



THE GOVERNMENT
OF THE GRAND-DUCHY OF LUXEMBOURG
Ministry of Finance

Grand Duchy of Luxembourg

Key Indicators

November 2019



- **1: LUXEMBOURG IN A NUTSHELL**
- 2: KEY DATA
- 3: DIVERSIFIED ECONOMY
- 4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE
- 5: PUBLIC FINANCES
- 6: CREDIT RATING
- 7: DEBT MANAGEMENT
- 8: CONTACT DETAILS



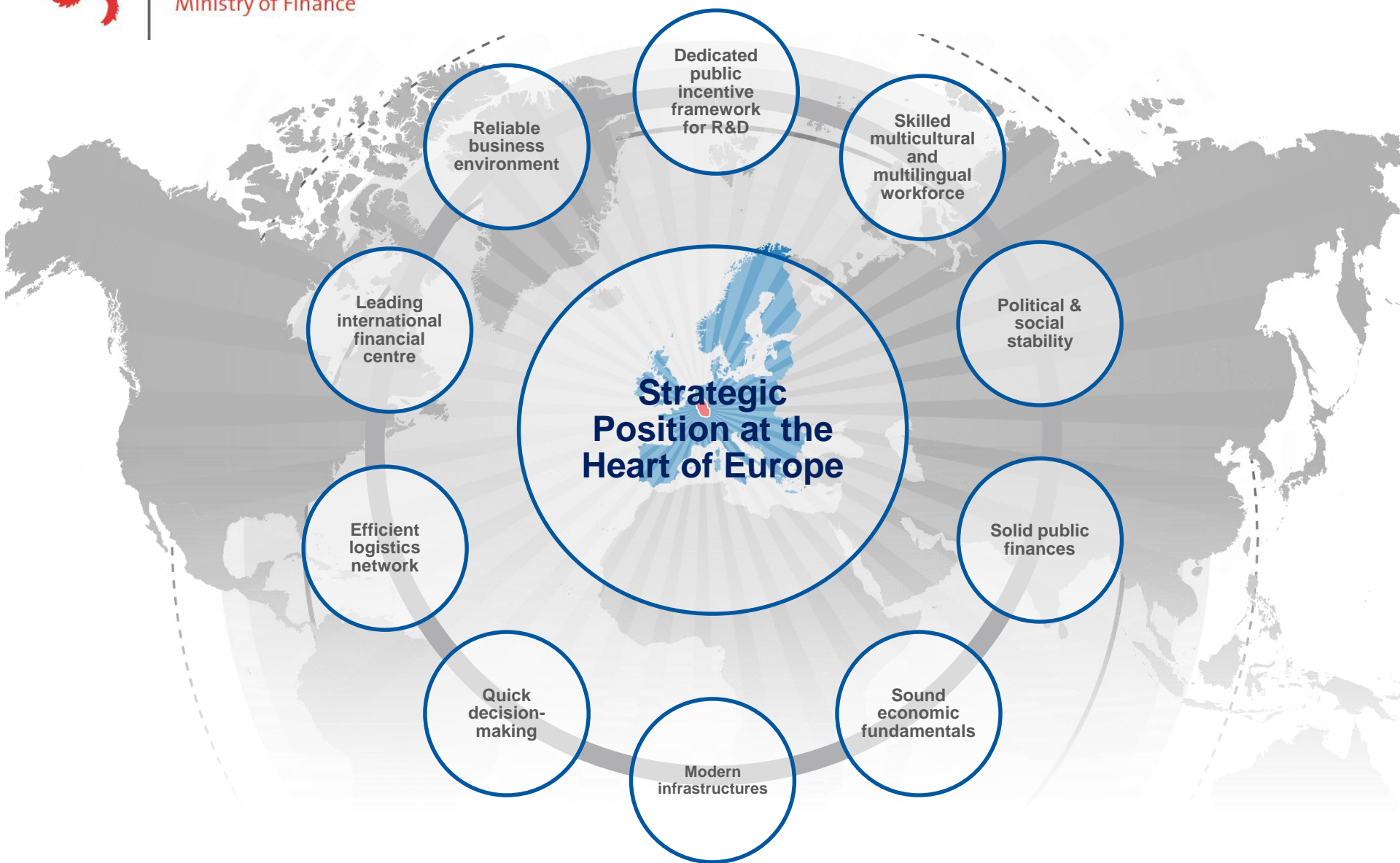
1: LUXEMBOURG IN A NUTSHELL



Official Designation	Grand Duchy of Luxembourg
Area	2,586 km ²
Capital	Luxembourg
Population	613,894 inhabitants as of 1 January 2019, with 53% Luxembourg nationals and 47% foreign residents.
Languages	Luxembourgish (national language), French, German (administrative and legal languages), English (spoken by a large proportion of the population).
Currency	Euro
Political System	Parliamentary democracy within the system of a constitutional monarchy
Head of State	HRH Grand Duke Henri
Head of Government	HE Xavier Bettel, Prime Minister.
Founding Member of Major International Organisations	EU, Benelux, UN, OECD, Council of Europe, NATO, WTO.
Host to Key EU Institutions	European Court of Justice, European Investment Bank, European Investment Fund, European Commission Services (Translation, Publications, Statistics), European Court of Auditors, Secretariat of the European Parliament, EFSF, ESM.



1: LUXEMBOURG IN A NUTSHELL





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2: KEY DATA

Growth and Unemployment

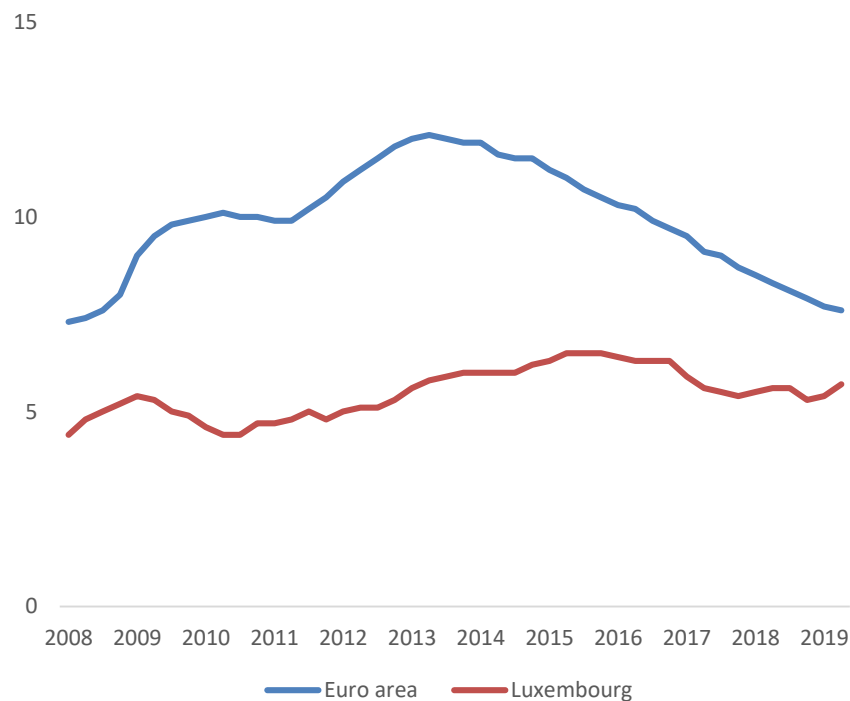
Annual GDP Growth Rate.

Sustained growth momentum since 2013.



Unemployment Rate.

Unemployment significantly below the Euro Area average.





2: KEY DATA

Forecasts and key indicators

In % of GDP (unless indicated otherwise)	Luxembourg				Euro Area			
	<u>2017</u>	<u>2018</u>	<u>2019 (F)</u>	<u>2020 (F)</u>	<u>2017</u>	<u>2018</u>	<u>2019 (F)</u>	<u>2020 (F)</u>
Real GDP Growth (annual change, in %)	1.5	3.1	2.4	2.4	2.5	1.9	1.2	1.4
Inflation (annual change, in %)	2.1	2.0	1.6	1.7	1.5	1.8	1.2	1.4
Unemployment Rate (% of active pop.)	5.6	5.4	5.1	5.2	9.1	8.2	7.7	7.5
Current Account Balance ¹	+5.0	+4.7	+4.5	+4.5	+3.2	+2.9	+2.8	+2.7
Budgetary Balance	+1.4	+2.7	+2.0	+1.2	-1.0	-0.5	-0.9	-0.9
Gross Public Debt	22.4	21.0	20.0	19.8	87.3	85.4	83.9	82.3

Sources:

Luxembourg: STATEC, Draft Budgetary Plan 2020, Euro area: IMF World Economic Outlook October 2019.

¹: IMF World Economic Outlook October 2019.

(F)=Forecast (LU: Draft Budgetary Plan 2020; Euro Area: IMF World Economic Outlook October 2019).

Reference year : 2018.	Luxembourg	Euro Area
Nominal GDP	EUR 60 bn	EUR 11,561 bn
GDP per capita (at market prices)	EUR 83,470	EUR 30,930

Source: Eurostat



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3: DIVERSIFIED ECONOMY

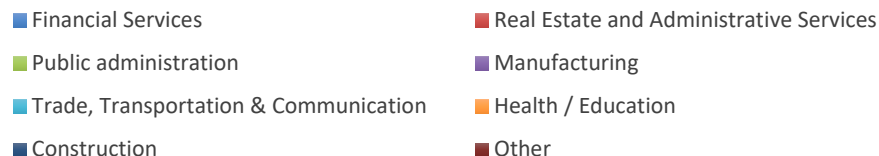
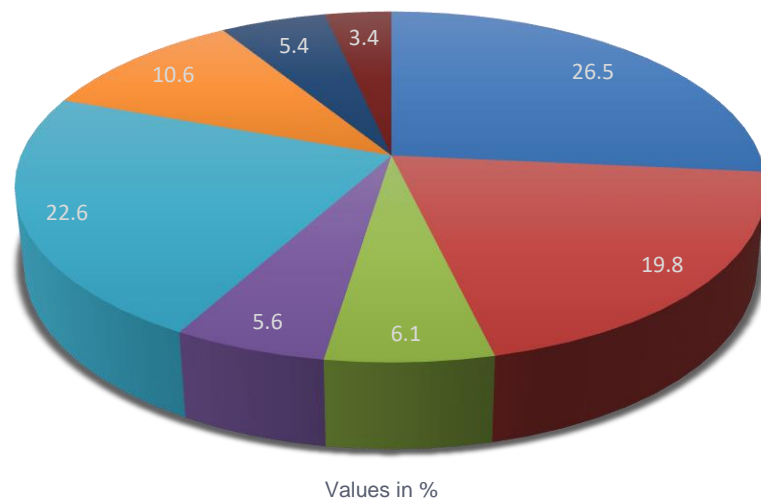
Luxembourg: Snapshot of an open...

- 62% of goods and services produced are exported.
- In 2018, Luxembourg exported €19.8 bn worth of goods and €97.6 bn worth of services.
- Luxembourg is ranked 3rd most open economy in the world (2017 Open Market Index).

...and growth oriented economy

- Corporate Headquarters : Global IT Players (Amazon, Paypal, eBay, Skype), Industry (ArcelorMittal), Satellite Communication (SES).
- Home base of all-freight carrier Cargolux. Lux-Airport is the 7th largest freight airport in Europe 25th largest in the world.
- Continued investment in the traditional industrial sector.
- Other sectors in focus, supported by numerous public/private partnerships: FinTech, Space Resources, CleanTech, Health- & Biotechnologies.

Total of Gross Value Added (by Activity) – 2018



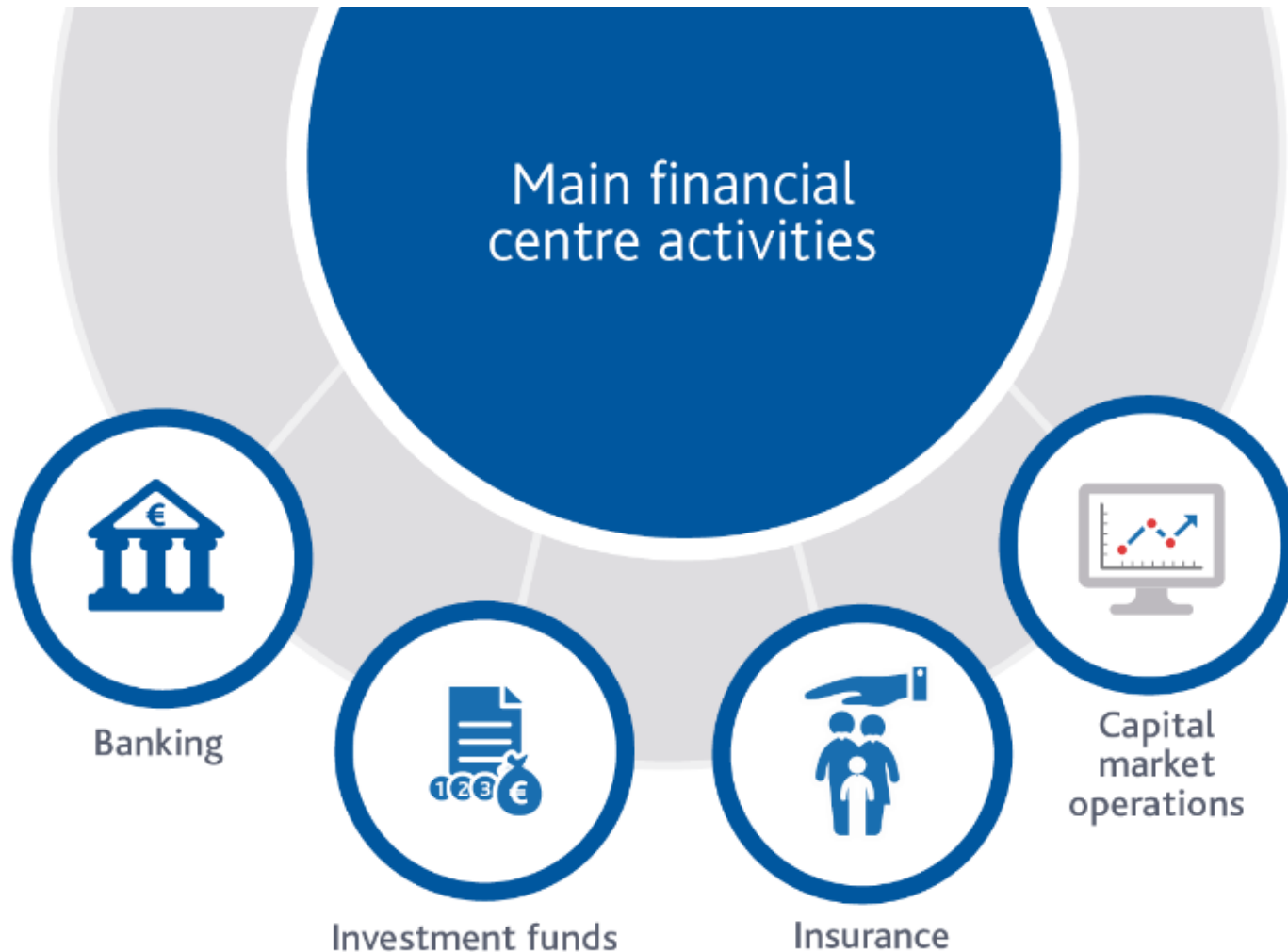
Source : STATEC (Luxembourg Statistical Institute).



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4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

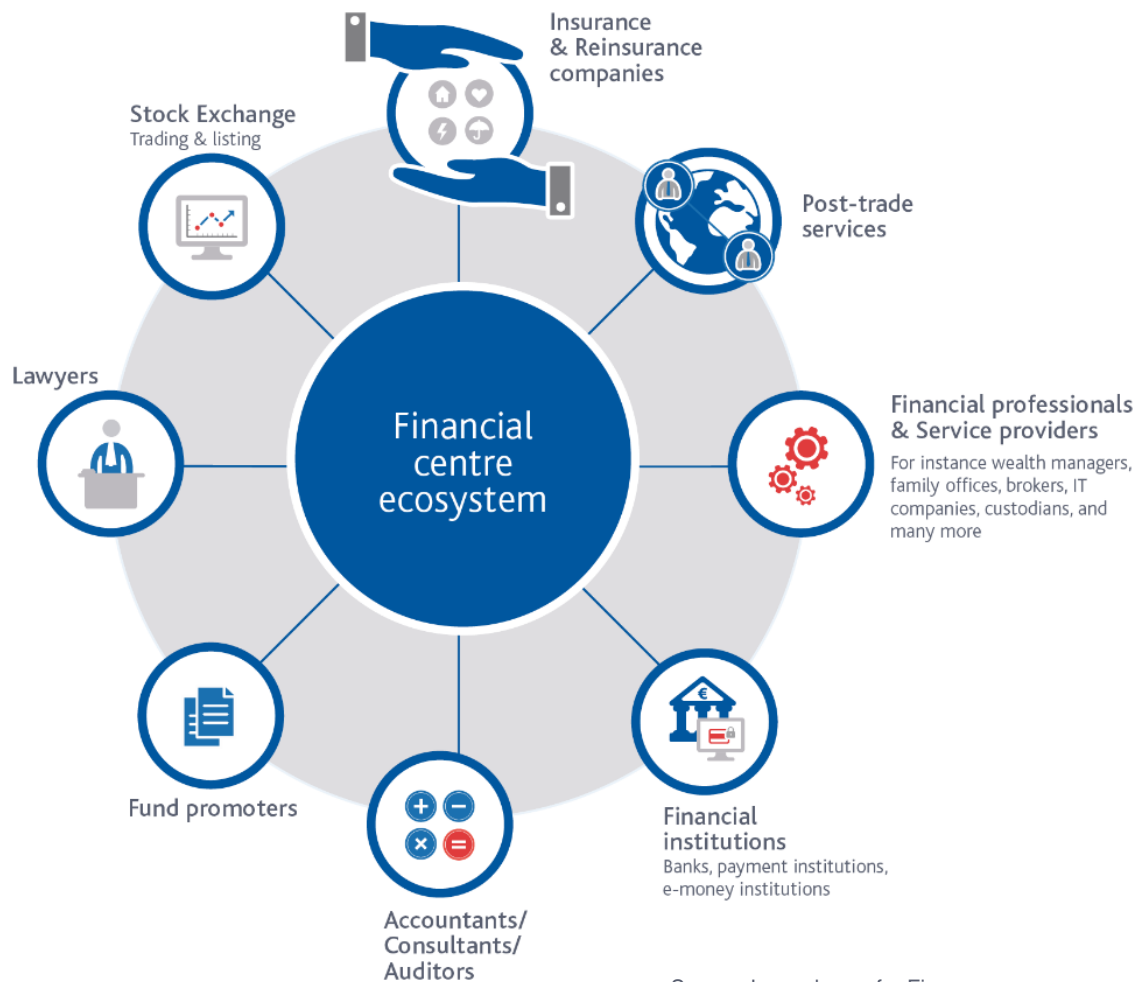




4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

Luxembourg is a **Hub** and **cross-border center of excellence...**

facilitating **multi-jurisdictional** and **cross border financial services**



Source: Luxembourg for Finance



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4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

136 
INTERNATIONAL BANKS
FROM
29 COUNTRIES

**Syndicated loans and treasury services
since 1960's**

**€400+ billion Assets under Management
in Private Banking**

**1st Wealth Management Center in
Eurozone**

 **25.9%**
SOLVENCY RATIO

Source: Luxembourg for Finance



4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

ASSET MANAGEMENT

Global hub for international fund distribution

62%
GLOBAL MARKET
share in cross-border
investment funds
(PWC March 2018)

N°1
IN EUROPE



N°2
IN THE WORLD

INVESTMENT FUND CENTRE

(June 2018, CSSF)

Luxembourg funds
are distributed in

70
COUNTRIES

INSURANCE

International portability and a unique level of protection in life insurance



42
non-life insurance
companies

207
independent or captive
reinsurance companies

46
life insurance
companies



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4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

SUSTAINABLE FINANCE

Home to the first and only exchange platform in the world dedicated to sustainable,
green and social securities, the **Luxembourg Green Exchange (LGX)**

1ST LARGEST MARKET
share of listed Green bonds
in the world

39%

LUXEMBOURG
has the leading European market
share of responsible investment funds



61%

OF ALL GLOBAL MICROFINANCE FUND ASSETS

ARE DOMICILED IN LUXEMBOURG



Source: Luxembourg for Finance



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4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

A major **e-commerce** and **e-payment Hub**



RENMINBI BUSINESS

LuxSE is the international market leader
in the listing of Dim Sum Bonds



29%

EU continental hub for
7 CHINESE BANKS

LEADING GLOBAL MARKET
SHARE OF INVESTMENT FUNDS
investing into Mainland China

ISLAMIC FINANCE

1ST Islamic fund centre
IN EUROPE

4TH Islamic fund centre
IN THE WORLD



Source: Luxembourg for Finance



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4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

A
comprehensive
FINTECH
ecosystem and
strong start-up
support



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4: STRONG PRESENCE IN THE GLOBAL WORLD OF FINANCE

- Since November 2014, the ECB has been charged with the direct (micro)prudential supervision of the largest banks in the Euro Area. Eight banks are deemed systemically relevant in Luxembourg and fall under the direct supervision of the ECB.
- In addition to the ECB, the financial sector is supervised by 3 local authorities:
 - ”*Commission de Surveillance du Secteur Financier*” (CSSF)
 - ”*Banque Centrale du Luxembourg*” (BCL)
 - ”*Commissariat Aux Assurances*” (CAA)
- Since 2014, the “*Comité du Risque Systémique*” (CdRS) is in charge of the macroprudential oversight of the Luxembourg financial system.



**Well-Regulated Environment &
Fully Compliant with International Standards**



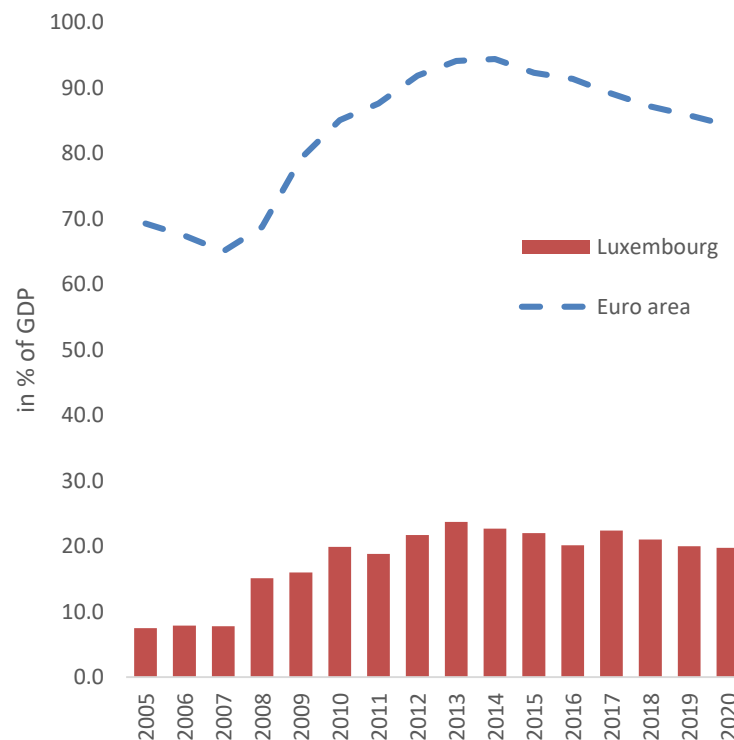
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5: PUBLIC FINANCES

- Luxembourg has a low level of gross public debt of 21% of GDP at the end of 2018.
- Counter-cyclical fiscal policy and financial sector support during the global financial crisis had led to a measured increase of the stock of debt to 23.7% of GDP in 2013.
- Latest forecasts point to a stabilization around 20% of GDP, well below the government's own limit of 30% of GDP.
- On the asset side, Social Security surpluses are transferred into a pension reserve fund which has assets worth 31.6% of GDP.
- The Luxembourg State also holds stakes in various companies estimated at 10% of GDP.
- The net financial worth of the Luxembourg State thus remains largely positive.

Public Debt History and Outlook.



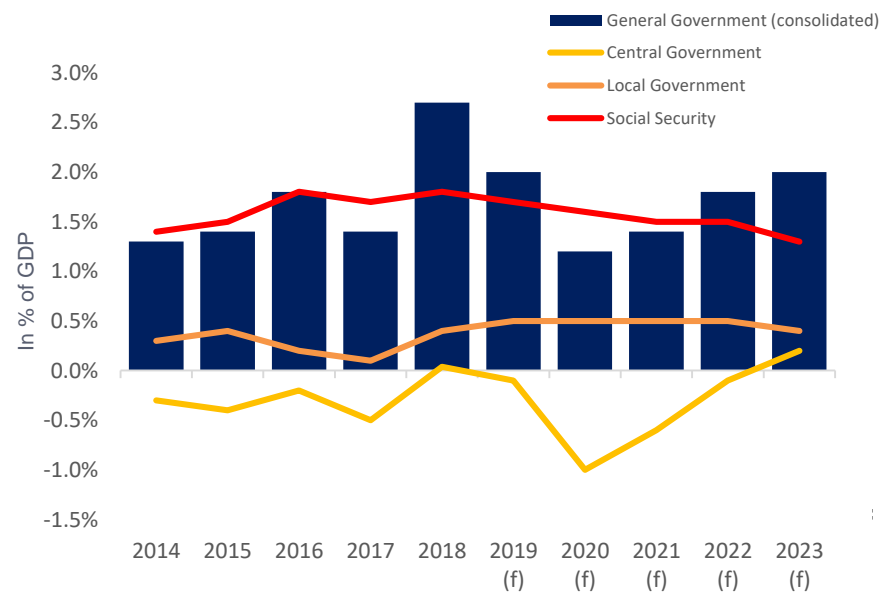
Source :
LUX: Statec, Draft Budget 2020.
Euro Area : European Commission Database AMECO.



5: PUBLIC FINANCES

- Luxembourg has a long history of budgetary surpluses which are expected to continue over the coming years.
- All rules of the EU Stability and Growth Pact have been consistently complied with.
- Financing needs are primarily driven by deficits arising at the level of the Central Government.
- Local Governments are in surplus on a consolidated basis.
- Surpluses in Social Security are set aside in a dedicated reserve fund to meet future pension obligations.

Overall Fiscal Situation and Outlook.



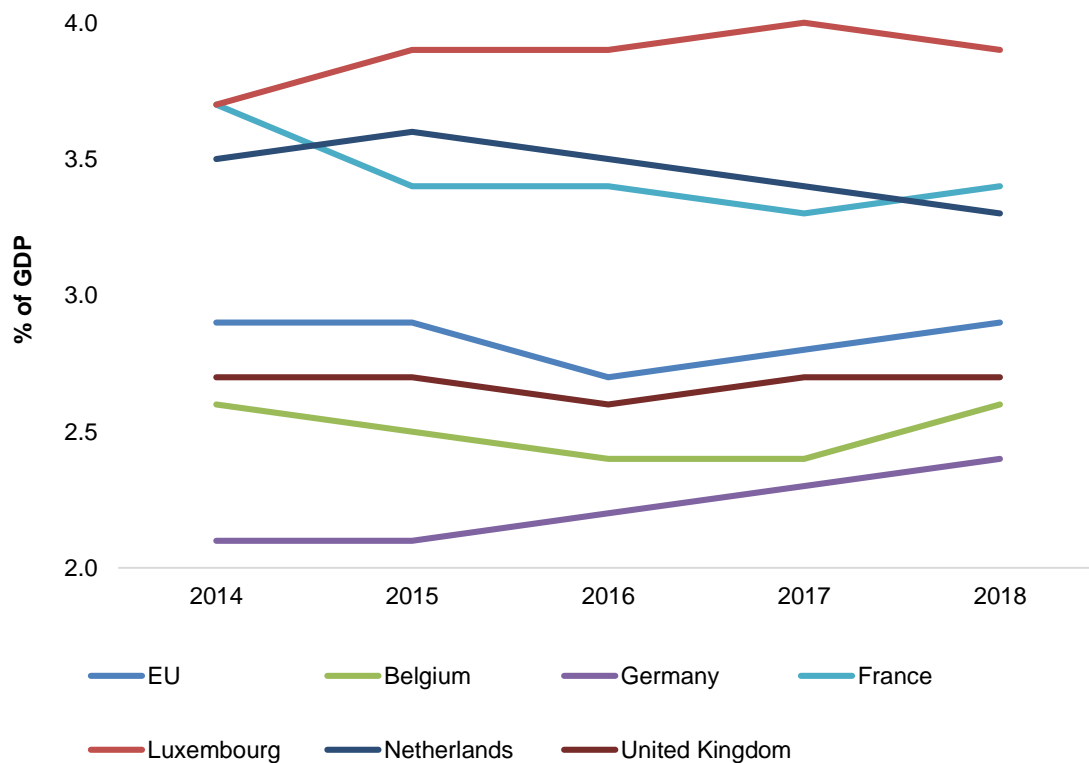
Source : Ministry of Finance, 2020 Draft Budget (October 2019).
(f): Forecast



5: PUBLIC FINANCES

- Strong emphasis on investments in public infrastructures.
- Since 2013, the volume of public investments progressed from 1.6bn EUR to 2.3bn EUR in 2018.
- Primary investment projects for the period 2019-2020 include:
 - Railway and road network (including tramway);
 - Digitalization;
 - Climate measures;
 - Schools;
 - Hospital sector;
 - Sports equipment.

Public Investment

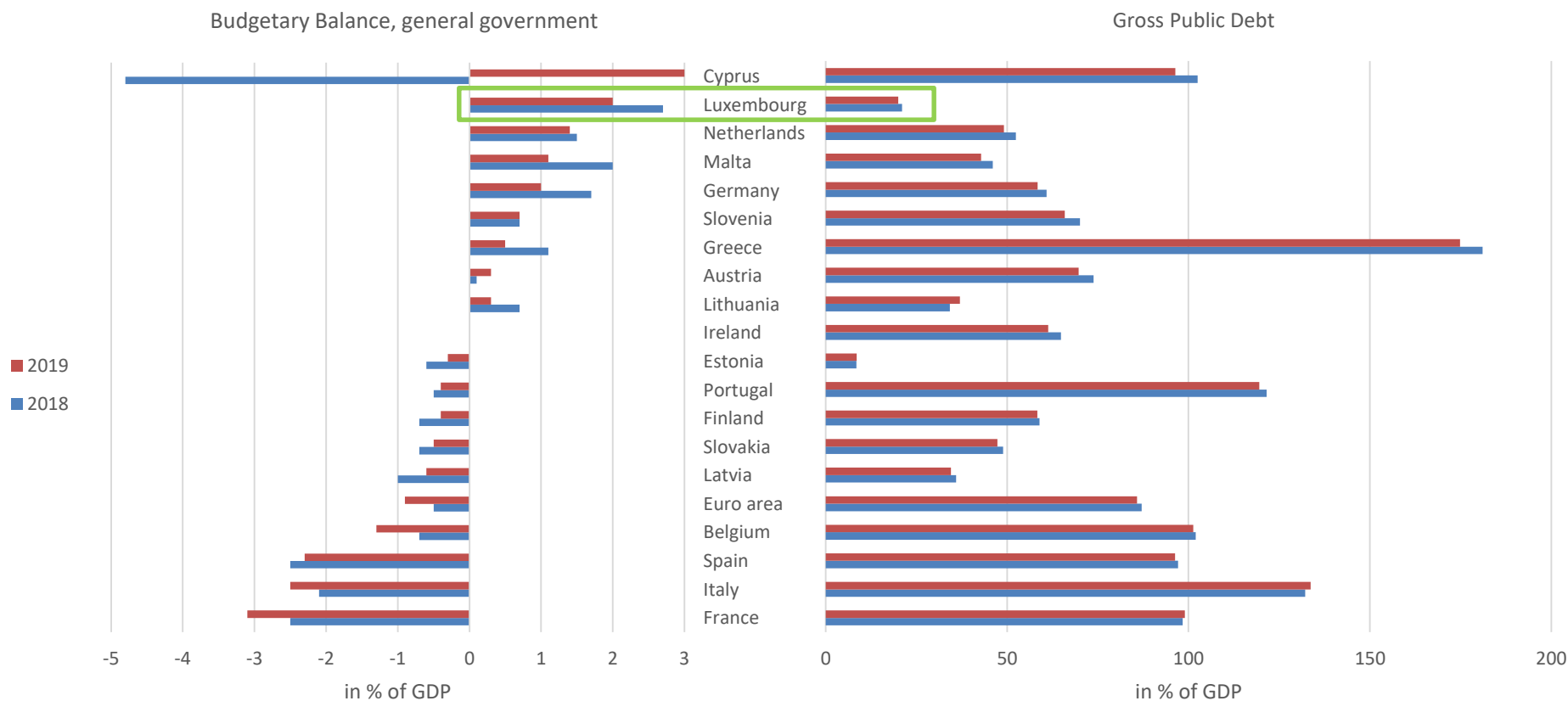


Source: Eurostat



5: PUBLIC FINANCES

Comparison with other Euro Area Member States.



Source: Luxembourg: STATEC, Draft Budgetary Plan 2020 ; other countries: European Commission, AMECO.



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6: CREDIT RATING

S&P	AAA	Stable
Moody's	Aaa	Stable
Fitch	AAA	Stable
DBRS	AAA	Stable

Rationale behind the AAA rating :

- ✓ “Public finances are a key strength for Luxembourg's rating.”
- ✓ “Luxembourg's prosperous economy is backed by an effective institutional framework, robust economic growth, and a large net asset position.”
- ✓ “Luxembourg has a history of budget surpluses, which supports its low level of debt.”
- ✓ “Flexible economic policies, very high wealth levels provide shock absorption capacity.”



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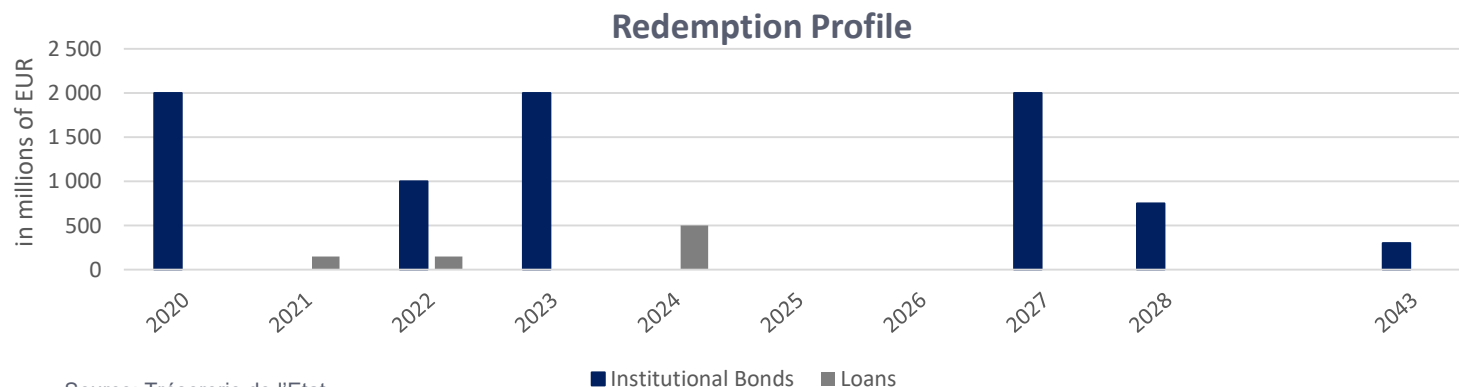
7: DEBT MANAGEMENT

Syndicated Luxembourg Government Bonds (LGB) are the cornerstone of the Treasury's long-term funding strategy.

- Short-term liquidity needs are met via bank loans and subsequently refinanced in the bond markets via LGBs.
- Luxembourg benefits from a well diversified international investor base with all main investor centers and typologies having participated in previous transactions (see page 28).
- Luxembourg has 6 LGBs outstanding for a total amount of EUR 8.05 bn.

Optimizing refinancing and interest rate risk, no FX exposure.

- Outstanding LGBs have an average maturity of 4.82 years with the next large redemption in 2020.
- All LGBs are fixed-rate bonds and are issued in EUR only.





Outstanding Luxembourg Government Bonds (LGB)

	Launch date	Amount issued	Maturity	Maturity date	Coupon	Currency
LGB 3.375% 2020	11/05/2010	2,000,000,000	10 years	18/05/2020	3.375%	EUR
LGB 2.25% 2022	12/03/2012	1,000,000,000	10 years	21/03/2022	2.250%	EUR
LGB 2.125% 2023	02/07/2013	2,000,000,000	10 years	10/07/2023	2.125%	EUR
LGB 2.25% 2028	12/03/2013	750,000,000	15 years	19/03/2028	2.250%	EUR
LGB 2.75% 2043 (PP)	08/08/2013	300,000,000	30 years	20/08/2043	2.75%	EUR
LGB 0,625% 2027	01/02/2017	2,000,000,000	10 years	01/02/2027	0.625%	EUR

Source: State Treasury

In addition, the State holds a portfolio of bank loans of EUR 877mn at the end of September 2019.

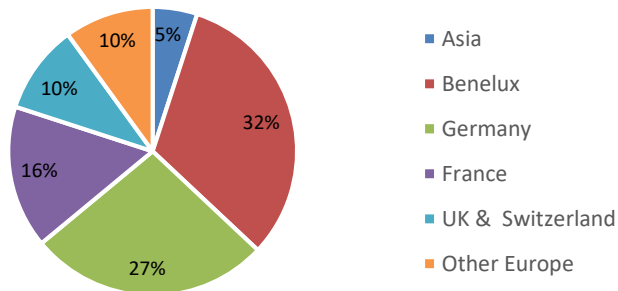


7: DEBT MANAGEMENT

LGB €2.0bn 10-year 0.625% 02/2027

Issuer:	The Grand Duchy of Luxembourg
Issue ratings:	AAA / Aaa (S&P / Moody's)
Size:	€ 2.0 billion
Launch date:	1 February 2017
Maturity:	1 February 2027
Coupon:	0.625%, annual, ACT/ACT
Reoffer yield:	0.740%
Reoffer spread:	MS -9bps (DBR 0.250% 2/27 +27.2bp)
Governing Law:	Luxembourg Law
Listing:	Luxembourg Stock Exchange
Denominations:	€1,000
Joint Lead Managers:	BCEE, BGL BNP PARIBAS, BIL, Bank of China, Deutsche Bank, SG CIB

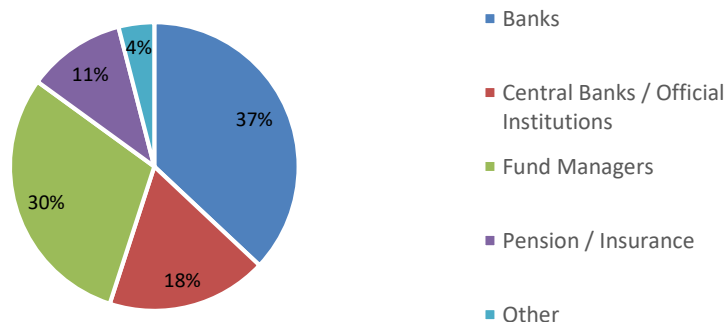
Distribution by geography



Deal summary

- On Wednesday 25 January 2017, the Grand Duchy of Luxembourg, rated Aaa / AAA / AAA (all stable), returned to the Euro debt capital markets for the first time since 2014 with a new EUR 2.0 billion 10-year benchmark due 1 February 2027. The transaction carries an annual coupon of 0.625% , implying a re-offer yield of 0.740%.
- The order book grew above EUR 6.25 billion within only one hour of books open. On the back of this strong momentum, the price guidance was refined to "mid-swaps minus 8 basis points area (+/-1 will price in range)". The order book finally closed at 10:15am CET.
- A highly oversubscribed and granular final order book in excess of EUR 7.25 billion alongside limited price sensitivity allowed the issue size to be set at 2 billion and the final spread to be fixed at mid-swaps minus 9 basis points. The transaction was finally priced at 3:35pm CET.
- The transaction received support from a wide range of investors across Europe, Asia and Middle East with demand from over 160 accounts.

Distribution by investor type





7: DEBT MANAGEMENT

Yield Comparison: LGB 03/2028 vs. DBR 02/2028 vs. NETHER 07/2028



Source: Bloomberg



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