FRANCE

France’s economic freedom score is 63.6, making its economy the 57th freest in the 2023 Index. Its score has declined by 2.3 points. France is ranked 33rd out of 44 countries in the Europe region, and its overall score is higher than the world average and below the regional average.

The French economy remains diversified and relatively resilient. Such institutional strengths as strong protection of property rights and a fairly efficient regulatory framework facilitate entrepreneurial activity. Reforms to increase the economy’s competitiveness and flexibility have been adopted, but progress has been marginal. The state dominates major sectors of the economy.

BACKGROUND: France is one of the world’s most modern countries and sees itself as a leader in Europe. President Emmanuel Macron of the center-left Renaissance party won a second term in April 2022 with reduced support. His coalition lost its parliamentary majority in June as a far-left coalition and the far-right National Rally made significant gains. Widespread issues with nuclear power plants have hurt the nation’s energy outlook. Tourism, manufacturing, and pharmaceuticals lead France’s diversified economy. The government has partially or fully privatized many large companies but maintains a strong presence in such sectors as power, public transport, and defense.
The overall rule of law is well respected in France. The country’s property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

The regulatory framework remains relatively efficient. The business start-up process is straightforward, and no minimum capital is required. The labor market is burdened by rigid regulations and lacks the capacity to generate vibrant employment growth. The most recent available inflation rate is 2.1 percent.

The top individual and corporate tax rates are, respectively, 45 percent and 25 percent. The tax burden equals 45.4 percent of GDP. Three-year government spending and budget balance averages are, respectively, 58.6 percent and –6.1 percent of GDP. Public debt equals 112.6 percent of GDP.

The trade-weighted average tariff rate (common among EU members) is 3.2 percent; more than 600 EU-mandated nontariff measures and 29 country-specific nontariff barriers are in force. Investment in some sectors is restricted. The financial sector is modern and mostly in private hands.