

LUXEMBOURG

*By Guy Franceschi
GF Consult bvba*

In 2003, the Gross Domestic Product (GDP) increased in Luxembourg by about 1.2% against 1.3% in 2002. This slight deterioration was essentially caused by a slowdown in international financial activities and by the progressive weakening of the international demand for goods and services. Industrial production increased by 2.8% in 2003 compared with 2002. The steel sector posted nevertheless a strong decrease (-6.6%) while general industrial production, excluding the steel sector, rose by 4%.

Luxembourg's mineral industry consists principally of raw materials processing and mineral trading. The iron and steel sector are the dominant activities in the industry, with steel being the country's main export commodity. The sector is largely dominated by the Arcelor Group, a company incorporated in Luxembourg and governed by Luxembourg law. Arcelor was created by a merger effective in early 2002 of Aceralia, Arbed and Usinor. The Arcelor group is developing its activities in four core businesses: it is the world's biggest producer of flat carbon steel and long carbon steel, among the leaders in stainless steel production, and among the largest firms in Europe for distribution, transformation and trading. Arcelor is the largest steelmaker in the world with a production of about 44 Mt of steel.

For its second financial year, the Arcelor group showed a clear improvement in results despite a difficult economic environment in Europe. The group had consolidated revenues of €25.92 billion in 2003 compared with €26.59 billion in 2002, a 0.6% decline at comparable consolidation. The consolidated gross operating result posted by the group amounted to €2.23 billion in 2003 compared with €1.98 billion in 2002, while the consolidated net result (group share) amounted to €257 million. At the end of December 2003, the fully consolidated companies of the group employed 98,264 people compared with 104,434 employees at the end of December 2002.

In Luxembourg, the Arcelor Group employs some 6,700 people in a number of integrated companies. The companies of the group in Luxembourg contributed to the extent of €1.7 billion of the group's turnover and €93 million of the operating result. In 2003, steel production in Luxembourg decreased by about 3.5% compared with 2002, to some 2.65 Mt (inferred figure). This results from the persistent weakness of the main European markets, company policy favouring prices rather than volumes, the difficult export conditions caused by a more aggressive attitude of the competitors and the weakness of the US dollar versus the Euro. Main investments in 2003 in the sector in Luxembourg concerned the construction of the new medium beams mill.

Mining in Luxembourg is restricted to small operations that produce industrial minerals and building materials, such as dolomite, limestone, sand, gravel

and slate, mainly for domestic consumption. Limestone is the main mining commodity and its extraction is dominated by Ciments Luxembourgeois SA, the parent-company of a group of producers and distributors of construction materials carrying its name. The group produces at Esch-sur-Alzette nine qualities of cement on the basis of Portland clinker, produced at Rumelange by the Group's affiliate InterMoselle Sarl. InterMoselle exploits limestone and marl from its own quarry lying astride the French-Luxembourg border near Ottange (France). It has an annual production capacity of 1 Mt of clinker and feeds essentially the Group's cement factory at Esch-sur-Alzette and the grinding facilities at Neuwied (Germany). The mineral extraction sector and the cement sector were largely affected in 2003 by a slowdown in the construction industry. The mineral extraction industry posted in 2003 a significant decrease in production (-12.5%) and turnover (-3.3%).

In addition to the extraction of building materials, the mineral industry of Luxembourg also comprises processing of building materials and manufacture of glass and porcelain, predominantly from imported raw materials. The glass sector, like the mineral extraction and cement sectors, was affected in 2003 by a slowdown in the construction industry. The porcelain sector, however, posted a satisfactory result in terms of activity, but considerable rationalisation efforts were made in order to maintain competitiveness in a market strongly challenged by low-cost producers.

The mineral extraction industry employed some 240 people in 2003, while cement production employed 470 and the porcelain sector 664 persons.