MOODY'S
RATINGS

Announcement of Periodic Review: Moody's Ratings announces completion of a periodic review of ratings of Luxembourg, Government of

07 Aug 2026

Paris, August 07, 2026 -- Moody's Ratings (Moody's) has completed a periodic review of the ratings of Luxembourg and other ratings that are associated with this issuer.

The review was conducted through a rating committee held on 30 July 2026 in which we reassessed the appropriateness of the ratings in the context of the relevant principal methodology(ies), and recent developments.

This publication does not announce a credit rating action and is not an indication of whether or not a credit rating action is likely in the near future. Please see the Issuer page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

Key Rating considerations and rationale are summarized below.

Luxembourg's ratings, including its Aaa long-term issuer ratings, reflect its exceptionally high wealth levels, a dynamic and flexible economy and the sovereign's very strong balance sheet. Together with strong institutions, this counterbalances credit challenges such as Luxembourg's high economic reliance on the financial sector, the long-term economic and fiscal impacts of ageing and Luxembourg's moderate exposure to geopolitical risks.

We have revised down our real GDP growth forecast for 2026 to 1.2% from 1.7% prior to the outbreak of the conflict in the Middle East. The disruption to energy markets is weighing on global growth, with negative ramifications for a small, open economy like Luxembourg. Meanwhile, higher energy prices will directly raise headline inflation and generate second-round effects through Luxembourg's automatic wage-indexation mechanism, increasing labour costs and adding to pressure on price competitiveness. While we still expect private and government consumption to remain supportive of growth, private sector investment remains weighed down by the slow recovery of the country's construction and real estate sector which have been hit hard by the rise in interest rates since 2022.

We project that Luxembourg's government debt burden will increase in coming years, to around 28% of GDP in 2026 from 26.5% in 2025, and exceed 30% in 2028. This is driven by our expectation that the general government deficit will remain at around 2% of GDP in 2026 and 2027 before increasing somewhat towards 2.5% by the end of the decade. The higher deficit is most notably driven by a jump in defence spending while a major reform of the income tax system will add to the deficit from 2029 onwards, unless offset by other fiscal measures. Nevertheless, Luxembourg's debt burden remains well below the Aaa-rated median of close to 45% of GDP, while its debt affordability metrics are also considerably stronger than the peer group median.

Luxembourg's "a1" economic strength reflects the country's exceptionally high wealth levels and dynamic economy. We score Luxembourg's institutions and governance strength at "aaa" reflecting the robustness of the regulatory and fiscal frameworks. The fiscal strength score of "aa1" is based on the government's very sound finances and strong balance sheet. Luxembourg's susceptibility to event risk at "baa" is driven by geopolitical risks related to the Russia-Ukraine conflict.

Luxembourg's credit rating is higher than it would have been in the absence of ESG considerations (CIS-1). This predominantly reflects the credit support derived from its very strong governance and forward-looking policymaking. It also reflects low exposure to environmental risks and limited social risks.

The stable outlook reflects our view that Luxembourg's credit profile will remain resilient to the economic growth challenges that many European countries face. High levels of immigration help counter the effects of population ageing on the labour force, while Luxembourg's focus on high-value added services limits its exposure to the challenges facing the manufacturing industry in many European countries, including its largest export partner Germany (Aaa stable).

Given the economy's small size and high reliance on financial services, the strength of the government's balance sheet is of particular importance to the sovereign credit profile. We expect the strength of Luxembourg's institutions, in particular in terms of fiscal policy effectiveness and financial sector supervision, to ensure that risks to the public finances or financial stability will continue to be effectively managed.

Luxembourg's Aaa rating is at the top of our rating scale. Therefore, an upgrade to a higher rating is not possible.

Downward pressure on the stable outlook, and ultimately Luxembourg's Aaa rating, would arise if we were to anticipate a large, permanent increase in the government's debt burden and associated significant deterioration in debt-affordability metrics. Luxembourg's debt levels are low relative to peers but the country's small size somewhat limits its ability to take on significant quantities of debt compared to larger, more diversified economies. A structural weakening of the performance of Luxembourg's financial services sector or a surge in financial sector risks, which would have material negative implications for the economy's potential growth rate and the government balance sheet, could also put negative pressure on the ratings.

This document summarizes our view as of the publication date and will not be updated until the next periodic review announcement, which will incorporate material changes in credit circumstances (if any) during the intervening period.

The principal methodology used for this review was Sovereigns published in May 2026. Please see the Rating Methodologies page on https://ratings.moodys.com for a copy of this methodology.

Luxemburg's "a1" economic strength is above the initial score of "baa1" to reflect Luxembourg's exceptionally high level of income per-capita, which we believe offsets the constraints related to the country's small size. This leads to a final scorecard-indicated outcome of Aaa-Aa2, compared to an initial scorecard-indicated outcome of Aa1-Aa3. The assigned rating is within the final scorecard-indicated outcome.

This announcement applies only to EU rated, UK rated, EU endorsed and UK endorsed ratings. Non-EU rated, non-UK rated, non-EU endorsed and non-UK endorsed ratings may be referenced herein to the extent necessary, if they are part of the same organization list.

This publication does not announce a credit rating action. For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com for the most updated credit rating action information and rating history.

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