

MNI POLITICAL RISK ANALYSIS-Norway Election Preview

by Tom Lake and Emil Lundh

Norwegian voters go to the polls on 8 September to elect a new parliament or '*Storting*'. Incumbent Prime Minister Jonas Gahr Støre is seeking a second term in office for his centre-left Labour party amid rising public concerns regarding economic inequality, the cost of living, the labour market and tax rates. On the right, the main opposition centre-right Conservative party is at risk of falling behind the right-wing populist Progress Party into third place for the first time since the 2009 election.

In this preview, we offer a short primer on Norway's electoral system and parties, analysis of opinion polling trends in the run-up to the vote, potential post-election scenarios with assigned probabilities, a financial market overview and analyst views.

Contents

- 1-3. Electoral System
- 3-4. Main Political Parties & Leaders
- 4-6. Opinion Polling and Betting Market Chartpack
- 7-9. Election Scenarios
- 10. Market Overview
- 11-12. Analyst Views

Electoral System

Voters will elect the 169 members of Norway's unicameral parliament from each of the country's 19 multi-member electoral districts. In a relatively rare system, the number of representatives in each district is dependent on the population *and* the geographic size of the seat. Each inhabitant gives the district a point, as does each 1.8sq km of land, with the seats distributed based on points earned. Rural districts generally have a lower overall population-to-representative ratio than urban areas to ensure voices from sparsely populated regions are not drowned out by those from towns and cities. Each constituency returns between four and 20 lawmakers to parliament.

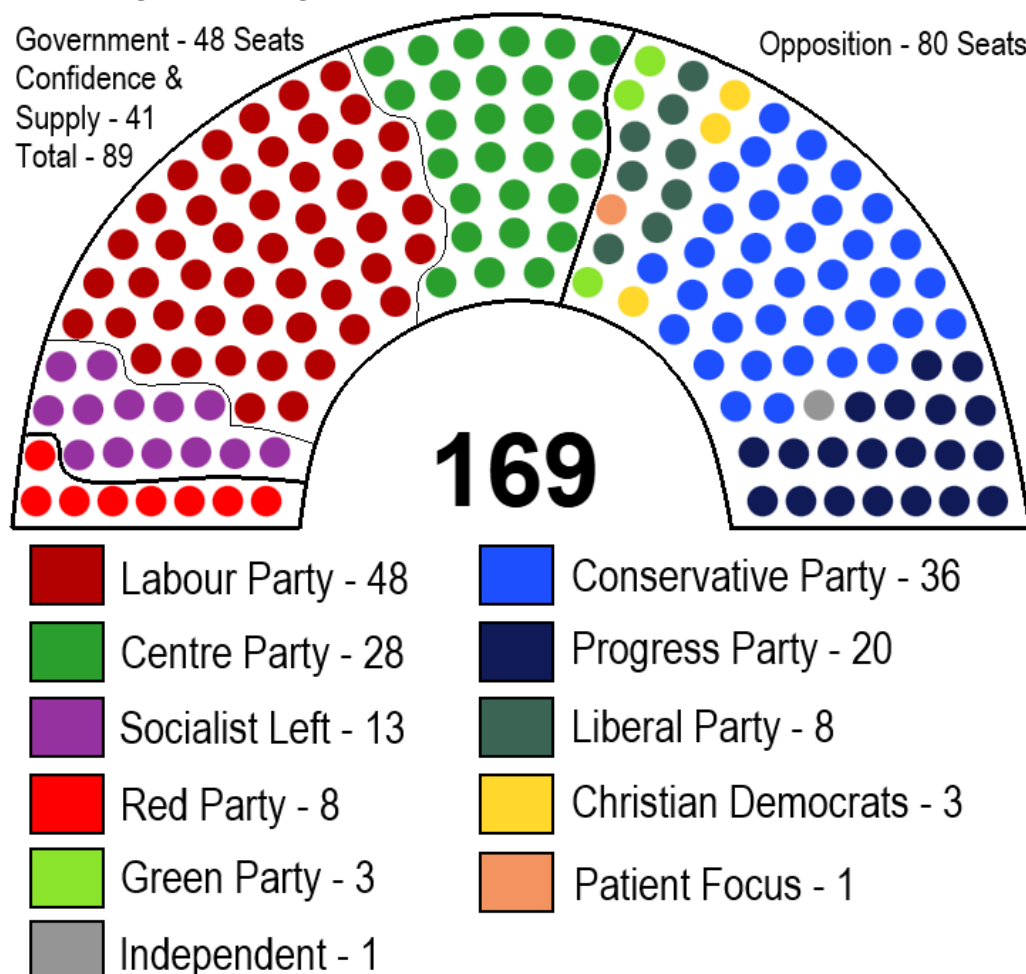
Representatives are elected under a modified Sainte-Laguë proportional voting method. Norway operates a levelling-seats or '*sperregrensen*' system. Of the 169 seats, 150 are distributed based on the vote in each constituency, with a 4% electoral threshold. A further 19 seats (one for each constituency) are distributed as levelling seats to parties winning at least 4% of the national vote share. Suppose a party performs particularly strongly in certain constituencies and wins more seats than its national vote share would equate to. In this event, these are retained, with the number of seats won by other parties as constituency

seats reduced. The apportionment of the 19 levelling seats is intended to mitigate this impact.

Article 54 of the Norwegian Constitution stipulates that elections to the Storting “shall be held every fourth year by the end of September.” While there are provisions in case an event means the election can not take place as planned, there is no provision for a snap election to be called, even if a governing coalition collapses. As such, even if an election returns a fractured parliament, or governing parties fall out with one another, the country’s political system enforces some sort of compromise being reached to avoid pure policy paralysis.

Early voting took place from 1 July to 8 August for those unable to vote in advance or on election day, while Norwegians living abroad or out of the country could vote at embassies from 1 July to 29 August. Advance voting takes place from 11 August until 5 September, with [reports](#) suggesting one in four have already cast their ballots as of 2 September. On election day (8 September), most polling stations across the country are open from 09:00CET until 21:00CET.

Chart 1. Norwegian Storting at Dissolution, Seats



Source: stortinget.no, MNI

In some locations, polls will be open for a few hours on the evening of Sunday 7 September, while others (notably in Norway's sparsely populated far north) have shorter opening hours. Traditional exit polls are not usually published in Norway. Instead, once the last polls close at 21:00CET (15:00ET, 20:00BST), election authorities provide early vote counts that domestic news networks will use to direct their real-time projections. The broad seat totals should be clear by Tuesday, 9 September, but the formation of a government will likely take much longer.

Under the Norwegian constitution, snap elections are not possible, with the parliament running on a four-year cycle. If no majority government can be formed, parties must form a minority government and secure support through a confidence-and-supply agreement. If even that is not possible, a minority government can seek to pass legislation on a vote-by-vote basis.

Political Parties (in order of seats at present):

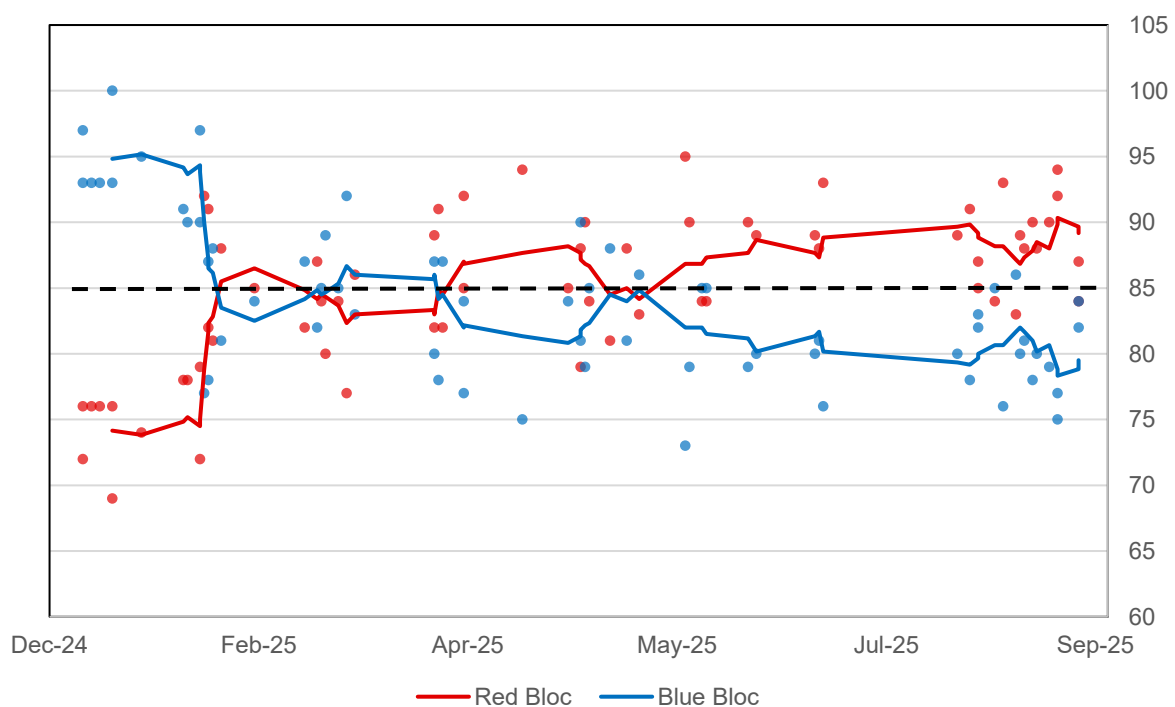
- **Labour Party** – *Arbeiderpartiet* – Ap – Leader: **Jonas Gahr Støre**, 65 (*PM 2021-, Leader of the Opposition 2014-21, Leader of the Labour Party 2014-, Minister of Health and Care Services 2012-13, Minister of Foreign Affairs 2005-12, Storting Member for Oslo 2009-*) – Centre-left, social democracy, pro-EU – Founded: 1887 – Seats: 48/169
- **Conservative Party** – *Høyre* – H – Leader: **Erna Solberg**, 64 (*PM 2013-21, Leader of the Opposition 2005-13, 2021-, Leader of the Conservative Party 2004-, Minister of Local Government and Regional Development 2001-05, Storting Member for Hordaland 1989-*) – Centre-right, liberal conservative, pro-EU – Founded: 1884 – Seats: 36/169
- **Centre Party** – *Senterpartiet* – Sp – Leader: **Trygve Slagsvold Vedum**, 46 (*Minister of Finance 2021-25, Leader of Centre Party 2014-, Minister of Agriculture and Food 2012-13, Storting Member for Hedmark 2005-*) – Centrist, economic nationalism, regionalist, Eurosceptic – Founded: 1920 – Seats: 28/169
- **Progress Party** – *Fremskrittspartiet* – FrP – Leader: **Sylvi Listhaug**, 47 (*Leader of Progress Party 2021-, Minister for Petroleum and Energy 2019-20, Minister of the Elderly and Public Health 2019, Minister of Justice, Public Security and Immigration 2018, Minister of Immigration and Integration 2015-18, Minister of Agriculture and Food 2013-15, Storting Member for Møre og Romsdal 2017-*) – Right-wing, populist, conservative, anti-immigration – Founded: 1973 – Seats: 21/169
- **Socialist Left Party** – *Sosialistisk Venstreparti* – SV – Leader: **Kirsti Bergstø**, 44 (*Leader of the Socialist Left Party 2023-, Storting Member for Finnmark 2013-17, Storting Member for Akershus 2021-, Deputy Storting member 2005-09*) – Left-wing, socialism, eco-socialist, republicanism – Founded: 1975 – Seats: 13/169
- **Red Party** – *Rødt* – R – Leader: **Marie Sneve Martinussen**, 39 (*Leader of the Red Party 2023-, Member of Storting for Akershus 2021-, First Deputy Leader of Red*

*Party 2012-23) – Far-left, anti-capitalism, Marxism, Eurosceptic, anti-NATO –
Founded: 2007 – Seats: 8/169*

- **Liberal Party – Venstre – V** – Leader: **Guri Melby**, 44 (*Leader of the Liberal Party 2020-, Minister of Education and Integration 2020-21, Member of the Storting for Oslo 2021-, Storting Deputy member 2013-21*) – Centrist, social liberal, pro-EU – Founded: 1884 – Seats: 8/169
- **Green Party – Miljøpartiet De Grønne – MDG** – Leader: **Arild Hermstad**, 58 (*Leader of the Green Party 2022, First Deputy Leader of Green Party 2020-22, Green Party co-spokesperson 2018-20*) – Centre-left, environmentalism, pro-EU – Founded: 1988 – Seats: 3/169
- **Christian Democratic Party – Kristelig Folkeparti – KrF** – Leader: **Dag Inge Ulstein**, 44 (*Christian Democratic Party leader 2024-, First Deputy KrF leader 2021-24, Member of Storting for Hordaland 2021-, Minister for International Development 2019-21*) – Centre-right, Christian democracy, social conservative – Founded: 1933 – Seats: 8

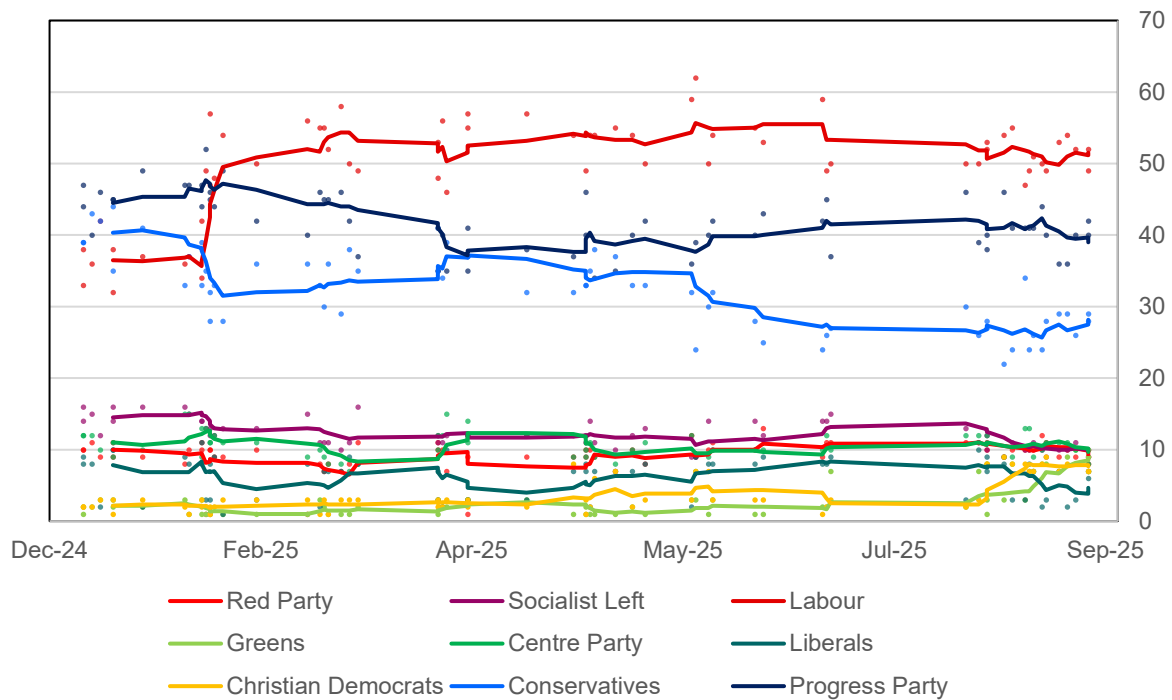
Opinion Polling & Betting Market Chartpack

Chart 2. General Election Opinion Polling by Bloc, Seat Projections and 6-Poll Moving Average



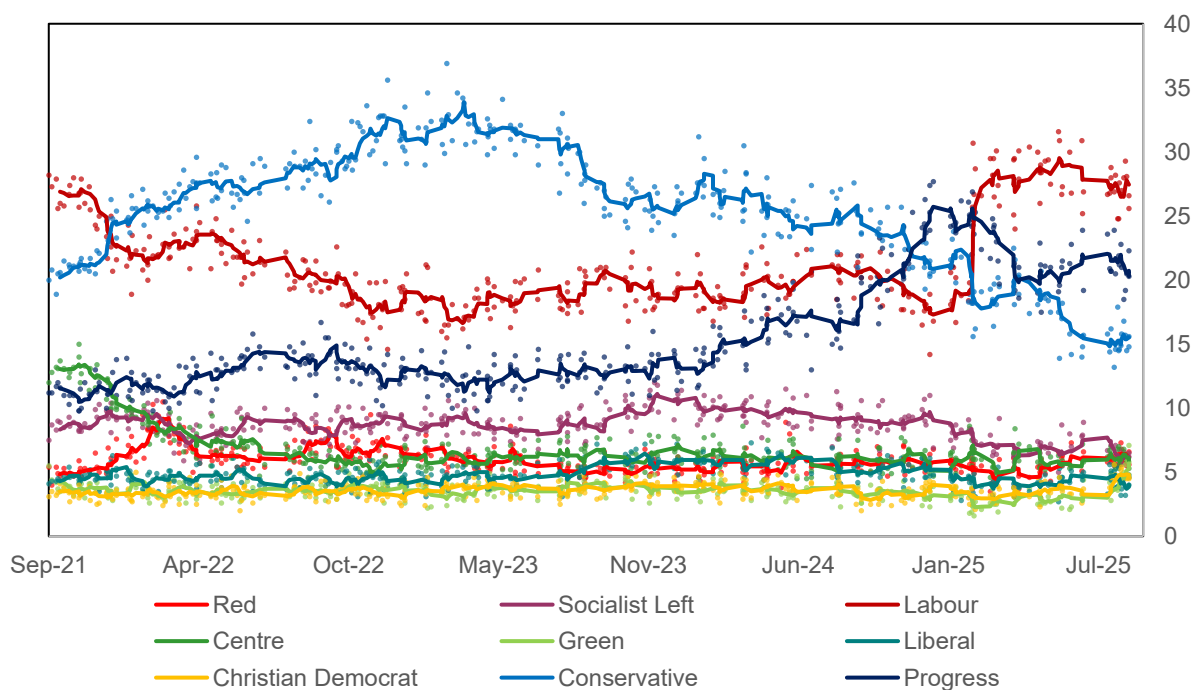
Source: Norstat, Kantar, Opinion, Respons Analyse, Sentio, Norfakta, Ipsos, Verian, InFact, MNI. N.b. Dashed line indicates 85-seat threshold to win majority. Red bloc-Labour, Socialist Left, Centre Party, Greens, Red Party. Blue bloc-Conservatives, Progress, Christian Democrats, Liberals.

Chart 3. General Election Opinion Polling by Party, Seat Projections and 6-Poll Moving Average



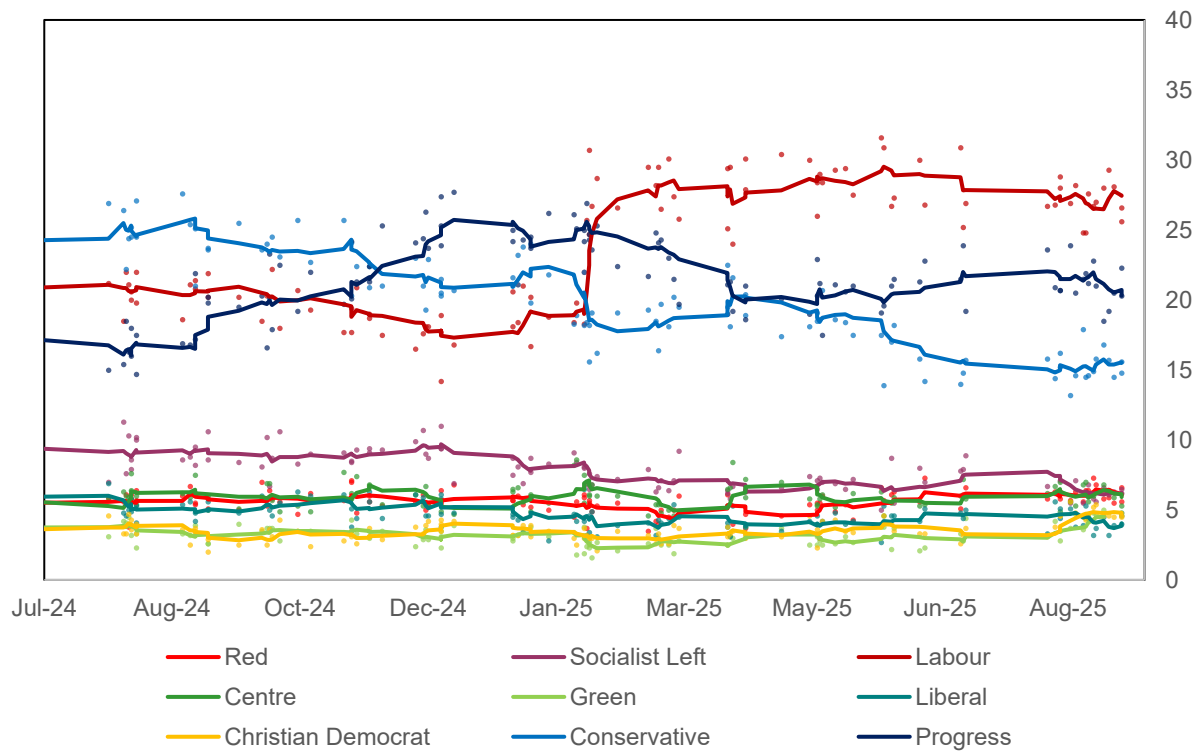
Source: Norstat, Kantar, Opinion, Respons Analyse, Sentio, Norfakta, Ipsos, Verian, InFact, MNI.

Chart 4. General Election Opinion Polling by Party, % and 6-Poll Moving Average (Long Term)



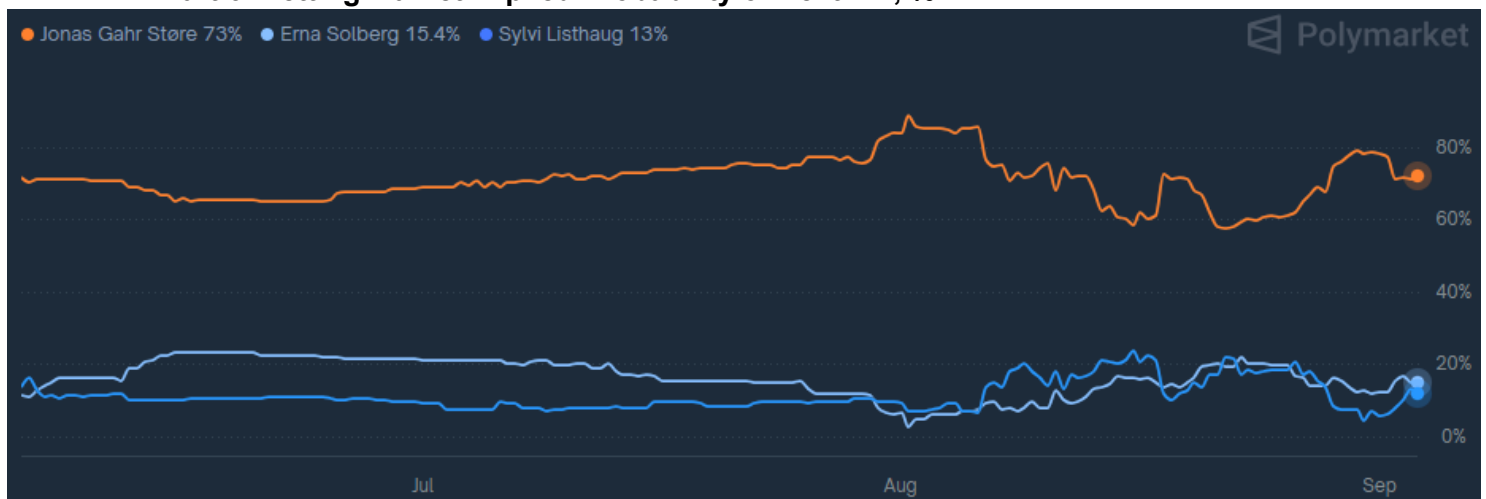
Source: Norstat, Kantar, Opinion, Respons Analyse, Sentio, Norfakta, Ipsos, Verian, InFact, MNI.

Chart 5. Opinion Polling by Party, % and 6-Poll Moving Average (Short-Term)



Source: Kantar TNS, Norstat, Respons Analyse, Sentio, Opinion Perduco, Ipsos MMI, Norfakta, MNI.

Chart 6. Betting Market Implied Probability of Next PM, %



Source: Polymarket. As of 3 September.

Election Scenarios

Labour Leads Minority/Coalition Government – 70% Probability:

- The most likely outcome of the election is the continuity of the current administration under Labour, either in coalition with other parties of the left, or in a confidence and supply agreement as a minority government. In any case, in order to secure an overall majority, Labour is likely to need the support of the Centre, Socialist Left, Green and Red parties.
- However, their participation in government is not assured. The Centre party pulled out of the coalition in January amid disagreements regarding alignments with EU energy market rules (despite Norway not being an EU member state). The Red Party has never sat in government, and its anti-capitalist policy stances may prove too extreme for the more moderate centre-left Labour party to include as part of a coalition agreement.
- However, this does not necessarily mean an unstable government. Norway's proportional electoral system means a party has only ever once won a majority of seats (Labour in 1957), meaning coalition formation and compromise is the norm. Moreover, the constitutional bar on snap elections means that parties are forced to look to reach agreement with one another, or govern as minority administrations unable to enact large parts of their policy platform for lack of support.
- The potential participation of the Greens and/or the Socialist Left could push a second Støre government towards more stringent regulations on carbon emissions or efforts to significantly bolster offshore wind and carbon capture (although the Norwegian oil and gas sector would continue to enjoy government support as a source of significant external revenue and a major employer).
- Should the Centre party take up a position in government, this could reignite arguments regarding EU energy regulations and the broader role the EU plays in influencing Norwegian policy as a member of the European Economic Area (EEA). The Centre party sits as a uniquely Nordic political grouping, politically moderate and agrarian but staunchly Eurosceptic with deep opposition to further EEA integration.
- Another centre-left administration would raise the prospect of increased taxation on high earners and/or an elevated wealth tax, which has proved one of the most contentious and prominent issues of the election campaign. While Labour and other parties of the left have backed such measures as essential in boosting welfare provision and public services, critics have claimed that they will raise relatively little for the government's coffers while deterring entrepreneurial attitudes and encouraging high-net wealth individuals (who pay large amounts in tax) to leave the country.
- While the Red Party's support may be required for the overall red bloc to secure a majority, it is more likely than not that the Reds will sit outside government, instead backing Labour (and any other coalition partners) in a confidence and supply agreement. The Red Party's anti-capitalist, strongly Eurosceptic, and anti-NATO stances could make it difficult to work with the Støre government, which is supportive of Norway's Nordic model economy, of increasing integration with the EU via the EEA, and of continued military support for Ukraine and bolstering of national defences to protect the far north. In early September, Red Party leader Marie Sneve

Martinussen [outlined](#) key demands that would allow her party to back a Støre government, including increased benefits for those on welfare and income tax cuts for low earners.

Blue Bloc Secures Overall Majority, Forms Coalition – 25% Probability:

- Prior to February, it appeared as though the right-leaning 'blue bloc' of parties, the Conservatives, Progress Party, Christian Democrats and Liberal Party, would be all but set to form the next government. PM Jonas Gahr Støre's Labour Party trailed in nationwide seat-projection polls and was at risk of coming in third place for the first time since 1924.
- However, the appointment of former PM Jens Stoltenberg to the position of finance minister gave the government a jolt of support, with the erstwhile NATO secretary general viewed as a steady hand on the tiller of the finance ministry at a turbulent time for regional and global geopolitics.
- Since then, the blue bloc has been on the back foot and looks set to fall short of an overall majority. Nevertheless, polling errors and differential turnout could lead to an unexpected (but likely very narrow) majority for the parties of the right.
- The Progress Party is likely to emerge as the largest party in the blue bloc, with opinion polls showing Sylvi Listhaug's party comfortably ahead of former PM Erna Solberg's Conservatives since May/June. In the event the blue bloc wins a majority, there could be some tension over which party leader takes the prime minister's office.
- While the Progress party has been the largest party on the right in four Norwegian elections, it has never done so when the blue bloc has won a majority, and therefore never held the PM's office. It was announced on 2 September that Listhaug will hold a one-on-one debate with Støre on 5 September, a relatively clear indication that Listhaug and her party view her as the PM candidate for the blue bloc.
- However, Solberg and the Conservatives may look to press their role as a unifier of the bloc. The two other parties of the right, the Christian Democrats and Liberals, sit further towards the political centre ground than Progress or the Conservatives. As such, they may offer their backing to Solberg rather than the populist Listhaug should they look to formally join the coalition. These parties' support for Progress leading the government could be more forthcoming if one or both parties decide to support the bloc in a confidence-and-supply agreement.
- In either scenario (Conservative-led or Progress-led governments), a marginally more stand-offish stance towards EEA integration is likely to come to the fore, with Progress in particular advocating domestic influence on energy policy and the climate change agenda. This could lead to some friction with the Conservatives, Christian Democrats, and Liberals, who largely back a cooperative stance with the EU on the EEA. On other areas of foreign policy, most notable NATO, defence spending, and support for Ukraine, Oslo will retain a strong commitment to all three and indeed could look to pursue a more hawkish stance, notably on the defence of the High North.
- Both Progress and the Conservatives have talked down Norway's wealth tax during the campaign, but given that inequality is one of the top voter concerns for the election, the focus for both parties has landed more on more limited tax reductions and efforts to deregulate the economy to spur investment and competitiveness. The

scope of possible tax cuts will be curtailed somewhat by fiscal conservatives in both parties who, despite the substantial impact of the sovereign wealth fund on public finances, are likely to oppose any significant state infrastructure projects.

- Efforts to deregulate the labour market, combined with a more targeted approach to welfare benefits, could see pushback from the left and trade unions if these are viewed as looking to unwind the country's Nordic social model, based on high tax rates in exchange for generous welfare provision across the social spectrum. Notably, Norway's powerful energy sector is heavily unionised, potentially restricting blue bloc government efforts to enact significant reforms in this industry.
- A blue bloc government would certainly look to implement a more restrictive immigration policy, although the issue is certainly a minority one compared to other Nordic countries, notably Denmark and Sweden. Restrictions on low-skilled workers could increase costs in industries reliant on low-wage or seasonal workers.

Labour and Conservatives form 'Grand Coalition' Government – 5% Probability:

- The only time in Norway's post-war history that Labour and the Conservatives have worked together formally in a 'grand coalition' was for a few months in 1945 in the immediate aftermath of the end of the Nazi occupation of Norway, when a 'unification cabinet' was formed by Labour, the Conservatives, the Liberals, the Centre party and the Communists. Given the political fragmentation between parties possible in this election, there is the small prospect that Labour and the Conservatives could work together once again.
- Such an administration could garner support from small parties of the centre-left and centre-right such as the Centre Party, the Liberals, and the Greens to ensure a comfortable majority. However, further down the line, it could allow populists on both wings of the political spectrum in the Red and Progress parties to argue the parties of the 'establishment' have engaged in a stitch-up to keep out 'real' voter concerns.
- A 'grand coalition' government would find common ground on maintaining support for Norway's oil and gas industry in order to maintain energy security and bolster state coffers. Both parties would also agree on maintaining Norway's position as a committed EEA member at the very least. Labour and the Conservatives are two of Norway's most pro-EU parties, and while still a low-probability, high-impact scenario, having a government formed by the two dominant mainstream political parties could prove the best chance of gaining a 'yes' vote for full EU membership.
- Clashes are likely to emerge when it comes to support for increased welfare spending and enhancing public services (backed by Labour) coming up against demands for supply-side reforms to help businesses and making Norway's tax system more competitive from the Conservatives. Unlike in usual coalitions or minority administrations, where there is a clear senior and junior partner, the Conservatives may be reluctant to sit as an outright subordinate to Labour, despite likely holding far fewer seats. This could make for a sclerotic policy-making and policy-enactment environment.
- A grand coalition government would continue Norway's vocal support for Ukraine and efforts to counter Russian naval activity in the High North, risking Russian hybrid attacks on infrastructure and cyber systems, a notable potential hazard for Norway's oil and gas sector.

Market Overview

The Norwegian election is not expected to have a major impact on NOK FX and rate market pricing, with analysts and political observers anticipating few material changes in the aggregate fiscal policy stance across potential election result outcomes. As such, this should have limited impact on Norges Bank's policy rate outlook ahead of the September 18 decision.

1-week ATM EURNOK and USDNOK implied vols have been inching higher since the middle of August, but did not see a discernible step-change once capturing Monday's election. Norges Bank and markets will be much more focused on the August inflation and Q3 Regional Network data, released next Wednesday and Thursday next week respectively.

Norway, unlike the majority of other sovereigns, funds (non-oil) deficit spending through withdrawals from its sovereign wealth fund rather than conventional bond issuance. The Government adheres to a fiscal rule whereby the structural non-oil budget deficit cannot exceed the long-term expected real rate of return of the Government Pension Fund Global (GPFG), currently set at 3%.

The Labour party's 2025 revised national budget incorporates spending of 2.7% from the GPFG, slightly below the 3% (soft) ceiling imposed by the fiscal rule. This corresponds to a substantial structural non-oil budget deficit worth 12.9% of mainland GDP (although this figure includes spending on military aid to Ukraine). As such, the current fiscal stance is already quite expansionary.

Speaking to the MNI Policy Team last week, Johannes Berg, election studies head at the Norway's Institute for Social Research said that the main right-leaning parties and Labour are both committed to the existing fiscal rule arrangements. Additionally, Berg noted that if Labour finds itself relying on the Greens or the far-left Red Party to pass a budget (which would correspond to MNI's most likely election scenario, see above), it is likely to hold firm in insisting on orthodoxy. We note that while the Progress Party has previously advocated for greater GPFG spending, it is unlikely to gain support for such a move from other likely members of an unexpected blue-bloc coalition.

As such, negotiations around the fiscal stance would likely comprise of adjustments to the tax/spending mix, rather than wholesale changes to Norway's institutional backdrop. This should limit material feedthrough into Norges Bank's rate path projections, at least until the 2026 budget details are released later this year.

Analyst Views

Goldman Sachs

- [...] while domestic macro should be less crucial for both currencies than these global trends, the Norwegian general election on September 8 is a key risk event for NOK. The most currency-significant outcome from the election would be from the success of a party or coalition aiming to loosen the current restrictions around channeling foreign currency revenues from the sovereign wealth fund back into NOK and into the domestic economy.
- Norway's Progress Party has been campaigning on that mandate, and, if successful, would open up a larger right-hand-side tail for the currency. In our view though, given historical resistance to altering the fund's mandate, and current polling that suggests a low probability of any given party reaching a majority, significant wealth fund reform remains a tail outcome for the currency.

Nomura

- Taxation is a key issue dividing right and left. The Labour Party's policies focus on the redistribution of wealth through adjustments to taxes on wealth and dividends. However, changes to wealth taxation are key to the centre-right's attempts to be elected.
- Norway's wealth tax imposes a duty of around 1% on net wealth higher than NOK1.76mn (USD180k). Proponents of the tax say it means that wealthy people pay tax, when they may otherwise pay none at all if they have no income. Critics say the wealth tax discourages entrepreneurship, as founders have to take dividends from their company to pay it.
- The cost-of-living in Norway has also been a key issue during the campaign. Inflation in Norway remains high, with CPI-ATE (which adjusts for taxation and excludes energy) of 3.1% y-o-y in July, and food inflation of 5.9% y-o-y.
- On energy, Norway has emerged as Europe's primary gas supplier since the Russian invasion of Ukraine, with an expanding role, as the EU aims to phase out Russian gas by 2027. The 2025 election outcome, particularly the influence of smaller parties such as Green Party in forming a coalition, could determine oil and gas exploration policy. While complete exploration bans appear unlikely, the debate focuses on whether to open new areas or restrict activity to existing zones.
- The fiscal position of the Norwegian government remains very strong, thanks to its ability to draw on revenues from the [sovereign] wealth fund. Fiscal rules state that a maximum of 3% of the fund's value can be allocated to the yearly government budget, which the government usually achieves. While we may see adjustments to taxation or oil and gas-related policies following the election, we do not expect the outcome to notably alter the broad fiscal outlook.

SEB

- Opinion polls long suggested a shift towards a center-right government, but recent surveys point to renewed support for the ruling center-left. The Labour Party has

emphasized redistribution and welfare financing alongside expanded household transfers.

- The center-right opposition, by contrast, prioritizes lower capital taxation and advocates reducing or abolishing ownership taxes to avoid disadvantaging domestic private investors relative to foreign or state ownership.
- A change of government could be perceived as more business-friendly, yet fiscal prudence will likely constrain the scope for maneuver. Overall, the election outcome should not significantly alter the broader fiscal policy outlook.

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