

Investor Confidence in U.S. Grows as Sentiment Declines in Emerging Markets, According to 2013 Global Venture Capital Survey

*Research from Deloitte and National Venture Capital Association
shows optimism for select IT sectors, but confidence in capital markets declines*

NEW YORK, Aug. 14, 2013 — Global investor confidence increased in the United States the past year but declined in China, Brazil, India and other emerging markets, according to the 2013 Global Venture Capital Confidence Survey from Deloitte and the National Venture Capital Association. Moreover, investor confidence in domestic capital markets declined despite substantial gains in stock indexes, and investors also lack faith in governments' ability to pass and enact pro-venture capital policy, according to the survey.

Within industry, global investors expressed the greatest enthusiasm for information technology-related sectors, particularly mobile, cloud, enterprise, and healthcare IT. Investors in the U.S. expressed a clear preference for cloud computing and mobile technologies while energy/clean technologies were rated the least-favored industry sector.

The ninth annual survey, conducted in May and June of 2013, gauged confidence levels of more than 400 venture capital, private equity and growth equity investors in the Americas, Europe, Asia Pacific and Israel, assessing investor confidence on the global venture capital environment, market factors shaping industries, and investments in specific geographies and industry sectors. Confidence levels were measured on a scale of 1-to-5, with a score of 5 representing the most confidence.

“After years of enthusiasm for emerging markets, investor sentiment is increasing favorably towards the United States in an environment where venture capitalists remain cautious about the global economy and pessimistic about government policies around investing,” said James Atwell, national managing partner of the Emerging Growth Company Practice, Deloitte & Touche LLP. “Uncertainty continues to be the primary concern for investors.”

Overall confidence about the global economy increased 17 basis points from the prior year to a mean score of 2.87. A majority of investors – 61 percent – expressed a neutral sentiment about global economic prospects. Among U.S.-based participants, confidence in the global economy scored 2.77 (up 18 basis points).

U.S. venture capitalists more confident in their own backyard

Geographically, U.S. respondents' outlook on homegrown investment opportunities scored an average of 3.48 this year, according to the survey. This score continues a trend seen in last year's survey in which most venture capitalists who responded were decidedly keener about their domestic investment opportunities versus comparable prospects abroad. In fact, U.S. confidence in investing overseas decreased further to 2.41 from 2.77 in 2012.

Investors based in Germany (4.11) and Japan (4.04) were the most confident in investing in their local economies, according to the survey.

“Here in the United States, many venture capital firms are turning inward where tremendous investment opportunity exists in their own backyard,” said Mark Heesen, president of the NVCA. “After a decade of VCs kicking the tires abroad, global investing remains the strategy of fewer firms that have the resources and wherewithal to successfully manage an international portfolio. Although we remain challenged here in the U.S. from a political and capital markets perspective, our issues are familiar and addressable – and optimism is expected to increase throughout the year.”

Enthusiasm for Brazil, China and other emerging markets is fading

According to this year’s survey, emerging markets declined in the eyes of global investors. When asked about confidence in investing in a particular country, participants rated Brazil at 3.33 (down 22 basis points), China at 3.26 (down 19 basis points), and India at 3.17 (down 7 basis points).

The survey notes that challenges with infrastructure, legal and policy restrictions among other growing pains in the emerging markets contributed to the shift in enthusiasm for investing in the U.S.

Brazilian venture capitalists echo the waning outlook seen among U.S. participants, lowering their domestic investment outlook from 4.29 in 2012 to 3.93 this year. However, Brazil is still a leader in terms of confidence in investing in their home country along with Germany and Japan.

U.S. confidence in domestic government amongst world’s lowest

The U.S. is seen across the globe as the best country to invest in, rating 3.79, trailed closely by Israel (3.55) and Brazil (3.33). Despite the high investing confidence in the U.S. globally, U.S.-based respondents continue to doubt government’s ability to enact policies that support domestic venture capital, private equity and growth equity investment in the coming year, with confidence in government policymaking dropping from a collective 2.48 in 2012 to an even bleaker 2.17 in this year’s survey. Only the Netherlands (1.86), South Africa (1.91) and Taiwan (2.09) had lower confidence scores in this area.

The Jump-Start Our Business Startups Act (JOBS ACT) was enacted in 2012 and considered by many as a positive step toward encouraging job growth and new company offerings. In addition, the capital markets have seen an uptick of approximately 18 percent. The survey, however notes that confidence in U.S. capital markets has decreased amongst U.S. respondents, down 5 percent overall to 3.22 from 3.39 last year.

Investors in nine countries surveyed, including Japan (3.56), United Kingdom (3.00), Israel (2.76), India (2.42) and Canada (3.25), registered higher confidence levels than the U.S. in their home government’s ability to help domestic venture capitalists via incentives, policy and legislation. However, confidence in government support was universally low around the globe.

Cloud and mobile enjoy notable popularity in U.S., Healthcare tops global confidence lists

Within the U.S., venture capital investors made cloud computing the clear favorite (4.06) followed by mobile technology (3.99), enterprise software (3.74) and healthcare and life sciences (3.57). Moreover, U.S. investors exhibited the least confidence in energy/clean technologies (1.92) and semiconductors including electronics (2.34).

Among industry sectors globally, venture capital investors globally showed the greatest confidence in mobile (4.04), cloud computing (3.40) and enterprise software (3.69). This group showed the least confidence for investments in semiconductors including electronics (2.53) and hardware (2.59).

For more information and the full 2013 Global Venture Capital Survey please visit: www.deloitte.com/us/2013vcsurvey.

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Venture capitalists are committed to funding America's most innovative entrepreneurs, working closely with them to transform breakthrough ideas into emerging growth companies that drive U.S. job creation and economic growth. As the voice of the U.S. venture capital community, the National Venture Capital Association (NVCA) empowers its members and the entrepreneurs they fund by advocating for policies that encourage innovation and reward long-term investment. As the venture community's preeminent trade association, NVCA serves as the definitive resource for venture capital data and unites its 400 plus members through a full range of professional services. For more information about the NVCA, please visit www.nvca.org.

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