

Report on CdRS activities

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Second Half of 2025

During the second semester of 2025, the CdRS continued its analysis of selected risks and vulnerabilities to financial stability in an environment characterized by heightened uncertainty.

With regard to macroeconomic developments, the CdRS observed a continued moderation in global economic growth. Persistent geopolitical tensions and economic uncertainties, including shifts in trade policy, continue to affect the economic outlook. According to the IMF, global GDP growth is expected to slightly decrease to around 3,1% in 2026, reflecting the continuation of underlying global challenges. For the euro area, both the IMF and the Eurosystem forecast subdued GDP growth, estimated at around 1%. Based on STATEC forecasts, economic activity in Luxembourg is expected to improve in 2026 to around 1,7% compared to 0,6% in 2025¹.

The domestic residential real estate market has been a point of attention for the CdRS. Fiscal support measures that were introduced in 2024 and extended into the first half of 2025 have led to a pick-up in market activity. Price growth turned positive in Q4 2024, peaked at 4,5% in Q2 2025, and subsequently eased to 1,2% in Q3 2025. Mortgage loan production slowed during the second half of 2025 as compared to the first half of the year. With regard to developments in credit quality, the CdRS took notably stock of the situation regarding non-performing mortgage loans, with related NPL ratios remaining just below 2%. While the sector of real estate activities exhibits higher but stable levels of non-performing loans, at around 5,6%, the construction sector's non-performing loan ratio stood at 10,4% at the end of 2025. The CdRS will continue to monitor developments in that regard.

In terms of macroprudential policy, the CdRS maintained the countercyclical capital buffer at 0.5%. While the credit-to-GDP gap remains negative, the CdRS considered that continuing economic and geopolitical uncertainty supported its decision to maintain the current policy stance.

In October 2025, the CdRS proceeded with the annual designation of “Other Systemically Important Institutions” (O-SIIs) in Luxembourg. The 6 institutions² designated by the CdRS are required to maintain an O-SII capital buffer ranging from 0.5% to 1% of their total risk weighted exposure.

The CdRS also discussed operational resilience within the financial sector, highlighting its increasing importance amid geopolitical tensions and increased ICT reliance. The CdRS facilitates information-sharing

¹ <https://www.imf.org/en/publications/weo/issues/2026/04/14/world-economic-outlook-april-2026>
https://www.ecb.europa.eu/press/projections/html/ecb.projections202603_ecbstaff~ebe291cd3d.en.html
<https://statistiques.public.lu/fr/actualites/2026/conjflash-04-26.html>

² [Avis du comité du risque systémique du 13 octobre 2025 relatif à la désignation annuelle et au réexamen du calibrage du coussin pour les autres établissements d'importance systémique](#)

among national institutions on this topic and, among others, connects to initiatives by the pan-European coordination framework EU-SCICF.

CdRS members also convened at the end of 2025 following an operational incident affecting a major provider of authentication services, essential for the execution of certain payments, to assess the potential incident-related implications for financial stability.

Finally, the CdRS also exchanged views on the financial stability implications arising from the presence of institutions holding significant volumes of deposits.