



OCO GLOBAL

**GLOBAL  
OUTLOOK 2024**

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JANUARY 2024

# LOOKING BACK AT OUR 2023 PREDICTIONS



## Big Tech and hyped Battery Players will hit reality

✓ Almost 250,000 tech job losses worldwide. Momentum for tech growth has been slow and companies are moving from a growth mindset to one based on efficiency

✗ Battery investment is booming as countries get serious about incentives

## Talent Challenge will persist

✓ Our 2023 Global Innovation survey showed talent remains a top 5 challenge for IPA's around the world

✓ Near full employment has increased the pressure on recruitment and retention

## A big drive to shift to automation in 2023

✓ The phenomenal growth of generative AI has brought automation into the workplace

✓ Industrial robot installations continue to grow with a record 553,052 installations in 2022, and higher growth forecast for 2023 onwards

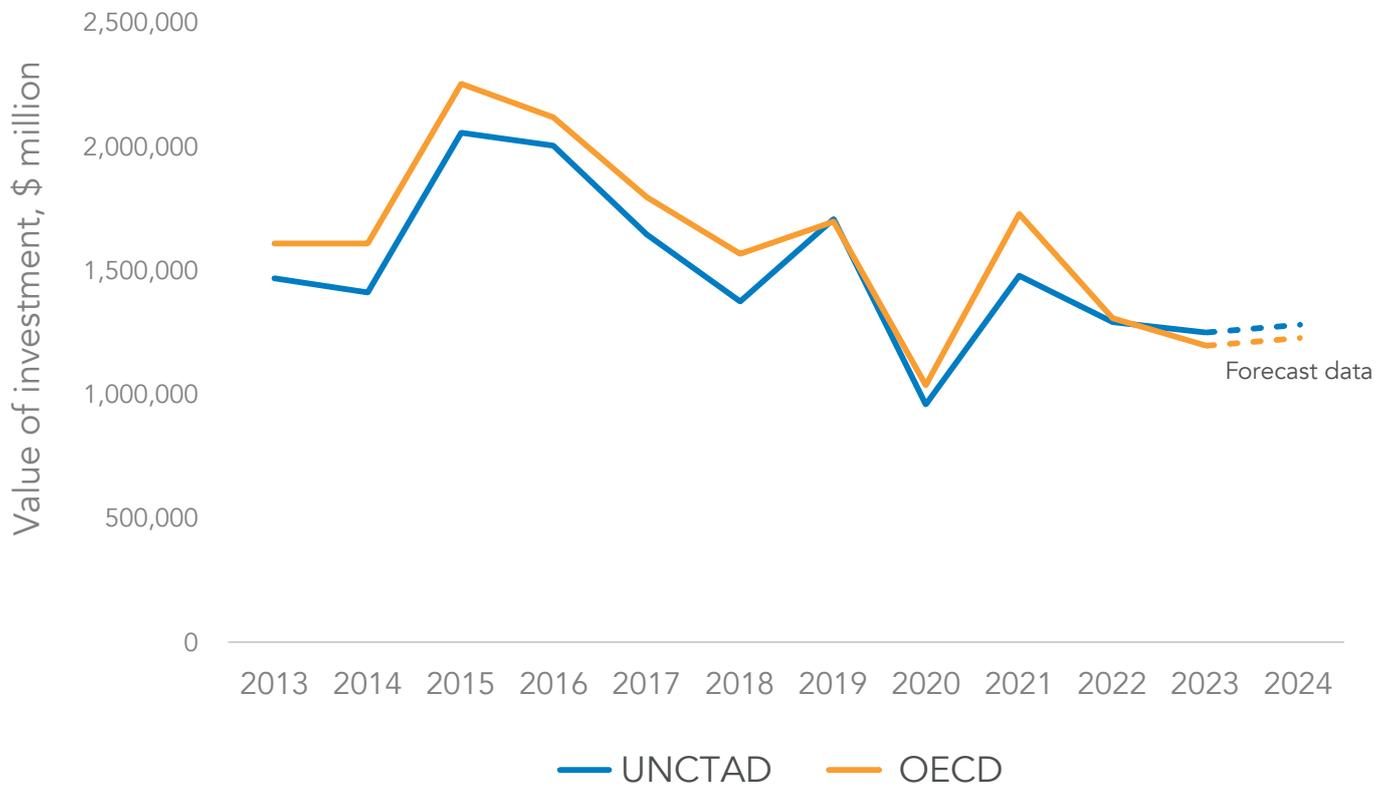
## Uncertainty is here to stay

✓ Easing supply chain pressures were replaced by high inflation and interest rates

✓ 2023 was a year of increasing conflicts and extreme weather events

# TOTAL GLOBAL INVESTMENT HAS FALLEN BACK IN 2023, WITH A SMALL RECOVERY FORECAST FOR 2024

Global investment 2013 - 2023



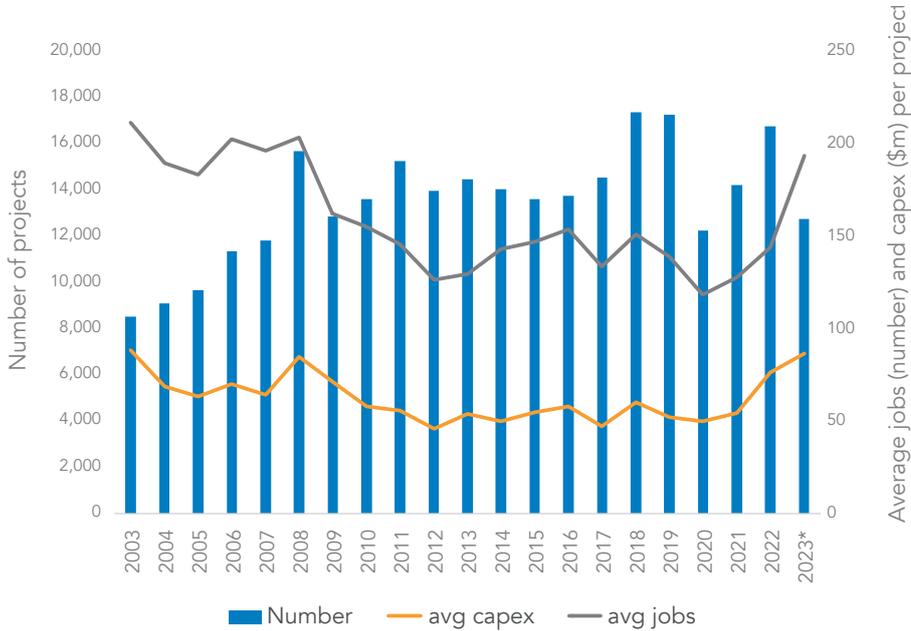
2021	2022	2023	2024
Rebound in 2021	Global investment fell in 2022, mainly due to overlapping crises – war, high food and energy prices, and soaring public debt	Available data for 2023 suggests levels of investment will have decreased further	A small recovery is forecast for 2024

Concern that declining investment is negatively impacting Sustainable Development Goals in developing countries (e.g. developing countries need renewable energy investments of about \$1.7 trillion each year but attracted only \$544 billion in clean energy FDI in 2022).

NOTE: Global investment in this graph covers both cross border M&A and greenfield FDI  
Sources: UNCTAD World Investment Report July 2023, OECD Foreign Direct Investment in Figures October 2023

# VOLUME OF GREENFIELD FDI PROJECTS REMAINS IN DECLINE, BUT THEIR SIZE IS INCREASING

Greenfield FDI projects 2003 to October 2023



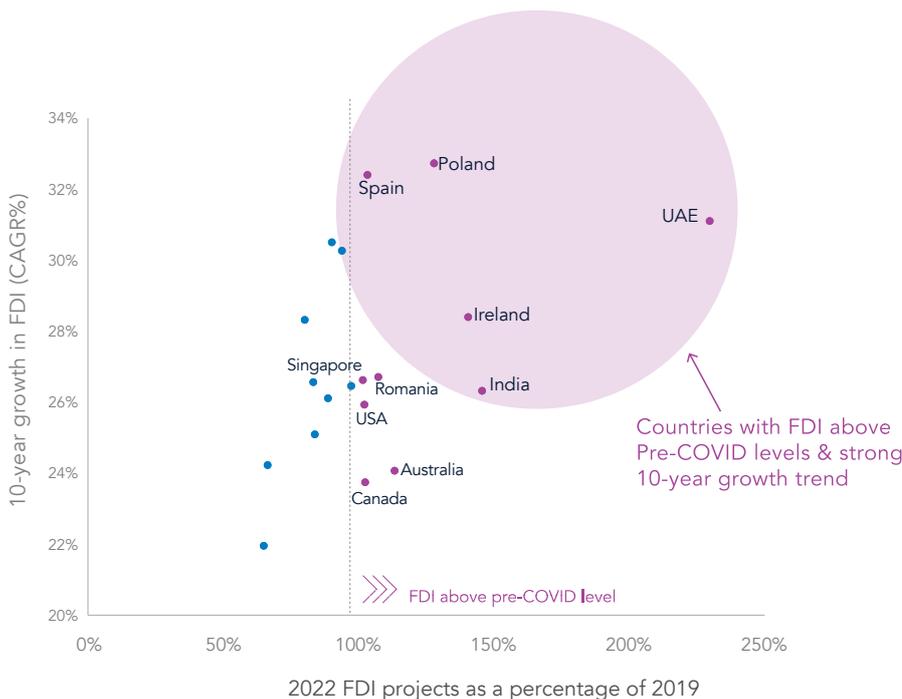
## OVERVIEW

- 2023 is unlikely to match the strong performance of 2022, and greenfield FDI remains behind the ten-year average prior to the global slowdown
- But projects in 2023 are larger, with average capex and average jobs per project the highest since 2008
- This is driven by large renewable energy projects and supply chain restructuring for electrification, supported by generous incentives packages

Source: Financial Times (2023) fDiMarkets database

# ONLY HALF OF THE LEADING FDI MARKETS ARE BACK TO PRE-COVID LEVELS

Long term growth and COVID recovery by country



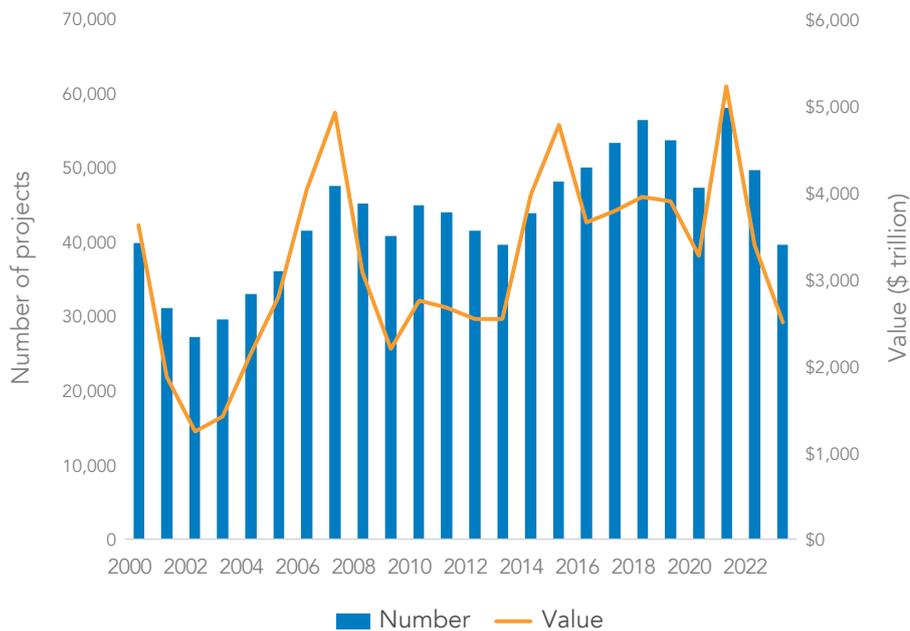
## OVERVIEW

- Only 10 of the 20 largest countries for inward FDI are back to pre-COVID levels of investment
- Of these, five stand out as high growth markets in the last ten years (UAE, India, Poland, Spain, and Ireland)
- These countries receive above average levels of investment in three sectors: Software & IT, business services, and financial services
- The UAE-India trade axis is a growing force in the world of FDI. Almost three-quarters of India's FDI growth can be explained by closer ties to the Gulf region

Source: OCO Global analysis of Financial Times (2023) fDiMarkets database

# M&A INVESTMENT DECREASED AMID CHALLENGING CONDITIONS

Number & Value of M&A Worldwide



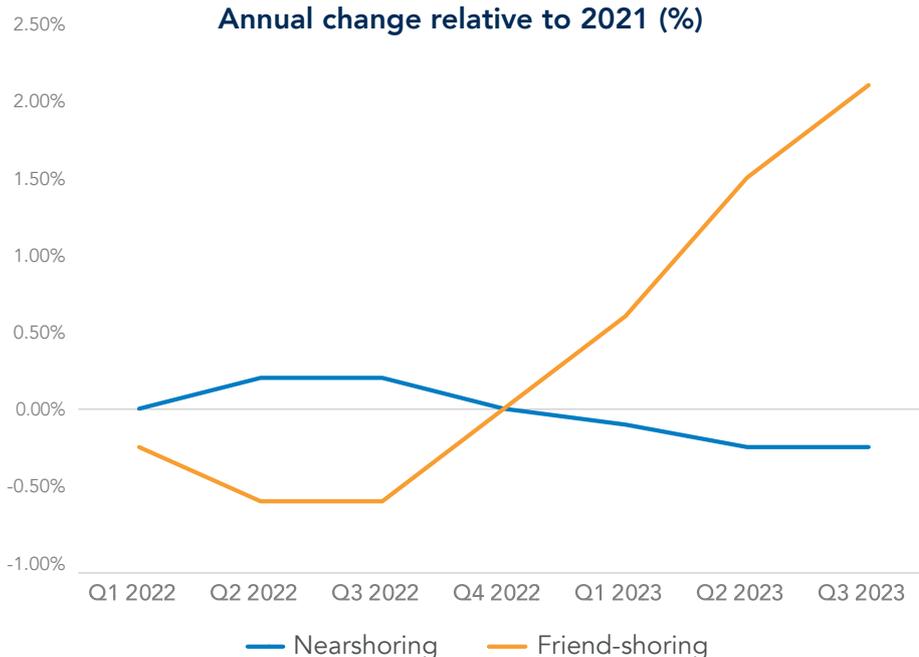
Sources: Institute for Mergers, Acquisitions and Alliances (2023) Number & Value of M&A Worldwide, OECD Foreign Direct Investment in Figures October 2023

## OVERVIEW

- M&A sector is facing its most prolonged decline since the financial crisis
- Inflation, interest rates, geopolitical tensions, and increased regulatory oversight have created a more difficult market for investment
- In terms of cross-border M&A investment, deal values fell by 28% and the number of deals dropped by 13% in the first semester of 2023 compared to the second semester of 2022
- Emerging markets and developing countries were hardest hit, with a 49% decrease in deal values. Advanced economies also saw a 23% decrease in cross-border M&A values

# WITHIN GLOBAL TRADE, "FRIEND-SHORING" IS PLAYING AN INCREASING ROLE

Annual change relative to 2021 (%)



Nearshoring is calculated as reverse of trade-weighted average distance in km.

Friend-shoring is calculated as trade-weighted political proximity as measured by the United Nations voting patterns.

Source: UNCTAD (2023) Global Trade Update – December 2023

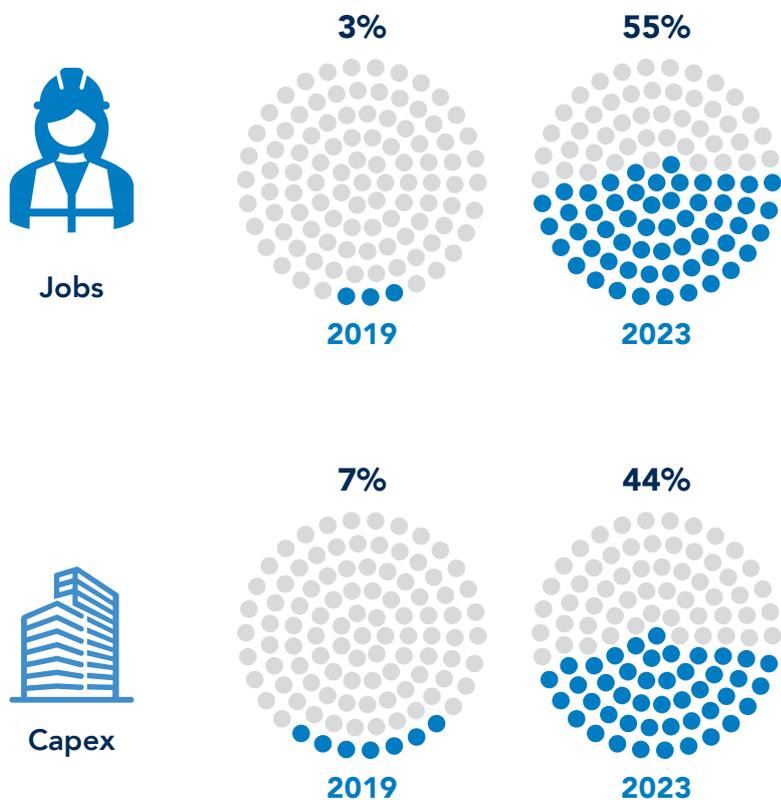
## OVERVIEW

- Since the end of 2022, there has been a shift in bilateral trade patterns towards countries with similar geopolitical stances (friend-shoring)
- Geographical proximity (near-shoring) has stayed relatively consistent, showing minimal nearshoring trends
- Most significant changes include Taiwan increasing dependence on the US (decreasing with China) and Vietnam increasing dependence on China (decreasing with US)
- The US has also replaced trade dependence on China with increasing dependence on the EU



# THE US INFLATION REDUCTION ACT HAS CHANGED THE MARKET FOR INVESTMENT IN SUSTAINABILITY

Sustainability investment\* as a percentage of all FDI into the US (2019 and 2023)



## OVERVIEW

- US incentives of more than \$1 trillion across clean energy, electric transport, decarbonisation of industry, sustainable buildings, and alternative fuels are transforming Trade and FDI
- FDI linked to sustainable industries and technologies now accounts for 1 in 10 FDI projects, but more significantly, half of FDI jobs (62,000) and 44% of Capex (\$48 billion)
- Others have been forced to react, with the EU and countries such as Japan and South Korea all developing their own sustainability incentives programmes
- In January 2024, the EU approved a €900m incentives package for a gigafactory in Germany using new State Aid rules designed to prevent investment being diverted from Europe

\*Sustainable investment includes battery supply chain, carbon capture, Cleantech, critical minerals, EV, hydrogen, offshore wind, photovoltaic technologies, waste to energy, and wind power technologies  
Source: Financial Times (2023) fDiMarkets database

# 2023 CHALLENGES SPILLING INTO 2024



Supply chain problems  
have eased

Inflation seems to be  
under control

Major economies are  
getting serious about  
sustainability

COVID-19 no  
longer a health  
emergency



Global economy is forecast  
to slow in 2024

Geopolitical conflicts are  
getting worse

Increased use of FDI screening  
and export controls

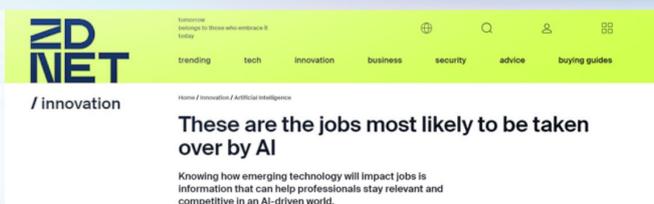
Critical minerals and materials  
are strategic resources

Talent remains an issue for  
location promotion



# **OUTLOOK FOR 2024**

# TECHNOLOGY, THE ENVIRONMENT AND GEOPOLITICS ARE DOMINATING THE WORLD HEADING IN 2024



**ZDNET**

Home / Innovation / Artificial Intelligence

## These are the jobs most likely to be taken over by AI

Knowing how emerging technology will impact jobs is information that can help professionals stay relevant and competitive in an AI-driven world.



Economy / China Economy

## IMF warns of China/US blocs deepening trade fragmentation, with 'fault lines' emerging

- 'If fragmentation deepens, we could find ourselves in a new cold war,' International Monetary Fund's Gita Gopinath says
- The world's green transition could also become much more costly since critical minerals are so geographically concentrated and not easily substituted

FINANCIAL TIMES

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## Carbon price tumbles as investors fret over 'weak' impact of COP28 deal

EU futures contracts drop below €66 per tonne in London after traders left unconvinced by wording of agreement

FORBES > INNOVATION > ENTERPRISE TECH

## Fake Or Fact? The Disturbing Future Of AI-Generated Realities

Bernard Marr Contributor ©

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## Mission critical: Europe eyes new suppliers in geopolitical race for metals

6 November 2023

 Eurydice Bersi (Reporters United)  Maxence Peigné  Maria Maggiore

## Climate crisis costing \$16m an hour in extreme weather damage, study estimates

Analysis shows at least \$2.8tn in damage from 2000 to 2019 through worsened storms, floods and heatwaves

# BUT THE WORLD REMAINS CAPABLE OF GREAT INNOVATION...

FORBES > INNOVATION > HEALTHCARE

## AI Poised To Revolutionize Drug Development

Greg Licholai, MD Contributor   
I write and teach about innovation in healthcare.

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Jul 13, 2023, 07:00am EDT

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Environment

## How countries can go fossil fuel free with wind and solar superpowers

South Australia is a renewable energy champion and now plans a truly fossil fuel-free grid. How did it make such a remarkable turnaround, and can the rest of the world follow suit?

By [Alice Klein](#)

 24 October 2023

## These Major Airlines Just Flew Planes Powered Entirely by Sustainable Aviation Fuel—So, What's Next?

*Flight engines are revving up with cleaner alternatives.*

BY RACHEL CHIANG  
December 12, 2023

## 'Safe and effective': first malaria vaccine to be rolled out in 12 African countries

An initial 18m doses will be delivered over the next two years to combat a disease that kills nearly half a million children annually

New technology

## ABB to co-develop edge computing for decentralised networks

Smart Energy International • Aug 23, 2023

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## Sustainable finance helps data centres reduce their environmental impact

# LEADING SECTORS FOR GROWTH AND RESILIENCE REFLECT THE STATE OF THE WORLD IN 2024



## Semiconductors

Covid recovery **199%**  
10-year growth **43%**

- Multiple megatrends currently rely on semiconductors
- Countries are looking to secure capabilities in advanced semiconductors



## Space & Defence

Covid recovery **109%**  
10-year growth **39%**

- Geopolitical tension and increases in conflict are encouraging defence growth
- Space no longer the sole domain of governments and aerospace companies



## Renewable Energy

Covid recovery **95%**  
10-year growth **41%**

- Renewable energy's growth is being turbocharged as country's look to meet emissions target
- Renewables also seen as a route to energy security



## Biotechnology

Covid recovery **90%**  
10-year growth **41%**

- Aging population and increase in chronic disease among younger age groups driving R&D investment
- New opportunities developing in industrial biotech



## Electrical Components

Covid recovery **99%**  
10-year growth **37%**

- Recent growth is focussed on the supply chain for EV and renewable energy
- Securing robust, flexible, and smart electricity grids is essential for future transition



## Software and IT

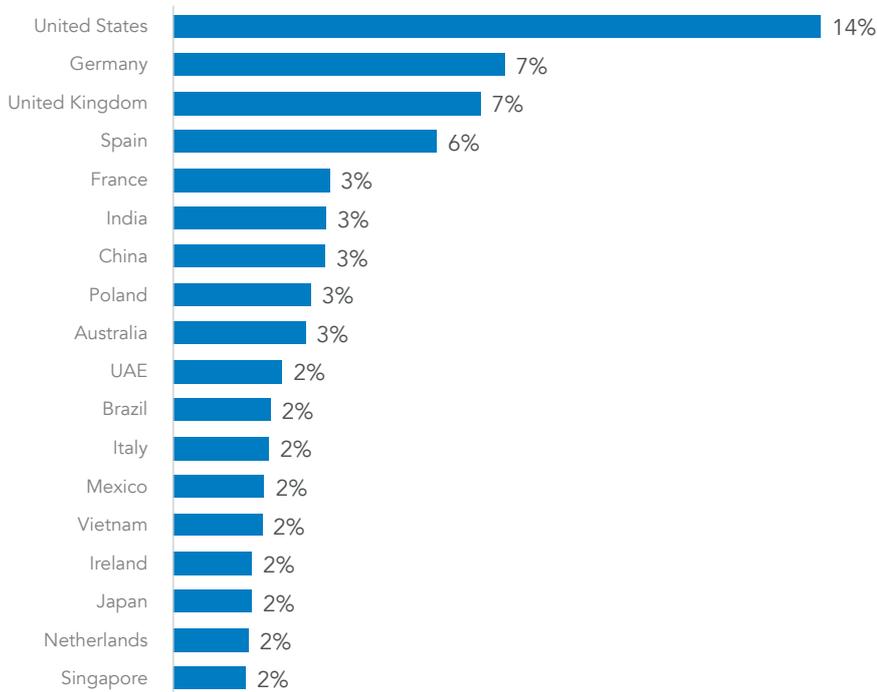
Covid recovery **145%**  
10-year growth **34%**

- Digitalisation and AI megatrends underpinned by software development
- Software and IT essential for corporate operations, entertainment, e-commerce, and increased productivity

NOTE: 10-year growth measured as Compound Average Growth Rate of FDI project numbers

# HIGH GROWTH SECTORS ARE CONCENTRATED IN WESTERN MARKETS

Market share of FDI investment projects in five high growth sectors (2020-2023)



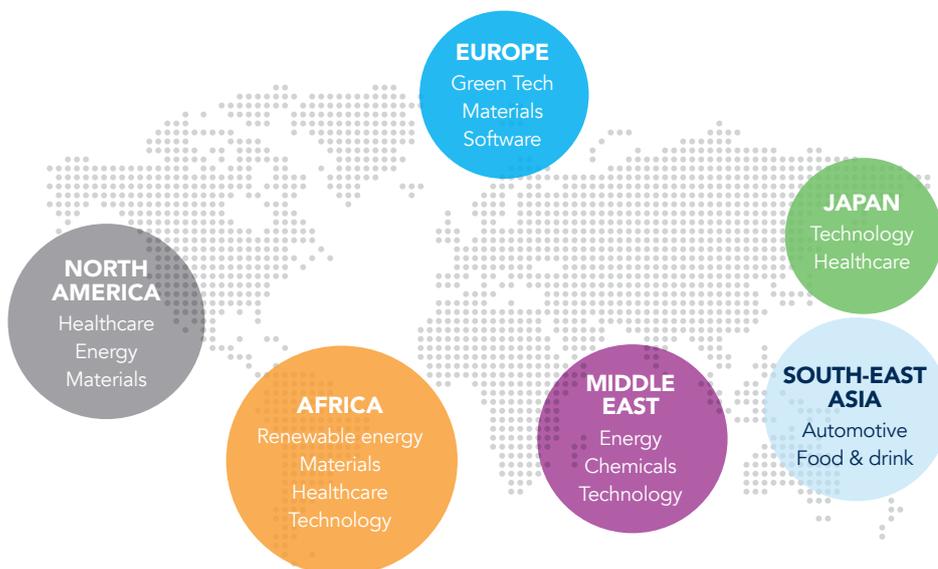
NOTE: High growth sectors are space & defence, renewable energy, biotechnology, semiconductors, and electrical components  
Source: Financial Times (2023) fDiMarkets database

## OVERVIEW

- The top five markets account for nearly 40% of FDI projects in high growth sectors
- The United States and Spain 'outperform' their overall FDI trends in these sectors (higher market share in these sectors than their all-sector average)
- Conversely, the UAE and India underperform as their strong FDI growth is driven more by services

# M&A INVESTORS ARE BACKING TRANSITION TECHNOLOGIES AND DIGITALISATION IN 2024

Strongest sectors for M&A in 2023



Source: BGC (2023) M&A Report, the Regional Perspective

## OVERVIEW

- Technology, energy and healthcare are three of the strongest sectors for M&A activity across the globe
- Multinationals headquartered in N. America and Europe are seeking out metals, mining, and agriculture opportunities across the globe
- South-East Asia is becoming an increasingly important market for Chinese companies looking to establish in markets not subject to US sanctions
- Looking towards 2024, three themes likely to dominate M&A thinking are energy transition, automotive transitions, and digitalisation



## OUR PREDICTIONS FOR 2024

Growth in the global economy in 2024 will be more heavily influenced by politics, and politicians, than previous years. While slower growth is expected, there remains opportunities for businesses, locations, and nations that can navigate the issues and seize the potential of technology and innovation. Our predictions suggest a mix of trouble and opportunity for 2024.

### 1. Global economy will increasingly revolve around trading blocs aligned by political views

The global economy will increasingly revolve around trading blocs aligned by political views. While a complete break will almost certainly not happen, a re-shaping of global supply and value chains will increase the complexity of trade and investment

### 2. Election Supercycle

2024 is an Election Supercycle with voting in countries that represent 60% of global GDP – short term political gain is likely to exacerbate trade tensions with more sanctions and export controls a strong possibility

### 3. Incentives Battle

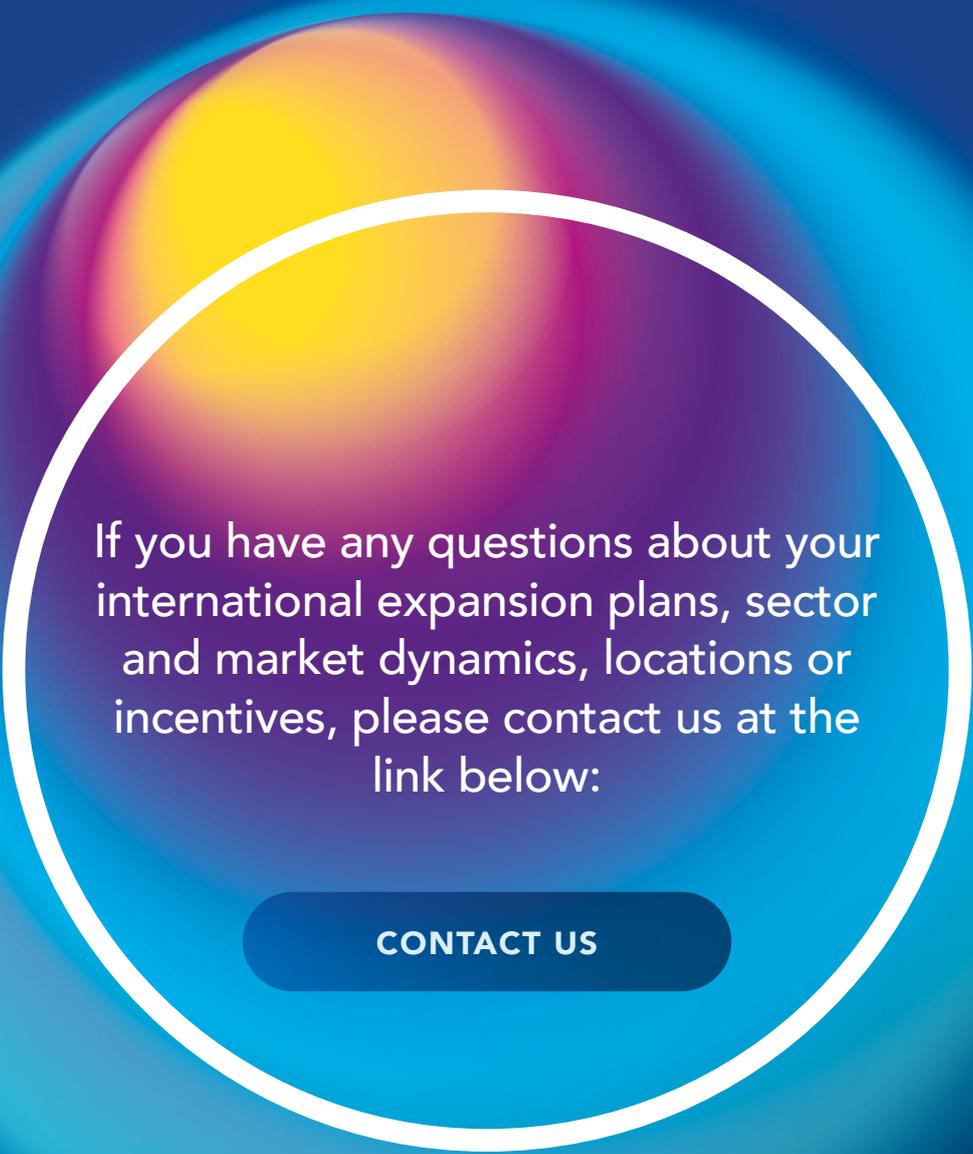
The Incentives Battle will intensify, allowing globally mobile businesses to extract the most value from their location decisions

### 4. More business uses are found for generative AI

New opportunities for investment will emerge as more business uses are found for generative AI. The winners will be businesses and locations that can place themselves at the heart of innovation

### 5. Supply Chain Problems

Continuing conflict in the Middle East will see a return of supply chains problems and prolonged inflation pressures. While not as bad as COVID related disruption, companies will need to adapt their supply chains in 2024



If you have any questions about your international expansion plans, sector and market dynamics, locations or incentives, please contact us at the link below:

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