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BELGIUM/LUXEMBOURG

1995



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1994-1995

BELGIUM/LUXEMBOURG

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This Survey is based on the Secretariat's study prepared for the annual review of Belgium and Luxembourg by the Economic and Development Review Committee. The Committee approved the Survey for publication on 8th June 1995.

•

The previous Survey of Belgium and Luxembourg was issued in January 1994.

BASIC STATISTICS OF BELGIUM (1993)

THE LAND

| | | | |
|---------------------------------------|------|--|---------|
| Area (1000 sq. km) | 30.5 | Major urban areas (inhabitants), 1.1.1993: | |
| Agricultural area (1000 sq. km), 1992 | 13.7 | Brussels | 950 339 |
| | | Antwerp | 932 269 |
| | | Liège | 594 091 |
| | | Ghent | 489 883 |

THE PEOPLE

| | | | |
|--|--------|---|-------|
| Population (thousands), 1.1.1993 | 10 068 | Total labour force (thousands), 1992 | 4 237 |
| Number of inhabitants per sq. km | 330 | Total domestic employment (thousands), 1992 | 3 753 |
| Population, net natural increase, 1992 | 19 358 | Agriculture | 89 |
| Net migration, 1992 | 25 400 | Manufacturing and construction | 1 021 |
| | | Other | 2 643 |

PRODUCTION

| | | | |
|--|--------|---|------|
| Gross national product (billion BF) | 7 318 | Gross national product by origin, at market prices: | |
| Gross national product per head (US\$) | 21 034 | Agriculture | 1.6 |
| Gross fixed investment: | | Industry and energy | 22.5 |
| – Per cent of GNP | 17.8 | Construction | 5.1 |
| – Per head (US\$) | 3 734 | Other | 70.8 |

THE GOVERNMENT

| | | | |
|--|-------|---|-----|
| Current government expenditure (per cent of GNP) | 55.0 | Composition of the House of Representatives: (number of seats): | |
| Current government revenue (per cent of GNP) | 50.0 | Socialists | 41 |
| Net government debt (billion BF) | 9 324 | Christian-socials | 41 |
| | | Liberals | 39 |
| | | Others | 29 |
| | | Total | 150 |
| | | Last election: 21.5.1995. | |

FOREIGN TRADE

| | | | |
|---|------|---|------|
| Total merchandise exports (per cent of GDP) | 52.8 | Total merchandise imports (per cent of GDP) | 53.1 |
| Main exports (per cent of total) SITC (BLEU): | | Main imports (per cent of total) SITC (BLEU): | |
| Iron and steel products (67 + 68) | 8.1 | Iron and steel products (67 + 68) | 4.6 |
| Chemical products (5) | 15.6 | Chemical products (5) | 13.0 |
| Machinery and equipment (71 to 77) | 11.7 | Machinery and equipment (71 to 77) | 14.2 |
| Textile products (65) | 5.2 | Textile products (65) | 2.8 |
| Transport equipment (78 + 79) | 15.8 | Transport equipment (78 + 79) | 11.0 |
| | | Energy (3) | 7.5 |

THE CURRENCY

| | | | |
|-------------------------------|--|--|--------|
| Monetary unit: Belgian franc. | | Currency units per US\$, average of daily figures: | |
| | | Year 1994 | 33.465 |
| | | May 1995 | 28.989 |

Note: An international comparison of certain basic statistics is given in an annex table.

BASIC STATISTICS OF LUXEMBOURG (1993)

THE LAND

| | | | |
|----------------------------------|-------|--------------------------|--------|
| Area (sq. km) | 2 586 | Major city, inhabitants: | |
| Agricultural area, 1991 (sq. km) | 1 263 | Luxembourg, 1.3.1991 | 75 833 |
| Woodland, 1991 (sq. km) | 886 | | |

THE PEOPLE

| | | | |
|----------------------------------|---------|---|-------|
| Population, 31.12.1993 | 400 900 | Total domestic employment (thousands) | 203.2 |
| Number of inhabitants per sq. km | 155 | Dependent employees (thousands): | 187.0 |
| Population, net natural increase | 1 438 | Agriculture | 1.6 |
| Net migration | 4 243 | Industry | 57.2 |
| | | Services | 128.1 |
| | | Employers, self-employed persons and domestic help | 16.2 |

PRODUCTION

| | | | |
|---|--------|---|------|
| Gross domestic product (billion francs) | 347.6 | Gross domestic product by origin, at market | |
| Gross domestic product per head (US\$) | 25 088 | prices (%): | |
| Gross fixed investment: | | Agriculture | 1.3 |
| - per cent of GDP | 28.5 | Industry and energy | 22.3 |
| - per head (US\$) | 7 145 | Construction | 7.5 |
| | | Other | 68.9 |

THE GOVERNMENT

| | | | |
|--------------------------------------|------|----------------------------|----|
| Public consumption (per cent of GDP) | 17.7 | Composition of the Chamber | |
| Current central government revenue | | (number of seats): | |
| (per cent of GDP) | 38.3 | Socialists | 17 |
| Central government debt, 31.12.1993 | | Christian-socials | 21 |
| (per cent of GDP) | 2.2 | Democrats | 12 |
| | | Others | 10 |
| | | Total | 60 |
| | | Last election: 12.6.1994. | |

THE CURRENCY

| | | | |
|----------------------------------|--|---|---------|
| Monetary unit: Luxembourg franc. | | Currency units per US\$, average of daily | |
| | | figures: | |
| | | Year 1994 | 33.4648 |
| | | May 1995 | 28.9894 |

Note: An international comparison of certain basic statistics is given in an annex table.

LUXEMBOURG

Introduction

The Luxembourg economy has recovered rapidly from the shallow downturn of 1992-93, in line with developments in surrounding countries. A small and very open economy like Luxembourg was bound to be affected significantly by changes in international demand conditions and, more specifically, the conjunctural situation in Europe. The steel industry underwent a deep recession which is ending only now, and total exports actually declined in 1993 before rebounding markedly last year to lead the economic upturn. Economic activity has been buoyed throughout the cycle by specific areas of strength, notably in the banking and financial sector and in the other market services. Despite the good growth performance and a sustained increase in employment, the unemployment rate, while remaining very low by international standards, has trended up over the past few years, accompanied by a surge in cross-border workers. The growth rate is projected to accelerate slightly, to around 3 per cent in 1995-96, which is marginally above the EU average. Job creation is expected to continue at a rapid pace this year and next, but with cross-border workers again likely to fill a large proportion of new jobs, the unemployment rate may decline only slowly. Consumer price inflation should abate further.

The overall position of public finance has remained quite strong and compares extremely well with that of other European countries. Owing to buoyant tax receipts from the financial sector, the central government surplus widened to around 1/2 per cent of GDP last year, despite a large, multi-annual public investment programme in infrastructure and high current expenditure growth. Combined with an even larger surplus of the social security system, it resulted in an

overall general government surplus of nearly 2 per cent of GDP. The public debt represents less than 6 per cent of GDP and on a net basis it may be negative. While the public finance position is not expected to change markedly this year, continued high public expenditure growth might not be sustainable in the long term if the strength of business tax receipts were to abate.

Chapter I of this Survey reviews recent trends and prospects. It also considers long-term developments in the labour market and the striking performance of Luxembourg in this area. Chapter II first discusses the budget situation, and then focuses on structural policies and sectoral developments. Finally, Chapter III gives a summary of the main findings and presents policy conclusions.

I. The economic situation: a strong, export-led expansion

Overview

The Luxembourg economy seems to have successfully completed its transition from a period of very rapid growth at the end of the 1980s to a more normal pace, only marginally above the EU average. In the process, it has also weathered quite well the pronounced European downturn of 1993 and a major recession in the world steel industry. The rate of growth of real GDP, which had averaged 5 per cent a year in 1986-89, fell only slightly below 2 per cent in 1992-93, and is estimated to have rebounded to nearly 3 per cent last year.¹ Given the openness of the country and the tendency of exports to strongly affect most sectors of the economy, external factors have played a major role in the recent cycle, although the contribution to growth of the foreign balance has changed relatively little, remaining positive throughout this period. Domestic demand has been resilient, but its major components have displayed a fairly high degree of volatility: while in 1993 private consumption declined and investment grew by nearly 10 per cent, last year the relative roles nearly reversed, with consumption rebounding and investment levelling-off. More generally, the rather favourable overall performance of the economy covers contrasting sectoral developments: financial activity has remained one of the driving forces of growth, but the steel sector has gone through a new demanding period of restructuring in response to the world recession in this area. Consumer-price inflation, which in 1993 had been boosted by increases in indirect taxes, has progressively abated. Despite the economic upturn and the acceleration in the growth of domestic employment, the unemployment rate, although very low compared with other OECD countries, rose further in 1994 – to nearly 2¾ per cent – as cross-border workers continued to increase rapidly.

Demand and output

The main factor accounting for the upturn has been exports. After declining in 1993 as a result of the European recession, they rebounded last year, rising by over 4½ per cent, reflecting a partial recovery in the steel industry and, more generally, renewed export market growth. However, given the very high import-content of exports and the evolution of domestic demand, imports also picked up and the contribution to growth of the foreign balance increased only modestly – from ¼ of a per cent in 1993 to ¾ of a per cent last year (Table 1). Total domestic demand growth accelerated, as the rebound in private consumption more than offset the slowdown in the growth of investment and, to a lesser extent, public consumption (Table 1). The decline in private consumption in 1993 had primarily reflected a sharp fall in purchases of new cars (–20 per cent) – an item which represents 7 per cent of households' consumption. In 1994, purchases of cars declined again but only modestly (–1.5 per cent), and all other expenditures were buoyed by a pickup in disposable personal income and a better economic climate.

The rate of change in gross fixed investment can be quite volatile in a small economy like that of Luxembourg where specific projects tend to have a large impact. For instance, the sharp increase in this item in 1993 reflected the construction of a new electric steel mill, the launch of a telecommunication satellite and purchases of jetliners. In 1994, investment grew by less than 2 per cent, but it remained at a very high level, representing some 25 per cent of GDP. In addition to further investment in the steel industry and telecommunications, business investment continued to be underpinned by medium-term industrial policy, with investment in such sectors as the wood transformation industry. On the other hand, after the boom of the previous years, residential investment declined somewhat, and public investment, although remaining sizeable, fell back compared with the very high level of 1993, when it was boosted by large expenditure on road building. The growth of public consumption, which was less than 2 per cent in 1993, decelerated to 1.2 per cent last year. All considered, real GDP growth accelerated, from 1.7 per cent to an estimated 2.7 per cent.

Seen from the output side, the growth in activity last year was especially pronounced in the industrial sector (+4½ per cent) which benefited from a more rapid expansion of exports markets.² On the other hand, value added in the steel

Table 1. Demand and output: recent trends and projections

Annual percentage change, 1990 prices

| | 1991 Current prices L.F Billion | Per cent of GDP | 1993 | 1994 | 1995 | 1996 |
|-------------------------------|--|--------------------|------|------|------|------|
| A. Demand and output | | | | | | |
| Private consumption | 182.6 | 57.3 | -0.9 | 2.1 | 3.0 | 3.1 |
| Government consumption | 54.4 | 17.1 | 1.8 | 1.2 | 2.0 | 1.9 |
| Gross fixed investment | 92.4 | 29.0 | 9.9 | 1.7 | 2.5 | 4.2 |
| Final domestic demand | 329.4 | 103.3 | 2.5 | 1.8 | 2.7 | 3.2 |
| Stockbuilding ¹ | 7.7 | 2.4 | -1.0 | 0.2 | 0.0 | 0.0 |
| Total domestic demand | 337.1 | 105.7 | 1.4 | 2.0 | 2.7 | 3.1 |
| Exports of goods and services | 300.6 | 94.3 | -2.4 | 4.6 | 4.4 | 3.9 |
| Imports of goods and services | 318.9 | 100.0 | -2.5 | 3.8 | 4.0 | 4.1 |
| Foreign balance ¹ | -18.3 | -5.7 | 0.2 | 0.6 | 0.3 | -0.2 |
| GDP at constant prices | | | 1.7 | 2.7 | 3.1 | 2.9 |
| GDP price deflator | | | 4.7 | 4.0 | 3.0 | 2.7 |
| GDP at current prices | 318.8 | 100.0 | 6.4 | 6.8 | 6.2 | 5.7 |
| B. Memorandum items | | | | | | |
| Private consumption deflator | | | 3.7 | 2.4 | 1.9 | 2.0 |
| Industrial production | | | -0.8 | 8.9 | 5.6 | 3.9 |
| Total employment | | | 1.8 | 2.7 | 2.8 | 2.7 |
| Unemployment rate | | | 2.1 | 2.7 | 2.5 | 2.3 |

1. Contribution to growth of GDP.

Source: OECD Secretariat.

industry grew by less than 2 per cent, and service sector output grew by 2½ per cent. Owing to poor car sales, retail trade was weak, but this was more than offset by strength in wholesale trade and the banking sector. In the latter sector, however, the rate of growth decelerated to an estimated 3 per cent from over 7 per cent in 1993. The very modest growth in the construction sector reflected the increasingly important role of foreign construction companies on the domestic market which remained resilient. Value added in agriculture was broadly unchanged.

The labour market

Given Luxembourg's rather unusual performance in the labour-market area, it might be useful to briefly review longer-term trends and their major determinants before discussing recent developments and policy measures.

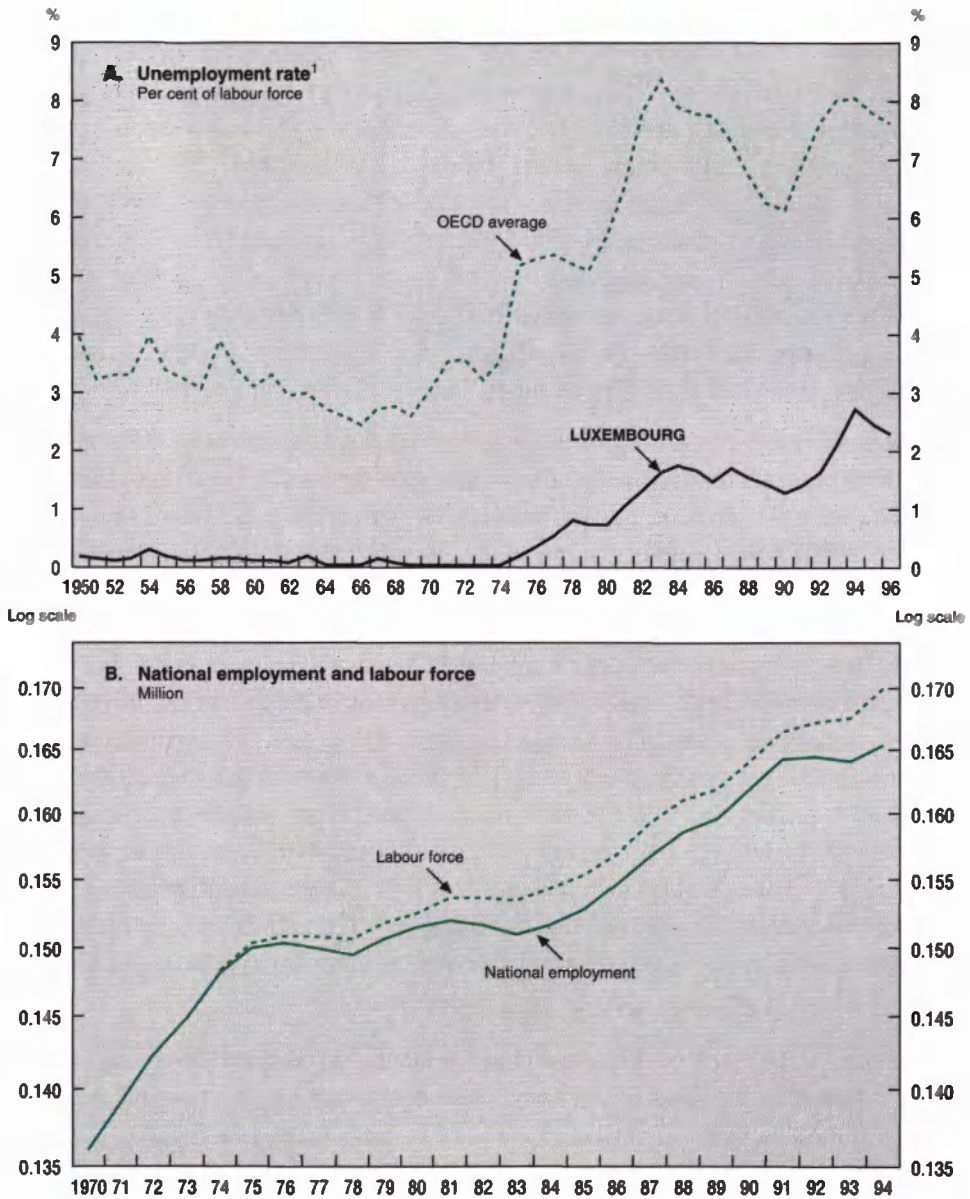
Historical overview

Unemployment has remained exceptionally low compared with other OECD countries (Figure 1, Panel A). Registered unemployment, which was virtually non-existent in the 1970s, edged up in the first half of the 1980s, but never exceeded 2 per cent of the labour force. After falling back for a few years, unemployment has been rising again since 1990, approaching $2\frac{3}{4}$ per cent in 1994 – still a very low level by international standards.

This remarkable performance has been helped by the evolution of the labour force which, unlike in most other countries, levelled-off from the mid-1970s to the mid-1980s, a period when the economy lost some of its strength (Figure 1, Panel B). The weak employment growth of those years was mainly due to large-scale restructuring in the steel sector, which resulted in a drastic reduction in capacity and the closing down of unprofitable plants, leading to a major shakeout of the industrial labour force. At the same time, however, the economy started moving towards a predominantly service economy at a speed unmatched in the OECD area. From the mid-1980s to the early 1990s, domestic employment – *i.e.* employment of Luxembourg nationals and foreign workers – recorded an average annual rate of growth of 3.7 per cent, reflecting the boom in the financial sector and, to a lesser extent, in other new activities such as light manufacturing, communications and media, transportation and R&D. Since 1991, employment has continued to grow, albeit at a slower pace. Cross-border workers have accounted for practically the entire increase in employment, while national employment has levelled off and unemployment has risen.

The structure of employment has undergone a drastic evolution over the past two decades. In the 1970s, industry and market services accounted for the same share of total employment (35 per cent each); by 1990, the services share had increased to over 50 per cent – broadly at the same level as the EU average – and that of industry had fallen to around 20 per cent. The loss of jobs in industry has been the direct consequence of the downsizing of the steel sector – where the

Figure 1. LONG-TERM LABOUR MARKET CONDITIONS



1. Unemployment rate for 1995 and 1996 are OECD Secretariat projections.
Source: OECD, *Analytical Database* and *Labour Force Statistics*.

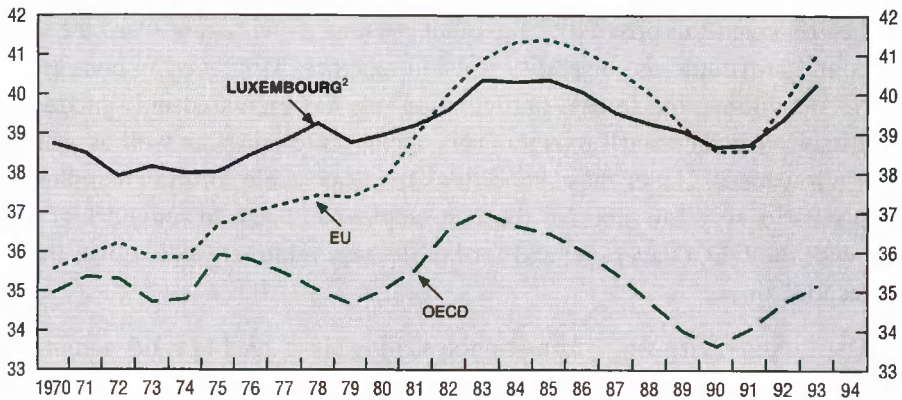
workforce has fallen from around 30 000 people to 7 000 by the end of 1994. But the net expansion of non-steel manufacturing has created some 300 jobs a year, representing nearly one-third of the average annual decrease in employment in the steel industry. Despite their importance in terms of value added, the gain in employment in banking and insurance has represented only about one-third of the total increase in employment in the market service sector. Another striking feature of the Luxembourg economy has been the growing dependence on foreign workers, whose share in domestic employment increased from 30 per cent in 1980 to over 50 per cent in 1994. Among these workers, cross-border workers – who live in neighbouring countries but work in Luxembourg – have become particularly important over the last decade, with their share in domestic employment rising from less than 5 per cent in 1983 to 25 per cent in 1994.

A comprehensive survey of the labour market was undertaken only in 1994. Using a definition close to the standardised one, it reported an unemployment rate for that year of 2 per cent, compared with 1.4 per cent for registered unemployment. The difference between these two rates reflects mainly youngsters searching for a job who are not registered at public employment agencies. The same survey reported a youth unemployment rate of 4.5 per cent, more than twice the general unemployment rate. Unlike other OECD countries, there is no significant difference between male and female unemployment rates; and unemployment of foreigners does not seem to be a major problem. Moreover, the unemployment of older persons is extremely low at only 1 per cent. However, this reflects the large inflow of older persons into the disability scheme, which has been an important part of the social security system since 1975 and which recorded a strong increase in “professional” disabled in the 1990s.³ Once disability pensions are taken into account, the average Luxembourgish “retires” at the age of 55; and the unemployed and disabled together represent nearly 10 per cent of the adjusted labour force (*i.e.* the labour force plus the disabled).

Owing to the lack of historical data for standardised unemployment and the heavy reliance on the disability scheme, the unemployment situation and its long-term evolution is better described by a broader definition, like the non-employment rate – *i.e.* the difference between the population of working age and national employment as a percentage of the former (Figure 2). During the large labour shake-out in the steel industry, the non-employment rate did rise – by 2½ percentage points, to over 40 per cent in 1984 – but this increase was very

Figure 2. **NON-EMPLOYMENT RATE: AN INTERNATIONAL COMPARISON¹**

Per cent



1. The difference between the population of working age and employment as a percentage of the former.

2. National employment instead of total employment, *i.e.* cross-border workers have been excluded.

Source: OECD, *Analytical Database* and Secretariat estimates.

modest by the standard of other EU countries. In the following period of buoyant employment, the non-unemployment rate returned to the level of the early 1970s, before rising again in the past couple of years. Overall, unlike in other EU countries where on average the non-employment rate has shown a clear upward trend, the long-term trend in Luxembourg has been virtually flat.

The main reason for the low unemployment rate seems to have been traits specific to Luxembourg⁴ which, combined with a very active industrial policy and overall economic policy, have resulted in a structural change of the economy – from heavy industry to services – unparalleled in any other OECD countries.

The unique combination of a small population and a central location has allowed cross-border workers to play a crucial role in the domestic labour market. In the early stages of the restructuring of the steel industry in the wake of the first oil shock and, to a lesser extent, probably also in the recent period of slow growth, this group acted as a buffer, limiting the rise in unemployment. Conversely, it prevented the economy from overheating, extending the period of rapid economic growth which started in 1984 and lasted until 1991. Overall,

Luxembourg can rely on a much larger labour force than its national one, resulting in a very elastic labour supply. Also, the national labour force has followed the employment evolution, slowing down in periods of economic slack. This has reflected the possibility for older persons to withdraw from the labour market and move into the disability pension schemes. Moreover, in contrast with other EU countries, the female participation rate has increased only moderately, which may have reflected Luxembourg's social preferences as well as generous family allowances. Under these conditions it was possible for the unemployment rate to remain very low and for the non-employment rate to remain high compared with the OECD average; and for both to stay relatively stable over the past two decades or so.

The Luxembourg wage formation system tends to lead to rigid nominal and real wages, as it is based on collective sectoral wage negotiations with full wage indexation and a legal minimum wage which is around 50 per cent of the average wage⁵ and automatically adapted – with a lag – to average wage growth. However, indexation has at times been applied in a flexible manner, taking into account macroeconomic and sectoral developments. For instance, following the 1982 devaluation of the Belgium/Luxembourg franc, it was suspended for two years. Moreover, during the steel sector restructuring process, real and sometimes even nominal wages were allowed to fall over extended periods. Nonetheless, in the early 1990s, rigidities in the wage formation system prevented a deceleration in wage growth. Despite the slowdown in economic growth, the increase in compensation per employee remained at around 5 per cent (in nominal terms), far exceeding productivity growth, and consequently raising the wage share to record levels. Together with the renewed world crisis in the steel sector, these developments have largely been responsible for the recent rise in unemployment and non employment.

To a significant extent, the good employment performance has also reflected the implementation of structural policies. First, spurred by the steel crisis, the Government accelerated the large scale restructuring in the steel industry, with drastic reductions in capacity, increases in productivity and product diversification, and, more recently, the formation of alliances with foreign steel makers. Second, it played a crucial role in creating jobs in the service sector by enhancing comparative advantages for the banking sector in the form of a strict secrecy code, tax advantages over neighbouring countries and liberal financial laws and

regulations. Third, Luxembourg has been particularly rapid in implementing EU directives, attracting more banks but also communication activities and, consequently, jobs. Fourth, recognising that dependence on financial services could become excessive, the Government has refocused its efforts on an active industrial policy, in the form of improved industrial infrastructure (road, energy, telecommunications, industrial parks and implementing funding schemes to attract manufacturing investment). This long-term policy of economic diversification, and ambitious public investment programmes – notably in infrastructure – have nonetheless gone hand in hand with a basically prudent fiscal stance, which may have further enhanced the attractiveness of Luxembourg as an international financial centre and location for foreign investment.

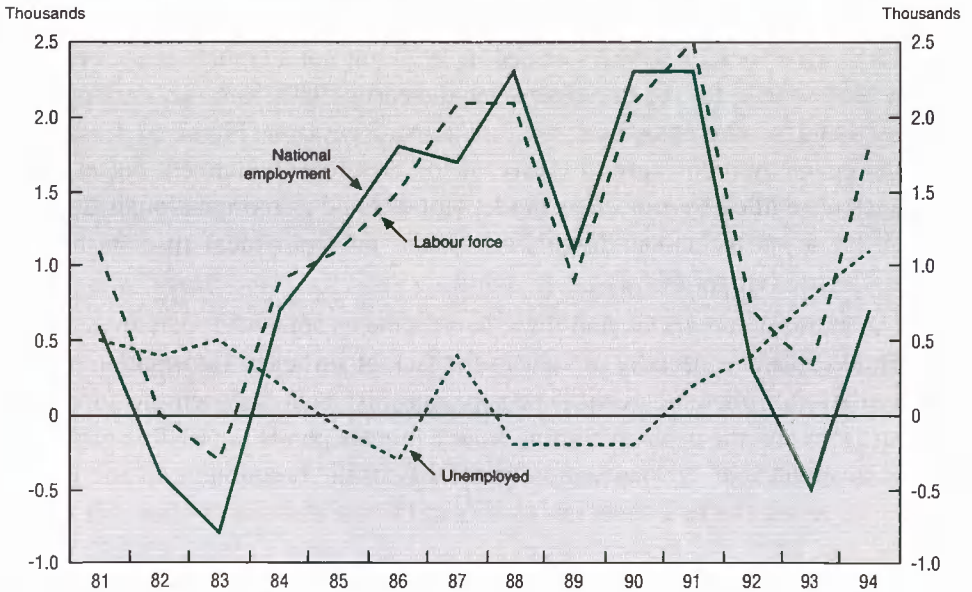
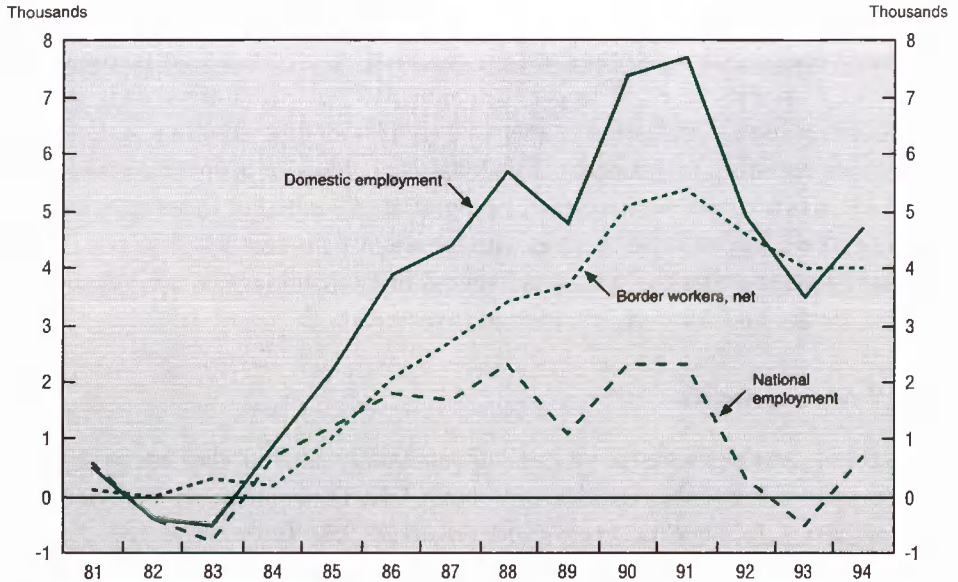
Recent developments

Recent developments have not fundamentally altered the unemployment performance of Luxembourg relative to other OECD countries. Nonetheless, the ever-increasing reliance on cross-border workers has further reduced the link between national and domestic employment, and unemployment may have become largely a structural problem. Reflecting the economic slowdown, the increase in cross-border workers abated in 1993 but not as much as the creation of new jobs so that, for the first time since the early 1980s, national employment decreased and the unemployment rate rose above 2 per cent (Figure 3). Last year, with the economy recovering, the pace of job creation accelerated, but as most vacancies were filled by new cross-border workers and as more nationals decided to look for a job the labour force swelled and unemployment rose further, to around 2¾ per cent (Table 2).

The national authorities find these developments somewhat paradoxical and difficult to explain, especially in view of the lack of sufficient information on the characteristics of unemployment. The apparent mismatch between the supply of domestic jobs and the demand coming from nationals points to possible problems of qualifications, age, cost and, more generally, of the functioning of the labour market, including the role of social benefits and active policies of counselling and training – all areas that the authorities envisage exploring in some detail. Part of the explanation may be that, for various reasons, cross-border workers are more eager to find or accept a job than nationals: the rate of unemployment in the regions surrounding Luxembourg is rather high; the structure of Luxembourg

Figure 3. **LABOUR MARKET DEVELOPMENTS**

Change in thousands



Source: STATEC.

Table 2. **Employment and unemployment**

Percentage changes

| | 1990 | 1991 | 1992 | 1993 | 1994 ¹ |
|--------------------------------|------|------|------|------|-------------------|
| Domestic employment | 4.7 | 4.7 | 2.8 | 2.0 | 2.6 |
| Cross-border workers | 18.0 | 15.5 | 11.3 | 9.2 | 8.3 |
| Unemployed | -8.7 | 9.5 | 17.4 | 29.6 | 32.7 |
| Labour force | 1.3 | 1.5 | 0.4 | 0.2 | 1.1 |
| Unemployment rate ² | 1.3 | 1.4 | 1.6 | 2.1 | 2.7 |

1. Provisional figures.

2. As a percentage of the labour force.

Source: STATEC.

labour costs – with relatively high wages and less steep non-wage costs – may make net wages earned in Luxembourg by cross-border workers particularly attractive; and the social security system in Luxembourg seems rather generous, with correspondingly low incentives for nationals to work.

Faced with modest but rising unemployment, the authorities have stepped up their labour-market policy. In 1993, the Government announced a number of measures targeted at specific groups of unemployed and especially at older persons. With a view to reducing the cost of labour of this group, the Unemployment Fund will pay all the employer and employee social security contributions of newly hired persons aged 50 and more. This subsidy, representing some 25 per cent of total labour costs, will continue until beneficiaries reach the age of 57 and become eligible for early retirement. While the budgetary cost of this measure is likely to remain modest given the level of unemployment, a possible adverse impact could be the replacement of younger by older workers. In mid-1994, the Government took a new package of measures to preserve employment, price stability and firms' competitiveness (see below). On the employment side the package included a reorganisation of the public employment service aimed at increasing its efficiency, stepped up efforts in the area of active programmes such as training, counselling and job placement, and introduced measures to curb abuses and "black market" activities. While these measures do not seem to have greatly affected the level of unemployment so far, it is still too early to assess their impact.

Costs and prices

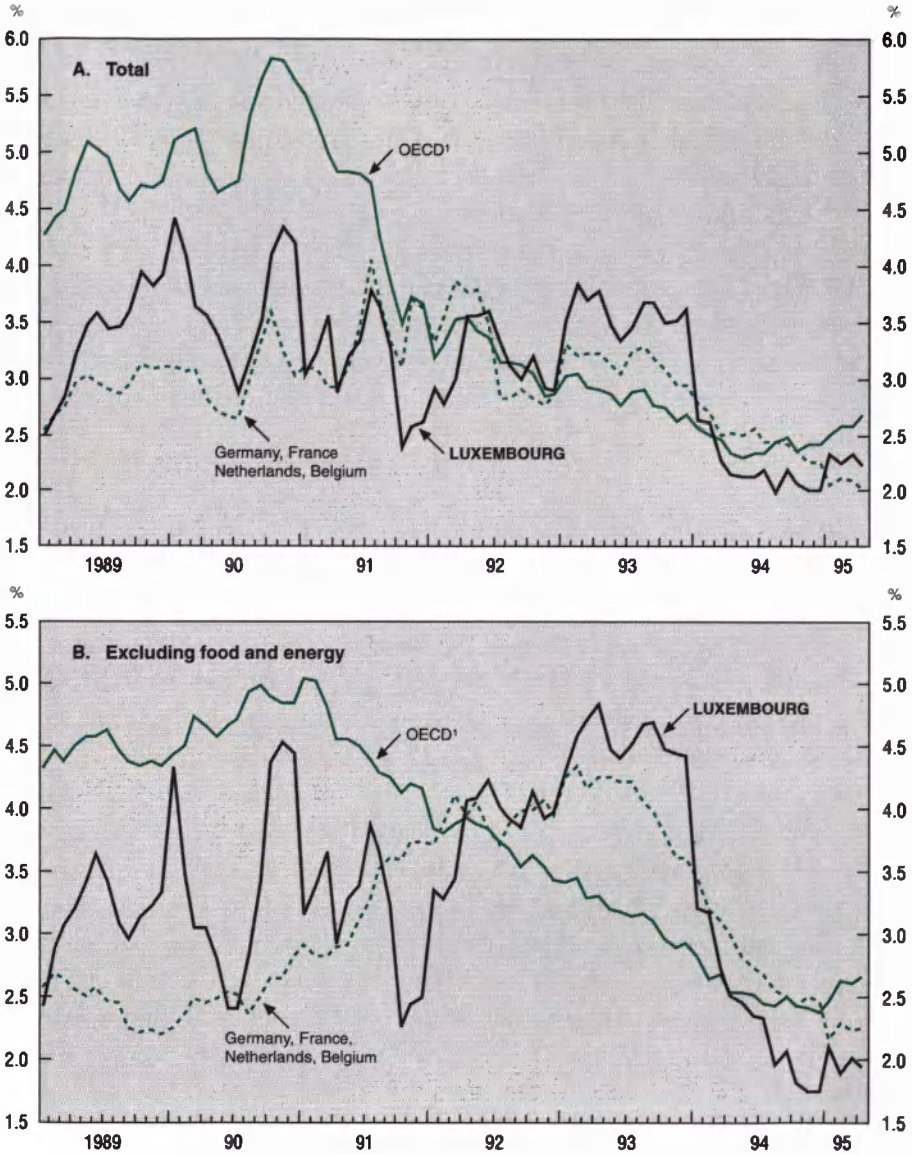
Wages increased fast in the early 1990s, including in 1993 despite the slowing down in activity. This partly reflected the institutionalised wage indexation system and the linkage of minimum wages to the average wage growth in the economy. Combined with the appreciation of the Luxembourg franc, especially in 1992, these wage trends resulted in a squeeze on profit margins and an erosion of international competitiveness. According to Statec figures, in 1990-93 for instance unit labour costs in manufacturing, in local currency terms, grew by over 4½ per cent a year on average, a more rapid rate of growth than in surrounding countries, except Germany (Table 3). The situation seems to have improved considerably in 1994, partly as a result of the package of measures taken by the Government to preserve employment, price stability and firms' competitiveness, which included a shift of some social security contributions from employers to the central government budget, representing – according to the authorities – 1.7 per cent of relevant wages. The rise in compensation per employee in the private sector decelerated from nearly 5 per cent in 1993 to an estimated 2¼ per cent, and productivity growth rebounded, especially in industry. Hence, unit

Table 3. **Labour costs in industry**
Per cent changes

| | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | | |
|----------------------------|------|------|------|------|------|------|------|------|
| | | | | | | Q1 | Q2 | Q3 |
| Labour compensation | | | | | | | | |
| Total | 5.3 | 4.4 | 4.8 | 5.1 | 0.5 | 1.1 | -1.3 | 1.6 |
| Steel industry | 1.7 | -0.9 | -1.0 | -2.1 | -6.3 | -3.6 | -4.1 | -2.6 |
| Other industries | 7.4 | 7.0 | 7.2 | 8.1 | 3.0 | 2.9 | -0.2 | 3.0 |
| Production | | | | | | | | |
| Total | 7.6 | -0.4 | 0.7 | -0.4 | -3.4 | 6.5 | 4.9 | 7.9 |
| Steel industry | 1.5 | -2.7 | -4.1 | -6.6 | -1.1 | 4.1 | -1.5 | 2.1 |
| Other industries | 10.7 | 0.7 | 2.8 | 2.4 | -4.2 | 6.9 | 5.2 | 11.1 |
| Unit labour costs | | | | | | | | |
| Total | -2.1 | 4.8 | 4.1 | 5.5 | 4.1 | -5.1 | -5.9 | -5.8 |
| Steel industry | 0.2 | 1.8 | 3.2 | 4.8 | -5.3 | -7.4 | -7.3 | -0.9 |
| Other industries | -3.0 | 6.2 | 4.4 | 5.5 | 7.6 | -3.8 | -5.1 | -7.3 |

Source: STATEC, EUROSTAT.

Figure 4. CONSUMER PRICES
Per cent change over previous year



1. Excluding Turkey and Mexico.

Source: OECD, *Main Economic Indicators*.

labour costs in manufacturing may have declined by over 5 per cent last year and, despite a new appreciation of the currency, the international competitive position may have improved.

Inflation – measured by the consumer price index (CPI) – averaged around 3½ per cent a year in 1990-93, boosted by two rounds of increases in indirect taxes under the EU tax harmonisation plan. This process having been completed, inflation declined to 2.2 per cent last year, falling below the average of Luxembourg's four neighbouring countries – Germany, France, the Netherlands and Belgium (Figure 4). Underlying inflation – that is, the total CPI excluding food and energy – has followed a similar pattern. While prices of imported goods – accounting for some 60 per cent of the total CPI – barely increased last year, prices of domestic goods and services continued to rise at a rapid pace – more than 3 per cent – reflecting increases in administered prices, notably in the health-care sector.

External sector

The rebound in merchandise exports last year seems to have been significantly more pronounced *vis-à-vis* non-EU countries (+17 per cent in value in the first six months compared with the same period a year earlier) than *vis-à-vis* EU countries (+5 per cent). Outside the EU, exports were particularly strong to then-EFTA countries – particularly Sweden (+33 per cent) – Brazil, India and South East Asia – mainly South Korea, Taiwan, Singapore, Indonesia and Malaysia. Imports from EU countries increased by nearly 6 per cent, but imports from all other countries declined by about the same percentage, reflecting primarily a fall in imports of jetliners which had been especially strong in 1993. As total merchandise exports grew faster than total imports – nearly 7 per cent, compared with 4 per cent – the trade deficit in the first six months of last year declined to around LF 50 billion (or some 10 per cent of GDP), compared with a little over LF 55 billion both in 1993 and 1992 (Table 4). The deficit with the EU widened somewhat – to LF 33 billion – but the surplus with all other countries, while much smaller, nearly doubled to LF 8 billion.

Typically, a sizeable trade deficit in Luxembourg is more than offset by a very large surplus on factor income and a more limited one on other services. Relatively small outflows on account of net private and public transfers do not

Table 4. **Current balance of payments**

LF billion

| | 1970 | 1975 | 1980 | 1985 | 1991 | 1992 ¹ | 1993 ² |
|------------------------------------|------|------|-------|-------|---------|-------------------|-------------------|
| Exports of goods | 42.5 | 65.3 | 88.6 | 168.7 | 215.0 | 208.9 | 204.6 |
| Imports of goods | 38.2 | 69.2 | 105.6 | 186.7 | 277.0 | 264.3 | 261.4 |
| Trade balance | 4.3 | -3.9 | -17.0 | -18.0 | -62.0 | -55.4 | -56.8 |
| Exports of services | 18.7 | 95.3 | 376.7 | 622.4 | 1 193.2 | 1 254.5 | 1 290.9 |
| <i>of which:</i> | | | | | | | |
| Factor incomes | 12.8 | 81.0 | 347.6 | 568.2 | 1 107.1 | 1 163.9 | 1 192.5 |
| Services excluding factor incomes | 5.9 | 14.3 | 29.1 | 54.2 | 86.1 | 90.6 | 98.4 |
| Imports of services | 15.2 | 81.0 | 339.4 | 555.0 | 1 081.6 | 1 129.6 | 1 163.0 |
| <i>of which:</i> | | | | | | | |
| Factor incomes | 11.5 | 73.4 | 326.5 | 529.6 | 1 040.2 | 1 088.2 | 1 116.4 |
| Services excluding factor incomes | 3.7 | 7.6 | 12.9 | 25.4 | 41.4 | 41.4 | 46.6 |
| Balance on services | 3.5 | 14.3 | 37.3 | 67.4 | 111.6 | 124.9 | 127.9 |
| <i>of which:</i> | | | | | | | |
| Factor incomes | 1.3 | 7.6 | 21.1 | 38.6 | 66.9 | 75.7 | 76.1 |
| Services excluding factor incomes | 2.2 | 6.7 | 16.2 | 28.8 | 44.7 | 49.2 | 51.8 |
| Net private and public transfers | -0.5 | -0.7 | -2.1 | -4.5 | -8.6 | -9.2 | -9.3 |
| Current balance of payments | 7.3 | 9.7 | 18.2 | 44.9 | 41.0 | 60.3 | 61.8 |
| As a percentage of GDP | 13.3 | 11.2 | 13.1 | 21.9 | 12.9 | 17.8 | 17.1 |

1. Provisional data.

2. Estimates.

Source: STATEC.

alter this broad picture, and the result is a structural current-account surplus which exceeded 20 per cent of GDP in the second half of the 1980s, before declining to around 15 per cent in the early 1990s – by far the largest surplus as a proportion of GDP in the OECD. Although there are as yet no figures for 1994, the surplus on non-factor services is likely to have increased, buoyed among other factors by stronger revenues from telecommunications. The surplus on investment income may have levelled-off at a high level and net transfer payments on account of cross-border workers may have risen. All considered, the authorities estimate that the current-account surplus may have widened again, to around 20 per cent of GDP.

Short-term prospects

The outlook is for continued, sustainable growth, with little tension in the economy. The upturn is projected to accelerate moderately, with real GDP growth averaging around 3 per cent in 1995-96. Reflecting developments in neighbouring countries and the appreciation of the Luxembourg franc in effective terms, exports are expected to lose some buoyancy, but domestic demand may progressively take the lead, and the contribution of the foreign balance to growth is projected to turn slightly negative in 1996. Investment is likely to pick up, buoyed by high rates of capacity utilisation, a better economic climate and persistent shortages in the housing market partly caused by the increase in EU staff based in Luxembourg. Moreover, long-term rates have declined in recent months and the dampening impact of high real interest rates on housing is mitigated by fiscal incentives, such as tax compensation for a part of household mortgage interest payments. Public investment should rebound markedly, reflecting the starting of important new projects in the rail sector. The growth of private consumption may accelerate in line with personal income. The steel sector should benefit more fully from the upturn, as the boom in business investment in Europe – some of it in non-residential construction – will translate into an increased demand for the long and flat products which are Luxembourg's area of specialisation. On the other hand, after the rapid expansion of the past few years, the banking sector may enter a period of consolidation. The growth in domestic employment is projected to continue at a rapid pace – nearly 3 per cent a year. However, the unemployment rate is expected to decline only slowly – to 2¼ per cent in 1996 – as a large share of new jobs may continue to be filled by cross-border workers. Given the recent appreciation of the currency, and with no new increases in indirect taxes, consumer-price inflation may abate further and average around 2 per cent.

These projections are highly dependent on the economic situation in surrounding countries and the growth in export markets. More specifically, there is a risk that the appreciation of the Luxembourg franc and most other ERM currencies, if sustained, might have a greater dampening effect on exports and hence on business investment and economic activity in these countries and especially in Luxembourg than allowed for in these projections.

II. Economic policies: an enviable fiscal position

Monetary policy

Due to the Belgium-Luxembourg Economic Union (BLEU), Luxembourg does not have an independent monetary policy. However, the legislation governing the Luxembourg Monetary Institute (LMI) is currently being modified to meet the requirements of the Treaty on European Union, *i.e.* the so-called Maastricht Treaty. The main modifications will be:

- the widening of the missions of the LMI to include, in addition to the introduction of the maintenance of price stability as its principal objective, the definition and implementation of monetary policy, the conduct of foreign exchange operations and the promotion of the smooth functioning of payment systems;
- the introduction of independence of the LMI in all monetary policy matters and decisions;
- the modification of the composition and competence of the governing bodies of the LMI, *i.e.* the management and the council;
- the creation inside the LMI of a committee on prudential regulation which is consulted and has to advise the Government on any regulatory project in the field of prudential supervision of the financial sector.

These modifications imply the progressive transformation of the LMI, from a virtual monetary authority into a fully fledged central bank of Luxembourg, operating in the framework of the European Union and as a member of the European System of Central Banks. The LMI exercises its competences within the limits imposed by the monetary association with Belgium, which remains unchanged in the second phase of EMU.

Under present arrangements, monetary conditions in the BLEU are expected to tighten somewhat over the projection period, as the firm link of the Belgian

franc with the Deutschemark will result in a gradual increase in short-term interest rates in line with German rates as the recovery matures.

Budgetary policy⁶

Budgetary policy has a formal medium-term orientation in Luxembourg. As a rule, public expenditure growth is determined by a “growth norm” which reflects the projected real growth of the economy over the medium term and the expected increase in consumer prices. This norm, however, is not intended to be a rigid ceiling on expenditure growth on a year-to-year basis, but rather a medium-term guideline. Over the last few years actual expenditure growth has exceeded the norm by several percentage points, as the Government has continued its industrial policy and embarked on an ambitious investment programme in infrastructure. During the cyclical slowdown in 1992-93 it also took steps to support domestic demand, which included measures to promote residential investment, fiscal incentives, and increases in pensions and family allowances. Moreover, in mid-1994, it took a package of measures to support employment, price stability and firms’ competitiveness. As noted above, employers’ social security contributions were reduced to reduce non-wage labour costs – a measure which was estimated by the authorities to have a full-year budgetary cost of LF 2 billion or 1/2 per cent of GDP. However, as the package also included measures to raise revenues – notably an increase in the solidarity tax and a new excise tax on fuel – the net impact on the budget is expected to be somewhat smaller. More generally, the trend increase in public expenditure has been rapid – 40 per cent in the period 1989-93, or more than double the average in other EU countries. To a certain extent, this has reflected the fact that widespread legal indexation and open-ended regulations, rather than budgetary decisions, determine the growth of two-thirds of current expenditure items – such as social security benefits, pensions, health care, subsidies to public transport and regional programmes, and government wages and salaries.

As a result of the growth in expenditure and despite strong tax receipts from the banking sector, the central government’s budget, which was in large surplus in 1990, deteriorated and moved into significant deficit in 1992, before returning to near-equilibrium in 1993 and to surplus again in 1994 (Table 5). The position of local governments also deteriorated but, reflecting the sustained increase in

Table 5. **General government budget and debt**

LF Billion

| | 1990 Final | 1991 Final | 1992 Final | 1993 Provisional | 1994 Provisional |
|--|---------------|---------------|---------------|---------------------|---------------------|
| 1. General government net lending¹ | 17.4 | 7.0 | 2.6 | 7.4 | 8.6 |
| (As a per cent of GDP) | (4.9) | (1.8) | (0.6) | (1.7) | (1.9) |
| Central government | 8.1 | 0.1 | -5.5 | 0.1 | 2.4 |
| Local government | 0.2 | 0.4 | -2.5 | -0.3 | -0.7 |
| Social security | 9.1 | 6.5 | 10.6 | 7.6 | 6.9 |
| 2. General government gross debt² | 16.2 | 15.5 | 19.6 | 24.5 | 26.8 |
| (As a per cent of GDP) | (4.6) | (4.1) | (4.8) | (5.7) | (5.9) |
| <i>Memorandum items:</i> | | | | | |
| 3. Reserves of Special State Funds ³ | 20.9 | 14.5 | 8.7 | 11.4 | 13.4 |
| 4. State budgetary reserves ⁴ | 7.3 | 6.1 | 2.7 | 2.8 | 2.8 |
| 1. On a transactions and national account basis. | | | | | |
| 2. Maastricht definition. | | | | | |
| 3. <i>Avoir des fonds de l'État.</i> | | | | | |
| 4. <i>Réserves budgétaires de l'État.</i> | | | | | |
| Source: Inspection générale des finances. | | | | | |

employment and contribution payments, the social security system remained in large surplus. Hence, the general government's budget has remained in surplus throughout the period of economic slowdown, and last year the surplus may have been of the order of 2 per cent of GDP. Another aspect of public finance which compares extremely well with other Member countries is the public debt. The consolidated public debt (Maastricht definition) after reaching a low of LF 15½ billion or 4 per cent of GDP in 1991 has increased again, as the central government has resumed borrowing in capital markets mainly to finance construction projects. The debt approached LF 27 billion at end-1994, but it still represented less than 6 per cent of GDP.⁷ Moreover, owing to the existence of important budgetary reserves and special state funds, the net debt may be much smaller or negative.

The 1995 Budget, presented in the summer of 1994, entails an extrapolation of recent trends, with the rate of growth of expenditure – at 6.3 per cent – again exceeding the medium-term norm (5.5 per cent). As tax revenue and social security contributions are also projected to continue growing at a rapid pace, no major changes seem likely in the fiscal position of Luxembourg in the short term,

and the general government may remain in a comfortable surplus. There is a risk, however, that the buoyancy in tax receipts from the banking sector recorded in the recent period might not be permanent. Combined with the automatic increase in a large share of current expenditure, this makes the longer-term outlook more uncertain, especially since population ageing will progressively step up the pressure on social spending.

Other structural policies and sectoral developments

Industrial and diversification policy, which was discussed in some detail in previous surveys, has remained an important aspect of overall economic policy in Luxembourg. But funding schemes have been redefined in accordance with EU rules, *i.e.* have been focused on regional development, small and medium-size enterprises, research and development and environment protection. Through its participation in ARBED Group, the Government continues to monitor the steel industry which, despite large-scale restructuring since the mid-1970s, remains important for the country, accounting for 6 per cent of GDP and a quarter of industrial production.

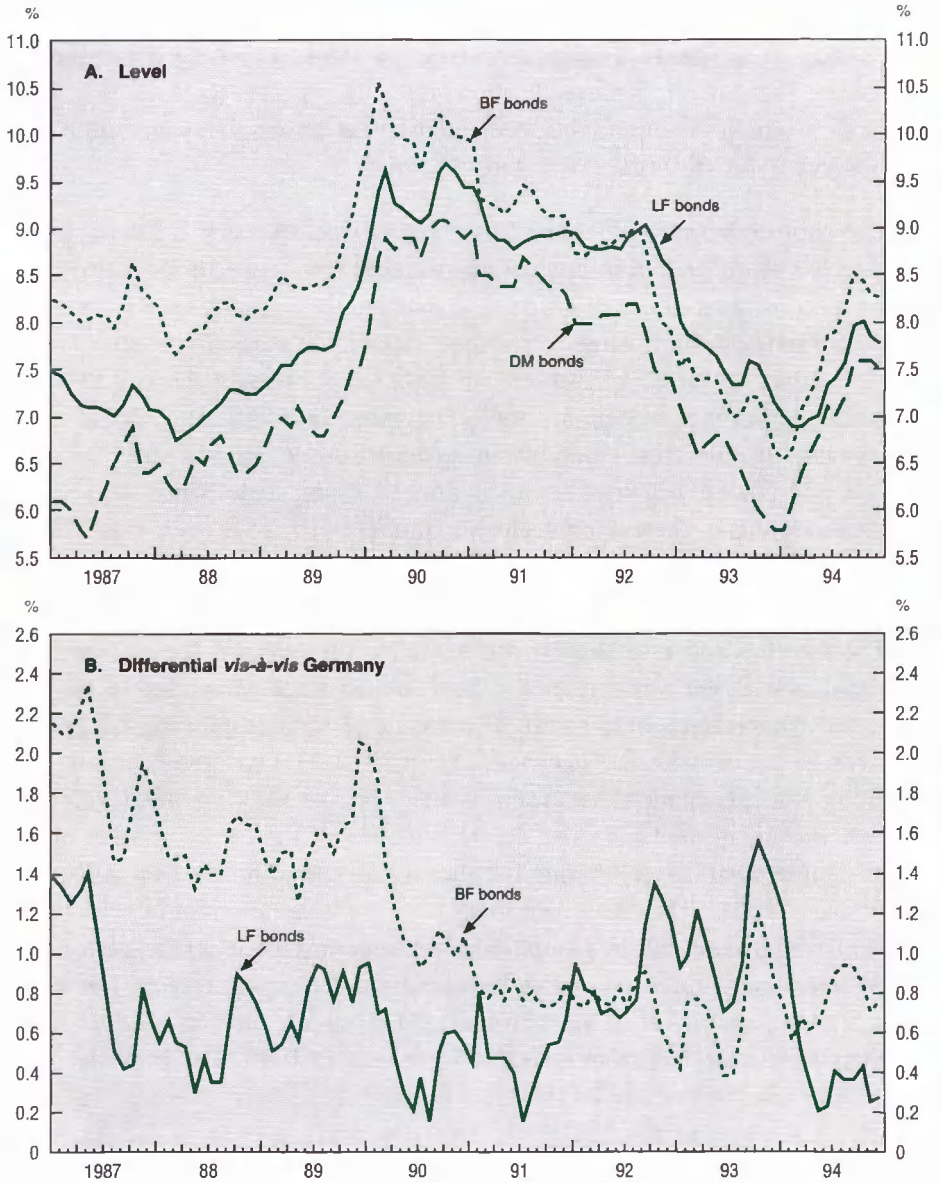
So far the steel sector, which is almost exclusively export-oriented, has benefited only partially from the economic recovery in Europe. This has reflected both the nature of the recovery and the product mix of the Luxembourg steel industry. The recovery being strongly inventory and export-led has essentially generated demand for light steel products, rather than the heavy products such as beams and piling used almost solely for construction, which are Luxembourg's area of specialisation. Hence, over the first nine months of 1994 steel output increased by a mere 1.5 per cent compared with the same period of 1993. Prices increased by a little over 2 per cent but tended to ease again later in the year. ARBED returned to profit in 1994, but this was due to its foreign activities as steel production in Luxembourg generated further losses. As for the medium-term strategy, ARBED has decided to pursue the ongoing switch to electrical technology to the very end and rely exclusively on this process for the production of long products in Luxembourg. Not only is this technology more cost-effective and less polluting, it also allows a shortening of the production chain and hence makes the enterprise less vulnerable to cyclical developments in the steel market. Conversion of existing plant – which has already been partially completed – and

the construction of new ones will entail a major investment effort: some LF 20 billion over the period 1993-97 (or nearly 1 per cent of GDP a year), compared with LF 10 billion over the previous five years. ARBED collected close to LF 10 billion from capital markets in 1994, including a LF 5 billion share issue. The pursuit of rationalisation efforts is expected to result in a further reduction in employment in the steel industry at about the same pace as in previous years, *i.e.* 600-650 fewer jobs a year.

The short-term outlook for the Luxembourg steel industry is satisfactory, as the projected sharp pickup in business investment in Europe in 1995-96 – some of it for non-residential construction – should finally translate into an increased demand for long products. However, excess capacity in several countries is likely to put a damper on prices and lower unit labour costs remain the key to healthy profits. Longer-term prospects are more uncertain. In addition to global market developments in this area – notably in Eastern Europe, Russia and South East Asia – it will crucially depend on institutional factors, such as how the EU will tackle its overcapacity problems and its future tariff policy *vis-à-vis* Eastern Europe.

The banking and insurance sector has grown to account for one-quarter of GDP, that is a larger share than the steel industry accounted for in the early 1970s; but it represents only some 10 per cent of total employment, compared with over 15 per cent for the steel industry in 1970-73. Over the past few years, the emphasis in the financial sector has been on private banking, the development of which was greatly enhanced by the deregulation of the capital market in 1990 and the subsequent surge in the issuance of external bonds denominated in Luxembourg francs.⁸ Despite a deterioration in the international financial climate in general and a steep fall in global bond markets in particular, the performance of the Luxembourg financial centre remained satisfactory last year. The growth of the banking sector, in terms of value added, decelerated markedly – to an estimated 3 per cent, but from a record 7 per cent in 1993. The imposition of a withholding tax in Germany in 1992 had boosted the inflow of funds originating from that country and resulted in an unprecedented increase in the number of banking institutions, as well as in a new acceleration in the growth of bank employment and activity. The number of banking institutions increased only marginally last year – to 222 at end-December – but job creation in the financial

Figure 5. **BONDS YIELDS IN LUXEMBOURG, BELGIUM AND GERMANY**



Source: National Bank of Belgium.

sector as a whole, at nearly 6 per cent, continued at a rapid pace, and the profit situation remained good.⁹

A remarkable development in international financial markets last year was the sharp increase in the issuance of external bonds denominated in Luxembourg francs, which trebled compared with 1993, reaching a record LF 360 billion or a 3 per cent market share. Borrowers – primarily from Belgium but also from several other OECD countries – took advantage of relatively low interest rates, attractive swap conditions and a strong demand from retail investors, many of them moving out of short-term positions. Yields on bonds denominated in Belgian francs rose above yields on bonds denominated in Luxembourg francs (Figure 5). This differential had progressively narrowed and then became negative in 1992-93, following various monetary and financial reforms in Belgium, as well as a major reduction in the withholding tax. But in late 1993 the Belgian withholding tax was increased again, a decision which may have caused some uncertainty concerning future tax measures in that country and enhanced the attractiveness of bonds denominated in Luxembourg francs with Belgian investors.

The outlook for the Luxembourg franc-segment of the Eurobond market is more uncertain, partly because the Belgian authorities have been stepping up their efforts to make Brussels a more attractive and competitive international financial centre. Also, early this year with a view to better protecting domestic investors and avoiding abuses, the Belgian authorities introduced a stricter, six-point definition for Eurobonds sold in Belgium (see Chapter III of Belgium). One of the six points stipulates that an issue must be of a minimum amount of BF 2 billion if it is to continue to avoid the normal Belgian issuing regulation and be exempted from the prospectus requirement. This may be a rather demanding stipulation for some potential borrowers in Luxembourg francs who aim to sell a significant proportion of the bonds in Belgium, since in this segment of the market the average issue size last year was LF 1.3 billion. Nonetheless, past experience has shown that this market and the Luxembourg financial centre in general can be quite flexible and respond fairly rapidly to changes in external conditions. For instance, the authorities are closely monitoring the situation to make sure that Luxembourg legislation in the financial area is up-to-date and takes full advantage of the possibilities offered by EU decisions and international agreements.

III. Conclusions

The economic recovery in Luxembourg is proceeding at a rapid pace. Specific areas of strength include banking and other market services, and a surge in exports has boosted most other sectors of the economy. However, the recovery in Europe being strongly inventory and export-led has generated little demand for heavy steel products used almost solely for construction which are Luxembourg's area of specialisation. Hence, the steel sector is barely emerging from a severe recession. Despite the good growth performance and strong job creation, the unemployment rate, while remaining very low by international standards, rose further last year – to 2¾ per cent – as cross-border workers continued to increase rapidly. Unit labour costs, which had risen markedly in the early 1990s and threatened firms' international competitive position seem to have declined last year as a result of wage moderation, strong productivity gains, and cuts in employers' social security contributions. Consumer-price inflation has progressively abated, to 2.2 per cent (year-on-year) in April. The outlook is positive, with continued robust growth and few tensions in the economy. Public investment is expected to rebound strongly, reflecting the start of large new projects in the rail sector, and the growth of private consumption may accelerate in line with personal income. Real GDP growth is projected to accelerate slightly to around 3 per cent this year and next, but unemployment is likely to decline only slowly, as most new jobs may again be filled by cross-border workers. Consumer-price inflation may average around 2 per cent. As is typically the case for a small, very open economy like Luxembourg, these projections are highly dependent on the economic situation in surrounding countries and the growth in export markets. More specifically, there is a risk that recent exchange rate changes might have a stronger dampening effect on exports and investment than allowed for in these projections.

Monetary conditions in the BLEU are expected to tighten somewhat, as the firm link of the Belgian franc with the Deutschmark will result in a gradual

increase in short-term interest rates in tandem with German rates as the economic recovery matures. Moreover, the recent appreciation of the Luxembourg franc in effective terms, if sustained, will provide an additional, albeit modest, deflationary impulse. The overall position of public finance has remained quite strong throughout the recent cycle, and compares extremely well with that of other European countries. Owing to buoyant tax receipts from the financial sector, the central government surplus widened to around 1/2 per cent of GDP last year, despite an important public investment programme in infrastructure and high current expenditure growth. As the social security system remained in large surplus, the general government may have recorded a surplus of the order of 2 per cent of GDP. The public debt represents less than 6 per cent of GDP and on a net basis it may be negative. On the basis of the 1995 Budget presented in the summer of 1994, the OECD Secretariat does not expect major changes in Luxembourg's fiscal position this year and next.

The Luxembourg authorities are operating in an enviable macroeconomic environment characterised by sustained economic growth, low unemployment and, thanks to low imported inflation and the role of cross-border workers, little risk of inflationary pressure. Largely reflecting this situation, the position of public finance is also exceptionally good. The success of Luxembourg in keeping unemployment at very low levels may be of only limited relevance for other Member countries, however, since to a significant extent it has been based on specific conditions. Foreign labour and notably cross-border workers give the domestic labour market an unusual degree of flexibility. Also, with the economy being very small, open and competitive, the implementation of industrial policy is likely to have been facilitated by the authorities' thorough knowledge of the problems to be tackled; and market forces may have provided an effective check, limiting the risk of distortions. Finally, the fact that Luxembourg has been able to develop a comparative advantage in the financial sector may have been related to its size and geographic location.

Conditions in the labour market seem to have changed somewhat over the past few years, and unemployment – although still very low compared with other countries – may have become more structural in nature. The authorities have already taken a number of measures in this area, but corrective efforts should be pursued. For instance, the indexation of wages and social security benefits should be reviewed, and the link between legal minimum wages and average wage

growth should be reconsidered. This would give employers more flexibility to match wage rates with productivity levels within firms. Moreover, it is uncertain to what extent the long-lasting buoyancy in tax receipts will continue, and, as in other European countries, the Luxembourg population is ageing and this will progressively increase the demand for social spending. It may thus be prudent to use this time of economic strength to reduce non-employment – notably by discouraging early retirement and curbing disability benefits – and make public finance more flexible and better suited to cope with these long-term challenges or unforeseen shocks.

Notes

1. Luxembourg national accounts are currently being revised in line with EU directives. In particular, it seems that value added in the "other market services" (excluding banking, transport and the distribution sector) will be revised up very substantially. The new series, however, were not available when this Survey was prepared.
2. The best export performing sectors included abrasive products, glass and ceramics, chemical, synthetic fibres, and metal goods (excluding machinery and mechanical tools).
3. Persons with a disability caused by industrial or occupational accidents or diseases.
4. Apart from the relatively high growth rates of the economy and low female participation, the return of foreign workers to their countries of origin was one of the main reasons for the low unemployment rate.
5. More precisely, in 1993 for unskilled workers the legal minimum wage was 43.5 per cent and for skilled workers 52.4 per cent of the overall average hourly wage.
6. As the budgetary figures for 1994 are in the process of being significantly revised, this section will discuss recent developments in more general terms.
7. Of this amount, LF 6.3 billion were in the form of linear, dematerialised bonds (OLUX) which the Luxembourg Government began to issue in October 1993.
8. External bonds include international and foreign bonds. International bonds are sometimes referred to as "Eurobonds".
9. The aggregate balance sheets of the banking system may have grown by some 10 per cent and the assets of Collective Investment Undertakings (CIUs) remained broadly unchanged, after increasing by over 40 per cent in 1992-93. There are now some 1 250 CIUs registered in Luxembourg, with total assets of the order of LF 10 000 billion (over \$300 billion), representing 60 per cent of banks' aggregate balance sheets.

Annex

Calendar of main economic events

LUXEMBOURG

1994

June

The Government presents a new package of measures to preserve employment, price stability and firms' competitiveness. The package includes a reorganisation of the public employment service and measures to curb the "underground economy".

General and European elections are held. The composition of the new parliament is: Socialist Party 17 seats, Christian Democrat Party 21 seats, Democratic Party 12 seats and others 10 seats.

July

The new Santer Government, a coalition of the Christian Democrat Party and the Socialist Party, is installed.

Prime Minister Santer is appointed to succeed Jacques Delors as President of the European Commission from January 1995.

September

The Government presents the 1995 Budget to Parliament. Total expenditure is estimated at LF 146.4 billion with revenue projected at LF 145.1 billion, implying a central government deficit of 0.5 per cent of GDP.

November

A medium-term special expenditure programme for the period 1994-1999 is approved by the Government.

December

The Government introduces a new law for surveillance of the insurance industry, in accordance with EU directives.

Parliament approves the 1995 Budget unchanged.

1995

January

Jean-Claude Juncker succeeds Jacques Santer as Prime Minister.

April

The Government adopts a law for the restructuring of the railway company SNCFL.

BLANK PAGE

BELGIUM

STATISTICAL ANNEX AND STRUCTURAL INDICATORS

Table A. Belgium – Selected background statistics

| | Average 1984-93 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|--|--------------------|-------|-------|-------|------|------|-------|------|------|------|------|
| A. Per cent changes from previous year | | | | | | | | | | | |
| Private consumption ¹ | 2.2 | 1.2 | 1.9 | 2.3 | 3.0 | 2.8 | 3.8 | 2.7 | 3.2 | 2.6 | -1.0 |
| Gross fixed capital formation ¹ | 4.1 | 1.7 | 0.7 | 4.4 | 5.6 | 15.4 | 12.3 | 10.2 | -1.4 | 0.1 | -5.9 |
| Public investment ¹ | -3.4 | -11.8 | -10.7 | -4.6 | -6.4 | 5.0 | -22.1 | 5.6 | 10.2 | 3.0 | 2.1 |
| Residential ¹ | 7.3 | -0.4 | 4.6 | 4.6 | 7.6 | 22.3 | 19.1 | 8.5 | -0.8 | 12.5 | -2.0 |
| Non-residential ¹ | 4.6 | 6.6 | 2.4 | 6.3 | 7.3 | 15.0 | 15.5 | 11.3 | -2.7 | -4.5 | -8.5 |
| GDP ¹ | 2.0 | 2.2 | 0.8 | 1.4 | 2.0 | 4.9 | 3.5 | 3.2 | 2.3 | 1.9 | -1.7 |
| Implicit price index | | | | | | | | | | | |
| GDP | 3.7 | 5.2 | 6.1 | 3.8 | 2.3 | 1.8 | 4.8 | 3.1 | 2.7 | 3.4 | 4.4 |
| Exports of goods and services | 0.3 | 7.9 | 2.8 | -8.4 | -3.8 | 2.9 | 7.1 | -1.7 | -0.3 | -1.1 | -1.0 |
| Imports of goods and services | -0.7 | 7.9 | 2.1 | -12.3 | -4.6 | 2.7 | 6.6 | -1.2 | -0.4 | -2.6 | -3.4 |
| Total domestic demand | 3.0 | 5.2 | 5.5 | 0.8 | 1.5 | 1.5 | 4.0 | 3.6 | 2.7 | 2.3 | 2.7 |
| Industrial production | 1.3 | 2.5 | 2.4 | 1.0 | 2.1 | 5.9 | 3.5 | 3.5 | -2.0 | 0.0 | -5.2 |
| Employment | 0.4 | -0.2 | 0.6 | 0.7 | 0.5 | 1.5 | 1.6 | 1.4 | 0.1 | -0.4 | -1.3 |
| Compensation of employees (current prices) | 5.3 | 6.9 | 5.7 | 4.3 | 3.1 | 3.3 | 6.5 | 7.6 | 7.9 | 5.5 | 2.7 |
| Productivity (GDP ¹ /employment) | 1.6 | 2.4 | 0.3 | 0.7 | 1.5 | 3.4 | 1.9 | 1.8 | 2.1 | 2.3 | -0.4 |
| Unit labour costs (compensation/GDP ¹) | 3.2 | 4.6 | 4.8 | 2.9 | 1.1 | -1.5 | 2.9 | 4.2 | 5.5 | 3.5 | 4.5 |
| B. Percentage ratios | | | | | | | | | | | |
| Gross fixed capital formation (per cent of GDP at constant prices) | 18.3 | 15.6 | 15.6 | 16.1 | 16.7 | 18.3 | 19.9 | 21.2 | 20.5 | 20.1 | 19.3 |
| Stockbuilding (per cent of GDP at constant prices) | 0.1 | 0.5 | -0.7 | -0.5 | 0.3 | 0.5 | 0.5 | 0.0 | 0.0 | 0.3 | 0.2 |
| Foreign balance (per cent of GDP at constant prices) | -0.3 | 2.2 | 2.5 | 1.1 | -0.6 | -0.2 | -1.4 | -1.5 | -1.4 | -1.6 | -1.6 |
| Compensation of employees (per cent of GDP at current prices) | 55.0 | 57.3 | 56.6 | 56.1 | 55.5 | 53.7 | 52.7 | 53.3 | 54.7 | 54.8 | 54.9 |
| Direct taxes as percent of household income | 13.4 | 14.9 | 14.9 | 14.4 | 14.2 | 13.7 | 12.6 | 12.9 | 12.2 | 12.4 | 12.3 |
| Household savings (per cent of disposable income) ² | 17.6 | 16.3 | 14.0 | 16.0 | 14.6 | 15.7 | 17.4 | 17.7 | 20.5 | 21.1 | 22.3 |
| Unemployment (per cent of total labour force) | 10.8 | 13.2 | 12.3 | 11.6 | 11.3 | 10.3 | 9.3 | 8.7 | 9.3 | 10.3 | 11.9 |
| C. Other indicator | | | | | | | | | | | |
| Current balance (BLEU) (billion US dollars) | 4.0 | 0.0 | 0.7 | 3.1 | 2.8 | 3.5 | 3.5 | 3.6 | 4.9 | 6.6 | 11.3 |

1. At constant 1985 prices.

2. Including statistical discrepancy.

Source: INS and OECD.

Table B. Belgium – Gross domestic product¹

Billion francs

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Current prices | | | | | | | | | |
| Private consumption | 2 875.4 | 3 105.1 | 3 198.7 | 3 358.6 | 3 506.4 | 3 769.9 | 4 012.1 | 4 243.0 | 4 445.4 | 4 514.3 |
| Public consumption | 760.2 | 815.2 | 846.7 | 851.8 | 853.0 | 891.4 | 933.3 | 1 005.6 | 1 045.4 | 1 111.5 |
| Gross fixed capital formation | 709.0 | 741.3 | 782.9 | 834.1 | 983.0 | 1 153.4 | 1 305.6 | 1 314.5 | 1 357.2 | 1 299.1 |
| Change in stocks ² | 15.8 | -34.7 | -30.2 | 10.8 | 18.8 | 24.3 | -2.7 | -8.8 | 0.0 | -12.8 |
| Total domestic demand | 4 360.4 | 4 626.8 | 4 798.1 | 5 055.4 | 5 361.2 | 5 838.9 | 6 248.2 | 6 554.2 | 6 848.0 | 6 912.1 |
| Exports of goods and services | 3 505.2 | 3 644.9 | 3 522.9 | 3 608.8 | 4 028.8 | 4 629.8 | 4 738.9 | 4 846.5 | 4 978.1 | 5 010.6 |
| less: Imports of goods and services | 3 429.0 | 3 525.9 | 3 327.2 | 3 452.3 | 3 826.0 | 4 436.4 | 4 565.0 | 4 657.3 | 4 724.4 | 4 637.5 |
| Gross domestic product at market prices | 4 436.6 | 4 745.8 | 4 993.8 | 5 211.9 | 5 564.0 | 6 032.3 | 6 422.1 | 6 743.4 | 7 101.7 | 7 285.2 |
| | 1985 prices | | | | | | | | | |
| Private consumption | 3 046.3 | 3 105.1 | 3 176.9 | 3 273.1 | 3 364.7 | 3 491.6 | 3 584.9 | 3 698.8 | 3 796.5 | 3 758.1 |
| Public consumption | 795.3 | 815.2 | 830.0 | 832.5 | 825.3 | 827.6 | 830.1 | 850.1 | 853.9 | 870.3 |
| Gross fixed capital formation | 736.0 | 741.3 | 774.0 | 817.5 | 943.1 | 1 059.4 | 1 167.7 | 1 151.8 | 1 152.6 | 1 084.1 |
| Change in stocks ² | 24.5 | -34.7 | -22.3 | 14.5 | 23.7 | 24.1 | -1.9 | -1.8 | 16.5 | 9.7 |
| Total domestic demand | 4 602.1 | 4 626.8 | 4 758.6 | 4 937.6 | 5 156.8 | 5 402.7 | 5 580.8 | 5 698.8 | 5 819.5 | 5 722.2 |
| Exports of goods and services | 3 604.5 | 3 644.9 | 3 845.2 | 4 096.4 | 4 445.9 | 4 772.2 | 4 968.6 | 5 097.4 | 5 294.6 | 5 380.3 |
| less: Imports of goods and services | 3 500.1 | 3 525.9 | 3 793.2 | 4 127.6 | 4 456.1 | 4 849.1 | 5 050.7 | 5 173.4 | 5 386.7 | 5 472.8 |
| Gross domestic product at market prices | 4 706.5 | 4 745.8 | 4 810.6 | 4 906.4 | 5 146.6 | 5 325.8 | 5 498.7 | 5 622.8 | 5 727.4 | 5 629.7 |

1. Includes statistical discrepancy.

2. Includes adjustment in connection with gross fixed capital formation.

Source: OECD, *National Accounts*.

Table C. **Belgium – Income and expenditure of households and private non-profit institutions**

Billion francs

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|--|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| Compensation of employees | 2 541.6 | 2 686.5 | 2 803.3 | 2 891.5 | 2 987.7 | 3 181.3 | 3 421.6 | 3 691.3 | 3 892.7 | 3 997.1 |
| Income from firms received by individuals | 729.4 | 765.7 | 815.2 | 856.7 | 928.0 | 1 028.9 | 1 088.5 | 1 144.3 | 1 203.0 | 1 216.9 |
| Household property income | 564.2 | 635.4 | 656.7 | 677.5 | 727.5 | 852.3 | 940.7 | 1 040.0 | 1 139.2 | 1 204.3 |
| Current transfers from government | 1 280.3 | 1 340.1 | 1 391.1 | 1 461.5 | 1 504.3 | 1 589.6 | 1 685.2 | 1 825.7 | 1 927.2 | 2 024.7 |
| Current transfers from the rest of the world | 31.4 | 36.5 | 33.2 | 39.4 | 50.7 | 59.0 | 66.6 | 69.8 | 71.0 | 77.7 |
| Household income¹ | 5 166.5 | 5 469.3 | 5 734.2 | 5 939.1 | 6 236.7 | 6 699.2 | 7 222.0 | 7 794.7 | 8 251.8 | 8 534.1 |
| less: Direct taxes | 767.6 | 813.0 | 823.8 | 846.2 | 853.0 | 846.6 | 933.5 | 949.8 | 1 022.4 | 1 045.6 |
| Social security contributions by wage-earners and self-employed | 680.9 | 747.2 | 794.4 | 842.0 | 876.1 | 924.6 | 991.1 | 1 072.3 | 1 137.6 | 1 184.4 |
| Current transfers to the rest of the world | 41.4 | 43.9 | 42.8 | 43.7 | 49.2 | 57.0 | 86.5 | 79.5 | 87.3 | 98.2 |
| Other current transfers | 241.4 | 253.9 | 263.5 | 276.2 | 296.5 | 306.0 | 335.8 | 356.5 | 373.1 | 394.0 |
| Disposable income | 3 435.2 | 3 611.4 | 3 809.7 | 3 931.0 | 4 161.9 | 4 565.1 | 4 875.1 | 5 336.6 | 5 631.4 | 5 811.9 |
| Household savings | 559.8 | 506.2 | 611.0 | 572.4 | 655.5 | 795.1 | 863.0 | 1 093.6 | 1 185.9 | 1 297.6 |

1. Including statistical discrepancy.

Source: OECD, *National Accounts*.

Table D. Belgium – Income and expenditure of enterprises

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|--|-----------------|------|------|------|-------|-------|-------|-------|-------|-------|
| | Billion francs | | | | | | | | | |
| 1. Gross operating surplus excluding subsidies | 591 | 635 | 691 | 814 | 972 | 973 | 927 | 974 | 970 | 1 062 |
| 2. Subsidies | 191 | 191 | 179 | 184 | 166 | 188 | 210 | 198 | 197 | 195 |
| 3. Gross operating surplus (1 + 2) | 781 | 826 | 870 | 997 | 1 138 | 1 161 | 1 137 | 1 172 | 1 167 | 1 257 |
| 4. Net property income payable | 185 | 134 | 137 | 172 | 202 | 255 | 301 | 337 | 301 | 251 |
| 5. Gross primary income (3 – 4) | 596 | 692 | 733 | 825 | 936 | 906 | 836 | 835 | 867 | 1 006 |
| 6. Current transfers paid to other sectors | 112 | 126 | 127 | 141 | 148 | 131 | 143 | 128 | 146 | 186 |
| 7. Disposable income (5 – 6) | 484 | 566 | 606 | 684 | 788 | 775 | 693 | 707 | 720 | 821 |
| 8. Capital transfers, net | 39 | 36 | 27 | 31 | 26 | 29 | 39 | 43 | 14 | 16 |
| 9. Capital resources (7 + 8) | 523 | 602 | 633 | 715 | 814 | 804 | 732 | 750 | 734 | 837 |
| 10. Gross capital formation | 389 | 422 | 497 | 595 | 715 | 805 | 811 | 801 | 731 | 771 |
| 11. Other ¹ | -7 | -9 | -10 | -13 | -16 | -13 | -14 | -11 | -11 | -11 |
| 12. Net lending (9 – 10 + 11) | 127 | 171 | 126 | 107 | 83 | -14 | -93 | -62 | -8 | 55 |
| | Per cent of GDP | | | | | | | | | |
| Gross operating surplus (including subsidies) | 16.5 | 16.5 | 16.7 | 17.9 | 18.9 | 18.1 | 16.9 | 16.5 | 16.5 | 17.9 |
| Disposable income | 10.2 | 11.3 | 11.6 | 12.3 | 13.1 | 12.1 | 10.3 | 10.0 | 9.9 | 10.8 |
| Capital resources | 11.0 | 12.1 | 12.1 | 12.9 | 13.5 | 12.5 | 10.9 | 10.6 | 10.1 | 11.0 |
| Gross capital formation | 8.2 | 8.5 | 9.5 | 10.7 | 11.9 | 12.5 | 12.0 | 11.3 | 10.0 | 10.1 |
| Net lending | 2.7 | 3.4 | 2.4 | 1.9 | 1.4 | -0.2 | -1.4 | -0.9 | -0.1 | 0.7 |

1. Change in mathematical retirement pension reserves.

Source: Federal Planning Bureau and National Bank of Belgium, 1994 Report.

Table E. **Belgium – Government revenue and expenditure**

Billion francs

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Current revenue | 1 924.7 | 2 027.4 | 2 051.0 | 2 173.3 | 2 248.0 | 2 310.6 | 2 485.9 | 2 662.9 | 2 757.8 | 2 882.5 |
| Income from property and firms | 79.5 | 82.9 | 71.9 | 62.1 | 64.5 | 75.8 | 84.3 | 92.9 | 90.8 | 89.0 |
| less: Interest on public debt | -439.2 | -507.6 | -562.7 | -557.5 | -568.2 | -631.1 | -687.5 | -694.9 | -758.8 | -767.0 |
| Indirect taxes | 554.7 | 582.0 | 594.7 | 645.1 | 675.5 | 737.5 | 785.7 | 821.8 | 870.5 | 905.3 |
| Direct taxes on households | 767.6 | 813.0 | 823.8 | 846.2 | 853.0 | 846.6 | 933.5 | 949.8 | 1 022.4 | 1 045.6 |
| Social security contributions by wage-earners and self-employed | 680.9 | 747.2 | 794.4 | 842.0 | 876.1 | 924.6 | 991.1 | 1 072.3 | 1 137.8 | 1 184.4 |
| Direct taxes on companies | 111.6 | 126.4 | 140.1 | 143.7 | 159.3 | 175.0 | 165.2 | 173.5 | 147.3 | 165.3 |
| Other current transfers | 169.6 | 183.6 | 188.8 | 191.7 | 187.7 | 182.2 | 213.6 | 247.6 | 247.8 | 260.0 |
| Current expenditure | 2 189.7 | 2 303.6 | 2 382.4 | 2 451.4 | 2 494.1 | 2 591.9 | 2 732.6 | 2 980.3 | 3 097.4 | 3 257.0 |
| Public consumption | 760.2 | 815.2 | 846.7 | 851.8 | 853.0 | 891.4 | 933.3 | 1 005.6 | 1 045.4 | 1 111.5 |
| Subsidies | 186.0 | 190.8 | 190.9 | 179.0 | 183.6 | 166.3 | 188.0 | 210.3 | 198.3 | 197.4 |
| Social security transfers to wage-earners and self-employed | 956.5 | 992.5 | 1 030.1 | 1 072.4 | 1 096.5 | 1 149.2 | 1 216.0 | 1 322.0 | 1 408.4 | 1 470.4 |
| Other current transfers (net) to households | 103.6 | 111.5 | 114.5 | 122.8 | 127.3 | 144.6 | 147.0 | 157.3 | 162.1 | 169.7 |
| Other current transfers | 183.4 | 193.8 | 200.3 | 225.4 | 233.8 | 240.5 | 248.4 | 285.1 | 283.2 | 307.9 |
| Savings of General Government | -265.0 | -276.2 | -331.5 | -278.1 | -246.1 | -281.2 | -246.8 | -317.3 | -339.5 | -374.4 |

Source: OECD, *National Accounts*.

Table F. Belgium – Area breakdown of foreign trade

Million US\$

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 ¹ |
|---------------------|--------|--------|--------|--------|--------|---------|---------|---------|---------|-------------------|
| Exports, fob | | | | | | | | | | |
| World | 51 704 | 53 667 | 68 731 | 83 038 | 91 990 | 100 068 | 118 034 | 118 317 | 122 987 | 117 687 |
| OECD | 43 774 | 45 784 | 60 010 | 73 317 | 81 049 | 87 473 | 104 128 | 103 200 | 106 997 | 100 318 |
| EU | 37 690 | 39 321 | 52 439 | 64 314 | 71 418 | 77 088 | 92 737 | 92 718 | 96 059 | 88 434 |
| Germany | 10 267 | 10 036 | 13 680 | 16 590 | 18 030 | 19 035 | 25 164 | 28 114 | 28 150 | 24 650 |
| France | 9 525 | 10 179 | 13 763 | 16 979 | 18 372 | 20 475 | 23 877 | 22 561 | 23 763 | 22 172 |
| Netherlands | 7 202 | 7 645 | 10 323 | 12 481 | 13 543 | 13 708 | 16 088 | 16 202 | 16 605 | 15 339 |
| United Kingdom | 5 126 | 5 251 | 5 980 | 6 991 | 8 581 | 9 395 | 10 239 | 9 161 | 9 621 | 9 850 |
| Italy | 2 656 | 2 921 | 4 010 | 5 291 | 5 722 | 6 370 | 7 729 | 7 183 | 7 249 | 6 442 |
| USA | 3 137 | 3 402 | 3 640 | 4 319 | 4 577 | 4 817 | 5 096 | 4 430 | 4 773 | 5 655 |
| Other | 2 947 | 3 061 | 3 931 | 4 683 | 5 053 | 5 568 | 6 295 | 6 052 | 6 165 | 6 230 |
| Non-OECD | 7 494 | 7 433 | 8 165 | 9 099 | 10 332 | 11 849 | 12 992 | 14 135 | 15 154 | 16 790 |
| Ex-COMECON | 891 | 1 021 | 930 | 949 | 1 018 | 1 140 | 1 080 | 1 514 | 1 780 | 1 551 |
| OPEC | 1 913 | 1 715 | 1 600 | 1 482 | 1 515 | 1 649 | 2 124 | 2 504 | 2 624 | 2 510 |
| Other | 4 691 | 4 698 | 5 636 | 6 667 | 7 800 | 9 060 | 9 788 | 10 116 | 10 750 | 12 729 |
| Unspecified | 436 | 450 | 555 | 623 | 609 | 746 | 914 | 981 | 836 | 579 |
| Imports, cif | | | | | | | | | | |
| World | 55 252 | 56 049 | 68 617 | 83 304 | 92 296 | 98 566 | 120 043 | 121 036 | 124 967 | 105 427 |
| OECD | 46 191 | 47 872 | 60 152 | 73 004 | 80 683 | 84 899 | 104 985 | 106 031 | 109 537 | 92 357 |
| EU | 39 321 | 40 876 | 52 087 | 63 307 | 70 711 | 73 841 | 92 058 | 92 570 | 96 045 | 80 129 |
| Germany | 11 144 | 11 949 | 16 054 | 20 435 | 22 751 | 23 355 | 28 803 | 28 458 | 29 872 | 22 720 |
| France | 8 082 | 8 457 | 10 872 | 13 066 | 14 202 | 14 678 | 19 021 | 19 090 | 20 602 | 17 090 |
| Netherlands | 10 377 | 10 229 | 12 257 | 14 287 | 16 385 | 17 374 | 21 008 | 20 868 | 21 884 | 18 430 |
| United Kingdom | 4 843 | 5 014 | 5 727 | 6 542 | 7 044 | 7 765 | 9 932 | 10 127 | 9 624 | 9 941 |
| Italy | 1 978 | 2 002 | 2 910 | 3 547 | 3 928 | 4 164 | 5 413 | 5 485 | 5 665 | 4 680 |
| USA | 3 326 | 3 185 | 3 463 | 3 955 | 4 092 | 4 653 | 5 452 | 5 807 | 5 402 | 5 601 |
| Other | 3 543 | 3 811 | 4 602 | 5 743 | 5 880 | 6 405 | 7 476 | 7 654 | 8 090 | 6 626 |
| Non-OECD | 8 777 | 7 949 | 8 314 | 9 965 | 11 554 | 13 609 | 14 996 | 14 928 | 15 365 | 12 949 |
| Ex-COMECON | 2 120 | 1 529 | 1 376 | 1 673 | 1 676 | 1 592 | 2 046 | 2 013 | 2 087 | 864 |
| OPEC | 2 312 | 1 841 | 1 837 | 2 150 | 2 329 | 2 945 | 3 292 | 3 616 | 3 309 | 1 212 |
| Other | 4 345 | 4 580 | 5 101 | 6 142 | 7 549 | 9 072 | 9 658 | 9 299 | 9 969 | 10 873 |
| Unspecified | 284 | 228 | 151 | 336 | 59 | 58 | 62 | 77 | 65 | 121 |

1. As a result of the abolition of customs frontiers within the EU on 1st January 1993, data on intra-EU trade are no longer derived from customs declarations but based on INTRASTAT.

Source: OECD, *Foreign Trade Statistics*, Series A.

Table G. Belgium – Commodity breakdown of foreign trade

Million US\$

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 ¹ |
|--|--------|--------|--------|--------|--------|---------|---------|---------|---------|-------------------|
| Exports, fob | 50 968 | 53 316 | 68 649 | 82 951 | 92 313 | 100 741 | 118 002 | 118 222 | 122 411 | 120 331 |
| SITC sections | | | | | | | | | | |
| 0. Food and live animals | 4 757 | 4 624 | 6 116 | 7 460 | 7 775 | 8 580 | 9 842 | 10 855 | 11 873 | 11 361 |
| 1. Beverages and tobacco | 375 | 415 | 544 | 686 | 672 | 691 | 786 | 813 | 870 | 1 069 |
| 2. Crude material, inedible, except fuels | 1 497 | 1 490 | 1 716 | 2 077 | 2 449 | 2 673 | 2 788 | 2 565 | 2 681 | 2 580 |
| 3. Mineral fuels, lubricants and related materials | 4 068 | 3 535 | 3 388 | 3 148 | 3 233 | 3 509 | 4 154 | 4 656 | 4 286 | 4 140 |
| 4. Animal and vegetable oils and fats | 387 | 423 | 343 | 337 | 384 | 456 | 465 | 470 | 469 | 388 |
| 5. Chemicals | 6 449 | 6 882 | 8 597 | 10 444 | 13 016 | 13 860 | 16 428 | 16 652 | 17 955 | 18 733 |
| 6. Manufactured goods classified chiefly by material | 15 972 | 16 560 | 20 533 | 24 444 | 30 014 | 33 603 | 37 067 | 35 323 | 34 994 | 33 307 |
| 7. Machinery and transport equipment | 10 757 | 12 429 | 17 784 | 22 447 | 23 853 | 25 658 | 32 261 | 32 008 | 33 164 | 33 001 |
| 8. Miscellaneous manufactured articles | 3 709 | 3 883 | 5 377 | 6 753 | 7 056 | 7 434 | 9 533 | 9 928 | 10 968 | 10 745 |
| 9. Others | 2 997 | 3 075 | 4 250 | 5 154 | 3 861 | 4 277 | 4 678 | 4 953 | 5 152 | 5 007 |
| Imports, cif | 54 386 | 55 561 | 68 025 | 82 598 | 91 883 | 99 340 | 119 725 | 121 038 | 124 656 | 110 815 |
| SITC sections | | | | | | | | | | |
| 0. Food and live animals | 5 184 | 4 973 | 6 272 | 7 335 | 8 044 | 8 021 | 9 411 | 10 183 | 10 848 | 9 790 |
| 1. Beverages and tobacco | 621 | 641 | 840 | 1 027 | 1 047 | 1 032 | 1 304 | 1 342 | 1 545 | 1 581 |
| 2. Crude material, inedible, except fuels | 4 056 | 4 169 | 4 282 | 5 221 | 6 153 | 6 691 | 6 804 | 6 230 | 6 216 | 4 999 |
| 3. Mineral fuels, lubricants and related materials | 10 232 | 9 323 | 7 284 | 7 739 | 6 696 | 7 671 | 9 668 | 10 219 | 9 539 | 8 356 |
| 4. Animal and vegetable oils and fats | 365 | 353 | 290 | 273 | 334 | 369 | 393 | 433 | 449 | 428 |
| 5. Chemicals | 5 437 | 5 735 | 7 119 | 8 698 | 10 613 | 11 451 | 13 622 | 13 895 | 14 797 | 14 394 |
| 6. Manufactured goods classified chiefly by material | 11 386 | 11 442 | 14 876 | 17 976 | 22 155 | 24 617 | 28 247 | 27 102 | 27 377 | 24 817 |
| 7. Machinery and transport equipment | 11 773 | 12 976 | 19 129 | 24 431 | 21 991 | 24 164 | 30 588 | 31 552 | 31 993 | 27 932 |
| 8. Miscellaneous manufactured articles | 4 229 | 4 515 | 6 481 | 8 469 | 9 392 | 9 694 | 12 582 | 13 187 | 14 419 | 12 647 |
| 9. Others | 1 102 | 1 434 | 1 452 | 1 429 | 5 458 | 5 630 | 7 107 | 6 894 | 7 473 | 5 871 |

1. As a result of the abolition of customs frontiers within the EU on 1st January 1993, data on intra-EU trade are no longer derived from customs declarations but based on INTRASTAT.

Source: OECD, *Foreign Trade Statistics*, Series C.

Table H. Belgium – BLEU Balance of payments

Million US\$¹

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 ² | 1991 | 1992 | 1993 |
|--|--------|--------|--------|--------|--------|--------|-------------------|---------|---------|---------|
| Exports, fob ³ | 48 006 | 48 719 | 62 168 | 79 220 | 88 489 | 92 635 | 111 250 | 108 403 | 118 530 | 107 109 |
| Imports, fob ³ | 48 843 | 48 910 | 61 022 | 78 430 | 86 612 | 91 486 | 110 487 | 107 931 | 115 827 | 102 603 |
| Trade balance | -837 | -191 | 1 146 | 790 | 1 877 | 1 149 | 763 | 472 | 2 703 | 4 506 |
| Services, net | 1 675 | 1 588 | 2 932 | 3 478 | 3 461 | 4 346 | 5 109 | 6 643 | 6 602 | 9 642 |
| Balance on goods and services | 838 | 1 397 | 4 078 | 4 268 | 5 338 | 5 495 | 5 872 | 7 115 | 9 305 | 14 148 |
| Private transfers, net | -173 | -125 | -215 | -115 | 46 | 51 | -670 | -439 | -706 | -773 |
| Official transfers, net | -708 | -579 | -759 | -1 384 | -1 857 | -1 995 | -1 562 | -1 774 | -2 013 | -2 034 |
| Current balance | -43 | 693 | 3 104 | 2 769 | 3 527 | 3 551 | 3 640 | 4 902 | 6 586 | 11 341 |
| Long-term capital (excluding special transactions) | -187 | -641 | -3 762 | -1 344 | -2 817 | -2 216 | 8 028 | 10 863 | 9 192 | 20 807 |
| a) private | -1 378 | -1 553 | -3 480 | -597 | -2 537 | -1 952 | 7 423 | 8 995 | 12 692 | 10 348 |
| b) official | 1 191 | 912 | -282 | -747 | -280 | -264 | 604 | 1 868 | -3 500 | 10 458 |
| Basic balance | -230 | 52 | -658 | 1 425 | 710 | 1 335 | 11 668 | 15 765 | 15 778 | 32 148 |
| Non-monetary short-term private capital | -95 | 5 | -770 | 246 | 1 221 | -673 | 2 196 | 3 284 | -121 | -5 588 |
| Non-monetary short-term official capital | 248 | -685 | 1 222 | 977 | 2 657 | 2 135 | .. | .. | .. | .. |
| Errors and omissions | -164 | -125 | 206 | 56 | -139 | -614 | -1 574 | -717 | 1 835 | -634 |
| Balance on non-monetary transactions | -241 | -753 | 0 | 2 704 | 4 449 | 2 183 | 12 290 | 18 332 | 17 492 | 25 926 |

1. Exchange rate: 1984: 1\$ = 57.76BF; 1985: 1\$ = 59.43BF; 1986: 1\$ = 44.69BF; 1987: 1\$ = 37.34BF; 1988: 1\$ = 36.77BF; 1989: 1\$ = 39.40BF; 1990: 1\$ = 33.42BF; 1991: 1\$ = 34.16BF; 1992: 1\$ = 32.15BF; 1993: 1\$ = 34.56BF.

2. From 1990, new definitions.

3. Including commission processing and non-monetary gold.

Source: OECD Secretariat estimates.

Table I. Belgium – Structure of output and performance indicators

| | 1980 | 1985 | 1989 | 1990 | 1991 | 1992 | 1993 | 1980 | 1985 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|---------------------------|------|------|------|------|------|------|----------------------------------|------|------|------|------|------|------|
| | Share of GDP | | | | | | | Share of total employment | | | | | | |
| A. Structure of output (constant prices) | | | | | | | | | | | | | | |
| Agriculture, hunting, forestry and fishing | 2.1 | 2.3 | 2.1 | 2.0 | 2.1 | 2.3 | 2.4 | 3.1 | 3.1 | 2.7 | 2.7 | 2.6 | 2.5 | .. |
| Mining and quarrying | 0.6 | 0.5 | 0.3 | 0.3 | 0.3 | 0.3 | 0.3 | .. | .. | .. | .. | .. | .. | .. |
| Manufacturing | 20.8 | 23.4 | 23.3 | 22.8 | 22.4 | 22.0 | 21.7 | 24.9 | 22.5 | 20.9 | 20.8 | 20.4 | 20.0 | .. |
| <i>of which:</i> | | | | | | | | | | | | | | |
| Food products | 4.7 | 4.8 | 4.6 | 4.3 | 4.3 | 4.2 | 4.2 | 3.1 | 3.0 | 2.8 | 2.8 | 2.8 | 2.7 | .. |
| Textiles | 1.9 | 1.7 | 1.8 | 1.9 | 1.8 | 1.8 | 1.8 | 1.9 | 1.8 | 1.5 | 1.5 | 1.4 | 1.3 | .. |
| Paper | 1.3 | 1.3 | 1.6 | 1.6 | 1.5 | 1.5 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 | 1.5 | 1.5 | .. |
| Chemicals | 2.2 | 3.9 | 4.3 | 4.2 | 4.3 | 4.4 | 4.3 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | .. |
| Metals | 1.6 | 1.8 | 1.8 | 1.7 | 1.6 | 1.5 | 1.4 | 2.2 | 1.8 | 1.4 | 1.4 | 1.3 | 1.3 | .. |
| Metal products, machinery and equipment | 6.0 | 6.9 | 5.6 | 5.5 | 5.3 | 5.0 | 4.8 | 8.5 | 7.6 | 7.2 | 7.1 | 7.0 | 6.9 | .. |
| Electricity, gas and water | 3.2 | 3.1 | 3.2 | 3.2 | 3.3 | 3.2 | 3.2 | 1.7 | 1.6 | 1.1 | 1.0 | 1.0 | 1.0 | .. |
| Construction | 7.4 | 5.0 | 5.6 | 5.8 | 5.8 | 5.9 | 5.6 | 7.8 | 5.7 | 6.2 | 6.3 | 6.4 | 6.5 | .. |
| Services | 46.3 | 47.0 | 49.0 | 48.5 | 49.2 | 50.1 | 50.8 | 30.8 | 32.4 | 33.8 | 33.9 | 34.2 | 34.4 | .. |
| Total market sector | 80.3 | 81.3 | 83.5 | 82.5 | 83.1 | 83.8 | 84.1 | 68.3 | 65.3 | 64.7 | 64.6 | 64.7 | 64.4 | .. |
| Non-market sector | 13.7 | 13.7 | 12.5 | 12.3 | 12.2 | 12.3 | 12.7 | 31.7 | 34.7 | 35.3 | 35.4 | 35.3 | 35.6 | .. |
| | Share of total investment | | | | | | | Productivity growth ¹ | | | | | | |
| B. Economic performance (constant prices) | | | | | | | | | | | | | | |
| Agriculture, hunting, forestry and fishing | 2.1 | 2.5 | 1.8 | 1.9 | 1.4 | 1.5 | 1.5 | 5.4 | 0.5 | 2.7 | -2.4 | 8.4 | 13.9 | .. |
| Mining and quarrying | 0.4 | 0.5 | 0.6 | 0.7 | 0.7 | 0.5 | 0.5 | .. | .. | .. | .. | .. | .. | .. |
| Manufacturing | 14.5 | 21.3 | 26.6 | 29.1 | 28.7 | 25.8 | 20.0 | 6.8 | 3.3 | 4.6 | 0.4 | 1.8 | 2.6 | .. |
| <i>of which:</i> | | | | | | | | | | | | | | |
| Food products | 2.3 | 2.7 | 3.3 | 3.6 | 3.7 | 3.9 | 3.1 | 2.6 | 0.8 | 2.7 | -1.9 | 4.1 | 0.6 | .. |
| Textiles | 0.9 | 1.8 | 1.9 | 1.7 | 1.7 | 1.7 | 1.4 | 1.3 | -2.1 | 14.5 | 7.7 | 0.1 | 9.2 | .. |
| Paper | 1.1 | 1.5 | 2.4 | 2.1 | 2.3 | 1.9 | 1.4 | 4.5 | -5.7 | 5.1 | 0.8 | -2.1 | 3.4 | .. |
| Chemicals | 3.0 | 4.4 | 8.0 | 10.7 | 8.6 | 6.9 | 6.0 | 17.4 | 1.8 | 3.2 | -1.2 | 5.5 | 5.7 | .. |
| Metals | 1.7 | 2.3 | 2.0 | 1.7 | 2.1 | 1.5 | 1.1 | 7.0 | 14.5 | 1.9 | 1.3 | -0.4 | -0.1 | .. |
| Metal products, machinery and equipment | 4.0 | 6.6 | 6.7 | 6.5 | 7.9 | 7.9 | 5.1 | 6.9 | 7.3 | 8.3 | 1.7 | -2.5 | -1.3 | .. |
| Electricity, gas and water | 5.5 | 6.4 | 4.1 | 3.3 | 3.5 | 4.2 | 5.0 | 1.7 | 6.0 | 5.3 | 13.6 | 9.1 | 3.6 | .. |

| | | | | | | | | | | | | | | |
|---------------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| Construction | 1.7 | 1.7 | 2.2 | 2.3 | 2.1 | 2.0 | 1.9 | -0.1 | 0.3 | -2.2 | 3.6 | 0.3 | 1.6 | .. |
| Services | 57.8 | 54.7 | 57.6 | 56.0 | 56.1 | 58.1 | 62.7 | 1.2 | -0.4 | 1.9 | 0.2 | 2.7 | 3.6 | .. |
| Total market sector | 82.0 | 87.1 | 93.0 | 93.3 | 92.6 | 92.2 | 91.6 | 3.2 | 1.1 | 2.3 | 0.7 | 2.7 | 3.6 | .. |
| Non-market sector | 18.0 | 12.9 | 7.0 | 6.7 | 7.4 | 7.8 | 8.4 | -0.4 | 0.0 | 1.3 | -0.1 | 1.8 | 2.2 | .. |
| | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |

C. Other indicators (current prices)

| | | | | | | | | | | | | | | |
|---|----|-----|----|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| R&D as % of GDP in manufacturing sector | .. | 3.9 | .. | 4.1 | .. | 4.6 | 4.7 | 5.0 | 4.9 | 4.6 | .. | .. | .. | .. |
| Total R&D expenditure as % of total GDP | .. | .. | .. | 1.6 | 1.6 | 1.7 | 1.7 | 1.7 | 1.6 | 1.7 | .. | 1.7 | .. | .. |
| Government funded R&D as % of total | .. | .. | .. | 33.4 | 31.8 | 31.6 | 28.7 | 27.6 | 26.7 | 32.0 | .. | 31.3 | .. | .. |
| Breakdown of employed workforce by size of establishment: | | | | | | | | | | | | | | |
| 1 to 9 employees | | | | 14.6 | 14.6 | 14.7 | 14.9 | 15.1 | 16.0 | 16.1 | 16.0 | 16.1 | 16.3 | 16.4 |
| 10 to 49 employees | | | | 20.2 | 19.8 | 20.0 | 20.4 | 20.8 | 21.5 | 21.8 | 22.1 | 22.4 | 22.5 | 23.3 |
| 50 to 199 employees | | | | 21.1 | 20.9 | 20.9 | 21.0 | 21.6 | 21.6 | 21.4 | 21.3 | 21.7 | 21.8 | 22.4 |
| 200 to 499 employees | | | | 15.0 | 14.9 | 14.8 | 14.4 | 14.7 | 14.6 | 14.9 | 15.0 | 14.5 | 14.8 | 14.6 |
| 500 to 999 employees | | | | 9.8 | 10.1 | 9.5 | 9.6 | 9.6 | 9.4 | 9.4 | 9.2 | 9.3 | 9.3 | 9.3 |
| 1 000 employees or more | | | | 19.4 | 19.8 | 20.2 | 19.8 | 18.2 | 17.0 | 16.5 | 16.4 | 15.9 | 15.4 | 14.0 |
| Total | | | | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.1 | 100.0 |
| Workforce (thousands) | | | | 2 817.9 | 2 823.9 | 2 844.6 | 2 862.5 | 2 888.7 | 3 002.6 | 3 082.0 | 3 145.3 | 3 153.5 | 3 158.9 | 3 156.2 |

1. For 1980 the data is an average of 1980-84.

Source: OECD, *National Accounts; Main Science and Technology Indicators*; and data provided by the Ministère de l'Emploi et du Travail.

Table J. **Belgium – Labour market indicators**

| | A. Trend | | | | | | |
|--|--|-------------------|-------|-------|-------|-------|-------|
| | Peak | Trough | 1990 | 1991 | 1992 | 1993 | 1994 |
| Standardised unemployment rate | 1982 : 12.6 | 1970 : 2.1 | 7.2 | 7.2 | 7.7 | 8.6 | 9.7 |
| Unemployment rate | | | | | | | |
| Total | 1983 : 13.2 | 1970 : 2.1 | 8.7 | 9.3 | 10.3 | 12.1 | 13.1 |
| Male | .. | .. | 5.9 | 6.5 | 7.4 | 8.9 | 9.8 |
| Female | .. | .. | 12.8 | 13.2 | 14.2 | 16.4 | 17.6 |
| Youth ¹ | .. | .. | 17.0 | 18.0 | 18.0 | 20.2 | 20.5 |
| Share of long-term unemployment ² | 1986 : 68.9 | 1975 : 35.9 | 62.7 | 57.4 | 57.3 | 56.9 | 60.1 |
| Unfilled vacancies (thousands) | 1970 : 23.8 | 1977 : 3.4 | 18.8 | 16.3 | 16.8 | 14.6 | 19.0 |
| | B. Structural and institutional features | | | | | | |
| | 1970 | 1980 | 1988 | 1989 | 1990 | 1991 | 1992 |
| Labour force (% change) | 0.8 ⁶ | 0.2 ⁷ | 0.3 | 0.4 | 0.8 | 0.7 | 0.6 |
| Participation rate ³ | | | | | | | |
| Overall | 62.0 | 63.0 | 61.8 | 62.1 | 62.6 | 63.1 | 63.4 |
| Male | 84.4 | 78.9 | 72.2 | 72.4 | 72.7 | 72.8 | 72.6 |
| Female | 39.8 | 47.0 | 51.2 | 51.6 | 52.4 | 53.2 | 54.1 |
| Employment/population from 15 to 64 years | 60.8 | 58.0 | 55.4 | 56.3 | 57.1 | 57.2 | 56.9 |
| Employers, self-employed and family workers (as % of total) | 18.3 | 16.2 | 17.7 | 17.7 | 17.7 | 17.9 | 18.3 |
| Employees (as % of total) | 81.7 | 83.8 | 82.3 | 82.3 | 82.3 | 82.1 | 81.7 |
| Civilian employment by sector (% change) | | | | | | | |
| Agriculture | -4.1 ⁶ | -1.2 ⁷ | -2.9 | -1.0 | -1.0 | -2.0 | -3.8 |
| Industry | -1.9 ⁶ | -3.5 ⁷ | -0.5 | 2.3 | 1.1 | -0.6 | -1.6 |
| Services | 1.8 ⁶ | 0.7 ⁷ | 2.5 | 1.5 | 1.8 | 0.7 | 0.3 |
| of which: General government | 3.4 ⁶ | 0.8 ⁷ | 0.3 | -0.3 | 1.0 | -1.9 | -0.8 |
| Total | 0.2 ⁶ | -0.8 ⁷ | 1.5 | 1.7 | 1.5 | 0.2 | -0.5 |
| Civilian employment by sector (as % of total) | | | | | | | |
| Agriculture | 4.9 | 3.2 | 2.8 | 2.8 | 2.7 | 2.6 | 2.6 |
| Industry | 42.6 | 34.7 | 28.3 | 28.5 | 28.3 | 28.1 | 28.1 |
| Services | 52.5 | 62.1 | 68.9 | 68.8 | 69.0 | 69.3 | 69.3 |
| of which: General government | 14.0 | 19.2 | 20.5 | 20.1 | 20.0 | 19.6 | 19.5 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| Non-wage labour costs ⁴ | 13.9 | 14.3 | 17.7 | 17.9 | 17.9 | 18.1 | 17.9 |
| Unemployment insurance benefits ⁵ | 48.0 ⁸ | 34.1 | 30.9 | 31.9 | 32.2 | 31.9 | 28.8 |

1. 15-24 years old.

2. People looking for a job since one year or more as a percentage of total unemployment.

3. Labour force as a percentage of the corresponding population aged between 15 and 64 years.

4. Employers' social-security contributions as a percentage of total wages.

5. Average unemployment benefit as a percentage of compensation per employee.

6. 1970-80 average.

7. 1980-85 average.

8. 1975 figure.

Source: Ministère de l'Emploi et du Travail; INS, *Annuaire statistique de la Belgique*; OECD, *Labour Force Statistics, Main Economic Indicators* and estimates.

Table K. Belgium – Public sector

| | 1975 | 1980 | 1985 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|----------|------|-------|------------------|-------|-------|-------|-----------------|
| Budgetary indicators: general-government accounts (% of GDP) | | | | | | | | |
| Primary receipts (excluding interest) | 44.3 | 47.5 | 51.7 | 47.5 | 48.1 | 48.4 | 48.2 | 48.9 |
| Primary expenditure (excluding interest) | 46.8 | 51.4 | 50.6 | 44.0 | 43.6 | 45.3 | 44.8 | 45.9 |
| Primary budget balance | -2.5 | -3.9 | 1.1 | 3.5 | 4.5 | 3.1 | 3.4 | 3.0 |
| Net interest (including net capital transfers) | -2.9 | -5.5 | -9.9 | -9.7 | -9.9 | -9.6 | -10.1 | -9.6 |
| General-government budget balance | -5.5 | -9.3 | -8.8 | -6.2 | -5.4 | -6.5 | -6.7 | -6.6 |
| Structure of expenditure and taxes (% of GDP) | | | | | | | | |
| General-government current expenditure | 46.5 | 53.9 | 59.2 | 53.4 | 53.3 | 54.5 | 54.3 | 55.2 |
| Transfers | 23.0 | 25.9 | 27.3 | 25.4 | 25.1 | 26.2 | 26.1 | 26.7 |
| Subsidies | 3.4 | 4.0 | 4.0 | 2.8 | 2.9 | 3.1 | 2.8 | 2.7 |
| General expenditure: | .. | 18.3 | 17.5 | 15.0 | 15.1 | .. | .. | .. |
| Education | .. | 6.9 | 6.6 | 5.8 | .. | .. | .. | .. |
| Tax receipts | 41.8 | 44.4 | 48.1 | 44.8 | 45.1 | 45.1 | 45.1 | 45.7 |
| Personal income tax | 13.3 | 15.6 | 16.7 | 13.7 | 14.2 | 13.7 | 14.0 | 13.9 |
| Corporate taxes | 3.0 | 2.5 | 2.6 | 2.9 | 2.5 | 2.5 | 2.0 | 2.2 |
| Social-security contributions | 13.3 | 13.5 | 15.7 | 15.3 | 15.4 | 15.9 | 16.0 | 16.3 |
| Consumption taxes | 11.0 | 11.6 | 12.0 | 11.6 | 11.7 | 11.8 | 11.8 | 12.0 |
| of which: Value added tax | 6.6 | 7.5 | 7.4 | 7.3 | 7.2 | 7.2 | 7.0 | 7.0 |
| Other indicators | | | | | | | | |
| Income tax elasticity | 1.8 | 0.5 | 1.6 | -0.1 | 1.3 | 0.2 | 1.3 | 0.4 |
| Income tax as per cent of total tax | 31.9 | 35.2 | 34.8 | 30.6 | 31.4 | 30.4 | 31.1 | 30.4 |
| Gross general-government debt (% of GDP) | 61.7 | 81.1 | 124.6 | 130.8 | 130.8 | 132.7 | 134.4 | 141.4 |
| Net general-government debt (% of GDP) | 48.9 | 69.6 | 112.5 | 119.2 | 119.0 | 119.9 | 122.0 | 128.0 |
| | Prior to | | | | After | | | |
| Tax rates (%) | | | | | | | | |
| Personal income tax rates ¹ | | | | | | | | |
| Top rate | | 72 | | 1st January 1989 | | | | 55 |
| Lower rate | | 17 | | 1st January 1989 | | | | 25 |
| Number of brackets | | 13 | | 1st January 1989 | | | | 7 |
| Corporate tax rates | | 41 | | 1st January 1991 | | | | 39 |
| VAT rates | | | | | | | | |
| Lower rate ² | | 6 | | 1st January 1983 | | | | 6 |
| Standard rate | | 19.5 | | 1st January 1994 | | | | 20.5 |
| Top rate | | 33 | | 1st April 1992 | | | | .. ³ |
| 1. As of 1st August 1993 all rates are increased by 3%. | | | | | | | | |
| 2. As of 1st April 1992 a second lower rate of 12% is introduced. | | | | | | | | |
| 3. As of 1st April 1992 the top rate is abolished. | | | | | | | | |
| Source: Federal Planning Bureau; OECD, <i>National Accounts and Revenue Statistics of OECD Member Countries</i> . | | | | | | | | |

Table L. Belgium – Financial markets

| | 1975 | 1980 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|--|------|------|------|------|------|------|------|------|
| Sector size | | | | | | | | |
| Sectoral employment/total employment | .. | 1.5 | 2.1 | 2.1 | 2.1 | 2.0 | 2.0 | 2.1 |
| Non-financial agents' accumulation of financial liabilities/GDP | 16.7 | 21.2 | 21.6 | 25.7 | 18.7 | 21.4 | 17.8 | 14.4 |
| Non-financial agents' accumulation of financial assets/GDP | 17.5 | 16.8 | 22.8 | 26.1 | 18.6 | 22.6 | 19.8 | 18.8 |
| Stock-market capitalisation/GDP | 16.0 | 9.2 | 39.4 | 44.2 | 31.6 | 33.2 | 30.2 | 38.5 |
| Density of banking network ² | 35.9 | 39.0 | 36.6 | 36.6 | 36.3 | 35.5 | 34.9 | 34.8 |
| Density of banking network: credit institutions ³ | .. | .. | 90.8 | 90.8 | 90.2 | 87.4 | 80.0 | 79.7 |
| Structure of financial flows | | | | | | | | |
| Share of intermediated financing in total financing ⁴ | .. | .. | 81.1 | 73.9 | 83.2 | 60.7 | 64.6 | 17.3 |
| Financial institutions' share of financial assets | .. | .. | 45.6 | 45.7 | 60.7 | 61.5 | 36.8 | 46.9 |
| Share of securities issues in financial flows of non-financial agents | 37.1 | 37.5 | 50.8 | 39.0 | 46.4 | 46.0 | 59.8 | 51.4 |
| Structure of private non-financial sector's portfolio: ⁵ | | | | | | | | |
| Deposits | 63.9 | 36.6 | 28.1 | 43.0 | 33.1 | 17.7 | 40.1 | 27.8 |
| Bonds and bills | 35.4 | 56.4 | 42.7 | 23.4 | 65.3 | 62.0 | 45.0 | 55.5 |
| Equities | 4.6 | 0.3 | 3.2 | 16.4 | 3.8 | 5.7 | 0.4 | 4.8 |
| Non-financial corporate financial structure: | | | | | | | | |
| Equity | .. | .. | 33.5 | 33.8 | 34.7 | 35.5 | 35.9 | 36.5 |
| Short-term debt | .. | .. | 20.7 | 20.1 | 21.1 | 20.5 | 20.1 | 20.3 |
| Long-term debt | .. | .. | 41.3 | 42.1 | 40.3 | 40.1 | 40.1 | 38.9 |
| Internationalisation of markets | | | | | | | | |
| Foreign business of the banking sector: ⁶ | | | | | | | | |
| Assets | 38.4 | 46.8 | 52.4 | 50.8 | 48.6 | 49.4 | 48.8 | 47.4 |
| Liabilities | 43.6 | 56.1 | 63.6 | 62.1 | 59.6 | 57.9 | 57.3 | 53.3 |
| International banking network: | | | | | | | | |
| Foreign banks in Belgium ⁷ | 40 | 51 | 58 | 60 | 63 | 67 | 73 | 74 |
| Belgian bank branches abroad | .. | .. | 146 | .. | .. | .. | .. | .. |
| Share of cross-border transactions: | | | | | | | | |
| Net purchases of foreign securities by residents ⁸ | 25.6 | 12.0 | 46.5 | 66.5 | 14.2 | 23.6 | 18.7 | 49.8 |
| Net purchases of domestic securities by non-residents ⁹ | 9.6 | 27.2 | 38.2 | 53.2 | 44.4 | 75.2 | 42.5 | 38.3 |
| Efficiency of markets | | | | | | | | |
| Cost of bank intermediation ¹⁰ | 3.1 | 2.5 | 2.0 | 1.8 | 1.7 | 1.8 | 1.9 | 2.0 |
| Bank productivity ¹¹ | 73.6 | 74.6 | 62.1 | 65.8 | 69.3 | 65.7 | 64.5 | 67.6 |
| Interest margins ¹² | 2.5 | 2.0 | 1.4 | 1.3 | 1.3 | 1.3 | 1.4 | 1.3 |
| Deviation of domestic interest rates from international levels ¹³ | -0.3 | -0.2 | -0.1 | -0.1 | 0.0 | 0.0 | 0.0 | 0.0 |

1. Only financial institutions.

2. Number of deposit banks' branches and head offices per 100 000 population.

3. Number of credit banks' branches and head offices per 100 000 population.

4. Share of financial institutions in total external financing of non-financial corporations. The 1993 figure was affected by the sharp increase in the issue of Belgian investment funds (CIUs).

5. The private non-financial sector includes corporations as well as households and non-profit institutions. The total differs from 100 because certain items, such as loans and trade credit, are excluded.

6. As a percentage of deposit banks' balance sheets.

7. Number of branches and subsidiaries.

8. Purchases of foreign bonds and shares, equity participations in foreign enterprises as a percentage of total purchases of domestic and foreign securities by the private non-financial sector.

9. Purchases of Belgian shares, foreign equity participations in Belgian enterprises and purchases of bonds issued by residents as a percentage of domestic securities issues.

10. Gross benefit margins as a percentage of the annual average balance sheet of deposit banks.

11. Operating costs as a percentage of the gross benefit margins of deposit banks.

12. Difference between interest receipts and interest payments divided by the annual average balance sheet of deposit banks.

13. Three-month Euro-Belgian franc interest rate minus three-month Treasury certificates interest rate.

Source: Data provided by National Bank of Belgium.

LUXEMBOURG

STATISTICAL ANNEX AND STRUCTURAL INDICATORS

Table A. Luxembourg – Selected background statistics

| | Average 1984-93 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|---|--------------------|-------|-------|-------|-------|---------|---------|---------|---------|---------|---------|
| A. Per cent changes from previous year | | | | | | | | | | | |
| Private consumption ¹ | 3.2 | 1.4 | 2.7 | 3.4 | 5.0 | 3.9 | 3.9 | 4.0 | 6.5 | 1.7 | -0.9 |
| Gross fixed capital formation ¹ | 8.0 | 0.1 | -9.5 | 31.2 | 14.7 | 14.1 | 8.9 | 2.5 | 9.8 | -2.1 | 9.9 |
| GDP ¹ | 3.9 | 6.2 | 2.9 | 4.8 | 2.9 | 5.7 | 6.7 | 3.2 | 3.1 | 1.9 | 1.7 |
| GDP price deflator | 3.5 | 4.4 | 3.0 | 3.8 | -1.0 | 4.0 | 6.0 | 3.0 | 3.0 | 4.5 | 4.7 |
| Industrial production | 3.2 | 11.8 | 6.8 | 1.7 | -0.7 | 9.1 | 7.7 | -0.5 | 0.4 | -0.9 | -3.2 |
| Employment | 2.6 | 0.5 | 1.3 | 2.5 | 2.7 | 3.4 | 2.7 | 4.1 | 4.1 | 2.5 | 1.8 |
| Compensation of employees (current prices) | 8.6 | 5.2 | 9.0 | 6.9 | 8.2 | 6.8 | 11.4 | 11.9 | 11.2 | 8.2 | 7.4 |
| Productivity (GDP ¹ /employment) | 1.3 | 5.7 | 1.6 | 2.2 | 0.3 | 2.3 | 3.8 | -0.9 | -1.0 | -0.6 | -0.1 |
| Unit labour costs (compensation/GDP ¹) | 4.6 | -1.0 | 5.9 | 2.0 | 5.1 | 1.0 | 4.5 | 8.5 | 7.9 | 6.2 | 5.6 |
| B. Percentage ratios | | | | | | | | | | | |
| Gross fixed capital formation as % of GDP at constant prices | 25.1 | 20.0 | 17.6 | 22.0 | 24.6 | 26.5 | 27.1 | 26.9 | 28.6 | 27.5 | 29.7 |
| Stockbuilding as % of GDP at constant prices | 0.9 | 1.9 | 2.3 | 1.4 | -1.2 | -0.9 | 0.1 | 1.4 | 1.8 | 1.6 | 0.6 |
| Foreign balance as % of GDP at constant prices | 0.4 | 2.8 | 5.1 | 2.6 | 1.6 | 0.7 | 1.5 | -0.1 | -4.3 | -3.1 | -2.9 |
| Compensation of employees as % of GDP at current prices | 62.1 | 58.0 | 59.6 | 58.6 | 62.2 | 60.5 | 59.6 | 62.8 | 65.8 | 66.9 | 67.5 |
| Number of unemployed | 2 570 | 2 700 | 2 600 | 2 300 | 2 701 | 2 500 | 2 300 | 2 100 | 2 300 | 2 700 | 3 501 |
| Unemployment as % of civilian labour force | 1.6 | 1.7 | 1.7 | 1.5 | 1.7 | 1.6 | 1.4 | 1.3 | 1.4 | 1.6 | 2.1 |
| C. Other indicator | | | | | | | | | | | |
| Current balance (million US dollars) | 1 274.9 | 592.1 | 748.8 | 969.0 | 816.7 | 1 221.0 | 1 601.5 | 1 935.8 | 1 200.2 | 1 875.8 | 1 788.4 |

1. At constant 1985 prices.

Source: STATEC, *Note de conjoncture*, July 1994 and OECD Secretariat estimates for 1993.

Table B. Luxembourg – Gross national product

Billion francs

| | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 |
|--|----------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | Current prices | | | | | | | | | |
| Private consumption | 112.6 | 120.5 | 126.2 | 134.7 | 143.7 | 154.6 | 166.5 | 182.6 | 191.0 | 198.2 |
| Public consumption | 29.8 | 32.3 | 35.0 | 38.2 | 40.3 | 43.6 | 49.3 | 54.4 | 58.0 | 61.4 |
| Gross fixed capital formation | 38.8 | 36.3 | 49.3 | 58.1 | 67.6 | 76.6 | 80.7 | 92.4 | 94.1 | 99.0 |
| Change in stocks | 9.1 | 5.4 | 3.1 | -1.7 | 0.1 | 1.4 | 4.2 | 7.7 | 8.4 | -2.1 |
| Total domestic demand | 190.2 | 194.4 | 213.5 | 229.4 | 251.7 | 276.2 | 300.8 | 337.1 | 351.5 | 356.5 |
| Exports of goods and services | 195.8 | 222.9 | 224.8 | 223.8 | 249.2 | 285.9 | 291.0 | 300.6 | 302.5 | 296.5 |
| Imports of goods and services | 192.3 | 212.1 | 215.0 | 225.7 | 250.7 | 279.3 | 291.3 | 318.9 | 314.6 | 305.4 |
| Gross domestic product at market prices (SNA) | 193.7 | 205.3 | 223.3 | 227.5 | 250.2 | 282.8 | 300.4 | 318.8 | 339.4 | 347.6 |
| Net factor income from abroad | 76.7 | 83.5 | 82.3 | 77.2 | 85.7 | 96.0 | 109.1 | 114.3 | 122.7 | .. |
| Gross national product at market prices (SNA) | 270.4 | 288.8 | 305.6 | 304.7 | 336.0 | 378.8 | 409.5 | 433.1 | 462.1 | .. |
| | 1985 prices | | | | | | | | | |
| Private consumption | 117.4 | 120.5 | 124.5 | 130.8 | 135.9 | 141.1 | 146.7 | 156.3 | 159.0 | 159.3 |
| Public consumption | 31.7 | 32.3 | 33.3 | 34.2 | 35.5 | 36.2 | 37.3 | 38.8 | 40.1 | 40.9 |
| Gross fixed capital formation | 40.1 | 36.3 | 47.6 | 54.6 | 62.3 | 67.8 | 69.5 | 76.3 | 74.7 | 77.6 |
| Change in stocks | 5.1 | 5.4 | 4.6 | -0.8 | 0.2 | 2.1 | 6.3 | 9.4 | 8.5 | 7.8 |
| Total domestic demand | 194.2 | 194.4 | 210.0 | 218.8 | 233.8 | 247.2 | 259.9 | 280.8 | 282.3 | 285.6 |
| Exports of goods and services | 203.5 | 222.9 | 230.0 | 244.9 | 263.2 | 281.4 | 288.7 | 299.1 | 303.1 | 292.7 |
| Imports of goods and services | 198.3 | 212.1 | 224.9 | 242.4 | 263.0 | 279.0 | 291.0 | 314.5 | 315.0 | 307.3 |
| Gross domestic product at market prices (SNA) | 199.4 | 205.3 | 215.0 | 221.4 | 234.0 | 249.6 | 257.6 | 265.5 | 270.4 | 271.0 |

Source: STATEC, *Note de conjoncture*, July 1994.

Table C. Luxembourg – Labour market

Thousands

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Labour force (A + B)¹ | 163.5 | 167.4 | 172.4 | 177.4 | 182.0 | 189.2 | 197.1 | 202.4 | 206.7 | 212.5 |
| A. Unemployed | 2.6 | 2.3 | 2.7 | 2.5 | 2.3 | 2.1 | 2.3 | 2.7 | 3.5 | 4.6 |
| B. Total employed | 160.9 | 165.1 | 169.7 | 174.9 | 179.7 | 187.1 | 194.8 | 199.7 | 203.2 | 207.9 |
| Agriculture | 1.2 | 1.3 | 1.3 | 1.4 | 1.4 | 1.5 | 1.5 | 1.5 | 1.6 | 1.6 |
| Industry | 38.4 | 38.9 | 38.3 | 37.2 | 37.2 | 37.4 | 37.0 | 36.3 | 35.1 | 34.6 |
| <i>of which: Iron and steel</i> | 15.7 | 15.6 | 14.8 | 13.1 | 12.6 | 11.9 | 11.1 | 10.4 | 9.6 | 9.2 |
| Construction | 13.2 | 13.6 | 14.7 | 16.1 | 17.1 | 18.5 | 20.5 | 21.9 | 22.1 | 22.8 |
| Services | 66.1 | 69.0 | 72.5 | 76.9 | 81.7 | 86.9 | 92.3 | 95.5 | 100.2 | 104.6 |
| General government | 23.0 | 23.5 | 24.1 | 24.9 | 25.4 | 26.1 | 27.1 | 28.1 | 27.9 | 28.2 |
| Total employees | 142.1 | 146.6 | 151.5 | 156.9 | 162.7 | 170.4 | 178.4 | 183.4 | 187.0 | 191.8 |
| Self-employed and family helpers | 18.8 | 18.5 | 18.2 | 18.0 | 17.0 | 16.7 | 16.4 | 16.3 | 16.2 | 16.1 |
| Unemployment rate (%) | 1.6 | 1.4 | 1.6 | 1.4 | 1.3 | 1.1 | 1.2 | 1.3 | 1.7 | 2.2 |
| Participation rate (%) | 60.3 | 61.2 | 61.4 | 60.0 | 60.4 | 61.4 | 62.5 | .. | .. | .. |
| Job vacancies, unfilled (monthly average) | 194.0 | 235.0 | 245.0 | 216.0 | 201.0 | 178.0 | 154.0 | 159.0 | 126.0 | 271.0 |

1. Domestic definition (including border workers, net).

Source: STATEC, *Note de conjoncture*, April 1995 and OECD estimates.

Table D. Luxembourg – Structure of output and performance indicators

| | 1980 | 1985 | 1991 | 1992 | 1993 | 1994 | 1980 | 1985 | 1991 | 1992 | 1993 | 1994 |
|---|---------------------------|-------|-------|-------|-------|-------|----------------------------------|-------|-------|-------|-------|------|
| | Share of GDP | | | | | | Share of total employment | | | | | |
| A. Structure of output (constant prices) | | | | | | | | | | | | |
| Agriculture, forestry and fishing | 2.6 | 2.6 | 1.6 | 1.9 | 1.8 | 1.8 | 5.5 | 4.4 | 3.1 | 2.9 | 2.8 | 2.8 |
| Energy and water | 3.0 | 2.4 | 2.1 | 2.0 | 2.0 | 2.0 | 0.9 | 0.8 | 0.7 | 0.7 | 0.7 | 0.7 |
| Mining, quarrying and manufacturing | 29.6 | 30.1 | 28.3 | 27.7 | 27.4 | 27.3 | 26.6 | 24.0 | 18.5 | 18.2 | 17.0 | 16.5 |
| <i>of which: ores and metals</i> | 15.5 | 13.9 | 10.9 | 10.0 | 10.4 | 10.4 | 12.5 | 9.6 | 5.7 | 5.3 | 4.7 | 4.5 |
| Construction | 6.8 | 5.4 | 6.7 | 6.7 | 6.7 | 6.6 | 10.4 | 8.7 | 10.1 | 10.9 | 11.5 | 11.5 |
| Marketed services ¹ | 61.9 | 61.1 | 70.2 | 71.9 | 74.3 | 74.5 | 43.4 | 47.8 | 54.0 | 54.7 | 54.8 | 55.2 |
| <i>of which: financial institutions and insurance companies</i> | 25.2 | 24.4 | 32.1 | 33.4 | 35.6 | 35.5 | 5.1 | 6.8 | 9.0 | 9.0 | 9.2 | 9.1 |
| Non-marketed services ² | 13.1 | 13.1 | 11.7 | 11.8 | 12.0 | 11.8 | 13.2 | 14.3 | 13.8 | 14.3 | 14.3 | 14.2 |
| Others | -17.0 | -14.6 | -20.8 | -22.0 | -24.2 | -24.1 | | | | | | |
| | Share of total investment | | | | | | Productivity growth ³ | | | | | |
| B. Economic performance (constant prices) | | | | | | | | | | | | |
| Agriculture, forestry and fishing | 3.2 | 3.8 | 2.3 | .. | .. | .. | 6.5 | 5.0 | -14.1 | 20.4 | -2.3 | 1.8 |
| Energy and water | 2.6 | 3.4 | 2.4 | .. | .. | .. | -0.5 | 5.2 | 4.2 | -8.0 | 5.2 | 1.9 |
| Mining, quarrying and manufacturing | 22.8 | 25.2 | 14.3 | .. | .. | .. | 4.4 | 5.9 | 2.8 | -0.2 | 4.4 | 3.1 |
| <i>of which: ores and metals</i> | 13.1 | 9.5 | 4.5 | .. | .. | .. | 3.8 | 11.9 | 3.1 | -0.1 | 16.1 | 3.6 |
| Construction | 2.6 | 1.7 | 2.0 | .. | .. | .. | 1.0 | -0.2 | -0.2 | -7.6 | -6.8 | -0.7 |
| Marketed services ¹ | 46.6 | 41.9 | 61.7 | .. | .. | .. | 0.0 | 0.0 | -4.2 | 1.0 | 1.6 | 0.2 |
| <i>of which: financial institutions and insurance companies</i> | 4.5 | 10.2 | 16.7 | .. | .. | .. | -4.8 | -0.7 | -2.6 | 4.2 | 2.9 | 1.3 |
| Non-marketed services ² | 22.2 | 24.0 | 17.3 | .. | .. | .. | 1.4 | -2.6 | 0.6 | -2.3 | -0.2 | 0.3 |
| | 1980 | 1984 | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
| C. Other indicators | | | | | | | | | | | | |
| Breakdown of employed workforce by size of establishment ⁴ : | | | | | | | | | | | | |
| 1 to 19 employees | 13.6 | 14.5 | 14.4 | 13.7 | 13.8 | 13.9 | 13.9 | 13.7 | 15.0 | 14.9 | 16.1 | .. |
| 20 to 49 employees | 9.2 | 10.1 | 10.2 | 10.3 | 11.0 | 11.5 | 11.9 | 12.7 | 13.0 | 14.4 | 14.2 | .. |
| 50 to 99 employees | 8.5 | 9.1 | 9.2 | 9.6 | 9.6 | 10.4 | 11.7 | 11.2 | 10.1 | 10.4 | 11.9 | .. |
| 100 to 249 employees | 14.3 | 15.2 | 16.0 | 16.9 | 15.4 | 14.9 | 14.8 | 15.0 | 17.1 | 15.8 | 17.2 | .. |
| 250 to 499 employees | 12.0 | 13.9 | 11.9 | 13.1 | 8.7 | 9.6 | 8.7 | 10.1 | 10.8 | 12.5 | 11.1 | .. |
| 500 employees and more | 42.3 | 37.1 | 38.3 | 36.4 | 41.5 | 39.7 | 39.0 | 37.3 | 34.0 | 32.0 | 29.5 | .. |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | .. |
| Workforce (thousands) | 57.4 | 52.5 | 52.0 | 53.3 | 54.2 | 55.0 | 56.0 | 56.5 | 59.8 | 60.3 | 58.8 | .. |

1. Wholesale and retail trade, restaurants and hotels, transport, storage and communications, finance, insurance, real estate and business services.

2. Community, social and personal services.

3. 1980-84 average.

4. Only industry and construction.

Source: STATEC, *Note de conjoncture*, July 1994.

Table E. Luxembourg – Public sector

| | 1980 | 1985 | 1989 | 1990 | 1991 | 1992 | 1993 |
|--|----------|------|------|-------------------|------|------|-------|
| Budgetary indicators: General government accounts | | | | | | | |
| (% of GDP) | | | | | | | |
| Primary receipts (excluding interest) | 49.3 | 52.4 | .. | .. | .. | .. | .. |
| Primary expenditure (excluding interest) | 51.9 | 49.4 | .. | .. | .. | .. | .. |
| Primary budget balance | -2.6 | 3.0 | .. | .. | .. | .. | .. |
| Net interest (including net capital transfers) | 2.2 | 2.3 | .. | .. | .. | .. | .. |
| General government budget balance | -0.4 | 5.3 | .. | .. | .. | .. | .. |
| Structure of expenditure and taxes | | | | | | | |
| (% of GDP) | | | | | | | |
| General government expenditure | 46.1 | 45.4 | .. | .. | .. | .. | .. |
| Transfers | 25.2 | 24.2 | .. | .. | .. | .. | .. |
| Subsidies | 3.4 | 4.4 | .. | .. | .. | .. | .. |
| Tax receipts | 46.0 | 50.1 | 48.2 | 48.8 | 48.5 | 48.3 | 37.6 |
| Personal income tax | 12.3 | 13.2 | 11.1 | 11.8 | 10.8 | 10.8 | 10.9 |
| Corporate tax | 7.6 | 9.2 | 8.4 | 7.9 | 7.5 | 6.3 | 7.9 |
| Social security contributions | 13.5 | 12.6 | 13.2 | 13.5 | 14.2 | 13.7 | 15.2 |
| Consumption taxes | 9.7 | 12.0 | 11.5 | 11.5 | 12.3 | 13.7 | .. |
| <i>of which: Value added tax</i> | 4.9 | 6.5 | 6.6 | 6.8 | 7.2 | 7.7 | .. |
| Other indicators | | | | | | | |
| Income tax as a per cent of total tax | 26.8 | 26.3 | 23.0 | 24.1 | 22.2 | 22.2 | 28.9 |
| | Prior to | | | After | | | |
| Tax rates (%) | | | | | | | |
| Personal income tax rates | | | | | | | |
| Top rate | 56 | | | 6th December 1990 | | | 50 |
| Lowest rate | 10 | | | 6th December 1990 | | | 10 |
| Number of brackets | 25 | | | 6th December 1990 | | | 18 |
| Corporate tax rates | 34 | | | 6th December 1990 | | | 33 |
| VAT rates | | | | | | | |
| Lower reduced rate | | | | 1st January 1992 | | | 0-4 |
| Reduced rate | | | | 1st January 1992 | | | 5-14 |
| "Parking" rate | | | | 1st January 1992 | | | 12-14 |
| Standard rate | 12 | | | 1st January 1992 | | | 15 |

Source: OECD, *National Accounts and Revenue Statistics of OECD Member Countries*.

Table F. Luxembourg – Financial markets

| | 1980 | 1985 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|--|------|------|-------|------|------|------|-------|-------|
| Sector size | | | | | | | | |
| Sector employment ¹ /total employment | 4.8 | 6.3 | 8.4 | 8.6 | 8.6 | 8.7 | 9.2 | 9.6 |
| Financial assets/GDP ² | 26.7 | 30.1 | 35.9 | 37.2 | 35.7 | 37.9 | 40.7 | 42.9 |
| Stock-market capitalisation/GDP | 30.9 | 59.5 | 125.0 | 99.5 | 99.0 | 94.4 | 177.1 | 220.3 |
| Density of banking network ³ | 30.5 | 32.2 | 45.2 | 46.6 | 48.6 | 54.6 | 54.5 | 55.5 |
| Structure of financial flows | | | | | | | | |
| Share of credits granted to non-financial sector in total banking assets | 35.1 | 33.4 | 24.0 | 24.0 | 24.4 | 24.7 | 23.8 | 18.4 |
| Internationalisation of markets | | | | | | | | |
| Foreign business of the banking sector: ⁴ | | | | | | | | |
| Assets | 84.2 | 86.1 | 88.1 | 88.1 | 87.9 | 86.6 | 81.5 | 81.9 |
| Liabilities | 78.4 | 77.6 | 76.2 | 76.5 | 75.9 | 73.7 | 73.4 | 73.0 |
| International banking network: | | | | | | | | |
| Foreign banks in Luxembourg ⁵ | 100 | 107 | 155 | 158 | 169 | 205 | 210 | 214 |
| Luxembourg bank branches abroad ⁶ | 74 | 70 | 70 | 55 | 6 | 6 | 7 | 7 |
| Efficiency of markets | | | | | | | | |
| Interest margins ⁷ | 0.8 | 1.2 | 0.8 | 0.8 | 0.9 | 0.8 | 0.7 | 0.7 |
| Bank productivity ⁸ | 40.5 | 27.9 | 38.7 | 42.8 | 40.5 | 39.4 | 38.0 | 39.4 |
| Cost of bank intermediation ⁹ | 0.9 | 1.4 | 1.1 | 1.2 | 1.1 | 1.1 | 1.2 | 1.1 |

1. Credit institutions until 1990, credit institutions plus other intermediaries since 1991.

2. Ratio of banks' balance sheet total to GDP.

3. Number of saving and banking institutions per 100 000 population.

4. As a percentage of deposit banks' balance sheets.

5. Number of foreign saving and banking institutions.

6. Number of regional offices, agencies and branches abroad.

7. Interest margins divided by total assets.

8. Ratio in per cent of operating expenses to gross earnings.

9. Ratio in per cent of gross earnings to total assets.

Source: IMF, *International Financial Statistics*, various issues; Institut monétaire luxembourgeois, data provided to the OECD Secretariat.

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