



Top 4 trends in Commercial and Private Sector (CPS) in 2026



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Luxembourg's Commercial and Private Sector (CPS) represents one of Europe's most dynamic and resilient business environments. Built on a foundation of political stability, an AAA-rated economy, and strong international connectivity, the sector supports a wide spectrum of industries ranging from traditional manufacturing to cutting-edge digital and green technologies.

While Luxembourg is globally known for its financial services industry, the government and private sector continue to diversify the economy, supporting growth in sectors such as: digital technology, advanced industry, logistics and smart mobility, health, space and clean technologies.

Additionally, the country's openness to international trade makes it particularly attractive for global companies seeking a European hub, which is flanked by a multilingual, skilled workforce that is critical for cross-border operations.

A couple of factors such as geopolitical instability, disrupted trade routes and inflationary pressures contributed to a moderate slowdown in deal flow and longer transaction timelines in 2024-2025 (as investors showed increased caution).

Also, Luxembourg's strong push toward climate neutrality by 2050 and leadership in sustainable finance requires companies to integrate ESG frameworks and comply with sustainability reporting needs that require capabilities and resources.

Luxembourg's dependency on international markets exposes the country to external shocks, pricing fluctuations and global disruptions.

Yves Even
Audit Partner,
Commercial and Private Sector
Leader at EY Luxembourg



1. Generative AI, Automation and Immersive Technologies

The European way

Europe is experiencing rapid acceleration in Generative AI adoption, with the market expected to surge from USD 16.56 billion in 2025 to USD 202.77 billion by 2032, driven by multilingual foundation models and demand for privacy-compliant automation¹.

The broader European AI market reached USD 66.4 billion in 2024 and is projected to grow at over 33% CAGR².

Generative AI is shifting from experimentation to operational infrastructure, as companies embed it into content creation, software development, simulation, and R&D workflows.

Europe's industrial (manufacturing, automotive, aerospace, energy, and life sciences) and commercial sectors (retail, consumer products) are major drivers of AI automation, especially through the growth of digital twins and simulation-engineered systems that rely on synthetic data and multimodal AI. At the same time, immersive technologies such as Augmented Reality (AR) and Virtual Reality (VR) are increasingly integrated into training, engineering, and remote maintenance, powered by advances in AI-generated simulations and automation ecosystems.

The regulatory landscape is defined by the EU AI Act, the world's first comprehensive AI law, which enforces strict safety, transparency, and human-oversight rules while prohibiting high-risk manipulative uses of AI. This creates a strategic tension: Europe is trying to industrialize next-generation AI while enforcing the strictest global compliance standards, which could slow deployment in comparison to the US and China.

The European Commission's 2025 Generative AI Outlook Report highlights critical gaps in model transparency, data governance, and access to specialized computer infrastructure. Compute capacity remains one of Europe's biggest bottlenecks, with demand for high-performance GPU clusters expected to dominate AI investment in 2025 and beyond.

Despite these challenges, Europe holds strong competitive advantages in ethical AI, secure data governance, and applied industrial innovation, aligned with its regulatory strength and industrial depth.

Enterprises increasingly value Europe's privacy-preserving, transparent, and multilingual AI systems, which support applications in BFSI, healthcare, and public administration. Overall, Europe is positioning itself as a global leader in trustworthy, industry-focused AI, even as it works to close gaps in computing power, commercialization speed, and ecosystem scalability.

Read more here

- [How boards can confidently steer an AI-enabled future | EY - Global](#)
- [How new technologies enable the human-machine economy | EY - Global](#)
- [Why companies must prepare for the EU AI Act | EY - Global](#)

Recommendations

- Investment in large-scale compute infrastructure to close the GPU and supercomputing gap and support the rapid growth of multilingual foundation models and enterprise-grade automation
- Streamlining of AI regulatory frameworks to maintain trust, ensuring the EU AI Act supports innovation rather than slowing industrial adoption
- Acceleration of digital-twin, simulation, and immersive-tech adoption to strengthen Europe's position in high-value industrial automation

How EY can help commercial & industrial groups stay ahead on GenAI, Automation & Immersive Tech

Turn emerging technologies into measurable business value, fast

EY helps identify high impact, industry specific use cases (commercial performance, supply chain, finance, operations, compliance) and rapidly move from experimentation to scaled, ROI driven deployment, leveraging proven GenAI, Intelligent Automation and immersive solutions already used across large European groups.

Industrialize GenAI and Automation safely, at scale and in compliance

EY supports clients in embedding GenAI and automation into core processes through robust data foundations, governance, cybersecurity and regulatory by design frameworks, ensuring compliance with European and Luxembourg requirements while accelerating adoption ahead of competitors by design frameworks, ensuring compliance with European and Luxembourg requirements while accelerating adoption ahead of competitors.

Reinvent how organizations decide, operate and train using immersive technologies

EY deploys immersive technologies (digital twins, AI powered simulations, immersive training platforms) to optimize industrial operations, enhance workforce capability and accelerate decision making, reducing time to market and execution risk in complex environments powered simulations, immersive training platforms) to optimize industrial operations, enhance workforce capability and accelerate decision making, reducing time to market and execution risk in complex environments.

Combine local market insight with global AI and technology platforms

Through its global alliances and EY.ai platforms, EY brings cutting edge GenAI, automation and immersive capabilities, adapted to local market realities in Europe and Luxembourg, allowing midsize and large groups to access worldclass innovation without building everything in house GenAI, automation and immersive capabilities, adapted to local market realities in Europe and Luxembourg, allowing midsize and large groups to access worldclass innovation without building everything inhouse.

¹ Europe Generative AI Market

² Europe Artificial Intelligence Market (2025 - 2030)

2. Luxembourg market, its ecosystem and consumer trends

EY's study for the Luxembourg Confederation

Consumption patterns in Luxembourg are shaped by a diverse population of residents, cross-border workers, and tourists, each contributing differently to the economy. Luxembourg households spend heavily locally (especially on food) while cross-border workers and tourists drive additional demand in sectors like retail, hospitality, and fuel. Significant regional disparities exist: the capital and the south have the most retail activity, whereas rural regions show lower density but stronger interest in local and artisanal products.

Online shopping is rising, yet Luxembourg retailers lag behind international platforms, leading to substantial leakage of spending abroad.

For food, Luxembourgish consumers increasingly value quality, nutrition, and regional products, though e-commerce food sales remain marginal. In furniture, purchases are mostly local, but younger and foreign residents drive growth in online buying, modular furniture, and vintage items.

In the fashion and retail sectors, consumer expenditure reaches its highest levels among individuals aged 45 to 54. The industry is also witnessing significant movement towards second-hand purchasing, slow fashion, personalization, and inclusive sizing.

Consumer profiles vary widely by age, income, and nationality, influencing preferences such as convenience foods, premium goods, sustainability, or tech-integrated products. Each region shows distinct opportunities, from promoting regional products in the North and East to enhancing digital retail and premium offerings in the Capital and Agglo Lux.

Recommendations

Overall, businesses in Luxembourg must adapt through better e-commerce, stronger local differentiation, and targeted regional strategies to remain competitive in a market shaped by mobility, high purchasing power, and evolving expectations.

How EY helps clients win through deep Luxembourg market, ecosystem & consumer insight

Navigate the Luxembourg market with privileged access to decisionmakers and institutions

EY combines longstanding relationships with key economic players, industry bodies and public authorities (e.g. Ministries, Chambers of Commerce, Luxembourg Confederation, FEDIL) to help clients anticipate regulatory, investment and market shifts ahead of competitors and accelerate local decision making.

Translate Luxembourg specific consumer and workforce trends into growth levers

EY leverages proprietary market studies and local consumer intelligence (cross border dynamics, purchasing power, digital adoption, sustainability and premiumization trends) to help commercial and industrial groups refine go to market strategies, product positioning and location decisions in Luxembourg.

Activate the Luxembourg ecosystem to unlock opportunities faster

Through its strong presence across local corporates, multinationals, investors and service providers, EY helps clients identify partners, acquisition targets, suppliers and talent pools – turning Luxembourg's ecosystem into a competitive advantage, not just a location.

Combine local insight with data driven market intelligence

EY augments its' local knowledge with Luxembourg specific market intelligence tools and dashboards, enabling clients to monitor sector dynamics, concentration risks and emerging opportunities with greater precision than public data alone.

Read more here

- [Évolution des tendances de consommation au Luxembourg | EY Luxembourg](#)



3. Attract and retain talent

EY's latest attractiveness study

Luxembourg remains a stable but cooling Foreign Direct Investment (FDI) destination, despite record-high investment intentions last year. Luxembourg's FDI profile remains heavily concentrated in business services and finance, with finance alone accounting for 36% of projects, a 20% increase while Europe's financial FDI declined³.

This concentration heightens competitive pressure on CPS players, who increasingly compete for the same scarce talent pool as the financial sector.

Investors identify talent shortages, especially in technology, engineering, and energy, as the most significant barrier to Luxembourg's future competitiveness. Workforce productivity is also flagged as a major concern, highlighting the need for deeper upskilling and broader vocational training. Nearly half of investors say Luxembourg must prioritize strategic industries such as cleantech, AI, fintech, and defense to maintain its edge. There is strong demand for greater regulatory flexibility, especially through innovation sandboxes and streamlined approvals for fast-moving tech sectors.

For CPS companies, this translates into an urgent need to access new skills faster, redesign roles, and adopt technology-enabled productivity models to offset structural labor constraints.

While Luxembourg's tax environment is viewed positively, investors call for simpler compliance, clearer communication about incentives, and potentially further reductions in corporate tax rates.

However, tax attractiveness alone is no longer sufficient to secure talent retention in CPS sectors, where career development, mobility and work experience increasingly outweigh pure financial considerations.

Attracting and retaining talent is critical for Luxembourg's CPS clients because the country faces a persistent skills shortage, with 335,000 new hires needed by 2040⁴ to maintain economic performance and competitiveness. Talent shortage is especially acute in mid-level and specialized roles across finance, legal, and governance functions, where demand remains high, and candidates often have multiple offers. High labor costs and ongoing shortages further challenge companies, making it harder for CPS firms to secure and scale the skilled workforce needed to deliver high-value services. In addition, increased international competition and rapidly evolving talent expectations require employers to offer stronger career development, flexibility, and compelling employer branding.

Cross border work, international recruitment and internal mobility are therefore becoming structural components of CPS talent strategies rather than tactical HR responses.

Supporting CPS clients therefore means helping them accelerate hiring processes, broaden profile criteria, strengthen retention through upskilling and mobility, and improve visibility to international talent.

Recommendations

- **Compete on employability, purpose and skills – not on pay:** Position CPS companies as long term career platforms offering futureproof skills (digital, automation, sustainability), meaningful impact and visible progression, rather than trying to outbid public institutions and financial services on compensation
- **Secure talent by developing and mobilizing it internally:** Shift from “perfect profiles” to “high potential talent” by accelerating upskilling, vocational training and internal mobility, making retention a function of learning speed and career pathways rather than external hiring alone
- **Make mobility, flexibility and productivity structural advantages:** Treat cross border work, international recruitment and technology enabled productivity (AI, automation, digital tools) as core operating levers to offset labor scarcity, high costs and scale constraints across SMEs and multinationals

Read more here

- [Luxembourg Attractiveness Survey 2025](#)
- [EY 2025 Mobility Reimagined Survey - Luxembourg Perspective](#)



In Luxembourg, commercial and industrial companies will win the talent battle not by attracting more people, but by developing faster, mobilizing smarter and enabling productivity at scale.

Brice Lecoustey
Consulting Partner, Commercial and Private Sector Team

³ Luxembourg Attractiveness Survey 2025

⁴ Luxembourg Chamber of Commerce Presents 34 Recommendations to Boost Talent Attraction & Retention

4. Optimizing finance to secure investment

Luxembourg offers attractive solutions for investments

Luxembourg offers one of Europe's most competitive environments for corporates seeking to secure investment and scale sustainably. With a mature financial ecosystem, flexible structuring tools, and supportive public financing mechanisms, the country provides a powerful platform for CPS companies pursuing growth.

- **Competitive tax environment:** Luxembourg's combined corporate tax rate (~23.87%) and participation exemption create a favorable after tax position for corporates
- **Flexible structuring vehicles:** SOPARFIs, RAI Fs, and modernized securitization vehicles provide scalable, cross border financing options
- **Public financing tools:** Instruments such as SN CI loans and the Luxembourg Future Fund reinforce investor confidence through non-dilutive support
- **Transition aid:** Up to €200 million available for energy intensive or industrial transformation projects
- **VAT modernization:** Updates in 2025 enhance clarity for digital, cross-border and virtual event activities

Building a Future-Ready Finance Function

To remain competitive, CPS companies must rethink financial operations: embracing digital finance systems, strengthening governance, and securing access to technical specialists capable of navigating complex regulatory and transactional environments.

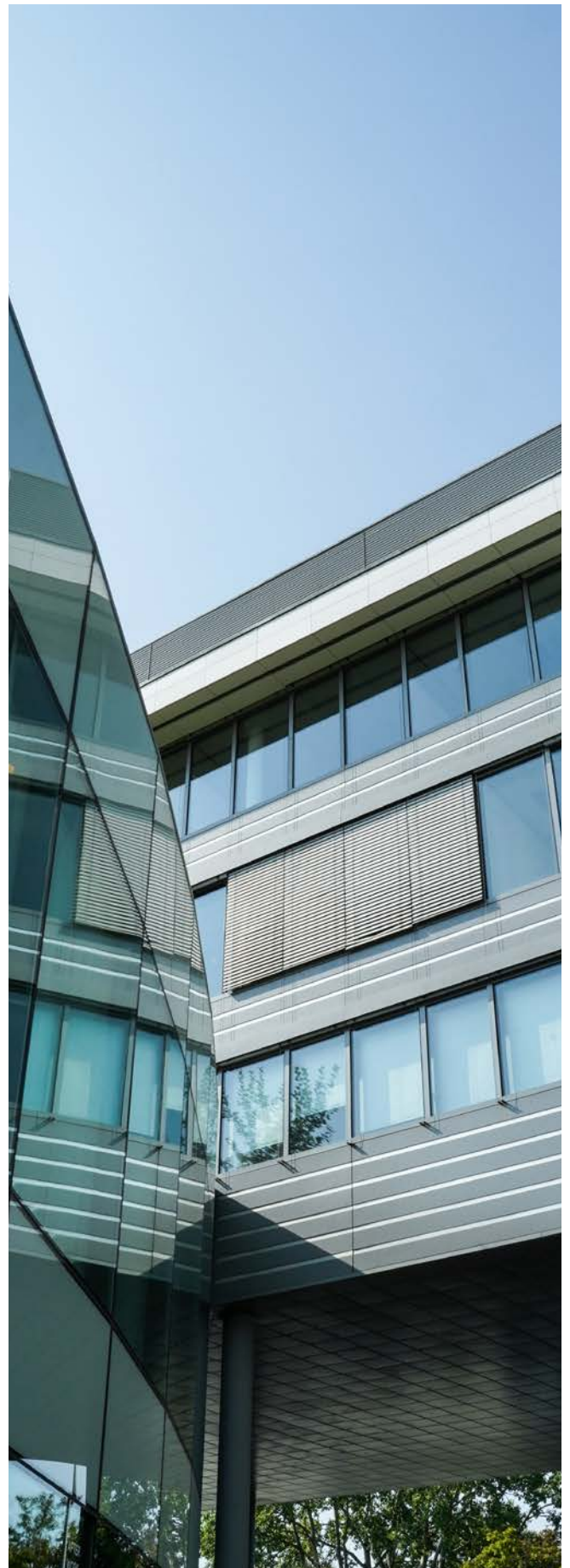
- **Digital finance & automation:** Real-time dashboards, scalable reporting, and integrated data foundations
- **Strong governance frameworks:** Clear procedures aligned with local & international accounting standards
- **Access to specialized expertise:** Advisory support for structuring, transactions, and financial transformation

Recommendations

- Maximize returns through Luxembourg's tax efficient structures
- Strengthen investment cases using public financing instruments
- Broaden capital access using flexible corporate and fund vehicles

HOW EY CAN SUPPORT YOU?

We provide sector dedicated financial structuring, transaction advisory, tax optimization and digital finance transformation insights, helping commercial and industrial companies - of all size (from SMEs to Multinationals) - strengthen investor confidence and secure capital for growth.



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