NORWAY

Norway’s economic freedom score is 74.3, making its economy the 23rd freest in the 2018 Index. Its overall score has increased by 0.3 point, with improvements in labor freedom, government integrity, and judicial effectiveness, outpacing lower scores for the government spending, monetary freedom, and fiscal health indicators. Norway is ranked 12th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Norway’s rich endowment of natural resources and vibrant private sector have allowed it to maintain a large state sector and an extensive social safety net without disrupting its stable economy. As oil prices continue to sag, the government’s fiscal and monetary policies are aimed at bolstering other sectors of the economy. Corporate taxes are being cut to attract foreign investors, who will also benefit from Norway’s monetary stability and an independent judicial system that provides strong protection of property rights.

**ECONOMIC FREEDOM SCORE**

- **WORLD AVERAGE**: 61.1
- **REGIONAL AVERAGE (EUROPE REGION)**: 68.8

**NOTABLE SUCCESSES**: Rule of Law, Business Freedom, and Trade Freedom

**CONCERNS**: Government Spending, Labor Freedom, and Tax Burden

**OVERALL SCORE CHANGE SINCE 2014**: +3.4

**BACKGROUND**: Norway abandoned its traditional neutrality and became a charter member of NATO in 1949. Although voters have twice rejected membership in the European Union, Norway did join the European Free Trade Association. Prime Minister Erna Solberg of the Conservative Party, first elected in 2013, was returned to office by a narrow margin in September 2017 and heads a center-right coalition majority government. Norway is one of the world’s most prosperous countries, and oil and gas production account for 20 percent of its economy. Other important sectors include hydropower, fish, forests, and minerals. State revenues from petroleum are saved in the world’s largest sovereign wealth fund. Unemployment is modest, but an aging population could prove challenging in the future.

**FREEDOM TREND**

**QUICK FACTS**

- **POPULATION**: 5.3 million
- **GDP (PPP)**: $364.4 billion
- **1.0% growth in 2016**
- **5-year compound annual growth 1.7%**
- **$69,249 per capita**
- **UNEMPLOYMENT**: 4.8%
- **INFLATION (CPI)**: 3.6%
- **FDI INFLOW**: -$5,532.7 million
- **PUBLIC DEBT**: 33.2% of GDP

2016 data unless otherwise noted. Data compiled as of September 2017.
An electronic filing system for court users has expedited contract enforcement, and private property rights are securely protected. The judiciary is independent, and the court system operates fairly at the local and national levels. Norway has well-established anticorruption measures and is one of the world’s least corrupt countries, ranked sixth out of 176 countries in Transparency International’s 2016 Corruption Perceptions Index.

The top personal income tax rate is 47.8 percent, and the corporate tax rate is 25 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 38.1 percent of total domestic income. Over the past three years, government spending has amounted to 48.6 percent of total output (GDP), and budget surpluses have averaged 5.7 percent of GDP. Public debt is equivalent to 33.2 percent of GDP.

The regulatory environment for business is transparent and allows for efficient business practices. Productivity is significantly higher than the EU average. The labor market lacks flexibility. Monetary stability has been well maintained. Value-added tax credit subsidies for electric vehicles have been extended until 2020.

Trade is significant for Norway’s economy; the combined value of exports and imports equals 66 percent of GDP. The average applied tariff rate is 1.0 percent. Nontariff barriers impede some trade. In general, government policies do not significantly interfere with foreign investment. The financial sector is market-driven, although the state retains ownership of the largest financial institution.