oil exports exposes current account to volatility
	External debt structure	Neutral	0	High external debt, in line with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

Current account balance, % of GDP



Source: IMF WEO, Scope Ratings

Net international investment position (NIIP), % of GDP



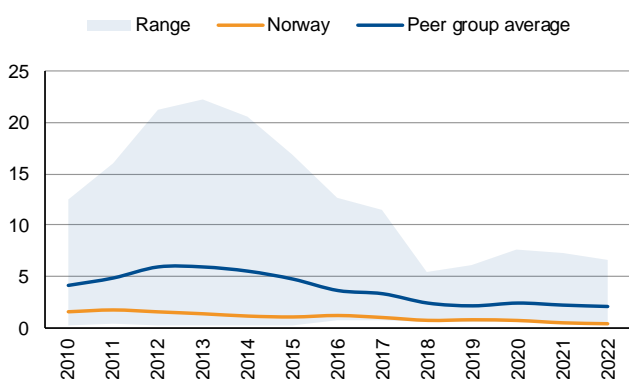
Source: IMF, Scope Ratings

Financial Stability Risk

Overview of Scope's qualitative assessments for Norway's *Financial Stability Risk*

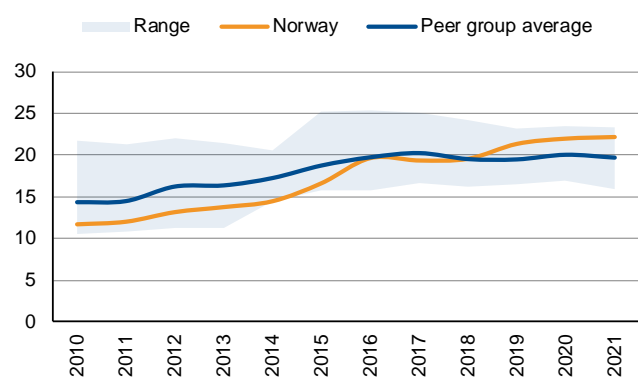
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Banking sector performance	Neutral	0	High capitalisation and profitability, low non-performing loans, but high exposure to commercial real estate
	Banking sector oversight	Neutral	0	Prudent oversight under Norges Bank 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

Non-performing loans (NPLs), % of total loans



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



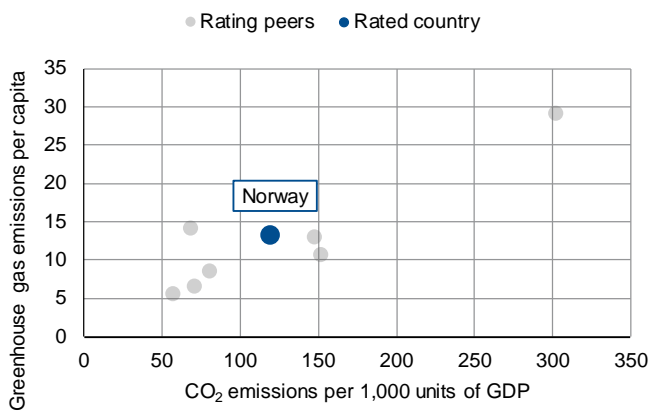
Source: IMF, Scope Ratings

ESG Risk

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

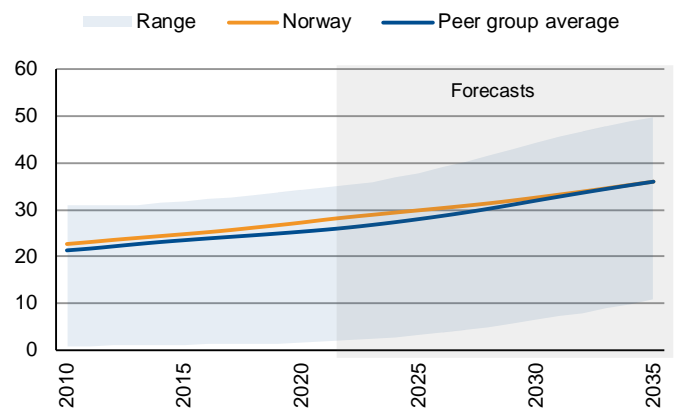
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
aaa	Environmental factors	Neutral	0	High but well-managed transition risks to a post-oil economy
	Social factors	Strong	+1/3	Favourable demographics relative to peers and strong social safety nets, inclusive labour market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

CO₂ emissions per GDP, mtCO₂e



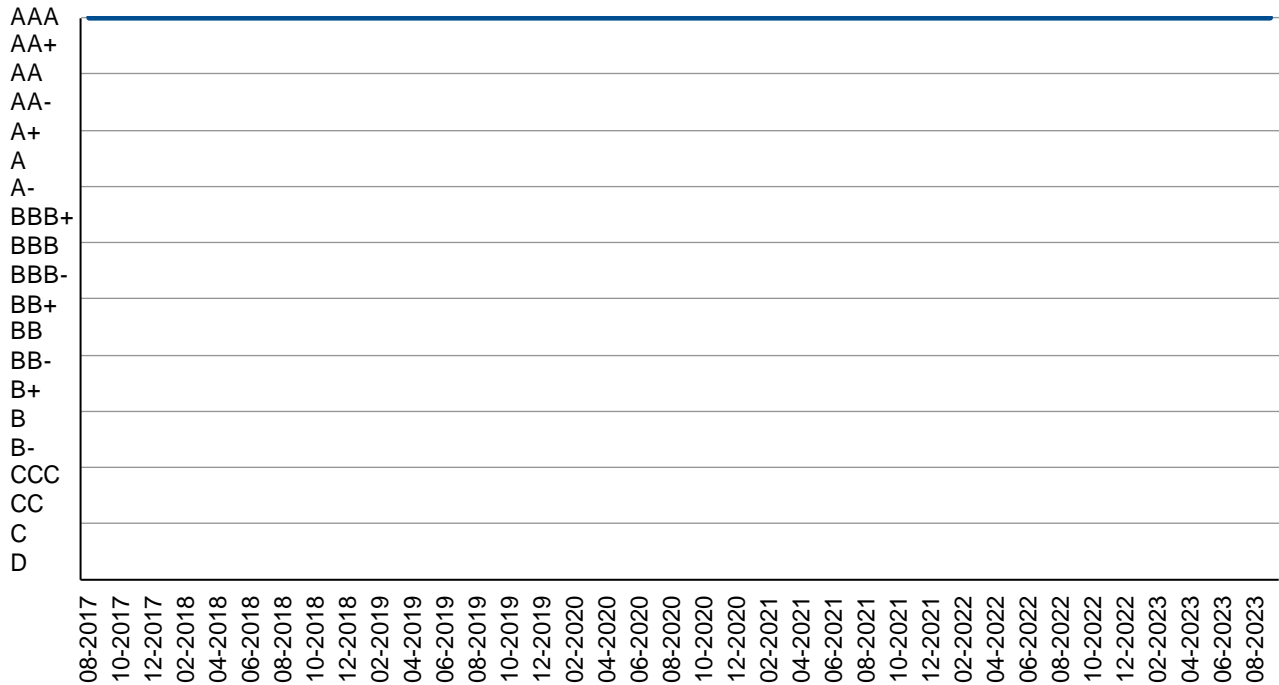
Source: European Commission, Scope Ratings

Old age dependency ratio, %



Source: United Nations, Scope Ratings

Appendix I. Rating history



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, with Scope's core variable scorecard embedding a methodological reserve-currency adjustment.

Peer group*
Denmark
Germany
Ireland
Luxembourg
Netherlands
Sweden
Switzerland

Publicly rated sovereigns only; the full sample may be larger.

Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, in line with Scope's [Sovereign Rating Methodology](#). The metrics and sources for the data presented here ensure comparability across global peers and may therefore differ from national and other selective international statistics.

Pillar	Core variable	Source	2018	2019	2020	2021	2022
Domestic Economic	GDP per capita, USD '000s	IMF	82.8	76.5	68.4	90.8	106.3
	Nominal GDP, USD bn	IMF	439.8	408.7	367.6	490.3	579.3
	Real growth, %	IMF	0.8	1.1	-1.3	3.9	3.3
	CPI inflation, %	IMF	2.8	2.2	1.3	3.5	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	42.7	39.6
	Net interest payment, % of revenue	IMF	-3.9	-3.6	-3.7	-2.0	-2.8
	Primary balance, % of GDP	IMF	5.7	4.5	-4.6	8.2	20.7
External Economic	Current-account balance, % of GDP	IMF	9.0	3.8	1.1	13.6	30.4
	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	204.1
Financial Stability	NPL ratio, % of total loans	IMF	0.7	0.8	0.7	0.5	-
	Tier 1 ratio, % of risk-weighted assets	IMF	19.3	19.5	20.2	22.2	21.4
	Credit to the private sector, % of GDP	WB	142.5	149.4	163.5	141.2	113.6
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	133.4	125.9	121.9	119.1	-
	Income share of bottom 50%, %	WID	23.8	24.6	24.9	24.9	-
	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
	Composite governance indicators*	WB	1.8	1.8	1.8	1.7	-

Average of the six World Bank Worldwide Governance Indicators.

Appendix IV. Economic development and default indicators

IMF Development Classification

5y USD CDS spread (bps) as of 28 September 2023

Emerging market and developing economy

13.1



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