Norway

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IN A NUTSHELL

- → GDP increased by 1.1%, while annual average unemployment rate rose from 4.0% to 4.5%.
- → The key policy rate was cut twice and stood at 4.0% at year-end, but inflation remains above target.
- → House prices rose by 5%, with significant regional differences. Housing construction remained weak but was higher than the 2024 level.

MACRO-ECONOMIC OVERVIEW

After more moderate growth in 2024, the economy returned to a normal growth rate in 2025. The fiscal policy implied a more moderate growth in public consumption and investments. On the other hand, household consumption increased markedly in 2025, driven by real wage growth and two interest rate cuts. A weak krone continued to support the export-oriented sector, and petroleum investment grew strongly. These factors contributed to boosting activity in the mainland economy.

The GDP growth was 1.7% for Mainland-Norway in 2025. This is a more normal growth rate after a slower growth of 0.6% in 2024. Registered unemployment increased, and according to the Labour Force Survey, reached 4.5% at year-end, up from 4.0% a year earlier. The increase was driven by higher unemployment among young people.

Annual growth in inflation increased to 3.2% in 2025, up from 2.3% in 2024 (on the basis of domestic CPI measure). On an HICP basis, the corresponding figure was 2.8% in both years. Inflation declined markedly from its peak at the end of 2022 but increased again from April 2025 onwards. In April 2026, the 12-month inflation rate was 3.4%. Wages have risen in recent years, owing to high inflation, a tight labour market, and high profitability in some business sectors. In 2025, wage growth was 5.0%, compared with 5.6% in 2024, and real wage growth slowed but remained positive at 1.9%.

The policy rate in Norway is currently at 4.25% (May 2026), following two cuts in the policy rate in June and September 2025 from the peak at 4.5%, followed by an increase in the policy rate in May 2026. Inflation remaining above the 2% target was identified as the most important factor behind the increase in the policy rate. Norway now has the highest policy rate compared to some of its most important trading partners.

In 2025, prices in the secondary housing market increased by 5%, and a record high number of existing homes were sold, 9.4% more than in 2024. During the first quarter of 2025, house prices have increased markedly. In addition to low unemployment, the decline in new housing construction and the two policy rate cuts in 2025 were probably important factors explaining developments in the housing market during 2025. A new regulatory reduction in the share of equity required to finance house purchases was implemented at year-end 2024. This has likely had the largest impact on non-homeowners. The FSA reports an increase in the debt-to-income ratio for new loans, and a larger share of new loans with LTV ratios close to 90% of the property value. 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 changes in rates have a strong, direct effect on households' disposable income.

HOUSING MARKETS

The housing market is characterised by a high home ownership rate. According to Statistics Norway, 76.5% of all households own their dwelling. The housing stock consists of 47.2% detached houses, 26.7% multi-dwelling buildings, 12.3% terraced houses, 9.0% two-dwelling buildings, and 4.8% other building types.

Up to 2017, there was a prolonged period of house price growth, driven by low interest rates, strong income growth, and low construction activity. In 2017, the trend reversed, particularly in Oslo, owing to increased construction activity and amendments to the mortgage regulations introduced by the Ministry of Finance. The introduction of a maximum loan-to-income ratio of five dampened house price growth. Thereafter, house price growth remained stable until it accelerated following reductions in the key policy rate during the pandemic. The post-pandemic recovery subsequently led to a sharp increase in the key policy rate, resulting in more moderate house price growth nationwide.

There are significant regional differences in the Norwegian housing market. Nationally, house prices increased by 5% over the past year. The price per square metre remains substantially higher in Oslo than in the rest of the country, although price growth in the capital has been weaker in recent years. This is largely due to the city's greater sensitivity to interest rate changes, as homeowners tend to have higher debt levels and are therefore more affected by increases in the policy rate. In addition, there has been a substantial increase in the number of secondary residences being sold, particularly in Oslo, over the past year. This has led to a considerable increase in the supply of homes for sale, which has helped to moderate price growth.

A strong labour market, with low unemployment and robust wage growth, has contributed to strong house price growth in several other regions. The increase has been most pronounced in Stavanger, Bergen, and Tromsø. In Stavanger, which is closely linked to the oil industry, a strong labour market, low unemployment, and high wage growth have driven a sharp rise in prices. In 2025, Stavanger recorded a 12-month nominal house price increase of 14%. Tromsø also experienced strong growth, with 12-month nominal house prices increasing by 10.7%. In Tromsø, expansion of the local economy has been fuelled by increased tourism, creating upward pressure on housing prices and leading to more properties being purchased for short-term tourist rentals.

Permits for new dwellings increased to 20,184, up from 18,679 a year earlier, although this remained significantly below the average of recent years. The number of building completions was 19,498, compared with 24,032 in 2024, also remaining significantly below the long-term trend.

Housing investment declined by around 30% between the beginning of 2022 and the end of 2024, driven by a sharp increase in material costs and higher interest rates. New housing starts increased by 12% year-on-year in 2025, while sales of new homes increased by 6% year-on-year. Although housing investment and new home sales have recovered somewhat since reaching their low point in 2024, they remain at historically low levels. This has led to an increase in the proportion of companies in the real estate sector that have gone bankrupt. Among property developers, the bankruptcy rate has risen sharply and now exceeds the level recorded during the global financial crisis. Given the relatively slow response of new construction to rising demand, the reduction in housing starts is likely to support house prices in the future.

MORTGAGE MARKETS

MARKET DYNAMICS

The outstanding mortgage stock stood at EUR 316.8 billion at year-end, representing a 4.5% increase compared with the previous year.

Household borrowing costs rose substantially as the policy rate increased from its lowest level of 0% in 2021. By the end of 2025, the average rate on all outstanding mortgage loans was 5.13%, after having trended upwards. Mortgage rates averaged around 5.2–5.6% in 2025, but with a downward trend throughout the year following the two policy rate cuts in June and September. A lending survey carried out by Norges Bank shows that banks expect somewhat fiercer competition in the mortgage market going forward. The same survey indicates that demand for mortgages from households is expected to decrease slightly, and Norges Bank projects that mortgage rates will increase, although the size of the increase will necessarily depend on developments in the key policy rate. The Central Bank has announced that the key policy rate will most likely increase by a further 25 basis points in 2026, following the 25-basis-point increase in May 2026.

The mortgage market is dominated by variable-rate loans, and 95% of all outstanding loans in Q4 2025 had a variable rate. According to Statistics Norway, there was a gradual and steady increase in credit growth to households throughout 2025. The annual growth rate of household credit for all purposes (not just residential lending) was 4.8% 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 increased slightly from 64% in 2024 to 66.5% in 2025.

New mortgages are typically written with a 25-year maturity, and it is easy 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 among vulnerable households, the government has set prudential requirements for banks and other financial institutions. Residential mortgage loans have been subject to regulation since 2015, building on guidelines that 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 subsequently been reviewed on several occasions. In December 2024, the Ministry of Finance (MoF) decided to make some adjustments, as well as to make the regulation permanent (subject to regular assessments). For mortgages, the following requirements apply:

- Loan-to-value (LTV) requirement of a maximum of 90%.
- Stress test: Households must be able to service their debt in the event of a 3-percentage-point increase in mortgage rates. The minimum stress test level is an interest rate of 7%.
- 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% in Oslo).

According to the quarterly FSA survey on the use of the flexibility quota (i.e. deviations from the mortgage requirements), its use has been stable since the pandemic. In 2025, it was 6.8% in Q4 for new loans outside Oslo (compared with 7.7% in Q4 2024). In Oslo, it was 5.9% during the same period (unchanged from Q4 2024). The figures suggest that banks tend to operate with a significant buffer below the limits set by the regulation, although the use of the flexibility quota may not be evenly distributed among banks.

The mortgage survey conducted by the FSA shows that the change in the maximum loan-to-value requirement from 85% to 90%, implemented at the beginning of 2025, has led to a clear shift in the share of loans with LTV ratios of between 85% and 90%. In 2024, 3% of new lending had an LTV ratio between 85% and 90%, while in 2025 this share increased to 20%.

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 notes that economic activity has remained relatively robust and that unemployment is low.

MORTGAGE FUNDING

Norwegian banks and covered bond companies (separate legal entities whose main purpose is to fund mortgages through the issuance of covered bonds) are, in aggregate, funded by approximately 9% equity, 43% deposits (banks only), and 48% wholesale funding. Covered bonds are the most important source of wholesale funding and are predominantly backed by residential mortgages. The remainder of wholesale funding consists of senior unsecured bonds (preferred and non-preferred) and short-term funding. As of year-end 2025, there were 20 Norwegian issuers of covered bonds. In 2025, more than EUR 42 billion worth of covered bonds was issued. The total volume of outstanding covered bonds was approximately EUR 154.5 billion, an increase of approximately EUR 6.9 billion compared with 2024. Of the outstanding bonds, 55.9% were denominated in NOK, 40.3% in EUR, and the remaining 3.8% in other foreign currencies.

According to figures from the Norwegian Financial Supervisory Authority (FSA), the development of 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 for wholesale funding.

GREEN FUNDING

Sustainable finance has been a key priority for several years. Several banks offer green mortgages to their customers, some with discounted interest rates.

Green mortgages are most commonly linked to Energy Performance Certificates (EPCs) or to specific energy efficiency initiatives for residential properties.

The first green covered bonds were issued in 2018. Today, 15 Norwegian issuers have green covered bonds outstanding backed by residential mortgages. The outstanding volume was almost EUR 16.4 billion at the end of 2025.

Public support for household energy improvements was expanded in 2025. The government allocated NOK 887 million to Enova's household energy programme, and a new scheme, launched in August, offered support for 15 types of energy-related improvements. This complemented the green mortgage products offered by commercial lenders.

	NORWAY 2024	NORWAY 2025	EU 27 2025
MACROECONOMIC VARIABLES			
Real GDP growth (%) (1)*	2.1	1.1	1.5
Unemployment Rate (LSF), annual average (%) (1)	4.0	4.5	6.0
HICP inflation (%) (1)	2.8	2.8	2.0
HOUSING MARKET			
Owner occupation rate (%) (1)	78.8	80.0	68.5
Gross Fixed Investment in Housing (annual change) (1)	-11.2	-2.8	2.8
Building Permits (2015=100) (2)	60.8	n/a	86.9
House Price Index - country (2015=100) (1)	146.4	154.6	161.92
House Price Index - capital (2015=100) (2)	159.5	164.9	n/a
Nominal house price growth (%) (1)*	5.9	5.58	5.5
MORTGAGE MARKET			
Outstanding Residential Loans (mn EUR) (1)	306,279	316,806	5,617,435.11
Outstanding Residential Loans per capita over Total Population (EUR) (2)	55,183	56,371.17	12,472.10
Outstanding Residential Loans to disposable income ratio (%) (1)	142.4	167.43	81.39
Gross residential lending, annual growth (%) (1)	n/a	n/a	2.8
Typical mortgage rate, annual average (%) (2)	5.67	5.43	3.31

(1) Eurostat Data
(2) European Mortgage Federation – Hypostat 2026, Statistical Tables
* Eurostat Reviewed
** EU 2025 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?	The average LTV ratio for new mortgages is 66%, 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?	An amortising mortgage with a variable interest rate.
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 and/or direct support from Husbanken which is owned by the government. The amount provided under the latter option is calculated based on income and housing expenses.