CdRS
Comité du Risque Systémique

SECRÉTARIAT

Report on CdRS meetings – First Half of 2025

During the first semester of 2025, the CdRS continued its analysis of selected risks and vulnerabilities with potential implications for the financial sector.

The CdRS observed a continued moderation in global economic growth. Persistent geopolitical tensions and economic uncertainties, including shifts in trade policy and market volatility continue to affect the outlook. According to the IMF, global GDP growth is expected to decline from 3.3% in 2024 to 3.0% in 2025, reflecting these vulnerabilities. For the euro area, both the IMF and the Eurosystem forecast stable yet subdued GDP-growth, estimated at around 1%. In Luxembourg, economic activity is expected to improve slightly in 2025, with stronger momentum projected for 2026. The IMF anticipates GDP growth rising from 1% in 2024 to 1.6% in 2025 and 2.2% in 2026, while STATEC forecasts GDP-growth of 0.4% in 2024, with a gradual acceleration to 1% in 2025 and 2% in 2026.

In parallel with these macroeconomic trends, the domestic residential real estate market has shown early signs of recovery, marking a notable shift after a prolonged period of adjustment. At the end of 2024, house prices increased for the first time since late 2022, rising by 1.4%. Real estate transactions also experienced a marked rebound during 2024, reflecting a clear shift in market dynamics compared to the previous year. Mortgage issuance and the outstanding stock of housing loans also returned to positive territory, reflecting renewed activity in the market supported by accommodative policy measures. Although the pace of recovery slowed somewhat in early 2025, the upward trend continued to take hold.

In terms of macroprudential policy, the CdRS decided on May 7, 2024, to temporarily allow loans covering up to 95% of a property's value for rental investments—an increase from the usual 80%. This exceptional measure was capped at 10% of loans issued within the "buy-to-let" segment and expired on June 30, 2025. In this context, the CdRS continues to closely monitor developments in the real estate market, with particular attention to credit issuance volumes and evolving lending conditions for new borrowers. Special focus is placed on assessing the indebtedness levels of new entrants, with the aim of mitigating potential risks to financial stability.

The CdRS also examined, as part of its broader discussions, the impact of the real estate slowdown on the non-financial corporate sector, particularly in construction and real estate development. While mortgage default rates among banks remained broadly stable, companies operating in these two sectors continued facing challenges, as evidenced by a rise in non-performing loans since the end of 2022. STATEC also reported a notable increase in bankruptcies in both sub-sectors during 2023 and 2024[1]. These vulnerabilities were reviewed during CdRS sessions and will continue to be monitored.

[1] https://statistiques.public.lu/fr/actualites/2025/stn04-25-faillites.html

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Taking all of these factors into account, the CdRS considered that the current uncertain economic and geopolitical environment justifies maintaining the countercyclical capital buffer at 0.5%[2].

Beyond financial vulnerabilities, the CdRS notably turned its attention to operational resilience, a theme of growing relevance in recent years. As the financial sector becomes increasingly reliant on digital infrastructure, global challenges such as pandemics, geopolitical tensions have underscored the need for robust sector-wide resilience. The CdRS discussed key European-level initiatives, including legislative instruments and coordination frameworks, aimed at safeguarding entities of strategic importance, enhancing the cyber resilience of financial institutions, and reinforcing ICT defences across the sector.

The CdRS will maintain its monitoring, with the overarching objective of preserving financial stability.

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[2] See www.cdrs.lu