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FRANCE ATTRACTIVENESS SCOREBOARD

BUSINESS ENVIRONMENT

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2023

BUSINESS ENVIRONMENT

France's administrative and regulatory environment has become much more modern in recent years, following major reforms that are still ongoing. Thanks to its modern and efficient e-government services, the French government can now support projects by private key players and individuals more easily.

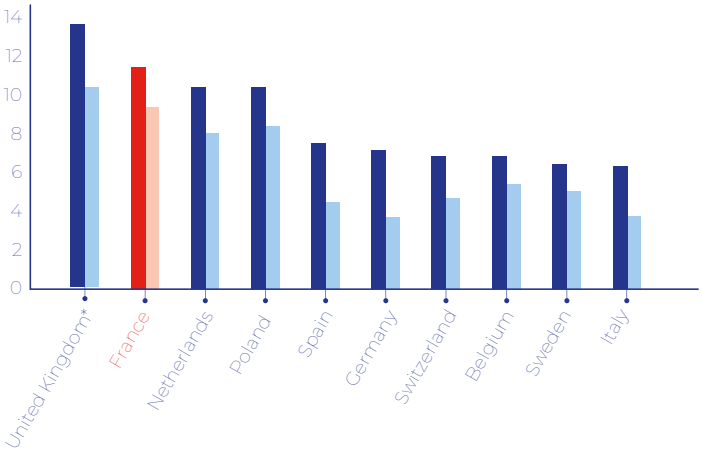
The Paris market is characterized by significant activity across all segments of financial intermediation: banks, insurance and asset managers. In addition, France has internationally recognized private equity players, while its venture capital industry, essential for strengthening the creation of new businesses in innovative technology sectors, is particularly strong.

Finally, Paris is a leading place of law in the world, recognized in particular in the field of arbitration, the defense of intellectual property and thanks to the judicial system particularly adapted to the treatment of commercial disputes, including in English.

The business ecosystem is buoyant in France. This can be seen by the high number of business creations, which contributed to the growth in the net number of businesses in France. Moreover, in 2020, the year of the Covid-19 health crisis, France experienced the strongest rate of net business creation among the countries in our sample. This dynamic affects all sectors, including manufacturing. In 2020, France experienced a net enterprise growth rate of 5%, while Germany, Spain and Italy saw their net population of businesses in the sector decrease.

FIG. 1

ENTERPRISE STARTUP RATE (2020)



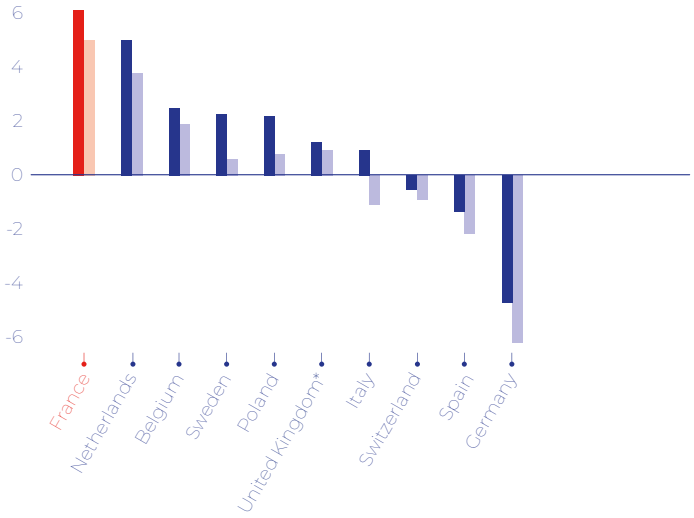
● Total market economy ● Manufacturing industry

* Data for 2018

Source: Eurostat, 2022

FIG. 2

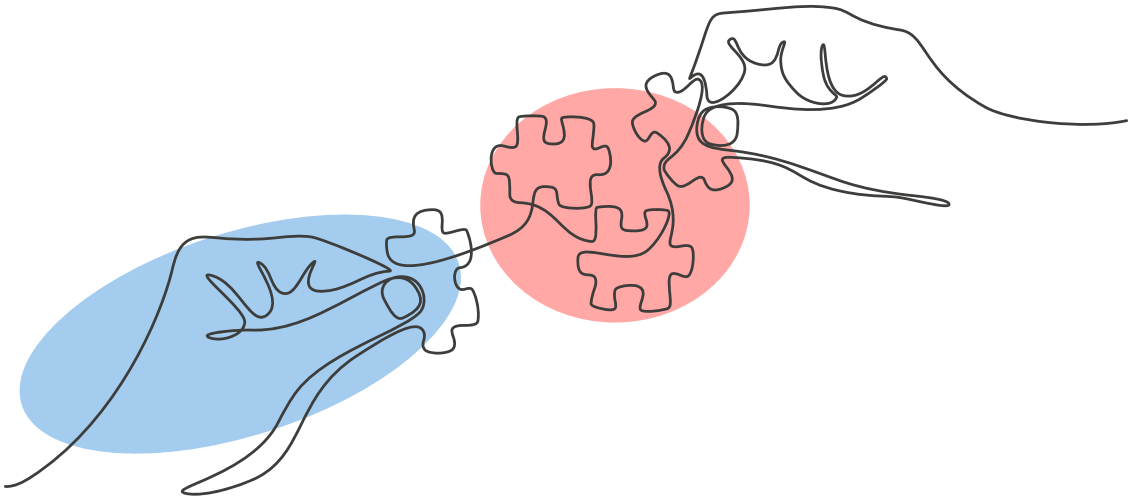
NET GROWTH IN ACTIVE ENTERPRISES (2020)



● Total market economy ● Manufacturing industry

* Data for 2018

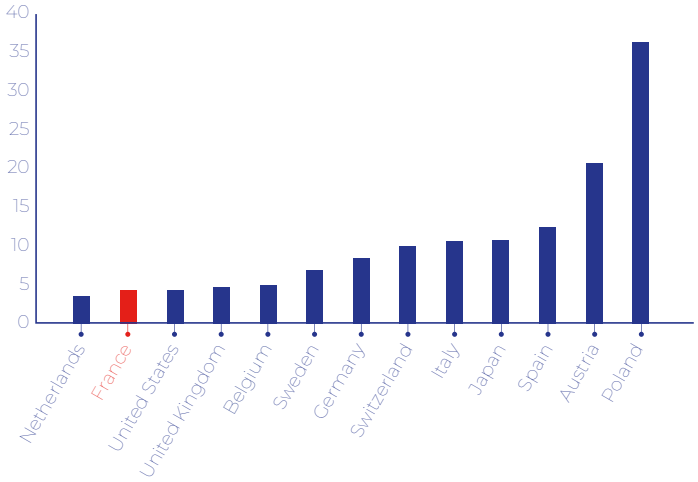
Source: Eurostat, 2022



The strength of business creation is favored by the country's administrative environment and in particular the facilities for business creation. The annual IMD rankings (Institut de Lausanne) places France among the fastest countries in which to create a business: it takes just four days to launch a business, the same as in the United Kingdom, but less than in Germany (eight days) and Switzerland (10 days).

FIG. 3

NUMBER OF DAYS NEEDED TO CREATE A BUSINESS (2022)



Source: IMD, World Competitiveness Yearbook 2023

A SERIES OF REFORMS TO SIMPLIFY LIFE FOR BUSINESSES AND REMOVE ADMINISTRATIVE OBSTACLES TO THEIR GROWTH: ACTION PLAN FOR BUSINESS GROWTH AND TRANSFORMATION (PACTE)

The PACTE Act, adopted in 2019, paved the way for the simplification of business formalities thanks to the establishment of a **single one-stop shop** (formalites.entreprises.gouv.fr): it is now possible to register your business entirely online. **The National Business Register (RNE),** active since January 2023, centralizes all information relating to businesses, compared with the four registers previously used, depending on the nature of the business.

The **social thresholds** for SMEs (fewer than 250 employees), triggering obligations for employers, have been **grouped** into three levels (11, 50 or 250 employees), and the methods of calculating the number of employees have been standardized.

An increase in **the thresholds for the legal audit** of accounts also took place, with new thresholds modeled on European thresholds.

The distribution of **legal announcements** is now offered by specialized online press services.

Finally, the PACTE Act contains various measures to **mobilize savings products for the benefit of business financing** (in particular on employee savings, which have been modernized and made more attractive), as well as to facilitate the **transfer of businesses.**

Successive labor law reforms, including the **2018 labor rulings,** have also made it possible to simplify the life of businesses, thanks to the creation of a **single social dialogue body,** but also by establishing a scale of compensation in the event of **unfair dismissal,** and reducing the time limit for contesting dismissal to one year.

With the ESSOC Act of 2018, new rights were set out for the benefit of a **facilitated relationship between users and administrations.** For businesses, the establishment of this principle of the right to error enables them to assert a "right to control" (ask an administration to control them to ensure that they comply with the regulations; conclusions rendered will then be enforceable, in the manner of a ruling). One million rights to make mistakes have been granted since 2018.

Likewise, the Labor Inspectorate no longer systematically sanctions inspected businesses for certain infractions, but issues a simple warning when there is no fraudulent intention.

Digital tools to help build the business plan

-To facilitate the establishment of industrial sites, the Act to Accelerate and Simplify Public Action (ASAP) of 2020 established **turnkey sites,** for which procedures relating to preventive archeology and environmental characteristics have been advanced. An interactive map allows you to view them, and the selection criteria are refined over time: **Dataviz.**

- To understand the **job market in a given region,** as well as the skills available, the **DataEmploi** platform was launched.

PARIS, A LEADING PLACE FOR LAW

In addition to the advantages of the French legal system, which is based on a system of civil law and serves as a reference for many legislators outside the borders, and the presence of seasoned legal professionals trained in comparative law, the Paris market has three comparative advantages for economic key players:

- Before the international chambers of the Paris Commercial Court and the Paris Court of Appeal, the parties to the disputes may apply either French law or, since 2018, **any other rule applicable to the merits of the case and communicate their plays or express themselves in English.** This attractive court system is particularly suitable for **international commercial disputes.**

- Paris is also one of the **leading international centers of arbitration:** the International Court of Arbitration of the International Chamber of Commerce (ICC) is in fact one of the most commonly designated arbitration institutions in international contracts.

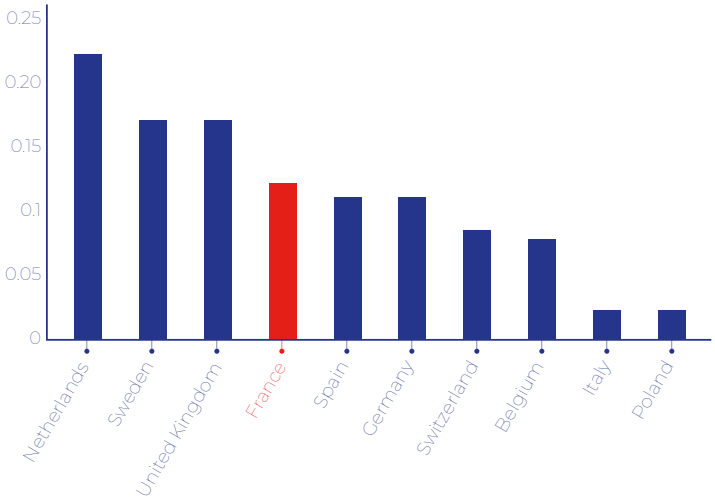
- France is home in Paris to the **headquarters of the central division of the Unified Patent Court (UPC),** which constitutes a single court with exclusive jurisdiction to hear disputes relating to European patents. The establishment of the UPC ended the need to initiate actions before national courts in the various countries involved in the dispute.

The rich financial environment is also a strong asset for the development of businesses in France.

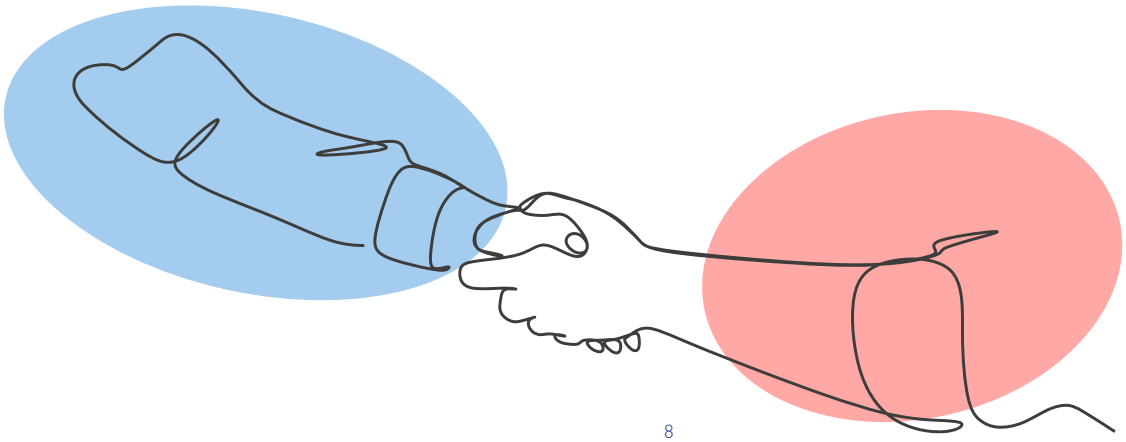
Investment in venture capital represented 0.12% of French GDP in 2021, placing France in fourth in our sample, after the Netherlands, Sweden and the United Kingdom, and opens up great financing possibilities for businesses that are setting up.

FIG. 4

VENTURE CAPITAL INVESTMENT (2021)
% OF GDP



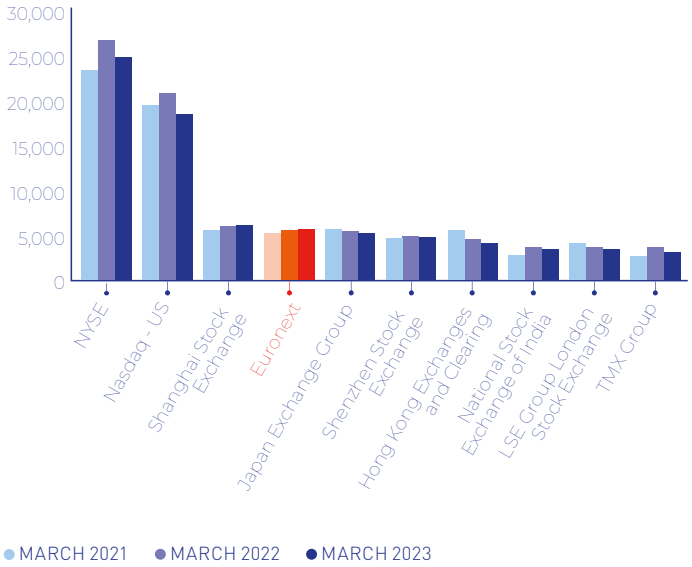
Source: OECD, 2022



Regarding the financial markets, Euronext, the operator of the Paris, Amsterdam, Brussels, Lisbon, Dublin and Oslo stock exchanges, continued its growth by buying the Milan stock exchange in 2021. Euronext is now the fourth operator worldwide and the leading European in market capitalization, with more than $5,700 billion in March 2023, an increase of 17% in two years.

FIG. 5

MARKET CAPITALIZATION OF THE 10 LEADING STOCK EXCHANGES
US$ BILLION

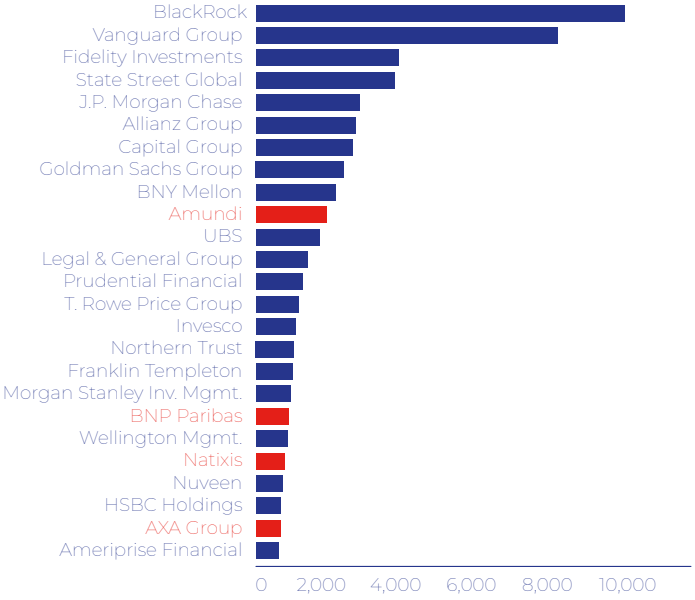


Source: World Federation of Exchanges (WFE), 2023

Asset management plays a major role in financing an economy to support growth and innovation. An economy with a developed asset management sector will ensure sound and multiple types of financing for its economy and key players. France has four investment funds in the Top 25 worldwide in terms of assets: Amundi, BNP Paribas, Natixis and AXA Group.

FIG.6

WORLD RANKINGS OF ASSET MANAGEMENT COMPANIES (2022)
TOTAL ASSETS BEING MANAGED (US$ BILLION) – TOP 25

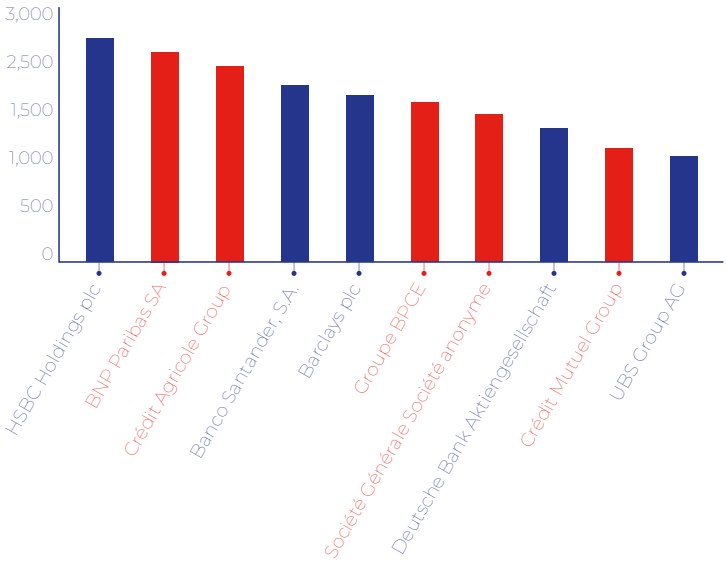


Source: The World's 500 Largest Asset Managers, Willis Towers Watson, 2023

On the banking front, the French model of universal banking, bringing together a wide range of professions within the same institution, has proven itself. France has six banks among the Top 20 European banks in terms of assets, including five in the Top 10. French banks have the highest combined assets, at almost €10,000 billion.

FIG. 7

EUROPEAN BANKING GROUPS
TOTAL ASSETS (€ BILLION) – TOP 10
DECEMBER 2022



Source: Europe's 50 largest banks by assets, S&P Global Market Intelligence, 2023

GLOBAL FINANCE PLAYERS RECOGNIZE FRANCE'S POTENTIAL BY INVESTING HERE

The Paris market has confirmed its attractiveness for financial services following Brexit. Proof of this was the opening of the **European Banking Authority** in La Défense in 2019, as well as the relocations of activities and highly qualified personnel from the world's largest banks (HSBC, JP Morgan, Goldman Sachs, Morgan Stanley, Bank of America) and asset management companies, such as BlackRock.

Revolut, one of Britain's largest unicorns, has experienced significant growth in France since 2021. The neo-bank has found in France the talent, the dynamic market and the ecosystem it needs to become the first financial super-app worldwide. In 2022, Fintech proved its strength and attractiveness by recruiting nearly 100 employees in just one year and obtaining the necessary regulatory approvals to offer complete banking services. Revolut's French business has grown by more than 50% in the last twelve months, with its new local branch making users three times more likely to deposit their salaries there. The success of Revolut in France reflects France's strength and its unique place to address the global market.

Checkout.com, Britain's first unicorn, has experienced exceptional growth in France. With a launch in 2019 in Paris, Fintech is growing rapidly and now employs nearly 200 employees in France. In addition to organic growth, Checkout.com acquired two French startups proving our entrepreneurs' strength and capacity for innovation. Checkout.com is determined to participate in the development of the entrepreneurial ecosystem, with its success being a sign of a bright future for them and for Fintech in France.

Methodology

Economic attractiveness can be defined as the ability to attract new business and mobile factors of production (capital, skilled labor, etc.) to a specific destination. This ability is related to a wide range of macroeconomic criteria.

This booklet takes its place in a set of themes that address different determinants of attractiveness in the form of a comparison of the main European economies competing with France: Belgium, Finland, Germany, Italy, the Netherlands, Poland, Spain, Sweden, Switzerland and the United Kingdom, as well as Japan and the United States.