Speaking notes for Secretary General Markus Biedermann

- On behalf of the Prime Minister and Minister of Finance in Liechtenstein

EFTA-ECOFIN Meeting 4 November 2020
ADDRESSING THE CORONA CRISIS – HOW TO REBUILD A RESILIENT, SUSTAINABLE AND THRIVING EUROPEAN ECONOMY

Mr. Chairman, Dear Colleagues,

My Prime Minister and Minister of Finance, Adrian Hasler, is currently attending a parliamentary session. For this reason, he is unfortunately unable to address you personally today. He sends his best wishes to you all.

Now, allow me to add a few remarks from the Liechtenstein perspective.

Since spring, Europe and the whole world has been suffering severely from the health, social and economic consequences of the coronavirus pandemic. The hope that the pandemic would fade away, nourished by low case numbers during the summer, has unfortunately not turned into reality. The outbreak of the second wave across Europe has not only prevented us from meeting in person, but also increased uncertainty regarding the further development of our economies.

The industrial sector in Liechtenstein accounts for around 47% of GDP, an extraordinarily high percentage, when compared with other European countries. The sector was hit very hard by the crisis: exports dropped by 25% in the first half of this year compared to the same period in 2019.

The financial sector, accounting for around 20% of GDP, is doing remarkably well, given the challenging situation. Liechtenstein banks for example, which are strongly focused on private banking, were able to increase profits and strengthen core capital ratios during the first half of 2020.

General services and commercial businesses, usually acting as an economic buffer, accounting for about one third of Liechtenstein's economy, were hit hard. This was mainly due to containment measures such as hygiene requirements and the partial shutdown. And even where consumption was possible, consumers were hesitant because of health concerns or financial caution.

Unemployment in Liechtenstein rose from 1.7% in March to 2.1% in July. This increase was rather moderate by regional comparison and the situation has been stable for months. In September, the unemployment rate even dipped below 2%. This can be mainly attributed to the government's support package, in particular the extended short-time work scheme. The peak of short-time work was reached in May, when around 17% of employees in Liechtenstein were affected. Furthermore, of vital importance for Liechtenstein companies was the fact that commuters were allowed to cross the border between our neighbor countries and Liechtenstein, even at the height of restrictions between March and June.

Liechtenstein has no public debt and maintains financial reserves that exceed 25% of GDP. These high reserves give our country vast policy space in times of crisis such as these.

To secure as many jobs as possible, the Liechtenstein government has put in place schemes and measures to support companies and individuals directly and indirectly affected by the pandemic. The total budget available for the package of measures amounts to around 2% of GDP.

The measures included an extension of the existing short-time work scheme, a loan default guarantee for the provision of liquidity loans, as well as financial contributions to businesses and self-employed persons.

Further measures consisted of grants in the areas of culture, sports education and media, as well as payment deferrals for social insurance contributions and value added texes. Most of these measures were phased out at the end of September.

Since October, however, the number of cases in Liechtenstein has risen again sharply. The government has therefore taken new restrictive measures to contain the virus. Since 24 October, restaurants, bars and clubs are closed for three weeks. To cushion the economic consequences, the government has re-activated some of the individual support measures during this time and introduced new ones.

But we must also look ahead. A priority in my view is to strengthen the competitiveness of the European Market in a global perspective. In this context a close connection between the degree of digitalization and competitiveness is becoming increasingly apparent. The economic potential stemming from digitalisation can best be facilitated if private initiatives receive the necessary freedom to exploit the opportunities at hand and forward-looking regulations are put in place.

As digital business models and the ability to automate are increasingly becoming a decisive competitive advantage, the crisis also presents an opportunity for many companies to move towards digital and more sustainable business models.

Thank you.