INVESTMENT IN LUXEMBOURG

What is the situation in Luxembourg?

Following a sharp fall during the financial crisis, investment in Luxembourg peaked again in 2011 and remained strong until 2013, unlike the situation in the EU as a whole, where investment kept on stalling on average. In turn, there was a marked, albeit temporary, contraction in the level of investment in Luxembourg, reaching 18% of GDP in 2013, compared to 20% in the EU. Indeed, investment growth is set to recover in 2015-16, broadly as a result of public investment, which is expected to surge by more than 10% in 2015 due to the implementation of sizeable projects. The high volatility of Luxembourg’s investment growth rates is largely due to the implementation of sizeable projects in the satellite and space industries.

What is the main challenge?

The economy is largely dependent on the financial sector, which contributes to almost 25% of overall gross value added, 25% of fiscal revenues and 12% of total employment. The cost competitiveness of the industrial sector has deteriorated, mainly in the last five years, partly as a result of rising unit labour costs. In view of the underlying macroeconomic risk of depending on one specific sector, efforts are being made to diversify the structure of the economy, also within the financial sector and including by fostering knowledge-based, innovative and export-oriented industries, such as logistics, telecommunications and biotechnology. Investing in the development of alternative economic sectors, including through higher public and private R&D spending, represents a real challenge.

Opportunities for investment

The most promising sectors include ICTs, logistics, eco-technologies, health, bio- and space technologies. In the ICT sector, there have been major investments to support connectivity infrastructure and high security data centres. The ICT sector is tied to the logistics sector via e-commerce, to eco-technologies through smart grids and to space technologies as well as the industrial and financial sectors through high performing cloud computing. The robust current account performance of non-financial services is indicative of the success of the multi-specialisation strategy.
Investing in Europe’s future

Reforms for investment

In the Country Specific Recommendations for Luxembourg, the European Union recommended:

- Preserve a sound fiscal position, significantly strengthen the budgetary strategy to achieve the MTO
- Pursue the diversification of the structure of the economy, including by fostering private investment in research and further developing cooperation between public research and firms
- Pursue the pension reform
- Further improve the design and monitoring of active labour market policies
- Speed up the adoption of structural measures to reform the wage setting system
- Reduce greenhouse gas emissions by non-ETS activities

EU funding for investment

2014 – 2020: Total €0.14 billion EUR

Past or ongoing projects for investment

- **Gas/electricity interconnections**
  - Reinforcement of the interconnection.
  - Commissioning date: 2016
  - (Belgium, France and Luxembourg)

- **Transport interconnections**
  - Connecting Europe Facility: ‘North Sea - Mediterranean’ core network corridor: Ireland, United Kingdom, The Netherlands, Belgium, Luxembourg, France

[http://ec.europa.eu/contracts_grants/agreements/index_de.htm](http://ec.europa.eu/contracts_grants/agreements/index_de.htm)
*excluding European Maritime and Fisheries Fund (EMFF)*