



Decide with Confidence

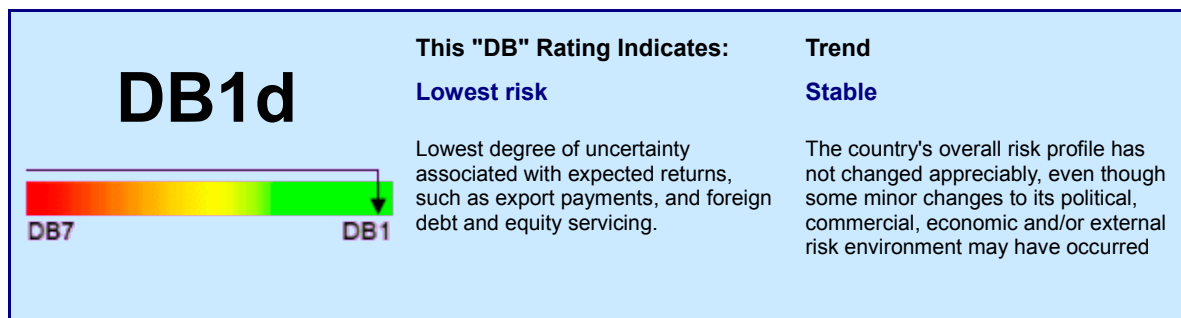
## D&B Country RiskLine Report

# NORWAY

Region : Western Europe

Edition : October 2011

### D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

*Political risk* - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

*Commercial risk* - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

*External risk* - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

*Macroeconomic risk* - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

## Key Facts

<b>Population:</b>	4.6m
<b>Surface area (sq km):</b>	323,800
<b>Capital:</b>	Oslo
<b>Timezone:</b>	GMT +01:00
<b>Official language:</b>	Norwegian, which has two versions: Bokmal, Nynorsk
<b>Head of government:</b>	Prime Minister Jens STOLTENBERG
<b>GDP (USD):</b>	400.8bn
<b>GDP per capita (USD):</b>	81,663
<b>Life expectancy (years):</b>	80
<b>Literacy (% of adult pop.):</b>	99.9

### Country 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 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.

## Trade & Commercial Environment

### Trade Terms

<b>Minimum Terms:</b>	OA
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The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

<b>Recommended Terms:</b>	OA
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D&B'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.

<b>Usual Terms:</b>	30 days
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Normal period of credit associated with transactions with companies in the stated country.

### Transfer Situation

<b>Local Delays:</b>	0-1 month
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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.

**Trade & Commercial Environment**

According to the latest data from the Norwegian statistics office, the number of enterprises going bankrupt decreased by 5.3% year on year (y/y) in Q2 2011: overall, 800 companies went bankrupt. This is a significant improvement compared with Q1, when the number of business failures rose by 0.8% y/y. However, some sectors did not benefit from the positive general trend in Q2, with the real estate sector recording an increase of 20.4% y/y in April-June. Positively, the construction sector (which, despite its small share of GDP, accounts for 17.5% of all bankruptcies) recorded an improvement: the number of business failures declined by 18.1% y/y. In addition, the situation in the manufacturing sector also improved significantly.

**Export Credit Agencies**

<b>US Eximbank</b>	Full cover available
<b>Atradius</b>	Full cover available
<b>ECGD</b>	Full cover available
<b>Euler Hermes UK</b>	Full ST cover available

**Economic Indicators**

	2008	2009	2010e	2011f	2012f
<b>Real GDP growth, %</b>	0.8	-1.4	0.4	2.7	2.5
<b>Inflation, annual ave, %</b>	3.5	2.5	2.6	1.9	2.2
<b>Govt balance, % GDP</b>	19.1	10.5	10.5	11.5	12.8
<b>Unemployment, %</b>	2.6	3.2	3.6	3.3	3.3
<b>C/A balance, % GDP</b>	17.9	13.2	13.3	12.9	13.9

Inflation figures are based on EU-harmonised data.

## Currency Information

### Exchange Rates

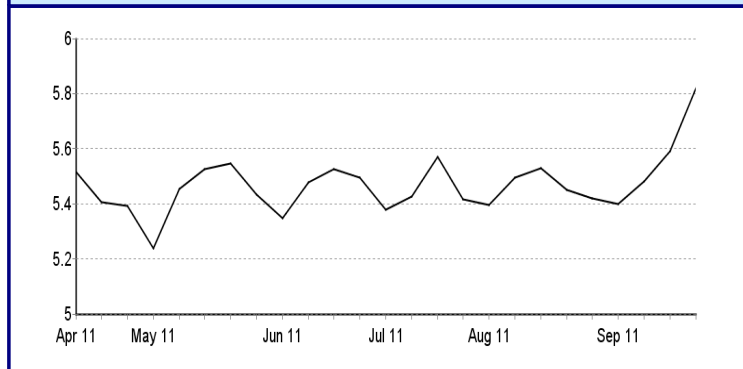
(London, 26 Sep 11)

EUR	7.8681
GBP	8.9852
JPY*	7.632
USD	5.8202

\*(x 100)

### Local Currency

(Norwegian krone [NOK]: USD)

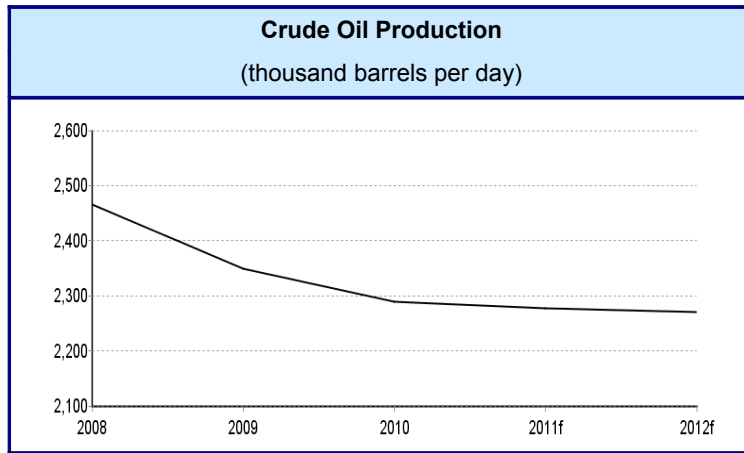


### Local Currency

(Norwegian krone [NOK]: USD)

	Apr 11	May 11	Jun 11	Jul 11	Aug 11	Sep 11
<b>Week 1</b>	5.516	5.239	5.347	5.379	5.396	5.398
<b>Week 2</b>	5.406	5.455	5.478	5.428	5.494	5.481
<b>Week 3</b>	5.392	5.527	5.525	5.570	5.531	5.590
<b>Week 4</b>		5.548	5.496	5.414	5.450	5.820
<b>Week 5</b>		5.432			5.420	

## Crude Oil Production



Data Table				
2008	2009	2010	2011f	2012f
2466.0	2350.0	2290.0	2278.0	2270.0

## Risk Factor

As expected, Norges Bank (the Norwegian central bank) has left key interest rates unchanged: in its latest meeting on 21 September, policy makers decided to keep the policy rate at 2.25%, thus leaving the rate unchanged for the fourth consecutive month. The bank decided once again to avoid further monetary tightening: after June 2009, interest rates rose gradually, by a total of 100 basis points, but because of the uncertain growth outlook and the upward pressure on the Norwegian krone, Norges Bank has decided to keep rates on hold. The development of the domestic inflation rate has also contributed to this move. In August, consumer prices increased by a meagre 1.3% year on year, significantly lower than expected by the bank (which predicted 1.7%). With inflation unlikely to be a threat to economic stability in the near term, Norges Bank will be able to maintain interest rates at their current relatively low level, thereby supporting growth and reducing incentives to invest in krone-denominated assets.

However, despite the central bank's decision, the Norwegian non-hydrocarbon economy is facing a period of slower economic growth. The country's export-orientated sectors (apart from the extractive industries) are currently dealing with two interconnected problems: first, the ongoing euro-zone debt crisis is curtailing demand for Norwegian products in the euro area and other European economies. Export growth has already slowed in Q2 in the wake of the austerity measures imposed in the EU (which accounts for more than 65% of the country's non-hydrocarbon exports). Second, in addition to lower demand, concerns about the stability of the euro are putting upward pressure on the krone (which acts as a safe haven for investors). Amid growing pessimism about the fiscal situation in Greece and other peripheral euro-zone economies, the krone reached an eight-year high against the euro in mid-September, and has depreciated only slightly since then. The strength of the krone undermines the price competitiveness of Norwegian exporters, thereby increasing credit and payment risks (at a company level) and weighing on GDP growth (at a broader, macroeconomic level).

Positively, the important hydrocarbon sector continues to deliver good news: an international oil consortium (of which state-owned Statoil holds 40%) has discovered a new oilfield in the North Sea: this is expected to be the country's most significant find since the mid-1980s. The oilfield is only 160 kilometres away from the Norwegian coast, and in relatively shallow waters; this will reduce exploitation costs. Independent scientists believe that the oilfield is worth EUR30-40bn, carrying reserves of between 0.5-1.2bn barrels. Norway, which is still the world's fifth-largest oil exporter, has suffered from reduced oil output over the past decade (it has fallen by 45% since 2001).

## Glossary & Definitions

### DEFINITIONS

#### Minimum Terms:

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

#### Recommended Terms:

D&B'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:

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

#### Local Delays:

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

#### F/X Bank Delays:

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.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

## GLOSSARY

CiA	Cash in Advance
CLC	Confirmed Letter of Credit
CWP	Claims Waiting Period
FX	Foreign Exchange
LC	Letter of Credit
LT	Long term
MT	Medium term
OA	Open Account
SD	Sight Draft
ST	Short term

## Customer Service & Support

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Email: [CustomerHelp@dnb.com](mailto:CustomerHelp@dnb.com)

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