S&P Global
Ratings

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Principality of Liechtenstein

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This report does not constitute a rating action.

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Ratings Score Snapshot

Assessment (1 Strongest – 6 Weakest)	Score
Institutional assessment	1
Economic assessment	1
External assessment	3
Fiscal: Flexibility and performance	1
Fiscal: Debt burden	2
Monetary assessment	3

Sovereign credit rating	
Foreign currency	**AAA/Stable/A-1+**
Local currency	**AAA/Stable/A-1+**

Credit Highlights

Overview

Institutional and economic profile	Flexibility and performance profile
Liechtenstein is small, wealthy, open, and export oriented; it hosts many companies that are global leaders in niche markets and quick to adapt to economic swings.	We anticipate budget surpluses through 2028 because of solid growth in tax revenue and moderate expenditure increases.
--The principality depends on significant changes in international taxation.	--Ample liquid government assets and social security funds provide large buffers to potential external or fiscal shocks.
--We expect economic and budgetary policy to continue following the parliamentary election in February 2025.	--Liechtenstein's recently established IMF membership will likely result in better data availability and timeliness on its economic and external accounts.
--The economy benefits from Liechtenstein's membership in the European Economic Area and the customs union with Switzerland.	--We estimate inflation to remain very low in an international comparison over our forecast horizon and aligned with the inflation target of the Swiss National Bank (SNB).

S&P Global Ratings expects Liechtenstein's economy will shrink again in 2025 (-0.2%), albeit less than in in 2024 (-1%). We have revised down our economic growth forecast compared to the previous publication because we believe the shift in U.S. trade policy will slow global economic growth. We note that Liechtenstein's small and open economy is sensitive to external developments, resulting in some economic volatility. Nevertheless, its industries, with many small and midsize companies, are quick to adapt to changing macroeconomic conditions and weathering uncertainties.

We expect the country's IMF membership (it joined in October 2024) will improve the timeliness and availability of statistical information over the medium term. It will also provide another liquidity buffer in case of need, besides the government's own liquid reserves. Moreover, the IMF will provide technical assistance for the compilation of Liechtenstein's external and economic accounts.

Outlook

The stable outlook reflects our view that Liechtenstein's strong budgetary position and extensive financial buffers, along with its high policy effectiveness and prudent regulatory framework, will protect its creditworthiness from global economic and financial uncertainty.

Downside scenario

We could lower the ratings if Liechtenstein's public finances weakened materially and the country faced increased international tax or financial regulatory pressure, like other financial centers. This could severely constrain the government's revenue and hinder political strategy and effectiveness over a prolonged period.

Rationale

Institutional and economic profile: Liechtenstein will remain in a recession in 2025 due to lower demand from its key trading partners, including the U.S.

We revised down our 2025 economic growth forecast to -0.2% from 1.6%. This is because we believe the shift in U.S. trade policy will translate into slower global economic growth, particularly in Liechtenstein's key trading partners in Europe (see "Global Macro Update: Seismic Shift In U.S. Trade Policy Will Slow World Growth," published May 1, 2025, on RatingsDirect). We currently project the U.S. to post real GDP growth of 1.5% this year, while the growth prospects for Germany and Austria are down to 0.1% and 0.4% respectively. Excluding Switzerland, Germany and Austria accounted for about 45% of Liechtenstein's exports in the first quarter of 2025. At the same time, direct exports to the U.S. accounted for about 10%. However, overall trade exposure to the U.S. may be higher, since many Liechtenstein-based companies are present in the U.S. or trading globally through subsidiaries with the U.S. We expect economic growth to recover in 2026 and average 1.7% over 2026-2028.

While tariff discussions are ongoing, the situation is very fluid and subject to change. Tariffs on Liechtenstein's exports to the U.S. before the temporary suspension were set at 37%, higher than those on Switzerland (31%) despite Liechtenstein being part of the Swiss customs union. We understand that Liechtenstein has set up a national taskforce to examine various options and is actively involved in discussions with the U.S.

We note that Liechtenstein's small and open economy is used to large economic swings and able to adapt quickly. It is diversified, with machinery industry accounting for about 40% of GDP, and the financial and insurance service sectors about 20%. Its manufacturing base contributes a large share to gross value added compared to that of other small sovereigns with large financial centers. Liechtenstein is also home to many small and midsize export-oriented companies, which are global leaders in niche markets and therefore relatively quick to adjust to customers' needs and pass on prices in case of higher tariffs. This structural setup leaves Liechtenstein's economy less vulnerable to downturns, but growth may be more volatile than for other sovereigns. Overall, we estimate the principality will maintain high wealth, with relatively low unemployment in an international comparison.

We project Liechtenstein’s unemployment rate to increase this year to about 2.1% from 1.6% in 2024 because of lower global demand. In March 2025, Liechtenstein’s unemployment rose marginally by 0.5 percentage points to 2.0% compared to the previous year. A continuous lack of skilled labor will keep unemployment low in an international comparison. The number of available jobs in the country remains high compared to its total population because a sizable part of the workforce is filled by commuters, mainly from neighboring Switzerland and Austria.

Liechtenstein continues to benefit from its customs and customs union with Switzerland, alongside full access to the European Economic Area. The absolute total refugee inflow from Ukraine to Liechtenstein will likely remain lower than in neighboring countries. Still, it weighs on the budget because refugees from Ukraine currently represent about 1.8% of the principality's population.

Following parliamentary elections in February 2025, a new government was formed on April 10. The two largest parties, Vaterländische Union and the Fortschrittliche Bürgerpartei Liechtenstein, which have been in power for decades, formed a coalition, securing 17 of the 25 seats. Like in other countries, geopolitical fragmentation has been on the rise, with the opposition securing an additional three seats compared to the 2021 elections. We expect Liechtenstein’s economic reform agenda to remain largely unchanged, since the coalition agreement focuses on strengthening global diplomatic relations and addressing demographic challenges with the continuation of existing economic and fiscal policies. The country’s internal and external security strategy has been put in a more prominent spot. We note that specific plans are yet to be determined; however, we expect the landlocked country to be actively involved in European security discussions.

Liechtenstein continues to gradually implement its policy agenda of diversifying toward sustainable energy sources. Still, its high reliance on energy flows from Germany and Austria will continue. Liechtenstein has extended its gas reserve holdings until midyear 2027, covering two-to-three winter months of its energy needs.

Liechtenstein's reputation as a small financial center remains exposed to changes in international norms for financial regulation, such as the implementation of the global minimum tax rate on corporate profits, which took effect in 2024. With this, corporate profits for bigger companies are now taxed at 15%, up from 12.5% previously, according to the Organisation for Economic Cooperation and Development's minimum tax rate. We do not expect any major company reallocations or positive effects on the government's budgetary position. Liechtenstein continues to rely on European free trade agreements and continues to negotiate and strengthen various bilateral trade agreements. The government will maintain its track record of proactive and swift adoption of international standards and cooperation across borders, in our view.

Flexibility and performance profile: Large government assets and budget surpluses will help Liechtenstein navigate through current geopolitical uncertainties

We project Liechtenstein to continue posting general government surpluses averaging 1.6% of GDP through 2028. For 2024, we estimate Liechtenstein's general government surplus at 1.9% of GDP because of higher tax revenue and financial income. We project expenditure in 2025 to increase because of subsidies, such as for solar photovoltaic projects and renovations to improve energy efficiency totaling Swiss franc (CHF) 17 million (or about $19 million). Besides this, refugee-related expenditure will also increase to CHF17.3 million from CHF 8.3 million in 2023.

The general government's liquid financial assets, including social security and pension funds, increased to 106% of GDP in 2024 from 90% in 2018. The ratio will remain well above 100% of GDP on average through 2028. Generally, total government assets depend not only on the performance of the central government's budget, but on returns achieved in financial markets. Both the government’s assets and social security assets posted positive returns in 2024 despite their conservative portfolio structures and financial market volatility. Most of these assets are invested in bonds and are either denominated in Swiss francs or hedged against exchange rate risk.

We note that valuation risk remains prevalent, considering low global economic growth, global geopolitical uncertainty, financial market volatility, and the generally conservative portfolio structure. Still, consecutive budget surpluses will support the steady accumulation of government assets over the next few years, adding to the principality's already high fiscal cushion.

In our view, the principality’s budgetary framework includes sufficient room to accommodate potential challenges, for example, stemming from a delayed global economic recovery or intensifying geopolitical uncertainties. The central government has no debt outstanding and the general government, including 11 municipalities and the social security system, has very little debt--less than 1% of GDP--which relates to short-term loans contracted by some municipalities.

We believe Liechtenstein's financial services industry poses a moderate contingent liability for the government. The sector comprises banks, asset managers, insurance companies, trusts, and company service providers. Banks are predominantly active in private banking and have favorable funding profiles and strong capitalization; their assets correspond to about 14x Liechtenstein's GDP, which is extremely high in an international comparison. At the same time, banks’ comparably low-risk model and focus on private banking and wealth management limit the impact on the local economy in adverse scenarios. However, the focus on private banking makes the industry more sensitive to a reduction in global wealth and capital market valuations. Moreover, extreme market volatility could lead to margin calls and losses on Lombard lending, despite banks' generally conservative risk management.

Liechtenstein continues to apply sanctions against Russia and Belarus, in line with the EU and in close collaboration with the U.S., and these do not represent a material risk to its banking system or its reputation, although we understand they had some financial impact on the overall sector. We also note improvements to transparency and anti-money-laundering policies over the past decade. However, the principality's banks, like all private banks in general, remain vulnerable to reputational risks. Under our Banking Industry Country Risk Assessment, we assess Liechtenstein at '2' (where '1' denotes the lowest-risk banking sectors and '10' the highest risk; see "Banking Industry Country Risk Assessment: Liechtenstein," published Sept. 16, 2024).

The principality is in a contract-based monetary union with Switzerland, and its economy is closely synchronized with Switzerland's. This enables it to use the Swiss franc as legal tender and provides direct access for financial institutions to the SNB's liquidity facilities against eligible collateral, on par with any Swiss financial institution. However, Liechtenstein has no vote on the SNB's monetary policy council and receives no benefits from seigniorage (profit made by a government by issuing currency). This setup reduces Liechtenstein's monetary flexibility.

Price levels remained stable in April 2025 compared to the previous 12 months. There have been insignificant fluctuations in the recent past, but inflation remains below that of the euro area at 2.2% on average year on year in April. This is due to the strong Swiss franc, which reduces imported inflation somewhat. We assume inflation in the principality will average roughly 0.8% during 2025-2028.

Our rating on Liechtenstein incorporates the lack of comprehensive data on the country's external accounts, since no data is available for external trade or balance of payments. However, there is more visibility on some aspects of the country's international investment position through financial institutions' aggregate external accounts. This has also improved transparency relative to Swiss counterparties, suggesting the sector's high external creditor position. Still, data on the external accounts of the public sector and nonfinancial private sector remains unavailable. We therefore continue to base our assessment of Liechtenstein's external position on that of Switzerland, factoring in the absence of comprehensive external data.

We understand that Liechtenstein's government has started to work actively to address this deficiency, by compiling a complete external financial dataset. Moreover, we understand that the timeliness and composition of national accounts will be improved. These efforts will be supported by technical assistance from the IMF and the SNB. Liechtenstein joined the IMF at the end of October 2024. In our view, IMF membership will not only improve the country's data availability and timeliness but allow some liquidity leeway in case of need.

Liechtenstein--Selected Indicators

	2019	2020	2021	2022	2023	2024	2025bc	2026bc	2027bc	2028bc
Economic indicators (%)										
Nominal GDP (bil. CHF)	6.4	6.0	7.1	7.0	7.4	7.5	7.6	7.8	8.0	8.2
Nominal GDP (bil. $)	6.4	6.4	7.7	7.4	8.3	8.5	8.3	8.5	8.7	8.9
GDP per capita (000s $)	166.1	164.0	196.2	185.5	207.1	207.3	202.3	204.6	208.1	211.8
Real GDP growth	(2.2)	(5.3)	15.7	(2.7)	4.8	(1.0)	(0.2)	1.9	1.6	1.7
Real GDP per capita growth	(3.1)	(6.1)	15.0	(3.6)	3.9	(3.1)	(0.9)	1.2	0.9	1.0
Real investment growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment/GDP	N/A	N/A	N/A	N/A	0.0	0.0	0.0	0.0	0.0	0.0
Savings/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Exports/GDP	53.5	47.6	49.9	46.4	45.8	45.7	44.9	43.7	42.7	41.6
Real exports growth	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Unemployment rate	1.5	1.9	1.6	1.3	1.4	1.6	2.1	1.9	1.8	1.6
External indicators (%)										
Current account balance/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Liechtenstein--Selected Indicators										
Current account balance/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
CARs/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trade balance/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net FDI/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net portfolio equity inflow/GDP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Gross external financing needs/CARs plus usable reserves	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Narrow net external debt/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Narrow net external debt/CAPs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net external liabilities/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net external liabilities/CAPs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Short-term external debt by remaining maturity/CARs	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Usable reserves/CAPs (months)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Usable reserves (Mil. $)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiscal indicators (general government %)										
Balance/GDP	3.8	7.4	2.5	3.3	3.4	1.9	1.4	1.5	1.7	1.9
Change in net debt/GDP	(10.1)	(11.2)	(4.3)	9.4	(6.9)	(6.8)	(5.0)	(5.2)	(5.3)	(5.5)
Primary balance/GDP	3.8	7.4	2.5	3.3	3.5	1.9	1.4	1.5	1.7	1.9
Revenue/GDP	28.4	38.7	26.3	27.5	27.6	27.3	26.7	26.8	26.8	26.8
Expenditures/GDP	24.6	31.3	23.8	24.1	24.1	25.4	25.3	25.3	25.1	24.9
Interest/revenues	0.1	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt/GDP	0.6	0.6	0.5	0.6	0.6	0.7	0.7	0.7	0.8	0.8
Debt/revenues	2.2	1.5	2.0	2.1	2.3	2.5	2.7	2.7	2.8	2.9
Net debt/GDP	(102.0)	(119.7)	(106.5)	(97.3)	(98.8)	(105.3)	(108.4)	(110.7)	(113.4)	(116.1)
Liquid assets/GDP	102.7	120.3	107.0	97.9	99.4	106.0	109.2	111.5	114.2	116.9
Monetary indicators (%)										
CPI growth	0.4	(0.7)	0.6	2.8	2.1	1.1	0.5	0.8	0.9	0.9
GDP deflator growth	(0.1)	(0.7)	1.3	2.5	1.0	1.3	2.0	0.8	0.8	0.8
Exchange rate, year-end (CHF/$)	1.0	0.9	0.9	0.9	0.8	0.9	0.9	0.9	0.9	0.9
Banks' claims on resident non-gov't sector growth	1.0	2.1	1.8	(0.4)	(2.8)	3.0	3.3	2.0	2.0	2.0
Banks' claims on resident non-gov't sector/GDP	215.4	233.8	203.1	202.8	186.1	191.1	193.9	192.5	191.8	190.8
Foreign currency share of claims by banks on residents	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Foreign currency share of residents' bank deposits	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Real effective exchange rate growth	0.8	2.1	1.0	3.8	2.6	(0.6)	N/A	N/A	N/A	N/A

Sources: Office of Statistics (Economic /Monetary/ Fiscal/Debt/External Indicators); International Monetary Fund (Monetary Indicators).

Adjustments: None

Definitions: Savings is defined as investment plus the current account surplus (deficit). Investment is defined as expenditure on capital goods, including plant, equipment, and housing, plus the change in inventories. Banks are other depository corporations other than the central bank, whose liabilities are included in the

Liechtenstein--Selected Indicators

national definition of broad money. Gross external financing needs are defined as current account payments plus short-term external debt at the end of the prior year plus nonresident deposits at the end of the prior year plus long-term external debt maturing within the year. Narrow net external debt is defined as the stock of foreign and local currency public- and private- sector borrowings from nonresidents minus official reserves minus public-sector liquid claims on nonresidents minus financial-sector loans to, deposits with, or investments in nonresident entities. A negative number indicates net external lending. N/A- Not applicable. N.M.--Not meaningful. CHF--Swiss franc. CARs--Current account receipts. FDI--Foreign direct investment. CAPs--Current account payments. The data and ratios above result from S&P Global Ratings' own calculations, drawing on national as well as international sources, reflecting S&P Global Ratings' independent view on the timeliness, coverage, accuracy, credibility, and usability of available information.

Liechtenstein--Rating Component Scores

Key rating factors	Score	Explanation
Institutional assessment	1	Proactive policymaking and a strong track record in managing past economic and financial crises and delivering economic growth. Ability and willingness to implement reforms to ensure sustainable public finances and economic growth. Extensive checks and balances between institutions. Unbiased enforcement of contracts and respect for the rule of law.
Economic assessment	1	Based on GDP per capita ($) as per the Selected Indicators table above.
External assessment	3	Given the customs and currency union between Switzerland and Liechtenstein, there is limited availability of comprehensive information on the principality's trade and external statistics. We base Liechtenstein's initial external score on that of Switzerland and define Switzerland as the "host country." We believe this leads to an underestimation of external risks on the basis of available statistics.
Fiscal assessment: flexibility and performance	1	Based on the change in net general government debt (% of GDP) as per Selected Indicators in Table 1. Based on liquid assets to GDP as per Selected Indicators in Table 1.
Fiscal assessment: debt burden	2	Based on net general government debt (% of GDP) as per Selected Indicators in Table 1. We assess banks' contingent liabilities as moderate because their aggregated balance sheets account for about 14x local GDP. In addition, reputational risk for Liechtenstein remains, which can affect banks.
Monetary assessment	3	Liechtenstein uses the Swiss franc, which we treat as an actively traded currency. The Swiss National Bank (SNB) has a track record in monetary authority independence with market-based monetary instruments and has the ability to act as a lender of last resort for the financial system. The consumer price index is low and in line with that of its trading partners. Liechtenstein-based banks' access to SNB facilities is on par with that of Switzerland-based banks. The principality is a member of the Swiss franc area through a customs and monetary union with Switzerland, restricting individual monetary flexibility.
Indicative rating	aaa	As per Table 1 of "Sovereign Rating Methodology".
Notches of supplemental adjustments and flexibility	0	
Final rating		
Foreign currency	AAA	
Notches of uplift	0	Default risks do not apply differently to foreign- and local-currency debt.
Local currency	AAA	

S&P Global Ratings' analysis of sovereign creditworthiness rests on its assessment and scoring of five key rating factors: (i) institutional assessment; (ii) economic assessment; (iii) external assessment; (iv) the average of fiscal flexibility and performance, and debt burden; and (v) monetary assessment. Each of the factors is assessed on a continuum spanning from 1 (strongest) to 6 (weakest). S&P Global Ratings' "Sovereign Rating Methodology," published on Dec. 18, 2017, details how we derive and combine the scores and then derive the sovereign foreign currency rating. In accordance with S&P Global Ratings' sovereign ratings methodology, a change in score does not in all cases lead to a change in the rating, nor is a change in the rating necessarily predicated on changes in one or more of the scores. In determining the final rating the committee can make use of the flexibility afforded by §15 and §§126-128 of the rating methodology.

Related Criteria

- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Criteria | Governments | Sovereigns: Sovereign Rating Methodology, Dec. 18, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011
- General Criteria: Methodology: Criteria For Determining Transfer And Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Ratings List, May 22, 2025
- Sovereign Ratings History, May 22, 2025
- Sovereign Ratings Score Snapshot, May 6, 2025
- Sovereign Risk Indicators, April 10, 2025. A free interactive version is available at http://www.spratings.com/sri.
- Banking Industry Country Risk Assessment: Liechtenstein, Sept. 16, 2024

Ratings Detail (as of May 26, 2025)*

Liechtenstein	
Sovereign Credit Rating	AAA/Stable/A-1+
Transfer & Convertibility Assessment	AAA
Sovereign Credit Ratings History	
26-Feb-2016	AAA/Stable/A-1+
12-Feb-2016	AAA/Watch Neg/A-1+
02-Dec-1996	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.