

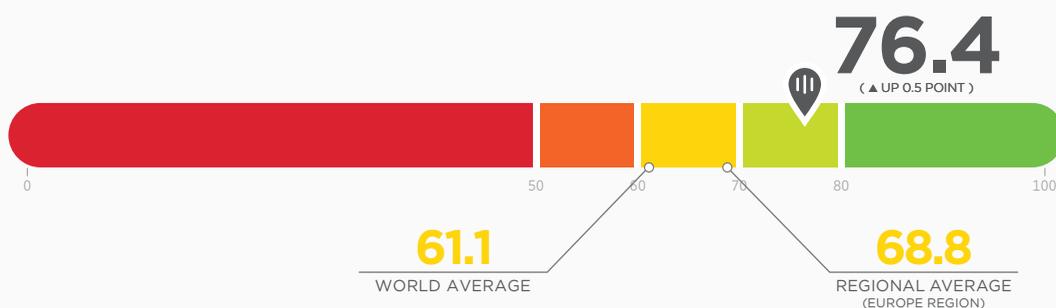
LUXEMBOURG



Luxembourg's economic freedom score is 76.4, making its economy the 14th freest in the 2018 *Index*. Its overall score has increased by 0.5 point, with improvements in scores for the **government spending**, **labor freedom**, and **monetary freedom** indicators offsetting declines in **property rights** and **trade freedom**. Luxembourg is ranked 7th among 44 countries in the Europe region, and its overall score is above the regional and world averages.

Luxembourg is one of the world's wealthiest countries. It has one of the eurozone's highest current account surpluses as a share of GDP, maintains a healthy budgetary position, and has the region's lowest level of public debt. Economic competitiveness is sustained by the solid institutional foundations of an open-market system. The judiciary, independent and free of corruption, protects property rights and upholds the rule of law. High levels of regulatory transparency and efficiency encourage entrepreneurial activity.

ECONOMIC FREEDOM SCORE

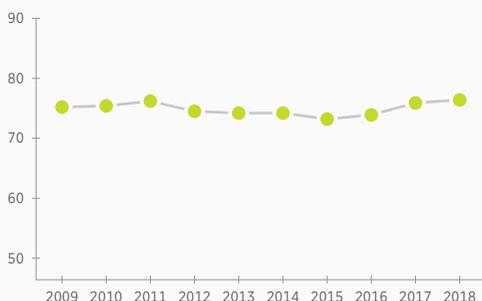


NOTABLE SUCCESSES:
Open Markets, Rule of Law, and Monetary Stability

CONCERNS:
Labor Freedom, Government Spending, and Tax Burden

OVERALL SCORE CHANGE SINCE 2014:
+2.2

FREEDOM TREND



QUICK FACTS

POPULATION:
0.6 million

GDP (PPP):
\$59.9 billion
4.0% growth in 2016
5-year compound annual growth 3.3%
\$104,003 per capita

UNEMPLOYMENT:
5.9%

INFLATION (CPI):
0.1%

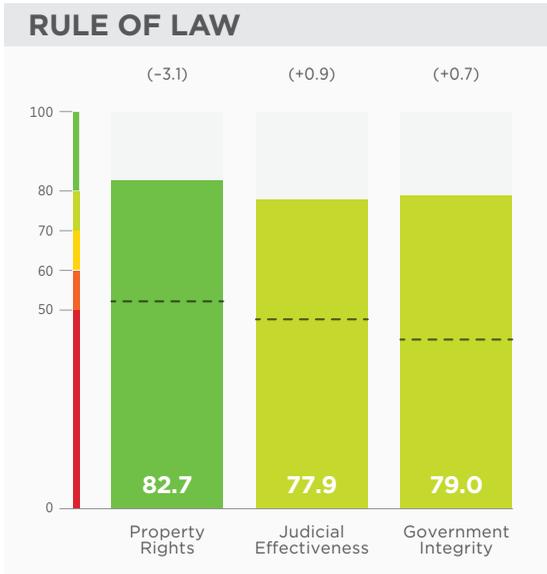
FDI INFLOW:
\$26.9 billion

PUBLIC DEBT:
22.6% of GDP

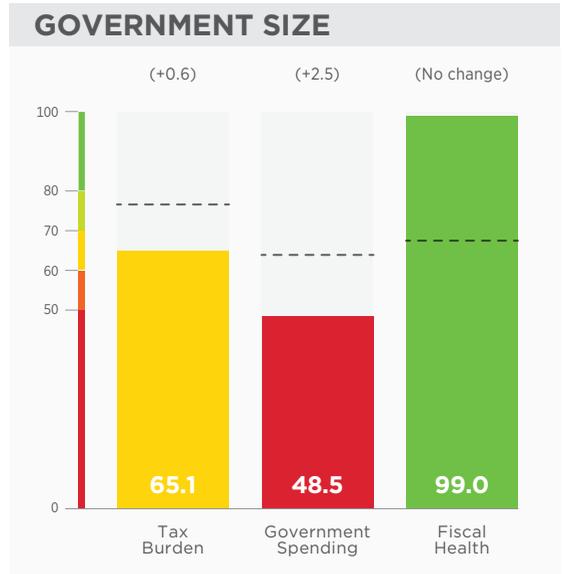
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: A founding member of the European Union in 1957 and the eurozone in 1999, the small Grand Duchy of Luxembourg continues to promote European integration. Prime Minister Xavier Bettel of the Democratic Party was elected in 2013, defeating the Christian Social People's Party. Luxembourgers enjoy high levels of prosperity, although the global economic crisis provoked the first recession in 60 years in 2009. Growth is strong, and unemployment remains well below the EU average. During the 20th century, Luxembourg evolved into a mixed manufacturing and services economy with strong financial services. With its low energy costs, reliable electricity grid, and stable governance, the country is gaining interest as a hub for the new information economy of the 21st century.

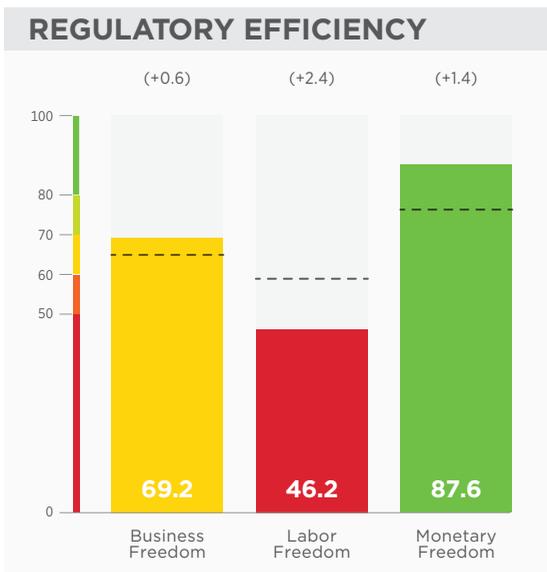
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Secured interests in property, both movable and real, are recognized and enforced through intellectual property and community laws. The government generally respects judicial independence, and a well-functioning legal framework strongly supports the rule of law. Luxembourg has laws, regulations, and penalties to combat corruption effectively, and they are enforced impartially.



The top individual income tax rate is 42 percent, and the top corporate tax rate has been reduced from 21 percent to 19 percent. The overall tax burden equals 37.0 percent of total domestic income. Over the past three years, government spending has amounted to 41.4 percent of total output (GDP), and budget surpluses have averaged 1.6 percent of GDP. Public debt is equivalent to 22.6 percent of GDP.



Luxembourg is consistently ranked as one of the world's most open and transparent economies. Employment opportunities are numerous for industrial and service employees, known as "cross-border" workers, who come to work in Luxembourg on a daily basis from neighboring countries. The agricultural sector is highly subsidized, and Luxembourg has the highest rate of fuel subsidies per citizen in Europe.



Trade is extremely important to Luxembourg's economy; the combined value of exports and imports equals 419 percent of GDP. The average applied tariff rate is 1.6 percent. Nontariff barriers impede some trade. In general, government policies do not significantly deter foreign investment. Banking is well capitalized and competitive. Regulations are transparent and effective. Many of the world's leading banks have subsidiaries in Luxembourg.