

2023-2024 NEW HAMPSHIRE FOREIGN DIRECT INVESTMENT REPORT

New Hampshire Foreign Direct Investment Status in Times of Inflation and Beyond

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Executive Summary

As a relatively small state, New Hampshire benefits from foreign direct investment (FDI) in a more than proportionate manner compared to the U.S. Our state ranks third among all states in the share of private sector employment accounted for by foreign companies: 8.7 percent compared to 6.2 percent for the country (U.S. Bureau of Economic Analysis, 2023ⁱ). In the past few years, New Hampshire experienced a significant inflation surge. Its prices of goods and services went up by nearly 18 percent between January 2021 and September 2024 (Granite State Times, 2024ⁱⁱ). This report explores how foreign direct investment was affected by inflation in our state and draws conclusions on signals for future developments.

The world is facing unprecedented challenges emerging from a pandemic, addressing disruptions, and grappling with economic times that have rarely been seen in the past. As in our previous work, we grounded our report on current realities and explored the status and characteristics of FDI and all FDI-related business activities in our state. We hope our findings shed some light on how FDI fared in New Hampshire in comparison to national data, what kinds of related actions took place that affected business in the state, and why we are seeing the patterns observed.

We start by providing an understanding of the relationship between FDI and inflation and attempt to comprehend how contractionary monetary policy brings more foreign investments and how it does not. This sets up the theoretical foundation and puts our investigation into the larger context of how rising inflation coupled with increased economic recovery stimulated FDI immediately after the pandemic but suppressed it afterwards. With this understanding of the inflationary pressure, we then evaluate new FDI in New Hampshire and identify that, during the period of high inflation in 2022 and 2023, the new FDI in our state at an aggregate level underperformed in comparison to the national level.

Once we realize the significant impact of inflation and related policies on FDI throughout 2022 to the end of 2023, we then investigate the firm-level responses that followed in 2023 and at the start of 2024. We took a broad view in this investigation and considered any FDI, FDI-related action or strategic action that involved foreign-affiliated companies that related to businesses in our state. We drew conclusions based on a sample of companies that pursued such actions and were able to find some notable patterns. We intentionally attempted to consider all nuances of foreign business and how it may play a role in the local economy. We acknowledge that there were many negative effects and pivoting actions that most companies, domestic and non-domestic, had to undertake as a result of inflation, rising costs, uncertainty and policy responses. Nevertheless, based on the information and analysis in this study, these negative impacts may not have been large enough to derail all strategic actions.

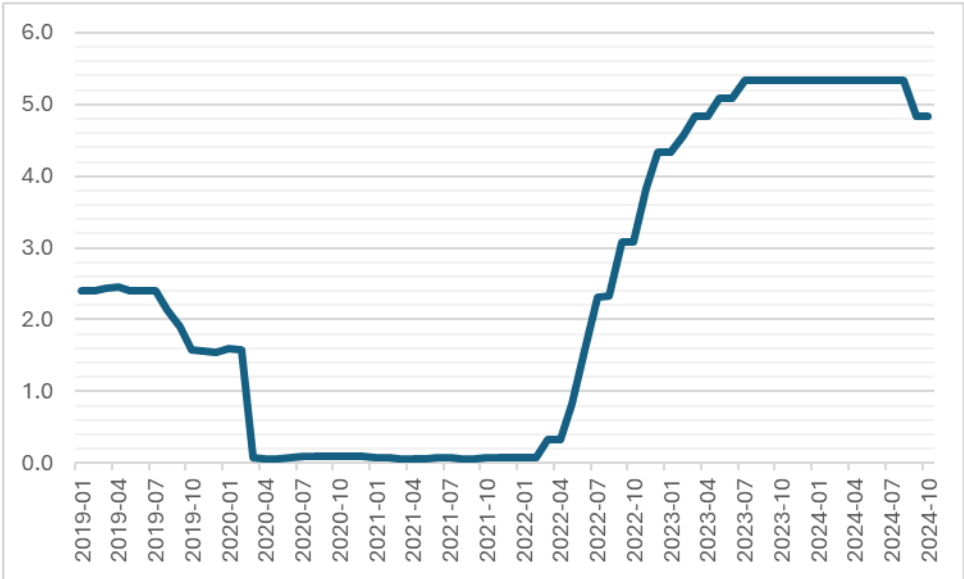
Notably, our data shows that, during challenging times of inflation and recovery, state-level business leaders and economic development professionals should anticipate strategic actions to expand markets, products, operations and partnerships. These actions may take place locally or could be the consequences of strategic moves with a broader geographical footprint. Key lessons of our investigation are that international business does not stand still even in inflation and contractionary times and that leaders and professionals should act to take advantage of business actions outside our state, as more companies look to strengthen and diversify their national and international networks.

Part 1. Inflation, Monetary Policy, and Foreign Direct Investment: Theory and Reality

Inflation is defined as a sustained increase in the average price of goods and services. It reduces the consumers’ and businesses’ purchasing power. A moderate inflation rate is an indicator of economic stability and a factor for economic growth that benefits foreign direct investors. The U.S. Federal Reserve Banks target a 2 percent inflation rate over time. However, high levels of inflation cause economic uncertainty and negatively affect foreign investors by reducing the value of assets pegged to the local currency, which tends to be depreciated in relation to foreign currency. Therefore, the relationship between FDI and inflation is not clear-cut.

Since the great economic recession of 2008-2009, unconventional monetary policy tools have been used more powerfully and widely than ever before. Specifically, an expansionary monetary policy gives the central banks the opportunity to swiftly respond to various crises of economic downturns by increasing liquidity. In response to the unprecedented disruptions to economies brought about by the COVID-19 pandemic in 2020, countries continued to implement expansionary monetary policies and the abundance of liquidity decreased the interest rates and increased the stock market indexes at a global level until the end of the pandemic.ⁱⁱⁱ As illustrated in Figure 1, the U.S. federal funds rate went down from around 2 percent in 2019 to 0.25 percent between March 2020 and February 2022.

Figure 1. End of Month Federal Funds Effective Rate in the U.S., 2019 –2024



Data source: Federal Reserve Bank of St. Louis.

Due to the supply chain disruptions and the lockdown of economies, the prices in the U.S. went up moderately in the first year of the COVID-19 outbreak, and the 12-month change of Consumer Price Index (CPI) increased from 0.1 percent in May 2020 to 2.6 percent in March 2021. The price hike, however, sustained since the spring of 2021 and the 12-month change

of CPI once surged to 9.1 percent in June 2022, a record high inflation rate in the past four decades. It then went down every month to between 3 percent and 4 percent in summer 2023 and became stable for one year long until July 2024 when it dropped below 3 percent in the following consecutive months. Even though, as of November 2024 the inflation rate is still around the peak value between 2014 and when the surge occurred in 2021. This is illustrated in Figure 2.

Figure 2. 12-month Percentage Change of Consumer Price Index in the U.S., January 2014 – October 2024



Data source: U.S. Bureau of Labor Statistics

In response to the surging inflation pressure, the U.S. Federal Reserves started raising the interest rates in March 2022. Since then, the federal funds effective rate continuously climbed up and hit 1 percent in May, 2.5 percent in July, 3.25 percent in September, 4 percent in November, 5 percent in March 2023, and kept at a 23-year high of 5.5 percent from July 2023 until September 2024. Figure 1 captures the “U” shape of the interest rate scatterplot corresponding to the period 2019 - 2022. Similar contractionary monetary policy was also carried out in this period by the central banks of major economies including the Bank of England, and the European Central Bank, etc., to combat the inflation.^{iv}

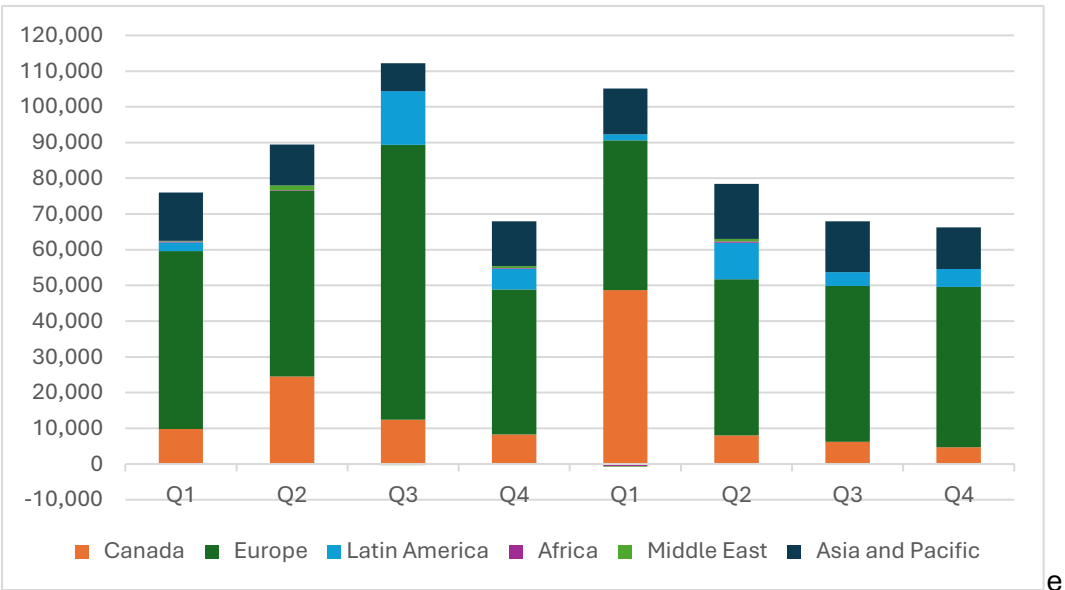
In theory, the monetary tightening that boosts the interest rate may curb the rising prices through the following channels. First, higher interest rates discourage borrowing and encourage saving, and thus reduce the aggregate demand and the total spending. Second, within the context of open economies, the interest rate measures the expected rate of return, and the elevated interest rates attract more foreign investments which boost the demand of local currency. This will appreciate the value of the exchange rate and make the goods/services labeled in the local currency more expensive, which reduces exports and

further lowers the domestic production, and lowers import prices, contributing to lower inflation.^v

Did the worldwide contractionary monetary policy stimulate more foreign investments flowing into countries across Europe and Asia? Although there were worldwide recession fears, the global foreign direct investment (FDI) flows in 2023 reached \$1.37 trillion, a 3 percent increase over 2022. This marginal increase, however, concentrated in a few European Union (EU) countries such as Luxembourg and the Netherlands. The FDI inflows to the rest of the EU and in other developed countries either stagnated or declined. Even in developing Asia, normally the engine of FDI growth, the FDI inflows fell by 12 percent. China reported a decline of 6 percent in its FDI inflows which was rare after a couple of decades of continued growth. In total, the developing countries saw a 9 percent drop.^{vi} The economic uncertainty and higher interest rates did affect global investment.

In addition to the worldwide evidence, in the United States, the largest FDI recipient, FDI inflows also went down by 3 percent from 2022 to 2023. The quarterly inward FDI transactions reveal a downward trend throughout 2023, as shown in Figure 3. A breakdown of the FDI inflows by countries of origin uncovers that the FDI from Canada declined significantly in 2023 while the FDI from Middle East and Asia and Pacific were relatively stable. However, the inward FDI was seen climbing up throughout 2022 until the last quarter, a period in which the U.S. inflation reached its 40-year high although started to go down the hill. This may suggest that the rising inflation caused by the economic recovery from the global pandemic stimulated the FDI from 2021 to 2022, but the high and sustained inflation discouraged the foreign investors in 2023.

Figure 3. Quarterly Transactions for Inward FDI in the U.S. 2022-2023, by Countries of Origin (million USD)



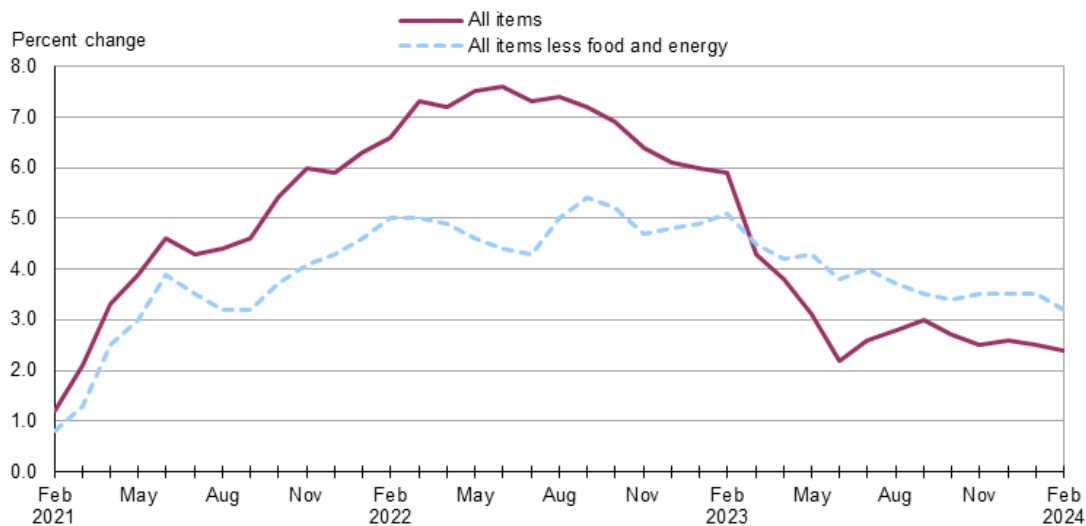
Data source: U.S. Bureau of Economic Analysis, Data on U.S. International Financial Transactions for Direct Investment

Part 2. New Foreign Direct Investment in New Hampshire under High Inflation in 2022 - 2023

In this section, we examine the investment activities and revenue performances of the newly acquired, established, or expanded U.S. businesses by foreign enterprises (new FDI, hereafter) in New Hampshire within the context of high inflation pressure in 2022. In this analysis we use the U.S. Bureau of Economic Analysis data on new FDI in the United States to construct tables and figures, and the year of 2023 is their most recent available data as of December 2024.

Because the CPI data for New Hampshire alone is not available, we adopt the U.S. Bureau of Labor Statistics data for the northeast region that is comprised of Connecticut, Maine, Massachusetts, New Hampshire, New Jersey, New York, Pennsylvania, Rhode Island, and Vermont. As shown in Figure 4, the 12-month percentage change of all-item CPI for this region surged from February 2021 until reaching a four-decade high of 7.5 percent in the summer of 2022. It trended down but remained at a high position between 6 and 7.5 percent throughout the year 2022. The downward trend went sharper in the first half of 2023 and stabilized after summer in the 2 to 3 percent range.

Figure 4. 12-month Percentage Change of Consumer Price Index in the Northeast Region, February 2021 – February 2024



Source: U.S. Bureau of Labor Statistics.

During this period, the new FDI in New Hampshire was weaker than in 2021. As shown in Table 1, both the newly acquired and the newly expanded U.S. businesses in New

Hampshire did not make any investment expenditure in 2022. This happened during the COVID-19 pandemic in 2020. One newly established business made an investment expenditure, but the data were suppressed to avoid disclosure of the individual company. Therefore, it is possible that the investment expenditure of new FDI in 2022 was even lower than 2020 which had \$2 million, not to mention that it used to be averaged at \$148 million per year between 2016 and 2019.^{vii} This figure remained low in 2023 because although one newly acquired business made an investment expenditure, the expenditure by the newly established businesses was negligible. Further scrutiny by type of investment reveals that the green-field FDI (i.e. the newly established businesses and the newly expanded businesses combined) in New Hampshire has been the state’s driving power for FDI growth. This type of FDI poses greater risks and longer-term commitment of capital than other types of FDI. In exchange, the parent company owns a greater degree of control of the foreign subsidiaries.

Table 1. First Year Investment Expenditures of New FDI in New Hampshire, by Type of Investment (million USD)

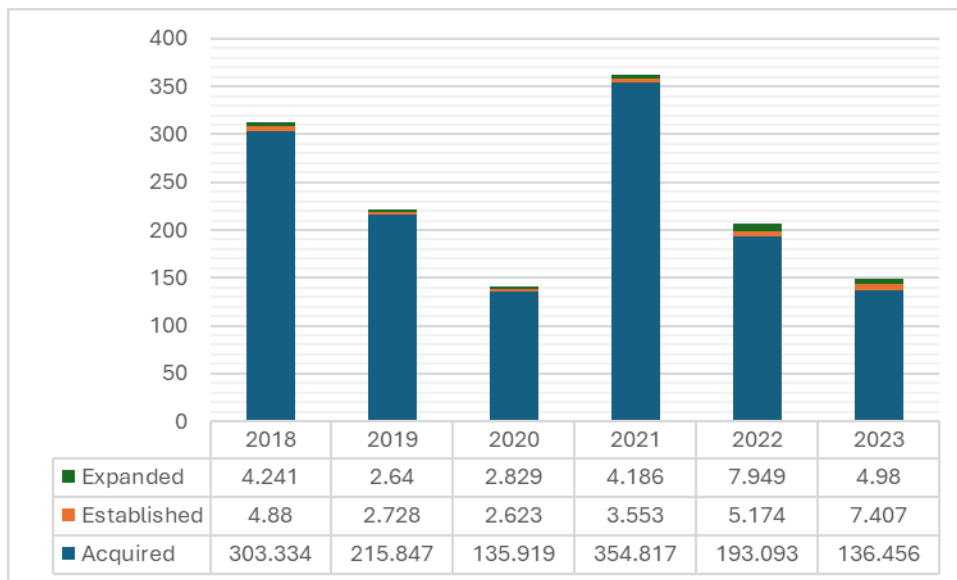
	Acquired	Established	Expanded	Total
2018	(D)	(*)	2	(D)
2019	(D)	(*)	(D)	131
2020	0	2	0	2
2021	2	1	2	5
2022	0	(D)	0	(D)
2023	(D)	(*)	0	(D)

Data Source: U.S. Bureau of Economic Analysis

Note: (D) means data are suppressed to avoid disclosure of data on individual companies. (*) means a nonzero value that rounds to zero.

New Hampshire seemed to follow the national trend of the investment expenditures by the new FDI. As illustrated in Figure 5, the new FDI investment expenditures at the national level bounced up in 2021 to be above the pre-pandemic level but then dropped sharply in 2022 when the inflation pressure kept cumulating and further dropped in 2023 at the tail end of this inflation surge. Looking into the type of investment reveals that the cut in investment expenditures was solely from the newly acquired businesses which has been the dominating source of new FDI in the U.S. On the positive side of the story, the U.S. had more green-field FDI in 2022 and 2023, because both the newly established and the newly expanded businesses increased their investment expenditures in comparison to 2021 and the years before it.

Figure 5. First Year Investment Expenditures of New FDI in the U.S., by Type of Investment (billion USD)



Data Source: U.S. Bureau of Economic Analysis

Job creation is an important contribution of the inward FDI to the local economies. In the U.S., FDI directly and indirectly support over 15 million jobs across the country.^{viii} According to Table 2, 800 jobs were added by the new FDI in New Hampshire in 2020, the number went up to 1,100 jobs in 2021 but fell to 800 in 2022 and then experienced a major decline to only 300 jobs in 2023. A similar dynamic was uncovered at the national level illustrated in Figure 6. From 2021 to 2022, the total American jobs added by the new FDI decreased every year and were cut in half owing to the reduction of employment of the newly acquired U.S. businesses. The newly established and expanded businesses provided more jobs after 2021, but the job creation by the greenfield FDI in the U.S. was still weaker than the year of pandemic and prior.

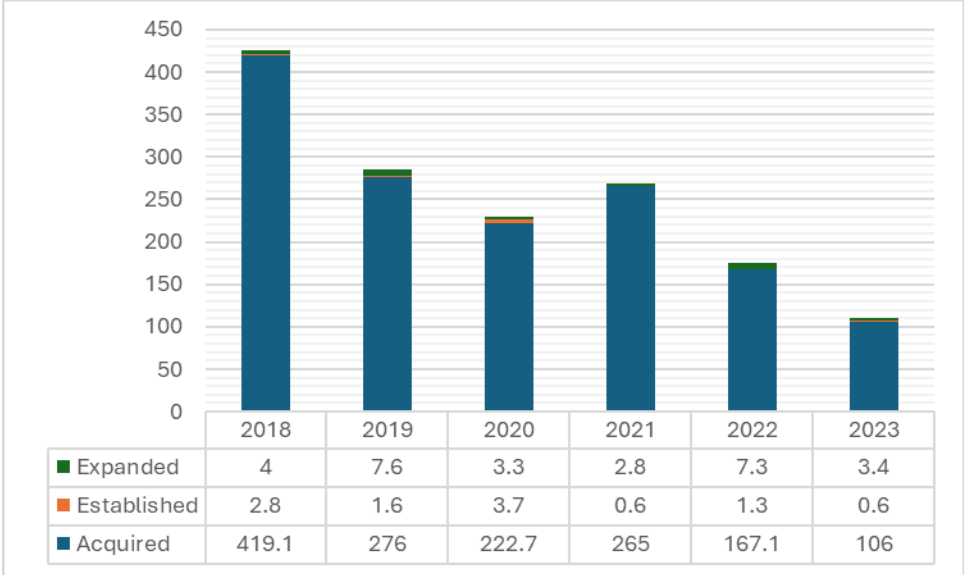
Table 2. Current Employment of New FDI in New Hampshire, by Type of Investment (1,000 employees)

	Acquired	Established	Expanded	Total
2018	1.8	(*)	0	1.8
2019	G	0	0	G
2020	0.8	0	0	0.8
2021	1.1	0	0	1.1
2022	0.8	0	0	0.8
2023	0.3	0	0	0.3

Data Source: U.S. Bureau of Economic Analysis

Note: (*) means fewer than 50 employees. Size ranges are given in employment cells that are suppressed and G means the range of 1,000 to 2,499.

Figure 6. Current Employment of New FDI in the U.S., by Type of Investment (1,000 employees)



Data Source: U.S. Bureau of Economic Analysis

The sales revenues of new FDI in New Hampshire are dominated by the acquired local businesses over the greenfield FDI. As shown by Table 3, the newly established and newly expanded businesses in New Hampshire have made negligible sales revenue in the past decade. It is notable that the scale of the sales revenue by the new FDI in New Hampshire may follow a downward trend since 2014. It dropped from \$148 million in 2019 to nearly \$0 in 2020 due to the COVID-19 pandemic, then the sales of both newly acquired and newly expanded FDI bounced up in the post pandemic year of 2021. In the following year when the inflation pressure continued to hike, all (but the newly acquired) types of new FDI reported a total sales revenue that rounds to zero. At the tail end of the inflation surge in 2023 the sluggish revenues of the new FDI in New Hampshire were improved by the new establishments.

Table 3. Sales of New FDI in New Hampshire, by Type of Investment (million USD)

	Acquired	Established	Expanded	Total
2014	(D)	0	(D)	213
2015	(D)	0	0	(D)
2016	220	0	0	220
2017	77	(*)	0	77
2018	(D)	2	0	(D)
2019	(D)	(*)	(D)	148
2020	0	(*)	0	(*)
2021	(D)	(*)	2	(D)

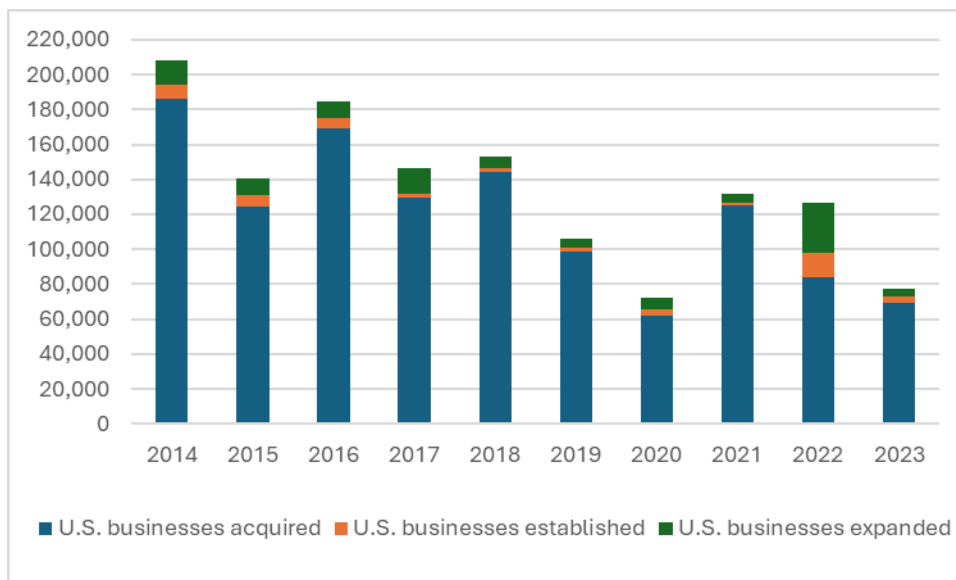
2022	(D)	(*)	0	(D)
2023	(D)	5	0	(D)

Data Source: U.S. Bureau of Economic Analysis

Note: (D) means data are suppressed to avoid disclosure of data on individual companies. (*) means a nonzero value that rounds to zero.

Similar to the case of New Hampshire, Figure 7 illustrates that the sales revenues of new FDI at the U.S. national level also primarily came from the acquired businesses and seemed to follow a downward trend between 2014 and 2020. The post-pandemic economic recovery almost doubled the sales revenue of new FDI in 2021 and 2022. Different from the case of New Hampshire, both the newly established and the newly expanded businesses at the national level reported the highest sales revenues in 2022. The strong performance of the greenfield FDI in the U.S. released a positive signal on the resilience of FDI to recover from the disruptions caused by the global pandemic. This resilience, however, was challenged by the sustained increases of prices and costs such that in 2023 the sales figure of new FDI in the U.S. declined almost in half to the pandemic level.

Figure 7. Sales of New FDI in the U.S., by Type of Investment (million USD)



Data Source: U.S. Bureau of Economic Analysis

By subtracting all costs and expenses from gross income that includes revenue and income from other sources, the net income measures a firm's profitability. Table 4 below reports the net income for new FDI in New Hampshire. The newly acquired businesses, the dominating type of FDI, experienced a downward trend in their net income similar to their sales revenue: it remained profitable every year until the COVID-19 economic lockdown in 2020, bounced up immediately after the pandemic, but the data were suppressed for

the years of inflation surge, making it difficult to compare between the post-pandemic and the pre-pandemic years. In contrast, as illustrated in Figure 8, the net income of new FDI at the national level was rather stable until the pandemic when the newly acquired businesses suffered from negative net incomes. The condition was reverted in 2021 and was further improved in 2022 when the net income of the newly acquired businesses restored its pre-pandemic level at \$7 billion and more surprisingly the greenfield FDI reported a record high net income of over \$4 billion. In 2023, however, the net income of new FDI in the country drastically fell by more than half in response to the sustained increase in prices and costs and its cumulated negative impact on the profitability of businesses.

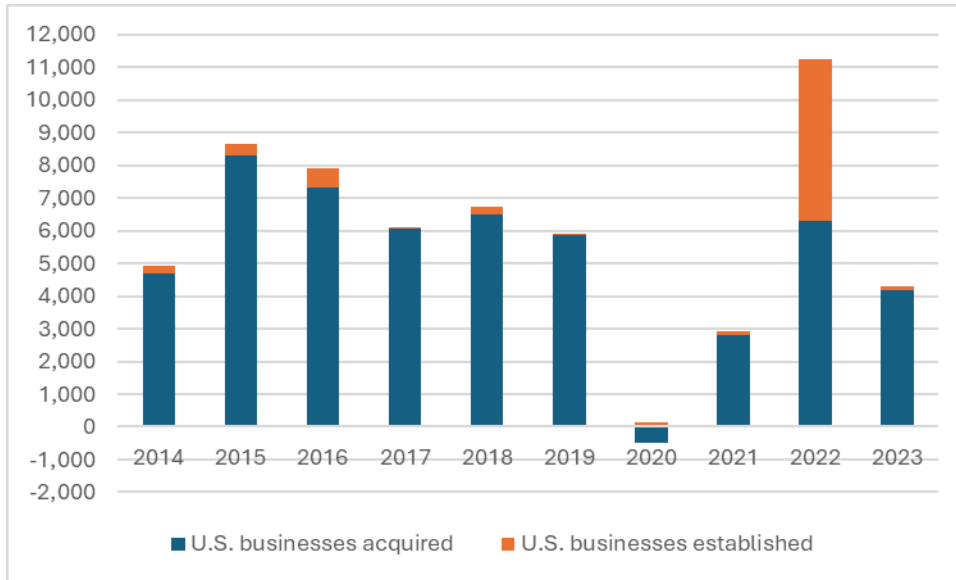
Table 4. Net Incomes of New FDI in New Hampshire, by Type of Investment (million USD)

	NH businesses acquired	NH businesses established	NH Total
2014	10	0	10
2015	2	0	2
2016	(D)	0	(D)
2017	10	1	11
2018	3	2	5
2019	2	(*)	2
2020	0	(*)	(*)
2021	(D)	(*)	(D)
2022	(D)	(*)	(D)
2023	(D)	(*)	(D)

Data Source: U.S. Bureau of Economic Analysis

Note: (D) means data are suppressed to avoid disclosure of data on individual companies. (*) means a nonzero value that rounds to zero.

Figure 8. Net Incomes of New FDI in the U.S., by Type of Investment (million USD)



Data Source: U.S. Bureau of Economic Analysis

The examination of the most recent available data on new FDI in the U.S. and specifically in the State of New Hampshire revealed notable similarities, as well as differences, in the performances of the newly acquired, established, and expanded businesses in the years of mounting inflation pressures and the tail end of this inflation surge. All of the key measures, namely the investment expenditures, employment, sales revenue, and net income, experienced a downward trend at both the national and the state level between 2018 and 2020 the COVID-19 pandemic. They all significantly bounced up in the economic recovery of 2021. However, during the high and increasing inflation throughout the year of 2022, the new FDI in New Hampshire underperformed in comparison to the national level new FDI by dropping more than proportionately in the areas where both levels dropped (investment expenditures and employment), and in the areas where the national level increased (sales revenue and net income). Furthermore, the cumulative negative effects of sustained increase in prices and costs on the new FDI became more salient at the national level than their subnational counterpart in 2023.

Part 3. Inflation and FDI-related Strategic Actions that Originated and Impacted NH

As our data indicates, data up to the year 2022 identify inflationary pressures and contractionary policies. Thus, the year 2023 and the start of 2024 mark a period of persisting concerns about inflation, fluctuating costs of goods and high prices for raw materials, utilities, and transportation. As for the rest of the country, these circumstances likely squeezed profit margins and stretched budgets for many businesses in New Hampshire. We expect that, while navigating inflation, labor shortages and decreasing demand in some industries, many businesses in the state are likely to have struggled to maintain competitiveness and profitability.

In this section we investigate whether there was any notable firm-level response to the inflation and monetary policy by foreign firms in New Hampshire and whether these conditions triggered actions that involved foreign-affiliated companies outside New Hampshire that may have affected state businesses. We were not able to find information on cost-cutting measures in our sources. However, we identified several business actions to expand business overall, operations and distributions. We observed that large foreign companies in our state engaged in strategic moves that were not necessarily prompted by rising costs but rather were part of a strategy of growth. Based on our data, we posit that, although inflation destabilized the new FDI and caused a period of turbulence and variability, it did not significantly impact existing companies that were already on a strategic path of growth in the past year and the start of 2024.

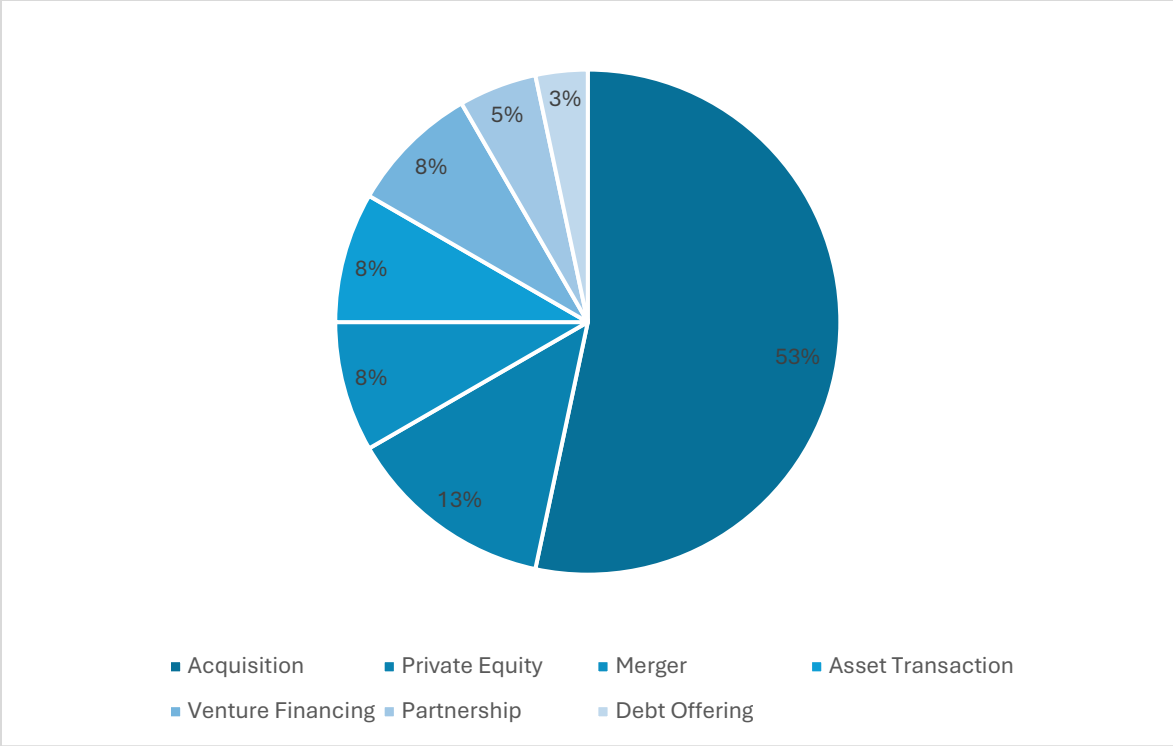
During the timeframe of this report, we considered strategic actions as actions that involved international companies that operate in New Hampshire or that engage in activities that had a lasting impact in the state. Data for small companies was not available, and therefore, our report is focused on mid-size and large companies' information and analysis.

Strategic actions refer to business activities that engage a firm overall or represent a large portion of a firm, its revenues or earnings, and have a long-term impact. We analyzed strategic actions taken by three types of businesses: foreign subsidiaries operating in our state, foreign companies outside the state that took actions that affected New Hampshire business, and companies that partnered or associated with foreign-affiliated organizations with results on business in the state.

3.1 The context of business activity in New Hampshire

Before exploring strategic actions, we aimed to understand the context in which we can interpret them. To this purpose, we investigated New Hampshire overall data on business deals^{ix} that involved foreign firms. Figure 9 below shows the 2023 proportions of total deals by type and indicates that most deals were acquisitions. A few deals addressed mergers and sales of businesses or parts of businesses. Some actions were about financing. There were few partnerships. Not represented on this table are deal values, which are higher for financial deals. The information on strategic actions involving only foreign firms, which is presented in detail in the last part of this section, does not match this pattern, which may suggest that most of the partnerships that took place in the state involved foreign businesses, since many of our illustrative strategic actions concerned some level of partnering.

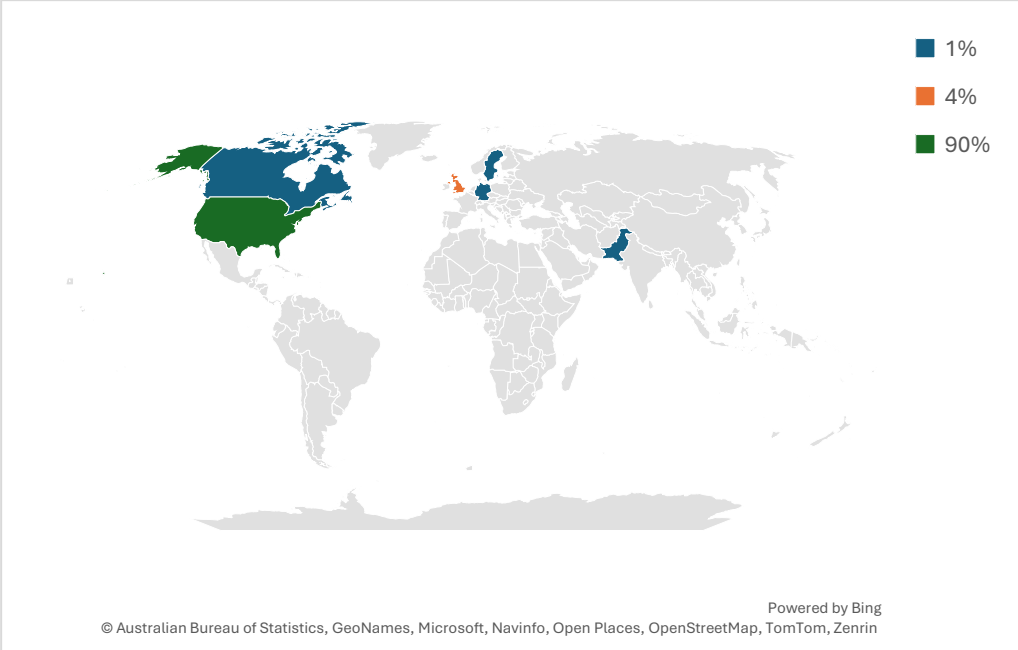
Figure 9. Proportions of Strategic Deals and Partnerships that Included or Related to New Hampshire Companies in 2023



Source: Author’s own, based on GlobalData's Intelligence Center data

The geography of companies and reach of total activities is reflected in Figure 10, where we can identify that most companies involved were predominantly U.S. companies, and most of the strategic actions were in the US, in 2023. The data used for showing geography spans from January 1st, 2023, to February 20th, 2024. The spatial footprint indicates that most deals with New Hampshire connections concern the U.S., rather than extensive international coverage. This may indicate a general national business orientation. The pattern of looking for in-country opportunities and activities may suggest that even foreign-affiliated companies and those associated with foreign organizations may have pursued business activities that were focused on the U.S., closer to their foreign subsidiaries’ operations or aiming to gain increased distributions in the country.

Figure 10. Business Deals Geography and Reach



Source: Author’s own, based on GlobalData's Intelligence Center data

As illustrated in Table 5 and Figure 11, by sector, the proportions of deals in 2023 across all sectors show predominance of activities in technology, media, and telecom, as well as healthcare and construction, followed by retail and wholesale. This context offers a good perspective for international business in the state versus the business deals in the state overall. Many of the strategic actions involving foreign companies that we illustrate in the second part of this section are in the technology sector, as well as healthcare.

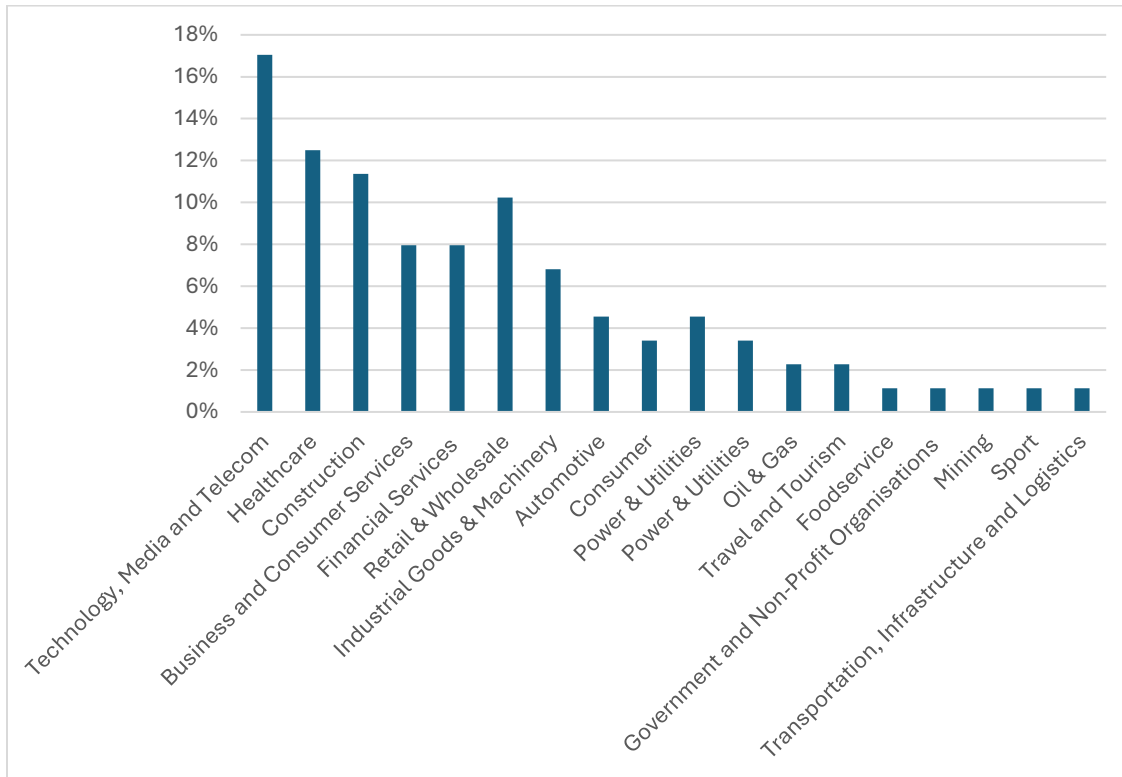
Table 5. Deals Proportions Across Sectors In 2023

<i>Sector</i>	<i>Proportion</i>
Technology, Media and Telecom	17%
Healthcare	13%
Construction	11%
Business and Consumer Services	8%
Financial Services	8%
Retail & Wholesale	10%
Industrial Goods & Machinery	7%
Automotive	5%
Consumer	3%
Power & Utilities	5%
Power & Utilities	3%
Oil & Gas	2%
Travel and Tourism	2%
Foodservice	1%
Government and Non-Profit	1%

Mining	1%
Sport	1%
Transportation, Infrastructure and Logistics	1%

Source: Author's own, based on GlobalData's Intelligence Center data

Figure 11. Deals Across Sectors In 2023



Source: Author's own, based on GlobalData's Intelligence Center data

3.2 FDI-related strategic actions in New Hampshire

For more specific investigation on strategic actions involving foreign firms in the state, we collected data on news pieces and announcements during 2023 and the start of 2024^x. Data corresponds to mid-size and large companies. By presence, companies affiliated with foreign parents represent 10% in a list^{xi} of the biggest companies by number of employees that have locations in New Hampshire. These foreign-affiliated companies include some of the companies identified in Table 6.

Table 6. Large Companies Represented In New Hampshire

Company	Parent affiliation and country of origin
Freudenberg	Freudenberg & Co. KG, Germany
Liquid Friday	Liquid Friday Ltd, UK
Lindt	Chocoladefabriken Lindt & Sprüngli AG, Switzerland

Goss International	Shanghai Electric, China
Raymarine	Raymarine Marine Electronics, UK
Highliner Food Svc	High Liner Foods, Canada
Novocure	Novocure, Switzerland
GN Netcom	GN Netcom, Denmark
Kollsman	Elbit Systems, Israel

As a notable addition, a top employer worldwide and in New Hampshire^{xii}, BAE Systems, with a parent affiliation in the U.K., has significant operations in New Hampshire. FSD Pharma and INEO Tech Corp, both affiliated with Canadian-headquartered parent companies, have also engaged in significant strategic activities with impact on the state. Lonza, a Swiss multinational manufacturing company, was also active in New Hampshire during the time of the study. Konica Minolta Healthcare Americas has expanded its reach, and Amphenol Interconnect India has taken strategic action affecting New Hampshire business. These companies engaged in the strategic actions presented below.

The sample of actions in Table 7 illustrates strategic activities involving foreign businesses in 2023 and the beginning of 2024. Data on strategic actions were extracted from the “News” database of GlobalData’s Intelligence Center (GlobalData News, 2025^{xiii}), and we selected strategic actions to mean actions to increase the scale and value of an organization in the long term. These actions engaged a firm overall or a large portion of a firm and had a long run impact on its revenues or earnings. For the scope of our investigation, we only considered strategic actions that involved international companies. Some activities do not originate in the state but have an impact on New Hampshire business, such as expanding facilities, operations, or distribution in the state. As the descriptions indicate, the data reflect variety of business activity, with some recurrence of contract extensions and new operations, product and market expansions. The geography of each activity was classified as New Hampshire (NH) if the activity originated or had an impact on organizations in the state of New Hampshire, United States (US) if the activity originated broadly or had an impact on organizations in a number of states nationwide, or International (Int’l) if the activity originated broadly or had an impact on organizations in a number of countries outside the US.

Table 7. Strategic Actions Involving Foreign Companies In New Hampshire By Geographic Reach

<i>Strategic action</i>	<i>Geography where strategic action is taking place</i>			<i>Geography affected by strategic action</i>		
	<i>NH</i>	<i>US</i>	<i>Int’l</i>	<i>NH</i>	<i>US</i>	<i>Int’l</i>
2024						
A foreign company with subsidiary in the US made a continuation of arrangement to provide		✓		✓	✓	

products to an organizational buyer in the US from 2020. In 2023, the company secured extension contract for making and selling products. Portion of products will be made at facilities in NH.						
A foreign subsidiary in NH received a modified contract with an existing organizational customer in the US to develop a new product for delivery. The event signals a longer-term relationship with the customer and further development of the product in the future.	✓			✓		
An international company located overseas secured an extension of a partnership and contract to deliver one of its key products to a variety of organizational buyers in various countries. Product will be manufactured in the company's home country and across locations in the US, including NH.			✓	✓	✓	
US company acquired international company and integrated the business in one of its divisions headquartered in NH.		✓	✓	✓	✓	
A joint venture involving a foreign parent with US and NH subsidiaries and a US company signed a contract for delivering products to an organizational buyer in the US.		✓	✓	✓	✓	
Foreign company with subsidiary in NH agreed on procurement contract for organizational buyer in the US.		✓		✓	✓	
2023						
A foreign company with subsidiary in NH secured funding from an outside source, planning to use the funds to modernize a facility located in NH.		✓		✓		
Foreign subsidiary in NH received an additional contract from an existing US organizational buyer that addresses providing updates to a product and additional functionality for delivery.		✓		✓	✓	
Foreign company with subsidiary in NH received a contract to develop product for organizational buyer in the US.		✓		✓		
A foreign subsidiary in NH signed a contract with an organizational customer in the US to manufacture and sell a product.		✓		✓		

Foreign subsidiary in the NH secured extension of existing contract with US organizational buyer to develop and deliver product.		✓		✓		
Foreign subsidiary in NH extended contract with existing organizational buyers in the US to sell an additional product.		✓		✓		
Foreign company with subsidiary in the US launched a new product with a partner in the US. The product is the result of the development of new resources and capabilities at NH facilities.		✓		✓	✓	
Foreign subsidiary in NH signed new contract with existing US organizational customer for the design, development, integration, testing, production, and delivery of new product.		✓		✓	✓	
Foreign company with NH subsidiary and US partner company completed delivery of a new product to US organizational buyer.		✓		✓		
NH domestic company received international license for a product, which provides the opportunity for sales in a foreign market/country.			✓			✓
Foreign company with subsidiary in NH agreed on a new contract with an existing US organizational buyer for sale of a product.	✓			✓	✓	
Foreign company with subsidiary in NH received an extension for an existing sales contract from an organizational buyer for US and international delivery.	✓			✓		✓
US foreign subsidiary expanded distribution in NH.		✓		✓	✓	
International company entered a strategic partnership with a US company to establish a facility in NH, to support product development and manufacturing.		✓	✓	✓		
International company entered a strategic partnership with a US company to establish a facility in NH, for product development and manufacturing.		✓	✓	✓		
Foreign subsidiary in NH signs contracts to sell products to organizational buyers in the US and international.	✓	✓	✓	✓		
Foreign company with subsidiary in NH proceeds with extension contract for developing		✓		✓	✓	

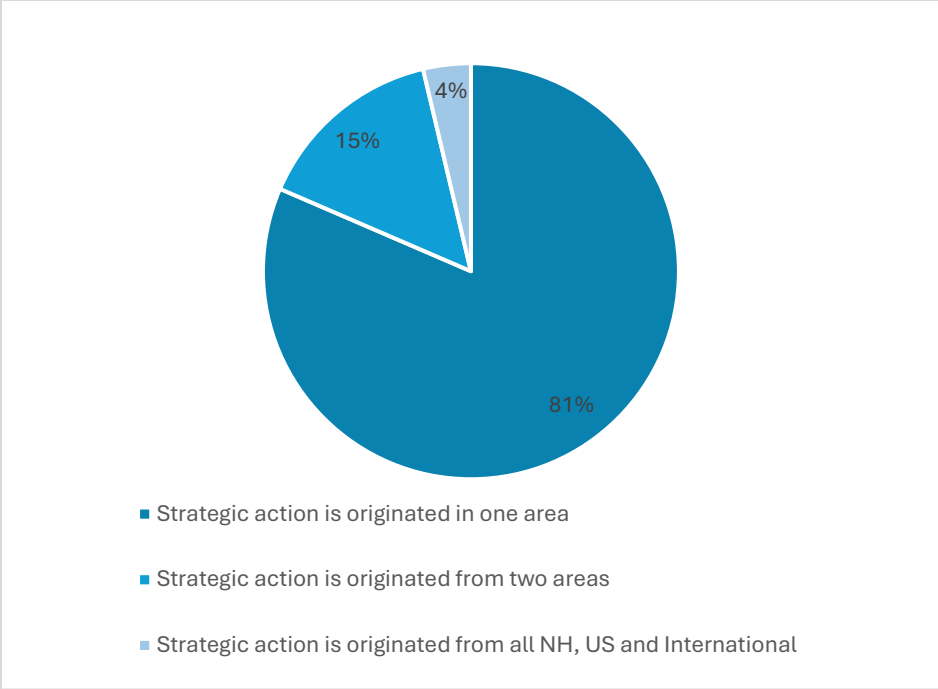
product for US organizational buyer, including at NH facility.						
International company expands distribution of product across US, including NH.		✓		✓	✓	
International company signed a contract with a NH domestic company for services.			✓			✓
Foreign company with NH subsidiary receives new contract for product from existing US organizational buyer.		✓		✓		
Foreign subsidiary in NH secures an extension of a contract for an additional product with a US organizational buyer.		✓		✓		

Source: Author's own, based on GlobalData's Intelligence Center data

Note: actions are in descending chronological order; geography is noted as New Hampshire (NH), United States (US), and International (Int'l); descriptions and categorizations are created by the authors based on their own interpretations and assessments.

As indicated in Figure 12, most strategic actions originate from one geographic area (i.e., “geography”). The data on the geographic footprint of the sample activities shows that most strategic actions impacting NH business and involving foreign businesses took place in the U.S. International-oriented actions also affected NH businesses. Fewest activities originated in the state. This indicates that some NH business might be at the “intersection” of national and global companies’ strategies and receiving some positive impact of FDI and FDI-related activities outside the state.

Figure 12. The Origin of Strategic Action Impacting NH





























Source: Author’s own, based on GlobalData's Intelligence Center data

The data show an almost equal split between actions that impact one of the areas and actions that impact two areas simultaneously. Many strategic activities involving NH businesses may be designed to have a wider reach than just the state. Since these are strategic, they are designed to have impact outside the local operations. This may reflect that FDI and FDI-related activities are not limited within statewide boundaries.

Table 8 categorizes the sample of strategic actions by business activity type. The categorization was created based on qualitative interpretation and coding of the data. The categories emerged from the descriptions of instances of actions provided by the source of data, based on the authors’ subjective identifications. The categories include areas of business activity that are well-known in the field and typical of strategic action. Only instances for which the description contained specific information that allowed the categorization were included. For example, actions that were categorized as partnerships clearly had the word partnership or synonyms in the description, items classified as contracts had mentions of agreement or contract. The categorization was triangulated with the classification provided in the source of data (the database provided this classification when data was extracted). Most of the items are identified as contracts. The breakdown also reveals the large extent of partnering and the fact that some actions are related to R&D. Connecting these findings to the previous information on spatial footprint, data may suggest that expansion contracts and partnering often engage companies outside the borders of the state, and that innovation can push businesses to stretch activities beyond local operations.

Table 8. Strategic Actions Involving Foreign Companies In New Hampshire, Categorized by Business Activity Type

<i>Strategic action category</i>							
	Contracts & Tenders	Partnerships	M&A	Equity Offering	R&D	Operations	Products & Brands
2024							
A foreign company with subsidiary in the US made a continuation of arrangement to provide products to an organizational buyer in the US from 2020. In 2023, the company secured extension contract for making and selling products. Portion of products will be made at facilities in NH.							
A foreign subsidiary in NH received a modified contract with an existing organizational customer in the US to develop a new product for delivery. The event signals a longer-term relationship with the customer and further development of the product in the future.							
An international company located overseas secured an extension of a partnership and contract to deliver one of its key products to a variety of organizational buyers in various countries. Product will be manufactured in the company's home country and across locations in the US, including NH.							
US company acquired international company and integrated the business in one of its divisions headquartered in NH.							
A joint venture involving a foreign parent with US and NH subsidiaries and a US company signed a contract for delivering products to an organizational buyer in the US.							
Foreign company with subsidiary in NH agreed on procurement contract for organizational buyer in the US.							
2023							

A foreign company with subsidiary in NH secured funding from an outside source, planning to use the funds to modernize a facility located in NH.				\$			
Foreign subsidiary in NH received an additional contract from an existing US organizational buyer that addresses providing updates to a product and additional functionality for delivery.							
Foreign company with subsidiary in NH received a contract to develop product for organizational buyer in the US.							
A foreign subsidiary in NH signed a contract with an organizational customer in the US to manufacture and sell a product.							
Foreign subsidiary in the NH secured extension of existing contract with US organizational buyer to develop and deliver product.							
Foreign subsidiary in NH extended contract with existing organizational buyers in the US to sell an additional product.							
Foreign company with subsidiary in the US launched a new product with a partner in the US. The product is the result of the development of new resources and capabilities at NH facilities.							
Foreign subsidiary in NH signed new contract with existing US organizational customer for the design, development, integration, testing, production, and delivery of new product.							
Foreign company with NH subsidiary and US partner company completed delivery of a new product to US organizational buyer.							
NH domestic company received international license for a product, which provides the opportunity for sales in a foreign market/country.							

Foreign company with subsidiary in NH agreed on a new contract with an existing US organizational buyer for sale of a product.							
Foreign company with subsidiary in NH received an extension for an existing sales contract from an organizational buyer for US and international delivery.							
US foreign subsidiary expanded distribution in NH.							
International company entered a strategic partnership with a US company to establish a facility in NH, to support product development and manufacturing.							
International company entered a strategic partnership with a US company to establish a facility in NH, for product development and manufacturing.							
Foreign subsidiary in NH signs contracts to sell products to organizational buyers in the US and international.							
Foreign company with subsidiary in NH proceeds with extension contract for developing product for US organizational buyer, including at NH facility.							
International company expands distribution of product across US, including NH.							
International company signed a contract with a NH domestic company for services.							
Foreign company with NH subsidiary receives new contract for product from existing US organizational buyer.							
Foreign subsidiary in NH secures an extension of a contract for an additional product with a US organizational buyer.							

Source: Author's own, based on GlobalData's Intelligence Center data

Note: in descending chronological order; descriptions are created by the authors based on their own interpretations and assessments; categorizations are provided by GlobalData's Intelligence Center.

3.3 Conclusions on firm-level strategic response to business climate in New Hampshire

Our analysis provides insights into patterns of strategic action in the known context of inflation. Our qualitative investigation shows the types of strategic actions that companies from which FDI originate or to which FDI is related in New Hampshire. We intentionally bounded our analysis to qualitative analysis so that we can answer the question “What did companies in NH do during inflation?” with actual examples of actions and to begin to comprehend which strategic actions were more prevalent during this time. Studying FDI generating or related actions in this environment provided us with a unique opportunity to evaluate if and how FDI reacts to and acts during inflation. Our macroeconomic data offered a relevant juxtaposition of national and subnational FDI. The firm-level data gave a view of the subnational FDI and FDI-related moves.

The analysis gives evidence of subsidiary activity to increase scale and value, providing support for the fact that existing FDI in our state can record strategic actions despite inflationary pressures. Such actions are not limited to the state and can reflect a location’s importance in a multinational company’s investment, partnering and distribution network.

Our sample data of FDI-related business activities in the Granite State shows that most actions addressed not just New Hampshire operations but had a wider reach. Most of the spatial footprint of activities was across the U.S., rather than statewide or international.

The type of actions we investigated did not appear to be direct reactions to inflation, cost increases or government policies. The business activities involving foreign firms were determined primarily by industry conditions, such as new or existing opportunities like large projects or new partnering opportunities, new markets or expansion of demand.

In interpreting the qualitative data synthesized in Table 8, we find that a relatively large proportion of the actions (37%) involved large projects. Concurrently, about a quarter of the actions (26%) concerned partnering and just about another quarter (26%) were about accessing new markets. The majority of actions (59%) were designed to take advantage of growing demand.

A key finding of our examination is that FDI and FDI-related activities in New Hampshire are not limited to the state. Expansion contracts and partnering often engage companies outside the borders of the state, and innovation can push businesses to stretch activities beyond local operations. We discovered that at least some portion of NH business might be at the “intersection” of national and global companies’ strategies and thus benefiting from positive impact of FDI and FDI-related activities outside the state.

We should mention that our analysis and results are somewhat unique. Very few previous studies explored actual FDI and FDI-related actions during inflationary times. Foreign operations have long been seen as a place for making decisions about choosing and segmenting markets, as well as other strategic decisions in the specific context of inflation, exchange and interest rates^{xiv}. Our results align with findings in previous studies concluding that FDI can be used by multinational companies as a hedging tool to alleviate the effects of

inflation, but how companies accomplish this is more nuanced and depends on the reasons behind the investments, as well as other factors^{xv}. Previous work showed the importance of existing FDI in reducing the negative impact of inflation, which is also related to our results. From a scientific perspective, our findings expand the understanding that existing FDI (a strategic approach for long-term investment commitments) influences decisions and performance of the foreign subsidiary in the future.

Part 4. Overall Findings: New FDI Decline and A Broader Footprint for Existing FDI

Unsurprisingly, our report confirms the complicated effects of the inflationary and policy pressures on FDI. Our analysis shows significant effects at all levels: global, national, and statewide. During the timeline we used for the report, the largest FDI recipient, the U.S., recorded decreasing FDI inflows from 2022 to 2023.

At the state level, for a time, New Hampshire's FDI patterns appeared to match the national trend of investment expenditures by the new FDI, which began to recover in 2021 after the pandemic but dropped notably in 2022 when the inflation pressure grew and remained low in 2023. From an employment contribution perspective, hundreds of jobs were added by the new FDI in 2020, the number increased in 2021 but experienced a series of declines in 2022 and 2023. In these two measures, the new FDI in New Hampshire underperformed more than proportionately when contrasted with the national counterpart. Furthermore, given the elevated inflation throughout 2022, the new FDI in New Hampshire experienced a decline in their sales revenue and net income while the profitability of new FDI was improved at the national level. However, the negative effect of sustained increase in prices and costs on new FDI cumulated across the states and manifested itself in a significant manner at the national level approaching the tail end of this inflation surge in 2023.

Our conclusion on the economic climate highlighted both opportunities and challenges facing the foreign investments for acquiring and expanding the existing businesses, and establishing new businesses, in the U.S. and in the State of New Hampshire particularly. It provided relevant context for exploring strategic actions of companies that were related to foreign, international, or global business.

We found that existing foreign-affiliated companies acting in or impacting on our state continued to expand or pursue strategies to enlarge markets, collaborate with other companies, and improve operations and products. A key finding is that many of these actions that involved foreign businesses or investments flows, were set in a broader footprint than just our state, with New Hampshire benefiting from positive impact of FDI and FDI-related activities outside the state, in many cases. We also noted indications that such activities appeared to be more U.S.-focused than internationally oriented. Accordingly, we appear to observe a distinct footprint of foreign businesses activities inside the U.S., with goals of increasing presence, improving distribution, or strengthening

operations nationally. Many of the activities and effects we monitored in our state were the outcomes of this type of country-level strategic action.

Thus, despite the challenges associated with rising prices, costs, and interest rates brought about by the highest inflation since 1981 and the resulting robust tightening of monetary policy in 2022 and 2023, companies with strong positions continued their strategic path of growth. We find that many organizations in New Hampshire are partnering or cooperating with international companies, and that local foreign-affiliated organizations pursue expansion in the state and beyond. With these findings, we find ourselves being optimistic about foreign investments and foreign business activities in our state in the future.

Part 5. Implications For Business and Economic Development Professionals

The present study provides a valuable framework for state-level economic development. It suggests that development professionals should dedicate efforts and resources towards sustaining and incentivizing foreign direct investments that are already present in the state. Our results also point out that attracting intra-country expansion actions of FDI-related activities from outside the state is also a worthwhile effort. During inflationary periods, it may be less effective to promote new FDI, and therefore, economic development agencies should place more emphasis on supporting existing FDI.

The types of FDI and FDI-related strategic actions we found to take place during the inflationary period also indicate that policymakers should dedicate incentives and even legislation designed to support partnerships, contracts, acquisitions and expansion in the state. Local economic development professionals should also showcase the importance of the state's characteristics in creating value for the multinational companies operating a network of activities and subsidiaries in and outside the state.

For corporate leaders, our results indicate that, under inflationary pressure, key investments and expansion efforts should not be abandoned. On the contrary, a period of inflation could be a good time to find new partnering opportunities, to sign new distribution or collaborative contracts, and to expand at and beyond the current subnational location. Concurrently, during inflation, there may be opportunities to benefit from expansion strategies of companies outside the home state. As other companies are investing in their regional growth, there could be many avenues to tap into new logistics, innovation or actions to access new markets that these companies are planning. At the same time when considering their own strategies, corporate and foreign subsidiary executives should expect that their competitors will invest in core business areas and will consider growth actions. To remain competitive, businesspeople should weigh their actions in the context of their rivals' priorities, whereby reducing costs or insulating the subsidiary against inflation may be less effective than taking strategic action to maintain competitiveness or grow market share.

Partnerships and contracts could be particularly important during inflation. At a time when choosing the spatial reach of the firm is essential for limiting the effects of cost increases, collaborating outside the location of the operations can lead to a better competitive position. Our results show that many companies are taking this path.

Our study provides additional insights for managerial action. Small states like New Hampshire should not be judged exclusively by the size of their markets. Rather, these locations could have advantages of proximity to growing markets, access to innovation, or potential to partner with companies aiming to grow across the region. Managers should also be warned that, although inflation is a national measure, its impact and manifestations across states could differ. Consequently, business leaders can expect variations in inflation and plan to adapt to the characteristics of the location. In conjunction with this understanding, strategists and economic development professionals alike should recognize that focusing on the quantitative aspects of FDI may miss important developments. Qualitative assessment of existing FDI can provide a better comprehension of the FDI landscape to which they must adapt their investment decisions. At the multinational enterprise level, our findings provide insights for managers seeking to define their company's geographic reach and the scope of activities during inflationary times.

Final remarks

Our work provides timely insights into FDI when the national inflationary pressure is a key feature of the macroeconomic environment in the state. Our findings give a detailed view on the phenomenon of divergence, whereby new FDI reacts to the sustained increase in prices and costs in a different way from how existing FDI does. With this understanding, corporate and economic development professionals can plan to support and incentivize the foreign subsidiaries who are already operating at a location and should consider carefully the timing of new investments.

Endnotes

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- ^x All the data on strategic actions were extracted from GlobalData's Intelligence Center, the “News” database.
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