

Norway

In-depth PESTLE insights

Country Profile Series

Report Code: ML00002-021
Published: August 2019



1. Overview

This profile analyzes the political, economic, social, technological, legal and environmental (PESTLE) structure in Norway. Each of the PESTLE factors are explored in terms of four parameters: current strengths, current challenges, future prospects, and future risks.

1.1. Summary

1.1.1. Key findings

Norway has a strong policy framework; however, recurring strike threats from workers is causing tension

The Norwegian policymaking framework entails strong strategic planning. A typical government decision-making process starts with the appointment of a committee, which is responsible for delivering a comprehensive report on the subject under discussion. Sometimes, the committee comprises exclusively of academic experts; however, politicians, members of trade unions and business confederations are also usually involved in the process. Following the delivery of the report, a legislative proposal is drafted and circulated to interested parties, who are then invited to make comments within a maximum period of three months. After it receives the comments, the government prepares a legislative proposal for parliament, either as a bill or as a white paper, although the latter has more often been a preferred choice of Norwegian governments. Such a procedure of consensual policymaking has been the backbone of good governance in Norway.

Recurring strike threats from workers, especially from the hydrocarbon sector is a common scenario in Norway and the various governments in Norway have failed to find an effective long-term solution to avoid such confrontations. Labor disputes often hamper production and cause working days and earning loss. In June 2017, more than 150 workers threatened to go on strike if the union failed to reach an agreement. In July 2018, hundreds of workers went on strike in a dispute over wage increases and pension rights. There were calls from labor unions representing around 25,000 employees for strikes in March 2019 on grounds for higher wages. In May 2019, the pilots of the Scandinavian Airlines went on strike impacting the services quite adversely. In June 2019, a call for strike from off-shore oil workers were dropped last minute as a revised pay deal was stuck between the concerned parties. As reported by Statistics Norway, around 24,142 working days were lost because of 11 labor disputes in 2018 alone, as compared to 8,942 working days and 10 disputes in 2017.

Norway has an efficient macroeconomic policy at place, but high household debt is an area of concern

Norwegian governments have long been known for consistent policy implementation. The country stands as a role model for resource-rich countries in terms of efficient management of proceeds generated from exploitation of natural resources. Since 1990, the government has been putting all revenue generated from the oil and gas sector into a sovereign wealth fund, now known as the Government Pension Fund Global (GPF). In 2001, the government introduced a fiscal rule aimed at saving wealth generated from natural resources to ensure sustainable development of future generations; it limits the sovereign fund's value that can be allocated to the central government's budget to 4.0%. Moreover, the country's central bank has succeeded in keeping price levels in the economy in check as the consumer price inflation has stayed within its 2.5% guideline during 2009–2015. However, it rose to a yearly average of 2.74% during 2016–2017. Although it increased to 2.81% in 2018, it is expected to come down to 1.93% in 2019.

However, along with easy credit availability, high consumer spending has put upward pressure on household debt and pushed it to exceed 100% of GDP in 2016. According to the IMF, the total household debt as a percentage of

GDP stood at 101.58% in 2017, which is one of the highest amongst OECD nations. In fact, for Norway, the household debt as a percentage of disposable income alone stood at 239% in 2018, according to OECD. Moreover, the majority of lending to households by banks has been mortgage related and almost all of it is at floating interest rates. A percentage point increase in interest rates can increase interest burden on debt holders considerably, which is a cause for concern. A high level of indebtedness among the Norwegian population could affect the country's banking sector and economy in the long run.

The country's population enjoys a high standard of living, but high suicide rates are a concern

The Norwegian population enjoys a high standard of living, with the country performing well on most of the indicators in the OECD Better Life Index. In the parameters of housing, income, health status, jobs, safety, and environmental quality, Norway performed better than other Nordic countries in the 2017 Better Life Index. Work-life balance is better than all other countries except Denmark and the Netherlands, reflecting the fact that the Norwegian population has ample time for leisure and personal care, mainly an offshoot of the low number of working hours. According to OECD, in 2017, only 3% of Norwegians work for long hours compared to the 11.0% OECD average. Moreover, an average Norwegian devotes 15.6 hours of his daily time to leisure and personal care compared to the OECD average of 15 hours. According to MarketLine, Norway's life expectancy at birth, which stood at 82 years in Norway in 2018, is one of the highest in the world.

Although Norway has one of the highest HDIs in the world, its suicide rate is much higher than that of Colombia, Costa Rica, South Africa, and Brazil as per the OECD reported data. This is true with other rich countries as well, where the calculated prosperity in terms of low crime rates and healthy social protection is high but suicide rates contradict happiness indexes. As per the Norwegian Institute of Public Health, 614 suicides were registered in 2016, which consist of almost 418 males and 196 females. In 2015, these were 400 men and 190 women. More than 50% of suicides occur under the age of 50 years with a median age of suicide of 47 in 2016. Some argue that high suicide rates in Scandinavian countries are due to the climatic conditions of the region. According to OECD, the suicide rate per 100,000 persons in Norway was more than 11.1 in 2015, up from 10.8 in 2013 and 10.2 in 2012.

Norway has a high number of full-time researchers, but the country still needs to focus on clean technology especially for oil extraction

Norway has a high number of full-time researchers and PhDs. According to OECD statistics, the number of researchers per thousand employees was around 12.3 in 2017, up from 11.55 in 2016 and one of the highest amongst OECD countries. Key reasons behind the high number of researchers in the country are adequate training, attractive career prospects, a good research environment and the promotion of cross-border mobility by the Research Council of Norway.

Norway is struggling with localized environmental and ecological issues due to its oil extraction and the consequences of using hydroelectric power. Its CO₂ gas emission increased by 37.36% during 1991–2017 and it is one of the leading European countries in terms of emission per capita. Norway is largely dependent on oil and gas industries, but these industries are not environmentally sustainable in the near future. According to Statistics Norway, emission of greenhouse gases from oil and gas extraction increased by 75.6% during 1990–2018, while the emissions from energy supply increased by 325.4% from 1990 levels when compared with 2018 data. Norway needs to intensify its efforts to develop and adopt technologies, which will help it in achieving its COP21 emission reduction target of 40% by 2030 compared to 1990 levels.

Norway ranks high in terms of ease of doing business, but excessive product market regulations can be a hindrance to boosting competitiveness

Norway ranked seventh out of 190 countries in the World Bank's Doing Business Index in 2019. The Norwegian regulatory environment guarantees the freedom to start, operate and close a business. Starting a business in Norway takes an average of four days, compared to the OECD income countries' average of 9.3 days. Registering property in Norway requires only three days compared to OECD high-income countries' average of 20.1 days. Norway's ranking on the Doing Business Index suggests that the country's regulatory environment is conducive to the operation of businesses and is favorable to business investment.

Many of the sectors in Norway are regulated to a greater extent than their European counterparts. According to the Global Competitiveness Report 2018, Norway ranked 29th out of 140 nations in terms of product market competitiveness and was ranked below many of the major economies in the Europe region. This is indicative of a less competition-friendly market and monopolies in various sectors. The government should take measures to ease product market regulation to strengthen competition, especially in fisheries and aquaculture. High regulation could depress the purchasing power of households due to higher costs of production. Moreover, the easing of regulations will attract investment in various sectors, which will open up new avenues of employment. Because of inadequate competition, services are also generally priced high.

The conservation of biodiversity is a key strength, but the impact of ocean acidification upon Norway's fish species is a concern

The Norwegian government places a lot of importance on sustainable development and environmental conservation in its economic policies. The authorities have made it mandatory for all businesses to assess the impact of their activities on the environment. The Environmental Impact Assessment (EIA), which is monitored by the Ministry of Climate and Environment, states that all business proposals must pass through a verification process before approval. Furthermore, the ministry has created a system by which information about any successful implementation of EIA principles is collected and analyzed for further strengthening and development. The integration of environmental assessment into business activities has brought in many changes, which have improved Norway's environment.

Meanwhile, Norway is affected by pollution especially in the form of the acidification of water, which is harming the aquatic ecosystem. According to the European Commission, the level of acidification in the three seas (the Barents, Norwegian and North Seas) around Norway is considered a hazard in terms of the threat. Acidification threatens the nation's prominent fishing industry considerably. A multilateral action alongside with neighboring states is required to address this problem effectively.

1.1.2. PESTLE highlights

Political landscape

- According to the World Bank's 2018 Worldwide Governance Indicators, Norway had a perfect percentile rank of 100.00 in voice and accountability in 2017.
- According to the Global Competitiveness Report 2018 published by the World Economic Forum, the nation was ranked 18th amongst 140 nations in the parameter related to future orientation of government. In terms of robustness in institutions, the nation is ranked eighth out of 140 nations.

Economic landscape

- Norway GDP per capita is one of the highest in the world. According to MarketLine, the nominal GDP per capita (PPP) of Norway stood at US\$74913.48 in 2018.
- According to the IMF, Norway posted an average annual general government surplus of 8.84% of GDP during 2011–2017. In 2018, the general government surplus stood at 7.5% of GDP, up from 5.1% of GDP in 2017. The general government surplus is forecast to remain around an annual average of 7.37% of GDP over 2019–2023.

Social landscape

- The labor force participation rate of Norwegian women is among the highest in the world with around 75.16% of women in the working age either employed or looking for a job in 2018, according to MarketLine.
- According to OECD, the average annual hours of work per employee in Norway was 1,416.4 in 2018, which is one of the lowest among other Nordic nations and much lower than the OECD average of 1734.0 hours. Major reasons cited for this include a low willingness to work for long hours and the extensive use of part-time arrangements.

Technological landscape

- The number of patents granted to Norway is low when compared to its Nordic counterparts such as Denmark, Sweden and Finland. Norway was granted 635 patents by the US Patent and Trademark Office (USPTO) in 2018, compared to the 1,270 and 3,165 patents granted to Denmark and Sweden, respectively.
- According to MarketLine, the number of mobile subscribers stood at around 5.8 million in 2018. The mobile market is also highly saturated with the mobile penetration rate standing at 108.63 per 100 people in 2018. Norway is also ranked among the top countries in the world for internet usage.

Legal landscape

- According to the Global Competitiveness Report 2018, Norway ranked 22nd out of 140 nations in terms of reliability of police services and 11th in terms of judicial independence. In terms of

efficiency of legal framework in challenging regulations, Norway ranked 21st globally, while regarding the efficiency of legal framework in settling disputes, Norway ranked 20th out of 140 nations.

- As of income year 2019, corporate tax rate in Norway stood at 22%, witnessing a point reduction from 2018 rates. However, additional special rates are levied on specific segments of petroleum (56%) and power sector (37%) operations.

Environmental landscape

- As of March 2019, Norway has operating wind farms with an output of 1.7 gigawatt (GW), and various projects with a production capacity of 1.8 GW are under construction.
- According to MarketLine, CO2 emissions in Norway increased to 46.9 million metric tons during 2017, from 42.7 million metric tons in 2016, indicating a 10.0% increase during the period.

1.1.3. Key fundamentals

Table 1: Norway - Key Fundamentals, 2016–2023f								
	2016	2017	2018e	2019f	2020f	2021f	2022f	2023f
GDP, constant 2010 prices (US\$ bn)	473.21	482.59	489.34	498.86	508.01	516.80	525.47	534.05
GDP growth rate (%)	1.19	1.98	1.40	1.95	1.83	1.73	1.68	1.63
GDP, constant 2010 prices, per capita (US\$)	89,993.55	91,129.27	91,776.67	92,937.66	94,015.17	95,004.80	95,945.89	96,857.45
Inflation (%)	3.60	1.88	2.81	1.93	1.73	1.88	2.03	1.99
Exports, total as a percentage of GDP	35.26	36.28	38.18	39.55	39.85	40.45	40.95	41.55
Imports, total as a percentage of GDP	33.19	33.25	32.16	32.80	33.05	33.45	33.85	34.31
Mid-year population (million)	5.26	5.30	5.33	5.37	5.40	5.44	5.48	5.51
Unemployment rate (%)	4.74	4.23	3.80	3.65	3.62	3.61	3.59	3.59
Mobile penetration (per 100 people)	109.00	108.01	108.63	109.10	109.44	109.69	109.88	110.02
Source: Country Statistics, MarketLine							MARKETLINE	

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2. Key Facts and Geographic Location

2.1. Key facts

Table 2: Norway - Key Facts, 2019	
Country and capital	
Full name	Kingdom of Norway
Capital city	Oslo
Government	
Government type	Parliamentary constitutional monarchy
Chief of state	King Harald V (since January 17, 1991)
Head of government	Prime Minister Erna Solberg (since October 16, 2013)
Population (2018 est.)	5.33 million
Currency	Norwegian Kroner (NOK)
GDP per capita, adjusted by PPP (2018)	US\$74,913.48
Internet domain	.no
Demographic details	
Life expectancy (2018 est.)	82 years (total population) 79.9 years (men) 84.1 years (women)
Ethnic composition (2017 est.)	Norwegian (83.2%) (Includes Sami [about 60,000]), other European (8.3%), other (8.5%)
Major religions (2018 est.)	Church of Norway [Evangelical Lutheran – Official] (85.04%), Christianity (8.11%), Islam (3.81%), Philosophy (2.17%), Buddhism (0.46%), Hinduism (0.24%), Sikhism (0.08%), Other religious and philosophical communities (0.05%), Baha'ism (0.03%), Judaism (0.02%)
Country area	323,802 sq. km
Languages	Bokmal Norwegian (official), Nynorsk Norwegian (official), small Sami- and Finnish-speaking minorities
Exports	Petroleum and petroleum products, machinery and equipment, metals, chemicals, ships, fish.
Imports	Machinery and equipment, chemicals, metals, foodstuffs.
Source: CIA – The World Factbook and Statistics Norway	
MARKETLINE	

Key Facts and Geographic Location

2.2. Geographical location

Norway lies in Northern Europe. It borders the North Sea and the North Atlantic Ocean and is to the west of Sweden.

Figure 1: Map of Norway



Source: CIA – The World Factbook

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3. PESTLE Analysis

3.1. Summary

Norway has a strong policymaking framework with decisions in the country being driven by consensus among various interested parties before being introduced in parliament. This procedure has served as the backbone of the country's political stability despite the prevalence of minority governments and has established the country's governance structure as a role model for other developed economies. To attain better administrative capabilities and enhance public sector productivity through the application of economies of scale and reduction in bureaucracy, the government is also contemplating municipal mergers. However, bureaucratic centralization can create tensions between the central government and the local government, mainly on issues related to funding and limited autonomy given to local governments. In the September 2017 general elections, the Conservative-Progress coalition retained its power in the government with Prime Minister Erna Solberg serving another term. In January 2018, the Liberal party joined the Conservative led government and in January 2019 Christian Democratic Party joined the coalition, expanding the government to a four-party coalition. The expansion of the ruling coalition is expected to bring in more administrative and governance stability in the country. On the foreign policy front, Norway maintains its image as a mediator in international conflicts. The country is expected to have better ties with the EU after the center-right government came to power.

Norway has a strong economy, with one of the highest per capita GDPs in the world. Significant oil and gas exports have helped the country to maintain a large current account surplus, while strong macroeconomic fundamentals have made it less vulnerable to global shocks. The major challenges facing the Norwegian economy include rising labor costs and productivity concerns, which could erode its external competitiveness. The country is also threatened by labor shortages brought on by an increasing proportion of elderly people and low population growth, which could restrict the economy's potential output.

Norway has a strong social sector with one of the lowest unemployment rates in Europe. The country's population enjoys a high standard of living and maintains a sustainable work-life balance, largely resulting from the government's flexible social policies. These policies have also encouraged high participation of women in the labor force. On the downside, these policies contribute to the low number of working hours for Norwegian employees, which could aggravate the problem of labor shortages. Moreover, the country's social welfare system faces a huge burden of generous disability and sickness benefits, and therefore it needs to strengthen its laws on such benefits.

The Norwegian government oversees a national innovation plan to implement various scientific research programs across multiple sectors. The country has a high number of qualified researchers and PhDs; however, its R&D expenditure as a percentage of GDP is low, resulting in lower innovation levels in comparison to its major European counterparts. As a result, small and medium enterprises (SMEs) often struggle to succeed in the commercialization phase and fail to grow into large companies, although their proportion in Norway is one of the highest among Nordic countries. Despite these challenges to the growth of SMEs, the ongoing technological advances in the oil and gas sector definitely contributed to economic growth and social welfare. The government is also focusing on biotechnology as a way to promote sustainable and environment-friendly development to fulfill the basic requirements of a growing world population.

Norway's business environment is favorable to business operations and is reflected in the country's high ranking in the World Bank's Doing Business Index. Successive Norwegian governments also try to create favorable trade terms

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to boost foreign investment. Nevertheless, a comparatively high tax burden and uncertainties related to yearly changes in tax structures could serve as a deterrent for businesses operating in the country and reduce overall investment and entrepreneurial activity.

The Ministry of Climate and Environment in Norway oversees an integrated environment and development policy, which applies the broad concept of sustainability in economic policies. The country has implemented schemes for the conservation of biological diversity, and it is focusing on cutting carbon emissions to achieve carbon neutrality by 2030.

3.2. Political analysis

3.2.1. Overview

Norway has a strong policymaking framework with decisions in the country being driven by consensus among various interested parties before being introduced in parliament. This procedure has served as the backbone of the country's political stability despite the prevalence of minority governments and has established the country's governance structure as a role model for other developed economies. To attain better administrative capabilities and enhance public sector productivity through the application of economies of scale and reduction in bureaucracy, the government is also contemplating municipal mergers. However, bureaucratic centralization can create tensions between the central government and the local government, mainly on issues related to funding and limited autonomy given to local governments. In the September 2017 general elections, the Conservative-Progress coalition retained its power in the government with Prime Minister Erna Solberg serving another term. In January 2018, the Liberal party joined the Conservative led government, and in January 2019 the Christian Democratic Party joined the coalition expanding the government to a four-party coalition. The expansion of the ruling coalition is expected to bring in more administrative and governance stability in the country. On the foreign policy front, Norway maintains its image as a mediator in international conflicts. The country is expected to have better ties with the EU after the center-right government came to power.

Table 3: Analysis of Norway's Political Landscape	
Current Strengths	Current Challenges
<ul style="list-style-type: none"> • Strong policymaking framework • Strong democratic setup 	<ul style="list-style-type: none"> • Recurring strike threats from workers
Future Prospects	Future Risks
<ul style="list-style-type: none"> • Forging better ties with the EU 	<ul style="list-style-type: none"> • Risks related to multi-party coalition
Source: MarketLine © MARKETLINE	

3.2.2. Current strengths

Strong policymaking framework

The Norwegian policymaking framework entails strong strategic planning. A typical government decision-making process starts with the appointment of a committee, which is responsible for delivering a comprehensive report on the subject under discussion. Sometimes, the committee comprises academic experts; however, politicians, members of trade unions and business confederations are also usually involved in the process. Following the delivery of the report, a legislative proposal is drafted and circulated to interested parties, who are then invited to make comments within a maximum period of three months. After it receives the comments, the government prepares a legislative proposal for parliament, either as a bill or as a white paper, although the latter has more often been a preferred choice of Norwegian governments. Such a procedure of consensual policymaking has been the backbone of good governance in Norway.

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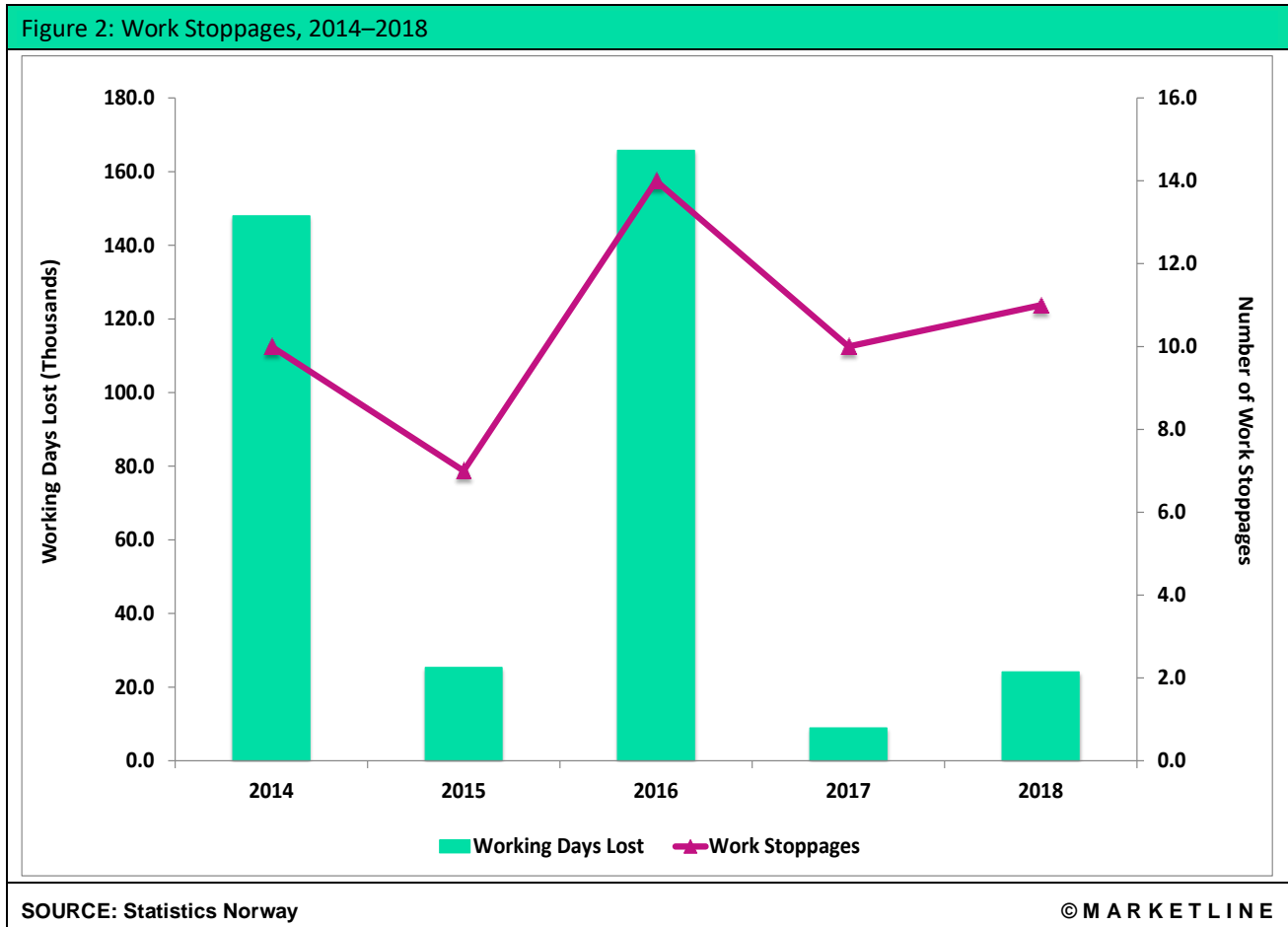
Strong democratic setup

According to the World Bank's 2018 Worldwide Governance Indicators, Norway had a perfect percentile rank of 100.00 in voice and accountability in 2017. The principles of democracy are deep-rooted and the election process is considered fair and transparent, with an adequate citizen participation rate. The country also has an active media, which functions as an effective pressure group. The nation is also placed quite high amongst other countries in terms of effectiveness of its institutions. According to the Global Competitiveness Report 2018 published by the World Economic Forum, the nation was ranked 18th amongst 140 nations in the parameter related to future orientation of government. In terms of robustness in institutions, the nation is ranked eighth out of 140 nations.

3.2.3. Current challenges

Recurring strike threats from workers

Recurring strike threats from workers, especially from the hydrocarbon sector, is a common scenario in Norway and the various governments in Norway have failed to find an effective long-term solution to avoid such confrontations. During 2014–2016, workers are demanding more wages amidst the negative impact of the low oil prices on the Norwegian economy. Labor disputes often hamper production and cause lost working days and earnings. In June 2017, more than 150 workers threatened to go on strike if the union failed to reach an agreement. In July 2018, hundreds of workers went on strike in a dispute over wage increases and pension rights. There were calls from labor unions representing around 25,000 employees for strikes in March 2019 on grounds for higher wages. In May 2019, the pilots of the Scandinavian Airlines went on strike impacting the services quite adversely. In June 2019, a call for strike from off-shore oil workers was dropped last minute as a revised pay deal was struck between the concerned parties. As reported by Statistics Norway, around 24,142 working days were lost because of 11 labor disputes in 2018 alone, as compared to 8,942 working days and 10 disputes in 2017.



3.2.4. Future prospects

Forging better ties with the EU

The previous center-left government led by Jens Stoltenberg had two anti-EU parties as junior coalition partners (Center Party and Socialist Left Party) to the pro-EU Labor Party. As a result, the Labor Party had to compromise on issues such as raising customs duty on agricultural products to protect farmers’ interests and refuse the passing of key EU directives, such as the postal directive. In the incumbent center-right government, the Conservative Party and Liberal Party are both favorable to the European Union (EU) and European Economic Area (EEA), while the other coalition members (Progress Party and Christian Democratic Party) are only supportive of the EEA. With the governing coalition, which is not vehemently anti-EU, there is greater scope towards expanding the bilateral and regional relationships to increase the efficiency across bilateral administrative governance and trade aspects.

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3.2.5. Future risks

Risks related to multi-party coalition

The Conservative-Progress party coalition retained power in the government in the general elections held in September 2017. Both parties together won 72 seats in the assembly. In January 2018, the Liberal party joined the Conservative-led government. With the inclusion of the Liberals with eight seats, the total number of seats of the three-party coalition government stood at 80 out of 169 seats in the assembly. Therefore, to pass the legislation in the assembly, the coalition government had to request the support of other parties, which can sometimes be an area of concern due to the difference in opinions. This scenario has changed somewhat since January 2019 when the Christian Democratic Party, which has eight elected members, joined the ruling coalition. However, the existence of many of its socially conservative views along with pro-left economic positions could bring in deadlocks in policy formations even within the cabinet.

3.3. Economic analysis

3.3.1. Overview

Norway has a strong economy, with one of the highest per capita GDPs in the world. Significant oil and gas exports have helped the country to maintain a large current account surplus, while strong macroeconomic fundamentals have made it less vulnerable to global shocks. The major challenges facing the Norwegian economy include rising labor costs and productivity concerns, which could erode its external competitiveness. The country is also threatened by labor shortages brought on by an increasing proportion of elderly people and low population growth, which could restrict the economy’s potential output.

Table 4: Analysis of Norway's Economic Landscape	
Current Strengths	Current Challenges
<ul style="list-style-type: none"> • Efficient macroeconomic policy implementation 	<ul style="list-style-type: none"> • Productivity issues
Future Prospects	Future Risks
<ul style="list-style-type: none"> • Sustaining low income inequality 	<ul style="list-style-type: none"> • Low diversification • Very high household debt
Source: MarketLine © MARKETLINE	

3.3.2. Current strengths

Efficient macroeconomic policy implementation

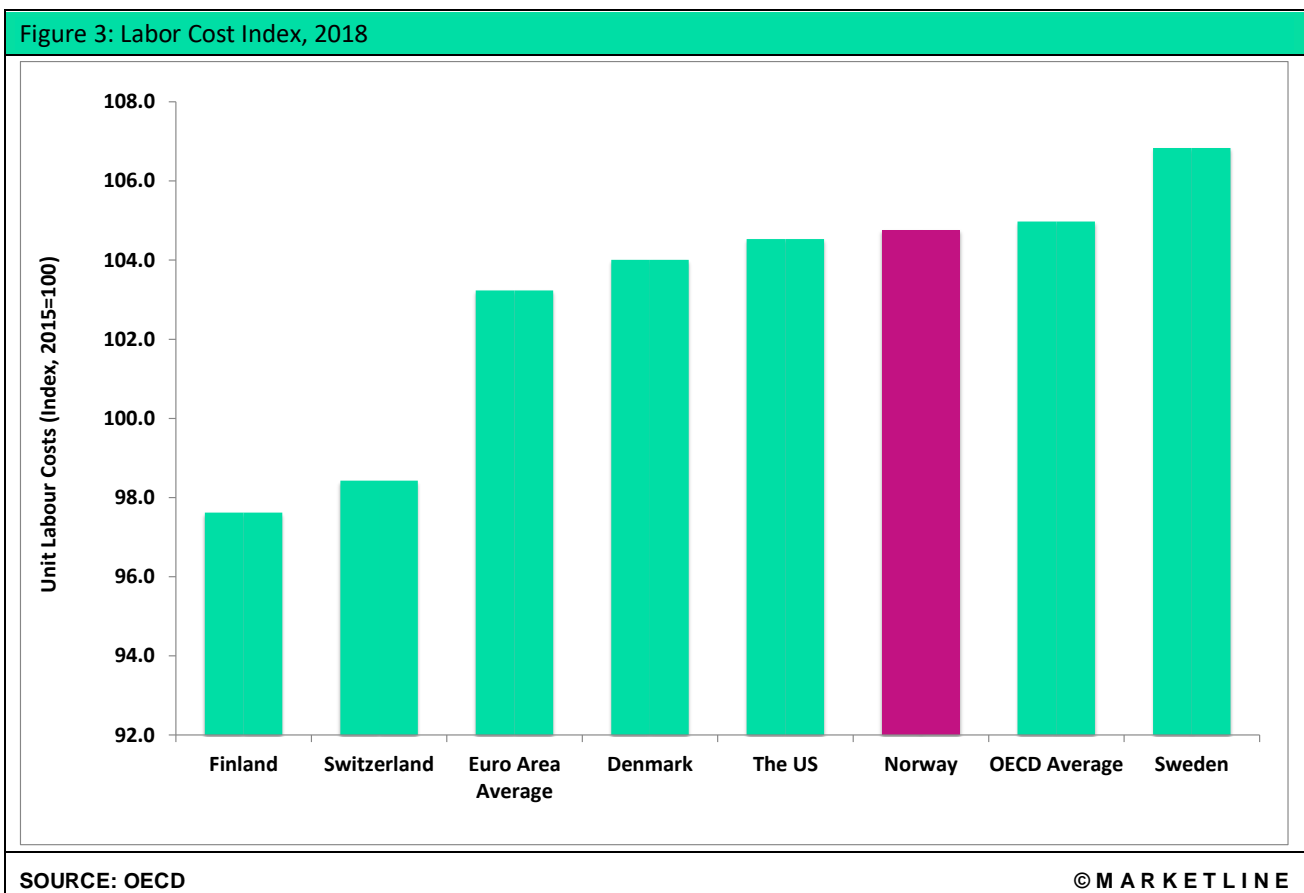
Norway has long been known for consistent policy implementation. The country stands as a role model for resource-rich countries in terms of efficient management of proceeds generated from exploitation of natural resources. Since 1990, the government has been putting all revenue generated from the oil and gas sector into a sovereign wealth fund, now known as the Government Pension Fund Global (GPF). In 2001, the government introduced a fiscal rule aimed at saving wealth generated from natural resources to ensure sustainable development of future generations. It limits the sovereign fund’s value that can be allocated to the central government’s budget to 4.0%. Moreover, the country’s central bank has succeeded in keeping price levels in the economy in check as the consumer price inflation stayed within its 2.5% guideline during 2009–2015. However, it rose to a yearly average of 2.74% during 2016–2017. Although it slightly increased to 2.81% in 2018, it is expected to come down to 1.93% in 2019.

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3.3.3. Current Challenge

Productivity issues

Elevated labor costs is a major challenge to the Norwegian economy, especially as the country looks to diversify its economy away from its massive oil and gas sector, which accounts for approximately 20% of its economic output. Although productivity has increased, especially when measured in terms of GDP per hour worked, the rising per unit labor cost is restraining the country’s competitiveness. Rising labor costs can in fact impact the exporters of traditional products due to eroding competitiveness. The Euro region is one of the major trading partners for Norway, and the per unit labor cost in the euro area stood significantly below the Norwegian numbers.



3.3.4. Future prospects

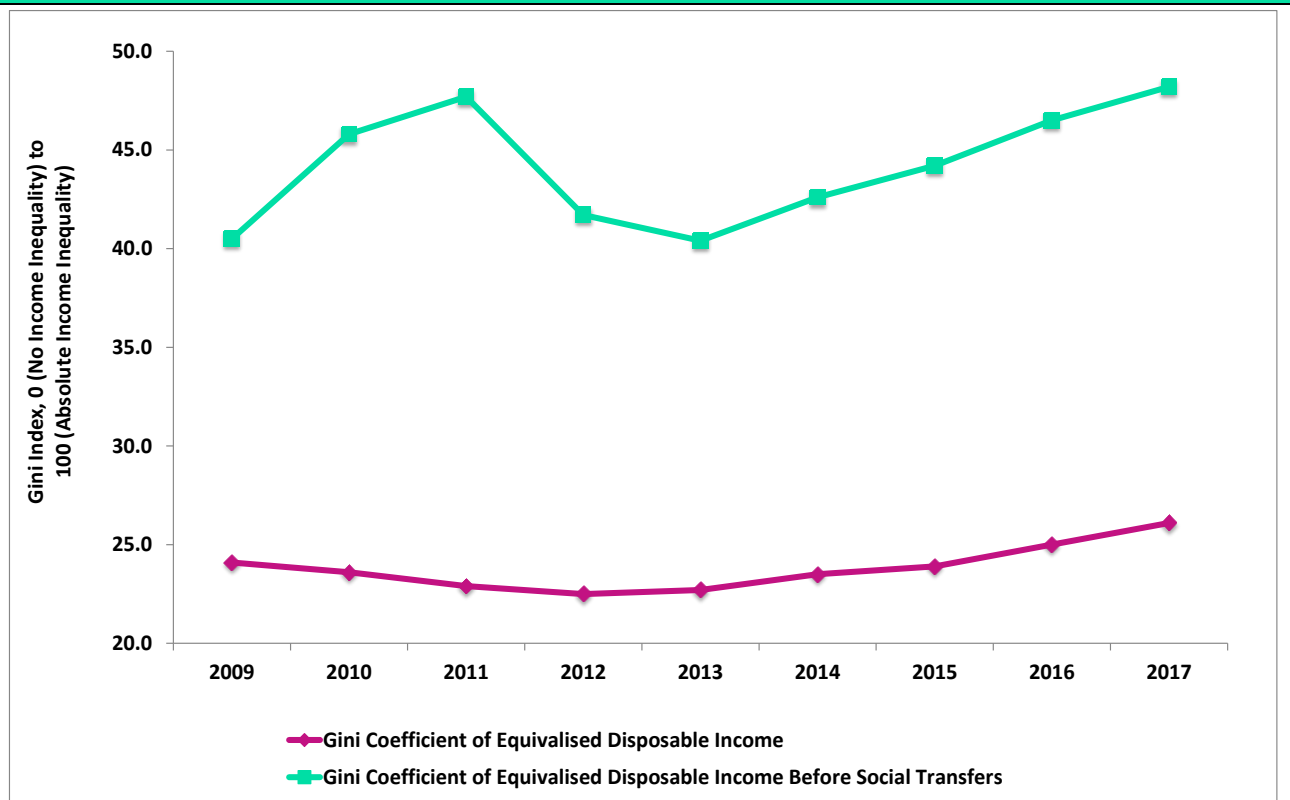
Sustaining low income inequality

Norway’s GDP per capita is one of the highest in the world. According to MarketLine, the nominal GDP per capita (PPP) of Norway stood at US\$74,913.48 in 2018. Amidst the high income achieved by the nation, Norway also emerged as a country with comparatively low income inequality. The Gini coefficient for Norway was one of the lowest in comparison to other EU countries, as well as Nordic nations, according to Eurostat. The efficient use of a system of social transfer helps the nation to achieve the low levels of inequality. Even though the recent trends in the Gini index, especially from 2013, indicate a slight increase in inequality, even with social transfers, the Eurostat

PESTLE Analysis

data also indicate that the increase in inequality without social transfers would have been steeper. The economic fundamentals of the country seem strong and robust, which assures that the trend of high income and low-income inequality will sustain over the long term. Even when oil prices decline, the financial net worth of the general government, meaning the total value of its financial assets minus the total value of its outstanding liabilities, remains high in comparison to other developed countries, which helps to sustain the system of social security adopted in Norway.

Figure 4: Trends in Gini Coefficient of Equivalized Disposable Income Before and After Social Transfers in Norway, 2009 – 2017

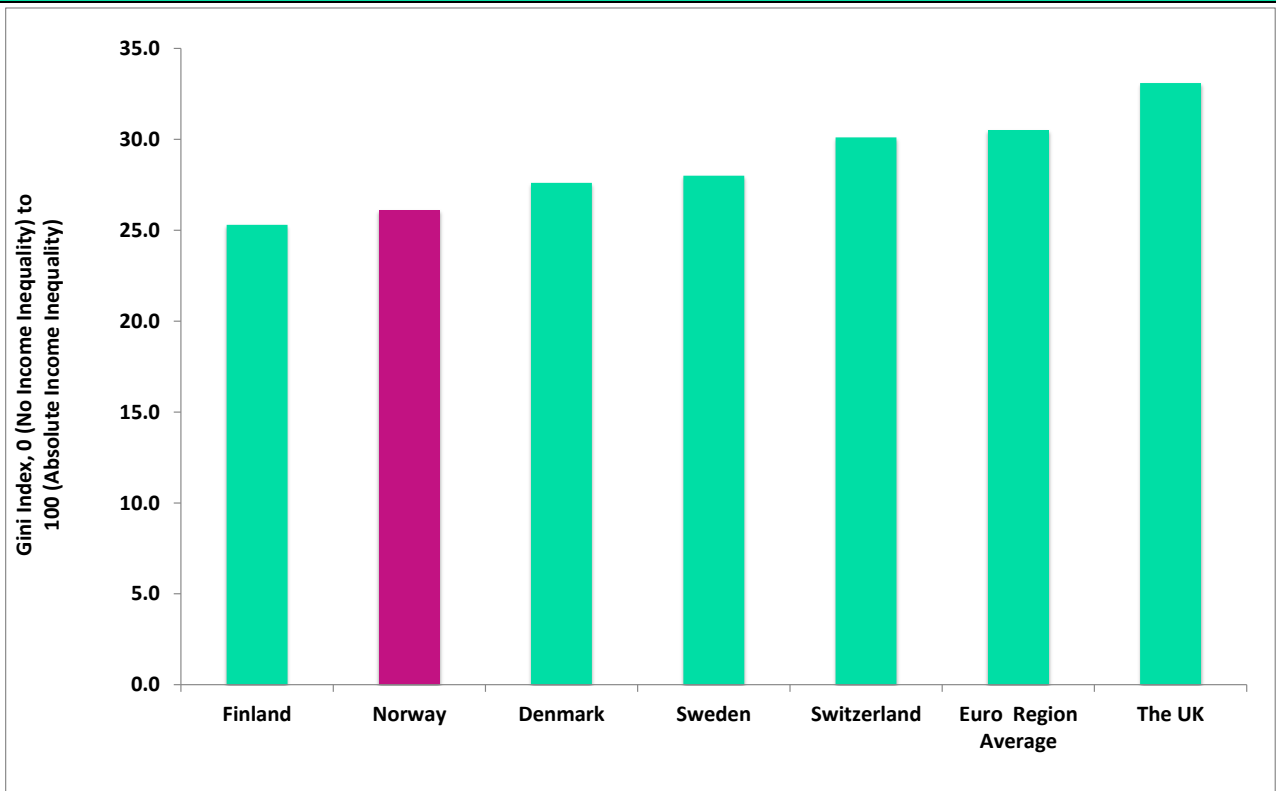


SOURCE: Eurostat

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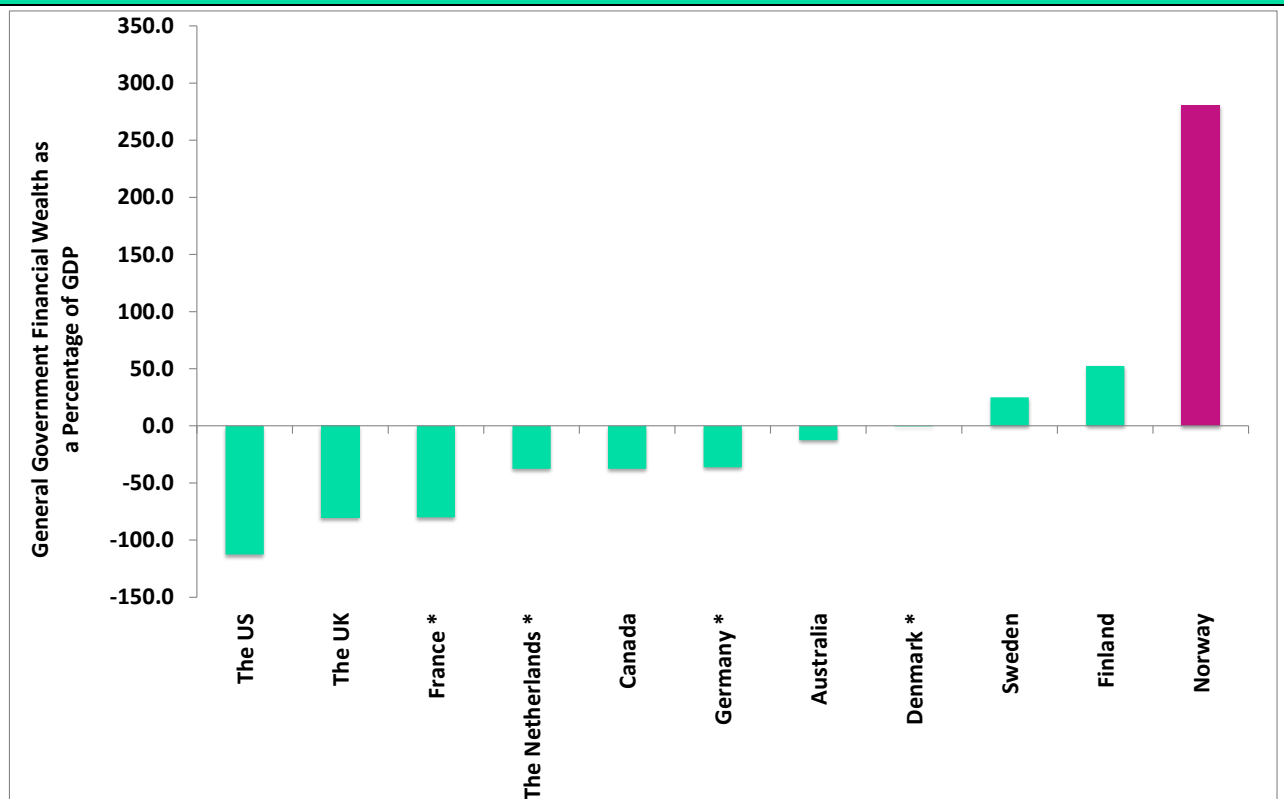
Figure 5: Gini Coefficient of Equivalized Disposable Income, 2017



SOURCE: Eurostat

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Figure 6: General Government Financial Wealth as a Percentage of GDP, 2018



Note: *2017 numbers

SOURCE: OECD

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3.3.5. Future risks

Low level of diversification

Falling oil prices from 2014 to 2016 led the currency to depreciate. However, though currency depreciation typically aids exports from other sectors, making them more competitive, it has not been possible in the case of Norway. The oil sector constitutes more than 20% of GDP, leading to an over-reliance on the sector, making the economy prone to oil shocks. A similar situation continued to exist in 2018 with fluctuating oil prices and a depreciating Norwegian krone. The absence of other export industries poses a heavy constraint on the economy, making it less vibrant. The second biggest domestic export is fishing. Its weightage is still very low in comparison to the hydrocarbon sector. The government is trying to bridge this gap by identifying other key “catapult” sectors, including telecommunications. However, these sectors will take time to reach the desired levels of growth and will require the government’s intervention to make them more competitive by global standards. This makes the economy relatively volatile in the short term.

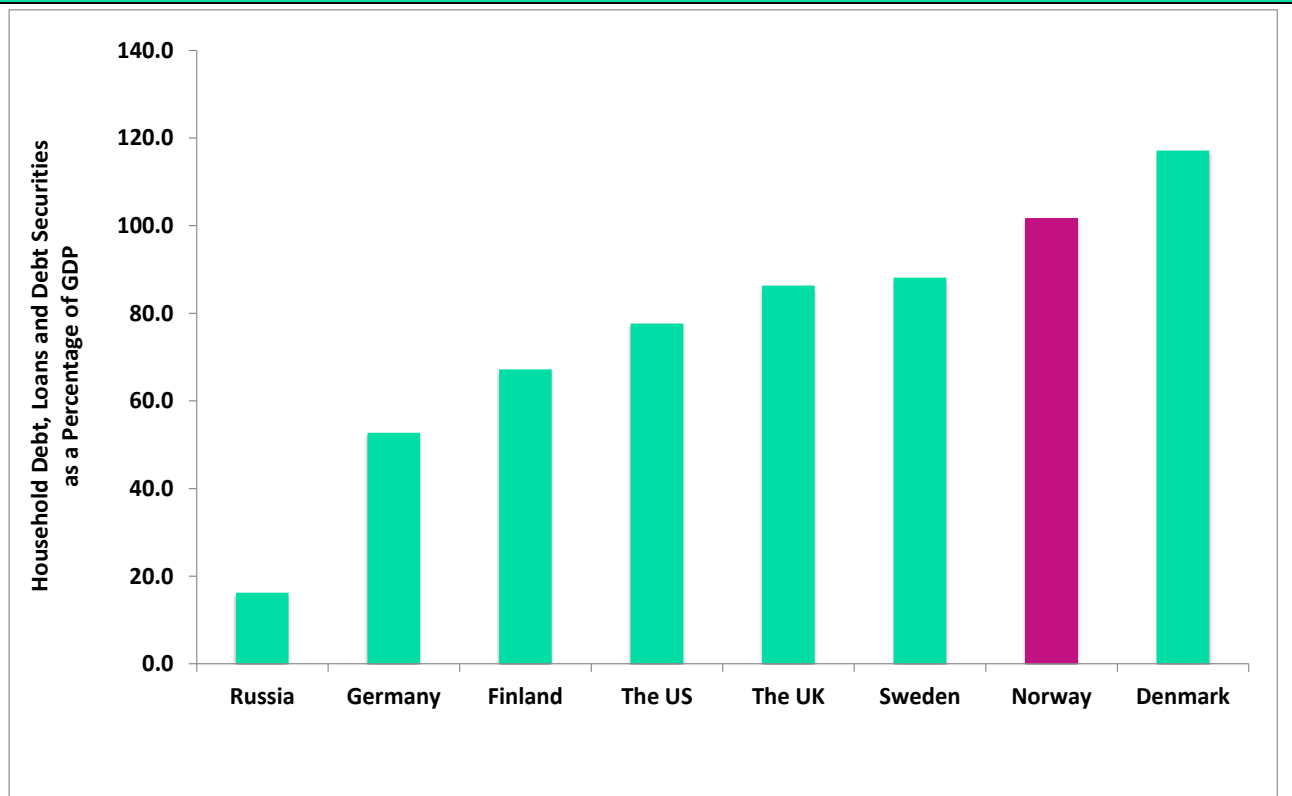
Very high household debt

Along with easy credit availability, high consumer spending has put upward pressure on household debt and pushed it to exceed above 100% of GDP in 2016. According to the IMF, the total household debt as a percentage of GDP stood at 101.58% in 2017, which is one of the highest amongst OECD nations. In fact, for Norway, the household debt as a percentage of disposable income alone stood at 239% in 2018, according to OECD. Moreover, the majority

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of lending to households by banks has been mortgage related and almost all of it is at floating interest rates. A percentage point increase in interest rates can increase interest burden on debt holders considerably, which is a cause for concern. A high level of indebtedness among the Norwegian population could affect the country's banking sector and economy in the long run.

Figure 7: Household Debt, Loans and Debt Securities as a Percentage of GDP, 2017



SOURCE: IMF

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3.4. Social analysis

3.4.1. Overview

Norway has a strong social sector with one of the lowest unemployment rates in Europe. The country's population enjoys a high standard of living and maintains a sustainable work-life balance, largely resulting from the government's flexible social policies. These policies have also encouraged high participation of women in the labor force. On the downside, these policies contribute to the low number of working hours for Norwegian employees, which could aggravate the problem of labor shortages. Moreover, the country's social welfare system faces a huge burden of generous disability and sickness benefits, and it needs to strengthen its laws on such benefits.

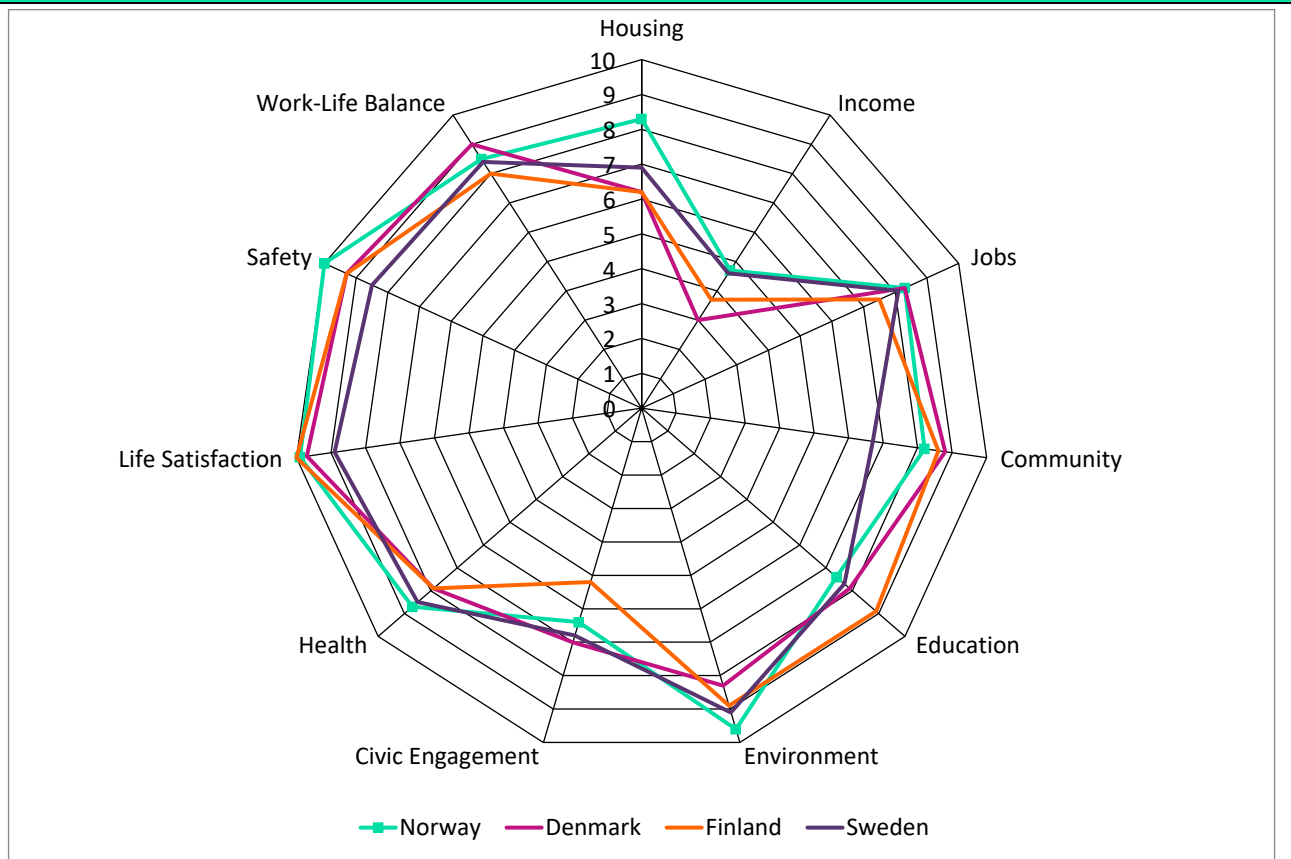
Table 5: Analysis of Norway's Social Landscape	
Current Strengths	Current Challenges
<ul style="list-style-type: none"> • High standard of living • Strong participation of women in the labor market 	<ul style="list-style-type: none"> • High suicide rates • High incidents of sickness absence among full-time employees
Future Prospects	Future Risks
<ul style="list-style-type: none"> • Improving the stakeholder engagement while developing regulations 	<ul style="list-style-type: none"> • Preference of leisure over labor
Source: MarketLine © MARKETLINE	

3.4.2. Current strengths

High standard of living

The Norwegian population enjoys a high standard of living, with the country performing well on most of the indicators in the OECD Better Life Index. In the parameters of housing, income, health status, jobs, safety, and environmental quality, Norway performed better than other Nordic countries in the 2017 Better Life Index. Work-life balance is better than all other countries except Denmark and the Netherlands, reflecting the fact that the Norwegian population has ample time for leisure and personal care, mainly an offshoot of the low number of working hours. According to OECD, in 2017, only 3% of Norwegians work for long hours compared to the 11.0% OECD average. Moreover, an average Norwegian devotes 15.6 hours of his daily time to leisure and personal care compared to the OECD average of 15 hours. According to MarketLine, Norway's life expectancy at birth, which stood at 82 years in 2018, is one of the highest in the world.

Figure 8: OECD Better Life Index, 2017



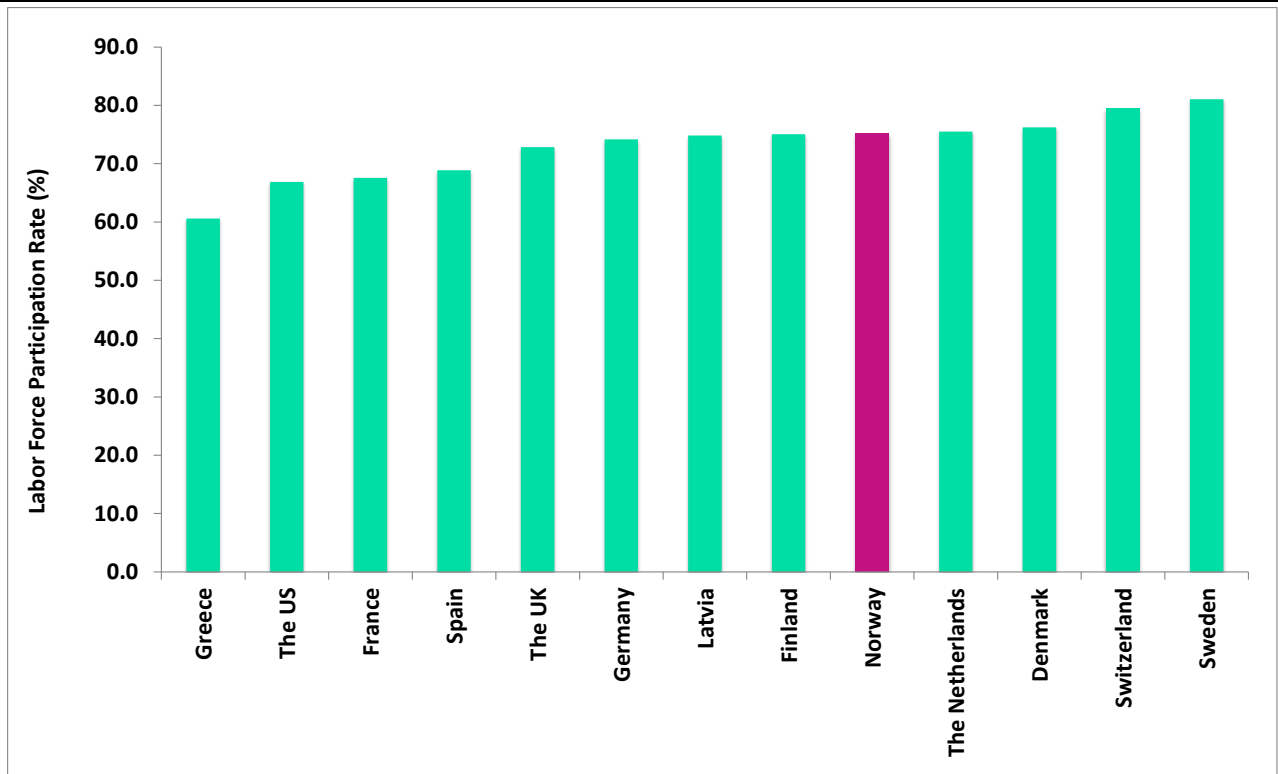
Source: OECD

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Strong participation of women in the labor market

The labor force participation rate of Norwegian women is among the highest in the world with around 75.16% of women in the working age either employed or looking for a job in 2018, according to MarketLine. This is largely owing to increasing demand for labor since the 1970s; in 1970, only 44.0% of working-age women participated in the labor force. High educational attainment among Norwegian women and generous family policies also played an important role in this aspect. For instance, the government provides subsidized daycare centers, where 90% of all one to five year old ones are enrolled, and pays for the parental leave of employed parents, which has been increased from 12 weeks to 47 weeks in three decades. Mothers have a statutory right to paid leave in case of child sickness and can work part-time until their youngest child is 12 years of age. Strong labor force participation has economic benefits for Norway and has helped in sharing the burden of welfare.

Figure 9: Labor Force Participation Rate of Women in Select OECD Countries, 2018



Source: Country Statistics, MarketLine

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3.4.3. Current challenges

High suicide rates

Although Norway has one of the highest HDIs in the world, its suicide rate is much higher than that of Colombia, Costa Rica, South Africa, and Brazil as per the OECD reported data. This is true with other rich countries as well, where the calculated prosperity in terms of low crime rates and healthy social protection is high but suicide rates contradict happiness indexes. As per the Norwegian Institute of Public Health, 614 suicides were registered in 2016, which consist of almost 418 males and 196 females. In 2015, these were 400 men and 190 women. More than 50% of suicides occur under the age of 50 years with a median age of suicide of 47 in 2016. Some argue that high suicide rates in Scandinavian countries are due to the climatic conditions of the region. According to OECD, the suicide rate per 100,000 persons in Norway was more than 11.1 in 2015, up from 10.8 in 2013 and 10.2 in 2012.

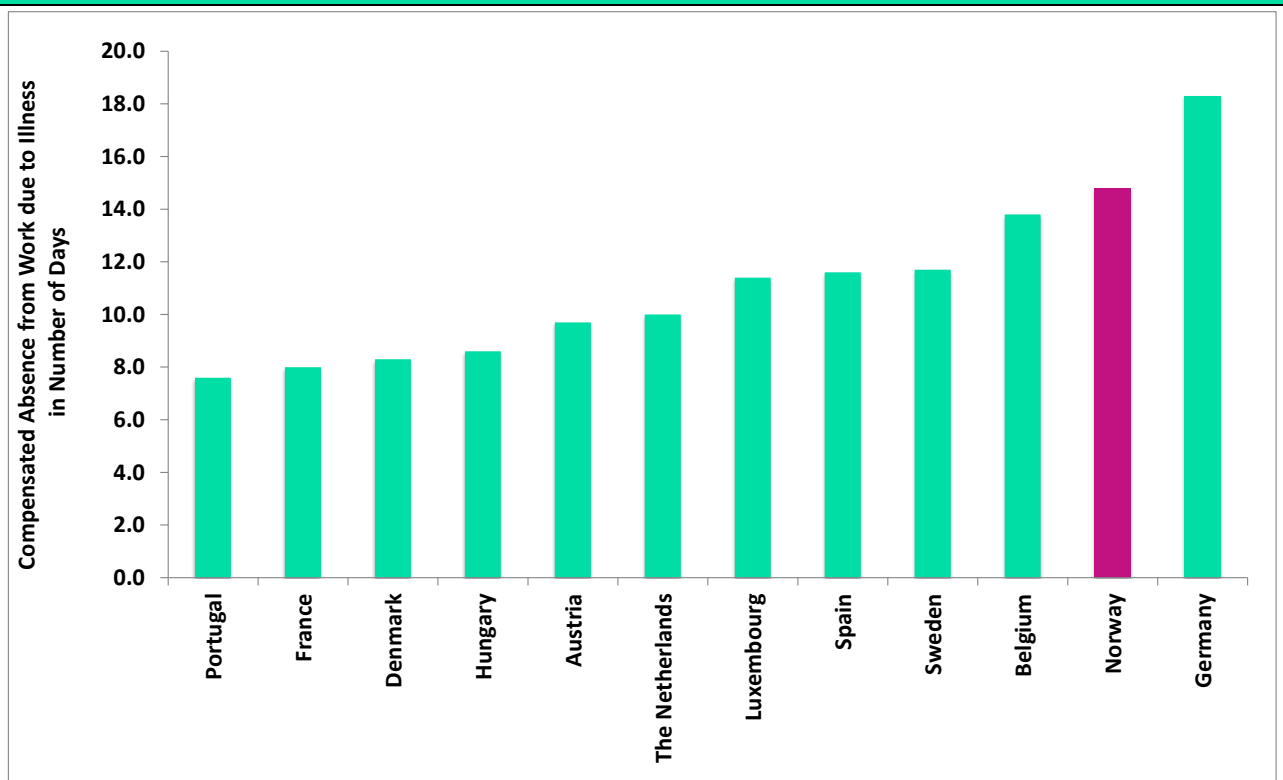
High incidents of sickness absence among full-time employees

Norway has one of the highest incidents of sickness related absence in the OECD. A key reason for high sickness absence is the generosity of the Norwegian social welfare system when it comes to disability and sickness benefits. In Norway, sickness beneficiaries receive 100% of their last wage for one year, which lowers incentives for them to return to the job market. Employers are obliged to pay for only 16 days of absence, while the rest of the burden is borne by the state, which limits financial incentives for the employers to ensure employee's early return to work. In

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addition, long periods of absence due to sickness could eventually result in permanent disengagement from the labor market. High disability and sickness benefits are putting pressure on the country’s social welfare system.

Figure 10: Compensated Absence from Work due to Illness - Number of Days, 2017



Source: OECD

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3.4.4. Future prospects

Improving the stakeholder engagement while developing regulations

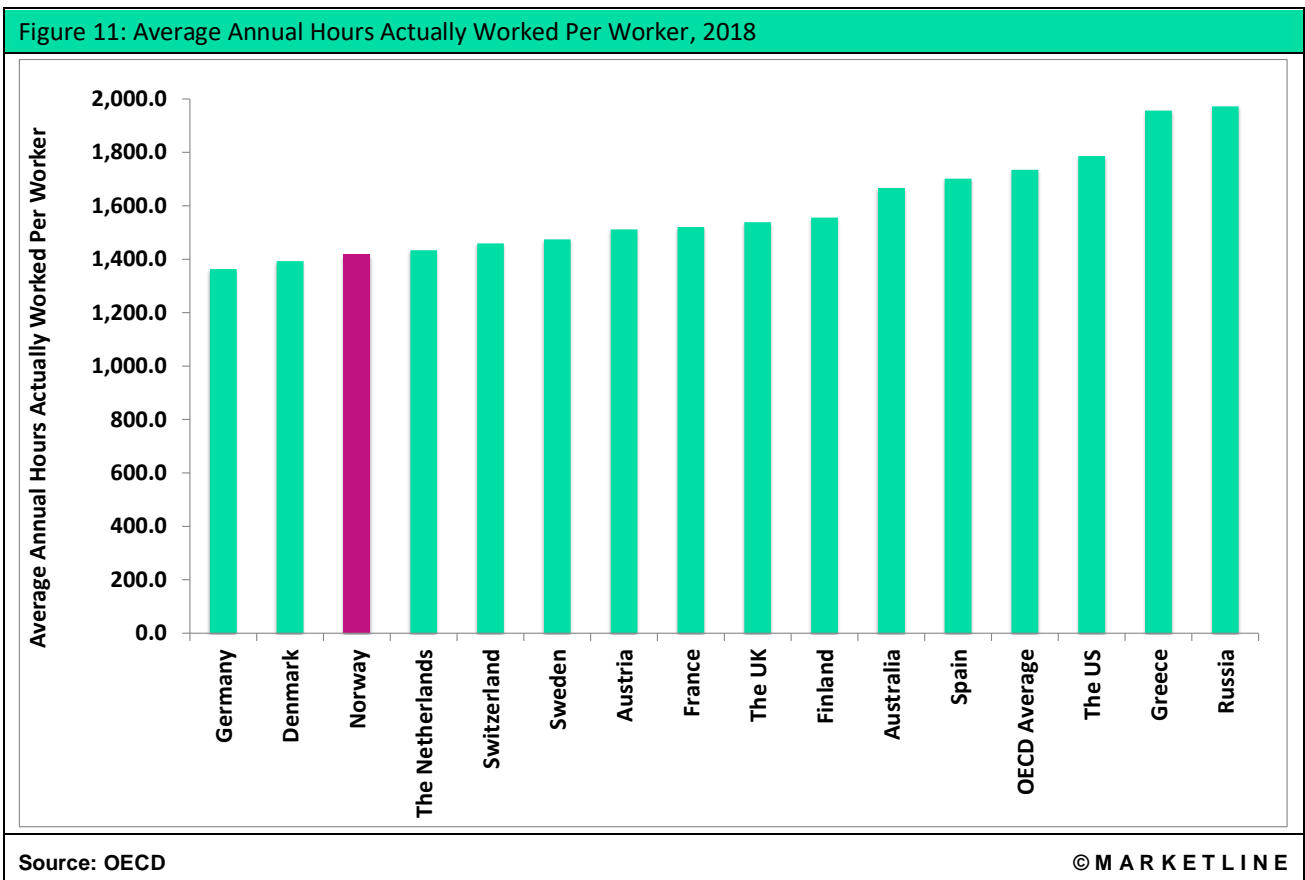
According to OECD, the civic engagement in Norway, especially during the development of laws and regulations, is low compared to the OECD region in general. According to the Better Life Index 2017, the parameter related to the stakeholder engagement during the development of regulations in Norway scored around 2.2 on a scale between zero and four, while the OECD average stood at 2.4. An improvement on these aspects could ease the various stand-offs, including worker strikes.

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3.4.5. Future risks

Preference of leisure over labor

According to OECD, the average annual hours of work per employee in Norway was 1,416.4 in 2018, which is one of the lowest among other Nordic nations and much lower than the OECD average of 1,734.0 hours. Major reasons cited for this include a low willingness to work for long hours and the extensive use of part-time arrangements, especially by women. The high growth rate of income the country enjoys along with a generous social welfare system means the Norwegian population prefers leisure to earning additional income. This could exacerbate the problem of labor shortages faced by the country.



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3.5. Technological analysis

3.5.1. Overview

The Norwegian government oversees a national innovation plan to implement various scientific research programs across multiple sectors. The country has a high number of qualified researchers and PhDs; however, its R&D expenditure as a percentage of GDP is low, resulting in lower innovation levels in comparison to its major European counterparts. As a result, small and medium enterprises (SMEs) often struggle to succeed in the commercialization phase and fail to grow into large companies, although their proportion in Norway is one of the highest among Nordic countries. Despite these challenges to the growth of SMEs, the continuing technological advances in the oil and gas sector have contributed to economic growth and social welfare. The government is also focusing on biotechnology as a way to promote sustainable and environment-friendly development to fulfill the basic requirements of a growing world population.

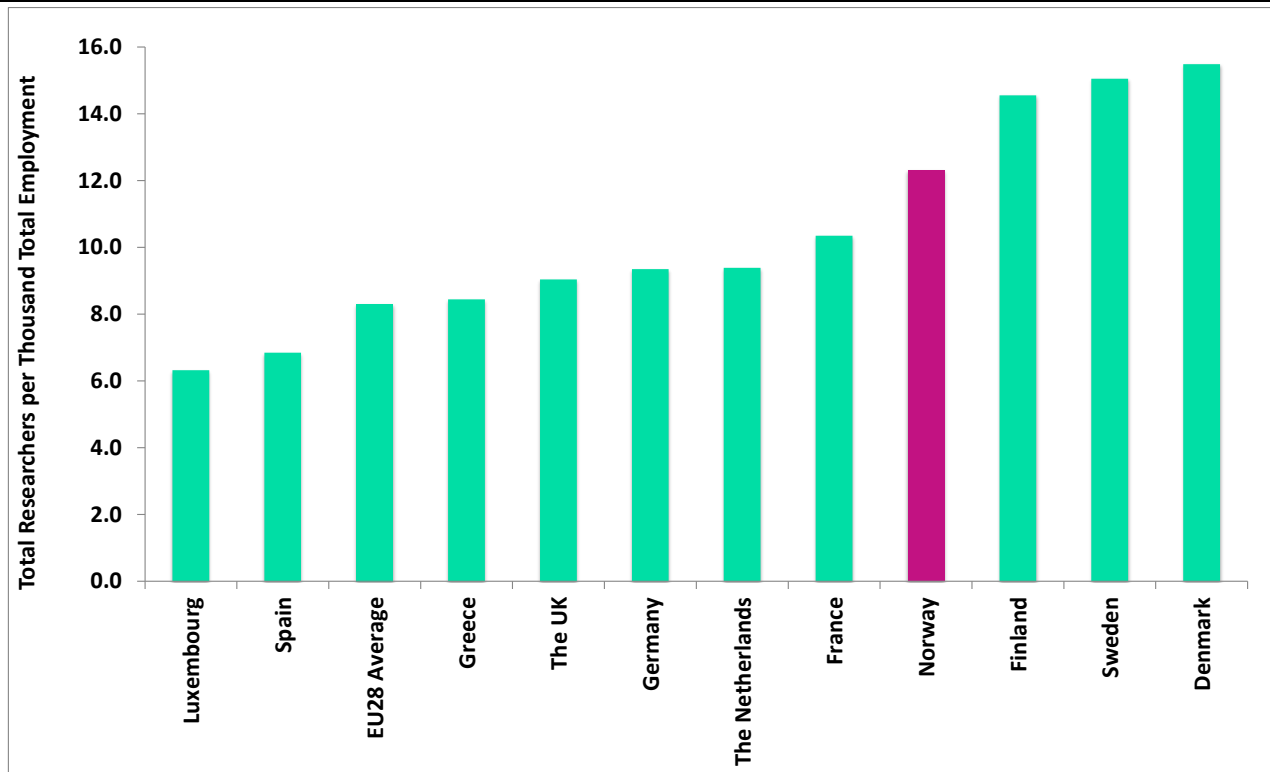
Table 6: Analysis of Norway's Technological Landscape	
Current Strengths	Current Challenges
<ul style="list-style-type: none"> • High ratio of full-time researchers 	<ul style="list-style-type: none"> • Intensification towards the adoption of technologies helpful in emission reductions
Future Prospects	Future Risks
<ul style="list-style-type: none"> • Government focus on bio-technology 	<ul style="list-style-type: none"> • Slowdown in innovation due to excessive regulations
Source: MarketLine © MARKETLINE	

3.5.2. Current strengths

High ratio of full-time researchers

Norway has a high number of full-time researchers and PhDs. According to OECD statistics, the number of researchers per thousand employees was around 12.3 in 2017, up from 11.55 in 2016 and one of the highest amongst OECD countries. Key reasons behind the high number of researchers in the country are adequate training, attractive career prospects, a good research environment and the promotion of cross-border mobility by the Research Council of Norway.

Figure 12: Total Researchers per Thousand Total Employment, 2017



Source: OECD

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3.5.3. Current challenges

Intensification towards the adoption of technologies helpful in emission reductions

Norway is struggling with localized environmental and ecological issues due to its oil extraction and the consequences of using hydroelectric power. Its CO2 gas emission increased by 37.36% during 1991–2017 and it is one of the leading European countries in terms of emission per capita. Norway is largely dependent on oil and gas industries, but these industries are not environmentally sustainable in the near future. According to Statistics Norway, emission of greenhouse gases from oil and gas extraction increased by 75.6% during 1990–2018, while the emissions from energy supply increased by 325.4% from 1990 levels when compared with 2018 data. Norway needs to intensify its efforts to develop and adopt technologies, which will help it in achieving its COP21 emission reduction target of 40% by 2030 compared to 1990 levels.

3.5.4. Future prospects

Government focus on biotechnology

The Norwegian government considers the use of biotechnology as a sustainable and environment friendly technique, which could fulfill the basic requirements of the growing world population. To this effect, six government ministries drew up a National Strategy for Biotechnology 2011–2020 in cooperation with the Research Council of Norway and

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Innovation Norway. This strategy has identified four thematic areas where biotechnology can play a major role in addressing social challenges: aquaculture, seafood, and the management of the marine environment; land-based food and biomass production; environment-friendly industrial processes and products; and health services and health-related industries. In recent years, the biotechnology sector is one of the most popular technology areas in terms of Norwegian R&D expenditure. The country has huge potential in the biotechnology sector, and the ongoing digitalization efforts in the biotechnology sector will increase the innovation and R&D efficiency within the industry, which eventually helps to reduce costs and facilitate associated business developments.

3.5.5. Future risks

Slowdown in innovation due to excessive regulations

In recent years, it has been seen that business regulations are undermining research activities. The state continues to play a large role in the economy; investment is restricted in sectors monopolized by the government and others, such as fishing and maritime transport, which are politically sensitive. Although regulations and bureaucracy are generally transparent and efficient, regulations can change suddenly. Product market regulations, competition policy and large state ownership are some of the issues hindering the commercialization and manufacture of R&D products. These market-related restrictions and policies are also impeding investment in research.

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3.6. Legal Analysis

3.6.1. Overview

Norway's business environment is favorable to business operations and is reflected in the country's high ranking in the World Bank's Doing Business Index. Successive Norwegian governments also try to create favorable trade terms to boost foreign investment. Nevertheless, a comparatively high tax burden and uncertainties related to yearly changes in tax structures could serve as a deterrent for businesses operating in the country and reduce overall investment and entrepreneurial activity.

Table 7: Analysis of Norway's Legal Landscape	
Current Strengths	Current Challenges
<ul style="list-style-type: none"> • Ease of doing business • An efficient legal system 	<ul style="list-style-type: none"> • High tax burden
Future Prospects	Future Risks
<ul style="list-style-type: none"> • Strong regulation for human rights 	<ul style="list-style-type: none"> • Complexities in the legal system can impact the attraction of skilled foreign labors
Source: MarketLine © MARKETLINE	

3.6.2. Current strengths

Ease of doing business

Norway ranked seventh out of 190 countries in the World Bank's Doing Business Index in 2019. The Norwegian regulatory environment guarantees the freedom to start, operate and close a business. Starting a business in Norway takes an average of four days, compared to the OECD high-income countries' average of 9.3 days. Registering property in Norway requires only three days compared to OECD high-income countries' average of 20.1 days. Norway's ranking on the Doing Business Index suggests that the country's regulatory environment is conducive to the operation of businesses and is favorable to business investment.

An efficient legal system

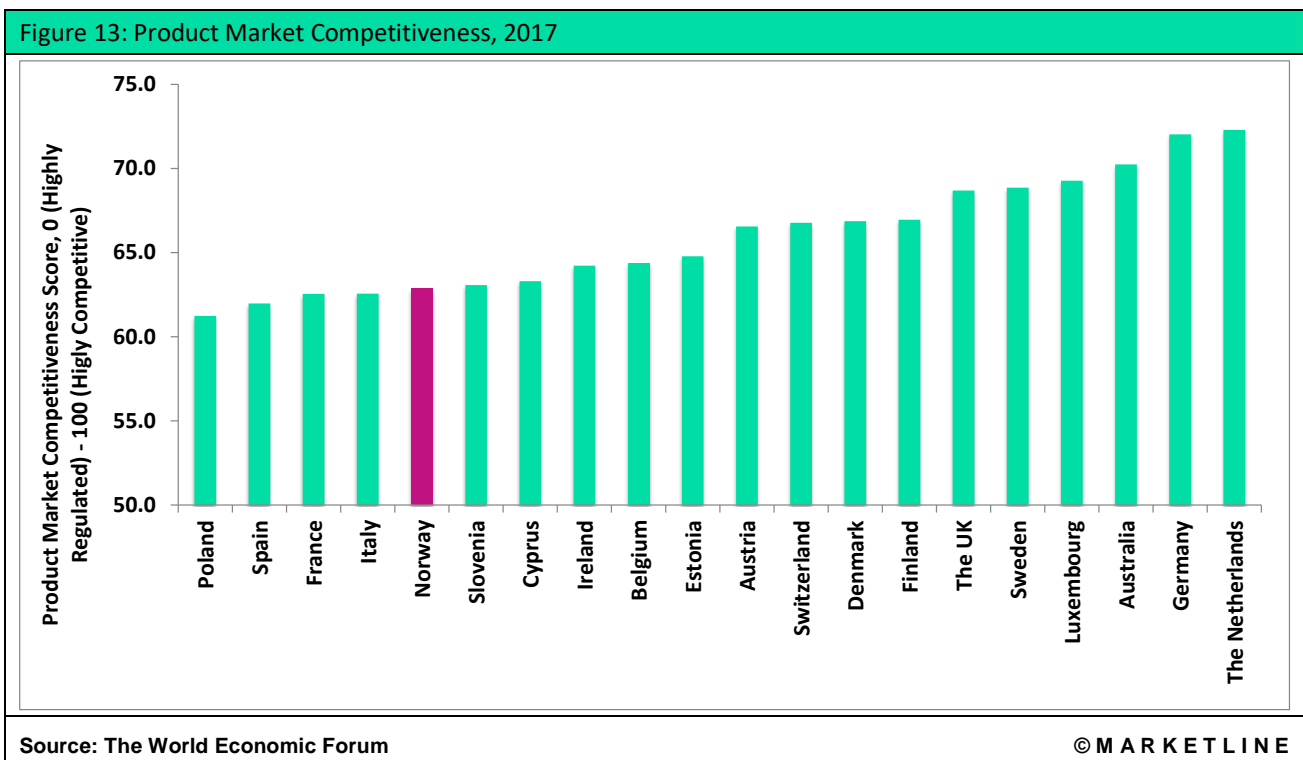
Norway has one of the most efficient and robust legal system in the world. According to the Global Competitiveness Report 2018, Norway ranked 22nd out of 140 nations in terms of reliability of police services and 11th in terms of judicial independence. In terms of efficiency of legal framework in challenging regulations, Norway ranked 21st globally, while regarding the efficiency of legal framework in settling disputes Norway ranked 20th out of 140 nations. For the parameter related to the strength of auditing and reporting standards, the nation ranked 12th while in terms of property rights and intellectual property protection, Norway ranked 17th and 22nd respectively amongst 140 nations globally.

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3.6.3. Current challenges

Product market competitiveness

Product market indicators are a set of metrics that measure the extent to which policies framed by the government promote or inhibit competition in areas where competition is possible. Many of the sectors in Norway are regulated to a greater extent than their European counterparts. According to the Global Competitiveness Report 2018, Norway ranked 29th out of 140 nations in terms of product market competitiveness and was ranked below many of the major economies in the Europe region. This is indicative of a less competition-friendly market and monopolies in various sectors. The government should take measures to ease product market regulation to strengthen competition, especially in the fisheries and aquaculture. High regulation could depress the purchasing power of households due to higher costs of production. Moreover, the easing of regulations will attract investment in various sectors, which will open up new avenues of employment. Because of inadequate competition, services are also generally priced high.



3.6.4. Future prospects

Strong regulation for human rights

Norwegian human rights are protected under the constitution, Human Rights Act 1999 and specific legislation for different locations. In addition, Norway is a member of the Voluntary Principles on Security and Human Rights (VPs). The voluntary principles are specifically designed guidelines for the extractive sector companies. The participants include governments, companies, and non-governmental organizations. These organizations collectively agree to assist in the implementation of the voluntary principles that guide oil, gas and mining companies on providing security for operations in a manner that respects human rights. In addition, the Anti-Discrimination Act prohibits any kind of direct and indirect discrimination based on skin color, language, religion, nationality, ethnicity or belief. There

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is strong trade union membership in Norway and almost two-thirds of them are covered under collective agreement. In addition, the freedom of press is highly protected in the country and the nation ranked first globally amongst 140 nations for the same parameter, according to The Global Competitiveness Report 2018. These provisions in the Norwegian constitution and social norms are expected to help the nation sustain its high level of quality of life.

3.6.5. Future risks

Complexities in the legal system can deter skilled foreign workers

Norway has an extensive system of laws towards the protection of personal freedom and security, and some of those provisions are considered quite controversial. For instance, the power which is provided to Norway's child protection agency (Barnevernet) comes into international limelight quite often, especially when the children of foreign workers are separated from their parents on grounds of child safety. In early 2019, a diplomatic dispute occurred between Norway and Poland, and Norway expelled Poland's consul in Oslo, Slawomir Kowalski. Kowalski was actively involved in conversations with Barnevernet on behalf of the estranged Polish parents whose kids were forcefully placed under foster care in Norway. Norway denied the involvement of Barnevernet in the consul's expulsion, and the stand-off between the countries once more initiated discussions towards bringing in transparency in the way Barnevernet works.

3.7. Environmental analysis

3.7.1. Overview

The Ministry of Climate and Environment in Norway oversees an integrated environment and development policy, which applies the broad concept of sustainability in economic policies. The country has implemented schemes for the conservation of biological diversity, and it is focusing on cutting carbon emissions to achieve carbon neutrality by 2030.

Table 8: Analysis of Norway's Environmental Landscape	
Current Strengths	Current Challenges
<ul style="list-style-type: none"> • Integrated environmental development • Development of carbon capture and storage technology 	<ul style="list-style-type: none"> • Ocean acidification
Future Prospects	Future Risks
<ul style="list-style-type: none"> • Government focus on carbon neutrality • Strong potential for wind power 	<ul style="list-style-type: none"> • Biodiversity loss and threatened species
<p>Source: MarketLine © MARKETLINE</p>	

3.7.2. Current strengths

Integrated environmental development

The Norwegian government places a lot of importance on sustainable development and environmental conservation in its economic policies. The authorities have made it mandatory for all businesses to assess the impact of their activities on the environment. The Environmental Impact Assessment (EIA), which is monitored by the Ministry of Climate and Environment, states that all business proposals must pass through a verification process before approval. Furthermore, the ministry has created a system by which information about any successful implementation of EIA principles is collected and analyzed for further strengthening and development. The integration of environmental assessment into business activities has brought in many changes, which have improved Norway's environment.

Development of carbon capture and storage technology

In order to limit the rise in the average global temperature due to CO2 emissions, countries are looking for cost-effective methods to capture carbon dioxide from large point sources, such as fossil-fuel powered power stations and industries. Carbon capture and storage (CCS) technology is a technique developed in the last two decades to help in the mitigation of emissions. CCS is a three-stage process of capturing waste CO2 from large-point sources,

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transporting it, and depositing it in subterranean geological formations. The Norwegian government and oil companies, such as Statoil, Shell and Sasol, have taken a major step in improving capture and storage technology by opening a technology center at Mongstad in 2012. The Intergovernmental Panel on Climate Change (IPCC) has estimated that a plant with CCS could reduce CO₂ emissions by 80–90% compared to a plant without CCS.

3.7.3. Current challenges

Ocean acidification

Norway is affected by pollution especially in the form of the acidification of water that is harming the aquatic ecosystem. According to the European Commission, the level of acidification in the three seas (the Barents, Norwegian and North Seas) around Norway is considered a 'hazard' in terms of the threat. Acidification threatens the nation's prominent fishing industry considerably. A multilateral action with neighboring states is required to address this problem effectively.

3.7.4. Future prospects

Government focus on carbon neutrality

The Norwegian government has made 2030 its deadline year for achieving carbon neutral status, as a part of its COP21 commitments. The government gained support from all of the country's political parties on this issue, giving the policy a good chance of success. Under the plan, the government will strive to cut CO₂ emissions by 15–17 million metric tons by 2020. Combined with EU emissions trading and the use of Joint Implementation and the Clean Development Mechanism under the Kyoto Protocol, the government aims to make Norway carbon neutral by 2030.

Strong potential for wind power

With strong winds along its 2,500 kilometers of coastline, Norway has great natural potential for wind power, and had 873 megawatt (MW) of installed capacity by the end of 2016. Norway's Wind Power Association expects the capacity to rise to 3,500 MW by 2020. By the end of 2016, there were 25 wind farms in Norway. As of March 2019, its operating wind farms have an output of 1.7 gigawatts (GW), and various projects with a production capacity of 1.8 GW are under construction. In early 2019, the Norwegian Energy Regulatory Authority (NVE) recognized 13 areas, especially from the southern part of the nation, towards the development of wind energy farms. The enormous potential for wind power in Norway could be realized as legislation allows private developers to install wind turbines in deeper water.

3.7.5. Future risks

Biodiversity Loss and threatened species

Climate change is a growing threat in Norway, especially for its biodiversity. As per State of the Environment (SOE) Norway, under the Ministry of Climate and Environment, 4,438 species are placed in the Norwegian Red List (the latest one is the 2015 edition), amongst which 2,355 are categorized as critically endangered, endangered or vulnerable. Similarly, 1,235 species are listed as near threatened. However, according to the World Bank, eight mammal species, 23 fish species, 11 bird species and 10 higher plant species are under threat as of 2018. Species of fish are at the higher risk due to oil exploration activities and acidification of ocean in Norway.

4. Political Landscape

4.1. Summary

Norway is a parliamentary constitutional monarchy. Executive powers are nominally held by the monarch but are exercised by a council of ministers led by the prime minister. Legislative power is vested in the 169-member parliament (*Storting*), the members of which are elected from 19 counties for four-year terms according to a system of proportional representation. The present monarch is King Harald V, and the prime minister is Erna Solberg. While there have been nine parties in the Norwegian parliament since the 2017 elections, the government was led by a coalition of the Conservative Party and the Progress Party in the initial days. The Christian Democratic Party and the Liberal Party joined the coalition in 2019, providing more stability to the incumbent administration.

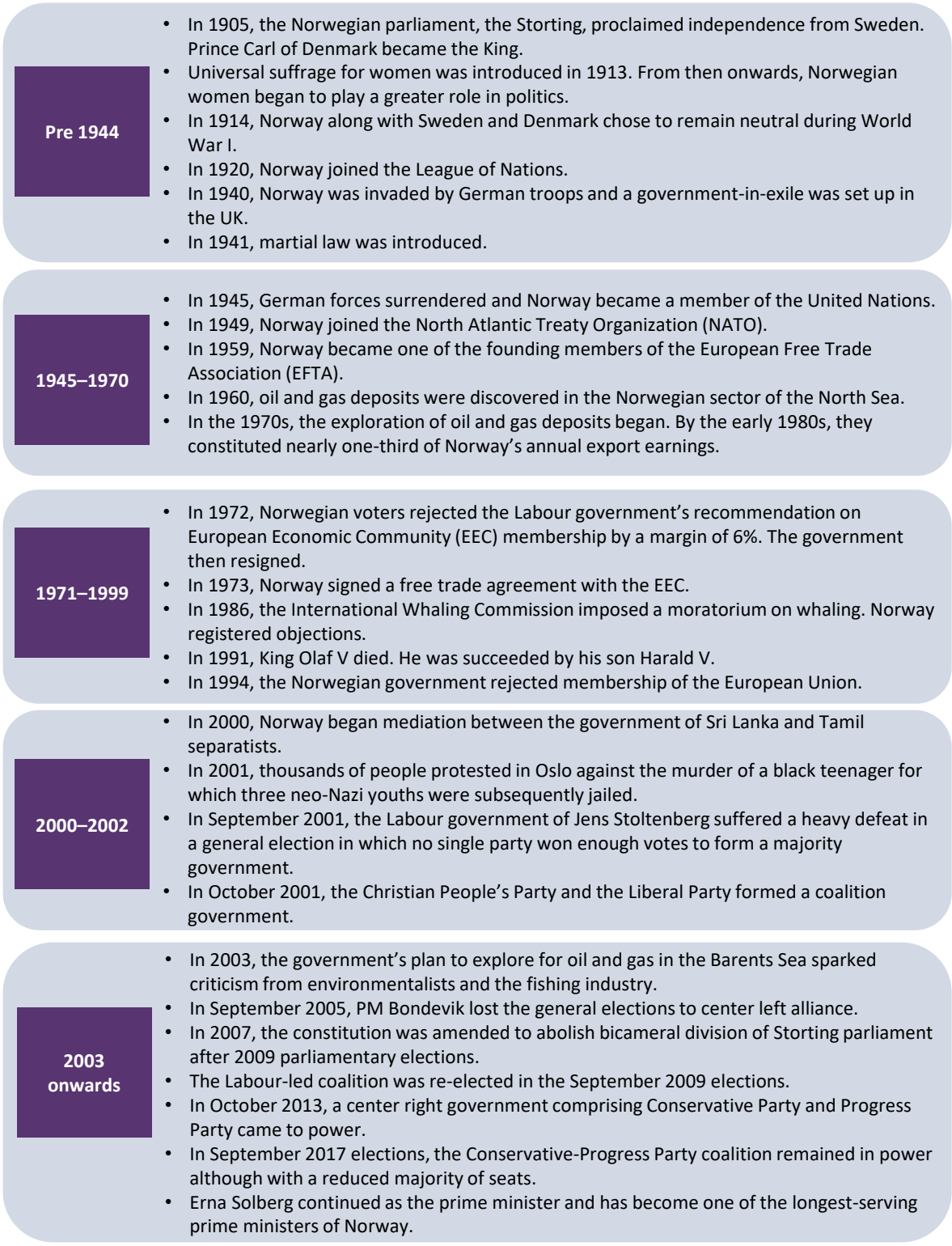
4.2. Evolution

Although in opposition since 2013, the Labour Party is the largest party in the country. Except for the German occupation of Norway during 1940–1945 and three intermittent periods in 1963, 1965–1971, and 1972–1973, Norway was governed by the Labour Party during 1935–1981. The Labour Party had a single-party majority from 1945 to 1961; however, since then, coalitions and minority governments have been the norm in Norwegian politics. After the 1981 elections, the Conservatives formed a minority government with support from Christian Democrats and the Center Party. In 1983, centrist parties were represented in the cabinet, and the Conservative-led coalition became a majority government, which remained Norway's only majority government between 1971 and 2005.

The center-right coalitions formed minority governments after the 1985 and 1989 elections; however, they were toppled by Labour Party-led coalitions in 1986 and 1990. Labour Party-led governments remained in power from 1986 to 1989 and from 1990 to 1997. Between 1997 and 2000, a three-party minority government, led by Christian Democrat Prime Minister Kjell Magne Bondevik, assumed power, but collapsed due to a no-confidence motion over Bondevik's opposition to the construction of gas-fired power plants. The Labour Party again assumed power until the 2001 election, which witnessed its worst performance since World War I. Bondevik became prime minister again, until his September 2005 rout at the hands of the Labour Party, which won 61 of the 169 seats in parliament. The Labour Party coalition remained in power, prevailing in the September 2009 elections. However, a coalition of Conservative Party and Progress Party replaced the center-left coalition in September 2013 elections despite the Labour Party emerging as the largest party in *Storting*. In the September 2017 general elections, the Conservative-Progress coalition retained its power in the government with Prime Minister Erna Solberg serving another term. In January 2018, the Liberal Party joined the Conservative-led government and in January 2019 the Christian Democratic Party joined the coalition expanding the government to a four-party coalition.

Major political events since the independence of Norway in 1905 are provided in Figure 6.

Figure 14: Norway – Key Political Events



Source: MarketLine

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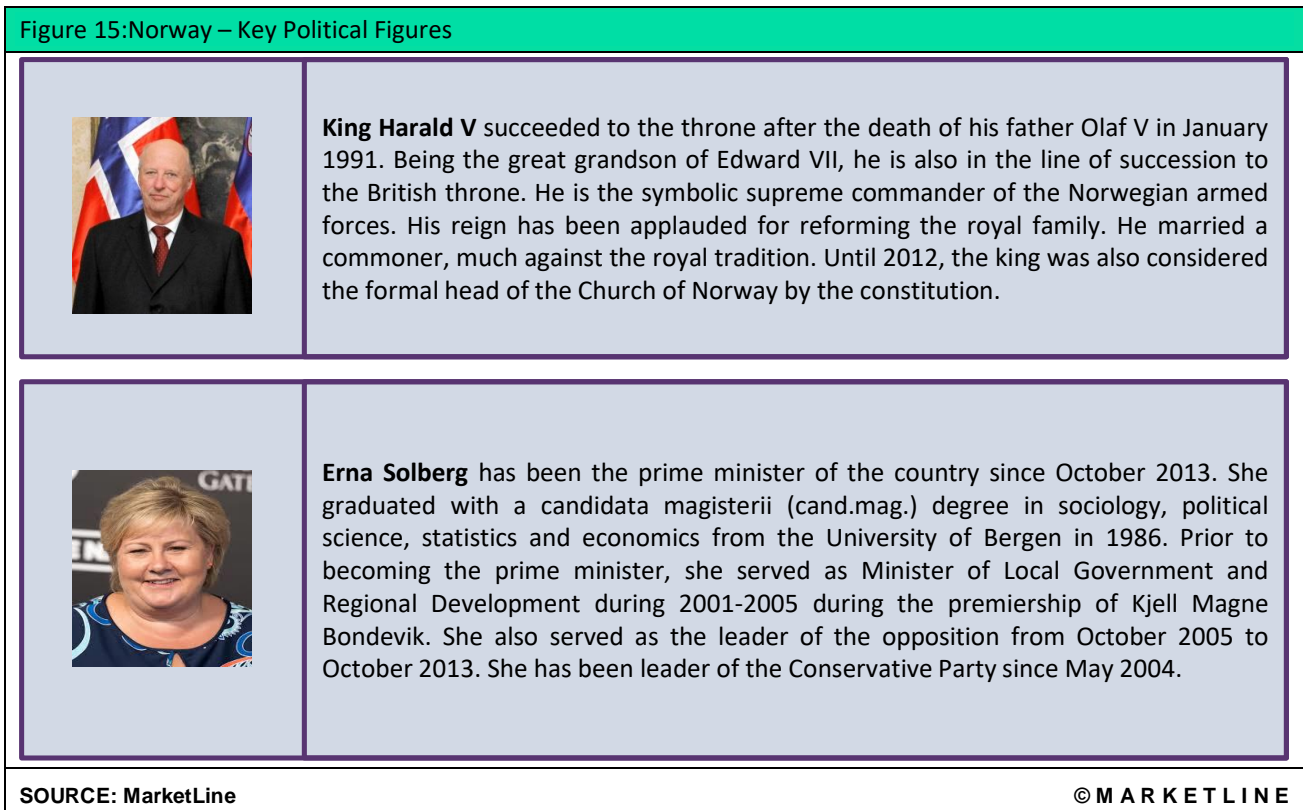
Political Landscape

4.3. Structure and policies

4.3.1. Key political figures

Chief of State: King Harald V (since January 17, 1991)

Head of Government: Prime Minister Erna Solberg (since October 16, 2013)



4.3.2. Structure of government

Norway is a constitutional monarchy. Nominal executive powers are held by the monarch, while real power is exercised by the prime minister. The constitution came into force in 1814, transforming Norway from an absolute monarchy into a parliamentary constitutional monarchy. King Harald V has been king since 1991, while Erna Solberg of the Conservative Party has been the prime minister since 2013. With no major party dominating the political landscape of Norway over past few decades, the country has a multi-party system with nine parties having parliamentary representation since the 2017 general elections, wherein the parties work with each other to form coalitions.

Legislative branch of government

The unicameral parliament of Norway is called the *Storting* or the Great Council. The *Storting* has 169 members, who are elected to four-year terms by proportional representation in multi-seat constituencies.

Political Landscape

Executive branch of government

The country has a hereditary monarchy. With the approval of parliament, the monarch appoints the state council. The functions of the king have largely been reduced to ceremonial activities; however, he possesses considerable cultural influence as a symbol of national unity. The king is also the symbolic supreme commander of the Norwegian Armed Forces. The Council of State consists of a prime minister and council members, and is formally appointed by the king following parliamentary elections. The council must have the confidence of the *Storting*. Although the executive powers of the state rest with the monarch, the council exercises them. Parliamentary elections are held every four years.

Provincial governments

The provincial regions are called fylker. Norway is divided into 18 counties, which also function as constituencies during parliamentary elections. There are 422 municipalities within the counties, which are called *kommuner*, as of 2018.

4.3.3. Key political parties and alliances

Labour Party

The Labour Party (*Arbeiderpartiet* [AP]) is a social democratic party that was founded in 1887. It is the biggest party in the *Storting* and was the leading partner in the former Red-Green coalition that governed the country during 2005–2013 under Jens Stoltenberg. It previously included more market-oriented principles in its policy, following the liberal movement of the 1980s. Recently, however, there has been a shift toward the traditional left.

Conservative Party

Founded in 1884, the Conservative Party (*Høyre* [H]) is a center-right political party in Norway. The Conservative Party has the second largest representation in the *Storting* and is the leading partner in the current center-right coalition. The party advocates economic liberalism and free market policies, and considers itself an opponent of socialism. The party also supports privatization, and tougher law and order measures. Erna Solberg, the incumbent prime minister of Norway, is the leader of the party.

Progress Party

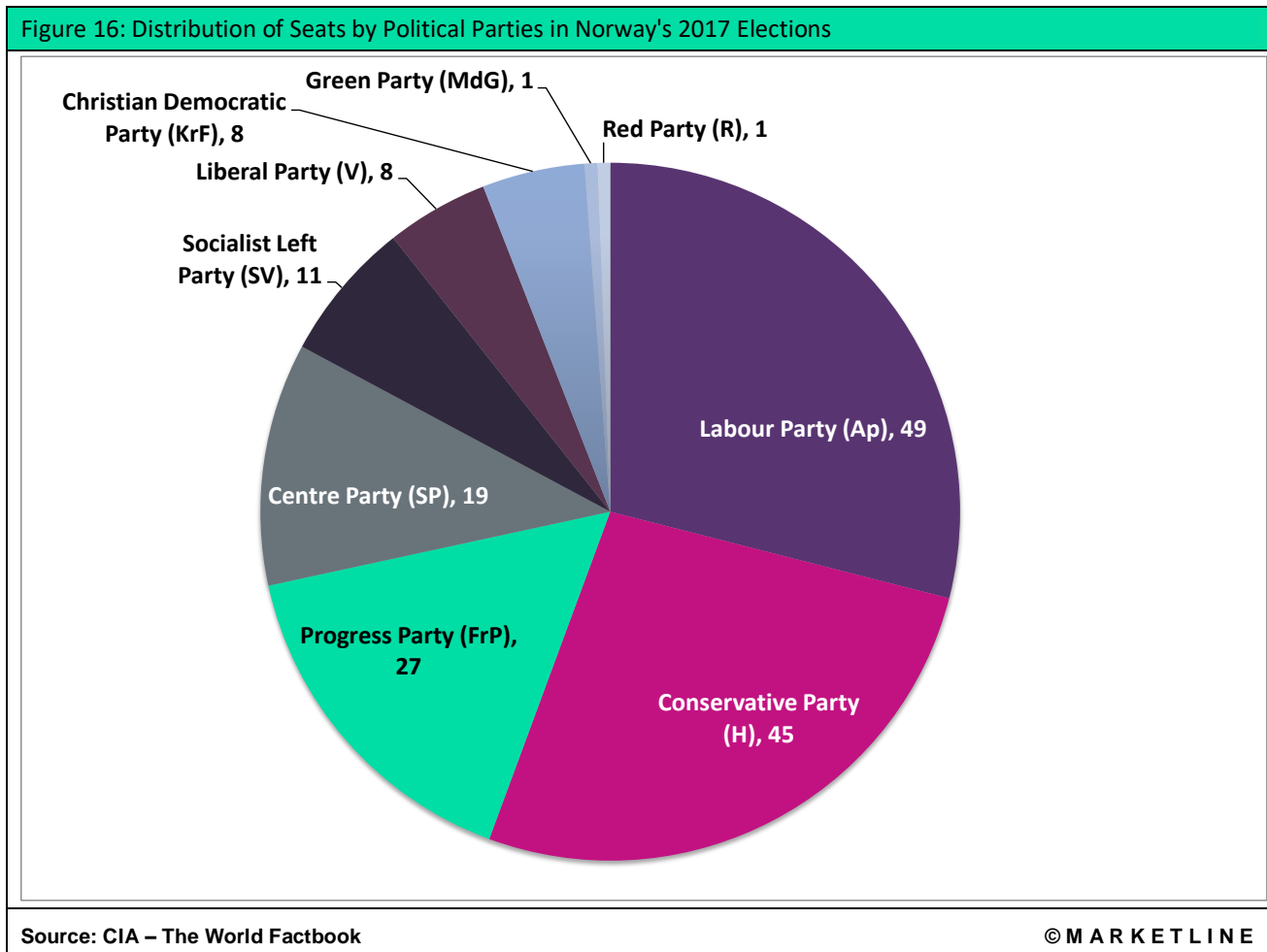
Founded in 1973 by Anders Lange as an anti-tax protest movement, the Progress Party (*Fremskrittspartiet* [Frp]) is a liberal conservative political party, and its main objectives include deregulating markets, and opening up the Norwegian economy to the world. In addition, the party seeks tougher immigration laws and asylum policies. Although the Progress Party came third in Norway's 2013 general elections compared to second in the 2009 elections, it formed a center-right coalition government with the Conservative Party for the first time in the 40 years of its existence.

The other major political parties in the country includes the Center Party (*Senterpartiet* [Sp]), Socialist Left Party (*Sosialistisk Venstreparti* [SV]), Liberal Party (*Venstre* [V]), Christian Democratic Party (*Kristelig Folkeparti* [KrF]), Green Party (*Miljøpartiet de Grønne* [MdG]), and Red Party (*Rødt* [R]).

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4.3.4. Composition of the government

As of 2018, the Labour Party holds the highest number of seats with 49 seats in parliament, followed by the Conservative Party, which has a seat count of 45. The anti-immigration Progress Party is the third-largest party with a seat count of 27.



4.3.5. Key policies

Economic

The new Conservative government’s policy priorities include raising infrastructure investments and making efforts to improve productivity growth. The government also aims to continue the reduction of overall tax levels in the economy in order to spur investment levels and increase labor supply. To this effect, the government cut tax on ordinary income, including capital income, by one percentage point to 27.0% in 2014 and reduced it to 25% in 2016. Income tax was further reduced to 24% for 2017. In 2019, the corporate income tax was reduced to 22%.

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Norway possesses one of the largest pension funds in the world, which has an estimated value of NOK9.28 tn (US\$1.08 tn) as of June 2019. The fund named as the Government Pension Fund Global (GPGF) and commonly referred to as the Old Fund acts as a shield, as it protects the government's finances from the fluctuations in the prices of hydrocarbons in the international market. The fund has invested in 9,158 companies across 73 nations under three investment categories (equities, bonds and real estate). As of June 2019, in order to reduce the shocks occurring because of fluctuating oil equities, the fund is aiming to disinvest around US\$13 bn of investments related to the fossil fuel sector. At the same time, the government also plans to approve investments in unlisted renewables as part of exploring investment opportunities in the renewable energy sector. As of December 2018, the investments on renewables are capped at 2% of the market value of the fund. The government also has the Government Pension Fund Norway as a part of its sovereign wealth funds, which focuses mainly on domestic and Scandinavian regional investments.

Norway's main industries are still largely under state control. The country's industrial policies aim to promote new industries by supporting research and preventing the disappearance of traditional industries. The Norwegian government holds large stakes in key sectors, such as petroleum, telecommunications, aluminum production, fertilizers, hydroelectricity production and the banking sector. The new government aims to partly privatize state assets during its tenure; however, it is expected to keep a controlling stake in the most important companies to ensure that no changes are made to business statutes.

The total proposed revenue for the 2019 fiscal budget stands at NOK1.42 tn (US\$165.08 bn) indicating a 4.85% increase from NOK1.35 tn (US\$166.07 bn) in 2018. Similarly, total expenditure for the 2019 fiscal budget are expected at NOK1.38 tn (US\$161.16 bn), up by 4.89% from NOK1.32 tn (US\$162.08 bn) in 2017.

4.3.6. Social

The Ministry of Health and Care Services is responsible for providing equal access to healthcare services. Since the last decade, the government's efforts have been focused on increasing efficiency of the country's healthcare sector by improving coordination between the healthcare services. After consultations that lasted for around three years, parliament passed "the Coordination" reform in mid-2011, which emphasizes increasing coordination between municipal health services and hospitals (which are run by Regional Health Authorities).

The government has also taken measures to promote primary and secondary education and to improve the already robust education system. In 2006, Knowledge Promotion prioritized the use of ICT in education. As part of this reform, most students at the upper secondary level are provided laptops by their schools.

In order to reduce the strain on the social security system and to encourage people to work, the government implemented extensive pension reforms in 2011. Pension benefits were lowered to reflect the rise in life expectancy, and the current practice of increasing pensions in line with wage increases was modified.

The incumbent government indicated that its priority is to promote a sustainable welfare society, through policies aimed at preventing climate change, promoting family and child rights, and strengthening small and medium scale businesses through encouraging tax policies.

4.3.7. Foreign

Norway's foreign policy aims to promote peace and stability, highlighted by its mediation in international conflict. Norway was a founding member of the North Atlantic Treaty Organization (NATO), and the country has played an important role in the operation of the institution. It is also an active member of the UN and pursues a policy of co-operation with other Nordic countries including Denmark, Sweden, Finland and Iceland. Norway is a member of the European Free Trade Association, an international free trade partnership. The country is also a member of a number of other international organizations, including the International Monetary Fund, the Organisation for Economic Co-operation and Development, the International Bank for Reconstruction and Development (part of the World Bank),

Political Landscape

and the World Trade Organization. The country has always rejected proposals for joining the EU on the grounds that Norway has more to lose than to gain from membership. Even so, the question of EU membership is a recurring one in Norwegian politics. Although Norway wants to engage in low-level cooperation with Russia in the Barents Sea region, Russia's annexation of Crimea has increased tensions between the two nations. The relationship between Norway and Russia remains weary amidst the acquisitions of increasing spy activities by both nations.

In June 2018, the European Council signed an agreement with Norway to enhance co-operation in the areas of preventing VAT fraud and assist each other in the recovery of VAT claims. Norway and India signed a Memorandum of Understanding (MoU) in June 2018 to boost co-operation in the healthcare sector through the Norway India partnership Initiative (NIPI) over 2018–2020. In 2019 January, Norway and India signed another MoU towards strengthening bilateral relationships during the India-Norway Ocean Dialogue. Norway also remains a major supporter for maintaining the non-militarization of the Arctic region, amidst the increasing interests of the US and NATO forces in the region.

4.3.8. Defense

The Norwegian Armed Forces is the agency responsible for safeguarding the nation's sovereignty and defending it against attack. The armed forces are trained in specific military capabilities, and are ready to be deployed in a conflict area at short notice. Norway has contributed over 120,000 personnel to more than 40 international military operations since 1947. In 2013, the country provided 700 combat soldiers to military operations in Africa, the Middle East and Kosovo. The government continues to support the participation of Norwegian troops in NATO's International Security and Assistance Force (ISAF) in Afghanistan. In October and November 2018, the nation hosted Exercise Trident Juncture 2018, which is considered one of the biggest multi-lateral joint force exercises of NATO since 2002 and the biggest for Norway since 1980s.

4.4. Performance

4.4.1. Governance indicators

The World Bank report on governance uses voice and accountability, political stability and absence of violence, government effectiveness, regulatory quality, rule of law, and control of corruption as indicators to assess the quality of governance in 214 countries and territories over 1996–2017. The study was carried out by Daniel Kaufmann of the Natural Resource Governance Institute (NRGI) and Brookings Institute, and Aart Kraay of the World Bank Development Research Group. For any country, a percentile score of zero corresponds to the lowest possible rank and a percentile score of 100 corresponds to the highest possible rank.

Norway was in the 100.00 percentile on the voice and accountability indicator in 2017. Voice and accountability measures the extent to which a country's citizens are able to participate in selecting their government, as well as freedom of expression, freedom of association, and the availability of free media. Norway ranked highly due to its openness and liberal attitude toward the press. It is ahead of Sweden, which stood at 99.51 in 2017.

Norway was in the 90.0 percentile on political stability and absence of violence in 2017. This parameter measures perceptions of the likelihood that the government will be destabilized or overthrown by unconstitutional or violent means, including domestic violence and terrorism. Norway ranked higher than Sweden, which stood at 81.43 percentile.

Norway was in the 99.04 percentile on government effectiveness in 2017. Government effectiveness measures the quality of public services, the quality of the civil service and the degree of its independence from political pressures, the quality of policy formulation and implementation, and the credibility of the government's commitment to such policies. Norway's status on this indicator has been impressive over the last decade. Successive governments from

Political Landscape

different political parties have generally pursued similar economic policies, leading to stability in policy formulation and implementation. The country was ahead of Sweden, which was in 96.15.

Norway was in the 96.15 percentile rank regarding regulatory quality in 2017. Regulatory quality measures the ability of the government to formulate and implement sound policies and regulations, which permit and promote private sector development. Sweden ranked lower in the 95.67 percentiles in this category.

Norway was in the 99.52 percentile with respect to rule of law in 2017. The rule of law measures the extent to which agents have confidence in and abide by the rules of society, and in particular the quality of contract enforcement, the police, and the courts, as well as the likelihood of crime and violence. Sweden recorded the percentile rank of 99.04, which remained below the score of Norway.

Norway was in the 99.52 percentile in the control of corruption category in 2017. The control of corruption measures the extent to which elite and private parties exercise public power for private gain, including both petty and grand forms of corruption, as well as the appropriation of the state. Norway has one of the toughest laws against corruption in the region, reflecting its high rank in this category. Sweden's score stood behind that of Norway on this indicator, recording a score of 98.08 in 2017.

4.5. Outlook

The center-right coalition of the Conservative Party and the Progress Party retained power at the center in the September 2017 general elections. The issue of immigration is a contentious one for the government as the Progress Party demands tighter immigration and asylum policies. Despite these issues, a broad centrist political consensus is expected to be maintained during the term of the government. The inclusion of Christian Democratic Party to the then three-party coalition government in January 2019 gives hope for the incumbent prime minister to carry forward additional reform measures, including those related to reforms in tax and environment. On the foreign policy front, Norway is expected to continue strengthening its relationship with its largest trading partner, the EU. With regard to its security and defense policies, the country is expected to continue its cooperation with the NATO and its allies. The country is also expected to continue its talks at various administrative levels towards neutralizing the occasional conflicts with its neighbor, Russia.

5. Economic Landscape

5.1. Summary

The Norwegian economy can be characterized as a mixed economy due to the presence of a vibrant private sector and a large state sector, which has ownership interests in strategically important industries, such as petroleum and hydropower. Petroleum (oil and gas) accounts for around 20% of Norwegian GDP and more than 50% of its exports. In order to save benefits generated from natural resources, the government saves all the proceeds generated from the petroleum sector in a sovereign wealth fund, which is one of the largest in the world. Economic growth averaged a modest 2.99% during 2004–2007, driven by increases in petroleum prices. The economy slowed down to 0.48% in 2008 from 2.99% in 2007 and then contracted by 1.69% in 2009, before picking up again during 2010–2014 to register an average growth rate of 1.48%. The GDP growth rate for 2015 was 1.97%. In 2016 and 2017, the economy expanded by 1.19% and 1.98% respectively. In 2018, a slowdown in the European Union (EU) economy as well as fluctuation in the petroleum prices cost the economic growth of the nation in 2018. According to MarketLine, the economy grew by 1.4% in 2018 and is expected to witness an average growth of 1.76% during 2019–2023.

5.2. Evolution

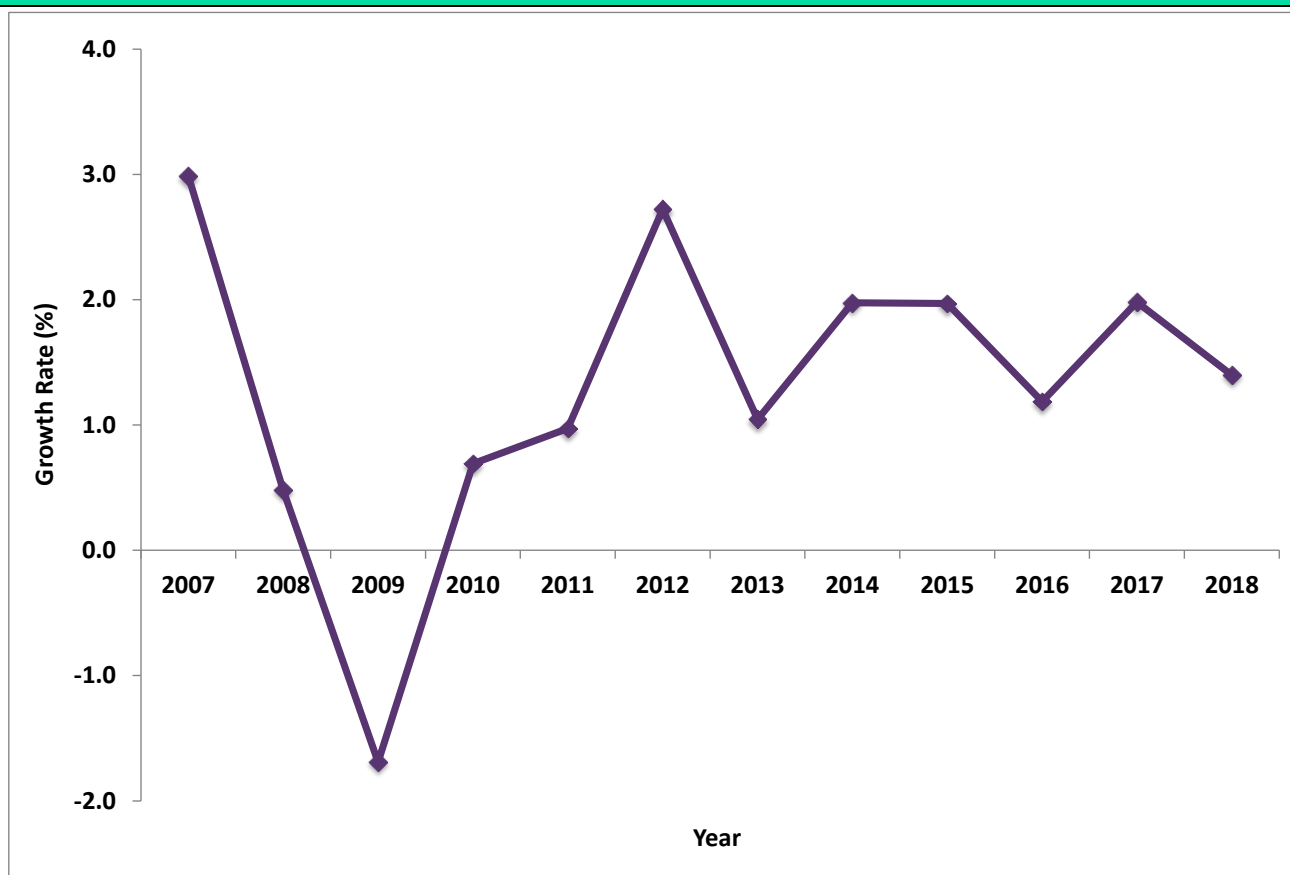
The evolution of the Norwegian economy is described below:

- Historically, Norway's economy was based on agriculture, timber and fishing. In the late nineteenth century, an industrial revolution began with textile production.
- After the two world wars, the country began oil exploration in 1966 and took over the rights of oil reserves in the North Sea. During 1966–1980, the economy expanded steadily, with an average growth rates of 4.4%. By 1980, the country had become the world's third-largest oil exporter.
- Growth in the 1990s was driven by a surge in industrial activity; the economy performed well and witnessed employment growth rates superior to those of the EU. The country grew at an average annual pace of 4.15% during 1991–1997.
- During 1998–2003, Norway's economic performance decelerated, as labor-market capacity constraints and appreciating currency eroded external competitiveness. Real GDP growth fell to 2.62% in 1998, down from an average annual rate of 5.16% during 1996 and 1997. During 1999, the growth rate stood at 2.01%, while GDP growth was 3.21% in 2000.
- Economic growth slowed to 2.09% in 2001. Norges Bank held interest rates well above international levels, which put pressure on the internationally exposed manufacturing sector, which was hit by the appreciating currency. Generous wage settlements undermined competitiveness further. Meanwhile, the energy sector suffered from lower oil prices.
- Growth in 2002 was stagnant, with output registering an expansion of only 1.44%. Exports and investments were impacted by the global slowdown and falling oil prices. On the other hand, Norway's expansionary fiscal position helped to drive consumer and government demand, thereby offsetting the decline in other key economic aggregates.

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- The economy slowed further in 2003 in response to the relatively tight monetary stance during 2002 and continued weakness among Norway's major trading partners. Real GDP growth was around 0.92% in 2003, reflecting a less expansionary fiscal stance and a further decline in investment.
- Economic activity rebounded strongly in 2004, with real GDP growth increasing to 3.96%. The upswing in the Norwegian economy was primarily driven by domestic factors and a reduction in the nominal interest rates that bolstered household consumption and housing investment. During 2005–2007, the economy grew by an average annual rate of 2.67%.
- In 2008, the economic growth declined to 0.48% in 2008. The economy entered into a recession in 2009 and rebounded to register a growth rate of 0.69% in 2010. During 2011–2015, the economy grew at an average annual rate of 1.74%.
- In 2016, the economy grew at a slower pace of 1.19% following a 1.97% growth in the previous year due to decline in oil prices. Recovery in global oil prices aided the economic growth to accelerate to 1.98% in 2017.
- With a slowdown in its main export partners, especially across the EU region, as well as due to a fluctuating hydrocarbon market prices, the economy grew at a slower pace of 1.4% in 2018. The nation is expected to witness an average growth of 1.76% during 2019–2023, according to MarketLine.

Figure 17: Historical GDP Growth of Norway (%), 2007–2018



SOURCE: Country Statistics, MarketLine

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5.3. Structure and policies

5.3.1. Financial authorities and regulators

Norges Bank was established in 1816 with the objective of promoting macroeconomic stability. The executive functions of the bank comprise regulating financial markets, promoting the efficient functioning of the payments system, and designing and implementing monetary policy. The bank's core responsibilities include price stability, financial stability and investment management. The bank also manages the country's foreign exchange reserves.

Economic Landscape

Government Pension Fund Global

The Government Pension Fund Global (GPF) is a sovereign wealth fund of Norway where surplus wealth generated from petroleum activities is deposited. The fund was set up with the objective of financing social welfare benefits for future generations. The fund's net capital inflow consists of petroleum revenues that mainly come from taxation of oil companies, licensing of oil fields, and net financial transactions arising out of petroleum activities, minus the amount spent to balance the non-oil structural budget deficit. The country's fiscal policy is based on the principle that in the long run, the structural, non-oil budget deficit shall correspond to the real return on the fund, which is estimated at 4%. The fiscal budget and the economy of Mainland Norway are thus shielded from the effects of oil price fluctuations. At the same time, depletion of the fund's assets is avoided, thereby enabling petroleum revenue to maintain welfare levels for future generations.

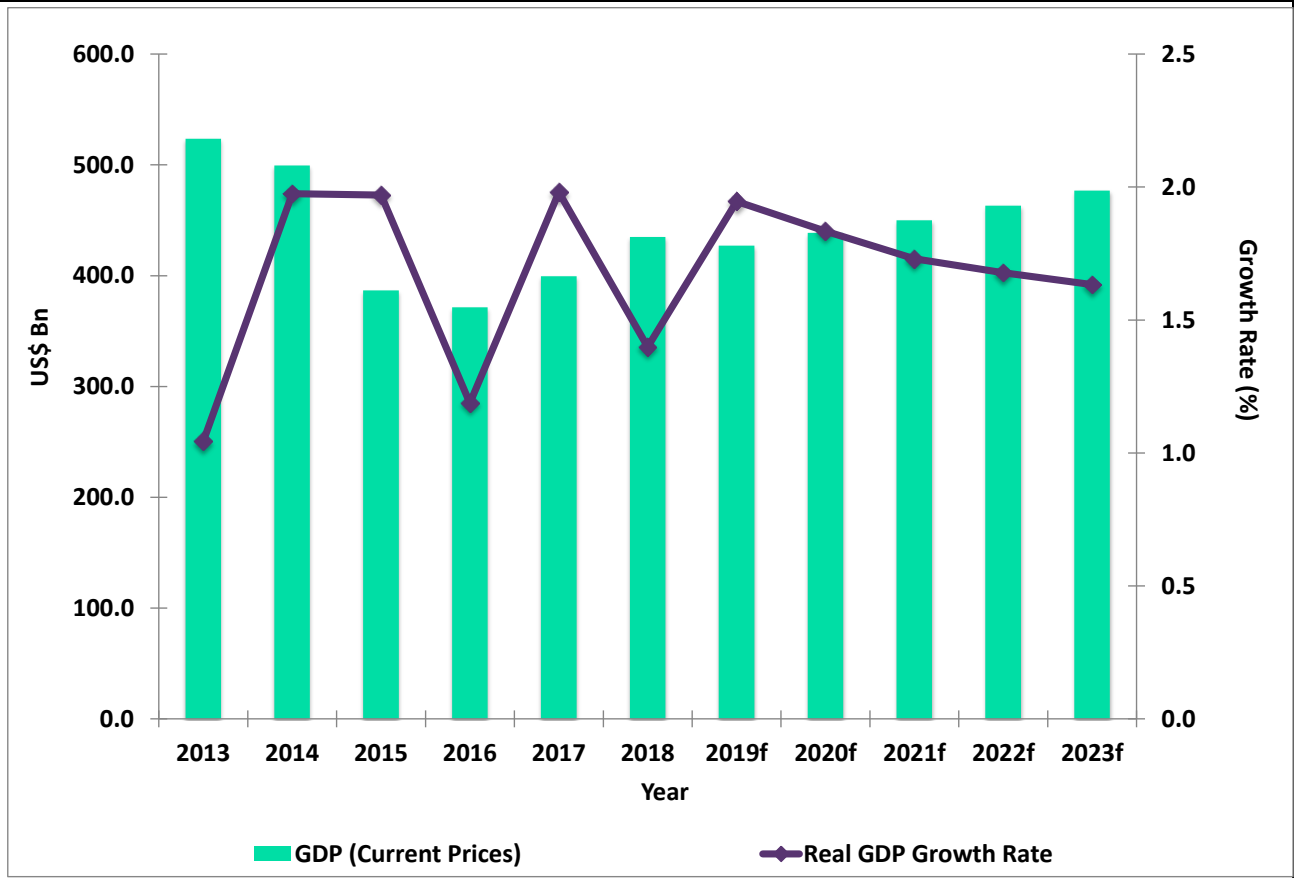
Norges Bank Investment Management (NBIM) manages the fund by following guidelines from the Norwegian Ministry of Finance. There is a broad political consensus that the pension fund should be managed with a view to achieving the maximum possible return with a moderate level of risk. The ministry of finance has formulated a long-term investment strategy to ensure that capital is invested in a broad-based portfolio comprising securities from many countries.

5.4. Performance

5.4.1. GDP and growth rate: overview

Economic growth averaged a modest 2.99% during 2004–2007, driven by increases in petroleum prices. The economy slowed down from 2.99% in 2007 to 0.48% in 2008, and then contracted by 1.69% in 2009, before picking up again during 2010–2015 to register an average growth rate of 1.56%. The economic growth rate slowed down to 1.19% in 2016. With the recovery in the oil prices, the economic growth rate rebounded to 1.98% in 2017. Fluctuating oil prices and an ongoing slowdown in Norway's major export markets have resulted in a decline in growth prospects to 1.4% in 2018. However, MarketLine forecasts the real GDP of Norway to grow by 1.95% in 2019.

Figure 18: GDP and GDP Growth Rate in Norway (US\$ Billion/%), 2013–2023f



SOURCE: Country Statistics, MarketLine

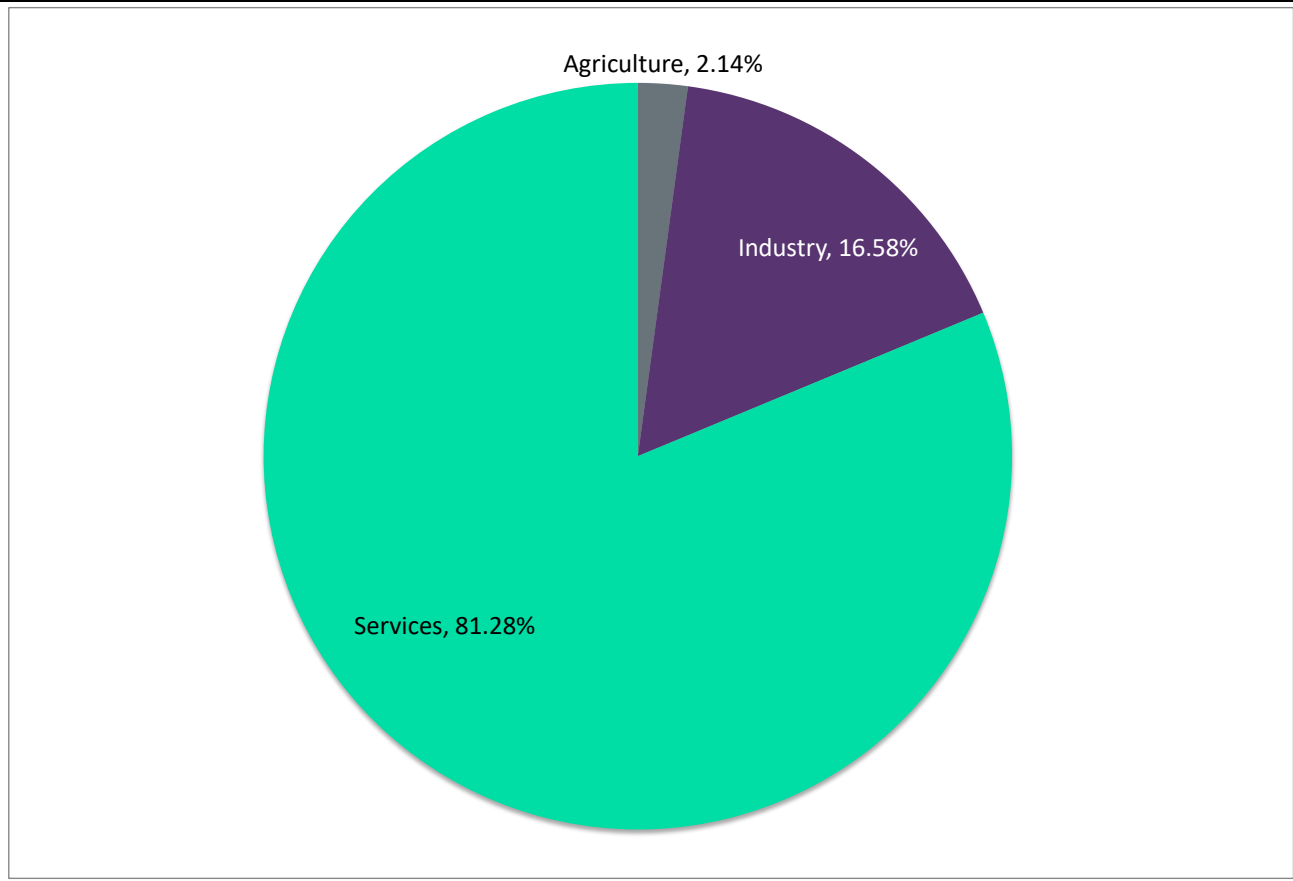
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Economic Landscape

5.4.2. GDP composition by sector

The services sector contributed 81.28% to GDP in Norway in 2018, followed by the industrial sector, which contributed 16.58%, and the agricultural sector, which contributed 2.14%.

Figure 19: GDP Composition by Sector in Norway (%), 2018



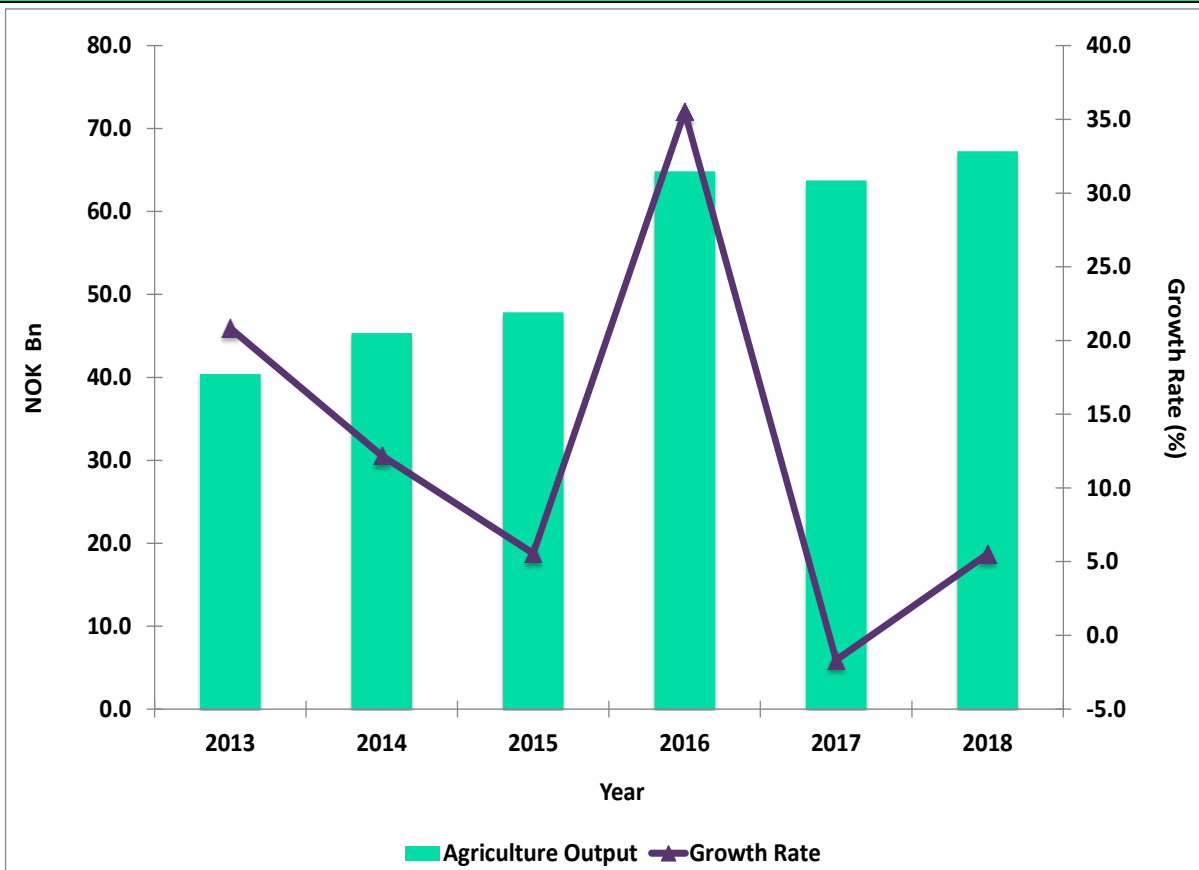
SOURCE: Country Statistics, MarketLine © MARKETLINE

Economic Landscape

Agriculture

Key agricultural products include dairy and meat products, eggs, cereals, and temperate fruits and vegetables. Due to the country's extreme climatic conditions, grain production in Norway is mainly restricted to barley and oats, though wheat and rye are also produced. The livestock sector mainly focuses on sheep, dairy cows, and cattle. Agriculture in Norway is heavily protected by the Norwegian government to secure the interests of domestic farmers. According to MarketLine, the sector grew by 5.51% in 2018.

Figure 20: Agricultural Output of Norway (NOK Billion/%), 2013–2018



Note: local currency reported due to US dollar fluctuations and their impact on growth figures.

SOURCE: Country Statistics, MarketLine

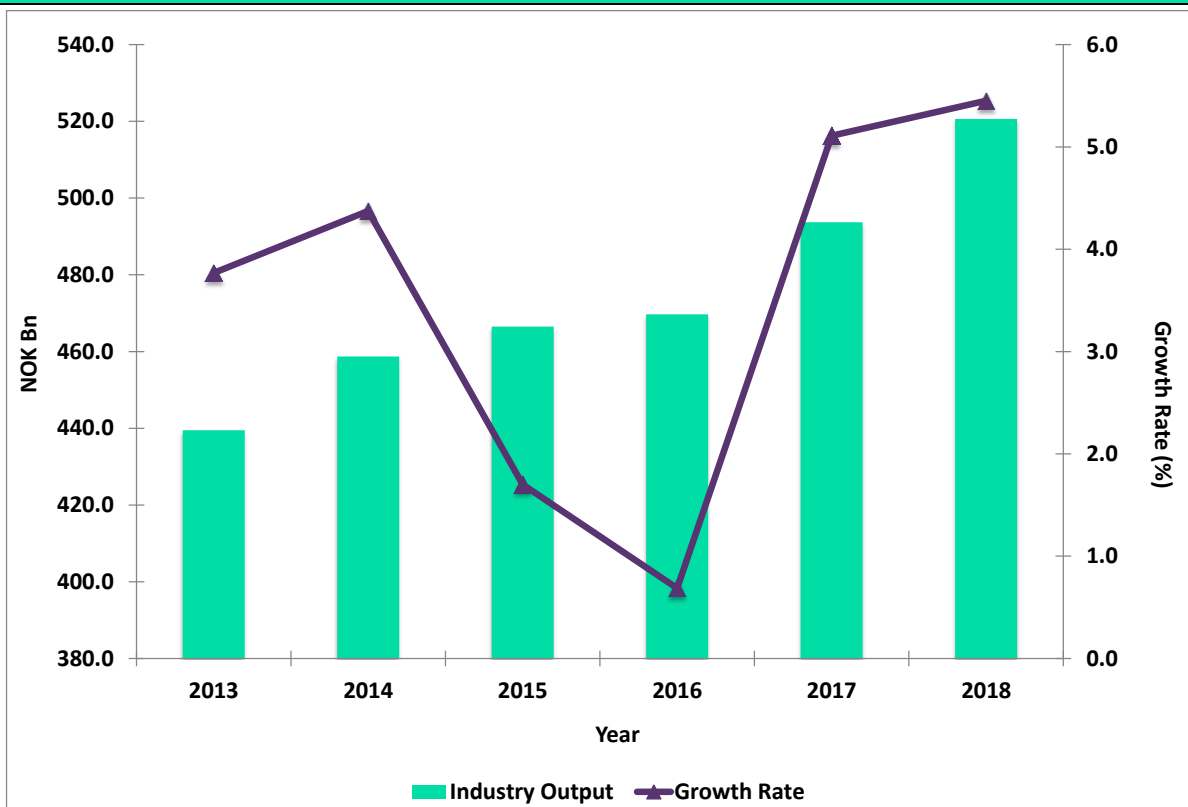
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Economic Landscape

Industry

The country's key industries are oil and natural gas production, shipping, and trading. Oil and gas exploitation accounts for nearly 20% of GDP as of 2018. The country is one of the largest oil producers and natural gas producers in the world. While other maritime industries, notably fisheries and shipping, have contributed to Norway's solid economic position, the energy sector also plays an important role in driving the growth of the country's economy. This sector has had a spillover effect on other sectors of the economy, notably heavy engineering and shipbuilding. However, the emphasis on oil and gas may be preventing the economy from adjusting and diversifying in response to rapid technological changes. The mechanical engineering industry is technology based and R&D intensive. Ever since oil became a significant part of Norway's economy, oil rigs and other equipment for the oil industry have been an important part of Norwegian technology products. The petrochemical industry also has a long history in Norway with Norsk Hydro being a leading supplier of nitrates, urea, ammonia, and complex fertilizers – gas and oil from the North Sea have created a basis for a sizable petrochemical industry. Norway is also home to one of the most diversified maritime industries and commands worldwide respect for its shipping expertise. The shipbuilding industry mainly builds small and medium-sized specialized ships, and the aquaculture industry produces fish farming equipment. Both of them constitute important parts of Norway's cluster of maritime industries. The shipbuilding industry comprises more than 50 shipyards. In addition, the aquaculture industry produces a wide range of breeding, caging, and feeding systems, monitoring equipment, and fish processing technology. According to MarketLine, the sector grew by 5.5% in 2018 as compared to 5.1% in 2017.

Figure 21: Industrial Output of Norway (NOK Billion/%), 2013–2018



Note: local currency reported due to US dollar fluctuations and their impact on growth figures.

SOURCE: Country Statistics, MarketLine

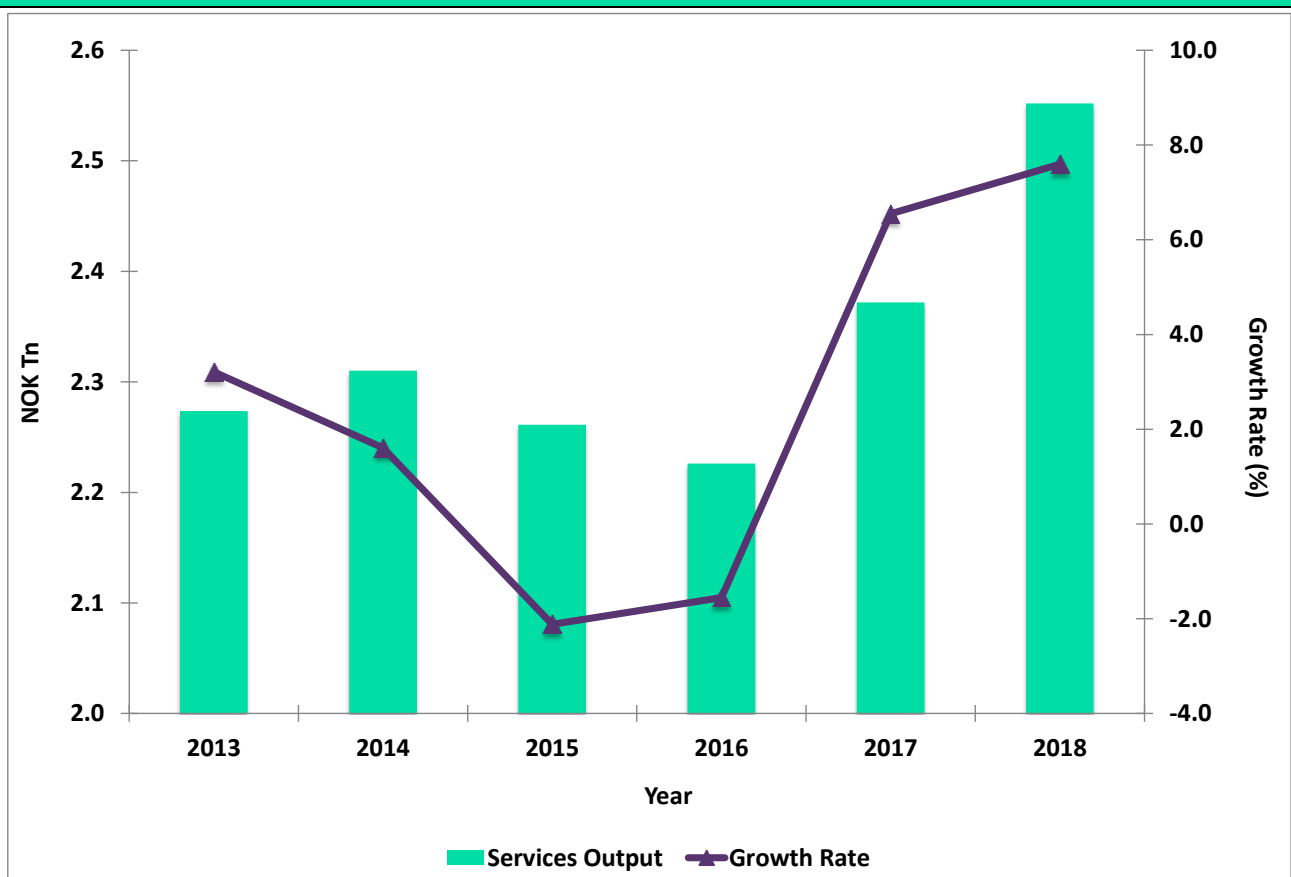
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Economic Landscape

Services

Over the past few decades, service companies have become increasingly important to both employment and overall value creation in Norway. As in most developed economies, the services sector in Norway accounts for more than 60% of GDP. This trend is related to the fact that higher income levels in society lead to increased demand for services. It is also intensified by the fact that there is a growing tendency for companies to outsource services that previously formed an integral part of their operations. The private services and business services sectors in particular seem to have considerable potential for increased value creation and employment. Because of rising globalization and the extensive use of communication technology and e-commerce, several types of services have been increasingly exposed to international competition. According to MarketLine, this sector grew by 7.60% in 2018 as compared to 6.55% in 2017.

Figure 22: Services Output of Norway (NOK Trillion/%), 2013–2018



Note: local currency reported due to US dollar fluctuations and their impact on growth figures.

SOURCE: Country Statistics, MarketLine

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Economic Landscape

5.4.3. Fiscal situation

The guidelines for economic policy given by the Norwegian government and Norges Bank indicate that the fiscal policy of the country should be geared toward sustainable use of petroleum revenue.

Fiscal deficit/surplus situation

According to the IMF, Norway posted an average annual general government surplus of 8.84% of GDP during 2011–2017. In 2018, the general government surplus stood at 7.5% of GDP, up from 5.1% of GDP in 2017. The general government surplus is forecast to remain around an annual average of 7.37% of GDP over 2019–2023.

5.4.4. External situation

External debt

According to CIA – The World Factbook, Norway's external debt amounted to US\$642.3 bn at the end of 2016, up from US\$640.1 bn in 2015. However, overall the nation is a net external creditor, according to the CIA.

Current account

The country maintained its current account surplus at a yearly average of 12.99% of GDP from 2000 to 2014, with the highest figure recorded over the period being 16.2% of GDP in 2005, according to the IMF. In 2015 and 2016, the current account surplus narrowed down to 7.9% and 4.0% of GDP, respectively. Rebound in oil prices led the current account surplus to increase to 5.6% of GDP in 2017. According to the IMF, the current account surplus stands at 8.1% of GDP in 2018 and is expected to remain around a yearly average of 7.12% of GDP during 2019–2023.

Foreign trade

According to MarketLine, Norway exported goods and services worth US\$166.04 bn in 2018, while it imported goods and services worth US\$139.87 bn in the same year. The bulk of Norway's trade is conducted with EU countries. According to data from the International Trade Centre, the UK was Norway's largest export market in 2018, with a 21.6% share of total exports, followed by Germany (16% share), the Netherlands (10.7%), Sweden (6.7%), France (6.7%), Belgium (5.2%), Denmark (4.7%), and the US (4.7%). Norway's key import partners in 2018 were Sweden (12.1% share of total imports), Germany (10.9%), China (10%), the US (8.1%), Denmark (5.5%), the UK (5.4%), the Netherlands (3.6%) and Poland (3.4%).

Figure 23: External Trade of Norway (US\$ Billion), 2014–2018



SOURCE: Country Statistics, MarketLine

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5.4.5. International investment position

Foreign investment

The Norwegian authorities encourage foreign investment, particularly in the offshore petroleum sector, mainland industry (high-tech and advanced areas, for example), and in less developed regions, such as Northern Norway. While the Norwegian government officially endorses a level playing field for foreign investors, existing regulations, standards, and practices often favor Norwegian, Scandinavian and European Economic Area investors. Foreign investments are primarily in the manufacturing industry and mining and quarrying activities, due to the inclination of foreign investors to have access and proximity to new markets, access to knowledge and technology, and the ability to utilize natural resources and reasonably priced labor. The most important industries are oil and gas exploration and manufacturing. A large proportion of FDI within the manufacturing industries is invested in the chemicals and chemical product industries. FDI in financial intermediation and insurance, real estate and commercial services has also shown considerable growth in recent times. According to the United Nations Conference on Trade and Development's World Investment Report 2019, Norway recorded a disinvestment of US\$18.22 bn in 2018 following an inward flow of US\$4.5 bn in the previous year. FDI stock at the end of 2018 stood at US\$123.44 bn as compared to US\$ 177.32 bn in 2017.

Economic Landscape

Credit rating

Moody’s affirmed Norway’s ‘Aaa’ long-term issuer rating with a stable outlook in June 2018.

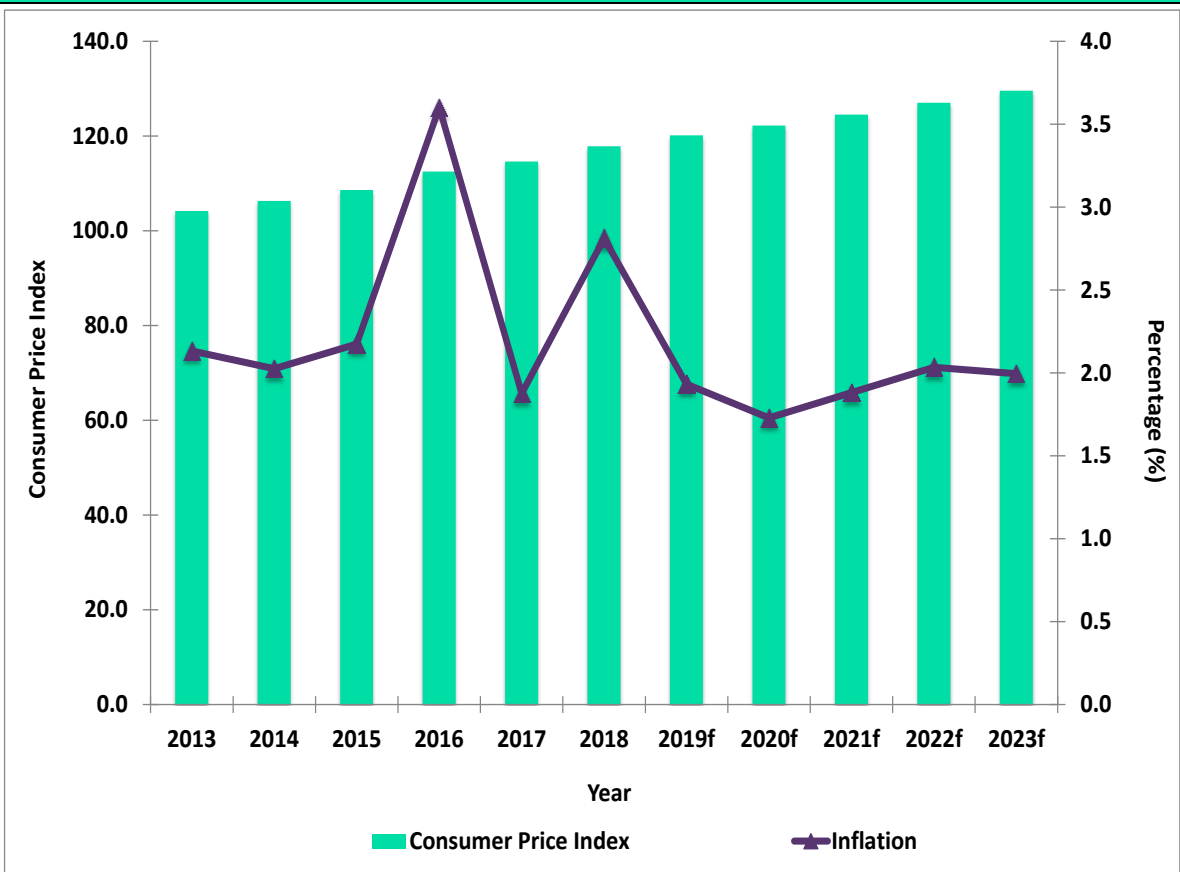
5.4.6. Key monetary indicators

The main objective of Norway's monetary policies is to stabilize inflation and monitor economic output and the employment rates.

Inflation

The inflation rate in Norway averaged 1.97% during 2011–2017 according to MarketLine. In 2018, the inflation rate stood at 2.81%, up from 1.88% in the previous year. MarketLine forecasts the inflation rate to stand at 1.93% in 2019 and post an average annual rate of 1.91% during 2020–2023.

Figure 24: Consumer Price Index and CPI-based Inflation in Norway, 2013–2023f



SOURCE: Country Statistics, MarketLine

© MARKETLINE

Interest rate

Norway’s central bank has revised the policy rate twice in 2019, from 0.75% to 1% in March 2019 and then to 1.25% in June 2019. Its reserve rate is kept at 0.25% while the overnight lending rate is 2.25%, as of June 2019.

Economic Landscape

Employment

Strong economic growth has contributed to improved employment rates in Norway. An important supply of labor, apart from the domestic labor force, has been the inflow of workers from other countries, in particular from Poland and the Baltic states. The labor market is functioning well, with strong participation rates at all ages, though workforce utilization is not as high, in part because of the short working hours. Like in many other European countries, the Norwegian service sector has become more important in terms of both output and employment over the past 10 years. The economic downturn in 2009 weakened the Norwegian labor market. The unemployment rate rose from 2.6% in 2008 to 3.2% in 2009. The rise in unemployment rate in 2009 was an effect of the financial crisis on export industries. The unemployment rate in 2010 increased further to reach a peak of 3.6%, which reflected subsequent transmission of the slowdown in export-oriented sectors to supplier industries and construction companies. Even as most European countries suffered from high unemployment and over-capacity, the Norwegian government was able to maintain employment as it made generous changes in regulations governing temporary layoffs and unemployment benefits, which were eventually reversed in January 2012. A gradual tightening of the labor market in 2011 resulted in better job prospects, and the unemployment rate came down to 3.3%. Loose monetary policy helped to keep the unemployment rate low at 3.2% in 2012. During 2013–2014, the average annual unemployment rate stood at 3.5% and the same was increased to 4.36% in 2015. In 2016, it further increased to 4.74%, though it declined marginally to 4.23% in 2017. According to MarketLine, the unemployment rate stood at 3.8% in 2018 and will average 3.61% over 2019–2023. In spite of low unemployment and high labor force participation, certain negative trends in the labor market are causing problems for the government. These include large numbers of people leaving the labor force to receive disability pensions or making use of early retirement schemes, a high level of absence from work due to illness, and a high unemployment rate among immigrant groups.

Figure 25: Unemployment in Norway (Thousands/%), 2013–2023f



SOURCE: Country Statistics, MarketLine

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5.5. Outlook

Private consumption and domestic investments are expected to be major drivers of Norwegian economic growth in the near future. Strengthening of EU economies along with improvement in the consumer sentiment will drive external demand in 2019. However, amidst the easing inflation and unemployment scenarios, the growth rate in 2019 for Norway will be impacted slightly due to slow down in investments and trade scenarios within the EU region. Even though Norway is trying to reduce its reliance on its revenue from hydrocarbons, especially through the proposed disinvestments of associated equities worth billions from its oil fund, the contributions remain crucial for the growth of the economy. The nation also needs to intensify its efforts towards the diversification of its trade partners so that the risks associated with the excessive reliance on the EU towards a trade market can be reduced in the long run.

6. Social Landscape

6.1. Summary

With a population of 5.33 million (as of 2018 according to MarketLine) living in an area of 323,802 square km, Norway is one of the least densely populated countries in Europe. The country has a large immigrant population, accounting for almost 17.7% of the total population as of January 2019 as per Statistics Norway. According to MarketLine, around 65.07% of the population are categorized in the 15–64 age group and 16.94% in the over 65 band in 2018. The health status of Norwegians is also good. According to MarketLine, life expectancy at birth stood at 82 years in 2018, while the infant mortality rate of 2.5 deaths per 1,000 live births is low in comparison to other countries.

6.2. Evolution

Public responsibility in matters of healthcare evolved in the beginning of the twentieth century. During this period, the government built hospitals in urban areas, which were run by municipalities, state or voluntary organizations. The country adopted the Practitioners Act in 1912, which aimed to provide universal physician access to the entire population. During 1945–1972, the country expanded its preventive healthcare system, which was carried out by district medical officers with assistance from trained public health nurses. However, the healthcare system was centralized until the adoption of the Municipalities Health Services Act of 1982, which gave municipalities' complete responsibility for primary healthcare. Counties were assigned authority over central hospitals, while the state's role was limited to policymaking and supervision. In 2002, however, the state took control of central hospitals back from the counties.

The country's first education act was implemented in 1739 under pressure from the church, which believed that it was important for people to be able to read the Bible. Initially, education was limited to people in urban areas, and major reforms came in the twentieth century. In 1936, the government introduced a seven-year compulsory schooling system. While girls were taught more about housekeeping, boys were taught mathematics. After the Second World War though, the government adopted the policy of equality in education and other walks of life. The government extended the duration of compulsory schooling to nine years in 1969 and to 10 years with coverage of primary and lower secondary education in 1997. The twentieth century also saw the evolution of major universities that provided education in technology and business administration.

6.3. Structure and policies

6.3.1. Demographic composition

Composition by age and gender

According to MarketLine, the population of Norway was about 5.33 million in 2018, with around 65.47% of the population being in the 15–64 age groups and 17.99% aged between 0 and 14. The sex ratio in Norway was 101.65 males per 100 females in 2018, according to MarketLine.

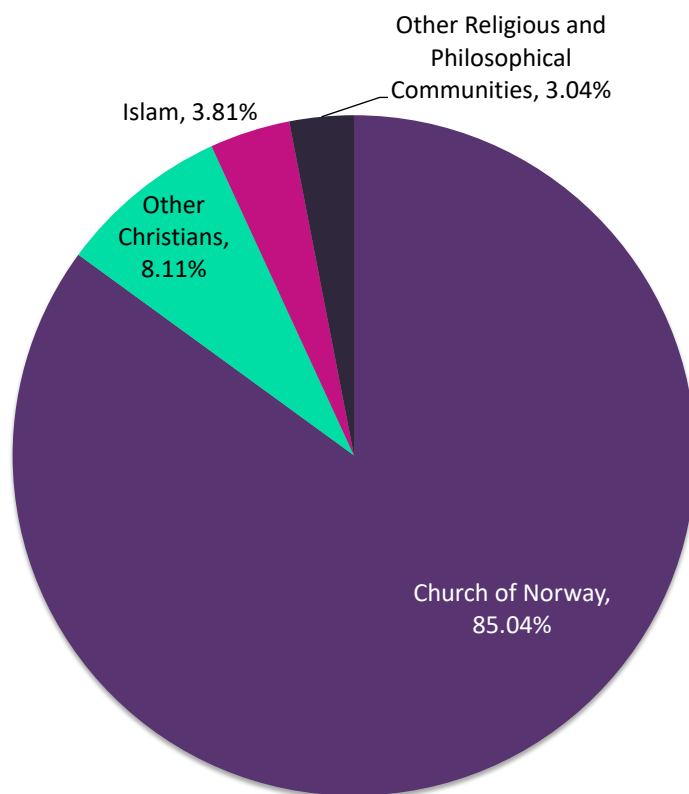
Table 9: Mid-Year Population by Age (as a Percentage of the Total Population), 2018		
Age	Female	Male
0–4	5.95	6.13
5–9	5.96	6.14
10–14	5.79	5.99
15–19	5.84	6.00
20–24	6.35	6.56
25–29	6.98	7.21
30–34	6.73	7.05
35–39	6.37	6.86
40–44	6.38	6.73
45–49	6.93	7.17
50–54	6.64	6.89
55–59	6.00	6.13
60–64	5.68	5.63
65–69	5.14	5.05
70–74	4.84	4.55
75–79	3.20	2.73
80+	5.22	3.18

Source: Country Statistics, MarketLine © MARKETLINE

Religious composition

As of 2018, 85.04% of the population declared membership to the Church of Norway, according to Statistics Norway. In the same year, other Christianity constituted 8.11% of the population, followed by Islam (3.81%) and others (3.04%).

Figure 26: Major Religions in Norway, 2018



SOURCE: Statistics Norway

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6.3.2. Education

Compared to many other developed countries, Norway's population is highly educated. The *Storting* and the government are responsible for specifying objectives and establishing budgetary frameworks for the education sector.

Norway has an integrated school system based on a universal standard. Primary and lower secondary education (six to 16 years of age) is compulsory in Norway, while upper secondary education is optional. Public education in Norway is free including the upper secondary level, while independent private schools supplement the public school system. Norway has a relatively large tertiary education system when measured by the proportion of the population that makes use of it. Two distinctive features of tertiary education in Norway are its heavy reliance on public funding and the fact that traditionally tuition is free. As of 2018, Norway has around 40 public institutions of higher learning including universities.

Social Landscape

6.3.3. Healthcare

The Ministry of Health and Care is the prime authority responsible for policymaking, implementation and supervision of healthcare services in the country. The ministry delegates most of the tasks to its subordinate agencies, such as the Directorate of Health, the NIPH, Norwegian Medicines Agency (NoMA) and the National Board of Health Supervision.

The healthcare sector can be termed as semi-decentralized with the municipalities providing primary care and the four regional healthcare authorities (RHAs), which are owned by the Ministry of Health and Care, providing specialized services. Primary healthcare provides for general medical services, including a general practitioner scheme (GP), emergency first aid, physiotherapy, nursing services and nursing homes. Counties have limited responsibility in terms of healthcare provision, as they are mainly responsible for dental care.

6.3.4. Social welfare

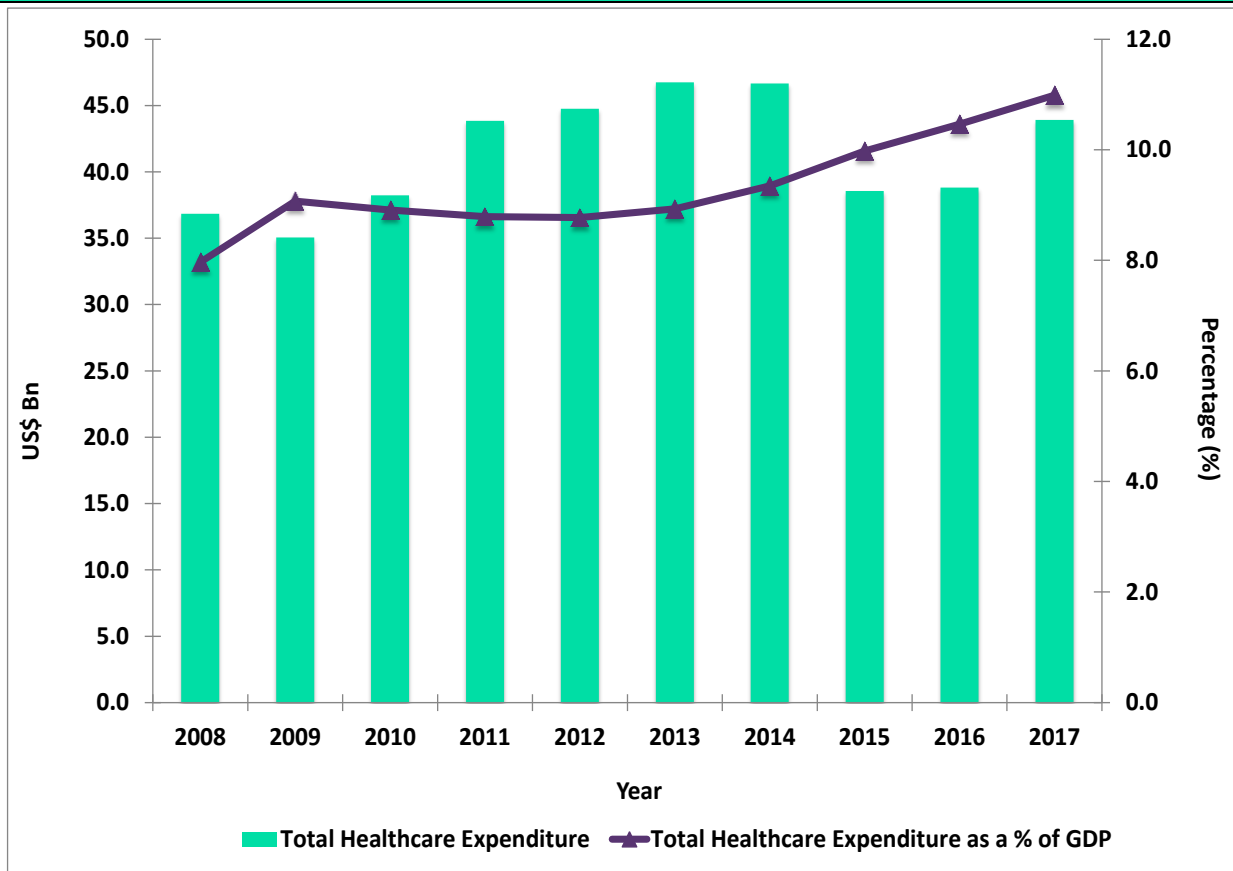
The National Insurance Scheme (NIS) is the public social security system in Norway. It is funded from the contributions of employees, employers and state grants. The state gives major benefits in the form of pensions to the elderly, survivors (widows and widowers), and the disabled, and provides medical reimbursement in case of illness and childbirth.

6.4. Performance

6.4.1. Healthcare

The health status of Norwegians is good. According to MarketLine, the overall life expectancy at birth was 82 years, as of 2018, while it stood at 84.1 years and 79.9 years for females and males respectively. Infant mortality rate in Norway stood at of 2.5 deaths per 1,000 live births in 2018. According to MarketLine, total healthcare expenditure in Norway amounted to US\$43.92 bn, which accounted for 10.99% of the country's GDP in 2017.

Figure 27: Total Expenditure on Healthcare in Norway (US\$ Billion/%), 2008–2017



SOURCE: Country Statistics, MarketLine

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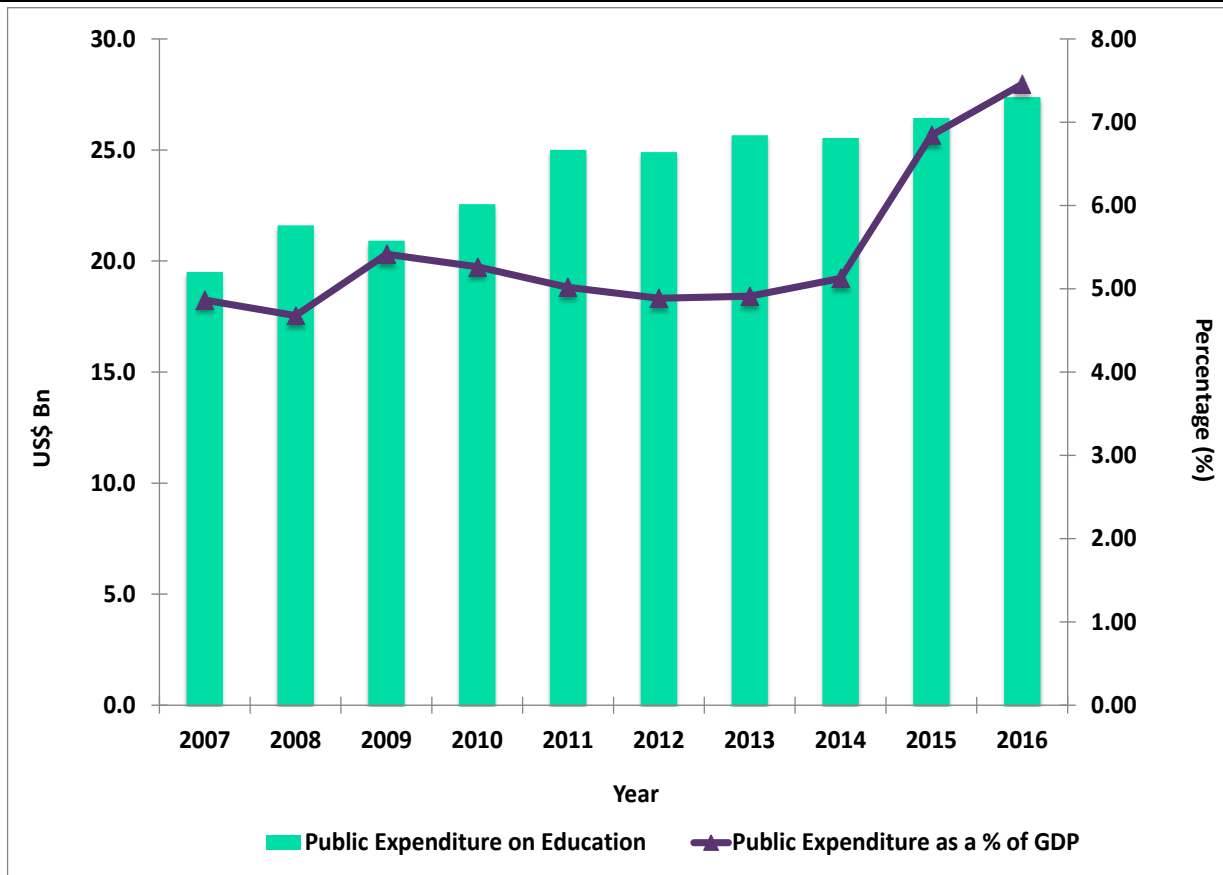
6.4.2. Income distribution

Norway is a healthy economy with strong socialist traditions in terms of equitable income distribution and generous welfare spending. The country has high living standards and a high cost of living. Norway's Gini coefficient of equivalized disposable income in 2017 (where zero corresponds to perfect equality, while 100 correspond to perfect inequality) was 26.1, according to Eurostat. The same before social transfers such as pensions stood at 48.2% in 2017. This indicates that the nation has an effective social transfer system. However, the rate of poverty among immigrants in Norway is much higher than that experienced by the native population, particularly among non-Westerners.

6.4.3. Education

The country boasts of a 100% literacy rate for both the female and male populations, as of 2018. According to MarketLine, the government spent US\$27.38 bn on education, which constituted 7.46% of the country's GDP in 2016. The key challenge for the future is to improve the education system's responsiveness to the needs of society and the economy. One of the ways to do so is to reduce inequality in terms of access to and completion of tertiary education by widening participation and providing extra support for students from disadvantaged backgrounds.

Figure 28: Total Expenditure on Education in Norway (US\$ Billion/%), 2007–2016



SOURCE: Country Statistics, MarketLine

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6.5. Outlook

Norway is currently facing a dramatic demographic transition to a more elderly population. According to MarketLine, around 16.94% of the population is aged over 65 years in 2018, and the same is expected to reach 18.20% by 2023. Even with high labor force participation and substantial resources in the sovereign wealth fund, the pension system will come under increasing strain in the coming decades. People leaving the workforce to gain social transfer benefits threaten the sustainability of pension funds, and the government has to implement further reforms to have an effective check on those trends.

7. Technological Landscape

7.1. Summary

Norway aims to be one of the most innovative countries in the world, where resourceful and creative enterprises can develop into profitable businesses. However, expenditure on R&D as a percentage of GDP is low at 2.11% as of 2017 compared to the OECD average of 2.37%, according to OECD. While around 40% of all R&D activity occurs within the business sector, it is lower than most European countries. Nevertheless, Norway's ICT industry encompasses a wide variety of high-tech companies that provide consulting services and create new products in telecommunications, hardware, software and industrial electronics.

7.2. Evolution

Norway is one of Europe's leading industrialized nations. The government has extended its longstanding support for scientific R&D since the 1980s. Between 1987 and 1997, state-allotted funds amounting to more than 1.6% of GNP were allocated for the development of basic scientific research and technological development. During this period, the government was successful in engaging more than 1,800 technicians and 3,600 scientists and engineers in R&D. Consequently, high-tech exports from Norway amounted to \$1.9 billion in 1998, accounting for more than 16% of total exports. However, in the recent past, the share of high technology exports has been witnessing a declining trend for Norway. According to the World Bank, the total high technology exports as percentage of manufactured exports accounted for 18.43% in 2017 compared to 19.28% in 2016.

7.3. Structure and policies

7.3.1. Intellectual property

The Norwegian Patents Act (The Patent Regulations) 1967 and its amendments form the key legislation towards the governance of intellectual property in Norway. In 2003, the Norwegian parliament voted to make the EU patent directive into national law by amending the Patent Act. The amendments sought to clarify that in principle, biotechnological inventions, like any other type, are patentable in Norway. Currently, the nation has an advanced patent policy, and some of its provisions such as Supplementary Protection Certificates (SPC) for medicinal and plant protection products are derived largely from European Commission regulations. A few more amendments were brought into the Patent Act in 2007 when the government ratified the European Patent Convention and became a member of the EPO in 2008. The adoption of this convention provides Norwegian companies the same opportunities and systems as their overseas competitors, and ensures that domestic companies have an easier and cheaper way of protecting their innovations in the European market. This poses a challenge for small and medium-sized companies, as they would require more information about the patent system to protect themselves against increasing competition.

Technological Landscape

7.3.2. Science, Technology and Innovation

Four agencies are responsible for the implementation of science, technology and innovation policies in Norway: the Research Council of Norway, Innovation Norway, the Industrial Development Corporation of Norway, and the Norwegian Design and Architecture Centre. While the Research Council of Norway is responsible for promoting basic and applied research in all scientific and technological domains, Innovation Norway fulfills the objective of promoting innovation. The role of the Industrial Development Corporation of Norway is to develop strong local and regional industrial clusters. The Norwegian Design Council (NDC) promoted design as an essential strategic tool for innovation. The NDC was restructured to Norwegian Design and Architecture Centre in 2014 by combining the NDC with the Norwegian Form (Norsk Form), a national institution specialized in architecture, and urban development.

7.4. Performance

7.4.1. Intellectual property

The number of patents granted to Norway is low when compared to its Nordic counterparts such as Denmark, Sweden and Finland. Norway was granted 635 patents by the US Patent and Trademark Office (USPTO) in 2018, compared to the 1,270 and 3,165 patents granted to Denmark and Sweden, respectively.

Table 10: Patents Granted by the USPTO, 2013–2018

	2013	2014	2015	2016	2017	2018
Norway	520	601	625	720	628	635
Denmark	1,109	1,309	1,186	1,221	1,248	1,270
Finland	1,297	1,499	1,437	1,604	1,727	1,597
Switzerland	2,466	2,660	2,745	2,905	3,022	2,893
Sweden	2,431	2,905	2,828	3,044	3,328	3,165
The Netherlands	2,571	2,883	2,732	2,941	3,133	3,217
The UK	6,551	7,232	7,143	7,289	7,633	7,552
China	6,597	7,715	8,598	10,988	14,147	16,318
Germany	16,605	17,926	17,485	17,568	17,998	17,433
The US	147,666	161,675	154,399	160,457	167,367	161,970
Source: USPTO						© MARKETLINE

7.4.2. Telecommunications, broadband, and the Internet

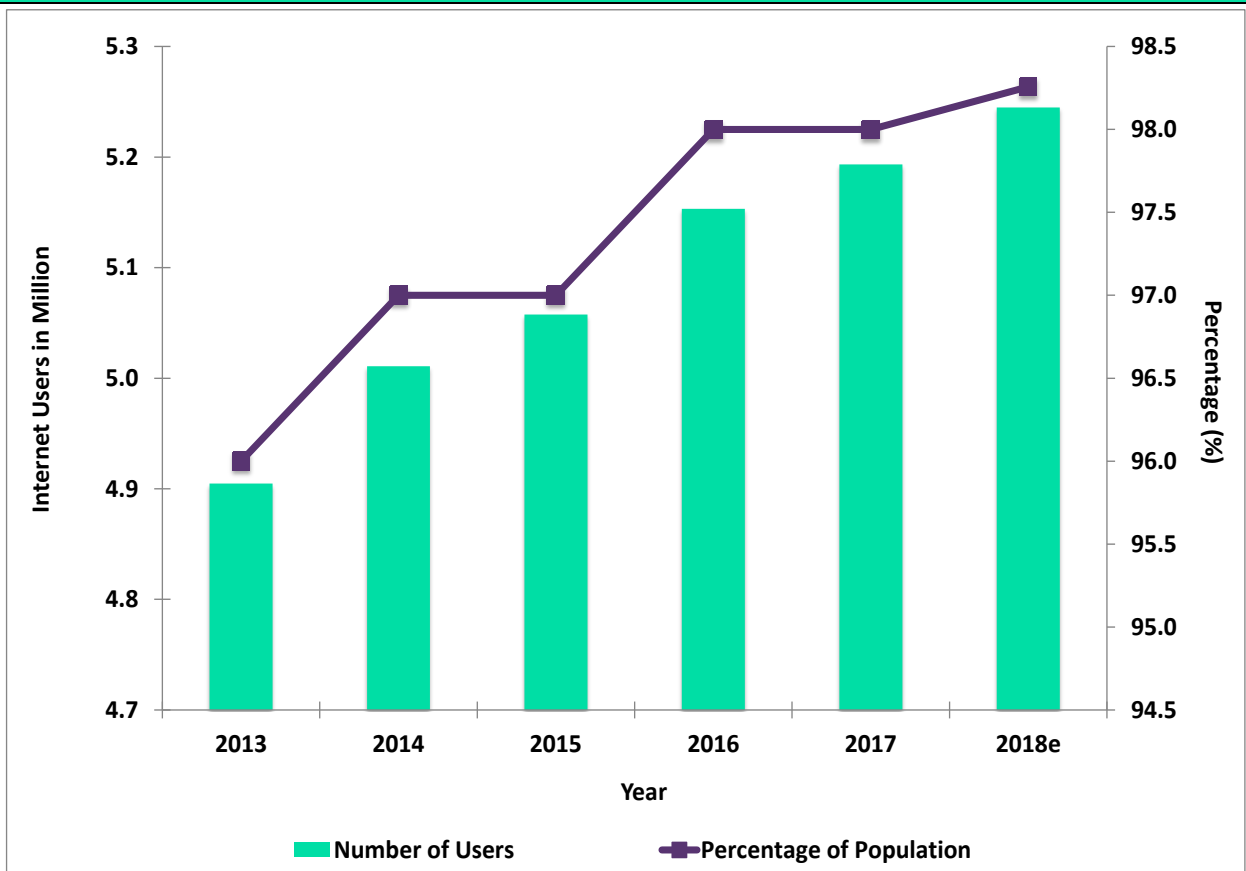
The information, communication and technology (ICT) industry is a fast growing sector in Norway. Norway ranked fourth out of 139 countries in the World Economic Forum's Networked Readiness Index in 2016. It is one of the world's top per capita users of ICT services, with an infrastructure that includes fiber optic cable networks for digital transmission. The telecommunications industry represents the bulk of the Norwegian ICT industry and maintains

Technological Landscape

high international standards. The number of fixed-line subscribers has been on a decline since 1998. On the other hand, the mobile market has shown good and steady growth since the last decade. According to the Global Competitiveness Report 2018, Norway ranked fourth amongst 140 nations globally, in terms of internet penetration in its population. The country was also ranked 10th out of 140 nations in terms of ICT adoption.

According to MarketLine, the number of mobile subscribers was around 5.8 million in 2018. The mobile market is also highly saturated with the mobile penetration rate standing at 108.63 per 100 people in 2018. Norway is also ranked among the top countries in the world for internet usage. According to MarketLine, the number of internet users in Norway has grown from 4.69 million in 2011 to 5.24 million in 2018, with 98.26% of the population having internet access in the country in 2018.

Figure 29: Internet Users and Penetration in Norway (Millions/%), 2013–2018e



SOURCE: Country Statistics, MarketLine

© MARKETLINE

Technological Landscape

7.4.3. R&D expenditure

Norway's R&D spending as a percentage of GDP is below the OECD average. In 2017, Norway's gross domestic spending on R&D was 2.11% of GDP as compared to the OECD average of 2.37% of GDP. Major reasons behind the low R&D intensity could be the slow growth in science and technology graduates, and the presence of resource-based industries that score low on R&D intensiveness. In fact, Norway's strong economic performance with low innovation also looks paradoxical to some extent. The low R&D intensity in Norway is a challenge that may affect its competitiveness across various industries and sectors in the long term.

7.5. Outlook

The Norwegian economy is mainly based on low-R&D intensive traditional industries – especially on extraction and processing of natural resources. Due to this industrial structure, R&D intensity in the country has been lower than that of other Nordic countries. Although this industrial structure is unlikely to change in the near future, the government is expected to continue promoting R&D in knowledge-intensive industries such as ICT and pharmaceuticals through tax credits and grants. The country's R&D expenditure is increasing significantly over the past decade and is above the EU28 average since 2016. The trend in R&D spending is expected to continue for Norway thereby closing down its gap in comparison to the OECD average in the medium term.

8. Legal Landscape

8.1. Summary

The judicial system of Norway comprises the Supreme Court, courts of appeal, city and county courts, and conciliation councils. The judicial system is independent and can even suspend a statute passed by the *Storting*. The business sector is not strictly regulated in the country, whereas the opposite is true of the agriculture and fisheries segments. Significant acts include the Competition Act (2004), the Companies Act (1997) and the Energy Act (1991), which help to manage regulations and investments in various sectors of the economy. Norway is also open to foreign investors, and the government has gradually liberalized various sectors and industries.

8.2. Evolution

The legal system in the country is very liberal and guarantees all citizens equality before the law. The system is based on a mixture of customary, civil and common laws. It accepts various decrees of the International Court of Justice. The death sentence was abolished for peacetime offenses in 1902, although it remained applicable for war criminals until 1979 when military capital punishment was also abolished. Under the judicial rules, the longest sentence is 21 years of incarceration. The last execution was carried out in 1948.

Among the legal laws pertaining to the business environment, the country has specific laws that are enforced at various levels. A revised Competition Act was implemented on May 1, 2004 replacing the Competition Act of 1993, bringing Norway's competition laws close to the competition principles of the EU Treaty of Amsterdam of 1997. Product markets underwent considerable reform throughout the 1990s and early 2000s, with the objective of improving the efficiency of markets, while securing the provision of services in all parts of the country. Competition has been enhanced through the strengthened competition law and the reform of sector regulation, especially in network industries.

8.3. Structure and policies

8.3.1. Judicial system

The courts of law in the country consist of the Supreme Court of Justice, the courts of appeal, and the district courts. The country also has consolidation courts such as the labor court and the land consolidation courts. Norway is divided into six appellate jurisdictions and has 63 district courts as of 2018.

Supreme Court

The Supreme Court is the court of highest appeal and the court of last resort. The court has the authority to supervise the actions of the cabinet and ensure that it is consistent with Norwegian law. It also has the power to ascertain if laws passed by the *Storting* are consistent with the constitution. The court is chaired by the Chief Justice of the Supreme Court, and has 19 other judges. Currently, Toril Marie Oie serves as the Chief Justice of Norway, since March 2016.

Legal Landscape

Courts of appeal

The courts of appeal are places where outcomes of judgments from district courts are carried forward and addressed. There are six courts of appeal in Norway; each has several appellate judges and is headed by a senior judge president.

District Courts

The country is divided into judicial districts, which is the ordinary court of first instance. Oslo has two district courts, one court for criminal and civil cases, and the other for enforcement cases, bankruptcies, probates, marriages, and official certifications.

8.3.2. Tax regulations

Corporate tax

As of income year 2019, corporate tax rate in Norway stood at 22%, witnessing a point reduction from 2018 rates. However, additional special rates are levied on specific segments of petroleum (56%) and power sector (37%) operation.

Individual income tax

Individuals in Norway pay both national and municipal taxes. The government adjusts the rates and brackets annually. The personal income tax rate in Norway stood at a flat 22% as of 2019. For income above NOK 174,500 (US\$20,341.55), an additional progressive tax up to 16.2% is levied as well on income in 2019. From 2019, the government also has introduced Pay As You Earn (PAYE) for foreign tax liable non-resident workers in Norway at a flat rate of 25%, including the social security contributions of 8.2%.

Withholding tax

No withholding tax is imposed on dividends paid to EEA corporate shareholders, provided the shareholder has conducted a business activity in the described jurisdiction. The distribution of dividends to shareholders outside the EEA is subject to a 25% withholding tax unless the rate is reduced under an applicable tax treaty.

VAT

VAT is applicable at every stage of production and distribution for most goods and services. The standard VAT rate is 25%, while a rate of 15% applies to food commodities. Other services, like passenger transport, hotel boarding, and movie tickets, are subject to VAT of 12%.

8.3.3. Trade regulations

Norway is a member of the European Free Trade Association (EFTA), members of which participate in the EU single market through the European Economic Area (EEA) accord. Norway is a major financial contributor to the EFTA portion of the EEA. The country grants preferential tariff rates to EEA members. As an EEA signatory, Norway assumes most of the rights and obligations of EU member states. The principal exception is in the agricultural sector, which the EEA accord does not cover. However, a few sectors, especially agriculture and fisheries, remain strictly regulated. Regulations are used to achieve certain policy goals, such as the settlement of sparsely populated areas. Although Norway maintains a liberal trade and investment regime with respect to industrial products, its agricultural sector remains highly protected. Norway's market, except for agricultural products and processed foods, is generally transparent and open. The country has continued on a unilateral basis to dismantle import tariffs on industrial products; it also maintains a price reduction scheme, which includes subsidies for using certain domestically

Legal Landscape

produced raw materials in processed foods. The purpose of the system is to help compensate the domestic food processing industry for high domestic raw material costs.

8.4. Performance

8.4.1. Effectiveness of the legal system

Norway was ranked the 26th freest economy by the Wall Street Journal's Index of Economic Freedom in 2019. The country is ranked 15th amongst 44 countries in the Europe region, and its overall score remained much higher than the world and regional averages. This indicates that the country has a better and liberal business environment in comparison to nations across the region and globe. Norway ranked high, especially with respect to its regional counterparts and the world average in terms of property rights, judicial effectiveness, government integrity, fiscal health, and business freedom.

In the World Bank's Doing Business 2019 report, Norway was ranked seventh out of 190 economies, with an index score of 82.95 out of 100. It takes four (men) days to start a business in Norway, which is below the OECD high income average of 9.3 days. Similarly, the paid-in minimum capital required as a percentage of income per capita for starting a business in Norway stood at 4.6%, while the OECD high income regional average was 8.6%. In addition, the cost as a percentage of income per capita (women) to start a business stood at 0.9%, well below the OECD high income average of 3.1%.

8.5. Outlook

The Norwegian government has consistently reduced the corporate tax rate over the past few years and has introduced other changes to the personal and corporate tax regime to boost the economic and business climate. However, Norway has larger scope towards improving the business climate scenarios through labor reforms, as the country has some of the most stringent labor laws in the region. Norway also has a complex tariff structure and easing this would be helpful towards promoting the investment climate in the country. Norway also needs to focus on policies towards improving the investment climate in the country as the nation is witnessing a net foreign disinvestment trend.

9. Environmental Landscape

9.1. Summary

Norway is one of the leading nations in terms of the implementation of various proactive environmental policies. The government continues to press for more comprehensive and ambitious climate targets as part of the United Nations Framework Convention on Climate Change (UNFCCC) and is committed to reducing emissions both nationally and internationally. Aligned with the EU norms and as part of its COP21 commitment, Norway aims to reduce at least 40% emissions by 2030 compared to the 1990 levels. Norway is also taking a leading role in developing technology for the capture and storage of carbon dioxide, which will be of use to other countries in their efforts to reduce emissions.

9.2. Evolution

Environmental policy in Norway began to take shape with the establishment of the Ministry of Environment in 1972. The main objective of the policy was to promote an optimal balance between the utilization of natural resources for economic growth and the protection of resources for the benefit of human wellbeing and health. The environmental policy was divided into 11 target areas and included a range of initiatives related to development and the environment. The individual target areas focused on the most important environmental challenges, highlighting the collective environmental efforts of the government.

Since the inception of the Ministry of Environment, parliament has passed a number of acts to improve the environmental landscape of the country. The Product Control Act, which was passed in 1976, puts restrictions on the manufacture of hazardous products. The Pollution Control Act was passed in 1981, followed by the Planning and Building Act in 1985. In 2003, the Environmental Information Act was passed to increase environmental awareness among citizens. The Greenhouse Gas Emission Trading Act was passed in 2004 with the objective of limiting emissions in the Norwegian Continental Shelf through the use of freely transferable emission allowances. Furthermore, in order to protect biological, geological and landscape diversity through environmental conservation and sustainable use of resources, the parliament passed the Nature Diversity Act in 2009.

9.3. Structure and policies

9.3.1. Environmental regulations

Overview

The Ministry of Climate and Environment is the regulatory authority that governs all activities concerning environmental protection in Norway. In 2016, the Norwegian parliament approved a proposal aiming to make the country carbon-neutral by 2030. This target will be achieved by both domestic and international reductions in emissions.

Environmental Landscape

Policy

Norway ratified the Convention on Biological Diversity in 1993. Major threats to biological diversity include the destruction of habitats, overexploitation, and pollution. More than 3,000 species have been placed on the Norwegian Red List of threatened species. Therefore, in order to protect biological, geological and landscape diversity and ecological resources through conservation and sustainable use, parliament passed the Nature Diversity Act in 2009.

Although the government has taken a number of measures toward conservation, the country faces many environmental issues. Apart from conventional forms of environmental pollution, acid rain remains a significant problem. Measures have been taken to reduce emissions of sulfur, but much of the southern half of the country still suffers from damage caused by acid rain. Local air quality has improved since the 1990s, but problems persist in major towns. According to the State of the Environment Norway, road traffic is a leading local source of air pollution, especially due to the extensive use of studded tires during winter. A car with studded tires can produce up to 100 times more particulate matter than one with regular tires. In response, the government has been trying to promote railway travel. Wood burning is another major source of air pollution in Norway. To discourage this practice, in 1997, an emission limit was introduced for wood-burning stoves sold in Norway.

Both land and sea in Norway received radioactive pollution in the form of fallout from atmospheric nuclear testing in the 1950s and 1960s, deposition from the Chernobyl disaster in 1986, and discharges from reprocessing plants in the UK and France. In addition, naturally occurring radioactive substances enter the marine environment through various routes, such as discharges from oil and gas production. There are substantial emissions of oil and chemicals from the oil and gas industry on the Norwegian continental shelf, and the industry is one of the largest sources of acute pollution of the marine environment. In recent years, however, the largest cleanup operations to deal with acute pollution have been in response to shipping accidents.

The amount of waste produced in the country is steadily increasing in line with rising consumption. Hazardous chemicals that were once disposed of on landfills are now collected and treated properly, and the Norwegian Government is taking right steps in this direction.

Norway participates in the UN Environment Programme and its Commission on Sustainable Development, the OECD, the World Trade Organization, and bilateral and multilateral programs with developing countries.

As a part of its commitments to Kyoto Protocol, Norway had to limit its greenhouse gas (GHG) emissions to not more than 1% above the 1990 levels during 2008–2012. At the UN Climate Change Conference in Doha, Norway also agreed to extend its binding emissions reduction targets for the second commitment period during 2013–2020.

The country purchases certified emission reductions and emission reduction units from projects abroad through the Kyoto Protocol's Clean Development Mechanism (CDM). In addition, the government uses instruments, such as a CO2 tax and development of new technology to achieve its goals. Furthermore, Norway has taken steps to ensure that the national quota system for greenhouse gases becomes an integral part of the EU quota system through EU-ETS. Approximately 80% of domestic emissions are subjected to either carbon tax or mandatory allowances because of the expansion of the EU-ETS system in 2013. In November 2015, Norway pledged US\$5 billion to combat tropical deforestation along with UK and Germany. In June 2016, the country also ratified the Paris agreement on climate change and pledged to become carbon neutral by 2030.

Norway intends to lower its carbon emission to 30% by 2020 and to 40% by 2040. However, it is one of the few rich countries where emissions actually increased since 1990. In fact, the annual CO2 emissions in Norway increased by 37.36% during 1991–2017.

Environmental Landscape

Other regulations

The Norwegian government has a methodological system of environmental actions in place for all forms of pollution in the country. These measures include:

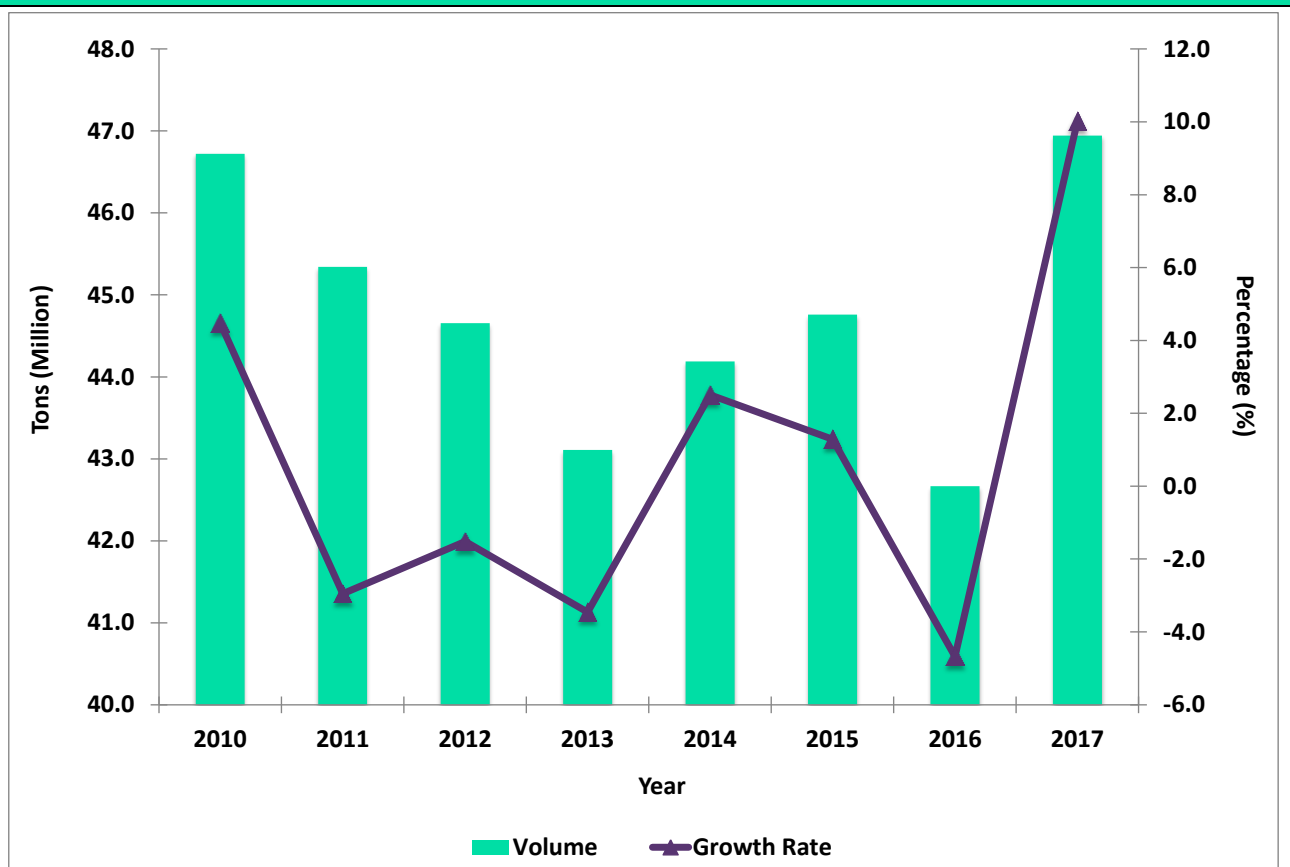
- Preventing the danger of pollution from underground oil tanks
- Cleaning soil contaminated by building and excavation
- Preventing and reducing the harmful effects of exposure to noise
- A ban on the use of leisure craft without effective exhaust system muffling
- Application of the Pollution Control Act to ports
- The establishment, operation and maintenance of leveled fields

9.4. Performance

9.4.1. Environmental impact

The 2018 Environmental Performance Index ranked Norway 14th out of 180 countries, which is lower than neighbor Denmark (ranked fourth) and Finland (10th), but higher than Russia (52nd). According to MarketLine, CO2 emissions of Norway increased to 46.9 million metric tons during 2017, from 42.7 million metric tons in 2016, indicating a 10.0% increase during the period.

Figure 30: Carbon Dioxide Emissions (Million Tons/%), 2010–2017



SOURCE: Country Statistics, MarketLine

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9.5. Outlook

Norway has a good reputation in the area of environmental protection. In recent years, Norwegian environmental authorities have given high priority to the management of the natural environment in the country’s territories in the Arctic. The emissions from the oil and gas industry are expected to remain at similar levels in the near future, but a decline is expected in the long run, as better technologies and focus on renewables are intensified. Development and adoption of carbon capture storage (CCS) technology could also help Norway to reduce the emission of greenhouse gases in the offshore oil industry. The state hopes to meet Norwegian climate policy objectives with both domestic and international cuts in emissions, aiming to achieve carbon neutrality by 2030.

10. Appendix

10.1. ISO codes of selected countries

Country	ISO code	Country	ISO code
Australia	AUS	Japan	JPN
Austria	AUT	Korea	KOR
Belgium	BEL	Luxembourg	LUX
Canada	CAN	Mexico	MEX
Chile	CHL	Netherlands	NLD
Czech Republic	CZE	New Zealand	NZL
Denmark	DNK	Norway	NOR
Estonia	EST	Poland	POL
Finland	FIN	Portugal	PRT
France	FRA	Slovak Republic	SVK
Germany	DEU	Slovenia	SVN
Greece	GRC	Spain	ESP
Hungary	HUN	Sweden	SWE
Iceland	ISL	Switzerland	CHE
Ireland	IRL	Turkey	TUR
Israel	ISR	United Kingdom	GBR
Italy	ITA	United States	USA
Brazil	BRA	Indonesia	IDN
China	CHN	Russian Federation	RUS
India	IND	South Africa	ZAF

10.2. Ask the analyst

MarketLine's Country Analysis Practice consists of a team of economists, analysts, and researchers, all with expertise in their given fields. For any questions or comments about this report you can contact the author directly at reachus@marketline.com.

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