

Norway

An overview on economy and business environment



Norway occupies the western half of the Scandinavian peninsula, bordering the North Sea and the North Atlantic Ocean, west of Sweden.

Given the country's size, Norway's economy is small compared to Western European standards but is nevertheless considered among the healthiest in the world, largely due to its positive trade balance and lack of foreign debt. The country is widely taken as an example of prosperous combination of a social welfare state, dynamic free market activity, and active government intervention.

Also Norway has been strongly affected by the covid-19 pandemic, but its economic crisis remained limited in 2020 compared to most European countries as softer measures against Covid-19 partially outweighed a global decline in oil and gas prices, that is to say Norway's main exports.



Generally speaking, Norway is a rich country, with one of the highest GDP per capita in the world.

The country also scores at the top of the United Nations Development Program's Human Development Index ranking.

Unemployment had gradually declined from its peak in 2016 until the start of the pandemic which has stopped this trend.

Lets' have a look at the economic sectors of the country.

Agriculture accounts for 1.9% of the GDP and employs 2% of the workforce. Fishing is an important activity as Norway is the world's second biggest seafood exporter after China. Agricultural subsidies are very significant.

Industry employs 19.1% of the workforce and represents 29.1% of GDP; its share started to pick up as of 2017 after years of steady decline.

Norway's economy depends on its natural resources and energy sources (oil, gas, hydraulic energy, forests and minerals). By the mid-1990s Norway had become the world's second largest oil exporter (behind Saudi Arabia), and it remained among the world's most important oil exporters till the early 21st century. Then Export earnings from oil and gas started declining, but still remained one of the biggest economic sources. By the first decade of the 21st century, oil and gas revenue accounted for about one-fifth of overall government revenue. Natural gas production has continued to increase significantly since 1993.

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Oil rents, which have once dominated the GDP, now provides less than 4% of GDP as it is well below its peak level in 2000. The political consensus is to save oil and gas revenues for future generations; therefore, Norway has the largest sovereign wealth fund in the world. Shipbuilding, metals, wood pulp and paper, the chemical industry, machinery and electrical equipment make up Norway's main manufacturing industries. Norway also has one of the largest and most modern fleets in the world.

Norway has also a tremendous hydroelectric potential. About half of Norway's 65,000 largest lakes are situated at elevations of at least 500 metres; about one-fifth of the country 900 metres or more above sea level; and predominantly westerly winds create abundant precipitation. As a result, it is estimated that almost one-third of that potential is economically exploitable, of which more than three-fifths had been developed by the end of the 20th century. Hydropower stations meet virtually all of Norway's electrical consumption needs.



At the beginning of the 21st century, Norway's per capita production of hydroelectricity was the world's highest, and renewable energy constituted more than three-fifths of the country's total energy consumption.

A significant portion of the country's production of electricity is utilized by its electrometallurgical industry, which is Europe's largest producer of aluminum. Norway was also an important producer of magnesium until the early 21st century, when the country's inability to compete effectively caused it to withdraw from the world market. In addition to being among the world's leading exporters of metals, Norway is a significant producer of iron-based alloys. Europe's largest deposit of ilmenite (titanium ore) is located in southwestern Norway. The country is among the world's principal producers of olivine and an important supplier of nepheline syenite and dimension stone (particularly larvikite). Pyrites and small amounts of copper and zinc also are mined, and coal is mined on Svalbard.

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Mining and manufacturing (excluding petroleum activities) account for between one-fifth and one-fourth of Norway's export earnings.

Metals and engineering are the two main subgroups, each accounting for more than one-tenth of nonpetroleum exports.

The level of petroleum-related investment is crucial for the engineering industry, which accounted for about one-third of the manufacturing workforce at the beginning of the 21st century.



With the decline of traditional shipbuilding beginning in 1980, the importance of the production of equipment for the petroleum industry increased. Supply ships and semisubmersible drilling platforms are exported worldwide.

The service sector is highly developed; it employs over three-quarters of the population (78.9%) and accounts for 57.7% of the GDP. It grew by more than 60 percent over the last two decades of the 20th century.

This sector covers everything from service industries that are decentralized in accordance with Norway's settlement patterns to services offered in a market exposed to international competition.

There is a close connection between the development of industry and the development of the service sector. Increased industrial processing and innovation is important for stimulating the further development of the service sector and vice versa.

As a result of rising globalization and the extensive use of communication technology and e-commerce, several types of services have been increasingly exposed to international competition.

This sector is highly labor intensive and dominated by small and medium-sized companies. The private-services sector contains a large number of self-employed persons. However, the trend in the service sector is towards greater numbers of large, nationwide chains.

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Foreign trade, in the form of commodities exported chiefly to western Europe or shipping services throughout the world, accounts for more than two-fifths of Norway's national income. Norway's booming petroleum industry has ensured a strong positive balance of payments for the national economy, despite some declines in the manufacturing and agricultural sectors. The great majority of Norway's petroleum exports go to the nations of the European Union. Other important exports are machinery and transport equipment, metals and metal products, and fish.



Norway's principal trading partners are the United Kingdom (which receives the largest portion of Norwegian exports), Germany, Sweden (which is the greatest contributor of imports to Norway), China, and the Netherlands. Principal imports include machinery, motor vehicles, ships, iron and steel, chemicals and chemical products, and food products, especially fruits and vegetables.

The main import partners are Sweden, Germany, China, Norway, United States, United Kingdom and the Netherlands. Norway mostly imports machinery, motor vehicles, ships, iron and steel, chemicals and chemical products, and food products, especially fruits and vegetables.

Despite being a small country, Norway is a very important economic player and offers a large amount of business opportunities.

Especially in this period it is important to assess business partners and get in-depth information on any potential and actual partner, but only local providers have the specific knowledge and tools to provide the most reliable and accurate information.

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Thanks to all the range of the SkyMinder reports on Norway and to the expertise of local providers, it is possible to establish safe and profitable business relationship with any Norwegian company.

Sources: <https://www.cia.gov/t>; <https://www.britannica.com/>; <https://www.nordeatrade.com/>; <https://www.nationsencyclopedia.com/>; <https://www.regjeringen.no/>