EIB Group Survey on Investment and Investment Finance Country Overview: France
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About the EIB Investment Survey (EIBIS)
The EIB Group Survey on Investment and Investment Finance is a unique, EU-wide, annual survey of 12,500 firms. It collects data on firm characteristics and performance, past investment activities and future plans, sources of finance, financing issues and other challenges that businesses face. Using a stratified sampling methodology, EIBIS is representative across all 28 member States of the EU, as well as for firm size classes (micro to large) and 4 main sectors. It is designed to build a panel of observations to support time series analysis, observations that can also be linked to firm balance sheet and profit and loss data. EIBIS has been developed and is managed by the Economics Department of the EIB, with support to development and implementation by Ipsos MORI. For more information see: http://www.eib.org/eibis.

About this publication
This Country Overview is one of a series covering each of the 28 EU Member States, plus an EU-wide overview. These are intended to provide an accessible snapshot of the data. For the purpose of these publications, data is weighted by value-added to better reflect the contribution of different firms to economic output. Contact: eibis@eib.org.

About the Economics Department of the EIB
The mission of the EIB Economics Department is to provide economic analyses and studies to support the Bank in its operations and in the definition of its positioning, strategy and policy. The Department, a team of 30 economists, is headed by Debora Revoltella, Director of Economics.

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Disclaimer
The views expressed in this publication are those of the authors and do not necessarily reflect the position of the EIB.

About Ipsos Public Affairs
Ipsos Public Affairs works closely with national governments, local public services and the not-for-profit sector, as well as international and supranational organizations. Its c.200 research staff in London and Brussels focus on public service and policy issues. Each has expertise in a particular part of the public sector, ensuring we have a detailed understanding of specific sectors and policy challenges. This, combined with our methodological and communications expertise, helps ensure that our research makes a difference for decision makers and communities.
France

The annual EIB Group Survey on Investment and Investment Finance (EIBIS) is an EU-wide survey of 12,500 firms that gathers quantitative information on investment activities by both SMEs and larger corporates, their financing requirements and the difficulties they face.

As the EU bank, the EIB Group responds to the need to accelerate investment to strengthen job creation and long-term competitiveness and sustainability across all 28 EU member States. EIBIS helps the EIB to contribute to a policy response that properly addresses the needs of businesses, promoting investment.

This country overview presents selected findings based on telephone interviews with 602 firms in France in 2016 (July-October). Note: The results are weighted by value-added, reflecting firms’ contribution to the economy.

Key results

**Investment outlook:** High investment, expanding: a high share of firms (85%) invested in 2015. The investment outlook for 2016 is positive (except for the construction sector).

**Investment activity:** Over half of investment spending is for replacement purposes: 56% of investment goes into replacing existing buildings, machinery, equipment and IT. However, in terms of firms’ future investment priority, new products/services feature as prominently as replacement.

**Investment gap:** 17% of firms report having invested too little over the last three years, while only 4% found they invested too much. Firms’ average share of state-of-the-art machinery and equipment is low, at 30% (against an EU average of 44%), while on average firms say 27% of their building stock satisfies high energy efficiency standards (against an EU average of 40%).

**Investment barriers:** Uncertainty about the future and labour market regulations are the most cited long-term barriers to investment. Lack of availability of staff with the right skills, and business regulations also stand out as important barriers. This is similar to the results for the EU as a whole.

**External finance:** 5% of firms consider themselves finance constrained: the proportion of firms either dissatisfied with the amount of finance they received, had their application rejected, thought borrowing costs would be too high or were discouraged from applying; the EU average is also 5%.

**Firm performance:** Firms in France tend to be more productive compared to the EU average, in particular for firms in services and infrastructure.
INVESTMENT DYNAMICS

- 85% of firms invested in 2015, which is similar to the EU average.
- SMEs, particularly small firms, were less likely to invest than large firms.
- Firms in manufacturing were more likely to invest, compared with firms in construction and services.

Investment activity in last financial year compared to previous

- Compared to 2014, around one quarter (27%) of firms in France increased their investment activities in 2015, below the EU average of 34% and the joint lowest proportion EU-wide.
- 23% of firms reduced investment activities in 2015, which is higher than the EU average of 19%.
- The net investment balance of 4% (EU average 15%) is third lowest in the EU after Estonia and Romania.
For 2016, 35% of firms in France expect that their investment activities will increase, a figure similar to the EU average (34%).

25% of firms in France expect that their investment activities will decrease, which is again similar to the EU average (26%). In France the decline is stronger for construction than manufacturing and services).

The net expected investment balance for 2016 is therefore 10%, close to the EU average of 8%.

Within the investment cycle, most firms in France are placed in the ‘high investment; expanding’ quadrant.

Construction is the only sector in where the share of firms expecting to decrease investment activities outweighs the share of firms expecting an expansion.

Incidentally, construction is also the sector with the lowest share of firms that invested in 2015.

This finding of low activity in construction is consistent with macroeconomic data on investment.
INVESTMENT ACTIVITY

- As in the rest of the EU, investment in machinery and equipment accounts for the largest share (46%) of investment activity by firms in France.

- Compared to the EU, firms in France tend to invest a higher proportion in intangible assets, in particular in the training of employees (representing 17% of investment in France vs. 11% of investment EU-wide).

- However, compared to the EU as a whole, firms in France tend to invest a lower proportion in land, business buildings and infrastructure (11% vs. 15%).

Investment abroad

- Only nine per cent of firms invested in another country in 2015, which is similar to the EU average of 12%.

- This figure is particularly low for infrastructure, where 4% of firms invested abroad, whereas the EU average is 10%.

- In addition, 13% of large firms in France have invested abroad, compared to the EU average for large firms of 18%.
Over half of investment spending remains for replacement purposes, while spending to expand capacity is limited, in a context of low profitability and relatively high indebtedness of firms in France.

In 2015, the largest share of investment (56%) went into replacing existing buildings, machinery, equipment and IT, similar to the 53% share for the EU as a whole.

The share of investment for capacity expansion is very low, at 18%. It is the second lowest in the EU, after Estonia. The difference with the EU is particularly large for services.

Future investment priorities

Going forward, investment in new products and services is most commonly cited as a priority.

39% of firms state developing or introducing new products, processes or services as their main investment priority for the next three years. It is the highest share in the EU, where the average is 26%.

Only 14% of firms in France report that capacity expansion for existing products/services is their priority. It is the lowest share in the EU, where the average is 25% of all firms.
Overall, 78% of firms in France believe that their investment over the last three years was about the right amount, which matches the EU average.

17% of firms in France report having invested too little, which is similar to the EU average of 15%.

Only 4% report having invested too much, again similar to the EU average of 3%.

Findings are consistent across firms of different size and sector in France.

Only two in five firms (40%) report operating at or above maximum capacity in 2015, below the EU average of 51%.

The relatively low share of firms above normal capacity in manufacturing is noteworthy given their strong investment plans.

As in the rest of the EU, firms in France at or above full capacity are more likely to report that capacity expansion is a priority for the next three years, while they are less likely to report introducing new products, processes or services as their main investment priority.
- The average share of machinery and equipment owned by firms in France that is considered to be state-of-the-art is low, at 30%, and is below the EU average of 44%.
- France has the fifth lowest share in the EU, after Bulgaria, Poland, the UK and Lithuania.

- Firms in France report that on average 27% of their building stock satisfies high energy efficiency standards, compared to an EU average of 40%.
- France has the fourth lowest share in the EU, after Lithuania, Poland and Finland.
- For firms in services, the share of the building stock that satisfies high energy efficiency standards is particularly low, at 20%, compared to the EU average of 39%.
The political and regulatory climate is perceived as the main barrier to investment in 2016, as is the case in the EU on average, but the negative effect is larger in France.

The overall economic climate also appears to be a barrier to investment in France, while on balance it is seen as supportive across the EU as a whole.

Sector specific business prospects and availability of both internal and external finance are seen as clearly supportive, in France and in the EU.

The pattern is similar when focusing on firms that report that their investment over the past three years has been below needs.
• Uncertainty about the future and labour market regulations are perceived as the main long-term barriers to investment for firms in France, more so than across the EU as a whole.

• (Lack of) availability of staff with the right skills, and business regulations, also stand out as important investment barriers in France.

• Overall the pattern in France is similar to the EU-wide results.

Long term barriers by investment performance

- Firms that invested sufficiently
- Firms that invested too little

Uncertainty about the future
Availability of external finance
Adequate transport infrastructure
Business regulations
Labour market regulations
Access to digital infrastructure
Energy costs
Availability of staff with right skills
Demand for products or services

Base: All firms who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses), data shown for firms who said each was a major or minor obstacle

Q. Thinking about your investment activities in France, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

Long term barriers to investment

- A major obstacle
- A minor obstacle

Uncertainty about the future
Availability of finance
Adequate transport infrastructure
Labour market regulations
Access to digital infrastructure
Energy costs
Availability of staff with right skills
Demand for products or services

EU average

Base: All firms (data not shown for those who said not an obstacle at all/don’t know/refused)

Q. Thinking about your investment activities in France, to what extent is each of the following an obstacle? Is a major obstacle, a minor obstacle or not an obstacle at all?

These results are confirmed when focusing on firms that report that their investment over the past three years has been below their needs.

However, uncertainty about the future and availability of external finance are perceived as stronger long-term barriers for firms reporting to have invested too little (compared to firms that consider to have invested sufficiently).
Firms report the highest share of external finance in the EU (53% in France; EU average is 36%), and the lowest share of internal finance (44% in France; EU average is 60%), in a context of weak profit margins that may limit the capacity of self-financing.

Bank loans are the most common source of external finance, and firms report to be satisfied with the conditions for external finance.

**Type of external finance used for investment activities**

**Satisfaction with external finance**

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*Caution very small base size less than 30

Q. Approximately what proportion of your investment in the last financial year was financed by each of the following?

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Q. How satisfied or dissatisfied are you with ...?
There is a positive correlation between the type of external finance currently used and the type that firms would like to use more. In other words, firms in France want more of the type of external finance they are already using – namely bank loans, and to a lesser extent leasing.

A notable exception is overdrafts, as firms would like to use a lower share of this type of external finance.

Five per cent of firms in France consider themselves to be credit constrained, which is similar to the EU average.

The share of credit constrained firms in France is higher in services (9%) than in other sectors.

As in the rest of the EU, SMEs are more likely than large firms to report that they are finance constrained.
PROFILE OF FIRMS

Contribution to Value-Added

- In terms of the weighted size distribution, large companies account for the largest share of value-added (53%), similar to the EU average of 50%.

- Employment dynamics over the past three years are less favourable in France than the EU as a whole, as nearly as many firms in France have contracted as have expanded.

- Firms in France tend to be more productive compared to the EU average, in particular for firms in services and infrastructure.

Base: All firms

The charts reflect the relative contribution to value-added by firms belonging to a particular size class/sector in the population of firms considered. That is, all firms with 5 or more employees active in the sectors covered by the survey. Micro: 5-9 employees; Small: 10-49; Medium: 50-249; Large: 250+.

Employment dynamics in last 3 years

- Base: All firms (excluding don’t know, refused and missing responses)

Q. Thinking about the number of people employed by your company, by how much has it changed in the last 3 years?

Distribution of firms by productivity class

Share of firms by productivity class (Total Factor Productivity). Productivity classes are sector specific; they are defined on the basis of the entire EU sample (for a particular sector).
In 2015, aggregate investment is still some 5% below its 2008 levels.

Investment has remained relatively robust during the crisis, but there is a substantial investment gap with respect to the pre-crisis trend.

The household sector and investments in ‘other buildings and structures’ and ‘dwellings’ are lagging most compared to 2008.

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The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); against the series ‘pre-crisis trend. The data has been index to equal 100 in 2008. Source: Eurostat.

The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); by institutional sector. The data has been indexed to equal 100 in 2008. Source: Eurostat.

The graph shows the evolution of total Gross Fixed Capital Formation. (in real terms); by asset class. The data has been indexed to equal 100 in 2008. Source: Eurostat.
The final data are based on a sample, rather than the entire population of firms in France, so the percentage results are subject to sampling tolerances. These vary with the size of the sample and the percentage figure concerned.

**Glossary**

**Investment**
A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities with the intention of maintaining or increasing the company's future earnings.

**Investment cycle**
Based on the expected investment in current financial year compared to last one, and the proportion of firms with a share of investment greater than EUR 500 per employee.

**Productivity**
Total factor productivity is a measure of how efficiently a firm is converting inputs (capital and labor) into output (value-added). It is estimated by means of an industry-by-industry regression analysis (with country dummies).

**Manufacturing sector**
Based on the NACE classification of economic activities, firms in group C (manufacturing).

**Construction sector**
Based on the NACE classification of economic activities, firms in group F (construction).

**Services sector**
Based on the NACE classification of economic activities, firms in group G (wholesale and retail trade) and group I (accommodation and food services activities).

**Infrastructure sector**
Based on the NACE classification of economic activities, firms in groups D and E (utilities), group H (transportation and storage) and group J (information and communication).

**SME**
Firms with between 5 and 249 employees.

**Large firms**
Firms with at least 250 employees.

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### Approximate sampling tolerances applicable to percentages at or near these levels

<table>
<thead>
<tr>
<th></th>
<th>EU</th>
<th>France</th>
<th>Manufacturing</th>
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<td>(12483)</td>
<td>(602)</td>
<td>(190)</td>
<td>(115)</td>
<td>(132)</td>
<td>(164)</td>
<td>(504)</td>
<td>(98)</td>
<td>(12483 vs 602)</td>
<td>(190 vs 115)</td>
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<td>3.0%</td>
<td>5.0%</td>
<td>6.7%</td>
<td>6.3%</td>
<td>5.5%</td>
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<tr>
<td>30% or</td>
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<td>4.5%</td>
<td>7.6%</td>
<td>10.3%</td>
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<tr>
<td>70%</td>
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<tr>
<td>50%</td>
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## Base sizes

<table>
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<tr>
<td>All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13</td>
<td>12483</td>
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<td>All firms (excluding don’t know/refused responses), p. 2</td>
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## Percentage rounding

Percentage with value of less than 0.5 but greater than zero has not been displayed in the charts.