EPISODE 01

France Attractiveness Survey 2023

Executive Summary

May 2023

Building a better working world

Executive Summary

1 2

1 Despite various shocks, France continues to lead the race in Europe

The rebound in a post-Covid Europe has been hampered in 2022, as the total number of foreign direct investment (FDI) projects announced in the continent grew by just 1% when compared to 2021. The number of projects remains below pre-pandemic levels, and the record level of 6,653 projects reached in 2017.

In 2022, France remained the most attractive country in terms of the number of announced FDI projects, with 1,259 new establishments or expansions. This marks the fourth consecutive year in which it retained its first place ranking in Europe.

However, employment figures in France have not kept pace. The number of jobs provided by FDI projects fell by 15% between 2021 and 2022. On average, foreign investments create fewer jobs in France (33 per project) than in the rest of the main host countries for foreign investment in Europe (58 in Germany, and 59 in the UK).

FDI projects in the UK continue to stall due to Brexit (929 projects, down 6% compared to 2021). Nevertheless, the UK, despite being severely impacted by inflation and the energy crisis, continue to attract projects which offer more job opportunities and strategic importance. Germany attracted "only" 832 projects in 2022, as low unemployment, high labor costs and the difficulty for foreign companies to enter industrial chains limit its attractiveness to investment.

In the rest of Europe, fortunes are mixed. The movement resulting from the reorganization of supply chains, the consolidation of services centers and financial optimization appears to have benefited certain countries. This is particularly evident in Southern European countries, namely Portugal, Italy and Turkey, each of which recorded notable increases. Another phenomenon observed was that Ireland and Poland appear to be benefiting from projects deferred due to Brexit and the war in Ukraine.

2 The general feeling among international executives in 2023: short-term resilience, medium-term concern about the attractiveness of France

The desire to invest in France in 2023 remains strong. Nearly two-thirds of business leaders surveyed have immediate plans to invest in the country this current year, despite its tense economic, political and social situation.

However, the three-year outlook displays a level of concern among respondents. Our survey confirms the effect of the current economic factors (rising energy and raw material costs, falling consumption, high interest rates etc.) on the morale and confidence of foreign leaders.

Our survey was conducted via interviews with 204 executives between 15 February and 15 March 2023. Political and social tensions during this period may have led respondents to **question the government's ability to pursue reforms** to improve competitiveness, reduce debt and the trade deficit as well as support "made in France" investments, while simultaneously investing in healthcare, education and infrastructure.

Further, **the parameters that guide corporate location decisions are changing.** Historically, factors linked to national competitiveness (costs, taxation, corporate law, infrastructure, skills, etc.) ranked among the highest priorities. In recent times, additional priorities have been added to this list, such as the availability of carbon-free energy, supply chain resilience and the ability to adapt to local ecosystems.

Executive Summary

1 2

3 A more industrial and innovative France, with a shortage of logistics and office jobs

France continues to rely on a very wide variety of sectoral know-how. **The FDI projects announced in 2022** also **appear to be more in line with the imperatives of transforming our economy.** For example, almost 30% of manufacturing projects in the automotive sector are intended for the production of electric and hybrid vehicles. Meanwhile, in the healthcare sector, our analysis reveals the start of a movement to repatriate production capacities back to France.

Industry remains a driving force of France's attractiveness. 40% of FDI projects announced in 2022 (547 of 1 259) involve establishing or expanding a factory. Despite the current energy crisis, the availability of low-carbon energy remains France's main asset for industrial management.

As further proof of the origin of France's attractiveness, the country ranks as the "**European champion of innovation**" with 144 R&D center projects, ahead of both the UK and Germany.

Conversely, **France must do better in headquarters** as it remains behind the UK, with 133 headquarters projects in 2022, compared to France's 78. The situation appears all the more worrying since just 10% of the foreign executives we interviewed plan to establish or expand their decision-making centers in France over the next three years.

While e-commerce turnover in France grew by 33% between 2019 and 2022, the country suffered a **sharp drop in investments in logistics platforms** (-21% Y-o-Y change in 2022). France is paying a price for the lack of available land and the cumbersome administrative procedures that many companies face.

Finally, in services, **the impact of remote working is still being felt**. The number of back-office and service centers remains far from pre-Covid levels (395 services platforms and back-office projects in France in 2022, versus 450 in 2017), a trend that can also be observed across the rest of Europe.

In terms of regional ranking, Île-de-France (Greater Paris region) remains in the lead, ahead of Auvergne-Rhône-Alpes (Lyon) and Hauts-de-France (Lille). For the first time, the French capital region ranks **ahead of Greater London**, a demonstration of both France's dynamic nature and also of the uncertainty resulting from Brexit.

Outside the major cities, France continues to attract foreign investors: almost half of FDI projects concern rural areas or medium-sized towns with fewer than 200,000 inhabitants.

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