MOODY'S RATINGS

CREDIT OPINION
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Update

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Government of Norway – Aaa stable

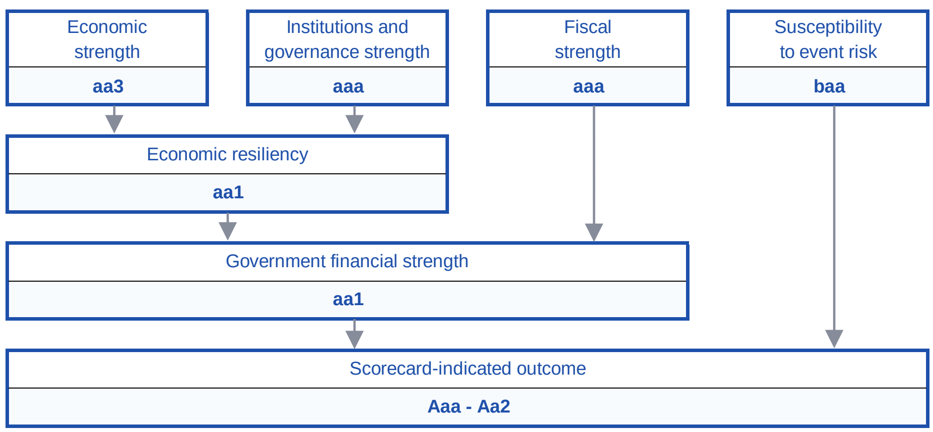
Regular update

Summary

Our credit view of Norway reflects its high and relatively evenly distributed wealth, well-educated labour force, very strong government and external balance sheets as well as the consensus-driven political framework. Norway's institutions are robust and proactively respond to both short-term and long-term risks. The country's strong social safety net is another stabilizing factor as it limits susceptibility to social risks. The government's balance sheet is supported by Norway's very large sovereign wealth fund, the Government Pension Fund Global (GPFG), that ensures substantial fiscal flexibility to respond to any shock.

The country's moderate susceptibility to event risk is driven by geopolitical risks due to Russia's war in Ukraine (Ca stable) and the disengagement of the United States (US, Aa1 stable) from its broader historic role of ultimate guarantor of European security.

Exhibit 1
Norway's credit profile is determined by four factors



Source: Moody's Ratings

Credit strengths

- The government's substantial fiscal buffer and track record of fiscal surpluses
- Very high and evenly distributed wealth that supports economic resilience
- A sound macro policy framework, a very strong social safety net and a stable, consensus-oriented political system

Credit challenges

- Dependence on oil and gas production and exports

» Adapting over the medium-to-long term to a steadily lower oil and gas output potential

» A heavily indebted household sector and elevated real estate prices

Rating outlook

The stable outlook reflects the absence of downward pressure on Norway's Aaa ratings. This is because Norway's exceptionally large fiscal buffers and very strong institutions allow for an effective fiscal and monetary policy response that significantly softens any economic impact of potential shocks whatever the source.

Moreover, we expect that Norway's authorities will successfully address via effective, forward looking policymaking the country's challenges related to vulnerabilities in the housing market amid high indebtedness of households, adverse demographic trends and a reduced contribution from the oil and gas sector to economic growth and government revenue over the medium-to-long-term. The production levels of oil and gas will likely start to gradually decrease in the late 2020s. Our baseline scenario does not assume a military confrontation between NATO and Russia.

Factors that could lead to a downgrade

The Aaa ratings would come under downward pressure in the unlikely scenario of a significant weakening of Norway's prudent macroeconomic, monetary and fiscal framework. This could come in combination with a large external shock which would lead to a material and multi-year erosion of Norway's accumulated, very sizeable fiscal buffers with a lasting negative impact on the country's economic and fiscal strength. A material deterioration of the regional security situation, significantly increasing geopolitical risks, would put downward pressure on Norway's stable outlook, too.

Key indicators

Exhibit 2

Norway [1]	2019	2020	2021	2022	2023	2024	2025F	2026F
Real GDP (% change)	1.1	-1.3	3.9	3.2	0.1	2.1	0.2	1.4
Mainland (non-oil) real GDP (% change)	2.3	-2.8	4.5	4.3	0.7	0.6	1.6	1.6
Inflation rate (% change average)	2.2	1.3	3.5	5.8	5.5	3.1	2.6	2.4
Gen. gov. financial balance/GDP (%)	6.5	-2.6	10.3	25.5	16.5	13.2	12.2	11.0
Gen. gov. primary balance/GDP (%)	7.2	-1.9	10.7	26.1	17.6	14.8	14.1	12.8
Gen. gov. debt/GDP (%)	39.9	45.2	41.3	36.3	44.5	55.1	54.8	54.1
Gen. gov. debt/revenues (%)	70.3	83.4	73.0	57.6	71.2	89.2	89.8	90.1
Gen. gov. interest payment/revenues (%)	1.2	1.2	0.7	0.8	1.7	2.5	3.1	2.9
Current Account Balance/GDP (%)	3.8	1.1	14.9	29.6	17.4	17.1	16.5	16.4

[1] Economic forecasts based on an assumed average price for the benchmark Brent crude oil of $67/b in 2025 and $65/b in 2026. Our broad expectations are that prices will remain volatile within a range of $55-$75/b in the medium term.

Source: Moody's Ratings

Detailed credit considerations

Norway's credit profile is determined by its economic strength score of "aa3", score for institutions and governance strength of "aaa", fiscal strength score of "aaa" and score for susceptibility to event risk of "baa".

We assess Norway's **economic strength** as "aa3," which is above the initial score of "a2". This reflects the country's highly competitive position in the oil and gas market, substantial support from the sizeable assets of the GPFG, which provides an additional form of economic diversification not captured in nominal GDP, and a large fiscal buffer to soften economic shocks.

Our assessment of economic strength also takes into account Norway's large economy, moderate volatility in real GDP growth, and a GDP per capita of 103,586 PPP (Intl$) in 2024, surpassing the Aaa-rated median of 81,705 PPP (Intl$). However, trend growth averages 1.4% over 2020-29, lower than the Aaa-rated median of 1.6%. Norway's strong competitiveness reflects its flexible wagesetting model and exchange rate, as well as the success of past cost-cutting efforts in the oil and gas sector. An efficient social safety net, which includes the provision of basic services, education, and healthcare, low economic inequality, and high social mobility, significantly reduces Norway's susceptibility to social risks.

Long-term growth challenges for Norway include its rapidly aging population, which will slow labor force growth, and exposure to the implications of the carbon transition. However, we view that carbon transition risks are effectively mitigated by the country's highly competitive and flexible mainland economy, the accumulation of oil and gas revenue in its sizeable sovereign wealth fund, and comparatively “clean” and competitive oil and gas production.

Norway's stable, consensus-oriented political framework and a track record of successive governments following prudent macroeconomic policy underpin our assessment of **institutions and governance strength** at “aaa,” the highest possible level. The efficient and transparent institutional framework provides a high degree of confidence in the government's ability to implement effective policies. In terms of quantitative indicators, Norway’s institutional setup is among the strongest globally.

We assess **fiscal strength** as “aaa,” supported by substantial financial assets amounting to 385% of GDP in 2024, mainly related to the GPFG and also including government deposits at the central bank. Under Norway's fiscal rule, all oil and gas-related revenues are transferred to the GPFG, with the government withdrawing only a small portion to finance the non-oil fiscal deficit, ensuring withdrawals remain in the long run equal to the estimated real return of the GPFG.

The central government only borrows to cover lending to and capital injections into state lending institutions like state banks and government lending schemes, to refinance or repay maturing debt and to contribute to maintaining and developing a well-functioning Norwegian financial market. In addition, liabilities associated with repurchase agreements (repos) in the GPFG are counted as loan debt, according to the ESA (European system of national and regional accounts) government finances methodology.

The GPFG is the largest sovereign wealth fund globally. The market value of the GPFG amounted to NOK 19,742 billion (380% of 2024 GDP) at the end of 2024, which was a 13.1% increase compared to the end of 2023. From 1998 to 2024, the fund achieved an annual return of 6.3% in its currency basket, with a net real return of 4.1%.

To avoid economic distortions such as asset price inflation and currency appreciation, the GPFG invests solely abroad. The rule governing withdrawals to finance the non-oil deficit was tightened, and the estimated real rate of return on the fund was reduced from 4% to 3%, effective from 2018. This adjustment decreases the amount that can typically be drawn from the fund for the budget, allowing for some flexibility over economic cycles.

Norway's **susceptibility to event risk** at “baa” is driven by geopolitical risks. Although Norway’s NATO membership is ultimately a guarantor of national security, the country also faces contagion risks from the Russia-Ukraine conflict as it is bound by NATO's collective defense clause to provide assistance to any other member state facing an attack. The disengagement of the US from its broader historic role of ultimate guarantor of European security further heightens geopolitical risks for European sovereigns, also driving pressure to raise defense spending.

Our baseline scenario does not assume a military confrontation between NATO and Russia, but we expect Russia will engage in hybrid warfare such as sabotage against energy and communications infrastructure affecting European sovereigns, particularly around the Baltic Sea. We also expect Russia to continue to interfere in domestic politics and the electoral process of many European sovereigns to sow disunity among them and NATO members.

We view domestic political risk as very low given Norway’s consensus-driven political framework, which has shown proactive measures in addressing long-term economic and fiscal challenges. Norway has a long history of stable coalition governments and far-reaching parliamentary cooperation. This consensus approach limits the risk of abrupt policy changes, irrespective of the ruling parties. In the 2021 parliamentary election, the centre-left Labour Party (Arbeiderpartiet) won against the centre-right Conservative Party (Høyre), which had been in power since 2013. The Labour Party and the Centre Party (Senterpartiet) formed a minority government, but the Centre Party left the two-party coalition in January 2025 due to disagreements over the EU’s fourth clean energy package. Since then, Prime Minister Jonas Støre's Labour Party governs alone in a minority government. The next parliamentary elections are scheduled for September 8, 2025. In the latest poll of polls, the Labour Party is leading with 30%, followed by the right-wing Progress Party (Fremskrittspartiet) with 20%, and the centre-right Conservative Party (Høyre) with 18%.

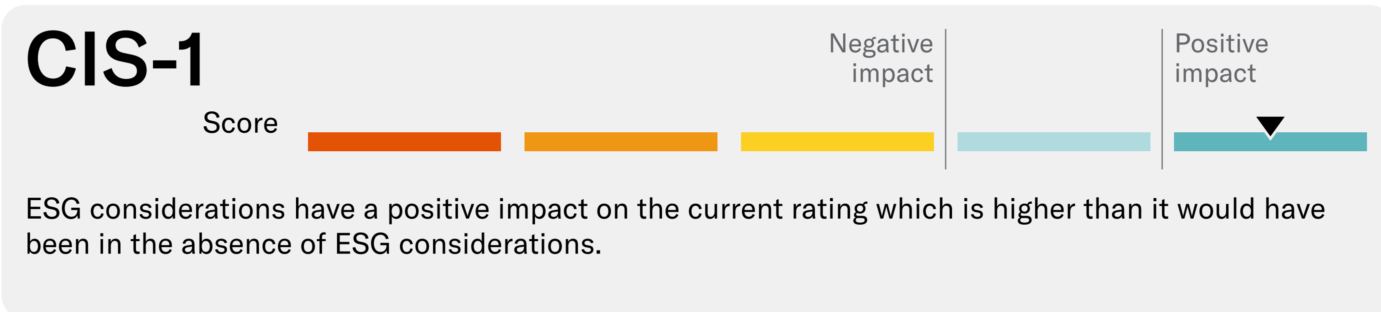
Our assessment of banking sector related risks is “a”. This reflects the intrinsic strength of Norway's banking sector, marked by a strong “a2” average asset-weighted Baseline Credit Assessment[1], as well as a total bank assets to GDP ratio of 170% as of year-end 2024.

We assess government liquidity risk and external vulnerability risk both as “aaa”. Low government gross financing needs and strong market access minimize government liquidity risks. Norway's consistently high structural current-account surplus, averaging about 11% of GDP over the past decade, coupled with a substantial and growing net international investment position, shields the country from external liquidity pressures.

ESG considerations

Norway's ESG credit impact score is CIS-1

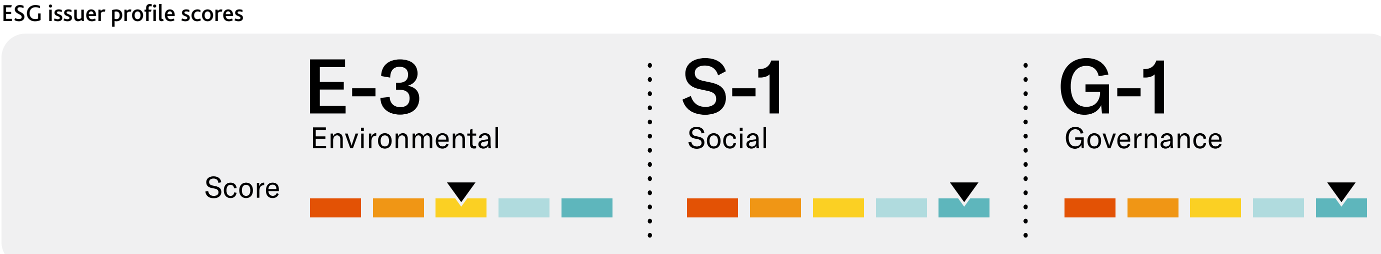
Exhibit 3
ESG credit impact score



Source: Moody's Ratings

Norway's **CIS-1** indicates that the credit rating is higher than it would have been in the absence of ESG considerations. This reflects the credit benefits stemming from its very stable social profile and very strong governance. In addition, Norway's capacity to respond to environmental hazards or social demands is very high. This reflects Norway's very high resilience based on the country's very high-income levels, its very large fiscal buffers in the form of its sovereign wealth fund asset and very high quality of governance.

Exhibit 4
ESG issuer profile scores



Source: Moody's Ratings

Environmental

Norway's overall **E-3** issuer profile score reflects the country's material dependence on its oil and gas sector and its exposure to the implications of carbon transition. The exposure to carbon transition is softened by the country's highly competitive and flexible mainland economy and by investment in comparatively clean oil and gas production. The country's exposure to physical climate risks, such as flooding, landslides and avalanches, stormwater, sea level rise and storm surges, is mitigated by significant investments in adaptation and resilience.

Social

Norway's **S-1** issuer profile score reflects a well-educated labor force, evenly distributed wealth and very good-quality healthcare and basic services. Public spending on education per pupil is one of the highest among European countries. Norway scores very strong on education outcome indicators (such as the Pisa test scores) and participation in lifelong learning is one of the highest among

European countries. Health and safety is supported by a strong universal healthcare system. Demographic challenges posed by its aging population to long-term economic growth are mitigated by sustained net immigration and high labor market participation rates. According to European Commission estimates, total ageing costs will steadily increase over the next decade, reaching 32.0% of GDP in 2034, up from 30.4% of GDP in 2024. Norway's sovereign wealth fund strengthens the government's ability to cope with the costs of this trend.

Governance

Norway's **G-1** issuer profile score reflects the country's efficient and very transparent institutional framework that provides a high degree of confidence in the authorities' ability to implement timely and effective policies in response to shocks. Coupled with exceptionally high wealth levels and financial strength, this supports a high degree of resilience. The transparency and management of Norway's sovereign wealth fund adhere to international best practices. The prudent, long-standing fiscal rule ensures that government withdrawals, over time, equate to the estimated real return of the sovereign wealth fund.

ESG Issuer Profile Scores and Credit Impact Scores for the rated entity/transaction are available on Moodys.com. In order to view the latest scores, please click here to go to the landing page for the entity/transaction on MDC and view the ESG Scores section.

All of these considerations are further discussed in the "Detailed credit considerations" section above. Our approach to ESG is explained in our report on how the scores depict varied and largely credit-negative impact of ESG factors and our cross-sector methodology General Principles for Assessing Environmental, Social and Governance Risks Methodology.

Recent developments

Economic growth will likely align with its trend rate in 2025-27

We forecast growth in the mainland economy (overall GDP excluding oil, gas, and ocean transport) to accelerate to around 1.5% in 2025-2027 after weak growth averaging 0.6% in 2023-2024. Key drivers will be robust private consumption driven by a strong labor market and a recovery of investments, particularly in construction, supported by improving financing conditions and additional defense spending.

Norges Bank will likely start to lower its key policy rate later this year related to a further, gradual moderation of consumer price inflation. Norges Bank launched its hiking cycle in September 2021 in response to rising inflation caused by the normalizing economy and increased its key policy rate in several steps from zero to 4.5% in December 2023. The interest rate level has not been adjusted since.

The external environment will gradually improve alongside a moderate pick-up in economic growth in key export markets. Following strong real growth in the oil and gas sector in 2024, which pushed overall GDP growth to 2.1%, this sector is expected to be a drag on growth due to the maturation of larger projects, leading to overall GDP growth of 0.2% in 2025. We expect that growth will resume in 2026, resulting in overall GDP growth averaging 1.4% in 2026-2027.

Downside risks to our economic growth forecasts are linked to uncertainties arising from geopolitical risks, particularly Russia's war in Ukraine and Russia's increasingly hostile stance towards Europe, and high uncertainty related to unpredictable US trade policy. On further US tariffs, the negative impact on the Norwegian economy would be mostly indirect, via the spill overs from lower growth in other European countries and weaker confidence.

Norway's direct goods exports to the US accounted for 3.4% of total goods exports (or 1.2% of GDP) in 2024, making it the country's ninth-largest export partner. The three largest export destinations of Norway are the United Kingdom (Aa3 stable) (19% of total goods exports), Germany (Aaa stable) (15.6%) and the Netherlands (Aaa stable) (10.6%). Norwegian value-added goods exports to the US, including both direct exports and indirect exports via intermediaries, represented 2.2% of the overall value added in 2019 according to OECD data.

Across sectors, agriculture had the highest exposure to the US, with its value-added exports accounting for 19.1% of the sector's value added, but 0.4% of the total economy's value added, followed by pharma accounting for 14.1% of the sector's value added and less than 0.1% of the total economy's value added.

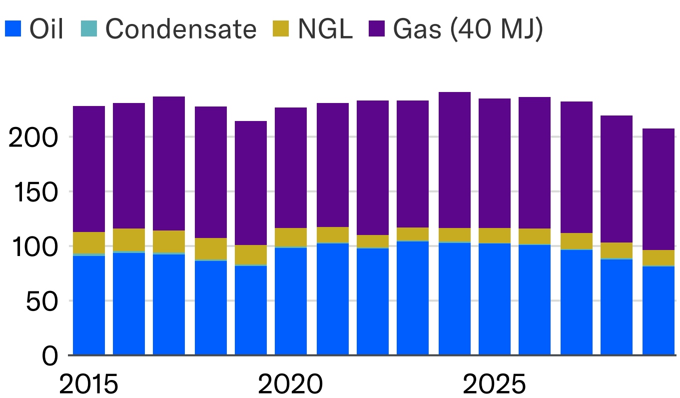
Production levels of oil and gas will likely start to gradually decrease in the late 2020s

According to forecasts from the Norwegian Petroleum Directorate, Norway will probably maintain high levels of hydrocarbon production in the coming years, with a decline anticipated in the late 2020s (see Exhibit 5). From 2024 to 2029, the production mix will likely remain relatively stable: oil will comprise about 42% of the total output, while natural gas liquids (NGL) and natural gas together will account for approximately 58%.

The hydrocarbon sector will probably contribute 21% to GDP, 48% to exports, and 32% to state revenue in 2025 (see Exhibit 6). According to the authorities' projections, the net government cash flow from oil and gas activities will likely reach NOK 697.7 billion or 13.1% of GDP in 2025, down from NOK 702.2 billion (13.5% of GDP) in 2024.

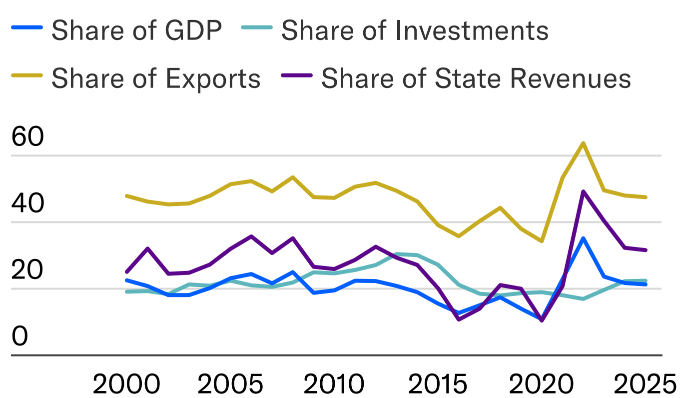
Since almost all oil and gas produced on the Norwegian shelf is exported, Norway is the 12th largest oil exporter globally and the 4th largest net gas exporter globally after the US, Russia, and Qatar (Aa2 stable). The vast majority (95%) of gas flows are exported via the Norwegian gas pipeline network to the European market. Norway is the most important supplier of gas for the EU (Aaa stable) countries, with gas deliveries accounting for roughly 33% of total EU gas imports in 2024. Norwegian gas is highly competitive in the European market because of low transportation costs via pipeline and lower emissions in the production process that are priced under the EU's Carbon Border Adjustment Mechanism (CBAM).

Exhibit 5
Oil and Gas Production Volumes are declining towards the End of the Decade
Million cubic meters



Source: Norwegian Petroleum Directorate & Moody's Ratings

Exhibit 6
Revenues from the Hydrocarbon Sector have normalized after 2022
%



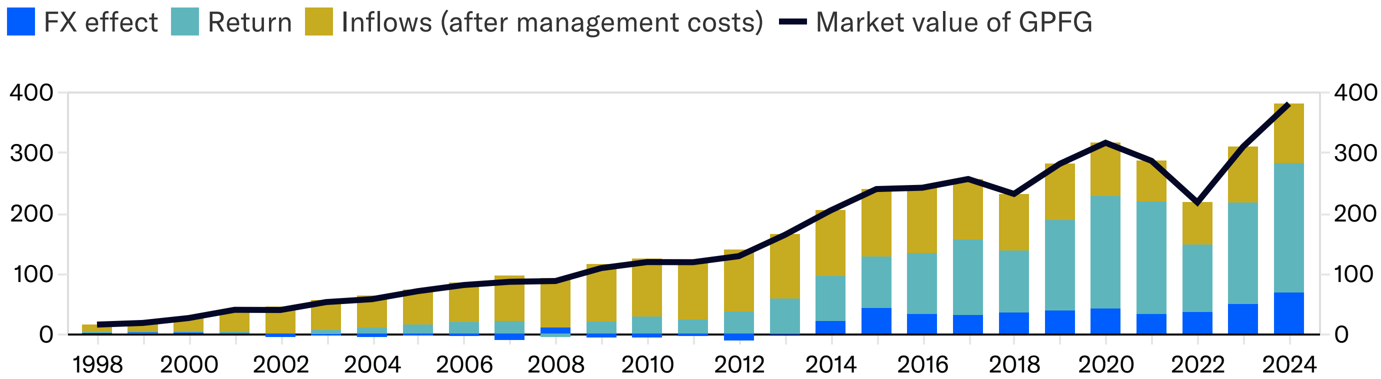
Source: Norwegian Petroleum Directorate & Moody's Ratings

Revised budget for 2025 foresees additional support for Ukraine and energy support

The government presented its revised budget for 2025 in mid-May. It includes additional military support of NOK 50 billion for Ukraine, which will not impact the domestic economy as it will be fully provided through international initiatives and procurements from the Ukrainian defense industry. Withdrawals from the GPFG to finance the non-oil fiscal deficit are planned to amount to NOK 542 billion.

Excluding the additional support for Ukraine, GPFG spending is at the same level as the balanced budget for 2025 passed in late 2024. Since the actual value of the GPFG at year-end was higher than planned in the balanced budget for 2025, the withdrawal from the GPFG remains at an unchanged 2.7% of the GPFG's asset value. Other changes on the expenditure side include increased transfers to municipalities to cover increased pension costs, higher expected expenses under the national insurance, a fixed electricity price scheme for households, additional defense spending, and lower expenses for the reception and integration of refugees due to lower forecasts for refugee arrivals. On the revenue side, the government plans to reduce the electricity tax.

Exhibit 7
Significant increase in the market value of GPFG over time
% of nominal GDP



Sources: Norges Bank Investment Management, Statistics Norway and Moody's Ratings

Norway's gross general government debt, which also includes municipal debt, was 55.1% of GDP in 2024. The notable rise from 44.5% of GDP in 2023 was primarily attributed to loans at the central government level, which were likely associated with an increase in liabilities related to repurchase agreements (repos) of the GPFG. We expect general government debt to slightly decrease over 2025-27, reaching 53.3% in 2027. Debt affordability will remain strong overall in 2025-2027 with interest payments to revenue averaging 2.9%, though weakened compared to 2.5% in 2024 and 1.7% in 2023.

As other European countries, Norway faces greater geopolitical risk and pressures to increase defense spending as the US administration has indicated it is disengaging from its broader historic role as the ultimate guarantor of Europe's security. We expect benchmark European defense spending to rise towards at least 3% of GDP in our baseline scenario from the NATO-mandated level of 2% of GDP at present though spending will continue to vary significantly across the region. Norway met NATO's 2% target in 2024 and plans to spend 3.3% of GDP on defense, including support for Ukraine, in 2025. The Norwegian authorities aim to significantly enhance their defense capabilities with the implementation of their long-term defense plan for 2025-2036. This includes a substantial increase in defense spending by an additional NOK 600 billion (or 11.5% of 2024 GDP) over the 12-year period.

Moody's rating methodology and scorecard factors: Norway — Aaa stable

Factor / Sub-Factor	Metric	Indicator Year	Indicator	Initial Factor Score	Final Factor Score	Weights
Factor 1: Economic strength				a2	aa3	50%
Growth dynamics	Average real GDP growth (%)	2020-2029F	1.4	b1		25%
	MAD Volatility in Real GDP Growth (%)	2015-2024	0.8	baa1		10%
Scale of the economy	Nominal GDP ($ billion)	2024	483.6	aa3		30%
National income	GDP per capita (PPP, Intl$)	2024	103,585.6	aaa		35%
Adjustment to factor 1	*# notches*				2	max ±9
Factor 2: Institutions and governance strength				aaa	aaa	50%
Quality of institutions	Quality of legislative and executive institutions			aaa		20%
	Strength of civil society and the judiciary			aaa		20%
Policy effectiveness	Fiscal policy effectiveness			aaa		30%
	Monetary and macroeconomic policy effectiveness			aaa		30%
Specified adjustment	Government default history and track record of arrears				0	max -3
Other adjustment to factor 2	*# notches*				0	max ±3
F1 x F2: Economic resiliency				**aa2**	**aa1**	
Factor 3: Fiscal strength				aaa	aaa	
Debt burden	General government debt/GDP (%)	2024	55.1	baa2		25%
	General government debt/revenue (%)	2024	89.2	aa2		25%
Debt affordability	General government interest payments/revenue (%)	2024	2.5	aa1		25%
	General government interest payments/GDP (%)	2024	1.5	aa3		25%
Specified adjustments	*Total of specified adjustment (# notches)*			4	4	max ±6
	Debt Trend - Historical Change in Debt Burden	2016-2024	18.1	0	0	
	Debt Trend - Expected Change in Debt Burden	2024-2026F	-1.0	0	0	
	General Government Foreign Currency Debt/ GDP	2024	0.0	0	0	
	Other non-financial public sector debt/GDP	2024	19.9	0	0	
	Government Financial Assets including Sovereign Wealth Funds / GDP	2024	385.4	4	4	
Other adjustment to factor 3	*# notches*				0	max ±3
F1 x F2 x F3: Government financial strength				**aa1**	**aa1**	
Factor 4: Susceptibility to event risk				baa	baa	Min
Political risk				baa		
	Domestic political risk and geopolitical risk			baa		
Government liquidity risk				aaa	aaa	
	Ease of access to funding			aaa		
Specified adjustment	High refinancing risk				0	max -2
Banking sector risk				a	a	
	Risk of banking sector credit event (BSCE)	Latest available	a2	aaa-a3		
	Total domestic bank assets/GDP	2024	170.3	80-180		
Adjustment to F4 BSR	*# notches*				0	max ±2
External vulnerability risk				aaa	aaa	
	External vulnerability risk			aaa		
Adjustment to F4 EVR	*# notches*				0	max ±2
Overall adjustment to F4	*# notches*				0	max -2
F1 x F2 x F3 x F4: Scorecard-indicated outcome				**Aaa - Aa2**	**Aaa - Aa2**	

Note: While 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 scorecard-indicated outcome. 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 scorecard-indicated outcome. For more information please see our Sovereign Ratings Methodology.

Footnotes: (1) Initial factor score: scorecard indicators combine with the automatic adjustments to produce an initial factor score for every rating factor, as detailed in Moody's Sovereign Ratings Methodology. **(2) Final factor score:** where additional analytical considerations exist, initial factor scores are augmented to produce a final factor score. Guidance on additional factors typically considered can be found in Moody's Sovereign Ratings Methodology; details on country-specific considerations are provided in Moody's research. **(3) Scorecard-indicated outcome:** Factor 1: Economic Strength, and Factor 2: Institutions and Governance Strength, combine with equal weight into a construct we designate as Economic Resiliency (ER). An aggregation function then combines ER and Factor 3: Fiscal Strength, following a non-linear pattern where Fiscal Strength has higher weight for countries with moderate ER and lower weight for countries with high or low ER. As a final step, Factor 4, a country's Susceptibility to Event Risk, is a constraint which can only lower the government financial strength as given by combining the first three factors. **(4) There are 20 ranking categories for quantitative sub-factors:** aaa, aa1, aa2, aa3, a1, a2, a3, baa1, baa2, baa3, ba1, ba2, ba3, b1, b2, b3, caa1, caa2, caa3, ca and 8 ranking categories for qualitative sub-factors: aaa, aa, a, baa, ba, b, caa, ca **(5) Indicator value:** if not explicitly stated otherwise, the indicator value corresponds to the latest data available.

Endnotes

1 Banking System Outlook - Norway: Outlook stable as strong fundamentals outweigh weaker profitability, 10 April 2025

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