

AmCham – Bain Barometer 19th Edition

Satisfaction of American investors in France
February 2019



BAIN & COMPANY

 **#AmChamBainBarometer**

About the AmCham-Bain Barometer



The satisfaction survey of American investors in France was **launched by AmCham in 1995**

The Barometer has become an annual event **since 1999 with the support of Bain & Company**

Today in its 19th edition, the AmCham-Bain Barometer has **3 objectives**

- **Measure from year to year the morale of American investors in France** and their perception of the economic environment
- **Collect the opinions of American investors on current economic topics** in France
- **Understand American employees' drivers and detractors of living in France**

Methodology

From December 2018 to mid-January 2019, a questionnaire was sent to the management of subsidiaries of American companies in France



We received **127 answers** from US companies representing in total:

- More than **52,000 employees** in France
- More than **€52 billion turnover** in France



Typology of respondents' functions

46%



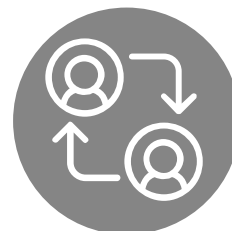
CEO, Managing Director and President⁽¹⁾

30%



Other CxO⁽²⁾

9%



Institutional relations⁽³⁾

15%

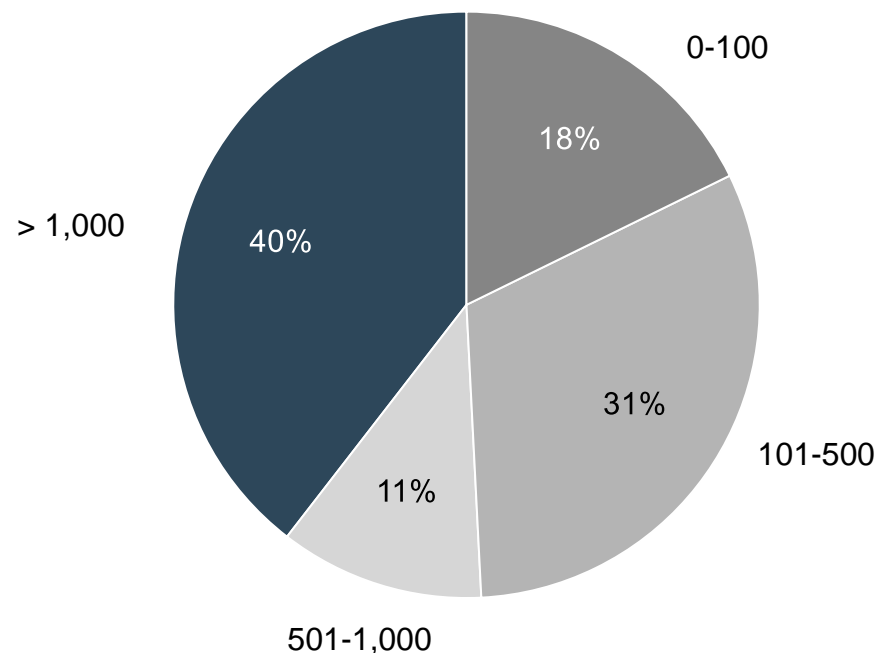


Other⁽⁴⁾

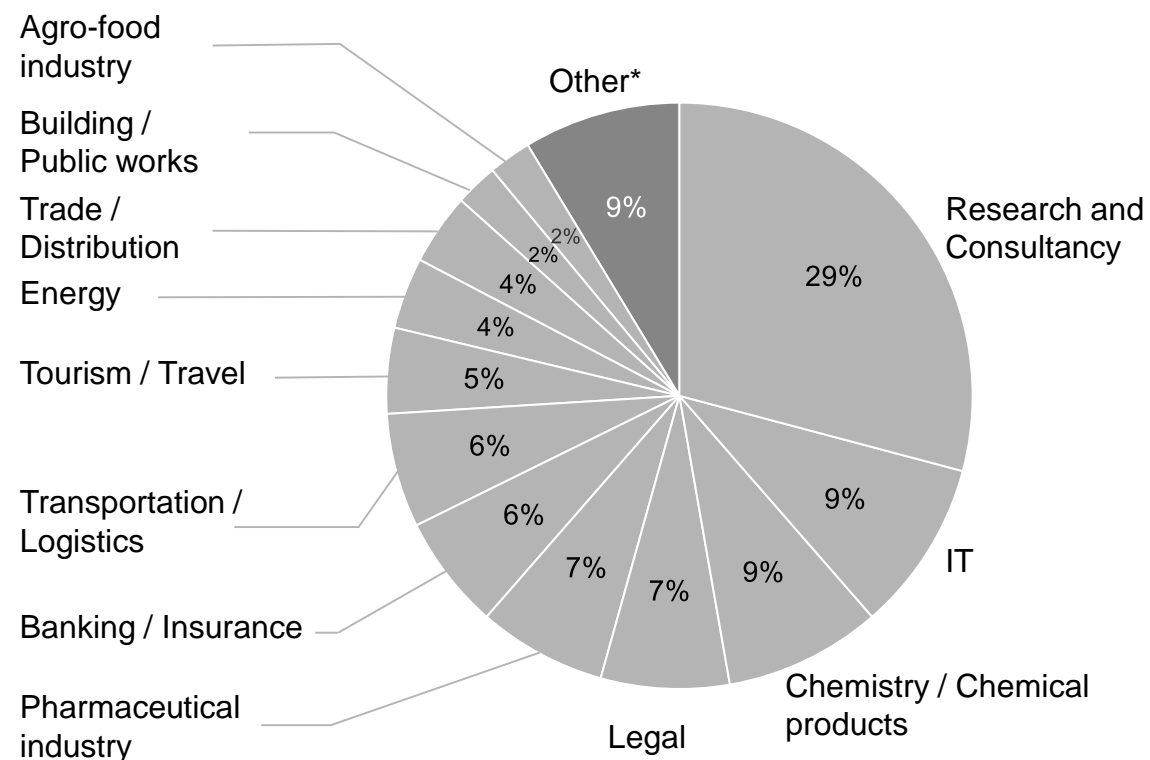
(1) incl. Deputy CEO and Partner; (2) incl. Director of Human Resources, Commercial Director, Finance Director, etc.; (3) incl. people related to institutional relations, public affairs, business development, etc.; (4) incl. consultant, Lawyer etc.
Source: AmCham-Bain Barometer, Bain analysis

Respondents' companies by size and industry

Segmentation of sample by number of employees in France



Segmentation of sample by industry



(*) Other: Textile / Clothing, Aerospace & Defense, Real estate, etc.
Source: AmCham-Bain Barometer, Bain analysis

A G E N D A



France's attractiveness



Digital transformation of companies in France



Major events impacting France's attractiveness

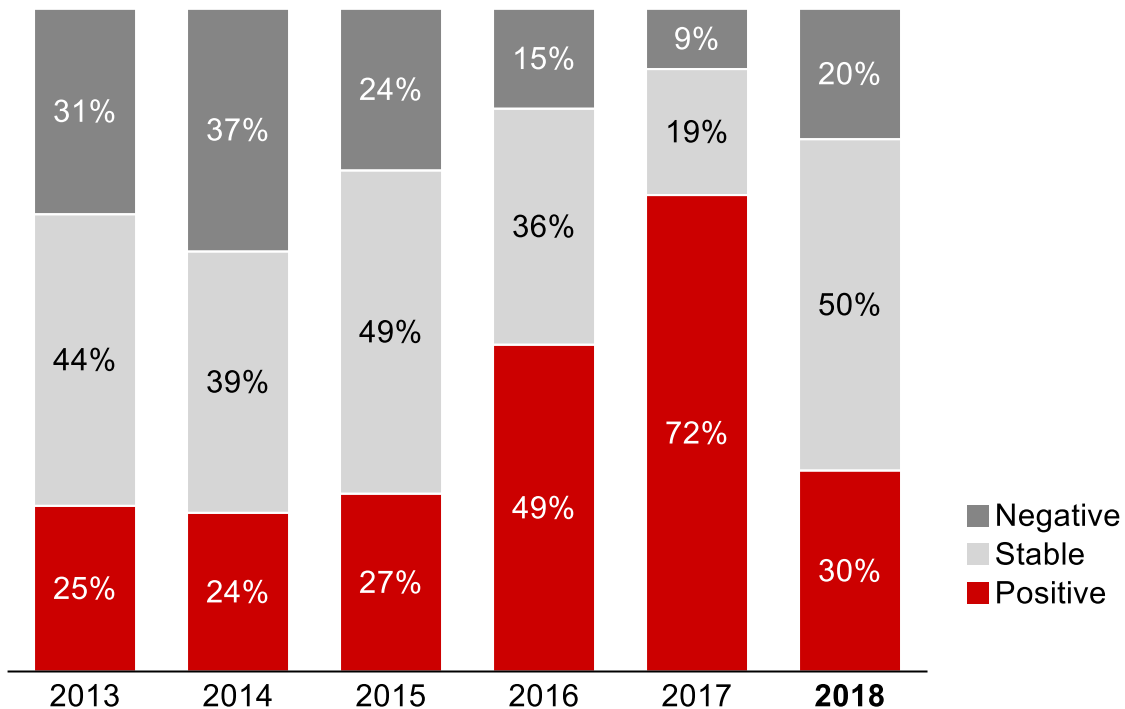


AmCham recommendations

Respondents are less optimistic than in 2017 on the economic outlook due to the European and global growth uncertainties

ECONOMIC OUTLOOK

In your opinion, will the evolution of the economic outlook for your industry in France over the next 2-3 years be ...?



*“Global **competition** is higher, **taxation** and **regulation** have increased in France.”*

General Affairs Director, Chemistry / Chemical products

*“Even if the current economic outlook is **positive**, **uncertainties** over the future at global scale (trade war U.S. vs. China, social and political tensions in Europe) prompt me to forecast **no growth** in the coming years.”*

Commercial Director, Banking / Insurance

*“Within a **slowing global economic environment**, France will not be spared.”*

Communication and Public Affairs Director, Chemistry / Chemical products

*“The French market is **mature** and **political instability** at the **European scale** may **impact its economy**.”*

Associate, Law

Note: in percentage of respondents
Source: AmCham-Bain Barometer, Bain analysis

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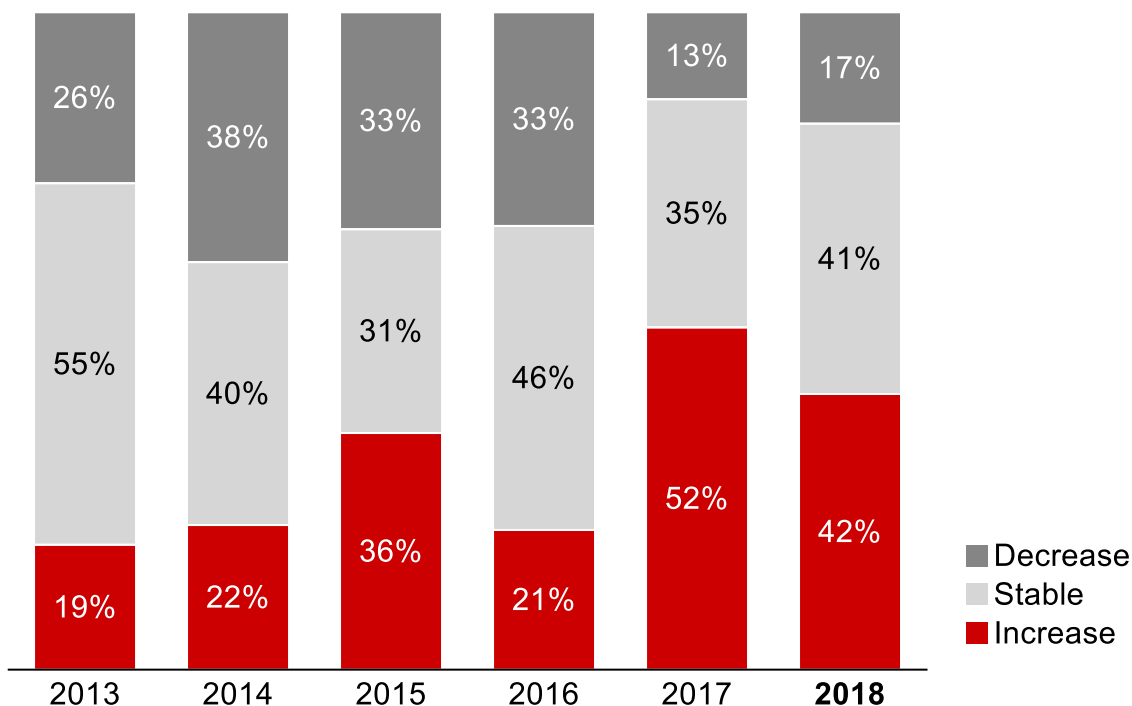
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Despite uncertainties, job creation perspectives remain positive

ECONOMIC OUTLOOK

How will the number of employees evolve in your company in France over the next 2-3 years ?



"We are **steadily** hiring because of our usual turnover and our need to acquire new abilities"

Associate, Research and Consultancy

"There are still vacancies **following 2018 growth.**"

Innovation Director, Trade / Distribution

"Important R&D projects are underway that will need to be supported by new talent"

Country Director, IT

"I am **not forecasting major changes** for the future, recruitment will be in line with a stagnant activity."

Executive VP, IT

Note: in percentage of respondents
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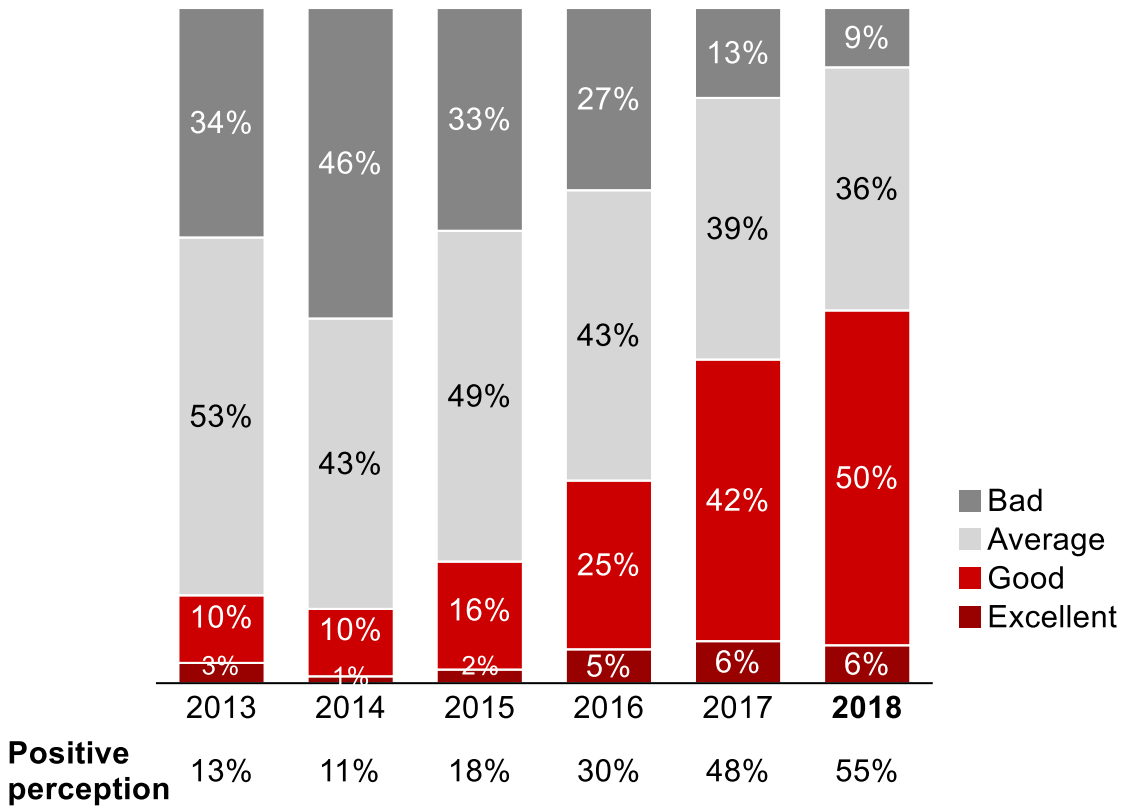
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France remains an attractive destination for investors, especially compared to its European alternatives

ATTRACTIVENESS FOR AMERICAN INVESTORS

According to you, how does your parent company view France in comparison with other destinations in terms of investment ?



Note: in percentage of respondents
Source: AmCham-Bain Barometer, Bain analysis

*“**Regulation** and **macro-economy** have improved and government is **business-friendly**. But these improvements could be questioned by **social tensions** and **outbreaks of violence**.”*

Associate, Research and Consultancy

*“France remains the **main European market**, with a **slight growth** forecast. The UK will be impacted by **Brexit**. German and Italian economies will decline.”*


CEO, Transportation / Logistics

*“France’s image was bad for a long time, but was enhanced by Emmanuel **Macron**’s election and its **dynamism**. The “Gilet jaunes movement” worsened the picture, Americans were shocked by images shared in the media, but it is **not a long term issue**.”*

Director, Chemistry / Chemical products

*“France can rely on a reputed and **qualified workforce** and high-quality **infrastructure** but France’s image has been damaged by the “Gilets jaunes movement”. An **ungovernable country** is seen as **unpredictable**.”*

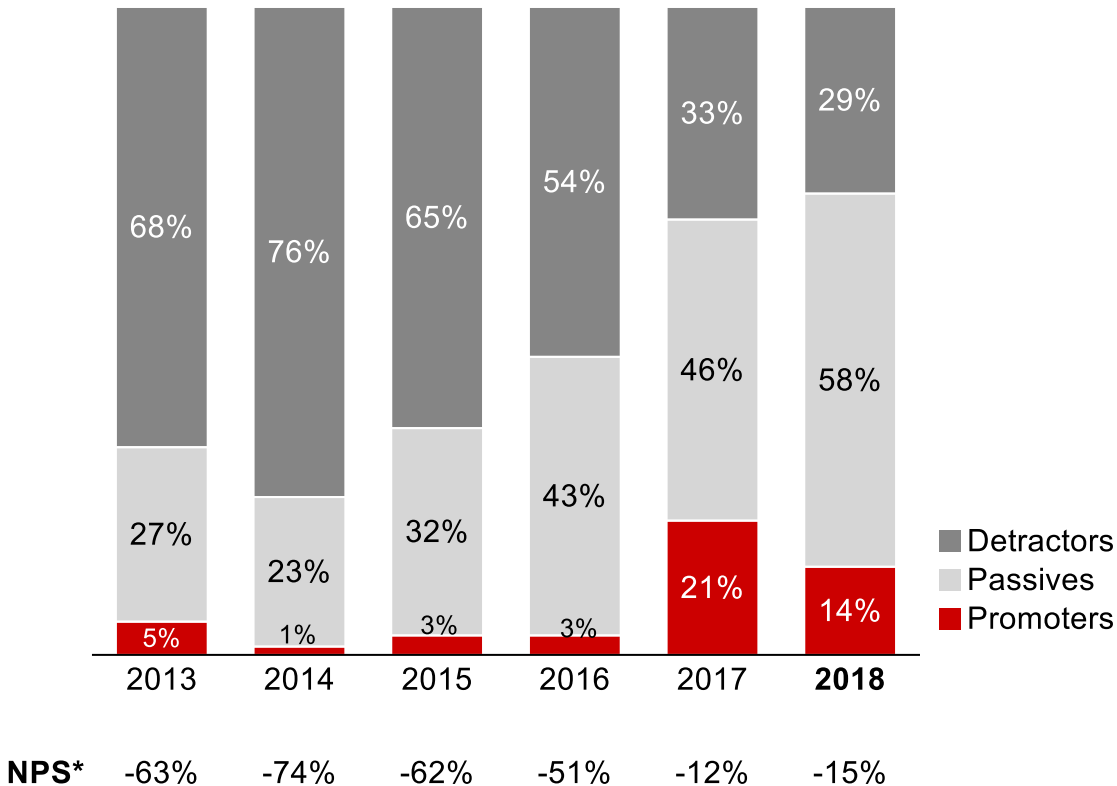
Communication and Public Affairs Director, Pharmaceutical industry

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The NPS of France as an investment destination is similar to last year and remains negative, with a higher share of passives

ATTRACTIVENESS FOR AMERICAN INVESTORS

On a scale of 0 to 10, would you recommend France to a US company seeking to establish business abroad ? (10 being the best rating)



(*) Net Promoter Score (NPS) = % promoters (grade 9 to 10) - % detractors (grade 0 to 6)
Note: in percentage of respondents
Source: AmCham-Bain Barometer, Bain analysis

*"The **quality of talent**, the **entrepreneurial** mindset, and the **government support** are clear assets, but the **administrative inflexibility** can discourage investors."*

Associate, Research and Consultancy

*"France's assets are quality of **education**, **infrastructure**, and its role in the European Union following the **Brexit**."*

Public Affairs Director, IT

*"France remains one of the **main global economies**, with a **relatively stable ecosystem**."*

President, Building / Public works

*"Despite the new government, France is, at best, **following** the main global changes and the current **civil unrest** is not promoting trust."*

Associate, Research and Consultancy

*"**Rigidity** for companies is obvious. A good example is the **lack of flexibility for work time organization** imposed by the "35h"."*

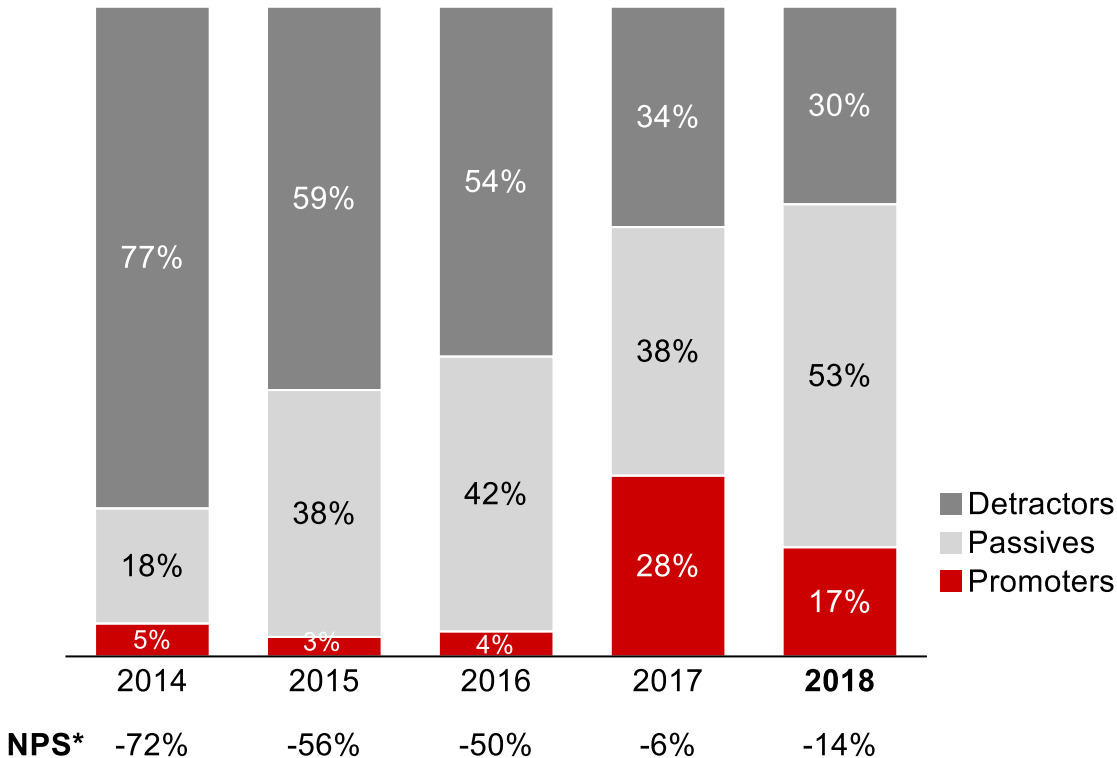
Associate, Research and Consultancy

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Respondents are more reluctant to recommend further expansion of an existing business in France than last year; but the NPS is still higher than its pre-2017 level

ATTRACTIVENESS FOR AMERICAN INVESTORS

On a scale of 0 to 10, would you recommend that a US company with existing business in France expands its activities in the country ? (10 being the best rating)



(*) Net Promoter Score (NPS) = % promoters (grade 9 to 10) - % detractors (grade 0 to 6)
Note: in percentage of respondents
Source: AmCham-Bain Barometer, Bain analysis

*"My opinion is mixed: there is a **prevailing gloom** due to the perpetual dissatisfaction, but there are **real innovation capacities**."*

VP, Research and Consultancy

*"Only the **commercial** and **R&D activities** should be developed. Concerning industrial activities, only the ones with **high added values** have to be expanded."*

President, Chemistry / Chemical products

*"Because of current **social tensions**, we will **wait** until we have a clearer vision of which direction the country is taking for 2022."*

Public Affairs Director, IT

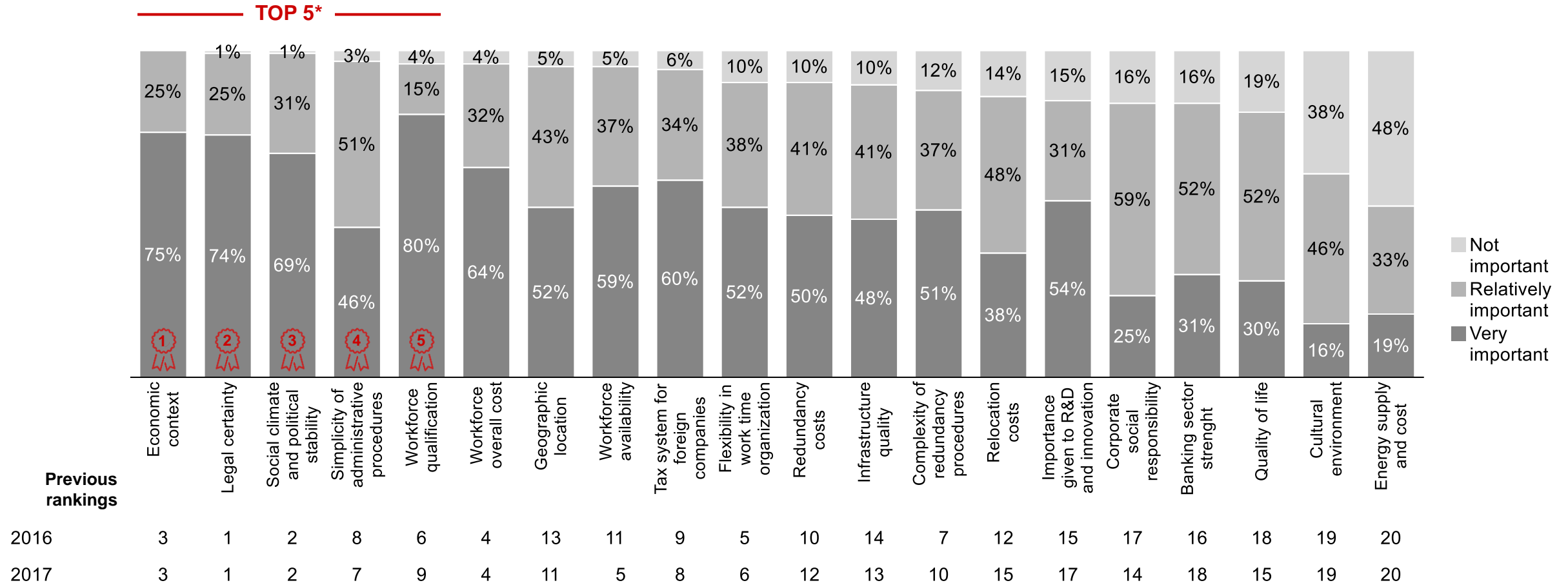
*"France's main difficulty for foreign investors is **establishment procedures**. They should capitalize once settled in."*

Communication and Public Affairs Director, Pharmaceutical industry

Socio-economic and legal stability, simplicity of administrative procedures and workforce qualification are the key investment decision criteria

ATTRACTIVENESS FOR AMERICAN INVESTORS

How important are the following factors in your company's investment decisions ?



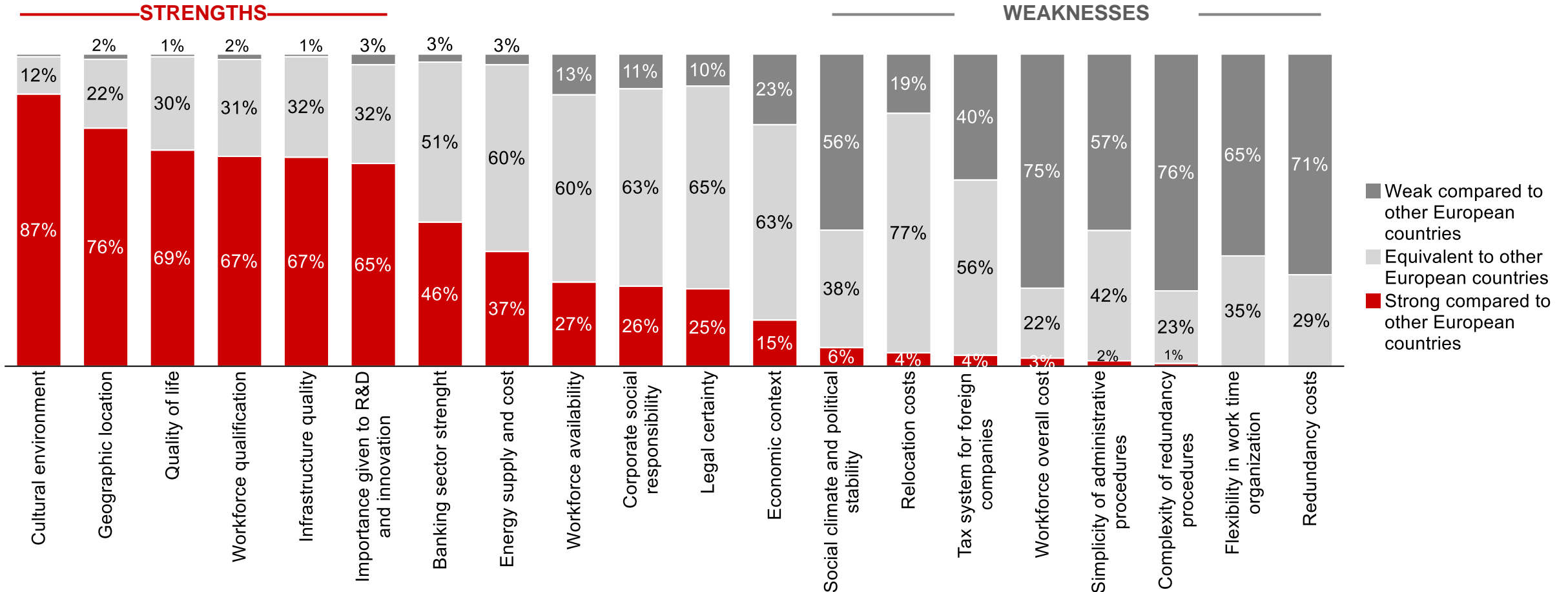
Note: in percentage of respondents, (*) Ranking = Very Important + Relatively Important
 Source: AmCham-Bain Barometer, Bain analysis

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France's main assets are its culture, its geographic location and quality of life, while flexibility in work time organization and redundancies remain weaknesses

ATTRACTIVENESS FOR AMERICAN INVESTORS

How does France compare with other European countries regarding the following factors ?

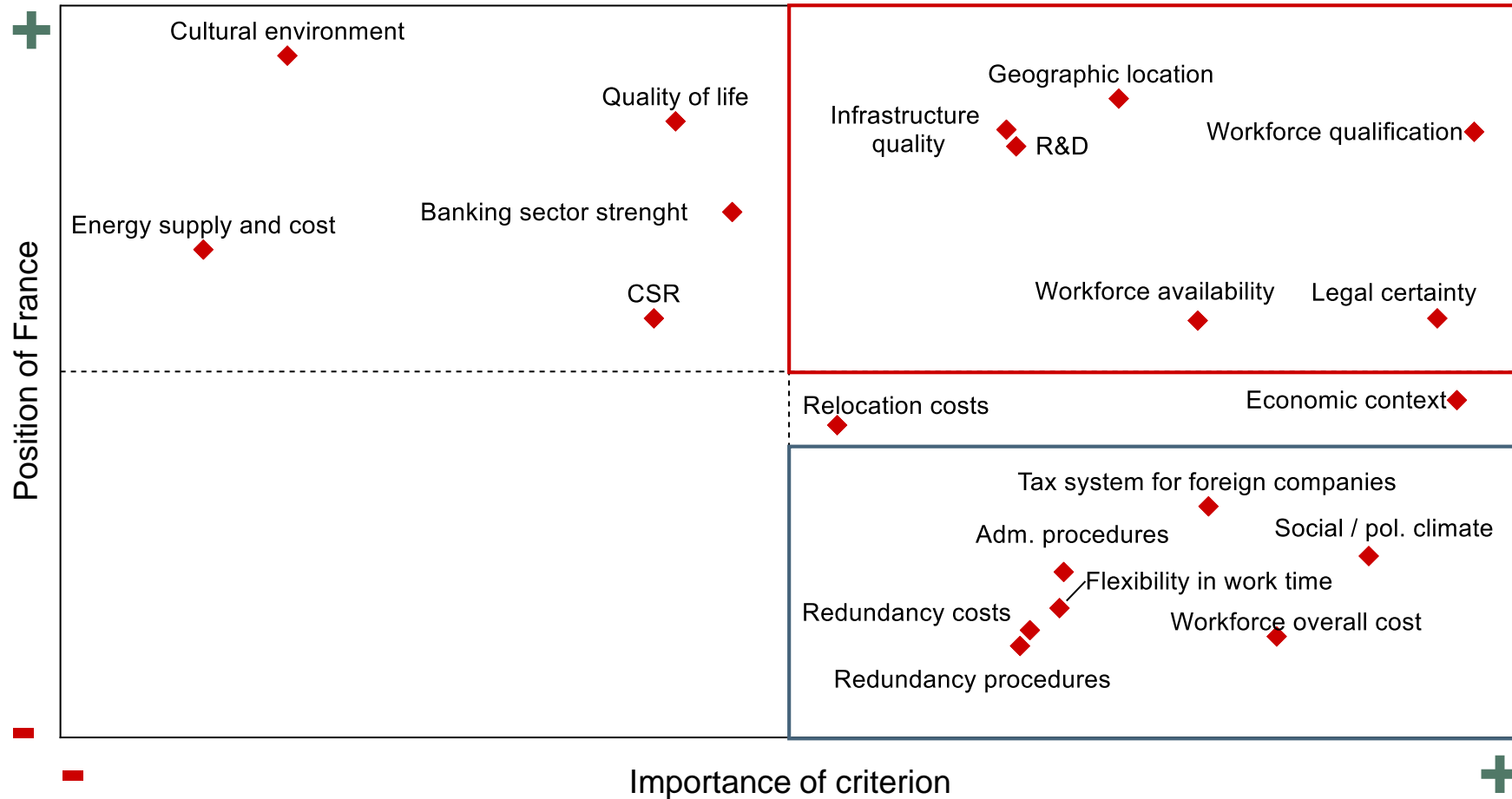


Note: in percentage of respondents, (*) Ranking = Strength
Source: AmCham-Bain Barometer, Bain analysis

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Labor cost and flexibility, redundancies, administrative procedures and taxes are key improvement priorities for France's attractiveness

ATTRACTIVENESS FOR AMERICAN INVESTORS



Assets to leverage
Workforce,
geographic situation, R&D,
legal certainty
and infrastructures

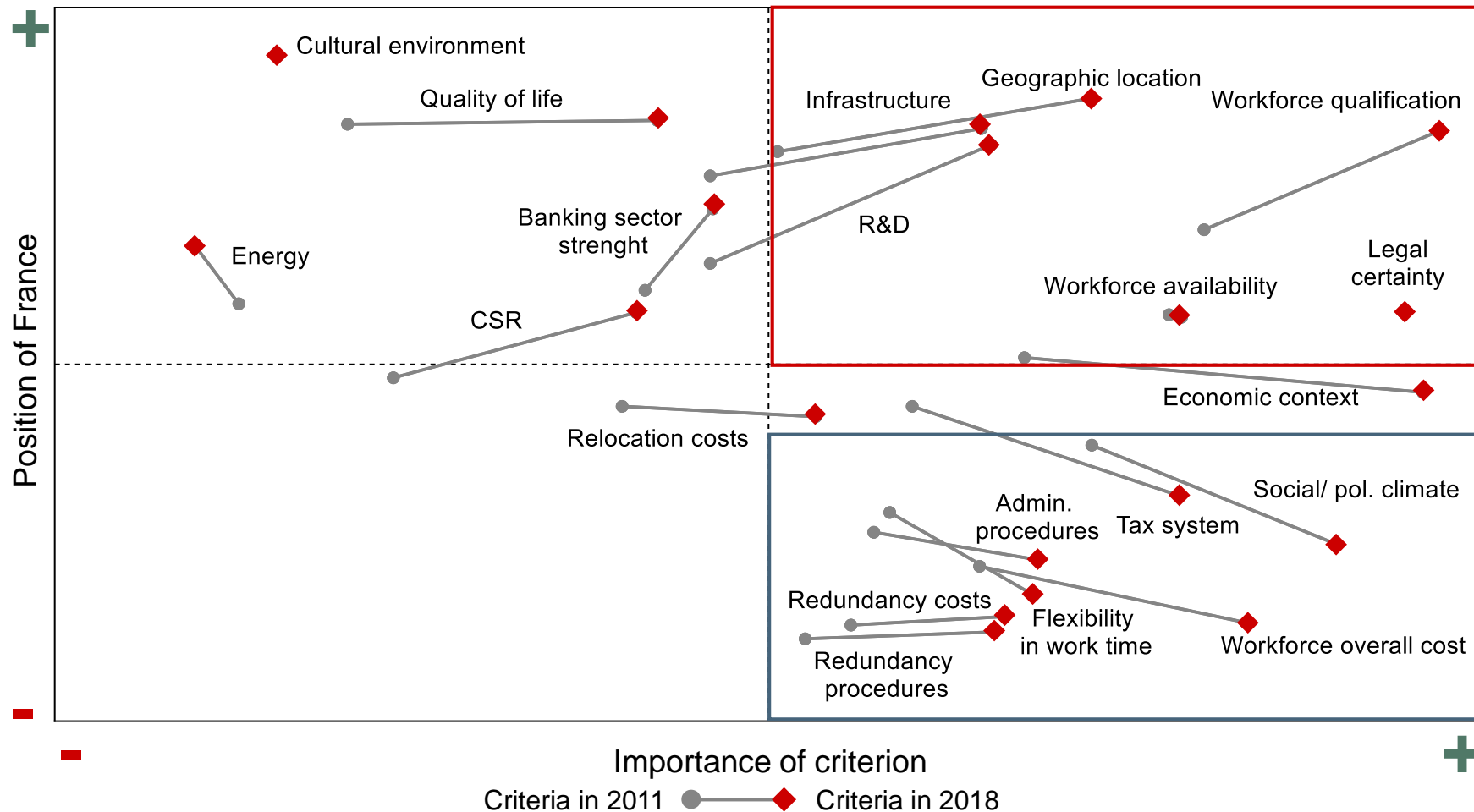
Improvement priorities
Cost,
labor legislation,
tax system and adm.
procedures,
social climate

Note: Position of France = % strengths - % weaknesses, Importance of criterion = % very important - % not important
Source : AmCham-Bain Barometer, Bain analysis

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Between 2011 and 2018, R&D and infrastructures have become assets to leverage while perception of the tax system and labor cost have further declined

ATTRACTIVENESS FOR AMERICAN INVESTORS



Note: Position of France = % strengths - % weaknesses, Importance of criterion = % very important - % not important
Source : AmCham-Bain Barometer, Bain analysis

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In 2018, Germany and the UK remain France's main competitors for US investment

ATTRACTIVENESS FOR AMERICAN INVESTORS

In your opinion, regarding the following factors, what European country/countries would you say France is in competition with ?

Macro-economic context



United Kingdom
Germany
Switzerland
Spain
Nordics
Benelux
Italy
Belgium
Ireland
Netherlands

Human capital



United Kingdom
Germany
Nordics
Ireland
Benelux
Netherlands
Portugal
Spain
Italy
Belgium
Eastern Europe
Switzerland

Tax & costs



Switzerland
Luxembourg
Ireland
Spain
Germany
Benelux
Portugal
Nordics
Italy
Belgium
United Kingdom
Netherlands
Eastern Europe

Quality of life and local culture



Switzerland
Portugal
Belgium
Italy
Germany
Austria
United Kingdom
Nordics
Benelux
Spain
Netherlands

Note: Font size is proportional to the number of occurrences a country was mentioned

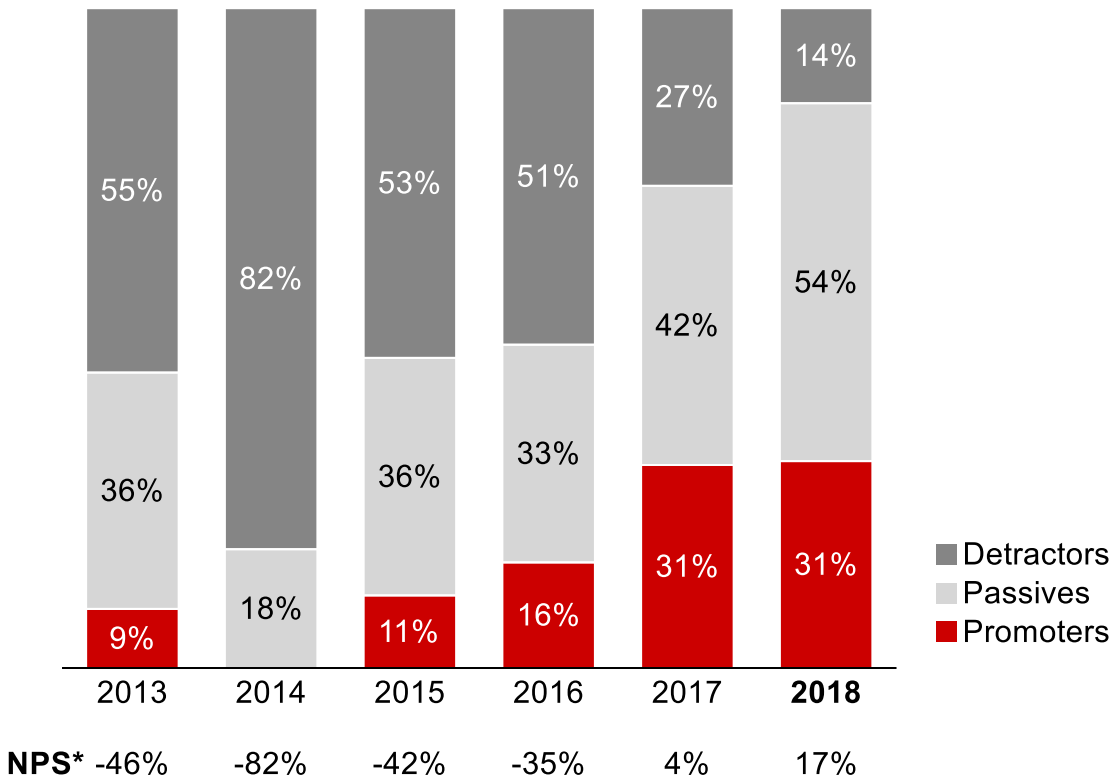
Source: AmCham-Bain Barometer, Bain analysis

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Again this year, the NPS of France as a country where to settle is increasing significantly

ATTRACTIVENESS FOR FOREIGN EMPLOYEES

On a scale of 0 to 10, would you recommend a foreign colleague to settle in France ? (10 being the best rating)



*"It is **far less expensive to give birth** in France than in the U.S. Furthermore, **education** is very accessible, in particular for kindergarten."*

Strategic owner, Trade / Distribution

*"France has both **assets and disadvantages**. The **social system** is excellent, the **cultural environment** very rich, but the **tax system** can be oppressive and the **cost of living** is very high, especially in Paris."*

Marketing Director, Trade / Distribution

*"France can rely on a unique **cultural environment** and is one of Europe's focal points."*

Executive VP, IT

*"France has many assets, among them **quality of life** and **culture**. However **French language is required** and this barrier can act as a deterrent."*

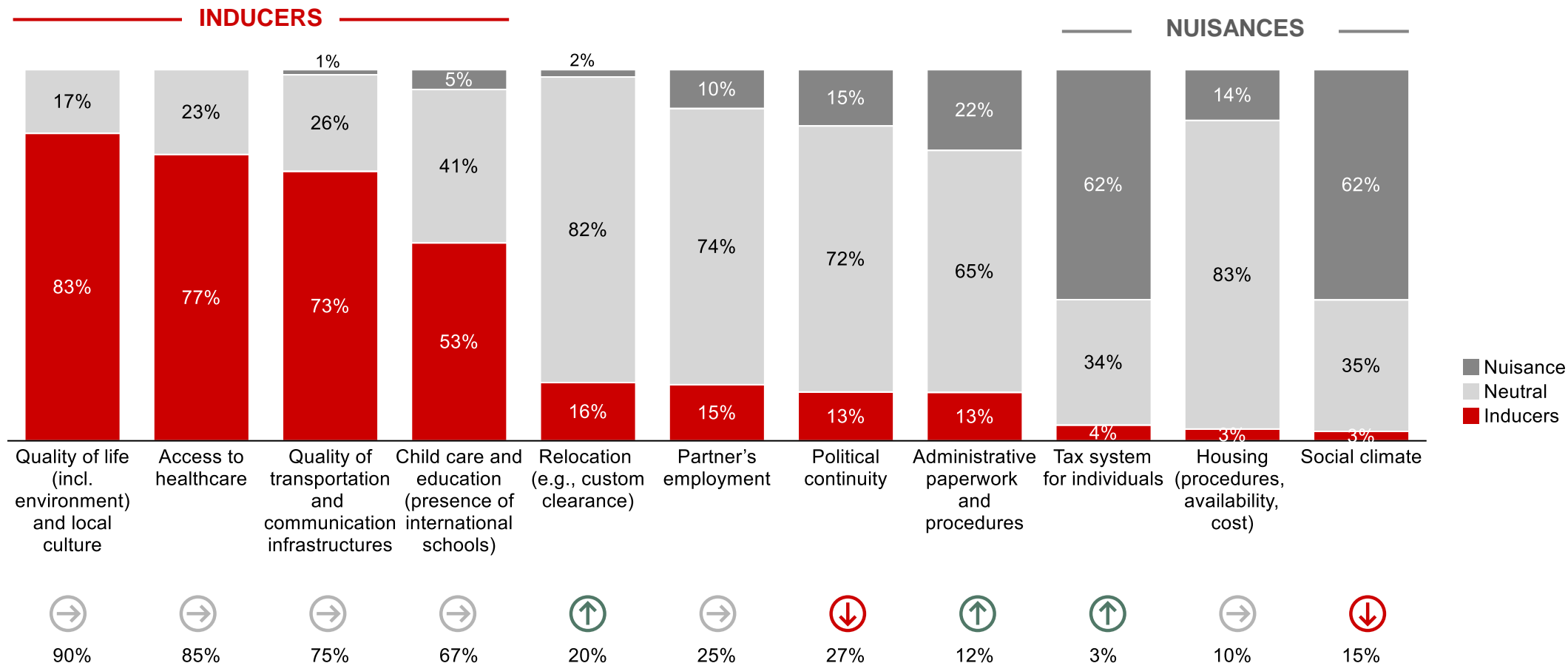
Associate, Research and Consultancy

Note: in % of respondents, (*) Net Promoter Score (NPS) = % promoters (grade 9 to 10) - % detractors (grade 0 to 6)
Source : AmCham-Bain Barometer, Bain analysis

France's quality of life, social system, and infrastructures remain its main assets

ATTRACTIVENESS FOR FOREIGN EMPLOYEES

In your opinion, are the following factors “nuisances” or “inducers” to France’s attractiveness for a company employing a foreign workforce ?



Rank evolution vs. 2017

Inducers % in 2017

Note: in % of respondents; Ranking = % drivers,
Source : AmCham-Bain Barometer, Bain analysis

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France's quality of life, social system, and infrastructures remain its main assets

ATTRACTIVENESS FOR FOREIGN EMPLOYEES

In your opinion, are the following factors “nuisances” or “inducers” to France’s attractiveness for a company employing a foreign workforce ?

Inducers

*“France has a **beautiful geographic diversity**, a rich cultural life and guarantees a good quality of life.”*

Commercial Director, Banking / Insurance

*“**Quality of life, social system, access to care** and education are appealing elements for foreign employees.”*

Director, Transportation / Logistics

*“Inducers are **cultural possibilities, free school** for children, quality of the **medical care, geographical position** of France within Europe and its **communication network** with other countries, access to leisure (sea, mountain, countryside).”*

R&D Director, Pharmaceutical industry

Nuisances

*“The **purchasing power is less attractive** than in other countries, individual tax remains very high. For someone living in Silicon Valley, France is not attractive.”*

Manager, Energy

*“This is a **harsh environment for foreigners**: the bureaucratic system is too bureaucratic, the tax system is too expensive, foreign health insurance not deductible, there are few tax exemptions compared to other European countries.”*

Associate, Law Firm

*“Life in Paris remains very **expensive**, particularly for **housing**. Furthermore, there are few international schools and they are not always good.”*

Associate, Research and Consultancy

A G E N D A



France's attractiveness



Digital transformation of companies in France



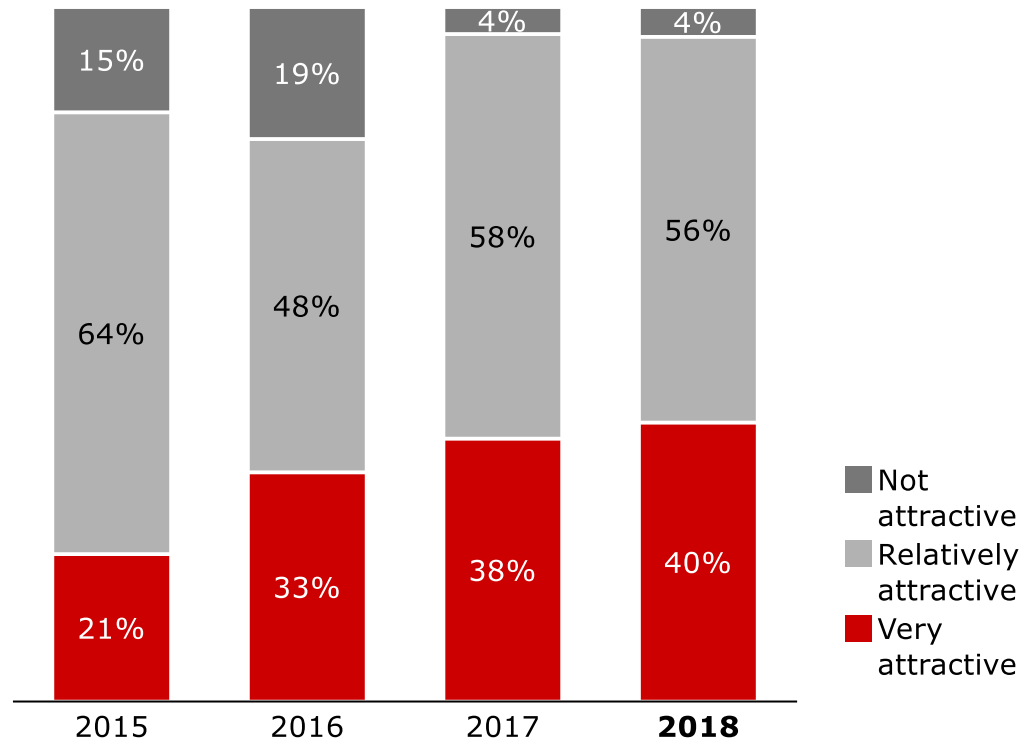
Major events impacting France's attractiveness



AmCham recommendations

More and more investors consider France as an attractive country for companies engaging in digital transformation

In your opinion, is France an attractive destination for companies that wish to engage in or accelerate their digital transformation ?



*“Willingness of the government to **develop AI** are clear and supported by **tax benefits for start-ups**. Furthermore start-ups can rely on a **strong network of incubators**”*

Communication and Public Affairs Director, Chemistry / Chemical products

*“**Talent is required** to support the digital transformation, and new profiles are emerging, both **engineer and entrepreneur**.”*

Associate, Research and Consultancy

*“**Quality of digital infrastructures** is very satisfactory, but the **culture of digital transformation** is not developed enough compared to other countries”*

Public Affairs Director, IT

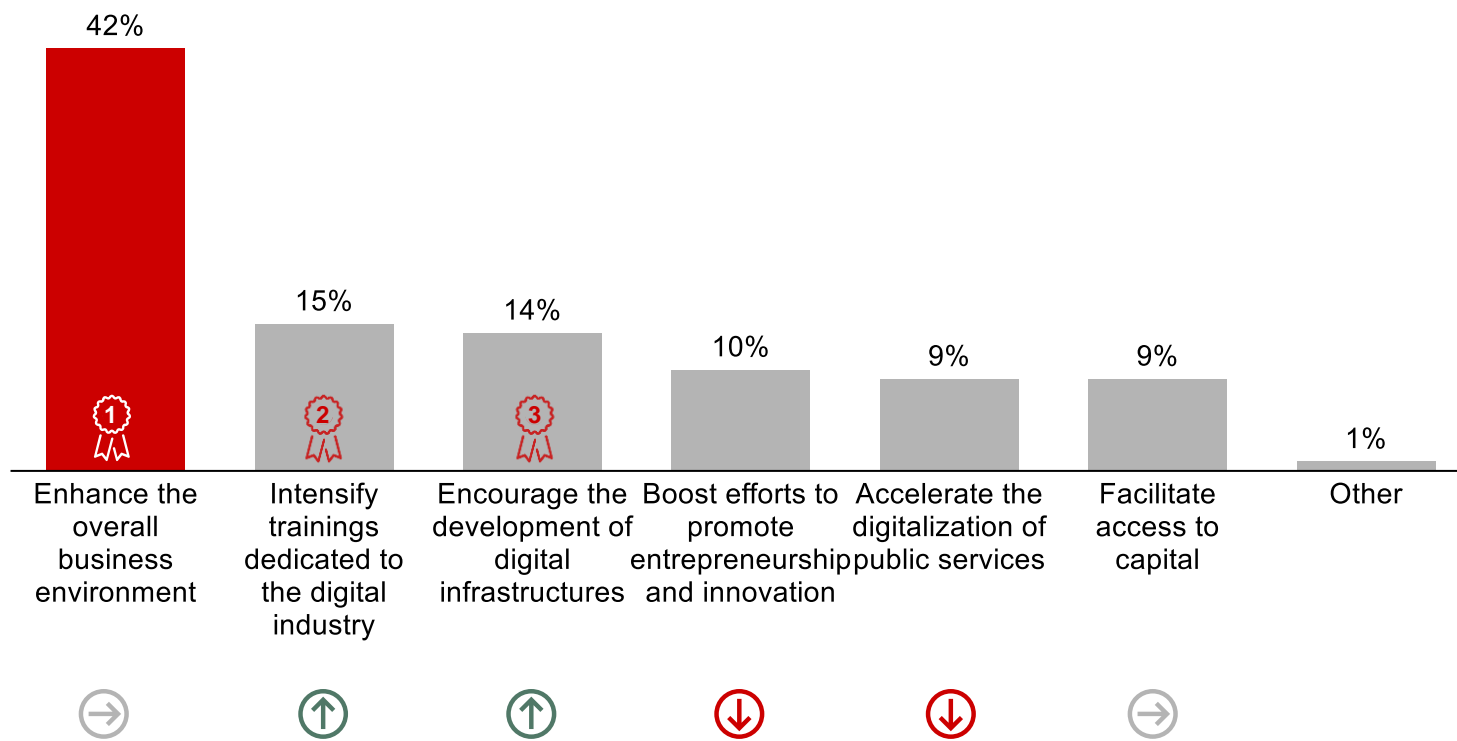
Note : in percentage of respondents
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For the majority of respondents, France should further invest in its business environment to support digital transformation

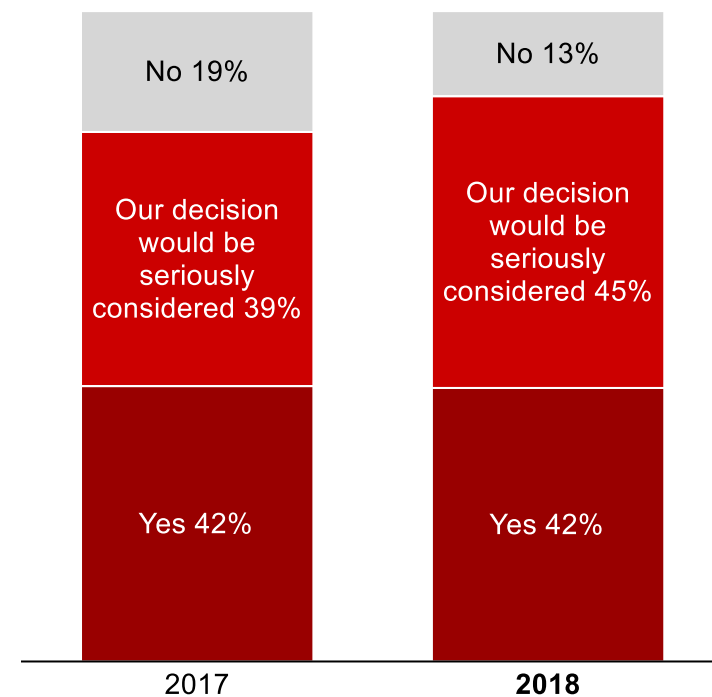
In your opinion, in which area should France invest in to increase its contribution to the acceleration of American companies' digital transformation ?



Evolution
vs. 2017

Note : in percentage of respondents
Source : AmCham-Bain Barometer, Bain analysis

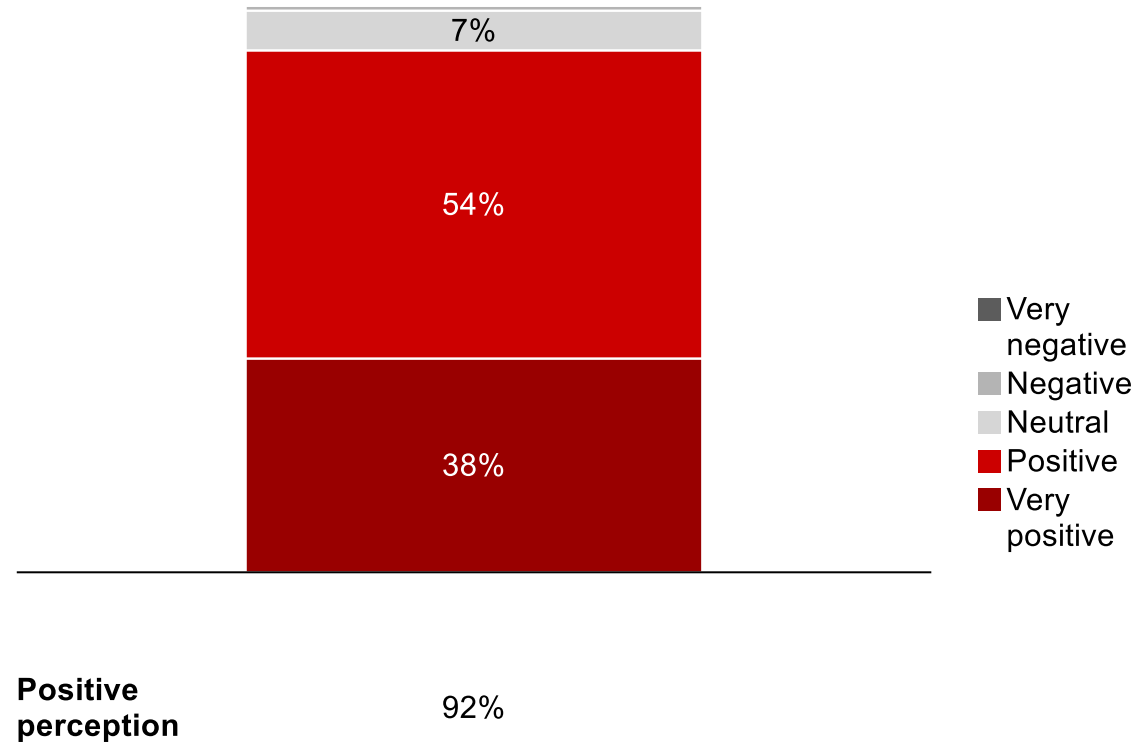
In your opinion, if those factors were implemented, would your company be inclined to develop its activities and create jobs in France ?



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Respondents judge that the French start-up ecosystem supports the acceleration of the digital transformation

How do you judge the impact that the French start-up ecosystem has on the acceleration of the digital transformation ?



Note : in percentage of respondents
Source : AmCham-Bain Barometer, Bain analysis

*"The multiplicity of French start-ups enables the development of **innovative solutions** that can easily be integrated to **innovation needs of large corporate.**"*

Associate, Research and Consultancy

*"Start-ups are often based on **relevant ideas**, but can sometime face issues during **high scale deployment.**"*

Strategic owner, Trade / Distribution

*"Raising of start-ups able to **develop high-end technologies**, before being fully incorporated to large companies, is the payback of the large investments done to support **advanced scientific education.**"*

Director of Research, Pharmaceutical industry

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A G E N D A



France's attractiveness



Digital transformation of companies in France



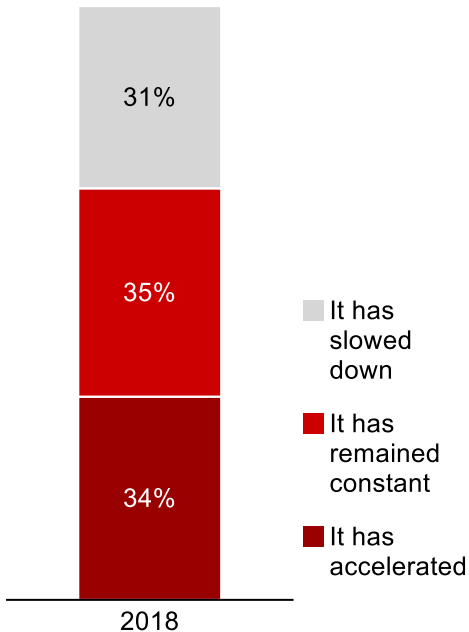
Major events impacting France's attractiveness



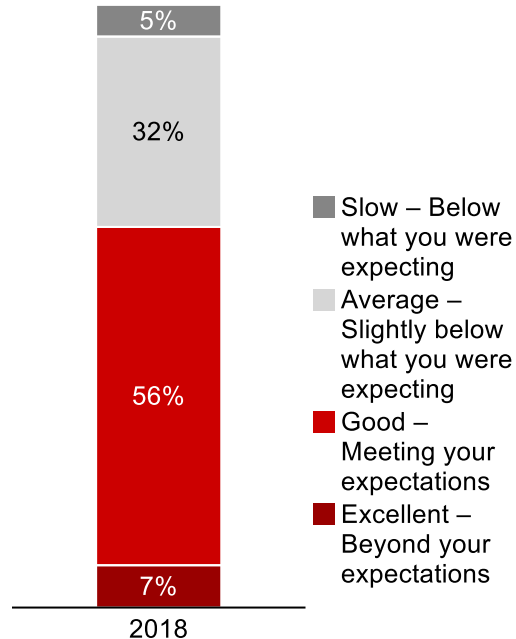
AmCham recommendations

The pace of reforms is considered good by respondents, but they are divided on the presidential and governmental determination to succeed

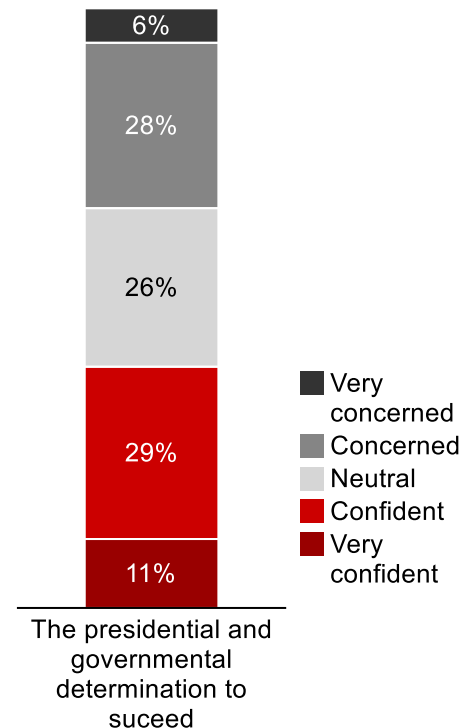
In your opinion, how has the pace of reform evolved since the beginning of the presidential term ?



What are your feelings on the pace of reform ?



What are your feelings on the following topics ?



*“The program is ambitious and the government does not hesitate to deal with **most concerning topics**.”*

Associate, Research and Consultancy

*“We always want more reforms, but the pace is **in line** with my expectations from the government.”*

Manager, Energy

*“Referendums based on popular initiatives could **disrupt the progress of the reforms** and could get the government off its course of action.”*

President, Chemistry / Chemical products

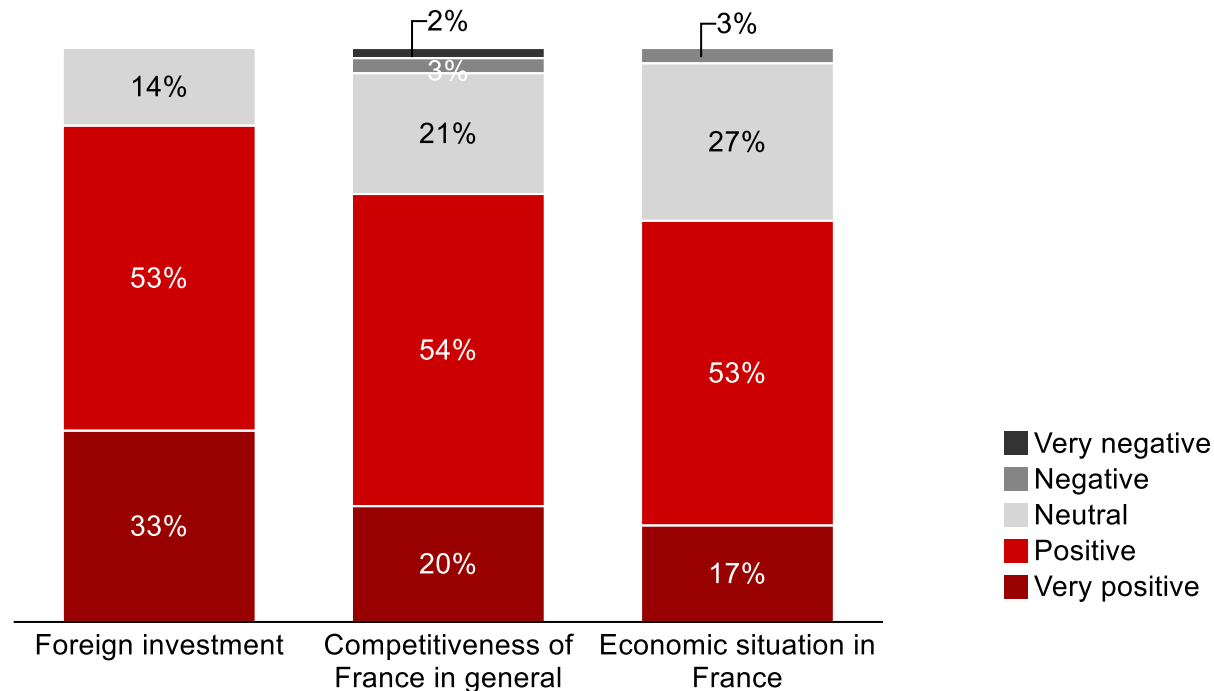
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Positive impact of reforms on France's economic attractiveness is recognized even if more limited than in 2017

What are your feelings in regards to the impact of work that will be undertaken by President Emmanuel Macron and Edouard Philippe government in the following areas ?



Positive perception	86%	75%	70%
Evolution vs. 2017	↓	↓	↓
2017	90%	84%	87%

Note : in percentage of respondents
Source : AmCham-Bain Barometer, Bain analysis

*"France's main defect is its **workforce costs**. French employees are for sure effective and productive, but far too expensive. **Actions to reduce burden** can enhance France's attractiveness for foreign investors."*

Associate, Research and Consultancy

*"Improvement of the **tax system** and first elements of **administrative simplification** have already paid off: Paris has been the **most attractive European city** for foreign investors."*

President, Research and Consultancy

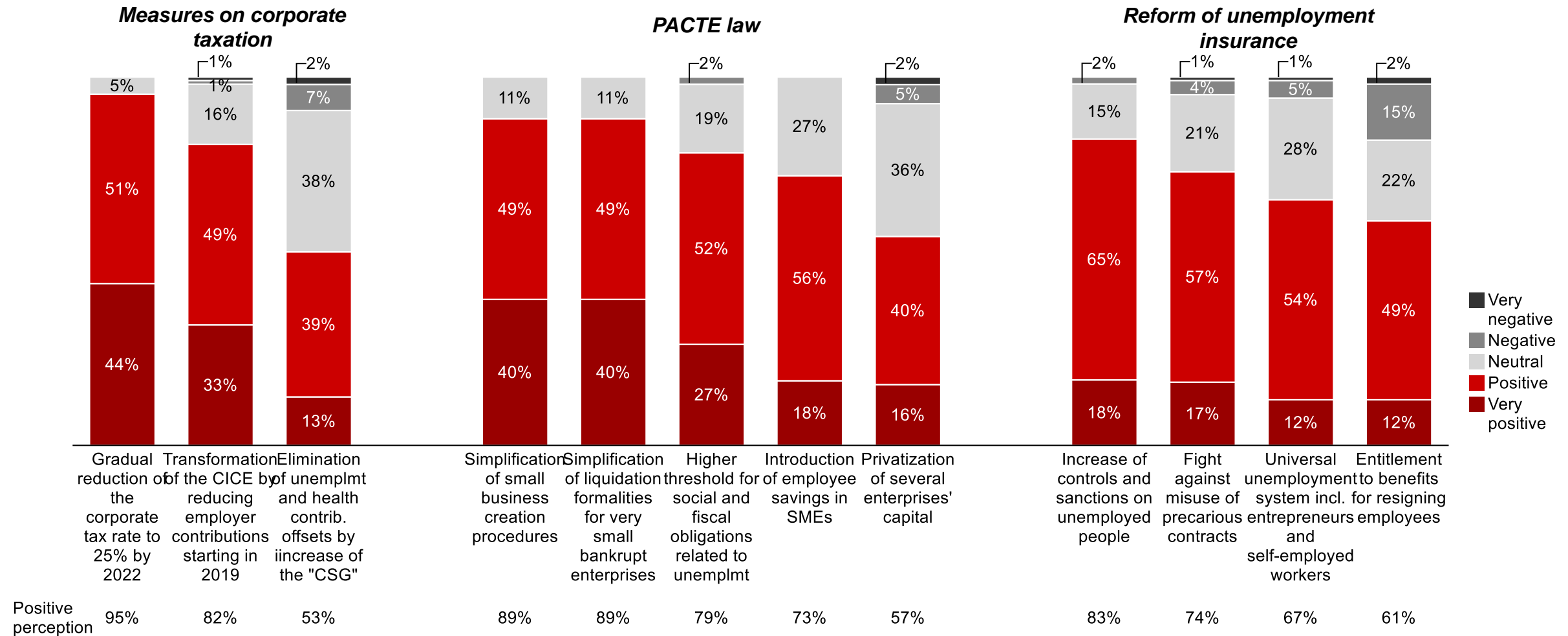
*"Even if lower than forecasted, French growth is **honorable** and put the government in a good light."*

Marketing Director, Chemistry / Chemical products

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Overall, ongoing projects on corporate taxation, PACTE law and reform of unemployment insurance have a positive impact on France's attractiveness

How do you judge the impact that ongoing projects and government decisions have had on France's image and attractiveness ?



Positive perception

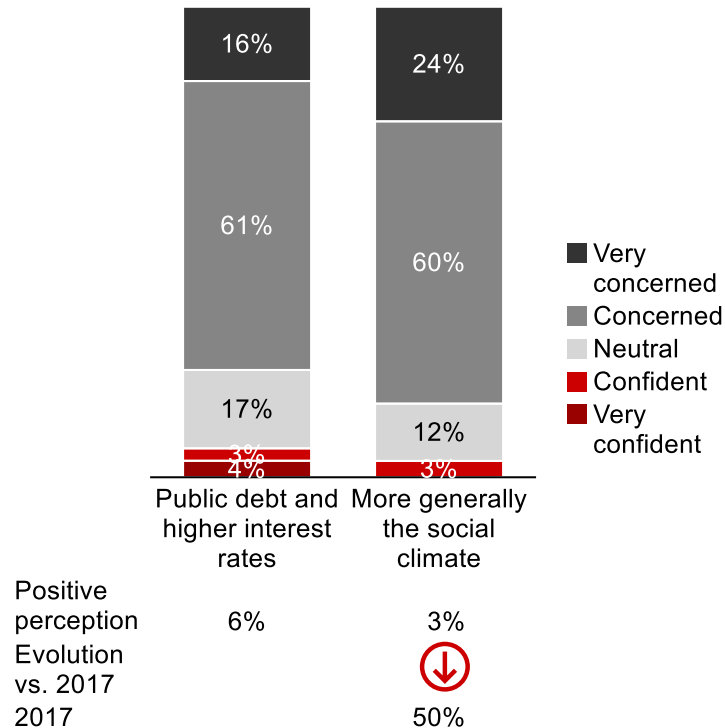
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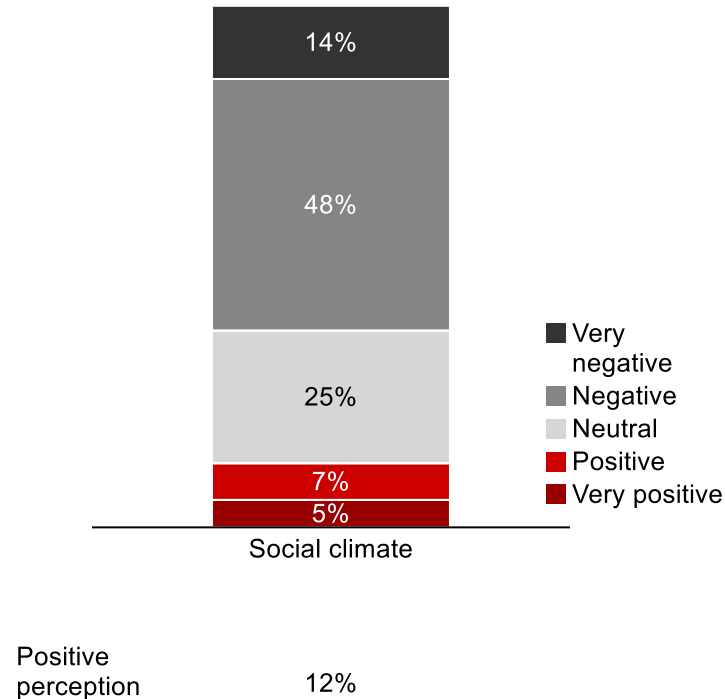
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However respondents are concerned by public debt and social climate, impact of government measures being questioned

What are your feelings on the following topics ?



What are your feelings in regards to the impact of work that will be undertaken by President Emmanuel Macron and Edouard Philippe government in the following areas ?



*“French debt is at **its highest level**, and **interest rates will inevitably increase** in 2019 as a consequence of the American policy. This is a difficult equation.”*

Associate, Research and Consultancy

*“The «Gilets jaunes» movement is due to a **crisis of representativeness** that can be solved only by a reshaping of the democratic system.”*

Europe Supply Director, Capital goods

*“Current social climate is for sure **concerning**, but the situation should **calm down soon**.”*

Associate, Research and Consultancy

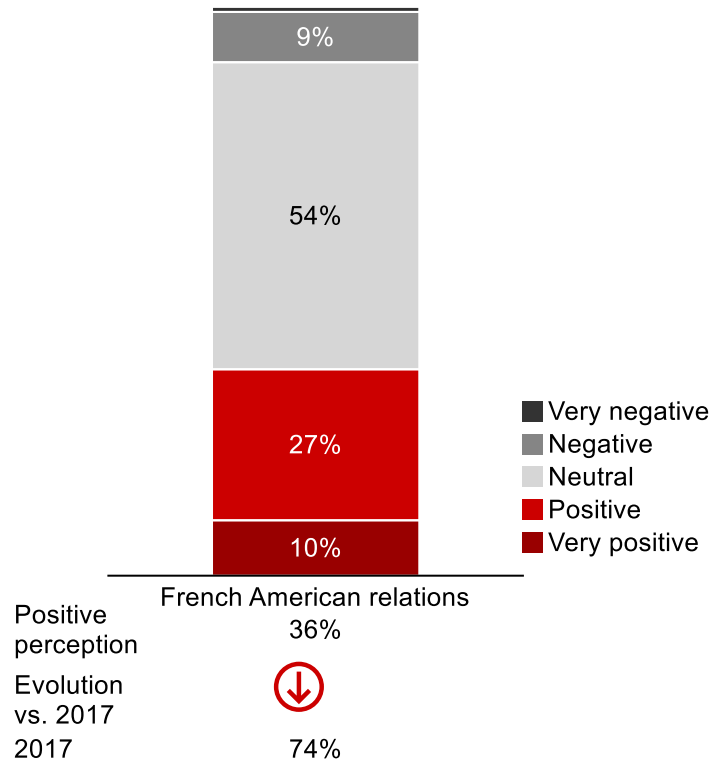
*“Seen from the U.S., the «Gilets jaunes» movement is **worrying** but it should not impact France’s image durably.”*

President, Chemistry / Chemical products

Note : in percentage of respondents
Source : AmCham-Bain Barometer, Bain analysis

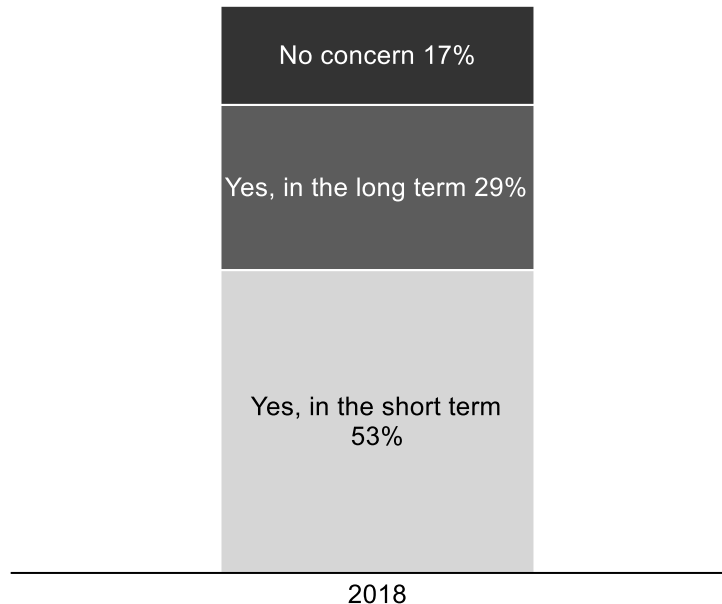
Respondents are also concerned by French-American relations and a potential trade war between the European Union and the U.S.

What are your feelings in regards to the impact of work that will be undertaken by President Emmanuel Macron and Edouard Philippe government in the following areas ?



Note : in percentage of respondents
Source : AmCham-Bain Barometer, Bain analysis

Do you have concerns that a potential trade war between the European Union and the U.S. could impact your investment ?



*“Even if the American president’s personality is controversial, Emmanuel Macron chose to **reach out** (e.g. by inviting him for Bastille’s day celebration) while remaining **firm**. It is a good way to maintain dialogue and cooperation.”*

Europe Supply Director, Capital goods

*“The American president’s erratic policy could lead to a short and long-term trade war that will **jeopardize the American investments in Europe.**”*

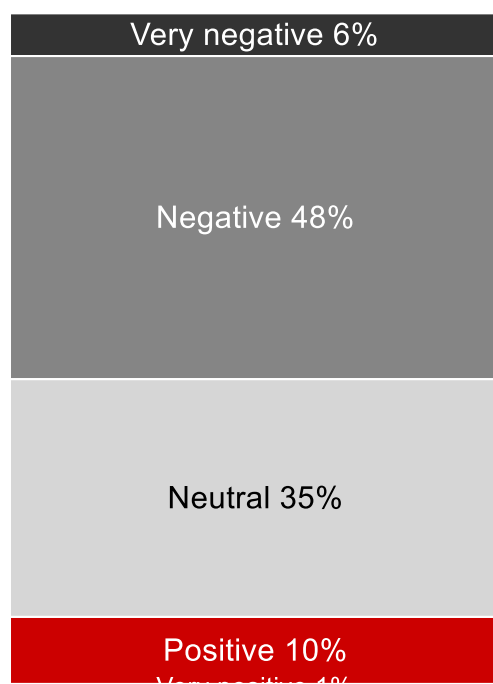
President, Research and Consultancy

*“A trade war represents only **short-term threat**, because Americans became aware of trade war **risks for their own economy with the soy case in China.**”*

CEO, Building / Public works

Uncertainties over Europe highly concern respondents

In your opinion, what is the impact of the European Union's political uncertainties (European elections, Italian budget, the post Merkel area in Germany..) on the investment of American companies in France ?



Very positive 1%

2018

"All uncertainties penalize investments, investors could choose other regions, waiting for a more reliable situation."

Associate, Research and Consultancy

"Chancellor **Angela Merkel** is known to keep Europe on a straight path. Her latest electoral setbacks could lead to some concerns regarding the European Union unity, and encourage investors to **wait for a clearer view.**"

Strategic owner, Trade / Distribution

"The Italian budget is a time bomb that will for sure harm growth, and investors know it."

Associate, Research and Consultancy

"With the European elections comes another uncertainty: a high risk of **rise of popular movements** that will **weaken unity of Europe.**"

President, Research and Consultancy

Note : in percentage of respondents
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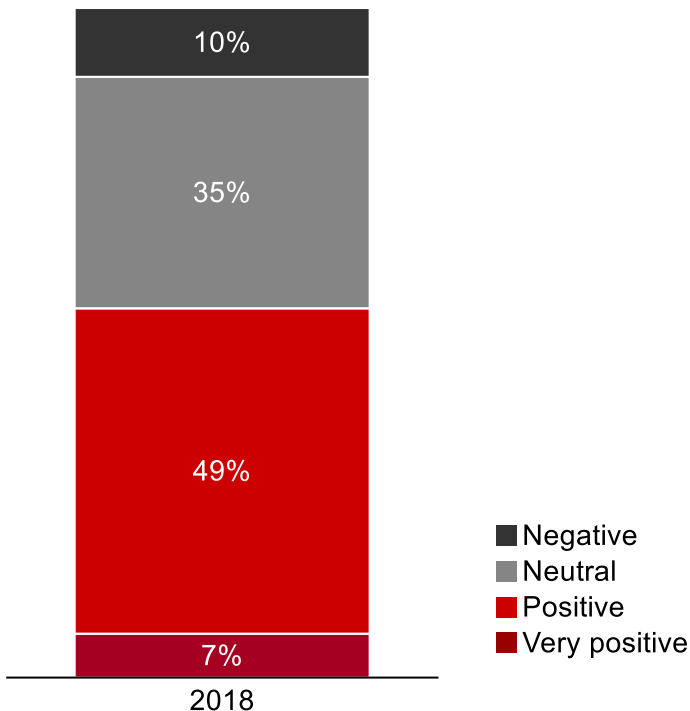
BAIN & COMPANY



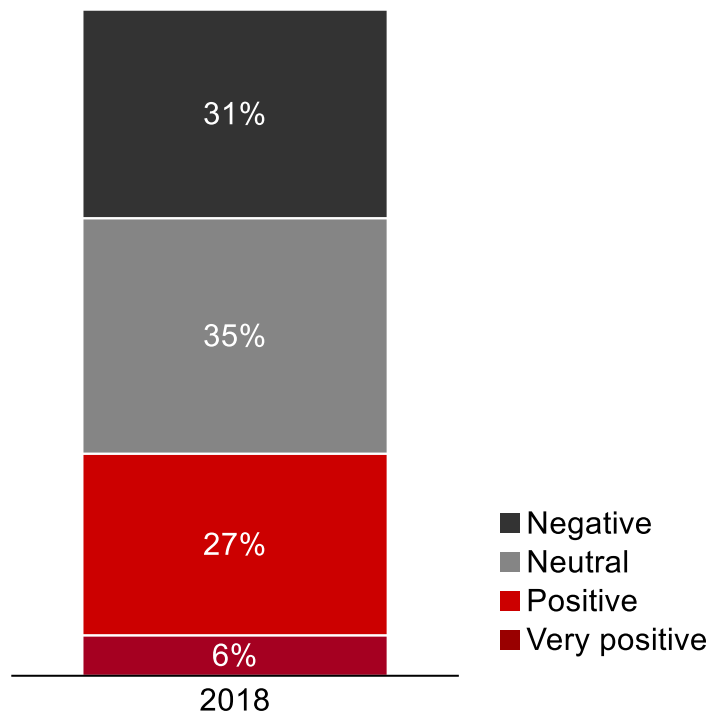
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The impact of Brexit on companies activity is evaluated positively in case of a deal, but harmful or with no effect in case of no deal between the EU and the UK

In your opinion, what will be the impact of Theresa May's Brexit deal on the activity of your company in France (level of investment, revenue and employment) ?



In your opinion, what will be the impact of a no-deal Brexit on the activity of your company in France (level of investment, revenue and employment) ?



*"In case of a deal, there will be a **transfer of activities** from the UK to France. A no-deal Brexit would paralyze operations **at European scale.**"*

Manager, Energy

*"France will **not be the main beneficiary of transfer of activities** outside the UK, impact in France will be slight. Transfer of activities will certainly benefit Germany"*

Associate, Research and Consultancy

*"**Visa complexity** following the Brexit will lead to **repatriation of headcounts** to France and Germany, supporting our activity."*

Manager, Research and Consultancy

Note : in percentage of respondents
Source : AmCham-Bain Barometer, Bain analysis

A G E N D A



France's attractiveness



Digital transformation of companies in France



Major events impacting France's attractiveness



AmCham recommendations

AmCham recommendations

1



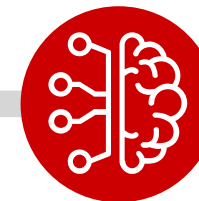
Strengthen French tax competitiveness with the primary goal of achieving European tax harmonization

2



Make the labor market a major asset for France by supporting flexibility for companies in various areas (i.e. working time)

3



Bolster professional training, particularly in digital skills to increase France's capacity for innovation



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