



Regional Assessment & FDI Strategy

WHITE PAPER

Table of Contents

● Study Approach and Activities	Page - 03
● Regional Assessment	Page - 04
● Sector Assessment	Page - 07
● FDI Strategy	Page - 08
● Conclusion and Results	Page - 09

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Study Approach & Activities

To truly win in the investment attraction game, you need to understand your target market and expertly customize your approach to make an impact. That’s precisely why our client chose ResearchFDI as their trusted partner. Our goal was clear: gain a deeper understanding of the target region and pinpoint the strategies that would work best in that specific market.

To reach these objectives, ResearchFDI conducted a thorough regional assessment of the target market. This included an in-depth look at the market dynamics, its economic trends, and significant sectors. We also focused on identifying specific regions and their economic prospects. Moreover, we narrowed down on the client’s target sectors within the market. Through this analysis, ResearchFDI was able to shed light on the existing presence and potential growth opportunities for these sectors in the target market

Completed in 2021, the Regional Assessment & FDI Strategy offers insights on the target market and provides the client with a unique FDI strategy based on the information gathered from the Regional and Sector Assessment.

Primary Activities:

- ▶ Conduct an in-depth regional assessment of the target market,

- ▶ Identify the key sectors and key regions of the target market,

- ▶ Identify the metropolitan areas within the target market most likely to yield results as part of a targeted lead generation campaign to attract foreign investment,

- ▶ Analyze the clients target sectors within the target market,

- ▶ Identify the strategies most effective for the client region and develop an in-depth FDI strategy.



Regional Assessment

ResearchFDI started off by carrying out an in-depth analysis of the client’s target market. This approach laid the groundwork for devising an FDI strategy with the highest potential for success.

Overview

The target market boasts the world’s seventh-largest economy. Although its population is relatively small, the economy thrives and prospers. Predominantly, businesses are privately-owned, but the government still plays a significant role, especially in the healthcare sector. It also operates various services, such as transportation and utility companies. The bedrock of the target market’s prosperous and varied economy rests firmly on its active engagement in foreign trade. This critical aspect contributes a staggering 45% to the nation’s gross domestic product (GDP).

Quality Ranking and Benchmarking

The target market consistently scores high across numerous quality data rankings. As per Financial Times’ fDi Benchmark, it secures the top spot for 15 out of 1,150 data points when compared to other nations. Furthermore, the country excels as a desirable business location, shining in several index rankings.

3 rd Global Entrepreneurship Index	7 th Knowledge Economy Index
5 th Human Capital Index	7 th Index of Trade Freedom
5 th Human Freedom Index	9 th Index of Economic Freedom
5 th Education Index	11 th World Happiness Index

Key Sectors

The Service Sector dominates the target market’s economy, representing 68% of the country’s GDP and employing over 79% of the population in 2020. The most dynamic sectors in recent years have been telecommunications, tourism, internet and aerospace engineering.

The Industrial Sector is the second largest sector in the target market, contributing 23.3% of GDP and employing 19% of the labor force. There are six strong primary industry sectors: renewable energies (the country is a net exporter of energy); the forestry sector, hydrogen and fuel cells, mines, metals and minerals, fishing, oil and gas.

The Agricultural Sector is the third largest sector, making up 1.9% of the country’s GDP and employing about 1% of its population. Despite its modest size, this sector along with the food processing sector significantly contributes to the country’s job market, providing 1 in every 8 jobs. This is largely due to the fact that the country is a leading global exporter of agricultural products.

Breakdown of Economic Activity by Sector

	Agricultural	Industrial	Service
Employment by sector (in % of total employment)	1.4	19.4	79.2
Value Added (in % of GDP)	1.9	23.3	68.0
Valued Added (annual % change)	2.3	-0.8	2.5

Regional Assessment

Key Regions

Being the second-largest worldwide in terms of total area, the target market encompasses diverse regions. Each region is distinct not only in its geography but also in its economic activities.

In this study, ResearchFDI focused on four principal regions within the target market and their specific key industries. The understanding of these regions and industries eventually guided ResearchFDI in identifying major urban areas for targeted lead generation activities.

Region A

Overview

Region A lies at the core of the continent’s free trade area and its economy thrives through its unique combination of resources, manufacturing expertise, exports and a drive for innovation. Region A generates 38% of the national GDP and is home to almost 50% of all employees in high tech, financial services and other knowledge-intensive industries.

Key Industries

- Manufacturing
- Services
- Forestry
- Agriculture

Region B

Overview

The economy of Region B is diversified and post-industrial with the manufacturing and service sectors dominating the output. The Region’s economic output was US\$333.6 Billion in 2018, approximately 20% of the target market’s GDP. If it were an independent country its economy would be ranked the 44th largest in the world just behind Norway.

Key Industries

- Aerospace
- Food Processing
- Aluminum
- Information & Communication Tech. (ICT)

Region C

Overview

Region C has unique economic characteristics that distinguish it from much of the rest of the target market due to its geographic location that puts it at the commercial crossroads of the Asia-Pacific region and North America. Region C is an important hub for goods shipped to and from Asia, and as a result, its export markets are more diversified than other regions of the target market.

Key Industries

- Forestry & Wood Products
- Agrifoods
- Information & Communication Tech. (ICT)

Regional Assessment

Key Regions

Region D

Overview

Region D stands as the third-largest region in the country in terms of GDP, boasting a considerable GDP of US\$256.9 Billion. While this region is home to an array of sectors including agriculture, forestry, education, tourism, finance, and manufacturing, it is especially renowned for its prominent role in fossil energy production since the 1940s.

Not only is it the country's top oil producer, but also, its energy sector alone significantly contributes over US\$54.3 billion to the national GDP.

Key Industries

- Agriculture and Food Processing
- Technology
- Forestry and Wood Products

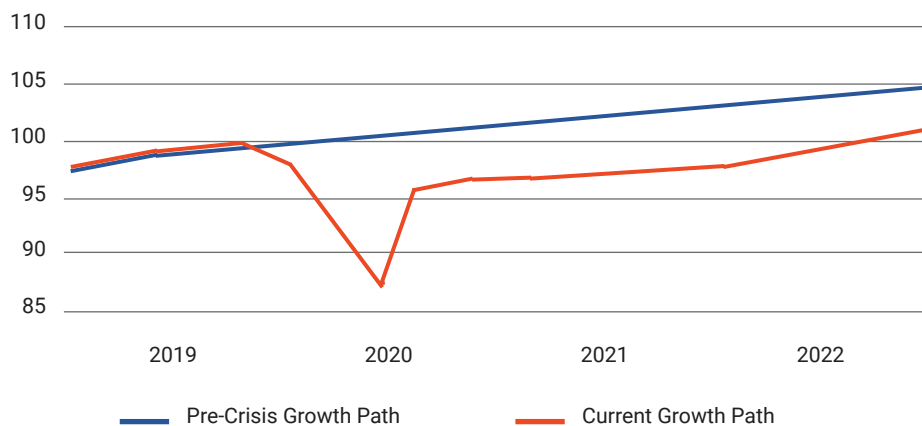
Economic Outlook

The aggregate effects of the global COVID-19 pandemic and a drastic oil downturn have nudged the target market's economy into a recession.

Nonetheless, the economic perspectives appear promising for the forthcoming 24 months. A robust rebound for the GDP is expected in 2021, mainly driven by potent fiscal and monetary stimuli upholding domestic demand.

Expert analysts foresee an economic expansion of 4.9% in 2022, albeit down by 0.1 percentage points from previous predictions. Additionally, a growth rate of 3.1% is projected for 2022.

Output Will Remain Below the Pre-Crisis Trend
Real GDP (Index 2019Q4 = 100, s.a.)



Sector Assessment

After concluding the regional evaluation of the target market and pinpointing the crucial regions and sectors, ResearchFDI embarked upon a detailed assessment of the client's target sectors within the chosen region. This assessment offered more than just insight into the target sectors in the target market. It further equipped the client with profiles of the top companies operating in each of these sectors in the target market.



Information-based Industries

The target market's technology sector is a major economic driver and is outperforming much of the rest of the country's economy. The ICT sector is a diverse, innovative and growing segment of the overall economy.

There are over 43,200 companies in the country's ICT sector, and it is highly trade dependent, importing US\$41 billion in goods and exporting US\$13.8 billion around the world in 2019.



Metals Fabrication

The metals fabrication sector comprises of primarily steel and aluminum sub-sectors, and both are key contributors to the target market's economy, providing well-paying jobs and key inputs for other major industries.

The metals fabrication sector is deeply integrated with their neighboring country, strengthening supply chains and the competitiveness of the continental economy.



Food & Beverage Production

The food & beverage processing sector is the largest manufacturing sector in the target market, after transportation, accounting for 17% of overall manufacturing GDP in 2017.

The target market's food & beverage processing sector is growing, but this growth is uneven, with some subsectors and regions growing more than others. Given the nature of food demand and its products, food & beverage manufacturing tends to be less affected by economic downturns.



Forestry & Wood Products

The target market's forestry & wood products sector comprises of wood product manufacturing and forestry and logging.

The forestry & wood products sector is going through a rough patch and, as a result of the sharp correction in lumber prices and the COVID-19 pandemic, the industry is now losing money. However, a steadily improving housing market is laying the foundation for a recovery in the sector.

FDI Strategy

Drawing on the conclusions from both the regional and sector assessments, ResearchFDI crafted an FDI Strategy encompassing methodologies and strategies designed to effectively capture high-quality investment opportunities emerging from the target market.

Virtual vs. In-Person Lead Generation

Given the ongoing COVID-19 pandemic during the completion of this study, the ResearchFDI team had to majorly rely on virtual lead generation as travel wasn't an option. The strategy during this period was predominantly sector-specific while maintaining broad regional coverage to capture as many high-potential and COVID-resistant firms across the target geography. As and when situations improved, the ResearchFDI approach evolved to incorporate in-person lead generation in the pre-identified mark areas.

Regional Targeting

As outlined in the regional assessment, four key regions were identified, and within those, five key metropolitan areas were identified for targeted lead generation activities both virtually and in-person, when circumstances allow. The metropolitan areas identified included:

- The metropolitan area home to 38% of the country's business headquarters and over 800,000 businesses,
- One of the country's largest advanced manufacturing clusters.
- The country's world leading tech sector, with the highest concentration of tech jobs in the target country,
- A hub of the country's forestry industry,
- The area with the highest GDP per capita of all the country's major cities.

Targeting Strategy

ResearchFDI's targeting strategy for identifying companies likely to consider investment in the client's region included focusing on companies that displayed the following characteristics:

- Operating in core sub-industries,
- Experiencing high-employee growth,
- Recently received funding,
- Operating multiple locations in the target country and/or the client country,
- With a stated interest in expansion (where visible),
- With internal real estate or corporate development teams/executives,
- Have previously attended leading events in sub-sectors of interest.

Trade Shows & Site Selectors

Throughout 2020 and 2021, in-person participation at trade shows in the target market experienced notable disruptions. While a few events successfully transitioned to virtual platforms, many were postponed. In response, ResearchFDI pinpointed relevant virtual and in-person events scheduled for the upcoming year and proposed them for the client to incorporate into their lead generation strategy.

For a diverse lead generation campaign, it's beneficial to consider engaging with multipliers – those industry professionals assisting FDI growth. These professionals can bridge the gap between economic developers and parties seeking expansion possibilities. As such, ResearchFDI's strategic planning also encompassed recommendations for the client to establish connections with these multipliers.

Conclusion & Results

The ultimate aim of completing ResearchFDI's Regional Assessment & FDI Strategy was to equip the client with vital insights about the target market, thereby aiding in the formulation of a unique and impactful FDI strategy. Leveraging diverse regional and sector evaluations, ResearchFDI successfully devised an FDI strategy that incorporates the most fruitful methods for lead generation within the target market.

The information garnered from the array of assessments in this study enabled ResearchFDI to pinpoint the key ingredients needed for a successful FDI strategy for the client. This not only enlightened the client about the optimal strategies available, but also shed light on effective practices and guidelines to be adhered to for attracting investments.

Key results:

- ▶ Well-structured understanding of the target region through a regional assessment that discerned the key sectors, key regions and economic outlook.
- ▶ A detailed analysis of the target sectors within the target market, as well as an analysis of the metropolitan areas most likely to yield results as part of a targeted lead generation campaign,
- ▶ Provided the client with a detailed FDI attraction strategy.

ResearchFDI is a specialized market research firm that works with economic development organizations and regional promotion agencies to identify and capture direct investment opportunities. Whether your goal is to learn more about existing trends, promote your region's strength or secure new corporate investment, **ResearchFDI has the solution for you.**

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Discover more about our services, and stay informed on the latest economic development and investment attraction news by getting in touch with us today!



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