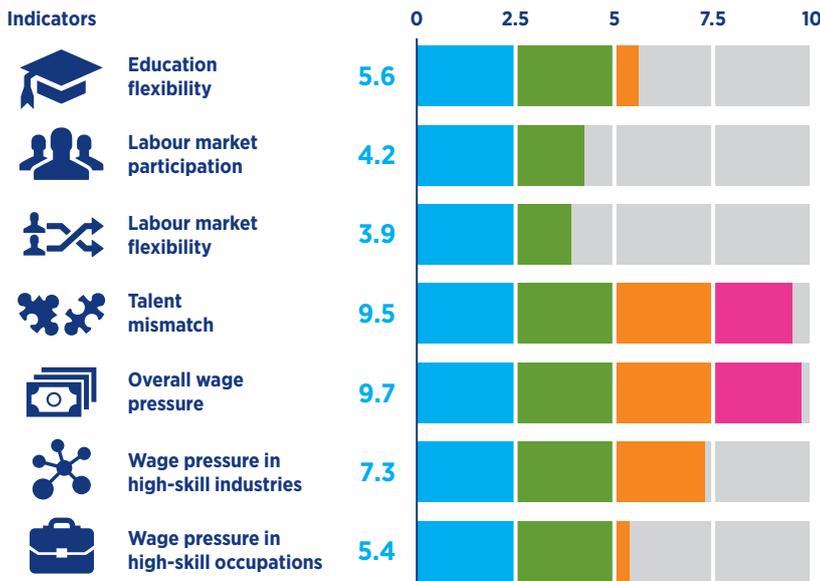


LUXEMBOURG

Overall score



Breakdown of seven indicator scores



Key finding

While wage pressure remains a concern, long-term unemployment is falling together with some improvement in net in-migration and participation rates. As a result of the former, the cost competitiveness of Luxembourg’s economy continues to be eroded, reducing its attractiveness to foreign investors.

Downward pressure from:

- Long-term unemployment
- Net in-migration
- Labour market participation

Upward pressure from:

- Overall wage pressure
- Job vacancies
- Wage pressure in high-skill industries

Country profile

After significantly outperforming the Eurozone in 2014 and 2015, Luxembourg’s economy is projected to slow this year.

Last year’s growth was driven by a sharp improvement in net exports of financial services, but with less favourable market conditions the growth contribution from the external sector is expected to decline.

The falling unemployment rate and the prospect of a cost of living pay rise should inflation rise above 2.5 per cent, could add to wage pressures over the medium term.

Background economic data

	2015	2016 [†]
Population	0.6m	0.6m
GDP		
GDP (Billion EUR*)	52	54
GDP growth	4.8%	3.4%
GDP/head (EUR*)	93,200	95,300

Unemployment

Unemployment rate	6.5%	6.3%
Long-term unemployment rate	1.8%	1.7%

*2016 prices †Average forecast figures for 2016

View from the ground

Last year, Luxembourg achieved positive economic growth of 4.8 per cent, almost three times the total amount of European growth over the same period. This is very impressive considering the country has faced multiple challenges: the automatic exchange of information in tax matters, an increase in VAT and the loss of revenue related to e-commerce. From an employment point of view, the performance is good, with a growth of 2.5 per cent representing a net creation of 8,500 jobs. Nevertheless, the unemployment rate remains high at 6.3 per cent, creating structural unemployment due to the mismatch between skills available and those the labour market needs. For 2016, GDP growth forecasts should be around 3.4 per cent due to strong international exposure, with external factors expected to have a strong impact on the economy.

Tina Ling, Managing Director, Hays France & Benelux