

Savings package to be adopted

The last Tripartite meeting on April 27, bringing together Government, employers and trade unions, failed to produce an agreement on a joint package for the rehabilitation of public finances, the improvement of competitiveness and measures against unemployment. It is now up to the Government to fill the gap and present a package of measures to fight the crisis. In his State of the Nation address on May 5, 2010, PM Jean-Claude Juncker identified a number of areas where savings can be made. Among them are the wages of civil servants, which will be frozen until the end of the current legislature. The government also plans to limit child benefits to the age of 21, while parental leave will be shortened after 2011. Subsidies paid to companies will be reduced by 10%. The package furthermore includes higher taxes for households and the postponement of several public construction projects.

Taking into account all spending cuts for the public and private sectors and households, the PM is confident that the goal of limiting debt to 30% of GDP by the year 2014 will be reached. It is now up to Parliament to approve the package. Another Tripartite meeting is scheduled for autumn.

The European Commission, the OECD and the IMF examine Luxembourg's economic outlook

The OECD, the European Commission and the IMF have recently published their economic reviews on Luxembourg. The main message of these publications is that despite the severe recession, Luxembourg is on the road to recovery. On the other hand, the fiscal position has deteriorated as a result of fiscal stimulus measures, higher social spending and weakening revenues. All institutions emphasize the importance of fiscal consolidation by cutting spending as well as the need for pension reform.

Luxembourg together with Estonia and Sweden are the only countries to be exempt from an excessive deficit procedure by the European Commission. The EC sees Luxembourg's 2010 deficit as "temporary", due to the policy measures taken and therefore concludes that "the deficit criterion of the contract is fulfilled".

The OECD expects GDP growth to reach 2.7% this year and 3.1% in 2011, being slightly more optimistic than the European Commission, who predicts GDP growth of 2.0% and 2.4% respectively. Statec recently published its first estimate for the 4th quarter of 2009 that shows positive growth of 1.4% of GDP as compared to the same quarter in 2008 and revised Luxembourg's annual growth rate upwards from -3.9% to -3.4% for the whole year 2009.

Moreover, the country's industrial production has increased by 6.1% in the first quarter 2010 as compared to the last quarter of 2009, thus confirming its positive trend for the fourth quarter in a row. According to the IMF, the overall growth could be 3% this year, one of the fastest in the EU.

The OECD and the EC both expect unemployment, which has come down slightly, to hover around 6% in 2010 and 5.8% in 2011 – a level around which it has been oscillating since mid-2009.

Finally, the inflation rate is estimated to be between 2.6% and 3.0% this year and around 2% in 2011. Currently, the inflation rate has risen to 2.3% in March and April, mainly due to oil prices; however, the underlying inflation continued to slow, reaching about 1% in early 2010.

Financial centre shows satisfactory performance

As far as the fund industry is concerned, total net assets of undertakings for collective investment (UCIs) and specialized investment funds (SIFs) reached €1.980,5 billion at the end of February 2010, compared to € 1.897,9 billion in January 2010, thus representing an increase of 4.35%. Over the last twelve months, the volume of net assets increased by 29.74%. The number of UCIs and SIFs taken into consideration totals 3,516 compared to 3,498 for the previous month.

According to Luxembourg's Central Bank (BCL), the balance sheet total of banks established in Luxembourg amounted to € 794 billion on April 30 as compared to € 780 billion on March 30, 2010, which represents an increase of 1.8% over one month. In comparison with the same period last year, the balance sheet total of banks decreased by 9.9%. The overall number of banks on April 30, 2010 remained unchanged at 150.

After six weeks of negotiations in the bid for KBL European Private Bankers (KBL EPB), the offer of the Indian investment company Hinduja was accepted on May 20, 2010. The billionaire brothers Srichand and Gopichand Hinduja offered € 1,35 billion for the institution, which manages € 47 billion assets and is present in 10 European countries. KBL will keep its seat in Luxembourg, its label and its management teams.

Luxembourg issues a Government bond rated AAA by Standard & Poor's

The Luxembourg Government placed a loan of € 2 billion on May 11, 2010. The emission, which had been announced some time ago, has been subscribed by 115 professional investors from 15 different countries. According to a statement by the Treasury, domestic investors have made up for 31% of the package, followed by the French (19%), the Germans (15%) and the Belgians (10%). Switzerland represents 7% of the package, followed by Great Britain (5%). Regarding the type of investors, the transaction is divided between bankers (37%), asset managers (29%) and insurers (24%). The government bond of "AAA" quality has a coupon of 3.375% and will mature on May 18, 2020.

Luxembourg is among the most competitive countries in Europe and the world

In the World Economic Forum's recently published Lisbon Review 2010, Luxembourg ranked 5th after Sweden, Finland, Denmark and the Netherlands. The World Economic Forum's Study is the fifth and final review in a biennial series that assesses the progress made by EU member and candidate countries in competitive performance as defined in the EU's Lisbon Strategy. The Grand-Duchy thus improved its performance from rank n°7 in 2008.

The World Competitiveness Yearbook 2010 published by the IMD Institute (International Institute for Management Development) ranks Luxembourg 11th in the world's most competitive economies out of 58 countries. The analysis is based both on statistical indicators and on the opinions of policymakers and business leaders. Here again, the country was able to gain one position from a year ago and is the second most competitive economy in the EU after Sweden (n°6).

Luxembourg's population exceeds half a million

From January 1, 2010, Luxembourg's population exceeds half a million inhabitants, which means that the number of people living in Luxembourg has nearly doubled in the past 100 years. Statistics show that in 1910, the Grand Duchy had only 259,891 inhabitants. The increase is primarily due to immigration, as the numbers of births only show a slight increase over the last years. Portuguese immigrants remain the largest group of foreigners in the country (32.1%) followed by the French (21.3%), Germans (6.6%), Belgians (4.8%) and Italians (4.3%).

Nearly ten thousand people became Luxembourg citizens last year, taking advantage of the Naturalization Act of October 23, 2008. Again, it was the Portuguese who sought naturalization most, followed by the Italians, Germans and French.

The "Smetana's Litomyšl International Opera Festival" marks a first highlight of the celebrations for the 700th anniversary of the accession of John the Blind to the throne of Bohemia

The opening concert of the 52nd Smetana's Litomyšl Festival (June 11 to July 7) will kick off of the celebrations dedicated to the 700th anniversary, which is one of the main themes of this year's festival.

Furthermore, in the framework of Smetana's Creative Litomyšl, an exhibition of distinguished Luxembourg/Czech artist Iva Mrázková, will be opened on the same day in the City Gallery of Litomyšl. It will feature the artist's original illustrations for a children's book called "En Europe, sur les traces de Jean l'Aveugle" by Corine Kohl-Crouzet and Iva Mrazkova, written especially for the occasion and will be published in several languages (including Czech). The second part of the exhibition contains interactive sculptures which symbolise the interlinking in Europe. The exhibition will be open daily (except on Mondays) until July 12, 2010.

On June 15, the Bohemia Luxembourg Trio will perform their program "Vita Caroli", a concert accompanied by a reading from the biography of Charles IV in the Litomyšl Castle at 7.30pm.

On June 23, the Luxembourg chamber orchestra "Les Musiciens" will play music from C. Saint-Saëns, L. van Beethoven and stage the world premiere of contemporary Luxembourg composer A. Mullenbach's three-part composition "King John the Blind", dedicated to the 700th anniversary of the wedding of King John of Luxembourg and Princess Eliška Přemyslovna. The concert will take place at the Smetana House in Litomyšl at 7.30pm.

Further information is available on the festival's official web page: <http://festival.smetana-litomysl.com> and on the web page of the 700th anniversary: <http://www.janlucembursky2010.cz>.