CONJONCTURE FLASH

MONTHLY PUBLICATION ON THE STATE OF LUXEMBOURG'S ECONOMY – **APRIL 2026**

Economy and prices

MARKETS ARE HOLDING UP, BUT UNCERTAINTY REMAINS

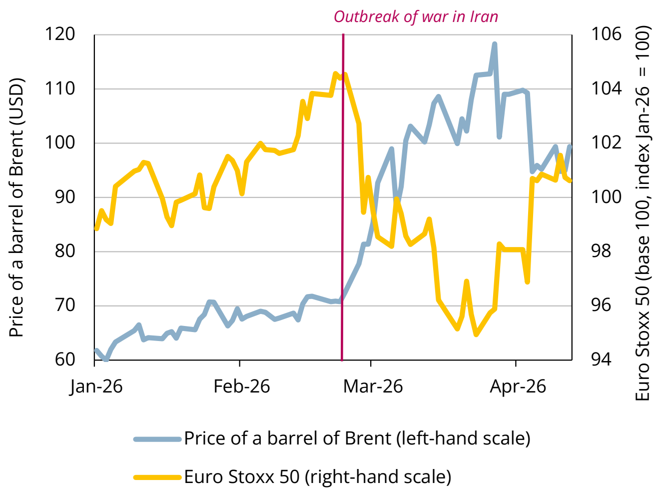
The tense geopolitical situation linked to the war in Iran has so far had little impact on stock market confidence. However, uncertainty over the outcome of the conflict remains high and oil prices are under pressure, with a less favourable outlook for economic activity and inflation.

The outbreak of the conflict in Iran initially caused stock markets to fall (by around 10% for the Euro Stoxx 50). Subsequently, the ceasefire agreed on 8 April 2026, the start of negotiations between the United States and Iran, and investors' bets on a brief conflict helped fuel a rebound in the stock markets. By mid-April, the Euro Stoxx 50 was thus approaching its all-time high reached in February 2026 (see next page for further details). As for the price of crude oil (Brent), it rose significantly, hovering around USD 120 at the end of March, compared with around USD 70 before the conflict began. Although it has since fallen slightly, it remains at a high level, fluctuating between USD 95 and USD 100 in mid-April.

Economic uncertainties, geopolitical risks and the acceleration in inflation caused by the energy shock have prompted investors to increase the risk premium demanded of eurozone countries. Consequently, 10-year government bond yields in the major economies of the eurozone have risen significantly and rapidly. On average, since the start of the conflict, borrowing rates have risen by just over 45 basis points, with a more moderate increase for Germany (+38 points) and a more pronounced one for Italy (+52 points). Most of these sovereign yields have thus been pushed to levels not seen for several years.

Anticipating higher energy prices and supply chain disruptions, the International Monetary Fund (IMF) has revised down its global growth forecasts[1] and up its inflation forecasts for 2026. In particular, the IMF has cut its growth forecast for the eurozone from 1.3% to 1.1% for 2026. This revision is mainly due to the downward revision of German growth, which has been cut by 0.3 percentage points due to the high energy intensity of its economy. As for the inflation forecasts for the eurozone, they have been increased by 0.7 percentage points, from 1.9% to 2.6%.

EURO STOXX 50 INDEX AND BRENT CRUDE OIL PRICE



Source: Macrobond

As for businesses in Luxembourg, recent events appear to have had little impact so far. Manufacturers' confidence increased in March for the second consecutive month, driven in particular by an influx of orders in the metalworking sector. Confidence among construction professionals fell only slightly, but remains on an upward trend. And in the services sector (retail trade, other non-financial services), business sentiment improved again slightly in March.

What are the implications for households and businesses in Luxembourg?

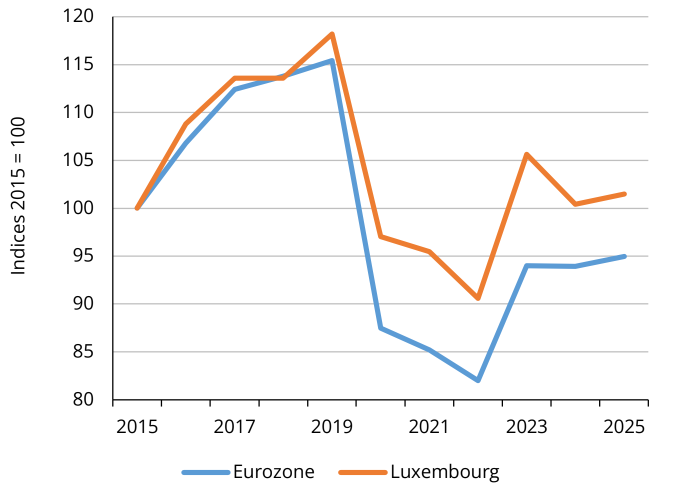
In the March survey, consumer confidence in Luxembourg fell sharply (to its lowest level in a year), against a backdrop of deteriorating expectations regarding the general economic situation and the financial situation of households. Their inflation expectations have risen strongly, reaching their highest level since September 2022. These factors are also reflected in consumer sentiment across the eurozone as a whole.

[1] Between January 2026 and April 2026, the International Monetary Fund lowered its growth forecast from 3.3% to 3.1%.

STATEC

Consumption

NEW PASSENGER CAR REGISTRATIONS



Sources: ACEA, SNCA, STATEC calculations

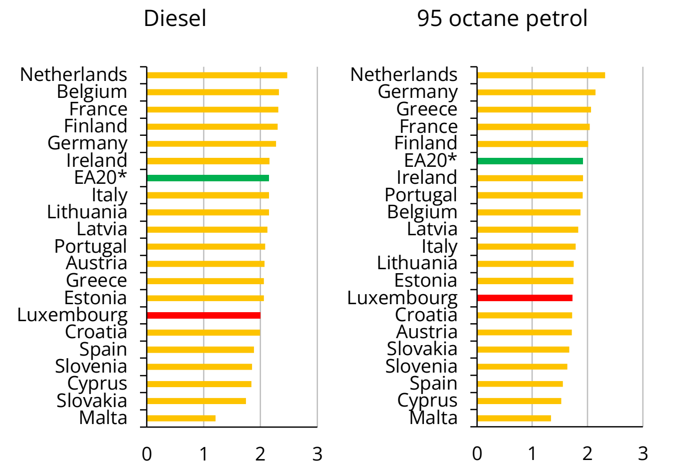
Cars are showing their age

Sales of passenger cars rose slightly in Luxembourg in 2025, by 1.1%. This increase is similar to the one recorded in the eurozone, where there are, however, marked differences between Member States: very positive figures come from the south, notably Spain (+13%), Portugal (+7%) and Greece (+5%), whilst France (-5%), Italy (-2%) and Belgium (-7%) weighed on the overall result.

However, the level of registrations remains well below that seen before the pandemic. In Luxembourg, registrations exceeded 50 000 per year from 2016 to 2019, a threshold that has not been reached since. The picture is similar for the eurozone: since 2020, registrations have never exceeded the 10 million per year mark, a figure easily surpassed in previous years. These lower new car sales in recent years, in spite of the growing population, reveal an ageing vehicle fleet (and a slow transition from internal combustion engines to electric vehicles). The figures for early 2026 do not indicate a reversal of this trend (-1.1% year-on-year in Luxembourg in the 1st quarter, -0.6% year-on-year in the eurozone over the first two months).

Inflation

FUEL PRICES AT THE PUMP ON 13 APRIL 2026 (IN EUR/L)



Source: European Commission, * weighted average

Fuel: highly uneven effects on inflation

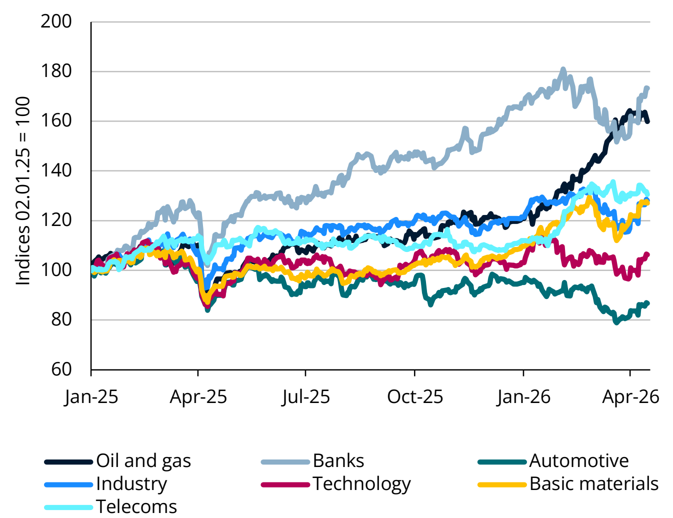
In March, inflation in the eurozone reached 2.6%, up from 1.9% in February. This acceleration is entirely attributable to energy prices, which rose by 5.1% year-on-year. However, the impact of rising oil prices on inflation varies across the eurozone.

On the one hand, fuel prices and tax levels vary significantly from one country to another: as of 13 April 2026, the price per litre of diesel (including VAT) ranged from EUR 2.47 in the Netherlands to EUR 1.21 in Malta (where a cap on pump prices was introduced in 2022). On the other hand, the inflationary impact also depends on the weighting of fuels in the price index, which varies considerably depending on the structure of the vehicle fleet. The proportion of diesel cars ranges from 66% in Latvia to 7% in the Netherlands (40% in Luxembourg). In terms of contribution to annual inflation, the Netherlands stands out, with a combined contribution from diesel and petrol of 0.97 percentage points, ahead of Greece (0.62 percentage points), Germany (0.42 percentage points) and Luxembourg (0.38 percentage points according to the NICP).

Some countries have taken measures to limit the rise in fuel prices: a reduction in VAT in Spain, a cut in excise duties in Italy, a decrease in energy tax in Germany, a cap on profit margins in Greece, and caps on pump prices in Croatia.

Financial environment

MAIN SECTORS OF THE EURO STOXX 50



Source: Macrobond

The Euro Stoxx 50 bolstered by energy and banks

Rising uncertainty surrounding the conflict in the Middle East and its potential impacts had a quite sharp but brief downward effect on the main stock market indices, which fell in March and have been recovering since. By mid-April, the European Euro Stoxx 50 index was up by 5% compared with the end of 2025, whilst the UK's FTSE 100 index had gained 7% and the S&P 500 3%.

The sector that has seen the strongest growth is energy, driven mainly by rising oil prices. This sector has a particularly high weighting in the UK index (9%) and the Euro Stoxx 50 (8%), whereas it accounts for only 4% of the S&P 500. European and UK indices also benefit from a higher weighting of financial companies (24% and 26% respectively) – which had risen strongly in the twelve months leading up to the conflict (particularly banks) – and of companies active in the commodities sector, which have been rising since the end of 2025. In the United States, the technology sector has the highest weight (33%, compared with 16% in the eurozone and 1% in the UK). This sector is suffering from a decline in confidence and has been falling since autumn 2025, in contrast to the almost exponential trend of the past fifteen years.

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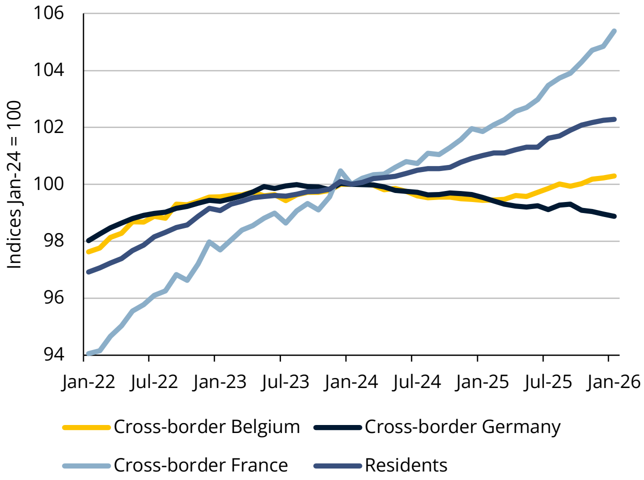
Labour market

CROSS-BORDER AND RESIDENT EMPLOYMENT



Sources: IGSS, STATEC (seasonally adjusted data)

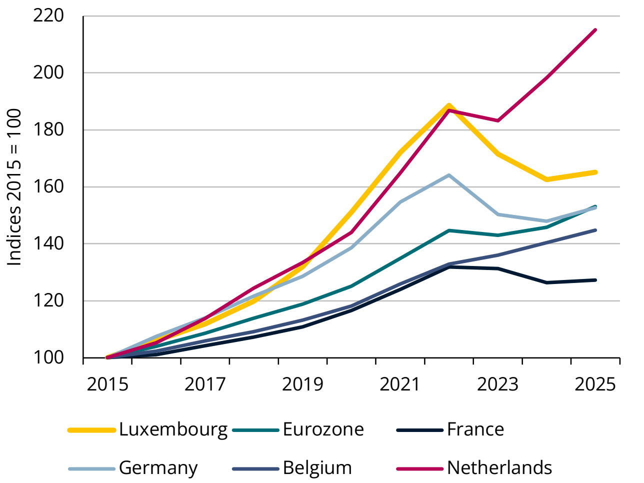
French cross-border employment increases markedly

At the start of 2026, cross-border employment was significantly more dynamic (+2.0% year-on-year in the 1st quarter, preliminary figures) than domestic employment (+1.2%). However, trends vary depending on the country of residence of the cross-border workers: a sharp rise on the French side (+3.5% year-on-year in January, or +4,270 employees), a modest recovery on the Belgian side (+0.9%, or +430 employees) and a continued decline on the German side, which began in early 2024 (-0.7%, or -330 employees).

It should be noted that among cross-border workers coming from Belgium, the number of Belgians has barely stabilised year-on-year, whilst Luxembourg and Portuguese nationals are notably driving the increase (+150 employees for these two nationalities year-on-year in January). The rise in French cross-border workers, however, remains driven primarily by employees of French nationality (+2,800). They are most often employed in retail, the financial sector and business services, but the strongest growth is recorded in health and social care. Luxembourgers living abroad, meanwhile, most often work in public administration and health and social care, whilst construction and administrative and support services employ the most non-resident Portuguese.

Real estate

HOUSING PRICES



Sources: Eurostat, STATEC

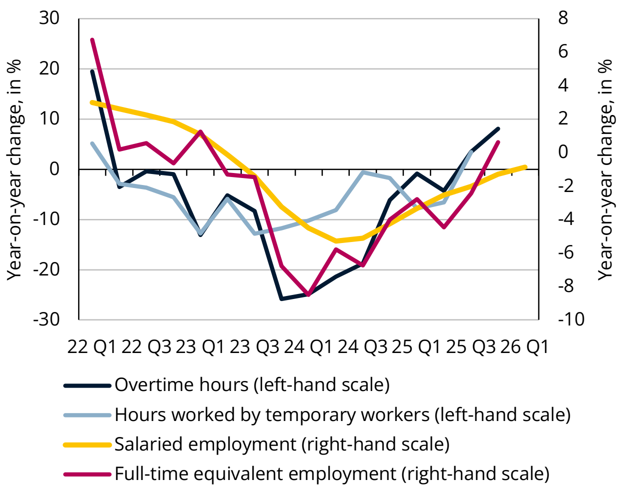
Slight rise in property prices in 2025

In the 4th quarter of 2025, residential property sales prices rose slightly quarter-on-quarter (+0.4%), following two quarters disrupted by the effects of support measures (+4.4% in Q2, followed by -3.5% in Q3). Existing flats recorded the most pronounced rise (+1%), whilst house prices remained flat (+0.2%) and prices for new flats fell further (-0.8%).

Over 2025 as a whole, housing prices rose by 1.6%, returning to growth after two years of decline (-9.1% in 2023 and -5.2% in 2024). The scale of the increase in 2025 benefits from the exceptionally high price levels in the 2nd quarter linked to the measures. The rise in prices in 2025 is relatively similar across all property types, ranging from +1.3% for existing flats to 1.8% for houses and 1.9% for new flats. In the eurozone, prices rose in all countries in 2025, with the exception of Finland. In France and Germany, housing prices also rebounded in 2025 after two years of decline, by 0.7% and 3.2% respectively.

Construction

EMPLOYMENT AND RELATED INDICATORS IN CONSTRUCTION



Sources: IGSS, STATEC

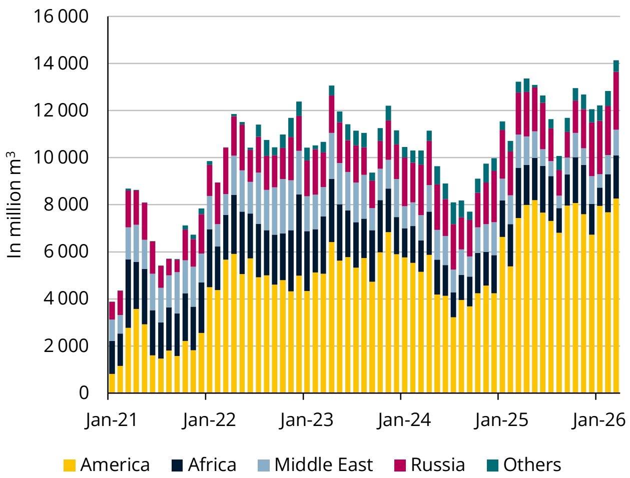
Encouraging signs for employment in construction

Employment in construction appears to have stabilised over the last two quarters (seasonally adjusted data). In the 1st quarter of 2026 (provisional data), it is estimated to be 0.9% below the level of the previous year (compared with -1.3% and -2.0% in the preceding quarters).

Several indicators, which can be regarded as leading indicators, suggest an improvement in the situation. The hours worked by temporary workers in construction – a figure whose evolution is most strongly correlated with that of employment with a lead of three quarters – showed an increase in the 3rd quarter of 2025 for the first time in three years. Furthermore, overtime hours worked in construction rose by 3.5% and 8.1% year-on-year in the 3rd and 4th quarters of 2025. This positive trend, which continued into January 2026, indicates an increased demand for labour, which should eventually lead to an increase in workforce numbers. More generally, full-time equivalent (FTE) employment in construction, which adjusts hours by the number of working hours, rose by 0.6% year-on-year (+0.4% excluding overtime) in the 4th quarter of 2025. Furthermore, the employment expectations reported by construction firms in business surveys have risen significantly since the start of 2025 and stood in February and March 2026 slightly above their long-term average.

Energy

LNG IMPORTS INTO EUROPE



Source: Bruegel

Liquefied natural gas imports have reached a record high

Amid tensions in the Middle East, imports of liquefied natural gas (LNG) into Europe reached a record high in March 2026. They already accounted for 46% of total gas imports into Europe in 2025, compared with just 20% in 2021. This increase is mainly driven by record volumes imported from the United States, which supplies around 60% of LNG (more than a quarter of the total imported), but also by Russian deliveries.

In March, the effects of the conflict in Iran on supplies from the Middle East were not yet apparent, with volumes slightly above the 2025 average. However, an impact is expected from April onwards, as transport via the Strait of Hormuz to Europe generally takes between two weeks and a month, depending on whether ships pass through the Suez Canal or round Africa via the Cape of Good Hope. The direct impact on supply security is expected to remain limited, as the Middle East accounts for less than 5% of total gas imports into Europe. On the other hand, global competition for LNG from outside the Middle East is expected to intensify, leading to upward pressure on prices in Europe, which is already evident in spot prices.

Dashboard

	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	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	-3.4	9.9	-2.0	9.4	-0.8	-0.9	-15.2	...	...	-5.5	1.2
Construction output per working day, in volume	-0.7	6.4	-0.2	2.1	4.3	-1.7	5.3	...	...	2.8	-0.4
Turnover by volume of total retail trade	9.9	3.6	5.5	-3.4	2.3	-0.1	2.9	...	...	1.6	1.5
Prices, wages											
Consumer price index (NCPI)	2.3	2.4	2.6	2.7	3.0	3.1	1.3	1.3	2.4	1.6	1.7
Inflation excluding oil products	2.5	2.4	2.4	2.5	2.6	2.9	1.9	1.7	1.8	1.8	1.7
Oil product index	0.0	2.2	7.5	7.0	12.2	5.7	-9.2	-7.3	11.5	-1.8	0.4
Industrial producer price index	1.2	-0.8	-1.5	-2.7	-2.8	-3.0	-3.9	-4.6	...	-3.8	1.3
Construction price index[1]	1.8	1.8	1.8	2.0	2.0	2.0	...	...	...	2.0	0.8
Average wage bill, per person (QNA)	5.3	5.3	5.3	4.6	4.6	4.6	...	...	...	4.6	2.4
Foreign trade											
Exports of goods (volume)	7.3	0.8	5.1	2.6	-1.6	9.2	-0.7	...	...	2.0	-1.3
Imports of goods (volume)	25.8	14.3	5.8	32.7	10.5	5.7	13.6	...	...	9.6	1.8
Employment, unemployment											
Domestic number of employees	1.3	1.3	1.4	1.5	1.5	1.4	1.5	1.5	1.7	1.6	0.7
National employment	1.2	1.3	1.5	1.5	1.4	1.4	1.2	1.2	1.3	1.2	0.8
Unemployment rate (% of labour force, seas. adj.)	5.9	5.9	6.1	6.0	6.2	6.2	6.3	6.3	6.3	6.3	5.9

Source: STATEC. QNA – Quarterly National Accounts. [1] 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 (03/2026)

1 044.03

Index half-yearly average:
1 035.12

Current account balance (Q4 2025)

EUR **-47** million

Resident population (01/01/2025)

682 000

STATEC

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