



BUSINESS CLIMATE SURVEY FRANCE 2023

A REPORT FROM TEAM SWEDEN IN FRANCE

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+1,600 respondents **23** markets

Current business climate

Continuous positive view on the current business climate in France

Industry turnover

63%

of Swedish companies expect their industry turnover to increase in the next 12 months

Future investments

40%

of Swedish companies plan to increase their investments slightly or significantly in the next 12 months

Valued success factors

1. Sales competence
2. Cost efficiency
3. Brand Awareness

Brand Sweden

72%

of Swedish companies in France consider Brand Sweden beneficial for their business

Local conditions with high satisfaction

1. Personal safety
2. Service providers
3. Suppliers

Local conditions with least satisfaction

1. Corporate taxation
2. Labour market regulations
3. Level of digitalisation

Environmental considerations

78%

of respondents report that environmental factors are considered in their customers' purchasing decisions

Corruption

– Low risk in an advanced economy as France

Human rights violation and labour rights abuse

– Low risk in an advanced economy as France

FOREWORD

With over 68 million inhabitants, France is the second-largest economy in the EU and the seventh-largest economy in the world. France has historically been an important trade partner for Sweden, and this relationship keeps growing. France is Sweden's eighth largest trading partner for Swedish exports and 10th for imports.

For the fourth year in a row, the EY Barometer 2023 stated France as the most attractive country in Europe in terms of Foreign Direct Investments. Business France also announced that France was the leading European country for investments from Sweden. The country received 35 Swedish investment projects in 2022 that created 955 jobs. Approximately 460 Swedish companies have local establishments in the French market with more than 95,000 employees, so France is an important European market both for trade and investments.

Key findings from the Business Climate Survey 2023 confirm that Swedish companies in France continue to show confidence in the market and remain profitable, while a small contraction can be observed compared to 2022. In total, 80 per cent of 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 perceive that French customers attach an increased importance to sustainability aspects in their purchasing decisions. This can continuously offer opportunities for Swedish companies that are pioneers in green solutions and new smart technologies. French-Swedish collaborations for sustainable businesses can also be viewed within the scope of the French-Swedish strategic partnership for innovation, digitalisation, and green solutions, which Sweden and France concluded 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. The local report's 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 look forward to supporting the continued trade and business development between Sweden and France.



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EXECUTIVE SUMMARY

The Business Climate Survey in France is part of the global Business Climate Survey conducted in more than 20 countries in the world and aims to increase the understanding of the French business climate from a Swedish company perspective. This year's survey collected answers from 88 local executives representing Swedish companies in France.

France remains an important trading partner for Sweden, and there is continued trust in the French market. France is the leading European country for investments from Sweden: around 460 Swedish companies have local establishments on the French market and employ more than 95,000 people.

During 2022, the French market showed resilience in a time of economic uncertainty. A majority of the respondents (63 per cent) believe that the turnover in their industry will increase in the coming year, and most of the respondents described their financial performance as profitable in 2022. Eighty per cent of companies plan to increase or maintain their investments in the upcoming 12 months, showing a continued commitment by Swedish companies to the French market.

From a market perspective, France remains one of Sweden's biggest trading partners; 8th in terms of exports and 10th in terms of imports, with the weak currency exchange of 2022 bolstering Swedish export growth. Swedish companies have a continued steady presence in France, and the survey's results confirm that the confidence in the French business climate remains largely positive, albeit more neutral compared to last year, in the face of the global economic uncertainty and turbulent geopolitical relations. Swedish companies are continually satisfied with the overall business environment where market conditions for safe and efficient operations as well as access to critical actors in the value chain score high in the ratings. Swedish companies rarely encounter trade barriers; however, price inflation, administrative procedures, social charges, and labour regulations weigh down the perception of France's business climate.

For the fourth year in a row, a vast majority (91 per cent) of the respondents indicate that they are involved in marketing and sales activities. In line with this finding, sales competence is ranked as the most important factor in maintaining competitiveness. The French continue to have a positive view of Sweden; 72 per cent of the participating companies consider that the Swedish brand contributes positively to their businesses.

France shares many similarities with Sweden in terms of the importance that is attached to sustainable conduct of business. The companies surveyed report that environmental aspects remain an important consideration in customers' purchasing decisions, reiterating the results of the 2022 global Business Climate Survey, where France stood out as the country in Western Europe where environmental aspects were considered most important. France also enjoys a good reputation for its low extent of corruption and low levels of human rights abuse and labour rights violations.

ABOUT THE SURVEY

A Team Sweden Collaboration

The Business Climate 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 23 markets worldwide with insights from over 1,600 Swedish company representatives. It is an important tool to map opportunities and challenges that Swedish companies face when doing business abroad. Since 2020, the survey has been 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 a French market perspective.

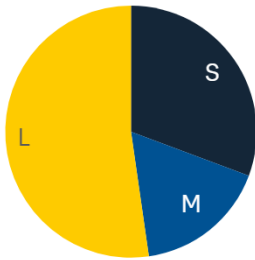
By providing key facts on the French economic outlook as well as insights on Swedish companies and their success factors in the French market, Team Sweden hopes to assist and support institutions, investors and other relevant stakeholders in the development of Swedish investments and business activities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

This year, the survey was sent out to a sample of 434 local executives representing Swedish companies in France, 88 of which provided answers. This sample size is sufficient to represent Swedish companies in France.

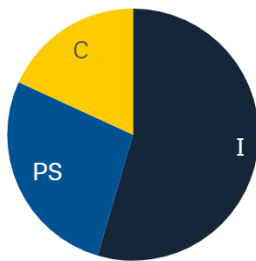
The report is divided into the following sections: Economic outlook, The market, How Swedish companies succeed in France, and Acting sustainably.

The answers were collected between March 9th and April 14th, 2023. Interviews were conducted later with selected companies to gain a deeper understanding of the factors behind their survey responses. It should be mentioned that the data collection period was characterised by a turbulent social climate in France due to the pension reform and political measures surrounding its implementation.

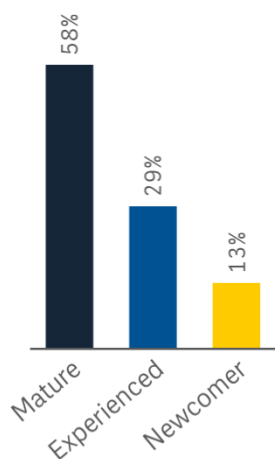
Fifty-two per cent of the survey respondents represented were large companies, 17 per cent were medium-sized companies, and 31 per cent were small companies. Fifty-five per cent of the respondents were from the industrial sector, 27 per cent were from the professional services sector, and 18 per cent were from the consumer product sector. The majority (58 per cent) of the participants were mature companies having operated in France for more than twenty years. Thirteen per cent were newcomers with only a few years of experience in the French market.

SIZE OF COMPANIES

NOTE: Global employees. Large >1000 (52%). Medium 250-1000 (17%). Small 0-249 (31%)

MAIN INDUSTRY

NOTE: Industrial 55%. Professional services 27%. Consumer 18%.

AGE OF COMPANIES

NOTE: Mature (<2000). Experienced (2001-2015). Newcomer (2016-)

ECONOMIC OUTLOOK

The French economy continues to show resilience in a time of uncertainty

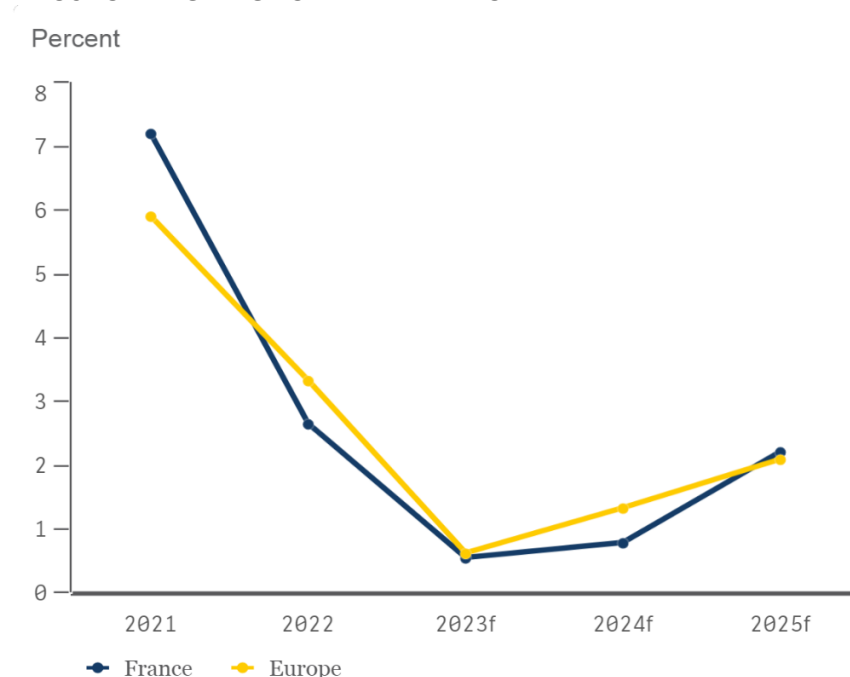
The turmoil caused by Russia's invasion of Ukraine and the following energy crisis highly affected the European Commission's economic outlook for the EU economy at the end of 2022. As presented in the graph below, a winter recession in the EU seemed inevitable, but the EU economy performed better than expected, with a smaller-than-projected contraction in the last quarter of 2022. Further, the actual GDP presented growth in the first quarter of 2023. This improved outlook presents an estimated growth for the EU economy for 2023 as well as for 2024. The EU GDP growth is projected to be 1.0 per cent in 2023 (from 0.8 per cent) and 1.7 per cent in 2024 (from 1.6 per cent).

France has not been excluded from the effects of the war and elevated energy prices. The European Commission projects the economic activity in France to remain subdued in 2023, with an annual GDP growth of 0.7 per cent, after a continuous slowdown in 2022. The French GDP growth in 2022 (+2.6 per cent) was mainly due to a carry-over effect from 2021, but the GDP growth is expected to gain momentum in 2024, reaching 1.4 per cent. Moreover, although France's projected GDP growth is below the European forecast, respondents to the survey mentioned that compared to other EU markets, French GDP growth is perceived as being stable.

Inflation in France rose to 5.9 per cent in 2022 but remained the lowest in the EU (average of 9.2 per cent) as a result of government measures, such as energy price controls and subsidies. As underlined by respondents, although the inflation rate is high, it remains well below other markets. During 2023, inflation is projected to remain at 5.5 per cent and decline to 2.5 per cent in 2024. This puts France in a good position in comparison to the EU inflation forecast of 6.7 per cent in 2023 and 3.1 per cent in 2024.

Source: European Commission (Spring 2023 Economic Forecast)

PROJECTED GDP GROWTH IN FRANCE



NOTE: Constant prices.

SOURCE: Oxford Economics 24 April 2023.

The French Government's recovery plan, "France Relance," was deployed in 2020 by French President Emmanuel Macron to reinforce the country's economy and industry. It can be considered successful, as France, for example, was the first large member state in the EU to surpass pre-pandemic GDP.

Source: European Statistical Recovery Dashboard

On the 12th of October 2021, in line with the France Relance plan, Macron unveiled the "France 2030" investment plan, which focuses on sectors of strategic importance for France's industrial future. This plan is part of the Government's strategy to promote investments, innovation, and re-industrialisation and provides investments of €54 bn over five years. It aims to develop industrial competitiveness and the technologies of the future, with half of the funding being allocated to emerging players and the remaining half to decarbonisation initiatives. The plan has 10 objectives – all for better understanding, better living, and better production by 2030.

1. To help develop innovative, small-scale nuclear reactors with better waste management.
2. To become the leader in green hydrogen. In 2030, France will have at least two gigafactories of electrolyzers, mass-producing hydrogen, and all useful associated technologies.
3. To decarbonise France's industry by reducing greenhouse gas emissions by 35 per cent compared with 2015.
4. To produce nearly two million electric and hybrid vehicles.
5. To produce the first low-carbon aircraft.
6. To invest in a healthy, sustainable, and traceable diet.
7. To produce 20 biopharmaceuticals against cancer and chronic diseases, including those related to age, and to create the medical devices of tomorrow.
8. To make France a leader in the production of cultural and creative content.
9. To play its role in new space adventures.
10. To invest in the field of sea beds.

Source: French Government

One year after the launch of France 2030, the first concrete results can be examined. More than 60 measures have been introduced with more than 1,300 supported beneficiaries, around €10 bn has been committed, and 10 agreements have been signed between the State and all regions.

Source: French Government

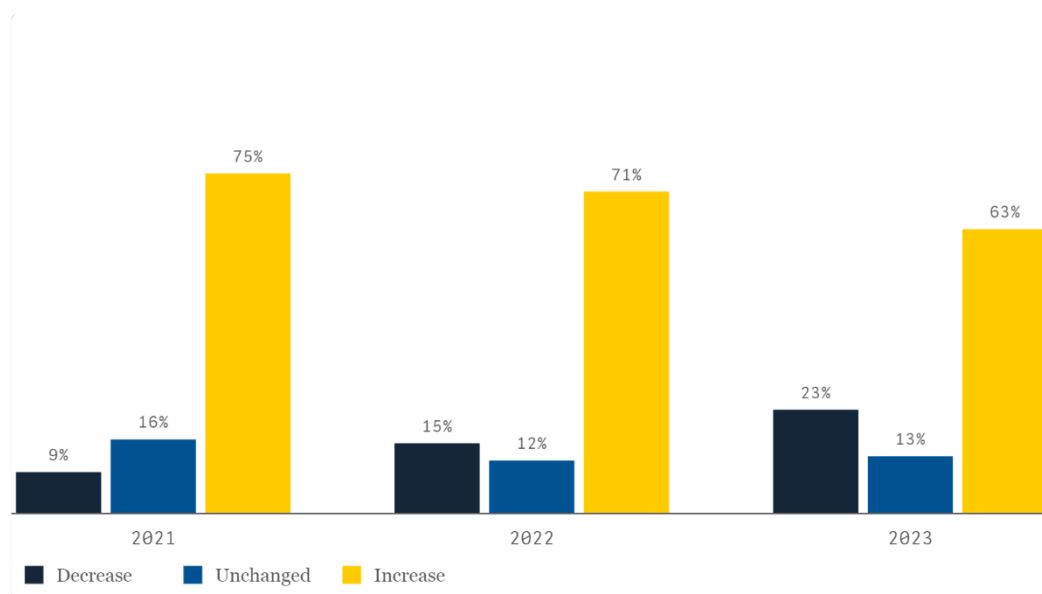
Regarding the financial predictions for the upcoming 12 months, a majority of the responding companies expect that the turnover in their industry is going to increase. Sixty-three per cent of the respondents expect that the turnover in their industry will increase either significantly or slightly, while 23 per cent expect a decrease. In the past two years, the share of respondents who expected an increased turnover in their industry was higher, but this year's percentage is still significantly higher than in 2020 when only 35 per cent of the respondents expected that their industry turnover would increase.

The outlook does not appear to be dependent on the companies' size or market experience. However, companies in the industrial sector seem to have a more positive outlook, with 69 per cent believing that the turnover in the industry segment will increase (compared to 57 per cent for consumer and professional services). Respondents from this category reported that governmental investments in transport infrastructure, as well as initiatives targeting industrial development, have been beneficial for the industrial sector.

“The current French government has done a lot for companies, which has not been seen to the same extent in the past. For example, the state loans during Covid-19, Industrie du Futur, France 2030. The interventions to keep the inflation rate low, France’s strong come-back after the pandemic. I do believe we have a favorable environment for businesses.

Benoit Détharé
Managing Director, Nefab France

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 88. “Don’t know/Not applicable” responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

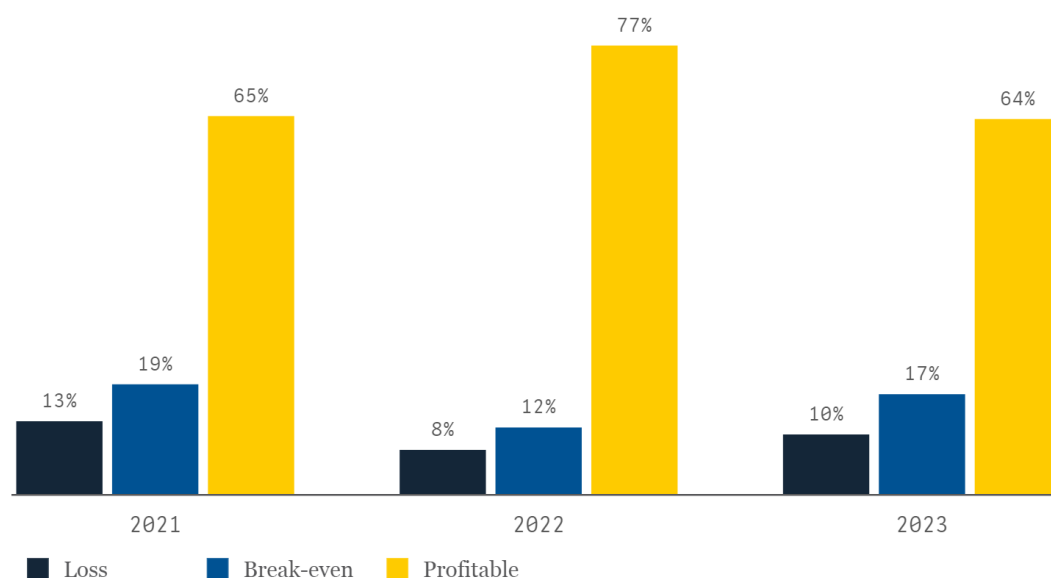
A majority of Swedish companies were profitable in 2022

In 2022, 64 per cent of Swedish companies reported a profitable financial performance, which is 13 per cent lower than last year’s Business Climate Survey. Ten per cent of the companies declared a loss in 2022, compared to eight per cent in 2021.

A large majority of the large companies (76 per cent) as well as of the small companies (56 per cent) describe their financial performance as profitable during 2022, in comparison with 47 per cent of the medium-sized companies. In terms of level of experience, 79 per cent of mature companies describe themselves as profitable, against 46 per cent of experienced companies and 36 per cent of newcomers. Additionally, a larger number of newcomers (36 per cent) describe that their financial performance incurred loss, in comparison to six per cent of mature companies and four per cent of experienced companies.

This year’s Business Climate Survey shows that companies operating in the industrial sector are the ones who most frequently describe their financial performance as profitable. A large majority (79 per cent) of companies within the industrial sector describe their financial performance as profitable in 2022, compared to 65 per cent for professional services and 50 per cent for the consumer sector.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN FRANCE IN 2022?



NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

80% of Swedish companies in France plan to increase or maintain investments

The continued trust in the French market and economy is reflected in Business France's annual report on foreign investments in France, which showed that in 2022, France hosted 1,725 investment projects, an increase of seven per cent compared to 2021. The investments are generating or maintaining 58,810 jobs, with a historic increase of 31 per cent.

In line with the EY Barometer of France's attractiveness in 2022, the Business France report announced France as the top location for international investment projects in Europe for the fourth year in a row. Out of the Nordic countries' investments in France, Sweden ranks second, with 35 new projects in 2022. Sweden is, however, the leading Nordic country in terms of jobs created in France (955), employing around 95,000 people. The 2022 report also showed that Sweden is the 3rd largest contributor to jobs in the household equipment sector in France.

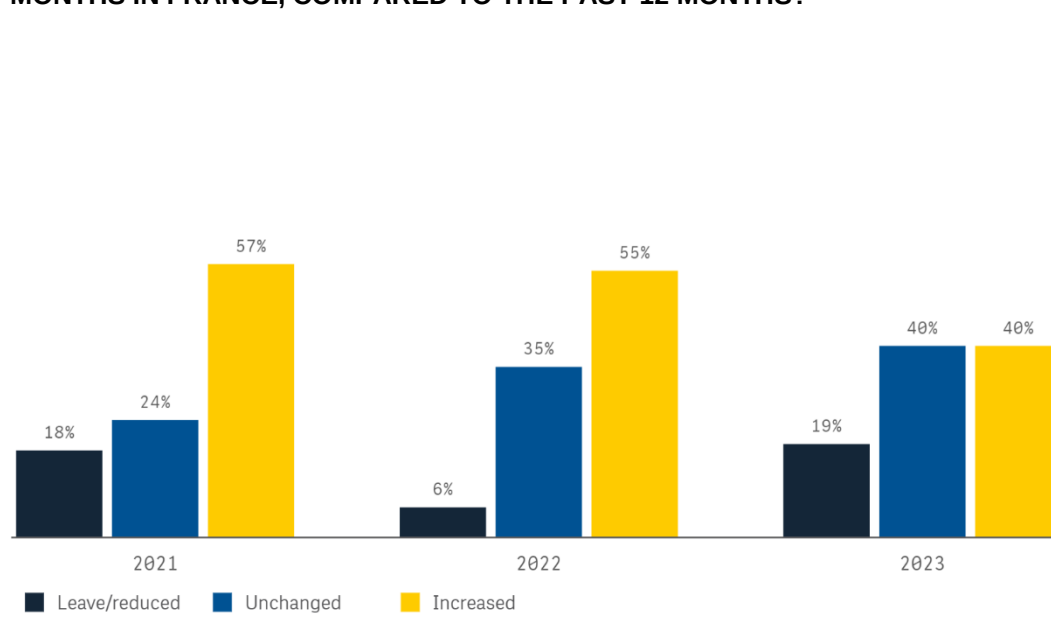
The Île-de-France region (Paris region) hosted 34 per cent of the Swedish investment projects. These Swedish investments were concentrated on production activities, decision centres and R&D centres.

Source: Business France

For Sweden, France remains the first European host country for investments. This is in line with the findings of this year's Business Climate Survey, where it can be observed that a large majority (80 per cent) of Swedish businesses established in France are planning to maintain or increase their investments in France. This generally positive attitude towards new investments is shared among the different categories of companies, but particularly among newcomers, where 64 per cent are planning to increase their investments.

Although this year's survey shows that a large majority of companies plan to maintain or increase their investments in France, a decrease in planned investments can also be observed. This adverse trend can, to an extent, be explained by the current global economic situation rather than by related to French market specificities. As mentioned by respondents, the investment boost observed in the post-pandemic era created a high demand in multiple sectors, however, this has to a large extent been counteracted by elevated inflation.

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 88. "Don't know/Not applicable" responses are included but not shown in figure. Response percentages may not add up to 100 as "Don't know/Not applicable" answers are excluded in the graph.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

THE MARKET

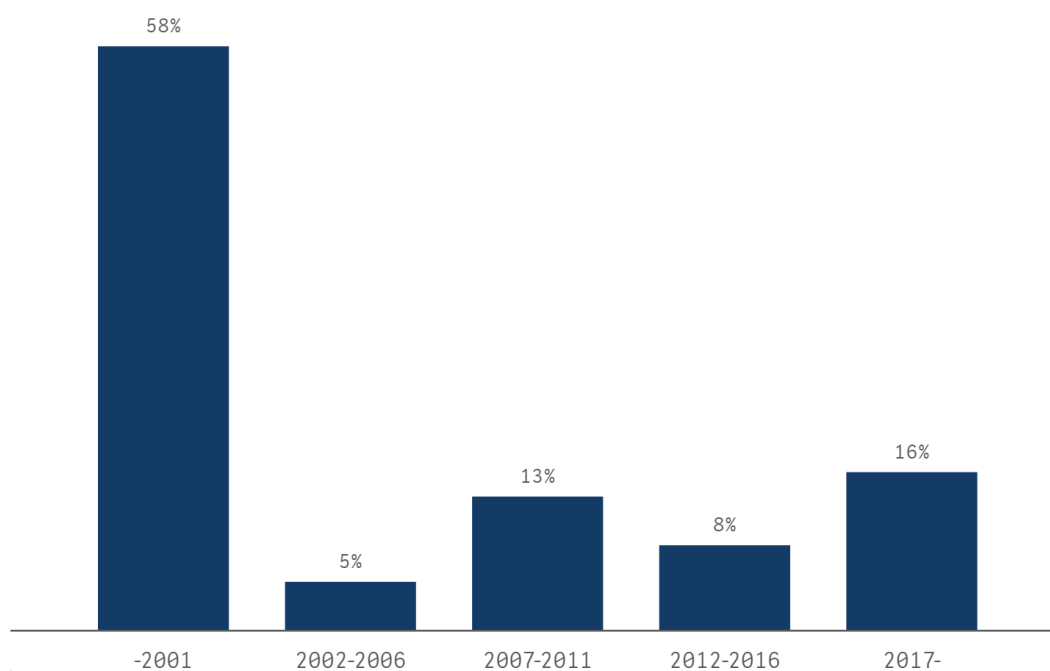
Continued steady presence of Swedish companies in France

With 68 million inhabitants, France is the second-largest economy in the EU in terms of GDP and the seventh-largest economy in the world. The French market is a business powerhouse for large corporations; France has 25 companies on the Fortune 500 list, with the Paris region boasting the highest concentration of companies from the list in Europe. From a labour-market perspective, France has a robust supply of skilled labour, and workers with high-level qualifications make up a larger share of the labour market as compared to the EU-27 average.

France's supply of skilled labour, its highly developed infrastructure, and structural reforms to promote domestic industry are factors considered attractive by foreign investors.

In 2022, France was Sweden's 8th largest trading partner in terms of exports and 10th largest partner in terms of imports. The same year, Swedish exports to France accounted for 80 billion SEK, a 19.9 per cent increase compared to 2021. In the first three months of 2023, Swedish exports to France increased by 27 per cent in nominal terms compared to the same period in 2022, and French imports to Sweden have increased by 19 per cent over the same period. In addition to the substantial trade flows between the countries, more than 450 Swedish companies have established operations in France. The vast majority of Swedish companies established in France have been active in the market since the last century. The past 20 years have shown a steady inflow of new Swedish companies, with a slower influx observed between 2011 and 2015.

Sources: CCI Paris, Cedefop, EY Barometer and Attractiveness Survey, Fortune 500, French Government, SCB, Worldbank

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN FRANCE?

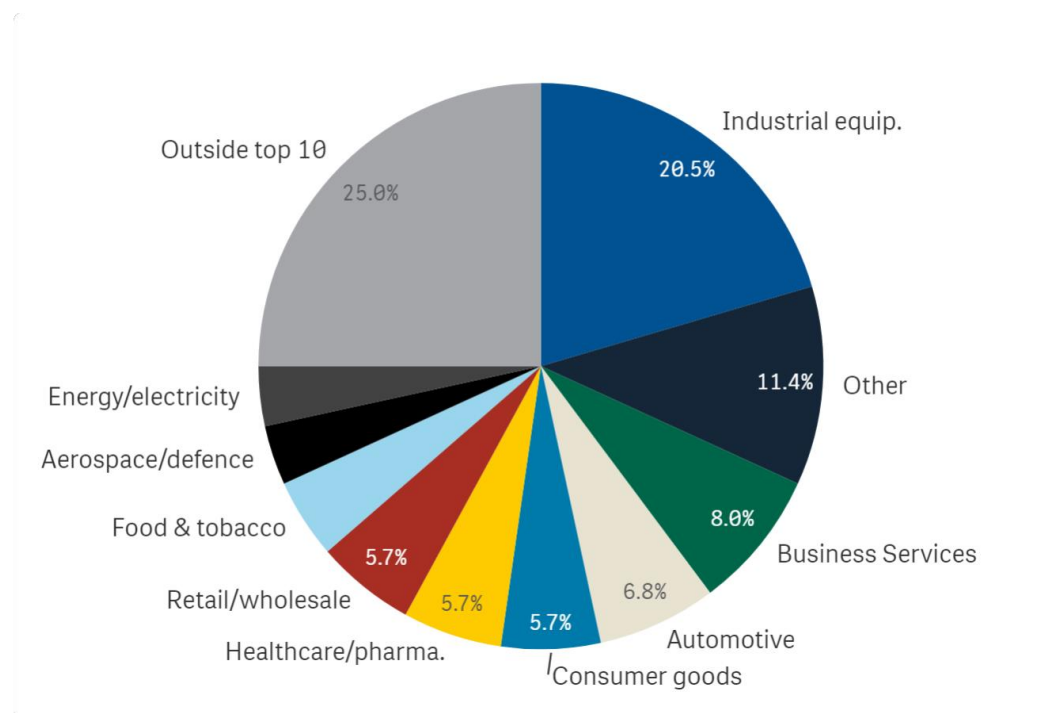
NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

The French industry is highly diversified and home to Europe's largest aviation and nuclear industries. In 2022, the country saw a surge in manufacturing projects in the automotive, aeronautics and consumer goods industry. Opportunities for Swedish companies abound in most sectors.

Source: EY Barometer

WHAT IS YOUR COMPANY'S MAIN INDUSTRY IN FRANCE?



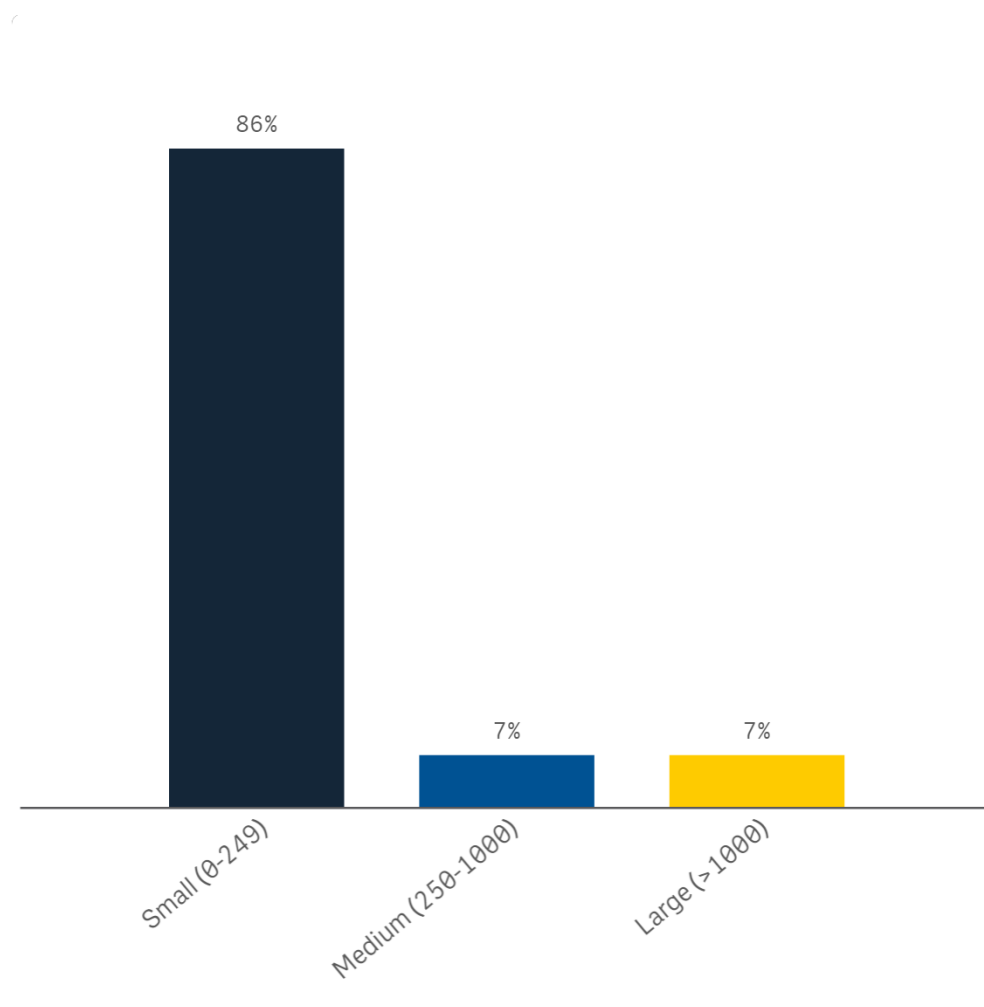
NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

Out of the companies that participated in the survey, most of the subsidiaries are small in terms of workforce, employing between 0-249 local employees. Companies that have a local workforce of more than 1,000 employees represent seven per cent. In addition, seven per cent of 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.

Source: INSEE

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN FRANCE IN 2023



NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

Confidence in the French business climate with a more neutral stance compared to 2022

In total, 84 per cent of the respondents have a neutral or good/very good perception of the business climate in France. While Swedish companies' view on the business climate in France is still largely positive, an increasing number of respondents perceive the business climate as neutral compared to last year's survey. Twenty-nine per cent of the Swedish companies had a good/very good perception of the business climate in France, compared to 57 per cent in 2022 and 36 per cent in 2021.

At the same time, neutral perceptions have increased from 38 per cent to 55 per cent and pessimistic perceptions from five per cent to 13 per cent. The positive perceptions during 2022 can be nuanced by considering France's strong seven per cent GDP growth in 2021, the strongest growth in 52 years. As such, the relative shift from a positive to a more neutral perception should be interpreted in light of overall changes in the economy and lower GDP growth, as presented in the previous chapter. The Global Business Climate Survey, aggregating results from all local surveys, will provide clarity on how well Swedish companies' confidence in the French market is holding up when compared to other markets.

The results from the survey of positive but more neutral perceptions align relatively well with the French Business climate indicator published by the French statistic institution INSEE, compiling business managers' opinions on the market as well as quantitative variables relating to workforce trends, production capacity and investments. Since 2022, INSEE's business climate indicator has gradually declined to return to the long-term average in May 2023.

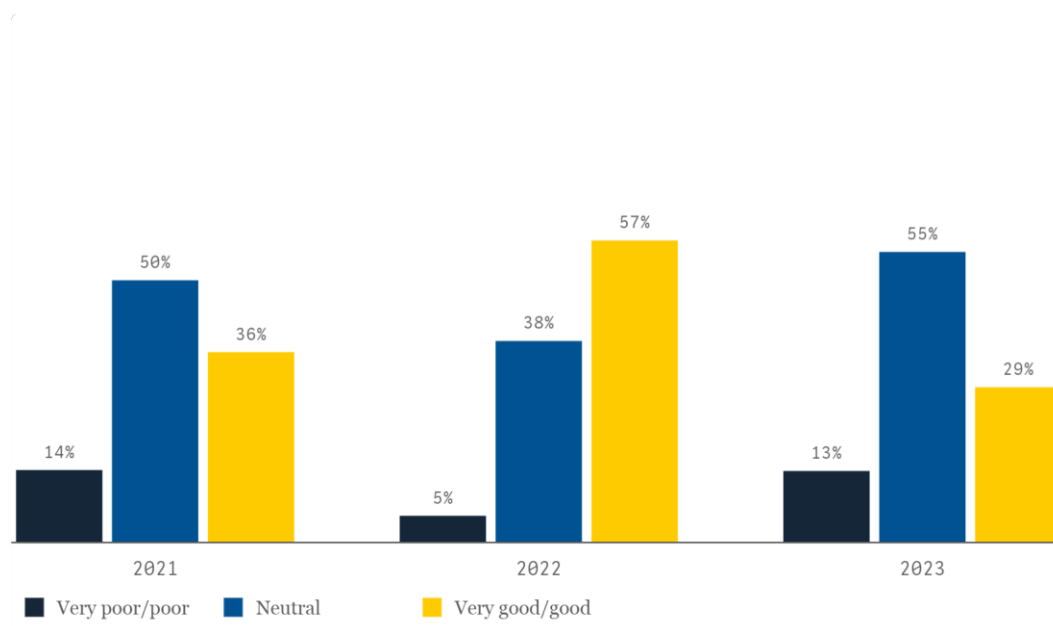
Breaking down the results by sector reveals that the increasingly neutral perception is mainly attributed to less positive views among respondents from the industrial and consumer goods segments. The professional services segment, on the other hand, reports increased confidence compared to 2022. The increase in poor or very poor perceptions can mostly be noted among consumer goods companies, where 21 per cent perceive the market as poor or very poor. Only 10 per cent of industrial companies hold this view.

The resilience in the industrial segment is in line with data from external sources that suggest that the French market was particularly attractive for industrial projects in 2022 when compared to European counterparts. According to EY, the total number of manufacturing projects in France saw a 41 per cent annual increase in 2022.

Breaking down the responses by company maturity reveals that all categories report a more subdued sentiment regarding the business climate since last year's survey. The change is most dramatic among newcomers; none of the responding newcomers reported a good or very good perception of the business climate, while 33 per cent of mature companies and 39 per cent of experienced companies viewed the business climate positively.

Source: Reuters, Financial Times, INSEE, EY

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN FRANCE?



NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.



The French business climate has benefitted from the French state aid, especially during COVID. It has helped build confidence in the market. However, it is still challenging to navigate through and access the relevant support and incentive schemes and pressure from Public Authorities on new legislation and regulation has increased. All these elements may explain the drop in confidence.

Marie-Claire Boslowsky

President France and VP Sales & Marketing South Europe, Essity

Swedish companies are continuously satisfied with the overall local business environment

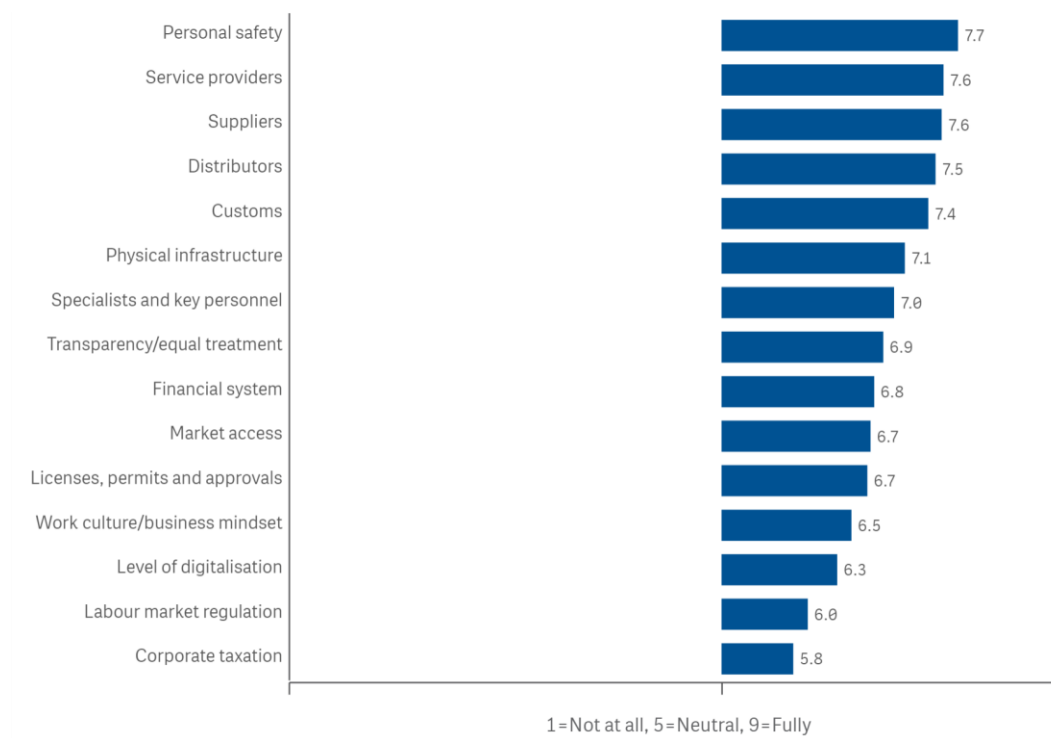
Several factors determine if a market's business environment is conducive to success. We asked Swedish companies to evaluate to what degree selected market conditions meet their needs in France. All factors studied were rated positively, and France is assessed to provide business-enabling market conditions to Swedish companies. Of the conditions studied, factors that enable safe and efficient operations, such as personal safety and physical infrastructure, score high ratings with 7.7 and 7.1 out of 9, respectively. Other high-performing market conditions include the supply of access to critical value chain players; Swedish companies indicate that France's provisions of suppliers, distributors, and service providers meet the demands of their company to a high extent. These market conditions were rated 7.6, 7.6 and 7.5, respectively, out of 9.

While still performing above average, the lowest scores were given to French corporate taxation and labour market regulation, scoring 5.8 and 6.0, respectively. This largely reiterates the survey results from last year's Business Climate Survey. Although it meets the needs of the average respondent, the French corporate income tax rate of 25 per cent is still perceived as less than ideal by many respondents. The rate has progressively decreased from 28 per cent in 2020, but it is several percentage units higher than Sweden's corporate income tax of 20.6 per cent.

Similar to the results of last year's survey, France's level of digitalisation also received a moderate satisfaction level of 6.3. Given Sweden's strong position in digitalisation globally, Swedish companies are likely well-placed to provide digital solutions in sectors that are less digitalised. The organisation IMD ranked Sweden third in the world in terms of capacity and readiness to adopt and explore digital technologies in 2022, as opposed to France, which ranked 22nd. Other lower scores were given to the French work culture and business mindset (6.5), as well as the conditions pertaining to licenses, permits and approvals (6.7). The latter indicates that Swedish companies perceive that there is still an administrative burden of conducting business in France.

Source: IMD

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



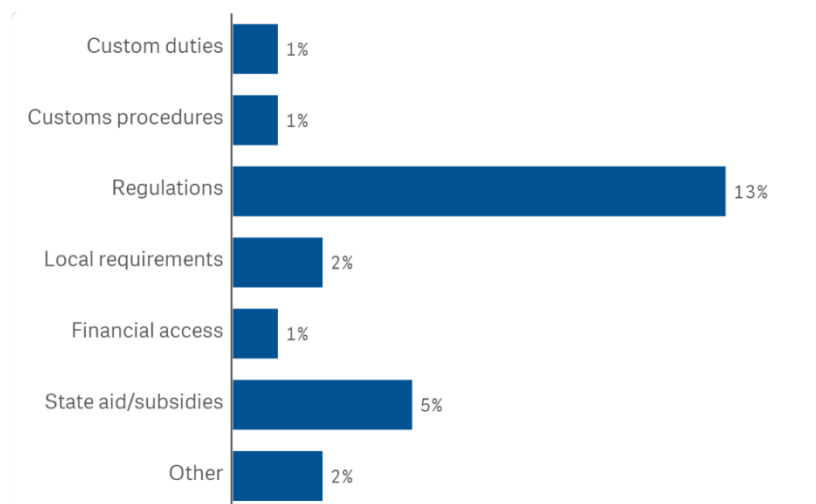
NOTE: The number of respondents for this question was 88.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

Swedish companies rarely encounter trade barriers in France

In line with the generally positive view of France's business conditions, Swedish companies in France rarely encounter trade barriers with a negative impact on their operations. Among the areas noted in the survey, listed in the graph below, the main trade barrier that Swedish companies encountered in 2022 was related to regulations, with 13 per cent of respondents indicating this as an issue. However, it is notable that this area has seen an improvement over the last two years: in the 2022 survey, the share of respondents perceiving this as an issue was 23 per cent, and the year before, the same number was 26.5 per cent.

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 88.
SOURCE: Business Climate Survey for Swedish Companies in France 2023.

Factors that challenge Swedish businesses in France mainly concern price inflation, administrative procedures, labour regulations, and uncertainty related to the consequences of Russia's invasion of Ukraine. Ninety-two per cent of the respondents found price inflation to be challenging or very challenging to their business in 2022. Factors that are perceived as the least challenging include bank relations, payment processing and exchange rate development. A depreciation of the Swedish Krona against the Euro can also entail a positive impact on Swedish exports to France, and the weak exchange rate of 2022 has bolstered Swedish export growth.

Source: World Bank, SVT, EKN

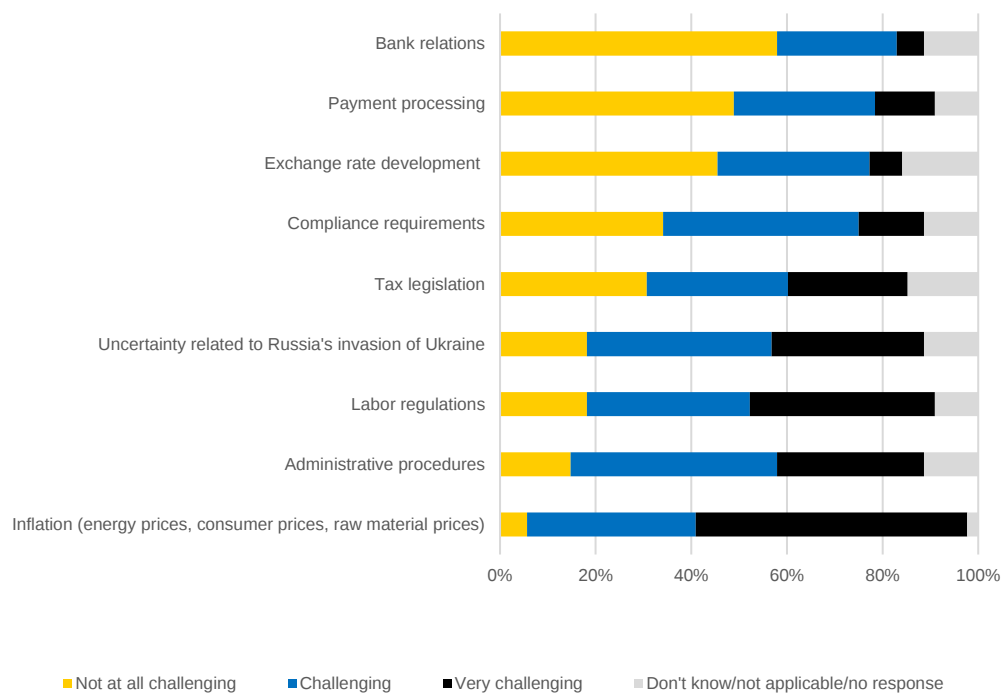
When prompted to contextualise their ratings of the French business climate, high price inflation without increasing budgets among clients was described as a challenging factor among respondents. This fact makes it difficult to push costs onto the end customers, putting a lot of pressure on profit margins. Respondents also expressed that social charges, labour regulations, and accessing the right talents challenge the perception of the business climate.

On the positive side, some respondents point to infrastructure investments underpinning a beneficial business climate, for example, those related to the Olympic Games that are to be held in Paris in 2024. Companies also note that they see a positive impact from a surge in investments in industry sectors and business opportunities appearing as France is re-shoring industries. The latter can be supported by EY's assessment of France's attractiveness for foreign direct investments towards manufacturing.

“There is a huge talent base in France. The question is how to attract and retain the right and necessary skills over time. The government needs to support changes in the labour market with adapted and targeted education policies. In this fast-changing environment, companies also need to modify their reference framework: value candidates' intrinsic motivation over diploma and reinforce the silver generation positioning in knowledge transfer with their following peers.

Marie-Claire Boslowsky
President France and VP Sales & Marketing South Europe, Essity

WHAT DO YOU CONSIDER PARTICULARLY CHALLENGING FOR YOUR BUSINESS IN FRANCE TODAY?



NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included and shown in the figure, grouped with "No Response".

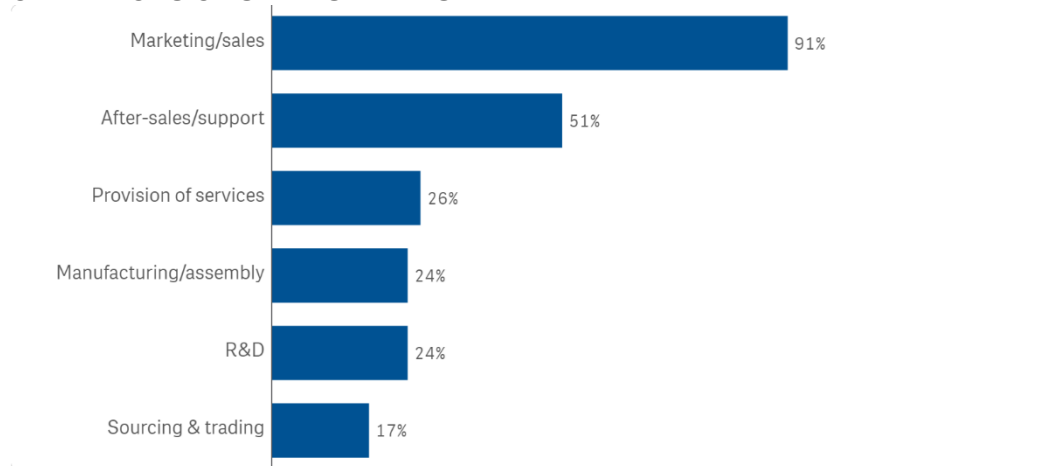
SOURCE: Business Climate Survey for Swedish Companies in France 2023.

HOW SWEDISH COMPANIES SUCCEED IN FRANCE

Marketing and sales activities dominating the local operations

For the fourth year in a row, a vast majority (91 per cent) of companies active on the French market indicate that they are involved in marketing and sales activities. Fifty-one per cent operate in after-sales and support activities, 26 per cent of companies in our sample provide services, 24 per cent undertake manufacturing or assembling activities in France, an additional 24 per cent perform R&D activities, and 17 per cent operate within sourcing & trading.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



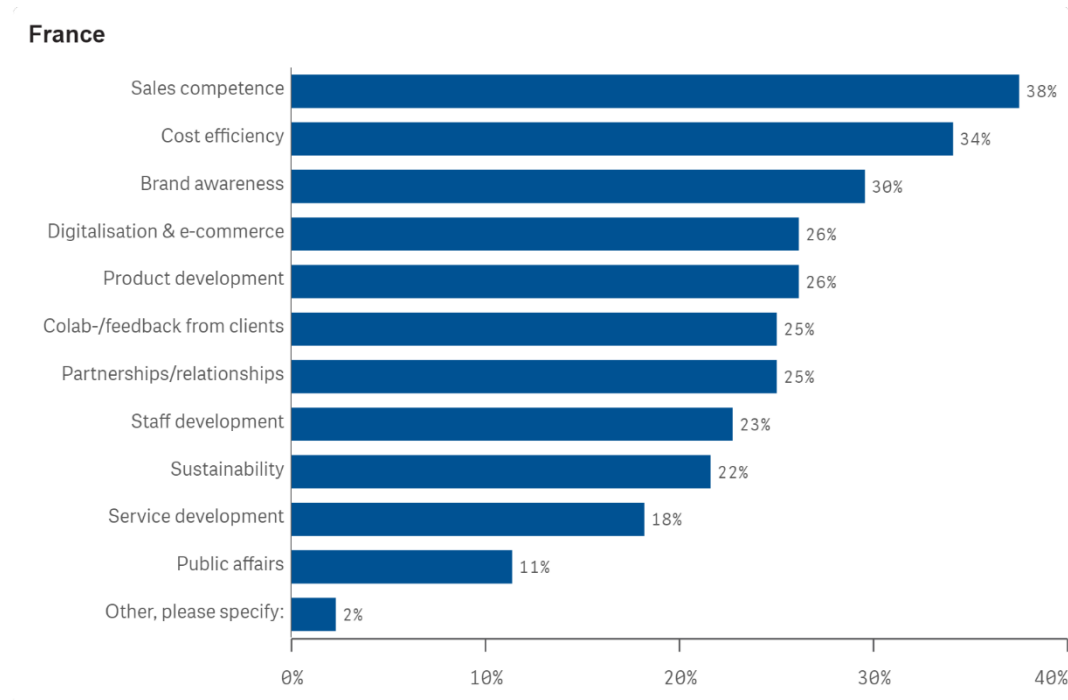
NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

Competitiveness driven by sales competence

Several factors contribute to the strengthening of Swedish companies' competitiveness in the French market. In line with our previous findings, a vast majority of Swedish companies engage in marketing and/or sales operations in France, ranking sales competence as the most important factor in maintaining competitiveness. Other areas considered important are cost efficiency, brand awareness, as well as digitalisation & e-commerce.

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



NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.

“We all need to reinvent our business models. Until now, the idea has been that we need to produce more for less. Today, we can see that productivity gains become more difficult, and the focus has shifted from solely on cost efficiency towards emitting less CO2 and reducing our impact.

Benoit Détharé

Managing Director, Nefab France

“Sales competence is important in France. Local presence and representatives from the cities that we operate in is vital. In the public sector, the language aspect is considered in business dialogues.

Olivier Koch

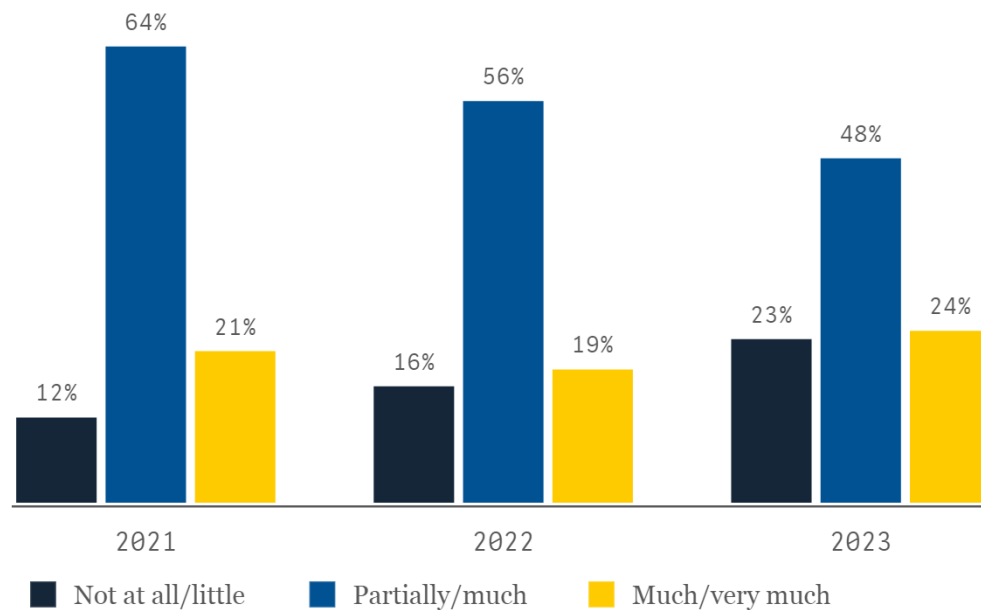
Country Director, EasyPark

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, with 72 per cent of the participating companies considering that the Swedish brand contributes positively to their businesses. Close to a quarter (24 per cent) of Swedish companies operating in France consider that it contributes to the extent "very much".

As can be seen from the graph below, although the respondents since 2020 have expressed an ongoing downward trend in the importance of the Swedish brand when it comes to how it contributes to their businesses in France, the impact is still high. In 2023, 72 per cent reported a partial to high impact on their business in France, compared to 75 per cent in 2022 and 85 per cent in 2021.

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 87. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.



Our production is located in different countries including France and even though part of the production is outside Sweden, we still use the Swedish brand as a label of quality. The relationship between the product and the Swedish brand is strong.

Francois Rousseau
Country Holding Officer, ABB France



What's important right now is to be able to attract the right talent, and for that you need a strong company culture. Specifically, within the digital/tech industry, being a Swedish company or a Swedish group makes a difference when attracting talents in France.

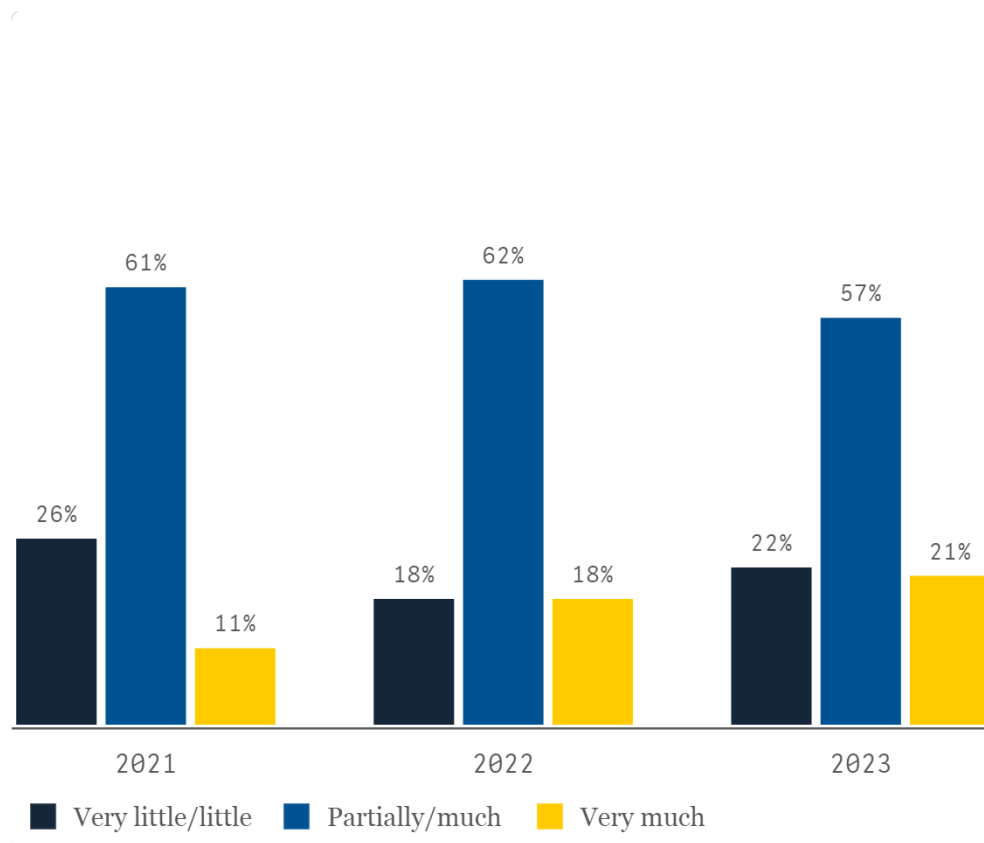
Olivier Koch
Country Director, Easy Park

ACTING SUSTAINABLY

Environmental aspects remain important in customers' purchasing decisions

Sustainability remains important among respondents' customers in France; a majority of Swedish companies attest to their customers considering environmental aspects in purchasing decisions. As indicated by the time series in the graph below, the importance of sustainability has not wavered significantly over the last three years, with 78 per cent of respondents expressing that their customers attach value to environmental aspects in 2023. Furthermore, while customer interest in environmental aspects has decreased somewhat since 2022, France is likely still to be considered as a market where showcasing sustainability performance is important for customer relations and the development of business. In the 2022 Global Business Climate Survey, France stood out as the market in Western Europe, where sustainability aspects impacted customers of Swedish subsidiaries in their purchasing decisions the most.

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 88. "Don't know/Not applicable" responses are included but not shown in figure.

SOURCE: Business Climate Survey for Swedish Companies in France 2023.



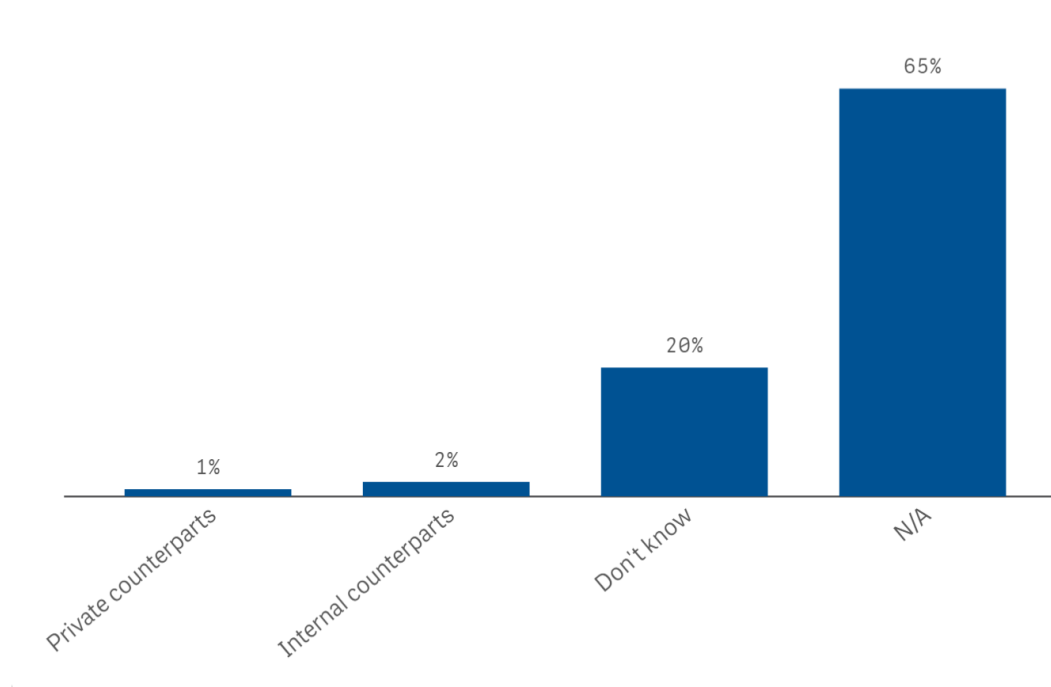
There is an uncertainty about the European Commission and its approach for decreasing carbon emissions. As this is a complex situation with a high impact on the market design, industrial companies like ABB need to operate with a clear, stable, and long-term regulatory framework. Without clearer guidance from the European Commission on how to invest in the green transition, including visibility on future policy changes, companies may be reluctant to take the lead and invest.

Francois Rousseau
Country Holding Officer, ABB France

Very few companies in France are exposed to corruption, and corruption levels are perceived as low compared to most other markets

When asked whether their companies had been exposed to any cases of corruption, such as attempts of bribery or fraud, very few respondents pointed to this being an issue for their businesses in France. Only three per cent of the Swedish companies in our sample reported that they had experienced instances of corruption. The low level of corruption holds true across company size and industry, and it is notable that no cases of corruption were reported by respondents from the professional services segment. Among the few respondents who were exposed, corruption between internal counterparts stood out as the most common case.

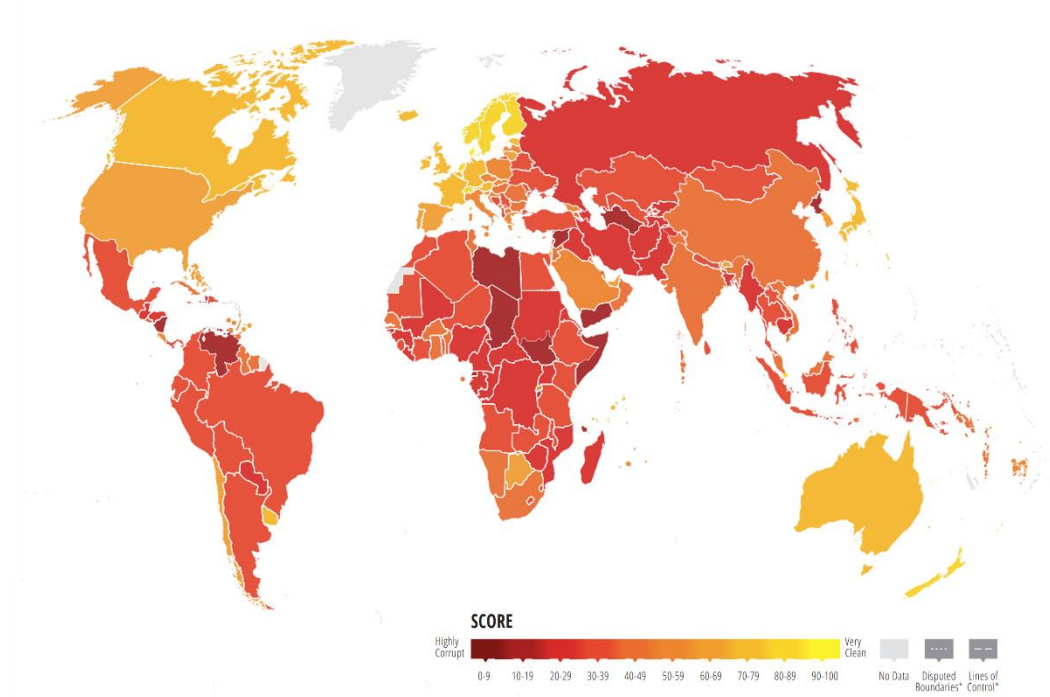
HAS YOUR COMPANY IN FRANCE BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included in the percentages and shown in figure, while blank responses are not included in the figure.
SOURCE: Business Climate Survey for Swedish Companies in France 2023.

The low level of corruption perceived by the Swedish companies in France can be compared to the global Corruption Perception Index (CPI), which ranks 180 countries on a scale from zero to one hundred according to the perceived level of corruption in their public sector. France has a relatively low level of corruption and ranked 21st out of the 180 investigated countries.

CORRUPTION PERCEPTION INDEX 2022



NOTE: The designated territories illustrated in the map do not imply any opinion regarding the legal status of any state or country.

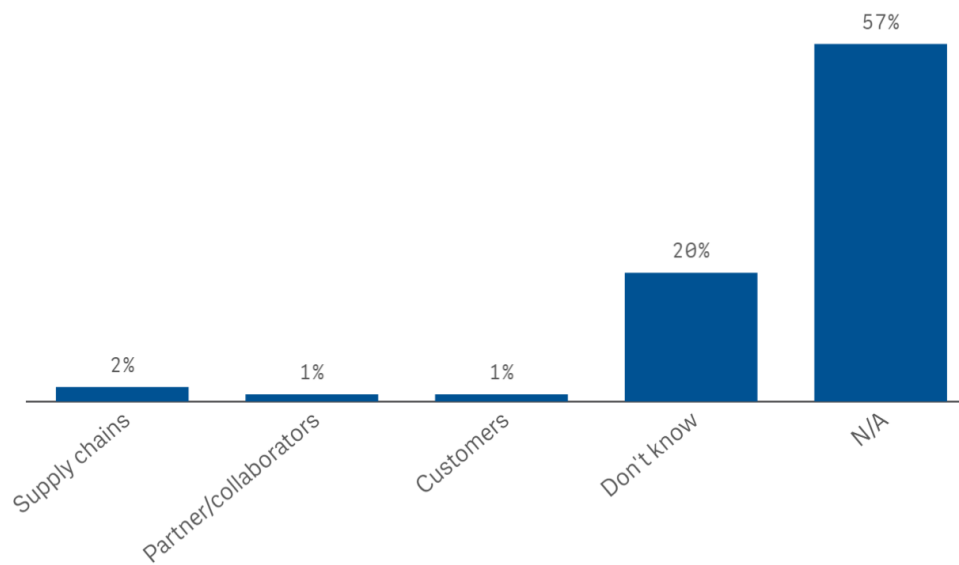
SOURCE: Transparency International.

Swedish companies in France encounter very few instances of human rights or labour rights abuse

Similar to the results pointing to low levels of corruption in France, the survey has also found that Swedish companies encounter very few instances of human rights or labour rights abuse in France. Only four per cent of the Swedish companies in our sample reported that this was an issue in their operations, in their supply chains, in connection to their partners or among their customers. The low level of rights abuse holds true across company size and industry segments. In the few instances where companies encountered human or labour rights abuse, the different industry segments typically encountered it in different parts of the value chain. Respondents from the industry segment saw more issues in their supply chains, whereas consumer goods companies encountered more instances of rights abuse in connection to their partners.

It should, however, be noted that the very few responses indicating human rights or labour rights abuse as an issue make it difficult to draw any statistically significant conclusions. Concluding the findings related to corruption and rights abuse, the survey results indicate that France continually enjoys a good reputation for its low extent of corruption and low levels of human rights and labour rights violations.

HAS YOUR COMPANY IN FRANCE ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 88. "Don't know/Not applicable" responses are included in the percentages and shown in figure, while blank responses are not included in the figure.
SOURCE: Business Climate Survey for Swedish Companies in France 2023.



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