

21st edition

AmCham-Bain Barometer

Satisfaction of American investors in France



BAIN & COMPANY 

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Foreword

Last year we published the 20th edition of our Barometer on France's attractiveness for American investors, which showed record results and high satisfaction despite some level of uncertainties regarding the social climate. At that time, nothing could predict that we would experience such an **extraordinary year**.

The 2021 Barometer primarily reflects **investors' uncertainty** in a bewildering global context, more than a lack of attractiveness for France. However, these uncertainties **exacerbate** the country's **shortcomings**.

Unsurprisingly, this "black swan" event destabilizes the immutable equilibrium and encourages a slightly more cautious outlook among the community of American investors surveyed. In particular regarding **employment**, this year's results shows the **repercussions of the global crisis: 28% of American investors** believe that **their workforce will decrease in the next 2-3 years**, 21 points more than last year, for only 27% who think they will increase (51% last year).

This caution materializes in a **slight erosion of the attractiveness of France** for their investment decisions. However, the underlying global uncertainties should bring us to mitigate this erosion.

France's NPS as a location for business investments **slightly falls to -20% in 2020, 8 points lower than in 2019**. This figure can easily be explained by the economic downturn following the Covid-19 crisis. But the unprecedented scale of the shock caused by the global pandemic seems relatively well absorbed in the light of past crises: for example, between 2011 and 2014, or following the

2008-2009 crisis, we must remember that the NPS had fallen to an historically low level of -74%, losing 46 points in three years.

This global crisis also has the effect of an increasingly sizeable **polarization of opinions**. While about **40% of American investors** anticipate a **positive evolution of the economic context in France in the next 2-3 years**, only 2 points less than last year, **23% of them**, 12 points more than in 2019, **anticipate a negative evolution**.

Beyond the economic situation, which is inevitably complicated, it is above all France's historical and structural obstacles or weakness that American investors are pointing out to explain their decline in optimism. One of the weak signals we had identified in our barometer over the past few years is now at the forefront of this year's results: ranked as the 5th decisive criterion for investment decisions by American companies in 2019, the **social climate** -unanimously- becomes the **first criterion** in 2020. **54%** even consider it as an **obstacle to their investments** in France, in comparison with other European countries. Also, the **legal framework surrounding redundancies and their complexity** are still perceived as a **weakness** despite the reforms undertaken by the government at the beginning of the mandate; more and more people are criticizing the complexity of procedures (73%) and their costs (80%).

Despite these points of attention, the pandemic has only slightly tempered the optimism of American investors regarding the attractiveness of France.

The country seems adequately positioned to perform well in Europe. This year, **American investors praise government's support measures and recovery plan**. They are **96%** to believe that **support measures for businesses in France were as competitive as in other European countries**, with 54% even believing that they have been more competitive than elsewhere in Europe.

In this context, they anticipate a relatively quick return to normal as 77% of them think their company will take **2 years or less to recover and reach an economic activity equivalent to the pre- Covid crisis level**.

Another reason for hope: France is still perceived as an **attractive country for innovation**, with **86%** of the American investors surveyed **perceiving its innovation ecosystem positively or very positively**, praising the workforce qualification, government support for the new economy and IT infrastructures.

It will be interesting to closely monitor changes in opinion in the coming months, and to maintain a high level of attention. The multiplicity of Covid variants, the prospects of new lockdowns in the long term, the uncertainties related to a lasting drop in Covid cases, force companies to be in **permanent crisis management** mode and **reduce prospects in the short and medium term**. The sustainability of the "whatever it costs" strategy defended by President Macron to support the economy is questioned: 70% of investors say they are **worried, or very worried about the level of public debt**, and its impact on taxation in the years to come.

Finally, in these uncertain times, the fear of the **"French paradox"** is making a come back: a country that absorbs shocks better than others, but that might be slower to bounce-back when the whole world will be starting up again.

In the light of the global crisis, which is laying out the foundations for the world of tomorrow, American investors seem to be holding their breath when looking at this unpredictable French trajectory. They seem torn between the **fear** of seeing the crisis push France back into its "old demons" and the wave of **hope** created by the new innovation-driven and forward looking spirits of the country -

This AmCham Bain 2021 Barometer should undoubtedly lead France to seize this crisis as an **opportunity** to correct its historical weaknesses, and to seize the positive prospects offered by this "black swan event" for the country's future. France has all the levers in hand to make it happen and AmCham will support France in its efforts to become more attractive to transatlantic investment.

Bijan Eghbal

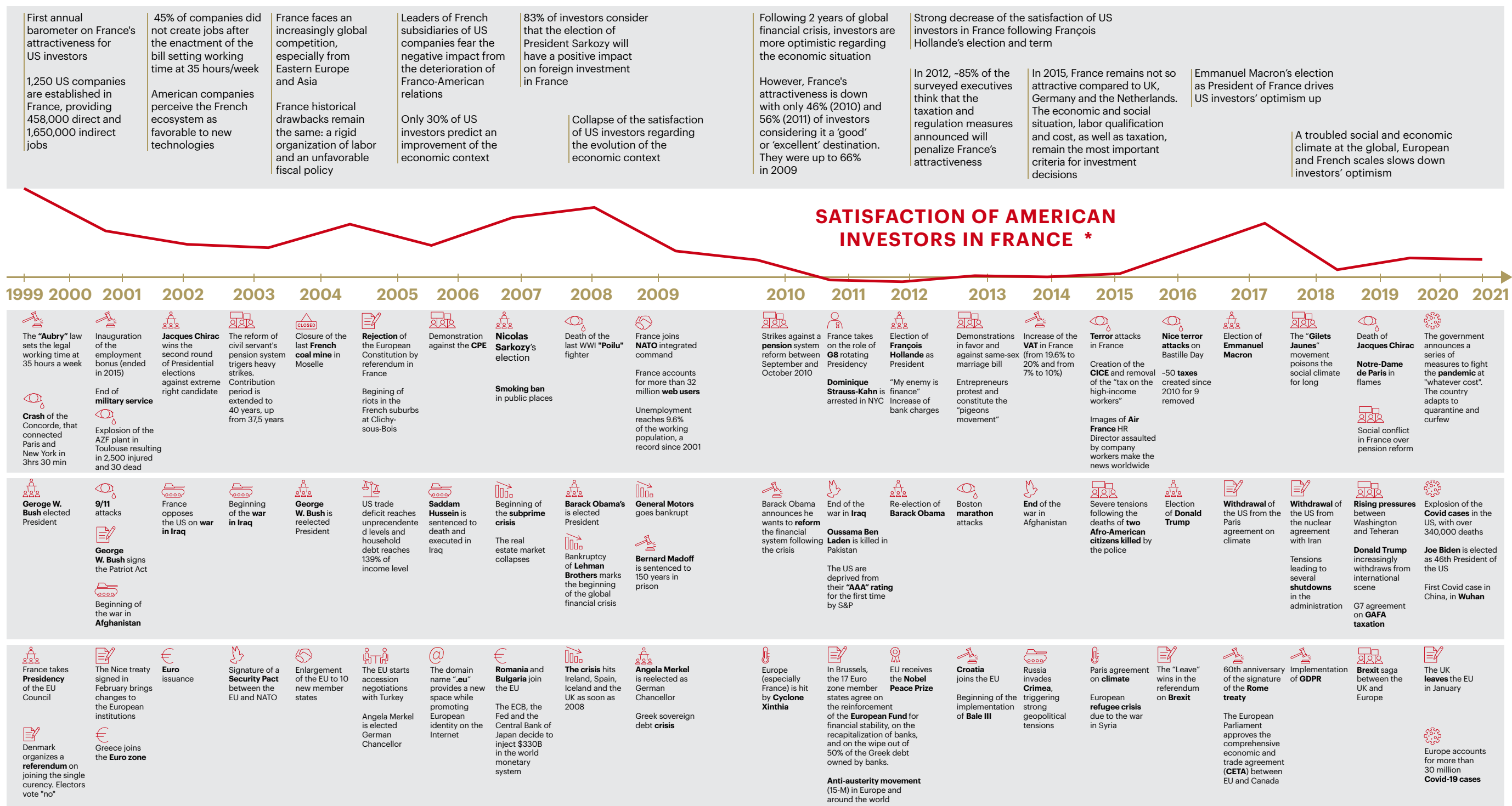
Partner at DLA Piper
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21 years of France's attractiveness for American investors



* Answer to the question "In your opinion, how will the economic outlook evolve for your industry in France over the next 2-3 years" (Positive, Neutral, Negative)
Sources : Le Monde, Les Echos, Paris Match, La Croix, France 24, europa.eu

2021 barometer on American investors satisfaction in France

6 figures to remember:



-8 points

France's NPS® as a country in which to set up a business in 2020 **slightly fell to -20%, 8 points lower than in 2019.**

It loses 12 points to **-24%** when it comes to the **NPS** of a company already established in France that is looking to **expand its activities.**

This figure can certainly be explained by an **unprecedented economic downturn** linked to the Covid-19 crisis, but it should not lead us to lose sight of the historical and structural obstacles or weaknesses in France that show **more polarized** perceptions: social climate, taxation, work flexibility, etc...



96%

96% of investors praise the measures to support businesses in France and the recovery plan. They consider them to be as competitive as those in other European countries or even more competitive (54% for the business support measures and 39% for the recovery plan).



~40%

About **40%** of American investors anticipate a **positive evolution of the economic context** in France in the next 2-3 years

This is only **2 pts less than last year.**

On the other hand, **23% anticipate a negative trend**, compared to **11% last year.**



2 years

More than ¾ of investors think that it will only take their company **2 years or less** to reach an **economic activity equivalent** to the pre-Covid-19 crisis

For **~60%** of respondents, the crisis will have a **neutral impact** on their investments in France. **~10%** believe that it will have a **positive impact**, against **~25%** who anticipate a **negative impact**, the others preferring not to express an opinion.



54%

54% of American investors believe that the **social climate is a weakness** compared to other European countries, and that it hinders their investments.

The social climate is becoming the **most important investment factor in France**, with 100% of investors considering it is an important factor, or even a very important one for 80% of them.



>85%

More than 85% of investors have a **positive or very positive perception** of the **innovation ecosystem in France.**

In particular, workforce qualification, government support for the new economy and IT infrastructure are seen as France's strengths in the quest for innovation.



Projection

American investors outlook on France

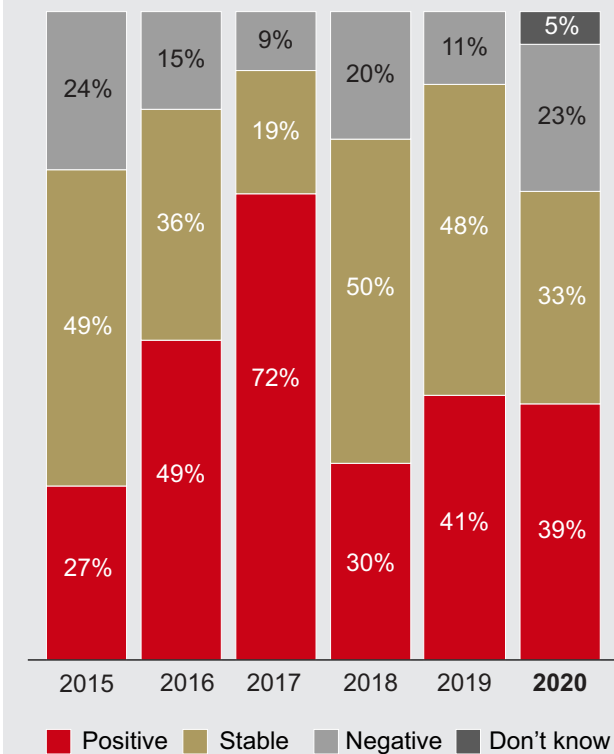
A moderate decline in optimism

Unsurprisingly, the results of our 2021 barometer reflects what happened during the past year. The satisfaction of American investors regarding the economic outlook in France is only going down slightly this year, despite the current Covid crisis. Above all, the polarization of perceptions is remarkable this year, with 39% of investors anticipating a positive evolution of the economic context, but an increase in those predicting a negative outlook from 11% to 23%, reflecting the uncertainties of our times. It is also worth mentioning that the outlook is comparable to that of 2018. This apparent positive sign should not hide the fact that many investors simply anticipate a catch-up after the economic downturn in 2020.

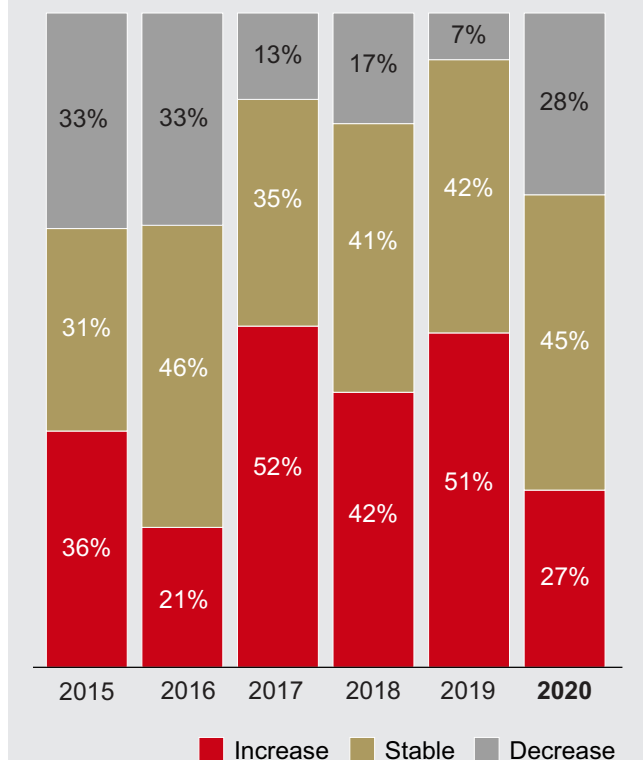
A halt to job creation perspectives

After years marked by optimism for job creation, American companies, France's largest foreign employers, expect to pay the price for the Covid crisis. Last year, 51% of them thought that the number of their employees would increase. This year, they are only 27%. It is even the first time since 2016 that they are more to think that the number of their employees will decrease (28% of investors). Many expect to have to make adjustments in the next few years to compensate for the revenue declines of 2020.

How will the economic outlook evolve for your industry in France over the next 2-3 years?



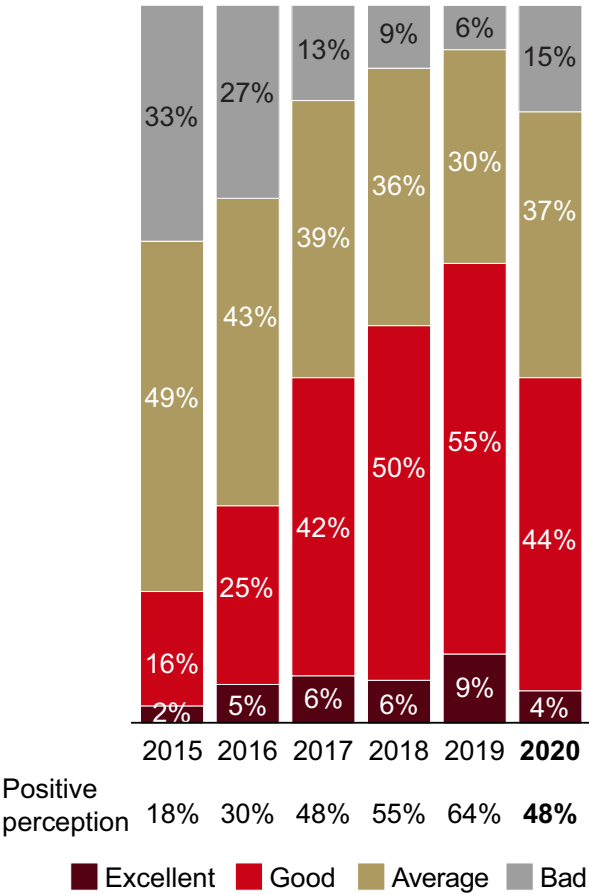
Over the next 2-3 years, how will the number of employees evolve in your company in France?



France's image: weakened but still attractive

Even if 48% of investors believe their headquarters have a good or excellent image of France, this figure is down for the first time since 2015, and at its lowest level since 2017. Last year, nearly 65% of investors had a good image of France. The economic situation alone is not enough to explain this decline: it is the historical weaknesses and France's persistent "old demons" that investors are pointing at: a difficult labor climate, excessive costs and administrative redtape.

In your opinion, how do your headquarters view France in comparison to other destinations in terms of investment?



Choose France

Pro-business reforms promised by President Macron

The CChoose France summit has been postponed to a later date this year before the summer. But Emmanuel Macron still spoke with about a hundred foreign executives at the end of January.

25%
President Macron has promised to continue the reduction of corporate tax, which will be reduced to 25% next year.

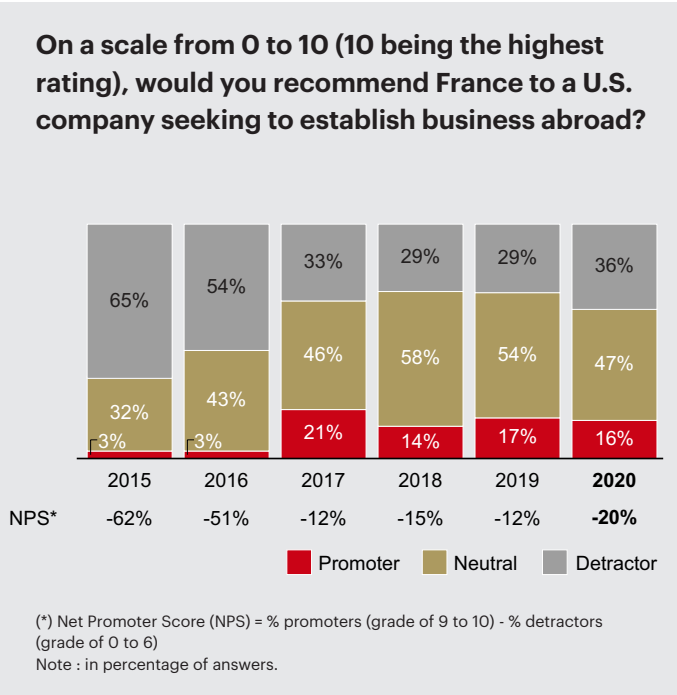
100 billion euros
It is the amount of the recovery plan detailed by the President, promising companies to "prepare France for the next decade".



France and its regions as seen by American investors

France's NPS as an investment destination in 2020: a limited decline

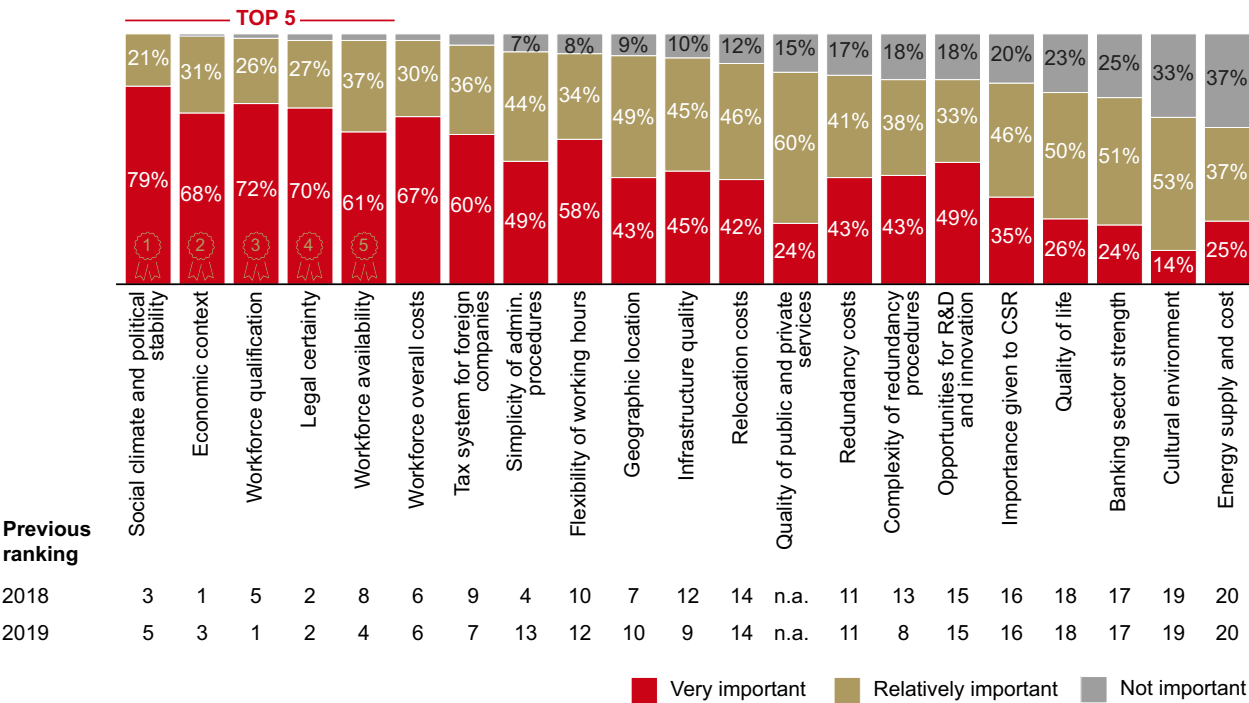
In 2020, despite the Covid crisis, the number of promoters in France remained relatively stable at 16%. On the other hand, the number of detractors increased by 7 points, a polarization that stems from formerly neutral investors. However, France seems to have absorbed the shock relatively well, with an 8-point drop in the NPS to -20%. This NPS remains higher than over the entire 2009-2016 period, a good score that can be explained by the reforms undertaken since 2017 and welcomed by more than 70% of investors.



What are the main investment criteria for U.S. investors?

Formerly ranked 5th among the decisive criteria in their investment choices, the social climate becomes in 2020 the first investment factor for American investors, 100% of them considering it is an important factor. It shows the persistence of an issue that crystallizes expectations but that reforms have not yet been able to satisfy. As in previous years, the quality and availability of the workforce, the economic context and legal certainty remain the major criteria for investors.

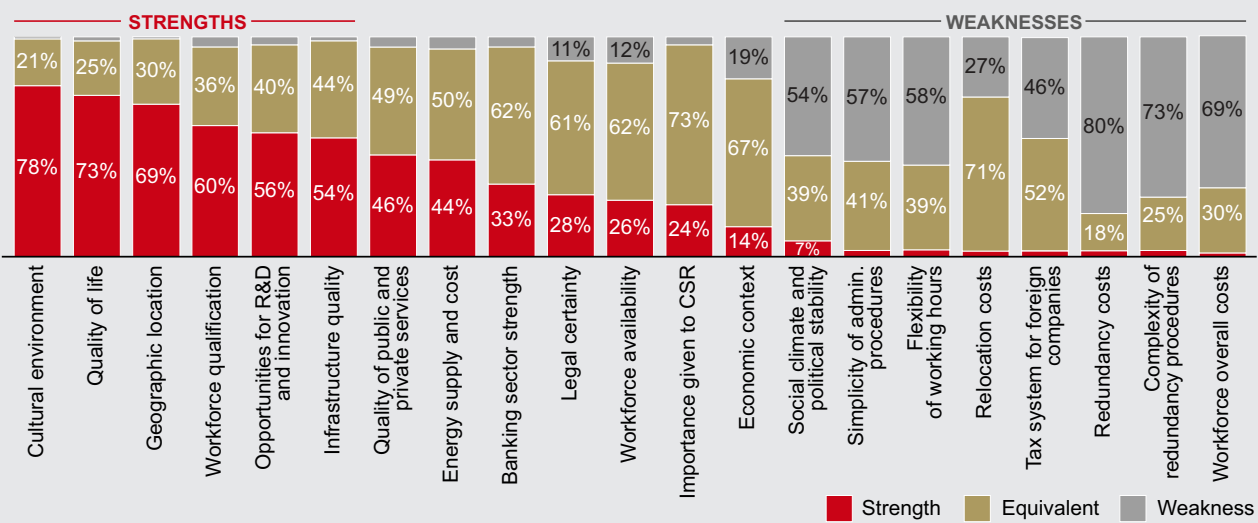
How important are the following factors in your company's investment decisions?



France's strengths and weaknesses as seen by American investors

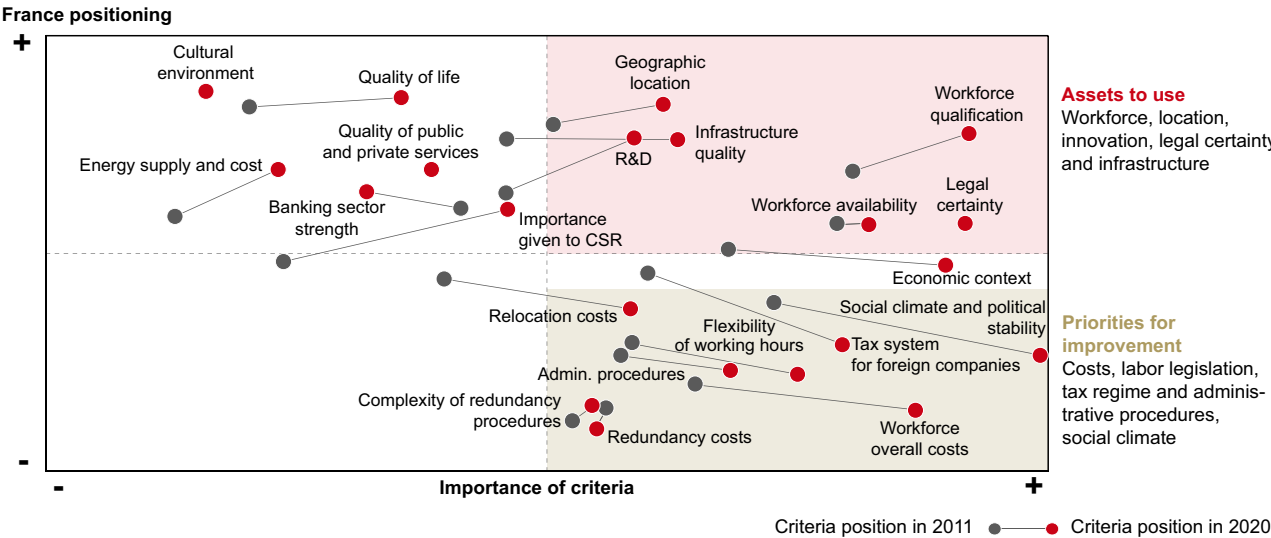
France's strengths and weaknesses in 2020 are very similar to previous years. The cultural environment, quality of life and geographic location are the main strengths; redundancies (costs and procedures) and labor costs are the main weaknesses. These weaknesses, which are persistent and particularly troublesome in a context of crisis, are contributing to the decline in France's attractiveness this year.

Regarding those factors, how does France compare with other European countries?



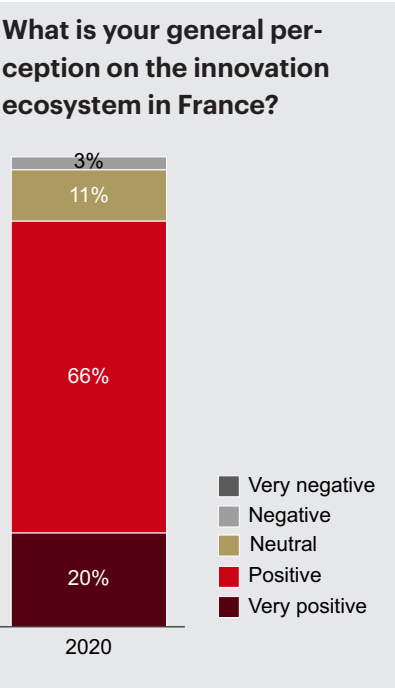
Priority levers to strengthen France's attractiveness

In 10 years, France has been able to consolidate or make use of its strengths (workforce quality, geographic location, infrastructure, innovation), without however managing to reverse the trend in terms of its structural weaknesses, which are perceived as obstacles for investment decisions by American companies. Improving the labor climate, adapting the tax system, and decreasing labor costs are still the main ways to improve the country's attractiveness.

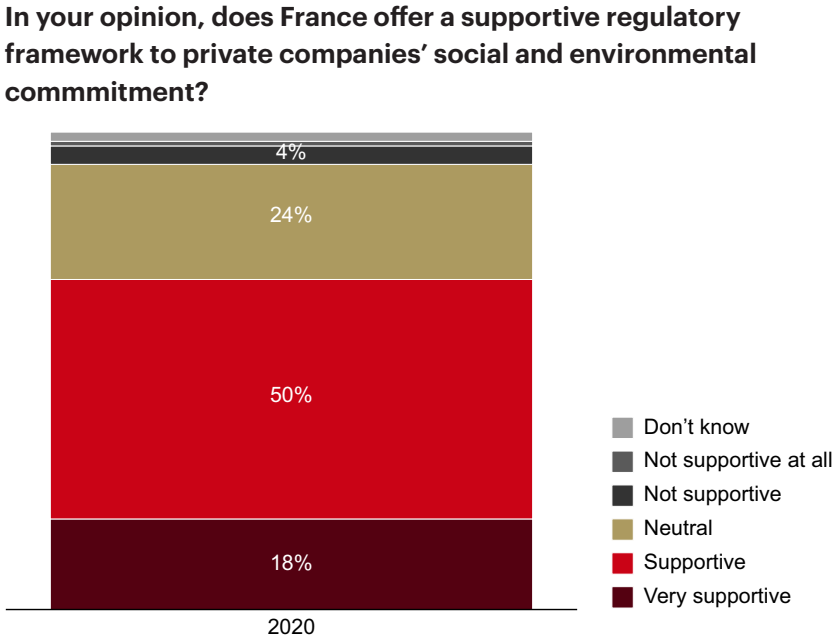
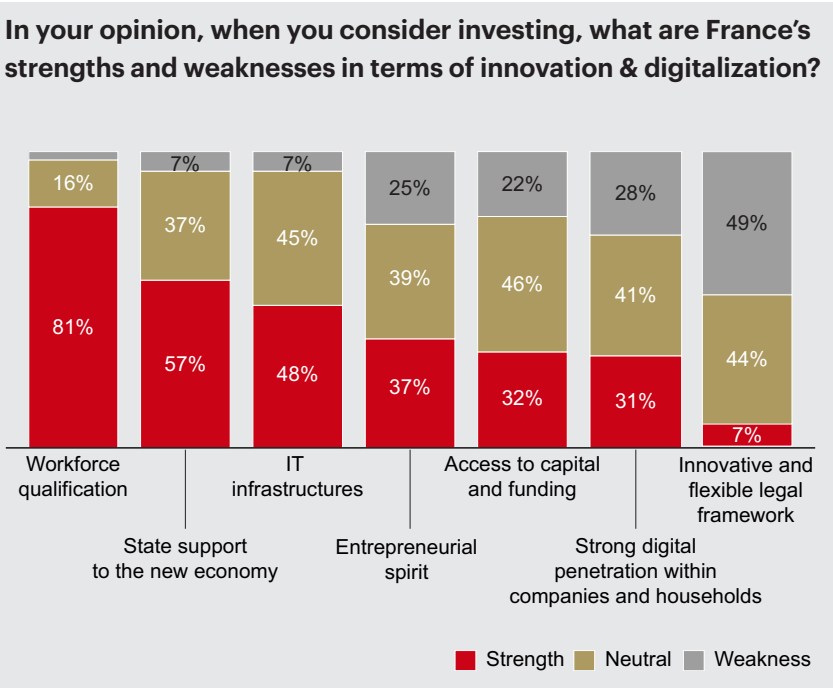


An economy focused on the future

Once again this year, American investors’ perception of the French innovation ecosystem is positive (for 86% of respondents) or very positive. In particular, investors praise the workforce qualification, government’s support for the new economy and IT infrastructure, which are respectively cited as France strengths by 81%, 57% and 48%. Concerning access to capital and financing, they frequently mention the relatively easy access to initial financing (Seed and Series A) but the difficulties encountered in financing scale-ups, a field in which the United States, on the other hand, excels.



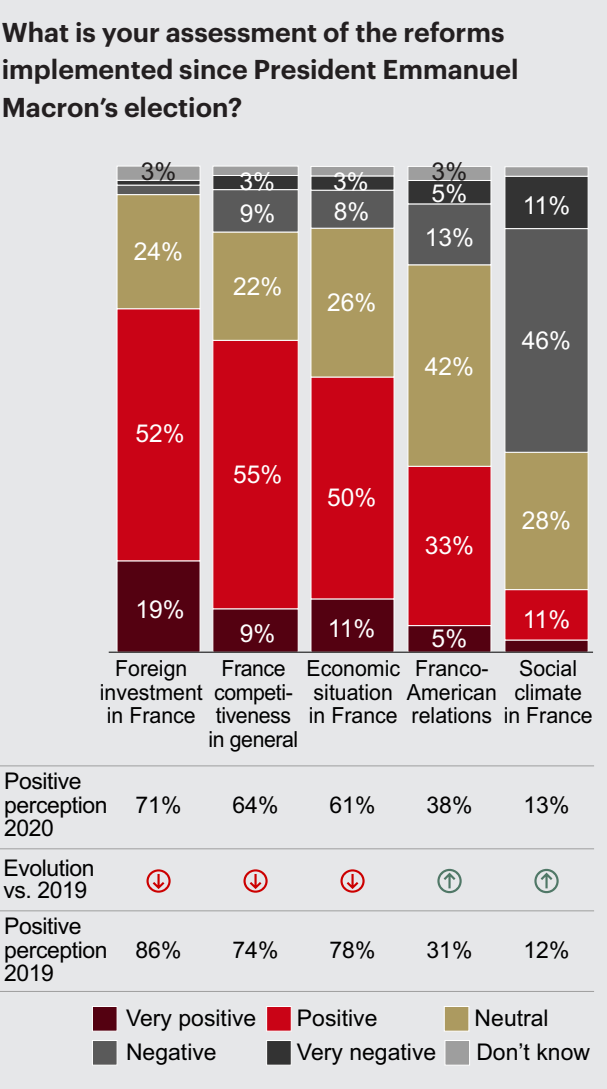
Another key topic for the future, CSR, is at the forefront of France’s strategy, since nearly 70% of investors consider the regulatory framework to be conducive to companies’ social and environmental commitment, but still deplores the lack of predictability of environmental legislation.



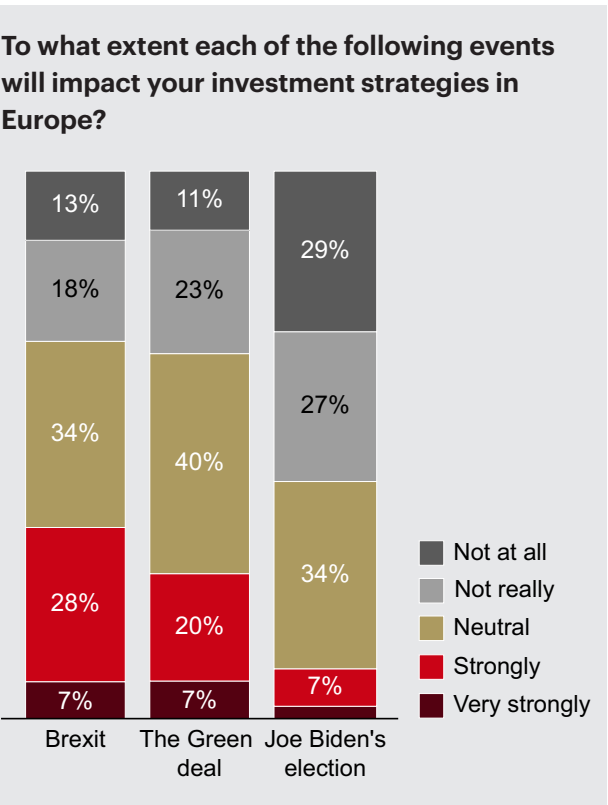
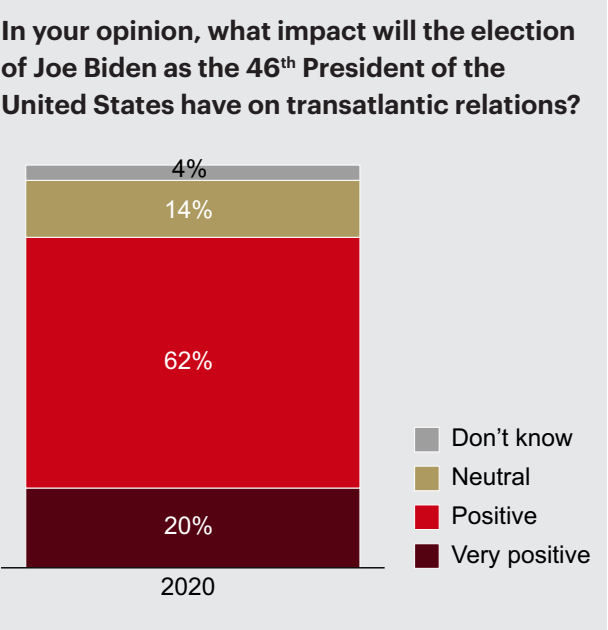
Excluding Covid, 2020 was also:

2020 showed a pause in the governmental reforms governments. In this context, investors fear that the reforms needed to boost France’s attractiveness could be postponed, or even cancelled. 71% of them still have a positive perception of these reforms, but it is 15 points less than in 2019. On France’s competitiveness and the economic situation, the positive perception respectively loses 10 and 17 points to reach 64% and 61%. These figures, even if they remain good, should alert the government on investors’ expectations for the country to continue implementing the reforms.

The pause in reforms also marks a slight relief in the social climate in France, but it is still negatively perceived by 57% of investors.



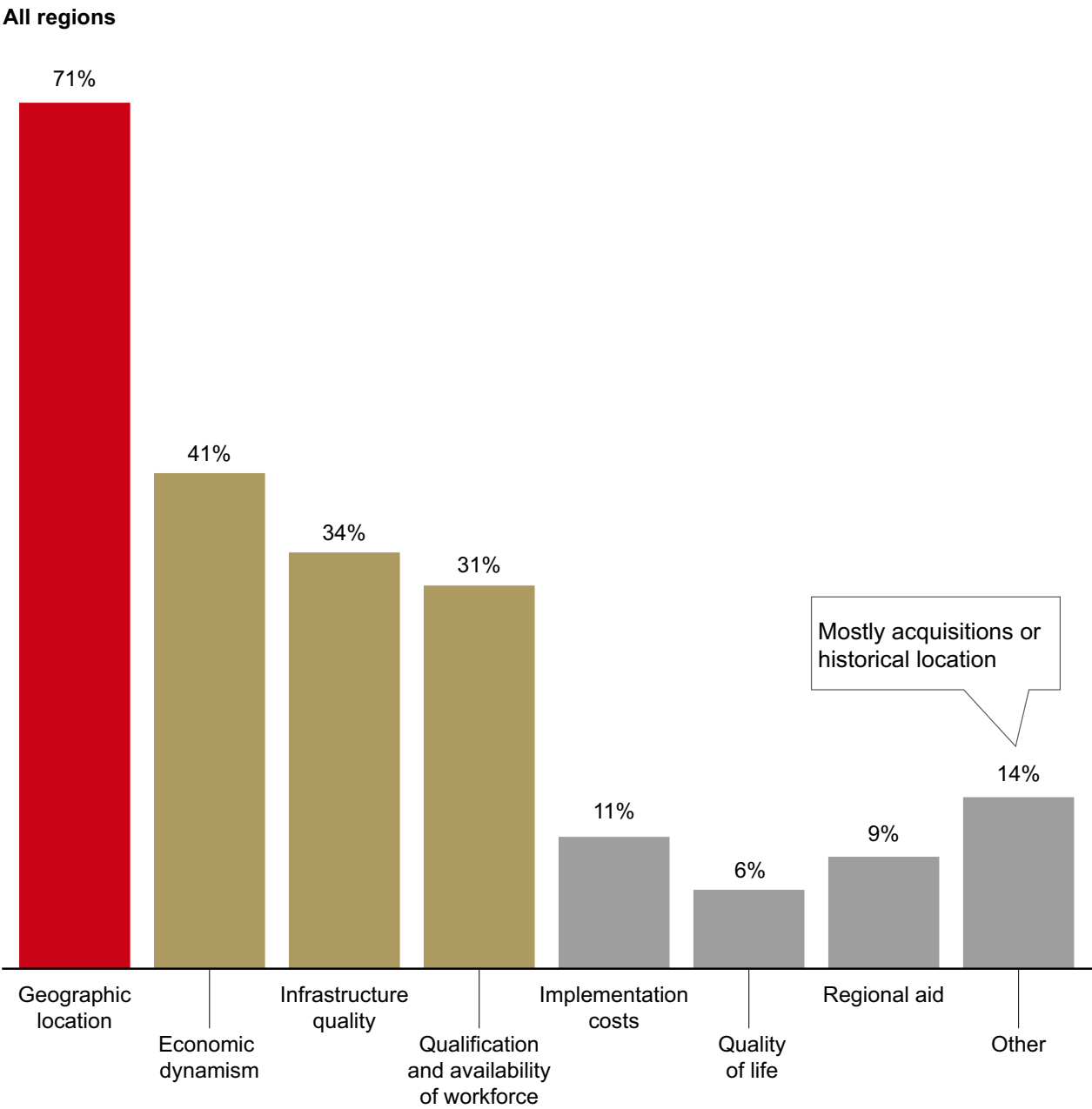
According to 82% of American investors, the election of President Biden will have a positive impact on transatlantic relations. However, they believe that this event will have less impact on their investments than the Green Deal and than Brexit (especially), which will have a strong or very strong impact for 35% of investors against 9% for the election of Biden.



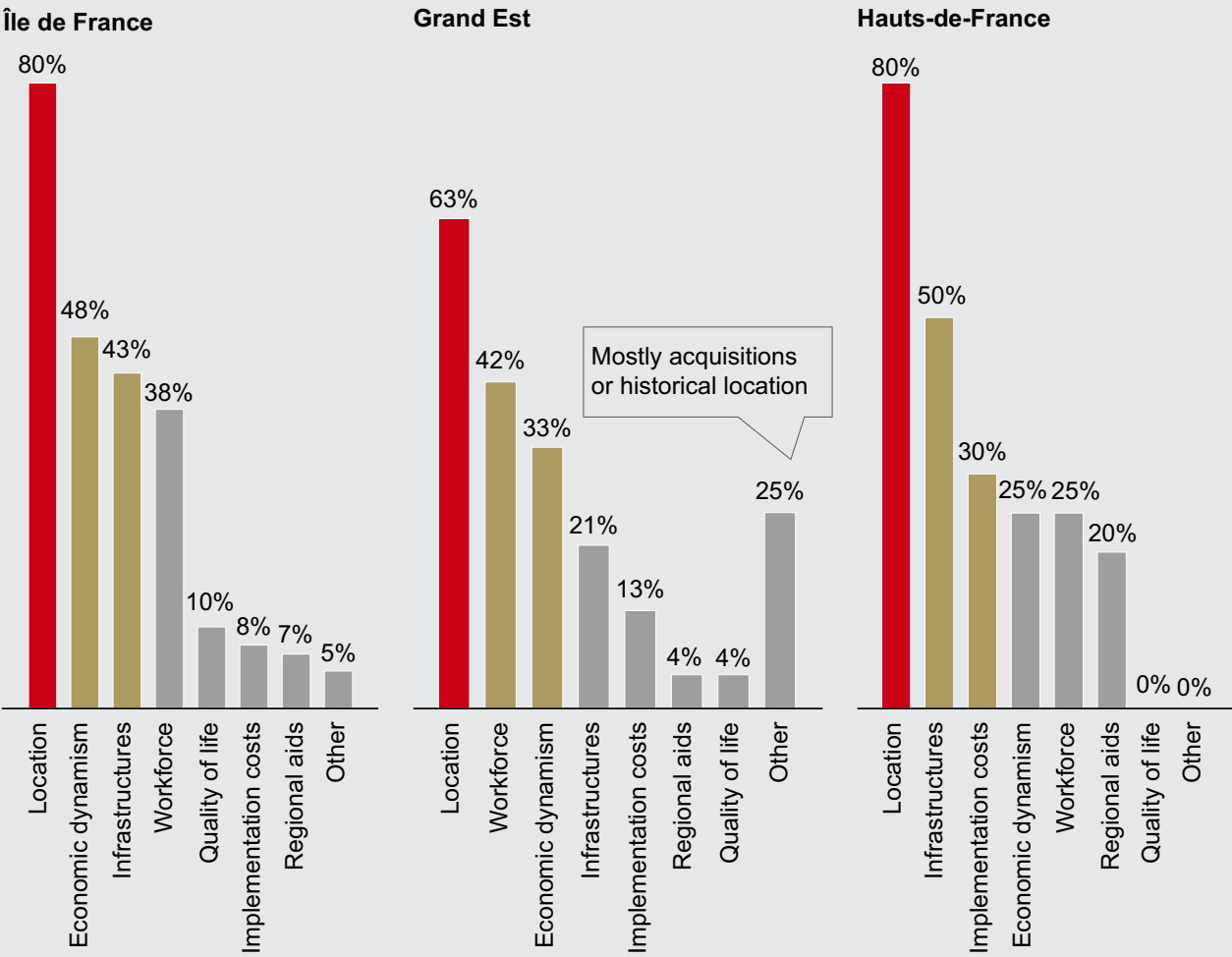
France and its regions

To explain their choice of settling in a particular regions, American investors overwhelmingly favor geographic location as one of the three most determining factors for >70% of investors. The economic dynamism of the region, the quality of the infrastructure, and the qualification of the workforce are cited as the other key criteria for settlement decisions by 30 to 40% of investors. The policies and actions carried out in terms of attractiveness by the Grand Est and Hauts-de-France regions convince a majority of investors.

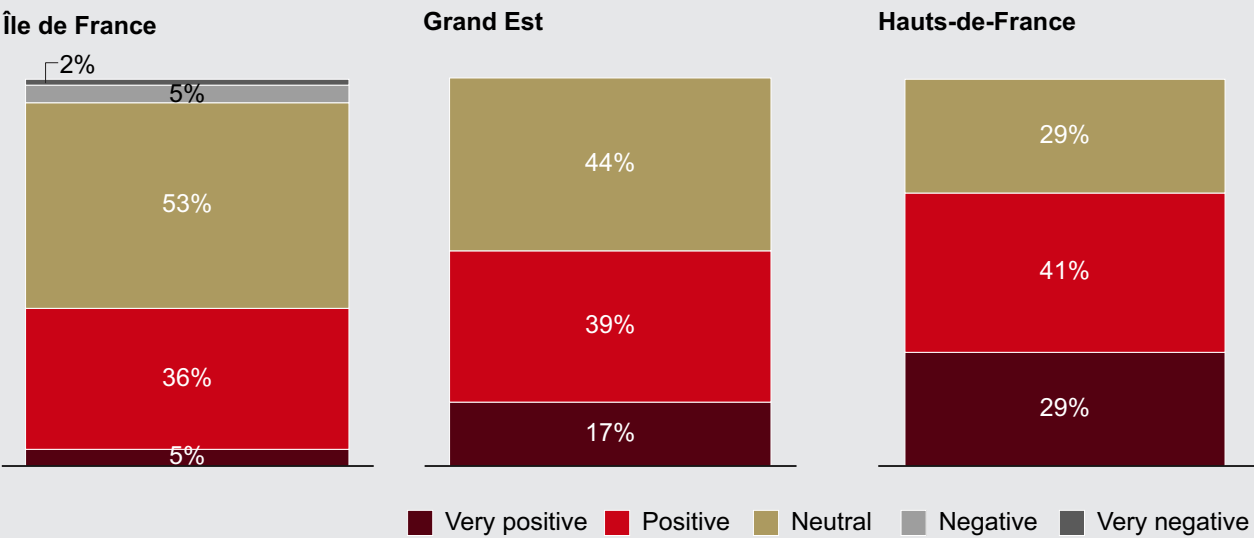
For the regions you settled in, what were the main determining factors (maximum 3)



For the regions you settled in, what were the main determining factors (maximum 3)



Are you satisfied with the policies and actions carried out by the regions in which you are located to attract foreign investment?



Focus – impact de la COVID-19

In line with the relative optimism regarding the economic environment for the next 2-3 years, more than ¾ of US investors believe that it will take 2 years or less to return to an economic activity comparable to 2019. More than 1/3 even think they could reach that level in less than a year.

A violent crisis, but only temporary and without consequences for France in the long run? Nearly 60% of American investors believe that the Covid crisis will not have any impact on their investments in the medium term. In particular, they note that the crisis has led them to postpone some investment decisions but should not cause them to change course. 24% nevertheless think they will reduce their investments, particularly because of the post-crisis restructuring that will be necessary.

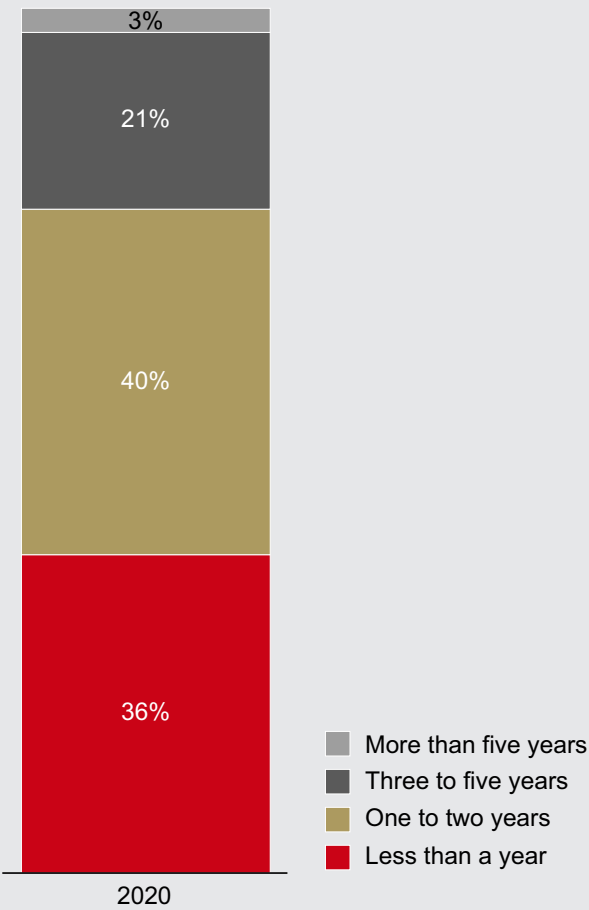
The government supporting the economy...

In an economy that has been slowing down since March 2020 and the first lockdown, U.S. investors are praising the support measures implemented by the French government. 96% of them find these measures as competitive, or even more competitive, than the measures implemented by of other European countries. Indeed, more than half of American investors (53%) consider that these measures are more competitive compared to the rest of Europe. Investors also positively welcome the recovery plan. 96% of them consider it “as competitive” as the other European countries or more with 39% of them finding it more competitive.

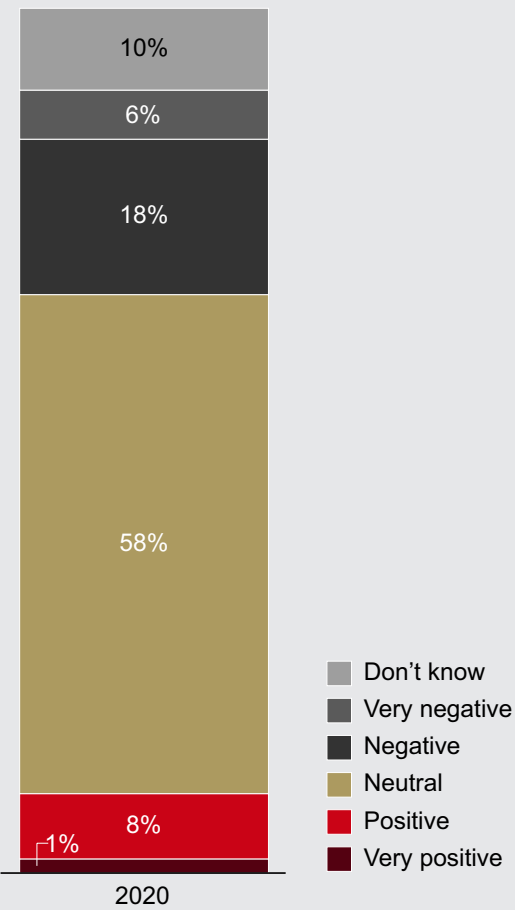
... but triggering a debt deepening

The consequence of these ambitious support measures is the substantial increase in public debt, which worries 70% of American investors. They fear strong fiscal adjustments in the coming years to offset this spending.

In your opinion, how long will it take your company to return to its pre-Covid-19 economic activity level?

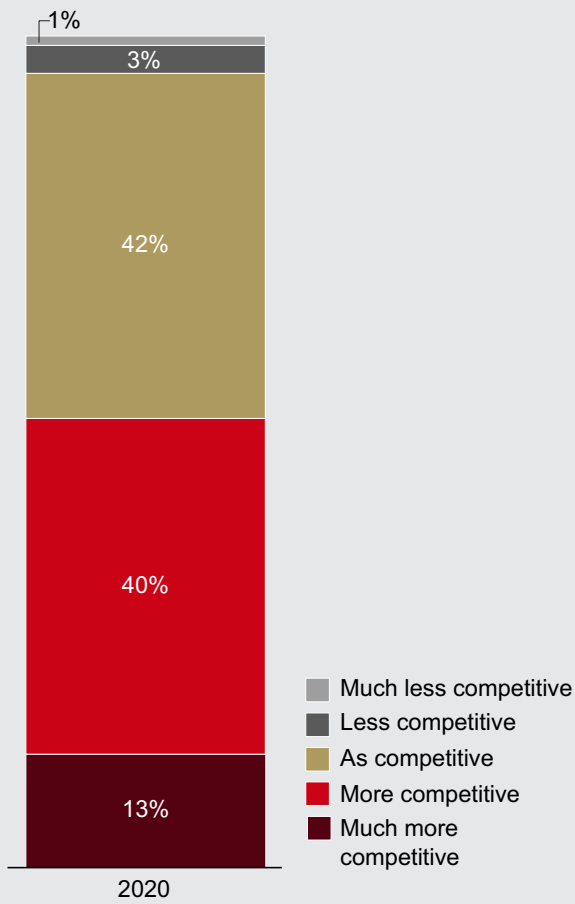


What will be the impact of the Covid-19 crisis on your investments in France in the medium term?

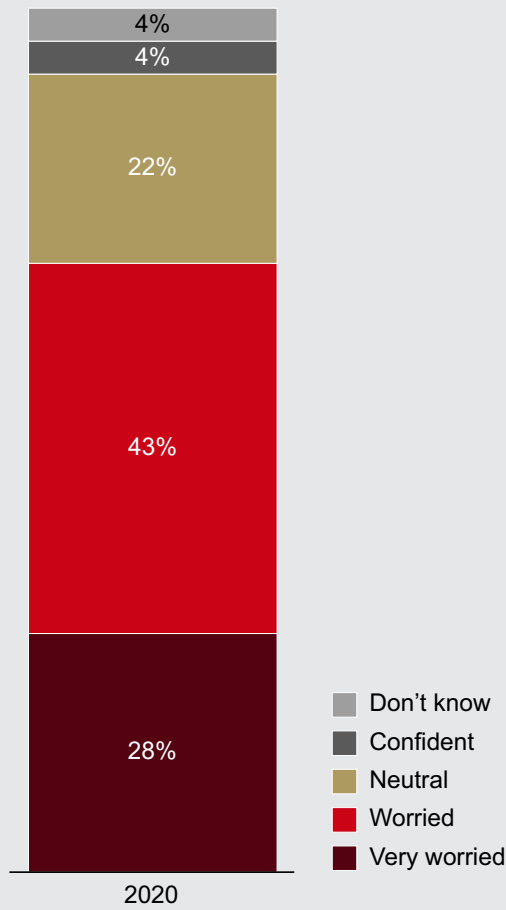


How did your headquarters perceive the measures taken by the French public authorities to support companies since the beginning of the Covid crisis?

In comparison with other European countries



What is your opinion regarding the public debt?





AmCham recommendations

The 2021 AmCham-Bain barometer took place in a very atypical period. It is therefore essential to keep this in mind when reading the barometer results this year, as the different trends may be impacted by this changing context in the coming months, which may result in the acceleration or delay of certain factors.

1.

Enhancing the strengths of French regions

In the current context, the regions have demonstrated great agility and proximity to their populations and industries, and these are now more than ever key factor for France's attractiveness.

Relying on its members companies settled in the regions, AmCham France will intensify its efforts to promote the regions in the relocation of certain industries and in the implementation of new growth opportunities pursued by the government in association with regional executives and local officials.

AmCham France recommends to better promote the assets and policies implemented by the regions to attract investments by giving them more visibility among international investors.

In this perspective, AmCham France encourages the **creation of a status of Regional Investment Ambassador**

that could be awarded to CEOs of American companies with a strong regional footprint who could testify about the success of their own installation and promote their development.

AmCham France is committed to keep on surveying U.S. companies located in the regions to better understand their needs and expectations and to share this information with regional executives.

AmCham France will partner with the U.S. Consulates and the U.S. Embassy in France to actively strengthen the attractiveness of the regions.

2.

Seizing the crisis as an opportunity to strengthen the attractiveness of labor market

Employment and labor law are seen as obstacles for investment in our country. After a sizeable improvement in recent years, especially since the 2017 labor law, it is clear that the procedures are still perceived as somewhat complex and that the lasting instability of the social climate has finally taken its toll. This appears clearly in this year's edition of the barometer.

However, the societal transformation that is taking shape in the light of the crisis may provide an opportunity to imagine

new entrepreneurial frameworks for career and labor management. With its resources and talents, there is an opportunity for France to emerge stronger from these challenging times. Telework must therefore be seen as an opportunity and not as a threat.

AmCham France commits to initiate a reflection in this subject in order to come up with concrete proposals by the second half of 2021 that can be acted upon by the public authorities.

3.

Transforming ecological transition and inclusion into drivers of attractiveness

AmCham France applauds the impulsion of the Recovery Plan, which makes the ecological transition a driving force for economic recovery.

Today, 69% of American investors believe that France offers a regulatory framework that is conducive or even very conducive to the societal and environmental commitment of companies. We are convinced that France can play a major role in promoting the ecological transition in Europe and around the world by making this transformation a real driver of attractiveness for companies. It is all the more important in a time when ecological transition is such a key topic for the transatlantic relations and when society

expectations towards companies take a global scale.

However, in order to make the ecological transition and inclusion a driving force for attractiveness, **it is essential to highlight innovative initiatives led by companies, while strengthening consultation and collaboration between different economic sectors. The promotion and encouragement of co-creative approaches will favor the emergence of innovative, even disruptive, solutions, which constitute one of the keys to a sustainable and successful ecological transition today.**

4.

Pursuing the ambitious impulse for innovation

AmCham France welcomes and encourages the continued commitment of the government to support the new economy, particularly in the face of the crisis. These ambitious policies play an essential role in France's international influence and the success of French Tech, while strengthening the competitiveness of the French innovation ecosystem. Proof of this is the fact that 86% of investors have a positive or very positive perception of this ecosystem.

However, it has become clear in recent weeks that France does not nurture the necessary risk culture for a successful innovation policy. It is essential to change this mindset and to direct savings towards innovative companies with structured

mechanisms that favor them. This key to maintain research in our country and to foster joint investment opportunities from abroad, and from the United States in particular. When it comes to innovation, it is crucial to remember that France and the US are true partners.

AmCham France advocates for an easier access to capital and financing, encourages companies (especially SMEs) to continue their digitalization, continues to support the development of an entrepreneurial culture while working to adapt a regulatory framework that is increasingly favorable to innovation and venture capital.

5.

Maintaining investors' confidence by ensuring regulatory and tax predictability

AmCham France welcomes the 20 billion euro reduction in Production Tax and the progressive reduction of the Corporate Income Tax rate to 25% by 2022. We are convinced that these measures will allow France to considerably strengthen its attractiveness and we therefore believe it is more essential than ever to maintain these commitments over the long run.

In the same way, for 70% of investors, French public debt is a source of concern.

Facing these uncertainties and the risks they pose to investment dynamics, AmCham France invites the government

to reassure investors by giving them more visibility on the policy measures considered to meet these challenges. France's operating debt should be clearly dissociated from the investment debt associated with the Covid crisis.

Moreover, even when some overriding international policy objectives are pursued, the consistency of the discourse and the signals sent are essential to France's attractiveness. **AmCham will join in the pursuit of this delicate balance.**

Methodology and interviewed American investor profiles

AmCham France published the first survey on the satisfaction of American investors in France in 1995. With the collaboration of Bain & Company, the Barometer became an annual event in 1999.

The AmCham-Bain Barometer, which is in its 21st edition in 2021, meets 3 objectives:

- To measure from one year to the next the satisfaction of American investors in France and their perception of the economic environment
- Understand the strengths and weaknesses of France for U.S. investments as well as the “drivers” and “deterrents” of living in France for U.S. employees.
- Gather the opinion of American investors on topics that made the economic news in France, including the exceptional situation related to Covid-19.

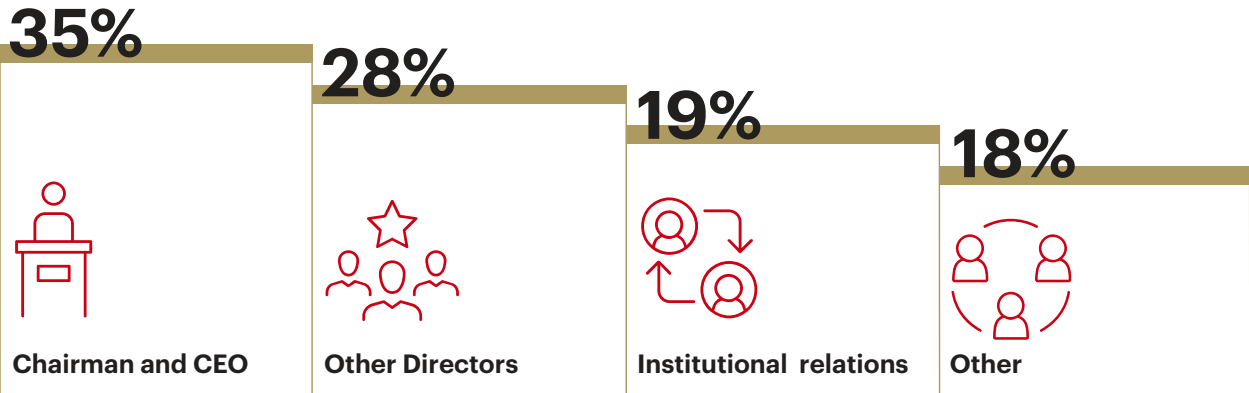
Between December 2020 and January 2021, we shared a questionnaire with the managers of most French subsidiaries of American companies.

We collected 124 responses from companies representing a total of more than 58,000 employees in France and more than 54 billion euros in sales in France.

The sample of responding companies is balanced and representative, both in terms of company size, sector of activity and geographic location in the Ile-de-France region or in the regions: it includes 42% of companies with more than 1,000 employees in France, 42% of companies who have between 100 and 1,000 employees, and 16% of companies with less than 100 employees.

The most represented sector is the chemical/parachemical sector (15% of respondents) followed by research and consulting firms (14% of respondents). The pharmaceutical, IT and transport sectors each make up 10%, 9% and 8% of the sample. Among the other sectors represented, we can cite food processing, heavy industries, legal advice and tourism. The typology of the respondents is shown in the graph below.

They are mainly managers: presidents and directors of companies (35% of the sample) or other members of management committees (28%).



About



AmCham in France

AmCham France was founded in 1894 to promote economic exchanges between France and the United States. As an association, AmCham France offers a unique space for networking to foster exchange and promote constructive thinking, acting as a bridge between political, economic, and academic circles.

Today, it brings together leading French and American companies, as well as numerous academic and economic partners, attached to fostering the transatlantic relationship. Independent of any government and convinced that businesses have a crucial role to play in bringing new ideas to the public debate, AmCham France develops concrete proposals to meet the major societal, economic, and environmental challenges.

As such, AmCham France is committed to strengthening France’s attractiveness. On behalf of its members, AmCham France works with public decision-makers to develop and consolidate a French environment that is favorable to international companies, particularly American companies, which are the leading foreign investors and employers in France.



Bain & Company

Bain & Company is the international consulting firm that helps ambitious executives transform their companies into pioneers of tomorrow’s world.

Through 59 offices in 37 countries, we partner with our clients to achieve extraordinary results that enable them to outperform the competition and redefine their industry. Our integrated and customized expertise provides companies with access to a dynamic ecosystem that brings together the most innovative digital and technology players. With this approach, our clients achieve better, faster and more sustainable results.

Through our commitment to invest more than \$1 billion over 10 years in volunteer activities, we mobilize our talents, resources and expertise with non-profit associations and organizations to address pressing challenges in education, racial and social equity, and economic and environmental development.

Since the founding of Bain & Company in 1973, we have measured our success by the companies that have placed their trust in us: we are proud to have the highest recommendation rate in the consulting industry.

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