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2026 EDITION



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250 industry PESTEL analyses with sourced figures, impact summaries, business perspectives and study questions.

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FREE SAMPLE

3 of 250 industries

This sample shows three complete entries exactly as they appear in the full book: Electric Vehicles, Artificial Intelligence and Coffee. Every entry follows the same structure.

About this book

This book gives you a ready-made PESTEL analysis for 250 industries, grouped into 14 sectors from energy and mining to technology, media and services. Each entry looks at the six forces that shape an industry: Political, Economic, Social, Technological, Environmental and Legal.

It is written for students who need a strong starting point for assignments, and for business owners, investors and consultants who want a quick, reliable picture of an industry.

What each entry contains

- **A short introduction and verdict** on where the industry stands now.
- **A snapshot table** of key figures (market size, growth, largest markets, leading companies, key trends, regulators and scale), each with its date and source.
- **The six PESTEL factors**, each explained in plain English with sourced figures.
- **An impact summary** rating each factor as an opportunity, threat or mixed, and its impact level.
- **A business perspective**, a short summary and **study questions** for discussion or essays.
- **Sources**: every reference used, listed after the entry.

Many entries also include charts that show the headline figures and the impact summary at a glance.

How to use it

- **For assignments:** use the snapshot and factor sections as your evidence base, then follow the sources for detail. Rewrite in your own words and cite the original sources.
- **For business decisions:** start with the verdict and impact summary, then read the business perspective. Check any figure you rely on against its source.
- **For comparisons:** the structure is the same for every industry, so you can compare sectors side by side.

Note: data are the latest available at the time of writing. Entries reflect events up to late 2026, including the 2026 Gulf conflict and the disruption to shipping through the Strait of Hormuz where relevant.

Contents

Chapter 1 Energy and utilities

Oil and Gas · Renewable Energy · Upstream Oil and Gas Exploration · Oil Refining · Natural Gas and LNG · Coal Mining · Nuclear Power · Solar Power · Wind Power · Hydropower · Hydrogen · Electric Utilities · Water Utilities · Battery Storage · Oilfield Services · Oil and Gas Pipelines · Geothermal Energy · Carbon Capture and Storage

Chapter 2 Materials and mining

Mining · Gold Mining · Copper Mining · Lithium and Battery Metals · Rare Earths · Steel · Aluminium · Cement · Chemicals · Specialty Chemicals · Fertilisers · Plastics and Packaging · Paper and Pulp · Glass · Timber and Forestry · Iron Ore Mining · Industrial Gases

Chapter 3 Industrials and manufacturing

Manufacturing · Aerospace · Defence · Shipbuilding · Construction · Construction Equipment · Industrial Machinery · Robotics and Automation · 3D Printing · Electrical Equipment · HVAC · Engineering Services · Facility Management · Waste Management · Recycling · Infrastructure · Elevators and Escalators

Chapter 4 Transport and logistics

Airlines · Airports · Logistics · Freight and Trucking · Shipping and Ports · Railways · Courier and Parcel Delivery · Warehousing · Ride-hailing · Car Rental · Public Transport · Space Industry · Drones · Micromobility · Cold Chain Logistics · Air Cargo · Bus and Coach

Chapter 5 Automotive and mobility

Automotive · Electric Vehicles · Auto Parts · Tyres · Motorcycles · Commercial Vehicles · Autonomous Vehicles · EV Charging · Used Car Market · Car Dealerships · Electric Two-wheelers · Fleet Management and Leasing · Connected Cars

Chapter 6 Consumer goods

FMCG · Cosmetics and Beauty · Skincare · Personal Care · Household Products · Toys · Furniture · Home Appliances · Consumer Electronics · Smartphones · Jewellery · Watches · Luxury Goods · Tobacco · Vaping and E-cigarettes · Pet Products · Sporting Goods · Baby Products · Eyewear · Bicycles · Fragrances

Chapter 7 Retail and e-commerce

Retail · E-commerce · Supermarkets and Grocery · Convenience Stores · Department Stores · Discount Retail · Quick Commerce · Online Marketplaces · Direct-to-Consumer Brands · Second-hand and Resale · Duty-free Retail · Pharmacy Retail · Home Improvement Retail · Electronics Retail

Chapter 8 Fashion and textiles

Fashion · Fast Fashion · Clothing · Footwear · Sportswear · Textiles · Garment Manufacturing · Modest Fashion · Luxury Fashion · Sustainable Fashion · Leather Goods and Handbags

Chapter 9 Food, drink and agriculture

Food and Beverage · Fast Food and Restaurants · Coffee · Soft Drinks · Dairy · Coffee Shops · Tea · Bottled Water · Beer and Brewing · Wine · Spirits · Meat and Poultry · Seafood and Aquaculture · Bakery and Confectionery · Chocolate · Snack Foods · Plant-based Food · Organic Food · Halal Food · Frozen Food · Food Delivery · Agriculture · Agritech · Palm Oil · Sugar · Rice · Cocoa · Energy Drinks · Ice Cream

Chapter 10 Health and life sciences

Healthcare · Pharmaceuticals · Hospitals · Generic Drugs · Biotechnology · Medical Devices · Diagnostics · Telemedicine · Health Insurance · Elderly Care · Mental Health Services · Fitness and Gyms · Wellness · Dental Care · Veterinary Care · Nutraceuticals and Supplements · Medical Tourism

Chapter 11 Financial services

Banking · Fintech · Islamic Banking · Investment Banking · Asset Management · Private Equity · Venture Capital · Insurance · Reinsurance · Digital Payments · Cryptocurrency · Microfinance · Credit Cards · Stock Exchanges · Remittances · Wealth Management · Buy Now Pay Later · Takaful (Islamic Insurance)

Chapter 12 Technology

IT and Technology · Edtech · Software · SaaS · Cloud Computing · Artificial Intelligence · Semiconductors · Cybersecurity · Data Centres · IT Outsourcing · Business Process Outsourcing · Internet of Things · Blockchain · Quantum Computing · Proptech · Augmented and Virtual Reality · Electronics Manufacturing Services

Chapter 13 Media, telecoms and entertainment

Video Streaming · Telecommunications · Mobile Networks · Satellite Communications · Music Streaming · Film Industry · Television Broadcasting · Publishing · News Media · Advertising · Digital Marketing · Social Media · Gaming · Esports · Influencer Marketing · Podcasting · Out-of-home Advertising

Chapter 14 Travel, leisure and services

Tourism · Hotels and Hospitality · Cruise Industry · Travel Agencies · Theme Parks · Events and Exhibitions · Sports Industry · Gambling and Casinos · Education · Higher Education · Private Schools · Legal Services · Accounting and Audit · Management Consulting · Real Estate · Commercial Real Estate · Real Estate Development · Co-working · Security Services · Staffing and Recruitment · Childcare · Business Travel · Vocational Training · Cleaning Services

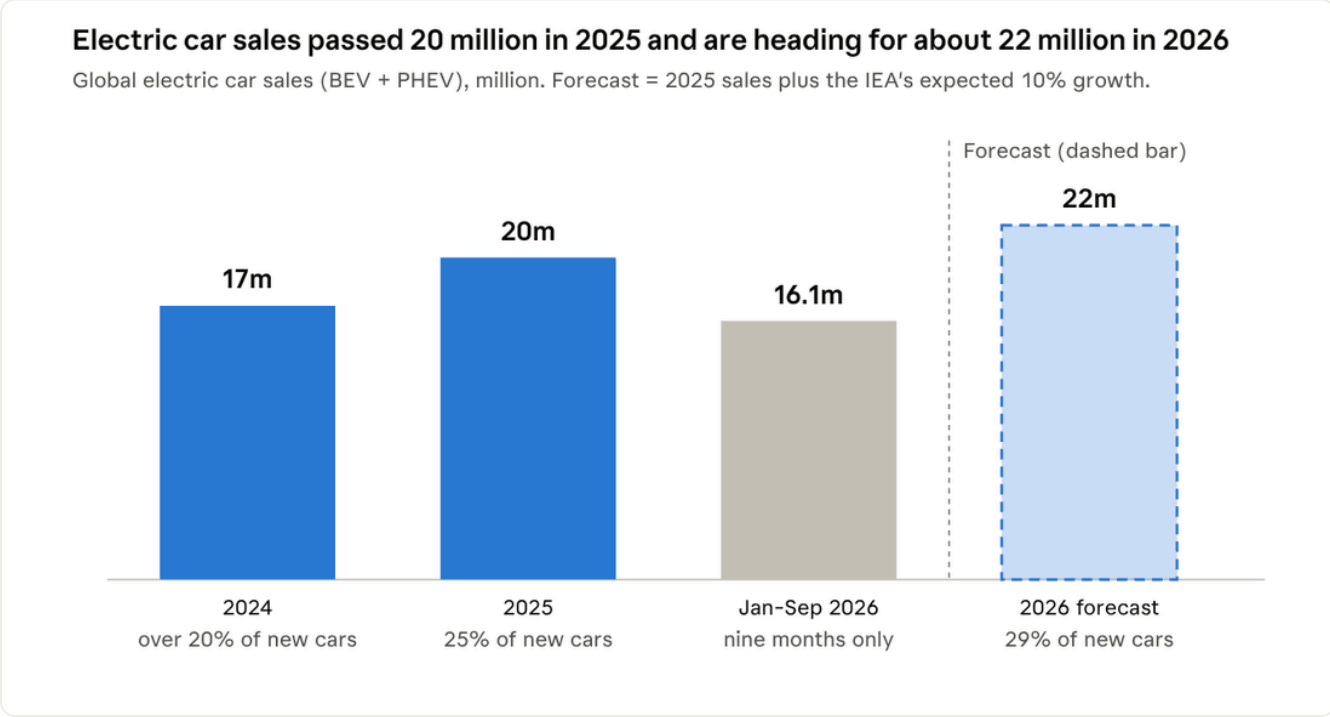
5.2 Electric Vehicles

The electric vehicle (EV) industry designs, builds and sells cars that run wholly or partly on electricity stored in a battery. Battery-electric vehicles (BEVs) use only a battery and an electric motor, while plug-in hybrids (PHEVs) pair a smaller battery with a petrol engine. The battery is the most expensive part of the car, so cell chemistry and raw-material prices largely decide what an EV costs. Batteries rely on minerals such as lithium, nickel and graphite, and much of this supply chain runs through China. Carmakers sell through dealers or directly online, and profits depend heavily on building at large scale. Government policy matters more here than in most industries, because subsidies, taxes and emissions rules shape how quickly buyers switch from petrol and diesel.

Electric cars are now a quarter of new car sales worldwide, but 2026 is a two-speed year: an oil shock is lifting demand in Europe and emerging markets while China slows and the US retreats.

Electric car sales topped 20 million in 2025, about one in four new cars sold worldwide, up from just over 17 million in 2024 (IEA; IEA). In 2026 the Strait of Hormuz disruption pushed crude oil from about US$60 to nearly US$120 a barrel, and EV sales set records in 50 countries (Malay Mail / AFP, citing IEA). Benchmark (Rho Motion) data show 16.06 million EVs sold worldwide in January–September 2026 (Battery Tech Network). Yet September's 2.15 million was 2% below a year earlier, as China and the US offset record European sales (Benchmark; EV Infrastructure News).

At a glance



Source: IEA (Global EV Outlook 2025 and 2026; July 2026 update), Benchmark (Rho Motion). 2026 forecast calculated from IEA's 10% growth estimate.

Snapshot

Indicator	Latest figure	As of / source
Global market size	About USD 860 billion spent on electric cars; over 20 million sold	2025 · IEA

Indicator	Latest figure	As of / source
Growth rate / outlook	Sales up about 20% in 2025; IEA expects about 10% growth in 2026, to 29% of car sales	2025–2026 · IEA; Malay Mail / AFP
Largest markets	China over 13 million (about 55% of new cars); Europe 4.2 million (28%); US about 1.5 million (under 10%)	2025 · IEA
Leading companies	BYD 2.26 million BEVs vs Tesla 1.63 million in 2025; Tesla delivered 486,532 vehicles in Q3 2026	Jan and Oct 2026 · Rallies; Electrek
Key trends	Oil-shock demand outside China and the US; falling battery prices; Chinese export push	2026 · Malay Mail / AFP; BNEF
Main regulators or standards	EU CO2 standards and Batteries Regulation; US EPA (vehicle GHG standards repealed Feb 2026); China purchase-tax policy	2026 · EPA; Arianee
Scale indicator (employment, output)	EVs about 5% of the global car stock; 44 million on China's roads; 1.2 million barrels of oil a day displaced	2025 · IEA

Political factors

- **Trade barriers and managed prices:** Chinese firms make the world's cheapest EVs, and importing countries are deciding how far to let them in. The EU had placed extra duties on Chinese-built electric cars to protect its own carmakers. In January 2026 the EU and China agreed a framework of 'price undertakings', in which exporters promise minimum prices instead of paying those duties. Chinese brands are still pushing abroad: BYD raised its 2026 overseas sales target to 1.5 million cars in March 2026. For European carmakers, minimum prices soften the threat of deep discounting. For students, this shows trade policy directly shaping competition and prices (CarNewsChina; Electrek; CnEVPost)
- **Subsidy withdrawal in the two biggest markets:** Purchase subsidies helped build the EV market, and both China and the US are now pulling back. The US federal credit of up to $7,500 ended on 30 September 2025 under the One Big Beautiful Bill Act. The IEA expects federal EV purchase support to be virtually nil in 2026. China restored a purchase tax on new energy vehicles in 2026, at 5% with a 15,000 yuan cap. The IEA says reduced subsidies held Chinese buyers back early in 2026. The lesson is that demand built on subsidies can stall when they end (OPB / NPR; IEA; SMM; Malay Mail / AFP)
- **Rare earths as a bargaining chip:** Most EV motors use permanent magnets made from rare-earth elements, which China refines and processes on a vast scale. China tightened export controls on these materials in 2025, then paused the extra controls under a trade truce. That pause was due to expire on 10 November 2026, with no renewal announced in early November. A lapse would mean longer licensing and possible shortages for carmakers outside China. Businesses should treat magnet supply as a strategic risk, not a routine purchase (The Motley Fool; Startup Fortune; CIRS Group)

Economic factors

- **The oil shock as a demand driver:** When fuel becomes expensive, the lower running cost of an EV becomes much more attractive. Crude rose from about US$60 a barrel at the start of 2026 to nearly US$120 after the Strait of Hormuz was effectively closed. The IEA reported EV sales up 35% in Q2 2026 over Q1, with European sales up more than 30% in the first half. Several Southeast Asian oil importers introduced temporary EV tax breaks, and Renault said EV demand grew 50% in some markets. Road vehicles use half the world's oil, so governments now see EVs as an energy-security tool. The oil shock has therefore become the strongest new driver of EV demand in 2026 (Malay Mail / AFP, citing IEA; CleanTechnica)

- **China's price war and slowing home market:** China is the largest EV market, and fierce competition there has driven prices down sharply. Average BEV prices in China fell more than 10% in 2025. Beijing has campaigned against 'involution', its word for self-defeating price competition that destroys profits. CAAM data show new energy vehicle sales up 11.1% in January–September 2026, while total vehicle sales fell 4.5%. These figures include exports, and China's car exports were forecast to top 10 million in 2026. For rivals abroad, Chinese overcapacity means more low-priced competition (IEA; Caixin; SteelOrbis; SteelOrbis; CnEVPost)
- **A market now funded mainly by buyers:** Spending on electric cars reached about USD 860 billion in 2025. Government support was about USD 60 billion of that, roughly 7%. This means the market now rests mostly on private demand rather than public money. It also explains why subsidy cuts hurt some markets but did not end global growth. For investors, the key question is whether EVs can compete on price alone (IEA)

Social factors

- **Affordability and the price gap:** Many buyers still see EVs as too expensive, and the gap differs by country. In 2025 average BEV prices fell about 6% in Germany and nearly 2% in the US. In August 2026 the average US EV sold for over $54,000, against just under $50,000 for petrol cars, according to Cox Automotive. Used EVs are under 3% of the US used market, but over 300,000 EVs are expected to come off lease within a year. A larger second-hand supply should bring EV ownership within reach of more households (IEA; OPB / NPR)
- **Very different buyer behaviour by country:** Adoption now depends as much on habits, charging access and policy as on technology. New energy vehicles reached a record 60.6% of China's car market in August 2026. In the EU, BEVs took 22.7% of registrations in January–September 2026. In the US, EVs held at roughly 5–6% of new car sales in 2026, down from an 11.4% peak in September 2025. Faced with US$4.50-a-gallon petrol, many Americans bought hybrids instead, and hybrid sales rose nearly 27%. Firms cannot assume one global customer: the right product mix differs by market (Gasgoo; Electric Cars Report; OPB / NPR)

Technological factors

- **Cheaper batteries and the rise of LFP:** Lower battery costs are the main reason EV prices keep falling. BloombergNEF found average lithium-ion pack prices fell 8% to $108 per kilowatt-hour (kWh) in 2025, despite rising metal prices. Much of the saving comes from lithium iron phosphate (LFP) cells, which avoid costly nickel and cobalt. LFP is cheaper and longer-lasting, though it stores less energy per kilogram. Carmakers also offer more choice, with about 1,100 electric models expected in 2026. Cheaper packs make price parity with petrol cars realistic in more segments (BNEF; Energy-Storage.news; IEA)
- **Sodium-ion reaches the road:** Sodium-ion batteries replace lithium with sodium, which is abundant and cheap. They hold less energy, so they suit small, low-cost cars first. CATL, the largest battery maker, said it would mass-produce sodium-ion batteries in 2026 and target 600 km of range in future. CATL and Changan unveiled what they called the first mass-produced sodium-ion passenger car. If it scales, sodium-ion would reduce the industry's exposure to lithium price swings (CarNewsChina; Electric & Hybrid Vehicle Technology International)

Environmental factors

- **Lower lifecycle emissions:** A lifecycle assessment counts emissions from making, charging and scrapping a car, not just driving it. A July 2025 ICCT study found battery-electric cars in Europe produce about 73% lower lifecycle greenhouse gas emissions than petrol cars. Battery production creates a carbon 'debt', which is repaid during driving. The advantage grows as electricity grids add more renewable power. This

evidence underpins the EV's case in climate policy and in corporate fleet decisions (ICCT; Net Zero Compare)

- **Cutting oil use:** EVs replace petrol and diesel, which also cuts local air pollution in cities. Electric cars displaced about 1.2 million barrels of oil a day in 2025. Yet they were still only about 5% of the global car stock, so most cars on the road burn fuel. Because cars last many years, the environmental gain builds slowly. Students should separate the share of new sales from the share of all cars in use (IEA)

Legal factors

- **US rollback of emissions rules:** In February 2026 the US EPA finalised a rule rescinding its 2009 'endangerment finding'. That finding was the legal basis for federal greenhouse gas limits on vehicles, and all those standards were repealed. Without them, carmakers face no federal regulatory push to sell EVs in the US. Combined with the end of the tax credit, this makes EV demand in the US mainly a matter of price and fuel costs. GM took a $6 billion writedown in January 2026 as it scaled back EV plans (EPA; DLA Piper; RTÉ)
- **Europe softens 2035 but tightens battery rules:** In December 2025 the European Commission proposed revising its 2035 target so some combustion-engine cars could still be sold, with emissions offsets. This weakens the plan that all new cars would be zero-emission from 2035. At the same time, the EU Batteries Regulation requires a digital 'battery passport' for EV batteries from 2027. The passport records a battery's origin, materials and carbon footprint. Suppliers must therefore invest in traceability, which favours firms with clean, well-documented supply chains (Autocar Professional / Reuters; RTÉ; Arianee; Driven)

Impact summary

Factor	Key driver	Direction	Impact
Political	Trade barriers and subsidy cuts	Threat	High
Economic	Oil shock lifts running-cost case	Opportunity	High
Social	Price gap; buyers differ by country	Mixed	Medium
Technological	Cheaper LFP and sodium-ion cells	Opportunity	High
Environmental	Lower lifecycle emissions	Opportunity	Medium
Legal	US rollback; EU battery rules	Mixed	Medium



Drawn from the Impact summary table above

Summary in brief

The EV industry is now mainstream. One in four new cars sold worldwide in 2025 was electric, and sales keep rising overall. But growth is uneven: Europe and emerging markets are surging, while China is slowing and the US is shrinking.

The main opportunities come from the oil shock and from cheaper batteries. High fuel prices make EVs cheaper to run. Falling pack prices, LFP and sodium-ion cells make them cheaper to buy.

The main threats are political. Subsidies are being withdrawn, the US has dropped its emissions rules, and trade barriers are rising. China's control of rare-earth magnets and its price war add further risk.

Watch the rare-earth decision after 10 November 2026, the oil price, and how the EU's minimum-price deals work. Also watch whether sodium-ion batteries reach large volumes.

Business perspective (for business owners and investors)

The EV industry offers growth, but it is increasingly shaped by geopolitics. Returns now depend on choosing the right markets and managing supply-chain risk, not just on making good cars.

- **Where the opportunities are:** The fastest growth is outside China and the US. Sales in emerging markets other than China rose about 80% in 2025, to almost 1.2 million. The 2026 oil shock pushed EV sales to records in 50 countries. In the US, over 300,000 EVs coming off lease create openings in used-car sales, servicing and battery checks. Cheaper batteries also help firms that sell small, affordable models (IEA; Malay Mail / AFP; OPB / NPR)
- **The main risks to manage:** Policy can change quickly, as GM's $6 billion writedown in January 2026 shows. China's price war squeezes margins for everyone who competes with Chinese brands. Rare-earth magnets and battery minerals depend heavily on Chinese supply, which can be restricted. Fuel prices could also fall again, weakening the running-cost argument. Firms should spread suppliers and avoid plans that rely on one subsidy (RTÉ; Caixin; Startup Fortune)

- **How to enter and what to watch:** Building cars needs huge capital, so most new entrants are better placed in components, software, used EVs or services. In Europe, battery suppliers that can meet the 2027 battery-passport rules will have an edge. Investors should track monthly Benchmark (Rho Motion) sales data and IEA forecasts, which point to about 10% growth in 2026. They should also watch trade terms, such as the EU–China minimum-price framework agreed in January 2026 (Arianee; Benchmark; Malay Mail / AFP; CarNewsChina)

Study questions

1. Why did the 2026 oil shock raise EV sales strongly in Europe but mainly lift hybrid sales in the US?
2. Assess whether minimum-price undertakings protect European carmakers better than tariffs would.
3. How far does China's control of rare earths and battery supply chains limit other countries' EV strategies?
4. Explain why a 25% share of new sales still leaves EVs at only about 5% of cars in use, and what this means for emissions.

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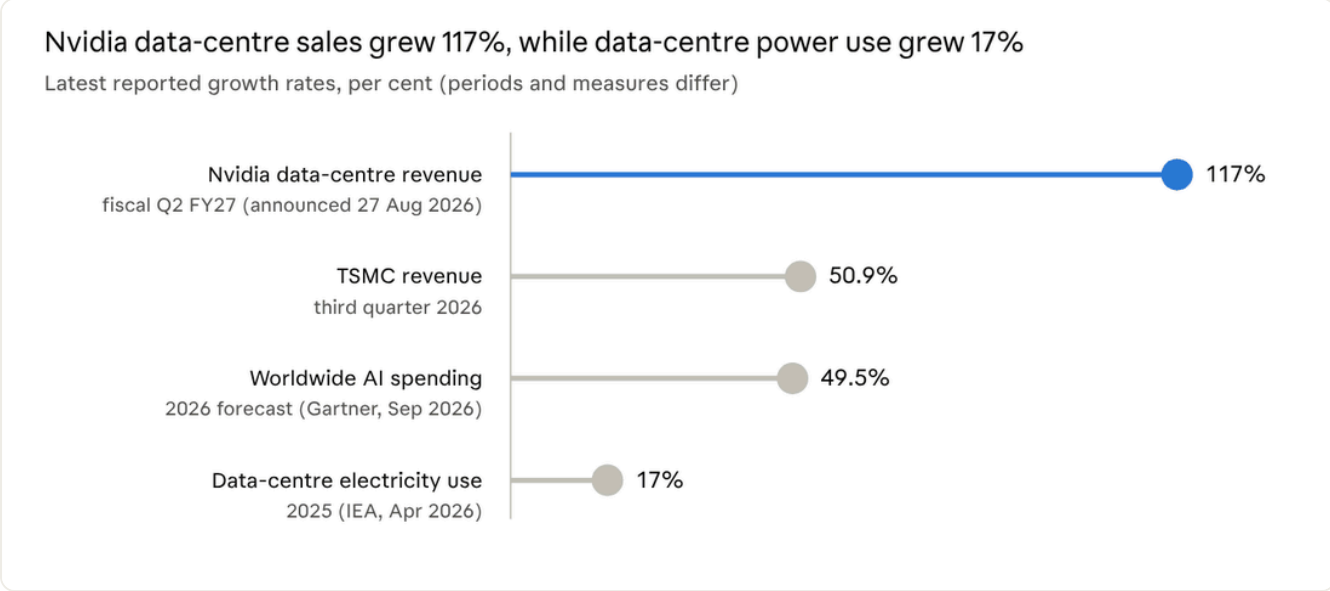
12.6 Artificial Intelligence

The artificial intelligence (AI) industry builds software that can recognise patterns, write text and images, and make predictions. Its core product is the model, a large mathematical system trained on huge amounts of data. Training is the costly first stage, when a model learns; inference is the later stage, when people use the finished model to get answers. Both stages run on specialised chips, mainly graphics processing units (GPUs), which perform many calculations at once. Those chips sit in data centres, and most firms rent them from cloud providers instead of owning them. A few chip designers, chip makers, model developers and cloud firms sit at the centre, while thousands of companies build applications on top. Money comes from selling chips, renting computing power, charging subscriptions or per-use fees, and from the savings customers make.

AI is in a spending boom that is still accelerating in late 2026, but it now faces growing limits from power, politics and public doubt.

Gartner forecast in January 2026 that worldwide AI spending would total $2.5 trillion that year (Gartner), and by September it expected growth of 49.5% for 2026 (Gartner). Nvidia, the leading AI chip designer, reported revenue of $96.2 billion for its fiscal second quarter of 2027, announced on 27 August 2026 (iPhone in Canada). The International Monetary Fund (IMF) has warned that a sharp fall in AI-linked share prices could threaten global financial stability (Computing). The picture for 2026 is therefore rapid growth alongside rising concern about how long it can last.

At a glance



Source: Nvidia fiscal Q2 FY27 results (27 Aug 2026), TSMC Q3 2026 results, Gartner (16 Sep 2026) and IEA (Apr 2026), as cited in the entry.

Snapshot

Indicator	Latest figure	As of / source
Global market size	$2.5 trillion of worldwide AI spending forecast for 2026	Gartner forecast, 15 Jan 2026 (Gartner)
Growth rate / outlook	Worldwide AI spending expected to grow 49.5% in 2026	Gartner, 16 Sep 2026 (Gartner)

Indicator	Latest figure	As of / source
Largest markets	No verified recent figure for market shares; the gap between top US and Chinese models is reported at 2.7%	Stanford AI Index 2026, as reported by AI Weekly
Leading companies	Nvidia and Huawei (chips), TSMC (chip manufacturing), OpenAI and Anthropic (models)	Startup Fortune, 14 Jun 2026; Built In, 1 Apr 2026; Cyprus Mail, 19 Aug 2026
Key trends	Hyperscaler capex plans of about $700 billion for 2026; model makers valued near $1 trillion; data-centre power use up 17% in 2025	247WallSt, 1 May 2026; Gulf News; Pulse, Apr 2026
Main regulators or standards	EU AI Act, supervised by the EU AI Office; US Commerce Department export-control rules on AI chips	Gibson Dunn, May 2026; Morgan Lewis, Jan 2026
Scale indicator	Nvidia quarterly revenue $96.2 billion; TSMC third-quarter 2026 revenue $46.7 billion; employment: No verified recent figure	iPhone in Canada, 27 Aug 2026; FourWeekMBA

Political factors

- **Export controls and the US–China chip contest:** Export controls are legal limits on selling advanced technology to particular countries, and for AI chips they have swung back and forth. In January 2026 the US eased its licence policy so that Nvidia's H200 chip could be sold to China under strict conditions (Investing Live, 13 Jan 2026; Morgan Lewis, Jan 2026). By 1 June 2026 Washington had taken a step to halt Nvidia AI chip shipments to Chinese firms located outside China (The Star, 1 Jun 2026). China is meanwhile building its own supply, and Huawei expected about $12 billion of AI chip revenue in 2026 (Startup Fortune, 14 Jun 2026). For a business, chip access now depends on politics as much as price, so supply plans should allow for sudden rule changes. For a student, this is a clear case of government policy shaping where an industry grows.
- **War, chokepoints and supply chains:** The Iran war shows how far AI depends on physical supply chains. After the Strait of Hormuz was disrupted from March 2026, reports in April described helium rationing that threatened chip production (Yahoo Finance; Foreign Policy, 27 Apr 2026). Helium is a gas used in chipmaking, so a shortage can slow the factories that supply AI chips. The effect is indirect, because AI is software that rests on fabrication plants, energy and shipping lanes. For a business, the lesson is to ask where each chip and component comes from. For a student, it is an example of a geopolitical shock travelling through a technology supply chain.

Economic factors

- **A record investment boom:** AI spending is growing faster than almost any earlier technology wave. Gartner forecast worldwide AI spending of $2.5 trillion for 2026 in January, and by September expected 49.5% growth for the year (Gartner; Gartner). The biggest cloud firms, called hyperscalers, were reported in May 2026 to be planning about $700 billion of capital expenditure (capex, spending on long-lived assets such as data centres) for 2026 (247WallSt, 1 May 2026). Nvidia's fiscal second-quarter 2027 revenue reached $96.2 billion, with data-centre revenue up 117%, and its outlook for the next quarter was about $108 billion (iPhone in Canada; The Energy Mag; Pulse 2.0). For businesses, strong demand for chips, power and building work gives suppliers pricing power. For students, the key point is that spending comes first and proof of profit comes later.
- **Model makers, valuations and bubble risk:** The firms that build leading models now raise money on a scale once seen only in the largest companies. OpenAI raised $122 billion at an $852 billion valuation,

reported on 1 April 2026, and said it was earning about $2 billion of revenue a month (Built In; Constellation Research). Anthropic's annualised revenue run rate, meaning its latest monthly revenue multiplied by twelve, was reported above $65 billion on 19 August 2026, with a valuation reported at $965 billion (Cyprus Mail; Gulf News). Such valuations assume revenue will keep rising steeply for years, and the IMF has warned that a sharp fall in AI-linked share prices could threaten financial stability (Computing, 2026). For investors, a correction would hit chip makers, cloud firms and lenders together. For students, it is a live example of expectations, not current profits, driving asset prices.

Social factors

- **Jobs and layoffs:** Fear of job losses is the most visible social effect of AI. A March 2026 report on US job cuts said AI led all the reasons given for layoffs that month (Search Engine Journal). A reason given by an employer is not proof that AI caused the loss, because some firms may cite AI for cost cutting with other roots. The effect is uneven: writing, coding and customer-support tasks change first, while physical and personal-care work changes more slowly. For a business, retraining existing staff is often cheaper than hiring again. For a student, the practical lesson is to build skills that work alongside AI tools.
- **Public wariness:** Public opinion is turning more cautious, which shapes what politicians and regulators will allow. Pew Research Center reported on 18 August 2026 that young adults in the US are increasingly wary of AI and concerned it will take jobs (Pew Research Center, 18 Aug 2026). On 16 September 2026 it reported that Democrats are now more worried than Republicans about AI and its impact on jobs (Pew Research Center, 16 Sep 2026). Worry that crosses age and party lines raises the chance of new rules and of local resistance to data centres. Trust is a commercial asset, so firms that explain what their systems can and cannot do are easier to adopt. For a student, it is worth noting that the young, who will use AI most, can shift opinion quickly.

Technological factors

- **Chips and compute:** AI progress depends on chips and the factories that make them. Training a model needs huge numbers of GPUs working together for weeks, while inference needs many chips serving users all day, so both keep demand high. TSMC, the Taiwanese contract chip maker that produces chips for Nvidia and many other designers, reported record third-quarter 2026 revenue of $46.7 billion with a 66.4% gross margin (FourWeekMBA). Its revenue was up 50.9%, and its chief executive said AI demand still exceeds its supply (Crypto Briefing; CRN Asia). Nvidia's revenue for the quarter to October 2025 was $57 billion, so its quarterly sales rose by about $39 billion in three quarters (CIO Dive, 20 Nov 2025). For a business, shortages rather than weak demand set the pace, so GPU access may need booking well ahead.
- **The model race and China's own hardware:** The gap in quality between the best US and Chinese models has almost closed. Stanford's AI Index 2026, published in April, was reported to show the gap down to 2.7% (AI Weekly). A frontier model is one at the leading edge of capability, and several countries now produce them. DeepSeek was reported on 23 September 2026 to be expanding the use of Huawei chips to AI training, with new supply possible in the fourth quarter of 2026 (TrendForce). If capable models come from many suppliers, prices tend to fall and no single supplier can set the terms. For a business, this favours building products that can switch between model providers. For a student, it shows that export controls can speed up rivals' self-reliance as well as slow them.

Environmental factors

- **Electricity demand:** AI runs on electricity, and demand is rising fast. The International Energy Agency (IEA) projected in April 2025 that data-centre electricity use would roughly double to 945 terawatt-hours (TWh) by 2030 (DatacenterDynamics, Apr 2025). A terawatt-hour is a billion kilowatt-hours. In April 2026 the IEA reported that data-centre power use jumped 17% in 2025 and could double by 2030 (Pulse, Apr 2026).

Grids in some regions cannot add supply as fast as data centres can be built, so access to power can decide where AI is located. For a business, energy cost and location now belong in any AI investment case.

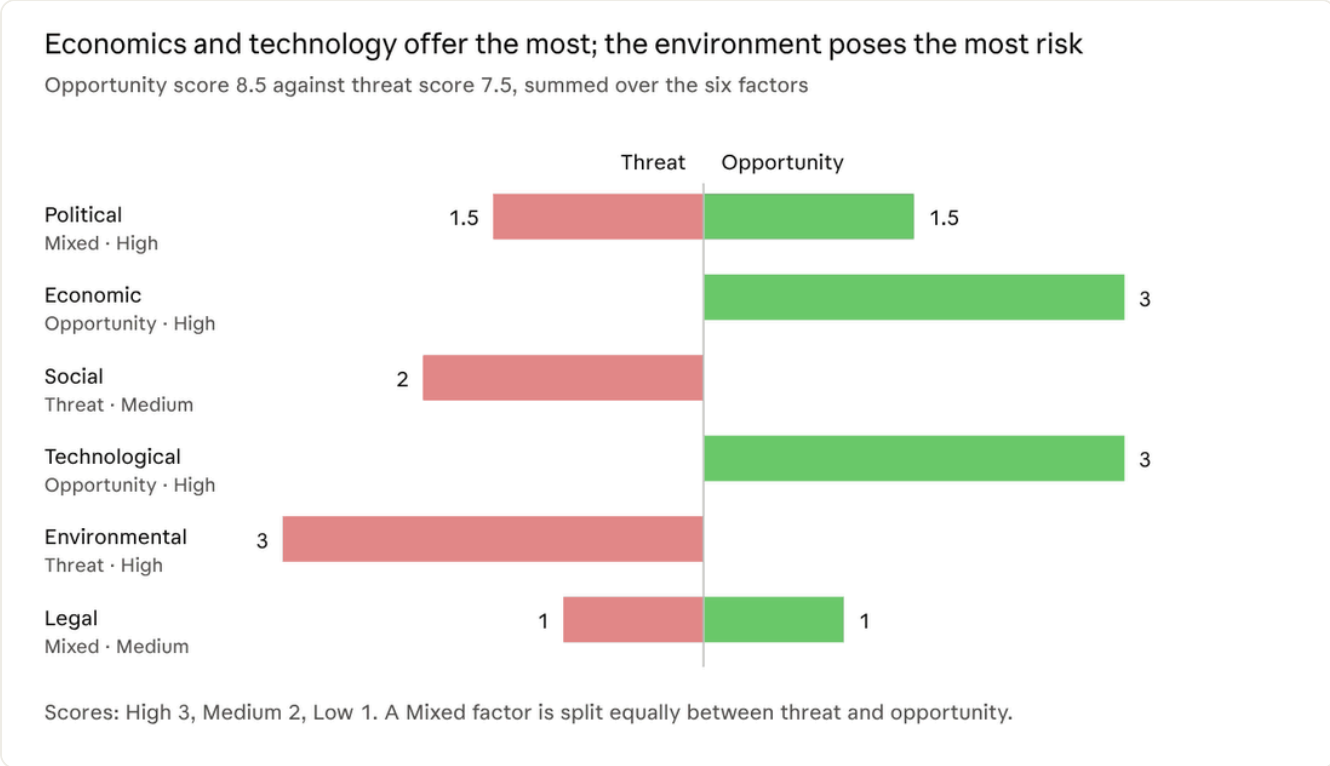
- **Water and local backlash:** Cooling is the second concern. The World Economic Forum noted that a quarter of all data centres are now in water-stressed areas (World Economic Forum). Large technology firms say they can curb the water use of AI data centres, a claim reported on 7 September 2026 (Euronews, 7 Sep 2026). Communities near scarce supplies can still object, and local opposition can delay projects. For a business, siting choices, cooling design and open reporting reduce that risk. For a student, this is an example of an externality, a cost borne by people outside the transaction.

Legal factors

- **The EU AI Act and its delayed deadlines:** The EU AI Act is the world's most detailed AI law, and its timetable has just been loosened. The Digital Omnibus on AI, agreed politically on 6 May 2026, moves duties for stand-alone high-risk systems, such as recruitment and credit scoring, from 2 August 2026 to 2 December 2027 (Gibson Dunn, May 2026). Duties for AI built into regulated products, such as medical devices, move from 2 August 2027 to 2 August 2028 (Gibson Dunn, May 2026). The omnibus entered into force on 27 July 2026 (Lewis Silkin). Transparency duties, including telling users they are dealing with AI, still apply from 2 August 2026, and a new ban on AI that creates non-consensual intimate images has a transition to 2 December 2026 (Gibson Dunn, May 2026). Businesses gain time but not certainty, because the rules still arrive.
- **Who regulates AI in the US:** In the US, a central legal question is whether states or the federal government set the rules. On 11 December 2025 President Trump signed an order aimed at blocking states from regulating AI (Washington Times, 11 Dec 2025). Law firms expected it to lead to litigation over state AI laws (Mondaq). Preemption means federal law overriding state law, and until courts rule, firms may face different rules in different states. For a business, it is prudent to build compliance around the strictest rule that applies and to review it as cases are decided. For a student, this is a case study in federalism.
- **Copyright and training data:** Copyright is the third legal front. A judge approved a $1.5 billion settlement over pirated books used to train an AI chatbot, reported on 21 July 2026 (Las Vegas Sun, 21 Jul 2026). A settlement is not a court ruling on whether training itself is lawful, so the wider question stays open. The size of the payment shows that how training data is obtained can carry a real cost. For a business, keeping records of where data came from and preferring licensed sources lowers the risk. For a student, note the difference between a settlement and a precedent.

Impact summary

Factor	Key driver	Direction	Impact
Political	Export controls, US–China rivalry and war-related supply risk	Mixed	High
Economic	Record spending on chips and data centres	Opportunity	High
Social	Job fears and cautious public opinion	Threat	Medium
Technological	Faster chips and a narrowing model gap	Opportunity	High
Environmental	Electricity and water demand of data centres	Threat	High
Legal	EU AI Act delays, US state–federal conflict and copyright cases	Mixed	Medium



Drawn from the Impact summary table above.

Summary in brief

Overall, AI is an industry in a rapid build-out. Spending on chips, data centres and models is growing at a very high rate, and a handful of firms capture much of it. Leading models are now available from both the US and China, so no one country holds a clear lead.

The main opportunities lie in the infrastructure that AI needs: chips, manufacturing, power and data-centre construction. Businesses that use AI tools can also cut costs and speed up routine work. Rules in the EU have been pushed back, which gives companies more time to prepare.

The main threats are a market correction after very high valuations, supply shocks such as the helium shortage linked to the Hormuz disruption, and sudden changes to export controls. Electricity and water use, job fears and legal disputes over training data add pressure. Many of these risks reinforce each other.

Watch next the Nvidia and TSMC results for signs that demand still exceeds supply. Also watch the EU AI Act dates, court decisions on US state laws and copyright, and further IMF warnings. Power supply for new data centres is the practical limit to follow.

Business perspective (for business owners and investors)

For business owners and investors, AI is both a demand story and a dependency story. Most firms will buy AI as a service rather than build it, so the key decisions are which suppliers to rely on and how much to commit.

- **Where the opportunities are:** Spending is strongest where capacity is scarce: chips, chip manufacturing, power and data-centre construction. Nvidia's $96.2 billion quarter and TSMC's statement that demand exceeds supply show that these suppliers have pricing power (iPhone in Canada; CRN Asia). Gartner's forecast of 49.5% growth in AI spending in 2026 suggests that demand for services built on this infrastructure is rising too (Gartner). Smaller firms can benefit as customers, because the reported 2.7% gap between top US and Chinese models points to a wide choice of capable suppliers (AI Weekly). The most direct gain for a small business is lower cost on routine writing, support and analysis work.

- **The main risks to manage:** The largest financial risk is a correction in AI-linked share prices, which the IMF has said could threaten financial stability (Computing). Supply risk is real, as the helium rationing reported after the Hormuz disruption showed (Foreign Policy, 27 Apr 2026). Policy risk comes from export controls that were eased in January 2026 and then tightened for some buyers by June (Investing Live; The Star). Legal risk includes copyright claims, shown by the $1.5 billion settlement approved in July 2026 (Las Vegas Sun). Contracts that allow switching between model providers limit all four risks.
- **How to enter and what to watch:** Most newcomers should start by renting computing power and models from large providers, then build a specific product on top, rather than buying chips. Investors who want exposure can look at the infrastructure chain, but should note that Nvidia's guidance of about $108 billion for the next quarter already assumes strong growth (Pulse 2.0). For anyone selling in Europe, the key dates are 2 August 2026 for transparency duties, 2 December 2026 for the new ban, and 2 December 2027 for stand-alone high-risk systems (Gibson Dunn). Also watch grid capacity, because the IEA expects data-centre electricity use to roughly double by 2030 (DatacenterDynamics). A firm that checks these four signals each quarter will see most shocks early.

Study questions

1. Hyperscalers plan about $700 billion of capex for 2026, while model makers are valued near $1 trillion. What evidence would show that this spending is justified, and what would suggest a bubble?
2. Export controls were eased in January 2026 and tightened for some buyers by June. Analyse how these changes affect Nvidia, Huawei and customers in each country.
3. The EU delayed high-risk AI duties to December 2027. Assess who gains and who loses from the delay, considering developers, users and the public.
4. Data-centre electricity use is projected to roughly double by 2030. Evaluate whether energy supply or chip supply is the bigger constraint on AI growth, and justify your view.

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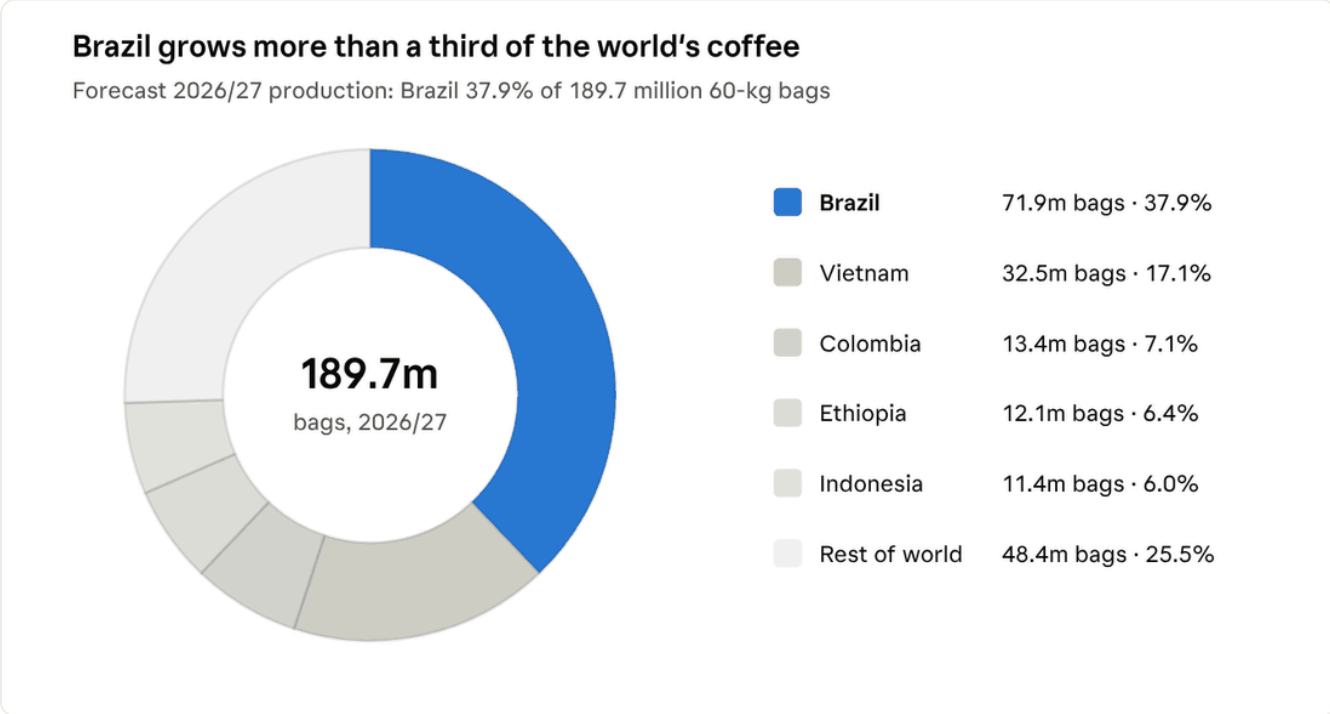
9.3 Coffee

The coffee industry turns the seed of a tropical shrub into one of the world's most traded drinks. Most coffee is grown on small farms in a belt around the equator, then picked, dried and sold as "green" beans. Two species dominate: arabica, prized for flavour, and robusta, which is hardier, stronger and cheaper. Traders ship the green beans to consuming countries, where roasters such as Nestlé and JDE Peet's turn them into packaged, instant and capsule coffee. Coffee-shop chains such as Starbucks and Luckin sell the finished drink at a much higher price per cup. Prices are set on futures exchanges, so a frost or drought in one large grower can move costs for every café. This makes coffee a useful case study in how weather, trade policy and consumer habits meet in one supply chain.

Coffee enters late 2026 with record harvests and falling bean prices, but climate, input costs and new EU rules keep the outlook demanding.

The US Department of Agriculture expects a record world crop of 189.7 million 60-kg bags in 2026/27, up 10.8 million on the year before (USDA FAS). That is a sharp turn from January 2025, when arabica hit record highs above US$3.60 a pound (Honolulu Star-Advertiser). By mid-2026 the ICO composite price had fallen 25% in seven months (USDA FAS). Meanwhile, the EU's deforestation regulation is due to apply from 30 December 2026 (QIMA).

At a glance



Source: USDA Foreign Agricultural Service, Coffee: World Markets and Trade, July 2026 (2026/27 production forecast)

Snapshot

Indicator	Latest figure	As of / source
Global market size	No verified recent figure for current sales; one forecast puts the market at US$238.99 billion by 2031	Forecast, Mordor Intelligence via Bolsamanía

Indicator	Latest figure	As of / source
Growth rate / outlook	World output up 10.8 million bags (about 6%) to a record 189.7 million; consumption a record 179.7 million bags	2026/27 forecast, July 2026, USDA FAS
Largest markets	EU bean imports 50.0 million bags; US bean imports 24.5 million bags	2026/27 forecast, USDA FAS
Leading companies	Nestlé; Keurig Dr Pepper–JDE Peet's; Starbucks (41,607 coffeehouses); Luckin Coffee (38,909 stores)	Sept 2026, Starbucks; Luckin Coffee
Key trends	Record supply and falling prices; steady US demand, with two-thirds of Americans drinking coffee the previous day	2026, USDA FAS; Daily Coffee News
Main regulators or standards	International Coffee Organization (prices and statistics); EU Deforestation Regulation (EUDR); US tariff policy	2026, ICO; European Commission
Scale indicator (employment, output)	Production 189.7 million bags; bean exports a record 131.4 million bags	2026/27 forecast, USDA FAS

Political factors

- **US tariffs and the courts:** In 2025 the United States placed an extra 40% tariff on Brazilian goods, coffee included. In November 2025 the White House removed tariffs on dozens of Brazilian farm imports, coffee among them. Then, on 20 February 2026, the US Supreme Court ruled against tariffs imposed under emergency powers (the IEEPA law). That decision opened a route for importers to seek refunds. For roasters, this means cheaper and more predictable access to Brazil, the world's largest grower. For students, it shows how quickly trade policy can reverse, and why firms watch courts as well as governments. (Tea & Coffee Trade Journal; Fresh Fruit Portal; JD Supra; Barnes & Thornburg)
- **Producer governments push exports:** Growing countries increasingly treat coffee as a national earner. Ethiopia, the birthplace of arabica, earned a record US$3 billion from coffee exports in its 2025/26 fiscal year. Its government now targets US$6 billion by 2031. USDA expects Ethiopian output to reach a record 12.1 million bags in 2026/27. Policies like these shape where buyers can source specialty beans, and at what price. They also show that coffee is a development issue as much as a commercial one. (The Star; Further Africa; USDA FAS)

Economic factors

- **Record crops, falling prices:** After two years of very high prices, supply is catching up. USDA forecasts a record Brazilian crop of 71.9 million bags in 2026/27, with arabica rebounding 9.5 million bags to 47.5 million. Vietnam, the robusta leader, is expected to grow a record 32.5 million bags. World ending stocks, the coffee left over at season end, are rising to 26.3 million bags but remain below the long-term average. The ICO composite price in May 2026 was its lowest in two years. Lower bean costs help roasters' margins, but thin stocks mean any weather shock could lift prices again. (USDA FAS; Global Coffee Report)
- **War, shipping and fertiliser costs:** The US/Israel–Iran war and disruption in the Strait of Hormuz since March 2026 have raised costs along the chain. By May 2026 fertiliser costs had jumped 20–30% across coffee-growing origins, according to Fertilizer Daily. The World Bank warned that fertiliser prices could rise by over 30% in 2026. Even so, the ICO reported that prices fell 2.7% in April as the supply outlook outweighed the disruption. Farmers who use less fertiliser may harvest less later, so this is a medium-term risk rather than an instant one. (Fertilizer Daily; Milling MEA; Qahwa World; Daily Coffee News)
- **Big brands consolidate and compete:** The roasting and retail end is dominated by a few large firms. Keurig Dr Pepper completed an acquisition of JDE Peet's that advisers valued at about US$18 billion, and

plans to split into two companies. Starbucks reported fiscal 2026 revenue of US$37.9 billion, up 2%, with global comparable sales up 7.2% in the fourth quarter. Luckin's third-quarter 2026 revenue rose 17.0%, yet sales at existing self-operated stores fell 11.1%. Growth is shifting from opening stores to winning more spending per store. (Cleary Gottlieb; Healthcare Packaging; Starbucks; Luckin Coffee)

Social factors

- **Steady habits in mature markets:** Coffee is a daily routine for many people, so demand holds up even when prices rise. The National Coffee Association's 2026 survey found that two-thirds of Americans had drunk coffee the previous day. A September 2026 trend survey found specialty coffee at a record share, while grocery-bought coffee lost share. In plain terms, consumers are trading up to better coffee rather than giving it up. This favours brands with strong quality stories and premium ranges. (Daily Coffee News; The Shelby Report)
- **Asia's young coffee drinkers:** The fastest new demand is in Asia, where tea once dominated. Luckin served an average of 123.0 million transacting customers a month in the third quarter of 2026, up 9.6%. It is also expanding abroad, opening 40 net new stores in Malaysia and 14 in Singapore that quarter. Vietnam, long an exporter, is forecast to drink a record 5.0 million bags at home. For businesses, Asia offers volume but rewards low prices and fast, app-based service. (Luckin Coffee; USDA FAS)

Technological factors

- **App-led coffee chains:** Technology has changed how coffee is sold more than how it is grown. Chains such as Luckin take most orders through phone apps, which cut queues and let small pick-up stores replace large cafés. That model helped Luckin reach 38,909 stores by September 2026, close to Starbucks' 41,607 coffeehouses worldwide. Apps also collect data on what each customer buys, which supports targeted offers. The lesson for students is that a digital ordering system can be as important as the coffee itself. (Luckin Coffee; Starbucks)
- **Traceability from farm to cup:** New rules require firms to prove where beans were grown. Under the EUDR, companies must link each shipment to geolocation data, meaning map co-ordinates of the farm plots. With the rules due from 30 December 2026, roasters and traders are investing in mapping tools, satellite checks and supplier databases. These systems cost money, which falls hardest on small farmers and small importers. Yet they also create trusted data that can support premium "deforestation-free" claims. (QIMA; Coolset; European Commission)

Environmental factors

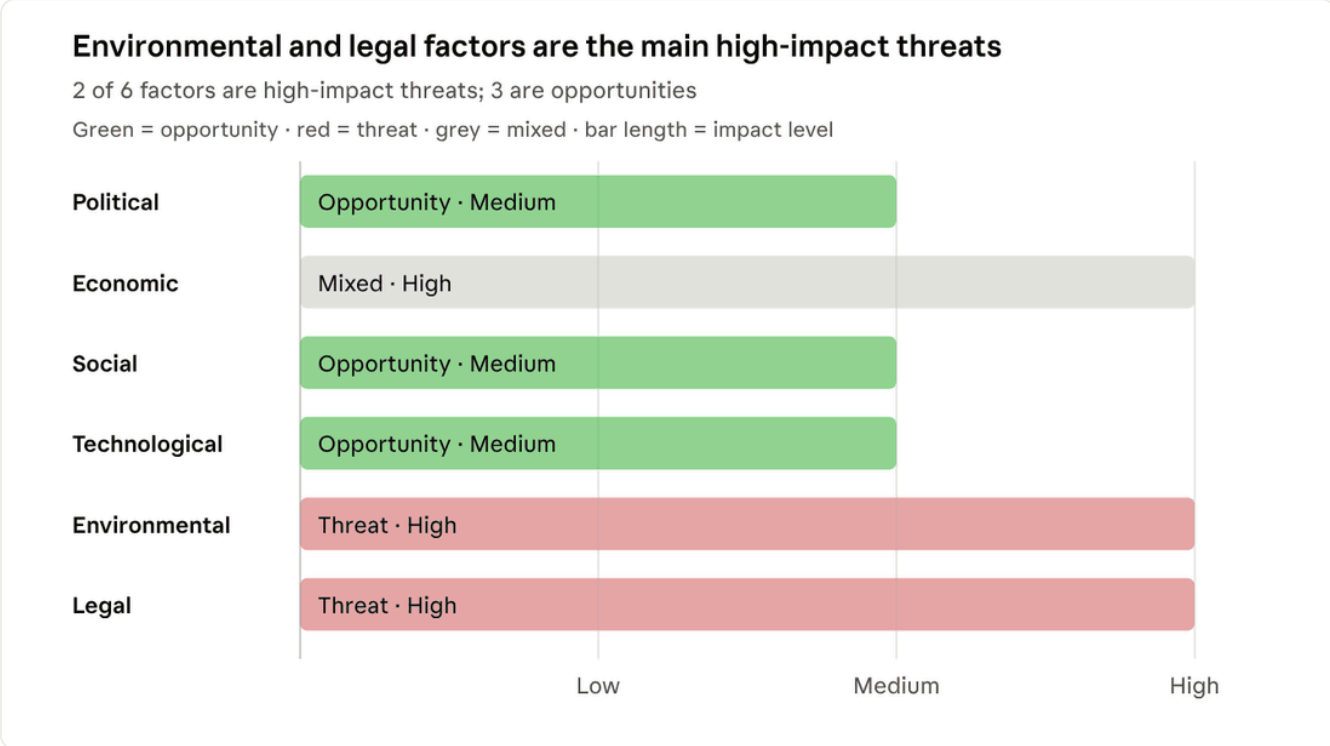
- **Climate change and growing land:** Coffee, especially arabica, needs a narrow band of temperature and rainfall. Drought in Brazil was a key cause of the record prices of early 2025. One report warns that climate change could make about a fifth of arabica land unsuitable by 2050. Growers may respond by moving uphill, switching to robusta or planting heat-tolerant varieties. For buyers, climate risk means more volatile prices and a need to spread sourcing across origins. (CropGPT; Ecofin Agency; Honolulu Star-Advertiser)
- **Soil health and the fertiliser shock:** Coffee trees need regular feeding to keep yields high. The 2026 jump in fertiliser costs, linked to Hormuz disruption, may push farmers to cut use. Analysts note that this raises medium-term supply risks, even while current crops are large. Indonesia shows how fragile output can be, with production forecast to fall 1.0 million bags to 11.4 million in 2026/27. Firms that help farmers with soil care and inputs can protect their future supply. (Commodity Board; Fertilizer Daily; USDA FAS)

Legal factors

- **The EU Deforestation Regulation:** The EUDR bans placing coffee on the EU market unless it was grown on land not deforested after 2020. It was delayed twice, most recently with a delay confirmed in December 2025. It is now due to apply from 30 December 2026. The EU matters greatly here, as it is forecast to import 50.0 million bags of beans in 2026/27. Exporters without plot-level data risk losing access to their biggest customer. (Confectionery News; Global Coffee Report; QIMA; USDA FAS)
- **Tariff refunds and deal rules:** The February 2026 Supreme Court ruling turned tariffs into a legal question for importers. Law firms advised importers on how to claim refunds of duties paid under the struck-down tariffs. Large mergers, such as Keurig Dr Pepper's purchase of JDE Peet's, must also win competition-law clearance before they close. For a business, legal teams now shape both its costs and its growth strategy. (Barnes & Thornburg; JD Supra; Cleary Gottlieb)

Impact summary

Factor	Key driver	Direction	Impact
Political	US tariff relief on Brazil and the 2026 court ruling	Opportunity	Medium
Economic	Record 2026/27 crop and falling bean prices	Mixed	High
Social	Steady demand and trading up to specialty	Opportunity	Medium
Technological	App-led chains and farm traceability	Opportunity	Medium
Environmental	Climate risk and the fertiliser shock	Threat	High
Legal	EUDR compliance from 30 December 2026	Threat	High



Drawn from the Impact summary table above

Summary in brief

Coffee is moving from scarcity to plenty. After record prices in early 2025, a record 2026/27 crop led by Brazil and Vietnam has pushed bean prices down. Demand remains steady, and big chains are still growing.

The main opportunities lie in cheaper beans for roasters, easier US access to Brazilian coffee and steady demand. Specialty coffee and Asia's app-based chains are the fastest-moving parts of the market.

The main threats are climate change, higher fertiliser costs since the Hormuz disruption, and the EU's deforestation rules. Low stocks mean prices could rise again after a single bad harvest.

Watch Brazil's weather, fertiliser costs and how well suppliers are ready for the EUDR on 30 December 2026. Also watch whether chain sales keep growing as prices fall.

Business perspective (for business owners and investors)

For most businesses, 2026 is a better year to buy coffee than 2025. Yet the factors that made coffee expensive have not gone away. Firms that lock in good supply now, and prepare for new rules, should be well placed.

- **Where the opportunities are:** Falling bean prices should widen margins for roasters and cafés that buy at today's levels. The ICO composite price fell 25% in seven months to mid-2026. Consumers are trading up, with specialty coffee at a record share in the US. Asia offers fast-growing demand, shown by Luckin's 123.0 million monthly customers. (USDA FAS; The Shelby Report; Luckin Coffee)
- **The main risks to manage:** Stocks remain below their long-term average, so prices can spike again after bad weather. Fertiliser costs rose 20–30% across origins by May 2026, which could cut future yields. EU-bound coffee without plot-level data may be blocked from 30 December 2026. Price competition in chains is fierce, as Luckin's 11.1% fall in same-store sales shows. (USDA FAS; Fertilizer Daily; QIMA; Luckin Coffee)
- **How to enter and what to watch:** New entrants usually start small, with a specialty roastery, a café brand or an importing niche. Buying from several origins, such as Brazil, Colombia and Ethiopia, spreads weather risk. Insist on traceable, EUDR-ready supply from day one if selling into Europe. Watch the next USDA report, due on 16 December 2026, and Ethiopia's push towards US$6 billion of exports. (USDA FAS; Further Africa; European Commission)

Study questions

1. Brazil is forecast to grow a record 71.9 million bags in 2026/27. Explain how one country's harvest can move coffee prices worldwide, and what this means for a small café.
2. Assess whether the EUDR is more of a threat or an opportunity for coffee exporters in countries such as Ethiopia and Vietnam.
3. Compare the business models of Starbucks and Luckin Coffee. Which PESTEL factors favour each model?
4. "Lower coffee prices in 2026 are good news for the whole industry." Evaluate this statement from the viewpoint of farmers, roasters and consumers.

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