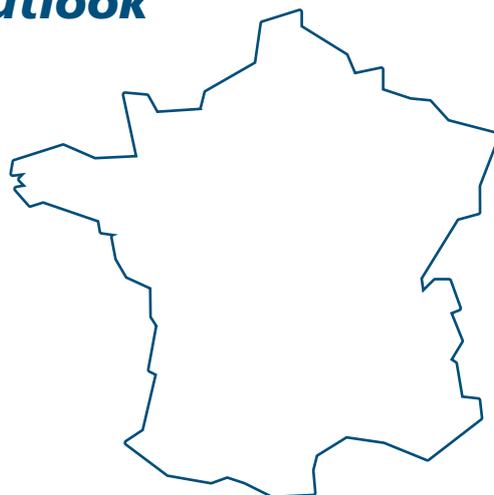




Country outlook ***France***





France



Form of Government: Semi-presidential republic

Capital: Paris

Official language: French

Population: 67 million inhabitants (2018)

Currency: Euro (EUR)

Exchange rate: 1 EUR = 1.12 USD (30/04/2019)

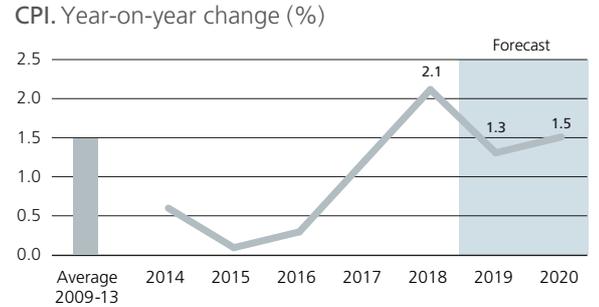
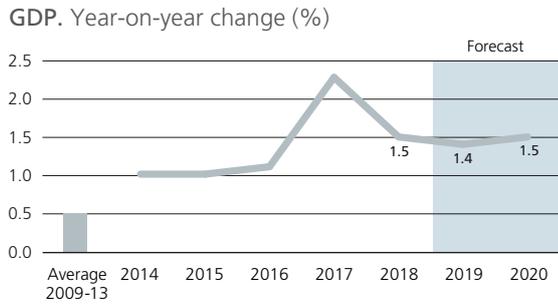
GDP: \$2.775 trillion (2.2% of world GDP)

GDP per capita: \$42,878 (\$45,775 purchasing power parity)

Ease of doing business: 32nd in the world out of 190 according to the World Bank (Doing Business)

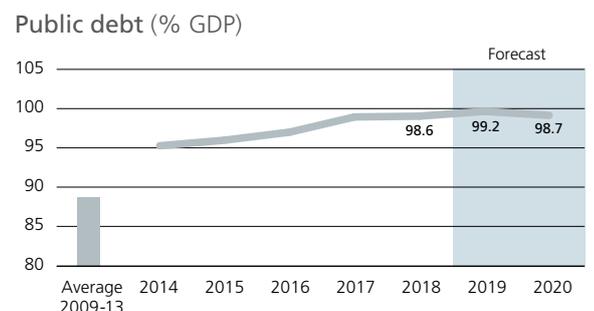
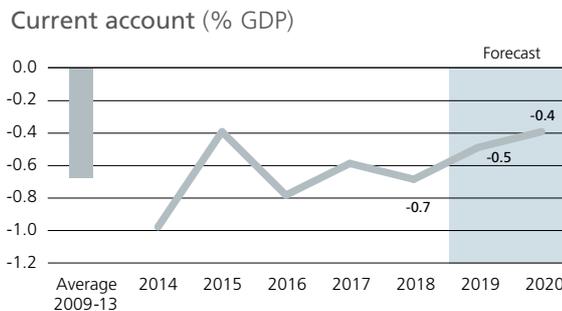
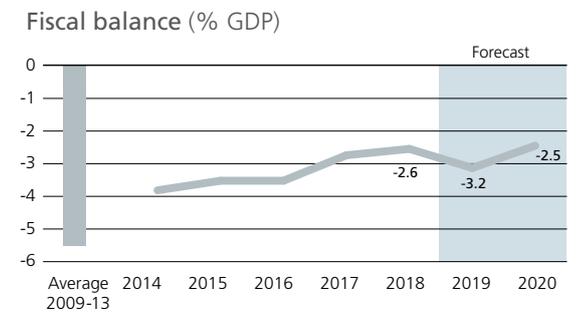
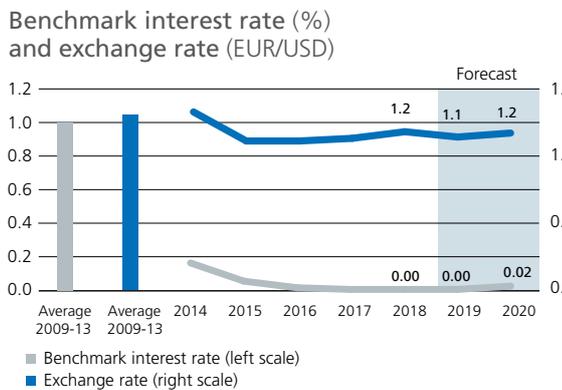
Religion: Catholic: 52%

Economic forecast



- France’s economic growth in 2019-2020 is expected to settle to levels slightly below its potential (1.5%) due to a shrinking contribution of foreign demand (especially from countries outside the euro area) caused by the global economic slowdown. However, domestic demand will remain robust thanks to an upturn in private consumption boosted by Government measures taken at the end of 2018 to increase purchasing power following the “yellow vests” crisis.
- After rising due to the spike of fuel prices in 2018, inflation is in following a downward trend in 2019 due to core inflation, which excludes energy and foods, remaining practically stagnant.

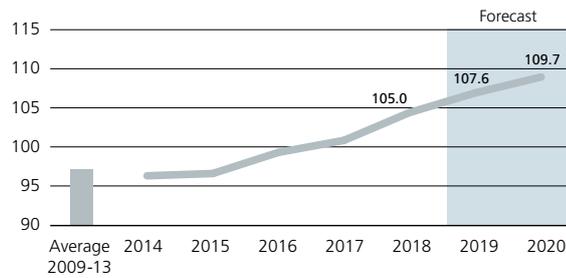
Economic policy



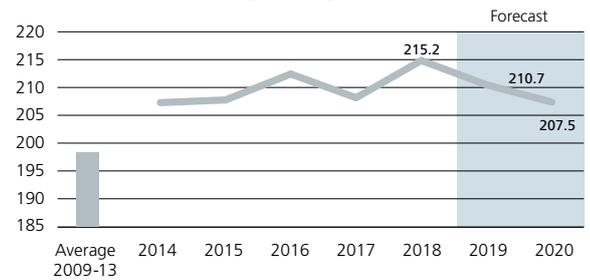
- France has been losing competitiveness in recent decades and, as a result, it has lost a third of its global market share since 2000. Moreover, its current account balance has maintained a slight deficit, a trend that will continue in 2019-2020, despite a small correction.
- A temporary fiscal stimulus is expected in 2019. With the new social measures introduced to defuse the “yellow vests” protests (minimum wage increase by 6.7%, reversal of the fuel tax hike, scrapping taxes on overtime, and reducing taxes paid by pensioners with pensions below 2,000 euros a month), we expect the deficit to stand above 3% in 2019. The budget for 2019 also includes a significant fiscal stimulus through reducing the tax burden for both households and businesses. The path of fiscal consolidation is expected to resume in 2020, though the proximity of presidential elections (in 2022) could make it difficult for major overhauls.

Financial conditions

Private credit (% GDP)



Gross external debt (% GDP)



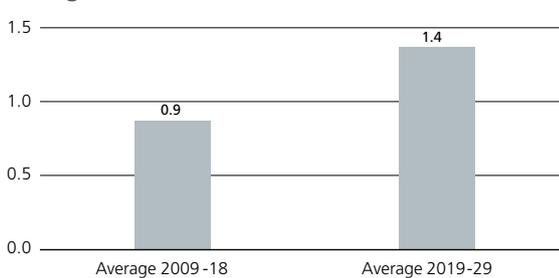
- The banking sector is in a relatively solid position, with a capitalisation level (CET1 15.2%) similar to the European average and a lower NPL ratio (3.1%). The profitability of the French banking sector is showing itself to be very resilient to the structural challenges it faces (new regulatory framework, digitalisation, low interest rates, etc.).
- One cause of concern is the high level of corporate debt in France (134% of GDP in 2018, according to the BIS). Most of that debt is concentrated in a small number of sectors, such as transportation and electricity, although the fact that these companies have a substantial amount of liquid assets gives them plenty of room for manoeuvre.

Political situation

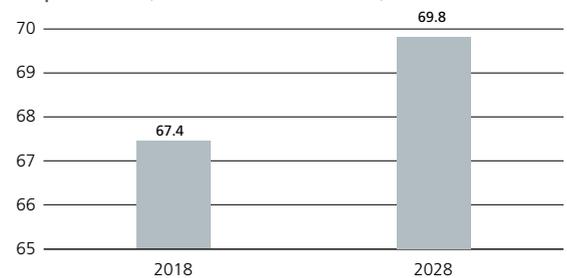
- We expect the Government to continue implementing its reform agenda (fiscal consolidation, civil service reform, unemployment benefits linked to employment search, and pensions).
- However, due to the strong social opposition (mainly from the “yellow vests”) it is very likely that these reforms will progress at a slower pace. Moreover, we can expect the Government to have to make major social concessions and change some of their main courses of action in the second half of the term, depending on the level of popular and electoral support it receives.

Long-term outlook

GDP growth (%)



Population (millions of inhabitants)



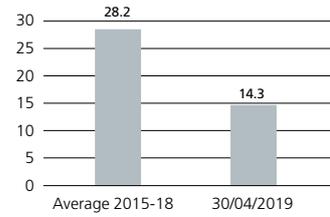
- The promises of medium-term fiscal consolidation remain: this is essential given the high level of public debt (96.7% of GDP in 2018). The main measures in the pipeline are reforming the pension system and unemployment benefits. Over the next five years, the aim is for public expenditure to fall by more than 3 percentage points of GDP and for public accounts to be in surplus for the first time since 1974. However, it appears that this will be difficult to achieve if the current economic growth rate is not maintained and given the growing opposition seen during the latest reforms.
- There are significant underlying weaknesses in the French economy at present. These include the high level of structural unemployment, standing at around 9.0%, which is twice as high as in Germany. There are significant rigidities in the labour market, with worrying consequences: the unemployment rate for under 25s stands at 22%, compared to the OECD average of 12%. The Government will promote labour reforms that include linking the unemployment benefit to employment search, extending benefits to groups such as self-employed workers and entrepreneurs, and disincentivising the use of temporary contracts. This will be paired with efforts to reform professional training and the creation of reinsertion courses for unemployed youth and the long-term unemployed.

Country risk

| | Rating | Last changed | Outlook |
|------------------------------|--------|--------------|----------|
| STANDARD & POOR'S | AA | 21/10/16 | Stable |
| MOODY'S | Aa2 | 04/05/18 | Positive |
| FitchRatings | AA | 12/12/14 | Stable |

■ Indicates that the country has "investment grade".
 □ Indicates that the country does not have "investment grade".

CDS* 5 years (basis points)

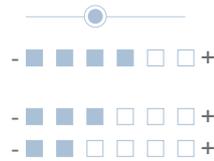


*Credit default swap: measurement of country risk that reflects the cost of ensuring the non-payment of the sovereign bond.

Risks

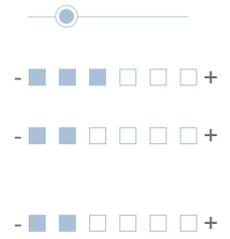
SHORT-TERM

- Social unrest
- Global economic slowdown
- Geopolitical uncertainty



LONG-TERM

- Excessive indebtedness (public)
- Lack of implementation of reforms
- Uncertainty regarding the European integration process



Business environment

STRENGTHS

- Leading international enterprises.
- Quality of infrastructures.
- High level research capacity.
- Positive demographics.

WEAKNESSES

- Continuous loss of productivity.
- Rigidities in the labour market.
- Tax system hinders SME growth.
- Duality in the job market.

Main sectors

EXPORTS

- Machinery, aircraft, vehicles, electronics and pharmaceutical products.

IMPORTS

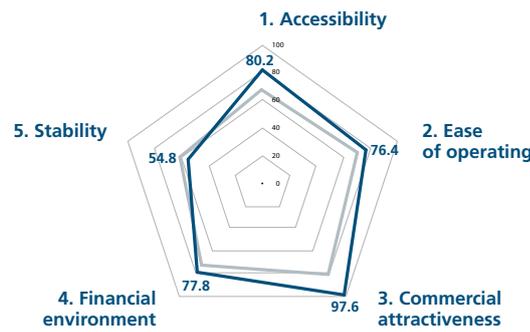
- Machinery, vehicles, electronics, mineral fuels and aircraft.

CIBI | CaixaBank Index for Business Internationalisation

POSITION IN COUNTRY RANKING



PILLARS



— Western Europe — France
 (Min. 0 - Max. 100)

SUBPILLARS

Top

Similar tastes to Spain
 Purchasing power
 Infrastructures

Bottom

Macroeconomic stability
 Institutional stability
 Ease of operating a business

Taxation

The corporate tax is set at 33.33% (although the tax rate will be progressively lowered to 25% under the new Finance Law, between now and 2022), but there is a possibility for new businesses to be taxed at lower rates. Corporate tax is set at 33.33%, but for start-ups there is the possibility of paying lower tax rates. Companies resident for tax purposes in France are subject to an alternative minimum tax (established according

to their turnover), with a ceiling of 110,000 euros. There is also an additional rate of 3.3% applicable to entrepreneurial income in excess of 763,000 euros. In the case of large firms with turnover above 250 million euros, another additional rate will be applied, of 10.7% of earnings liable for corporate tax. The general rate of value added tax is 20%.

Investment

In France, foreign direct investment for 2017 was 49.795 billion dollars, putting it in seventh place worldwide. This represents a 41% increase over 2016. As a developed economy,

the main sectors that are still attractive to some extent are real estate, communications and financial activities.

Establishment

LOCAL COMPANY

The most common forms of company in the French market are similar to those in Spain. A public limited company (*société anonyme* – S.A.) requires a minimum of seven shareholders contributing a minimum start-up capital of 37,000 euros or a minimum of 225,000 euros if the firm's shares will be traded on the stock exchange. 50% of this minimum capital must be paid up when the company is established. A simplified company (*société par actions*

simplifiée – S.A.S.) requires at least one shareholder, but there is no minimum capital requirement when the company is established. This form tends to be used to create joint ventures. The next company form is the limited liability company (*société à responsabilité limitée* – S.A.R.L.), which in France cannot have more than 100 shareholders and does not require any minimum capital to be established.

BRANCH

Branches can be set up in France for any purpose. This is a secondary establishment with permanent representation and a certain amount of autonomy in its management with regard to the company that set it up. It is used to carry out the activities of this company in full or in part. It does not have a separate legal

personality or assets from its the company that set it up. It is not totally compulsory to enter it in the Company Registry where it is domiciled. Depending on the type of activity, specific diplomas, permits or declarations may need to be obtained previously.

REPRESENTATIVE OFFICE

This must limit itself to carrying out merely auxiliary, accessory or instrumental activities. Like a branch, it does not have its own legal personality and it cannot carry out commercial activities that form the fundamental purpose of the company to which it belongs. It does not have to be entered in the Company

Registry. It is not subject to corporate tax nor does it have to pay VAT as it is not considered a permanent establishment in French territory. Merely declaring its existence at the administrative centre of the competent Chamber of Commerce and Industry will suffice to obtain a SIREN and SIRET number.

Alliances strategic

FREE TRADE ZONE

There are two free trade zones in France. One is located at the Port of Bordeaux (Zone du Verdon) and the other is the so-called Zone Franche de Guyane.

JOINT VENTURE

As a market belonging to the EU, France is open and perfectly adapted to setting up this kind of commercial enterprise. However, some particular aspects need to be taken into consideration in order to operate in the domestic market should part of a French commercial firm be "bought" or taken over by a foreign firm via association. If it acquires 5% to 30% of a firm listed on the French stock exchange, the buyer must inform the French financial market authority within the following

five working days. If the percentage to be purchased is over 30%, the buyer must make a public offering so that non-majority shareholders have the chance to sell their shares. In general, all mergers and acquisitions are permitted within French territory. Only when the operation involves large amounts of capital must this be reported both to the French financial authorities and to the European Commission and its competent departments in this area.

Customs conditions

FREE TRADE AGREEMENTS

The 28 European Union Member States form part of the same territory for customs purposes. The very definition of a customs union validates the inexistence of tariff barriers between Member

States. A common tariff is applied for imported products; once effective, goods can circulate freely throughout all countries in the EU.

FREE TRADE ZONE

The tax benefits provided by setting up a business in France's urban free trade zones (zones with more than 100,000 inhabitants in regions considered to be relatively disadvantaged and subject to redevelopment

plans) are as follows: 100% exemption from corporate tax during the first five years of business, 60% the sixth year, 40% the seventh and 20% the eighth year.

GENERALISED SYSTEM OF PREFERENCES (GSP)

France is one of the countries that grants tariff preferences by applying zero duty or reduced tariffs to beneficiary countries (less developed countries).

Negotiations and protocol

BUSINESS CULTURE

Courtesy and formality are customary when establishing commercial relationships with French businesspeople to ensure proper positioning during the initial stages of the introduction. French as language of communication is practically mandatory in the case of working with French companies, and this also applies to any documents to be provided, both in person (catalogues, specifications, etc.)

and to promote the products or services to be exported. Informative meetings aimed at closing business deals must be well structured so that the competitive advantages offered by the products to be exported compared to other rivals can be easily explained. It should also be taken into account that price is the last thing discussed.

Top fairs

- Salon de l'agriculture.
- Anual Salon du Livre.
- Bisou.
- Sival.
- Carrefour National Pêche and Loisirs.
- Sip-Expo.
- Forum pour l'Emploi.
- Batimat.

Websites of interest

- Investing in France: www.invest.businessfrance.fr
- French customs: www.douane.gouv.fr
- Union of Chambers of Commerce of France: www.cci.fr
- Organisation of French SMEs: www.af-ime.fr

Payment and charging methods

MEANS OF COLLECTION

As France belongs to the EU, the most widely used means of collection are international transfer and cheques, thanks to the facilities in place between the banks of Member States. The LCR promissory note is now under SEPA regulations and is one of the most secure

collection methods in France. Other means of collection can also be used such as documentary credit or remittance, but this is not common practice.

MEANS OF PAYMENT

Simple international SEPA transfer is still the most widely used means of payment as it is very simple to carry out international transfers

between Member States of the EU. Other means of payment can be used, but are uncommon.

EXCHANGE RATE INSURANCE

No exchange rate insurance policy is required as Spain and France belong to the economic and monetary union (eurozone).

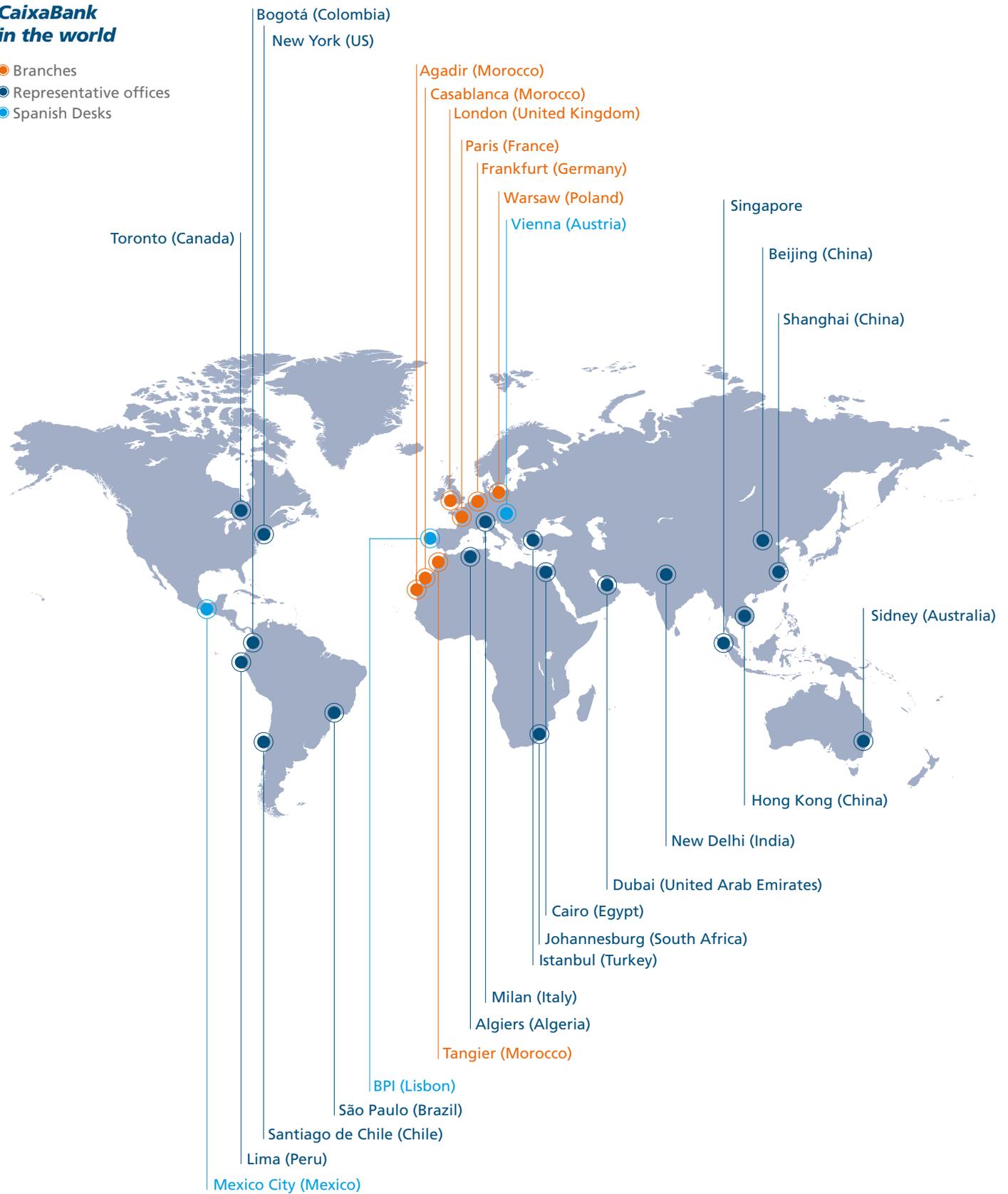
CaixaBank in the country

The main aim of the French office is to offer consulting to European companies on the products and services CaixaBank makes available to them to cover their financial needs

in Spain. Moreover, it accompanies and offers the necessary consulting to Spanish firms to develop their business in France.

CaixaBank
in the world

- Branches
- Representative offices
- Spanish Desks



Paris representative office

2 Rue de Goethe
75116 Paris
France

Director: Víctor Granero
Tel. (+33) 0 145 019 611