



****Coronavirus Covid-19 Update****

The risks associated with doing business are likely to be negatively impacted by the global coronavirus pandemic. Severe disruption to supply chains caused by lockdown procedures in many countries will affect country risk ratings. Demand will also be lower than initially anticipated as export earnings will be reduced amid a global economic slowdown and falls in both business and consumer confidence, as well as lower investment due to decreasing corporate earnings. We advise clients to monitor the containment efforts, as the adverse economic and supply chain effects will persist until the outbreak is controlled.

Country Insight Snapshot

Norway

May 2020





OVERVIEW

OVERALL COUNTRY RISK RATING: DB2a

Low risk: Low degree of uncertainty associated with expected returns. However, country-wide factors may result in higher volatility of returns in future.



Rating Outlook: Deteriorating

CORE OUTLOOK

- + Norway has an exceptionally strong fiscal position and is able to support the economy with a range of expansionary measures.
- + Opportunities lie in healthcare, homecare and other services for an ageing population.
- The offshore hydrocarbon extraction-driven economy faces headwinds from oil production cuts, while benchmark oil prices are under pressure.
- Households are highly indebted and house prices are still high by international standards, even though restrictive mortgage regulations have curbed price increases.

KEY DEVELOPMENT

Dun & Bradstreet downgrades Norway's country risk rating as slumping oil prices and production cuts coincide with the effects of Covid-19 within the Nordic economy.

CREDIT ENVIRONMENT OUTLOOK



Trend: Deteriorating

Key Development has had a negative impact on the outlook.

SUPPLY ENVIRONMENT OUTLOOK



Trend: Stable

Key Development has had a neutral impact on the outlook.

MARKET ENVIRONMENT OUTLOOK



Trend: Stable

Key Development has had a negative impact on the outlook.

POLITICAL ENVIRONMENT OUTLOOK



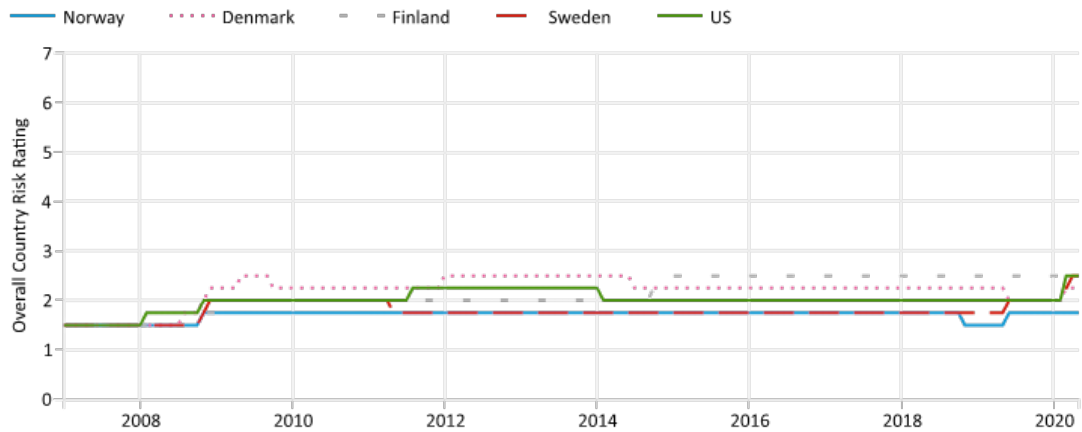
Trend: Stable

Key Development has had a negative impact on the outlook.



KEY INDICATORS

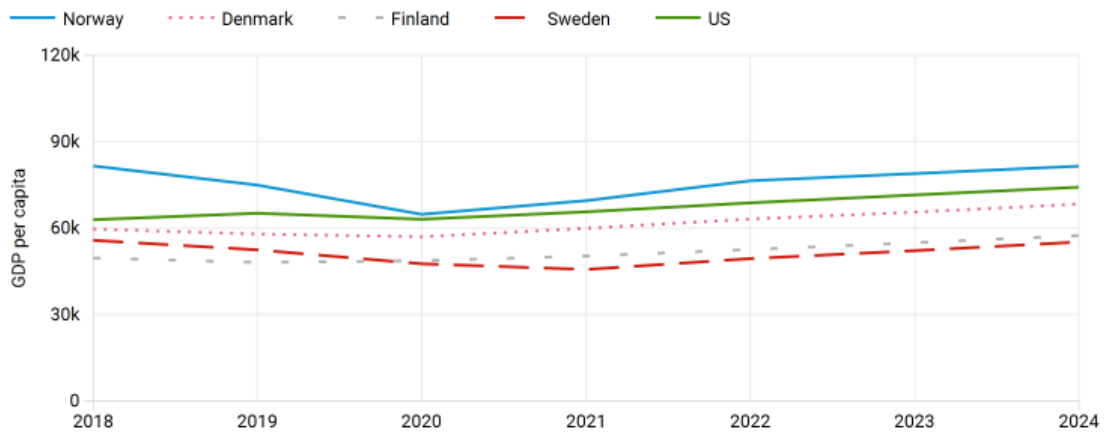
Rating History and Comparison



Source: Dun & Bradstreet

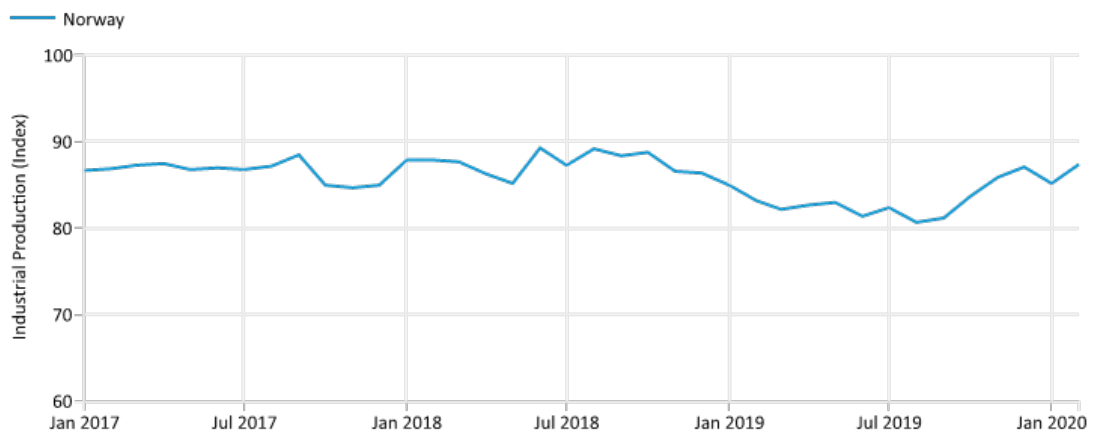
Note: 1 = Low Risk, 7 = High Risk

Regional Comparisons



Source: Haver Analytics/Dun & Bradstreet

Industrial Production (Index)



Source: Haver Analytics/Dun & Bradstreet



Economic Indicators

Indicator	2017	2018	2019	2020f	2021f	2022f	2023f	2024f
C/A balance % GDP	4.6	7.1	3.9	4.3	4.1	7.5	7.8	7.5
Govt balance, % GDP	5.0	7.8	6.4	6.3	6.1	6.3	6.3	6.3
Inflation, annual avge %	1.9	2.8	2.2	1.1	1.8	2.3	2.4	2.5
Real GDP Growth, %	2.7	1.5	1.2	-7.0	3.1	2.7	2.3	2.3
Unemployment, %	2.7	2.4	2.3	7.4	5.5	5.1	4.8	4.9

Source: Haver Analytics/Dun & Bradstreet

TRADE AND COMMERCIAL ENVIRONMENT

The Norwegian government has introduced a raft of policy measures aimed at limiting the number of corporate bankruptcies and encouraging companies to limit dismissals in favour of temporary layoffs. The lower rate of VAT has been cut from 12% to 8%, with effect from 1 January, while the tax code is being used to offer support to companies: tax on surpluses from previous tax years can be offset against current losses. Around NOK100bn of focused assistance is being provided to the aviation sector, in the form of tax credits for airlines, and reductions in passenger and airport taxes. The government is also proposing to introduce a revised corporate bankruptcy procedure, offering firms a longer period in which to overcome temporary periods of insolvency.

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: SD

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: 1-3 month

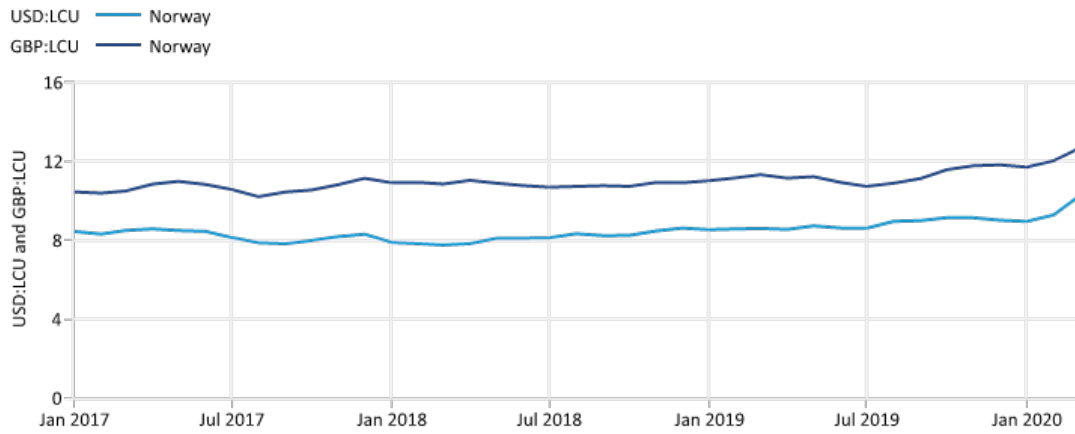
The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays: No delays reported

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.



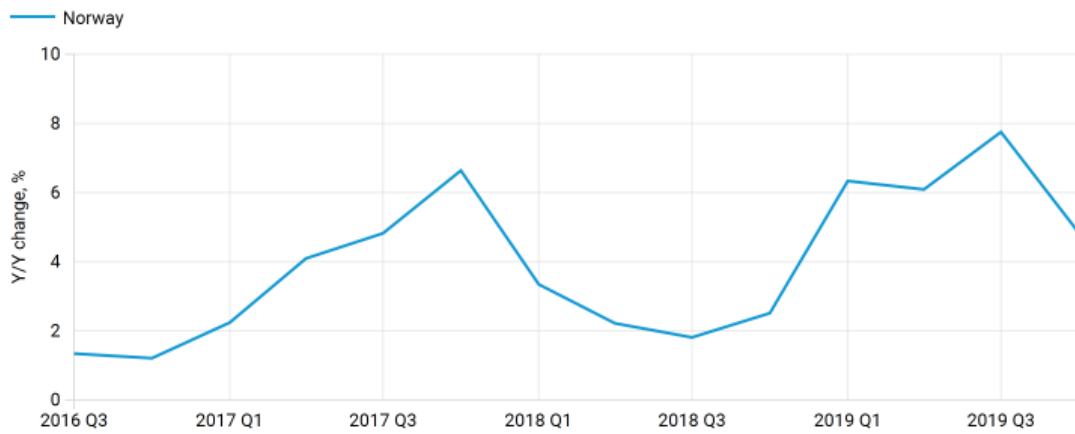
Exchange Rate



Source: International Monetary Fund/Dun & Bradstreet

LCU (local currency unit) = Norwegian krone

Bank Lending to the Private Sector



Source: IMF, Central Banks, Haver Analytics



RISKS AND OPPORTUNITIES

Short-Term Economic Outlook

Risk rating downgraded

Dun & Bradstreet has downgraded Norway's country risk rating by one quartile from DB1d to DB2a as the hydrocarbon exporting economy faces concurrent crises of subdued external demand for oil and natural gas and the domestic impacts of Covid-19 within the Nordic economy.

The Norwegian government has begun to reverse unprecedented internal travel restrictions introduced after the number of Covid-19 cases rose in March, but social distancing measures will remain in place to prevent a resurgence in transmissions. As such, considerable uncertainty surrounds the short-term economic outlook for the domestic economy. Norwegian consumers have reined in discretionary purchases, and this heightened risk aversion is unlikely to reverse over the remainder of 2020: government forecasts that domestic consumption will contract almost 10% in 2020 are likely to be over-optimistic. The increase in unemployment levels, which has continued to rise since breaching an unprecedented 10% in April, will rise further as corporate insolvencies accelerate in Q2 and Q3, despite government measures to slow liquidations. Although tourism, transportation and retail have borne the brunt of job losses since March, the wider economy is already feeling the impact of a sharp supply-side crisis, as manufacturers and exports face sharply lower orders and suppliers and customers in key export markets experience supply-chain disruption.

The impact of sharply lower oil prices and an unprecedented decline in international oil demand in Q2 will be felt in Norway's export-oriented hydrocarbon services sector, while lower hydrocarbon export receipts are also likely to see the structural current account surplus narrow in 2020 overall. The Norwegian government recently announced production cuts equivalent to 13% of annual production from June 2020.

We are downgrading our outlook for Norway's mainland economy in 2020 to a contraction of 5.9%, above the government's estimate of a 5.5% contraction in mainland GDP. Looking ahead, pent-up demand will drive a rebound in private consumption, while hydrocarbon exports and services exports will revive in 2021. Investment will be slower to recover, as insipid underlying demand will weigh on residential construction, which is expected to remain subdued. Risk aversion among households is likely to remain elevated, and so we are increasing our 2021 real GDP forecast to just 3.2%.

Business Continuity

Oil sector output cut

The Norwegian government announced curbs on production from the Nordic nation's offshore oil fields on 30 April. The reductions will lower production by 300,000 barrels per day by the end of 2020, through a combination of reductions in production permits from June, and postponements in oil companies bringing new fields onstream. The oil production cut has been announced amid a sharp contraction in international demand for crude oil and refined oil products in March and April 2020, as the introduction of lockdown measures and restrictions on international travel have led to a sharply lower oil consumption. Delays in coordinating a supply-side response has led to excess supply outpacing storage, weighing on oil prices further: the dated Brent oil price has fallen by 70% since January 2020 to below \$18 per barrel in early May.

The impact of lower international oil prices and reduced oil exports will lower foreign exchange receipts, and is likely to lead to the emergence of a current account deficit in 2020. Meanwhile we expect the decline in oil prices to accelerate the slowing pace of investment in the sector. Hydrocarbon investments have historically been closely correlated with international oil prices and some new offshore fields are uneconomical at current price levels. We expect lower oil and gas investment to lead to gross fixed capital investment detracting 1.4pp from real GDP growth. We expect investment in oil and gas prospecting and extraction to decline secularly after 2020 as oil and gas extraction declines.



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)	5.4
GDP (USD billions)	403.1
GDP per capita (USD)	74,933
Life expectancy (years)	82.1
Literacy (% of adult pop.)	99.9
Surface area (sq km)	323,800

Source: Various sources/Dun & Bradstreet

Historical Data

Metric	2015	2016	2017	2018	2019
Real GDP growth (%)	1.8	0.5	2.7	1.5	1.2
Nominal GDP in USDbn	386	368	398	435	403
Nominal GDP in local currency (bn)	3,113	3,089	3,294	3,543	3,547
GDP per Capita in USD	74,158	70,036	75,229	81,579	74,933
Population (year-end, m)	5.2	5.3	5.3	5.3	5.4
Exchange rate (yr avge, USD-LCU)	8.1	8.4	8.3	8.1	8.8
Current Account in USDbn	31.0	16.4	18.4	31.0	15.9
Current Account (% of GDP)	8.0	4.5	4.6	7.1	3.9
FX reserves (year-end, USDbn)	57.5	60.4	65.9	63.1	66.9
Import Cover (months)	4.9	4.9	5.4	6.1	6.0
Inflation (annual avge, %)	2.2	3.6	1.9	2.8	2.2
Govt Balance (% GDP)	6.0	4.1	5.0	7.8	6.4

Source: Haver Analytics/Dun & Bradstreet



Forecasts

Metric	2020f	2021f	2022f	2023f	2024f
Real GDP growth (%)	-7.0	3.1	2.7	2.3	2.3
Nominal GDP in USDbn	351	380	421	439	457
Nominal GDP in local currency (bn)	3,653	3,763	3,875	3,992	4,111
GDP per Capita in USD	64,792	69,536	76,432	78,922	81,507
Population (year-end, m)	5.4	5.5	5.5	5.6	5.6
Exchange rate (yr avge, USD-LCU)	10.4	9.9	9.2	9.1	9.0
Current Account in USDbn	15.0	15.4	31.5	34.1	34.4
Current Account (% of GDP)	4.3	4.1	7.5	7.8	7.5
FX reserves (year-end, USDbn)	69.0	71.0	73.2	75.3	77.6
Import Cover (months)	6.5	6.5	7.0	7.0	7.0
Inflation (annual avge, %)	1.1	1.8	2.3	2.4	2.5
Govt Balance (% GDP)	6.3	6.1	6.3	6.3	6.3

Source: Haver Analytics/Dun & Bradstreet

Comparative Market Indicators

Indicator	Norway	Denmark	Finland	Sweden	US
Income per Capita (USD)	64,792	56,978	48,678	47,621	63,077
Country Population (m)	5.4	5.8	5.5	10.1	331.0
Internet users (% of population)	97.3	97.0	87.7	91.5	76.2
Real GDP Growth (% p.a., 2020 - 2029)	2.2 - 3.0	1.4 - 2.3	0.8 - 2.0	2.0 - 2.5	-3.7 - 3.3

Source: Various sources/Dun & Bradstreet



LINKS

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Please click [here](#) to visit our online user guide.

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