


NOVEMBER 2011 ECONOMIC OUTLOOK FOR LUXEMBOURG: ANSWERS FROM FEDIL
MAIN FORECAST

<i>Annual % change</i>	2011	2012
Real GDP growth	3,2	1,5
Consumer price inflation	3,8	0,0
Unemployment rate	6,0	6,2
Employment growth	2,7	2,0
government net lending (% of GDP)	-0,6	-0,7
gross public debt (% of GDP)	19,0	18,0
current account balance (% of GDP)	8,6	8,0

Components of aggregate demand - in real terms

<i>Annual % change</i>		
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	negative	neutral	neutral	neutral	negative	neutral

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

ACCESS TO FINANCE AND IMPACT OF THE CRISIS ON POTENTIAL GROWTH

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

	Consolidation of banking sector balance sheets	Access to capital markets	Encouraging equity financing through tax reforms	Better use of existing EU instruments (including EIB)	Greater potential for Public-Private-Partnerships
Measures to alleviate current financial difficulties for SMEs	Moderate effect	Moderate effect	Moderate effect	Moderate effect	Moderate effect
Measures to alleviate current financial difficulties for midsize and large companies	Moderate effect	Important effect	Important effect	Very limited effect	Very limited 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>Consistency between fiscal and monetary policies</i>	<i>adequate</i> yes	<i>inadequate</i>			
<i>Regarding the sustainability of public</i>	excellent committment	satisfactory committment yes	neither satisfactory nor unsatisfactory	unsatisfactory committment	no clear committment creating an extremely
<i>Exit Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficier	unsufficient focus	so far ignored
<i>Tight fiscal rules and more effective institutions</i>		yes			
<i>Greater efficiency of public</i>				yes	
<i>Credible cost-cutting measures</i>				yes	
<i>Increased scope of public-private</i>			yes		
<i>Reform of pension systems</i>			yes		
<i>Improved efficiency of healthcare sector</i>				yes	
<i>Entry Strategies</i>	excessive focus	sufficient focus	satisfactory nor unsufficier	unsufficient focus	so far ignored
<i>More and better-targeted education and training</i>				yes	
<i>More and better targeted R&D and Prioritisation of infrastructure investments</i>		yes	yes		
<i>Growth enhancing tax reforms</i>			yes		
<i>In 2015, the government deficit will...</i>	respect the 3% limit yes	be in balance yes			