



## Press Release: Rating Action

### JCR Affirms AAA Ratings on Norway; Outlook Stable

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**Issuer: Norway (Kingdom of Norway)**

<i>Issues</i>	<i>Rating</i>	<i>Outlook</i>
FC (Foreign Currency Long-term Senior Debts):	<b>AAA</b>	<b>(Stable)</b>
LC (Local Currency Long-term Senior Debts):	<b>AAA</b>	<b>(Stable)</b>

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JCR has affirmed its AAA ratings on the foreign currency and the local currency long-term senior debts of the Kingdom of Norway. The ratings reflect the country's strong external and budgetary position underpinned by the oil and gas revenues, and the government's prudent fiscal management which puts particular emphasis on the maintenance of its soundness in the long-run. The outlook of the ratings is stable.

Norway's current account and government fiscal balance continue to post a substantial surplus since 2000 thanks to oil and gas exporting revenues stemming from the North Sea oil field. Despite the fact that the transfer from the Government Pension Fund Global (GPF) to the central government has expanded since 2009, the market value of the GPF keeps accumulating on affluent oil-related revenues and transparent and skillful fund management. The approximate outstanding value of the fund was over USD 500 billion as of the end of 2010, the largest in Europe and the second largest in the world.

The economy grew 0.4% in real GDP terms in 2010. It may continue growing steadily by around 2% per year from 2011 led by private consumption. JCR expects that Norway will pursue prudent fiscal policy and return more sound structure once its economy comes back to a stable growth path.

(1) Economy recovering gradually with the impact of the global economic crisis abated

Norway constantly ranks at the top range in terms of human development index defined by the United Nations Development Program (UNDP), thanks to high GDP per capita, and its well-designed social welfare policy. Its economy has grown steadily until 2008 led primarily by domestic demand as greater



contributions came from the manufacturing and services sectors on top of the oil and gas production.

The economy suffered a rather limited impact from the global economic crisis, shrinking a moderate 1.4% in real GDP terms in 2009 from a year before. It recovered to post a 0.4% growth in 2010 as the government implemented a package of fiscal and monetary measures to address the crisis. The banking sector had its soundness hurt little thanks to the prudent financial supervisory system that was put in place after the country had learned lessons from a serious banking crisis in the early 1990s. With domestic demand gradually picking up led by the private consumption, the economy may continue growing a steady 2% or so per annum from 2011.

Norway's external position remains strong, providing high resilience to external shocks. The general government's net financial assets temporarily decreased in 2008 but still stood high at 156% of GDP as of the end of 2009. The current account balance has been in a constant annual surplus in excess of 10% of GDP since 2000. The ratio was 13% in 2010. Norway's trade balance is vulnerable to the fluctuation of energy prices as oil and gas revenues account for more than half of its annual exports. However, the country has internationally competitive industries other than the energy-related ones, such as aluminum and chemical. A broad range of manufacturing and business services sectors together with energy-related industries is expected to collectively underpin the country's economic growth in the longer term.

## (2) The Government Pension Fund Global (GPF) and general government surplus

The government puts priority in fiscal management on preparations for the population aging and sustainment of its fiscal soundness. It set up GPF for dual purposes: (i) to preserve limited oil and gas revenues as a financial asset for future generation and (ii) to build up reserves for pension expenditures in preparation for further progress in the population aging. GPF's market value has been on the constant rise since 2002, reaching 123% of GDP at the end of 2010. Norway's public finance is characterized by its outstanding stability stemming from its rich energy revenues. The general government fiscal surplus stayed higher than 10% of GDP from 2004 through 2010.

According to the fiscal guidelines introduced in 2001, the transfer from the GPF to the central government budget should over time correspond to the expected annual real return, estimated at 4%. The government can apply the rule with flexibility in accordance with prevailing economic situations. As the non-oil fiscal balance of the central government has deteriorated since 2009 due to reduced tax revenues and increased expenditures, the transfer from GPF has increased above the 4%-path. The general government fiscal balance, which includes the Social Security Fund, ended with a surplus equivalent to about 10% of GDP in 2010. With the non-oil fiscal deficit in 2011 estimated at around the same level as in 2010, the general government fiscal surplus is expected at close to 10% of GDP also in 2011.

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The primary rating methods applied to the ratings are posted on JCR's website (<http://www.jcr.co.jp>) "Sovereign, Public Sector Entities and Multilateral Development Bank Rating Methodology." The rating methods are subject to change or addition. However, the changes and additions including those that have been made in the past are posted in chronological order. Please refer to the rating methods above after checking by comparing the date of press release about the ratings with the release date of the rating methods (effective date of each of such rating methods).