

December 2011

conjoncture flash

A gloomy Christmas for manufacturing

The manufacturing data for Europe and Luxembourg bear witness to the poor economic climate, which will doubtlessly lead to a fall in production in the 4th quarter. In a generally unfavourable climate, however, a number of positive signals have emerged, which should mitigate the expected decline.

Output down in the 4th quarter

After falling 2.0% in September 2011, manufacturing output throughout the eurozone stabilised in October, dropping by just 0.1%.

The contraction was much more pronounced in Luxembourg, with falls of 4.2% in September and 3.6% in October. However, the October figure should be treated with caution, as it is mainly based on estimates (which can differ significantly from the end result). Regardless, the trend for manufacturing output in 2011 in Luxembourg was different to the average in the eurozone, which rose some 5% on 2010 in the 3rd quarter, compared to a fall of 2% in Luxembourg. Over this period, the most remarkable performers were Germany, Austria and Belgium, while Luxembourg made up the rear guard along with the Netherlands, Spain, Portugal and Greece.

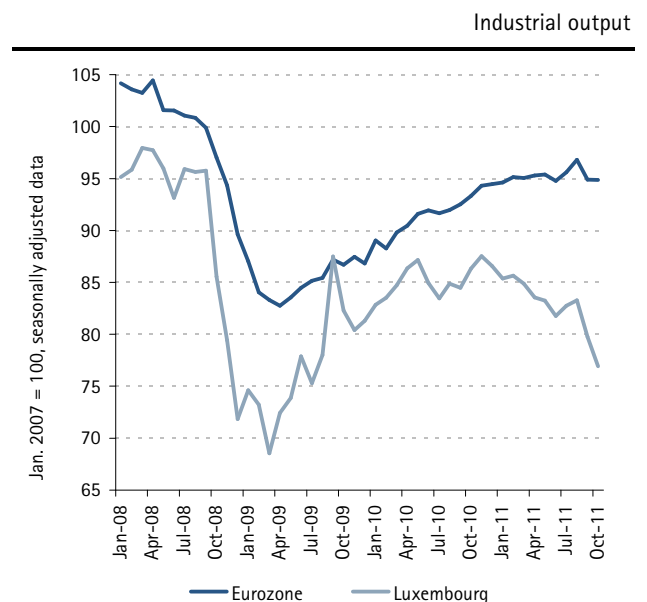
The results for the 4th quarter of 2011 are unlikely to show any improvement. Looking at the opinion surveys for European manufacturing – which also apply to Luxembourg – output is set to shrink in late 2011, albeit to a far lesser extent than in late 2008, when opinion surveys in the eurozone hit extremely low levels. The surveys for the 4th quarter of 2011 suggest a 5% decline in output over one year, compared to a fall of 15-20% over one year in late 2008-early 2009. In Luxembourg, if the October estimates are confirmed, the fall could exceed 10% over one year in the 4th quarter.

Some positive elements

The figures available for European manufacturing also include some optimistic notes.

The PMI index for manufacturing in the eurozone recovered in December, up from 45.8 to 47.1 points: this shows that although output continued to decline, this was less pronounced than in the previous two months.

Monthly publication of the state of the Luxembourg economy



Source: Eurostat (October 2011: estimation for Luxembourg)

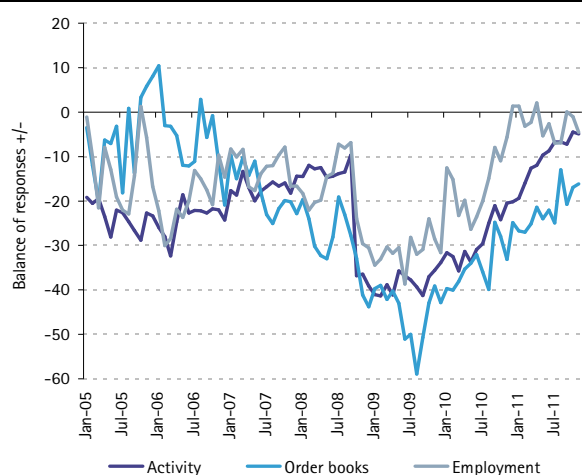
Furthermore, manufacturing orders, which had tumbled in September (down 6.2% over one month in the eurozone), may have recovered somewhat in October. The figures already available for Germany – the leading European country and Luxembourg's main manufacturing partner – show that orders rose 5.5% in October (after falling 4.6% in September), with the most significant increases in iron and steel, manufacturing of motor vehicles, machinery and equipment, and the textile industry.

Finally, registrations of private cars in the eurozone recovered slightly in November (up 0.5% over one month), a positive signal for the European car industry and for Luxembourg equipment manufacturers.

STATEC
Luxembourg

Construction

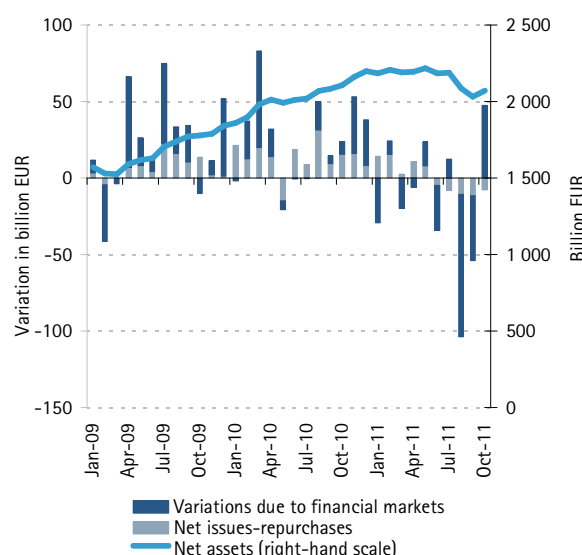
Economic surveys on construction



Source: STATEC (seasonally adjusted data)

Financial sector (1)

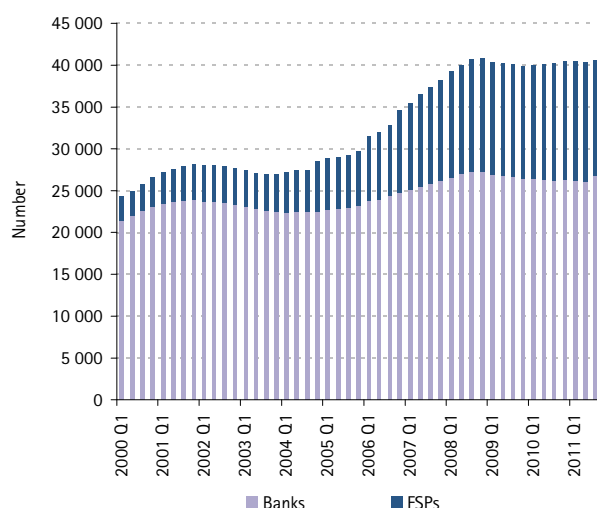
Undertakings for collective investment (UCI)



Source: CSSF

Financial sector (2)

Employment in the financial sector



Source: BCL

Confidence good but not results

Output in the construction sector fell quite sharply in September, over 4% over one month (seasonally adjusted). This negative result brought output down slightly for the 3rd quarter of 2011 (down 0.4% on the 2nd quarter). This drop was not especially signalled in the opinion surveys for the sector (see graph opposite), which continued to trend favourably overall during the 3rd quarter as well as in October and November. While confidence among entrepreneurs was positive in late 2011 – for most survey questions, the balance of opinions was well above their long-term average – there are nevertheless some reasons for concern. For example, the proportion of entrepreneurs who believe that demand is insufficient rose from 19% in August to 33% in November. Also, the proportion of businesses reporting financial constraints has been growing since June (reaching 10% in November).

Respite for UCIs in October

Net assets of Luxembourg UCIs (Undertakings for collective investment) bounced back in October thanks to a certain easing in the financial markets, allowing stock market indices (and therefore equity funds) to recover. Unfortunately, alongside the positive impact of market trends, net issues (issues less redemptions) fell again for the 5th month in a row.

After a very difficult 3rd quarter for European funds, with equities falling about 5% on the previous quarter (4% for Luxembourg funds), October brought some respite with the news of various measures announced at European level to counteract the effects of the sovereign debt crisis in the eurozone. However, the last two months of the year are set to be less buoyant for the fund industry as the financial markets remain lacklustre overall and it will be difficult for Luxembourg funds to stay above the level of EUR 2,000 billion in assets.

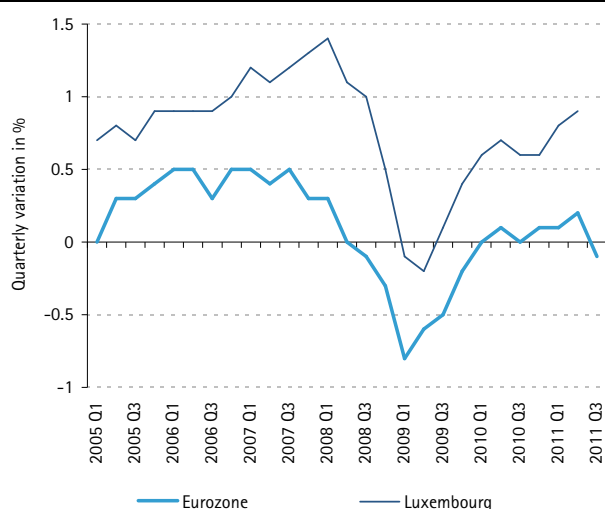
Employment grows slightly

Employment in the financial sector, including credit institutions and financial sector professionals (FSPs), fell slightly in the 2nd quarter, but recovered in the 3rd quarter, growing 0.5% over one quarter and 0.8% over one year. The relatively high increase in the banking sector in Q3 was purely technical, resulting from the inclusion of a sub-contractor's workforce (previously classed as FSPs).

Given the scale of the 2008-2009 crisis and the extremely high impact this had on added value in the financial sector (which fell almost 10% in volume over these two years), financial employment can be said to have held up quite well. This relative resilience has mainly been based on the rise in FSP staffing levels, in particular support FSPs (who generally work as sub-contractors for banks or insurance companies).

Labour market (1)

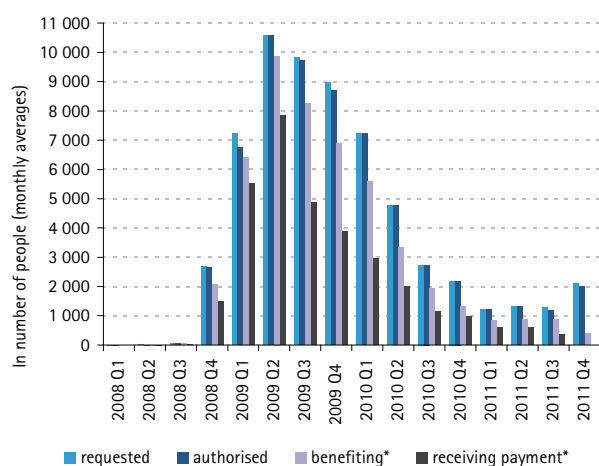
Employment trends in Europe and Luxembourg



Source: Eurostat (national accounts - seasonally adjusted data)

Labour market (2)

Number of people in partial unemployment



* The data for recent months are not yet definitive

Source: ADEM

Inflation and wages

Impact of adjustment on the wage bill

	NCPI	Sliding wage scale	Adjusted sliding wage scale*	Adjustment impact**
		Annual variations in %		in million EUR
2011	3.4	1.9	1.9	
2012	2.3	4.0	2.5	-274
2013	1.7	1.9	2.5	-167
2014	1.8	1.4	2.3	-3

Source: STATEC

* According to declarations of the Council of Ministers of 16 December 2011

** On the wage bill, including contributions but excluding bonuses and incentives

Employment down for the eurozone

According to initial Eurostat estimates based on seasonally adjusted figures, the number of employed people in the eurozone fell 0.1% in the third quarter of 2011 (compared to the previous quarter). The most significant falls were observed in the property sector (down 1.2%) and construction (also down 1.2%), with administration, public services and manufacturing the only sectors to see increases (up 0.1%).

However, the drop is mainly due to Spain (down 0.9%), with the other Western European countries remaining relatively dynamic in terms of job creation: Belgium up 0.3%, Austria also up 0.3%, Germany up 0.2%, France up 0.1% and the Netherlands up 0.1%. The figures for Luxembourg are not yet complete but employment growth is certain to have been buoyant in the third quarter.

Partial employment on the up again

After the veritable explosion in partial unemployment in late 2008, the number of concerned businesses fell sharply in 2010 and 2011. However, over the past two months, the number of applications again started to grow: 28 in November and 32 in December, compared to just 22 on average in the third quarter. Thus, the number of people potentially involved has again exceeded 2,000 for the first time since late 2010 (2,664 in December).

This rise was mainly in manufacturing, the main user of partial employment, with 75% of applications in the third quarter of 2011. The other 25% were mainly in transportation (8%) and trade, car and motorcycle repairs (6%). Many of these companies are sub-contractors in the manufacturing industry.

Wage indexation postponed

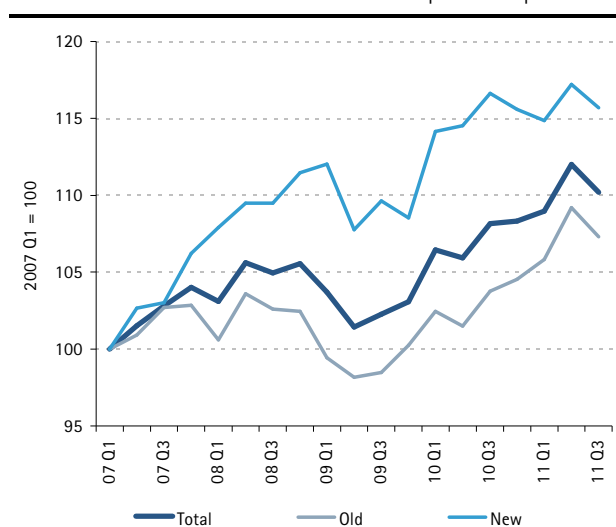
STATEC's last forecasts predicted an increase of 6.6% in the wage bill in 2012, with much of this coming from the sliding scale ("échelle mobile") (4.0%), due to the combined effect of index-linked adjustments in October 2011 and March 2012.

The new change in wage indexation announced by the Prime Minister on 16 December, which stipulated one adjustment maximum per year until 2014 inclusive, is expected to result in a further adjustment in October 2012 (instead of March), with the next one not due until October 2013 at the earliest.

These index-linked adjustments will lead to a 2.5% rise in the sliding wage scale in 2012 and 2013 respectively, compared to 4.0% and 1.9% prior to the change (see table opposite). The total wage bill (private and public sectors) will thus fall by some EUR 440 million (i.e. 1.1%) in total over the next two years.

Real estate

Sale prices for apartments



Source: STATEC

Sale prices for apartments fall

The average sale price for apartments fell 1.6% in the 3rd quarter (up 1.9% over one year), somewhat offsetting the sharp 2.8% rise recorded for the previous quarter. This fall was observed both for older apartments and new builds.

Since mid-2010, prices have risen most for older properties, with new builds remaining relatively stable. In view of this, the falling prices for older properties in the 3rd quarter are remarkable, but it is still too early to see this as the first phase in a reversal of the trend. With 714 transactions documented in the 3rd quarter, the volume of sales is in line with average levels recorded since 2007 (703 sales), but with a lower proportion of new builds (23% compared to over 28% on average at this time of year).

Statistics table

	Mar-11	Apr-11	May-11	Jun-11	Jul-11	Aug-11	Sep-11	Oct-11	Nov-11	Average over the last three months	Same period previous year
Annual variations in %, except where otherwise indicated											
Activity											
Industrial output per working day, in volume	0.3	-3.2	-4.1	-3.9	-0.3	-0.7	-5.6	...	...	-2.3	5.7
Construction output per working day, in volume	0.0	0.0	4.0	-7.3	-4.4	-1.4	-4.4	...	...	-3.8	1.6
Turnover by volume of total retail trade	-2.7	0.0	3.8	-4.4	-4.2	-4.4	-2.0	...	...	-3.5	3.3
Prices, wages											
Consumer price index (IPCN)	3.7	3.7	3.6	3.5	2.9	3.3	3.3	3.4	3.6	3.4	2.4
Underlying inflation	2.4	2.5	2.6	2.4	1.8	2.1	2.1	2.3	2.4	2.3	1.6
Oil product index	20.1	18.5	15.1	16.5	15.4	16.9	18.0	16.0	18.0	17.3	12.7
Industrial producer price index	11.7	11.6	8.0	4.1	6.2	6.6	8.3	9.2	...	8.0	7.3
Construction price index ¹	2.0	2.7	2.7	2.7	...	...	...	...	...	2.7	0.3
Average wage bill, per person (National accounts)	3.7	1.5	1.5	1.5	...	...	...	...	...	1.5	1.9
Foreign trade											
Exports of goods (volume)	-0.6	-1.8	-10.7	-3.0	0.8	34.2	-4.6	...	...	6.5	4.4
Imports of goods (volume)	-0.4	0.1	0.4	0.9	0.5	0.5	0.3	...	...	0.4	-1.0
Employment, unemployment											
Domestic number of employees (IGSS)	2.9	2.9	3.1	3.1	3.1	3.2	3.2	3.2	3.3	3.2	2.4
National employment (IGSS)	2.7	2.9	2.9	3.0	2.9	3.0	3.0	3.0	3.0	3.0	2.2
Unemployment rate (% of working population, seas. adj.)	5.7	5.8	5.8	5.9	6.2	6.1	6.0	5.9	...	6.1	6.1

Sources: STATEC

Data blue coloured are estimates

1 Estimations based on half-yearly data

Indicators

	Variation on previous quarter in %					
	2010 Q2	2011 Q3	2010 Q4	2011 Q1	2011 Q2	2011 Q3
Eurozone- Growth in volume of GDP (European Commission)	0.9	0.4	0.3	0.8	0.2	0.2
Luxembourg - Growth in volume of GDP (STATEC)	1.2	0.4	1.0	0.2	0.3	
	Annual variation in %					
	2007	2008	2009	2010	Forecast 2011	Forecast 2012
Luxembourg - Growth in volume of GDP (STATEC)	6.6	0.8	-5.3	2.7	2.0	1.4
PIB en valeur 2010: 40 267 Mio EUR						
Minimum monthly salary (since 01/01/2011): EUR 1 801.49						
Current account balance (2010 - 4th quarter): EUR 1 376 million						
Resident population (01/01/2011): 511 840						
Consumer price index (November) - base January 1 st 1948: 793.54						
Half-yearly average of the index linked to base as at January 1 st 1948: 787.77						
Estimated deadline for next salary indexation: 4th term 2012						

National institute for statistics
and economic data
B.P. 304
L-2013 Luxembourg
Tel. 247-84219 Fax 46 42 89
Email: info@statec.etat.lu
Internet: www.statistiques.lu

For further information:
Ferdy Adam
Tel. 247-84217
Email: Ferdy.Adam@statec.etat.lu