



Luxembourg



Did you know...?

Geography The country is one of the smallest in the entire EU, and ranks 175th in size in the entire world.

History The recorded history of Luxembourg starts in 963, and in the 14th and 15th centuries members of the House of Luxembourg reigned as Holy Roman Emperors.

Languages Luxembourg is a trilingual country, where French, German and a Franconian language called Luxembourgish are spoken.

European Union Thanks to its central location, its financial regulatory system and its financial sector, Luxembourg is home to the European Investment Bank, a financial institution of the European Union, and to the European Financial Stability Facility.

Fun Fact The country is the only remaining sovereign Grand-Duchy in the world where the Grand-Duke constitutionally still retains executive powers, even though they are now delegated to the government.

An overview of Luxembourg's economy

The stability of its banks and the productivity of its manufacturing industry sheltered the wealthiest country in the EU from the worst of the financial and economic turmoil of the global crisis.

This tiny founding member of the European Coal and Steel Community, the precursor to today's European Union, has always been one of the major proponents of European integration. The Grand-Duchy of Luxembourg adopted the Euro in January 1999.

Natural resources fuelled the country's industrial development in past decades, especially in steel production. Luxembourg was once home to Arcelor, now ArcelorMittal, the greatest steel producer of the world. The country's economy is tightly linked to all of its neighbors, which coincide with its principal export destinations.

Manufacturing still plays an important role in the Grand-Duchy's economy. However, the growth in the financial sector has balanced the decline in industrial output. Luxembourg attracts foreign direct investment inflows thanks to its political stability and positive labor relations. The country has attracted financial institutions and many hedge funds. Luxembourg has the highest GDP per capita in the entire EU and ranks 1st or 2nd, depending on methodology used, in the entire world.

Luxembourg's financial sector was less exposed to bad loans than those of other EU economies, but it too was impacted by the financial crisis.

The government responded quickly to crisis. A prompt and aggressive policy response safeguarded the financial sector and mitigated adverse economic effects.

GDP contracted by 3.4% in 2009, less than the majority of euro area member states, and Luxembourg's recovery has likewise been stronger than average. The country is forecast to expand by 3.4% in 2017, with growth around that level for 2018-2019.

Strong employment growth, especially for residents, is supporting a resurgence of private consumption. Private investment increases are driven by the satellite, aircraft, and construction industries. The financial sector is historically Luxembourg's most important engine for growth and is recovering thanks to a euro area recovery.





Luxembourg's Economy – Key Facts

- Luxembourg registers one of the highest, if not *the* highest, GDP per capita of the entire world year after year. Taxation is low for businesses, moderate for households, and the welfare state is quite developed, making the country one of the places with the highest standards of living in the world. It is host to around 0.5 million inhabitants.
- The World Economic Forum (WEF) Global Competitiveness Report for 2017/2018 ranked Luxembourg 19th out of 137 countries, and it scores 1st in technological readiness and 4th in goods market efficiency.
- The World Bank's Doing Business Report ranked Luxembourg 63rd out of 190 countries in 2018. Access to credit remains a major problem for businesses.
- According to the European Commission's Autumn 2017 forecast, growth in 2017 is projected at 3.4%. Luxembourg is expected to run a government budget surplus in 2017 of 0.5%, lower than previous years, and government debt is estimated to be 23.7% of GDP in 2017, an increase from 20.8% in 2016
- Tax reforms to e-commerce VAT, household taxes, and corporate taxes are expected to decrease government revenues. These revenue decreases will result in a decrease of the government surplus. However, the government hopes the tax reforms will increase household purchasing power and competitiveness.

References

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Exports Steel and other manufactured goods constitute the core of Luxembourg's exports. The Grand-Duchy relies heavily on exports for its growth.

Wages are indexed to various factors, including inflation. For this reason, wages automatically increase. The rise will increase expenditure growth.

Inflation is expected reach 2.1% in 2017 followed by 1.7% in 2018..

Unemployment Traditionally, Luxembourg has had relatively low unemployment rates and from 1995 to 2010, it averaged 3.6%. Unemployment increased during the crisis but is descending again with a rate of 6.1% anticipated for 2017. The unemployment rate is expected to remain around 6% from 2018-2019.

Agriculture The Grand-Duchy's small but productive agricultural sector is highly subsidized both from the government and the European Union. Vineyards in the Moselle Valley produce up to 15 million liters of wine a year.