

BUSINESS CLIMATE SURVEY FRANCE 2022

A REPORT FROM TEAM SWEDEN IN FRANCE

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FOREWORD

France has historically been an important trade partner for Sweden and this relationship keeps growing. With almost 68 million inhabitants, France is the third largest market in Europe, and the seventh largest economy in the world.

In 2021, France was Sweden's ninth biggest trading partner. 460 Swedish companies are established on the French market, with a total of more than 95,000 employees.

For the third year in a row, France remains the most attractive country in Europe in terms of Foreign Direct Investments according to the EY Barometer 2021. France is the leading European recipient of investments from Sweden with 39 job-creating investment projects*.

Key findings of the Business Climate Survey 2022 include that confidence in the market and profitability have increased amongst the Swedish companies in France. In total, 90 per cent of the Swedish companies in France plan to maintain or increase their local investments. Sustainability is also an important aspect of this year's survey. Compared to previous years, Swedish companies perceived a higher importance attached to sustainability aspects in French customer purchasing decisions. This could offer interesting opportunities for Swedish companies that are pioneers in green solutions and new smart technologies and for new French-Swedish collaborations for sustainable businesses within the scope of the innovation partnership entered into by Sweden and France in 2017.

This Business Climate Survey in France is part of the global Business Climate Survey by Team Sweden, based upon the partnership created in 2019 between Business Sweden and Swedish Chambers International. Its purpose is to increase the understanding of the French business climate from a Swedish company perspective, the performance of Swedish companies in France and the opportunities and challenges of the French market. In addition, it may serve as a reference in bilateral trade dialogues between Sweden and France.

We would like to extend our most sincere gratitude to the participating companies and partners who have contributed to this report and remain at your disposal to support the continued business development between our countries.

*Source Business France



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EXECUTIVE SUMMARY

Economic outlook

90% of the respondents declared that their investment plans remain unchanged or should be increased in the coming year

Economic outlook

76% of the companies within the consumer goods sector indicated increased investment plans for the French market

Economic outlook

83% of the respondents expected their industry's turnover to increase in the coming 12 months

Survey participation

130 respondents contributed to the survey out of **413** contacted companies



Current profitability

77% of respondents have reported profitability in the past 12 months



Business Climate

A large majority (**95%**) of the responding Swedish companies perceived the French Business Climate as neutral or good/very good

Swedish Brand

75% of the participating companies considered that the Swedish brand contributes positively to their business

Advantages of the French market

Intellectual property protection
Personal safety
Physical infrastructure

Challenges of the French market

Licenses, permits and approvals
Labour market regulations
Corporate taxation

% of women in the management team

14.7% of the companies have over 51% women in their management teams.

Success factors in France

Sales competence
Service development
Customers' feedback
Staff training

Sustainability

80% of the respondents stated that customers consider environmental aspects in their purchasing decisions

ABOUT THE SURVEY

A Team Sweden collaboration

The Business Climare survey is a Team Sweden project based upon a partnership created by Business Sweden and Swedish Chambers International in 2019. The survey is conducted among Swedish companies in 22 markets globally and is an important tool to map opportunities and challenges that Swedish companies face when doing business abroad. Since 2020, the survey is organised on a yearly basis to track and analyse market conditions and the performance of Swedish companies abroad. This report will present the results from the French market.

By providing key facts on the French economic outlook as well as insights on Swedish companies and their success factors in the French market, Team Sweden hope to assist institutions, investors and other relevant stakeholders to support the development of Swedish investments and business activities in France.

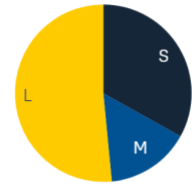
This year, the survey was sent out to a select sample of 431 local executives representing Swedish companies in France, 130 of which provided answers. This sample size is sufficient to represent Swedish companies in France.

The report is divided into the following sections: Economic outlook, The market, How Swedish companies succeed in France, and Acting sustainably.

The answers were collected between March 21st and April 15th, 2022. Some interviews were conducted later with selected companies to gain a deeper understanding of the factors behind their survey responses.

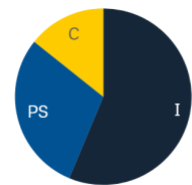
52 per cent of the survey respondents represented are large companies, 15 per cent are medium-sized companies and 33 per cent are small companies. 52 per cent of the respondents are from the industrial sector, 27 per cent are from the professional services sector and 13 per cent are from the consumer product sector. The majority (63 per cent) of the participants are mature companies having operated in France for more than twenty years. Seven per cent are newcomers with only a few years of experience from the French market.

SIZE OF COMPANIES



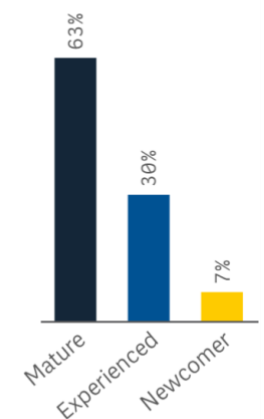
NOTE: Global employees. 52% Large >1000. 15% Medium 250-1000. 33% Small 0-249.

MAIN INDUSTRY



NOTE: 52% Industrial. 27% Professional services. 13% Consumer.

AGE OF COMPANIES



NOTE: Mature (>20 years), Experienced (10-20 years), Newcomer (<10 years)

ECONOMIC OUTLOOK

A large majority of Swedish companies were profitable in 2021

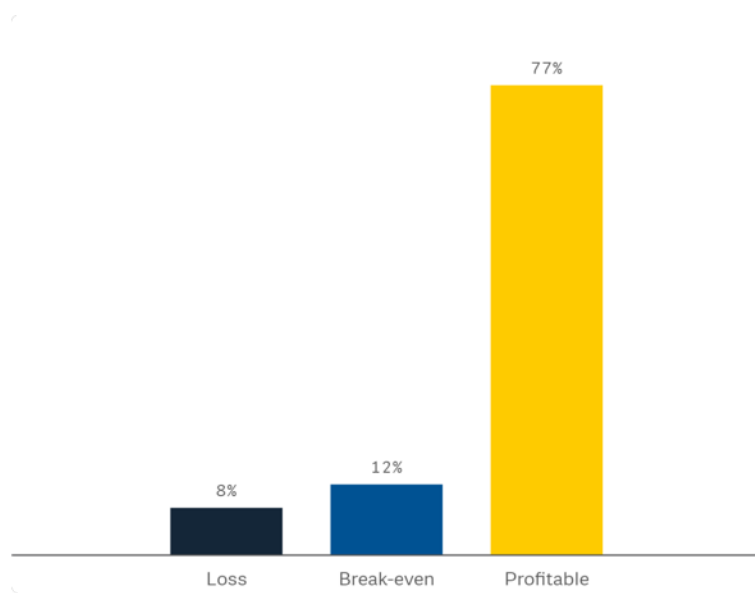
To put the result into context, the French GDP Growth was seven per cent in 2021, after a decline of 7,9 per cent in 2020.

*Sources: Business France and Insee

77 per cent of the Swedish companies in the survey describe their financial performance in the past year as profitable. This is 12 per cent higher than in last year's Business Climate Survey. Fewer companies declared a loss during 2021, eight per cent compared to 13 per cent for 2020. The Swedish companies in France are thus not yet back to pre-pandemic levels 2019, when four per cent of the companies declared a loss.

The survey also shows that a larger percentage of mature (85 per cent) and experienced (66 per cent) companies describe their financial performance over the last year as profitable, as compared to newcomers (25 per cent). 38 per cent of the newcomers also declared a loss. In terms of firm-size, medium-sized companies appear to have faced the most difficulties in financial performance, where 20 per cent of the companies in this category declared a loss, as compared to three per cent of large companies and nine per cent of small companies.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN FRANCE IN 2021?

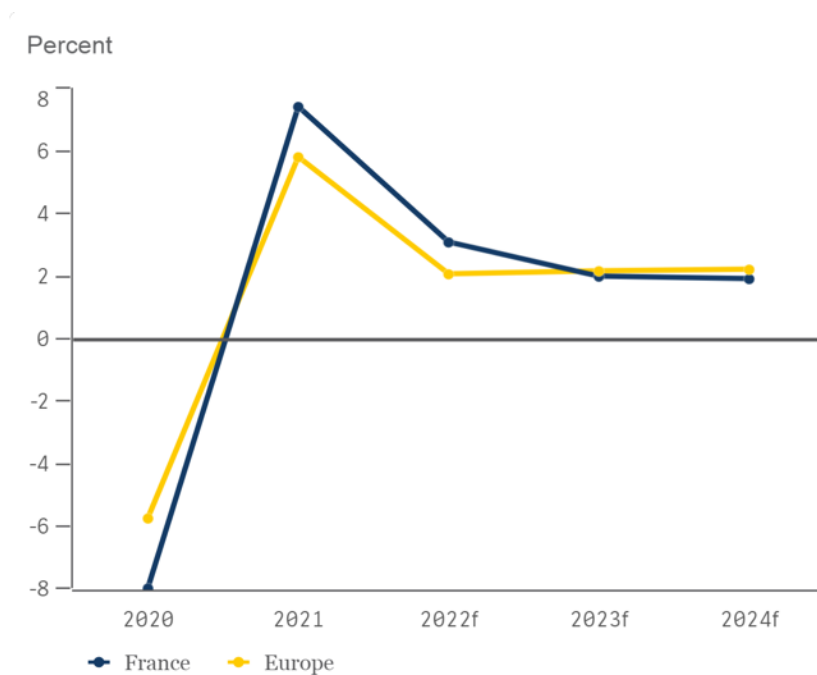


NOTE: The number of respondents for this question was 130. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in France 2022.

The French economy is stable, despite pandemic effects and geopolitical turmoil

Despite the Covid-19 pandemic and the Russian invasion of Ukraine that have largely affected the operations of companies in France, the French GDP is growing. With a projected GDP growth of around three per cent in 2022, French companies and the economy are doing relatively well, particularly when comparing to the negative GDP growth in 2020. France's projected GDP growth is even above the European average. The GDP growth in 2022 is, however, projected to be lower than the GDP growth in 2021, when the economy was recovering from the pandemic. The GDP growth in 2022 is projected to be lower than the seven per cent GDP growth in the pandemic recovery year 2021, especially considering the uncertainty related to the ongoing war and energy crisis. The European Commission's projection, updated on the 14th of July 2022, indicates a projected GDP growth of 2.4 per cent in France.

PROJECTED GDP GROWTH IN FRANCE



NOTE: Constant prices.

SOURCE: Oxford Economics April 25th, 2022

In response to the Covid-19 pandemic, the French government presented the recovery plan "France Relance" within the framework of the NextGeneration EU recovery instrument. The plan was deployed in 2020 by the French president Emmanuel Macron and aims to support the recovery of the country's economy. The plan covers three main axes:

1. Ecology: 30 billion EUR to finance the ecological transition in all its forms.
2. Competitiveness: 34 billion EUR to strengthen the competitiveness of businesses.
3. Cohesion: 36 billion EUR to the preservation and development of skills, as well as to social and regional cohesion

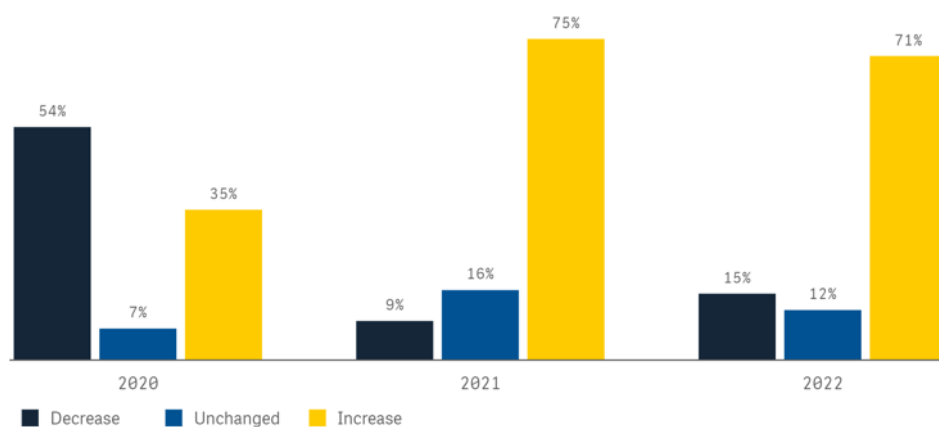
While the plan is still being implemented, the French Government has announced that the two short-term macroeconomic goals fixed in 2020 have both been reached, i.e. to reach pre-pandemic GDP levels (achieved at the end of 2021) and to lower the unemployment rate (dropped to pre-pandemic levels in 2021).

*Source: Gouvernement.fr

In regards to the financial predictions for the upcoming 12 months, the vast majority of the responding companies expect that the turnover in their industry is going to increase. 71 per cent of the respondents expect that the turnover will increase either significantly or slightly, while 15 per cent expect a decrease. Last year, the number of respondents who expected an increased turnover in their industry was slightly higher, 75 per cent, but this year's number is still significantly higher than in 2020, when only 35 per cent of the respondents expected that the industry turnover would increase. The positive outlook does not appear to be dependent on the companies' size, market experience or sector.

The continued trust in the French market and economy is also reflected in Business France's annual report of foreign investments in France which showed that in 2021, France hosted 1607 investment projects, an increase of 32 per cent compared to 2020, generating or maintaining 45,008 jobs.

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN FRANCE REGARDING TURNOVER?



NOTE: The number of respondents for this question was 130 in 2022. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2022.

90% of Swedish companies in France plan to increase or maintain investment plans

A vast majority (90 per cent) of Swedish businesses established in France are planning to maintain or increase their investments in France. This general positive attitude towards new investments is shared among the different categories of companies.

Also, when looking at the trend over time, the investment plans are steadily increasing, from 51 per cent in 2020, to 81 per cent in 2021, to 90 per cent in 2022.

“I am amazed to see how many jobs Swedish industry has now established here in France, I am amazed to see that, for Sweden, France is the biggest foreign investment country in Europe.

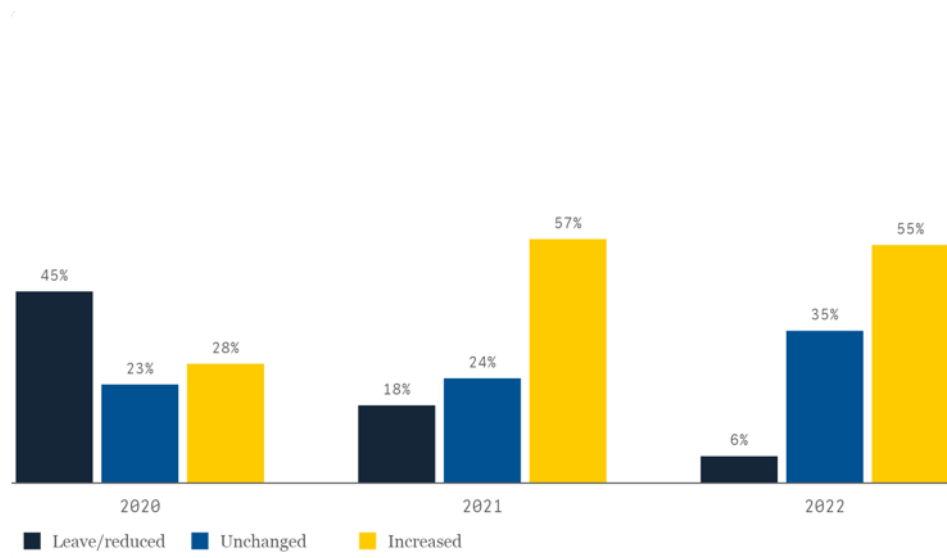
Camille Pertusot
Head of Country Office
Saab France

This is coherent with the findings from Business France's annual report on foreign investment in France. When looking at investments from Sweden to France, the report reveals that France is the number one investment country in Europe for Swedish investments. In 2021, 39 new Swedish investment projects were created, enabling the creation of a total of 1,080 jobs.

In total, 27 per cent of the Swedish investment projects in Europe were aimed at France and the Swedish investments in France increased by 30 per cent. The Île-de-France region hosted nearly a quarter of the Swedish investment projects. The investments of the Nordic countries were concentrated to production activities that constituted almost half of the projects as well as 43 per cent of the jobs created. In 2021, Sweden took the place as main provider of jobs in the Telecom Sector in France.

*Source: Business France

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN FRANCE, COMPARED TO THE PAST 12 MONTHS?



NOTE: The number of respondents for this question was 130 in 2022. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2022.

THE MARKET

Continued steady presence of Swedish companies in France

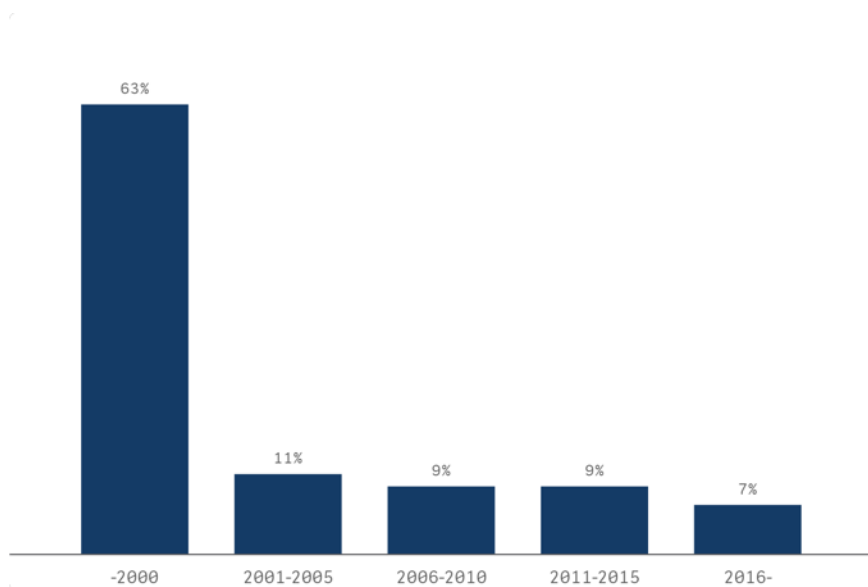
With almost 68 million inhabitants, France is the third largest market in Europe, and the seventh largest economy in the world. France has the highest number of large companies in Europe, with 26 companies on the Global Forbes 500 list. The country's large share of highly skilled workers, its highly developed infrastructure and favourable investment climate, are factors considered as very attractive by foreign investors.

The vast majority of Swedish companies in France have been active on the market since the last century. The past 20 years have shown a steady inflow of new-coming Swedish companies, with a slight decrease in the years between 2011 - 2015.

“ France as market in central/south Europe is very attractive in terms of size and accessibility.

Pär Lindbäck
Country Manager H&M
France, Belgium and
Luxembourg.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN FRANCE?

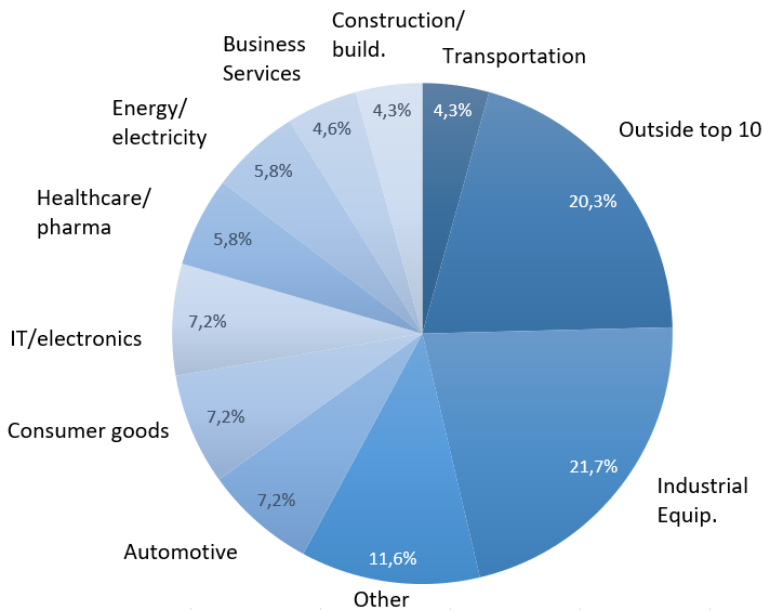


NOTE: The number of respondents for this question was 129. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2022.

France is home to Europe's largest aviation and nuclear industries but as the industry is highly diversified, opportunities for Swedish companies are found in most sectors. In 2021, France was Sweden's ninth biggest trading partner, both in terms of import and export. The same year, Swedish exports to France accounted for 67 billion SEK, a 15 per cent increase compared to 2020.

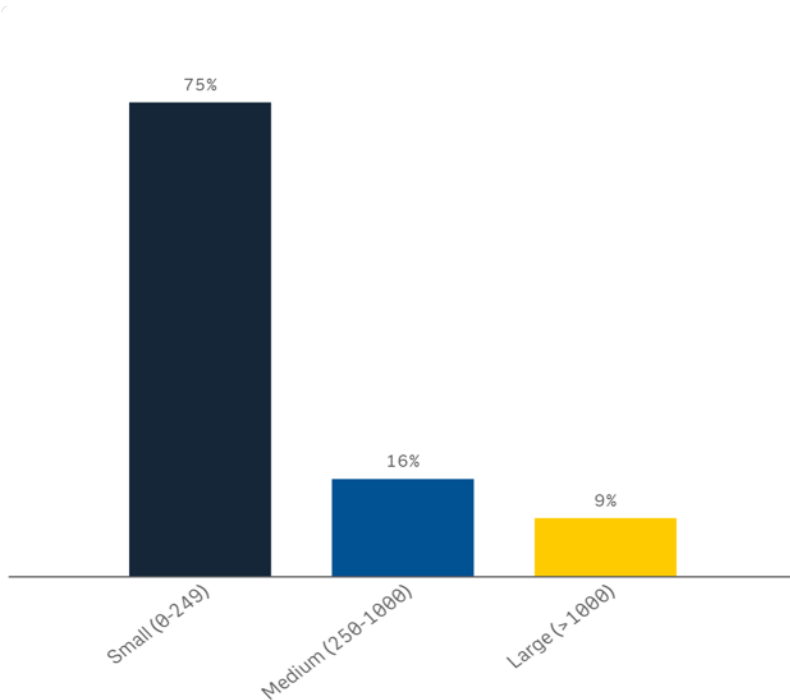
WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN FRANCE?



NOTE: The number of respondents for this question was 130. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in France 2022.

The majority of the Swedish companies that participated in the survey employ between 0-249 local employees. Companies having a local workforce of more than 1,000 employees represent nine per cent, one per cent more than in the survey of 2021. 16 per cent of the companies in our sample have between 250 and 1,000 local employees. In 2019, in the French enterprise landscape, SMEs accounted for 29.8 per cent of the total companies and the larger ones for 27.3 per cent, according to INSEE.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN FRANCE IN 2022



NOTE: The number of respondents for this question was 130. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in France 2022.

The Swedish companies' confidence in the French business climate continues to increase

The Business Climate Survey 2022 suggests a continuous positive outlook on the business climate in France. 57 per cent of the Swedish companies had a good/very good perception of the business climate in France, compared to 36 per cent in 2021. 38 per cent were neutral in their perception. Five per cent perceive it to be poor or very poor, notably lower than 14 per cent in 2021 and 45 per cent in the 2020 pandemic survey year.

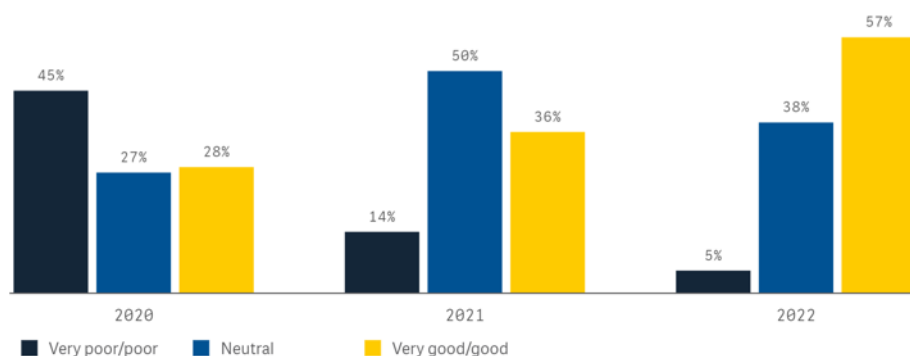
The results from the survey aligns with the French Business climate indicator published by the French statistic institution INSEE. It shows that in May 2022, the business climate in France is stable and remains above its long-term average.

The perceptions of the French business climate have improved since the 2021 survey as the discontent has decreased from 14 per cent to five per cent. Industrial and Professional service companies have neutral perceptions while companies in the Consumer Market sector expressed a higher percentage of discontent. 13 per cent there considered the market to be poor/very poor, compared to three per cent both for Industrial companies and Professional Services. Companies from the Industrial sector expressed the highest score for the business climate, with 68 per cent of the companies considering the business climate to be good or very good.

Breaking down the responses by firm size, 39 per cent of medium sized companies found it good or very good, compared to 59 per cent of small companies and 61 per cent for large companies. The numbers have strongly increased for the small and large companies whereas it has decreased for the medium-sized companies by six per cent.

According to our survey respondents, factors such as governmental support and investments, before and in response to the pandemic, contribute to the overall positive perception of the French business climate. However, uncertainty linked to the pandemic and to the current Russian invasion of Ukraine were expressed as high.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN FRANCE?



NOTE: The number of respondents for this question was 121. "Don't know/Not applicable" responses are included but not shown in figure.

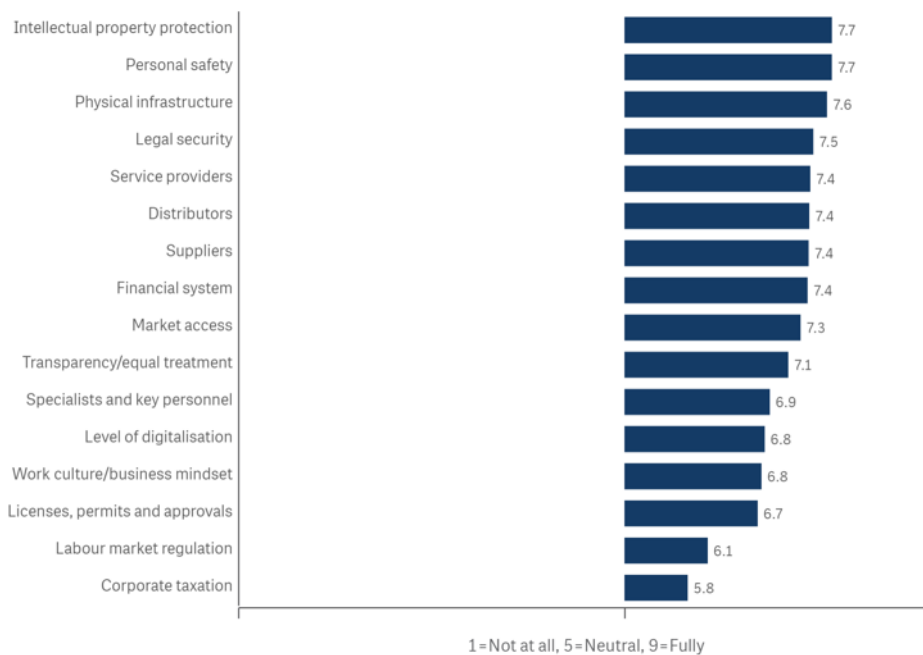
SOURCE: Business Climate Survey for Swedish Companies in France 2022.

Swedish companies are continuously satisfied with the overall local business environment

There are various factors that determine whether a business environment is conducive to success. We asked Swedish companies to evaluate to what degree selected market conditions meet their needs in France. On average, respondents gave the highest score to intellectual property protection and to personal safety followed by physical infrastructure, and legal security. The lowest rated scores were given to the French corporate taxation, labour market regulation, licenses, permits and approvals and work culture/business mindset. It is notable that among the 16 factors rated in the survey, all of them were given a score over five (neutral) out of nine.

Compared to Sweden's corporate taxation of 20.6 per cent, the French corporate tax rate of 25 per cent is viewed as negative and less supportive of business by the participating Swedish companies in France, although it has been reduced from 26.5 per cent in 2021.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN FRANCE?

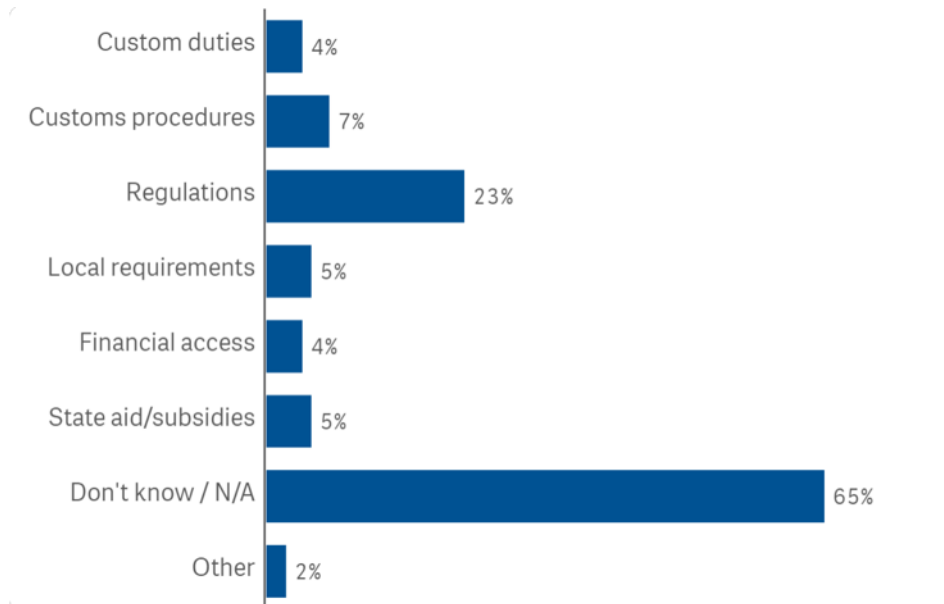


NOTE: The number of respondents for this question was 130.

SOURCE: Business Climate Survey for Swedish Companies in France 2022.

Regarding possible trade barriers in France with noticeable negative impact, there does not seem to be significant issues related to the areas noted in the survey. However, the area with the most indicated answers was regulations. 23 per cent of the respondents had encountered a trade barrier in France related to this area.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN FRANCE WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 130.
SOURCE: Business Climate Survey for Swedish Companies in France 2022.

When questioned on the particularly challenging factors for business in France, 40 per cent of the respondents indicated that the uncertainty related to the current crisis in Ukraine was very challenging, while 46 per cent indicated that labour regulations were very challenging.

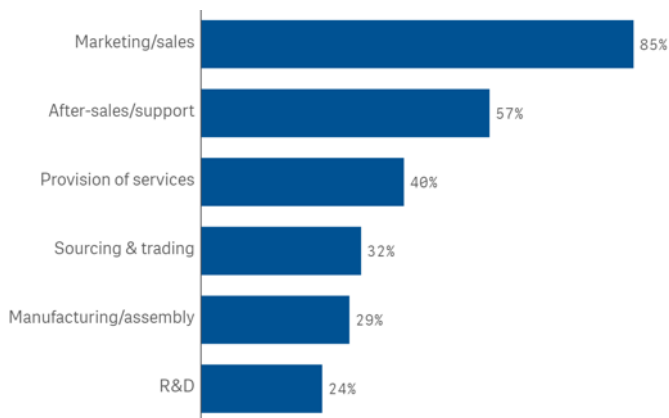
However, the size of the market and the business-oriented legislation improves France's attractiveness for Swedish companies. Numerous respondents expressed the business-oriented government to be a major reason behind the good business conditions. Several respondents also emphasized how the Macron government that came into power in 2017 has contributed to an attractive foreign investment climate with simplified labour laws, increased tax safety and business focused financial supports. This is also underlined by EY's Attractiveness Survey 2022, which revealed that 63 per cent of managers believe that France has an encouraging outlook for the future and will continue to improve its attractiveness.

HOW SWEDISH COMPANIES SUCCEED IN FRANCE

Marketing and sales activities dominating the local operations

For the third year in a row, a large majority (85 per cent) of the companies active on the French market indicated that they are involved in marketing and sales activities. 57 per cent are operating in after-sales and support activities. 29 per cent of the companies in our sample have manufacturing or assembling activities in France and 24 per cent perform R&D activities.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



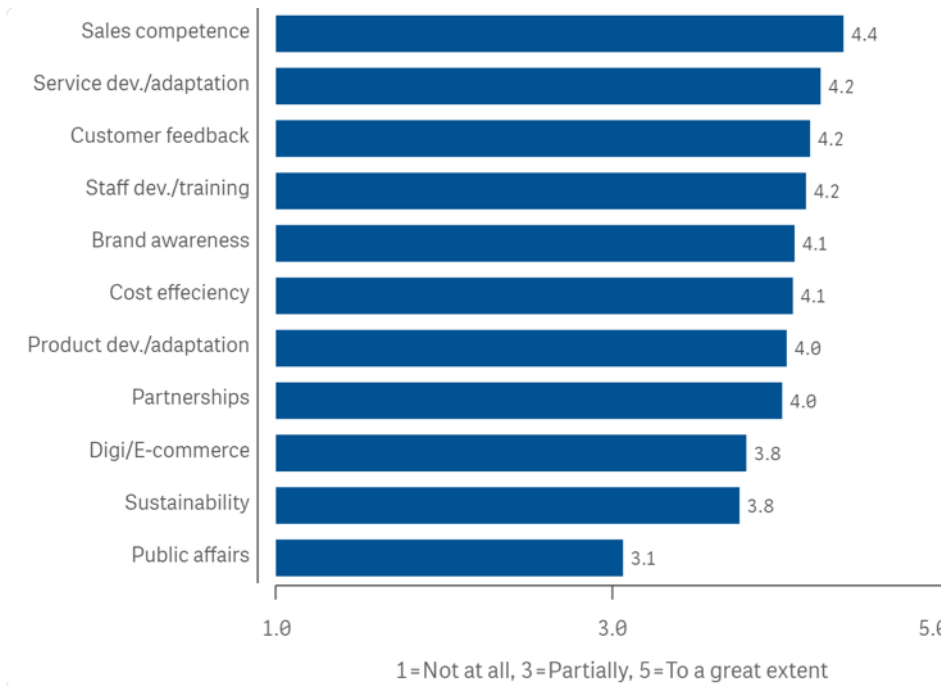
NOTE: The number of respondents for this question was 130. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2022.

Competitiveness driven by sales competence

Several factors contribute to the strengthening of Swedish companies' competitiveness on the French market. In line with our previous findings that a large majority of Swedish companies engage in marketing and/or sales operations in France, sales competence is ranked as the most important factor in maintaining competitiveness. Other areas considered important are service development/adaptation, feedback from customers and staff development/training.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN FRANCE?



NOTE: The number of respondents for this question was 130. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in France 2022.

“The competitive landscape here in France for defence is very challenging, because France has a very strong industry. You need a good strategy for sales and marketing of course, but not only, you need to find your good French partner, on top of bringing the best technologies.

Camille Pertusot
Head of Country Office
Saab France



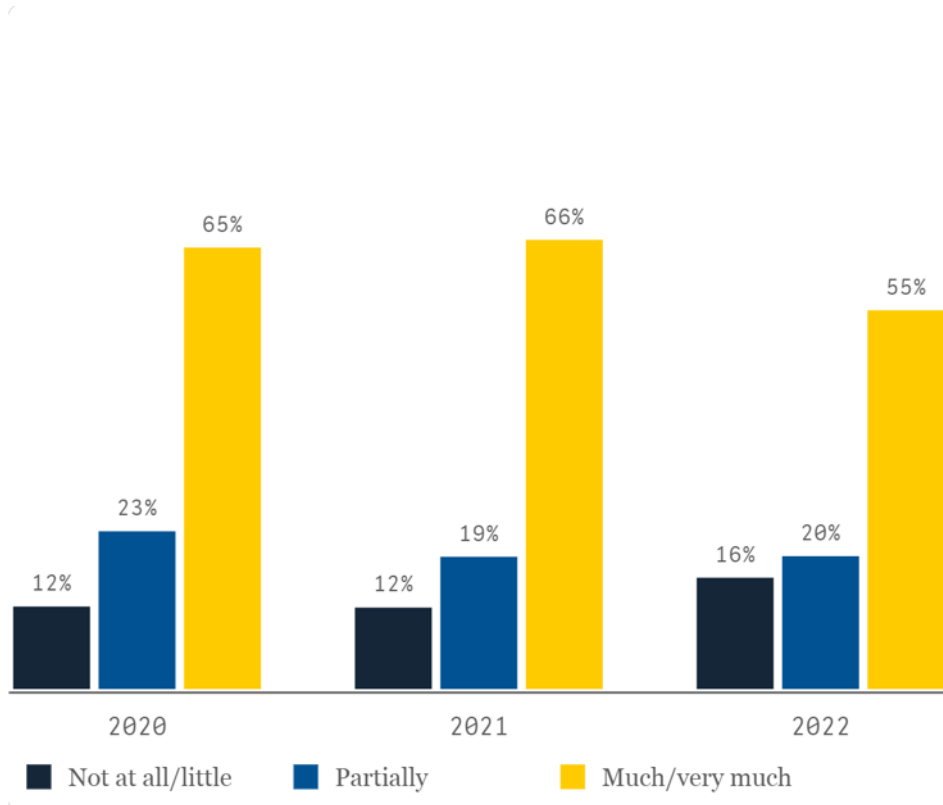
It's important to understand how to activate the French customer. Especially in an industry like ours, that is changing rapidly. We want to have an ear to the ground; cultural aspects are of importance.

Pär Lindbäck
Country Manager H&M France, Belgium and Luxembourg

Positive connotations related to the Swedish brand

The French have a very positive view of Sweden and strongly associate the country with high quality in terms of services, management, goods, technical know-how, innovation and sustainability. Sweden's reputation in France has been positive for a long time and it goes hand in hand with the overall high degree of trust placed in the Nordic countries. The survey confirms this as 75 per cent of the participating companies consider that the Swedish brand contributes positively to their businesses. 55 per cent of the respondents consider that it contributes to the extent "much" or "very much".

TO WHAT EXTENT WOULD YOU ESTIMATE THAT THE "SWEDISH BRAND" CONTRIBUTES TO YOUR BUSINESS IN FRANCE?



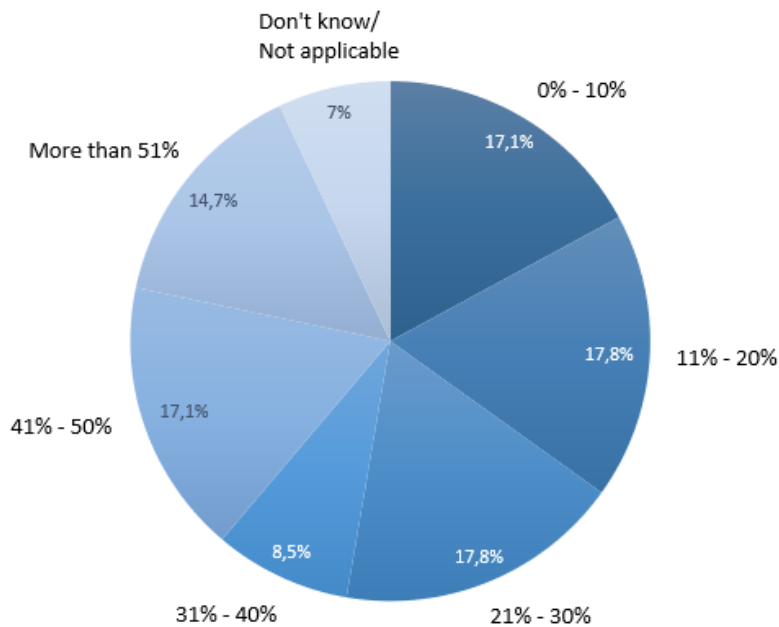
NOTE: The number of respondents for this question was 128 in 2022. "Don't know/Not applicable" responses are included but not shown in figure.
SOURCE: Business Climate Survey for Swedish Companies in France 2022.

Women in the management team

This year, the survey included a question on the share of women in the company's management team in France. 78.3 per cent of the respondents replied that the share is less than 50 per cent and 40 per cent of the respondents answered that they have over 31 per cent women in the management team.

14.7 per cent replied that there are more than 51 per cent women in the management team. According to a study conducted in 2021 by the European Voice of Directors, the percentage of women in boards in France is 46 per cent, compared to Sweden that has 38 per cent. The same survey shows that the percentage of women in executive leadership (board, executive committees, executive leadership) is 22 per cent in France and 26 per cent in Sweden.

WHAT IS THE SHARE OF WOMEN IN YOUR MANAGEMENT TEAM IN FRANCE?

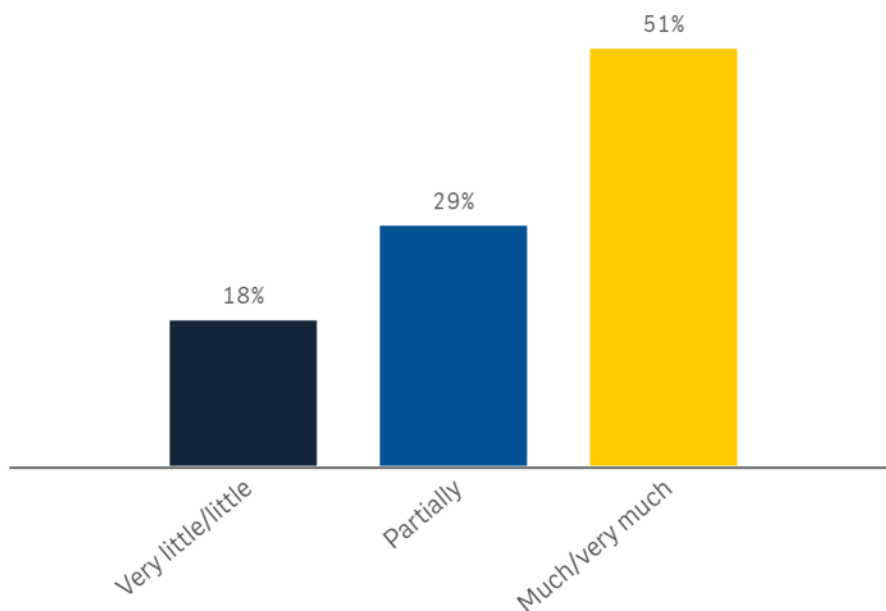


ACTING SUSTAINABLY

Customers in France consider environmental aspects in their purchasing decisions

Swedish companies operating in France find that their customer base is driven by sustainability concerns. 80 per cent of the respondents reported that their customers consider environmental aspects of a product or service in their purchasing decision. 51 per cent consider it much or very much, an increase by nine per cent as compared to the respondents of the survey in 2021. This perception is particularly true for the consumer goods sector where 65 per cent of the respondents reported that their customers consider these aspects much or very much. Out of the different size categories, large companies indicated the highest level. 60 per cent of the large companies replied that consumers take the environmental aspects into consideration to a high or a very high extent.

TO WHAT EXTENT DO CUSTOMERS IN FRANCE CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISION?



NOTE: The number of respondents for this question was 130. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2022.

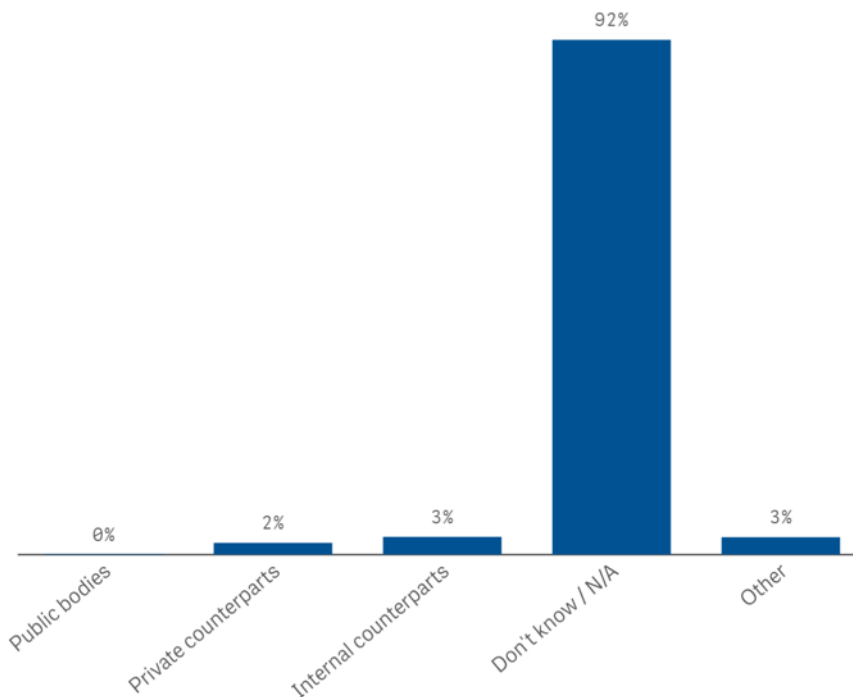
“ At some point some years back, the sustainability wave started to build, and it has still not flattened out but continues to rise, not only in France but globally. If the same study is made next year, I think sustainability will have an even bigger impact.

Pär Lindbäck
Country Manager H&M
France, Belgium and
Luxembourg

The vast majority of Swedish companies did not experience any form of corruption in France

Sustainable business practices include sustainable corporate governance. Healthy corporate governance is affected by the prevailing business environment of a given country. When asked whether corruption affects business practices in France, the large majority did not seem to be affected. 92 per cent of the Swedish companies in our sample reported that they had no information on, or that they did not experience any corruption in France. Out of the respondents who chose the option “other”, four people replied that they had not experienced any corruption. The percentage of “don’t know/not applicable” should thus be 95 per cent. The low level of corruption holds true across company sizes and industries.

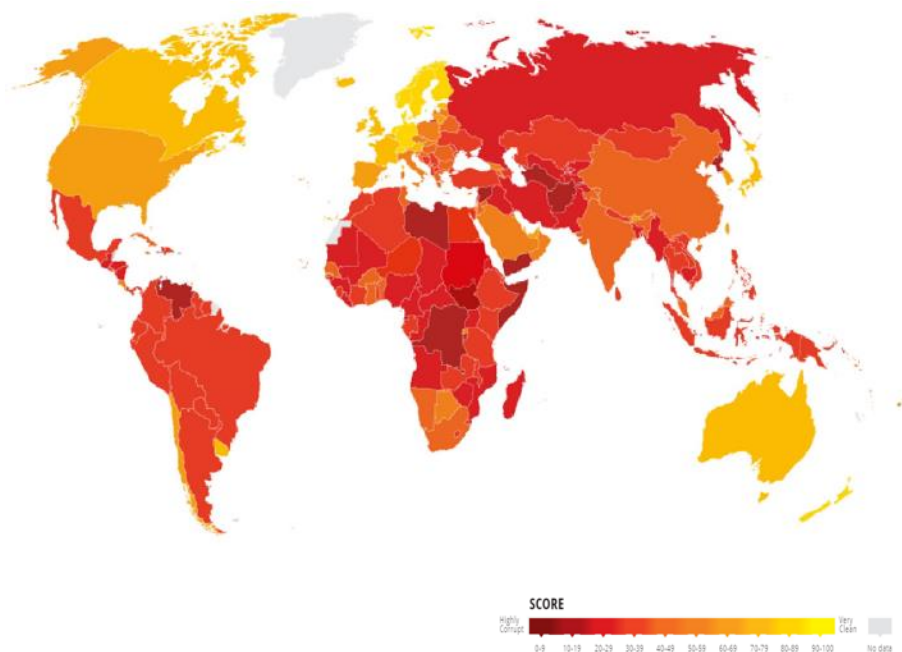
HAS YOUR COMPANY IN FRANCE BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 130. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2022.

CORRUPTION PERCEPTION INDEX 2021



SOURCE: Transparency International.

The low level of corruption perceived in France by the Swedish companies can be compared to the global Corruption Perception Index (CPI) that ranks the countries in accordance with their rate of corruption. In 2021, France ranked 22nd out of 180 countries and Sweden shared the fourth position with Norway and Singapore.



TEAM SWEDEN FRANCE

