

AKTUELLE HERAUSFORDERUNGEN UND CHANCEN FÜR DEN WIRTSCHAFTSSTANDORT LUXEMBURG IN EINER SICH NEU ORDNENDEN WELT

31. März 2025 **Carlo THELEN, CEO**



THE EVOLUTION OF LUXEMBOURG'S ECONOMY

4 Key points marking it's economic history





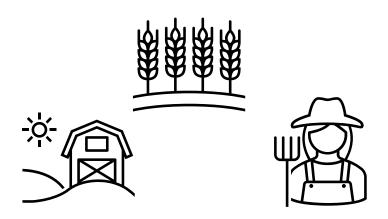






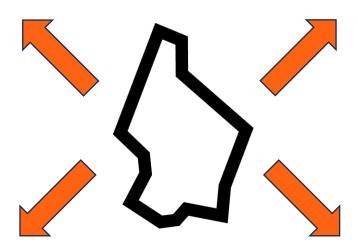
18th & 19th centuries

Agrarian regime



- Closed economy
- Low productivity
- Small industry
- Lack of infrastructure & transport methods

Massive emigration



 More than 72.000 Luxembourgers quit the Grand Duchy between 1841 and 1891 (out of 212.800 inhabitants in 1891)

19th & 20th centuries

Industrialisation



- Iron ore discovery (1840)
- Development of the steel industry and immigration
- In 1910, 15% of the population were non-luxembourgers
- German engineers and italian workers

Embracing economic openness



- Construction of train tracks
- Zollverein (1842)
- UEBL (1922) and Benelux (1944)
- European Coal and Steel Community (ECSC, 1951)
- European Economic Community (EEC, 1957)

The economic development of Luxembourg

Agrarian regime and massive emigration 18th & 19th century

The 1840's Economic surge in the 1950's

Since the 1980's:







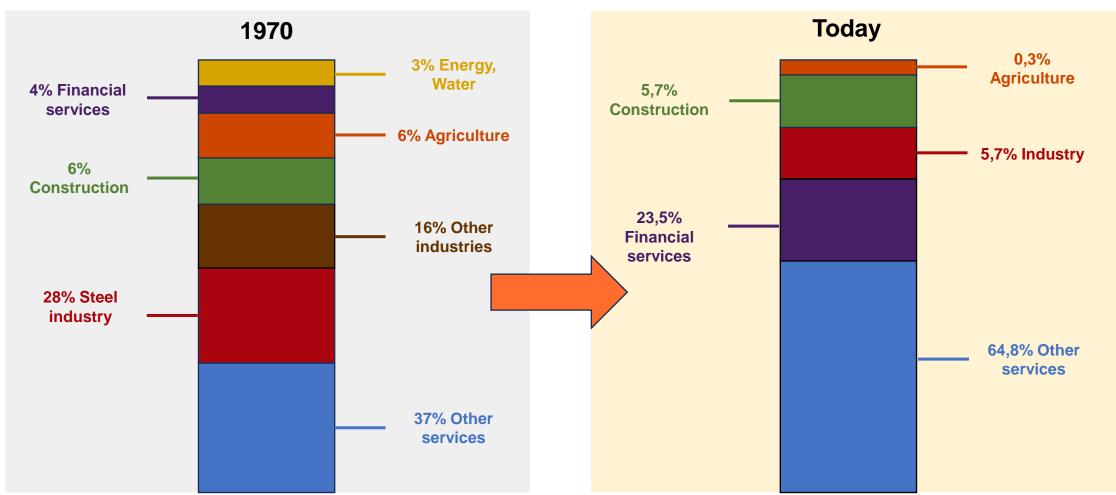


Industrialisation:
Zollverein,
discovery of iron
ore

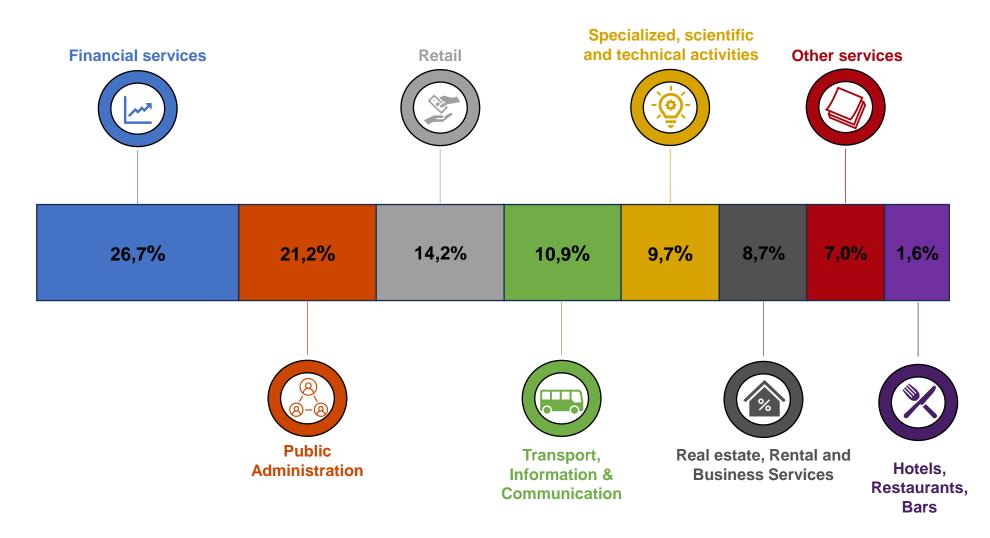
Rise of the financial sector and other services due to foreign contributions

THE ECONOMIC STRUCTURE

The evolution: 1970-Today

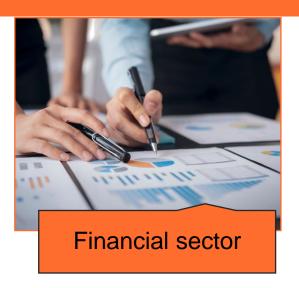


A highly services based economy



The key sectors















An international financial expertise



23,5% of GDP

11,3% of total employment



115 Banks from **25** Countries



World's first stock exchange devoted to Green Finance



Largest investment fund centre in Europe, 2nd Worldwide

€5 800 Billion

in Net Assets

The renewal of the industry



A high value added production:

- Chemical Industry
- Automotive
- Steel Industry
- Industrial Engineering

5,7% of GDP

8,0% of total employment



Diversification of our economic structure

Health Technologies





Space & Defense Industry

Information and Communication Technologies





Logistics

The ICT Sector



5,1% of GDP

4,3% of total employment



3 bachelors & 7 masters at Uni.lu



Modern & Performant

Infrastructure

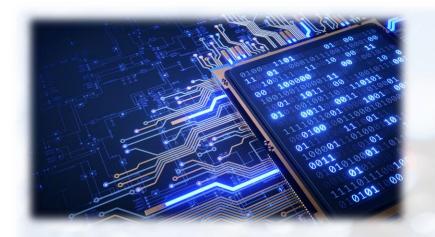
Fibre Glass Coverage: 80,3%

Supercalculator MeluXina linked to the EuroHPC network

MeluXina Q + MeluXina Al

Sovereign and Disconnected Cloud Solutions

Creating a European and Worldwide Al Hub



15 datacenters Tier III and IV ensuring high availability and security

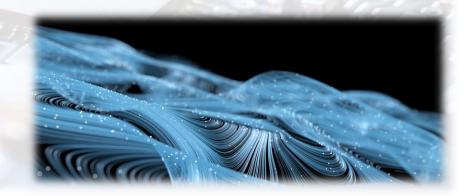
Launch of two new aids: SME Packages Al Fit 4 Al



Creating an Al Factory in Luxembourg under the leadership of Luxinnovation

4 operational areas:

Finance Sustainability
Space Cybersecurity



Biotech & eHealth sector



Promoting innovation, collaboration and business development in health and biotechnology



Healthtech Cluster of Luxinnovation, Luxembourg Centre for Systems Biomedicine (LCSB), etc...

150 companies, start-ups, SME, state organizations

- 4 ares of expertise:
- i. Diagnostics
- ii. Digital health
- iii. Health data analytics
- iv. Health wearables

1.900 employees



MEDICA

European logistics hub



More than 780 Operators

Within a 12 hour drive of 70% of European activity

Luxembourg is 26th in the logistics performance index (2023)



Findel Airport

Mertert River Port

Eurohub Sud Dudelange-Bettembourg

A thriving space sector

80 companies & research labs

+800 employees

40 years expertise in the space sector

200 millions euros devoted to the development of the space industry

1st European Country & 2nd Worldwide to offer a legal framework to secure property rights for space ressources



The development of a defence sector





Goal:

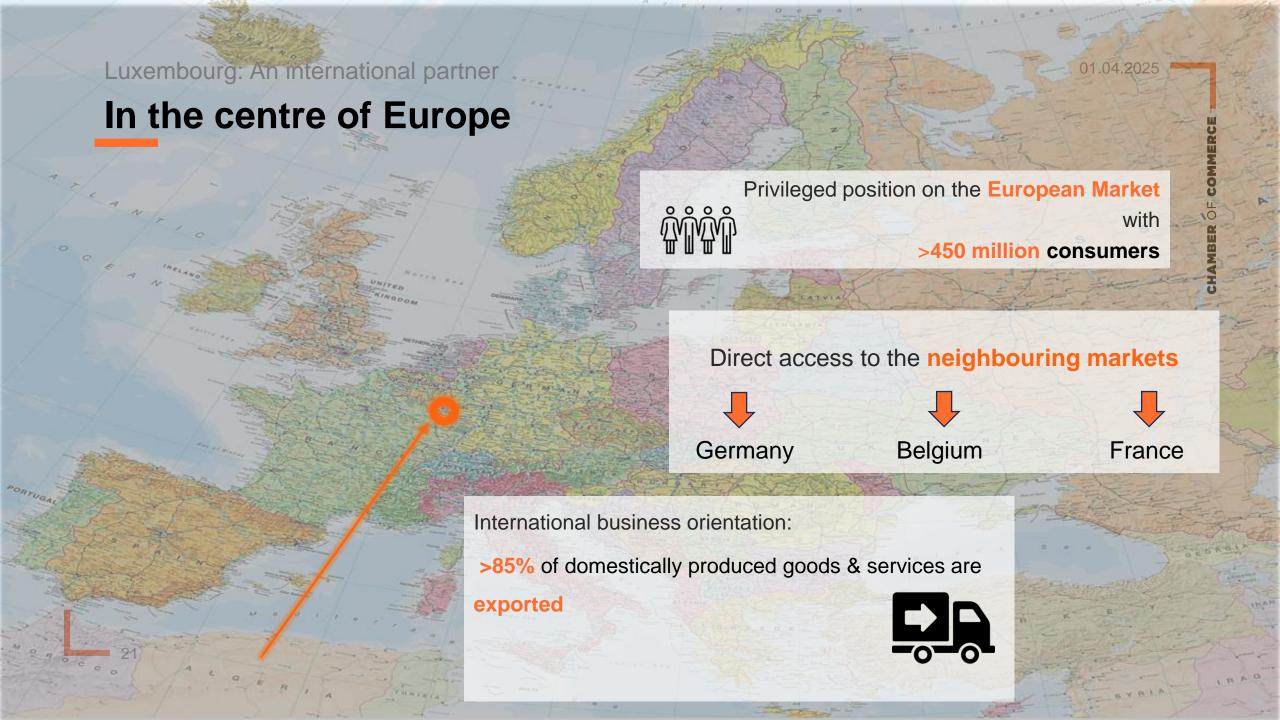
To achieve **NATO**'s targeted military spending: 2% of **GNI**

140 companies operating in the security and defence domains

Close collaboration with European and NATO stakeholders

Development of «dualuse» solutions serving both defence and local economic needs

LUXEMBOURG: AN INTERNATIONAL PARTNER



01.04.2025





US Protectionism: Potential consequences for Luxembourg's economy

US: 25% on European steel and aluminium imports



EU: Up to 50% on **€26 billion** worth of American goods

Exports to the US in 2023:

€517.5 million of goods

€6 billion of services

Imports from the US:

€610 million of goods

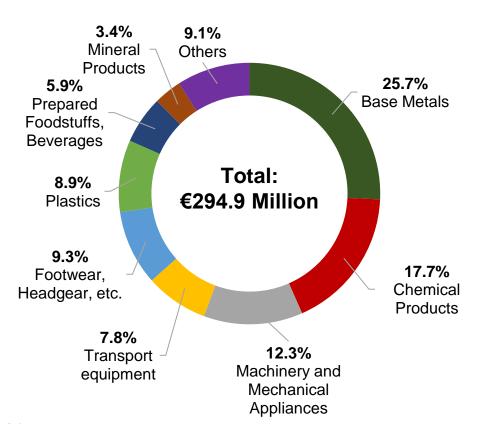
€17 billion of services

- Ongoing trade tensions EU USA
- Potential impacts on investment funds
- CO2 Tax disadvantage
- Industrial competitiveness affected by high energy costs
- Increasing **Defence** expenditures
- OECD Tax Deal withdrawal by the US

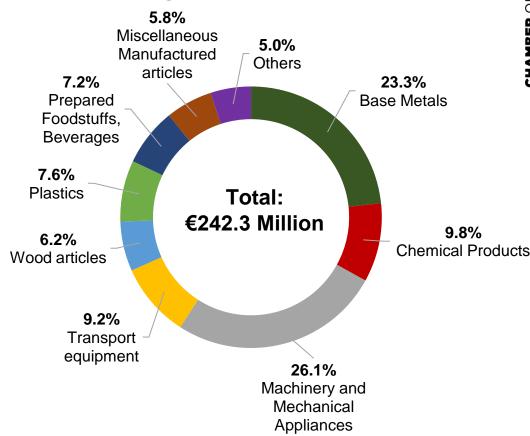


Austria - Luxembourg Trade Relations

Exports of goods to Austria - 2024



Imports of goods from Austria - 2024

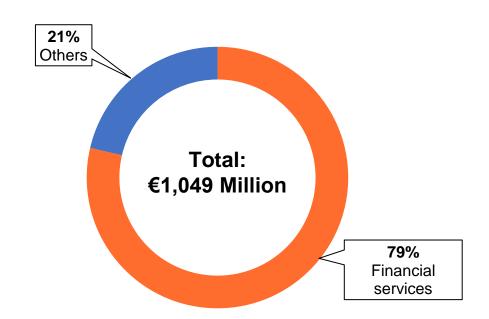


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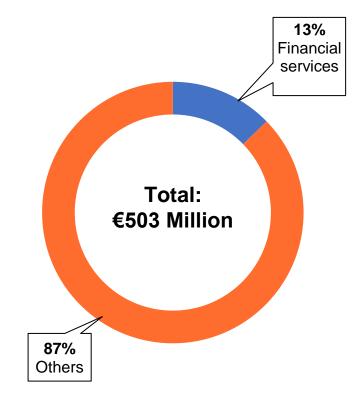
Source: STATEC

Austria - Luxembourg Trade Relations

Exports of services to Austria - 2023



Imports of services from Austria - 2023



25

Source: STATEC

LUXEMBOURG'S MAJOR CHALLENGES

Sluggish economic growth



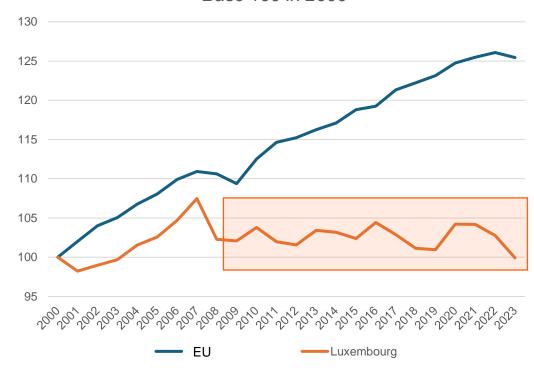
Macroeconomic evolution and forecast				
	2023	2024	2025	2026
Real GDP	-0,7	1,0	2,5	2,4
Total national employment	2,2	1,0	1,4	2,2
Unemployment rate (% of active population)	5,2	5,7	5,9	5,7
Inflation	3,7	2,1	2,2	1,8
Average labor cost	7,3	2,2	3,0	2,4

Major need to restore productivity and competitiveness

- Luxembourg's competitiveness declined and its productivity stagnated.
- Luxembourg ranks 23rd in IMD's
 World Competitiveness Ranking
 2024, marking its worst result ever.
- Luxembourg struggles to achieve new productivity gains.

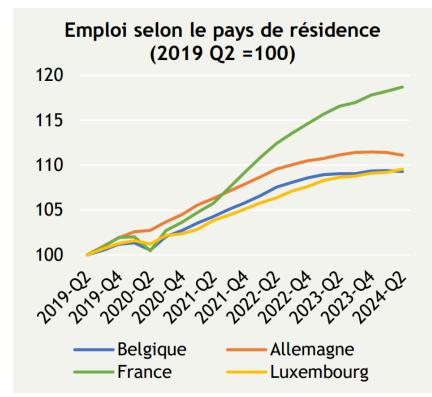
Evolution of labor productivity per hour worked in Luxembourg and the European Union

Base 100 in 2000



Continuing to attract cross-border workers

- Cross-border employment increased by
 1,63% between 2022 and 2023, compared to
 4% before the pandemic.
- Allarming situation:
 - The number of German cross-border workers decreased in the beginning of 2024.
 - The number of Belgian cross-border
 workers decreased in Q3 2023.



Source: Fondation IDEA (Données: STATEC)



Ensuring the durability of our social model





Reform the pension system



Reform the care insurance system

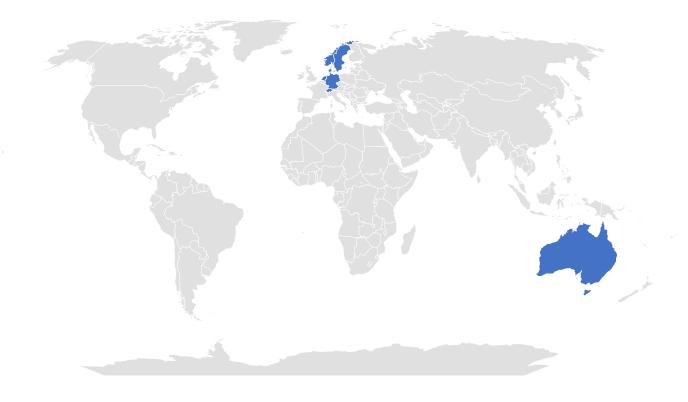


Reform the health and maternity insurance system

Maintaining AAA

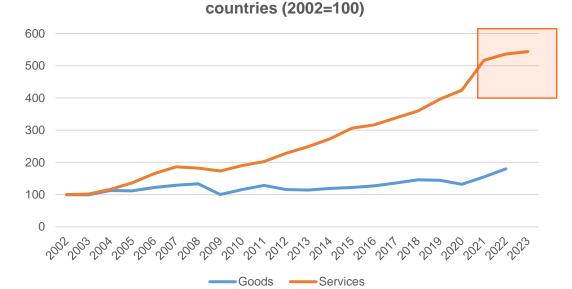
- Only 9 countries in the world benefit from a Triple A Rating from the three major credit rating agencies (Moody's, S&P, Fitch).
- Major competitive advantage that needs to be maintained.

Countries with Triple A Rating from the three major credit rating agencies



Unlock the full potential of the EU Single Market

- The Single Market has been a major driver for European economies, especially for Luxembourg.
- Completing the single market is urgent to fully leverage its potential



Export of goods and services of Luxembourg to EU

Sources: STATEC; Eurostat



The Letta report recommends to:

- 1. Get rid of the remaining barriers
- 2. Accelerate digital integration
- 3. Improve crossborder infrastructure
- 4. Stimulate investment & innovation

DANKE FÜR IHRE AUFMERKSAMKEIT!

