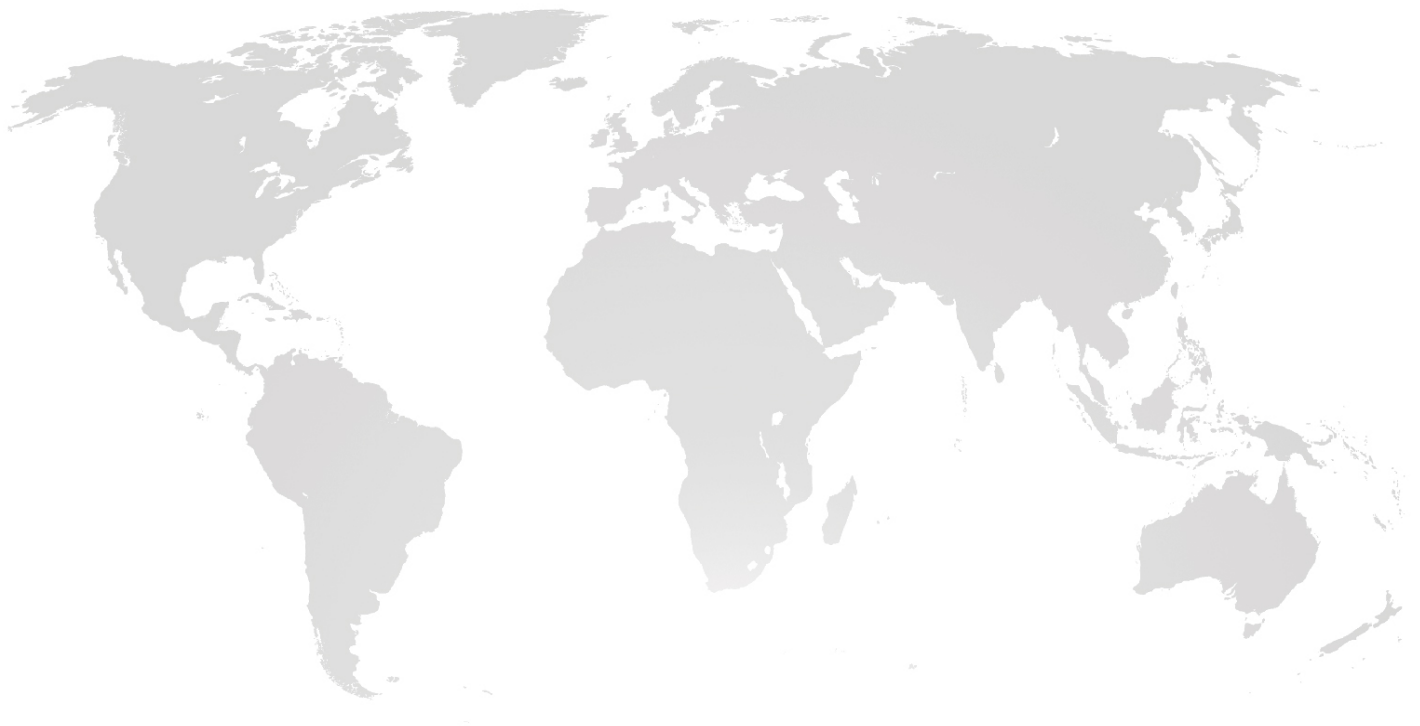


# Country Insight Snapshot

## Norway

October 2016





## 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, home-care and other services for an ageing population.
- Norway's ageing population will require further policy adjustments, such as spending cuts and tax increases.
- Norway urgently needs to diversify its economic base in order to avoid a prolonged non-oil structural budget deficit.

## KEY DEVELOPMENT

The central bank maintains low interest rates as domestic fundamentals improve, but the strong currency could harm exports.

### CREDIT ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

### SUPPLY ENVIRONMENT OUTLOOK



Key Development has had a neutral impact on the outlook.

### MARKET ENVIRONMENT OUTLOOK



Key Development has had a negative impact on the outlook.

### POLITICAL ENVIRONMENT OUTLOOK

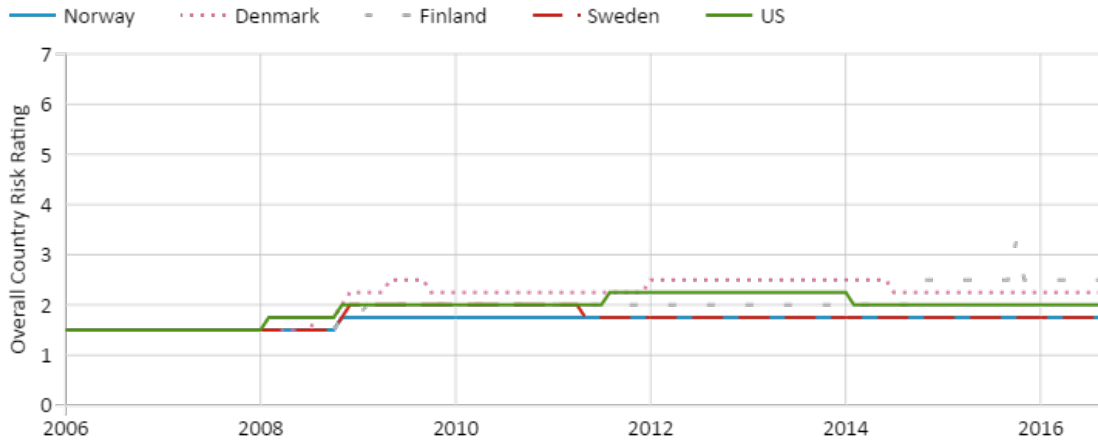


Key Development has had a neutral impact on the outlook.



## KEY INDICATORS

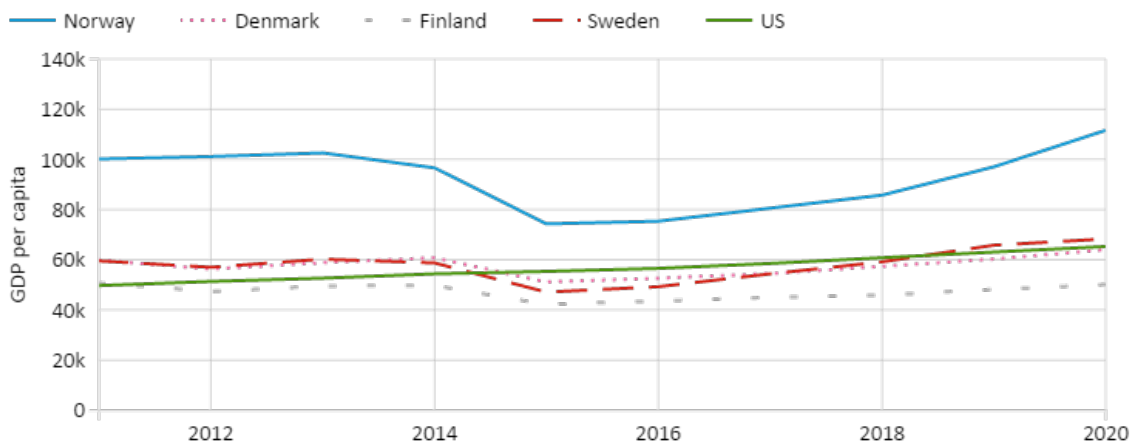
### Rating History and Comparison



Source : Dun & Bradstreet

Note: 1 = Low Risk, 7 = High Risk

### Regional Comparisons



Source : Haver Analytics/Dun & Bradstreet

### Industrial Production (Index)



Source : Haver Analytics/Dun & Bradstreet



## Economic Indicators

Indicator	2013	2014	2015	2016f	2017f	2018f	2019f	2020f
C/A balance % GDP	10.2	11.0	8.7	12.5	13.6	12.3	12.0	11.6
Govt balance, % GDP	10.8	8.8	6.4	10.1	9.6	9.3	9.0	9.0
Inflation, annual avge %	2.1	2.0	2.2	3.6	2.5	2.0	2.0	2.0
Real GDP Growth, %	1.1	1.9	1.6	0.8	1.3	1.7	2.0	2.5
Unemployment, %	2.6	2.8	3.0	4.8	4.0	3.8	3.4	3.4

Source : Haver Analytics/Dun & Bradstreet

## TRADE AND COMMERCIAL ENVIRONMENT

Over the past few years, Norway's government has been trying, via various channels such as Innovation Norway and university science parks, to promote entrepreneurship. However, impediments remain: according to survey results from the World Bank's *Doing Business 2016* report, Norway is ranked 24th for ease of starting a business (lower than Sweden, but higher than Finland and Denmark). According to the survey, it takes four procedures and five days to open a business in Norway, with the paid-in minimum capital 4.8% of the income per capita, which is lower than Denmark or Finland, but higher than France or Germany. The 2016 *Index of Economic Freedom*, published by the Heritage Foundation together with the Wall Street Journal, acknowledges that the quality of the legal and regulatory framework is among the world's highest, institutionalising the effective rule of law.

## 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

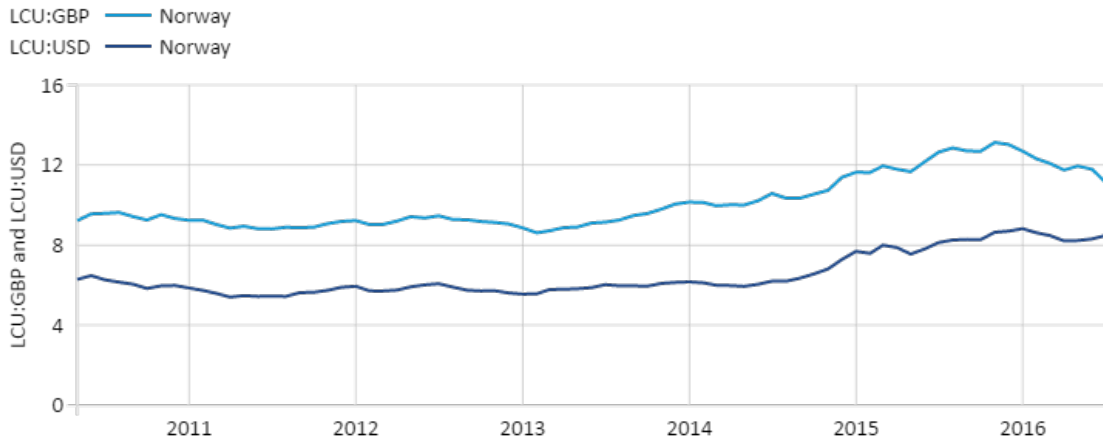
*The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.*

### 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.*



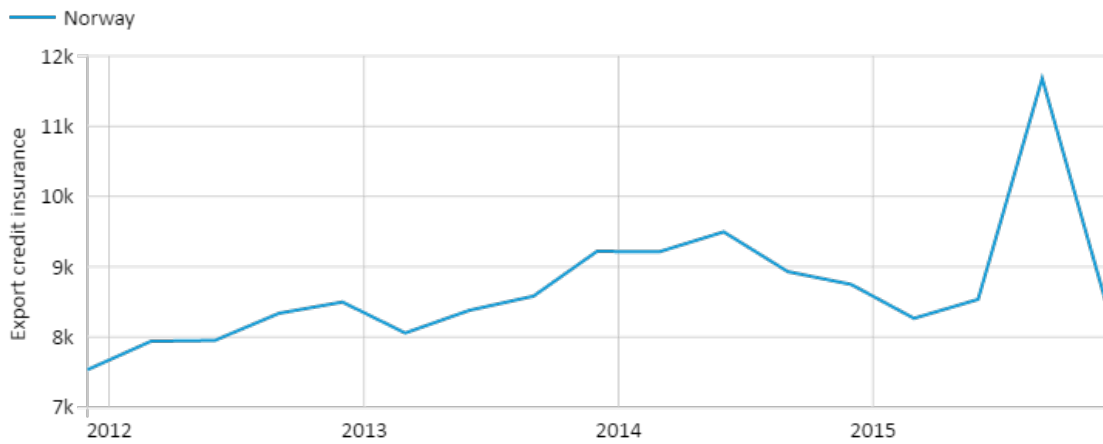
## Exchange Rate



Source : International Monetary Fund/Dun & Bradstreet

*LCU (local currency unit) = Norwegian krone*

## Credit Conditions



Source : Export Credit Agencies

*Insured export credit exposures, USDm*



## RISKS AND OPPORTUNITIES

### Short-Term Economic Outlook

#### *Interest rates unchanged*

With the improvement of some domestic economic fundamentals, the central bank decided to keep monetary policy unchanged at 0.5% in September. Amid structural reforms, unemployment seems to have peaked at 5% and inflation decelerated to 4% in August, compared to July's multi-year high of 4.4%. The electricity price was the main contributor to August's increase. At the same time, Norway's annual core consumer-price inflation slowed down in August to 3.4% from July's 3.7%, still well over the central bank's 2-2.5% target. For 2016 and 2017, we expect inflation to average 3.6% and 2.5%, respectively. Meanwhile, despite the q/q stagnation in Q2, the external sector made a positive contribution to growth; the contraction in exports eased to -0.3% q/q after Q1's -2.7%, thanks to increased exports of services.

At the same time, in terms of investments, gross fixed capital formation (GFCF) posted a small gain of 0.1% q/q in Q2, after the 1.6% contraction in Q1. Interestingly, the Norway Purchasing Manager Index (PMI) offers mixed data – it stood just above the 50-point threshold in August, showing that procurement managers are still optimistic, but it decreased abruptly from July's 54.2. The latest available data show that production grew at the fastest rate in almost three years in July (3.7% m/m), but the orders in manufacturing rose only modestly. Indeed, the July data is strong due to a sudden drop in May-June; thus, we expect the country to still have to face slow economic-growth episodes in the next few quarters, even though the recession risk has receded. Looking forward, we expect the economy to advance at the same slow pace in H1 2017 and switch to a higher gear in H2 2017.

#### FX Risk

#### *Zero percent interest rates still likely*

The central bank's decision to leave interest rates unchanged at 0.5% in September will put upward pressure on the country's currency. Since the oil-price crisis, the krone depreciated on a trade-weight basis enough to make exports more appealing, helping industries like manufacturing, fisheries and tourism. However, so far, 2016 has been marked by a volatility pattern and, since the latest decision of the central bank not to cut the interest rates, the krone appreciated to its highest rate in 12 months against the euro and almost the same with the US dollar. In general, a rate-cut decision indirectly reduces the foreign capital inflow because of lower yields and implicitly weakens the local currency, which ultimately benefits exporters. Bearing this in mind, we do not rule out a possible decision to cut interest rates to 0 by year-end in order to keep a lid on krone appreciation. Moreover, global oil reserves remain very high and the oil price is unlikely to increase much. On the negative side, close to 0% interest rates may bring increased FX volatility and also a higher level of uncertainty regarding the effects of interest-rate increases in the future.



## COUNTRY PROFILE AND STATISTICS

### Overview

Located in the west of Scandinavia, Norway borders Sweden, Finland and Russia. Norway supports international co-operation 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 few 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 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 since 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)	5.2
GDP (USD billions)	386.7
GDP per capita (USD)	74,283
Life expectancy (years)	81
Literacy (% of adult pop.)	99.9
Surface area (sq km)	323,800

Source : Various sources/Dun & Bradstreet

### Historical Data

Metric	2011	2012	2013	2014	2015
Real GDP growth (%)	1.1	2.6	1.1	1.9	1.6
Nominal GDP in USDbn	498	509	523	498	387
Nominal GDP in local currency (bn)	2,792	2,963	3,071	3,139	3,118
GDP per Capita in USD	100,132	101,118	102,552	96,597	74,283
Population (year-end, m)	5.0	5.0	5.1	5.2	5.2
Exchange rate (yr avge, USD-LCU)	5.61	5.82	5.88	6.3	8.06
Current Account in USDbn	61.5	63.4	53.5	54.9	33.5
Current Account (% of GDP)	12.4	12.4	10.2	11.0	8.7
FX reserves (year-end, USDbn)	49.4	51.9	58.3	64.8	57.5
Import Cover (months)	4.2	4.4	4.7	5.2	5.6
Inflation (annual avge, %)	1.3	0.7	2.1	2.0	2.2
Govt Balance (% GDP)	13.5	13.9	10.8	8.8	6.4

Source : Haver Analytics/Dun & Bradstreet



## Forecasts

Metric	2016f	2017f	2018f	2019f	2020f
Real GDP growth (%)	0.8	1.3	1.7	2.0	2.5
Nominal GDP in USDbn	392	419	454	524	603
Nominal GDP in local currency (bn)	3,212	3,308	3,408	3,510	3,615
GDP per Capita in USD	75,327	80,533	85,724	97,008	111,576
Population (year-end, m)	5.2	5.2	5.3	5.4	5.4
Exchange rate (yr avge, USD-LCU)	8.2	7.9	7.5	6.7	6.0
Current Account in USDbn	48.8	57.0	56.0	62.7	70.0
Current Account (% of GDP)	12.5	13.6	12.3	12.0	11.6
FX reserves (year-end, USDbn)	59.2	61.0	62.8	64.7	66.6
Import Cover (months)	5.6	6.0	5.5	6.0	6.0
Inflation (annual avge, %)	3.6	2.5	2.0	2.0	2.0
Govt Balance (% GDP)	10.1	9.6	9.3	9.0	9.0

Source : Haver Analytics/Dun & Bradstreet

## Comparative Market Indicators

Indicator	Norway	Denmark	Finland	Sweden	US
Income per Capita (USD)	74,283	51,095	42,168	47,071	55,326
Country Population (m)	5.2	5.7	5.5	9.8	321.8
Internet users (% of population)	96.3	96	92.4	92.5	87.4
Real GDP Growth (% p.a., 2016 - 2025)	2.2 - 3	1.4 - 2.3	0.8 - 2	2 - 2.5	1.8 - 2.5

Source : Various sources/Dun & Bradstreet





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