



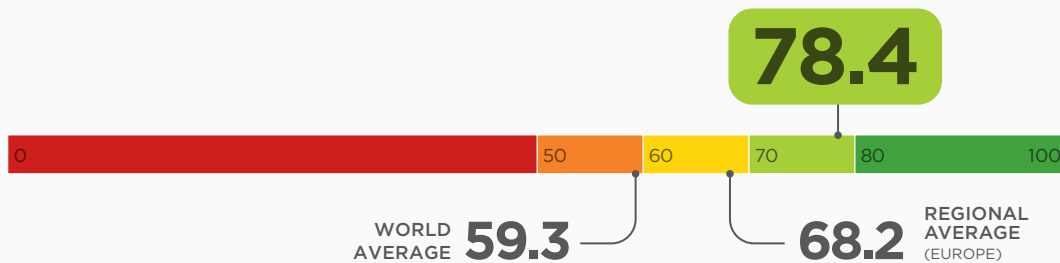
WORLD RANK: <b>7</b>	REGIONAL RANK: <b>4</b>
ECONOMIC FREEDOM STATUS: <b>MOSTLY FREE</b>	

# LUXEMBOURG

Luxembourg's economic freedom score is 78.4, making its economy the 7th freest in the 2023 *Index*. Its score is 2.2 points worse than last year. Luxembourg is ranked 4th out of 44 countries in the Europe region, and its overall score is well above the world and regional averages.

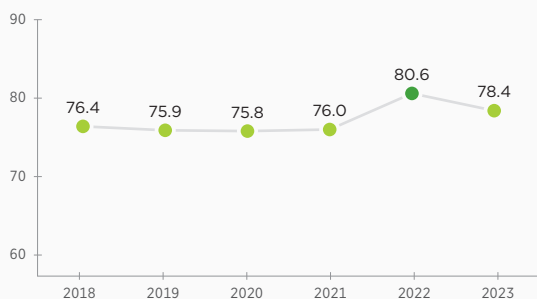
Luxembourg has long benefited from a favorable climate for entrepreneurial activity and high levels of openness and flexibility. Prudent financial regulations support its position as a global financial hub. The judiciary, independent of politics and corruption free, provides strong protection for property rights. Institutional support for open markets is similarly strong.

## ECONOMIC FREEDOM SCORE



HISTORICAL *INDEX* SCORE CHANGE (SINCE 1996): +5.9

## RECENT FREEDOM TREND



## QUICK FACTS

**POPULATION:**  
0.6 million

**GDP (PPP):**  
\$83.7 billion  
6.9% growth in 2021  
5-year compound  
annual growth 2.3%  
\$131,875 per capita

**UNEMPLOYMENT:**  
6.8%

**INFLATION (CPI):**  
3.5%

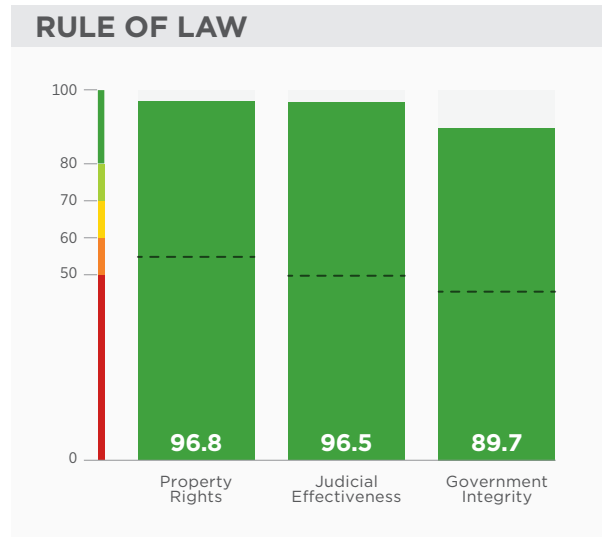
**FDI INFLOW:**  
-\$9,053.9 million

**PUBLIC DEBT:**  
24.3% of GDP

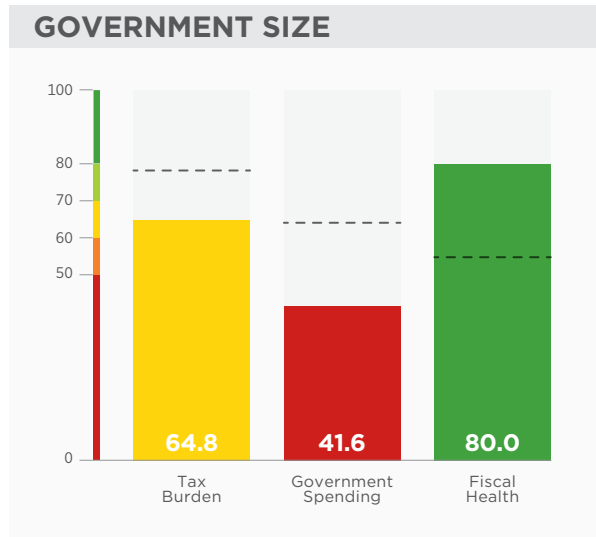
2021 data unless otherwise noted. Data compiled as of September 2022

**BACKGROUND:** A founding member of the European Union in 1957 and the eurozone in 1999, the Grand Duchy of Luxembourg promotes European integration. Democratic Party Prime Minister Xavier Bettel leads a three-party left-leaning coalition. Luxembourg enjoys high levels of prosperity: The recession provoked by the economic crisis in 2009 was its first in 60 years. Luxembourg now has a mixed manufacturing and services economy, and financial services account for 25 percent of GDP. With low energy costs, a reliable electricity grid, stable governance, and a growing data-storage sector, Luxembourg is attracting interest as a hub for the 21st century information economy.

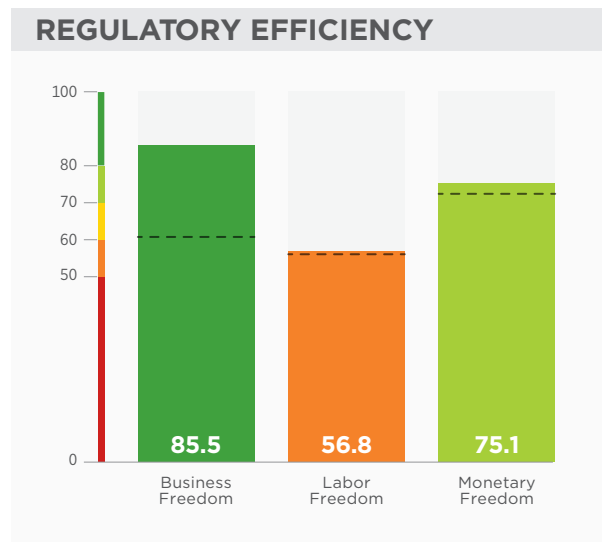
## 12 ECONOMIC FREEDOMS | LUXEMBOURG



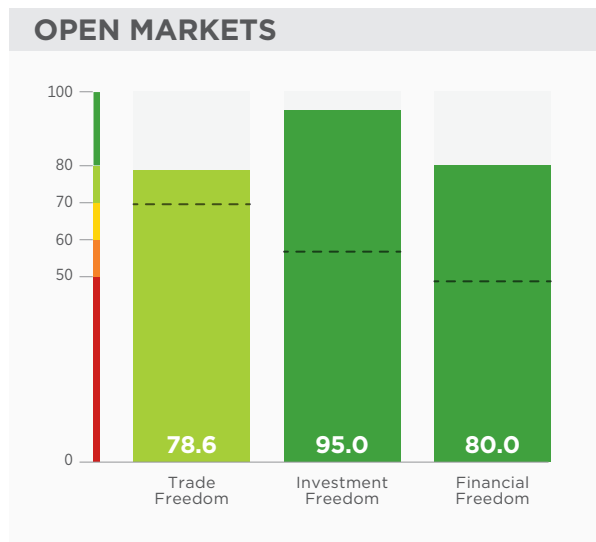
The overall rule of law is very well respected in Luxembourg. The country's property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.



The top individual and corporate tax rates are, respectively, 42 percent and 17 percent. The tax burden equals 38.3 percent of GDP. Three-year government spending and budget balance averages are, respectively, 44.1 percent and -0.1 percent of GDP. Public debt equals 24.3 percent of GDP.



The regulatory environment is transparent and efficient. The labor market is competitive but lacks flexibility. Unemployment benefits are notably higher than those in neighboring countries, and the minimum wage is one of the region's highest. The most recent available inflation rate is 3.5 percent.



The trade-weighted average tariff rate (common among EU members) is 3.2 percent, and more than 600 EU-mandated nontariff measures are in force. Investment activity is sustained by the solid institutional foundations of an open-market system. The sophisticated financial sector is well capitalized and competitive.