

## Press Release – 13 May 2026

The National Council of Public Finances (“CNFP”) has published its assessment of the Annual Progress Report (“APR”) on the Medium-Term Fiscal-Structural Plan (“MTFSP”) for the period 2025–2029. Under the law, CNFP is responsible for assessing the APRs, including compliance of the net primary expenditure trajectory with budgetary outcomes.

The APR of April 2026 points to a substantial deterioration in Luxembourg’s economic and fiscal situation in 2025 compared with the forecasts contained in the MTFSP of October 2024. Economic growth is expected to reach only 0.6% in 2025, significantly below the 2.7% projected in the October 2024 MTFSP. On the fiscal side, the general government deficit is now expected to amount to 2.0% of GDP in 2025, compared with 0.6% of GDP forecast in the MTFSP.

For 2026, the macroeconomic growth forecast of 1.7% is lower than the 2.0% projected in the October 2024 MTFSP. However, the fiscal forecast remains unchanged from that set out in the 2025–2029 Multiannual Financial Programming Law (draft law submitted in October 2025), namely a general government deficit of EUR 400 million, or 0.4% of GDP. The CNFP regrets that this forecast does not consider either the significant downward revision of EUR 1 billion in the general government nominal balance for 2025 or the strong growth in central government expenditure observed in the first quarter of 2026 (+8.6% compared with the first quarter of 2025). By contrast, the latest estimate of the nominal public balance, published by STATEC on 7 April as part of the Excessive Deficit Procedure (EDP) notification and incorporating these developments, points to a deficit of EUR 1,143 million in 2026, or 1.2% of GDP. In this context, the CNFP considers that the information provided in the April 2026 APR for 2026 remains largely insufficient to enable a reliable assessment of the fiscal situation for that year.

According to the April 2026 APR, net primary expenditure (“NPE”) growth reaches 8.1% in 2025, exceeding by 2.3 percentage points the 5.8% ceiling set by the Council of the European Union and included in the October 2024 MTFSP. The CNFP therefore finds that NPE growth is not compliant with the NPE trajectory for 2025, as the annual deviation (1.03% of GDP) significantly exceeds the reference threshold of 0.3% of GDP. This non-compliance does not, however, trigger corrective measures if Luxembourg continues to meet the Maastricht criteria, namely a public deficit below 3% of GDP and public debt below 60% of GDP, which is currently the case. Nevertheless, it could lead the European Commission to issue recommendations under the preventive arm of the European fiscal governance framework. The finding that Luxembourg is not compliant with the applicable European fiscal rule for 2025 is also consistent with the conclusion reached by the CNFP in April in its assessment of compliance with the national fiscal rule.

The CNFP notes that average NPE growth over the period 2025–2028, set at 4.9%, is significantly below the historical average growth rate of 6.6% observed between 1996 and 2023. Compliance with this trajectory will therefore require substantial expenditure restraint efforts. Given the overshooting of the ceiling in 2025, as noted above, and the high probability that NPE growth in 2026 is underestimated (projected at 1.9% in the April 2026 APR, compared with the 4.7% ceiling set in the October 2024 MTFSP), these efforts will need to be further strengthened to ensure compliance with the trajectory. The CNFP therefore reiterates its call for a full update of the fiscal forecasts to ensure the transparency, consistency and robustness of the budgetary figures. The use of the most recent estimates available is essential for monitoring developments in Luxembourg’s public finances and safeguarding their long-term sustainability.