Luxembourg – Economic Situation

The Organization for Economic Co-operation and Development (OECD) considers Luxembourg's economy "one of the most favourable" among its member states. In 1990, Luxembourg's inflation rate was 3.7%; unemployment was 1.4%.

Luxembourg employs some 30,000 frontier workers living in France, Germany or Belgium. Reduced taxation, the positive impact of German unification, and the coming of the single market will all help maintain economic growth.

The grand duchy's economic structure is founded on metallurgy and other medium-size industries, as well as agriculture and grape growing. Luxembourg's economy experienced a serious crisis in the early 1980s when the iron and steel industry was radically restructured. While this sector remains important, representing 10% of the gross domestic product (GDP), its influence is gradually diminishing. (Iron and steel represented 30% of GDP in 1974.)

Thanks to a liberal banking system, Luxembourg has become one of Europe's major financial centres; and this has helped it overcome the effects of the iron and steel crisis. The city of Luxembourg has 170 banks employing 6.6% of the population.

Telecommunications is another key sector where Luxembourg plays a leading role. An outstanding example is the RTL firm, which is the country's largest taxpayer. This testifies to the vitality and scope of the sector.

Luxembourg is one of the administrative centres of the EC; and the presence of some 10,000 public servants has a positive impact on the economy and confirms the country's role in Europe. Nevertheless, proposals to centralize staff in Brussels may eventually reduce the number of public servants.

The service sector (banks, telecommunications and government) provides 65% of Luxembourg's GDP; manufacturing, 25%; and agriculture, 2.4%.