

EPISODE 02

France Attractiveness Survey

Executive summary
June 2023



Executive Summary

1 A quick look back at Episode 1

- ▶ The 2022 crisis halted Europe's recovery post-Covid: the total number of foreign direct investment (FDI) planned projects (5,962) grew by just 1%, as compared to 2021, falling well behind pre-pandemic levels and the 2017 record level of 6,653 projects.
- ▶ In 2022, France keeps the top spot in Europe for the fourth year running, with 1,259 new projects or expansions.
- ▶ Industry and innovation are the driving forces behind France's attractiveness.
- ▶ Motivation to invest in France remains strong in 2023. Nearly two-thirds of business leaders surveyed (63%) have immediate plans to invest in the country.

2 But behind these striking figures, some weaknesses are evident.

- ▶ 46% of the business leaders EY surveyed consider that their investment in France for 2023 will be affected by rising interest rates and tighter access to financing.
- ▶ The three-year perspective shows a level of concern among respondents: In 2023, 53% of them think France's attractiveness will improve, as compared to 63% in 2021 and 74% in 2020.

Business leaders express their strong attachment to France and their willingness to invest there in future. But they also call for new reforms to address some persistent pain points.

3 What are their priorities? What areas can the French government leverage?

- ▶ **Innovation**: for the third year in a row, business leaders surveyed have made high-tech and innovation activities the most important factor in their future investment allocations.
- ▶ **Skills**: unsurprisingly, while international competition to attract and retain talent is fierce, access to skills is becoming increasingly important in the eyes of foreign executives (4th priority in 2022, 2nd priority this year).
- ▶ **Competitiveness**: while striving to improve our competitiveness, the business leaders surveyed believe that the whole government should focus on keeping inflation under control and reducing the public deficit.
- ▶ **Taxation**: despite recent reforms, France must continue to narrow the tax gap. Reducing the tax burden remains one of the top five priorities in our 2023 survey.
- ▶ **Industry**: supporting SMEs (19%) and industries in difficulty (13%), as well as protecting supply chains and industrial sovereignty (13%) are all part of the same desire to support and encourage "made in France".
- ▶ **Energy**: business leaders surveyed by EY believe that a low carbon, reliable and sovereign energy supply must be at the heart of France's economic and social development.
- ▶ **Ecological transition**: sustainability will influence companies' location choices in the future (3rd factor for choosing a country for investment). Executives must ensure that this is a priority across the board.

What now remains to be done is to implement all these priorities. As well as providing a snapshot of France's attractiveness, this second episode of the EY Attractiveness Survey also intends to serve as an instructive guide to be followed.

Based on discussions with hundreds of business leaders in a dozen areas, EY's specialists in business management and public sector support have made recommendations that will enable France to remain attractive and to face up to the challenges ahead.

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