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 some 12,300 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/eibus.

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: eibus@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 40 economists, is headed by Debora Revoltella, Director of Economics.

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

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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 some 12,300 firms that gathers 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.

Key results

Macroeconomic context: Aggregate investment has improved over the last year, driven primarily by the corporate sector, with intangible assets performing strongly. However, investment spending remains below pre-crisis levels, mostly due to ‘dwellings’ and ‘other buildings and structures’.

Investment outlook: The majority of firms in France increased their investment activities in the last financial year. The share of firms that have invested slightly exceeds the expectations expressed in the previous wave. For the current year, the investment outlook is positive again.

Investment activity: 85% of firms invested in the last financial year, the same as last year and in line with the EU average (84%). The investment intensity (investment per employee) is higher in France than the EU average.

Perceived investment gap: 16% of firms report investing too little over the last three years, which is similar to the EU average (15%) and the results of the previous wave in France (17%). The average share of state-of-the-art machinery and equipment in firms is below the EU average (30% versus 45%). This is also the case for the share of building stock satisfying high energy efficiency standards (25% in France compared the EU average of 39%).

Investment barriers: Uncertainty about the future continues to be one of the two most commonly cited perceived barrier to investment, which is similar to the results for the EU. However, the availability of staff with the right skills is less of a concern in France (62%) than across the EU (72%), while labour market regulation is more of a concern in France (71%) than across the EU (62%).

External finance: 5% of firms are finance constrained, which is similar to the EU average (7%). Finance constrained firms are: dissatisfied with the amount of finance obtained, sought finance but did not receive it, did not seek finance because they thought costs were too high, or thought they would be turned down.

Firm performance: Firms’ productivity across France is broadly in line with the EU. Firms in the manufacturing and infrastructure sectors have a relatively high share of firms in the highest productivity class.
INVESTMENT DYNAMICS

INVESTMENT ACTIVITY IN LAST FINANCIAL YEAR

Over eight in ten firms in France invested in the last financial year (85%, the same as in the previous wave). The proportion that invested is similar to the EU average (84%).

Firms in the manufacturing sector (94%) were more likely to invest than those in construction and services (81% and 74% respectively).

As in the previous wave, SMEs were less likely to invest than larger firms (79% versus 90%).

*The blue bars indicate the proportion of firms who have invested in the last financial year. A firm is considered to have invested if it spent more than EUR 500 per employee on investment activities. Investment intensity is the median investment per employee of investing firms. Investment intensity is reported in 2015 values (using the Eurostat GFCF deflator).

Base: All firms (excluding don’t know/refused responses).

INVESTMENT CYCLE

Investment activity by firms places France in the ‘high investment expanding’ quadrant on the investment cycle, which was also the case in the previous wave.

There is some variation across firm sizes and sectors in France. SMEs are placed in the ‘low investment expanding’ quadrant as the share of SMEs investing in France is below the EU average.

The construction and services sectors are placed in the ‘low investment contracting’ quadrant as the majority of firms in those sectors in France expect to reduce investment in the current financial year.

Manufacturing firms in France are above the EU average on both measures.

Base: All firms
Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.
The y-axis line crosses x-axis on the EU average for 2016.
INVESTMENT DYNAMICS

EVOLUTION OF INVESTMENT EXPECTATIONS
The majority of firms in France increased their investment activities in the last financial year. The share of firms that have invested slightly exceeds expectations expressed in the previous wave. For the current year, the investment outlook is positive again but to a lesser extent. In manufacturing, most firms are expecting to increase investment, while the majority of firms in construction and services anticipate a decline in investment.

Looking ahead to the next three years, investment to replace existing buildings, machinery, equipment and IT is the most commonly cited priority (by 39% of the firms), followed by new products or services (31%), and capacity expansion (20%). This share of firms considering capacity expansion as a priority is lower in France than the EU average (28%). Ten percent of firms in France do not plan any investment, similar to the EU average.

Manufacturing firms in France are more likely to consider new products and services as a priority (38%), compared to firms in construction (22%).

FUTURE INVESTMENT PRIORITIES

Looking ahead to the next three years, which is your investment priority (a) replacing existing buildings, machinery, equipment, IT; (b) expanding capacity for existing products/services; (c) developing or introducing new products, processes, services?

Base: All firms

‘Realised change’ is the share of firms who invested more minus those who invested less; ‘Expected change’ is the share of firms who expect(ed) to invest more minus those who expect(ed) to invest less.
INVESTMENT FOCUS

INVESTMENT AREAS

Of the six investment areas asked about, the highest share of investment in France is in machinery and equipment (47%), followed by employee training (16%) and land, buildings and infrastructure (15%).

The pattern is similar to the previous wave and firms in France tend to allocate a higher share of investment to employee training than the EU average (16% versus 10%). Employee training is especially high in manufacturing and construction.

Firms in the service sector have by far the lowest share of investment in machinery and equipment (at 29%, compared to 53%-55% in the other sectors).

Large firms allocate nearly twice as much of their investment to land, business buildings and infrastructure, compared to SMEs (19% versus 10%).

Base: All firms who have invested in the last financial year (excluding don’t know/refused responses)

Q. In the last financial year, how much did your business invest in each of the following with the intention of maintaining or increasing your company’s future earnings?

PURPOSE OF INVESTMENT IN LAST FINANCIAL YEAR

In the last financial year, the main purpose of investment was replacing existing buildings, machinery, equipment and IT, in both France and the EU. The share in France, at 56%, is higher than the EU average of 50%.

The average share of investment in capacity expansion for existing products or services is lower in France (17%) than in the EU (27%).

Investment in replacement was highest for firms in the construction sector, accounting for 71% of investment.

Base: All firms who have invested in the last financial year (excluding don’t know/refused responses)

Q. What proportion of total investment was for (a) replacing capacity (including existing buildings, machinery, equipment, IT) (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?
INNOVATION ACTIVITY

Around one third of investment (31%) was allocated by firms to new products, processes or services. This is similar to this year’s EU average (35%) or the previous wave in France (32%).

Manufacturing firms were more likely to innovate (with a share of investment of 42%), while firms in the construction sector (16%) were less likely.

Ten percent of firms in France consider to have developed or introduced products, processes or services that were new to the global market, which is similar to the EU average (8%). Firms in manufacturing (18%) are more likely to innovate at the global frontier than firms in other sectors (3%-8%). The proportion is also higher for large firms (13%), compared to SMEs (6%).

Base: All firms (excluding don’t know/refused responses)

Q. What proportion of total investment was for developing or introducing new products, processes, services?

Q. Were the products, processes or services new to the company, new to the country, new to the global market?

INVESTMENT ABROAD

In the last financial year, 11% of the firms in France invested in another country, which is similar to the EU average (14%).

Large firms in France are much more likely to have invested abroad than SMEs (17% and 3%).

Firms in infrastructure and manufacturing are more likely to have invested abroad, compared to firms in the construction and services sectors.
PERCEIVED INVESTMENT GAP

Around eight in ten firms (78%) consider that their investment over the last three years was about the right amount. This is the same percentage as in the previous wave and similar to the EU average (79%).

Around one in six firms (16%) report investing too little, which is similar to the previous wave (17%) and the EU average (15%).

In terms of investment gaps across different sectors, firms in the manufacturing sector in France are most likely to report investing too little (23%) and those in the infrastructure least likely (9%).

Base: All firms (excluding ‘Company didn’t exist three years ago’ responses)
Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount?

SHARE OF FIRMS AT OR ABOVE FULL CAPACITY

Around two in five firms in France report operating at or above maximum capacity in the last financial year (41%), similar to the previous wave (40%).

However, this lags behind the EU average (53%) of firms reporting to be operating at or above full capacity, which is close to the previous wave (51%).

Compared to the previous wave, there is less variation by firm size and sector in France, with no significant differences between sectors or between SMEs and large firms.

Base: All firms
Full capacity is the maximum capacity attainable under normal conditions e.g. company’s general practices regarding the utilization of machines and equipment, overtime, work shifts, holidays etc.
Q. In the last financial year, was your company operating above or at maximum capacity attainable under normal circumstances?
PUBLIC INVESTMENT PRIORITIES

Out of the eight areas of public investment that should be the priority over the next 3 years, around one in three firms consider professional training and higher education to be the main priority (32%). This was followed by transport infrastructure (selected by 16%) and ICT infrastructure (11%). All other areas were selected by less than 10% of the firms.

This is different from the EU average, where around one in four perceived professional HE and transport infrastructure to be the key priority areas (24% and 23% respectively).

Within France, manufacturing firms were most likely to prioritise professional training/HE and transport infrastructure to be the key priority areas (24% and 23% respectively).

SMEs were more likely than large firms to report hospitals/care as a priority (11% versus 4%).
DRIVERS AND CONSTRAINTS

SHORT TERM INFLUENCES ON INVESTMENT

On balance, the majority of firms expect the political and regulatory climate to improve in the next twelve months. This is different from the EU average, where the majority of firms expect a deterioration.

But firms in both France and across the EU are positive about the other influences on investment. Compared to the EU average, firms in France are slightly more positive on the economic climate and sector business prospects, and slightly less positive on finance availability.

*Net balance is the share of firms expecting improvement minus the share of firms expecting a deterioration

Base: All firms
Q. Do you think that each of the following will improve, stay the same, or get worse over the next 12 months?

SHORT TERM INFLUENCES BY SECTOR AND SIZE (NET BALANCE)

Firms in all size classes and sectors display a positive outlook on all indicators.

Large firms and those in the manufacturing and construction sectors are especially positive about the economic climate in the year ahead.

Firms in the construction sectors are less positive than firms in other sectors regarding the availability of external finance. Firms in the services sector are less positive than firms in other sectors regarding business prospects in their sector. However, even in these two cases, the majority of firms expect an improvement rather than a deterioration.

Base: All firms
Q. Do you think that each of the following will improve, stay the same, or get worse over the next 12 months?
More than seven in ten firms view uncertainty about the future and labour market regulations as obstacles to investment (75% and 71% respectively). Business regulation and availability of staff with the right skills are also noteworthy barriers (for 65% and 62% of firms in France). The findings are in line with the previous wave.

The EU average for firms reporting uncertainty about the future is similar (71% of EU firms). However, compared to France, the availability of staff with the right skills is more of a concern across the EU (72%), albeit labour market regulation less of a concern (62% of EU firms).

Uncertainty about the future is more of a barrier for firms in the infrastructure sector than for firms in services (83% versus 68%).

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 it a major obstacle, a minor obstacle or not an obstacle at all?
External finance accounts for a greater share of investment finance than internal funds (51% versus 46%), as in the previous wave. This is different from the EU average, where external finance makes up a much lower share than internal funds (35% versus 62%).

Within France, the share of external and internal finance varies across sectors. Firms in the infrastructure sector rely most heavily on external finance (accounting for 63% of their investment), compared to the manufacturing and service sectors (where the shares are 52% and 55%).

The share of intra-group funding is highest for firms in the manufacturing sector (11%, compared to 3% overall).

Bank loans account for the majority of external finance (70%), followed by leasing (17%) and grants (6%). This is similar to the results from the previous wave.

Bank loans account for a higher share of firms’ external finance in France than in the EU on average (56%). Other forms of bank finance such as overdrafts make up a lower share of external finance in France (5%) than in the EU on average (11%).

*Loans from family, friends or business partners
**Caution very small base size less than 30
SHARE OF PROFITABLE FIRMS

Thirteen per cent of firms that used external finance in the last financial year report being highly profitable.

This is in line with the results from the previous wave (14%) and with the EU average share of highly profitable firms (20%).

Again there is no large difference across firm size classes or sectors, either in terms of being highly profitable or profitable more generally.

Base: All firms (excluding don’t know/refused).
Q: Taking into account all sources of income in, did your company generate a profit or loss before tax, or did you break even? Highly profitable is defined as profits/turnover of 10% or more.
DISSATISFACTION WITH EXTERNAL FINANCE RECEIVED

Firms that used external finance are on balance satisfied with the amount, cost, maturity, collateral and type of finance received.

The highest proportion of dissatisfaction in France is with collateral requirements (6% of firms expressed dissatisfaction). This aspect of external finance also attracted the highest dissatisfaction across the EU (8%).

* Caution very low base size less than 30

Q. How satisfied or dissatisfied are you with ....?
**SHARE OF FINANCE CONSTRAINED FIRMS**

One of twenty firms (5%) in France can be considered finance constrained. This is the same percentage as in the previous and is generally in line with the EU average (7%).

Among the firms that did not invest in the last financial year, the share of firms that are finance constrained is relatively small, at only 2%.

Compared to the EU average, firms in France are less likely to be finance constrained and are also less likely to rely exclusively on internal funds.

Within France, there are some differences across sectors. Firms in the manufacturing sector are most likely to be finance constrained, with a share of 9%.

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**FINANCING CROSS**

Base: All firms

Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged).

*Financing constraints for 2016 among non-investing firms estimated*
In terms of the weighted size distribution, larger firms account for the greatest share of value-added (53%), which is slightly above the EU average (50%). Employment dynamics over the past three years are favourable in France with more firms expanding than contracting (42% versus 26%), but to a lesser extent than the EU average (50% of the firms in the EU have expanded and 21% have contracted).

The level of productivity of firms in France is broadly in line with the EU. The manufacturing and infrastructure sectors in France have a relatively high share of firms in the highest productivity class.

**EMPLOYMENT DYNAMICS IN LAST THREE 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 defined on the basis of the entire EU sample.
Compared to the previous year, aggregate investment has increased by 3% in 2016 and remains only 2% below the level of the pre-crisis period.

However, when considering the pre-crisis trend, current investment is still catching-up.

The IPP sector is leading the recovery and the investment gap with 2008 has been decreasing consistently since 2014. The recovery remains more sluggish in the sectors ‘dwellings’ and ‘other buildings and structure’, which are still below the levels of 2008.
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.

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<th></th>
<th>EU</th>
<th>France</th>
<th>Manufacturing</th>
<th>Construction</th>
<th>Services</th>
<th>Infrastructure</th>
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<th>Large</th>
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<th>Manufacturing vs Construction</th>
<th>SME vs Large</th>
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<td>(12338 vs 600)</td>
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<td>30% or 20%</td>
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**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.
## BASE SIZES

<table>
<thead>
<tr>
<th>Base definition and page reference</th>
<th>EU 2016/2017</th>
<th>FR 2016/2017</th>
<th>Manufacturing</th>
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<tbody>
<tr>
<td>All firms, p. 2, 3, 6, 7, 8, 11, 14</td>
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<td>602/600</td>
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<td>12159/12020</td>
<td>591/588</td>
<td>189</td>
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<td>All firms who have invested in the last financial year (excluding don’t know/refused responses), p. 4</td>
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