

Brussels, 8 June 2026
(OR. en)

10126/26
ADD 1

ECOFIN 735
UEM 213
SOC 323
EMPL 152
COMPET 682
ENV 625
EDUC 207
ENER 324
JAI 736
GENDER 63
JEUN 104
SAN 400
ECB
EIB

COVER NOTE

From: Secretary-General of the European Commission, signed by Ms Martine DEPREZ, Director

date of receipt: 3 June 2026

To: Ms Thérèse BLANCHET, Secretary-General of the Council of the European Union

No. Cion doc.: SWD(2026) 210 final

Subject: COMMISSION STAFF WORKING DOCUMENT
2026 Country Report - France
Accompanying the document
Recommendation for a COUNCIL RECOMMENDATION
on the economic, social, employment, structural and budgetary policies
of France

Delegations will find attached document SWD(2026) 210 final.

Encl.: SWD(2026) 210 final

10126/26 ADD 1

ECOFIN 1A/LIFE 4

EN



Brussels, 3.6.2026
SWD(2026) 210 final

COMMISSION STAFF WORKING DOCUMENT

2026 Country Report - France

Accompanying the document

Recommendation for a COUNCIL RECOMMENDATION

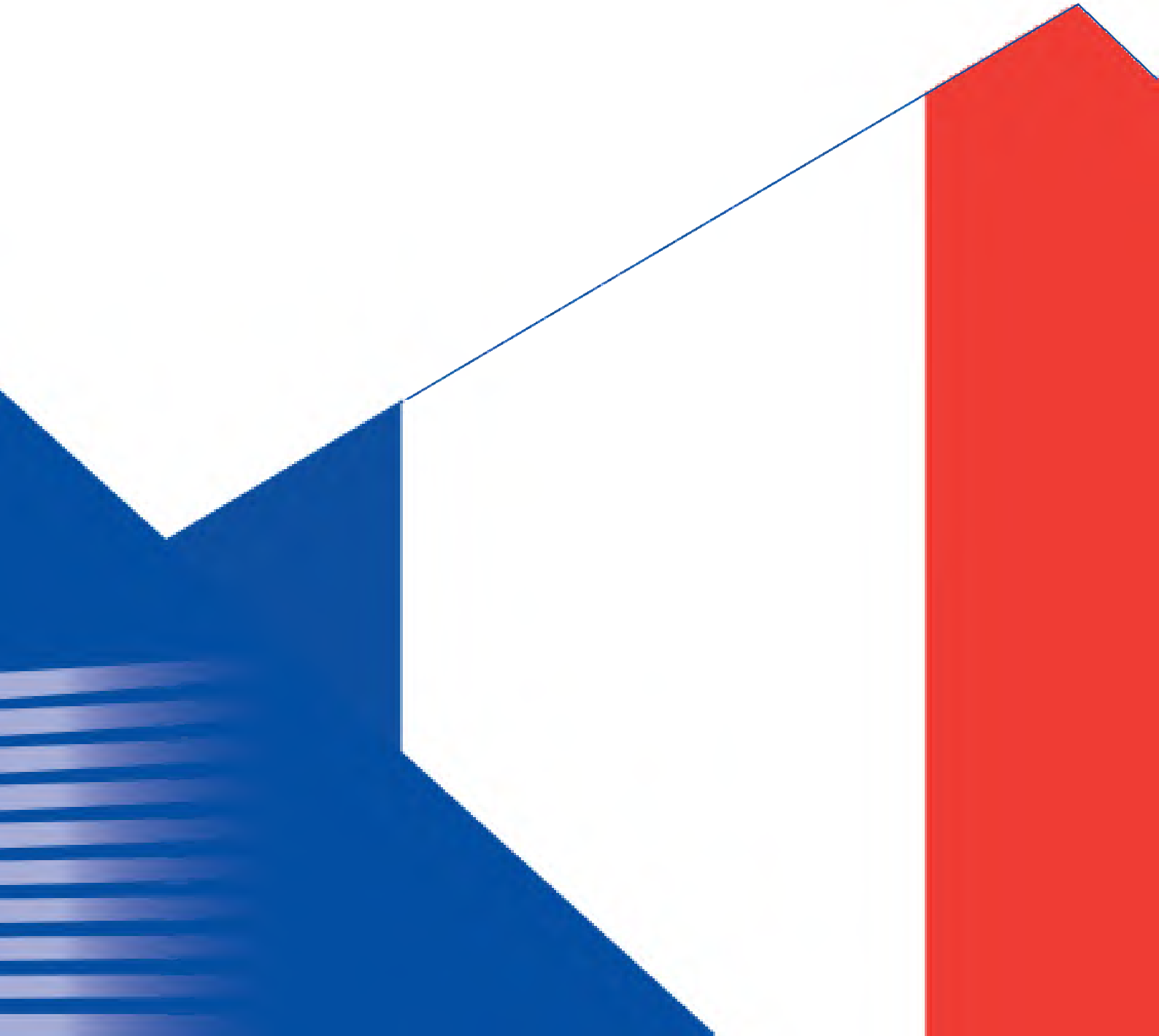
on the economic, social, employment, structural and budgetary policies of France

{COM(2026) 210 final}



France

2026 Country Report



ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Economic and political uncertainty continued to weigh on growth in 2025.

Real GDP grew by 0.8% in 2025, down from 1.2% in 2024. The negative impact from the necessary fiscal consolidation was partly offset by less restrictive monetary policy. Domestic demand strengthened due to recovering investment and accelerating public consumption. Private consumption slowed down, pushing the households' saving rate to 18.2% of their gross disposable income. In turn, the positive contribution to growth by inventories was largely offset by the negative contribution of net exports.

In 2026, economic activity is expected to remain subdued, mainly due to the increase in energy prices.

GDP growth is set to stay at 0.8% in 2026, dragged by the fallout of the conflict in the Middle East, as well as fiscal consolidation. Domestic demand and net exports should contribute positively. Private consumption is set to remain sluggish, with only a moderate decline in the high households' saving rate. However, public consumption and investment are projected to add further impulse. Private payroll employment is set to decline, leading to a further increase in the unemployment rate, which is expected to reach 8.3% in 2026.

The general government deficit remains high, while public debt keeps rising.

France's general government deficit declined from 5.8% of GDP in 2024 to 5.1% in 2025, as a result of revenue-increasing measures and spending cuts of around 0.5% and 0.3% of GDP, respectively. Interest payments on government debt rose further

by 0.2 pps, to 2.2% of GDP, due to high primary deficit and higher borrowing costs. For 2026, the general government deficit is expected to remain at 5.1% of GDP, with the fiscal adjustment mainly relying again on revenue-increasing measures. Interest payments are set to keep rising to 2.6% of GDP. After edging up to 112.6% of GDP in 2024, the government debt ratio is projected to reach 118.1% in 2026.

Structural challenges keep calling for decisive action

Price competitiveness keeps improving, but labour productivity growth remains weak.

France's favourable performance compared with other EU Member States continued in 2024 and 2025, especially in terms of unit labour cost and GDP deflator-based real depreciations. However, France's world export market shares declined again in 2024, mainly due to the relatively weak demand in its main markets (e.g. Europe) and the underperformance of its key export sectors (e.g. automotive and aeronautics). Moreover, French companies, especially SMEs, do not appear to fully exploit EU single market export opportunities (see Annex 5). Labour productivity gathered further momentum in 2025 as temporary factors, that have weighed on it since 2020, continued fading. However, labour productivity growth remains hindered by low capital deepening and almost stagnant total factor productivity. The latter would strongly benefit from increased investment in private research and development,

Box 1: UN Sustainable Development Goals (SDGs)

France is improving on all SDGs related to productivity (SDGs 4, 8 and 9), but is moving away from several goals, including No poverty (SDG 1), Good health and well-being (SDG 3), Peace, justice and strong institutions (SDG 16), Partnerships for the goals (SDG 17) and several SDGs related to environmental sustainability (SDGs 6, 11 and 14).

Out of the 17 indicators, 11 SDGs remain below the EU average. These relate to social fairness (SDGs 1, 3, 7, 8 and 10), environmental sustainability (SDGs 2, 7, 9, 11 and 14) and macroeconomic stability (SDGs 8, 16 and 17) (see Annex 17).

business digitalisation and further capital and skills accumulation (see Section 2).

A significant margin for improvement in non-price competitiveness remains.

Persistent gaps in adopting advanced technologies, geographical specialisation on nearby, less growing markets and industrial goods perceived as embedding a weak value-for-money keep weighing on France's competitiveness⁽¹⁾. Moreover, investment barriers persist, including policy uncertainty, skilled labour shortages, and regulatory burdens (see Annexes 5 and 11 and Section 2).

Non-financial corporations' debt edged up again and remains high, above the euro area average. In 2025, it rose by 1.5 pp, to 92.30% of GDP, increasing the risk to hamper investment and undermining companies' resilience to negative shocks. Corporate bankruptcies continued rising, by 3.5% in 2025, reaching record highs⁽²⁾,

partly due to the phasing out of emergency measures to support companies' liquidity. While this trend may remove non-viable companies and has a positive effect on labour productivity and long-term growth, it could raise unemployment in the short term. Non-performing loans (NPL) remained broadly stable at a low level (2.1% in 2025), but further increases in corporate bankruptcies could lead them to increase and might strain French banks' profitability.

The labour market weakened in 2025, with employment growth slowing and payroll employment stagnating.

Despite employment support programmes being scaled back, the employment rate held historical highs (75.6% in 2025-Q4), while the activity rate also reached a record high (81.6% in 2025-Q4). However, unemployment rose to 7.9% by 2025-Q4 and is expected to reach 8.3% in 2026, exceeding EU and euro area averages. Employment growth will remain modest alongside only slight productivity gains, and it is concentrated in the main metropolitan areas.

(1) See for instance [Julien Burton and Magdalena Kizior \(2021\) "Can We Evaluate the Non-Price Competitiveness of French Products Based on Export Data?"](#), *European Economy - Economic Briefs* 064, Directorate-General Economic and Financial Affairs (DG ECFIN), European Commission, or Rexecode-SKEMA study on competitiveness: French exports appeal... Except when it comes to price. June 2025.

(2) Défaillances d'entreprises - 2025-12, Banque de France, February 2026. [Défaillances d'entreprises - 2025-12 | Banque de France](#).

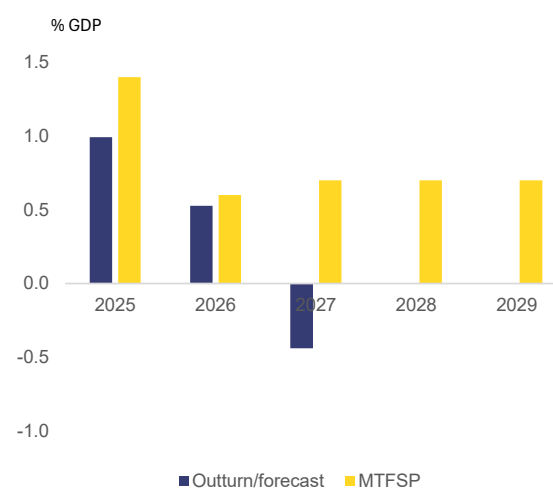
Fiscal consolidation needs call for decisive improvements in the quality of public finances

Bringing public debt on a sustained downward trend remains a major challenge. Under its medium-term fiscal structural plan (MTP) for 2025-2029, France committed to place debt on a downward trajectory by limiting expenditure growth, thus reducing the deficit below 3% of GDP by 2029, in line with its Excessive Deficit Procedure (see Annex 2). This would imply an improvement of the structural primary balance of 2.6 pps of GDP between 2025 and 2029 (see Graph 1.1). However, political gridlock during the adoption of the budget for 2026 watered down the deficit reduction plans for this year, and political uncertainty is expected to persist until presidential elections in mid-2027, further complicating the meeting of medium-term commitments going forward. Abiding by these commitments is essential as, according to Commission's debt sustainability analysis, France keeps facing high fiscal sustainability risks in the medium term and medium sustainability risks in the long term. A comprehensive and consistent fiscal strategy on both the revenue and expenditure sides is needed to meet the medium-term fiscal targets and boost potential growth.

Decisive action is needed to reduce public spending in a lasting manner and improve its efficiency. Public expenditure in France has been on an upward trend for decades. In 2025, it was the second highest in the Eurozone (57.2% of GDP). Almost 60% of this is earmarked to social protection and healthcare, with pensions representing around 25% of the total. High public expenditure in France raises efficiency concerns, while also requiring a high overall tax burden, which weighs on

economic efficiency and raises acceptability concerns.

Graph 1.1: French fiscal effort



(1) Fiscal effort measured as the change in the structural primary balance.

Source: Ameco.

Spending reviews can prove instrumental to permanently reduce public spending while enhancing its quality. A more ambitious and effective spending review strategy with enhanced saving commitments with respect to those in the French MTP is needed. Apart from contributing to fiscal consolidation, this would strengthen France's growth potential by helping channel public resources to more growth-friendly policies. These would include investment in research and development (R&D), innovation, industry and knowledge, also providing an additional impulse to the green and digital transitions jointly with greater social and economic resilience.

France has temporarily suspended the 2023 pension reform. At around 14.6% ⁽³⁾ of GDP in 2023, the level of expenditure on public pensions in France is relatively high compared with other Member States.

⁽³⁾ This figure includes old-age, early, survivor and disability pensions.

Among other elements, the 2023 pension reform gradually increased the statutory retirement age from 62 to 64 years and sped up the increase of the required contribution period to receive a full pension to 43 years. Its suspension until January 2028 clearly entails a worsening of the general government budget balance until the mid-2030s, and a public debt increase. In its MTP, France committed to preserve the impact of the 2023 pension reform on the financial sustainability of the system over the period 2026-2040. Further improvements in the fiscal sustainability of the pension system remain relevant for France, while ensuring fairness and enhancing its contribution to employment and potential growth.

The tax mix could be made more growth-friendly by shifting the tax burden away from production factors, while preventing deficit increases. The tax burden in France remains significantly higher than the EU average. In 2025, tax revenues in France represented 44.3% of GDP, against 39.9% for the EU-27 on average. The implicit tax rate on labour is among the highest in the EU (at 38.8% in 2024, against 37.1 in the EU) ⁽⁴⁾ and so are labour taxes borne by employers. In turn, taxes on production, which are especially detrimental to growth, amounted to EUR 129.0 bn (4.4% of GDP) in 2024, compared with an average of 2.4% in the EU-27 and 1.0% in Germany. In 2024, production taxes on labour, namely total wage bill and payroll taxes, and production taxes on capital, especially taxes on land, buildings and other structures, accounted for 1.3 and

(4) France stands out in particular for the tax wedges for earnings above the average, which amplifies the risks of low-wage traps, by disincentivising wage increases and investments in skills. See Data on Taxation Trends. European Commission tax and benefits database. [Data on Taxation Trends - Taxation and Customs Union - European Commission](#).

0.8 pps of GDP above the EU average, respectively. However, consumption taxes are relatively low in the French tax mix, despite being less distortive and having the potential of raising considerable revenues due to their large tax base. Reducing the tax burden on labour (including social security contributions) and productive capital, while raising consumption taxes, including environmental taxes could help support competitiveness.

Reducing and rationalising fiscal and social tax expenditures ambitiously would support a growth-friendly tax shift. The numerous fiscal and social tax expenditures ⁽⁵⁾ increase the complexity of the tax system, imply a heavy budgetary burden and contribute to the risk of low-wage traps (see section 4). Fiscal and social tax expenditures are estimated at around EUR 170 bn (almost 6% of GDP) in 2025. ⁽⁶⁾ The 2025-2029 MTP commits to rationalising, better targeting and reducing fiscal and social tax expenditures by EUR 8 bn (less than 0.2% of GDP) between 2025 and 2027. This amount also includes expenditure savings stemming from spending reviews. In view of the sizeable consolidation needs ahead, efforts on this front need to be considerably stepped up. Based on a regular and comprehensive evaluation of their efficiency and usefulness, reducing and rationalising fiscal and social tax expenditures would help avoid increases in statutory rates and to broaden tax bases. This would be key to underpin a comprehensive fiscal strategy

(5) Tax expenditures are legislative or regulatory provisions that deviate from a 'tax standard' and result in a loss of tax revenue.

(6) Finances publiques : État des lieux et analyse de controverses. Étude du Conseil économique, social et environnemental sur proposition de la commission de l'Économie et des finances. Rapporteurs : Claire Tutenuit et Benoît Garcia. February 2026.

geared towards enhancing potential growth and the overall efficiency of the tax system, while supporting fiscal consolidation.

Further streamlining administrative structures would improve the effectiveness of public policies while contributing to fiscal consolidation.

The coexistence of many administrative layers in France is associated with an increased entanglement of responsibilities. This generates redundant operational and coordination costs ⁽⁷⁾, without necessarily improving the quality of the services provided to the citizens and businesses. High administrative complexity and overlapping competences imply complex financial relationships across government actors that reduce the transparency of public intervention, complicating the assessment of its efficiency and, ultimately, hampering the effective steering of spending and revenues in line with budgetary commitments ⁽⁸⁾.

Defence spending in France is on the rise, with additional support from the EU.

Total government spending on defence amounted to 1.8% of GDP in 2024 and 1.9% GDP in 2025 and is forecast by the European Commission to be 2.1% of GDP in 2026 (see Annex 2). Investment in defence is receiving support from the EU. France has requested EUR 15.1 billion in EU loans under Security Action for Europe (SAFE) for

defence procurement, as part of the European Commission's ReArm Europe Plan. In addition, following the mid-term review of cohesion policy, France has allocated EUR 101 million to defence-related priorities.

Increasing housing supply would help mitigate pressures on the housing market

France faces severe housing supply constraints, especially in high-demand urban areas and tourist hotspots.

Transaction volumes rose by 12.5% to 951 000 in the year to December 2025. Since 2021, the number of building permits has declined, with building permits per 1 000 people falling by 15.3% in 2024 to 370.5 m², just above the EU average (364.3). Land-use regulations, partly controlled by local authorities, contribute to low supply elasticity ⁽⁹⁾, with a strong heterogeneity in the building permits refusal rates.

The rental market experiences significant pressure, with constrained supply and substantial demand, in both social and intermediate housing sectors as well as in the private sector.

Anecdotal evidence suggest a fall in the turnover rate and in rental listings. Meanwhile, the demand for rental properties has continued to rise. This pressure on the rental market hinders higher education and job mobility decisions and further impacts the most vulnerable ones (see Section 4 and Annexes 16 and 18). The expansion of short-term

(7) Ravignon, B. (2024) Coûts des normes et de l'enchevêtrement des compétences entre l'État et les collectivités : évaluation, constats et propositions. [Rapport de Boris Ravignon sur le coût du millefeuille administratif – Presse – Ministère des Finances](#). See also Décentralisation: Le temps de la confiance. Rapport d'Éric Woerth au Président de la République, May 2024. [294470.pdf](#).

(8) Cour des comptes (2020) "Les finances publiques : Pour une réforme du cadre organique et de la gouvernance", Rapport public thématique, November 2020.

(9) GENG N., « *Fundamental Drivers of House Prices in Advanced Economies* », Working Paper, 2018; CHAPPELLE G., EYMEOUD J.B. and WOLF C., *Land-use regulation and the housing supply elasticity: evidence from France*, 2023, No 2023-08, Théma Working Papers, THEMA, CY Cergy-Paris University, ESSEC and CNRS.

rentals, even up to more than 270% in larger cities, has unfolded at the expense of long-term rental properties, further reducing long-term rental availability, increasing housing prices and rents. The 2024 “Loi Le Meur” strengthened local authorities’ powers to govern short-term rentals and to preserve residential housing stock.

High and complex housing taxation and tax expenditures hinder market efficiency. Housing taxation is higher in France (EUR 99.2bn in 2024 or 3.4% of GDP) than in most other developed countries. Numerous and costly tax expenditures (EUR 15.9 bn in 2024) modify agents’ incentives, increasing housing prices rather than quantities ⁽¹⁰⁾. High transactions taxes reduce the efficiency of housing and job market allocation. For sellers, the capital gains tax regime, in particular the deductions for length of ownership, encourages retention and reduces housing turnover. The vacant housing tax could be raised beyond areas under housing stress to incentivise utilisation. Wealth taxation primarily targets housing property, exempting financial wealth ⁽¹¹⁾. In addition, the property tax is disconnected from economic value and regressive for homeowners ⁽¹²⁾. As a result, a reform of the property tax base could increase local

government’s revenue while improving redistributive fairness.

Challenges in ensuring economic security and industrial sovereignty persist

France faces persistent challenges in ensuring economic security and industrial recovery. Although policy efforts are under way, industrial activity continued to slow in 2025 amid political uncertainty, regulatory burdens, strong international competition and geopolitical tensions. Despite a largely decarbonised electricity mix, France’s overall energy mix still relies on imported fossil fuels for around 60% of consumption, nuclear is also dependent on uranium imports, and France remains highly dependent on imports of critical raw materials (see Annex 5). In addition, the manufacturing sector faces persistent skills shortages and mismatches, particularly in technical and STEM-related occupations, which continue to weigh on labour market performance (see Section 4).

Accelerating policy initiatives towards a stronger industrial basis could help support decarbonisation, resilience and strategic autonomy objectives. Initiatives such as the 2023 Green Industry Law and the ‘France 2030’ investment programme (EUR 54 billion) support key sectors, including electric mobility and a broad range of low-carbon and green technologies. France is boosting efforts to secure supply of critical raw materials through domestic and international investments in extraction, processing, and recycling (see Annex 5). The EU’s trade policy provides the external framework necessary to sustain these ambitions. By leveraging the EU Critical Raw Materials Act and a growing network of strategic trade

⁽¹⁰⁾ Some housing tax expenditures include the former “Pinel scheme” (€1.5 bn in 2024), the *Prêt à taux zero* (€0.8bn) and reduced VAT rate for renovation works (€3.1bn) or social housing (€2.0bn).

⁽¹¹⁾ Conseil des prélèvements obligatoires, 2023, *Pour une fiscalité du logement plus cohérente*; Conseil des prélèvements obligatoires, 2025, *Corriger les principales distorsions de l'imposition du patrimoine*.

⁽¹²⁾ André M. and Meslin O., 2023, *Les ménages au patrimoine immobilier le plus élevé paient relativement moins de taxe foncière que les ménages les moins dotés*, Insee Analyses n°91, 18/12/2023; Olivier Meslin, *Etude des propriétés redistributives de la taxe foncière sur les propriétés bâties*, 17/11/2023.

partnerships, the EU helps ensuring a stable and sustainable access to the inputs needed for green technologies. In addition, initiatives like Dunkirk's 'Battery Valley', uniting gigafactory projects and securing over EUR 9 billion in investments, showcase the advantages of effective territorial governance and coordinated planning ⁽¹³⁾ (see Annex 18), as well as facilitated access to industrial land. Replicating these conditions are vital to expand industrial projects nationwide. Looking ahead, accelerating industrial electrification (see Section 3), supporting post 'France 2030' investments, and streamlining permitting via the Green Industry Law are crucial to decarbonise industry and strengthen economic security.

Regional disparities are increasing

Territorial disparities are increasing due to diverging trajectories in population dynamics and economic performance.

Over the past 20 years, the number of metropolitan departments with a GDP per capita (in Purchasing Power Standards) below 75% of the EU average has increased from 2 to 36. In France's traditional heavy industry regions in the North and North-East, the industrial transition has caused economic vulnerabilities, contributing to high youth outmigration and undermining residents' right to stay. Demographic decline, driven by limited employment opportunities and reduced accessibility to services, also affects fragile rural areas, particularly those along the North-East-Central axis and within the Massif Central departments. At the same time, the social peripheries of metropolitan areas present severe socio-economic disadvantages,

including high unemployment and high rates of people not in work, employment or training (NEET).

French outermost regions face persistent structural vulnerabilities. GDP per capita ranges from 69% of the EU average in Martinique to just 30% in Mayotte, the EU's poorest region. Land-use planning and the reinforcement of administrative capacity for public investment and policy design, particularly in Mayotte and French Guiana represent key challenges for France to reduce regional disparities in outermost regions (see Annex 18).

EU funding instruments provide considerable resources to France. They support investments and structural reforms to increase competitiveness, environmental sustainability, skills, social fairness and security, while helping to address challenges identified in the CSRs. Key instruments include the Recovery and Resilience Facility (see Box 2) and Cohesion policy funds (see Box 3). In addition, the Common Agricultural Policy (CAP) allocates EUR 66.3 billion to France for 2021-2027, while EUR 567 million are allocated under the Common Fisheries Policy (CFP). A further EUR 1.1 billion are available under the Asylum, Migration and Integration Fund (AMIF), together with the Border Management and Visa Instrument (BMVI) and the Internal Security Fund (ISF). Other EU programmes also support competitiveness in France, for instance through open calls under Horizon Europe and the Connecting Europe Facility.

⁽¹³⁾ See [rapport-dunkerque-laboratoire-dun-renouveau-industriel.pdf](#).

Key achievements of the RRF

France's recovery and resilience plan (RRP) represents a total budget of **EUR 40.27 billion**, corresponding to **1.43% of GDP**, aimed at supporting reforms and investments contributing to the green and digital transitions, strengthening economic resilience, and addressing long-standing structural challenges identified in the European Semester.

As of 4 May 2026, **EUR 34.13 billion** (around **85%** of the total allocation) have been disbursed to France following the satisfactory fulfilment of 149 milestones and targets. Implementation has progressed steadily, with a growing number of reforms and investments already fulfilled and delivering real results on the ground.

In addition to the French RRP's direct impact, France benefited from positive spillovers estimated at **EUR 18.4 billion**, due to the increase in exports from France generated by the hike in demand from the implementation of national RRFs. For France, the positive spillovers mostly concern industrial and services sectors, such as wholesale trade, legal activities, or accounting and consulting.

Highlights and impacts of the plan

- **Revising thermal regulation of new buildings (RE2020).** The revision amends the existing thermal regulation to reduce GHG emissions of new buildings, improve their energy performance and adapt them to climate change.
- **Promulgating the climate and resilience law.** The law contributes to 2030 GHG emissions reduction targets by providing climate and environmental measures across sectors from transport to agriculture and sustainable consumption.
- **Implementing the research programming law.** The law aims to strengthen research funding and organisation, improve the attractiveness of scientific jobs, and enhance the interactions of research with the economy and society.
- **Investing in energy renovation of housing.** This includes energy renovation of 40 000 social housing and 1.15 million private households receiving subsidies under the 'MaPrimeRenov'.
- **Developing access to digital training capacity for higher education.** More than 1 400 000 students who are enrolled in higher education in France receiving access to digital training capacities.
- **Investing in the digitalisation of healthcare.** This includes 40 million patients having a national electronic health record and a secured health email address.

Contribution of cohesion policy funds

EU cohesion policy funding supports France's efforts to increase competitiveness, environmental sustainability as well as skills and social fairness. In 2021-2027, EU cohesion policy funds ⁽¹⁴⁾ are providing EUR 16.7 billion (amounting to EUR 28 billion with national co-financing) to France. The amount of selected projects corresponds to 70.3% of the total allocation as of March 2026, with additional calls in the pipeline.

- **Innovation, business environment and productivity.** Nearly EUR 3.6 billion are allocated for research and innovation, SMEs competitiveness and digitalisation. European Regional Development Fund (ERDF) projects selected under the 2021–2027 programmes are already supporting over 100 000 businesses to boost research and technology transfer, promote innovation, and enhance business competitiveness.
- **Decarbonisation, energy affordability and sustainability.** Around EUR 3.7 billion are earmarked for decarbonisation and clean transition projects. On waste management alone, ERDF-co-financed projects are expected to generate an additional waste-recycling capacity of over 3 million tonnes by 2029. Investments in water infrastructure are particularly significant in outermost regions, where Mayotte alone receives EUR 47.5 million in ERDF to improve access to drinking water and its preservation and EUR 30 million to develop wastewater collection and treatment.
- **Skills, quality jobs and social fairness.** EUR 2.3 billion are allocated to improving the labour market relevance and quality of education and training systems. The Just Transition Fund (JTF) will also fund human capital investments, notably by upskilling and reskilling workers and jobseekers for work in green sectors (EUR 308 million). The ESF+ also promotes active and social inclusion, including of children (EUR 2.2 billion), in mainland France and in the outermost regions. EUR 646 million are allocated to addressing material deprivation, through food and material assistance.

The mid-term review ⁽¹⁵⁾ reinforced cohesion policy's contribution to emerging strategic priorities, reallocating nearly EUR 535 million, of which 43% (EUR 230 million) is dedicated to competitiveness, through support for critical technologies, over one third (EUR 178 million) to affordable housing, 19% to defence and the remaining 5% will strengthen better water management. Outermost regions' programmes fully contribute to the mid-term review reallocation with EUR 123 million, of which EUR 69 million are reallocated to housing. Overall, increased mid-term review funding to social and affordable housing under ERDF programmes will ultimately benefit more than 76 000 households. Under the European Social Fund Plus (ESF+), France reallocated EUR 89 million to new priorities. Reprogrammed funds will support skills training for the development and manufacturing of critical technologies of Strategic Technologies for Europe Platform (STEP), as well as enhancing civil preparedness.

necessary, propose adjustments to improve their performance, ensure their relevance in light of new and emerging needs and keep them aligned with other EU policies.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

France received in 2025 CSRs (country-specific recommendations) to further simplify regulation, reduce administrative burden and regulatory restrictions on businesses, in particular in the services sector, strengthen business R&D intensity, promote diffusion of innovation, and improve SME digitalisation. Overall, France has made very little progress on all these recommendations and structural challenges remain. The high regulatory and administrative burden are a growing concern for businesses, while the stagnating business R&D intensity, at a level well below that of innovation leaders in the EU and worldwide, as well as the low uptake of digital technologies still hamper labour productivity.

Addressing these challenges will require an ambitious reform agenda towards a business environment more supportive of innovation and competitiveness. Between 2017 and 2020, France had adopted several reforms to improve business environment, including to increase interaction between unions and employers, facilitate relations with the tax authorities and reduce administrative burden. However, the challenges highlighted in the 2025 CSR remain and are weighing on the overall competitiveness of the French economy.

Labour productivity growth in France remains lacklustre

Labour productivity growth in France is held back by poor total factor productivity growth. Despite at 112.7% of the EU level in 2025 (measured as GDP per hour worked in PPS), France's labour productivity has dropped from over 130% of the EU level in the early 2000s. As temporary factors having weighed on labour productivity growth in recent years started to fade away, labour productivity growth picked up in 2024 and 2025, and is expected to expand by almost 1% in 2026. Yet, poor total factor productivity (TFP) growth is set to keep reining in overall labour productivity in the short term. In the medium term, total factor productivity is expected to reap the benefits from the full effects of recent and planned reforms and investments (notably as part of the "France 2030" plan and through the Research Programming Law) materialising to support upskilling and reskilling of the labour force, the digital and green transition, and state-of-the-art R&D. Nevertheless, further and continued efforts on this front are needed to provide a decisive impulse to total factor productivity.

Business demography has been dynamic but has not translated into reallocations towards high-growth sectors and businesses. Business registrations have significantly increased in France in recent

years (+15.3% between 2021 and Q4 2025 vs 12.5% in the EU)⁽¹⁶⁾. They were particularly dynamic in transport and logistics, in administrative services, as well as in hospitality and food, driven by the rise of digital platforms and the growing demand for delivery and mobility services⁽¹⁷⁾ (see Annex 5). However, this rise was mainly due to the increase in self-managed micro-entrepreneurs, whose survival rate after three years is also lower. According to a study from Insee, less than 3 out of 10 micro-entrepreneurs registered in 2018 were still active under this regime five years later⁽¹⁸⁾. Their income is also lower than that of employees or other independent workers (see Section 4).

R&D intensity is stagnating despite sizeable public support

Despite receiving a CSR in 2025, France has not made progress on strengthening business R&D intensity. Total R&D intensity was stable at 2.18% of GDP in 2024, below EU average and the target of 3% initially set by the Lisbon strategy and the Europe 2020 strategy for 2020. Both business and public R&D intensity are low. Since 2011, public R&D intensity has experienced a slight but steady decline (from 0.76% of GDP to 0.70% of GDP in 2024, slightly below the EU average of 0.72%) while private R&D has stagnated around 1.44% of GDP in 2024, slightly below the EU average of 1.49% and in stark contrast with the investment levels and

trends observed in peer countries. In turn, the lack of adequately skilled workers remains a major barrier to recruitment, while skills gaps hinder France's capacity to fully benefit from the emerging opportunities driven by the twin transition (see Annex 11). Skill shortages hinder the diffusion of innovation and digitalisation across all sectors and businesses, which in turn affects labour productivity growth and competitiveness.

The 2025 CSR recommended that France improve the targeting of R&D support.

Progress has been limited in this area. The main mechanism, the research tax credit ('Crédit d'impôt recherche, or CIR'), amounted to EUR 7.8bn in 2024 and is projected to rise to EUR 8.0bn in 2026 (0.3% of GDP)⁽¹⁹⁾. However, this support has not significantly improved innovation or R&D intensity. Empirical evidence shows the CIR boosts R&D activity and economic performance of SMEs but has little impact on large enterprises' investment and innovation output (see Annex 4). A study by Bunel and Sicsic⁽²⁰⁾ found that the CIR generates windfall effects, particularly for larger firms, without increasing large companies' R&D. They suggest that other measures, such as direct research expenditures, might be more effective in fostering and promoting diffusion of innovation, especially for fundamental research and disruptive innovations, while potentially incurring the same or lower costs for public finances. While the CIR was reformed in the 2025 budget, the changes did not prioritise smaller firms, so they are unlikely to boost R&D efforts. Better-

⁽¹⁶⁾ Eurostat, [sts_rb_q__custom_19150216], Codes NACE: B-S_X_O_S94.

⁽¹⁷⁾ France's reply to the European Commission's questionnaire, December 2025.

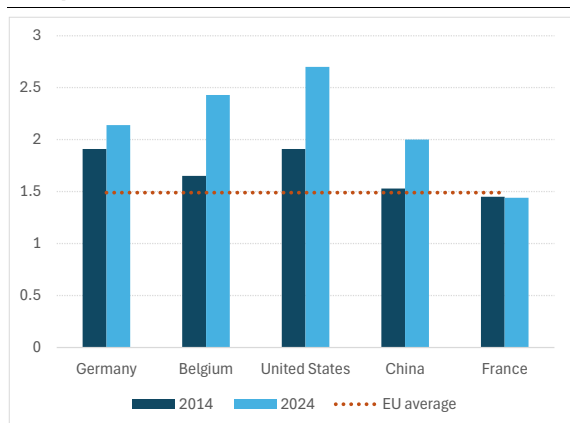
⁽¹⁸⁾ D. Richet, Insee, 2025, [Micro-entrepreneurs registered in 2018: less than three out of ten were still active under this regime five years later](#).

⁽¹⁹⁾ France's overall public support for business R&D was at 0.42% of GDP in 2023, compared to the EU average of 0.2% in 2022.

⁽²⁰⁾ Bunel, S. and Sicsic, M., 2024, *Les incitations fiscales à la recherche et développement et à l'innovation : état des lieux, effets et alternatives*, Sciences Po LIEPP Working Paper n°163, 2024-04-17.

targeted public support could strengthen R&D intensity by focusing on SMEs, mid-cap companies, and start-ups, which face greater financial constraints.

Graph 2.1: **Business R&D investment (as % of GDP), 2014-2024**



Source: Eurostat

The investment plan “France 2030” has efficiently promoted disruptive innovation and industrial recovery in strategic sectors, but its future beyond 2027 is uncertain. France is accelerating the phasing-out of the “France 2030” programme⁽²¹⁾. The 2026 budget has cut funding for France 2030 by EUR 1.1 bn. Its expiry risks exacerbating reliance on the CIR. A mid-term evaluation indicates sizeable impact on GDP and employment, although a streamlining of the support could be envisaged. Both commitments and payments under France’s recovery and resilience plan (RRP) will also be phased out. The lack of funding channelled towards disruptive innovation risks stalling industrial renewal and long-term growth.

⁽²¹⁾ In January 2026, EUR 44 billion had been committed out of the total commitments planned until 2028 of EUR 54 billion. Source: information provided by France for the assessment of the 2025 CSR 3(3), 31/1/2026. The 2026 budget has further reduced the payments possible under France 2030 in 2026 by 1.1 bn EUR.

A streamlined ecosystem to strengthen the diffusion of innovation

In 2025, France received a CSR to promote the diffusion of innovation and to make the ecosystem that supports collaboration between academia and business more effective. Progress has been limited in this area. The knowledge valorisation system, that is the collaboration between academia, public research labs and businesses, could be more effective and streamlined. A wide range of organisations and instruments have been introduced to support such cooperation, resulting in overlapping and multilayering. This complexity of the ecosystem was noted by the French Court of Auditors in 2018⁽²²⁾ and by the ‘Inspection générale des finances’ in 2024⁽²³⁾. Contracts and collaboration between businesses and public research labs remain limited.

The low R&D intensity is undermining scientific performance at a time of intensifying international competition. As innovation hinges on scientific breakthroughs, the declining trend in R&D intensity raises concerns about France’s capacity to retain its talents and to continue leveraging its science base to position itself as a key player in the global tech race. Some 15 000 graduates, or around 10% of young graduates from engineering schools and 15% of graduates from management schools expatriate each year⁽²⁴⁾. These

⁽²²⁾ Cour des comptes, *Les outils du PIA consacrés à la valorisation de la recherche publique*, March 2018.

⁽²³⁾ Inspection générale des finances, *Évaluation des dispositifs Carnot*, December 2024.

⁽²⁴⁾ Fédération Syntec, [Fuite des cerveaux : la Fédération Syntec alerte sur l’hémorragie continue des talents](#)

concerns are reinforced by France's deviation in 2025 from the public R&D spending trajectory set in the Multiannual Programming Law on Research.

Accelerate reform to address France's business environment challenges

France has yet to make further progress to simplify regulation and reduce administrative burden. Regulations are a growing concern for businesses. A significant 27% and 26% of businesses in France considered labour market regulations and business regulations to be a major obstacle to investment in 2025. The data has increased compared with 2024. The procedures relating to cessation of payment, cessation of activity and legal proceedings are the most complex to carry out ⁽²⁵⁾ (See Annex 5).

The law on simplifying economic life has been adopted. Among other measures, the law facilitates businesses' access to public procurement, eases the setting up of industrial and infrastructure projects and facilitates energy transition projects. It also introduces 'enterprises test' and a dedicated body, the Council for Simplification associating representatives of businesses, to test the new and modified norms.

The availability of digital public services for the public and businesses has stagnated (see Annex 7). It scores below the EU level for both the public and businesses, highlighting room for

qualifiés, une menace directe pour l'innovation et la compétitivité françaises, 1 October 2025.

⁽²⁵⁾ France's reply to the European Commission's questionnaire, December 2025.

improvement ⁽²⁶⁾. Access to digital public services is particularly poor for people and companies from other EU countries. In addition, more than 50% of respondents to a Eurobarometer survey suggest improvements to digital public administration services ⁽²⁷⁾. This could be done by advancing the digital transformation and simplifying administrative processes around users' needs as well as promoting user-friendly guidance combined with quick support. Advancing towards digital data governance thanks to the once-only principle, interconnection of registers or pre-filled forms is also key to ensure seamless digital public services, including cross-border.

Barriers to the EU single market persist

Despite the 2025 CSR on reducing regulatory restrictions on businesses, regulatory and administrative barriers to the intra-EU trade in goods persist. Businesses report that packaging and labelling rules – environmental labelling, packaging and complex administrative requirements related to Extended Producer Responsibility (EPR) scheme create compliance burdens ⁽²⁸⁾. Ineffective application of mutual recognition and fragmented product compliance rules also affect trade in goods.

⁽²⁶⁾ European Commission, [Digital Decade 2025: eGovernment Benchmark 2025 | Shaping Europe's digital future](#).

⁽²⁷⁾ European Commission, Flash Eurobarometer 567 / 568 on satisfaction with administrative services (2026).

⁽²⁸⁾ Business Europe, report 2025 [Examples-of-Single-Market-barriers---Striving-for-greater-harmonisation-of-packaging-legislation-to-prevent-market-barriers.pdf](#).

France has among the most restrictive regulations on trade in services in the EU and has taken no major step in 2025 to simplify its regulatory framework in that area.

Restrictive regulations on trade in services reduce the opportunities for businesses in France to access a wide range of services and may harm their competitiveness. The figure which applies to France in the the Organisation's for Economic Co-operation and Development (OECD's) intra-European Economic Area (EEA) services trade restrictiveness index ⁽²⁹⁾ is among the highest in the EU (0.065 for France in 2025 against 0.068 for the highest value in the EU and 0.050 for the EU average). France's restrictions to intra-EEA trade are particularly high in air transport, architecture, distribution services, legal services, accounting, rail freight and road freight. France PMR indicator, computed by the OECD, is around median among the EU countries. However, regulatory barriers to entry and competition that also apply to domestic firms remain higher in France than in comparable countries for several professions ⁽³⁰⁾. Furthermore, France is the most restrictive EU Member State regarding regulatory frameworks for the retail sector ⁽³¹⁾. Easing administrative requirements in the implementation of posting of workers rules could reduce regulatory fragmentation within the EU single market, facilitate cross-border job mobility and boost competitiveness, without undermining workers' protections.

⁽²⁹⁾ European Commission staff calculation based on the OECD, intra-EEA [STRI](#) database, 11/2/2025.

⁽³⁰⁾ [OECD, Product Market Regulation \(PMR\) indicators: How does France compare?](#), 2024.

⁽³¹⁾ European Commission, [Retail restrictiveness indicator](#) (2022 update), 2024; [OECD, Product Market Regulation \(PMR\) indicators: How does France compare?](#), 2024.

SMEs are not fully exploiting the growth opportunities offered by the EU single market.

France has the lowest rate of integration into EU trade among EU countries. Intra-EU import and export volumes represented only 17.1% of GDP in 2025 (vs 40.7% on average in the EU) (see Annex 5). France's integration rate is much lower than the EU average both for goods and services. This can be explained by several factors: the large size of the domestic market, the manufacturing industry's lower share of GDP, the poor non-price competitiveness (price competitiveness has improved thanks to a lower inflation and labour cost growth), and the lack of skills.

Late payments to businesses, particularly SMEs, weigh on their cash positions ⁽³²⁾.

28% of SMEs in France say that they have been experiencing late payments from public organisations (vs 15.9% in the EU) (see Annex 5). Public entities in the overseas territories are greatly exceeding the 30-day regulatory ceiling. Public hospitals are paying with long and increasing delays. In the public works sector, 85% of companies report payment delays from public authorities ⁽³³⁾⁽³⁴⁾. They also complain about unfair payment practices. 55% of SMEs say that they do not participate in public procurement procedures out of fear of not being paid on time.

⁽³²⁾ Part of the barriers highlighted in the [Single market strategy](#) ('Terrible Ten') and the [2026 Annual Single Market and Competitiveness Report](#). Web pages: [Single market strategy](#); [The 2026 Annual Single Market and Competitiveness Report - Internal Market, Industry, Entrepreneurship and SMEs](#).

⁽³³⁾ France's reply to the European Commission's questionnaire, December 2025.

⁽³⁴⁾ Sénat, [rapport n°376](#), 11/2/2026.

Progress on boosting business digitalisation needs to continue

In 2025, France received a CSR to improve SME digitalisation, including by improving the effectiveness of existing public support measures. The digitalisation of SMEs and adoption of advanced digital technologies in France is gaining traction while still below the EU average (see Annex 4). In 2025, 69.44% of French SMEs had a basic level of digital technologies intensity, up from 51.97% in 2023 but still well below the EU average (71.39% in 2025). France has seen an advancement in the deployment and use of digital technologies, with clear progress toward full 5G and fibre coverage, although regional disparities persist in the country's broadband coverage, with rural or lower density areas accounting for 79% of the unconnected total (see Annex 18). Despite this good coverage overall, businesses tend to adopt less key digital technologies (artificial intelligence (AI), data analytics and cloud) in France than in the EU. Key bottlenecks of SME digitalisation include a lack of expertise and skills, cybersecurity concerns, and financial constraints, particularly due to unclear returns on investment (see Annex 4). Digital adoption gaps, (lower adoption in SMEs and higher in large firms), are one of the factors slowing productivity growth and competitiveness in France. Accelerating SME digitalisation is key to meet EU 2030 digital targets.

France focuses on AI to improve the digitalisation of the whole business sector. 'France Num' remains the main public tool supporting basic SME digitalisation, acting mainly as a network of stakeholders involved in digital transformation. The new plan 'Osez l'IA' aims at deploying AI technologies in large

firms and SMEs, in turn contributing to digitalisation⁽³⁵⁾. However, it is neither targeted at SMEs, nor focused on basic digitalisation.

Ample private financial assets could be better channelled to meet equity financing needs

France's venture capital sector is growing, yet it faces challenges in meeting the financing needs of scale-ups⁽³⁶⁾. The past decade saw a sixfold surge in the number of French unicorns⁽³⁷⁾, making France the EU's leading unicorn producer after Germany⁽³⁸⁾. Private equity activity is relatively strong (0.88% of GDP in 2024, compared to 0.46% in the EU), and venture capital investment reached 0.07% of GDP in 2024, but it remains insufficient to meet the growing needs of high-growth companies and scale-up financing. The value of venture capital investment in French firms lags behind global and European peers and remain insufficient for scale-ups, with investments stagnating around 0.7% of GDP in 2024.

⁽³⁵⁾ The plan is based on three pillars: (1) informing businesses via a network of AI ambassadors, (2) training 15 million professionals and (3) helping companies in identifying adapted AI solutions and funding instruments for their AI projects.

⁽³⁶⁾ J. KUKIES and C. NOYER, *Financing innovative ventures in Europe. Recommendations to close the scaleup financing gap, deepen the Savings and Investment Union and strengthen Europe's competitiveness*, January 2026; Fratto, C., Gatti, M., Kivernyk, A., Sinnott, E., & van der Wielen, W. (2024). The scale-up gap: Financial market constraints holding back innovative firms in the European Union, European Investment Bank. <https://doi.org/10.2867/382579>.

⁽³⁷⁾ A privately owned start-up company, which has reached a valuation of \$1 billion or more.

⁽³⁸⁾ State of European Tech 2024. A unicorn is a privately held startup valued at over \$1bn.

The French economy holds untapped potential to expand venture capital investments through institutional investors. With a 100% assets-to-GDP ratio in its insurance sector, compared with 53% in the EU in Q2-2025, France has room to encourage insurers' investments in venture capital and private equity. By leveraging the 'Tibi Initiative', which has encouraged institutional investors to invest in the most innovative technology companies at a minimal cost for public finances ⁽³⁹⁾, France could boost these sectors and address the participation gap among institutional investors.

French households invest relatively little in financial assets and equity. In 2024, their financial assets were 221% of GDP, slightly above the EU (212%) but far below the US (446%). Equity investments were only 108% of GDP, above the EU average (91%) but nearly three times lower than the US (291%). French households prefer low-risk, liquid assets, particularly life insurance, which benefits from tax incentives. Redirecting even a small portion of these savings towards equity-based investments could help bridge France's innovation funding gap.

⁽³⁹⁾ Inspection Générale des finances, *Evaluation de l'initiative Tibi*, 27 November 2025.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

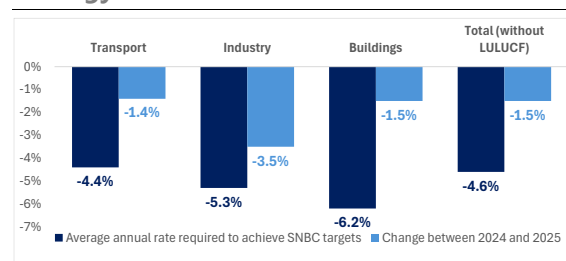
France received in 2025 country-specific recommendations (CSRs) to reduce greenhouse gas (GHG) emissions in the transport and buildings sectors, accelerate the deployment of renewable energy projects, promote demand-side flexibility and storage, and ensure sufficient investment in electricity grid capacity, including cross-border interconnections. Steps have been taken to promote demand-side flexibility and storage, but significant challenges persist in the remaining policy areas. France's limited electricity system flexibility coupled with its current electricity oversupply and stagnant demand, leads to increasingly frequent negative prices, inefficient use of available renewable energy production through the curtailment of renewables, and nuclear modulation, which in turn results in high system costs. Increasing the electrification of end uses would be a cost-effective solution to decarbonise the French economy, absorb electricity surpluses and lower system costs. Water scarcity is also an increasing concern given its potential economic impact.

The slowdown in decarbonisation observed in 2024 continued in 2025, with GHG emissions falling by only 1.5% in 2025⁽⁴⁰⁾ (down from 1.8% in 2024), well below the 4.2% annual reduction required to meet the 2030 targets set in the draft third low-carbon strategy

⁽⁴⁰⁾ [Baromètre des émissions - Citepa ; Résultats baromètre - 2025 prévisionnel](#) (April 2026).

(SNBC-3)⁽⁴¹⁾. All sectors are off track, with the largest gaps in buildings (4.7 pps)⁽⁴²⁾ and transport (3 pps)⁽⁴³⁾. Progress is also hindered by lagging renewable deployment, slow permitting, limited non-fossil flexibility and storage, and insufficient cross-border electricity interconnections.

Graph 3.1: Emissions compared with 2030 target trajectory under the third low-carbon strategy



Source: Citepa

Boosting energy efficiency in buildings and industrial decarbonisation

In 2025, France received a CSR to reduce its reliance on fossil fuels in buildings, stepping up energy efficiency and deep

⁽⁴¹⁾ [Vers la 3e Stratégie nationale bas-carbone \(SNBC 3\) | Ministères Aménagement du territoire Transition écologique.](#)

⁽⁴²⁾ Citepa estimates a 1.5% reduction in yearly emissions in the residential and tertiary buildings sector in 2025 as compared with the estimated 6.2% yearly reduction required to reach the 2030 target.

⁽⁴³⁾ Citepa estimates a 1.4% reduction in yearly emissions in the transport sector in 2025 as compared with the estimated 4.4% yearly reduction required to reach the 2030 target.

renovations. Since then, limited progress has been observed with the building sector's GHG emissions decreasing by only 1.5% in 2025 ⁽⁴⁴⁾. To align with the SNBC-3 trajectory, France needs to boost the efficiency of energy renovations to achieve greater energy savings and accelerate the phase-out of fossil fuels in the heating and cooling sector.

The main scheme supporting household energy renovations has lacked stability, preventing France from returning to its trajectory. MaPrimeRénov, co-funded with EUR 3.2 billion by the Recovery and Resilience Facility (RRF), has been suspended twice and has undergone near-constant adjustments to subsidy levels, the type of work eligible, and income conditions to access financing. Compared with 2022, France's budget funding has been reduced from EUR 3.1 billion to 2.3 billion in 2025. This reduction is offset by a substantial shift towards energy savings certificates (see below), which helped maintaining the overall funding over the period (at circa EUR 3.8 billion in 2025). This instability has been harmful to households and businesses, slowing France's progress in energy renovations, which is not on track to meet the 2030 objectives (see Annex 9).

Shifting to energy savings certificates ⁽⁴⁵⁾ for housing renovation may prove less effective ⁽⁴⁶⁾. The planned large-scale shift

⁽⁴⁴⁾ See Footnote 21.

⁽⁴⁵⁾ The CEE scheme is a market-based mechanism requiring energy and fuel suppliers to meet energy savings targets by financially supporting energy efficiency measures (including building energy renovation and energy efficiency and fuel switching in transport).

⁽⁴⁶⁾ Risk were already identified in 2024 by the French Court of Auditors and the General Inspector of Finance Cf. <https://www.ccomptes.fr/fr/publications/les-certificats-deconomies-denergie-0> and [2023-M-095-04 Rapport CEE PUBLIC.pdf](https://www.ccomptes.fr/fr/publications/2023-M-095-04-Rapport-CEE-PUBLIC.pdf).

of MaPrimeRénov to the energy savings certificates (CEE) risks increasing administrative complexity while making it more difficult to deliver on actual energy savings ⁽⁴⁷⁾. As costs are passed on to consumers through their energy bills ⁽⁴⁸⁾, this system entails less redistribution between customers. Suppliers already struggled to meet less ambitious targets in the previous energy-saving certificate period, raising some uncertainty about their ability to deliver on 2026-2030 targets and align with the draft third low-carbon strategy.

Progress in heating and cooling is uneven. France is expanding and gradually decarbonising its district heating networks ⁽⁴⁹⁾, thanks to the continued support of the 'Fonds Chaleur' (see Annex 9). By contrast, the heat pump market has been declining since 2023 (see Annex 9), partly due to uncertainty and 'stop-and-go' effects associated with MaPrimeRénov (MPR). Ensuring stable and predictable support for heat pumps, while continuing to expand low-carbon district heating, will be essential in accelerating decarbonisation.

The governance of industrial and climate policies remains fragmented between the State and local and regional authorities. While the State sets strategies and major funding, local and regional authorities manage local economic development, certain subsidies, and

⁽⁴⁷⁾ According to the French Court of Auditors, these gains are overestimated by at least 30% for 2022 and 2023.

⁽⁴⁸⁾ EUR 6 billion are passed on to consumers through their energy bills. According to the French Court of Auditors, the impact on household energy bills was 154 EUR/year in 2024 and could reach EUR 450 from 2026 onward.

⁽⁴⁹⁾ Source: Eurostat [[nrg_ind_ren](#)] [Share of energy from renewable sources](#).

territorial energy planning ⁽⁵⁰⁾. Although it allows for local specificities to be taken into account, such fragmentation and overlap of responsibilities can lead to inconsistencies and delays, particularly for projects involving multiple actors, such as industrial clusters, making coordination between national and sub-national levels a key factor for industrial decarbonisation.

Accelerating renewable energy deployment alongside flexibility and infrastructure investments

Among clean energy sources, accelerating the deployment of renewable energy remains a major challenge for France, as highlighted in the 2025 CSR. In 2024, the share of renewable energy sources in France's gross final energy consumption reached 23.2%, exceeding the 2020 target, albeit with a four-year delay. This level remains below the 26.8% target set in France's national energy planning documents ⁽⁵¹⁾. Despite a modest increase in installed renewable electricity capacity in 2025 (5.4 GW compared with 4.7 GW in 2024), France is not on track to meet the EU 2030 target ⁽⁵²⁾ nor the third multiannual energy programme (PPE-3) ⁽⁵³⁾, without a significant acceleration in deployment (see Annex 9).

France has made progress in energy planning, but implementation challenges remain. After years of consultations that

created uncertainty and economic pressure, the government adopted its third multiannual energy programme (PPE-3) in February 2026, setting renewable targets by technology for 2030 and 2035. However, these targets are lower than in the draft version, particularly for onshore wind (where repowering is prioritised over new installations) and for solar photovoltaics ⁽⁵⁴⁾, despite France's potential. Implementation remains challenging due to regulatory and industrial constraints. The 2023 Renewable Energies Acceleration Law (included in the recovery and resilience plan (RRP)) is still only partially implemented ⁽⁵⁵⁾, with key measures such as 'renewables acceleration zones' not finalised in all territories (see Annex 9). Permitting procedures remain complex and lengthy ⁽⁵⁶⁾, particularly due to the absence of a one-stop shop and additional constraints from the 'Net Zero Artificialisation' Law. Delivering PPE-3 targets will also require timely tenders for wind and solar, which represents a significant industrial challenge to strengthen EU manufacturing capacities in key technologies such as solar panels and wind turbines.

Regionalising energy programming is essential to provide clear guidance for renewable energy deployment. Renewable potential differs across regions due to variations in sun, wind, water, and biomass resources. The current regionalisation of PPE-3 is not yet finalised, limiting investor visibility on projects

⁽⁵⁰⁾ OECD [A Territorial Approach to Climate Action and Resilience \(EN\)](#) (page 130).

⁽⁵¹⁾ [rac-obs-2025-v3-web.pdf](#) (page 4).

⁽⁵²⁾ According to the EU regulation, France's indicative contribution to the EU 2030 target is 44%.

⁽⁵³⁾ See [ppe3.pdf](#).

⁽⁵⁴⁾ Revised down from 65–90 GW in the March draft of PPE-3 to 55–80 GW by 2035 in the adopted version.

⁽⁵⁵⁾ Around one quarter of the required implementing acts are still pending, in particular the decree establishing monitoring indicators.

⁽⁵⁶⁾ [Trésor-Éco n° 382 \(Février 2026\), "Les enjeux économiques du soutien aux énergies renouvelables électriques"](#) (page 5).

development. This is particularly critical for the outermost regions, which face isolated grids, high import dependence, and specific climate vulnerabilities, requiring tailored decentralised renewable generation and storage solutions (see Annexes 9 and 18).

Further efforts are needed to increase non-fossil flexibility and storage. While some steps have been taken including an increase in installed battery capacity in 2025 ⁽⁵⁷⁾ and measures to strengthen demand-side response, in particular through the revision of peak and off-peak tariff structures to be implemented progressively until 2027, additional action will be required to limit costly renewable electricity curtailment and nuclear modulation (see sub-section below).

Progress in electricity grid capacity investments is uneven. France is advancing towards its projected investment needs in energy infrastructures, especially electricity grids, but delivery will depend on sufficient industrial and human capacity, including skills and cable production and supply. At the same time, interconnection remains significantly below the 2030 target, at 5.44% compared with the 15% target (see Annex 9).

Reducing system costs and decarbonising the economy by boosting the electrification of end uses

France faces inefficiencies in the electricity system, driving system costs. Increasingly frequent negative-price events (513 hours of negative prices in 2025, compared with 352 in 2024) continued

⁽⁵⁷⁾ [Solutions stockage électricité - Accès aux données | RTE.](#)

curtailment of renewables and nuclear modulation are driving high system costs and reduce the business case for the development of renewable energy projects. In 2025, an additional 0.8 TWh of electricity from renewable sources were curtailed as compared to 2024, reaching 2.5 TWh. In comparison, the curtailment of 509 GWh of renewables in 2023 amounted to EUR 2.2 million. This reflects limited system flexibility, stagnating demand and the current electricity oversupply, notably driven by a rebound in the nuclear fleet and solar expansion (see Annex 9).

France's largely fossil-free electricity mix is an opportunity to decarbonise and ensure long-term energy sovereignty. In 2025, it reached 94.8% of clean sources (67.7% nuclear, 27.1% renewables), but rising curtailment is constraining renewable integration and could limit its future share, which is a concern in view of the estimated decline in nuclear production by 2050 ⁽⁵⁸⁾.

Increasing electrification of end uses is central to fully leverage France's clean electricity mix. France's electricity share in its final energy consumption is above EU average (26.5% in 2024 vs 23.4% for EU) but has remained stagnant over the last decade. Significant electrification potential remains untapped in high-emitting sectors such as transport which represents a third of France's emissions and has a negligible electrification rate of 2.5% (see Annex 9). Expanding electrification of end uses - through electric vehicles, heat pumps, and industrial electrification (see Annex 8) - would create additional demand for electricity, support the integration of renewable sources and cost-effectively

⁽⁵⁸⁾ See page 35, Graph 6, of the French Court of Auditors report on the maintenance of the French nuclear fleet <https://www.ccomptes.fr/sites/default/files/2025-11/20251117-S2025-1528-Maintenance-parc-electronucleaire-EDF-en-France.pdf>

decarbonise the French economy. In this context, the recently presented national electrification plan⁽⁵⁹⁾ aims at increasing the share of electricity in final energy consumption to 38% by 2035. Achieving this objective will require rapid implementation and adequate funding.

Transitioning to sustainable transport

The reduction of GHG emissions in the transport sector remains a challenge as highlighted in the 2025 CSR. Road transport remains the largest source of GHG emissions, with a modest reduction of 1.4% recorded in 2025 compared with 2024⁽⁶⁰⁾, falling short of the 4.4% annual reduction needed to comply with France's 2030 objectives. A major factor is the dominance of road freight, which is above EU average (86.2% vs 75% for the EU - see Annex 8).

Infrastructure improvements and modal shifts are crucial to addressing transport emissions. While rail infrastructure sees progress, the share of freight carried by rail has seen a modest decline since 2023 (see Annex 8). Challenges include the declining quality of current networks and the need for substantial investment, with additional EUR 300 million per year in the short term⁽⁶¹⁾ (see Annex 8). In addition, no national strategy exists for inland waterways, which stagnated in share since 2023. A recently tabled draft law to enable long-term

investment planning aims to address these issues, with investment programming for modal shift in freight as well as electrification infrastructure for heavy-duty vehicles. The rapid adoption of programming documents and implementation of ensuing measures remains essential for clearer direction.

The demand and supply of low-emission vehicles show promising trends, but further progress is needed. Zero emission vehicles made up 20% of new passenger car registrations in 2025 (up from 16.9% in 2024) and modest growth is also visible across other segments (see Annex 8). Public incentives for low-emission vehicles, such as support to purchase clean vehicles (also included in the RRF) and the social leasing scheme have shifted towards energy savings certificates⁽⁶²⁾ rather than direct subsidies, which has translated into higher subsidies for households in 2026 due to the current market prices for these certificates. Recent initiatives include an annual incentive tax on the purchase of low-emission vehicles introduced in March 2025, applicable to companies that do not meet a rising quota in their fleet (18% in 2025). However, efforts are still needed for France to reach its 2030 objectives of 66% of electric passenger cars and 50% of electric heavy-duty vehicles in new acquisitions (which would represent 15% and 10% in the entire fleets respectively)⁽⁶³⁾. To that end, the national electrification plan places transport at its core and aims at accelerating electric vehicles uptake while strengthening domestic industrial capacity⁽⁶⁴⁾.

⁽⁵⁹⁾ See [Électrifions la France ! Pour une énergie moins chère, plus souveraine et plus durable – Presse – Ministère des Finances](#).

⁽⁶⁰⁾ Citepa estimates : [Nouvelle estimation des émissions de l'année 2025 par le baromètre prévisionnel du Citepa - Citepa](#)

⁽⁶¹⁾ [Rapport-Ulysse_1403_Word](#)

⁽⁶²⁾ See Footnote 26.

⁽⁶³⁾ [2025- Projet SNBC 3 compress-Partie 1_Vfin_vdef_clean_clean COMPRESS.pdf](#).

⁽⁶⁴⁾ The plan combines strengthened demand-side measures such as support for vehicles acquisition and the scaling-up of the social leasing.

Further regulatory improvements and more effective tax provisions could accelerate low-emission vehicle adoption. The parameters for the tax framework on CO₂ emissions and vehicle weight penalties have been strengthened in 2026. However, more comprehensive measures could be leveraged to disincentivise combustion engine vehicles. Electric heavy-duty vehicles are not exempt from road tolls, and the external costs of heavy-duty vehicles' CO₂ emissions are not sufficiently internalised⁽⁶⁵⁾ in tolls, highlighting areas where France can further support a comprehensive move towards low-emission transport (see Annex 8).

Addressing environmental and climate vulnerabilities to ensure sustainable growth

Strengthening adaptation and protecting the forest carbon sink remain central for France. In recent years, France has strengthened its adaptation framework and emphasised nature-based solutions, in particular through the adoption of the third National Climate Change Adaptation Plan (PNACC-3) in 2025, followed by a decree in January 2026 integrating into national law the reference warming trajectory for climate adaptation (see Annex 10). Effective implementation will require stronger integration of adaptation into territorial planning frameworks and improved multi-level governance (see Annexes 10 and 18). At the same time, maintaining and improving France's forest carbon sink remains a major challenge, as it has declined in recent years due to climate-related pressures such as droughts, fires, and pest outbreaks. Balancing the demand

⁽⁶⁵⁾ [Les péages perçus sur le territoire français.](#)

and supply of forest biomass and better targeting forest renewal subsidies are key to boosting the resilience of the carbon sink (see Annex 10).

Water scarcity is increasing economic pressures, highlighting the need for stronger coordination and investment.

Water scarcity is increasingly a concern given its economic impact, with an estimated 24–26% of France's gross output exposed to surface water risks and drought costs exceeding EUR 5 billion⁽⁶⁶⁾ in 2022 (see Annex 10). France's heavy reliance on water for electricity production - both hydropower and nuclear cooling - also exposes the energy system to climate risks, which are acknowledged and starting to be addressed through the 3rd National Climate Change Adaptation Plan (PNACC-3). At the same time, tensions between water-intensive sectors (agriculture, industry and energy) underline the need for stronger local coordination, yet the January 2026 moratorium on water policy decisions limits action and weakens local authorities' capacity to manage resources. In parallel, water networks face a significant investment gap of around EUR 4.6 billion per year⁽⁶⁷⁾, thereby placing increasing pressure on local authorities' budget to maintain and adapt infrastructure.

Water pressures in France shows strong regional disparities across sectors.

Intensive agricultural regions⁽⁶⁸⁾ face significant nitrate and pesticide pollution

⁽⁶⁶⁾ [thema_essentiel_37_secheresse_2022_avril2025.pdf.](#)

⁽⁶⁷⁾ See [Banque-des-territoires-Observatoire-sur-eau-2025.pdf](#). This investment gap concerns networks only and does not take into account the additional EUR 5.3 bn required for the depollution and restoration of water bodies (see [2024-11-05_CFE_Etude-Fncmt-Eau_Synthese_Livret.pdf](#)).

⁽⁶⁸⁾ See [Qualité des eaux superficielles et souterraines en France - État des connaissances en 2025 | Données et études statistiques.](#)

affecting drinking water sources, often worsened by droughts, while large urban and industrial regions⁽⁶⁹⁾ experience pressures linked to high demand and multiple pollution sources, including urban runoff, heavy metals, industrial solvents, PFAS (synthetic 'forever chemicals'), hydrocarbons and microplastics. Groundwater conditions are also uneven⁽⁷⁰⁾, with some areas experiencing strong recharge and others facing persistently low levels and local risks of shortages (see Annexe 18). In addition, major infrastructure and service gaps remain in outermost regions, where reliable access to drinking water and sanitation continues to be a challenge despite recent investment programmes such as the overseas departments' water plan (PEDOM, 2016-2024, partly financed by the RRF).

⁽⁶⁹⁾ See [Assessment and recommendations: Adapting the Paris Metropolitan Area to a Water-Scarce Future | OECD](#).

⁽⁷⁰⁾ See [Nappes d'eau souterraine au 15 février 2026 | BRGM](#).

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

In 2025, France received country-specific recommendations (CSRs) to address skills shortages, improve educational outcomes and reduce inequalities in education, strengthen the teaching profession, and prevent and reduce child poverty. While measures are being implemented to improve teachers training, as well as to increase the role of municipalities in organising early childhood education and care (ECEC), their impact remains to be evaluated. Challenges highlighted in the 2025 CSR remain and additional challenges require further policy response, particularly in reducing barriers to employment for young people and addressing rising poverty for the working age population.

France's labour market still faces comparatively low participation, particularly among young people, and despite lower unemployment, the risk of poverty or social exclusion has worsened. Limited progress has been made in addressing skills shortages in strategic sectors, as training systems remain insufficiently aligned with labour market needs and key programmes have been scaled down. Furthermore, youth unemployment has worsened, requiring attention. Education outcomes remain strongly correlated with students' socio-economic background while declining performance and low enrolment in science, technology, engineering and maths (STEM) reduce future employment prospects and learning opportunities. Multiple barriers to employment persist, including limited access to housing, mobility and early childhood education and care (ECEC)

services. Limited progress has been made in addressing child poverty and in-work poverty has increased. Furthermore, territorial disparities in social outcomes have worsened, especially in outermost regions, and persistent labour shortages and fragmented provision hamper access to affordable healthcare services, including in fragile rural areas.

Lowering barriers to employment, improving the labour market integration of young people, and ensuring quality jobs

Despite having received a dedicated CSR in 2025, skills gaps and labour shortages continue to weigh on France's labour market performance. Reported labour shortages have eased but remain elevated in sectors such as manufacturing, construction, healthcare and social services ⁽⁷¹⁾. While recruitment difficulties eased slightly in 2025, companies still report important hiring difficulties, driven by both a lack of adequately skilled candidates (manufacturing, construction) and unattractive working conditions (agriculture, construction, social and care services). These professions often offer limited career progression and access to

⁽⁷¹⁾ France Travail, 'Enquête Besoins en Main-d'Œuvre 2026', 2026.

training opportunities, contributing to the persistence of labour shortages ⁽⁷²⁾.

Risks of low-wage traps persist in France.

Social security contribution exemptions targeted at low-wage employees are likely to have contributed to wage compression and have weakened incentives to invest in upskilling ⁽⁷³⁾, by reducing prospects of career progression. The 2025 reform of social security contribution exemptions, which simplifies and rationalises the existing schemes represents a first step towards addressing the risk of low-wage traps. Efforts to reduce disincentives to wage progression, may need to be supplemented by labour-market-relevant adult learning opportunities, especially for low-skilled, young and older workers to improve employability and reduce the risk of low-wage entrapment.

France faces challenges in ensuring the quality of available jobs.

France faces some challenges in terms of working conditions, particularly long working hours and the rising share of fatal accidents at work (see Annex 11). While the shares of temporary contracts and involuntary part-time have fallen in recent years, they remain above the EU average (particularly among young workers). The share of the self-employed at risk of poverty has increased significantly (see Annex 12). Job opportunities vary across territories, in particular for young people, and are especially lacking in the outermost regions, in fragile rural areas, in territories undergoing industrial transition and also in distressed urban peripheries (see Annex

⁽⁷²⁾ [France Stratégie, “Qualité de l’emploi: une question de métiers?”. Note d’analyse n°130, décembre 2023.](#)

⁽⁷³⁾ Bozio, Wasmer: Les politiques d’exonérations de cotisations sociales: une inflexion nécessaire, 2024, pages 27, 98-99.

18). Some areas lack sufficient and/or efficient transport options for residents to get to their workplace.

Access to affordable housing represents a considerable barrier to labour market integration for vulnerable groups.

Pressure on social housing is considerable, with 2.6 million households on waiting lists, while supply has been sluggish. Although the law ‘Solidarités et Renouvellement Urbain’ (SRU) ⁽⁷⁴⁾ has helped expand the social housing stock, in particular in urban areas, a significant share of concerned municipalities has not reached the legal threshold. Concerns also remain regarding the governance and transparency of the social housing system ⁽⁷⁵⁾. In the private market, housing supply is particularly limited in urban and tourist areas, further tightened by the rapid expansion of short-term rental platforms (see Section 1). Poor housing quality and energy poverty are a concern ⁽⁷⁶⁾ (see Annex 16), while frequent adjustments to the energy renovation schemes have lowered take-up. (see Section 3 and Annex 10). Territorial disparities are important, and shortages of affordable housing affect first the most vulnerable groups (see Annex 18).

Stronger involvement of social partners in France could support more inclusive and effective labour market reforms.

France’s multi-level social dialogue framework is well-structured, but social

⁽⁷⁴⁾ <https://www.ecologie.gouv.fr/politiques-publiques/larticle-55-loi-solidarite-renouvellement-urbain-sru>

⁽⁷⁵⁾ [Rapport public annuel 2026 sur la cohésion territoriale et attractivité des territoires, Cour des comptes \(vie-publique.fr/files/rapport/pdf/302553.pdf\).](#)

⁽⁷⁶⁾ The share of people living in households with arrears on mortgage, rent or utility bills (10.6%) exceeds the EU average (9.2%) and has risen by 2.2 pps since 2019.

partners frequently cite insufficient involvement in major reforms. Trade unions have a high coverage rate (98%), but low density (10.1%), below the OECD average⁽⁷⁷⁾. The 'Conférence Travail Emploi Retraites', launched in December 2025, seeks to strengthen collaboration on employment issues, but its impact on working conditions will depend on higher engagement of social partners.

Despite significant investments, young people still face barriers to labour market inclusion especially those with a low socio-economic background. Despite substantial programmes⁽⁷⁸⁾ supported by the Resilience and Recovery Facility (RRF), youth unemployment remains above the EU average and is on the rise (19.7% vs 15.2% in the EU). The share of those not in education, employment or training (NEET) is also high (12.7% vs 11% in the EU), and rising especially in France's outermost regions. Tighter criteria have resulted in a 5% decline in new enrolments in apprenticeship in 2025⁽⁷⁹⁾. Young people (15-29) are also more likely to be employed on temporary contracts and typically secure their first job seven months after completing their initial training. Their labour market outcomes remain closely linked to educational attainment and field of training⁽⁸⁰⁾. Additional barriers prevent access to employment⁽⁸¹⁾, such as a lack of affordable housing adapted to students and young workers needs (see Annex 16) and transport options, due to limited public

transport availability⁽⁸²⁾ and high cost of the driving licence (see Annex 12). Addressing these obstacles, in particular by improving the targeting, consistency, and awareness of existing schemes, improving access to housing and mobility options and better aligning trainings to employers' needs could improve labour market integration and reduce labour shortages.

Further efforts are needed to boost the employment of older workers. The employment rate of older workers has improved by 2.2 pps since 2023, particularly in the context of the 2023 pension reform, which gradually increases the legal retirement age, although the suspension of the reform may slow down this positive trend. An October 2025 law transposing the social partners' agreement on older workers employment aims at promoting their continued employment, their return to work, and facilitating the end of their careers. However, its impact on employability is yet to be seen. Further measures may be needed to increase their participation in training.

Less qualified people and non-EU born people also face barriers to labour market integration. Non-EU born people continue to face significant barriers in the light of limited measures specifically addressing the challenges they face. Barriers include language constraints, low educational attainment and risks of discrimination. This results in a high poverty risk for this group (number of people at risk of poverty or social exclusion or 'ARPE' rate of 39.3% in 2025). People with low-levels of qualifications are less likely to participate in adult learning, while their employment gap is widening. Further

(77) OECD data on employer organisation and trade union density (2019).

(78) Measures supporting youth employment include '1 jeune, 1 solution', the 'Contrat d'engagement jeune' and the apprenticeship subsidies.

(79) DARES, « [Le contrat d'apprentissage](#) », 2026.

(80) INSEE, « [Formations et emploi](#) », 2025.

(81) Cour des Comptes, 'Rapport annuel 2025 sur les politiques publiques en faveur des jeunes', 2025.

(82) Cour des comptes, "Rapport public annuel 2026, Cohésion territoriale et attractivité des territoires", 2026.

efforts could focus on better targeting these groups and strengthening and broadening measures to address the obstacles they face.

Reducing poverty, ensuring equal access to childcare services and addressing territorial disparities

Poverty has increased in France in recent years. France is significantly deviating from its 2030 national poverty reduction target, both for the overall population and for children. Between 2019 and 2025, the number of people in AROPE increased by 1.43 million in mainland France (including +300 000 children). Including France's outermost regions in the figure would add 0.7 million people in 2025. Homelessness is also on the rise, particularly for children, pointing to the relative lack of effectiveness of the Housing First plan, launched in 2018. France has introduced a set of initiatives under the Solidarity Pact, yet implementation remains fragmented and their impact is left wanting. Meanwhile the poverty reduction impact of social transfers has declined, in part due to changes in housing and family benefits, although it is still significantly stronger than the EU average (see Annex 12). The at risk of poverty (AROP) rate among unemployed remains high (42.9% in 2025), partly due to the unemployment benefit reform. Potential adverse effects of the 2023 'France Travail' and of the unemployment benefit reforms on poverty need to be monitored ⁽⁸³⁾.

Although employment remains a key factor for escaping poverty, in-work

⁽⁸³⁾ DARES, "[Rapport du comité d'évaluation de la réforme de l'assurance chômage initiée en 2019](#)", 2025.

poverty has risen in recent years. Despite a drop in unemployment from 2015 to 2023, the risk of poverty or social exclusion in France has not improved, highlighting that many jobs fail to alleviate poverty ⁽⁸⁴⁾. Since 2022, in-work poverty has worsened by 1.2 ppt, exceeding the EU average in 2025 (8.7% in France against 8.3% in the EU), with a sharp rise among the self-employed (+4.3ppt) and households with children (rising from 8.6% in 2022 to 9.8% in 2025 and from 21.4% to 22% for lone parent). This coincides with the recent increase in the number of solo-self-employed ('micro-entrepreneurs'). Their average monthly income was EUR 670, against EUR 4030 for other independent workers. This difference is partly explained by a lower number of hours worked in average ⁽⁸⁵⁾ (1421 hours per year) than that of other independent workers (2151 hours per year) ⁽⁸⁶⁾, but that is close to the legal working time of 1607 hours for employees). Factors such as employment status, contract types and involuntary part-time work, which disproportionately affects women, are closely tied to in-work poverty ⁽⁸⁷⁾. Furthermore, studies suggest the unemployment benefit reform has not fostered sustainable employment, particularly for young people ⁽⁸⁸⁾. Improving the availability of quality jobs, reinforcing access to training and addressing low-wage traps, and monitoring the situation of solo-self-employed could help reduce in-work poverty.

⁽⁸⁴⁾ CNLE, "[Analyse de l'évolution de la pauvreté et de l'exclusion sociale entre 2015 et 2022](#)", 2025.

⁽⁸⁵⁾ A significant share of micro entrepreneurs hold several jobs.

⁽⁸⁶⁾ [Insee, Emploi et revenus des indépendants 2025](#).

⁽⁸⁷⁾ [CESE, « Lutter contre la précarité professionnelle par une économie plus inclusive »](#), 2026.

⁽⁸⁸⁾ DARES, "[Rapport du comité d'évaluation de la réforme de l'assurance chômage initiée en 2019](#)", 2025.

Child poverty remains a pressing issue in France, amid weaker impact of social transfers.

In 2025, France received a CSR to prevent and reduce child poverty, but progress has been limited. The risk of poverty or social exclusion of children has strongly increased since 2019 and remained above the EU average in 2025 (27.5% vs 24.3% in the EU). Limited uprating to inflation and changes to eligibility conditions, including in the 2026 budget have weakened the effectiveness of family benefits, while housing benefits have declined. Single-parent families, particularly those headed by mothers, face specific barriers to employment, and their in-work poverty rate is the highest (22%), above the EU average (20.5%). The risk of intergenerational transmission of poverty is high, particularly because educational outcomes are strongly linked with social backgrounds ⁽⁸⁹⁾.

Access to early childhood education and care remains unequal while labour shortages may undermine the quality of childcare.

Households face multiple barriers to access ECEC, especially before the age of 3 ⁽⁹⁰⁾, alongside concerns over childcare quality. Uneven supply across the territory leaves a fifth of the demand unmet ⁽⁹¹⁾. Despite a 2025 reform, France is not on track to meet its goal of creating 200 000 new places by 2030. The sector suffers from significant labour shortages, due to the profession's declining attractiveness ⁽⁹²⁾. As recommended in the 2025 CSR, providing affordable, high-quality childcare services is essential to support mothers' labour market

⁽⁸⁹⁾ HCSP, « *La pauvreté en héritage* », 2026.

⁽⁹⁰⁾ Cour des Comptes, « *La politique d'accueil du jeune enfant* », 2024.

⁽⁹¹⁾ CNAF-ONAPE, « *L'accueil des jeunes enfants - Édition 2025* », 2025.

⁽⁹²⁾ France Travail, « *Enquête Besoins en Main-d'Œuvre 2026* », 2026.

integration and address child poverty, as care duties often restrict women's availability to work full time.

These challenges are particularly acute in the French outermost regions.

The AROPE rate reaches an average of 41.3% in outermost regions, 20.5 pps above mainland France. The share of people living in jobless households is higher (29.5% in Guyane), while the coverage of childcare services is significantly lower. Despite measures targeting the outermost regions under the 'Solidarity Pact', implementation challenges persist and the scope of interventions remains insufficient to address structural obstacles (see Annexes 11 and 18). Designing targeted measures for the outermost regions and recognising their specificities could reduce territorial disparities.

Enhancing basic skills and adult learning to support fairness and competitiveness

Skills challenges are rooted in the weak performance of the French education system, specifically in an insufficient and unequal level of basic skills and STEM.

While overall Programme for International Student Assessment (PISA) ⁽⁹³⁾ results are around the EU average, they highlight a significant decline in basic skills proficiency, and France counts a high and increasing share of low-achievers (15-year-olds) in science, maths and reading, much above the 15% target of low-achievers by 2030. Equity in terms of basic skills has decreased over the last decade, while top performance has deteriorated particularly in maths (see Annex 13). Efforts to promote

⁽⁹³⁾ [Performance trends | OECD](#).

STEM enrolments at upper secondary and tertiary levels, paired with improving top performance from an early age, could help curb the declining performance and low enrolment in STEM ⁽⁹⁴⁾, in a context of important anticipated shortages of STEM skills in industry and strategic sectors.

Existing support for low-performing learners does not reach all those in need, despite a 2025 CSR to improve educational outcomes and reduce inequalities in education. Educational outcomes remain strongly linked with socio-economic background, hindering the future learning opportunities of disadvantaged pupils. To provide more effective support, more flexible criteria for disadvantaged schools and reforming the map of priority education areas ('réseaux d'éducation prioritaire') are essential as 70% of disadvantaged pupils are currently not covered by the scheme ⁽⁹⁵⁾. Using student assessment data and differentiated teaching methods at school level (see Annex 13) could also improve performance and better address special needs. Systematic evaluations and evidence-based strategy could contribute to greater effectiveness of measures.

In line with the 2025 CSR to strengthen the teaching profession, important challenges remain to improve the working conditions of teachers as well as the quality of their training. The education system suffers from the low attractiveness of the teaching profession, as fewer candidates sit the recruitment exams, and more permanent teachers leave ⁽⁹⁶⁾.

⁽⁹⁴⁾ European Commission (2025). [Education and training monitor. Country report, France.](#)

⁽⁹⁵⁾ Cour des Comptes. (2025). *L'éducation prioritaire, une politique publique à repenser.*

⁽⁹⁶⁾ [France Stratégie, "Travailler dans la fonction publique - Le défi de l'attractivité". Décembre 2024.](#)

Contributing factors include inadequate pay, working conditions, lack of recognition, or limited job mobility (see Annex 13). According to the latest TALIS survey ⁽⁹⁷⁾, France lags behind the EU in teachers' evaluations of their initial education (ITE) and continuous professional development (CPD), with unmet training needs, especially in AI usage (see Annex 13). The 2025 initial education reform coincided with a rise in exams applications and is expected to contribute to an increase in the attractiveness of the profession. However, the 2022 Continuous Professional Development reform has not yet significantly improved coverage, access and quality of training ⁽⁹⁸⁾. Increasing the focus of these reforms on content and quality could boost job satisfaction, improve basic skills teaching, and better support low-performing pupils.

Despite investments in skills, efforts are needed to better align training with labour market demands, to reduce the fragmentation of skills intelligence and reach vulnerable groups. In 2022, 49.2% of adults engaged in training, standing above the EU average, yet progress towards the 2030 target of 65% is slow. Participation in training is particularly low among people with a low-level of skills, and people in precarious jobs. Reduced funding for the Skills Investments Plan (PIC) in the 2026 budget may reduce incentives to participate for these groups ⁽⁹⁹⁾, while concerns over insufficient alignment of training with labour market needs persist

⁽⁹⁷⁾ OECD (2025). [Results from TALIS 2024 - Country notes: France](#)

⁽⁹⁸⁾ OECD (2024). [Cultiver l'excellence dans l'apprentissage et le développement professionnel des personnels de l'éducation.](#)

⁽⁹⁹⁾ INSEE, *Formation et Emploi*, 2025 ; Cour des Comptes, *Évaluation du plan d'investissement dans les compétences (PIC)*, 2025.

(see Annex 13). Basic digital and numeracy skills decline with age, and participation in adult learning drops sharply after 50, increasing the risk of skills obsolescence. STEM enrolment remains below the EU average, limiting France's ability to meet growing demand in technology-driven sectors. Fragmented governance and limited outreach reduce the effectiveness of training programmes, especially for vulnerable groups in priority urban districts⁽¹⁰⁰⁾ and outermost regions. Further efforts to boost the labour market relevance of vocational education and training (VET) programmes are also needed. A comprehensive skills strategy, involving businesses could align education and training systems with employers' needs, in turn boosting competitiveness.

Addressing workforce shortages and improving care delivery to improve access to healthcare and spending efficiency

The health system faces significant challenges that affect health outcomes and equity of access. Access to healthcare remains uneven due to persistent workforce shortages, uneven distribution of health professionals and the growing share of people living in medical deserts (9.3%). Unmet need for care has increased in the last years, to above the EU average, especially in rural areas. This issue is compounded by a low doctor-to-population ratio, an ageing General Practitioners workforce, insufficient replacement rates, and a projected nursing workforce shortfall. Addressing these challenges require strengthening training pipelines, expanding multidisciplinary

primary care and better integrating advanced practice nurses and allied professionals.

More efficient allocation of health spending may help reduce fragmentation of care and rising financial pressures. Healthcare delivery is fragmented and overly hospital-centred, causing inefficiencies and higher costs. Shifting resources from hospitals to outpatient and coordinated community-based services, supported by interoperable digital systems and 'telemedicine' can help curb rising costs. Emphasising prevention and increasing the use of generics and biosimilars would further reduce long-term costs and improve population health.

⁽¹⁰⁰⁾"Quartiers prioritaires de la politique de la ville".

KEY FINDINGS

In areas covered by existing CSRs, France would benefit from:

- **strengthening budget consolidation efforts by reducing public spending** in a lasting manner, while improving its efficiency by means of an ambitious and effective spending review strategy, with significant saving commitments;
- **Pursuing further improvements in the fiscal sustainability of the pension system**, while ensuring fairness and enhancing its contribution to employment and potential growth;
- **simplifying regulation, further digitalising public services, reducing administrative burden and restrictions on businesses**, especially tackling regulatory barriers in the services sector, including in the retail sector, and removing unnecessary and burdensome packaging and labelling rules for traded goods;
- **reducing administrative complexity** to eliminate redundant operational costs and improve the effectiveness of public policies in order to support fiscal consolidation needs;
- **fostering business R&D**, particularly by reforming the research tax credit to better target SMEs, could boost innovation, increase R&D output, and generate savings;
- **finding a successor to France 2030** to promote disruptive innovation across the entire research-innovation continuum and support economic security and industrial sovereignty in key strategic sectors;
- **accelerating the digitalisation of SMEs thanks to dedicated public support measures** to increase the uptake of basic digital technologies;
- **making further progress to decarbonise the economy**, including by taking additional measures to decarbonise the transport sector, stepping up energy efficiency and reducing reliance on fossil fuels in buildings;
- **accelerating the deployment of low-carbon energy projects, including by stepping up investment in renewable energy and electricity storage**, as well as grids and interconnectors, while finalising the designation of 'acceleration areas' and strengthening administrative capacity, particularly at regional and local levels;
- **promoting human capital development by addressing barriers to employment, in particular for young people and by reducing skills mismatches**, including by increasing participation in training for people with low-level skills and older workers, and improving the labour-market-relevance of education and training by promoting enrolment in science, technology, engineering and maths (STEM) subjects;
- **promoting equity and quality in education**, including by strengthening basic skills at all levels, ensuring that enhanced support reaches all

disadvantaged pupils, and by tackling teacher shortages through better working conditions and professional development opportunities;

- **preventing and combating in-work and child poverty** by reviewing family and housing benefits, promoting quality jobs, especially for parents, and access to quality childcare for disadvantaged households, and by reducing territorial disparities in access to opportunities and services.

In other areas, France would benefit from:

- **shifting taxes away from production factors to consumption and environmental taxes, while rationalising fiscal and social tax expenditures** to reduce their cost, improve the economic neutrality of tax regime and increase their efficiency in order to stimulate medium-term growth;
- **increasing housing affordability by increasing supply, including investments for social and affordable housing while preserving fiscal sustainability**, improving the social housing governance, reducing housing tax expenditures, simplifying administrative procedures in construction;
- **supporting the regions most affected by the industrial transition and demographic decline** through integrated interventions to promote diversification including infrastructure upgrades to address bottlenecks, skilling and reskilling, and the provision of essential local services;
- **improving access to finance for SMEs and start-ups and scaleups** by encouraging greater participation from

both institutional and retail investors to invest in equity and venture capital;

- **implementing an electrification of end uses plan**, including objectives across sectors, especially in high GHG emitting sectors;
- **improving local water governance to manage competing uses, bridging investment gaps in water infrastructures, safeguarding water quality** from agricultural and industrial pollution in order to reduce the economic impact of water scarcity, while ensuring the effective integration of climate resilience planning by all government levels;
- **improving access to healthcare** by expanding multidisciplinary primary care, improving regional distribution of services, stepping up prevention and more efficient allocation of resources;
- **strengthening administrative capacity and land planning in the outermost regions** to boost policy implementation and the impact of investments.

ANNEXES

LIST OF ANNEXES

A1. CSR implementation	36
Fiscal	41
A2. Fiscal developments and debt sustainability	41
A3. Taxation	46
Productivity	50
A4. Innovation to business	50
A5. Single market and industry	56
A6. Savings, investment and access to finance	67
A7. Effective institutional framework	74
Sustainability	79
A8. Industry decarbonisation, circularity and climate mitigation	79
A9. Affordable energy transition	86
A10. Climate adaptation, preparedness and environment	92
Fairness	99
A11. Labour market	99
A12. Social policies	103
A13. Education and skills	107
A14. Social scoreboard	112
A15. Health and health systems	113
A16. Housing	117
Horizontal	124
A17. Sustainable development goals	124
A18. Competitive regions	127
A19. Transport	135

LIST OF TABLES

A1.1. CSR implementation and Commission assessment	35
A2.1. Projected change in age-related expenditure in 2025-2040 and 2025-2070	41
A2.2. Supplementary pension schemes - Scope for expansion	42
A2.3. Fiscal governance database indicators and public accounting maturity	43
A2.4. Implementation of reforms and investments underpinning an extension	44

A3.1.	Taxation Indicators	46
A4.1.	Key innovation indicators	54
A5.1.	Single Market and Industry	65
A6.1.	Savings and Investments Union summary diagnostic	66
A6.2.	Statistical Annex	72
A7.1.	France. Selected indicators on better regulation practices for primary legislation	74
A7.2.	Digital Decade key performance indicators: availability of digital public services	75
A8.1.	Key clean industry and climate mitigation indicators: France	84
A10.1.	Key Adaptation Indicators	97
A14.1.	Social Scoreboard for France	111
A15.1.	Key health indicators	114
A18.1.	Main development trends, challenges and the concentration of resources	127
A18.2.	Key regional indicators (at NUTS 2 level) for France	128
A19.1.	ERTMS deployment in France.	135

LIST OF GRAPHS

A2.1.	Primary spending evolution and compositional change	40
A3.1.	Tax revenue by economic function in 2024, FR (outer ring) and EU-27 (inner ring)	45
A3.2.	Tax wedge for single and second earners as a % of total labour costs, 2025	47
A4.1.	Share of publications in the top 10% most-cited publications worldwide, 2010-2020.	49
A4.2.	Business R&D investment (as % of GDP), 2014-2024	50
A4.3.	R&D investment of French companies among world top 2000 R&D investors, by sector of activity (2018-2024)	50
A5.1.	Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024	62
A6.1.	Composition of NFCs' funding	66
A6.2.	Capital markets and financial intermediaries	67
A6.3.	Composition of HHs' financial assets	68
A7.1.	Trust in justice, regional/local authorities and in government	73
A7.2.	Most time-consuming aspects of service delivery	74
A8.1.	Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024	80
A9.1.	Electricity and gas prices for household and non-household consumers, first half of 2025	85
A9.2.	Low-carbon electricity generation vs. electricity wholesale prices, 2025	86
A9.3.	France's installed renewable capacity vs electricity generation mix	88
A11.1.	Key labour market indicators	98
A11.2.	Labour market outcomes of young people	99
A12.1.	In-work poverty (% of employed)	104
A12.2.	Population at risk of poverty and social exclusion (%)	105
A13.1.	Enrolment in medium-level vocational education	108
A15.1.	Life expectancy at birth, in years	112
A15.2.	Treatable mortality	113
A16.1.	House prices and housing loans in FR since 2008	117
A16.2.	Borrowing cost for house purchase in FR and the EA since 2013	117
A16.3.	House supply indicators in FR since 2005	117
A16.4.	Housing affordability selected indicators	122
A17.1.	Progress towards the SDGs in France	123
A19.1.	France's road fatalities per million, 2024	136
A19.2.	Road fatalities and the 2030 target	136

LIST OF MAPS

A18.1.	GDP per head compared to the EU average	127
A18.2.	Net youth migration in France, ages 15-39, 2014-2023 (NUTS 3)	130
A19.1.	TEN-T Cross-Border & National Priority Sections in France.	136

ANNEX 1: CSR IMPLEMENTATION

Table A1.1: **CSR implementation and Commission assessment**

France faces challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs). France was recommended, among other things, to simplify regulation, strengthen business R&D intensity, promote diffusion of innovation, promote SMEs digitalisation, accelerate the reduction of greenhouse gas emissions, accelerate the deployment of renewable energy projects, promote demand-side flexibility and storage technologies, ensure sufficient investment in electricity grid capacity, further address skills shortages, improve educational outcomes, strengthen the teaching profession and prevent and reduce child poverty.

The Commission has assessed the degree of implementation of the 2025 CSRs considering the policy action taken by France to date*. To do so, the Commission has taken into account the information provided by France in its [Annual Progress Report – not received yet] as well as other information sources. This annex provides summary information on the policy actions taken or planned by France for each CSR. More detailed information on these actions is included in the relevant chapters and other annexes of the report.

*CSR 2 is not assessed in CeSaR RRP implementation is monitored through the assessment of RRP payment requests and analysis of the bi-annual reporting on the achievement of the milestones and targets, to be reflected in the country reports. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.

Recommendation text	Main measures adopted or implemented By 30 April 2026	Preparatory steps/ credibly announced measures By 30 April 2026	Assessment of progress
1.1 Reinforce overall defence and security spending and readiness while ensuring debt sustainability in line with the European Council conclusions of 6 March 2025.	Total general government defence expenditure in 2026 is projected at 2.1% of GDP, corresponding to an increase of 0.2 ppt. compared to 2024.	Total general government defence expenditure in 2027 is projected at 2.2% of GDP, corresponding to an increase of 0.4 ppt. compared to 2024.	Substantial progress
1.2 Adhere to the maximum growth rates of net expenditure recommended by the Council on 21 January 2025, with a view to bringing an end to the situation of an excessive deficit.	Annual and cumulated deviations in 2025 amounted to 0% of GDP and -0.3% of GDP, respectively. Annual and cumulated deviations in 2026 projected to 0.1% of GDP and -0.2% of GDP, respectively. The EDP is held in abeyance.		Substantial progress
1.3 Implement the set of reforms and investments underpinning the extended adjustment period as recommended by the Council on 21 January 2025.	Based on the information provided by France in its Annual Progress Report, the Commission finds that the implementation of the key steps of the reforms and investments that were due by 30 April 2026 seems to be broadly on track. However, the 2023 pension reform, on which a report is due by end-2027, has been suspended until January 2028 and the recasting of the exemptions of social security contributions around the minimum salary have yielded lower savings than committed. See table A2.4 in Annex 2 of the Country Report.		Substantial progress
3.1 Further simplify regulation, reduce administrative burden and	In mid-April 2026, the law on simplifying economic life was adopted. This law aims to reduce administrative burden for private companies. The law establishes a Council for Simplification for Enterprises, attached to the Prime Minister, that will include		Some progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented By 30 April 2026	Preparatory steps/ credibly announced measures By 30 April 2026	Assessment of progress
	representatives of businesses. It will carry out ' <i>tests entreprises</i> ', i.e. deliver opinions on draft laws, ordinances, regulatory texts and draft EU acts that have an impact on businesses. It also eases setting up of industrial and infrastructure projects and data centres. The law facilitates energy transition projects, businesses' access to public procurement and business transfers for small undertakings.		
3.2 regulatory restrictions on firms, in particular in the services sector.	The adoption of the law simplifying the economic life includes provisions that will allow SMEs to put a term to their damage insurance contract any time after the first anniversary of the contract. The law also includes provisions that should increase the transparency of banking fees and costs for very small enterprises. But those measures are limited compared to the scope of the CSR. In particular, France has taken no measure to reduce restrictions in the retail sector and for regulated professions.		Limited progress
3.3 Strengthen business R&D intensity by better targeting public support schemes that incentivise business R&D and	No significant measure announced, adopted or implemented.	No significant reform to foster business R&D has been announced, nor any step to design an investment plan that will succeed to France 2030.	No progress
3.4 promote diffusion of innovation, and by making the ecosystem that supports collaboration between academia and businesses more effective.	No comprehensive reform has been announced to enhance the efficiency or streamline France's knowledge valorisation ecosystem. Among the multiple schemes in place to strengthen academia-business linkages, the Institut Carnot programme underwent a revision in 2026 (primarily to adjust eligibility rules).	A review of the governance and financing model of the French Sociétés d'Accélération de Transferts de Technologies (SATT) and more broadly to improve technology transfer at local level was launched in 2025 with the objective of a new organisational set up by 2027.	Limited progress
3.5 Improve SME digitalisation, including by improving the effectiveness of existing public support measures dedicated to this objective.	France introduced a new plan 'Osez l'IA' in July 2025, which aims at diffusing AI technologies in 100% of large firms and 80% of SMEs. While the plan is not specifically targeted at SME digitalisation it will contribute to the digitalisation of the whole economy through AI diffusion.		Limited progress
4.1 Accelerate the reduction of greenhouse gas emissions by removing barriers and providing incentives to	While France has measures in place to incentivise low-emission vehicles these measures were broadly already in place when France	Transport law tabled in February 2026 (aims to redirect the full revenue from future motorway concessions into the	Limited progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented By 30 April 2026	Preparatory steps/ credibly announced measures By 30 April 2026	Assessment of progress
increase the demand and supply of low-emission transport modes and vehicles,	received the 2025 CSR such as measures to encourage the electrification of company fleets. Some existing instruments based on CEE (certificats d'économie d'énergie) (such as support to purchase clean vehicles, the social leasing scheme) have benefitted from higher subsidies for households in 2026 due to the current market price for certificates, while tax incentives penalising cars according to emissions and weight have been increased as of January 2026. France adopted in February 2026 its third multiannual energy programme (PPE-3), which includes electrification targets for the transport sector and a clean mobility strategy.	national transport investment fund (Agence de financement des infrastructures de transport de France (AFITF), covering all modes, including rail, waterways, and public transport networks). The electrification plan presented by the Prime Minister mid-April puts transport at its core to accelerate the deployment of electric mobility, which require rapid implementation and adequate funding.	
4.2 by stepping up energy efficiency and reducing reliance on fossil fuels in buildings through incentivising deep renovations.	No new measures adopted. Limited increase in the number of deep renovations with MPR (MaPrimeRenov), and very far from the national low carbon strategy (SNBC) target.	Strengthened shift towards energy saving certificates 'CEE (certificats d'économie d'énergie) in the Budget Law 2026 (increased replacement of the subsidy scheme MaPrimeRenov by CEE)	Limited progress
4.3 Accelerate the deployment of renewable energy projects including by further streamlining permitting procedures and by completing the setting up of the 'renewables acceleration areas'.	No new measures adopted. Adoption of the third multiannual energy programme (PPE 3) in February 2026, setting specific targets per renewable energy technology which are below the draft PPE-3, indicating less ambition in terms of deployment of renewables. France installed more new renewable energy source capacity in 2025 than 2024 (in particular on solar), but is not on track to align with the EU's collective target for renewable energy by 2030.		Some progress
4.4 Promote demand-side flexibility and storage technologies, and	France's Transmission System Operator (RTE) launched carbon-free flexibilities calls for tender (August 2024) for 2025 and S1 2026. Adoption of two decrees to manage renewable energy power plants' curtailment under negative prices. Revision of the peak/off-peak scheme to shift consumption to daytime, helping absorb the solar duck curve and ease evening demand peaks.		Some progress
4.5 ensure sufficient investment in electricity grid capacity	France's Transmission System Operator (RTE) adopted its 10-year investments plan, representing 100 bn EUR over the next 15 years		Some progress
4.6 including in cross-border	No new measures, nor		Some progress

(Continued on the next page)

Table (continued)

Recommendation text	Main measures adopted or implemented By 30 April 2026	Preparatory steps/ credibly announced measures By 30 April 2026	Assessment of progress
interconnections.	interconnections projects		
5.1 Further address skills shortages by supporting access to training for low-skilled and older people and improving the labour market relevance of the training offer.	The budget allocation of the main training schemes has been decreased in the 2026 budget. Alignment of the training offer with labour market needs remains limited. The law of 24 October 2025 transposing national interprofessional agreements in favour of the employment of experienced employees introduces new measures to support access to reskilling opportunities, notably for senior workers.		Some progress
5.2 Improve educational outcomes and reduce inequalities in education including by ensuring that all disadvantaged students benefit from improved educational support.	No significant new measures taken in the area of the CSR, apart from the 'Collège en progrès' programme to be implemented in 800 middle schools with the highest concentrations of academic underachievement. However, its scope remains limited and it is not implemented yet.		Limited progress
5.3 Strengthen the teaching profession, including by 5.4 improving working conditions and initial and continuous training of teachers.	France has introduced a reform of initial training of teachers, which is currently being implemented. Some measures have been taken to strengthen the digital skills of future teachers, and 9 th grade teachers received career guidance training in 2025, but ongoing continuous training initiatives fail to drive systemic reform. No measures were taken to improve other aspects of the working conditions of teachers. The 2026 budget acted the suppression of 4000+ teachers' posts, partly justified by the demographic decline. Yet the potential to reduce size classes has not been fully exploited.		Some progress
5.4 Prevent and reduce child poverty, by removing barriers that hinder parents' labour market integration and access to quality early childhood education and care for the most disadvantaged households.	No measures were recently adopted to support families' income. On the contrary, since 1/3/2026 families with two children will receive the top-up for older children when the second child reaches 18 instead of 14, reducing the duration of the benefit and the number of households receiving it. Despite an adjustment of the childcare funding (CMG) in September 2025, concerns remain regarding both access and quality of the childcare offer. A reform of early childhood public service has been introduced in 2025.	A reform has been announced with an objective to rationalise social benefits and reduce non-take up. The proposal for an "Allocation sociale unique" (single social allowance) could be introduced in 2026	Limited progress

(Continued on the next page)

Table (continued)

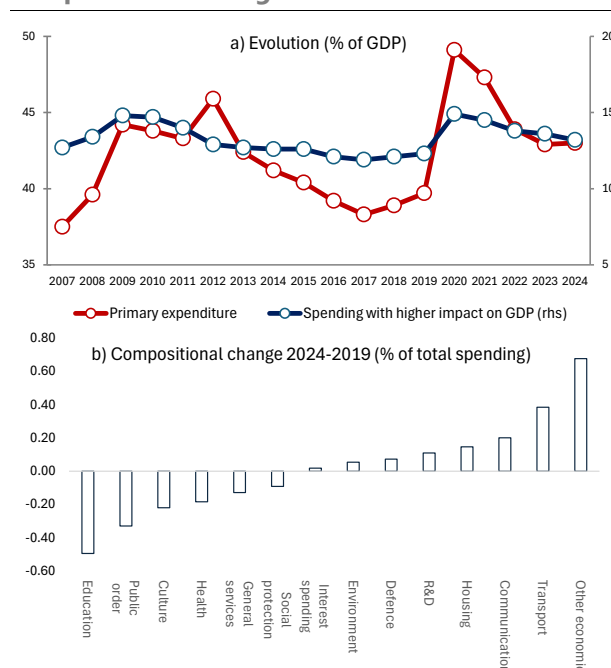
Recommendation text	Main measures adopted or implemented <i>By 30 April 2026</i>	Preparatory steps/ credibly announced measures <i>By 30 April 2026</i>	Assessment of progress
	However, effectiveness in increasing ECEC participation for the most disadvantaged households has not been evaluated.		

Source: France's reporting and Commission assessment

This annex discusses selected topics in public finances and developments on fiscal-structural CSRs addressed to France in July 2025. These include a call to reinforce defence spending and adhere to the maximum growth rates of net expenditure, in line with the Council Recommendation of 21 January 2025.

On 21 January 2025, the Council adopted the Recommendation endorsing France’s medium-term fiscal-structural plan. The plan includes a fiscal adjustment over seven years. At the same time, the Council also adopted a Recommendation under Article 126(7) TFEU to correct the excessive deficit in France by 2029⁽¹⁰¹⁾⁽¹⁰²⁾.

Graph A2.1: Primary spending evolution and compositional change



Source: Eurostat

Note: Based on economic literature, the categories considered to have higher growth impact include education, R&D, health, transport and communication (See Barbiero and Cournede (2013), Gemmel et al. (2016), Lupu et al (2018), Cepparulo and Mourre (2020) and OECD (2025)).

Developments in government balance, debt and public expenditure⁽¹⁰³⁾

France’s government deficit amounted to 5.8% of GDP and the government debt-to-GDP ratio amounted to 112.6% at the end of 2024. In 2025, France’s government deficit dwindled to 5.1% of GDP, mainly due to revenue-increasing measures of around 0.5% of GDP, whereas expenditure-decreasing measures, mainly on public consumption and social transfers, amounted to almost 0.3% of GDP. Based on the Commission 2026 Spring

⁽¹⁰¹⁾ OJ C, C/2025/659, ELI: [EUR-Lex - 32025H00659 – EN – EUR-Lex.](#)

⁽¹⁰²⁾ Compliance by France with the maximum growth rates of net expenditure recommended by the Council is assessed in COM(2026)200.

⁽¹⁰³⁾ Figures underpinning fiscal surveillance (net expenditure growth) are provided in the Fiscal Statistical Tables (SWD(2026)200) providing background data relevant for the assessment of the budgetary policies of the Member States.

Forecast, France's general government deficit is set to remain at 5.1% of GDP in 2026. After, the general government deficit, at unchanged policies, is expected to increase in 2027, to 5.7% of GDP, mainly due to the projected increase of expenditure to 57.8% of GDP, remaining above the EU average.

Public investment is set to remain broadly stable at a relatively high share of GDP.

Public investment was preserved during the pandemic and increased slightly in the aftermath. Between 2025 and 2027, it is expected to remain at around 4.3% of GDP, slightly above the 4.2% registered in 2019 and despite the phasing out of RRF support.

While expenditure with a higher impact on GDP had remained broadly stable over three decades, it has slightly increased since 2019.

This may be related with the impact of the RRF, facilitating a more quality-based fiscal strategy. Zooming in on the composition of spending, social protection accounts for the largest share of total expenditure (above 40%), followed by

France has a high tax burden, with a significant weight of taxes that may hinder economic growth.

At 44.3% of GDP in 2025, total tax revenues (including compulsory social security contributions) in France stand well above the EU-27 (39.9%). Revenues rose to 52.1% of GDP in 2025 and are expected to increase further, to 52.3%, in 2026 according to the Spring 2026 Forecast ⁽¹⁰⁴⁾. The implicit tax rate on labour, at 38.8% in 2024 and labour taxes borne by employers are also high compared with the EU average. Moreover, taxes on production (4.4% of GDP), deemed highly detrimental to economic activity, are twice as high as in the euro area and the European Union, whereas consumption taxes, less distortive and with a broad tax base, including environmental taxes, are relatively low in the tax mix in France (see Annex 3). In turn, the numerous fiscal and social tax expenditures contribute to the complexity of the tax system and imply a heavy budgetary burden of almost 6% of GDP in 2025.

Table A2.1: Projected change in age-related expenditure in 2025-2040 and 2025-2070

	ageing-related expenditure	change in 2025-2040 (pps GDP) due to:					ageing-related expenditure	
		pensions	healthcare	long-term care	education	total		
FR	29.2	-0.1	0.4	0.3	-0.5	0.1	29.2	FR
EU	24.3	0.5	0.3	0.4	-0.3	0.9	25.2	EU

	ageing-related expenditure	change in 2025-2070 (pps GDP) due to:					ageing-related expenditure	
		pensions	healthcare	long-term care	education	total		
FR	29.2	-0.7	0.7	0.7	-0.7	0.0	29.2	FR
EU	24.3	0.2	0.6	0.8	-0.3	1.3	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

health, economic affair and general public services above 10% of total spending. Since 2019, other economic affairs spending has increased strongly (see Graph A2.3). Spending on transport housing, communication, environment R&D, and defence has risen more modestly, with the rise in defence spending reflecting recent security developments. By contrast, spending on health and education expenditure has declined. This trend deserves attention, as these categories are generally considered growth-friendly spending.

Cost of ageing

Total age-related spending in France is projected to remain about stable, both in the medium term and the long term, though

⁽¹⁰⁴⁾ Data retrieved from the AMECO database (https://economy-finance.ec.europa.eu/economic-research-and-databases/economic-databases/ameco-database_en)

Table A2.2: **Supplementary pension schemes - Scope for expansion**

	Assets in 2024 (% GDP)	Gross replacement rate at retirement: (pps change 2025-2040)	Participation in 2024 (% working-age population)	
FR	12.9	-1.1	42.4	FR
EU	32.4	-2.8	55.9	EU

Source: European Commission.

at a level above the EU average (see Table A2.1). The overall stability is due to a projected decline in pension and education spending, which offset the expected rise in healthcare and long-term care spending. France currently has the highest spending levels on age-related items of all Member States.

Public pension spending as a share of GDP is projected to decline by about 0.5-1 pp. in the long term. By 2070, public pension outlays would represent around 13.5% of GDP, compared to an EU average of about 12%. In its medium-term fiscal-structural plan, France committed to preserve the impact of the 2023 pension reform on the financial sustainability of the system over the period 2026-2040. The reform increased the statutory retirement age from 62 to 64 years and speeded up the increase in the contribution period required to receive a full pension, to 43 years. However, in the budget for 2026, the implementation of these two main pillars was suspended until January 2028 and it is not certain that it will be re-activated, placing this commitment at risk.

Supplementary pension schemes can enhance the resilience of the pension system by diversifying retirement income sources. In France, however, their uptake remains limited: by end-2024, private pension assets amounted to around 13% of GDP while participation covered around 42% of the working-age population ⁽¹⁰⁵⁾. This coincides with rising medium-term public pension spending pressures and a projected decrease in

the replacement rate by 1.1 pps. between 2025 and 2040 (Tables A2.1 and A2.2) ⁽¹⁰⁶⁾.

Public healthcare expenditure is projected to be 8.4% of GDP in 2025 (above the EU average of 6.6%) and is expected to increase by 0.4 pps by 2040 and by a further 0.3 pps by 2070.

Public expenditure on long-term care is projected at 1.9% of GDP in 2025 (above the EU average of 1.7%) and is expected to increase by 0.3 pps of GDP by 2040 and by a further 0.4 pps of GDP by 2070.

National fiscal frameworks

The High Council of Public Finance (HCFP) has a relatively narrow mandate, focusing on the core tasks of assessing forecasts and monitoring specific aspects of the compliance with fiscal rules. Despite the requirement in the Regulation 473/2013 that euro area IFIs should produce or endorse the macroeconomic forecast, the HCFP reports having the mandate of only assessing the macroeconomic forecast underlying the budgetary plans of the government. The HCFP is deeply embedded in the National Audit Office (NAO), with staff working part time for both the HCFP and the NAO and its funding flowing from the overall NAO budget. While allowing the HCFP to benefit from the influence of the Court, this arrangement could make it more difficult to develop a clear IFI identity and for the public to

⁽¹⁰⁵⁾ Source: OECD Pension Market in Focus 2025. The highest participation rate in at least one supplementary pension plan is reported.

⁽¹⁰⁶⁾ The (gross) replacement rate refers, depending on data availability, to both public and private pensions. It is based on projections from the 2024 Ageing Report.

Table A2.3: Fiscal governance database indicators and public accounting maturity

2024	France	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	14.40	14.81
Medium-Term Budgetary Framework Index (MTBFI)	0.78	0.72
2025 Public accounting maturity of general government	90%	65%

(1) The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at country level based on i) the legal basis, ii) how binding the rule is, iii) monitoring bodies, iv) correction mechanisms, and v) resilience to shocks. The Medium-Term Budgetary Framework Index (MTBFI) shows the strength of the national MTBF based on i) coverage of the targets/ceilings included in the national medium-term fiscal plans; ii) connectedness between these targets/ceilings and the annual budgets; iii) involvement of the national parliament in the preparation of the plans; iv) involvement of independent fiscal institutions in their preparation; and v) their level of detail. A higher score is associated with higher rule and MTBF strength.

The score for public accounting reflects the degree of maturity in relation to the International Public Sector Accounting Standards (IPSAS). Countries with an accounting maturity of 70% or more in relation to IPSAS are deemed to apply accrual accounting. For more information, see the report on public accounting in the EU (COM(2025)746 and accompanying Staff Working Document SWD(2025)396).

Source: Fiscal Governance Database, European Commission

discern the particular role of the HCFP. The freedom to communicate is significantly curtailed by the limit on when the HCFP is allowed to publish. Although some outreach activities take place, neither the communication strategy nor the policy dialogue with the government is well developed. The HCFP reported some issues with access to information in recent years, mainly related to the lack of detail in the information provided. It reports that there are no MoUs in place with key information providers.

Spending reviews have provided useful intellectual input but are not yet a decisive fiscal instrument. Since 2023, under the banner of the *Assises des finances publiques*, spending reviews have become an institutionalised multi annual tool. Recent spending reviews have been targeted, looking into specific spending areas. Around EUR 10 billion savings have been identified and included in the budgetary plans for 2025-2026.

France is an early-mover on green budgeting. Starting with the 2020 budget, the country has been scoring environmental and climate effects of the budget, considering the

six dimensions of the EU Taxonomy. Both budget appropriations and tax expenditures are assessed and published as an annex to the budget bill. As per France's 2024 finance law, green budgeting annexes have become mandatory also for the subnational level, including local authorities with more than 3 500 inhabitants, making France a frontrunner at subnational level. France is moving towards actively informing the budgetary process rather than only providing transparency ex-post. This includes since 2024 the submission each year to Parliament of a Multiannual Green Transition Financing Strategy (SPAFTE), setting out strategic priorities to ensure that all stakeholders step up to fund the green transition in France over the next years. This also includes a structured dialogue with civil society. Detailed notes and explanations on green tagging are publicly shared in the open data portal of the Ministry for the Economy, Finance and Industrial and Digital Sovereignty. ⁽¹⁰⁷⁾ France is a frontrunner on ex post evaluations, assessing all six environmental objectives of the EU Taxonomy for sustainable activities.

⁽¹⁰⁷⁾ [Budget vert | budget.gouv.fr](https://budget.vert.gouv.fr)

Overlapping administrative layers in France generate redundant operational and coordination costs. The coexistence of multiple administrative layers is associated with an increased entanglement of responsibilities and imply complex financial relationships across government bodies. However, many times they entail redundant costs without improving the quality of the services provided. Such complexity hinders the effective steering of expenditure and revenues in line with budgetary commitments.

Implementation of the set of reforms and investments underpinning the extension of the adjustment period

The CSRs for France also call for implementing the set of reforms and investments underpinning the extension of the adjustment period. This set is composed of commitments from the RRP, commitments extending previously existing RRP measures, as well as some additional commitments of reforms and investments. Taking into account the information provided in the Annual Progress Report, Table A2.4 shows the implementation status of the set of reforms and investments due in 2025 and the first half of 2026.

Table A2.4: Implementation of reforms and investments underpinning an extension

Measure	Key steps	Recommended implementation date	COM assessment 2026
Reform of the unemployment insurance	step 1.1: Entry into force of new provisions	Q4 2022	Completed *
Reforms under the Research programming law	step 2.1: Increase of R&D endowments by compared to 2020	Q3 2025	Under 5th RRF payment request still pending, thus not assessed
Reforms under the Law on the acceleration of renewable energy production	step 3.1: Adoption of the law	Q1 2023	Completed *
	step 3.2: First Assembly of stakeholders and compilation of existing reports	Q2 2024	Completed
	step 3.3: Publication of the decision on the maritime planning and offshore wind	Q4 2024	Completed
	step 3.4: Launch of internet site	Q1 2025	Completed
	step 3.5: Second Assembly of stakeholders, publication of the first assessment reports	Q2 2025	Completed
Investments under the multiannual plan France 2030	step 4.1: Financing decisions linked to projects financed under RRF	Q4 2024	Completed *
	step 4.2: Ex ante assessment report of macroeconomic impacts of overall plan	Q4 2025	Completed *
	step 4.3: Commitment of the whole envelope of the plan	Q4 2026	
Reforms stemming from the evaluation of the quality of public spending via reinforced spending reviews	step 5.1: Conduct annual spending reviews	Q2 2025 Q2 2026	Completed (1) **
	step 5.2: Effective integration of results of spending reviews in the annual draft budget	Q3 2025 Q3 2026	Completed (1) **
	step 5.3: Publication of an annual monitoring report showing the achievement of the cumulative target of EUR8 bn of permanent savings over the period 2025-2027 (2)	Q3 2025 Q3 2026	Completed
Reform of the unemployment insurance following negotiations between social partners	step 6.1: Entry into force of the new rules stemming from the negotiation among social partners	Q2 2025	Completed
Reform of the contribution rate to the Caisse Nationale de Retraites des Agents des Collectivités Locales (CNRAQL)	step 7.1: Increase by at least 3 pps (including 1 pp increase already enacted in 2024) in employers' contributions	Q4 2025	Completed
	step 7.2: Increase to reach the overall target of 6 pps in employers' contributions	Q4 2026	Completed
	step 7.3: Publication of an evaluation report demonstrating the increase enacted and the preservation of the impact of the 2023 pension reform on the financial sustainability of the pension system	Q4 2027	The reform was suspended until January 2028.
Reform of the general reductions in social security contributions relative to the minimum wage (SMIC)	step 8.1: First reduction of the exemptions from health and family contributions, to yield at least EUR2.5 bn additional savings	Q1 2025	Completed but with slightly lower savings: A first reduction of the exemptions from health and family contributions was enacted in the 2025 social security budget but it was lower than expected compared to the original objective. Thus, it is expected to yield EUR2 bn permanent savings, EUR0.5 bn less than initially expected.
	step 8.2: Pursuit of reduction of the exemptions from health and family contributions, to yield at least EUR2.5 bn additional savings	Q1 2026	A reform was implemented in 2026, simplifying the system of exemptions but without additional savings as set out in the commitments
Reforms under the new Law on simplification of the business environment	step 9.1: Entry into force of the law	Q4 2025	Completed
	step 9.2: Annual adoption of implementing decrees	Q4 2025 Q4 2026	Completed
	step 9.3: Annual report on impact	Q4 2026	
Reforms and investments under the Law on green industry	steps 10.1 - 10.5: Publication of an annual report on adoption of legal and administrative acts regarding the creation of new industrial sites, financing decisions of new projects and of financial public support	Q3 2025 Q3 2026	Completed
Reform of tax and social expenditures	steps 11.1 - 11.5: Publication of an annual monitoring report showing the achievement of the cumulative target of EUR8 bn of permanent savings over the period 2025-2027 (2)	Q3 2025 Q3 2026	Completed

The progress of each backward-looking key step (i.e., those scheduled for completion by 30 April 2026) is either classified as either 'completed' or 'factual information is provided'. The status of forward-looking key steps in 2026 not yet completed remains blank and those due after December 2026 and the end of the plan do not appear in the table, as these will be assessed by the Commission in future APRs Country Reports.

* These key steps correspond to milestones 6-9, 8-7 and 10-1 of France's RRP, which have been assessed as fulfilled as part of a payment request under the RRF.

** These key steps correspond to milestone 7.14a of France's RRP, whose assessment is still pending in the context of a payment request under the RRF and the table does not prejudice its assessment.

(1) Each step of this measure is to be repeated yearly over the plan implementation between 2025 and 2029. Effective integration of results of spending reviews has already taken place in the 2025 and 2026 budgets.

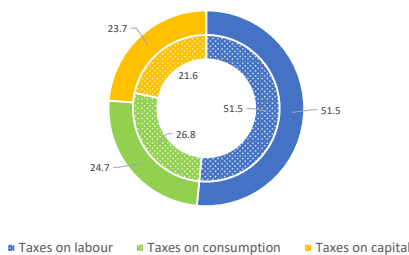
(2) The cumulative target of EUR 8 bn permanent savings is related to measures 5 and 11 taken together. It is additional to the savings committed to over the period 2025-2027 from measure 8 on the reform of the general reductions in social contributions.

Source: Annual Progress Report of France and Commission's assessment.

This annex provides an indicator-based overview of France’s tax system. It includes information on the tax mix, on competitiveness and fairness aspects of the tax system, and on tax collection and compliance. In the area of taxation, the 2025 country-specific recommendations for France recommend implementing the set of reforms and investments underpinning the extended adjustment period for France’s medium-term fiscal-structural plan, which highlighted challenges in tax expenditures evaluation and rationalisation.

France has one of the highest percentages in the EU of tax revenues as a proportion of GDP, but fiscal sustainability is still a concern. With tax revenues equivalent to 43.5% of GDP in 2024, France is significantly above the EU-27 average of 39.4%, despite a continuous narrowing of the gap. The main sources of tax revenue in 2024 were taxes on labour (51.5% of all tax revenue), which was in line with the EU average, followed by taxes on consumption (24.7% of all tax revenue), which was below the EU average, and taxes on capital (23.7% of all tax revenue), which was above the EU average (see Graph A3.1).

Graph A3.1: Tax revenue by economic function in 2024, FR (outer ring) and EU-27 (inner ring)



Source: Taxation Trends Data, DG TAXUD

France has high statutory and effective corporate income tax (CIT) rates⁽¹⁰⁸⁾. France’s top statutory CIT rate is 25.8% (compared with an EU average of 21.2%) and its forward-looking effective average

⁽¹⁰⁸⁾ [Data on Taxation Trends - Taxation and Customs Union - European Commission](#), March 2026.

corporate-tax rate stands at 26.0% in 2024, one of the highest in the EU (against an EU average of 19.3%). Due to fiscal constraints, the temporary increase of corporate income taxes for large companies will be maintained in 2026 and the phasing out of taxes on production is maintained to occur only in 2030.

Since 2025 France has been levying an exceptional surtax on corporate income. The rate is (i) 20.6% for companies with total sales above EUR 1 billion, and (ii) 41.2% for companies with total sales above EUR 3 billion. For 2026, the threshold for total sales of the first of the two taxes has been increased to EUR 1.5 billion. The tax is expected to raise EUR 7.3 billion⁽¹⁰⁹⁾. The ‘CVAE’ tax on corporate added value raised EUR 4.8 billion in tax revenue in 2024. This tax concerns firms with total sales over EUR 0.5 billion, but is set to be abolished in 2030.

France has numerous, high production taxes. The Montaigne Institute barometer calculated them as second-highest in their EU sample, at 3.8% in 2023, compared to an average at 2.5%⁽¹¹⁰⁾. The reform of the CVAE tax in 2022 slightly decreased the cost of production taxes (3.9% in 2022). However, other recent production taxes increases have partially offset the decreased CVAE (such as the property contribution tax (‘CFE’) and the transport compensation tax increases. France has a wide range of production taxes, on property, wages and other assets, general and sectoral.

France has created new capital taxes and modified others to target tax avoidance by wealthy individuals. A new tax on financial assets, applicable to passive assets held by holding companies, has been created for holding assets with a minimum value of

⁽¹⁰⁹⁾ Draft Finance bill for 2026, text for which the government assumes responsibility under Article 49.3 of the Constitution, 21 January 2026.

⁽¹¹⁰⁾ Institut Montaigne, [‘European Production Tax Barometer 2025’](#), April 2025.



Table A3.1: Taxation Indicators

		France					EU-27				
		2019	2022	2023	2024	2025	2019	2022	2023	2024	2025
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	45.4	45.9	43.9	43.5		39.9	39.7	39.0	39.4	
By tax base	Taxes on labour (% of GDP)	23.1	23.1	22.5	22.4		20.6	20.1	19.9	20.3	
	of which, social security contributions (SSC, % of GDP)	14.8	14.9	14.6	14.7		13.0	12.7	12.7	13.0	
	Taxes on consumption (% of GDP)	11.7	11.4	10.8	10.8		11.2	10.9	10.5	10.6	
	of which, value added taxes (VAT, % of GDP)	7.2	7.5	7.3	7.1		7.1	7.4	7.1	7.1	
	Taxes on capital (% of GDP)	10.6	11.4	10.6	10.3		8.1	8.7	8.5	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	9.5	9.8	9.5	9.4		9.6	9.4	9.3	9.6	
	Corporate income taxes (CIT, % of GDP)	2.8	3.4	2.9	2.9		2.6	3.2	3.2	3.1	
	Total property taxes (% of GDP)	4.6	4.1	3.7	3.4		2.2	2.1	1.9	1.8	
	Recurrent taxes on immovable property (% of GDP)	3.0	2.2	2.0	2.0		1.2	1.0	0.9	0.9	
	Environmental taxes (% of GDP)	2.3	2.0	1.8	1.9		2.6	2.1	2.1	2.1	
	Effective carbon rate in EUR per tonne of CO ₂ equivalents	na	na	87.9	na		na	na	84.8	na	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	24.8	21.9	22.0	22.1	22.1	32.4	31.6	31.5	31.5	31.6
	Tax wedge at 100% of average wage (single person) (*)	45.3	44.9	44.7	44.6	44.7	40.1	39.7	39.9	39.9	40.0
	Corporate income tax - effective average tax rates (1) (*)	35.0	24.2	24.2	26.0		20.0	19.2	19.0	19.3	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	8.5	10.8	10.0	9.6		7.8	8.0	7.9	7.8	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)	4.0	7.8	8.8	na		31.8	32.6	30.7	na	
	VAT gap (% of VAT total tax liability, VTTL) (**)	6.8	5.1	5.6	7.4		10.5	7.3	8.2	na	

(1) Forward-looking effective tax rate (KPMG).

(2) A higher value indicates a stronger redistributive impact of taxation.

(*) EU-27 simple average.

(**) Forecast value for 2024. EU-27 refers to the median value. For more data on tax revenues as well as the methodology applied, see the [Data on Taxation Trends webpage](#).

Source: European Commission, OECD, ISORA.

EUR 5 million controlled by an individual or a family with at least 50% of passive income. Taxed assets are non-operating assets, excluding financial securities (shares, bonds) and cash from the tax base. The expected revenue from this measure is EUR 100 million. The Dutreil pact⁽¹¹¹⁾ will also be amended: the tax relief will exclude assets not exclusively used for business purposes. This aims to prevent the transfer of personal assets belonging to business owners during the transfer of a family business. Furthermore, beneficiaries of the Dutreil exemption will now have to retain the received assets for six years, instead of the current four, to qualify for this tax advantage.

The balance across the different sources of tax revenue is overall similar to the EU average, but there is scope for making the tax structure more growth-friendly while

contributing to the fiscal sustainability objective. Fair and well-designed consumption taxes can release the pressure on labour taxation while supporting other policy objectives, such as the protection of the environment.

Revenues from environmental taxes have decreased in recent years. In 2024, revenue from environmental taxes as a percentage of GDP stood at 1.9% (up from 1.8% in 2023), below the EU average of 2.1% (Table A3.1). In 2023, total environmental tax revenue was EUR 46.6 billion⁽¹¹²⁾. The 2025 Finance Bill introduced tax incentives aimed at greening corporate fleets. In February 2026, a new law extended the tax credits adopted in 2024 to attract industrial investments in green technologies from France-based undertakings

⁽¹¹¹⁾ A French tax incentive designed to facilitate the transfer of family businesses by exempting 75% of the value of the company's shares from inheritance or gift taxes.

⁽¹¹²⁾ Revenues from energy and transport taxes constituted, respectively, around 79.8% and 13.0% of the total environmental tax revenues while revenues from resources and pollution taxes amounted to around 1.0% and 6.2%, respectively (source: Eurostat)

until December 2028 ⁽¹¹³⁾. On the other hand, excise duty reductions on fuel for commercial transport and agricultural/forestry use represented an expenditure amounting to EUR 2.9 billion in 2024. The effective carbon-tax rate, EUR 87.90 per tonne of CO₂-equivalent in 2023, is slightly above the EU-27 average (EUR 84.80). There is still scope to improve existing and introduce new environmental taxes focused on resource use and pollution. This would generate revenue and send stronger environmental price signals in line with the polluter pay principle (see Annex 8) ⁽¹¹⁴⁾.

The tax and benefits system and the progressivity of labour taxation help to reduce inequalities. In 2024, income inequality as measured by the Gini coefficient was reduced by 9.6 points due to taxes and social transfers (compared to an EU average of 7.8 points) ⁽¹¹⁵⁾. The impact of social transfers (excluding pensions) on poverty reduction has been declining in the past years (see Annex 12).

France has a comparatively high labour tax wedge ⁽¹¹⁶⁾ especially at higher earnings

⁽¹¹³⁾ The C3IV tax credit for investments in the green industry covers four sectors: batteries, wind power, solar panels, and heat pumps. The rate is 20% in general, 30% for medium firms and 40% for small firms, further top-ups can be obtained for certain regions.

⁽¹¹⁴⁾ European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

⁽¹¹⁵⁾ The Gini coefficient measures the extent to which the distribution of income within a country deviates from a perfectly equal distribution. A coefficient of 0 expresses perfect equality where everyone has the same income, while a coefficient of 100 expresses full inequality where only one person has all the income.

⁽¹¹⁶⁾ The tax wedge is an indicator of the tax burden on labour that can be assessed at various levels of earnings. It is defined as the sum of personal income taxes, employee and employer social-security contributions, as well as other mandatory contributions, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer). Tax wedge data in the 2026 country reports are based on the EUROMOD model, calculated by the Joint Research Centre

levels, but a relatively low labour tax wedge at very low earnings levels (see Graph A2.2). While a relatively low tax wedge at low earnings can support entry into employment, high marginal tax rates ('wage traps') can reduce incentives to increase one's earnings from low levels (see Annex 11).

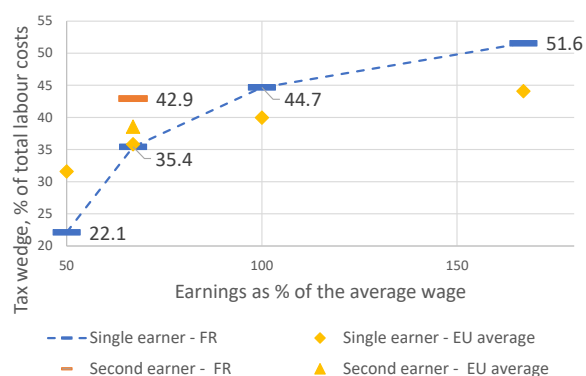
At the same time, joint taxation holds back the participation of second earners in the labour market. The tax wedge of second earners earning 67% of the average wage (at 42.9%) is significantly above the EU average (38.5%), weakening employment incentives for second earners. Direct taxes paid by households in the fifth quintile (i.e. the highest-earning 20% of households) take up 40% of their gross income, the second highest percentage in the EU.

Temporary contributions for high incomes are maintained. The CDHR differential tax on the highest incomes, introduced in 2025, has been extended until the deficit falls below 3% of GDP. This tax sets a minimum tax rate of 20% for households with incomes exceeding EUR 250 000 per year for a single person and EUR 500 000 for a couple with an expected revenue of EUR 650 million for 2026. The revenue for 2025 turned out to be only EUR 400 million, against EUR 1.9 billion initially budgeted, possibly showing the effects of tax planning behaviour ⁽¹¹⁷⁾.

of the European Commission, while in the past country reports they were based on the OECD tax and benefit model. While the underlying methodology is very similar, differences in the assumptions can lead to different results between both models.

⁽¹¹⁷⁾ Le Monde, article of 21 January 2026 « [Budget : le sidérant fiasco de la taxe sur les hauts revenus](#) »

Graph A3.2: Tax wedge for single and second earners as a % of total labour costs, 2025



Note: The second earner tax wedge assumes a first earner at 100% of the average wage and no children. For the methodology of the tax wedge for second earners, see OECD, 2016, Taxing Wages 2014-2015.

Source: European Commission.

The high number of tax expenditures (TEs) contributes to the complexity of the French tax system and represents substantial foregone revenue. Foregone revenues in 2024 due to TEs amount to EUR 89.4 billion, representing 3.1% of GDP and reached EUR 91.8 billion in 2025 exceeding the initial 2025 budget by EUR 6.7 billion, mainly due to the increased Dutreil pact cost of EUR 4.2 billion⁽¹¹⁸⁾. For 2026 TEs are budgeted at EUR 88.3 billion (2.9% of GDP). The number of TEs has kept on increasing since 2018 (from 457 in 2018 to 474 in 2025). In the draft budget 2026, the main TEs included the research tax credit (EUR 7.8 billion), home employment (EUR 6.4 billion), the Dutreil pact (EUR 5 billion), and reduced VAT in the restaurant sector (EUR 4.2 billion).

A rationalisation of TEs was carried out, but to a lesser extent than initially planned. Furthermore, in addition to TEs, there are exemptions from social security contributions. Social expenditures reached EUR 87.7 billion in 2025, representing 2.9% of GDP, the bulk of which coming from exemptions related to the

health insurance system⁽¹¹⁹⁾. General exemptions from social contributions had been increasing from 1993 to 2019, although they have been limited for high salaries since 2026⁽¹²⁰⁾. On the other hand, the 2026 budget law did keep the 10% deduction on retirement pensions (initially planned for removal) in the calculation of income tax. France has good comprehensive reporting⁽¹²¹⁾ on TEs⁽¹²²⁾, but the procedure for evaluating them could be improved.

France is improving its capacity to estimate the size of its tax gaps⁽¹²³⁾. The French tax gap team was created in 2024. France produces and publishes a VAT gap, which will be complemented with a CIT gap report in 2026. Its VAT-compliance gap remains below the EU average of 9.5% of VAT total tax liability and is the eighth lowest VAT-compliance gap among EU Member States in relative terms. This indicates a relatively strong performance overall. The size of the shadow economy in France is below the EU average. In 2022, the shadow economy in France represented 14.2% of its GDP. This ratio is 3.4 percentage points below the EU-27 unweighted average, despite the increasing trend in recent years.⁽¹²⁴⁾

France has developed a digital transformation strategy in recent years, improving IT tools in the tax registration, assessment and collection. France performs relatively well in terms of VAT

⁽¹¹⁹⁾ [Conseil économique social et environnemental, finances publiques : état des lieux et analyse des controverses, 2026](#)

⁽¹²⁰⁾ According to the 'Réduction générale dégressive unique' decree.

⁽¹²¹⁾ [Évaluations des voies et moyens - Tome 2 - Dépenses fiscales | budget.gouv.fr](#)

⁽¹²²⁾ <https://www.taxexpenditures.org/2026/01/19/tax-expenditures-the-situation-in-france-and-international-comparisons/>

⁽¹²³⁾ European Commission, Directorate-General for Taxation and Customs Union, [Mind the gap - 2025 report](#).

⁽¹²⁴⁾ Schneider, F. and Asllani, A (2022). [Taxation of the Informal Economy in the EU](#), study commissioned by the European Parliament.

⁽¹¹⁸⁾ [Voies et moyens Tome 2 2026.pdf](#)

collection ⁽¹²⁵⁾. In 2023, VAT losses due to missing trader intra-community fraud ⁽¹²⁶⁾ were estimated at around EUR 3 billion in France (0.1% of GDP). European Commission estimates suggest a relatively low CIT tax compliance gap in France. Based on a methodology developed by the Joint Research Centre which relies on a top-down approach using national accounts data, the CIT compliance gap of France was at around 6.6% of collected CIT revenues in 2015, the eighth lowest figure among available Member States' estimates ⁽¹²⁷⁾. Tax arrears slightly increased over the period of 2018 to 2023 to 8.8% of total net revenue. While they increased in 2023 compared to 2022, they remained significantly below the unweighted EU-27 average (30.7%).

companies, and from 1 September 2027 for SMEs and micro-enterprises. France does not offer any kind of pre-filing for CIT returns.

The data indicates that there is still room for improvement in France with regards to the digitalisation of tax returns. In 2023, France reported an e-filing rate of 96% for CIT, slightly below the EU average of 97.1% ⁽¹²⁸⁾. This indicates that not all companies file their taxes electronically. The e-filing rates for personal income tax returns (86.8% in 2023) are below the EU average (87.1%). Recent data for France e-filing rates for VAT returns is not available. France does provide pre-filing facilities for personal income tax returns, contributing to reducing the burden of tax compliance and providing greater tax certainty for individual taxpayers and the tax administration. Pre-filing of VAT returns in France is still subject to development. The entry into force of new e-invoicing and e-reporting rules was originally scheduled for 1 July 2024 for large enterprises. However, the new timetable maintains a joint entry into force of the e-invoicing obligation and the e-reporting obligation from 1 September 2026 for large and medium-sized

⁽¹²⁵⁾ [EUR-Lex - 52022DC0137 - EN - EUR-Lex](#)

⁽¹²⁶⁾ MTIC fraud is a form of VAT fraud that exploits VAT-free cross-border trade within the EU.

⁽¹²⁷⁾ [A European approach to measuring losses in corporate tax revenues - Publications Office of the EU](#)

⁽¹²⁸⁾ [ISORADATA.ORG](#)

France remains a strong innovator ⁽¹²⁹⁾ but its position as a scientific and technological powerhouse worldwide is eroding, hindering its competitiveness. Total R&D intensity fell to 2.18% of GDP in 2024, below EU average and moving further away from the target of 3% initially set for 2020. France's declining scientific performance, resulting partly from more than a decade of subdued public R&D investments, raises concerns as to the country's ability to continue leveraging its strong science base to position itself as a key player in the global tech race. As reflected in the 2025 country-specific recommendations (CSR), France's innovation performance remains hindered by stagnant business R&D investments, a lack of efficiency in public support for business innovation, and a complex knowledge valorisation ecosystem. This, coupled with insufficient basic digitalisation of SMEs, weighs on productivity. While France's vibrant startup ecosystem is a major asset, bolstered by proactive policy measures, the expiry of France 2030 in 2027 and lack of sustained funding for disruptive innovation mean that industrial renewal and long-term growth are at risk.

Excellent science

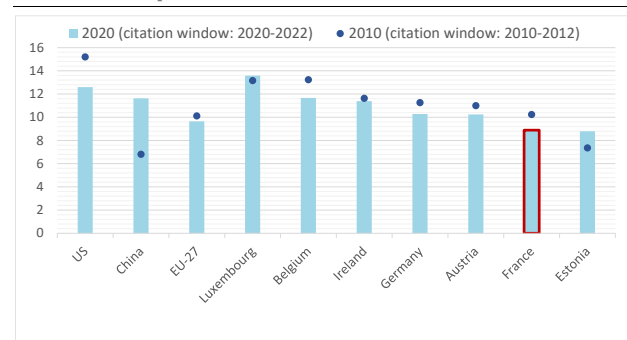
France's standing as a scientific powerhouse worldwide is weakening, which could undermine its long-term innovative capacity. Since 2011, public R&D intensity has experienced a slight but steady decline ⁽¹³⁰⁾, which has been detrimental to the country's scientific performance amid intensifying international competition. A key indicator of this trend is France's proportion of the world's

⁽¹²⁹⁾ According to the 2025 European Innovation Scoreboard

⁽¹³⁰⁾ Defined as public gross domestic expenditure on R&D as a percentage of GDP

top 10% most-cited publications, which has steadily decreased since 2010 and dropped to 8.4% in 2022, below the EU average of 9.4%. While this partly reflects broader global shifts, and in particular China's rapid ascent as a scientific superpower, other strong innovators ⁽¹³¹⁾ have managed to maintain or even slightly increase their share (see graph A4.1). To give fresh impetus to French research, the Research Law 2021-2030 has set a budgetary path to gradually increase public R&D funding until 2030. However, its effects will take time to materialise and may prove insufficient to fully reverse the downward trend. More alarmingly, the mid-term review clause of the Law ('clause de revoyure'), activated in 2025 against the background of tight fiscal constraints, could lead to adjustments which may jeopardise the Law's investment trajectory and ambition.

Graph A4.1: **Share of publications in the top 10% most-cited publications worldwide, 2010-2020.**



Source: DG Research and Innovation, based on Science-Matrix data using the Scopus database.

Restoring the attractiveness of research careers requires sustained efforts. The proportion of public researchers in the population, while at the level of the EU average, remains relatively modest when compared to France's seemingly abundant pool of human resources for R&I (the country has one of the highest proportions of new science graduates per thousand population aged 25-34 in the EU). This reflects, in part, the

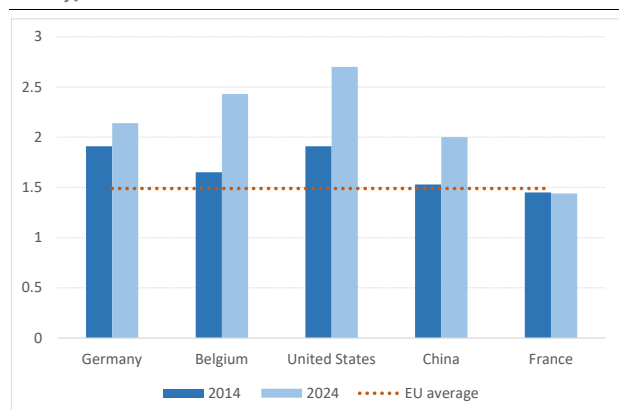
⁽¹³¹⁾ As per the classification of the 2025 European Innovation Scoreboard.

deteriorating attractiveness of academic careers, which have grown increasingly precarious over the last 15 years. Between 2006 and 2023, the age at which young researchers secure a stable position has increased by an average of 24 months (in a research institution) and 32 months (in a university) ⁽¹³²⁾. Under the Research Law, measures have been introduced to make research careers more attractive through better remuneration and new recruitment channels, such as the ‘chaires de professeurs junior’ (CPJ). However, these remain limited in scope. The ongoing mid-term review of the Research Law may offer an opportunity to assess the effectiveness of these measures and make adjustments based on identified gaps and evolving needs.

Business innovation

Business R&D intensity is stagnating and is at a level well below that of innovation leaders in the EU and worldwide. Business R&D intensity has remained stagnant for over a decade, at around 1.44%, in stark contrast to the investment levels and trends observed in other countries with strong R&I performances in the EU and globally (see graph A4.2).

Graph A4.2: **Business R&D investment (as % of GDP), 2014-2024**

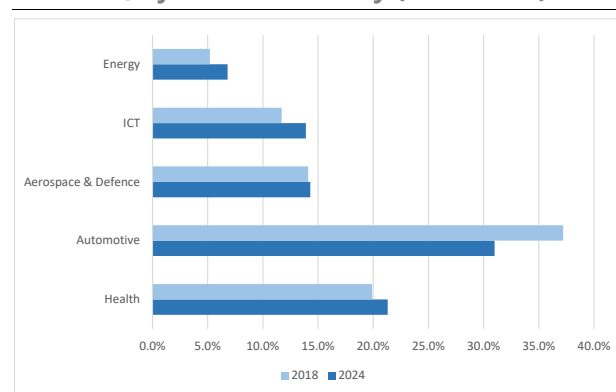


Source: Eurostat

⁽¹³²⁾ L'état de l'emploi scientifique en France, édition 2025.

In terms of sectoral breakdown, R&D investment of French companies remains markedly concentrated in the pharma and automobile sectors (see graph A4.3). Progression in the ICT sector is discernible, however, hinting that the French economy is slowly transitioning towards more knowledge-intensive sectors (outside pharma).

Graph A4.3: **R&D investment of French companies among world top 2000 R&D investors, by sector of activity (2018-2024)**



Source: 2025 EU Industrial R&D Investment Scoreboard

The investment plan ‘France 2030’ is fostering disruptive innovation and industrial renewal, but uncertainty remains over the sustainability of funding beyond 2027. ‘France 2030’, launched in 2021, is mobilising EUR 54 billion to support the whole research-innovation continuum (from basic research to industrial deployment) in key sectors, including high R&D-intensive sectors such as the digital fields ⁽¹³³⁾. A core feature of the plan is its investment logic, whereby 50% of the funds are allocated to ‘emerging’ innovators, defined as companies with less than 12 years of activity or undergoing a radical strategic shift likely to foster disruptive innovation and the renewal of the productive fabric. The interim evaluation of France 2030 of June 2023 identified sizeable expected macroeconomic effects ⁽¹³⁴⁾, particularly in

⁽¹³³⁾ Significant investments are planned in key digital technologies such as AI, quantum and cloud.

⁽¹³⁴⁾ An ex ante assessment of these macroeconomic impacts is due in 2026.

terms of GDP and employment, but recommended a stronger prioritisation of the investments to maximise impact ⁽¹³⁵⁾. This led to a reprioritisation of funding towards key sectors as from 2025, including quantum technologies, cybersecurity and space. In the absence of an announced successor, France 2030 will be progressively wound down and expire over the next two years (see Annex 5) raising concerns about the sustainability of funding for high-risk/high-reward innovation.

France’s innovation performance is not on a par with the high level of public support for business innovation, which relies primarily on tax credits. So far, the large volume of public support for business innovation (which is the second-highest in the EU as a percentage of GDP ⁽¹³⁶⁾ and is mainly based on a tax credit scheme called *crédit impôt recherche* (CIR) ⁽¹³⁷⁾) has not had a tangible effect on technological innovation output, as measured by patents. Rather, France’s international patenting activity has steadily declined over the last decade. Looking at innovation output more broadly, France ranks slightly below EU average on the Innovation Output Index 2024 ⁽¹³⁸⁾, a composite indicator which aims at measuring a country’s capacity to derive economic benefits from innovation, including through the creation of knowledge-intensive jobs. France’s CIR was found to boost SMEs (both in terms of R&D activity and economic performance) but no significant effects on larger firms ⁽¹³⁹⁾. Looking

more specifically at ‘output additionality’ (i.e. the effects of tax credits on innovation outputs such as patents), a study from the French *Conseil d’Analyse Economique* showed that the number of patents varies from 1.2 per EUR million of tax credit received for very small enterprises to 0.5 for large firms, a return 2.5 times higher ⁽¹⁴⁰⁾. Yet, large firms continue to benefit disproportionately from the CIR ⁽¹⁴¹⁾. In contrast to the CIR, direct support to business R&D, through diverse types of grants and loans operated by Bpifrance and mainly targeting SMEs ⁽¹⁴²⁾, was found to have a significant positive impact on both business R&D expenditure and broader economic performance ⁽¹⁴³⁾. Despite recommendations to reform the CIR ⁽¹⁴⁴⁾, including the 2025 CSR on *strengthening business R&D intensity by better targeting public support schemes*, the 2025 budget introduced only a limited technical adjustment of the CIR ⁽¹⁴⁵⁾. While this adjustment is expected to generate small budgetary savings, it does not aim at focusing support more strongly on smaller firms and is therefore unlikely to contribute to enhancing business R&D efforts.

Indicators suggest that France’s complex knowledge valorisation ⁽¹⁴⁶⁾ ecosystem may not be performing optimally. France

⁽¹³⁵⁾ https://www.gouvernement.fr/sites/default/files/contenu/piece-jointe/2023/06/rapport_devaluation_csia_france_2030_vf_-_publique.pdf

⁽¹³⁶⁾ 0.44% of GDP in 2023, against an EU average of 0.17%.

⁽¹³⁷⁾ The CIR is projected to reach around EUR 8 billion in 2026.

⁽¹³⁸⁾ European Commission: Joint Research Centre, Bello, M., Katsinis, A., Lopez Alvarez, J., Ravanos, P. and Smallenbroek, O., Tracking country Innovation Performance: The Innovation Output Indicator 2024, <https://data.europa.eu/doi/10.2760/4449831, JRC141343>.

⁽¹³⁹⁾ <https://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/fs-2021-rapport-cnepi-cir-juin.pdf>

⁽¹⁴⁰⁾ Renforcer l’impact du Crédit Impôt Recherche, Philippe Aghion, Nicolas Chanut, Xavier Jaravel, septembre 2022.

⁽¹⁴¹⁾ in 2021, although large firms accounted for a bit less than 3% of all CIR beneficiaries, they benefited from 42% of the overall amount of the CIR. Source: *L’état de l’enseignement supérieur de la recherche et de l’innovation en France, édition 2025*.

⁽¹⁴²⁾ 80% of the support provided through these schemes benefits SMEs.

⁽¹⁴³⁾ Le soutien structurel à l’innovation dans France 2030, Théma DGE n°32, juillet 2025.

⁽¹⁴⁴⁾ See country report 2025.

⁽¹⁴⁵⁾ This technical adjustment aimed at refocusing the CIR on R&D expenditure only, by excluding expenditure linked to technology watch from the list of eligible expenses.

⁽¹⁴⁶⁾ Defined as the process of transforming data, know-how and research results into social and economic value.

continues to score below the EU average for business-financed public R&D and the proportion of public-private co-publications, while above the EU average, has stalled over the last decade. This reflects limited inclination among French businesses to engage in contracts and collaborations with public research labs, which persists despite a wide range of structures and instruments designed to support and incentivise such cooperation. The complexity of the ecosystem, resulting from the progressive layering of entities since the launch of the first investment for the future programme in 2010, was noted by the French Court of Auditors in 2018 ⁽¹⁴⁷⁾. Since then, no comprehensive structural reform has been undertaken. In response to the CSR 2025 on *improving the efficiency of the system supporting academia-business linkages*, a review of the governance and financing model of the French *Sociétés d'Accélération de Transfert de Technologies* (SATTs) was launched in 2025. However, it has not yet produced concrete policy outcomes. A 2025 information report from the National Assembly called for clearer coordination between the SATTs and other entities, notably the 'university innovation hubs' (PUI), launched in 2023 to structure regional ecosystems ⁽¹⁴⁸⁾. Looking ahead, the success of the PUI will hinge on their ability to improve efficiency, without adding further complexity to the existing landscape. A first evaluation of the PUI is scheduled for summer 2026.

The digitalisation of SMEs and adoption of advanced digital technologies in France is gaining traction while still below the EU average. In 2025, 69.44% of French SMEs had a basic level of digital intensity, up from 51.97% in 2023 but still well below the EU average (71.39% in 2025). Businesses also tend to adopt fewer key digital technologies (artificial

intelligence (AI), data analytics, cloud) in France than in the EU, which contrasts with the presence of a dynamic ecosystem of startups in Paris, specialised, in areas including in AI. Trying to identify the drivers of this sub-par performance, the France Num barometer points to several bottlenecks in the digitalisation of SMEs, including a lack of expertise and skills, cybersecurity concerns and general financing constraints with unclear return on investments. From a macroeconomic point of view, the National Productivity Board (NPB) identifies digital adoption gaps across firm sizes (lower adoption in SMEs, higher in large firms) as one of the factors constraining productivity growth and competitiveness. Given the size of the French economy, accelerating SME digitalisation will be key to meeting the EU 2030 target of 90% of SMEs with basic digital intensity.

France is counting on AI to improve the digitalisation of the whole businesses sector.

France Num remains the main tool supporting basic SME digitalisation, particularly for very small enterprises (VSEs), acting mainly as a network of stakeholders involved in digital transformation (institutional actors, public advisers and service providers). The new plan 'Osez l'IA', which relates to the 2025 country-specific recommendation on *improving SME digitalisation, including by improving the effectiveness of existing public support*, aims at diffusing AI technologies in 100% of large firms and 80% of SMEs ⁽¹⁴⁹⁾. However, the plan is neither specifically targeted at SMEs nor focused on basic digitalisation, although it will contribute to the digitalisation of the whole economy through AI diffusion. Several operators report readability problems with the numerous existing forms of support for digitalisation and innovation and call for them to be better structured.

⁽¹⁴⁷⁾ Cour des comptes, *Les outils du PIA consacrés à la valorisation de la recherche publique*, mars 2018.

⁽¹⁴⁸⁾ Rapport d'information sur les dispositifs de valorisation de la recherche et leur financement (n°1693), Assemblée nationale, juillet 2025.

⁽¹⁴⁹⁾ The plan is based on three pillars: (1) informing businesses via a network of AI ambassadors, (2) training 15 million professionals and (3) helping companies in identifying adapted AI solutions and funding instruments for their AI projects.

Entrepreneurial dynamism

France is nurturing a vibrant startup ecosystem which is attracting growing venture capital (VC) investment. However, French VC remains too small to meet the massive financing needs of France's booming tech industry. Over the past decade, the number of French unicorns has surged sixfold, reaching 42 in 2024 – making France the leading unicorn producer in the EU after Germany ⁽¹⁵⁰⁾. This success is partly driven by the growing availability of VC, which, as a percentage of GDP, has quadrupled over the last decade. France has been particularly active in supporting the growth of its VC market. Since 2019, efforts have notably been undertaken to encourage institutional investors to support VC funds, including late-stage funds, as part of the Tibi initiative ⁽¹⁵¹⁾. The evaluation conducted by the Inspectorate of Finances in October 2025 concludes that this initiative has delivered measurable results, increasing both capital commitments and the number of funds in the French tech ecosystem, while helping sustain investor engagement during adverse market conditions at a very low cost to the public budget ⁽¹⁵²⁾. However, relative to GDP, French VC remains smaller than that of global competitors and EU innovation leaders and may prove insufficient to meet the massive financing needs of scaleups. To sustain the momentum of the French startup and scaleup ecosystem, the Inspectorate of Finances recommends strengthening and extending the Tibi initiative beyond 2026.

France's deep tech sector is thriving, but its continued growth hinges on deeper private

investment and strategic policy support. In 2024, France ranked second in Europe for deep tech VC funding, trailing only the UK and surpassing Germany ⁽¹⁵³⁾. This momentum stems from proactive policy initiatives, including the 2019 deep tech plan and targeted support under France 2030. However, a study by the French Directorate-General for Enterprises warns that at least EUR 30 billion in funding will be required by 2030 to nurture deep tech startups and cultivate globally competitive technological leaders. To meet this gap, the report emphasises the need to attract private capital - particularly for growth-stage funding - by mobilising new investors (institutional, retail, banking, sovereign wealth funds) through incentives and public policy measures such as redirecting retail savings to deep tech-focused funds.

While France has established itself as a top destination for foreign startup founders, further efforts are needed to expand its ICT talent pool, a critical foundation to underpin its technological leadership. Thanks to tailored policies designed to attract startup talent, France ranks as the third most attractive OECD destination for foreign startup entrepreneurs, behind Canada and the United States ⁽¹⁵⁴⁾. Its French tech ticket programme supports non-French founders with funding, incubation and mentorship, while the French tech visa offers a fast-track procedure to receive a four-year residence permit (a relatively long period compared to other countries), accessible to both founders and their employees. Despite these efforts, France's tech ambitions could be undermined by a talent gap in the ICT sector. ICT specialists account for only 4.8% of the workforce, in line with the EU average, but still well below the national Digital Decade target of 10% by 2030 (see also Annex 11). In the field of AI

⁽¹⁵⁰⁾ State of European Tech 2024

⁽¹⁵¹⁾ <https://www.tresor.economie.gouv.fr/banque-assurance-finance/financer-la-iveme-revolution-industrielle>

⁽¹⁵²⁾ Evaluation de l'initiative Tibi, Inspection Générale des Finances, Octobre 2025.

⁽¹⁵³⁾ The 2025 European Deep Tech report, March 2025, Dealroom.

⁽¹⁵⁴⁾ What are the top OECD destinations for startup talents? OECD Policy Brief, 2023.

specifically, the French AI Commission considers that, to become a key global player, France would need to attract between 10% and 15% of the 3 000 to 5 000 highly qualified international profiles likely to have a notable impact on the development of the AI ecosystem.

provide structured entrepreneurial pathways and support for students and recent graduates.

Entrepreneurship education in France largely occurs indirectly via cross-curricular and often extracurricular activities at secondary school, while it is more firmly embedded in higher education. Teacher competence frameworks do not explicitly include entrepreneurship education, which is integrated across curricula rather than through dedicated subjects, notably via the cross-curricular area 'methods and tools to learn' in the curriculum for students aged 6–16, covering elements such as 'mobilising resources' and 'self-awareness' ⁽¹⁵⁵⁾. Top-level authorities support a whole-school approach in general secondary education, in particular through the updated 2024 *Parcours Avenir*, which strengthens links with local businesses through company visits and project-based learning ⁽¹⁵⁶⁾. However, practical entrepreneurial experiences remain optional and are largely concentrated in upper secondary education, with limited exposure in lower secondary and none in primary education. By contrast, entrepreneurship is actively promoted in higher education through national initiatives such as *L'esprit d'entreprendre* and the student centres for innovation, transfer and entrepreneurship (PEPITEs - *Pôles Etudiants pour l'Innovation, le Transfert et l'Entrepreneuriat*) ⁽¹⁵⁷⁾, which

⁽¹⁵⁵⁾ European Commission / EACEA / Eurydice, 2025, Entrepreneurship education at school in Europe – 2025. Eurydice Report.

⁽¹⁵⁶⁾ <https://www.education.gouv.fr/bo/16/Hebdo43/MENB1633785C.htm>

⁽¹⁵⁷⁾ http://www.enseignementsup-recherche.gouv.fr/cid79223/presentation-des-pegite-poles-etudiants-pour-innovation-transfert-entrepreneuriat.html#Qu_est-ce_qu_un_PEPITE

Table A4.1: Key innovation indicators

France	2010	2015	2020	2022	2023	2024	2025	EU average (1)	US
Headline indicator									
R&D intensity (GERD as % of GDP)	2.18*	2.22	2.27	2.22	2.18	2.18	:	2.24	3.44
Public science base									
Public expenditure on R&D as % of GDP	0.78*	0.75	0.74	0.71	0.70	0.70	:	0.72	0.64
Scientific publications of the country within the top 10% most-cited publications worldwide as % of total publications of the country	11.02	9.8	9.01	8.38	:	:	:	9.44	12.31
Researchers (FTEs) employed by public sector (Gov+HEI) per thousand active population	3.30*	3.7	4.0	4.1	4.3	4.3	:	4.3	:
International co-publications as % of total number of publications	46.44	52.81	59.14	58.39	59.26	61.48	:	57.24	:
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.38	1.44	1.49	1.47	1.44	1.44	:	1.49	2.69
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.32	:	:	0.32	0.32	:	:	0.47	0.3
Researchers employed by business per thousand active population	5	5.7	6.8	7.1	7.4	7.3	:	5.9	:
Innovation outputs									
Patent Cooperation Treaty patent applications per billion GDP (in PPSE)	3.65	3.69	3.19	2.96	:	:	:	2.81	2.2
Employment share of high-growth enterprises measured in employment (%)	:	:	:	0.31*	0.62	:	:	0.87	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	51.97	:	69.44	71.39	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	33.90	:	39.27	39.85	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	22.95	:	36.46	46.69	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	5.88	9.91	18.16	19.95	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	7.84	8.58	8.87	9.28	9.22	9.21	:	7.62	:
Public expenditure on R&D financed by business enterprise (national) as % of GDP	0.03*	:	0.03	0.04	0.02	:	:	0.06	0.02
Public support for business innovation									
Total public sector support for BERD as % of GDP	0.43	:	0.45	0.43	0.44	:	:	0.21	:
R&D tax incentives: foregone revenues as % of GDP	0.28	0.28	0.29	0.27	0.27	:	:	0.10	0.16
Business enterprise expenditure on R&D (BERD) financed by the public sector (national and abroad) as % of GDP	0.15	:	0.16	0.16	0.17	:	:	0.11	:
Venture capital									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.023	0.022	0.059	0.096	0.099	0.088	:	0.06	:
Seed stage funding share (% of GDP)	0.001	0.003	0.006	0.007	0.007	0.007	:	0.01	:
Start-up stage funding share (as % of GDP)	0.004	0.004	0.025	0.036	0.039	0.037	:	0.03	:
Later stage funding share (as % of GDP)	0.017	0.016	0.029	0.053	0.053	0.044	:	0.03	:
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	19.55	20.88	24.02	24.64	22.84	22.96	:	16.82	:
Graduates in the field of computing per thousand population aged 25-34	3.36	2.85	3.9	4.55	4.22	4.46	:	3.84	:

(1) EU average for the last available year or the year with the highest number of country data.

* Break in series.

Source: Eurostat, OECD, DG JRC, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard.

While France's business environment still presents significant challenges, reform momentum has weakened and major public plans that have supported business investment are coming to an end. Although business demographics have been dynamic, this has not resulted in a shift towards high-growth sectors and companies. Small and medium-sized enterprises (SMEs) have not yet fully leveraged the growth opportunities of being in the Single Market and are expanding more slowly than in other Member States. Business investment fell below the EU average in 2024 and industry slowed down. Obstacles to business investment, such as economic policy uncertainty, limited availability of skilled labour, energy costs, insufficient demand and administrative burden, continue to impact on firms' decisions. The implementation of the law on simplifying economic life could help reduce the administrative burden as recommended by the 2025 CSR (3) ⁽¹⁵⁸⁾, which calls on France to further simplify regulation, as well as to reduce administrative burden and regulatory restrictions on firms, in particular in the services sector ⁽¹⁵⁹⁾. However, no significant measure has been adopted or announced to reduce restrictions in regulated professions and retail trade. In addition, regulatory and administrative barriers to intra EU-trade in services and goods persist. Regarding public investment to support business innovation and green transition, the commitments of the *France 2030* programme are declining ⁽¹⁶⁰⁾,

while France's recovery and resilience plan (RRP) will end soon ⁽¹⁶¹⁾.

Business dynamics

Business demography has been dynamic but has not translated into reallocations towards high-growth sectors and firms. Business registrations have significantly increased in France in recent years (+15.3% between 2021 and Q4 2025 vs 12.5% in the EU) ⁽¹⁶²⁾. They were particularly dynamic in transport and logistics, in administrative services, as well as in hospitality and food, driven by the rise of digital platforms and the growing demand for delivery and mobility services ⁽¹⁶³⁾. One of the drivers of this boom has been the success of the microentrepreneur system ⁽¹⁶⁴⁾, whose popularity can be explained by its administrative and fiscal ease. Alongside the high number of registrations, business bankruptcies more than doubled between 2021 and the third quarter of 2025 (an increase of 157% vs 77% in the EU), starting from a low point in 2021. This increase in the bankruptcy rate is in part due to a post-Covid mechanical catch-up effect, combined with factors specific to each sector ⁽¹⁶⁵⁾. While France exhibits relatively high business churn, it lags behind in terms of high-growth firms. This suggests that business reallocations are not predominantly occurring in the most dynamic sectors.

SMEs are growing more slowly than in other Member States. SMEs represent only 42% of

⁽¹⁵⁸⁾ [COUNCIL RECOMMENDATION on the economic, social, employment, structural and budgetary policies of France](#), 1/7/2025.

⁽¹⁵⁹⁾ Restrictive and diverging national services regulations are one of the ten Single Market barriers that should be addressed as a priority (European Commission, [The Single Market: our European home market in an uncertain world](#), 21.5.2025).

⁽¹⁶⁰⁾ In January 2026, EUR 44 billion had been committed out of the total commitments of EUR 54 billion planned until 2028. Source: information provided by France for the assessment of the 2025 CSR 3(3), 31/1/2026.

⁽¹⁶¹⁾ Member States have until 31 August 2026 to complete milestones and targets of their national recovery and resilience plans.

⁽¹⁶²⁾ Eurostat, [\[sts_rb_q\]](#), Codes NACE: B-S_X_O_S94.

⁽¹⁶³⁾ France's reply to the European Commission's questionnaire, December 2025.

⁽¹⁶⁴⁾ Bpifrance, [focus- 10 ans de création d'entreprises en France](#).

⁽¹⁶⁵⁾ France's reply to the European Commission's questionnaire, December 2025.



the value added (against 53.6% in the EU) ⁽¹⁶⁶⁾. In 2024, SME real added value declined by 1.0% (vs 0.2% in the EU). This can be partly explained by the lower economic growth in France compared with the other Member States, but also by the lack of innovation of French SMEs and their low level of inclusion in global value chains. Another obstacle for scaling up could stem from regulations (see section on business environment below).

While public investment has continued to grow over the last years and is above the EU average, business investment has been decreasing and is below the EU average.

Public investment represented 4.4% of GDP in 2024 (against 3.7% in the EU), up from 4.2% in 2023. Business investment represented 12.3% of GDP in 2024 (against 12.6% in the EU), down from 12.7% in 2023 (Table A5.1). The fall of business investment in 2024 (-2.4% ⁽¹⁶⁷⁾) was particularly sharp in the construction sector and to a lesser extent in the manufacturing sector, partly due to the macroeconomic environment. Foreign direct investment also decreased in 2024: the number of foreign establishment and expansion projects fell by 14% and the job creation generated by those projects fell by 27%, a downward trend also seen in the UK and Germany ⁽¹⁶⁸⁾. France lost its ranking as first country hosting direct investment flows in the EU but ranked second after Luxembourg ⁽¹⁶⁹⁾. In 2025, business investment stabilised (+0.2%, after -2.4% in 2024). The recovery is primarily driven by services, in particular information and communication ⁽¹⁷⁰⁾.

⁽¹⁶⁶⁾ European Commission, [2025 SME Fact sheet](#), estimates for the year 2024.

⁽¹⁶⁷⁾ France's reply to the European Commission's questionnaire, December 2025.

⁽¹⁶⁸⁾ EY, [Baromètre de l'Attractivité de la France 2025 | EY - France](#), 15 May 2025.

⁽¹⁶⁹⁾ France's reply to the European Commission's questionnaire, December 2025.

⁽¹⁷⁰⁾ France's reply to the European Commission's questionnaire, December 2025.

Productivity levels in construction and the retail trade are still below the pre-Covid crisis. Most sectors have recovered the labour productivity levels they had at the end of 2019, except the construction and retail trade sectors ⁽¹⁷¹⁾. The loss of productivity in the construction sector comes from a mix of structural and cyclical factors: lack of innovation and digitalisation, shortage of skilled labour, fall of activity linked to rising interest rates and costs of material and energy without a proportional reduction in employment. The productivity of the retail trade sector has also fallen since 2019 ⁽¹⁷²⁾. Businesses in the retail trade are struggling to invest for their digital and green transitions, while they are facing higher costs, competition from e-commerce and foreign platforms and a shortage of skills and labour ⁽¹⁷³⁾.

Business environment

The main obstacle to business investment has become uncertainty about the future.

According to the 2025 EIB investment survey ⁽¹⁷⁴⁾, 50% of businesses in France consider uncertainty about the future to be a major obstacle to investment. This is higher than in the EU (47%) and significantly higher than in 2024 (44% in France and in the EU). Businesses are concerned that fiscal consolidation efforts may result in an increase in compulsory levies and a reduction in support schemes. This is set against the backdrop of an already high level of compulsory levies on businesses, even net of aid received. In 2024,

⁽¹⁷¹⁾ Value added per full-time equivalent employment. Source: INSEE, quoted by France in its reply to the European Commission's questionnaire, December 2025.

⁽¹⁷²⁾ Conseil national de la productivité, [5th report](#), 5/2025.

⁽¹⁷³⁾ France, reply to the European Commission's questionnaire, question 11, 12/2025.

⁽¹⁷⁴⁾ European Investment Bank, [EIB investment survey 2025, France](#), 9/12/2025, based on interviews carried out between April and July 2025.

the compulsory levies on non-financial corporations, net of aid received, represented 20.4% of the value added of those non-financial corporations ⁽¹⁷⁵⁾. It was the third highest share in the European Union. More than two thirds of managers of SMEs and VSEs think that better visibility of public finances is needed to fully restore the confidence of managers. The international context is also a factor of uncertainty, even if it comes second only to the domestic context ⁽¹⁷⁶⁾.

Other obstacles to business investment are lack of skilled staff, energy costs and lacklustre demand. According to the 2025 EIB investment survey, the second most important obstacle to investment after uncertainty about the future is the availability of skilled staff: 43% of businesses in France consider this to be a major obstacle to investment, a share significantly smaller than the EU's (52%), reflecting a perception that the labour market is less tight in France than in the EU on average. The lack of skilled staff is followed by energy costs (35%), a share lower than in the EU (41%). The next obstacle to business investment is considered to be demand for products and services: 27% of businesses in France consider this to be a major obstacle to investment. It is a larger share than in the EU (22%), reflecting France's lower growth compared with the EU in 2025: 0.9% vs 1.6% ⁽¹⁷⁷⁾.

Regulations are a growing concern for businesses. 27% and 26% respectively of firms in France consider labour market regulations and business regulations to be a major obstacle to investment (vs 27% and 34% in the

EU) ⁽¹⁷⁸⁾. This represents an increase compared with the year before, when 22% and 20% respectively of firms in France considered labour market regulations and business regulations to represent a major obstacle to investment (vs 26% and 32% in the EU). The procedures relating to cessation of payment, cessation of activity and legal proceedings are considered to be the most complex to carry out ⁽¹⁷⁹⁾.

The implementation of the law on simplifying economic life could help reduce the administrative burden as recommended by the 2025 CSR (3). The law for simplifying economic life ⁽¹⁸⁰⁾ was adopted on 15 April 2026. It establishes a Council for Simplification for Enterprises, attached to the Prime Minister, that will include representatives of businesses. This Council will carry out 'tests entreprises', i.e. deliver opinions on draft laws, ordinances, regulatory texts and draft EU acts that have an impact on businesses. In addition, the law generalises mediation with the administration in case of conflict. It facilitates certain industrial and energy projects through derogation measures, while data centres with an industrial dimension will be eligible, subject to conditions, for the status of projects of major national interest. The law still needs to be promulgated, and by-laws adopted, before it can be fully implemented.

Access to finance is satisfactory. Only 15% of businesses in France find that access to finance is a major obstacle to investment ⁽¹⁸¹⁾, which is slightly less than in the EU (16%). According to the EIF access to finance indices (Table A5.1), access to loans (0.73) is significantly better than

⁽¹⁷⁵⁾ Fipeco, [Prélèvements sur les sociétés non financières et aides reçues](#), 18/12/2025.

⁽¹⁷⁶⁾ BpiFrance/ Rexecode, [BAROMÈTRE TRIMESTRIEL](#), p. 18, 11/2025.

⁽¹⁷⁷⁾ Source: Eurostat. In seasonally and calendar-day adjusted terms.

⁽¹⁷⁸⁾ European Investment Bank, [EIB investment survey 2025, France](#), 9/12/2025, based on interviews carried out between April and July 2025.

⁽¹⁷⁹⁾ France's reply to the European Commission's questionnaire, December 2025.

⁽¹⁸⁰⁾ France, [loi de simplification de la vie économique](#).

⁽¹⁸¹⁾ European Investment Bank, [EIB investment survey 2025, France](#), 9/12/2025, based on interviews carried out between April and July 2025.

the EU average (0.43), while access to equity (0.20) is in line with the EU average (0.19) (Annex 6).

Late payments ⁽¹⁸²⁾ are weighing on SMEs' cash position. In 2024, SMEs had a cash flow deficit of EUR 15.3 billion due to payments beyond the legal deadlines ⁽¹⁸³⁾. According to the Banque de France, late payments increase the risk of businesses default by 25% ⁽¹⁸⁴⁾. 28% of SMEs in France say that they have been experiencing late payments from public entities (against 15.9% in the EU) (Table A5.1). In the public works sector, 85% of companies report payment delays from public authorities ⁽¹⁸⁵⁾, with frequent cases of serious delays (more than 90 days). According to their business organisation, payment delays remain massive and structural, and the official data published by the administration do not reflect the reality experienced by companies. This discrepancy can be explained by the existence of 'hidden' payment delays, which are not reflected in the public data, such as the time taken by the public authorities to register an invoice on the relevant platform. In addition, unfair payment practices have been detected such as the absence of payment of late-payment interest. 55% of SMEs do not participate in public procurement procedures out of fear of not being paid on time ⁽¹⁸⁶⁾. In addition, public entities in the overseas territories are greatly exceeding the 30-day regulatory ceiling ⁽¹⁸⁷⁾. Public hospitals are paying with long and increasing delays. On average, hospitals need

⁽¹⁸²⁾ Part of the barriers highlighted in the [Single market strategy](#) ('Terrible Ten') and the [2026 Annual Single Market and Competitiveness Report](#).

⁽¹⁸³⁾ France, [Rapport de l'Observatoire des délais de paiement 2024](#), 7/2025.

⁽¹⁸⁴⁾ Sénat, [rapport n°376](#), 11/2/2026.

⁽¹⁸⁵⁾ Fédération nationale des travaux publics, [Délais de paiement : une réalité bien plus dégradée que les chiffres officiels pour les entreprises de travaux publics](#), 26/1/2026.

⁽¹⁸⁶⁾ Cabinet ARC, [Retards de paiement](#), 25/6/2025.

⁽¹⁸⁷⁾ France's reply to the European Commission's questionnaire, December 2025.

more than 63 days to pay their suppliers, while the maximum payment term for hospitals is 50 days, with alarming peaks in the outermost regions (+121 days ⁽¹⁸⁸⁾). In addition to late payments from public entities, 58% of SMEs complain about receiving late payments from private entities (against 47.1% in the EU) (Table A5.1). When observing the payment behaviour of French companies based on their size, those which perform the worst are large companies, with only 15% of payments made on time ⁽¹⁸⁹⁾. France is implementing several measures to discourage late payments: (i) the gradual introduction of e-invoicing; (ii) the inclusion of this factor in the Banque de France's listing of firms; (iii) the doubling of the ceiling to EUR 4 million for fines for delays; (iv) an increased practice of 'name and shame'; and (v) regarding late payments from the public sector, the publication of local authorities' payment deadlines. A bill currently discussed in the Parliament aims to reduce late payments from private and public entities ⁽¹⁹⁰⁾.

France is performing strongly in the deployment and use of digital connectivity infrastructures, with clear progress towards full coverage. Only 10% of businesses in France consider digital infrastructure to be a major obstacle to investment ⁽¹⁹¹⁾, which is slightly less than the EU average (12%). The country is rolling out fibre and 5G networks, with 100% coverage expected before 2030. Fibre-to-the-premises (FTTP) coverage reached 87.47% in 2024, well above the EU average (69.24%). France's roll-out pace also exceeded the EU's in rural areas (FR: 78.12%, EU: 58.78%). Concerning take-up, France leads the EU in gigabit-speed subscriptions: 58.92% of fixed

⁽¹⁸⁸⁾ Sénat, [rapport n°376](#), 11/2/2026.

⁽¹⁸⁹⁾ European Commission, [EU payment observatory 2025](#).

⁽¹⁹⁰⁾ Sénat, [Proposition de loi visant à réduire les retards de paiement afin de lutter contre les défaillances d'entreprises](#).

⁽¹⁹¹⁾ European Investment Bank, [EIB investment survey 2025, France](#), 9/12/2025, based on interviews carried out between April and July 2025.

broadband subscriptions are above 1 Gbps. On mobile, 5G coverage in France also shows solid progress, reaching 94.34% in 2024 and aligning with the 100% coverage in national and EU objectives by 2030.

Single Market

SMEs are not fully exploiting the growth opportunities offered by the Single Market.

France has the lowest rate of integration into EU trade in the EU: intra-EU import and export volumes represented only 17.1% of GDP in 2025 (vs 40.7% on average in the EU) (Table A5.1). France's integration rate is much lower than the EU average, both for goods and services. For goods, France's integration rate is the lowest of all Member States (11.6% vs 18.2% in the EU). It can be explained by several factors: French businesses have less need to import and export due to the large size of the French market; manufacturing industry's lower share of GDP; and the lack of an export culture and the necessary skills. Several public initiatives aim to strengthen support for exporters. In 2023, France launched the 'osez l'export' [dare to export] scheme⁽¹⁹²⁾ to develop an export culture in businesses, promote French know-how, and focus on tomorrow's sectors and expanding overseas markets⁽¹⁹³⁾.

France's performance on implementing and complying with Single Market law has deteriorated and is below the EU average⁽¹⁹⁴⁾. The percentage of Single Market directives not transposed on time increased

from 0.5% in 2024 to 1.1% in 2025 (against 1% in 2025 in the EU)⁽¹⁹⁵⁾ (Table A5.1). Meanwhile, the percentage of directives transposed incorrectly increased from 1.2% to 1.5% (against 1.1% in the EU). The number of pending infringement proceedings rose from 29 to 31 (EU average: 25). The average delay in transposing directives increased from 7 to 10.2 months (EU 9.7 months). In addition, France has repeatedly infringed its legal obligations under the Single Market Transparency Directive, taking the risk of erecting new unjustified regulatory barriers to the free movement of goods and services in the Single Market and making the business environment less predictable. On a more positive note, the duration of infringement proceedings has decreased, from 55.1 months to 37.2 months, below the EU average of 44.5 months. The SOLVIT indicator has also improved and shows a better performance than the EU average: France resolved 93.1% of the SOLVIT cases in 2025 (against 84.6% in the EU). This reflects an outstanding performance, given that the French SOLVIT centre dealt with more than 27% of the SOLVIT caseload. However, the indicators measuring the time needed to process these cases show that France does not have enough staff to deal with this caseload.

Regulatory and administrative barriers to the intra EU-trade in goods persist.

Businesses report that packaging and labelling rules – environmental labelling, packaging and complex administrative requirements related to the Extended Producer Responsibility (EPR) scheme – create compliance burdens⁽¹⁹⁶⁾. Ineffective application of mutual recognition and fragmented product compliance rules also affect trade in goods.

⁽¹⁹²⁾ [France Diplomatie, Lancement du Plan 'Osez l'export'](#), 31/8/2023.

⁽¹⁹³⁾ [Rapport sur le commerce extérieur](#), 2/2025, partie III.1- politiques de soutien à l'exportation, p. 55-56.

⁽¹⁹⁴⁾ The lack of Single Market ownership by Member States is one of the 10 Single Market barriers that should be addressed as a priority (European Commission, [The Single Market: our European home market in an uncertain world](#), 21.5.2025).

⁽¹⁹⁵⁾ European Commission, [The Single Market and Competitiveness Scoreboard, France](#), December 2025 data.

⁽¹⁹⁶⁾ Business Europe, report 2025 [Examples-of-Single-Market-barriers—Striving-for-greater-harmonisation-of-packaging-legislation-to-prevent-market-barriers.pdf](#) and Single Market Obstacles Compendium, European Round Table of Industry, May 2025, [Single Market - Compendium of obstacles - 21 May 2025](#)

Sustained investment in standardisation (197) is essential to preserve a robust and forward-looking system. As technological change accelerates, the effectiveness of the European Standardisation System increasingly depends on the ability of National Standardisation Bodies to mobilise and retain a strong and diverse pool of expertise. In France, where AFNOR already plays a leading role, the priority is to sustain this high-performing system by ensuring the continued engagement of a critical mass of stakeholders and experts in standardisation activities. At the same time, rapidly evolving fields such as artificial intelligence and quantum technologies require not only broad participation but also continuous upskilling. Maintaining France's leadership will depend on the ability to regularly strengthen experts' capabilities so they can keep pace with the digital transition and remain responsive to innovation.

Although the number of market surveillance investigations has increased, the number of investigations per inhabitant is lower than the EU median. Compliance of products circulating in the Single Market (198) is key to ensuring a level-playing field for law-abiding companies and the safety of consumers. In France, the number of market surveillance investigations has increased compared with 2019. In 2025, national authorities reported in the EU system for market surveillance (ICSMS) a total of 60.6 investigations per one million inhabitants, which is lower than the EU median of 136.2. The number of notifications remains limited in absolute terms, which may also be the result of insufficient IT national interoperability to the ICSMS system.

(197) Rigid and outdated standardisation system has been identified as one of ten Single Market barriers that should be addressed as a priority (European Commission, [The Single Market: our European home market in an uncertain world](#), 21.5.2025).

(198) Part of the ten Single Market barriers that should be addressed as a priority (European Commission, [The Single Market: our European home market in an uncertain world](#), 21.5.2025).

Regarding trade in services, France is among the Member States with the most restrictive regulations. Restrictive regulations on trade in services reduce the opportunities for businesses in France to access a wide range of services and may harm their competitiveness. The figure which applies to France in the OECD's intra-EEA STRI (intra-European Economic Area Services Trade Restrictiveness Index) (199) is the second highest in the EU (0.065 for France in 2025 against 0.068 for the highest value in the EU and 0.050 for the EU average – Table A5.1). France's restrictions to intra-EEA service trade are particularly high in air transport, architecture, distribution services, legal services, accounting, rail freight and road freight. Barriers to cross-border professional services (shareholding limits, multidisciplinary practice bans, and fixed tariffs in regulated professions) restrict provision of services, especially in the legal, health, transport and construction sectors. Additionally, businesses report that complex legal obligations make posting of workers burdensome and costly (remuneration, status, collective agreement) (200).

For several professions, regulatory barriers to entry and competition remain higher in France than in comparable countries. Some 253 professions are regulated in France (201), which is more than the EU median (200). According to the OECD (202), on 1 January 2023, regulatory barriers remained higher in France than in peer countries for accountants, architects, estate agents and lawyers, and the level of the barriers to entry in service sectors was the same as in 2018. These barriers mostly take the form of shareholding and legal form

(199) European Commission staff calculation based on the OECD, intra-EEA [STRI](#) database, 11/2/2025.

(200) Single Market Obstacles Compendium, European Round Table of Industry, May 2025, [Single Market - Compendium of obstacles - 21 May 2025](#)

(201) European Commission, [Regulated Profession Database](#).

(202) [OECD, Product Market Regulation \(PMR\) indicators: How does France compare?](#), 2024.

requirements. Since 2021, when the Commission adopted recommendations to address barriers in professional services ⁽²⁰³⁾, progress has remained limited. In reply to a survey carried out by the Commission between December 2025 and February 2026, France reported that it had only partially implemented 7 out of 11 of the 2021 Commission recommendations. In 2023, France adopted an ordinance to clarify and ensure the consistency of the provisions applicable for setting up professional companies ⁽²⁰⁴⁾. Most of the provisions of this law came into force on 1 September 2024, following the publication of by-laws. While this ordinance may have improved clarity, it continues to prevent professional companies (owned only by professionals) established in other Member States from acquiring a majority share in professional companies established in France. Although France has received the recommendation to reduce regulatory restrictions on firms, in particular in the services sector (CSR 2025 3(1)), it has not taken any steps to reduce restrictions in regulated professions since the adoption of the recommendation. The competition authority has recommended that France reviews the methodology to set the regulated tariffs of certain legal professions to ensure that the tariffs more closely align with costs ⁽²⁰⁵⁾.

France is keeping stringent restrictions on the operations and establishment of retail shops ⁽²⁰⁶⁾. Following the adoption of the ELAN, EGalim 1, 2 and 3, PACTE and CLIMA

laws, France is the most restrictive Member State regarding regulatory frameworks for the retail sector, according to the Commission's ⁽²⁰⁷⁾ and OECD's ⁽²⁰⁸⁾ indicators. France adopted the EGalim 3 Law in March 2023 ⁽²⁰⁹⁾ and updated it in November 2023 ⁽²¹⁰⁾. These laws have introduced new rules, notably on commercial negotiations between retailers and suppliers, with the objective of rebalancing negotiating power along the food supply chain and providing a fair income to farmers. Retailers must comply with stricter purchasing conditions and additional formalities. The French authorities also impose the EGalim laws and the jurisdiction of the French courts on economic operators ⁽²¹¹⁾ established in other Member States that carry out pan-European negotiations and conclude contracts for the benefit of their members who are retailers active in different Member States, if the products are to be sold in France. Failure to comply with French law entails heavy fines. This may prevent retailers from using Single Market freedoms, and consumers from benefiting from competitive prices and a broader choice of products. Although France has received the recommendation to reduce regulatory restrictions on firms, in particular in the services sector (CSR 2025 3(1)), it has not reduced the restrictions on the operations and establishment of retail shops.

The implementation of the law simplifying economic life could improve transparency of banking fees and facilitate the termination of insurance contracts. Pursuant to the law simplifying the economic life, banks will have to

⁽²⁰³⁾ European Commission, [Communication on updating the reform recommendations for regulation in professional services](#), COM(2021) 385, 9 July 2021.

⁽²⁰⁴⁾ [Ordonnance n° 2023-77 du 8 février 2023 relative à l'exercice en société des professions libérales réglementées](#).

⁽²⁰⁵⁾ Autorité de la concurrence, [avis 25-A-09](#) du 31 juillet 2025.

⁽²⁰⁶⁾ (i) Restrictive and diverging national services regulations and (ii) complicated business establishment and operations are two of the 10 Single Market barriers that should be addressed as a priority (European Commission, [The Single Market](#), 21.5.2025).

⁽²⁰⁷⁾ European Commission, [Retail restrictiveness indicator](#) (2022 update), 2024.

⁽²⁰⁸⁾ OECD, [Product Market Regulation indicator](#).

⁽²⁰⁹⁾ [Loi n° 2023-221 du 30 mars 2023 tendant à renforcer l'équilibre dans les relations commerciales entre fournisseurs et distributeurs](#).

⁽²¹⁰⁾ [Loi n° 2023-1041 du 17 novembre 2023 portant mesures d'urgence pour lutter contre l'inflation concernant les produits de grande consommation](#).

⁽²¹¹⁾ These operators do not negotiate with farmers or small companies in the food supply chain.

send a statement of fees to very small enterprises and harmonise the presentation of their tariffs. SMEs will have the right to terminate their contracts insurance companies anytime after the first year.

Regarding public procurement procedures, the competition level is higher than the EU average. The share of direct awards is only around 2% ⁽²¹²⁾, which is significantly below the EU median of 6% (Table A5.1). Also on the positive side, the share of single bids is significantly below the EU median (19% vs 27%).

SMEs access to public procurement is being facilitated. France adopted a decree ⁽²¹³⁾, which lowers the turnover threshold required to participate in public procurement procedures. In 2026, it launched “Passe marché”, which will allow businesses to have their data pre-filled in application forms. Last, the law for simplifying economic life, adopted on 15 April 2026, contains provisions to facilitate businesses’ access to public procurement. By the end of 2030, the State, its operators, hospitals and social security institutions will publish their bids on a single online public procurement platform (‘Place’). In addition, certain contract lots could be reserved to young innovative companies.

But the e-procurement landscape is still fragmented, and data quality issues highlight the need for interoperable systems, common standards, and stronger data governance. Considering France’s decentralised e-procurement service, with between 12 and 20 different separate procurement services in operation ⁽²¹⁴⁾, economic operators must still use several systems to access all public procurement procedures, creating complexity and barriers to

⁽²¹²⁾ European Commission, [Public procurement data space](#).

⁽²¹³⁾ Décret n° 2025-1383 du 29 décembre 2025

⁽²¹⁴⁾ As reported in the e-procurement matrix.

participation. This fragmentation underscores the need for introducing interoperability and common standards. The once-only principle is only partially implemented at national level (Annex 7), and buyers across the EU still lack digital access to relevant evidence. France has experienced a decline in data quality, and as of 2023, new data will not be incorporated into the Public Procurement Data Publication Platform. France would benefit from a dedicated service within the administration to collect and analyse public procurement data and thus support data-driven oversight of the procurement lifecycle ⁽²¹⁵⁾.

Businesses’ views on corruption risks in public procurement are below the EU average. Among companies that have experience of and have participated in a public procurement procedure, 19% think that corruption has prevented them from winning a public tender or a public procurement contract in practice (EU average: 25%) ⁽²¹⁶⁾. 53% of companies (EU average: 51%) consider collusive bidding in public procurement procedures to be a very or fairly widespread practice, and 48% (EU average: 53%) consider conflicts of interest in the evaluation of bids to be a very or fairly widespread practice. 58% of businesses perceive the independence level of the public procurement review body (the regular courts) to be ‘very’ or ‘fairly good’ when it is reviewing public procurement cases ⁽²¹⁷⁾. France is enacting a law on the use of consulting companies for public policies, introduced to address concerns related to large public contracts, while the French Anti-Corruption Agency has been tasked with developing an anti-corruption strategy for ports ⁽²¹⁸⁾. Public procurement has been

⁽²¹⁵⁾ European Court of Auditors, [Special report 28/2023: Public procurement in the EU](#), 2023.

⁽²¹⁶⁾ European Commission, Flash Eurobarometer 557, p. 133.

⁽²¹⁷⁾ European Commission, Justice Scoreboard (2025), p. 53; Flash Eurobarometer 555, p. 39.

⁽²¹⁸⁾ European Commission, Rule of Law Report- Country Chapter France (2025), pp. 9-10.

identified as an area at high risk of corruption during the public consultation for the preparation of the next national anti-corruption plan ⁽²¹⁹⁾.

Industry and economic security

Industry slowed down in 2025 but is showing signs of resilience. In 2025, the growth of the manufacturing industry has been hampered by political uncertainty, regulatory burden, international competition and geopolitical constraints, including US tariffs. More factories closed than opened. Some industrial sectors have suffered more than others: energy-intensive industries, the automotive industry, but also the agro-industry. According to a European Commission study ⁽²²⁰⁾, the decline of France's automotive industry will strongly impact the regions where the automotive industry is located. Nevertheless, the industry is showing resilience, as evidenced by employment figures. According to business organisations, support to industry, in particular through France 2030 ⁽²²¹⁾, a EUR 54 billion investment plan launched in 2021 and initially planned for 5 years, continues to bear fruit, but future payments may be reduced ⁽²²²⁾. Competitiveness is maintained, partly because wage increases have been lower than inflation, but at an average level only. Productivity gains are insufficient compared with other countries. Skills tensions are decreasing (also due to bankruptcies) but are still present, with 40 000

vacancies in the manufacturing sector in 2025 ⁽²²³⁾.

Since 2021, the production of France's energy-intensive industries has fallen significantly. While France's manufacturing production has increased slightly (+2% between 2021 and 2024), the production of energy-intensive industries has declined. At the end of 2024, France's production of steel, glass and basic chemicals were respectively 24%, 20% and 15% lower than in the second quarter of 2021 ⁽²²⁴⁾ (Graph A 5.1). This fall can be explained by several factors: the large increase in energy prices, the competition from Asia and North America and the lack of dynamism in demand, notably from the construction and manufacturing sectors. Since their peak in March 2023, energy prices have fallen but remain well above their 2021 level and are considerably higher than in the US or China. Compared with the EU however, electricity prices for non-household consumers in France were around 17% below the EU average in 2025 (Table A5.1 and Annex 9).

⁽²¹⁹⁾ European Commission, [Rule of Law Report- Country Chapter France \(2025\)](#), p. 9.

⁽²²⁰⁾ European Commission, [Mapping the impact of industrial decline on European regions](#), 2025.

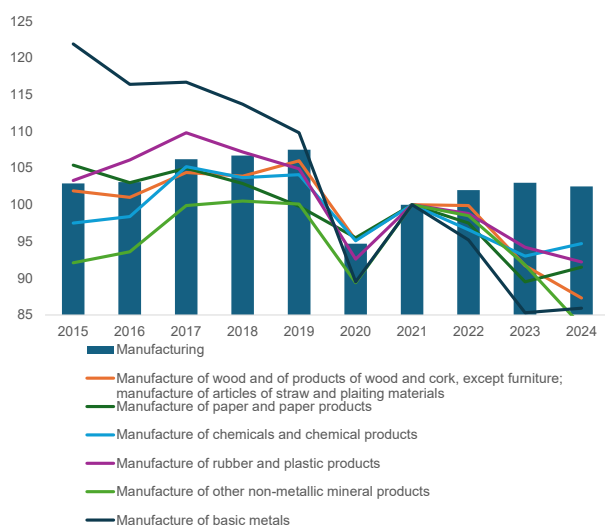
⁽²²¹⁾ France, [Evaluation ex ante de l'impact macroéconomique de France 2030](#), April 2026

⁽²²²⁾ Under the 2026 budgetary law, the payments possible under France 2030 in 2026 were reduced by EUR 1.1 billion.

⁽²²³⁾ Meeting between European Commission staff and business organisations, 1/2026.

⁽²²⁴⁾ France's reply to the European Commission's questionnaire, December 2025.

Graph A5.1: **Manufacturing industry production: total and selected sector, index (2021=100), 2015-2024**



Source: Eurostat

The net-zero industry is strong in certain areas but modest overall, given the size of the country.

French companies are among the largest European manufacturers of nuclear equipment and technologies. In addition, France manufactures components and end-use products needed for (i) wind power, with a production estimated by a recent study ⁽²²⁵⁾ at 6% of total EU production; (ii) grids with a production estimated at 4% of EU production; (iii) solar energy with a production estimated at 2% of EU production and (iv) heat pumps. France also manufactures batteries, with a capacity estimated at 6-7% of total EU capacity in 2024, while mega factory projects are expected to produce 115 GWh of cells in the long term to meet the needs of the automotive sector ⁽²²⁶⁾. The production of electric vehicles is growing but remains modest, given the country's needs. France imports much more electric vehicles than it exports ⁽²²⁷⁾. Lastly,

⁽²²⁵⁾ European Commission, [The net-zero manufacturing industry landscape across the Member States, country fiches](#), 1/2025.

⁽²²⁶⁾ France, Ministère de l'économie, Théma de la DGE, [Déploiement de l'électromobilité](#), 31/10/2024.

⁽²²⁷⁾ Bruegel, [European clean tech tracker](#), update: 3/9/2025.

France represents only 1-3% of EU capacity in the value chains of electrolysis and fuel cells technologies used to produce hydrogen.

France supports decarbonisation of industry, but financing will end soon, if not replaced.

France has used the Recovery and Resilience Facility's (RRF) funding for the decarbonisation of industry (investment C2.I1) and for the development of technologies relevant for the decarbonisation of industry (investment C4.I1) ⁽²²⁸⁾. Under France 2030, France has allocated EUR 4.5 billion to industrial decarbonisation (Annex 8).

Public support is also provided for the development of the net-zero industry.

France provides direct financial support through several instruments: (i) important projects of common European interest were set up for batteries and hydrogen; (ii) the RRF includes large investments for hydrogen ⁽²²⁹⁾; (iii) 'France 2030' targets French industrial development in key sectors, including EUR 4.8 billion for the production of two million hybrid and electric vehicles by 2030, EUR 3.1 billion for decarbonised hydrogen and renewable energy technologies, and EUR 0.8 billion for small modular nuclear reactors ⁽²³⁰⁾. In addition, France has set up a tax credit for the green industry ⁽²³¹⁾ for investment in batteries, solar, wind and heat pumps. This scheme entered into force in March 2024. By 1 December 2025, 44 applications had been approved, representing EUR 1.2 billion of tax credits

⁽²²⁸⁾ Council of the EU, [ANNEX to the COUNCIL IMPLEMENTING DECISION amending the Implementing Decision of 13 July 2021 on the approval of the RRF for France](#), 20/11/2025.

⁽²²⁹⁾ France has reviewed its hydrogen strategy, including the objective of having manufacturing capacities on the whole hydrogen value chain. See [Stratégie nationale de l'hydrogène décarboné 2025](#), 4/2025.

⁽²³⁰⁾ Programmation actualisée du plan France 2030 au 1er avril 2025 et en millions d'euros. Source : Sénat, [Projet de Loi de finances pour 2026: investir pour la France de 2030](#), rapport No 139, 24/11/2025.

⁽²³¹⁾ Crédit d'impôt au titre des investissements dans l'industrie verte (C3IV).

granted ⁽²³²⁾. The 2026 budgetary law prolonged the scheme until 2028.

France is speeding up permitting for green industry. In 2023, France adopted a law for green industry ⁽²³³⁾ to speed up the permitting procedures for the construction of factories (from 17 to 9 months); improve the procedures for industrial land planning and brownfield regeneration; boost private financing for low carbon projects; and take better account of environmental criteria in public procurement procedures. To implement the law, several decrees were adopted in 2024 ⁽²³⁴⁾ that made it possible to conduct the permit-granting process in parallel with public consultations. Between October 2024 and October 2025, 436 applications for permitting were submitted. 321 benefitted from the new public consultation in parallel with other procedures. At the end of 2025, 115 were being examined and five had been authorised, with an average duration of seven-and-a-half months ⁽²³⁵⁾.

However, implementation of the Net-Zero Industry Act (NZIA) is progressing slowly. France has not yet designated a single point of contact (Article 6(1) NZIA), which is crucial for streamlining coordination among stakeholders. Regarding net-zero projects, France has established a national contact point to process applications, which will facilitate the advancement of net-zero strategic projects, and has applied for five projects ⁽²³⁶⁾. Regarding net-zero acceleration valleys, France has not designated any area, nor expressed an interest in designating an area.

While France supports projects to secure the supply of critical raw materials, its dependency on imports remains high.

Following the 2022 Varin report, France adopted a national strategy to secure the supply of critical raw materials ⁽²³⁷⁾ and provides support for the extraction, processing and recycling of critical raw materials through several instruments: (i) the tax credit for the green industry covers processes related to the extraction, processing and valorisation of critical raw materials; (ii) under France 2030, France is devoting EUR 425 million for the extraction, processing and recycling of critical metals in France; (iii) an investment fund for critical metals was set up in 2024 with a state allocation of EUR 500 million, with a view to collecting EUR 2 billion; (iv) France provides guarantees for projects abroad or in France. Under the Critical Raw Materials Act, France has presented 10 projects recognised by the Commission as strategic projects ⁽²³⁸⁾. They include projects to extract and process lithium, as well as projects to process and recycle other raw materials, such as rare earth elements for magnets, cobalt, nickel and copper. The benefits of this policy still need to materialise. France's material import dependency stands at 30.8%, against an EU average of 22.4%. In particular, France depends on imports for many of the critical raw materials needed for developing the net-zero industry ⁽²³⁹⁾.

⁽²³²⁾ France's reply to the European Commission's questionnaire, December 2025.

⁽²³³⁾ Légifrance, [Loi n° 2023-973 du 23 octobre 2023 relative à l'industrie verte](#).

⁽²³⁴⁾ France, [Loi industrie verte: récapitulatif des décrets d'application](#), 19/7/2024.

⁽²³⁵⁾ France, [Evaluation annuelle de la mise en œuvre des mesures prévues par la loi industrie verte](#), 2/2026.

⁽²³⁶⁾ European Commission, [Overview of strategic projects under NZIA](#), 4 May 2026.

⁽²³⁷⁾ European Commission, [country report France, 2025](#), p. 54.

⁽²³⁸⁾ European Commission, [Selected strategic projects under CRMA](#), 3/2025.

⁽²³⁹⁾ European Commission, [country report France, 2025](#), p. 54.

Table A5.1: Single Market and Industry

France								
POLICY AREA	INDICATOR NAME	2021	2022	2023	2024	2025	EU-27 average	
Business environment and investment								
Productivity and investment	Labour productivity (GDP per hour worked in PPP terms), % of EU27 ²	119.3	113.9	115.5	114.0	114.5	100.0	
	Business investment (share of GDP) ¹	12.7	12.7	12.7	12.3	-	12.6	
	Public investment (share of GDP) ¹	4.1	4.2	4.2	4.4	-	3.9	
Business environment and simplification	Impact of regulation on long-term investment, % of firms reporting business regulation as a major obstacle ²	21.3	16.6	17.6	19.7	26.0	34.0	
SME liquidity	EIF Access to Finance for SMEs index - loans ³	0.85	0.72	0.75	0.73	-	0.43	
	EIF Access to Finance for SMEs index - equity ³	0.16	0.24	0.21	0.20	-	0.19	
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment ⁴	11.3	16.5	16.8	17.4	17.1	17.4	
	Payment gap - public sector, difference in days between offered and actual payment ⁴	8.7	22.7	18.5	14.3	13.8	13.6	
	Share of SMEs experiencing late payments, % ⁵	from private entities in the previous or current quarter	-	-	-	58.1	58.1	47.1
		from public entities in the previous or current quarter	-	-	-	28.7	28.2	15.9
Single Market								
Integration	EU trade integration, average(intra-EU imports + intra EU exports)/GDP, % ¹	16.5	19.3	18.2	17.3	17.1	40.7	
	EEA Services Trade Restrictiveness index ⁶	0.066	0.066	0.065	0.065	0.065	0.050	
Public procurement	Single bids, % of total contractors ^{7*}	19	21	22	22	19	27	
	Direct awards, % of negotiated procedures ^{7*}	2	2	2	2	2	6	
Compliance	Transposition deficit, % of all directives not transposed ⁸	0.6	0.3	0.1	0.5	1.1	1	
	Conformity deficit, % of all directives transposed incorrectly ⁸	1.5	1.4	1.3	1.2	1.5	1.1	
	SOLVIT, resolution rate per country, % ⁸	82.45	88	86	85.8	93.1	84.6	
	Number of pending infringement proceedings ⁸	39	36	31	29	31	25	
Industry and economic security								
Energy-intensive industries	Electricity prices for non-household consumers ¹	0.0819	0.1143	0.1841	0.1391	0.1228	0.1462	
	Electrification (electricity as a share of total energy consumption in industry) ¹	35.9	36.0	36.6	-	-	32.7	
	Share of energy from renewable sources (renewable energy generation as a share of overall energy consumption) ¹	19.4	20.3	22.5	23.2	-	25.2	
Critical raw materials	Material import dependency, % ¹	31.9	32.4	29.6	30.8	-	22.4	
	Circular material use rate ¹	15.4	16.7	16.9	17.8	-	12.2	
Operational cleantech manufacturing capacity in 2025 ⁹	- Solar PV (c: cell, w: wafer, M: module), GW	0.005 (c), 1.05 (m)		- Electrolyzer, GW		-		
	- Heat pump assembly	0.4147		- Battery, GW		19.6		

Source: (1) Eurostat, (2) EIB Investment Survey, (3) EIF SME Access to Finance Index, (4) Intrum Payment Report, (5) SAFE survey, (6) OECD, (7) data up to 2024: Single Market and Competitiveness Scoreboard, 2025: Commission calculation based on TED data, accessible at the Public Procurement Data Space (PPDS) (*) the value represented here under EU average is the median, (8) Single Market and Competitiveness Scoreboard, (9) European Commission calculations.

Table A6.1: Savings and Investments Union summary diagnostic

Topic	Main features	Relative EU positioning
Asset-backed pension schemes	Assets at 19.2% of GDP (32.3% in the EU) 10-year real return of 1.3% (1.4% in the EU)	France has moderate pension fund assets that yield a modest return. Exposure to equity is low. France has no mandatory or auto-enrolment pension schemes.
Households' financial assets	EUR95 100 per capita (EUR85 100 in the EU) o/w 5.8% in listed shares and bonds (7.6% in the EU) o/w 6.3% in investment funds (11.1% in the EU) o/w 28.5% in life insurance (13.4% in the EU) o/w 3.6% in pension claims (13.6% in the EU)	A very high share of households' substantial financial assets is invested in life insurance, and relatively little in investment funds and pensions.
Venture capital (VC) Private equity (PE)	VC at 0.089% of GDP (0.064% in the EU) PE at 0.855% of GDP (0.487% in the EU)	Relatively high venture capital and very high private equity investments.
Capital taxation	Capital gains tax of 30%, corporate income tax of 25% with interest deductibility, withholding tax of 30% (except regulated deposits), financial transaction tax.	Equity is typically more taxed than other assets, but PEA partly corrects that.
1-3 4-10 11-17 18-24 25-27	Colours indicate the country's relative ranking based on five groups, ranging from the three best to the three worst performers. The relative ranking as regards an SIU diagnostic topic derives from a consistent cross-country comparison, the starting point of which is the average of the underlying main features.	

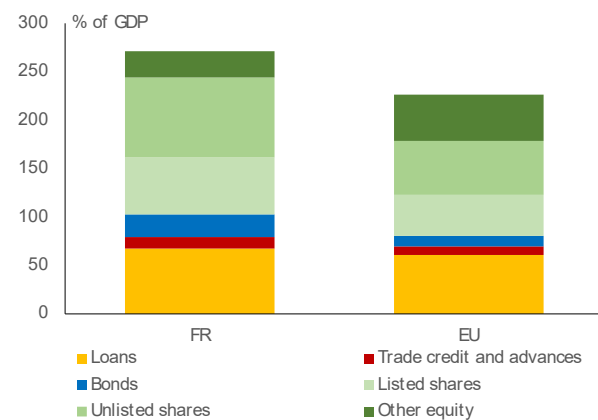
Source: OECD (pensions), Eurostat (households' financial wealth), FISMA CMU dashboard (VC and PE), national sources (capital taxation). End-2024.

France is an average Member State on the key progress indicators for the Savings and Investment Union (see Table A6.1). Even though the financial sector in France remains dominated by banks, non-bank financial intermediaries like insurers and the French capital markets are also well developed. Like in most Member States, households in France invest relatively little in financial assets, including equities. The French savings and investment account (Plan d'Epargne en Actions) is a useful tool to foster equity investment that needs to be further improved. The banking sector appears relatively sound and profitable and is therefore not constrained in its role of financing the economy. The French insurance sector remains robust, but its investment portfolio is mostly composed of bond holdings. Asset-backed, funded pensions remain relatively small and generate only modest real returns. Encouraging the development of complementary, universal, funded pension schemes alongside the prevailing pay-as-you-go system would help channel investment into equities, corporate bonds and growth capital such as venture capital and private equity. This in turn would support growth and innovation.

Business landscape and company funding

In comparison with the EU average, the French economy, in terms of structure and size, relies more on large companies. The relative importance of micro-sized businesses in France is about the same as the EU average, but large companies play a greater role in the structure of the economy, at the expense of medium-sized and small companies (see Annex 5 for more details). This has concrete implications for the corporate sector's demand for funding.

Graph A6.1: Composition of NFCs' funding



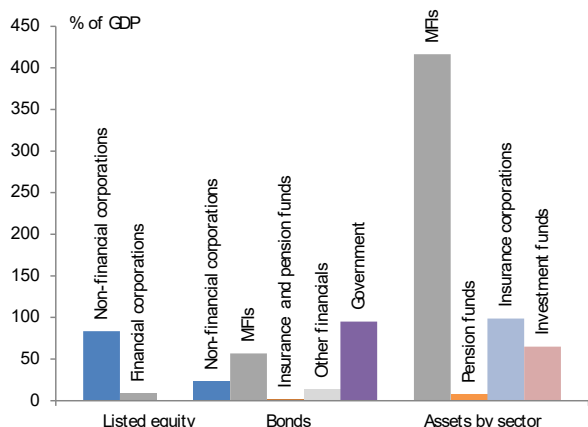
Source: Eurostat. End-2024.

Firms in France rely more on funding from capital markets and less on both internal

funding and funding from banks than the EU average. French businesses depend less on internal financing than their European peers. According to the 2025 EIB Investment Survey, 50% of French firms' investment needs are covered by internal funding, compared with an EU average of 66%. At the end of 2024 bank finance through loans constituted 25% (vs 27% in the EU) of external funding for French non-financial corporations (NFCs), while listed shares and bonds accounted for 30% (vs 24% in the EU) of external funding. When expressed in terms of GDP, the overall level of NFC funding was higher in France (270% of GDP) than the EU average (226%) (see Graph A6.1).

Size and structure of the financial sector

Graph A6.2: **Capital markets and financial intermediaries**



Source: ECB, EIOPA, AMECO. End-2024.

Even though the financial sector in France remains dominated by banks, non-bank financial intermediaries are also very developed. Banks' assets were equivalent to 416% of GDP in December 2024 (vs 251% in the EU) (see Graph A6.2). The French banking sector is mostly made up of large, domestic and private universal banking groups. The six largest French banking groups are universal banks. The four largest French banks (BNP Paribas, Groupe Crédit Agricole, Société Générale and Groupe BPCE) are global systemically important banks. The share of

domestic banks is very high and reached 91% of the country's banking sector assets in December 2024. Most banks are privately owned, and the only significant state-controlled bank is La Banque Postale, the country's sixth largest bank. The French insurance sector, with total assets equivalent to almost 99% of GDP at end-2024 (vs 55% of GDP in the EU), dominates non-bank intermediation. Its relatively large size is due to the popularity of life insurance in France, which offers long-term savings and investment products. The pension funds sector is much smaller, with assets equivalent to only 8% of GDP (vs 23% in the EU). The investment funds sector is larger, with assets equivalent to a significant 65% of GDP, above the EU median.

French capital markets are well developed.

The main stock exchange in France is Euronext Paris. The equity market is relatively large in terms of capitalisation (equivalent to 92% of GDP in 2024) when compared with the EU average (67% of GDP), but much smaller than the US (213% of GDP). The market breadth of French bond markets exceeds the EU average (2.1 vs 1.5)⁽²⁴⁰⁾, and the bid-ask spread⁽²⁴¹⁾ on equity markets is lower than the EU average (1.3 vs 1.6). Initial public offerings were equivalent to 0.07% of GDP in 2024, broadly in line with the EU average (0.08% of GDP).

France has adopted – or plans to adopt – several measures to make its capital markets more attractive.

These measures should both: (i) improve innovative firms' access to listing by introducing multiple-vote share structures; and (ii) facilitate the use of capital increase operations. Other measures will support the digitalisation of trade finance operations and shareholder meetings.

Half of bonds are issued by the government.

At end-2024, NFCs accounted for more than

⁽²⁴⁰⁾ Expressed as the ratio of bonds outstanding to GDP.

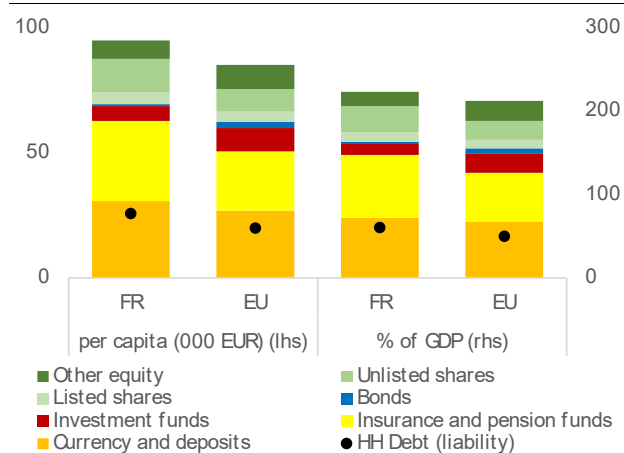
⁽²⁴¹⁾ Median of bid-ask spread as a percentage of the mid-price.

90% of the market capitalisation of the public French stock market, which reflects the extent to which it is geared towards funding the non-financial segment of the real economy. The outstanding volume of listed debt securities was equivalent to 190% of GDP at end-2024, one of the highest in the EU. Bonds issued by the French government accounted for half of the total. This reflects the significant weight of gross public debt in the bond market.

Households' participation in capital markets

Like in most Member States, French households invest relatively little in financial assets and, more importantly, equity. French households' financial assets were equivalent to 221% of GDP in 2024, slightly more than the EU average (212%), but much less than the US (446%). Moreover, assets invested in equity were estimated to be equivalent to only 108% of GDP, above the EU average (91%) but less than a third of the US (291%). Compared with the average EU household, French households invest relatively little in investment funds, while allocating a significant portion to life insurance. However, the assets held by these traditional life insurance schemes are mostly bonds, which generate lower returns than equity investments.

Graph A6.3: **Composition of HHs' financial assets**



Source: Eurostat. End-2024.

The French savings and investment account (SIA) is a useful tool, but it could be improved. The French *Plan d'Épargne en Actions* (PEA) is a type of SIA ⁽²⁴²⁾ that offers several positive features, such as fee limits, a broad investment universe and the ability to open an account without financial advice. However, it has some shortcomings which may reduce the attractiveness of the product: it retains an age limit, it restricts geographic diversification, and it does not guarantee universal access to the most favourable tax treatment. In parallel, subject to certain conditions (notably a lock-in period), employees of some companies can, via dedicated employee savings schemes ⁽²⁴³⁾, accumulate assets in a tax-advantaged manner – including employer contributions – by investing in their own company or in investment funds.

The banking sector: resilience and financing of the economy

The banking sector reports adequate solvency and is therefore not constrained in its ability to finance the economy. With annualised return-on-equity of 6.6% in 2024 and 6.8% in the first three quarters of 2025, (vs an average of 9.6% in the first three quarters in the EU), the profitability of French banks is relatively stable but significantly lower than elsewhere in the EU. This is due to: (i) the high (regulated) interest rate on the 'Livret A' savings products offered to retail investors; (ii) the predominance of fixed-rate loans on the asset side; and (iii) the highest cost-to-income ratio in the EU (66.1% in Q3-2025 vs 53.8% in the EU). Despite the difficult macroeconomic environment, the capital adequacy ratio of

⁽²⁴²⁾ On 30 September 2025, the Commission published a [Recommendation](#) to increase the availability of SIAs with simplified and advantageous tax treatment.

⁽²⁴³⁾ Such as the Plan d'Épargne Entreprise and the Plan d'Épargne Interentreprise.

French banks has remained broadly stable over the years and reached 19.7% in September 2025 (vs 20.2% in the EU). The average minimum requirement for own funds and eligible liabilities (MREL) level of French banks stood at 32.6% of total risk exposure amount (TREA) in Q2-2025, slightly down from 33.4% in December 2024 ⁽²⁴⁴⁾. Against an average MREL binding target (including combined buffer requirements) of 26.6% TREA in Q2-2025, no bank reported an MREL shortfall. In February 2024, France published information on its national bail-in mechanic in line with the EBA guidelines ⁽²⁴⁵⁾. Credit quality remains relatively strong, with the non-performing loan ratio (2.1% in Q3-2025 vs 1.9% in the EU) up from its all-time low of 1.8% observed from March 2022 to March 2023. This relatively good credit quality is partly due to the predominance of fixed-rated loans on the asset side. However, the banks' asset quality outlook is increasingly uncertain due to the current conflict in the Middle East and its impact on energy prices and economic growth. The loan-to-deposit ratio slightly decreased from 98.8% in Q4-2024 to 98.0% in Q3-2025 (vs 93.2% in the EU), signalling a slight excess of deposits over loans.

Credit growth in France has slightly picked up after a period of record low credit growth. Due to the recent moderate decline in interest rates, year-on-year household credit growth in France has accelerated, rising from a low of 0.1% (vs 0.2% in the euro area) in October 2024 to 1.3% in September 2025 (vs 2.6% in the euro area). The relatively weak growth was driven by the very low growth in housing loans (0.5% in the 12 months to September 2025), while consumer loans fared much better, with year-on-year growth in the 12 months to September 2025 of 4.5%. Lending to NFCs was more resilient than lending to households, as year-on-year growth

in credit to NFCs reached 3.2% in September 2025 (vs 2.5% in the euro area), up from a low of 1.6% in January 2024.

Interest rates on new loans to the private sector have receded from the peak reached at the end of 2023. In September 2025, interest rates on new loans to French households for house purchases reached 2.99% (vs 3.25% in the euro area), down from a high of 3.60% in December 2023. Interest rates on new loans to NFCs followed a similar – but even steeper – pattern. They dropped to 3.45% (vs 3.68% in the euro area) in September 2025, sharply down from the peak of 4.92% observed in November 2023. Overall, even if they have somewhat declined from their peak, interest rates remain higher than those observed over the last decade.

French banks reported a slight tightening in their credit standards for NFC loans and some easing in credit standards for housing loans in Q4-2025. In the January 2026 Bank Lending Survey²⁴⁶, French banks indicated that their credit standards for NFC loans had slightly tightened in Q4-2025 compared with Q3-2025, in line with the tightening reported in the euro area on average. French banks also reported a moderate easing in credit standards for housing loans to households in Q4-2025 (vs a small easing in the euro area), and expect some further easing in Q1-2026. However, they also reported some slight tightening in credit standards for consumer loans, and expect some further substantial tightening in this area in Q1-2026. Firms' net demand for corporate loans continued to decrease in Q4-2025 for the 12th quarter (Q3-2024 excluded) in a row (vs a slight increase in the euro area), due to reduced fixed investment. Thanks to better housing market prospects, the demand for housing loans increased in Q4-2025 for the sixth consecutive quarter (vs a moderate

⁽²⁴⁴⁾ See the [MREL Dashboard](#) published by the SRB.

⁽²⁴⁵⁾ EBA, [Guidelines to resolution authorities on the publication of their approach to implementing the bail-in tool](#).

⁽²⁴⁶⁾ https://www.ecb.europa.eu/stats/ecb_surveys/bank_lending_survey/html/index.en.html

increase in the euro area), but it is expected to deteriorate in Q1-2026.

Role of non-bank financial intermediaries

The French insurance sector remains robust.

The solvency ratio has declined but remains well above regulatory requirements. The average solvency ratio stood at 238% at end-2024 (vs 244% in the EU), down from 249% in 2023. The decline was sharper for 'bancassurers' (insurers linked to banks), whose solvency dropped by 20 percentage points between the end of 2023 and the end of 2024, partly due to large end-of-year withdrawals from profit-sharing reserves to remunerate life insurance contracts with a guaranteed interest rate. Despite this decline, all insurers exceed minimum regulatory capital requirements, with 75% reporting a solvency ratio above 170%, and 25% reporting a solvency ratio above 291%. Life insurers have benefited from greater asset returns and the use of profit-sharing provisions, enabling them to offer attractive revaluation rates and achieve record-high net inflows in 2024. Non-life insurers, meanwhile, saw improved technical profitability in 2024 thanks to increased premiums, although this remains below pre-2022 levels due to the inflation shock.

The investment portfolio of French insurers is mostly composed of bond holdings.

The French insurance sector, which is very large by EU standards (assets-to-GDP of 100% vs an EU average of 53% in Q2-2025), invested 42% of its assets in bonds in Q4-2024 (on average, insurers in the European Economic Area invest 37% of their assets in bonds) ⁽²⁴⁷⁾. Government bond holdings (of which 58% are domestic) represented 20% of the total asset portfolio (vs 19% for insurers in the EEA), while corporate bonds accounted for another 22% of their

portfolio (vs 18% for insurers in the EEA), equity 14% (vs 16% in the EEA), investment funds 32% (vs 36% in the EEA), cash and deposits 3% (vs 4% in the EEA), and mortgages and loans 2% (vs 4% in the EEA).

Higher returns in life insurance have led to record inflows.

Returns on individual life insurance contracts in France stabilised at 2.6% in 2024, aided by the use of profit-sharing reserves built up during the period of low interest rates. These reserves declined from 5.4% of technical provisions in 2022 to 4.3% in 2024. Higher investment returns also supported this performance, despite unrealised losses on bond holdings, which remained stable at 3% of portfolios. Equity, fund, and real estate holdings continued to show unrealised gains, keeping total unrealised gains stable at 3%. The competitive return levels led to historically high gross and net inflows into life insurance in 2024. During the period of low interest rates, insurers promoted unit-linked contracts – where market risks are borne by savers – to offset weaker returns on traditional contracts with guaranteed capital (*fonds en euro*). From 2019 to 2023, guaranteed-capital products saw persistent net outflows, while unit-linked contracts attracted positive net inflows. Higher interest rates for bank-deposit savings and rising mortgage costs in 2022–2023 triggered more life insurance withdrawals. This trend reversed in 2024, with net inflows reaching a record EUR 25 billion, thanks to increased gross inflows – especially into capital-guaranteed contracts – and fewer redemptions.

The profitability of non-life insurance in France has improved, in part due to lower inflation, but it remains under pressure.

Profitability continued to recover modestly in 2024, with the combined ratio ⁽²⁴⁸⁾ improving to 97% (vs 96% in the EU) from 98% in 2023 and 100% in 2022. However, profitability

⁽²⁴⁷⁾ Source: EIOPA Insurance Statistics.

⁽²⁴⁸⁾ The combined ratio is equal to the sum of the incurred losses and expenses divided by the earned premiums. It is inversely related to profitability.

remains under pressure, especially outside the health segment. Key challenges included the rising costs for auto parts, home repairs, and reinsurance. Although insurance premiums rose more slowly than inflation in 2022–2023, they picked up in 2024, particularly in motor insurance. Nonetheless, some lines like construction, general liability, and disability coverage remain exposed to inflation over the long term due to less frequent price revisions.

Natural hazards are a major risk in non-life insurance. After a surge in 2023, catastrophe-related claims in France fell by 45% in 2024, bringing the combined ratio down to 126% from 193% the year before. Technical results were less volatile due to risk-sharing with reinsurers. In France, catastrophe reinsurance relies on a unique public-private system led by the Caisse Centrale de Réassurance (CCR), which reinsures almost all insurers under a harmonised framework. After two years of increases, the reinsurance balance (i.e. the difference between the claims paid by the reinsurer and the premiums paid to the reinsurer) declined in 2024 but remained positive. A higher natural-disaster surcharge effective as of January 2025 will support the sustainability of the CCR scheme. However, the growing frequency of extreme weather events like storms, hail, and snow may make reinsurance more difficult to obtain in private markets, potentially impacting insurers' profitability over time.

The pension fund industry has an even more conservative investment profile than French insurers, with an even greater focus on bonds and government bonds in particular. The assets of French pension funds were equivalent to 8% of GDP in Q2-2025 (vs 23% in the euro area). At the end of 2024, bonds accounted for 49% of the assets of institutions for occupational retirement provision ⁽²⁴⁹⁾ (bonds on average account for only 35% of

pension fund assets in the EEA), with holdings in government bonds exceeding those in corporate bonds (27% vs 22%). Investment funds accounted for 36% of assets (vs 38% in the EEA), (vs 12% in the EEA), equity 6% (vs 20% in the EEA) and cash and deposits 3% (vs 3% in the EEA).

Asset-backed (funded) pension schemes remain small and fail to deliver a significant real return. France lacks well developed asset-backed pension systems. These systems are critical to secure citizens' finances, deepen capital markets and mobilise investment for growth and innovation. French pension assets ⁽²⁵⁰⁾ were equivalent to only 20.1% of GDP in 2024 (vs 32.3% in the EU and 162.0% in the US). France has some modest public pension reserve funds (equivalent to 7.3% of GDP), but one of these (the Fonds de Réserve des Retraites) is in run-off. Unlike some other Member States, contributions to occupational pension schemes are not mandatory in France. Such schemes exist only in certain sectors and there is no auto-enrolment, resulting in a relatively low participation rate (27.7% of the working-age population are in voluntary occupational pension schemes). Over the past 10 years the average real return generated by French pension assets has been modest (1.3% vs 1.4% in the EU) largely because of low equity exposure and high levels of bond holdings. On personal pensions, the 2019 reform creating the Plan d'Épargne Retraite (PER) under the PACTE law was a useful step towards broader access to funded pensions through tax incentives and product simplification, although its scope and take-up could be strengthened to achieve its full potential. As Kukies and Noyer (2026) also argue ⁽²⁵¹⁾, encouraging the build-up of universal, funded pension schemes

⁽²⁴⁹⁾ https://www.eiopa.europa.eu/tools-and-data/occupational-pensions-statistics_en.

⁽²⁵⁰⁾ Pension assets consist of pension providers' assets and public pension fund reserve assets. See OECD, [Pension Markets in Focus 2025](#) for details.

⁽²⁵¹⁾ [Kukies, J. and Noyer, C., Financing innovative ventures in Europe. Recommendations to close the scaleup financing gap, deepen the Savings and Investments Union and strengthen Europe's competitiveness, 2026.](#)

alongside the prevailing pay-as-you-go system would help channel investment into equities, support growth and innovation and diversify retirement income.

Venture capital ecosystem

France's domestic venture and growth capital market is more developed than the EU average. The value of private equity relative to nominal GDP hovered around 0.79% of GDP between 2017 and 2024, and reached 0.88% in 2024 (vs 0.46% in the EU). And the value of venture capital relative to nominal GDP fluctuated at around 0.07% of GDP between 2017 and 2024, and reached 0.07% in 2024 (vs 0.06% in the EU). Although private equity activity is relatively sizeable in France compared with the EU average, venture capital remains smaller than that of global competitors and European peers. It may prove insufficient to meet the massive financing needs of scale-ups (see also Annex 4).

France has put some policies in place to promote start-up and scale-up funding. The French Tech Mission was set up in 2013 to help structure and grow the French start-up ecosystem, both in France and internationally. It is responsible for both implementing public policies aimed at start-ups and bringing together this ecosystem nationally and internationally. It supports start-ups through various programmes, like 'France Tech Next40/120', 'Je choisis la French Tech', 'French Tech 2030', 'French Tech Tremplin' and 'French Tech Rise'. These programmes aim to both support companies that meet the priorities of the French government's innovation strategy, and to offer them the most comprehensive range of services possible. They combine all the levers of the state, in France and abroad, to mobilise the French tech ecosystem and public and private buyers, and carry out promotional activities. Bpifrance is a key partner and operator on several of these schemes, and has

its own catalogue of products to offer start-ups and scale-ups.

The participation of domestic institutional investors in providing funding for venture capital investors is relatively low. A 2024 paper by the think tank the Centre for European Policy Studies showed that pension funds in France accounted on average for only 10% of private equity and venture capital funds raised annually by French start-ups between 2007-2023. This is substantially less than the 19% in the Baltic states or the +20% in the Nordic Member States⁽²⁵²⁾. Given the size of the French insurance sector, there could still be further potential to boost insurers' investments in venture capital, where France can build on its successful Tibi initiative (see also Annex 4). Since 2019, the Tibi initiative has been encouraging institutional investors to invest in France's most innovative technology companies⁽²⁵³⁾.

⁽²⁵²⁾ Source: [Closing the gaping hole in the capital market for EU start-ups – the role of pension funds – CEPS](#).

⁽²⁵³⁾ As of March 2025, a total of EUR 12.5 billion had been invested by 37 institutional investors <https://www.tresor.economie.gouv.fr/banque-assurance-finance/financer-la-iveme-revolution-industrielle>.

Table A6.2: **Statistical Annex**

	2018	2019	2020	2021	2022	2023	2024	2025-Q3	EU	
Banking sector	Total assets of MFIs, % of GDP	374.1	383.2	452.5	441.0	433.7	420.2	416.4	418.4	246.1
	Common equity Tier 1 ratio	14.5	15.2	16.0	16.2	15.8	16.2	16.2	16.1	16.8
	Total capital adequacy ratio	18.0	18.6	19.5	19.7	19.4	19.6	19.9	19.7	20.2
	Overall NPL ratio, % of all loans	2.7	2.5	2.2	1.9	1.8	1.9	2.0	2.1	1.9
	NPL ratio, loans to NFCs	4.4	3.9	3.9	3.5	3.4	3.6	3.7	3.9	3.5
	NPL ratio, loans to HHs	3.2	2.9	2.6	2.3	2.1	2.1	2.2	2.3	2.1
	Return on equity ratio ¹	6.5	6.0	4.1	7.1	6.1	5.9	6.6	6.8	9.6
	Loans to NFCs, % of GDP	43.3	43.7	51.8	49.5	50.1	47.8	47.1	46.5	29.3
	Loans to HHs, % of GDP	59.4	61.0	67.0	65.2	64.6	61.2	59.3	58.3	43.6
	NFC credit growth rate, %	6.4	5.6	13.5	3.8	8.2	2.2	2.5	3.2	2.5
	HH credit growth rate, %	5.6	6.3	4.8	5.6	5.2	1.3	0.3	1.3	2.6
Non-banking sector	Stock market capitalisation, % of GDP	80.7	96.8	100.1	116.3	96.7	99.4	92.0	93.5	69.9
	Initial public offerings, % of GDP	0.12	0.30	0.05	0.69	0.06	0.01	0.07	-	0.06
	Market funding ratio	58.2	57.8	56.1	56.1	54.2	53.4	53.3	-	49.7
	Private equity, % of GDP	0.644	0.655	0.693	0.804	0.908	0.915	0.855	-	0.487
	Venture capital, % of GDP	0.038	0.051	0.059	0.077	0.094	0.099	0.089	-	0.064
	Financial literacy, composite index	-	-	-	-	-	45.0	-	-	45.5
	Bonds, % of HHs' financial assets	0.8	0.7	0.6	0.6	0.6	0.8	0.9	-	2.8
	Listed shares, % of HHs' financial assets	4.2	4.8	4.7	5.2	4.8	5.1	4.9	-	4.8
	Investment funds, % of HHs' financial assets	5.2	5.2	4.9	4.8	5.7	5.6	6.3	-	11.0
	Insurance/pension funds, % of HHs' financial assets	39.9	39.6	38.8	36.4	33.7	33.2	33.7	-	27.8
	Total assets of insurers, % of GDP	114.0	119.4	127.7	120.9	100.4	98.5	98.6	100.5	53.9
	Pension assets, bn EUR	-	-	-	362.0	415.9	552.2	587.9	-	5813.8
	Pension assets, % of GDP	-	-	-	14.4	15.7	19.5	20.1	-	32.3
	10y real return average of pension assets, %	-	-	-	-	-	1.6	1.3	-	1.4
	Pension funds assets, ECB (% of GDP)	-	-	-	-	7.6	7.6	7.7	7.7	23.0
	1-3	4-10	11-17	18-24	25-27	Colours indicate performance ranking among the 27 EU Member States.				

(1) Annualised data.

For ECB data on credit growth and pension fund assets, EU data refer to the EA average.

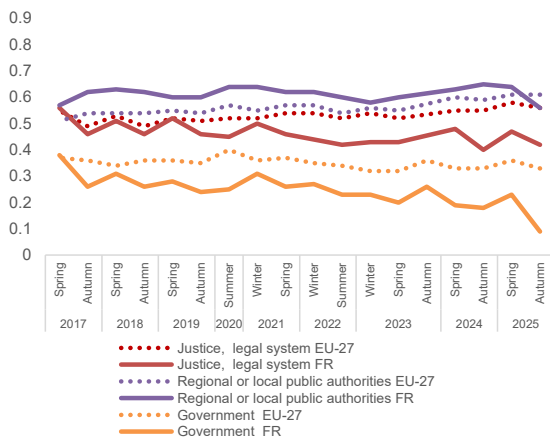
Private equity and venture capital, % of GDP is calculated as a three-year moving average.

Source: ECB, ESTAT, OECD, CMU Dashboard, AMECO.

An effective institutional framework is essential for competitiveness. This requires public trust built on integrity, quality legislation, regulatory simplification and efficient services for people and businesses. For France, the 2025 country-specific recommendations highlighted challenges in reducing the regulatory and administrative burden, particularly in relation to businesses (See Annex 5).

Public trust

Graph A7.1: Trust in justice, regional/local authorities and in government



(1) EU-27 since 2019; EU-28 before

Source: European Commission, Standard Eurobarometer surveys

Public trust in government in France is at an all-time low due to political instability in the country and is considerably below the EU average, continuing the downward trend since 2017. Trust in other public institutions has also sharply decreased and has fallen below the EU average. Businesses retain confidence in the public administration’s ability to handle their data securely and responsibly, while the general public is divided, reinforcing perceptions of inefficiency and poor data governance⁽²⁵⁴⁾.

⁽²⁵⁴⁾ European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Quality of lawmaking

France’s rules for lawmaking demonstrate alignment with many, but not all, best practices in reducing regulatory burdens and ensuring effective implementation, showing limited progress on implementing the 2025 country-specific recommendations ⁽²⁵⁵⁾ (Table A7.1). *Ex ante* impact assessments remain mandatory for most draft laws and were clarified and strengthened in 2025⁽²⁵⁶⁾, notably regarding environmental and cross-border impacts. However, there is no requirement to identify potential enforcement mechanisms and assess the level of compliance when developing legislation, thus reducing the government’s ability to monitor implementation. Furthermore, oversight of better regulation tools is also weakened by the absence of an external body responsible for reviewing the quality of *ex post* evaluation. There is also a lack of publicly available assessments of the effectiveness of regulatory impact assessments in amending regulatory proposals and of *ex post* evaluations in improving the regulatory stock. Transparency and early stakeholder engagement remain insufficient, especially for primary laws, as the government is not required to provide public feedback on how consultations were reflected in the legislative proposal and reports on regulatory impact assessment are not published online anymore.

Public service delivery and digitalisation

Challenges remain regarding the user-friendliness of public services in France.

⁽²⁵⁵⁾ OECD, 2025, Better Regulation Practices across the European Union 2025, <https://doi.org/10.1787/6f007516-en>.

⁽²⁵⁶⁾ [Circulaire n° 6502/SG relative à l'évaluation préalable des textes normatifs et à la maîtrise du flux réglementaire - Légifrance](#).

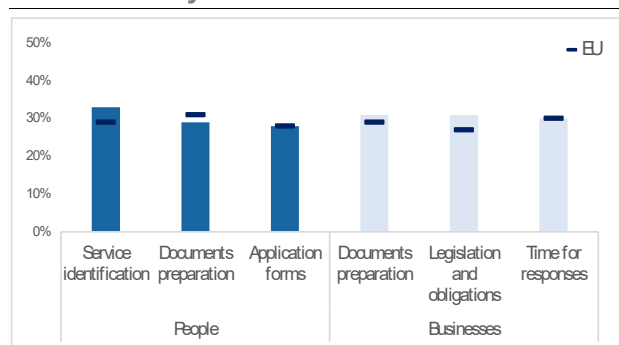
Table A7.1: France. Selected indicators on better regulation practices for primary legislation

Tools for smart legislation:	
Share of possible impacts assessed for all primary laws when developing legislation	●
Regulators are required to identify and quantify the benefits of a new primary law	●
Regulators are required to identify and assess the impacts of alternative non-regulatory options	●
Tools for effective implementation: when developing laws, regulators are required to:	
Assess the level of compliance	●
Identify and assess potential enforcement mechanisms	●
Specify the methodology of measuring progress in achieving the law's goals	●
Oversight of better regulation:	
There is an external body responsible for reviewing the quality of RIAs and of ex post evaluations	●
There are publicly available assessments of the effectiveness of RIA in modifying regulatory proposals	●
There are reports on the level of compliance by government department with the requirements of RIA	●
There are indicators on the percentage of ex post evaluations that comply with guidelines	●
The effectiveness of ex post evaluations in improving the regulatory stock has been assessed in the last five years	●
● High / yes / for all primary laws	● Medium / in part / for major primary laws
● Low / for some primary laws	● Very low / no / never

Source: OECD, 2025, Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025.

Satisfaction levels with administrative services are slightly above the EU average among people (France: 49%; EU: 45%) and businesses (France: 47%; EU: 42%). While satisfaction tends to be higher when considering specific services, the discrepancy highlights potential room for improvement in terms of connecting services, for example through the life event approach or through higher data reuse. Additionally, a significant share of users adopts a neutral position (20%), highlighting the need to improve user experience and clarity in service delivery.

Graph A7.2: Most time-consuming aspects of service delivery



Source: European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

France has made limited progress on reducing the administrative burden, particularly in relation to businesses, though

efforts are ongoing⁽²⁵⁷⁾. While perceptions about service delivery have not changed since 2023⁽²⁵⁸⁾, the share of people who find public administration complex and burdensome remains one of the highest in the EU (France: 46%; EU: 38)⁽²⁵⁹⁾. For people, identifying the correct service and where to request it is the most time-consuming aspect of administrative service delivery (Graph A7.2), while 32% engage with the administration more often than they expected, highlighting complexity. For businesses, collecting and preparing documents and data, understanding the applicable legislation and obligations, and waiting times for responses are the most time-consuming aspects. 55% of them also reported facing challenges with administrative services. These challenges, both for people and businesses, point to a need for simpler processes and clearer guidance on the steps to take. Furthermore, the limited number of digital public services available for businesses

⁽²⁵⁷⁾ [Loi de simplification de la vie économique : des mesures concrètes pour faciliter l'activité des entreprises | economie.gouv.fr](https://www.economie.gouv.fr/Loi-de-simplification-de-la-vie-economique-des-mesures-concrettes-pour-faciliter-lactivite-des-entreprises)

⁽²⁵⁸⁾ European Commission 2023, Flash Eurobarometer FL526: Understanding Europeans' views on reform needs.

⁽²⁵⁹⁾ European Commission, 2026, Flash Eurobarometer surveys 567 and 568 on satisfaction with administrative services.

Table A7.2: **Digital Decade key performance indicators: availability of digital public services**

	France			EU-27
	2023	2024	2025	2025
Digital public services for citizens (0 to 100)	71	72	71	82
Digital public services for businesses (0 to 100)	79	79	77	86
Access to electronic health records (0 to 100)	54	79	84	83

(1) Digital Decade target by 2030: 100. (2) Publishing year, data were collected in the previous year

Source: European Commission, State of the Digital Decade report 2025.

(France's score: 77 vs EU: 86)⁽²⁶⁰⁾ exacerbates the situation, with a crucial need for France to improve its digital infrastructure. However, there has been some progress. Despite involving multiple stakeholders, registering a French business online usually takes 48 to 72 hours, faster than the EU average, with prefilled data reaching 66% at application stage and 99% during validation and decision-making, demonstrating strong data interoperability⁽²⁶¹⁾. (See Annex 5).

Fragmented territorial governance and overlapping competencies create uncertainty for businesses. France has significant digital infrastructure when it comes to permitting, yet it does not have a single end-to-end permitting platform spanning all domains. For building and environmental permits, platforms such as PLAT'AU and entreprendre.service-public.fr provide digital form-filing and workflow management, but processes frequently involve communes, prefectures and specialised state services. This means that while submission is digital, decision-making remains multi-layered. SMEs and mid-caps, in particular, have difficulty identifying which authority to approach for permits, funding or regulatory approvals, with some projects requiring consultations with up to seven different public authorities. Lengthy decision-making timelines raise administrative

costs and slow investment⁽²⁶²⁾; the French Senate estimated in 2023 that these administrative layers cost around EUR 7.5 billion per year, equivalent to 0.3% of GDP⁽²⁶³⁾.

The availability of digital public services for people and for businesses have been stagnating for two years (people: score between 71 and 72; businesses: between 77 and 79) (Table A7.2), and efforts to advance digital data governance would be beneficial. Although most people in France find public administration services easy to use while abroad in the EU, 55% believe their public services should be more easily accessible⁽²⁶⁴⁾. Both people and businesses believe it is important for public administration services to be fast and accessible through different channels, and for information to be transparent and clear⁽²⁶⁵⁾. France provides poor access to its digital services for people and companies from other EU countries (people - France: 51; EU: 71, businesses - France: 56; EU: 74).

The availability of electronic health records (Table A7.2) and the number of e-

⁽²⁶⁰⁾ European Commission, 2025, Digital Decade: eGovernment Benchmark, [link](#).

⁽²⁶¹⁾ European Commission, forthcoming, Simplification of key life events.

⁽²⁶²⁾ Lluansi O., 2025, *Produire et travailler en France : Mode d'emploi - 15 leviers à actionner simultanément pour restaurer le socle industriel français*. Rapport pour le Mouvement des Entreprises de Taille Intermédiaire (METI).

⁽²⁶³⁾ [Rapport Sénat coût du millefeuille administratif](#).

⁽²⁶⁴⁾ Baromètre de l'Institut Paul Delouvrier, 2025, Based on a sample of nine public services. [Baromètre 2024 sur l'opinion des Français et la satisfaction des usagers de services publics](#).

⁽²⁶⁵⁾ European Commission, 2026, Flash Eurobarometer surveys [567](#) and [568](#) on satisfaction with administrative services.

government⁽²⁶⁶⁾ and eID⁽²⁶⁷⁾ users stand above the EU average. For e-government - France: 91.3, EU: 76.0; for eID – France: 91.6, EU: 55.3. This illustrates success in digital authentication through FranceConnect and France Identité, which provide access to a growing list of services, such as healthcare portals, tax systems and administrative formalities. 58% of people indicate that digital public administration services reduce the time and effort required to access a service, while more than 50% suggest improvements such as prompt assistance, user-friendly design and step-by-step guidance to increase digital usage⁽²⁶⁸⁾. Efforts to ensure transparent data usage and protection would improve take-up of digital services and facilitate further development.

France is not making progress in enabling the cross-border exchange of data and documents between authorities through the EU once-only technical system⁽²⁶⁹⁾. This means that people and companies from other EU countries still have to search for their data, download and upload documents manually across e-government portals in France. It also means that French people and businesses cannot retrieve data and documents issued by the French authorities across e-government portals in different Member States. It would be beneficial for France to actively engage in the once-only technical system community and prioritise the development of interoperable digital infrastructure.

⁽²⁶⁶⁾ European Commission, [Eurostat 2025 \(E-government users among individuals who used internet in the last year\)](#).

⁽²⁶⁷⁾ European Commission, Eurostat, 2026, E-government activities of individuals via websites, [Use of electronic identification \(eID\)](#).

⁽²⁶⁸⁾ European Commission, 2026, Flash Eurobarometer surveys [567](#) and [568](#) on satisfaction with administrative services.

⁽²⁶⁹⁾ I European Commission, *Once-Only Technical System Accelerator*, [Ec.europa.eu](#).

Civil service

France faces challenges related to its ageing public administration workforce, posing potential risks for mid-term capacity and quality of public administration. The proportion of civil servants older than 49 has slightly decreased in the past year, yet has continued to increase for those over 55⁽²⁷⁰⁾. There has been a steady increase in the number of public servants⁽²⁷¹⁾, including those with higher education. However, the proportion of civil servants having a higher education remains below the EU average. Participation in adult learning in France is slowly increasing and reached the EU average⁽²⁷²⁾. Civil servants below 54 years old tend to participate less in adult learning compared to the EU average, potentially hindering the acquisition of new skills and affecting operational efficiency. It underscores the need for a robust framework to support continuous professional development. France has taken steps to make public administration roles more attractive⁽²⁷³⁾ but issues remain. Additionally, gender disparity in senior civil servants' positions persists, with 39% of women occupying such roles compared to 48% in the EU⁽²⁷⁴⁾.

⁽²⁷⁰⁾ European Commission, Eurostat, 2026, European Union Labour Force Survey, [Employed persons by economic activity \(NACE Rev. 2\) \(2008-2026\)](#).

⁽²⁷¹⁾ +1.1% more at the end of 2023 than at the end of 2022, [Chiffres clés de la fonction publique – Édition 2025](#).

⁽²⁷²⁾ European Commission, Eurostat, 2026, European Union Labour Force Survey, [Employees by educational attainment level and NACE Rev. 2 activity \(2008-2026\)](#).

⁽²⁷³⁾ Various Technical Support Instrument projects have supported France's public administration in becoming more attractive, see our [website](#) for more information.

⁽²⁷⁴⁾ European Institute for Gender Equality, 2025, [Gender Statistics Database](#).

Integrity

Corruption when doing business is a significant business concern in France.

Perceptions in France largely mirror the EU average: 63% of companies say corruption is widespread (EU: 63%). Although fewer companies state that overly close links between business and politics lead to corruption (France: 70%; EU: 76%), a higher-than-average share still report corruption as a practical obstacle to doing business (France: 42%; EU: 35%)⁽²⁷⁵⁾, indicating tangible concerns. Sectors particularly vulnerable to corruption in France are public procurement, urban planning, construction, health, sport, waste treatment and defence procurement⁽²⁷⁶⁾ (see also Annex 5). At the same time, the number of companies in France that report having been asked or expected to offer a gift, a favour or extra money for permits, services or procurement is in line with the EU average (France: 13%; EU: 10%). In France, a higher share of companies (France: 44%; EU: 33%) think that people and businesses caught bribing a senior official are appropriately punished, indicating greater confidence in enforcement than the EU average⁽²⁷⁷⁾.

France has taken some steps to improve prevention and detection of corruption. In November 2025, it adopted its second national anti-corruption plan (2025-2029) to strengthen mechanisms for preventing, detecting and prosecuting corruption⁽²⁷⁸⁾. This plan focuses on implementing strong preventive measures across public administrations, emphasising

⁽²⁷⁵⁾ European Commission, 2025, Flash Eurobarometer survey [557](#) on Businesses' attitudes towards corruption in the EU.

⁽²⁷⁶⁾ European Commission, 2025, Rule of Law Report.

⁽²⁷⁷⁾ European Commission, 2025, Flash Eurobarometer survey [557](#) on Businesses' attitudes towards corruption in the EU.

⁽²⁷⁸⁾ Agence française anticorruption, 2025, [Plan national pluriannuel de lutte contre la corruption](#).

ethics training for senior officials, and introducing new ethics rules for parliament members and magistrates.

France has improved its prosecution capacity and asset recovery tools.

Efforts to prosecute corruption stepped up in 2025 – including in high-level cases – supported by additional staffing and new legislative instruments, notably to strengthen asset recovery.

Justice

The efficiency of the justice system continues to face challenges.

The time taken to reach a decision in civil and commercial cases at first instance courts increased between 2023 (354 days) and 2024 (434 days). The estimated time to resolve administrative cases at first instance courts decreased in 2024 (301 days compared to 322 days in 2023)⁽²⁷⁹⁾.

The quality of the justice system is considered to be good overall.

In line with a law adopted in 2023⁽²⁸⁰⁾, additional posts in the judiciary will be created every year until 2027 to address the low number of staff.

Some further progress has been made on the digitalisation of judicial procedures.

Digital tools were further deployed for criminal and civil procedures and general public online access to published judgments improved. The country performs well on arrangements for producing machine-readable judicial decisions, while more could be done to improve electronic communication between the courts, prosecutors and other judicial actors⁽²⁸¹⁾.

⁽²⁷⁹⁾ Fig. 5 and 7, EU Justice Scoreboard 2026.

⁽²⁸⁰⁾ LOI n° 2023-1059 du 20 novembre 2023 d'orientation et de programmation du ministère de la justice 2023-2027.

⁽²⁸¹⁾ For a more detailed analysis of the performance of the justice system in France, see the upcoming 2026 EU Justice Scoreboard and the 2025 Rule of Law Report.

France faces several challenges, particularly on industrial electrification, on freight transport, on water pollution and on the circular economy. In 2025, France received a country-specific recommendation to support the increase in demand and supply of low-emission transport modes and vehicles. Efforts are also needed on rail and inland waterways transport for freight, with levels in both being below EU average. Water pollution from industry is another challenge, imposing direct and indirect costs of EUR 72 million a year. Although the country has an ambitious circular economy strategy, implementation remains uneven with a slow pace of adoption of secondary materials. Waste generation is broadly unchanged, underscoring persistent reliance on primary resources. Despite some progress, France still faces significant costs and health impacts due to air pollution.

Industry decarbonisation

Greenhouse gas emissions from industry

The greenhouse gas (GHG) emission intensity of French industry is somewhat above the EU average but industrial emissions account for a relatively low share of total emissions⁽²⁸²⁾. In 2025, industry generated 16.5% of gross GHG emissions in

⁽²⁸²⁾ This Annex discusses the transition of France's manufacturing industry, specifically its energy-intensive industries, to low-carbon and net-zero modes of production, which is key to preserving competitiveness on the path towards climate neutrality as mandated by the European Climate Law. A broader perspective on the current competitiveness challenges facing France's manufacturing industry is provided in Annex 5. For a more detailed description of greenhouse gas emissions from industry, see European Commission (2025), [2025 Country Report - France](#), Commission staff working document, SWD (2025) 205 final, Brussels, 4.6.2025, Annex A7. Clean industry and climate mitigation.

France⁽²⁸³⁾. With about 260 g CO₂eq/€ in 2024, the greenhouse gas emissions intensity of manufacturing production in France is among the lower in the EU⁽²⁸⁴⁾. 51% of France's manufacturing emissions (in 2023) stem from energy use rather than processes, which is below the EU average. This might be partly explained by France's relatively decarbonised energy mix⁽²⁸⁵⁾. The share of electricity and renewables in final energy consumption of manufacturing increased only slightly between 2019 and 2024 from 42% to 44%⁽²⁸⁶⁾.

Policy framework to promote industry decarbonisation

France has a comprehensive policy framework to decarbonise industry, linking ambitious GHG emission reduction targets with a legislative framework and support measures. The revised draft 3rd National Low-Carbon Strategy (SNBC3), presented in December 2025, sets an objective for industry to reduce emissions by 68% by 2030 compared to 1990 (up from 46% in the earlier draft SNBC3 and 35% in SNBC2) and by 97% by 2050 (excluding Bioenergy with Carbon Capture and Storage). The revised SNBC positions technological transformation as a driving force, most notably to enable a strong acceleration in the process to electrify industrial processes, hydrogen electrolysis and

⁽²⁸³⁾ [ProjetSee latest estimates from Citepa: CP-Citepa Barometre avril2026.pdf](#)

⁽²⁸⁴⁾ Data on the manufacturing sector exclude the NACE division C19 – manufacture of coke and refined petroleum products, for better match of the sectoral data from Eurostat (gross value added) with those from the UNFCCC under the Common Reporting Format. Also see further indicators on industry decarbonisation, as well as the annotation for further information, in table A8.1 at the end of this Annex.

⁽²⁸⁵⁾ See Annex 9.

⁽²⁸⁶⁾ [Consommation finale d'énergie par secteur et par énergie | Chiffres clés de l'énergie - Édition 2025](#), SDES, Bilan énergétique de la France.



carbon capture, utilisation and storage. The 2023 Green Industry Law simplifies environmental permitting for industrial projects, with the objective to halve the time needed for permit delivery.

The supply of low-carbon industrial products is eligible for budgetary support under schemes available for multiple technologies and sizes of project. The flagship France 2030 investment plan, supported by the Recovery and Resilience Facility, plans to spend EUR 4.5 billion on industrial decarbonisation through a variety of schemes targeting multiple technologies and sizes of project. In February 2026, seven large-scale industrial decarbonisation projects (*Grand Projets Industriels de Décarbonisation*) were selected for funding with individual support of over EUR 20 million. They will receive funding over 15 years, including EUR 1.6 billion in 2026. Altogether, the projects should reduce 3.8 mtCO₂eq, corresponding to 24% of the industrial GHG emission reduction target included in the SNBC3. Eligible technologies include carbon capture and storage, electrification of processes and use of alternative products to substitute cement. France also has additional schemes for smaller-to medium-scale projects (from EUR 100 000 to EUR 30 million of support per individual project) and has launched regular calls for proposals since 2020.

France promotes industrial decarbonisation by providing support under an off-budget mechanism known as the energy saving certificate scheme (CEE). This scheme mobilises between EUR 600 million and EUR 1.2 billion every year for projects to reduce energy demand in industry in the form of an obligation for energy providers to finance energy saving projects. The scheme generates half of the EUR 1.3 billion in investment, following ArcelorMittal's announcement in February 2026 to build an electric arc furnace for green steel production in Dunkirk, one of France's largest single GHG emitting site.

Despite relatively low electricity prices, the high potential for industrial electrification remains untapped. Electricity generated 36% of industrial energy consumption in 2024, against the draft SNBC3 target of 47% by 2030 and 57% by 2050. In particular, there is high potential to transition industrial heat generation, as 93% of consumption in 2022 relied on fossil energy. Challenges to industrial electrification include high capital expenditure costs, time needed for connection to the grid and uncertainty related to electricity prices. This is despite the fact that France benefits from lower electricity prices than other European countries. From a global perspective, industrial consumers and competitive electricity prices have somewhat shielded France from the 2022 and 2023 price hikes thanks to lower taxation in the sectors exposed to international competition and to indirect carbon cost compensation.

To tackle the weak demand signals for decarbonised industrial products, France could use complementary policy levers. The revised National Hydrogen Strategy, published in April 2025, is now strongly aligned with SNBC3 and confirms hydrogen as key lever for electrification and decarbonising hard-to-abate sectors. However, the targets were revised downwards (4.5GW electrolysis capacity by 2030, down from 6.5 GW in the 2020 strategy) reflecting slower growth in demand and persistent investment risks. Projected industrial demand is planned to absorb a limited share of the targeted output (5 TWh, i.e. a third of national capacity). Stronger R&D, including in natural hydrogen (for example under the REGALOR⁽²⁸⁷⁾ project co-funded by the Just Transition Fund), and stronger demand-side measures for low-carbon industrial products could enable France to tap the full potential of hydrogen and accelerate industrial electrification.

⁽²⁸⁷⁾ [REGALOR 2 Project - GeoRessources](#).

Reduction of effort sharing emissions

Compliance with effort sharing limits with domestic measures

France's effort sharing emissions are projected to exceed its 2030 target, but it could cover the gap with unused emission allocations from earlier years⁽²⁸⁸⁾. In 2024, greenhouse gas emissions from France's effort sharing sectors are expected to have been 24.9% below 2005 levels. By 2030, current and planned policies and measures are expected to lead to a 46.3% reduction, leaving a gap of 1.2 percentage points to the 2030 target. France could bridge this gap with unused annual emission allocations from earlier years. Swift and steady implementation of the additional measures will remain crucial to achieve progress towards climate neutrality.

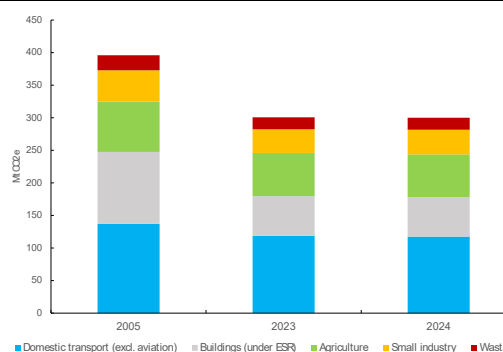
Sustainable transport

In 2024, road transport generated 39% of France's effort sharing emissions, a 14% reduction from 2005 levels⁽²⁸⁹⁾. The 2025 country-specific recommendations (CSRs) for France highlighted challenges of low demand for and supply of low-emission transport modes and vehicles.

⁽²⁸⁸⁾ The national GHG emission reduction target is set out in Regulation (EU) 2018/842 (the Effort Sharing Regulation). It applies jointly to buildings (heating and cooling), road transport, agriculture, waste and small industry (known as the effort sharing sectors). The emissions from effort sharing sectors for 2024 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections about the impact of current policies ('with existing measures', WEM) and additional policies ('with additional measures', WAM) as per France's 2025 reporting under Article 17 of Regulation (EU) 2018/1999 (the Governance Regulation). Also see European Commission (2025), [Climate Action Progress Report 2025 – Technical Information](#), Commission staff working document, Brussels, Chapter 9 (pp. 111ff.), and in particular Tables 25 and 26.

⁽²⁸⁹⁾ See Graph A8.1, and Table A8.1 at the end of this Annex.

Graph A8.1: Greenhouse gas emissions in the effort sharing sectors, 2005, 2023, and 2024



Source: European Environment Agency.

The share of low-emission transport modes remains low, in particular for freight transport. The modal shift to transporting freight by rail and inland waterways remains a challenge, with 86.2% of freight transported by road, against the EU average of 75%. Rail and inland waterways transport 8.9% and 1.8% of freight respectively, against EU averages of 16.4% and 4.8%. The share of freight transported by inland waterways has stalled. There has been a reduction in rail freight since 2023, with only limited increases for combined and intermodal transport⁽²⁹⁰⁾.

To shift to more sustainable transport in France, further action is needed. France is addressing the 2025 country-specific recommendation highlighting the need to *remove barriers and provide incentives to increase the demand and supply of low-emission transport modes and vehicles*. Key measures include purchase subsidies, newly introduced energy savings certificates (CEE) and a social leasing programme that is expected to continue until at least 2027. As part of this social leasing scheme, France added in October 2025 a top-up subsidy for vehicles assembled in Europe with batteries manufactured in Europe. There are no specific measures to stimulate demand for second-hand electric vehicles or for the installation of private charging points.

⁽²⁹⁰⁾ Statistical Pocketbook 2025.

France has made progress on the demand and supply of low-emission transport vehicles, but it remains insufficient. The share of zero-emission vehicles (ZEVs) in new passenger car registrations reached 20% in 2025, up from 16.9% in 2024. Progress was also made in other segments, with ZEV registrations increasing for light commercial vehicles (9.6% of new registrations in 2025, up from up 7.1% in 2024) and gradually rising for heavy-duty vehicles (710 electric buses registered in 2025, up 8% year-on-year with electric trucks accounting for 3.7% of new registrations, up from 2.6% in 2024) ⁽²⁹¹⁾.

Strengthening the regulatory and fiscal framework for commercial vehicles could accelerate the take-up of low-emission technologies while supporting the competitiveness of the automotive sector. In March 2025, France introduced a tax incentive to help reach the national target on low-emission company vehicles, but it has not further disincentivised the purchase of combustion engine vehicles. The parameters for the tax framework on CO₂ and weight penalties have been strengthened in 2026. France does not use the option to exempt electric heavy-duty vehicles from tolls on high-speed roads. It does not internalise the external cost of CO₂ emissions of conventional heavy-duty vehicles in tolls ⁽²⁹²⁾ nor does it conduct the assessments mentioned in Article 7ca (4) of Directive 1999/62/EC.

Additional action is needed to improve sustainable alternatives to road transport. The quality of rail and inland waterway networks is declining. France has yet to adopt its national strategy for inland waterways to address the challenges faced by the sector, including the uptake of technological innovation. Although in 2023, 60.8% of railway

lines were reported as electrified ⁽²⁹³⁾ and a significant number of measures in the national rail freight strategy were implemented in November 2025, an estimated EUR 4 billion in investment in rail freight is still needed over the period 2023-2032 ⁽²⁹⁴⁾.

Decarbonisation of fisheries

The French fishing fleet is among the higher emitting fleets in the EU in terms of total CO₂ equivalents, amounting to an average of 913 thousand tonnes CO₂eq between 2018 and 2022 ⁽²⁹⁵⁾, and 287.4 million litres of marine fuel consumed in 2023. In view of climate change mitigation, both the fisheries and aquaculture sectors face the dual challenge of moving away from fossil fuels and increasing energy efficiency to enhance sector resilience. This requires a comprehensive energy transition strategy that incorporates renewable energy sources, technological innovation, adequate infrastructure and access to energy sources, and improved energy practices across the sector's operations.

Sustainable industry

Circular economy industry

France's circular economy strategy is ambitious, but implementation remains uneven, with a slow pace of adoption of secondary materials. France ranks below average on recycling rates. 40.9% of municipal waste is recycled (against the EU average in 2024 of 48,1%) and 65% of construction and demolition waste is recovered ⁽²⁹⁶⁾ (against the

⁽²⁹¹⁾ European Alternative Fuels Observatory.

⁽²⁹²⁾ <https://www.ecologie.gouv.fr/sites/default/files/documents/2025.03.05%20-%20rapport%20Eurovignette-3.pdf>.

⁽²⁹³⁾ Statistical Pocketbook, 2025.

⁽²⁹⁴⁾ <https://www.ecologie.gouv.fr/sites/default/files/documents/202503%20SNDF%20Programme%20d%27investissements%202023-2030.pdf>.

⁽²⁹⁵⁾ [Study on greenhouse gas emission \(GHG\) reduction costs, scenarios and pathways for EU fisheries to achieve net zero by 2050 - Publications Office of the EU.](#)

⁽²⁹⁶⁾ Techno-economic and environmental assessment of CDW management, JRC, 2024, [Link](#).

EU average of 80%, in 2022). It is well below average on the recycling of plastic packaging (approximately 25,7% in 2023, below the EU average of 42,1% ⁽²⁹⁷⁾). France is the European leader on patents related to recycling and secondary raw materials. In 2021, it filed 32 patents out a total of 324 in the EU ⁽²⁹⁸⁾.

Waste generation remains broadly unchanged, underscoring persistent reliance on primary resources ⁽²⁹⁹⁾. Despite this, per capita material consumption has decreased over the past five years by 14.5% between 2019 and 2024 ⁽³⁰⁰⁾ and resource productivity has increased by 37% over the same period.

France's fiscal tools for circular practices are more ambitious than the EU average but there is scope to develop them further. Total environmental tax revenue is lower than the EU average 1.9% of GDP in 2024, EU average 2.1% ⁽³⁰¹⁾. Taxes on pollution and resources make up a very low share of total taxation (respectively 6.2% and 1% of the total environmental tax revenues ⁽³⁰²⁾). Introducing fiscal instruments like the *pay-as-you-throw* system across municipalities and regions or a CO₂ tax on incineration could lead to a reduction in the volume of waste ⁽³⁰³⁾ and could also generate additional revenue ⁽³⁰⁴⁾.

⁽²⁹⁷⁾ [Packaging waste statistics - Statistics Explained - Eurostat](#)

⁽²⁹⁸⁾ Eurostat, Patents related to recycling and secondary raw materials, [Link](#).

⁽²⁹⁹⁾ Eurostat, circular material use rate, [Link](#).

⁽³⁰⁰⁾ Eurostat, Material footprints, [Link](#).

⁽³⁰¹⁾ European Commission: Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025.

⁽³⁰²⁾ European Commission: Directorate-General for Environment, Camboni, M., Markandya, A., Tyrer, D., Goonesekera, S. et al., *Greening the European Semester – Resource and pollution taxes. Annex 6, Country factsheets*, Publications Office of the European Union, 2026, [Link](#).

⁽³⁰³⁾ An average 25% reduction in the volume of municipal waste can be achieved when PAYT is applied,

To reach the circular economy objectives, France would require EUR 4.6 billion ⁽³⁰⁵⁾ of additional investment annually.

Bioeconomy industry

France's bioeconomy sector value added outpaced domestic GDP growth over the 2018–2023 period (3.7% versus 3.1% on average) ⁽³⁰⁶⁾. Bio-based textiles emerged as the strongest performer, registering the highest average value-added growth at 7.2%, reflecting both accelerating regulatory tailwinds — including upcoming 2025–2026 bans on PFAS chemicals — and rising market demand for sustainable and circular fibre solutions ⁽³⁰⁷⁾. Employment trends are equally encouraging, with bio-based chemicals and plastics leading on job creation at 3.5% between 2018 and 2023 ⁽³⁰⁸⁾. Labour productivity reached 84.3% of the national average, up from 80.5% in 2018, indicating a steady narrowing of the gap with the broader economy and a gradual shift toward higher-value bio-based activities ⁽³⁰⁹⁾.

Research and development (R&D) business expenditure from bioeconomy sub-sectors has grown more than three times faster than overall national R&D investment (9.5% compared with an average growth of 3.0%

(Dornbusch, H. J., et al., 2020, *Vergleichende Analyse von Siedlungsrestabfällen aus repräsentativen Regionen in Deutschland zur Bestimmung des Anteils an Problemstoffen und verwertbaren Materialien - Abschlussbericht*, UBA Texte No 113/2020, Umweltbundesamt, Deassau-Rosslau, 2020, [Link](#)).

⁽³⁰⁴⁾ EEA, Early warning assessment related to the 2025 targets for municipal waste and packaging waste, [Link](#).

⁽³⁰⁵⁾ European Commission, Environmental Implementation Review (2025), France *country report*, [Link](#).

⁽³⁰⁶⁾ Joint Research Centre, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU, [Link](#).

⁽³⁰⁷⁾ Bioeconomy subsectors: food and beverages; bio-based textiles; wood products and furniture; bio-based chemicals and plastics.

⁽³⁰⁸⁾ Ibid.

⁽³⁰⁹⁾ Ibid.

between 2018 and 2023)⁽³¹⁰⁾. France's bioeconomy is anchored in its food and beverage sector, which is progressively shifting toward high-value organic production and agricultural side-stream valorisation. These sectors are embedded in France's Bioeconomy Strategy⁽³¹¹⁾.

Zero-pollution industry

Over the past decade, France has made progress in reducing key air pollutants through cleaner energy production, tighter vehicle emission standards and improvements in industrial technology. This has enabled France to reduce air pollutant emissions (NO_x, NMVOC, PM₁₀, SO_x) by 34% in kg of emissions per capita in 2023. Despite this progress, France continues to grapple with significant costs and health impacts of air pollution. Challenges remain, as outlined by *Santé Publique France*⁽³¹²⁾. In 2022, it ranked among Europe's worst performers, with multiple air quality zones exceeding the target level for ozone, and annual damage costs estimated at EUR 112 million⁽³¹³⁾. This underscores the need for further action, particularly in industrial regions and urban transport corridors.

France has not brought in any new taxes on major air pollutants such as NO_x, SO₂, or particulate matter over the same period⁽³¹⁴⁾.

Introducing a pollution tax system could reduce these polluters by 7-30%, depending on the tax rate, while generating up to EUR 63 million in revenue by 2030⁽³¹⁵⁾.

Water pollution from industry also remains a critical challenge. France has made some progress on water pollution including a 30% reduction in industrial heavy metal releases (Cd, Hg, Ni, Pb) and a 92% reduction in total organic carbon emissions to water since 2010, as reported under the Industrial Emissions Directive (IED)⁽³¹⁶⁾. However, 23% of France's surface water bodies still fail to achieve good chemical status due to the presence of ubiquitous, persistent, bio-accumulative and toxic substances (uPBTs)⁽³¹⁷⁾ generated by past industrial activities.

Water pollution by industry imposes direct and indirect costs of EUR 100 million annually, not yet sufficiently borne by the polluters⁽³¹⁸⁾.

⁽³¹⁰⁾ Joint Research Centre, Business expenditure in Research and Development (R&D) in the EU bioeconomy, [Link](#).

⁽³¹¹⁾ [A bioeconomy strategy for France: 2018-2020 Action plan | Ministère de l'Agriculture, de l'Agro-alimentaire et de la Souveraineté alimentaire.](#)

⁽³¹²⁾ [La pollution de l'air extérieur en France – Extrait du Bilan environnemental 2024 | Données et études statistiques.](#)

⁽³¹³⁾ European Commission: Directorate-General for Environment, EMRC, Logika Group and RPA Europe; Update of the costs of not implementing EU environmental law (2025), [Link](#). The damage cost is computed as VOLY.

⁽³¹⁴⁾ European Commission, Directorate-General for Environment, RPA Europe, Conduct in-depth assessments on environmental priorities to support the greening of the European Semester and integration of environmental priorities into the EU's economic governance framework, 2025. [Link](#), page 164

⁽³¹⁵⁾ Ibid.

⁽³¹⁶⁾ EEA, Water pollutant releases changes from 2010 to 2022 for the EU Member States, 2024, [Link](#).

⁽³¹⁷⁾ European Commission, Third River Basin Management Plans Second Flood Hazard and Risk Maps and Second Flood Risk Management Plans Member State: Germany, 02/2025, [Link](#).

⁽³¹⁸⁾ European Commission: Directorate-General for Environment, IEEP, Green taxation and other economic instruments – Internalising environmental costs to make the polluter pay (p. 35, Table 5), 2021, [Link](#).

Table A8.1: Key clean industry and climate mitigation indicators: France

Climate mitigation		France							Trend	EU	
Industry decarbonisation	2018	2019	2020	2021	2022	2023	2024		2018	2023	
GHG emissions intensity of manufacturing production, gE (1)	345	327	318	320	305	268	259	↘	330	-	
Share of energy-related emissions in industrial GHG emissions (2)	47.5	48.5	49.8	50.2	50.5	51.3	-	↗	56.5	57.9	
Energy-related GHG emissions intensity of manufacturing and construction, gE (3)	192.9	184.1	185.8	183.2	175.6	157.7	-	↘	203.9	163.0	
Share of electricity and renewables in final energy consumption in manufacturing, % (4)	42.0	42.2	42.6	41.2	42.7	44.1	44.2	↗	42.8	43.9	
Energy intensity of manufacturing, GWhE (5)	1.31	1.25	1.27	1.26	1.22	1.12	1.08	↘	1.27	1.05	
Share of energy-intensive industries in manufacturing production, % in GVA (6)	15.77	15.34	15.19	14.87	16.30	14.61	-	↘	-	-	
GHG emissions intensity of production in sector (7), gE (8)											
- paper and paper products (NACE C17)	565	523	508	542	588	546	-	↗	722	619	
- chemicals and chemical products (NACE C20)	1,164	1,050	1,060	1,299	1,650	1,403	1,286	↗	-	-	
- other non-metallic mineral products (NACE C23)	2,181	2,193	2,297	2,156	2,230	2,011	-	↗	2,495	2,352	
- basic metals (NACE C24)	4,861	4,364	3,553	6,669	12,073	10,756	-	↗	2,842	3,099	
Reduction of effort sharing emissions	2018	2019	2020	2021	2022	2023	2024		2018	2023	
GHG emission reductions relative to base year, %											
- domestic road transport	-7.7	-8.3	-22.1	-18.1	-21.7	-24.9	-24.9	↗	-1.4	-5.6	
- buildings	-27.1	-29.1	-31.5	-28.5	-38.7	-44.9	-45.2	↘	-20.3	-33.5	
Effort sharing: GHG emissions, Mt; target, gap, %	2005		2021	2022	2023	2024		Target	WEM	WAM	
	401.1		328.4	313.9	301.1	301.4		-47.5%	-37.0%	-46.3%	
Sustainable road transport	2018	2019	2020	2021	2022	2023	2024	2025	2018	2024	
New zero-emission vehicles, electricity motor, % (9)	1.43	1.93	6.64	9.69	13.14	16.49	16.57		1.03	8.96	
Number of publicly accessible AODC charging points (8)	-	-	0	54653	83317	119255	159931	186717		446956	
Share of electrified railways, % of total (9)	58.36	58.64	59.04	59.51	60.00	60.01	60.98		55.47	56.49	
Sustainable industry	France							Trend	EU-27		
Circular economy transition	2018	2019	2020	2021	2022	2023	2024		2018	latest data	
Material footprint, tonnes per person	14.0	15.0	13.5	15.0	14.5	13.8	12.9	↘	14.8	13.7	
Circular material use rate, %	19.8	16.2	15.4	15.4	16.7	16.9	17.8	↗	11.6	12.2	
Resource productivity, €/kg	3.1	2.9	3.0	3.0	3.3	3.5	3.9	↗	2.1	3.0	
Employees in circular economy	1.9	1.9	2.0	2.0	1.8	1.8	-		2.1	2.0	
Patents in circular economy	42.94	57.1	53.5	32.8					12.3	12.0	
Recycling rate	40.7	41.0	39.3	40.9	40.1	40.3	40.9		46.40	48.1	
Plastic recycling	27%	27%	21%	23%	26%	26%	-		41%	42%	
Construction and demolition waste (CDM) recovery	73	-	74						88	89	
Bioeconomy industry	2018	2019	2020	2021	2022	2023	2024	CAGR 2018-2023	2018	2023	
Value added, million EUR	98,627	99,429	98,685	107,432	122,346	122,682	-	3.7%	642,438	863,436	
Employment, total number of people employed	1,667,805	1,679,231	1,707,533	1,714,579	1,740,046	1,742,597	-	0.7%	17,649,040	17,085,642	
Productivity											
Value added per worker, thousand EUR	59.1	59.2	57.8	62.7	70.3	70.4	-	2.9%	36.4	50.5	
Value added per worker, % of national average	80.5	78.9	80.5	83.2	89.2	84.3	-		62.2	70.7	
R&D business expenditure											
Total bioeconomy (biomass producing and converting sectors)	1,928	1,928	1,975	2,861	3,355	3,324	-	9.5%	15,672	23,335	
Total R&D business expenditure	34,023	35,220	34,625	36,478	38,965	40,630	-	3.0%	196,587	259,525	
Zero pollution industry	2018	2019	2020	2021	2022	2023	2024		2018	2024	
Damage cost for industrial pollution	29.2	24.7	22.8	26.7	-	-	-		414.9	352.7	
Water industrial pollutants releases	Cd, Hg, Ni, Pb		nitrogen		TOC		Phosphorus				
	2021	change (2010)	2021	change (2010)	2021	change (2010)	2021	change (2010)			
Water chemical status	9,366	-84%	38,225,200	-35%	47,136,300	-92%	2,336,140		2627.0	23%	
		Good		Good (%)		0.7		Poor			

Source: Industry decarbonisation: All data are from Eurostat; data following the UNFCCC Common Reporting Format (CRF) are from the European Environment Agency (EEA), republished by Eurostat. (1) Sectors covered: all divisions of section C - Manufacturing - of the NACE Rev. 2 statistical classification of economic activities, except C19 (manufacture of coke and refined petroleum products). (2) GHG emissions as per UNFCCC Common Reporting Framework (CRF) categories 1.A.2 - fuel combustion in manufacturing in industries and construction (that broadly correspond to the broadly correspond to the NACE sections C - Manufacturing and E - Construction, excluding C-19), and CRF2 - industrial processes and product use. The figures shows the emissions in the 1.A.2 category as a share of the sum of CRF1.A.2. and CRF2 emissions. (3) Sectors covered: CRF 1.A.2 as described above. Gross value added (GVA) data in the denominator aligned in sectoral coverage, in 2020 prices. (4) Sectors covered: NACE section C excluding C19. (5) Nominator: NACE divisions C17, 20, 23, 24; denominator: NACE section C excluding C19 (see above). (6) GVA (denominator) in 2020 prices. Reduction of effort sharing emissions: Data source: European Environment Agency, greenhouse gas data viewer; European Commission, Climate Action Progress Report, 2025. For details, see the footnote in the "Reduction of effort sharing emissions" section. Sustainable road transport: (7) Source: Eurostat; (8) Source: European Alternative Fuels Observatory; (9) Source: Eurostat. For all climate mitigation indicators, the trend arrows compare the latest available data (year t) with the data four years earlier (t-4). Sustainable industry: Bioeconomy value added, employment and productivity: JRC, Developments of Economic Growth and Employment in Bioeconomy Sectors across the EU. Bioeconomy R&D business expenditure: JRC, Business expenditure in Research and Development (R&D) in the EU bioeconomy. Damage cost for industrial pollution: EEA, The costs to health and the environment from industrial air pollution in Europe, 2024. Water industrial pollutants releases: EEA, Industrial releases of pollutants to water and economic activity in the EU-27, 2024. Water chemical status: WISE, Surface water bodies: Chemical status, 2024 and WISE Groundwater bodies: chemical status, 2024. Other indicators: Eurostat. For circular economy indicators, the trend arrows compare the latest available data (year t) with the data two years earlier (t-2).

This annex outlines the progress made and the ongoing challenges faced in increasing energy affordability, while advancing the transition to net zero. It reflects the implementation of past energy-related country-specific recommendations.

While France’s energy mix remains generally more decarbonised than the EU average, with 55,7% clean energy sources, challenges persist. France continues to fall short of its renewable targets, with instability in the policy framework for renewables and delays in long-term planning hampering industrial activity, investment, employment, and progress towards France’s climate targets. This has been further exacerbated by stagnating electricity demand, compounded by an oversupply of electricity and barriers to electrification of final energy consumption patterns.

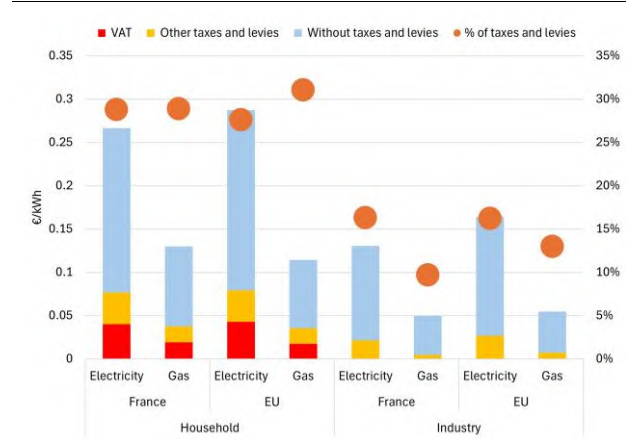
Energy prices and costs

Retail electricity prices decreased in France in 2025 compared to 2024, remaining below the EU average; gas prices for household and industrial consumers increased, remaining below the EU average in the case of industrial prices but exceeding the EU average in the case of household prices. During the first half of 2025, household electricity prices in France decreased compared to 2024, remaining below the EU average at EUR 0.2664/kWh. By contrast, household gas prices increased compared to 2024 and were again above the EU average at EUR 0.1298/kWh (the fourth highest in the EU).

Retail energy prices for industrial consumers followed the same trend, with the exception of industrial gas prices which remained well below the EU average. Nevertheless, final energy prices in France during the first half of 2025 remained imbalanced. For large businesses, electricity was 2.6 times more expensive than gas in the first half of 2025, with taxes and levies (excluding VAT) accounting for

16% of electricity bills and 10% of gas bills. Excluding taxes and levies, the electricity-to-gas price ratio would have decreased to 2.4, demonstrating that France’s fiscal measures do not have a balancing effect. For household consumers, the effect of taxes and levies on the electricity-to-gas price ratio is non-existent, with electricity averaging twice the price of gas ⁽³¹⁹⁾.

Graph A9.1: Electricity and gas prices for household and non-household consumers, first half of 2025



- (i) For household consumers, the consumption band is DC for electricity and D2 for gas.
- (ii) For non-household consumers, the consumption band is ID for electricity and I4 for gas. VAT and recoverable charges are not displayed for non-household consumers as these are typically recovered by businesses. This also applies to the ‘% of taxes and levies’, which is shown excluding VAT and recoverable charges for non-household consumers.
- (iii) ‘Without taxes and levies’ indicates the retail price excluding all taxes and levies. It always includes the energy/supply and network cost components, which are not disaggregated in Eurostat’s six-monthly price dataset.

Source: Eurostat

Thanks to low-carbon energy accounting for a substantial share of the electricity mix (94.5%), with nuclear power playing a major role, France had the third lowest average wholesale electricity price in the EU at EUR 65/MWh in 2025 ⁽³²⁰⁾ (vs an EU average of EUR 85/MWh). Average day-ahead electricity prices in France increased by 9% in

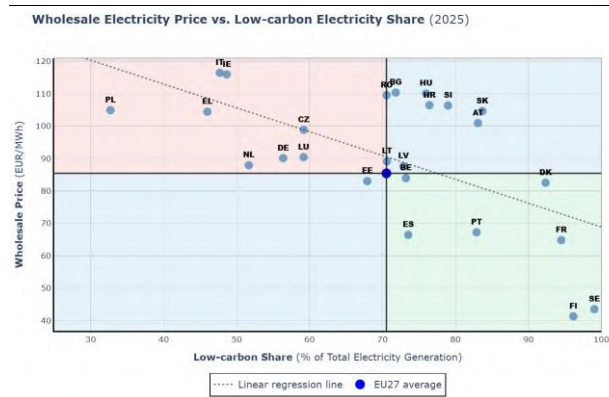
⁽³¹⁹⁾ Analysis based on S1 2025 Eurostat data.

⁽³²⁰⁾ Ember



2025 driven by rising natural gas costs. The effect this had on electricity prices was mitigated by the growing penetration of renewables. Nevertheless, France remains vulnerable to price spikes during peak-demand hours. Low solar output in the evening and early morning, combined with limited non-fossil flexibility and greater demand requires thermal power plants to ramp up generation to balance supply and demand. As a result, price spreads⁽³²¹⁾ in France averaged EUR 87/MWh in 2025, a 13% increase compared to 2024.

Graph A9.2: **Low-carbon electricity generation vs. electricity wholesale prices, 2025**



Unavailable data for Cyprus and Malta. Wholesale price is given as average of day-ahead electricity prices over 2025. EU-27 average is calculated as consumption-weighted. EU low-carbon share is calculated out of total EU electricity generation. Low-carbon share by country is calculated out of total public electricity generation. Low-carbon includes renewables and nuclear.

Source: Eurostat

Flexibility and electricity grids

The French network mostly complied with the EU requirement to ensure a minimum availability of 70% of capacity for cross-border trade⁽³²²⁾. France is part of the 'Core', 'Italy North' and 'South-West Europe' capacity

⁽³²¹⁾ Spread refers to the difference between the highest and lowest hourly day-ahead electricity prices in a single day.

⁽³²²⁾ Implementation of the minimum threshold of 70% of interconnection capacity for electricity exchanges at French borders: review of the year 2024 - CRE

calculation regions (CCRs) which harmonise methods for calculating transmission capacity to reduce bottlenecks and increase the share of cross-zonal capacity made available for trade. France's borders have not been subject to any derogations from the 70% minimum capacity margin since 2022⁽³²³⁾.

Driven mainly by incremental grid reinforcements, France's electricity interconnection level increased slightly in 2025 to 5.44%⁽³²⁴⁾, which more than offset the impact of the continued expansion in solar capacity.

Although France's electricity system is interconnected with six of its neighbouring countries⁽³²⁵⁾, its cross-border electricity interconnection level is currently below the 15% target for 2030. Nevertheless, with new interconnectors and adjustments to generation capacity in the pipeline, progress towards this target is expected. A number of new cross-border electricity projects are underway⁽³²⁶⁾, although some have been delayed⁽³²⁷⁾. France's network development plan did not include the Trans-Pyreanean electricity interconnection projects in its reference scenario, despite these having the status of Projects of Common Interest⁽³²⁸⁾. Greater interconnection capacity is crucial for achieving more integrated renewable energy production and improved flexibility and market integration (especially with the Iberian Peninsula, bearing in mind that internal reinforcements may also be necessary in some cases).

⁽³²³⁾ [ACER 2024 Market Monitoring report](#) -

France experienced lower monthly price convergence in 2023 due to export limits or constraints.

⁽³²⁴⁾ See [Electricity interconnection targets](#).

⁽³²⁵⁾ Belgium, Germany, Italy, Spain, Switzerland and UK.

⁽³²⁶⁾ This is notably the case of a first interconnector with Ireland (Celtic Interconnector), and additional capacities or capacity increases with Belgium, Germany and Spain (for the latter, Biscay Bay).

⁽³²⁷⁾ Current commissioning dates for Celtic Interconnector: 2027; Biscay Bay: 2028.

⁽³²⁸⁾ In accordance with the TEN-E Regulation, PCIs should be automatically incorporated into the NDP.

The lack of flexibility in France’s energy system has led to increasing curtailment of renewable electricity ⁽³²⁹⁾ and a greater need for modulation of nuclear generation.

In addition to a lack of flexibility, electricity demand in France has stagnated which, alongside the increasing supply and availability of low-carbon electricity (notably through greater availability of the nuclear fleet and faster solar deployment) has contributed to more frequent negative-price hours, higher renewables curtailment, and better adaptation of nuclear generation to demand. Further progress in electrification across sectors would therefore help to cost-effectively decarbonise the economy, create additional outlets for low-carbon generation, and support the business case for renewable deployment and flexibility solutions, such as shifting consumption to periods of surplus generation. In 2024, France had 5.7 GW of pumped hydro storage capacity and 255 MW of battery storage capacity, but only 9 MW of installed thermal storage capacity ⁽³³⁰⁾. In the final version of its updated national energy and climate plan, France set itself the objective of reaching 25 GW of flexible capacity by 2030 and 35 GW by 2035. To reach this objective, it will focus on battery storage, pumped hydro stations, demand-side response and interconnections, and introduce a new support scheme for decarbonised flexibility (for demand-side response and storage) ⁽³³¹⁾.

According to France’s transmission system operator (RTE), 2.5 TWh of electricity from renewable sources were curtailed in 2025, up from 1.7 TWh in 2024. In 2023, curtailment of

renewable energy cost EUR 2.2 million and corresponded to 509 GWh (i.e. 0.7% of electricity production) ⁽³³²⁾. In February 2025, RTE announced investments worth EUR 100 billion in the electricity grid by 2040.

Overall, France’s permit-granting process for energy infrastructure projects remains complex, notably due to a fragmented multi-authority process. Nevertheless, various improvements and new features have been introduced, e.g. the streamlining of environmental permits, the roll-out of a digital platform and reforms to improve public participation.

France has generally good levels of consumer empowerment in the electricity and gas markets. Nevertheless, household consumers with fixed-price contracts (regulated or not) still account for almost 80% of the market. In 2024, 60% of household consumers had a regulated fixed-price contract. Moreover, 94% of final household consumers had a smart meter ⁽³³³⁾, compared to the EU average of 80%.

Further progress in electrification across sectors would help to cost-effectively decarbonise the economy and bring the benefits of affordable renewable and low-carbon energy to consumers. France’s electrification rate, i.e. the share of final energy consumption (FEC) accounted for by electricity, was 26.5% in 2024. This is above the EU average of 23.4% but has remained largely unchanged over the last decade across different sectors ⁽³³⁴⁾. Electricity accounts for 35.4% and 35.7% of household and industrial FEC respectively. Furthermore, in the transport sector, the share of FEC accounted for by electricity remained negligible at 2.5%.

⁽³²⁹⁾ RTE 2024 Electricity Review

⁽³³⁰⁾ Thermal storage is likely to boost industry’s competitiveness with short payback periods and low electricity prices.

⁽³³¹⁾ France’s regulatory framework enables the development of flexible resources because it allows DSR (demand-side response) and storage to participate in the day-ahead, intra-day markets and balancing markets. It also provides congestion management services to system operators. Aggregators (including independent aggregators) can participate in these markets and services.

⁽³³²⁾ [ACER - data on curtailment.](#)

⁽³³³⁾ CRE

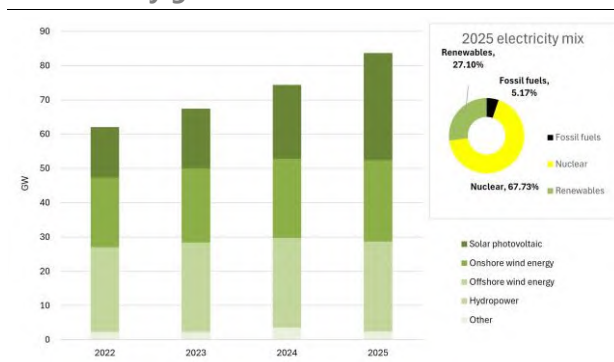
⁽³³⁴⁾ The CAGR (compound annual growth rate) was 0.04% between 2015 and 2024. The minimum/maximum shares were 26.3% and 27.5% respectively (Source: Eurostat).

Renewables and long-term contracts

In 2024, France's energy mix was 39.1% nuclear, 29.8% oil, 16.6% renewables, 12% natural gas and 2.4% solid fossil fuels. France has the third most decarbonised energy mix in the EU, with fossil fuels representing 44.3% of its energy mix (EU average of 66%)⁽³³⁵⁾.

Renewable energy sources in France accounted for 27.0% of electricity generation in 2025, a slight decrease of 0.2 percentage points compared to the previous year (27.2% in 2024). Installed capacity for renewables in France rose to 83,632 MW in 2025, up 9.4% compared to 2024. Installed capacity for wind energy grew to 25.7 GW in 2025 (compared to 24.2 GW in 2024, +5.8%), whilst installed capacity for solar grew significantly (+22.7% compared to 2024), reaching 31.2 GW.

Graph A9.3: France's installed renewable capacity vs electricity generation mix



Electricity mix is given as net electricity generation (gross electricity production minus consumption of power stations' auxiliary services). Electricity produced in pumped hydro plants is excluded from total net electricity production, as it was previously counted as electricity produced from another source.

"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.

Source: IRENA, Eurostat

The final version of France's updated national energy and climate plan did not

include a target for the share of renewables in France's gross FEC by 2030⁽³³⁶⁾. Moreover, the adoption of France's third multiannual energy programming law (PPE 3) was delayed. As a consequence, this created major uncertainty for investors, developers and local manufacturing companies in 2025. The PPE 3 was finally published in February 2026.

Renewables auctions in 2025 revealed a downward trend in award prices, notably due to an increase in competitive pressure since 2023⁽³³⁷⁾. Auction subscription rates were uneven and low in some categories, until 2023, but improved in 2025, particularly thanks to stabilisation in costs and conditions, and better rates of subscription in sectors such as solar photovoltaics in building.

France has continued adopting implementing provisions for its 2023 Renewable Energy Acceleration Law (APER), however a number of crucial aspects are yet to be implemented. The APER is intended to speed up the deployment of renewables through a set of permitting, planning and 'solarisation' (solar adoption) measures, including a bottom-up mechanism allowing municipalities to designate 'renewable acceleration zones' (ZAER). In terms of implementation, French parliamentary monitoring indicated a policy adoption rate of around 73% (36 of an expected 51 regulatory measures adopted), which is deemed unsatisfactory by the French Parliament⁽³³⁸⁾. Besides, administrative bodies responsible for its implementation such as decentralised State services, have not scaled accordingly⁽³³⁹⁾.

⁽³³⁶⁾ France's updated NECP does not include an explicit national contribution of renewable energy in gross FEC to the EU target by 2030. Extrapolating the provided data results in shares which remain below the formula level set out in Annex II to the Governance Regulation.

⁽³³⁷⁾ CRE

⁽³³⁸⁾ [Rapport relatif au débat sur le contrôle de l'application des lois](#), February 2026.

⁽³³⁹⁾ [French Senate, March 2025](#)

⁽³³⁵⁾ [Eurostat](#), Gross Inland Consumption.

According to the French authorities, as of January 2026, 16 000 municipalities had identified ZAERs. However, their identification has not yet translated into fully stable, operational mapping of deployable potential. Approval and validation rates for ZAERS and their practical effects vary considerably from one area to another, their consistency with the future ‘renewables acceleration areas’ introduced by the Renewable Energy Directive III will need to be addressed, while the value-sharing aspects of ZAERs are still unclear.

In terms of offshore wind, the APER enabled public debates to jointly address the development of offshore wind energy and sea basin strategy documents (*documents stratégiques de façade*). This came into force for public debates as of 2023–2024 and resulted in October 2024 in the publication of a list of priority zones for offshore wind deployment for the next 10 years and for the period up to 2050.

France does not have a one-stop-shop which streamlines the permitting process for renewables. France’s Net Zero Land Take Law (ZAN) imposes regional quotas on battery storage and renewable projects but does not do so for nuclear projects.

France stepped up its support for power purchase agreements (PPAs), in particular by including smaller contracts in its guarantee scheme in order to support their uptake by SMEs. However, 2025 was marked by major challenges for the French solar PPA market due to low capture rates, frequent negative-price events (513 hours of negative prices in 2025, compared to 352 in 2024⁽³⁴⁰⁾) and a narrowing of transactable price ranges.

Self-consumption is expanding rapidly in France. 66% of photovoltaic installations are used for individual self-consumption (over 815 500 installations). Meanwhile, 343

collective self-consumption schemes currently exist in France, with 14 521 participants, of which almost 13 000 are self-consumers.

Energy efficiency

France made slight progress towards improving energy efficiency. In 2024, final energy consumption (FEC) increased slightly (+0.4%) on 2023 to 130.7 Mtoe, only just reversing the downward trend observed since 2019 (-8.8%). France’s FEC in 2024 was in line with the trajectory for meeting its expected contribution by 2030.

Since 2019, FEC has decreased substantially in industry (-12.8%), services (-10.3%) and the residential sector (-14.9%), and decreased slightly in transport (-3.3%). France prioritised the transition to energy efficient heating and cooling by means of the ‘Fonds Chaleur’ public support scheme and recorded the highest increase in district heating in Europe (+9%).

France’s final energy consumption in the residential sector decreased by 14.9% between 2019 and 2024, while its long-term renovation strategy set a reduction target of 22% by 2030. This reduction was mostly driven by energy savings, including through structural measures such as thermal renovations⁽³⁴¹⁾. Given that buildings are responsible for 39% of energy use in France, and that in 2023 around 39% of the final energy used in residential buildings for space and water heating came from fossil fuels, buildings play an important role in improving energy security.

In summer 2025, France’s national subsidy scheme for deep renovations of individual housing (*MaPrimeRenov’ “Parcours Accompagné”*) was suspended, resulting in a major slowdown in renovation activity in the

⁽³⁴⁰⁾ RTE

⁽³⁴¹⁾ <https://www.indicators.odyssee-mure.eu/decomposition.html>

country. In 2025, the number of energy renovations declined by 10%, adding to a decreased of 40% in 2024 compared with 2023 ⁽³⁴²⁾, and only some 120 000 homes had undergone deep renovation, far from the 250 000 needed each year according to France's latest draft national low-carbon strategy (SNBC). In this regard, stability in the support and regulatory framework is important in giving certainty to building owners and the construction industry. In 2026, the State budget allocated to MaPrimeRenov' was scaled back, while the CEE (*Certificat d'Economie d'Energie*) envelope was simultaneously increased to offset this. Overall, the total spending for MPR should be maintained at the 2025 level (circa EUR 3.8 bn). The French Court of Auditors (*Cour des comptes*) has questioned the governance framework for CEEs, while their reliability has been undermined by their basis on theoretical, rather than calculated, savings.

Heating and cooling account for 77% ⁽³⁴³⁾ of France's residential final energy consumption, with renewables supplying 31% of total energy used for heating and cooling across all sectors. Around 550 000 heat pumps were sold in 2024, a decrease of 24% compared to the previous year, taking France's total stock of heat pumps to around 6.5 million.

In 2024, district heating saw major growth in France. Between 2023 and 2024, the amount of heat delivered through district heating networks increased by 9.3%. Over the same period, the heat generated from renewable sources increased by 8%, from 20.6 TWh to 22.2 TWh. As of 2024, the renewables accounted for 67% of the district heating energy mix in France, up 0.5 percentage points on 2023. There is still considerable potential for increasing heat recovery from industry, data

⁽³⁴²⁾ See [CHIFFRES-CLES ANAH-2025.pdf](#) and [202501-chiffresCles2024-WEB.pdf](#) and [28-Jaune2026_Renovation_Energetique_Batiments.pdf](#) (page 14).

⁽³⁴³⁾ Eurostat

centres and wastewater treatment plants, as mentioned in a number of France's strategic documents.

France reported 55 ecodesign and energy labelling checks in 2025, fewer than in the previous year, and insufficient relative to the size of the country and overall levels of non-compliance in the EU.

Security of supply and diversification

France has traditionally had a diversified gas supplier portfolio that includes Russia. It has significant LNG import capacity with four terminals and one floating storage and regasification unit (FSRU). France is also directly connected to Norway's gas fields and storage capacity. A significant but unquantified share of Russian LNG received by France is re-exported to other European countries rather than being consumed domestically.

France is advancing its Small Modular Reactor (SMR) ecosystem. To accelerate deployment, further progress is needed in streamlining SMR/AMR (Advanced Modular Reactors) designs, securing the fuel cycle for advanced technologies, and supporting first-of-a-kind demonstration projects. Key strategic priorities include simplifying intra-EU export controls and bridging the gap between R&D and commercialization. Furthermore, sustaining a highly qualified workforce remains essential, requiring synergy between national initiatives and EU programs like the European Nuclear Skills Academy.

In response to the regional crisis in the Middle East, France has introduced a €330 million support package, including a €50 "fuel allowance" for 2.9 million low-income workers, €0.20/litre diesel subsidies for SMEs, and €0.15-€0.35/litre subsidies for agriculture and fisheries. France is also participating in the IEA's oil stock release and has announced an electrification plan with 22

measures to accelerate the transition across sectors.

Fossil fuel subsidies

In 2024, environmentally harmful⁽³⁴⁴⁾ fossil fuel subsidies without a planned phase-out before 2030 represented 0.31%⁽³⁴⁵⁾ of France's GDP⁽³⁴⁶⁾. Additionally, France's 2023 Effective Carbon Rate⁽³⁴⁷⁾ averaged EUR 87.87 per tonne of CO₂, above the EU weighted mean of EUR 84.80⁽³⁴⁸⁾.

⁽³⁴⁴⁾ Explicit fossil fuel subsidies (e.g. direct transfers) and implicit fossil fuel subsidies (i.e. tax expenditures linked to forgone tax revenues that have an identifiable fiscal impact for the central budget) that support fossil fuel energy production, transmission and/or consumption.

⁽³⁴⁵⁾ European Commission calculation based on underlying data from the *Study on energy subsidies and other government interventions in the EU – 2025 edition*, Enerdata.

⁽³⁴⁶⁾ 2024 Gross Domestic Product at market prices, Eurostat.

⁽³⁴⁷⁾ The Effective Carbon Rate is the sum of carbon taxes, ETS permit prices and fuel excise taxes, representing the aggregate effective carbon rate paid on emissions.

⁽³⁴⁸⁾ OECD (2024), Pricing Greenhouse Gas Emissions 2024.

France's high exposure to climate risks and increasing pressure on natural resources call for accelerating the reforms it has undertaken. A comprehensive policy framework for climate adaptation is in place but ensuring it is fully integrated at all government levels remains an important challenge and significant investments are needed. Water scarcity and water pollution are particularly worrying threats, not only to the environment and public health but also, in the longer term, to economic ecosystems. Balancing the demand and supply of forest biomass and better targeting forest renewal subsidies remain key to enhancing the resilience of the carbon sink.

Climate adaptation and preparedness

France is highly exposed to climate change impacts that require significant investment and policy action across sectors. In particular, it is exposed to more frequent heatwaves, droughts, floods and forest fires, as well as to coastal erosion (as shown in the 2025 analysis) ⁽³⁴⁹⁾. This has systemic consequences for several sectors (including energy). Floods are the most widespread climate risk, accounting for two thirds of registered climate-related events since 1900 ⁽³⁵⁰⁾. France had the third largest flood event frequency in the EU and this had significant socio-economic impacts in 1870-2020 ⁽³⁵¹⁾. Direct economic damage and social impacts from coastal flooding in France are projected to rise sharply this century ⁽³⁵²⁾. France's outermost regions are one of the three types of

⁽³⁴⁹⁾European Commission, 2025, *Commission Staff Working Document 2025 Country report – France*, COM(2025) 210 final, [Link](#).

⁽³⁵⁰⁾Chiffres clés des risques naturels, Ministère de la Transition Écologique et de la Cohésion des territoires, 2023, [Link](#).

⁽³⁵¹⁾EEA, 2024, *European Climate Risk Assessment*, [Link](#).

⁽³⁵²⁾Nature, 2020, *Economic motivation for raising coastal flood defenses in Europe*, [Link](#).

region identified as hotspots for climate risks as a result of their remote location, weaker infrastructure, and low and limited economic diversification ⁽³⁵³⁾. They also face specific climate risks such as cyclones and hurricanes and their low-lying coastal communities are particularly vulnerable to severe coastal flooding ⁽³⁵⁴⁾. In 2024, France had the seventh highest number of heat-related deaths in the EU in absolute terms, but the heat-related mortality rate remained well below the EU average ⁽³⁵⁵⁾.

Significant investments are needed to adapt the country to the effects of climate change.

A recent study commissioned by DG CLIMA ⁽³⁵⁶⁾ indicates that France will need to invest more than EUR 10.6 billion per year in climate adaptation measures up to 2050 (0.3% of annual GDP, below the EU average of 0.5%) in infrastructure (more than 54% of the total), the food sector (approximately 20%) and ecosystems (approximately 16%) ⁽³⁵⁷⁾.

A comprehensive policy framework for adaptation is in place. One major step was the adoption of France's third national plan for climate adaptation (PNACC3) in spring 2025. This was followed by the adoption in January

⁽³⁵³⁾EEA, 2024, *European Climate Risk Assessment*, [Link](#).

⁽³⁵⁴⁾Nature, 2026, *Coastal flood impacts and lost ecosystem services along Europe's outermost regions and overseas countries and territories*, [Link](#).

⁽³⁵⁵⁾Janoš, et al., 2025, *Heat-related mortality in Europe during 2024 and health emergency forecasting to reduce preventable deaths*, [Link](#).

⁽³⁵⁶⁾European Commission, 2026, *Assessment of EU and Member States adaptation investment needs*, Table 25, [Link](#). The study provides detailed estimates of adaptation investment needs at the level of the EU and individual Member States for each type of measure. It relies on a common methodology that makes estimates comparable across the EU. Four accompanying methodological reports provide a detailed description of how the results were estimated to ensure full transparency.

⁽³⁵⁷⁾Typical investments in ecosystems include soil restoration, wildfire prevention, biodiversity protection and coastal ecosystems restorations. Typical investments in health are linked to occupational health and safety, wastewater treatment facilities upgrade and wildfire disaster response.



2026 of a decree integrating into national law the reference warming trajectory for climate adaptation (TRACC) ⁽³⁵⁸⁾. Its implementation by ministries, which is centrally coordinated and regularly monitored, seems on track. Risk evaluation linked to climate change has been complemented since September 2025 by climate projections for overseas territories, in line with the new reference warming trajectory for climate adaptation ⁽³⁵⁹⁾. An update of the map of exposure to the risk of damage resulting from the expansion and retraction of clay-rich soils (an important and rapidly growing climate-related risk) was published in January 2026. A new platform on projected climate impacts and vulnerabilities in the various territories is planned for 2026.

Effective multi-level governance remains a key challenge and will have a critical impact on the implementation of the PNACC3's measures. The PNACC3 identifies territorial differentiation as a core principle, but its operationalisation will depend on effective integration of adaptation planning by all government levels. Central government is supporting the sub-national level in this endeavour through a variety of levers. Most notably, regional conferences of parties (COPs) (inspired by UNFCCC COPs, they bring together all levels of government involved in a specific territory) focused on adaptation in 2025. They provided sub-national actors with dedicated analytical tools and encouraged them to prioritise adaptation issues and define priority actions. Associations of municipalities above 20 000 inhabitants are required by law to develop and implement their own territorial climate-air-energy plans, which must include an adaptation dimension. By March 2025, 74% of the cities targeted by the obligation had

⁽³⁵⁸⁾TRACC stands for "Trajectoire de réchauffement de référence pour l'adaptation au changement climatique": it assumes a temperature increase of +2°C by 2030, +2.7°C by 2050 and +4°C by 2100 in mainland France compared with pre-industrial level.

⁽³⁵⁹⁾MétéoFrance, 2025, *Quel climat futur pour les outre-mer ?*, [Link](#).

adopted their plans ⁽³⁶⁰⁾. Embedding adaptation actions within existing governance and planning frameworks (e.g. the Schéma de cohérence territoriale (SCoT)) can be decisive in leveraging existing responsibilities (given the distribution of competences at different levels of government). The share of France's population covered by the EU Covenant of Mayors signatories was stable at 31% (EU-27 average: 34%) in 2024. Only 29% of signatories have submitted a sustainable energy and action plan (SECAP) on time (i.e. within two years of their initial commitment to the EU Covenant) and only 8% of signatories have submitted at least one monitoring report within the recommended timeframe.

Climate risks have a direct and significant effect on France's economy, but insurance coverage is satisfactory. Between 1980 and 2024, France recorded EUR 138 billion in economic losses and ranked eighth in the EU-27 in terms of loss per capita caused by weather and climate-related extreme events ⁽³⁶¹⁾. Natural catastrophe damage was between 0.05% and 0.1% of GDP in 2000-2023 ⁽³⁶²⁾. The latest studies show that extreme weather events are likely to have a prolonged and intensifying impact on economic activity in France ⁽³⁶³⁾. France's 35% rate of insurance coverage against natural catastrophes is the fifth highest in the EU ⁽³⁶⁴⁾. France has a national public-private scheme (the CatNat scheme) to supplement private insurance cover against natural catastrophes. This covers a wide

⁽³⁶⁰⁾Groupe de Travail Structuration des plans climat-air-énergie territoriaux (PCAET), 2025, *Introduction*, [Link](#).

⁽³⁶¹⁾EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe*, [Link](#).

⁽³⁶²⁾ECB and EIOPA, 2024, *Towards a European system for natural catastrophe risk management*, [Link](#). Chart 2. This figure includes earthquakes which happened in the period 2020-2023.

⁽³⁶³⁾Usman, Parker & Vallat, 2025, *Dry-roasted NUTS: early estimates of the regional impact of 2025 extreme weather*, [Link](#).

⁽³⁶⁴⁾EEA, 2024, *Economic losses from weather- and climate-related extremes in Europe*, [Link](#).

range of catastrophes⁽³⁶⁵⁾ and is covered by an unlimited state guarantee. The growing number of natural catastrophes and their growing unitary cost is straining the scheme's financial solvency. Half of its financial buffer disappeared in 2016-2022⁽³⁶⁶⁾. The large increase (from 12% to 20%) in the levy on insurance premiums to finance the CatNat⁽³⁶⁷⁾ is starting to reconstitute this buffer. The cost of climate-related claims could double between 2020 and 2050 to reach EUR 143 billion⁽³⁶⁸⁾.

Climate-proofing of energy and transport infrastructure is starting, encouraged by the PNACC3. For the energy sector, higher temperatures and changing rainfall patterns, droughts, lower river flows and rising sea level can impact nuclear production (up to 6 GW of production loss – 10% of the installed capacity during the summer 2019 drought⁽³⁶⁹⁾) and hydro production⁽³⁷⁰⁾. Electricity transmission and distribution networks are affected by increasing temperatures, flooding and storms. They are also put under pressure by climate-change-induced changes in production and consumption patterns. The PNACC3 provides for the deployment of vulnerability studies for the 20 largest companies and energy network managers. In September 2025, RTE (the French transmission system operator) published its draft 10-year network development plan, which aims to invest EUR 24 billion in adapting 80% of its network to a 4°C trajectory by 2040. France's transport infrastructure was particularly exposed to storms and floods in the past, but extreme temperatures are likely to

also play an important role in the future. An estimated total of EUR 7.4 billion will need to be invested until mid-century in TEN-T, mostly in maritime ports (EUR 2.9 billion⁽³⁷¹⁾) and railways (EUR 2.6 billion). The transport vulnerability index of the TEN-T network to climate change in France has been assessed as moderate⁽³⁷²⁾. The PNACC3 provides for all responsible authorities and operators to establish evidence-based adaptation plans that are aligned with the national climate trajectory. Significant efforts are also being made to update technical standards and engage stakeholders. The PNACC3 estimates that EUR 25.8 million are needed to support organising authorities in completing vulnerability studies in all regions.

Additional efforts are being made to accelerate and scale up the use of nature-based solutions (NbS). The PNACC3 recognises that nature-based solutions and prevention play a key role in increasing resilience. So far, they have been mostly developed on a project basis rather than systemic basis (through flagship and pilot projects in a limited number of sectors). However, the PNACC3 includes measures to mainstream and accelerate their uptake, notably through production of national references, tools and guidelines; structuring of regional and national support networks; dedicated training and awareness-raising actions; mobilisation of research and innovation programmes; and expansion of NbS across a broader range of sectors.

⁽³⁶⁵⁾ECB and EIOPA, 2024, *Towards a European system for natural catastrophe risk management*, [Link](#).

⁽³⁶⁶⁾Assemblée Nationale, 2023, *Rapport d'Information sur l'évaluation de la prise en compte du retrait-gonflement des argiles*, [Link](#).

⁽³⁶⁷⁾CCR, 2025, Résultats du 1er semestre 2025, [Link](#).

⁽³⁶⁸⁾France Assureurs, 2021, *Changement climatique, quel impact sur l'assurance à l'horizon 2050 ?*, [Link](#).

⁽³⁶⁹⁾ RTE, 2022, *Climat et Système électrique*, [Link](#).

⁽³⁷⁰⁾Hydroelectric production varies between 50 and 75 TWh from one year to the next because of climate-related events (RTE, 2022, *Climat et Système électrique*, [Link](#)).

Water resilience

The rise in water scarcity may affect sectors of France's economy. Energy cooling, public

⁽³⁷¹⁾Ibid.

⁽³⁷²⁾*Support study on the climate adaptation and cross-border investment needs to realise the TEN-T network*, Publications Office of the European Union, 2024, [Link](#).

water supply and agriculture are among the most water-dependent sectors⁽³⁷³⁾. The national water exploitation index plus (WEI+) ⁽³⁷⁴⁾, a measure of how much water is being used compared with the total renewable freshwater resources available for a given territory and period, indicates low overall pressure due to abundant renewable freshwater resources. However, large regional disparities persist in the EU (as evidenced by the JRC European Drought Risk Atlas ⁽³⁷⁵⁾). The WEI+ decreased from 4.7% in 2022 to 3.2% in 2023 (with a peak at 11.9% in Q3 2023) but was still below the 20% threshold for water scarcity. Lower river flows are increasing the risk of curtailment of nuclear electricity production (especially during heatwaves and droughts) and jeopardising the nuclear deployment strategic agenda ⁽³⁷⁶⁾. The 2023 Plan Eau is progressively delivering on its targets ⁽³⁷⁷⁾. All the planned measures have been initiated and 77% have been implemented ⁽³⁷⁸⁾. In particular, the implementation of the water efficiency objectives assigned to 50 major industrial sites is achieving as much as 30% in water efficiency savings in some industrial sites. The implementation report draws attention to water's possible impact on industrial production and industrial competitiveness ⁽³⁷⁹⁾. According to a recent ECB study ⁽³⁸⁰⁾, the share of national gross economic output at risk from surface-water scarcity amounts to 24-26%.

⁽³⁷³⁾ EEA, 2025, *Water abstraction by economic sector, 2000-2023*, [Link](#).

⁽³⁷⁴⁾ Eurostat, *Water Exploitation Index, plus*, [Link](#).

⁽³⁷⁵⁾ Rossi, et al. (JRC), 2023, *European Drought Risk Atlas*, Publications Office of the European Union, [Link](#).

⁽³⁷⁶⁾ ASNR, 19 March 2024, [Rapport de l'ASN sur l'état de la sûreté nucléaire et de la radioprotection en France en 2022](#).

⁽³⁷⁷⁾ [Plan eau : 3 enjeux, 53 mesures | Ministères Aménagement du territoire Transition écologique](#).

⁽³⁷⁸⁾ [Plan eau : 3 ans après, 100% des mesures initiées dont 77% mises en oeuvre | Ministères Aménagement du territoire Transition écologique](#)

⁽³⁷⁹⁾ [31322d0401c9a078030ea805939ae7ec50999c6e.pdf](#).

⁽³⁸⁰⁾ [Nature at risk: Implications for the euro area economy and financial stability](#).

Water productivity in France was nevertheless EUR 94 per m³ of abstracted water in 2022 (a 1.6% increase on 2018) ⁽³⁸¹⁾.

Parts of France's surface and groundwater bodies are subject to water stress due to intensive agriculture, hydro-morphological pressure and chemical contamination, affecting the resilience of agriculture.

This is underlined by the Commission report ⁽³⁸²⁾ on the third river basin management plan (RBMP) and the Environmental Implementation Review (EIR) report ⁽³⁸³⁾. The ecological status/potential of France's surface waterbodies has slightly deteriorated since the second RBMP. 43.6% have good or high ecological status/potential (EU average: 39.3%) ⁽³⁸⁴⁾. Diffuse pollution affects 56% of surface water bodies (EU average: 39.2%) ⁽³⁸⁵⁾. 41% of these relate to pesticides and nutrient diffuse pollution from agriculture. 10.5% of groundwater bodies have poor quantitative status (EU average: 9.2%) ⁽³⁸⁶⁾. For at least 10.6%, this is due to abstraction exceeding the available groundwater resource. The situation has slightly deteriorated since the second RBMPs, partly because of improved monitoring and consideration of groundwater-dependent ecosystems. A government report highlighted the risks associated with pesticides and metabolites in drinking water (for example, a high concentration of chloridazon-desphenyl in northern France, where there is intensive

⁽³⁸¹⁾ EEA, *Water abstraction by economic sector, 2000-2023*, (2025). [Link](#)

⁽³⁸²⁾ Commission staff working document on reporting RBMP and FRMP to the Council and the European Parliament, [ENV – Bibliothèque](#).

⁽³⁸³⁾ [Register of Commission Documents – SWD\(2025\)309](#).

⁽³⁸⁴⁾ [Surface water bodies: Ecological status or potential \(group\) \[table\] | Water Framework Directive experts dashboards | WISE Freshwater](#).

⁽³⁸⁵⁾ [Pressures and impacts | Water Framework Directive | WISE Freshwater](#).

⁽³⁸⁶⁾ [Groundwater quantitative status | Water Framework Directive | WISE Freshwater](#).

beetroot farming)⁽³⁸⁷⁾. On 12 February 2025, a report commissioned by a deputy of the National Assembly⁽³⁸⁸⁾ assessed the insufficient tackling of such pollution challenges in some areas and called for legal provisions to be strengthened at the national level.

On a positive note, France is taking measures to reduce individual-substance pressures resulting from industrial and wastewater discharges. France has also engaged in a national-level dialogue with all relevant stakeholders to address water resource scarcity challenges by 2050⁽³⁸⁹⁾ as well as in territorial dialogues at the level of each river basin⁽³⁹⁰⁾. At EU level, a structured dialogue is being held with the Commission to accelerate the achievement of the environmental objectives of the EU water legislation⁽³⁹¹⁾. France's compliance rate with the Waste Water Treatment Directive (WWTD) was 91% in 2020. 498 agglomerations (generating the urban waste water equivalent of 6 337 540 people) were not compliant. The Commission has calculated the annual water investment gap to achieve compliance by 2027 at EUR 3.9 billion – primarily relating to waste water infrastructure (EUR 2.6 billion) and drinking water infrastructure (EUR 1.1 billion).

Nature restoration

France's economy is structurally exposed to nature loss because it has one of the highest direct dependencies on ecosystem services

⁽³⁸⁷⁾[Prévenir et maîtriser les risques liés à la présence de pesticides et de leurs métabolites dans l'eau destinée à la consommation humaine | Igas](#)

⁽³⁸⁸⁾[assemblee-nationale.fr/dyn/opendata/RAPPANR5L17B0928.html](#)

⁽³⁸⁹⁾[Enjeux Eau 2025 sgpe 20250722 vf.pdf](#).

⁽³⁹⁰⁾[Lancement officiel des conférences: L'eau dans nos territoires par Agnès Pannier-Runacher | Ministères Aménagement du territoire Transition écologique](#).

⁽³⁹¹⁾[Dialogues to begin on ensuring sustainable water management – Environment](#).

in the EU (47% vs an EU average of 44%). The European Central Bank has assessed the dependency of non-financial corporations financed by euro area banks on nature and has studied the magnitude and likelihood of shocks caused by nature depletion. It concluded that France is at risk – like all Member States⁽³⁹²⁾. On 2nd April 2026, the Ministry of Ecological Transition presented a report to the Comité National de la Biodiversité (CNB)⁽³⁹³⁾ on the implementation of the 2023 national biodiversity strategy. It noted that 80% of the planned measures had been initiated. The CNB nevertheless made a number of recommendations related to the governance of the implementation of the strategy in order to reduce pressures on biodiversity, strengthen restoration measures and grant the necessary funding. This report showed the challenges faced by the authorities in delivering on the initial ambitions. It particularly called for confirmation of the 'Zero Artificialisation Nette' objectives and for clarification of the legal framework applicable to the use of pesticides in Natura 2000 sites and in drinking water capture sites.

The Environment Implementation Review (EIR) indicates that France hosts 130 habitat types and 291 species covered under the Habitats Directive. France also hosts populations of 145 bird taxa listed in Annex I to the Birds Directive. In 2023, 13% of France's land area was covered by Natura 2000 sites (EU18.627 average: 18.6%). Special protection areas (SPAs) classified under the Birds Directive covered 8% of the territory (EU-27 average: 12.8%). There was insufficient provision for migratory birds and in marine coastal areas. Sites of importance under the Habitats Directive covered only 8.9% (EU average: 14.3%) and the gaps are currently being assessed. France therefore still has to complete its Natura 2000 network (particularly its marine

⁽³⁹²⁾[Living in a world of disappearing nature: physical risk and the implications for financial stability](#).

⁽³⁹³⁾ [Accueil - Biodiversité.gouv.fr](#)

network). An EU pilot dialogue on assessing gaps is ongoing with France. France legally protects 28.1% of its terrestrial areas and 45.3% of its marine areas (above the EU-27 averages of 26.1% and 12.3%). This includes Natura 2000 sites and other nationally designated protected areas. The EIR invited France to: i) complete the Natura 2000 site designation process; and ii) finalise the establishment of site-specific conservation objectives and measures for all Natura 2000 sites (including by adopting their management plans) and ensure their effective implementation. In economic terms, loss of biodiversity particularly impacts pollination (impacting 70% of France's agriculture production to a total amount of between EUR 2.3 billion and EUR 5.3 billion annually⁽³⁹⁴⁾). More positively, the EIR report welcomed France's measures against invasive alien species. Protected areas represented 28.3% of total territory in 2023 (EU average: 26.4%) and maritime protected areas represented 45.3% (EU average: 13.7%). However, highly protected areas represented only 4.2%.

Sustainable agriculture and land use

France's carbon removals are in line with the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF). To meet the 2030 LULUCF target, additional carbon removals of 6.7 million tonnes of CO₂ equivalent (CO₂-eq) are needed. The latest available projections show a target overshoot of 7.3 MtCO₂-eq for 2030 – in stark contrast with last year's data, which showed a large shortfall. This development is due to the inclusion of a new carbon pool (forest dead wood) in 2025 reporting data and is not entirely certain. In France, net carbon removals in the LULUCF sector were declining at a worrying rate until 2017, but there have been significant annual variations in recent

⁽³⁹⁴⁾[Pollinisateurs : Des services évalués entre 2,3 et 5,3 milliards d'euros en France.](#)

years. The carbon sink decrease is linked to climate change effects (droughts, fires and pest attacks) which increase forest mortality and slow forest growth. Further investment in healthy forests and soils is key to building resilient biobased product value chains and enabling a growing, competitive EU bioeconomy. Continued improvements in the system for monitoring net removal data and projections would greatly support timely and effective action in the sector.

Balancing the demand and supply of forest biomass and better targeting forest renewal subsidies are key to enhancing the resilience of the carbon sink.

The third multiannual energy programme (PPE-3) acknowledges that there is an issue of adequation between (i) the availability of national biomass supply (especially forest biomass) affected by the impacts of climate change; and (ii) increasing demand. This can directly affect the carbon sink. The PPE-3 includes a merit order for the uses of biomass on the most relevant uses, which is also presented in the draft third National low carbon strategy (SNBC-3). However, public subsidy schemes still remain to be fully aligned with the necessary moderation of biomass uses. Systemic enforcement of this merit order on the ground by private and public actors remains a key challenge. Support measures for forest renewal are in place, but they allow subsidies to be granted for reforestation after the clearcutting of forest stands that were not at risk of dying. Better targeting that limits support to forest stands vulnerable to climate change would enhance the long-term resilience of the carbon sink⁽³⁹⁵⁾.

Under the EU Nitrates Directive, France's groundwater monitoring stations recorded an average of 50.2% of nitrate concentrations exceeding 25 mg/l and 12.7% exceeding the maximum allowable concentration 50 mg/l (slightly below the

⁽³⁹⁵⁾Cour des comptes (2024), *La gestion durable de la forêt métropolitaine, quelle adaptation au changement climatique ?*

EU average of 14.1%) ⁽³⁹⁶⁾. A 14% reduction in agricultural ammonia emissions between 2018 and 2023 underscored improvements in emission control, but the persistence of nitrate pollution indicates gaps in nutrient management strategies. These concentrations reflect some systemic agricultural pressures. France's livestock density (0.72 livestock units per hectare in 2023) is close to the EU average of 0.75 ⁽³⁹⁷⁾.

Pesticide contamination remains a critical issue. 42% of surface water bodies exceeded regulatory thresholds for pesticide residues between 2018 and 2023 (well above the EU average of 23%) ⁽³⁹⁸⁾. For groundwater bodies, France's 33% excess was also above the EU average of 12.3%. Pesticides not only threaten aquatic ecosystems but also pose long-term risks to human health through contaminated drinking water and food chains. Contamination particularly impacts citizens and neighbouring vineyards (as shown by a recent study by Santé Publique France) ⁽³⁹⁹⁾.

⁽³⁹⁶⁾ [Nitrate in groundwater in Europe | Indicators | European Environment Agency \(EEA\)](#)

⁽³⁹⁷⁾ [\[tai09\] Livestock density index.](#)

⁽³⁹⁸⁾ [Pesticides in rivers, lakes and groundwater in Europe | Indicators | European Environment Agency \(EEA\).](#)

⁽³⁹⁹⁾ [PestiRiv: résultats de l'étude nationale sur l'exposition aux pesticides des riverains de zones viticoles.](#)

Table A10.1: Key Adaptation Indicators

Climate adaptation and preparedness:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Drought impact on ecosystems <i>[area impacted by drought as % of total]</i>	9.67	7.66	0.31	44.2	1.91	-	2.76
Forest fires burned area ⁽¹⁾ <i>[burned area in ha_per_year]</i>	43,602	14,547	30,652	66,337	22,350	12,268	354,510
Economic losses from extreme events <i>[EUR/million at constant 2022 prices]</i>	5,807	4,848	6,203	8,915	3,258	1,942	40,452
Insurance protection gap ⁽²⁾ <i>[composite score between 0 and 4]</i>	-	-	-	1	1	1	-
Sub-national climate adaptation action <i>[% of population covered by the EU Covenant of Mayors for Climate & Energy]</i>	14	15	20	31	31	31	34
Water resilience:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Water Exploitation Index Plus, WEI+ ⁽³⁾ <i>[total water consumption as % of renewable freshwater resources]</i>	3.22	3.54	2.53	4.67	3.19	-	4.53
Water productivity <i>[EUR per m³]</i>	86	84	91	94	-	-	151
Water abstraction <i>Water abstraction by source (% from surface water)</i>	78.15%	76.15%	78.34%	75.84%	-	-	-
<i>Water abstraction by sector</i>	Agriculture	Electricity cooling	Manufacturing	Public water supply	Mining and Quarrying	Construction	
	11.47%	60.54%	5.39%	22.29%	0.32%	0.00%	
Status of water bodies ⁽⁴⁾ <i>[% of water bodies in a good status]</i>							
Surface water bodies (ecological)	-	-	-	-	-	44%	38%
Groundwater bodies (quantitative)	-	-	-	-	-	88%	93%
Nature restoration:							EU-27
	2019	2020	2021	2022	2023	2024	latest data
Ecosystem dependency <i>[% of direct dependency]</i>	-	-	-	47%	-	-	44%
Protected area <i>[% of terrestrial protected areas]</i>	26.8	27.7	28	28	28.3		26.4
Invasive alien species (IAS) <i>[number of IAS of Union concern]</i>	-	-	-	-	-	60	29.2
Damage cost of IAS <i>[EUR/billion]</i>	-	-	-	-	9.48		1.69
Eutrophication <i>[AAE of area at risk of eutrophication]</i>				237	237		295
Sustainable agriculture and land use:							EU-27
	2012-2018		2018-2021		2024		latest data
Yearly net land taken by Member State <i>[ppm of total urban surface per Member State]</i>	630		538				670
Land conversion in functional urban area <i>[% of total land taken from 2018-2021]</i>							
Arable land							50%
Complex and mixed cultivation							0%
Forests							9%
Herbaceous vegetation associations							3%
Open spaces with little or no vegetation							0%
Pastures							34%
Permanent crops							3%
Water							1%
Wetlands							0%
	2019	2020	2021	2022	2023	2024	latest data
Nitrates in groundwater ⁽⁵⁾ <i>[mgNO₃/l]</i>	17.3	17.3	17.4	17.4	17.5		
Livestock density <i>(number of livestock units per hectare of utilised agricultural area)</i>	0.75		0.72				0.75
Ammonia emissions <i>[% of total utilised agricultural area]</i>	97%	97%	97%	96%	96%	-	94%
Pesticide contamination on rivers and lakes water bodies <i>[% of monitoring sites with pesticides exceeding thresholds, 2018-2023]</i>					rivers	42%	27%
					lakes	13%	18%
Pesticide contamination in soil <i>[% of samples with a concentration over 0.5 mg/Kg³]</i>							69%
Net greenhouse gas removals from LULUCF ⁽⁶⁾ <i>[tCO₂-eq]</i>	-35023.9	-37742.7	-34959.4	-33970.4	-37380.6	-	-198,421

(1) EFFIS (European Forest Fire Information System). [Link](#).

(2) The climate protection gap refers to the share of non-insured economic losses caused by climate-related disasters, based on modelling of the risk from floods, wildfires and windstorms and on the insurance penetration rate. Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2025, Dashboard on insurance protection gap for natural catastrophes.

(3) This measures total water consumption as a percentage of the renewable freshwater resources available for a given territory and period. Values above 20% are generally considered to be a sign of water scarcity, while values equal to or greater than 40% indicate severe water scarcity.

(4) European Commission, 2024, Seventh Implementation Report from the Commission to the Council and the European Parliament on the implementation of the Water Framework Directive (2000/60/EC) and the Floods Directive (2007/60/EC) (Third River Basin Management Plans and Second Flood Risk Management Plans).

(5) Indicator refers to concentrations of nitrate (NO₃) in groundwater, measured as milligrams per litre (mgNO₃/L). Nitrate can persist in groundwater for a long time and accumulate at a high level through inputs from anthropogenic sources (mainly agriculture). The EU drinking water standard is limited to 50 mgNO₃/L to avoid threats to human health.

(6) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2025 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.

Source: Eurostat, EEA and JRC

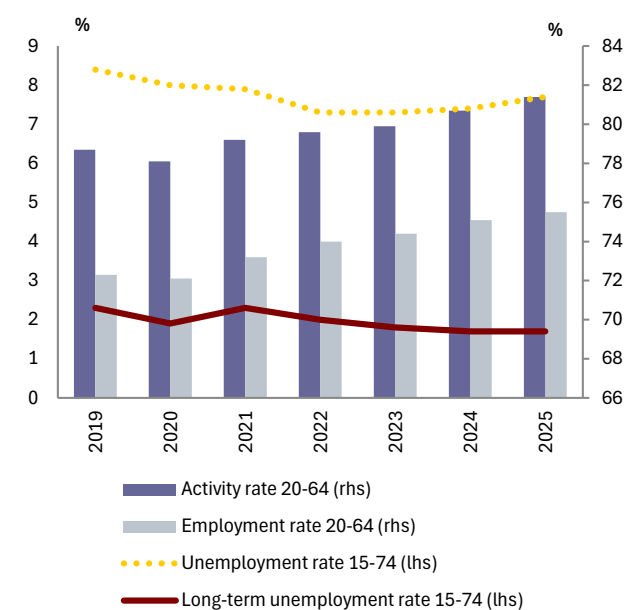
France’s labour market has continued to strengthen in recent years, yet significant structural challenges still hinder productivity and competitiveness. Economic growth remains limited, amid persistently high unemployment, sluggish productivity gains, pronounced regional disparities, and the persistently lower employment rate of certain groups (particularly young and older people, those with low qualifications and those born outside the EU). As France moves towards its 2030 employment rate target, unlocking untapped labour potential, reducing skills mismatches and improving the quality of jobs are essential to building a more resilient and inclusive labour market and supporting a dynamic economy.

Despite significant improvements, France’s labour market continues to face structural weaknesses and pronounced regional disparities. The employment rate increased to a record high of 75.5% in 2025 but remains below the EU average (76.1%) and the 2030 national employment target (78%). Similarly, the activity rate rose to 75.2%. Unemployment, however, remains a key structural challenge in France: at 7.7% in 2025, it is significantly above the EU average of 6% and is projected to increase to 8.3% in 2026⁽⁴⁰⁰⁾. Although on par with the EU average (1.9%), the long-term unemployment rate has shown no improvement (1.7%). Labour market slack⁽⁴⁰¹⁾ increased to 14.8%, exceeding the EU average (11.7%) and affecting around 4.9 million people with an unmet supply of employment.

There are major disparities between mainland regions, and employment is systematically lower in the outermost

regions⁽⁴⁰²⁾. The employment rate ranges from 50% in French Guiana to 78.3% in Bretagne, a gap of 28.3 pps. Bretagne also has the lowest unemployment rate (5.6%), while Guyane has the highest (16.9%), far above the highest mainland rate (Ile-de-France, 8.8%). In mainland France, these disparities mainly reflect sectoral specialisation and varying levels of urbanisation⁽⁴⁰³⁾. Challenges in the outermost regions are compounded by longstanding structural weaknesses. These are due to these regions’ insularity, infrastructure gaps (in higher education, essential services, access to water, etc.) and limited industrial development⁽⁴⁰⁴⁾, which opens up few job opportunities (see Annex 18).

Graph A11.1: Key labour market indicators



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a, lfsi_neet_a, une_ltu_a, lfsi_emp_a]

Youth labour market outcomes remain weak despite extensive policy support. The

⁽⁴⁰⁰⁾ European Commission, Spring Forecast, 2026.

⁽⁴⁰¹⁾ The labour market slack is the underuse of labour resources, including unemployment, underemployment and those available for work but not actively seeking it.

⁽⁴⁰²⁾ Data for France do not include Mayotte for methodological reasons (risk of non-representativeness of the sample because of its limited size).

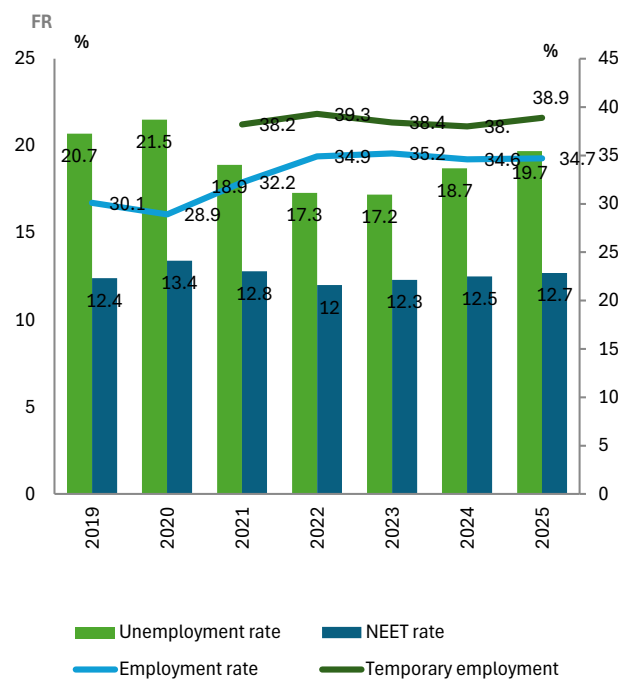
⁽⁴⁰³⁾ See 2025 country report.

⁽⁴⁰⁴⁾ Cour des comptes, ‘Les financements de l’État en Outre-mer’, 2022.



unemployment rate for young people (15-24) reached 19.7% in 2025, well above the EU average of 15.2%. The share of young people (15-29) neither in employment nor in education and training (NEETs) remains higher than the EU average of 11%, and slightly increasing (12.7%). The NEET unemployment rate is of particular concern for persons with disabilities (30% in 2023) and those in the outermost regions (31.9% in Guyane in 2025). Youth employment outcomes are strongly correlated with educational attainment, while educational performance is directly linked to socio-economic background. Weaknesses in skills development emerge from an early age for disadvantaged pupils (see Annex 13). In addition, young people are more likely to be employed on temporary contracts (38.9% of those aged 15-29 in employment in 2025 vs 13.6% among the 20-64 age group), highlighting the difficulties they face in accessing quality employment. These structural challenges persist despite the implementation of numerous initiatives aimed at supporting young people, such as the '1 young person, 1 solution', the 'Contrat d'engagement jeune' and apprenticeship support measures (see 2025 country report, Annex 10). Evaluations also point to the need to tackle additional barriers, such as housing and transport (see Annex 16) ⁽⁴⁰⁵⁾.

Graph A11.2: Labour market outcomes of young people



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a, lfsi_neet_a, lfsi_pt_a]

Limited labour market participation among low-skilled people hampers competitiveness. People with low qualifications face disadvantages in the labour market and lack access to lifelong learning opportunities. In 2024, the employment gap for people with low-level qualifications (ISCED 0-2) increased to 21.9 pps, above the EU average of 17.9 pps. Moreover, low-skilled adults are less likely to participate in adult learning or to enrol in training that leads to formal qualifications (see Annex 13).

Non-EU-born people and people with a migrant background face multiple obstacles entering the labour market. Obstacles include language barriers, lower educational attainment, difficulties getting qualifications recognised, and discrimination. The employment gap for people born outside the EU is slowly improving, reaching 11.7 pps in 2025, but remains higher than the EU average of 7.4 pps, particularly for non-EU-born women (17.9 pps vs 11.8 pps in the EU). Despite efforts to improve societal integration, France's overall integration outcomes appear to have remained

⁽⁴⁰⁵⁾ Cour des Comptes, *Rapport annuel 2025 sur les politiques publiques en faveur des jeunes*, 2025.

broadly unchanged since 2019 and are only slightly above the EU average⁽⁴⁰⁶⁾. There are limited active labour market measures targeting the specific obstacles faced by people with a migrant background. These labour market outcomes are also to be monitored in light of increasing at-risk-of-poverty rates for these groups (see Annex 12).

Increasing the employability of older people remains a priority amid a rapid ageing of the population. The employment rate of older workers (55-64) has improved slightly, particularly in the wake of the 2023 pension reform, which has been temporarily suspended⁽⁴⁰⁷⁾. However, it remained far below the EU average in 2024 (61.8% vs 66.4% in the EU). Moreover, the employment gap for older workers, at 13.7 pps, still exceeded the EU average of 9.7 pps in 2025. Social partners agreements on older workers' working conditions and access to training were enacted into law in October 2025, but the impact of these measures on the employability of older workers is still to be assessed. These measures are essential to keeping older workers in employment and limit their unemployment, particularly amid a shrinking workforce driven by declining birth rates and accelerated population ageing, with large cohorts of older people approaching retirement⁽⁴⁰⁸⁾.

Better integration of vulnerable groups and unlocking untapped labour potential remains key for France to achieve its 2030 employment target. France carried out a

⁽⁴⁰⁶⁾ MIPEX score of 56 vs 54 in the EU in 2024. [MIPEX is a tool that measures policies to integrate migrants](#). The MIPEX score is based on a set of indicators covering eight policy areas (labour market mobility, family reunification, education, political participation, permanent residence, access to nationality, anti-discrimination and health). Indicators are scored on a scale from 0 to 100 for each key area and overall score.

⁽⁴⁰⁷⁾ INSEE, 'L'emploi des jeunes se replie, celui des seniors continue d'augmenter', 2025.

⁽⁴⁰⁸⁾ Sbahi M. (2025), 'Des écoles au marché du travail : la marée descendante de la dénatalité', Haut-commissariat à la Stratégie et au Plan, La Collection du Plan, October 2025.

significant reform of the public employment service in 2023, overhauling *France Travail*, with a clear goal to mobilise untapped potential. Although the direction is promising, early effects are mixed, and recent budget cuts reducing the number of guidance counsellors risk undermining the reform's effectiveness. Targeted activation measures, more inclusive recruitment practices, tailored support services and improved access to childcare services (see Annex 12) could help advance progress on making the labour market more resilient and inclusive, in line with the country's 2030 objectives. Those in the social and solidarity economy play a major role in France in supporting labour market integration, particularly for disadvantaged groups and in regions facing structural employment challenges. The European Social Fund Plus (ESF+) also supports access to employment through the national ESF+ programme and through the regional programmes promoting entrepreneurship and vocational training for unemployed people.

France has a well-established framework for social dialogue, but concerns over its effectiveness remain. The institutional set-up is well-regulated and characterised by a multi-level system. While the coverage rate of collective bargaining is high (98% in 2024)⁽⁴⁰⁹⁾, trade union density is one of the lowest in the EU (10.1%)⁽⁴¹⁰⁾. Employer organisation density stood at 74.4%, but this figure dates from 2017⁽⁴¹¹⁾. Social partners have repeatedly expressed their dissatisfaction over their insufficient involvement in significant reforms. There are also concerns about established procedures not being respected and timeliness, particularly in times of political instability. A

⁽⁴⁰⁹⁾ OECD, Collective bargaining coverage.

⁽⁴¹⁰⁾ OECD data on employer organisation and trade union density (2019). Employer density rate calculated as a share of employees working in establishments that are affiliated to an employer's organisation. Union density rate is calculated as a share of employees that are trade union members.

⁽⁴¹¹⁾ [OECD/AIAS ICTWSS v2.0](#).

new, open discussion forum (*Conférence Travail Emploi Retraites*) was launched in December 2025 to discuss key employment and pension issues in the spirit of co-construction.

Wage growth is relatively low, but the recent rebound in real wages has somewhat offset earlier losses. Wage growth has slowed, reaching 2.2% in 2025, and is expected to fall to 2.3% in 2026. After marked drops in 2022 and 2023 (by 0.3% and 1.3% respectively), real wages increased by 0.3% in 2024 and 0.7% in 2025 and are set to increase by 0.6% in 2026. The recovery in real wages mainly reflects easing inflation, amid modest nominal wage growth and limited labour productivity. Statutory minimum wages increased by 13.7% between January 2022 and January 2026, which is a cumulative increase of 0.5% in real terms. While frequent minimum wage adjustments support growth at the lower end of the distribution, their high level contributes to wage compression. In France, the minimum wage accounts for 62% of the median wage, one of the highest ratios among OECD countries ⁽⁴¹²⁾.

Risks of low-wage traps persist, reflecting limited wage progression and rising in-work poverty. While the minimum wage is one of the highest in the EU, relative to median gross earnings, both real and nominal wage growth have remained limited. An increasing number of employees remain clustered at, or just above, the minimum wage, highlighting limited labour and social mobility and the risk of continued low pay for some categories of workers. Despite historically high employment and activity rates, the risk-of-poverty rate has increased, underscoring that certain employment positions do not provide sufficient means to escape poverty ⁽⁴¹³⁾. The growing share of low-wage earners in recent years (from 6.1% of total employment in 2010 to 9.7% in

2022) is also worrying amid rising in-work poverty (8.7% in 2025), exceeding the EU average of 8.3%. Against this backdrop, the system of exemptions for employer social contributions (aiming to support employment) may amplify risks of low-wage traps, especially through threshold effects at specific levels. As part of the French medium-term fiscal-structural plan, a reform of general reductions in social contributions relative to the minimum wage was adopted in September 2025. The reform aims to streamline the existing schemes to incentivise wage mobility ⁽⁴¹⁴⁾; but its impact is still to be assessed.

Labour shortages are linked to the shortage of skills. In Q4-2025, the job vacancy rate stood at 2.3% (EU: 2.1%). Skills mismatches increased to 23.3% in 2025 (from 22.9% in 2024) and continue to exceed the EU average (19.2% in 2025). Despite some easing of recruitment difficulties since 2023 ⁽⁴¹⁵⁾, skills shortages have continued to hamper labour market performance. Recruitment difficulties are reported by 43.8% of employers ⁽⁴¹⁶⁾, with the lack of adequately skilled workers one of the main barriers. Recruitment difficulties persist in construction (47%) and healthcare and social services (45%), which are sectors facing a persisting challenge of staff shortages (see Annex 15), as well as in industry (45%) and automotive trade and repair (42%). These difficulties are widespread across regions: 35.6% of companies report difficulties in Île-de-France, 49.8% in Nouvelle-Aquitaine and 56.8% in Mayotte (see Annex 18). Most sectors face skills shortages, with certain occupations experiencing significant difficulties (e.g. roofers, skilled machine operators, doctors, sheet metal

⁽⁴¹²⁾ [OECD, Employment Outlook 2025 : France.](#)

⁽⁴¹³⁾ CNLE, '[Panorama de l'évolution de la pauvreté et l'exclusion sociale](#)', 2025.

⁽⁴¹⁴⁾ The '*Décret n° 2025-887 du 4 septembre 2025 relatif aux modalités d'applications de différents dispositifs de réduction et d'exonération de cotisations patronales de sécurité sociale*' introduced a more progressive withdrawal rate of the exemptions on social security contributions until a shortened exit point of 3 SMIC.

⁽⁴¹⁵⁾ Dares, '[Les emplois vacants](#)', 2026.

⁽⁴¹⁶⁾ France Travail, '*Enquête Besoins en Main-d'Œuvre 2026*', 2026.

workers, car mechanics). Additionally, more than 10% of occupations reporting shortages in 2025 are relevant to the green transition. These include civil and electrical engineering technicians, roofers, electrical mechanics and fitters, which all have been in shortage since 2022. If left unaddressed, this challenge is likely to increase as the green transition progresses. France also slightly lags behind in the share of ICT specialists (4.9% of total employment vs 5% in the EU), amid strong recruitment needs and skills shortages in science, technology, engineering and mathematics. Recruitment difficulties are expected to remain very high for most economic sectors⁽⁴¹⁷⁾. There is still scope for further promoting skills development, particularly for those most in need, and improving the alignment between skills provision and labour market needs to support competitiveness (see Annex 13).

Recruitment difficulties are partly due to demands for improved working conditions, including more reasonable working hours, higher salaries and less hardship. 39% of companies attribute recruitment difficulties to the unattractiveness of the working conditions⁽⁴¹⁸⁾. Regarding quality jobs, France ranks among the worst performers in the EU on long working hours and fatal accidents at work. 9.4% of employees work more than 49 hours a week, compared with 6.2% in the EU. Labour market segmentation remains pronounced. The share of temporary contracts among employees (20-64) reached 13.6% in 2025, surpassing the EU average of 11.5%, and is significantly higher for young people. Involuntary part-time employment is also high (3.9% vs 3.3% at EU level). The transition rate from temporary to permanent contracts is improving but still lags behind the EU average. The number of short and very short contracts

has also increased, with recent study showing that 80% of recruitments in 2024 relied on short or very short term contracts⁽⁴¹⁹⁾, which contributes to job insecurity and poverty. With in-work poverty rising, the most vulnerable groups are disproportionately affected, primarily due to inadequate wages, non-standard forms of work and temporary schemes (see Annex 12). Amid demographic change, labour market dynamics are changing, underscoring the need for companies to adapt more effectively to employees' expectations on how to recruit and retain staff⁽⁴²⁰⁾.

⁽⁴¹⁷⁾ Foucher A. (2025), '[Décrochage démographique : cinq révolutions du marché du travail](#)', Haute-Commissariat à la stratégie et au plan, La Collection du Plan, October 2025.

⁽⁴¹⁸⁾ France Travail, '[Enquête Besoins en Main-d'Œuvre 2026](#)', 2026.

⁽⁴¹⁹⁾ Unedic, '[Contrats temporaires ou atypiques : focus sur 7 pays européens](#)', 2026

⁽⁴²⁰⁾ Foucher A. (2025).

Amid growing inequalities, poverty and social exclusion risks remain a pressing issue in France, particularly impacting children.

For France, the 2025 country-specific recommendations highlighted the need to prevent and reduce child poverty, notably by removing barriers that hinder parents' labour market participation and access to quality early childhood education and care (ECEC) for the most disadvantaged households. France is significantly behind on its 2030 poverty reduction target, both for the overall population and for children, despite decreasing unemployment. Income inequalities are widening, and existing social benefits are less effective in reducing the risk of poverty. Amid persistent inequalities in access to quality education and employment, the risk of intergenerational transmission of poverty and social exclusion remains high, limiting the future opportunities of disadvantaged children. Child poverty remains a significant challenge in France, with the majority of those affected concentrated in urban areas and strong disparities between mainland France and its outermost regions. Poverty or social exclusion risks are strongly correlated with employment status, while in-work poverty has increased. Despite recent efforts, there remains significant scope for further policy measures aimed at preventing and alleviating poverty and social exclusion.

Contrary to the downward trend at EU level, the number of people facing poverty or social exclusion risks has been rising steadily in France since 2019.

In 2025, the number of people at risk of poverty or social exclusion (AROPE) in mainland France rose by 0.19 million compared to 2024, resulting in a total increase of 1.43 million since 2019. This contrasts with the overall EU trend where a reduction of 3.5 million has been observed. This marks a continued deterioration, as the AROPE rate remained persistently high at 20.8% in 2025, only slightly below the EU average of 20.9%. Moreover, the 2030 national target does not include France's outermost regions⁽¹⁾, which would add 720 000 people to

the AROPE count in 2025, including 176 000 children. In this context, efforts would need to be accelerated for France to reach its 2030 national target of reducing the number of people at risk of poverty or social exclusion by 1.1 million. A comprehensive approach, as set out in the EU anti-poverty strategy, could help address the multiple dimensions of poverty and achieve the national anti-poverty target.

Income inequalities are rising in France. In contrast to the downward EU trend, the income quintile share ratio (S80/S20) has been steadily increasing since 2018, reaching its highest level in the last decade (4.7 vs 4.6 in the EU). Although higher than the EU average of 33.2%, the impact of social benefits (excluding pensions) on poverty reduction has declined since 2024, dropping to its lowest recorded level in the last decade in 2025 (38.5%), mainly due to changes in housing and family benefits⁽⁴²¹⁾. Moreover, at 15.4%, the persistent at-risk-of-poverty (AROP) rate⁽⁴²²⁾ is significantly above the EU average of 11.3%. Despite high coverage (the highest in the EU), further initiatives have been introduced to reduce non-take-up of social benefits⁽⁴²³⁾. However, in a context of budgetary constraints, their impact on poverty alleviation is still to be evaluated. Moreover, a proposal for an '*allocation sociale unique*' (single social allowance) could be discussed in 2026 (to be implemented by 2030), against a backdrop of high political uncertainty. Although this reform aims to achieve further administrative simplification and digitalisation, its concrete impact on the most vulnerable groups will have to be evaluated if adopted.

⁽⁴²¹⁾ OFCE, [Lutte contre la pauvreté, le décrochage français](#), 2025.

⁽⁴²²⁾ Indicator defined as the share of persons with an equivalised disposable income below the at-risk-of-poverty threshold in the current year and in at least two of the preceding three years.

⁽⁴²³⁾ *Maisons France Services* launched in 2020, the project *Territoires zéro non-recours* launched in 2023 and the second stage of the reform *Solidarité à la source* implemented in 2025.



Children in France are particularly vulnerable and exposed to poverty or social exclusion.

The AROPE rate for children remained high in 2025 (27.5%), significantly above the EU average (24.3%). From 2019 to 2025, the number of children at risk of poverty or social exclusion increased by 0.37 million (0.14 since 2024), reaching 3.6 million⁽⁴²⁴⁾ and moving away from France's 2030 child poverty reduction sub-target. Children and young people (18-24) are the two age groups most vulnerable to poverty risks in France (AROPE for 18-24 years old at 27.6% vs 26.3% in the EU). The implementation of the European Child Guarantee is progressing in terms of access to, for example, school-based activities and healthcare. However, there are gaps in ensuring that children in need have access to key services such as ECEC (below the age of 3) and adequate housing, in a context of high levels of homelessness among children. The number of children living on the streets or in public spaces due to the lack of a housing solution has more than doubled in five years (from 927 in 2020 to 2 159 in 2025⁽⁴²⁵⁾) (see Annex 16). France introduced the 2023-2027 solidarity pact to tackle child poverty through diverse initiatives, as child poverty is a driver of further socio-economic disadvantages. However, evaluations highlight the lack of a comprehensive strategy, and limited success in achieving significant poverty reduction⁽⁴²⁶⁾.

Inequalities emerge from an early age, with disadvantaged children less likely to participate in quality education and care.

In 2025, more than half of children under three participated in ECEC (59.7% vs 40.5% in the EU). However, the participation gap between advantaged and disadvantaged children is one of the largest in the EU (36 pps vs 20 pps). Early

inequalities significantly impact the educational outcomes and employment prospects of children from disadvantaged families⁽⁴²⁷⁾. Concerns also persist regarding the quality of ECEC provision⁽⁴²⁸⁾, and its coverage is significantly lower in the outermost regions⁽⁴²⁹⁾. The 2025 reform establishing an 'early childhood public service' aims to strengthen municipalities' responsibilities in organising ECEC. This includes assessing childcare needs for children under three and informing families about available childcare options. The government is, however, not on track to reach its aim of creating 200 000 new ECEC places by 2030, and labour shortages in this sector persist. The reform's effectiveness in increasing ECEC participation by overcoming financial and regional barriers to access remains to be evaluated.

Poverty or social exclusion risks are strongly correlated with the composition and work intensity of the household.

Single-parent families are the most vulnerable to poverty or social exclusion (48.6% vs 44.3% in the EU). Their AROPE rate has risen since 2023 (at 46.3%) and they account for a growing proportion of households in France. There is significant potential for initiatives aimed at promoting better work-life balance, increasing women's labour market participation and improving accessibility of childcare services. Parental educational attainment is also a strong predictor of child poverty in France. While the AROP rate for children with highly skilled parents is 9.9% (EU: 8.5%), this rate jumps to 58.8% for children with low-skilled parents (EU: 52.7%), and has increased by 5.3 pps since 2023. Work intensity plays a pivotal role: in 2025, 81.7% of children in very low work intensity households were at risk of poverty

⁽⁴²⁴⁾ To be noted that the methodology regarding the 2030 national targets does not include the data for the outermost regions.

⁽⁴²⁵⁾ UNICEF-FAS, *Baromètre Enfants à la rue*, 2025.

⁽⁴²⁶⁾ Cour des Comptes, *Le pilotage par l'État de la politique de lutte contre la pauvreté*, 2025.

⁽⁴²⁷⁾ OECD, *The economic costs of childhood socio-economic disadvantage*, 2022.

⁽⁴²⁸⁾ Cour des Comptes, *La politique d'accueil du jeune enfant*, 2024.

⁽⁴²⁹⁾ CNAF-ONAPE, *L'accueil des jeunes enfants - Édition 2025*, 2025.

(EU: 73.8%), compared to 6.1% of those in very high work intensity households (EU: 5.6%). Moreover, the percentage of children living in jobless households increased to 10.3% in 2025 (EU: 7.8%).

Certain groups, specifically non-EU-born and low-skilled individuals, remain more vulnerable to poverty or social exclusion.

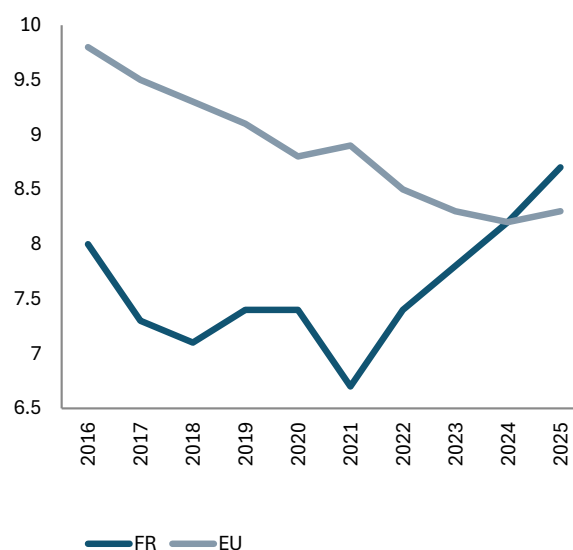
In 2025, the AROPE rate for native-born people was below the EU average (16.3% vs 17.6%). This rate reached 39.3% for the non-EU-born, above the EU average of 38.9%, marking it one of the highest gaps in the EU. Moreover, 46.5% of children with at least one parent born outside the EU were at risk of poverty or social exclusion (EU: 38.8%). This disparity can be attributed to structural factors, such as these populations often being younger, less qualified and employed in temporary or non-standard work⁽⁴³⁰⁾. The AROPE rate decreases with higher educational attainment levels (from 31% for individuals with less than lower secondary education to 9.6% for those with high educational attainment). In this context, the European Social Fund Plus provides substantial support to improve the social inclusion of the most vulnerable groups, covering both mainland France and the outermost regions (see 2025 country report). The support also aims to prevent and alleviate poverty, including for children.

The in-work poverty rate has increased in France, in a context of rising employment.

The rise in in-work poverty (up 1.3 pps between 2019 and 2025) has been driven partly by the strong increase in the risk of poverty among the self-employed (+4.9 pps)⁽⁴³¹⁾. Although employed individuals face lower risks of poverty compared to unemployed people (8.7% vs 43.3%), the worsening in-work poverty trend highlights the vulnerability of some

groups within the workforce. Among the main factors are slow wage growth, precarious contracts, atypical forms of work and involuntary part-time work (see Annex 11). In-work poverty disproportionately affected the low skilled, part-time workers, temporary workers and single parents⁽⁴³²⁾. The AROP rate of unemployed people has increased since 2019 (by 6.9 pps), notably in the context of the unemployment benefit reform⁽⁴³³⁾. In addition, to better target those furthest away from the labour market, a comprehensive reform of France Travail was initiated in 2023; its impact will be evaluated as risks of adverse effects remain.

Graph A12.1: In-work poverty (% of employed)



Source: Eurostat, EU-SIL [ilc_iw01]

Poverty risks are most prevalent in urban areas, while strong regional disparities persist throughout France.

Poverty rates are higher in cities (24% vs 21.3% in the EU), notably in priority urban districts, known as *quartiers prioritaires de la politique de la*

⁽⁴³⁰⁾ INSEE, *Revenus et patrimoine des ménages – Insee Références – Édition 2024*, 2024.

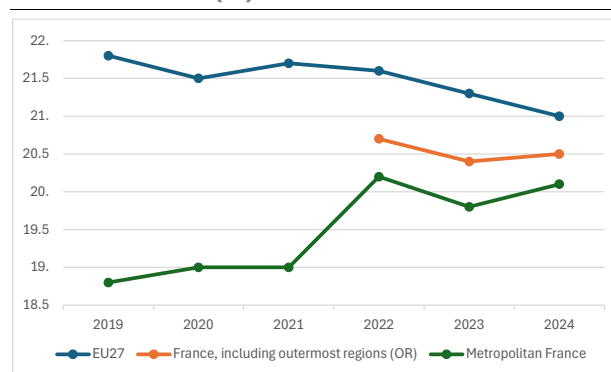
⁽⁴³¹⁾ CESE, « [Lutter contre la précarité professionnelle par une économie plus inclusive](#) ». February 2026.

⁽⁴³²⁾ CNLE, *Panorama de l'évolution de la pauvreté et l'exclusion sociale*, 2025.

⁽⁴³³⁾ DARES, *Rapport du comité d'évaluation de la réforme de l'assurance chômage initiée en 2019*, 2025.

politique de la ville ⁽⁴³⁴⁾. The rate varies significantly across mainland regions, with a 9.7 pp gap between the regions with the lowest and highest rates (from 14.8% in Bretagne to 24.5% in Hauts-de-France). However, the strongest disparities occur between mainland France and its outermost regions. The AROPE rate is significantly higher in the outermost regions, reaching an average of 41.3% (ranging from 31.3% in Martinique to 54.8% in Guyane), marking a striking 40 pp. gap between the lowest rate on the mainland and the highest rate in the outermost regions. The poverty rate remains particularly high in Mayotte, reaching 77% in 2018 (vs 15.3% in mainland France ⁽⁴³⁵⁾). In addition, access to clean water remains a challenge in this region (see also Annex 19). Similar trends can be observed in the rate of people living in households with very low work intensity and facing severe material and social deprivation, with these regions also experiencing the most significant challenges in the labour market (see Annex 11). Moreover, inequalities are exacerbated in the outermost regions ⁽⁴³⁶⁾, as the cost of living is significantly higher than in the rest of the country. France has introduced specific measures targeting its outermost regions in the context of the solidarity pact, although it remains difficult to implement those measures.

Graph A12.2: Population at risk of poverty and social exclusion (%)



Source: Eurostat, EU-SILC [ilc_pecs01]

Energy poverty remains high, disproportionately affecting the most vulnerable groups. Despite a slight decrease since 2023, 11.5% of the population was unable to keep their home adequately warm in 2025 (EU: 8.8%), with people at risk of poverty being particularly impacted (23.5% vs 19.6% in the EU). This challenge is especially severe in regions ⁽⁴³⁷⁾ where the AROPE rate is higher (12.6% in Hauts-de-France vs 10.2% in Île-de-France). In 2023, 21.1% of households faced issues like leaks, damp or rot, above the EU average of 15.6%. According to the national energy poverty observatory, 35% of the population reported suffering from cold during the 2024-2025 winter (marking an increase of 5 pps since the previous year), with 37% of cases attributed to financial constraints and 32% to inadequate insulation ⁽⁴³⁸⁾ (see Annex 16).

Transport poverty is also a challenge in France. France has the highest rate of people reporting they do not use public transport regularly because it is not available (26.6% vs 10.8% in the EU) ⁽⁴³⁹⁾. In mainland France ⁽⁴⁴⁰⁾,

⁽⁴³⁴⁾ Category identified based on per capita income with the aim of reducing development gaps (mainland and outermost regions).

⁽⁴³⁵⁾ INSEE, *L'essentiel sur Mayotte*, 2025.

⁽⁴³⁶⁾ CESE, *Dix préconisations pour le pouvoir d'achat en Outre-mer*, 2025

⁽⁴³⁷⁾ Only regions in mainland France, as data do not include the French outermost regions.

⁽⁴³⁸⁾ ONPE, *Tableau de bord de la précarité énergétique - Édition novembre 2025*, 2025.

⁽⁴³⁹⁾ 2024 EU-SILC ad hoc module on access to services; including Guadeloupe, Martinique, French Guiana and Réunion but excluding Mayotte.

⁽⁴⁴⁰⁾ Note that the methodology regarding transport poverty relies on the administrative regions in France as

the former administrative regions of Bourgogne, Franche-Comté, Basse Normandie, Limousin, Poitou-Charentes, Auvergne and Corse are particularly poorly served by public transport ⁽⁴⁴¹⁾⁽⁴⁴²⁾. The outermost regions are also highly concerned by issues of transport poverty ⁽⁴⁴³⁾ (see also Annex 19). France also faces further challenges related to urban public transport and cross-border commuting (see Annex 19).

they were before 2016. For reasons of clarity this classification is used here, although it is not aligned with the current French administrative regions.

⁽⁴⁴¹⁾ Data from Commission's Transport Poverty Hub.

⁽⁴⁴²⁾ In those regions, it takes at least half of the population more than 45 minutes to reach the nearest healthcare facility by public transport ([Transport Poverty Hub](#)).

⁽⁴⁴³⁾ The Transport Poverty Hub does not yet include data on the outermost regions.

Improving the resilience and competitiveness of the French economy requires further policy action on education and skills. Declining basic skills proficiency of young people across socio-economic groups limits their opportunities for successful upskilling and reskilling later in life, with a negative impact on competitiveness. Fewer disadvantaged students achieve the basic skill level needed to fully participate in today's technology-driven and fast changing economy. Recent education and training reforms have inconsistently addressed labour market and schools' needs and have often fallen short in adequately engaging teachers. Teachers face challenges in initial training, professional development and artificial intelligence (AI) use. Upskilling is insufficiently targeted towards sectors with acute labour shortages and sectors of strategic importance, including sectors relevant to the green and digital transitions. Furthermore, existing schemes do not sufficiently reach the broader working-age population. Enhancing the inclusiveness and labour-market relevance of education and training would contribute to overcoming skills gaps. The 2025 country-specific recommendations for France highlighted challenges, still relevant in 2026, in improving educational outcomes, reducing inequalities in education, strengthening the teaching profession, addressing skills shortages through increased access to training, and facilitating access to quality early childhood education and care ⁽⁴⁴⁴⁾ for the most disadvantaged households (see also Annex 12).

The drop in basic skills proficiency is a barrier to further skills acquisition and human capital development, and ultimately to productivity growth. Between 24% and 29% of 15-year-olds do not reach a minimum proficiency in reading, mathematics and science, and close to half of disadvantaged

students lack these basic skills, far from the 15% EU-target ⁽⁴⁴⁵⁾. Educational equity has decreased over the last decade, with only 14.4% of disadvantaged students achieving good performance in basic skills (EU average: 16.3%), down from 20.8% in 2015 (EU average: 21.1%) ⁽⁴⁴⁶⁾. Top performance has also deteriorated markedly, with the share of top performers in mathematics falling from 11.4% in 2018 to 7.4% in 2022. The decline in basic skills is broad-based and affects students across all socio-economic groups to varying degrees ⁽⁴⁴⁷⁾.

France has adopted revised curricula to improve basic skills, but their effectiveness will require reinforced teacher preparation.

A new curriculum will apply to pre-primary education (age 3-6) as of the 2025/2026 school year. It defines age-appropriate learning objectives for early literacy and numeracy. While pre-primary school is mandatory, access to education and care for the youngest children (age 0-3) strongly depends on their socio-economic background (see Annex 12). As of 2025/2026, revised, competence-based curricula were also introduced for all grades of primary school and the first grade of lower secondary school ⁽⁴⁴⁸⁾. Ensuring that teachers are sufficiently prepared to implement the new curricula is essential. However, only primary school teachers are entitled to mandatory collaborative training (18 hours per year). In the OECD's TALIS survey, half of French lower secondary teachers (49%) indicated having to implement changes and reforms without the necessary resources (OECD average: 31%) ⁽⁴⁴⁹⁾.

⁽⁴⁴⁴⁾ From the age of 3, every child is subject to compulsory education (Articles L131-1 to L131-13 of the Education Code).

⁽⁴⁴⁵⁾ OECD, 2022 PISA.

⁽⁴⁴⁶⁾ Achieving level 4 or above in one of the PISA domains (Commission calculations based on OECD 2022 PISA).

⁽⁴⁴⁷⁾ HCSP, 2025, *Le niveau scolaire: Faut-il s'inquiéter?*, Note n°155.

⁽⁴⁴⁸⁾ MENJS, 2024, *Bulletin officiel de l'Éducation nationale, de la Jeunesse et des Sports n° 41 du 31 octobre 2024*.

⁽⁴⁴⁹⁾ OECD, 2025, TALIS.



The insufficient use of student assessment data and the lack of well-developed strategies for differentiated teaching at school level undermine the effectiveness of basic skills support schemes. Evidence shows that differentiation in teaching is crucial for improving basic skills. In the 2024/2025 school year, ability grouping was introduced in the first two grades of lower secondary schools. However, an evaluation found that this measure did not achieve its main objective of reducing underperformance. This reflected two main factors: (i) students rarely moved between groups throughout the school year; and (ii) pedagogical methods were not effectively adapted due to insufficient continuous professional development. The evaluation recommended a more tailored, school-level approach, while making better use of national student evaluation outcomes ⁽⁴⁵⁰⁾. Ability grouping remains in place, but the Ministry of Education has since placed a greater emphasis on flexibility and pedagogical autonomy in its implementation ⁽⁴⁵¹⁾. In addition, regional committees for basic skills improvement were established in 2023 ⁽⁴⁵²⁾. A further evaluation is planned to investigate if flexible ability grouping contributes to reducing underachievement ⁽⁴⁵³⁾.

The main scheme supporting disadvantaged students faces challenges in improving academic performance. Schools in designated 'priority education' areas ⁽⁴⁵⁴⁾ receive extra support. However, the map of these areas,

defined in 2015, needs to be revamped and the scheme has had limited success in lifting academic performance. The French Court of Auditors has recommended reforming it, noting that its rigid design leads to incomplete coverage, with an estimated 70% of disadvantaged learners left out. In addition, teachers in these schools are less experienced than on average. The Court suggested more: (i) flexible resource allocation to better address local needs; (ii) adapted teaching methods; and (iii) collaboration among schools in the priority network ⁽⁴⁵⁵⁾.

Demographic decline presents opportunities for efficient and effective investment in primary education, with reduced class sizes.

In recent years, a major policy to reduce underachievement has consisted in lowering class sizes in first and second grades at disadvantaged primary schools in 'priority education' areas. A study has showed that this investment has a positive cost-benefit ratio as smaller class sizes translated into better academic outcomes, while an improvement of one standard deviation in academic performance leads to 10% higher future earnings. This suggests that class splitting can be self-financing in the long run ⁽⁴⁵⁶⁾. Despite recent efforts, the average pupil-to-teacher ratio in primary education was high at 18.1 in 2023, above the EU average (13.4). The projected steep demographic decline in the population of primary school pupils, with exceptions (e.g. Mayotte and French Guiana), presents an opportunity to continue investing in reduced class sizes across all grades and beyond 'priority education' areas.

Teachers are central to developing the skills of the future workforce, yet they face challenges in initial training, professional

⁽⁴⁵⁰⁾ IGÉSR (2025). *Mise en place des groupes de besoins en français et mathématiques au collège*. N° 24-25 007.

⁽⁴⁵¹⁾ *Décret n° 2025-315 du 4 avril 2025 relatif à l'organisation de la formation au collège*. Journal officiel de la République française.

⁽⁴⁵²⁾ [Bulletin officiel n° 2 du 12 janvier 2023. Conseils académiques des savoirs fondamentaux.](#)

⁽⁴⁵³⁾ Results expected by summer 2026.

⁽⁴⁵⁴⁾ 'Priority education' areas are defined based on an index taking into account the number of students from disadvantaged backgrounds, those with learning delays, and those residing in disadvantaged urban areas, among other things.

⁽⁴⁵⁵⁾ Cour des Comptes. (2025). *L'éducation prioritaire, une politique publique à repenser*.

⁽⁴⁵⁶⁾ Conseil d'Analyse Economique, 2025, *L'effet des compétences scolaires sur les salaires futurs*. Focus n°112 & *Economic Efficiency of Reducing Class Size*, Focus n°113.

development and AI use. Only 50.7% of French teachers rate the quality of initial teacher education (ITE) highly, one of the lowest shares in the EU (EU average: 71.5%)⁽⁴⁵⁷⁾. In 2025, the government reformed ITE to attract more people into the profession and strengthen practical experience during studies. There is scope to further focus the reform's objectives on content and quality of ITE. In addition, only 35.3% of teachers report that the continuous training they followed in the previous year had a positive impact on their teaching (EU average: 56%), and only 13.5% of teachers used AI in the previous year (EU average: 31.6%). The adoption in 2025 of a national framework on the use of AI, together with effective training, should help raise teachers' proficiency in this area. A 2022 reform of continuous professional development established around 30 training centres (*écoles académiques de la formation continue*). According to the Education Inspectorate, the reform has not yet achieved its full potential in terms of visibility, reach, needs identification and monitoring of the efficacy of its training offer⁽⁴⁵⁸⁾. Working conditions also weigh on the profession's attractiveness: only 26.6% of lower secondary teachers were satisfied with their earnings (EU average: 37.3%), which corresponded to 82% of the salary of a tertiary-educated worker (EU average: 85%)⁽⁴⁵⁹⁾. Rules on the country-wide mobility of secondary teachers are seen as stringent and may discourage entry into the profession or lateral recruitment⁽⁴⁶⁰⁾.

There is further scope to increase the attractiveness and labour-market relevance of vocational education and training (VET).

⁽⁴⁵⁷⁾ OECD (2025), *Results from TALIS 2024: The State of Teaching*, also for other data in this paragraph unless otherwise indicated.

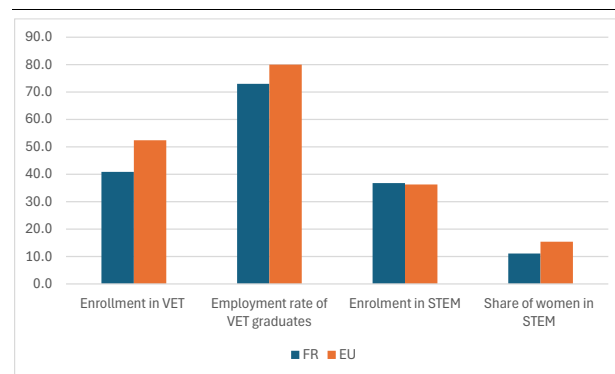
⁽⁴⁵⁸⁾ IGÉSR, 2024, *La mise en place des EAFC : quels effets en faveur du développement professionnel des enseignants?*.

⁽⁴⁵⁹⁾ OECD, 2025, *Education at a Glance*.

⁽⁴⁶⁰⁾ France Stratégie, 2024, *Working in Public Service: The Challenge of Attractiveness*.

The share of learners enrolled in medium-level vocational education (ISCED 3-4) has increased in recent years, reaching 41.4% in 2024, although remaining below the EU average of 52.9%. Socio-economic and territorial inequalities persist, as 29% of students in 'priority education' areas opt for VET, compared to 18.5% outside these zones⁽⁴⁶¹⁾. The number of new apprenticeship contracts declined for the first time in 2025 (-5% compared to 2024)⁽⁴⁶²⁾, partly reflecting adjustments to the hiring subsidy scheme, initially supported by the Recovery and Resilience Facility. Most VET learners (82.4%) participated in work-based learning in 2024 (EU average: 65.2%). However, only 73.0% of people who had recently completed VET were in employment (EU average: 80.0%), underlining the need to further improve the labour-market relevance of VET programmes and strengthen incentives for work-based learning, particularly for those facing barriers to employment (see Annex 11). The European Social Fund Plus (ESF+) supports VET programmes at regional level, developing an offer adapted to territorial needs.

Graph A13.1: **Enrolment in medium-level vocational education**



Source: Eurostat [educ_uoe_enra16, edat_ifse_24, educ_uoe_enrt10]

Enrolment in science, technology, engineering and mathematics (STEM) is

⁽⁴⁶¹⁾ Bannier, Raux (2025), «*Mission flash sur les impacts des réformes successives du baccalauréat professionnel*, juillet 2025.

⁽⁴⁶²⁾ DARES, 2026.

currently too low to meet growing demand.

In 2025, overall tertiary attainment was higher than in the EU on average (56.0% vs 44.8%), but the share of students enrolled in STEM fields remains below the EU average and fell from 25.3% in 2015 to 23.7% in 2023 (EU average: 26.8% in 2023). In 2023, a minority of 34.7% of tertiary STEM students were women (although above the EU average: 32.2%). Among STEM students, only 13.4% were enrolled in information and communications technology (ICT) (EU average: 20.3%). At medium-level vocational education, enrolment in STEM is in line with the EU average (36.9% in France vs an EU average of 36.6% in 2024), but the share of women in STEM is below the EU average (12.5% vs 15.9%). Following a decrease between 2021 and 2023, the shares of adults with at least basic digital skills (65.7% in 2025) and those with above-basic digital skills (35%) have both improved. However, more than 2 in 5 eighth graders lack basic digital skills⁽⁴⁶³⁾. Meanwhile, labour demand is expected to rise strongly in STEM-related occupations, with the number of ICT engineers and industrial engineers projected to increase by 26% and 24% by 2030 compared to 2019, respectively⁽⁴⁶⁴⁾. Graduates entering the labour market are anticipated to fill only three quarters of these recruitment needs in 2030, implying that close to 1 in 4 jobs could remain vacant due to STEM skills shortages. A strategy adopted in 2025 aims to close the gender gap (in favour of boys) in maths in primary and secondary education. It does not cover other education levels or general uptake of STEM and does not have a dedicated budget. STEM skills are an important driver of competitiveness.

Despite sustained efforts, skills shortages continue to hinder France's labour market performance, undermining competitiveness across many sectors. Labour and skills shortages remain elevated, particularly in the construction, healthcare and social services,

⁽⁴⁶³⁾ IEA, 2023, ICILS.

⁽⁴⁶⁴⁾ DARES/France Stratégie, 2022, Métiers 2030.

industry, and automotive trade and repair sectors (see Annex 11). Moreover, half of industrial companies indicate that the lack of skilled labour is a major determinant of investment decisions across the territory⁽⁴⁶⁵⁾. This highlights the need to enhance the labour-market relevance of the training offer. To tackle skills shortages, France has made substantial investments over the past years. The implementation of the individual learning account (*Compte personnel de formation*) has progressed steadily since 2019⁽⁴⁶⁶⁾, although access for the most vulnerable groups could be further supported through better guidance, and incentives could be introduced for training aligned with labour market needs. The *Plan d'investissement dans les compétences* (PIC) has allocated EUR 14 billion between 2018 and 2022 to foster skills development. While the number of jobseekers participating in training doubled between 2021 and 2022, only 20% of training courses targeted jobs for which recruiters reported hiring difficulties⁽⁴⁶⁷⁾. Evaluations of the implementation of the PIC highlight a lack of outreach measures, limited participation of low-qualified people⁽⁴⁶⁸⁾ and insufficient schemes to address employment barriers⁽⁴⁶⁹⁾. Although renewed for the period 2024-2027, its budget has been significantly scaled down. While progress was made in increasing participation in training, no other measures were taken to improve the labour-market relevance of the training system.

Initiatives to promote the skills needed for a competitive industry and the green and digital transitions remain insufficient to tackle skills mismatches. In 2024, labour shortages were reported in several occupations requiring green skills, including forestry and

⁽⁴⁶⁵⁾ BPI France, "Comment gagner la bataille de la réindustrialisation?", 2024.

⁽⁴⁶⁶⁾ INSEE, *Formation et Emploi*, 2025.

⁽⁴⁶⁷⁾ INSEE, *Formation et Emploi*, 2025.

⁽⁴⁶⁸⁾ INSEE, *Formation et Emploi*, 2025.

⁽⁴⁶⁹⁾ Cour des Comptes, *Évaluation du plan d'investissement dans les compétences (PIC)*, 2025.

related workers, civil engineering technicians and roofers⁽⁴⁷⁰⁾. Although the share of workers employed in green sectors⁽⁴⁷¹⁾ increased between 2014 and 2022 (from 2.1% to 2.6%), recruitment difficulties persist, driven notably by a lack of candidates and skills mismatches⁽⁴⁷²⁾. Only 46% of the population believe that their current skills can support the green transition (EU average: 54%). By 2030, 3 million new jobs are expected to be created in the green economy⁽⁴⁷³⁾; however, a comprehensive policy targeting sectors of strategic importance has not been introduced. At the same time, workers' participation in education and training in energy intensive industries decreased from 20.3% in 2015 to 15.6% in 2023, nevertheless remaining above the EU average of 10.9%. The Just Transition Fund provides upskilling and reskilling opportunities for workers and jobseekers in industrial regions most affected by the transition to a low-carbon economy. Evaluations point to a fragmented governance and skills intelligence system, dispersed between multiple national and regional bodies, observatories and institutions, calling for a comprehensive skills strategy, better skills anticipation and strong coordination among stakeholders⁽⁴⁷⁴⁾, to align education and training systems with changing skills needs and boost competitiveness⁽⁴⁷⁵⁾.

Participation in adult learning remains largely stagnant, while educational attainment, employment status and age remain strong predictors of participation

rates. According to the adult education survey, 49.2% of adults took part in education and training in 2022 (EU average: 39.5%). Progress towards the 2030 target of 65% thus remains modest, despite a slight increase since 2016 (0.8 pps; EU average: 2.1 pps). Participation is higher among employed and highly qualified adults. Low-qualified adults are also less likely to enrol in training leading to qualifications⁽⁴⁷⁶⁾, even though such programmes tend to deliver stronger labour market outcomes. Participation decreases with age. More recent data, from the labour force survey, suggest a possible slight increase in participation rates between 2022 and 2024. At the same time, proficiency in basic skills declines with age, while the employment rate of older workers remains below the EU average (60.4% vs 65.2%). Although slightly above the OECD average, the share of low-performing adults in literacy has increased, and it has stagnated regarding numeracy (since 2011)⁽⁴⁷⁷⁾. Moreover, these challenges are particularly pronounced in France's outermost regions and in priority urban districts (*quartiers prioritaires de la politique de la ville*⁽⁴⁷⁸⁾), where participation in lifelong learning is lower. The ESF+ supports access to education and training by: (i) preventing early school leaving; (ii) improving academic and career guidance services; (iii) promoting apprenticeships and (iv) facilitating upskilling for unemployed people.

⁽⁴⁷⁰⁾ European Labour Authority, *EURES Report on labour shortages and surpluses 2024*, 2025.

⁽⁴⁷¹⁾ Green sectors as defined by the environmental goods and services sector (ECSS) accounts, i.e. economic sectors that generate environmental products.

⁽⁴⁷²⁾ Onemev, *Des difficultés de recrutement persistent en 2022 dans le secteur de l'économie verte*, 2023.

⁽⁴⁷³⁾ Haut-Commissariat à la Stratégie et au Plan, *Mettre en œuvre la planification écologique*, 2025.

⁽⁴⁷⁴⁾ CEDEFOP, *Next generation skills intelligence for more learning and better matching*, 2023.

⁽⁴⁷⁵⁾ Cour des Comptes, *Évaluation du plan d'investissement dans les compétences (PIC)*, 2025.

⁽⁴⁷⁶⁾ IGAS, *Revue des dépenses de formation professionnelle et d'apprentissage*, 2024 & DARES, *Synthèse du 4ème rapport du comité scientifique de l'évaluation du PIC*, 2023.

⁽⁴⁷⁷⁾ Programme for the International Assessment of Adult Competencies (PIAAC), 2023.

⁽⁴⁷⁸⁾ Category identified based on per capita income with the aim of reducing development gaps (mainland and outermost regions).

ANNEX 14: SOCIAL SCOREBOARD

Table A14.1: Social Scoreboard for France

Equal opportunities and access to the labour market	Adult participation in learning (during the last 12 months, excl. guided on the job training, % of the population aged 25-64, 2022)	49.2				
	Early leavers from education and training (% of the population aged 18-24, 2025)	7.0				
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2025)	65.7				
	Young people not in employment, education or training (% of the population aged 15-29, 2025)	12.7				
	Gender employment gap (percentage points, population aged 20-64, 2025)	5.6				
	Income quintile ratio (S80/S20, 2025)	4.74				
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2025)	75.5				
	Unemployment rate (% of the active population aged 15-74, 2025)	7.7				
	Long term unemployment (% of the active population aged 15-74, 2025)	1.7				
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2024)	113.5				
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2025)	20.8				
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2025)	27.5				
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2025)	38.5				
	Disability employment gap (percentage points, population aged 20-64, 2025)	21.6				
	Housing cost overburden (% of the total population, 2025)	6.4				
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2025)	59.7				
	Self-reported unmet need for medical care (% of the population aged 16+, 2025)	3.7				
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

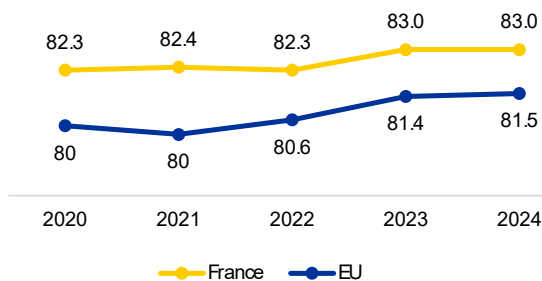
Update of 4 May 2026. Members States are categorised based on the Social Scoreboard according to a methodology agreed with the EMCO and SPC Committees. Please consult the Annex of the Joint Employment Report 2026 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2026_en).

Source: Eurostat



France's health system faces some challenges, which negatively affect the health of its population, social fairness, and productivity. Access to healthcare is affected by staff shortages, uneven distribution of health professionals, insufficiently addressed by measures to promote deployment in underserved areas and compounded by fragmented service delivery. Sustaining and improving the health system will require investment against the backdrop of growing financial constraints.

Graph A15.1: Life expectancy at birth, in years



Source: Eurostat (indicator: demo_mlexpec)

Life expectancy at birth in France was one of the highest in the EU in 2024. Disparities exist by gender and socio-economic status. The gender gap in life expectancy (5.7 years in favour of women) is above the EU average. At age 35 men with tertiary education can expect to live 8.0 years longer than those without a secondary education diploma. This gap is 5.4 years among women. Treatable mortality is one of the lowest in the EU, suggesting that the health system is effective. Preventable mortality is also below the EU average and attributed mainly to behavioural risk factors.

Meeting health system needs may require extra investment amid rising financial pressures. In 2023, health spending in France accounted for 11.5% of GDP, among the highest shares in the EU. Per capita health spending reached EUR 4 359, placing France in the top third of EU countries. In 2023, spending on prevention accounted for 2.3% of total spending on health, lower than the EU average

of 3.6%. Since 1996, statutory health insurance (SHI) spending has been regulated through annual national targets. The national public health spending objective (ONDAM) increased by an average of 4.8% per year between 2019 and 2025, largely due to COVID-19 pandemic-related measures, compared with 2.4% in 2015-2019⁽⁴⁷⁹⁾. However, modernising the health system and addressing workforce shortages will require significant new funding, even as fiscal pressures intensify. The healthcare-related social security deficit is projected to rise from EUR 11.8 billion in 2024 to EUR 17.9 billion by 2028, driven largely by population ageing⁽⁴⁸⁰⁾. To contain costs, the National Court of Auditors highlights savings from lower drug prices and greater use of generics and biosimilars, curbing wage and tariff growth, reducing unnecessary care, and strengthening fraud controls⁽⁴⁸¹⁾. Another challenge is the consumption of antibiotics, which in 2024 was above the EU average, despite the recommended national target to reduce total consumption by 24.5% between 2019 and 2030⁽⁴⁸²⁾. France earmarked EUR 4.5 billion of its Recovery and Resilience Plan (RRP) to improve the hospital and medico-social establishment infrastructure and digital health services, as well as to support biomedical research. France also allocated EUR 428 million from the European Cohesion Funds, to develop health infrastructure and digital health services. In addition, under EU4Health France participates in joint actions and benefits from direct grants, primarily dedicated to crisis preparedness, European Health Data Space, digitalisation and cancer initiatives.

⁽⁴⁷⁹⁾ OECD/European Observatory on Health Systems and Policies (2025), *Country Health Profile 2025: France. State of Health in the EU*.

⁽⁴⁸⁰⁾ [LOI n° 2025-1403 du 30 décembre 2025 de financement de la sécurité sociale pour 2026](#).

⁽⁴⁸¹⁾ Cour des Comptes, Note de synthèse, ONDAM (2025).

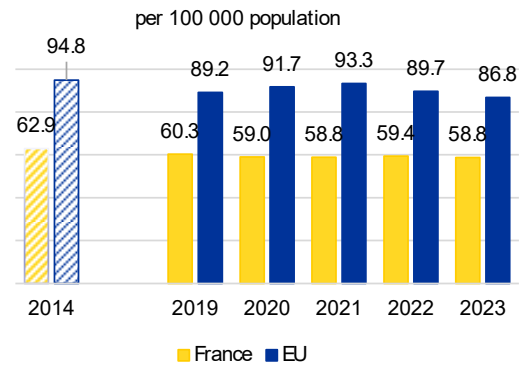
⁽⁴⁸²⁾ Council Recommendation on stepping up EU actions to combat antimicrobial resistance in a One Health approach, [2023/C 220/01](#).

Addressing persistent challenges, including high smoking, obesity and suicide rates may improve health outcomes.

Nearly 25% of adults continue to smoke daily, one of the highest proportions in the EU. Vaping is on the rise among young people: 19% of 15-year-olds reported having used e-cigarette in the last month in 2022⁽⁴⁸³⁾. The 2023-2027 National Tobacco Control Programme aims at price increases indexed to inflation, plans for plain packaging for tobacco and vaping products, and a ban on disposable vapes since 2025. Other actions include improved coverage of nicotine substitutes, cessation support tools, and an expanded smoking ban in public spaces from July 2025. While alcohol consumption among adults has reduced, it remains above the EU average. Obesity rates have risen and are close to the EU average. France introduced also a preventive check-up programme in 2024 to reduce risk factors and preventable diseases. Free of-charge comprehensive preventive health consultations help assess lifestyle factors, identify health risks, and create personalised prevention plans. The suicide rate is higher than the EU average but slightly decreasing. Mental healthcare provision remains hospital-centred with limited availability in community settings and shortages of staff. Recent reforms aim to improve the coordination of services and increase access to psychologists. A suicide prevention telephone line was set up under the RRP.

⁽⁴⁸³⁾ Country Health Profile 2025: France - see earlier footnote.

Graph A15.2: **Treatable mortality**



Age-standardised death rate - mortality that could be avoided through optimal quality healthcare.

Source: Eurostat (indicator : hlth_cd_apr)

Healthcare delivery remains fragmented and hospital-focused, despite recent initiatives aimed at strengthening primary care and care coordination.

In France, inpatient care accounts for the largest share of health spending, well above the EU average, while the share of spending on outpatient care is comparatively lower than the EU average. This, together with a number of hospital beds above the EU average (465 per 100 000 population in 2023), illustrates France’s considerable reliance on hospital care. Two reforms adopted in 2021 and part of the RRP aim to improve access to healthcare (i) a law reforming hospital governance; and (ii) a law on social debt and autonomy. To strengthen primary care, recent reforms encouraged (i) multidisciplinary practices; (ii) decentralisation of decisions on healthcare provision; (iii) introduction of financial incentives for better care coordination and prevention; and (iv) expansion of the roles of ‘allied health professionals’. However, multidisciplinary teamwork remains limited and services fragmented, with most providers continuing to operate independently and with limited collaboration between hospital, primary and social care, showing little evidence of progress to date. There is room for reducing avoidable hospital use and emergency department visits. A key challenge is the uneven availability of healthcare, marked by the growing phenomenon of medical deserts, with access to primary care varying widely across regions. Other challenges include weak

coordination and prevention, aligning financing and organisational models with population health needs and territorial governance in access to healthcare ⁽⁴⁸⁴⁾. A more systemic evaluation of health system performance to guide future improvements is not available.

Challenges in access to healthcare are increasing alongside the expansion of medical deserts. In 2025, unmet medical needs among people reporting needs stood above EU average with long travel distances being a key contributing factor and high for people at risk of poverty. Unmet dental care needs stood even higher. France has comparatively high unmet needs reported in rural areas (see Annex 18). Healthcare coverage plays an important role in reducing poverty rates and income inequality. According to Cruces et al ⁽⁴⁸⁵⁾, income inequality as measured via the Gini coefficient, would increase in France by 26% in the absence of public coverage for healthcare.

Establishing a coherent long-term policy to address staff shortages and distribution remains a challenge. Unlike in most EU countries, where doctor density has risen, the number of doctors per capita in France has remained stable over the past decade. Employment in healthcare dropped in 2025 Q2 relative to the 2020 Q1 (compared with an overall EU increase of 9.9%). In 2023, France had 3.9 doctors per 1 000 population, below the EU average (see Graph A15.1), contributing to the persistence of medical deserts in rural and peri-urban areas. Nurse density has

increased slightly over the same period, reaching 8.8 per 1 000 population in 2023, above the EU average. Care needs are projected to rise by 50% by 2050, while nurse density is projected to increase by only 37%, leading to a shortfall of about 80 000 nurses ⁽⁴⁸⁶⁾. High student dropout rates and low hospital retention exacerbate the gap, prompting recent reforms to expand nursing roles and introduce mandatory nurse-to-patient ratios from 2027.

⁽⁴⁸⁴⁾ [Rapport public annuel 2023, Mieux coordonner et hiérarchiser les interventions des collectivités territoriales dans l'accès aux soins de premier recours.](#)

⁽⁴⁸⁵⁾ European Commission: Directorate-General for Health and Food Safety, Cruces et al., *The role of healthcare in reducing inequalities and poverty in the EU*, 2025. As regards health coverage, poverty and income refer in the present analysis to a different measure than the usually reported one that is defined for instance in the Annex on Social Policies. Here it also estimates the impact of benefits in kind, while the standard measure only accounts for cash transfers.

⁽⁴⁸⁶⁾ Direction de la recherche, des études, de l'évaluation et des statistiques ; Health workforce projection 2050.

Table A15.1: Key health indicators

	2020	2021	2022	2023	2024	10-year change**	EU average* (latest year)
Cancer mortality per 100 000 population	226.6	222.6	222.4	218.6	n.a.	0.89	233.1 (2023)
Mortality due to circulatory diseases per 100 000 population	167.7	169.9	171.6	163.3	n.a.	0.81	313.0 (2023)
Current expenditure on health, purchasing power standards, per capita	3 821	4 103	4 207	4 360	4 557	1.32	3834.9 (2023)
Public share of health expenditure, % of current health expenditure	84.3	84.6	84.5	84.4	84.4	1.11	80.6 (2023)
Spending on prevention, % of current health expenditure	3.3	5.4	3.9	2.3	n.a.	1.05	3.7 (2023)
Available hospital beds per 100 000 population***	491	482	471	465	n.a.	0.89	440 (2023)
Doctors per 1 000 population*	3.7	3.8	3.8	3.9	n.a.	1.28	4.3 (2023)*
Nurses per 1 000 population*	8.9	8.8	8.8	8.8	n.a.	1.07	7.6 (2023)*
Mortality at working age (20-64 years), % of total mortality	14.3	14.6	14.1	14.3	14.0	0.84	14.3 (2023)
Consumption of antibiotics in the community and hospital sectors, defined daily doses per 1 000 inhabitants	20.3	21.5	24.3	24.1	26.5	1.04	20.3 (2024)

*The EU average is weighted for all indicators except for doctors and nurses per 1 000 population, for which the EU simple average is used based on 2023 data (or latest available). Doctors' density data refer to practising doctors in all countries except Greece, Portugal (licensed to practise) and Slovakia (professionally active). Density of nurses: data refer to practising nurses (EU recognised qualification) in most countries except Portugal (licensed to practice) and Slovakia (professionally active). Latest data update on nurses for Belgium and Sweden: 2022; for France: 2021; for Luxembourg: 2017.

** latest available 10-year trend: ratio 2023/2014 or 2024/2013; a factor of 2.00 means that it has doubled in 10 years.***'Available hospital beds' covers somatic care, not psychiatric care.

Source: Eurostat

A shortage of general practitioners (GPs) is a key driver in the emergence of medical deserts. 9.3% of the population live in areas classified as "medical deserts" and 75% of the population live in areas considered "underserved". According to national estimates for GPs, underserved areas cover 87% of the territory and 75% of the population⁽⁴⁸⁷⁾. Combined with population growth, GP density fell by 5% between 2013 and 2023 across most regions, particularly in rural areas and the outskirts of Paris. By contrast, the density of specialists has increased in most regions. An ageing GP workforce and insufficient replacement rates exacerbate access problems. In the last 15 years, measures to tackle medical deserts included stipends for students and interns, start-up grants, tax incentives, support to coordinated and multidisciplinary care centres. France expanded training capacity, increasing medical student numbers by 20% since 2021, with 40% of postgraduate internships allocated to general practice and an additional ambulatory training year required

⁽⁴⁸⁷⁾ Direction de la recherche, des études, de l'évaluation et des statistiques ; Déserts médicaux : comment les définir ? Comment les mesurer ?

from 2023, strongly encouraged in underserved areas. The Parliament proposed in May 2025 a bill to restrict new GPs' establishment in well-served areas, and the government has also proposed obliging doctors to spend limited time in underserved areas - measures that reflect ongoing debate over incentives versus regulation. These measures opposed by doctors, still need to be approved by the Senate. A key strategy has also been the development of multidisciplinary health centres bringing together GPs and other primary care professionals, with nearly 3 000 centres operating by 2022. Communities of health professionals that coordinate outpatient care at the territorial level grew from 60 in 2020 to 567 in 2024. The Social Security Financing Act for 2026 defines conditions to establish the network of primary care structures labelled *France Santé*. 5 000 *France Santé* facilities are expected to be designated by 2027 through gradual deployment. Coordinated practices and territorial professional health communities will be part of *France Santé* and will contribute to the territorial coordination of health professionals.

Effective solutions to problems of medical deserts still need to be further developed. Measures proposed over last 15 years were not

evaluated before new ones were introduced. Multidisciplinary group practices have shown more potential than financial incentives to attract and retain doctors in 'medical deserts' (see Annex 18). Public incentive schemes including financial or professional support to attract self-employed doctors cover a large share of the French population (72%) with 30% of residents living in priority intervention zones and a further 42% in complementary action zones. However, financial incentives play a limited role in GPs choices, which are driven mainly by personal and geographic background and lifestyle considerations. Inadequately calibrated incentives, notably tax-based measures, produced unintended effects, including the concentration of doctors in certain areas without improving access to care. The Court of Auditors recommended targeting incentives according to the actual healthcare needs of territories, considering patients without a designated GP, excessive emergency care use. The 2026 Social Security Financing Act aimed to streamline the multiple incentives for doctors' installation in medical deserts. The Act reintroduces two issues into medical convention negotiations: (i) adjustable lump-sum payments linked to the share of patients living in underserved areas; and (ii) the conditions under which billing for certain acts or services may be limited to those performed in specialised unscheduled care structures. It also allows regional health agencies to conclude territorial ambulatory medicine practitioner contracts with conventioned GPs who are not yet established or who have been practising for less than one year in priority areas. In addition, general practice students undertaking placements in their supervisor's practice will have to apply conventional tariffs, without extra billing and payment of fourth-year general practice students by affiliated university hospitals. The Act also creates structures for immediate unscheduled care. The scope of unscheduled care, the specifications, and the conditions for accreditation will be defined in a decree of the Council of State.

Task-shifting has been broadened. In 2025, the role of advanced practice nurses was expanded, including direct access for patients in salaried settings and broader prescribing rights. However, despite around 3 000 advance practice nurses graduating by 2024, many still face challenges finding positions in advanced roles. A new medical assistant role was introduced in 2019 and by 2024, around 7 000 assistants were in place, 57% in underserved areas. The government aims to reach 15 000 medical assistants by 2028 ⁽⁴⁸⁸⁾. The roles of other health professionals have also expanded to improve access to primary care.

France has made progress in the digital transformation of its health system. In 2024, the share of people accessing their personal health records online was slightly below the EU average (25.5% vs 27.7%). The ongoing 2023-2027 digital health roadmap intends to further expand functionalities and usage of Mon Espace Santé, including for prevention and the continuous follow-up of care pathways. Telemedicine cabins in pharmacies have expanded, with over 3 200 pharmacies equipped by 2023. These cabins enable reimbursed remote consultations and self-employed doctors may deliver up to 20% of their activity remotely. The Ministry of Health launched in November 2025 a strategy aiming to involve health practitioners in deploying AI solutions, scale-up high value solutions, develop robust clinical and economic assessment tools, facilitate market access and step up digital training. For hospitals, digital twins make it possible to model complex processes, optimising resource management and patient care. Investment in health IT has risen since 2020, including significant investments under the RRP and the EU cohesion policy.

The French health system has the potential to drive innovation and foster industrial

⁽⁴⁸⁸⁾ *Country Health Profile 2025: France* - see earlier footnote.

development. The country excels in research and innovation, reflected by a substantial number of clinical trials and patents, with a clinical trials' count of 454 in absolute terms in 2025, making it one of the EU's leading contributors in this area. While extra-EU exports have shown a steady performance, reaching 6.6% in 2025, the growth trajectory is stable.

France faces acute supply constraints creating important housing affordability challenges, especially in high-demand urban and metropolitan areas. A sharp slowdown in new construction has further limited supply in recent years. This evolution has been driven by higher financing costs, rising construction prices, land scarcity and complex planning and permitting procedures. France being a key world tourist destination; the expansion of short-term rentals has further constrained the effective housing supply available to residents in high-demand urban and tourist areas.

Structural pressures on the social and affordable housing segments are intensifying. Demand for social housing remains high, leading to long waiting times. In parallel, the energy renovation of the housing stock poses significant challenges: stricter energy-performance requirements, high upfront renovation costs and reduced incentives weigh on investment capacity, particularly for small landlords and low-income homeowners.

The housing crisis is increasingly affecting the most vulnerable. Housing (un)affordability has become an increasing challenge for part of the population, particularly in a context of rising poverty and social exclusion for families with children. The 2025 country-specific recommendation highlighted the need to prevent and reduce child poverty by removing barriers that hinder parents' labour market integration. Strong regional disparities, including in the outermost regions, have further intensified pressures on low-income households (see Annex 19). Homelessness is rising, with a particularly sharp increase in the number of children and single-parent households living on the streets.

Housing market developments

In 2025, the housing market showed signs of stabilisation, following a marked

correction in prices that brought them back down to their longer-term level relative to incomes. France has experienced house price growth broadly in line with incomes over the last 20 years, on average. In line with many countries, a strong acceleration in price growth – both nominal and compared with incomes – took place around and just after the pandemic, but this was followed by two years of falling house price until 2024 (-0.4% in 2023 and -3.7% in 2024). Overall housing prices rebounded slightly in 2025 (+0.7%). At the end of December 2025, the annual number of transactions over the last 12 months rose by 12.5% to 951 000⁽⁴⁸⁹⁾. This number has increased continuously since October 2024, following a decline that started in April 2022 (-13.3% in 2024, after -23.0% in 2023). The price-to-income ratio declined to 12.9 years of income in 2025, after a peak of 15.5 in 2022.

Regional differences in prices and price changes are substantial. The price of 100 m² exceeds 20 years of average household income in some metropolitan and tourist areas, whereas it is below 5 years in some rural areas. In 2025-Q3, prices of second-hand dwellings increased the most in Paris (+2.0%), although they remain 10.9% below their peak of 2020-Q4. Prices rose by 0.8% over a year ago in the provinces but they remain 4.0% below their peak reached in 2023-Q1.

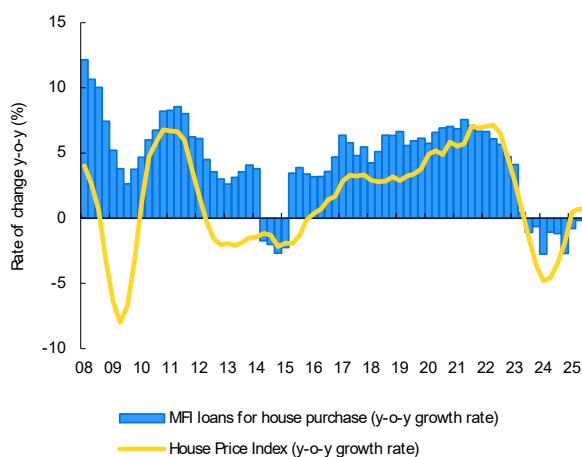
Housing demand has rebounded, fuelled by the decrease in interest rates. The increase in interest rates in 2022-2023 reduced borrowing capacity and therefore the housing purchasing power of households, leading to a drop in credit flows (Graph A16.1). In 2024, the mortgage required to buy a 100 m² apartment was higher in France than in most other EU countries⁽⁴⁹⁰⁾. Interest rates fell from 3.6% in

⁽⁴⁸⁹⁾ [In Q4 2025, prices of second-hand dwellings went up \(+0.5%\)](#), Insee, 26 February 2026, Informations rapides n°47.

⁽⁴⁹⁰⁾ COUSIN G., FRAYNE C., MARTINS V. and VAŠÍČEK B., 'Housing in the European Union: Market Developments, Underlying Drivers, and Policies', Discussion Paper 228, European Commission, 2025.

December 2023 to 3% in February 2025 (Graph A16.2). In 2025, the value of new housing loans (excluding renegotiations) increased by 36% compared with 2024. The stock of loans for house purchases stabilised (+0.0% in 2025-Q3 compared with 2024-Q3).

Graph A16.1: House prices and housing loans in FR since 2008



Source: ECB and Eurostat

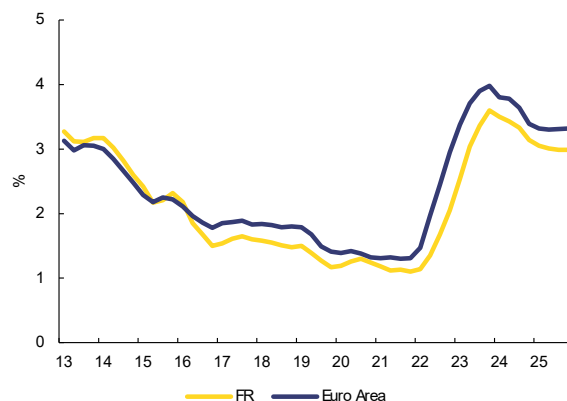
Housing supply, including supply of social housing showed signs of moderate stabilisation in 2025, after having fallen sharply in 2023 and 2024. Construction costs slightly declined in 2025 (-4.4% in the first three quarters of 2025 compared with the same period a year earlier), after several years of sharp rises: residential building producer prices increased by 24% between 2019 and 2024. Building permits in m² per thousand persons fell by 15.3% in 2024, after -26.7% in 2023. They rebounded by 14% in 2025.

There is a housing construction gap. According to calculations made by the European Commission's Joint Research Centre⁽⁴⁹¹⁾, there is an estimated housing supply gap of around 20 000 new dwellings per year in areas where the need for new homes is not met by ongoing construction, and a residual need for around 64 000 dwellings per year to make up for the shortfalls from the

⁽⁴⁹¹⁾ Balouktsi et al. (2026) Housing investment needs in the EU. [JRC Technical Report 144419](#).

past. This is despite estimates of 3 million vacant units (7.7% of existing dwellings).

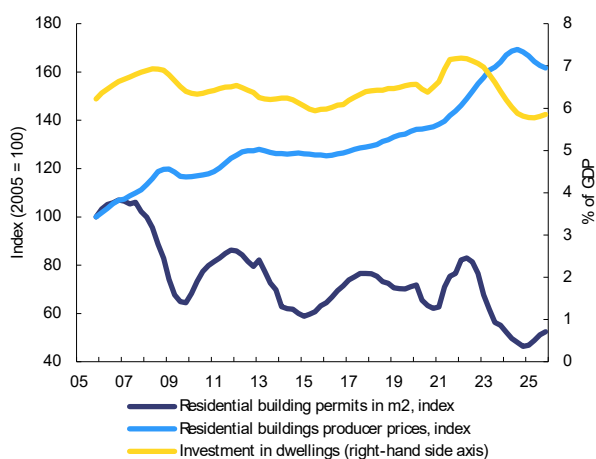
Graph A16.2: Borrowing cost for house purchase in FR and the EA since 2013



Source: ECB

Rent increases have remained more moderate than in the past. The rent regulation mechanism constrains annual rent increases to not be greater than the annual inflation and capped them to 3.5% during the energy crisis, between 2022-Q3 and 2024-Q1. Between 2015 and 2025, rents increased by around 10% (vs +20% in the EU and +19% in the Euro Area), while household income increased by 41%. However, the share of people living in households with arrears on their mortgage, rent or utility bills (10.6%) is higher than in the EU (9.2%) and has increased by 2.2 percentage points (pps) since 2019.

Graph A16.3: House supply indicators in FR since 2005



(1) 4-quarter moving sums (for permits and investment) and 4-quarter moving average prices

Source: Eurostat

Labour shortages persist in the construction sector. Although labour shortages decreased slightly in France in 2025, they remain high in certain sectors, including construction (see Annex 11). In France, construction continues to be the sector with the highest rate of hiring difficulties reported by companies (65%, 12 pps above the second highest rate in social services⁽⁴⁹²⁾). There are labour shortages for most construction-related occupations, from roofers to construction managers and supervisors⁽⁴⁹³⁾. Persistent skills mismatches and work-related risks are among the main reasons for such labour shortages.

Structural policies

France’s housing policy is characterised by a dense and highly regulated legal framework embedded within a multi-level governance structure. Numerous legislative instruments, financial schemes and public actors interact

across national and local levels⁽⁴⁹⁴⁾, shaping both supply and demand. The state establishes the overarching regulatory framework at national level, ensuring coherence and uniform standards across the territory. At the same time, decentralisation has strengthened the role of regions, departments and municipalities, notably in urban planning, social housing delivery and land-use regulation. While this architecture allows for territorial adaptation within a unified legal system, the interaction of multiple regulatory layers and policy instruments contributes to structural complexity. Differentiated local contexts therefore result in varied outcomes across the country (see Annex 19), and regional disparities remain a key challenge, particularly in terms of housing affordability, supply constraints in metropolitan areas, uneven access to social housing and pronounced differences in the share of unoccupied dwellings (51.4% in Hautes Alpes vs 7.4 % in Seine-Saint-Denis⁽⁴⁹⁵⁾).

In 2026, vacancy taxes have been simplified, the national level (TLV) being repealed, in favour of the local-level vacant property tax (THLV). The new TVLH (taxe sur la vacance des locaux d’habitation) allows local municipalities greater freedom to set tax rates at the level they deem appropriate according to local housing conditions.

The regulatory environment for buildings and dwellings is characterised by a high degree of complexity. Beyond substantive standards (environmental, energy and construction standards (e.g. *réglementation environnementale* (RE) 2020), housing projects’ timelines and costs are also shaped by the way planning rules are implemented: overlapping rules, spanning from heritage rules to non-

⁽⁴⁹²⁾ France Travail, ‘*Enquête Besoins en Main-d’Œuvre 2025*’, 2025.

⁽⁴⁹³⁾ ELA, ‘*EURES report on Labour Shortages and Surpluses 2024*’, 2025.

⁽⁴⁹⁴⁾ ESPON, ‘*France – European Compendium of housing policies*’, p.150-152.

⁽⁴⁹⁵⁾ Eurostat, ‘*Conventional dwellings by occupancy status, type of building and NUTS 3 region*’, 2021.

binding local charters⁽⁴⁹⁶⁾. Building permits are subject to multiple layers of review, public consultation and potential legal challenge, with litigation risks often delaying projects for years. Since 2021, the number of building permits has declined, with sharp drops in Q3 2024 (-41.6% in floor area and -35.4% in dwellings), followed by an improvement in 2025 as declines eased to -28.4% and -19.5%, respectively⁽⁴⁹⁷⁾. Enacted in November 2025, the Huwart Law aims to expedite housing and urban development projects by streamlining planning procedures, enhancing permit certainty and reducing litigation-related delays. Furthermore, a simplification bill is expected to focus on planning, permitting, public procurement and digital procedures in the housing and development sectors.

Land-use policies play a central role in shaping housing supply. Recent reforms have strengthened sustainability requirements and tightened constraints on urban expansion, with potential effects on housing availability. The intermediate target provided for a 50% reduction in land consumption in 2021-2031 compared with land consumption between 2011 and 2021 under the *Zéro Artificialisation Nette* (ZAN) policy, introduced in 2021.

Regulatory measures and the expansion of short-term rentals influence the functioning and supply of the private rental market. The 2018 ELAN Law on construction and housing supply environment introduced rent increase controls in housing-stressed areas. Experimental rent level capping, covering 72 cities, was introduced in 2019 and is due to expire in November 2026, with the government set to submit a comprehensive assessment of the experiment to Parliament in spring 2026. A study indicated that this experimental scheme helped to limit rent increases to around 5% in

⁽⁴⁹⁶⁾ Cour des comptes, '[La délivrance des permis de construire – Un parcours complexe dans un cadre instable](#)', 2024.

⁽⁴⁹⁷⁾ Eurostat, '[Building permits – quarterly data – number of dwellings](#)', 2025

the five studied cities⁽⁴⁹⁸⁾. At the same time, rent control may come with adverse effects on housing supply⁽⁴⁹⁹⁾. In December 2025, the National Assembly adopted a bill to make rent control permanent, which still needs to be confirmed by the Senate. While the ALUR Law to facilitate access to housing and promote renewed urban planning (2014) strengthened tenant protection, the Kasbarian-Bergé Law to protect housing from squatting, which entered into force in July 2023, has accelerated eviction procedures. The rapid expansion of short-term rental platforms has placed additional pressure on rental markets in major cities and tourist areas. Despite the ALUR Law (2014), which classified the conversion of residential properties into short-term rentals as a regulated change of use, requires prior authorisation, or secondary homes, and limits primary residences to 120 days of short-term rental per year without permission, the number of nights booked via collaborative platforms surged between 2018 and 2024, increasing by 77% in Paris, 159% in Annecy and 272% in Rouen⁽⁵⁰⁰⁾. In response, the French Parliament adopted the Le Meur Law in 2024, strengthening local authorities' powers to regulate short-term rentals through tighter limits, registration requirements and enhanced enforcement, with the aim of preserving residential housing stock.

Public financing to social housing providers is combined with targeted subsidies supporting demand. Social rental housing is primarily financed through long-term loans from the *Caisse des Dépôts*, with annual financing volumes exceeding EUR 10 billion. Additional supply-side support is channelled

⁽⁴⁹⁸⁾ APUR, '[Impact de l'encadrement des loyers à Paris: actualisation de l'évaluation et extension à 5 autres villes régulées](#)', 2025

⁽⁴⁹⁹⁾ Kholodilin, '[Rent control effects through the lens of empirical research: An almost complete review of the literature](#)', 2024.

⁽⁵⁰⁰⁾ Eurostat, '[Short-stay accommodation offered via collaborative economy platforms by residence of the guest and cities - experimental statistics](#)'.

through *Action Logement*, which uses employer-based contributions to finance the construction and renovation of social and intermediate housing, support urban regeneration projects and provide subsidised long-term loans and grants to housing providers. On the demand side, first-time buyers benefit from government-backed loans (*Prêt à Taux Zéro*), while housing allowances reduce costs for low-income households. Since 2018, the solidarity rent reduction mechanism reduces rents for low-income tenants in social housing, by lowering housing allowances and requiring social housing providers to reduce rents by the same amount. In 2025 and 2026, this financial burden was reduced, to restore financial stability to providers, enabling them to invest in construction and renovation projects. Housing support, which also includes operating and investment subsidies and interest-rate advantages, amounted to EUR 43.1 billion in 2024 (around 1.5% of GDP). After a sharp increase in 2023, it declined slightly due to lower social benefits – particularly energy-related support – and reduced spending on *MaPrimeRénov* national housing renovation support scheme⁽⁵⁰¹⁾.

Social housing provision in France, managed by social housing providers (“bailleurs sociaux”), is complemented by affordable housing schemes. France has the EU’s largest social housing stock, totalling 5.4 million units in 2024 (+0.9% y-o-y)⁽⁵⁰²⁾. Social housing accounts for about 17% of France’s housing stock, managed by HLM (*Habitations à Loyer Modéré*) organisations. The Court of auditors pointed out inefficiencies and shortcomings in the governance and functioning of the social housing system⁽⁵⁰³⁾. Among the 28 million

households residing in mainland France, 70% are theoretically eligible for social housing. The SRU Law on solidarity and urban renewal requires municipalities to allocate usually 20% or 25% of their housing stock to social units, with penalties for non-compliance, applying to municipalities above certain population thresholds and integrated within larger urban areas where housing supply obligations are defined at the territorial level. Since 2014, a new category of affordable housing has been introduced: ‘intermediary housing’. This type of housing serves as a bridge between social housing and market-rate housing, offering rents in practice 10 to 20 % below private market rates, in exchange for beneficial tax incentives. In parallel, targeted schemes seek to improve the provision of affordable housing. One such mechanism, the *bail réel solidaire* separates land and building ownership, allowing individuals to buy homes affordably by leasing land from a non-profit, with a focus on long-term accessibility for lower-income buyers and resale conditions that ensure continued affordability for future eligible purchasers. The social rental agencies (Agences Immobilières à Vocation Sociale et Agences Immobilières Sociales) are also important part of the affordable housing system.

In early 2026, the French government unveiled a housing recovery plan (*Relance Logement*), which aims to counter the sharp decline in new housing construction. The plan sets a target of 2 million new homes by 2030. From 2026 onwards, it will provide funds to social landlords to deliver 125 000 social housing units annually. It aims to deliver 50 000 private rental dwellings per year via demand-side fiscal incentives for households to divert savings toward buying housing and becoming landlords, without geographic zoning restrictions, in exchange for rent caps (“*relance logement*” scheme). This has been adopted in the Budget Bill⁽⁵⁰⁴⁾. The subsidies for landlords

⁽⁵⁰¹⁾ Commissariat général au développement durable, ‘[Rapport du compte du logement 2024](#)’, 2025.

⁽⁵⁰²⁾ Commissariat général au développement durable, ‘[5,4 millions de logements locatifs sociaux en France au 1er janvier 2024](#)’, 2024.

⁽⁵⁰³⁾ Rapport public annuel 2026 sur la cohésion territoriale et attractivité des territoires, Cour des comptes ([vie-publique.fr/files/rapport/pdf/302553.pdf](#))

⁽⁵⁰⁴⁾ Notably presented as a replacement of the Pinel tax exemption scheme for rental property investment, which was phased out in 2024.

aim to increase the supply of rental housing and ease rental cost pressure, but are likely to increase house prices.

Vulnerable groups

Social and affordable housing supplies remain insufficient in the face of rapidly growing demand. Demand for social housing has increased sharply, by 49% since 2021 – while supply has been growing in a very moderate way (between 0.5 and 1.1% over the same period). As a result of this widening supply-demand gap, 61% of emergency housing demands remain unmet⁽⁵⁰⁵⁾. In 2024, around 2.7 million households were on social housing waiting lists, compared with only 384 000 effective yearly allocations⁽⁵⁰⁶⁾. This decline in social housing allocations is coupled with a decrease in the social housing turnover, reflecting the lack of affordable housing alternatives. Overall, 4.2 million people face material difficulties with regard to housing. Despite some positive results in increasing the share of social housing, disparities in compliance with the SRU law on solidarity and urban renewal across municipalities persist⁽⁵⁰⁷⁾. The 2026 proposal to revise this law⁽⁵⁰⁸⁾ by including ‘intermediary housing’ reflects ongoing and recurrent debates about this legislative framework. In this context, housing insecurity has intensified. The number of housing evictions rose significantly, from 19 000 in 2023 to 24 500 in 2024, notably in the context of rising housing prices and

⁽⁵⁰⁵⁾ IGF, IGAS, AGA, *‘Revue de dépenses sur le budget de l’hébergement d’urgence’*, 2025.

⁽⁵⁰⁶⁾ Union Sociale pour l’Habitat, *‘La demande et les attributions de logement social à fin 2024’*, 2025.

⁽⁵⁰⁷⁾ Chapelle, Gobillon and Vignolles, *‘Building Without Income Mixing: Public Housing Quotas in France’*, 2025 and Sénat, *‘Évaluation de la loi n° 2000-1208 du 3 décembre 2000 relative à la solidarité et au renouvellement urbains’*, 2021.

⁽⁵⁰⁸⁾ Loi Solidarité et renouvellement urbain (SRU), this law requires certain municipalities to have a minimum number of social housing units.

following the adoption of the Kasbarian-Bergé Law⁽⁵⁰⁹⁾.

Homelessness has increased sharply in France over the last decade, increasingly affecting young people and children. In 2025, an estimated 350 000 people were homeless⁽⁵¹⁰⁾ (vs 143 000 in 2012). The number of children living on the streets has increased particularly rapidly in recent years. In 2025, 2 159 children, including 503 children under the age of 3 years, were living on the streets or in public spaces, representing a 120% increase since 2020⁽⁵¹¹⁾. These children are often part of a single-parent household, highlighting the heightened vulnerability of this group. Homelessness among children also displays significant regional disparities, with the highest numbers recorded in Ile-de-France, Auvergne-Rhône-Alpes, Occitanie and Hauts-de-France. The situation is even more pressing in the outermost regions, where the cost of living is significantly higher than in mainland France (see also Annex 12). In La Réunion, around 1 000 children lacked access to adequate housing in 2024, including 330 under the age of 3⁽⁵¹²⁾. In Mayotte, a third of the population lives in precarious housing, as the territory continues to deal with the consequences of cyclone Chido.

Access to affordable housing remains a significant challenge for students and young people, in a context of increasing young people neither in employment nor in education and training (NEET) and youth unemployment rates (see Annex 11). In 2022, only 8% of all students in France had access to student housing, with strong regional disparities (see Annex 19) reflecting the

⁽⁵⁰⁹⁾ IGF, IGAS, AGA, *‘Revue de dépenses sur le budget de l’hébergement d’urgence’* 2025.

⁽⁵¹⁰⁾ Fondation pour le Logement, *‘31^{ème} rapport sur le mal-logement en France en 2026’* 2026.

⁽⁵¹¹⁾ UNICEF-FAS, *‘Baromètre Enfants à la rue’*, 2025.

⁽⁵¹²⁾ Fondation pour le Logement des Défavorisés, *‘L’état du mal-logement à la Réunion’*, 2025.

Graph A16.4: Housing affordability selected indicators

	unit	EU27					FR				unit	2023	2024	2025
		2000-25 avg.	2023	2024	2025		2000-25 avg.	2023	2024	2025				
House price to income ratio	2000-25 avg = 100	100.0	102.0	100.2		100.0	103.2	95.3		YoY%	-6.9	-7.7		
Rent to income ratio	2000-25 avg = 100	100.0	85.1	83.5	84.5	100.0	85.2	83.6	84.1	YoY%	-4.5	-1.9	0.5	
Overburden rate, total	%	9.9	8.8	8.2		5.4	6.5	7.0		PPS/y	0.0	0.5		
Overburden rate, tenant with market rent	%	23.8	20.3	19.2		17.0	19.3	20.2		PPS/y	-2.6	0.9		
Overvaluation gap	%					7.0	16.3	8.2	6.2					
Deflated construction production price	2010 = 100	102.2	112.2	111.8	110.5	99.7	108.6	108.8	103.6	YoY%	0.1	0.2	-5.2	
Building permits	m ² per ths persons	483.5	376.9	362.9	379.9	590.8	437.3	369.1	416.2	YoY%	-26.9	-15.6	12.8	
Residential construction investment	% GDP	5.5	5.8	5.1	5.0	6.3	6.4	5.8	5.9	YoY%	-9.9	-9.4	1.7	
Share of ownership	%	70.0	69.1	68.4		63.2	63.1	61.2	61.4	PPS/y	-0.5	-3.0	0.3	
Share of people living in overcrowded homes	%	17.7	16.8	16.9		8.9	9.9	10.4	10.8	PPS/y	0.7	0.5	0.4	

Source: Eurostat and European Commission calculations. The overburden rate should be read together with the tenure structure (homeowner, tenants), that may differ across country and regions.

absence of a coherent and binding framework for student housing⁽⁵¹³⁾. In this context, 70% of students must rely on the already constrained private rental market and are therefore exposed to high housing costs⁽⁵¹⁴⁾. Rental expenditure represents a high share of students' total spending (evaluated at 60% in 2023⁽⁵¹⁵⁾). More broadly, young people (aged 15-29) face high poverty risks - 19.3% of them in 2024. Improving access to affordable and adequate housing for young people, especially the most vulnerable, could improve their educational outcomes and labour market integration, as housing insecurity remains a key barrier to job searching, mobility and participation in the labour market.

Housing quality remains a concern. In 2023, 21.1% (EU: 15.6%) of the population in France experienced housing deprivation – defined as dwellings with a leaking roof, damp walls, floors or foundations, or rot in window frames or floors – while 4.6% experienced severe housing deprivation (EU: 4%). Energy poverty further exacerbates housing vulnerability. The share of people at risk of poverty experiencing energy poverty is above the EU average (22.4% vs 19.7%). In 2024, 11.5% of the population reported being unable to heat their homes for

financial reasons, an increase of 130% since 2018⁽⁵¹⁶⁾(See Annex 12). Finally, the rate of reported discrimination in access to housing is among the highest in the EU (8.3% vs 5.8%).

The measures implemented to tackle these challenges are limited in the context of a deepening housing crisis for vulnerable groups in France. Housing First (*Logement d'abord*), a strategic framework implemented since 2018, aims to reduce homelessness, including among children, and support financing to access social housing. The second phase of this plan, launched in 2023, seeks to facilitate the transition from emergency accommodation to stable housing for the most vulnerable people. Moreover, the Solidarity Pact (*Pacte des Solidarités*) includes an emergency plan to protect children experiencing homelessness. At EU level, the European Social Fund Plus allocated around EUR 15 million to initiatives to improve access to housing, facilitating the transition from temporary to permanent housing, and supported the population in Mayotte in the aftermath of the cyclone, notably through the RESTORE priorities⁽⁵¹⁷⁾.

⁽⁵¹³⁾ Cour des Comptes, 'Le soutien public au logement des étudiants', 2025.

⁽⁵¹⁴⁾ Sénat, 'Programmer, adapter, innover: 25 clés pour le logement des jeunes', 2025.

⁽⁵¹⁵⁾ UNEF, 'Enquête sur le coût de la vie étudiante en 2023', 2023.

⁽⁵¹⁶⁾ ONPE, 'Tableau de bord de la précarité énergétique - Édition novembre 2025', 2025.

⁽⁵¹⁷⁾ Regional Emergency Support to Reconstruction.

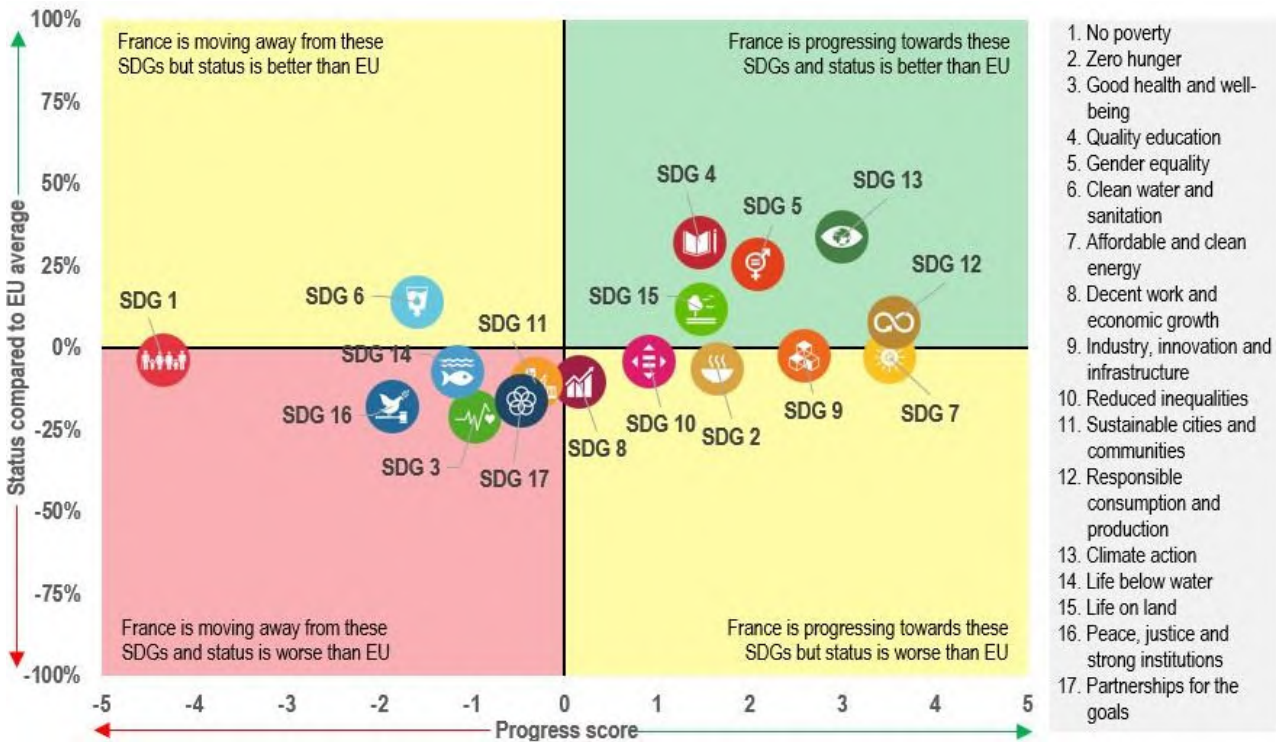


This annex assesses France’s progress on the sustainable development goals (SDGs) along the dimensions of competitiveness, sustainability, social fairness and macroeconomic stability. The 17 SDGs and their related indicators provide a policy framework under the UN’s 2030 Agenda for Sustainable Development. The aim is to end all forms of poverty, fight inequalities and tackle climate change and the environmental crisis, while ensuring that no one is left behind. The EU and its Member States are committed to this historic global framework agreement and to playing an active role in maximising progress on the SDGs. The graph below is based on the EU SDG indicator set developed to monitor progress on the SDGs in the EU.

competitiveness (SDGs 4, 8, 9) and performs well on SDG 4, but it needs to catch up with the EU average on SDGs 8 and 9. On SDG 4 (quality education), the percentage of young adults with tertiary education increased significantly, but adult participation in learning decreased from 19.5% in 2019 to 15.52% in 2025 – although remaining above the EU average. On SDG 8 (Decent work and economic growth), France decreased its investment rate to 22.1% of GDP in 2024 compared to 22.4% in 2019, while remaining above the EU average of 21.7% and its 2019 level (22.3%). In addition, the percentage of young people not in education, employment or training increased slightly between 2019 and 2025 (from 12.4% of the population aged 15-29 to 12.7%), while the long-term unemployment rate decreased (from 2.3% of the active population to 1.7%).

France is improving on all SDGs on

Graph A17.1: Progress towards the SDGs in France



For a detailed progress assessment towards the various SDGs, see the annual Eurostat report ‘[Sustainable development in the European Union](#)’; for extensive data on the short-term SDG progress of EU countries, see [Key findings – Sustainable development indicators](#); for an interactive visualization of SDG progress of EU countries, see [SDG country overview](#). A high status does not mean that a country is close to reaching a specific SDG, but signals that it is doing better than the EU on average. The progress score is an absolute measure based on the indicator trends over the past five or six years. The calculation does not take into account any target values, as most EU policy targets are only valid for the aggregate EU level. Depending on data availability for each goal, not all 17 SDGs are shown for each country.

Source: Eurostat, latest update of 29 April 2026. Data refer mainly to the period 2019-2024 or 2019-2025. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

However, the number of fatal accidents at work rose in 2023 to 3.60 accidents per 100 000 workers, well above the EU average of 1.63.

While close to the EU average, the SDG 9-related indicators are somewhat stagnating. These include gross domestic expenditure on R&D and R&D personnel (2.2% of GDP in 2019 vs 2.18% in 2024, and 1.57% of the active population in 2019 vs 1.70% in 2024). A notable exception is the significant improvement in the percentage of households with high-speed internet connection (43.8% of households in 2019 to 87.5% in 2024) above the EU average. The French recovery and resilience plan (RRP) includes several measures supporting R&D investments in digital technologies and infrastructure and green transition, strengthening R&D projects of innovative businesses, and preserving R&D employment. However, barriers to improve productivity growth in France remain.

France is improving on six SDGs (SDGs 2, 7, 9, 12, 13, 15) related to sustainability, but is moving away from the targets on three other SDGs (SDGs 6, 11, 14) and needs to catch up with the EU average on five SDGs (SDGs 2, 7, 9, 11, 14). France has made considerable progress on SDG 12 (Responsible consumption and production) and on SDG 13 (Climate action), in particular by reducing its net greenhouse gas emissions (from 5.8 tonnes of CO₂ equivalent per capita in 2019 to 4.7 tonnes in 2024), reducing the generation of waste and reducing its material and consumption footprint. France notably reduced its CO₂ emissions per km from new passenger cars from 137.9 g CO₂/km in 2019 to 94.1 g in 2024, well below the EU average (107.9 g CO₂/km). The French RRP provides for large-scale investments in the green transition, such as the energy efficiency of buildings, sustainable transport and the circular economy.

France is moving away from the targets for SDG 11 on Sustainable cities and communities and is below the EU average. Its performance is dragged down by more

people suffering from severe housing deprivation (up from 2.7% in 2018 to 4.6% in 2023) and the proportion of the population living in households suffering from noise (up from 18.2% in 2018 to 21.1% in 2023). It is also moving away from the targets for SDG 6 on Clean water and sanitation and SDG 14 on Life below water, with the latter being below the EU average. The RRF invested in water networks, including in France's overseas departments.

France is improving on most SDGs related to social fairness (SDGs 4, 5, 7, 8, 10) but is moving away from the goals on SDG 1 (No poverty) and SDG 3 (Good health and well-being). In addition, France needs to catch up with the EU average on SDGs 1, 3, 7, 8 and 10. Some indicators linked to quality education (SDG 4) are improving, such as the lower rate of early leavers from education and training (from 8.2% of the population aged 18-24 in 2019 to 7.0% in 2025) and the higher tertiary educational attainment (from 48.2% of the population aged 25-34 in 2019 to 56.0% in 2025). However, these global indicators do not capture some specific issues encountered in the French education system, such as the persisting influence of socio-economic background. There is also a worrying downward trend on some basic education indicators, with the percentage of low-achieving pupils in mathematics increasing from 21.3% in 2018 to 28.8% in 2022, while remaining just below the EU average.

France is moving away from the targets for SDG 1 (No poverty) and SDG 3 (Good health and well-being). The percentage of the population at risk of poverty or social exclusion has risen from 18.8% of the population in 2019 to 20.5% in 2024) while the percentage of the population living in households with very low work intensity has risen from 7.1% in 2019 to 8.7% in 2024. France is the EU Member State that deviates the most from its 2030 poverty reduction target (see Annex 12). It also needs to catch up with the EU average on indicators such as the urban-rural gap for risk of poverty or social exclusion, that reached a 8.2

percentage point difference in the percentage of population in 2024 (EU average in 2024: 0.0 pp. difference). France's performance on SDG 3 (Good health and well-being) worsened slightly overall, and it needs to catch up with the EU average.

France is improving on SDG 8 (Decent work and economic growth) related to *macroeconomic stability* but is moving away from the goals on SDG 16 (Peace, justice and strong institutions) and SDG 17 (Partnerships for the goals) and still needs to catch up with the EU average on SDGs 8, 16 and 17. Indicators relating to SDG 16 and SDG 17 worsened, with both remaining below the EU average. Victims of human trafficking increased to 3.1 per 100 000 in 2024, above the EU average of 2.2. In 2025, 51% of the population (down from 59% in 2019) had a very or fairly good perception of the independence of the justice system. The percentage of the population reporting crime, violence or vandalism decreased only slightly from 14.9% in 2018 to 14.7% in 2023, compared to the falling EU average (from 11.5% to 10.0%). In terms of global partnership, France decreased its financing to developing countries (EUR 22 115 billion in 2019 vs EUR 15 005 billion in 2024) but increased its percentage of imports from these countries (2.16% in 2019 vs 2.31% in 2025). The general government gross debt increased to 115.6% of GDP in 2025, which is significantly higher than the EU average of 81.7%.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

Regional development trends

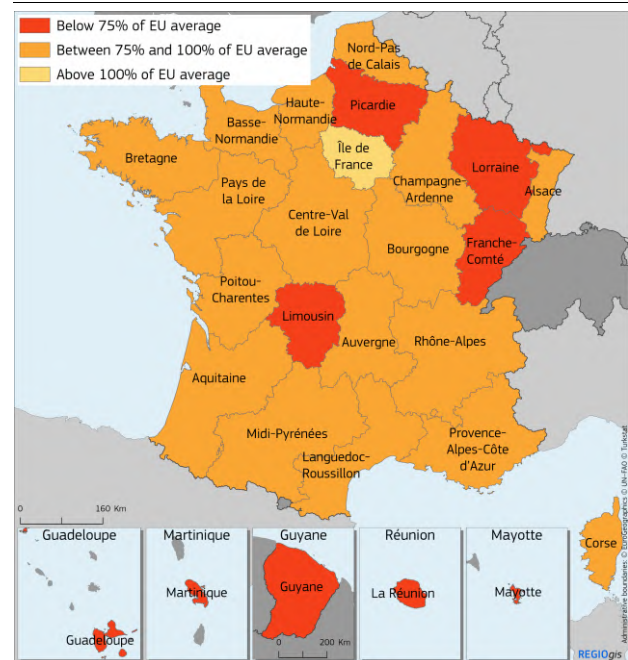
Over the past two decades, France’s GDP per head (in PPS) has fallen relative to the EU average, with the decline being particularly marked in certain territories. The capital region of Île-de-France has seen its GDP per head relative to the EU average fall from 173 in 2004 to 160 in 2024. Outside Île-de-France, only six departments recorded a GDP per head at or above the EU average. These include (i) Bouches-du-Rhône (department of Marseille), where GDP per head in PPS dropped from 110% of the EU average in 2004 to 106% in 2024; (ii) Rhône (Lyon), from 143% to 133%; (iii) Haute-Garonne (Toulouse), from 117% to 113%; (iv) Alpes-Maritimes (Nice) from 119% to 106%; (v) the alpine region of Savoie, from 118% to 109%; and (vi) Marne in Champagne-Ardenne, from 122% to 103%. In 2004, only two metropolitan departments registered a GDP per head is less than 75% of the EU average. By 2024, however, four NUTS 2 units (i) Franche-Comté; (ii) Picardie; (iii) Lorraine; and (iv) Limousin, and 36 departments had fallen below this threshold in metropolitan France. In the outermost regions, GDP per head ranges from just 30% of the EU average in Mayotte, the poorest region in the EU, to 69% in Martinique, with no clear signs of convergence over time.

Territories outside of dynamic core areas face challenges in stagnating growth, compounded by low productivity gains. Real GDP growth in 2014-2024 was below the EU average in 81 departments. Growth was largely driven by employment expansion rather than labour productivity gains. This dynamic contributes to the declining relative position of French transition regions in terms of GDP per head and points to the critical role of productivity-boosting employment.

Since employment underpins regional growth and is closely linked to demographic trends, population dynamics, including youth mobility, are some of the main drivers

of territorial economic and social challenges. Natural population growth is slowing across France and between 2015-2024 turned negative in most French departments, with positive balances confined to a handful of large metropolitan areas and outermost regions, except Martinique ⁽⁵¹⁸⁾. Territorial divergences are emerging. Some areas, mainly rural and remote, experience population losses, while others benefit from migration-driven gains that go hand in hand with economic dynamism (see Map A18.2).

Map A18.1: GDP per head compared to the EU average



2021-2023 average GDP per head in purchasing power standard compared with the EU average.

Source: Commission calculations based on Eurostat 16 July 2025 data

The North-East-Centre axis is characterised by demographic decline and weak economic growth. Between 2015-2024, the population declined in Bourgogne, Franche-Comté, Nord-

⁽⁵¹⁸⁾ In 2023, Île-de-France, Rhône-Alpes, Nord-Pas-de-Calais, and the departments of Strasbourg, Rennes, Nantes, Bordeaux, Toulouse, Marseille, and Grenoble recorded positive natural growth, alongside Haute Savoie, two departments benefiting from metropolitan spillover (Ain, Oise), two mid-sized city departments (Maine-et-Loire/Angers, Loiret/Orléans), and the outermost regions except Martinique.



Table A18.1: **Main development trends, challenges and the concentration of resources**

	Main development trends
Less developed regions (population 8.4 million)	In 2004, only two metropolitan departments registered a GDP per head below 75% of the EU average. By 2024, however, four NUTS 2 units – Franche-Comté, Picardie, Lorraine, and Limousin – and 36 departments (NUTS 3) had fallen below this threshold in metropolitan France. In particular, the North–East–Centre axis is marked by sluggish economic growth and challenging demographic trends, notably the outmigration of young people, which erodes the region’s economic potential. France’s outermost regions are all classified as less developed.
Transition regions (population 48 million)	In France, the bulk of NUTS 2 areas qualify as transition regions (threshold: 100% of EU average GDP). The relative stagnation of French regions is mainly due to limited productivity growth. Between 2014 and 2023, labour productivity in France increased by a mere 0.1% per year on average, lagging well behind the EU average of 0.6%. Almost all French regions experienced productivity growth below the EU benchmark. While real GDP expanded, this did not lead to strong gains in GDP per head, since growth was predominantly fuelled by employment expansion rather than improvements in labour productivity – a trend observed across most French regions and departments, even in its more dynamic metropolitan areas.
More developed regions (population 12.4 million)	Île-de-France accounts for 18% of France’s population and 30% of French GDP. The region is a major economic and cultural hub in Europe. Despite this, and in a pattern mirrored across other French regions, Île-de-France has slipped relative to the EU average in GDP per head, declining from 172 in 2004 to 159 in 2024. Overall, the region continues to experience population growth, particularly among younger cohorts, even as Paris faces resident outflows driven by high house prices and quality-of-life concerns.
Specific territories	<p>Outermost regions: In terms of GDP per head, Mayotte (27%), Guyane (41%) and La Réunion (62%) rank among the 20% poorest regions in the EU. Guyane and Mayotte are characterised by strong population growth, driven by high birth rates and immigration, whereas Guadeloupe (66% of EU average GDP per head) and Martinique (67%) face population decline and high youth outmigration. Poverty rates remain high, particularly in Guyane and Mayotte, while employment rates – including among young people – are well below the national average. People not in employment, education or training (NEET) rates exceed 30%, and rise to over 34% in Guyane and Mayotte, highlighting severe labour market and social inclusion challenges. Outermost regions experience structural vulnerabilities linked to insularity, such as higher transport costs, dependence on few economic sectors and heightened exposure to climate risks, which require appropriate measures to ensure their development.</p> <p>Just transition regions: Industrial transitions (notably of greenhouse gas emission-intensive sectors), as well as the gradual phase out of coal-based energy production and coking/refining, trigger localised socio-economic challenges and investment needs. Territories most affected by these processes were identified in France’s territorial just transition plans.</p>

Source: Commission analysis based on Eurostat data; categories of regions based on Map A18.1

Pas-de-Calais, Picardie, Champagne-Ardenne, Lorraine, and Limousin. However, it remained stable or grew below the national average in Haute-Normandie, Basse Normandie, Centre–Val de Loire and Auvergne (see Table A18.2). In these regions, population loss affects both rural areas and many territories under industrial transition, undermining their economic potential (see Table A18.2, Map A18.2).

Traditional industrial territories in the northern and eastern regions are still undergoing industrial transition showing only modest economic growth, while

experiencing a significant outflow of young workers. In the north-east, net migration among 15–39-year olds is negative across all departments, driving overall population decline even in areas with positive natural population growth, such as Nord-Pas-de-Calais. In the north-east, the net inflow of young people has only grown in the departments of Haut-Rhin and Bas-Rhin (Strasbourg) and Moselle, which borders Luxembourg (see Map A18.2).

Fragile rural areas struggle to secure the ‘right to stay’ for their inhabitants. These areas include the North–East–Centre axis,

Table A18.2: Key regional indicators (at NUTS 2 level) for France

	GDP per head (PPS, index)	Population growth	Growth in natural population	Net migration of population aged 15-39	Real GDP growth	Real productivity growth (per hour worked)	At-risk-of-poverty or social exclusion rate (AROPE)	Employment rate 20-64	Population aged 25-34 with high educational attainment	NEET 15-29: Neither in employment nor in education or training	R&D expenditure in business enterprise sector (BERD)	Employment in high-technology sectors
	EU27=100	Average annual change per 1000 residents	Average annual change per 1000 residents	Average annual change per 1000 residents aged 15-39	Average annual % change	Average annual % change	% of population	% of population aged 20-64	% of population aged 25-34	% of population aged 15-29	% of GDP	% of total employment
	2024	2015-2024	2015-2024	2014-2023	2014-2024	2014-2024	2025	2025	2025	2025	2023	2025
EU	100	1.8	-1.7	7.1	1.6	0.7	21.0	76.1	44.8	11.0	1.51	5.1
France	98	3.6	1.7	2.7	1.2	0.1	20.8	75.5	56.0	12.7	1.44	5.0
Ile de France	160	3.8	7.3	7.3	1.2	0.1	20.9	76.5	72.7	12.4	1.95	9.1
Centre — Val de Loire	82	0.4	-0.8	-2.4	0.8	0.3	15.1	77.9	51.6	11.6	1.02	4.4
Bourgogne	83	-1.2	-3.0	-3.6	0.6	0.3	20.4	75.5	43.8	11.6	0.54	2.7
Franche-Comté	74	-0.4	-0.2	-3.2	0.5	0.0	19.4	73.7	44.2	16.0	2.40	5.5
Basse-Normandie	80	0.4	-2.4	-4.4	0.7	-0.2	16.9	76.4	50.8	12.5	0.73	2.4
Haute-Normandie	83	0.3	0.9	-3.2	0.4	-0.2	17.7	75.4	47.6	14.1	0.98	2.6
Nord-Pas de Calais	77	-0.3	1.9	-4.3	0.8	0.0	26.9	71.8	53.6	13.7	0.42	2.9
Picardie	73	-1.2	0.9	-5.2	0.8	0.4	19.1	74.3	38.3	15.7	1.19	2.8
Alsace	89	3.3	1.2	3.4	0.9	0.1	17.0	78.4	51.2	8.8	0.89	3.8
Champagne-Ardenne	87	-3.2	-0.7	-5.4	0.9	0.8	22.9	73.1	41.0	15.0	0.41	1.5
Lorraine	72	-1.3	-1.2	-2.0	0.5	0.2	20.8	73.1	48.6	15.9	0.55	2.1
Pays de la Loire	87	5.9	0.9	4.2	1.4	0.0	15.7	77.5	54.9	13.6	0.90	3.5
Bretagne	84	5.8	-1.4	2.8	1.6	0.3	14.8	78.3	48.9	10.7	1.05	5.0
Aquitaine	87	7.6	-1.2	9.5	1.5	0.0	19.6	77.4	53.3	11.5	1.25	4.2
Limousin	74	-1.2	-4.9	0.0	0.5	-0.1	22.0	76.8	51.0	9.6	0.80	2.6
Poitou-Charentes	81	2.4	-3.2	0.4	1.0	0.2	17.6	77.2	46.7	12.7	0.45	1.2
Languedoc-Roussillon	76	7.8	-0.9	5.9	1.5	-0.3	25.3	72.1	48.5	15.1	0.65	3.7
Midi-Pyrénées	89	6.7	-0.4	10.1	1.4	0.0	23.3	77.3	56.4	9.3	2.97	7.1
Auvergne	79	0.4	-3.0	1.3	1.1	0.4	22.4	77.0	46.9	9.4	1.56	3.8
Rhône-Alpes	100	5.8	2.9	6.1	1.6	0.1	18.0	77.1	60.1	10.2	2.22	5.6
Provence-Alpes-Côte d'Azur	96	5.4	0.4	4.7	1.4	-0.1	20.7	74.4	52.3	13.3	1.30	4.4
Corse	86	10.2	-1.7	13.0	2.2	0.5	28.6	72.9	28.7	11.2	0.15	4.7
Guadeloupe	67	-4.7	2.6	-24.7	0.6	-1.2	38.4	61.2	40.6	22.2	0.00	2.3
Martinique	69	-5.8	-0.2	-23.3	0.0	-1.0	31.3	67.4	37.8	24.2	0.01	2.6
Guyane	41	13.5	23.4	-6.4	0.2	-3.2	54.8	50.0	18.9	31.9	0.05	
La Réunion	63	6.1	9.2	-13.9	1.6	-0.4	42.3	59.4	31.6	25.2	0.09	1.3
Mayotte	30	34.9	32.0	3.0	6.1	3.3		39.6			0.00	

Source: Eurostat data

extending through parts of Auvergne-Rhône Alpes, Limousin, Occitanie across the Massif Central, as well as some other rural areas in the south, struggle to secure the right to stay for their inhabitants. These areas face growing challenges in service provision, driven by demographic decline, while the outmigration of young and working age population is partly driven by a lack of economic opportunities.

The outermost regions show contrasting demographic trends and challenges in accessing services. Guyane and Mayotte experience strong population growth driven by high birth rates and, in Mayotte's case, also immigration. Conversely, Guadeloupe and Martinique face population decline and high net youth migration (15-39-year olds), -2.47% and -2.33% respectively per year in 2014-23). At the same time, these regions face

challenging conditions, with at-risk-of-poverty rates around 40% in Guadeloupe and La Réunion, around 30% in Martinique, and above 50% in Guyane (see Annex 12). Employment rates remain well below the national average of 75.5%, ranging from 67% in Martinique to 40% in Mayotte, while youth employment rates are particularly low, from 24% in La Réunion to 6% in Mayotte ⁽⁵¹⁹⁾ (national average equal to 35%). Those neither in employment, education or training (NEET) rates exceed 30%, and stand above 34% in Guyane and Mayotte. Infrastructure deficits further compound competitiveness constraints, particularly in

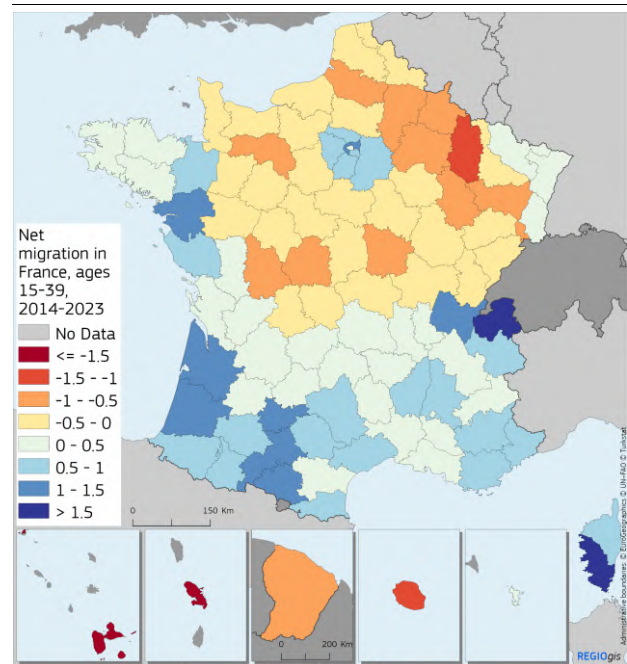
⁽⁵¹⁹⁾ Eurostat data from 2020 – note that due to data scarcity related to Mayotte, more recent data is unavailable.

transport connectivity, water distribution networks, and electricity systems.

Coastal areas, along the Mediterranean, including Corse and the entire Atlantic coast north of Bordeaux to Bretagne, are gaining population and attracting younger people.

This trend affects both high- and low-GDP per head areas, as illustrated by Landes, a department on the Atlantic coast of Aquitaine. Despite a relatively low-GDP per head (70% of the EU average), Landes attracted young people (aged 15–39) at a notable average annual rate of 1.27% in 2014–2023. Overall, these territories benefit from their proximity to dynamic urban centres and natural amenities and attract commuters with more affordable housing. They also draw older people seeking a favourable climate, thus increasing demand for healthcare and accessible local public and commercial services. At the same time, they rely heavily on young seasonal workers in the tourism sector, who often face housing and cost-of-living pressures. Social conditions are more strained in Mediterranean regions, where poverty and unemployment rates are higher, whereas Atlantic departments tend to show more favourable social and labour market outcomes. Youth unemployment (15–24 years old) in Corse stands at 46% in 2025, more than double the national average (19.7%). This rate is also higher than those recorded in all outermost regions, except Mayotte, where it reached 55.4%.

Map A18.2: **Net youth migration in France, ages 15–39, 2014–2023 (NUTS 3)**



Source: DG REGIO calculations based on Joint Research Centre (JRC) ARDECO data.

Source: DG REGIO calculations based on JRC ARDECO data

Cross-border territories have seen population growth due to their functional integration with neighbouring countries through labour markets, particularly with Switzerland and Luxembourg. Population growth is driven in part by workers seeking to live near cross-border employment centres. Net migration, especially among younger people, is strong, notably in the departments of Ain (+0.19% of annual net migration for people aged 15–39 in 2014–2023) and Haute Savoie (+0.16%), which border the Geneva labour district. However, housing markets are increasingly under pressure from cross-border workers and commuting strains road networks during peak hours.

Key challenges for regional competitiveness

Outside of core urban centres, territorial innovation ecosystems struggle to convert research into technological transfer and value creation for businesses, especially in

mid-sized cities and in the industrial north and north-east. Smart specialisation strategies⁽⁵²⁰⁾ are an effective way to increase regional innovation capacities while taking into account regional specificities. However, current strategies lack sufficient territorial tailoring. The Court of Auditors (*Cour des Comptes*)⁽⁵²¹⁾ highlights weak links between universities and firms, and business leaders, as well as pointing to poor coordination between research centres, company innovation needs, labour demand and training systems.

In north and north-eastern France, territories are still completing their industrial transitions, which is impacting the physical and economic landscape. Heavy industry continues to play a key role in the regional GDP and employment and makes the region an important centre for foreign direct investment (FDI), with Hauts-de-France attracting 10% of national FDI projects and Grand Est 9%, only exceeded by Île-de-France (25%) and Auvergne-Rhône-Alpes (14%)⁽⁵²²⁾. In the Hauts-de-France region, an area known as the “Battery Valley” is emerging as a major hub for electric-vehicle battery production, with gigafactories supported by national research and industrialisation initiatives under the France 2030 plan (See Annex 5). On the other hand, north and north-eastern France’s industrial heritage has left unused former sites, with opportunities for economic diversification to be pursued through remediation and targeted territorial reconversion strategies for

⁽⁵²⁰⁾ Smart specialisation strategies are strategic, territorially based frameworks to innovation and industrial policy that help Member States and regions identify and leverage their unique comparative advantages to address structural challenges, foster economic transformation and enhance competitiveness.

⁽⁵²¹⁾ Cour des comptes, (2023), ‘Universités et territoires: Rapport public thématique (Rapport no. 63210)’, <https://www.ccomptes.fr/sites/default/files/2023-10/20230131-synthese-universites-et-territoires.pdf>.

⁽⁵²²⁾ EY, 2025, ‘Baromètre de l’attractivité de la France 2025’, <https://www.ey.com/content/dam/ey-unified-site/ey-com/fr-fr/campaigns/foreign-direct-investment-surveys/documents/ey-barometre-ey-attractivite-france-2025.pdf>.

post-industrial brownfields. In addition to infrastructure bottlenecks, industrial transition territories also struggle with skills mismatches. Territorial disparities are driven by youth outmigration and recruitment difficulties in rural and North-East-Central axis, uneven education levels (reflecting uneven territorial access to education), and insufficient territorial coordination for matching workforce competencies and skills training to evolving labour market demands in industrial transition regions (see Annex 13).

The share of young people (15-29 years old) classed as NEETs is a main challenge for social cohesion and sustainable economic growth in the outermost regions, Corse and the North. France has a national NEET rate of 12.7%, with substantial territorial disparities. The most severe youth exclusion occurs in the outermost regions of Guyane (32%), La Réunion and Martinique (both around 25%), and Guadeloupe (22%). Within metropolitan France, elevated NEET rates are above the EU average in most regions and concentrated in Franche-Comté, Picardie, Lorraine, Champagne-Ardenne and Haute-Normandie (all around 15-16%), as well as Languedoc-Roussillon. Urban peripheries can also show inequalities, as evidenced in the Île-de-France region, where Seine-Saint-Denis show NEET rates substantially above the regional average. High NEET rates are strongly associated with low employment rates and modest GDP growth potential (See Annex 11).

Fragile rural areas face challenges with access to essential local services and public services such as healthcare, mobility, and housing, which are vital for ensuring the right to stay. Since 1980, the share of rural municipalities with at least one nearby shop has sharply dropped from around 75% to 41%, leaving nearly 6 out of 10 rural municipalities without adequate access to essential local services⁽⁵²³⁾. Employment opportunities are

⁽⁵²³⁾ Ministère de l’Économie, 2025, [Commerce : un programme de reconquête en zones rurales](#).

structurally limited, with only 64 local jobs per 100 residents, forcing about half of rural workers to commute more than 13 km daily. The scale of commuting has intensified over time. Total daily round-trip distances increased from about 200 million km in 1999 to 320 million km in 2019, reinforcing private car dependency (86% of trips) ⁽⁵²⁴⁾, reflecting the insufficient public transport and limited mobility options available in these areas. On broadband coverage, around 3 million premises, predominantly in rural or lower density areas (79% of the unconnected total), remain without a broadband connection ⁽⁵²⁵⁾. Healthcare access has deteriorated unevenly (See Annex 15). Access to general practitioners' (GPs), measured by the number of consultations accessed per inhabitant per year, decreases the more rural a person lives, and is particularly low in Centre-Val-de-Loire, Bourgogne, and Normandy (Eure, Orne) ⁽⁵²⁶⁾. It is also a significant problem in the peri-urban ring of Île-de-France, driven by demographic pressure outpacing supply. The density of specialists also decreases the more rural a person lives; at regional level, Île-de-France has 241 specialists per 100 000 inhabitants against 135 in Centre-Val-de-Loire, the lowest level in metropolitan France. The density stands below 150 in Haute-Normandie, Picardie, and

Champagne-Ardenne ⁽⁵²⁷⁾. Housing pressures compound these trends, as energy vulnerability affects over 20% of households in several rural regions due to older housing stock and high-related costs.

In the outermost regions, weak youth employment opportunities, insufficient access to services and housing shortages are the main drivers behind sustained youth outward migration, undermining the right to stay. Business competitiveness in the outermost regions is limited by small market size, without sufficiently selective, place-based economic strategies for entrepreneurship support. For example, focusing on existing territorial specialisations to unlock untapped potentials in sectors such as sustainable tourism and biodiversity. In terms of access to local services, healthcare accessibility is mixed. Mayotte records only 39 GPs and 37 specialists per 100 000 inhabitants, far below national averages (146 and 200), and Guyane is also underserved (111 GPs; 150 specialists). By contrast, Guadeloupe, Martinique and La Réunion display medical densities at or above national averages, in some cases exceeding those of fragile rural departments in metropolitan France ⁽⁵²⁸⁾. Mobility remains highly car-dependent, with nearly 90% of trips made by private vehicles, but efforts are underway to reinforce dedicated bus lanes and high-service bus corridors (Bus à Haut Niveau de Service) to improve reliability and reduce car reliance. Broadband coverage in Mayotte is very low, with fibre deployment only recently beginning, and it is moderate in Martinique (66%) ⁽⁵²⁹⁾. Housing shortages are structural,

Sénat, 2022, [Rapport d'information n° 577 : Soutenir le commerce de proximité dans les communes rurales.](#)

⁽⁵²⁴⁾ INSEE, 2023, [Le trajet médian domicile-travail augmente de moitié en vingt ans pour les habitants du rural.](#)

⁽⁵²⁵⁾ FTTH Council Europe, 2025, [European FTTH/B Market Panorama 2025 \[Report\]](#).

Arcep, 2025, 'CarteFibre – données ouvertes sur le déploiement de la fibre optique. Autorité de régulation des communications électroniques et des postes', <https://www.cartefibre.arcep.fr/>. Arcep reports FTTH coverage as % of any individual buildings or units where a fibre connection could technically be installed.

⁽⁵²⁶⁾ Drees (Statistique publique de la santé et des solidarités), 2020, https://data.drees.solidarites-sante.gouv.fr/explore/dataset/530_l-accessibilite-potentielle-localisee-apl/information/.

⁽⁵²⁷⁾ INSEE, 2025, 'Professionnels de santé en France : données par territoire', <https://www.insee.fr/fr/statistiques/2012677>.

⁽⁵²⁸⁾ INSEE, 2025, 'Professionnels de santé en France : données par territoire', <https://www.insee.fr/fr/statistiques/2012677>.

⁽⁵²⁹⁾ FTTH Council Europe, 2025, 'European FTTH/B Market Panorama 2025', <https://www.ftthcouncil.eu/resources/all-publications-and-assets/2358/european-ftth-b-market-panorama-2025>.

with an estimated need for 110 000 social housing units, and around 80% of the population eligible for social housing based on income ceilings ⁽⁵³⁰⁾.

In the French outermost regions, a lack of robust land-use planning and limited administrative capacity are major challenges to implementing policies and effective public investment. A quarter of the population in the outermost regions lives in priority city districts (*Quartiers prioritaires de la ville*) ⁽⁵³¹⁾, compared with 8% nationally. However, there are sharp contrasts across territories (around half in Guyane and the entirety of Mayotte, but only 7% in Martinique). Informal housing and the associated lack of drinking water access/networks are major structural challenges, especially in Mayotte, where roughly one third of housing is informal, and in Guyane, where rapid urban growth exacerbates land scarcity and poverty. The vulnerability of these settlements was tragically illustrated by Cyclone Chido in December 2024, which severely damaged informal neighbourhoods in Mayotte. Land-use planning does not adequately reflect demographic growth, informal housing, and climate risks, especially in Mayotte and Guyane, which acts as a barrier to sustainable, impactful investments in housing, water, and transport. At the same time, weak administrative and technical capacities in the use of EU and national public funds, especially in Mayotte,

Saint Martin, Martinique and Guyane (but also in Corse) impact project delivery and outcomes.

Urban areas face challenges related to education and labour markets in their social peripheries, alongside housing affordability pressures. Mainland France's 1 362 priority city districts (*quartiers prioritaires de la ville*), home to 5.3 million residents, concentrate severe socio-economic disadvantage. In these areas, at-risk-of-poverty rates reach 44 % (vs 15.9 % nationally) and unemployment 27.5 % (vs 12.3 % nationally). Educational outcomes are markedly poorer. 74% of students complete lower-secondary education on time compared with 87% elsewhere, and only 28% achieve above-average results in standardised assessments, versus 59 % in non-priority schools ⁽⁵³²⁾ (See Annex 13). France's urban housing crisis reflects a severe supply–demand imbalance. “*Zones tendues*” are designated urban areas where housing demand significantly exceeds supply. By 2024, 2.6 million households were awaiting social housing, many of whom (750 000) are in Île-de-France ⁽⁵³³⁾. Students and part-time workers are also affected by housing shortage in metropolitan and tourist cities. Student housing covers only 12% of demand, with a projected shortfall of 640 000 beds by 2030 ⁽⁵³⁴⁾.

Commuting between the border with Switzerland and Luxembourg faces persistent challenges due to a lack of cross-border coordination. In these border regions, approximately 465 000 French residents commute daily to neighbouring countries for work, with approximately 224 000 travelling to

Arcep, 2025, ‘CarteFibre – données ouvertes sur le déploiement de la fibre optique [Database]. Autorité de régulation des communications électroniques et des postes’, <https://www.cartefibre.arcep.fr/>. Arcep reports FTTH coverage as % of any individual buildings or units where a fibre connection could technically be installed.

⁽⁵³⁰⁾ **Union Sociale pour l’Habitat (USH)**, 2025, ‘*Le logement social dans les Outre-mer : état des lieux et besoins*’.

⁽⁵³¹⁾ [Priority neighbourhoods of urban policy](#) are legally defined areas of intervention by the State and local authorities, with the common goal of reducing development gaps between disadvantaged neighbourhoods and their urban units.

⁽⁵³²⁾ Direction de l'évaluation, de la prospective et de la performance (DEPP), 2025, ‘Éducation prioritaire - Statistiques septembre 2025’; INSEE, 2024, ‘Portrait des nouveaux quartiers prioritaires’; ANCT, 2024, ‘Quartiers prioritaires’.

⁽⁵³³⁾ Union Sociale pour l’Habitat (USH), 2024, ‘Les Hlm en chiffres - Édition 2024’.

⁽⁵³⁴⁾ Ministère de l’Enseignement Supérieur et de la Recherche (MESRI), 2023, ‘L’état de l’enseignement supérieur et de la recherche en France’.

Switzerland and 105 000 to Luxembourg ⁽⁵³⁵⁾. Most cross-border workers rely heavily on private vehicles, contributing to persistent congestion, especially along major routes such as the A31 corridor towards Luxembourg. People who commute by train on cross-border routes also report frequent delays and cancellations. Luxembourg and France plan to reinforce cross-border transport connections between Lorraine and Luxembourg by 2035, alongside expanded TER (Transport Express Régional) services, to address these pressures.

Climate change and land-use pressures create territorial challenges that are not sufficiently accounted for in local risk prevention and sector-specific action, as illustrated by rising pressures on water resources. French territories are increasingly exposed to drought with severe environmental and social impacts. In the Paris metropolitan area, where agriculture covers about 50% of the land, water demand has more than doubled since 2012, with a projected 45% increase by 2050. The area's drought risk is compounded by urban expansion reducing aquifer recharge and periodic water use restrictions on rivers and groundwater ⁽⁵³⁶⁾. Across much of France, rainfall has been substantially below normal and groundwater levels remain depleted, leading to widespread drought alerts and water shortages in multiple departments ⁽⁵³⁷⁾. Southern regions (Provence-Alpes-Côte d'Azur, Occitanie) face drought and competition for water has intensified due to population growth and tourism, while agricultural basins (Centre-Val de Loire, Nouvelle Aquitaine) struggle with seasonal

shortages ⁽⁵³⁸⁾. Overseas territories, notably Mayotte, experience chronic scarcity, with significant sections of the population lacking reliable access to running water ⁽⁵³⁹⁾. Even in Atlantic regions such as Bretagne and Pays de la Loire, seasonal shortages and limited groundwater recharge require periodic restrictions on water use, including for irrigation. The above cases show issues in regional-level resource planning and unaddressed infrastructure shortcomings leading to inefficient water management.

Renewable deployment varies by region, with a significant amount of untapped potential in the outermost regions. Onshore and offshore wind have the highest potential in the Channel-Atlantic arc (Hauts-de-France to Nouvelle-Aquitaine), solar capacity concentrates in southern regions (Occitanie, PACA, Corse), while hydropower, mainly in Auvergne-Rhône-Alpes and the Pyrénées, contributes substantially to the national electricity mix (14%). Outermost regions face isolated grids, import dependence, and climate risks, requiring decentralised renewables and storage. Despite small markets and high costs, they pilot innovative solutions like autonomous microgrids and high-renewable systems ⁽⁵⁴⁰⁾. Regional authorities play a central role in planning and implementing renewable energy projects, translating national targets (from the recently published PPE 3 – See Annex 9) into regional action, and supporting projects implementation through regional energy committees.

France faces high tourism pressure and the tourism share in national Gross Value Added (GVA) was concentrated in a small number of territories. In 12 NUTS 3 regions, tourism

⁽⁵³⁵⁾ INSEE, 2023, [Un travailleur frontalier sur cinq parcourt plus de 50 km pour aller travailler](#) (Insee Première No. 8292201).

⁽⁵³⁶⁾ OECD, 2025, [Adapting the Paris Metropolitan Area to a water-scarce future. Organisation for Economic Co-operation and Development.](#)

⁽⁵³⁷⁾ OIEau, 2025, [French National Hydrological Situation Bulletin](#) (11 April & 13 June 2025).

⁽⁵³⁸⁾ European Commission, 2024, [Regional fiche – Mayotte.](#)

⁽⁵³⁹⁾ European Commission, 2024, [Regional fiche – Mayotte.](#)

⁽⁵⁴⁰⁾ Service des données et études statistiques, Ministère de la Transition écologique (SDES), 2024, [Chiffres clés de l'énergie et des énergies renouvelables.](#)

density (nights/km²) is higher than the EU average. The number of nights per km² is almost 10 times more than the EU average in Ile de France, and almost 2.5 time more than the EU average in Provence-Alpes-Côte-d'Azur. In terms of tourism intensity, Corse, Languedoc-Roussillon, Provence-Alpes-Côte-d'Azur and Aquitaine have respectively 4.6, 1.9, 1.6 and 1.5 times more nights per resident than the EU average ⁽⁵⁴¹⁾.

The blue economy faces several regional challenges. The fisheries sector in the outermost regions is underdeveloped. Main challenges include old or obsolete vessels, sectoral fragmentation with few or no local organisations, poorly equipped landing sites (in particular regarding cold chain) and limited access to the market (resulting in lower sales prices). Aquaculture in the outermost regions is almost non-existent despite its high potential. Organisation and occupation of the coastal areas is a challenge in many French regions, to ensure coexistence of various sectors/activities (residential areas, environmental protection, tourism, energy production...). The installation of offshore windmill parks in Brittany or Normandy has for example raised tensions with fishers fishing those waters.

⁽⁵⁴¹⁾ European Commission, 'EU Tourism Dashboard', <https://tourism-dashboard.ec.europa.eu/>.

This Transport Annex presents the state of play, and the challenges France faces with the implementation of the trans-European transport network (TEN-T), the European railway traffic management system (ERTMS), the roll-out of sustainable aviation fuels (SAF) and road safety.

France is crossed by three European transport corridors (Atlantic, Mediterranean and North Sea – Rhine Mediterranean). The TEN-T in France comprises 17 560 km of rail (8 760 km of which are on the core network) and 14 515 km of road (5 554 of which on the core network). France has 27 airports (eight core), 49 maritime ports (17 core) and 42 urban nodes⁽⁵⁴²⁾.

France has a dense railway network with a significant number of regional, national connections as well as a robust high-speed network, but significant investments are required to modernise and maintain it⁽⁵⁴³⁾. Overall, the railway system is well-integrated, meeting key technical TEN-T parameters such as electrification, track gauge and axle load, but France is lacking in implementation of the key cross-border investments. In this context, it is important that existing cross-border operational agreements on border stations are complete and clearly defined, ensuring predictable and transparent conditions for railway undertakings.

The selected national priority sections are extensions of key cross-border CEF investments allowing for fully functional transport corridors. The Bordeaux-Toulouse line brings the latter closer to the Spanish border and significantly improves travel time on the central axis towards Paris. The new Provence – Côte d’Azur line (LNPCA) would fill

⁽⁵⁴²⁾ TENTec Information System, according to Reg. 2024/1679.

⁽⁵⁴³⁾ Rapport Ambition France Transports – Financer l’avenir des mobilités (July 2025).

the missing link between two CEF cross-border investments linking Occitania with the Italian border. Achieving the complementarity of funding would allow for the whole Mediterranean coastline railway line in France to be modernised. Additionally, investments are required around Lyon to complement the ongoing cross-border investment between Lyon and Turin.

The ERTMS is essential to digitalising the railways and to modernising and harmonising railway operations across Europe. The ERTMS ensures the safety of rail networks by providing a unified signalling system that significantly reduces the risk of accidents. It also provides interoperability between national rail systems, improving cross-border train movements. Finally, the ERTMS enhances network capacity and operational efficiency, increasing the competitiveness of the rail sector.

ERTMS was operational on only 6.1% of France’s TEN-T rail network by the end of 2024⁽⁵⁴⁴⁾. To meet its national plan’s ERTMS roll-out target by 2035, France aims to deploy ERTMS on an additional length of 2 057 km. Significant gaps remain on the cross-border sections, e.g. the high-speed Brussels-Paris line, which create a barrier to cross-border rail services. A plan to decommission its legacy signalling systems is also lacking.

Large infrastructure projects in France tend to suffer from a lack of multiannual financial programming, as well as from complex and lengthy permitting procedures, which hamper their timely implementation. Finalising the ongoing legislative process on the framework law on transport development and then adopt a multiannual financial programming law for major infrastructure investments remains

⁽⁵⁴⁴⁾ Based on ERTMS – Third work plan of the European coordinator Matthias Ruete.

Table A19.1: **ERTMS deployment in France.**

TEN-T rail network	ERTMS (trackside) in operation			Min. estimated cost of additional deployment until 2035
	year	length	% of total TEN-T	
17 560 km	end 2024	1 076 km	6.10%	EUR 493 million
	by 2035	3 133 km	17.84%	

Source: Based on ERTMS – Third work plan of the European Coordinator Matthias Ruete.

essential. It is also important to consider streamlining planning and permitting procedures to speed up infrastructure implementation. Harmonising technical and operational rules with the minimisation of national rules in line with the EU directives on rail interoperability and safety remains critical to ensuring seamless cross-border rail transport.

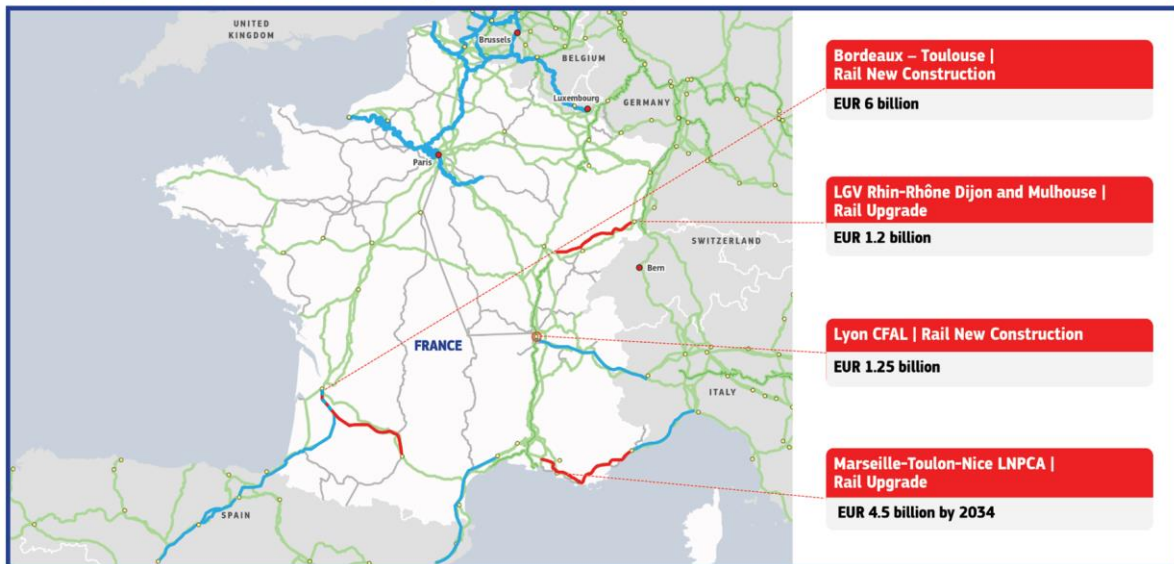
Railway capacity is lacking on both sides of the border in Italy and France, so synchronising the planning and construction of the access lines to the Lyon-Turin Base Tunnel is critical to making full and efficient use of the cross-border infrastructure’s potential.

France has a strong industrial base for production of sustainable aviation fuels (SAF). Achieving ReFuelEU Aviation objectives in France requires scaling up SAF production, in particular fuels produced from hydrogen (eSAF). France committed EUR 200 million in 2023 to support SAF production, with an additional EUR 100 million to support initiatives through the FEED phase, which is essential for demonstrating project viability. Alongside conventional SAF production, many advanced SAF pathway projects are expected to start

production in 2030, with outputs per facility ranging from 25 kt to 81kt per year of various types of eSAF and advanced SAF. However, many projects lack a Final Investment Decision and some were cancelled in the past year. Making use of existing proceeds of EU ETS or penalty revenue under ReFuelEU Aviation to support investments and ramp-up of production is important, specifically in the context of France’s participation in the EU’s eSAF Early Movers Coalition.

Map A19.1: TEN-T Cross-Border & National Priority Sections in France.

TEN-T Cross-Border & National Priority Sections - Country Sheet



Legend

- Cross-border sections according to Commission CEF proposal
- National priority sections
- European Transport Corridors rail network
- Remaining TEN-T rail network in France
- Capitals
- Urban Nodes



European Transport Corridors

ATLANTIC	MEDITERRANEAN
RHINE - DANUBE	
NORTH SEA - RHINE - MEDITERRANEAN	



Road crashes impose an enormous social, economic and health burden on the EU economy. The external socio-economic costs of fatal, serious and minor injuries have remained persistently high despite the progress made in reducing crash frequency and severity. These resources could otherwise fuel innovation, education, healthcare and other crucial public investments⁽⁵⁴⁵⁾.

In 2024, road fatalities in France were above the EU average. There were 48 road fatalities per million inhabitants in France in 2024, against an EU average of 45. Compared with the EU average, the distribution of fatalities in France shows a relatively high proportion of fatalities on rural roads and powered two-wheeler rider fatalities.

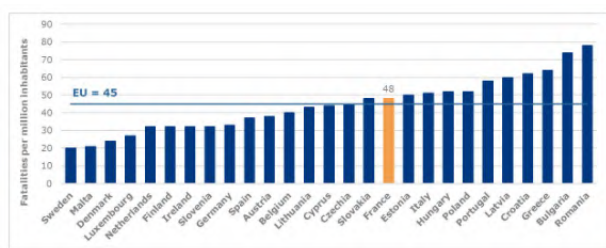
Action is needed as the pace of reduction is not sufficient to meet the 2030 targets. Based on the data, a decrease of 2% in road fatalities was recorded between 2019 and 2024. The number of serious injuries only decreased by 2% between 2019 and 2023. Therefore, France currently does not appear to be on track to meet the 2030 targets of halving the numbers of road fatalities and serious injuries (see also Graph A19.2 below). Accordingly, France appears to require actions on multiple fronts in order to reach the 2030 targets⁽⁵⁴⁶⁾.

Graph A19.2: Road fatalities and the 2030 target



Source: Report at the Mid-Point, SWD(2026) 42 final.

Graph A19.1: France's road fatalities per million, 2024



Source: Report at the Mid-Point, SWD(2026) 42 final.

⁽⁵⁴⁵⁾ Report on the implementation of the EU Road Safety Policy framework at the Mid-Point, [COM\(2026\) 77 final](#).

⁽⁵⁴⁶⁾ More details in Report on the implementation of the EU Road Safety Policy framework at the Mid-Point, SWD(2026) 42 final.