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FRANCE ATTRACTIVENESS SCOREBOARD

November 26, 2015

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For the sixth consecutive year, Business France, in conjunction with the Treasury Directorate at the French Ministry for the Economy, Industry and Digital Affairs, 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, and without resorting to data-weighted aggregate indicators, the *Scoreboard* enables an objective analysis to be made of France as an investment location.

Its twin aims are to assess and monitor France's performances among a selection of OECD countries against various foreign investment attractiveness criteria, and to analyze France's relative strengths for each factor influencing a firm's choice of 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

- No aggregate indicators or data weighting.
- 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.
- Conclusions based on the main attractiveness criteria 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.

► Key points

1- This sixth edition of the *France Attractiveness Scoreboard* provides insight into France's relative performances in an increasingly open and competitive international environment. **It demonstrates that France's structural advantages are fundamental to its investment attractiveness, and that the reforms underway are boosting the competitiveness of the French economy.**

2- In contrast to international rankings based on composite competitiveness indicators and opinion surveys that provide patchy analysis far removed from the reality observed by investors on the

3- It examines **nine groups of economic attractiveness criteria (through a total of 126 different indicators)**, corresponding to those most commonly compared by business leaders: 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.

4- **Main findings:**

- **France's strengths:** Market size and location, human capital, an innovation- and R&D-friendly tax environment, a beneficial administrative and regulatory environment, and a cost-effective energy mix.
- **France's weaknesses:** Labor costs, and taxation, in particular.
- **France's improving areas:** Enterprise, labor costs in industry, e-government.

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 in an economy's attractiveness. It pinpoints certain areas in which France must regain ground in today's competitive environment, and underlines the purpose of current reforms, such as the "National Pact for Growth, Competitiveness and Employment".

FRANCE'S FIVE KEY ADVANTAGES

The *France Attractiveness Scoreboard* highlights five of France's key advantages for attracting foreign investment: market size and location; an R&D-friendly environment; a highly qualified and productive workforce; buoyant enterprise creation; and a high-quality, cost-effective energy mix.

In addition to these five key advantages, France's attractiveness as an investment location is also enhanced by its infrastructure, a robust high-quality financial system, and the strength and diversity of its industrial base.

1- MARKET SIZE AND LOCATION

With a GDP of US\$2,847 billion at current prices, France was **the world's sixth largest economy** in 2014 after the United States, China, Japan, Germany and the United Kingdom.

France's location, combined with first-class multimodal transport infrastructure, makes it an ideal springboard to other countries, continents and world regions, encompassing Europe, Africa and the Middle East.

France also boasts a buoyant demographic profile, and is the leading country in Europe by fertility rate, verging on two live births per woman.

2- HIGHLY QUALIFIED, PRODUCTIVE WORKFORCE

With an outlay on education equivalent to nearly 7% of GDP,¹ **France is one of the countries that invests the most in its education system.**

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.**

Moreover, **France has seen a marked improvement in cost competitiveness across the French economy in 2015.** In 2013 and 2014, the competitiveness and employment tax credit (CICE) reduced labor costs in France by 3.3% across all tradeable sectors, according to INSEE estimates. **In late 2014, hourly labor costs in French industry were €37, compared with €37.10 in Germany.** Furthermore, corporate profit margins in France are also rising.

3- A LAND OF INNOVATION

France is ranked sixth in the world for gross domestic expenditure on research and development, with US\$55 billion, after the United States, China, Japan, Germany and South Korea. Four sectors account for more than half of all business enterprise R&D expenditure in France: the automotive industry; the pharmaceutical industry; radio, television and communication equipment; and the aerospace industry. **R&D intensity has increased 15% since 2007 to a new high in 2013.**

Among the 14 sample countries in the *Scoreboard*, France was ranked fourth in 2013, after Finland, Sweden and Austria, for the number of R&D personnel per thousand labor force. **More than 35% of all jobs in France are in science and technology, requiring advanced qualifications.**

Moreover, the French tax system offers the most generous R&D tax treatment in the world, thanks to France's research tax credit. In 2012, more than 15,000 businesses benefited from the research tax credit. **The number of industrial researchers rose 22% between 2008 and 2012, as 28,000 high value-added jobs were created.**

With 86 companies in the 2014 Deloitte Technology Fast 500 EMEA, France outstripped all its European counterparts as **the leading country for fast-growing technology companies in Europe, the Middle East and Africa.** France is also the third leading country in the Top 100 Global Innovators, with 10 French entities among the 100 most innovative organizations in the world. They include three research centers (CNRS, CEA, IFP Energies Nouvelles) and seven companies (Alcatel-Lucent, Alstom, Arkema, Safran, Saint-Gobain, Thales and Valeo).

4- A LAND OF ENTERPRISE

France is making life simpler for entrepreneurs. In 2014, **only four days were needed to found a company in France,** compared with 4.5 in the United Kingdom and 10.5 in Germany. Among the 14 sample countries in the *Scoreboard*, only in Belgium (4) and the Netherlands (4) is it possible to start doing business more quickly.

The United Nations ranks **France fourth in the world and first in Europe for e-government.** (United Nations E-Government Survey, 2014)

One of France's strengths lies in the low business costs it offers foreign companies. According to KPMG's *Competitive Alternatives 2014* survey, total business operating costs are 2.6% lower in France than in the United States.

France is a very buoyant market for net enterprise creation, posting compound annual growth of 2.6% between 2009 and 2012 through a net increase in active enterprises of 222,350 over three years. In 2014, 550,700 businesses were founded in France, up 2% from 2013. This increase arose from growth in company formations (up 4% from 2013) and new sole proprietorships (up 3%).

5- HIGH-QUALITY, COST-EFFECTIVE ENERGY MIX

Electricity rates are especially attractive for companies operating in France, and are among the most competitive in Europe due to France's successful control of production and the electrical grid. The variability of electricity rates in France remains low.

With less than one interruption per consumer per year, **France boasts a cost-effective and reliable electrical grid.**

France is also expanding its offshore wind power capacity, which can provide lower megawatt hour prices than onshore wind power.

FRANCE'S FIELDS OF EXCELLENCE

The *France Attractiveness Scoreboard* highlights France's excellent inward foreign direct investment results, as can be seen in the following summary of the 14 sample countries:

Top 20 indicators of France's attractiveness as an investment location	France's position	Leading countries
Fertility rate (2013)	1	France, Ireland
Investment in inland transport infrastructure (2013)	1	France, Japan
Indicators for leading European office property markets, transactions (sq. m.) and vacancy rates (%) (2014)	1	France (Paris), United Kingdom (London)
Government funding of business enterprise R&D expenditure (BERD) and R&D tax incentives (2012)	1	France, Belgium
Public spending on social protection (2014)	1	France, Finland
Energy intensity of GDP, with and without nuclear (2013)	1	France, Ireland
Net variation in active enterprises (2009-2012)	1*	France, Netherlands
Change in lending to non-financial corporations (2015)	1*	France, Germany
15 leading airports in the EU-28 (2014)	2	United Kingdom (Heathrow), France (Paris-CDG)
Broadband penetration rate (2014)	2	Netherlands, France
Electricity rates (H1, 2015)	3	Sweden, Finland
Enterprises using the internet for interaction with public authorities (2014)	2	Finland, France
Estimated value of tenders (2013)	2	United Kingdom, France
Global market share of European investment funds (2014)	2	Ireland, France
Equity of access to healthcare (2013)	1	France, United Kingdom
Carbon intensity (2012)	2	Sweden, France
Employment in the renewable energy sector (2013)	2	Germany, France
Turnover in the renewable energy sector (2013)	2	Germany, France
Access to justice (2013)	3*	Netherlands, England and Wales
Enterprise start-up rate (2012)	3*	United Kingdom, Poland

WHAT INVESTORS HAVE TO SAY ABOUT FRANCE

France is an attractive investment location in Europe, according to the majority of international business leaders surveyed by TNS-Sofres for Business France in 2014 (sample of more than 700 decision-makers from the United States, Germany, the United Kingdom, Brazil, India, China and Russia).

The perceptions of France's strengths and weaknesses remain remarkably stable among foreign decision-makers. France's key strengths, according to international business leaders, are its communication infrastructure (88%), transport and logistics infrastructure (87%), industrial base (81%), workforce education and training (80%), size of the domestic market (79%), innovation and R&D policy (75%).

France remains attractive for R&D investments. France is judged to be particularly attractive based on human capital factors: the quality of French R&D personnel and partnerships with academic research teams are judged favorably by three-quarters of foreign decision-makers. France's research tax credit and its 71 innovation clusters remain a powerful draw for foreign investors.

More than 80% of the decision-makers surveyed have a positive view of the main reforms the French government is currently pursuing (measures to promote innovation, lower labor costs (CICE), attract new foreign investment, improve labor market flexibility, and lighten the tax burden on companies) and believe that they are having a positive impact on France's attractiveness to investment.

"I've betted on France. The country is at an inflection point. The time to invest in France's future is now."

"It's like I'm in Silicon Valley here"

"I believe in this country. France is about to change forever".

John Chambers, Cisco

"Toyota cannot afford not to be in France, not only for industrial reasons but also because of the unique vision we were just discussing. There is a lot of healthy competition at play in the country. There are many bright people here who are very keen to create synergies. I believe we must consolidate the links between research and design. This is why I have developed a policy to seek long-term partnerships with research laboratories. There has to be a three-way synergy between engineering, design and products. That is the key. And it is a real possibility in France."

Carole Favart, Toyota Motor Europe

"You can find all the skills you need here in Paris and elsewhere in France, just like in San Francisco."

Marc Benioff, Salesforce

"French engineers have a great ability to innovate and find solutions to complex problems."

Michel Emelianoff, Alcatel-Lucent

"France has fantastic engineers! And great managers. At GE, we have French executives in Africa, South America, China and the United States... Wherever they go, they're incredibly competitive. And then there's French companies: in energy, aerospace, healthcare and all the sectors we're in, there are French businesses competing with the Americans, the Chinese and the Germans... France is a competitor on all fronts. Once you're doing business here, there's also a good base of SMEs and great clients, like Airbus and EDF, which have become genuine partners over the years."

Jeff Immelt, GE

"Our experience with the French market has been positive. We are delighted with the market potential in France, Europe's second largest with 65 million citizens."

Jeff Lorberbaum, Mohawk

"France is a big market opportunity in many segments. It is extremely well located. We can find great people here with good skills and training levels. Furthermore, the infrastructure in France is second to none in Europe in our experience."

Olivier Chapelle, Recticel

FRENCH BUSINESSES TASTING SUCCESS

► **French online advertising giant Criteo continued its stellar growth in the second quarter of 2015**, posting net income of €4 million, up 58.4% from €2.4 million in the same quarter of 2014.

The firm, which has been quoted on the NASDAQ since October 2013, generated revenues of €271 million in the second quarter of 2015, compared with €165.3 million in the same quarter a year earlier. Adjusted EBITDA for the second quarter of 2015 was €21.8 million, an increase of 64% (or 60% at constant currency).

Commenting on these results, Criteo CFO Mr. Benoît Fouilland pointed to the introduction of new technology and a continuous innovation process, especially in mobile browsing, in addition to the acquisition in July 2013 of AD-X Tracking, a mobile marketing specialist, enabling Criteo to offer comprehensive mobile solutions since early 2014, covering both applications and mobile internet.

Criteo operates in 85 countries and has 27 offices throughout the world. Its predictive algorithms take a matter of milliseconds to buy up and sell on advertising space to online advertisers.

► **Founded in Toulouse in 2009, Sigfox has started deploying a low-power wide-area network to connect various devices to the internet**, offering clients long-distance transmission of low bit-rate data from electricity meters, household appliances, vehicles, or any other connected devices.

In the Loiret *département* (Centre-Val de Loire region) for example, a new device is enabling families of elderly people to follow in real time the home help care provided to them. Sigfox currently operates in nearly a dozen countries in Europe and employs around 140 people.

South Korean conglomerate Samsung announced in June this year that it had chosen Sigfox's Internet of Things (IoT) network protocol to be integrated in its new Artik platform for connected devices.

"Artik is a platform designed to achieve the greatest connectivity between various consumer appliances through cloud-based data combined with full security features", said Samsung Electronics President and CSO Young Sohn.

Artik will make data available through an open cloud platform to develop new applications, and will be integrated in all Samsung products by 2020, totaling 200 million appliances a year according to Mr. Sohn.

Sigfox raised over €100 million in February 2015, a record for a French start-up, to which companies such as Engie, Air Liquide and Telefonica all contributed, along with France's public investment bank, Bpifrance.

► **Frédéric Mazzella is the Founder and CEO of BlaBlaCar**, Europe's leading ridesharing community that connects drivers with empty seats and people traveling the same way, so they can share their cost.

Investment funds injected US\$200 million into BlaBlaCar in September 2015, the largest sum ever raised by a French start-up. The man behind this success story is a proud 39-year-old state-educated entrepreneur who is driving forward the international expansion of his business.

With 20 million members at present in 19 countries, BlaBlaCar enables several million people to travel more cost-effectively, while also making road travel more sociable and sustainable.

▶ **The wealth of French talent, their exciting projects, steadfast commitment and diverse origins are a reflection of France today.**

In 2015, Mohed Altrad, CEO of scaffolding manufacturer Altrad, became the first French winner of the **EY World Entrepreneur of the Year Award**, from a field of 65 entrepreneurs from 53 countries competing for this prestigious title.

"This prize isn't for Mohed Altrad, it's for France," he modestly points out.

"France is the winner here."

Mr. Altrad, who has followed an unusual career path, sees himself as 'the human face' of an accolade transcending a human or business story, and reflecting the success of an entire country.

"It's a proud moment for our nation."

▶ **Xavier Niel, founder of French ISP Free,** continues to expand his overseas business interests.

After acquiring a 55% stake in Monaco Telecom in April 2014, he also personally acquired Orange Switzerland via his holding company NJJ Capital in December 2014 for CHF2.8 billion (€2.3 billion), thereby buying out Switzerland's third largest telecoms operator, with a 20% share of the mobile market, after Swisscom (59%) and Sunrise (21%).

"The truth is that France has tax and regulatory environment that encourages enterprise: nowhere else in the world will you be helped to start your own business, but this is in fact the case in France, where you can continue to receive unemployment insurance and benefits while the company is being formed.

"Nowhere else in the world can you receive support running into several tens of thousands of euros to start a business, while France's tax environment for business creation is also comparatively advantageous."

FRANCE WELCOMES FOREIGN INVESTMENT

More than 30,000 French companies have set up business in foreign countries, while some 20,000 foreign companies have made job-creating investments in France.

► The French economy is open to foreign investment

In 2014, France was Europe's second leading recipient of job-creating investment (source: Business France Europe Observatory) and has been the **leading destination in Europe for job-creating foreign investment projects in industry** for the last 15 years. (*EY, 2015*)

France has the seventh highest cumulative stock of inward foreign direct investment in the world (UNCTAD, 2014), after the United States, China (including Hong Kong), the United Kingdom, Singapore, Brazil and Germany. As a proportion of GDP, France (26%) welcomes more foreign investment than Germany (19%) and Italy (17%).

45.3% of the equity holdings in companies listed on the CAC 40 are held by non-residents. (*Banque de France, 2015*)

► An important contribution to the French economy

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

- Employ 12% of all French employees (and nearly one-quarter of the workforce in French industry)
- Generate 19% of the turnover in the French economy (and 29% across all French industry)
- Generate 31% of all French exports (and 37% of all French manufacturing exports)
- Account for 27% of all business enterprise R&D expenditure in France. (*French Ministry for Higher Education and Research, 2013*)

Of the world's top 500 companies, 31 are French, 28 are German, and 28 are British. (*Fortune Global 500, 2015*)

► Foreign investment benefits all French regions, despite regional disparities

The 8% year-on-year rise in foreign investment decisions in 2014 is a potential engine for growth throughout the French economy. (*Business France 2014 Annual Report, April 2015*)

European Union countries remained the leading investors in France, with 61% of all job-creating foreign investments, followed by North America (22%), and Asia (12%). The leading investors in France in 2014 were the United States (19%), Germany (14%), the United Kingdom (9%), Italy (9%), and Japan (6%).

France continues to attract investments in high value-added activities, especially production/manufacturing and research.

The dynamic forces of France's regions and cities often play a decisive role in their attractiveness to investors. Every region in France received foreign investment in 2014, while 17 attracted new R&D investments. Two-thirds of new job-creating foreign investments in 2014 were located in six regions: Ile de France (Paris region), Midi-Pyrénées, Rhône-Alpes, Provence-Alpes-Côte d'Azur, Nord-Pas de Calais and Alsace.

Business France is the national agency supporting the international development of the French economy, responsible for fostering export growth by French businesses, as well as promoting and facilitating international investment in France.

It promotes France's companies, business image and nationwide attractiveness as an investment location, and also runs the VIE international internship program.

Founded on January 1, 2015 through a merger between UBIFRANCE and the Invest in France Agency, Business France has 1,500 personnel, both in France and in 70 countries throughout the world, who work with a network of public- and private-sector partners.

For further information, please visit: www.businessfrance.fr

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