Companies

Business trends, risks and companies to watch in 2025

Will private credit reap benefits from deregulation, can the tech bubble keep inflating and will EV sales start to rise again?

FT reporters YESTERDAY

Financial Times reporters consider the rise of "sovereign" artificial intelligence, the prospects for electric car sales and whether the "masters of the universe" will be investing your pension savings, in our survey of business trends in the year ahead.

Technology

Trend to watch

The short history of generative artificial intelligence has been shaped by the race between a handful of companies to build the ever-powerful large language models at the heart of the technology. But in 2025, generative AI is set to move from "deeper" to "wider", as more countries — and companies — look to take control of what they see as a strategically important technology.

Under the banner of "sovereign AI", many countries have already set out to build the supercomputers and AI models that will be needed. Safeguarding their economic and national security is a major motivation. About 10 per cent of Nvidia's revenue already comes from selling chips to countries seeking to build their own AI infrastructure. That figure is likely to rise as more governments decide AI has become a technology they cannot ignore.

And as "open" AI models such as Meta's Llama become increasingly powerful, more companies are likely to devote resources to training their own models using proprietary data, widening control over generative AI in 2025.

Nvidia chief Jensen Huang © Annabelle Chih/Bloomberg

Company to watch

Elon Musk, deep in his acquisition of Twitter when ChatGPT was launched, nearly missed the generative AI boom. He has since made up for lost time, raising $12bn for his start-up xAI.

His brilliance at attracting and motivating the best engineers has turned xAI into an overnight contender already valued at $50bn. Now, thanks to his close relationship with Donald Trump and personal involvement in an initiative to reshape the US government, xAI could be well placed to play a pivotal role in the administration.

As the pioneer in generative AI, ChatGPT maker OpenAI is much further along in building out a full business around its AI models. But with a politically ascendant Musk at the helm, xAI could be the one to watch as Trump returns to the White House.

Biggest risk

It is notoriously difficult to judge exactly when a tech boom has turned into a bubble, or to predict when it will end. There is general agreement in the tech world, though, that it will be years before most of the businesses and governments that are the biggest buyers of technology have worked out how to use generative AI profitably and embed it in their day-to-day operations.

As the valuations of companies building AI infrastructure continue to soar, that has intensified the risk of a tech bust. Wall Street investors kept the faith in 2024, brushing aside a mid-year wobble on warnings that spending on infrastructure was running well ahead of demand. Whether they will do the same in 2025 is another matter.

What would be the biggest surprise?

Microsoft cementing its investment and exclusive alliance with OpenAI by buying the company outright. Andrew Ferguson, Trump's pick for Federal Trade Commission chair, has made clear that he views mergers as a valid way to pursue industrial restructuring, and that he does not want to regulate AI. However, OpenAI's ambitious chief executive, Sam Altman, has set his sights on building the next tech giant, making him unlikely to want to sell.

Richard Waters in San Diego

Private capital

Trend to watch

Private capital giants such as Blackstone, KKR and Apollo Global have long invested money for sophisticated sovereign wealth funds and endowments, but the new frontier for these "masters of the universe" is doing the same job for a very different customer base: retirement savers and individual investors.

Trump's re-election should give these powerful businesses an opening on the deregulation of the $40tn US investment marketplace, which restricts most savers from investing in illiquid assets such as leveraged buyouts. Two top officials during Trump's first term — labour secretary Eugene Scalia and Securities and Exchange Commission chair Jay Clayton — opened the window to private equity's conquest of the lucrative retirement market. Expect Wall Street's "barbarians" to storm through the gate that Trump opened.

Company to watch

Medline Industries, the Chicago-based medical parts supplier, was an unheralded family-owned company until 2021, when Blackstone, Carlyle and Hellman & Friedman bought a controlling stake for $34bn.

The deal was struck at the top of a decade-long buyout boom fuelled by low interest rates and buoyant fundraising markets. But that quickly reversed in 2022 when rates started rising. Markets for new listings and takeovers froze, making it difficult for private equity groups to sell their investments.

Medline's revenues and profits have grown since the 2021 deal and its owners are preparing the company for a public offering, according to people close to the business. If Medline is successfully absorbed by public markets in 2025 or 2026, it would support confidence that private equity firms can exit their most expensive buyouts.

Blackstone, Carlyle and Hellman & Friedman bought a controlling stake in Medline in 2021 © Thibaud Moritz/AFP via Getty Images

Biggest risk

AI could be a panacea for certain tedious financial sector jobs that involve wading through volumes of data and legalese. But it could also create challenges for the buyout industry's hottest sector over the past decade.

The boom in software company takeovers from 2014 to the present has fuelled the rise of private credit because the deals require tailored loans. Software companies generally hold few physical assets, benefiting instead from recurring subscription revenues. Ares, Blackstone and Blue Owl are among the groups that have provided specialised loans.

AI could easily make these software companies more productive, but there is also a risk that this powerful new technology means customers will no longer require their services.

What would be the biggest surprise?

The return of Trump has brought a marked optimism to Wall Street. Dealmakers say there has been an increase in takeover activity and foresee a wave of deregulation. But factors such as tariffs and the deportation of low-wage migrant workers in today's tightly wound economy could create inflation that spoils the party. A highly leveraged Wall Street has managed to absorb higher rates so far, but the spell could break if they shoot up again.

Antoine Gara in New York

Automotive

Trend to watch

Carmakers across the world came under pressure in 2024 with slowing growth in electric vehicle sales. Industry executives remain divided on whether sales will accelerate again. Some say EV rollouts were deliberately held back until after tougher emissions rules come into effect in Europe in 2025. While that would suggest more EVs will be on the road in 2025 and carmakers will cut internal combustion engine vehicles, others say consumers remain unconvinced about EV reliability and price.

Analysts estimate that EVs made up about 20 per cent of global car sales in 2024, with the biggest growth coming from China. How much more that share will expand in 2025 will depend on whether governments continue to provide subsidies, or roll them back as Trump has promised to do in the US.

Company to watch

Tesla shares have risen nearly 70 per cent since Trump won the US election, on hopes it will benefit from its chief executive becoming one of Trump's most influential advisers.

Tesla's 'Cybercab' © Allen J. Schaben/Los Angeles Times via Getty Images

But beyond investor hopes, there is less certainty about what those benefits will be. California's Democratic governor, Gavin Newsom, has indicated Tesla could miss out on lucrative tax rebates that the state is considering for EVs. With its complex supply chain and close business ties in China, Tesla is unlikely to avoid the effects of wide-ranging tariffs that Trump has threatened against goods imported to the US.

Musk has also shifted some of his attention from EVs to autonomous driving and artificial intelligence. If he makes good on his promises for Tesla's self-driving "Cybercab", this would have profound implications for the automotive industry.

Biggest risk

The biggest risk for the industry is a new round of supply chain disruption if smaller parts suppliers go bankrupt because of slow vehicle sales.

In 2024, Aston Martin blamed parts shortages for production delays, while Germany had an increasing number of insolvencies among car suppliers.

Large carmakers have quietly provided financial support for struggling suppliers to keep them afloat. But maintaining the required level of assistance may become harder as the car manufacturers come under pressure from lower sales, squeezed profit margins and the need to cut costs.

What would be the biggest surprise?

One of the biggest surprises in 2024 was the resignation of Stellantis chief Carlos Tavares following a sharp deterioration in financial performance at the world's fourth-biggest carmaker.

His successor has yet to be named. Stellantis chair John Elkann is famous for his talent-spotting abilities; he selected Sergio Marchionne from relative obscurity to run the nearly bankrupt Fiat in 2004.

There are internal candidates such as Maxime Picat, Stellantis chief purchasing officer, and Renault's chief executive Luca De Meo is often mentioned as a possibility within the industry. But considering Elkann's record, the chief executive may well be an unexpected choice.

Kana Inagaki in London

Luxury

Trend to watch

All eyes are on China, the industry growth engine that has sputtered since the end of the pandemic. A recovery in the country, either because its property market has improved or in response to government stimulus, would be a huge relief for anxious industry executives, but it is far from guaranteed.

Overall, while global luxury sales were flat in 2024 compared with 2023 — a big change after years of strong growth — researchers at Bain expect personal luxury goods in 2025 to experience their first slowdown since the 2008 financial crisis, with the exception of an early dip when Covid-19 first hit in 2020.

A Dior shop in Shanghai © Costfoto/NurPhoto via Getty Images

That means brands will have to work much harder to attract customers, and with many having already pushed the limits of price rises, they will not be able to rely on that lever to maintain momentum. More creativity, a renewed focus on entry-level products for middle-class shoppers and investment in luxury experience businesses, which are still growing, are probable avenues for the industry to try.

Company to watch

Kering has been the laggard of the big luxury groups, missing out on a good proportion of the Covid-era boom as its biggest brand Gucci fell out of favour.

As the market slows, the pressure on Kering has increased, leading to profit warnings and sharp cuts to earnings expectations. The key to much of this is fixing Gucci.

A new chief executive and creative director have been appointed with a mandate to turn the brand around. Group chief executive François-Henri Pinault has said the transition will take time, but there is pressure on the new leadership to deliver in 2025.

The stock is under pressure, down 40 per cent in 2024, and the group's second-largest brand, Saint Laurent, is also showing some signs of weakness. Some in the industry have started to wonder whether an activist could get involved.

Biggest risk

Trump looms over everything, heightening uncertainty. His re-election has brought a much greater risk of tariffs and trade wars. The president-elect has already threatened charges of up to 20 per cent on all goods coming into the US from its allies, while those from rival China could be much higher.

Most in the industry do not believe it will be targeted, but if Trump's first term showed us anything, it is that he is unpredictable and unafraid of strong-arming allies. During his first term, he implemented 25 per cent tariffs on a range of European food and drink exports.

An even bigger risk for the industry is if high tariffs on China, the world's second-largest economy, precipitate a global economic slowdown. That would make handbags and champagne much more difficult to sell.

What would be the biggest surprise?

Either a mega-deal, which is hard to achieve because of tight family control at the biggest groups, or a major generational shift in the leadership of one of the giants such as LVMH or Richemont. Some of the biggest names in the industry seem to have no plans to go anywhere soon.

Adrienne Klasa in Paris

Renewable energy

Trend to watch

A number of renewable energy groups have decided that private ownership is a better option as investor enthusiasm for the sector fades. These include ReNew, which plans to leave the Nasdaq after a disappointing share price run. In May, US utility Allete was swallowed by Global Infrastructure Partners and CPP Investments for $6.2bn, while Brookfield and Temasek have agreed to buy Paris-listed Neoen.

A wind farm in Germany © IMAGO/Wolfgang Maria Weber via Reuters

The deals reflect what some executives see as an undervaluing of the sector in public markets, as higher interest rates put pressure on returns and lure investors elsewhere. Rates are settling or coming down in many markets, but renewable share prices remain depressed. This could mean more delistings in 2025. “Sources of capital outside primary equity markets are valuing these assets differently,” said Michael Rae, fund manager at M&G Investments. “These are interesting signals that the equity market is possibly too cautious.”

Company to watch

As a major investor in green energy in the EU, US and UK, German utility RWE is a bellwether for the shift to cleaner energy. It has long had some of the most ambitious targets in the sector, aiming for a portfolio of more than 65 gigawatts of green energy by 2030. But in November it said it would reduce its spending on renewable projects in 2025.

Instead, the company said it would buy back up to €1.5bn of its shares, which have fallen about 30 per cent in 2024 to their lowest levels since early 2020. Explaining the decision, RWE noted risks including the implications of Trump’s re-election for the US offshore wind sector.

Biggest risk

Trump's return to the White House looms over the renewables sector in the US and elsewhere. On the campaign trail, he said he would end offshore wind in the US on "day one" of his presidency and halt payment of subsidies for green energy projects created under the Inflation Reduction Act. However, many experts expect his policy on the IRA will be tempered by the economic benefits it provides to Republican states.

His team also said he would take the US out of the 2015 Paris climate agreement, as he did during his first term in office. Demand for low-carbon electricity from big technology groups has been a crucial support for the sector, as have sharp falls in the cost of batteries and solar panels. Trump's threats to increase tariffs could push up the cost of key equipment in many markets.

What would be the biggest surprise?

Cuts to Russian gas supplies to Europe in the wake of Moscow's full-scale invasion of Ukraine in February 2022 boosted the case for renewables. But Trump has promised to end the war "very quickly", and the prospect of a pause in the conflict is rising.

Renewed dependence on Russian gas would be anathema to many in Europe, but analysts do not discount the prospect of higher flows. "We do believe European imports of Russian gas will increase in a postwar world purely because in the near term, Europe needs the gas," analysts at RBC said in a recent note.

Rachel Millard in London