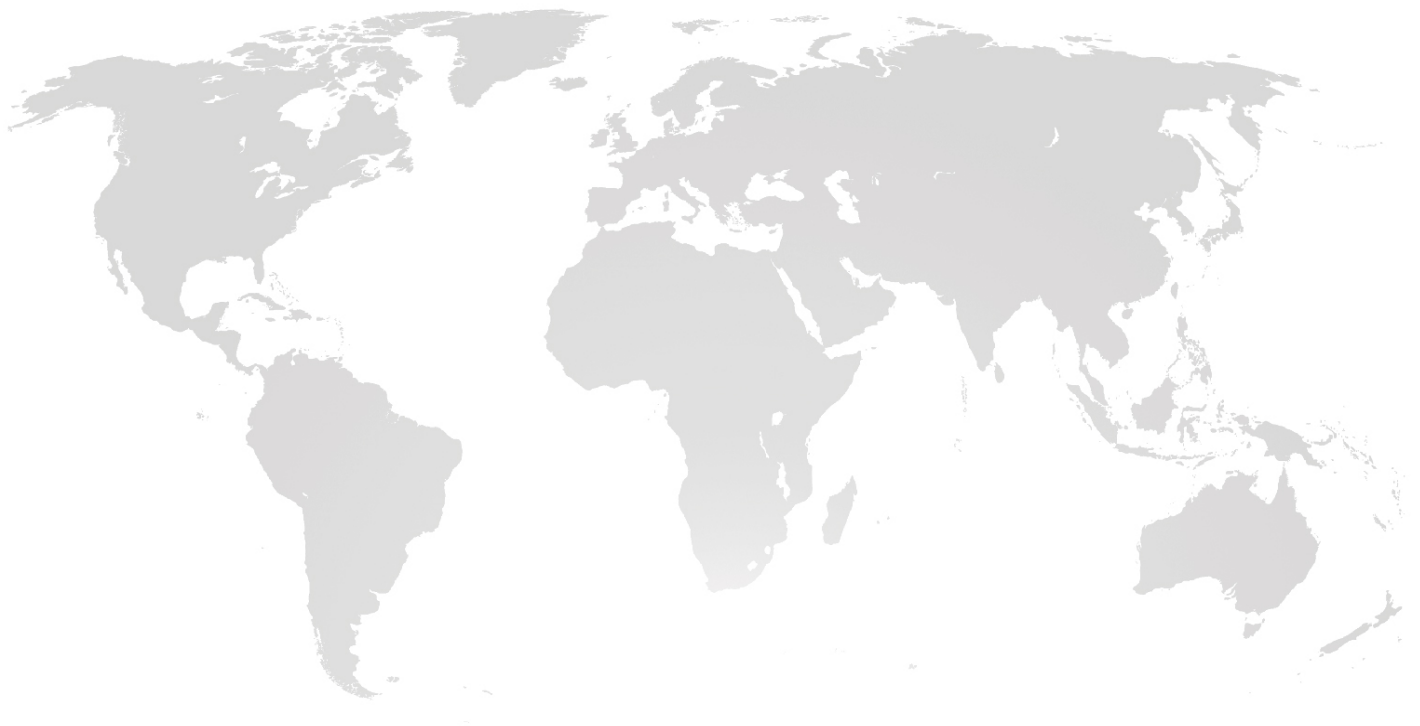


# Country Insight Snapshot

## Norway

September 2015





## OVERVIEW

OVERALL COUNTRY RISK RATING: DB1D

**Lowest risk** : Lowest degree of uncertainty associated with expected returns, such as export payments and foreign debt and equity servicing.



**Rating Outlook:** Deteriorating

## CORE OUTLOOK

- + The Arctic could hold up to 22% of the world's undiscovered oil and gas reserves.
- + Opportunities lie in healthcare, homecare and other services for an ageing population.
- Norway's ageing population will require further policy adjustments, such as spending cuts and tax increases.
- Norway recently tightened its competition policy, including regulations relating to mergers.

## KEY DEVELOPMENT

Economic growth decelerates further in Q2 amid an extended oil price slump, but domestic consumer demand is expected to hold up.

### CREDIT ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK

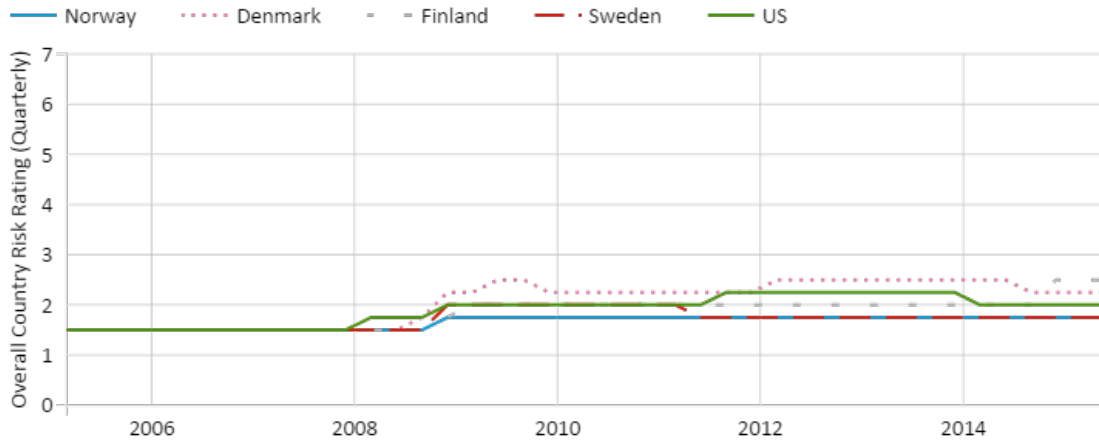


Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

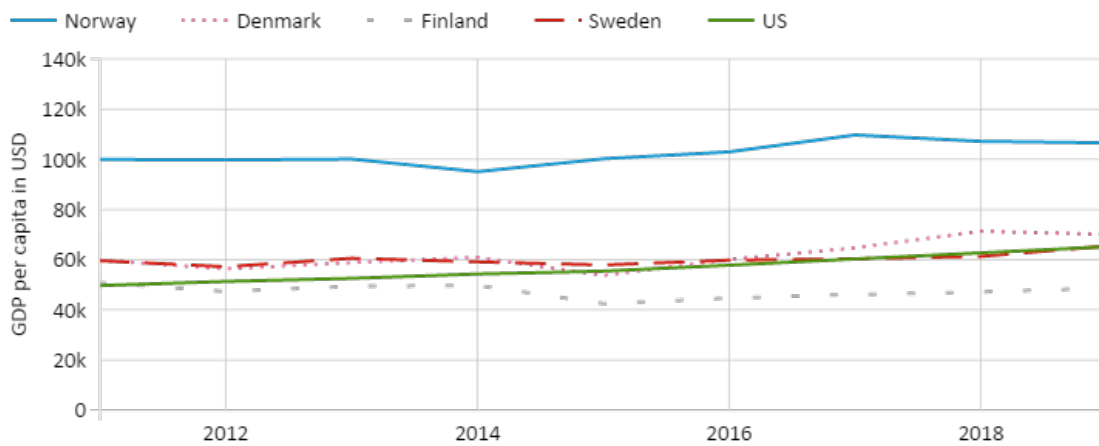
### Rating History and Comparison



Source : Dun and Bradstreet

Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : D&B

### Industrial Production (Index)



Source : National Statistical Offices



## Economic Indicators

Indicator	2012	2013	2014	2015f	2016f	2017f	2018f	2019f
C/A balance % GDP	12.7	10.0	11.2	10.5	9.9	9.2	9.2	8.7
Govt balance, % GDP	13.9	11.1	11.0	10.5	10.1	9.6	9.3	9.0
Inflation, annual avge %	0.4	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Real GDP Growth, %	3.1	2.0	2.2	0.7	1.3	2.5	2.5	2.5
Unemployment, %	3.2	3.5	3.4	3.4	3.5	3.4	3.3	3.4

Source : Haver Analytics/D&B

## TRADE AND COMMERCIAL ENVIRONMENT

Total bankruptcies (corporate, personal and sole proprietorship) in the country dropped by 8.1% y/y in Q2 2015. Overall corporate bankruptcies were down by 1.3% y/y, while personal insolvencies (including sole proprietorships) fell by 23.5%. For the year as a whole, total bankruptcies are down by 4.0% y/y. Despite this positive reading, we expect bankruptcies to increase in upcoming quarters, particularly in sectors directly affected by the low oil price. Meanwhile, positively for Norway's long-term prospects, the authorities have announced that next year's public budget will include more measures aimed at improving the country's competitiveness and reducing the economy's reliance on the hydrocarbon sector, and making the country more investment-friendly.

## TRADE TERMS AND TRANSFER SITUATION

### Minimum Terms: OA

*The minimum form of documentation or trading method that Dun & Bradstreet advises its customers to consider when pursuing export trade with the stated country.*

### Recommended Terms: OA

*Dun & Bradstreet's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.*

### Usual Terms: 30 days

*Normal period of credit associated with transactions with companies in the stated country.*

### Local Delays: 0-1 month

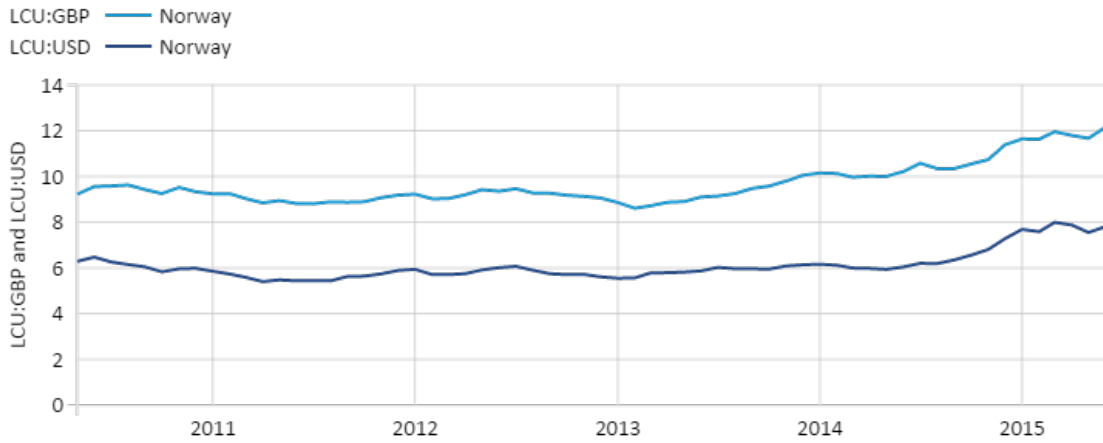
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### FX/Bank Delays: 0-1 month

*The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.*



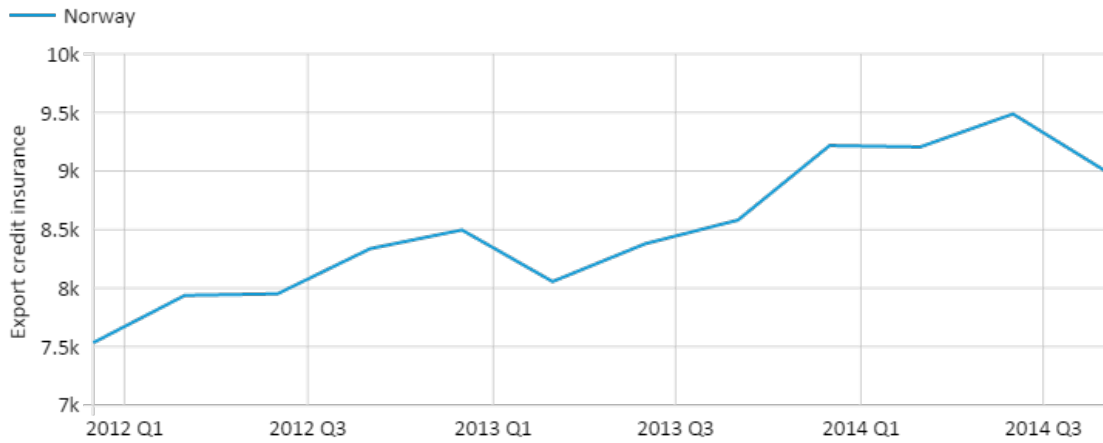
## Exchange Rate



Source : IMF International Financial Statistics, National Statistical Offices

*LCU = Local Currency Unit*

## Credit Conditions



Source : Haver

*Insured export credit exposures, USDm*



## RISKS AND OPPORTUNITIES

### Short-Term Economic Outlook

#### ***Growth decelerates further***

The ongoing oil and gas price slump is taking its toll on the Norwegian economy. After an initial softening in Q1 (0.3% quarterly growth), Q2 real GDP growth decelerated further. The 0.2% q/q mainland growth rate was achieved entirely on the back of domestic consumption. Both households' consumption, and the public sector's, increased by 0.5% q/q. Gross fixed capital formation, meanwhile, contracted by 1.3% q/q and exports by 0.1% q/q. Imports were down as well, by 1.3% q/q. The performance of the entire economy (GDP including the offshore hydrocarbon sector) was even poorer (a 0.1% contraction). Output in the industrial sector fell by 1.5% q/q on account of the steep decline in the oil sector. Other segments of industry, such as chemicals, seafood processing, and metals, recorded positive growth rates, as did exports of traditional, non-oil products (such as fish and machinery). The construction segment was almost flat, possibly on account of bleaker sentiment.

We expect domestic consumption to remain strong and to partially counteract the effect of the low oil price. Consumer sentiment is unlikely to plummet, given that Norwegian consumers are aware of the huge savings available to the public sector and that government officials have repeatedly assured the population that they would implement stimulus programmes in the event of a recession. Moreover, households are in a good position to spend. Borrowing costs are low and declining, and while unemployment is increasing, at 4.5% (June), it is still very low. Retail sales have grown by 0.5% in July from the previous month, and growth is positive on an annual basis as well. However, consumption of imported goods will decline, as the krone's depreciation against both the USD and the euro makes imports less competitive, and government stimulus programmes can have only a limited impact on oil-related sectors (The authorities have rejected the idea of any direct aid for the industry.) Payment delays and bankruptcies are likely to increase sharply. The outlook for industry remains bleak for the next couple of quarters at least. New orders fell in Q2 by 14.0% y/y, with the steepest decline in machinery (-54.5%), and ships and oil platforms (-6.2%). Segments that are still seeing increasing orders are the chemicals and pharma industry (+18.4%) and metals (+13.4%). We maintain our 0.7% mainland GDP growth forecast for this year, but caution that risks are skewed to the downside.

### FX Risk

#### ***FX weakness is likely to continue***

The currency has been negatively affected by the ongoing oil price slump and by turmoil in international markets following the Chinese devaluation. In the short run we expect to see more weakness, particularly as the poor economic performance makes another central bank rate cut likely. (The policy interest rate stands at 1.0%.) Moreover, the authorities are likely to welcome the depreciation, as it boosts foreign demand for traditional goods at a time of falling export revenue from the oil sector. Accordingly, we recommend that companies exposed to the Norwegian krone make use of hedging instruments.



## COUNTRY PROFILE AND STATISTICS

### Overview

Located in the west of Scandinavia, Norway borders Sweden, Finland and Russia. Norway supports international cooperation and the peaceful settlement of disputes, and has actively encouraged democracy, assisted refugees, and protected human rights around the world.

Norway has experienced rapid economic growth during the past decades, a trend that was accelerated by the discovery of oil in the early 1970s. After decades of exploitation of offshore oil and gas reserves, Norway is one of the wealthiest countries in the world with a fully developed welfare system.

With a consensus-based political culture and a cautious oil-wealth administration due to a strong institutional framework, Norway has managed to avoid the economic and political pitfalls characteristic of countries with vast natural resources. The combination of a highly homogeneous society, fair and efficient administration, and a strong sense of civic responsibility has led to a very stable political environment, although this has been challenged by a terrorist attack in July 2011.

### Key Facts

Key Fact	Detail
Head of government	Prime Minister Erna SOLBERG
Capital	Oslo
Timezone	GMT +01-00
Official language	Norwegian, which has two versions- Bokmal, Nynorsk
Population (millions)	5.1
GDP (USD billions)	485.5
GDP per capita (USD)	95,077
Life expectancy (years)	81
Literacy (% of adult pop.)	99.9
Surface area (sq km)	323,800

Source : UN / Haver Analytics / D&B

### Historical Data

Metric	2010	2011	2012	2013	2014
Real GDP growth (%)	0.48	1.22	3.09	2	2.2
Nominal GDP in USDbn	420.95	490.67	499.45	511.18	485.5
Nominal GDP in local currency (bn)	2,544	2,750	2,907	3,006	3,010
GDP per Capita in USD	85,765	99,971	99,765	100,104	95,077
Population (year-end, m)	4.91	4.91	5.01	5.11	5.11
Exchange rate (yr avge, USD-LCU)	6.04	5.6	5.82	5.88	6.2
Current Account in USDbn	46.96	61.53	63.57	50.96	54.4
Current Account (% of GDP)	11.16	12.54	12.73	9.97	11.2
FX reserves (year-end, USDbn)	52.8	49.4	51.86	58.28	64.8
Import Cover (months)	5.17	4.17	4.41	4.69	5.17
Inflation (annual avge, %)	2.3	1.2	0.4	2	2
Govt Balance (% GDP)	11.1	13.6	13.9	11.1	11

Source : D&B



## Forecasts

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	0.7	1.3	2.5	2.5	2.5
Nominal GDP in USDbn	511.7	535.4	570.5	568	575.4
Nominal GDP in local currency (bn)	3,172.7	3,212.3	3,308.7	3,408.0	3,510.2
GDP per Capita in USD	100,211	102,959	109,705	107,168	106,563
Population (year-end, m)	5.1	5.2	5.2	5.3	5.4
Exchange rate (yr avge, USD-LCU)	6.2	6	5.8	6	6.1
Current Account in USDbn	53.7	52.8	52.3	52	50
Current Account (% of GDP)	10.49	9.86	9.17	9.16	8.69
FX reserves (year-end, USDbn)	66.7	68.7	70.8	72.9	75.1
Import Cover (months)	5.5	5.6	6	5.5	6
Inflation (annual avge, %)	2	2	2	2	2
Govt Balance (% GDP)	10.5	10.1	9.6	9.3	9

Source : D&B

## Comparative Market Indicators

Indicator	Norway	Denmark	Finland	Sweden	US
Income per Capita (USD)	95,077	60,967	49,753	59,143	54,295
Country Population (m)	5.1	5.6	5.5	9.6	319.4
Internet users (% of population)	96.3	96	92.4	92.5	87.4
Real GDP Growth (% p.a., 2015 - 2024)	2.2 - 3	1.4 - 2.3	1.5 - 2.5	2 - 2.5	1.5 - 3

Source : D&B





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