THE WAVERLEY SERIES

RÉUNION

An Insight of Investment, Trade and Economy

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For Advisory & Partnership

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RÉUNION — AT A GLANCE

Capital	Saint-Denis
Population	≈ 885,000, projected to reach 1 million by 2030
Unemployment	Cited in the 17.5–19% range depending on source and period, among the highest of any French territory; the overall employment rate runs around 52%, against roughly 65% in mainland France, and youth unemployment is reported to affect close to half of young people
Currency	Euro (EUR) — no sovereign or currency risk, given Réunion's status as a French overseas department and EU outermost region
Key sectors	Tourism (now the leading income source, having overtaken sugarcane), agriculture (10% of the workforce, 5% of gross regional product), retail and public administration
2026 regional budget	Over €1.32 billion in real movements, with 53% allocated to investment versus 47% to operating expenses
LODEOM scheme	The social-charge exemption programme supports roughly 24,000 Réunion businesses and 145,000 jobs through approximately €650 million in annual tax relief
Governing framework	French overseas department and region (DROM); full EU market access; Regional Council led by President Huguette Bello; French state committed an additional €1.5 billion for overseas territories in 2026

Réunion enters the final quarter of 2026 having successfully defended one of its most consequential economic-policy fights in years: the full restoration of the LODEOM social-charge exemption scheme, after the French government's initial 2026 budget proposal threatened to cut it by €350 million, a move business federations warned could have triggered widespread small-business failures. This resolution came as the island continued recovering from Cyclone Garance, the costliest tropical cyclone in Réunion's recorded history. As a French overseas department, Réunion carries no sovereign or currency risk and benefits from substantial state and EU financial support, but persistently high unemployment, particularly among youth, and a severe social housing shortage remain genuine structural challenges investors should understand.

1. INVESTMENT & FDI

The LODEOM exemption scheme's full restoration removes a major source of investment-climate uncertainty that had weighed on business decisions through much of 2025 and early 2026.

Discussions around the 2026 national budget and the proposed reform of LODEOM, the social-charge exemption scheme, directly hindered investment decision-making by Réunion companies through late 2025. After the French government's initial proposal to cut the scheme by €350 million, the National Assembly voted on 7 November 2025 to reject the reduction following intense lobbying by overseas deputies, and the Minister for Overseas Territories, Naïma Moutchou, subsequently confirmed the scheme's full restoration, citing the need to 'support employment, competitiveness and overseas businesses' given 'the disproportionate effort initially demanded.'

- **A genuinely significant policy resolution:** the restoration of full LODEOM funding removes what business federations had explicitly described as a threat of business failure for smaller Réunion enterprises, with one industry representative noting that a ten-employee bakery or restaurant would have seen the reform absorb its entire estimated profit.
- **The scheme's substantial scale:** LODEOM's approximately €650 million in annual tax relief supports roughly 24,000 Réunion businesses and 145,000 jobs, making its resolution one of the most consequential business-climate developments for the island this year.
- **Sustained business-community engagement:** MEDEF Réunion and the Chamber of Commerce and Industry both publicly and repeatedly engaged on the reform's potential impact throughout 2025, reflecting the scheme's centrality to local employer confidence.

2. TRADE & BUSINESS

A structurally import-dependent trade balance reflects Réunion's integration into the French and EU economic system rather than an independent export economy.

As an island economy fully integrated into France and the European Union, Réunion imports substantially more than it exports, a structural characteristic of its economic model rather than a cyclical imbalance. Tourism has decisively overtaken sugarcane production as the island's primary income source, while agriculture continues employing roughly 10% of the workforce and generating about 5% of gross regional product.

- **Tourism as the dominant economic driver:** tourism's position as Réunion's leading income source reflects a durable, multi-decade economic transition away from the island's historical dependence on sugarcane.
- **EU market access as a structural trade advantage:** Réunion's status as an EU outermost region provides duty-free access to European markets for qualifying goods, a genuine trade advantage distinct from the island's own limited export base.
- **A persistent structural trade deficit:** the gap between Réunion's imports and exports reflects its small domestic production base and island geography, a structural feature investors should factor into any locally-manufactured export-oriented business case specifically.

3. MAJOR ECONOMIC DEVELOPMENTS

A fragile 2025 economic rebound faces renewed unemployment pressure heading into 2026, even as the region's leadership commits to continued fiscal discipline.

Cyclone Garance struck Réunion between late February and early March 2025, becoming the costliest tropical cyclone in the island's recorded history with approximately $1.05 billion in damage and five fatalities, also affecting Mauritius and northern Madagascar. Regional economic commentary has since described 2025's modest recovery as fragile and already threatened by rising unemployment heading into 2026. Regional Council President Huguette Bello has stated the Region will pursue a 'responsible financial strategy' in 2026 'despite strong external constraints,' while regional council discussions have also highlighted a severe social housing shortage, with approximately 50,000 applications currently pending.

- **Record cyclone damage still shaping the recovery trajectory:** Cyclone Garance's $1.05 billion damage bill, the costliest in Réunion's history, continues to influence the island's fiscal and infrastructure priorities well into 2026.
- **A fragile employment recovery:** persistently elevated unemployment, running well above mainland French levels and particularly severe among youth, represents a genuine structural constraint independent of the LODEOM resolution described in Section 1.
- **A significant social housing shortfall:** the approximately 50,000 pending social housing applications represent a substantial, publicly acknowledged gap between housing demand and available supply, a relevant consideration for real estate and construction-sector investors specifically.
- **Regional fiscal discipline amid external constraints:** President Bello's explicit commitment to responsible financial management despite external pressures signals continued caution in regional public spending even as investment allocations remain a stated priority.

4. MAJOR PROJECTS & INFRASTRUCTURE

A 2026 regional budget weighted toward investment, reinforced by additional French state funding, is financing transport and healthcare infrastructure across the island.

- **A strongly investment-weighted regional budget:** the 2026 budget's 53% allocation to investment, out of more than €1.32 billion in real movements, reflects a deliberate prioritisation of capital projects over recurrent spending, further reinforced by an additional €1.5 billion the French state has committed to overseas territories in 2026.
- **Bois de Nèfles cable-car development:** the Sainte-Clotilde cable-car station project represents a concrete, large-scale public transport infrastructure investment illustrating the kind of works the 2026 budget's investment allocation is intended to fund.
- **Healthcare infrastructure investment:** Agence Française de Développement has invested €220 million in Réunion's health and medical-social sector, including renovation of the Réunion University Hospital, ranked 11th nationally, and creation of a new mother-and-child unit at its Saint-Pierre site.
- **Land-use and development planning activity:** the reclassification of land in favour of developer CBO Territoria under the regional development plan reflects ongoing, active land-use decision-making directly relevant to real estate and construction investors.

5. CONFERENCES, FORUMS & EXHIBITIONS

The 10th Regional Cooperation Conference reinforced Réunion's role as a hub for French engagement across the Indian Ocean.

- **10th Regional Cooperation Conference:** held on 28 October 2025 and themed 'France in the Indian Ocean: Attractiveness,' the conference brought together regional stakeholders alongside Minister for Overseas Territories Naïma Moutchou and Regional Council President Huguette Bello to share experience and formulate concrete regional-cooperation recommendations.
- **Interreg regional cooperation programme:** the Réunion Region manages a €62 million European Interreg budget for the 2021-2027 period, supporting structuring projects and deeper regional cooperation across the Indian Ocean.

6. BUSINESS & INVESTMENT EVENTS

Intensive lobbying by overseas deputies and business federations directly shaped this year's most consequential national economic-policy outcome for the island.

- **A national rapporteur's direct engagement:** Christian Baptiste, the National Assembly's special rapporteur on overseas-territory finance credits, visited Réunion on 15 September 2025 specifically to meet economic actors regarding the LODEOM reform, ultimately expressing support for strengthening rather than cutting the scheme.
- **Sustained local business-federation advocacy:** MEDEF Réunion president Katy Hoarau and Chamber of Commerce and Industry president Pierrick Robert both publicly and repeatedly engaged on the LODEOM reform's employment and competitiveness implications throughout the second half of 2025.
- **A successful parliamentary advocacy campaign:** Réunion deputies Karine Lebon and Philippe Naillet led the parliamentary effort that secured the National Assembly's rejection of the proposed LODEOM cut, a concrete illustration of the island's overseas representatives' direct influence over national economic policy affecting the territory.

7. GOVERNMENT & INTERNATIONAL PARTNERSHIPS

The Regional Council's 'New Economy' support architecture and continued AFD engagement anchor Réunion's public-private development model.

- **Agence Française de Développement:** AFD's 76-year partnership with Réunion includes a loan portfolio of €1.7 billion as of the end of 2023, allocated 76% to the public sector, 17% to the private sector and 6% to civil-society actors, making it one of the island's most significant development-finance relationships.
- **The Regional Council's 'New Economy' programme:** described by regional leadership as entering its 'Act II,' this framework encompasses several targeted support mechanisms detailed further in Section 8.
- **Substantial annual public procurement:** the Region commits approximately €350 million annually to public procurement, representing a direct, recurring channel through which Réunion companies participate in regional economic activity.
- **French state overseas-territory funding:** the additional €1.5 billion committed by the French state for overseas territories in 2026, alongside the LODEOM restoration, together represent a substantially strengthened national fiscal commitment to Réunion and its peer territories this year.

8. SME & PRIVATE-SECTOR DEVELOPMENTS

Targeted microenterprise and small-business support programmes delivered concrete results even amid the broader LODEOM uncertainty.

The Regional Council's FAIRE financing system granted 240 loans totalling €30 million during the period under review, with 96% directed specifically to microenterprises. The KAP-TPE programme supported 171 companies in its first year of deployment, sustaining 227 existing jobs and planning a further 175 new positions, while Prim'Export supported 161 companies across 271 individual files for a combined €2.17 million in international market-development support.

- **Microenterprise-focused financing:** the FAIRE system's 96% allocation to microenterprises specifically demonstrates a deliberate targeting of Réunion's smallest businesses, which are typically least able to access conventional bank financing.

- **Job-focused small-business support:** KAP-TPE's combination of sustaining existing employment and funding planned new positions offers a concrete, measurable illustration of how regional SME support translates into labour-market outcomes.
- **Structured export-development assistance:** Prim'Export's support across 271 files for 161 companies provides a formal, if modestly scaled, channel for Réunion businesses seeking to expand into international markets beyond the island's traditional trade patterns.

9. NEW INVESTMENT OPPORTUNITIES / PROJECTS ANNOUNCED

Transport infrastructure, healthcare facilities and continued regional cooperation funding define the clearest near-term public-investment openings.

- **Bois de Nèfles cable-car project:** the Sainte-Clotilde transport infrastructure development represents a concrete, publicly-funded near-term opportunity for construction and engineering contractors.
- **Healthcare facility expansion:** continued renovation of the Réunion University Hospital and the new Saint-Pierre mother-and-child unit offer ongoing opportunities for healthcare-infrastructure and medical-services investors.
- **Broad public-procurement access:** the 2026 regional budget's 53% investment allocation, out of more than €1.32 billion in total real movements, represents a substantial pool of near-term public-procurement opportunities across sectors.
- **Indian Ocean regional cooperation funding:** the €62 million Interreg programme offers a specific, structured funding channel for cross-border regional cooperation projects spanning Réunion and its Indian Ocean neighbours.

SUMMARY ASSESSMENT

Réunion enters late 2026 having successfully defended the LODEOM social-charge exemption scheme that underpins competitiveness for roughly 24,000 businesses and 145,000 jobs on the island, a genuinely significant positive resolution to what had been a major source of investment-climate uncertainty through much of 2025. As a French overseas department, Réunion carries no sovereign or currency risk and benefits from substantial state and EU financial support, including an additional €1.5 billion in 2026 overseas-territories funding and a regional budget weighted 53% toward investment.

Set against this genuine institutional stability: persistently high unemployment, particularly severe among youth, a substantial social housing shortfall of approximately 50,000 pending applications, and the ongoing recovery from Cyclone Garance's record-setting $1.05 billion in damage all represent genuine structural and near-term challenges. These are social and economic constraints rather than political or currency risks, a meaningful distinction from many of the other markets this series covers.

For investors, Réunion offers a stable, EU-integrated operating environment whose main risks are structural rather than political, with the LODEOM resolution providing a genuinely improved near-term climate for SME-focused investment specifically, and continued regional and French state infrastructure funding offering concrete public-procurement opportunities across transport, healthcare and broader development projects.