



# PRINCIPALITY OF LIECHTENSTEIN

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION

March 6, 2026

### KEY ISSUES

**Context:** Despite global headwinds in recent years, Liechtenstein has preserved high incomes, low unemployment, and sizable buffers with virtually no debt. Yet, its highly open economy is exposed to continuing global and geopolitical shifts and some policy areas require attention. Higher tariffs are weighing on industrial activity and the labor market is weakening. Medium-term spending pressures are rising but are not yet fully quantified. Productivity remains above peers, but the gap is narrowing.

**Outlook and risks.** Growth is projected to be flat in 2026, reflecting elevated geopolitical uncertainty, higher tariffs, and weak external demand. The inflation outlook is subdued, with inflation below one percent in the near and medium terms. Risks are tilted to the downside, including elevated trade uncertainty, a possible global slowdown, and further appreciation of the Swiss franc, which would weigh on activity. Liechtenstein's financial center is susceptible to a range of risks given reliance on a global client base.

### Key Policy Recommendations

- **Fiscal policy.** Fiscal policy should avoid excessive tightness and ensure timely monitoring and readiness to respond to shocks. Long-term spending needs should be costed and actions are needed to improve pension system sustainability.
- **Financial sector.** Policies should focus on bolstering resilience through robust risk monitoring and strong micro- and macroprudential oversight. Effective AML/CFT supervision and entity transparency are key to safeguard against financial integrity risks.
- **Structural policies.** Continued reforms are needed to address skills shortages, increase labor supply (e.g., women), advance digitalization, and enhance security.
- **Closing data gaps.** Progress is needed in closing data gaps, particularly improving the timeliness of national accounts and establishing balance of payment statistics.

Approved By:  
**Mark Horton (EUR)**  
**and Eugenio Cerutti (SPR)**

The mission took place in Vaduz during January 14–27, 2026. The staff team comprised Kazuko Shirono (Head), Rodgers Chawani, Tara Iyer, Mariusz Jarmuzek (all EUR), and Andinet Woldemichael (STA). Patryk Loszewski (Executive Director) and Martin Meier (OED) participated. Marizelle Evio and Qirui Zhang assisted from IMF HQ. The mission met with Prime Minister and Minister of Finance Haas, officials from of the ministries of Infrastructure and Education, Foreign Affairs, Environment and Culture, Social Affairs and Justice, Home Affairs, Economy and Sports, the Financial Market Authority, and the Office of Statistics, and representatives of the Liechtenstein Institute, academia, and other government and private sector institutions and associations.

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## CONTEXT AND RECENT DEVELOPMENTS

1. **Despite regional and global headwinds and volatile growth in recent years, Liechtenstein has maintained high incomes, low unemployment, and large buffers.**<sup>1</sup> The economy rebounded from the pandemic in 2023, growing by 3.4 percent, but declined by -0.3 percent in 2024. During this period, unemployment averaged 1.5 percent; fiscal positions remained in surplus with virtually no debt; and fiscal buffers stayed above 100 percent of GDP. Per capita income remains among the highest in Europe.<sup>2</sup>
2. **Still, the Principality faces challenges as its small, highly open economy is exposed to continuing global economic and geopolitical shifts.** Goods exports to the United States—an important destination—are now subject to significantly higher effective tariffs, around 25 percent.<sup>3</sup> Weaknesses in the European auto sector have spilled over to Liechtenstein through job cuts at a large local automotive technology firm. Medium-term fiscal spending pressures are expected to rise, including from aging.
3. **The new government formed in April 2025 has maintained a broadly unchanged economic policy stance while placing greater emphasis on national security.** Economic policy continues to be centered on a supportive business environment. A comprehensive security strategy—encompassing legal, digital, and physical threats—is being developed to enhance resilience.
4. **Activity remained weak in 2025.** Growth is estimated at around zero in 2025, confirmed by signals from a nowcasting model based on high-frequency indicators (Text Figure 1, Figure 2). Declining imports point to weak domestic activity, while external demand has softened (¶6). Inflation has remained subdued, reflecting appreciation of the Swiss franc.
5. **Labor market conditions are cooling off.** Unemployment increased to 2 percent in 2025.<sup>4</sup> The increase partly reflected announced workforce reductions in the automotive sector, with some of the adjustment falling on cross-border commuters.<sup>5</sup> Employment growth also slowed to 0.6 percent in 2024, after averaging 2.3 percent during 2021–23. Despite these developments, unemployment remains low by international standards.

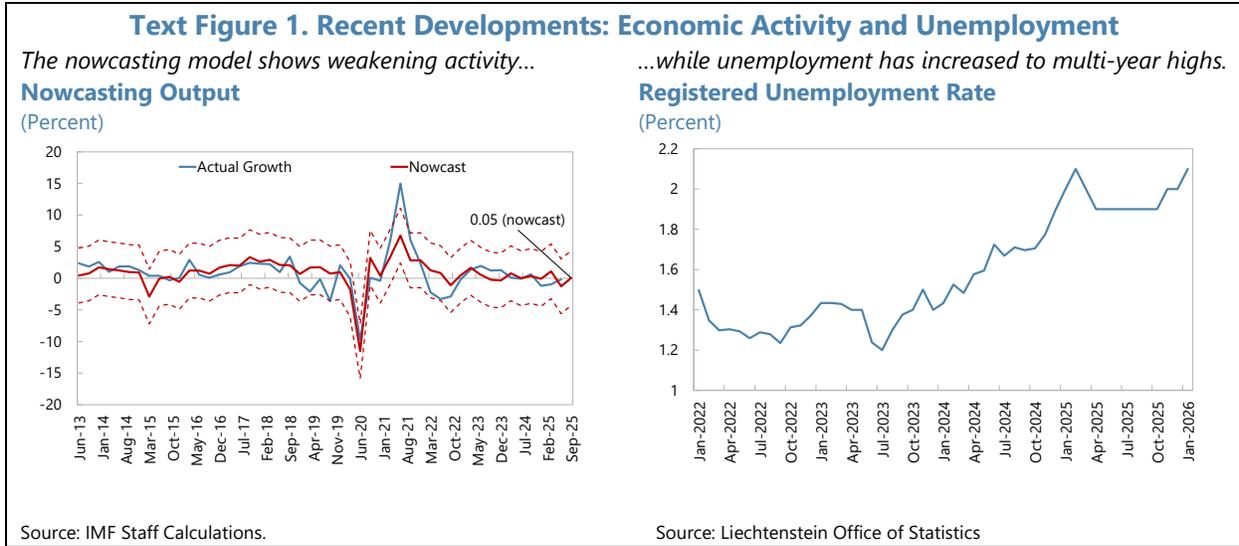
<sup>1</sup> Real GDP growth is more volatile for Liechtenstein as the economy based on export-oriented specialized manufacturing and financial services with a foreign client base is more exposed to global developments and uncertainty. Historical numbers have been revised in part to reflect improved compilation of financial sector value addition.

<sup>2</sup> GDP per capita adjusted for non-resident workers is lower and closer to GDP per capita in Switzerland.

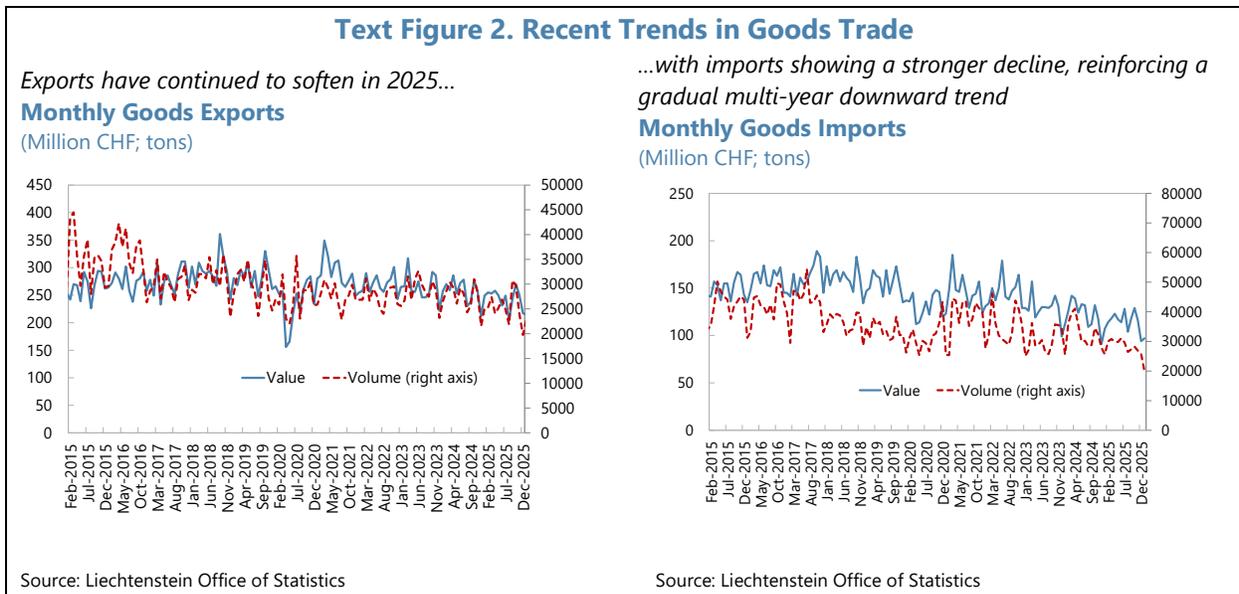
<sup>3</sup> Exports to the U.S. comprise around 16 percent of total exports.

<sup>4</sup> This is the registered unemployment rate which reflects individuals formally enrolled with the public employment service in Liechtenstein. In contrast, the ILO measure (reported in Table 1) captures all persons meeting standardized labor market criteria for unemployment, irrespective of registration status, and internationally comparable.

<sup>5</sup> Close to 60 percent of total employment consists of cross-border commuters, concentrated in manufacturing, construction, and financial services.

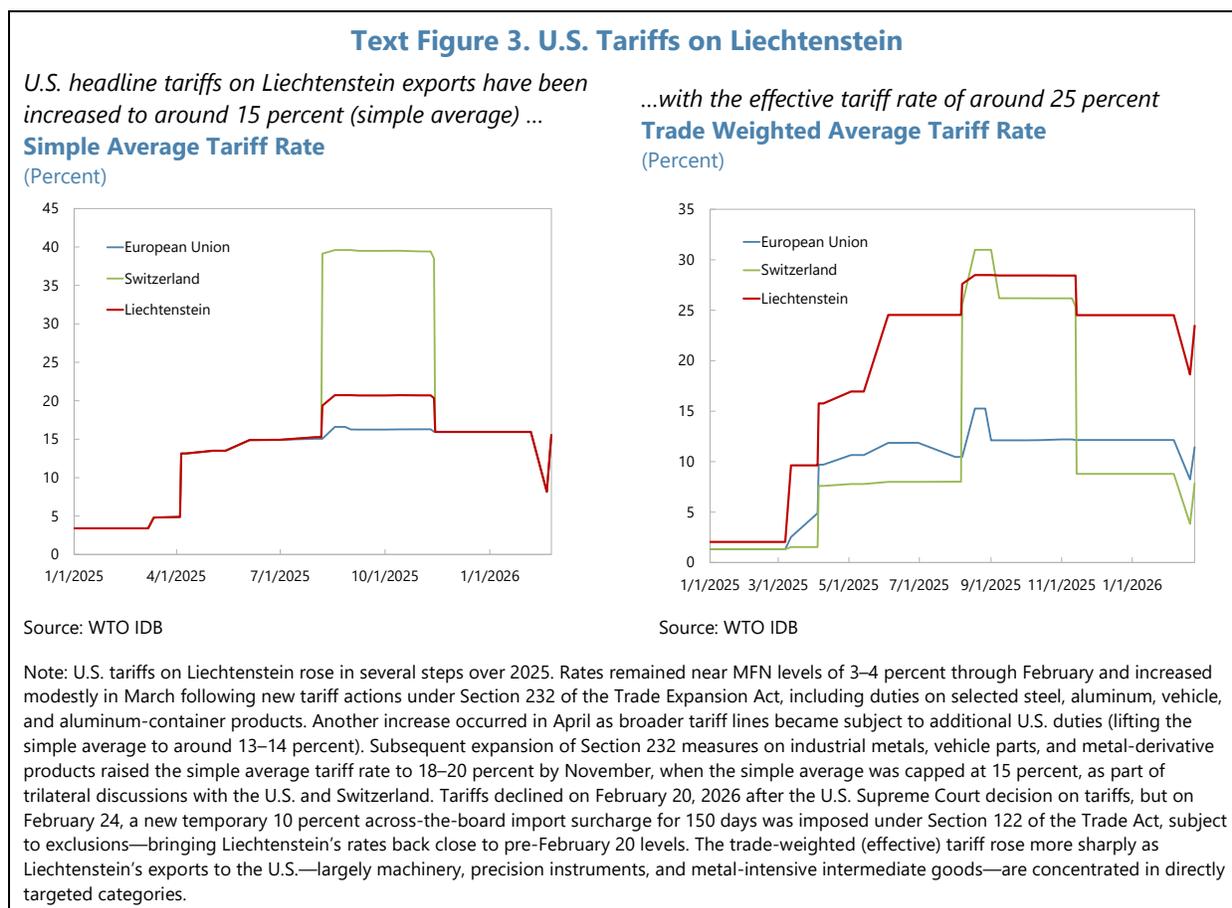


**6. Goods trade has softened** (Text Figure 2). Both exports and imports declined in 2025. Import values and volumes fell more sharply, reflecting subdued domestic activity.



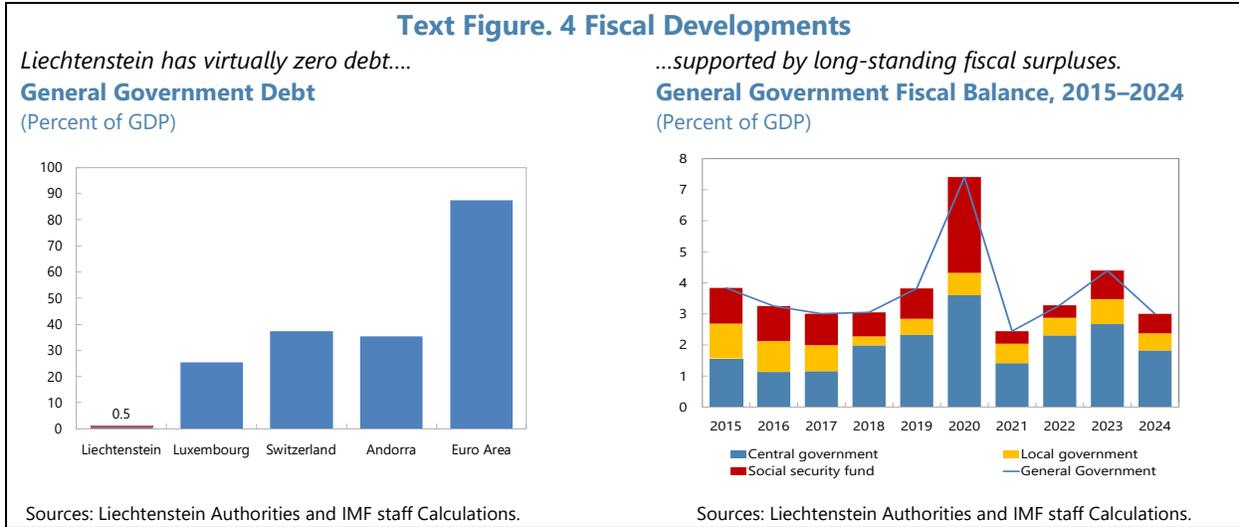
**7. While establishment of a trilateral trade framework with the U.S. and Switzerland in November reduced uncertainty, trade-related headwinds remain significant.** Liechtenstein exports face high effective U.S. tariffs, although trilateral discussions with the U.S. and customs union partner Switzerland are ongoing. The headline U.S. tariff rate (simple average) stands at

around 15 percent, but a large share of exports—particularly machinery and metal-intensive intermediate goods—is subject to higher tariffs—up to 50 percent—pushing the effective statutory rate around 25 percent.<sup>6</sup> The authorities are encouraging firms to diversify export destinations while negotiations or implementations on new free trade agreements, including with India and Mercosur, are underway. The government’s short-term work compensation (KAE) program has helped cushion the adjustment.

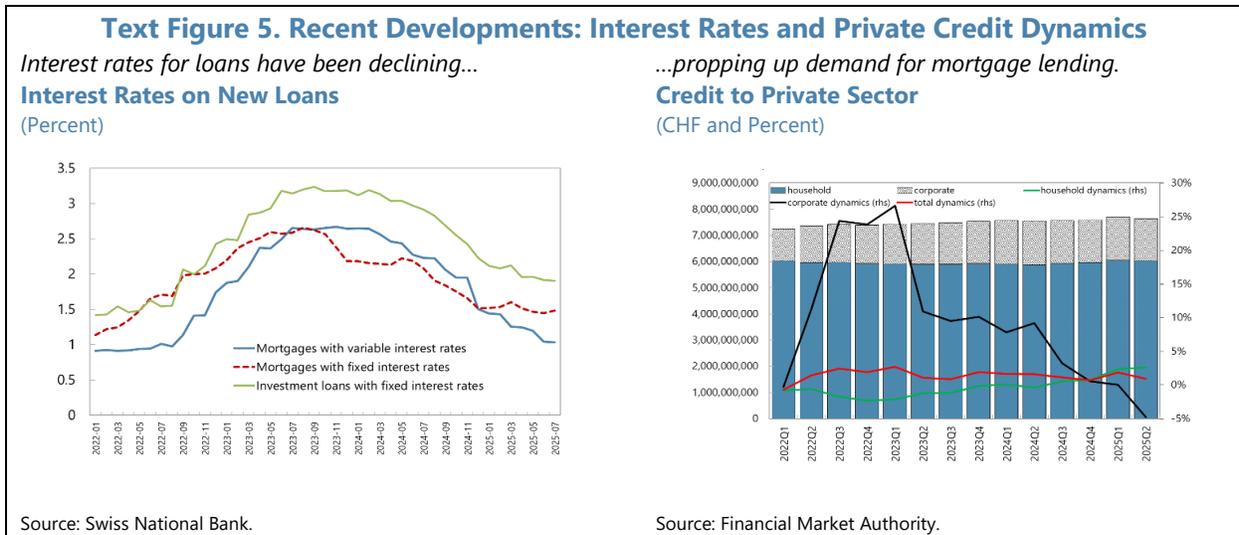


**8. The fiscal position has remained strong.** The general government balance is projected at 2.8 percent of GDP in 2025, down from 3.0 percent of GDP in 2024, reflecting higher infrastructure and digitalization spending and weaker revenue performance. Corporate income tax (CIT) collections declined while value added tax (VAT) revenues stagnated despite a rate increase. Fiscal buffers—measured as net financial assets of the general government, including social security fund assets—are estimated to have remained above 140 percent of GDP. General government debt remained low at just 0.5 percent of GDP, consisting of short-term loans contracted by some municipalities.

<sup>6</sup> Close to 90 percent of exports to the U.S. are affected. The scope for short-term substitution toward the EU/EEA seems limited.



**9. Credit to the private sector has slowed.** Despite lower interest rates, corporate loans have decelerated markedly since mid-2024, likely reflecting the slowdown in the Euro Area (EA) and Switzerland along with increased uncertainty. Corporate leverage is estimated to be limited, with high equity ratios supported by the tax system, which allows for treating some portion of capital as an expense.<sup>7</sup> By contrast, mortgage loans have accelerated, although new loans in the buy-to-let segment have recorded negative growth. Household leverage declined slightly relative to 2023 levels but remains elevated compared to peers.

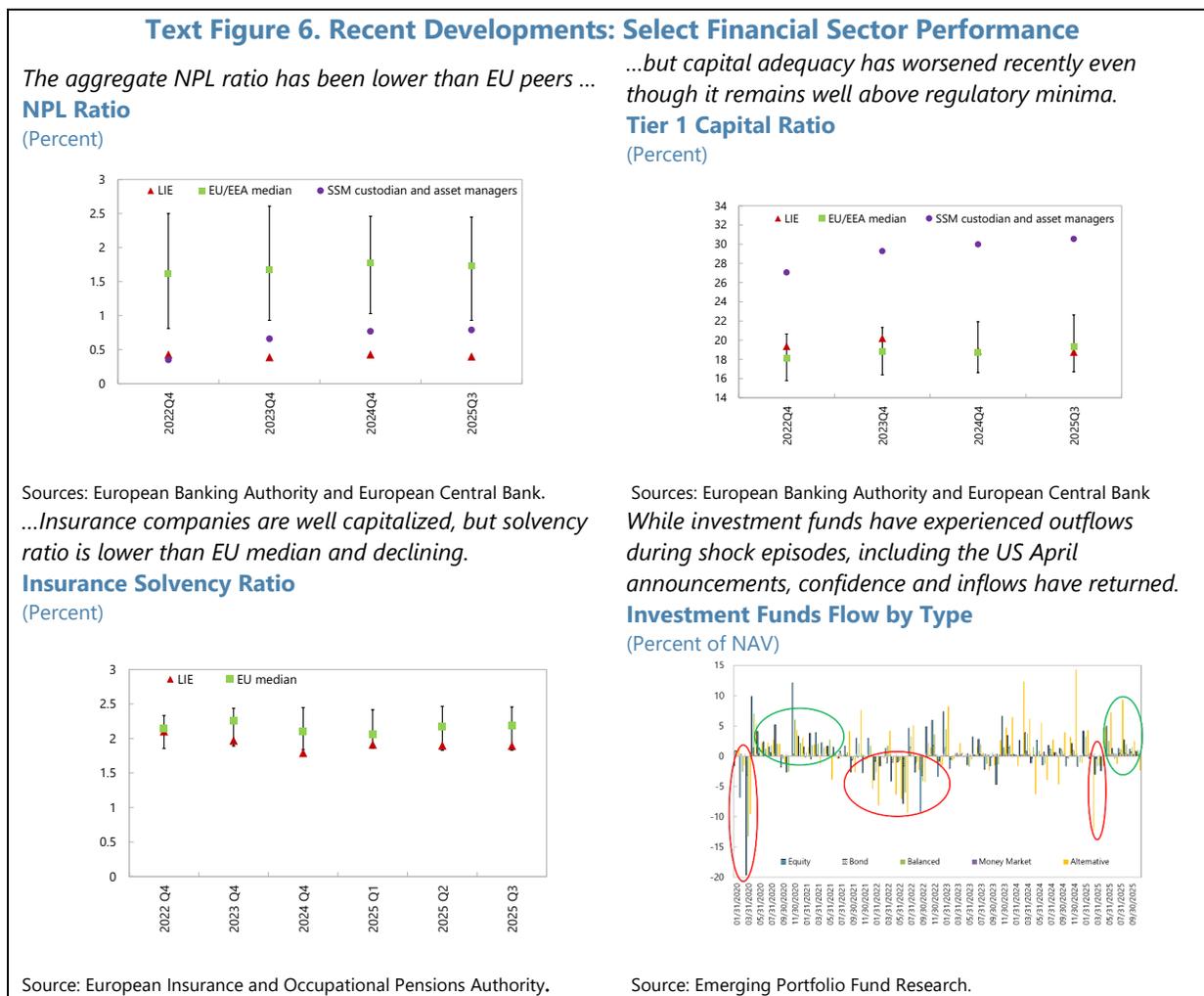


**10. The financial system has weathered elevated uncertainty and financial stress well.** Banks remain highly capitalized and liquid, well above regulatory minima and with a low aggregate NPL ratio. But capital adequacy and liquidity metrics have deteriorated since 2023, and bank profitability remains subpar reflecting the high cost of the private banking model and digitalization

<sup>7</sup> FMA (2024) Financial Stability Report.

investments. Insurance companies are also well capitalized and liquid but have experienced a downward trend in solvency and liquidity metrics, mitigated by limited exposure to surrender/cancellation risk reflecting how contractual arrangements are typically originated.<sup>8</sup> While investment funds experienced outflows following the April “Liberation Day” tariff announcement, confidence and inflows have since returned.

**11. The trust sector has been under close review.** Reflecting the authorities’ zero tolerance policy regarding foreign sanctions, resignations of fiduciaries and board directors at trusts linked to Russia accelerated in 2025. While the resignations effectively froze assets held by these entities, this appears to have had little impact on financial subsectors. Around 150 legal entities are considered dormant or functionally frozen after fiduciaries or directors stopped managing assets or overseeing liquidation. The authorities established a task force in mid-2025 to monitor risk and put in place mitigation measures, if needed.



<sup>8</sup> EIOPA (2025) Financial Stability Report, June and EIOPA (2019) Report on insurers’ asset and liability management in relation to the illiquidity of their liabilities.

**12. The external position is assessed to be moderately stronger than fundamentals**

(Annex III). The estimated current account balance declined to 16 percent of GDP in 2025, supported by financial services and specialized manufacturing. The Swiss franc has strengthened in 2025–26, reflecting dollar weakness and safe haven-related flows.

## OUTLOOK AND RISKS

**13. The near-term outlook remains subdued.** Growth is projected to remain flat in 2026, as higher trade barriers, elevated geopolitical uncertainty, and weaker external demand continue to weigh on output, notwithstanding the resilience of some globally oriented exporters. As firms adjust to the new trade environment and external conditions normalize, growth is expected to recover gradually and converge toward its estimated potential rate of 1.5 percent.<sup>9</sup> Inflation is projected to remain below one percent in the near and medium terms, reflecting lagged effects of monetary easing and a gradual rebound in energy prices. Fiscal surpluses are expected to remain above 3 percent of GDP, and debt sustainability risks continue to be low, reflecting the budget rule and sustained surpluses over the medium term (Annex VIII).

**14. Risks are tilted to the downside.** Heightened trade uncertainty, weaker-than-expected growth in key trading partners or renewed safe-haven appreciation of the franc could adversely affect exports, activity, and employment. A downside scenario in which tariff rates are permanently higher and supply chains are further disrupted could lower real GDP in 2026 and 2027 by 0.8 and 1.2 percent relative to the baseline.<sup>10</sup> Given its global client base, the financial center may be vulnerable to asset repricing, increased market volatility, tighter global financial conditions, and potential reputational risks. Elevated household indebtedness and the high trade exposure of firms represent additional vulnerabilities, although the latter may be mitigated through export diversification, including via expanded FTAs. Large fiscal buffers provide a cushion against adverse shocks.

### *Authorities Views*

**15. The authorities broadly shared staff's assessment of the outlook and risks while stressing strong fundamentals of the economy.** They noted that Liechtenstein's specialized industrial firms are globally competitive and long-term-focused and have demonstrated resilience during periods of volatility. While the effective tariff rate is higher, they emphasized that trilateral discussions are ongoing with the U.S. and customs union partner Switzerland; these could lead to lower tariffs. Expanding the FTA network will mitigate trade-related risks over the medium term. While unemployment has risen to about 2 percent—partly due to weakness in the European automotive sector—this is from historically low levels. The authorities also suggested that

<sup>9</sup> Potential growth has been revised to 1.5 percent (previously 2 percent) due to the lasting impact of recent shocks. This is closer to but slightly higher than Switzerland's potential growth rate as productivity in Liechtenstein is estimated to be higher than in Switzerland.

<sup>10</sup> Calibrated based on Scenario A in Box 1.2 of the October 2025 World Economic Outlook.

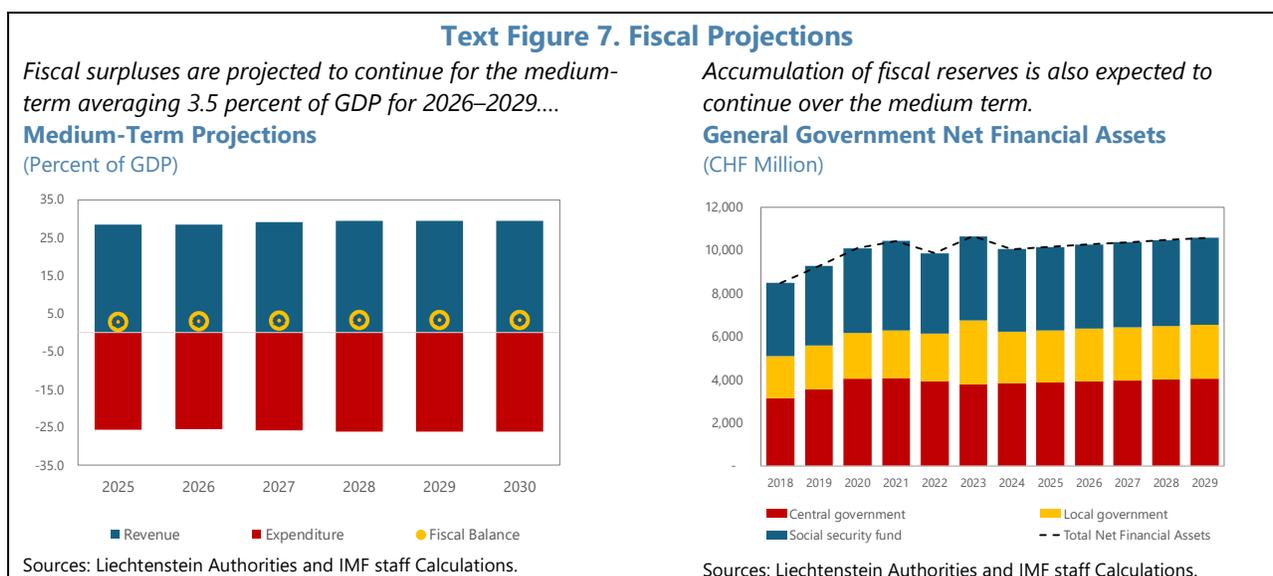
heightened volatility and tighter financial conditions could generate upside risks for the financial sector, including through higher interest rate margins and increased client trading activity.

## POLICY DISCUSSIONS

*Elevated uncertainty and fast-changing conditions necessitate vigilance, and if needed, timely policy adjustments. Fiscal policy should stand ready to respond to shocks and avoid an excessively tight position while also paying attention to rising medium-term spending pressures. As a financial center, further strengthening financial sector resilience is essential, underpinned by robust risk monitoring and assessment as well as strong micro- and macro-prudential oversight. Continued structural reforms are needed to lift medium-term growth, including by addressing skills shortages, advancing digitalization, and enhancing national security. Closing significant gaps in macroeconomic statistics is key for greater transparency, early detection of risks, and timely policy action.*

### A. Fiscal Policy

**16. The fiscal framework is anchored on a balanced budget rule** (Annex IV). The government annually formulates a rolling four-year budgetary plan targeting a balanced central government income statement over the medium term. The rule aims to ensure that expenditure growth does not exceed revenue growth, capital projects are fully funded upfront, and substantial financial assets are accumulated. All targets have been met consistently except expenditure growth. The rule requires remedial actions if benchmarks are unmet.



**17. Fiscal surpluses and buffer accumulation are expected to continue.** The 2026–29 budgetary plan envisages higher investment, social welfare, and digitalization spending, with CIT and VAT revenues projected to recover. No major tax reforms are planned but VAT rates are expected to rise in line with Switzerland while gambling taxes, a relatively large revenue source, will

decline with consolidation in the sector. Staff projects the surplus to rise to 3 percent of GDP in 2026 and to remain above 3 percent for 2027–29, with conservative revenue assumptions guiding a modest expenditure path. Revenue capacity is subject to some uncertainty: (i) uncertain impacts of the 0.5 ppts VAT rate increase (8.1 to 8.6 percent) tied to Swiss pension reforms (reflecting limited gains from past VAT rate hikes); (ii) higher-than-expected losses exceeding ½ percent of GDP from gambling taxes due to a data exchange treaty with Switzerland; and (iii) larger-than-expected motor vehicle tax erosion from increasing use of tax-exempt electric and hybrid vehicles.

**18. In light of sluggish growth and risks, near-term fiscal policy should be more supportive and stand ready to respond more to shocks.** A projected surplus of 3 percent of GDP in 2026—higher than in 2025 and significantly tighter than required under the balanced budget rule—is overly tight given the restrained growth outlook and subdued inflation. Budgeted capital spending—often postponed and under-executed—should be fully implemented, including in the event of revenue underperformance, to avoid further tightening. Should downside risks materialize, the automatic stabilizers in place, including progressive personal income taxes, unemployment benefits, and short-time work compensation (KAE), should be the first line of response. In more severe shocks, timely, targeted, and temporary measures could play a role, focusing on alleviating adjustment costs considering relatively low fiscal multipliers. The KAE, extensively used during the pandemic, was recently approved for an estimated amount of CHF1.1 million. Given that the KAE has the necessary resources (part of the CHF 140 million unemployment insurance fund), the government should deploy additional KAE support if further needs arise, rather than limiting the use of support and therefore unwarranted tightening.

**19. Ensuring strong linkages between macroeconomic conditions, policy intentions, and fiscal outcomes is key.** Budget rules are set independently from the latest data and evolving macroeconomic conditions. While the rules aim to ensure consistently balanced budgets and have supported consolidation and led to the accumulation of large buffers, strict technical compliance may impede flexibility in responding to shocks, given the need to limit expenditure growth to income growth irrespective of the economic cycle and potentially the limit on infrastructure investment due to the need for upfront funding for capital projects (Annex IV). Continued surpluses during downturns may lead to unwarranted asset accumulation. 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, including easing the need to cut spending in case of revenue weaknesses.

**20. Rising medium-term spending needs require careful costing to assess impacts on public finances and support fiscal planning.** Aging will increase pension, health, and long-term care costs. Without policy action, Pillar I pension (old-age and survivors' insurance) asset coverage, although high by international comparison, will 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, including cybersecurity and police modernization are rising. Aging, climate, and security spending could add 3–3½ ppts. of GDP to expenditures, according to initial staff estimates. These costs could be accommodated within the balanced budget rule through

reduction of surpluses. Systematic costing of the pressures is needed to strengthen medium-term budgeting and inform policy options.

**21. Pension reforms are key to addressing cost pressures from aging.** Population aging and rising life expectancy will increase budgetary obligations. Without reforms, pension reserves are projected to decline from the current level of ten to three years of Pillar I pension expenditure—below the statutory minimum of five years—by 2043. Policy options in the planned review of the pension system should include increasing contributions from the state, employers, or employees, and raising the effective retirement age for both men and women.

### ***Authorities Views***

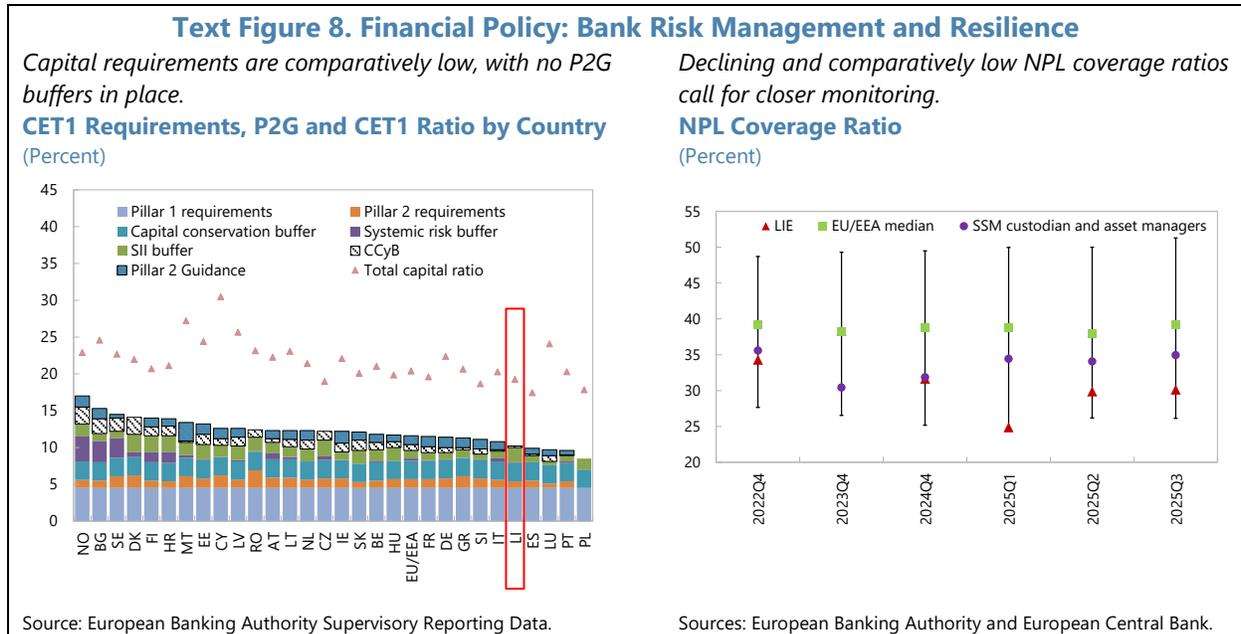
**22. The authorities broadly concurred with staff's fiscal policy assessment while emphasizing constraints facing Liechtenstein's small, highly open economy.** They acknowledged that fiscal policy should deploy targeted supply-side measures in response to shocks, while noting the limited ability to smooth business cycles. They noted that automatic stabilizers function effectively. They explained that the 2024 VAT rate hike yielded little immediate additional revenue, as the VAT distribution mechanism between Switzerland and Liechtenstein considers several components. They recognized potential revenue losses from the gambling tax but consider these to be small. They agreed that long-term spending needs pose pressures through climate commitments, aging, and security needs and welcomed staff's preliminary estimates. The authorities agreed that the fiscal framework could be refined to reduce data lags and support qualitative assessments of revenues from major corporate taxpayers. Work is underway to enhance the timeliness of published government finance statistics. The authorities reiterated that the pension system is in a strong position but acknowledged the need to address emerging long-term funding pressures, noting that they are developing proposals, with measures to be presented to parliament.

## **B. Financial Sector**

**23. Systemic risk appears broadly contained, but heightened uncertainty and stretched asset valuations call for closer oversight.** As a financial center with substantial cross-border flows, the global market backdrop is of great relevance, with significant susceptibility to operational risk, especially reputational risk. In a scenario of further escalation of geopolitical tensions and increased policy uncertainty, there is a risk of market repricing, higher volatility, and tighter financial conditions. This could have an adverse impact on the outward-oriented and highly interconnected financial system and trade-intensive firms and on leveraged households and firms.

**24. Ensuring a proactive bank risk management framework is key to greater resilience.** While capital buffers remain ample, capital adequacy ratios have been on a downward trend, and regulatory capital requirements are among the lowest in the EEA, with no Pillar 2 Guidance (P2G) buffers in place. Subdued profitability and comparatively generous profit distribution policy have constrained organic capital generation. In addition, bank credit risk management practices could better incorporate forward-looking assessments, with establishing a credit registry as an important

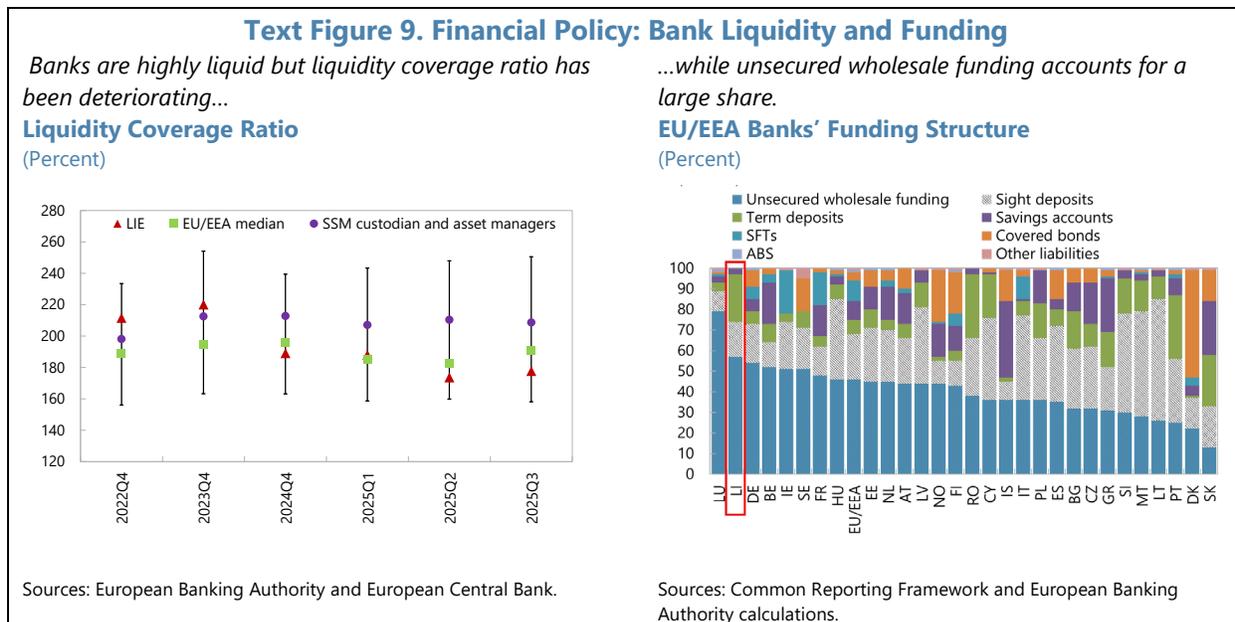
foundation. Building on ongoing efforts, conservative solvency stress testing, adequate translation into P2G buffers, closer scrutiny of bank credit risk management practices, and risk-based profit retention policy would support capital accumulation and enhance resilience.



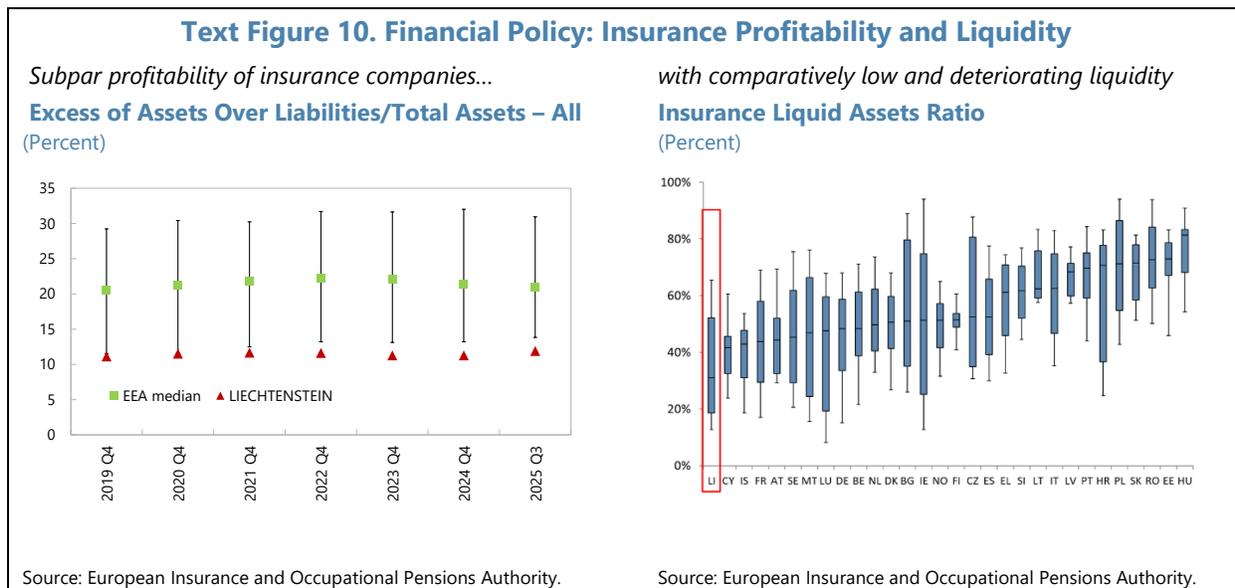
**25. Adequate liquidity buffers and diverse funding sources are important priorities.** While banks are highly liquid, liquidity and funding metrics have trended downward, and the funding structure includes a sizeable share of unsecured wholesale funding with some currency mismatches linked to cross-border activities.<sup>11</sup> Banks have some conditional access to the liquidity-shortage financing facility of the Swiss National Bank (SNB), and their Swiss subsidiaries will have access to the SNB’s Extended Liquidity Facility as of 2027. Further advancing the liquidity stress testing framework, targeted reviews of liquidity and funding structures, and maintaining high buffers would help enhance resilience to liquidity and funding shocks. Successful implementation of the new local covered bond framework and closer scrutiny of bank hedging practices would also be important.

**26. Further strengthening of the bank recovery and resolution framework is ongoing.** The framework is based on the EU’s Bank Recovery and Resolution Directive (BRRD) and includes both recovery and resolution planning, with the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) met by the banks. The FMA continues advancing resolvability testing to ensure that banks are equipped with the necessary tools, systems, and processes to implement their resolution plans effectively if/when stress materializes.

<sup>11</sup> EBA (2025) Report on EU banks funding structure and dependence on foreign exchange funding, November 2025.



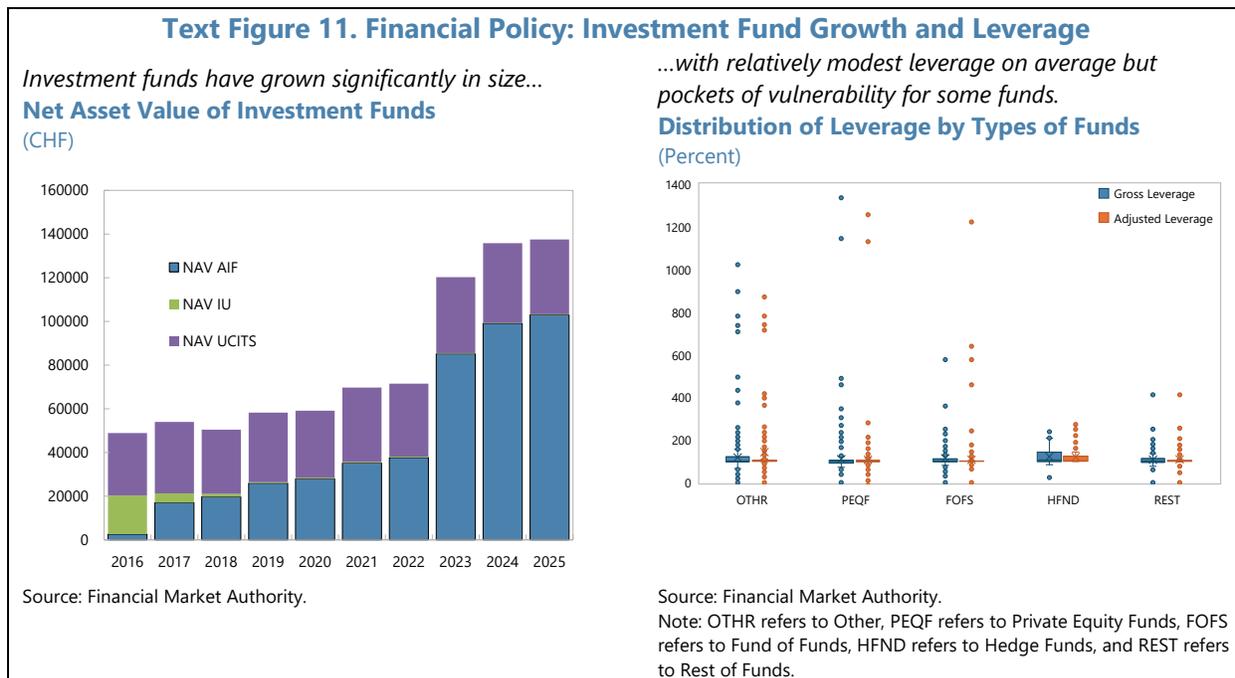
**27. Oversight of nonbank financial institutions (NBFIs) would benefit from further enhancements.** Insurance companies and investment funds are sizeable relative to the economy and highly interconnected, domestically and internationally:



- While capital and liquidity buffers of **insurance companies** are substantial, they have declined over time, and profitability and growth in gross written premiums lag peers, particularly in the non-life segment. There is some concentration of allocations and relatively high

interdependence with banks and investment funds, which in the context of relatively low and declining share of unit-linked business exposing insurance companies to market risks. Recent EIOPA-led initiatives to strengthen macroprudential oversight and liquidity risk management plans present an opportunity to deepen supervision, complemented by supervisor-led stress testing and a more risk-based approach to profit retention.<sup>12</sup>

- Investment funds** have grown in size and complexity, largely dominated by funds of funds and private equity funds. The former exhibit limited and generally declining leverage, although monitoring presents a challenge for supervisors due to measurement issues for these funds. The latter exhibit limited yet generally increasing leverage, with a growing number of private equity funds taking on higher leverage; measurement of leverage is more challenging for these types of funds.<sup>13</sup> Both types of funds are highly interconnected with banks and insurance companies, domestically and internationally. Ongoing policy initiatives by the ESRB and ESMA to enhance oversight of liquidity and leverage provide an important opportunity to deepen supervision, with close monitoring of synthetic leverage, systematic use of supervisor-led stress testing, and broader implementation of liquidity management tools as critical elements.<sup>14</sup>



**28. The macroprudential framework should continue evolving in line with emerging risks.**

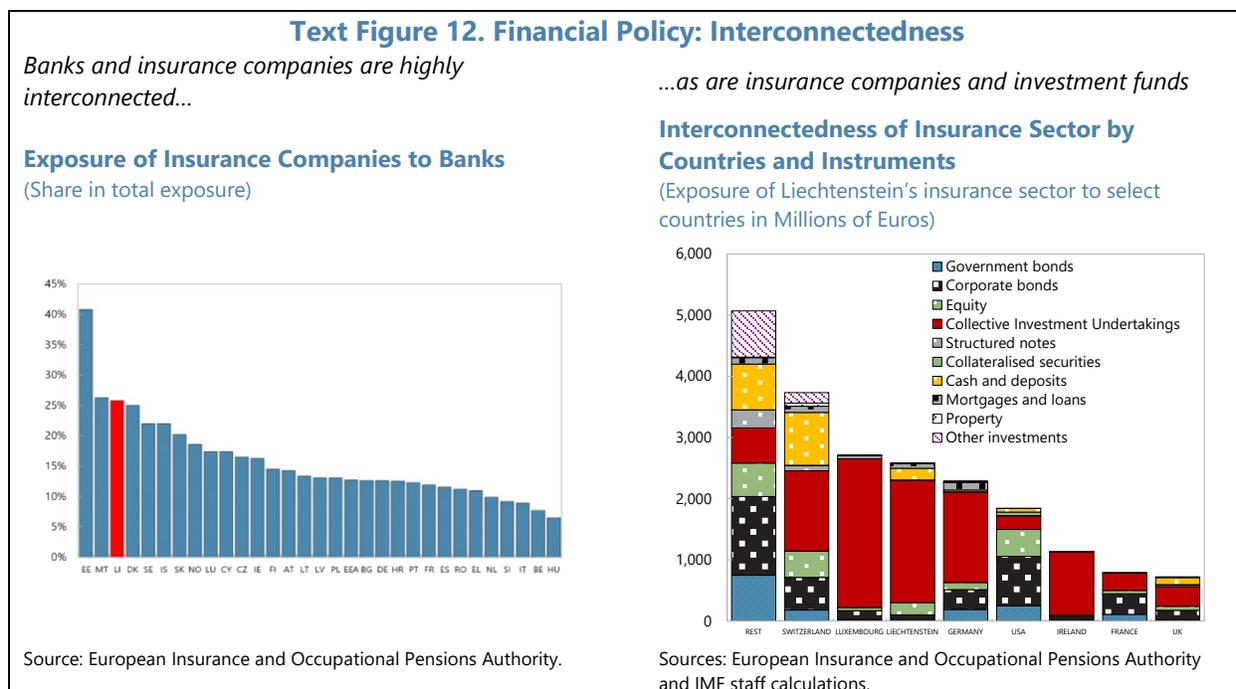
Micro- and macro-prudential supervisory coordination and collaboration are essential with adequate resources allocated:

<sup>12</sup> EIOPA (2025) Final Report on draft RTS on macroprudential analyses in ORSA and PPP, November; and EIOPA (2025) Final Report on draft RTS on liquidity risk management plans – Solvency II Review, November.

<sup>13</sup> ESMA (2025) Annual risk assessment of leveraged AIFs in the EU – 2024, April.

<sup>14</sup> ESRB (2023) Compliance report on liquidity and leverage risks in investment funds, July.

- Given its large size relative to the economy and substantial domestic and international interlinkages, the financial sector is sensitive to global market conditions, with important exposures to geopolitical risk. Expanding the existing **systemic risk analysis framework** would help safeguard financial stability. This should include incorporating interconnectedness analysis across banks, insurers, and investment funds and deepening systemic risk analysis for all segments of the financial sector, adding real estate markets as an important element. This would initially entail mapping corresponding exposures and over time developing a framework for system-wide sensitivity analyses and stress tests.



- The **capital-based measure toolkit** could be recalibrated. Given the importance of operational risk, especially in cybersecurity and reputational risk, consideration could be given to recalibrating the systemic risk buffer—expanding it to cover important additional risks and raising it—to incorporate this dimension into the current setup.
- The **borrower-based measure toolkit** could be refined. Establishing the credit registry would allow broadening coverage of debt beyond the currently employed loan-service-to-income metric. Once established, introducing a separate income-based limit could be considered to ensure an adequately conservative approach to calculating affordability by banks. This would be important in the context of household vulnerabilities with high household debt and a sizeable share of households having negative net asset position making them susceptible to shocks during downturns.



**31. The authorities reaffirmed their commitment to continuously enhancing the AML/CFT framework and managing financial integrity risks.** They reported that tools for assessing ML/TF risk resulting from the interconnectedness of several financial sectors are being strengthened through expanded data collection and analysis. They expressed interest in other improvements to AML/CFT data analyses. Concerning the trust sector, the authorities pointed out that “orphaned” structures result from “zero tolerance” sanctions enforcement policy, with spillovers and reputational risks strictly limited. There is an ongoing revision of the Trustee Act, which aims to strengthen FMA powers regarding trusts and company service providers.

## C. Structural Policies

**32. Liechtenstein continues to exhibit high productivity and income levels, but growth of these has plateaued in recent years.** Productivity is higher than in Switzerland, but the differential has narrowed; productivity has declined relative to the U.S. A range of structural factors appear to be weighing on productivity dynamics, including aging, infrastructure constraints, and gaps between labor demand and available skills. While skilled cross-border commuters have supported employment and output, capacity constraints—including in transportation to address traffic volumes and congestion—and a narrowing wage premium relative to neighboring regions may pose increasing challenges to the growth model.

**33. Policy efforts focused on skills development and innovation are well placed to support productivity gains over the medium term.** Liechtenstein’s vocational and dual-education systems are a core strength, facilitating effective school-to-work transitions and supporting a highly skilled workforce. Ongoing initiatives to expand digital and STEM training and strengthen lifelong learning, particularly among residents, will be increasingly important as technological change—including advances in artificial intelligence—alters skill requirements. Planned measures, such as creation of R&D centers to deepen links between firms and educational institutions and reskilling programs for older workers in technical fields, are generally well targeted. Complementary investment in transport and digital infrastructure would ease bottlenecks and enhance productivity.

**34. Expanding domestic labor supply—particularly among women and older workers—would support growth and help mitigate demographic pressures.** Although labor force participation has increased in recent years, it remains relatively low among women and older workers. Gender wage differentials persist, widening over the life cycle. Policies aimed at enhancing flexibility and encouraging longer working lives would help alleviate labor shortages. The expansion of parental leave from January 2026—transposing the EU Work–Life Balance Directive—will support these efforts.

**35. Continued efforts are needed to achieve ambitious climate targets.** GHG emissions declined by 27 percent over 1990–2023 exceeding Kyoto commitments. Climate governance has been strengthened by legislating the net-zero-by-2050 target, raising the 2030 reduction target to 55 percent below 1990 levels, adopting the Climate Strategy 2050, and preparing a second Nationally Determined Contributions (NDC) submission for 2025 with an interim target for 2035 (68 percent reduction). However, current policies—even with planned additional measures—are

expected to fall short by approximately 10 ppts. for 2030 and 10 ppts. for 2035 according to official estimates. Progress in the buildings sector, which accounts for sizable emissions, has been constrained by rejection of stricter efficiency standards in a 2024 referendum. Closing implementation gaps through additional measures is needed to avoid costlier adjustments as targets approach.

**36. Sustained oversight of cyber risks is essential.** Following the implementation of the EU Digital Operational Resilience Act (DORA) in 2025, the financial sector operates under harmonized requirements for ICT risk management, incident reporting, threat-led penetration testing (TLPT), and third-party risk management. While a rise in reported incidents in 2025 primarily reflects expanded DORA reporting, about one-fifth of the major ICT-related incidents reported involved cyberattacks—mainly affecting banks, and two-thirds were linked to third-party service disruptions. Continued supervisory focus on third-party risk management, business continuity, detection capabilities, and inter-institutional coordination will be key to resilience amid an evolving threat landscape.

### ***Authorities' Views***

**37. The authorities concurred that the availability of high-skilled workers is an important issue affecting labor market outcomes and emphasized the strength of their vocational training system.** They expressed commitment to robust vocational and dual-education pathways, alongside expanded digital/technical upskilling and lifelong learning. The authorities acknowledged that capacity constraints—particularly transport infrastructure—and a narrowing wage premium could weigh on labor supply and growth. They concurred on the need to broaden domestic labor participation, especially among women and older workers; they noted that expansion of parental leave from January 2026 will support greater female labor force participation.

**38. The authorities broadly agreed with staff's assessment of climate imperatives and cybersecurity risks.** On climate, they expressed confidence in meeting ambitious climate targets, noting that they are developing additional measures to ensure continued alignment with these commitments. On cybersecurity, they agreed that monitoring and responding to threats remain ongoing priorities, noting that intra-institutional and international collaboration are progressing well.

## **D. Data and Statistics**

**39. Closing data gaps is important for enhanced transparency, early risk detection, and timely policy action.** Timely, high-quality data are essential to support Liechtenstein's position as a highly advanced specialized manufacturing and financial center. The authorities have added resources and established a Coordination Group on Macroeconomic Statistics (CGMS), consisting of the Office of Statistics (OS), FMA, Ministry of General Government Affairs and Finance, and Liechtenstein Institute. The CGMS has developed a multi-year work plan (2025–30) to enhance timeliness and quality of core macroeconomic data, prioritizing national accounts and then balance of payment statistics (BOP). The aim is to publish real GDP by end 2026 and BOP in 2029 (Annex VII). Upcoming IMF TA on national accounts will support this effort. Continued coordination with the

Swiss National Bank (SNB) will help advance BOP compilation. Better use and more timely dissemination of existing in-house data—as planned for government finance statistics—would support real-time assessment and policymaking. It is important to dedicate the necessary resources to data improvements.

### **Authorities' Views**

**40. The authorities reiterated their commitment to closing gaps in statistics—2026 will be a year of action.** Establishment of the CGMS, development of a multi-year workplan, and allocation of additional staff to OS were highlights in 2025. Further initiatives are underway for 2026. Besides national accounts and BOP statistics, they agreed on the need to address gaps in other areas, including real estate and rental prices.

## **STAFF APPRAISAL**

**41. The near-term outlook is challenging amid global and geopolitical shifts; risks are tilted to the downside.** Growth will remain constrained in the near term and rise slowly to potential in the medium term. Inflation is expected to remain subdued, below one percent. While lack of data hampers a quantitative assessment, the external position is assessed as moderately stronger than fundamentals. Downside risks include heightened uncertainty, weaker growth in key trading partners, and renewed appreciation of the Swiss franc, weighing on Liechtenstein's specialized export-intensive manufacturing activity. The financial center faces risks from possible asset repricing, market volatility, and tighter-than-expected global financial conditions. A favorable outcome of trilateral tariff discussions with Switzerland and the U.S. and progress in expanding free trade agreements could mitigate risks; sizable fiscal buffers are available to cushion shocks.

**42. Fiscal policy should be more accommodative and stand ready to respond to shocks, avoiding an overly tight position and stance.** The balanced budget framework has supported prudent management and substantial buffer accumulation, but the current surplus is large in light of sluggish growth and strict adherence to the budget rules may constrain the necessary flexibility to respond to shocks if downside risks materialize. Automatic stabilizers, including short-time work compensation, should be the first line of response, with timely, targeted, and temporary measures deployed in more severe scenarios. Refining the framework to reduce data lags, enable timely shock assessment, and ease the need to cut spending in case of revenue weaknesses would enhance policy effectiveness.

**43. Over the medium term, aging, climate goals, and security needs will intensify fiscal pressures.** Rapid population aging will fuel increased public spending on pensions, healthcare, and long-term care. Security spending needs are also rising. Staff's initial estimates suggest that these pressures—while sizable—could be accommodated within the balanced budget framework, through lower surpluses. Systematic quantification of spending needs and strengthened medium-term planning will be essential to evaluate policy options and ensure sustainability.

**44. Addressing future financing needs early would help preserve pension system sustainability.** Demographic pressures will gradually increase obligations despite the system's currently strong funding position. Policy measures—such as raising contributions from the government, employers, and/or workers or extending the effective retirement age—should be considered to ensure long-term pension system viability. Acting from a position of strength would allow for more gradual adjustments and reduce the risk of abrupt changes as fiscal pressures mount.

**45. Strengthening financial sector oversight and resilience is a priority.** Banks maintain strong capital and liquidity positions, but recent trends—including declining capital ratios and subpar profitability—call for heightened supervisory vigilance. Enhanced stress testing, closer monitoring of credit risk management, and policies linking profit retention to risk profiles would help build additional buffers. While liquidity remains ample, the absence of a dedicated backstop and downward trends in some metrics warrant continued attention to funding diversification and liquidity preparedness. The NBFIs sector, including insurance companies and investment funds, would benefit from closer supervisory scrutiny and more systematic stress testing by the authorities. The macroprudential framework should be adapted to address evolving risk, with a focus on systemic risk analysis that captures the growing scale of NBFIs and linkages to the banking system.

**46. Safeguarding financial integrity requires vigilant AML/CFT supervision and strong transparency.** Risks from the trust sector, following Liechtenstein's strict enforcement of sanctions that resulted in fiduciary and board resignations at entities linked to Russia, appear contained. Legislative reforms to enhance FMA oversight and enforcement authority over trustees is a welcome step. Continued progress in assessing and mitigating risks from cross-border flows will be important. Improving access to beneficial ownership registries for financial institutions and designated non-financial businesses would further support effective implementation of preventive measures.

**47. Advancing productivity and sustaining growth will hinge on continued progress in structural reforms that strengthen skills and labor supply.** Liechtenstein's vocational and training programs provide a solid base, but further emphasis on digital skills, STEM education, and lifelong learning will be increasingly important as technology reshapes labor demand. Addressing demographic pressures will require higher domestic labor force participation, particularly among women and older workers. Expansion of parental leave in 2026, alongside measures to enhance flexibility and support longer working lives, should help ease labor constraints. Targeted investment in transport and digital infrastructure would complement these efforts by alleviating bottlenecks and supporting more efficient use of high-skilled labor.

**48. Achieving ambitious climate targets will require closing implementation gaps.** While Liechtenstein has made significant progress, current policies fall short of goals for 2030 and 2035. Addressing implementation gaps is essential to avoid costly adjustments as deadlines for the ambitious targets approach.

**49. Strengthening operational and cyber resilience remain priorities as digital threats intensify.** Implementation of the EU DORA in 2025 provides an improved framework for cyber risk management. Continued supervisory focus on third-party risks, business continuity, detection capabilities, and cross-border coordination will be essential.

**50. Closing macroeconomic data gaps remains a priority.** The authorities have made progress through better institutional coordination, multi-year planning, and enhanced resource allocation. The focus on national accounts and balance of payments statistics, with Fund TA, is appropriate. Timely dissemination of government finance statistics and compilation of real estate indicators would further support policy analysis. Sustained resource commitment is essential to success.

**51. It is recommended that the next Article IV consultation take place on a 24-month cycle.** Liechtenstein does not meet any of the three criteria that require a standard 12-month cycle.<sup>15</sup>

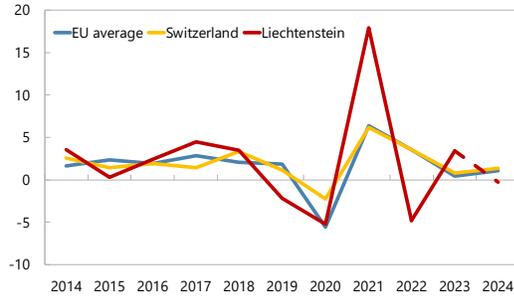
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<sup>15</sup> These three criteria are: (i) the member is of systemic or regional importance; (ii) the member is perceived to be at some risk because of policy imbalances or particular threats from exogenous developments, or the member is facing pressing policy issues of broad interest to the Fund membership; or (iii) the member has outstanding credit to the Fund under all facilities above two hundred percent (200 percent) of the member's quota.

**Figure 1. Liechtenstein: Real Sector Activity**

Real GDP growth has been significantly more volatile than its peers in recent years...

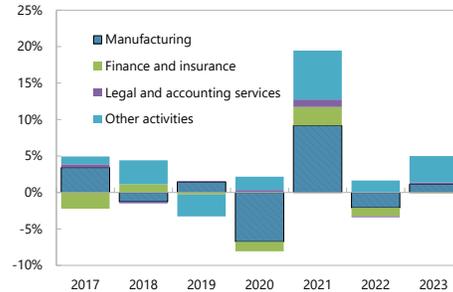
**Change in GDP, Constant Prices**  
(Annual growth in percentage points)



Sources: Haver Analytics; Liechtenstein Office of Statistics and IMF staff calculation.  
Notes: GDP after 2023 are estimated numbers and shown in dotted line.

...with the large swing in activity driven by manufacturing and financial services.

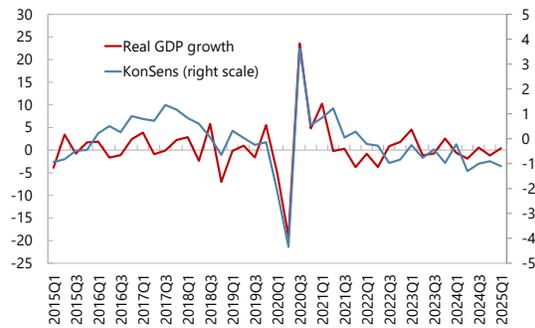
**Contributions to GDP Growth**  
(Gross value added, current prices)



Source: Liechtenstein Statistics Office.

Real activity has been trending downward in recent quarters...

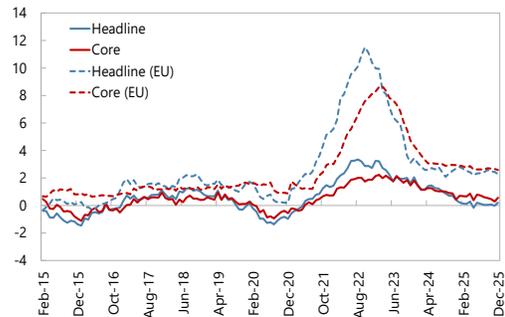
**Real GDP and KonSens Index**  
(Percent; index)



Sources: Liechtenstein Authorities, KonSens, and IMF staff calculations.

...while inflation remained subdued, due to continued appreciation of the Swiss franc.

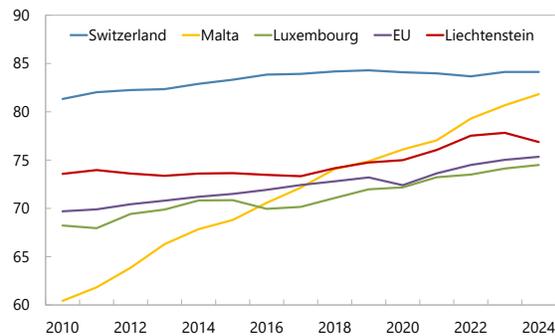
**Switzerland vs EU Inflation**  
(Year-on-year percentage change; NSA)



Sources: Eurostat, Haver Analytics, and IMF staff calculations.

Labor force participation has risen, though at a slower pace in recent years, and remains below some peers...

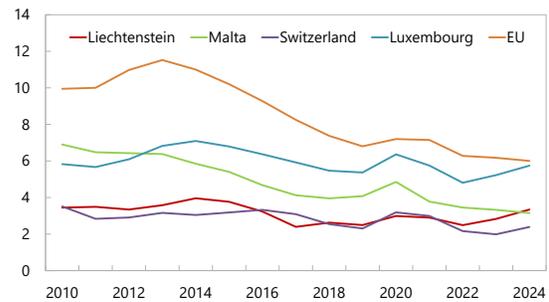
**Labor Force Participation Rate Across Countries**  
(Percent)



Sources: Liechtenstein Authorities, Haver Analytics, and IMF staff calculations.

...while the unemployment rate is relatively low but has risen slightly in 2024.

**Unemployment Rate Across Countries**  
(Percent)

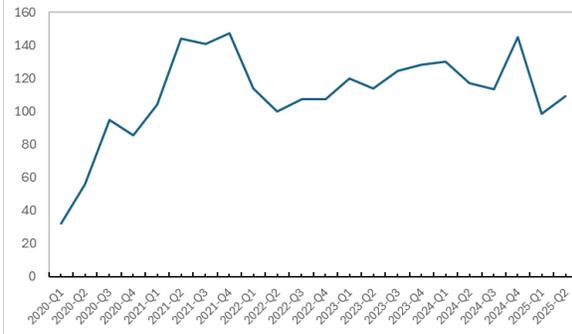


Sources: Liechtenstein Authorities and Eurostats.  
Note: The unemployment rate in the chart follows ILO's definition, which includes both registered and unregistered unemployment.

**Figure 2. Liechtenstein: High Frequency Indicators**

*Business sentiment has deteriorated from the 2024 peak and remains lower than previous years.*

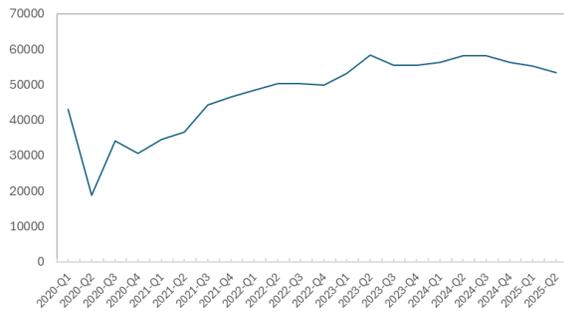
**Business Survey Overall Situation**  
(Score to 100)



Source: Liechtenstein Institute

*Overnight stays measuring tourist arrivals are slowing.*

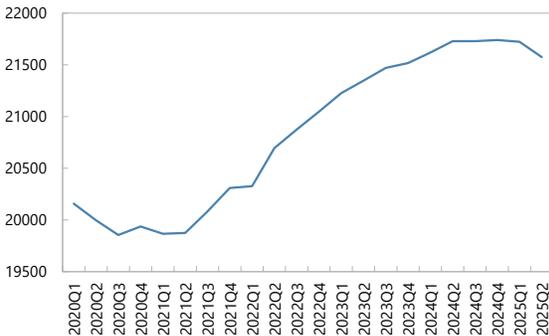
**Overnight Stays**  
(Number)



Source: Liechtenstein Institute

*Steady growth in commuter labor since 2021, primarily skilled labor slowed for the first time in 2025Q2.*

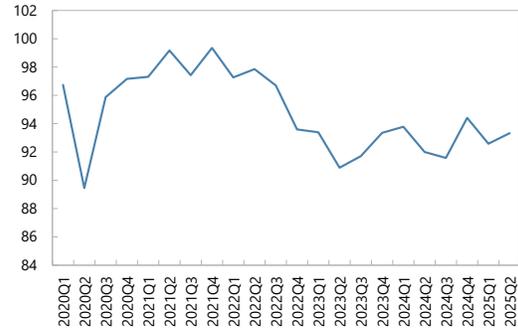
**Commuter Labor**  
(Number)



Source: Liechtenstein Institute

*Electricity consumption, a proxy for real sector activity, has not fully recovered to its peak level in 2021–2022.*

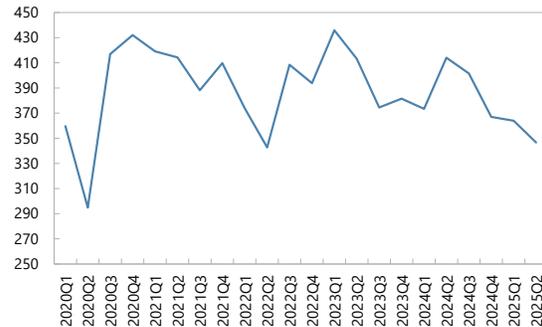
**Electric Power Consumption**  
(Millions of kWh)



Source: Liechtenstein Institute

*Newly registered vehicles, a proxy for private spending on household durables, continued to decline.*

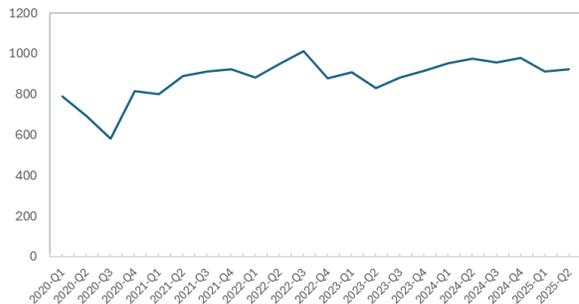
**Newly Registered Car**  
(Number)



Source: Liechtenstein Institute

*The number of job openings declined in 2025.*

**Job Openings**  
(Number)

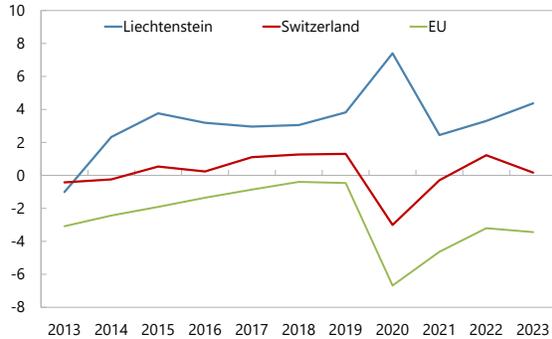


Source: Liechtenstein Institute

**Figure 3. Liechtenstein: Fiscal Developments**

The fiscal balance has been in surplus for the past decade including in 2020 due to a windfall tax revenue.

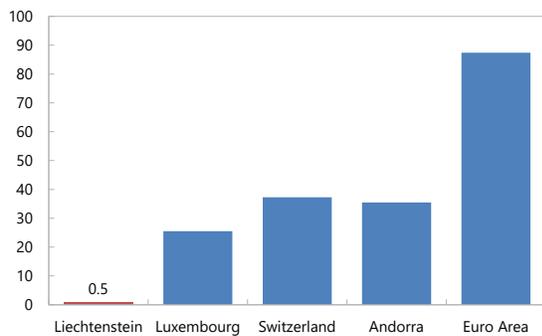
**General Government Net Lending and Borrowing**  
(Percent of GDP)



Sources: Liechtenstein Authorities, Eurostat, and IMF staff calculations.

The strong fiscal performance has led to virtually zero public debt....

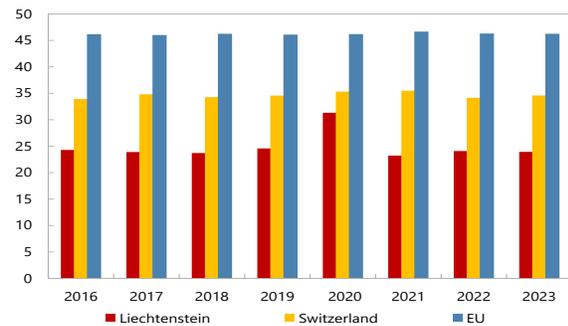
**General Government Debt**  
(Percent of GDP)



Sources: Liechtenstein Authorities and IMF staff calculations.

Similarly, revenue collections remain substantially lower than Switzerland and the EU...

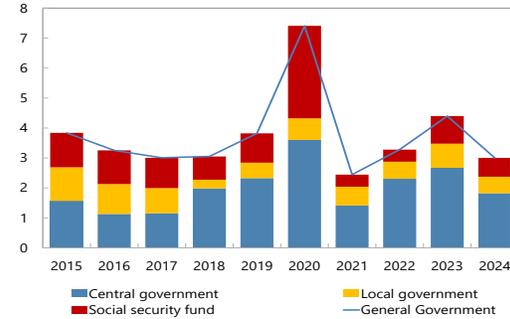
**General Government Revenue**  
(Percent of GDP)



Sources: Liechtenstein Authorities and IMF staff calculations.

The central government comprises 70 percent of the balance except in 2020 due to transfers to SS funds....

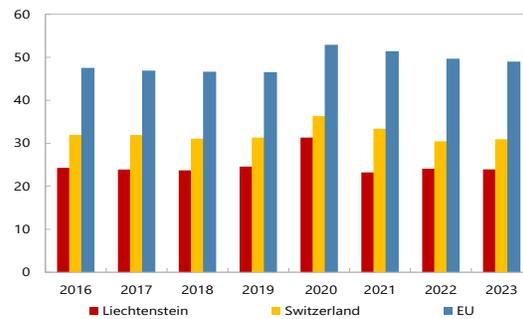
**General Government Fiscal Balance, 2015–2024**  
(Percent of GDP)



Sources: Liechtenstein Authorities and IMF staff Calculations.

Government expenditures remain significantly lower than Switzerland and the EU...

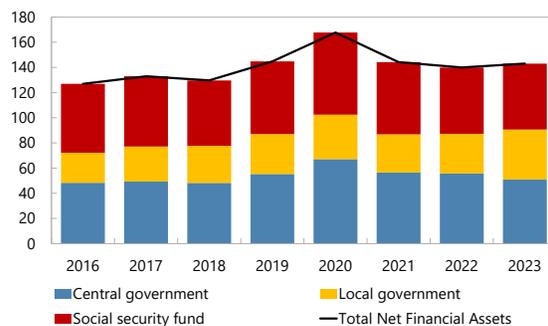
**General Government Spending**  
(Percent of GDP)



Sources: Liechtenstein Authorities and IMF staff calculations.

The government's financial net worth remains high at above 140 percent of GDP....

**General Government Net Financial Assets**  
(Percent of GDP)



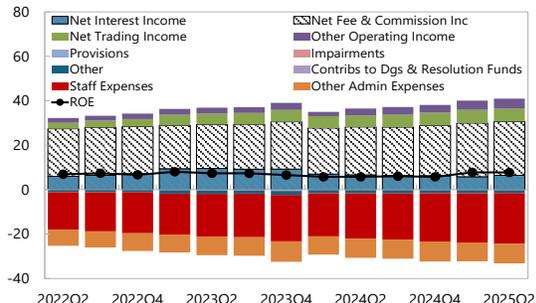
Sources: Liechtenstein Authorities and IMF staff calculations.

**Figure 4. Liechtenstein: Banking Sector Developments**

Bank profitability has slightly increased driven by...

**Return on Equity Decomposition**

(Percent of equity)

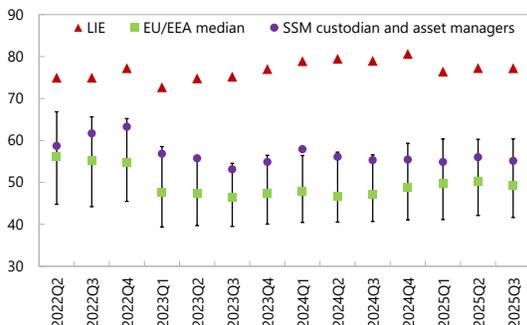


Source: European Banking Authority

...and some cost reduction,...

**Cost to Income Ratio**

(Percent)

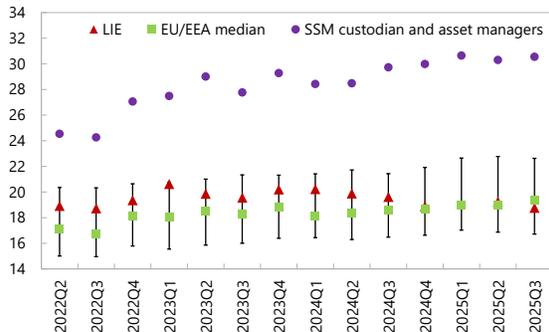


Sources: European Banking Authority and European Central Bank

But the profitability boost has not been sufficient to outweigh other factors driving down capital adequacy ratio, which has nevertheless remained high.

**Tier 1 Capital Ratio**

(Percent)

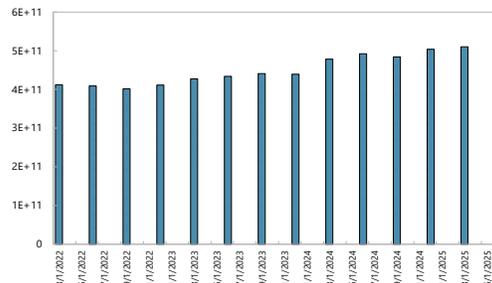


Sources: European Banking Authority and European Central Bank

...growing asset under management by banks boosting net fee and commission income...

**Assets Under Management by Banks**

(CHF)

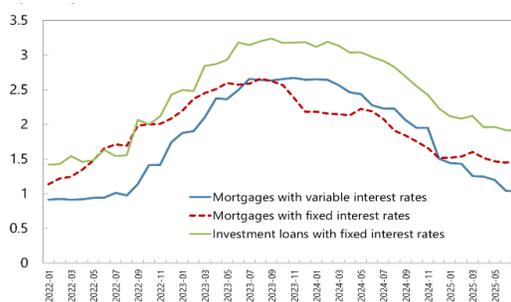


Source: Financial Market Authority

...offset to some extent by declining interest rates softening net interest income.

**Interest Rates on New Loan**

(Percent)

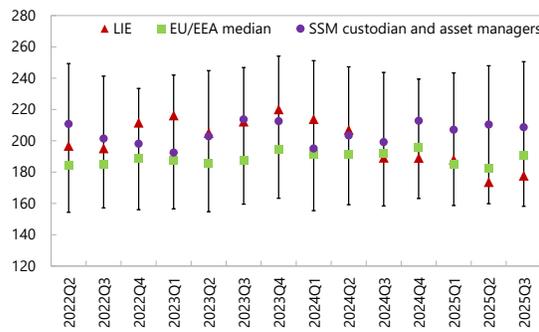


Source: Swiss National Bank

Liquidity has also remained ample, but the downward trend continued.

**Liquidity Coverage Ratio**

(Percent)



Sources: European Banking Authority and European Central Bank

**Table 1. Liechtenstein: Selected Economic Indicators, 2022–2031**

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Est		Projections							
<b>GDP</b>										
Real GDP (Million of CHF) 1/	7,226.8	7,474.5	7,452.7	7,452.7	7,452.7	7,490.0	7,564.9	7,678.4	7,793.6	7,910.5
(Percent Change)	-4.8	3.4	-0.3	0.0	0.0	0.5	1.0	1.5	1.5	1.5
Nominal GDP (Million of CHF)	7,091.4	7,403.0	7,452.7	7,467.9	7,507.1	7,595.4	7,726.9	7,897.6	8,080.1	8,267.0
(Percent Change)	-1.9	4.4	0.7	0.2	0.5	1.2	1.7	2.2	2.3	2.3
<b>Prices</b>										
GDP Deflator	3.1	0.9	1.0	0.2	0.5	0.7	0.7	0.7	0.7	0.7
Consumer Price Index (Period of Average) 2/	2.8	2.1	1.1	0.2	0.5	0.7	0.7	0.7	0.7	0.7
Consumer Price Index (End of Period)	2.9	1.8	0.6	0.1	0.5	0.7	0.7	0.7	0.7	0.7
<b>General Government Finances</b>										
Revenue	27.2	28.5	29.0	28.5	28.5	29.1	29.4	29.4	29.4	29.4
Expenditure	23.9	24.1	26.0	25.7	25.5	25.9	26.1	26.1	26.1	26.1
Balance	3.3	4.4	3.0	2.8	3.0	3.2	3.3	3.3	3.3	3.3
Public Debt	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
<b>Labor Market 3/</b>										
Population (Thousands) 4/	39.7	40.0	40.9	41.3	41.6	42.0	42.4	42.8	43.2	43.5
(Percent Change)	0.9	0.9	2.2	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Unemployment (Thousands)	0.5	0.6	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8
(Percent of Labor Force) 5/	2.5	2.8	3.3	3.5	3.9	3.8	3.8	3.8	3.8	3.8
Registered Unemployment Rate 6/	1.3	1.4	1.7	1.9	2.3	2.2	2.2	2.2	2.2	2.2
Employment (Thousands)	42.5	43.2	43.4	43.9	44.4	45.0	45.7	46.4	47.2	47.9
(Percent Change)	2.8	1.5	0.6	1.0	1.0	1.5	1.5	1.5	1.5	1.5
Commuter share of Employment (Percent)	56.8	57.1	57.4	58.1	58.9	59.3	59.7	60.2	60.6	61.1
Gross Monthly Wage (Thousand)	8.4	8.5	8.5	8.6	8.7	8.8	8.9	9.0	9.1	9.2
<b>External</b>										
Current Account	15.7	16.6	16.4	16.2	16.2	16.4	16.5	16.5	16.5	16.5
Trade Balance	7.2	7.9	7.8	7.6	7.6	7.8	7.9	7.9	7.9	7.9
<b>Exchange Rates (Levels)</b>										
Swiss francs per U.S. dollar (annual average)	1.0	0.9	0.9	...	...	...	...	...	...	...
Swiss francs per euro (annual average)	1.0	1.0	1.0	...	...	...	...	...	...	...
Nominal effective rate (avg., 2010=100)	135.9	144.5	149.1	...	...	...	...	...	...	...
Real effective rate (avg., 2010=100)	105.8	109.3	110.8	...	...	...	...	...	...	...

Sources: Liechtenstein authorities and IMF staff calculations.

1/ Most data are available only through 2023.

2/ Swiss CPI is used as a proxy to measure Liechtenstein's inflation.

3/ Unemployment data refers to the Liechtenstein residents only. The employment data includes daily cross-border commuters who work in Liechtenstein. The wage data is updated every two years, and estimated for the period in between.

4/ The population jump in 2024 was due to a revision of the population definition. The jump was mainly driven by the Ukrainian refugees that were now considered part of the permanent population.

5/ This represents the ILO consistent unemployment rate, which includes the registered and unregistered unemployed.

6/ The Liechtenstein Office of Statistics produces the registered unemployment rate.

**Table 2a. Liechtenstein: Summary of General Government Operations –**  
**CHF Millions, 2022–2031 1/**  
 (Millions of CHF, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Est		Projections							
	(Millions of CHF)									
<b>Revenue and Grants</b>	1,929.5	2,106.6	2,163.2	2,128.3	2,139.5	2,208.0	2,270.1	2,320.3	2,373.9	2,428.8
<b>Tax Revenue</b>	1,038.9	1,128.3	1,096.0	1,027.2	1,067.5	1,109.5	1,134.1	1,166.1	1,200.8	1,232.4
Direct Taxes	613.1	683.9	637.3	604.9	612.8	636.7	652.6	669.1	686.3	704.0
Personal Income Tax	294.3	323.1	313.5	306.2	313.1	324.1	334.6	346.3	356.5	366.1
Corporate Income Tax	318.8	360.8	323.8	298.7	299.7	312.6	318.0	322.8	329.8	337.9
Indirect Taxes	425.8	444.4	458.7	422.3	454.7	472.8	481.5	496.9	514.5	528.4
VAT	239.5	254.3	250.3	242.2	242.5	243.1	247.4	250.9	261.2	265.6
Excises	5.8	7.3	6.2	6.4	6.6	6.4	6.5	6.5	6.5	6.5
Other Taxes (Incl. land, trade, other)	180.5	182.8	202.1	173.6	205.6	223.3	227.6	239.5	246.8	256.3
<b>Social Contributions</b>	427.3	472.5	490.4	509.6	523.3	536.2	560.2	586.1	598.6	612.5
<b>Nontax Revenue</b>	463.3	505.8	576.8	591.6	548.8	562.3	575.8	568.1	574.5	583.9
Interest	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Expenditure</b>	1,697.1	1,781.2	1,939.5	1,919.1	1,914.2	1,964.8	2,015.0	2,059.5	2,107.2	2,155.9
<b>Expense (Current Expenditure)</b>	1,583.7	1,659.0	1,844.5	1,795.1	1,786.1	1,835.8	1,883.5	1,925.3	1,969.8	2,015.3
Purchase/use of goods and services	237.8	258.4	249.9	250.4	251.7	254.7	259.1	264.8	271.0	277.2
Compensation of employees	369.0	387.6	395.0	423.4	449.0	460.2	479.1	491.1	505.8	518.0
Interest	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Subsidies	62.2	61.1	55.2	55.2	59.6	64.4	65.5	66.9	68.5	70.1
Social security benefits	569.2	595.4	603.7	604.9	623.1	630.4	641.3	655.5	670.7	686.2
Other current expenditure	325.7	336.4	521.0	440.8	383.0	405.2	413.4	425.6	428.1	442.1
Capital transfer expenditure	19.3	19.7	19.3	20.0	19.3	20.5	24.7	21.0	25.3	21.5
<b>Net Acquisition of financial Assets</b>	113.4	122.2	95.0	124.0	128.1	129.0	131.5	134.3	137.4	140.5
<b>Overall balance - surplus (+)/ deficit (-)</b>	232.4	325.4	223.7	209.2	225.3	243.2	255.1	260.7	266.7	272.9
Net Financial Transactions	232.6	325.5	223.8	209.3	225.4	243.3	255.2	260.8	266.8	273.0
<b>Gross Public Debt</b>	36.3	35.0	36.3	39.2	39.2	39.2	39.2	39.2	39.2	39.2

Sources: Liechtenstein authorities and IMF Projections  
 1/ Latest available data is 2023 for expenditure and 2024 for revenue.

**Table 2b. Liechtenstein: Summary of General Government Operations - Percent of GDP, 2022–2031 1/**

(Percent of GDP, unless otherwise indicated)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Est		Projections							
	(Percent of GDP)									
<b>Revenue and Grants</b>	27.2	28.5	29.0	28.5	28.5	29.1	29.4	29.4	29.4	29.4
<b>Tax Revenue</b>	14.7	15.2	14.7	13.8	14.2	14.6	14.7	14.8	14.9	14.9
Direct Taxes	8.6	9.2	8.6	8.1	8.2	8.4	8.4	8.5	8.5	8.5
Personal Income Tax	4.1	4.4	4.2	4.1	4.2	4.3	4.3	4.4	4.4	4.4
Corporate Income Tax	4.5	4.9	4.3	4.0	4.0	4.1	4.1	4.1	4.1	4.1
Indirect Taxes	6.0	6.0	6.2	5.7	6.1	6.2	6.2	6.3	6.4	6.4
VAT	3.4	3.4	3.4	3.2	3.2	3.2	3.2	3.2	3.2	3.2
Excises	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Other Taxes (Incl. land, trade, other)	2.5	2.5	2.7	2.3	2.7	2.9	2.9	3.0	3.1	3.1
<b>Social Contributions</b>	6.0	6.4	6.6	6.8	7.0	7.1	7.3	7.4	7.4	7.4
<b>Nontax Revenue</b>	6.5	6.8	7.7	7.9	7.3	7.4	7.5	7.2	7.1	7.1
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Expenditure</b>	23.9	24.1	26.0	25.7	25.5	25.9	26.1	26.1	26.1	26.1
<b>Expense (Current Expenditure)</b>	22.3	22.4	24.7	24.0	23.8	24.2	24.4	24.4	24.4	24.4
Purchase/use of goods and services	3.4	3.5	3.4	3.4	3.4	3.4	3.4	3.4	3.4	3.4
Compensation of employees	5.2	5.2	5.3	5.7	6.0	6.1	6.2	6.2	6.3	6.3
Interest	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Subsidies	0.9	0.8	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.8
Social security benefits	8.0	8.0	8.1	8.1	8.3	8.3	8.3	8.3	8.3	8.3
Other current expenditure	4.6	4.5	7.0	5.9	5.1	5.3	5.3	5.4	5.3	5.3
Capital transfer expenditure	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
<b>Net Acquisition of financial Assets</b>	1.6	1.7	1.3	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Overall balance - surplus (+)/ deficit (-)	3.3	4.4	3.0	2.8	3.0	3.2	3.3	3.3	3.3	3.3
<b>Gross Public Debt</b>	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5

Sources: Liechtenstein authorities and IMF Projections

1/ Latest available data is 2023 for expenditure and 2024 for revenue.

**Table 3. Liechtenstein: Balance of Payments, 2022–2031 1/**  
(CHF million, Percent in GDP)

	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031
	Est		Projections							
	(Millions of CHF)									
<b>Current Account Balance 2/</b>	1,109.8	1,229.9	1,218.7	1,209.8	1,213.4	1,247.5	1,274.9	1,306.7	1,334.9	1,363.3
Trade Balance (Goods and Services)	509.6	582.1	583.0	567.2	567.8	594.3	614.2	626.5	641.8	652.9
Goods Balance	1,007.5	1,105.3	1,109.8	1,095.0	1,098.4	1,131.1	1,160.3	1,184.7	1,212.9	1,237.2
Exports	3,833.1	3,976.3	3,801.2	3,797.4	3,813.6	3,878.2	3,957.3	4,043.5	4,137.8	4,229.7
Imports	2,825.5	2,871.0	2,691.4	2,702.4	2,715.1	2,747.1	2,797.0	2,858.8	2,924.9	2,992.5
Services Balance	-497.9	-523.2	-526.8	-527.8	-530.6	-536.8	-546.1	-558.2	-571.1	-584.3
Exports	945.6	993.6	1,000.3	1,002.3	1,007.6	1,019.5	1,037.1	1,060.0	1,084.5	1,109.6
Imports	1,443.5	1,516.9	1,527.1	1,530.2	1,538.2	1,556.3	1,583.3	1,618.2	1,655.6	1,693.9
Primary Income	600.2	647.8	635.7	642.6	645.6	653.2	660.7	680.2	693.1	710.4
Secondary Income										
Capital Account										
<b>Net Financial Account (- financing) 3/</b>	1,506.1	941.2	994.9	1,054.6	1,099.5	1,132.1	1,158.3	1,189.1	1,213.1	1,237.1
<b>International Reserves (Stocks)</b>	2,253.6	2,542.3	2,766.0	2,921.3	3,035.2	3,150.5	3,267.1	3,384.7	3,506.6	3,632.8
<b>Change in international Reserves</b>	-396.3	288.7	223.8	155.2	113.9	115.3	116.6	117.6	121.8	126.2
	(Percent of GDP)									
<b>Current Account Balance</b>	15.7	16.6	16.4	16.2	16.2	16.4	16.5	16.5	16.5	16.5
Trade Balance (Goods and Services)	7.2	7.9	7.8	7.6	7.6	7.8	7.9	7.9	7.9	7.9
Goods Balance	14.2	14.9	14.9	14.7	14.6	14.9	15.0	15.0	15.0	15.0
Exports	54.1	53.7	51.0	50.8	50.8	51.1	51.2	51.2	51.2	51.2
Imports	39.8	38.8	36.1	36.2	36.2	36.2	36.2	36.2	36.2	36.2
Services Balance	-7.0	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1	-7.1
Exports	13.3	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4	13.4
Imports	20.4	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5	20.5
Primary Income	8.5	8.8	8.5	8.6	8.6	8.6	8.6	8.6	8.6	8.6
<b>Net Financial Account (- financing)</b>	21.2	12.7	13.3	14.1	14.6	14.9	15.0	15.1	15.0	15.0
<b>Change in International Reserves</b>	-5.6	3.9	3.0	2.1	1.5	1.5	1.5	1.5	1.5	1.5

Sources: Liechtenstein authorities and IMF staff calculations.

1/ Most data are available only through 2021. 2022-23 are staff estimates and 2024-2029 are staff projections.

2/ Assumes secondary income is near zero.

3/ The net financial account is calculated as the difference between the current account and the change in international reserves.

**Table 4. Liechtenstein: Banking Developments, 2017–2024 1/**  
(CHF billions, Percent of GDP)

	2017	2018	2019	2020	2021	2022	2023	2024
	(Billions of CHF)							
<b>Total assets</b>	82.4	86.3	92.6	94.4	106.8	102.6	103.1	107.9
Accounts receivable from banks	10.0	9.8	11.6	10.2	20.5	20.0	20.0	20.9
Loans	39.5	40.1	42.5	39.2	41.4	40.3	40.7	43.6
Other assets	32.9	36.4	38.5	45.1	44.9	42.3	42.4	43.4
<b>Total liabilities and equity</b>	82.4	86.3	92.5	94.4	106.8	102.6	103.1	107.9
Liabilities to banks	2.7	3.6	3.7	4.2	6.8	5.3	5.4	4.6
Deposits	64.9	67.2	72.1	72.3	80.3	76.6	76.6	81.8
Securities	4.2	4.2	4.7	5.0	5.3	5.6	5.6	6.1
Other liabilities	2.9	3.5	3.6	4.2	4.5	5.1	5.3	5.3
Equity	7.7	7.8	8.3	8.7	9.9	10.0	10.2	10.0
	(Percent of GDP)							
<b>Total assets</b>	1,293.2	1,319.2	1,447.3	1,570.1	1,477.5	1,456.7	1,452.1	1,512.1
Accounts receivable from banks	157.2	149.6	181.0	168.8	283.5	284.5	282.4	293.0
Loans	620.2	613.2	664.3	651.7	572.8	571.8	572.9	610.5
Other assets	515.7	556.3	602.0	749.6	621.2	600.5	596.8	608.6
<b>Total liabilities and equity</b>	1,293.2	1,319.2	1,445.4	1,570.1	1,477.5	1,456.7	1,452.1	1,512.1
Liabilities to banks	42.8	55.7	58.3	70.3	94.0	74.6	75.7	64.8
Deposits	1,018.0	1,026.1	1,127.4	1,202.7	1,110.4	1,087.6	1,079.2	1,146.0
Securities	66.4	64.2	72.9	82.5	73.1	80.0	79.4	85.8
Other liabilities	45.1	53.8	56.5	69.7	51.9	67.5	74.8	73.9
Other liabilities	39.8	48.9	50.5	63.2	46.3	59.0	64.7	65.2
Pre-paid expenses	2.7	3.1	3.4	3.4	3.1	4.6	5.8	6.0
Accruals	2.6	1.8	1.4	1.8	1.4	1.3	1.9	1.6
Subordinated liabilities	...	...	1.2	1.2	1.2	2.7	2.5	1.1
Equity	120.8	119.4	130.2	144.9	137.2	142.0	143.1	140.6

Sources: Liechtenstein authorities and IMF staff calculations.

1/ The table shows a consolidated view of the Banking System (i.e. Liechtenstein banks including foreign group subsidiaries).

**Table 5. Liechtenstein: Financial Soundness Indicators, 2018–2025**  
(Percent of GDP, unless otherwise indicated)

	2018	2019	2020	2021	2022	2023	2024	2025Q2
<b>Core FSIs</b>	(Percent, unless otherwise indicated)							
Tier 1 capital to risk-weighted assets	18.8	20.0	21.8	21.6	19.7	20.4	19.7	19.2
Nonperforming loans net of provisions to capital	2.7	3.3	3.0	2.0	3.7	3.7	5.1	2.8
Capital to assets (leverage ratio)	7.9	8.3	8.4	8.8	7.6	7.8	8.1	7.6
Nonperforming loans to total gross loans	0.5	0.6	0.6	0.6	0.9	0.9	1.1	0.4
Provisions to nonperforming loans	37.5	37.2	37.0	49.0	46.4	42.3	35.8	29.9
Return on assets	0.7	0.7	0.6	0.7	0.7	0.7	0.7	0.7
Return on equity	7.3	7.5	6.2	6.0	6.3	6.5	7.6	6.6
Interest margin to gross income	21.8	19.8	17.8	16.7	19.1	21.8	16.3	14.6
Noninterest expenses to gross income	75.1	74.7	76.1	74.7	74.5	71.6	71.5	79.0
Liquid assets to total assets	32.4	34.7	35.8	37.0	42.0	39.0	37.6	33.5
Liquid assets to short-term liabilities	...	...	...	...	...	...	...	49.2
Liquidity coverage ratio	176.2	201.6	193.6	165.9	210.4	217.3	187.3	173.6
Net open position in foreign exchange to capital	18.0	17.0	20.2	26.1	26.5	25.5	29.4	29.4
<b>Additional FSIs</b>								
Large exposures to capital	47.4	64.1	97.6	86.5	87.3	88.7	88.4	77.2
Gross asset position in financial derivatives to capital	17.3	12.4	20.3	14.3	26.8	21.5	17.0	22.5
Gross liability position in financial derivatives to capital	19.0	17.7	25.0	17.0	29.3	30.5	19.0	25.9
Trading income to total income	12.3	15.0	17.3	12.6	13.6	17.3	19.0	21.6
Personnel expenses to noninterest expenses	61.0	63.0	64.2	64.6	63.7	64.5	66.1	65.6
Customer deposits to total (noninterbank) loans	60.9	62.2	63.5	63.7	79.6	82.4	78.2	66.5

Sources: Liechtenstein authorities and IMF staff calculations.

Annex I. Risk Assessment Matrix<sup>1</sup>

Source of Risks	Relative Likelihood	Time Horizon	Expected Impact	Policy Response
<b>Global Risks</b>				
<p><b>Trade-related Risks</b></p> <ul style="list-style-type: none"> <li>• <b>Protectionism and Trade Disruptions.</b> Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.</li> </ul> <p><b>New Trade Agreements.</b> Tangible progress in trade talks reduces uncertainty and trade barriers. Wider cooperation on services, FDI, and taxation boosts investment and bolsters public finances.</p>	<b>High</b>	<b>ST, MT</b>	<b>High</b> While Liechtenstein's strong fiscal position and low debt levels provide resilience, its high exposure and dependence on global trade makes it vulnerable to increased trade barriers and trade policy uncertainty through lower exports and sluggish growth.	Maintain open market access and continue pursuing bilateral and multilateral free trade agreements, including coordinating with EFTA partners. Provide short-time work compensation as needed and additional timely, well-targeted, and time-bound measures.
<p><b>Geopolitical Tensions and Intensification of Conflicts.</b> Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.</p>	<b>High</b>	<b>ST</b>	<b>Medium /High</b> While Liechtenstein's strong public finances and low debt levels provide resilience, the intensification of regional conflicts and disruptions to international trade could impair its export-driven economy through lower exports given high integration in global value chains.	Continue to broaden and strengthen cooperation with other countries/partners to promote collaboration on trade policy, supply chain security, and geopolitical stability. Urge businesses to continue to diversify their supply networks and export markets to adjust for risks.
<p><b>Commodity price volatility.</b> Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.</p>	<b>High</b>	<b>ST</b>	<b>Medium</b> Commodity price volatility could increase production costs for firms, elevate household living expenses, and introduce liquidity and solvency risks for energy providers.	Maintaining and if necessary, adjusting the gas reserve as implemented by the government will help build buffers for energy needs. If necessary, protect vulnerable groups by providing targeted support.

<sup>1</sup> The Risk Assessment Matrix (RAM) shows events that could materially alter the baseline path. The relative likelihood is the staff's subjective assessment of the risks surrounding the baseline ("low" is meant to indicate a probability below 10 percent, "medium" a probability between 10 and 30 percent, and "high" a probability between 30 and 50 percent). The RAM reflects staff views on the source of risks and overall level of concern as of the time of discussions with the authorities. Non-mutually exclusive risks may interact and materialize jointly. The conjunctural shocks and scenarios highlight risks that may materialize over a shorter horizon (between 12 to 18 months) given the current baseline.

Source of Risks	Relative Likelihood	Time Horizon	Expected Impact	Policy Response
<b>Global Risks</b>				
<p><b>Fiscal Vulnerabilities and Higher Interest Rates.</b> Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics. Disruptions are amplified by increased role of price-sensitive investors and leveraged NBFIs in sovereign debt markets, limited market absorption capacity when NBFIs offload debt securities, higher roll-over needs on shorter sovereign debt maturities, and strong sovereign-financial nexus. Concurrently, capital outflows from emerging and developing economies elicit a sharp increase in short-term rates.</p>	<b>Medium</b>	<b>ST</b>	<p style="text-align: center;"><b>Medium / High</b></p> <p>Cross-border spillovers have relatively little direct effect on the banks' balance sheet as wealth management is mostly off-balance sheet but could pose risk for banks' profitability since banks derive a large share of their profits from management services. NBFIs could be adversely impacted through losses on their portfolios and indirectly through, with potentially negative feedback loops with banks, given the degree of interconnectedness.</p>	Continue to strengthen regulation and supervision of banks and nonbank financial sectors to increase resilience.
<p><b>Cyberthreats.</b> Cyberattacks on physical or digital infrastructure (including digital currency and crypto assets), technical failures, or misuse of AI technologies trigger financial and economic instability.</p>	<b>High</b>	<b>ST, MT</b>	<p style="text-align: center;"><b>Medium</b></p> <p>With more interconnected financial institutions and increased digital reliance, cyberattacks could lead to outages of information and communication technology systems undermining the protective goals of availability, confidentiality, and integrity.</p>	Assess and address the vulnerabilities and other potential weaknesses exposed by cyberattacks. Ensure the cybersecurity oversight framework is fully operational. Urge businesses or institutions to have robust cyber defenses and business continuity plans to strengthen governance and risk management. Further deepen coordination with Switzerland and EU/EEA partners on cyber security issues.
<p><b>Climate change.</b> Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.</p>	<b>Medium</b>	<b>ST, MT</b>	<p style="text-align: center;"><b>Medium</b></p> <p>Climate-linked floods and landslides could damage physical assets like real estate, production facilities, infrastructure, or agricultural land, causing economic losses.</p>	Strengthen preparedness for natural disasters and other climate-related extreme events. Promote green transition and strengthen supervisory framework to monitor climate-related financial risks to banks and green finance.

Source of Risks	Relative Likelihood	Time Horizon	Expected Impact	Policy Response
<b>Domestic Risks</b>				
<b>High household indebtedness makes the residential real estate market vulnerable to shocks.</b>	<b>Medium</b>	<b>ST, MT</b>	<b>Medium</b> Liechtenstein has among the highest household indebtedness relative to GDP in the EEA/EU even though household assets are also sizable with positive net worth. If a portion of borrowers who are stretched on affordability lose their job or higher interest rates makes mortgages more expensive, repayment challenges or default could rise.	Continue to monitor mortgage lending and the effectiveness of recently implemented measures to ensure that borrowers are not over-leveraged and can service their mortgages. Enhance the transparency in real estate prices and transactions through improved data compilation and availability. Monitor continuously the sector for early warning signs. If risks materialize, ensure banks use their buffers to absorb losses.
<b>Financial integrity failures.</b>	<b>Medium</b>	<b>ST, MT</b>	<b>Medium / High</b> With reliance on international clients in private banking business, materialization of reputational risks related to ML/FT or sanctions violations may have negative systemic impact, e.g. possibly affecting access to corresponding banking relationships.	Continue to conduct and implement effective AML/CFT supervision and screening against sanction lists.  Maintaining accurate and up-to-date information on beneficial ownership, including collecting more information for the fiduciary sector.  Continue to work closely with international peers to enhance understanding of how to effectively enforce compliance with foreign sanctions.  Swiftly and effectively address any AML/CFT or sanctions issues.

## Annex II. Authorities' Response to Past IMF Recommendations

2025 Article IV Recommendations	Policy Actions
<b>Fiscal Policy</b>	
With large buffers in place, fiscal policy should expand its focus on responding to shocks and addressing long-term spending needs from aging, climate, and public investments, including costing the long-term spending needs.	The fiscal framework continues to focus on accumulation of buffers but has mechanism in place to address emerging challenges of the impact of trade uncertainty through the activation of short-term work compensation. There is consensus on long-term spending needs, including for climate and aging, and some digitalization spending is incorporated in the 2026 budget. Still the costing of the medium-term spending needs remains largely pending.
Preserve pension system sustainability and address future financing needs from demographic changes, including by increasing contributions or updating certain parameters.	The authorities consider the three-pillar pension sector resilient and agree on the need to address future financing pressures. They noted that Pillar I assets are expected to decline below the minimum threshold, and proposed reforms are being prepared.
<b>Financial Sector Policy</b>	
Financial stability: Ensure rigorous supervision and oversight of the financial sector as well as focus on strengthening financial safety net to safeguard financial stability.	Work is under way on the bank liquidity and solvency stress testing, as is on bank funding diversification through the implementation of the new local covered bond framework.
Macroprudential policies: Close monitoring and oversight of mortgage loans and real estate market are needed given high household debt. Enhance data availability on real estate and rental price indexes.	Macroprudential policy has not been modified. Work is underway to collect data on real estate and rental prices.
AML/CFT and the Fiduciary sector: Closer oversight is needed to mitigate operational and reputational risks, including adherence to AML/CFT and sanctions regimes. Strengthen fit and proper requirements, provide FMA with more power to intervene, and utilize existing authority to collect data.	FMA clarified its zero-tolerance policy for noncompliance with OFAC sanctions which accelerated resignations directors of Russia-linked trusts in 2025. The authorities formed a steering group to develop solutions for dormant structures. The new Professional Trustee Act, which would strengthen fit and proper requirements, has been in public consultation.
<b>Structural Policies</b>	
Addressing skills shortages: Continued reforms are needed to address skills shortages and support future productivity growth.	The authorities continue to take measures to address skills shortages, including through expanding educational initiatives at school and promoting continued vocational training as well as lifelong learning. They have introduced new courses such as fintech and partnered with educational institutions to integrate digital content into training programs.
Increasing labor supply: Additional efforts are needed to increase labor supply, including women and older workers.	The authorities introduced an expanded paid parental leave in 2026, which is expected to support women's labor force participation. They continue initiatives to support childcare facilities as well as flexibility and lifelong learning programs for older workers.
Green transition: Estimate and incorporate climate related expenditures in the forthcoming update of the climate adaptation strategy and future budgets.	The authorities have integrated domestic policies, sectoral decarbonization, public-private partnerships, and international cooperation into their second Nationally Determined Contribution (NDC) submission for 2025 under the Paris Agreement.
Cyber security: Continue to enhance monitoring cybersecurity risks under DORA, including for financial institutions, as well as deepen inter-institutional coordination between the unit and counterparts in both the public and private sectors for effective oversight.	The regulatory landscape for cybersecurity in Europe has been significantly strengthened by the Digital Operational Resilience Act (DORA), which came into force in Liechtenstein on 1 February 2025.
<b>Data and Statistics</b>	
Closing data gaps: Prioritizing improving timeliness of national accounts and establishing balance of payment statistics.	The authorities established a multi-agency coordination group on macroeconomic statistics and developed multi-year workplans. Additional resources have been allocated to the Office of Statistics (OS). IMF TA on national accounts will take place in June 2026.

## Annex III. External Sector Assessment

*The external position in 2025 is assessed to be moderately stronger than implied by fundamentals. This reflects the continued large estimated external current account surplus, underpinned by structural factors such as Liechtenstein's highly specialized manufacturing sector and exports, financial sectors with large non-resident customer base, sizeable net primary income from abroad, and continued large fiscal surpluses under the fiscal rules framework that contribute to high national saving relative to domestic investment. Over time, policies that promote productivity-enhancing public investment, reducing fiscal surpluses and using fiscal buffers, would help facilitate a gradual rebalancing of the external position.*

- 1. Significant data limitations continue to constrain a comprehensive external sector assessment (ESA).** Efforts to improve macroeconomic statistics are prioritizing compilation of national accounts; full, detailed balance-of-payments (BOP) statistics are expected only in several years. Currently, external data are available only for a subset of the current account—primarily goods trade, excluding Liechtenstein-Switzerland trade—and for fiscal reserves. Liechtenstein does not publish a regular international investment position (IIP); a one-off experimental IIP (relying on data from other countries) exists but contains substantial gaps and uncertainties. Key inputs required for a model-based assessment—including a more detailed current account breakdown, cyclically adjusted fiscal balances, and a full time series of the IIP—are not available. Given these constraints, a model-based approach such as the External Balance Assessment (EBA) or EBA-lite cannot be applied, and the external assessment necessarily relies on qualitative analysis.
- 2. Estimates indicate continued large current account surpluses and a large positive net international investment position (NIIP).** Compared to the previous Article IV, preliminary current account estimates are slightly lower reflecting short-term trade uncertainty but remain high at over 16 percent of GDP. Surpluses are driven by export of manufactured goods and financial services and financial income generated by the large financial sector. The experimental IIP estimates suggest gross external asset of around 12x GDP, with FDI assets around 7x GDP, also reflecting the presence of multinational companies headquartered in Liechtenstein. Portfolio equity investments are estimated at around 3.5x GDP. The NIIP is estimated at around 8x GDP. These features indicate a strong external balance sheet albeit significant uncertainty in measurement.
- 3. Manufacturing and financial services are key structural drivers of the external position.** Manufacturing is highly specialized, globally competitive, and strongly export-oriented, supported by sustained investment in R&D. The financial sector is based on private banking and wealth management services to non-residents, with assets under management (AUM) by banks of 70x GDP. Fees and commissions from these activities are recorded as export of services, while the large stock of foreign assets held by financial institutions, investment vehicles, and multinational firms generates substantial net primary income. As discussed in the 2025 SIP,<sup>1</sup> Liechtenstein exhibits a persistent gap

<sup>1</sup> Liechtenstein Selected Issues Paper 2025, "[Cross-Border Income Flows in Liechtenstein: Principality of Liechtenstein](#)"

between GDP and GNI, which is explained not only by the high share of cross-border commuters, but also by net primary income flows from assets held abroad, including dividends, interest, and reinvested earnings from foreign investment. These income flows reflect Liechtenstein's role as a financial center and the outward orientation of its corporate and financial balance sheets and imply that net investment income is an important and durable contributor to the external surplus.

**4. Currency appreciation remains an important external factor for Liechtenstein given its monetary integration with Switzerland.** The Swiss franc has appreciated markedly in nominal effective terms over the past decade and remained strong through 2024–25 amid safe-haven inflows during periods of global uncertainty. Real effective exchange rate (REER) appreciation has been more limited, reflecting, in part, relatively low inflation. Still, a stronger Swiss franc could reduce Liechtenstein exporters' price competitiveness in non-franc markets while the economy's reliance on high-value niche manufacturing and fee-based financial services could also be mitigating factors.

**5. Fiscal reserves provide significant external buffers.** The government maintains substantial liquid deposits contributing to international reserves, which are estimated to have reached CHF2.9 billion, 13 months of imports of goods and services, in 2025.<sup>2</sup>

**6. Policies aimed at a gradual reduction in fiscal surpluses through capital investments would support external rebalancing.** The large and persistent current account surplus reflects high public and private saving relative to domestic investment, consistent with the structural drivers of the external position discussed above and is reinforced by continued fiscal surpluses. Over the medium term, a calibrated reduction in fiscal surpluses—while maintaining fiscal sustainability—and to finance public investment, the green transition, and aging-related spending pressures would support help narrow the external surplus. Moreover, structural policies that support labor supply, promote the upskilling of domestic workers, and encourage domestic investment would facilitate a gradual rebalancing of the external position.

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<sup>2</sup> The import-coverage metric is used only as an indicator of the size liquidity buffers and not as an assessment of reserve adequacy.

## Annex IV. Fiscal Rules

**1. Liechtenstein’s fiscal framework is centered on a balance budget rule (BBR).** The BBR targets balancing income and expenses in the income statement of the central government over the medium term (Art. 2). The income statement comprises the results of business activities, financial, and extraordinary results—revenues minus expenses. A key component is net results from assets under external management—interest and dividend income and capital gains less asset management costs (Chawani and Iyer, 2025).

**2. Rules-based fiscal frameworks are common globally** (Annex Figure 1). Countries have adopted numerical fiscal targets that serve as guardrails designed to promote fiscal discipline (Davoodi et al., 2022). By the end of 2024, 122 countries had adopted at least one numerical fiscal rule; 55 countries also adopted supranational rules. Countries typically combine multiple rules to leverage complementarities among rules and address potential tradeoffs among policy objectives—e.g., debt sustainability, economic stabilization, operational guidance, and transparency.

**3. A fiscal rule is a long-lasting constraint on fiscal policy through numerical limits on budgetary aggregates** (Davoodi et al., 2022). The rule sets boundaries for fiscal policy that cannot be frequently changed. Countries fix targets in legislation and fiscal arrangements which can only be revised on a low-frequency basis and binding for at least three years. The rule is set on numerical targets that capture a large share of public finances and at a minimum cover the central government level (Hodge et al., 2020). A well-designed fiscal framework should help increase fiscal discipline, transparency, and accountability. Political will remains a critical ingredient in the pursuit of fiscal sustainability.

**4. There are four main types of fiscal rules.** Budget balance rules (BBR) are specified as overall balance, structural or cyclically adjusted balance, and balance over the cycle (Davoodi et al., 2022). Debt rules set an explicit limit or target for public debt in percentage of GDP. Expenditure rules set limits on total, primary, or current spending in absolute terms, growth rates, or in percentage of GDP. Revenue rules set ceilings or floors and are aimed at boosting revenue collection and/or preventing an excessive tax burden. The most common rules are debt and budget balance rules, each adopted in over 100 countries. Since the pandemic, expenditure rules have also increased; revenue rules are less common (Alonso et al., 2025).

**5. The budget rule is anchored on five principles and benchmarks.** Within the framework, the Benchmarks 1 to 3 must be fulfilled on average for the financial plan period while Benchmarks 4 and 5 must be fulfilled at the end of the financial plan period (Ministry of General Government Affairs and Finance, 2010):

- *Balanced annual result* – The income statement must close with at least a balanced annual result.
- *Speed bump for expense growth* – Absolute growth of expenses does not exceed that of income.

- *Self-financing ratio* – The ratio between self-financing funds and net investment is at least 90 percent.
- *External financing ratio* – The ratio between financial assets and external funds is at least 420 percent.
- *Net financial assets ratio* – The ratio between financial assets and operating expenses is between one to three times.

**6. By design, the fiscal rule has some strengths.** The rule offers clear guidance for communication to parliament and the public. The rule is embedded in statutory norms, aiming at discipline and sustainability. The Financial Budget Act (FHG) 2010 envisages a multi-annual framework covering four years, updated annually. Since the rule is enshrined in higher-level legislation, it is difficult to reverse and largely insulated from changes in government conferring stability.

**7. Coverage is limited to the central government.** Municipalities and social security funds operate autonomously. The rules have escape clauses that provide some flexibility in dealing with rare events, including one-off future-oriented projects. If key financial parameters cannot be met and the additional expenditure or shortfall in revenue is not one-off, the FHG obliges the government to draw up proposals for measures to meet the key financial parameters within six months of the financial plan being discussed in parliament. Parliament decides whether the measures are necessary and instructs the government accordingly. This may lead to pro-cyclical tightening during a crisis. If the financial plan contains significant extraordinary additional expenditure or revenue shortfalls due to one-off future-oriented projects, these may be exempted by the parliament at the request of the government for the calculation of the benchmarks.

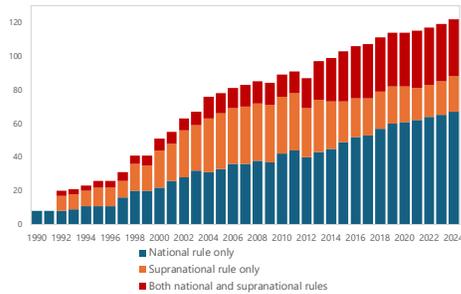
**8. Since 2013, the rule has served the objective of restoring sound public finances.**

- *Accumulation of buffers.* The financing ratio of liabilities has consistently exceeded 700 percent across all planning periods—far surpassing the 420 percent minimum requirement. It is expected to reach 867 percent by the end of the 2026–2029 planning period.
- *Provides operational guidance.* Benchmark 2 has functioned as an early warning system; when expenditure growth has exceeded income growth, the government explicitly acknowledged it, prompting closer scrutiny even when structural problems were ruled out.
- *Limiting borrowing.* The pre-identification of about 90 percent of resources for investments has meant that development spending should be substantially self-funded, limiting deficits and debt.
- *Fiscal consolidation:* The rule has supported a strong fiscal consolidation underpinned mainly by lowering current spending.

**Figure IV.1. Liechtenstein: Fiscal Rules**

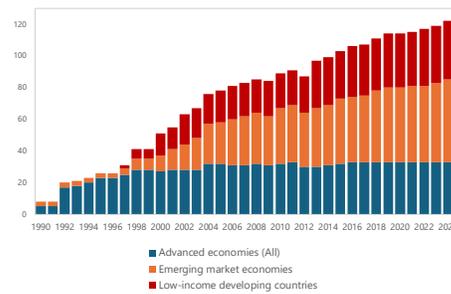
Fiscal rule adoption has accelerated dramatically since 1990, with the number of countries implementing such frameworks more than doubling. About 55 countries operate under supranational rules....

**National and Supranational Rules**  
(Number of countries)



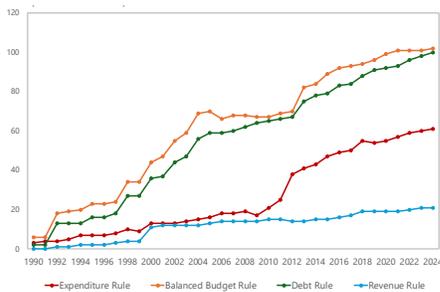
While advanced economies pioneered fiscal rules in the 1990s and early 2000s, the landscape has shifted significantly since 2008. Emerging markets and developing economies now drive adoption.

**Fiscal Rules by Income Groups**  
(Number of countries)



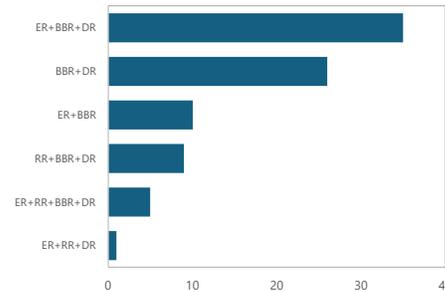
Budget balance and debt rules remain the most prevalent frameworks. Expenditure rules have gained traction while revenue rules remain comparatively rare....

**Common Types of Fiscal Rules**  
(Number of countries)



...and most countries combine a budget balance and debt rule, or both combined with an expenditure rule.

**Combinations of Fiscal Rules Across Countries**



**Budget Rule Performance**

	FP 2020-23	FP 2021-24	FP 2022-25	FP 2023-26	FP 2024-27	FP 2025-28
Annual Result > 0	Not Met	Met	Met	Met	Met	Met
Absolute growth in income > Absolute growth in Expenses	Not Met	Met	Met	Met	Met	Met
Self-financing ratio > =90 percent	Met	Met	Met	Met	Met	Met
Financing ratio > =420	Met	Met	Met	Met	Met	Met
Financial assets to operating expenses = 1-3 times	Met	Met	Met	Met	Met	Met

FP stands for financing plan for the four year period.  
**Met** refers to authorities' assessment and implies in line with benchmark at the end of the four year period  
**Not Met** implies not in line with benchmark at the end of the four year period.

Sources: Davoodi, H., Elger, P., Fotiou, A., Garcia-Macia, D., Lagerborg, A., W. Lam, R., & Pillai, S. (2022). *Fiscal Rules at Glance: An Update 1985-2021*. Technical Manual, Fiscal Affairs Department, International Monetary Fund, Washington D.C.  
 Ministry of General Government Affairs and Finance. (2010). *Financial Budget Act*. Vol. BuA-Number 2010 / 96. Reports and Motions Government Chancellery (RK). Government of Liechtenstein.

## 9. However, there are some challenges with the rule.

- Strict adherence to the rule may limit *flexibility to respond to shocks* given the need to be aligned irrespective of the economic cycle and to respond to deviations from the financial plan.
- The budget rule may *limit investment in infrastructure or other long-term projects or lead to adjustments that affect transparency*. In a downturn, pre-self-financing may become challenging, leading to potential underinvestment. For instance, government excluded the construction of a new state hospital from benchmarks calculation, suggesting that strict adherence might penalize large capital projects. Exclusion of large projects may have the effect of reducing transparency.
- The rule may be *incentivizing a higher-than-norm asset accumulation* with a high opportunity cost of maintaining high liquid assets. In the planning period for 2026-2029, the fiscal reserve is expected to exceed the upper limit of three times operating expenses of the central government even if the excluded one-off expenditures are factored back in. This suggests that the framework is encouraging possibly excessive liquidity accumulation.
- The rule is also *exposed to the flexibility-simplicity trade-off*. There is a layered complexity of the framework: five distinct benchmarks with different temporal requirements (averages vs. end-of-period), multiple exemption mechanisms, waiver procedures requiring parliamentary confirmation, and alternative calculation methodologies. All of these have been invoked across the five-year period, raising questions about whether the rules provide clear fiscal guidance.

**10. Liechtenstein's fiscal framework is anchored by a Balanced Budget Rule.** The rule requires the central government to balance revenues and expenses over a four-year planning period through five benchmarks. Since 2013, the rule has delivered strong outcomes—financing ratios have consistently exceeded minimum thresholds, borrowing has been curtailed through near-full self-financing of investments, and fiscal consolidation achieved through reduced current spending. However, challenges remain, including limited flexibility to respond to economic shocks, potential disincentives for large capital investments, and over-accumulation of liquid reserves irrespective of a potential high opportunity cost that may undermine the rule's overall clarity and effectiveness.

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## Annex V. Nowcasting Model for Liechtenstein

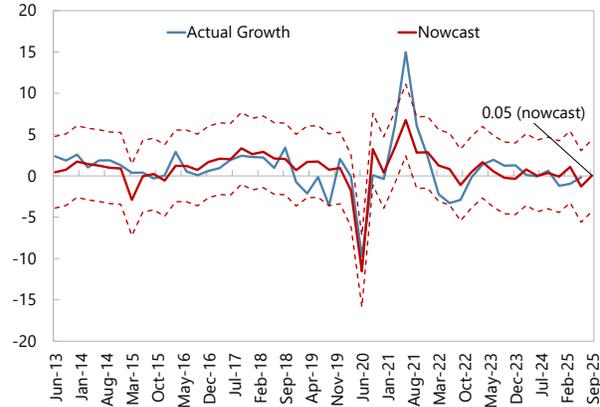
1. **Timeliness of macroeconomic data and statistics has been a challenge for Liechtenstein.** This is partly due to limited staff capacity at the Office of Statistics (OS). For instance, annual GDP is published with a lag of 23 months, with no official quarterly GDP data available. Lack of timeliness may hamper surveillance and timely policy assessment and action.
2. **A non-governmental agency, the Liechtenstein Institute (LI), provides quarterly GDP estimates and activity indicators to fill some gaps.** These include the “KonSens” indicator, as well as information on exports, imports, stock prices, and gross value added, along with a quarterly survey of businesses. KonSens is constructed using Principal Component Analysis (PCA) to calculate a summary index from 16 variables. While PCA is a sound method to construct a summary index, additional tools such as nowcasting could be deployed to leverage available high-frequency data and complement LI’s quarterly GDP estimates.
3. **Nowcasting is a standard toolkit for governments and central banks.** With availability of high-frequency data in volumes, nowcasting may provide timely estimates of activity and therefore inform policy decisions. This was evident during the COVID-19 pandemic when traditional data from surveys and official statistics were not always well suited or available in a sufficiently timely basis to inform policy responses in a rapidly unfolding context.
4. **The IMF’s nowcasting framework has several machine-learning models and provides an option to select results from the best performing model (“horse race”).** Nowcasting is typically used for prediction of near-term economic performance (i.e., next quarter) using leading high frequency indicators. We train the models using quarterly data from the LI, the Swiss National Bank, and other open source high-frequency information.<sup>1</sup> We select the optimal number of variables (their contributions to the nowcast are shown in the right hand side chart in the Annex Figure V.1. See also Annex Table V.1) and the best performing model based on Root Mean Error Squared tests. Annex Figure V.1 describes the full list of variables included in the model.
5. **The nowcasting results for the third quarter of 2025 show that quarter-on-quarter real GDP growth was 0.05 percent** (Annex Figure V.1, left chart). Model uncertainty ranges between -4.38 and -4.29 percent. Shapely decomposition, which shows the percentage points of growth explained by individual variables, indicates that export performance, consumer sentiment in Switzerland and Austria, and imports were top contributors to negative growth performance in the second quarter. More broadly, the nowcasting model generally tracks well the past quarterly GDP growth developments.

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<sup>1</sup> Open source high-frequency data include online search information, mobility data, nighttime light satellite imagery, NO<sub>2</sub> emissions, flight radar, stock market performance of listed companies, etc. These may provide useful signals of economic activity and facilitate nowcasting.

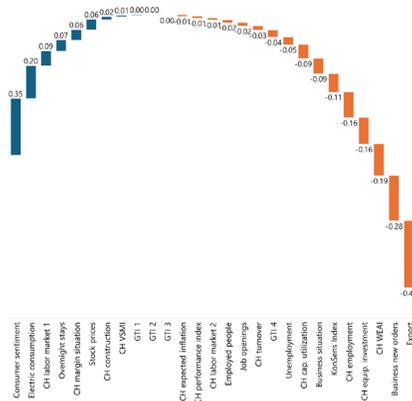
Figure V.1. Liechtenstein: Real GDP Growth Nowcast, 2025Q2

**Nowcast GDP Growth**  
(Percent)



**Shapely Decomposition**

(Percentage points added or subtracted from nowcast)



Source: IMF staff calculations.

Note: KonSens, business cycle sentiment tracker is a composite quarterly indicator published by the Liechtenstein Institute (LI). It is calculated using Principal Component Analysis of 16 variables, which are grouped into three categories: (i) composed of 10 quantitative variables including export, import, number of employed persons (FTE equivalent), number of commuters, number of unemployed persons, number of vacancies, share prices of companies (average of LLP/BVP), electricity power consumption, overnight stays, and new vehicle registrations; (ii) composed of 4 qualitative survey measures of business sentiment, including overall business situation, capacity utilization, new orders, and earnings; (iii) consumer sentiment indexes of Austria and Switzerland. The full list of variables included in the nowcast model includes 41 variables: 16 variables from KonSens, 14 variables from Swiss National Bank Business Cycle Index, and 11 Google Search Trend variables on selected search words.

**6. The nowcasting model and high-frequency data used for KonSens could be leveraged to provide an additional near-term readout on GDP growth.** Using quarterly KonSens individual variables, the nowcast and quarterly GDP estimation could be combined into an unified estimation exercise to make the most of available information for the assessment of near-term macroeconomic developments. One caveat applies: this approach uses estimated quarterly GDP to train the nowcasting model instead of actual quarterly GDP given lack of data. In this case, errors from time-series disaggregation could propagate into nowcasting results. Therefore, estimates should be interpreted with caution.

**Table V.1 . Liechtenstein: Full List of High Frequency Variable, Quarterly**

Variable	Description	Variable Selected
KonSens Index	KonSens Index summarizing all 16 variables	*
Stock prices	Stock prices (average LLB/VPB, real, CHF)	*
Unemployment	Unemployed people (number of persons)	*
Employed people	Employed people (full time equivalents)	*
Electric consumption	Electric power consumption (kWh)	*
Export	Direct goods exports (real, CHF)	*
Import	Direct goods imports (real, CHF)	*
Consumer sentiment	Consumer sentiment (average Switzerland/Austria)	*
CPI	Swiss consumer price index	*
Overnight stays	Overnight stays	*
Job openings	Job openings	*
Vehicle registration	Newly registered cars	*
Business situation	Business survey (industry/construction): "Overall situation" score + 100	*
Business new orders	Business survey (industry/construction): "New orders" score	*
Business cap. Utilization	Business survey (industry/construction): "Capacity utilization" score	*
Business earnings	Business survey (industry/construction): "Earnings" score	*
inward commuters	Inward commuters (full time equivalents)	*
CH VSMI	Switzerland SMI Volatility Index (VSMI)	*
CH WEAI	Switzerland Weekly Economic Activity Index (WEAI)	*
CH performance index	Switzerland Performance Index	*
GTI 5	Google Search "Liechtenstein" from Austria	*
GTI 1	Google Search "Liechtenstein" from Germany	*
GTI 3	Google Search "Liechtenstein" from Switzerland	*
GTI 6	Google Search "Liechtenstein" from worldwide	*
GTI 7	Google Search "Tariff" from Switzerland	*
GTI 8	Google Search "Tariff" from worldwide	*
GTI 4	Google Search "Vaduz" from Austria	*
GTI 9	Google Search "Vaduz" from Germany	*
GTI 10	Google Search "Vaduz" from Liechtenstein	*
GTI 2	Google Search "Vaduz" from Switzerland	*
GTI 11	Google Search "Vaduz" from worldwide	*
CH turnover	Switzerland Turnover compared to year-back quarter (Index)	*
CH cap. utilization	Switzerland Capacity utilization (Index)	*
CH margin situation	Switzerland Margin situation (Index)	*
CH labor market 2	Switzerland Staff shortages (Index)	*
CH labor market 1	Switzerland Recruitment difficulties (Index)	*
SNB exp. turnover	Switzerland Expected turnover (Index)	*
CH employment	Switzerland Expected employment (Index)	*
CH equip. investment	Switzerland Planned equipment investment (Index)	*
CH construction	Switzerland Planned construction investment (Index)	*
CH expected inflation	Switzerland Expected inflation (%) - In 6 to 12 months	*

Sources: Liechtenstein Institute; Haver; Google Trends; Swiss National Bank.

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## Annex VI. Data Issues

**Table VI.1. Liechtenstein: Data Adequacy Assessment for Surveillance**

Data Adequacy Assessment Rating 1/							
C							
Questionnaire Results 2/							
Assessment	National Accounts	Prices	Government Finance Statistics	External Sector Statistics	Monetary and Financial Statistics	Inter-sectoral Consistency	Median Rating
	C	NA	A	D	B	D	C
Detailed Questionnaire Results							
Data Quality Characteristics							
Coverage	C	NA	A	D	B		
Granularity 3/	C		B	D	B		
			A		B		
Consistency			A	D		D	
Frequency and Timeliness	D	NA	D	D	B		
<p>Note: When the questionnaire does not include a question on a specific dimension of data quality for a sector, the corresponding cell is blank.</p> <p>1/ The overall data adequacy assessment is based on staff's assessment of the adequacy of the country's data for conducting analysis and formulating policy advice, and takes into consideration country-specific characteristics.</p> <p>2/ The overall questionnaire assessment and the assessments for individual sectors reported in the heatmap are based on a standardized questionnaire and scoring system (see IMF <i>Review of the Framework for Data Adequacy Assessment for Surveillance</i>, January 2024, Appendix I).</p> <p>3/ The top cell for "Granularity" of Government Finance Statistics shows staff's assessment of the granularity of the reported government operations data, while the bottom cell shows that of public debt statistics. The top cell for "Granularity" of Monetary and Financial Statistics shows staff's assessment of the granularity of the reported Monetary and Financial Statistics data, while the bottom cell shows that of the Financial Soundness indicators.</p>							
A	The data provided to the Fund are adequate for surveillance.						
B	The data provided to the Fund have some shortcomings but are broadly adequate for surveillance.						
C	The data provided to the Fund have some shortcomings that somewhat hamper surveillance.						
D	The data provided to the Fund have serious shortcomings that significantly hamper surveillance.						
<p><b>Rationale for staff assessment:</b> Following the first Article IV consultation last year, the authorities developed a multi-year project plan to close gaps and improve timeliness of macroeconomic statistics. The workplan prioritizes addressing issues with GDP data, which is only annual and in nominal terms with significant publication lag. Liechtenstein Institute, a public-private funded research entity, continued to fill gaps by estimating real annual GDP and quarterly GDP. Price statistics are sourced from Switzerland, which maintains a common currency with Liechtenstein, and Swiss CPI is a good proxy. Only a small subset of external trade statistics, merchandise trade, is covered and these have shortcomings as Liechtenstein is in the customs union with Switzerland and bilateral trade is not recorded separately. The FMA produces detailed financial sector data including comprehensive FSIs for the banking sector, among other key indicators, and started reporting FSI to IMF's European Department and Statistics Department. The rating for the granularity of monetary and financial statistics has been upgraded as the authorities have provided granular data on private sector credit. For the OFCs, the authorities provided granular data on the total size of the sector and by subsectors, for insurance, combined ratios, ROE, ROA, for pensions, ROA, covered ratios, and total assets, for investment funds, total assets, liquidity profile, and number and type of funds. Investment Fund data, although the sector is relatively large, are not reported through FSI. Compiling monetary and financial statistics in line with Monetary and Financial Statistics Manual and Compilation Guide (MFSMCG) will be also useful. Authorities are encouraged to collect more data on interconnectedness of the OFC sub-sectors and enhance electronic accessibility of the data. Data on Government Finance Statistics are available but need to be disseminated in a timely manner and with greater frequency. Although data on goods import and export are available from Swiss custom, BOP data is yet to be compiled.</p>							
<p><b>Changes since the last Article IV consultation.</b> The authorities established an inter-agency Coordination Group on Macroeconomic Statistics (CGMS) including Office of Statistics (OS), FMA, Ministry of General Government Affairs and Finance, and Liechtenstein Institute, to address gaps and improve timeliness of macroeconomic statistics. The CGMS developed a multi-year project workplan (through 2030) that included allocation of additional staff resources for macroeconomic statistics. The workplan sequences several activities prioritizing improvement of national accounts, with a technical assistance from IMF Statistics Department. FMA started to report Financial Soundness Indicators (FSI) and Financial Access Survey (FAS) to the IMF. Following a series of virtual stocktaking consultations on national accounts with STA, an in-person TA mission is planned for June 2026. The authorities are also in discussion with the Swiss Central Bank for data sharing on BOP compilation and estimate trade flows with Switzerland.</p>							
<p><b>Corrective actions and capacity development priorities.</b> The authorities recognize that closing data gaps is critical to maintain the country's reputation and transparency as home to several multinational enterprises and an important financial center. A multi-year modernization plan is in place including technical assistance on national accounts from IMF Statistics Department. The authorities prioritize national accounts followed by BOP statistics.</p>							
<p><b>Use of data and/or estimates in Article IV consultations in lieu of official statistics available to staff.</b> See above on the discussion on real GDP produced by the Liechtenstein Institute.</p>							
<p><b>Other data gaps.</b> Additional source data such as household and business surveys will be useful for national accounts compilation. Real estate and house rental price index are currently not available. The authorities recognize these gaps and through the multi-year initiative are planning to close some of them in a sequential manner.</p>							

**Table VI.2. Liechtenstein: Data Standards Initiatives**

Liechtenstein does not participate in the IMF Data Standards Initiatives.

**Table VI.3. Liechtenstein: Table of Common Indicators Required for Surveillance**

As of January 31, 2026								
	Data Provision to the Fund				Publication under the Data Standards Initiatives through the National Summary Data Page			
	Date of Latest Observation	Date Received	Frequency of Data <sup>6</sup>	Frequency of Reporting <sup>6</sup>	Expected Frequency <sup>7</sup>	Liechtenstein <sup>8</sup>	Expected Timeliness <sup>6,7</sup>	Liechtenstein
Exchange Rates	31-Jan-26	NA	D	D	D	...	...	...
International Reserve Assets and Reserve Liabilities of the Monetary Authorities <sup>1</sup>	NA	NA	NA	NA	M	...	1M	...
Reserve/Base Money <sup>9</sup>	NA	NA	NA	NA	M	...	2M	...
Broad Money	NA	NA	NA	NA	M	...	1Q	...
Central Bank Balance Sheet <sup>9</sup>	NA	NA	NA	NA	M	...	2M	...
Consolidated Balance Sheet of the Banking System	Dec-24	Jun-25	Annual	Annual	M	...	1Q	...
Interest Rates <sup>2</sup>	Dec-24	Jun-25	Annual	Annual	D	...	...	...
Consumer Price Index <sup>10</sup>	NA	NA	NA	NA	M	...	2M	...
Revenue, Expenditure, Balance and Composition of Financing <sup>3</sup> -Central Government <sup>4</sup>	Dec-23	May-24	Annual	Annual	M	...	1Q	...
Stocks of Central Government and Central Government-Guaranteed Debt <sup>5</sup>	NA	NA	NA	NA	Q	...	2Q	...
External Current Account Balance <sup>11</sup>	NA	NA	NA	NA	Q	...	1Q	...
Exports and Imports of Goods and Services <sup>12</sup>	NA	NA	NA	NA	M	...	12W	...
GDP/GNP	2024	Nov-25	Annual	Annual	Q	...	1Q	...
Gross External Debt	NA	NA	NA	NA	Q	...	2Q	...
International Investment Position	NA	NA	NA	NA	Q	...	3Q	...

<sup>1</sup> Includes reserve assets pledged or otherwise encumbered, as well as net derivative positions.

<sup>2</sup> Both market-based and officially determined, including discount rates, money market rates, rates on treasury bills, notes and bonds.

<sup>3</sup> Foreign, domestic bank, and domestic nonbank financing.

<sup>4</sup> The general government consists of the central government (budgetary funds, extra budgetary funds, and social security funds) and state and local governments.

<sup>5</sup> Including currency and maturity composition.

<sup>6</sup> Frequency and timeliness: ("D") daily; ("W") weekly or with a lag of no more than one week after the reference date; ("M") monthly or with lag of no more than one month after the reference date; ("Q") quarterly or with lag of no more than one quarter after the reference date; ("A") annual; ("SA") semiannual; ("I") irregular; ("NA") not available or not applicable; and ("NLT") not later than.

<sup>7</sup> Encourage frequency of data and timeliness of reporting under the e-GDDS and required frequency of data and timeliness of reporting under the SDDS and SDDS plus. Any flexibility options or transition plans used under the SDDS or SDDS Plus are not reflected. Liechtenstein do not participate in the IMF Data Standards Initiatives, the required frequency and timeliness under the SDDS are shown for Liechtenstein and New Zealand, and the encouraged frequency and timeliness under the e-GDDS are shown for Eritrea, Nauru, South Sudan, and Turkmenistan.

<sup>8</sup> Based on the information from the Summary of Observance for SDDS and SDDS Plus participants, and the Summary of Dissemination Practices for e-GDDS participants, available from the IMF Dissemination Standards Bulletin Board (<https://dsbb.imf.org/>). For countries that do not participate in the Data Standards Initiatives, and those who do not have a National Data Summary Page, the entries are shown as "...".

<sup>9</sup> Liechtenstein is in a currency treaty with Switzerland, does not have a central bank or control over monetary policy, and therefore does not compile these data.

<sup>10</sup> No price statistics are produced, as the authorities use Swiss price index as a proxy.

<sup>11</sup> These data were estimated by the authorities as a one-off exercise and do not disseminate on a regular basis.

<sup>12</sup> Data excludes trade with Switzerland as the countries share a common customs administration.

## Annex VII. Macroeconomic Statistics Modernization Program

*To close data gaps and improve timeliness of macroeconomic statistics, the authorities have established a multi-agency Coordination Group on Macroeconomic Statistics (CGMS), chaired by the Office of Statistics (OS) and tasked with setting priorities, reviewing methodologies, and monitoring progress. A multi-year project plan (2025–30) developed by the CGMS lays out statistical work programs and timelines (Annex Table VIII.1). Closing data gaps will enhance transparency, investor confidence, and evidence-based policy making while fulfilling IMF data provision requirements.*

- **Real sector:** Annual nominal GDP is published with a 23 months' lag, and there is no quarterly GDP. The workplan prioritizes national accounts, including strengthening interagency coordination, allocating additional staff resources at the OS, and TA from the IMF Statistics Department. Engagement with the IMF started in September 2025 via virtual consultations and stocktaking. An in-person mission is scheduled for June 2026.
- **External sector:** The OS receives data on goods imports and exports from the Federal Office for Customs and Security (FOCS). Once national accounts are implemented, the OS and FMA will compile full Balance of Payments (BOP) and International Investment Position (IIP) data in the medium-term. This could potentially involve IMF TA on BOP and updating the FMA's experimental IIP data.
- **Public sector:** Although source data on central government finances are available, publication in standard GFS format comes with a delay. Discussions are ongoing to improve the timeliness of publishing general government data.
- **Price statistics:** The CPI, GDP deflator, and construction price index of Switzerland are used. The OS and FMA are planning to collect rental and housing prices from rental and real estate websites.
- **Other initiatives:** Other initiatives include collecting enterprise survey data in collaboration with the Liechtenstein Chamber of Commerce and Industry and modernizing dissemination platforms. The Liechtenstein Institute, which publishes quarterly GDP estimates and the KonSens Index, is considering developing nowcasting for Liechtenstein.



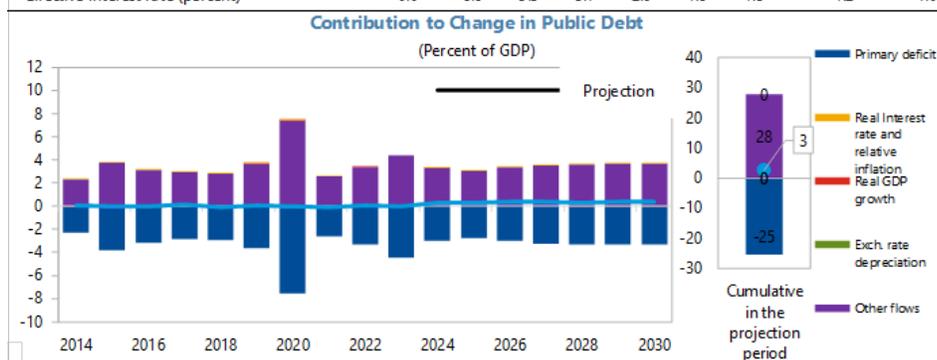
## Annex VIII. Debt Sustainability Analysis

Liechtenstein maintains a strong fiscal position leveraging a fiscal framework that has ensured fiscal surpluses, virtually no public debt, and accumulation of large fiscal buffers. The substantial financial assets have allowed government to address shocks without borrowing. Public debt is expected to remain low reflecting the strength of the budget rule and sustained surpluses over the medium term.

**Figure VIII.1. Liechtenstein: Baseline Scenario**

(Percent of GDP unless indicated otherwise)

	Actual	Medium-term projection						Extended projection	
	2023	2024	2025	2026	2027	2028	2029	2030	2031
Public debt	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5	3.2
Change in public debt	0.0	0.3	0.3	0.4	0.4	0.3	0.4	0.3	0.3
Contribution of identified flows	0.0	0.3	0.3	0.4	0.4	0.3	0.4	0.3	0.3
Primary deficit	-4.4	-3.0	-2.8	-3.0	-3.2	-3.3	-3.3	-3.3	-3.3
Noninterest revenues	28.5	29.0	28.5	28.5	29.1	29.4	29.4	29.4	29.4
Noninterest expenditures	24.1	26.0	25.7	25.5	25.9	26.1	26.1	26.1	26.1
Automatic debt dynamics	1.2	0.2	0.1	0.1	0.3	0.5	0.7	0.7	0.7
Real interest rate and relative inflation	0.0	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Real interest rate	0.0	0.3	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Relative inflation	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Real growth rate	1.2	-0.1	0.0	0.0	0.2	0.4	0.6	0.6	0.6
Real exchange rate	0.0	...	...	...	...	...	...	...	...
Other identified flows	4.4	3.3	3.1	3.4	3.6	3.6	3.7	3.7	3.7
Contingent liabilities	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(minus) Interest Revenues	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other transactions	4.4	3.3	3.1	3.4	3.6	3.6	3.7	3.7	3.7
Contribution of residual	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Gross financing needs	-4.4	-2.9	-2.7	-2.9	-3.0	-3.1	-3.0	-2.9	-2.8
of which: debt service	0.0	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.5
Local currency	0.0	0.1	0.1	0.1	0.2	0.2	0.3	0.4	0.5
Foreign currency	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Memo:									
Real GDP growth (percent)	3.4	-0.3	0.0	0.0	0.5	1.0	1.5	1.5	1.5
Inflation (GDP deflator; percent)	0.9	1.0	0.2	0.5	0.7	0.7	0.7	0.8	0.8
Nominal GDP growth (percent)	4.4	0.7	0.2	0.5	1.2	1.7	2.2	2.3	2.3
Effective interest rate (percent)	0.0	8.9	5.3	3.7	2.6	1.9	1.5	1.2	1.0



Commentary: Liechtenstein maintains a strong fiscal position leveraging a fiscal framework that has ensured fiscal surpluses, virtually no public debt, and accumulation of large fiscal buffers. The country has run cumulative primary surpluses since 2014 which have contributed to accumulation of buffers reflected in other flows. The substantial financial assets have allowed government to address shocks without borrowing. Public debt is expected to remain very low reflecting the strength of the budget rule and sustained surpluses over the medium term.



# PRINCIPALITY OF LIECHTENSTEIN

March 6, 2026

STAFF REPORT FOR THE 2026 ARTICLE IV  
CONSULTATION—INFORMATIONAL ANNEX

Prepared By:

The European Department

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FUND RELATIONS \_\_\_\_\_ 2

## FUND RELATIONS

(As of January 31, 2026)

**Membership Status:** Joined October 21, 2024: Article VIII.

### General Resources Account:

	SDR Million	Percent of Quota
Quota	100.00	100.00
Reserve position in Fund	0.00	0.00

### SDR Department:

	SDR Million	Percent Allocation
Net cumulative allocation	138.68	100.00
Holdings	139.07	100.28

**Outstanding Purchases and Loans:** None

**Latest Financial Commitments:** None

### Overdue Obligations and Projected Payments to Fund<sup>1</sup>

(SDR Million; based on existing use of resources and present holdings of SDRs):

	Forthcoming				
	2026	2027	2028	2029	2030
Principal					
Charges/Interest	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

<sup>1</sup> When a member has overdue financial obligations outstanding for more than three months, the amount of such arrears will be shown in this section.

### Exchange Rate Arrangement

The de jure and de facto exchange rate arrangements are no separate legal tender. Liechtenstein's legal tender is the Swiss Franc.<sup>1</sup> There is no central monetary institution in Liechtenstein. The franc was introduced as legal tender officially in 1924; on June 19, 1980, Liechtenstein signed a currency treaty with Switzerland (in effect from November 25, 1981) formalizing the monetary arrangement between Switzerland and Liechtenstein. The treaty recognized that Liechtenstein has legally adopted the Swiss Franc as its official currency and authorizes Liechtenstein to issue, in agreement with Switzerland, Swiss franc coins, while not permitting Liechtenstein to issue Swiss franc banknotes. Under the currency treaty, all relevant Swiss legal acts about money, credit, and currency issues automatically apply to Liechtenstein, unless special agreements are concluded. Foreign exchange

<sup>1</sup> See the latest exchange rate arrangement for [Switzerland](#).

transactions in Liechtenstein are conducted through licensed commercial banks, investment firms, payment institutions, and foreign exchange bureaus.

Liechtenstein has accepted the obligations under Article VIII, Sections 2, 3 and 4 of the IMF's Articles of Agreement and maintains an exchange system free of multiple currency practices and of restrictions on the making of payments and transfers for current international transactions, except for those measures imposed solely for security reasons which have been notified to the Fund pursuant to Executive Board Decision No. 144 (52/51).

**Previous Article IV Consultation:**

Liechtenstein has been on a 12-month consultation cycle. The last Article IV consultation was concluded on March 21, 2025. The staff report and other related documents are available [here](#).

**Table 1. Liechtenstein: Technical Assistance from the Fund**

<b>Department</b>	<b>Issue</b>	<b>Action</b>	<b>Date</b>	<b>Counterpart</b>
STA	National Accounts	Mission	March 2026	Office of Statistics



# PRINCIPALITY OF LIECHTENSTEIN

## STAFF REPORT FOR THE 2026 ARTICLE IV CONSULTATION—SUPPLEMENTARY INFORMATION

March 18, 2026

Approved By  
**Mark Horton (EUR) and  
Eugenio Cerruti (SPR)**

Prepared by the European Department (EUR)

*This supplement provides updates on the potential implications of the conflict in the Middle East since the staff report was issued to the Executive Board on March 6, 2026. The information presented does not change the thrust of the staff appraisal.*

**1. The conflict in the Middle East is expected to have a modest, temporary impact on Liechtenstein's economy.** Despite no direct exposure to the conflict, effects may arise through higher energy prices, weaker external demand, and global value chain disruptions. Inflation pass-through occurs primarily via imported energy products, with prices anchored to Switzerland. GDP growth is revised slightly down in the near term, reflecting higher input costs, weaker global demand, and a softening of business investment. Growth is expected to gradually return to potential as global commodity prices and trade environment normalize. Headline inflation is expected to increase modestly in the near term, before easing back to its medium-term path. Second-round effects on inflation are expected to remain limited, supported by a cooling labor market and high openness.

**2. Risks are tilted further to the downside.** A further escalation of the conflict could lead to a more persistent commodity price shock, raising inflation and weighing further on growth. Liechtenstein as a financial center faces downside risks from geopolitically-driven asset repricing and market volatility. Any further Swiss franc appreciation driven by safe-haven flows would weigh on exports.

**3. These developments do not change staff's policy advice.** With growth weak and the shock temporary, avoiding excessive fiscal tightening remains appropriate. If downside risks materialize, automatic stabilizers should be the first line of response. Any additional discretionary support should be targeted, temporary, and transparent. Heightened geopolitical uncertainty reinforces the need to strengthen financial sector

resilience. The authorities should remain vigilant and stand ready to use supervisory tools to ensure banks maintain adequate capital and liquidity buffers to withstand potential asset repricing and market volatility.

**Statement by Mr. Loszewski, Executive Director for Principality of Liechtenstein  
and Mr. Meier, Advisor to Executive Director**

**March 23, 2026**

On behalf of our Liechtenstein authorities, we thank staff for the candid and constructive engagement during the consultation and for the thorough analysis presented in the report. The authorities concur with staff's appraisal and policy recommendations. The authorities also welcome staff's recommendation to move to a 24-month Article IV consultation cycle, reflecting the country's strong fiscal position and the absence of significant risks. The authorities further consent to the publication of the report.

**Recent economic developments**

The report highlights Liechtenstein's strong economic fundamentals and sound policy frameworks, which position the country well to address both near-term challenges related to the evolving global economic environment as well as longer-term challenges, including those related to security, the green transition, and demographic developments. Liechtenstein's economy remains strongly diversified, with highly specialized, export-oriented industrial firms operating in global niche markets as a key pillar. As a small and highly open economy, Liechtenstein remains exposed to global developments and strongly committed to maintaining free and rules-based international trade. The internationally oriented financial and legal sector represents the second pillar of the economy. Liechtenstein's economy is fully integrated into the European Single Market through the European Economic Area and has shared a customs and currency union with Switzerland for more than a century, supported by a robust supervisory and regulatory framework. Following the 2025 elections, the new government maintains broad policy continuity while placing increased emphasis on resilience and security and remains committed to lean government and policies aimed at promoting the welfare of the entire population.

**Outlook and risks**

The authorities broadly share staff's assessment of the macroeconomic outlook and the key risks facing Liechtenstein's economy. Given Liechtenstein's high degree of openness and strong reliance on external demand, the current global trade environment—including increasing trade frictions and tariff-related uncertainties—is affecting the outlook for Liechtenstein's export-oriented economy and underscores the importance of maintaining an open, predictable and rules-based trading system. At the same time, recent trade developments provide new opportunities for Liechtenstein's export-oriented industries, including the entry into force of the EFTA-India Trade and Economic Partnership Agreement and the conclusion of negotiations on the EFTA-MERCOSUR agreement. Ongoing discussions, as a follow-up to a Joint Statement between Liechtenstein, the United States, and Switzerland, aim at a predictable framework for fair, balanced, and reciprocal trade between the parties. The labor market remains tight, highlighting the importance of policies aimed at expanding labor supply and maintaining access to skilled

workers. The financial sector remains resilient, supported by strong capitalization, prudent risk management, and long-term strategic planning. Against this background, the authorities consider that strong fundamentals and prudent policies provide a solid basis to navigate the current global environment.

### **Fiscal policy**

Liechtenstein continues to benefit from virtually zero public debt and a AAA sovereign rating, supported by substantial fiscal buffers, which the authorities consider essential for a small and highly open economy facing external shocks. The authorities appreciate staff's analysis of the fiscal framework. The existing fiscal rules are closely monitored and have served the country well in regaining and maintaining sustainable public finances over the past decades. Should the framework require adjustment in the future, the authorities remain prepared to review it as appropriate. Fiscal policy remains focused on maintaining prudent public finances while supporting the supply side of the economy and preserving productive capacity, including through automatic stabilizers like short-term work compensation and well-targeted investments. Recent developments in tax revenues, including automotive and gambling taxes, largely reflect policy choices and welcomed structural developments, such as the transition toward electric mobility and the consolidation of the gambling market following its earlier expansion. These developments do not undermine Liechtenstein's strong fiscal position, and the authorities, alongside staff, currently see no need for policy action in this regard. Should the need for policy adjustments arise, the authorities stand ready to act, supported by ample fiscal space. The authorities appreciate staff's thorough analysis of future spending needs and share the view that Liechtenstein is well positioned to address long-term challenges.

### **Financial sector**

The authorities thank staff for the in-depth engagement on the financial sector and welcome staff's analysis confirming the stability of the financial sector, as well as the suggestions to further fine-tune the policy framework. The banking sector remains well capitalized and liquid, with very low non-performing loan ratios. While capital ratios have moderated somewhat in recent years, the authorities remain committed to maintaining strong capital buffers. Discussions on further strengthening access to liquidity facilities are ongoing. Household indebtedness, largely reflecting mortgage lending, is closely monitored. Risks are mitigated by high household wealth and conservative lending standards. The authorities take note of staff's recommendations regarding the continuous need to refine the macroprudential policy mix and emphasize that risks are continuously monitored and policies will be adapted where necessary. Liechtenstein maintains a zero-tolerance approach toward financial crime, building on the positive MONEYVAL assessment in 2022.

## **Structural policies**

Continued investment in education, lifelong learning, and vocational training remains a priority for the authorities. A new parental allowance (“Elterngeld”), which entered into force in 2026, will support families and help expand labor supply. Liechtenstein’s pension system remains exceptionally well-funded by international standards, and the authorities plan to bring forward a new legal framework aimed at preserving its strong financial position over the long term. The authorities also remain committed to achieving ambitious climate targets and to undertaking the investments necessary to support the green transition. In addition, significant investments are being made in digital infrastructure and cybersecurity to ensure that interactions between citizens, businesses, and government remain efficient and accessible, or become even more streamlined where possible.

## **Statistics**

The authorities remain fully committed to closing the remaining data gaps and have drawn up an ambitious work program, the implementation of which has already begun. Strengthening national accounts statistics represents the first priority in this effort. The authorities highly appreciate the close cooperation and technical assistance provided by staff, including through upcoming technical assistance missions.