

AmCham – Bain Barometer 20th – Edition

Satisfaction of American investors in France
February 2020



BAIN & COMPANY

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 20th 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**

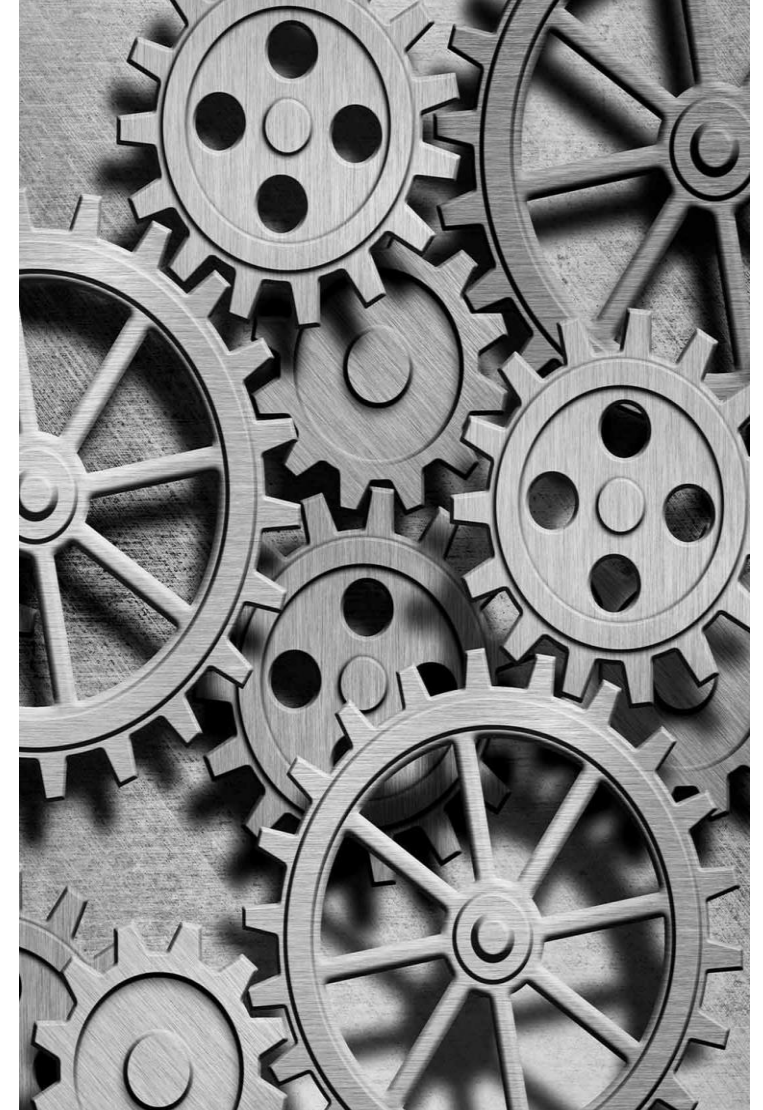
Methodology

From December 2019 to mid-January 2020, a questionnaire was sent to the management of subsidiaries of American companies in France



We received **135 answers** from US companies representing in total:

- More than **55,000 employees** in France
- More than **€55 billion turnover** in France



Typology of respondents' functions

45%



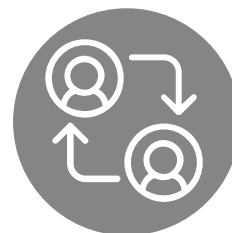
CEO, Managing Director and President⁽¹⁾

25%



Other CxO⁽²⁾

20%



Institutional relations⁽³⁾

10%

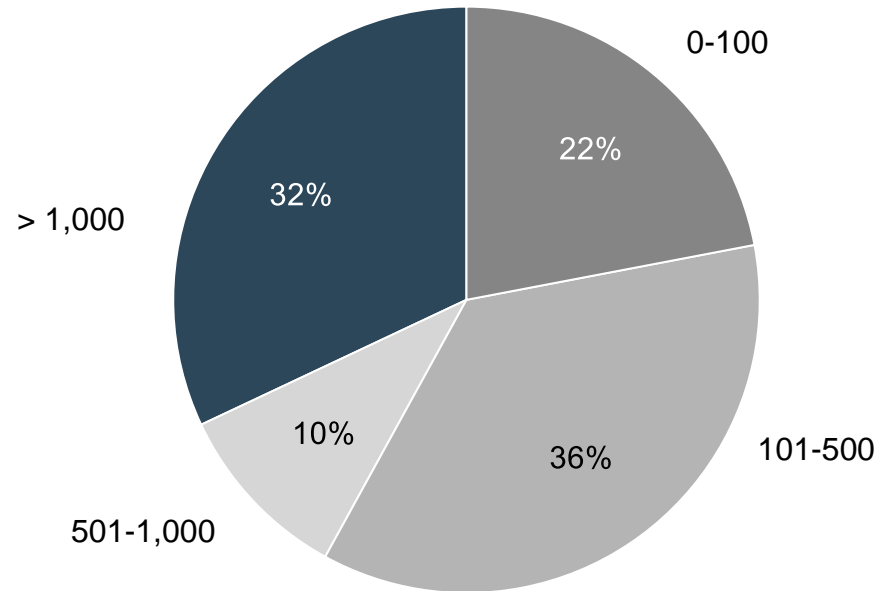


Other⁽⁴⁾

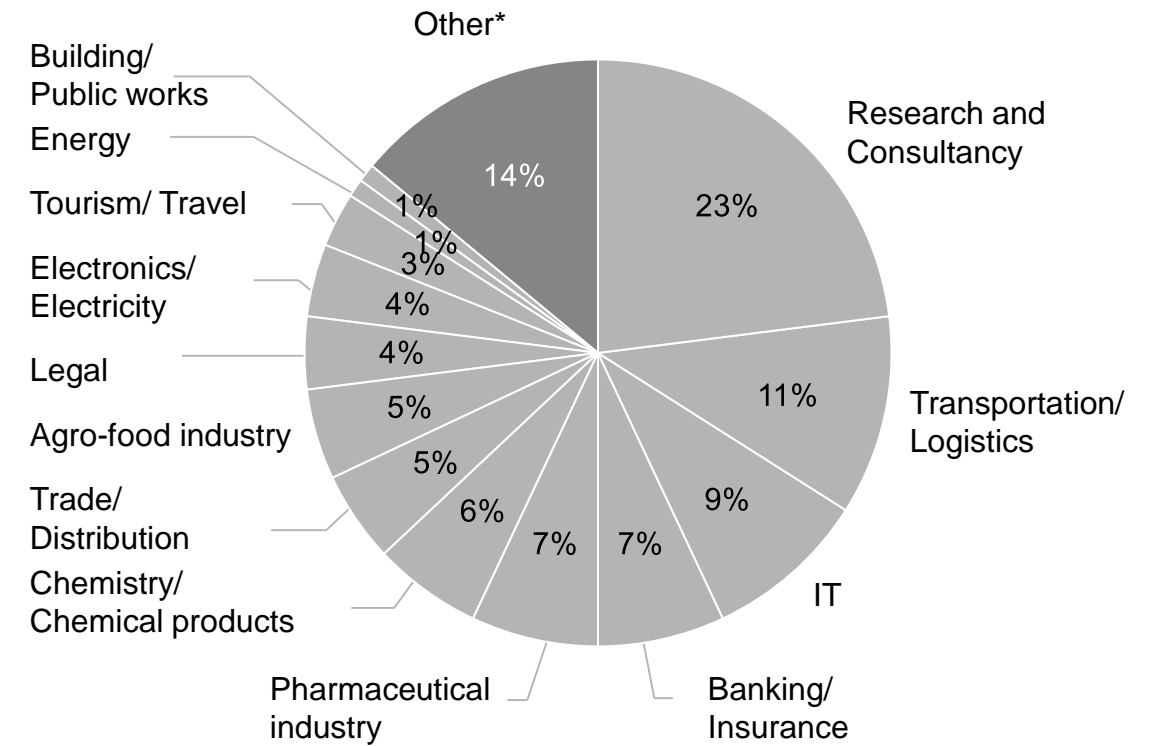
(1) incl. Deputy CEO and Partner; (2) incl. Director of Human Resources, Commercial Director, Finance Director, etc.; (3) incl. people related to institutional relations, public affairs, business development, etc.; (4) incl. consultant, lawyer etc.
Source: AmCham-Bain Barometer, Bain analysis

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



France's regions attractiveness



French innovation ecosystem attractiveness



Major events impacting France's attractiveness

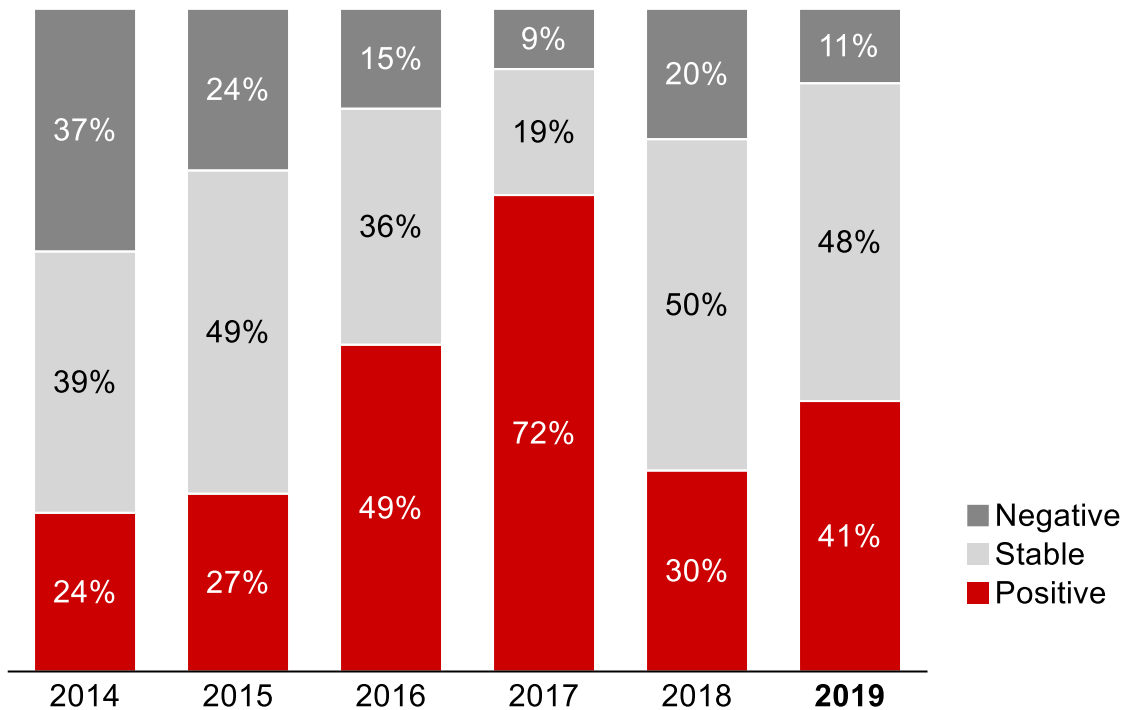


AmCham recommendations

A rise in optimism in 2019, thanks to the reforms underway, despite remaining uncertainties about the global economy and the social climate

ECONOMIC OUTLOOK

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



*“Developments in **consumer and business-friendly regulation, reforms and a favorable business climate.**”*

DG EMEA, Transportation

*“A **positive effect** of the **PACTE law**, on the other hand a strong legislative inflation which continues. ”*

Partner, Audit & Consulting

*“Presence of **uncertainties in the economy** that are weighing on growth, which could lead to a slowdown.”*

Communication and Public Affairs Director, Chemistry/Chemical products

*“**Massive strikes and elections** that will weaken a government's ability to pursue reforms.”*

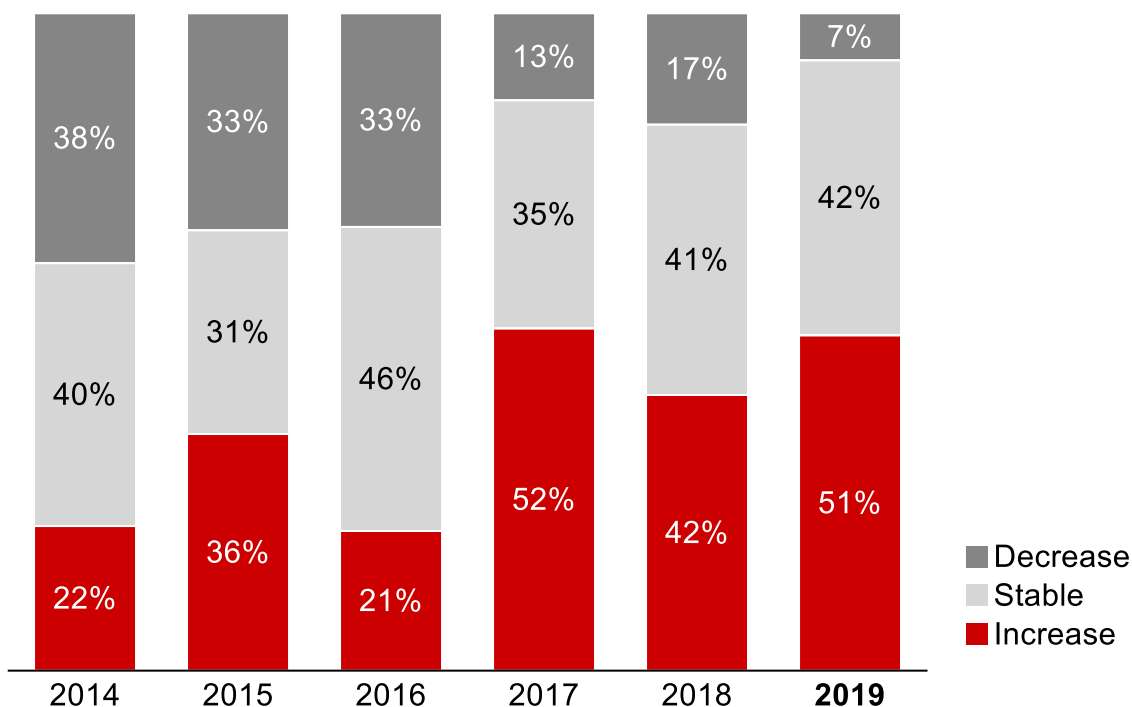
Associate, Law

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

Optimism that translates into a significant increase in job creation perspectives

ECONOMIC OUTLOOK

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



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

“Market growth forces us to recruit new talent.”

Partner, Research and Consultancy

“Strong development of existing activities and launch of new activities.”

DG EMEA, Transportation

“Growing needs in our market and the need to **respond to changing regulations.**”

Public Affairs Director, Chemistry

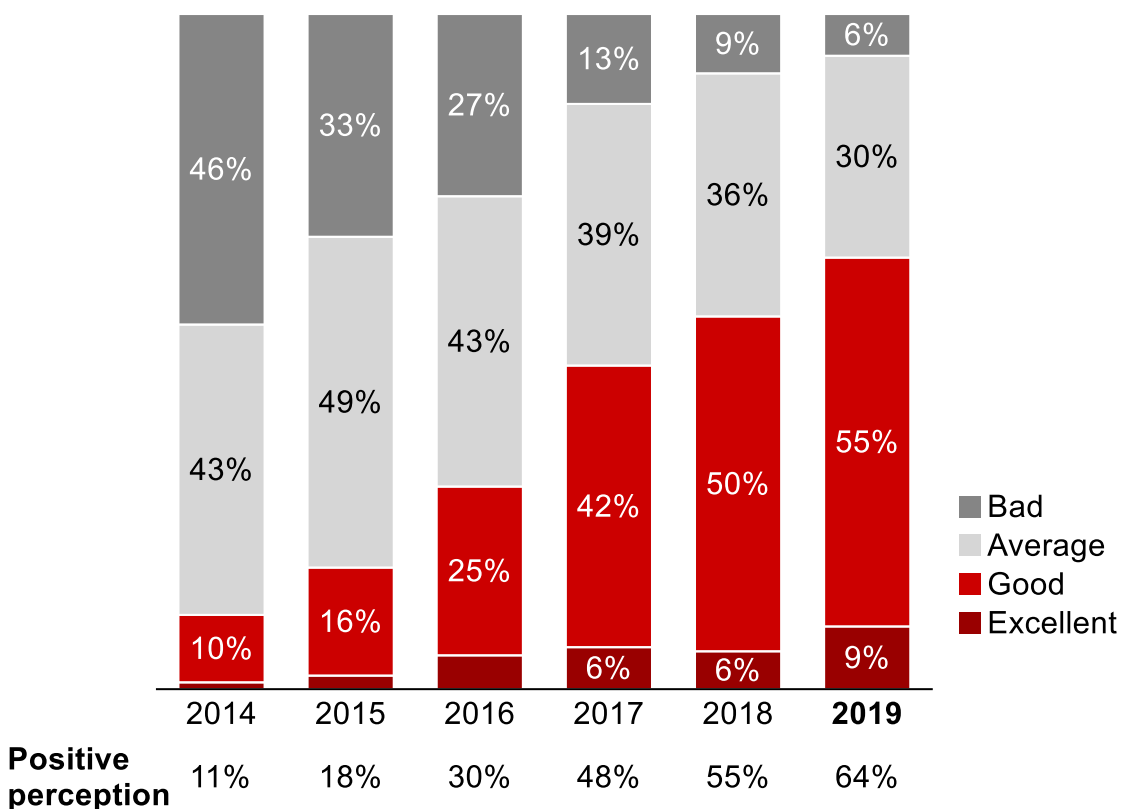
“Rationalization of activities and partial non-renewal of retirements that will slightly reduce the workforce.”

Senior Vice President, Corporate Affairs, Chemicals

France consolidates its position as an attractive investment destination in Europe

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

“The second most important market in Europe, especially since Brexit, and whose weight is constantly growing in Brussels. On the other hand, the cost of labor and the rigidity of labor laws still weigh heavily.”

Director of Public Affairs, IT

“The economy is good and the political situation is stable, the country offers good opportunities for growth. However, there is a real risk of social conflict.”

Director of Operations, Logistics

“The quality of the workforce, infrastructure and purchasing power make France an attractive destination.”

President, Agri-food

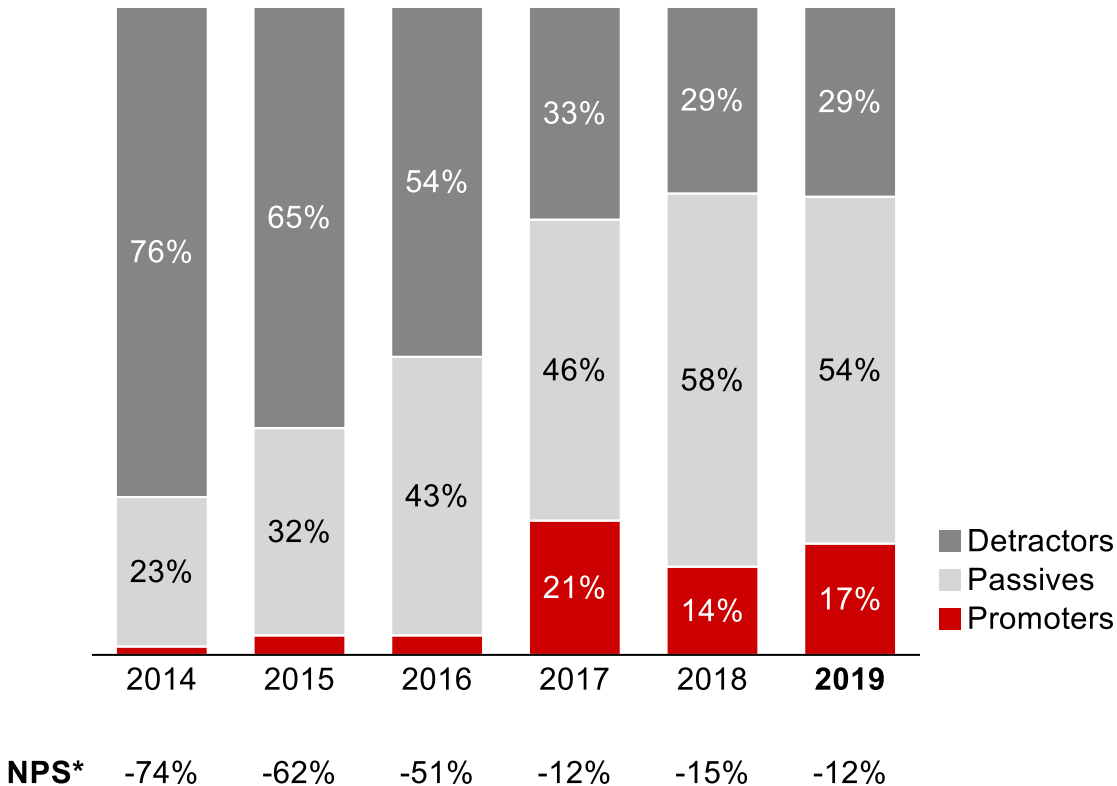
“A country without the legal complexities that can be found in Germany on certain subjects, and which has a pool of qualified engineers.”

CEO, IT

France's NPS as an investment destination improves in 2019, but remains in negative territory

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)



*“Despite the **increasing complexity of the regulations** affecting businesses, the **quality of the workforce** and the **prospects offered by the French market** continue to make France an attractive destination.”*

Director, Government Affairs, Pharmaceutical Industry

*“Apart from the **disaster of labor costs and taxation**, France is the best place for investment in Europe.”*

Corporate Affairs Director, Chemicals

*“I would recommend it for the **quality and size of the market**. Not, however, for the **fiscal, regulatory, social environment**, the cost of living (in the Paris region), growing insecurity and communitarianism.”*

Partner, Research and Consulting

*“Good investment location in Europe in a context where the **attractiveness of other geographies (UK, Germany) is declining**.”*

Director, Research and Consulting

(*) Net Promoter Score (NPS) = % promoters (grade 9 to 10) - % detractors (grade 0 to 6)

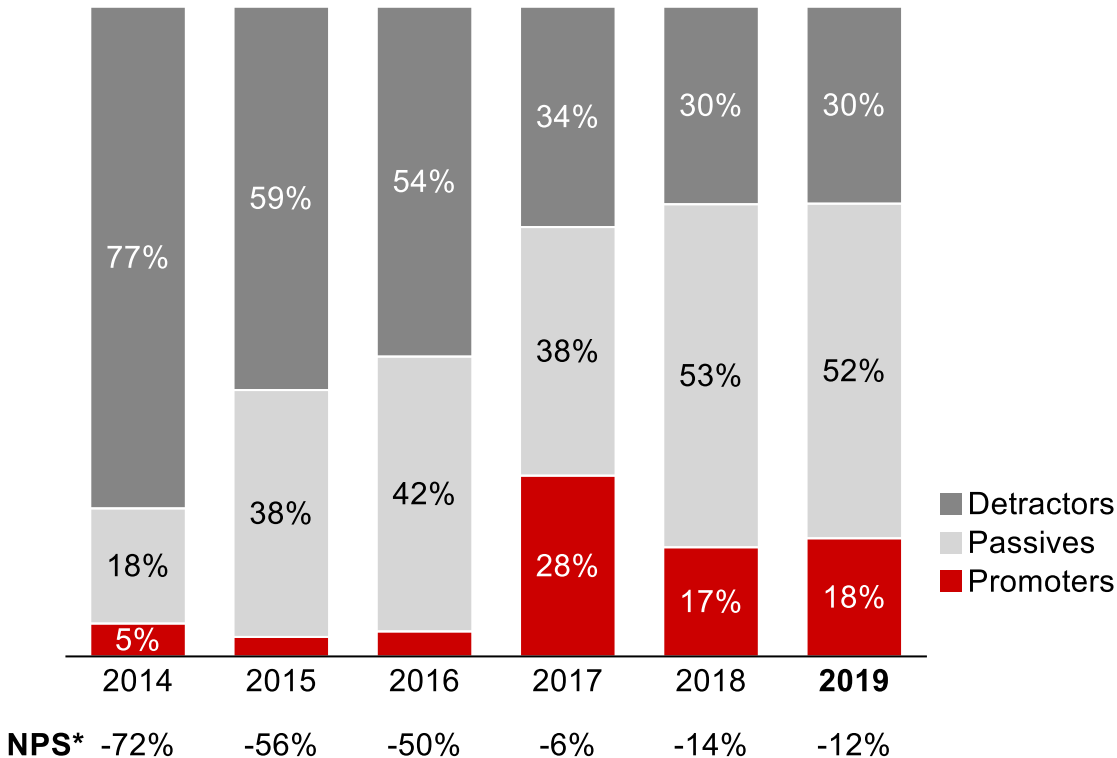
Note: in percentage of respondents

Source: AmCham-Bain Barometer, Bain analysis

The propensity of respondents to recommend further expansion of an existing business in France rises slightly compared to 2018

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)



*“There is still a **lack of visibility** on the continuation of the reforms, the voted decrease in the tax rate has been postponed...”*

Partner, Research and Consulting

*“Even if the political line is voluntarist, the reaction of the French has not been good, making the **social climate difficult**.”*

VP Public Policy, Entertainment

*“It all **depends** on the **sector of activity**, for research and digital yes, for **industrial manufacturing, no**.”*

Senior Vice President, Corporate Affairs, Chemicals

*“To look for **scale effects**, yes, why not, but the fiscal, social and regulatory environment remains a real obstacle.”*

Partner, Research and Consulting

(*) Net Promoter Score (NPS) = % promoters (grade 9 to 10) - % detractors (grade 0 to 6)

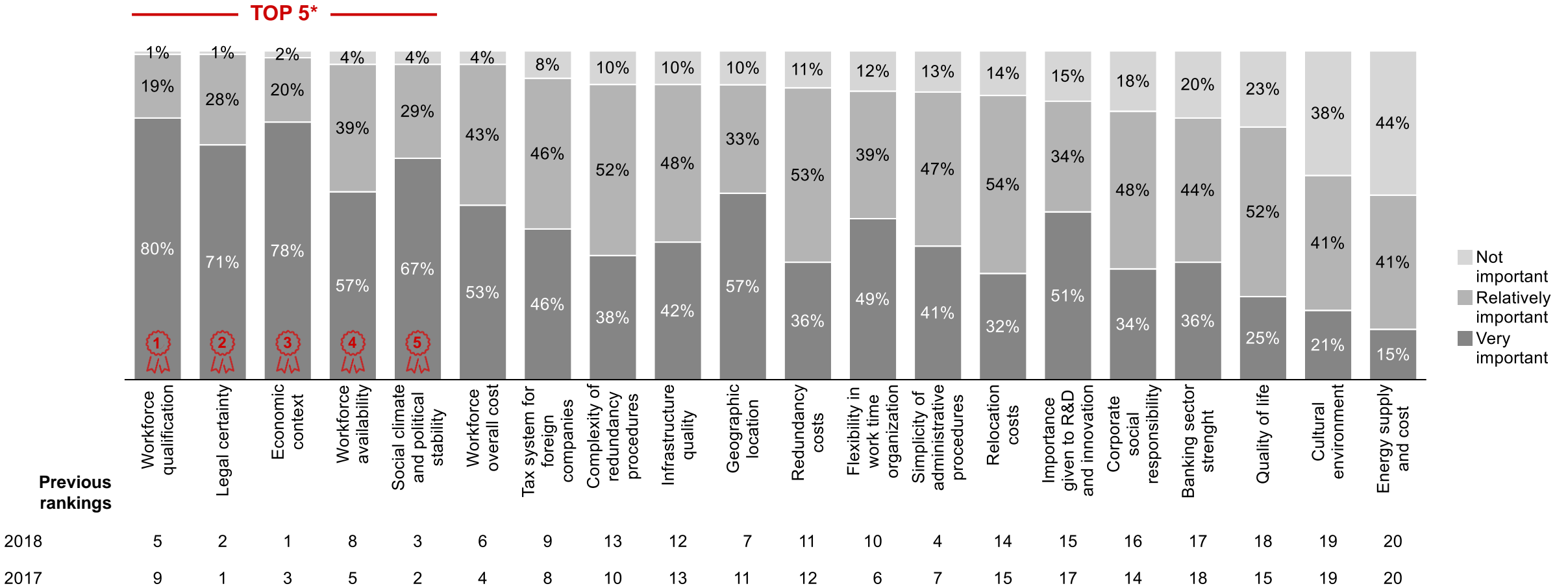
Note: in percentage of respondents

Source: AmCham-Bain Barometer, Bain analysis

Workforce qualification, legal stability and the economic context are seen as the key investment decision criteria

ATTRACTIVENESS FOR AMERICAN INVESTORS

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

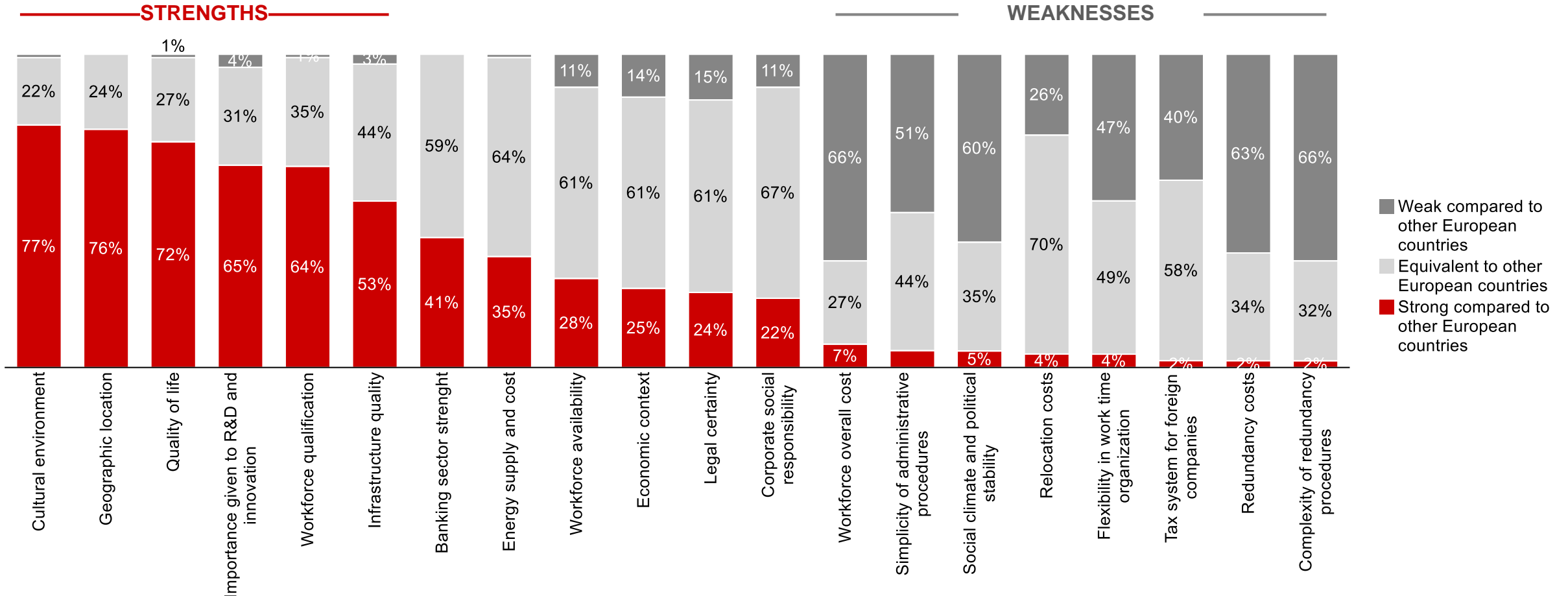


Note: in percentage of respondents, (*) Ranking = Very Important + Relatively Important
 Source: AmCham-Bain Barometer, Bain analysis

France's strengths are its culture, its geographical location and its quality of life, while labor costs, redundancy procedures and costs remain weaknesses

ATTRACTIVENESS FOR AMERICAN INVESTORS

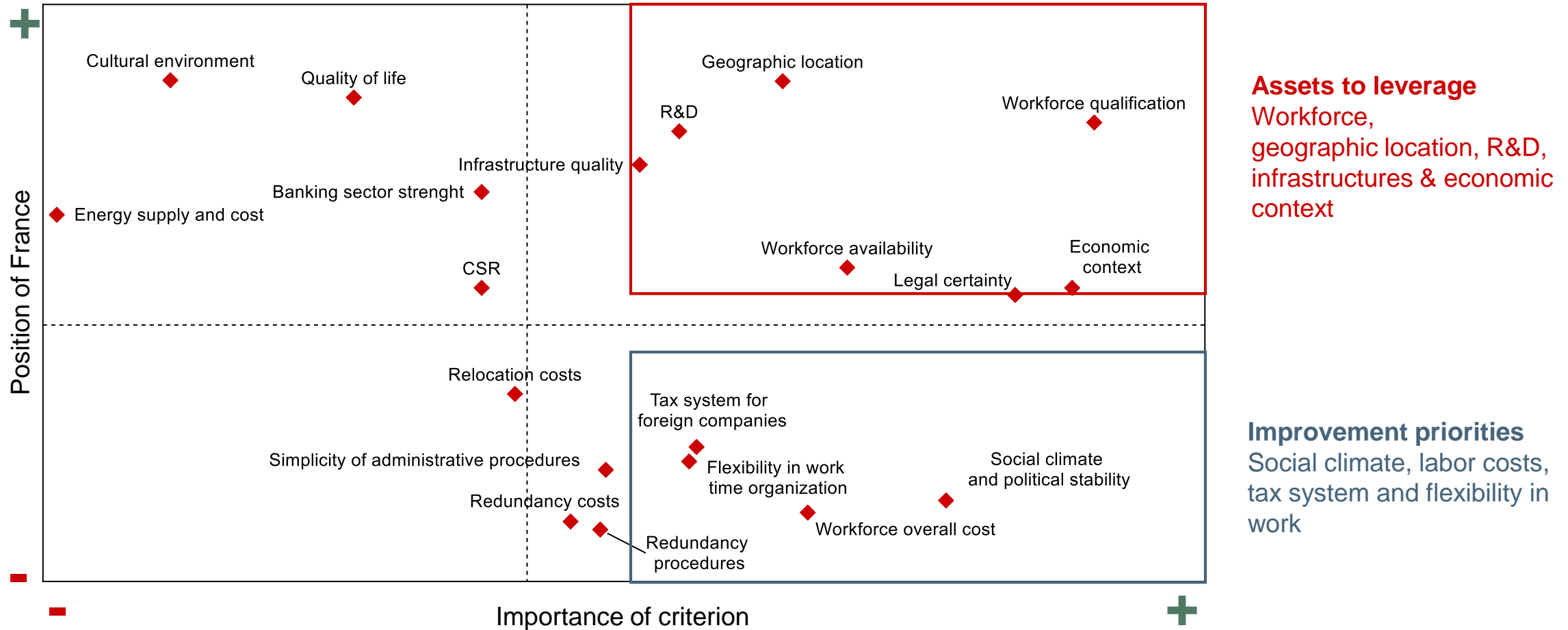
How does France compare with other European countries regarding the following factors ?



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

Labor cost and flexibility, redundancy procedures and costs, administrative procedures and taxes remain key improvement priorities for France's attractiveness

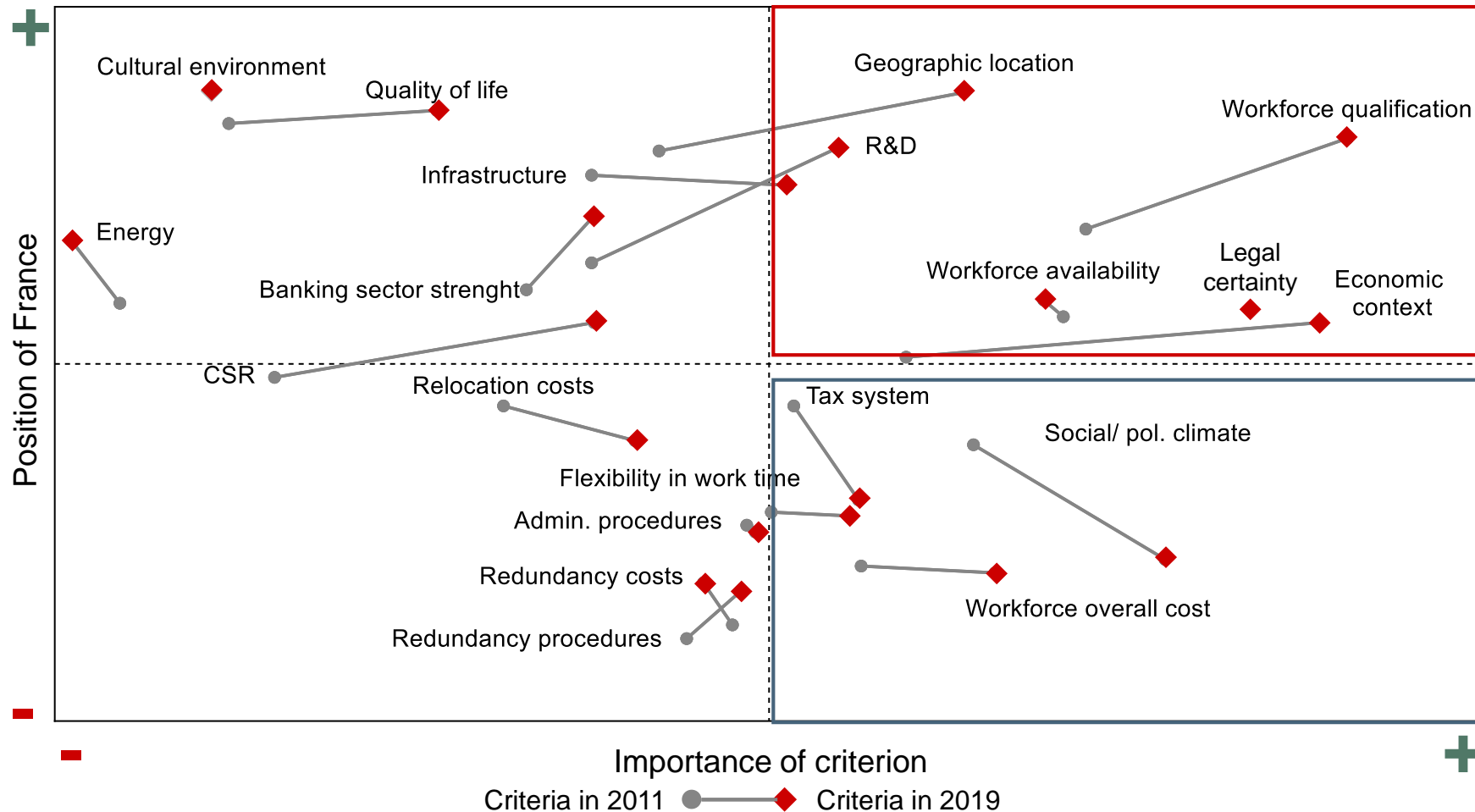
ATTRACTIVENESS FOR AMERICAN INVESTORS



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

Between 2011 and 2019, R&D and infrastructure have become assets to leverage, while perception of labor costs and the socio-political climate 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

In 2019, Germany, the Netherlands and the United Kingdom 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



Germany



Netherlands



United Kingdom



Human capital



Germany



Netherlands



United Kingdom



Tax & costs



Netherlands



Ireland



United Kingdom



Quality of life and local culture



Spain



Italy



Switzerland

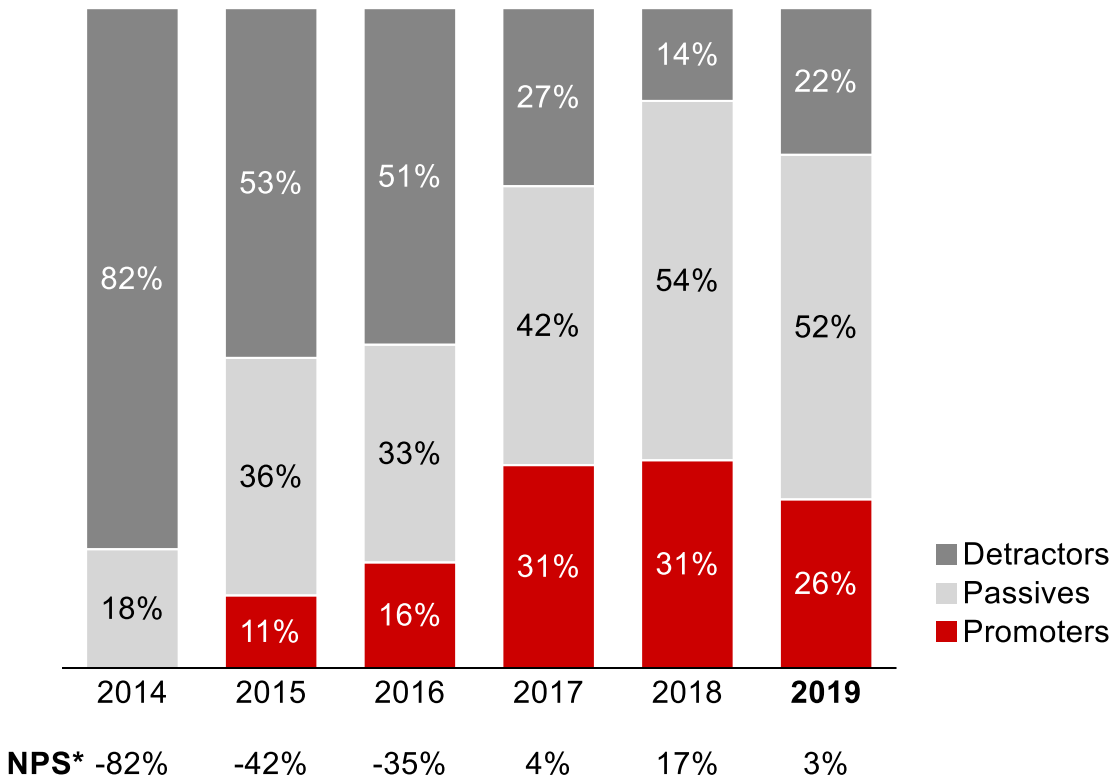


Note: Order is proportional to the number of occurrences a country was mentioned
Source: AmCham-Bain Barometer, Bain analysis

France's NPS as a country where to settle is declining in 2019, although quality of life is still praised by respondents

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)



*“Good quality of life. But **compulsory confiscatory levies** for high incomes and high cost of living. **Still to live** more limited than in comparable countries.”*

Partner, Law Firm

*“It all **depends on the region**. The province, as in Lyon or Nantes, would get a good rate, whereas Paris, because of its high cost of living, would get a bad rate.”*

CEO, Commerce/Distribution

*“Numerous **social benefits for employees**, a **secure environment**, and a developed social life.”*

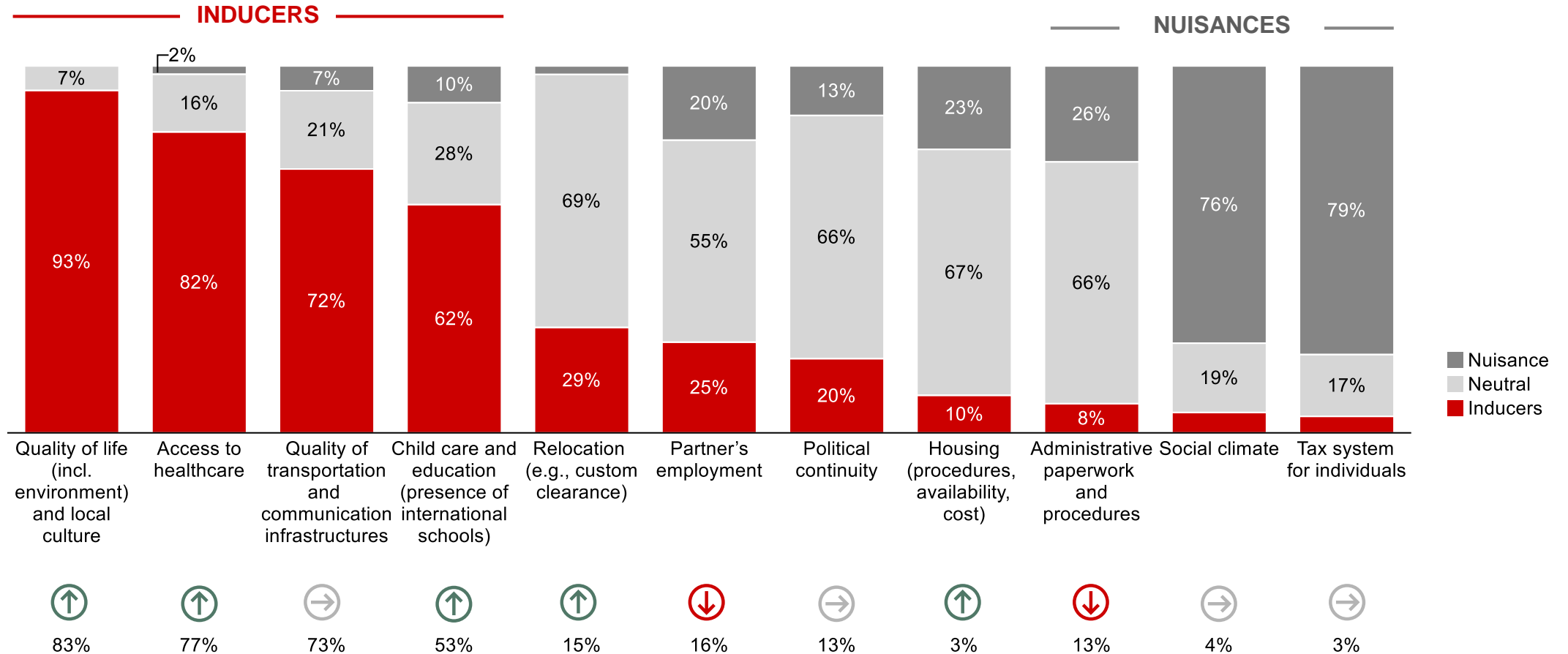
Sales Director, IT

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

Quality of life, the social system and infrastructure remain France's main assets; taxes and the social climate the main weaknesses

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. 2018

Inducers % in 2018

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

France's quality of life, access to health services and the quality of transport and communication 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 is very attractive for the employees of our parent company because they particularly appreciate the **diversity of its landscapes**, its **geographical nature** and the **richness of its cultural life**.”*

Director of Innovation, Services

*“The **quality of life** for employees, the quality of the **transport infrastructure**, the influence of France in Europe, the **level of education** are all factors of attractiveness.”*

Partner, Research and Consulting

*“France's great assets for **expatriate employees** are undeniably its **quality of life**, its **health system** and the **quality of education provided in schools**.”*

Director of Business, Commerce and Distribution

Nuisances

*“The **French language** is a very irritating factor. It is absolutely necessary to know how to speak French to come and work in France, which **can be a real hindrance**.”*

Manager, Services

*“The **deteriorated social climate**, **repeated strikes** and **regular blockades** of the country significantly tarnish France's image for foreign employees. Especially since, for most of us, **we see no prospect of improvement in the short term**.”*

Business Manager, Petrochemicals

*“Finding suitable and accessible accommodation in Paris is **extremely difficult**. In the regions, it is more accessible but the **spouse's job** is more difficult to find, especially **because of the language**.”*

Strategic Director, Sales and Distribution

A G E N D A



France's attractiveness



France's regions attractiveness



French innovation ecosystem attractiveness



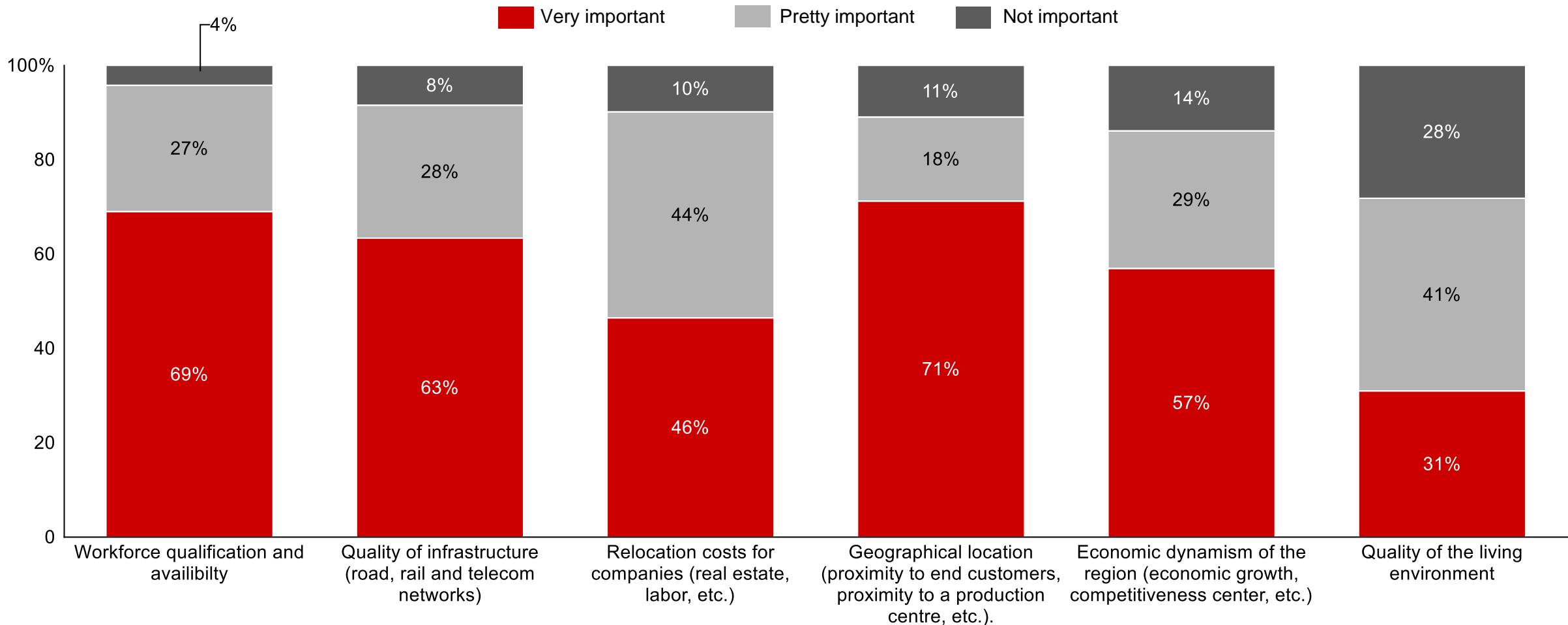
Major events impacting France's attractiveness



AmCham recommendations

Geographic location, labor force and infrastructure are the first criteria for selecting a region to locate in

How important are the following factors in your choice of location in a region in France?

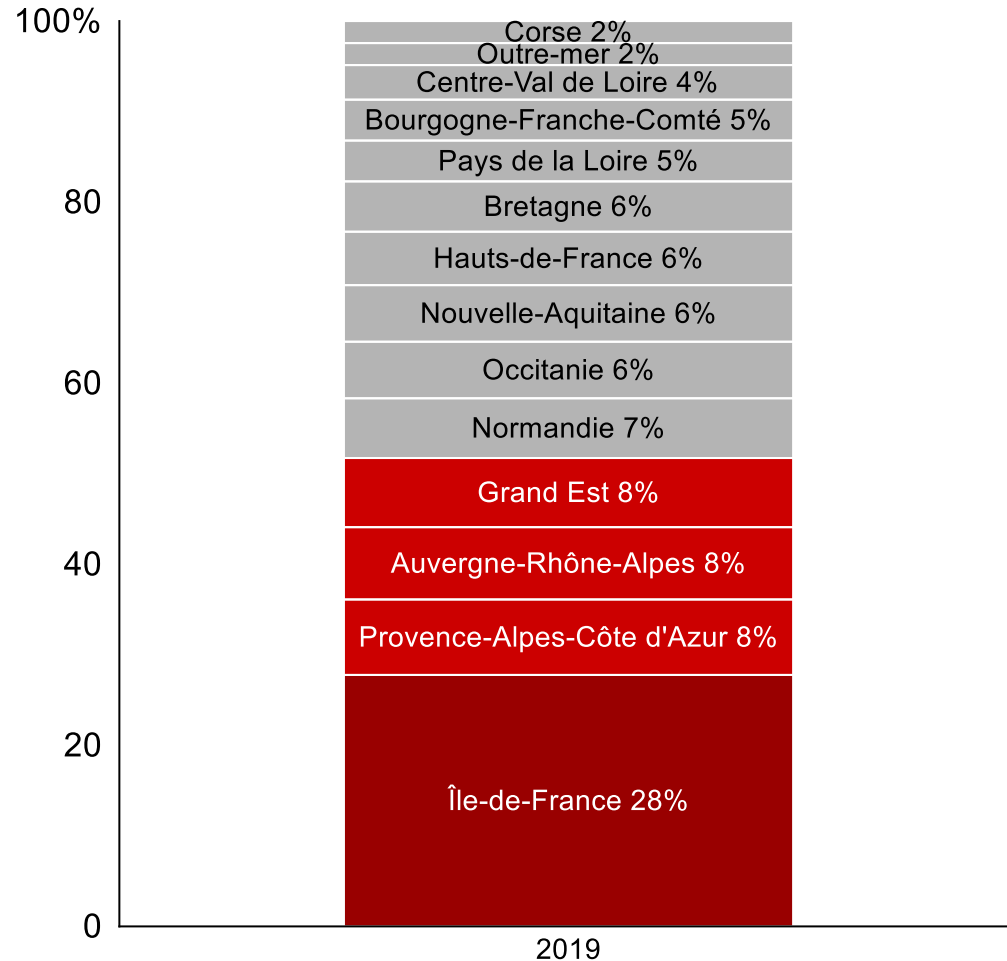


Note: in % of respondents; Ranking = "very important" + "pretty important"

Source : AmCham-Bain Barometer, Bain analysis

Île-de-France and Normandie, to a lesser extent, are the regions with the highest concentration of employees in company subsidiaries

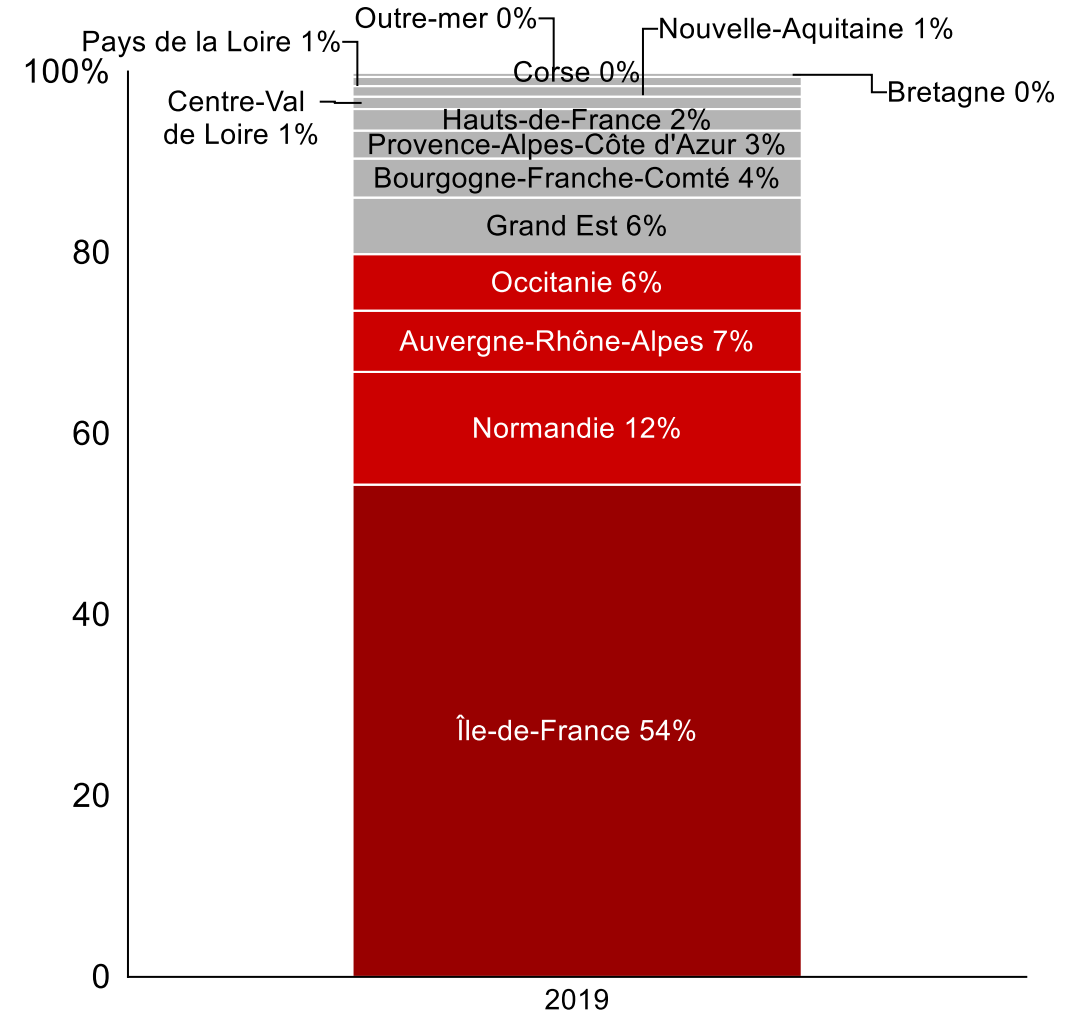
What are the French regions in which your company is located?



2019

Source : AmCham-Bain Barometer, Bain analysis

How many employees do you have in each of the areas where you are located?



2019

A G E N D A



France's attractiveness



France's regions attractiveness



French innovation ecosystem attractiveness



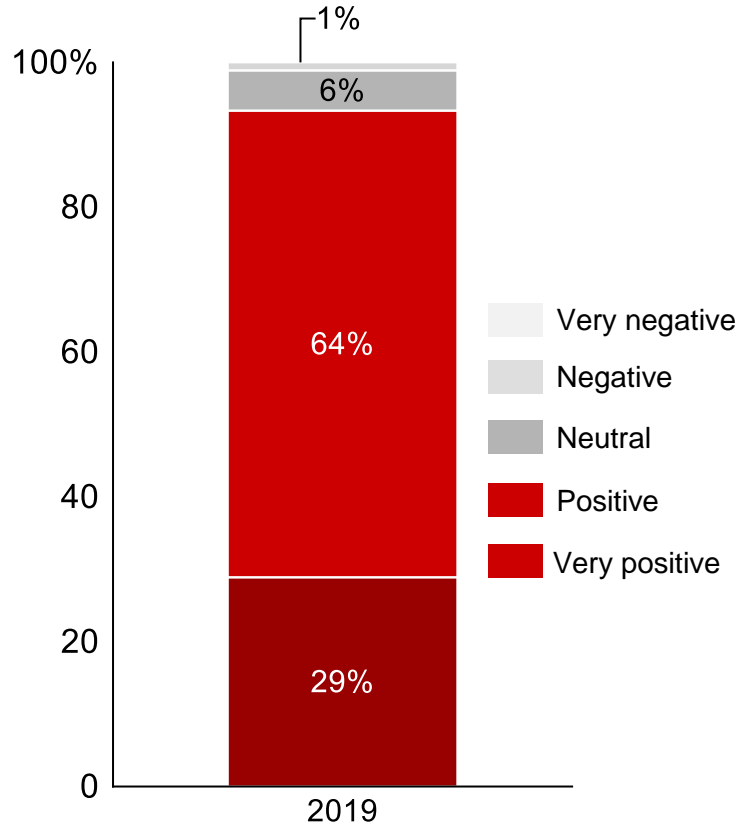
Major events impacting France's attractiveness



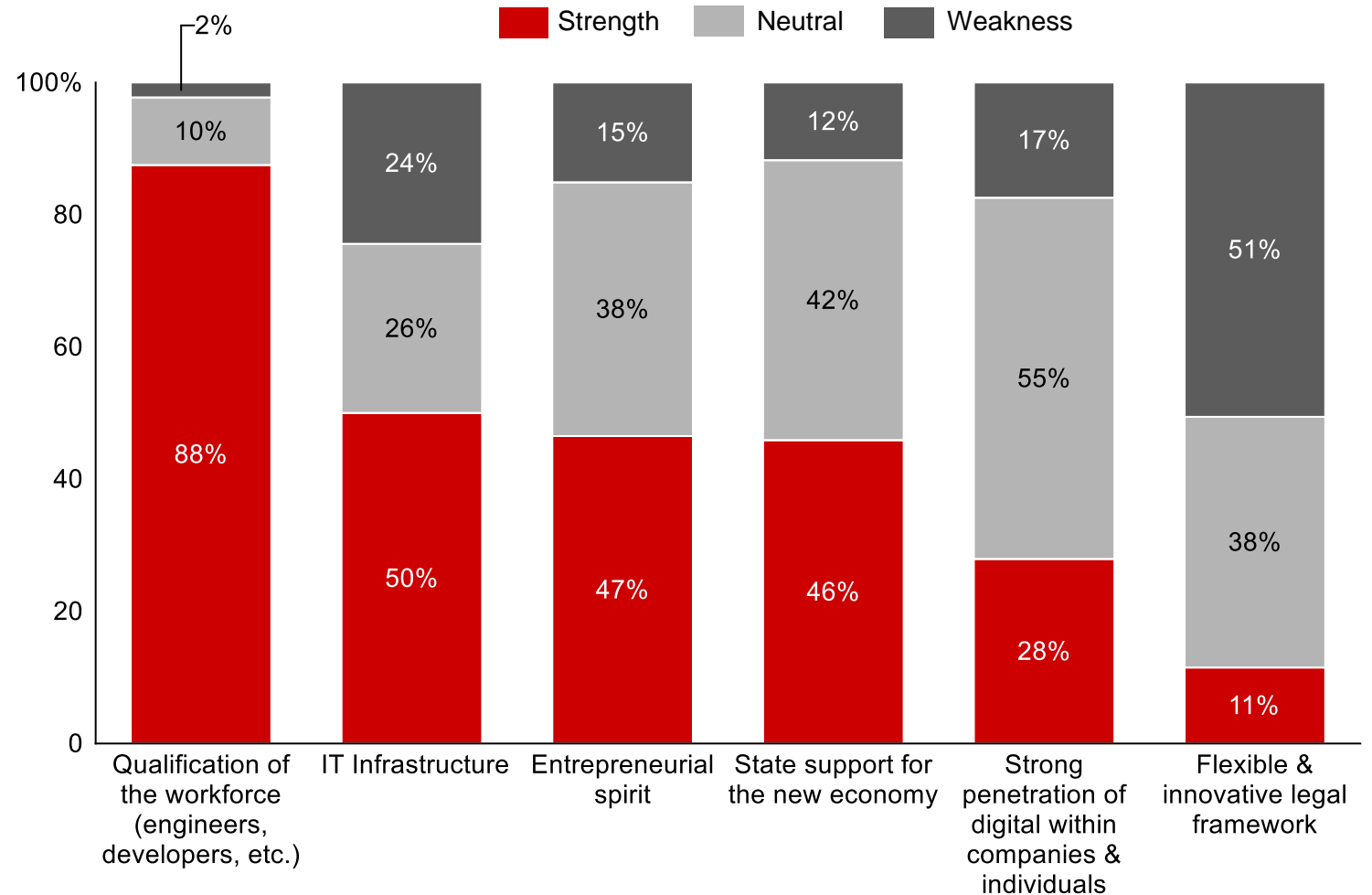
AmCham recommendations

Investors' perception of France's innovation ecosystem is very good, mainly due to the quality of its workforce

What is your general perception of the innovation ecosystem in France?



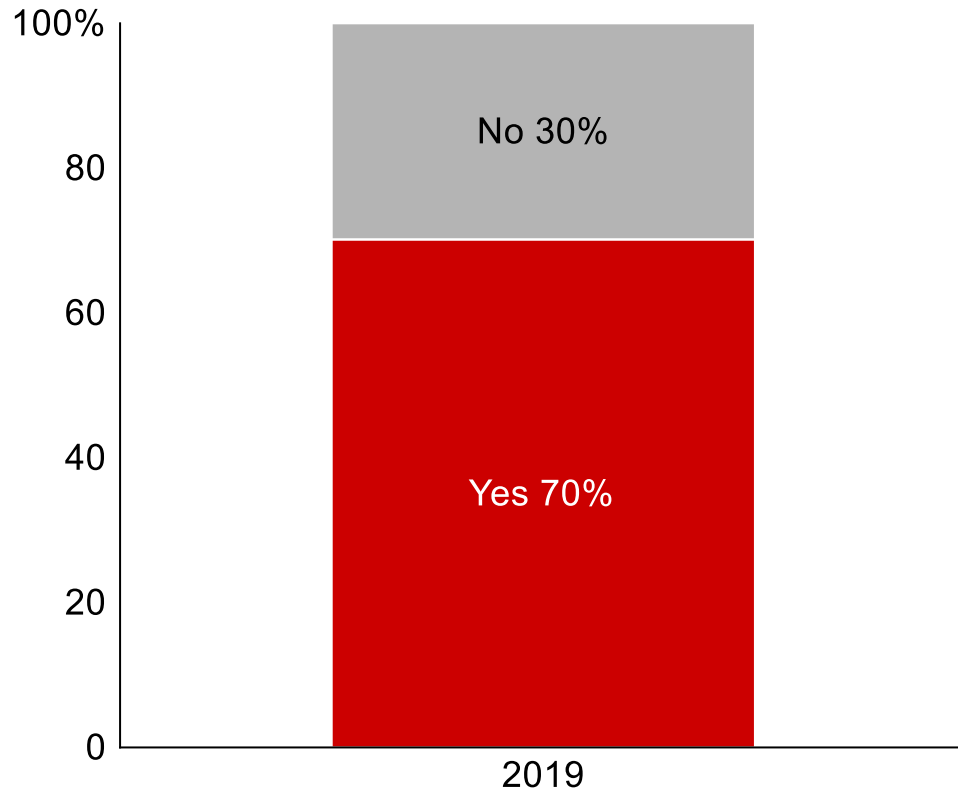
What are France's strengths and weaknesses in terms of innovation and digital in the context of your investments? ?



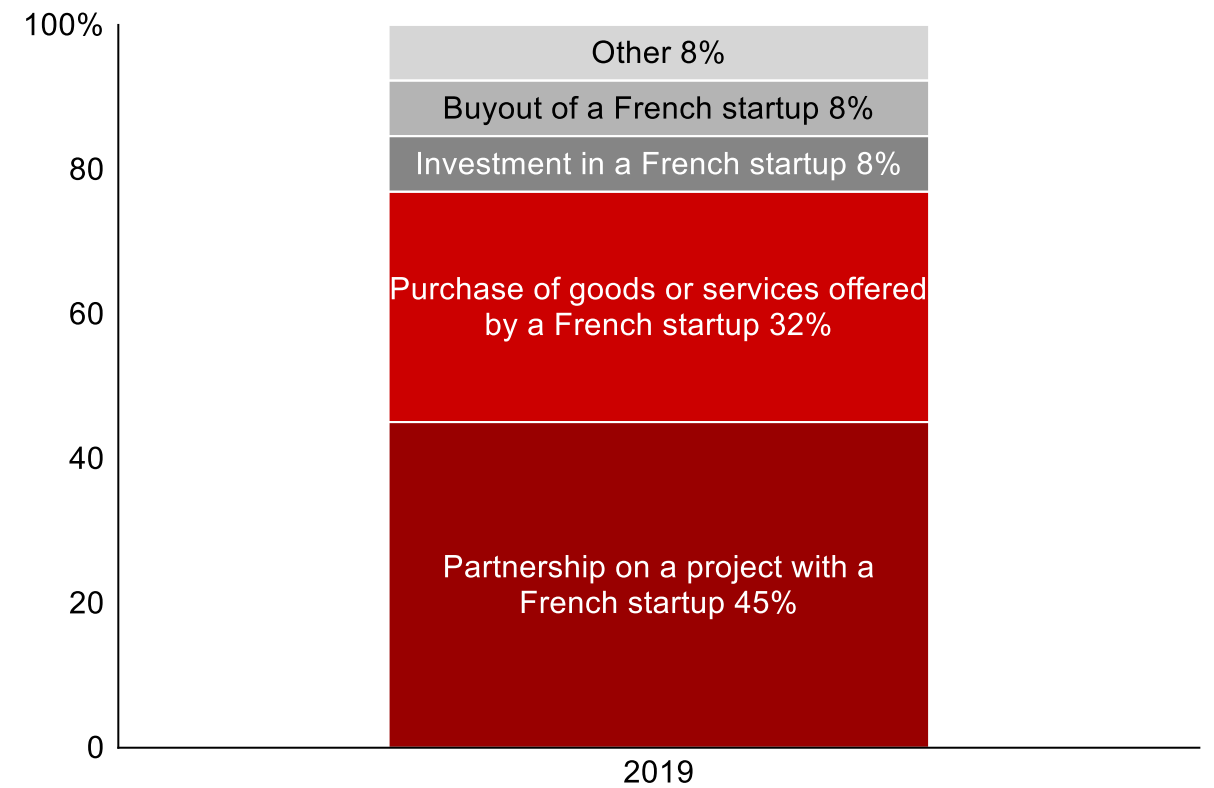
Note: in % of respondents; Ranking of strengths & weaknesses = % Strength - % Weakness,
Source : AmCham-Bain Barometer, Bain analysis

A majority of respondents work with French startups, mainly through partnerships or the purchase of goods and services

Does your company work with startups?



If so, how?



Note: in % of respondents

Source : AmCham-Bain Barometer, Bain analysis

A G E N D A



France's attractiveness



France's regions attractiveness



French innovation ecosystem attractiveness



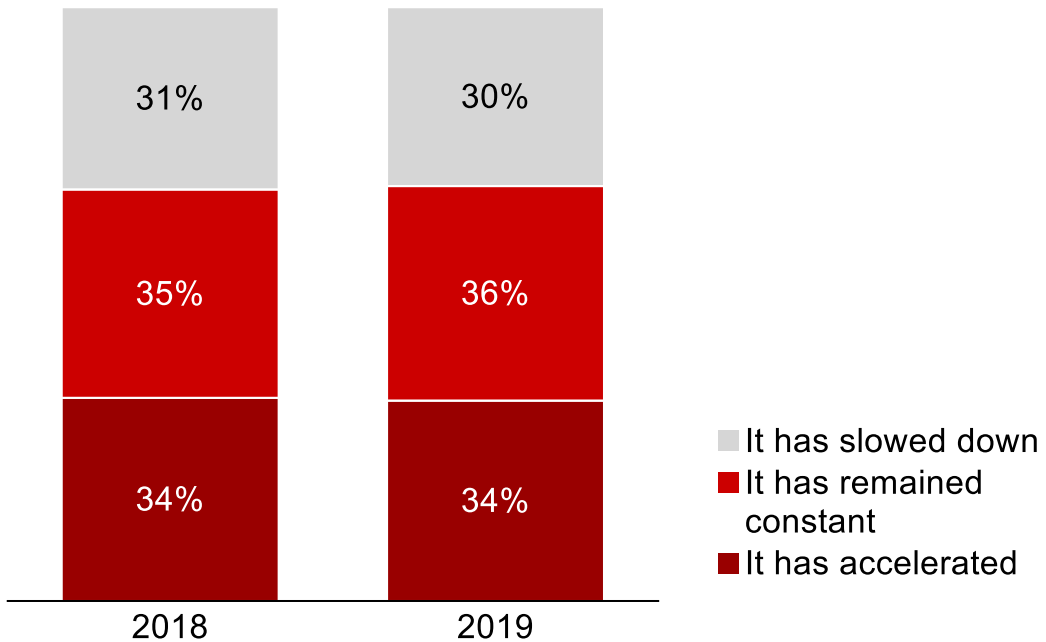
Major events impacting France's attractiveness



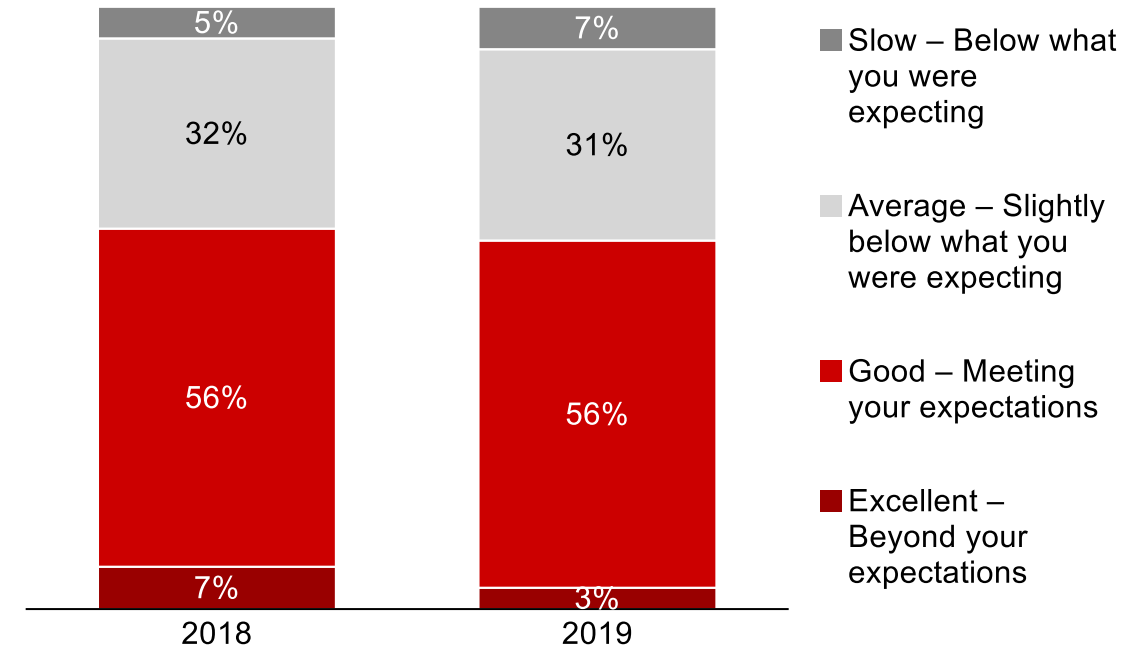
AmCham recommendations

The pace of government reforms is considered good overall by respondents, although it has slowed down further from 2018

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



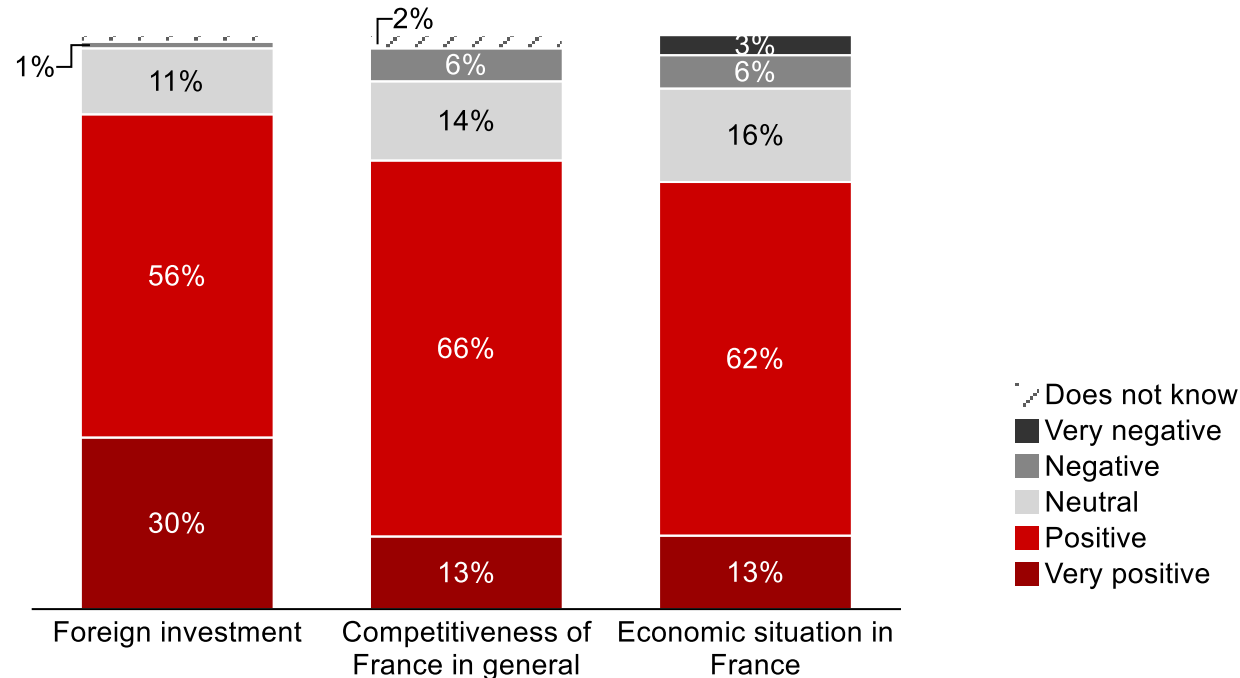
What are your feelings on the pace of reform ?



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

The perceived impact of the government's reforms on France's economic attractiveness remains largely positive in 2019

What are your feelings in regards to the impact of work undertaken by the government since the election of President Emmanuel Macron on the following subjects?



Positive perception	86%	78%	74%
Evolution vs. 2018	⬇️	⬇️	⬇️
2018	87%	70%	75%

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

"The easing effort about labor laws has made the country more attractive."

Former CEO, Commerce and Distribution

"The willingness to improve tax conditions, lower corporate tax rates and a form of continuity in government is reassuring for foreign investors."

Chief Financial Officer, Electronics

"Ambitious tax reforms, and the government's pro-economy discourse is positively perceived by investors."

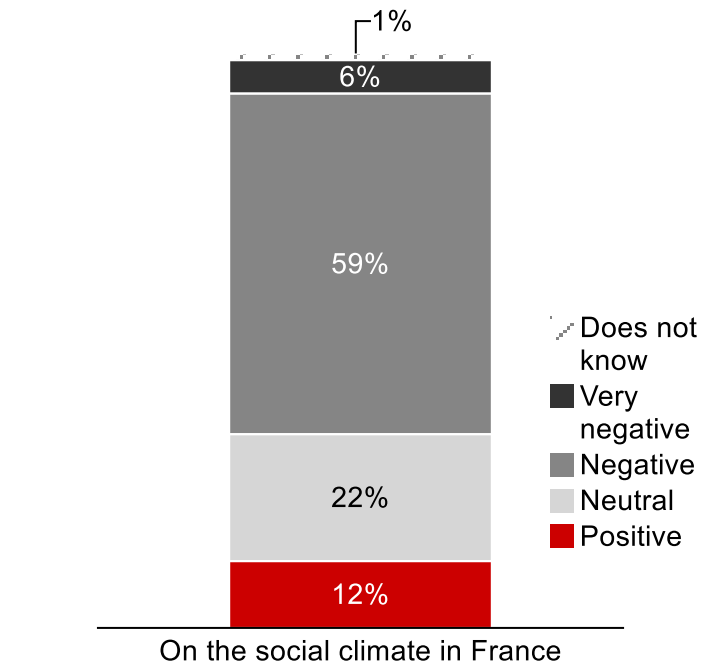
Senior Director, Services

"Regulatory and fiscal stability and the general business climate are more important than political turmoil."

Director of Corporate Affairs, Chemicals

While respondents are largely concerned about changes in the social climate, the impact on France's attractiveness is more nuanced

What are your feelings in regards to the impact of work undertaken by the government since the 2017 election on the social climate?

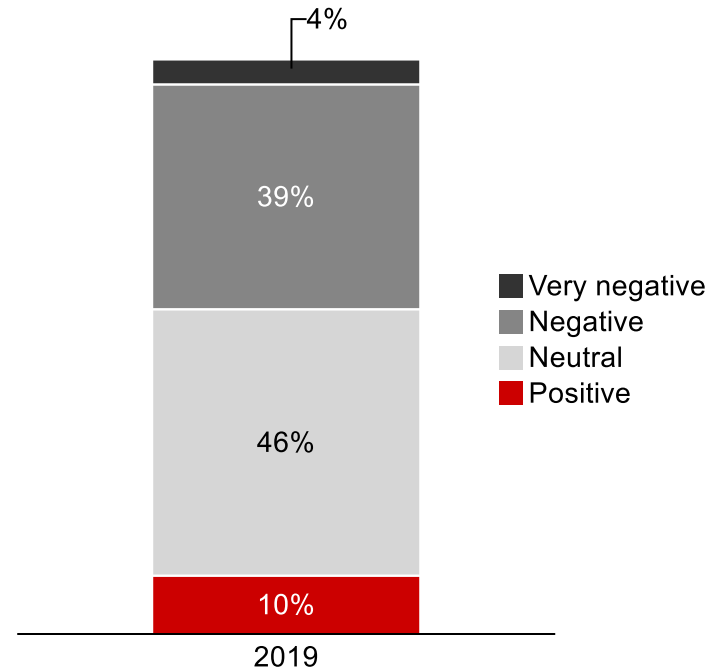


Positive perception Evolution vs. 2018

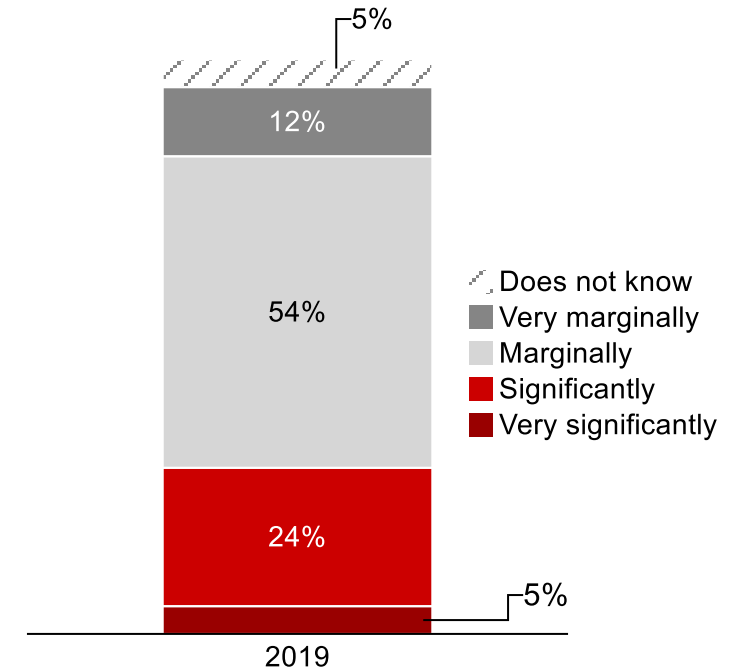
2018 12%

➔

How do you anticipate the evolution of the social climate in France in 2020?



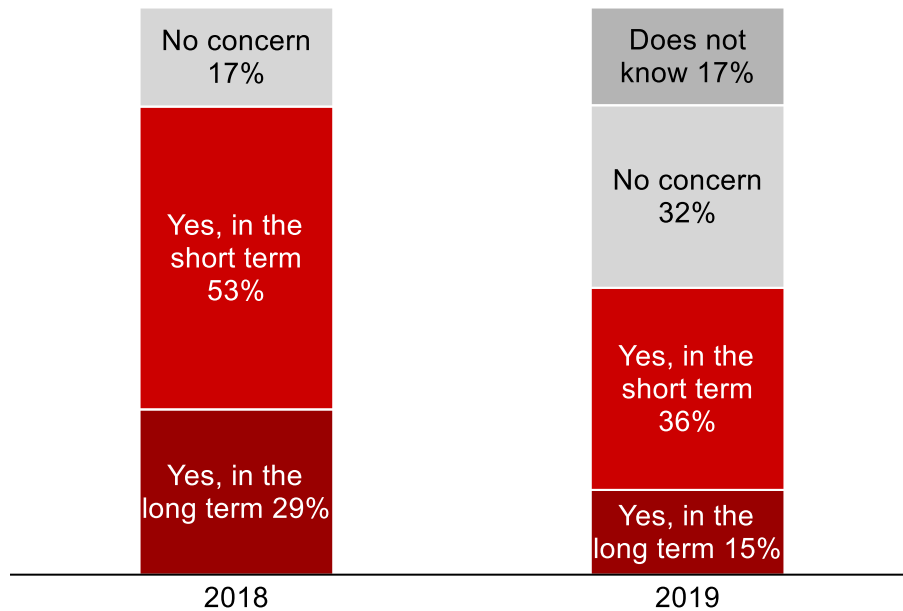
Have the social movements of 2019 impacted the vision of France's attractiveness by your headquarters?



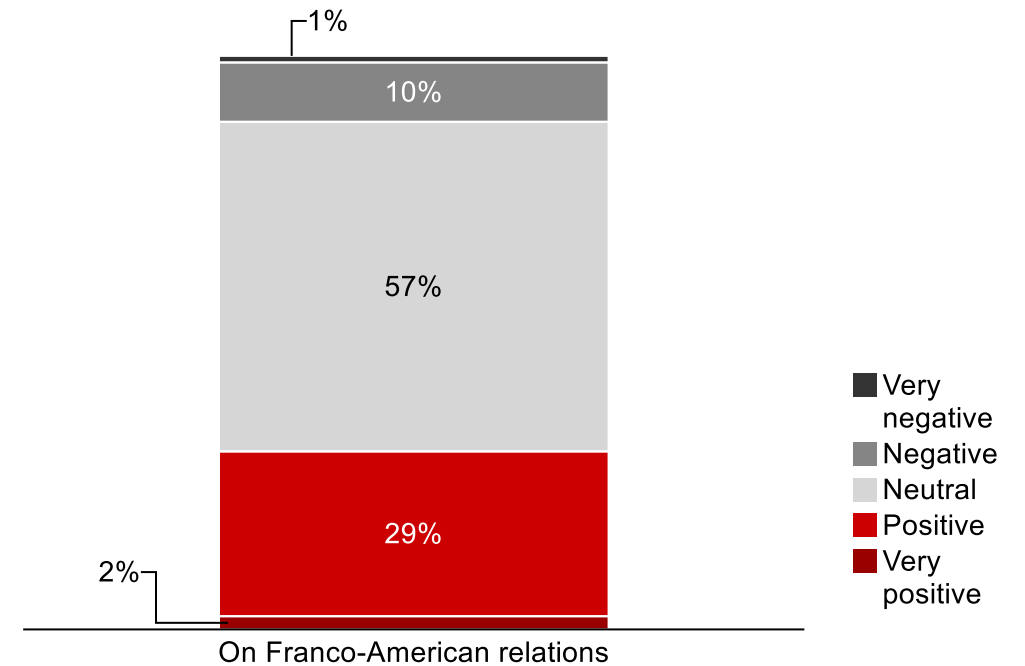
Note : in percentage of respondents
Source : AmCham-Bain Barometer, Bain analysis

Respondents are significantly less concerned about a potential trade war than in 2018, even if their perception of Franco-American relations is deteriorating

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



What are your feelings in regards to the impact of work undertaken by the government since the 2017 election on Franco-American relations?



Positive perception
Evolution
vs. 2018

2018 36%

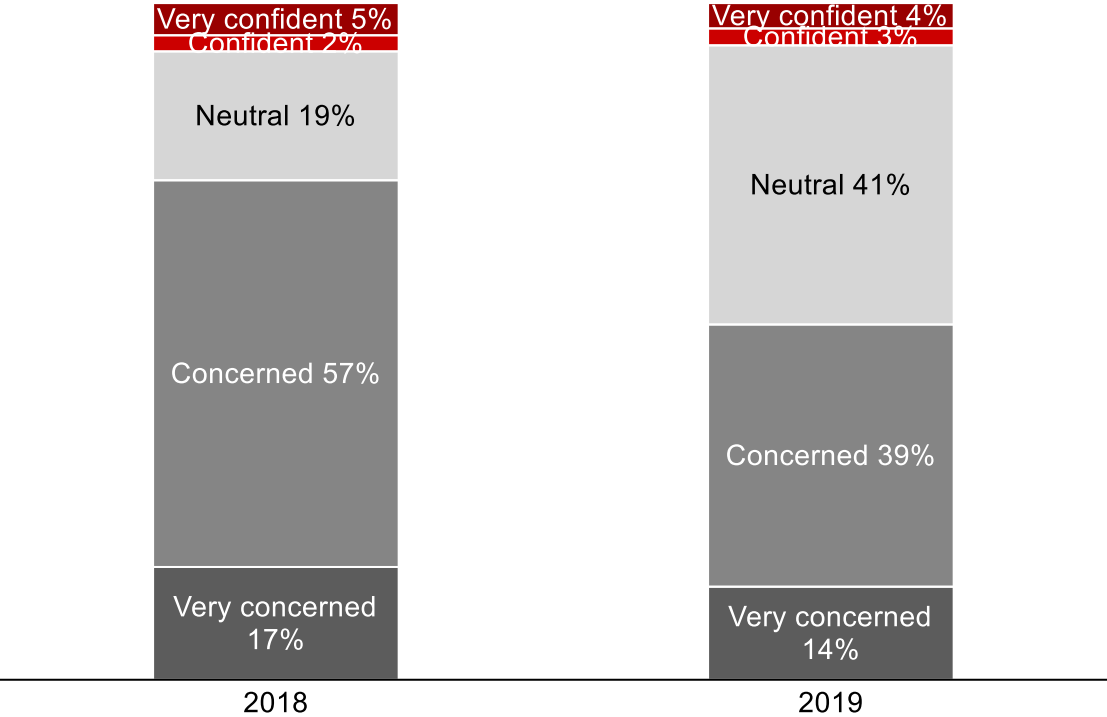
31%

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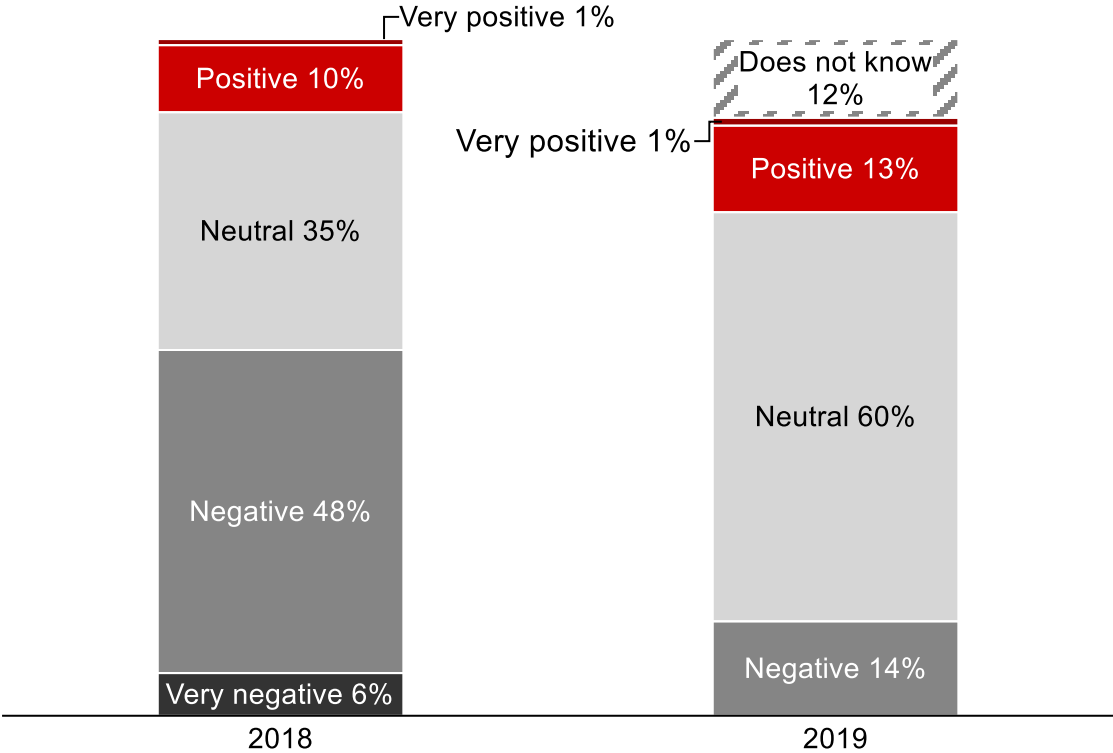
Note : in percentage of respondents
Source : AmCham-Bain Barometer, Bain analysis

Economic uncertainties weigh less on investment, according to respondents, in 2019

What are your feelings about the evolution of the public debt?



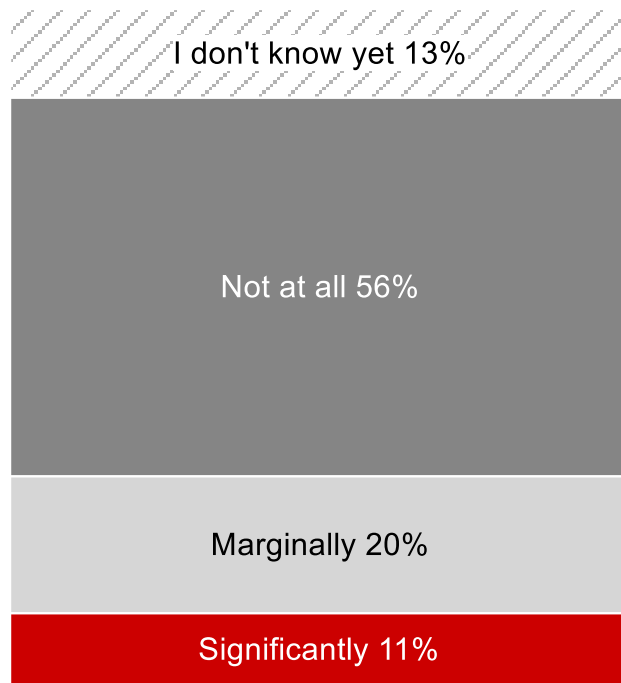
In your opinion, what has been the impact of the European Union's political uncertainties (European elections, the post-Merkel era in Germany, etc.) on investment by American companies in France?



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

Brexit's impact on job relocation in France is marginal

To what extent is Brexit leading you or will it lead you to relocate jobs from the UK to France?



2019

"UK jobs will be safeguarded by opening a practice in Ireland."

HR Manager, Law Firm

"Our group has a dedicated manufacturing facility for the UK market so we don't need to relocate."

HR Manager, Electronics

A G E N D A



France's attractiveness



France's regions attractiveness



French innovation ecosystem attractiveness



Major events impacting France's attractiveness



AmCham recommendations

AmCham recommendations

1



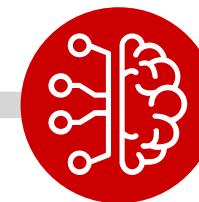
Strengthen France's tax competitiveness by meeting the **commitments to reduce corporate income tax**, and by **reducing production taxes**.

2



Making the labor market a competitive advantage for France, by **reducing social charges** and giving **companies greater flexibility**

3



Amplify and disseminate the innovation effort in all the regions.

Decentralizing the effort will make it a lever for the attractiveness of the regions



Contacts



Study



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