

Shock Resistant

France's Attractiveness Survey 2019

Was the enthusiasm going to last? Was France going to become the new El Dorado for foreign investors? After an encouraging set of results in 2018, the results of EY's Attractiveness Survey 2019 were eagerly awaited.

In 2018, despite the uncertainties related to Brexit, the slowdown of Europe's growth, trade tensions between the United States and China, and the social climate in France since November 2018, the attractiveness survey of France shows promising results.

In Europe, foreign direct investment slowed down in 2018, a rare occurrence since the creation of EY's Survey. However, France is doing slightly better in 2018 than in 2017. France has even dethroned Germany from second place on the podium, while standing right behind the United Kingdom.

It is also satisfying to note that France remains the number one European destination for foreign investment in the manufacturing sector and is becoming a major player in innovation.

But we cannot deny that the overall picture is not perfect and that France had the means to do better. Despite Brexit, the United Kingdom is still welcoming more international companies than France.

According to business leaders, France still suffers from a competitive disadvantage, particularly in its ability to attract financial investment, despite the reforms introduced by the French government. The decrease in project plans must be a warning.

However, international executives clearly are encouraging the French government to maintain the pace of reforms. And deeply transform its competitiveness in order to strengthen its attractiveness.

Investors also have indicated that France can reinvent itself through taking advantage of the issues of its two main competitors.

France is ready to compete further thanks to its structurally competitive advantages (skills, infrastructure, market diversity, and creativity), which are driving the country's attractiveness. It will be easier if the government continues its efforts with determination, whether the public sector or towards the economy, while making sure that the population accepts them.

Thus, France is at a crossroads. Because the stakes are high, the challenges immense, and success depends on France's economic future, let us make sure that France chooses the right path.

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Executive Summary

1 In a tense economic and geopolitical climate, France is keeping up

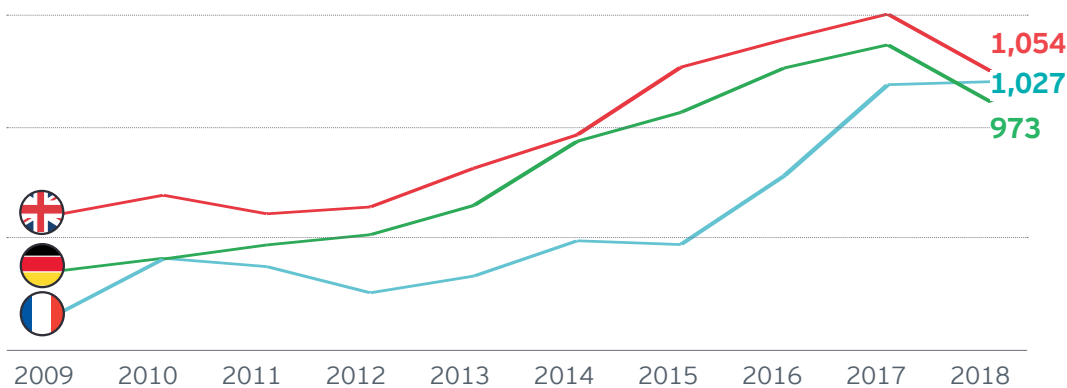


-4%

Historical decrease of foreign investments in Europe related to Brexit, the uncertainties related to Europe's economic growth, and the US tax reform.

With 1,027 projects announced in 2018, France gained one place in the European ranking (second) ahead of Germany (3rd, 973 projects, - 13%), and ranked right behind the United Kingdom (1st, 1,054 projects, - 13%).

Comparative evolution of the number of FDI (2009-2018)



United Kingdom

1,054 FDI

-13%

France

1,027 FDI

+1%

Germany

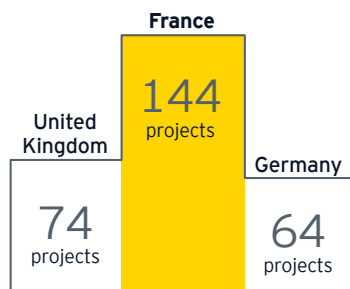
973 FDI

-13%

2 France is maintaining its European leadership in the industrial sector, and is emerging as the number one destination for R&D

R&D

Exceptional performance for France, which has become the **first European destination** for investment in innovation, outperforming the United Kingdom and Germany combined.



Regions

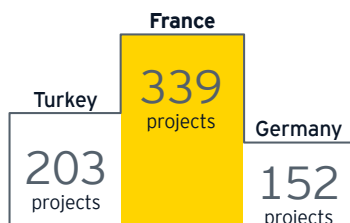
Other French regions are gaining market share on **Île-de-France** (73%, +1 point compared to 2017), which is still ahead of Auvergne-Rhône Alpes and Hauts-de-France.

Sectors

Historical sectors (**equipment, chemicals, food, electronics**) have better results than newer sectors even though the latter attract more projects.

Manufacturing

With 339 projects in production sites (amongst which 80% are extensions), **France remains the leader in Europe.**



Headquarters

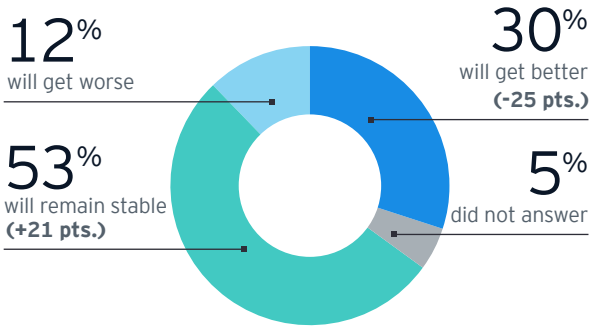


The number of corporate headquarters is not increasing in France because investors are waiting to better understand changes made to institutional and regulatory frameworks. However, the gap with its two main competitors is narrowing.

3 The social climate in France is dampening the enthusiasm of investors

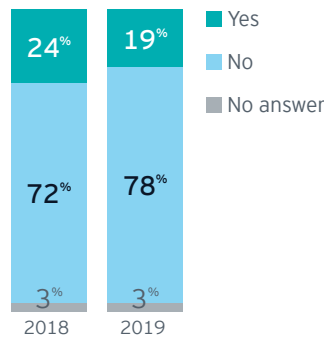
↓ The enthusiasm sparked by the election of Emmanuel Macron decreased in 2019 (30% of the international leaders interviewed declared that they were optimistic in 2019, compared to 55% in 2018).

How do you see the evolution of France's attractiveness over the next 3 years?



Thus, plans for new projects have decreased (from 24% in 2018 to 19% in 2019).

Does your company plan to set up or expand its activities in France?



57% of business leaders declared that they were worried about the social and political climate.

-12 pts France's national branding is considered **less effective** than in 2018.

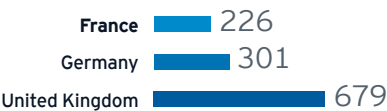
80% However, despite the social climate, the image of France **remains positive or very positive** (80%).

4 International leaders encourage France to keep its reform agenda on track

Targets activities

France must catch up with the United Kingdom and Germany on strategic targets such as HQs, American and Asian investments, and digital activities.

Total of HQ projects (2009-2018)



Total of projects in the digital sector (2009-2018)



Long-term priorities

1. Develop skills
2. Support small and medium size businesses
3. Strengthen competitiveness and innovation in France

Assets

1. Diversity of sectors
2. Tourism
3. Political leadership in Europe
4. Innovation
5. Infrastructure

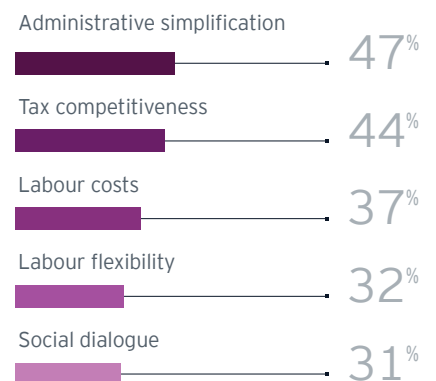
Sectors

- ▶ Digital
- ▶ Energy
- ▶ Services
- ▶ Life sciences

Expected reforms

Simplify bureaucracy, improve competitiveness and calm the social climate.

What reforms could better promote attractiveness in France?



About EY

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