NORWAY

Norway’s economic freedom score is 73.4, making its economy the 28th freest in the 2021 Index. Its overall score is unchanged, with an improvement in judicial effectiveness offset by declines in property rights and other scores. Norway is ranked 15th among 45 countries in the Europe region, and its overall score is above the regional and world averages.

Norway’s economy remains in the ranks of the mostly free this year. As has been the case for many years, high taxes and heavy government spending remain the major obstacles to greater economic freedom. Reducing spending would be complicated, however, because much of the government’s budget is structured around revenue from Equinor, the oil, gas, and wind-energy company that is two-thirds state owned.

IMPACT OF COVID-19: As of December 1, 2020, 334 deaths had been attributed to the pandemic in Norway, and the economy was forecast to contract by 2.8 percent for the year.

BACKGROUND: Norway abandoned its traditional neutrality, became a charter member of NATO in 1949, and joined the European Free Trade Association. Conservative Prime Minister Erna Solberg was narrowly reelected in 2017 and heads a center-right minority government with the center-right Liberal and Christian Democrat parties. The Progress party withdrew from the majority coalition in January 2020 over disagreements about the repatriation of ISIS members. 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 typically low, but the aging of the population presents challenges.
Private property rights are secure. The system for recording interests in property is recognized and reliable. Contracts are enforced. The judiciary is independent, and the legal system is robust and trusted. Norway is one of the world’s least corrupt countries according to Transparency International’s 2019 Corruption Perceptions Index. Well-established anticorruption measures reinforce a cultural emphasis on government integrity.

The top individual income tax rate is 47.8 percent, and the top corporate tax rate is 22 percent. Other taxes include value-added and environmental taxes. The overall tax burden equals 39.0 percent of total domestic income. Government spending has amounted to 49.9 percent of total output (GDP) over the past three years, and budget surpluses have averaged 6.8 percent of GDP. Public debt is equivalent to 41.3 percent of GDP.

Norway’s business freedom remains at a high level, but other countries are improving at a faster pace. An entitlement to one year of paid parental leave is financed mostly by the government, and unemployment benefits can extend for up to 104 weeks. The government funds subsidies for agriculture, electric vehicles, and certain exports, among other sectors.

Norway has 30 preferential trade agreements in force. The trade-weighted average tariff rate is 3 percent, and 236 nontariff measures are in effect. The economy benefits from overall openness to foreign investment, although national ownership restrictions exist in certain sectors. The financial sector is competitive and open. The state retains ownership of the largest financial institution.