

Luxembourg, 30 September 2019

BALANCE OF PAYMENTS OF LUXEMBOURG FOR THE FIRST HALF OF 2019

The Central Bank of Luxembourg (BCL) and STATEC inform that, according to preliminary results, the current account for the first half of 2019 showed a surplus of 1.4 billion euros, almost the same level than during the same period of the previous year. The increase in both goods and services balances offset the drop in primary and secondary income balances.

Due to a significant increase in net exports under merchanting (+ 24%), the goods deficit decreased by 527 million euros, to settle at -439 million in the first half of 2019. In Luxembourg, however, the merchanting activity remains volatile, as it is concentrated around a small number of companies belonging to large multinationals. The virtual stagnation of trade in general merchandise hides diverging developments at a more detailed level. In fact, the decline of trade under toll manufacturing agreements (purchase of raw materials and their resale in the form of finished products, after subcontracting their processing, all abroad i.e. without crossing national borders) offset, among others, the increase of exports of machinery and equipment (+8%), transport equipment (+18%) and imports of petroleum products (+6%).

Exports and imports of services increased by 4% and 3% respectively during the period under review, mainly due to non-financial services (+ 8% and + 6% respectively). Professional and management consulting services are mainly driving exports, while imports mostly increase due to charges for the use of intellectual property (royalties) and telecommunication services.

In the financial account, direct investment flows resumed in the first half of 2019, for both assets (67 billion euros) and liabilities (44 billion euros), after the divestments observed throughout 2018. Regarding portfolio investment, non-resident investments in securities issued by Luxembourg (largely Investments Funds shares) widely decreased, reaching 60 billion euros in the first half of 2019, compared to net inflows of 127 billion euros in same half of 2018. With regard to foreign securities, in the first half of 2019, residents disposed of equity securities (net sales of 39 billion euros) in favor of debt securities (net purchases of 84 billion euros). Portfolio investment flows resulted in net inflows of 27 billion euros in the first half of 2019, offset entirely by the net outflows in direct investments and in financial derivatives as well as in other investments (deposits and traditional credits).

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	1st half year 2018			1st half year 2019		
	Credit	Debit	Balance	Credit	Debit	Balance
CURRENT ACCOUNT	163 562	162 132	1 431	167 624	166 192	1 432
Goods	9 859	10 825	-966	10 377	10 816	-439
General merchandise (incl. "non-monetary gold")	7 726	10 825	-3 098	7 725	10 816	-3 091
Goods under merchanding (net exports)	2 133		2 133	2 652		2 652
Services	47 043	35 619	11 424	49 005	36 672	12 333
Financial services	27 423	18 932	8 490	27 920	18 967	8 953
Non financial services	19 621	16 687	2 934	21 085	17 705	3 380
Primary income	102 098	111 126	-9 028	103 208	113 603	-10 395
Secondary income	4 562	4 562	0	5 033	5 102	-69
CAPITAL ACCOUNT	35	121	-86	40	138	-98
	Assets	Liabilities	Net	Assets	Liabilities	Net
FINANCIAL ACCOUNT			1 344			1 332
DIRECT INVESTMENT	-14 575	-37 797	23 223	66 832	43 974	22 858
Equity and Reinvestment of earnings	-43 310	-52 373	9 063	21 966	46 767	-24 801
Debt instruments	28 736	14 576	14 159	44 866	-2 793	47 659
PORTFOLIO INVESTMENT	103 205	150 958	-47 752	45 027	72 533	-27 506
Equity securities	63 299	126 647	-63 348	-38 967	60 651	-99 619
Debt securities	39 906	24 311	15 596	83 994	11 882	72 112
FINANCIAL DERIVATIVES			3 292			3 679
OTHER INVESTMENT	85 918	63 378	22 540	93 176	90 902	2 274
RESERVE ASSETS			42			27
ERRORS AND OMISSIONS			-1			-1

source : BCL, STATEC

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