

BEST'S COUNTRY RISK REPORT

Norway CRT-1

August 22, 2018

Region: Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Norway is a CRT-1 country, with very low levels of political and financial system risk and a low level of economic risk. Although it is not a member of the European Union, it does have access to the European markets and relies heavily on trade with its European neighbors.
- Positive momentum in both oil prices and a strengthening labor market will help economic growth. Last year, GDP grew 1.7% and is expected to grow 2.1% in 2018. Medium-term economic growth is forecast to range between 1.5% and 2.0%.
- A.M. Best categorizes the majority of countries pictured in the map as CRT-1 and CRT-2. Notable exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus, and Ukraine.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Western Europe

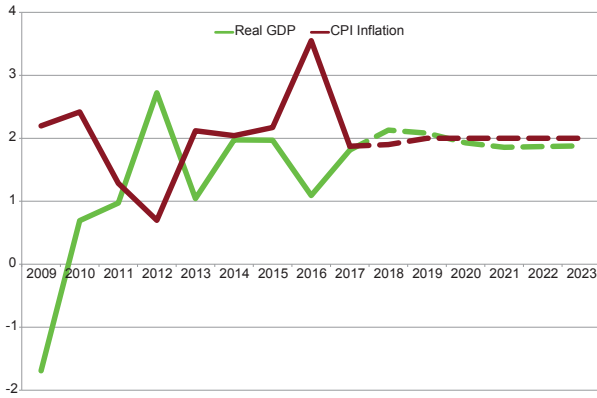
- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing consumer and business confidence, lower unemployment rates, and credit growth.
- The European Central Bank (ECB) has decided to end its three-year EUR2.4 trillion quantitative easing program by the end of 2018, although it did signal that any rise in interest rates before September 2019 was unlikely. The policy rate has been below 1.0% since July 2012 and has been at 0.0% since March 2016.
- Concerns include political instability in certain countries, ongoing uncertainty about Brexit and its potential implications, and below-trend growth and inflation.

| Vital Statistics 2017 | | |
|-------------------------------|---|-------------------|
| Nominal GDP | USD bn | 396.46 |
| Population | mil | 5.3 |
| GDP Per Capita | USD | 74,941 |
| Real GDP Growth | % | 1.8 |
| Inflation Rate | % | 1.9 |
| United Nations Estimates | | |
| Literacy Rate | % | n.a. |
| Urbanization | % | 81.0 |
| Dependency Ratio | % | 52.1 |
| Life Expectancy | Years | 81.9 |
| Median Age | Years | 39.2 |
| Insurance Statistics | | |
| Insurance Regulator | The Financial Supervisory Authority of Norway | |
| Premiums Written (Life) | USD mil | 11,289 |
| Premiums Written (Non-Life) | USD mil | 8,501 |
| Premiums Growth (2016 - 2017) | % | -1.0 |
| Regional Comparison | | |
| | | Country Risk Tier |
| Norway | | CRT-1 |
| Denmark | | CRT-1 |
| Finland | | CRT-1 |
| Germany | | CRT-1 |
| Netherlands | | CRT-1 |
| Sweden | | CRT-1 |

Source: IMF, UN, Swiss Re, Axco and A.M. Best



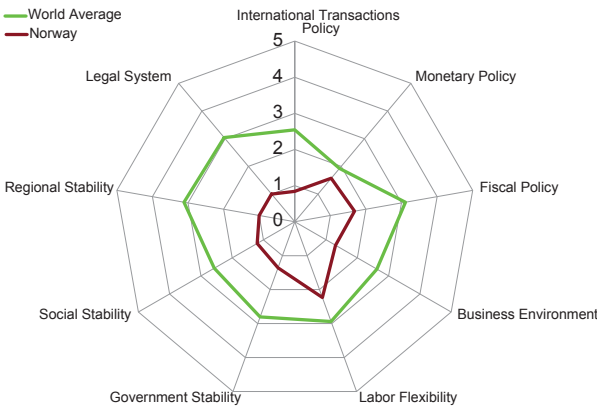
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

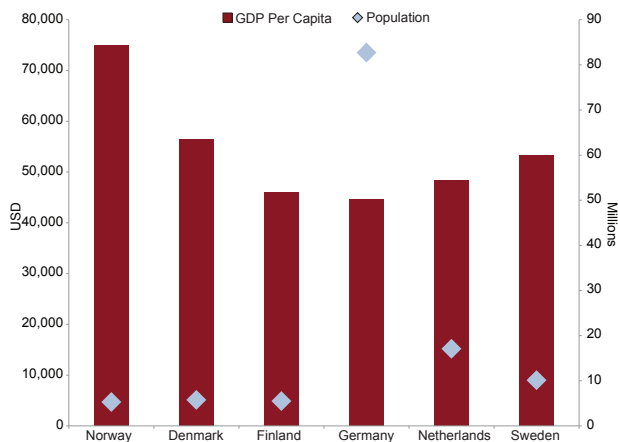
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Low

- As one of the world's largest petroleum exporters, Norway depends extensively on its energy sector. Other key industries include shipping and fishing. Additionally, the country has a vast amount of natural resources.
- High household debt remains a concern, as do elevated housing prices, although they have declined from their peak in 2016. The government has increased the housing supply and implemented a number of measures to curtail speculative housing investment.
- As oil prices started to stabilize, withdrawals from the sovereign wealth fund (the Government Pension Fund Global) slowed down towards the end of 2017. The government lowered from 4.0% to 3.0% the proportion of the withdrawal to cover the budget deficit.
- The country's reliance on oil and gas exports makes it vulnerable to changes in global demand conditions and price volatility. Norway would be negatively affected by rising global trade tensions and the potential for increased trade protectionist policies is cause for concern.
- The workforce is highly skilled and educated, with a high GDP per capita of approximately USD75,000 in 2017.

Political Risk: Very Low

- Norway's political system is historically stable, peaceful, and cohesive. It is a constitutional monarchy but the king is largely a ceremonial figure, wielding little political influence. Legislative power rests with the parliament.
- The September 2017 general election resulted in the re-election of the center-right Conservative Party and the right-wing Progress Party. As such, a weakened mandate could result in the delay of implementing and passing legislation.
- Norway has a highly effective and impartial legal system. Corruption is minimal, as evidenced by Norway's high ranking in the Transparency International's 2017 Corruption Perceptions Index.
- Social protest, driven by environmental and labor concerns, is likely to be peaceful.
- Over the medium term, the government is likely to face a more complex environment, as spending pressures increase owing to an aging population.

Financial System Risk: Very Low

- As a member of the European Economic Area, Norway abides by its regulatory standards. The country's Financial Supervisory Authority (FSA) regulates the insurance and financial services industries.
- The housing market's high valuations, combined with elevated household debt, put Norway at additional risk to external shocks. Norway has enhanced mortgage regulation but additional efforts will most likely be needed to correct the issue.