Economic and financial publications

Reunion : Economic overview

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Structural characteristics

Capital	Saint-Denis
Area	2,512 km²
Geographic location	Indian Ocean, Mascarene Archipelago; Paris 9,300 km away, Port Louis 210 km away
Languages spoken	French and Réunion Creole
Currency	Euro (€)
Status	Overseas Department and Region (DROM) and Outermost Region (OR)
Human Development Index ranking (2010, AFD estimate)	54
National representation	7 Members of Parliament, 4 Senators and 1 representative on the Economic, Social and Environmental Council
State representation	Prefect

Geography: a mountainous island at the heart of the Indian Ocean

The island of Réunion is part of the Mascarene Archipelago in the Indian Ocean, along with Mauritius and Rodrigues. It covers an area of 2,512 km² (three times smaller than Corsica) and is located 9,300 kilometres from Paris. Its terrain is rugged and mountainous in the centre of the island, where the Piton des Neiges rises to an altitude of 3,069 metres. Half of the island's population lives in coastal areas, while the remainder is spread between the mid-altitude slopes (between 150 and 400 metres) and the 'Hauts'. Réunion is the third most densely populated region in France, with a population density of 353 inhabitants per km².

Historical background: from an Indian Ocean stopover to a single-department region

A stopover on Indian Ocean trade routes, Réunion was visited for several centuries by Malay, Arab and European navigators. The French first landed on the island in 1638, before turning it into a colony administered in the name of the King by the French East India Company. The island's economy experienced its first boom in the early 18th century with the export of spices and, above all, coffee, whose cultivation relied on the labour of an ever-growing number of enslaved people brought from Madagascar, India and East Africa. In 1764, following the Company's commercial bankruptcy, the King of France repurchased the island.

Slavery, which expanded alongside the development of sugarcane cultivation and sugar production in the 19th century, did not survive the regime established after the February Revolution: its abolition was proclaimed on the island on 20 December 1848, when the population numbered 103,000 inhabitants, including 60,000 enslaved people. The economic and social system was then reorganised around indentured labour, which consisted in bringing workers to the colony under temporary employment contracts, mainly from India, Africa and China. In practice, the living and working conditions of indentured labourers remained relatively close to those of slavery.

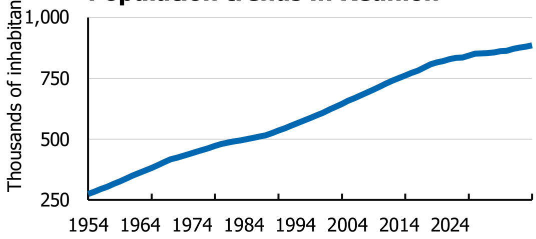
The First World War mobilised 14,000 people from Réunion (8% of the population). It strengthened the assimilationist movement that led to the island's departmentalisation in 1946. Economic and social progress was slow in the post-war period, before accelerating in the 1960s and 1970s, accompanied by profound infrastructure developments: the Félix Guyon Hospital was inaugurated in 1957, the coastal road in 1963, the Takamaka hydroelectric power plant in 1968, and the university in 1970. While Réunion achieved social equality with mainland France in the 1990s and 2000s through the harmonisation of social benefits, persistent difficulties (employment, youth integration, high cost of living) have periodically given rise to large-scale protests (2009, 2018).

Institutional framework: a single-department outermost region

Réunion is a French department (Act of 19 March 1946). The Act of 31 December 1982 granted it the status of a Region. Unlike mainland French regions, its territorial basis is a single department and its powers are more extensive, particularly in the field of local public finances (dock dues). The constitutional reform of 28 March 2003 confirmed these arrangements by creating the designation 'Overseas Departments and Regions'. However, unlike other DROMs, this reform deprives Réunion (the 'Virapoullé' amendment) of the possibility of enacting laws or regulations with local application. In 1997, Réunion became an Outermost Region (OR). This status provides for the principle of applicability of all EU law, with possible adaptations to account for the specific characteristics and constraints of ORs.

Demographic and social overview

Population trends in Réunion



Source: Insee (Population censuses; population estimates as at 1 January)

Réunion's population is mixed, multicultural and pluricultural. It is the result of successive waves of migration from Europe, Africa, India, China and the islands of the Indian Ocean. As at 1 January 2024, the population is estimated at 885,700 inhabitants, twice its level in 1970. Demographic growth has remained dynamic in recent years (+0.5% on average per year over the last ten years), although it has slowed compared with previous decades (+1.4% per year in the 2000s and +1.8% per year in the 1990s). This trend is explained by the gradual decline in the birth rate and by a migration balance that has become negative since 2009.

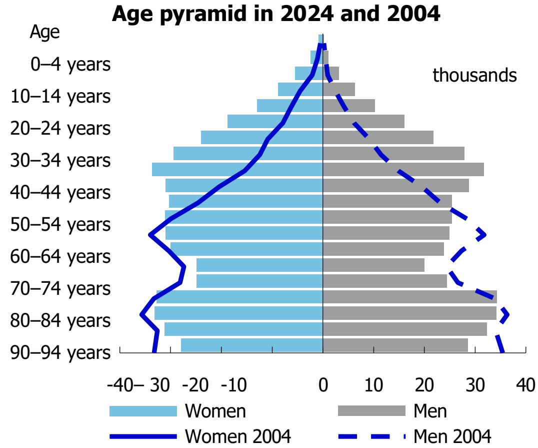
In 2024, Réunion remains a relatively young department, with an average age of 39 years compared with 42 years at the national level. However, the population is ageing rapidly. People aged over 75 account for 6% of Réunion's population in 2024, compared with 3% twenty years earlier. Life expectancy at birth stands at 79 years on average for men and 85 years for women. The gap between the sexes is narrowing but remains one of the largest among French regions. The birth rate is also higher than that of mainland France (14.3‰ compared with 9.9‰ in 2023), although it is gradually converging.

Although the poverty rate in Réunion has fallen by 10 percentage points since 2007, it remains well above that of mainland France (36% compared with 15% in 2021) and reflects significant income inequalities. In 2021, half of the island's population lived on less than EUR 1,420 per month per consumption unit, compared with 26% in mainland France. In addition, the skills gap is more pronounced in Réunion. In 2022, 26% of young people from Réunion who took part in the Defence and Citizenship Day experienced reading difficulties, compared with 11% in mainland France.

Demographic indicators	Réunion	France
Population as at 1 January 2024 (thousands; millions for France)	885.7	66.1(1)
Share of population under 20 (%)	28.7	23(1)
Share of population aged 65 and over (%)	15	28(1)
Population density (inhabitants per km²)	353	120.5(2)
Population projections to 2050 (thousands; millions for France)	1,021.9	66.4(2)
Birth rate (‰)	14.3	9.9(2)
Mortality rate (‰)	5.9	9.2(2)
Total fertility rate	2.3	1.6(2)
Life expectancy at birth – women (years)	85.1	85.7(2)
Life expectancy at birth – men (years)	79.4	80(2)

(1) Mainland France; (2) France as a whole
Source: Insee

Age pyramid in 2024 and 2004



Sources: Insee, Civil registration data

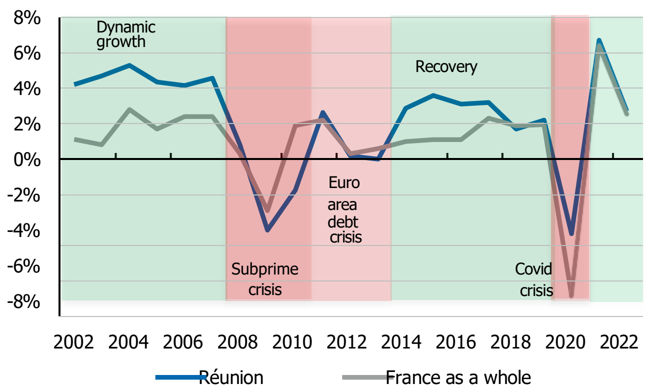
Overview of the economy

Economic activity in Réunion follows the trend observed in mainland France

Overall, economic activity in Réunion moves in line with that of mainland France. In 2008, the territory experienced a lasting economic downturn, and it was not until 2014 that a genuine recovery began to take shape. However, GDP did not return to the growth pace of the previous decade, due to stagnating productivity[1]. Final consumption is the main driver of economic activity (+2.1% on average between 2014 and 2019), followed by investment (+0.7%).

In 2020, the Covid-19 crisis had a severe impact on Réunion's economy. GDP fell by 4.2%. This contraction was almost half that recorded in France as a whole (-7.7%), reflecting a more favourable health situation and the significant weight of the non-market sector on the island, which is better protected from economic fluctuations.

Real GDP growth rate



Sources: Insee, final accounts (2000–2018); Cerom, rapid accounts (2019–2022)

[1] Labour productivity growth strongly influences the pace of economic growth over the medium term. In Réunion, the productivity gap with France narrowed until 2008 with the development of market services. With productivity gains coming to a halt since the crisis, this gap has widened once again.
Cerom, « 10 ans après la crise de 2007-2008 — La crise freine le rattrapage économique réunionnais ».

In 2021, economic activity rebounded despite the sharp deterioration in the health situation. GDP grew by 6.7%, supported by all components of domestic demand. In 2022, output increased by 2.7%, again driven by domestic demand, and in particular by final consumption (+5.6% growth; +5.1% contribution to growth). Despite successive crises, average income per capita in Réunion has converged towards that of mainland France over the past twenty years: GDP per capita thus represented 64% of that of France in 2022, compared with 54% in 2000.

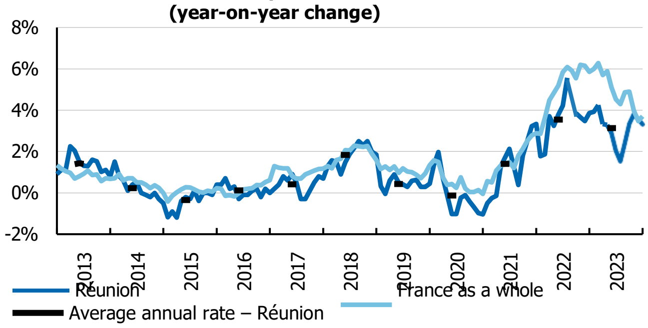
Main economic indicators	2020	2021	2022	France 2020	France 2021	France 2022
GDP (current euros, billions)	19.0	20.4	21.7	2,310.5	2,500.9	2,639.1
GDP growth rate (%, volume)	-4.2	+6.7	+2.7	-7.7	+6.4	+2.5
GDP per capita (current euros)	21,949	23,360	24,663	34,283	36,879	38,775

Sources: Insee, Cerom, Customs

The return of inflation

Between 2011 and 2021, price increases remained moderate in Réunion, averaging +0.8% per year (+1.1% at the national level). The post-Covid global economic recovery, however, led to supply chain disruptions and sharp increases in raw material prices. These inflationary pressures intensified in 2022 following the outbreak of the war in Ukraine. Average inflation reached 3.7% in 2022, driven by rising energy prices (+18.2%). In 2023, inflation persisted (3.1%), spreading to food prices (7.6%), which became the main contributing factor.

Consumer price index (year-on-year change)



Sources: Insee, CPI

Although inflation has been lower than at the national level in recent years, prices in Réunion remain on average 9% higher, according to the latest spatial price survey conducted by Insee[1]. This gap is even more pronounced for food products (+37% on average), alcoholic beverages and tobacco (+27%), communication goods and services (+25%), as well as leisure and cultural activities (+14%).

Employment momentum weakens after the post-Covid recovery

Employment (thousands)	2012	2020	2021	2022	CAGR 12–22[1]
Total employment	263.2	308.4	330.8	339.3	+2.6%
Non-salaried employment	31.5	39.4	42.9	45.0	+3.6%
Salaried employment	231.8	269.0	288.0	294.3	+2.4%
Agriculture	3.0	3.1	3.4	3.9	+2.6%
Industry	16.5	19.4	20.3	21.1	+2.5%
Construction	13.4	16.7	17.8	18.4	+3.2%
Market services	103.1	113.7	126.3	131.0	+2.4%
Non-market services	95.8	116.1	120.1	119.9	+2.3%

(1) CAGR: compound annual growth rate. Source: Insee, as at 31 December

As at end-2023, Réunion had 297,000 employees, in both the private and public sectors combined (quarterly estimates: Urssaf, Dares, Insee). Nine out of ten jobs are salaried positions. The services sector (including retail) accounts for 86% of these jobs, with non-market services alone representing 41%. Since the 2000s, non-salaried employment has grown at a sustained pace.

The post-subprime crisis period was marked by a gradual recovery in employment, supported by an active policy of subsidised contracts. However, this momentum weakened in 2023. The ratio of beneficiaries of subsidised contracts to the working-age population has been divided by three compared with its 2015 peak. In addition, salaried employment continued to grow in 2023 (+2,600 jobs created, i.e. +0.9%), but at a slower pace than in previous years (+6,400 jobs in 2022 and 15,300 in 2021), bringing it closer to the nationwide trend of 0.6% (excluding Mayotte).

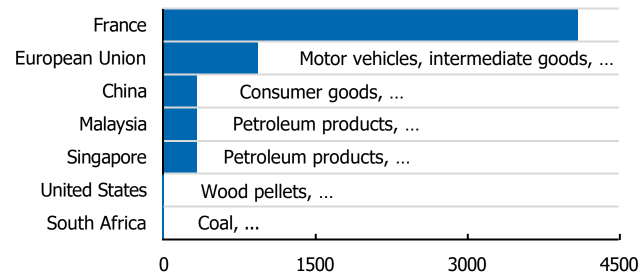
The activity rate improved by 3 percentage points, driven by increased female participation in the labour market. Between 2019 and 2023, the female activity rate rose by 4 points to reach 58%. Overall, the activity rate remains below the national level (62% compared with 74%). Similarly, the employment rate remains relatively low, at 50%, compared with 69% in France excluding Mayotte (+3 points between 2019 and 2023). The unemployment rate as defined by the ILO[2] stood at 19.0% in Réunion in 2023, compared with 7.1% in France. It declined sharply between 2014 and 2020 (-9 points) before stabilising over the past three years.

Two other recent trends concern unemployment and employment. On the one hand, the number of jobseekers at month end (DEFM) in categories B and C — i.e. individuals declaring some form of activity alongside an active job search — has increased since the post-Covid period, at the expense of those actively seeking and available for work but unemployed (DEFM A). On the other hand, the micro-enterprise scheme has expanded rapidly since the pandemic: 3,237 creations were recorded in 2019 (39.2% of total business creations), rising to 7,242 creations in 2023, representing 58.9% of registrations.

[1] Insee Analyses Réunion « Prices 9% higher in Réunion, up to 37% for food – Insee Analyses Réunion – No. 83 », July 2023
2 An unemployed person as defined by the ILO is someone without a job who is actively seeking employment. Such individuals are not necessarily registered with the public employment service, and vice versa.

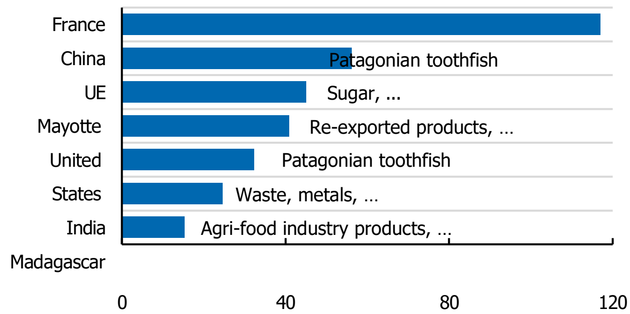
A structurally deficit trade balance

Main suppliers in 2023 (EUR millions)



Source: Customs

Main customers in 2023 (EUR millions)



Source: Customs

Like other overseas departments and most island economies, Réunion relies heavily on imports for its supplies of goods and raw materials. Mainland France remains by far Réunion's main supplier and customer. The share of imports relative to GDP is nevertheless around one third, i.e. lower than in other island economies with fewer than 2 million inhabitants, such as Mauritius, where it stands at 54%. By contrast, exports remain structurally low, at close to 2% of GDP (17% in Mauritius). Réunion mainly exports sugar and fishery products, while the remainder of exports consists primarily of re-exported goods. This imbalance in flows results in a structurally deficit trade balance.

In 2023, total imports contracted by 3.5% in value year on year, due to the decline in energy imports (+0.6% for total imports excluding energy). Over a ten-year period, however, Réunion's dependence on external trade increased, with the value of imports growing almost twice as fast as GDP. Exports also declined in 2023, falling by 6.3% and dropping back below their level of ten years earlier.

Imports by value (EUR millions)	**2023**	**Exports by value (EUR millions)**	**2023**
Capital goods	2,033.5	Capital goods	97.1
of which transport equipment	926.5	Durable consumer goods	4.5
Durable consumer goods	364.3	Non-durable consumer goods	207.7
Non-durable consumer goods	2,126.7	of which sugar and rum	108.9
of which food industry products	636.5	of which fishery products	66.6
Intermediate goods	1,491.2	Intermediate goods	33.9
Energy	768.9	Energy	1.2
Other	206.6	Other	47.0
Total	**6,991.2**	**Total**	**391.3**

Source: Customs

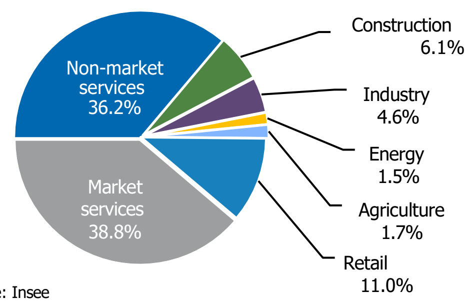
Customs, including Patagonian toothfish placed under the customs warehousing scheme

Main business sectors

The structure of Réunion's economy is characterised by the predominance of services (market services, non-market services and trade), which accounted for 86% of value added in 2019. It differs from that of France a whole in particular due to the importance of non-market services (public administration, education, health and social work), which generated 36.2% of the island's wealth, compared with 21.8% at the national level.

By contrast, the share of industry in Réunion (including the energy sector) is half that observed in France as a whole (6.1% compared with 13.9%). The sugarcane – sugar – rum sector accounts for nearly one third of the value added generated by industry. In 2023, 1,436 million tonnes of sugarcane were harvested. However, recent sugarcane campaigns have been considered disappointing.

Breakdown of value added in 2019



Source: Insee

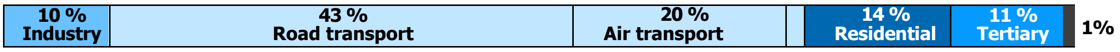
Main sectoral indicators	**2023**	**Decennial average 13–23**	**CAGR(1) 13–23**
Number of general practitioners per 100,000 inhabitants	176	164.5	+1.6%
Number of students (public and private, thousands)	213.9	218.3	-0.3%
Electricity consumption (GWh)	2,850.8	2,666.8	+1.5%
Sugarcane production (thousands of tonnes)	1,436	1,636	-1.8%
Fishery product exports (tonnes)	4,534	4,522.2	-0.5%
Housing permits granted (actual date, as at end-December)	7,100	7,825	-1.6%
Cement imports (thousands of tonnes)	293.2	324.6	-1.4%
Social housing deliveries	2,054	2,402	-4.7%
Number of tourists (thousands)	556.1	436.5	+2.9%
Number of overnight stays (thousands)	1,558.2	1,198.7	+6.7%

(1) CAGR: compound annual growth rate; (2) 2022; (3) Average of 2013 and 2022 due to data unavailability; (4) Average 2012–2022
Sources: Ariv, CPPR, CTICS, DAAF, Deal, Customs, Dress, Insee, IRT, SICA REVIA, Réunion Airport Authority, Pierrefonds Joint Authority, Tereos, EDF

The transition of the electricity mix towards bioenergy

Like other non-interconnected areas, Réunion remains highly dependent on imports of energy products (87% of primary energy used). Most energy demand (65%) comes from the transport of goods and people. This sector also accounts for 70% of imported petroleum resources.

***Breakdown by sector of total final energy consumption (12,409,210 MWh in 2022)**



Source: OER Horizon Réunion, 2023

Historically, electricity generation in the territory relied on fuel oil and coal. The implementation of the National Low-Carbon Strategy has recently accelerated the transition of the electricity mix towards renewable energies: the share of fossil fuels in the electricity mix declined significantly in 2023, from 62% to 43%. In particular, the Port-Est power plant, which supplies nearly 40% of the island's electricity consumption, is now fuelled by rapeseed oil. Similarly, the thermal plants of Bois Rouge and Le Gol have recently switched to solid biomass (wood pellets) imported from North America, replacing coal. Bagasse derived from sugarcane residues also supplies these plants, but is not sufficient to meet growing needs. Another component, hydropower, accounts for 13% of Réunion's electricity mix. Photovoltaic energy represents 9% of electricity production and is growing rapidly. Onshore wind energy accounts for only 1% of the electricity mix. The objective is to double installed capacity between 2023 and 2028, according to the revised 2022 Multiannual Energy Programme.

Limited agricultural land, but dynamic production

Agricultural land in Réunion represents less than one fifth of the island's surface area, compared with half in mainland France and one third in Martinique and Guadeloupe. Utilised agricultural area (UAA) amounted to 37,942 hectares in 2022. Since 2010, UAA has declined by nearly 4,900 hectares, mainly due to the reduction in sugarcane-growing areas (-4,200 ha). Land dedicated to sugarcane totalled 20,140 ha in 2022 and remains predominant (53% of UAA). In 2020, Réunion had 6,282 agricultural holdings (18% fewer than in 2010), with an average size of 6.2 ha. Family farming remains the dominant model of agriculture in Réunion. Total agricultural production is estimated at around EUR 500 million, with nearly two thirds coming from crop production and one third from livestock production.

37% of holdings specialise in sugarcane, 31% in fruit and vegetables, 17% in mixed crop – livestock systems and 12% in livestock farming. In 2020, agricultural production covered 70% of local market needs for fresh products. The fruit and vegetable sector covered 68% of the fresh vegetable market and 58% of the fresh fruit market. On the livestock side, pig and poultry sectors ensure almost complete coverage of the fresh market, unlike the cattle sector (47%). However, these animal sectors struggle to meet all local market needs (fresh, processed and frozen), with coverage rates of 41% for poultry, 35% for pigs and 19% for cattle, with respective targets of 47%, 36% and 24% by 2030.

A construction sector dependent on public demand

The construction sector accounts for 6.1% of value added and responds to demand from both private orders (housing and construction) and public orders (social housing and public works). Public demand is a major support for the construction industry, representing around 80% of its turnover. The recovery in the sector was slow to materialise after the 2009 crisis, in a context of refocusing private housing tax incentive schemes towards social housing. Strong demand for primary residences (their number increased twice as fast as in mainland France between 2014 and 2020, i.e. +1.5% on average per year) and the launch of the New Coastal Road (NRL) project in 2014 boosted value added and employment. In 2020, the health crisis disrupted demand. In its wake, the sector has suffered from rising construction costs and financing costs. The number of housing starts declined for the second consecutive year (-12.3% at end-2023, after -19.3% in 2022). Following strike action by industry stakeholders at the beginning of 2024, public administrations committed to unlocking additional investment spending amounting to EUR 146 million (representing one third of public procurement).

A territory attractive to tourists

Inbound tourism in Réunion has continued to grow since the end of the health crisis, even surpassing its 2019 level. Réunion welcomed 556,089 inbound tourists in 2023. This figure increased by 12.2% compared with 2022 and by 4.2% compared with 2019. Most tourists come from mainland France (80%) and 12.2% from the Indian Ocean region. At the same time, 20,000 cruise passengers called at the island in 2023. Although modest, the weight of the tourism industry in Réunion's economy is greater than that of traditional sectors such as agriculture and fisheries or the agri-food industry. The island's accommodation capacity increased by 9.1% over ten years. In light of these developments, Roland Garros Airport plans to extend its capacity to 3 million passengers per year through the creation of the New West Terminal. At the same time, new investments are planned, including the opening of ten new hotels on the island in 2024.

Financing of the economy

As at end-2023, Réunion had 21 locally established institutions: 10 banks, 6 specialised credit institutions and 5 finance companies. The number of banking players peaked in 2010, with 23 financial institutions established locally, and has since declined following mergers.

Business indicators	2023
Financial assets (EUR millions)	5,391
Bank lending (EUR millions)[1]	11,522
of which operating loans[1]	1,463
of which investment loans[1]	5,012
of which housing loans[1]	4,736
Number of business failures	874

Household indicators	2023
Financial assets (EUR millions)	13,212
Bank lending (EUR millions)[1]	12,536
of which consumer credit[1]	2,984
of which housing loans[1]	9,540
Net doubtful loans (EUR millions)	120
Number of over-indebtedness cases	1,331

Source: IEDOM, data as at 31 December (1) Loans granted by all credit institutions

Slower growth in credit granted to the economy

As at end-December 2023, outstanding gross loans granted to economic agents in Réunion totalled EUR 29.7 billion. The year 2023 was marked by a slowdown in credit growth, with an increase of 2.0%, following +3.4% in 2022 and 2021.

Household lending weakened (+2.8% in 2023) and totalled EUR 12.5 billion in outstanding amounts. This slowdown primarily affected the housing finance market. With growth of only +1.9% over the past twelve months, mortgage lending to households recorded an unprecedented slowdown in Réunion. In order to curb inflation, the ECB raised its key interest rates, mechanically increasing the cost of credit. At the same time, consumer credit to households also slowed in 2023, rising by +5.7% over the year, compared with +8.5% in 2022. After losing momentum until 2014 as a result of the 2007–2009 financial crisis, its level nevertheless remains favourable.

On the business side, financing remained broadly stable in 2023, with growth of +0.9%, following the sharp increase of +19.0% in 2020 driven by operating loans, and in particular State-guaranteed loans (PGE). Investment loans declined by -3.8% in 2023, after a modest increase of +0.8% in 2022. As regards doubtful loans, the banking system did not record an increase in credit risk among its customer base, which even reached a new historic low of 3.1% of total gross outstanding loans granted in the department.

Weaker momentum in deposit collection

As at end-December 2023, total financial savings held by economic agents in Réunion amounted to EUR 19.7 billion. Net additional savings collection fell to an exceptionally low level in 2022 (+1.9%) and 2023 (+1.4%), slowed by the inflationary environment. Comparable levels had last been observed in the years 2007–2010. For the record, assets had experienced exceptional growth in 2020 (+15.3%) in the context of the health crisis and the support measures granted to businesses and households. As a result, 2020 was particularly atypical, with demand deposit growth of +28.0%. Since then, the accumulation of savings has slowed with the repayment of State-guaranteed loans, and demand deposits have declined (EUR 8.9 billion; -8.2% in 2023).

Liquid and short-term savings amounted to EUR 6.1 billion at end-December 2023, up +19.6% year on year. The increase in net collection on these savings products thus reached nearly an additional EUR 1 billion year on year at end-2023, representing the largest increase in liquid savings ever recorded over a calendar year. These savings have therefore posted a sixth consecutive year of growth since 2018, accelerating compared with 2022 (+12.7% in 2022 and +5.0% in 2021), in a context of rising interest rates. Long-term savings stood at EUR 4,728 million at end-December 2023, up +1.7% year on year, compared with a decline of -4.2% the previous year. They benefited only marginally from the significant growth in available liquidity among households and businesses.

Banking penetration undergoing change

Banking networks have rationalised their physical presence, notably in connection with the development of digital banking. Whereas growth in the 2000s and 2010s was driven by the opening of branches, a new model of staff-free self-service banking outlets has emerged in peripheral urban areas. As a result, the number of inhabitants per permanent bank branch increased again in 2023, reaching one branch per 3,990 inhabitants. A similar trend can be observed for ATMs. Compared with the peak of 642 machines installed in 2017, the department recorded a decline of 94 machines over six years, representing a reduction of nearly 15%.

Cash flows in circulation in the department increased only slightly in 2023 (+0.2% in value and +0.1% in volume for banknotes issued). They had fallen sharply in 2020 due to reduced consumption amid health restrictions, before increasing moderately in 2021 and more markedly in 2022 with the economic recovery. Moreover, the use of cash — still widely preferred in the habits of Réunion's population — is gradually declining in favour of card payments. The Covid-19 pandemic may have accelerated this transition.

Monetary and financial indicators	2013	2023	France(1)
Inhabitants per bank branch	3,475	3,990	1,987
Inhabitants per ATM	1,406	1,616	1,416
Financial assets of economic agents (EUR bn)	12.0	19.7	3,832
Sound outstanding loans of economic agents (EUR bn)	17.5	28.7	4,606
Doubtful loan ratio (%)	6.0	3.1	2.7

(1) 2022
Sources: IEDOM, data as at 31 December; Banque de France

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