



# PRESS KIT

## FRANCE ATTRACTIVENESS SCOREBOARD

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## FRANCE: A NATURAL HOME FOR RESEARCH AND INNOVATION

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France is ranked sixth in the world for gross domestic expenditure on research and development (GERD), which amounted to US\$60.8 billion (PPP) in 2015, preceded by the United States, China, Japan, Germany and South Korea. Business enterprise R&D expenditure in France (BERD) has been on the rise since 2009, accounting for 65.1% of GERD in 2015.

France remains a very advantageous investment location in Europe, and foreign investors' actions speak volumes in this regard. A central reason for this is France's research tax credit; since 2008, France's cost competitiveness as a location for R&D operations has remained high, with **France offering more generous R&D tax treatment than any other country** (ranked first among the sample countries compared by the Scoreboard).

France's research tax credit has lowered what companies spend on research personnel. Consequently, researchers are well represented in France, with 9.4 researchers per 1,000 members of the labor force, ranking France fourth among the Scoreboard sample countries.

**In France, human resources in science and technology (HRST) accounted for 50.5% of the active population in 2016.** The proportion of HRST throughout the country is substantial, and sees France ranked ahead of Germany (48.4%).

Business decision-makers recognize that **innovation and the thriving "La French Tech" ecosystem are driving forces behind France's attractiveness as an investment location.** New R&D, engineering and design investment decisions are boosting entrepreneurial momentum, accounting for 115 foreign investment projects in France in 2016, up 32% from the previous year, including 72 in R&D alone.

**The robust health of innovative businesses in France can also be seen in various international rankings:**

- 1) France outstripped all its European counterparts in the latest Deloitte Technology Fast 500 EMEA** for the number of fast-growing technology companies in Europe, the Middle East and Africa. **The top 10 French companies in 2016 were:** Horizontal Software, Chauffeur Privé, Disposable-Lab, Valneva, Crosscall, Adyoulike, OSE Immunotherapeutics, Interactiv Group, Adxperience, SlimPay.
- 2) Similarly, France was ranked first in Europe and third in the world in the latest Clarivate Analytics "Top 100 Global Innovators".** Ten French organizations were among the 100 leading global innovators in 2016, including three R&D centers (CNRS, CEA, and IFP Energies Nouvelles) and seven companies (Alstom, Arkema, Safran, Saint-Gobain, Thales, Total and Valeo).

## FRANCE: A NATION OF ENTREPRENEURS

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**Enterprise creation is buoyant in France.** In 2015, the enterprise start-up rate across the whole French economy was 9.4%, ahead of Germany (7.1%).

**The total number of active enterprises in France grew by 6% in 2016.**

**In 2015 there was a 2.3% net increase** in active enterprises across the whole French economy, with a net increase of 77,438 businesses, while the net increase across the EU-28 was only 1.7%.

In 2015, the enterprise start-up rate across the whole French economy was 9.4%, ahead of Germany (7.1%). In manufacturing, this rate was 7.1% for France in 2015, the fourth highest after Poland (9.8%), the United Kingdom (9.8% in 2014), and the Netherlands (7.5%).

**France also boasted the third lowest enterprise death rate (5.3%) among Scoreboard sample countries in 2015**, after Ireland (2.0%) and Belgium (3.0%), but ahead of Germany (7.7%). In the manufacturing sector, the rate was 4.4% for France, compared with 5% for Germany.

**Corporate lending in France has on the whole remained buoyant**, with a solid rise in early 2014 gathering momentum since 2015. According to the Banque de France's quarterly corporate bank lending survey for the second quarter of 2017, **bank lending to SMEs and micro-enterprises has been improving.**

Corporate fundraising in France is currently hitting record levels, with nearly €1.2 billion of venture capital invested in 301 transactions in the first half of 2017. This sustained, sometimes exponential growth reflects the growing wealth of the venture capital value chain, which now sees **France ranked second in Europe** for both the number and value of VC deals.

This wave of new and expanding businesses is being fostered by a **favorable administrative and financial environment, especially for startups**: Paris is one of the cities to have introduced the most effective policy initiatives in the world to catalyze entrepreneurship and innovation, alongside San Francisco, New York and London (*City Initiatives for Technology, Innovation and Entrepreneurship*, Accenture), while France also stands out for startups access to risk capital finance. (*Global Entrepreneurship Index, 2016*)

**France is also making life simpler for entrepreneurs.** Only 3.5 days were required in 2016 to found a company in France, compared with 4.5 in the United Kingdom and 10.5 in Germany.

**E-government is another of France's strengths.** According to the United Nations E-government Survey 2016, France is ranked 10th globally and fifth among the Scoreboard sample countries for e-government development.

# FRANCE: AN INDUSTRIAL ECONOMY

France has been **Europe’s leading recipient of job-creating foreign investment projects in industry for the last 15 years** (EY, BF 2017), and is the only country in which industrial sectors attracted more than 50% of foreign investments in 2016.



France is also seeing a marked improvement in hourly labor productivity in the manufacturing sector. Productivity per hour worked rose 2.8% in 2016, compared with a rise of only 0.5% across the EU-28.

The competitiveness and tax credit (CICE) has helped manufacturers in France to regain their cost-competitiveness. In the second quarter of 2017, hourly labor costs in the French manufacturing sector (€38.50) were lower than in Germany (€41.10).

As an investment location, France boasts outstanding energy and communications infrastructure, including an extensive broadband network, and electricity at very competitive and stable rates.

- **France has a very high fixed broadband penetration rate.** With 41 land-based broadband subscribers per 100 inhabitants in 2016, France was ranked second among the sample countries, ahead of Germany (39) and the United Kingdom (38).
- **Electricity rates are especially attractive for companies operating in France,** and are among the most competitive in Europe (seeing France ranked second among the Scoreboard sample countries after Sweden) due to France’s energy mix and careful management of electricity generation and the national grid. The variability of electricity rates in France also remains low.

# FRANCE WELCOMES FOREIGN INVESTMENT

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## ► **The French economy is open to foreign investors**

More than 30,000 French companies have set up business in foreign countries, while more than 22,000 foreign companies have made job-creating investments in France.

In 2016, France was Europe's third leading recipient of job-creating foreign investment (EY; second leading recipient according to Business France Europe Observatory figures).

**France has the 11th highest cumulative stock of inward foreign direct investment in the world** (UNCTAD, 2016), and the sixth highest in Europe, preceded by the United States, China, Hong Kong, the United Kingdom, Singapore, Canada, Ireland, the Netherlands, Switzerland and Germany.

Forty-five percent of the equity holdings in companies listed on the CAC 40 are held by non-residents. (Banque de France, 2017)

Twenty-nine of the world's top 500 companies are French, while 29 are German, and 24 are British. (Fortune Global 500, 2017)

## ► **France welcomes foreign talent**

With more than 240,000 international students enrolled in tertiary education, France is the **fourth most popular destination country in the world**. (UNESCO, 2015)

These figures include students on advanced research programs: foreign students account for 40% of PhD students in France. (Eurostat, 2016)

## ► **An important contribution to the French economy**

According to data for 2014 from the French National Institute for Statistics and Economic Studies (INSEE), foreign subsidiaries:

- Employ 13% of all French employees (and 21% of the workforce in French industry)
- Generate 16% of all value-added in the French economy (and 25% across all French industry)
- Generate 30% of all French exports (and 32% of all French manufacturing exports)
- Account for 21% of all business enterprise R&D expenditure in France. (French Ministry for Higher Education and Research, 2014)

## FRANCE'S STRUCTURAL ADVANTAGES

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The *France Attractiveness Scoreboard* highlights France's structural advantages for attracting foreign investment, including market size and location, a highly qualified and productive workforce, and high-quality, cost-effective infrastructure.

### 1- Market size and location

With a GDP of US\$2,463 billion at current prices, France was the **world's sixth largest economy** in 2016 after the United States, China, Japan, Germany and the United Kingdom.

**France also boasts a buoyant demographic profile**, and is the leading country in Europe by fertility rate, with virtually two children per woman.

France's location, combined with first-class multimodal transport infrastructure, makes it an ideal springboard to other countries, continents and world regions across Europe, Africa and the Middle East. According to the "access to EU-27 markets" criterion, France was ranked third in 2016, ahead of Germany and the United Kingdom.

### 2- A highly productive workforce

**The 25- to 34-year-old age group in France is particularly well qualified:** 44% of this age group held a tertiary qualification in 2016, a similar level to that recorded in Belgium (44.3%) and the Netherlands (45.2%), but higher than in Germany (30.5%) and Italy (25.6%).

Labor productivity is high in France on both a per-employee and hourly basis: **France is ranked seventh in the world for hourly labor productivity.**

### 3- High-quality, cost-effective infrastructure

**France has first-class airports:** Paris-Charles de Gaulle is ranked first in Europe for cargo and second by passengers carried after London Heathrow.

**France has an extremely dense domestic transport network**, with Europe's largest road network – more than a million km (620,000 miles), including over 12,000 km (nearly 7,000 miles) of motorways – as well as a rail network of 30,000 km (over 18,000 miles) and 5,000 km (2,700 nautical miles/3,100 miles) of navigable waterways.

## FRANCE'S FIELDS OF EXCELLENCE

Leading indicators of France's attractiveness as an investment location	France's position	Leading countries
R&D tax incentives	1 (1)	France, Ireland
Fertility rate (2015)	1 (1)	France, Ireland
Change in lending to non-financial corporations (2017)	1 (1)	France, Germany
Air cargo within the EU-28 (Millions of tonnes, 2016)	1 (1)	France (Paris-CDG), Germany (Frankfurt am Main)
Air passenger transport within the EU-28 (Millions of passengers, 2016)	2 (2)	United Kingdom (Heathrow), France (Paris-CDG)
Trends in unit labor costs (2016) – Manufacturing sector	2 (1)	Finland, France
Electricity rates (Q2, 2016)	2 (3)	Sweden, France
Net growth in active enterprises (2015) – Total economy	2 (1)	United Kingdom, France
Broadband penetration rate (Number of subscribers per 100 inhabitants, December 2016)	2 (2)	Netherlands, France
Trends in productivity per hour worked (2016) – Manufacturing sector	2 (2)	Finland, France
Net growth in active enterprises (2015) – Manufacturing sector	3 (1)	Poland, Netherlands
Access to EU-27 markets (2016)	3 (3)	Belgium, Netherlands
Market share of European investment funds industry (2016)	3 (3)	Ireland, Germany
Venture capital investment (% of GDP, 2015)	3 (3)	Finland, Ireland
Carbon intensity (2014)	3 (2)	Sweden, Ireland
Enterprises and individuals using the internet for interaction with public authorities (2016)	4	Finland, Sweden
Number of patents filed (2015)	4 (4)	United States, Japan
R&D personnel (per thousand labor force, 2015)	6 (4)	Finland, Austria

Data in parentheses shows France's rank in the previous year.

## REFORMS UNDERWAY TO ADDRESS FRANCE'S WEAKNESSES

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Labor costs and taxation in France are frequently flagged for attention in both opinion surveys and international rankings. Nevertheless, more detailed analysis of these concerns presents a more balanced picture.

**The competitiveness and tax credit (CICE) has helped manufacturers in France to regain their cost-competitiveness. Moreover, France's successful control of hourly labor costs stands out with respect to its leading European rivals.** Between the fourth quarter of 2012 and the second quarter of 2017, labor costs grew less sharply in France than the euro zone average, not only in manufacturing, construction and services (+4.6% in France, versus +6.7% in the euro zone), but also in manufacturing once construction is excluded (+5.5% in France, versus +8.0% in the euro zone). In the second quarter of 2017, hourly labor costs in the French manufacturing sector (€38.50) were lower than in Germany (€41.10).

France was ranked poorly in 2016 for the nominal rate of corporate tax, which is mostly due to the additional social contribution on earnings of 3.3% payable by very large companies. The current rate is 34.4%, compared with an average in Europe of 21.9%. **However, the French government is committed to lowering the corporate tax rate to 25% by 2022** (falling in stages to 31% in 2019, 28% in 2020 and 25% in 2022).

In an international environment marked by increasing mobility of capital and heightened competition between economies, **France's advantages cannot be taken for granted.** Above and beyond France's weaknesses requiring remedial action, every criterion upon which judgements are formed about the French economy's attractiveness demands constant scrutiny and improvement. **As investment attractiveness is a relative notion, with every country seeking to enhance its performances, France must always look to build anew on its foundations.**

## METHODOLOGY

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For the eighth consecutive year, Business France, in conjunction with the Treasury Directorate at the French Ministry for the Economy and Finance, and the French Commission for Regional Equality (CGET), is proud to present the France Attractiveness Scoreboard. By compiling a vast array of economic data concerning outcome indicators and economic attractiveness criteria, the Scoreboard seeks to enable objective, comparative analysis of France as an investment location.

### ► Reasons for publishing the *France Attractiveness Scoreboard*

- **To meet the challenge** of measuring France's investment attractiveness in relation to other major European countries.
- To shed light on the complexity of measuring an economy's attractiveness, a notion **that depends on a considerable number of different criteria.**
- **To measure this attractiveness using quantifiable economic indicators** from leading data sources (OECD, IMF, UNCTAD, Eurostat, etc.).

### ► Methodological approach

- A comparison of France's attractiveness relative to 13 other countries: Austria, Belgium, Finland, Germany, Ireland, Italy, Japan, Netherlands, Poland, Spain, United Kingdom, United States and Sweden.
- The Scoreboard uses 126 indicators to examine **economic attractiveness criteria in nine fields** influencing the location of foreign investments: market size and strength / education and human capital / research and innovation / infrastructure / administrative and regulatory environment / financial environment / costs and taxation / quality of life / green growth.

**CONCLUSION:** The Scoreboard seeks to demonstrate that investment attractiveness cannot be measured using a single indicator, and must instead be assessed holistically by considering all the components that make an economy attractive. It pinpoints a number of areas in which France must regain ground in today's competitive environment, and underlines the purpose of current reforms.