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2025 Country Report - France

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Recommendation for a COUNCIL RECOMMENDATION

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

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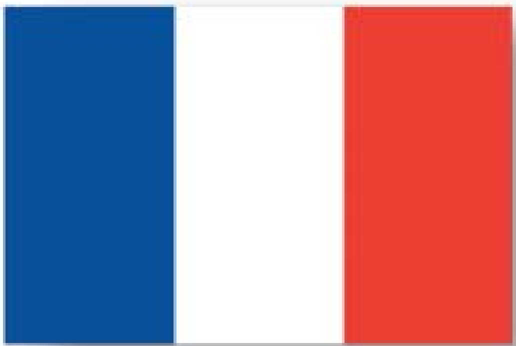
European Commission

France

2025 Country Report



ECONOMIC DEVELOPMENTS AND KEY POLICY CHALLENGES

Economic growth is set to slow down amid high economic and political uncertainty

France's economic growth accelerated on average in 2024 compared to 2023, but since the second half of 2024, activity has been slowing down ([1]). Investment decreased strongly in 2024 amid restrictive monetary policy and high economic and political uncertainty ([2]). Real GDP grew by 1.2% in 2024, up from 0.9% in 2023. Economic activity is expected to slow markedly in 2025. Investment is set to remain subdued until the cost of capital decreases and uncertainty dissipates. Net exports are set to stall, because of high energy costs and tariffs increases. However, the recent fall in inflation, on the back of declining energy prices, is expected to allow for a gradual recovery starting in the second half of 2025. Private consumption is set to drive GDP growth as inflationary pressure reduces, while households' savings rate ([3]) is set to remain broadly stable. Activity is therefore forecast to increase by 0.6% in 2025 and 1.3% in 2026.

Employment growth turning down amid heightened challenges

Labour market situation has worsened marginally. In the fourth quarter of 2024, payroll employment fell by 0.3%, that is 90 100 jobs. The decline in unemployment rate in the fourth quarter of 2024 took place against the backdrop of a decrease in the active population. Moreover, at 7.3% in the fourth quarter of 2024, the unemployment rate remains high compared to both the EU and euro area averages. Over the year, the unemployment rate increased only marginally, to 7.4% of the labour force (see Social Scoreboard in Annex 13). It is expected to gradually pick up to 7.9% in 2025 and to decrease marginally to 7.8% in 2026. After a record high employment rate of 75.1% in 2024 (75.3% in the third quarter of 2024), employment growth is set to slow down in 2025 and to rebound in 2026 (-0.2% and +0.5% respectively, after the 0.5% increase in 2024), as the effect of apprenticeship contracts on employment growth decreases ([4]), hours worked return to their 2019 levels, and labour productivity bounces back.

Competitiveness keeps improving and labour productivity is recovering from recent losses

Competitiveness keeps improving. Since 2020, price-based real effective exchange rates depreciated more in France than in most

([1]) The cut-off date for the data used to prepare the Country Report was 5 May 2025.

([2]) According to the latest available uncertainty indicators and business surveys, uncertainty remained elevated in 2024 as compared to 2023 and pre-COVID period. See, for instance, https://www.banque-france.fr/fr/publications-et-statistiques/publications/enquete-mensuelle-de-conjoncture-debut-avril-2025; and EIB investment survey 2024: European Union Overview, page 26.

([3]) Since the pandemic, households' savings rate has surged (+3.6 points in 2024-Q4 vs 2019-Q4).

([4]) According to DARES, by the end of February 2025, 40 800 apprenticeship contracts had been started since the beginning of the year, down 10.9% year-on-year.

other EU economies. This was due to lower inflation in France than in its trading partners, the euro falling against the dollar and government measures, especially reductions in taxes on production and the corporate tax rate. Unit labour costs grew by 4.3% in 2023 and slowed down significantly, to 2.6% in 2024, thanks to moderate wage increases. In both years, the growth in unit labour costs was well below the euro area and EU averages. Likewise, other price competitiveness indicators keep showing improvements: price and unit labour cost-based real effective exchange rates have depreciated on average between 2022 and 2024 more than in the euro area and the EU. As a result, after the strong rebound in 2023 (by 6.1%), export market shares further improved in 2024, partly offsetting export market share losses, observed since 2020. Recent and ongoing reforms and investments are expected to keep supporting non-price competitiveness and productivity.

Wages have been decelerating in nominal terms but have rebounded in real terms. Real wage growth over 2022 and 2023 was negative, despite improvements in labour market conditions. In 2024, real wages are expected to show modest increases: the slowdown in nominal wages, despite the boost provided by the minimum wage indexation in the fourth quarter, is outpaced by the decline in inflation. Sector-wise, the highest nominal wage increases were observed in industry, by 3.5%, compared to a 2.8% and 2.4% growth in services and in construction, respectively.

Labour productivity is showing signs of recovery after some years of weak performance, mainly explained by temporary factors. Policy measures adopted since 2018, such as permanent cuts in social contributions and production taxes or support to apprenticeship contracts, contributed to supporting employment in recent years. Emergency measures triggered by the COVID-19 pandemic and the more recent energy crisis, and significant labour hoarding in industrial branches in a context of tight labour market (5) further supported the resilience of employment, mechanically weighing on labour productivity.

Employment growth slowed down in 2024. While still on the rise, apprenticeship contracts slowed down significantly. In turn, recovery of key sectors such as aeronautics and transport equipment that were hit hard by the recent crises, has brought about a decline in labour hoarding. However, the deterioration of economic prospects may be hampering faster hiring. Accordingly, labour productivity, both in terms of full-time equivalent jobs and hours worked, gained momentum in 2024, outpacing the euro area and EU average and partially recovering recent losses. Despite the weak growth performance of recent years, French labour productivity in levels remains well above the EU average, at around 117% of the EU aggregate in 2023. Further labour productivity increases are expected for 2025 and 2026.

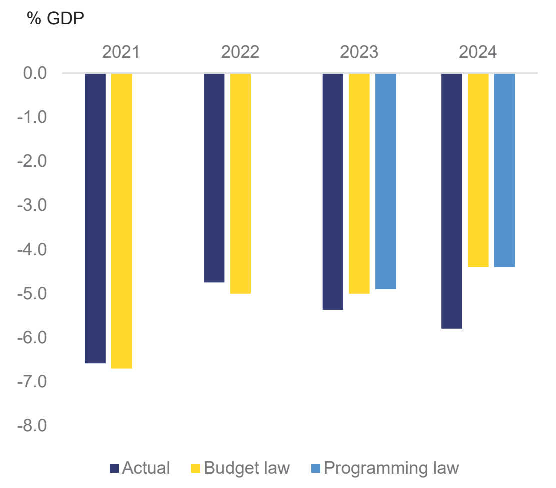
Public debt back on the rise due to persistently high general government deficits

France's 2023 sizeable deficit slippage was followed by another one in 2024. The general government deficit rose from 4.7% of GDP in 2022 to 5.4% in 2023 and again, to 5.8% of GDP, in 2024. Specifically, the deficit slippage in 2024 was due to tax revenues rising well below economic activity because of shortfalls in corporate income and stamp duty taxes, the indexation of social benefits (pensions) to high inflation in 2023 and high public consumption and investment growth by local governments. As a result, public debt increased to 113% of GDP in 2024, ending the moderate decline observed since 2021. The latter was mainly due to the post-COVID-19 economic rebound, outpacing the sizeable

(5) In October 2022, 62% of firms in the services sector, 66% in industry and more than 80% in construction declared difficulties in recruiting workers with the required skills.

measures deployed to mitigate the effects of the recent energy crisis.

Graph 1.1: **General government balances and slippages**



Source: Ameco, budget laws for 2021-2024 and 2023-2027 budgetary programming law.

Strong political uncertainties surround a steady deficit reduction. The highly fragmented political landscape following the general elections of summer 2024 resulted in an unprecedented delay in the adoption of the budget for 2025, ultimately leading to reduced budgetary ambitions for the year compared to the original draft budget bill. The lack of a clear political majority in Parliament risks complicating the timely implementation of budgetary decisions and could slow down public deficit reduction over the short term. In turn, interest payments on government debt, on the back of recent increased rates on sovereign bonds, are expected to keep rising to reach 2.5% and 2.9% of GDP in 2025 and 2026, respectively. According to the Commission's latest forecast, general government deficit is thus expected to only slightly reduce in 2025, to 5.6% of GDP, and to slightly rise in 2026, to 5.7% of GDP, as some consolidation revenue measures adopted in 2025 are set to expire. Public debt is expected to keep increasing gradually, to reach 116% and 118.4% of GDP in 2025 and 2026, respectively.

Getting public debt on a sustained downward trajectory remains a major challenge. According to Commission's forecast and debt sustainability analysis, France faces high fiscal sustainability risks in the medium term and medium risks in the long term (see Annex 1).

The expected evolution of net expenditure does not signal any risk of deviation in 2025. In 2024, net expenditure in France grew by 3.1% (see Annex 1). This increase is mainly driven by the indexation of social benefits (pensions) to high inflation in 2023 and high public consumption and investment expenditure growth, especially by local governments. In turn, discretionary revenue measures had a deficit-reducing impact of 0.3% of GDP, the most sizeable one corresponding to the withdrawal of the electricity price cap. The revenue increasing annual impact of those measures is deducted from net expenditure. Interest payments, not included in net expenditure, increased by 0.2% of GDP. In 2025, net expenditure is forecast by the Commission to grow by 0.9%, which is above the maximum growth rate recommended by the Council ([6]). The cumulative growth rate of net expenditure in 2024 and 2025 taken together is projected at 4.1%, which is below the recommended maximum rate. The reforms and investments underpinning the extension of the fiscal adjustment to 7 years that were due by the 30 April 2025 have been implemented with the exception of the reform of the general reductions in social security contributions relative to the minimum wage (SMIC), which delivered slightly lower savings than committed.

Stepped-up efforts are awaited in public expenditure and overall deficit control. At 57.1% of GDP in 2024, public expenditure remains the highest in the EU, well above the EU average (49.2%). Reducing it would require an effective spending review strategy permanently integrated into annual and multiannual budgetary decisions. In line with

([6]) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in France, C/2025/5033/1 and Council Recommendation of 21 January 2025 endorsing the national medium-term fiscal-structural plan of France (OJ C, C/2025/659, 10.2.2025, ELI: http://data.europa.eu/eli/C/2025/659/oj).

Box 1: UN Sustainable Development Goals (SDGs)

France is improving on all SDGs related to productivity (SDGs 4, 8, 9), although its performance on SDG 9 (Industry, innovation and infrastructure) is below the EU average. While France improved on most fairness-related indicators (SDGs 4, 5, 7, 8), it is moving away from the goals on SDG 1 (no poverty), SDG 3 (good health and well-being) and SDG 10 (reduced inequalities), with more people at risk of poverty or social exclusion.

Out of the 17 SDGs, France performs less well than the EU for 8 SDGs. Besides those highlighted above, these relate to fairness (SDGs 3 and 10), environmental sustainability (SDGs 7, 11, 14) and macroeconomic stability (SDGs 16 and 17) (see Annex 15).

commitments included in the medium-term plan, efforts already started in this area, as reflected in the 2025 budget, are to be coupled with decisive action towards rationalising tax expenditures. Exceeding 3% of GDP in 2023, tax expenditures continue to significantly drain budgetary revenues, while creating economic distortions.

Fiscal consolidation is essential to create fiscal space to deal with known and emerging challenges. Resources should be channelled towards well-defined priority policy areas, such as boosting economic competitiveness and the twin transition. However, strengthening defence capabilities has also recently become a major challenge for the EU Member States. In France's case, this may require mobilising additional resources on top of the increases already planned in the Military Programming Law over the period 2024-2030. In this respect, abiding by the deficit reduction trajectory in the French medium-term plan, as announced by the government, would imply budgetary trade-offs that will call for careful budgetary choices.

Main macroeconomic and competitiveness challenges ahead

Non-financial corporations' high level of indebtedness could hamper investment, aggravate the impact of exogeneous shocks and hinder their resilience. NFC indebtedness rate remains high, above the euro area average. Corporate bankruptcies have been rising since 2022 and have reached record highs. If bankruptcies lead to an exit of non-viable companies, they may improve productivity and long-term growth but could increase unemployment in the short term. They could also lead to an increase in non-performing loans and weigh on French banks' profitability (see Section 2).

Competitiveness and productivity keep recovering but significant room for improvement remains. Despite a favourable performance in terms of price competitiveness compared to other EU Member States over the last years, there is scope to further shore up non-price competitiveness. French SMEs could also better exploit the export opportunities within the single market (see Annex 4). Temporary factors, which have been weighing on labour productivity since 2020, are fading away. However, structural drivers of productivity growth, such as (i) technical progress, driven by increased investment in research and development and business digitalisation, and (ii) capital accumulation, including developing people's skills through education and qualifications, have been identified as key areas of focus for France (see Sections 2, 4 and Annexes 3 and 12).

Several barriers to investments persist. These include temporary factors, such as economic policy uncertainty and elevated energy costs. Structural constraints like a lack of skilled labour and the regulatory and administrative burden, also continue to impact firms' activity and investment decisions (see Box 2 and Sections 2, 3 and 4).

France could accelerate renewable energy deployment, which would in turn boost investment in net-zero industry. In addition to its strengths in nuclear energy and hydrogen production components and technologies, France has a relatively strong capacity for manufacturing net-zero technologies needed for renewable energies, such as wind, battery and storage technologies (see Annex 7). Accelerated deployment of renewable energies could boost investment in the related value chain and increase energy production capacity. This is particularly important given the expected increase in electrification in the country, which will require a significant step-up in renewable energy production. However, this growth is currently hindered by a lack of a national objective to develop the sector, grid bottlenecks, and burdensome permitting procedures (see Section 3).

House prices in France were significantly higher in 2023 compared to eight years ago, while housing supply struggles to keep pace with demand. From 2015 to 2023, house prices in France increased significantly (by more than 30%), though less than the EU average ([7]). They fell slightly in 2024. Housing supply ([8]) struggles to keep pace with demand. There is substantial regional variation within France in house prices per square metre and rents, with heightened pressures for access to housing in growth poles and major cities, including Paris.

Territorial differences in France have become more pronounced. Based on 2023 data, some areas of mainland France would now fall under the category of less developed areas. Five 'NUTS 2' regions, as basic regions for regional policies are known in the EU's nomenclature of territorial units for statistics, are below 75% of the EU GDP per head. As Annex 17 shows, there are growing gaps at the territorial level in demographic trends, skills, firms' agglomeration, plus gaps in access to public services, including healthcare (see Annex 14), and housing, especially in outermost regions.

([7]) Housing in Europe – 2023 edition - Interactive publications - Eurostat

([8]) In 2024, housing supply, as measured by building permits for residential construction in square metres per thousand persons, was at the bottom of the range over 2012-2024.

Box 2: Barriers to private and public investment

French corporations' investment (12.8% of GDP in 2023) is close to the EU and euro area averages (respectively 13.0% and 12.8%), but is somewhat curbed by the following long-term factors ([9]):

- **Availability of skilled staff.** Businesses refer to the lack of adequately-trained workers as one of the main barriers for recruitment, particularly in industry (see Section 4), as skill shortages can hinder firms' ability to innovate and adopt new technologies. Declining educational outcomes in France exacerbate these challenges, making it more difficult for businesses to access the skilled workforce they need to remain competitive.

- **Labour and business regulations.** While increasingly perceived as less detrimental to the investments and below EU average, regulatory restrictions still negatively affect business investments and may be less costly or quicker to address than other factors.

- **Corporates' fragile financial situation amid high funding costs and lack of equity**, especially for very small, small, and medium-sized businesses.

Public investment has been preserved over the last years and is expected to be so going forward. At 4.3% of GDP in 2024, it remains above the EU and the euro area averages (3.6% and 3.4% of GDP, respectively). The limited fiscal space available, however, might pose some obstacles over the medium term, given the pressing and increasing investment needs in priority areas such as boosting economic competitiveness, the twin transition and increasing defence capabilities. Forward-looking budgetary choices will be key to the best allocation of public resources.

The implementation of France's RRP is well underway. France has fulfilled 82% of the milestones and targets, making it the most advanced Member State in implementing its RRP.

It remains important to accelerate the implementation of cohesion policy programmes. The mid-term review offers opportunities to speed up progress and better address EU strategic priorities related to competitiveness, defence, housing, water resilience and the energy transition.

While France has leveraged STEP to reallocate some Cohesion Policy resources towards this priority, it can further support the development or manufacturing of critical technologies in the areas of digital and deep tech, clean and resource efficient technologies, and biotechnologies.

([9]) Also prominent in EIB surveys over the last years, for instance: EIB investment survey 2024: European Union Overview, page 26.

INNOVATION, BUSINESS ENVIRONMENT AND PRODUCTIVITY

Improving labour productivity by tackling structural weaknesses

France's weak productivity growth can be partly explained by poor total factor productivity. Closely aligned with the eurozone average between 2000 and 2010, France's total factor productivity (i.e. productivity improvements due to better technology and skills) started lagging behind since the mid-2010s. More recently, lower capital deepening (i.e. less capital being invested per worker) and stagnating total factor productivity have contributed to the decline in labour productivity growth. However, as the temporary factors weighing on labour productivity in recent years fade away and the full effects of recent and planned reforms and investments (notably as part of "France 2030" plan and through the Research Law) materialise to support upskilling and reskilling of the labour force, the digital and green transition, and state-of-the-art R&D, total factor productivity is expected to pick up in the medium term.

High taxes on production in France keep hindering competitiveness. Taxes on production remain significantly higher in France than in the EU. They comprise a broad category of taxes levied on wages and labour (around 1.8% of GDP), including on individuals, and other taxes on production (2.7% of GDP), totalling around 4.5% of GDP in 2023. The largest share is paid by firms and is mainly collected by local governments. These taxes are particularly detrimental to competitiveness as they increase the cost of production factors and can alter their relative price. Further cuts in production taxes would help boost productivity, employment, competitiveness and growth ([10]). Reducing them could also help improve public debt sustainability in the medium term. However, this would necessarily entail short-term budgetary costs that would need to be offset, including for instance by making savings identified in spending reviews.

Persistent structural weaknesses weighing on labour productivity mainly relate to low business R&D and skills shortages. While France's overall research and development intensity (including private and public sectors) is comparable to the EU average, it remains significantly below the 3% target set by the Lisbon strategy and the Europe 2020 strategy. A low uptake of digital technologies by businesses, skills shortages and mismatches also continues to take a toll on productivity.

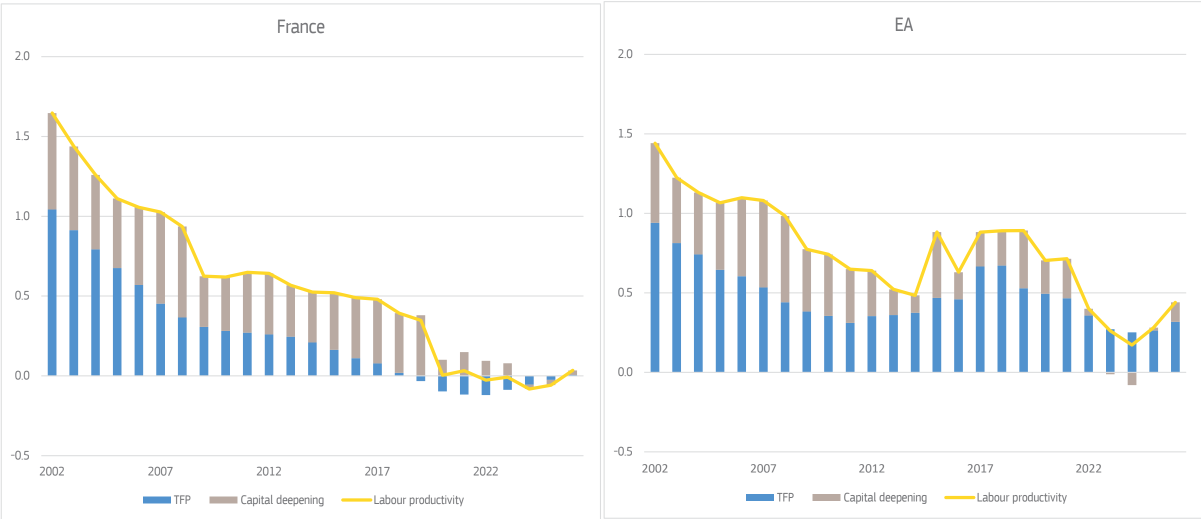
High corporate debt limits credit financing options

The fall in corporate credit is a strain on corporate investment. In 2024, long-term borrowing costs remained elevated compared to the preceding decade. This, coupled with economic policy uncertainty (see Box 2 in Section 1), including concerns about France's need for fiscal consolidation, has started to affect business confidence. These factors keep reining in corporate demand for credit and thus investment.

In a context of high corporate debt, liquidity buffers started being depleted and debt servicing costs continued to rise. In 2024, consolidated corporate debt kept declining and fell to 89% of GDP (above

([10]) France 2024 in-depth review.

Graph 2.1: **Labour productivity growth drivers: France vs euro area**



Source: European Commission Spring 2025 Forecast

67% on average in the euro area, but below its peak of 106% in 2020). Since 2023, this decline has been driven by the reduction of net credit flows ([11]) as a result of tighter financing conditions. Furthermore, firms increasingly started to use their previously accumulated significant liquidity buffers to complement bank borrowing. In France, a substantial share of corporate debt is borrowed at fixed interest rates. This leads to old, low-interest-rate debt being replaced or rolled over at a higher rate over longer period. Hence, despite the interest rate cuts in 2024, corporate debt service cost continued to rise, albeit at a slower pace than in 2023.

Late payments to businesses, particularly SMEs, disrupt their cash flows. France is significantly above the EU average for the share of businesses reporting late payments. In 2024, 58% of French SMEs reported late payments from private customers (48% on average in the EU) and 28.7% from public customers (16.6% on average in the EU) (see Annex 4). Medium and large companies also report late payments on the rise since the beginning of 2024 ([12]).

Corporate bankruptcies keep increasing rapidly. Corporate bankruptcies started to rise sharply as of 2022, after having decreased by a cumulated 50% between 2019 and 2021. At the end of 2024, the number of bankruptcies rose by 17.4% with respect to the previous year, situating it at the highest levels since the early 1990s ([13]) (see Annex 4). The increase was particularly pronounced for larger companies and was highest in transport, financial and insurance sectors and in communication and information services. Part of the brisk increase observed since 2023 stems from the catching-up from artificially low levels ensured by emergency measures adopted during the pandemic. However, the trend requires monitoring as it might eventually weigh on employment and economic activity.

However, there are signs of resilience. The share of non-performing loans remains relatively low, despite a moderate increase in 2024 and French credit and insurance institutions continue to enjoy robust liquidity and solvency (see Annex 5). Similarly, the financial position of corporations remains on average relatively sound, with resilient balance sheets (decreasing ratio of total liabilities to total financial assets or equity alongside

([11]) After a previous strong increase, credit flows to corporates fell from 4.8% of GDP in 2022 to around 1% in both 2023 and 2024.

([12]) '*Grandes entreprises et ETI: les trésoreries se dégradent et les délais de paiement clients s'allongent*', Rexecode survey of March 2025.

([13]) '*Les défaillances d'entreprises – France • Janvier 2025. Banque de France*', February 2025. [Stat Info - Les défaillances d'entreprises] relatively stable mark-ups at around 31% on average).

Unmet equity financing needs may hinder businesses reaching the necessary scale

A large pool of private savings holds potential for further developing equity financing, particularly venture capital. French market capitalisation of listed equity is relatively large (100% of GDP in 2023) compared with the EU average (67% of GDP), but much lower than the US (170.4%) (see Annex 5). Although above the EU average in 2023, venture capital investments relative to GDP (which are particularly important for financing young innovative companies with high-growth potential) are lagging compared to global competitors such as the US and EU peers like Estonia, Finland, Denmark, the Netherlands and Sweden (see Annex 3). This contrasts with a relatively sizeable pool of French households' financial assets at 224.8% of GDP in 2023, above the EU average (209.4%). The structure of French households' financial portfolios reveals, however, a predominance of low-risk assets, with assets invested in equity at 95% of GDP, below the EU average (118%) and much below the US levels.

France is making efforts to mobilise more private capital. In 2019 the French government launched the Tibi initiative in collaboration with institutional investors. This initiative aims to bolster the availability of funding (including late-stage funding) for tech companies and scale-ups in France. The initiative increased the participation of institutional investors, notably insurers, in venture capital fundraising rounds ([14]). In the first half of 2024, France had Europe's second-highest number of venture capital transactions and amounts raised, behind the United Kingdom (which is accelerating) and ahead of Germany (which is slowing down).

France has a relatively low percentage of high-growth firms, which is likely due to a lack of equity financing. France's high-growth firms ([15]) account for a very low share of total active firms (among the lowest in the EU in 2022 with 6.4% in France vs 9.2% in the EU), despite relatively strong business dynamics (in terms of firm birth and death). This may be linked to a lack of equity financing for the growth phase of business development, that is during the transition to industrialisation or scaling up ([16]). High-growth firms contribute a lot to economic growth and creating jobs, so addressing this funding gap is crucial to boost economic growth and job creation in France.

More targeted public support for business R&D and digitalisation could further boost productivity

Significant levels of public support to incentivise business R&D have failed to increase its intensity. So far, the large volume of public support for business R&D – which is the highest in the EU as a percentage of GDP and relies significantly on the 'crédit impôt recherche' research tax credit scheme - has not had a tangible effect on innovation output, as measured for example by patents (see Annex 3). Moreover, business R&D intensity is stagnating at 1.44% in 2023, slightly below the EU average of 1.49%. This is in stark contrast with the investment levels and trends observed in other strong R&D countries in the EU (Belgium, Germany) and globally. A strong territorial polarisation is also observed as regards competitiveness, partly explained by access to innovation drivers such

([14]) France Invest (2023). Le capital-investissement Venture et Growth en France – Étude 2023. February 2023.

([15]) Share of high-growth firms (growth in employment by 10% or more over a three-year period) in total active firms, excluding holding companies. Source: Eurostat (bd_9pm_r2 up to 2020, bd_hg from 2021).

([16]) Accueil - France Digitale x EY - Baromètre 2024, pages 12-13.

as R&D spending, and infrastructure and skills for innovation (see Annex 17).

While the research tax credit scheme was somewhat streamlined, the recent measures are not expected to bring about a major change. In the 2025 budget, the research tax credit scheme was refocused on R&D only, by excluding expenditure linked to technology watch and intellectual property from the eligible expenditure base ([17]). Also doubling of the tax base for the hiring of post-doctoral researchers was discontinued (see Annex 2). While these measures should lead to some savings (estimated at 5% ([18])), they are not expected to significantly increase business R&D outcomes, as they only marginally alter the scope of the scheme. Concentrating a larger share of public support towards innovative SMEs, mid-cap companies and start-ups and facilitating their uptake of the research tax credit scheme ([19]) could boost R&D efforts, since those firms are more financially constrained.

France could also boost growth by improving collaboration between academia and businesses and streamlining the technology transfer and research valorisation system. France continues to score below the EU average for business-financed public R&D (see Table A1.1). This reflects businesses' relatively low inclination to contract and cooperate with public research labs. The 2019 evaluation report on the 'investments for the future' programme highlighted the suboptimal performance of schemes such as those establishing technology transfer acceleration companies and technological research institutes that target the gap between research and the economy and that are dedicated to turning public research findings into tangible benefits for society and the economy ([20]). However, since then, no major reform of the SATT model was carried out. Despite operating for 15 years already, the technology transfer acceleration companies have so far failed to achieve the financial autonomy initially expected. More recently, in 2023, the university innovation hubs initiative was introduced to strengthen local innovation ecosystems. To improve effectiveness and efficiency of knowledge and technology transfer system, the following avenues for improvement could be pursued: (i) standardising and streamlining knowledge transfer processes; (ii) reviewing the tools supporting technology transfer; (iii) improving the technology transfer acceleration companies model; and (iv) reducing their operating costs ([21]).

A decline in R&D intensity in the public sector, which plays a key role in basic research, has hindered France's scientific performance. Public gross domestic expenditure on R&D as a percentage of GDP fell from 0.75 in 2012 to 0.71 in 2023. The country's share of scientific publications in the top 10% most-cited scientific publications worldwide as a share of total publications of the country has been declining since 2010 and fell to 8.8% in 2021, below the EU average of 9.6%. Innovation hinges on scientific breakthroughs, which are concentrated in mostly public-sector basic research and higher education entities. Therefore, this declining scientific performance raises concerns as to France's ability to continue leveraging its strong science base to continue to play a key role in the global technological change. Moreover, research careers in the public sector are becoming less attractive due to decreasing job security: the researchers get a permanent position increasingly later in the career. To give fresh impetus to French research, the Research Law 2021-2030 has set up a

([17]) This change was among those mentioned by the Inspection Générale des Finances in March 2024 report (2023-M-105-03 Rapport Aides aux entreprises.pdf)

([18]) Projet de loi de finances pour 2025 : Les conditions générales de l'équilibre financier (article liminaire et première partie de la loi de finances) - Sénat.

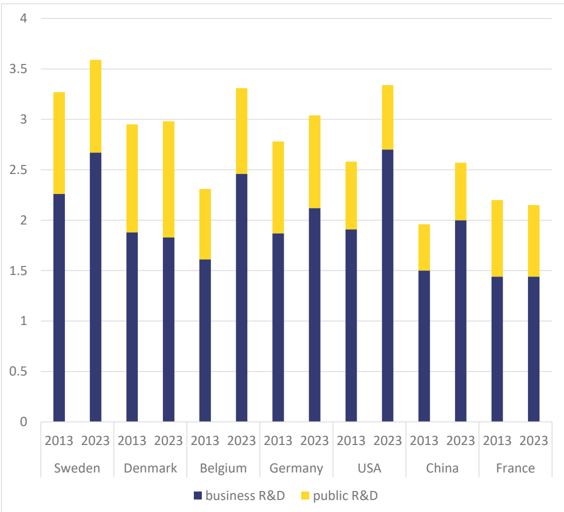
([19]) Lignau (DGE, 2024) reported that among the startups created since 2016, only 44% benefited from the research tax credit scheme in the period 2017-2021, although they used it more than other schemes such as the 'JEI' young innovative company status or the 'CII' innovation tax credit.

([20]) '*Le PIA, un outil à préserver, une ambition à refonder*'.

([21]) They were mentioned in the speech of the Minister for Higher Education and Research of 12 March 2025.

budgetary path to gradually increase public R&D funding until 2030, as set out under the French recovery and resilience plan and in the commitments of the French medium-term plan.

Graph 2.2: **Business and public R&D investments (as % of GDP) in selected countries, in 2013 and 2023**



Source: Eurostat

While improving, France is still lagging in the basic digitalisation of SMEs and in adopting advanced technologies, such as AI (see Annex 3). Only 68.5% of SMEs reached at least a basic level of digitalisation in 2024, up from 63.5% in 2022 but still below the EU average of 72.9% ([22]). Furthermore, in 2024, the uptake of AI remained below the EU average (9.91% vs 13.48%). For French SMEs, the lowest AI usage rates are found in the food industry (6%) and agriculture (4%) ([23]). According to the French AI Commission, to become a key global player in AI, France would need to attract a sizeable share of highly-qualified individuals from abroad and to strengthen public research as well as make research careers in France more attractive in terms of job security and pay, in addition to the measures introduced under the Research Law 2021-2030 Act ([24]). In February 2025, the French president announced forthcoming private investments of EUR 109 billion into AI in coming years, but this has yet to materialise. Digitalisation and diffusion of advanced technologies are necessary to boost productivity.

Further improving the effectiveness of public support for digitalisation is warranted. In September 2018, France put in place the digital transformation plan focussed on industry, covering measures until 2023 and amounting to EUR 1.3 billion. The most costly measure of the plan (EUR 880 million) – a subsidy for the adoption of new advanced digital technologies by industrial SMEs and mid-cap companies – was financed under recovery and resilience plan ([25]). France Num, the key public initiative for the digital transformation of SMEs, was created in 2018 and has been reinforced since, including through financing under the EU Recovery and Resilience Facility. It provides diagnostics, training and references a network of partners willing to support businesses in their digitalisation efforts. However, its role as a mere intermediary, connecting businesses with digital solution providers and acting as a documentation centre, limits its ability to directly impact the digitalisation of SMEs. As of 2020, the existence of over 100 different territorial financial aids with heterogeneous eligibility criteria and the multiplication of competent actors complicates the landscape for SMEs seeking support ([26]). Streamlining available support schemes, better aligning the type of support with business needs while favouring the technologies more likely to boost

([22]) 2024 Country Report – France, page 12.

([23]) France Digital Barometer 2024: Perception and Use of Digital Technology by SMEs, available at: [Baromètre France Num 2024 : perception et usages du numérique par les TPE et PME - francenum.gouv.fr](francenum.gouv.fr).

([24]) '*IA : notre ambition pour la France, Commission de l'intelligence artificielle*', March 2024.

([25]) Direction Générale des Entreprises (2024). La numérisation des entreprises industrielles en France : un soutien à la demande et à l'offre de solutions technologiques. Les Thémas de la DGE n°24. Novembre, page 8.

([26]) Senate, extraordinary session 2018-2019, Information report made on behalf of the delegation of businesses on the support for the digital transition of SMEs: how can France catch up on its delay?, by Ms. Pascale Gruny (Senator), available at: Projet de loi de finances pour 2021 : Économie - Sénat.

productivity growth [27] such as AI could improve the digitalisation adoption by businesses.

Further reforms are needed to support business investments and growth

Over the last years, France has improved its business environment and reduced the administrative burden, but many businesses still consider the complexity of administrative procedures to be a problem when doing business. The reforms introduced since 2017 to promote entrepreneurship, scale up businesses and streamline administrative processes, are yielding positive results: in 2024, fewer firms in France than in the rest of the EU considered regulations a major obstacle to investing (19.7% vs 24.5%) [28] (see Annex 4). Yet, 84% of businesses consider the complexity of administrative procedures to be a problem for their company when doing business in France (in contrast with 66% in the EU) [29].

There is further scope to reduce the administrative burden and regulatory restrictions, including in the services sector. The OECD product market regulation indicators show that while France's licensing and permitting system is less burdensome than in the EU on average, it could still be further aligned with best practices (see Annex 6) [30]. In addition, the lack of administrative capacity (particularly technical expertise) at local level may slow down procedures to authorise building new factories, especially in clean industry, despite the improvements brought by the law on green industry. Since 2019, France has adopted stringent restrictions on opening and operating retail shops. In particular, France adopted the EGalim 3 Law in March 2023 and updated it in November 2023. This law seeks to rebalance negotiating power along the food supply chain but may prevent consumers from benefiting from competitive prices and a larger choice of products (see Annex 4). Moreover, regulatory barriers to entry and competition for several professions (namely architects, accountants, tax advisers, and real estate agents) are higher in France than in most other OECD and EU countries, which may harm competition and innovation.

France is taking action to further simplify administrative procedures and streamline regulations. The government has tabled a draft law on the simplification of economic life, which aims to cut bureaucracy by strengthening the 'tell us once' principle, deleting or digitising a number of administrative processes and favouring declarations over authorisations. It also aims to improve businesses' access to public procurement and make mediation more widespread in disputes between businesses and the administration. The draft is currently being examined by the French parliament. This is one of the reforms France has committed to undertake in its medium-term plan to underpin an extension of the adjustment period. According to the commitment in that plan, the law should enter into force by the end of 2025. France would benefit from a swift adoption of the law and its accompanying decrees (see Annex 4).

(27) Rapport CNP (2025) | Un monde en mutation – Productivité, compétitivité et transition numérique, page 188.

(28) European Investment Bank, EIB Investment Survey 2024: European Union overview, page 26.

(29) Businesses' attitudes towards corruption in the EU' Flash Report, Eurobarometer Report, fieldwork: April 2024.

(30) For instance, in retail sector, delay with the establishment procedure may last 12 months. European Commission, Retail restrictiveness indicator (2022 update), 2024.

DECARBONISATION, ENERGY AFFORDABILITY AND SUSTAINABILITY

France's green transition: ensuring consistent and effective policies

France's decarbonisation pathway is ambitious. France has set a target to reduce its greenhouse gas emissions in gross terms (31) by 50% by 2030 compared to 1990 levels. This target is broken down by sectors in the third national low-carbon strategy (SNBC 3), published for consultation in November 2024, and set to be adopted in 2025. It reflects a higher level of ambition compared to the previous strategy and is a step towards achieving carbon neutrality by 2050, in line with the EU's objectives. It is underpinned by robust planning, closely following up on the implementation of high-level objectives at sectoral and sub-national levels. A first multiannual strategy for financing the green transition (32) was published in October 2024, which, however, requires further clarifications on policies to ensure investments from private entities, as well as local and regional authorities.

Addressing administrative and structural barriers would be needed to accelerate decarbonisation as envisaged under draft SNBC 3. France's greenhouse gas emissions have been falling steadily since 1990, enabling the country to meet its multi-year carbon budget (excluding land-use change and forestry) for 2019-2023 under the second national low-carbon strategy (SNBC 2). This trend needs to be accelerated to meet the achievement of the next carbon budgets defined in the SNBC 3, particularly by addressing administrative and structural barriers. In 2023, France's greenhouse gas emissions declined to 372.9 Mtonnes of CO_2, marking a 6% decrease from 2022 and 31% reduction compared to 1990. Despite these advances, France is still falling short of its decarbonisation targets in several key sectors. Moreover, France's greenhouse gas emissions have decreased by only 1.8% in 2024 compared to 2023, far from the 5% required to achieve its climate ambition, according to the most recent estimates (by Citepa) (33). France's delays in decarbonising the building and transport sectors stem from several challenges, including: (i) budgetary constraints inhibiting investments; (ii) a high level of administrative complexity, such as the fragmented landscape of energy renovation aid schemes; and (iii) structural barriers, notably a shortage of skilled labour specialised in high-performance renovations (34).

Focusing on sectors least likely to meet their decarbonisation targets

Decarbonisation of transport requires a sustained effort. In 2023, transport remained the main source of greenhouse gas emissions in France, accounting for the highest share of total emissions (34%) (35). It is also

(31) It does not account for land use, land-use change and forestry.

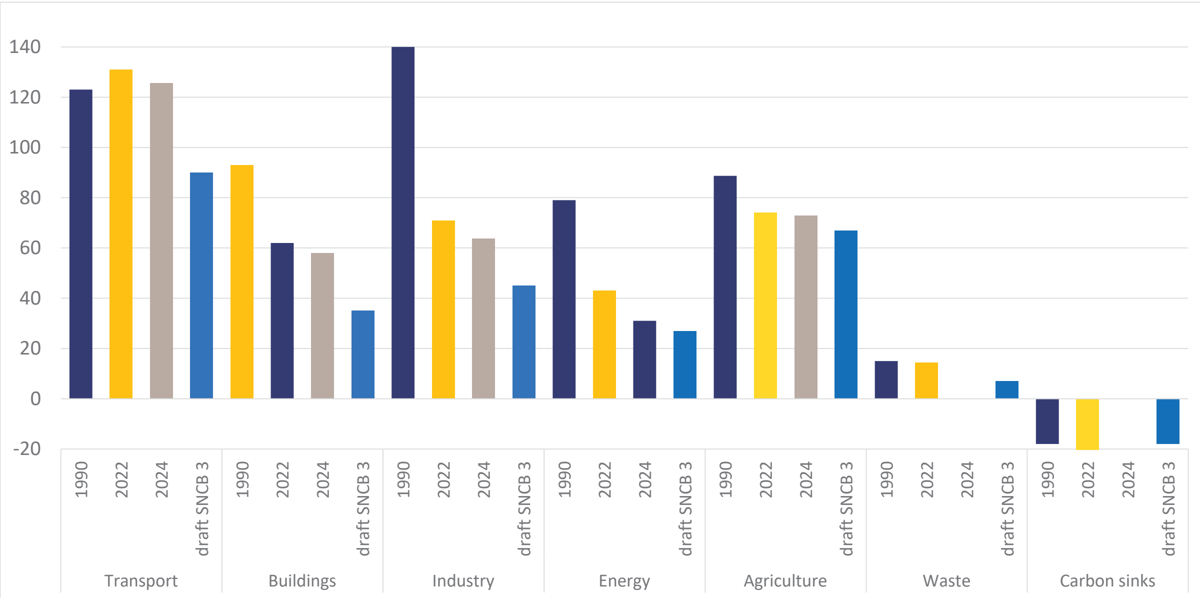
(32) La Stratégie Pluriannuelle des Financements de la Transition Écologique (SPAFTE) : une mobilisation collective pour financer les investissements pour le climat et l'environnement | Direction générale du Trésor

(33) Baromètre du Citepa : première estimation des émissions sur l'ensemble de l'année 2024 - Citepa. Citepa ('Centre Interprofessionnel Technique d'Études de la Pollution Atmosphérique') is the French organization mandated to produce the national greenhouse gas and air pollution inventories submitted to the UN and EU.

(34) "Bilan environnemental de la France", page 86.

(35) The percentage excludes international bunkers such as international aviation and shipping.

Graph 3.1: **Domestic GHG emissions in 1990, 2022 and 2024, as compared to 2030 targets under draft SNBC 3 (MtCO2e/year)**



(1) For agriculture, waste and carbon sinks, no estimates available for 2024.
Source: CITEPA, 2024 and 2025, the national energy and climate plan, page 17.

the only sector whose emissions increased between 1990 and 2023, by 3% ([36]). After rebounding for two years following the pandemic (+16% between 2020 and 2022), transport emissions (excluding international transport) decreased by 3% in 2023 to a level 5% lower than in 2019. In 2024, according to the most recent estimates of Citepa ([37]), greenhouse gas emissions of the transport sector have decreased by less than 1% compared to 2023. Road transport accounts for 94% ([38]) of sector emissions. Decarbonising the transport sector is socially sensitive, because it touches on personal choices related to transportation and lifestyle.

France is taking measures to better incentivise green mobility. In particular, France aims to improve access to public transport and encourage the purchase of electric cars through various tax and incentive schemes, such as leasing schemes for low-income households. It has also set itself a legally binding target of having seven million public and private recharging points by 2030. The French recovery and resilience plan supports the green transition of the transport sector through significant investments in green infrastructure and mobility, notably in (i) a support plan for rail; (ii) development of public transport in urban areas; (iii) support for the deployment of electric vehicle charging points; (iv) improvements of the inland waterways infrastructure; and (v) support schemes for the purchase of zero- or low-emission vehicles. The plan also includes significant investments in green energy and technologies, including low-carbon hydrogen.

France has recently adjusted its policies to address budgetary pressures while recalibrating incentives through taxes and public support. For instance, it has adapted its battery electric vehicle policies and incentives for users in 2025, including for purchasing and leasing private vehicles, and modulating tax benefits for company and employer-provided vehicles in favour of electric cars ([39]). In parallel, it aims to promote

([36]) Livre | Chiffres clés du climat 2024, pages 8 and 52.

([37]) Baromètre du Citepa : première estimation des émissions sur l'ensemble de l'année 2024 - Citepa.

([38]) The percentage excludes international bunkers such as international aviation and shipping.

([39]) France: over 2 million rechargable vehicles in 2024 | European Alternative Fuels Observatory.

cleaner electric vehicle production through CO_2 emission-based eligibility criteria for subsidies, which could potentially make European-made electric vehicles more competitive. When designing further incentives to encourage a shift towards more sustainable mobility options, France could integrate targeted measures in its national social climate plan to shield the most vulnerable transport users from the impacts of decarbonisation and ensure a fair transition.

There is scope to take additional measures to decarbonise freight transport. For freight, road is still the dominant mode of transport at 85 %, with only 10 % of freight transported by rail (against the EU averages of 75 % and 16 %, respectively). This trend worsened in 2023. Issues with interoperability and data availability limit the modal shift to rail freight. Expanding charging infrastructure for trucks on safe and secure parking areas and boosting inland waterway freight ([40]) would also help accelerate the decarbonisation of freight transport.

The decarbonisation of the building sector continues, but current policies are insufficient to trigger the transformations needed to achieve the objective of carbon neutrality. Greenhouse gas emissions of residential and tertiary buildings have decreased by only 1.1% in 2024 compared to 2023, according to the most recent estimates (by Citepa) ([41]). France's General Secretariat for Ecological Planning has expressed concerns ([42]) about the slow pace of energy renovations, particularly deep renovations crucial for decarbonising the building sector. In 2024, the target for deep energy renovations under the *MaPrimeRénov'* scheme (the main financial support for households financed by the recovery and resilience plan, with a particular focus on deep renovations under the REPowerEU chapter) was set at 200 000, but only 91 374 were financed ([43]) - a significant shortfall. Since 2023, the scheme has undergone major budget fluctuations (and budget cuts in the course of 2024) and a shift in focus towards partial renovations instead of deep and ambitious ones. These changes are also a result of the construction sector's limited capacity to carry out deep renovations on a large scale, partly because of a lack of skilled workers.

The full impact of the measures will have to be carefully monitored. The current system of funding instruments for renovation of buildings is fragmented. The many different programmes in place (*MaPrimeRénov'*, eco-PTZ ([44]) and energy savings certificates ([45])) create complexity and uncertainty for households. The financing system for energy renovation could be simplified by stabilising and streamlining existing schemes, reducing complexity and increasing predictability to build trust and improve accessibility, particularly for lower-income households.

Non-budgetary incentives could be mobilised to accelerate energy renovation of buildings, without increasing the public deficit. The Climate and Resilience Law of 2021 (under the recovery and resilience plan) provides for a gradual ban on renting thermal sieves as from 1 January 2025. Further measures could help accelerate building decarbonisation, such as refocusing the energy savings certificates schemes towards the most impactful energy related interventions, while continuing to combat fraud ([46]). Moreover,

([40]) France has one of the EU's largest waterways networks, but the market share of inland waterway freight is rather low compared for instance to the Netherlands and Germany. One inland waterway vessel can replace on average 100 trucks on the road and is one of the most sustainable modes per tonne-kilometre.

([41]) Baromètre du Citepa : première estimation des émissions sur l'ensemble de l'année 2024 - Citepa.

([42]) Secrétariat général à la planification écologique, 2024: La Planification Ecologique : une méthode collective et transformante.

([43]) '*Bilan MaPrimeRénov' 2024*', page 8.

([44]) Eco-PTZ is a government-backed zero-interest loan to homeowners for energy-efficient home renovations.

([45]) *Certificats d'économie d'énergie - CEE.*

([46]) Les certificats d'économies d'énergie | Cour des comptes ; Revue du dispositif des certificats d'économies d'énergie en préparation de la 6ème période | IGEDD providing low-interest banking solutions (in line with the eco-PTZ) could help low-income owners finance the remaining costs.

Although France has made progress in decarbonising its manufacturing industry and construction sector, emissions intensity remains high in some sectors. Industry still accounts for almost a fifth of total emissions. The greenhouse gas emissions intensity of manufacturing in France is low for energy use, but above the EU average for industry processes and product use (see Annex 7). Energy-intensive industries account for only 2.6% of France's gross value added (in 2022, among the lowest in the EU), but consume a large share of electricity. While the greenhouse gas emissions continue to fall in the manufacturing industry and construction sector in 2024, the pace is slowing down. According to Citepa ([47]), the emissions for the year 2024 for the manufacturing industry and construction sector do not meet the more ambitious targets of the draft SNBC 3.

France's carbon removals fall short of the level of ambition needed to meet its 2030 target for land use, land-use change and forestry. In 2019-2023, France managed to reduce greenhouse gas emissions in all sectors in line with the plans, except for the absorption of emissions by carbon sinks through land use. As other sectors – notably buildings and energy production – contributed more than anticipated to the trajectory, the deficit was partially compensated. However, this higher contribution was made possible by temporary factors such as pandemic-related lockdowns, high energy prices and favourable weather conditions in 2023. Natural carbon sinks, essential for sequestering CO_2, are in decline due to the impacts of climate change (high increase in forest mortality and a significant decrease in tree growth), the increase in bioenergy and challenges with managing forest-wood sector ([48]).

([47]) Baromètre du Citepa : première estimation des émissions sur l'ensemble de l'année 2024 - Citepa.

([48]) Pour un nouveau paradigme forestier | Terra Nova.

In response to the forest crisis of the last few years, France has acknowledged the uncertainty with the land use sector and the unrealistic projected evolution in SNBC 2. Taking into account the latest research on the evolution of the forest-wood sector, the draft SNBC 3 therefore significantly lowers the expected contribution from this sector to keeping carbon sequestration at a level similar to that of 1990 and 2022 (see graph 3.1). The draft revision of the multiannual energy programme proposed by the Government in March 2025 includes an explicit merit order for the uses of biomass, which gives priority to non-energy uses. This would need to be confirmed in the final programme, yet to be adopted, and enforced through relevant legislation. In parallel, the existing subsidies for the use of biomass for energy may need to be revised. Moreover, beyond 2030, carbon capture and geological storage will be crucial for offsetting the residual emissions from sectors that are difficult to decarbonise. France aims to capture 4 to 8 million tonnes of CO_2 per year by 2030, with a gradual increase to 30 to 50 million tonnes of CO_2 per year by 2050 ([49]).

Steering the energy sector transition towards a low-carbon economy

The absence of a firm updated commitment towards 2030 target for renewable energy creates uncertainty for investors ([50]). While the multiannual energy programme (2019-2028) sets targets by technology ([51]), France's national energy and climate plan does not include an explicit contribution to the EU's renewable energy target in terms of gross final energy consumption for 2030. In 2023, France was

([49]) État des lieux et perspectives CCUS_0.pdf

([50]) SWD(2023) 931 final, page 15 and final updated FR NECP.

([51]) Programmations pluriannuelles de l'énergie (PPE) | Ministères Aménagement du territoire Transition écologique (ecologie.gouv.fr).

still below its 2020 binding renewable energy target (22.3% vs. 23%) (see Annex 8). France could intensify its effort to increase the share of renewable energy to better contribute to the level required by the Renewable Energy Directive III (42.5% by 2030 at EU level). Initially set at 33% by the 2019 Energy-Climate Law for 2030, France now lacks a firm updated commitment to a renewable energy target for that year to comply with the current EU 2030 targets.

France has reached a milestone of 95% low-carbon electricity, mainly due to a high share of nuclear (68%), but rapid renewable energy growth is needed to ensure energy security and meet the anticipated rise in electricity demand ([52]) in the medium term. For the first time, low-carbon production (nuclear and renewables combined) has reached the threshold of 95% of the electricity produced (nuclear alone accounting for about 68%). However, as the construction of additional nuclear power plants may not be finalised before 2035 and France relies heavily on uranium imports ([53]) (although diversified and reduced through recycling capabilities ([54])), the rapid deployment of renewables is crucial for ensuring France's energy security of supply. France is making good progress in reducing coal use, with a complete phase-out planned for 2027.

Tackling barriers to renewable energy while maintaining consistent policies remains a challenge. The proposed revision of France's multiannual energy programme in March 2025 ([55]) decreases the ambition for new photovoltaic capacities in 2030 and 2035. The downward revision of purchase prices for this technology risks weakening the sector and making many projects unviable. Other barriers for deploying renewables include limited storage capacity, burdensome permitting procedures, and lack of administrative capacity, particularly for regional energy committees responsible for designating and implementing renewable energy 'acceleration areas'. The reform outlined in the REPowerEU chapter (the 'Law on the acceleration of renewable energy production' adopted in March 2023), also monitored under the medium-term plan, introduced provisions related to planning and permitting for renewables generation. However, it has shown limited impact and is being implemented slowly. Most of its implementing acts still have to be adopted and, roughly two years after its adoption (by July 2024), only 34% of municipalities had designated renewables 'acceleration areas'.

Energy affordability remains a growing challenge for households, especially the most vulnerable ones. Retail electricity prices for households increased by 20.7% in the first half of 2024 compared to the same period in 2023 approaching the EU average (288.9 EUR/MWh) ([56]). This was due to the way regulated prices, representing two thirds of the household market, are built ([57]) and to the removal of the tariff shield, implemented at the end of 2021 to limit the impact of the energy crisis on households. Retail gas prices remained very close to the EU average. The price increase impacted the most vulnerable households: in 2023, 12.1% of the population was unable to keep their home adequately warm, against 10.6% on average in the EU. This was more pronounced among people at risk of poverty or social exclusion, with 25.1%

([52]) RTE (2022), Futurs énergétiques 2050 – Rapport complet (https://rtefutursenergetiques2050.com/documents), RTE (2023) Bilan prévisionnel 2023 French power system outlook (https://assets.rte-france.com/prod/public/2023-10/2023-10-02-bilan-previsionnel-2023-principaux-resultats.pdf).

([53]) Over 50% of uranium came from Kazakhstan and Niger in 2023. Worldbank: France Natural uranium and its compounds, etc. imports by country | 2023 | Data, https://wits.worldbank.org/trade/comtrade/en/country/FRA/year/2023/tradeflow/Imports/partner/ALL/product/284410.

([54]) Traitement et recyclage du combustible nucléaire - ce qu'il faut retenir | Orano

([55]) Stratégie française pour l'energie et le climat. Programmation pluriannuelle de l'énergie (2025-2030, 2031-2035).

([56]) All taxes and levies included, for users with 2500-5000 KWh/year consumption (https://ec.europa.eu/eurostat/databrowser/view/nrg_pc_204__custom_16000723/default/table?lang=en).

([57]) Supply cost smoothed over the preceding two years.

affected (EU: 22.2%), compared to 9.8% of those not at risk (EU: 8.3%) ([58]).

More predictable electricity prices would help non-financial firms be competitive, especially in energy-intensive industries. While retail prices impact smaller businesses and service-oriented industries, wholesale prices are more relevant for large industrial consumers, especially in energy-intensive industries. Wholesale prices were subject to large fluctuations over the past years. Nonetheless, in 2024, France had the EU's third-lowest wholesale electricity prices ([59]). According to businesses, in the first half of 2024, energy costs were among the top obstacles to investment, significantly more than in 2021 ([60]).

Energy-intensive industries are producing well below their mid-2021 levels (see Annex 7) ([61]). In anticipation of the phaseout of ARENH on 31 December 2025, the new regulation of existing nuclear capacities allows EDF to offer long-term contracts and nuclear production allocation contracts to companies. The latter allows industrial consumers to benefit from stable and affordable electricity prices if they commit to consuming in the long run (10 to 15 years). This new regulation aims to provide the state-owned energy provider EDF with more predictable revenues, facilitating its wave of investments in the future nuclear plan and to offer visibility and stability to companies, particularly for energy-intensive ones. Accelerating the adoption of these contracts between EDF and those companies is essential here. Increasing volumes under power purchase agreements in general could be encouraged as well. With 1.48 GW in such contract volumes in 2024, France is behind Spain (4.66 GW) and Germany (2.04 GW), but closing the gap (+0.84 GW since 2023), though the significant increase in 2024 was mainly driven by solar photovoltaics ([62]).

Stepping up investment in the electricity grid, including interconnections, is key, alongside deployment of flexibility solutions. This would enable the electrification of sectors that still rely on fossil fuels and integrate increasing volumes of renewables. The increasing curtailment of renewables and negative price occurrences in 2023 and 2024 point to the constraints on electricity grids and the need for increased flexibility ([63]). Electricity system operators RTE and Enedis have recently announced major investment plans to develop the grid over the next 15 years ([64]). However, RTE's plan is still in its consultation phase. It is crucial that long-term planning takes into account interconnections with neighbouring countries, particularly with the Iberian peninsula, to boost EU market integration. In that respect, the French Transmission System Operator's (RTE) planning includes targets for increasing interconnectivity with up to 29 GW by 2030. In recent years, France has commissioned interconnection projects with Italy (Savoie-Piedmont), and further commissionings are planned in the coming years, such as the Celtic Interconnector and the Bay of Biscay project. The timely finalisation and implementation of these investment plans would facilitate investments in renewables and accelerate decarbonisation. Flexibility solutions – such as demand-side response, batteries and thermal storage – need to be deployed more quickly as well.

France is working to secure critical raw materials essential for renewable energy

([58]) Observatoire National de la Précarité Énergétique, « *Tableau de bord de l'ONPE 2024* », 2024.

([59]) EUR 58 per MWh in France vs. EUR 84.7 per MWh in the EU on average according to Fraunhofer (ENTSO-E data). For quarterly average wholesale prices since 2018 and projections until end-2026, see also IEA (2025), Electricity 2025. Analyses and forecast to 2027; for gas prices: Gas market report, Q1-2025.

([60]) EIB investment survey 2021: European Union overview, page 20 and EIB investment survey 2024: European Union overview, page 26.

([61]) Insee (2025), "Output in energy-intensive industries remained in sharp decline compared to the level of 2021".

([62]) Pexapark Renewables Market Outlook 2025.

([63]) Bilan électrique 2024 | RTE

([64]) RTE présente les grandes orientations de sa stratégie de transformation du réseau de transport d'électricité à l'horizon 2040 | RTE.

technologies and energy storage, among other things. Like many other European countries, France strongly relies on imports from non-EU countries for many critical raw materials ([65]). In 2022, France adopted a national strategy to secure its supply of critical raw materials. This includes enhancing supply chain monitoring, developing partnerships with raw material-rich countries, and providing financial support for extraction, processing, and recycling ([66]). While France has a circular material use rate above the EU average (17.6% vs 11.8%) ([67]), the recycling rate of e-waste is below the EU average in 2022 (77% vs 81%). France has also allocated dedicated funding through the France 2030 investment plan to promote the reuse and increased recycling of critical raw materials ([68]) (see Annex 7).

Ensuring resilience as the climate warms

France is significantly exposed to climate and environmental risks, and could do more to improve resilience. The costs of climate-related damage are increasing, calling for adaptation policies and investments to prepare for temperature increase. France's third national climate change adaptation plan ([69]) sets out the policies to be adjusted by 2030 and how investments can be aligned with the adaptation objectives. However, as a whole it is not attached to a specific dedicated budget and contains few binding adaptation goals ([70]) (see Annex 9). The EU's competitiveness compass recommends improving critical infrastructure resilience by design. This merits being embedded in future public infrastructure works to save resources in the longer term.

The increasing intensity in water exploitation needs to be managed to prevent tensions, particularly in the energy sector. Climate change resulting in more frequent floods, heatwaves and drought, especially in summer, further strains France's water resources. Water supply and sanitation are also major concerns in France's outermost regions, where climate change is affecting rainfall patterns. The Water Exploitation Index Plus (WEI+) rose significantly to 4.8% in 2022 (exceeding the EU average of 4.1%) (see Annex 9). This increases the risk of electricity disruption for hydro and nuclear energy production ([71]).

Over the past two decades, freshwater extractions for domestic use (drinking water) and economic activities (agriculture, industry, leisure, and cooling of electric power plants) have been declining, while extractions for agricultural uses have remained relatively stable. Regulatory measures are in place for managing water resources and allocating water when it is in short supply. Additional measures to improve water management are being taken under the national plan for water, announced in March 2023 ([72]).

([65]) E.g. coking coal, aluminium and copper (see: EC, Raw material Information System, country profile France)

([66]) France, Ministère de l'écomie, Trésor-eco n°351, Les minerais dans la transition énergétique, encadré N°2, 10/2024.

([67]) EC: Circular material use rate https://ec.europa.eu/eurostat/databrowser/view/cei_srm030/default/bar?lang=en

([68]) PEPR Recyclage | CNRS.

([69]) PNACC3.pdf.

([70]) Le point dur du PNACC3 : la question des moyens - I4CE

([71]) Freshwater extractions for cooling electric power plants accounted for almost half of all water use in 2021 (the data excludes hydroelectricity and seawater). See footnote 11, page 22.

([72]) Plan d'action pour une gestion résiliente et concertée de l'eau | Ministères Aménagement du territoire Transition écologique.

SKILLS, QUALITY JOBS AND SOCIAL FAIRNESS

Tackling employment gaps and skills shortages

Despite progress, France continues to face significant employment and skills-related challenges that curb its competitiveness. The overall employment situation improved in 2024, with the employment rate (for people aged 20 to 64) standing at 75.1%, after reaching a record high of 75.3% in the third quarter of 2024. However, this remains below the EU average of 75.8%, and France continues to have one of the highest unemployment rates in the EU (7.4% vs 5.9%).

Some groups, including young people, low-skilled individuals, people with a migrant background and older workers, face significant employment gaps. Bridging these gaps could significantly boost economic growth, with estimates suggesting that raising the employment rate to the EU average could increase France's GDP by 2% to 4% ([73]). While postponing the legal retirement age tends to increase the employment rate of older workers, notably those aged 60-64, additional measures, such as adapting working conditions and improving access to training, are needed to keep older workers in employment and reduce unemployment. Targeted measures are also needed to bridge the employment gap of people born outside the EU, which remains higher than the EU average – 12.7 percentage points vs 8.6 percentage points in the third quarter of 2024 – especially among women (see Annex 10).

Young people face barriers in accessing the labour market. Despite the increase in the number of apprentices, boosted by the apprenticeship hiring subsidies, initially supported by the recovery and resilience plan, youth unemployment is above the EU average (14.4% for people aged 15-29 in France in 2024 vs 11.3%). The share of those not in education, employment or training is also high (12.5% vs 11.0%), and on the rise, particularly in France's outermost regions (25%).

Significant efforts have been made to support youth employment under the recovery and resilience plan. However, addressing strong inequalities and better coordinating the large number of support measures would make youth support measures more effective ([74]). Better targeting employment support measures (such as the '*Contrat d'engagement jeune*' and the apprenticeship subsidies) to those furthest away from the labour market, improving academic and professional guidance for young people and supporting their access to housing would also help improve their labour market outcomes.

Labour and skills shortages continue to hinder productivity growth. Despite some improvement, labour shortages remain high, with most companies reporting recruitment difficulties. The lack of adequately skilled workers remains a major barrier to recruitment, especially in key sectors such as the automotive, construction and care sectors ([75]). France faces challenges in the quality, adequacy and labour market relevance of the training it offers, despite significant financial investments. Over the past years, the training offer often failed to meet recruitment

([73]) Rexecode, 'Augmenter la quantité de travail en France : enjeux et leviers', 2025.

([74]) Cour des Comptes, Le rapport public annuel, 2025.

([75]) France Travail, 'Enquête Besoins en Main-d'Œuvre 2024', 2024.

needs for professions that are highly in demand, and the number of training offers leading to qualifications – and thus better employment prospects – remains limited ([76]) (see Annexes 10 and 12). Building on the results of previous evaluations, the new Skills Investment Plan (2024-2027) has been designed to address this challenge and improve the relevance of the training offer notably through strengthened collaboration between private and public actors at local level, to better match skills supply and demand. The impact of this measure remains to be evaluated.

These skills mismatches limit France's ability to respond to emerging opportunities driven by the twin transition. Efforts to foster the development of green skills, including by boosting the implementation of the green roadmap strategy with the support of the Technical Support Instrument ([77]), may help better align French upskilling and reskilling measures to labour market needs. The increasing demand for skills stemming from France's large investments in clean tech must also be addressed (see Annex 7). Although above the EU average, the share of adults with at least a basic level of digital skills is stagnating, and the demand for ICT specialists outstrips supply. Taking measures to boost the digital skills of the population and strengthen STEM and ICT teaching could boost the diffusion of innovation and digitalisation across all sectors and firms and strengthen competitiveness (see Annexes 3 and 12).

Inequality in access to labour-market-relevant training hampers upskilling and reskilling efforts. France has made significant investments under the recovery and resilience plan. Despite this, the participation in training only increased slightly since 2016 (49.2% in 2022, an increase of 0.8 percentage points vs 2.1 percentage points in the EU), resulting in limited progress towards the 2030 adult learning target of 65%. Participation in training declines with age and remains significantly lower for the low-skilled (see Annex 12).

The Bozio-Wasmer report ([78]) underlined potential disincentives effects of the tax and transfers system. The report shows that social security contribution rebates on low wages designed to reduce labour costs and stimulate jobs creation might create low wage traps, and contribute to underinvestment in skills by companies and workers. Such traps may hamper access to training and limit opportunities for salary and career advancement. Better targeting the support to enhance participation in high-quality and labour-market-relevant adult learning, particularly by low-skilled and older workers, could enhance employability and boost labour productivity.

Enhancing basic skills and adult learning to support fairness and competitiveness

The skills challenges in the labour market are rooted in the weak performance of the French education system, resulting in an insufficient level of basic skills, especially for disadvantaged groups. French pupils at both primary and secondary levels underperform in mathematics and science compared to their peers in the EU (2023 TIMSS, see Annex 12). This translates into a lack of basic skills among a quarter of 15-year-olds, according to the 2022 PISA report. Among disadvantaged pupils, this share was 49.4% (EU average: 48%), and the trend is worsening. While overall PISA results are around the EU average, the share of top performers is below the average, and inequalities are more pronounced. France has

([76]) Cour des Comptes, *Évaluation du plan d'investissement dans les compétences (PIC)*, 2025.

([77]) OECD: *Cultiver l'excellence dans l'apprentissage et le développement professionnel des personnels de l'éducation*, 2024.

([78]) Bozio, Wasmer: Les politiques d'exonérations de cotisations sociales: une inflexion nécessaire, 2024, pages 27, 98-99.

among the highest socio-economic (fourth highest in the EU).

Existing support for low-performing learners does not reach all those in need. Introducing more flexible criteria for disadvantaged schools to benefit from support schemes and reinforcing cooperation between disadvantaged schools and local actors could help ensure broader support. Recently, frequent political changes have led to numerous reforms with insufficient timeframes for implementation and evaluation. Embedding measures to improve basic skills and reduce inequality in a long-term, evidence-based strategy could contribute to greater stability and effectiveness.

The low attractiveness of the teaching profession undermines the performance of the education system. The number of candidates taking competitive recruitment exams is decreasing and an increasing share of permanent teachers choose to leave the profession ([79]). French teachers are less well paid than other workers with a similar education level, to a larger extent than their OECD peers, especially at mid-career level ([80]), and they report lower job satisfaction ([81]) (see Annex 12). A 2023 large-scale teacher survey revealed that salaries, workload, early career mentoring, professional collaboration and career prospects are key to improving job satisfaction. The Court of Auditors found that the Ministry for Education needs to manage teachers in a more personalised and forward-looking way. It should also address the declining pupil numbers and the relatively rigid rules on job placements, geographical mobility and job recognition. HR services will need to evolve to truly include recruitment and support for contract teachers which represent a growing share of the teaching force ([82]).

Underdeveloped continuous professional development also limits education outcomes. The 2022 reform aiming to organise training in dedicated local centres has not yet fulfilled its potential for coverage of all education levels, access and quality ([83]). Furthermore, training initiatives seen as effective to strengthen teachers' skills, such as the peer-to-peer learning programmes (*'formation en constellation'*) for primary school teachers for French and maths, are limited to primary education level. Continuous professional development could improve both job satisfaction and the teaching of basic skills, thus making support schemes for low-performing pupils more effective.

Inequalities in the education system and the lack of basic skills have a strong impact on the adult learning system and labour market outcomes for disadvantaged groups. Despite a slight increase in participation since 2016 (49.2% in 2023, an increase of 0.8 percentage points vs 2.1 percentage points in the EU), France has not made significant progress towards the 2030 adult learning target of 65%. Engagement in education and training declines with age and is significantly influenced by qualification levels (see Annex 12). Implementing additional measures to support access to quality and labour market-relevant adult learning could increase employability, particularly for individuals from the most disadvantaged groups, while also boosting labour productivity.

([79]) France Stratégie, 2024, Working in Public Service: The Challenge of Attractiveness.

([80]) OECD, Education at a glance 2024 – *Country note FRANCE,* 2024.

([81]) DEPP (2024), *Notes d'information n°24-47, 24-48 et 24-49*, Décembre 2024.

([82]) Cour des Comptes, 2024, La fonction ressources humaines au ministère de l'éducation nationale.

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

Addressing poverty to improve social cohesion and enhance human capital

The poverty situation in France has worsened in recent years, especially among children. After decreasing slightly in 2023, the share of the population at risk of poverty or social exclusion increased slightly in 2024 by 0.1 percentage points, to 20.5%, below the EU average of 21%, mainly driven by the increase in the at risk of poverty rate ([84]). From 2019 to 2023, the number of people at risk of poverty or social exclusion increased by 1.024 million in mainland France (from 18.8% to 19.8%), marking the largest deviation from the target of reducing poverty by 1.1 million by 2030, while the situation in the EU has improved. Some groups, such as people born outside the EU, are disproportionately affected. Furthermore, the number of homeless persons, evictions and demand for social housing have all increased (see Annex 11).

Children face the highest risk of poverty or social exclusion. In France in 2024, children faced a higher risk of poverty or social exclusion than children in the EU (26.2% vs 24.2%), and the gap between the share of children and the share of general population at risk of poverty and social exclusion is one of the highest in the EU. France has also one of the highest rates (9%) of children living in jobless households (very low work intensity households) in the EU and this has increased significantly. Single-parent families, particularly those headed by single mothers, are often the furthest removed from the labour market (see Annex 11). To reduce the risk of poverty and social exclusion for families with children, it is essential to address the specific barriers they face in integrating the labour market, ensuring equal opportunities for employment and career advancement ([85]).

A key barrier to address is the access of children from families at risk of poverty or social exclusion to early childhood education and care. According to the OECD Family Database, France has some of the highest levels of inequality in access to formal childcare. The participation gap in early childhood education and care – between advantaged and disadvantaged children – is one of the largest in the EU (41.6 percentage points vs 15.8 percentage points). Barriers to access early childhood education and care include financial, regional and qualitative disparities, which weaken access to and choice of early childhood education and care for children under three. The cost of childcare remains a significant obstacle, with nearly half (44%) of low-income families with children under three and 77% of families living in poverty unable to use any form of childcare due to affordability concerns in 2023. Although the coverage rate increased, childcare availability varies greatly depending on the department ([86]). Additionally, the needs of parents working non-standard hours ([87]) and those who are unemployed ([88]) are not sufficiently taken into account ([89]). Easier access to early childhood education and care would also enable easier access to training opportunities and further enhance labour market integration.

To break the cycle of the intergenerational transmission of poverty – closely linked to educational attainment and labour market prospects – further targeted measures are essential. These could include improving access to affordable housing and affordable

([84]) Break in time series in 2022, explained by the integration of four outermost regions in the data calculation (French Guiana, Guadeloupe, La Réunion, Martinique).

([85]) Sénat (2024). Error! Hyperlink reference not valid..

([86]) CNAF-ONAPE, L'accueil des jeunes enfants - Édition 2024.

([87]) Work over non-standard hours may cover Saturdays, Sundays, public holidays and nights.

([88]) During a parent's training, punctual recruitment interviews, or when taking up a new job position.

([89]) Cour des Comptes, '*La politique d'accueil du jeune enfant*', 2024.

childcare, especially for low-income families and those in the most disadvantaged areas. In this regard, the measures included in the French '*Pacte des Solidarités*' anti-poverty strategy are deemed insufficient. Addressing the challenges of poverty and social exclusion, especially child poverty, could contribute to enhance human capital and France's productivity and long-term growth.

KEY FINDINGS

To boost competitiveness, sustainability and social fairness, France would benefit from:

- **implementing the RRP**, including the REPowerEU chapter; swiftly implementing **cohesion policy**, taking advantage of the opportunities under the mid-term review and making optimal use of EU instruments, including **InvestEU** and **STEP**, to improve competitiveness;
- **supporting budget consolidation efforts by conducting spending reviews and rationalising tax expenditures** to reduce their cost while increasing their efficiency;
- **further aligning production taxes towards the EU averages to stimulate production,** while offsetting negative fiscal impact by savings through spending reviews;
- **strengthening business R&D intensity**, by better targeting public support schemes and by making the system that supports collaboration between academia and businesses more effective, taking account of territorial needs;
- **improving SME digitalisation,** by improving the effectiveness of existing support measures, including by streamlining available support schemes, and better aligning the type of support with business needs;
- **reducing administrative burden and regulatory restrictions further,** including by aligning licensing and permitting system with best practices, lifting the regulatory barriers in the retail sector, and further simplifying administrative procedures;
- **making further progress to decarbonise,** including by taking additional measures to decarbonise freight transport, accelerating energy renovation of buildings and improving management of forest-wood sector;
- **accelerating the deployment of renewable energies and related storage technologies, and ensuring continued investment in grids to ensure energy security**, notably by finalising the setting up of 'acceleration areas' and increasing administrative capacity, particularly at regional and local levels;
- **reducing employment gaps and addressing skills shortages,** by better targeting measures to promote employment and by addressing barriers to employment, notably for youth and older workers, and by improving the labour-market-relevance of the training offer and increasing participation in adult learning, notably by low-skilled and older workers;
- **improving educational outcomes and reducing inequalities in education** by ensuring that all disadvantaged pupils benefit from enhanced educational support, by ensuring sufficient timeframes for implementation and evaluation of reforms, by securing teachers' access to relevant continuous training, and by tackling teacher shortages, in particular by improving teachers' working conditions;
- **preventing and combating child poverty**, particularly by promoting better labour market outcomes for parents and access to childcare services for the most disadvantaged households.

ANNEXES

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This Annex contains a series of tables relevant for the assessment of the fiscal situation in France, including how France is responding to Council recommendations issued under the reformed Economic Governance Framework.

The reformed framework, which entered into force on 30 April 2024([90]), aims to strengthen debt sustainability and promote sustainable and inclusive growth through growth-enhancing reforms and priority investments. The medium-term fiscal-structural plans (hereinafter, MTPs or plans) constitute the cornerstone of the framework, setting the budgetary commitment of Member States over the medium term. The latter is defined in terms of net expenditure growth, which is the single operational indicator for fiscal surveillance.

France submitted its plan on 31 October 2024. The plan covers the period until 2029, and presents an extended fiscal adjustment over seven years, which is underpinned by a set of reforms and investments to which France committed with the aim of improving potential growth and fiscal sustainability. On 21 January 2025, the Council adopted the Recommendation endorsing France's plan([91]). On 21 January 2025 the Council also adopted a Recommendation under Article 126(7) TFEU to correct the excessive deficit in France([92]). The corrective net expenditure path recommended by the Council under the excessive deficit procedure is consistent with the path set out in the plan.

The assessment of the implementation of the Council Recommendations to correct the excessive deficit and endorsing France's plan is carried out on the basis of outturn data from Eurostat and the Commission Spring 2025 Forecast and taking into account the Annual Progress Report (APR), that France submitted on 30 April 2025. Furthermore, in the context of the Commission Communication of 19 March 2025([93]), on accommodating defence expenditure within the Stability and Growth Pact, the Annex reports the projected increase in defence expenditure based on the Commission Spring 2025 Forecast.

The Annex is organised as follows. First, developments in **government deficit and debt** are presented based on the figures reported in Table A1.1. Then, the assessment of the **implementation of the Council Recommendation to correct the excessive deficit and of the Council Recommendation endorsing the plan** follows, based on the relevant figures presented in Tables A1.2 to A1.9, including data on defence expenditure. Further on, the progress made in the **implementation of the set of reforms and investments** underpinning the extension of the fiscal adjustment period([94]) is assessed taking into account the information presented in Table A1.10.

([90]) Regulation (EU) 2024/1263 of the European Parliament and of the Council (EU) on the effective coordination of economic policies and on multilateral budgetary surveillance, together with the amended Regulation (EC) No 1467/97 on the implementation of the excessive deficit procedure, and the amended Council Directive 2011/85/EU on the budgetary frameworks of Member States are the core elements of the reformed EU economic governance framework.

([91]) OJ C, C/2025/659, 10.02.2025, ELI: http://data.europa.eu/eli/C/2025/659/oj

([92]) Council Recommendation with a view to bringing an end to the situation of an excessive deficit in France, C/2025/5033/1.

([93]) Communication from the Commission accommodating increased defence expenditure within the Stability and Growth Pact of 19 March 2025, C(2025) 2000 final.

([94]) According to the Regulation., the required fiscal adjustment (in particular to put or keep the government debt ratio on a plausible downward path by the end of the adjustment period or keep it at prudent levels below 60% of GDP; and to bring or maintain the deficit below 3% of GDP over the medium term) should be completed in four years but may be extended over a period to up seven years if the Member State commits to a relevant set of reforms and investments. The adjustment period of France has been extended to seven years based on the set of reforms and investments laid out in detail in Annex II of the Council recommendation endorsing the plan of France.

The Annex also provides information on the **cost of ageing** and the **national fiscal framework**. Fiscal sustainability risks are discussed in the Debt Sustainability Monitor 2024. ([95])

Developments in government deficit and debt

France's government deficit amounted to 5.8% of GDP in 2024. Based on the Commission's Spring 2025 Forecast, it is projected to decrease to 5.6% of GDP in 2025. The government debt-to-GDP ratio amounted to 113.0% at the end of 2024 and, according to the Commission, it is projected to increase to 116.0% end-2025.

Table A1.1: **General government balance and debt**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1	General government balance	% GDP	-5.8	-5.4	-5.6	-4.6	-5.7
2	General government gross debt	% GDP	113.0	116.2	116.0	117.6	118.4

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Developments in net expenditure

The net expenditure ([96]) growth of France in 2025 is forecast by the Commission ([97]) to be slightly above the recommended maximum corresponding to a deviation of 0.1% of GDP. Considering 2024 and 2025 together, the cumulative growth rate of net expenditure is projected below the recommended maximum cumulative growth rate. The annual deviation in 2025 is below the 0.3% of GDP threshold.

Table A1.2: **Net expenditure growth**

	Annual			Cumulative*		
	REC	APR	COM	REC	APR	COM
	Growth rates					
2024	n.a.	3.3%	3.1%	n.a.	n.a.	n.a.
2025	0.8%	0.9%	0.9%	4.6%	4.2%	4.1%
2026	1.2%	n.a.	2.5%	5.8%	n.a.	6.7%

* The cumulative growth rates are calculated by reference to the base year of 2023.
Source: Council Recommendation to correct the excessive deficit in France, Annual Progress Report (APR), and Commission's calculation based on Commission Spring 2025 Forecast (COM).

General government defence expenditure in France amounted to 1.7% of GDP in 2021, 1.8% of GDP in 2022 and in 2023. According to the Commission 2025 Spring forecast, expenditure on defence is projected to amount to 1.9% of GDP in 2024 and 2025.

([95]) Commission (2025) 'Debt Sustainability Monitor 2024,' *European Economy-Institutional Papers* 306.

([96]) Net expenditure is defined in Article 2(2) of Regulation (EU) 2024/1263 as government expenditure net of (i) interest expenditure, (ii) discretionary revenue measures, (iii) expenditure on programmes of the Union fully matched by revenue from Union funds, (iv) national expenditure on co-financing of programmes funded by the Union, (v) cyclical elements of unemployment benefit expenditure, and (vi) one-off and other temporary measures.

([97]) Commission Spring 2025 Forecast, *European Economy-Institutional Paper 318*, May 2025..

Table A1.3: **Net expenditure (outturn and forecasts), annual and cumulated deviations vis-à-vis the recommendation**

	Variables		**2023**	**2024**	**2025**	**2026**
			Outturn	**Outturn**	**COM**	**COM**
1	Total expenditure	bn NAC	1607.4	1670.2	1723.6	1771.5
2	Interest expenditure	bn NAC	52.9	60.3	73.8	89.6
3	Cyclical unemployment expenditure	bn NAC	-3.1	-1.8	2.0	2.0
4	Expenditure funded by transfers from the EU	bn NAC	12.1	10.8	11.3	7.7
5	National co-financing of EU programmes	bn NAC	3.4	2.9	3.8	3.9
6	One-off expenditure (levels, excl. EU funded)	bn NAC	1.5	0.9	0.9	0.0
7=1-2-3-4-5-6	**Net nationally financed primary expenditure (before discretionary revenue measures, DRM)**	**bn NAC**	**1540.6**	**1597.2**	**1631.8**	**1668.2**
8	Change in net nationally financed primary expenditure (before DRM)	bn NAC		56.6	34.6	36.4
9	DRM (excl. one-off revenue, incremental impact)	bn NAC		8.2	20.2	-4.1
10=8-9	**Change in net nationally financed primary expenditure (after DRM)**	**bn NAC**		**48.4**	**14.4**	**40.5**
11	Outturn / forecast net expenditure growth	% change		3.14%	0.9%	2.5%
12	Recommended net expenditure growth*	% change		3.8%	0.8%	1.2%
13=(11-12) x 7	Annual deviation	bn NAC		-10.1	1.6	20.9
14 (cumulated from 13)	Cumulated deviation	bn NAC		-10.1	-8.5	12.4
15=13/17	**Annual balance**	**% GDP**		**-0.3**	**0.1**	**0.7**
16=14/17	**Cumulated balance**	**% GDP**		**-0.3**	**-0.3**	**0.4**
17	p.m. Nominal GDP	bn NAC	2826.5	2925.6	2993.5	3079.1

* The growth rate for 2024 is not a recommendation but serves to anchor the base, as the latest year with outturn data when setting the net expenditure path is year 2023.
Source: Commission Spring 2025 Forecast and Commission's calculation.

Table A1.4: **Defence expenditure**

			2021	**2022**	**2023**	**2024**	**2025**	**2026**
1	Total defence expenditure	% GDP	1.7	1.8	1.8	1.9	1.9	2.0
2	*of which: gross fixed capital formation*	% GDP	0.3	0.3	0.3	0.3	0.3	0.4

Source: Eurostat (COFOG), Commission Spring 2025 Forecast and Commission's calculation

Table A1.5: **Macroeconomic developments and forecasts**

	Variables		2024	2025		2026	
			Outturn	APR	COM	APR	COM
1=7+8+9	**Real GDP**	**% change**	**1.2**	**0.7**	**0.6**	**1.2**	**1.3**
2	Private consumption	% change	1.0	1.2	1.0	n.a.	1.4
3	Government consumption expenditure	% change	2.1	0.9	1.0	n.a.	1.1
4	Gross fixed capital formation	% change	-1.3	-0.4	-1.0	n.a.	1.4
5	Exports of goods and services	% change	1.3	1.4	1.1	n.a.	2.3
6	Imports of goods and services	% change	-1.2	1.3	1.3	n.a.	2.1
	Contributions to real GDP growth						
7	- Final domestic demand	pps	0.8	0.8	0.6	n.a.	1.3
8	- Change in inventories	pps	-0.5	-0.1	0.1	n.a.	0.0
9	- Net exports	pps	0.9	0.0	-0.1	n.a.	0.0
10	Output gap	% pot GDP	0.0	-1.2	-0.5	-1.1	-0.2
11	Employment	% change	0.6	0.0	-0.2	n.a.	0.5
12	Unemployment rate	%	7.4	n.a.	7.9	n.a.	7.8
13	Labour productivity	% change	0.6	0.7	0.7	n.a.	0.9
14	HICP	% change	2.3	n.a.	0.9	n.a.	1.2
15	GDP deflator	% change	2.3	1.4	1.7	1.4	1.5
16	Compensation of employees per head	% change	3.2	2.0	2.5	n.a.	2.0
17	Net lending/borrowing vis-à-vis the rest of the world	% GDP	-0.6	n.a.	-0.5	n.a.	-0.3

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.6: **General government budgetary position**

	Variables (% GDP)	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1=2+3+4+5	**Revenue**	**51.3**	**52.0**	**52.0**	**n.a.**	**51.8**
	of which:					
2	- Taxes on production and imports	15.5	15.8	15.7	n.a.	15.8
3	- Current taxes on income, wealth, etc.	12.5	12.9	12.8	n.a.	13.0
4	- Social contributions	16.5	16.7	16.6	n.a.	16.5
5	- Other (residual)	6.8	6.6	6.9	n.a.	6.7
8=9+16	**Expenditure**	**57.1**	**57.3**	**57.6**	**n.a.**	**57.5**
	of which:					
9	- Primary expenditure	55.0	55.1	55.1	n.a.	54.6
	of which:					
10	- Compensation of employees	12.4	12.3	12.5	n.a.	12.5
11	- Intermediate consumption	5.5	5.5	5.4	n.a.	5.3
12	- Social payments	25.6	25.7	25.9	n.a.	25.7
13	- Subsidies	2.0	1.8	1.9	n.a.	1.8
14	- Gross fixed capital formation	4.3	4.3	4.3	n.a.	4.2
15	- Other	5.3	5.5	5.3	n.a.	5.1
16	- Interest expenditure	2.1	2.2	2.5	n.a.	2.9
18=1-8	**General government balance**	**-5.8**	**-5.4**	**-5.6**	**-4.6**	**-5.7**
19=1-9	**Primary balance**	**-3.7**	**-3.1**	**-3.1**	**n.a.**	**-2.8**
20	Cyclically adjusted balance	-5.8	n.a.	-5.3	n.a.	-5.6
21	One-offs	0.0	-0.1	0.0	n.a.	0.0
22=20-21	**Structural balance**	**-5.7**	**-4.6**	**-5.2**	**-3.9**	**-5.6**
23=22+16	Structural primary balance	-3.7	-2.4	-2.8	n.a.	-2.7

Source: Commission Spring 2025 Forecast (COM), Annual Progress Report (APR)

Table A1.7: **Debt developments**

	Variables	2024	2025		2026	
		Outturn	APR	COM	APR	COM
1	**Gross debt ratio* (% of GDP)**	**113.0**	**116.2**	**116.0**	**117.6**	**118.4**
2=3+4+8	Change in the ratio (pps. of GDP)	3.2	3.2	3.1	n.a.	2.4
	Contributions**					
3	**Primary balance**	**3.7**	**3.1**	**3.1**	**n.a.**	**2.8**
4≈5+6+7	**'Snow-ball' effect**	**-1.7**	**-0.2**	**-0.1**	**n.a.**	**-0.3**
	of which:					
5	- Interest expenditure	2.1	2.2	2.5	n.a.	2.9
6	- Real growth effect	-1.2	-0.8	-0.6	n.a.	-1.5
7	- Inflation effect	-2.5	-1.6	-1.9	n.a.	-1.7
8	**'Stock-flow' adjustment**	**1.1**	**0.2**	**0.0**	**n.a.**	**0.0**

* End of period.
** The 'snow-ball' effect captures the impact of interest expenditure on accumulated general government debt, as well as the impact of real GDP growth and inflation on the general government debt-to-GDP ratio (through the denominator). The stock-flow adjustment includes differences in cash and accrual accounting (including leads and lags in Recovery and Resilience Facility grant disbursements), accumulation of financial assets, and valuation and other residual effects.
Source: Commission Spring 2025 Forecast and Commission's calculation (COM), Annual Progress Report (APR)

Table A1.8: **RRF Grants**

	Revenue from RRF grants (% of GDP)	2020	2021	2022	2023	2024	2025	2026
1	RRF grants as included in the revenue projections	n.a.	0.5	0.4	0.2	0.1	0.1	0.0
2	Cash disbursements of RRF grants from EU	n.a.	0.2	0.3	0.4	0.3	0.1	0.2

	Expenditure financed by RRF grants (% of GDP)	2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	0.0	0.2	0.1	0.0	0.0	0.0	0.0
4	Gross fixed capital formation	0.0	0.1	0.1	0.1	0.0	0.0	0.0
5	Capital transfers	0.0	0.2	0.2	0.1	0.1	0.1	0.0
6=4+5	Total capital expenditure	0.0	0.3	0.3	0.2	0.1	0.1	0.0

	Other costs financed by RRF grants (% of GDP)	2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
8	Other costs with impact on revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
9	Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Source: Annual Progress Report

Table A1.9: **RRF Loans**

	Cash flow from RRF loans projected in the Plan (% of GDP)	2020	2021	2022	2023	2024	2025	2026
1	Disbursements of RRF loans from EU	n.a.	0.0	0.0	0.0	0.0	0.0	n.a.
2	Repayments of RRF loans to EU	n.a.	0.0	0.0	0.0	0.0	0.0	n.a.

	Expenditure financed by RRF loans (% of GDP)	2020	2021	2022	2023	2024	2025	2026
3	Total current expenditure	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
4	Gross fixed capital formation	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
5	Capital transfers	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
6=4+5	Total capital expenditure	0.0	0.0	0.0	0.0	0.0	0.0	n.a.

	Other costs financed by RRF loans (% of GDP)	2020	2021	2022	2023	2024	2025	2026
7	Reduction in tax revenue	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
8	Other costs with impact on revenue	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
9	Financial transactions	0.0	0.0	0.0	0.0	0.0	0.0	n.a.

Source: Annual Progress Report

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

Table A1.10 includes information on progress towards implementation of the set of reforms and investments underpinning the extension of the adjustment period that France committed to deliver in its medium-term fiscal-structural plan as endorsed by the Council.

Taking into account the information provided by France in its Annual Progress Report, the Commission finds that the reforms and investments underpinning an extension that were due by the 30 April have been implemented with the exception of the reform of the general reductions in social security contributions relative to the minimum wage (SMIC) which delivered slightly lower savings than committed (for details, see Table A1.10).

The R&I underpinning an extension of the adjustment period include reforms stemming from regular and reinforced spending reviews, a reform of the contribution rate to the pension scheme of local civil servants (CNRACL), a reform of the general reductions in social security contributions relative to the minimum wage (SMIC) as well as measures to support employment and the labour market, measures to boost economic and industrial competitiveness, the business environment, innovation and R&D, and measures to support and accelerate the green and energy transition (See table A1.10). The reinforcement of spending reviews implies the effective and regular integration of results of spending reviews in the annual draft budgets, accompanied by the publication of annual monitoring reports. The reform of the contribution rate to the CNRACL aims to contribute to the financial equilibrium of this special scheme responsible for the insurance of local governments and hospitals' officials and thus to contribute to the overall sustainability of the pension system jointly with the 2023 pension reform, whose main net financial impacts are to be preserved. The reform of the general reductions in social security contributions relative to the minimum wage (SMIC) aims at simplifying and rationalising the existing labour cost reduction schemes, with the objective of incentivising wage mobility and reducing the risks of low-wage traps.

The measure on the reinforcement of spending reviews adds to previous RRP commitments, namely the implementation of a new spending review framework as of 2023, and sets a cumulative target of EUR 8 bn. permanent public spending savings and tax and social expenditure reductions over the period 2025-

2027. According to the French Annual Progress Report, EUR 4.3 bn. expenditure savings stemming from spending reviews have already been included in the adopted budget for 2025. The annual monitor report due by Q3 2025 will need to substantiate these savings while presenting those identified in view of the preparation of the 2026 budget. In January 2025, the government enacted by decree an increase of 12 pps. in employers' contributions to the CNRACL, with a gradual increase of three points each year between 2025 and 2028. The increase is additional to the 1 pp increase already enacted in 2024. An anticipation and an overachievement of the measure's quantified objective is thus recorded, with an estimated deficit-reducing impact on the CNRACL pension scheme balance of EUR 6.6 bn. A first reduction of the exemptions of health and family contributions vis-à-vis the minimum wage was enacted as of 1st January 2025 in the social security budget. The measure is expected to generate EUR 2 bn. of permanent gross savings (i.e. before accounting for reduced corporate income tax) in 2025, thus slightly lower than the objective in the plan of at least EUR 2.5 bn. A second implementation phase is foreseen in the plan in 2026, with a commitment to deliver at least EUR 2.5 bn in additional savings. A number of measures in the plan have been assessed as implemented or properly advancing in the context of France's RRF, while other new measures are all assessed to be on track.

Table A1.10:**Implementation of Reforms and Investments underpinning the extension**

Measure	Key steps	Recommended implementation date	Status (COM's assessment)
Reform of the unemployment insurance	step 1.1: Entry into force of new provisions	Q4 2022	Completed *
	step 1.2: Evaluation of past and complementary reforms	Q4 2027	
Reforms under the Research programming law	step 2.1: Increase of R&D endowments by compared to 2020	Q3 2025	
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	
Investments under the multiannual plan France 2030	step 4.1: Financing decisions linked to projects financed under RRP	Q4 2024	Completed *
	step 4.2: Ex ante assessment report of macroeconomic impacts of overall plan	Q4 2025	
	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	Completed (1) **
	step 5.2: Effective integration of results of spending reviews in the annual draft budget	Q3 2025	Completed (1) **
	step 5.3: Publication of an annual monitoring report showing the achievement of the cumulative target of EUR 8 bn of permanent savings over the period 2025-2027 (2)	Q3 2025	
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
	step 6.2: Publication of an evaluation report of past and complementary reforms	Q4 2027	
Reform of the contribution rate to the Caisse Nationale de Retraites des Agents des Collectivités Locales (CNRACL)	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	
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 EUR 2.5 bn additional savings	Q1 2025	Not completed (3)
	step 8.2: Pursuit of reduction of the exemptions from health and family contributions, to yield at least EUR 2.5 bn additional savings	Q1 2026	
Reforms under the new Law on simplification of the business environment	step 9.1: Entry into force of the law	Q4 2025	
	step 9.2: Annual adoption of implementing decrees	Q4 2025 -Q4 2028	
	step 9.3: Annual report on impact	Q4 2026	
	step 9.4: Annual report on impact	Q4 2028	
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 Q3 2027 Q3 2028 Q3 2029	
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 EUR 8 bn of permanent savings over the period 2025-2027 (2)	Q3 2025 Q3 2026 Q3 2027 Q3 2028 Q3 2029	

The progress of each backward-looking key step (i.e., those scheduled for completion by 30 April 2025) is classified as either 'completed' or 'not completed'. The status of forward-looking key steps not yet completed remains blank, as these will be assessed by the Commission in future APRs.
* 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 7-14.a of France's RRP, whose assessment is still pending in the context of a payment request under the RRF and the table does not prejudge 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 budget.
(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.
(3) 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 EUR 2 bn permanent savings, EUR 0.5 bn less than initially expected.
Source: France's Annual Progress Report and Commission's assessment

Cost of ageing

Total age-related spending in France is projected to remain unchanged overall, at about 29% of GDP, which is among the highest in the EU (see Table A1.11**).** The overall stable expectation reflects how a projected decline in pension and education spending would compensate for rising healthcare and long-term care spending. Public pension spending would start decreasing steadily around 2035, declining by 0.7 pps of GDP by 2070.

Public healthcare expenditure is projected at 8.4% of GDP in 2024 (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 ([98]).

Public expenditure on long-term care ([99]) is projected at 1.9% of GDP in 2024 (above the EU average of 1.7%) and is expected to increase by 0.4 pps of GDP by 2040 and by a further 0.3 pps of GDP by 2070.

Table A1.11:**Projected change in age-related expenditure in 2024-2040 and 2024-2070**

	age-related expenditure 2024 (% GDP)	change in 2024-2040 (pps GDP) due to:					age-related expenditure 2040 (%GDP)	
		pensions	healthcare	long-term care	education	total		
FR	29.2	-0.2	0.4	0.4	-0.6	**0.0**	29.2	**FR**
EU	24.3	0.5	0.3	0.4	-0.3	**0.9**	25.2	EU

	age-related expenditure 2024 (% GDP)	change in 2024-2070 (pps GDP) due to:					age-related expenditure 2070 (%GDP)	
		pensions	healthcare	long-term care	education	total		
FR	29.2	-0.7	0.7	0.7	-0.8	**-0.1**	29.2	**FR**
EU	24.3	0.2	0.6	0.8	-0.4	**1.3**	25.6	EU

Source: 2024 Ageing Report (EC/EPC).

National fiscal framework

The French independent fiscal institution (IFI), the High Council of Public Finance (HCFP), has a relatively narrow mandate, focusing on assessing the realism of government forecast, the consistency of annual versus multi-year public finance targets, the compliance with public expenditure targets and monitoring compliance with the fiscal rules. Despite being a euro area Member State, the HCFP only *assesses* government forecasts and does not endorse nor produce its own forecasts. The HCFP is deeply embedded in the National Audit Office (NAO), with staff working part time for both the HCFP and the NAO and, after a recent reform, the HCFP budget now being fully integrated into the NAO budget. While this does not pose an immediate threat to its independence, it could make it more difficult for the public to discern the particular role of the HCFP. The policy dialogue with the government is not well developed and the HCPF reports issues regarding access to information on public finances forecasts, where access to certain requested information sometimes has been refused.

France is a frontrunner on green budgeting. Starting with the 2020 budget, the country has been scoring environmentally and climate favourable, neutral, mixed and unfavourable expenditures,

([98]) Key performance characteristics, recent reforms and investments are discussed in Annex 11 'Health and health systems'.

([99]) The quality and the accessibility of the long-term care system are covered in Annex 9 'Social policies'.

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. France has continuously refined and deepened its tagging methodology and moved towards actively informing the budgetary process: Since the 2024 budget, green budgeting is integrated into the budget negotiation process rather than only providing transparency ex-post. 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 [100]. 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.

Table A1.12: **Fiscal Governance Database Indicators**

2023	France	EU Average
Country Fiscal Rule Strength Index (C-FRSI)	12.98	14.52
Medium-Term Budgetary Framework Index (MTBFI)	0.78	0.73

The Country Fiscal Rule Strength Index (C-FRSI) shows the strength of national fiscal rules aggregated at the country level based on i) the legal base, 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.
Source: Fiscal Governance Database

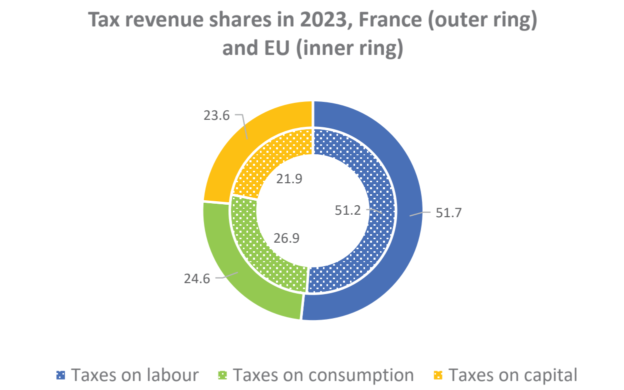
[100] https://explore.data.gouv.fr/fr/datasets/679186f95fc439286abed9b5/#/resources/0bd10238-331b-4511-800a-1e787ee108db

This annex provides an indicator-based overview of France's tax system. It includes information on: (i) the tax mix; (ii) competitiveness and fairness aspects of the tax system; and (iii) tax collection and compliance.

France has the highest percentage in the EU of tax revenues as a proportion of GDP, but fiscal sustainability is a concern. With tax revenues equivalent to 43.8% of GDP in 2023, France is significantly above the EU-27 average of 39%, despite this percentage for 2023 being slightly below the levels in previous years (2012-2022). The main source of tax revenue in 2023 was taxes on labour (51.7% of all tax revenue), which was close to the EU average, followed by taxes on consumption (24.7% of all tax revenue), which was below the EU average, and taxes on capital (23.6% of all tax revenue), which was above the EU average (Graph A2.1).

As is the case with the rest of the EU, there is still scope in France to make greater use of environmental and health taxation, especially to strengthen the application of the 'polluter pays' principle. It is noteworthy that France has no tax on fertilisers and pesticides. Environmental and health taxes accounted for around 6% of total tax revenue in 2022. Revenue from environmental taxes as a percentage of GDP was 2.1%, close to the EU aggregate of 2%. The effective carbon-tax rate, EUR 87.90 per tonne of CO_2 equivalent in 2023, is slightly above the EU-27 average (EUR 84.80).

Graph A2.1: **Tax revenue shares in 2023**



Source: Taxation Trends Data, DG TAXUD

France has high statutory and effective corporate tax rates, and statutory corporate-income tax will temporarily increase in 2025 for big companies. France's top statutory corporate-income-tax rate is 25.8% (compared with an EU average of 21%) and its forward-looking effective corporate-tax rate stands at 22.6%, one of the highest in the EU (against an EU average of 18.9%). France is also levying an exceptional surtax on corporate income of 20.6% in 2025 for companies with total sales above EUR 1 billion. This exceptional surtax will rise to 41.2% for companies with total sales above EUR 3 billion. Some 440 companies are likely to be affected by these surtaxes, which will raise EUR 7.8 billion. A share-buyback tax for companies headquartered in France with turnover greater than EUR 1 billion is also being created, and this is expected to raise EUR 400 million.

Taxes on production are high in France, even though they have decreased since 2021. These taxes on companies raised an amount equivalent to 3.1% of GDP in 2023, the second highest in the EU, although this is down from the 3.6% they raised in France in 2020. Among these production taxes, taxes on turnover are particularly detrimental to competitiveness ([101]). The 'social solidarity contribution of firms' (C3S) is levied on any turnover by companies of more than EUR 19 million and raised EUR 4.8 billion in tax revenue in 2023. The 'contribution on the value added of firms' (CVAE) raised EUR 5.3 billion in 2023, and its gradual abolition, originally planned for 2027, has now been postponed to 2030.

Tax expenditures remain high and only marginal cuts are planned for 2025. Tax expenditures amounted to EUR 82.9 billion in 2023, equivalent to 6.8% of total tax revenues. France's national Court of Auditors has recommended a better evaluation of the efficiency of these tax expenditures ([102]). The largest single tax expenditure, the R&D tax credit (Crédit Impôt Recherche, CIR), amounted to EUR 7.3 billion in 2023. In 2025, adjustments will be made (patent costs and technological watch will cease to be considered as R&D costs, and additional support for the hiring of post-doctoral researchers will be

([101])Ph. Martin et A. Trannoy (2019), Les notes du CAE, *Les impôts sur (ou contre) la production*.

([102])Ecalle, F. (2024). Tax expenditures country report: France, Council on Economic Policies (CEP).

Table A2.1: **Taxation indicators**

		France					EU-27				
		2010	**2021**	**2022**	**2023**	**2024**	**2010**	**2021**	**2022**	**2023**	**2024**
Tax structure	Total taxes (including compulsory actual social contributions) (% of GDP)	42.2	45.1	45.8	43.8		37.8	40.2	39.7	39.0	
By tax base	Taxes on labour (% of GDP)	22.2	22.8	23.1	22.7		19.8	20.5	20.1	20.0	
	of which, social security contributions (SSC, % of GDP)	16.0	14.7	14.8	14.5		12.9	13.0	12.7	12.7	
	Taxes on consumption (% of GDP)	10.7	11.7	11.3	10.8		10.9	11.2	10.9	10.5	
	of which, value added taxes (VAT, % of GDP)	6.8	7.4	7.5	7.3		6.8	7.3	7.4	7.1	
	Taxes on capital (% of GDP)	9.4	10.6	11.4	10.4		7.1	8.5	8.7	8.5	
Some tax types	Personal income taxes (PIT, % of GDP)	7.6	9.4	9.8	9.5		8.6	9.6	9.4	9.3	
	Corporate income taxes (CIT, % of GDP)	2.3	2.9	3.4	2.9		2.2	2.9	3.2	3.2	
	Total property taxes (% of GDP)	4.0	4.2	4.1	3.7		1.9	2.2	2.1	1.9	
	Recurrent taxes on immovable property (% of GDP)	2.9	2.3	2.2	2.0		1.1	1.1	1.0	0.9	
	Environmental taxes (% of GDP)	1.9	2.2	2.0	1.8		2.5	2.4	2.1	2.0	
	Effective carbon rate in EUR per tonne of CO_2 equivalents	NA	89.5	NA	87.9		NA	86.0	NA	84.8	
Progressivity & fairness	Tax wedge at 50% of average wage (single person) (*)	34.1	19.2	20.4	20.2	20.4	33.9	31.8	31.5	31.5	31.8
	Tax wedge at 100% of average wage (single person) (*)	49.9	46.9	47.1	46.9	47.2	40.9	39.9	39.9	40.2	40.3
	Corporate income tax - effective average tax rates (1) (*)	32.7	25.2	22.6	22.6		21.3	19.3	19.1	18.9	
	Difference in Gini coefficient before and after taxes and cash social transfers (pensions excluded from social transfers) (2) (*)	7.9	10.8	10.8	10.0		8.6	8.2	7.9	7.7	
Tax administration & compliance	Outstanding tax arrears: total year-end tax debt (including debt considered not collectable) / total revenue (in %) (*)		4.3	7.8				35.5	32.6		
	VAT gap (% of VAT total tax liability, VTTL) (**)		6.0	6.0	9.7			6.6	7.0		

(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 2023. For more details on the VAT gap, see European Commission, Directorate-General for Taxation and Customs Union, VAT gap in the EU - 2024 report, https://data.europa.eu/doi/10.2778/2476549
For more data on tax revenues as well as the methodology applied, see the Data on Taxation webpage, https://ec.europa.eu/taxation_customs/taxation-1/economic-analysis-taxation/data-taxation_en.
Source: European Commission, OECD

discontinued) , which is likely to lead to EUR 400 million in expenditure savings. The innovation tax credit, a scheme reserved for SMEs giving them a tax credit on expenses incurred to design prototypes or install pilots of new products, will also see its rate lowered from 30% to 20% as of 2025.

France has recently developed special tax credits for green investments. In 2024, France introduced tax credits for green investments in strategic sectors (batteries, solar panels, wind turbines and heat pumps), ranging from 20% to 60% of eligible expenditures depending on the size of the company and the location of the investments. France also reformed its vehicle tax scheme by raising tax levels and penalties for polluting vehicles. The 2025 Finance Bill introduced an annual incentive tax aimed at encouraging the greening of large corporate vehicle fleets. France also reformed the benefit-in-kind scheme associated with the provision of a vehicle to better reflect the actual part of private use of company vehicles and reinforce the incentive to favour electric vehicles with the lowest carbon footprint.

The efficiency of France's CIR tax credit needs to be improved. The CIR was not able to counteract the deterioration in the attractiveness of France as a location for R&D by foreign multinational companies. R&D spending by foreign multinational companies in France is relatively lower than that of non-foreign French companies, and lower than for the same foreign groups in the rest of the world.

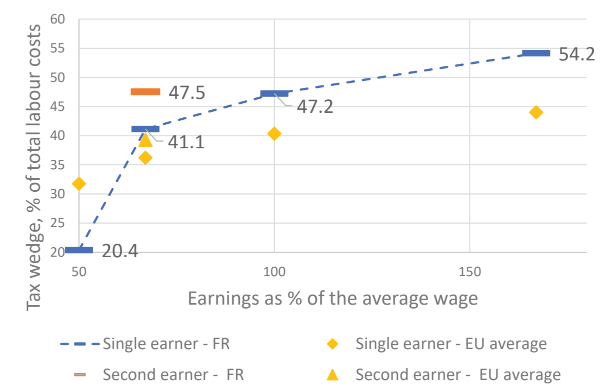
France is acting to decrease tax uncertainty for foreign firms, by ensuring compliance costs are slightly below the EU average. The French tax authorities provide international investors with a single point of contact, Tax4Business, responding in their language. It gives foreign companies assurances over the legal framework that will be applied to them through a written communication issued by the tax authorities covering the companies' national and local taxes. Business regulation is identified in France, as it is elsewhere in the EU ([103]), as a barrier to investment. The estimated cost of complying with taxes in France is close to the EU

([103])The annual EIB Group Survey on Investment and Investment Finance (EIBIS), 2023.

average, and slightly below the EU average when expressed as a percentage of turnover (104).

The tax and benefits system and the progressivity of labour taxation help to reduce inequalities, although joint taxation holds back the participation of second earners in the labour market. In 2023, income inequality as measured by the Gini index was reduced by 10 points thanks to taxes and social transfers (compared to an EU average of 7.7 points). The progressivity of labour taxation also contributes to this result: France has a comparatively high labour tax wedge (105) especially at higher earnings levels, but a relatively low labour tax wedge at very low earnings levels (Graph A2.2). 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.

Graph A2.2: **Tax wedge for single and second earners, % of total labour costs, 2024**



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

Taxes on capital remain lower than on labour, while French taxes on real estate are high compared with EU average. France has one of the highest shares of recurrent property taxation as a share of total taxation in the EU, at 4.6% in 2023. Furthermore, France has an additional tax on real estate, the 'impôt sur la fortune immobilière', for households with at least EUR 1.3 million in real-estate assets with a progressive rate running from 0.5% to 1.5%. Since 2017, income tax on dividends, interest, capital gains and life-insurance contracts has been decreased to a flat rate of 30%, well below the highest brackets of labour taxation, at 45%, making capital income less taxed than labour income, which may lead to increases in inequality.

Inequality has increased since 2003, led in particular by an increase in the incomes and wealth of France's wealthiest households. The incomes of the top 0.1% of highest-earning households in France have increased yearly in real terms from 2003 to 2022 by 3% compared with an annual increase of only 0.5% for the rest of the population (106). The Gini index of market incomes for households in France increased from 0.45 to 0.47 between 2003 and 2022, mainly due to the increased Gini within the top 0.1% of incomes, within which the Gini increased from 0.28 to 0.40 over the same period. A temporary surtax in 2025 on the highest-earning households with a reference taxable income above EUR 250 000 for a single person (EUR 500 000 for a couple), is likely to be paid by 24 000 households and bring in EUR 1.9 billion in revenues.

To become more attractive to high earners from overseas, France has set up an 'impatriation' regime. This specific tax regime, designed to attract foreign managers and employees, enables income tax exemptions under certain conditions and for a period of up to eight years for newcomers to France. The budgetary cost of this regime amounted to EUR 322 million in 2023, for an average benefit of EUR 20 000 per beneficiary.

France could do more to improve tax compliance. France's VAT compliance gap (the difference between VAT total tax liability - VTTL - and VAT revenue) was stable in 2021 and 2022 (6% of VTTL), slightly below the EU average of 7.0% in 2022. Although a smaller gap is an indicator of the effectiveness of VAT enforcement and compliance, there is still room for France to improve in this area. The VAT compliance gap remains substantial in absolute terms. Amongst the risks of non-compliance underlined in the *VAT gap in the EU 2024* report were: (i) faster growth

(104) DG GROW report, 2022, Tax Compliance Costs SMEs

(105) The tax wedge is defined as the sum of personal income taxes and employee and employer social-security contributions net of family allowances, expressed as a percentage of total labour costs (the sum of the gross wage and social-security contributions paid by the employer).

(106) DGFIP Analysis no 8, Incomes and wealth of the wealthiest households in France, January 2025.

in the services sector in 2022; (ii) e-commerce growth declining between 2018 and 2022; and (iii) a surge in bankruptcy declarations in 2022 (up by 52.8%). Tax arrears have been stable in France in recent years (2018-2021), hovering between 4% and 4.5% of total revenue collected. They increased in 2022 (to 7.8%) although they remain significantly below the average for the EU-27 (32.6%).

France remains a strong innovator ([107]), but its position as a scientific and technological powerhouse worldwide is eroding, hindering its competitiveness. Total R&D intensity ([108]) fell to 2.19% of GDP in 2023, below the EU average of 2.24% and moving further away from the target of 3% initially set for 2020. France's declining scientific performance worldwide, resulting partly from more than a decade of subdued public R&D investment, raises concerns over the country's ability to continue using its strong science base to position itself as a key player in the global tech race. France's innovation performance is still hindered by stagnating business R&D investment and a lack of efficiency of public support for business innovation. This, coupled with a slow uptake of digital technologies by firms, weighs heavily on productivity. While France actively supports disruptive innovation and the emergence of new tech leaders, its venture capital market may, despite its expansion, prove insufficient to meet the growing financing needs of France's vibrant start-up ecosystem.

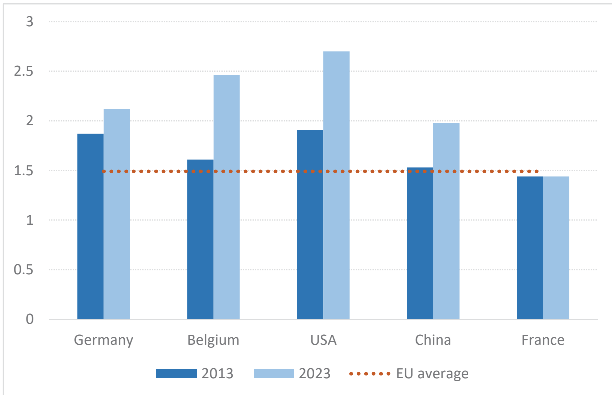
Science and innovative ecosystems

France's position as a scientific powerhouse worldwide is weakening, which could undermine its innovative potential. Between 2009 and 2022, public R&D intensity ([109]) experienced a slight but steady decline. This has been detrimental to the country's scientific performance in the face of increased global competition especially from China, which has emerged as a leading scientific powerhouse. The share of France's scientific publications among the top 10% most cited publications worldwide has been on a slightly declining trend since 2010 and fell to 8.8% in 2021, below the EU average of 9.6%. To counteract this trend and 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 ([110]). However, ongoing efforts by the French government to reduce public spending are expected to affect the investment pace set in the Research Law, which could weaken its ambition and impact.

Business innovation

Business R&D intensity is stagnating, at a level well below that of innovation leaders in the EU and worldwide. Between 2013 and 2023, business R&D intensity remained stable at around 1.44%, in stark contrast with the investment levels and trends observed in other strong R&I performing countries in the EU and worldwide (see Graph A3.1).

Graph A3.1: **Business R&D investment (as % of GDP), 2013-2023**



(1) 2023 or latest available year

Source: Eurostat

In terms of sectoral breakdown, business R&D spending remains concentrated largely in the pharma and automobile sectors (see Graph A3.2). However, there is discernible expansion in the software, electronic and aerospace & defence sectors. This points to the French economy slowly transitioning towards more knowledge-intensive sectors (outside pharma), which are expected to be given a boost thanks to France 2030 (see below).

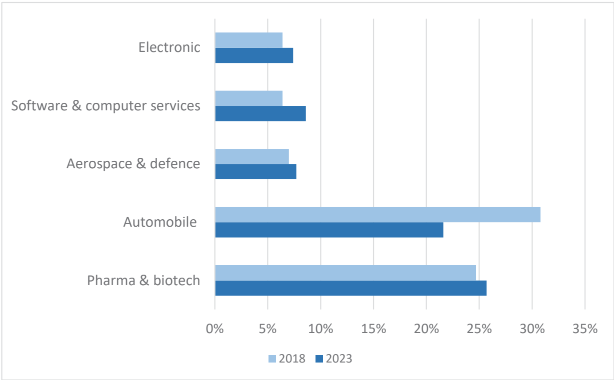
([107])According to the 2024 European Innovation Scoreboard.

([108])Defined as gross domestic expenditure on R&D as a percentage of GDP.

([109])Defined as public gross domestic expenditure on R&D as a percentage of GDP.

([110])The implementation of the Research Law is a commitment under the French recovery and resilience plan. The law is also part of the set of reforms and investments underpinning an extension of the fiscal adjustment period under France's medium-term fiscal-structural plan.

Graph A3.2: **R&D investment of French companies among world's top 2 000 R&D investors, by sector of activity (2018-2023)**



Source: 2024 EU Industrial R&D Investment Scoreboard

Thanks to the investment plan France 2030, the country is taking concrete steps to encourage the emergence of new technological leaders in key sectors and renew its economic fabric. 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 AI, quantum and cloud . The investment logic of France 2030 is to spend half of the funds on 'emerging' innovators ([111]) more likely to foster disruptive innovation and the renewal of the productive fabric. Particular attention is placed on supporting deep tech ([112]) as well as on industrial-oriented start-ups ([113]), seen as an important potential source of employment and value creation throughout the country. The interim evaluation of France 2030 published in June 2023 highlights the major macroeconomic effects that this investment plan is expected to have (on GDP and employment in particular), but recommends greater prioritisation of the investments to maximise their impact ([114]). An *ex-ante* assessment of the macroeconomic impacts of the plan is expected by the end of 2025, as envisaged in France's medium-term fiscal-structural plan.

France's innovation performance is not on a par with the high level of public support for business innovation. So far, the large volume of public support for business innovation – which is the highest in the EU as a percentage of GDP ([115]) and relies significantlyon a tax credit scheme called *crédit impôt recherche* (CIR) – has not had a tangible effect on innovation output, as measured for example by patents. Instead, France's international patenting activity has steadily declined over the last decade. The CIR was found to have positive effects on small and medium-sized enterprises (SMEs) – both in terms of R&D activity and economic performance – but no significant effects on larger firms ([116]). 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 very small firms generate 1.2 patents per million euro of tax credit received, while large firms produce only 0.5. This indicates a return 2.5 times higher for smaller businesses. This negative relationship between return on investment and firm size is even more pronounced when considering the 'quality' of innovation, as measured for example by the number of triadic patents (which protect an invention in Europe, the USA and Japan). In this case, the return is estimated to be 2.9 times higher for very small firms. Nevertheless, although large firms accounted for just under 3% of all CIR beneficiaries in 2021, they benefited from 42% of the overall amount of the CIR ([117]). Despite recent recommendations to reform the CIR ([118]), only a technical adjustment was introduced in the 2025

([111])Understood as companies with less than 12 years of activity or which are doing a radical turnabout.

([112])Through the creation of 'pôles universitaires d'innovation' (to encourage the transfer of research results between academia and industry) and a dedicated deep tech fund that provides equity support to young innovative companies at different stages of their development.

([113])Understood as a start-up that develops product or process innovation ultimately involving the serial production of goods.

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

([115])0.445% of GDP, more than twice the EU average of 0.204%.

([116]) https://www.strategie.gouv.fr/sites/strategie.gouv.fr/files/atoms/files/fs-2021-rapport-cnepi-cir-juin.pdf.

([117])Le crédit d'impôt recherche en 2021, études et statistiques, available at : https://www.enseignementsup-recherche.gouv.fr/fr/credit-d-impot-recherche-etudes-et-resultats-statistiques-46391.

([118])In a 2022 report, the Council of Mandatory Contributions (CPO) examined different scenarios to reform the CIR and called in particular for the CIR ceiling to be lowered (to bring it closer to that of other OCED countries) as well as a better targeting of the CIR towards SMEs and midcaps.

budget ([119]), but no structural reform seems to be currently envisaged. More generally, systematising the evaluation of tax aid schemes that support innovation could be highly beneficial, as called for by the *Conseil des Prélèvements Obligatoires* ([120]), a body associated with the French Court of Auditors.

Indicators suggest that France's complex knowledge valorisation ecosystem may not be performing optimally. France continues to score below the EU average for public R&D financed by businesses and the share of public-private co-publications, while above the EU average, has not progressed significantly over the last decade. This reflects a limited inclination among French businesses to engage in contracts and collaborations with public research labs, despite a wide range of structures and instruments designed to support and incentivise such cooperation. The suboptimal performance of the schemes aimed at bridging the gap between research and the economy, such as the *Sociétés d'Accélération du Transfert de Technologies (SATTs)* and the *Instituts de Recherche Technologique*, was highlighted in the 2019 evaluation report of the Investments for the Future Programme ([121]). However, since then, no major reform of the SATT model has been carried out. In 2023, the 'pôles universitaires d'innovation' (PUI) initiative was introduced to strengthen local innovation ecosystems, building on existing organisations and schemes. Assessing this new initiative and its articulation with existing actors, in particular the SATTs will be key to ensure that the newly established PUI contribute to improving efficiency, without adding further complexity to the existing landscape.

Challenges persist in the digitalisation of SMEs and the adoption of advanced technologies by firms, weighing on productivity. French SMEs continue to show poor results in basic digitalisation, with only 68.45% of SMEs reaching at least a basic level of digital intensity in 2024, up from 63.53% in 2022 but still below the EU average of 72.91%. While progress has been made, France is failing to close the gap with its EU peers. Given the size of its economy, this shortfall puts into jeopardy the EU-level Digital Decade target of 90% of SMEs digitalised by 2030. The main programme to digitalise SMEs, France Num, provides diagnostics, training and funding for SMEs, but mainly targets very small businesses (fewer than 10 employees), leaving larger SMEs with less tailored support. Beyond basic digitalisation, the adoption of advanced technologies by French firms is also below the EU average. While the uptake of AI has picked up speed (rising to 9.91% in 2024, from 5.88% in 2023), it remains below the EU average of 13.48%. Similarly, the adoption of data analytics and advanced cloud services remains far from the EU-level Digital Decade target of 75% adoption by 2030. A key challenge for France is therefore to ensure that these advanced technologies diffuse across the broader business sector to improve overall productivity and competitiveness.

Financing innovation

France is nurturing its dynamic start-up ecosystem, which is attracting increasing venture capital (VC) investment. However, the French VC market may, despite its expansion, prove insufficient to meet the massive financing needs of scale-ups. The last 10 years have seen a six-fold increase in the number of French unicorns (which reached 42 in 2024), making France the second-largest producer of unicorns in the EU after Germany ([122]). This growth is largely driven by France's ability to attract investors and the growing availability of VC investment which, as a percentage of GDP, has quadrupled over the last 10 years. France has been particularly active in supporting the growth of its VC market. Since 2019, efforts have been made in particular to encourage institutional investors to support VC funds, including late-stage funds, as part of the 'Tibi' initiative ([123]). However, relative to GDP, French VC remains undersized compared to global competitors and European

([119]) This adjustment aims to refocus the CIR on R&D by excluding expenditure linked to technology watch and intellectual property from the eligible expenditure base.

([120]) Ibid.

([121]) « Le PIA, un outil à préserver, une ambition à refonder », Comité de surveillance des investissements d'avenir, November 2019.

([122]) State of European Tech 2024.

([123]) https://www.tresor.economie.gouv.fr/banque-assurance-finance/financer-la-iveme-revolution-industrielle.

peers. This raises concerns over its ability to meet the massive financing needs of French firms in their expansion stage.

Innovative talent

France can count on a rich talent pool for R&I, but the availability of ICT specialists remains insufficient to underpin its technological leadership. With the second highest proportion of new science and engineering graduates in the EU (per thousand of the population aged 25-34), France has a key advantage in developing cutting-edge technologies. However, ICT specialists make up only 4.7% of the workforce, in line with the EU average but still well below the national Digital Decade target of 10% by 2030. In the field of AI 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 significant impact on the development of the AI ecosystem ([124]). In addition to dedicated measures to attract foreign talent, the French AI Commission stresses the importance of strengthening public research and making research careers in France more attractive (in terms of job security and pay), beyond the measures introduced under the Research Law.

Entrepreneurship education in France at primary and secondary level remains relatively underdeveloped. However, progress was made in higher education. According to the 2023 Global Entrepreneurship Monitor, France ranks last in entrepreneurship education at school level among the 16 richest countries, due to inadequate evaluation mechanisms, the lack of national coordination and the absence of entrepreneurship education from the school curricula. However, efforts have been made to promote entrepreneurial skills in higher education through national initiatives such as the PEPITE (Pôles Etudiants pour l'Innovation, le Transfert et l'Entrepreneuriat) and SNEE (Statut National d'Étudiant-Entrepreneur) programmes, supporting more than 40 000 students annually and establishing 1 200 new businesses.

([124])IA : notre ambition pour la France, Commission de l'intelligence artificielle, March 2024.

Table A3.1: **Key innovation indicators**

France	2012	2017	2020	2021	2022	2023	2024	EU average (1)	USA
Headline indicator									
R&D intensity (gross domestic expenditure on R&D as % of GDP)	2.23	2.20	2.27	2.21	2.22	2.19	:	2.24	3.45
Science and innovative ecosystems									
Public expenditure on R&D as % of GDP	0.75	0.72	0.74	0.71	0.71	0.71	:	0.72	0.64
Scientific publications of the country within the top 10% most cited publications worldwide as % of total publications of the country	10.2	9.1	8.9	8.8	:	:	:	9.6	12.3
Researchers (FTE) employed by public sector (Gov+HEI) per thousand active population	3.4	3.8	4.0	4.1	4.1	4.2	:	4.2	:
International co-publications as % of total number of publications	47.9	54.9	58.9	58.7	58.3	59.5	:	55.9	39.3
R&D investment & researchers employed in businesses									
Business enterprise expenditure on R&D (BERD) as % of GDP	1.44	1.44	1.49	1.45	1.47	1.44	:	1.49	2.70
Business enterprise expenditure on R&D (BERD) performed by SMEs as % of GDP	0.34	0.39	:	0.34	0.32	:	:	0.40	0.30
Researchers employed by business per thousand active population	5.3	6.1	6.8	7.0	7.1	7.0	:	5.7	:
Innovation outputs									
Patent applications filed under the Patent Cooperation Treaty per billion GDP (in PPS €)	4.2	3.9	3.5	3.3	3.3	:	:	2.8	:
Employment share of high-growth enterprises measured in employment (%)	14.61	9.44	7.3	:	:	:	:	12.51	:
Digitalisation of businesses									
SMEs with at least a basic level of digital intensity % SMEs (EU Digital Decade target by 2030: 90%)	:	:	:	:	63.53	:	68.45	72.91	:
Data analytics adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	:	:	33.9	:	33.17	:
Cloud adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	25.28	:	22.95	:	38.86	:
Artificial intelligence adoption % enterprises (EU Digital Decade target by 2030: 75%)	:	:	:	6.67	:	5.88	9.91	13.48	:
Academia-business collaboration									
Public-private scientific co-publications as % of total number of publications	8.2	8.7	8.9	9.1	9.2	9.1	:	7.7	8.9
Public expenditure on R&D financed by business enterprises (national) as % of GDP	0.035	0.034	0.034	0.032	0.032	:	:	0.050	0.020
Public support for business innovation									
Total public sector support for BERD as % of GDP	0.417	0.428	0.451	0.445	:	:	:	0.204	0.251
R&D tax incentives: foregone revenues as % of GDP	0.278	0.287	0.294	0.283	:	:	:	0.102	0.141
BERD financed by the public sector (national and abroad) as % of GDP	0.139	0.141	0.158	0.162	0.160	:	:	0.100	0.110
Financing innovation									
Venture capital (market statistics) as % of GDP (calculated as a 3-year moving average)	0.019	0.031	0.059	0.077	0.096	0.092	:	0.078	
Seed stage funding share (% of total venture capital)	5.6	14.2	9.6	9.0	6.9	6.5	:	7.3	
Start-up stage funding share (% of total venture capital)	13.6	30.1	41.8	37.4	37.2	37.4	:	44.0	
Later stage funding share (as % of total venture capital)	80.9	55.7	48.6	53.6	55.9	56.2	:	48.7	
Innovative talent									
New graduates in science & engineering per thousand population aged 25-34	:	22.2	24.0	24.7	24.6	:	:	17.6	:
Graduates in the field of computing per thousand population aged 25-34	:	2.9	3.9	4.0	4.5	:	:	3.6	:

(1) EU average for the last available year or the year with the largest number of country data.
Source: Eurostat, DG JRC, OECD, Science-Metrix (Scopus database), Invest Europe, European Innovation Scoreboard

France's business environment has improved in recent years, but there is still room for further progress. France has implemented a series of reforms to promote entrepreneurship, scale up businesses and streamline administrative processes. Digital infrastructure has substantially improved, in line with the Digital Decade targets. Supply constraints are easing. However, challenges such as demand constraints, economic policy uncertainty, energy costs and the non-availability of skilled labour continue to impact firms' activity and investment decisions. More SMEs face late payments in France than in other Member States and this is disrupting their cash flow. Regulatory restrictions in professional services and the retail sector remain significant. French businesses (particularly SMEs) have yet to fully leverage the growth opportunities of being in the single market.

Economic framework conditions

Demand constraints weigh on business activity and investment. Demand constraints (current and expected) are the most significant drag on activity, as perceived by 60% of SME managers according to a survey by Bpifrance and Rexecode ([125]). The increase in the number of bankruptcies is due to: demand constraints; high energy costs; the still relatively high interest rates on corporate loans and the obligation to reimburse the loans guaranteed by the State granted during the COVID-19 pandemic. There were 66 000 bankruptcies in 2024 ([126]) – the highest level since 2010. SMEs continue to limit their investment: only 43% of SMEs invested in 2024 (down by 9 percentage points on 2023).

Economic policy uncertainty is harming business confidence. 56% of SME leaders consider that the current economic policy uncertainty is having a strong impact on their company's activity. Businesses are concerned that France's fiscal consolidation efforts may result in increases in taxes and social contributions ([127]) and a reduction in support schemes. This is set against the backdrop of an already high level of compulsory levies on businesses, which accounted for 14.1% of GDP in France in 2022 (compared with 8.6% in the euro zone) ([128]). In particular, taxes on production, which are recognised as detrimental to competitiveness, remain significantly higher in France (at 4.5% of GDP in 2023 ([129])) than the EU average of 2.4% of GDP ([130]). However, France does offer a wide range of tax incentives (see Annex 2).

A lack of skilled staff, or the unsatisfactory allocation of skilled workers, is also an obstacle to investment, although less so than in the past. According to the European Investment Bank ([131]), 72% of French firms see the non-availability of skills as an obstacle to investment (vs 77% in the EU). France has a lower employment rate than the EU average (68% vs 70%) and full-time employees work fewer hours per year than the EU average (1 673 hours vs 1 790 hours) ([132]), which contributes to the lack of skilled workers. Workforce shortages persist for certain skills and sectors such as the construction and the manufacturing sectors (see Annex 10). However, the slowing-down of the economy has also reduced the share of businesses facing labour supply constraints (13.75% in 2024 vs 19.7% in 2023) and it is lower than in the rest of the EU (13.75% in France vs 20.16% in the EU on average) ([133]). Similarly, the share of French businesses facing material supply constraints is going down (17% in 2024 vs 26% in 2023), although this is still higher than in the rest of the EU (10% on average) ([134]).

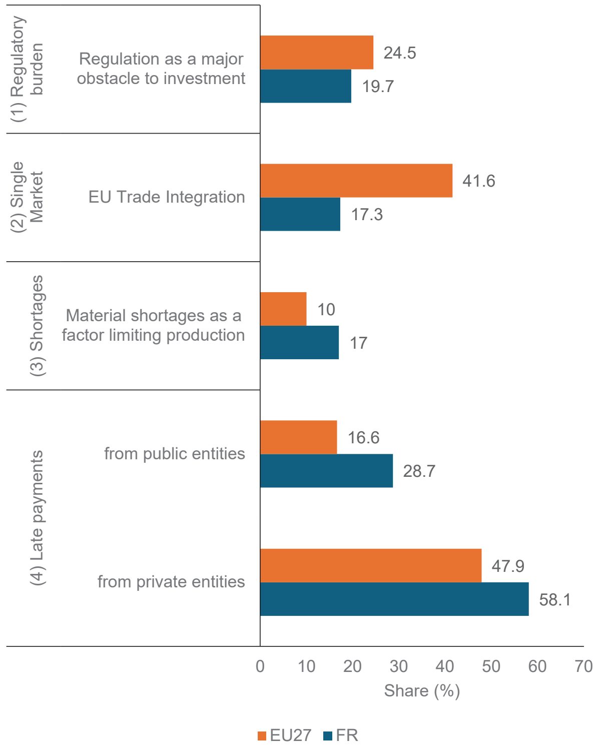
Access to finance is in line with the EU average, but more SMEs in France than in the rest of the EU experience late payments. Non-availability of finance is an obstacle to investment for 44% of French firms ([135]), just slightly below the EU average (45%) (see Annex 5).

([125]) Barometre Bpifrance Le Lab- Rexecode, 11/2024, based on interviews carried out in October 2024.
([126]) Banque de France, défaillances, nombre cumulé sur 12 mois.
([127]) A. Bozio, E. Wasmer, Les politiques d'exonérations de cotisations sociales : une inflexion nécessaire, 10/2024.
([128]) IFRAP, Prélèvements obligatoires : la France, lanterne rouge de l'Europe, 4/2024.
([129]) including taxes on individuals. This share of 4.5% is expected to decrease in 2024.
([130]) FIPECO, les impôts sur la production, 21/11/2024. Based on Eurostat.
([131]) European Investment Bank, EIB investment survey 2024, based on interviews carried out between April and July 2024.
([132]) Rexecode, La durée effective du travail en France et en Europe en 2023, 12/2024. Based on Eurostat data.
([133]) European Commission, Business and Consumer Survey.
([134]) European Commission, Business and Consumer Survey.
([135]) European Investment Bank, EIB investment survey 2024, based on interviews carried out between April and July 2024.

By contrast, France is now significantly above the EU average for late payments, which have increased since 2021 ([136]). In 2024, 58% of French SMEs experienced late payments from private customers (48% in the EU) and 28.7% from public customers (16.6% in the EU) ([137]). In addition, the average business-to-business payment delay increased in 2024 and is now 17.4 days (the EU average is 15.5 days) ([138]). Unlike business-to-business payments, the delay in payments made by public bodies to businesses is decreasing and is now below the EU average (14.3 days vs 15.2 days). However, delays in payments by public health bodies are increasing ([139]) and this is significantly impacting SMEs. In the absence of late payments, transfers to SMEs could amount to EUR 15 billion, with EUR 13 billion coming from large companies ([140]).

Fewer firms in France than in the rest of the EU think that transport and digital infrastructures are obstacles to investment. According to the EIB Investment Survey ([141]), 37% of France's businesses consider that transport infrastructure is an obstacle to investment (vs 45% in the EU) and 8.8% consider it a major obstacle (vs 13.4% in the EU, see Table A2.1). 39% think digital infrastructure is an obstacle (vs 41% in the EU). France has made considerable progress in digital infrastructure and especially in connectivity. Coverage of fibre to the premises (FTTP) increased substantially, by 8 percentage points to 81% in 2023 (vs 64% in the EU). FTTP coverage in rural areas also increased considerably to 65% (vs 53% in the EU). France's recovery and resilience plan (RRP) supports the 'France Très Haut Débit' plan to accelerate the deployment of fibre across the whole country to provide access to a network of more than 100 Mbit/s. As regards mobile networks, overall 5G coverage increased to 93% (above the EU average of 89%), and 5G coverage on the 3.4-3.8 GHz spectrum band ([142]) is 65% (above the EU average of 51%). Regarding the resilience of digital infrastructure, cybersecurity awareness in enterprises is increasing. The number of enterprises that experienced ICT security incidents leading to unavailability of ICT services due to attack from outside slightly increased in France, from 2.36% in 2022 to 2.73% in 2024. It remains below the EU average (3.43%). 93.20% of enterprises have deployed some ICT security measures (just above the EU average of 92.76%), but only 48.13% have made their employees aware of their obligations regarding issues related to ICT security – significantly below the EU average of 59.97%.

Graph A4.1: **Making Business Easier: selected indicators.**



Share of (1) enterprises, (2) average intra-EU exports and imports in GDP, (3) firms, (4) SMEs.
Sources: (1) EIB IS, (2) Eurostat, (3) ECFIN BCS, (4) SAFE survey.

([136])European Commission, European Payment Observatory, p. 55, 12/2024.
([137])European Commission and European Central Bank, 2024 SAFE survey – conducted in September/October 2024.
([138])Intrum, European payment report 2024.
([139])Banque de France, Rapport de l'observatoire des délais de paiements 2023, 6/2024.
([140])On the basis of balance sheet analysis data for 2022. Source : Banque de France, Rapport de l'observatoire des délais de paiements 2023, 6/2024.
([141])European Investment Bank, EIB investment survey 2024, based on interviews carried out between April and July 2024.
([142])The 3.4-3.8 GHz spectrum band is essential for enabling advanced applications requiring large spectrum bandwidth.

Regulatory and administrative barriers

Thanks to a range of reforms, France has improved its business environment, but many businesses still consider the complexity of administrative procedures to be a problem when doing business. France has adopted several laws since 2017 to increase interaction between unions and employers [143], facilitate relations with the tax authorities [144] and reduce administrative burden [145]. As part of its RRP, France has also adopted a law on the acceleration and simplification of public action (ASAP) [146]. These reforms are yielding positive results: in 2024, fewer firms than in the rest of the EU considered regulations a major obstacle to investing (19.7% vs 24.5% – see Graph A2.1) [147]. The OECD indicator on administrative and regulatory burden corroborates this finding that this burden is lower in France than in the OECD on average (1.16 in France vs 1.68 in the OECD in 2023) and much lower than in 2018 (when it was 1.88 in France vs 1.93 in the OECD) (see Annex 6.) But still, 84% of businesses consider the complexity of administrative procedures to be a problem for their company when doing business in France (vs. 66% in the EU) [148].

Business registrations have boomed in recent years, partly due to the success of the microentrepreneur regime. France had the largest increase in the number of business registrations in the EU between 2015 and 2023 (+87% vs +20% in the EU). One of the drivers of this boom has been the success of the microentrepreneur regime [149], whose growing popularity can be explained by the administrative and fiscal ease it offers. Overall, however, entrepreneurial framework conditions in France appear to be similar to those in comparable countries [150]. One of France's main weaknesses is the lack of entrepreneurship education at school (see Annex 3).

France has made tax compliance easier. For a business in France in 2019, the total average cost of tax compliance across direct and indirect taxes was almost 1.9% of its turnover, which was slightly below the EU aggregate median [151]. France has also strengthened cooperation between businesses and tax administrations. Under the ESSOC Law [152], a business is not penalised if it commits a mistake in its tax declaration for the first time and in good faith. Schemes have also been put in place to make life easier for businesses. These include personalised tax support for SMEs; tax partnerships with large and mid-cap companies; a regularisation procedure under inspection; and a tax compliance check (see Annex 2).

France would benefit from the swift adoption and implementation of the draft law on the simplification of economic life. At the end of 2023, France conducted an extensive consultation to gather simplification suggestions from SMEs and very small enterprises [153]. Following this consultation, the government presented a proposal for a law on the simplification of economic life [154]. The legislative proposal seeks to simplify administrative procedures, enhance trust between the administration and businesses, and streamline regulations. It aims to cut bureaucracy by strengthening the 'tell us once' principle, deleting or digitising a number of administrative processes, and favouring declarations over authorisations. The proposal is currently being examined by the French parliament. It is one of the reforms France has committed to carry out in its medium-term fiscal-structural plan to underpin an extension of the adjustment period. According to the

[143] Ordinances of 22 September 2017 to reinforce the social dialogue.
[144] Law of 10 August 2018 for a State at the service of a society of trust (ESSOC).
[145] Law of 22 May 2019 for the growth and transformation of businesses (Pacte).
[146] Law of 7 December 2020 for the acceleration and simplification of public action (ASAP).
[147] European Investment Bank, EIB Investment Survey 2024: European Union overview, p. 26.
[148] Businesses' attitudes towards corruption in the EU' Flash Report, Eurobarometer Report, fieldwork: April 2024.
[149] Bpifrance, focus- 10 ans de création d'entreprises en France.
[150] Global Entrepreneurship Monitor, GEM Global Report Ordinances of 22 September 2017 to reinforce the social dialogue 2023/2024.
[151] Tax compliance costs for SMEs, European Commission, 1/2022, p. 38.
[152] Law of 10 August 2018 for a State at the service of a society of trust.
[153] Make.org. Rapport final de consultation: Entrepreneuses, entrepreneurs : quelles mesures concrètes pour vous simplifier la vie ?, January 2024.
[154] Projet de loi de simplification de la vie économique (ECOM2409377L) – Dossiers législatifs – Légifrance, including the impact assessment, April 2024

commitment in that plan, the proposed law should enter into force in or by Q4 2025. France would benefit from a swift adoption of the law and its accompanying decrees.

The single market

SMEs are not fully exploiting the growth opportunities offered by the single market. France has the lowest integration rate into EU trade in the EU: intra-EU import and export volumes represented only 17.3% of GDP in 2024 (vs 41.6% on average in the EU) (see Table A.2.1). Intra-EU imports and exports are much lower than the EU average, both for goods and services. Several factors can explain this low integration rate: a lesser need for French businesses 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' scheme (155) to develop an export culture in businesses, promote French know-how, and focus on tomorrow's sectors and expanding overseas markets.

The conformity level of transposition of single market directives into national legislation and the efficiency with which breaches of EU law are handled under SOLVIT could be improved. France has a very good performance in terms of transposing single market directives into national law on time (ranking 5th out of the 27 Member States) (156), but it could do better in terms of transposing these directives correctly (ranking only 18th). In addition, the number of infringement proceedings is quite high : France had 29 cases vs 24 on average in the EU at the end of 2024 (ranking 18th). This number is however lower than before and lower than for Member States of comparable size. Concerning SOLVIT, France resolved 85.8% of the cases it handled in 2024 as the lead centre (the EU average was 84.9%). However, the handling time was very long, which suggests that the French SOLVIT centre has insufficient resources.

For several professions, regulatory barriers to entry and competition remain higher in France than in comparable countries. Around 250 professions are regulated in France, which is more than the EU median. According to the European Commission (157) and the OECD (158), regulatory barriers remain higher in France than in peer countries for accountants, architects and real estate agents. These barriers mostly take the form of shareholding and legal form requirements (159). According to the OECD, the level of the barriers to entry in service sectors was the same in early 2023 as it was in 2018. On 8 February 2023, France adopted an ordinance (160) to clarify and ensure the consistency of the provisions applicable for setting up professional companies. The objective is to boost the development of these companies and make liberal regulated professions more attractive. This ordinance came into force on 1 September 2024, but some by-laws still need to be adopted.

France has adopted stringent restrictions on the operation and establishment of retail shops since 2019. 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 (161). The high level of restrictions is also reflected in the OECD PMR indicator, where France is the 4th most restrictive EU Member State for retail. France adopted the EGalim 3 Law in March 2023 (162) and updated it in November 2023 (163). 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

(155) France Diplomatie, Lancement du Plan 'Osez l'export'.
(156) European Commission, the Single Market and Competitiveness Scoreboard, France, December 2024 data.

(157) European Commission, Communication on updating the reform recommendations for regulation in professional services, COM(2021)385, 9 July 2021.
(158) OECD, Product Market Regulation (PMR) indicators: How does France compare?, 2024.
(159) European Commission, Communication on updating the reform recommendations for regulation in professional services, COM(2021) 385, 9 July 2021.
(160) Ordonnance n° 2023-77 du 8 février 2023 relative à l'exercice en société des professions libérales réglementées.
(161) European Commission, Retail restrictiveness indicator (2022 update), 2024.
(162) Loi n° 2023-221 du 30 mars 2023 tendant à renforcer l'équilibre dans les relations commerciales entre fournisseurs et distributeurs.
(163) Loi n° 2023-1041 du 17 novembre 2023 portant mesures d'urgence pour lutter contre l'inflation concernant les produits de grande consommation.

comply with stricter purchasing conditions and additional formalities. They must also pay high fines if they breach the rules. In addition, the French authorities apply the EGalim laws to economic operators established in other Member States if the products purchased are destined for distribution on French territory. This may risk to prevent retailers from using single market freedoms and consumers from benefiting from competitive prices and a larger choice of products.

Public procurement

The level of competition in public procurement procedures is satisfactory, but there is still room for improvement. The share of direct awards is only around 2% ([164]), which is significantly below the EU average of 7% (see Table A.2.1). Also on the positive side, the share of single bids is largely below the EU median (22% vs 32%). However, according to the OECD ([165]), public procurement procedures in France are slightly less favourable to competition than those in the rest of the OECD. For instance, entry requirements are not proportional to a tender's value or complexity. However, France plans to facilitate businesses' digital access to public procurement procedures. The legislative proposal for the simplification of economic life would require all public procurement by the State, its public institutions, hospitals and social security institutions to be accessible on a single digital platform ('Place') by 2028.

France encourages sustainable procurement. France's 2022-2025 national plan for sustainable procurement targets the integration of sustainable, circular and socially responsible criteria into public procurement processes. It sets the objective of having 100% of the awarded contracts including an environmental consideration and 30% including a social consideration by 2025 ([166]). In 2023, 29.1% of the public procurement contracts above EUR 90,000 included an environmental clause and 18.7% included a social clause ([167]).

([164])European Commission, Public procurement data space (PPDS).

([165])OECD Product Market Regulation indicators: low-level indicators, barriers to trade facilitation and tariff barriers.

([166])See the relevant country self-reporting on the Commission's website here, p.34.

([167])Ministères économiques et financiers, Recensement économique de la commande publique, chiffres 2023.

Table A4.1: **Making Business Easier: indicators.**

France							
POLICY AREA	**INDICATOR NAME**	**2020**	**2021**	**2022**	**2023**	**2024**	**EU-27 average**
Investment climate							
Shortages	Material shortage, firms facing constraints, %[1]	15.5	31.3	42.6	26.5	17.0	10.0
	Labour shortage, firms facing constraints, %[1]	9.7	10.7	19.3	19.7	13.8	20.2
	Vacancy rate, vacant posts as a % of all available ones (vacant + occupied)[2]	2.0	2.6	3.3	3.0	2.5	2.3
Infrastructure	Transport infrastructure as an obstacle to investment, % of firms reporting it as a major obstacle[3]	3.5	8.1	11.4	13.7	8.8	13.4
	VHCN coverage, %[4]	-	63.4	73.4	81.4	-	78.8
	FTTP coverage, %[4]	-	63.4	73.4	81.4	-	64.0
	5G coverage, %[4]	-	74.4	88.8	93.2	-	89.3
Reduction of regulatory and administrative barriers							
Regulatory environment	Impact of regulation on long-term investment, % firms reporting business regulation as a major obstacle[3]	21.9	21.3	16.6	17.6	19.7	24.5
Late payments	Payment gap - corporates B2B, difference in days between offered and actual payment[5]	15.1	11.3	16.5	16.8	17.4	15.6
	Payment gap - public sector, difference in days between offered and actual payment[5]	13.0	8.7	22.7	18.5	14.3	15.1
	Share of SMEs experiencing late payments, %*[6] – from public or private entities in the last 6 months	43.9	43.5	47.3	57.3	-	-
	Share of SMEs experiencing late payments, %*[6] – from private entities in the previous or current quarter	-	-	-	-	58.1	47.9
	Share of SMEs experiencing late payments, %*[6] – from public entities in the previous or current quarter	-	-	-	-	28.7	16.6
Single Market							
Integration	EU trade integration, % (Average intra-EU imports + average intra EU exports)/GDP[2]	15.1	16.5	19.3	18.2	17.3	41.6
	EEA Services Trade Restrictiveness Index[7]	0.058	0.058	0.058	0.057	0.066	0.050
Compliance	Transposition deficit, % of all directives not transposed[8]	0.3	0.6	0.3	0.1	0.5	0.8
	Conformity deficit, % of all directives transposed incorrectly[8]	1.7	1.5	1.4	1.3	1.2	0.9
	SOLVIT, % resolution rate per country[8]	89.2	82.5	88.0	86.0	85.8	84.9
	Number of pending infringement proceedings[8]	39.0	39.0	36.0	31.0	29.0	24.4
Public procurement							
Competition and transparency in public procurement	Single bids, % of total contractors**[8]	18	19	22	23	22	-
	Direct awards, %**[8]	3	2	2	2	2	7.0

*Change in methodology in 2024: reporting late payments from public and private entities separately.
**The 2024 data on single bids is provisional and subject to revision. Please note that approximately 31% of the total data is currently missing, which may impact the accuracy and completeness of the information. Due to missing data, the EU average of direct awards data is calculated without Romania.
Sources: (1) ECFIN BCS, (2) Eurostat, (3) EIB IS, (4) Digital Decade Country reports, (5) Intrum Payment Report, (6) SAFE survey, (7) OECD, (8) up to 2023: Single Market and Competitiveness Scoreboard, 2024: Public procurement data space (PPDS).

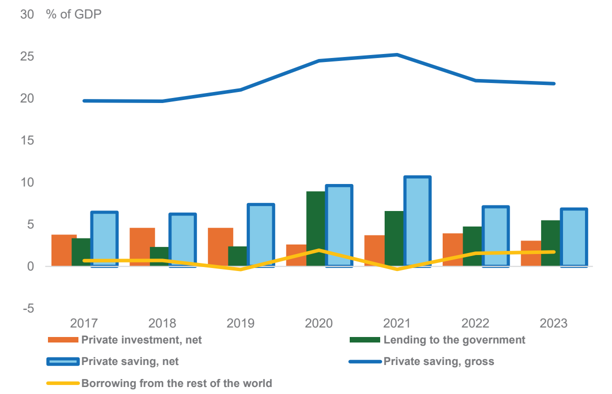
Higher inflation and interest rates have contributed to maintaining the French banking sector's profitability and solvency. While French non-financial corporations (NFCs) have suffered from the rise in interest rates on their loans, French banks continue to finance the economy on relatively attractive terms despite the rise in interest rates. Like in most Member States, households in France do not invest enough in financial assets and, more importantly, equity. The gap with US households is massive. This partly explains why France, like the EU in general, lags behind the US on access to finance, capital markets development, competitiveness, innovation, growth and geopolitical power. Encouraging the build-up of universal funded supplementary pension schemes would positively contribute to (i) the sustainability and adequacy of pension benefits; (ii) investment in equity; (iii) access to finance; (iv) growth; and (v) innovation.

Availability and use of domestic savings

The French private sector saves a bit less than it invests and lends to the government. In the last decade, the private savings ratio, net of fixed capital consumption, exhibited some volatility around its ten-year average of 7.6% of GDP. It steeply increased to 10.7% of GDP in 2021 before receding to 6.8% in 2023 (see Graph A5.1). The net private investment ratio, which measures the net contribution of the private sector to capital accumulation in the country, evolved quite differently. It fluctuated around its ten-year average of 3.7% of GDP, with a noticeable drop to 2.6% of GDP in 2020. At the same time, during the same period the government budget was in regular deficit that averaged 4.6% of GDP with a peak at 8.9% of GDP in 2020. Thus, the high positive balance between net domestic savings and net investment did not fully offset government deficits, which resulted in structural net borrowing by France from foreigners that averaged 0.7% of GDP, with a peak of 1.9% in 2020.

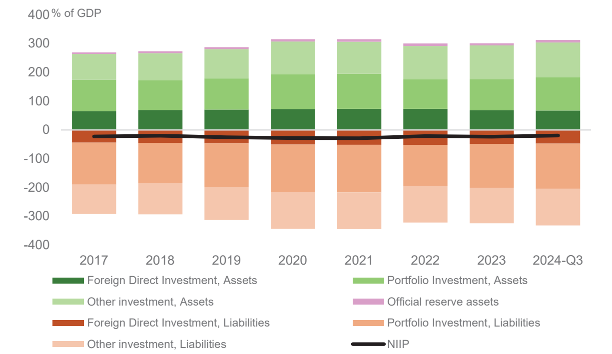
Consistent with its regular position of a net borrower from the rest of the world, the French economy exhibits a negative net international investment position. As of Q3 2024, total assets on foreigners reached 313% of GDP, while liabilities to foreigners stood at 332% of GDP, resulting in a net international investment position (NIIP) equivalent to -19% of GDP (see Graph A5.2). The net accumulated portfolio investments, which reached -40% of GDP as of Q3 2024, accounted for most of the (negative) NIIP, while net foreign direct investments, which represented 19% of GDP, helped reduce the NIIP deficit. Thus, while the French economy appears to be deeply integrated in international capital flows, including as a major provider of foreign direct investment, it remains nevertheless a net capital importer, notably by means of portfolio investments at home.

Graph A5.1: **Net savings-investment balance in France**



Source: AMECO.

Graph A5.2: **International investment position of France**



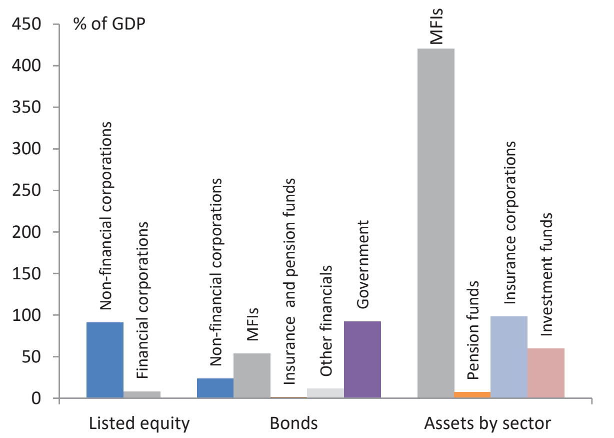
Source: ECB.

Structure of the capital markets and size of the financial sector

The French financial sector is well developed. The market capitalisation of listed equity reached 100% of GDP at end-2023 (vs 67% in the EU).

Characteristically, non-financial corporations accounted for more than 90% of that capitalisation, which reflects the extent to which the stock market in France is geared towards funding the non-financial segment of the real economy. The outstanding volume of debt securities reached 183% of GDP at end-2023, one of the highest in the EU. Bonds issued by the government accounted for 51% of the total. This reflects the significant weight of the gross public debt in the bond market.

Graph A5.3: **Capital markets and financial intermediaries in France**



Source: ECB, EIOPA, AMECO.

Even though the financial sector in France remains dominated by banks, non-bank financial intermediaries are very much developed as well. The French banking sector is particularly large. Banks' assets represented 424% of GDP in December 2023 (vs 257% in the EU), which is the second highest in the EU after Luxembourg. The sector employed 566 people per 100,000 inhabitants (vs 477 in the EU) at the end of 2023. The network of bank branches providing access to banking services and cash is among the densest in Europe (one bank branch for 2,049 inhabitants in 2022 versus 3,484 in the EU), even if it is progressively decreasing. The French banking sector is mostly made 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 94.6% in December 2023. Most banks are privately owned, the only significant state-controlled bank being La Banque Postale, the sixth largest bank of the country. The insurance sector, with total assets of almost 99% of GDP at end-2023, dominates non-bank intermediation. Its relatively large size is due to the popularity of life insurance in France. The pension funds' assets are much smaller: they only represent 8% of GDP (vs 23% in the EU). Investment funds represent a significant share of 60% of GDP, above the EU median.

Resilience of the banking sector

In an environment of higher inflation and interest rates, the French banking sector's profitability and solvency have remained relatively stable. With annualised return-on-equity of 5.9% in 2023 and 7.1% in 2024, (vs 10.0% in the EU), profitability has remained relatively stable but significantly lower than elsewhere in the EU. This is due to: (i) the high interest rate on the so-called Livret A savings products offered to retail investors; (ii) the predominance of fixed-rate loans on the asset side; and (iii) the worst cost-to-income ratio within the EU (67.4% in 2023 vs 52.6% in the EU). Despite the difficult macroeconomic environment, the capital adequacy ratio of French banks has remained broadly stable over the years and reached 19.4% in September 2024 (vs 20.1% in the EU). The average Minimum Requirement for own funds and Eligible Liabilities (MREL) level of French banks stood at 32.9% of Total Risk Exposure Amount (TREA) in December 2023, down from 33.2% of TREA in June 2023. Against an average MREL binding target (including combined buffer requirements, CBR) as of 1 January 2024 of 25.8% TREA, no bank presented a MREL shortfall. Credit quality remains relatively strong, with the non-performing loan ratio (2.1% in September 2024 vs 1.9% in the EU) slightly up from its all-time low of 1.8% observed from March 2022 to March 2023. This good credit quality is partly due to the predominance of fixed-rated loans on the asset side. Banks have ample liquidity, even though funding from the ECB dropped significantly (as it did elsewhere in the euro area) from a record high of 5.6% in June 2021 to reach 0.5% in May 2024 due to banks repaying their funding under the ECB's targeted longer-term refinancing operations. The loan-to-deposit ratio slightly decreased to 99.4% by September 2024 (vs 95.5% in the EU), signalling a slight excess of deposits over loans.

French banks have faced a particular challenge on the funding side of their balance sheet. Unlike their peers in most other Member States, French banks have no control on the interest rates applied to regulated savings products like the Livret A, the interest rates of which are laid down by law and closely follow changes in inflation and interbank interest rates. The interest rate on the Livret A (and other regulated savings accounts) increased from 2% to 3% on 1 February 2023, before falling back to 2.4% on 1 February 2025. The relatively small spread between interest rates for deposits and interest rates for lending, partly due to competition between banks on the mortgage market, combined with the faster repricing of deposits than loans, has put banks' margins under pressure.

French non-financial corporations (NFCs) have suffered from the rise in interest rates on their loans. French NFCs are on average more indebted than their European peers, which makes them more vulnerable to any significant and persistent increase in interest rates, even though this vulnerability is partly offset by high cash levels and a substantial share of fixed-rate loans, although individual situations are highly heterogeneous. The NFC non-performing loan ratio has gradually increased from a record low of 3.3% in Q3-2022 to 3.9% in Q3-2024 (vs 3.5% in the EU). Corporate bankruptcies have been on the rise since 2022 (more details in Sections 2 and 3 of the country report). Some large corporations, like Casino, Bourbon, Latécoère, Orpea and Atos, have entered restructuring agreements with their creditors to preserve their solvency. This could ultimately result in some credit losses for the banks and a further tightening of financing conditions. In this context, the High Council for Financial Stability (HCSF) replaced in August 2023 the 'large exposures' measure with a new 3% sector-specific systemic risk capital buffer. This new sector-specific buffer applies to the exposures of systemically important French banks to heavily indebted large French companies where such exposures exceed 5% of tier 1 capital. This new measure is considerably milder than the previous 'large exposures' measure and aims at avoiding an abrupt credit constraint for overindebted large corporations in breach of the leverage thresholds.

While the correction in the residential real estate market appears to be nearing its end, the commercial real estate sector continues to weaken. The decline in interest rates, which began in June 2024, has led to a rebound in new housing loans and a gradual stabilization of residential real estate prices in the second quarter of 2024, as households' purchasing power has increased. Macroprudential standards and the structural characteristics of household credit also help limit the risks to financial stability posed by this sector. Meanwhile, the commercial real estate market continues to contract due to a combination of structural and cyclical factors, though the French financial system's exposure to these assets remains moderate.

Finally, structural risks like cyber and climate change threats continue to present a considerable challenge to all financial institutions. Climate risks continue to increase and become harder for financial institutions to manage. According to the Banque de France, financial supervisors are therefore paying increased attention to assessing and monitoring the transition and physical risks associated with climate change, notably through stress tests. Furthermore, regulatory requirements in terms of climate risk management and extra-financial disclosures are being strengthened. The financial system also remains exposed to an extremely elevated risk of cyberattacks. The threat of cyberattacks is exacerbated by geopolitical tensions, while artificial intelligence developments could make these attacks more sophisticated and harder to mitigate.

Resilience of the non-bank financial intermediaries

Insurers' solvency has remained stable. Insurers' solvency ratio has slightly increased from 250% in 2023 to 247% in Q3-2024 (vs 247% in the EU). The rise in interest rates has benefitted life insurers' solvency and profitability. The long period of low interest rates that prevailed until 2022 reduced the return that life insurers could offer to their policyholders, since bonds made about 60% of their assets. Higher interest rates have allowed insurers to reinvest their maturing assets into bonds yielding a higher return. As a consequence, the average return on life insurers' assets increased from 2% in 2022 to 2.2% in 2023, ending the almost continuous decline observed since at least 2015. Thanks in part to the higher return on their assets, insurers have been able to steeply increase the return rate offered on their life insurance contracts from 1.3% in 2021 to 1.9% in 2022 and finally 2.6% in 2023. To finance this, insurers also started using up a part of the profit sharing provision that had been constituted during the low interest rate period. This reserve therefore dropped from 5.4% of technical provisions in 2022 to 4.5% in 2023.

Life insurance has benefited since 2024 from large inflows. To offset the low attractiveness of traditional life contracts with guaranteed interest rate during the period of low interest rate, insurers had favoured the underwriting of unit-linked contracts, which present more attractive returns but where the market risk is borne by the policyholders. As a result, life insurance growth has been essentially supported since 2019 by the unit-linked portfolio, while the contracts with guaranteed interest rate have recorded continuous outflows. When inflation and interest rates started rising, some households chose to surrender their life insurance contracts, either to finance a house purchase, or to invest the proceeds into comparable, safe assets with a higher return, like deposits. However, this trend has significantly weakened in 2024. As a result, net inflows have risen sharply compared to 2023, driven by a combination of increased gross inflows and a decline on surrenders on traditional life contracts. Life insurance inflows continue to benefit from household savings flows, which remain above their pre-Covid levels.

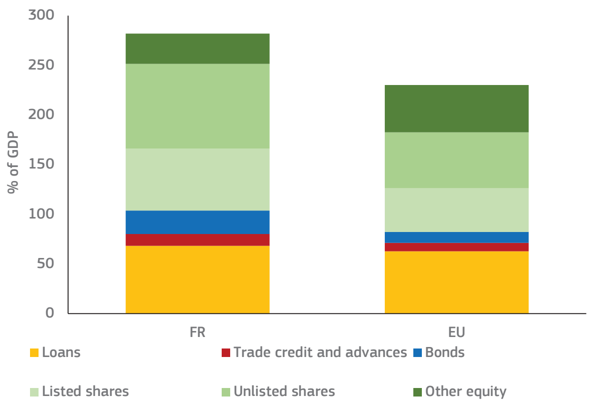
Non-life insurance profitability has improved. In 2022, inflation and more frequent natural catastrophes raised the cost of claims in important lines of business like motor third-party liability insurance and fire insurance. 2023 and especially 2024 turned out to be better years for profitability with a combined ratio declining from 100% in 2022 to 99% in 2023 and finally 96% in Q3-2024. However, the inflation experienced over the last two years as well as climate change might have long-term consequences for policies where premiums are not revised annually, like in construction insurance, general liability insurance or income protection insurance.

Climate change remains one of the main risks for non-life insurers. In 2023, the costs of claims due to natural catastrophes increased by 36%, while premiums only increased by 6%, leading to a steep deterioration of the combined ratio to 193%, exceeding the 144% of 2020 (droughts and floods) and approaching the level of 2017 (hurricane Irma). However, the evolution of the profit after reinsurance is less volatile since a significant part of the claims are absorbed by reinsurers. In France, the reinsurance of natural catastrophes is supported by a public-private partnership that benefits from a state guarantee. In both 2022 and 2023, the French reinsurance scheme has been loss-making, which is likely to cause an increase in future reinsurance premiums.

Sources of business funding and the role of banks

Firms in France rely less than the EU average on funding from banks and more than the EU average on funding from capital markets. More specifically, at the end of 2023 bank finance through loans constituted 24.2% (vs 27.2% in the EU) of all funding sources for French non-financial corporations (NFCs), while listed shares and bonds represented 30.5% (vs 23.8% in the EU) of all funding sources. When expressed in terms of GDP, the overall level of NFC funding was higher in France (282.1% of GDP) than in the EU (230.3%), see Graph A5.4.

Graph A5.4: **Composition of NFC funding as % of GDP**



(1) Reference period 2023
Source: Eurostat

French businesses depend less on internal financing than their European peers, but also more on intragroup financing. According to the 2024 EIB Investment Survey, 58% of investment needs of French firms are covered by internal funding, compared to an EU average of 66%. At the same time, 79% of French firms believe that their investment activities over the last three years were about the right amount, in line with the EU average (80%). This suggests that there is no material financing gap relative to investment demand. However, this may not be the case for firms with no or limited capacity for internal funding, such as innovative start-up firms (see further below).

The banking sector plays an important role in financing the economy. The French banking sector is particularly large and made up of big, domestic and private universal banking groups. In an environment of higher inflation and interest rates, the solvency of banks has remained relatively stable, but their profitability has been average (see Table 1). French banks have faced a particular challenge on the funding side of their balance sheet, since they have no control over the interest rates applied to regulated savings like the Livret A. Due to the rise in interest rates, some large corporations, like Casino, Bourbon, Latécoère, Orpea and Atos, have entered restructuring agreements with their creditors (mainly banks) to preserve their solvency. This could ultimately result in some credit losses for the banks and a possible tightening of financing conditions.

French banks continue to finance the economy on relatively attractive terms despite the rise in interest rates. Due to the rise in interest rates, year-on-year household credit growth in France has plunged from its peak of 6.0% in June 2022 (vs 4.5% in the euro area) to 0.3% in January 2025 (vs 1.3% in the euro area). Lending to non-financial corporations followed a similar pattern and dropped from its peak of 9.3% (vs 8.3% in the euro area) in October 2022 to 2.7% in January 2025 (vs 1.4% in the euro area). Interest rates on new loans to SMEs have soared to levels unseen since the global financial crisis. They soared from 1.23% (vs 1.40% in the euro area) in March 2022 to 4.92% in November 2023 before receding to 4.06% in January 2025 (vs 4.12% in the euro area) but remain among the lowest in the EU. Interest rates on new loans to households for house purchases at floating rates have also increased significantly from 1.11% in December 2021 (vs 1.32% in the euro area) to 3.60% in December 2023 before receding to 3.12% (vs 3.14% in the euro area) in January 2025, but they also remain among the lowest in the EU.

Banks reported a slight tightening of credit standards for NFC loans and a significant loosening of credit standards for housing loans in Q2-2024. In the July 2024 Bank Lending Survey, French banks indicated that their credit standards for non-financial corporate loans had slightly tightened in the second quarter of 2024. Banks also reported a significant loosening of credit standards for housing loans in the second quarter of 2024, about four times stronger than the euro area average. Firms' net demand for corporate loans continued to fall in Q2-2024 for the sixth quarter in a row. The demand for housing loans stabilised in Q2-2024 after eight consecutive quarters of sharp and continuous declines.

Capital markets and the participation of retail investors

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 (99.6% of GDP in 2023) when compared with the EU average (67.1% of GDP), but much lower than the US (170.4%). The market breadth of French bond markets exceeds the EU average (2.1 vs 1.5) and the bid-ask spread on equity markets is lower than the EU average (1.3 vs 1.6). The use of equity by SMEs is relatively high, as 16.4% of SMEs indicated in the 2023 SAFE survey that equity was relevant for them, compared to an EU average of 10.1% ([168]). SME initial public offerings (IPOs) are in line with the EU average (0.01% of GDP).

France has adopted or plans to adopt several measures to strengthen the attractiveness of its capital markets. These measures should improve innovative firms' access to listing, by introducing multiple-vote share structures, and facilitate the use of capital increase operations. Other measures will digitalise trade finance operations and shareholder meetings. However, current political instability, the dire fiscal situation and a possible future increase in taxes on corporate income and on high personal income may reduce the attractiveness of the French

([168])Data and surveys - SAFE - European Commission, 2023, Results by country, T27.

financial marketplace for institutions and investors.

French households do not invest enough in financial assets and, more importantly, equity. French households' financial assets were equivalent to only 224.8% of GDP in 2023, slightly more than the EU average (209.4%), but much less than the US (435%) ([169]). Moreover, assets invested in equity were equivalent to only 95% of GDP, below the EU average (118%) and three times lower than the US (334%). French households invest relatively little in investment funds and shares, while allocating a significant portion to life insurance. However, the assets in traditional life insurance are mostly bonds, which generate lower returns compared to equity investments.

Fostering investment in equity could be attained through supplementary fully-funded pension schemes. The pay-as-you-go nature of the public pension system means that only the supplementary private schemes invest, among others, in high-return assets like equity. However, the supplementary private schemes are not universal and accumulated rights often remain limited for those covered. As a result, they only contribute to a moderate extent to the total pension income and do not fully foster the development of capital markets. Encouraging the build-up of universal funded supplementary pension schemes, in addition to the prevailing pay-as-you go system, would positively contribute to fostering investment in equity while enhancing growth and innovation. The reform of the French retirement savings plan (PER) under the PACTE law in 2019 represented a step in this direction, promoting broader access to funded pension schemes through tax incentives and product simplification, although its scope and uptake could still be strengthened to fully realize its potential.

The role of domestic institutional investors

The investment portfolio of French insurers is mostly composed of bond holdings. The French insurance sector, which is large by EU standards (99.3% of assets-to-GDP vs an EU average of 55.3%), invested 41.2% of its assets in bonds in Q2-2024 (on average, insurers in the European Economic Area invest 36.9% of their assets in bonds) ([170]). Government bonds (with domestic government bonds at 59%) represented 19.0% of the total asset portfolio (vs 18.9% for insurers in the EEA), corporate bonds 22.2% (vs 18.0% for insurers in the EEA), equity 14.4% (vs 15.9% for insurers in the EEA), investment funds 32.4% (vs 35.4% for insurers in the EEA), cash and deposits 3.3% (vs 3.7% for insurers in the EEA), and mortgage and loans 2.1% (vs 3.9% for insurers in the EEA).

The domestic pension fund industry has an even more conservative investment profile than French insurers, with a greater focus on bonds and in particular government bonds. The assets of French pension funds were equivalent to 7.6% of GDP at the end of 2023 and bonds accounted for 50.3% of these pension funds' assets (bonds on average account for only 35.2% of pension fund assets in the EEA). Investment funds accounted for 35.1% of the assets (vs 37.9% in the EEA), government bonds 27.9% (vs 22.8% in the EEA), corporate bonds 22.4% (vs 12.4% in the EEA), equity 6.3% (vs 19.4% in the EEA) and cash and deposits 3.3% (vs 4.5% in the EEA).

The participation of domestic institutional investors in providing funding for start-ups and venture capital investors is relatively low. A 2024 paper by the think tank 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, a figure that falls substantially short of the 19% in the Baltic states or +20% shares for Nordic Member States ([171]). Given the size of the French insurance sector, there could be still further potential for boosting insurers' investments in venture capital, where France can build on its successful Tibi initiative (named after the economist Philippe Tibi). Since 2019, the Tibi initiative has been encouraging institutional

([169])US figures for 2022.

([170])Source: EIOPA Insurance Statistics.

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

investors to invest in the most innovative technology companies.

The depth of available venture and growth capital

The domestic venture and growth capital market is more developed and better able to meet the financing needs of innovative firms than the EU average. The average value of annual private equity investment relative to nominal GDP went up to 0.91% in the three-year period 2021-2023 from 0.64% in the five-year period 2015-2020, above the equivalent EU average (0.6%). And the average value of annual venture capital investment relative to nominal GDP growth went up to 0.09% in the three-year period 2021-2023 from 0.05% in the five-year period 2015-2020, also above the equivalent EU average (0.08%). Given the relatively sizeable venture capital (VC) and private equity (PE) activity in France, there does not seem to be any significant financing gap for early-stage innovative firms, although there is potential for further increasing VC and PE activity in France.

There are 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 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 support companies that meet the priorities of the French government's innovation strategy, and to offer them the most comprehensive range of services possible: combining all the levers of the state, in France and abroad, mobilising the French Tech ecosystem and public and private buyers, and carrying out promotional activities.

Financing the green transition

Both banks and capital markets play an important role in financing the green transition. In general, French banks seem to make more effort than their global (and especially US) peers to support sustainable investment. The main French banks joined the Net-Zero Banking Alliance (NZBA) launched in April 2021 by the UN Environment Programme Finance Initiative. Members of the Alliance committed to phasing out GHG emissions from their lending and investment portfolios, in order to align with pathways to net-zero by 2050 or sooner. French banks' sustainable loans reached EUR 337 bn in 2023 (up from EUR 76 bn in 2020 and EUR 216 bn in 2022). Their exposure to coal has stabilised at a very low level (0.02% of their total assets in 2023), while loans to the oil industry ecreased from EUR 78 bn in 2022 to EUR 66 bn in 2023, i.e. 0.73% of total assets. On the capital markets, the issuance of bonds with environmental, social, and governance objectives as a share of total bond issuance remained around 15%, close to its three-year average and in line with that of most of its EU peers ([172]). The share of green bonds in the total bonds outstanding gradually increased over time to reach 3.9% in 2023, in line with the EA average of 4.0%.

Financial literacy

The level of financial literacy among the French public is average, despite initiatives to promote financial education. Financial literacy is crucial to promote retail-investor participation in capital markets but also to familiarise SMEs with alternatives to bank financing. In France, financial literacy has been increasingly integrated into the educational curriculum, particularly in middle schools. Since 2016, the country has adopted a national strategy for economic, fiscal, and financial education (EDUCFI), with the Banque de France designated as the national operator responsible for its implementation. A key initiative under this strategy is the 'EDUCFI Passport', introduced to raise

([172])Source: AFME CMU Key Performance Indicators, Seventh Edition, November 2024.

Table A5.1: **Financial indicators**

		2017	2018	2019	2020	2021	2022	2023	2024-Q3	EU
Banking sector	**Total assets of MFIs (% of GDP)**	368.8	374.1	383.2	452.5	441.0	433.5	420.8	413.7	248.4
	Common Equity Tier 1 ratio	14.2	14.5	15.2	16.0	16.2	15.8	16.2	15.9	16.6
	Total capital adequacy ratio	17.8	18.0	18.6	19.5	19.7	19.4	19.6	19.4	20.1
	Overall NPL ratio (% of all loans)	3.1	2.7	2.5	2.2	1.9	1.8	1.9	2.1	1.9
	NPL (% loans to NFC-Non financial corporations)	5.1	4.4	3.9	3.9	3.5	3.4	3.6	3.9	3.5
	NPL (% loans to HH-Households)	3.6	3.2	2.9	2.6	2.3	2.1	2.1	2.2	2.2
	NPL-Non performing loans coverage ratio	50.4	50.3	49.9	49.0	49.4	46.7	43.9	43.5	42.1
	Return on Equity[1]	6.4	6.5	6.0	4.1	7.1	6.1	5.9	7.1	10.0
	Loans to NFCs (% of GDP)	42.1	43.3	43.7	51.8	49.5	50.1	47.9	46.5	30.0
	Loans to HHs (% of GDP)	58.0	59.4	61.0	67.0	65.2	64.5	61.3	59.1	44.5
	NFC credit annual % growth	6.4	6.4	5.6	13.5	3.8	8.2	2.2	2.4	0.8
	HH credit annual % growth	6.0	5.6	6.3	4.8	5.6	5.2	1.3	0.1	0.7
Non-banks sector	**Stock market capitalisation (% of GDP)**	91.1	80.7	96.8	100.5	116.3	96.8	99.7	97.4	69.3
	Initial public offerings (% of GDP)	0.36	0.12	0.30	0.05	0.69	0.06	0.01	-	0.05
	Market funding ratio	59.1	58.2	57.8	56.1	56.0	54.0	53.2	-	49.6
	Private equity (% of GDP)	0.61	0.72	0.63	0.73	1.06	0.94	0.74	-	0.41
	Venture capital (% of GDP)	0.04	0.05	0.07	0.06	0.10	0.12	0.06	-	0.05
	Financial literacy (composite)	-	-	-	-	-	-	45.0	-	45.5
	Bonds (as % of HH financial assets)	1.0	0.8	0.7	0.6	0.6	0.6	0.7	-	2.7
	Listed shares (as % of HH financial assets)	4.7	4.2	4.8	4.7	5.2	4.8	5.0	-	4.8
	Investment funds (as % of HH financial assets)	6.0	5.2	5.2	4.9	4.8	5.7	5.7	-	10.0
	Insurance/pension funds (as % of HH financial assets)	40.0	39.9	39.6	38.8	36.5	33.6	33.3	-	27.8
	Total assets of all insurers (% of GDP)	116.9	114.0	119.4	127.7	120.9	100.4	98.6	99.3	54.8
	Pension funds assets (% of GDP)	-	-	-	-	-	7.6	7.6	7.6	23.4

1-3	4-10	11-17	18-24	25-27	Colours indicate performance ranking among 27 EU Member States.

(1) Annualised data
Credit growth and pension funds EU data refer to the EA average
Source: ECB, ESTAT, EIOPA, DG FISMA CMU Dashboard, AMECO

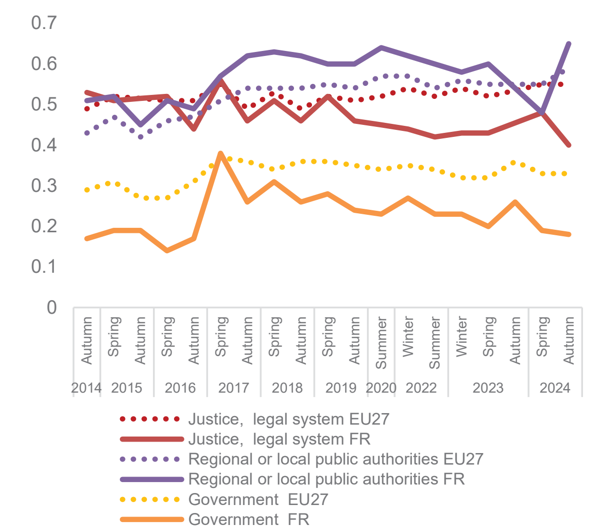
awareness among middle school pupils about budgeting and financial matters. As of 2024, this programme has been extended to approximately 750 000 13/14-year-old pupils. Despite these initiatives, financial literacy remains average. The 2023 Eurobarometer survey ([173]) shows that only 17% of French people have a high level of financial literacy, 64% have a medium level, and the remaining 18% have a low level, compared to the EU average of 18% with a high level of literacy, 64% with a medium level, and 18% with a low level. This gives an overall financial literacy indicator of 45.0 vs an EU average of 45.5.

([173])Source: Monitoring the level of financial literacy in the EU - July 2023 - Eurobarometer survey.

France's institutional framework influences its competitiveness. France has made efforts to increase technical expertise in its public administration. However, further work is needed to address the problems of complex administrative procedures and fast-changing legislation cited as a hindrance for business. Despite progress in digitalising public services, including the launch of an app for eID authentication, France is still performing slightly below the EU average in this area. Challenges persist in increasing the attractiveness of the public sector as an employer. The efficiency of the justice system also faces challenges.

Public perceptions

Graph A6.1: **Trust in justice, regional / local authorities and in government**



(1) EU27 from 2019; EU28 before
Source: Standard Eurobarometer surveys

Trust in government and justice is below the EU average and has deteriorated further (Graph A6.1). Trust in regional and local administrations however has increased. When asked about improvements that can increase trust in France's public administration, 48% of citizens pointed to more transparency about decisions and the use of public money (EU: 44%), 41% to less bureaucracy (EU: 52%) and 43% to streamlined interaction between citizens and administration (EU 28%) ([174]). The perceived quality of public administration has deteriorated in most regions, although it remains overall above the EU average ([175]).

Quality of legislation and regulatory simplification

Performance in developing and evaluating legislation is above the EU average. It is stronger for ex post evaluation of legislation than for public consultation and ex-ante impact assessments. However, there is room for improving the oversight and quality controls on ex post evaluation of legislation. There is also scope for strengthening the requirements governing the transparency and systematic adoption of public consultations of both primary and secondary legislation (Graph A6.2), as well as to further strengthen the mechanisms for simplifying regulation (table A6.1). While public consultations are not mandatory, effort has been made to involve civil society in green transition policies. In 2023, France launched a broad series of regional conferences with relevant public bodies, business associations andnon-government organisations ([176]) to identify ways to meet climate objectives. Low technical expertise at municipal level was identified as a key obstacle to green transition efforts ([177]).

France has made efforts to increase technical expertise in its public administration. A new state in-house consulting agency was established as the primary partner and in-house consultant for state administrations and operators regarding public transformation projects. This has reduced consultancy spending by two-thirds in the past two years ([178]).

([174]) Understanding Europeans' views on reform needs - April 2023 - - Eurobarometer survey. Country Fact Sheet.

([175]) Inforegio - European Quality of Government Index

([176]) https://agence-cohesion-territoires.gouv.fr/sites/default/files/2023-10/circulaire-n-6420-SG-du-29-septembre-2023---territorialisation-planification-Yocologique.pdf

([177]) https://agence-cohesion-territoires.gouv.fr/sites/default/files/2020-09/En%20détail%20Synthese%20TE%20%26%20VM_mai%202019.pdf

([178]) https://www.transformation.gouv.fr/files/presse/cp-renfort-competences-agence-conseil-interne.pdf

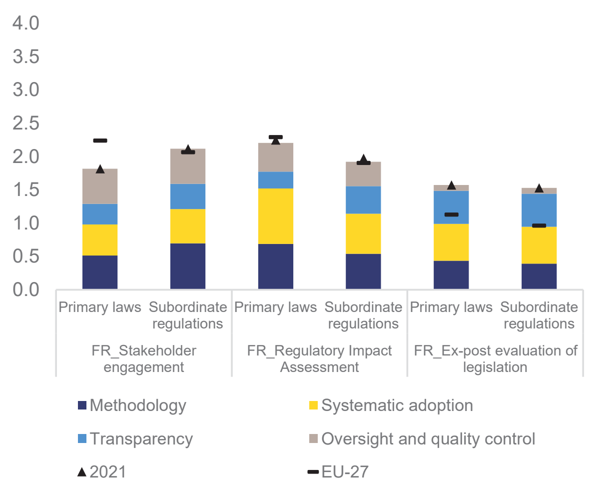
Table A6.1: **France. Selected indicators on administrative burden reduction and simplification**

When developing new legislation, regulators are required to …	**Ex ante impact assessment of legislation**		**Ex post evaluation of legislation**	
	Identify and assess the impacts of the baseline or 'do nothing' option.	◐	Is required to consider the consistency of regulations and address areas of duplication.	◐
	Identify and assess the impacts of alternative non-regulatory options.	◐	Is required to contain an assessment of administrative burdens.	●
	Quantify administrative burdens of new regulations.	◐	Is required to contain an assessment of substantive compliance costs.	◐
	Quantify substantial costs of compliance of new regulations.	◕	Compares the impact of the existing regulation to alternative options.	○
	Assess macroeconomic costs of new regulations.	◕	Periodic ex post evaluation of existing regulations is mandatory.	○
	Assess the level of compliance.	○	Government uses stock-flow linkage rules when introducing new regulations (e.g., one-in one-out).	○
	Identify and assess potential enforcement mechanisms.	○	A standing body has published an in-depth review of specific regulatory areas in the last 3 years.	●
			In the last 5 years, public stocktakes have invited businesses and citizens to assess the effectiveness, efficiency, and burdens of legislation.	●

● Yes / For all primary laws ◕ For major primary laws ◐ For some primary laws ○ No / Never

(1) This table presents a subset of iREG indicators focusing on regulatory costs. The indicators refer to primary legislation.
Source: OECD (2025), Regulatory Policy Outlook 2025 [https://doi.org/10.1787/56b60e39-en] and Better Regulation across the European Union 2025 (forthcoming).

Graph A6.2: **Indicators of Regulatory Policy and Governance (iREG)**



Source: OECD (2025), Regulatory Policy Outlook 2025 and Better Regulation across the European Union 2025 (forthcoming).

Social dialogue

France has a well-established social dialogue tradition, but meaningful participation of social partners in shaping and implementing reforms and policies is essential. France has a strong framework for consultation of social partners, with clear procedures and structures on multiple levels. However, there are concerns about the effectiveness and timeliness of these consultations, especially during times of crisis. Social partners have regularly voiced their lack of adequate involvement in important reforms such as the pension system reform in 2023, as well as the lack of timely consultation in the process, which limits their ability to influence policy decisions.([179])

Efficiency of selected administrative procedures

The OECD product market regulation indicators show that France's licensing system is less burdensome than the EU-27 average. However, it could still be further aligned with best practices. For example, although the government keeps an up-to-date online inventory of all permits and licences required/issued to

([179]) For an analysis of the involvement of France's social partners at national level in the European Semester and the Recovery and Resilience Facility, see Eurofound (2025), National-level social governance of the European Semester and the Recovery and Resilience Facility.

Table A6.2: **Key Digital Decade targets monitored through the Digital Economy and Society Index**

		France			EU-27	Digital Decade target by 2030
		2022	2023	2024	2024	EU-27
Digitalisation of public services						
1	**Digital public services for citizens**	**69**	**71**	**72**	**79**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030
2	**Digital public services for businesses**	**80**	**79**	**79**	**85**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030
3	**Access to e-health records**	**na**	**54**	**79**	**79**	**100**
	Score (0 to 100)	2021	2022	2023	2023	2030

Source: State of the Digital Decade report 2024

businesses by public bodies, there is no requirement for the government to regularly review it and assess whether such licences and permits are still required or should be withdrawn (see also Annex 4). Furthermore, according to a report monitoring the implementation of the Commission recommendation and guidance on speeding up permit-granting procedures for renewable energy and related infrastructure projects [180] there is scope for further aligning national practices in France with the guidance to support faster and shorter procedures for the licensing of renewable energy projects.

Digital public services

France has scope to improve its digital public services for citizens (72.1) and businesses (79.3), which currently score below the EU average (Table A6.2). Nevertheless, 90.8% of French internet users engage with e-government services, surpassing the EU average of 75.0%. To respond to strong public interest in digital services, the government is focusing on simplification plans and increased digital maturity to transition from simple digitalisation to data-driven user-friendly services and rights access.

France has made considerable progress in terms of access to e-health records in recent years. It achieved an overall e-health maturity score of 79.3 in 2023, up from 54.5 in 2022[181], which shows solid progression. Flagship projects in the national recovery and resilience plan are related to health records and the electronic health data space. France could further improve its e-health maturity score by introducing a functionality for authorised access to e-health records on behalf of others.

The country has made progress in rolling out eID cards and applications. In 2024 France launched 'France identité', an app for eID authentication and digital ID services, as part of its RRP. However, France has not yet set up and notified eID schemes for legal persons under the eIDAS Regulation[182]. This means that French businesses cannot authenticate themselves to access public services provided by other Member States, including those enabled by the Once-Only Technical System[183], part of the EU Single Digital Gateway.

France is developing the necessary infrastructure towards seamless, automated exchange of authentic documents and data across the EU. There are still additional steps to

[180] European Commission: Directorate-General for Energy, *Monitoring the implementation of the Commission recommendation and guidance on speeding up permit-granting procedures for renewable energy and related infrastructure projects – Final report*, Publications Office of the European Union, 2025, link

[181] European Commission. Digital Decade 2024: Country reports

[182] European Commission, eIDAS Dashboard.

[183] European Commission, The Once Only Principle System: A breakthrough for the EU's Digital Single Market

be taken for France to become technically ready to connect to the Once-Only Technical System (([184])).

Civil service

The attractiveness of public administration as an employer has continued to decline. In 2022, the number of available posts increased. However, the number of new recruits joining the state civil service decreased, with 15% of all vacancies remaining unfilled. This marked a historic low. This fall in attractiveness has resulted in very high outsourcing rates in certain fields (over 60% in fields such as digital technology ([185]). Combined with a rapidly ageing public sector workforce (42% of public administration employees are over 49 years of age([186])), there are risks to the capacity of the public administration in France.

Civil servants in France pursue adult learning (FR: 18.6; EU-27: 18.9). In 2024, the government launched a comprehensive training initiative for senior civil servants in the area of green transition ([187]). The proportion of women in senior civil service posts increased to 36.8% in 2024 but remains below the EU-27 average([188]). Women occupy fewer posts than men in the A+ category, i.e. senior management and executive roles, accounting for only 2% of posts in this category.

Integrity

Companies consider corruption to be significant and a problem when doing business, while there are concerns regarding anti-corruption resources in the judiciary. In France, 62% of companies consider that corruption is widespread (EU average 64%), while 42% consider that corruption is a problem when doing business (EU average 36%) ([189]). Moreover, 36% of companies believe that people and businesses caught for bribing a senior official are appropriately punished (EU average 31%) ([190]). Significant results continue to be achieved in the prosecution and adjudication of corruption cases, although concerns exist in relation to resources, including to carry out training and retain specialised investigators ([191]). Some shortcomings also persist regarding the investigation and prosecution of foreign bribery, including corporate liability and alternative criminal measures for companies (CJIPs) ([192]).

Combating corruption in public procurement is one of the priorities for the prosecution authorities, considering that it is an area with a high risk of corruption.([193]) 34% of companies (EU average 27%) think that corruption has prevented them from winning a public tender or a public procurement contract in practice in the last three years ([194]). Following concerns raised on large public contracts, a draft law on the use of consulting companies for public policies was presented at the Parliament, where it remains pending ([195]).

Like most Member States, France has implemented a public register for lobbyists, while two relevant associated draft laws presented in the second half of 2023 are currently still pending in parliament ([196]). Moreover, although guidelines on the register of lobbyists have entered into force, concerns remain regarding top-ranking officials disclosing lobbying meetings, and regarding types of lobbying activities and lobbyists.

([184])European Commission, Once-Only Technical System Acceleratormeter

([185])https://www.economie.gouv.fr/files/files/directions_services/cge/filiere-numerique-Etat.pdf?v=1698671547

([186])Eurostat, 2025, European Union Labour Force Survey.

([187])https://fte-transition-ecologique.fr/2024/05/22/le-cnrs-a-linsp-integrer-la-transition-ecologique-dans-la-formation-des-hauts-fonctionnaires-de-demain/

([188])European Institute for Gender Equality, 2024. link

([189])Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

([190])Ibid.

([191])See the 2024 country-specific chapter for France of the Rule of Law Report, pp. 10-11.

([192])Ibid.,, p. 11, with further references, and Implementing the OECD Anti-Bribery Convention Phase 4 Report: France.

([193])Ibid., p. 16.

([194])Flash Eurobarometer 543 on businesses' attitudes towards corruption in the EU (2024).

([195])See the 2024 country-specific chapter for France of the Rule of Law Report, p. 16.

([196])Ibid., pp. 13-14.

Justice

The efficiency of the justice system continues to face challenges. The disposition time in civil and commercial cases at first instance had decreased between 2021 (495 days) and 2022 (333 days). However, it increased in 2023 (354 days). Compared to 2021, the disposition time in administrative cases increased in 2023 (322 days in 2023 compared to 299 days in 2021). The quality of the justice system is considered to be good overall. The lack of staff does remain a challenge. However, a law was adopted in 2023 providing for additional posts in the judiciary every year until 2027. The level of digitalisation could be improved although investments are being made to address this. As regards judicial independence, no systemic deficiencies have been reported ([197]).

([197])For more detailed analysis of the performance of the justice system in France, see the upcoming 2025 EU Justice Scoreboard and the 2024 Rule of Law Report.

Despite the adoption of measures to support investment in clean industry and climate mitigation, France still faces significant challenges. France has strong capabilities in low carbon technologies, but still struggles with a lack of skills and with administrative bottlenecks for permitting clean industry projects. The country is heavily reliant on imports for critical raw materials and has recycling rates below EU averages, indicating a need for further improvement in securing supply chains and enhancing recycling practices. Although France has made progress in decarbonising its industry, emissions intensity remains high in some sectors, and additional climate policies are needed to meet greenhouse gas reduction targets. Furthermore, France's circular economy and waste management practices lag behind EU averages, and there is an investment gap that needs to be addressed to meet circular economy and improve pollution prevention needs, especially concerning water.

Strategic autonomy and technology for the green transition

France has a strong manufacturing base in low carbon technologies and components, including nuclear, wind, grid, and solar technologies ([198]), as well as batteries, while it is a growing player for electrolysers. French companies are among the largest European manufacturers of nuclear equipment, nuclear technologies and smart meters. France has also a strong manufacturing base in battery and storage technologies (specifically lithium-ion electric vehicle batteries), with a manufacturing capacity of 14.5–16.0 GWh/y (6-7% of total EU capacity). Major new French players are emerging, with megafactory projects expected to produce 115 GWh of cells in the long term to meet the extensive needs of the automotive sector ([199]). For wind technology, France is the fourth EU player ([200]), behind Germany, Denmark and Spain, representing 8 to 9% of EU capacity and with a manufacturing capacity of approximately 2.5 GW for nacelles, around 1.7–1.8 GW for towers, and 3.3-3.5 GW for blades ([201]). For solar photovoltaic technology, France has a capacity between 1.7 GW and 2.6 GW (9-13% of EU capacity), primarily in modules and with marginal shares for cells (0.1-0.15 GW) and wafers (0.2 GW) ([202]). For heat pumps, it has the third largest presence in the EU with at least 16 firms, but far behind Italy and Germany ([203]). Last, France represents 1-3% of EU capacity in the value chains of electrolysis and fuel cells technologies used to produce hydrogen.

France supports the development of net zero industry, but the lack of skills may be an obstacle. France provides direct support for the development of clean technologies through several programmes: (i) for batteries, large-scale projects are developed, notably through Important Projects of Common European Interest; (ii) France’s recovery and resilience plan includes large investments for hydrogen; (iii) ‘France 2030’, a EUR 54 billion investment plan, targets French industrial development in key sectors, including EUR 8 billion for energy technology investment in the decarbonisation of industry, in hydrogen and in small modular reactors. In addition to direct support, France has set up a EUR 2.9 bn tax credit scheme for investment in clean tech industries. However, a potential obstacle to business investment in clean industry is the lack of skills, despite the support under France 2030 to training and (re)skilling programmes, particularly in the electric vehicle batteries sector ([204]).

France is speeding up permitting for clean industry. In October 2023, France adopted a law

([198])France’s three largest industrial Net-Zero sectors by value are wind power, with a production amounting to EUR 5.7 billion (6% of total EU production), EUR 2.6 billion (4% of EU production) for grid technologies, and EUR 1.4 billion (2% of EU production) for solar energy. In EC, The net-zero manufacturing industry landscape across the Member States, *1/2025*

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

([200])EC, Net zero technologies monitoring dashboard.

([201])EC, The net-zero manufacturing industry landscape across the Member States, 1/2025.

([202])Idem

([203])Bruegel, European clean tech tracker, update: 14/7/2024.

([204])France, appel à manifestations d’interêt « compétences et métiers d’avenir, 5/2023.

for green industry. The law aims to speed up the permitting procedures for the construction of factories; 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 July 2024 ([205]) that made it possible to conduct the permit-granting process in parallel with public consultations. While permitting has improved following the adoption of the law and its implementing decrees, administrative capacity remains a potential bottleneck.

Critical raw materials

France depends on imports for many of the critical raw materials needed for the development of the net zero industry. France is among the top three EU producers of silicon metal, tantalum and nickel ([206]). However, a significant number of critical raw materials are not produced in France ([207]). In 2023, the main critical raw materials imported by France from non-EU countries, in terms of trade values, were coking coal (Australia, United States), aluminium (Russian Federation, Norway, Switzerland), and copper (Chile) ([208]). France's import concentration is around the EU average ([209]) and could be improved by a further diversification of France's sources of supply of critical raw materials.

France adopted a national strategy which supports projects to secure its supply of critical raw materials. Following the recommendations of the 2022 Varin report, France adopted a national strategy to secure the supply of critical raw materials. Under this strategy, France has (i) enhanced the monitoring of supply chains and their short-term resilience; (ii) developed partnerships with countries rich in raw materials; and (iii) provided financial support for the extraction, processing and recycling of critical raw materials. This support is provided in particular through the France 2030 investment plan, under which EUR 1 billion has been allocated to a number of projects targeting critical raw materials ([210]).

The recycling of raw materials could be further improved. The recycling rate for e-waste, a key source of critical raw material, stood at 77% in 2022, below the EU average of 81%. The reuse and recycling rate for end-of-life vehicles, at 88%, was around the EU average. This points to the need to avoid the leakage of critical raw materials, especially as the car industry shifts to electric vehicles. Dedicated funding has been allocated to this issue through various instruments ([211]), in particular under the France 2030 investment plan. Many measures promoting reuse or increased recycling of critical raw materials are implemented through extended producer responsibility schemes.

Climate mitigation

Industry decarbonisation

In France, the greenhouse gas emissions intensity of manufacturing is low and falling, but industry still accounts for almost a fifth of total emissions. In 2023, 18% of France's total greenhouse gas emissions came from the manufacturing sector, a share that has remained stable in recent years, just below the EU average of 22 % ([212]). In 2022, industrial production emitted 310 g CO2eq of greenhouse gases per euro of gross value added (GVA), somewhat above

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

([206])EC, Raw material Information System, country profile France. Nickel is produced in New Caldeonia and is mainly exported to Asian countries.

([207])France, Mineralinfo.

([208])EC, Raw material Information System, country profile France.

([209])The import concentration index measures how much a country relies on a limited number of sources for a basket of critical raw materials. Source: COMEXT.

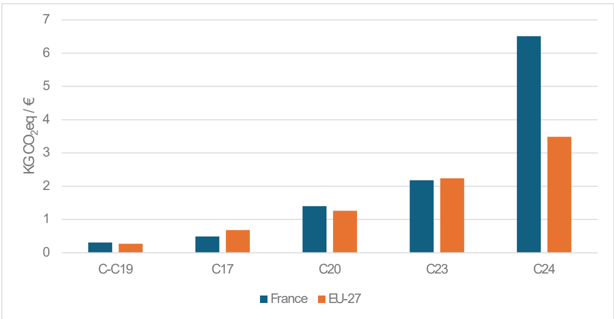
([210])France, Ministère de l'écomie, Trésor-eco n°351, Les minerais dans la transition énergétique, encadré N°2, 10/2024.

([211])PEPR Recyclage | CNRS

([212])In 2023. Manufacturing includes all divisions of the "C" section of the NACE Rev. 2 statistical classification of economic activities. In the remainder of this section, unless indicated otherwise, data on manufacturing refer to the divisions of the NACE section C excluding division C19 (manufacture of coke and refined petroleum products), and the year 2022. The source of all data in this section is Eurostat; data following the UNFCCC Common Reporting Framework (CRF) are from the European Environment Agency (EEA), republished by Eurostat.

the EU average of 270 g/€. Since 2017, the greenhouse emissions intensity of France's industry has decreased by 15 %, less than the EU average of 19 %. The shares of France's manufacturing industry emissions coming from energy and non-energy-related sources in 2023 (the latter of which primarily relate to industrial processes), are balanced at 51% and 49%, while in the EU overall, energy-related emissions dominate with 57%.

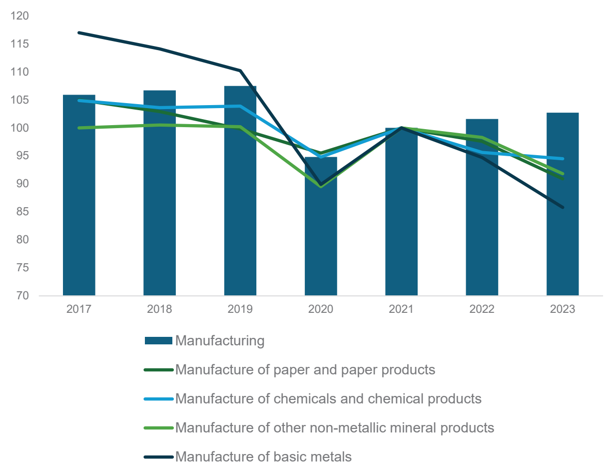
Graph A7.1: **GHG emission intensity of manufacturing and energy-intensive sectors, 2022**



Source: Eurostat.

The greenhouse gas emissions intensity of manufacturing in France is low for energy use, but above the EU average for industry processes and product use ([213]). With 115 g CO2eq per euro of GVA in 2022, the energy-related emissions intensity of manufacturing in France was about 86% of the EU average despite some convergence between 2017 and 2022, when it decreased by 10% in France but 16 % in the EU overall. For industrial processes and product use, the emissions intensity of manufacturing in France was 11% higher in 2022 than the EU average, despite a steeper decline between 2017 and 2022, by 26%, compared to the EU decrease of 23 %. The share of electricity and renewables in final energy consumption of manufacturing in France increased only slightly between 2017 and 2022, from 42.5% to 44.3%. The energy intensity of manufacturing in France too saw only a slight improvement, decreasing by 7% from 1.3 GWh per euro of GVA to 1.2 GWh/€.

Graph A7.2: **Manufacturing industry production: total and selected sectors, index (2021 = 100), 2017-2023**



Source: Eurostat.

Energy-intensive industries face challenges. Energy-intensive industries ([214]) account for 12% of France's total manufacturing GVA in 2022, 5 percentage points above the EU average. Among these sectors, the manufacture of basic metals had a high greenhouse emission intensity of production, with 6.5 kg CO2eq/€ of GVA, above the EU value overall of 3.5 kg/€, ranking France third highest in the EU in this regard. Business electricity prices have risen sharply (by 57% in 2023) ([215]) and are now in line with the EU level (see Annex 8 the Affordable Energy Transition). Business gas prices have also continued to rise (by 11% in 2023) ([216]) and are above the EU average, putting increased pressure on energy-intensive industries. Production in the energy-intensive industries has

([213])For the GHG emissions intensity of GVA related to energy use and industrial processes and product use respectively, GHG emissions are from inventory data in line with the UNFCCC Common Reporting Format (CRF), notably referring to the source sectors CRF1.A.2 – fuel combustion in manufacturing industries and construction and CRF2 – industrial processes and product use. The CRF1.A.2 data broadly correspond to the NACE C and E sectors, excluding C-19. GVA data (in the denominator for both intensities) are aligned with this sectoral coverage. Therefore, they are not fully consistent with the data referred to in other part of this section.

([214])Notably, the manufacture of paper and paper products (NACE division C17), of chemicals and chemical products (C20), "other" non-metallic mineral products (C23; this division includes manufacturing activities related to a single substance of mineral origin, such as glass, ceramic products, tiles, and cement and plaster), and basic metals (C24). To date, these industries are energy-intensive – i.e. consuming much energy both on site and/or in the form of purchased electricity – and greenhouse gas emissions intensive, in various combinations.

([215])Excluding VAT. Ministère de la Transition Écologique et de la Cohésion des territoires, juillet 2024, *Prix de l'électricité en France et dans l'UE en 2023.*

([216])Excluding VAT. Ministère de la Transition Écologique et de la Cohésion des territoires, juillet 2024, *Prix du gaz naturel en France et dans l'UE en 2023.*

declined since 2021, with production of cement, ceramics, glass and lime (16% decrease) and basic metals (13% decrease) shrinking the most ([217]).

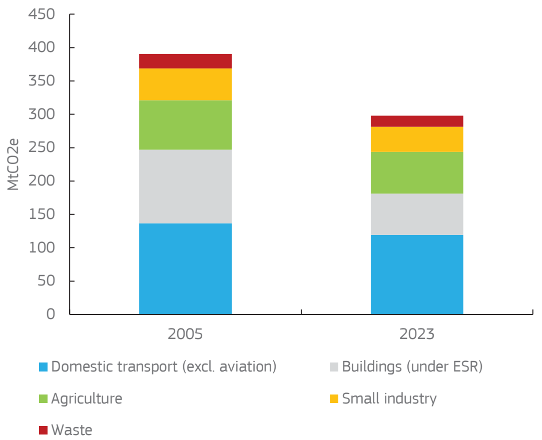
France has a comprehensive policy framework to decarbonise industry. The draft national low carbon strategy (SNBC 3) sets an objective of 46% reduction of industrial emissions by 2030 (compared to 2015), up from 35% in the SNBC 2. France has launched several funding mechanisms to support the development and deployment of green technologies. For example, the France 2030 plan aims to accelerate innovation in areas like hydrogen, carbon capture and storage, and energy efficiency technologies (see above). Under the plan, EUR 4.5 bn is allocated to industrial decarbonisation for 2022-2026. In November 2023, the government also signed decarbonation roadmaps with 50 of the main industrial emitters in the country including steel, cement or chemicals production plants. The goal is to reduce emissions by 45% in these sites by 2030.

Reduction of emissions in the effort sharing sectors

To attain its 2030 target for the effort sharing sectors, France needs to specify further climate mitigation policies and swiftly adopt and implement the planned measures ([218]). GHG emissions from France's effort sharing sectors in 2023 are expected to have been 25.7% below those of 2005, which is falling significantly short of its effort sharing target of a 47.5% reduction. By 2030, current policies are projected to reduce them by 24.4% relative to 2005 levels; additional policies considered in France's final updated national energy and climate plan are projected to achieve reductions of a further 22 percentage points, leaving a shortfall of 1.1 percentage points against the target ([219]). While France could reach its target by using domestic flexibilities available under the Effort Sharing Regulation, swift and steady adoption of the full set of measures will be critical given the large gap between current and additional measures.

There is scope to further decrease emissions from road transport and buildings. Between 2005 and 2023, greenhouse gas emissions from road transport decreased by 13% in France, while they decreased by 5% in the EU overall. From buildings, they decreased by 44%, more than the 33% seen in the EU overall. At the same time, the reduction of GHG emissions in these sectors appears to have experienced a worrying slowdown most recently, deviating from the trajectories defined in France's national low-carbon strategy (draft SNBC 3) ([220]). If perpetuated, this could undermine France's ability to meet its 2030 effort sharing target.

Graph A7.3: **Greenhouse gas emissions in the effort sharing sectors, 2005 and 2023**



Source: European Environment Agency

Sustainable industry

Circular economy transition

([217])Source: Eurostat.

([218])The national greenhouse gas emission reduction target is set out in Regulation (EU) 2023/857 (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).

([219])The emissions from effort sharing sectors for 2023 are based on approximated inventory data. The final data will be established in 2027 after a comprehensive review. Projections on the impact of current policies ("with existing measures", WEM) and additional policies ("with additional measures", WAM) as per France's final updated national energy and climate plan.

([220])According to Citepa, the organisation in charge to establish France's GHG emissions inventories, GHG emissions from road transport decreased by 0.8% year-on-year in 2024, following an annual decrease of 3% in the previous year. For building, in 2024 GHG emissions reductions amounted to 1.1% year on year, following a 6.5% decline in the previous year. Baromètre du Citepa : première estimation des émissions sur l'ensemble de l'année 2024 - Citepa.

Despite some positive trends and initiatives, there is room for accelerating France's circular transition. Standing at 17.6% in 2023, France's circular material use rate has been slightly but steadily increasing over the last four years (from 16.2% in 2020), staying above the EU average of 11.8%. France's resource productivity has been constantly higher than the EU average. The country generated EUR 3.71 per kg of material consumed in 2023 compared to the EU average of EUR 2.22. France is also amongst the top countries for the uptake of EU Ecolabel ([221]). Meeting the packaging reuse targets set by the Anti-Waste law (5% in 2025, 10% in 2027) ([222]), however, remains difficult.

Waste management remains a challenge, and France is at risk of not meeting EU targets. The rate of municipal waste generation has remained static over recent years, at 535 kg per capita in 2022, above the EU average of 513 kg per capita. The recycling rate for municipal waste increased slightly from 36% in 2010 to 41 % in 2022 but remained below the EU average of 49 % in the same year. France is at risk of not reaching the 2025 target of 55% reuse and recycling of municipal waste. The recycling rate of plastic packaging specifically stood at 26% in 2022, well below the EU average of 41% and the 2025 target of 65%. The incineration rate in France remained static and stood at 31% in 2022. Between 2010 and 2022, the landfilling rate decreased from 29% to 23%.

Current investment in the circular transition has been insufficient. France's investment needs for the circular economy and waste amount to EUR 26.4 billion per year. Most of this, around EUR 23.6 billion per year, is needed for circular economy measures in the mobility, food and built environment systems. A further EUR 2.9 million is needed for waste management. Current circular economy investments across the economy reach around EUR 19.6 billion per year in France, with a further EUR 2.2 billion provided for waste management. That leaves an annual investment gap of EUR 4.6 billion ([223]).

Zero pollution industry

Air quality in some parts of France continues to give cause for concern. Despite the decrease in several air pollutants since 2005, available annual estimates (for 2022) by the European Environment Agency([224]) attribute 20 700 deaths each year (or 214 200 years of life lost (YLL)) to fine particulate matter ($PM_{2.5}$); 5 000 deaths each year (or 51 300 YLL) to nitrogen dioxide (NO_2); and 9 000 deaths each year (or 94 100 YLL) to ozone. Exceedances above the limit values set by the Ambient Air Quality Directive were registered for NO_2 in three air quality zones ([225]) and for PM_{10} in two air quality zones ([226]). The last exceedances were confirmed by the EU Court of Justice ([227]). According to reporting under the National Emission Reduction Directive, France is projecting to meet its commitments for 2030.

Water pollution is also of concern. France has the sixth highest amount of emissions of heavy metals to water, and is in 14th position for emission intensity (below the EU average intensity of 0.864 kg / billion EUR GVA). The main contributors to emissions to water in France are the chemical sector for heavy metals, nitrogen and total organic carbon; the pulp and paper industry for phosphorus; and the metal production and processing sector for polycyclic aromatic hydrocarbons (PAHs).

Current investment in pollution prevention is insufficient. In pollution prevention and control, France's investment needs are estimated at EUR 13.2 billion per year (including baseline investments) for the 2021-2027 period. Most of this, EUR 9.8 billion is needed for air pollution control. The current investment levels reach an

([221])European Commission, EU Ecolabel facts and figures, Link.

([222])La librairie ADEME, *Bilan annuel du réemploi des emballages: données 2023*, Link.

([223])European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

([224])EEA, 2024, *Harm to human health from air pollution in Europe: burden of disease status, 2024*, Link.

([225])ZAG Paris, ZAG Montpellier, and ZAG Lyon.

([226])ZR Mayotte and ZAG Marseille-Aix.

([227])Judgment of 28 April 2022, European Commission v French Republic, C-286/21, C:2022:319.

estimated EUR 5.2 billion per year, leaving an annual investment gap of EUR 8 billion ([228]).

([228]) European Commission, DG Environment, *Environmental investment needs & gaps assessment programme*, 2025 update. Expressed in 2022 prices.

Table A7.1: **Key clean industry and climate mitigation indicators: France**

Strategic autonomy and technology for the green transition			France						EU-27	
Net zero industry										
Operational manufacturing capacity 2023										
- Solar PV (c: cell, w: wafer, m: module), MW	100-150 (c), 200 (w), 400-2250 (m)			- Electrolyzer, MW		60-160				
- Wind (b: blade, t: turbine, n: nacelle), MW	3300-3500 (b), 2400-2500 (n), 1700-185(			- battery, MWh		14500-16000				
Automotive industry transformation	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Motorisation rate (passenger cars per 1000 inhabitants), %	569	568	569	568	571	570	578	↗	539	561
New zero-emission vehicles, electricity motor, %	1.18	1.43	1.93	6.64	9.69	13.14	16.49	↗	1.03	8.96
Critical raw materials	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Material import dependency, %		38.6	37.5	36.7	36.0	37.6	35.3	↘	24.2	22.6
Climate mitigation				France				Trend	EU-27	
Industry decarbonisation	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2017**	**2022**
GHG emissions intensity of manufacturing production, kg/€	0.36	0.35	0.33	0.32	0.33	0.31	0.27	↘	0.34	0.27
Share of energy-related emissions in industrial GHG emissions	52.0	53.8	52.5	51.6	50.3	49.5	48.8	↘	44.8	42.5
Energy-related GHG emissions intensity of manufacturing and construction, kg/€	127.6	125.8	119.5	119.4	121.4	115.1	-	↘	158.4	132.9
Share of electricity and renewables in final energy consumption in manufacturing, %	42.5	42.6	42.8	43.5	42.4	44.4	46.1	↗	43.3	44.2
Energy intensity of manufacturing, GWh/€	1.31	1.30	1.25	1.26	1.25	1.21	1.10	↘	1.29	1.09
Share of energy-intensive industries in manufacturing production						12.0				7.3
GHG emissions intensity of production in sector [...], kg/€										
- paper and paper products (NACE C-17)	0.49	0.51	0.48	0.46	0.50	0.49	-	-	0.73	0.68
- chemicals and chemical products (NACE C20)	1.26	1.21	1.11	1.14	1.43	1.40	1.29	-	1.25	1.26
- other non-metallic mineral products (NACE C23)	2.12	2.19	2.19	2.30	2.19	2.18	-	-	2.53	2.24
- basic metals (NACE C24)	4.03	4.89	4.39	3.55	6.58	6.51	-	-	2.79	3.49
Reduction of effort sharing emissions		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2023**
GHG emission reductions relative to base year, %					-20.2	-23.7	-25.7			
- domestic road transport		-7.9	-8.4	-22.2	-12.5	-9.9	-12.8	↘	1.4	5.2
- buildings		-28.2	-30.3	-32.4	-30.0	-40.7	-43.9	↘	21.4	32.9
	2005				**2021**	**2022**	**2023**	**Target**	**WEM**	**WAM**
Effort sharing: GHG emissions, Mt; target, gap, %	401.1				320.2	306.2	297.8	-47.5	-23.1	-1.1
Sustainable industry				France				Trend	EU-27	
Circular economy transition		**2018**	**2019**	**2020**	**2021**	**2022**	**2023**		**2018**	**2021**
Material footprint, tonnes per person		14.3	14.3	13.0	14.2	13.9	13.5	↘	14.7	15.0
Circular material use rate, %		19.5	17.1	16.2	15.9	17.5	17.6	↗	11.6	11.1
Resource productivity, €/kg		3.0	3.0	3.2	3.1	3.5	3.7	↘	2.1	2.3
Zero pollution industry										
Years of life lost due to PM2.5, per 100,000 inhabitants		387	312	251	314	500	-	↗	702	571
Air pollution damage cost intensity, per thousand € of GVA					25.8					27.5
Water pollution intensity, kg weighted by human factors per bn € GVA						0.6				0.9

Source: **Net zero industry:** European Commission: The net-zero manufacturing industry landscape across Member States: final report, 2025. **Automotive industry transformation:** Eurostat. **Critical raw materials:** Eurostat. **Climate mitigation:** See footnotes in the "climate mitigation" section; reduction of effort sharing emissions: EEA greenhouse gases data viewer; European Commission, Climate Action Progress Report, 2024. **Sustainable industry:** Years of life lost due to PM2.5: Eurostat and EEA, Harm to human health from air pollution in Europe: burden of disease status, 2024. Air pollution damage: EEA, EU large industry air pollution damage costs intensity, 2024. Emissions covered: As, benzene, Cd, Cr, Hg, NH3, Ni, NMVOC, NOX, Pb, dioxins, PM10, PAH, SOX. Water pollution intensity: EEA, EU large industry water pollution intensity, 2024. Releases into water covered from cadmium, lead, mercury, nickel. Other indicators: Eurostat.

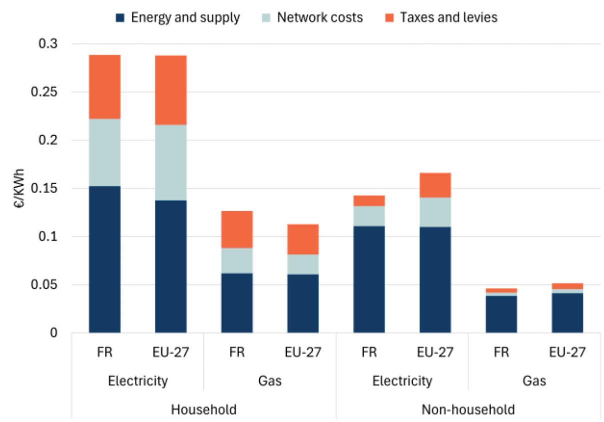
This annex outlines the progress made and the ongoing challenges faced in enhancing energy competitiveness and affordability, while advancing the transition to net zero. It examines the measures and targets proposed in the final update to the French national energy and climate plan (NECP) for 2030.

France is making progress in its clean energy transition, by reaching 95% of low-carbon electricity production, with nuclear (68%) and renewables, and by reducing coal use, with a complete phase-out planned for 2027. However, France did not meet its renewable energy target for 2020 ([229]) and has not established one for 2030 in its final updated NECP, though it has set ambitious low-carbon emissions targets. Increasing the deployment of renewables and storage could boost investment, create jobs, and develop a strong market for clean technologies, while reducing the cost of energy. Continued reinforcement of the announced national electricity grid will, with greater flexibility, foster the reindustrialisation, decarbonisation and electrification.

France recorded an increase in retail energy prices in 2024 compared to the previous year for household consumers while they decreased for non-household and generally remain close to EU averages. Between 2023 and 2024, household prices increased 18.4% for electricity and 14.8% for gas. In opposition, non-households' prices decreased of 34.1% for electricity and 24.5% for gas. Below-EU-average non-household prices are largely driven by lower network costs and a reduced burden of taxes and levies compared to the EU average, with for example taxes and levies on electricity only representing 7.8% of the total price, compared to the EU average of 15.4%.

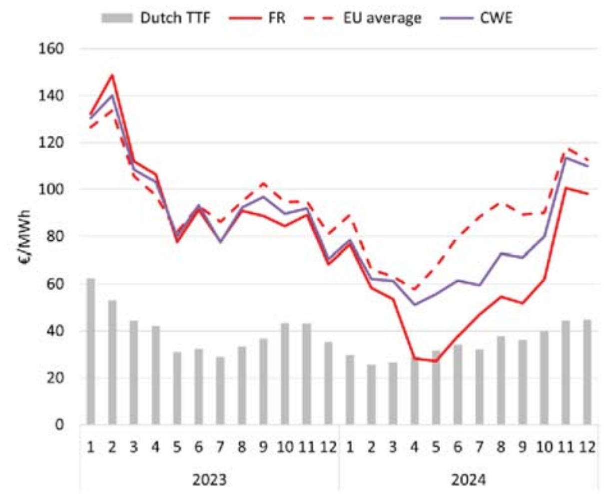
Energy prices and costs

Graph A8.1: **Retail energy price components for household and non-household consumers, 2024**



(i) For household consumers, consumption band is DC for electricity and D2 for gas. Taxes and levies are shown including VAT.
(ii) For non-household consumers, consumption band is ID for electricity and I4 for gas. Taxes and levies are shown excluding VAT and recoverable charges, as these are typically recovered by businesses.
Source: Eurostat

Graph A8.2: **Monthly average day-ahead wholesale electricity prices and European benchmark natural gas prices (Dutch TTF)**



(i) the Title Transfer Facility (TTF) is a virtual trading point for natural gas in the Netherlands. It serves as the primary benchmark for European natural gas prices.
(ii) CWE gives average prices in the central-western European market (Belgium, France, Germany, Luxembourg, the Netherlands and Austria).
Source: S&P Platts and ENTSO-E

([229])Gross final energy consumption (Statistics | Eurostat). In 2023, with a share of 22.3 % of renewable energy in its gross final energy consumption, France was still below its 2020 binding renewable energy target of 23%.

Flexibility and electricity grids

In most cases, the French network complied with the EU's 70% minimum available cross-border trade capacity obligation ([230]). France is part of the Core ([231]), Italy North ([232]) and South-West Europe ([233]) capacity calculation regions (CCRs), which harmonise methods for calculating and allocating transmission capacity to reduce bottlenecks and enhance cross-zonal capacity. France's borders have not been subject to any derogation under the 70% minimum margin capacity since 2022 ([234]).

France's electricity interconnection level was 5.6% in 2024, slightly decreasing as renewable energy growth surpasses interconnector development. Although France's electricity system is interconnected with six of its neighbouring countries ([235]), its cross-border electricity interconnection level is currently below the 15% target for 2030. The implementation of planned interconnectors and adjusting generation capacity will contribute to meeting that target. New cross-border electricity projects are in progress ([236]), though some are facing delays ([237]). The Trans-Pyrenean electricity interconnection projects were omitted from the French Network Development Plan's (NDP) reference scenario, despite having the status of Projects of Common Interest (PCIs) ([238]). Increasing interconnection capacity is crucial to better integrate renewable energy production and enhance flexibility and market integration (especially with the Iberian Peninsula, bearing in mind that internal reinforcements may also be necessary in some cases).

The hydrogen South-West Corridor was on the PCI/PMI list and the individual components were granted PCI status in 2023. This transnational initiative (involving Germany, Spain, France and Portugal) to interconnect the H2 networks from the Iberian Peninsula to north-western Europe could be completed by 2030-2034 according to its promoters.

The general permitting process for infrastructure projects remains complex. There have been improvements and innovations, such as the streamlining of environmental authorisations, the setup of a digital platform and reforms to public participation. However, these may not necessarily extend to all types of energy projects (for instance, they may be limited to renewable energy generation).

The rise in renewables curtailment and negative prices occurrences in 2023 and 2024 signal constraints on the electricity grids and the need for enhanced demand side flexibility. The curtailment of renewable energy amounted to a cost of EUR 2.2 million in 2023, which corresponded to 509 GWh (i.e. 0.7% of electricity production) ([239]). In February 2025, the French electricity TSO announced investments worth EUR 100 billion in electricity grids by 2040 ([240]).

Limited flexibility in the French system may drive the need for network investment and increase consumer costs, but flexibility initiatives could create potential for off-peak demand management. In 2024, France counts with 5.7 GW of hydro pumped storage operational capacity and 255 MW of batteries, but it has only 9 MW of thermal storage installed ([241]). France reports in the final updated NECP that it has an objective of developing flexibility at the levels of 25 GW and 35 GW in 2030 and 2035

([230]) https://www.cre.fr/fileadmin/Documents/Rapports_et_etudes/import/Rapport_mise_en_oeuvre_70_Mai2022_en.pdf

([231]) Core is the CCR which covers Belgium, Czechia, Germany, France, Croatia, Hungary, the Netherlands, Austria, Poland, Romania, Slovenia and Slovakia (and, once connected, Ireland).

([232]) France, Italy, Austria and Slovenia are part of the Italy North CCR.

([233]) The South-West Europe CCR covers Spain, France and Portugal.

([234]) ACER 2024 Market Monitoring report - France experienced lower monthly price convergence in 2023 due to export limits or constraints.

([235]) Belgium, Germany, Italy, Spain, Switzerland and UK.

([236]) 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).

([237]) Current commissioning dates for Celtic Interconnector: 2027; Biscay Bay: 2028.

([238]) In accordance with the TEN-E Regulation, PCIs should be automatically incorporated into the NDP.

([239]) ACER - data on curtailment.

([240]) RTE - transformation of the electricity network by 2040.

([241]) Thermal storage is likely to boost industry's competitiveness with short payback periods and using low electricity prices.

respectively. It will particularly target batteries, pumped hydro stations, demand-side response and interconnections, including a new support scheme for decarbonised flexibility (for demand-side response and storage) ([242]) but it has no plans for thermal storage.

Consumer empowerment in the electricity and gas markets is at a good level, even if the share of fixed-price contracts (regulated or not) held by household consumers represents almost 80% of the market. 60% of household consumers have regulated fixed-price contracts and 94% of final household consumers had smart meters in 2023 ([243]) (the EU average was 80%).

Further progress in electrification across sectors is still necessary to cost-effectively decarbonise the economy and bring the benefits of affordable renewable and low-carbon energy to consumers. France's electrification rate, which represents the share of electricity in its final energy consumption (FEC) is 26.6%. This is above the EU average of 22.9%, but it has remained largely stagnant in the last decade across different sectors ([244]). Electricity accounts for 35.7% and 36.6% of households and industry's FEC respectively (see more in the Effective Institutional Framework Annex). Electrification in transport is negligible at 2.5%.

Renewables and long-term contracts

Renewable energy sources in France represented 26.2% of electricity generation in 2024. This was an increase from 22% in 2023, but still far below the 47% of EU's renewables share in electricity ([245]). In that year, France had about 74.3 GW ([246]) of renewables installed (see Graph A6.2). France added a record 4.7 GW of solar capacity in 2024 vs 2.6 GW in 2023 (mainly rooftop – 74%) ([247]) and added 1.4 GW of wind capacity in 2024, vs 2.29 GW in 2023 ([248]). Challenges remain, such as the need to accelerate the permit-granting process. The absence in France's final updated NECP of a target for renewable sources in gross FEC by 2030 ([249]) creates uncertainty for investors, developers and local manufacturing companies.

France's Renewable Energy Acceleration Law introduced provisions related to planning and permitting, but most of its implementing acts still have to be adopted. By July 2024, only 34% of municipalities had designated renewables acceleration areas and the rules within these areas are not fully aligned with the Renewable Energy Directive. Clearer and faster permit deadlines are also needed for projects outside those areas. France lacks a one-stop shop for streamlined renewable energy permitting process. The Net Zero artificialisation law imposes regional quota limitations on batteries and renewables, unlike it does on nuclear projects.

([242])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.

([243])The roll-out of smart meters is progressing well. 36 million low-voltage customers have now been equipped with smart meters. This will strengthen the role of consumers and modernise the network by making it possible to significantly increase the observability of the low-voltage network for system operators.

([244])The CAGR (compound annual growth rate) was 0.3% between 2013 and 2023. The minimum/maximum shares were 25.9% and 27.6% respectively.

([245])Yearly electricity data, Ember - In 2024, the share in electricity generation of hydropower was 12.4%, of wind 7.7% and of solar 4.2%.

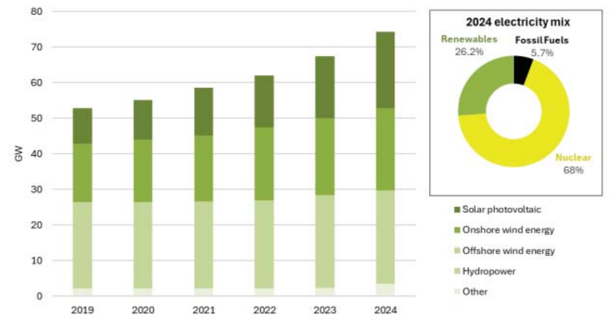
([246])Renewable Energy Capacity Statistics 2025 - IRENA

([247])Solar Power Europe EMO 2024 - The revision of national budget could reduce support to renewables. While renewables utility large scale is growing and supported by auctions, it faces challenges with permitting and land access. Agri-PV could unlock significant solar potential, once the legislation is finalised.

([248])Renewable Energy Capacity Statistics 2025 - IRENA. French wind farms had a power of 23.5 GW by June 2024 (22 GW of onshore wind and 1.5 GW of offshore wind).

([249])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.

Graph A8.3: **France's installed renewable capacity (left) and electricity generation mix (right)**



"Other" includes renewable municipal waste, solid biofuels, liquid biofuels, and biogas.
Source: IRENA, Ember

France does not sufficiently emphasise the uptake of power purchase agreements (PPAs) and the corresponding supporting framework. In 2024, France signed 35 renewables PPAs deals of 1.48 GW mainly driven by solar PV (almost 900 MW), with an interesting trend of solar-plus-storage PPAs and with a corporate seeking firm volumes and mitigation from profile risk (250).

France has a complex but supportive environment for local and citizen-led renewable energy initiatives, but there are no plans to simplify the grid connection procedures and specific support is not foreseen. The legal status of renewable energy communities was clarified in 2023.

Energy efficiency

Energy consumption in France has not returned to pre-COVID levels, but a post-COVID rebound was observed in 2021 for both primary energy consumption (PEC) and final energy consumption (FEC). In 2023, FEC dropped by -3.97% compared with 2022, reaching the level of 129.8 Mtoe. The level of PEC in 2023 increased 1.8% year on year to 208.5 Mtoe (251). The levels of the national contribution to 2030 energy efficiency targets provided in the final updated NECP are set in line with the results of applying the formula in Annex I to the recast Energy Efficiency Directive (EED) (252).

France has notified its comprehensive heating and cooling assessment to the Commission, identifying potential to apply high-efficiency cogeneration and efficient district heating and cooling (253). It has also set out measures to realise their development potential (254).

France needs to step up its efforts in the residential sector in order to meaningfully contribute to meeting its 2030 reduction target for energy consumption by buildings. The residential sector's FEC decreased between 2022 and 2023 but, from a medium-term perspective and applying climate correction, it has been stagnating since 2015. The national long-term renovation strategy envisages a 22% reduction of buildings' energy consumption by 2030 compared with 2015. The individual deep renovations financed by the national scheme 'MaPrimeRénov' (partly funded by the RFF (255) did not reach the expected level in 2024 (256). It is important to ensure stable funding and rules for the scheme to guarantee and support renovation

(250) European_PPA_Market_Outlook 2025-pdf

(251) The French economy's energy intensity increased slightly in 2023 (+0.8% year on year) after a steady decrease of -21% during the 10-year period that started in 2014.

(252) France's target for cumulative energy savings under the energy savings obligation in the recast Energy Efficiency Directive for 2021-2030 is 91 Mtoe. France's approach is to rely on one measure (the white certificate scheme) and to adapt the target set through the scheme for the obliged parties to achieve the Article 8 target. This approach was successful for 2014-2020. France may also meet its target in this way for 2021-2030, because the scheme and its target are regularly revised and growing. No new measures are foreseen in the final NECP. France is not considering alternative measures.

(253) This is in line with Article 25(1) of the Energy Efficiency Directive, (EU) 2023/1791.

(254) Renewable energy and waste heat will play an important part in France's heating and cooling policies. The Chaleur Fund (managed by ADEME since 2009) and the obligation to carry out a cost-benefit analysis in the case of new installations and in the event of substantial renovation will play an important part in heating and cooling policies.

(255) The French recovery and resilience plan (RRP) is supporting the renovation of 1 750 000 households with EUR 3.1 billion (with MaPrimeRénov) and the renovation of 40 000 social housing units with EUR 500 million.

(256) 91 000 applications validated versus 200 000 expected https://www.info.gouv.fr/upload/media/content/.pdf. Since 2023, the scheme has experienced significant budget fluctuations, including cuts in 2024, and has shifted focus towards partial rather than deep renovations. A shortage of skilled workers partially contributed to the construction sector's limited capacity to perform large-scale deep renovations.

demand while controlling in parallel that renovations are truly targeted and efficient, in particular for vulnerable households.

Heating and cooling represented around 78% of France's residential final energy consumption in 2022. Approximately 720 000 heat pumps were sold in 2022 (an increase of 16% on 2021). The installation of oil boilers has been banned in all buildings since 2022. The installation of gas boilers has been banned in new buildings since 2025 – a ban was progressively implemented since 2022 and will be fully implemented this year (257).

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, one floating storage and one regasification unit (FSRU). France is also directly connected to Norway's gas fields and storage capacity.

Despite its nuclear plants and some progress in renewables, France's overall energy mix in 2023 remained relatively reliant on fossil fuels. Fossil fuels accounted for 46% of gross inland energy consumption (258) (30.6% for oil, 12.8% for natural gas and 2.6% for coal). Nuclear accounted for 38.6%, renewables for 14.7% and non-renewable waste for 0.7% (259). Low-carbon production (i.e. nuclear and renewable) has reached the threshold of 95% of the electricity produced in France for the first time (nuclear accounted for around 67% of electricity generation) (260).

France plans to continue operating the existing nuclear fleet of 56 reactors (all PWR design and with a total capacity of 61.4 GWe) for as long as safety requirements are met, while Flamanville 3 EPR reactor was connected to the grid at the end of 2024 and a final investment decision is due on the six projected new nuclear reactors by 2026. 2024 saw a rapid recovery in nuclear generation (361.7 TWh), after a historically low level in 2022 (279.0 TWh) and a gradual recovery in 2023. The final French NECP highlights a contribution to strengthening the EU's conversion and enrichment capacities (261).

Fossil fuel subsidies

In 2023, environmentally harmful (262) fossil fuel subsidies without a planned phase-out before 2030 represented 0.31% (263) of France's GDP (264), below with the EU weighted average of 0.49%. Tax measures accounted for 69.6% of this volume, while income/price support and direct grants represented 21.6% and 8.8%, respectively. Additionally, France's 2023 Effective Carbon Rate (265) averaged EUR 87.87 per tonne of CO_2, above the EU weighted mean of EUR 84.80 (266).

(257) https://www.ehpa.org/news-and-resources/news/which-countries-are-ending-fossil-fuel-heaters/.

(258) Electricity and heat are excluded to avoid double-counting of primary energy sources.

(259) Gross inland consumption (Eurostat).

(260) Idem.

(261) France aims at using reprocessed uranium for 30% of its reactors' uranium needs in the 2030s and it is examining plans to build on French territory a site to convert and enrich reprocessed uranium. At present, Russia is the only country in the world that can recycle uranium for use in nuclear power plants.

(262) Direct fossil fuel subsidies that incentivise maintaining or increasing in the availability of fossil fuels and/or use of fossil fuels.

(263) Numerator is based on volumes cross-checked with the French authorities. For all Member States, it includes public R&D expenditures for fossil fuels as reported by the IEA (Energy Technology RD&D Budgets) and excludes, for methodological consistency, excise tax exemption on kerosene consumed in intra-EU27 air traffic.

(264) 2023 Gross Domestic Product at market prices, Eurostat.

(265) 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.

(266) OECD (2024), Pricing Greenhouse Gas Emissions 2024

Table A8.1: **Key Energy Indicators**

	France 2021	France 2022	France 2023	France 2024	EU 2021	EU 2022	EU 2023	EU 2024
Household consumer - Electricity retail price (EUR/	**0.1980**	**0.2130**	**0.2438**	**0.2886**	**0.2314**	**0.2649**	**0.2877**	**0.2879**
Energy & supply [%]	36.7%	46.9%	55.8%	52.8%	36.6%	54.3%	55.6%	47.8%
Network costs	29.9%	30.0%	27.0%	24.2%	26.7%	25.3%	24.8%	27.2%
Taxes and levies including VAT	33.4%	23.1%	17.2%	23.0%	36.7%	20.3%	19.6%	25.0%
VAT	14.1%	14.1%	14.2%	14.4%	14.5%	13.4%	13.8%	14.6%
Household consumer - Gas retail price	**0.0733**	**0.0919**	**0.1102**	**0.1265**	**0.0684**	**0.0948**	**0.1121**	**0.1128**
Energy & supply	42.6%	49.4%	53.7%	48.9%	43.7%	61.0%	64.5%	53.9%
Network costs	28.9%	24.6%	22.0%	20.8%	22.5%	17.3%	17.1%	18.3%
Taxes and levies including VAT	28.5%	26.0%	24.3%	30.3%	33.8%	21.7%	18.4%	27.8%
VAT	14.1%	14.4%	14.3%	14.1%	15.5%	11.6%	10.2%	13.6%
Non-household consumer - Electricity retail price	**0.0874**	**0.1205**	**0.2134**	**0.1428**	**0.1242**	**0.1895**	**0.1971**	**0.1661**
Energy & supply	53.8%	67.5%	75.5%	66.2%	43.0%	66.5%	63.0%	55.8%
Network costs	16.9%	14.5%	7.6%	12.3%	15.8%	10.7%	11.9%	15.5%
Taxes and levies excluding VAT	15.9%	2.9%	0.9%	7.8%	30.4%	9.9%	11.2%	15.4%
Non-household consumer - Gas retail price	**0.0338**	**0.0661**	**0.0618**	**0.0463**	**0.0328**	**0.0722**	**0.0672**	**0.0517**
Energy & supply	72.4%	80.5%	80.4%	71.7%	66.2%	77.3%	77.3%	68.7%
Network costs	7.9%	3.7%	3.5%	6.3%	7.7%	3.8%	5.3%	7.1%
Taxes and levies excluding VAT	6.8%	3.8%	3.2%	9.3%	12.5%	6.1%	7.3%	11.6%
Wholesale electrity price (EUR/MWh)	108.8	275.1	97.2	58.2	111.0	233.2	99.1	84.7
Dutch TTF (EUR/MWh)	*n/a*	*n/a*	*n/a*	*n/a*	46.9	123.1	40.5	34.4

	2017	2018	2019	2020	2021	2022	2023	2024
Gross Electricity Production (GWh)	**562,481**	**582,227**	**571,414**	**532,891**	**555,641**	**475,413**	**525,660**	-
Combustible Fuels	72,878	57,583	62,070	56,864	58,170	69,874	51,240	-
Nuclear	398,359	412,942	399,012	353,833	379,361	294,731	338,202	-
Hydro	55,135	70,472	61,572	67,094	63,947	51,049	60,850	-
Wind	25,102	29,171	35,416	40,658	37,628	38,963	51,489	-
Solar	9,587	10,808	12,165	13,189	15,357	19,628	21,823	-
Geothermal	133	127	128	133	100	114	129	-
Other Sources	1,288	1,125	1,050	1,118	1,078	1,054	1,926	
Gross Electricity Production [%]								
Combustible Fuels	13.0%	9.9%	10.9%	10.7%	10.5%	14.7%	9.7%	-
Nuclear	70.8%	70.9%	69.8%	66.4%	68.3%	62.0%	64.3%	-
Hydro	9.8%	12.1%	10.8%	12.6%	11.5%	10.7%	11.6%	-
Wind	4.5%	5.0%	6.2%	7.6%	6.8%	8.2%	9.8%	-
Solar	1.7%	1.9%	2.1%	2.5%	2.8%	4.1%	4.2%	-
Geothermal	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-
Other Sources	0.2%	0.2%	0.2%	0.2%	0.2%	0.2%	0.4%	-
Net Imports of Electricity (GWh)	**-40,129**	**-62,967**	**-57,667**	**-45,039**	**-44,892**	**14,945**	**-50,472**	-
As a % of electricity available for final consumptior	-8.9%	-14.0%	-13.0%	-10.7%	-10.2%	3.5%	-12.3%	-
Electricity Interconnection [%]	**9.4%**	**7.9%**	**8.1%**	**8.5%**	**5.1%**	**5.6%**	**5.0%**	**5.6%**
Share of renewable energy consumption - by sector [%]								
Electricity	19.9%	21.1%	22.4%	24.8%	24.7%	27.3%	30.0%	-
Heating and cooling	20.6%	21.2%	22.4%	23.4%	24.6%	27.3%	29.9%	-
Transport	8.8%	9.0%	9.2%	9.2%	8.1%	8.9%	10.0%	-
Overall	15.8%	16.4%	17.2%	19.1%	19.3%	20.4%	22.3%	-

	France 2020	France 2021	France 2022	France 2023	EU 2020	EU 2021	EU 2022	EU 2023
Import Dependency [%]	**44.4%**	**44.1%**	**51.9%**	**44.9%**	**57.5%**	**55.5%**	**62.5%**	**58.3%**
of Solid fossil fuels	96.3%	73.5%	81.6%	74.8%	35.8%	37.2%	45.9%	40.8%
of Oil and petroleum products	98.5%	97.1%	98.8%	98.4%	96.8%	91.7%	97.8%	94.5%
of Natural Gas	94.7%	96.1%	109.0%	99.5%	83.6%	83.6%	97.6%	90.0%
Dependency from Russian Fossil Fuels [%]								
of Natural Gas	18.1%	23.7%	14.7%	13.0%	41.0%	40.9%	20.7%	9.3%
of Crude Oil	8.8%	8.9%	5.2%	0.0%	25.7%	25.2%	18.4%	3.0%
of Hard Coal	33.8%	34.8%	16.8%	0.2%	49.1%	47.4%	21.5%	1.0%

	2017	2018	2019	2020	2021	2022	2023
Gas Consumption (in bcm)	**43.1**	**41.1**	**41.9**	**38.9**	**41.3**	**37.8**	**33.4**
Gas Consumption year-on-year change [%]	-0.2%	-4.8%	1.9%	-7.0%	6.1%	-8.6%	-11.6%
Gas Imports - by type (in bcm)	**46.5**	**47.1**	**53.3**	**45.4**	**45.4**	**55.4**	**46.2**
Gas imports - pipeline	37.3	36.7	33.0	28.4	29.5	23.2	19.0
Gas imports - LNG	9.2	10.5	20.3	17.0	15.9	32.3	27.2
Gas Imports - by main source supplier [%]							
Norway	43.9%	42.2%	39.9%	41.0%	36.4%	31.9%	32.4%
United States	0.0%	0.3%	3.3%	2.4%	5.8%	23.6%	25.6%
Russia	19.7%	21.8%	20.7%	18.1%	23.7%	14.7%	13.0%
Algeria	8.1%	7.3%	6.9%	7.8%	8.4%	8.0%	8.8%

Source: Eurostat, ENTSO-E, S&P Platts

France is highly exposed to climate and environmental risks and would benefit from taking urgent action to build its resilience, as underlined by several national reports. The costs of climate-related damage are soaring, calling for adaptive policies and investments to prepare the country to manage temperature increases of 4° by the end of the century. Sustainable water management and biodiversity protection remain major environmental issues. All these risks will have significant impacts on the economy, on competitiveness and on public health. France's recovery and resilience plan allocates EUR 2.1 billion to the environment and biodiversity, including water treatment and support for the agricultural transition.

Climate adaptation and preparedness

France is facing rising temperatures and sea levels, and increasingly frequent heatwaves, droughts and forest fires. Floods (both river and coastal) are the most widespread climate-related risk, with 64% of the country exposed to the risk of flooding, accounting for two thirds of the extreme events in the country since 1900 ([267]). In addition, 20% of coasts face erosion ([268]). The country is also exposed to storms and cyclones such as cyclone Chido, which hit the oversea territory of Mayotte in December 2024, the worst in this territory in 90 years. Less rainfall in summer and rising temperatures lead to more frequent droughts, with a projected water shortage of 2 billion m^3 by 2050 if demand stays stable ([269]). Over the last decade, the length of heatwaves has multiplied fourfold since the 1980s ([270]).

The costs linked to climate-related damage are increasing, but insurance coverage helps mitigate the impact on the economy and society. Between 1980 and 2023, France recorded EUR 130 billion in economic losses caused by weather and climate-related extreme events. These losses have grown fast in recent years (EUR 45.9 billion over 2014-2024, a 2.4-fold increase on the previous decade). The consequences for economy and society are mitigated thanks to a relatively small insurance protection gap (1.5 ([271])), reflecting a high share of insurance coverage across risk categories. However, the increasing occurrence of insured damages and rising costs are creating tension for insurance regimes. Between 2020-2023, the costs of climate-related claims rose sharply on the previous decade ([272]), with the fastest rising climate-related cost being damages to buildings resulting from droughts ([273]). Over half of all individual houses are exposed to damages resulting from the expansion and retraction of clay-rich soils, with an associated cost of EUR 43 billion for insurers over 2020-2050 ([274]). In this context, the levy on insurance premiums brought in to cover climate-related damages ('surprime CatNat'), set by Ministerial ruling, increased from 12% to 20% for home insurance in 2025.

France's 3rd draft national plan for climate adaptation outlines 51 measures to prepare France to manage a temperature increase ([275]). It aims to adapt all related policies by 2030 and ensure that investments align with adaptation objectives. However, the plan lacks specific investment measures and binding, regularly updated adaptation goals. It does put the emphasis on nature-based solutions.

Climate adaptation action in France receives dedicated, but falling, public funding. Created in 2022, the 'Fonds verts' supports regional environmental performance and adaptation ([276]). Its budget for 2024, initially EUR 2.5 billion, was cut by EUR 430 million in the course of the year and the budget law for 2025 allocates

([267])Vie-publique.fr, 2023, *Climat : vers une aggravation des risques naturels?*, Link.

([268])Ministry of Ecological Transition, 2023, *Érosion du littoral: à quoi s'attendre et comment s'adapter?*, Link.

([269])Ministry of Ecological Transition, 2023, *Sécheresse : à quoi s'attendre et comment s'adapter?*, Link.

([270])Ministry of Ecological Transition, 2023, *Canicule: à quoi s'attendre et comment s'adapter?*, Link.

([271])Scale of 0 to 4, where 4 represents a very high gap.

([272])France Assureurs, 2024, *Pour une France assurable*, Link.

([273])France Assureurs, 2021, *Impact du changement climatique sur l'assurance à l'horizon 2050.*

([274])French government, 2023, *RGA: N'attendons pas que ce soit la cata, Rapport de mission du Député Vincent Ledoux*, Link.

([275])The plan aims to get France ready for a 4°C increase by the end of the century.

([276])Ministry of Ecological Transition, 2024, *Fonds vert: accélérer la transition écologique dans les territoires*, Link.

EUR 1.15 billion to it. However the 2025 budget law provides for a EUR 320 million top-up from the 'Fonds Barnier' for the prevention of natural risks (up from EUR 225 million in 2024) and creates a 'Fonds Territoires Climat'. Endowed with EUR 200 million, this new fund will grant financing to local authorities with an adopted climate plan.

Strong governance supports climate adaptation, but coordination between government levels is suboptimal. Central government sets the national adaptation strategic and legislative framework. Large intercommunal structures are primarily responsible for drawing up regional climate-air-energy plans. Some of the competences needed to implement these plans lie with individual municipalities, indicating the need for streamlining ([277]). Subnational government levels depend heavily on central government financing, which can affect local project resources. In 2023, only 34% of the population (10 points below the EU average) lived in municipalities that have signed the EU Covenant of Mayors for Climate and Energy.

Water resilience

The rise in water scarcity may affect sectors of the economy. It increases the risk of intersectoral conflicts between energy production (35% of water consumption), agriculture (35%), and residential water use (18%). The Water Exploitation Index Plus (WEI+) increased from 3% in 2021 to 4.8% in 2022, with a peak at 11.9% in Q3 2022 ([278]), but still below the threshold for water scarcity of 20%. Lower river flows increase the risk of curtailment of nuclear electricity production, especially during heatwaves and droughts. On a positive note, measures were taken under the 2023 'Plan Eau' to increase water efficiency in 50 major industrial sites([279]).

Parts of surface and groundwater bodies in France are subject to water stress due to intensive agriculture, hydro-morphological pressure and chemical contamination, affecting the resilience of agriculture. The assessment of the third river basin management plans indicates that the ecological status/potential of surface water bodies has slightly deteriorated since the second plan, with 43.6% classified as having good or high ecological status/potential. 11.9% of groundwater bodies are reported as having poor quantitative status (10.6% due to excessive abstractions) and 32% fail to achieve good chemical status. The top five pollutants are pesticides and related metabolites followed by nitrates, chloride, ammonium, total trichloroethylene and tetrachloroethylene, and phosphate. In June 2024, a government report highlighted the risks associated with pesticides and metabolites in drinking water ([280]). This report confirms the recommendations made by national authorities back in 2011 ([281]), evidencing the challenge of adapting intensive agriculture practices and of adopting price-related disincentives for irrigation and diffuse pollution.

France's wastewater treatment remains a cause for concern, with several treatment plants not yet compliant. In October 2024, the Court of Justice of the EU ruled against France for failure to correctly implement the treatment and monitoring obligations of the Urban Wastewater Treatment Directive in 78 agglomerations, affecting some 6.3 million inhabitants. To meet the various environmental targets under the Water Framework Directive and the Floods Directive, France has an investment gap for water management (see Graph A9.2) of EUR 3.9 billion per year (0.15% of GDP), with over half the need being for waste water (2.6 billion per year). Drinking water measures require an investment of some EUR 1.1 billion per year and the other aspects of the Water Framework Directive require around EUR 292 million per year.

([277])Cour des Comptes, 2024, *Le rapport public annuel 2024*, Link.

([278])EEA, 2025, *Water scarcity conditions in Europe*, Link.

([279])*Plan d'action pour une gestion résiliente et concertée de l'eau | Ministères Aménagement du territoire Transition écologique*

([280])Inspection générale des affaires sociales, 2024, *Prévenir et maîtriser les risques liés à la présence de pesticides et de leurs métabolites dans l'eau destinée à la consommation humaine*, Link.

([281])Commissariat Général au Développement Durable, 2011, *Coûts des principales pollutions agricoles de l'eau*, Link.

Biodiversity and ecosystems

In addition to water, the state of nature and ecosystems is a concern in France, reducing the country's climate and economic resilience. In 2022, 13% of the country's land was in the Natura 2000 network (EU-27 average: 18.6%). France has yet to complete its Natura 2000 network and set conservation objectives. The share of habitats and species in good conservation status over the last reporting period (ending 2018) reached 20% and 28% respectively, above the EU averages of 15% and 27%, but still meriting greater protection. The main factor impairing the health of France's soils is the loss of organic carbon in mineral soils ([282]), which affects 18% of land. 16% of land is subject to unsustainable levels of soil erosion by water, wind, tillage and harvest, representing 53% of cropland area. A high concentration of nutrients in soils is another damaging factor, particularly in the north and north-west regions. 16% of soils contain concentrations of nitrogen exceeding 50 kg per hectare, and 10% of soils contain concentrations of phosphorus exceeding 50 mg per kg.

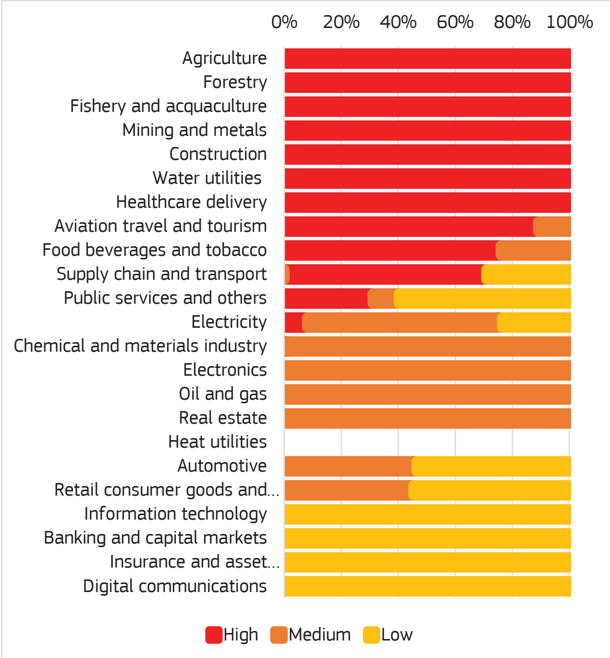
This situation has severe implications for France's climate resilience. The loss of biodiversity impairs ecosystems' ability to provide services that help mitigate the effects of climate change, such as regulating water cycles, maintaining soil health and storing carbon. It has also economic and financial implications. A note from the Treasury in 2021 ([283]) highlighted the need and the challenge to evaluate pressure on ecosystems and their economic impacts. In a study commissioned by the Banque de France ([284]), 42% of shares and bonds are highly dependent on at least one ecosystem. Graph A9.1 illustrates the direct sectoral dependency on ecosystem services, with seven economic sectors being fully (100%) dependent.

([282])De Rosa et. al., 2024, *Soil organic carbon stocks in European croplands and grasslands: How much have we lost in the past decade?*, Link.

([283])Ministry of Economics, Finance and Industrial and Digital Sovereignty, 2021, *Évaluations économiques des services rendus par la Biodiversité*, Link.

([284])Banque de France, 2021, *Un 'printemps silencieux' pour le système financier? Vers une estimation des risques financiers liés à la biodiversité en France*, Link.

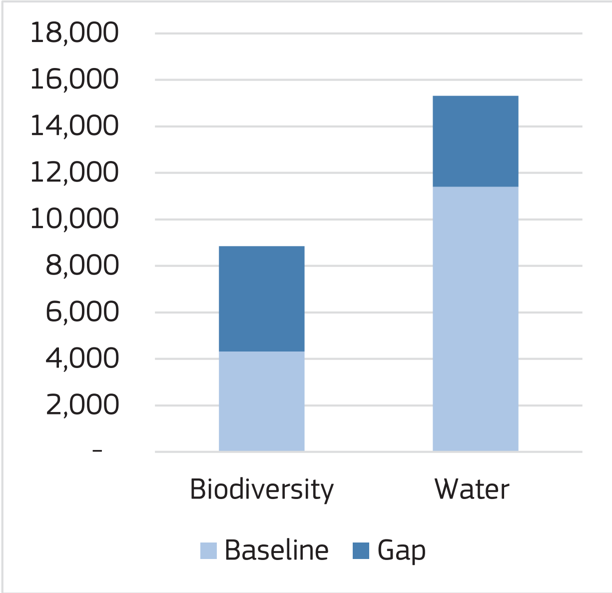
Graph A9.1: **Direct dependency(1) on ecosystem services(2) of the gross value added generated by economic sector in 2022**



(1) Dependency based on the sector's own operations, excluding value chain operations within countries and across international value chains. A high dependency indicates a high potential exposure to nature-related shocks or deteriorating trends, which means that the disruption of an ecosystem service could cause production failure and severe financial loss.
(2) Ecosystem services are the contributions of ecosystems to the benefits that are used in economic and other human activity, including provisioning services (e.g. biomass provisioning or water supply), regulating and maintenance services (e.g. soil quality regulation or pollination), and cultural services (e.g. recreational activities).
Source: Hirschbuehl et al., 2025, *The EU economy's dependency on nature*, Link.

The investment needs for biodiversity and ecosystems are estimated at EUR 8.9 billion per year (in 2022 prices) in France over the 2021-2027 period. The current level of financing for biodiversity is estimated to be EUR 4.3 billion year, leaving a significant annual investment gap of EUR 4.6 billion (see Graph A9.2).

Graph A9.2: **Investment needs and gaps in EUR million, in 2022 constant prices**



Source: European Commission, DG Environment, Environmental investment needs & gaps assessment programme, 2025 update.

Sustainable agriculture and land use

France's carbon removals fall short of the level of ambition needed to meet its 2030 target for land use, land-use change and forestry (LULUCF). France increased its LULUCF net carbon sink between 1990 and 2008 and then it plateaued. In 2013, the carbon sink went into sharp decline in a worrying trend. To meet its 2030 LULUCF target, additional carbon removals of -6.7 million tonnes of CO_2 equivalent (CO_2eq) are needed ([285]). The latest available projections show a gap to target of 13.4 million tonnes of CO_2eq for 2030 ([286]). Therefore, additional measures are needed to reach the 2030 target.

French agriculture is still a major source of greenhouse gas emissions and continues to have a significant impact on air, water and soils. In 2023, the agriculture sector generated 17% of France's total emissions. Absolute emissions are decreasing (-20% over 1990-2023), but at slower pace than emissions from industry, energy and buildings ([287]). As a result, the share of emissions generated by the agricultural sector is very stable. According to data from the Nitrates Directive, 12.7% of groundwater monitoring stations in France recorded average nitrate concentrations above 50 mg/l between 2016 and 2019, exceeding the healthy threshold for human consumption. The livestock density index has remained relatively stable for years, at the EU average of 0.75. Ammonia emissions from agriculture have also been unchanged. Over the period 2017-2022, pesticides were detected in 27% of surface water bodies.

France is transitioning to a sustainable food system by implementing policies and allocating budget to reduce the environmental impact of agriculture. In 2022, 6.5% of its agricultural land had landscape features such as woods and non-productive grasslands, above the EU average of 5.6%. Organic farming, which reduces the use of synthetic fertilisers and pesticides, made up 10.4% of France's agricultural land, close to the EU average of 10.5%, but insufficient to contribute to the EU 25% target. The national strategic plan implementing the common agricultural policy for the programming period 2023-2027 aims to bring environmental benefits and to protect natural resources. It allocates EUR 12.66 billion to environmental and climate objectives. For example, the plan aims to cover 88% of agricultural land with good agricultural and environmental conditions, such as measures to create buffer strips along water courses, to maintain permanent grassland or provide minimum soil cover during sensitive periods. This is complemented by measures designed to reward farmers who commit to more ambitious practices. For example, farmers adopting practices that limit soil erosion or maintain organic matter such as soil cover or crop diversification can receive extra support. The aim is for these practices to cover over 74% of agricultural land. To preserve and protect biodiversity, the plan promotes the inclusion and maintenance of landscape features on farms. It also supports practices to protect specific and biodiversity-rich areas such as rice fields, salt marshes or wetlands. France plans to give additional rewards to farmers who carry out practices that support biodiversity, such as

([285])National LULUCF targets of the Member States in line with Regulation (EU) 2023/839.

([286])Climate Action Progress Report 2024 COM/2024/498.

([287])European Commission, 2025, Climate Action Progress Report 2024, Country Profile France.

reducing or banning the use of pesticides, adapted fertilisation and grazing management.

Table A9.1: **Key indicators tracking progress on climate adaptation, resilience and environment**

Climate adaptation and preparedness:	France						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Drought impact on ecosystems *[area impacted by drought as % of total]*	0.18	9.67	7.66	0.31	44.2	1.91	6.77	2.76
Forest fires burned area (1) *[ha, annual average 2006-2023]*	13 661	13 661	13 661	13 661	13 661	13 661		
Economic losses from extreme events *[EUR million at constant 2022 prices]*	3 411	5 717	4 770	6 108	8 757	3 130	24 142	62 981
Insurance protection gap (2) *[composite score between 0 and 4]*	-	-	-	-	1.50	1.50		
Heat-related mortality (3) *[number of deaths per 100 000 inhabitants in 2013-2022]*	31	31	31	31	31			
Sub-national climate adaptation action *[% of population covered by the EU Covenant of Mayors for Climate & Energy]*	26	25	25	28	28	34	41	44

Water resilience:	France						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Water Exploitation Index Plus, WEI+ (4) *[total water consumption as % of renewable freshwater resources]*	2.4	3.2	3.5	3.0	4.8	-	4.5	4.5
Water consumption *[million m^3]*	5 949	6 120	5 993	5 404	6 600	-		
Ecological/quantitative status of water bodies (5) *[% of water bodies failing to achieve good status]*								
Surface water bodies	-	-	-	56%	-	-	-	59%
Groundwater bodies	-	-	-	12%	-	-	-	93%

Biodiversity and ecosystems:	France						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Conservation status of habitats (6) *[% of habitats having a good conservation status]*	20.2	-	-	-	-	-	14.7	-
Common farmland bird index *2000=100*	63.8	-	-	53.9	-	-	72.2	74.4
Protected areas *[% of terrestrial protected areas]*	-	-	-	28	28	-	-	26

Sustainable agriculture and land use:	France						EU-27	
	2018	2019	2020	2021	2022	2023	2018	2021
Bioeconomy's added value (7) *[EUR million]*	100 108	100 481	99 507	109 246			634 378	716 124
Landscape features *[% of agricultural land covered with landscape features]*	-	-	-	-	6	-		
Food waste *[kg per capita]*	-	-	129	129	139	-		
Area under organic farming *[% of total UAA]*	7.0	7.7	8.8	9.7	9.9		7.99	-
Nitrogen balance *[kg of nitrogen per ha of UAA]*	40.8	38.0	-	27.1	-	-		
Nitrates in groundwater (8) *[mgNO_3/l]*	18.5	18.3	18.5	19.3	-	-		
Net greenhouse gas removals from LULUCF (9) *[Kt CO_2-eq]*	- 24 382	- 18 611	- 21 354	- 19 045	- 18 500	-	- 256 077	- 240 984

(1) The data show the average for the timespan 2006-2023 based on EFFIS - European Forest Fire Information System.
(2) Scale: 0 (no protection gap) – 4 (very high gap). EIOPA, 2024, Dashboard on insurance protection gap for natural catastrophes.
(3) van Daalen, K. R. et al., 2024, The 2024 Europe report of the Lancet Countdown on health and climate change: unprecedented warming demands unprecedented action, The Lancet Public Health.
(4) This indicator 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 or greater than 40% indicate situations of severe water scarcity.
(5) European Commission, 2024, 7th 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).
(6) For this indicator, the EU average includes figures for the UK under the previous configuration, EU-28.
(7) European Commission, 2023, EU Bioeconomy Monitoring System dashboards.
(8) Nitrates 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 sets a limit of 50 mg NO_3/L to avoid threats to human health.
(9) Net removals are expressed in negative figures, net emissions in positive figures. Reported data are from the 2024 greenhouse gas inventory submission. 2030 value of net greenhouse gas removals as in Regulation (EU) 2023/839 – Annex IIa.
Source: Eurostat, EEA.

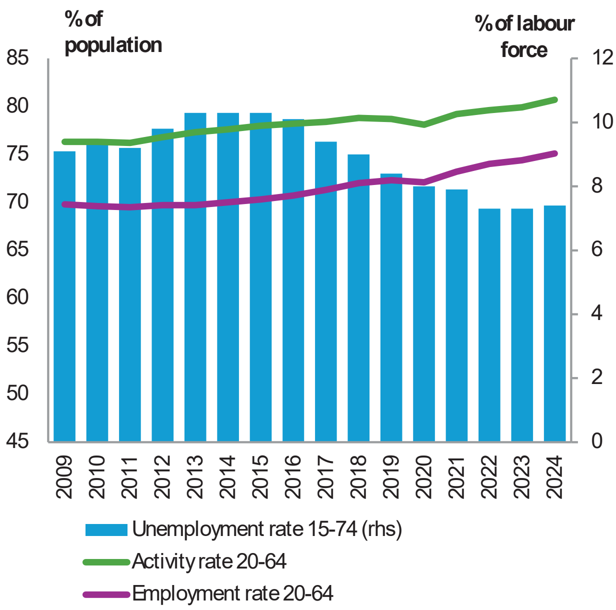
FAIRNESS

ANNEX 10: LABOUR MARKET

France's labour market has performed relatively well in recent years. The general employment situation has been improving but significant structural challenges persist. The underrepresentation of certain vulnerable groups, skills shortages and mismatches, regional differences and labour market segmentation pose risks for competitiveness and potential economic growth. As France works towards achieving its 2030 employment rate target, overcoming these challenges, while raising job quality is key for a more robust and inclusive labour market and a thriving economy.

Despite the good performance of the labour market overall, structural challenges persist. The employment and activity rates rose to historically high levels (75.1% and 74.5%, respectively, in 2024) mainly due to older workers increasing their participation in the labour market. However, both rates remain somewhat below the respective EU averages of 75.8% and 75.4% and reveal scope for further efforts to achieve the 2030 national employment rate target of 78%. The unemployment rate remained close to its lowest level since 2008, reaching 7.4% in 2024 but it was still well above the EU average of 5.9% and is expected to increase slightly ([288]). Regional disparities are considerable, with a 11.7 percentage points (pps) difference between the regions with the lowest (5.6% in Centre – Val de Loire) and highest (17.3% in La Réunion) unemployment rates in 2024 ([289]). Similar patterns are also observed for employment and activity rates (see Annex 17). The long-term unemployment rate fell below the EU average of 1.9%, standing at 1.7% in 2024. The labour market slack ([290]) slightly decreased to 14.5% in 2024, but remains above EU average of 11.7%, corresponding to 4.7 million people facing an unmet supply of employment.

Graph A10.1: **Labour market outcomes**



Source: Eurostat, LFS [lfsi_emp_a, une_rt_a]

Vulnerable groups, including people who are less qualified, people with a migrant background and persons with disabilities have difficulties accessing the labour market. In 2024, the employment gap for people with low-level qualifications (ISCED 0-2) increased to 20.9 pps, above the EU average of 16.7 pps. In 2024, their unemployment rate was 13.5% (vs the country's overall rate of 7.4%). Their labour market outcomes are further limited by the fact that people with lower-level qualifications participate less in adult learning (see Annex 12). People with a migrant background also encounter greater difficulties when accessing the labour market. The employment gap of people born outside the EU is slowly improving, reaching 13.1 pps in 2024, but remains higher than the EU average of 9 pps, particularly for non-EU born women (19.3 pps vs 13.7 pps in the EU). In 2023, the employment rate of foreign-born people (65.6% vs 70.4% in the EU) was considerably lower than people born in France with one or both parents born abroad (72.5% vs 75.1% in the EU) and people born in France with both parents born in France (77.8% vs 77.1% in the EU). Besides, they tend to be more often employed on fixed-term contracts. In 2024, the share of temporary employment among employees aged 20-64 was 20.8% for non-EU born, compared to 13% for people born in France. These gaps contribute to higher poverty risks (see Annex 11) and weigh on

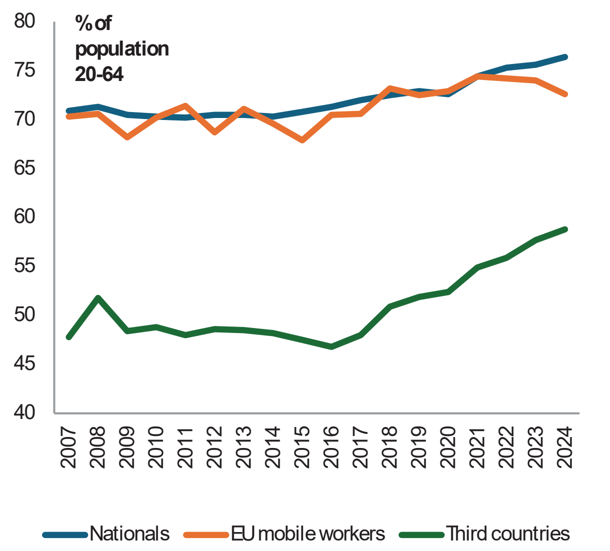
([288])European Economic Forecast, Autumn 2024.

([289])Data for France do not include Mayotte for methodological reasons (risk of non-representativeness of the sample because of its limited size).

([290])The labour market slack is the underutilisation of labour resources, including unemployment, underemployment, and those available for work but not actively seeking it.

productivity and competitiveness. The labour market situation of persons with disabilities also remains challenging. In 2023, the disability employment gap stood at 22.4 pps, below the EU average of 24 pps, but above the lower level of 15.7 pps recorded in 2018 (EU 23.5 pps). Labour market challenges faced by underrepresented groups are further aggravated by inequalities in the education system, with outcomes strongly influenced by socio-economic background (see Annex 12). To address the employment challenges of vulnerable groups, in December 2023, the government adopted the '*full employment law*', overhauling the public employment service (PES). The reform aims to improve the support provided to job seekers and persons with disabilities. It also includes the automatic registration of approximately 1.2 million minimum income beneficiaries with the PES and ties the allowance payment to the completion of 15 to 20 hours of activity per week. Ensuring adequate resources for the PES is essential for engaging with and provide personalised guidance to the newly registered minimum-income beneficiaries.

Graph A10.2: **Employment rate by citizenship**



Source: Eurostat, LFS [lfsa_ergan]

The labour market outcomes for young people remain limited. In 2024, following a continuous increase over recent years, the activity and employment rates for young people (56.8% and 48.6%, respectively, for people aged 15-29) were close to the EU average (55.9% and 49.6%). However, their unemployment rate (15-29) reached 14.4% in 2024 (EU: 11.4%), with the share of young people neither in employment nor in education or training (NEETs) also being above the EU average (12.5% vs 11%). While the share of NEETs had been steadily decreasing and remained below the EU average until 2022, the trend has reversed since then, contrary to the continued decline at EU level. These figures also hide significant regional disparities, particularly between mainland France and its outermost regions, where the share of NEETs reached 25% in 2024. France has made significant efforts to tackle these challenges by supporting young people through the introduction of compulsory training for young people aged 16 to 18 and through the '*Contrat d'engagement jeune*', which implements the Youth Guarantee programme. While a significant number of young people have already received support through this programme (around 600 000 by the end of 2023), a recent report highlighted insufficient provisions to address the challenges encountered by the most vulnerable young people related to health, mobility and housing ([291]). Similarly, a stronger focus on those furthest from the labour market could also increase the effectiveness of apprenticeship support measures. Significant investments in hiring subsidies led to a 2.6-fold increase in the number of apprenticeship contracts signed annually in 2023 compared to 2018 ([292]). This initiative is believed to have contributed to the recent rise in youth employment ([293]). However, evaluations indicate that the measure primarily benefited individuals with higher levels of qualifications ([294]).

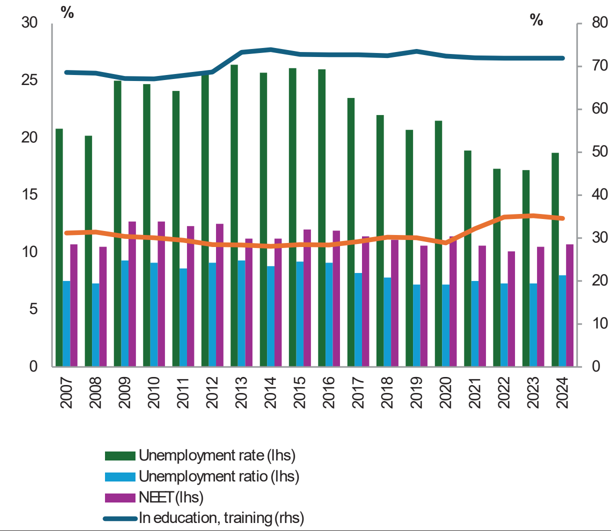
([291]) Conseil d'Orientation des Politiques de Jeunesse, '*Le Contrat d'Engagement Jeune (CEJ) - Suivi et évaluation de sa mise en œuvre dans les territoires - 2e rapport d'étape*', February 2024.

([292]) DARES, *'Le contrat d'apprentissage',* December 2024.

([293]) INSEE, '*Une photographie du marché du travail en 2022*', Première No 1941, March 2023.

([294]) France Stratégie, '*Comité d'évaluation du plan France Relance – Rapport final, Volume II – Évaluation des dispositifs*', January 2024.

Graph A10.3: **Labour market outcomes of young people (15-24)**



Source: Eurostat, LFS [edat_lfse_18, lfsi_emp_a, une_rt_a, lfsi_act_a, edat_lfse_20]

Further support to include vulnerable groups in the labour market is key in the light of the shrinking working-age population. Demographic growth has been slowing in recent years, partly due to a declining fertility rate, leading to an increasingly ageing population. However, the labour market participation of older workers remains relatively low. Despite significant increases over the years, the employment rate of older workers (55-64) in 2024, was 60.4%, still well below the EU average of 65.2%, dropping significantly as the age increases; 77% for 55-59-year-olds (EU: 76%) and 38.9% for 60-64-year-olds (EU: 50.9%) ([295]) in 2023. The pension reform, adopted in 2023, along with several measures to support older workers in the labour market, is expected to boost their participation rate. However, it would be beneficial to closely monitor the overall impact, including social impact, of the pension reform.

France's recovery and resilience plan (RRP) and the European Social Fund Plus (ESF+) provide comprehensive support to people who are unemployed and inactive. The RRP supported the reform of PES services, in particular to improve personalised guidance, allowing jobseekers to receive tailored support and the development of digital training courses. The ESF+ aims to provide support for people to find employment and improve the quality of education and training, by investing in academic and career guidance, while regional ESF+ programmes promote entrepreneurship and help provide vocational training to unemployed people.

Nominal wage growth has been relatively low, resulting in a weak recovery of real wages. Nominal wage growth is expected to reach 2.2% in 2025 ([296]), after 4.7% in 2022, 4.3% in 2023 and 3.0% in 2024. Since 2023, wage growth in France has been among the lowest in the EU. In turn, real wages grew only by 0.2% in 2024 and are expected to increase by 0.9% in 2025, after declines of 0.5% in 2022 and 1.4% in 2023. This represents a relatively weak recovery in real wages over 2024 and 2025, following overall milder losses than in most other Member States over 2022-2023. Overall, by 2025 real wage growth would not be enough to completely offset the losses incurred in 2022 and 2023. Statutory minimum wages also rose by more than 12% between January 2022 and January 2025. However, in real terms this corresponds to a decrease of 0.3%. At the same time, since 2023, relatively low wage growth has contributed to lower growth in unit labour costs than in most other Member States, and some improvement in cost competitiveness in relation to other EU Member States.

In the context of economic stagnation, labour market segmentation negatively affects job quality. Despite a slight decline since 2022, the share of employees (age 20-64) with a temporary contract remains above the EU average and rose from 11.2% in 2020 to 12% in 2024. In addition, the number of new hires on short-term contracts (less than a month) increased by 3.5% in 2024, while new hires on permanent contracts or in fixed contracts (more than a month) decreased by 3.5% ([297]). However, some improvements can be observed, such as the significant drop in the share of involuntary temporary employment since 2019, reaching 3.7% in 2023 (EU: 3.4%). Young people in France are more frequently offered short-term contracts, with 38.3% of those aged 15-29 in employment working on temporary contracts in

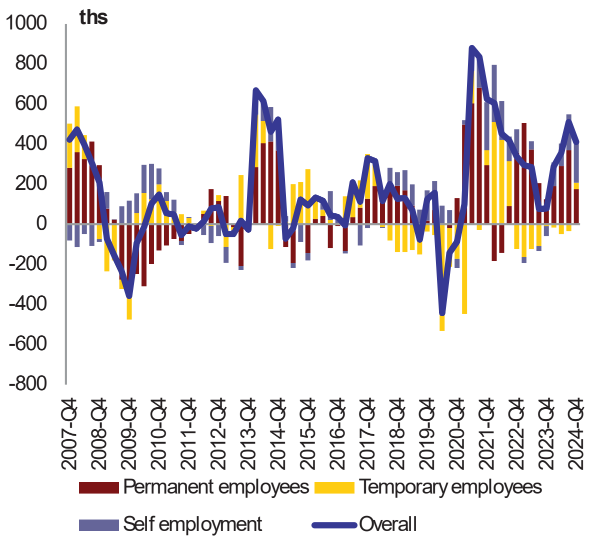
([295])ECE report, '*Employment situation of senior workers in France*', January 2025.

([296])Based on the European Commission Autumn 2024 economic forecast.

([297])URSSAF, share of different types of contracts in new hires, 2024.

2023 (EU: 33.3%) well above the 15.3% among the working-age population (aged 15-64). Nevertheless, young people are less likely to work part-time than their EU peers, although young women are working part-time twice as often as young men. The report of the evaluation committee of the 2019 unemployment benefit reform ([298]), which introduced the bonus-malus measure ([299]) to reduce excessive reliance on temporary jobs in some sectors, highlighted a systematic reduction in short-term contracts in the targeted sectors after this measure was implemented.

Graph A10.4: **Employment by type of contract**



(1) Employment (thousand), total, ages 20-64, year-on-year change based on non-seasonally adjusted data. Self employment is defined as the total of self-employed persons and contributing family workers..
Source: Eurostat, LFS [lfsq_egaps, lfsq_etgaed]

Persistent labour and skills shortages continue to hinder potential investment and productivity growth. Job vacancy rates fell across all sectors but remained slightly above the EU average at 2.5% in Q4-2024 (EU: 2.3%). The share of employers reporting labour shortages as a limiting factor in production has also decreased since the end of 2023, partly due to the deterioration of economic prospects, dropping to 11.4%, below the EU average of 18.1%. While recruitment pressures are slowly improving, 6 out of 10 employers still report difficulties in hiring ([300]), especially in the automobile industry, and in the construction and care sectors ([301]). The lack of candidates with the right skillset remains among the main obstacles to recruitment. The government's commitment to investing in training could help address skills shortages and mismatches and ultimately improve labour market outcomes. France is investing significantly in upskilling and reskilling measures and is a frontrunner with a fully-fledged national scheme for individual learning accounts (*compte personnel de formation*). However, skills shortages are not decreasing at the same pace. Evaluations point at weaknesses in the adequacy, relevance and quality of the available training offers ([302]). Moreover, the number of training opportunities leading to recognised qualifications remains insufficient (see Annex 12).

The expansion of the green and digital sectors requires sustained efforts to ensure inclusive transitions. In 2024, employment in energy-intensive industries remains relatively low, representing 2.1% of total employment (EU: 3.5%). Between 2016 and 2022, employment in the environmental goods and services sector grew by 32.3%, reaching 2.8% of total employment (EU: 3.3%). The greenhouse gas emission intensity of France's workforce has improved, decreasing from 14.3 tonnes per worker in 2011 to 9.9 tonnes in 2023 (EU: 12.3 tonnes). This reflects the progress France has made in the green transition. The percentage of the working population (aged 25-64) with digital skills stands at 66.7%, slightly higher than the EU average of 64.7% in 2023, while ICT specialists accounted for 4.8% of total employment (EU: 5% in 2024). Nevertheless, sustained efforts would help ensure an inclusive green and digital transition through upskilling and reskilling (see Annex 12).

([298]) DARES, *Rapport du comité d'évaluation de la réforme de l'assurance chômage initiée en 2019*, 3 April 2025.

([299]) The bonus-malus is a modulation of the unemployment insurance contribution rate with the objective to fight against the abusive use of short contracts.

([300]) DARES, 'La situation du marché du travail au 3ème trimestre 2024', November 2024.

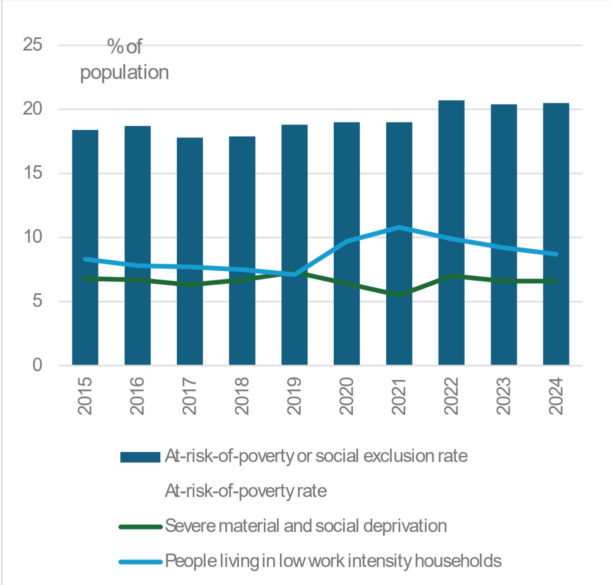
([301]) France Travail, '*Enquête Besoins en Main-d'Œuvre 2024*', 2024.

([302]) DARES, '*Quatrième rapport du comité scientifique de l'évaluation du Plan d'investissement dans les compétences*', 2023.

Poverty and social exclusion risks have been increasing in recent years in France, reflecting significant and persistent inequalities. Vulnerable groups, including single-parent households, the low skilled, the unemployed and non-EU-born people continue to face considerable challenges, with the situation being systematically worse in the outermost regions ([303]). Worsening poverty risks, overall and for children, are driven by inequalities in access to quality education, insufficient employment support and a strong intergenerational transmission of poverty. Despite one of the highest social protection expenditure levels in the EU as well as existing and planned policies, further efforts involving targeted measures to reduce poverty and social exclusion and improve the activation of underrepresented groups will contribute to France's sustainable, inclusive growth and long-term competitiveness.

Poverty and social exclusion risks worsened substantially in recent years, despite modest improvements between 2022 and 2023. After a slight decrease in 2023 (0.3 pps, i.e. 167 000 persons), the AROPE (at-risk-of-poverty or social exclusion) rate increased slightly by 0.1 pps in 2024 (i.e. 68 000 persons) ([304]). Contrary to the EU, the percentage of people at risk of poverty or social exclusion has been steadily increasing over the previous years, reaching 20.5% in 2024 (EU: 21%), with the same trend being observed across all three components of the AROPE indicator. The at-risk-of-poverty (AROP) rate reached 15.9% in 2024 (EU: 16.2%), maintaining the upward trend that began in 2017 when it was 13.2% vs 16.9% for the EU, despite a modest 0.2 pps decrease between 2022 and 2023. The share of persons living in households with very low work intensity reached 8.7% in 2024 (EU: 7.9%). The severe material and social deprivation rate stagnated at 6.6% in 2024, above the EU average of 6.4%. Income inequalities persist in France. In 2024, the income received by the richest 20% was 4.66 times higher than that of the poorest 20% (S80/S20 ratio), with the ratio being the highest in the last decade (similar to the EU average) . Persistent poverty risks are driven by inequalities in access to quality education, insufficient employment support and a strong intergenerational transmission of poverty, the most disadvantaged groups being disproportionally affected.

Graph A11.1: **At-risk-of-poverty or social exclusion rate and its components**



Source: Eurostat, EU-SILC [ilc_peps01n, ilc_li02, ilc_mdsd11, ilc_lvhl11n]

Further measures may be needed to reach the 2030 national target for poverty reduction. Contrary to the EU trend, France remains one of the few Member States where the AROPE rate has deteriorated significantly since 2019 (the baseline year to measure the achievement of the target), with the number of people at risk of poverty or social exclusion growing by around 1 million in mainland France (including 130 000 children) to reach a total of 12.7 million in 2023 (including 3.3 million children). Further efforts to improve efficiency and target measures is crucial for achieving the national target, which requires lowering the number of people at risk of poverty or social exclusion by 2.1 million, bringing it to 10.6 million by 2030. This target, however, does not include France's outermost regions, which would add 780 000 people to the AROPE count, including 230 000 children. These regions experience much higher AROPE rates than mainland France due to their isolated location, lack of accessible and

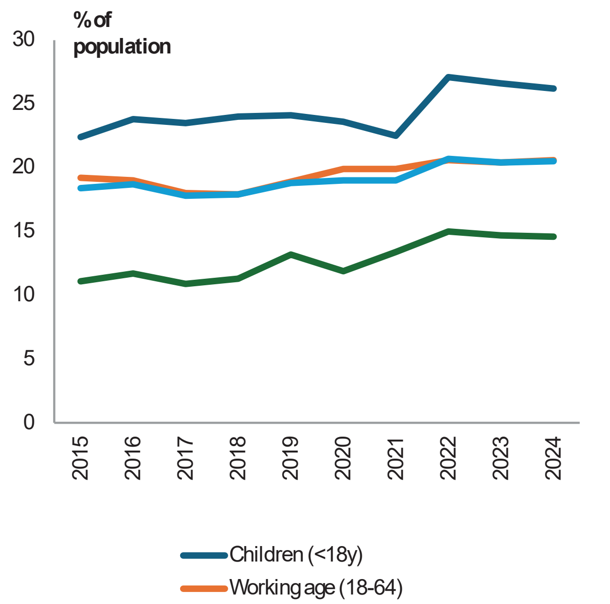
([303]) Data for France do not include Mayotte for methodological reasons (risk of non-representativeness of the sample because of its limited size). The poverty rate in Mayotte reached 77% in 2018 (INSEE).

([304]) Break in time series in 2022, explained by the integration of four outermost regions in the data calculation (French Guiana, Guadeloupe, La Réunion, Martinique).

affordable essential services, and fewer educational and economic opportunities [305].

The risk of poverty or social exclusion among children remains high. The AROPE rate for children reached 26.2%, above the EU average of 24.2%, despite a slight decrease since 2022 (1.1 pp), similar to the overall AROPE trend in the EU. In France, 3.5 million children face the risk of poverty or social exclusion, with children from a disadvantaged background remaining more vulnerable to this risk.

Graph A11.2: **Persons at risk of poverty and social exclusion, age groups**



Source: Eurostat, EU-SILC [ilc_peps01n]

Despite a high rate of enrolment in childcare for children under 3 years of age in France (59.3% in 2024 vs 39.2% in the EU), inequalities persist for the most vulnerable groups, mirroring those in the job market (see Annex 10). The childcare participation gap between children at risk of poverty or social exclusion and those not at risk was 41.6 pps in 2024, significantly above the EU average of 15.8 pps (in 2023). The risk is more pronounced for children whose parents have a low level of education and are non-EU-born, as exposure to poverty or social exclusion is highly linked to the education level of parents and carries a significant risk of intergenerational transmission. Children from a disadvantaged socio-economic background face a high risk of educational disadvantages and inequality of opportunities, as reflected by an underachievement rate that is much higher than the EU average for the most disadvantaged pupils [306] (see Annex 12). Socio-economic status and immigrant background remain strong predictors of pupils' performance in France [307]. To mitigate the impact of poverty on children, France is implementing the European Child Guarantee (ECG) as part of its 2022 action plan. The 2024 implementation report [308] shows progress in some areas, e.g. creation youth and family community support centres ("*Maison des Familles*"), large-scale provision of breakfasts in overseas departments and in the most disadvantaged areas. However, further efforts are needed, notably in terms of housing, considering the level of child homelessness (see below).

Some groups, namely non-EU-born people, remain disproportionately affected by poverty and social exclusion, while educational attainment, employment status and household composition are strong predictors of poverty risks. In 2024, the AROPE rate for native-born people was below the EU average (16.1% vs 18%), while 39.3% of people born in non-EU countries were at risk of poverty or social exclusion. This gap is one of the highest in the EU (23.2 pps vs 20.2 pps in the EU). The employment gap compared to native-born people is also high (see Annex 10). 20% of the working non-EU-born population is at risk of poverty with a gap of 13.3 pps with the native-born, above the EU average of 11.3 pps. More than 1 in 4 people with disabilities faced a risk of poverty or social exclusion in 2024 (28.4%). While this is slightly below the EU average of 28.8%, it is 12.6 pps higher than for those without disabilities. Educational attainment and employment status are key determinants of poverty risks. In 2024, the AROPE rate remained at 9.5% for those with high educational attainment, while it rose to 31.6% for those with less than lower secondary education.

(305) Observatoire des inégalités, *DOM: une grande pauvreté, cinq à dix fois plus élevée qu'en métropole*, December 2024.

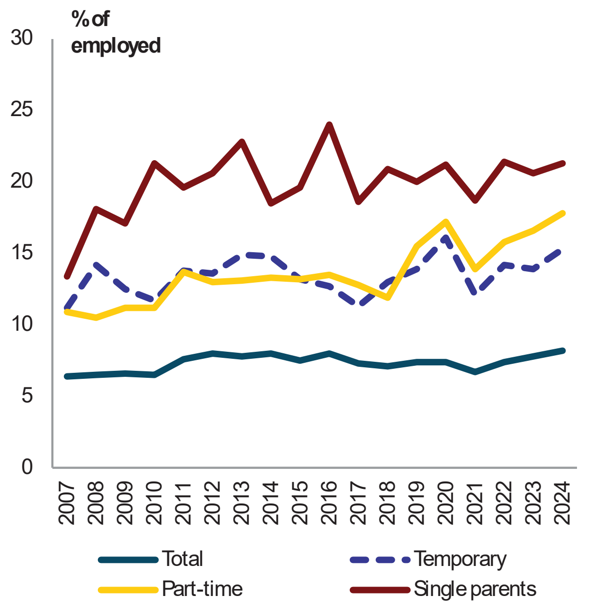
(306) Cioldi I., Raffy G., *Timss 2023 en CM1 : les résultats en mathématiques et en sciences restent stables en France, sous la moyenne européenne, avec une hausse des inégalités entre filles et garçons*, Note d'Information No 24.47, 2024. In France, very advantaged pupils have an average score in science of 536 points vs 453 points for very disadvantaged pupils, a difference of 83 points.

(307) OECD, PISA 2022 Results (Volume I): The State of Learning and Equity in Education, 2023.

(308) https://ec.europa.eu/social/BlobServlet?docId=27885&langId=en

Additionally, young people face high poverty risks linked to relatively high unemployment and NEET (not in education, employment or training) rates (see Annex 10), highlighting the need for better job market integration efforts. Among unemployed individuals, the risk of poverty and social exclusion stands at 27.5%. Furthermore, household composition and work intensity significantly impact AROP rates, particularly in single-parent and very low work intensity households (75.2 pps gap between households with very low and very high work intensity). Single-parent families are the most vulnerable to precariousness, with the highest poverty rates (39.4% vs 32.7% in the EU) and in-work poverty rates (21.3% vs 18.9% in the EU). In addition, 82% of single-parent households are headed by a woman with one or more children ([309]), and for 30.1% of women (vs 8.5% for men) their role as carer is the reason they are in part-time employment. Around EUR 2.3 billion from the European Social Fund Plus (ESF+) will support the social inclusion of the most vulnerable groups as well as poverty prevention and alleviation, including for children. Additionally, around EUR 613 million from the ESF+ are allocated for food and material assistance for the most vulnerable, covering both mainland France and the outermost regions, notably through the national programme for food aid. The 2023-2027 solidarity pact has been in place since January 2024 and should contribute to tackling several issues, including child poverty and the situation in the outermost regions. However, to be effective in reducing the in-work poverty and risk-of-poverty rates, this strategy should strengthen measures to improve the accessibility and quality of childcare, promote better work-life balance policies and increase housing accessibility and affordability, in cooperation with civil society.

Graph A11.3: **In-work poverty rate**



In-work poverty rate - % of employed who have an equivalised disposable income below 60% of the national equivalised median income.
Source: Eurostat, EU-SILC [ilc_iw01, ilc_iw05, ilc_iw07, ilc_iw02]

The challenges mentioned above are exacerbated in the outermost regions. The AROPE rate is significantly higher in those regions than in metropolitan France and the EU average. French Guiana had the highest AROPE rate among all NUTS (nomenclature of territorial units for statistics) regions in the EU in 2024 (59.5% vs 48.8% for the second highest rate). Moreover, this rate has increased by 10.3 pps since 2022, contrary to the slight fall for the EU. Similarly, the AROPE rate reached 39.4% in La Réunion, 39.4% in Guadeloupe and 30.1% in Martinique, well above the national average for France and for the Hauts-de-France region, which at 25.6% is the highest mainland region with the highest AROPE rate. Almost 1 in 5 persons in French Guiana face severe material and social deprivation, with a significant increase from 17% in 2022 to 19.8% in 2024. Single-parent households, the unemployed and pensioners are particularly vulnerable in the territories mentioned, where unemployment rates are systematically higher (17.3% in La Réunion vs 7.4% in France and 5.9% in the EU). In French Guiana, 32% of single-parent families were at risk of extreme poverty ([310]) (vs 5% for metropolitan France). Despite a relative lack of data regarding

([309])Sénat, '*Familles monoparentales : pour un changement des représentations sociétales*', Rapport d'information No 485, March 2024.

([310])INSEE, '*La grande pauvreté bien plus fréquente et beaucoup plus intense dans les DOM*', 2022.

Mayotte, the poverty rate is particularly high in this region, reaching 77% in 2018, which would further increase the figures for France if included. Approximately EUR 127 million from the ESF+ (2021-27) will be allocated to support social inclusion, including measures targeting children, in the five outermost regions. However, challenges point to the need for additional and well-targeted anti-poverty measures in these territories.

The housing market has adjusted slowly in the context of higher interest rates, but house prices have increased over the last decade, rising by around 26% since 2015 in nominal terms. House prices have been adjusting in 2024 (-3.7%) after stagnating in 2023 (-0.4%) and increasing by around 6% in both 2021 and 2022. Higher interest rates and muted mortgage lending led to a large decrease in housing transactions and building permits in 2023 and 2024. Housing transactions decreased by -21.5% and -9.2% in 2023 and 2024 while building permits decreased by –25.4% and –13.8% in the same period. The decrease of both transactions and building permits suggests that the ongoing correction in house prices is being reflected in the construction sector. At the same time, house prices still show signs of overvaluation of around 8% in 2024.

Overall housing affordability has been broadly stable, but house prices are high compared to household income. Over the past decade, the standardised house price-to-income ratio increased regularly until 2022 before correcting and are now below the 2015 level (6% lower). At the same time, house price levels compared to incomes are higher than in most other EU countries. Taking into account the cost of mortgage funding, the borrowing capacity of households remained broadly stable over the past decade. While the rental market is rather small, the ratio of new rents to incomes remained quite stable over the last ten years.

Housing cost overburden is a growing challenge, with limited progress in reducing the number of homeless people. In 2024, 7% of the population lived in a household where total housing costs exceeded 40% of total disposable income (EU: 8.2%), marking an increase from 5.5% in 2019. For people at risk of poverty, this percentage was more than four times higher and rose from 25.2% in 2022 to 27.9% in 2024, while it stagnated at 3% for people above the poverty threshold. Housing difficulties are particularly severe for single people (19.9% vs 21.1% for the EU), especially women The number of housing evictions is also rising, reaching 19 000 in 2023, a trend that may be worsened by the Kasbarian law ([311]). Meanwhile, the demand for social housing remains unmet, amid declining public investments in housing ([312]). In 2024, it was estimated that 350 000 people were homeless ([313]) (vs 143 000 in 2012), including 2 043 children (vs 1 990 in 2023 and 927 in 2020). Approximately 60% are men and 40% are women ([314]). Lack of access to emergency housing remains a challenge, including for children ([315]). A strategic framework implemented since 2018 (‘*Logement d’abord*’) aims at reducing homelessness and financing access to social housing. The ESF+ allocated around EUR 15 million for initiatives to improve access to housing, thereby facilitating the transition from temporary to permanent housing.

Energy poverty has risen in recent years, disproportionately affecting the most vulnerable groups. In 2024, 11.8% of the population was unable to keep their home adequately warm (EU: 9.2%). This was more pronounced among people at risk of poverty or social exclusion, with 22.4% affected (EU: 19.7%), compared to 9.8% of those not at risk (EU: 7.1%). According to the national energy poverty observatory, 30% of the population reported suffering from cold during the 2023-2024 winter, with 28% of cases attributed to financial constraints and 30% to inadequate insulation ([316]). To tackle this challenge, various measures were introduced, including the energy voucher scheme which offers financial support to low-income households for energy bills, and *MaPrimeRénov*’, supported by the Recovery and Resilience Facility, which supports energy efficiency renovations. However, potential budget cuts could hinder the effectiveness of such initiatives. As far as transport poverty is concerned, car affordability

([311]) This law, adopted in 2023, criminalises the occupation of a dwelling without right and increases fines for squatters.

([312]) Fondation pour le Logement des Défavorisés, *L’état du mal-logement en France 2025*, Rapport annuel No 30, February 2025.

([313]) Ibid.

([314]) OECD Country Notes on Homelessness data.

([315]) UNICEF-FAS, Baromètre *Enfants à la rue*, August 2024.

([316]) Observatoire National de la Précarité Énergétique, « *Tableau de bord de l’ONPE 2024* », 2024.

does not appear to be a significant issue in France. The stagnant use of public transport (15.3% in 2011 vs 15.7% in 2022), coupled with a significant share of the population living in rural areas (33.6%), may suggest that the transportation infrastructure and public transportation system do not sufficiently meet the needs of the population in these areas.

Regional disparities in accessibility persist, despite significant public expenditure on social protection and health. Social protection expenditure (23.8% of GDP in 2022 vs 19.4% in the EU) and health expenditure (9.1% of GDP in 2022 vs 7.6% in the EU) are among the highest in the EU. However, structural challenges persist, notably regional disparities in access to care (see Annex 14) and staff shortages. The proportion of the French population reporting unmet needs for medical care has been steadily increasing over the last decade (4.1% in 2024 vs 2.5% in the EU), with lower-income groups being disproportionately affected. Additional difficulties regarding access to healthcare services can be observed in the outermost regions ([317]).

([317]) Cour des comptes, '*La santé dans les outre-mer, une responsabilité de la République*', June 2024.

Inequalities in the education and training system, gaps in basic skills, and skills shortages limit France's innovation capacity and competitiveness. The French education and training system struggles to provide young people and adults with the skills they need to successfully adapt to the shifts in labour market requirements, which are driven by the green and digital transitions. Weaknesses in skills development start at an early age, with a large socio-economic performance gap in primary school, and continue with almost a quarter of 15-year-olds not meeting minimum standards in basic skills. Strong inequalities in education leave half of disadvantaged pupils without basic skills, reducing their job and upskilling opportunities later in life. Although participation in adult learning remains relatively high, inequalities in access to it persist, particularly affecting the most disadvantaged groups. The labour market relevance of training programmes could be improved. These challenges, combined with labour shortages and skills mismatches, undermine France's potential for sustainable and inclusive growth. Improving the quality and inclusiveness of education and training would contribute to boosting France's competitiveness.

A large share of 15-year-olds do not have a sufficient level of basic skills, which weighs on productivity and skills development later in life. As significant progress in reducing early school leaving and introducing mandatory preschool has been made, the focus now is on improving educational outcomes. Despite higher spending per secondary school pupil than in the EU-25 on average, results remain around the EU average and inequalities are higher ([318]). Around a quarter of secondary school students lack the basic skills needed in maths, science and reading to fully participate in a knowledge-based society, rising to around 50% among disadvantaged pupils. Urban-rural performance differences are among the highest in EU comparison, with pupils in larger cities performing significantly better ([319]). In addition, 43% of eighth graders do not have the essential digital skills to navigate today's digital world.

([318])OECD. Economic Survey France 2024; Education at a Glance 2024 Country Note France.

([319])OECD (2023). PISA 2022 Results (Volume I).

According to OECD estimates, bringing France's Programme for International Student Assessment (PISA) results in reading, science and maths close to those of top-performing countries could increase productivity by 2.7% ([320]). Underachieving 15-year-olds are more likely to have poor basic skills as adults, undermining the effectiveness of upskilling and reskilling measures. According to the 2023 Programme for the International Assessment of Adult Competencies (PIAAC), around 1 in 4 adults has weak basic skills, slightly below the OECD average ([321]).

Math skills are essential for the population to shape technological change but remain a particular concern. French fourth and eighth graders obtained some of the lowest results in maths and science among the EU-22 ([322]). In addition, France was one of the countries where performance in primary school was most strongly related to socio-economic background. Top-performance rates were also lower than the EU-22 average ([323]).

Extensive support for disadvantaged learners exists but does not reach them all. The government allocates substantial additional funding to disadvantaged schools in 'priority education zones'. This creates strong threshold effects on schools outside these zones – despite having similar socio-economic profiles, they might not receive extra funding. An estimated 70% of disadvantaged pupils are not schooled in 'priority education', for example in rural areas (the rural-urban performance gap in PISA is one of the highest, see above). While schemes exist to help schools outside these designated areas (e.g. *contrats locaux d'accompagnement*), they do not fully ensure that all disadvantaged learners receive support. A more gradual allocation of means as well as strengthened cooperation with local actors (such as that trialled by the *cités éducatives*) could help disadvantaged schools that currently do not sufficiently benefit from support schemes.

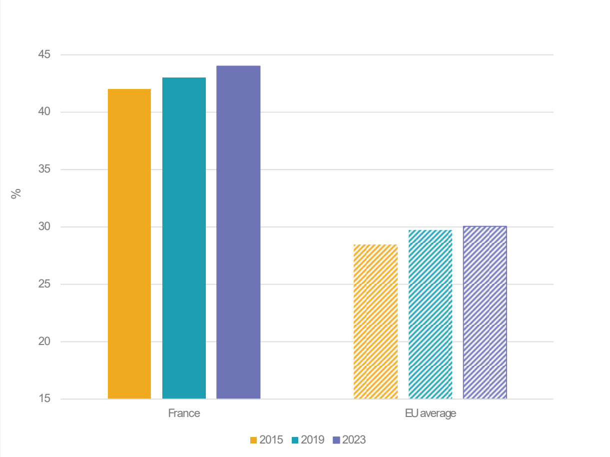
([320])OECD (2024). Economic Survey France 2024.

([321])DARES (2024). Compétences des adultes en 2023.

([322])IEA (2024). TIMSS 2023.

([323])3% in maths and 4% in science in France, vs 11% and 10% in the 22 EU countries participating in TIMSS (fourth grade).

Graph A12.1: **Trends in the low performance rate in mathematics in fourth grade (2015-2023)**



Source: TIMSS (2023)

Recent measures to improve basic skills could make better use of the wealth of available data to inform a long-term basic skills framework. The government has made considerable efforts to improve basic skills. It has: (i) reduced class sizes; (ii) increased funding for schools in some disadvantaged areas; (iii) published new competence-based curricula for the 2025/26 academic year; (v) expanded standardised pupil evaluations; (vi) implemented homework support and anti-bullying measures; (vii) introduced ability grouping in the first and second years of lower secondary school and (viii) set up, in 2023, regional committees for basic skills improvement. However, frequent political changes have led to a sustained pace of reforms but also resulted in insufficient timeframes for implementation and evaluation. Greater stability could be achieved by: (i) getting more teachers involved in co-designing education policy, ideally in a multi-annual perspective and based on evaluations; and (ii) setting up multi-party commissions to review and advise on education policy reforms ([324]). Making these measures part of a multi-annual basic skills strategy would ensure continuity and a common framework.

Improving basic skills requires a high level of teaching quality and an attractive teaching profession. Teachers in France are less satisfied with their job than their peers in the EU ([325]). Salaries are below the pay level of similarly educated workers, especially at mid-career level ([326]). Salary increases in recent years have almost completely been offset by inflation ([327]). Voluntary departures from the profession, although very limited overall, have sharply increased in the last decade. There are fewer applicants, and teacher-entry exams are becoming less selective ([328]). A 2023 large-scale job satisfaction survey revealed the main concerns for teachers that need improvement: pay, workload and career prospects ([329]). Larger class sizes than the EU average and higher student-to-teacher ratios add to the workload ([330]). The demographic decline should help to lower this ratio as the number of teaching posts is maintained stable for now.

Around 30 continuous training centres (*écoles académiques de la formation continue*) were set up to improve continuous professional development (CPD). To help these centres fulfil their potential, an EU-funded project recommended that: (i) CPD needs to be fully integrated into human resources policies and practice; (ii) the training centres should include training for primary teachers; and (iii) quality assessment and evaluation of CPD should be strengthened ([331]). When planning reforms with an impact on pedagogical requirements (such as ability grouping), training needs should be anticipated.

The number of students and apprentices in vocational education and training (VET) is increasing but continued efforts are necessary to improve its labour market relevance and the economy's growth potential. The share of learners enrolled in medium-level vocational education (ISCED 3-4) has gradually risen in recent years, reaching 40.9% in 2023, but still below the EU average of 52.4%. The number of apprenticeship contracts continues to increase and reached over a million

([324])OECD (2020). TALIS 2018 Results (Volume II), p. 61.

([325])IEA (2024). TIMSS 2023 International Results in Mathematics and Science

([326])OECD (2024). Education at a Glance.

([327])OECD (2024). Education at a Glance Country Note France.

([328])France Stratégie (2024). Travailler dans la fonction publique

([329])DEPP (2024). Note d'information n° 24.02.

([330])OECD (2024). Education at a Glance 2024, Tables D2.2 and D2.4.

([331])OECD (2024). Cultiver l'excellence dans l'apprentissage et le développement professionnel des personnels de l'éducation contracts in December 2024 [332], but concerns on quality exist (see Annex 10). In 2024, 82.4% of VET graduates participated in work-based learning (EU: 65.3%). However, in 2024, only 73% of recent VET graduates entered the labour market successfully (EU: 80%), highlighting the need to improve labour market relevance. The reform of vocational upper secondary schools, implemented since the 2023/2024 academic year, aims to address this although its impact still needs to be assessed. Further investments in work-based learning, particularly targeting those facing barriers to employment (see Annex 10) could help tackle skills shortages, improve young people's employability and contribute to productivity and competitiveness.

Nearly a third of students graduate with a science, technology, engineering or maths (STEM) degree at tertiary level, but more graduates are needed to tackle climate change and digitalisation. The share of STEM graduates was one of the highest in the EU, with 30.5% in 2022 (EU: 26.6%). However, only 4.1% were ICT graduates (EU: 4.5%). Among pupils in medium-level VET, 36.8% were enrolled in STEM fields in 2023 (EU: 36.3%). Improving young people's maths and science skills (see above) would enable more of them to choose STEM and acquire the skills needed to shape technological change. A leading industry federation estimates that 80 000 jobs in engineering will be needed by 2030 to work on the technologies needed for the green and digital transitions. However, 1 out of 5 positions risk remaining vacant due to a lack of STEM graduates [333].

Although there is no overarching education and training strategy for STEM, various STEM initiatives and funding for projects exist. Funding for STEM education is available under the *plan France 2030* initiative supporting the energy transition and the development of cutting-edge technologies. One objective is to anticipate future skills and job needs and accelerate the roll out of training programmes. The 'future competences and jobs' call for projects supports education and training in strategically important sectors, mainly in STEM fields. However, ongoing efforts by the French government to reduce public spending are expected to affect the funding available for this initiative, which could lessen its impact. In schools, extracurricular STEM activities, such as science tournaments and hands-on activities, complement regular maths and science teaching. Assessing the impact of these activities on students' interest and their achievements in STEM could inform more strategic support for these fields.

Skills shortages continue to hinder France's labour market performance, affecting competitiveness across many sectors of the economy. The job vacancy rate is 2.5% at Q4 2024 in France (EU: 2.3%). However, in 2023, 76% of French small and medium-sized enterprises still reported difficulties in filling at least one job vacancy (EU: 74%). These figures highlight the need to better align candidates' skills with employers' requirements. Two thirds of job openings are expected to require high qualifications by 2035 [334] although skills shortages are affecting all skills levels. Despite some improvement in 2024, the construction sector is still facing significant issues, with 71.5% of companies reporting hiring difficulties in October 2024 [335]. Moreover, in 2024, 6 out of 10 recruiters forecast hiring difficulties, with the lack of relevant skills being the second most significant factor [336]. To tackle skills shortages, France has made substantial investments in skills development, primarily through the *Plan d'investissement dans les compétences* (PIC). This programme dedicated EUR 13.8 billion to skills between 2018 and 2023. However, as highlighted by the French Court of Auditors, the training offers do not correspond to recruitment needs for high-demand professions [337]. Only one in four training courses targeted a priority sector (ICT, health, construction, the green transition), and less than half targeted jobs for which recruiters reported hiring difficulties [338]. Better targeting of priority jobs could improve the impact of the new 2024-2027 PIC launched at regional level.

[332] DARES, Le contrat d'apprentissage, 2024.

[333] Syntec-Ingénierie. (2024). [80 000 nouveaux emplois à pourvoir d'ici 2030 dans l'ingénierie]

[334] CEDEFOP, 2023 Skills forecast, France.

[335] DARES, *La situation du marché du travail au 3ème trimestre 2024*, 2024.

[336] France Travail, Enquête Besoins en main d'oeuvre 2024, 2024.

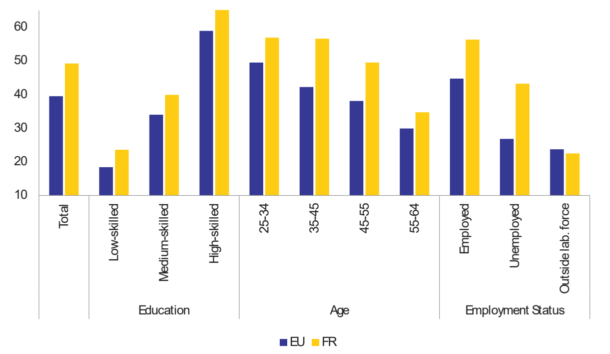
[337] Cour des Comptes, *Évaluation du plan d'investissement dans les compétences (PIC),* 2025.

[338] DARES, Synthèse du 4ème rapport du comité scientifique de l'évaluation du PIC, 2023.

France is well advanced in implementing individual learning accounts (ILAs): the *compte personnel de formation* enables workers to access training throughout their professional life, with around 1.3 million training courses delivered in 2023 ([339]). Since 2024, a payment of EUR 100 has been required to participate in training through the ILA to make users more accountable. Although specific exemptions were introduced, this contribution may make access difficult for vulnerable groups. To tackle the high level of skills shortages, better guidance for workers could be given on using their ILAs, and upskilling and reskilling could be incentivised in line with labour market demands. The targeted top-ups for digital skills training co-financed by the Recovery and Resilience Facility are a good example of how this could be done.

Labour market demand for green skills outstrips supply. France promotes education to sustainable development as a cross-disciplinary subject across all levels of education, and a comprehensive regulatory framework exists for schools. Pupils have a good knowledge of sustainable development (496.4 score points vs EU-17 506.7 points ([340]). In 2024, shortages were reported in several occupations requiring specific skills related to the green transition, including forestry and related workers, civil engineering technicians and roofers ([341])**.** Although the number of jobs in green sectors increased between 2013 and 2021 (by 47.2% vs 18.3% in the EU), recruitment difficulties persist, with a lack of candidates and skills mismatches among the main reasons ([342]). Only 46% of the French population believe that their current skills would enable them to contribute to the green transition (EU 54%). The Just Transition Fund provides workers and jobseekers in industrial sectors with upskilling and reskilling opportunities in those regions most affected by the transition to a low-carbon economy. On digital skills, although above the EU average in 2023 (55.6%), the share of adults with at least a basic level of digital skills decreased in France (59.7% vs 61.9% in 2021) (see Annex 10).

Graph A12.2: **Adult participation in learning**



(1) Participation in learning in the last 12 months (excluding guided-on-the-job training)
Source: Eurostat – adult education survey (AES 2022)

Participation in adult learning is relatively high, but remains closely linked to age, employment status and educational attainment. In 2022, 49.2% of adults participated in education and training (EU: 39.5%). Despite a slight increase since 2016 (0.8 pps vs 2.1 pps in the EU), France has not made significant progress towards its 2030 target of 65%. Participation decreases with age, with a 22.2 pps gap between adults aged 25-34 and those aged 55-64 (EU: 19.6 pps). Employed people participate more (56.3%) than unemployed (43.2%) and inactive people (22.5%). Highly qualified adults participate more (68.7%) than those with only lower secondary education (23.6%), who are also less likely to take training leading to qualifications ([343]), even though such programmes tend to have better labour market integration rates. The European Social Fund Plus supports access to education and training by: (i) helping unemployed people access upskilling; (ii) improving academic and career guidance services; (iii) preventing early school leaving; and (iv) promoting apprenticeships. Progress towards the 2030 national target could be accelerated by strengthening measures for under-represented groups, like those with low qualifications, improving their labour market integration and mobility.

([339])DARES, Le compte personnel de formation en 2023, 2024.

([340])2022 International Civic and Citizenship Education Study.

([341])European Labour Authority, *EURES Report on labour shortages and surpluses 2024*, 2025.

([342])Onemev, *Des difficultés de recrutement persistent en 2022 dans le secteur de l'économie verte*, 2023.

([343])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.

Table A13.1:**Social Scoreboard for France**

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, 2024)	7,7
	Share of individuals who have basic or above basic overall digital skills (% of the population aged 16-74, 2023)	59,7
	Young people not in employment, education or training (% of the population aged 15-29, 2024)	12,5
	Gender employment gap (percentage points, population aged 20-64, 2024)	5,9
	Income quintile ratio (S80/S20, 2024)	4,66
Dynamic labour markets and fair working conditions	Employment rate (% of the population aged 20-64, 2024)	75,1
	Unemployment rate (% of the active population aged 15-74, 2024)	7,4
	Long term unemployment (% of the active population aged 15-74, 2024)	1,7
	Gross disposable household income (GDHI) per capita growth (index, 2008=100, 2023)	110,7
Social protection and inclusion	At risk of poverty or social exclusion (AROPE) rate (% of the total population, 2024)	20,5
	At risk of poverty or social exclusion (AROPE) rate for children (% of the population aged 0-17, 2024)	26,2
	Impact of social transfers (other than pensions) on poverty reduction (% reduction of AROP, 2024)	38,9
	Disability employment gap (percentage points, population aged 20-64, 2024)	22,4
	Housing cost overburden (% of the total population, 2024)	7,0
	Children aged less than 3 years in formal childcare (% of the under 3-years-old population, 2024)	59,3
	Self-reported unmet need for medical care (% of the population aged 16+, 2024)	4,1

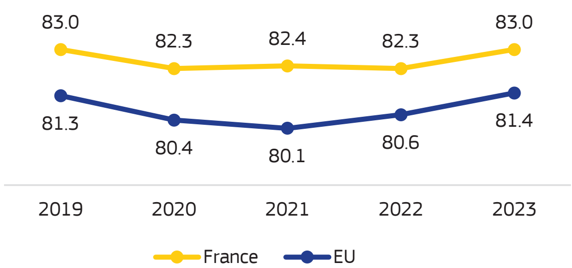
Critical situation	To watch	Weak but improving	Good but to monitor	On average	Better than average	Best performers

(1) Update of 5 May 2025. 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 2025 for details on the methodology (https://employment-social-affairs.ec.europa.eu/joint-employment-report-2025-0).
Source: Eurostat

France's health system faces some challenges which need to be addressed if the country is to improve the health of its population and social fairness, while boosting the competitiveness of its economy. The main challenges are: (i) a segmented approach to care organisation across primary and secondary care; (ii) persistent gaps in access to healthcare in specific areas known as 'medical deserts', mainly due to staff shortages; and (iii) an insufficient focus on disease prevention.

Life expectancy at birth in France rebounded to its pre-COVID-19 level and was one of the highest in the EU in 2023. Women can expect to live 5.8 years longer than men, but only about 1.5 years longer in good health. Treatable mortality is one of the lowest in the EU, suggesting that the health system is effective.

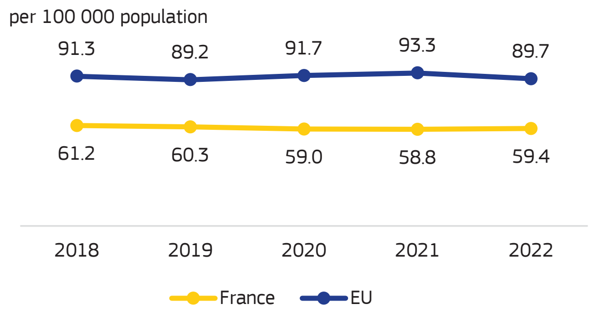
Graph A14.1: **Life expectancy at birth, years**



Source: Eurostat (demo_mlexpec)

The provision of healthcare remains fragmented and hospital-centred, despite recent efforts to strengthen primary care and care coordination. In 2022, health spending per inhabitant was among the highest in the EU, with the largest share going to inpatient care. This, together with an above average number of hospital beds (473 per 100 000 population in 2022), illustrates France's considerable reliance on hospital care. To strengthen primary care, recent reforms encouraged: (i) multidisciplinary practices; (ii) the decentralisation of decisions on healthcare provision; (iii) the introduction of financial incentives for better care coordination and prevention; and (iv) an expansion of the roles and responsibilities of allied health professionals. Services, however, remain fragmented with most providers working independently and with little collaboration between hospital, primary and social care services. A more systemic evaluation of the performance of the health system would help inform future improvements. Two reforms included in the recovery and resilience plan (RRP) aimed at improving access to health and social care, taking into account the changing needs of an ageing population: (i) a law reforming hospital governance; and (ii) a law on social debt and autonomy, were adopted in 2021. Investments of EUR 4.5 billion (11.2% of the RRP's total value) support the construction and refurbishment of health and care facilities, and nursing homes, and the further digitalisation of health services. Complementary investments worth around EUR 428 million in 2021-2027, from the cohesion policy funds, focus on health infrastructure, e-health services, health workforce development and improving access to healthcare, especially for vulnerable groups.

Graph A14.2: **Treatable mortality**



Age-standardised death rate **(mortality that could be avoided through optimal quality healthcare)**
Source: Eurostat (hlth_cd_apr)

France places insufficient focus on disease prevention. In 2022, spending on prevention accounted for 4% of total spending on health, lower than the EU average of 5.5%. Mortality from cardiovascular diseases and cancer is relatively low. The suicide rate is higher than the EU average, but slightly decreasing. Public health efforts have focused on boosting prevention strategies and tackling lifestyle risk factors, but the prevalence of daily smoking is one of the highest in the EU. Moreover, excessive alcohol consumption remains a challenge and obesity rates are growing ([344]). Preventive health consultations are fully reimbursed as of 2024 and should provide advice tailored to patients' age profiles and individual situations. Mental healthcare provision remains hospital-centred with limited availability in community settings. Recent

([344])OECD/European Commission (2024), Health at a Glance: Europe 2024 - State of Health in the EU Cycle, Chapter 4.

Table A14.1:**Key health indicators**

	2019	2020	2021	2022	2023	EU average* (latest year)
Cancer mortality per 100 000 population	230.7	226.6	222.6	222.4	n.a.	234.7 (2022)
Mortality due to circulatory diseases per 100 000 population	175.5	167.7	169.9	171.6	n.a.	336.4 (2022)
Current expenditure on health, purchasing power standards, per capita	3 662	3 802	4 179	4 302	n.a.	3 684.6 (2022)
Public share of health expenditure, % of current health expenditure	83.3	84.6	85.0	84.7	n.a.	81.3 (2022)
Spending on prevention, % of current health expenditure	2.1	3.1	5.7	4.0	n.a.	5.5 (2022)
Available hospital beds per 100 000 population**	500	492	483	473	n.a.	444 (2022)
Doctors per 1 000 population*	3.2	3.2	3.2	3.2	n.a.	4.2 (2022)*
Nurses per 1 000 population*	n.a.	n.a.	8.8	n.a.	n.a.	7.6 (2022)*
Mortality at working age (20-64 years), % of total mortality	15.3	14.3	14.6	14.1	14.3	14.3 (2023)
Number of patents (pharma / biotech / medical technology)	758	755	609	434	537	29 (2023)***
Total consumption of antibacterials for systemic use, daily defined dose per 1 000 inhabitants****	25.1	20.3	21.5	24.3	24.1	20.0 (2023)

*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 2022 (or latest 2021) data except for Luxembourg (2017). 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 France and Slovakia (professionally active) and Greece (hospital only). **'Available hospital beds' covers somatic care, not psychiatric care. ***The EU median is used for patents.
Source: Eurostat database; European Patent Office; ****European Centre for Disease Prevention and Control (ECDC) for 2023.

reforms aim to improve the coordination of services and to increase access to psychologists. The RRP envisaged the setting up of a suicide prevention line. Another challenge is the consumption of antibiotics, which in 2023 was well above the EU average, despite the recommended national target ([345]) to reduce total consumption by 27% between 2019 and 2030. France participates in the EU4Health-funded joint action on antimicrobial resistance.

Access to healthcare is somewhat of a challenge in France. Unmet medical needs are higher than the EU average, mainly due to costs and waiting times. Distance to health facilities is another key determining factor, as illustrated by regional differences in unmet needs, especially in primary care (see Annexes 11 and 17). Contrary to primary care, there are no major inequalities between regions in access to hospital care. The French health system provides a high degree of financial protection.

Shortages of health staff and an unequal distribution of health personnel pose a growing challenge. The density of doctors in France (3.2 per 1 000 population in 2021) is below the EU average of 4.2 per 1 000. There were 8.8 nurses per 1 000 population in France in 2021 (slightly above the EU average of 7.6 per 1 000). While the number of health workers overall has increased in the last decade, the number of general practitioners (GPs) per capita has decreased – and according to projections, this trend will continue until at least 2028. The responsibilities of nurses in primary care could be further expanded following the introduction of the advanced practice nurse position in 2019. However, the pay of hospital nurses is below the average national wage, and low compared to other EU countries ([346]). Despite regulations on planning doctors' geographical distribution, doctors are free to choose their place of practice. The distribution of staff across the country is skewed to more attractive areas. About 6% of the French population, mostly in the central region, live in areas where GP supply is considered insufficient. While the geographical distribution of specialists has slightly improved over the past decade, inequalities – especially in access to those who do not charge additional fees to patients – remain significant. Multidisciplinary group practices have shown more potential than financial incentives to attract and keep doctors in areas considered as 'medical deserts'.

The French health system has the potential to drive innovation and foster industrial development in the EU medical sector (see Annex 3)**.** France reports one of the highest public funding levels for health research and development in the EU. This has led to 537 European patents being granted to patentees of French residence in 2023 in the combined areas of pharmaceuticals, biotechnologies and medical devices (vs the EU-level median of 39) ([347]). France

([345])National target set by the Council Recommendation on stepping up EU actions to combat antimicrobial resistance in a 'one health' approach, 2023/C 220/01.

([346])Health at a Glance: Europe 2024, pp.196-197.
([347])European Patent Office, Data to download | epo.org.

reports holding among the highest numbers of clinical trials in the EU ([348]).

There is some room for improving the uptake of e-health. In 2024, the share of people accessing their personal health records online was below the EU average (25.5% vs 27.7%). The government launched the digital health acceleration strategy in 2021 with a budget of EUR 734 million. The *Ma santé* 2022 reform aims to: (i) integrate e-health systems into one national platform; (ii) improve cyber security and patient access to e-health systems; and (iii) make e-prescriptions the norm at the national level. Significant planned investments under the RRP and cohesion policy aim to boost the digital transformation of the healthcare sector in France. France participates in the EU4Health joint action on the European Health Data Space and benefits from a grant supporting digital infrastructure and secondary use of data in healthcare.

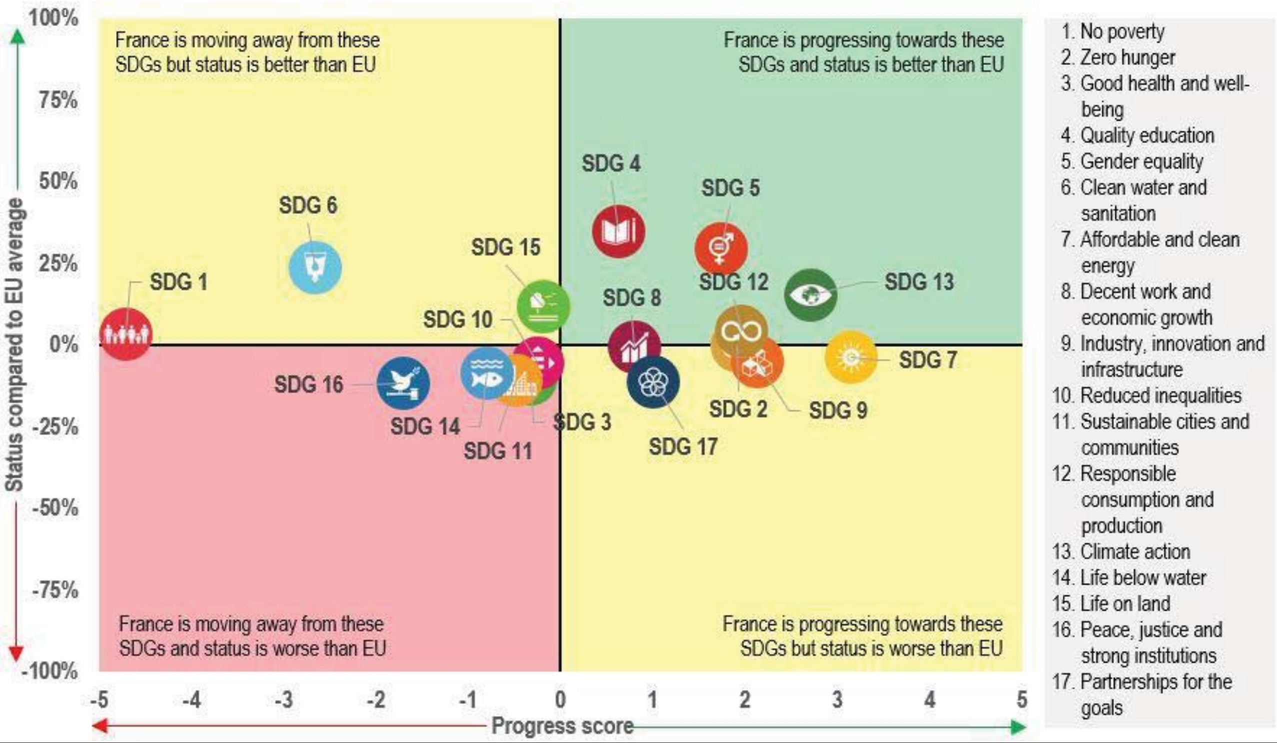
([348])EMA (2024), Monitoring the European clinical trials environment, p. 9.

ANNEX 15: SUSTAINABLE DEVELOPMENT GOALS

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.

France is improving on all SDGs on *competitiveness* (SDGs 4, 8, 9) and performs well on SDG 4, but it needs to catch up with the EU average on SDG 8 and 9. On SDG4 (quality education), the share of young adults with tertiary education increased significantly, but adult participation in learning decreased from 19.5% in 2019 to 15.2% in 2024 – although remaining above the EU average. On SDG 8 (Decent work and economic growth), France decreased its investment rate to 23.1% of GDP in 2023 compared to 23.7% in 2022, while remaining above the EU average of 22.4% and its 2018 level (21.9%). In addition, the share of young people not in education, employment or training increased slightly between 2019 and 2024 (from 12.4% of the population aged 15-29 to 12.5%), while the long-term unemployment rate decreased (from 2.3% of the active population to 1.7%). However, the number of fatal accidents at work rose in 2022 to 3.49 accidents per 100 000 workers, well above the EU average of 1.66. 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 2018 vs 2.19% in 2023, and 1.53% of the active population in 2018 vs 1.67% in 2023). A notable exception is the significant improvement in the share of households with

Graph A15.1: **Progress towards the SDGs in France**



For detailed datasets on the various SDGs, see the annual Eurostat report 'Sustainable development in the European Union'; for details on extensive country-specific data on the short-term progress of Member States: Key findings – Sustainable development indicators - Eurostat (europa.eu). 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 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 28 April 2025. Data refer mainly to the period 2018-2023 or 2019-2024. Data on SDGs may vary across the report and its annexes due to different cut-off dates.

high-speed internet connection (43.8% of households in 2019 to 81.4% in 2023) 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 (see Further priorities ahead).

France is improving on five SDGs (SDGs 2, 7, 9, 12, 13) related to *sustainability*, but is moving away from the targets on three other SDGs (SDGs 6, 11, 14). It needs to catch up with the EU average on SDG 11 (Sustainable cities and communities). 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 6.4 tonnes of CO_2 equivalent per capita in 2018 to 5.4 in 2023), reducing the generation of waste and reducing its material and consumption footprint. France notably reduced its CO_2 emissions per km from new passenger cars from 136 g CO_2/km in 2018 to 96.8 in 2023, well below the EU average (107.6 gCO_2/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. However, 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). France is also moving away from the targets for SDG 6 on Clean water and sanitation and SDG 14 on Life below water but remains above 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 3, 4, 5, 7, 8) but is moving away from the goals on SDG 1 (No poverty) and SDG 10 (Reduced inequalities). In addition, France needs to catch up with the EU average on SDGs 3, 7 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 7.7% in 2024) and the higher tertiary educational attainment (from 48.2% of the population aged 25-34 in 2018 to 53.4% in 2024). 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 share 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), with more people at risk of poverty or social exclusion (rising from 17.9% of the population in 2018 to 19.8% in 2023) or living in households with very low work intensity (from 7.5% in 2018 to 9.2% in 2023). France is the EU Member State that deviates the most from its 2030 poverty reduction target (see Annex 9). Inequalities (SDG 10) are increasing, and France 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 7.7 pp. difference in the percentage of population in 2023 (EU average in 2023: 0.2 pp. difference). While France's performance on SDG 3 (Good health and well-being) slightly improved overall in the six years between 2017 and 2023, it needs to catch up with the EU average in this area.

France is improving on SDGs related to *macroeconomic stability* (SDGs 8 and 17) but moving away from the goals on SDG 16 (Peace, justice and strong institutions). In addition, it still needs to catch up with the EU average on SDGs 8, 16 and 17. While France made progress on SDG 17, indicators relating to SDG 16 worsened, with both remaining below the EU average. Victims of human trafficking increased to 3.1 per 100 000 in 2023, above the EU average of 2.4. In 2024, 54% 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 increased its financing to developing countries (11 625 billion EUR in 2018 vs 16 724 in 2023) and its share of imports from these countries (2.16% in 2019 vs 2.76% in 2024). The general government gross debt has increased to 113% of GDP in 2024, which is significantly higher than the EU average of 81%.

As the SDGs form an overarching framework, any links to relevant SDGs are either explained or depicted with icons in the other annexes.

France faces structural challenges in a wide range of policy areas, as identified in the country-specific recommendations (CSRs) addressed to the country as part of the European Semester. They refer, among other things, to the budgetary framework and fiscal governance, taxation policy, non-discrimination and equal opportunities, education and skills, renewable energy, energy infrastructure and networks, business environment and research and innovation.

The Commission has assessed the 2019-2024 CSRs considering the policy action taken by France to date and the commitments in its recovery and resilience plan (RRP). At this stage, France has made at least 'some progress' on 72% of the CSRs (349), and 'limited progress' on 21% (Table A16.2).

EU funding instruments provide considerable resources to France by supporting investments and structural reforms to increase competitiveness, environmental sustainability and social fairness, while helping to address challenges identified in the CSRs. In addition to the EUR 40.3 billion funding from the Recovery and Resilience Facility (RRF) in 2021-2026, EU cohesion policy funds (350) are providing EUR 16.8 billion to France (amounting to EUR 28.5 billion with national co-financing) for 2021-2027 (351) to boost regional competitiveness and growth. Support from these instruments combined represents around 2% of 2024 GDP (352). The contribution of these instruments to different policy objectives is outlined in Graphs A16.1 and A16.2. This substantial support comes on top of financing provided to France under the 2014-2020 multiannual financial framework, which financed projects until 2023 and has had significant benefits for the economy and French society. Project selection under the 2021-2027 cohesion policy programmes has accelerated and implementation of projects has gained momentum.

The French RRP contains 73 investments and 24 reforms to stimulate sustainable growth, accelerate the green and digital transitions and make the French economy more resilient as a result of investments in the health sector and skills, including higher education and lifelong learning. A year before the end of the RRF timespan, implementation is well on its way with 85% of funds disbursed. At present, France has fulfilled 82% of the milestones and targets in its RRP, making France the most advanced Member State in terms of implementation progress (353). Continued efforts are needed to ensure completion of all RRP measures by 31 August 2026.

France also receives funding from several other EU instruments, including those listed in table A16.1. Most notably, the common agricultural policy (CAP) provides France with an EU contribution of EUR 45.5 billion under the CAP strategic plan for 2023-2027 (354). A further EUR 1.3 billion are available under the Asylum, Migration and Integration Fund (AMIF), together with the border management and visa instrument (BMVI) and internal security funds. Furthermore, operations amounting to EUR 2.9 billion (355) have been signed under the InvestEU instrument backed by the EU guarantee, improving access to financing for riskier operations in France.

(349) 4% of the 2019-2024 CSRs have been fully implemented, 21% substantially implemented, and some progress has been made on 47%.

(350) In 2021-2027, cohesion policy funds include the European Regional Development Fund, the European Social Fund Plus and the Just Transition Fund. The information on cohesion policy included in this annex is based on adopted programmes with the cut-off date of 5 May 2025.

(351) European territorial cooperation (ETC) programmes are excluded from the figure.

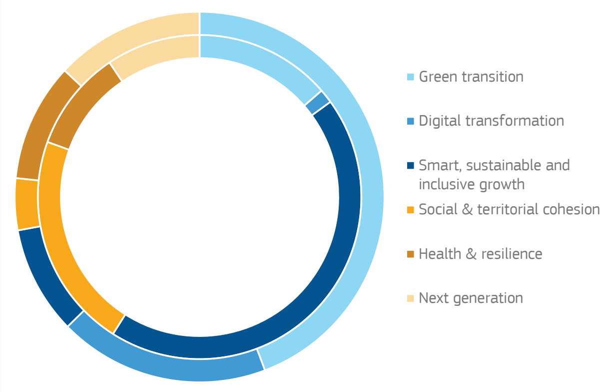
(352) RRF funding includes both grants and loans, where applicable. GDP figures are based on Eurostat data for 2024.

(353) As of mid-May 2025, France has submitted 4 payment requests.

(354) An overview of France's formally approved strategy to implement the EU's common agricultural policy nationally can be found at: https://agriculture.ec.europa.eu/cap-my-country/cap-strategic-plans/france_en

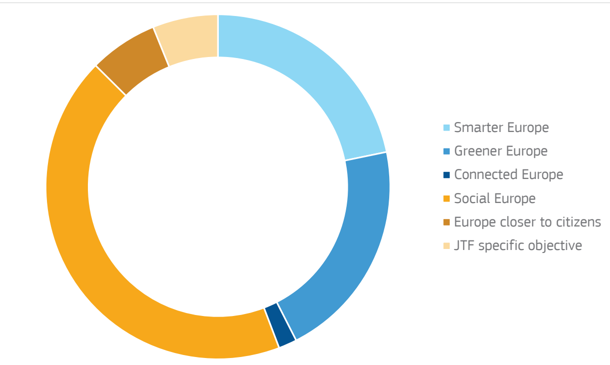
(355) Data reflect the situation on 31.12.2024.

Graph A16.1: **Distribution of RRF funding in France by policy field**



(1) Each RRP measure helps achieve the aims of two of the six policy pillars of the RRF. The primary contribution is shown in the outer circle, while the secondary contribution is shown in the inner circle. Each circle represents 100% of the RRF funds. Therefore, the total distribution to all pillars displayed on this chart amounts to 200% of the RRF funds allocated.
Source: European Commission

Graph A16.2: **Distribution of cohesion policy funding across policy objectives in France**



Source: European Commission

Cohesion policy funds aim to increase the productivity and competitiveness of French firms and improve the business environment. For example, the European Regional Development Fund (ERDF) and the Just Transition Fund (JTF) provide support for 129 400 businesses, focusing on innovation and digitalisation. Close to 90 000 additional businesses and 709 500 households are expected to gain access to very-high-capacity broadband. Cohesion policy funding is also mobilised in support of the objectives of Strategic Technologies for Europe Platform (STEP) with a focus on industrial start-ups and innovative SMEs with high economic potential, including in their pre-industrialization and expansion phase, and training actions to improve skills in strategic sectors. In addition, the European Social Fund Plus (ESF+) is investing EUR 2 262.5 million (36% of the ESF+ allocation to France) in skills, focusing on improving labour market relevance and quality of education and training systems. The support encompasses skills counselling, training and designing of programmes and career guidance, targeting the most vulnerable groups such as low-skilled and those not in education, employment or training.

Other funds are contributing to competitiveness in France, for instance through open calls. The Connecting Europe Facility has supported strategic investments in areas such as rail infrastructure and the modernisation of France's maritime and inland waterways transport network. It also contributed to energy market integration, the decarbonisation of the energy system and the security of energy supply, in particular through electricity interconnectivity. In the digital sector, it has strengthened the capacity, resilience and security of backbone infrastructure, advanced the deployment of 5G in smart communities and connected automated mobility along the Mediterranean corridor. Horizon Europe has funded research and innovation across the spectrum, from scientific breakthroughs to scaling up innovations, with the European Research Council and Climate, Energy and Mobility as top priorities. In France, the Technical Support Instrument (TSI) has indirectly contributed to the reform of public service in the French RRP through transforming the human resource function to support the managerial, green and digital transitions of public administrations.

France's RRP also contains ambitious measures to improve the business environment and competitiveness. France's RRP is helping France in enhancing the digitalisation of public services for citizens and businesses. Measures covered by the fourth payment request include investments related to the digitalisation of higher education and the medical sector. France also supported the development of key digital technologies, the improvement of the government's cybersecurity capabilities and the modernisation of the digital management system for maritime affairs.

EU funds are playing a significant role in promoting environmental sustainability and green transition in France during the current

seven-year EU budget (multiannual financial framework). EUR 4.5 billion from the ERDF and the JTF are used to support the green transition, including energy efficiency, renewable energy, disaster management, water management and waste treatment. Additional production capacity for renewable energy should reach 943 MW, and the additional capacity for waste recycling 3.4 million tonnes a year. Access to clean water and sanitation is a key challenge for the French outermost regions, and the ERDF is investing over EUR 300 million in this sector. This support aims to give access to clean water to over 350 000 people and to connect around 100 000 people to wastewater treatment facilities, through key projects such as the DOM Water Plan in French Guiana, the desalination plant at *Ironi Bé* in Mayotte and the *Etang-salé* drinking water production unit in La Réunion. The ERDF also invests in clean mobility in the outermost regions, for instance by providing EUR 37 million for the *Caribus* project, developing the first bus lanes for public transport in Mayotte, or for the transformation of the Marigot Ferry Terminal in Saint-Martin into a multimodal hub. France's CAP strategic plan allocates EUR 4.1 billion (41% of rural development funding) to environmental and climate objectives and EUR 8.5 billion (25% of direct payments) to eco-schemes supporting biodiversity, organic farming and sustainable practices. For example, extra support is available for farms implementing practices that limit soil erosion or maintain organic matter such as soil cover or crop diversification. To preserve and protect biodiversity, the Plan promotes the inclusion and maintenance of landscape features on farms.

France's RRP, including the REPowerEU chapter, has a comprehensive set of reforms and investments for the green transition. As part of the measures covered by payment requests submitted over the past year, France included: several measures that promote energy efficiency through the renovation of buildings; support to sustainable transport through the renovation and creation of public transport reserved lanes, tracks or railways; and the completion of regulatory studies aiming at creating low GHG emission zones in cities, as provided by the Climate and Resilience Law (2021).

Promoting fairness, social cohesion and improving access to basic services are among the key priorities of EU funding in France. For instance, the ERDF supports healthcare infrastructure, increasing or modernising the capacity of facilities serving over 420 000 people a year. This includes EUR 125 million supporting improved access to healthcare infrastructure in the French outermost regions, for instance by increasing the capacity of healthcare facilities in Martinique, benefitting 326 000 people a year. It also helps reduce disparities in education in the outermost regions, by co-funding projects such as the creation of the Academic Health Training Centre at the University of French Guiana. The ESF+ fosters active inclusion, facilitating proper labour market integration for those currently least integrated (EUR 1.8 billion). The ESF+ supports social inclusion for the most vulnerable people, including children and access to affordable housing and essential services in mainland France and in the outermost regions (EUR 383.9 million). Among their interventions, ESF+ programmes will support at least 3 million people not in employment, 32 200 people who are homeless and 214 400 people with a disability. In 2024, the Technical Support Instrument (TSI) helped France to gain a better understanding of some populations, including vulnerable groups, to improve their digital financial literacy, pilot a comprehensive approach to mental health in schools and to consolidate and implement the roadmap for the environmental transition of the General Delegation for Employment and Vocational Training.

France's RRP contains several reforms and investments related to fairness and social policies. As part of the measures covered by payment requests submitted over the past year, France continues to support the modernisation of health care, including the construction, energy renovation and modernisation of medical establishment. France also invested in improving river infrastructure to make it a credible alternative to road freight transport.

Table A16.1:**Selected EU funds with adopted allocations - summary data (million EUR)**

Instrument/policy	Allocation 2021-2026		Disbursed since 2021 (1)
RRF grants (including the RepowerEU allocation)	40 269.9		30 868.4
RRF loans	0		0
Instrument/policy	**Allocation 2014-2020 (2)**	**Allocation 2021-2027**	**Disbursed since 2021 (3)** (covering total payments to the Member State on commitments originating from both 2014-2020 and 2021-2027 programming periods)
Cohesion policy (total)	17 782.3	16 775.0	12 066.5
European Regional Development Fund (ERDF)	11 133.2	9 070.4	7 404.4
European Social Fund (ESF, ESF+) and the Youth Employment Initiative (YEI)	7 613.6	6 674.7	4 342.5
Just Transition Fund (JTF)		1 030.0	319.6
Fisheries			
European Maritime, Fisheries and Aquaculture Fund (EMFAF) and the European Maritime and Fisheries Fund (EMFF)	588.0	567.1	368.4
Migration and home affairs			
Migration, border management and internal security - AMIF, BMVI and ISF (4)	779.2	1 278.5	608.9
The common agricultural policy under the CAP strategic plan (5)	**Allocation 2023-2027**		**Disbursements under the CAP Strategic Plan (6)**
Total under the CAP strategic plan	45 548.5		15 472.9
European Agricultural Guarantee Fund (EAGF)	35 509.3		13 438.0
European Fund for Agricultural Development (EAFRD)	10 039.2		2 034.9

(1) The cut-off date for data on disbursements under the RRF is 31 May 2025.
(2) Cohesion policy 2014-2020 allocations include REACT-EU appropriations committed in 2021-2022.
(3) These amounts relate only to disbursements made from 2021 onwards and do not include payments made to the Member State before 2021. Hence the figures do not comprise the totality of payments corresponding to the 2014-2020 allocation. The cut-off date for data on disbursements under EMFAF and EMFF is 29 April 2025. The cut-off date for data on disbursements under cohesion policy funds, AMIF, BMVI and ISF is 5 May 2025.
(4) AMIF - Asylum, Migration and Integration Fund; BMVI- Border Management and Visa Instrument; ISF - Internal Security Fund.
(5) Expenditure outside the CAP strategic plan is not included.
(6) The cut-off date for data on EARDF disbursements is 5 May 2025. The information on EAGF disbursements is based on the Member State declarations until March 2025. Disbursements for the Direct Payments (EAGF) started in 2024.
Source: European Commission

Table A16.2:**Summary table on 2019-2024 CSRs**

France	Assessment in May 2025*	Relevant SDGs
2019 CSR 1	**Some progress**	
Ensure that the nominal growth rate of net primary expenditure does not exceed 1.2 % in 2020, corresponding to an annual structural adjustment of 0.6 % of GDP.	Not relevant anymore	SDG 8, 16
Use windfalls gains to accelerate the reduction of the general government debt ratio.	Not relevant anymore	SDG 8, 16
Achieve expenditure savings and efficiency gains across all sub-sectors of the government, including by fully specifying and monitoring the implementation of the concrete measures needed in the context of Public Action 2022.	No progress	SDG 8, 16
Reform the pension system to progressively unify the rules of the different pension regimes, with the view to enhance their fairness and sustainability.	Substantial progress	SDG 8
2019 CSR 2	**Some progress**	
Foster labour market integration for all job seekers, ensure equal opportunities with a particular focus on vulnerable groups including people with a migrant background	Some progress	SDG 8, 10
and address skills shortages and mismatches.	Some progress	SDG 4
2019 CSR 3	**Some progress**	
Focus investment-related economic policy on research and innovation (while improving the efficiency of public support schemes, including knowledge transfer schemes),	Some progress	SDG 9, 10, 11
renewable energy, energy efficiency and interconnections with the rest of the Union,	Some progress	SDG 7, 9, 10, 11, 13
and on digital infrastructure, taking into account territorial disparities.	Substantial progress	SDG 9, 10, 11
2019 CSR 4	**Substantial progress**	
Continue to simplify the tax system, in particular by limiting the use of tax expenditures, further removing inefficient taxes and reducing taxes on production.	Substantial progress	SDG 8, 9, 10, 12
Reduce regulatory restrictions, in particular in the services sector,	Limited progress	SDG 8, 9
and fully implement the measures to foster the growth of firms.	Not relevant anymore	SDG 8, 9
2020 CSR 1	**Substantial progress**	
In line with the general escape clause, take all necessary measures to effectively address the pandemic, sustain the economy and support the ensuing recovery. When economic conditions allow, pursue fiscal policies aimed at achieving prudent medium-term fiscal positions and ensuring debt sustainability, while enhancing investment.	Not relevant anymore	SDG 8, 16
Strengthen the resilience of the health system by ensuring adequate supplies of critical medical products and a balanced distribution of health workers, and by investing in e-Health.	Substantial progress	SDG 3
2020 CSR 2	**Substantial progress**	
Mitigate the employment and social impact of the crisis,	Substantial progress	SDG 1, 2, 8, 10
including by promoting skills	Some progress	SDG 4
and active support for all jobseekers.	Some progress	SDG 8
2020 CSR 3	**Some progress**	
Ensure the effective implementation of measures supporting the liquidity of firms, in particular for small and medium-sized enterprises.	Not relevant anymore	SDG 8, 9
Front-load mature public investment projects	Substantial progress	SDG 8, 16
and promote private investment to foster the economic recovery.	Substantial progress	SDG 8, 9
Focus investment on the green and digital transition, in particular on sustainable transport,	Some progress	SDG 11
clean and efficient production and use of energy,	Some progress	SDG 7, 9, 13
energy (infrastructures)	Some progress	SDG 7, 9, 13
and digital infrastructures	Substantial progress	SDG 9
as well as research and innovation.	Some progress	SDG 9

(Continued on the next page)

Table (continued)

2020 CSR 4	**Some progress**	
Continue to improve the regulatory environment,	Limited progress	SDG 8, 9
reduce administrative burdens for firms	Some progress	SDG 8, 9
and simplify the tax system.	Substantial progress	SDG 8, 9, 10, 12
2021 CSR 1	**Not relevant anymore**	
In 2022, use the Recovery and Resilience Facility to finance additional investment in support of the recovery while pursuing a prudent fiscal policy. Preserve nationally financed investment.	Not relevant anymore	SDG 8, 16
When economic conditions allow, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring fiscal sustainability in the medium term.	Not relevant anymore	SDG 8, 16
At the same time, enhance investment to boost growth potential. Pay particular attention to the composition of public finances, on both the revenue and expenditure sides of the budget, and to the quality of budgetary measures in order to ensure a sustainable and inclusive recovery. Prioritise sustainable and growth-enhancing investment, in particular investment supporting the green and digital transition.	Not relevant anymore	SDG 8, 16
Give priority to fiscal structural reforms that will help provide financing for public policy priorities and contribute to the long-term sustainability of public finances, including, where relevant, by strengthening the coverage, adequacy and sustainability of health and social protection systems for all.	Not relevant anymore	SDG 8, 16
2022 CSR 1	**Substantial progress**	
In 2023, ensure prudent fiscal policy, in particular by limiting the growth of nationally financed primary current expenditure below medium-term potential output growth, taking into account continued temporary and targeted support to households and firms most vulnerable to energy price hikes and to people fleeing Ukraine. Stand ready to adjust current spending to the evolving situation.	Not relevant anymore	SDG 8, 16
Expand public investment for the green and digital transitions, and for energy security taking into account the REPowerEU initiative, including by making use of the Recovery and Resilience Facility and other Union funds.	Not relevant anymore	SDG 8, 16
For the period beyond 2023, pursue a fiscal policy aimed at achieving prudent medium-term fiscal positions and ensuring credible and gradual debt reduction and fiscal sustainability in the medium term through gradual consolidation, investment and reforms.	Not relevant anymore	SDG 8, 16
Reform the pension system to progressively unify the rules of the different pension regimes to enhance its fairness while underpinning its sustainability.	Substantial progress	SDG 8
2022 CSR 2		
Proceed with the implementation of its recovery and resilience plan, in line with the milestones and targets included in the Council Implementing Decision of 13 July 2021.	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports.	
Swiftly finalise the negotiations with the Commission of the 2021-2027 cohesion policy programming documents with a view to starting their implementation.	Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	
2022 CSR 3	**Some progress**	
Address the shortage of skills by raising the share of people with basic skills, providing additional work-based learning options and	Some progress	SDG 4
improving the learning outcomes of all students, in particular by adapting resources and methods to the needs of disadvantaged students and schools	Limited progress	SDG 4, 8, 10
and by improving the working conditions and continuous training of teachers.	Some progress	SDG 4

(Continued on the next page)

Table (continued)

2022 CSR 4	**Some progress**	
Reduce overall reliance on fossil fuels.	Some progress	SDG 7, 9, 13
Accelerate the deployment of utility-scale and decentralised renewable energies through increased public investment and by facilitating private investment, including by further streamlining permitting procedures and ensuring adequate staffing of authorising administrations.	Limited progress	SDG 7, 8, 9, 13
Improve the policy framework to incentivise the deep renovation of buildings.	Limited progress	SDG 7, 8, 9
Expand energy interconnection capacity.	Some progress	SDG 7, 9, 13
2023 CSR 1	**Some progress**	
Wind down the emergency energy support measures in force, using the related savings to reduce the government deficit, as soon as possible in 2023 and 2024. Should renewed energy price increases necessitate new or continued support measures, ensure that these are targeted at protecting vulnerable households and firms, fiscally affordable, and preserve incentives for energy savings.	Substantial progress	SDG 8, 16
Ensure prudent fiscal policy, in particular by limiting the nominal increase in nationally financed net primary expenditure in 2024 to not more than 2.3%.	No progress	SDG 8, 16
Preserve nationally financed public investment and ensure the effective absorption of RRF grants and other EU funds, in particular to foster the green and digital transitions.	Full implementation	SDG 8, 16
For the period beyond 2024, continue to pursue a medium-term fiscal strategy of gradual and sustainable consolidation, combined with investments and reforms conducive to higher sustainable growth, to achieve a prudent medium-term fiscal position.	No progress	SDG 8, 16
Further improve framework conditions to facilitate investment and innovation.	Some progress	SDG 8, 16
2023 CSR 2		
Proceed with the steady implementation of its recovery and resilience plan and, following the recent submission of the addendum, including the REPowerEU chapter, rapidly start the implementation of the related measures. Proceed with the swift implementation of cohesion policy programmes, in close complementarity and synergy with the recovery and resilience plan.	RRP implementation is monitored by assessing RRP payment requests and analysing reports published twice a year on the achievement of the milestones and targets. These are to be reflected in the country reports. Progress on the cohesion policy programming documents is monitored under the EU cohesion policy.	
2023 CSR 3	**Some progress**	
Address the shortage of skills, in particular by providing additional work-based learning options and raising the share of people with basic skills.	Some progress	SDG 4
Adapt resources and methods to the needs of disadvantaged students and schools in order to make the education and training system more equitable and inclusive.	Some progress	SDG 4, 8, 10
Improve the working conditions and initial and continuous training for teachers.	Limited progress	SDG 4, 8, 10
2023 CSR 4	**Some progress**	
Reduce overall reliance on fossil fuels.	Some progress	SDG 7, 9, 13
Accelerate the deployment of renewable energies, focusing in particular on wind, solar and geothermal sources and biogas, including through small-scale renewable energy production and the promotion of collective self-consumption, and promote related storage technologies, through increased public investment, by facilitating private investment, and addressing permitting bottlenecks.	Limited progress	SDG 7, 9, 13
Further upgrade electricity transmission and distribution grids.	Some progress	SGD 7,9, 13
Increase cross-border electricity interconnections.	Some progress	SGD 7,9, 13
Further improve the policy framework to incentivise the deep renovation of buildings and the decarbonisation of heating systems, with a particular focus on low-income households and on building stock with the lowest energy performance.	Some progress	SGD 7,9, 13
Build a supporting regulatory environment to increase investment in clean-tech manufacturing, including by simplifying and speeding up permitting.	Substantial progress	SGD 7,9, 13
Step up policy efforts aimed at the provision and acquisition of skills and competences needed for the green transition.	Some progress	SGD 7,9, 13

(Continued on the next page)

Table (continued)

2024 CSR 1	**Some progress**	
Submit the medium-term fiscal-structural plan in a timely manner.	Full implementation	SDG 8, 16
In line with the requirements of the reformed Stability and Growth Pact, limit the growth in net expenditure in 2025 to a rate consistent, inter alia, with putting the general government debt on a plausibly downward trajectory over the medium term and reducing the general government deficit towards the 3% of GDP Treaty reference value.	Some progress	SDG 8, 16
Reduce the complexity of the tax system by better targeting tax expenditures, removing the least efficient ones and limiting their overall budgetary impact.	Limited progress	SGDs 8, 10, 12
Continue the efforts to enhance the quality of budgetary measures, including by setting up quantitative targets for expenditure savings in budgetary planning within the established framework for spending reviews.	Some progress	SDG 8, 16
2024 CSR 2		
Continue with the swift and effective implementation of the recovery and resilience plan, including the REPowerEU chapter, ensuring completion of reforms and investments by August 2026. Accelerate the implementation of cohesion policy programmes. In the context of their mid-term review, continue focusing on the agreed priorities, while considering the opportunities provided by the Strategic Technologies for Europe Platform initiative to improve competitiveness.	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. Progress with the cohesion policy is monitored in the context of the Cohesion Policy of the European Union.	
2024 CSR 3	**Limited progress**	
Further address skills shortages, including in green transition occupations, and foster participation in training, in particular among the low-skilled.	**Some progress**	SDG 4
Improve the performance and equity of the education system.	Limited progress	SDGs 4, 10
Strengthen the teaching profession, including by improving working conditions and training.	Limited progress	SDG 4
2024 CSR 4	Limited progress	
Improve the business environment by reducing the administrative burden.	**Limited progress**	SGDs 8, 9
Foster business R&D intensity, including by better targeting public support schemes.	No progress	SDG 9
Accelerate the energy transition by deploying renewable energies faster, including by adopting secondary legislation, setting up the 'renewables acceleration areas' and promoting storage technologies.	Limited progress	SDG 7, 9, 13

Source: European Commission

In recent years, territorial differences have become more pronounced in France, in terms of GDP growth, demographic trends, firms' agglomerations, public services and housing. Economic activities are concentrated in some regions, which also encourage people to move there, while other regions in the north, centre and east, and outermost regions, lag behind.

France experienced slow growth in GDP per head between 2014 and 2023, with an average annual growth rate of 0.8%, below the EU average of 1.6%. Therefore, France's GDP per head as a share of EU average declined from 108% in 2013 to 99% in 2023. Regional disparities are significant, with no clear signs of convergence, and all metropolitan territorial entities are growing below the EU average pace over the same period. While no metropolitan French region was below 75% of the EU average in 2012, five territories (NUTS 2) fell below this threshold in 2023 (Corse, Limousin, Franche-Comté, Lorraine and Picardie), with two getting closer to it (Auvergne and Languedoc-Roussillon) (Table A17.1).

French outermost regions have among the lowest GDP per head in the EU. Although they grew faster than the national average between 2014 and 2023 (with the exception of Guadeloupe), their GDP per head still ranges from 28% to 69% of the EU average and the challenges posed to their development remain very severe (Table A17.1). Mayotte, the EU's poorest region, faces major additional challenges due to massive destruction caused by cyclone Chido.

Agglomeration attracts working-age people from less dynamic regions, affecting the long-term economic growth prospects of these regions. In terms of national average, the working-age population (aged 20-64) in France declined less than the EU average between 2014 and 2023 (-0.08% per year compared to -0.24% for the EU). However, this masks significant regional differences. A decline of the working age population well above the EU average is observed in particular in the north, centre and east as well as in two outermost regions (Guadeloupe and Martinique). A stabilisation or positive trend was recorded for some attractive, dynamic areas in metropolitan France (Ile-de-France, Bretagne, Aquitaine, Midi-Pyrénées, Rhône-Alpes, Languedoc-Roussillon, Corse, Pays de la Loire, and Provence-Alpes-Côte d'Azur), as well in three outermost regions, Guyane, La Réunion and Mayotte, the latter suffering from specific migration challenges (Table A17.1).

Competitiveness

Despite an overall downward trend in recent years and persistent regional variations, labour productivity remains well above the EU average. This is the case at national level (117% of the EU average in 2022) and for most regions, ranging from 151% in Île-de-France to 95% or under in Corse, Basse-Normandie, Martinique, Guyane and Mayotte.

Significant regional polarisation is observed for all the main drivers of productivity trends (human capital ([356]), sectoral specialisation, R&D investment and digital infrastructure), with few leading regions and many stagnating or lagging areas. Tertiary educational attainment is relatively high at national level (43.4%) but below the EU average (36.1%) in areas like Corse, Picardie, Lorraine, and Champagne-Ardenne. In Île-de-France, Rhône-Alpes and Midi-Pyrénées, over 47% of the population aged 25-64 holds a higher education degree, compared to much lower rates in outermost regions like Guyane, La Réunion, Guadeloupe, Martinique and Mayotte. Furthermore, the 2022 Programme for International Student Assessment (PISA) study assessing the basic maths, science and literacy skills of 15-year-olds revealed that urban-rural performance gaps are among the highest in the EU, with pupils in larger cities performing significantly better. High-tech employment exceeds the EU average only in a few areas (Île-de-France, Midi-Pyrénées Rhône-Alpes and Franche-Comté) with rates below 2% in Champagne-Ardenne and Poitou-Charentes. Provence-Alpes-Côte d'Azur and Corse excel in knowledge-intensive industries (over 50% of employment) despite below-average high-tech employment. R&D spending as a percentage of regional GDP is in line with EU averages, with high

([356])Human capital encompasses knowledge, skills and competences, highlighting the importance of education, training and experience in building a workforce that drives economic growth, innovation and productivity.

Table A17.1:**Selection of indicators at regional level in France**

	GDP per head (PPS)	Productivity - GDP per hour worked (PPS)	Real productivity growth (per hour worked)	European Quality of Government Index (1)	Net migration of population aged 15-39	Working age population (20-64) growth	Employment rate 20-64	Youth employment rate	At-risk-of-poverty or social exclusion	Access to healthcare		Access to primary education			Access to alternative fuel infrastructure (2)	Greenhouse gas emissions	Green employment - in sustainable but competitive sectors
	Index EU-27 = 100	Index EU-27 = 100	Average annual % change	EU-27=0	Average annual net crude migration rate (%)	Average annual change per 1000 residents of same age	% of population aged 20-64	% of population aged 15-24	% of total population	Urban centers	Rural areas	Urban centers	Urban clusters	Rural areas	Number of electric vehicles charging points within 10 km	tCO2eq. per person	% of total employment
	2023	2022	2013-2022	2024	2015-19	2014-2023	2024	2024	2024	2023	2023	2023	2023	2023	2022	2023	2020
European Union (27 MS)	100	100	0.9			-0.3	75.8	35.0	21.0	99.6	41.8	84.1	60.1	30.8	287	7.1	15.1
France	99	117	0.3			0.0	75.1	34.6	20.5	99.6	41.8	93.9	68.9	40.2	443	5.6	24.0
Ile de France	166	151	-0.1	0.02	5.6	0.1	77.0	31.5	19.9	99.8	50.8	95.8	78.9	52.0	1844	2.4	
Centre-Val de Loire	84	102	0.2	0.38	-7.1	-0.5	78.6	38.3	16.0	100	34.5	92.4	67.4	38.5	57	7.1	
Bourgogne	82	106	0.7	0.46	-8.7	-0.7	74.8	33.5	19.0	100	45.7	98.5	78.0	41.5	64	7.1	13.1
Franche-Comté	73	103	0.7	0.49	-7.5	-0.5	77.9	43.3	18.0	100	31.7	93.4	72.4	38.7	30	5.7	13.4
Basse-Normandie	82	95	0.0	0.58	-10.0	-0.5	76.6	39.9	17.7	100	42.8	93.1	66.9	29.6	50	6.8	12.4
Haute-Normandie	85	113	0.3	0.43	-7.7	-0.5	73.4	36.0	19.5	100	41.8	92.4	70.8	38.9	87	7.9	12.5
Nord-Pas de Calais	82	106	0.3	0.45	-7.1	-0.4	69.6	34.5	26.6	100	49.7	93.6	76.8	49.6	205	7.8	13.5
Picardie	71	109	0.4	0.20	-6.9	-0.6	73.4	33.4	23.6	100	41.5	94.8	82.2	50.8	46	7.9	11.3
Alsace	89	109	0.3	0.57	0.6	-0.1	77.4	40.6	17.0	98	49.5	89.3	71.9	54.3	146	5.2	15.3
Champagne-Ardenne	89	113	1.1	0.21	-9.6	-0.8	73.9	32.9	21.8	100	32.8	97.3	78.5	40.3	78	10.1	7.2
Lorraine	71	105	0.5	0.36	-6.2	-0.6	72.2	32.2	23.6	100	47.7	88.8	73.2	44.3	61	9.9	6.6
Pays de la Loire	88	104	0.6	0.78	0.4	0.3	77.7	43.1	17.1	100	41.4	94.4	61.8	42.3	91	7.1	
Bretagne	83	104	0.8	0.81	-2.7	0.1	78.2	36.9	14.6	100	43.3	93.3	65.0	39.6	59	9.0	
Aquitaine	86	102	0.1	0.74	5.7	0.4	78.7	41.6	18.4	96	38.6	88.0	56.6	33.1	110	5.0	15.0
Limousin	73	96	0.6	0.58	-5.6	-0.7	75.2	36.6	20.8	100	32.2	89.3	64.5	24.9	40	7.6	3.8
Poitou-Charentes	82	102	0.6	0.56	-3.8	-0.3	75.2	37.5	18.7	100	39.9	86.2	63.3	36.6	42	7.5	10.9
Languedoc-Roussillon	78	101	0.0	0.20	2.0	0.3	70.3	29.1	26.7	99.6	44.2	90.7	64.2	49.5	127	4.8	12.7
Midi-Pyrénées	89	103	0.3	0.57	5.7	0.4	77.1	33.8	21.0	99.4	45.1	87.6	61.2	32.8	184	5.5	16.4
Auvergne	77	103	0.9	0.68	-1.0	-0.5	74.1	42.2	19.4	100	33.4	89.7	68.0	37.3	57	7.3	14.0
Rhône-Alpes	100	112	0.1	0.48	2.9	0.3	76.8	37.2	17.7	99.7	43.3	95.0	68.0	40.2	203	4.4	20.6
Provence-Alpes-Côte d'Azur	91	120	0.9	0.12	-1.1	0.1	72.9	28.6	21.8	100	44.3	90.9	61.0	33.8	181	4.9	
Corse	73	94	-0.4	0.44	12.3	0.4	71.7	17.6	24.9	100	24.1	88.8	50.6	27.1	43	5.6	
Guadeloupe	66	106	0.8	-0.96	-31.7	-0.9	61.0	13.5	39.4							3.4	57.6
Martinique	69	95	0.8	-0.51	-33.1	-1.2	67.3	18.8	30.1							3.3	45.9
Guyane	42	86	-2.8	-0.96	0.3	1.6	51.1	11.4	59.5							1.9	4.4
La Réunion	63	96	0.9	0.01	-19.6	0.3	57.5	23.7	39.4							3.2	5.5
Mayotte	28	91	3.0	-1.17	4.4	3.9										0.1	45.4

(1) University of Gothenburg

(2) DG REGIO and JRC calculation based on European Alternative Fuels Observatory (EAFO), Eurostat, TomTom and Eco-Movement

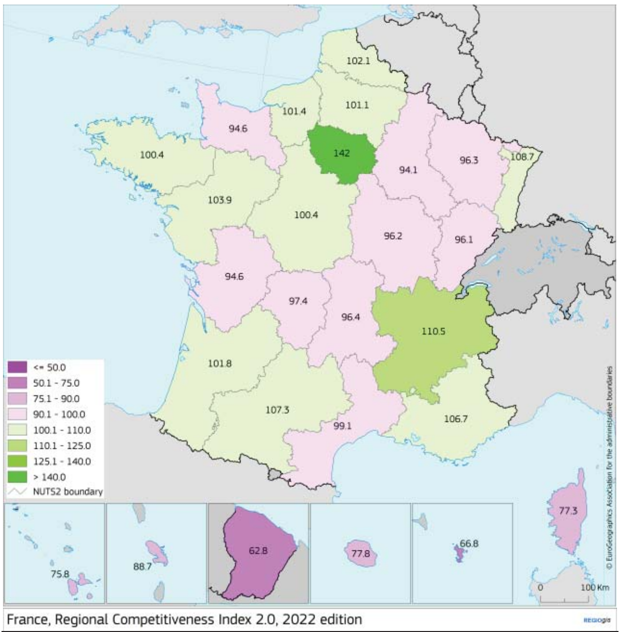
Source: Eurostat and JRC

expenditure in Midi-Pyrénées (4.4% as total R&D spending and 3.0% in terms of business expenditure R&D – BERD ([357])), Rhône-Alpes (3.0% total, 2.2% BERD), Franche-Comté (3.0% total, 2.5% BERD), and Île-de-France (2.9% total, 2.0% BERD) and low levels in the outermost regions and parts of northern France. Low-tech sector concentration and limited R&D contribute to subdued productivity in some regions, while others struggle despite positive indicators. Access to broadband is equal to or below 75% in areas like Limousin, Corse, and Guadeloupe, with no region except Île-de-France exceeding 90% in 2021. Daily internet use is below 85% in several territories, including Franche-Comté and the outermost regions.

A strong territorial polarisation is also observed as regards competitiveness, despite most regions being above or close to the EU average, **as measured by the Regional Competitiveness Index 2.0 (Map A17.1).** At the forefront, regions such as Île-de-France dominate in R&D spending, patent filings, and access to skilled labour. The concentration of world-class universities, corporate headquarters, and research institutes positions this region as a national and European innovation leader. Territories such as Rhône-Alpes, Alsace, Midi-Pyrénées, and Provence-Alpes-Côte d'Azur are also strong innovators, leveraging specialised sectors like biotechnology, aerospace and knowledge-intensive industries, as well as connectivity to global markets. However, this underscores the challenges faced by other territories, particularly in rural and peripheral areas, as well as in less dynamic areas (the centre and east of the country, the outermost regions and Corse), where access to funding, infrastructure, and skills for innovation is more limited. These disparities are compounded by differences in industrial bases, urbanisation levels, and connectivity to global markets.

([357])Business Enterprise R&D.

Map A17.1: **Regional Competitiveness Index 2.0, 2022 edition**



Source: DG REGIO, JRC based on Eurostat

Tailored policies with a strong territorial focus would help leverage the more dynamic regions' sectoral competitive advantages and strong performance, unlocking untapped potential across all territories. Stepping up collaboration within regional clusters and increasing cross-regional partnerships could create additional synergies across industries and ensure equitable access to innovation financing. Scaling up niche expertise, such as Bretagne's maritime technology or Midi-Pyrénées' aerospace capabilities, into adjacent sectors could consolidate and amplify value chains and boost competitiveness beyond regional and national boundaries. Prioritising tailored talent development and aligning education with regional needs also remain key, as well as integrating digital transformation and green innovation into existing strengths. This would ensure alignment with global trends and improve access to funding and international markets for regional small to medium-sized enterprises.

Improving the digital connectivity of lagging territories and encouraging targeted partnerships with leading areas could help harness them to more dynamic ones. To this end, leveraging existing national initiatives like 'Territoires d'Industrie' could help combine expertise and resources and stimulate innovation ecosystems.

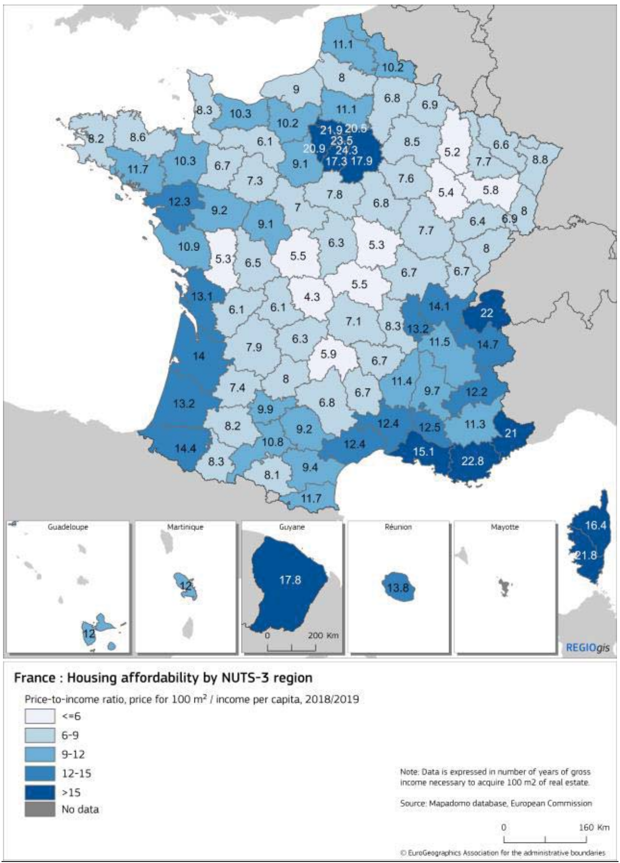
Social fairness

Improving access to basic services such as healthcare and affordable housing and mitigating the risk of poverty and social exclusion, particularly in the outermost regions, would increase balanced regional development. There are significant regional differences in access to healthcare between urban and rural areas. In some territories with lower population density, only slightly above 50% of population can quickly access the nearest hospital (specifically Corse, Limousin, Auvergne, Franche-Comté and Poitou-Charentes) (Table A17.1). Limited healthcare services, caused also by the relative scarcity of doctors, result in a higher share of people with self-reported unmet needs for medical examination in France than in the EU – 4.1% compared to 2.5% in 2024. This gap in unmet health needs is observed for every degree of urbanisation (cities: 4.0% in France against 2.6% at EU level; towns and suburbs: 4.0% in France against 2.1% at EU level; rural areas: 4.3% in France against 2.8% at EU level). Access to primary schools is more problematic in rural areas, with less than one third of children living close to primary schools located in rural areas of Basse-Normandie, Limousin, Midi-Pyrénées and Corse (Table A17.1). In the outermost regions, doubled isolation in archipelagos often means long distances to access essential services, including health and education.

Housing-cost overburden, measured by the percentage of the population living in households where the total housing costs represent more than 40% of disposable income, has increased over the last decade in all types of territories. It is much higher in cities (9.4%) than in rural areas (3.9%), in 2024. Data at NUTS 3 level (Map A17.2) shows that affordability is an issue particularly in the capital region, southern coastal regions, and some Alpine areas. Housing affordability is also aggravated by increasing energy poverty, which is more acute in France compared to the EU average (See Annex 11). Rates of energy poverty are particularly high in the north (Nord-Pas de Calais – 14.1%, the north-east (Lorraine – 13.3% and Champagne-Ardenne – 13.0%) and Corse (13.6%). Housing affordability remains a major challenge in outermost regions. For instance, only 40.7% of the population in Guyane owned their dwelling (versus

63.6% average in France), and 65% of people with foreign nationalities lived in a tin house in Mayotte.

Map A17.2: **House prices relative to income, 2019**



Source: European Commission, Mapadomo

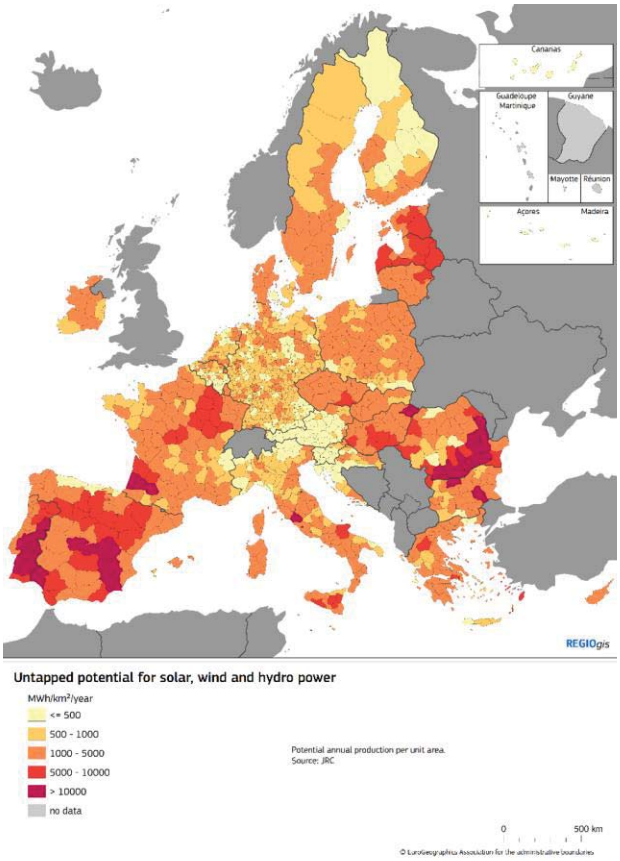
These trends aggravate the risks of poverty or social exclusion in numerous areas, even though the share of people at risk was slightly around the EU average in 2024 (see also Annex 11). Outermost regions face particularly severe challenges, with poverty rates substantially above the national and EU averages, ranging from 30.1% to 59.5%. Some metropolitan regions also have a high proportion of residents experiencing social and material deprivation (Nord-Pas de Calais, Languedoc-Roussillon and Corse) contributing to around a quarter of the adult population being at risk of poverty or social exclusion.

Sustainability

French regions face significant challenges and opportunities in relation to sustainability. On the one hand, France is highly exposed to climate change-related risks (see also Annex 9). Western coastal areas are particularly vulnerable to the rise in sea level, while Mediterranean regions face droughts, heatwaves and wildfires. Mountainous areas, such as Auvergne-Rhône-Alpes, are affected by glacial retreat and water shortages. Urban regions, including Île-de-France, experience heat islands and infrastructure strain, while the outermost regions face risks of severe tropical storms and hurricanes. Tailored adaptation measures, including sustainable water management and resilient infrastructure, are essential to address these challenges.

Significant opportunities in relation to the green transition, which could be more systematically exploited, are also available to French regions. In particular, untapped renewable energy potential exists in territories like Midi-Pyrénées, Provence-Alpes-Côte d'Azur, Bretagne (significant solar, wind, and tidal energy resources), in the outermost regions (particularly wind), as well as in eastern regions and in Bourgogne-Franche-Comté (geothermal potential) (Map A17.3). Policy actions to loosen regulatory bottlenecks and address investment gaps would help unlock this potential.

Map A17.3: **Untapped potential for solar, wind and hydro power, 2019**



Source: JRC

Greenhouse gas emissions and concentrations of particulate matter in France are below the EU average. This is due in particular to the intensive use of nuclear power in the national energy mix. Values of greenhouse gas emissions above the EU average in 2023 were recorded specifically in Haute-Normandie, Nord-Pas de Calais, Picardie, Champagne-Ardenne, Lorraine, Bretagne, Limousin, Poitou-Charentes and Auvergne. Most of these territories benefit from support provided under the Just Transition Fund.