Luxembourg economy

Open
Dynamic
Reliable
An open and dynamic country, Luxembourg has made its mark internationally as a reliable and innovative partner, providing an ideal environment for businesses and investors to thrive.

Carlo Thelen, Director General, Chamber of Commerce
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Open
Dynamic
Reliable
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Although small in size (2,586 km$^2$), Luxembourg has a thriving economy and is renowned for its high standard of living. It is also one of the safest countries in the world.

Luxembourg is considered to be one of a kind owing to its location at the heart of Europe, the fact that it is home to 170 nationalities, the multilingualism of its population and its status as a Grand Duchy. Luxembourg has three official languages: Luxembourgish, German and French. The country is a constitutional monarchy with a parliament.
Luxembourg has the highest level of real Gross Domestic Product (GDP) per capita in the world. At EUR 80,800, its GDP per capita is three times higher than the European average (EU 28); however, this figure is skewed upwards by the significant number of cross-border workers who contribute to the country’s GDP without being counted as part of its population.

**GROSS NATIONAL INCOME PER CAPITA**
(expressed in purchasing power parity)

= USD 72,080

With growth of almost 5% forecast by 2018, Luxembourg’s economy is among the strongest in the EU.

Luxembourg has consistently ranked in the TOP 25 for competitiveness globally (WEF, IMD, European Commission, etc.).
The Grand Duchy is rich in its diversity.

Valérie Dubois-Chamérían, Founder of Diversity
170 nationalities mix on a daily basis. 46.7% of residents do not have Luxembourgish nationality.

Domestic employment grew 1.5-fold between 2000 and 2015 (+53%). 71% of jobs are held by non-Luxembourgers.
Luxembourg’s location at a crossroads with three other countries presents a rewarding entry point to learn about other ways of working.

Vanessa Leiritz, Co-Founder of Soundtastic

Cross-border workers from France, Belgium and Germany account for 45% of domestic employment. The number of cross-border workers doubled between 2000 and 2015.

41% of the working population has received a higher education.

The rate of unemployment stood at 6% in June 2017.

The minimum wage (for unskilled workers aged 18 and over) stood at EUR 1,998.59 as of 1 January 2017.
In addition to its university and four public research centres (LIST, LISER, LIH and Max Planck), there are numerous private research centres in Luxembourg related to industry and belonging to international groups such as Goodyear (8th largest major research centre outside the United States), Husky, IEE, Delphi (global headquarters and research centre for 600 experts) and Dupont de Nemours.

There are 7.12 researchers for every 1,000 workers in the Grand Duchy of Luxembourg. This figure is in line with the European average. The research and development sector employs more than 5,000 people. This figure has increased by 40% over the past 15 years.

Luxembourg earmarked EUR 614.2 million for research in 2014, i.e. 1.25% of GDP. The Government’s objective is to increase public spending on R&D and to raise it to between 2.3% and 2.6% of GDP by 2020. A little more than half of research spending currently comes from the private sector.

Located in the south of the country on the Esch-Belval site, it was not long before it entered the world’s top 20 universities under 50 years old.

The University of Luxembourg collaborates with numerous other academic institutions. 20 of them are found within a radius of less than 200 km of Luxembourg.
Luxembourg has created a secure intellectual property environment by implementing European directives and international agreements and treaties. It increased its appeal through the Law of 5 June 2009 on the promotion of research, development and innovation (RDI).

The legal framework in Luxembourg makes it possible to choose from several types of patents, namely a national patent, a European patent and an international patent. Furthermore, Luxembourg is part of the Benelux Organisation for Intellectual Property.

The Luxembourg Institute of Intellectual Property (Institut de la propriété intellectuelle Luxembourg – IPIL) was created in 2015; this economic interest group (groupement d’intérêt économique – GIE) aims to pool national and international skills in the field of intellectual property.

DID YOU KNOW?

THE COUNTRY RANKS

21/231 FOR QUALITY OF LIVING
Mercer Quality of Living Survey 2017

9/67 OF THE MOST POPULAR COUNTRIES AMONG EXPATS
InterNations 2016 ranking

LUXEMBOURG CITY RANKS

1/230 OF THE SAFEST CITIES
Internal stability, very low rates of crime, public order
Mercer Quality of Living Survey 2016

6/64 OF THE MOST DESIRABLE PLACES TO LIVE AND WORK
Global Liveable Cities Index 2014
The number of companies operating in Luxembourg grows by **1,000 every year** (difference between companies created and companies that have ceased trading). The country has developed an entire ecosystem to assist those spearheading entrepreneurial projects.

A whole host of public and private structures and public/private partnerships now accommodate, support and even finance start-up projects. Luxembourg aims to become a **real start-up nation**.

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**TOP 10 EMPLOYERS** (by number of employees as of 1 January 2017, excluding government organisations and hospitals):

<table>
<thead>
<tr>
<th>#</th>
<th>Industry</th>
<th>Employer</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Telecommunications</td>
<td>POST LUXEMBOURG</td>
<td>4,350</td>
</tr>
<tr>
<td>2</td>
<td>Rail transport</td>
<td>CFL</td>
<td>4,170</td>
</tr>
<tr>
<td>3</td>
<td>Steel industry</td>
<td>ARCELORMITTAL</td>
<td>4,160</td>
</tr>
<tr>
<td>3</td>
<td>Retail outlet</td>
<td>CACTUS</td>
<td>4,030</td>
</tr>
<tr>
<td>5</td>
<td>Banking</td>
<td>BGL BNP PARIBAS</td>
<td>3,700</td>
</tr>
<tr>
<td>6</td>
<td>Cleaning</td>
<td>DUSSMANN LUXEMBOURG</td>
<td>3,650</td>
</tr>
<tr>
<td>7</td>
<td>Automotive industry</td>
<td>GOODYEAR DUNLOP</td>
<td>3,410</td>
</tr>
<tr>
<td>8</td>
<td>Consultancy</td>
<td>PRICEWATERHOUSECOOPERS</td>
<td>2,840</td>
</tr>
<tr>
<td>9</td>
<td>Air transport</td>
<td>LUXAIR</td>
<td>2,630</td>
</tr>
<tr>
<td>10</td>
<td>Banking</td>
<td>BIL GROUP</td>
<td>1,940</td>
</tr>
</tbody>
</table>

“**The proximity to the government and to promotion agencies represents a real advantage for Luxembourg that must be celebrated.**”

Charles-Louis Machuron, Founder of Silicon Luxembourg

Source: Statec
There are **274 km of railway tracks** in Luxembourg. Luxembourg is on the TGV East network, connecting it to Paris and Strasbourg.

In terms of motorway density, it ranks among the highest in the world, with **58.77 km of motorways for every 1,000 km²**.

The number of passengers travelling through Luxembourg airport increased by **60% between 2000 and 2015** and cargo traffic rose by **47%**. The current terminal was opened in 2008.

In 2015, there were **906,000 mobile phone subscriptions** for **576,000 inhabitants**, i.e. **1.57 subscriptions per capita**. This level of mobile phone ownership ranks Luxembourg in **5th place** within the EU, behind Finland, Italy, Portugal and Austria.

Virtually all households have a computer (95%) and internet access (97%). Smartphones and laptops are the most used mobile devices. **More than 9 out of 10 households have very high-speed internet access**. Multiple broadband connections link Luxembourg to the main European hubs.

With **678 passenger cars for every 1,000 inhabitants**, Luxembourg is the country with the highest rate of vehicle ownership in the European Union.

Alongside Brussels and Strasbourg, Luxembourg city is one of the capitals of the European Union. It is home to **12 European institutions and bodies**.

In 2015, **10,400 residents** were working at institutional organisations in Luxembourg.
DID YOU KNOW?

With no fewer than 10 Michelin-starred restaurants in Luxembourg, the country is one of the most densely populated by gourmet restaurants.
Luxembourg’s economy is renowned for the strength of its financial sector (27.5% of value added and 11.7% of employment in 2015). The highly innovative expertise developed by the sector has proved hugely successful (Islamic finance, renminbi, climate finance, micro-finance, etc.). But other sectors are also seeing rapid growth led by the Government, which is seeking to diversify the country’s economy. Industry, for example, is being boosted by significant investment from international heavyweights, which are turning to Luxembourg for certain state-of-the-art developments.
The financial centre gained momentum in the 1970s, replacing the steel industry as the driving force of the Luxembourg economy. Today it is characterised by its international dimension, its high degree of diversification, its capacity for innovation and its stability.

**BANKS**

The country is home to **141 banks**.

The banks located in Luxembourg specialise in particular in
- private banking,
- life insurance, and
- investment fund administration.

The banking sector has been able to adapt and diversify to meet growing demand for tailored investment management and financial optimisation services.
INVESTMENT FUNDS

4,141 investment funds manage net assets totalling EUR 3,956 billion (May 2017). This is more than 50 times the annual GDP of the Grand Duchy and is close to the GDP of Italy.

Luxembourg is the European leader and ranks 2nd globally (just trailing the United States) in terms of assets under management. It has established a modern and competitive legal and regulatory framework, by directly implementing the European UCITS I Directive and assigning investment funds with European passports.

In this sector, Luxembourg is developing increasingly innovative solutions (e.g. venture capital companies (SICARs), hedge funds, family wealth management companies (SPFs), securitisation vehicles and pension funds).
FINANCIAL SECTOR PROFESSIONALS (FSPS)

This name refers to all financial sector professionals that are not credit institutions but which must, owing to their business activity, submit themselves to the supervision of the Commission de Surveillance du Secteur Financier (CSSF - Supervisory authority of the Luxembourg financial sector). These may be:

- investment firms (investment advisers, brokers, commission agents, wealth managers, etc.),
- specialised FSPs (registrar agents, professional custodians of financial instruments, operators of a regulated market authorised in Luxembourg, currency exchange dealers, etc.).
- support FSPs (client communication agents, administrative agents of the financial sector, IT systems operators, etc.)

The size of this category of companies specialising in non-banking financial operations is growing in Luxembourg owing to the increasing popularity of outsourcing within the financial sector. **More than 300 FSPs employ in excess of 15,200 people in Luxembourg.**

FINTECHS

The strength of Luxembourg’s financial market makes it the natural location for developing a FinTech start-up. It is a fast-growing sector. At the end of 2016, there were already **around 150 FinTech companies, of which 2/3 were under 3 years old.**

INSURANCE COMPANIES

**94 insurance companies and 223 reinsurance companies** are approved by the Commissariat aux Assurances, the market regulator in Luxembourg.
The Commission de Surveillance du Secteur Financier is a public institution that supervises professionals and products in the financial sector in Luxembourg. It:

- supervises,
- regulates,
- authorises,
- informs,
- carries out checks and issues sanctions, where necessary.

It is also responsible for promoting transparency, simplicity and fairness on the financial products and services markets and ensures the application of legislation relating to financial consumer protection and the fight against money laundering and terrorist financing.
The ICT (Information and Communication Technologies) sector has grown faster than the Luxembourg economy as a whole. Average annual growth was **7.4% between 2009-2013**. ICT specialists represent **4.6% of Luxembourg’s domestic employment, compared with 3.5% on average in Europe** (2015 figures). This sector’s strength can partly be attributed to:

- attractive taxation,
- progressive regulation,
- cutting-edge infrastructure (including 28 highly secure data centres), and
- a genuine sectoral policy suited to attracting major global players to Luxembourg, such as Verizon Business, Skype, eBay, Apple iTunes, Amazon, Paypal, Google and Vodafone, as well as many other companies in the ICT sector (e.g. online gaming companies and e-book distributors).

Luxembourg has established itself as the ideal **global centre for the distribution of digital audio-visual content**, such as music downloads, video on demand, pay-to-view television and digital radio and TV broadcasts.

Luxembourg’s IT ecosystem is home to some highly successful names in e-security (e.g. LuxTrust) and high-speed internet (Teralink, P&T Luxembourg, Data Center Luxembourg, Inexio and LuxConnect, etc.). To allow e-commerce to prosper, Luxembourg is equipped with redundant backbone connections to Paris, Frankfurt, Brussels and London in particular, as well as an entire range of business incubators.

An attractive framework has also been available in Luxembourg since 2008 for the management of intellectual property and domain names. Since LU-CIX was created in 2009, Luxembourg has also had its own Internet Exchange Point (IXP).

In October 2014, the Government launched the collective **Digital Lëtzebuerg** initiative (Infrastructure, eSkills, FinTech, Promotion, Innovation and eAdministration) to propel the country to become a high-tech centre of excellence, prepared for a digital economy and society.

At the initiative of Luxembourg, the European Union aims to implement a European network of interconnected High Performance Computers (HPCs) by 2023. **Luxembourg will have its own HPC by 2018**. The European Commission department dedicated to this project will be set up in Luxembourg and will employ 200 people.
Luxembourg is the birthplace of two media and communications giants, which are still continuing to grow from the Grand Duchy:

**RTL Group**, the leading European TV and radio broadcaster, the origins of which date back to 1924. Bertelsmann AG currently has a 75.1% stake in the group, which has just acquired new headquarters in Luxembourg.

**SES**, founded in the early 1980s and which became the world’s leading provider of communication and broadcasting services, with more than 50 satellites.

In recent years, Luxembourg has carved out its reputation in the international film production industry, with no fewer than 20 companies operating and 700 people regularly working in the sector. Luxembourg productions and co-productions regularly win awards at international film festivals. In 2016, the feature-length film The Brand New Testament (Le tout nouveau testament) won a Magritte award in four categories.

The animation sector is also proving to be a resounding success. In 2014, the animated short film Mr Hublot won Luxembourg’s first Oscar. Again in 2014, Ernest & Célestine won a Magritte award and a César award, among others.
Luxembourg’s excellent logistics infrastructure helped the country secure second place (out of 160 countries) in the World Bank’s Logistics Performance Index. Furthermore, Luxembourg is committed to an administrative simplification strategy, which is having a positive impact on logistics activities. With excellent connections to global markets, Luxembourg is now considered an ideal operational base for high-value-added logistics activities.

**LOGISTICS**

**AIR CARGO**

Luxembourg’s air cargo centre is the 6th largest in Europe, with an annual handling capacity of 1 million tonnes of airfreight. The current facilities allow the simultaneous storage and handling of the cargo of eight aircrafts. Following an extension planned for 2018, this capacity will increase to 12 aircrafts. As truck-loading terminals are in direct proximity to the runways, cargo handling times are much lower.

Cargolux, an all-cargo airline, has experienced rapid growth in its activities (+12% per year from 2000-2009) and is one of the world’s largest companies with 85 offices globally, 90 destinations served and more than 1,870 employees.

“

There are many production companies in Luxembourg and therefore many interesting audiovisual projects, notably cartoons.”

Vanessa Leiritz, Co-Founder of Soundtastic
Since 2013, Luxembourg airport’s cargo centre has also housed a high-performance temperature-controlled storage centre for medication and healthcare-related items. Working directly with the airport, Freeport Luxembourg offers maximum security and a protected environment (temperature and humidity control) for all types of precious goods across an area of 22,000 m², of which 300 m² are strong rooms. Special facilities are available for storing wine, artwork and classic cars. The spacious interiors allow oversized works of art to be stored.

INLAND WATERWAY AND MARITIME TRANSPORT

This type of transport has become increasingly important. Traffic to the river port of Mertert on the Moselle, 200 km from the Rhine, grew by more than 14% between 2013 and 2014. The river port has a total area of 65 hectares and is an example of world-leading infrastructure, particularly for the transport of steel industry goods and oil products. Its 1,600-metre-long docks are equipped with 10 rolling cranes, each with 12-35 tonnes lifting force.

Although it does not have a seafront, the Grand Duchy has its own fleet of ships flying the Luxembourg flag. 335 shipping companies are registered in Luxembourg, offering one of the most modern fleets (the average age of each vessel is 6.3 years). In 2015, there were 230 ships on the Luxembourg Public Maritime Register. The sector accounts for around 400 onshore jobs in addition to the 4,000 merchant seamen.

RAIL/ROAD TRANSPORT

Luxembourg recently created a multimodal logistics centre, enabling freight containers to be transferred directly from trains to trucks, and vice versa. The CFL Multimodal centre is located in Bettembourg, in the south of the country. This logistics hub aims to achieve an annual volume of 450,000 pallets or 300,000 containers by 2025 (compared with the current figure of 125,000). CFL Cargo (conventional railway freight) and CFL Multimodal (combined transport and multimodal logistics services) provide rail and road connections with North Sea, Baltic and Southern European ports.

There are 800 road haulage companies in Luxembourg, half of which specialise in international transport. These companies employ 7,000 drivers across a fleet of more than 5,000 lorries. This infrastructure is supported by a significant number of freight-forwarding companies, handling operators and logistics technology providers.

Guido von Scheffer, Co-Founder of Motion-S
Luxembourg aims to position itself as a go-to destination for healthcare sectors that use high value-added state-of-the-art technologies, such as nanotechnology and the storage and analysis of biomedical samples, among others.

**Three national institutes** coordinate research in this specific area:

- Luxembourg Institute of Health (LIH),
- Luxembourg Centre for Systems Biomedecine (LCSB), and
- Integrated BioBank of Luxembourg (IBBL).

The Government’s expressed determination to expand these fields has led several companies to choose Luxembourg as the location of their research activities and/or commercial headquarters (BioBase, Complix, Wafergen Biosystems, etc.).
Luxembourg is developing skills in many areas related to environmental protection:

- Eco construction
- Renewable energy
- Waste management
- Water management
- Electric mobility

In total, nearly 200 companies operate in these various fields, backed by an ambitious Government programme.
The tourism industry, which is experiencing constant growth thanks to the proactive policies of successive governments to support and promote tourism, represents 6.5% of Luxembourg GDP and directly or indirectly employs 20,000 people. The Government has established a system of multi-year plans with the aim of continuously improving tourism infrastructure.

Within this industry, the MICE sector (Meetings, Incentives, Conferences and Exhibitions) is also seeing significant growth and has become a key priority of the Government’s tourism policy; the economic benefits per overnight stay are on average three times higher in the MICE (business tourism) sector than for leisure tourism.

FOR FURTHER INFORMATION, VISIT: http://meetings.visitluxembourg.com/
Long dominated by steel, industry in Luxembourg has been the subject of major diversification over the past 30 years and is currently seeing renewed growth through numerous investments with the aim of expanding or modernising existing facilities, building new ones and fostering innovation. Much of this investment is made by international players drawn by Luxembourg’s location and infrastructure quality.
**MAIN INDUSTRIAL PROJECTS ANNOUNCED**

- **Faymonville**, Belgian manufacturer of semi-trailers for exceptional loads; construction of a new 10,000 m² factory and logistics centre.

- **Goodyear (tyres)** and **IEE (sensors)**, research and development centre.

- **Avery Dennison**, US producer of rolls of paper labels; 12,000 m² extension to house a new production line and increase its storage and delivery capacity.

- **ArcelorMittal (steel)**, investment in the production line and in logistics infrastructure.

- **OCSiAl**, Russian manufacturer of carbon nanotubes. Creation of a research centre and a manufacturing site.

- **Hydro Aluminium**, Norwegian producer; aluminium recycling unit.

- **Brasserie de Luxembourg**, subsidiary of the Belgian-Brazilian group AB InBev; construction of a new brewery.

- **Euro-Composites**, Luxembourg manufacturer of panels using composite materials; extension of the manufacturing site and acquisition of state-of-the-art equipment.

- **Fanuc**, Japanese manufacturer of industrial robots with its European headquarters in Luxembourg; 20,000 m² European storage and distribution centre.

- **DuPont**, US specialty chemical group; construction of a second Tyvek® production line.

- **Fage**, Greek yogurt manufacturer; 15-hectare production unit.

- **Retal**, a Ukrainian manufacturer of plastic closures and preforms for bottles; 4,000 m² industrial site installed in 2016; five production lines.

- **Kronospan**, Austrian manufacturer of particleboard and chipboard panels; production capacity expansion and second co-generation plant.
CAR INDUSTRY

Luxembourg boasts no fewer than 40 active companies in the automotive components sector. The sector employs 10,000 people and accounts for EUR 1.5 billion in turnover. Within this industry segment, research and development staff make up 30% of the workforce. Close links exist between companies in this sector and specific research centres where new products are developed. To foster this trend, the country is set to open a new Automotive Campus located close to the Goodyear test circuit in the summer of 2018. Several industry players will be encouraged to move their research activities to the site, making use of the laboratories, conference rooms and exhibition centres on offer at this new innovation hub.

Luxembourg is widely viewed as an ideal market in which to develop and test new vehicle models.
PRODUCTS AND TECHNOLOGIES DEVELOPED
BY COMPANIES BASED IN LUXEMBOURG

Night vision, optical sensors and radars

Thin, flat steel

Engine sensors (temperature, levels, pressure, etc.)

Internal and external parts

Batteries

Windscreen

Seat occupancy optical sensors

Fuel injection systems, Engine control modules, Emission control systems

Safety valves

Release mechanisms and latches

Tyres

Petrol tanks

Heating and air-conditioning systems
Luxembourg has a marked interest in space-related activities. The geostationary satellite company SES is a true pioneer that began its activities in 1985. Since then, it has become the leading satellite operator in Europe and the second-largest player worldwide, with a 22% market share. **54 active Luxembourg satellites** are currently in orbit around the earth. The first fully Luxembourg satellite was launched in October 2011.

Unlike other countries, Luxembourg does not have a national space agency, but it does focus on fostering transnational collaboration. In 2005, Luxembourg joined the European Space Agency to take part in telecommunications, earth observation, technology and navigation programmes. 2005 was also the year in which GLAE (Groupement luxembourgeois de l’aéronautique et de l’espace – Luxembourg aeronautics and space group) was founded. **The sector encompasses around 30 active companies** and a total workforce of around 700 people.

In 2016, Luxembourg embarked upon a new stage in its “conquest” of space with a strategy aimed at expanding the use of spatial resources, including rare metals found in **asteroids**. The strategy involves creating a legal framework, investing in R&D programmes and buying participating interests in companies within the sector.

By October 2018, Luxembourg should have its own space agency and an investment fund dedicated to the sector.
Since 2002, the Luxembourg government has encouraged the creation of clusters for sectors it considers vital in terms of the country’s economic diversification. This involves fostering a network of private as well as public players that will create favourable ecosystems for entrepreneurship, technology transfer, innovation and increased international awareness.

The clusters, which are part of Luxinnovation (the national innovation agency), cover a wide spectrum of activities:

- Materials and production technologies
- ICT
- BioHealth
- EcoInnovation
- Automotive components
- Space
- Logistics
- Maritime
- MICE
- Wood industry
- Creative industries

FOR FURTHER INFORMATION:
www.luxinnovation.lu/innovate-in-luxembourg/luxembourg-cluster-initiative/
As many business leaders point out, the small size of Luxembourg’s domestic market means that every business must think internationally in the majority of its decision-making processes. This characteristic, coupled with the fact that Luxembourg’s workforce is drawn from dozens of different nationalities, makes Luxembourg one of the world’s most open economies.
Luxembourg is positioned at the heart of Europe. It is part of the eurozone and the Schengen Area. It therefore serves as the ideal entry point to a market of over 500 million consumers, and an area in which goods, people and capital circulate freely.

Luxembourg maintains close links with the three countries it borders. Two of these (Germany and France) are among Europe’s largest markets, and Luxembourgers have a perfect command of both languages.

**NATIONALITIES OF LUXEMBOURG ENTREPRENEURS**

Luxembourg’s highly European and international nature is also clear from the diverse nationalities of the entrepreneurs who start businesses in Luxembourg.

![Pie chart showing nationalities of Luxembourg entrepreneurs]

- Luxembourg: 26%
- French: 25%
- Belgian: 22%
- German: 10%
- Portuguese: 6%
- Italian: 5%
- Nationals of other European countries and nationals of third countries: 6%
Luxembourg is located at the centre of a cross-border area known as the Greater Region, within which a number of cooperative initiatives have been developed since the 1980s. The Greater Region encompasses Luxembourg, the French region of Grand-Est, the German regions of Saarland and Rhineland-Palatinate and the Belgian region of Wallonia. Luxembourg is the smallest territory in this vast area, but it is located right at its heart. The Greater Region is home to 11.5 million people, 375,000 companies and 15 universities (not including the Alsace, Champagne and Ardennes regions).

It is a region characterised by intense interaction between its component territories, particularly as regards the labour market. This region alone accounts for 40% of the border crossings within the EU, with over 200,000 people crossing a border on a daily basis to reach their place of work. Of these, 71% commute to Luxembourg from France, Germany and Belgium.
DID YOU KNOW?

LUXEMBOURG BOASTS 359 KM OF BORDERS, INCLUDING 148 KM WITH BELGIUM, 138 KM WITH GERMANY AND 73 KM WITH FRANCE.

SEVERAL ECONOMIC CENTRES 2 HOURS AWAY BY TRAIN OR AEROPLANE
Luxembourg’s economy is the most open in Europe and one of the most open in the world. It is possible to measure the concept of openness by comparing the total volume of a country’s goods and services imports and exports to its GDP. For Luxembourg, this ratio stands at 196, whereas the Belgian ratio is 80 and that of the United States is just 15.

The degree of openness is also indicated by the Open Markets Index produced by the International Chamber of Commerce (ICC). Luxembourg ranks third in this classification system, behind Hong Kong and Singapore and ahead of Belgium (which comes in fourth).

Over 80% of the goods and services produced in Luxembourg are exported.

The goods accounting for a major share of Luxembourg’s exports include manufactured metal products (steel, metallurgy, etc.), machines and equipment, and transport equipment.
Thanks to its international airport, among other factors, Luxembourg is an excellent distribution hub for Benelux.

Cyril Marchiol, Founder of Tsumé

In terms of imported goods, the most well-represented product categories are transport equipment, machines and equipment, and chemical products. The three countries that account for the most commercial goods exchanges with Luxembourg are Germany, France and Belgium, with products of Belgian origin being the most common imports. Luxembourg had a negative trade balance on goods of EUR -5.6 billion in 2016, with exports totalling EUR 11.9 billion and imports totalling EUR 17.5 billion.

The Grand Duchy has a current account (the balance of monetary flows, including the trade balance, salaries, dividends, interest, fund transfers, etc.) surplus in the region of EUR 2.7 billion. This is mainly due to a large surplus arising primarily from the export of financial services, which alone accounted for 58.2% of exported services in 2015.

Further evidence of the country’s openness is its ability to attract foreign investment. In 2013, Luxembourg attracted USD 31 billion in direct foreign investment.

Almost all films screened in Luxembourg cinemas are shown in the original version with subtitles.

In museums, explanatory panels are provided for most pieces in three languages: German, French and English.

The local press produces newspapers and magazines featuring articles in German, French and English. Newspapers and magazines are also available in the languages of the foreign communities with the largest numbers of inhabitants.
Luxembourg is highly adept at using tax policy to increase the country’s appeal in the context of fierce international competition to attract companies and their employees. The current government recently instigated a tax reform with three objectives: fairness, sustainability and competitiveness.
Luxembourg’s tax regime is becoming more attractive for companies. The overall standard corporate tax rate was reduced from 29.22% to 27.08% on 1 January 2017, thanks to a tax reform, and will fall to 26.01% in 2018. The current rate of 27.08% comprises several components: a corporate income tax (IRC) of 19%, plus a solidarity surtax of 7% levied as a contribution to the Employment Fund and the municipal business tax. The latter is set by each municipality; for example, the rate for Luxembourg City stands at 6.75% (the reference used to calculate the aforementioned rates).

Companies can take advantage of a number of tax relief measures, for example to finance their investments. Moreover, companies with taxable income below EUR 25,000 have benefited from an overall standard rate of 22.80% since 1 January 2017. Both the threshold in question (formerly EUR 15,000) and the rate (28.15% for such companies prior to the tax reform) were revised in favour of small businesses.

The tax reform also introduced other advances, such as:

- the ability to opt for deferred depreciation,
- an increased investment tax credit rate,
- the abolition of the 0.24% registration duty on the transfer of receivables,
- the ability to file corporate tax returns electronically,
- provisions to facilitate business transfers.

Aside from the tax reform, new measures relating to intellectual property have been announced and will enter into force in the coming months.
Luxembourg’s income tax rate for natural persons is one of the lowest in Europe, particularly for couples. Income tax is based on 23 tax brackets and the maximum marginal tax rate has stood at 42% since 1 January 2017 (rising to 45.78% once the “Employment Fund” solidarity surtax is included at a rate of 9% for those with income above a certain threshold).

Individuals’ tax burdens in Luxembourg depend upon their income and the composition of the household. According to the OECD, a married couple with two children and two salaries (100% and 67% of the average salary, respectively) will be taxed at a total rate – including social security contributions – of 26%. This will be even lower after the tax reform, but it already compares favourably to the European Union average of 36%.

Land tax is also one of the lowest in Europe. According to the European Commission, recurrent taxes on property assets were rising at a rate of 0.1% of GDP in 2014 in Luxembourg, compared to 1.4% in the eurozone.
**VALUE ADDED TAX**

The standard VAT rate has stood at **17% since 1 January 2015**. This is one of the lowest rates in the European Union (VAT is 18% in Malta, and 19% in Cyprus, Romania and Germany). Moreover, Luxembourg applies an intermediate rate of 14% (on custody and securities management fees, inter alia), a reduced rate of 8% (on certain energy supply operations, inter alia) and a “super-reduced” rate of 3% (on most foodstuffs, eating out, books and medicines, as well as certain construction and renovation projects, to cite just a few examples). Furthermore, “housing” VAT is applied at a rate of 3% when individuals are purchasing and renovating a primary residence.

Excise and similar duties also compare favourably with those of other countries.

**DID YOU KNOW?**

**POLITICAL LANDSCAPE**

Composition of the chamber of deputies (2017)

- **23** CSV DEPUTIES (CHRISTIAN DEMOCRAT)
- **13** LSAP DEPUTIES (SOCIAL-DEMOCRATIC)
- **13** DP DEPUTIES (LIBERAL PARTY)
- **6** DEI GRENG DEPUTIES (GREEN)
- **3** ADR DEPUTIES (RIGHT-WING)
- **2** DEI LENK DEPUTIES (LEFT-WING)

**VOTING RIGHTS FOR FOREIGNERS**

In Luxembourg, foreign nationals who have lived in the country for at least five years can join the electoral register to vote in municipal and European elections.
In late 2015, Luxembourg launched the Third Industrial Revolution (TIR) strategic study, in partnership with the team of US economist Jeremy Rifkin. This was the first stage of an initiative aimed at imaging the Luxembourg of tomorrow, bearing in mind current and future technological changes and the need to use the planet’s resources more responsibly.
Involving public and private stakeholders as well as the general public, the study had a very broad scope covering nine key topics (six sector-based focuses and three horizontal axes). A dedicated working group was assigned to each topic, and their conclusions were made public on 14 November 2016 in the form of a 2050 roadmap.

The three horizontal axes are:

- Smart economy,
- Circular economy,
- Prosumers and social model.
THE SIX SECTORAL FOCUSES ARE:

**Energy**: Luxembourg is aiming for 70% of its total energy consumption to come from renewable sources (wind, solar and geothermal energy and biogas) by 2050.

**Mobility**: Luxembourg is seeking to facilitate greener forms of transportation by promoting electric and driverless vehicles and investing in public transport infrastructure.

**Construction**: Limiting energy consumption means inventing a new generation of buildings. Pilot projects in smart construction will be carried out to pave the way for circular resource usage.
The food sector: Luxembourg wants to conduct in-depth analysis of the management of food waste and energy usage in the sector.

Industry: Luxembourg intends to retain its industrial prowess by encouraging the adoption of new technologies in factories and engineering centres: 3D printing, robotics, virtual design, augmented reality and the internet of things.

Finance: The financial sector is committed to innovation and digital transformation too. To support the country’s economic transition, the financial sector is looking to develop “green” finance and microfinance, update its legal framework and emphasise financial education.
GOVERNANCE OF THE “THIRD INDUSTRIAL REVOLUTION” STUDY

GOVERNMENT COUNCIL

STRATEGIC MONITORING COMMITTEE
Chairman: Minister of the Economy
Ministers involved, employer organisations, trade unions and professional bodies, general public

8 THEMATIC “PUBLIC-PRIVATE PARTNERSHIP” PLATFORMS

National Council for Sustainable Construction
Energiezukunft Lëtzebuerg
High-level TIR Industry Group
Circular economy
Smart mobility
Luxembourg Sustainable Development Finance Platform
Sustainable intensification of agriculture
Work, employment and social matters

FOR FURTHER INFORMATION:
www.troisiemerevolutionindustrielle.lu
Tuition is provided throughout pupils’ academic career, from preschool to secondary education, in several European languages. Moreover, several Luxembourg schools and colleges are now offering English-language streams.

DID YOU KNOW?

LUXEMBOURG BOASTS AROUND 15 INTERNATIONAL SCHOOLS

Infrastructural development in Luxembourg is particularly well-developed for sports, for example:

- 6 Golf Courses
- 38 Swimming Pools
DID YOU KNOW?

HISTORY OF THE LUXEMBOURG ECONOMY

From a rural country to a nation at the forefront of technological development: the key stages of the Luxembourg economy.

Luxembourg is best described as a country in a constant state of transformation, having reinvented itself in a changing world. The country has also shown remarkable resilience amid the turbulence of recent years and prepared itself to face future challenges.
PERIOD IN WHICH AGRICULTURE IS PREDOMINANT

1839
- The Grand Duchy of Luxembourg gains its independence: the Treaty of London of 19 April establishes the country’s current borders and separates it from Belgium.

1841
- Issuance of the Grand Ducal decree creating the Chamber of Commerce.

1851
- Luxembourg takes part in the first Great Exhibition in London.

1859
- Luxembourg’s first two railways lines open (connecting Luxembourg to France and Belgium).
PERIOD IN WHICH INDUSTRY DOMINATES THE ECONOMY

1860-1885
First industrial revolution in Luxembourg.

1870
The steel and mining industry comes to dominate the south of Luxembourg. From 1870 to 1970, it is one of the principal pillars of the country’s prosperity.

FROM 1899
Legal and financial frameworks for protection and social welfare.

1901-1902 AND 1911
Laws creating the first health insurance, accident insurance and pensions. These forms of insurance serve to reduce social inequality and promote cohesion.

1926
Creation of the Franco-German Entente Internationale de l’Acier (International Steel Alliance, EIA).

1927
Luxembourg boasts 24 banking institutions.

1929
Economic crisis, stock market crash. Start of the Great Depression, the worst economic crisis of the 20th century.

1945
Luxembourg joins the International Monetary Fund and the World Bank as a member in its own right.
Luxembourg's economic history

1913
Miners and steelworkers (19,000 workers) account for over half of the country’s labourers and craftspeople.

1918
A Grand Ducal decree uses the term “Luxembourg franc” for the first time.

1921
Creation of the Belgium-Luxembourg economic union (BLEU).

AFTER 1945

Second industrial revolution in Luxembourg. The automotive, chemicals and electricity sectors experience strong growth.

1952
Luxembourg is a founding member of the European Coal and Steel Community (ECSC) and becomes the first capital of Europe.

1957
Luxembourg is a founding member (alongside Belgium, France, Germany, Italy and the Netherlands) of the European Economic Community (EEC), the forerunner of the European Union.

1966
Creation of the Economic and Social Council (ESC), a body that advises on matters of economic and social strategy.
STRUCTURE OF THE ECONOMY IN 1970

- Industry: 44%
- Construction: 6%
- Agriculture: 6%
- Energy: 3%
- Services: 41%

STRUCTURE OF THE ECONOMY IN 2015

- Industry: 5.7%
- Services: 87.7%
- Construction: 5.4%
- Agriculture: 0.3%
- Energy: 0.9%

DID YOU KNOW?

LUXEMBOURG IS A MEMBER OF THE FOLLOWING INTERNATIONAL UNIONS:

- Zollverein (1842)
- BLEU (1921)
- Benelux (1944)
- United Nations (1945)
- NATO (1949)
- Council of Europe (1949)
- ECSC (1952)
- European Community (1957)
- OECD (1960)
- Schengen Area (1985 with DE, FR, IT, BE and NL)
- European Union (1993)
- Eurozone (1999)
The worldwide steel crisis has a severe impact on Luxembourg. For the first time in over 20 years, a negative growth rate is recorded for GDP in real terms.

The Ministry of the Economy announces that a wide-ranging strategic study will be carried out, resulting in “The Third Industrial Revolution Strategy”.

Luxembourg joins the Schengen Area (free movement).

Introduction of the euro in scriptural form and the launch of the single monetary policy. Euro notes and coins enter circulation.

The Law of 24 December creates the Tripartite Coordinating Committee of social partners representing employers, trade unions and government tasked with finding consensus solutions to particular economic and social issues.

Launch of the “Made in Luxembourg” label by the Chamber of Commerce, the Chamber of Skilled Trades and Crafts and the Ministry of the Economy.

Luxembourg says “yes” in the referendum of 10 July 2005 on the European constitution.
I have received considerable support and assistance from the Chamber of Commerce, which put me in contact with the SNCI to take out a start-up loan, guaranteed by the MCAC.

Thierry van Ravestyn, Founder of Up Trace
CHAMBER OF COMMERCE

7, Rue Alcide de Gasperi
Luxembourg Kirchberg

INTERNATIONAL AFFAIRS
The primary role of the International Affairs department is to boost companies’ international activities and assist them in their efforts to increase the imports and exports of their goods and service.

7, Rue Alcide de Gasperi
Luxembourg Kirchberg

HOUSE OF ENTREPRENEURSHIP

14, rue Erasme
L-1468 Luxembourg-Kirchberg

MCAC (MUTUALITÉ DE CAUTIONNEMENT ET D’AIDE AUX COMMERÇANTS, SOCIÉTÉ COOPÉRATIVE – MUTUAL FOR LOAN GUARANTEES, COOPERATIVE COMPANY):

The MCAC helps entrepreneurs to secure funding for their investment projects. It makes it easier for SMEs to access bank funding by acting as guarantor with respect to approved credit institutions when collateral provided by the entrepreneur proves insufficient.

14, rue Erasme
L-1468 Luxembourg-Kirchberg
The Luxembourg government’s administrative guide features a corporate portal in French, English and German, offering companies useful information from an administrative point of view and facilitating a number of online operations.

Luxembourg for Finance (LFF), the agency for the development of the financial centre, is a public-private partnership between the Luxembourg government and the Luxembourg Financial Industry Federation. Its aim is to develop Luxembourg’s financial services industry and identify new opportunities for development.

LFF (LUXEMBOURG FOR FINANCE)

12, rue Erasme,
L-1468 Luxembourg

www.luxembourgforfinance.com

Luxinnovation is an organisation that contributes to the economic development of Luxembourg by facilitating innovation, promoting Luxembourg’s activities abroad (import-export) and serving as a point of contact with foreign investors.

LUXINNOVATION

5, avenue des Hauts Fourneurs
L-4362 Esch-sur-Alzette

www.luxinnovation.lu

DID YOU KNOW?

Since the launch of the House of Entrepreneurship’s ONE-STOP SHOP in October 2016, nearly 21,000 clients have benefited from advice provided in person, over the telephone or in writing. The ONE-STOP SHOP has also hosted 167 project initiators at its monthly collective sessions entitled “How to launch your business in Luxembourg”, which are provided free of charge.
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