Attractive today.
Attractive tomorrow?

EPISODE 1 | 2 May 2024
Attractive today

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

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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?

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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Studio BMC France - 2403BMC049.
SCORE N°2024-026
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