

LUXEMBOURG

The international crisis hit the economy towards the end of 2008. Initially, the financial sector was affected, but the collapse in world trade also hurt the export-dependent manufacturing sector, and GDP is set to contract during 2009. Subsequently, a mild recovery will emerge on the back of fiscal stimulus, easier monetary conditions and a pick-up in world trade.

The government is implementing a fiscal stimulus of more than 3% of GDP. To secure fiscal sustainability, this stimulus should be withdrawn as soon as the strength of the recovery allows.

Luxembourg: Demand, output and prices

	2005	2006	2007	2008	2009	2010
	Current prices € billion	Percentage changes, volume (2000 prices)				
Private consumption	10.7	2.9	2.0	1.5	0.5	1.1
Government consumption	5.0	2.7	2.6	0.9	5.0	2.5
Gross fixed capital formation	6.2	1.0	11.8	2.0	-12.2	-7.4
Final domestic demand	21.9	2.3	4.8	1.5	-2.1	-0.8
Stockbuilding ¹	0.6	-0.5	-0.6	0.1	0.1	0.0
Total domestic demand	22.5	1.5	3.9	1.6	-2.0	-0.8
Exports of goods and services	47.9	14.6	4.4	0.3	-10.7	-0.7
Imports of goods and services	40.2	13.4	3.6	1.8	-11.1	-0.9
Net exports ¹	7.7	5.3	2.6	-2.1	-2.6	0.1
GDP at market prices	30.2	6.4	5.2	-0.9	-4.0	-0.4
GDP deflator	–	5.4	2.1	1.7	0.7	1.2
<i>Memorandum items</i>						
Harmonised index of consumer prices	–	3.0	2.7	4.1	-0.3	1.2
Private consumption deflator	–	2.2	2.1	4.7	0.5	1.2
Unemployment rate	–	4.4	4.4	4.4	6.0	7.2
General government financial balance ²	–	1.4	3.6	2.6	-2.4	-4.9
Current account balance ²	–	10.4	9.8	5.5	2.8	4.1

Note: National accounts are based on official chain-linked data. This introduces a discrepancy in the identity between real demand components and GDP. For further details see *OECD Economic Outlook Sources and Methods* (<http://www.oecd.org/eco/sources-and-methods>).

1. Contributions to changes in real GDP (percentage of real GDP in previous year), actual amount in the first column.

2. As a percentage of GDP.

Source: OECD Economic Outlook 85 database.