Research Update:

Norway 'AAA/A-1+' Ratings Affirmed; Outlook Stable

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Overview

- We project Norway's economy will grow by 2.3% in 2025, supported by a broad-based recovery, though risks remain as rising EU-U.S. trade tensions could weigh on the growth outlook.
- Parliamentary elections in September are unlikely to lead to major policy changes, given Norway's tradition of political stability and economic continuity.
- Norway's public finances remain among the strongest globally, backed by the Government Pension Fund Global (GPFG), which provides a robust fiscal buffer and long-term sustainability.
- We affirmed our 'AAA/A-1+' long- and short-term ratings on Norway; the outlook is stable.

Rating Action

On March 7, 2025, S&P Global Ratings affirmed its 'AAA/A-1+' long- and short-term sovereign credit ratings on Norway. The outlook is stable.

Outlook

The stable outlook reflects our view that Norway's substantial financial reserves provide a strong buffer against potential economic disruptions, allowing the country to navigate short-term challenges without significantly compromising its credit metrics. This resilience is further supported by Norway's robust fiscal and external net asset positions, its high national wealth, and a well-established institutional framework. Additionally, the effective monetary policy regime underpins the country's ability to manage economic fluctuations, collectively reinforcing the rating.

Downside scenario

Our rating on Norway could face downward pressure if the country's strong external and fiscal balance sheets were to deteriorate rapidly. This would be exacerbated by a substantial weakening in institutional and governance standards or a significant escalation in geopolitical tensions that heighten external security risks for the country.

Rationale

Norway's institutional framework is underpinned by predictable and stable policymaking, supported by high wealth levels and substantial external and fiscal net asset positions accumulated from excess hydrocarbon revenues. We estimate the country's GDP per capita to be nearly $87,000 in 2025, among one of the highest of all sovereigns we rate. Norway has a history of prudent policymaking, reflected in its fiscal rule and the effective management of its large sovereign wealth fund, the GPFG, which exceeds 300% of GDP.

Institutional and economic profile: Growth is set to accelerate in 2025, during which elections will be held

- We think real GDP growth will accelerate to 2.3% in 2025 from 1.9% in 2024 on the back of higher consumption and investment activity.
- Norway's governing coalition collapsed in January 2025, leaving Labor ("Arbeiderpartiet") as the sole party in a minority government until the September 2025 elections, as snap elections are not allowed.
- The right-wing Progress Party (" FrP") has surged to 24.5% in the polls, driven by concerns over energy prices, economic uncertainty, and national sovereignty, but major policy shifts remain unlikely.

Norway's real GDP growth, including the hydrocarbon sector, likely reached 1.9% in 2024, driven by a rebound in hydrocarbon activity and stronger export performance. We expect growth to accelerate slightly to 2.3% in 2025, supported by several key factors. Firstly, household consumption should grow moderately this year, underpinned by lower borrowing costs and higher real wage growth. Secondly, investment activity should strengthen, predominantly in non-hydrocarbon sectors, reflecting improving financing conditions as interest rates ease. Meanwhile, hydrocarbon-related investment is likely to remain stable. Finally, net exports will continue to provide a positive contribution, supported by higher hydrocarbon prices. We forecast Brent oil prices will average $85 per barrel in 2025 and TTF Natural Gas will average $4 per million metric Btu (for further details, see "S&P Global Ratings Has Lowered Its North American And European Gas Price Assumptions For 2024 And 2025" published Feb. 20, 2024, on RatingsDirect).

Norway's labor market has weakened over the past year, with the seasonally adjusted unemployment rate rising to 4.2% in 2024 from 3.6% in 2023. This increase has been driven by several factors, including labor force expansion due to an influx of Ukrainian refugees and temporary foreign workers, as well as sectoral weaknesses, particularly in construction. With the labor supply expected to outpace job growth due to continued refugee inflows, an increase in foreign workers, and persistent skill mismatches, we project a slight rise in the unemployment rate to about 4.4% in 2025. Despite the broader softening of the labor market, sectors such as health care and technology continue to face labor shortages, highlighting ongoing imbalances in workforce demand and supply.

Between 2026 and 2028, we project Norway's real GDP growth will average 1.6% annually, driven by recovering consumption and business confidence. However, Norway's reliance on oil and gas, which account for 40% of exports, remains a key challenge. While new field output will sustain short-term growth, reliance on fossil fuels may hinder diversification and delay alternative sector investments. Additionally, tightening environmental regulations and the global shift toward decarbonization threaten the sector's long-term viability. The government's push into seabed mineral extraction could aid diversification, unlocking lithium and cobalt reserves and boosting Norway's role in the green transition. However, regulatory uncertainties and environmental concerns may limit the sector's growth potential. Norway's growth prospects also remain uncertain given its heavy reliance on the EU, which accounts for two-thirds of its exports. As the EU faces escalating trade tensions with the U.S., potential disruptions to economic activity in Norway's largest trading partner could weaken demand for Norwegian goods and weigh on future growth.

Norway has undergone significant political shifts recently, reflecting deeper tensions over energy policy, national sovereignty, and EU integration. The collapse of the governing coalition in January 2025 was driven by opposition to Norway's adoption of EU energy directives, particularly from the Center Party (" Senterpartiet"), which argued that these measures would reduce national control over electricity markets. The Center Party's departure from the coalition forced Prime Minister Jonas Gahr Støre's Labor Party into single-party minority government--Norway's first in 25 years. To stabilize governance ahead of the September 2025 elections, former NATO Secretary-General Jens Stoltenberg was appointed Finance Minister in February 2025 with the aim of restoring economic confidence and managing policy continuity.

Unlike many European countries, Norway does not allow snap elections, as its constitution mandates fixed four-year parliamentary terms. This means that, despite the collapse of the coalition government, parliamentary elections will not be held early, and the Labor Party will remain in a single-party minority government until the next scheduled elections in September 2025.

Polling suggests it will be a close race, with the Labor Party leading on 27%, followed by the right-wing Progress Party on 24.5%, and the Conservative Party on 20.4%. The Progress Party's surge in support reflects its ability to tap into voter concerns over economic uncertainty, rising energy prices, and national sovereignty. The party's strong stance against EU energy directives, coupled with its hardline immigration policies and strategic leadership, has resonated with a growing segment of the electorate. By framing itself as a defender of Norwegian interests in a period of political instability, the Progress Party has successfully broadened its appeal beyond its traditional base. However, if any change in government were to occur, we would not expect a significant deviation in policymaking.

Despite interest rates remaining high over the past year, house prices in Norway rose by a seasonally adjusted 4.9% in 2024. This can be attributed to several factors: rising wages; the stabilization of mortgage rates at elevated levels, reducing uncertainty for buyers; and a decline in new housing supply. Looking ahead, the potential for lower interest rates could further support housing demand, reinforcing continued price appreciation. However, financial vulnerabilities persist, particularly due to the high proportion of household debt with variable interest rates, which exposes borrowers to fluctuations in borrowing costs. Despite this risk, the predominance of annuity-based mortgages, which include built-in amortization schedules, partially mitigates the impact on households' nominal debt servicing costs.

Flexibility and performance profile: Norway's fiscal and external positions remain extremely robust on a global basis.

- Norway's fiscal position remains robust, supported by its holdings in the GPFG
- The non-structural oil deficit is set to increase to 7.8% of GDP in 2025 from 6.7% in 2024 and will be funded by transfers from the GPFG.
- Household debt remains elevated at 86.6% of GDP but has decreased in recent years.

The government has approved the new 2025 budget, and we expect this to result in an increase in the non-oil budget deficit to 7.8% of GDP, up from 6.7% in 2024, indicating an expansionary fiscal stance. The deficit will continue to be financed through oil-related revenue and investment income from the GPFG. Additional spending has been allocated for defense and social programs, reflecting the government's policy priorities. For 2025, the government plans to withdraw approximately 2.6% of the GPFG's assets, down from 2.7% in 2024 and below the 3% fiscal rule. This aligns with the government's commitment to long-term fiscal sustainability while addressing near-term spending needs. Looking ahead, as expenditure growth is set to outpace revenue growth, we expect a gradual tightening of fiscal policy to maintain sustainable public finances. Despite persistent structural non-oil deficits, we expect the general government fiscal surplus to average about 9% of GDP until 2028, including hydrocarbon revenues.

Given our fiscal outlook for Norway, we expect the country's net asset position--calculated as general government assets minus debt--will remain exceptionally robust. This is largely due to assets held in the GPFG, which average over 300% of GDP. Despite the anticipated peak in interest rates, we project the cost of servicing general government debt to remain low, averaging near 2% of government revenue in 2025-2028. We expect that the central government's debt issuance will continue to primarily finance lending and capital injections into state lending institutions, reflecting a strategic use of debt rather than a necessity to cover operational deficits.

Norway's strong fiscal net asset position is anchored by the GPFG, which serves as a critical financial buffer for the country. In 2024, the GPFG posted a 13% return, increasing its market value to approximately $1.78 trillion, driven by robust equity performance and sustained inflows from the oil and gas sector. The fund's total value now exceeds 300% of GDP, underscoring its central role in fiscal resilience. Under Norway's fiscal framework, transfers from the GPFG to the central government budget are typically capped at 3% of the fund's value, aligning with its expected long-term real return. However, during economic shocks or downturns, the framework allows for higher withdrawals

The GPFG invests exclusively overseas, ensuring that Norway maintains an exceptionally strong net external asset position; it is projected to exceed 500% of current account payments on average in 2025-2028, enabling Norway to record substantial primary income inflows (about 4% of GDP). Following the rise in hydrocarbon prices over recent years and Norway's increased role as a key gas supplier to Europe, Norway has registered large current account surpluses. We anticipate an increase in the current account surplus to approximately 16% of GDP in 2025, fueled by higher oil and gas prices. The current account surplus is set to stabilize thereafter, averaging about 13% of GDP in 2026-2028.

Headline inflation in Norway has steadily decreased over the past year, declining to 2.3% as of Jan. 31, 2025. This is down from 4.5% in January 2024 due to easing price pressures from items such imported products, services, and energy. We expect inflation to continue its decline and project it to average 2.2% in 2025 as price pressures continue to ease. Key risks to inflation persist, including volatile commodity prices, a weaker krone, and rising wages. As a result, we anticipate Norges Bank will begin cutting the policy rate gradually at the end of this quarter.

The Norwegian banking sector remains resilient, supported by a conservative risk appetite, strong capital buffers, and effective risk management, despite rising competition. Stability is reinforced by high profitability and robust capital adequacy, allowing banks to navigate shifting macroeconomic conditions. In 2024, the sector performed well, with higher interest rates boosting net profits, leading to a record-high return on equity of about 15%. Interest payments as a share of income increased from both Norwegian households and corporates, but asset quality remained intact, primarily due to a supportive labor market. Despite the real estate sector showing an uptick in bankruptcies, Norwegian banks reported a low average cost of risk over 2024 at about 10 basis points of lending.

In addition, nonperforming loans remained unchanged, averaging about 0.6% of lending. For the next two years, we expect asset quality metrics to remain stable and profitability to ease toward a more normalized level of about 13%-14%. Regulatory oversight of the banking sector is strong, although household debt remains a concern, standing at 88% of GDP in 2024, down from a peak of 113% in 2021. That said, households maintain a healthy net asset position, just below 60% of GDP. This reinforces their financial flexibility, while the broader implicit support through the Norwegian sovereign wealth fund mitigates some of the risks associated with a high private debt burden.

Key Statistics

Table 1

Norway--Selected indicators

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Economic indicators (%)										
Nominal GDP (bil. LC)	3,597	3,462	4,324	5,733	5,102	5,198	5,429	5,588	5,745	5,896
Nominal GDP (bil. $)	409	368	503	596	483	484	491	537	580	621
GDP per capita (000s $)	76.7	68.5	93.4	109.9	88.0	86.5	86.9	93.9	100.5	106.6
Real GDP growth	1.1	(1.3)	3.9	3.2	0.1	2.1	2.3	1.9	1.7	1.6
Real GDP per capita growth	0.5	(2.0)	3.5	2.6	(1.1)	0.3	1.2	0.7	0.7	0.8
Real investment growth	9.5	(4.1)	0.7	0.3	(1.5)	(1.9)	2.6	1.8	1.4	0.9
Investment/GDP	29.6	31.4	25.1	21.2	24.3	24.0	24.2	24.2	24.2	24.0
Savings/GDP	33.4	32.5	40.0	50.8	42.0	40.0	40.7	38.0	36.6	35.9
Exports/GDP	36.6	32.2	43.0	55.5	47.9	47.6	47.8	46.1	44.9	43.8
Real exports growth	2.1	(2.3)	6.1	5.2	0.4	5.7	1.8	2.3	2.3	2.3
Unemployment rate	3.7	4.6	4.4	3.2	3.6	3.9	3.9	3.8	3.8	3.8
External indicators (%)										
Current account balance/GDP	3.8	1.1	14.9	29.6	17.8	16.0	16.6	13.7	12.4	11.9
Current account balance/CARs	7.8	2.6	27.6	44.3	27.8	24.8	25.6	23.2	22.1	21.6
CARs/GDP	48.6	42.8	54.0	66.9	63.9	64.6	64.8	59.4	56.3	55.1
Trade balance/GDP	4.0	(0.3)	14.4	27.9	16.2	14.9	14.1	13.1	12.3	11.6

Table 1

Norway--Selected indicators (cont.)

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Net FDI/GDP	2.2	1.4	(2.5)	(2.1)	0.4	(0.5)	(0.5)	(0.5)	(0.5)	(0.5)
Net portfolio equity inflow/GDP	(7.0)	(2.9)	9.1	(12.3)	(11.9)	(10.0)	(9.0)	(8.5)	(8.0)	(8.0)
Gross external financing needs/CARs plus usable reserves	180.1	200.1	146.7	113.2	148.2	154.2	151.2	152.7	151.7	149.4
Narrow net external debt/CARs	(401.8)	(587.4)	(386.2)	(227.4)	(381.6)	(429.3)	(480.9)	(526.2)	(559.5)	(581.3)
Narrow net external debt/CAPs	(435.8)	(602.9)	(533.2)	(408.2)	(528.7)	(570.9)	(646.2)	(684.7)	(718.0)	(741.8)
Net external liabilities/CARs	(500.0)	(722.5)	(485.2)	(293.9)	(487.1)	(543.9)	(610.5)	(669.9)	(711.1)	(741.7)
Net external liabilities/CAPs	(542.3)	(741.6)	(669.9)	(527.6)	(674.9)	(723.2)	(820.3)	(871.8)	(912.6)	(946.5)
Short-term external debt by remaining maturity/CARs	145.1	187.8	114.8	81.4	110.7	118.7	115.1	114.4	111.1	106.2
Usable reserves/CAPs (months)	4.1	5.2	4.6	4.6	3.9	4.1	4.1	3.9	3.8	3.6
Usable reserves (mil. $)	66,961	75,285	84,459	72,139	80,523	80,523	80,523	80,523	80,523	80,523
Fiscal indicators (general government; %)										
Balance/GDP	6.5	(2.6)	10.3	25.5	16.5	12.6	12.9	9.0	8.2	7.5
Change in net debt/GDP	(49.2)	(25.0)	(30.5)	1.3	(59.0)	(73.9)	(22.6)	(12.9)	(8.8)	(14.6)
Primary balance/GDP	7.2	(1.9)	10.7	26.1	17.6	13.9	14.0	9.8	8.9	8.1
Revenue/GDP	56.7	54.2	56.6	63.1	62.5	62.0	60.0	58.0	57.0	56.0
Expenditures/GDP	50.2	56.7	46.3	37.5	46.0	49.4	47.1	49.0	48.8	48.5
Interest/revenues	1.2	1.2	0.7	0.8	1.7	2.0	1.8	1.4	1.2	1.2
Debt/GDP	40.6	46.1	41.6	36.1	44.2	44.5	38.4	35.8	33.1	31.7
Debt/revenues	71.5	85.2	73.6	57.3	70.7	71.8	64.1	61.6	58.0	56.7
Net debt/GDP	(243.3)	(277.8)	(252.9)	(189.5)	(271.9)	(340.8)	(348.9)	(351.9)	(351.0)	(356.7)
Liquid assets/GDP	283.9	324.0	294.5	225.6	316.2	385.3	387.3	387.6	384.1	388.4
Monetary indicators (%)										
CPI growth	2.2	1.3	3.5	5.8	5.5	3.1	2.2	2.3	2.1	2.1
GDP deflator growth	(0.5)	(2.5)	20.2	28.4	(11.1)	(0.2)	2.1	1.0	1.1	1.0
Exchange rate, year-end (LC/$)	8.78	8.53	8.82	9.86	10.17	11.35	10.77	10.32	9.80	9.50
Banks' claims on resident non-gov't sector growth	4.9	4.6	4.8	5.6	3.4	2.8	4.3	3.8	3.8	3.7
Banks' claims on resident non-gov't sector/GDP	152.1	165.3	138.8	110.5	128.4	129.5	129.3	130.4	131.6	133.0

Table 1

Norway--Selected indicators (cont.)

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Foreign currency share of claims by banks on residents	4.2	3.6	3.2	3.3	4.0	4.1	4.1	4.1	4.0	3.8
Foreign currency share of residents' bank deposits	24.1	21.8	20.6	23.3	23.8	23.4	21.0	21.0	21.0	21.0
Real effective exchange rate growth	(0.7)	(13.1)	13.2	2.3	(8.3)	(1.6)	N/A	N/A	N/A	N/A

Sources: Eurostat, Statistics Norway (economic indicators); Statistics Norway, International Financial Statistics (monetary indicators); and Statistics Norway (fiscal, debt and external indicators). Adjustments: We consider the central government balance as non-oil balance. Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A--Not applicable. bc--Base case. LC--Local currency. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Ratings Score Snapshot

Table 2

Ratings Score Snapshot

Key rating factors	Score	Explanation
Institutional assessment	1	Norway has a long track record of democratic governments with effective and flexible policymaking. The prudent policymaking is best reflected in its fiscal rule and the creation of a fund (the Government Pension Fund Global) to phase oil revenue into the economy gradually and to preserve wealth for future generations, as we expect oil revenue to decline and age-related spending to increase over the long term. There are extensive checks and balances between institutions, a free flow of information, and policy decisions are openly debated.
Economic assessment	1	Based on GDP per capita ($) as per the Selected Indicators in Table 1.
External assessment	1	Based on narrow net external debt as per Selected Indicators in Table 1, considering we view the krone as an actively traded currency.
		Norway has an actively traded currency and we expect it to run consistent current account surpluses over 2023-2026 as per Selected Indicators in Table 1.
		Norway controls an actively traded currency and its short-term external debt by remaining maturity stands above 100% of current account receipts (CAR) as shown in Selected Indicators in Table 1.
		Norway's net international investment position is more favorable than the narrow net external debt position by over 100% of CAR, as per Selected Indicators in Table 1.
Fiscal assessment: flexibility and performance	1	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1.
		Based on liquid assets to GDP as per Selected Indicators in Table 1. These include large assets from the sovereign wealth fund, The Government Pension Fund Global.

Table 2

Ratings Score Snapshot (cont.)

Key rating factors	Score	Explanation
Fiscal assessment: debt burden	1	Based on net general government debt (% of GDP) and general government interest expenditure (% of general government revenue) as per Selected Indicators in Table 1.
Monetary assessment	1	The Norwegian krone is an actively traded currency.
		Norges Bank operates an inflation targeting regime and has a long history of full operational independence.
Indicative rating	aaa	As per Table 1 of "Sovereign Rating Methodology."
Notches of supplemental adjustments and flexibility	1	Based on liquid assets to GDP as per Selected Indicators in Table 1. These include large assets from The Government Pension Fund Global.
Final rating		
Foreign currency	AAA	
Notches of uplift	0	We do not believe that default risks apply differently to foreign- and local-currency debt.
Local currency	AAA	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings List, Feb. 19, 2025
- Sovereign Ratings History, Feb. 19, 2025
- Sovereign Ratings Score Snapshot, Feb. 6, 2025
- Sovereign Risk Indicators, Dec. 9, 2024. Interactive version available at http://www.spratings.com/sri
- EMEA Emerging Markets Sovereign Rating Trends 2023: Through A Glass Darkly, Jan. 26, 2023

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The committee's assessment of the key rating factors is reflected in the Ratings Score Snapshot above.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Affirmed	
Norway	
Sovereign Credit Rating |U~	AAA/Stable/A-1+
Transfer & Convertibility Assessment	
Local Currency |U~	AAA
|U~ Unsolicited ratings with no issuer participation, and/or no access to internal documents, and/or no access to management.	

This unsolicited rating(s) was initiated by a party other than the Issuer (as defined in S&P Global Ratings' policies). It may be based solely on publicly available information and may or may not involve the participation of the Issuer and/or access to the Issuer's internal documents and/or access to management. S&P Global Ratings has used information from sources believed to be reliable based on standards established in our policies and procedures, but does not guarantee the accuracy, adequacy, or completeness of any information used.