



Education | Sustainable Investment

# 2026 Sustainable Investment Trends

Sustainability themes continue to impact the investment landscape and offer major opportunities as well as risks. In this report we highlight some of the key sustainability trends for investors to consider this year: from physical climate risk to the energy transition, AI, Health Care, Food Producers and regional markets.

January 2026

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## Introduction

Sustainability themes continue to impact the investment landscape and the next wave of investment opportunities will be driven by the economic and investment benefits these themes can deliver.

As markets evolve and against an unstable geopolitical backdrop, sustainability issues are becoming ever more important. With the physical effects of climate change already costing hundreds of billions of dollars per year, the energy transition driving a multi-trillion-dollar green economy and artificial intelligence ("AI") offering enormous opportunities as well as risks, sustainable investment will remain a key investment theme in 2026. In this report, we highlight key sustainability trends for investors to consider this year: from physical climate risk to the energy transition, AI, Health Care, Food Producers and key regional markets such as Asia.

### At a glance

- **Physical climate risk** will increasingly present rising costs and impacts on lives, livelihoods and economies. Climate adaptation and resilience, alongside transition, will be in focus for investors, corporates and governments.
- The **global energy transition**, from renewables to energy efficiency, will continue to grow rapidly. Subsidy changes in China and US will be felt, but growth is expected to continue, given underlying electricity demand, low cost and speed/scalability.
- As the **global AI data centre build out** continues, access to power remains critical. As we move into an operational "show me" period, the impact of efficiency on costs and productivity, as well as the delivery of end user process optimisation and emissions reduction, will be in increasing focus.
- **A shift to Asia** for climate and sustainability in 2026, with a focus on China's delivery of its emission-cutting pledge and the country's dominant position in the clean energy market. India will become an increasingly important 'swing factor' for the direction of climate policy.
- Beyond climate, critical areas such as **Health Care and Food Producers** have seen cost pressures, regulatory challenges and poor investment performance in recent years. As large, geopolitically essential sectors with strong exposure to demographic drivers and a lot of underlying innovation they should remain in focus for sustainable investors in 2026.

## Sustainable Investment trends in 2026 - overview

Trends	
<b>Physical Climate Risk</b> “It’s happening”	Physical climate risk is already presenting real costs and challenges to governments, corporates and investors, underlining the critical impact of climate change happening earlier than expected. With temperature anomalies now above 1.5 degrees compared to the pre-industrial level, the cost of physical climate risk remains high: it is estimated at \$220bn for 2025, with an estimated \$28.3trn of GDP at risk by 2050. This is driving a growing push for resilience and adaptation.
<b>Energy Transition</b> “It’s still happening”	The energy transition is set to continue at pace in 2026, despite geopolitical headwinds in the form of tariffs and subsidy changes. Demand for electricity is growing rapidly, with renewables (particularly solar) the main source of growth. There is also significant interest in areas such as nuclear, grid and storage infrastructure and energy efficiency. However, geographical differences are affecting the energy transition, with trade tensions and profitability challenges along the value chain affecting the pace of change. There are also some speed bumps from changing support mechanisms in 2025, which will be felt in 2026. The fossil energy market is already seeing an impact, particularly in oil demand.
<b>Asia</b> “It’s happening here”	The epicentre of current climate and sustainability activity and investment is shifting towards Asia. China’s emission cuts pledge has the potential to slow the pace of reduction in carbon emissions globally: 2025 saw the beginnings of small coal power generation cuts, but the market will be looking for more action in 2026. China continues to dominate both the clean energy generation and manufacturing sectors, has made massive strides in the electrification of transport and is seeing significant rises in green bond issuance. India is becoming the new swing factor in global emissions, with rapid economic growth and energy demand, but also an increasing renewables share and significant climate issues, ranging from urban air pollution to an increasing number of high heat days. The path India chooses to power its future economic growth is likely to have a significant impact on the global climate. Japan’s GX transition policy clearly links emissions cuts to boosting efficiency and to growth in energy security.

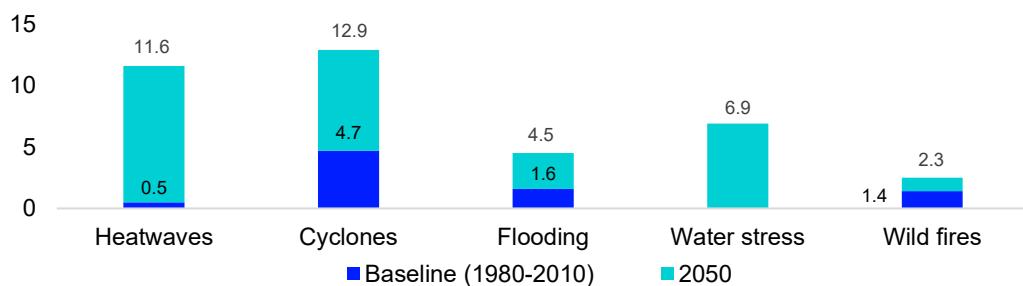
<p><b>Technology</b> <b>“A plethora of positives and negatives”</b></p>	<p>The AI and associated data centre gold rush is propelling global investment activity, with a scramble for energy and expectations of economy-wide efficiency gains. 2026 will become a year where the industry needs to deliver returns, efficiency and outcomes for users. In addition, lingering concerns around cybersecurity, governance and equity market exposure to technology will continue in 2026.</p>
<p><b>Health Care</b> <b>“Overlooked \$10 trillion SDG”</b></p>	<p>Health Care has a massive impact on both economies (costing around 10% of GDP in a world of indebted governments) and lives. It has been heavily impacted by rising costs and is seeing significant innovation (GLP1s, gene editing, AI Health Care, EM patients and producers, demographics). However, Health Care has been one of the worst-performing ICB Industries in the FTSE All-World index over 5 years and is often overlooked by both mainstream and sustainable investors.</p>
<p><b>Food Producers</b> <b>“Will food security be the new energy security?”</b></p>	<p>Food production is a multi-trillion-dollar industry, but hundreds of millions still face hunger. Food price inflation has outstripped broader inflation measures and food security is becoming an increasingly important geopolitical risk factor. The combined impact of biodiversity, climate change, demographics and urbanisation could propel the topic to the forefront in 2026.</p>

## Physical Climate Risk – it's happening

The increasing evidence of accelerating physical climate risk continues to underscore the systemic impact of climate change.

Global temperature anomalies are already over 1.5 degrees<sup>1</sup> and physical climate risk presents significant costs to the global economy (an estimated \$220bn<sup>2</sup> in 2025, albeit below the 2024 figure). In 2025 alone there have been wildfires in US and Europe, flooding in Pakistan and South Africa, heatwaves in India and hurricanes and cyclones across the Americas and Asia. The summer heatwave in Europe is estimated to have cost ~0.5% of GDP<sup>3</sup>, a material figure in a time of slow growth.

**Figure 1: GDP facing high exposure to physical climate hazards (\$ trillion)**



Source: [COP30 Net Zero Atlas | LSEG](#).

An estimated 839 million people and \$28.3trn of GDP are at risk from physical climate impacts by 2050<sup>4</sup>. The risk comes from multiple sources, be it heatwaves, cyclones or water stress. These risks will increasingly manifest in highly populated areas and major cities, placing additional costs on already highly indebted governments. In a world searching for an economic growth, heatwaves will negatively impact productivity. Ageing infrastructure is already being impacted by weather issues: examples are low water levels in the Panama Canal in 2023 or heat waves impacting power grids<sup>5</sup>. This increases the infrastructure deficit in both developed and emerging markets and raises the costs of closing it. Increasingly, investors will need to pay attention to the potential impact of physical risks across a range of asset classes: the impact of wildfires on Los Angeles municipal bonds is a recent example. Our latest sustainable investor asset owner survey<sup>6</sup> found that 85% of respondents rated climate concerns at 7 out of 10 or higher, while 80% of respondents now incorporate climate or sustainability considerations (often via indices) into their strategic asset allocation.

Growing physical climate risk (and a growing investor focus on it) are also increasing interest in adaptation, long the poor cousin to transition. 34% of large and medium corporates state they are incorporating adaptation measures into their climate transition plans. A third of green bonds have some form of adaptation in their use of proceeds. It is also stimulating the growth of the already \$1 trillion adaptation solutions market. Adaptation in emerging markets will also be a key area, given the severity of physical impacts already

<sup>1</sup> On a 1 year average since pre-industrial era. [Climate Pulse - Near real-time updates of global climate variables](#)

<sup>2</sup> 2025 marks sixth year insured natural catastrophe losses exceed USD 100 billion, finds Swiss Re Institute | Swiss Re

<sup>3</sup> Microsoft Word - 2025\_06\_20\_Heatwaves\_EconImplications.docx

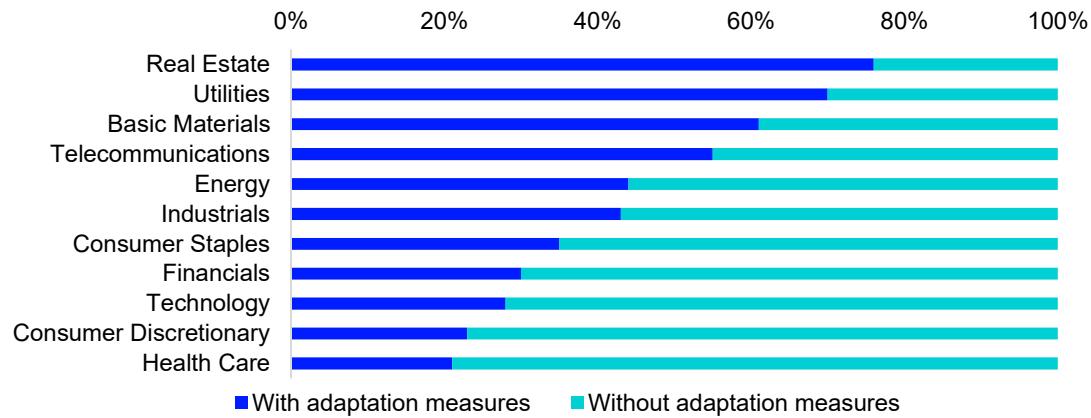
<sup>4</sup> COP30 Net Zero Atlas | LSEG

<sup>5</sup> Heat and power: impacts of the 2025 heatwave in Europe | Ember

<sup>6</sup> FTSE Russell's 8th Annual Sustainable Investment Asset Owner Survey 2025 | LSEG

being seen there and the commitment in COP30 to triple the funding of support for adaptation measures.

**Figure 2: Share of FTSE All World constituents citing adaptation measures in their corporate disclosures**



Source: [Adaptation solutions: The investment opportunity in climate resilience | LSEG](#).

European regulators are also compelling financial institutions to consider climate adaptation and resilience, despite some roll-back of similar climate disclosure requirements in the US. The latest Climate Financial Risk Forum (CFRF) guidance<sup>7</sup> from the Bank of England and Financial Conduct Authority (FCA) emphasises that physical climate risks are now financially material, requiring firms to move from high-level strategies to operational resilience. Climate resilience is shifting from a compliance issue to a value driver. Practical frameworks and scenario analysis will increasingly be used to allocate capital to resilience-enhancing assets and to position better for long-term stability and regulatory alignment.

With growing physical climate risk manifesting itself across the global economy, climate considerations are now integral to the financial markets--whether it's investing in transition, adaptation, building new infrastructure or increasing insurance.

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<sup>7</sup> [From Risk to Resilience: Integrating Adaptation into Finance Climate Financial Risk Forum \(CFRF\) | FCA](#)

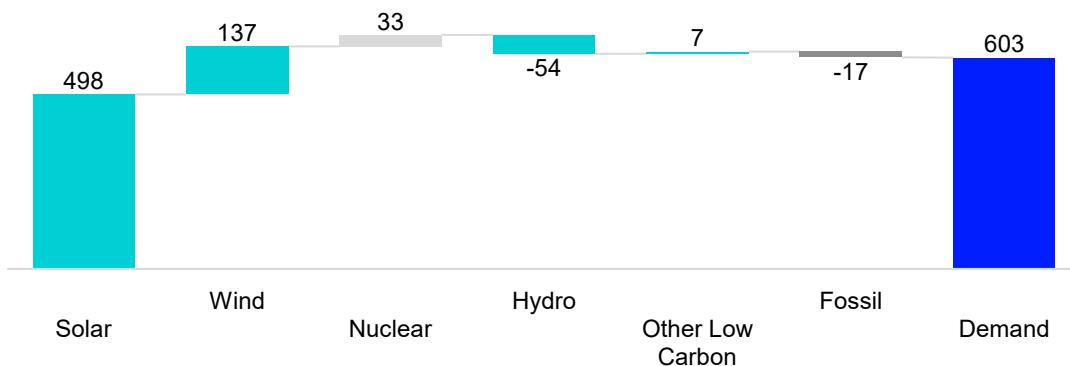
## Energy Transition – still happening

The global energy transition is continuing to progress at pace, despite geopolitical headwinds and changes in carbon emissions so far not hitting the rates required for a net zero trajectory.

2025 has been another year of strong growth in the production of renewable energy, with the first 3 quarters adding 621 terawatt hours (TWh). This increase was dominated by solar and outpaced total energy demand growth of 603 TWh, while fossil fuel generation saw a slight contraction of 17 TWh<sup>8</sup>. These trends are expected to continue in 2026, underpinned by a continued electrification of energy demand and the low cost, scalability and energy security benefits of renewables, over and above any environmental benefits.

Between 2025-2030 global renewable power capacity is projected to increase by 4,600 GW, equal to the installed capacity of China, EU and Japan, with around 80% of this total coming from solar PV<sup>9</sup>. Global electricity demand is expected to grow by ~3.7% in 2026, faster than GDP and ~twice as fast as overall energy demand, driven by AI, electrified transport, industrials and heat/cooling demand<sup>10</sup>.

**Figure 3: Changes in electricity generation by technology and demand, Q1-Q3 2025 vs 2024 (TWh)**



Source: [Q3 Global Power Report: No fossil fuel growth expected in 2025 | Ember](#).

However, it is important to keep in mind factors which may create a speed bump in 2026. The phasing out of renewables subsidies by the US in late 2025 brought forward demand, which will likely weaken in 2026. China removed its renewable energy feed-in tariff scheme in June 2025 and introduced so-called “anti-involution” measures to combat the current weak profitability in Chinese new <sup>11</sup><sup>12</sup>energy companies (a result of overcapacity, intense competition and aggressive price-cutting). However, these developments are expected to be balanced out by growth elsewhere, such as increased renewables demand from emerging market countries or regions such as India, ASEAN or Africa, driven by low cost,

<sup>8</sup> [Q3 Global Power Report: No fossil fuel growth expected in 2025 | Ember](#)

<sup>9</sup> [Renewable electricity – Renewables 2025 – Analysis - IEA](#)

<sup>10</sup> [Demand: Global electricity use to grow strongly in 2025 and 2026 – Electricity Mid-Year Update 2025 – Analysis - IEA](#)

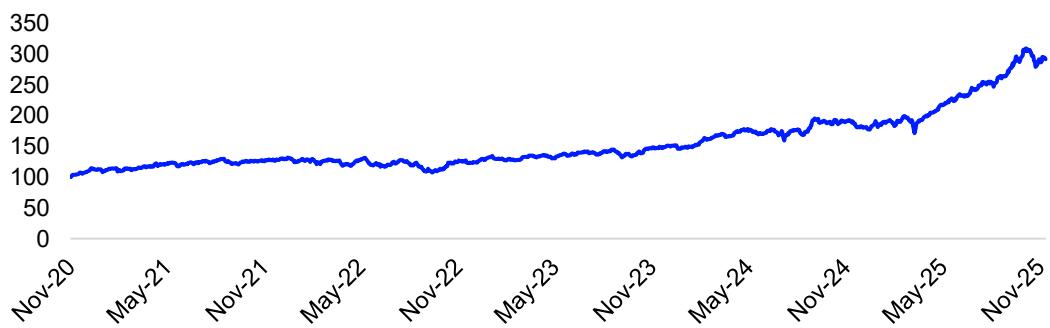
<sup>11</sup> [Renewable additions in 2025 are once again expected to surge, putting tripling within reach | Ember](#)

<sup>12</sup> [China's Energy Chief Promises to Curb Solar Sector Price War](#)

scalability and energy security. The net change in the IEA's estimate for 2025-30 renewable energy growth from 2024 to 2025 is only down 5%, a relatively small change in the context of the overall predicted rise.

Despite the spectacular performance of solar (an estimated 626GW of new solar capacity in 2025, 4 times that installed in 2021 and equivalent to around half of all generation capacity in the US<sup>13</sup>), other technologies and investment areas are gaining in focus. Nuclear power is attracting interest from big tech as a source of data centre power, there are plans to restart reactors in Japan and the US and there is excitement about the potential for new nuclear technologies such as Small Modular Reactors (SMR): 127 SMR technologies<sup>14</sup> are<sup>14</sup> and some are expected to be in commercial operation in the next 5 years. Investor interest in nuclear is increasing with the FTSE Global Nuclear Power Index<sup>15</sup> returning 63% in 2025, twice the return of the FTSE All World Technology industry. Power grid and storage investment of \$479bn in 2025<sup>16</sup> will need to more or less double by 2030 (to around \$900bn) to cope with increased demand, the integration of renewable energy and grid instability.

**Figure 4: FTSE Global Nuclear Power Index 5yr performance (rebased, USD total return)**



Source: FTSE Global Nuclear Power Index, data as at December 10, 2025. Past performance is not a guide to future returns. Please see the end for important legal disclosures.

Clean energy is also having an impact on traditional fossil fuel markets, such as oil. Electric vehicles reduced oil demand by ~1.3m barrels per day (bpd) in 2024, with the oil displacement from EVs expected to rise to 5m bpd<sup>17</sup> by 2030. This is having an important impact on currently weak oil demand and is raising concerns of a global oversupply.

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<sup>13</sup> International - U.S. Energy Information Administration (EIA)

<sup>14</sup> Nuclear Energy Agency (NEA) - The NEA Small Modular Reactor Dashboard: Third Edition

<sup>15</sup> FTSE Thematic Index Series | LSEG

<sup>16</sup> World Energy Investment 2025 – Analysis - IEA

<sup>17</sup> Global EV Outlook 2025 – Analysis - IEA

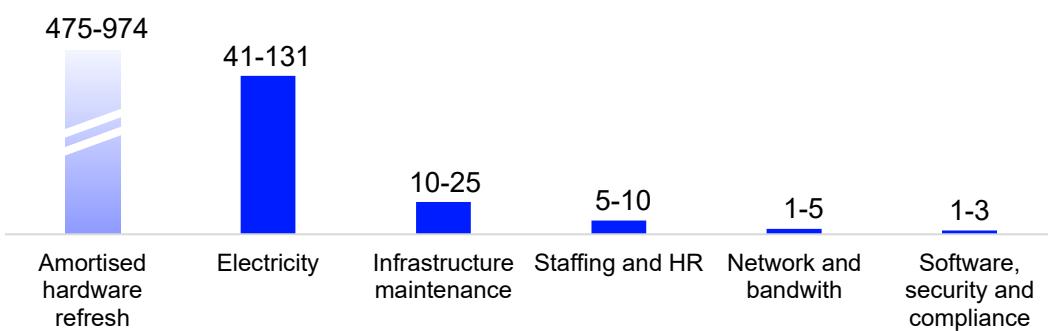
## Technology – plethora of positives and negatives

Artificial intelligence is the defining trend of the moment, dominating capital expenditure (capex), energy demand and financial market focus. In the US, AI-related capex recently accounted for around 5% of GDP<sup>18</sup>. Global AI-related capex is expected to grow from \$1.5 trillion in 2025 to \$2.0 trillion in 2026<sup>19</sup>.

This comes with significant additional energy and water demands, with the Lawrence Berkley National Laboratory estimating that data centres consumed 4.4% of electricity in the US, a figure that is forecast to grow to 12% by 2028<sup>20</sup>. However, the actual carbon emissions from AI searches can vary dramatically between model, data centre, local grid and the time of day. Chip efficiencies are improving rapidly and tech companies are big buyers of renewable and nuclear power.

A recent US study<sup>20</sup> found that the carbon intensity of electricity used by data centres was 48% higher than the US average, partly because data centres are clustered in places with dirtier grids. Looking ahead to 2026 and as data centre building continues, access to power is an increasingly critical focus for new projects. This will benefit both the most efficient data centres and renewable energy, particularly solar and storage, due to their low cost, speed and scalability of building. There is also an increasing focus on the potential returns of AI data centres. With energy and cooling one of the largest elements of operational expenditure (opex)<sup>21</sup> the need for efficiency throughout the AI and data centre value chains will only increase, both for emissions and cost/return reasons. As such, the continuing AI data centre build should boost demand for efficient IT products and low-carbon electricity.

**Figure 5: Estimated opex of a 100MW data centre (\$mn pa)**



Source: [Deconstructing the Data Center: A Look at the Cost Structure Igniting the AI Boom!](#)

On the flip side to the concerns around the energy demands and associated emissions is the potential for AI applications to reduce emissions and solve sustainability challenges. A recent study finds that AI could reduce global emissions annually by 3.2 to 5.4 billion tonnes of CO<sub>2</sub> (or equivalent) by 2035<sup>22</sup>. If the solutions--which range from improving grid

<sup>18</sup> [Beyond the Bubble: Why AI Infrastructure Will Compound Long after the Hype | KKR](#)

<sup>19</sup> [The AI-energy nexus will dictate AI's future. Here's why | World Economic Forum](#)

<sup>20</sup> [We did the math on AI's energy footprint. Here's the story you haven't heard. | MIT Technology Review](#)

<sup>21</sup> [Deconstructing the Data Center: A Look at the Cost Structure Igniting the AI Boom!](#)

<sup>22</sup> [New study finds AI could reduce global emissions annually by 3.2 to 5.4 billion tonnes of carbon-dioxide-equivalent by 2035 - Grantham Research Institute on climate change and the environment](#)

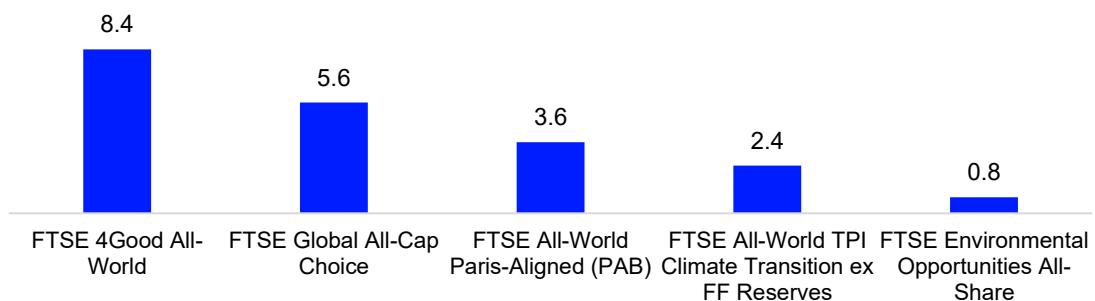
management to optimising processes for higher efficiency--are widely applied across geographies and industries, then emissions reductions could outweigh the additional power consumption from AI. There are also additional sustainability benefits which could come from advanced weather forecasting, improved SI data or accelerated drug development. 2026 will be a "show me" year for AI: it must demonstrate that it can manage power demands, efficiency, returns and deliver on the promised productivity benefits and emissions reductions.

Whilst AI remains in focus, other aspects of technology should not be overlooked by the sustainable investor in 2026.

Cybersecurity risks are growing and cyberattacks are increasing in number and becoming more sophisticated. The potential costs of cybercrime are estimated to be as high as \$10.5 trillion<sup>23</sup>, with significant impacts on consumers, corporates and governments.

Governance is increasingly complex for large technology companies, with multiple regulatory fines of over \$1bn in 2024/25<sup>24</sup>. Whilst such fines have so far had limited impact on the large free cash flows of big tech companies, they can have an impact on investors' controversial conduct screens. Indeed, some tech companies already fail UN Global compact human rights rules due to their implementation of governments' internet restrictions. Investors should keep an eye out for increasing geopolitical tensions and new challenges such as the debate over copyright in AI.

**Figure 6: Active weight in ICB Technology for selected global SI indices (%)**



Source: FTSE Russell. Data as at September 30, 2025. Past performance is not a guide to future returns. Please see the end for important legal disclosures.

A final risk for sustainable investors to be aware of is the exposure of sustainable investment funds to the tech sector. The sector has surged in performance over the last 5 years and sustainable investment funds can be overweight due to the sector's strong ESG scores and low carbon intensity. FTSE Russell global sustainable investment indices are between 1-8% overweight in technology stocks compared to market capitalisation-weighted benchmarks and any tech underperformance, as seen in 2022, could be painful.

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<sup>23</sup> [Cybercrime 2025: \\$10.5T Losses & Shocking New Statistics](#)

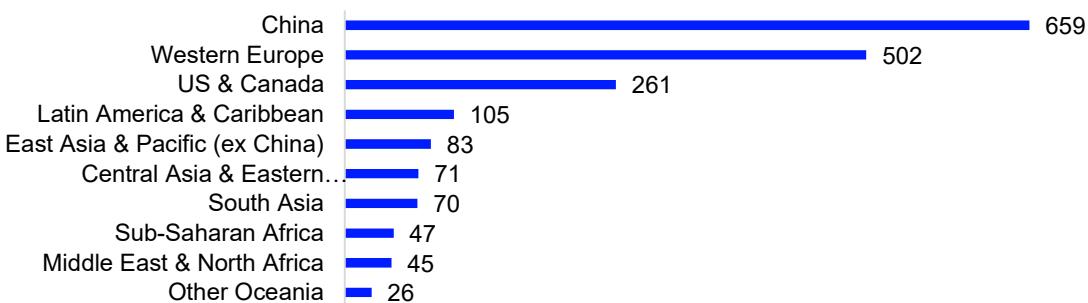
<sup>24</sup> [Big Tech fines tracker | Proton](#)

## Asia – it's happening here

The epicentre for climate and sustainability activity is shifting to Asia, despite the region being a small part of the currently measured sustainable investment fund market.

It is responsible for around 60% of global carbon emissions<sup>25</sup> but is also home to the largest climate finance flows (43%)<sup>26</sup> and the majority of both the manufacturing and the installations and sales of renewable energy<sup>27</sup> and electric vehicles<sup>28</sup>. Asia also faces some of the largest physical risks from climate change, with heatwaves in India, flooding in Bangladesh and cyclones in China. South Asia is also experiencing severe air pollution issues in urban areas, similar to those experienced by China in the early 2000s, which had a direct influence on the country's shift towards a leading global position in clean energy.

**Figure 7: Climate finance flows by region (2023, \$bn)**



Source: [Global Landscape of Climate Finance 2025 - CPI](#).

China is key to the Asian market. Whilst it is the world's largest carbon emitter, the country's rate of emissions growth has started to reduce and the recent NDC3.0 pledge, shortly before COP30, of a 7-10% emissions cut from peak levels by 2035 has the potential to materially alter the direction of emissions globally. China is also the dominant player in the global clean energy market<sup>29</sup>. In 2024 it produced 4 out of 5 solar panels and batteries, two thirds of electric vehicles and over half of heat pumps globally<sup>30</sup>. Its exports are now over \$20bn per month and they have particularly grown to the emerging markets, stimulating growth in renewables and EVs in these markets.

The huge capacity China has built up in clean energy, which is already sufficient to produce sufficient solar panels by 2030 to meet a 1.5 degree temperature rise trajectory, has also driven the dramatic price reductions in the renewables market. Across the solar, wind and batteries segments, prices have fallen by between 60% and 90% and in 2024 91% of the new solar and wind projects commissioned were cheaper than the cheapest available fossil fuel alternative<sup>31</sup>.

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<sup>25</sup> Annual CO<sub>2</sub> emissions by world region

<sup>26</sup> Global Landscape of Climate Finance 2025 - CPI

<sup>27</sup> Renewables 2025 – Analysis - IEA

<sup>28</sup> Global EV Outlook 2025 – Analysis - IEA

<sup>29</sup> Tracking China's clean energy export dominance in seven charts | Reuters

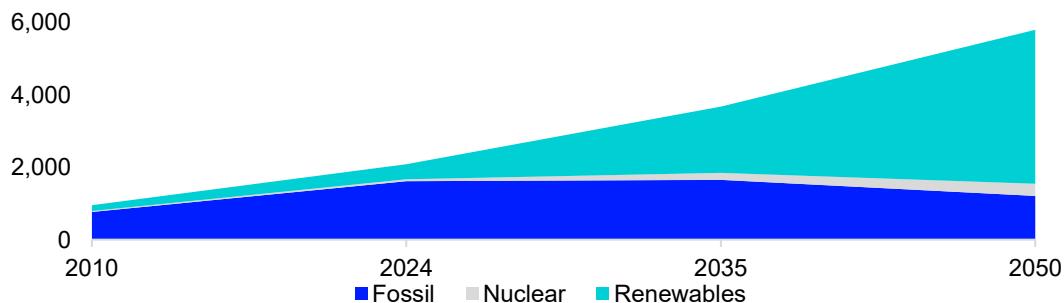
<sup>30</sup> China Energy Transition Review 2025 | Ember

<sup>31</sup> 91% of New Renewable Projects Now Cheaper Than Fossil Fuels Alternatives

This cost advantage will be critical going into 2026 and an increasing portion of the renewables market will shift from subsidies/feed-in tariffs to more price-sensitive auction and private contracts, including in China itself. However, the intense competition and falling prices have significantly impacted the profitability of Chinese renewable energy manufacturers, with solar producers operating at a loss in 2025. China's anti-involution measures in 2026 are aimed at reducing the intensity of competition, which may slow price cuts but be positive for the returns of companies in the sector. China is also the biggest domestic market for clean energy products: EVs were 52% of new vehicle sales in August 2025 and in H1 2025 China installed twice as many solar panels as the rest of the world combined<sup>32</sup>.

India is also becoming the potential new swing factor in global emissions. As the world's most populous country, whilst it has relatively low emissions per capita it is also ranked third by total emissions. With a combination of rapid economic growth, increasing access to electricity and the increasing use of air conditioning (at least in part due to physical climate change) India is expected to see the largest energy demand growth to 2035<sup>33</sup>. With 78% of electricity generation currently coming from fossil fuels<sup>34</sup> and the country estimated to be the largest source of oil demand (and the second largest for coal) by 2035, India will have a major impact on global emissions. However, India has pledged to achieve net zero emissions by 2070 and had installed 200GW of renewable energy by the end of 2024 (with a target of 500GW by 2030), when it is estimated it could make up to 40% of electricity generation<sup>35</sup>. Coal is making up a smaller part of India's overall electricity demand growth and even saw a small fall in H1 2025. The country is also planning to implement a carbon market for selected industries in 2026 and has plans to grow both nuclear power and biofuels. Whichever path India takes to power its growth--fossil energy or clean energy--the country is likely to have a significant impact on the global climate.

**Figure 8: Indian electricity generation by source (TWh)**



Source: [World Energy Outlook 2025 – Analysis - IEA](#); Stated Policies Scenario.

Important sustainability-related activity is also happening in other Asian countries. Japan is implementing an often overlooked (but very large, estimated at around \$1trn) GX energy transition plan to reduce emissions, stimulate green innovation, boost industrial competitiveness through increased efficiency and improve energy security<sup>36</sup>. Singapore is also developing itself as a centre for sustainable investment with new climate disclosure rules and growing green revenues<sup>37</sup>.

<sup>32</sup> [China's clean technology exports hit record high in August, reaching \\$20bn | Ember](#)

<sup>33</sup> [World Energy Outlook 2025 – Analysis - IEA](#)

<sup>34</sup> [India | Ember](#)

<sup>35</sup> [2030 Global Renewable Target Tracker | Ember](#)

<sup>36</sup> [Japan's \\$1trn bet on the climate transition | LSEG](#)

<sup>37</sup> [Why sustainable equity investors should pay close attention to Singapore | LSEG](#)

## Beyond climate: large SDGs, on which millions of lives depend, are seeing change and opportunity

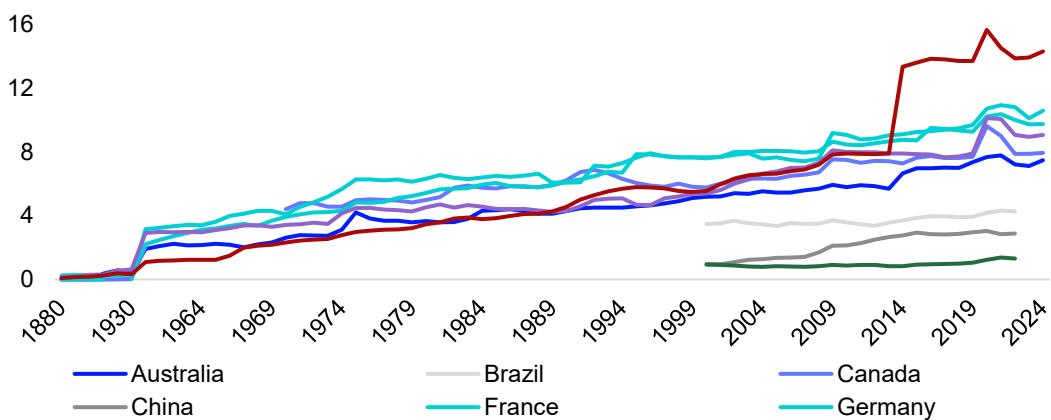
The Health Care and Food Producers sectors are not just essential—they are transformative for populations and economies. For investors aligning with Sustainable Development Goals (SDGs), the challenge is to capture upside from innovation while hedging systemic risks from inflation, inequality and climate volatility.

### Health Care: a defensive sector under pressure, but poised for transformation

Global Health Care, estimated at \$10 trillion<sup>38</sup>, is larger than the green economy in terms of global market size, but it has been the third worst performing ICB Industry over the last 5 years. The sector continues to see numerous headwinds, such as pricing pressure, regulatory uncertainty and profitability challenges in hospitals and care. However, multiple sources of innovation provide opportunities and demographics make it an increasingly important sector for the economy, investors and people's lives.

**Cost Inflation and Fiscal Strain<sup>39</sup>:** Health Care spending accounts for a major share of government budgets--around 10% of GDP globally--and is seeing rapid inflation. Indebted governments face mounting pressure to contain spending, creating opportunities for cost-saving technologies such as telehealth and AI-driven diagnostics.

**Figure 9: Public Health Care spending as % of GDP**



Source: [Healthcare Spending - Our World in Data](#).

**Access and Equity Challenges:** The rising cost of living and unequal access to care remain systemic risks, particularly in emerging markets (EM). These dynamics are catalysing demand for generics and low-cost delivery models.

**Geographic Growth Drivers:** Emerging Market demand is accelerating, supported by China's Health Care expansion and rising middle-class consumption. Health security

<sup>38</sup> [Health spending takes up 10% of global GDP. Can tech reduce those costs – and improve lives? | World Economic Forum](#)

<sup>39</sup> [Health insurance costs to surge over 10% in 2026: WTW | Insurance Business](#)

concerns post-pandemic have reinforced investment in resilient supply chains and domestic production. India and China are the leading producers of generic drugs and active ingredients<sup>40</sup> on which global Health Care relies, and they are increasingly important in drug discovery. Globalisation pressures could raise issues of "health security"<sup>41</sup>.

#### **Innovation Tailwinds:**

**GLP-1 Drugs:** One in eight adults in the US has used GLP-1 therapies for diabetes or obesity<sup>42</sup>. The market is projected to exceed \$130 billion by 2030, with key patents starting to expire in 2026<sup>43</sup>, paving the way for generics and oral formulations that could democratise access.

**AI in Drug Discovery:** Over \$60 billion has flowed into AI-driven biotech. While no AI-discovered drug has yet received FDA approval, the technology is shortening R&D cycles as well as speeding up diagnosis<sup>44</sup>.

**Gene Therapies:** The global gene therapy market is growing rapidly. Despite high costs and regulatory complexity, approvals are accelerating, including CRISPR-based treatments for rare diseases.

**Digital Health and Telemedicine:** Driven by cost and capacity issues, telehealth adoption and remote monitoring are expanding, creating investable opportunities in platforms, cybersecurity and data analytics.

#### **Food Producers: essential, underperforming and facing structural shocks**

Global food and agriculture is a multi-trillion-dollar market, yet millions remain food insecure. It is at the epicentre of the challenges presented by physical climate change, water stress and nature/biodiversity. It is also a key element of the economic cost of living crisis, with food inflation running at twice that of CPI<sup>45</sup>. These pressures, which are not expected to significantly abate in 2026, have made Consumer Staples the worst-performing ICB Industry over 5 years. However, innovation, which is often sustainability-related, as well as the sector's geopolitically essential nature, create opportunities.

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<sup>40</sup> [How India took over the global medicine market | TBIJ](#)

<sup>41</sup> [Pharmaceuticals are China's next trade weapon - Atlantic Council](#)

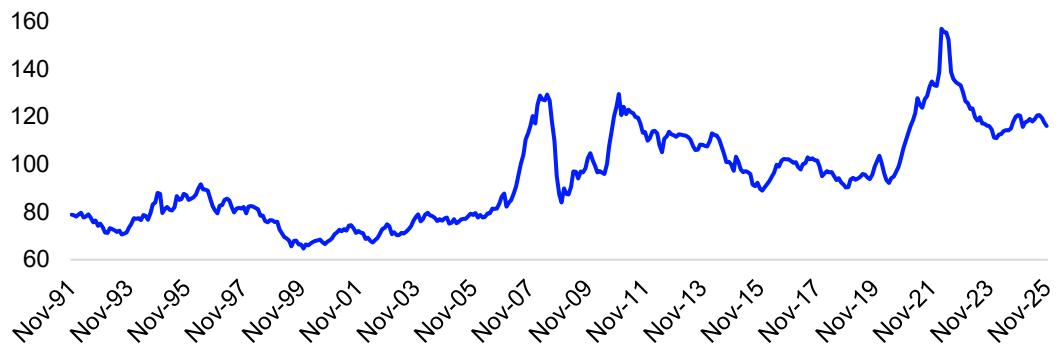
<sup>42</sup> [3 Ways GLP-1 Drugs Could Impact Your Hospital's Future | AHA](#)

<sup>43</sup> [Sandoz sees unbranded versions of Ozempic launching in Canada by end-June 2026 | Reuters](#)

<sup>44</sup> [AI in Drug Development Statistics 2025: The \\$60 Billion Reality vs. Hype Analysis](#)

<sup>45</sup> [The State of Food Security and Nutrition in the World \(SOFI\) Report | World Food Programme](#)

**Figure 10: FAO Global real food price index**



Source: [FAO Food Price Index | Food and Agriculture Organization of the United Nations](#).

**Food Inflation and Security:** Climate volatility, geopolitical tensions and fertilizer/fuel price shocks are driving systemic risk. Nearly 300 million people face acute hunger, while food inflation erodes purchasing power and shifts diets toward lower-quality calories.

**Climate and Water Stress:** Agriculture accounts for 70% of global freshwater withdrawals. Water scarcity and extreme weather could cut staple crop yields by up to 7% per degree of warming, creating ripple effects across supply chains and financial markets<sup>46,47</sup>.

**Technology Disruption:** Agri-tech (biologicals, precision and data driven farming), food tech (AI-driven supply chains, alternative proteins), water-resilient agriculture, circular economy models (waste-to-value) and sustainable packaging<sup>48,49</sup> are all disruptive forces.

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<sup>46</sup> [Fact sheet - Food and Water](#)

<sup>47</sup> [Food, Water, and Climate Change](#)

<sup>48</sup> [Where Food-Tech Investment Is Heading in 2025: AI, Biotech, and Circular Value % - OPUS International - Food Science Recruiters](#)

<sup>49</sup> [The state of foodtech in 2025: investment opportunities and key risks | Vestbee](#)

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