



PRESS RELEASE

## 21<sup>st</sup> ANNUAL AMCHAM-BAIN BAROMETER

### **France's attractiveness to American investors in 2020: The relatively well-absorbed impact of the global pandemic nevertheless revives old demons**

**Paris, February 11, 2021** – Today, AmCham (American Chamber of Commerce in France) and the consultancy Bain & Company published the 21<sup>st</sup> annual AmCham-Bain barometer, which measures the attitudes of American investors in France and their perception of France's attractiveness and its economic environment.

It highlights six key figures this year:

- 1. France's NPS dropped by 8 points**, from -12% in 2019 to -20% in 2020, with France's promoters remaining stable, but its detractors on the rise.
- 2. About 40% of American investors anticipate a positive upturn** in France's economy in the next 2-3 years.
- 3. 54% of American investors see the social climate as a weakness** that hampers their investment decisions in France.
- 4. 96% of American investors are in favor of the government's support measures** for companies in France, along with the recovery plan. However, 70% express concern about the growing public debt.
- 5. Three out of four American investors expect their business activities to recover** to their pre-crisis level within the next two years. More than one third even see a return to normalcy in less than a year.
- 6. 85% of American investors have a positive or very positive perception of France's innovation ecosystem.**

#### **Perception: France's image remains attractive, but opinions are more polarized**

- **A solid base of promoters, but a growing number detractors.**

Compared to the previous year, France seems to have absorbed the pandemic's impact relatively well, with its NPS down eight points, from -20% to -12% in 2020. This NPS remains higher than over the entire 2009-2016 period, a good score that can be explained by the reforms implemented since 2017 and welcomed by more than 70% of investors. The number of France's prescribers has remained relatively stable at 16% (compared to 17% in 2020). The share of detractors, however, went up seven points, drawing from the share of neutral investors.

- **The pandemic has exposed longtime frustrations concerning France.**

Although 48% of investors believe that their group has a good or excellent opinion of France, this number dropped for the first time since 2015 and is at its lowest level since 2017. Last year, nearly 65% had a good opinion of France.

The global pandemic has also resulted in more polarized opinions. In 2020, about 40% of American investors expected a positive upturn in France's economy in the next two to three years, which is only two points less than in 2019. However, 23% of them, 12 points more than

in 2019, expected a downward trend. The economy alone is not enough to explain this decline. Investors point out France's traditional frustrations and "old demons" - such as difficult social climate, taxation, labor costs, work flexibility and administrative complexity - and these are resurging into their perception.

Considering these uncertain times, the fear of seeing the country sink into the “French paradox” seems to be reappearing in the perception of American investors. This reflects the perception of a France that has successfully absorbed the impacts of past crises with the help of its generous social and economic model but is slow in seizing opportunities—or freezes altogether—when the whole world gets back to work.

- **The social climate is becoming the main criterion on the minds of American investors.**

*“One of the weaknesses identified in the AmCham-Bain barometer in recent years now takes center stage in 2021. Ranked the 5th most decisive criterion in the investment decisions of American companies in 2019, the social climate was unanimously their top criterion in 2020. 54% of American investors go so far as to say it inhibits their investments in France, compared to other European countries,”* observes **Marc-André Kamel**, Vice-President of **AmCham France**, Partner at **Bain & Company**, and co-author of the Barometer. In addition, the law on employment terminations and its complexity are still perceived as a weakness, despite reforms made by the government at the start of President Macron’s term in office. An increasing number of them mention the complexity of the procedures (73%) and their costs (80%).

### **Projection: cautious optimism, after a 2020 on pause**

Year after year, the results of the AmCham-Bain Barometer show— beyond the current economy — that American investors prefer predictability and long-term stability as part of a long-term investment outlook. Since 2017, they have welcomed the many reforms and lower production taxes that have made investment conditions more attractive in France, and they do not fault the pause in reforms during an extraordinary 2020. Even still, while their perception remains positive, the positive shift observed since 2017 is not to be taken for granted. Despite the current volatility and the uncertainty surrounding our emergence from the global pandemic, American investors are calling for more reforms.

- **American investors anticipate repercussions on the job front and a return to normalcy within two years.**

After years of optimism surrounding the creation of new jobs, American companies, France’s leading foreign employers, expect that they will have to pay for the aftermath of the Covid-19 pandemic. The many variants of Covid-19, the expectation of new lockdowns in the future, and the uncertainties associated with a sustained decline in Covid-19 cases are forcing companies to remain in permanent crisis management mode and rein in their short- and medium-term outlooks. Last year, 51% of them thought that they would increase their number of employees. This year, only 27% think so. Furthermore, this is the first time since 2016 that more respondents think that their number of employees will decrease (28% of investors). Many of them expect that they will have to adjust in the coming years to compensate for lower revenues in 2020.

Keeping with the relative optimism about the economy for the next two to three years, more than three quarters of American investors think that it will take them two or more years to return to 2019 business levels. More than one third even see a return to normal in less than a year. Nearly 60% of American investors believe that the Covid-19 pandemic will not have a medium-term impact on their investments. They note that the pandemic has caused delays in some investment decisions, but they do not expect a change of course. Nevertheless, 24% plan to reduce their investments, particularly due to the post-pandemic restructuring they will need to undertake.

- **Positive support for emergency measures, at the price of worrying debt.**

In an economy that has been sluggish since March 2020 and the first lockdown, American investors are in favor of the economic support measures put in place by the government. 96% of them find them to be as competitive as or even more competitive than the measures in other European countries. More than half of American investors (53%) consider these measures more competitive compared to the rest of Europe. The investors also support the recovery plan. 96% of them consider it as competitive or more competitive than in other European countries.

However, the positive reception of these ambitious support measures does not make them blind to the substantial increase in public debt, which worries 70% of American investors. They fear major tax adjustments in the coming years.

*“Despite some concerns that will have to be addressed, the pandemic has so far only slightly dampened the optimism of American investors about the attractiveness of France itself. France still seems to be well-positioned to compete in Europe. American investors are in favor of the government’s support measures and recovery plan. We must continue to pursue efforts toward simplification and consistency if we want to succeed!”* **Bijan Eghbal**, President of **AmCham France**, Partner at **DLA Piper**, and co-author of the Barometer.

- **The post-pandemic world: with technological innovation and CSR, France is competitive in Europe.**

Another positive result is that American investors’ perception of France’s innovation ecosystem is good (for 86% of respondents) or very good. Specifically, the investors cite the skilled workforce, government support for the new economy, and IT infrastructures as France’s strengths, at 81%, 57%, and 48%, respectively. As for access to capital and financing, they frequently mention relatively easy access to early (seed and Series A) funding, but difficulties are encountered with larger-scale financing, an area in which the United States, by contrast, excels.

Another strength of France is CSR, with nearly 70% of American investors considering the regulatory framework to be conducive to social and environmental commitments by companies. One fourth of the surveyed investors say that they are neutral on this issue, and only 5% report a negative perception. These results are encouraging, but greater efforts must be made in terms of a clearer, more consistent messaging, especially since most investors deplore the unpredictability of environmental legislation.

## **Recommendations and Commitments from AmCham France**

The AmCham-Bain 2021 barometer took place during an unusual time. This point is essential to keep in mind when reading this year's barometer results, since trends may be impacted by our present uncertainty in the coming months, which may accelerate or delay some factors. *"This barometer should undoubtedly encourage France to treat this pandemic as an opportunity to correct its ancestral shortcomings. France has everything it needs to succeed. AmCham will support France in its efforts to become more attractive to transatlantic investment"* says **Eglé de Richemont**, Managing Director of **AmCham France**.

### **1. Highlight regional strengths**

AmCham France encourages the creation of a Regional Investment Ambassador status that could be awarded to CEOs of American companies that have a strong regional footprint and are willing to testify to the success of their own undertakings and promote their development. AmCham France is committed to continuing to survey American companies operating in France to better understand their needs and expectations and share their findings with regional executives. AmCham France will partner with the consulates and the U.S. Embassy in France to foster the regions' attractiveness.

### **2. Treat the pandemic as an opportunity to make the labor market more attractive**

The societal transformation emerging from the current pandemic may be an opportunity to imagine a new entrepreneurial way of approaching careers and work. This is an opportunity for France—with all its strengths and talents—to come out stronger after this period of challenges and uncertainty. Remote work should be seen as an opportunity and not a threat. AmCham France undertakes to reflect on this and come up with concrete, actionable proposals for public authorities by the second half of 2021.

### **3. Transform the ecological transition and inclusion into drivers of attractiveness**

AmCham France welcomes the impetus of the recovery plan that will make the ecological transition an engine of economic growth and stress the need for an inclusive recovery. For the ecological transition and inclusion to make France more attractive, it is essential to highlight companies' innovative initiatives, while strengthening cooperation and collaboration between the various economic sectors. Promoting and encouraging co-creations also promotes the emergence of the innovative or even disruptive solutions that are currently one of the keys to a successful and sustainable ecological transition.

### **4. Continue the ambitious momentum for innovation**

AmCham France welcomes and encourages the government's ongoing commitment to support the new economy, especially in these difficult times. AmCham France recommends increasing access to capital and funding, encouraging companies (particularly midcaps and SMEs) to continue their digitalization, and continuing to support the development of an entrepreneurial culture while working to adapt the regulatory framework to support innovation and venture capital.



## **5. Maintain investor confidence by keeping regulations and taxation predictable**

AmCham France welcomes the €20 billion cut in production taxes and the gradual decrease in the corporate tax rate to 25% in 2022.

Given the uncertainty and risk that the public debt and social climate place on investment dynamics, AmCham France invites the government to reassure investors by giving them more visibility with respect to the measures and outlooks associated with meeting these challenges. France's operating debt should be completely separate from the investment debt associated with the Covid pandemic. Additionally, although some essential international policy objectives are being pursued, consistent messaging and signals are essential for France's attractiveness. AmCham will help with efforts to strike this delicate balance.

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### **About AmCham France**

AmCham France was founded in 1894 to promote economic exchanges between France and the United States. As a platform for meetings, discussions, and exchange, AmCham France brings together political leaders, business leaders, and academic leaders. Today, it brings together leading French and American companies, as well as academic and business partners committed to the transatlantic relationship. Independent of any government and confident that businesses play a crucial role in bringing new ideas to the public debate, AmCham France develops proposals to respond to major societal, economic, and environmental challenges and strives to strengthen 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.

More information at [www.amchamfrance.org](http://www.amchamfrance.org)

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### **About the Net Promoter® Score**

The Net Promoter® Score (NPS) measures the likelihood of recommending a product or company through a single question: "Would you recommend this product or company to your



friends or colleagues?” Respondents provide a score of 0 to 10 in response, allowing them to be classified into three categories: prescribers (9-10), neutrals (7-8), and detractors (6 and below). The NPS is the difference between the percentages of “prescribers” and “detractors”. Net Promoter® is a registered trademark of Bain & Company, Inc., Fred Reichheld, Satmetrix Systems, Inc.

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