



EY France Attractiveness Survey 2024

Attractive today. Attractive tomorrow?

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Attractive today

STRENGTHS

Although FDI in Europe weakens, France continues to lead the race



Fewer FDI projects in Europe were announced in 2023 (5,694, -4% vs. 2022), still far below pre-Covid levels and the record high in 2017 (6,653).



France follows the same trend in 2023 (1,194, -5% vs. 2022), despite a slight increase in number of jobs created (39,773, +4% vs. 2022).

France is the most attractive country in Europe for the fifth year running, ahead of the United Kingdom and Germany.



The United Kingdom is resilient in 2023 (985, +6% vs. 2022), particularly in Greater London, which is back in first place in the European ranking for regions, as well as for finance, tech and headquarters.



Fewer FDI in Germany (733, -12% vs. 2022): a low unemployment rate and high labor costs limit recruitment capacity. Foreign investors are questioning the relevance of Germany's energy model.



Mixed yet noteworthy results for Turkey, Spain, Poland and Portugal, amidst supply chain reorganization, re-shoring of manufacturing activities and consolidation of business service centres.

Investors are fairly confident and FDI projects are in line with France's top priorities

204 BUSINESS LEADERS INTERVIEWED

France's image in Europe: for international leaders, it ranks the most attractive of the European countries, ahead of Germany and the United Kingdom.

Confidence in France: 76% believe that France will become more attractive over the next three years (+23 percentage points vs. 2023), particularly those outside of or not yet established in France.

Key basics: skills, infrastructure and market size are the fundamental strengths behind France's attractiveness. Despite the much-maligned administrative complexity, the legal/regulatory environment is no longer a critical handicap, showing that stability pays off.

1,194 PROJECTS ANNOUNCED IN 2023: KEY POINTS

Employment is picking up: nearly 40,000 jobs were created by foreign investors in 2023, 4% more than in 2022.

Reindustrialization set in motion: 530 plants were established or expanded in 2023 (44% of projects in France). France keeps first place in Europe for the number of manufacturing FDI projects and jobs created.

International investments in all sectors: France has made its mark in 11 out of 15 sectors, notably automotive, industrial equipment, logistics, pharmaceuticals and electronics.

Transformation of the economy via foreign investment: positive results with decarbonization and robotization projects in industry, and more investment in electric vehicles, life sciences, artificial intelligence and aerospace.

Rural areas and medium-sized cities receive 45% of FDI in 2023, with five French regions also ranking in the EU top 15 this year (Île-de-France, Auvergne-Rhône-Alpes, Grand Est, Hauts-de-France, Occitanie).

Attractive tomorrow?

WEAKNESSES

Business leaders underscore the enduring competitiveness gap, alongside the repercussions of the prevailing social climate and the recent energy crisis.

Financing, labor costs and taxation - the basic competitiveness tenets - **are still considered handicaps**, ranking 14th, 12th and 11th respectively, in influence criteria, despite recent government reforms in these fields.

The social climate has clearly left an impression: quality of life (ranking 13th) is negatively impacted as compared to EY's previous surveys.

France's ambition as to the ecological and digital transition is challenged: The level of technological adoption ranks 5th, but capacity for innovation comes 9th and the public approach to sustainability 10th.

SMEs are experience rougher conditions: their intentions to set up or expand capacity in France in 2024 are lower (58%) than the confidence of multinationals (77%).

Energy costs are still critical: only 7% of business leaders consider this a decisive factor in their decision-making, whereas the price per MWh has objectively returned to a reasonable level (€68 in March 2024 vs. €54 in March 2021). Business leaders no doubt recall the impact of soaring prices in 2022 (€411 in July) and 2023 (€107 in July), as well as potential supply uncertainty.

Analysis of FDI flags risks on greenfield projects, size of investment and in certain legacy sectors

Greenfields are falling behind: only 36% greenfield vs. 77% in Germany and 75% in the United Kingdom, likely due to investments catching up since 2018 and an incentive to attract more new entrants.

Job creation blighted by labour costs: 35 jobs on average per project, compared to 49 in Germany and 61 in the United Kingdom... and 299 in Spain. France must improve wage competitiveness to boost job creation.

Greater London is still the HQ for Europe: in 2023, France still falls short compared to the United Kingdom on headquarters, financial services and tech, with only 135 such projects in France vs. 255 in the United Kingdom.

Red flag for legacy industries: certain sectors, such as chemicals and agrifood, are lagging. The number of FDI projects in 2023 fell by 23% and 24% respectively in these sectors.

Is French innovation losing momentum? In R&D, an attractiveness driver for France in recent years, projects are slackening (-15% vs. 2022), with investment intentions less marked than in the United Kingdom (46% vs. 54%).

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