

BEST'S COUNTRY RISK REPORT

Liechtenstein

CRT-2

August 22, 2018

Region: Europe

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Liechtenstein is a CRT-2 country, with low levels of economic, political, and financial system risk.
- It is a microstate and is closely linked to Switzerland culturally, politically, and economically. Liechtenstein shares a currency and customs union with Switzerland.
- A.M. Best categorizes the majority of countries pictured in the map as CRT-1 and CRT-2. The notable exceptions are the Eastern European countries of Bosnia and Herzegovina, Belarus, and Ukraine.



Economic Risk



Political Risk



Financial System Risk

- Country Risk Tier 1 (CRT-1) Very Low Level of Country Risk
- Country Risk Tier 2 (CRT-2) Low Level of Country Risk
- Country Risk Tier 3 (CRT-3) Moderate Level of Country Risk
- Country Risk Tier 4 (CRT-4) High Level of Country Risk
- Country Risk Tier 5 (CRT-5) Very High Level of Country Risk

Regional Summary: Western Europe

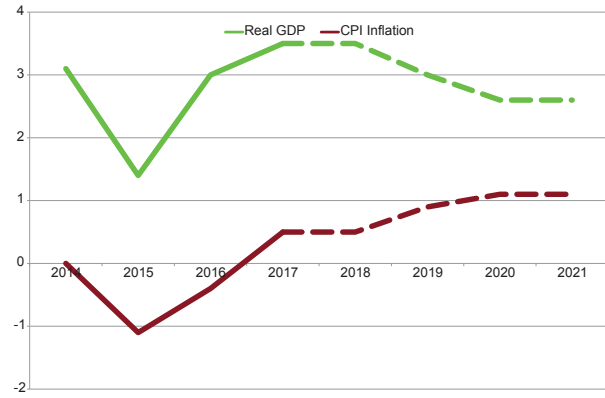
- Western Europe is a highly developed and affluent region. The 28 countries of the EU accounted for approximately 21.9% of the world's domestic product in 2016 and 21.6% in 2017, a figure that is projected to grow to 22.5% in 2018.
- Growth has been driven largely by rising domestic demand due to growing consumer and business confidence, lower unemployment rates, and credit growth.
- The European Central Bank (ECB) has decided to end its three-year EUR2.4 trillion quantitative easing program by the end of 2018, although it did signal that any rise in interest rates before September 2019 was unlikely. The policy rate has been below 1.0% since July 2012 and has been at 0.0% since March 2016.
- Concerns include political instability in certain countries, ongoing uncertainty about Brexit and its potential implications, and below-trend growth and inflation.

Vital Statistics 2017		
Nominal GDP	USD bn	6.60
Population	mil	0.4
GDP Per Capita	USD	174,617
Real GDP Growth	%	3.5
Inflation Rate	%	0.5
United Nations Estimates		
Literacy Rate	%	n.a.
Urbanization	%	14.3
Dependency Ratio	%	n.a.
Life Expectancy	Years	81.9
Median Age	Years	43.2
Insurance Statistics		
Insurance Regulator	Financial Market Authority	
Premiums Written (Life)	USD mil	2,417
Premiums Written (Non-Life)	USD mil	2,732
Premiums Growth (2016 - 2017)	%	43.7
Regional Comparison		
	Country Risk Tier	
Liechtenstein	CRT-2	
Austria	CRT-1	
Belgium	CRT-1	
Germany	CRT-1	
Italy	CRT-2	
Switzerland	CRT-1	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



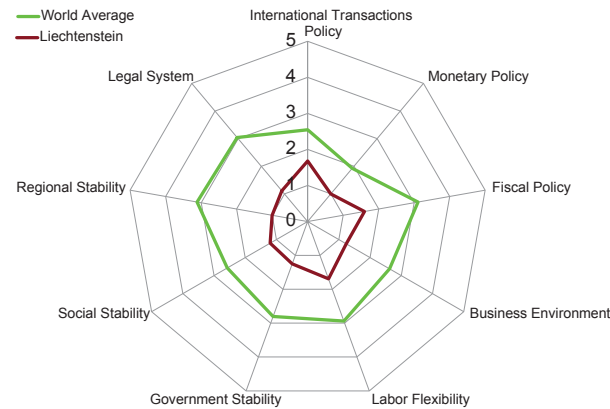
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

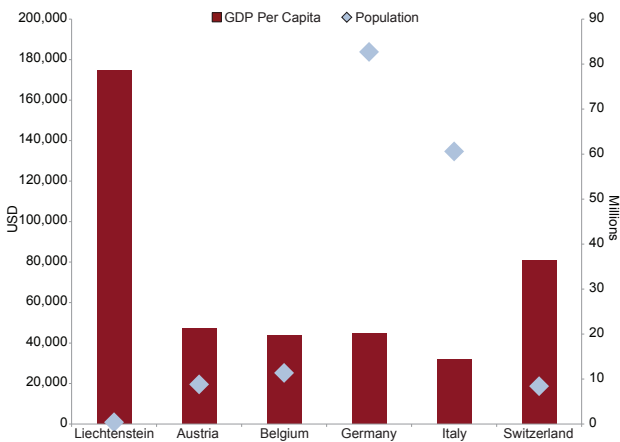
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: Low

- The Principality of Liechtenstein has a small, open, and diversified economy that centers on the financial service and industrial sectors.
- The country has one of the world's highest GDP per capita rates, approximately USD174,000 in 2017. The workforce is highly educated.
- Prudent fiscal policy has reaped fiscal surpluses over the past few years and the country's public debt is minimal.
- Exports are an important component of Liechtenstein's economy, with the main categories of export production concentrated in niche markets such as medical technology, automotive components, and electronic measurement devices. The country's main trading partners are Switzerland, Germany, the United States, and Austria.
- Due to a lack of natural resources, Liechtenstein imports over 90% of its energy needs.

Political Risk: Low

- Liechtenstein has a hereditary monarchy and a unicameral parliament made up of 25 members. Unlike most modern monarchies, Liechtenstein's monarchy holds a substantial amount of policy-making power. Prince Alois, the ruling monarch, can veto bills and dismiss the parliament.
- Liechtenstein is not a member of the EU but is a member of the European Economic Area (EEA), which allows for the free trade of goods in the EU, as well as the European Free Trade Association. It is also part of the Schengen Agreement, which allows freedom of movement among numerous European countries.
- Governmental policy is conducive to a prospering business environment. Taxes are among the lowest in Europe, the legal system is efficient and independent, and corruption is minimal.
- Civil protests are rare. Terrorism risks are minimal owing to the country's small size and its stable relations with its neighboring countries. The country is not involved in any international military missions given its lack of armed forces.

Financial System Risk: Low

- The securities, banking, and insurance industries in Liechtenstein are regulated by the Financial Market Authority (FMA).
- The EU did not place Liechtenstein on its blacklist, which classifies particular countries as tax havens. However, Liechtenstein was on the grey list owing to the need to address and improve various tax issues.
- Monetary policy is dictated by the Swiss National Bank, which maintains an expansionary monetary policy in the hopes of diminishing pressure on the Swiss franc.