

Luxembourg, 6 October 2020

## Balance of payments of Luxembourg for the first half of 2020

The Banque centrale du Luxembourg (BCL) and STATEC inform that the balance of payments figures, published on September 21<sup>st</sup>, have been part of a benchmark revision (which normally takes place every 5 years). The new data from 2002 onwards include not only many updates and corrections, but also some methodological changes. For the years prior to 2012, the revisions mainly concerned the current account. They resulted in a significant drop in its balance, while strongly affecting its sub-components. However, these changes were necessary, not only to eliminate breaks in series, but also to improve consistency with other statistics and to reflect the treatment of certain globalisation phenomena from the start of the compilation of the current account, including in particular:

- the estimate of special purpose entities (former holding-type companies) by the sum of the costs incurred in Luxembourg;
- the recording of "toll manufacturing" (resident entities coordinating the production process abroad, remaining owners of goods throughout the chain) under "general merchandise" (for the purchase of raw materials and sale of finished products) and under manufacturing services (for the production cost, including labor abroad).

The current account balance for the first half of 2020 amounts to 706 million euros, a decrease of 1.4 billion compared to the same period of 2019. The balance of goods as well as those of primary and secondary income fell. The fall of the latter is mainly due to an increase in social contributions paid to cross-border workers during confinement (partial unemployment, extraordinary leave for family reasons, etc.). However, the health crisis has had repercussions on all components of the current account, even if some are not visible at first glance.

Concerning goods, exports and imports showed a drop of around 17% in the first half of 2020, the decline having affected all types of products, the low point being in April. As regards international trade in services, the situation is different. Financial services performed relatively well (with + 4.5% and + 6.4% respectively for exports and imports, compared to the first half of 2019). Indeed, the financial sector has been less impacted by the health crisis than the rest of the economy. After two consecutive months of decline in February and March, net assets under management of investment funds (which have the most significant impact on financial

services) have since returned to growth (+4% in the first half of 2020). On the other hand, non-financial services suffered a significant decline for both exports (-10.7%) and imports (-12.2%). The services most affected by this development are travel services (especially with the collapse of business travel), other business services, as well as personal, cultural and recreational services.

In the financial account, in the first half of 2020, direct investment flows were still characterized by disinvestment operations for both assets (-123 billion euros) and liabilities (-69 billion euros). These operations concerned a small number of SOPARFIs that continued restructuring, ceasing or relocating their activities.

Regarding portfolio investments, the second quarter of 2020 was characterized by the resumption of investments in Luxembourg equities (largely Investments Funds shares), after the net sales observed in the first quarter of 2020, in a context of falling stock prices following the Covid-19 pandemic. Transactions in Luxembourg equity shares thus resulted in net inflows of 71 billion euros in the first half of 2020. Luxembourg debt securities, however, suffered net sales of 34 billion euros in the first half of 2020.

Luxembourg residents continued turning away from foreign equity securities, which have suffered net sales of 35 billion euros in the first half of 2020. On the other hand, foreign debt securities experienced net purchases of 63 billion euros over the same period.

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

Table: Balance of payments of Luxembourg

Unit : millions of euros	1st half year 2019			1st half year 2020		
	Credit	Debit	Balance	Credit	Debit	Balance
<b>CURRENT ACCOUNT</b>	<b>217 888</b>	<b>215 775</b>	<b>2 113</b>	<b>188 555</b>	<b>187 848</b>	<b>706</b>
Goods	13 181	11 500	1 680	10 918	9 561	1 357
General merchandise (incl. "non-monetary gold")	11 182	11 500	-318	9 582	9 561	22
Goods under merchanting (net exports)	1 998	0	1 998	1 335	0	1 335
Services	49 204	38 484	10 720	47 947	37 150	10 797
Financial services	26 327	18 064	8 264	27 517	19 216	8 301
Non financial services	22 877	20 420	2 456	20 430	17 934	2 496
Primary income	150 674	160 904	-10 230	124 868	135 651	-10 783
Secondary income	4 829	4 887	-57	4 821	5 486	-665
<b>CAPITAL ACCOUNT</b>	<b>486</b>	<b>553</b>	<b>-67</b>	<b>668</b>	<b>754</b>	<b>-86</b>
	Assets	Liabilities	Net	Assets	Liabilities	Net
<b>FINANCIAL ACCOUNT</b>			<b>2 046</b>			<b>620</b>
DIRECT INVESTMENT	-65 968	-108 079	42 111	-123 242	-69 587	-53 655
Equity and Reinvestment of earnings	-88 931	-39 807	-49 124	-53 698	-4 290	-49 407
Debt instruments	22 963	-68 272	91 235	-69 544	-65 296	-4 248
PORTFOLIO INVESTMENT	50 855	78 555	-27 699	28 181	36 581	-8 400
Equity securities	-40 056	66 558	-106 615	-35 020	71 092	-106 112
Debt securities	90 912	11 996	78 916	63 201	-34 511	97 712
FINANCIAL DERIVATIVES			7 201			21 116
OTHER INVESTMENT	69 506	89 101	-19 594	100 684	59 165	41 518
RESERVE ASSETS			27			41
<b>ERRORS AND OMISSIONS</b>			<b>-1</b>			<b>-1</b>

source : BCL, STATEC

For further information, please contact:

- **STATEC** - Mr. Bley at 247-84393
- **BCL** - « Communication » section at 4774-4265 ou 4599