Norway

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IN A NUTSHELL

- → Moderate growth in the economy, unemployment remains low
- → The key policy rate has remained at 4.5%
- → Inflation has declined, but still above target
- → Increased price growth in the housing market

MACROECONOMIC OVERVIEW

Following a rapid post-pandemic recovery, economic growth was more moderate in 2024. Higher interest rates and inflation have dampened demand in part by reducing investment and household consumption. On the other hand, a weaker krone has fueled a sharp rise in exports. An expansionary fiscal policy and strong petroleum investment have also lifted mainland[1] activity. The GDP-growth was 2.1% and 0.6% for mainland-Norway. Registered unemployment[2] remained quite stable throughout the year and ended at 2%, whereas according to the Labour Force Survey[3] it was 4% at year-end.

Inflation declined markedly since the end of 2022, but has slowed in recent months, and rose to 3.4% in February 2025. Wages have risen in recent years, owing to high inflation, a tight labour market and high profitability in some business sectors. In 2024, wage growth picked up to 5.6%. Combined with disinflation, the rise in real wage growth was significant in 2024.

The Central Bank started to raise its key policy rate in September 2021 from a record low of 0% and after several hikes the key policy rate is now 4.5% (May 2025).

In 2024, prices in the secondary housing market increased by 3% compared to the average in 2023. During the first quarter of 2025, house prices have increased markedly. Besides low unemployment, the decrease in newbuilding and expectations of lower mortgage rates not too far ahead in time has probably been important explanatory factors. The regulatory reduction[4] in the share of equity required to finance house purchases at year-end 2024 has likely had the largest impact on non-home owners. For the mortgage and housing markets, the main drivers will be the key policy rate, economic activity and unemployment. Almost all mortgages have variable-rate so change in rates have a strong, direct effect on disposable income.

HOUSING MARKETS

The housing market is characterised by a high ownership rate. According to Statistics Norway, 76.5% of all households own their dwelling. The housing market consists of 47.2% detached houses, 26.7% multi-dwelling buildings, 12.3% terrace houses, 9% house with 2 dwellings and other buildings 4.8%.

Up to 2017, there was an extended period of house price growth due to low interest rates, high income growth and low construction activity. In 2017 the trend turned, particularly in Oslo, due to increased construction activity and amendments to the mortgage regulation by the Ministry of Finance. A new requirement of a maximum loan-to-income of 5 dampened house price growth. Afterwards, house price growth was stable until it started to increase as the key policy rate was reduced due to the pandemic.

During the pandemic, house prices increased particularly in urban areas. Interest rate cuts in early 2020 reduced the mortgage burden for households, with more than 90% of mortgages being variable-rate. According to the Central Bank, there was a net migration from Oslo for the first time in 20 years, as the pandemic changed housing preferences, increasing demand for larger dwellings outside the larger cities. Nevertheless, the price level in Oslo remains well above that of other major cities.

House price growth slowed as the mortgage rates increased, following steady increases in the key policy rate from Autumn 2021. Price growth gradually increased during 2024 to an annual growth of 6.4% by year end.

Uncertainty about the housing market has led to a decrease in demand for new buildings which in turn has reduced construction. In 2024 the signals were more positive after a very weak 2023. According to the research company "Prognosesenteret"[5] the sales of new residential real estate was 11% higher y-o-y but housing starts declined by 1%. Given the fairly slow reaction of new construction to increased demand, the reduction of housing starts may support prices in future.

MORTGAGE MARKETS

Household borrowing costs rose substantially as the policy rate increased from its lowest level of 0% in 2021. Mortgage rates were on average around 5.5 - 5.6% in 2024. A lending survey carried out by the Central Bank shows that banks expect more fierce competition in the mortgage market going forward. The Central Bank projects that mortgage rates will decrease, but the size of the decrease will necessarily depend on the key policy rate development. The Central Bank has announced that the key policy rate will most likely decrease in 2025.

The mortgage market is dominated by variable-rate loans. According to Statistics Norway, there was a reduction in total credit demand growth in Q1 24, before the growth increased steadily for the rest of the year. The annual growth rate for credit from households was 3.4% at year-end.

An annual mortgage lending survey carried out by the Norwegian Financial Supervisory Authority (FSA) shows that the average loan-to-value ratio for new loans remained stable at 64%.

1 Mainland Norway consists of all domestic production activity except exploration of crude oil and natural gas, transport via pipelines and ocean transport.

2 Registered unemployment with the Norwegian Labour and Welfare Administration (NAV).

3 The Labour Force Survey is an interview-based survey conducted by Statistics Norway, captures the overall unemployment rate.

4 The requirement for equity was reduced from 15% to 10%.

4 Source (Norwegian only): https://blogg.prognosesenteret.no/status-paa-salg-og-igangsetting-av-nye-boliger---mars-2024.

New mortgages are typically written with a 25-year maturity, and it is convenient to move a mortgage to another institution. Almost all loans to households secured on dwellings are granted by banks and mortgage credit institutions.

To mitigate the build-up of debt in vulnerable households, the government has set requirements for banks and other financial institutions. Residential mortgage loans have been subject to regulation since 2015, building on guidelines which had been in effect since 2011. In December 2020, the Ministry of Finance consolidated the requirements in a new regulation covering both residential mortgages and consumer loans. The regulation has later been reviewed on several occasions. In December 2024 the MoF decided to make some adjustments as well as making the regulation permanent (but with regular assessments). For mortgages the following apply:

- Loan-to-value (LTV) requirement of maximum 90%
- Stress test: Households must be able to service their debt in the event of a 3 pps. increase in mortgage rates. The minimum stress test level is a 7% interest rate
- Maximum debt-to-income (DTI) ratio requirement of five times gross annual income
- Mandatory principal payments (i.e. interest-only loans are not allowed) when the LTV ratio exceeds 60%
- Flexibility quota: Up to 10% of the value of new loans can deviate from one or more of the requirements in each quarter (the limit is 8% for Oslo)

According to the quarterly FSA survey on the use of the flexibility quota (i.e. deviations from the mortgage requirements) it has been stable since the pandemic. In 2024, it was 7.7% in Q4 for new loans outside Oslo (7.4% in Q4 23). For Oslo it was 5.9% in the same period (5.4% in Q4 23). The figures reflect that banks tend to operate with a significant buffer to the limits set in the regulation, although the use of flexibility quota may not be evenly distributed among banks.

Defaults on mortgages have been very low for a long time. According to the FSA, there are few signs of severe stress among households despite the sharp increase in interest rates in recent years. The FSA points to the fact that the economic activity has remained fairly sound and that unemployment is low.

MORTGAGE FUNDING

Norwegian banks and covered bond companies (separate legal entities whose main purpose is to fund mainly mortgages with covered bonds) are on aggregate funded by approximately 9% equity, 43% deposits (only banks) and 48% wholesale funding. Covered bonds are the most important part of wholesale funding and approximately all covered bonds are based on residential mortgages. The remainder of wholesale funding constitutes senior, unsecured bonds (preferred and non-preferred) and short term-funding. To date, there are 23 issuers of covered bonds. In 2024 more than EUR 31 bn. worth of covered bonds was issued. The total level of outstanding bonds was approximately EUR 147.6 bn, up by EUR 15.1 bn from 2023. 59.3% of the outstanding bonds are denominated in NOK, 37.3% in EUR, and the remaining 3.4% in other foreign currencies.

According to figures from the FSA, the development in banks' funding has been quite stable for some time. Since the introduction of covered bonds in 2007, senior unsecured bonds have gradually been replaced by covered bonds. This has also contributed to longer maturities within wholesale funding.

GREEN FUNDING

Sustainable finance has been a key priority for several years. In 2015, the Oslo Stock Exchange became the first stock exchange in the world to introduce a separate list for green bonds. Since then, numerous initiatives in the financial industry have been taken and several green bonds issued. Several banks offer green mortgages to their customers, some with a discount in the interest rate. Green mortgages are most commonly linked to Energy Performance Certificate (EPC) or to specific energy efficiency initiatives on houses.

The first green covered bonds were issued in 2018. Today, 16 Norwegian issuers have issued green covered bonds based on residential mortgages. Outstanding volume was just over EUR 18 bn at year-end 2024, up from EUR 16 bn in 2023.

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	NORWAY 2023	NORWAY 2024	EU 27 2024
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	0.1	2.1	1.0
Unemployment Rate (LSF), annual average (%) (1)	3.6	4.0	5.9
HICP inflation (%) (1)	5.8	2.8	2.6
HOUSING MARKET			
Owner occupation rate (%) (1)*	79.2	78.8	68.4
Gross Fixed Investment in Housing (annual change) (1)	-15.6	-19.1	-4.3
Building Permits (2015=100) (2)	73.7	60.8	136.9
House Price Index - country (2015=100) (2)	138.2	146.4	179.8
House Price Index - capital (2015=100) (2)	149.3	159.5	171.5
Nominal house price growth (%) (2)	0.9	5.9	4.9
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (2)	312,510	306,279	6,879,667
Outstanding Residential Loans per capita over Total Population (EUR) (2)	56,934	55,183	15,311
Outstanding Residential Loans to disposable income ratio (%) (2)	149.2	142.4	71.3
Gross residential lending, annual growth (%) (2)	n/a	n/a	3.9
Typical mortgage rate, annual average (%) (2)	4.9	5.7	4.34

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2024, Statistical Tables
* Eurostat Reviewed
** EU 2024 to be confirmed

NORWAY FACT TABLE

Which entities can issue mortgage loans in your country?	Banks, credit institutions (such as covered bond companies) and state lending institutions.
What is the market share of new mortgage issuances between these entities?	Data not available for new mortgage issuance.
Which entities hold what proportion of outstanding mortgage loans in your country?	Banks and covered bond companies have granted almost all mortgage loans. State lending institutions have a marginal share.
What is the typical LTV ratio on residential mortgage loans in your country?	64% for new mortgages according to a survey conducted by the FSA.
How is the distinction made between loans for residential and non-residential purposes in your country?	Not available.
What is/are the most common mortgage product(s) in your country?	Variable rate mortgage.
What is the typical/ average maturity for a mortgage in your country?	The standard maturity for mortgage loans is about 25 years.
What is/are the most common ways to fund mortgage lending in your country?	Covered bonds and deposits.
What is the level of costs associated with house purchase in your country (taxes and other transaction costs)?	For house purchase in isolation (i.e. not costs associated with mortgages etc.) there is typically only a stamp duty which is set to 2.5% of the purchase price.
What is the level (if any) of government subsidies for house purchases in your country?	Vulnerable households may receive loans with a favourable interest rate or direct support from the government bank "Husbanken". The amount under the latter option is calculated based on income and housing expenses.