

# Election update Norway

## Victory but reduced majority for the centre-right parties

The current minority government seems to be able to form a new government. Due to a poor election result for the minor supporting parties, the new government will have a slightly smaller majority in parliament. Fiscal and monetary policy are unlikely to be affected much by the election result short term. Probably no market effects today.

The current minority right wing government, consisting of the Conservative Party and the Progress Party, will form a new government. Support for these two parties declined only slightly relative to the successful 2013 election. Half a year ago, this outcome would have been seen as a surprise. The cost of being a ruling party has been surprisingly small.

In the old parliament, the government could seek support and create a majority with either the Christian Democrats or the Liberal Party. Due to a weak result for both these supporting parties, the new government can now only form a majority if both the Christian Democrats and the Liberal Party are included. The risk of a more politically unstable landscape going forward has increased. A real probability is that the Christian Democrats may change sides over the next four years and support a minority Labour Party-led, centre-left coalition instead.

The Centre Party (traditionally the farmers' party) is a winner in the election on a programme based on anti-centralisation and anti-internationalisation. The main opposition party, the Labour Party, failed to attract voters despite the oil market downturn. The failure was no big surprise in the wake of the decline in unemployment in recent months.

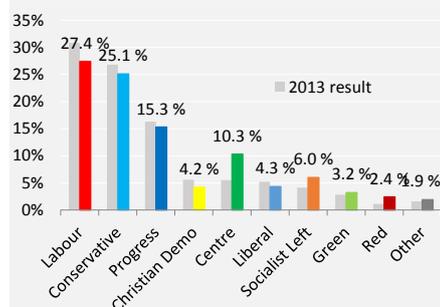
Extra seats in parliament are given to parties that get support above 4.0%. The outcome of the election was very dependent on the supporting parties gaining more than 4.0%. The Christian Democrats' 4.2% and the Liberal Party's 4.3% illustrates that the election was a close call.

**There is an ongoing process towards a modernisation of the mandate of Norges Bank. This process was initiated by the Solberg I government and the outcome should help hasten this process. The 2018 fiscal budget proposal will not be affected by the election, but the negotiation in parliament may be slightly tougher given the reduced majority.**

### Key points

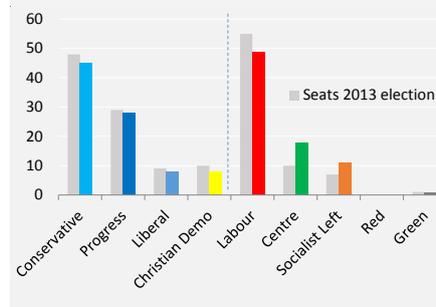
- The current right wing minority government will most likely continue after the election.
- Monetary and fiscal policy are unlikely to be affected much by the outcome.
- The powerbase in parliament for the minority government is slightly weaker. This means tougher negotiations and a risk of a change of government over the next four years.
- The main winner on the left side is the Centre Party on a campaign against centralisation and internationalisation – reflecting a similar international trend.

Figure 1: Election result 2017 vs 2013: % of votes (preliminary result after 95.1% of votes counted)



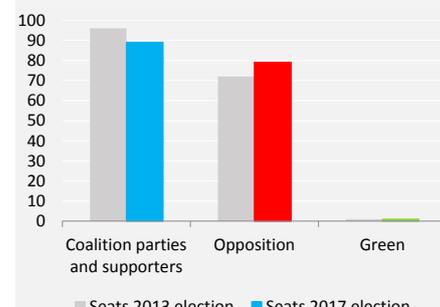
Source: Aftenposten

Figure 2: Election result 2017 vs 2013: seats in parliament. Majority but less seats support current government



Source: Aftenposten

Figure 3: Election 2017 vs 2013: seats distributed by main blocks – Right Wing 89 vs Left Wing 80



Source: Aftenposten

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