

# Navigator

Now, next and how for business

France



Together we thrive

# Overview

## Europe's rising star?

French companies have had plenty to think about in the last year. Domestically, the so-called 'gilet jaunes' movement has threatened to scupper President Macron's plans for business-friendly economic reforms, while Brexit has continued to cause uncertainty throughout the EU, France's core export market. Despite this, French firms are feeling quite positive, with some reason. France is relatively sheltered from external and cyclical pressures, and HSBC Global Research forecasts growth of 1.43% in 2019.

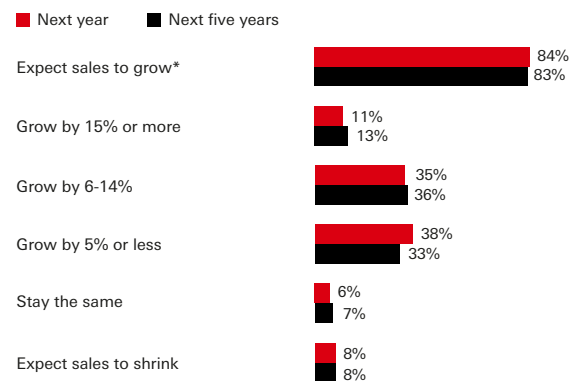
# State of play

## New markets and new tech give grounds for optimism

French businesses are optimistic about growth, with levels of optimism above the global average. 84% of companies expect their sales to grow next year compared to 79% in Europe and globally.

From an internal perspective, investment in technology and the availability of a skilled and motivated workforce are cited by many businesses as fuelling optimism. Externally, access to new markets, transformative technologies, quality suppliers and raw materials are all seen as key factors. Businesses are also reducing their reliance on exporting to the EU by looking to new markets, with Asia Pacific (APAC) and particularly Australia seen as a key opportunity for expansion.

### Expectations for future business growth




\*This is the sum of grow by 5% or less, 6-14%, 15% or more.



## What you need to know

- 1 Half of French businesses are more optimistic about growth than a year ago – well ahead of Europe as a whole (41%).
- 2 Firms expecting sales to shrink cite current distribution channels becoming obsolete as the most important factor.
- 3 Only 41% of French companies expect substantial change in their businesses in the next five years, compared to 50% globally.

## What your business can do

-  Invest in innovation. 27% of companies see this as the most important strategy to overcome threats to the business.
-  Take advantage of the opening up of new markets. 24% of businesses are looking to expand internationally.
-  Improve the quality of your products and services. 24% of French businesses count this among their top three priorities.

# Trade outlook

## Europe remains fundamental, but APAC is a growing market

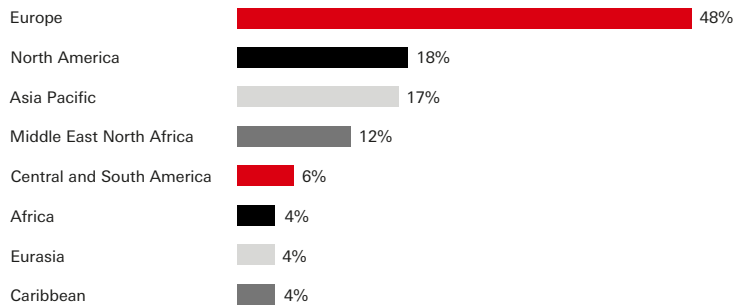
Although Europe remains comfortably the most important market for French exports, APAC is of growing importance.

Just over two-thirds of companies cite Europe as a major trading region, a drop of 5% on 2018 figures. Germany, Belgium and Italy are still the top three individual trading partners, but each has dropped slightly in importance from 2018. The importance of North America has also reduced considerably (19% in 2019 versus 28% in 2018).

Meanwhile, APAC currently accounts for a quarter of French exports, with much of that driven by increased trade with Australia. Favourable partnership opportunities are cited as a major reason for entering a new market by French companies. However, this is not necessarily a structural trend – in terms of future trading expansion, APAC accounts for only 17% of French firms' intentions over the next three to five years, well below the global average of 30%.

Like their global counterparts, French businesses believe in the idea of international trade as a force for good, and that over the next five years it will drive innovation (France: 74%, global: 80%), provide new business opportunities (France: 72%, global: 79%) and improve efficiency (France: 68%, global: 78%).

### Future trading expansion markets in the next three to five years



## What you need to know

1

Despite its declining share of French exports, in the next three to five years Europe will account for nearly half of French trading expansion.

2

Reasons French firms choose new markets include expansion ahead of competitors, superior products or services, favourable partnership opportunities and skilled workforce.

3

Increased local labour costs, sustainability standards, declining customer demand, trade agreements no longer in force and reputational risk are cited as reasons for pulling out of markets.

## What your business can do



Aim to reduce your reliance on exporting to other EU countries by expanding into new markets.



Seek an international partner. This is a key driver for French firms expanding into new markets.



Look for markets where your products are superior to those locally available. 32% of French firms focus on this approach.

# Protectionism and geopolitics

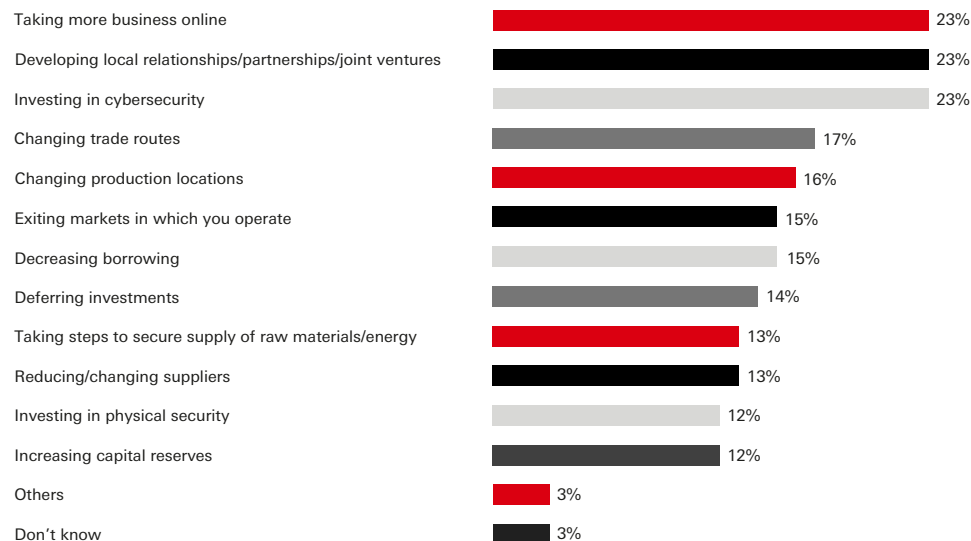
## French firms adapt to increasing protectionism

Only 55% of French businesses think their trading markets are becoming more protective, compared to 62% in 2018. Even among those who think protectionism is on the increase, more than half (54%) expect to gain more than they lose from this state of affairs.

The reasons cited by firms for this view include increased competitiveness (25%). With many French companies heavily focused on domestic and EU markets, a lesser reliance on manufacturing means France is coping better with global trade skirmishes than its neighbour Germany.

More important is the impact of geopolitics, which is felt strongly by 66% of French businesses. Firms are countering this issue with strategies including taking more business online, developing local relationships or joint ventures and investing in cybersecurity.

### Ways in which businesses are coping with geopolitics



### What you need to know



54% of French firms surveyed say they have gained more than they lost from protectionism.



More than a third (36%) of French companies who think governments are becoming more protective are cutting costs to counter the threat.



66% of businesses in France feel strongly affected by geopolitics.

### What your business can do



Consider changing your offer in markets where protectionism is affecting your competitiveness. 24% of French firms are taking this approach.



Develop local relationships, partnerships or joint ventures.



Look at taking business online and increasing cybersecurity. 23% see these as important strategies for minimising geopolitical risk.

# The sustainable future

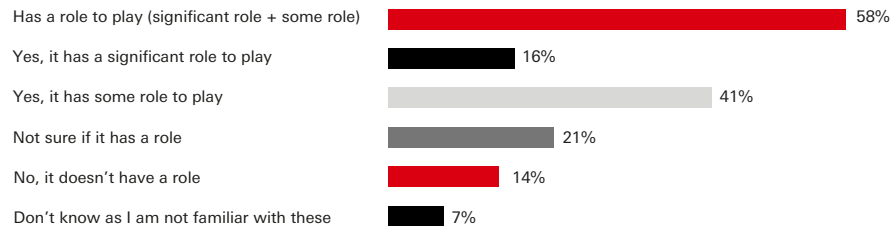
## Pressure mounts to create a sustainable future

Following a global trend, French companies are experiencing increasing pressure to become more sustainable in the next five years. The expectations of end consumers are the key driver, but governments, investors, competitors, regulators, employees, NGOs, buyers and lenders are all playing a part.

Unsurprisingly, the main obstacles to delivering on sustainability are time and money, although these are seen as less of an issue by French firms than they are globally. A lack of support and advice is also a problem for increased sustainability in the next five years, as is the perceived lack of flexibility and an inability to adopt new technologies.

France follows global trends in recognising the relevance of key metrics around sustainability. However, across the board – from carbon emissions and energy usage to diversity, tax transparency, fair treatment of employees, anti-bribery and corruption – even firms who accept the relevance of metrics don't always measure them. Similarly, although 58% of French firms accept they have a role to play in delivering the UN's Sustainable Development Goals (SDGs), engagement with individual goals is far lower.

### Businesses' role in delivering the UN's SDGs



## What you need to know



In general, French companies see investing in sustainability as somewhat less of a priority than businesses globally.



The key driver for implementing sustainable practices in the next five years is buyer expectation (24%), although meeting regulatory standards is almost as important (23%).



58% of French firms believe they have a role to play in delivering the UN's SDGs compared to 63% globally.

## What your business can do



Look at cutting down on your energy usage. This was seen as the most relevant and measurable environmental metric by French firms.



Focus on the fair treatment of your employees. 23% of businesses see this as a key metric in terms of social sustainability.



Consider governance measures such as anti-bribery and corruption, anti-competitive behaviour and executive salary and compensation.

# Breakthrough tech

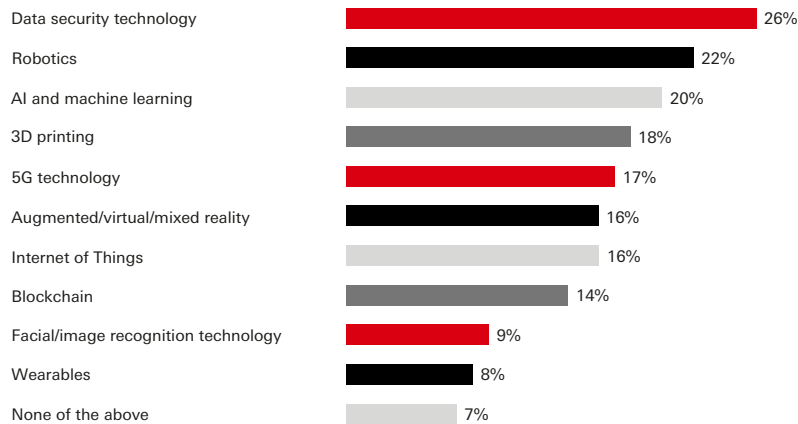
## Data security and robotics top the agenda

Asked which technologies are set to have the biggest impact over the next five years, French companies differed significantly by sector. Data security is key for more than a third of firms in the services sector, but for only 18% in the manufacturing sector. For manufacturers, robotics are more important, with 35% ranking them as a top priority. Meanwhile, artificial intelligence (AI) and 3D printing are also expected to have a big impact.

Across robotics, AI and 3D printing, firms see reducing costs and improving productivity as the key benefits. For data security, the motivations are more around employee wellbeing, compliance and improving products or services.

For French businesses, France is seen as the leading technology hub in Europe, ahead of Germany. More than a quarter of firms identifying each technology as important rate France as the top tech hub for Internet of Things, 5G, data security and 3D printing. However, globally the US, China and Japan are recognised as being the most advanced.

### Technologies businesses think will be important over the next five years



## What you need to know



34% of companies in the services sector see data security as the most important technology for their business.



Of firms who see 3D printing as an important technology, 45% expect it to reduce costs.



More than half (53%) of French businesses who will be impacted identify Europe as the leading tech hub for data security.

## What your business can do



Consider the relevance of different technologies to your sector as a starting point for selecting investment priorities.



Ensure any investment in new technology is backed up by strong data strategy and cybersecurity.



Look at how AI could help your business. 41% of French companies expect it to improve productivity over the next five years.

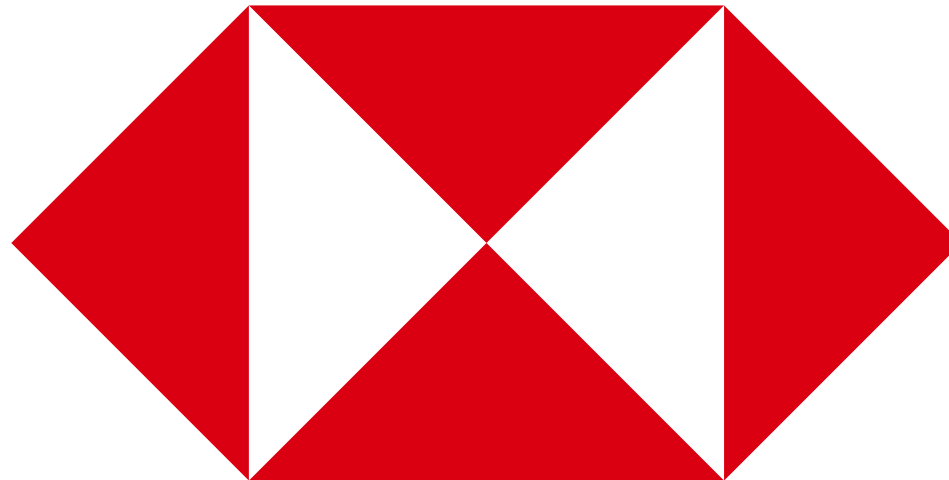
## About HSBC Navigator France

The HSBC Navigator survey, which is the largest of its kind, is conducted on behalf of HSBC by Kantar. The study gauges sentiment and expectations of businesses in the near to mid-term future on topics including: business outlook, international trade, geopolitics, sustainability, technology and wellbeing. It is compiled from responses by decision-makers at 9,131 businesses – from small and mid-market to large corporations – across a broad range of industry sectors in 35 markets. Sample sizes for each market were chosen to ensure the statistical accuracy of results, with 351 businesses surveyed in France. Global results are based on an average of the 35 markets (using weights based on each market's share of world trade). The survey was conducted between August and September 2019. Interviewees were polled on a range of questions including expectations around future growth in trade, attitudes toward trade policy developments and strategic business plans. The survey represents a timely source of information on the fast-evolving international business environment.

Data visualisations based on the following:

Page 2, 3, 5 & 6: all companies. n=351

Page 4: companies who are impacted by geopolitics. n=322



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