

DOCUMENT OF INTERNATIONAL MONETARY FUND
AND NOT FOR PUBLIC USE

FOR
AGENDA

MASTER FILES

ROOM C-120

01

SM/83/265

CONTAINS CONFIDENTIAL
INFORMATION

December 30, 1983

To: Members of the Executive Board
From: The Acting Secretary
Subject: Luxembourg - Recent Economic Developments

The attached tables provide background information to the staff report on the 1983 Article IV consultation discussions with Luxembourg, which was circulated as SM/83/264 on December 28, 1983.

If Executive Directors have technical or factual questions relating to this paper prior to the Board discussion, they should contact Mr. Leipold on ext. 73743.

Att: (1)

Other Distribution:
Department Heads



INTERNATIONAL MONETARY FUND

LUXEMBOURG

Recent Economic Developments

Prepared by A. Leipold and K-W. Riechel

Approved by the European Department

December 28, 1983

	<u>Contents</u>	<u>Page</u>
Basic Data		ii
Tables		
1.	Aggregate Demand in Constant Prices, 1973-83	1
2.	Structure of Output, 1974-82	2
3.	Recent Developments in Output, Employment and Productivity, 1980-83	3
4.	Labor Market, 1973-83	4
5.	Wages, Salaries and Prices, 1980-83	5
6.	Central Government Budget, 1979-84	6
7.	Budgetary Impact of the 1983 Steel Restructuring Plan	7
8.	Structure of Central Government Expenditure, 1974-84	8
9.	Tax and Social Security Burden in Luxembourg and Other EC Countries, 1965-82	9
10.	Tax Structure, 1971-82	10
11.	Public Debt, 1975-83	11
12.	Assets and Liabilities of Luxembourg Banks vis-à-vis the Resident Nonfinancial Sector, 1979-83	12
13.	Money and Quasi-Money, 1979-83	12
14.	Representative Interest Rates, 1979-83	13
15.	Participation of Luxembourg Banks in the Euromarkets, 1973-83	14
16.	Current Account Developments, 1978-82	15
17.	Trade by Commodity Group, 1974 and 1982	16
18.	Direction of Trade, 1974 and 1982	17
19.	Exchange Rates and Competitiveness, 1978-83	18
Charts		
1.	Government Bond Yields, 1980-83	18a
2.	Real Government Bond Yields, 1980-83	18a
3.	Effective Exchange Rates, 1978-83	18b

Luxembourg - Basic Data

Population (end-1982): 365.5 thousand
 GDP per capita (1982): US\$10,964

National accounts (in Lux F billions and percent of GDP)

	1974		1982	
	Lux F	Percent	Lux F	Percent
Private consumption	43.0	43.6	95.2	52.0
Public consumption	10.7	10.9	27.3	14.9
Gross fixed capital formation	21.0	21.3	35.8	19.6
Exports of goods and services	99.2	100.6	161.0	88.0
Imports of goods and services	74.2	75.3	136.8	74.8
GDP	98.6	100.0	183.1	100.0

<u>Selected economic data (percentage changes)</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>1983</u> <u>1/</u>
Private consumption	3.2	1.7	-0.5	-1.5
Public consumption	3.6	2.2	1.5	1.0
Gross fixed capital formation	9.0	-6.2	-8.8	-3.5
Foreign balance <u>2/</u>	-2.6	0.5	1.8	--
GDP	2.0	1.0	-0.3	-1.8
Industrial production	-3.3	-6.8	-3.7	-3.7 <u>3/</u>
Unemployment rate (in percent)	0.7	1.0	1.2	1.6
Consumer prices	6.3	8.1	9.4	8.7
Money plus quasi-money <u>4/</u>	19.2	8.8	1.2	-1.6 <u>5/</u>

Public finances (in percent of GDP)

<u>Central Government</u> <u>6/</u>				
Expenditure	32.3	32.3	33.7	34.5
Revenue	31.5	31.2	31.6	30.1
Financial balance	-0.8	-1.1	-2.1	-4.4

External accounts (in Lux F billions)

	<u>1980</u>	<u>1981</u>	<u>1982</u>
Exports of goods	87.9	88.6	101.9
Imports of goods	105.6	111.3	124.5
Trade balance	-17.7	-22.7	-22.6
Exports of services	44.8	52.3	59.1
Imports of services	8.7	9.9	12.2
Services balance	36.1	42.4	46.9
Balance on goods and services	18.3	19.7	24.2
(In percent of GDP)	(12.1)	(11.9)	(13.2)

-
- 1/ Staff estimates.
2/ Change as a percent of previous year's GDP.
3/ First three quarters of 1983 on corresponding period of previous year.
4/ December on December.
5/ End-June 1983 on corresponding period of previous year.
6/ Administrative basis; for 1983, outturn as officially projected in the presentation of the 1984 budget.

Table 1. Luxembourg: Aggregate Demand in Constant Prices, 1973-83

(In percentage changes from previous period)

	Average 1973-80	1980	1981	1982	1983 <u>1/</u>
Private consumption	3.6	3.2	1.7	-0.5	-1.5
Public consumption	3.6	3.6	2.2	1.5	1.0
Gross fixed capital formation	-0.5	9.0	-6.2	-8.8	-3.5
Final domestic demand	2.6	4.8	-0.3	-2.3	-1.6
Stockbuilding (including statistical adjustment) <u>2/</u>	-0.2	3.4	0.3	0.5	-0.3
Total domestic demand	2.4	8.3	-0.0	-1.7	-1.8
Exports of goods and services <u>3/</u>	1.2	-2.8	-1.9	-0.4	-0.6
Imports of goods and services	2.2	3.7	-1.9	-1.2	-0.5
Foreign balance <u>2/</u> <u>3/</u>	-1.0	-5.8	--	0.9	-0.2
GDP (ESA definition) <u>4/</u>	1.4	2.3	--	-0.9	-2.0
GDP (national definition) <u>4/</u>	2.6	0.5	4.1	2.1	-0.5
GDP (staff estimate) <u>4/</u>	2.4	2.0	1.0	-0.3	-1.8

Sources: STATEC, Annuaire Statistique, 1982; OECD, OECD Economic Surveys: Belgium-Luxembourg, 1983; data provided by the Luxembourg authorities; and staff estimates and calculations.

1/ Staff estimates.

2/ Changes expressed as a percentage of previous year's GDP (ESA definition).

3/ ESA definition, i.e. excluding exports of banking services.

4/ In the national definition, the imputed banking services provided to nonresidents are considered as an export service and included in GDP. The ESA definition excludes these services from GDP. The staff estimates treat the international banking sector as a domestic supplier of services to nonresidents, including its local value added (measured as the sum of wages and taxes paid, and depreciation) in GDP and its operational costs (value added, as above, plus purchases from the economy) as exports. For further details, see the Staff Report for the 1983 Article IV Consultation with Luxembourg, Appendix III.

Table 2. Luxembourg: Structure of Output, 1974-82

	1974	1979	1980	1981	1982
<u>(Percentage shares in GDP 1/ at 1975 prices)</u>					
Industry	32.7	26.9	26.1	24.8	24.9
Steel sector	(16.0)	(11.3)	(10.5)	(8.8)	(8.3)
Other industry	(16.7)	(15.6)	(15.6)	(16.0)	(16.6)
Market services	36.4	44.8	45.1	46.1	46.7
Banking sector	(5.6)	(11.7)	(11.3)	(12.2)	(12.8)
Non-market services	10.1	10.3	10.4	10.4	10.6
Other	20.8	18.0	18.4	18.7	17.8
<u>(Growth rates, in percent per annum)</u>					
Industry	6.7	4.6	-0.4	-4.4	0.1
Steel sector	(5.7)	(3.3)	(-4.6)	(-16.1)	(-5.6)
Other industry	(7.7)	(5.5)	(2.6)	(3.5)	(3.2)
Market services	5.6	7.2	2.6	3.2	1.2
Banking sector	(8.0)	(8.5)	(-0.8)	(8.7)	(4.3)
Non-market services	3.7	2.3	3.1	1.6	1.5
Other	3.0	--	4.8	--	-10.0

Sources: STATEC, Annuaire Statistique, 1982; data provided by the Luxembourg authorities; and staff estimates and calculations.

1/ Based on staff estimates of contribution of the banking sector to GDP. See Table 1, footnote 4.

Table 3. Luxembourg: Recent Developments in Output,
Employment and Productivity, 1980-83

(Changes in percent from the same period of the preceding year)

	1980	1981	1982	1983	
				Q1	Q2
Industrial production	-3.3	-6.8	-3.7	-9.8	--
Excluding steel	-2.7	--	-2.9	0.2	1.6
Manufacturing	-2.9	-7.2	-2.6	-9.9	0.5
Of which:					
Steel	-4.1	-16.6	-5.0	-26.1	-0.9
Extractive industry	-6.2	-23.3	-40.7	-3.2	-6.0
Electricity and gas	-9.9	7.2	-15.8	-11.9	13.5
Investment goods (wt=12.2 percent)	4.0	-3.4	-3.9	-12.2	-11.4
Consumption goods (wt=11.6 percent)	2.9	-1.6	2.6	12.2	7.4
Intermediate goods (wt=76.2 percent)	-4.9	-8.0	-4.4	-13.3	-2.5
Construction (output)	0.7	-2.3	-3.2	-7.4	-4.8
Employment in industry <u>1/</u>	-3.3	-4.0	-3.6	-6.0	-6.4
Excluding steel	-0.9	-2.8	-1.6	-1.4	-1.2
Steel	-5.6	-5.8	-6.0	-12.2	-12.8
Productivity in industry	--	-2.9	-0.1	-0.5	-0.5
Excluding steel	-1.8	2.9	-1.3	2.7	0.3
Steel	1.6	-11.5	1.2	-7.8	-1.2

Source: STATEC, Notes Trimestrielles de Conjoncture.

1/ Volume of effective work hours.

Table 4. Luxembourg: Labor Market, 1973-83

(In thousands)

	1973	1979	1980	1981	1982	1983 <u>1/</u>
Active population	151.3	158.3	159.9	160.4	160.9	161.2
Employment	151.3	157.2	158.8	158.8	158.9	158.7
of which:						
Salaried employment	125.1	134.9	137.2	137.9	138.7	138.2
Steel sector	25.3	20.9	20.2	19.1	18.2	16.2
Other industry	23.9	22.4	22.7	23.1	23.3	...
Construction	14.5	14.0	14.7	14.8	14.4	...
Private services	44.0	57.5	59.1	60.1	61.7	...
Public sector	16.5	19.1	19.7	20.0	20.3	...
Share in salaried employment of:						
Industrial employment	39.3	32.2	31.8	31.3	30.8	...
Steel sector employment	(20.2)	(15.5)	(14.7)	(13.9)	(13.1)	(11.7)
Service sector employment (private)	35.2	42.6	43.8	44.6	45.7	...
Unemployment	--	1.1	1.1	1.6	2.0	2.5
Unemployment rate (in percent)	--	0.7	0.7	1.0	1.2	1.6
Memorandum item:						
DAC workers <u>2/</u>	--	1.3	1.4	1.9	1.8	1.9 <u>3/</u>

Sources: STATEC, Notes Trimestrielles de Conjoncture; and Indicateurs Rapides.

1/ Partly estimated.

2/ Workers enrolled in DAC (Division Anticrise) whose wages are subsidized by the State.

3/ January to August 1983, average.

Table 5. Luxembourg: Wages, Salaries and Prices, 1980-83
 (Changes in percent from the same period of the preceding year)

	1980	1981	1982	1983	
				Q1	Q2
Hourly wages in manufacturing					
Nominal basic rates <u>1/</u>	7.0	7.1	5.3	5.1 <u>3/</u>	7.7 <u>4/</u>
Nominal adjusted rates <u>2/</u>	9.4	8.4	7.1	8.0	4.6
Real adjusted rates <u>2/</u>	2.9	0.3	-2.1	-1.5	-3.7
Average salaries per employed person					
Industry	7.3	5.2	6.7	3.7	4.9
Steel sector	9.4	3.2	6.4	1.1	2.7
Consumer price index	6.3	8.1	9.4	9.7	8.6
Industrial prices	8.7	6.9	19.5	10.1	4.9
Steel	7.4	11.2	20.9	1.2	-2.2
Construction prices	9.7	7.9	8.4

Source: STATEC, Notes trimestrielles de conjoncture.

1/ Conventional hourly wages; excluding supplementary wages and wage drift.

2/ Including wage drift.

3/ March 1983.

4/ June 1983.

Table 6. Luxembourg: Central Government Budget, 1979-84

(In billions of Luxembourg francs)

	1979	1980	1981	1982		1983		1984
	Outcome			Budget	Outcome	Budget	Outcome <u>1/</u>	Draft Budget
Ordinary budget	5.4	6.2	6.8	4.2	5.1	5.2	6.1	6.8
Revenue	42.5	47.2	51.0	52.6	57.3	58.0	59.3	65.0
Expenditure	37.1	41.0	44.2	48.4	52.2	52.8	53.3	58.2
Extraordinary budget	-6.5	-7.4	-8.6	-7.5	-9.0	-7.7	-14.8	-9.1
Revenue	0.1	0.5	0.4	0.2	0.5	0.1	0.2	0.1
Expenditure	6.6	7.9	9.0	7.7	9.5	7.8	15.0	9.2
Overall balance	-1.1	-1.2	-1.8	-3.3	-3.8	-2.5	-8.7	-2.3
As a percent of GDP <u>2/</u>	(-0.8)	(-0.8)	(-1.1)	(-1.8)	(-2.1)	(-1.2)	(-4.4)	(-1.1)
Financing								
Bond issues	--	0.5	2.0	2.0	2.0	2.0	3.0	3.0
Use of reserve funds <u>3/</u>	1.1	0.7	-0.2	1.3	1.8	0.5	5.7	-0.7

Source: Ministry of Finance, Draft Budget for 1984 (August 1983).1/ As estimated in the presentation of the Draft Budget for 1984.2/ Staff estimate.3/ Constituted by funds accumulated from the budget surpluses recorded until 1979; they are in practice a part of the Treasury's liquid funds detained at the Caisse d'Epargne de l'Etat. A minus sign indicates reconstitution of reserve funds.

Table 7. Luxembourg: Budgetary Impact of the 1983 Steel Restructuring Plan

(In billions of Luxembourg francs)

	1983	1984	1983-84
Expenditure	<u>7.5</u>	<u>2.9</u>	<u>10.4</u>
Of which:			
Subscription to bonds	(2.7)	(--)	(2.7)
State participation in Sidmar	(2.5)	(--)	(2.5)
Interest rate subsidies	(1.8)	(1.5)	(3.3)
Social transfers and other current expenditure	(0.5)	(1.4)	(1.9)
Revenue	<u>1.3</u>	<u>2.8</u>	<u>4.1</u>
Of which:			
Direct taxes	0.4	0.6	1.0
Solidarity tax	(0.4)	(1.0)	(1.4)
Changes in income tax	(--)	(-0.4)	(-0.4)
Indirect taxes	0.9	2.2	3.1
VAT	(0.3)	(1.5)	(1.8)
Other (excise taxes, public tariffs, etc.)	(0.6)	(0.7)	(1.3)
Net impact	-6.2	-0.1	-6.3

Source: Ministry of Finance, Draft Budget for 1984 (August 1983).

Table 8. Luxembourg: Structure of Central Government Expenditure, 1974-84

(In percent of total)

	1974	1979	1980	1981	1982	1983	1984 <u>1/</u>
Current expenditures	<u>74.3</u>	<u>79.5</u>	<u>76.7</u>	<u>77.1</u>	<u>78.2</u>	<u>73.5</u>	<u>80.8</u>
Of which:							
Goods and services	33.4	32.4	32.1	28.9	32.0	28.2	32.1
Interest payments	3.0	2.7	2.5	2.5	2.6	2.6	3.5
Net transfers to households	4.1	6.8	6.8	7.5	7.3	6.3	7.4
Subsidies to enterprises	10.1	13.0	12.2	14.8	13.9	15.4	14.3
Transfers within public sector <u>2/</u>	22.2	22.5	22.4	22.8	21.8	20.5	23.0
Net transfers to rest of the world	1.5	2.1	0.7	0.6	0.6	0.5	0.5
Capital expenditure	<u>25.7</u>	<u>20.5</u>	<u>23.3</u>	<u>22.9</u>	<u>21.8</u>	<u>26.5</u>	<u>19.2</u>
Of which:							
Direct investment	13.6	10.0	13.5	10.5	11.5	9.2	9.2
Credits and equity investments	0.8	2.1	1.6	2.3	3.3	8.0	0.5
Other	11.3	8.4	8.2	10.1	7.0	9.3	9.5
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Data provided by the Luxembourg authorities.

1/ Draft budget.2/ Essentially to social security funds and municipalities.

Table 9. Tax and Social Security Burden in Luxembourg and Other EC Countries, 1965-82

(In percent of GDP)

	Luxembourg <u>1/</u>	Belgium	France	Germany	Netherlands	U.K.	EC average <u>2/</u>
<u>Direct taxes</u>							
1965	12.9	9.8	9.7	12.7	14.5	15.9	11.4
1975	19.5	17.4	9.8	14.1	17.3	20.6	15.6
1982 <u>3/</u>	19.9	20.0	11.9	13.8	15.8	21.6	15.6
<u>Indirect taxes</u>							
1965	7.6	11.6	13.4	10.4	10.1	10.2	11.0
1975	8.3	11.1	12.3	9.6	10.9	9.1	11.0
1982 <u>3/</u>	8.9	11.9	13.0	9.9	10.7	11.5	13.8
<u>Social security contributions</u>							
1965	9.9	9.8	11.9	8.5	10.9	4.7	7.4
1975	12.0	13.3	15.3	12.3	17.6	6.3	10.2
1982 <u>3/</u>	11.1	13.6	18.8	13.3	18.9	6.9	11.9
<u>Total</u>							
1965	30.4	31.2	35.0	31.6	35.5	30.8	29.8
1975	39.8	41.8	37.4	36.0	45.8	36.0	36.9
1982 <u>3/</u>	39.9	45.5	43.7	37.0	45.4	40.0	40.6

Sources: OECD, Revenue Statistics of OECD Member Countries, 1965-1982; and staff estimates and calculations.

1/ Staff estimates of GDP.

2/ Unweighted average.

3/ Estimates.

Table 10. Luxembourg: Tax Structure, 1971-82

(As a percentage of total taxation)

	1971	1979	1980	1981	1982	EC average <u>1/</u>
Direct taxes	49.1	53.1	51.0	49.6	49.8	41.4
Of which:						
Personal income taxes	(26.6)	(27.8)	(27.8)	(27.8)	(27.7)	(28.3)
Corporate income taxes	(15.3)	(18.7)	(16.8)	(15.5)	(15.4)	(6.8)
Indirect taxes	21.3	18.3	19.8	21.3	22.3	30.5
Social security contributions	29.6	28.6	29.2	29.1	27.9	28.1
Of which:						
Employers	(16.2)	(15.9)	(16.3)	(16.0)	(15.2)	(15.5)
Employees and self-employed	(13.4)	(12.7)	(12.9)	(13.1)	(12.7)	(12.6)
Total	100	100	100	100	100	100

Source: OECD, Revenue Statistics of OECD Member Countries, 1965-1982.

1/ Unweighted average, 1981.

Table 11. Luxembourg: Public Debt, 1975-83

(In billions of Luxembourg francs, end of period)

	1975	1976	1977	1978	1979	1980	1981	1982	1983
Central government	16.4	18.9	20.7	23.3	24.6	26.4	29.9	34.0	40.0
Long term	8.2	8.7	9.2	9.2	8.5	8.3	9.6	10.8	13.3
Short term	2.5	2.3	1.7	2.0	2.1	2.2	1.9	2.3	2.4
Undefined maturity <u>1/</u>	5.7	7.8	9.7	12.0	14.1	15.9	18.4	20.9	24.3
Municipalities	4.9	5.3	6.1	6.0	6.8	7.9	9.0	10.0 <u>2/</u>	...
Total	21.3	24.2	26.8	29.3	31.4	34.3	38.9	44.0 <u>2/</u>	...
(As a percent of GDP) <u>3/</u>	(22.6)	(21.7)	(23.2)	(23.2)	(22.5)	(22.7)	(23.6)	(24.0)	(...)
Pro memoria:									
Interest payments on public debt <u>4/</u>	0.7	0.8	1.0	1.1	1.2	1.2	1.3	1.6	1.9
(As a percent of GDP) <u>3/</u>	(0.7)	(0.7)	(0.9)	(0.9)	(0.9)	(0.8)	(0.8)	(0.9)	(1.0)

Sources: Ministry of Finance, Draft Budget for 1984; and STATEC, L'économie Luxembourgeoise en 1980 et 1981, March 1983.

1/ Consists of certificates issued by the State to constitute the pension funds' actuarial reserves.

2/ Staff estimates.

3/ Based on staff estimates of GDP.

4/ Central government and debt of undefined maturity.

Table 12. Luxembourg: Assets and Liabilities of Luxembourg Banks vis-à-vis the Resident Nonfinancial Sector, 1979-83

	1979	1980	1981	1982	1983		
					Q1	Q2	Q3
(In billions of Luxembourg francs; end of period)							
Assets	113.9	130.1	150.8	162.3	162.4	163.5	165.8
Deposit liabilities	162.2	196.5	209.9	230.7	232.8	237.1	241.5
(Annual percentage change) 1/							
Assets	9.8	14.2	15.9	7.6	0.6	-2.4	2.7
Deposit liabilities	14.3	19.4	6.8	9.9	3.3	4.4	8.0

Source: Institut Monétaire Luxembourgeois, Bulletin Trimestriel.

1/ For 1983, changes over corresponding period of previous year.

Table 13. Luxembourg: Money and Quasi-Money, 1979-83

(In billions of Luxembourg francs, end of period; percentage changes in parenthesis) 1/

	1979	1980	1981	1982	1983	
					Q1	Q2
Money	53.3 (9.9)	69.9 (31.2)	80.9 (15.7)	88.9 (9.9)	85.7 (-7.2)	92.2 (-1.2)
Quasi-money	66.2 (18.6)	72.5 (9.5)	74.1 (2.2)	69.5 (-6.2)	74.0 (6.6)	72.8 (-2.2)
Money and Quasi-money	119.5 (14.6)	142.4 (19.2)	155.0 (8.8)	158.4 (1.2)	159.7 (-2.4)	165.0 (-1.6)

Source: Institut Monétaire Luxembourgeois, Bulletin Trimestriel.

1/ For 1983, changes over corresponding period of previous year.

Table 14. Luxembourg: Representative Interest Rates, 1979-83

(In percent)

	1979	1980	1981	1982				1983		
				I	II	III	IV	I	II	III
Money market										
Call money rate <u>1/</u>	7.97	11.22	11.46	11.49	12.35	11.70	10.20	10.27	8.01	6.96
Security market <u>2/</u>										
Government bond yield	6.85	7.62	8.71	10.08	10.76	10.68	10.88	10.36	9.29	9.34
International institutions' bond yield	...	10.72	12.51	10.60	11.45	10.77	10.75	11.23	10.41	10.61
Other issuers' bond yield	9.63	10.77	13.01	10.65	11.48	11.08	10.93	11.00	10.14	9.97
Other markets										
Mortgage loan rate	7.75	9.06	9.63	10.00	10.00	10.00	10.00	10.00	9.25	9.25
Passbook savings deposit (12-month)	6.25	6.88	7.75	8.50	8.50	10.00	10.00	10.00	9.25	9.25

Sources: Institut Monétaire Luxembourgeois, Bulletin Trimestriel; International Monetary Fund, International Financial Statistics; and data provided by the Luxembourg authorities.

1/ On Brussels money market.

2/ Average weighted yields to final maturity of Luxembourg franc bonds.

Table 15. Luxembourg: Participation of Luxembourg Banks in the Euromarkets, 1973-83

(In billions of U.S. dollars; and percentage shares)

	1973	1978	1979	1980	1981	1982	1983 June
A. Eurocurrency market							
(end of period)							
Total assets	13.6	58.3	79.4	87.3	87.1	89.0	85.0
Banks	7.3	25.7	40.7	42.3	40.5	41.3	39.7
Nonbanks	6.3	32.6	38.7	45.0	46.5	47.7	45.3
Total liabilities	12.7	54.5	75.6	83.5	82.4	82.9	79.2
Banks	11.1	47.1	66.0	72.8	71.3	71.4	67.2
Nonbanks	1.6	7.4	9.6	10.7	11.1	11.5	12.0
As a percent of Eurocurrency market ^{1/}							
Total assets	7.2	10.9	12.4	11.6	10.4	10.3	10.3 ^{2/}
Total liabilities	6.6	10.7	11.4	10.4	9.2	9.0	8.9 ^{2/}
B. Eurobond market							
Volume of Eurobond issues with Luxembourg banks' participation in syndicate							
	0.9	2.6	3.5	3.8	5.3	7.1	5.7 ^{3/}
As a percent of total Euro-bond public issues							
	29.2	21.6	23.9	20.9	21.8	16.3	24.0 ^{3/}

Source: Institut Monétaire Luxembourgeois, Bulletin Trimestriel.

^{1/} Eurocurrency market narrowly defined, i.e., foreign currency assets (and liabilities) of banks in the 12 European countries reporting to the Bank for International Settlements (BIS).

^{2/} March 1983.

^{3/} First semester 1983.

Table 16. Luxembourg: Current Account Developments, 1978-82 ^{1/}

(In billions of Luxembourg Francs)

	1978	1979	1980	1981	1982 ^{2/}
Exports of goods	72.8	85.8	87.9	88.6	101.9
Imports of goods	83.5	95.1	105.6	111.3	124.5
Trade balance	-11.2	-9.2	-17.7	-22.7	-22.6
Service credits	154.4	242.7	382.5	615.7	680.5
Investment income	(131.6)	(215.7)	(352.1)	(580.9)	(645.0)
Service debits	116.3	200.6	336.2	547.2	595.5
Investment income	(103.5)	(185.7)	(319.2)	(528.3)	(575.0)
Services, net	38.1	42.1	46.3	68.5	86.0
Investment income, net	(28.1)	(30.0)	(36.0)	(52.6)	(70.0)
Transfers, net	-0.9	-1.1	-1.2	-1.1	-1.5
Current account	26.0	31.8	29.4	44.7	61.9
As a percent of GNP	18.8	20.7	17.7	23.3	28.2

Source: STATEC, Note Trimestrielle de Conjoncture No. 1/83 (May 1983).

^{1/} National definition; for staff estimates, see Staff Report for the 1983 Article IV consultation with Luxembourg, Appendix III, Table B.

^{2/} Provisional.

Table 17. Luxembourg: Trade by Commodity Group, 1974 and 1982

(In percent of total)

	1974	1982
<hr/>		
A. Imports		
Mineral and oil products	22.3	20.5
Foodstuffs	10.0	14.0
Machinery and equipment	14.9	12.5
Metals	12.5	10.9
Transport equipment	7.0	9.5
Chemical products	6.5	7.5
Textiles	8.8	6.7
Other	18.0	18.4
B. Exports		
Metals	70.8	47.7
Plastic and rubber products	7.9	13.1
Machinery and equipment	4.7	9.0
Foodstuffs	4.2	6.5
Textiles	6.4	5.9
Other	6.0	17.8

Sources: STATEC, Annuaire Statistique, 1982; and Grand Duchy of Luxembourg in Figures, 1983.

Table 18. Luxembourg: Direction of Trade, 1974 and 1982

(In percent of total)

	1974		1982	
	Imports	Exports	Imports	Exports
European Community	93.2	68.5	91.5	76.8
Belgium	31.2	20.5	37.4	17.0
Germany	38.8	22.9	34.2	27.8
France	15.3	12.3	12.4	16.8
Netherlands	4.7	5.8	3.6	6.0
Italy	1.6	2.5	2.3	3.6
United Kingdom	1.5	2.8	1.4	3.8
EFTA	2.6	6.8	3.2	5.6
USA	2.7	4.0	2.5	5.2
Others	1.5	20.7	2.8	12.4

Sources: STATEC, Annuaire Statistique, 1982; and Grand Duchy of Luxembourg in Figures, 1983.

Table 19. Luxembourg: Exchange Rates and Competitiveness, 1978-83

(Index, 1980=100)

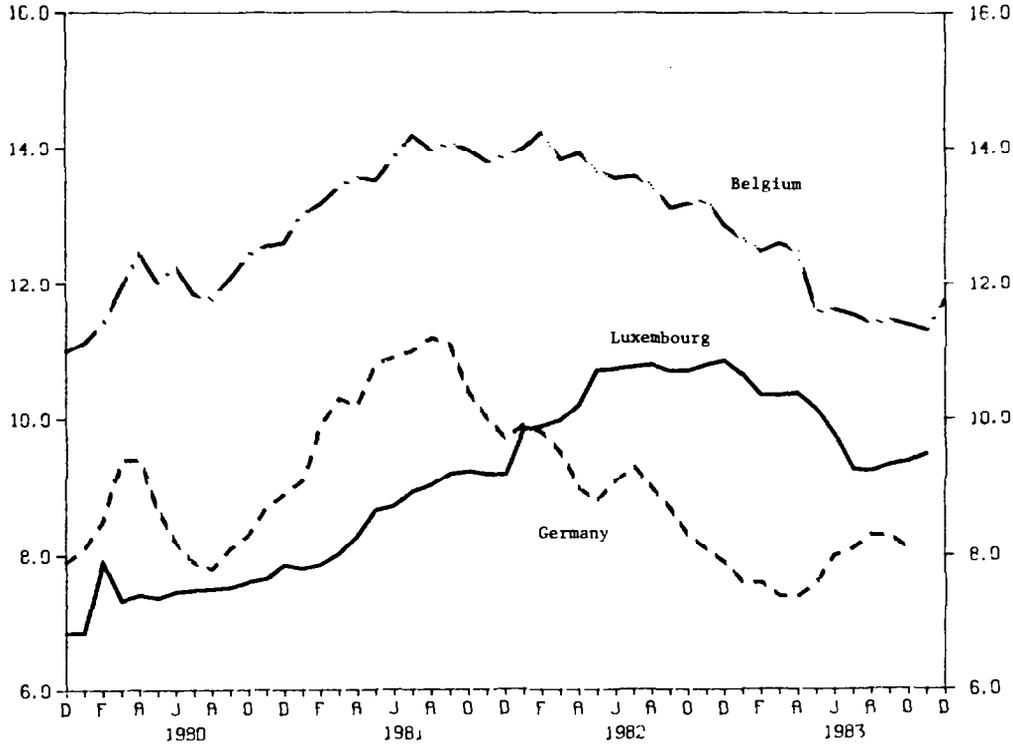
	Dollar exchange rate US\$/LuxF	Effective exchange rate	Real effective exchange rate <u>1/</u>
1978	92.83	100.42	104.05
1979	99.60	100.40	102.41
1980	100.00	100.00	100.00
1981	78.98	97.87	97.49
1982 I	70.62	94.01	93.97
II	64.93	90.15	90.17
III	61.42	90.02	91.21
IV	59.96	89.48	91.56
1983 I	61.69	89.60	92.25
II	58.88	89.19	91.59
III	55.03	88.43	91.80

Sources: International Monetary Fund, International Financial Statistics; and staff estimates and calculations.

1/ Deflated by relative consumer prices (Information notice system index).

Chart 1. Government Bond Yields, 1980-83

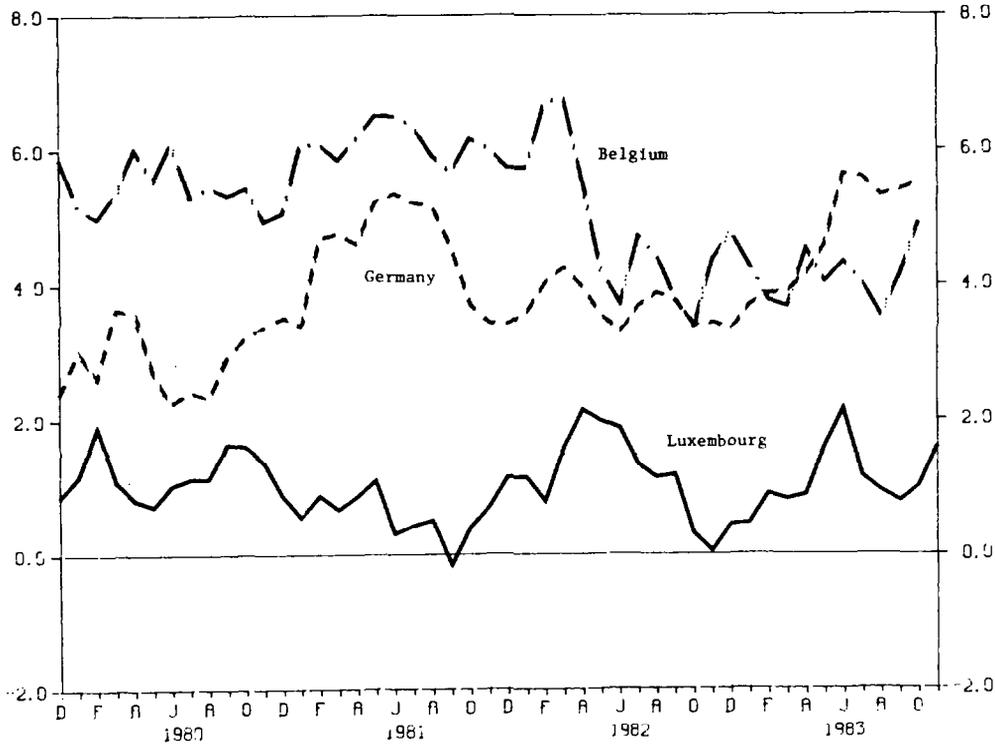
(In percent)



Source: International Monetary Fund, International Financial Statistics.

Chart 2. Real Government Bond Yields, 1980-83 1/

(In percent)



Source: International Monetary Fund, International Financial Statistics.

1/ Deflated by the consumer price index.

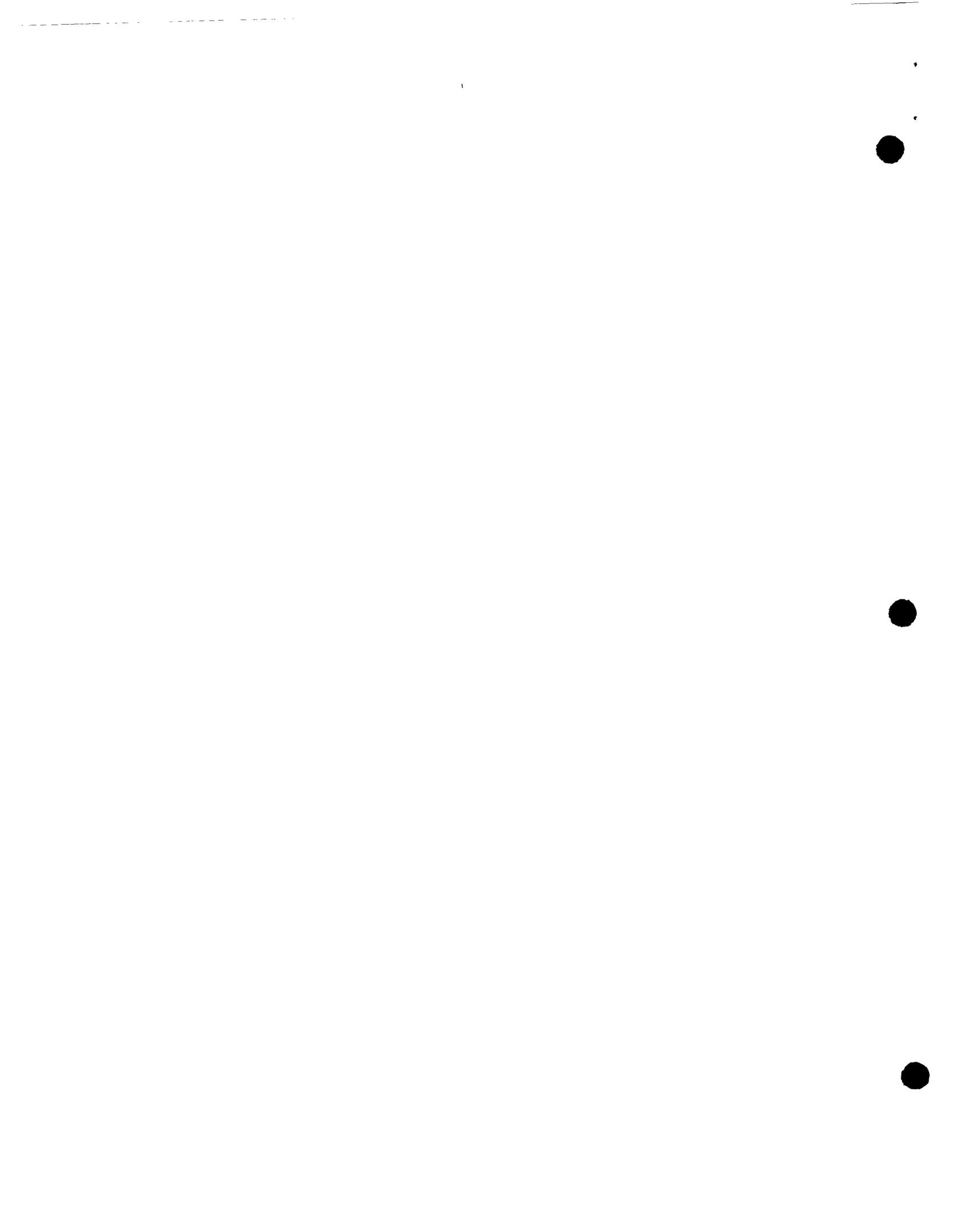
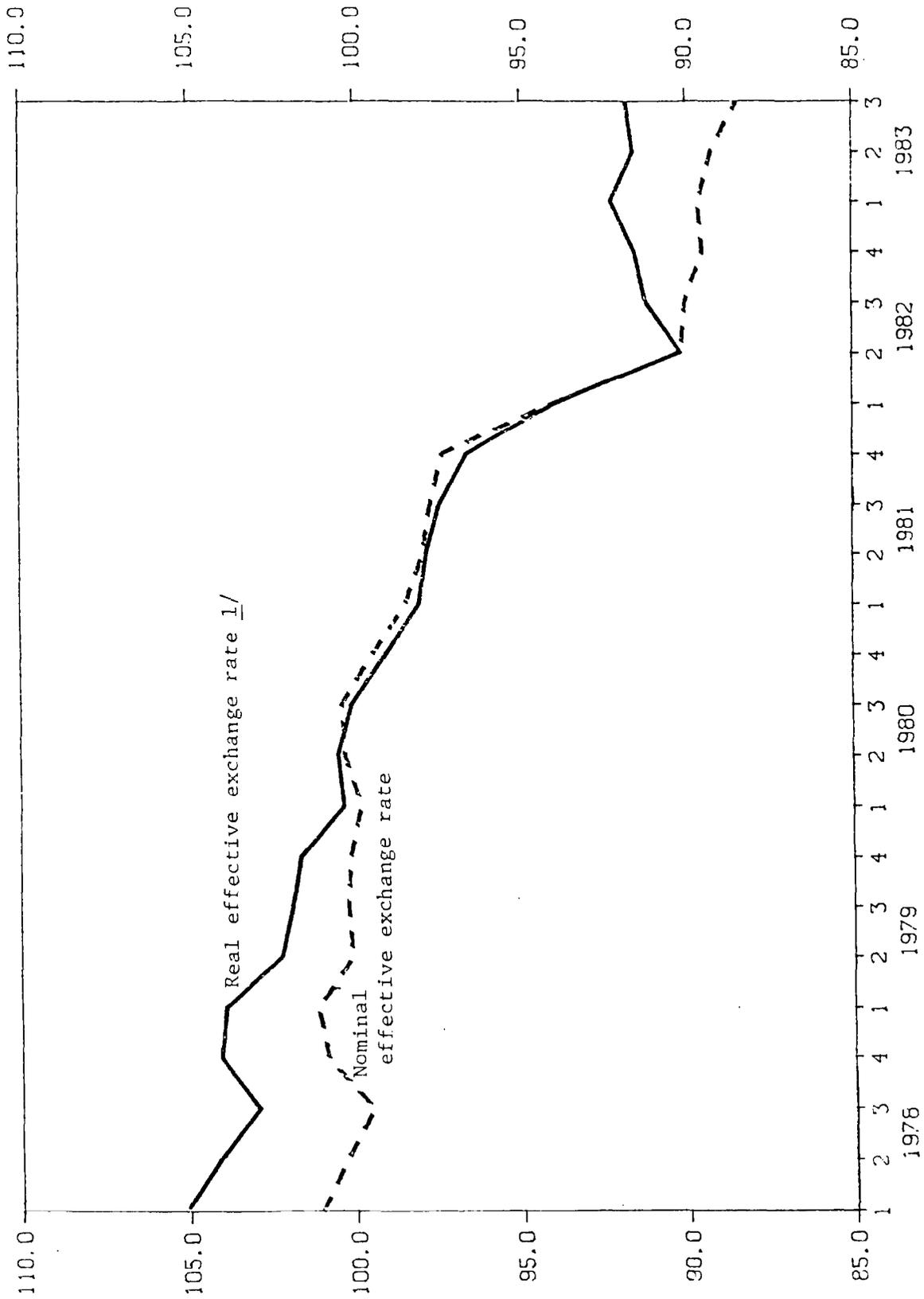


Chart 3. Luxembourg: Effective Exchange Rates, 1978-83

(Index 1980 = 100)



Source: Staff estimates and calculations.
1/ Based on relative consumer prices (Information notice system index).

