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Worldwide, Swiss companies invest most in research and development

- ▶ **On average, Swiss companies invest 6.6 percent of revenue in research and development, making them world leaders in terms of investment**
- ▶ **Eleven of the world's 500 largest investors in R&D, are based in Switzerland, including Nestlé and ABB**
- ▶ **Compared to other industries, pharmaceutical companies invest the most, among them Roche and Novartis**
- ▶ **US companies have the largest R&D budgets – seven of the Top 10 come from the US**

ZURICH, 16 AUGUST 2018 – Large corporations around the world boosted their innovation budgets considerably in the last year. The world's largest R&D investors increased expenditures by six percent (EUR 532 billion total) in 2017 for R&D. A majority of the companies (65 percent) invested more than they had in 2016.

The top US corporations in particular ramped up their investments substantially. The 127 US companies that made the ranking increased their R&D expenditure by eleven percent. The main reason for this substantial increase is the US IT companies' propensity to invest: Amazon thus increased its innovation expenditures by 41 percent to the equivalent of EUR 20.1 billion and, as in the previous year, ranks first for companies with the highest innovation budgets worldwide. Alphabet, Google's parent company, once again took second place by investing EUR 14.8 billion in R&D, placing it ahead of Samsung (EUR 13.1 billion) and Intel (EUR 11.6 billion).

Apart from IT giants, the other main contenders for the top 10 are pharmaceutical companies: Roche, Johnson & Johnson and Merck & Co. The only traditional industrial company in the ranking is Volkswagen, which comes in fifth place. The German car

maker is also Europe's largest R&D investor, spending EUR 11.6 billion on this area. These are the results of a study conducted by the audit and advisory company EY, which examined the top 500 listed companies with the largest R&D budgets.

Digitization increases pressure

"Around the world, investment in research and development is rising, as rapid technological progress, ever-shorter product cycles and rapidly changing consumer demands increase the pressure on companies to innovate," says Marcel Stalder, CEO of EY in Switzerland. However, Stalder admits that increased spending on innovation does not necessarily lead to an actual rise in the strength of innovation or groundbreaking new products. He adds: "We see the future of R&D in closer collaborations between ecosystems and networks and the use of big data and collective intelligence in companies. Another critical factor for the success of innovation is a corporate culture that values innovation and allows for failure."

Swiss companies with the most R&D intensity

In terms of "R&D intensity", which is expressed as the average ratio of expenditure on R&D to total revenue, Switzerland is in first place, followed by the USA, Sweden, Germany, the UK, Taiwan, Japan, France, China and South Korea. In the 2017 financial year, the average ratio of expenditure on R&D to revenue accounted for 6.6 percent of the Swiss companies in the study (in 2016 it was 7.1 percent). On the one hand, the high R&D intensity of Swiss companies is a positive development: it firmly establishes Switzerland as a centre of innovation and shows that Swiss companies realized at an early stage how important innovation is for long-term international competitiveness and higher margins. On the other hand, however, the results of the study make it clear that Swiss companies are under huge pressure, particularly from internationally oriented Chinese companies, which are rapidly evolving into players that must be taken seriously in the global markets.

Eleven of the world's 500 largest R&D investors in this study come from Switzerland: Roche (ranked 8 out of 500), Novartis (12), Nestlé (89), ABB (113), STMicroelectronics (115), TE Connectivity (174), Swisscom (266), Swatch (299), Schindler (336), LafargeHolcim (377) and Compagnie Financière Richemont SA (380). In 2017, they invested a total of EUR 23 billion in research and development.

Swiss and global pharmaceutical industry invest the most

Of the EUR 23 billion invested, Roche accounted for approximately EUR 10.2 billion and Novartis for approximately EUR 8 billion. This is not surprising, given an industry comparison that shows pharmaceutical corporations continue to report by far the highest rates of R&D: last year, the 29 pharmaceutical corporations listed in the ranking invested a total of EUR 110 billion in developing new products and active ingredients. This corresponds to 16.3 percent of total revenue. The "IT/Digital", "Healthcare", "Automotive" and "Media management/Entertainment" industries also report a high R&D intensity. "While the pharmaceutical companies' high level of R&D investment can be explained by the amount they spend on developing new medications, it also shows that the pharmaceutical industry may quite simply be the economic sector that has clearly recognised that major advances cannot be expected without innovation," says Paolo Prisco, EY Managing Partner Life Sciences in Switzerland.

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