Principality of Liechtenstein: Staff Concluding Statement for the 2026 Article IV Mission

FOR IMMEDIATE RELEASE

A Concluding Statement describes preliminary findings of IMF staff at the end of a mission to a member country. Missions are undertaken as part of regular consultations under Article IV of the IMF's Articles of Agreement. The Liechtenstein authorities have consented to publication of this statement. The views expressed are those of the IMF staff and do not necessarily represent views of the IMF's Executive Board. Based on the findings of this mission, staff will prepare a report that, subject to Management approval, will be presented to the Executive Board for discussion and decision.

Vaduz – January 27, 2026: *An International Monetary Fund (IMF) mission, led by Kazuko Shirono, conducted discussions for the 2026 Article IV Consultation during January 14-27 with the authorities of the Principality of Liechtenstein. At the end of the visit, the mission issued the following statement:*

Despite regional and global headwinds and volatility in growth in recent years, Liechtenstein has maintained large fiscal buffers with virtually no debt. The financial system has weathered global stress well, with ample capital and liquidity buffers. The Principality faces challenges as its small, highly open and industrialized economy is exposed to continuing global economic and geopolitical shifts. Elevated uncertainty and fast-changing conditions necessitate vigilance, and possibly timely policy adjustments. Fiscal policy should stand ready to respond more to shocks and avoid a tightening bias while also paying attention to mounting medium-term spending pressures. As an important financial center, further strengthening financial sector resilience is essential, underpinned by robust risk monitoring and assessment as well as strong micro- and macroprudential oversight. Continued structural reforms are needed to lift medium-term growth, including by further addressing skills shortages, advancing digitalization, and enhancing security. Ongoing work in closing gaps in macroeconomic statistics is key for early detection of risks, timely policy action, and greater transparency.

Recent Economic Developments and Outlook

Activity has weakened amid softer demand. After rebounding in 2023, growth stagnated in 2024-25; high-frequency indicators continue to point to subdued activity. Goods trade has softened amid higher U.S. tariffs and weaker external demand; declining imports signal weak domestic demand. Despite the headline US tariff rate of 15 percent, the effective tariff rate rose in 2025 to nearly 30 percent—higher than for Switzerland and EU—as a large share of exports (machinery, metal-intensive intermediate goods) face sectoral tariffs of up to 50 percent. Trilateral discussions jointly with the customs union partner Switzerland are ongoing. Labor conditions are easing, with slower employment growth and increased unemployment from a low level to around 2 percent—reflecting workforce reductions in the automotive sector. Inflation has remained low, reflecting continued appreciation of the Swiss franc.

The near-term outlook remains subdued. Growth is expected to remain stagnant in 2026 as higher tariffs and elevated geopolitical uncertainty weigh on activity, despite resilience among globally oriented exporters. Growth is expected to recover and converge gradually to its potential rate of around 2 percent. Inflation is projected to remain below one percent in the near- and medium-term.

Risks are tilted to the downside. Heightened trade uncertainty, weaker growth in key trading partners, and potential safe-haven appreciation of the franc would weigh on exports and may weaken activity and employment. The financial center—built on a strong global client base—may face risks of market repricing, volatility, and tighter financial conditions, or reputational risks. Elevated household indebtedness and high trade intensity of firms are additional areas of risk, potentially mitigated by expanding the free trade agreement (FTA) network. Liechtenstein's large fiscal buffers provide a cushion against adverse shocks.

Fiscal Policy

Fiscal surpluses and accumulation of buffers are expected to continue. The general government surplus is estimated to have declined below 3 percent of GDP in 2025 due to increased infrastructure and digitalization investment alongside weaker corporate income tax (CIT) revenues. The 2026–29 budget maintains higher investment spending and social support, with VAT and CIT revenues projected to improve. However, revenues could weaken due to structural declines in gambling and motor vehicle tax collections.

Near-term fiscal policy should stand ready to respond more to shocks. The 2026 budget projects a 3 percent of GDP surplus, but weak growth, subdued inflation, and downside risks call for avoiding an overly tight stance. Should downside risks materialize, the automatic stabilizers in place, including short-time work compensation (KAE), should continue to be the first line of response. In more severe shocks, timely, targeted, and temporary measures could play a role.

Ensuring strong linkages between macroeconomic conditions, policy intentions, and fiscal outcomes is key. Budget rules are now set independently from the latest data and evolving macroeconomic conditions. While the rules, aimed to ensure consistently balanced budgets, have supported consolidation and led to the accumulation of large buffers, strict technical compliance may impede flexibility in responding to shocks, limit infrastructure investment, and lead to unwarranted asset accumulation during downturns. The fiscal framework should be refined to reduce data lags, enable timely evaluation of the duration and magnitude of shocks, and support fiscal planning and execution.

Liechtenstein is well-placed to address rising long-term spending pressures; this will require careful costing. Aging will increase pension, health, and long-term care costs. Without policy action, Pillar I pension asset coverage, high in international comparison, is projected to fall from 10 years in 2023 to below the statutory minimum of 5 years by 2043. Achieving net-zero emissions by 2050 will require substantial investment. Security spending needs are also rising. Aging, climate, and security spending could add 3-3½ ppts. of GDP to expenditures, according to preliminary IMF estimates. While these costs could be absorbed through gradual surplus reduction, systematic costing of these pressures would strengthen medium-term budgeting and inform choices.

Pension reforms are key to address cost pressures from aging. While Pillar I assets currently afford a replacement ratio of 36 percent, this ratio is expected to decline. Policy options include raising the effective retirement age in line with increasing life expectancy and/or raising contributions. The planned review of Pillars I and II is a key step towards preserving pension system sustainability.

Financial Sector Policies

Ensuring a proactive bank risk management framework is key for greater resilience. While capital buffers are ample, recent declines in capital ratios and subdued profitability underscore the need for vigilance. Conservative solvency stress testing and adequate translation into capital buffers, along with close scrutiny of bank credit risk management practices and risk-based profit retention policy would support capital accumulation.

Adequate liquidity buffers and diverse funding sources are important priorities. While banks are highly liquid, a continued downward trend in liquidity and funding metrics coupled with absence of a dedicated liquidity backstop warrant close scrutiny and high buffers, especially given elevated uncertainty. Further advancement of the liquidity stress testing framework and targeted reviews of liquidity and funding structures would enhance resilience.

Oversight of nonbank financial institutions would benefit from further strengthening. While capital and liquidity buffers of insurance companies are substantial, they have reduced over time, and profitability lags peers. This calls for closer supervisory scrutiny and risk-based profit retention policy. Investment funds, on average, have large liquidity buffers and are not excessively leveraged, but pockets of vulnerability call for scrutiny. Insurers and investment funds should be subject to conservative stress tests conducted by the authorities, with results featuring prominently in supervisory dialogue.

The macroprudential framework needs to continue evolving in line with emerging risks. An expanded, comprehensive systemic risk analysis, encompassing expanding NBFIs and their interconnectedness with banks, would ensure identifying vulnerabilities and risks and safeguarding stability. Given the importance of operational risk, especially in cybersecurity and reputational risk, consideration should be given to recalibrating the systemic risk buffer to incorporate this dimension into the current setup. Borrower-based measures could be further refined, including broadening coverage of debt.

Effective AML/CFT supervision and entity transparency play a vital role in safeguarding against financial integrity risks. Reputational risks stemming from recent resignations of fiduciaries and board directors of Russian-linked trusts, following authorities' zero-tolerance policy regarding foreign sanctions, appear contained. The authorities have established an intra-institutional working group to explore risk mitigation measures. Planned amendments to the Professional Trustees Act would grant the Financial Market Authority (FMA) enhanced powers, notably monitoring stability risks and sanctioning violations of regulations. FMA's efforts to strengthen the understanding of risks of cross-border flows are welcome and should continue. Facilitating timely access by financial institutions and Designated Non-financial Businesses and Professions to the registry on beneficial ownership would strengthen the implementation of preventive measures.

Structural Reforms

Productivity and real income per capita remain among the highest in Europe, but their growth has stalled in recent years. Productivity remains higher than in Switzerland, but this gap has narrowed, while productivity has declined relative to the U.S. This reflects structural headwinds, including aging, infrastructure constraints, and persistent shortages of skilled labor. While inflows of skilled foreign labor have supported Liechtenstein's growth model, capacity bottlenecks—including in transport—and a declining wage premium relative to neighboring regions may pose increasing challenges going ahead.

Sustained policy initiatives will help address skills shortages and support productivity growth. Vocational and dual-training, continued expansion of digital and STEM-oriented upskilling, and promotion of lifelong learning—targeting increasing skills among residents—remain important, particularly as AI is expected to reshape skill needs. Planned measures are generally well targeted, including establishment of R&D centers to promote closer cooperation among businesses and educational institutions, as well as reskilling programs for older workers in technological areas. Investment in transport and digital infrastructure would alleviate congestion and support more efficient use of high-skilled labor.

Broadening labor supply—particularly among women and older workers—would support growth and offset demographic pressures. While participation rates have improved, they remain relatively low for these groups, and a sizeable gender wage gap persists, widening over the life cycle. Planned policies that facilitate greater participation (e.g., flexible work) and measures to encourage longer work lives would ease labor shortages. Expansion of parental leave from January 2026 should support female labor market participation.

Climate change goals are ambitious, and closing implementation gaps is important. Significant progress has been made in transitioning from fossil-fuel heating and expansion of the district heating network. The climate strategy strengthened the 2030 target, introduced a new 2035 target, and formalized 2050 net-zero targets in domestic law. Additional measures should be developed to meet the ambitious targets.

Sustained oversight of cyber risks is essential. After implementing the EU Digital Operational Resilience Act (DORA) in 2025, an ongoing supervisory focus on cybersecurity, third-party risks, threat-led penetration testing, business continuity planning, and inter-institutional and international coordination should strengthen operational resilience.

Closing data gaps

Work is underway to address significant gaps in macroeconomic statistics. High-quality and timely data are essential to support Liechtenstein's position as a specialized manufacturing economy and financial center. The authorities have added resources and established a Coordination Group on Macroeconomic Statistics (CGMS), consisting of the Office of Statistics, FMA, Ministry of General Government Affairs and Finance, and Liechtenstein Institute. The CGMS has developed a multi-year work program to enhance the timeliness and quality of core macroeconomic data, prioritizing national accounts. Upcoming IMF technical assistance on national accounts will support this effort, and continued work with the Swiss National Bank will help advance external balance of payments data compilation. Better use and more timely dissemination of existing in-house data—as planned for the government finance statistics—would further support real-time assessment and policymaking. It is important to dedicate the necessary resources to data improvements.

* * * * *

The IMF team is grateful to the authorities and other stakeholders for the exchange of comprehensive background information, candid and constructive discussions, and warm hospitality.