



**European  
Investment  
Bank**

*The EU bank*



**France**

## **EIBIS 2016**

EIB Group Survey on  
Investment and  
Investment Finance 2016

**Country Overview**

## 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](mailto: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.

### Main contributors to this publication

Christoph Weiss, EIB.

### 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.

# EIBIS 2016 – COUNTRY OVERVIEW

## 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.

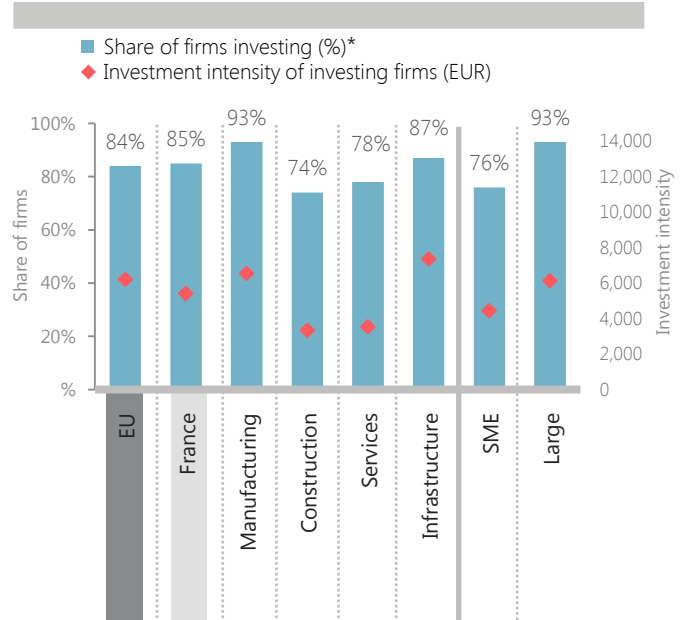
### Key results

<b>Investment outlook:</b>	<b>High investment, expanding:</b> a high share of firms (85%) invested in 2015. The investment outlook for 2016 is positive (except for the construction sector).
<b>Investment activity:</b>	<b>Over half of investment spending is for replacement purposes:</b> 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.
<b>Investment gap:</b>	<b>17% of firms report having invested too little</b> 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%).
<b>Investment barriers:</b>	<b>Uncertainty about the future and labour market regulations are the most cited long-term barriers to investment.</b> 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.
<b>External finance:</b>	<b>5% of firms consider themselves finance constrained:</b> 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%.
<b>Firm performance:</b>	<b>Firms in France tend to be more productive</b> compared to the EU average, in particular for firms in services and infrastructure.

# INVESTMENT DYNAMICS

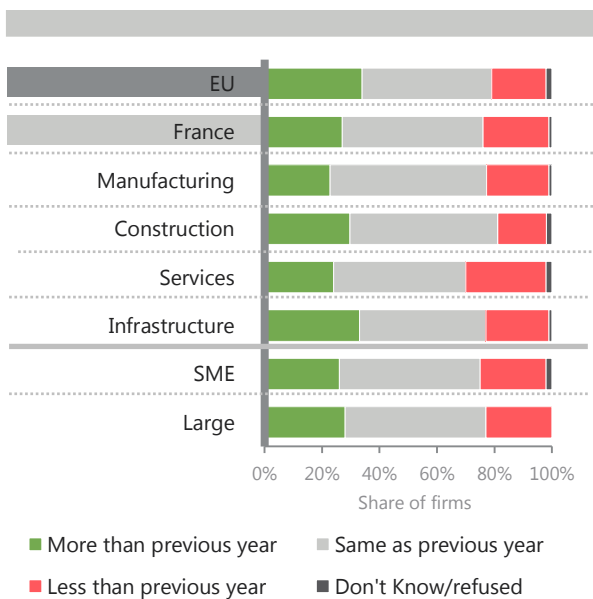
- 85% of firms invested in 2015, which is similar to the EU average.
- SMEs, particularly small firms, were less likely to invest than large firms.
- Firms in manufacturing were more likely to invest, compared with firms in construction and services.

## Investment activity in last financial year



**Base:** All firms (excluding don't know/refused responses)  
 \*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 activity in last financial year compared to previous

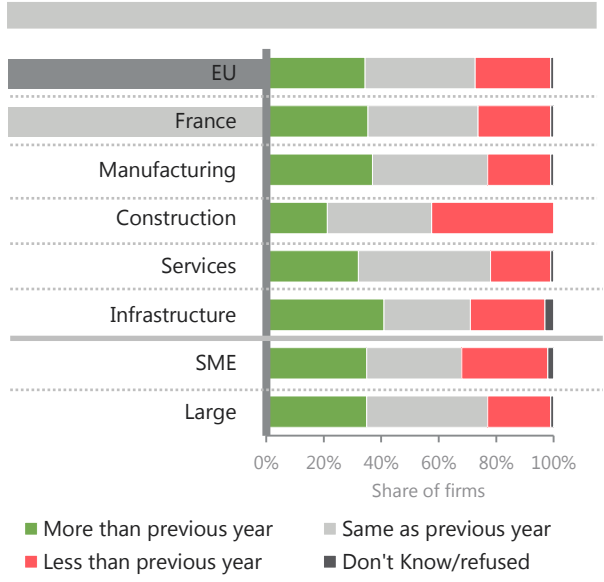


**Base:** All firms who invested in the last financial year  
 Q. Overall was this more, less or about the same amount of investment as in the previous year?

- 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%.

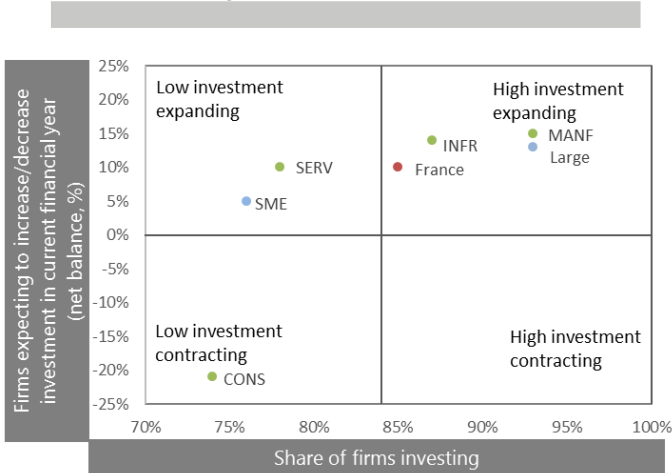
### Expected investment in current financial year compared to last one



**Base:** All firms

Data is derived from two questions: firms who had invested in the last financial year were asked if they expect to invest more, around the same amount or less than last year; firms who had not invested in the last financial year were asked if they had already invested, or expect to invest in the current year

### Investment cycle



**Base:** All firms

Share of firms investing shows the percentage of firms with investment per employee greater than EUR 500.

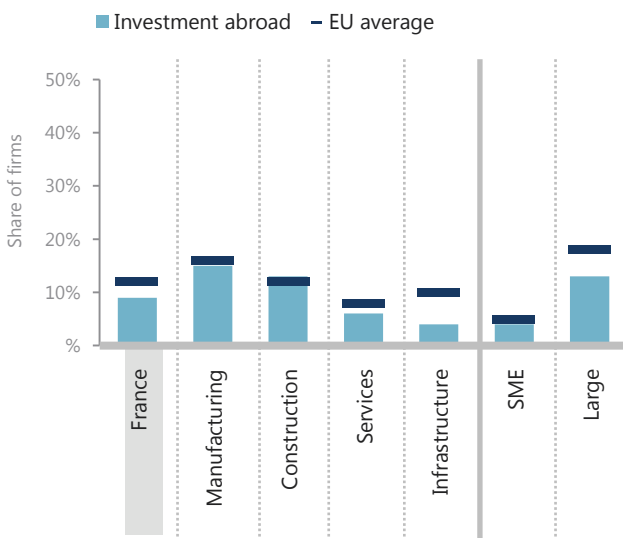
- Within the investment cycle, most firms in France are placed in the 'high investment; expanding' quadrant.
- Construction is the only sector in which the share of firms expecting to decrease investment activities outweighs the share of firms expecting an expansion.
- Incidentally, construction is also 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

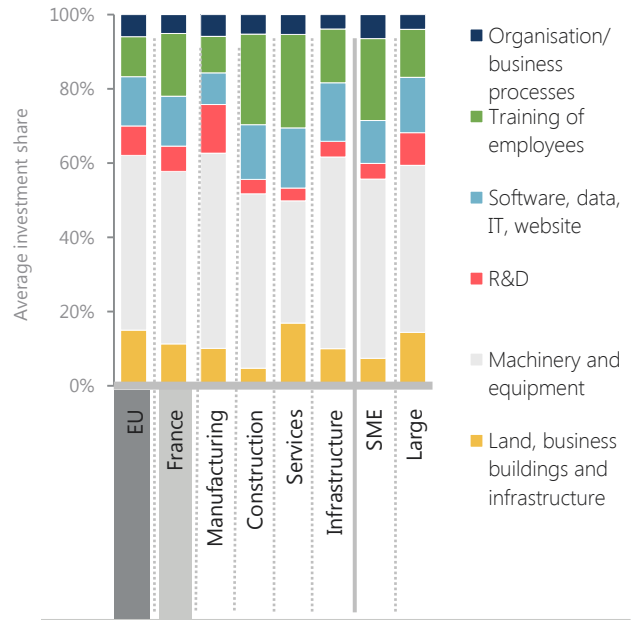
- As in the rest of the EU, investment in machinery and equipment accounts for the largest share (46%) of investment activity by firms in France.
- Compared to the EU, firms in France tend to invest a higher proportion in intangible assets, in particular in the training of employees (representing 17% 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



**Base:** All firms who invested in the last financial year  
Q. In the last financial year, has your company invested in another country?

## Investment areas



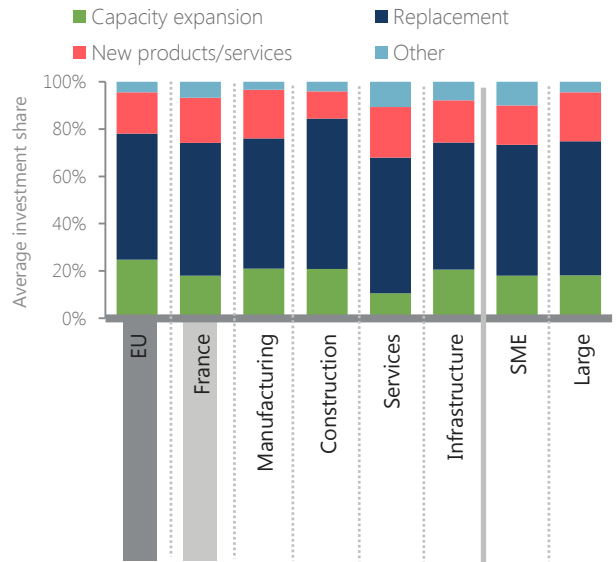
**Base:** All firms who have invested in the last financial year (excluding don't know/refused responses)

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?

- 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%.

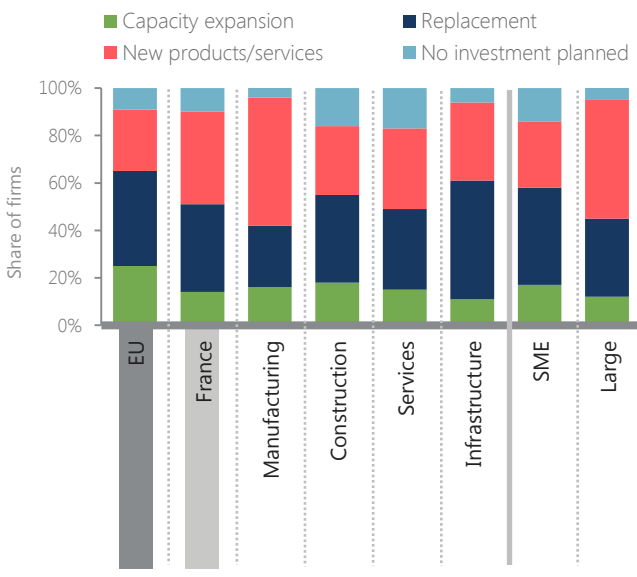
- Over half of investment spending remains for replacement purposes, while spending to expand capacity is limited, in a context of low profitability and relatively high indebtedness of firms in France.
- In 2015, the largest share of investment (56%) went into replacing existing buildings, machinery, 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.

### Purpose of investment in last financial year



**Base:** All firms who invested in the last financial year (excluding don't know/refused responses)  
**Q.** What proportion of total investment was for (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

### Future investment priorities



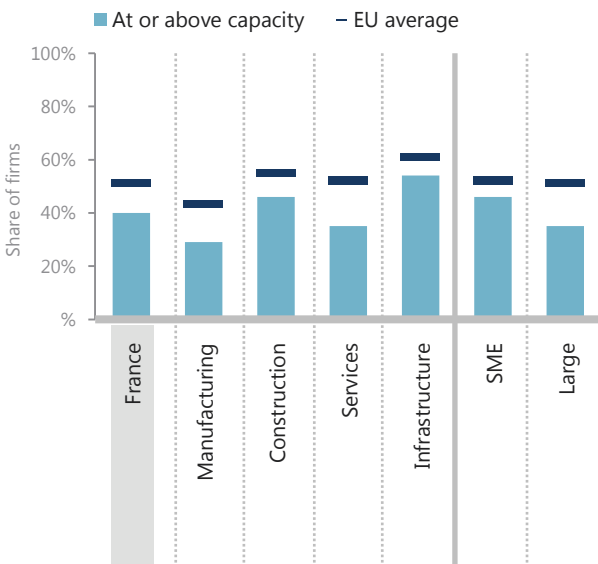
**Base:** All firms (excluding don't know/refused responses)  
**Q.** Looking ahead to the next 3 years, which of the following is your investment priority (a) replacing existing buildings, machinery, equipment, IT (b) expanding capacity for existing products/services (c) developing or introducing new products, processes, services?

- 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.

# INVESTMENT NEEDS

- 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.

## Share of firms at or above full capacity

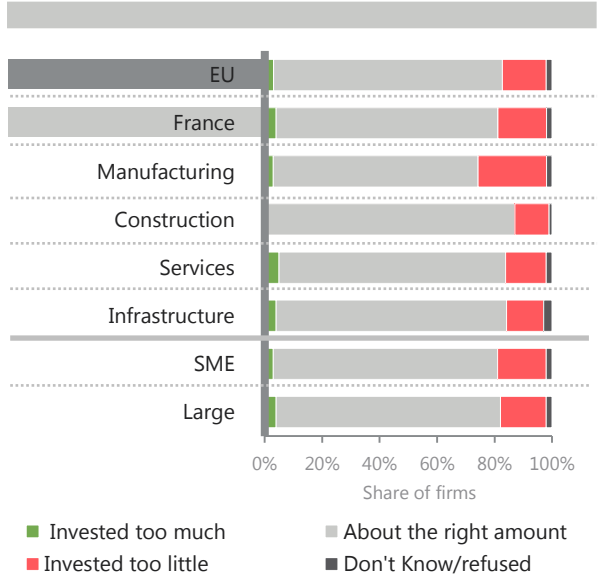


**Base:** All firms (data not shown for those operating somewhat or substantially below full capacity)

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? 6

## Perceived investment gap



**Base:** All firms (excluding 'Company didn't exist three years ago' responses)

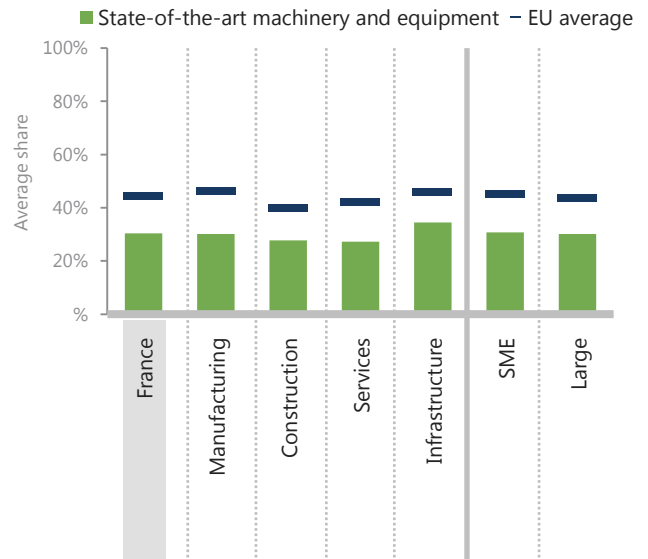
Q. Looking back at your investment over the last 3 years, was it too much, too little, or about the right amount to ensure the success of your business going forward?

- 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.

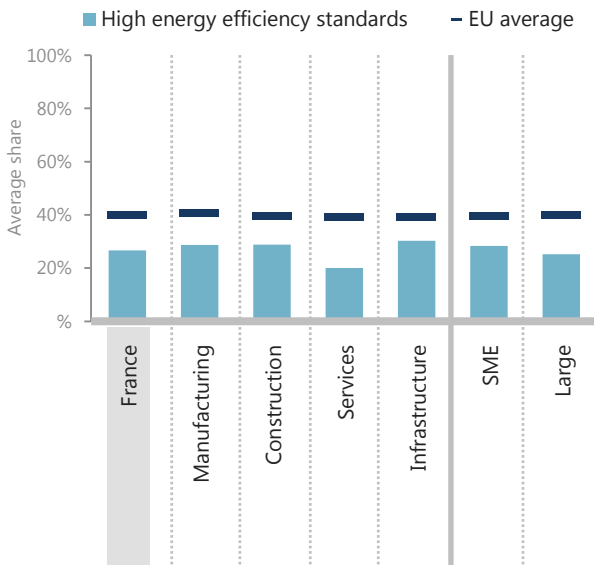
### Average share of state-of-the-art machinery and equipment



**Base:** All firms

Q. What proportion, if any, of your machinery and equipment, including ICT, would you say is state-of-the-art?

### Average share of building stock meeting high energy efficiency standards



**Base:** All firms

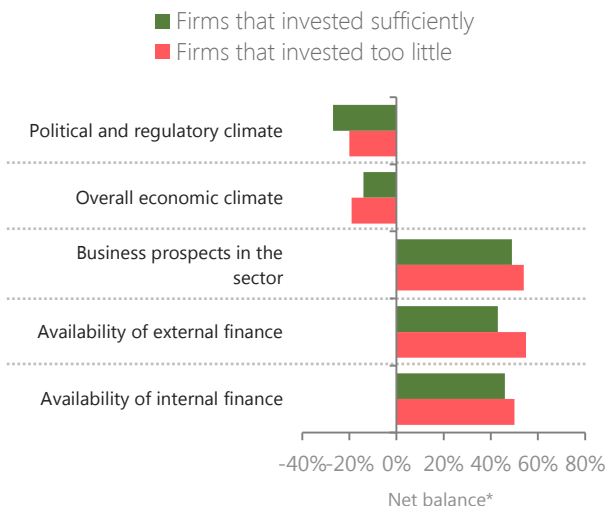
Q. What proportion, if any, of your commercial building stock satisfies high or highest energy efficiency standards?

- 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%.

# INVESTMENT CONSTRAINTS

- 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.

## Short term influences by investment performance

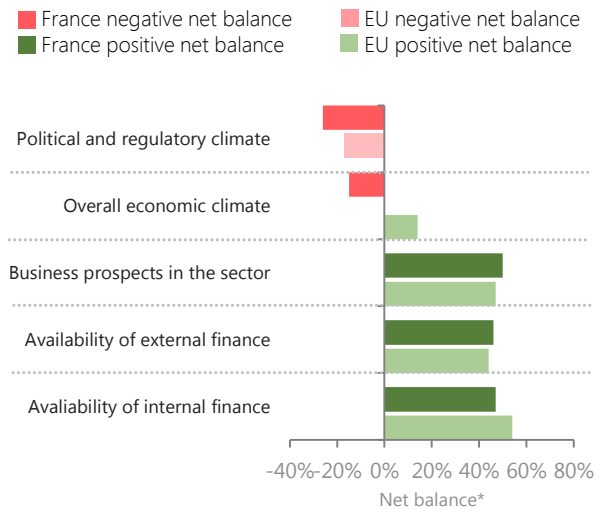


**Base:** All firms who have planned to invest in the current financial year and who invested too much, about the right amount or too little in the last financial year (excluding don't know/refused/company didn't exist three years ago responses)

Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

\* Net balance is the share of firms seeing a positive effect minus the share of firms seeing a negative effect

## Short term influences on investment



**Base:** All firms who have planned to invest in the current financial year

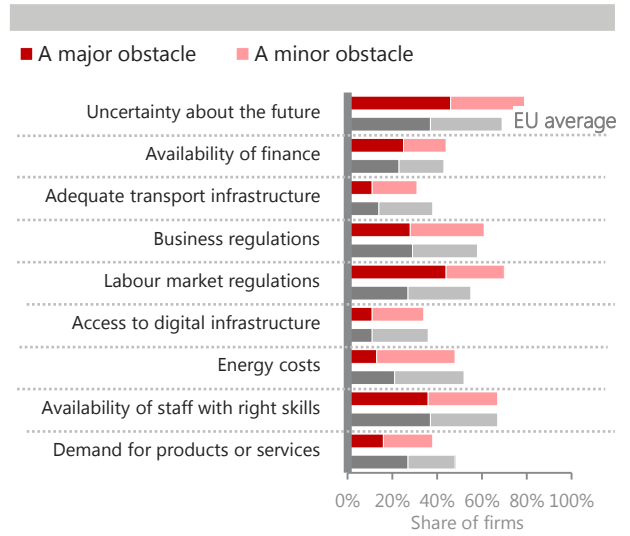
Q. How do each of the following affect your ability to carry out your planned investment. Does it affect it positively or negatively, or make no difference at all?

\*Net balance is the share of firms seeing a positive effect minus the share of firms seeing a negative effect

- 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.

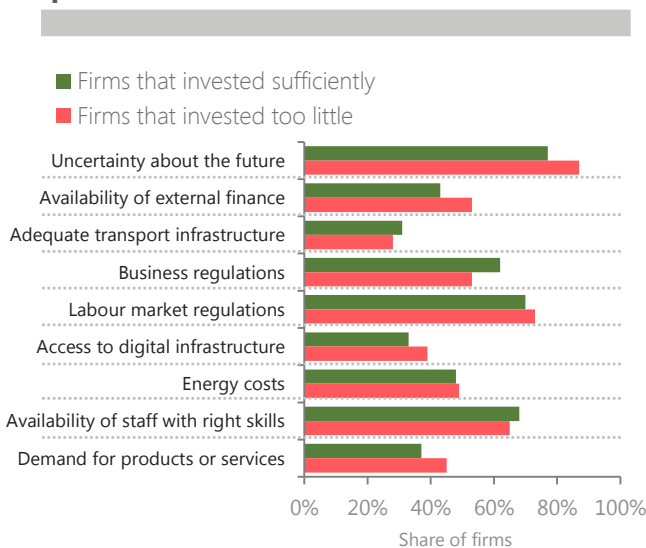
### Long term barriers to investment



**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?

### Long term barriers by investment performance



**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

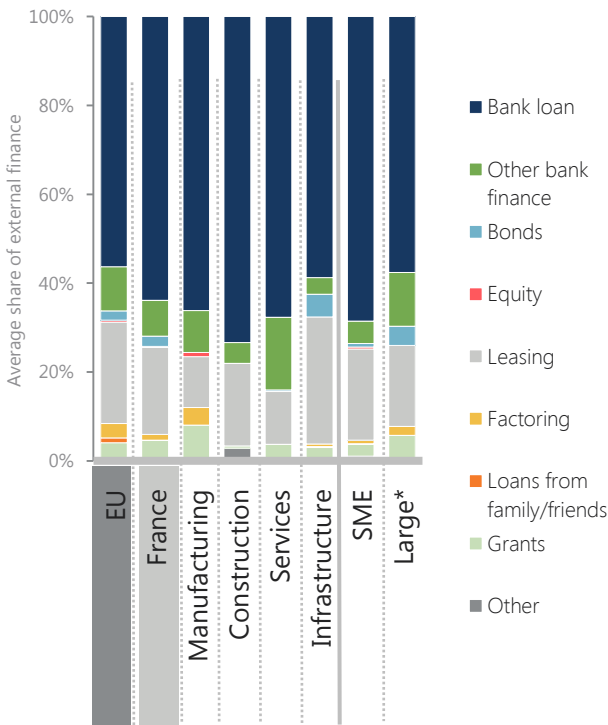
Q. Thinking about your investment activities in France, to what extent is each of the following an obstacle? Is it a major obstacle, a minor obstacle or not an obstacle at all?

- 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).

# INVESTMENT FINANCE

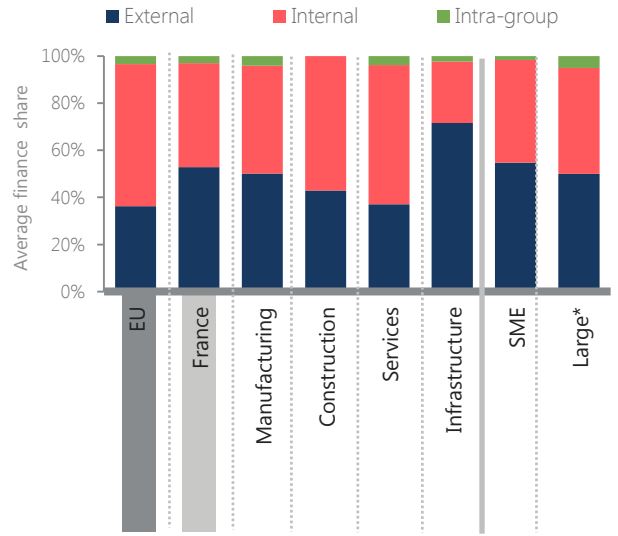
- Firms report the highest share of external finance in the EU (53% in France; EU average is 36%), and the lowest share of internal finance (44% in France; EU average is 60%), in a context of weak profit margins that may limit the capacity of self-financing.
- Bank loans are the most common source of external finance, and firms report to be satisfied with the conditions for external finance.

## Type of external finance used for investment activities



Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)  
\*Caution very small base size less than 30  
Q. Approximately what proportion of your external finance does each of the following represent?

## Source of investment finance



Base: All firms who invested in the last financial year (excluding don't know/refused responses)  
\* 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?

## Satisfaction with external finance

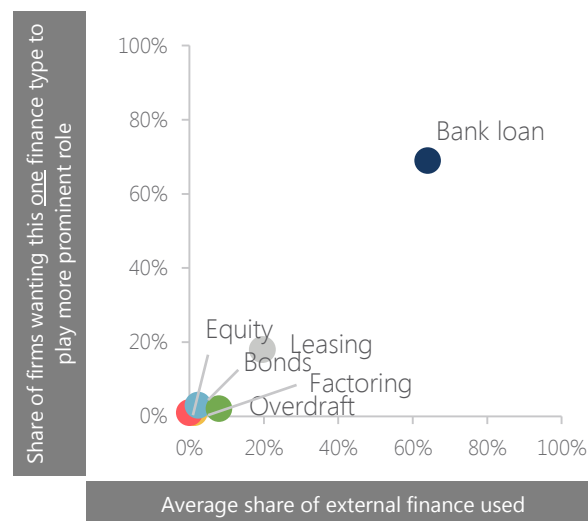


Base: All firms who used external finance in the last financial year (excluding don't know/refused responses)

Q. How satisfied or dissatisfied are you with ...?

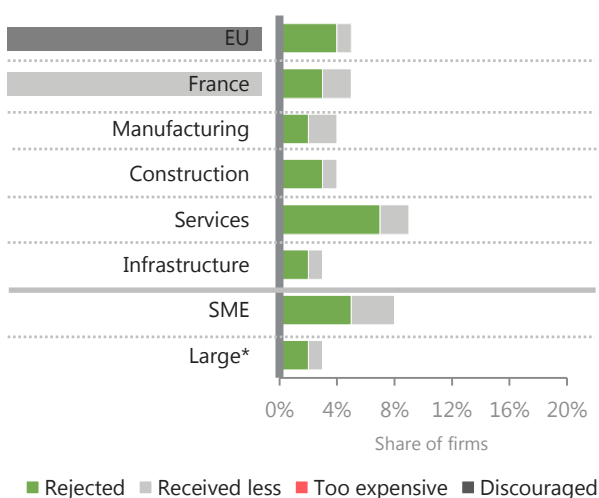
- There is a positive correlation between the type of external finance currently used and the type that firms would like to use more. In other words, firms in France want more of the type of external finance they are already using – namely bank loans, and to a lesser extent leasing.
- A notable exception is overdrafts, as firms would like to use a lower share of this type of external finance.

### Types of finance used versus the one type of finance firms want to use more



**Base:** All firms who used external finance in the last financial year (excluding don't know/refused responses)  
Data is derived from two questions: firms were first asked about the types of external finance used in the last financial year and then which one type of external finance they would want to have a more prominent role over the next 3 years

### Share of finance constrained firms



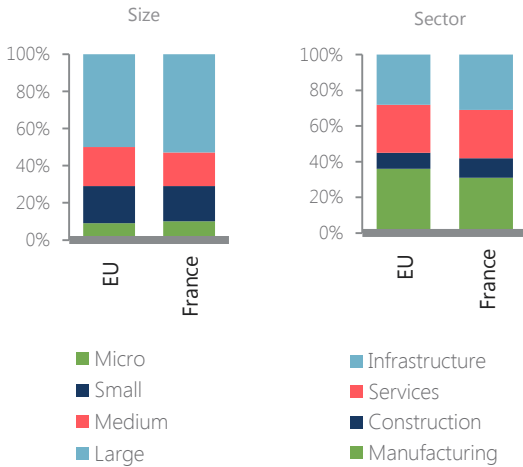
**Base:** All firms  
\*Caution very small base size less than 30  
Finance constrained firms include: those dissatisfied with the amount of finance obtained (received less), firms that sought external finance but did not receive it (rejected) and those who did not seek external finance because they thought borrowing costs would be too high (too expensive) or they would be turned down (discouraged)

- 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

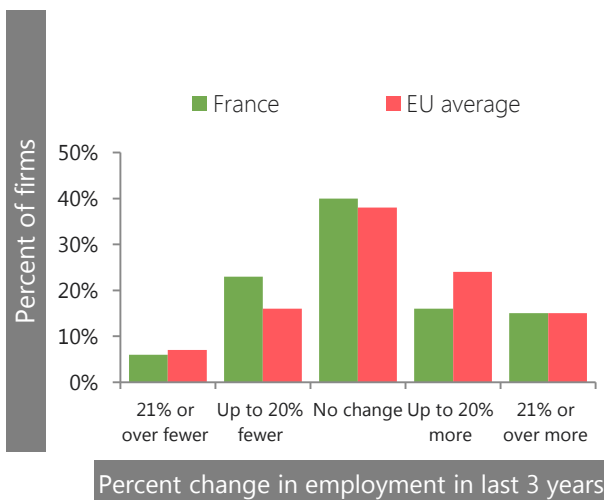


- In terms of the weighted size distribution, large companies account for the largest share of value-added (53%), similar to the EU average of 50%.
- Employment dynamics over the past three years are less favourable in France than the EU as a whole, as nearly as many firms in France have contracted as 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+.

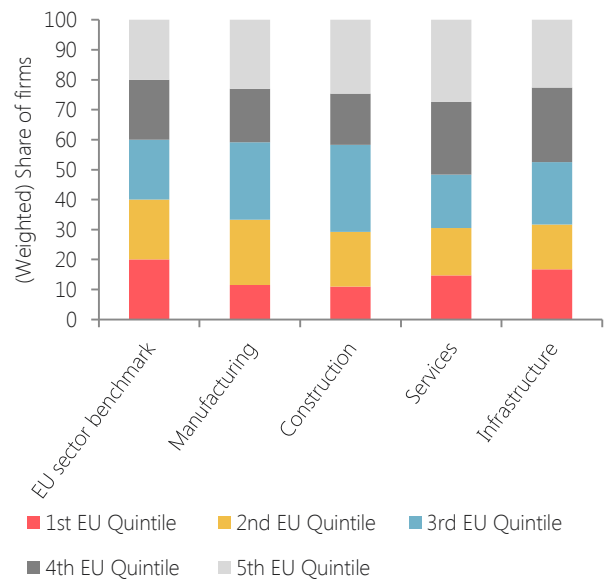
## Employment dynamics in last 3 years



**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?

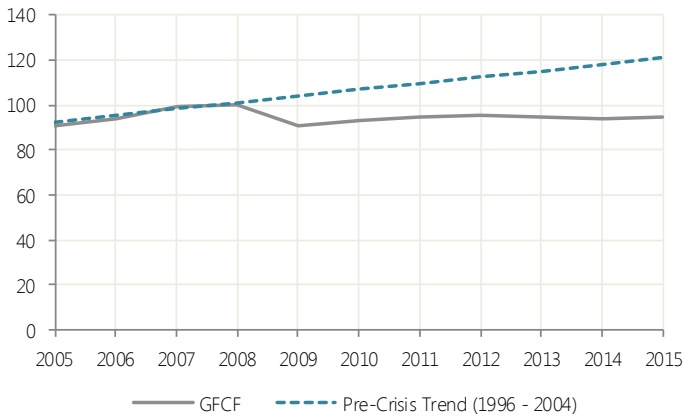
## Distribution of firms by productivity class



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).

# MACROECONOMIC INVESTMENT CONTEXT

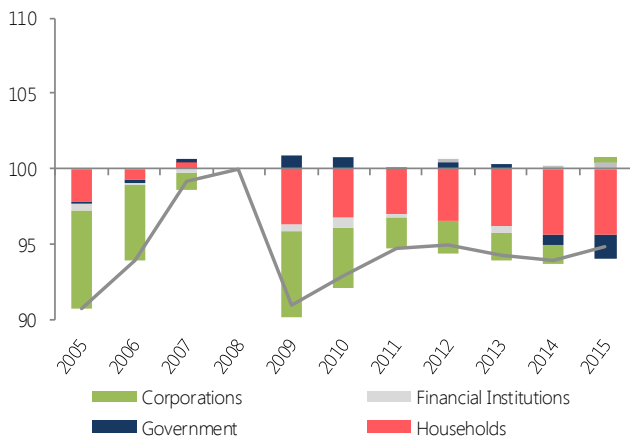
## Investment Dynamics over time



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

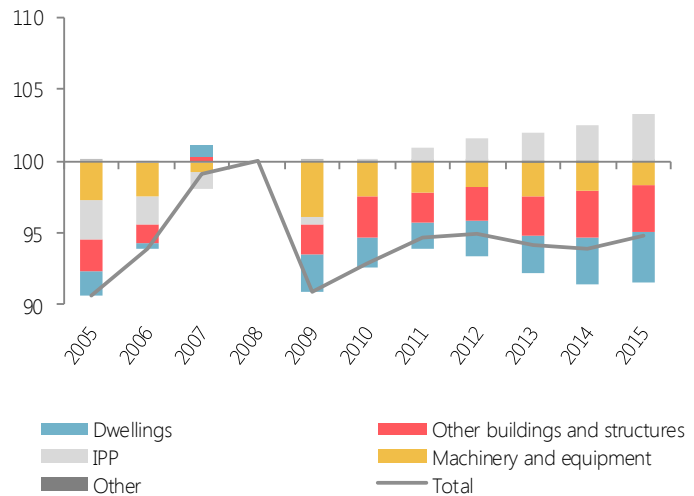
- In 2015, aggregate investment is still some 5% below its 2008 levels.
- Investment has remained relatively robust during the crisis, but there is a substantial investment gap with respect to the pre-crisis trend.
- The household sector and investments in 'other buildings and structures' and 'dwellings' are lagging most compared to 2008.

## Investment Dynamics by Institutional Sector



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.

## Investment Dynamics by Asset Class



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.

# EIBIS 2016 – COUNTRY TECHNICAL DETAILS

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.

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

	EU	France	Manu- facturing	Cons- truction	Services	Infras- tructure	SME	Large	EU vs Country	Manufacturing vs Construction	SME vs Large
	(12483)	(602)	(190)	(115)	(132)	(164)	(504)	(98)	(12483 vs 602)	(190 vs 115)	(504 vs 98)
10% or 90%	1.0%	3.0%	5.0%	6.7%	6.3%	5.5%	2.3%	5.2%	3.1%	8.4%	5.7%
30% or 70%	1.5%	4.5%	7.6%	10.3%	9.7%	8.5%	3.6%	8.0%	4.8%	12.8%	8.7%
50%	1.7%	5.0%	8.3%	11.2%	10.5%	9.2%	3.9%	8.7%	5.2%	13.9%	9.5%

## 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.

# EIBIS 2016 – COUNTRY TECHNICAL DETAILS

## Base sizes

Base definition and page reference	EU	France	Manufacturing	Construction	Services	Infrastructure	SME	Large
All firms, p. 3, p. 6, p. 7, p. 9, p. 11, p. 12, p. 13	12483	602	190	115	132	164	504	98
All firms (excluding don't know/refused responses), p. 2	11838	584	185	113	127	158	488	96
All firms (excluding those who have no investment planned/don't know/refused responses), p. 5	12159	591	189	113	129	159	495	96
All firms (excluding 'Company didn't exist three years ago' responses), p. 6	12453	599	190	114	130	164	501	98
All firms (excluding don't know, refused and missing responses), p. 13	12162	585	180	114	129	161	492	93
All firms who invested in the last financial year, p. 2	12281	596	188	115	131	161	499	97
All firms who invested in the last financial year, p. 4	10881	528	173	98	114	142	433	95
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 4	10060	487	161	86	106	133	398	89
All firms who have invested in the last financial year (excluding don't know/refused responses), p. 5	9682	476	159	86	101	129	386	90
All firms who invested in the last financial year (excluding don't know/refused responses), p. 10	9093	373	110	74	85	103	335	38
All firms who have planned to invest in the current financial year and 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), p. 8	10536	509	N/A	N/A	N/A	N/A	N/A	N/A
All firms who used external finance in the last financial year (excluding don't know/refused responses), p. 10, p. 11	4344	242	78	44	41	78	216	26

## Percentage rounding

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












**European  
Investment  
Bank**

*The EU bank*



**Economics Department**

 [economics@eib.org](mailto:economics@eib.org)  
[www.eib.org/economics](http://www.eib.org/economics)

**Information Desk**

 +352 4379-22000  
 +352 4379-62000  
 [info@eib.org](mailto:info@eib.org)

**European Investment Bank**

98-100, boulevard Konrad Adenauer  
L-2950 Luxembourg  
 +352 4379-1  
 +352 437704  
[www.eib.org](http://www.eib.org)

