

Executive summary

Attractiveness: France in the race

June 2021

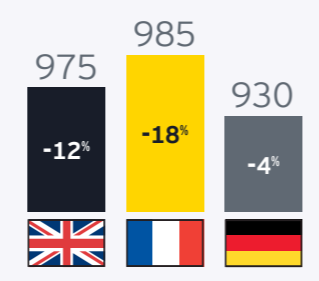


Summary

1 In 2020, France remained the leading FDI destination in Europe, ahead of the UK and Germany...

In a context of strong competition to maintain investor confidence, France narrowly held its leading position. With 985 projects announced in 2020, it has held its number one position ahead of the United Kingdom (975) and Germany (930). France did so despite FDI project numbers falling more sharply (-18%) than it did across the continent overall (-13%), as a result of the pandemic. With respective declines of 12% and 4% in the number of international projects, the UK and Germany proved more resilient than France.

Number of projects recorded in 2020 and evolution 2019/2020



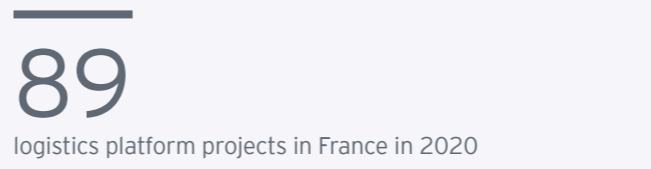
2 ... by maintaining economic credibility and confidence at the height of the crisis

The emergency measures taken to support businesses during the crisis, followed by the recovery plan of "France Relance", has been deemed more effective than those of other countries by 44% of executives (vs. 10% who disagree).



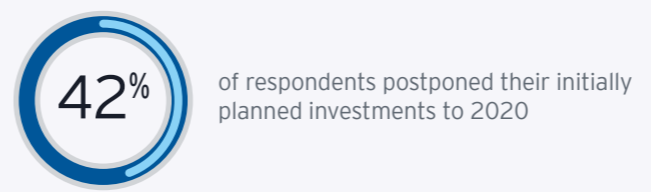
Over 80% of executives surveyed believe that France's attractiveness either stabilized in 2020 (42%) or is marginally improved (43%).

3 Life sciences and e-commerce are rare bright spots for investment...



France secured 89 logistics platform projects in 2020, driven by the rise of e-commerce. The pharmaceutical industry has unsurprisingly benefited from the health crisis (58 projects, i.e. +123%).

4 ... but industrial investments and services were the most affected by the crisis, as the number of R&D centers and head offices projects declined



France's traditional industrial sectors (automotive, aeronautics, industrial equipment) have been heavily and directly affected by the crisis. However, despite this gloomy context, France has held its leading position in Europe in the manufacturing project space (341, down 17%). Moreover, the sharp decline in the number of R&D centers and head offices (down 23% and 34% respectively) is explained by a "wait-and-see" attitude as new strategic priorities emerge.

7 However, confidence in France's attractiveness will remain solid in the years to come

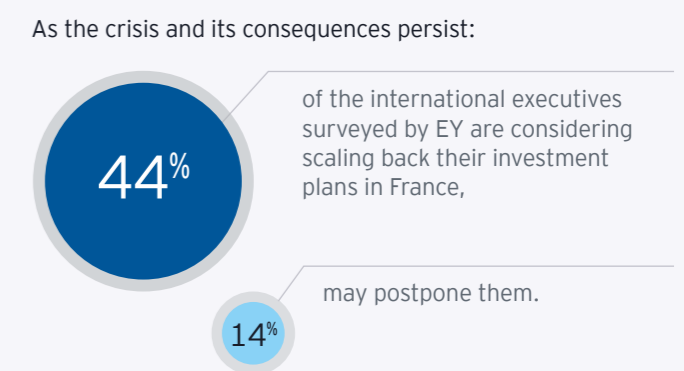
74% of investors believe that France's attractiveness will improve between now and 2025, a higher level of confidence than in Europe (62%).

5 For now, executives are divided on the possibilities of reshoring



More than half of the executives surveyed by EY may consider relocating activities to France. But only 18% of them plan to do so in the coming months. Inclinations toward major supply chain reorganization that were present when COVID-19 first hit have faded. Many companies aim to avoid disruptive and costly reorganization right now, in line with Asia's recovery prospects, leading multinationals to maintain their presence there for now.

6 ...and economic uncertainty leads investors to adopt a cautious stance, reflecting the risk of a "long Covid" for foreign investment



A majority of executives do not anticipate a return to normalcy before 2022 – and even the second half of 2022 for a third of them.

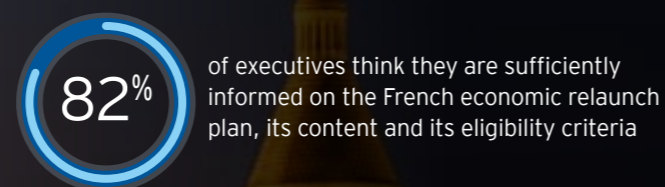


Priority 1 Priority 2 Priority 3

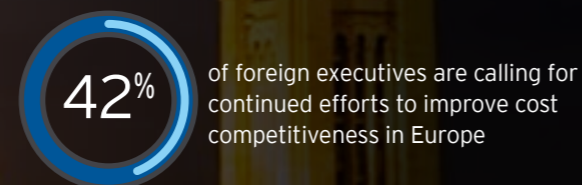
According to executives, France will have to address priorities across the short, medium and long terms to maintain its ranking in terms of attractiveness:

In the short term, reassure investors about recovery and competitiveness framework

Mobilize the recovery plan to facilitate international investment, first by reassuring on the recovery of the French economy in 2021 and 2022, while promoting the priorities and resources of France Relance (€100 billion) for international companies already present or interested in investing in France.

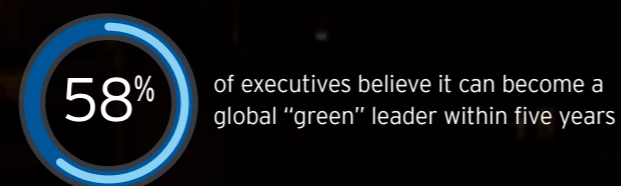


Preserve the major components of French competitiveness through increased fiscal and regulatory vigilance:



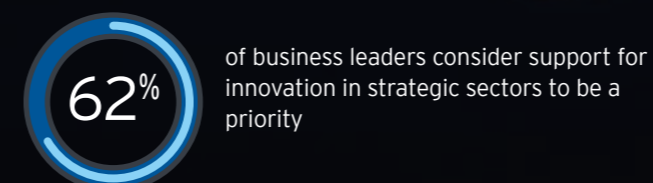
The tax reform pushed by Joe Biden risks making corporate taxes more neutral in terms of attractiveness. Europe will need to continue efforts to reduce labor costs, and keep in mind the importance to investors of personal tax rates, environmental taxes and stability of the tax framework.

Give a clear perspective of "restart" stimulus, between "emergency" measures and "recovery" programs, to reassure foreign investors. From now on, the challenge will be to highlight the return to normal economic conditions and answer investors' aspirations of more sustainability, inclusion and competitiveness. France has great potential:



In the medium term, invest in economic reform, in skills and in enhanced public services

Accelerate the momentum in the areas of innovation and entrepreneurship:



The challenge will be to maintain France's strengths in this area, notably the research tax credit (CIR) – considered to be very competitive – and the strong momentum of tech investment funds (+7% of funding in 2020 despite the health crisis).

Intensify efforts on training and mobility in parallel with those on labor flexibility and competitiveness: mastering digital skills and the ability to transition to more sustainable production methods will be key to continued attraction of foreign companies.

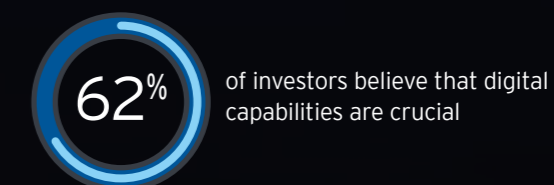
Invest in the modernization of infrastructure and local economic action: an effort that must focus on the proximity of public action and on the territories, which are the first lands of industry, and whose infrastructure are essential to attract the talents that will enable the upmarket development of French industry.

N°2

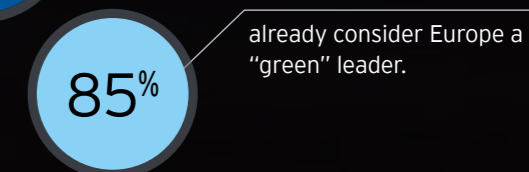
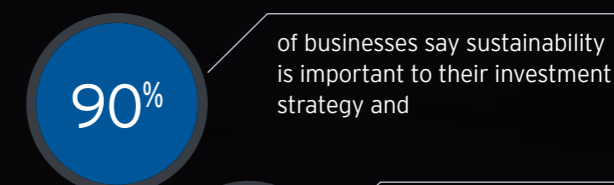
According to executives, performance and modernization of public infrastructure will be the second most critical factor of French attractiveness in the next three years.

In the long term, respond to multinational transformation needs

Technology: technology trends accelerated by Covid-19 – digital customer experiences, phygital work environments, and more automated production lines and back offices – makes digital skills an imperative (very critical for 62% of investors)



Sustainability: businesses across most sectors face pressure from multiple stakeholders to act more sustainably, including where they locate their operations.



Fiscal geopolitics: tax and regulatory battle lines are shifting, with a push for harmonization and transparency. European economies continue down the hard path of tax harmonization and transparency, with corporate income tax playing less of a role, and digital/environmental taxation and regulation brought to the forefront.



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