

A POOR START FOR LUXEMBOURG'S INDUSTRY IN 2026

Luxembourg's industrial output fell sharply in the first half of 2026, widening the negative gap already observed in previous years compared to the European trend. However, the decline in the workforce in Luxembourg – which has been concentrated mainly in the manufacturing sector in recent years – is slowing.

Over the 1st half of 2026, Luxembourg's industrial production fell by around 5% compared with the previous year. This result is well below the one recorded for the eurozone as a whole (+0.4% over the same period¹). This is certainly linked in part to the decline in the production of capital goods (-12%), which has historically been highly volatile (it had risen by around 5% last year). However, it stems primarily from a sharp slump in the manufacture of metal products (-24%, compared with just -0.4% in the eurozone) and in the steel industry (-13%, compared with a rise of around 1% in the eurozone). Although these two sectors have contributed to the increase in the industrial confidence indicator in recent months² – which had reached a low point in January 2026 and has since been recovering – the improvement is not yet reflected in the production figures.

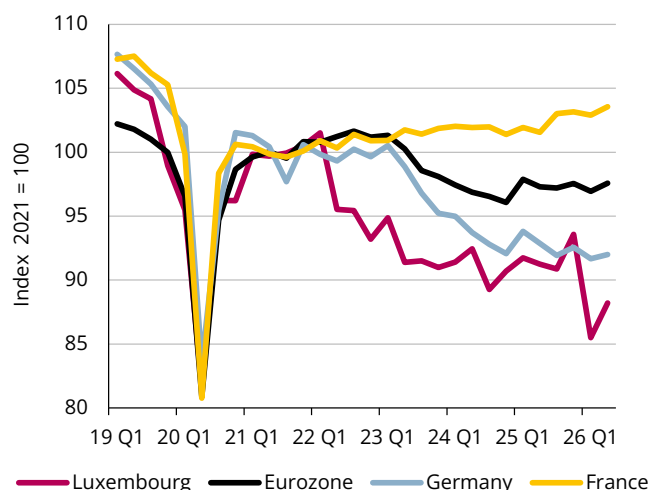
Not all sectors of Luxembourg's manufacturing industry are experiencing such an unfavourable evolution: of the 18 categories composing the data, 11 show an increase in production compared to last year, notably in the manufacture of glass, refractory products and ceramics, transport equipment and the extractive industries (to name but the most positive contributors).

As in Luxembourg, industrial confidence in the eurozone as a whole has also been improving in recent months. In August 2026, it reached its highest level in two and a half years, very close to its long-term average. However, the current tensions in the energy markets, as well as in production chains³, are likely to put a damper on this upturn. Whether in Luxembourg or in the eurozone, manufacturers have in any case revised their sales price expectations upwards (albeit much less markedly than in 2022–2023).

A workforce decline, to be put into perspective

Industrial production has been more severely affected in Luxembourg than in the eurozone in recent years. This holds as well for employment in the industrial sector. Between the start of 2023 and the 2nd quarter of 2026, the workforce in Luxembourg's industrial sector fell by 1.5%, compared with a 0.4% decline in the

INDUSTRIAL PRODUCTION



Sources: Eurostat, STATEC (data for the eurozone excluding Ireland)

eurozone. The situation is even more severe in the manufacturing sector⁴, where employment fell by 3.3% over the same period in Luxembourg (representing a loss of almost 1,100 jobs), compared with a 1.3% decrease in the eurozone.

This reduction in the manufacturing workforce in Luxembourg should, however, be put into perspective. Germany, for example, was much more severely affected (even though production there fell less than in the Grand Duchy), with an employment decline of over 4% since the start of 2023. Furthermore, job losses were mainly concentrated in 2024 in Luxembourg (-0.9%, compared with +0.3% in the eurozone), but employment figures subsequently stabilised to some extent (-0.3% in 2025, +0.2% in the 1st half of 2026, compared with -0.4% and -0.3% respectively in the eurozone).

¹ The production figures of the eurozone presented here exclude data from Ireland, as these are heavily influenced by the relocation of assets or outsourced production by multinationals and are therefore disconnected from local physical production.

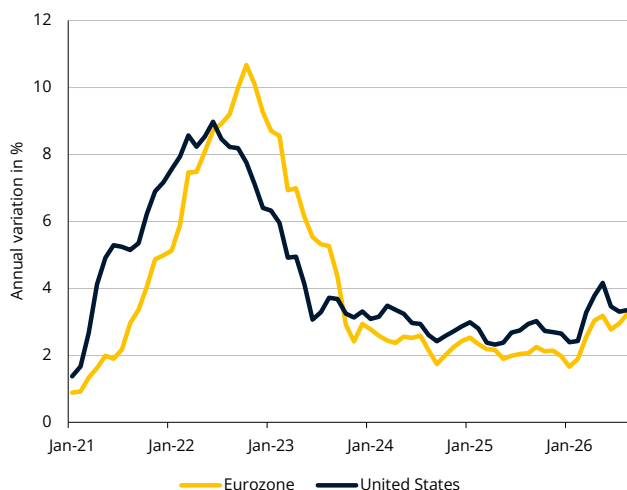
² Particularly through more favourable views on the state of order books and on production expectations.

³ The indicator of pressures on global supply chains has increased significantly since the start of the year, particularly since the blockade of the Strait of Hormuz.

⁴ Given that the sectors of energy and water production and distribution, as well as sanitation and waste management – which are also classified as part of the industrial sector – were net creators of jobs over the same period.

International 1/2

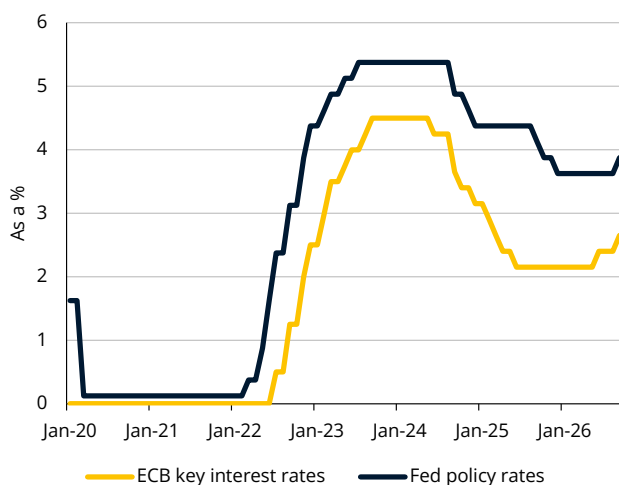
INFLATION IN EUROPE AND THE US



Source: Macrobond

International 2/2

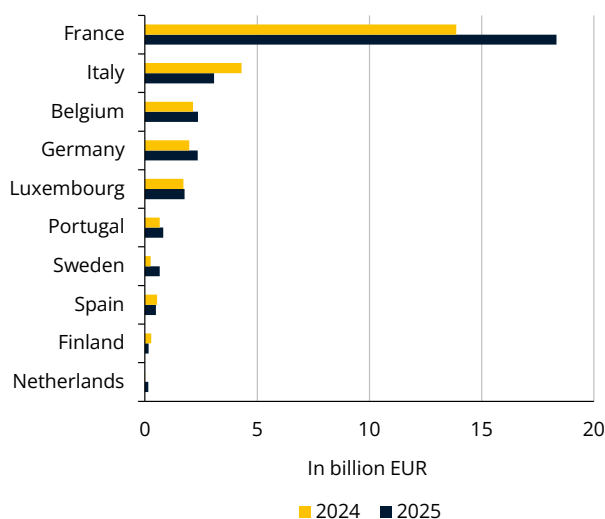
KEY INTEREST RATES IN EUROPE AND THE UNITED STATES



Sources: BIS, ECB and Fed

Financial sector

PREMIUMS BY COUNTRY OF COMMITMENT



Source: CAA

An inflationary surge in the eurozone and the United States...

Whilst, during the 2022–2023 energy crisis, inflation in the eurozone was higher than in the United States, the situation reversed from 2024 onwards. Since then, US inflation has consistently remained above 2%. In August 2026, inflation accelerated once again, reaching 3.2% in the eurozone and 3.4% in the United States, compared with 1.7% and 2.4% in January 2026, driven in particular by the energy shock linked to the war in Iran. The sharp rise in energy prices contributed significantly to the acceleration in inflation, accounting for 1.2 percentage points in the US and 1.3 percentage points in the eurozone.

Inflation in the services sector remains relatively stable, at around 3%. This component contributes more to inflation in the United States (1.7 percentage points) than in the eurozone (1.4 percentage points). In the medium term, disruptions to supply chains, combined with oil prices remaining consistently above USD 100 a barrel, could exacerbate price pressures. In both the eurozone and the United States, the risk of rising food prices is also heightened by poor harvests caused by drought, which could contribute to prolong the acceleration in inflation.

... prompting central banks to raise their key interest rates

The surge in inflation observed since the start of 2026 has prompted the US Federal Reserve (Fed) to break with the status quo by raising its key interest rates by 25 basis points on 16 September 2026. This increase comes against a backdrop of persistent inflationary pressures in the United States, at odds with the price stability sought by the Fed. This rise in the cost of borrowing comes at a time when US bond yields are at their highest levels since 2008, exacerbating pressures on the US debt burden. This monetary tightening also increases the cost of credit for businesses and households.

Whilst the rise in inflation has been almost simultaneous in the US and Europe this year, the European Central Bank (ECB) has reacted more swiftly to the inflationary shock and has already raised its key interest rates twice, by 25 basis points on each occasion. US key interest rates remain significantly higher than those in the eurozone, even though the two economies are experiencing relatively similar levels of inflation.

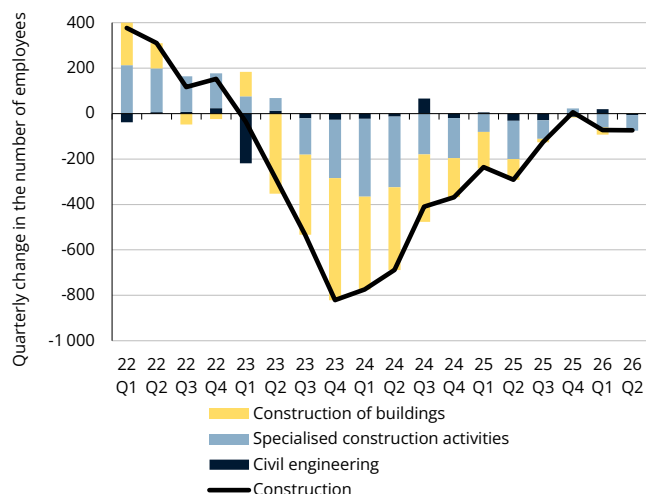
Luxembourg life insurance driven by the French market

France has largely consolidated its position as the leading market for Luxembourg life insurance. Premiums from France rose by 32% in 2025 (following a 56% increase in 2024) and now account for 52% of total premium income for Luxembourg-based companies. Several factors may explain Luxembourg's appeal to French investors: international mobility and policy portability, an open architecture, access to sophisticated investment solutions, and mechanisms to protect policyholders in the event of the insurer's failure. The search for legal and financial security may also play a role, particularly since the adoption of the Sapin 2 Act in France in 2016, which allows, in certain exceptional circumstances, for a temporary restriction on transactions involving French life insurance policies. Italy retains its 2nd place, despite a 28% decline in 2025 (following a 25% increase in 2024). Belgium, meanwhile, continues to grow, with a 10% rise. Luxembourg residents account for 5% of collected amounts, with premiums up 3% year-on-year.

The evolution remains positive in the 1st half of 2026: life insurance premiums collected in Luxembourg rose by 11% year-on-year, driven by both unit-linked products (+9%) and guaranteed-return products (+17%).

Labour market

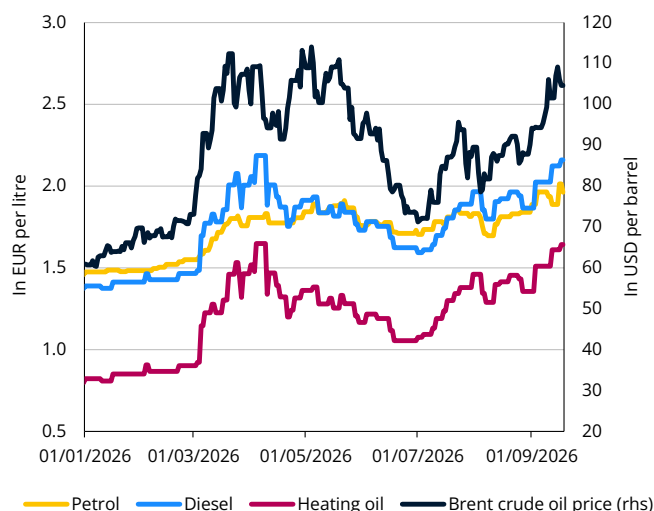
SALARIED EMPLOYMENT IN CONSTRUCTION



Sources: IGSS, STATEC (seasonally adjusted data)

Inflation

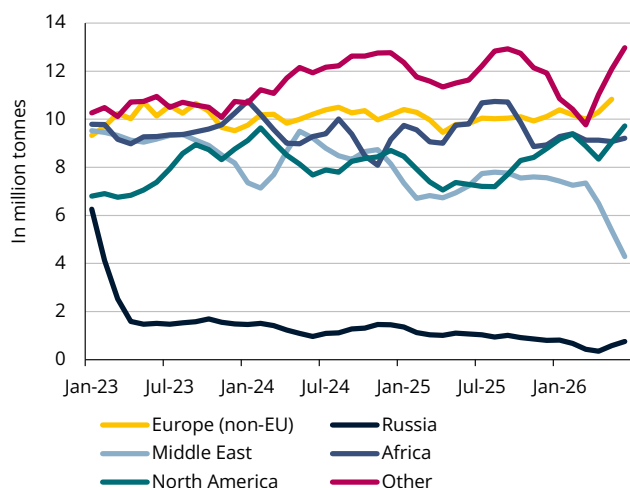
PRICES OF PETROLEUM PRODUCTS IN LUXEMBOURG



Sources: Macrobond, Groupement Energies Mobilité Luxembourg

Energy

IMPORTS OF OIL AND PETROLEUM PRODUCTS INTO THE EU



Source: Eurostat (3-month moving averages)

The decline in the construction workforce is slowing

As a result of the crisis in construction, the sector had some 4,700 fewer employees in the spring of this year than at the end of 2022 (-9%). However, the number of employees tends to stabilise over recent quarters (still -0.1% in Q2 compared with the previous quarter). The slight decline observed recently is mainly attributable to the specialised construction activities sub-sector.

Within this sub-sector, installation work has weathered the crisis relatively well, probably benefiting from demand linked to the energy transition (replacement of heating systems, installation of solar panels and electric vehicle charging points). Carried by three consecutive quarters of growth, following two years of decline, the employment there is now approaching its pre-crisis level. However, the differences remain more pronounced (around 12 percent compared to the 4th quarter of 2022) for finishing works and for demolition and site preparation. Whilst an encouraging rise was observed in the latter category in the 2nd quarter (+1.4% quarter-on-quarter), the downward trend continues for finishing works: compared with the end of 2022, the workforce has fallen by 300 to 400 employees in each of the main sub-categories, namely floor and wall covering (-16%), painting and glazing (-15 %) and joinery installation (-8%).

Prices at the pump are rising again

Since 31 August, the price of Brent crude has risen from around USD 90 per barrel to over USD 100 by mid-September. This rise is due to renewed tensions in the Middle East, the ongoing closure of the Strait of Hormuz and attacks on alternative export routes – all of which have reignited fears of a prolonged disruption to global oil supplies.

This rise quickly fed through to oil prices in Luxembourg: within two weeks, the price of diesel jumped by 30 cents per litre (+16%), petrol by 17 cents (+9%) and heating oil by 29 cents (+21%). It is also expected to exert further upward pressure on inflation, as petroleum products account for 5.2% of the household consumption basket.

Furthermore, assuming that Brent crude remains at USD 100 per barrel until the end of 2026, its average price for the year as a whole would stand at just over USD 90 per barrel. This level would be slightly higher than in the central scenario of STATEC's latest inflation forecast (published on 5 August), which assumed an average price of USD 83 for 2026. It would, however, remain below the high scenario of that same forecast, which assumed an average price of USD 114 in 2026 (and which, as a result, forecasts a further wage indexation already in the 4th quarter of this year).

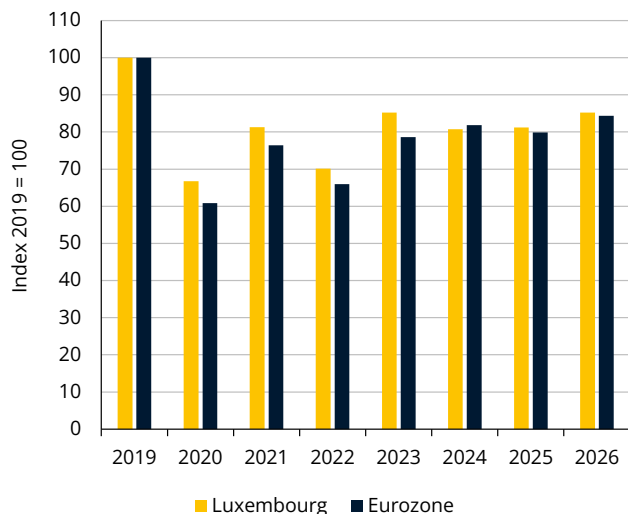
Oil imports from the Middle East are down in Europe

The war in Iran has severely disrupted global energy markets and driven prices at the pump to record levels (see above). The International Energy Agency now anticipates that disruptions linked to the Strait of Hormuz will continue at least until next year. It also estimates that, as a result of the conflict, global demand for oil will fall by more than 2% in 2026 compared to 2025.

In Europe, however, oil imports during the first six months of the year remained at a level similar to the one in 2025. The share of imports from the Middle East has fallen below 10%, down from around 15 to 20% previously, and it is likely to fall further. Indeed, the pipeline in Saudi Arabia that bypasses the Strait of Hormuz is currently out of service following attacks. Consequently, Saudi Aramco, the Saudi state-owned oil producer, is reported to have already warned certain European refineries that it will not be able to deliver the volumes of oil originally planned from the end of September onwards. European oil markets are therefore likely to remain under pressure over the coming months, leading to a risk of a sustained increase in prices.

Consumption

NEW PASSENGER CAR REGISTRATIONS IN THE 1ST HALF OF THE YEAR



Sources: ACEA, SNCA

A strong 2nd quarter for car dealers

Sales of new passenger cars in Luxembourg got off to a relatively slow start this year, falling by 1% year-on-year in the 1st quarter. In the following months, however, registrations recovered strongly, with an 11% year-on-year increase in the 2nd quarter. Overall, the first half of 2026 saw a 5.0% year-on-year rise in registrations (a result very close to that observed in the eurozone, at +5.3%), with the highest number of vehicles since 2019.

This upturn in car sales is a relatively widespread phenomenon across the various countries of the eurozone, with the notable exceptions of Slovakia (down 3.6% year-on-year in the 1st half of the year) and the Netherlands (down 3.0%), where tax incentives for car purchases have been significantly tightened, whilst they have tended to be relaxed elsewhere (particularly in favour of less polluting vehicles). The electrification of the vehicle fleet is continuing, with all-electric new cars accounting for a 20.7% market share in Europe (compared with 15.6% a year earlier, according to ACEA data) and hybrid models accounting for around 37%.

Dashboard

	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-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	-3.3	-5.8	-10.3	-4.5	-4.5	2.9	-8.5	...	...	-3.4	-1.2
Construction output per working day, in volume	-0.1	4.8	1.7	3.7	2.0	9.9	-1.1	...	...	3.3	-1.5
Turnover by volume of total retail trade	2.9	3.9	3.1	4.6	4.1	2.5	4.0	0.8	...	2.4	4.5
Prices, wages											
Consumer price index (NCPI)	3.1	1.3	1.3	2.4	3.1	2.3	2.2	2.2	2.2	2.2	2.3
Inflation excluding oil products	2.9	1.9	1.7	1.8	1.7	1.0	1.4	1.6	1.4	1.5	2.4
Oil product index	5.7	-9.2	-7.3	11.5	27.6	25.7	16.0	13.0	15.7	14.9	0.4
Industrial producer price index	-3.7	-7.7	-8.4	-7.8	-5.9	-5.0	-3.2	-2.1	...	-3.4	2.7
Construction price index ¹	2.0	2.4	2.4	2.4	2.7	2.7	2.7	...	...	2.7	1.5
Average wage bill, per person (QNA)	4.2	3.4	3.4	3.4	...	...	...	...	...	3.4	3.4
Foreign trade											
Exports of goods (volume)	11.2	-1.1	0.4	8.0	4.0	0.7	6.8	...	...	3.8	-3.1
Imports of goods (volume)	4.6	10.5	16.3	-3.3	2.1	-6.3	-0.6	...	...	-1.6	-0.9
Employment, unemployment											
Domestic number of employees	1.2	1.5	1.4	1.4	1.5	1.6	1.5	1.4	1.4	1.5	1.0
National employment	1.1	1.3	1.1	1.0	1.2	1.2	1.3	1.2	1.2	1.2	0.9
Unemployment rate (% of labour force, seas. adj.)	6.2	6.2	6.3	6.3	6.3	6.3	6.4	6.3	6.5	6.4	5.9

Source: STATEC. QNA – Quarterly National Accounts. ¹ Estimates based on half-yearly data

Indicators

	% change on previous quarter					
	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1	2026 Q2
Eurozone - Real GDP growth (European Commission)	0.6	0.0	0.3	0.2	0.0	0.4
Luxembourg - Real GDP growth (STATEC)	0.4	0.5	1.2	0.0	0.0	-
	Annual variation in %					
	2022	2023	2024	2025	Forecast 2026	Forecast 2027
Luxembourg - Real GDP growth (STATEC)	-1.1	0.1	0.4	0.6	1.2	1.9

GDP at current prices
(2025)



EUR 89 522 million

Monthly minimum wage
(01/06/2026)



EUR 2 771.33

Next scheduled wage
indexation:
Q3 2027

Consumer price index
(08/2026)



1 063.18

Index half-yearly average:
1 054.27

Current account
balance
(Q1 2026)



EUR 1 345 million

Resident population
(01/01/2026)



691 000

STATEC

For further information

Press Office | ☎ +352 247-88455 | ✉ press@statec.etat.lu
statistiques.lu

Reproduction of this newsletter, in whole or in part, is permitted provided the source is acknowledged.

Stay in touch! Sign up for our newsletter

