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VIEWS OF THE EFTA COUNTRIES

SUSTAINABLE FINANCE

EFTA ECOFIN MEETING

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Views and priorities of the EFTA States

Over the last year, growth in the European economy has slowed, while unemployment has continued to fall, reaching very low levels in many countries. Growth is expected to pick up only modestly over the second half of 2019 and into 2020. Risks to the outlook are mainly on the downside and linked to the international environment.

The EFTA States expect growth in their economies to regain strength or continue at current pace, with growth rates between 1,7% and 2,6% in 2020. In Iceland, a mild recession is expected this year. However, the country's economic fundamentals are strong. Both, public and private debt have fallen and balance sheets have improved dramatically. Furthermore, a sustained surplus on the current account has resulted in a favourable net foreign asset position and both, monetary and fiscal policy have space to alleviate the downturn. In Liechtenstein, employment growth remains strong. However, the international environment has slowed down trade and economic growth since the end of 2018. Economic sentiment surveys remain rather positive indicating moderate growth in the coming year. The Norwegian economy is performing well. Employment is increasing rapidly, and unemployment has declined. Businesses across the country are reporting an increase in production. As economic growth has picked up, fiscal policy has become more neutral after being expansionary in the aftermath of the oil price drop and monetary policy has tightened. In Switzerland, the driving force of economic growth in 2018 was foreign trade, i.e. the industrial sector. However, slowing foreign demand is expected to affect the economy in the current year. The Swiss labour market is in a healthy state. However, sentiment indicators have worsened since the start of the year. In addition, the Swiss franc recently appreciated.

With climate change, the Agenda 2030, the Paris Agreement and the increasing public awareness regarding sustainability, EFTA and EU countries share common challenges. The financial sector can play an important role in addressing these challenges by facilitating risk diversification and risk management. Since the current challenges of sustainability are global and the financial sectors act globally, comprehensive and coordinated approaches, at global and regional level, could maximise benefits. At the same time, sustainable finance creates opportunities for the financial sector that should realise new ideas and approaches.

Particularly, when paired with digital technology, sustainability can drive innovation forward and could make financial institutions more competitive.

Environmental risks can translate into new vulnerabilities in the financial system. The physical impact of climate change, such as more extreme weather, will continue to lead to larger claims for non-life insurance companies and may affect the value of mortgaged assets that secure banks' lending. These issues potentially have implications for economic development and therefore should be taken into consideration. Transitional risks could materialise when changing to a low-carbon economy and have implications for financial stability.

In general, financial risks stemming from climate change need to be better understood and should be addressed in close exchange with the private sector. The private sector has pertinent expertise in analysing and managing different kinds of risks. Industry-led initiatives can contribute to transparency, e.g. the Task Force on Climate-related Financial Disclosures (TCFD, initiative initially started by the Financial Stability Board). While coming at a cost for the firms, adequate transparency on the sustainability of investments is an important element for profit-seeking investors aiming to identify investments that are profitable in a low-carbon economy.

It is essential to consider what role financial markets can play in this development. If countries agree on the importance of the sustainable use of resources in the economies, the framework conditions for goods and services should be adjusted such that the internalisation of external costs is ensured by the right set of incentives. Action is needed in the real economy through producers and consumers. The financial sector plays an important role as an intermediary, but cannot resolve the challenges for the real economy. If investors change their demand structure, the financial market will follow and adapt its offers. Therefore, reforms in the context of sustainable finance should enable financial markets to facilitate the economies' transition to a more sustainable path.

The increasing demand for sustainable investments represents a strong incentive for financial market players to offer sustainable products and may, to a certain extent, lead to the promotion of industry-driven standard setting within the financial industry. In order to promote sustainable investments and to avoid greenwashing it is important to develop a common understanding of sustainability in the financial market and to establish common definitions or standards. The EFTA States observe the efforts of the EU in developing a common taxonomy for sustainable economic activities, hoping to integrate inputs from industry and international organisations, which could play a coordinating role.

The EU Action Plan on financing sustainable growth is designed to facilitate sustainable investments. The EFTA States welcome the efforts the EU has initiated in the field of sustainable finance and follow the work in this field with great interest. The initiative has resulted in deeper and more fruitful discussions. The EFTA States also congratulate the EU on the launch of the International Platform on Sustainable Finance, an important step to global cooperation.

In the context of sustainable finance as well as in financial market policies in general it is necessary to keep an eye on the competitiveness of the European financial sector in an international context. Open and globally integrated markets can play a vital role in facilitating the provision of finance activities that are in line with environmental, social and governance considerations. In order to harness the benefits of open and globally integrated markets, appropriate participation and inclusion of third countries and third country financial service providers should be considered as part of the EU Action Plan. Designing an open and inclusive sustainable finance framework will lead to a more even playing field across sustainable financial services and product providers. This would be a desirable outcome from the end investor’s perspective and further increase the attractiveness of taking sustainability considerations into investment decisions.

Within the EFTA States, different approaches are used to promote Sustainable Finance:

- In Iceland, nearly 90% of the total primary energy supply is from renewable resources. Therefore, climate mitigation actions focus on reducing emissions from transport and fisheries, as the government aims for carbon neutrality by 2040. Green bonds have been issued to finance sustainable production or renewable energy and various green infrastructure projects. Furthermore, Landsvirkjun, the national power company, has issued debt with the interest rates dependent on achieving its sustainability objectives.
- Sustainable development is a key priority for the government of Liechtenstein. With the “Liechtenstein Initiative”, the Liechtenstein government and a number of major

private companies and charitable foundations aim to combat modern slavery and human trafficking through the elaboration of measures that place the global financial sector at the centre of the global effort. Furthermore, the Liechtenstein Bankers Association is currently conducting a comprehensive sustainability review with all member banks in order to identify potential opportunities and risks.

- The Norwegian Government appointed a commission to address the significance of climate-related risk factors for the Norwegian economy, including for financial stability. Its report of 2018 highlighted the key role of the financial industry in private sector climate risk management, by channelling capital and facilitating risk diversification as well as risk management. The Commission calls for more in-depth analysis and supports the recommendations of the Financial Stability Board-appointed Task Force on Climate-Related Disclosures (TCFD). The Norwegian Government expects large Norwegian companies to use the framework in their financial disclosures and will consider the need for introducing statutory requirements in light of compliance with the recommendations and regulatory developments in the EU.
- In Switzerland, the Government has mandated a working group to review the framework conditions with regard to sustainable finance activities, while taking due account of ongoing developments of the EU action plan and supporting market-driven initiatives. The working group will publish its report in 2020. In 2017, the Government ran, on a voluntary basis, a climate compatibility assessment for pension funds and insurance companies. A new round of assessment is planned for 2020, this time open to pension funds, insurance companies, asset managers and banks. Further, the Federal Council decided in October 2019 to join and participate in the Coalition of Finance Ministers for Climate Action launched by Chile and Finland.

Annex 1: Iceland

Economic situation and outlook

Fundamentals strong despite a weak outlook in 2019

After growing by 34% since 2010, an average of growth rate of 3.7% per year, the Icelandic economy is expected to contract by 0.2% this year due to shocks in tourism and fisheries. Nevertheless, the country's economic fundamentals are strong. The current account has been in sustained surplus since 2013 and the net foreign asset position has turned positive (22% of GDP) for the first time in decades. Both public and private entities have used the expansion to pay down debt and, as a result, balance sheets have improved dramatically, thereby increasing the economy's resilience to downturns. According to the newly released budget for 2020 the general government debt ratio will amount to 34% of GDP by the end of the year, down from over 90% in 2011.[1] The ISK exchange rate also adjusted to the changed outlook and is 10% weaker than in August 2018, alleviating the wider economic impact of the aforementioned shocks.

The strong fundamentals have direct implications for private consumption growth which, contrary to economic theory predictions, is historically more volatile than GDP growth in Iceland. This peculiarity stems from relatively large exchange rate fluctuations. In cyclical upturns the exchange rate appreciates making imported goods cheaper to which households respond by increasing consumption on durable and semi-durable goods and vice versa in a cyclical downturn. However, households' strong financial position means they can smooth consumption to a larger degree, thereby supporting both growth and public revenues in the current cyclical downturn. As a result, and because of strong inflows of foreign workers, private consumption grew by 2.2% in 2019H1 and is expected to grow by approx. 2% this year despite a weaker outlook.

Policy space is being partially used to alleviate the downturn

The policy space created during the recent growth phase is partially being used to alleviate the downturn. In June, the government revised its fiscal plans due to the deteriorated economic outlook. The objective of the revision was to allow automatic stabilisers to operate instead of tightening fiscal policy to achieve its previous fiscal objectives. The budget bill for 2020,

[1] Maastricht definition

submitted to Parliament in September, is in accordance with the revised fiscal plan and assumes a 1.6% of GDP primary balance surplus compared to 2.4% of GDP according to the original plan.

The Central Bank of Iceland (CBI) also has room to cut interest rates if it deems it necessary as its key policy rate is well above the lower bound. The pass-through to inflation from the exchange rate depreciation last autumn has been surprisingly low and inflation has remained close to the CBI inflation target of 2.5% despite rising domestic inflationary pressures[2], which indicates that firms might struggle to raise prices. Inflation expectations seem anchored close to the bank's inflation target which has allowed the CBI to lower interest rates by 125 basis points (bp) since May. Historically, this has not always been the case as the exchange rate depreciation is sometimes followed by a significant pass-through to inflation and inflation expectations, which have prevented the CBI from aggressively lowering rates to fight a worsening outlook.

The special reserve ratio (SRR), which affected the composition of foreign currency inflows by reducing carry trade incentives, was reduced from 40% to 20% in November 2018 and then to 0% in March 2019. It is thus currently inactive. Therefore, investors can now invest foreign capital in bonds and high-yielding deposits without restrictions. Furthermore, restrictions on offshore króna assets have been lifted. Since April 2019, almost all restrictions on capital flows have been lifted. Remaining restrictions are minimal, affect few and mainly concern the potential build-up of speculative carry trade in ISK.

The labour market – Wage agreements concluded in April

Overall, labour market conditions remain favourable. Registered unemployment has risen less than anticipated in early 2019 and stands at 3.5% and labour force participation remains above 80%. Rapid wage growth contributing to an overheating of the economy and a lack of competitiveness has been one of the key challenges for Icelandic policymakers. A complicated round of collective wage bargaining was concluded in April. The labour unions' wage increase demands were excessive and employees in tourism-related sectors had begun striking in March. However, WOW air's bankruptcy appears to have shifted the bargaining

[2] As measured by ULC, the GDP price deflator, prices of private services and domestic goods, and producer prices of goods sold domestically.

power as agreements were concluded in a matter of days after the bankruptcy, with the government facilitating their conclusion by promising various housing and tax measures.

Although the agreement stipulates rather substantial increases of the lowest wages, especially in an international comparison, the agreed wage increases are historically moderate and certainly lower than markets had anticipated. Bond yields and inflation expectations fell after the agreements were signed, allowing the CBI to respond to the worsening economic outlook by aggressively lowering its policy rate.

A rapid inflow of foreign workers has characterised the growth phase since 2015. With an already high resource utilisation and an exponentially growing tourism sector, demand for workers has largely been met by foreign labour. As economic activity slows net migration remains substantially above historical averages. As a result, the share of the working age population is higher than it was two decades ago despite population ageing. However, unemployment has been on the rise and roughly 7% of foreign workers are currently unemployed. Further inflows of workers could raise this figure, especially if firms remain unable to raise prices despite higher production costs.

Tourism and fisheries - main contributors to the worsening outlook

The weak financial position of WOW air, which had a 25% market share in foreign passengers to Iceland last year, became evident last autumn. The exchange rate immediately dropped by 10% as the airline responded by reducing the size of its fleet. In January, the baseline forecasts for tourist arrivals assumed a 2% reduction in arrivals. However, WOW air went bankrupt and aviation regulators and airlines around the world grounded all Boeing 737 MAX passenger airliners in March. The latter affects tourism to Iceland as Icelandair expected 25% of its fleet in summer 2019 to consist of the 737 MAX airliners. Due to these events, the baseline forecast for growth in tourist arrivals was revised to -17% in June.

The tourism industry appears to be more resilient to the reduction in tourists than analysts originally anticipated as the composition of tourists has changed. Since the bankruptcy of WOW air, tourists tend to spend more and stay longer. Exported tourism (YTD) is the same as last year. Foreigners' overnight stays at hotels are down by only 1% and arrivals at Gullfoss waterfall, which is part of the Golden circle, are down by 10% to name but a few examples. This new composition of tourists promotes sustainability in tourism without dramatically reducing the revenues of firms in the sector.

High prices, large cod stocks and the exchange rate depreciation contribute to the generally strong position of the fisheries sector. However, the stock of capelin, a small straddling pelagic species mostly caught out of the south and east coast of Iceland, was estimated too small in 2019 to warrant fishing quotas. Capelin has historically been the second most important export species after cod and last year its exports accounted for 0.6% of GDP. The stock, and thus the fishing quotas as well, fluctuate substantially year-on-year but this is the first time in almost six decades in which there has been a complete catch failure. On the other hand, aquaculture is rising rapidly in importance as its export value has risen by 62% through July compared to the same period last year. Aquaculture's total export value in the first eight months is already higher than in 2018 and it accounts for 84% of capelin's export value last year.

Risks

Statistics Iceland's economic forecast, which forms the baseline for the government's fiscal plans, assumes a rapid bounce-back to trend growth next year. It is true that the supply shocks that contributed to the deteriorated outlook in 2019 are short-term in nature. However, a weakening global outlook and the extended grounding of Icelandair's MAX 737 airliners mean that the growth forecast for next year, at 2.6%, is likely to be optimistic. In fact, the CBI recently revised its 2020 growth forecast to 1.9% down from 2.4%.

Although Iceland's economic integration with the UK has declined over the decades, the UK is still a key trading partner with over 10% of Iceland's total exports going to the UK. The exports mostly consist of fisheries, which accounts for 82% of goods exports, and tourism. Iceland, along with Norway, has concluded a provisional free trade agreement with the UK which would enter into force in the event that the UK leaves the EU without a deal and ensures unchanged tariff terms of imports and exports between the countries. Nevertheless, a Brexit without a deal could decrease British demand for Icelandic exports. Tourism expenditure might be especially vulnerable as it is presumably among the first expenditure households cut when facing increased uncertainty or shocks. Furthermore, fresh fish exports are vulnerable and could lose their value quickly if delays emerge in the movement of goods, for example between the UK and France. Icelandic export firms do not appear to be overly worried about such delays, however, and have increased exports to other markets.

More generally, a weaker economic outlook in many trading partner countries and trade tensions pose threats to the domestic outlook. Especially as many central banks face challenges relating to a potentially limited monetary efficacy.

Sustainable finance

Iceland is at the forefront globally in the use of renewable energy resources. Of the total primary energy supply, nearly 90% is from renewable resources. Therefore, climate mitigation actions focus on reducing emissions from transport and fisheries. The government has published a Climate Action Plan to 2030 that outlines its strategy to fulfil its obligations towards the Paris Agreement and it also aims for a carbon neutral economy by 2040.

Despite being ranked ninth in the ND-GAIN Country Index[3], which ranks countries in terms of vulnerability and readiness to improve resilience against climate change, Iceland is clearly affected by rising global temperatures. Glaciers are retreating and changing environmental conditions are likely to explain changes in the behaviour and size of certain fish stocks. As explained above, no fishing quotas for capelin were issued in 2019 due to the stock's size for the first time in almost six decades.

Regarding sustainable finance, there is currently no specific regulatory framework on the national level in Iceland. With the EU committed to be at the forefront of efforts to build a framework that supports sustainable growth, Iceland acknowledges the importance of a European framework for sustainable finance and therefore closely follows the EU timeline on the matter.

Despite that, Icelandic entities already reap benefits from green financing. Landsvirkjun, the state-owned power company, has set up a Green Bond Framework and became the first Icelandic entity to issue a green bond in March 2018. The company planned on issuing USD 100 million but due to investors' vast demand for the bonds the issuance size was doubled to USD 200 million. The proceeds are used to finance the expansion of a hydropower station and

[3] The country ranked first is the one least vulnerable to climate change.

the building of a new geothermal power plant. In July 2019, Landsvirkjun raised a further USD 150 million with the interest rates linked to the company's performance in achieving its sustainability objectives.

In December 2018, Reykjavik issued ISK 4.1 billion, around USD 33 million, to finance various green infrastructure investment such as cycling paths, charge stations for electronic cars, etc.

Key figures for the Icelandic economy (%)

	2017	2018	2019	2020
Private consumption growth	8.1	4.7	2.4	2.8
Public consumption growth	3.7	3.5	1.9	1.3
Gross fix capital formation	10.2	4.0	-5.7	6.2
Exports growth	5.4	1.7	-2.5	2.5
Imports growth	12.3	0.8	-1.2	3.6
GDP growth	4.4	4.8	-0.2	2.6
Consumer price inflation (annual rate)	1.8	2.7	3.4	3.2
Unemployment rate (annual average, LFS)	2.8	2.7	3.7	3.8
Current account balance (% of GDP)	3.7	2.9	1.2	0.6
General government net lending balance (% of GDP)[1]	1.8	0.8	-0.3	0.0
General government primary balance (% of GDP)[1]	4.9	3.0	1.7	1.9
General government gross Maastricht debt (% of GDP)	42	37	38	34

Source: Statistics Iceland, May 2019, Ministry of Finance and Economic Affairs
1. Underlying balance, i.e. without large one-off revenues and expenditure

Annex 2: Liechtenstein

Economic situation and outlook

2019 is a special year for the Principality of Liechtenstein: The country is celebrating its 300th anniversary. Many factors have contributed to Liechtenstein’s political stability as a sovereign state in its 300 years of existence. Liechtenstein has been and is reliant on good neighbourly relations, strong global partnerships and the force of international law to protect its sovereignty. In 2019, Liechtenstein also celebrated the 25th anniversary of the EEA together with the other EEA Member States.

Considering the year 2018, the Liechtenstein economy continued its upswing. With a 2.5% increase in the number of employees, a new employment record was reached, with the number of employees once again exceeding the number of inhabitants. Healthy economic growth is also suggested by the sales figures of 25 larger companies in the second half of 2018, which were 7% above the previous year's figures. However, after an almost two-year boom phase since 2016, the dynamics of the Liechtenstein economy, in line with international trends, weakened toward the end of 2018. Direct exports of goods (excluding Switzerland) decreased both in the fourth quarter of 2018 and at the beginning of the year 2019 relative to the same quarter of the previous year.

Nevertheless, the outlook remains comparatively positive: In the second quarter of 2019, a business survey showed that 47% of the companies surveyed rated the general business situation as "good", another 51% as "satisfactory". Moreover, a business cycle index recently introduced by the Liechtenstein Institute signals average economic capacity utilisation in the 2nd quarter of 2019. In light of these recent data trends, it seems that the Liechtenstein economy may resist the continued weakening of the international economic environment. For the next years, Liechtenstein expects stable economic growth, although the outlook remains dependent on the external environment and thus the global economy.

Liechtenstein is an important industry hub, with around 37% of the workforce employed in manufacturing. The most important economic activities in manufacturing are: mechanical engineering, electrical machinery, dental technology, vehicle components, food products and construction equipment. The country is also well known as a stable, highly specialised financial centre with strong international links.

Due to its small domestic market, Liechtenstein's economy is heavily reliant on exports. Around 60% of all direct exports of goods are destined to EEA countries. The still highly valued Swiss Franc puts downward pressure on import pricing, leading to increased pricing pressure for domestic products. The economic outlook thus also crucially depends on whether the currency adjusted for purchasing power stays on a fair level of valuation in the near future. A worrying international tendency towards increasing protectionism implies not only high risks for a small and open economy such as Liechtenstein but also for the global economy. In 2018, direct exports of goods increased by 8.4%, with direct imports of goods also rising by 0.6%. After the marked slowdown in 2015, export growth has hence returned to positive growth in the last two years. However, latest data for the first half of 2019 show a decrease in imports (-3.6%) and exports (-1.7%) of goods.

The financial sector has traditionally played an important role for the Liechtenstein economy, contributing about 23% to the country's gross value added. In a very demanding economic environment characterised by low interest rates and high regulatory pressure, the banking sector managed to generate net new money inflows and slightly higher earnings in 2018. The assets under the management of Liechtenstein banks, on a consolidated basis, including subsidiaries and branches in foreign countries, reached another record high in 2018 (CHF 305.2 billion). In contrast, in light of adverse market developments at the end of the year, assets under management of the asset management companies fell by 5% to CHF 38.7 billion. The investment funds sector also recorded a slight decline in terms of funds' volume. Net assets under management fell to CHF 50.4 billion (previous year: CHF 53 billion). The total premium income of the insurance undertakings increased to CHF 5.4 billion compared to CHF 5.1 billion in 2017. Financial market participants continue to operate under high regulatory pressure and in an environment characterised by challenging market conditions. The balance sheet total of the banks in Liechtenstein, including foreign group companies, rose by 4.7% (2018: CHF 86.3 billion, 2017: CHF 82.4 billion) compared to the previous year. Consolidated across all banks, liabilities to clients amounted to 76.7% of the balance sheet total. On a consolidated basis, the weighted tier 1 capital ratio across all banks was 18.8% at the end of 2018 (previous year: 20.7%). Notwithstanding its temporary decline at the end of the year 2018, the tier 1 ratio of the Liechtenstein banking centre is considerably higher than the international average. The high equity backing ensures a stable financial centre and security for banking clients. The number of jobs at banks, excluding foreign group companies, rose significantly by 11.5% in 2018.

For 2018, the average unemployment rate settled at 1.7%, with the unemployment rate of persons under the age of 25 standing slightly higher at 2.1%. In July 2019, the unemployment rate decreased to 1.4%. A specific of the Liechtenstein labour market is the large share of commuters, with more than 50% of the Liechtenstein workforce living abroad (mainly in Switzerland and Austria).

Following a budget deficit in 2013, the public budget has achieved continuous surpluses since 2014 and the forecast for 2019 is also positive. Various important structural reforms were successfully accomplished for the purpose of cost-cutting and revenue-increasing. The results of the reforms are positive: revenues and expenditures have been balanced since 2014, the public pension fund could be stabilised, and the reforms of the Health Insurance Act and the Pension Fund Act could be concluded. Net assets of social insurances are growing (despite a temporary market-driven decline at the end of 2018) and pension funds are on solid ground. Current government consolidation efforts are related to implementing digital services with the intent to make administration processes more citizen friendly and accessible around the clock, simultaneously increasing efficiency and cutting process costs.

Standard & Poor’s confirmed Liechtenstein’s top triple-A sovereign rating with a stable outlook once again in May 2019. The rating is supported by a predictable political environment, a strong focus on international cooperation and very high wealth levels. The assessment of a stable outlook is based on the expectation that Liechtenstein will continue its strong economic and fiscal trajectory and also recognises Liechtenstein’s ample financial reserves, high political effectiveness and regulatory flexibility. Furthermore, the rating acknowledges that the EU considers Liechtenstein fully compliant in terms of tax cooperation and tax good governance.

Sustainable Finance

Through the adoption of the Paris Agreement on climate change and the UN 2030 Agenda for Sustainable Development by governments around the world in 2015, “sustainability” has evolved from a buzzword to a concrete implementation initiative. Sustainable development is the key issue of our era. It is of paramount importance that an appropriate balance is struck between economic development, social cohesion and the protection of natural resources. It is in Liechtenstein’s vested interest to promote sustainable development at home and abroad.

Sustainable development is a key priority for the Government of Liechtenstein. For many years, Liechtenstein has been taking targeted action to promote; sustainable economic growth; the careful use of natural resources; the conservation of nature and the landscape; a peaceful, just and inclusive society; and to ensure the rule of law.

The Liechtenstein government and a number of major private companies and charitable foundations in Liechtenstein have launched the “Liechtenstein Initiative”, a public-private partnership with the aim to combat modern slavery and human trafficking. The goal of the initiative is the elaboration of measures that place the global financial sector at the centre of the global effort to end modern slavery and human trafficking.

In his capacity as Head of Government, Liechtenstein’s Prime Minister Adrian Hasler is also President of the Board of Trustees of the LIFE Climate Foundation Liechtenstein, which has been in existence since 2009. The LIFE Climate Foundation aims to promote and raise awareness in the entire field of climate protection and sustainability. The Foundation contributes to preserving the environment for our descendants.

The importance and dynamics of sustainable products and services have increased significantly. The development towards meaningful investments, especially for wealthy and institutional clients, will continue to intensify. But private clients, intermediaries and regulatory authorities are also increasingly focusing on sustainability and responsibility. An additional opportunity lies in the area of philanthropy, since the objective of sustainable and socially responsible investment is particularly important for charitable foundations. There is also a direct link to Liechtenstein’s financial centre strategy, which provides for the strengthening of the philanthropy location as a strategic measure. The government aims at designing the framework in a way that promotes sustainability and the consideration of sustainable development goals.

In the context of sustainable finance policies, as well as in financial market policies in general, it is necessary to keep an eye on the competitiveness of the European financial sector in an international context. The increasing demand for sustainable investments in itself represents a strong incentive for financial market participants to offer sustainable products and can, to a certain extent, promote self-regulation within the financial industry.

Liechtenstein’s financial centre and especially the Liechtenstein Bankers Association are very active in the field of sustainable finance. In its Roadmap 2020, the Association has defined sustainability as one of the three main strategic pillars. Furthermore, the Liechtenstein Bankers Association is currently conducting a comprehensive sustainability review with all member banks across all business divisions and all corporate levels. The goal is to identify potential opportunities and risks in order to define a targeted action plan.

At an international level, there are several important initiatives to boost sustainability in the financial services sector. One of these initiatives is the international network ‘Financial Centres for Sustainability’ (FC4S), where Liechtenstein is represented by the Liechtenstein Bankers Association. The FC4S network is structured as a partnership between financial centres and the United Nations Environment Programme, which acts as its Convenor and Secretariat. The objective of the network is to exchange experience and take common action on shared priorities to accelerate the expansion of green and sustainable finance.

In conclusion, there is no doubt that this is the moment to strengthen Liechtenstein's long-term attractiveness as an international and innovative financial centre in the area of sustainable finance. In line with the objectives of the financial centre strategy, and in collaboration with the private sector and civil society, the Liechtenstein Government is fully committed to seizing this opportunity.

Key figures for the Liechtenstein economy

	2016	**2017**	**2018**	**2019 (1st Half)**
Direct exports growth (without Switzerland)	4.3 %	0.5 %	8.5 %	-1.7 %
Direct imports growth (without Switzerland)	3.4 %	1.1 %	0.6 %	-3.6 %
Gross domestic product (GDP), m CHF	6 124	6 356	-	-
GDP change from previous year	1.5 %	3.8 %	-	-
Consumer price inflation[4]	-0,4 %	0.5 %	0.9 %	0.3 %
Employment growth	1.9 %	3.2 %	2.5 %	-
Share of persons employed by economic sectors:				
- Agriculture and forestry	0.7 %	0.6 %	0.6 %	-
- Manufacturing	37.9 %	37.5 %	37.4 %	-
- Services	61.4 %	61.9 %	61.9 %	-
Unemployment rate[5]	2.3 %	1.9 %	1.7 %	1.4 %
Unemployed persons under 25[6]	3.1 %	2.6 %	2.1 %	1.1 %
Public Surplus/ Deficit (+/-), million CHF	196	189	-	-
Public Surplus/ Deficit (+/-), in % of GDP	3.2 %	3.1%	-	-
Public expenditure quota, in % of GDP	20.8%	20.5 %	-	-

Source: *Office of Statistics Liechtenstein*
Office of Economic Affairs – Labour Market Service

[4] For 2016, 2017 and 2018: Annual average. For 2019: July compared to July of 2018.
[5] For 2016, 2017 and 2018: Annual average. For 2019: Rate as of July 31st.
[6] For 2016, 2017 and 2018: Rate as of December 31st. For 2019: Rate as of July 31st.

Annex 3: Norway

General economic situation

Following a downturn triggered by the oil price drop in 2014, Norway enjoys its third year of economic expansion. Activity is picking up throughout the country and in most industries, helped by growth in petroleum and seafood-related industries. Employment in Norway has increased by more than 50 000 over the last year. Registered unemployment is down to levels last seen in 2008. At the same time, the number of employees on short-term stays in Norway has also increased. This may indicate that the labour market is tightening.

The strong performance is expected to continue. Higher real wage growth is facilitating private consumption growth, and improved cost competitiveness is facilitating an increase in investment and exports. The labour market is expected to continue to improve, with lower unemployment and higher employment. The Labour Force Survey (LFS) unemployment rate is forecast to average at around 3½% in 2019 and 2020, and employment to grow at 1-1½% per year.

The employment rate declined markedly in the wake of both the global financial crisis and the 2014 oil price fall. An ageing population also contributed to this. However, as increased demand for labour has pulled up employment over the last years the employment rate has also picked up. This positive development is expected to continue. In 2018 the employment rate (15-64 years) was 74.9%, about six percentage points higher than the EU average. The employment rate for young people is also higher in Norway than the EU average.

Consumer price inflation edged up to 2.7% in 2018 led by record-high electricity prices. In August this year consumer prices were 1.6% higher than in the same month last year, and adjusted for tax changes and excluding energy products (CPI-ATE) they were 2.1% higher. More moderate electricity prices are expected to dampen the consumer price index (CPI) inflation going forward.

Housing prices have increased moderately since last summer. At the same time, activity in the market for used housing has been high, with many homes sold and many homes for sale. Growth in household debt has levelled off somewhat in the last two years, but debt is at a historically high level and is a source of vulnerability for the Norwegian economy. High debt means that even minor changes in interest rates, income or house prices may cause households to rein in consumption, which would reduce economic growth.

Macroeconomic policies

The Norwegian fiscal policy framework is designed to underpin stability in an economy with large and fluctuating oil revenues. By transferring all government revenues from petroleum activities to the Government Pension Fund Global (GPFG) and over time aligning withdrawals with the expected real return on the Fund (estimated at 3%), the fiscal budget is better protected from fluctuations in petroleum revenues. It also ensures that current spending of petroleum income over the budget can be sustained.

The fiscal guidelines place emphasis on stabilising economic fluctuations. Importantly, the automatic stabilisers are allowed to function, since petroleum revenue spending is measured by means of the structural, rather than actual, non-oil deficit. The guidelines also allow the fiscal budget to be used actively to stabilise the economy. In any given year, fiscal policy shall be tailored to the cyclical situation, and spending of petroleum revenue can thereby deviate from 3% of the Fund’s market value. Further, the guidelines specify that the spending impact of major changes to the Fund capital or the structural deficit shall be evened out over several years.

In response to the oil price drop in 2014, the Government took measures to stimulate activity and employment. Together with accommodating monetary policy, depreciation of the Norwegian krone and improved competitiveness, a large fiscal stimulus helped counteract the cyclical downturn. As activity in the economy has picked up, the Government has pursued a more neutral fiscal policy. In recent years, petroleum revenue spending has been kept rather stable as a per cent of trend GDP of the non-oil economy.

The Government’s budget proposal for 2020 implies petroleum revenue spending corresponding to 2.6% of the estimated capital of the GPFG at the beginning of the year and 7.6% of forecasted non-oil trend GDP. The structural non-oil fiscal deficit is estimated to fall by 0.2% of non-oil trend GDP from 2019 to 2020.

One eighth of total government spending in the budget is currently financed by withdrawals from the Fund. Real growth in underlying fiscal budget expenditure is estimated at 0.8%, which is below estimated growth in the mainland economy.

Over time, petroleum revenues will decline, and a decade from now the returns on the GPFG will most likely be on a downward path when measured as a percentage of GDP. Consequently, the scope for further expansion of spending is limited. Therefore, government resources need to be used wisely to secure long-term funding of welfare schemes. The Government has implemented reforms to improve public sector resource allocation, for example a de-bureaucratisation and efficiency reform, a local government reform, a railway reform, a community police reform and a reform of higher education.

The operational target of monetary policy is annual consumer price inflation of close to 2% over time. Norges Bank operates a forward-looking and flexible inflation-targeting regime, so that it can contribute to high and stable output and employment and to counteracting the build-up of financial imbalances. Norges Bank's key policy rate has been increased four times since September 2018, and is currently 1.5%.

Financial stability and financial market policy

Norwegian financial institutions are generally profitable and sound. Several years with good results have enabled Norwegian banks to build up equity capital through profit retention. Norwegian banks are well capitalised compared to banks in other European countries. After the global financial crisis in 2008, Norwegian banks' common equity tier 1 (CET1) capital ratio has more than doubled. At the end of Q2 2019, the banks' CET1 capital ratio was just over 16%. The leverage ratio stood at 8%. Norwegian banks have also become less dependent on short-term market funding in recent years, and have built up considerable liquidity buffers in line with the liquidity coverage requirement (LCR) introduced in the wake of the financial crisis. At the end of Q2 2019, the banks held liquidity buffers corresponding to 156% of the requirement.

Norwegian insurers generally maintain a sound margin to the Solvency II requirements. The life insurers' overall solvency coverage ratio, i.e. the ratio of eligible own funds to the solvency capital requirement (SCR), was 230% at the end of Q2 2019. The general low interest rate environment poses challenges for life insurers' ability to achieve sufficient returns on guaranteed pension products. In addition, increased longevity for individuals covered by defined benefit products has required insurers to increase their provisions. Life insurers and pension funds have managed to cut costs and adjust their risk-taking, e.g. by refocusing the sale to contracts where the insured carries more of the risk. From January 2019, pension funds are subject to a simplified version of the Solvency II regime. The funds' overall solvency coverage ratio was 184% at the end of Q2 2019.

The non-life insurance market is characterised by a relatively diverse supply side, including both Norwegian and foreign companies, combined with strong earnings. Norwegian non-life insurers' overall solvency coverage ratio was 234% at the end of Q2 2019.

Norwegian household debt is high, and average debt is now more than two times households' disposable income. The debt burden has been increasing steadily for a long period. The credit growth has dampened somewhat, but is still higher than the growth in disposable income. A sustained increase in the debt burden indicates that financial imbalances have been building up. Together with high housing prices, this is one of the most important vulnerabilities in the Norwegian financial system, as also highlighted by the IMF, the OECD and others. Most recently, the European Systemic Risk Board (ESRB) warned this summer that medium-term residential real estate sector vulnerabilities may be a source of systemic risk to financial stability in Norway. In a response letter, the Ministry of Finance said that the ESRB's conclusions closely correspond with the Ministry's own analyses of the residential real estate sector.

A number of measures have been introduced in recent years to limit the risk posed by high household indebtedness. In addition to the general strengthening of capital requirements for banks, the capital requirements for residential mortgages have been raised further. Moreover, the countercyclical capital buffer requirement is intended to strengthen banks' solvency and resilience to absorb loan losses, in order to mitigate the risk that banks will amplify a downturn by reducing their lending. The buffer requirement currently stands at 2%, and will be increased to 2.5% from 31 December 2019, as decided in December 2018. To promote a more sustainable residential mortgage market, the Government in 2015 adopted a temporary regulation on new lending secured by a residential mortgage. The regulation was renewed, and somewhat tightened in 2017, and then renewed again from 1 July 2018. The Financial Supervisory Authority of Norway has recommended that the regulation should be retained and tightened from January 2020. The Ministry of Finance will make a decision on whether to retain and amend the regulation before the current regulation expires at the end of this year.

The Norwegian financial market regulation has been developed in line with new EU requirements, even though there is a significant backlog of legal acts not yet incorporated into the EEA Agreement. After the Joint Committee Decisions of September 2016 established the necessary EEA adaptations to the European Supervisory Agencies' (ESAs) regulations, the work to incorporate the outstanding financial services acquis into the EEA Agreement has sped up.

Sustainable Finance

The transition to a sustainable, low-carbon economy requires large investments and a reorientation of capital flows towards sustainable economic activities. A substantial share of these investments will be channelled through the financial markets. As a party to the Paris Agreement, Norway is committed to making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. If financial market participants understand the risk and opportunities climate change entails for different sectors and businesses, it will enable investors and the financial industry to contribute to the transition through corporate governance, granting of credit, as well as development of new products and instruments.

The Norwegian Government has endorsed the objectives of the European Commission's action plan on financing sustainable growth. The establishment of the EU Taxonomy, which will serve as a classification tool of sustainable economic activities, will provide clarity and enable investors to direct capital towards investments in activities that are consistent with the low-carbon transition and other environmental objectives. Furthermore, the Taxonomy could prevent greenwashing of financial products. The Government is of the view that the Taxonomy should not be more complex than necessitated by its purpose, where applicable be based on existing European standards for sustainability, and not inadvertently impede company restructuring.

Climate change and the transition to a low-carbon economy is likely to give rise to new vulnerabilities in the financial system. The physical impact of climate change, such as more extreme weather, is expected to lead to larger claims for non-life insurance companies and may reduce the value of mortgaged assets that secure banks' lending. Our response to climate change and the transition to a low-carbon economy, may also have implications for financial stability, as political decisions and technological breakthroughs may entail sudden changes in the value of major financial asset classes.

In 2017, the Norwegian Government appointed a commission to address the significance of climate-related risk factors for the Norwegian economy, including for financial stability. The Climate Risk Commission submitted its report in December 2018. In its report, the Commission notes that the financial industry plays a key role in private sector climate risk management and the transition to a low-carbon economy, by channelling capital and facilitating risk diversification and risk management. The Commission argues that more knowledge is needed on climate risk in the financial markets and how it should be managed.

The Climate Risk Commission highlighted the need for better, and more relevant information about the climate risk companies are facing. It considers that the recommendations from the Financial Stability Board-appointed Task Force on Climate-Related Disclosures (TCFD) provide a good framework for climate risk disclosures, and recommends that Norwegian companies use the TCFD framework in their corporate reporting. The Government expects large Norwegian companies to use the framework in their financial disclosures, and will consider the need for introducing statutory requirements in light of compliance with the recommendations and regulatory developments in the EU.

Norway supports international initiatives to further improve the understanding of how climate change may affect the functioning of financial markets. Relevant Norwegian authorities are participating in international forums discussing which role supervisors and central banks could play in mitigating risks in the financial system stemming from climate change. In December 2018 Norges Bank joined the Network for Greening the Financial System, followed by Finanstilsynet (the Financial Supervisory Authority of Norway) in February 2019. In the letter of allocation to Finanstilsynet for 2019, the Ministry of Finance noted that the authority has an important role in mapping and analysing potential implications of climate change for the financial industry.

Several Norwegian financial institutions and Norges Bank Investment Management are participating in international initiatives, such as the United Nations Environmental

Programme Finance Initiative's (UNEP FI) work to implement the TCFD recommendations in various sectors within the financial industry. In 2018, the industry organisation Finance Norway published the «Roadmap for Green Competitiveness in the Financial Sector», with recommendations on how the sector can contribute to reducing climate risk, while at the same time opening up new business opportunities. The Norwegian financial sector offers a growing number of green financial products and services, such as sustainable investment funds, green mortgages and green car loans. Norwegian non-life insurance companies also contribute to climate change resilience and adaptation through sharing of loss data with municipalities.

Key figures for the Norwegian economy

(% volume change from previous year)

	2018[1] NOK bn	2018	2019	2020
Private consumption	1533.6	1.9	1.8	2.7
Public consumption	826.8	1.4	1.6	1.7
Gross fixed investments	851.5	2.8	6.1	1.2
Petroleum sector	153.4	1.9	17.8	-3.5
Non-oil business sector	311.0	6.8	6.2	3.4
Exports	1357.3	-0.2	2.3	7.3
Crude oil and natural gas	569.4	-4.8	-2.9	14.0
Traditional goods	411.0	2.0	5.6	5.0
Imports	1152.2	1.9	5.4	1.8
GDP	3530.9	1.3	1.8	3.8
GDP mainland Norway[2]	2906.9	2.2	2.7	2.5
Consumer price inflation (CPI)		2.7	2.3	1.9
Underlying inflation (CPI-ATE)		1.6	2.4	2.2
Wage growth		2.8	3.2	3.6
Employment growth[3]		1.6	1.6	1.0
Unemployment rate (LFS)[4]		3.8	3.5	3.4
Crude oil per barrel, NOK, current prices		582	538	476
General government net lending[5]	288.7	8.2	6.8	6.6
Structural, non-oil fiscal deficit[6]	214.1	7.2	7.8	7.6

1 Current prices
2 Excluding petroleum production and shipping
3 % change in the number of employed persons
4 % of workforce
5 as % of GDP
6 as % of mainland trend GDP

Sources: Statistics Norway and Ministry of Finance (National Budget 2020, October 2019)

Annex 4: Switzerland

Economic situation and outlook

Switzerland's GDP rose by 0.3% in the 2nd quarter of 2019, after increasing by 0.4% in the previous quarter. The country thus experienced slightly below-average growth in the first half of the year, comparing to the long-term average growth rate since 1980. As in other European countries, the development of domestic and foreign demand was weak. However, the Swiss industrial sector contributed significantly to GDP growth in the 2nd quarter. This contrasts to other European countries where the loss of momentum originated primarily from the industrial sector due to the weakness in world trade.

The growth rate for 2018 was 2.8%. In an international comparison, Switzerland was therefore one of the most dynamically growing economies. Growth in the first half of 2018, in particular, was significantly above average. Over 2018 as a whole, the manufacturing sector was the strongest driver of growth. The sector was able to benefit from high international demand for Swiss industrial goods. The export sector also benefitted from a slight depreciation of the Swiss franc. Most of the services were also able to expand.

On the expenditure side, foreign trade provided the greatest impetus for growth. By contrast, domestic demand developed less dynamically. Private consumption, in particular, saw below-average growth, having been curbed by the weak development of real purchasing power.

The Swiss labour market is in a healthy state. Unemployment is low and employment is rising. However, sentiment indicators have worsened since the start of the year both in Switzerland and internationally and still point to weak foreign demand. In addition, the Swiss franc recently appreciated. Both are affecting Swiss exporters, in particular manufacturing. Fortunately, the service sector is seeing less of an impact, at least for the time being.

Over the course of 2019, the international environment and the outlook for the Swiss economy have worsened. Forecasts for GDP growth expect 0.8% for 2019 and 1.7% for 2020, which is a downward revision of 0.4 percentage points for 2019 compared with the June forecast, while the forecast for 2020 remains unchanged.

Somewhat less impetus is to be expected from foreign demand during the forecast period, and the outlook for the domestic economy has become gloomier too. Consumption is expected to continue growing at a below-average rate, supported by the still favourable situation on the labour market.

Downside risks clearly predominate for the global economy. The introduction of further tariffs on Chinese consumer goods by the US has intensified the international trade conflict again. Political uncertainty remains high with regard to Brexit. Finally, risks in the domestic housing sector persist.

The overall budgetary situation is positive. On the federal level, the extrapolation for 2019 shows that additional tax revenues and budgetary discipline are likely to increase the surplus from originally expected CHF 1.2 billion to CHF 2.8 billion. The budget for 2020 foresees a surplus of CHF 0.6 billion. The budget is balanced despite the entry into force of the Federal Act on Tax Reform and AHV Financing (TRAF), which puts pressure on the federal budget of around CHF 1.4 billion and leads to an increase in expenditure of 3.7% in 2020 (as compared to nominal GDP growth of 2.3%). The related additional expenditures consist mainly of an increase of the cantons' share of direct federal income tax and an increase of the federal share of old-age insurance expenditures. The financial plan also expects structural surpluses in 2021. From 2022 on, there is some uncertainty regarding revenues due to different planned tax reforms (elimination of the "marriage penalty" with regard to federal income tax, unilateral abolition of industry tariffs, the abolition of imputed rent for owner-occupied housing, new tax expenditures for health care costs and families with children). The OECD is currently working on proposals concerning the taxation of the digitalised economy. The revenue effects on a country with a small home market and a large exposure to international trade and investment flows such as Switzerland will depend on the precise architecture of such proposals, which are still being discussed.

Economic Policy – Recent Developments

In the popular vote of 19 May 2019, Swiss voters adopted the Federal Act on Tax Reform and AHV Financing (TRAF), with 66.4% of votes in favour. The reform enters into force on the 1st of January 2020. The main provisions of the reform are the elimination of preferential tax regimes in accordance with OECD standards. At the same time, it introduces new measures to allow Switzerland to remain an attractive business location, and promotes innovation for example by a patent box in accordance with international standards on the cantonal level. In order to keep the financial impact at bay, there is a ceiling for a maximum tax relief by these measures and an increase in dividend taxation. The reform has been linked with an additional financing of the old age and survivors' insurance (AHV) in order to meet criticism from the previous reform project which was defeated in a popular vote. By the approval of the reform, Switzerland ensures compliance with its Joint Statement with the EU Member States on company tax issues of 14 October 2014 and respects its OECD commitments. This was acknowledged on 10 October 2019 by the ECOFIN Council, which decided to remove Switzerland from Annex II of the Council Conclusions on a list of non-cooperative jurisdictions for tax matters.

To ensure long-term fiscal sustainability, two areas are especially important, old-age insurance and health care costs. To sustain fiscal balance over the long run and preserve the benefit level, the Federal Council approved a reform for the old-age pension scheme (AHV 21). The government proposes to raise the retirement age of women from 64 to 65 years, accompanied by some transitory compensatory measures for early retirement. The proposal foresees an increase of VAT by 0.7 percentage points from 2021 on. In addition, the retirement age should be more flexible between 62 and 70, with incentives for a continuation of employment after 65.

The other important challenge with regard to fiscal sustainability are health care costs. Growth of average health care premiums has been much higher than GDP or wage growth. At the moment, the Federal Council is preparing a bill for the introduction of budgetary targets for health care costs. In Switzerland, health care is the only part of social security without a budget restriction and therefore budget and cost responsibility are missing. The examples of countries with budgetary targets such as Germany and the Netherlands show that the instrument can work by increasing cost responsibility, transparency and cooperation of key health care players, even though the political and institutional requirements are very high.

On 7 December 2018, the Federal Council took note of the current outcome of the negotiations on an institutional agreement with the EU. The purpose of the planned agreement is to consolidate and further develop the Switzerland – EU relationship, to strengthen legal certainty and to ensure a better functioning of the bilateral market access agreements. On 7 June 2019, based on the results of consultations of the most important political and economic stakeholders, the Council gave a positive signal in view of the conclusion of the agreement, confirming that the current outcome of the negotiations was largely in Switzerland's interests. The public consultations also showed that, in order to be able to conclude the agreement and to find a majority in Parliament and in a likely popular vote, three points need to be clarified.

These are state aid provisions, wage protection or accompanying measures as well as the EU Citizens Rights Directive (CRD).

Switzerland is one of the world's leading financial centres in the area of international wealth management. For an international financial centre, open capital markets are key. To support its diverse and open financial sector, Switzerland has been continually aligning its financial market regulation with international financial standards while also keeping in mind developments in the EU's financial market acquis with a view to make use of equivalence regimes embedded in the EU's financial market rulebooks. In its Implementing Decision 2017/2441, the European Commission recognized Switzerland's legal and supervisory framework applicable to Swiss stock exchanges as equivalent in accordance with Article 25(4)(a) MiFID II (Directive 2014/65/EU) at the end of 2017. In its Implementing Decision 2018/2047, this decision was renewed at the end of 2018 for the first half of 2019. The recognition was not renewed beyond June 2019, since this decision had been politically linked by the EU Commission to the conclusion of the institutional agreement. Following the non-renewal of the equivalence recognition by the European Commission, Switzerland activated a measure to safeguard the stability of the Swiss stock exchange infrastructure from 1st July onwards. The protective measure has ensured EU market participants' continued access to Swiss stock exchanges, who represent the main liquidity pool for equity securities of companies with registered offices in Switzerland. A swift and unlimited renewal of the equivalence recognition remains, however, the best possible solution for all stakeholders.

Sustainable Finance

Switzerland has entered into international commitments within the framework of the Paris Convention on Climate Change and the 2030 Agenda for Sustainable Development. According to the decision of the Federal Council on 28 August 2019, Switzerland plans to reduce its net carbon emissions to zero by 2050, thus meeting the internationally agreed target of limiting global warming to a maximum of 1.5°C when compared with the pre-industrial era.

In order to respect the primacy of market-based, long-term approaches and the subsidiarity of government action, Swiss efforts in the area of sustainable finance aim to promote transparency and voluntary participation in the inclusion of environmental aspects and social issues in the financial sector. The federal administration offered free climate compatibility tests in 2017. These tests allow pension funds and insurance companies to assess how much progress they have made in aligning their investments and financing with the Intergovernmental Panel on Climate Change (IPCC)'s 1.5° C target. In 2020, the responsible federal authorities are again offering free climate compatibility tests, which are now open to pension funds and insurance companies as well as banks and asset managers. They will show to what extent progress has been made compared to the first tests in 2017. The tests in 2020 will be coordinated with Denmark, Italy, Luxembourg, Norway, Portugal and Sweden, among other countries.

A new working group on sustainable finance on the federal level has been founded. Its tasks include the assessment of a possible participation of Switzerland in international initiatives. Against this background, the Federal Council decided in October 2019 to join and participate in the Coalition of Finance Ministers for Climate Action launched by Chile and Finland. In addition, the new working group will examine the impact of developments in the EU in the area of the action plan for sustainable financial investments on the Swiss financial centre. By spring 2020, a report should be available containing the results of the working group’s analyses as well as proposals whether and how the Swiss financial market should be regulated. The basic aim is to determine the framework conditions that will enable the Swiss financial centre to be competitive in the area of sustainable finance.

Finally, the working group facilitates the conclusion of industry agreements among financial market players. In particular, such agreements should lead to an increase in transparency and a voluntary commitment on the part of the financial sector to a representative participation in the aforementioned climate compatibility test with a view to achieving specific targets of the Paris climate agreement. The aim is to strengthen competitiveness, so that customers and investors can be offered clear information and thus decision-making options. The working group will continue and intensify its dialogue with the industry to this end.

Key figures for the Swiss economy

(% volume change from previous year)

	2018[1] CHF bn	**2017**	**2018**	**2019**	**2020**
Private consumption*	367	1.2	1.0	1.1	1.3
Public consumption*	81	1.2	0.3	1.1	0.8
Construction investments*	62	1.5	1.2	0.6	0.6
Capital investments*	105	4.6	1.1	0.2	1.6
Exports*	387	3.8	4.5	2.3	3.0
Imports*	306	4.4	2.4	1.1	2.4
GDP*	690	1.8	2.8	0.8	1.7
Inflation (Consumer Price Index)	-	0.5	0.9	0.5	0.4
Unemployment rate (ILO definition), % of labour force	-	4.8	4.7	n.a.	n.a.
Financial balance of the government sector in % of GDP	-	1.2	1.4	1.1	1.1
Government debt in % of GDP	-	29.3	27.6	26.7	25.7

* *National accounting data are expressed as the y-t-y percentage change in prices of the preceding year (real values)*

[1] *Level at current prices*

Sources: State Secretariat for Economic Affairs (SECO), Federal Statistical Office (FSO), Federal Department of Finance (FDF). The grey shaded values are forecasts.