**NORWAY**

Norway’s economic freedom score is 73.0, making its economy the 26th freest in the 2019 Index. Its overall score has decreased by 1.3 points, with lower scores for judicial effectiveness, trade freedom, and government spending outweighing modest improvements in monetary freedom and the tax burden. Norway is ranked 15th 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 funded a large state sector and extensive social safety net without disrupting economic stability. Although oil prices are recovering, the drop in investment after the global oil shock underscored the need for economic diversification. The government has identified the aluminum industry, health care, fisheries, and green technology as potential areas for growth. Norway’s business environment benefits from monetary stability and an independent judicial system that provides strong protection of property rights.

**ECONOMIC FREEDOM SCORE**

- **World Rank:** 26
- **Regional Rank:** 15
- **Economic Freedom Status:** MOSTLY FREE

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**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 reelected by a narrow margin in 2017 and heads a center-right coalition minority 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 deposited in the world’s largest sovereign wealth fund. Unemployment is low, but an aging population could prove challenging in the future.

**RELATIVE STRENGTHS:**
- Fiscal Health and Government Integrity

**HISTORICAL INDEX SCORE CHANGE (SINCE 1996):**
+7.6

**CONCERNS:**
- Government Spending and Labor Freedom

**FREEDOM TREND**

<table>
<thead>
<tr>
<th>Year</th>
<th>Score</th>
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<tbody>
<tr>
<td>2015</td>
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<tr>
<td>2016</td>
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<tr>
<td>2018</td>
<td>74.3</td>
</tr>
<tr>
<td>2019</td>
<td>73.0</td>
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</tbody>
</table>

**QUICK FACTS**

- **Population:** 5.3 million
- **GDP (PPP):** $380.0 billion
- **5-year compound annual growth 1.6%**
- **$71,831 per capita**
- **Unemployment:** 4.2%
- **Inflation (CPI):** 1.9%
- **FDI Inflow:** $8.3 billion
- **Public Debt:** 36.7% of GDP

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Private property rights are securely protected. Introduction of an electronic filing system in 2018 improved the enforcement of contracts. The judiciary is independent, and the court system operates fairly. Norway is one of the world’s least corrupt countries, ranking third out of 180 countries in Transparency International’s 2017 Corruption Perceptions Index. Well-established anticorruption measures reinforce a cultural emphasis on government integrity.

The top personal income tax rate is 47.8 percent, and the corporate tax rate has been cut to 23 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 38.0 percent of total domestic income. Over the past three years, government spending has amounted to 49.9 percent of the country’s output (GDP), and budget surpluses have averaged 4.9 percent of GDP. Public debt is equivalent to 36.7 percent of GDP.

The transparent and efficient regulatory framework facilitates entrepreneurial activity and innovation. The labor market lacks flexibility, but the nonsalary cost of employment is not high in comparison to other countries in the region. Monetary stability has been well maintained, although generous tax incentives and subsidies to encourage home ownership have contributed to high and rising house prices.

The combined value of exports and imports is equal to 68.5 percent of GDP. The average applied tariff rate is 3.4 percent. As of June 30, 2018, according to the WTO, Norway had 236 nontariff measures in force. The economy benefits from openness to foreign investment. The financial sector is open, but the government retains ownership of the largest financial institution. Credit is allocated on market terms, and banks offer an array of services.