HANDS OFF THE INDEX

Inflation in Luxembourg: new Statec forecasts support OGBL's position

The Statec has just revised upwards its forecasts for inflation in Luxembourg. The administration, which reports directly to the Ministry of Economy, is now forecasting inflation of 5.8% for 2022 and 2.8% for 2023 (instead of the 4.4% for 2022 and 1.3% for 2023 announced in February). These figures confirm a trend that was already foreseeable for more than a month and confirms even more strongly that the position of the OGBL and its decision at the last tripartite was the correct one.

The OGBL wishes to recall that the so-called „tripartite agreement", which it refused to sign, provides for a massive manipulation of the index until 2024. In addition to the postponement of the next index tranche (in August? July? June?) to April 2023, this agreement also includes a delay of at least one year for any additional triggerings of the index that may occur in 2022 and 2023.

In view of the new inflation forecasts, and contrary to what the government has so far assured, including during the tripartite negotiations, based on the Statec analyses, there is now an increasing probability that additional index tranches will be due in 2022 and 2023. The probability is therefore getting bigger and bigger that one or even more tranches will be lost permanently. Indeed, given that the manipulation of the index is due to end on April 1, 2024, it is hardly conceivable that companies will then pay all the deferred tranches at the same time (= general salary increase of around 5-7.5% or even 10% on April 1: could this be an April fool's joke?)

Furthermore, concerning more specifically the inflation recorded in April 2022, it is surprising to note that the Statec, in its latest publication, takes up the myth of the self-ignition of prices due to the index, whereas in other studies, in the past, the same Statec has shown that the index's effect remained very limited (around 0.2%). Moreover, if the index really boosted inflation as this myth claims, the evolution of inflation in Luxembourg should be significantly higher than in other European countries. This is not the case at all: neither in the medium and long term, nor for the month of April (Germany, for example, which does not have an indexation system, had exactly the same inflation rate in April as Luxembourg: 0.8%).

In this context, a paradox also appears. Statec is now announcing that inflation in 2022 and 2023 will be higher than its initial projections made in February. However, according to the myth of the self-ignition of prices due to the index, should the delay of one or more index tranches not slow down inflation?

Finally, the OGBL notes that one of the largest price increases in April was for nursing homes (+2%). The OGBL would like to point out that during the recent tripartite meeting, it explicitly requested that prices for nursing homes be capped. Unfortunately, the government categorically refused any action on this point.

For the OGBL, the planned manipulation of the index is a frontal attack on employees' rights and the OGBL will continue to fight until the government finally restores the mechanism for adjusting wages and pensions to inflation, the index.