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CONTACT: Carol J. Greenhut
Schonfeld & Associates, Inc.
www.saiBooks.com
800-205-0030
CGreenhut@saiBooks.com

2019 R&D SPENDING INCREASES ESPECIALLY WITHIN DIGITAL ECONOMY

The pharmaceutical industry continues to be the biggest R&D investor with drug companies increasing their budgets over 6% to spend over \$121 billion. Automotive companies will continue to contribute a total of over \$72 billion to this investment pool.

Software companies are projected to increase R&D spending by 6.5% and to see sales increase over 4%. Of the major software companies, Microsoft leads with a budget of over \$13 billion, an increase of 2.9%. Oracle will invest over \$7.3 billion and SAP over \$4.7 billion in 2019. Alphabet, parent of Google, joined by Amazon, Apple and Facebook, whose software is not available for purchase, each plan to invest over \$11 billion in 2019, reflecting double digit increases in spending. These findings continue the trend reported in previous editions of **R&D Ratios & Budgets**.

The biggest single R&D investor in 2019 will be Amazon at over \$31.1 billion, followed by Alphabet at \$21 billion, Apple at \$15.8 billion, and then Intel at \$14.2 billion. Firms involved with digital content are investing much more heavily than those in more traditional arenas.

Pharmaceutical firms will continue significant R&D spending in 2019. Roche, the top spender at \$12.9 billion, is followed by Merck, Johnson & Johnson, Novartis, Celgene, Pfizer, Bristol-Myers Squibb and Eli Lilly, each projected to spend over \$7 billion. Much of this investment is spurred by new discoveries and attempts to protect expiring patents. The biotech industry, led by AbbVie, is growing R&D by almost 8% to over \$27 billion. Electromedical apparatus makers, led by Medtronic, will be spending a total of over \$8.1 billion, a boost of 5 percent.

R&D budgets of semiconductor makers will grow to over \$54 billion, an increase of 6.9%. Intel will have the largest R&D budget, \$14.2 billion, up over 4 percent. R&D budgets of the industries that are major suppliers to the infrastructure of the Internet cloud, such as Electronic Computers and Computer Communications Equipment, are also expected to increase R&D spending. Telecommunications companies worldwide will invest over \$19 billion, a decrease of 2%.

The automotive industry is increasing its total R&D spending to over \$72 billion. The spending of major players varies from a 19% increase by Tesla to a 5.9% decrease by Volkswagen. However, the majority are increasing spending on R&D modestly.

About the Study

These forecasts come from the 42nd annual edition of **R&D Ratios & Budgets** by Schonfeld & Associates. The study contains historical R&D spending for 2017, an estimate of R&D budgets for 2018, and a forecast of 2019 R&D spending for over 3,600 firms.

R&D Ratios & Budgets is used for budget planning, monitoring competition, identifying joint

venture partners, and spotting acquisition candidates. Regular buyers are in a wide range of industries and include major national and international firms, government agencies, corporate libraries and universities.

The study reports each firm's R&D-to-gross profits ratio, R&D-to-sales ratio which is referred to as R&D intensity, plus R&D and sales growth rates. In addition, for each company and industry, the study contains a low and high range for each ratio over the last six years to indicate stability of R&D spending. Over 260 industry summaries are provided.

Forecasts and data from **R&D Ratios & Budgets** are also available for all companies and industries in Excel format. Additional information is provided within the datafiles to allow for analysis by corporate location or NAICS code. The 2018 edition of the report in either print or PDF format is \$ 395 and the report along with Excel datafiles is \$ 495. Contact Schonfeld & Associates, Inc., 1931 Lynn Circle, Libertyville, Illinois 60048. Call for more information: 800-205-0030 or visit the company's web site at www.saiBooks.com under Area of Expertise: Research & Development Spending.