

## GROWTH REMAINS WEAK IN 2025... AND FEARS LOOM FOR 2026

**GDP growth stalled in the final quarter of 2025. The year ended with growth of 0.6%, slightly better than in previous years, but still weak compared to past performance. The deterioration in the international environment and fears of a new inflationary shock are also casting a shadow over the outlook for 2026.**

After four consecutive quarters of growth, Luxembourg's real GDP stalled, recording a slight decline (-0.1% quarter-on-quarter) in the final quarter of 2025.

This quasi-stagnation in activity towards the end of last year resulted from contrasting trends across the various sectors. The most positive contributions came from predominantly non-market activities (public administration, education and health) and industry, as well as – to a lesser extent – business services. Conversely, most other market sectors saw their value added decline in the 4<sup>th</sup> quarter, with the most negative impacts on the overall result coming from information and communication services, trade, transport and financial activities. For the latter, it should be noted that the decline recorded in the 4<sup>th</sup> quarter (-0.3%) follows a very sharp rebound in the 3<sup>rd</sup> quarter (+2.7%).

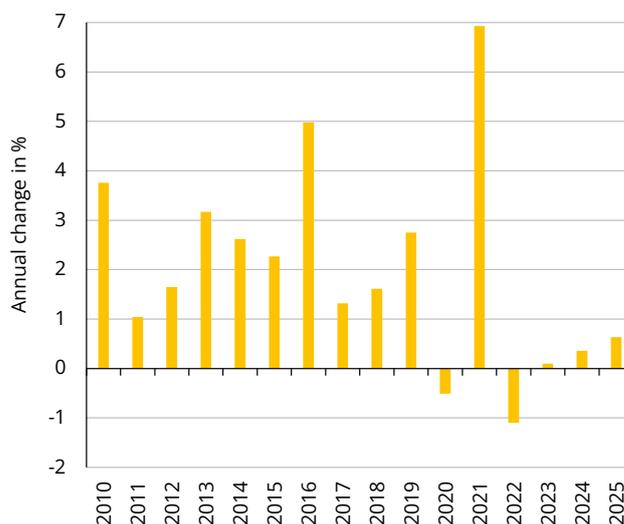
As in the 3<sup>rd</sup> quarter of 2025, consumer spending (private and public) continued to grow at a relatively dynamic pace. Household consumption towards the end of 2025 was notably driven by spending on health, telecommunications and catering services (purchases of private vehicles, however, fell, reflecting the decline in registrations recorded in the 4<sup>th</sup> quarter). Investment expenditure fell by 11.5% quarter-on-quarter, in counterreaction to the particularly sharp rise in the 3<sup>rd</sup> quarter, which was mainly due to satellite acquisitions (this is reflected, conversely, in imports of goods, which had been boosted by this phenomenon in the 3<sup>rd</sup> quarter and which declined in the 4<sup>th</sup>). Total exports fell by around 1% quarter-on-quarter, mainly due to exports of non-financial services (exports of financial services, by contrast, increased for the second consecutive quarter).

This GDP result for the final quarter of 2025, combined with those of previous quarters, ultimately indicates growth of 0.6% for the year as a whole, although this is still only a preliminary estimate. This increase marks a slight acceleration compared with those recorded in previous years (+0.1% in 2023, +0.4% in 2024), but it remains nevertheless very low compared with historical results (+2.5% per year on average during the decade 2010–2019).

In its latest forecasts<sup>1</sup>, STATEC had projected a 1.0% increase in real GDP in 2025, slightly higher than this initial estimate.

<sup>1</sup> <https://statistiques.public.lu/dam-assets/catalogue-publications/note-conjoncture/2025/ndc-2-25-web.pdf>

### REAL GDP



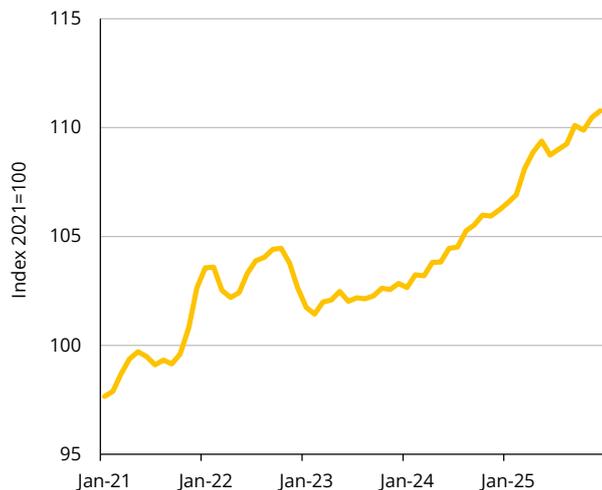
Source: STATEC (national accounts)

### 2026 under threat of a new inflationary shock

As for the forecast for 2026, a 1.7% increase, this is likely to be revised downwards given the deterioration of the international context. Rising geopolitical tensions between Iran on the one hand and the United States and Israel on the other have led to a war, which began on 28 February and whose end remains unpredictable at this stage. What is already known, however, is that it has caused oil and gas prices to soar on international markets, particularly due to the blockade of the Strait of Hormuz, through which a significant proportion of these energy sources pass (see below). The price of a barrel of Brent crude has settled above the USD 100 mark since mid-March, a level not seen since 2022 when Russia started its war against Ukraine. Fears of a lasting shock to energy prices naturally lead to concerns about much higher-than-expected inflation – fuel prices at the pump have already taken a heavy hit – and a deterioration in the economic outlook.

## International

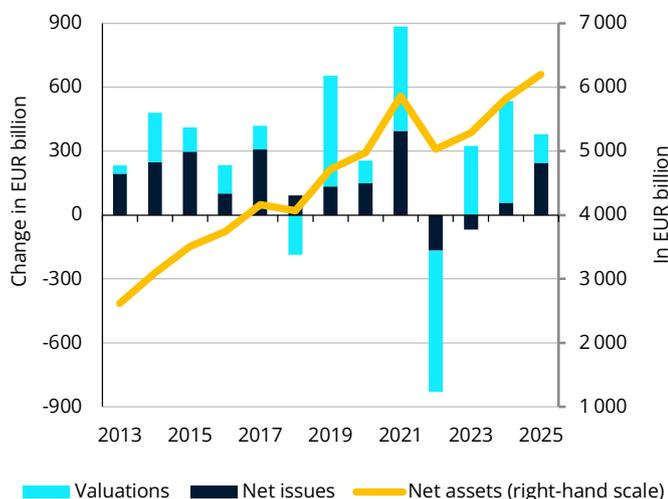
### WORLD TRADE IN GOODS (VOLUME)



Source: CPB, 3-months moving average

## Financial sector 1/2

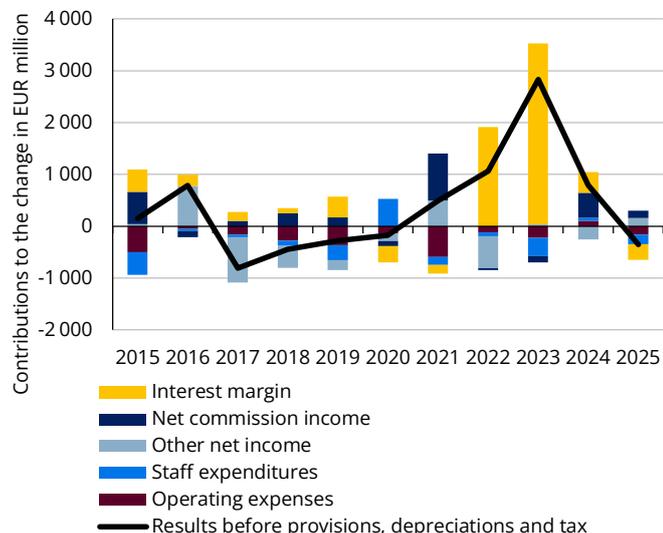
### ASSETS OF UNDERTAKINGS FOR COLLECTIVE INVESTMENT IN LUXEMBOURG



Source: CSSF

## Financial sector 2/2

### BANKING SECTOR RESULTS IN LUXEMBOURG



Source: CSSF

## Upside surprise for global trade in 2025

The year 2025 was marked by growing geopolitical uncertainty coupled with aggressive US trade policy, which raised fears of a slowdown in global trade. However, data on global trade volumes in goods show the opposite, reaching a record high and growing by 4.4% year-on-year in 2025 (after +2.5% in 2024).

This dynamism stems primarily from the strong growth in trade in manufactured goods, particularly electronics, linked to the development of artificial intelligence. Trade in electronic goods thus increased by 14% in 2025, with notable growth in semiconductors (+10%). From a geographical perspective, this dynamism is mainly driven by the economies of East Asia - linked to China's strategy to circumvent US tariffs - but also by the African continent, with particularly robust growth in South-South trade (+8% over the first nine months of 2025). By contrast, eurozone exports in volume fell for the third consecutive year (-0.4% in 2025), whilst imports rose (+1.3%).

## Rise in net fund inflows

Assets of collective investment undertakings in Luxembourg rose by 6.5% year-on-year in 2025. Unlike in the previous two years, this increase stemmed mainly from a rise in net inflows into bond and money market funds, supported by falling interest rates, and to a lesser extent into equity funds, driven by stock market performance.

Ireland was the European country with the strongest growth in net issues in 2025 (EUR 436 billion, compared with EUR 244 billion in Luxembourg), half of which was in index funds (ETFs). As a result, Ireland's market share rose by 0.5 percentage points, reaching 22% of European assets under management, compared with 25% in Luxembourg (-0.3 percentage points). Germany, the United Kingdom and the Netherlands also saw their market shares decline.

Rising geopolitical tensions at the start of 2026 destabilised and caused a fall in financial markets in March. This is expected to weigh on valuations and net inflows into funds at the end of the 1<sup>st</sup> quarter.

## Bank results dampened by falling interest margins

In 2025, net profit for banks in Luxembourg fell by 5.4% (-3.6% excluding provisions and taxes), mainly due to falling interest margins.

With the reduction in interest rates since mid-2024, banks' interest margins fell by 3% year-on-year (they remain, however, twice as high as in 2021, before the rate-hiking cycle; the same applies to the margin rate, which rose from 0.15% to 0.30%). Net commission income recorded modest growth (+2.2% year-on-year in the 1<sup>st</sup> semester), with the increase mainly concerning custodian banks for investment funds (thanks to the strong performance of the latter). Furthermore, according to the CSSF, "Due to a break in the series caused by the merger of two banks, which affected the figures for the first quarter of 2024, the relative changes in general expense items are significantly overestimated".

In the eurozone, net banking income for the first three quarters of 2025 showed divergent trends: rising in half of the countries, falling in the other half. The eurozone total ultimately remained flat. The net interest margin, however, declined in three-quarters of the member countries, falling by 4.3% overall.

## Labour market

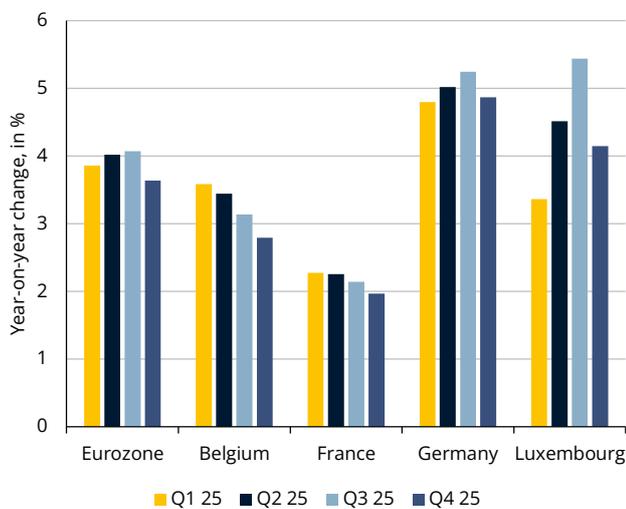
### EMPLOYMENT EVOLUTIONS

	Eurozone			Luxembourg		
	2024	2025	25-24	2024	2025	25-24
	Change in %		% points	Change in %		% points
Construction	0.9	1.2	0.2	-4.6	-2.3	2.4
Real estate activities	-0.6	2.2	2.8	0.5	2.8	2.2
Public adm., def., educ., health	1.5	1.2	-0.2	2.9	3.9	1.0
Industry	0.3	-0.4	-0.7	-0.9	-0.2	0.6
Business services	0.7	0.9	0.2	1.5	1.2	-0.3
Financial sector	1.5	1.3	-0.2	1.4	0.7	-0.6
Trade, Transport, Hospitality	1.0	0.7	-0.3	1.6	0.7	-0.9
Information & Comm.	2.0	-0.1	-2.1	0.8	-1.7	-2.4
<b>Total</b>	<b>1.0</b>	<b>0.7</b>	<b>-0.3</b>	<b>1.0</b>	<b>1.2</b>	<b>0.2</b>

Sources: Eurostat, STATEC

## Wages

### COMPENSATION PER EMPLOYEE

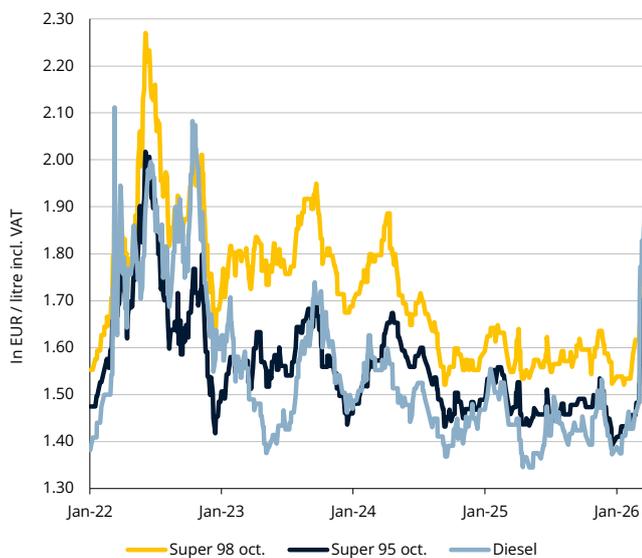


Sources: Eurostat, STATEC

Note: The data for the 4<sup>th</sup> quarter for Luxembourg are taken from the latest monthly estimates and differ slightly from the published quarterly accounts.

## Inflation

### PRICES AT THE PUMP IN LUXEMBOURG



Source: [www.petrol.lu/prix-officiels/](http://www.petrol.lu/prix-officiels/)

## Employment slightly more dynamic in Luxembourg in 2025

In Luxembourg, employment growth strengthened in the 2<sup>nd</sup> half of 2025, bringing the annual increase to +1.2%. Employment growth in the eurozone, however, slowed slightly to +0.7% in 2025 after +1.0% in 2024 (the same rate as in Luxembourg).

This slightly stronger growth in Luxembourg last year was mainly driven by an upturn in non-market services (particularly healthcare) and a less severe deterioration in construction. In the eurozone, business services and real estate activities were the main factors underpinning growth. Job losses in industry (nearly 150,000 in Germany) are weighing heavily on the eurozone's performance, whereas in Luxembourg they were fewer than in 2024. Furthermore, in Luxembourg as in the eurozone, the trade, transport and hospitality sector, as well as ICT and – to a lesser extent – the financial sector, lost momentum in 2025. In ICT, employment actually fell, which is a first for Luxembourg since 2003 (+4% on average per year since then).

## Slowdown in labour costs in the 4<sup>th</sup> quarter of 2025

In Luxembourg, compensation per employee rose by around 4% year-on-year in the 4<sup>th</sup> quarter of 2025, after a 5.4% increase in the previous quarter, according to the latest preliminary data. This slowdown is mainly due to a negative impact from bonuses and gratuities in the 4<sup>th</sup> quarter, unlike in previous quarters. At sectoral level, it was mainly the contribution from professional, scientific and technical activities that declined at the end of 2025. As in the eurozone and Germany, Luxembourg's average wage cost thus slowed in the 4<sup>th</sup> quarter after accelerating in previous quarters, whilst in France and Belgium it had already been slowing down.

Over 2025 as a whole, compensation per employee rose by 4.4% in Luxembourg (after 3.5% in 2024). Around 40% of this increase is due to last May's indexation and autonomous wage rises, with the remaining roughly 20% attributable to the rebound in employers' contributions after their temporary reduction in 2024. In Germany and France, employer contributions have also been affected by legislative changes (in 2025), so that the rise in the average wage cost is also stronger there than that of the average perceived wage. Beyond these changes, wages there continue to slow down compared to previous years.

## Rising price pressures

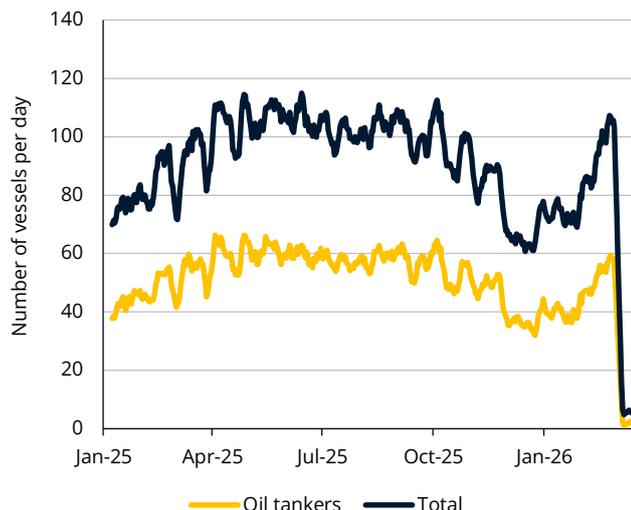
With the closure of the Strait of Hormuz due to the war in Iran, prices for energy and other essential goods rose sharply in March. The rise in the price of Brent crude has already been passed on to petrol prices in Luxembourg: since the end of February, diesel has risen by around 37% (EUR +0.54 as of 21 March) and 95-octane petrol by around 16% (EUR +0.24). Further upward pressure persists and could feed through to inflation with a certain time lag.

Nearly a third of the world's fertilisers pass through the Strait of Hormuz. Urea prices have already risen by 30%, which is likely to affect agricultural costs and, consequently, food prices. It should be noted that during the 2021–2022 energy crisis, food prices in Luxembourg rose with a lag of around one year. Another affected sector is semiconductors, whose prices have risen sharply this month. Their production is heavily dependent on helium, of which Qatar is one of the world's leading producers and whose facilities have recently suffered severe damage.

If the conflict were to drag on, this could fuel inflation in the long term. It should be noted that STATEC is maintaining its forecast for the next indexation in the 2<sup>nd</sup> quarter of 2026.

## Energy

### SHIPS TRANSITING THE STRAIT OF HORMUZ



Source: Macrobond (one-week moving averages)

## Maritime traffic in the Strait of Hormuz at a standstill

The flow of goods through the Strait of Hormuz, a strategic artery of the global energy market, has almost completely collapsed following the outbreak of war in the Middle East. Prior to this, nearly 20% of the world's oil and liquefied natural gas (LNG) passed through this bottleneck. Oil pipelines in Saudi Arabia, the United Arab Emirates and Iraq allow this maritime route to be partially bypassed, but they compensate for only a fraction of the volumes usually transported by sea. Furthermore, direct attacks on energy infrastructure in the Middle East, combined with the saturation of local storage capacity due to the collapse in exports, have already led to massive reductions in production, estimated at around 5% of global supply.

As a result, the price of crude oil (Brent) has risen by more than 60% since the start of the year and could continue to rise if the conflict persists and the Strait of Hormuz remains closed. The International Energy Agency recently announced the release of 400 million barrels from member countries' strategic reserves, equivalent to approximately 25 days' worth of the volumes that usually pass through this strategic waterway.

## Dashboard

	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Average over the last three months	Same period previous year
	Annual variations in %, except where otherwise indicated										
<b>Activity</b>											
Industrial output per working day, in volume	-1.2	-3.4	9.9	-2.0	9.4	-0.8	-0.9	...	...	2.7	-0.4
Construction output per working day, in volume	0.7	-0.7	6.4	-0.2	2.1	4.3	-1.7	...	...	1.8	-3.4
Turnover by volume of total retail trade	-3.9	9.9	3.5	5.5	-2.6	-0.7	-0.2	3.0	...	0.7	1.5
<b>Prices, wages</b>											
Consumer price index (NCPI)	2.2	2.3	2.4	2.6	2.7	3.0	3.1	1.3	1.3	1.9	1.6
Core inflation	2.4	2.5	2.4	2.4	2.5	2.6	2.9	1.9	1.7	2.2	1.7
Oil product index	-1.0	0.0	2.2	7.5	7.0	12.2	5.7	-9.2	-7.3	-4.0	-1.3
Industrial producer price index	2.9	1.2	-0.8	-1.5	-2.6	-2.7	-3.0	-3.9	...	-3.2	0.2
Construction price index <sup>1</sup>	1.5	1.8	1.8	1.8	2.0	2.0	2.0	...	...	2.0	0.8
Average wage bill, per person (QNA)	4.4	5.3	5.3	5.3	4.6	4.6	4.6	...	...	4.6	2.4
<b>Foreign trade</b>											
Exports of goods (volume)	-2.5	7.3	0.8	5.1	2.6	-1.6	9.2	...	...	3.1	-1.2
Imports of goods (volume)	-3.3	25.8	14.3	5.8	32.7	10.5	5.7	...	...	16.4	7.0
<b>Employment, unemployment</b>											
Domestic number of employees	0.9	1.2	1.3	1.4	1.5	1.5	1.4	1.5	1.2	1.3	0.7
National employment	1.0	1.2	1.3	1.5	1.5	1.4	1.4	1.1	1.0	1.2	0.7
Unemployment rate (% of labour force, seas. adj.)	5.9	5.9	5.9	6.1	6.0	6.2	6.2	6.3	6.3	6.3	5.9

Source: STATEC. QNA - Quarterly National Accounts. <sup>1</sup> Estimates based on half-yearly data

## Indicators

	% change on previous quarter					
	2024 Q3	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4
Eurozone - Real GDP growth (European Commission)	0.4	0.4	0.6	0.1	0.3	0.2
Luxembourg - Real GDP growth (STATEC)	-2.5	0.7	0.6	0.6	1.2	-0.1
	Annual variation in %					
	2022	2023	2024	2025	Forecast 2026	Forecast 2027
Luxembourg - Real GDP growth (STATEC)	-1.1	0.1	0.4	0.6	1.7	2.1

GDP at current prices (2025)



EUR 89 522 million

Monthly minimum wage (01/05/2025)



EUR 2 703.74

Next scheduled wage indexation: Q2 2026

Consumer price index (02/2026)



1 034.35

Index half-yearly average: 1 034.45

Current account balance (Q3 2025)



EUR 1 802 million

Resident population (01/01/2025)



682 000

# STATEC

### For further information

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