

Luxembourg, January 10th, 2019

Balance of payments of Luxembourg during the first three quarters of year 2018

The Central Bank of Luxembourg (BCL) and STATEC inform that the current account showed a surplus of 2.8 billion euros in the first three quarters of 2018, an increase of more than 200 million compared to the same period of the previous year.

The balance of goods turned from a deficit of 2.4 billion euros in 2017 to a surplus of 377 million in 2018. This development is explained by the very strong growth of net exports under merchanting (purchase and resale of goods without these crossing the border). In Luxembourg, these operations are dominated by a limited number of companies belonging to large multinationals. During the third quarter of 2017, one of these companies changed its business model by becoming a buying and selling center for the European market, which had a significant impact on merchanting. The "traditional" trade balance (general merchandise), however, showed a structural deficit, which was growing almost by 340 million during the first nine months of 2018, mainly driven by higher imports of energy products (mineral fuels) and chemicals.

Net exports of services, both financial and non-financial, increased during the period under review. International trade in services balance for the first 9 months of 2018 amounted to 17.2 billion euros, an increase of more than 1.6 billion compared to the same period of 2017 (+ 10.6%). Exports and imports of financial services showed growth rates of respectively + 8.2% and + 9.5%. This performance is largely related to the evolution of the net assets managed by the investment funds over the same period. The surplus generated by non-financial services increased significantly (by around 1 billion euros, or +26.8%), mainly due to other business services and more specifically to trade-related services.

In the financial account, direct investment flows were dominated by disinvestment operations for both assets (-62 billion euros) and liabilities (-72 billion euros). These operations concerned a small number of SOPARFIs that ceased or relocated their activities. Regarding portfolio investment, non-resident investments in securities issued by Luxembourg (largely Investments Funds shares) widely decreased, reaching 187 billion euros in the first three quarters of 2018, compared to 300 billion euros in the same period of 2017. With regard to foreign securities, residents also decreased their investments in the first three quarters of 2018, which totaled 125 billion euros compared to 256 billion in the same period of 2018. Portfolio investment flows resulted in net inflows of 62 billion euros in the first three quarters of 2018, offset entirely by the net outflows in other investments and in financial derivatives as well as in direct investment flows.

Detailed statistical tables are available on BCL's website (www.bcl.lu) as well as on the website of STATEC (www.statistiques.lu).

Table: Balance of payments of Luxembourg

Unit : millions of euros	January to September 2017			January to September 2018		
	Credit	Debit	Balance	Credit	Debit	Balance
CURRENT ACCOUNT	243 578	241 002	2 577	225 398	222 608	2 790
Goods	13 267	15 658	-2 391	16 357	15 981	377
General merchandise (incl. "non-monetary gold")	11 431	15 658	-4 227	11 414	15 981	-4 566
Goods under merchandising (net exports)	1 836		1 836	4 943		4 943
Services	66 317	50 747	15 570	71 120	53 902	17 218
Financial services	39 078	27 312	11 766	42 295	29 900	12 394
Non financial services	27 239	23 435	3 804	28 825	24 002	4 823
Primary income	157 540	168 752	-11 213	131 001	146 427	-15 427
Secondary income	6 454	5 844	611	6 920	6 298	622
CAPITAL ACCOUNT	28	258	-230	240	173	67
	Assets	Liabilities	Net	Assets	Liabilities	Net
FINANCIAL ACCOUNT			2 347			2 857
DIRECT INVESTMENT	-83 386	-71 874	-11 512	-62 339	-72 290	9 952
Equity and Reinvestment of earnings	-34 318	-52 458	18 140	-70 277	-105 636	35 359
Debt instruments	-49 068	-19 416	-29 652	7 939	33 346	-25 407
PORTFOLIO INVESTMENT	255 758	300 105	-44 348	125 192	187 124	-61 932
Equity securities	90 350	266 846	-176 496	82 684	163 080	-80 396
Debt securities	165 407	33 259	132 148	42 508	24 044	18 463
FINANCIAL DERIVATIVES			-16 717			17 321
OTHER INVESTMENT	123 151	48 141	75 010	77 257	39 785	37 472
RESERVE ASSETS			-86			44
ERRORS AND OMISSIONS			0			1

source : BCL, STATEC

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