France Attractiveness Survey — 2022

A new deal for a changing world

Executive summary

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1 France was the most attractive country in Europe in 2021

2021 was the year when foreign investors returned to Europe with 5,877 greenfield and expansion projects announced in 44 countries (+5% compared to 2020). However, investments are still recovering from the health crisis and are not back to pre-crisis levels (-12% compared to the record level of 2017).

With 1,222 greenfield projects or expansions, **France kept its position as leader in Europe in 2021**. Proportionally France has bounced back more (+24% compared to 2020) because it also suffered more from the pandemic than most of its European competitors.

In the United Kingdom, the number of projects was on the rise, albeit moderately (+2%). Its attractiveness is impacted by Brexit, with investors concerned about trade restrictions and labor shortages. However, it still has strong appeal in the technology and financial services sectors, and for corporate headquarters.

In Germany, the number of projects announced fell by 10% in 2021. While investors praise its robust and export economy, they are impacted by recruitment challenges and the difficulty for new entrants in penetrating local supply chains, particularly in the automotive, chemicals and pharmaceutical sectors.

Southern European countries such as Italy (+83%), Portugal (+30%) and Turkey (+27%) experienced a sharp increase in the number of FDI projects due to the reshoring and nearshoring of global supply chains.

In the rest of Europe, countries that are traditionally attractive but more service-oriented, such as the Netherlands (-22%) and Ireland (-8%), lost ground because of the decline in service projects on the back of the surge in remote working. In Eastern Europe, the stagnation in the number of projects suggests that this very dynamic FDI destination over the last decade is not benefiting as much from industrial and logistical reconfigurations as the rest of the continent.

2 Despite the war in Ukraine, the outlook for 2022-2025 is promising

According to the survey of 203 executives conducted in February and March 2022, **investment plans in France are strong**: 56% of them intend to set up or expand their activities in France this year. This percentage is significantly higher than in 2021 (44%) and 2020 (16%).

However, **the war in Ukraine** could threaten recovery of foreign investment in Europe and in France: 79% of the companies surveyed before March 1 were planning to invest there next year, those interviewed after March 15 only 44%.

The trend to reshore operations continues: to better manage their sourcing, 56% of executives confirm that they could relocate part of their industrial activities to France in the short or medium term. This trend has become even more pronounced since the start of the war in Ukraine.

The **medium-term outlook** is encouraging despite the geopolitical crisis, as 63% of executives consider that France and Europe will improve their attractiveness over the next three years.

Small and mid-sized companies are, however, less optimistic about France's attractiveness: only 55% believe it will improve over the next three years, compared with 92% of large companies.

3 France retains its FDI lead in Europe but lags in jobs creation

Due to the reconfiguring of supply chains, France welcomes more **industrial and logistics projects** (+18% and +37% respectively compared to their 2019 levels).

The sectors most affected by the health crisis (automotive, aeronautics, chemicals, plastics and construction) have returned to 2019 levels.

As in other European countries, **investment by IT service companies and large business services platforms is declining**, due to the surge in remote working and the digitization.

Investments in **headquarters and R&D** are picking back up, but competition from most Northern European countries (the United Kingdom, Germany, Belgium, Ireland and the Netherlands) remains strong.

In terms of value, the projects hosted by France create fewer jobs (38 on average per new project) than both Germany (45) and the United Kingdom (68). With 69% of new projects involving expansions of existing sites, compared with 23% in the UK and 19% in Germany, France is successful at retaining existing companies, but it has more difficulty than its neighbors in attracting greenfield projects.

4 France's FDI sees gains in all regions, with rural areas especially benefiting from industrial projects

In the French regional ranking, Île-de-France remains in the lead, ahead of Auvergne-Rhône-Alpes and Grand Est. The number of projects is on the rise in all regions.

In 2021, nearly half of all industrial projects were in **smaller communities** (less than 50,000 inhabitants).

In the major European cities ranking, London retains its lead, but is no longer as attractive as it was in 2021. Its approval rating fell from 43% in 2021 to 34% currently. Paris is making marked progress (28% in 2022 vs. 18% in 2021).

In the French cities perception survey, **Bordeaux** keeps first place, ahead of Strasbourg, Marseille and Montpellier. Lyon continues to lose ground.

5 Five priorities for 2025

1. **Innovation**: 49% of executives believe that France must increase its investment in R&D and higher education. It must also enhance its capacity to set up and promote ecosystems enabling new technologies to develop.
2. **Taxation**: France needs to further improve its tax competitiveness, the number two priority stated by executives (36%). In particular, 44% want to see the research tax credit (CIR) strengthened.
3. **Made in France**: improving the quality and added value of "Made in France" is executives' third priority (32%). With more support for SMEs (16%), the French economy will thereby manage to reduce its trade deficit and boost foreign trade.
4. **Skills**: availability of skills (28%) is still critical for our attractiveness. France must focus on improving recruitment challenges and training more technology-, management- and international-based profiles.
5. **Environment**: 9 out of 10 executives say that their location decisions will be influenced by regulations governing the environmental transition (recycling, biodiversity, building standards, etc.), available talent to assist them with these complex transformations, in markets that are aware of or driven by environmental issues and supply chain decarbonization.

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