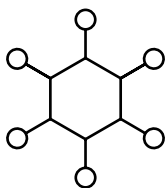


Global Innovation Tracker

What is the global state of innovation? Has the pandemic slowed or accelerated investments in innovation? How fast is the rate of technological progress? How do new technologies change the world?

This new segment of the GII provides a perspective on global innovation performance, drawing on a select set of indicators.



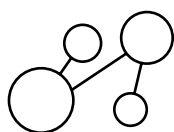
Science and innovation investments

| Short term | Scientific publications 2019 → 2020 | R&D expenditures | | International patent filings 2019 → 2020 | Venture capital deals 2019 → 2020 |
|------------|--|--------------------------------|--------------------------------|---|--------------------------------------|
| | | Total 2018 → 2019 | Business 2018 → 2019 | | |
| | 7.6% | 8.5% | 7.2% | 3.5% | 5.8% |
| Long term | 2010 → 2020 (annual growth) | 2009 → 2019 (annual growth) | 2009 → 2019 (annual growth) | 2010 → 2020 (annual growth) | 2010 → 2020 (annual growth) |
| | 5.4% | 4.9% | 5.2% | 5.3% | 3.6% |



Technological progress

| Short term | Microchip transistor count 2018 → 2019 | Costs of renewable energy | | Drug approvals 2019 → 2020 |
|------------|---|-----------------------------------|--------------------------------|--------------------------------|
| | | Solar photovoltaic 2018 → 2019 | Onshore wind 2018 → 2019 | |
| | 90.5% | -13.1% | -9.2% | 10.4% |
| Long term | 2009 → 2019 (annual growth) | 2010 → 2019 (annual growth) | 2010 → 2019 (annual growth) | 2010 → 2020 (annual growth) |
| | 32.3% | -6.9% | -3.7% | 9.7% |



Socioeconomic impact

| Short term | Labor productivity 2019 → 2020 | Life expectancy 2018 → 2020 | Carbon dioxide emissions |
|------------|-----------------------------------|--------------------------------|--------------------------------|
| | | | 2018 → 2020 |
| | 4.0% | 0.2% | 0.06% |
| Long term | 2010 → 2020 (annual growth) | 2009 → 2019 (annual growth) | 2009 → 2019 (annual growth) |
| | 2.2% | 0.3% | 1.48% |

Notes: See the Data notes section below for a definition of indicators and their data sources. Long-term annual growth refers to the compound annual growth rate (CAGR) over the indicated period.

Monitoring the pulse of innovation is no easy task. Transforming an idea into a new good or service can take months, if not years. It takes even longer for technological advances to be widely adopted, create new jobs, enhance economic productivity and improve people's health and well-being. Today's progress is the result of past innovations; today's innovations, in turn, sow the seeds for progress in the years to come.

No single indicator captures the full spectrum of innovation performance from idea inception to impact. This is precisely why the GII relies on a wide set of indicators to measure the innovation performance of economies. Similarly, to capture key innovation trends, the Global Innovation Tracker looks at a variety of data points. It does so for three broad stages of the innovation journey: science and innovation investments; technological progress; and socioeconomic impact.

Science and innovation investments

The global pandemic has had a profound effect on economic activity. Global output declined by 3.3 percent in 2020, as containment measures to tackle the pandemic caused overall demand to decline and supply chains to fail (IMF, 2021). Financial market uncertainty soared. Historical experience would suggest that such adverse conditions would prompt a cutback in innovation investments. In many ways, however, this crisis differs from previous macroeconomic crises. Certain sectors – from personal protective equipment and consumer electronics to bicycles and home delivery services – actually experienced increased demand. Innovation, in turn, has been at the center of the fight to combat the pandemic and contain its impact.

The key indicators of global science and innovation investments – scientific publications, research and development (R&D) expenditures, international patent filings and venture capital deals – reflect this mixed impact of the pandemic.

Scientific publications

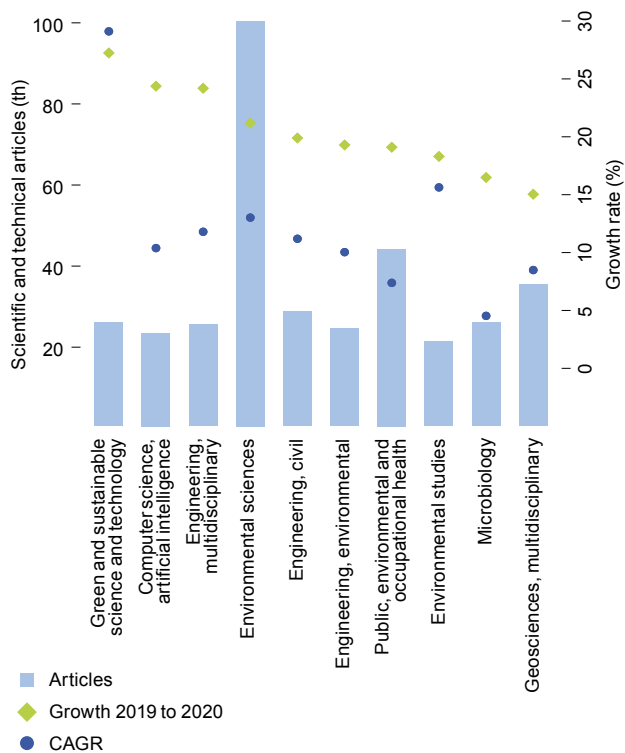
The pandemic has left no obvious mark on overall scientific output. The publication of scientific articles worldwide grew by 7.6 percent in 2020 – lower than the 2019 growth rate, but faster than the 10-year average growth rate (see Dashboard). The top five origins of scientific output – China, the United States, the United Kingdom, Germany and India – all saw lower growth in 2020 than in 2019, bearing in mind that the 2019 growth rates were exceptionally high.

The top five fields of scientific publishing in 2020 remained the same as in 2019: multidisciplinary materials science, environmental sciences, electrical and electronic engineering, multidisciplinary chemistry and applied physics.

Looking at the fastest growing scientific fields, some influence of the pandemic appears visible. Health and, in particular, the field of *public, environmental and occupational health* saw record growth in 2020 (19.1 percent, Figure 1). The latter field covers topics such as virus transmission and measures to prevent the spread of diseases, as well as the psychological distress resulting from the pandemic. That said, other non-pandemic related fields, such as cancer research, also contributed to the fast growth in health-related scientific output.

Overall, environmental topics continue to register fast growth in scientific output (see Figure 1). Environmental sciences grew by 21.2 percent in 2020, overtaking electrical and electronic engineering as the second most active publication field. Twenty years ago, less than 1.8 percent of scientific publications related to environmental sciences, compared to around 5.1 percent in 2020. Artificial intelligence stands out as another field showing strong growth in 2020.

Figure 1
Fastest growing significant research fields by
number of publications, 2020



Source: Web of Science (Clarivate) (WoS) articles published in the Social Sciences Citation Index (SSCI) and Science Citation Index Expanded (SCIE), restricted to science and technology fields and fields with more than 20,000 publications in 2020 (so all the fields in the top 30 percent). Fields represent the WoS categories [accessed on April 16, 2021].

Notes: CAGR values are computed using 2010 as the base year. If an article is published in more than one field (i.e., under more than one WoS category), then the article is counted once in each field. Hence, summing all fields would result in some double counting.

R&D expenditures

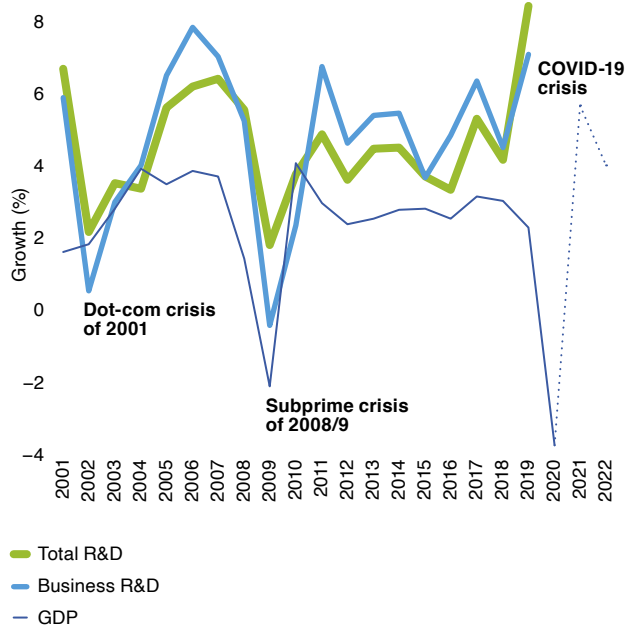
Over the past decades, investments in R&D have consistently grown faster than economic output. They reached an all-time high before the onset of the pandemic, growing at an exceptionally high rate of 8.5 percent in 2019 (see Dashboard). In comparison, global GDP grew by only 2.4 percent that year. With already high growth in R&D expenditures in 2017 and 2018, the pre-pandemic years have seen one of the most pronounced increases in the world economy's R&D intensity on record.¹

The top five R&D spending economies in 2019 were the United States (+10.9 percent), followed by China (+11.1 percent), Japan (-0.4 percent), Germany (+2.3 percent) and the Republic of Korea (+4.8 percent). These five economies have consistently been the world's major R&D spenders since 2011. Business R&D expenditure – the largest component of total global R&D – grew by 7.2 percent in 2019, up from 4.6 percent in 2018.

How did R&D expenditure fare in 2020, as the pandemic upended economies around the world? Unfortunately, 2020 data do not yet exist. Given the delays in R&D reporting, nationwide data documenting any pandemic effect will not be available until 2022. Historically, R&D expenditures have moved in parallel with GDP, slowing markedly during the economic downturns of the early 1990s, early 2000s and late 2000s (Figure 2). Revenue declines, cash flow shortages, cost-cutting measures, falling tax revenues and increased risk aversion are some of the key transmission channels through which falling output reduces R&D investments.

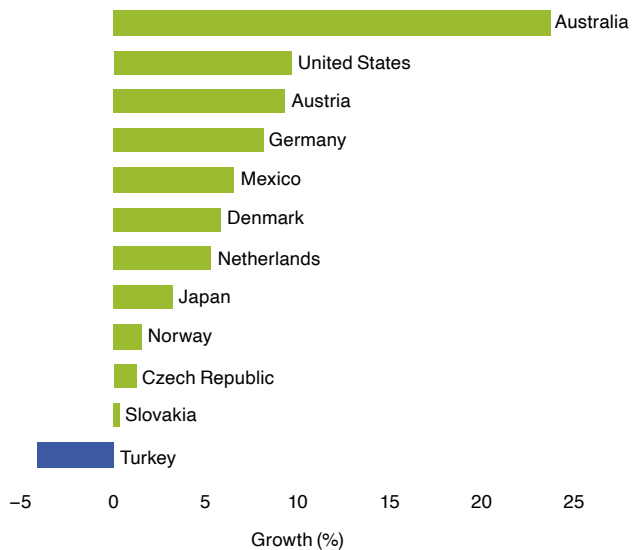
If the pandemic's impact were to mirror historical experience, 2020 R&D expenditure growth would be hard hit – possibly declining by as much as 2.8 percent.² However, there are reasons to be optimistic that R&D expenditures will have turned out to be more resilient over the course of the pandemic. The first reason for such optimism is the nature of the crisis itself: as pointed out above, the impact of the crisis has been highly uneven across industries and innovation was at the heart of the response to the pandemic. Second, the limited available R&D data points for 2020 do not suggest pronounced declines. In particular, government budget allocations for the top R&D spending economies that have already disclosed their R&D budgets continued to grow in 2020 (see Figure 3).³

Figure 2
R&D and GDP growth, 2001–2022



Sources: Authors' estimates based on the UNESCO Institute for Statistics database, OECD Main Science and Technology Indicators, Eurostat, and the IMF World Economic Outlook.

Figure 3
Government budget allocations for R&D, growth in 2020



Source: Joint OECD–Eurostat data collection on resources devoted to R&D.

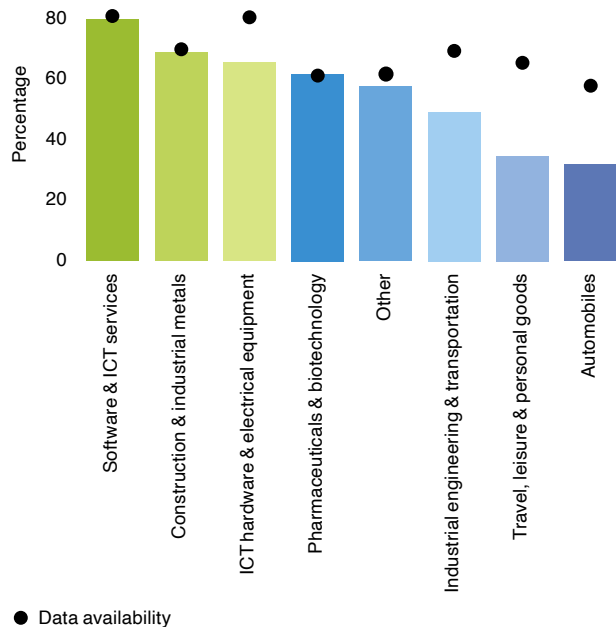
On the corporate side, some information is available from companies' financial reporting. R&D investment data are available for 1,707 of the top 2,500 largest corporate R&D spenders worldwide. Overall, this sample of firms increased their R&D expenditures by around 10 percent in 2020, with 60 percent of companies reporting an increase.

Interesting patterns emerge across industries. In the pharmaceuticals and biotechnology industry, around 62 percent of companies reported an increase in R&D spending. This share rises to 65 percent within the ICT hardware and electrical equipment industry and to 80 percent within software and ICT. The industries with a majority of companies reporting R&D investment declines include the automobile as well as the travel, leisure and personal goods industries, with shares of 68 percent and 65 percent, respectively (see Figure 4).

These cross-industry patterns broadly correspond to the differential impact of the crisis. This is also borne out when looking at the R&D performance of individual companies. Generally, companies which stood to gain from pandemic-induced shifts in demand increased their R&D efforts. These include Alibaba, Netflix, Nintendo, Nvidia and many of the large pharmaceutical companies (see Figure 5). In contrast, those companies whose business models rely on in-person activities or travel decreased expenditures, including Trip.com, Airbus, Boeing, Uber, Lyft and most automobile manufacturers.

A fuller assessment of corporate R&D performance in light of the crisis will need to await the availability of more complete data, including data from small and medium-sized enterprises that may have experienced more curtailed access to finance in 2020. However, the data available so far indicate that 2020 R&D expenditures were more resilient in the face of the economic downturn than historical experience would suggest.

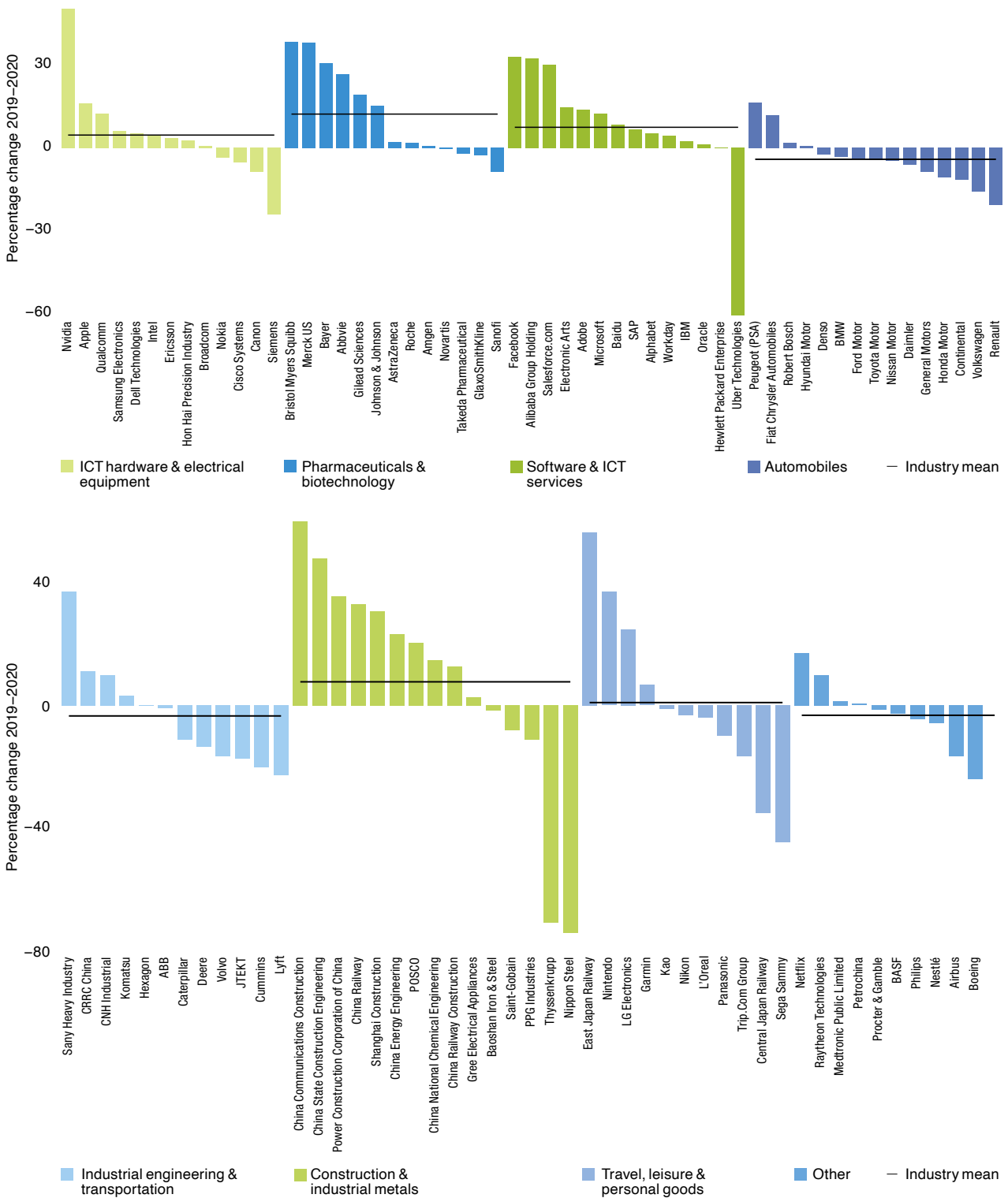
Figure 4
Share of firms reporting R&D expenditure increases, 2020



Source: Data sourced from the Bureau van Dijk Orbis database, where annual 2019 and 2020 data were utilized.

Note: Percentage changes were calculated as the difference between the 2020 and 2019 financial results over the 2019 results.

Figure 5
Corporate R&D expenditure, selected top R&D spenders worldwide, 2020 growth



Source: Data sourced from the Bureau van Dijk Orbis database, where the most recent eight-quarter period in local currency was utilized.

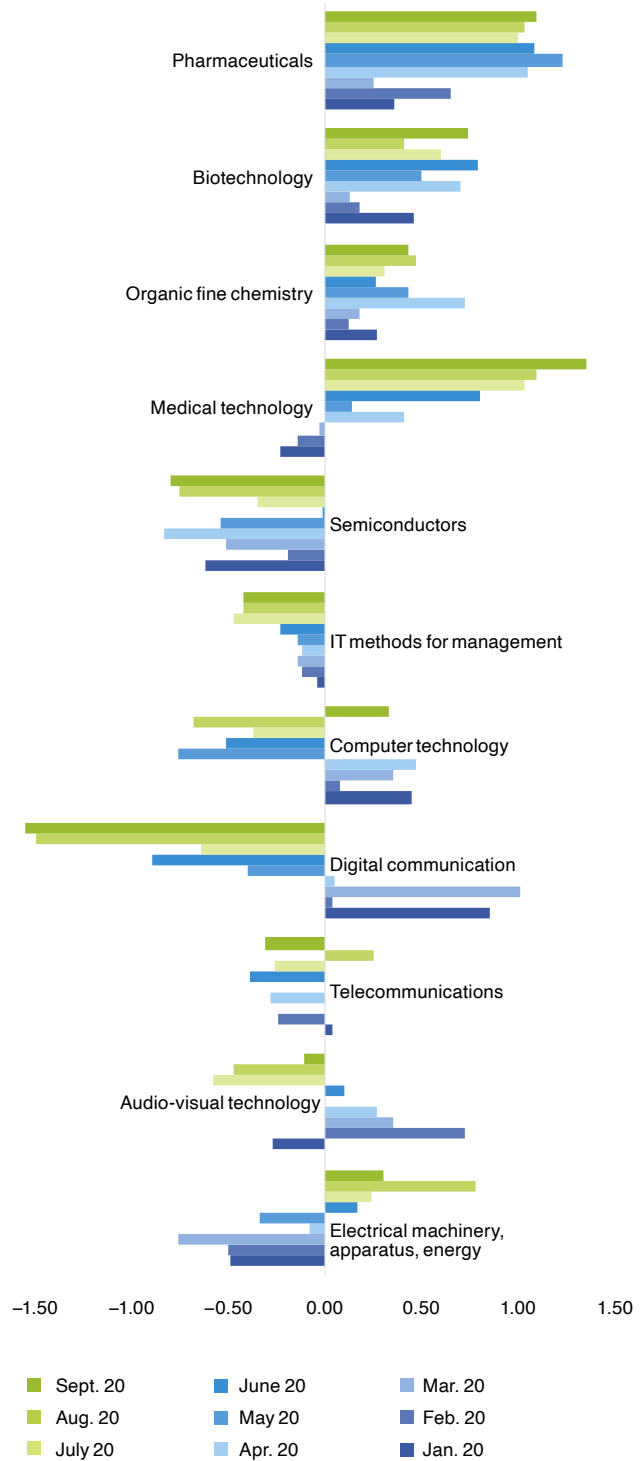
Note: Percentage changes were calculated as the difference between the most recent four-quarter period (t0) and the next most recent (t-1) over the next most recent (t-1). Thus, results in Figure 5 are not directly comparable to those from Figure 4.

International patent filings

Notwithstanding the decline in global output, international patent filings reached a new all-time high in 2020. They increased by 3.5 percent, fueled by particularly fast growth from China (16 percent). The Republic of Korea and the United States also saw solid growth, whereas Japan and most European economies registered declines.

The most dynamic technology fields in 2020 were medical technology, pharmaceuticals and biotechnology. This contrasts with previous years when digital communications, computer technology and audiovisual technology were the fastest growing fields. Most of the inventions underlying international patent filings in 2020 predate the pandemic. The strong patenting performance of health-related technologies does not, therefore, reflect an invention response to the crisis. Rather, it indicates that the pandemic has led innovators in the health-care sector to upgrade the commercial potential of their recent inventions.

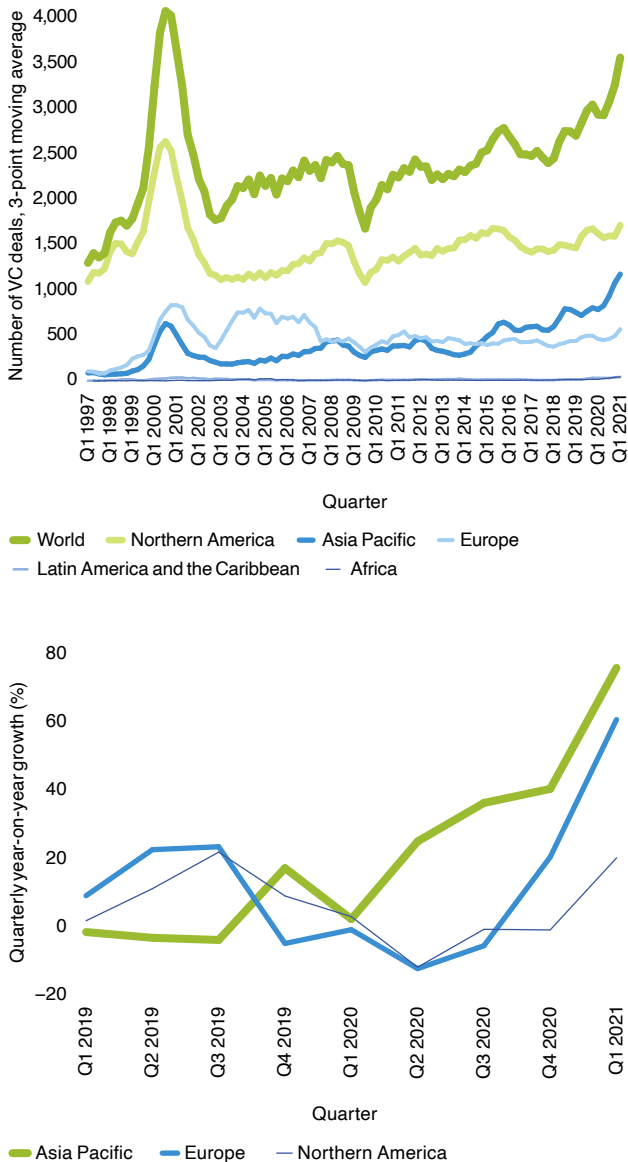
Figure 6
Percentage point changes in share of PCT applications in 2020



Source: WIPO, 2021.

Note: The percentage point changes are relative to the corresponding months in 2019.

Figure 7
Number of VC deals by region, three-point moving average, 1997–2021 (top), and growth in VC deals, by region, 2019–2021 (bottom)



Venture capital deals

The number of venture capital (VC) deals grew by 5.8 percent in 2020, exceeding the indicator’s 10-year average growth rate of 3.6 percent (see Dashboard). The exceptional resilience of innovation financing is even more remarkable considering the fact that VC deals declined in Europe and Northern America in the second quarter of 2020 when overall financial market uncertainty soared (see Figure 7). Strong growth in the Asia Pacific region more than compensated for this decline.

Aside from the rapid growth of VC deals in the Asia Pacific region (+26.6 percent), both Africa and Latin America and the Caribbean also registered double-digit increases (+82.7 percent and +12.1 percent, respectively) – albeit from significantly lower levels (see Figure 7). Northern America and Europe ended the year with declines of –3.1 percent and –0.7 percent, respectively.

First quarter figures for 2021 suggest even more vibrant VC activity this year, with the Asia Pacific region reaching an all-time high with 1,260 deals. In funding terms, first quarter 2021 VC activity in all regions already equates to nearly half of total funding in 2020, setting a strong pace for the rest of the year.

Source: Refinitiv, Eikon (private equity screener), accessed May 20, 2021.
 Note: Africa and Latin America and the Caribbean are omitted from the growth charts because low numbers caused high volatility.

Technological progress

Technological progress usually occurs gradually over a number of years. The development of the COVID-19 vaccines has defied this pattern. They were developed, clinically tested and manufactured at unprecedented speed. As of July 2021 – within 16 months of the pandemic’s onset – more than 3.5 billion people worldwide had already received at least one jab. Much remains to be done to achieve equitable access to vaccines worldwide but the achievements so far arguably rank among the most spectacular episodes of technological progress.

Fully tracking the speed of progress across all areas of technology is not possible. However, monitoring progress in a few important areas, such as those detailed below, does provide useful insights.

Microchip transistor count

One popular way of tracking progress in digital technologies is to count the number of transistors on cutting-edge microchips. Moore’s law famously holds that this number doubles every two years – a prediction that has proved roughly true since the 1970s. The transistor counts for the latest microchips commercialized in 2019 – AMD’s Epyc and IBM’s Power9 – continue to follow Moore’s exponential growth path. They contain more than twice the number of transistors of the cutting-edge 2017 models. Since 2009, microchip capacity has increased by more than 30 percent per year.

Costs of renewable energy

Technological progress has prompted dramatic falls in the cost of renewable energy. Between 2010 and 2019, the cost of solar photovoltaic energy declined by 6.9 percent per year and that of onshore wind energy by 3.7 percent per year. The 2018–2019 trends show even faster declines in cost of 13.1 percent and 9.2 percent, respectively. Importantly, in most places, power from renewable energy sources is now cheaper than power from fossil fuels. This marks a significant milestone in the drive toward cheaper energy that supports the achievement of CO₂ reduction targets.

Drug approvals

Beyond the COVID-19 vaccines, there is broader progress in finding treatments for various diseases. After experiencing a decline in the 2000s, the number of new drug approvals has been trending upward. It has grown by 9.7 percent over the past 10 years. The latest 2020 data are in line with this trend. These figures only concern the U.S. economy, which spends the most on pharmaceutical R&D. In addition, the health impact of newly approved drugs varies. Nonetheless, the upward trend in drug approval mirrors broader optimism about advances in the biosciences to further improve human health (*The Economist*, 2021). One example is the recent publication of promising clinical trial results for a vaccine against malaria, following many years of failed efforts (Dattoo *et al.*, 2021).

Socioeconomic impact

What impact does innovation have on people’s daily lives? Historically, technological progress has been a key force behind sustaining economic growth, improving living standards and offering better health outcomes. Even though innovation’s track record on the environment is mixed, new technologies have also contributed to lowering pollution levels and promoting greater sustainability.

What do the latest data tell us about the socioeconomic impact of innovation?

Labor productivity

The impact of the pandemic on labor productivity has been mixed. Output per hour worked jumped by 4 percent in 2020. This increase mainly reflects the curtailment of economic activities with low productivity, often as a direct result of the containment measures introduced to tackle the pandemic. By contrast, output per worker actually decreased by 0.9 percent, as companies retained their workforce on furlough schemes, often with government support (The Conference Board, 2021).

Between 2010 and 2020, labor productivity grew by 2.2 percent per year – a slower pace compared to previous decades. Other measures of productivity – notably, total factor productivity – show similar long-term declines, especially in developed economies (Moss *et al.*, 2020). This has prompted economists to ask whether the ability of technological innovation to raise productivity and foster long-term economic growth has diminished. While this remains an open question, other factors besides technological progress may explain slower productivity growth – notably, demographic change, a growing share of services in economic output and stagnating levels of educational attainment. In addition, productivity trends could well change, as economies adopt the latest technologies.

Life expectancy

Life expectancy in the world stood at 72.7 years in 2019, up from 70.2 years in 2009 and 52.6 years in 1960. Technology has been a key contributor to longer life spans. Scientific advances have promoted healthier lifestyles; medical and pharmaceutical innovations have led to more effective treatments against a wide range of diseases.

Worldwide life expectancy data for 2020 are not yet available. In the United States, preliminary data for 2020 suggest that excess mortality due to COVID-19 has caused life expectancy to fall by one whole year (Arias *et al.*, 2021). Similar declines have been reported for the United Kingdom (Public Health England, 2021). It is important to note that these declines do not mean that a newborn baby can expect to have fewer years of life. They mainly capture the current – and hopefully temporary – increase in mortality rates.

Carbon dioxide emissions

Steps to limit global warming rely on the reduction of greenhouse gas emissions. Global carbon dioxide (CO₂) emissions – accounting for more than half of all greenhouse gases – continued to increase up to 2019. For 2020, CO₂ emissions are projected to fall, as the COVID-19 pandemic slowed the social and economic activities that are responsible for such emissions.⁴ As those activities have started to rebound in 2021, CO₂ emissions are set to rise again. Technological progress – particularly the falling costs of renewable energy (see above) – has already enabled the reduction of CO₂ and other greenhouse gases. Future innovation is bound to expand this potential. At the same time, harnessing the potential of technology requires coordinated policies and long-term investments.

Conclusion

The GII Global Innovation Tracker provides a data-driven perspective on the latest innovation trends. It offers the following insights:

- Overall, investments in science and innovation have been remarkably resilient in the face of the greatest economic downturn for decades. Scientific output, R&D expenditures, international patent filings and venture capital deals continued to grow in 2020, building on already strong pre-crisis performance.
- Nonetheless, the global pandemic has left its mark on the global innovation landscape. Sectors which saw collapsing demand – such as transport and travel – had to cut back their innovation outlays. By contrast, companies whose innovations were at the center of measures to contain the pandemic and its fallout – notably, pharmaceuticals and ICTs – redoubled their investments in innovation.
- The pandemic has accelerated the long-term geographical shift of innovation activities toward Asia, even if Northern America and Europe continue to host some of the world's leading innovators.
- Technological progress at the frontier holds substantial promise. The rapid development of COVID-19 vaccines powerfully demonstrates this promise. There is also continued progress in other technology fields – such as ICTs and renewable energy – that has the potential to raise standards of living, improve human health and protect the environment.

Notes

- 1 This result mirrors findings for industrialized countries covered by the Organisation for Economic Co-operation and Development (OECD). See the latest data, published on March 18, 2021, in the OECD Main Science and Technology Indicators (MSTI) database, https://stats.oecd.org/Index.aspx?DataSetCode=MSTI_PUB. For a more in-depth analysis of COVID-19 and innovation, see Paunov and Planes-Satorra (2021).
- 2 The estimate of a 2.8 percent decline is based on the assumption that R&D to GDP ratios at the country level stay the same as in 2019, so that the 2020 GDP decline is passed on to R&D expenditures in full.
- 3 Government R&D budget indicators for the OECD area present the amounts that governments agree to allocate to R&D as part of their budgetary processes, rather than actual expenditure reported by R&D performers.
- 4 For further details, see the Carbon Monitor, <https://carbonmonitor.org>.

Data notes

Scientific publications captures the number of peer-reviewed articles published in the Social Sciences Citation Index (SSCI) and Science Citation Index Expanded (SCIE). Source: Web of Science (Clarivate), <https://apps.webofknowledge.com>.

R&D expenditures captures R&D expenditures worldwide in PPP-adjusted constant 2015 prices. The 2019 values were calculated using available real data of gross expenditure on R&D (GERD) and business enterprise expenditure on R&D (BERD) at the country level from the UNESCO Institute for Statistics (UIS) online database, the OECD's Main Science and Technology Indicators (MSTI) database (March 2021 update) and Eurostat. For those countries for which data were not available for 2019, the 2019 data were estimated using the last observation carried forward (LOCF) method.

International patent filings refers to the total number of patent applications filed through the WIPO-administered Patent Cooperation Treaty. Source: WIPO IP Statistics Data Center, <https://www3.wipo.int/ipstats>.

Venture capital deals refers to the absolute number of VC deals received by companies located in the region. Source: Refinitiv, Eikon data on private equity and venture capital, <https://www.refinitiv.com/en/products/eikon-trading-software/private-equity-data>.

Microchip transistor count refers to the number of transistors on the most advanced commercially available microchips in a given year. Source: Karl Rupp, data available at <https://github.com/karlrupp/microprocessor-trend-data>.

Costs of renewable energy captures the global weighted average levelized electricity cost of solar photovoltaics and onshore wind. Source: International Renewable Energy Agency (IRENA), <https://www.irena.org/publications/2020/Jun/Renewable-Power-Costs-in-2019>.

Drug approvals refers to the number of new drug approved by the US Federal Drug Administration (FDA). The data include both small molecule drugs and biologics. Source: FDA, <https://www.fda.gov/media/135307/download>.

Labor productivity refers to the world total of output per hour worked, as estimated by The Conference Board. Source: The Conference Board Total Economy Database™, <https://conference-board.org/data/economydatabase>.

Life expectancy refers to the number of years a newborn infant would live if prevailing patterns of mortality at the time of its birth were to stay the same throughout its life. Source: World Development Indicators, <https://databank.worldbank.org/source/world-development-indicators>.

Carbon dioxide emissions refers to fossil emissions, excluding carbonation, for the world, measured in billion tons of CO₂ per year. Source: The Global Carbon Budget 2020, <https://doi.org/10.18160/gcp-2020>.

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