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NORWAY

August 2025

2025 ARTICLE IV CONSULTATION—PRESS RELEASE; AND STAFF REPORT

Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. In the context of the 2025 Article IV consultation with Norway, the following documents have been released and are included in this package:

- A **Press Release.**
- The **Staff Report** prepared by a staff team of the IMF for the Executive Board's consideration on lapse-of-time basis, following discussions that ended on June 26, 2005, with the officials of Norway on economic developments and policies. Based on information available at the time of these discussions, the staff report was completed on August 1, 2025.

The documents listed below have been or will be separately released.

Selected Issues

The IMF's transparency policy allows for the deletion of market-sensitive information and premature disclosure of the authorities' policy intentions in published staff reports and other documents.

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International Monetary Fund
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PRESS RELEASE

PR 25/283

IMF Executive Board Concludes 2025 Article IV Consultation with Norway

FOR IMMEDIATE RELEASE

- Mainland real GDP is expected to pick up to 1.5 percent in 2025 and remain at around that level over the medium-term. Inflation is expected to gradually fall towards the 2 percent target by 2027.
- Bringing inflation sustainably back to target remains the most pressing near-term policy priority.
- Norway's economy is resilient and is well positioned to face a more challenging external environment.

Washington, DC – August 28, 2025: The Executive Board of the International Monetary Fund (IMF) completed the Article IV Consultation for Norway[1] and endorsed the staff appraisal without a meeting on a lapse-of-time basis[2] The authorities have consented to the publication of the Staff Report prepared for this consultation.[3]

Norway's economy has demonstrated resilience despite tight financial conditions and a challenging global backdrop. In 2024, overall GDP grew by 2.1 percent, driven by record-high natural gas extraction, while mainland GDP rose by 0.6 percent, supported by increased public spending. Employment and hours worked increased, although the unemployment rate edged up to 4 percent. Looking ahead, mainland GDP is projected to grow by 1.5 percent in 2025, buoyed by easing financial conditions, expansionary fiscal policy, and recovering real incomes. Inflation has steadily declined but remains above the 2 percent target, with services inflation and wage growth contributing to persistent price pressures. Norges Bank began normalizing monetary policy in June 2025, lowering the policy rate 25 bp to 4.25 percent and signaling further cuts ahead. The government's fiscal stance has become increasingly expansionary, with the 2025 budget delivering a significant fiscal impulse. The structural non-oil deficit is projected to reach about 13 percent of trend mainland GDP, while withdrawals from the Government Pension Fund Global remain below the 3 percent guideline. The government has also committed to gradually increasing defense spending toward 5 percent of GDP in line with NATO targets. While inflation risks are broadly balanced, downside risks to growth persist, including global trade tensions, elevated household debt, and long-term demographic and structural challenges.

Executive Board Assessment[4]

In concluding the 2025 Article IV Consultation with Norway, Executive Directors endorsed staff's appraisal, as follows:

Norway’s economy is resilient owing to strong fundamentals that place it well to navigate a highly uncertain external environment. Fiscal support and a gradual recovery of private domestic demand are expected to drive mainland real GDP growth to 1.5 percent in 2025—around its long-term potential—and keep it at that level over the medium term. Under the baseline, headline and core inflation are expected to decline to 2.2 and 2.6 percent by end-2025, returning to target by 2027. While the balance of risks to growth is tilted to the downside, risks to inflation are more balanced. Norway's strong macroeconomic fundamentals and institutional strengths position it well to cope with the challenging external backdrop derived from higher trade policy uncertainty and geoeconomic fragmentation.

Bringing inflation sustainably back to target remains the most pressing near-term policy priority. Norges Bank should proceed cautiously with monetary policy normalization. The current restrictive stance should remain in place until inflation is clearly on track to return to the 2 percent target. Norway’s strong monetary policy framework has served the economy well but steering through rapidly evolving global developments and volatile data may require enhancements to the monetary policy process, including expanding the use of scenario analysis, formalizing a role for contrarian views in the forecasting process, and refining communication strategies to maintain well-anchored expectations, including criteria for strategic communications when market expectations deviate markedly from policy intentions.

Macroprudential policy settings should not be eased further. Macroprudential easing should wait until systemic risks recede or financial disintermediation risks emerge. Although household debt burdens have stabilized, they remain high and the recent relaxation of the LTV limit for mortgages could increase financial vulnerabilities further by fueling increases in house prices and household indebtedness. Lasting improvements in housing affordability will require structural measures to address factors that keep prices elevated. The current CCyB setting remains appropriate, but Norges Bank should be prepared to raise it, if cyclical vulnerabilities increase.

The financial system is sound with strong buffers, but vulnerabilities remain elevated. Continued close monitoring of the financial system is essential. Priority should be given to preserving capital buffers, including by ensuring that bank models properly reflect credit risks, and to strengthening contingency planning amid continued pressure on the commercial real estate (CRE) sector. Measures to address increased bank reliance on covered bonds are welcome and would help mitigate interconnectedness risks. Participation in the initiative to undertake a Nordic-Baltic regional stress test exercise would enhance the assessment of cross-border financial interlinkages and risks. Work to address the findings of the 2024 Nordic-Baltic crisis management exercise and the 2020 FSAP recommendations should continue.

A broadly neutral fiscal stance would support the disinflation process and improve policy coherence. The current expansionary fiscal stance is expected to provide significant support to economic activity, posing challenges to the disinflation effort. A neutral fiscal position would enhance the effectiveness of the overall policy mix, which may require offsetting new spending priorities with savings elsewhere to avoid fueling inflationary pressures.

Enhancements to Norway's robust fiscal framework would help ensure continued delivery of strong economic and social outcomes. Reinforcing the countercyclicality of fiscal policy and spending discipline would enhance fiscal resilience. Complementing the fiscal rule with explicit medium-term expenditure limits could reduce exposure to volatility from market-driven changes in the large and growing value of the GPFG and improve fiscal planning. Strengthening multi-year budgeting, improving public investment management, conducting more systematic spending reviews, and setting efficiency targets would support more strategic resource allocation and enhance public service delivery. Benchmarking the setup of the Advisory Panel on Fiscal Policy Analysis against best international practices for independent fiscal councils and expanding its mandate would help further enhance the fiscal framework.

Advancing fiscal reforms is essential to bolster resilience and support long-term growth. Tax reforms aimed at improving efficiency and broadening the revenue base remain a priority. Consolidating multiple VAT rates and enhancing incentives for work and investment would improve resilience of the tax system. Further measures to reform disability and sickness benefits, along the lines of past IMF recommendations, are needed to reduce work disincentives, increase labor force participation, and contain long-term fiscal costs. Sustained reform efforts are crucial to ensure long-term sustainability of fiscal policy in the face of rising structural spending pressures.

A broad and ambitious reform agenda is essential to accelerate productivity growth and mitigate the effects of geoeconomic fragmentation. Advancing the "reinforced work line" agenda would reduce reliance on disability benefits, raise labor force participation among underrepresented groups—including youth and immigrants—and increase total hours worked. Strengthening education-to-work transitions, promoting full-time employment, and accelerating digitalization would further support productivity. Further measures will be needed to achieve Norway's 2035 emission reduction targets.

It is proposed that the next Article IV consultation with Norway take place on the standard 12-month cycle.

[1] Under Article IV of the IMF's Articles of Agreement, the IMF holds bilateral discussions with members, usually every year. A staff team visits the country, collects economic and financial information, and discusses with officials the country's economic developments and policies. On return to headquarters, the staff prepares a report, which forms the basis for discussion by the Executive Board.

[2] The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.

[3] Under the IMF's Articles of Agreement, publication of documents that pertain to member countries is voluntary and requires the member consent. The staff report will be shortly published on the www.imf.org/Norway page.

[4] At the conclusion of the discussion, the Managing Director, as Chair of the Board, summarizes the views of Executive Directors, and this summary is transmitted to the country's authorities. An explanation of any qualifiers used in summings up can be found here: http://www.IMF.org/external/np/sec/misc/qualifiers.htm. [The Executive Board takes decisions under its lapse-of-time procedure when the Board agrees that a proposal can be considered without convening formal discussions.]

Table 1. Norway: Selected Economic and Social Indicators, 2023-2030

Population (2024): 5.6 million

Per capita GDP (2024): US$ 86,611

Main products and exports: Oil, natural gas, fish (primarily salmon)

			Projections[4/]					
	2023	2024	2025	2026	2027	2028	2029	2030
Real economy								
Real GDP (change in percent)[1/]	0.1	2.1	0.7	-1.7	1.6	1.3	1.3	1.3
Real mainland GDP (change in percent)	0.7	0.6	1.5	1.4	1.6	1.5	1.5	1.5
Final Domestic demand	-0.3	0.3	1.7	1.7	1.7	1.7	1.7	1.7
Private consumption	-1.2	1.4	2.3	1.8	1.9	2.0	2.0	2.0
Public consumption	3.4	2.4	2.1	1.8	1.6	2.0	2.0	2.0
Gross fixed capital formation	-2.6	-4.6	-0.3	1.4	1.2	1.2	1.2	1.4
Exports	4.8	2.7	1.9	1.8	2.7	2.6	2.6	2.6
Imports	-1.6	4.3	2.0	2.2	2.3	2.6	2.7	2.7
Unemployment rate (percent of labor force)	3.6	4.0	4.1	4.2	4.1	4.0	3.9	3.8
Output gap (mainland economy-implies output below potential)	0.9	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.0
CPI (average)	5.5	3.1	2.4	2.4	2.0	2.0	2.0	2.0
Core Inflation (average)	6.2	3.7	3.0	2.6	2.0	2.0	2.0	2.0
Public finance								
Central government (fiscal account basis)								
Non-oil balance (percent of mainland GDP)	-7.5	-8.2	-8.7	-9.1	-9.3	-9.5	-9.8	-10.0
Structural non-oil balance (percent of mainland GDP)[2/]	-9.4	-10.3	-12.9	-12.8	-12.8	-12.8	-12.8	-12.9
Fiscal impulse	0.4	0.9	2.5	-0.1	0.0	0.0	0.0	0.0
in percent of Pension Fund Global Capital[3/]	-2.9	-2.6	-2.7	-2.7	-2.7	-2.7	-2.6	-2.6
General government (national accounts definition, percent of mainland GDP)								
Overall balance	21.8	17.0	16.3	13.5	12.8	12.3	11.7	10.9
Non-oil balance (percent of mainland GDP)	-8.4	-10.1	-10.7	-11.0	-11.2	-11.4	-11.6	-11.8
Net financial assets	479	557	568	572	574	575	576	575
of which: capital of Government Pension Fund Global (GPFG)	406	487	501	507	511	515	517	519
Gross Public Debt (percent of GDP)	44.2	42.7	42.5	41.1	39.8	38.4	37.0	35.5
Money and credit (end of period, 12-month percent change)								
Broad money, M2	0.3	3.4	…	…	…	…	…	…
Domestic credit, C2	3.8	3.3	3.9	3.8	3.6	3.5	3.5	3.5
Interest rates (year average, in percent)								
Three-month interbank rate	4.2	4.7	4.0	3.5	3.2	3.2	3.2	3.2
Ten-year government bond yield	3.4	3.6	3.9	3.6	3.4	3.4	3.4	3.4
Balance of payments (percent of mainland GDP)								
Current account balance	17.4	16.7	14.8	14.1	13.5	12.8	12.1	11.5
Balance of goods and services (percent of mainland GDP)	20.3	17.5	16.1	15.7	15.2	14.7	14.2	13.7
Exports of goods and services (volume change in percent)	0.4	5.2	0.4	5.3	1.6	1.3	2.1	2.6
Imports of goods and services (volume change in percent)	-1.5	4.3	1.4	1.6	2.2	2.7	2.8	2.7
Terms of trade (change in percent)	-29.3	-6.1	0.3	-4.9	-0.1	0.4	0.0	-0.4
International reserves (end of period, in billions of US dollars)	77.4	82.4	82.4	82.4	82.4	82.4	82.4	82.4
Gross national saving	41.6	40.8	38.8	38.3	37.8	37.1	36.3	35.6
Gross domestic investment	24.3	24.1	24.0	24.2	24.3	24.2	24.2	24.1
Exchange rates (end of period)								
Bilateral rate (NOK/USD), end-of-period	10.6	10.7	…	…	…	…	…	…
Nominal effective rate (2010=100)	73.2	72.6	…	…	…	…	…	…
Real effective rate (2010=100)	74.1	73.6	…	…	…	…	…	…
Memo:								
Nominal GDP (in Billions of US Dollars)	482.9	83.6	515.5	546.9	566.2	584.2	603.1	623.3

Sources: Norwegian Authorities; International Financial Statistics; and IMF staff calculations.
1/ Based on market prices which include “taxes on products, including VAT, less subsidies on products.”
2/ Authorities’ key fiscal policy variable; excludes oil-related revenue and expenditure, GPFG income, as well as cyclical effects. Non-oil GDP trend estimated by MOF.
3/ Over-the-cycle deficit target: 3 percent of Government Pension Fund Global.
4/ Based on information available as of July 1, 2025.

INTERNATIONAL MONETARY FUND

NORWAY

STAFF REPORT FOR THE 2025 ARTICLE IV CONSULTATION

August 1, 2025

KEY ISSUES

Context. Norway's economy has shown resilience amid global uncertainty, supported by strong fiscal buffers, a credible policy framework, and a robust net external asset position. These fundamental strengths should help Norway steer through the challenging external backdrop of increasing geopolitical tensions and trade policy frictions. Ahead of the September national elections, the fiscal stance remains expansionary, driven by increased defense spending. Monetary policy remains restrictive to address above-target inflation. While structural reforms have gained new momentum, with a reinforced focus on labor participation and public sector efficiency.

Outlook and risks. Mainland GDP growth is projected to strengthen in 2025, driven by private consumption fueled by higher real incomes, and fiscal support. However, the balance of risks is tilted to the downside. Global trade tensions—including new U.S. tariffs—could weigh on exports and investment, while still-high interest rates may further pressure highly indebted households and firms at a time when systemic financial risks remain elevated. Over the longer term, demographic headwinds and declining petroleum sector activity will weigh on economic resilience.

Policy recommendations.

- **Monetary.** While Norges Bank has started normalizing monetary policy, the current restrictive stance should remain in place until inflation is clearly on track to return to the 2 percent target. Navigating rapidly evolving global developments and volatile data may require enhancements to the policy process, including scenario analysis.
- **Financial**. Macroprudential settings should not be eased further as systemic risks remain elevated. The easing of lending regulations for mortgage borrowers earlier this year could add to vulnerabilities, while the commercial real estate sector remains under pressure from high interest rates and rising vacancies.
- **Fiscal.** The 2025 budget further widens the expansionary stance. Moving toward a broadly neutral stance by containing spending pressures would support the disinflation process and improve the cohesiveness of the policy mix. Strengthening the fiscal framework by introducing medium-term planning and setting expenditure targets grounded in spending efficiency considerations would enhance resilience.
- **Structural.** Advancing the "reinforced work line" agenda would raise total hours worked, reduce dependency on disability benefits, and enhance labor participation. Strengthening education-to-work transitions, promoting full-time employment, and accelerating digitalization would support productivity.

Approved By:
Mark Horton (EUR) and Natalia Tamirisa (SPR)

The Article IV Consultation discussions took place in Oslo during June 16–26, 2025. The IMF staff comprised Emil Stavrev (head), Luisa Charry, Cristina Cheptea, and Mauricio Vargas (all EUR). Ingrid Solberg (OED) joined the discussions. Raphael Lam (FAD) contributed from IMF Headquarters. Rohan Srinivas, Rachelle Vega, and Caitlin Aingé (all EUR) provided research and administrative support. The mission met with Governor Ida Wolden Bache and other Norges Bank senior staff, senior officials from the Ministry of Finance, Finanstilsynet, the Ministries of Energy, Labor, Climate and Trade, the Storting's Finance Commission, representatives of labor unions, the business community, and academia.

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Glossary

BBM	Borrower-Based-Measure
CCyB	Countercyclical Capital Buffer
CET1	Common-Equity-Tier 1
CPI-ATE	Consumer Price Index Adjusted for Tax changes and Excluding energy products
CRE	Commercial Real Estate
CRR3	Capital Requirements Directive and Regulation 3
DTI	Debt-to-Income ratio
DORA	Digital Operational Resilience Act
DSTI	Debt-Service-to-Income ratio
EMIR	European Market Infrastructure Regulation
EU	European Union
FSA	Financial Stability Authority (Finanstilsynet)
FSAP	Financial Sector Assessment Program
GHG	Green House Gas
GPFG	Government Pension Fund Global
ICR	Interest Coverage Ratio
ICT	Information and Communication Technologies
IFRS	International Financial Reporting Standards
IRB	Internal-Ratings-Based
LTV	Loan-to-Value ratio
MoF	Ministry of Finance
MREL	Minimum Requirement for Own Funds and Eligible Liabilities
NATO	North Atlantic Treaty Organization
NDC	Nationally Determined Contribution
NBFI	Non-Bank Financial Intermediary
NII	Net-Interest Income
NIIP	Net International Investment Position
NPL	Non-Performing Loan
NOK	Norwegian Kroner
REER	Real Effective Exchange Rate
RWA	Risk-Weighted Assets
SA	Standardized Approach
SRB	Systemic Risk Buffer
SREP	Supervisory Review Process
WEO	World Economic Outlook

CONTEXT AND RECENT DEVELOPMENTS

1. **The economy has shown resilience despite tight financial conditions and a more challenging external environment**. A strong labor market and expansionary fiscal policy have helped to partly offset the effects of the tighter monetary policy aimed at curbing inflation. Financial stability risks, while elevated due to high household leverage and concentrated exposures to real estate, remain contained. The fiscal position is strong, but it is increasingly reliant on returns from the GPFG. At the same time, slowing productivity growth, declining petroleum sector activity, geoeconomic fragmentation, and rising public expenditure pressures—including from defense needs, the energy transition, and an ageing population—pose medium-term challenges to Norway's generous welfare model.[1] Further strengthening Norway's robust fiscal framework will be essential to meet these emerging demands, support the economy's ability to adapt to macroeconomic shocks, and preserve high living standards for future generations.

2. **Economic activity expanded in 2024, supported by the petroleum sector**. Overall real GDP rose 2.1 percent, bolstered by a 5 percent increase in value added from petroleum activities, underpinned by record-high natural gas extraction. Mainland real GDP expanded by 0.6 percent (broadly the same as in 2023), driven by public and private consumption, while investment and net exports acted as the main drag on growth. Activity in the construction and fishing sectors contracted amid high borrowing costs and sector-specific headwinds. While the unemployment rate edged up to 4 percent, the labor market remained resilient, with employment rising by 0.4 percent and hours worked increasing slightly. Average nominal wages rose 5.6 percent in 2024, supported by robust profitability in key sectors. Overall GDP contracted by 0.1 percent in Q1 2025 (q/q sa), driven by the hydrocarbons sector while mainland GDP rose 1 percent (q/q sa), as private spending recovered after a weak finish to 2024. Higher frequency indicators of economic activity point to somewhat resilient activity in Q2 2025.

3. **Inflation has declined but remains above target amid persistent domestic pressures**. Headline inflation (CPI) slowed to 3.1 percent in 2024 from 5.5 percent in 2023, while core inflation (CPI-ATE) averaged 3.7 percent, down from 6.2 percent the year before. Wage growth, the krone depreciation in 2024, and still-high services inflation contributed to keeping inflation elevated. While core inflation (CPI-ATE) remained elevated in early 2025, averaging above 3 percent year-on-year in Q1, driven by higher food and service prices, and wage pressures. Headline and core inflation stood at 3 and 3.1 percent in June 2025, partly reflecting one-off and base effects, although more forward-looking indicators—such as the 3-month/3-month seasonally adjusted rates (3m/3m, sa)—point to significantly slower momentum in both headline and core inflation (1.5 and 2.3 percent in 2025Q2). Notably, rent inflation—which had been particularly persistent—appears to have moderated (text Figure). Fiscal measures to be introduced in the second half of the year to stabilize electricity prices and reduce childcare costs are expected to contribute to bringing inflation down further.

[1] For further discussion on slowing productivity growth see the 2024 Article IV Consultation Staff Report.

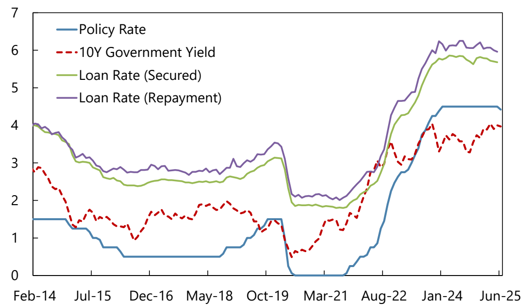
Norway: Real GDP, Labor Market, and Inflation Developments

4. **While still tight, financial conditions have eased more recently as Norges Bank has started to gradually normalize its monetary policy stance**. After holding the policy rate steady at 4.5 percent from January 2024, Norges Bank began normalizing monetary policy in June by lowering the policy rate to 4.25 percent and signaled that it will be reduced further in the course of 2025.[2] Bank lending rates, yields on government debt, and corporate bond spreads remain above pre-pandemic levels, although corporate bond spreads have declined modestly more recently. Credit to the mainland economy has been stagnant since 2023 in real terms (with credit to

[2] Since mid-2024, the ex-ante real policy rate has been above the upper bound of the neutral interest rate range (0 to 1 percent, with a 0.5 percent mid-point) by 60 bps on average.

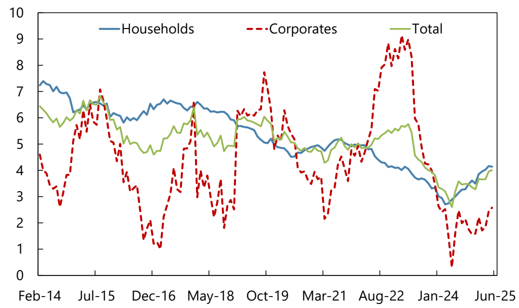
households picking up); lending standards remained tight throughout most of 2024 easing somewhat early in 2025. The Basel credit gap has been in negative territory since late 2021. House prices fell in real terms for a second consecutive year but have stabilized more recently. Stock prices rose in 2024, in anticipation of lower interest rates by Norges Bank.

Norway: Selected Interest Rates
(Percent)



Source: Haver Analytics.

Norway: Credit Growth
(Percent, y/y)

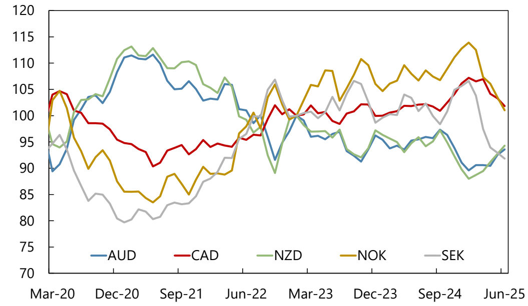


Source: Haver Analytics.

5. Amid rising geopolitical and structural spending pressures, the fiscal stance has become increasingly expansionary over 2024–25. Fiscal space is substantial, and public debt is sustainable (Annex I). The 2024 structural non-oil deficit rose more than previously anticipated, delivering a fiscal impulse of around 0.9 percent of mainland trend GDP, reflecting additional support to Ukraine and higher transfers to municipalities. Ahead of the September national elections, the 2025 budget initially targeted a moderate expansion, but the authorities' subsequent approval of additional funds for defense spending and support to Ukraine substantially increased expenditure, raising the projected fiscal impulse for 2025 to 2.5 percent. While the additional support to Ukraine in the revised budget will not add to the domestic impulse, overall, the 2025 budget implies a significant fiscal impulse. The overall structural deficit is expected to reach NOK 542 billion (12.9 percent of mainland trend GDP), while withdrawals from the GPFG are projected to remain below the fiscal rule's 3 percent guideline, at around 2.7 percent of the 2024 GPFG market value. The government has committed to increase defense spending in line with the 5 percent of GDP NATO target over the medium term.

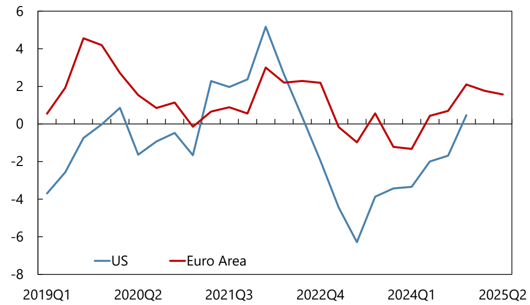
6. The external position is broadly in line with fundamentals and desirable policies (Annex II). The current account recorded a sizable surplus of 16.7 percent of GDP in 2024, with the trade balance narrowing to 13.6 percent of GDP reflecting lower natural gas prices and higher imports. The NIIP continued to strengthen, reaching nearly 484 percent of mainland GDP at end-2024, driven by a 25.3 percent increase in the GPFG value. The average CPI-based REER depreciated 5 percent in 2024.

G5 Currencies: Bilateral USD Nominal Exchange Rate
(Index, Jan. 2023 = 100)



Source: Haver Analytics; and IMF staff calculations.

Norway: Real Policy Interest Rate Differentials
(Percentage points)



Sources: Haver Analytics; and IMF staff calculations.

7. The financial system is sound, and buffers are robust. Bank profitability reached multiyear highs in 2024, reflecting robust NII and remaining above US and European peers. While low overall, credit losses and NPLs have edged up, particularly among smaller banks and in sectors with higher bankruptcy rates. The share of loans in Stages 2 has stabilized, while that of loans in Stage 3 is falling. Provision rates have decreased since 2021, particularly in large and medium-sized banks, and partly reflecting the sale of NPLs, write-offs and reversals, notably in the oil sector. CET1 capital ratios remain above the 15.5 percent requirement, including at the largest banks (at about 19 percent as of Q1:2025). The average leverage ratio rose and is comfortably above the 3 percent minimum requirement. Banks meet liquidity and stable funding requirements. Profitability and solvency at pension and life insurance funds remained solid in 2024, supported by increased returns that have helped offset write-downs of property values, although returns in early 2025 were negatively impacted by adverse market conditions amid trade policy and geopolitical uncertainty. In contrast, profitability at non-life insurers has weakened, reflecting higher payouts. The upcoming 2026 FSAP will review in depth the health of the financial sector.

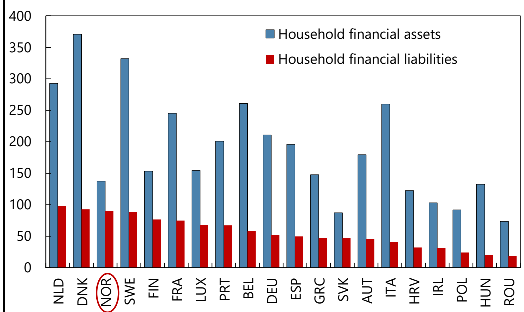
8. However, systemic risks remain elevated, reflecting high household leverage and concentrated exposures to real estate. Households' debt burden, most of which is at floating rates, is elevated and amongst the highest in Europe.[3] While both the average DTI ratio on new mortgages and the share of new residential mortgages with high DTI have levelled off, the interest burden has more than doubled over the past two years. Although most households have been able to continue to service debts, supported by accumulated savings and still-high employment, a substantial weakening of the labor market could push households with limited margins into distress.[4] In turn, large and interconnected financial sector exposures to the RE sector are a source

[3] As of 2024H2, 95 percent of the households' loans had no or short fixed rate periods.

[4] The impact of higher interest rates has been partially offset by lower installment payments as many households have annuity loans, which are repaid by the borrower in equal amounts (the sum of interest expenses and instalments at regular intervals throughout the repayment period).

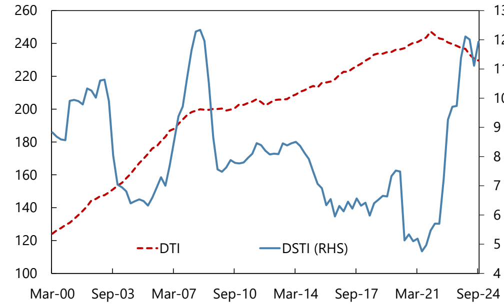
of macrofinancial vulnerability (the sector represents nearly 60 percent of banks[5] and 15 percent of pension funds and insurance companies' portfolios, higher than in European peers).[6]

Europe: Household Financial Assets and Debt
(Percent of GDP, 2023)



Source: Eurostat.

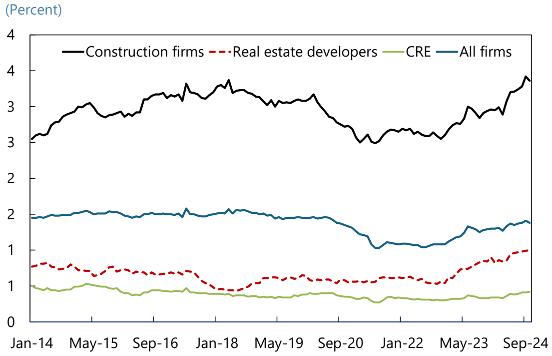
Norway: Households Debt Burden
(Percent)



Sources: Statistics Norway; and Finanstilsynet.

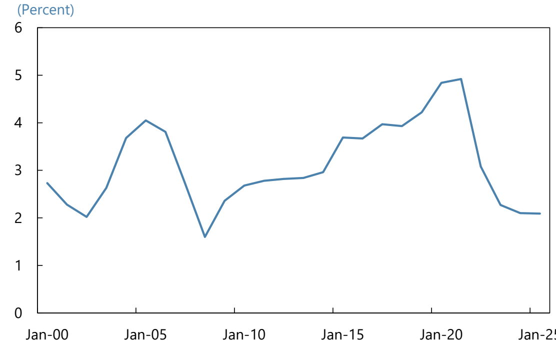
9. Corporates, particularly in CRE, are facing challenges (Annex III). Firm profitability has declined due to higher operating and interest expenses and lower household demand. ICRs are falling, and the share of firms facing debt collection has increased. While below pre-pandemic levels, bankruptcy rates have risen, particularly in the services sector and mostly among smaller firms. In the near term, corporate profitability might weaken further if demand softens. CRE remains under pressure from higher debt servicing costs and rising vacancy rates. Rental income growth has allowed firms to partially offset higher interest rate expenses, while struggling firms in the sector have strengthened balance sheets through equity injections and asset disposals. While CRE prices appear to have levelled off, uncertainty regarding property valuations persists amid low transaction volumes.[7] Bank impairment losses on CRE loans remain at low levels, despite some increase. Further increases in vacancy rates and sustained high interest rates could weigh on prospects for the sector.

Norway: Corporate Bankruptcy Rate
(Percent)



Sources: Dun & Bradstreet; and Norges Bank.

Norway: ICR for CRE Firms
(Percent)



Sources: Brønnøysund Register Center; Dun & Bradstreet; and Norges Bank.

[5] The exposures are proportionally larger at small and medium sized banks.

[6] See the 2020 FSAP (here).

[7] CRE prices have fallen about 20 percent from their peak in mid-2022. Compressed yields on CRE properties suggest potential for further downward adjustments.

10. Macroprudential policy settings have been eased. To allay concerns about potential distributional effects of BBMs on mortgage lending, the LTV limit for new residential mortgages was raised from 85 to 90 percent and the debt servicing capacity requirement for fixed-rate mortgages was adjusted to incorporate income growth during the fixed-interest rate period of the loan.[8] CCyB and SRB rates have been maintained at 2.5 percent and 4.5 percent, respectively, since 2023. Following a bank merger, an additional institution was designated as systemically important. The CRR3 regulation was transposed into national law and went into effect in April. Risk weights under the standardized approach for loans secured by income-generating commercial property have been extended to all commercial property, while the risk weight for recreational property loans with an LTV below 40 has been set at 20 percent. Floors for IRB bank risk weights for residential (20 percent) and commercial property (35 percent), in place since 2022, have been retained. The floor on residential property was raised to 25 percent effective July 1 until end-2026.

OUTLOOK AND RISKS

11. Overall GDP growth is expected to slow to 0.7 percent in 2025, reflecting lower oil demand. In contrast, mainland growth is projected to strengthen to 1.5 percent, supported by rising private consumption—underpinned by real income gains and easing financial conditions—alongside stabilizing housing investment, continued public sector support, and a recovery in business investment. Labor market conditions are expected to remain stable, with unemployment near the current low levels. The output gap is closed. Under staff's baseline scenario, headline and core inflation will decline to 2.2 and 2.6 percent by end-2025 and continue converging to target by late-2027, as the effects of the restrictive monetary policy stance continue to gradually dampen domestic demand pressures and a slightly negative output gap opens up (broadly in line with Norges Bank projections). Credit growth is expected to gradually strengthen over the medium term, supported by easing financial conditions and stronger private domestic demand.

12. Risks to the growth outlook are tilted to the downside, while inflation risks are balanced (Annex IV).[9] While the direct impact of higher U.S. tariffs is expected to be limited, the heightened concerns over trade disruptions could potentially dampen external demand and weigh on Norway's exports (Annex V). A renewed uptick in global risk aversion or sharper-than-expected trade tensions could further increase concerns and undermine market sentiment and investment. Over the longer term, demographic headwinds and the expected decline in petroleum sector activity would weigh on potential GDP growth. An end to the war in Ukraine could pose an upside risk to growth. Inflation could take longer to converge to target if domestic demand recovers faster than expected or higher oil prices put pressure on headline inflation. By contrast, further currency appreciation and higher productivity gains (e.g., from a faster-than-anticipated uptake of AI or

[8] According to Norges Bank, a higher LTV limit can prevent individuals with low equity but otherwise solid debt-servicing capacity from entering the housing market. In turn, higher equity requirements can reduce households' liquidity buffers.

[9] Annex IV presents contingent policy advice in case specific risks materialize.

automation) could bring inflation back to target more rapidly. Continued tighter financial conditions could further pressure highly indebted households and firms, and the CRE sector.

Authorities' Views

13. The authorities concurred with staff's views on the outlook and risks. They expect mainland GDP growth to strengthen in 2025, supported by easing financial conditions, a recovery in real incomes, and continued fiscal support. The authorities assessed that risks to the inflation outlook are broadly balanced. Upside risks include stronger-than-expected wage growth and potential energy price shocks, while downside risks could arise from currency appreciation or weaker-than-anticipated domestic demand. They viewed risks to the growth outlook as tilted to the downside, reflecting persistent global policy and trade uncertainty, potential volatility in energy markets, and the possibility of renewed financial tightening. The authorities emphasized that risks related to geo-economic fragmentation remain elevated. A sharper-than-expected deceleration in global demand or a deterioration in geopolitical conditions could weigh on exports and investment.

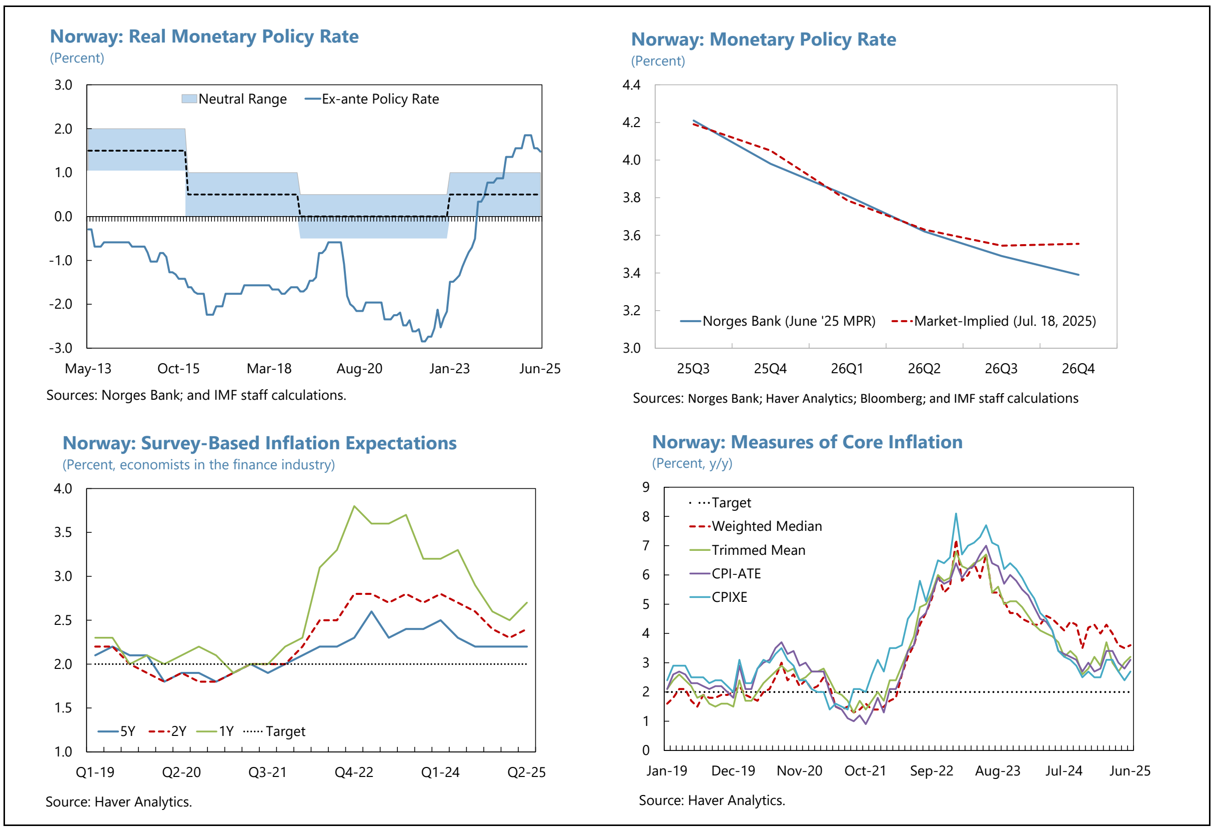
POLICY DISCUSSIONS

Norway's policy framework remains anchored in strong institutions and the authorities are actively addressing near-term challenges while preparing for longer-term transitions. However, inflation remains above target on an annual basis and systemic financial risks are elevated. Norges Bank should proceed cautiously with monetary policy normalization, ensuring there is further evidence that underlying inflation is firmly on a path back to target. A broadly neutral fiscal policy would lower the burden on monetary policy, support the disinflation effort and improve the cohesiveness of the macroeconomic policy mix. The recent easing of the LTV limit on mortgages could further increase financial sector vulnerabilities, and additional easing of macroprudential policies should be avoided. Structural policies should remain focused on boosting labor supply and inclusion, with new measures to support employment, productivity, and climate goals.

A. Monetary Policy

14. Norges Bank should proceed cautiously with monetary policy normalization, ensuring there is further evidence that underlying inflation is firmly on a path back to target. The monetary policy stance remains restrictive, as the *ex-ante* real policy rate (defined as the nominal policy rate deflated by 1 year-ahead inflation expectations) is above Norges Bank's upper bound estimate of the short-term neutral rate, which ranges between 0 and 1 percent. Norges Bank's guidance, as embedded in the published monetary policy rate path, signals that while the nominal policy rate will be reduced further in course of 2025-2026, the stance will remain restrictive into 2026. The current restrictive stance should remain in place until inflation is clearly on track to return to the 2 percent target. Recent developments in inflation momentum (e.g., 3m/3m sa), particularly the easing of rent inflation that has helped keep core inflation elevated, are encouraging. However, these inflation indicators, while better at capturing inflation dynamics going forward, are more volatile compared to year-on-year inflation measures. Accordingly, further evidence of a decline in the trend of underlying inflation is needed to continue with the normalization of monetary policy (text Figure).

15. Norway's strong monetary policy framework has served the economy well. After the adoption of inflation targeting in 2001, Norges Bank has operated with a high level of credibility and ranks among the most transparent central banks in the world.[10] However, the current highly uncertain global outlook presents challenges for monetary policy formulation and implementation. Navigating rapidly evolving global developments and the associated more volatile data may require enhancements to the policy process. This could include further strengthening the forecasting process by designating staff to formally present contrarian views and challenge the baseline, expanding the use of scenario analysis (an approach Norges Bank has employed in the past), and refining communication strategies to maintain well-anchored expectations, for example by defining criteria for strategic speeches or interventions by central bank officials when market expectations deviate markedly from policy intentions.[11]



[10] A review of the monetary policy framework is set to take place in 2026, as part of the regular evaluation cycle (here, in Norwegian). The review will assess whether the current framework remains appropriate, considering economic developments and international best practices. The last review occurred in 2018.

[11] See here.

Authorities' Views

16. Norges Bank acknowledged staff's advice and emphasized that it will proceed cautiously with the normalization of monetary policy. In its view, recent downside inflation surprises provided sufficient signaling power to move along the normalization path outlined since last autumn. The Bank underscored the importance of capacity utilization and indications from interest rate-sensitive sectors in its assessment of the macroeconomic outlook and policy stance. The authorities dedicate substantial resources to macroeconomic risk analysis, including bottom-up approaches that quantify risks using tools such as quantile regressions and option pricing. They noted that the sensitivity analysis in the Monetary Policy Report serves a similar purpose to scenario analysis, with more comprehensive scenarios developed as needed. Norges Bank also indicated that no major changes to its communication strategy[12] are planned.

B. Financial Sector Policies

17. The easing of the LTV limit for mortgages risks building further vulnerabilities. Depending on the interest rate path, the LTV limit easing will lead to further increases in house prices and household indebtedness.[13] Addressing structural distortions are also needed to mitigate real estate market risks. Structural factors in the housing market keep prices elevated, including an underdeveloped rental market, limited areas zoned for development in urban areas, high construction costs, and a tax system that encourages mortgage debt.[14] These dynamics contribute to high DTIs, particularly among young and low-income households, who comprise a large share of first-time buyers.[15] Lasting improvements in housing affordability will require structural measures to enhance housing supply. Gradually phasing-out mortgage interest deductibility (for example, starting with a limit on the maximum value of income-tax deductions) would help reduce speculative housing demand and improve tax system efficiency. Improved eligibility criteria for subsidized mortgages will help contain demand and public spending.

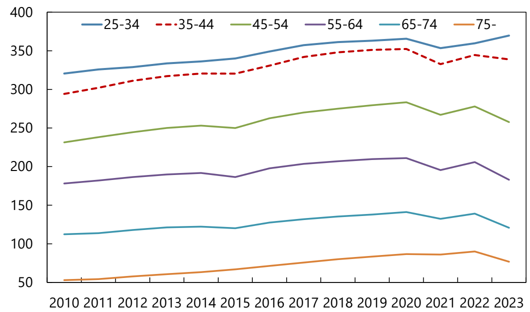
[12] Available here.

[13] According to the FSA, the easing of the LTV limit would lead to a 6 percent increase in credit, about 3 percent in household debt, and about 11 percent on house prices. Growth in credit to households bottomed out in early 2024 and has continued to pick up. House prices increased about 7 percent in 2025Q1.

[14] Including unlimited debt interest deductibility, non-taxation of capital gains on home sales, and wealth-tax discounts. For further measures on improving housing affordability in Norway, see OECD (2022) here.

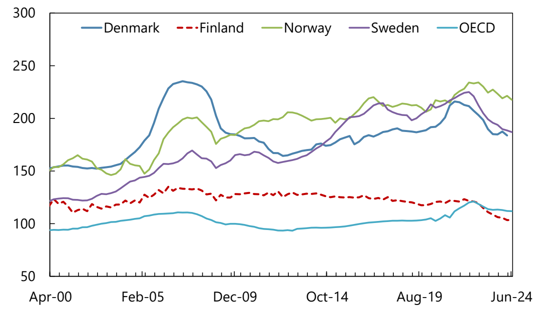
[15] According to Solheim and Vatne (2023, in Norwegian only), homeownership rates among young households in Oslo remained stable from 2011 to 2021, including among those in the lowest income groups, who also have access to subsidized mortgages programs.

Norway: DTI by Age Group
(Percent)



Sources: Statistics Norway; Norwegian Tax Administration; and Norges Bank.

OECD: House Prices as a Share of Disposable Income
(Percent)



Source: OECD.

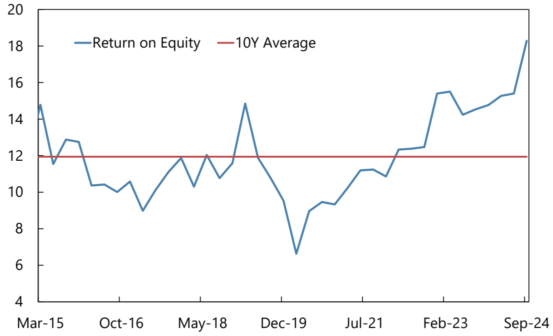
18. Macroprudential policy settings should not be eased further. Financial stability risks could rise further in the context of high-for-long interest rates, if inflation takes longer to converge to target and a more challenging global and domestic outlook. Further easing of macroprudential policy settings should be postponed until systemic risks meaningfully subside or risks of financial disintermediation emerge, and continued close monitoring is warranted. The current setting of the CCyB remains appropriate, but Norges Bank should be ready to raise it if cyclical vulnerabilities build up. Priority should be given to preserving capital buffers and strengthening contingency planning amid continued pressure on the CRE sector. Over the medium term, BBMs on CRE lending, as well as sector-specific capital surcharges to address risks from the insurance sector's CRE exposures, should be considered.[16] Work to address the findings of the 2024 Nordic-Baltic crisis management exercise should continue.[17]

19. Robust bank profitability provides an opportunity to strengthen financial resilience against severe shocks. While banks remain highly profitable, earnings are expected to moderate over the medium-term, as NII recedes and credit losses increase. Updated stress tests by the FSA indicate that under a severe downside scenario the capital adequacy ratios of a few banks may fall below the aggregate CET1 capital requirement, even if the CCyB were to be reduced to zero; none of the banking groups would fail to meet the minimum leverage ratio. Against this backdrop, the FSA should continue to issue conservative guidance on banks' capital distribution strategies to help preserve capital buffers and better position them to absorb future shocks. Norway's participation in the initiative to undertake a Nordic-Baltic regional stress test exercise would enhance the assessment of cross-border financial interlinkages and risks.

[16] See 2024 Article IV Consultation Staff Report for further details.

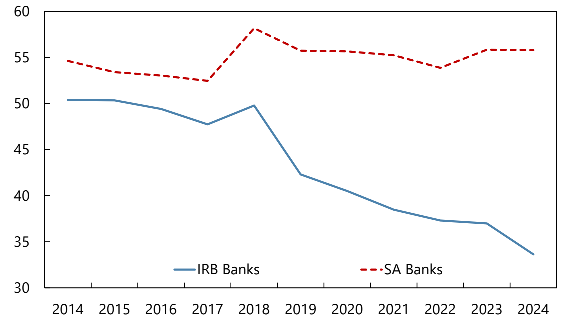
[17] Norway participated in the 2024 Nordic-Baltic crisis management exercise, which tested communications, information sharing, and cooperation in a crisis. The exercise highlighted the importance of harmonizing resolution frameworks across jurisdictions, clarifying the role of fiscal backstops to access emergency liquidity assistance, and having established structures—such as supervisory and resolution colleges—for effective cross-border crisis management (link to the report here).

Norway: Return on Equity (Large Banks)
(Percent)



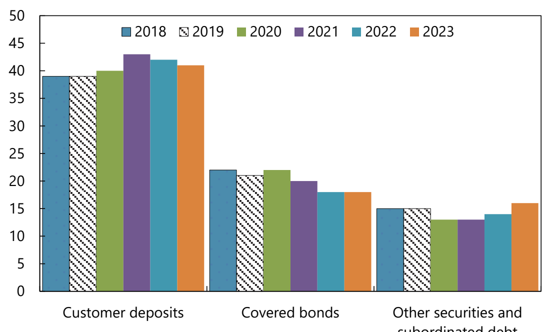
Sources: S&P Capital IQ; and Norges Bank.

Norway: Banks' RWA
(Share of total assets, end-of-period)



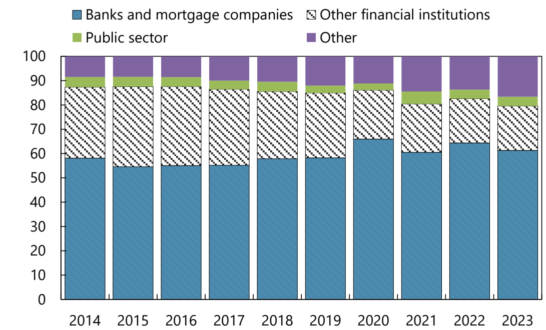
Source: Finanstilsynet.

Norway: Banks Funding Sources
(Share of total funding)



Source: Norges Bank.

Norway: Holders of Covered Bonds
(Percent of total)



Source: Statistics Norway.

20. Ensuring that bank IRB models properly reflect credit risks remains essential to safeguard capital adequacy. Lending survey data suggest that there is a greater proportion of riskier new mortgage loans among IRB banks than in SA banks.[18] Interest rates on new loans are lower, and DTIs and LTVs are consistently higher for the median customer at the IRB banks. Banks under the SA appear to set stricter debt servicing capacity requirements (borrowers have higher remaining liquidity after interest rate stress tests). However, risk weights are consistently lower at IRB banks, resulting in lower capital requirements on assets, and they would be even lower in the absence of the risk weight floors. Some of the differences between the IRB banks and the SA banks are expected to even out after the CRR3 amendments are fully phased in by 2030.[19]

21. Measures to address increased bank reliance on covered bonds are welcome and would help mitigate risks from interconnectedness. Banks' main sources of funding are deposits and long-term bonds, of which about two-thirds come from covered bonds, mostly secured against residential mortgages; this increases the sector's exposure to real estate. The segment is the most liquid of the bond market and ranks among the 10 largest covered bond markets in Europe. Given the relatively small size of the government bond market, covered bonds make up more than half of

[18] Eight large Norwegian banks (with associated mortgage companies) and four subsidiaries of international banks use IRB models.

[19] The CRR3 amendments include a more risk-sensitive standardized approach for estimating capital requirements on credit risk, limits on the use of IRB models and the introduction on an output floor by which the capital requirement cannot be below 72.5 percent of what it would have been under the standardized approach. SA banks will have lower capital requirements for low-risk exposures.

bank liquidity reserves, and their holdings have increased over the past 15 years. Moreover, banks are interconnected through interbank exposures, while NBFIs are significant holders of covered bonds. Notably, hedge funds have doubled their share of covered bond holdings since 2020. These purchases are increasingly financed through repos with banks, with repo volumes rising from around 10 percent to 20 percent of outstanding covered bonds issued in NOK—equivalent to about 4 percent of bank assets as of April 2025. This trend raises concerns about liquidity risks during periods of market stress.[20] Measures to limit exposures—such as the FSA's guidance to cap holdings of covered bonds backed by Norwegian real estate at 50 percent—will help enhance resilience by reducing risks stemming from interconnectedness.

22. The authorities continue to work in implementing the recommendations of the 2020 FSAP, notably on the areas of enhancing systemic risk oversight and monitoring (Annex VI). The 2026 FSAP will assess progress made with the measures adopted. The lending regulation has been made permanent,[21] and the FSA Act was amended to enshrine in law the long-standing practice that prohibits the MoF from issuing instructions to the FSA in individual supervisory cases. The FSA has expanded its housing market stress tests to include banks with balance sheets exceeding NOK 6 billion. A new analytical platform (APO) enables more granular analysis of RE exposures, and the FSA is leveraging data from EMIR to monitor counterparty exposures and liquidity risks from margin requirements on derivatives. The quarterly Early Warning Report has been enhanced to include more detailed information on individual insurers of RE investments and other capital components. The Guarantee Fund is actively participating in relevant supervisory colleges at both the EU and national levels, and Norges Bank has joined the EU Systemic Cyber Incident Coordination Framework as a "Crisis Observer."

Authorities' Views

23. The authorities concurred that the financial system is sound with strong buffers and that systemic vulnerabilities remain elevated amid increased uncertainty. High household debt levels and significant financial sector exposures to real estate continue to be the main sources of structural systemic risk. While risks stemming from global market volatility, a global economic downturn, and geopolitical tensions have increased, the financial system remains robust and capable of withstanding substantial shocks. Thus far, households have managed the rise in debt servicing costs, and although bankruptcies in the CRE sector are expected to increase, they are projected to remain close to historical averages.

24. The authorities agreed that further relaxation of macroprudential policy settings is not warranted at this stage. They emphasized that sectoral risks from real estate are addressed through risk weight floors, enhanced supervisory scrutiny via the SREP, and tighter lending covenants. They noted that BBMs for CRE exposures are not currently under consideration due to concerns about their design. The authorities concurred with the importance of ensuring that IRB models adequately capture credit risk, including through greater use of credit loss data from the

[20] According to Norges Bank the exposures are concentrated in a few funds.

[21] The regulations will be reviewed at least every three years.

1990s banking crisis, but stressed the need for a coordinated regional approach to maintain a level playing field. They look forward to the recommendations of the forthcoming FSAP.

C. Fiscal Policy

25. The 2025 budget prioritizes defense, support to households, and structural tax reforms. The structural non-oil deficit is set to rise to 12.9 percent of mainland trend GDP, up from 10.3 percent in 2024, reflecting higher allocations for defense and aid to Ukraine. Key measures in the budget include targeted tax relief for low- and middle-income households, partly offset by tax increases for people with the highest incomes. These measures aim to strengthen purchasing power and boost labor participation for lower income earners. The budget also includes VAT cuts on essential utilities and childcare cost reductions. Other measures include the discontinuation of the temporary employer National Insurance surcharge, raising climate-related taxes, and tightening exit tax rules (Text Table 1). The Spring Budget included an additional NOK 85 billion (around 2 percent of mainland GDP) package to support Ukraine through military and reconstruction aid.

26. The 2025 fiscal policy stance is expansionary, with a large estimated fiscal impulse of about 2.5 percent of mainland trend GDP. Beyond increased support for Ukraine and higher defense spending, recorded mainly as transfers abroad (1.3 percent of GDP), the widening of the non-oil deficit is driven by higher spending across several categories. In particular, subsidies, transfers to households, and compensation to employees are projected to jointly add 1.4 percent of mainland GDP in expenditures relative to 2024. Total non-oil revenues are expected to rise modestly despite new tax relief measures. While the transmission to domestic activity of the fiscal impulse will be dampened by the composition of spending (including imported components and transfers abroad), the stimulus is nonetheless expected to provide an important boost to the domestic economy.

Text Table 1. Norway: Selected Revenues/Expenditures Measures in the 2025 National Budget

Description of Measure	Parameter Changes	Fiscal Impact (2025, in percent of GDP)
Tax Changes in the 2025 Budget		Revenue loss ≈ 0.4 accrued
Of which:		
Abolition of Temporary Additional Employer's NIC	Discontinued January 1, 2025	Revenue loss ≈ 0.3 accrued
Reduction of VAT on Water and Sewage Services	Rate cut from 25% to 15% (effective May 1, 2025)	Revenue loss ≈ 0.1 full-year
Targeted Personal Income Tax Relief	Reduce NICs for individuals	Revenue loss ≈ 0.1 accrued
Higher Bracket Taxes for High-Income Earners	Upward adjustment in top brackets	Revenue gain ≈ 0.04 accrued
Climate, Environmental and car taxes	Increase taxes on non-ETS emissions by 16 per cent) and others.	Revenue gain ≈ 0.04 accrued
Expenditure Changes in the 2025 Budget		
Of which:		
Defense and Security Spending Increase. Initial budget	Up by NOK 19.2 bn vs. 2024 budget	0.5 increase
Expanded Support to Ukraine (total)	NOK 85 bn in 2025 (military + reconstruction support)	2.0 increase
Transfers to the municipal sector	Increased by 5 percent respect to 2024	0.4 increase

Source: 2025 Norway's National Budget

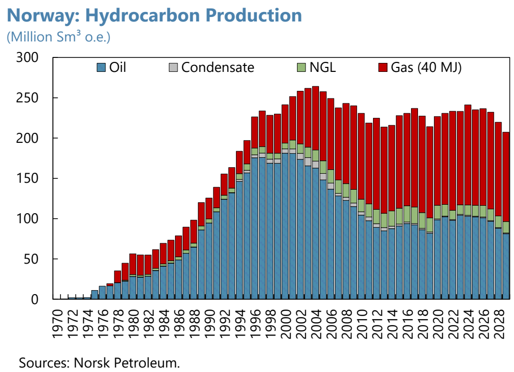
Amounts in the last column represent the net budgetary impact of each measure in 2025, as presented in the National Budget (Meld. St. 1 2024–2025). These figures indicate the estimated change in the central government's fiscal balance resulting from each policy item, relative to a no-policy-change baseline.

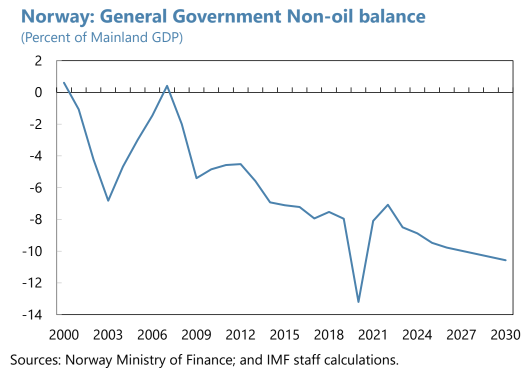
27. Fiscal policy will increasingly need to accommodate a growing set of medium- and long-term spending pressures. Rising defense and security outlays, aging-related costs, and the eventual decline in oil and gas revenues are expected to narrow fiscal space. Although Norway's buffers remain strong, the trend of structural non-oil deficits and spending outpacing mainland GDP underscore the need to enhance expenditure efficiency and internalize the volatility associated with the GPFG's value. Accordingly, a neutral fiscal stance should be maintained over the medium term.

28. Reinforcing countercyclicality and spending discipline would further bolster fiscal resilience (Annex VII). Complementing the structural fiscal rule[22] with explicit medium-term expenditure limits could curb volatility from market-driven GPFG changes and improve planning.

[22] Norway's fiscal rule stipulates that over time, the structural non-oil deficit should equal the estimated long-term real return on the GPFG, currently set at 3 percent of the Fund's value.

Enhanced multi-year budgeting, systematic spending reviews, and cross-sector efficiency targets would support strategic resource use. A more robust fiscal framework would ensure that Norway's considerable resources continue delivering strong economic and social outcomes. Benchmarking the setup of the Advisory Panel on Fiscal Policy Analysis against best international practices for independent fiscal councils and expanding its mandate would help further enhance the fiscal framework.





29. Advancing fiscal reforms remains critical to strengthening resilience and preserving high living standards. Sustained reform efforts are needed to ensure the long-term resilience of fiscal policy in the face of rising structural spending pressures. The 2025 budget's targeted tax relief for lower- and middle-income groups appropriately supports purchasing power and labor participation, but further tax reforms aimed at improving efficiency and broadening the base remain a priority. Consolidating multiple VAT rates and continuing to strengthen work and investment incentives would enhance the tax system's resilience. While recent proposals to reform disability and sickness benefits are welcome and in line with past IMF recommendations,[23] further measures would be essential to reduce disincentives to work, boost labor force participation, and contain long-term fiscal costs. Enhancing public investment management practices, wider use of systematic spending reviews, and embedding explicit efficiency targets across sectors would help reallocate resources toward priority areas and improve public service delivery.

Authorities' Views

30. The authorities broadly agreed with staff recommendations on fiscal policy. They noted that a substantial share of the expansionary stance reflects aid to Ukraine, with limited domestic impact, and emphasized that transfers from the GPFG remain below the 3 percent guideline. They supported a broadly neutral fiscal stance in 2026 and saw scope to reprioritize spending and enhance efficiency. The authorities reaffirmed their commitment to strengthening work incentives, including through a proposed pilot scheme for in-work tax deductions targeting

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[23] See 2024 Article IV Staff Report.

young adults, which they viewed as a valuable, evidence-based approach to policymaking.[24] The authorities took note of staff's suggestion to introduce medium-term expenditure planning and a spending anchor to mitigate exposure to GPFG market volatility and strengthen the countercyclicality of fiscal policy, while emphasizing the importance of preserving flexibility within the existing fiscal framework. They underscored that the specific design of spending ceilings warrants further analysis to ensure alignment with national priorities and the fiscal rule's stabilizing role.

D. Structural Issues

31. Norway is taking steps to buttress its welfare model through active labor market policies. Faced with aging population, evolving labor market needs, and rising expectations for public services, the authorities are pursuing a comprehensive agenda anchored in the principles of the "reinforced work line"[25] and long-term economic resilience (Annex VIII). Recent strategies prioritize maximizing labor force participation, reducing dependency on social benefits, and better aligning skills with labor market demand. A key initiative targets youth, immigrants, and individuals with health-related work limitations aiming to support transitions into employment. Other reforms span labor market activation, vocational and adult education, and improved coordination across welfare, health, and training services. Reforms also cover modular adult learning, expanded wage subsidies, and stricter follow-up for benefit recipients, aiming to raise the employment rate for 20–64 year-olds to 82 percent by 2030 with a further increase to 83 percent by 2035, from 80.5 percent. Additional measures include scaled-up labor market support for Ukrainian refugees and the Permanently Adapted Work (VTA) program. [26] While implementation has begun in several areas, many initiatives remain at early or pilot stages, and their full impact is yet to be seen.

32. Building on these efforts, the reform agenda also aims to raise labor productivity by strengthening skills and reducing underemployment. Priorities include improving transitions to full-time work, particularly through expanded access to vocational and tertiary education. The new Education Act—effective August 1, 2024—which replaces the right to upper secondary education with a right to graduate with either academic or vocational qualifications, better aligning outcomes with labor market needs. These measures are timely, as declining average hours worked per employee weigh on total labor input. Norway's high share of part-time work—especially among those with lower education levels, the youth, and older workers—has contributed to this trend and

[24] The government has proposed an in-work tax allowance experiment. The initiative, which is expected to be included in the FY2026 budget, would be implemented as a randomized controlled trial targeting 100,000 individuals aged 20–35. This policy measure aims to strengthen work incentives among young people and generate rigorous evidence on labor supply responses. The proposal will be under consultation until August, 2025.

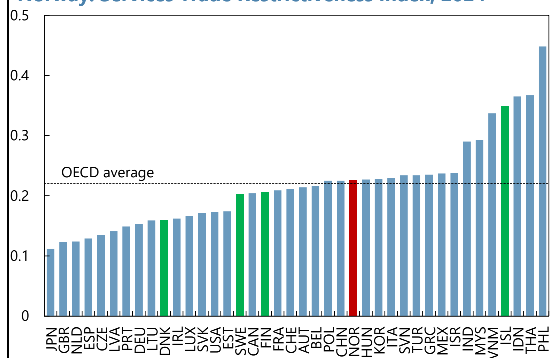
[25] The "reinforced work line" is a central principle in the design of Norway's welfare and labor market policies that emphasizes the importance of work as the primary path to social inclusion, economic independence, and personal well-being (here, in Norwegian only).

[26] Labor market programs will expand in 2025, with approximately 5,800 additional participant slots compared to 2024, with priority given to vulnerable groups, including Ukrainian refugees (estimated at 70,000). The VTA program will expand by 500 individual participant opportunities in 2025, contributing to a broader target of 2,000 new slots by 2027.

labor force survey data show that a higher share of high-skilled workers could help offset these effects, as they have sustained positive contribution to labor input over the past decade (Annex IX).

33. As a small open economy, Norway remains vulnerable to global trade disruptions and mounting geoeconomic fragmentation. The need for economic diversification is growing, particularly as petroleum activity declines from its 2004 peak and geoeconomic fragmentation reshapes global value chains. Services account for over half of the value added in gross exports, underscoring their central role in supporting diversification and long-term growth. Despite some recent liberalization, Norway's services trade regime remains relatively restrictive by international standards.[27] Strengthening competitiveness in services—through streamlined regulation and reduced state involvement—could bolster resilience and attract foreign investment. In turn, policies aimed at enhancing supply chain resilience, diversifying trade partners, and fostering strategic alliances are critical to mitigate risks from geoeconomic fragmentation.

Norway: Services Trade Restrictiveness Index, 2024



Source: OECD STRI database.

34. Ambitious climate targets aim for a 90–95 percent reduction in GHG emissions by 2050 compared to 1990 levels. Electricity production is already predominantly renewable, with hydropower accounting for 98 percent of total generation. However, significant emissions persist in the transport and industry—key priorities for decarbonization—despite notable progress in electrifying the car fleet. The government plans to incrementally increase the carbon tax to NOK 2,000 at 2020 prices per ton CO_2 by 2030 (including a 19 percent increase this year), while advancing investments in carbon capture and storage to curb industrial emissions and implementing adaptation measures such as coastal planning. Despite these efforts, analysis in the 2025 budget indicates that additional policies are likely be needed to meet the emissions target.

35. Norway continues to address transnational aspects of corruption, but more improvements are called for (see Annex X).

Authorities' Views

36. The authorities emphasized their commitment to reinforcing labor force participation and boosting labor supply, while acknowledging implementation and political constraints. They pointed to Norway's high employment rate but also recognized that achieving further gains will be increasingly challenging. A 2024 White Paper on labor market policies outlined ambitions to strengthen work incentives, including wage subsidies, targeted training programs, and pilot

[27] Norway's services trade restrictiveness remains above the OECD average, with key barriers including state ownership, foreign entry limits, and residency requirements in several sectors such as insurance, logistics, and telecommunications (here).

initiatives. While the authorities view many of these labor market measures as cost-effective and supportive of higher employment, they noted that the proposals require approval and secure funding. They expressed particular concern about rising work absences and are prioritizing data collection and diagnostics before advancing further reforms. The authorities reaffirmed that disability and sickness benefit reforms require a broad political consensus and highlighted the ongoing tripartite agreement on sickness-related absences as a constructive platform for future progress. On climate policy, authorities recognized that reaching Norway's 2035 and 2050 emission reduction targets will require additional measures beyond current plans.

E. Policies Under a Downside Scenario

37. In a downside scenario of elevated trade tensions, policy uncertainty and tighter financial conditions, growth would slow, reflecting weaker trade and investment. A sensitivity analysis aligned with Scenario A in the April 2025 WEO shows annual real GDP growth could decline by about 0.7 percentage points (cumulative) in 2025–26, driven by reduced external demand, falling oil prices and lower private investment (Text Table 2).

38. A calibrated policy response would help mitigate the impact on economic activity. If the downside scenario materializes, automatic fiscal stabilizers should be allowed to operate fully to support households, while ample fiscal space allows for temporary and targeted discretionary support if the slowdown deepens. Should downside risks disproportionately affect households, measures should target those in financial distress to safeguard consumption and ensure financial stability.[28] The CCyB should be lowered if signs of constrained availability of credit supply emerge. Strong fiscal-monetary coordination will be key to preserving credibility and resilience. With easing inflation and rising economic slack, Norges Bank would have room to cut rates faster than currently expected.

Text Table 2. Norway: Sensitivity Analysis - Key Macroeconomic Variables

	Baseline		Alternative Riskier Scenario	
	2025	2026	2025	2026
Real GDP (percent change)	0.7	1.7	0.4	1.2
Real mainland GDP (percent change)	1.5	1.4	1.3	1.0
Trade Balance (percent of GDP)	12.7	12.3	12.6	12.1
Non-oil balance (percent of mainland GDP)	-12.9	-13.1	-13.0	-13.6
CPI Inflation (average)	2.4	2.4	2.2	2.1
Oil price (percent change)	-13.9	-5.7	-30.5	5.5
Euro area Real GDP (percent change)	0.8	1.2	-0.2	-0.5
US Real GDP (percent change)	1.8	1.7	0.3	-0.5

Alternative macro-framework based on the global assumptions that broadly reflect the WEO risk scenario assumptions (Box 1.1, April 2025 WEO).

Authorities' Views

39. The authorities broadly concurred with the thrust of staff's policy recommendations in case a downside scenario materializes. Norges Bank staff noted that a trade conflict of a certain scale will most likely slow activity growth in Norway through various channels. The overall impact on inflation is more uncertain. They further pointed out that there is high uncertainty and the channels could work differently than assumed. The FSA noted that in the event of a severe downside scenario, policy measures should aim to preserve borrowers' debt servicing capacity in order to avoid large

[28] Banks overall exposure to industries directly affect by tariffs is moderate—about 15 percent of corporate lending— but the exposures are unevenly distributed across institutions.

losses in the banking sector. In turn, regulatory and supervisory policies (such as the lending regulation) would be reviewed to ensure they do not have unintended adverse effects. The Ministry of Finance emphasized that a well-calibrated response would help cushion the impact on growth. They noted that automatic stabilizers should be allowed to operate fully to support households, complemented by temporary and targeted discretionary measures if needed.

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40. Norway's economy is resilient owing to strong fundamentals that place it well to navigate a highly uncertain external environment. Fiscal support and a gradual recovery of private domestic demand are expected to drive mainland real GDP growth to 1.5 percent in 2025—around its long-term potential—and keep it at that level over the medium term. Under the baseline, headline and core inflation are expected to decline to 2.2 and 2.6 percent by end-2025, returning to target by 2027. While the balance of risks to growth is tilted to the downside, risks to inflation are more balanced. Norway's strong macroeconomic fundamentals and institutional strengths position it well to cope with the challenging external backdrop derived from higher trade policy uncertainty and geoeconomic fragmentation.

41. Bringing inflation sustainably back to target remains the most pressing near-term policy priority. Norges Bank should proceed cautiously with monetary policy normalization. The current restrictive stance should remain in place until inflation is clearly on track to return to the 2 percent target. Norway's strong monetary policy framework has served the economy well but steering through rapidly evolving global developments and volatile data may require enhancements to the monetary policy process, including expanding the use of scenario analysis, formalizing a role for contrarian views in the forecasting process, and refining communication strategies to maintain well-anchored expectations, including criteria for strategic communications when market expectations deviate markedly from policy intentions.

42. Macroprudential policy settings should not be eased further. Macroprudential easing should wait until systemic risks recede or financial disintermediation risks emerge. Although household debt burdens have stabilized, they remain high and the recent relaxation of the LTV limit for mortgages could increase financial vulnerabilities further by fueling increases in house prices and household indebtedness. Lasting improvements in housing affordability will require structural measures to address factors that keep prices elevated. The current CCyB setting remains appropriate, but Norges Bank should be prepared to raise it, if cyclical vulnerabilities increase.

43. The financial system is sound with strong buffers, but vulnerabilities remain elevated. Continued close monitoring of the financial system is essential. Priority should be given to preserving capital buffers, including by ensuring that bank models properly reflect credit risks, and to strengthening contingency planning amid continued pressure on the commercial real estate (CRE) sector. Measures to address increased bank reliance on covered bonds are welcome and

[29] Data remain adequate for surveillance (see Annex XII and Informational Annex).

would help mitigate interconnectedness risks. Participation in the initiative to undertake a Nordic-Baltic regional stress test exercise would enhance the assessment of cross-border financial interlinkages and risks. Work to address the findings of the 2024 Nordic-Baltic crisis management exercise and the 2020 FSAP recommendations should continue.

44. A broadly neutral fiscal stance would support the disinflation process and improve policy coherence. The current expansionary fiscal stance is expected to provide significant support to economic activity, posing challenges to the disinflation effort. A neutral fiscal position would enhance the effectiveness of the overall policy mix, which may require offsetting new spending priorities with savings elsewhere to avoid fueling inflationary pressures.

45. Enhancements to Norway's robust fiscal framework would help ensure continued delivery of strong economic and social outcomes. Reinforcing the countercyclicality of fiscal policy and spending discipline would enhance fiscal resilience. Complementing the fiscal rule with explicit medium-term expenditure limits could reduce exposure to volatility from market-driven changes in the large and growing value of the GPFG and improve fiscal planning. Strengthening multi-year budgeting, improving public investment management, conducting more systematic spending reviews, and setting efficiency targets would support more strategic resource allocation and enhance public service delivery. Benchmarking the setup of the Advisory Panel on Fiscal Policy Analysis against best international practices for independent fiscal councils and expanding its mandate would help further enhance the fiscal framework.

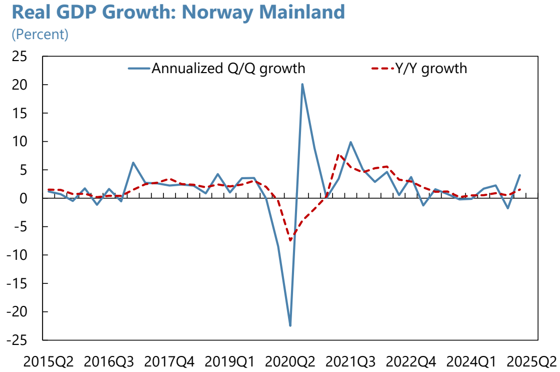
46. Advancing fiscal reforms is essential to bolster resilience and support long-term growth. Tax reforms aimed at improving efficiency and broadening the revenue base remain a priority. Consolidating multiple VAT rates and enhancing incentives for work and investment would improve resilience of the tax system. Further measures to reform disability and sickness benefits, along the lines of past IMF recommendations, are needed to reduce work disincentives, increase labor force participation, and contain long-term fiscal costs. Sustained reform efforts are crucial to ensure long-term sustainability of fiscal policy in the face of rising structural spending pressures.

47. A broad and ambitious reform agenda is essential to accelerate productivity growth and mitigate the effects of geoeconomic fragmentation. Advancing the "reinforced work line" agenda would reduce reliance on disability benefits, raise labor force participation among underrepresented groups—including youth and immigrants—and increase total hours worked. Strengthening education-to-work transitions, promoting full-time employment, and accelerating digitalization would further support productivity. Further measures will be needed to achieve Norway's 2035 emission reduction targets.

48. The next Article IV consultation with Norway is expected to be held on the standard 12-month cycle.

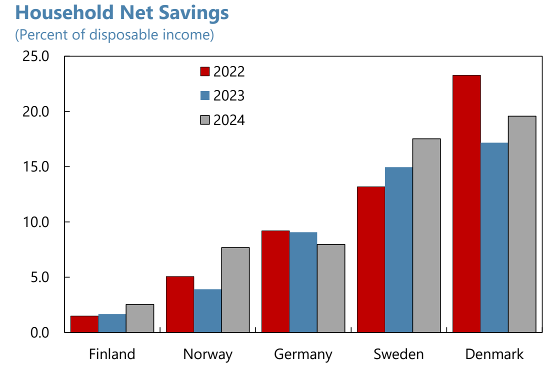
Figure 1. Norway: Selected Economic Indicators

Real mainland GDP growth has remained sluggish since mid-2023.



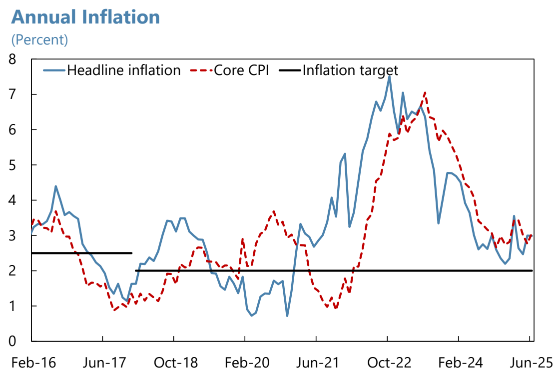
Sources: Statistics Norway; Haver Analytics.

Norwegian households saving rate is among the lowest relative to peers but it has increased.



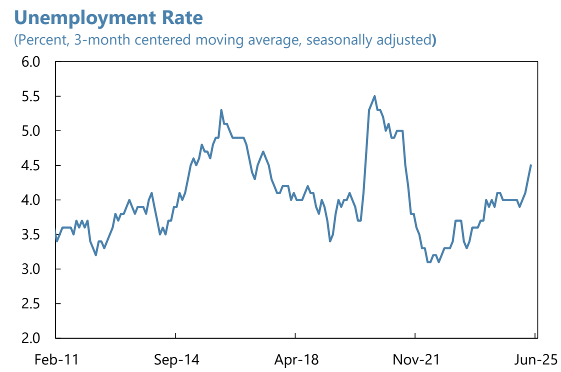
Source: OECD.

While moderating, both headline and core inflation remain above target on an annual basis.



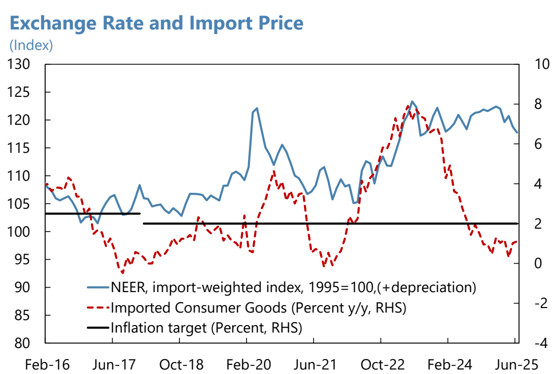
Sources: Statistics Norway; and IMF staff calculations.

The unemployment rate is around pre-pandemic levels.



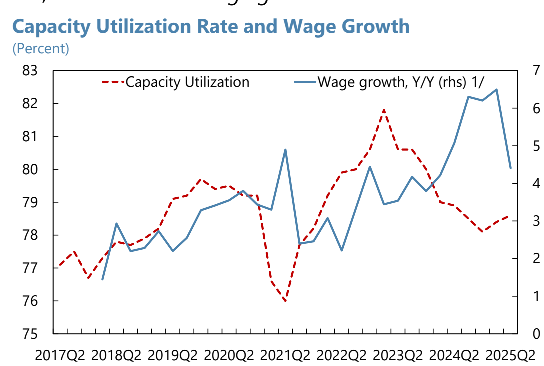
Sources: Statistics Norway; and Haver Analytics.

Import prices have been declining and the exchange rate has stabilized.



Sources: Norges Bank; Haver Analytics; and IMF staff calculations.

Capacity utilization has declined since its cyclical peak in 2022, while nominal wage growth remains elevated.

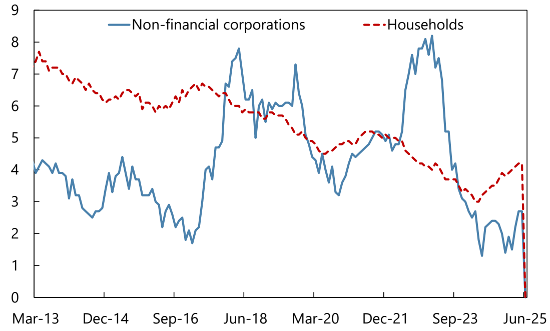


Sources: Statistics Norway; and IMF staff calculations.
1/ Wage growth is calculated from new index starting 2017.

Figure 2. Norway: Selected Financial Indicators

Credit to households is picking up

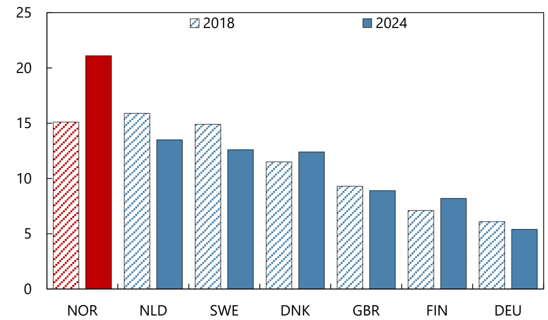
Growth in Domestic Credit
(Percent; y/y sa)



Source: Statistics Norway.

Household debt service ratios are highest among peers

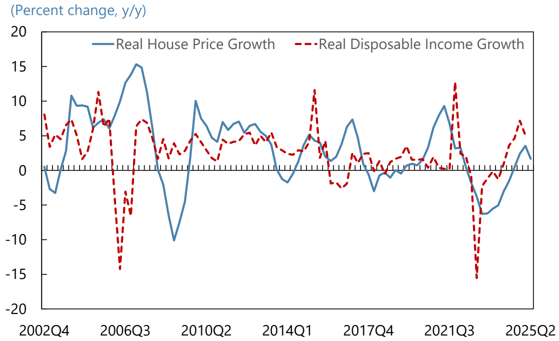
Household Debt Service Ratios
(Percent)



Source: Bank for International Settlements.

RRE prices have bottomed out

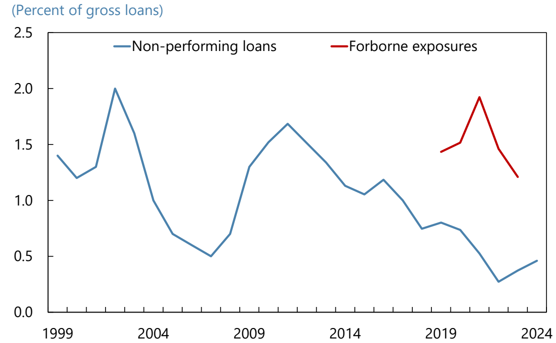
House Price Growth
(Percent change, y/y)



Sources: Statistics Norway; Haver Analytics; and IMF staff calculations.

The share of NPLs remains low but has increased

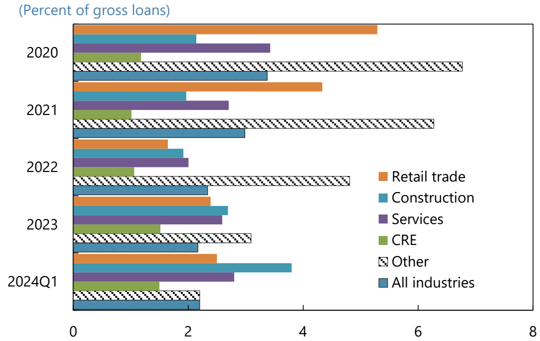
Non-performing Loans
(Percent of gross loans)



Sources: Finanstilsynet; FRED; and IMF Financial Soundness Indicators.

NPLs are highest in services and construction

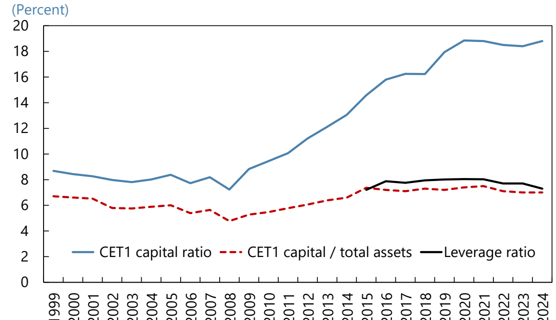
NPLs by Sector
(Percent of gross loans)



Source: Finanstilsynet.

Banking system buffers remain high

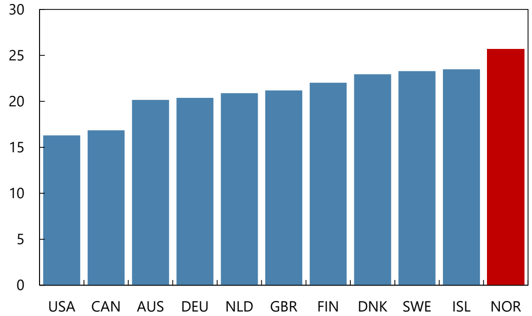
CET1 Ratio and Leverage Ratio
(Percent)



Source: Finanstilsynet.

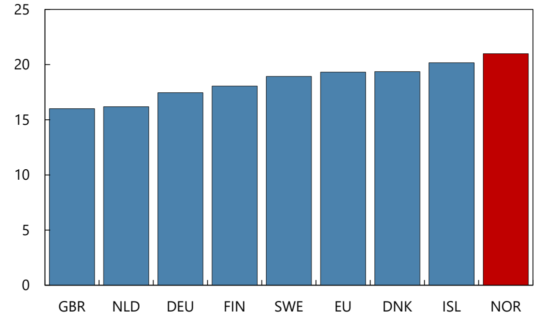
Figure 3. Norway: Selected Banking Sector Indicators

Regulatory Capital Ratio
(Percent; 2024Q4 or latest available quarter)



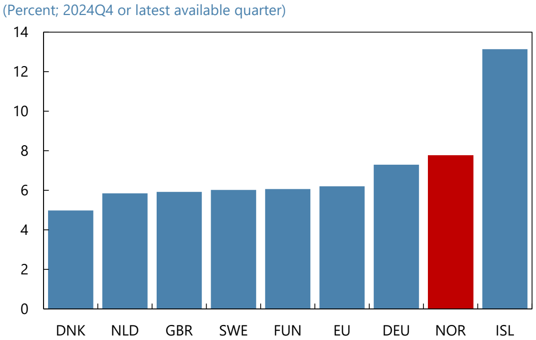
Source: IMF Financial Soundness Indicators.

CET1 Ratio
(Percent; 2024Q4 or latest available quarter)



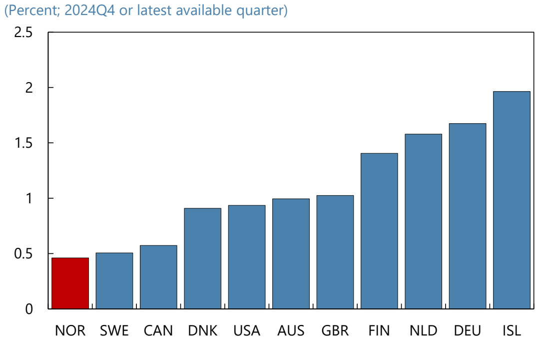
Source: European Central Bank; and IMF Financial Soundness Indicators.

Leverage Ratio
(Percent; 2024Q4 or latest available quarter)



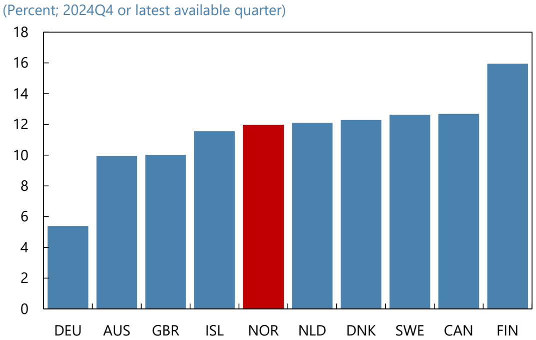
Source: European Central Bank; and IMF Financial Soundness Indicators.

Asset Quality (NPL Ratio)
(Percent; 2024Q4 or latest available quarter)



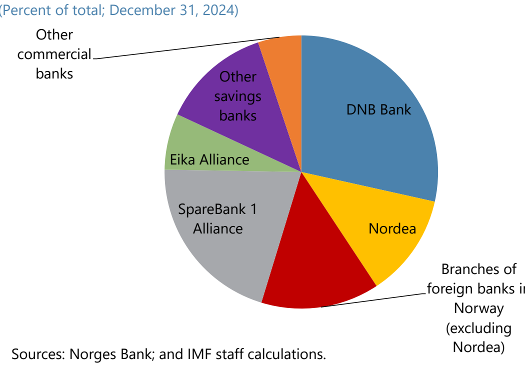
Source: IMF Financial Soundness Indicators.

Profitability (Return on Equity)
(Percent; 2024Q4 or latest available quarter)



Source: European Central Bank; and IMF Financial Soundness Indicators.

Lending Shares in Banking System (Overall)
(Percent of total; December 31, 2024)

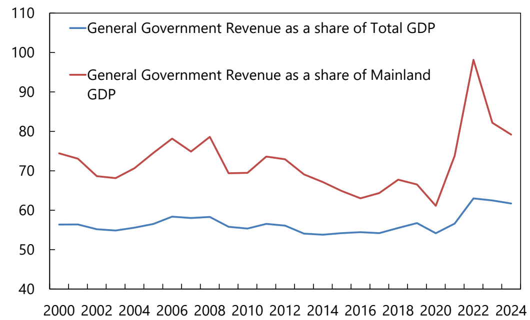


Sources: Norges Bank; and IMF staff calculations.

Figure 4. Norway: Selected Fiscal Indicators

Strong earnings from petroleum-related activities continue to support fiscal revenues.

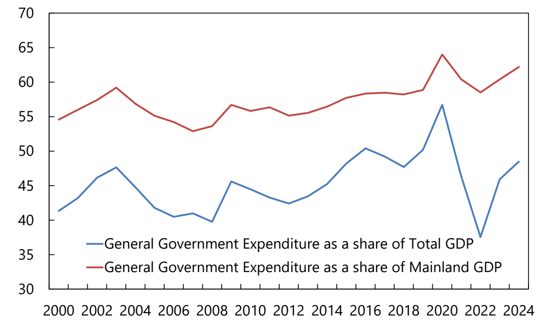
General Government Revenue
(Percent)



Sources: Haver Analytics; Ministry of Finance; and IMF staff calculations.

Expenditure rose in 2024 on increased defense spending, aid to Ukraine, and transfers to municipalities...

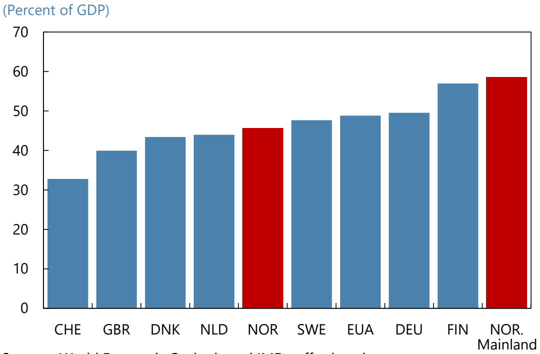
General Government Expenditure
(Percent)



Sources: Haver Analytics; Ministry of Finance; and IMF staff calculations.

...leading to the highest levels of public expenditure in the region.

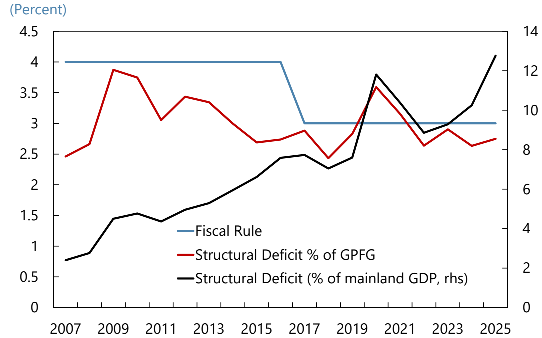
General Government Expenditure, 2024
(Percent of GDP)



Sources: World Economic Outlook; and IMF staff calcuations.

The structural deficit remains below the limit allowed under the fiscal rule...

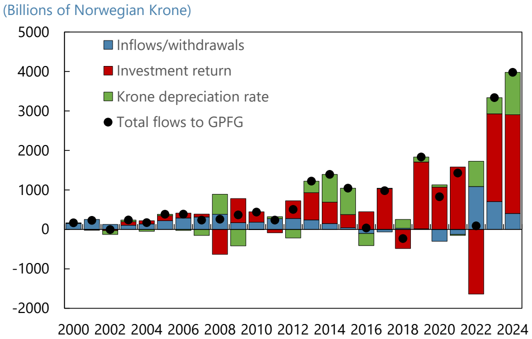
Fiscal Rule and Structural Deficit
(Percent)



Sources: Ministry of Finance; and IMF staff calculations.

...as the GPFG posted a strong performance in 2024.

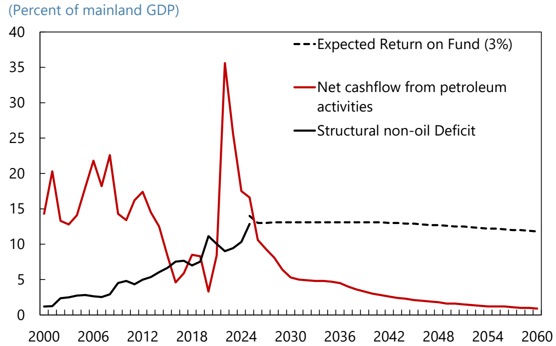
Annual Change in GPFG Market Value, by Source
(Billions of Norwegian Krone)



Source: Norges Bank Investment Management.

A steep decline in petroleum-related revenues is expected in the long-term.

Oil Revenues and Spending from the GPFG
(Percent of mainland GDP)



Source: Ministry of Finance.

Table 1. Norway: Selected Economic and Social Indicators, 2023–2030

Population (2024): 5.6 million
Per capita GDP (2024): US$ 86,611
Main products and exports: Oil, natural gas, fish (primarily salmon)

			Projections [4/]					
	2023	2024	2025	2026	2027	2028	2029	2030
Real economy								
Real GDP (change in percent)[1/]	0.1	2.1	0.7	1.7	1.6	1.3	1.3	1.3
Real mainland GDP (change in percent)	0.7	0.6	1.5	1.4	1.6	1.5	1.5	1.5
Final Domestic demand	-0.3	0.3	1.7	1.7	1.7	1.7	1.7	1.7
Private consumption	-1.2	1.4	2.3	1.8	1.9	2.0	2.0	2.0
Public consumption	3.4	2.4	2.1	1.8	1.6	1.6	1.6	1.5
Gross fixed capital formation	-2.6	-4.6	-0.3	1.4	1.2	1.2	1.2	1.4
Exports	4.8	2.7	1.9	1.8	2.7	2.6	2.6	2.6
Imports	-1.6	4.3	2.0	2.2	2.3	2.6	2.7	2.7
Unemployment rate (percent of labor force)	3.6	4.0	4.1	4.2	4.1	4.0	3.9	3.8
Output gap (mainland economy, - implies output below potential)	0.9	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.0
CPI (average)	5.5	3.1	2.4	2.4	2.0	2.0	2.0	2.0
Core Inflation (average)	6.2	3.7	3.0	2.6	2.0	2.0	2.0	2.0
Public finance								
Central government (fiscal accounts basis)								
Non-oil balance (percent of mainland GDP)	-7.5	-8.2	-8.7	-9.1	-9.3	-9.5	-9.8	-10.0
Structural non-oil balance (percent of mainland trend GDP)[2/]	-9.4	-10.3	-12.9	-12.8	-12.8	-12.8	-12.8	-12.9
Fiscal impulse	0.4	0.9	2.5	-0.1	0.0	0.0	0.0	0.0
in percent of Pension Fund Global Capital[3/]	-2.9	-2.6	-2.7	-2.7	-2.7	-2.7	-2.6	-2.6
General government (national accounts definition, percent of mainland GDP)								
Overall balance	21.8	17.0	16.3	13.5	12.8	12.3	11.7	10.9
Non-oil balance (percent of mainland GDP)	-8.4	-10.1	-10.7	-11.0	-11.2	-11.4	-11.6	-11.8
Net financial assets	479	557	568	572	574	575	576	575
of which: capital of Government Pension Fund Global (GPF-G)	406	487	501	507	511	515	517	519
Gross Public Debt (percent of GDP)	44.2	42.7	42.5	41.1	39.8	38.4	37.0	35.5
Money and credit (end of period, 12-month percent change)								
Broad money, M2	0.3	3.4	...	...	...	...	...	...
Domestic credit, C2	3.8	3.3	3.9	3.8	3.6	3.5	3.5	3.5
Interest rates (year average, in percent)								
Three-month interbank rate	4.2	4.7	4.0	3.5	3.2	3.2	3.2	3.2
Ten-year government bond yield	3.4	3.6	3.9	3.6	3.4	3.4	3.4	3.4
Balance of payments (percent of total GDP)								
Current account balance	17.4	16.7	14.8	14.1	13.5	12.8	12.1	11.5
Balance of goods and services (percent of mainland GDP)	20.3	17.5	16.1	15.7	15.2	14.7	14.2	13.7
Exports of goods and services (volume change in percent)	0.4	5.2	0.4	5.3	1.6	1.3	2.1	2.6
Imports of goods and services (volume change in percent)	-1.5	4.3	1.4	1.6	2.2	2.7	2.8	2.7
Terms of trade (change in percent)	-29.3	-6.1	0.3	-4.9	-0.1	0.4	0.0	-0.4
International reserves (end of period, in billions of US dollars)	77.4	82.4	82.4	82.4	82.4	82.4	82.4	82.4
Gross national saving	41.6	40.8	38.8	38.3	37.8	37.1	36.3	35.6
Gross domestic investment	24.3	24.1	24.0	24.2	24.3	24.2	24.2	24.1
Exchange rates (end of period)								
Bilateral rate (NOK/USD), end-of-period	10.6	10.7	...	...	...	...	...	...
Nominal effective rate (2010=100)	73.2	72.6	...	...	...	...	...	...
Real effective rate (2010=100)	74.1	73.6	...	...	...	...	...	...
Memo:								
Nominal GDP (in Billions of US Dollars)	482.9	483.6	515.5	546.9	566.2	584.2	603.1	623.3

Sources: Norwegian Authorities; International Financial Statistics; and IMF staff calculations.

1/ Based on market prices which include "taxes on products, including VAT, less subsidies on products."

2/ Authorities' key fiscal policy variable; excludes oil-related revenue and expenditure, GPFG income, as well as cyclical effects. Non-oil GDP trend estimated by MOF.

3/ Over-the-cycle deficit target: 3 percent of Government Pension Fund Global.

4/ Based on information available as of July 1, 2025.

Table 2. Norway: Medium-Term Macroeconomic Indicators, 2021–2030

					Projections					
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
Real GDP (change in percent)	3.9	3.2	0.1	2.1	0.7	1.7	1.6	1.3	1.3	1.3
Real mainland GDP	4.5	4.3	0.7	0.6	1.5	1.4	1.6	1.5	1.5	1.5
Real Domestic Demand (change in percent)	2.7	5.6	-0.8	0.4	1.7	1.9	1.8	1.6	1.6	1.6
Public consumption	3.6	1.8	3.4	2.4	2.1	1.8	1.6	1.6	1.6	1.5
Private consumption	5.1	7.8	-1.2	1.4	2.3	1.8	1.9	2.0	2.0	2.0
Gross fixed investment	0.7	0.3	-1.5	-1.4	1.3	1.5	1.0	1.1	1.0	1.2
Trade balance of goods and services (contribution to growth)	2.8	-0.4	0.7	1.8	-0.3	0.4	0.3	0.2	0.2	0.2
Exports of goods and services	6.1	5.2	0.4	5.2	0.4	1.7	1.6	1.6	1.6	1.6
Mainland good exports	6.7	-1.8	5.3	2.1	1.8	1.8	2.7	2.6	2.6	2.6
Imports of goods and services	1.8	13.3	-1.5	4.3	2.0	2.1	2.3	2.5	2.6	2.6
Potential GDP (change in percent)	1.5	1.5	1.5	1.5	1.5	1.5	1.5	1.4	1.4	1.4
Potential mainland GDP	1.7	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.5	1.5
Output gap (percent of potential mainland GDP)	-0.8	1.8	0.9	-0.1	-0.1	-0.2	0.0	0.0	0.0	0.0
Labor Market (percent)										
Employment	2.4	2.7	1.0	0.4	0.7	0.7	0.9	0.9	0.9	0.9
Unemployment rate LFS	4.4	3.3	3.6	4.0	4.1	4.2	4.1	4.0	3.9	3.8
Prices										
GDP deflator (mainland)	3.5	6.4	4.7	3.8	2.2	2.2	1.9	1.8	1.8	1.8
Consumer prices (average)	3.5	5.8	5.5	3.1	2.4	2.4	2.0	2.0	2.0	2.0
Core inflation (average)	1.7	3.9	6.2	3.7	3.0	2.6	2.0	2.0	2.0	2.0
Fiscal Indicators (percent of mainland GDP)										
Central government non-oil balance	-11.1	-7.7	-7.5	-8.2	-8.7	-9.1	-9.3	-9.5	-9.8	-10.0
General government fiscal balance	13.4	39.8	21.7	16.9	16.2	13.3	12.7	12.1	11.5	10.7
of which: overall revenue	74.8	99.3	83.2	80.2	80.1	77.6	77.1	76.7	76.3	75.8
of which: overall expenditure	61.4	59.5	61.5	63.3	63.9	64.2	64.4	64.6	64.8	65.0
External Sector										
Current account balance (percent of mainland GDP)	19.4	46.2	22.9	21.4	18.8	18.0	17.2	16.3	15.3	14.5
Current account balance (percent of GDP)	14.9	29.6	17.4	16.7	14.8	14.1	13.5	12.8	12.1	11.5
Balance of goods and services (percent of mainland GDP)	19.4	44.2	20.3	17.5	16.1	15.7	15.2	14.7	14.2	13.7
Mainland balance of goods	-10.6	-11.0	-9.4	-10.0	-7.7	-6.2	-5.5	-5.0	-4.8	-4.6
Crude Oil Price	69.2	96.4	80.6	79.2	68.2	64.3	64.7	65.4	65.8	65.9

Sources: Norwegian Authorities; and IMF staff calculations.

Table 3. Norway: Balance of Payments and External Sector Indicators, 2021–2030

	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
					Projections					
					Bil. NOK					
Current account balance	644	1,699	887	868	791	785	776	761	744	728
Balance of goods and services	642	1,628	789	708	678	685	690	690	689	690
Balance of goods	622	1,602	825	751	723	735	741	742	744	747
Balance of services	20	25	-37	-44	-44	-51	-51	-52	-55	-57
Exports	1,861	3,182	2,444	2,468	2,457	2,512	2,574	2,641	2,717	2,799
Goods	1,495	2,660	1,875	1,850	1,833	1,874	1,914	1,957	2,007	2,061
of which oil and natural gas	981	2,016	1,202	1,169	1,061	1,019	1,002	989	987	987
Services	366	522	569	618	624	639	660	684	710	738
Imports	1,219	1,554	1,656	1,760	1,778	1,827	1,884	1,951	2,028	2,109
Goods	873	1,058	1,050	1,099	1,111	1,138	1,172	1,214	1,263	1,314
Services	346	497	605	661	668	689	712	736	765	795
Balance on income	2	71	98	160	112	100	86	71	55	38
Capital account balance	-1.2	-7.7	-4.4	-12.1	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance (excluding change in reserves)	528	1,487	1,078	739	791	785	776	761	744	728
Net direct investment	108	119	-36	-107	70	72	75	77	80	82
Net portfolio investment	351	1,420	990	922	503	523	540	558	575	594
Net other investment	69	-52	123	-76	218	190	161	127	89	51
Net errors and omissions	16	304	-62	-217	0	0	0	0	0	0
Change in reserves	87	-27	33	-2	0	0	0	0	0	0
					Percent of GDP					
Current account balance	14.9	29.6	17.4	16.7	14.8	14.1	13.5	12.8	12.1	11.5
Balance of goods and services	14.8	28.4	15.5	13.6	12.7	12.3	12.0	11.6	11.2	10.9
Balance of goods	14.4	27.9	16.2	14.5	13.5	13.2	12.9	12.5	12.1	11.8
Balance of services	0.5	0.4	-0.7	-0.8	-0.8	-0.9	-0.9	-0.9	-0.9	-0.9
Exports	43.0	55.5	47.9	47.5	45.9	45.2	44.8	44.5	44.4	44.3
Goods	34.6	46.4	36.8	35.6	34.3	33.7	33.3	33.0	32.8	32.6
of which oil and natural gas	22.7	35.2	23.6	22.5	19.8	18.3	17.4	16.7	16.1	15.6
Services	8.5	9.1	11.2	11.9	11.7	11.5	11.5	11.5	11.6	11.7
Imports	28.2	27.1	32.5	33.9	33.2	32.9	32.8	32.9	33.1	33.4
Goods	20.2	18.4	20.6	21.1	20.8	20.5	20.4	20.5	20.6	20.8
Services	8.0	8.7	11.9	12.7	12.5	12.4	12.4	12.4	12.5	12.6
Balance on income	0.0	1.2	1.9	3.1	2.1	1.8	1.5	1.2	0.9	0.6
Capital account balance	0.0	-0.2	-0.1	-0.3	0.0	0.0	0.0	0.0	0.0	0.0
Financial account balance (excluding change in reserves)	12.2	25.9	21.1	14.2	14.8	14.1	13.5	12.8	12.1	11.5
Net direct investment	2.5	2.1	-0.7	-2.1	1.3	1.3	1.3	1.3	1.3	1.3
Net portfolio investment	8.1	24.8	19.4	17.7	9.4	9.4	9.4	9.4	9.4	9.4
Net other investment	1.6	-0.9	2.4	-1.5	4.1	3.4	2.8	2.1	1.4	0.8
Net errors and omissions	0.4	5.3	-1.2	-4.2	0.0	0.0	0.0	0.0	0.0	0.0
Change in reserves	2.0	-0.5	0.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Stock of net foreign assets (IIP)	269.7	201.2	298.2	377.0	391.0	395.4	399.4	403.3	406.7	408.7
Direct investment, net	7.9	7.6	7.5	9.4	10.5	11.4	12.3	13.2	14.1	15.0
Portolio investment, net	263.6	196.9	289.1	365.9	376.1	376.3	376.8	378.0	379.4	380.2
Other investment, net	-19.6	-15.3	-13.8	-15.7	-11.1	-7.3	-4.3	-2.0	-0.5	0.3
Official reserves, assets	17.2	12.4	16.1	17.8	15.6	15.1	14.5	14.1	13.7	13.2
Government Pension Fund Global (percent of mainland GDP)	372.2	337.9	406.2	487.4	501.0	507.0	511.3	514.6	517.4	518.7

Sources: Statistics Norway, Ministry of Finance, and IMF staff calculations.

Table 4. Norway: General Government Accounts, 2021–2030
(NOK and Percent of Mainland GDP)

					Projections					
	2021	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**	**2028**	**2029**	**2030**
General Government					*Percent of Mainland GDP*					
Revenue	74.8	99.3	83.2	80.2	80.1	77.6	77.1	76.7	76.3	75.8
Oil Related Revenue	21.5	46.9	30.1	27.0	26.9	24.3	23.9	23.5	23.1	22.5
Non-oil Related Revenue	53.3	52.4	53.1	53.2	53.2	53.2	53.2	53.2	53.2	53.2
Social Security	12.3	11.9	12.3	12.4	12.4	12.4	12.4	12.4	12.4	12.4
Interest	2.1	2.8	4.6	5.1	3.9	3.3	3.0	3.0	2.9	2.7
Expenditure	61.4	59.5	61.5	63.3	63.9	64.2	64.4	64.6	64.8	65.0
Non-oil Expenditure	61.4	59.5	61.5	63.3	63.9	64.2	64.4	64.6	64.8	65.0
Social Security	17.9	16.7	17.4	17.9	18.1	18.1	18.2	18.3	18.3	18.4
Interest	0.5	0.8	1.4	1.6	1.2	1.0	0.9	0.9	0.9	0.8
Overall Balance	13.4	39.8	21.7	16.9	16.2	13.3	12.7	12.1	11.5	10.7
Non-Oil Balance	-8.1	-7.0	-8.4	-10.1	-10.7	-11.0	-11.2	-11.4	-11.6	-11.8
General Government					*Bil. NOK*					
Revenue	2,481	3,653	3,228	3,249	3,372	3,389	3,489	3,595	3,700	3,803
Oil Related Revenue	713	1,724	1,169	1,092	1,132	1,063	1,080	1,101	1,119	1,131
Non-oil Related Revenue	1,768	1,929	2,059	2,156	2,240	2,326	2,409	2,494	2,582	2,672
Social Security	409	436	479	502	521	541	560	580	601	622
Interest	71	102	179	206	165	144	135	138	141	138
Expenditure	2,036	2,187	2,385	2,565	2,691	2,806	2,916	3,029	3,144	3,264
Non-oil Expenditure	2,036	2,187	2,385	2,565	2,691	2,806	2,916	3,029	3,144	3,264
Social Security	595	615	673	724	760	792	823	855	888	922
Interest	18	30	55	63	51	44	42	43	43	42
Overall Balance	445	1,466	843	683	682	582	573	567	556	539
Non-Oil Balance	-268	-258	-326	-409	-450	-481	-507	-534	-563	-592
Central Government										
Structural Non-Oil Balance as % of GPFG	-3.2	-2.6	-2.9	-2.6	-2.7	-2.7	-2.7	-2.7	-2.6	-2.6

Sources: Norwegian Authorities: and IMF staff calculations.

* Projections do not include the recently announced additional defence spending during the next 12 years.

Table 5. Norway: Financial Soundness Indicators, 2019–2024

(Percent)

	2019	2020	2021	2022	2023	2024
Capital Adequacy						
Regulatory Capital to Risk-Weighted Assets	24.2	24.8	25.0	25.9	24.7	25.7
Regulatory Tier 1 Capital to Risk-Weighted Assets	21.4	22.0	22.2	22.0	21.8	22.7
Total Capital to Total Assets	11.3	11.2	12.2	9.4	8.8	9.0
Asset Quality and Exposure						
Non-performing Loans to Total Gross Loans	0.8	0.7	0.5	0.3	0.4	0.5
Non-performing Loans Net of Provisions to Capital	0.7	0.3	0.3	-0.9	-0.1	0.7
Earnings and Profitability						
Return on Assets	1.6	1.1	1.3	1.1	1.3	1.2
Return on Equity	14.0	9.9	11.7	10.3	12.4	12.0
Non-interest Expenses to Gross Income, percent	42.1	44.0	45.6	33.4	30.4	32.7
Liquidity						
Liquid Assets to Total Assets (Liquid Asset Ratio)	10.0	9.8	11.1	7.0	6.7	4.9
Liquid Assets to Short Term Liabilities	20.0	18.9	19.0	20.3	21.0	15.3
Memorandum Items						
Change in Housing Price Index (in percent, year average)	2.5	4.3	10.5	5.2	-0.5	2.7
Total Household Debt (in percent of GDP)	108.1	118.4	100.4	79.4	91.5	88.5
Total Household Debt (in percent of disposable income)	252.1	259.9	254.0	285.8	280.3	270.5
Gross Debt of Non-financial Corporations (in percent of GDP)	145.1	170.1	147.7	123.0	149.3	144.9

Sources: ECB; IMF Financial Soundness Indicators; and OECD.

Table 6. Norway: Monetary Survey, 2018–2024
(Billion NOK)

	2018	2019	2020	2021	2022	2023	2024
Central Bank balance sheet							
Assets	8,851	10,727	11,679	13,172	13,200	16,629	20,722
Liabilities	8,612	10,464	11,403	12,883	12,930	16,307	20,335
M3, Monetary aggregates (outstanding amounts)							
Households	1,294	1,348	1,467	1,575	1,640	1,689	1,775
Municipal government	105	107	115	133	141	125	116
Nonfinancial corporations	728	755	897	1,037	1,125	1,086	1,097
Other financial corporations	133	142	155	167	167	186	205
Broad Money (M3)	2,259	2,351	2,635	2,912	3,073	3,087	3,193
M2	2,253	2,348	2,633	2,908	3,069	3,079	3,183
M1	2,097	2,162	2,465	2,724	2,811	2,674	2,752
Currency in circulation	42	39	38	37	38	38	36
Transaction Deposits	2,055	2,123	2,427	2,686	2,773	2,636	2,716
Other Deposits	156	186	168	184	258	405	431
Certificates and bonds	7	3	0	2	3	3	3
Repurchase agreements	0	0	2	2	1	4	7
Memorandum item:							
M3 growth, percent	5.5	4.1	12.5	10.6	5.5	0.6	3.5

Source: Norges Bank and Statistics Norway.

Annex I. Debt Sustainability and Sovereign Risk Assessment

Annex I. Figure 1. Norway: Risk of Sovereign Stress

Horizon	Mechanical signal	Final assessment	Comments
Overall	...	Low	The overall risk of sovereign stress is low, reflecting a low level of public debt and high buffers.
Near term 1/			
Medium term	Moderate	Low	Medium-term risks are assessed as low against a mechanical moderate (in the fan chart only) on the basis of the high buffers and stregnth of institutions.
Fanchart	High	...	
GFN	Low	...	
Stress test		...	
Long term	...	Moderate	Long-term risks are moderate as aging-related expenditures on health and social security feed into debt dynamics.
Sustainability assessment 2/	Not required for surveillance countries	Not required for surveillance countries	
Debt stabilization in the baseline			No

DSA Summary Assessment

Commentary: Norway is at low overall risk of sovereign stress and debt is sustainable. Debt is expected to stabilize and decline over the medium term. Medium-term liquidity risks as analyzed by the GFN Financeability Module are low. Over the longer run, Norway should continue with reforms to tackle population aging and its impact on public spending, including the generous disability and sickness benefits. Large buffers contribute to keep risks low.

Source: IMF staff calculations.

Note: The risk of sovereign stress is a broader concept than debt sustainability. Unsustainable debt can only be resolved through exceptional measures (such as debt restructuring). In contrast, a sovereign can face stress without its debt necessarily being unsustainable, and there can be various measures—that do not involve a debt restructuring—to remedy such a situation, such as fiscal adjustment and new financing.

1/ The near-term assessment is not applicable in cases where there is a disbursing IMF arrangement. In surveillance-only cases or in cases with precautionary IMF arrangements, the near-term assessment is performed but not published.

2/ A debt sustainability assessment is optional for surveillance-only cases and mandatory in cases where there is a Fund arrangement. The mechanical signal of the debt sustainability assessment is deleted before publication. In surveillance-only cases or cases with IMF arrangements with normal access, the qualifier indicating probability of sustainable debt ("with high probability" or "but not with high probability") is deleted before publication.

Annex I. Figure 2. Norway: Debt Coverage and Disclosures

						Comments
1. Debt coverage in the DSA: 1/	CG	GG	NFPS	CPS	Other	
1a. If central government, are non-central government entities insignificant?					n.a.	
2. Subsectors included in the chosen coverage in (1) above:						

Coverage		Subsectors captured in the baseline	Inclusion	Comments
CPS / NFPS / GG: expected / CG	1	Budgetary central government	Yes	Not applicable
CPS / NFPS / GG: expected / CG	2	Extra budgetary funds (EBFs)	Yes	
CPS / NFPS / GG: expected	3	Social security funds (SSFs)	Yes	
CPS / NFPS / GG: expected	4	State governments	Yes	
CPS / NFPS / GG: expected	5	Local governments	Yes	
CPS / NFPS	6	Public nonfinancial corporations	No	
CPS	7	Central bank	No	
CPS	8	Other public financial corporations	No	

3. Instrument coverage:	Currency & deposits	Loans	Debt securities	Oth acct. payable 2/	IPSGSs 3/
4. Accounting principles:	Basis of recording		Valuation of debt stock		
	Non-cash basis 4/	Cash basis	Nominal value 5/	Face value 6/	Market value 7/
5. Debt consolidation across sectors:		Consolidated		Non-consolidated	

Color code: chosen coverage; Missing from recommended coverage; Not applicable

Reporting on Intra-Government Debt Holdings

Issuer \ Holder		Budget. central govt	Extra-budget. funds	Social security funds	State govt.	Local govt.	Nonfin. pub. corp.	Central bank	Oth. pub. fin corp	Total
1	Budget. central govt									0
2	Extra-budget. funds									0
3	Social security funds									0
4	State govt.									0
5	Local govt.									0
6	Nonfin pub. corp.									0
7	Central bank									0
8	Oth. pub. fin. corp									0
	Total	0	0	0	0	0	0	0	0	0

Source: IMF staff calculations.

1/ CG=Central government; GG=General government; NFPS=Nonfinancial public sector; PS=Public sector.

2/ Stock of arrears could be used as a proxy in the absence of accrual data on other accounts payable.

3/ Insurance, Pension, and Standardized Guarantee Schemes, typically including government employee pension liabilities.

4/ Includes accrual recording, commitment basis, due for payment, etc.

5/ Nominal value at any moment in time is the amount the debtor owes to the creditor. It reflects the value of the instrument at creation and subsequent economic flows (such as transactions, exchange rate, and other valuation changes other than market price changes, and other volume changes).

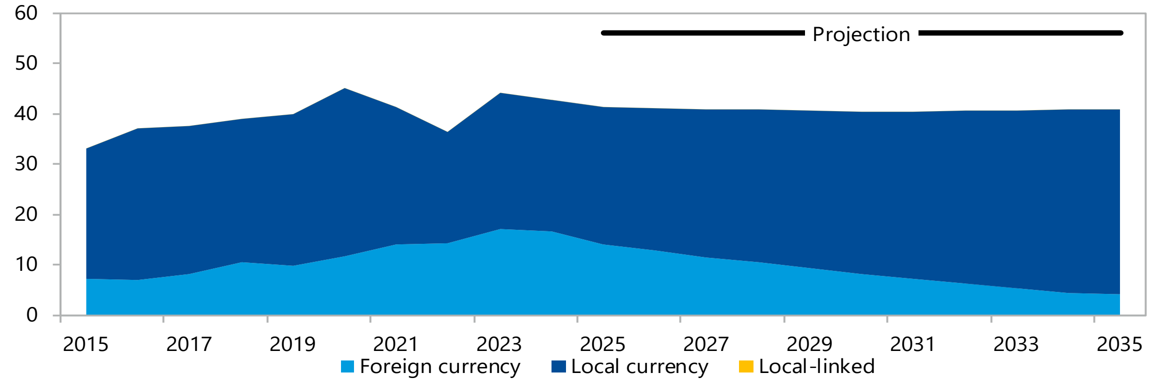
6/ The face value of a debt instrument is the undiscounted amount of principal to be paid at (or before) maturity.

7/ Market value of debt instruments is the value as if they were acquired in market transactions on the balance sheet reporting date (reference date). Only traded debt securities have observed market values.

Commentary: N/A.

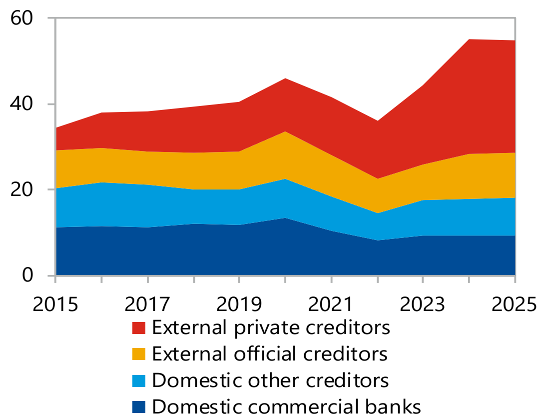
Annex I. Figure 3. Norway: Public Debt Structure Indicators

Debt by Currency (Percent of GDP)



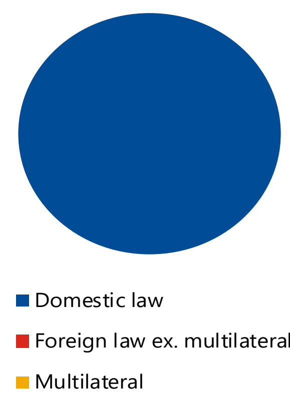
Note: The perimeter shown is general government.

Public Debt by Holder (Percent of GDP)



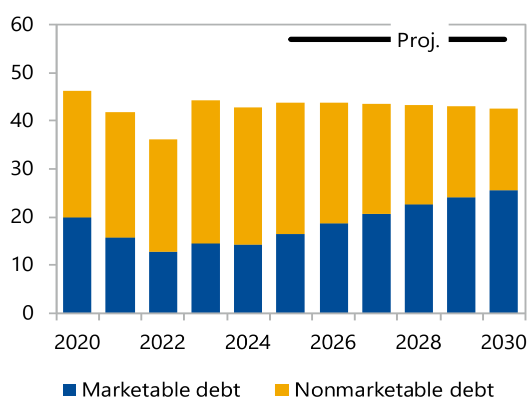
Note: The perimeter shown is general government.

Public Debt by Governing Law, 2024 (percent)



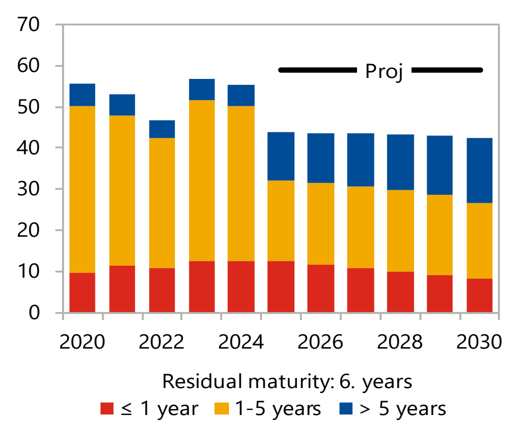
Note: The perimeter shown is general government.

Debt by Instruments (Percent of GDP)



Note: The perimeter shown is general government.

Public Debt by Maturity (Percent of GDP)



Note: The perimeter shown is general government.

Commentary: Public debt is predominantly in domestic currency. Most of the public debt has a medium and long-term maturity.

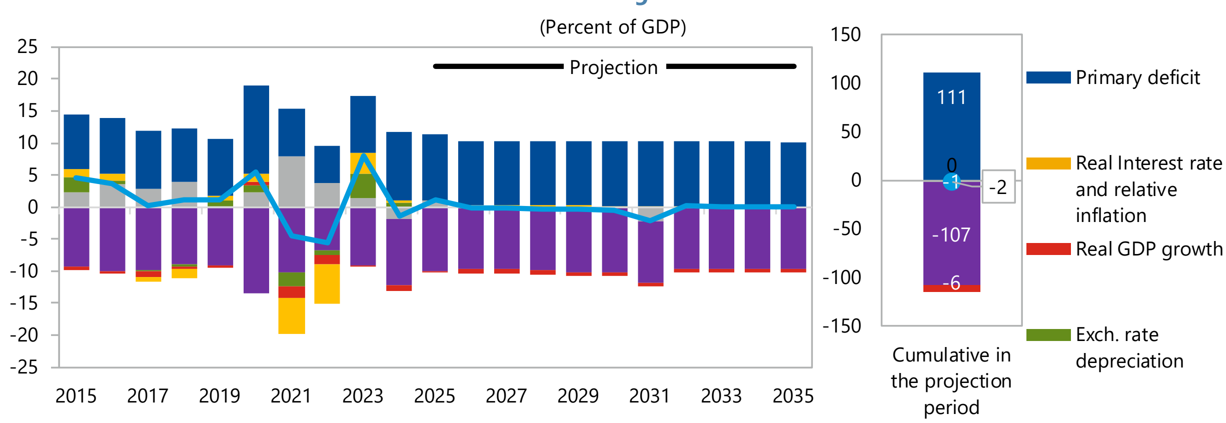
Source: IMF staff calculations.

Annex I. Figure 4. Norway: Baseline Scenario

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection			
	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035
Public debt	43.8	43.7	43.6	43.3	43.0	42.5	40.4	40.6	40.7	40.8	40.8
Change in public debt	1.1	-0.1	-0.1	-0.3	-0.3	-0.5	-2.1	0.1	0.1	0.1	0.0
Contribution of identified flows	0.0	-0.4	-0.2	-0.2	-0.2	-0.4	0.1	0.2	0.1	0.1	n.a.
Primary deficit	10.2	9.9	9.8	10.0	10.1	10.1	10.1	10.1	10.1	10.1	10.1
Noninterest revenues	38.0	38.5	38.8	39.0	39.1	39.2	39.1	39.1	39.1	39.1	39.1
Noninterest expenditures	48.2	48.4	48.6	48.9	49.3	49.3	49.3	49.3	49.3	49.3	49.3
Automatic debt dynamics	-0.3	-0.6	-0.4	-0.3	-0.3	-0.4	-0.5	-0.4	-0.4	-0.5	n.a.
Real interest rate and relative inflation	0.1	0.2	0.3	0.2	0.2	0.2	0.1	0.1	0.1	0.1	n.a.
Real interest rate	0.1	0.2	0.3	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.0
Relative inflation	-0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Real growth rate	-0.3	-0.7	-0.7	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6	-0.6
Real exchange rate	-0.5	…	…	…	…	…	…	…	…	…	…
Other identified flows	-9.9	-9.7	-9.7	-9.8	-10.0	-10.2	-9.6	-9.6	-9.6	-9.6	-9.6
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	-3.1	-2.6	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3	-2.3
Other transactions	-6.9	-7.1	-7.3	-7.5	-7.7	-7.9	-7.3	-7.3	-7.3	-7.3	-7.3
Contribution of residual	1.1	0.3	0.1	-0.1	-0.1	0.0	-2.2	0.0	0.0	0.0	n.a.
Gross financing needs	10.4	11.5	11.9	12.2	12.4	12.5	12.4	12.3	12.2	12.1	11.2
of which: debt service	3.3	4.1	4.4	4.6	4.6	4.6	4.5	4.5	4.4	4.3	3.4
Local currency	2.0	2.4	2.7	3.0	3.0	3.1	3.0	3.0	2.9	2.9	2.7
Foreign currency	1.3	1.7	1.6	1.6	1.5	1.5	1.5	1.5	1.5	1.4	0.6
Memo:											
Real GDP growth (percent)	0.7	1.7	1.6	1.3	1.3	1.3	1.5	1.4	1.4	1.4	1.4
Inflation (GDP deflator; percent)	2.2	2.2	1.8	1.8	1.8	1.9	2.0	2.0	2.0	2.0	2.0
Nominal GDP growth (percent)	2.9	3.9	3.4	3.2	3.2	3.3	3.5	3.4	3.4	3.4	3.4
Effective interest rate (percent)	2.5	2.5	2.5	2.5	2.4	2.3	2.3	2.3	2.2	2.2	2.1

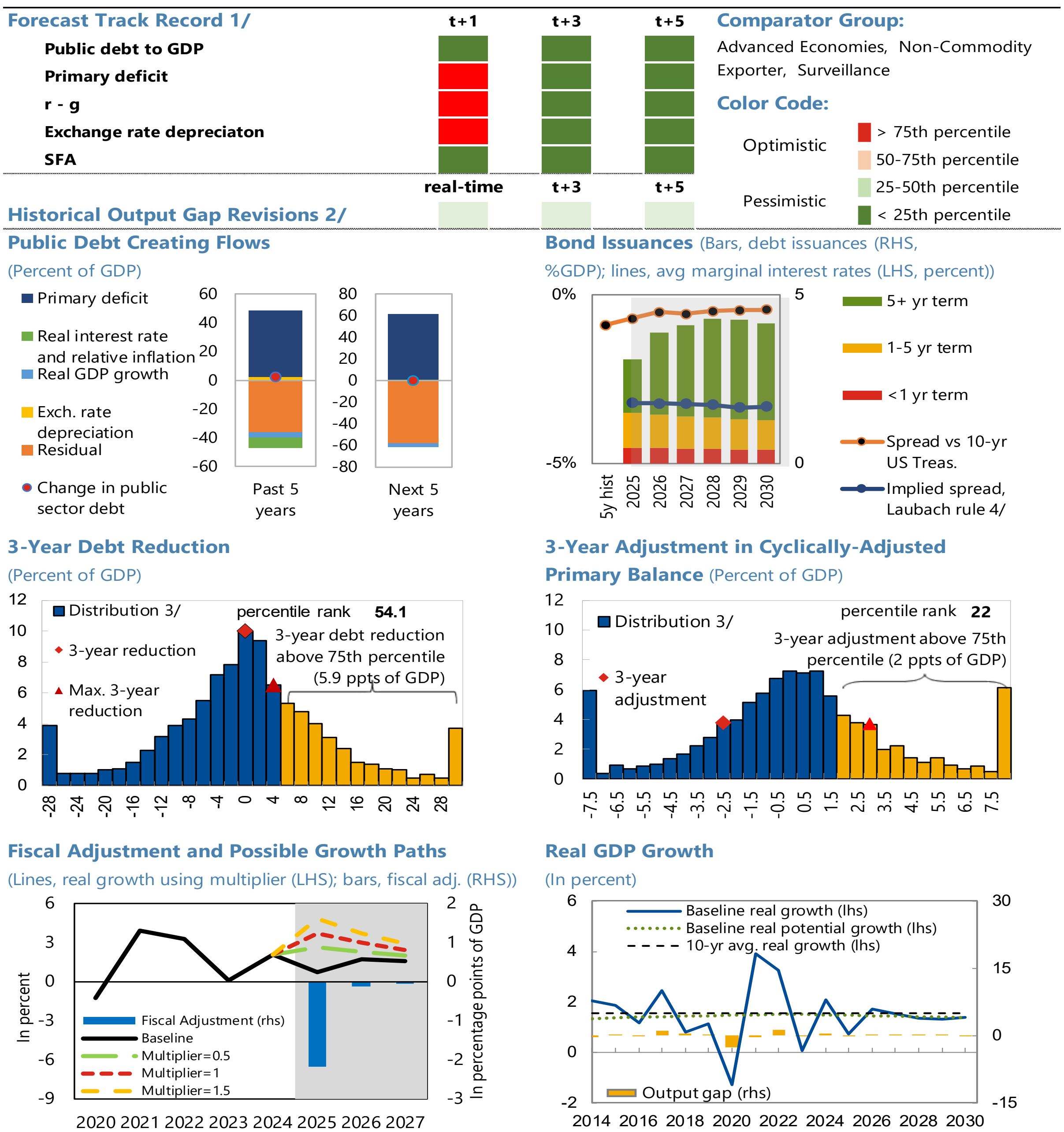
Contribution to Change in Public Debt



Commentary: Public debt will stabilize and decline over time, reflecting GDP growth, and low borrowing needs.

Source: IMF staff calculations.

Annex I. Figure 5. Norway: Realism of Baseline Assumptions



Commentary: This reflects large fluctuations due to oil price volatility.

Source : IMF staff calculations.

1/ Projections made in the October and April WEO vintage.

2/ Calculated as the percentile rank of the country's output gap revisions (defined as the difference between real time/period ahead estimates

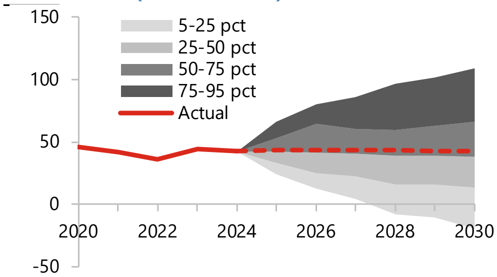
3/ Data cover annual observations from 1990 to 2019 for MAC advanced and emerging economies. Percent of sample on vertical axis.

4/ The Laubach (2009) rule is a linear rule assuming bond spreads increase by about 4 bps in response to a 1 ppt increase in the projected debt-to-GDP ratio.

Annex I. Figure 6. Norway: Medium-Term Risk Assessment

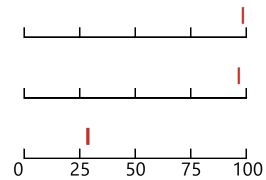
	Value	Contrib 1/	Percentile in peer group 2/

Final Fanchart (Percent of GDP)

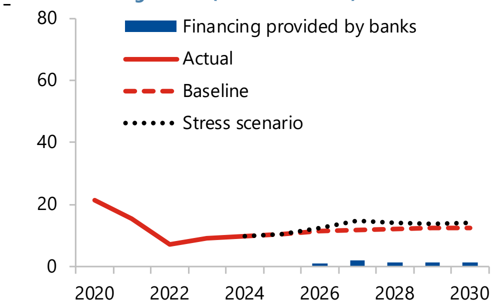


Debt fanchart module

	Value	Contrib 1/
Fanchart width *(percent of GDP)*	128.5	1.9
Probability of debt non-stabilization *(percent)*	99.4	0.8
Terminal debt-to-GDP x institutions index	5.5	0.1
Debt fanchart index (DFI)		2.8
Risk signal: 3/		High

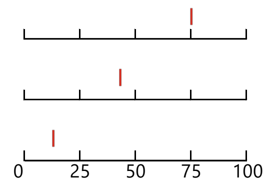


Gross Financing Needs (Percent of GDP)



Gross financing needs (GFN) module

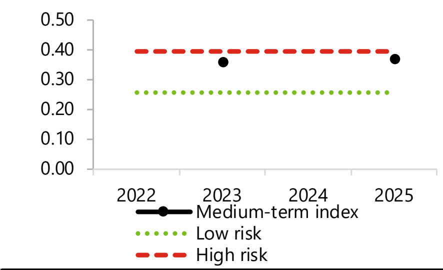
	Value	Contrib 1/
Average baseline GFN *(percent of GDP)*	11.8	4.0
Initial Banks' claims on the gen. govt *(pct bank assets)*	4.6	1.5
Chg. In banks' claims in stress *(pct banks' assets)*	0.8	0.3
GFN financeability index (GFI)		5.8
Risk signal: 4/		Low



Triggered stress tests (stress tests not activated in gray)

Banking crisis | Commodity prices | Exchange rate | Contingent liab. | Natural disaster

Medium-Term Index (Index Number)



Medium-term risk analysis

	Value	(normalized)	Weight	Contribution
Debt fanchart index	2.8	0.6	0.5	0.3
GFN finaceability index	5.8	0.1	0.5	0.1
Medium-term index		0.4		
Risk signal: 5/		Moderate		
Final assessment:		Low		

Prob. of missed crisis, 2025-2030, if stress not predicted: 27.3 pct.
Prob. of false alarms, 2025-2030, if stress predicted: 15.9 pct.

Commentary: Debt fan chart results point to a high level risk, due to wide bands of confidence, but debt will remain relatively low even in the more extreme scenarios. The GFN Financeability model indicates a low level risk.

Source: IMF staff estimates and projections.
1/ See Annex IV of IMF, 2022, Staff Guidance Note on the Sovereign Risk and Debt Sustainability Framework for details on index calculation.
2/ The comparison group is advanced economies, non-commodity exporter, surveillance.
3/ The signal is low risk if the DFI is below 1.13; high risk if the DFI is above 2.08; and otherwise, it is moderate risk.
4/ The signal is low risk if the GFI is below 7.6; high risk if the DFI is above 17.9; and otherwise, it is moderate risk.
5/ The signal is low risk if the GFI is below 0.26; high risk if the DFI is above 0.40; and otherwise, it is moderate risk.

Annex II. External Sector Assessment

Overall Assessment: Norway's external position in 2024 was broadly in line with the level implied by medium-term fundamentals and desirable policies, with the current account (CA) surplus at 16.7 percent of GDP and a record high NIIP. Over the medium term, declining oil and gas prices, alongside steady but modest economic growth are expected to reduce the CA surplus, while maintaining a strong external balance, supported by a resilient NIIP, a diversified GPFG portfolio, and robust fiscal buffers.

Potential Policy Responses*:* Norway's NIIP remains robust, equivalent to five times mainland GDP, providing substantial financial resilience to address competitiveness challenges as the economy transitions away from dependency on hydrocarbons. To enhance competitiveness, fiscal and structural policies should prioritize productivity growth, higher labor market participation, and keeping wage growth aligned with productivity. As core inflation eases, both public and private sectors should capitalize on opportunities to invest in sustainable and growth-oriented initiatives, supporting the economy's structural transformation.

Foreign Assets and Liabilities: Position and Trajectory

Background. Norway's NIIP reached a record of 483.7 percent of mainland GDP at the end of 2024, up from 392 percent in 2023. This increase is larger than the current account surplus, reflecting significant valuation gains from strong global stock market performance—particularly in equities (12.5 percent return for the GPFG in H1 2024)—and a weakening Norwegian krone, highlighting the role of market dynamics and currency depreciation in amplifying Norway's external asset position. Other factors, including revaluations of bonds, real estate, and renewable energy holdings within the GPFG, further boosted the NIIP, as the fund's market value rose by 25.3 percent in 2024, driven by an 18 percent return on equities, substantial hydrocarbon inflows (NOK 400 billion), and a weaker krone contributing an additional NOK 1 trillion.

Assessment. Recent market turbulence, including a NOK 1.1 trillion (about 25 percent of GDP) drop in GPFG value in Q1 2025 due to tariff uncertainty, highlights external risks. The NIIP position is expected to remain stable in the medium term, reflecting sound management of the GPFG's portfolio. The risk of valuation losses is mitigated through the diversification of assets across equities (71.4 percent), bonds (26.6 percent), unlisted real estate (1.8 percent), and renewables (0.1 percent) and the focus on long-term strategy. These estimates are subject to uncertainty as IIP data typically include errors and omissions averaging over 2 percent of GDP in the past decade.

2024 (percent mainland GDP)	NIIP: 483.7	Gross Assets: 770.4	Debt Assets: 589.7	Gross Liab.: 286.7	Debt Liab.: 120.2

Current Account

Background. Norway's current account surplus has remained persistently high, averaging 11.8 percent of GDP from 2014 to 2024. In 2024, the current account surplus fell to 16.7 percent of GDP from a peak of 29.6 percent of GDP in 2022, due to lower natural gas prices and higher imports of goods and services. Still, the trade balance, at nearly 14 percent of GDP, continues to exceed pre-pandemic levels.

Assessment. The current account is assessed to be broadly in line with fundamentals and desirable policies. The cyclically adjusted CA balance is estimated at 18.4percent of GDP in 2024, exceeding the External Balance Assessment (EBA) norm of 17.9 percent of GDP by 0.5 percentage points, with a model-estimated range of -1.5 to 2.5 percent of GDP, utilizing the model's standard error of ±2 percent of GDP. This gap accounts for country-specific factors that may skew the EBA norm, including: (i) the substantial size and distinctive composition of Norway's foreign assets, with portfolio equity comprising about 10 percent of the total; (ii) contributions from oil and gas reserves amounting to 7.8 percent; (iii) estimated IIP valuation changes that inflate dividend yields estimates, leading to a notable overstatement of the CA norm; and (iv) non-oil productivity, which lags behind the average implied productivity.

Norway: Model Estimates for 2024
(In percent of GDP)

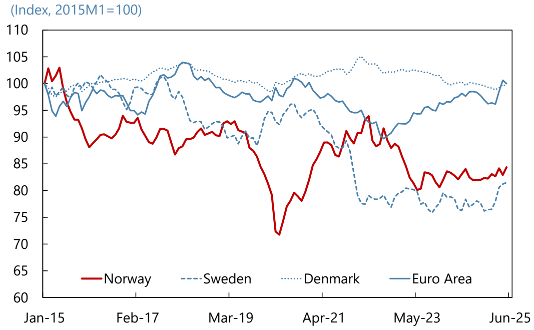
	CA model	REER index model	REER level model	ES model[1]
CA actual	**16.7**			
Cyclical contributions (from model)	0.9			
Adjustors[2]	-2.6			
Adjusted CA	**18.4**			
CA Norm	**17.9**			
CA gap	**0.5**	**5.4**	**13.0**	**0.2**
o/w Policy gap	0.8			
Fiscal balance	0.0			
Health expenditure	0.0			
Credit	0.8			
Elasticity	-0.29			
REER gap (percent)	**-1.7**	**-18.5**	**-44.8**	**-0.8**

[1] NFA-stabilizing CA.
[2] Adjusted for measurement bias of inflation and portfolio equity retained earnings, including multilateral consistency adjustments.

Real Exchange Rate

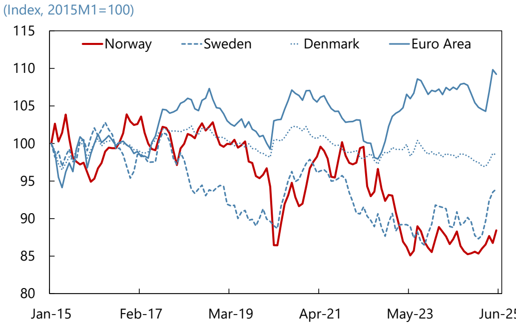
Background. In 2024, Norway's average CPI-based real effective exchange rate (REER) depreciated by 5 percent relative to 2023, while the ULC-based REER depreciated by around 6 percent, reflecting improved cost competitiveness. Compared to its trading partners, Norway's CPI-based REER exhibited a more significant depreciation than that of peers like Sweden and Denmark, as well as the euro area, a trend that has persisted since mid-2023. This depreciation aligns with a narrowing interest rate differential—Norway's policy rate differential with the U.S. shrank by 50 basis points in 2024, according to IMF estimates—likely driven by factors such as higher risk premia amid global trade tensions and geopolitical uncertainty.

ULC-based REER
(Index, 2015M1=100)



Sources: International Financial Statistics; and IMF staff calculations.

CPI based REER
(Index, 2015M1=100)



Sources: International Financial Statistics; and IMF staff calculations.

Assessment. Staff's CA gap analysis implies a REER gap of -2.8 percent, applying an estimated –0.29 elasticity. The NFA-stabilizing CA model estimate is a small undervaluation of -1.4 percent. In contrast, the REER index and level models indicate larger gaps of -18.5 percent and -44.8 percent, respectively, suggesting a more significant undervaluation of the krone. Overall, IMF models assess the krone as undervalued. However, these estimates carry considerable uncertainty, particularly for commodity exporters like Norway, where the real ER level approach may be less reliable due to the dominance of oil and gas reserves and volatile commodity price swings, which can distort long-term equilibrium ER assessments.
Capital and Financial Accounts: Flows and Policy Measures
Background. In 2024, Norway's financial account surplus moderated from 18.4 percent of GDP in 2023 to 12.3 percent of GDP, reflecting adjustments in external investment flows amid global market volatility. The capital account remained stable and negligible in 2024, consistent with its minimal impact in prior years. **Assessment**. Risks are limited given Norway's strong external position, but the banking sector's reliance on external wholesale funding is a source of vulnerability.
FX Intervention and Reserves Level
Background. The krone floats freely against other currencies, with Norges Bank maintaining its non-interventionist stance in foreign exchange markets since 1999, except for a brief intervention in March 2020 due to pandemic-driven volatility. As of March 2025, Norges Bank's international reserves and foreign currency liquidity were approximately 23 percent of mainland GDP, bolstered by strong returns on equity portfolio and prudent reserve management. **Assessment**. Standard reserve adequacy metrics fail to adequately represent Norway's case, given the substantial size of GPFG, which is primarily invested in foreign markets and strategically diversified away from p markets.

Annex III. Recent Developments in the CRE Market[1]

1. CRE prices levelled off in 2024. Following two years of falling prices triggered by higher interest rates, CRE prices showed signs of stabilization in 2024 and the first half of 2025 on market participants' anticipation of interest rate cuts by Norges Bank. Transaction volumes returned to pre-pandemic levels, increasing by 37 percent to NOK 86 billion in 2024, primarily fueled by sales in the prime logistics and office segments, conducted through all-equity operations. Domestic investors were particularly active, accounting for about 80 percent of total transaction volumes in the office segment, while large institutional investors remained cautious. However, transaction volumes were subdued in the first half of 2025 as interest rate cuts did not materialize and uncertainty regarding trade policy weighed on activity in the sector. Risk appetite remains subdued, with fewer active buyers focusing on urban assets near Oslo and other established areas. Prime markets have experienced more activity than non-prime areas.

2. Financial conditions for the sector improved somewhat but the yield gap remains compressed. The sector is heavily reliant on bank debt, and NOK 75 billion in bonds are maturing in 2025–2026. Risk premiums and bank margins for the sector fell in 2024, with the average credit spread for CRE-listed bonds tightening by approximately 80 bps, which supported refinancing operations.[2] Despite this, the share of defaulted loans rose, and listed CRE companies' ICR continued to fall in 2024. Companies in the sector have continued efforts to strengthen their balance sheets, often selling properties at or above book value, and through interest rate hedging. Financing costs are still higher than prime yields and the yield gap remains compressed, suggesting potential further property value write-downs. Uncertainty around property values in areas outside large cities (where most bank collateral is located) is higher than usual, where there are few or no transactions.

3. Developments in rental markets vary among segments. The office rental market slowed in 2024 after strong growth in previous years. While Vacancy rates remained low due to limited new supply, supporting higher rental prices in central business districts in 2024, but rents are slowing down. The reshaping of supply chains and the expansion of e-commerce supported demand for logistics space, helping to stabilize rent levels but operational conditions have weakened more recently. Leasing activity in the retail sector overall remains subdued, with little investor appetite although demand for high-street retail locations stayed strong. The hotel market remains a bright spot with solid demand, with average occupancy levels recovering to pre-pandemic levels. In the residential rental market, institutional investors continued to acquire entire buildings to subsequently divest units to retail buyers. Rising mortgage rates and increased property tax valuations have significantly raised the cost of buy-to-let ownership, prompting many individuals to sell their secondary homes. Additionally, numerous companies have offloaded residential units as part of broader portfolio adjustments. A growing number of lease agreements are incorporating

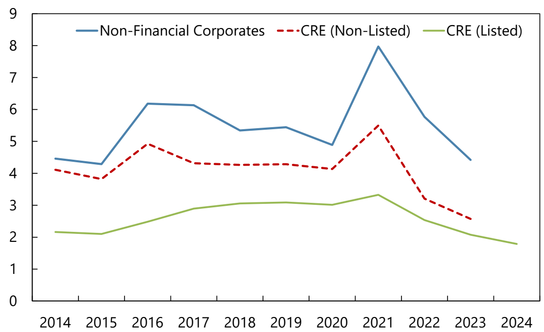
[1] Prepared by Luisa Charry.

[2] Credit spreads went up after the April U.S. tariff announcements, and while they have come down, they remain higher than pre-pandemic levels.

"green premiums," as companies increasingly prioritize buildings with high energy ratings, driven by new EU sustainability requirements.[3]

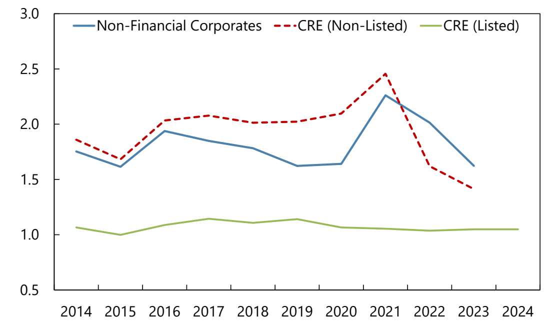
4. Near-term prospects for the sector are contingent on the evolution of interest rates. Vacancy rates have increased in the office and the logistic segments, and tenants are showing greater caution in their lease renegotiations. Improvements in transaction volumes will be contingent on the evolution of financing costs, as high interest rates would prevent significant yield normalization and continue to weigh on investor demand. Over the medium-term, prices would be supported by sustained demand from population growth and constrained supply due to high construction costs.

Norway: ICR
(Percent)



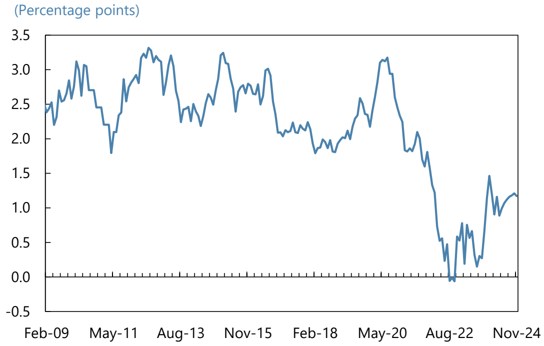
Source: Finanstilsynet.

Norway: DCR
(Percent)



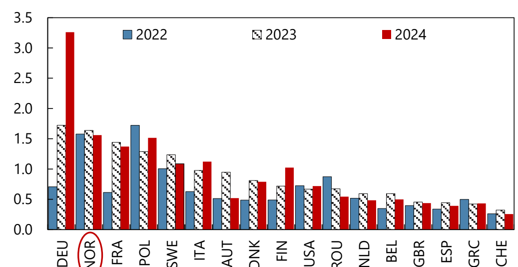
Source: Finanstilsynet.

Norway: Oslo Prime Office Yield Gap
(Percentage points)



Source: Finanstilsynet.

Cross Country Comparison: CRE Probability of Defaults
(Percent)



Source: Credit Research Initiative (CRI) PD indicator.
Notes: Country level PD is calculated as the average across public CRE firms within the country. The firm level default prediction model from CRI is based on both macro-financial variables and firm-specific variables.

[3] Investors will have to publicly disclose and implement their climate transition plans aimed at retrofitting assets to align with the Net Zero Carbon Pathway and must address the financial implications associated with adaptation to prospective climate-related risks.

Annex IV. Risk Assessment Matrix[1]

Source of Risks and Relative Likelihood (High, medium, or low)	Impact if Risk is Realized (High, medium, or low)	Policy Response
Global Conjunctural and Structural Risks		
Medium **Regional conflicts**. Intensification of conflicts disrupt trade in energy and food, tourism, supply chains, remittances, FDI and financial flows, payment systems, and increase refugee flows.	Medium / Low Norway stands to benefit from increases in energy prices. However, broader disruptions could temper these gains by weakening consumer and business confidence in trading partners, dampening exports, and investment, ultimately stifling growth.	Provide targeted and temporary support to vulnerable households as needed to mitigate the impact of higher energy prices. Contingent on inflation developments, ease monetary policy. Continue to strengthen financial system resilience against cyberattacks.
Medium **Commodity price volatility**. Supply and demand volatility increases commodity price volatility, external and fiscal pressures, social discontent, and economic instability.	Medium / Low As an petroleum exporter, volatility in oil and gas prices would impact Norway's economic performance, including its fiscal and external positions.	Allow automatic stabilizers to operate; provide targeted fiscal support to vulnerable households. Monetary policy should continue to operate within the inflation targeting framework.
Medium **Tighter financial conditions and systemic instability**. Higher-for-longer interest rates amid looser financial regulation and higher trade barriers trigger asset repricing, weak bank and NBFI distress, and further U.S. dollar appreciation.	Medium Persistently high rates and tight financial conditions could adversely affect both corporate and household sectors through higher debt service and reduced demand.	Maintain a flexible, forward-looking monetary policy to ensure a return of inflation to target. Ensure that fiscal policy does not exacerbate inflationary pressures. Intensify monitoring of banks' liquidity and capital positions, and risk management practices.
High **Deepening geoeconomic fragmentation**. Persistent conflicts, inward-oriented policies, protectionism, weaker international cooperation, and fracturing technological and payments systems hinder green transition, and lower trade and potential growth.	High / Medium Higher trade barriers or supply disruptions could increase costs, leading to shortages of crucial inputs, higher inflation, and production bottlenecks. These challenges could reduce economic activity with uneven effects across sectors and decrease confidence.	Promote supply chain resilience, including through diversification. Identify critical dependencies, assess their impact and develop strategies. Fiscal support should operate through automatic stabilizers. Monetary policy to operate within the inflation targeting framework.
Medium **Cyberthreats**. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies trigger financial and economic instability.	Medium Cyberattacks could significantly impair the financial and other critical systems functioning, leading to substantial reputational risks and broader economic fallout.	Maintain the financial system's liquidity. Boost cyber defense by strengthening the operational resilience of the financial system, enhancing cyber risk mitigation through appropriate supervision, and promoting awareness and contingency planning for operational risks. Continue testing and development of recovery plans.
Domestic Risks		
Medium **De-anchoring of inflation expectations**. Supply shocks sharply increase headline inflation and pass through to core inflation, de-anchoring inflation expectations and elevated wage and price inflation.	Medium The un-anchoring of inflation expectations and elevated wage and price inflation force the central bank to tighten monetary policy further, with negative implications on domestic economic activity and financial stability.	Maintain the current tight monetary policy stance for a sufficiently long period of time to ensure that inflation durably returns to target. Impress in the dialogue between social partners the importance of keeping wage adjustments contained.
Medium **Disorderly and protracted correction in the real estate sector**. Higher-for-longer interest rates trigger a sharp correction of RE prices, due to lower domestic economic activity and a softer labor market. High household leverage and floating-rate debt amplify vulnerabilities, while financial institutions' large exposures to real estate elevate macrofinancial risks.	High Bank buffers are strong but would be adversely impacted from the deterioration of collateral values and asset quality, weighing on credit supply.	Improve data collection and supervise banks commercial real estate lending closely; consider broadening the toolkit for mitigating CRE vulnerabilities. In the event, provide funding support to banks.

[1] The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. "Short term" and "medium term" are meant to indicate that the risk could materialize within 1 year and 3 years, respectively.

Annex V. Impact of Trade Disruptions and the U.S. Tariffs on Norway's Economy

1. While direct exposure to U.S. tariffs is modest, the broader trade policy shift poses meaningful risks to Norway's export-oriented economy. As noted in the April 2025 WEO, U.S. tariffs introduced in April represent a negative external demand shock with repercussions beyond directly affected markets. Although only about 3 percent of Norwegian exports go to the U.S.—a lower share than most Nordic peers—indirect effects from broader trade disruptions, potential non-tariff barriers, and increased uncertainty in global markets could be material for a small open economy like Norway.

Exports to US (2020-24 average percent of total exports)	
Norway	3.0
Sweden	10.7
Denmark	9.6
Finland	9.7

Source: International Merchandise Trade Statistics.

2. Norway's specialized export structure increases its vulnerability to sector-specific disruptions. Key exports to the U.S. include refined petroleum ($1.34 billion; 23 percent of total exports to the U.S. and exempted from the latest U.S. tariffs), raw nickel ($355 million; 6 percent), and seafood—particularly fresh salmon ($985 million; 17.3 percent). These sectors are highly sensitive to tariff-induced demand shifts, with fisheries facing disproportionate exposure compared to regional peers. The pulp and paper industry might be also at risk, given its deep integration into global supply chains. Conversely, mining offers a positive GDP contribution from rising global demand for nickel, providing a partial offset, though the net effect on trade is expected to be mildly negative.

3. Weaker external demand, compounded by lower oil prices, could weigh on the near-term outlook. In the April 2025 WEO baseline, global growth is forecast at 2.8 percent for 2025, with advanced economies growing at a slower pace of around 1.4 percent. For Norway, downside scenarios featuring global demand compression and oil prices declining to $55–$60 per barrel could reduce mainland GDP growth by 0.7 percentage points relative to the baseline over 2025–26.

Annex VI. Status of 2020 FSAP Recommendations

Recommendations and Authority Responsible for Implementation	Horizon*	Status
Systemic Risk Oversight and Macroprudential Policy		
Develop and publish a macroprudential policy strategy. (MoF, Norges Bank, FSA)	ST	The authorities have expanded on key aspects of macroprudential policy in the Ministry's annual Financial Markets Report. Norges Bank has published a framework for the SRB and the CCyB.
Use existing triparty meetings more effectively to discuss risks and policy actions needed to address them. (MoF, Norges Bank, FSA)	I	The authorities have implemented some adjustments to facilitate candid and targeted exchanges on risks, and to better align the meeting schedule with planned policy decisions.
Give Norges Bank recommendation powers over macroprudential policy tools that can be relaxed under stress, with a comply-or-explain mechanism. (MoF)	I	The Government tasked Norges Bank to advise the MoF on the SRB rate at least every other year in 2021. Norges Bank produced its first advice on the SRB in 2022, which was followed by MoF.
Make key household sector measures permanent features of the framework. (MoF)	ST	The lending regulation was made permanent from January 2025.
Consider broadening the toolkit for mitigating CRE vulnerabilities, including sectoral capital tools. (MoF)	MT	The MoF in December 2020 adopted a temporary floor for average risk weights for CRE exposures at 35 percent. The floor was renewed in 2022 and 2025, and will be in place until end-2026. According to Norges Bank's framework for the SRB, the buffer should apply to all exposures in Norway as the effect of structural vulnerabilities on banks in a downturn is uncertain.
Banking and Insurance Supervision		
Strengthen the FSA's prudential powers, operational independence, and budgetary autonomy. (MoF)	ST	Following extensive consultations, a new FSA Act came into force on April 1st, 2025, writing into law the long-standing practice of prohibiting instructions by the Government or the MoF in the processing of individual cases before the FSA, which will only be allowed in cases of fundamental or great societal importance. General instructions are still allowed. The FSA board will decide individual matters for which the MoF's ordinary authority to issue instructions is limited, and an independent appeals board would be established to adjudicate most appeals against the FSA's decisions. The Act clearly state the FSA's mandate to contribute to financial stability and well-functioning markets. Among others, current provisions relating to (i) the division of responsibility for macro-supervision between the MoF, Norges Bank and the FSA, (ii) rules on the implementation of supervision and (iii) rules on the FSA's tools will remain in place.
Expand review of banks' risks in supervisory activities to strengthen oversight over systemic foreign bank branches and domestic medium and small sized banks. (FSA)	ST	*Systemic foreign branches and subsidiaries:* The FSA has strengthened internal guidelines for monitoring, benchmarking, risk assessments and oversight of foreign branches and subsidiaries, as well as for information sharing with supervisory colleges. Discussions within the College Bank Committees have improved. Full-scope AML/CFT supervisory on-site visits have been conducted in all foreign branches, and the responsible supervisory teams have been provided additional resources. *Medium and small-size banks:* A risk dashboard, a new early warning model (with drill down functionality) for each institution, a watch-list, and a new daily report that connects information from the public bankruptcy register with entity exposures are now available and inform the SREP. From 2024, institutions are required to report exposures on a quarterly basis, allowing for more granular analysis of risks. Data from the national shareholder register is used to analyze interconnectedness and identify weak reporting of connected clients. A new section for the supervision of medium and small-size banks was set up in 2022.

* I—Immediate (within 1 year); ST—Short term (1–3 years); MT—Medium Term (3–5 years).

Recommendations and Authority Responsible for Implementation	Horizon*	Status
Further enhance the oversight of banks' IRB models, in view of the implementation of CRD IV. (FSA)	I	Supervision of IRB-models is integrated with the supervision of large banks, and consists of on- and off-site inspections. When needed, add-ons are imposed, either as conditions for approval or as supervisory orders. The FSA takes part in inspections and approval processes for cross-border banks jointly with the ECB and the Nordic Supervisory authorities. Guidance to the institutions, which will replace the previous circular on IRB models will be published in 2025.
Intensify oversight of banks' risk management of real estate loans and funding/liquidity conditions. (FSA)	ST	The FSA has introduced new supervisory modules based on EBA Guidelines for loan origination and monitoring (EBA/GL/202/06) and supervisory experience, and a Circular on requirements for valuation of immovable properties was issued in September 2021 (Circular 5/2021). The reporting frequency of banks' exposures to individual non-financial firms has increased from yearly to quarterly. A thematic inspection of CRE exposures, specifically loans secured by office premises, was conducted in 2022/23, with a report published in June 2023. In 2023–24 on-site inspections were conducted in the largest savings banks, the largest commercial bank, and several small/medium sized banks, with special emphasis on loan-loss provisioning, credit risk governance/risk management, and assessment of RE exposures. In 2024 the two companies specialized in CRE-covered bonds issuance were subject to on-site inspections. The FSA's stress tests to a fall in house prices have been extended to cover all banks with assets of NOK6 billion or larger, and a new analytical tool (APO) allows for in-depth analysis of real estate exposures, development over time in exposures and loan loss provisions, geographic distribution etc., as well as comparison between banks.
Strengthen risk-monitoring of individual insurers. (FSA)	ST	The quarterly Early Warning Report now includes more detailed information on investments, and capital items.
Complement EIOPA efforts with Norway-specific in-house stress tests of the whole insurance sector. (FSA)	MT	The 2024 EIOPA stress test covered about two-thirds of the Norwegian insurance market. Developing an in-house test is not a priority currently.
		Cybersecurity Supervision
Make processes for cybersecurity risk supervision and oversight more structured and comprehensive. (FSA, Norges Bank)	I	The FSA has strengthened the approach for cybersecurity risk supervision and provided further guidance on IT/ cybersecurity risk. The introduction of DORA in Norway will allow to further strengthen cybersecurity risk supervision. Norges Bank has established a more structured process for oversight and supervision. Important elements are annual risk-based planning, more active use of reports and other involvement from third parties and self-assessments by FMIs. The TIBER framework for cybersecurity-testing of critical functions has been implemented and tests are ongoing, contributing to the oversight of cyber risk in the payment system. The allocation of additional resources has allowed to increase the number of assessments and enhance quality. Upon the entry into force of DORA, significant financial institutions will be required to perform Threat-Led Penetration Testing.
Establish incident reporting and crisis management frameworks for systemic cyber incidents. (FSA, Norges Bank)	ST	Norges Bank and FSA have updated routines for reporting of incidents from FMIs to The Financial Infrastructure Crisis Preparedness Committee (BFI) in 2020. The FSA works closely with Nordic Financial CERT (NFCERT) on cyber-attacks/incidents with "open line" and monthly status meetings. FSA and BFI have enhanced incident reporting slightly by leveraging the EBA Guidelines, the European Commission's Digital Operational Resilience Act, and the ESRB's work on systemic cyber risk. Processes for handling incidents reported by FMIs to BFI have been strengthened, and the introduction of DORA will allow for further enhancements. Crisis management by FSA and BFI has improved.
* I—Immediate (within 1 year); ST—Short term (1–3 years); MT—Medium Term (3–5 years).		

Recommendations and Authority Responsible for Implementation	Horizon*	Status
Anti-Money Laundering / Countering Financing of Terrorism (AML / CFT) Supervision		
Enhance AML/CFT supervision by increasing the frequency of targeted and thematic inspections and improving the risk-based approach and tools for AML/CFT risk assessments. (FSA)	I	Full scope on-site inspections dedicated to AML/CFT, and off-site inspections are increasing. The FSA has increased the use of targeted and thematic inspections. The risk-based approach to AML/CFT has been strengthened and the risk classification model, supervisory tools and methodologies have been further developed.
Ensure appropriate use of sanctions, including monetary penalties, for AML/CFT violations. (FSA)	I	The sanctioning power has been used as appropriate in cases of serious breaches. Since 2019 FSA has imposed monetary penalties on twelve banks, one virtual asset provider, five investment firms, twenty-two estate agents, and forty-three audit or accounting firms. The supervisory manual sets out principles for the FSA's sanctioning practice, which is based on the EBA risk-based supervision guideline and principles for sanctioning set out by the FSA's board.
Financial Crisis Management and Safety Nets		
Make the new resolution tools operational and strengthen the crisis preparedness framework. (FSA, MoF)	ST	The first version of the FSA's bail-in mechanic was launched in 2023 and is being considered for revision. Bail-in playbooks from banks were received in 2023 and 2024. Self-assessments of EBA's resolvability guidelines were conducted in 2022, 2023, and 2024 (with banks asked to provide a review by internal auditors). Further self-assessments are planned for 2025. The FSA is considering broadening the scope of banks subject to MREL decisions by applying a simplified obligations framework. The resolution plans have been streamlined and reduced in size to enhance their relevance and readability, with a greater emphasis on analytical content and the automation of historical data reproduction.
Ensure BGF's integration into the broader resolution framework. (BGF, FSA)	ST	Discussions on draft Memorandums of Understanding (MoU) between Norges Bank and BGF (Bank's Guarantee Fund) and FSA are ongoing (clarifications are being sought from the MoF regarding the financing of tasks the FSA might outsource to the BGF). A separate MoU between the FSA and BFG on data collection and sharing is expected to be finalized in 2025. The BGF participated in the April 2021crisis simulation exercise alongside Norges Bank, the MoF and the FSA, and observed the Nordic-Baltic crisis simulation exercise in 2024. Additionally, the BFG takes part in resolution colleges coordinated by the Single Resolution Board, as well as the resolution college for DNB led by the Norwegian FSA.
Systemic Liquidity		
Monitor banks' collateral eligible for central bank liquidity. (Norges Bank)	ST	Norges Bank has access to databases containing information on banks' assets, and detailed information is available on pledged securities through Norges Bank's system for collateral management. Information on the liquidity in the Norwegian bond market both through a semi-annual survey and daily issue and price data from commercial databases, and about foreign mortgage bonds (including information from Norges Bank's own management of foreign exchange reserves) is used to assess developments in mortgage securities. Norges Bank has introduced a banks' cash flow model to inform liquidity assessments. The FSA obtains information regarding an institution's holding of securities (in all currencies) and information on banks assets registered in the Norwegian CSD.
Develop, test, and implement a mechanism for acceptance of mortgage loan collateral for emergency liquidity support to solvent banks. (Norges Bank)	ST	Norges Bank has implemented a mechanism for acceptance of mortgage loan collateral for emergency liquidity support for solvent banks and is considering accepting loans secured by CRE as collateral for emergency liquidity support for solvent banks.

* I—Immediate (within 1 year); ST—Short term (1–3 years); MT—Medium Term (3–5 years).

Recommendations and Authority Responsible for Implementation	Horizon*	Status
Financial Stability Analysis		
Improve collection and analysis of derivatives exposure data and analyze banks' margin arrangements. (FSA, Norges Bank)	ST	Norges Bank and the FSA are working on making data on agents' derivatives contracts more accessible and usable (EMIR data) and are collaborating to develop analysis and dashboards suitable for monitoring. Norges Bank is using EMIR data to: (i) analyze the impact of rebalancing of currency hedging by NBFIs on exchange rates; and (ii) the effects of margining agreements (in combination with market data) for internal evaluations of liquidity policy measures. The FSA is using EMIR data to: (i) monitor counterparty exposures; and (ii) assess liquidity risks stemming from margining agreements. Norges Bank has introduced quarterly reporting from large mutual fund management companies, covering hedged exposures, instruments used, and margin requirements in case of a sharp weakening of the currency.
Cybersecurity Risk Supervision (Finanstilsynet)		
Establish clear qualitative and/or quantitative thresholds, as well as clearer processes and formats, on the reporting of cybersecurity incidents.	I	FSA has established clear processes for reporting cybersecurity incidents and has clear requirements for reporting incidents. Given DORA's wider requirements on incident reporting and institutional coverage, the FSA has decided to postpone the revising of the incident reporting framework based on the revised EBA Guidelines until its implementation in Norway. DORA is expected to enter into force in Norway in 2025.
Supplement the 2003 regulation on the use of information and communication technology with more detailed guidelines, enacted by the FSA, that provide detail on the implementation of principles and set out minimum requirements.	ST	The FSA follows EBA's and EIOPA's guidelines for ICT security, outsourcing and governance in supervisory activities, as published on the FSA's website. DORA will substitute the 2003 regulation on the use of information and communication technology. The implementation of DORA will place more specific requirements on the institutions than the current Norwegian ICT regulation. It is assumed that existing guidelines from the ESAs will be revised in accordance with DORA or be included in level two regulations under DORA, and that it will set sufficient minimum requirements for the companies' compliance.
Follow a more structured approach for cybersecurity risk supervision. This should include a clear description of how off-site supervision on cybersecurity should be conducted, and how assessments influence the overall risk assessments of institutions by the general supervisors.	ST	FSA has established a supervisory framework for ICT supervision with ICT security and risk (including cyber security and risk) as one of the modules (based on the NIST framework). A couple of sub-modules have been tested during inspection and the framework is now in use. The framework will be further enhanced when DORA enters into force in Norway.
Increase the intrusiveness of on-site cybersecurity risk inspections.	MT	See above.
Cybersecurity Risk Oversight (Norges Bank)		
Supplement the CPMI-IOSCO guidance with more detailed expectations of Norges Bank regarding cybersecurity risk oversight of FMIs.	I	Norges Bank has set the expectation that operators are to conduct self-assessments of cybersecurity-maturity using internationally recognized standards in its 2021 and 2022 Annual Reports on Financial Infrastructure. The assessed maturity level is expected to be mapped against the FMI's defined objectives, and necessary actions to close gaps are expected to be planned and performed. The oversight function regularly follows up on whether such assessments are undertaken as part of the oversight process. Further, Norges Bank expects that FMIs responsible for critical functions in the Norwegian financial system run security-tests according to the TIBER-framework.
Follow a more structured and comprehensive process for cybersecurity risk oversight. This includes utilizing a portfolio of tools and techniques to assess cybersecurity risk against set expectations, reaching clear conclusions	I	Norges Bank has improved its process for planning of oversight and supervision of FMIs. An important element in the updated process is annual risk-based planning. Improved competence in IT and cybersecurity (through the hiring of additional staff) enables the oversight function to perform more thorough assessments. Testing based on the TIBER-framework is an important part of Norges Banks oversight of the financial sector and infrastructure. To ensure the right incentives for the FMIs and other entities' willingness

* I—Immediate (within 1 year); ST—Short term (1–3 years); MT—Medium Term (3–5 years).

Recommendations and Authority Responsible for Implementation	Horizon*	Status
Cybersecurity Risk Oversight (Norges Bank)		
and identifying specific remedial measures or thematic findings to inform future action.	I	to undergo TIBER-testing, TIBER-NO stresses that oversight and supervisory functions shall not take part in TIBER-NO-testing on an operational level neither have access to test-results.
Establish, operationalize, and exercise an incident reporting and a crisis management framework to maintain financial stability against potential systemic cybersecurity incidents.	ST	Norges Bank and the FSA have updated routines for reporting of incidents from FMIs to The Financial Infrastructure Crisis Preparedness Committee (BFI) in 2020. Routines in BFI for handling reported incidents from FMIs have been strengthened in 2024. Measures to maintain financial stability against potential systemic cybersecurity incidents require Norges Bank to collaborate with other authorities and entities in the financial sector. The European Systemic Risk Board (ESRB) has recommended to implement a "pan-European systemic cyber incident coordination framework (EU-SCICF)." Norges Bank follows the development of EU-SCICF as well as the implementation of DORA and will consider further action in collaboration with other national authorities based on the development of EU-SCICF and aligned with the implementation of DORA. Since 2025, Norges Bank is a "Crisis Observer" in the EU-Systemic Cyber Incident Coordination Framework.
Train Norges Bank overseers in cybersecurity, to strengthen the oversight function's capabilities to conduct effective cybersecurity risk oversight.	ST	The oversight function's competence in IT and cybersecurity has been significantly improved. Competence in the cyber-area for the oversight function has been further improved by hiring one cybersecurity expert and two people with a combined IT and cybersecurity skill set. Three cybersecurity experts have been hired to the TIBER Cyber Team (TCT-NO), responsible for TIBER-testing in Norway. TCT-NO is organized as part of the oversight function and may work on assignments for the oversight function that are not specifically oversight or supervision of FMIs, hence contributing to the total cyber-competence in the function.
The oversight function should be given enough independence to conduct thorough oversight of the Norwegian RTGS system (NBO).	ST	Norges Bank's internal guidelines for oversight of the settlement function have been revised. Key objectives for the revision were to ensure that future oversight covers all areas as required by PFMI and that the oversight function has the necessary authority to fulfill its duties. According to the revised guidelines, the head of Financial Infrastructure will meet at least annually with top management. A new revision is planned to be finalized in mid-2025.
Finalize the financial sector risk map, in collaboration with the FSA and Ministry of Finance.	ST	A project to complete the mapping of the financial sector, initiated by the MoF, was finalized in 2023.
Use the existing legal power of the oversight function to seek greater assurance and transparency from critical service providers for interbank payment systems.	ST	Norges Bank and the FSA are collaborating in this area. The oversight function has improved its supervision of the FMI responsible for clearing transactions from banks in the Norwegian financial sector, by direct meeting with key vendors to the FMI. For other FMIs, the oversight function does not maintain a direct dialogue with the FMIs' suppliers, due to resource constraints. Still, however, for all FMIs, supplier management including service-quality is a key subject in oversight, and highly prioritized.
Strengthen intrusiveness of the interactions of Norges Bank's risk management and internal audit functions with NBO's external service providers to seek greater assurance and transparency.	MT	The engagement of Norges Bank's risk management function (second line of defense) and internal audit function (third line of defense) with the corresponding functions of NBO's external service providers has been strengthened.
* I—Immediate (within 1 year); ST—Short term (1–3 years); MT—Medium Term (3–5 years).		

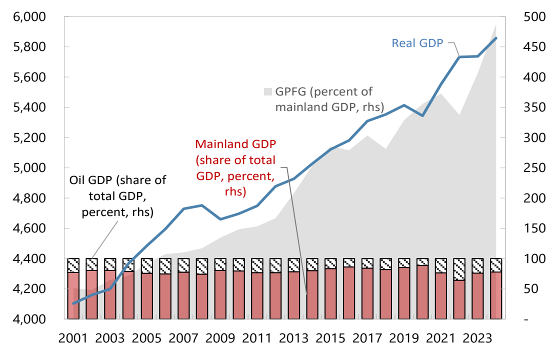
Annex VII. Enhancing Norway's Fiscal Framework[1]

Norway's fiscal framework has enabled the accumulation of a sovereign wealth fund now worth around 490 percent of mainland GDP, promoting intergenerational equity. However, increased reliance on GPFG transfers, rising structural deficits, and expanding primary spending have enlarged the fiscal footprint and heightened exposure to GPFG's volatility. Empirical evidence points to fiscal policy turning procyclical during GPFG value swings. Looking ahead, ageing costs, defense needs, and a declining oil sector will amplify fiscal pressures. To increase resilience, the framework should be strengthened by enhancing the current rule with a medium-term expenditure ceiling. This would improve efficiency and reinforce institutional oversight.

Main Findings

1. **The authorities' fiscal framework has broadly achieved its core objective of managing petroleum revenues sustainably**.[2] However, the GPFG's rapid growth, notably during the past few years, has coincided with a rising reliance on the transfer guideline (3 percent of the value of the GPFG, annually). This has expanded the expenditure envelope and contributed to a steady increase in the structural non-oil deficit, as a share of mainland GDP. Since 2010, primary spending has risen by approximately 5 percentage points of mainland GDP, mainly due to higher social transfers and health expenditures. Without policy reform, additional ageing costs, elevated defense outlays, and tapering petroleum sector revenues are projected to widen the deficit further.

Norway's Economy at a Glance
(Constant prices, Billion Kroner, 2022)



Source: Haver, Norges Bank Investment Management and IMF staff caclulations.

2. **Empirical evidence suggests that fiscal policy has responded procyclically to GPFG shifts**. While fiscal policy remains countercyclical with respect to the output gap, empirical analysis indicate that it may have been procyclical in response to large fluctuations in the GPFG's value. The estimates (Table 1) suggest that fiscal policy in Norway behaves counter-cyclically with respect to the domestic business cycle: when activity is above trend, the structural surplus rises, revenues strengthen, and spending contracts. In contrast, windfalls in the Government Pension Fund Global prompt a looser stance—the surplus shrinks and spending increases—showing pro-cyclicality to asset-market swings. Fuel-price fluctuations have little effect on the balance or revenues and only a

[1] Prepared by Mauricio Vargas. For details, IMF Selected Issues Paper, "Enhancing Norway's Fiscal Framework: Strengthening Expenditure Efficiency and Countercyclicality." [forthcoming]

[2] A detailed description of the fiscal framework and the sensitivity of fiscal policy to fluctuations in the GPFG's value is provided in the 2025 National Budget (in Norwegian).

mild impact on expenditure. Overall, the budget smooths domestic cycles but still tends to spend part of resource-driven gains. These effects reflect Norway's distinctive fiscal transmission channels.

3. Long-term projections highlight growing vulnerabilities. In a baseline scenario (Preservation Rule Scenario in Panel 1)—assuming expected paths for mainland GDP growth (1.5 percent), real returns on the GPFG (3 percent), and inflation near target—the non-oil deficit is projected to decline as a share of mainland GDP, in line with the parameters of the current fiscal rule framework[3]. However, official projections foresee a widening of fiscal needs, as ageing-related spending and labor force pressures are expected to outpace non-oil revenue growth (Increasing Expenditure Needs Scenario in Panel 1). The comparison between both scenarios underscores the tension between the current parameterization of the fiscal rule and the long-term expected additional fiscal gap. This would expose public finances to adverse shocks from asset markets or terms of trade, increasing the likelihood of a forced fiscal adjustment.

4. International experience underlines the benefits of combining public sector net worth or fiscal balance anchors with enforceable multi-year expenditure ceilings. Nordic and euro area peers employ expenditure limits, anchored in binding medium-term frameworks and supported by corrective mechanisms and independent oversight. Expenditure ceilings embedded in medium-term fiscal frameworks have proven effective in curbing procyclicality, particularly during periods of revenue windfalls.

Policy Recommendations

5. The resilience of Norway's fiscal framework could be strengthened by a periodic recalibration of the 3 percent rule, compatible with an operational expenditure ceiling. Specific guidelines for the recalibration should be carefully discussed among all stakeholders. An option to consider is to establish a ceiling for the central government non-oil spending growth to potential mainland GDP growth. Internalizing GPFG value volatility and incorporating spending efficiency elements into the current fiscal framework would enhance predictability, support countercyclical policy, and preserve the intergenerational equity of the GPFG.

6. The expenditure target should be integrated into a binding medium-term expenditure framework (MTEF). The central government should incorporate baseline appropriations aligned with performance objectives. New permanent spending initiatives would be required to identify offsetting savings or revenue sources. Any enhancement to the fiscal framework should preserve sufficient flexibility to allow timely fiscal policy responses to shocks. Adjustment mechanisms and

[3] The simulation exercises are based on a simplified version of the framework presented in NBIM (2023). The baseline scenario (Preservation Rule approach in NBIM, 2023), simulates outcomes consistent with adhering to the fiscal rule each year—that is, GPFG withdrawals (structural non-oil fiscal deficit) are equivalent to 3 percent of the previous year's GPFG value.

emergency escape clauses should be defined to address deviations from the ceiling beyond predefined margins.[4]

7. To reinforce compliance and transparency, the mandate of the Advisory Panel on Fiscal Policy Analysis could be expanded. Benchmarking the Advisory Panel on Fiscal Policy Analysis against international best practices for independent fiscal councils would further enhance transparency and accountability. Its role could be broadened to include regular assessments of adherence to the enhanced framework and publish periodic reports on the trajectory of Norway's general government net worth—including the GPFG, remaining petroleum assets, and gross liabilities.

8. Complementary expenditure review cycles would help improve value for money and with lower-efficiency spending reduced, create space for priority needs. Conditional, time-bound GPFG withdrawals to finance major investment projects could be allowed if subject to rigorous, independent cost-benefit analysis, in line with best practices among resource-rich economies.

9. The proposed recommendations would enhance insulation from asset price volatility, improve fiscal discipline, and help preserve space to address demographic and security needs. Staff simulations indicate that capping expenditure growth would be necessary to preserve the real value of the GPFG in the long term under a risk scenario.

[4] IMF principles and recommendations on designing a multi-year budget can be found in Curristine et al. (2024).

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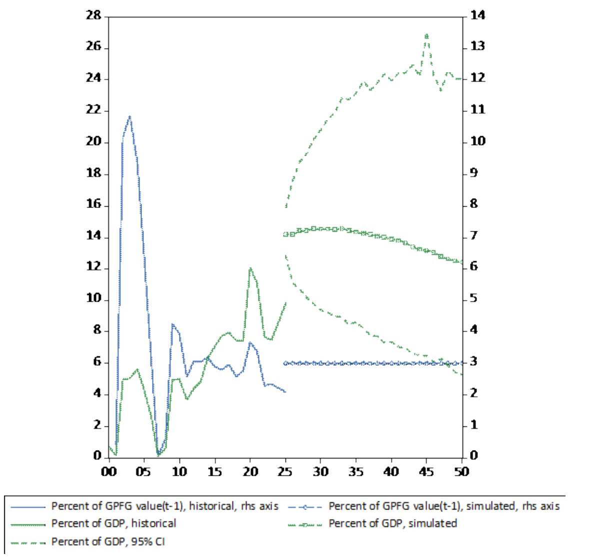
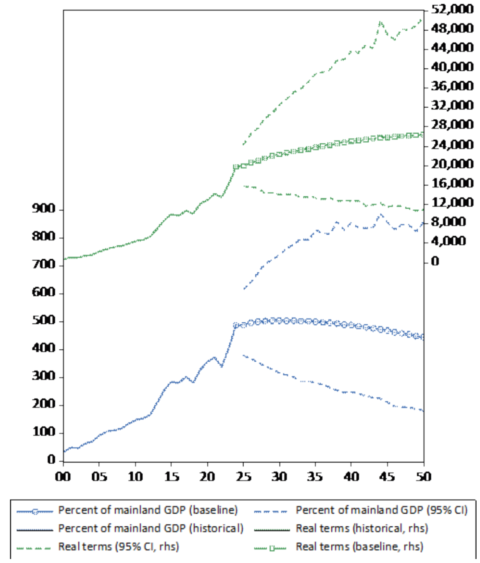
Annex VII. Figure 1. Norway: Simulations of GPFG Withdrawal and Value

Preservation Rule Scenario[1/]

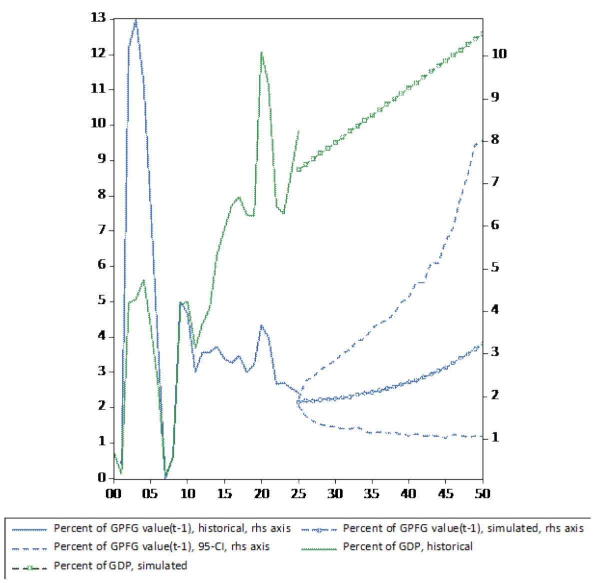
a) GPFG Withdrawals	b) GPFG Value

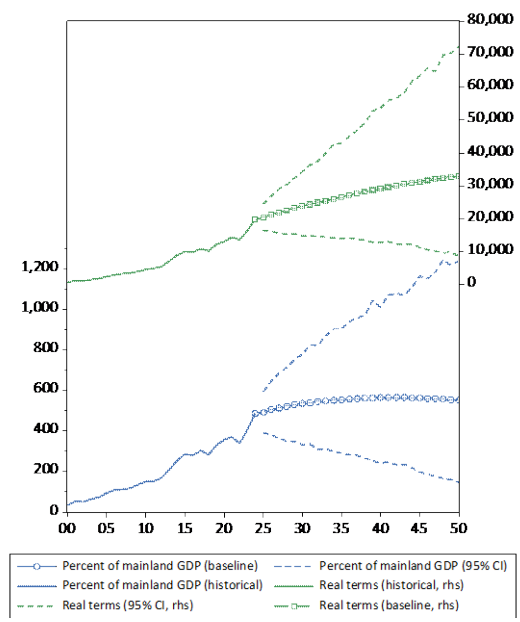




Increasing Expenditure Needs Scenario[2/]

a) GPFG Withdrawals	b) GPFG Value





1/ The simulations under this scenario broadly reflect outcomes consistent with adhering to the fiscal rule each year—that is, GPFG withdrawals (structural non-oil fiscal deficit) are equivalent to 3 percent of the previous year's GPFG value.

2/ The simulations under this scenario broadly reflect the implied GPFG withdrawals required to meet additional expenditure needs during the projection period, expressed as a percent of the previous year's GPFG value and in percent of mainland GDP (Panel a). Panel b reflects the resulting path of the GPFG value.

For both scenarios, the deterministic simulations assume mainland GDP growth of 1.5 percent, inflation of 2 percent, and a GPFG real return of 3 percent over the projection period. Petroleum-related inflows into the GPFG follow the Norwegian authorities' estimates for the same period.

Annex VII. Table 1. Norway: Fiscal Cyclicality[1/]

VARIABLES	(1) Diff Struct. Non-oil Balance	(2) Diff Struct. Non-oil Balance	(3) Non-oil Revenues/ Mainland GDP	(4) Non-oil Revenues/ Mainland GDP	(5) Non-oil Expenditure /mainland GDP	(6) Non-oil Expenditure /mainland GDP
Output gap (overall economy)	0.450**		-0.029		-0.859***	
	(0.194)		(0.174)		(0.293)	
Output gap (mainland GDP)		0.278		0.046		-0.691**
		(0.191)		(0.153)		(0.273)
Cycle in GPFG (pct. of GDP)	-0.024***		0.000		0.023	
	(0.007)		(0.008)		(0.018)	
Cycle in GPFG (pct. of Mainland GDP)		-0.020***		-0.001		0.022*
		(0.007)		(0.010)		(0.012)
Fuel Index	0.003	0.003	-0.000	-0.001	-0.002	0.004
	(0.003)	(0.003)	(0.005)	(0.005)	(0.008)	(0.006)
Lagged, Diff(Structural Non-Oil Balance, % Mainland GDP)	-0.452***	-0.425***				
	(0.093)	(0.114)				
Lagged Non-oil Revenues/Mainland GDP			0.573***	0.589***		
			(0.165)	(0.169)		
Lagged Non-oil Expenditures/Mainland GDP					0.625***	0.535***
					(0.109)	(0.107)
Observations	23	23	24	24	24	24
R-squared	0.663	0.428	0.393	0.396	0.722	0.648

Robust standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

1/ The table reflects the results from a country-specific regression for Norway's data. The econometric specification follows closely the standard fiscal policy reaction function (Golinelli and Miligliano, 2009). The dependent variables include the change in the structural non-oil balance (columns 1–2), and revenue and expenditure ratios to GDP (columns 3–6). Explanatory variables include measures of the output gap (based on both overall and mainland GDP), the cycle in the Government Pension Fund Global (GPFG), and the international fuel price index. The output gap is computed using a production function approach, while the GPFG cycle is derived from an HP filter applied to the fund's value relative to GDP. Lagged values of the dependent variable are included to account for fiscal inertia, capturing gradual adjustments in policy and the persistence of spending or revenue decisions over time. The inclusion of the international fuel price index reflects Norway's high dependence on petroleum-related revenues and the impact of global commodity prices not captured by the GPFG or business cycles.

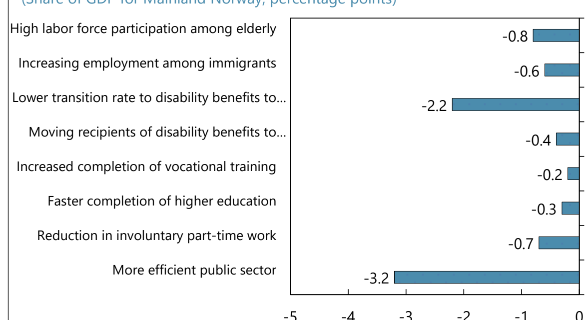
Annex VIII. Long-Term Challenges: Safeguarding the Welfare Model[1]

The 2024 Long-Term Perspectives White Paper identified three main challenges to sustaining Norway's welfare model: (i) growing competition for labor as caregiving needs rise amid a stagnant working-age population; (ii) adapting to climate change and declining activity in the petroleum sector; and (iii) maintaining equitable distribution and stable welfare services amid demographic pressures on public resources.

1. **The demographic transition will reduce labor supply and strain public finances, while the need for economic and climate adaptation is rising, amid the projected decline in petroleum output.** The population aged 67+ is projected to increase by 700,000 by 2060 (about 75 percent from the current levels), while the working-age population would remain stable. Healthcare and eldercare demands will require 180,000 additional healthcare workers—more than double the expected net employment growth. Without reforms, public expenditure is projected to rise by 5.7 percentage points of mainland GDP by 2060, driven by aging and defense costs. The petroleum sector's share of mainland GDP is expected to fall from 8–9 percent today to 6 percent by 2030, while lower petroleum revenues and slower GPFG returns would widen the structural fiscal deficit by 6.2 percentage points. While Norway targets a 90–95 percent reduction in GHG emissions by 2050, electricity demand is set to outpace supply by 2030, requiring accelerated renewable energy development.

2. **The government's strategy focuses on "reinforcing the work line" and improving public sector efficiency**. Key measures aim to raise employment rates to 82 percent by 2030 and 83 percent by 2035 (from 80.5 percent in 2023), by reducing reliance on disability benefits (particularly among the youth), promoting full-time employment, increasing participation among immigrants and older workers, and improving educational completion rates. A new committee on future skill needs has been established to align education and training with labor market demands. Improved productivity and efficient use of public resources are central to the strategy. Public sector innovation—through digitalization, automation, and local flexibility (e.g., allowing municipalities and frontline[2] providers greater discretion to adapt services to local needs)—aims to deliver more services with fewer inputs. Measures to empower

Potential Reduction in Fiscal Gap by 2060
(Share of GDP for Mainland Norway, percentage points)



Source: Ministry of Finance.
The chart shows potential improvement in public finances under various policy choices.

[1] This annex summarizes key elements from the Long-Term Perspectives on the Norwegian Economy 2024, published by the Ministry of Finance, which outlines the main economic and societal challenges faced through 2060.

[2] In Norway, frontline public providers in the welfare state include various services like social assistance, employment and welfare administration (NAV), healthcare, and municipal social outreach services.

frontline public employees and the simplification of reporting obligations would support resource use optimization.

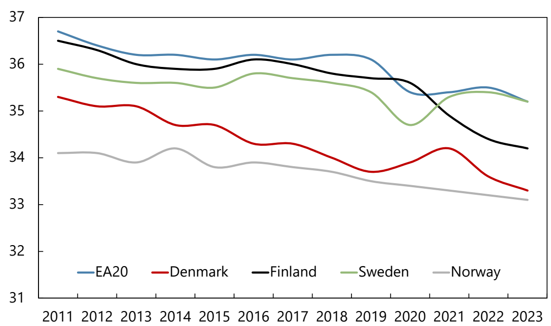
3. **Ensuring fairness and equitable opportunities will remain a core principle of the welfare model**. Progressive taxation and universal services would continue to support low inequality, while sustaining labor market participation and greater public sector efficiency will help preserve the system's long-term sustainability.

Annex IX. High-Skilled Workers Help Buffer the Decline in Work Hours[1]

Despite strong labor force participation and low unemployment, Norway has experienced a steady decline in average hours worked. This trend, consistent with broader European patterns, reflects deep structural changes rather than cyclical weakness. High-skilled labor—particularly full-time women—has helped mitigate the drop, but sustaining labor input over the medium term will require targeted policy action.

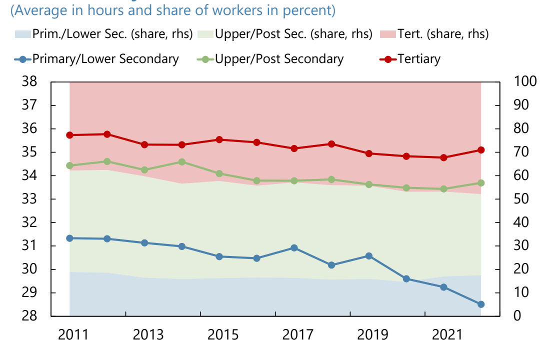
1. Average actual hours worked (AAHW) declined by nearly 3 percent between 2011 and 2023, broadly in line with the structural downward trend seen across Europe. A recent IMF study (Astinova et al., 2024) notes that this decline is not driven by cyclical factors but rather by sustained reductions within demographic and occupational groups—most notably among men and younger workers. Between 2011 and 2023, AAHW among men declined by 5 percent, while hours worked by women remained broadly stable.

Actual Weekly Hours of Work in Main Job
(Average hours)



Sources: Eurostat; and IMF staff calculations.

Actual Weekly Hours of Work in Main Job- Education Level
(Average in hours and share of workers in percent)



Sources: Eurostat; and IMF staff calculations.

2. Norway records fewer average hours worked per employed person than most peer countries. This reflects shorter standard workweeks, a high incidence of part-time employment, and generous leave entitlements. Nonetheless, total hours worked per capita are close to the EU average, supported by high labor force participation. Part-time work remains prevalent among women, older individuals, immigrants, and low-educated workers, though the share of full-time employment among women is gradually rising. Notably, 14 percent of part-time workers expressed a desire to work more hours in 2023, pointing to untapped labor supply.

3. Microdata shows that high-skilled workers—especially full-time women—have partially offset the broader decline in hours. Between 2011 and 2020, full-time high-skilled women employment contributed nearly 2 p.p. to AAHW growth, while male low- and mid-skilled

[1] Prepared by Mauricio Vargas.

workers had a negative impact. This highlights the stabilizing role of human capital in supporting labor supply at the intensive margin (Vargas, 2025).

4. These findings are consistent with trends across Europe, including the Nordics, where high-skilled labor has demonstrated greater resilience in sustaining hours worked. As emphasized in recent IMF analysis, educational attainment is a key driver of both labor input and productivity growth. Strengthening human capital remains critical to offsetting structural headwinds.

5. To support aggregate labor input, the authorities have outlined a comprehensive reform agenda in the Reinforced Work Line report.[2] Socio-economic analyses suggest that training measures could yield significant long-term gains, underscoring the importance of sustained investment in skills development. Policy priorities include facilitating transitions from part-time to full-time work—especially for women, immigrants, and low-skilled workers—while safeguarding necessary flexibility. Reinforcing full-time work as the default, enhancing enforcement of employees' rights to request longer hours, and addressing involuntary part-time employment are central elements of this strategy. The report also calls for expanded individualized support for workers with health limitations and increased access to affordable childcare, particularly in female-dominated sectors, to enable broader and more inclusive labor participation.

[2] Norwegian Ministry of Labour and Social Inclusion (2024).

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Annex X. Transnational Aspects of Corruption[1] - Update

Previous Recommendations[2]	Significant Updates
Supply Side of Corruption – Criminalization and Prosecution of Foreign Bribery	
Enhance measures in the calculation of fines and sanctions	Draft Prosecutorial Guidelines that clarify the calculation of corporate fines and confiscation in foreign bribery cases are under discussion. Public consultations will run until August, with its approval and issuance by the Director of Public Prosecutions expected by end-of-2025.
Improve the transparency of penalty notices	The same Prosecutorial Guidelines also aim to improve the transparency of penalty notices.
Strengthen enforcement actions against foreign bribery	In 2025, Norway earmarked 12 of the 90 million NOK allocated to the National Authority for Investigation and Prosecution of Economic and Environmental Crime (ØKOKRIM) for targeting corruption and other serious crime. ØKOKRIM will establish a new Anti-Corruption Unit to facilitate corruption investigations, including foreign bribery offences.
Facilitation of Corruption – Preventing the Concealment of Foreign Corruption Proceeds	
Strengthen the Financial Intelligence Unit and use of technology in tackling foreign proceeds of crime	Authorities invested significantly in new transaction monitoring software for the Financial Intelligence Unit, including allowing for an increase in detection of cross-border transactions (also related to corruption).
Ensure that the Beneficial Owner registry is operational and effective in-line with the FATF standards	The Register of Beneficial Owners was established on 1 October 2024, with a deadline to register of 31 July 2025. The system is operational, as of May 2025 (ahead of the deadline) already 62 percent of legal persons had registered, and authorities plan to follow-up with non-registered entities on 1 August 2025. The Register is accessible to those entities with AML/CFT obligations (e.g., banks).

[1] Under the 2018 Enhanced Framework on Governance, Norway volunteered to have its legal and institutional frameworks assessed in the context of bilateral surveillance on supply and facilitation of corruption.
[2] The recommendations were provided under Annex X of the 2024 Norway Article IV staff report. (https://www.imf.org/en/Publications/CR/Issues/2024/09/17/Norway-2024-Article-IV-Consultation-Press-Release-Staff-Report-and-Statement-by-the-555052, p 72).

Annex XI. Implementation of Past IMF Recommendations

Main 2024 Article IV Recommendations	Authorities' Actions/Response
Monetary Policy	
Keep monetary policy contractionary until inflation is durably on target.	After holding the policy rate unchanged at 4.5 percent since 2024, Norges Bank (NB) cut the policy rate by 25 bps in June/2025. NB's guidance points to a gradual removal of the policy restriction over the medium term, depending on the evolution of the inflation and activity outlook.
Maintain a data-dependent approach and stand ready to adjust the policy stance.	Norges Bank has indicated that inflation targeting is forward-looking and flexible.
Fiscal Policy	
Remove the fiscal stimulus in place to lower risks of fiscal-monetary policy miscalibration. The 2025 budget should aim for a neutral fiscal stance.	The 2024 fiscal outcome was expansionary and the 2025 budget remains stimulative. Authorities reason that increased defense and refugee-related spending justify the higher structural non-oil deficit.
Prioritize spending efficiency and reduce reliance on petroleum revenues by reforming the tax system to enhance its effectiveness; and strengthen the fiscal policy framework through medium-term budgeting and the adoption of an expenditure rule.	The 2025 budget introduced several tax progressivity measures aimed at supporting low- and middle-income households. Implementation of medium-term budgeting and the adoption of an expenditure rule is pending.
Financial Sector Policies	
Maintain tight macroprudential settings until risks subside.	The SRB and CCyB rates remain at 4.5 percent and 2.5 percent, respectively. LTV limits on household mortgages were raised to 90 percent (from 85 percent) with effect on December 31, 2024.
Strengthen contingency planning and preserve bank buffers, particularly in light of pressures from commercial real estate.	Finanstilsynet conducted additional scenario testing in 2024 and emphasized CRE risks in supervisory communications. The 35 percent floor for average risks weights on CRE exposures, in place since 2020, has been extended until 2026.
Structural Reforms	
Restructuring the pension and social protection systems. Reform sickness and disability benefit systems to bolster labor supply and contain spending.	Pension reform: The government reached an agreement to increase the retirement age for public sector employees from 70 to 72 years. Social protection and sickness and disability systems: The Ministry of Labor and Social Inclusion's 2024 *Reinforced Work Line* strategy introduced stricter eligibility and activation requirements.
Facilitate the sectoral reallocation of resources as well as innovation and technology adoption.	The 2025 National Budget outlines plans to promote digitalization, better use of public data, and streamline regulatory frameworks to spur innovation, though implementation remains gradual.
Strengthen supply chain resilience and promote economic alliances to mitigate risks from geoeconomic fragmentation.	Norway is advancing international cooperation, including through the EU–Norway Green Alliance and InvestEU. Norway signed a new EFTA–India free trade agreement in 2024 to diversify trade partners.
Facilitate the green transition by maintaining carbon pricing and removing regulatory barriers to investment.	The government remains committed to increasing the carbon tax to NOK 2,000 per ton by 2030. The government has increased funding for Enova to accelerate the deployment of climate and energy technologies. The CO_2 compensation scheme now requires participating firms to allocate at least 40 percent of received funds to emission-reducing and energy efficiency measures, reinforcing its role in the industrial transition.

Annex XII. Data Adequacy Assessment for Surveillance

Annex XII. Table 1. Norway: Data Adequacy Assessment Rating 1/

A							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	A	A	A	A	A	A	A
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	A	A	A	A	A		
Granularity 3/	A		A	A	B		
			A		A		
Consistency			B	B		A	
Frequency and Timeliness	A	A	A	A	A		

Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.
1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.
2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF *Review of the Framework for Data Adequacy Assessment for Surveillance* , January 2024, Appendix I).
3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.

A	The data provided to the Fund is adequate for surveillance.
B	The data provided to the Fund has some shortcomings but is broadly adequate for surveillance.
C	The data provided to the Fund has some shortcomings that somewhat hamper surveillance.
D	The data provided to the Fund has serious shortcomings that significantly hamper surveillance.

Rationale for staff assessment. Data provided by Statistics Norway, Norges Bank, the Ministry of Finance, Finanstylnet, and other national sources are adequate for surveillance. The consistency of External Sector statistics is currently assessed as "B", considering the significant errors and omissions in BOP estimates, which average about 2 percent of GDP for the last decade. The errors and omissions arise from various factors, including data collection challenges; timing issues with recording specific types of transactions; underreporting of certain flows; and statistical adjustments due to revisions and methodological changes.

Changes since the last Article IV consultation. No new data weaknesses have been identified since the last Article IV consultation.

Corrective actions and capacity development priorities. n.a.

Use of data and/or estimates different from official statistics in the Article IV consultation. Analytical work on exchange rate dynamics includes high frequency data on financial indicators for other G10 economies from Datastream and the IMF.

Other data gaps. n.a.

Annex XII. Table 2. Norway: Data Standards Initiatives

Norway subscribes to the Special Data Dissemination Standard (SDDS) since June 1996 and publishes the data on its National Summary Data Page. The latest SDDS Annual Observance Report is available on the Dissemination Standards Bulletin Board (https://dsbb.imf.org/).
Norway has expressed interest in adhering to SDDS Plus.

Annex XII. Table 3. Norway: Table of Common Indicators Required for Surveillance

As of July 11, 2025

	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data[6]	Frequency of Reporting[6]	Expected Frequency[6,7]	Norway[8]	Expected Timeliness[6,7]	Norway[8]
Exchange Rates	11-Jul-25	11-Jul-25	D	D	D	D	...	1D
International Reserve Assets and Reserve Liabilities of the Monetary Authorities[1]	Jun-25	07-Jul-25	M	M	M	M	1W	3W
Reserve/Base Money	May-25	25-Jun-25	M	M	M	M	2W	11D
Broad Money	May-25	25-Jun-25	M	M	M	M	1M	1M
Central Bank Balance Sheet	May-25	17-Jun-25	M	M	M	M	2W	11D
Consolidated Balance Sheet of the Banking System	May-25	17-Jun-25	M	M	M	M	1M	1M
Interest Rates[2]	11-Jul-25	11-Jul-25	D	D	D	...	...	...
Consumer Price Index	Jun-25	10-Jul-25	M	M	M	M	1M	NLT 2W
Revenue, Expenditure, Balance and Composition of Financing[3]–General Government[4]	2025:Q1	05-Jun-25	Q	Q	A	Q	2Q	3M
Revenue, Expenditure, Balance and Composition of Financing[3]–Central Government	2025:Q1	05-Jun-25	Q	Q	M	M	1M	1M
Stocks of Central Government and Central Government-Guaranteed Debt[5]	2025:Q1	05-Jun-25	Q	Q	Q	Q	1Q	90D
External Current Account Balance	2025:Q1	04-Jun-25	Q	Q	Q	Q	1Q	67D
Exports and Imports of Goods and Services	Jul-25	11-Jul-25	M	M	M	M	8W	2W
GDP/GNP	2025:Q1	15-May-25	Q	Q	Q	Q	1Q	50D
Gross External Debt	2025:Q1	04-Jun-25	Q	Q	Q	Q	1Q	1Q
International Investment Position	2025:Q1	04-Jun-25	Q	Q	Q	Q	1Q	1Q

[1] Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

[2] Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

[3] Foreign, domestic bank, and domestic nonbank financing.

[4] The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

[5] Including currency and maturity composition.

[6] Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual.; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

[7] Encouraged frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS Plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. For those countries that do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

[8] Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (https://dsbb.imf.org/). For those countries that do not participate in the Data Standards Initiatives, as well as those that do have a National Data Summary Page, the entries are shown as "..."