


AUTUMN 2010 ECONOMIC OUTLOOK FOR LUXEMBOURG: ANSWERS FROM FEDIL
MAIN FORECAST

Annual % change	2010	2011
Real GDP growth	3.5	3.0
Consumer price inflation	2.1	1.9
Unemployment rate	6.0	6.3
Employment growth	1.6	1.1
government net lending (% of GDP)	-2.2	-1.2
gross public debt (% of GDP)	19.0	19.0
current account balance (% of GDP)	0.0	0.0

Components of aggregate demand - in real terms

Annual % change		
Private consumption	0.0	0.0
Public consumption	0.0	0.0
Investment (Gross Fixed Capital Formation)	0.0	0.0
Private non-residential investment	0.0	0.0
Exports	0.0	0.0
Imports	0.0	0.0

ECONOMIC SENTIMENT

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
Trend in business climate over the next 6 months			
Industry			
Services			

	<i>Positive</i>	<i>Negative</i>	<i>Unchanged</i>
Trend in profitability over the next 6 months			
Industry			
Services			

	<i>Increase (faster pace)</i>	<i>Increase (slower pace)</i>	<i>Unchanged</i>	<i>Decrease (slower pace)</i>	<i>Decrease (faster pace)</i>
Investment intentions over the next 6 months					
Industry					
Services					

	<i>Global demand</i>	<i>Domestic demand</i>	<i>Cost of finance</i>	<i>Availability of finance</i>	<i>Company Profitability</i>	<i>Capacity Utilisation</i>
Influence on companies' investment decisions	positive	neutral	positive	positive	negative	neutral

	<i>Replacement</i>	<i>Extension</i>	<i>Rationalisation</i>	<i>Innovation</i>
Driving force behind investment decisions in the next 6 months	neutral	negative	positive	positive

	<i>Industry: past 6 months</i>	<i>Industry: next 6 months</i>	<i>Services: past 6 months</i>	<i>Services: next 6 months</i>
Overall trend in employment	Same	Same	Same	Same

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

<i>Compared to 6 months ago, cost/access to finance has been... for SMEs</i>	sharply up / restrained	up / more difficult	same Cost Access	down / easier
<i>for larger companies (>250 employees)</i>			Cost Access	

<i>Over the next 6 months, cost /access to finance will be... for SMEs</i>	sharply up / restrained	up / more difficult	same Cost Access	down / easier
<i>for larger companies (>250 employees)</i>			Cost Access	

	Measures to improve bank lending capacity	Facilitating access to capital markets (corporate bonds and stock markets)	Improving conditions for equity financing
Measures to alleviate current financial difficulties for SMEs	Moderate effect	Moderate effect	Very important effect

POLICY MIX

	<i>Tight, appropriate for the euro area</i>	<i>Tight</i>	<i>Appropriate</i> yes	<i>Loose</i>	<i>Loose, appropriate for the euro area</i>
<i>Monetary policy is...</i>					
	<i>adequate</i>	<i>inadequate</i>			
<i>Consistency between fiscal and monetary policies</i>		yes			
	<i>excellent commitment</i>	<i>satisfactory commitment</i>	<i>neither satisfactory nor unsatisfactory commitment</i>	<i>unsatisfactory commitment</i>	<i>no clear commitment creating an extremely worrying situation</i>
<i>Regarding the sustainability of public finances, government shows ...</i>				yes	
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor insufficient focus</i>	<i>insufficient focus</i>	<i>so far ignored</i>
<i>Exit Strategies</i>					
<i>Tight fiscal rules and more effective institutions</i>				yes	
<i>Greater efficiency of public administrations</i>					yes
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private partnerships</i>				yes	
<i>Reform of pension systems</i>					yes
<i>Improved efficiency of healthcare sector</i>				yes	
	<i>excessive focus</i>	<i>sufficient focus</i>	<i>neither satisfactory nor insufficient focus</i>	<i>insufficient focus</i>	<i>so far ignored</i>
<i>Entry Strategies</i>					
<i>More and better-targeted education and training</i>				yes	
<i>More and better targeted R&D and innovation efforts</i>		yes			
<i>Prioritisation of infrastructure investments</i>		yes			
<i>Growth enhancing tax reforms</i>			yes		
	<i>respect the 3% limit</i>	<i>be in balance</i>			
<i>In 2015, the government deficit will...</i>	yes	no			