



Medium-term projections (2025-2029)

TABLE: SUMMARY OF MACROECONOMIC FORECASTS FOR LUXEMBOURG

	1995-2024	2024	2025	2026	2027	2028	2029
	<i>Change in %</i>						
GDP (in volume)	2.9	0.4	1.0	1.7	2.1	2.2	2.3
Total domestic employment	3.0	1.0	1.1	1.6	1.8	1.9	1.9
Unemployment rate (% of labour force, ADEM definition)	4.6	5.8	5.9	5.8	5.6	5.4	5.2
Consumer prices (IPCN)	2.1	2.1	2.2	1.8	1.8	1.9	2.3
Sliding wage scale	2.0	2.5	1.7	2.3	1.9	1.9	2.3
Average wage cost	3.1	3.5	3.6	3.3	2.0	2.1	2.5
Greenhouse gas emissions ¹	-2.3	-1.5	-5.8	-4.0	-7.8	-7.4	-8.1

Source: STATEC (1995-2024: observed or estimated data; 2025-2029: STATEC forecasts)

¹ Average 2005-2024.

After expected GDP growth of 1.0% in 2025 and 1.7% in 2026, the economy is expected to return to an average growth rate of just over 2% by 2029. The labour market is expected to recover slowly, with employment rising by close to 2.0% and the unemployment rate falling to 5.2% in 2029. This improvement would be driven mainly by market services, although the financial sector would continue to grow at a moderate pace.

This update of the medium-term forecasts extends those presented in Economic Outlook Note (NDC) 2-2025, extending the horizon to 2029. The 2025-2027 trajectory therefore directly reflects the figures published in NDC 2-2025, with the exception of inflation, the sliding wage scale and average wage costs, which have been revised on the basis of the latest inflation forecasts (STATNEWS No. 5 of 9 February 2026). The results presented below are compared with those of the previous medium-term forecasts (STATNEWS No. 32 of 8 October 2025).

1. International context: assumptions and revisions

The update of the medium-term forecasts is based in particular on the revision of the international assumptions provided by Oxford Economics (OE). The 2025-2027 horizon remains unchanged and corresponds in full to the forecasts published in NDC 2-2025. However, the years 2028 and 2029 have been updated on the basis of the new assumptions. Compared with the previous medium-term forecast, real GDP growth in the euro area is now higher in 2025 (1.3% compared with 0.8% previously), but lower in 2026 (0.8% compared with 1.0%). Over the 2027-2029 period, real GDP in the euro area is expected to converge towards a growth rate of around 1.6%.

This revision is in line with stronger demand for services in 2025, now estimated at 2.0% (compared with 1.8% previously), followed by a slowdown in 2026 to 1.9% (compared with 2.1% previously). In the medium term, growth in demand for services is around 2.5% on average.

With regard to global demand for goods, Oxford Economics' new assumptions are slightly more optimistic in the short term: +3.0% in 2025 (compared with +1.0% previously) and -0.1% in 2026 (compared with -0.7% previously). For the rest of the horizon, however, OE anticipates growth of close to 2.0%, instead of 2.5% in the previous exercise.

Assumptions for the stock markets, represented by the Euro Stoxx 50 index, have been revised slightly upwards for 2026, mainly due to significantly better-than-expected performance in 2025 (10% annual growth). For the following years, however, the stock market index growth has been revised slightly downwards (to just above 1% per annum).

With regard to interest rates, short-term rates remain close to 2% over the entire horizon (no revision). Long-term rates, on the other hand, are now expected to be lower: 3.2% in 2025 and then 3.3% for the rest of the horizon, representing a downward revision of around 0.2 percentage points on average.

Finally, the assumptions on energy prices have been revised downwards. The price of oil is now expected to converge towards USD 72 per barrel in 2029, compared with USD 75 in the previous projection.

2. Activity: outlook for Luxembourg

On the national accounts side, no new annual data has been incorporated since NDC 2-2025. The first estimate for the whole of 2025 will be published in early March 2026.

As announced in NDC 2-2025, STATEC has maintained its GDP growth forecast at 1.0% for 2025, but has lowered its forecast for 2026 from 2.0% to 1.7%. This revision reflects the deterioration in the external environment (notably more moderate growth in the eurozone and the anticipated slowdown in demand for services).

Over the medium term (2027 to 2029), average GDP growth has been lowered marginally from 2.3% to 2.2%. This revision is due to slightly lower potential growth and less favourable medium-term prospects: more moderate GDP growth in the euro area, weaker foreign demand for services and a sluggish stock market environment.

The components of real GDP are only marginally adjusted. Final household consumption is expected to grow at a slightly lower rate of 2% on average. Total investment is expected to remain on an upward trend, with growth of close to 5% per year on average. Public consumption is expected to remain dynamic, at slightly above 3% on average, in line with a larger than previously anticipated increase in public sector employment.

Foreign trade would be less dynamic than in the past for Luxembourg, but would show a gradual recovery to rates above 3% per year on average, both for exports and imports of goods and services.

On the production side, gross value added (GVA) in the financial sector is expected to remain at an average growth rate of around 1.5% over the forecast horizon. GVA in the non-financial market sector is expected to increase at an average rate of slightly above 2.5%, an improvement on the trend in recent years, driven by stronger international demand for services.

In the medium term, greenhouse gas emissions would fall by more than 7% per year, driven by increasing electrification and declining deliveries of petroleum products, marking a transition to less carbon-intensive energy consumption.

3. Labour market: employment and unemployment

After a sharp slowdown in the labour market between 2023 and 2025, with total employment growth limited to around 1% and an unemployment rate approaching 6% in 2025, a gradual improvement is expected in the medium term. Employment growth is expected to gradually pick up to around 2% in 2029, while the unemployment rate is expected to fall to 5.2%.

In terms of composition, resident employment is expected to grow by around 1.6% by 2029 and incoming cross-border employment by around 2.3% on average. Although this represents a marked recovery from the low point in 2024, these rates remain well below those observed between 2000 and 2019, when average employment growth for residents exceeded 2% and that for cross-border workers exceeded 4% per year.

In line with the slowdown in the labour market, migration inflows have also declined, particularly since 2024, to just over 22,000 people in 2025, while around 17,000 people left the country. However, net migration is expected to pick up again, bringing population growth from around 1.0% in 2025 to 1.6% in 2029.

4. Inflation and wages

Inflation in Luxembourg in 2026 and 2027 is expected to be held back by negative base effects linked to the energy component. The fall in electricity prices, combined with the decline in oil prices, the appreciation of the euro and the expected fall in gas prices, is expected to exert significant disinflationary pressure. In this context, energy prices are expected to fall by 6.3% in 2026 and 3.5% in 2027, contributing significantly to the slowdown in headline inflation.

Conversely, inflationary pressures excluding energy would temporarily increase in 2026.¹ In this context, the expected rise in food prices and sustained inflation in services would contribute to high underlying inflation in 2026 (2.2%). Headline inflation in Luxembourg is expected to be 1.8% in 2026 and remain at this level in 2027. According to these forecasts, the next wage indexation would apply in the second quarter of 2026, followed by a further tranche in the third quarter of 2027.

In the medium term, inflation is expected to stabilise at around 2%, in line with the European Central Bank's target. The spacing of indexation tranches would limit wage increases directly linked to price developments (unlike in 2023, when three tranches were triggered), thereby reducing potential second-round effects on inflation.

Furthermore, wage costs would continue to rise by more than 3% in 2026 (for the sixth consecutive year), but would then fall to a level closer to 2% per annum.

Pour en savoir plus

Bureau de presse | ☎ +352 247-88455 | ✉ press@statec.etat.lu

statistiques.lu

Cette publication a été réalisée par le Département « Conjoncture, modélisation, prévisions ».

Le STATEC tient à remercier tous les collaborateurs qui ont contribué à la réalisation de cette parution.

La reproduction totale ou partielle du présent bulletin d'information est autorisée à condition d'en citer la source.

Restez connectés ! Inscrivez-vous à notre newsletter



¹ See STATNEWS No. 5 of 9 February 2026.