



Vincent Gollary/L'Institut Paris Region

## ECONOMY

September 2021 • [www.institutparisregion.fr/en](http://www.institutparisregion.fr/en)

**6.5 million**

JOB IN 2020

**41 million**

TONNES CO<sub>2</sub> EQUIVALENT :  
GREENHOUSE GAS EMISSIONS  
IN 2018

**252,000**

NEW BUSINESS LAUNCHES IN 2020

## ECONOMIC TRANSFORMATIONS IN THE PARIS REGION

**THE PARIS REGION IS A MAJOR GLOBALLY COMPETITIVE ECONOMIC AREA BOASTING UNDENIABLE ASSETS THAT ENHANCE BOTH ITS PERFORMANCE AND ITS ATTRACTIVENESS. IT NONETHELESS FACES A NUMBER OF CHALLENGES REQUIRING PROFOUND ECONOMIC TRANSFORMATIONS THAT THE COVID-19 CRISIS HAS THROWN INTO EVEN SHARPER RELIEF.**

**A** world-class metropolitan area with a GDP of 726 billion euros in 2018<sup>1</sup>, the Paris Region is the leading economic area in the European Union (5.4 % of GDP across the 27 EU countries). Its leadership position has strengthened since Brexit.

This economic power, built on 1,380,000 businesses and 6.5 million jobs, relies on diversified activities with high added value in industry, commerce, tourism, services and agriculture. As this is a capital region, public administration plays an important part in decision-making, and the area boasts world-class facilities in a range of fields including culture, education, health care, defence and finance. The fact that the region has a population of 12 million is also an important asset in terms of the so-called "residential economy": because of its size and, more importantly, the diverse needs of its population, the region is able to offer a wide range of services, some of them unique to the area.

### A RANGE OF ASSETS FOR A DYNAMIC ECONOMY

The region's R&D potential is one of its best known assets, with almost 20 billion euros invested by businesses and public actors annually, making this Europe's leading region in terms of R&D spending. For a long time the Paris Region lagged behind other global regions, but over recent years it has significantly increased its support for innovation and created one of the most dynamic ecosystems in the world, boasting emblematic innovation hubs such as La Station F and the Paris Saclay campus and witnessing the emergence of unicorns representative of French Tech. The Paris Region is the world's leading tourist area, and tourism (both for leisure and business) is an important economic growth lever. The Regional Economic Development, Innovation and Internationalisation Plan (SRDEII), completed in 2021 and titled "Stratégie #Leader", focused on supporting a clear ambition: that of establishing the Region's position as one of the world's most attractive and competitive economic areas and mobilising efforts supporting growth, jobs and innovation. The region was thus able to accelerate both economic growth and job creation prior to the 2020 health crisis. Several global rankings also highlight the increased vitality of the region in terms of foreign investment, tourist footfall and innovation.

## SRDEII: THE REGIONAL ECONOMIC DEVELOPMENT, INNOVATION AND INTERNATIONALISATION PLAN 2022-2028

The so-called “NOTRe Act” focusing on the organisation of French Regions, passed on 7 August 2015, reinforced the responsibility and coordinating role of Regions in terms of economic development. By transposing article L4251-13 of the Code Général des Collectivités Territoriales (CGCT), it allows French Regions to elaborate an SRDEII in the year following regional council elections. The SRDEII outlines orientations in terms of support for businesses, the social and solidarity economy, internationalisation, property investment and business innovation, as well as initiatives relating to the attractiveness of the Region. The development and deployment of this regional strategy, which will act as a roadmap for regional economic initiatives in 2022-2028, will involve all economic and institutional stakeholders and offer businesses the best possible support in order to boost their development and ensure that they are firmly rooted in the Paris Region.

The diversity and energy of the Paris Region ecosystem are also rooted in physical and digital infrastructure ensuring the circulation of people, goods, capital and data, all of which are vital to the metropolitan economy. Several major public policies are in the process of reinforcing and transforming this infrastructure (the development of the Greater Paris transport network, the transformation of airports and major Parisian railway stations, the creation of new districts, policies in favour of very high bandwidth, etc.), thus making it easier for private actors to become involved in the creation of new economic hubs, cultural venues, tourist facilities and so on.

Many challenges remain, however, especially as regards the quality of services provided by certain facilities, the reduction of carbon emissions, and the preservation of biodiversity and the living environment. Inequalities have also grown, both between local inhabitants and between different areas. This means that the Paris Region, which is often perceived as providing somewhat low quality of life, has become less attractive to certain wage earners who prefer to move elsewhere.

### COVID-19, A SHOCK FOR THE ECONOMY

It was in this generally buoyant context—though with important issues that still needed to be addressed—that the world entered its first global crisis in peacetime. The suddenness of Covid-19 and the speed at which it spread across the world

the positive effects of recovery, especially in the Paris Region, because of the many restrictions to international travel. This was particularly true of tourism, which has been profoundly affected by the crisis. On the other hand, the region continued to attract direct international investments in 2020, running counter to the global trend, with 336 projects potentially leading to the creation of 10,800 jobs<sup>2</sup>.

### REALITIES OF THE REGIONAL ECONOMY HIGHLIGHTED BY COVID-19

The health crisis and its consequences reveal the strengths and limitations of the regional economic model.

#### *An economy highly dependent on international flows.*

For twenty years, the Paris Region has engaged fully with the era of globalisation, which is characterised by the increased circulation of goods and people and the transformation of transit and visitor facilities such as international airports, stations and exhibition centres. An important facet of this is tourism, which accounts for 7% of regional GDP. The 50 million people who visited the region in 2019 generated 21.7 billion euros of economic benefits, and over 300,000 jobs were involved<sup>3</sup>. Restrictions to the circulation of people had a significant impact not only on the hospitality and transport sectors—which represent 80% of jobs in tourism—but also on the events sector, the cultural sector and the luxury goods industry. France lost more than 33 million tourists in 2020. Instead of returning to pre-crisis visitor numbers, focus should be on maximising benefits on the regional economy, especially where major events are concerned (Rugby World Cup in 2023, 2024 Olympics, etc.).

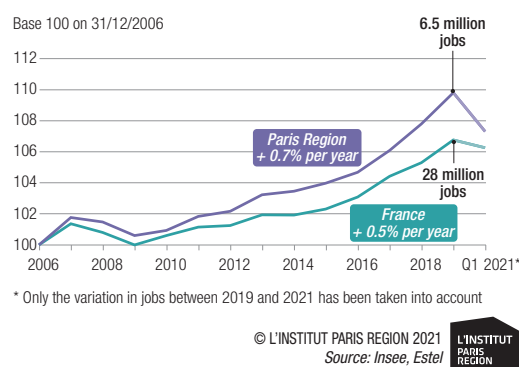
The Paris region is thus a crossroads for the exchange of goods supported by one of the world's densest consumer areas and major commercial and transit hubs (Charles de Gaulle Airport, the Rungis wholesale market, the Gennevilliers River Port, etc.). During lockdown, the logistics sector in the Paris Region has demonstrated its resilience and its ability to adapt to new requirements. However the significant development of intra-regional logistics flows, due in particular to the e-commerce boom, raises the question of how the logistics industry can find its place within densely populated areas.

The health crisis implicitly demonstrated that the over-representation of international flows in the economic model, and above all the eagerness of certain economic operators to attract new flows instead of maximising the economic benefits of the ones that already exist, raise important questions. This is all the more true because climate-related challenges will have to be integrated into public policy, including economic policy.

#### *Global value chains and dependency*

Industry in the Paris Region is enmeshed in global value chains—in other words, its production

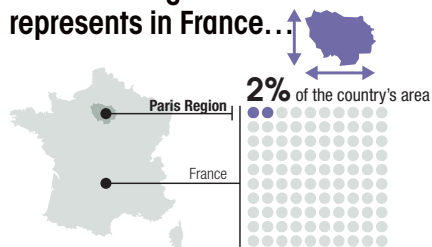
### Employment growth



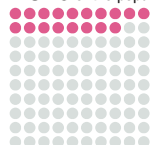
From 2017 to 2019, almost 100,000 jobs were created per year in the Paris Region. Such a level of annual growth had not been seen since 2007, and only in 1998-2000 were there three consecutive years of strong employment growth.

prompted governments to implement drastic measures to curb its propagation, including lockdowns. These decisions, though necessary for public health reasons, led to a sudden large-scale recession. In 2020, the employment curve in the Paris Region resembled a square root sign, with a little over 100,000 jobs disappearing despite all the steps taken to limit layoffs with support for businesses, furlough schemes and remote working. The persistence of the health crisis, the appearance of variants and the race to find a vaccine curbed

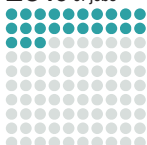
## The Paris Region represents in France...



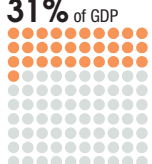
18% of the population



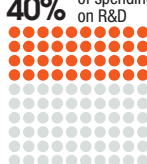
23% of jobs



31% of GDP



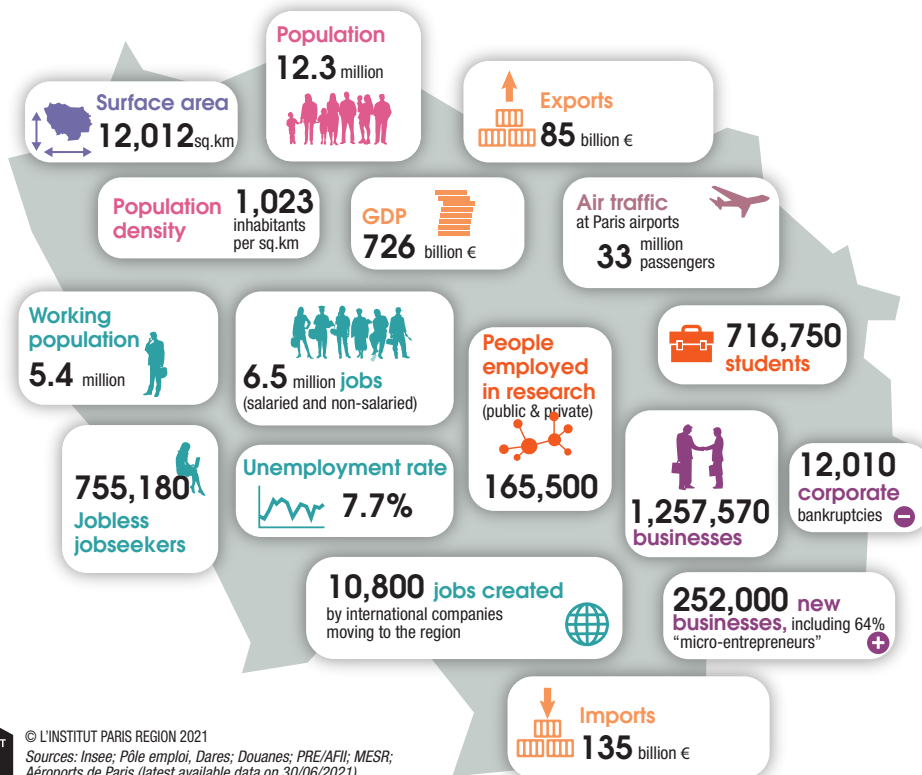
40% of spending on R&D



© L'INSTITUT PARIS REGION 2021

Sources: Insee; Pôle emploi, Dares; Douanes; PRE/AFI; MESR; Aéroports de Paris (latest available data on 30/06/2021)

## Key economic data



processes are spread across multiple sites and countries. This is true, for example, of aeronautics (100,000 jobs in the Paris Region), the automobile industry (70,000 jobs) and healthcare (55,000 jobs). Tensions observed in facilities and pharmaceuticals in the context of Covid, as well as a shortage of semiconductors, have highlighted levels of dependency on foreign countries and related risks. The digital ecosystem is dependent upon key technologies and infrastructures outside the Paris Region, while the residential economy is also reliant on global value chains, as evidenced by the construction industry (330,000 jobs), which faces supply problems and rising costs. Although relocating large numbers of production facilities to the Paris Region would be unrealistic, a targeted strategy is both necessary and possible, as shown by the work of economists and early successes such as the relocation of the manufacturing of high added-value glasses, with Krys Group, in the framework of the PM'up Relance programme. The relocation debate also points to how important it is to invest heavily in cutting-edge technologies and sectors, wherever possible making use of industrial recovery plans.

### Digital transformation

For the past twenty years, digital has transformed lifestyles, communication, consumer habits and professional approaches. As a digital economy hub providing 600,000 jobs, the Paris Region has consolidated its position in this sector. In IT and information services alone, job numbers have surged by 45% since 2006<sup>4</sup> (77,000 new jobs). The pandemic

has accelerated this groundswell because of the large-scale and widespread use of digital tools for remote working, videoconferencing, remote learning, remote consultation, streaming, etc. The sudden increased use of digital infrastructures has demonstrated the quality of networks in the Paris Region, but this must not be allowed to mask possible inadequacies and network coverage shortfalls. Above all, the protection of networks and information systems is clearly fundamental for sovereignty at state level, for competitiveness at corporate level, and for efficiency where urban systems are concerned. As a key region within the French cybersecurity strategy, the Paris Region will also have to rely on disruptive ecosystems (AI, blockchains, quantum technology, etc.) and help stakeholders to anticipate change and resolve risk issues. Where regional planning is concerned, the question of the medium- and long-term impact of digital transformation on production centres remains open and merits careful monitoring. Remote working, in particular, may redefine the location strategies of both companies and employees.

### The residential economy: an essential source of opportunities

The so-called "residential economy", in other words the local production of goods and services to meet the needs of residents, accounts for 62% of jobs in the Paris Region. During the pandemic, some of these activities showed that their usefulness was not only measurable in economic terms. In the spring of 2020, over 765,000 frontline workers could not be locked down because of the essential

nature of their work<sup>5</sup>. More generally, the Paris Region has 1.9 million “essential” jobs—34% of all jobs in the Region<sup>6</sup>. These jobs not only help to keep the economy going; they also, and above all, respond to the growing aspirations and needs of a population eager to live in a pleasant environment, which also means providing them with quality local services. This is true, for instance, of the care economy, which is an important driver of development in the context of an ageing population.

### Sharp social and local inequalities

Like all large urban areas across the world, the Paris Region is characterised by sharp social and economic inequalities, even though the French social model limits the excesses observed in certain world cities, including those in developed countries. One notable fact that illustrates these contrasts is that the Region includes both the département where per capita income is the lowest in France—Seine-Saint-Denis—and the country's two wealthiest départements—Paris and Hauts-de-Seine. Moreover, while per capita income in the Paris Region is 40% higher than the national

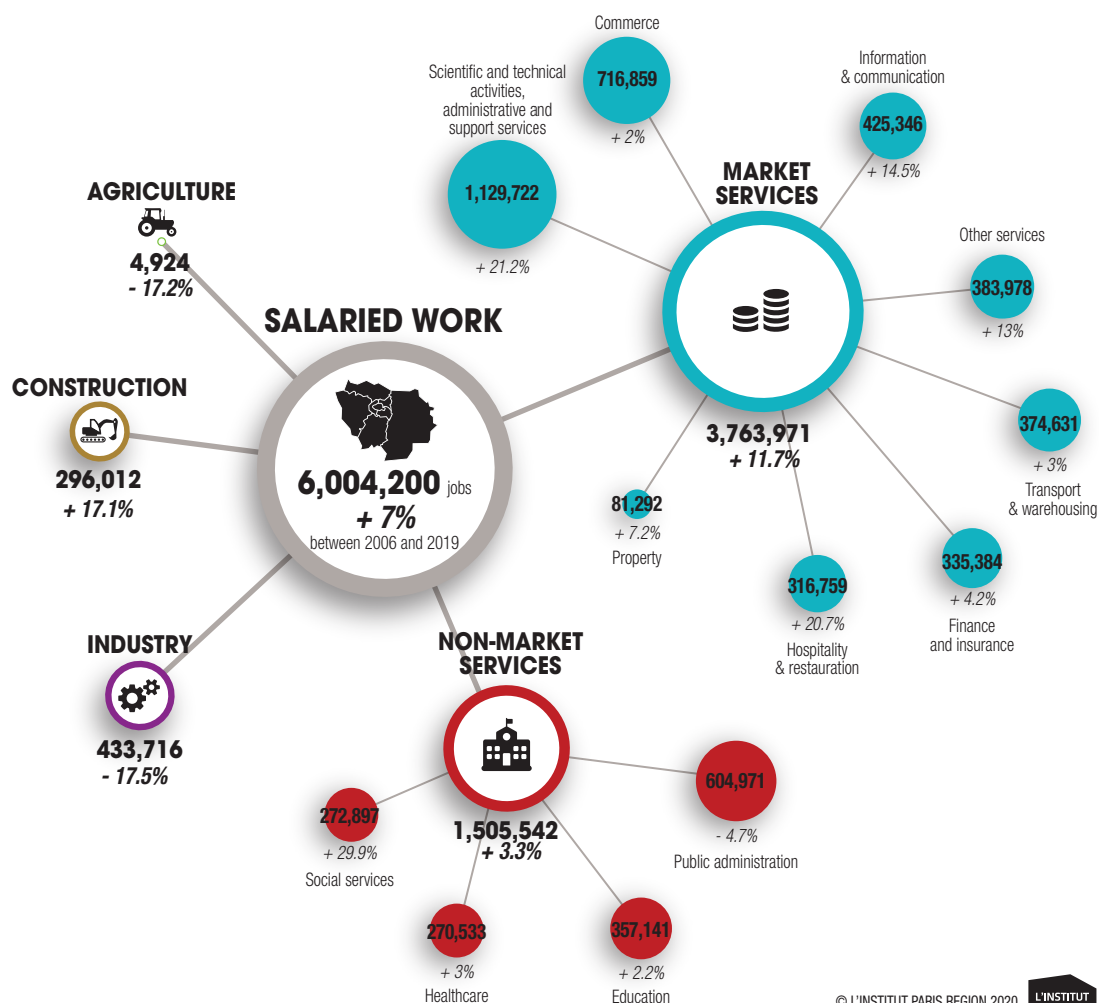
average, poverty levels are higher, once again with sharp variations between local areas.

The deepening of these persistent inequalities due to the health crisis raises a major challenge for the Paris Region: there can be no long-term sustainable development without addressing the root causes of these economic, social and geographical disparities. As part of the economic recovery plan, the implementation of a regional initiative, in the autumn of 2021, supporting the creation of thirty priority areas known as «zones de reconquête économique» (recapture zones) is under review and is part of this effort to combat inequalities.

### AVOIDING THE NEXT (CLIMATE) WAVE

France aims to be carbon neutral by 2050, with short- and medium-term goals<sup>7</sup>. As it accounts for 10% of emissions in France<sup>8</sup>, the Paris Region has a significant degree of responsibility in the achievement of these aims. The health crisis has provided a glimpse of the possible consequences of accelerated climate change, especially where the circulation of goods and people is concerned.

## Distribution of jobs in the Paris Region per major sector in 2019 and evolution between 2006 and 2019



## SIX CHALLENGES FOR THE 2022-2028 SRDEII

The Institut Paris Region has identified six strategic challenges to be addressed in the framework of the next SRDEII. This non-exhaustive list, in keeping with the «Stratégie #Leader» programme, is connected to other regional initiatives (in sectors such as the environment, tourism, transport, the circular economy, etc.) and takes account of the consequences of the current crisis. It aims to fuel discussions on how to build the most resilient region in Europe by adjusting and adapting its economic model so that it benefits fully from the new world opening up before us.



**ENVIRONMENT.** Take account of ecological limitations and environmental conservation needs, in accordance with the commitments of Paris Region COP 2020, not only by supporting the radical greening of corporate business models but also by acting upon their direct environment (business premises, public services, the circular economy, inter-regional resource management, developing future skills, etc.) and their indirect environment (carbon-free transport and logistics...).



**INNOVATION.** Promote all forms of innovation by supporting the digital transformation of the economy, by investing in tomorrow's industries and disruptive technologies, by reinvesting in strategic sectors (biotherapies and bioproduction, in particular), by encouraging low-tech approaches, by fostering socially innovative ecosystems and by leveraging the structures of the social and solidarity economy (SSE).



**RESILIENCE.** Build resilience to enable the regional economy to cope with an increasingly uncertain and turbulent world by supporting targeted relocation strategies such as what is being done with the PM'up Relance programme and launching a regional investment plan for a carbon-free economy (technology, industrial and tertiary processes, carbon-free data centres, etc.).



**ADAPTATION.** Adapt economic spaces to major change by reducing the ecological footprint of business premises, offering opportunities for increased density and urban integration that improve economic efficiency, helping companies to find a firm footing in the Paris Region via a policy based on 15 officially recognised business areas known as "sites d'activités économiques" (SAEs) of regional interest and mobilising the semi-public company IDF Investissements et Territoires, created in 2020.



**ATTRACTIVENESS.** Revolutionise attractiveness by adopting a new approach, focusing on experience and quality. The idea is to maximise the benefits of existing flows and to reinforce cooperation with existing foreign investors in order to encourage new investments in the region, in keeping with the Choose Paris Region programme. The idea is also to develop fulfilling living and working environments that boost residential attractiveness, in particular by leveraging the ecosystem of cultural and creative industries in the Paris region.



**INCLUSION.** Build a genuinely inclusive strategy by bringing on board the broadest possible array of economic actors, by promoting collective design-oriented approaches, by seeking to adapt to the diversity of local areas and by striving to reduce inequalities. This can be achieved thanks to an ambitious economic planning policy including enhanced support for inclusion in the most vulnerable areas and an inclusive cooperation between "standard" businesses, employment actors and the SSE organisations.

The economy is not separate from the real world—be it in terms of health or the environment. There are major challenges to address, and it is now undeniable that the current development model is no longer globally viable. It is necessary to shift the economic system onto a new development trajectory that takes into account carbon emissions, the need to limit land take, the need to foster biodiversity and to facilitate the circular economy, and so on. Recovery plans in many countries, most notably the US, aim to adapt the economic model by radically transforming both infrastructure and skills. Europe, which has fewer means at its disposal, is moving in the same direction. The Paris Region has a range of “green economy” skills at its disposal, and will be able to make a valuable contribution. ■

**Vincent Gollain**, director of the Economics Department,  
and **Renaud Roger**, economist and urban planning expert  
Economics Department,  
with **Sylvain Leclancher** (Île-de-France Regional Council,  
Business and Employment Department)

## RESOURCES

- Camors Carine, Marion Duranthon, “How Covid-19 is forcing us to transform the economic model for The Paris Region”, *Note rapide*, n° 43, L’Institut Paris Region, February 2021.
- Achtereekte Thomas, “Paris Region: profile of a global innovative tech hub”, *Note rapide*, n° 35, L’Institut Paris Region, July 2020.
- Technical details (in French) on SRDEII 2022-2028 will be available soon on our website: [www.institutparisregion.fr/economie/srdeii-ile-de-france/](http://www.institutparisregion.fr/economie/srdeii-ile-de-france/)

## Key Figures

[www.en.institutparisregion.fr/resources/publications/paris-region-facts-and-figures-2021/](http://www.en.institutparisregion.fr/resources/publications/paris-region-facts-and-figures-2021/)

1. Source Insee, latest available data.
2. Source: Choose Paris Region.
3. Source: Comité régional du tourisme d’Île-de-France.
4. Source: Estel.
5. Florence Faucon, Karl Pancarte, Clotilde Sarron (Insee), Isabelle Grémy, Adrien Saunal, Maylis Telle-Lamberton (Observatoire régional de santé Île-de-France), « 765 000 travailleurs clés franciliens répondent aux besoins fondamentaux de la population », Focus santé en Île-de-France, February 2021.
6. Anne-Claire Davy, Pascale Leroi, Maylis Telle-Lamberton (ORS), Marie Acs (Insee Île-de-France), Joseph Chevrot (Insee Île-de-France), Jean-François Arènes (Atelier parisien d’urbanisme), Martin Wolf (Atelier parisien d’urbanisme), Sandrine Beaufils, « 1,8 million d’actifs “essentiels du quotidien” résident en Île-de-France : qui sont-ils ? », Note rapide n° 896, L’Institut Paris Region, July 2021.
7. Accord de Paris sur le climat, Loi de Transition Énergétique pour la Croissance Verte (LTECV) et Stratégie Nationale Bas-Carbone (SNBC).
8. Greenhouse gas emissions (scopes 1 and 2) stood at 41.6 MteqCO<sub>2</sub> (million tonnes equivalent CO<sub>2</sub>) in 2017. Source: ROSE.

### PUBLISHER

Fouad Awada

### HEAD OF COMMUNICATION

Sophie Roquette

### EDITOR-IN-CHIEF

Laurène Champalle

### LAYOUT DESIGN

Jean-Eudes Tilloy

### GRAPHICS/CARTOGRAPHY

Pascale Guery

### PRODUCTION

Sylvie Coulomb

### TRANSLATION

Martyn Back

### MEDIA LIBRARY/PHOTO LIBRARY

Inès Le Meledo, Julie Sarris

### MEDIA RELATIONS

Sandrine Kocki

33 (0)1 77 49 75 78

### L’Institut Paris Region

15, rue Falguière

75740 Paris cedex 15

33 (0)1 77 49 77 49

ISSN 2728-526X

ISSN online

2497-126X



[institutparisregion.fr/en](http://institutparisregion.fr/en)



**L’INSTITUT  
PARIS  
REGION**