

Jan 27, 2025

Rating and Investment Information, Inc. (R&I) has announced the following:

Kingdom of Norway (Sec. Code: -)

[Affirmed]

Foreign Currency Issuer Rating: AAA, Stable

RATIONALE:

Norway is a welfare state with one of the highest levels of gross domestic product (GDP) per-capita in the world. The economy has performed well. The current account surplus is large, supported by exports related to oil and natural gas, as well as income from overseas investments, resulting in substantial net external assets. In addition, there are no major concerns regarding the fiscal management. Given the low likelihood of any deterioration in the strengths underpinning the country's strong creditworthiness, R&I has affirmed the Foreign Currency Issuer Rating at AAA.

Over 30% of real GDP comes from the activities related to oil and natural gas such as exploration as well as pipeline and maritime transportation. The growth rate of Mainland Norway, which excludes these activities, declined in 2023 due to the weak private consumption and housing investments. The Mainland Norway has rebounded in 2024 driven by the recovery in private consumption. Exports other than oil and natural gas as well as oil-related investments have remained strong. The central bank projects the growth rate of real GDP and Mainland Norway in 2024 to be 2.2% and 0.9% respectively. For 2025, a moderate economic recovery is expected. The central bank has kept the policy rate on hold since December 2023, as inflation rate has remained above its target. Monetary policy should be watched closely, going forward.

With the trade balance in a constant surplus thanks to oil and natural gas exports, the current account balance stays in a substantial surplus as a percentage of GDP. The majority of the ample net external assets are in securities investments, which are primarily managed by a sovereign wealth fund called the Government Pension Fund Global (GPFG). There are no concerns about the external position.

Norway's sound public finances are anchored by the investment income of the GPFG, to which petroleum-related revenues are transferred. The government manages its finances according to a rule that structural fiscal deficits in the non-oil sector should be balanced with returns from the GPFG over several periods. The structural fiscal deficit ratio to GDP has been on an increasing trend since 2021. While this trend is attributable to growing government spending on economic support and defense, the fiscal management under the rule has been maintained. The general government fiscal balance, comparable to other countries, is in a large surplus thanks to oil-related revenues. The ratio of outstanding government debt to GDP remains low, as the government does not need to rely on external sources to finance its fiscal deficit.

R&I RATINGS:

ISSUER: Kingdom of Norway

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	Rating	Rating Outlook
Foreign Currency Issuer Rating	AAA	Stable

Primary rating methodologies applied:

R&I's Analytical Approach to Sovereigns [Jul 23, 2024]