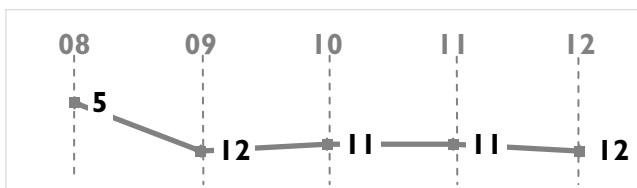


# LUXEMBOURG

## OVERALL PERFORMANCE



## CHALLENGES IN 2012

- Improve price competitiveness and reduce the inflation gap with main economic partners.
- Diversify the economy through adequate public spending on the one hand and through more comprehensive SME reform on the other hand.
- Restore a balanced budget with more selective social and investment planning.
- Replace the existing tenure-based civil service system with a merit-based one.
- Address future age-related spending pressure so as to ensure intergenerational equity.

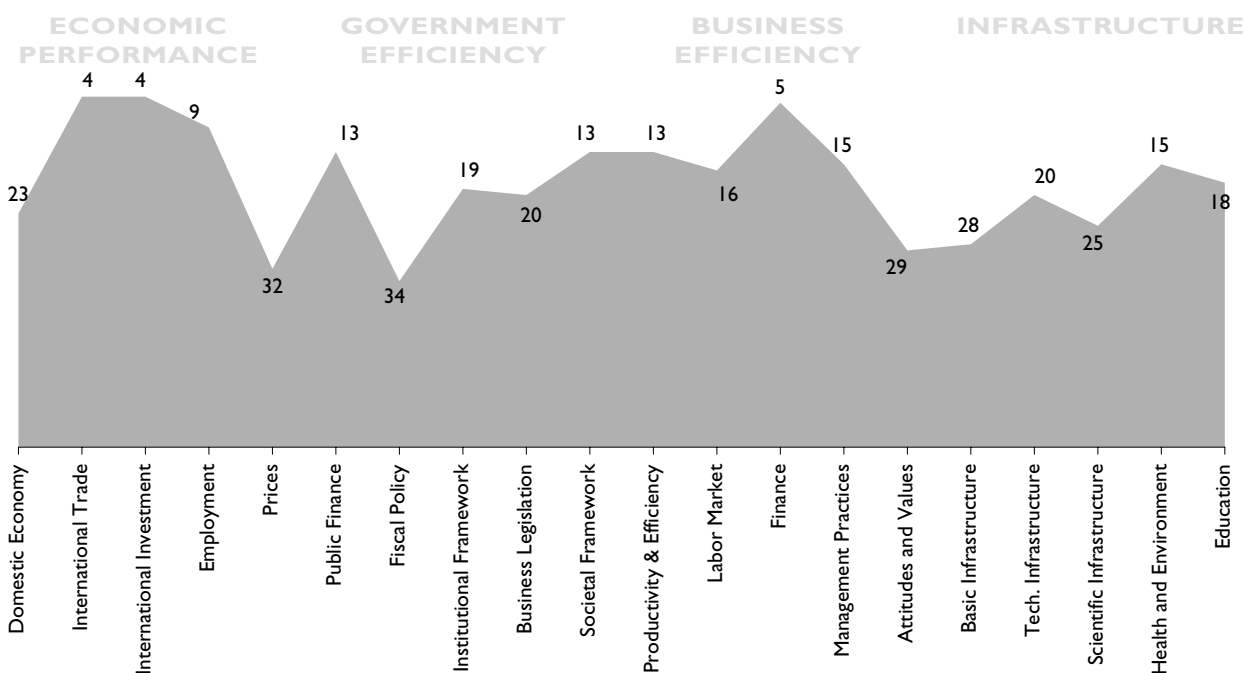
### Provided by :

Chamber of Commerce of Luxembourg

## BASIC FACTS

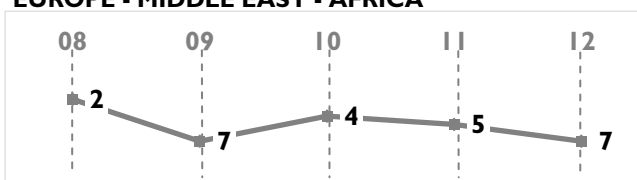
		Rank
Capital	Luxembourg	
Land area (km <sup>2</sup> '000)	2.6 (2010)	-
Exchange rate (per \$)	0.72 (2011)	-
Population (millions)	0.51 (2011)	58
GDP (\$ billions)	58.4 (2011)	53
GDP (PPP) per capita (\$)	86,648 (2011)	2
Real GDP growth (%)	1.6 (2011)	45
Consumer Price Inflation (%)	3.4 (2011)	26
Unemployment rate (%)	4.8 (2011)	16
Labor force (millions)	0.38 (2011)	58
Current Account Balance (%)	7.2 (2011)	11
Direct Investment		
Stocks Inward (\$ billions)	114.7 (2010)	33
Flows Inward (% of GDP)	38.2 (2010)	1

## COMPETITIVENESS LANDSCAPE

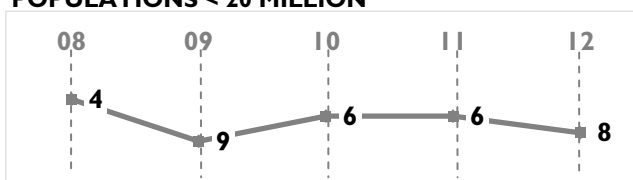


## PEER GROUP RANKINGS

### EUROPE - MIDDLE EAST - AFRICA



### POPULATIONS < 20 MILLION



## LUXEMBOURG

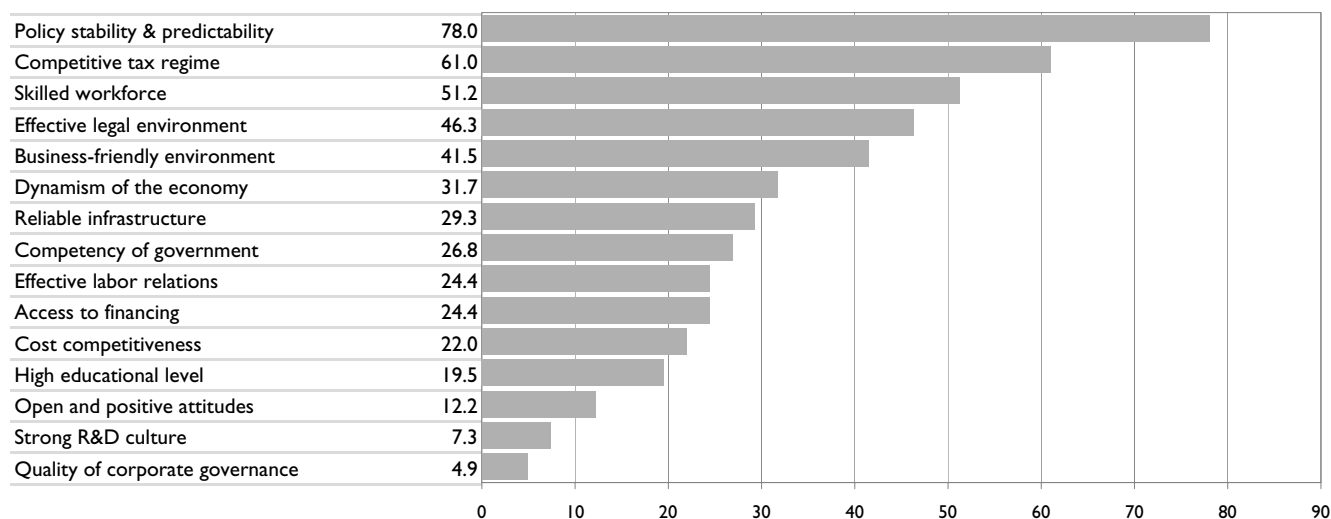
## COMPETITIVENESS EVOLUTION

The criteria below highlight the 15 biggest Improvements and the 15 biggest Declines in the overall performance of the economy. They are determined by the largest percentage changes in the value of each criterion from one year to the next.

IMPROVEMENTS		WCY 2011	WCY 2012	DECLINES		WCY 2011	WCY 2012
2.3.06	Foreign currency reserves (\$bn)	0.85	5.61	1.1.15	Real GDP growth per capita	0.84	-0.39
2.1.02	Government budget surplus/deficit (%)	-0.85	-0.60	1.5.01	Consumer price inflation	2.3	3.4
1.1.13	Diversification of the economy (Survey)	3.73	4.51	1.1.14	Real GDP growth	2.7	1.6
4.4.24	Pollution problems (Survey)	6.54	7.62	1.3.06	Direct investment flows inward (%)	58.13	38.16
4.1.24	Electricity costs for industrial clients	0.145	0.122	1.3.05	Direct investment flows inward (\$bn)	30.20	20.35
4.4.12	Energy intensity	3,547	3,064	3.3.01	Banking sector assets (%)	1,323.68	1,103.51
2.2.12	Real personal taxes (Survey)	5.94	6.73	1.3.13	Relocation threats of production (Survey)	4.19	3.52
4.5.06	Higher education achievement (%)	39.0	44.0	2.3.09	Adaptability of government policy (Survey)	6.36	5.71
2.5.03	Ageing of society (Survey)	4.52	5.02	2.4.13	Ease of doing business (Survey)	6.38	5.75
1.2.08	Exports of goods (\$bn)	19.75	21.79	2.2.11	Employer's social security contribution rate	11.84	12.94
2.4.17	Labor regulations (Survey)	4.23	4.67	2.4.06	Capital markets (Survey)	8.10	7.40
1.2.12	Exports of commercial services (\$bn)	66.19	71.64	4.1.16	Water transportation (Survey)	7.47	6.84
4.4.01	Total health expenditure (%)	7.2	7.8	3.3.15	Credit (Survey)	6.83	6.25
1.1.20	GDP per capita	106,236	113,980	4.3.19	Researchers and scientists (Survey)	5.98	5.48
4.5.13	University education (Survey)	5.19	5.56	2.3.08	Legal and regulatory framework (Survey)	6.23	5.71

## KEY ATTRACTIVENESS INDICATORS

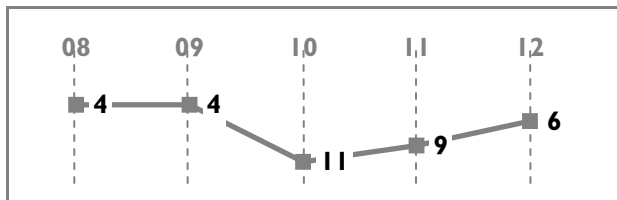
From a list of 15 indicators, respondents of the Executive Opinion Survey were asked to select 5 that they perceived as the key attractiveness factors of their economy. The chart shows the percentage of responses per indicator from the highest number of responses to the lowest.



# LUXEMBOURG



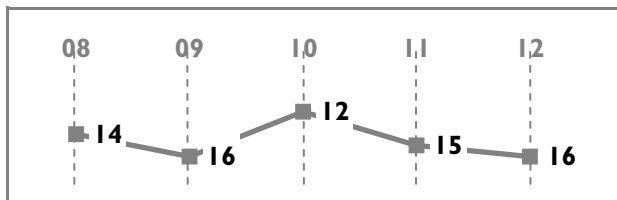
## ECONOMIC PERFORMANCE



Sub-Factor Rankings :	2011	2012
Domestic Economy	17	23
International Trade	4	4
International Investment	15	4
Employment	10	9
Prices	29	32



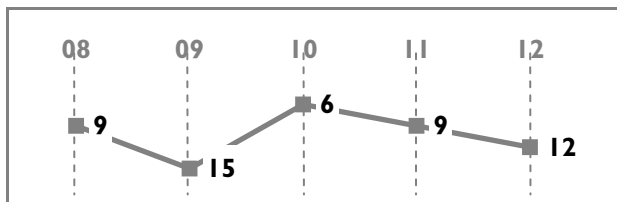
## GOVERNMENT EFFICIENCY



Sub-Factor Rankings :	2011	2012
Public Finance	18	13
Fiscal Policy	32	34
Institutional Framework	15	19
Business Legislation	15	20
Societal Framework	13	13



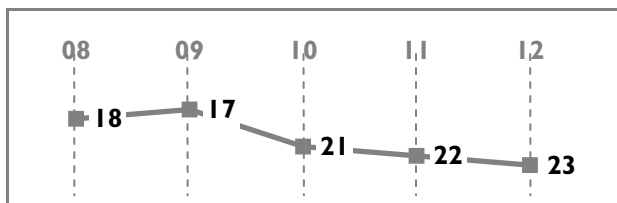
## BUSINESS EFFICIENCY



Sub-Factor Rankings :	2011	2012
Productivity & Efficiency	8	13
Labor Market	25	16
Finance	2	5
Management Practices	10	15
Attitudes and Values	29	29



## INFRASTRUCTURE



Sub-Factor Rankings :	2011	2012
Basic Infrastructure	31	28
Technological Infrastructure	8	20
Scientific Infrastructure	25	25
Health and Environment	17	15
Education	19	18

## LUXEMBOURG

**STRENGTHS****Economic Performance**

1.2.13 Exports of commercial services (%)	1
1.1.20 GDP per capita	1
1.3.06 Direct investment flows inward (%)	1
1.4.02 Employment (%)	1
1.3.02 Direct investment flows abroad (%)	1
1.1.21 GDP (PPP) per capita	2
1.3.08 Direct investment stocks inward (%)	2
1.3.04 Direct investment stocks abroad (%)	2
1.2.21 Trade to GDP ratio	3
1.2.23 Tourism receipts (%)	4

**Government Efficiency**

2.5.05 Social cohesion (S)	5
2.1.04 Total general government debt (%)	6
2.3.04 Country credit rating	7
2.4.07 Investment incentives (S)	8
2.3.10 Government decisions (S)	9
2.5.04 Risk of political instability (S)	10
2.2.12 Real personal taxes (S)	11
2.5.06 Gini index	12
2.3.13 Bribing and corruption (S)	12
2.4.11 Competition legislation (S)	12

**Business Efficiency**

3.3.01 Banking sector assets (%)	1
3.2.12 Labor force (%)	1
3.1.04 Labor productivity (PPP)	1
3.1.01 Overall productivity (PPP)	2
3.2.02 Unit labor costs in the manufacturing sector (%)	3
3.3.04 Investment risk	3
3.3.10 Stock market capitalization (%)	4
3.2.22 International experience (S)	5
3.2.21 Foreign high-skilled people (S)	7
3.4.04 Corporate boards (S)	9

**Infrastructure**

4.3.17 Number of patents in force	1
4.2.10 Internet users	2
4.3.07 Total R&D personnel nationwide per capita	3
4.5.16 Language skills (S)	3
4.2.19 Funding for technological development (S)	7
4.2.12 Broadband subscribers	8
4.4.27 Quality of life (S)	8
4.1.06 Management of cities (S)	9
4.2.04 Mobile telephone subscribers	10
4.4.04 Health infrastructure (S)	10

**WEAKNESSES****Economic Performance**

1.1.15 Real GDP growth per capita	56
1.2.08 Exports of goods (\$bn)	55
1.3.13 Relocation threats of production (S)	50
1.3.15 Relocation threats of services (S)	49
1.1.14 Real GDP growth	45
1.1.13 Diversification of the economy (S)	45
1.2.22 Terms of trade index	44
1.1.19 Resilience of the economy (S)	37
1.3.07 Direct investment stocks inward (\$bn)	33

**Government Efficiency**

2.3.06 Foreign currency reserves (\$bn)	55
2.2.01 Collected total tax revenues (%)	48
2.2.08 Corporate tax rate on profit	44
2.2.07 Effective personal income tax rate	41
2.2.10 Employee's social security contribution rate	40
2.4.18 Unemployment legislation (S)	40
2.4.15 Start-up days	39
2.4.17 Labor regulations (S)	38
2.4.08 Government subsidies (%)	36
2.4.14 Creation of firms (S)	33

**Business Efficiency**

3.2.03 Remuneration in services professions (\$)	57
3.2.04 Remuneration of management (\$)	51
3.2.15 Female labor force (%)	51
3.3.13 Stock market index (%)	49
3.2.01 Compensation levels (\$)	42
3.5.05 Need for economic and social reforms (S)	42
3.5.04 Flexibility and adaptability (S)	42
3.2.06 Working hours	39
3.2.17 Skilled labor (S)	36
3.5.01 Attitudes toward globalization (S)	33

**Infrastructure**

4.2.01 Investment in telecommunications (%)	52
4.2.11 Fixed broadband tariffs	51
4.4.25 Environmental laws (S)	45
4.2.15 Qualified engineers (S)	44
4.2.05 Mobile telephone costs	43
4.2.22 High-tech exports (%)	40
4.5.05 Secondary school enrollment (%)	38
4.2.14 Information technology skills (S)	37
4.5.01 Total public expenditure on education (%)	35
4.1.24 Electricity costs for industrial clients	31