Assessment of the national medium-term budgetary fiscal-structural plan of October 2024 and the annual progress report of April 2025

The new economic and fiscal governance framework for the European Union (EU), adopted a year ago, aims to reduce Member States' deficits and debt ratios. National medium-term budgetary fiscal-structural plans (MTP), which are at the heart of the new governance framework, must present a medium-term commitment in the form of a net primary expenditure (NPE) path. This new single operational indicator for budgetary surveillance at EU level replaces the medium-term budgetary objective (MTO).

In autumn 2024, Luxembourg submitted its first MTP to the European Commission (EC). The NPE path presented in the MTP, which is calculated based on structural indicators (potential growth, GDP deflator and change in the primary structural balance), reflects an average increase of 4.9% over the budgetary adjustment period (2025-2028). The National Council of Public Finance (CNFP) notes that such an increase in the NPE is 1.7 percentage points below the historical average (1996-2023) and would therefore require efforts to slow expenditure growth.

The path of the NPE meets the requirements regarding public debt (below 60% of GDP) and public deficit (below 3% of GDP). Based on assumptions developed in the EC's Debt Sustainability Analysis (DSA) and considering increased age-related spending, the deficit is expected to increase – on a no-policy-change basis – to 2.1% of GDP by 2038. However, the public deficit would not exceed the reference value set in the Maastricht Treaty of 3% of GDP.

At the beginning of 2025, the Council of the EU recommended that Luxembourg adhere to the MTP ceilings for NPE growth: 8.0% in 2024; 5.8% in 2025; 4.7% in 2026; 3.8% in 2027 and 5.4% in 2028.

The CNFP notes that, according to the figures presented in the first annual progress report (APR) on the MTP published by the Government at the end of April 2025, the ceiling on NPE will be respected in 2024 but exceeded in 2025. According to the APR, the growth rate in NPE is 6.7% in 2024 and is expected to reach 7.1% in 2025, 1.3 percentage points above the ceiling of 5.8%. It should be noted that, for 2025, the Government is forecasting the same level of public spending as in the 2025 budget (released in autumn 2024) despite the downward revision in public spending for 2024, which amplifies the rate of increase in NPE for 2025. For reasons of reliability, the CNFP calls for a complete update of the NPE data and forecasts in the next APRs.

In its analysis of the MTP and the APR, the CNFP also compares the NPE paths, public deficits and public debts of 22 EU Member States (MS). The average increase in Luxembourg's NPE path (4.9%) is higher than the average increase in the NPE path of the MS with a debt below 60% of GDP (4.3%) and that of MS with a debt higher than 60% of GDP (3.3%). At the end of the adjustment period (2028), all the MS would comply with the rule of a public deficit of less than 3% of GDP. This was not the case in 2023 for 9 MS. Regarding public debt, 5 of the 22 MS considered would still not comply with the Maastricht rule of a public debt below 60% of GDP in the medium term, compared to 10 MS in 2023.