



SCIENCE FOR POLICY BRIEF

European Startup Village Forum



Entrepreneurship in the EU: key insights into business dynamics in rural regions

HIGHLIGHTS

- Across the EU, enterprise creation and the startup and scaleup landscape offer a nuanced picture of entrepreneurial vitality, innovation, and structural potential.
- Over 1.1 million enterprises with at least one employee were created in the EU in 2022, representing an average employer firm creation rate of 9.4%.
- Urban regions lead in firm creation rates (10.1%) compared to rural regions (8.7%), although dynamic rural hotspots in Estonia, Finland, Romania, and Hungary challenge this trend.
- The EU startup landscape remains concentrated in cities, with nearly 146 startups per 100,000 inhabitants compared to fewer than 19 in rural areas—highlighting persistent gaps, but also the potential of rural territories when supported by strong local conditions.
- Sectoral specialisation in rural startups shows a comparative advantage in agrifood, energy, transport, robotics, and semiconductors, among others, pointing to untapped innovation potential.
- High-growth enterprises (HGEs) made up 9% of all EU businesses with 10+ employees in 2022, amounting to over 151,500 firms.
- Sweden, Lithuania, and Malta lead on scaleup performance (HGE shares above 13%). Rural success stories like Jämtland (SE, 21%) and Viseu Dão Lafões (PT, 12%) show that growth is possible beyond urban centres.

INTRODUCTION

Entrepreneurship plays a central role in advancing the European Union's long-term objectives for economic resilience and territorial cohesion. Small and medium-sized enterprises (SMEs)—including startups—account for 99% of all EU businesses and are vital engines of innovation, job creation, and structural transformation across regions (Eurostat, 2024). Recognising their importance, the EU has launched several strategic initiatives to improve the conditions for entrepreneurship and innovation to emerge and thrive across all territories.




The *Cohesion Policy* 2021–2027, the European main policy fostering balanced territorial development throughout the EU, enhances entrepreneurial and innovation capacities through the European Regional Development Fund, with targeted investments in SME competitiveness, digitalisation, and place-based innovation via Smart Specialisation Strategies. In parallel, the *SME Strategy for a Sustainable and Digital Europe* (COM (2020) 103) sets out actions to reduce administrative burdens, facilitate funding, and promote entrepreneurship, particularly in rural and less-developed regions. Complementary to this, the recent *Startup and Scaleup Strategy* (COM (2025) 317) supports startup creation and growth through regulatory simplification, improved access to finance, talent development, and stronger innovation ecosystems.

Within this broader policy framework, the *Startup Village Forum (SVF) initiative*, coordinated by the European Commission's Joint Research Centre,

aims to generate evidence on the patterns and drivers of innovation and entrepreneurship in rural Europe, while connecting with policymakers, practitioners, and local stakeholders to exchange knowledge, share experiences, and identify actions to support development on the ground. The initiative is grounded in a place-based approach that goes beyond narrow, sectoral interventions, focusing instead on the development of inclusive innovation ecosystems. The SVF is enshrined in two of the European Commission's key strategic agendas. Under the *Long-Term Vision for the EU's Rural Areas* (COM (2021) 345), it contributes to the flagship action on Research and Innovation for Rural Communities, which recognises the transformative potential of innovation in turning rural areas into places of opportunity. Under the *New European Innovation Agenda* (COM (2022) 332), it supports the flagship action on Addressing the Innovation Divide, helping to ensure that all territories can benefit from innovation-driven growth.

This policy brief presents selected findings from the JRC's ongoing work on innovation and entrepreneurship in rural areas. It sheds light on the geography of business creation and entrepreneurial dynamism across the EU, drawing on Eurostat Business Demography data and the Dealroom startup database. The analysis maps territorial patterns at the NUTS3 level, distinguishing between rural, intermediate, and urban territories. The findings aim to support data-driven, place-based policies that harness entrepreneurship as a key driver of economic growth and a means to achieve more balanced development across EU regions.

Entrepreneurial dynamics across EU regions by urban–rural typology

	 URBAN REGIONS	 INTERMEDIATE REGIONS	 RURAL REGIONS
Firm creation rate, as a % of all active enterprises with at least one employee	10.1%	8.9%	8.7%
Startup rate per 100,000 inhabitants ⁽¹⁾	145.9	41.3	18.6
High-growth enterprise share, as a % of all businesses with ten or more employees	10.1%	8.7%	8.2%

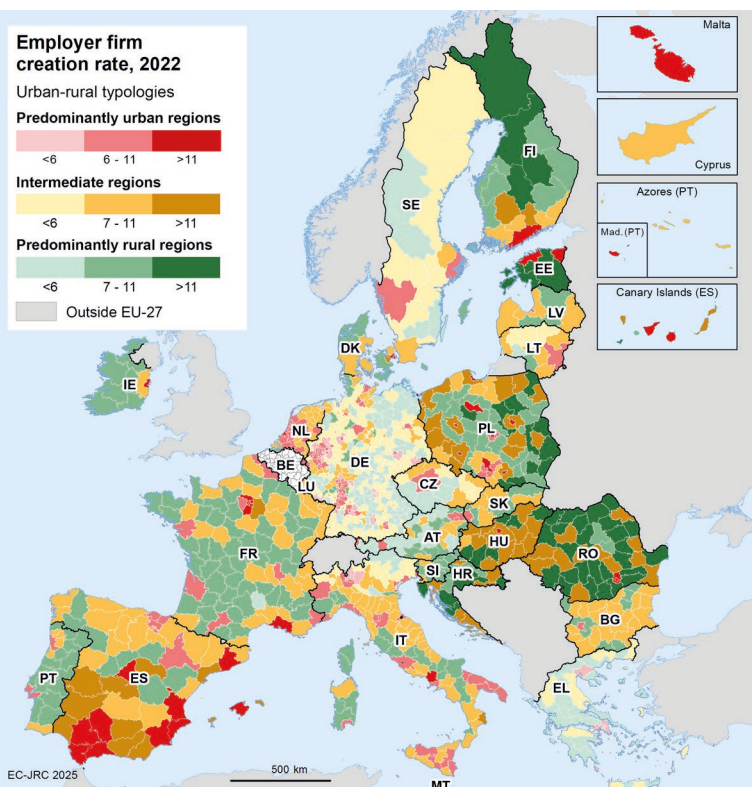
⁽¹⁾ Startup rates are calculated by Degree of Urbanisation, respectively for cities, towns and suburbs, and rural areas.

WHERE ARE NEW FIRMS EMERGING?

Employer firm creation rate—a key indicator of entrepreneurial dynamism, defined as the number of newly created enterprises with at least one employee as a percentage of the total population of active enterprises with employees—averaged 9.4% across the EU in 2022. Significant variation exists between European countries. Estonia recorded the highest rate, at 18.5%, while Greece reported the lowest, at 5%. In absolute terms, Spain registered the largest number of new firms (approximately 180,000), followed by France, Germany, and Italy.

At the regional level, disaggregated data show that 28% of NUTS3 regions exceeded the EU average, with most of these located in Estonia, Romania, Hungary, Croatia, Ireland, Malta, Poland, Finland, and southern Spain (Figure 1). Urban regions lead in firm creation, with an average rate of 10.1%, compared to 8.9% in intermediate regions and **8.7% in rural regions** (Figure 2). Notably, urban hotspots in southern Spain and its islands, Malta, and regions hosting capital cities—such as Helsinki, Tallinn, Bucharest, Warsaw, and Paris—stand out with the highest firm creation rates exceeding 15%. While urban and coastal regions generally report higher rates, several rural regions stand out as notable exceptions.

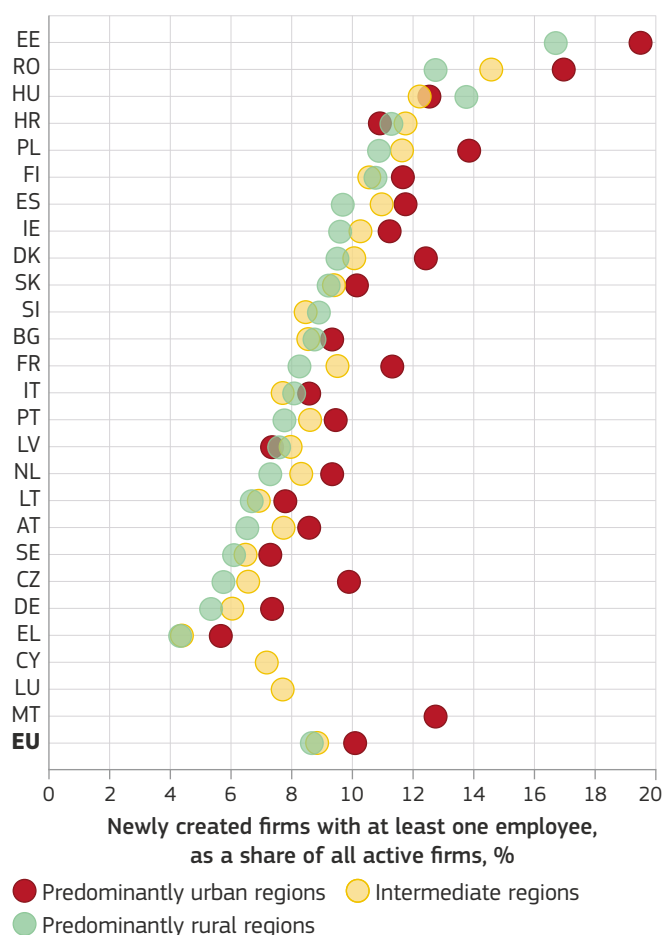
Figure 1 – Employer firm creation rate across EU regions by urban–rural typology



Source: JRC analysis based on Eurostat Business Demography data (2022)

In Estonia, for example, the rural region of Lääne-Eesti recorded a creation rate of 17.3%. Similarly, in Romania, the rural region of Giurgiu reached 16.2%, highlighting the strong entrepreneurial performance found in some rural territories. More generally, we observe that in Eastern and Northern Europe, 59 rural regions—accounting for 15% of all EU rural regions—outperform the EU average. Estonia continues to lead, with rural regions consistently reporting rates close to 17%. Rural regions in Romania, Hungary, Croatia, Poland, and Finland also show creation rates above 11%. Balanced performance across the urban–rural spectrum in countries such as Hungary, Italy, and Latvia suggests that more equitable entrepreneurial dynamism is possible when the right conditions are in place.

Figure 2 – Employer firm creation rate by country and urban–rural typology



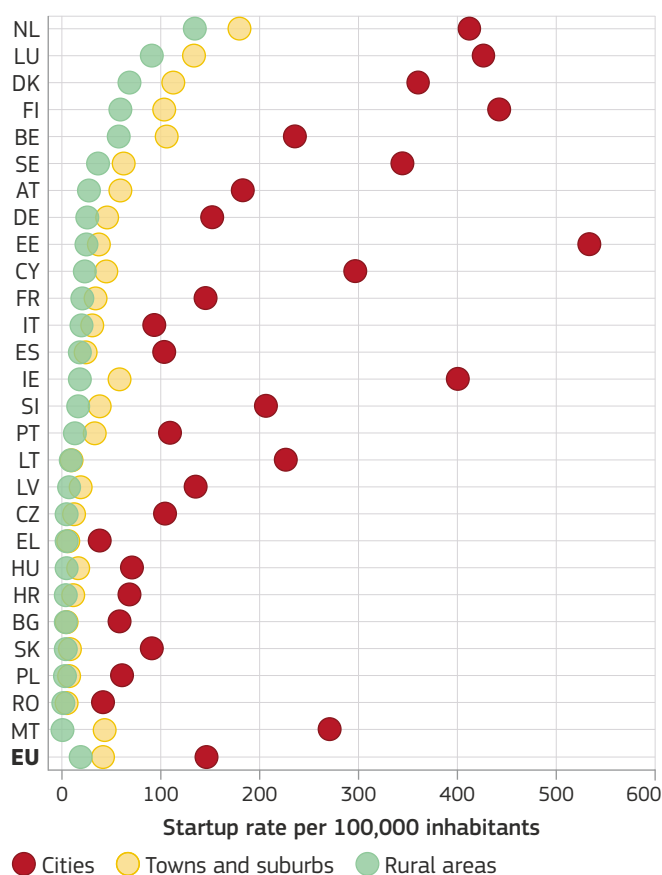
Source: JRC analysis based on Eurostat Business Demography data (2022)

THE EUROPEAN STARTUP LANDSCAPE

Startups are young, innovative companies with the potential to grow rapidly or scale up. Analysing data from Dealroom shows that startups are highly concentrated in cities. In 2024, 76% of all EU startups were based in cities, 18% in towns and

suburbs, and **6% in rural areas**.⁽²⁾ These shares are closely linked to each country's territorial and demographic structure. Looking at startups per 100,000 inhabitants, the urban–rural gap remains substantial: in the EU, cities average 146 startups per 100,000 inhabitants, compared to 41 in towns and suburbs and 19 in rural areas (Figure 3). This pattern varies widely across Member States. The most entrepreneurially dynamic countries record high startup rates in rural areas as well: the Netherlands and Estonia lead with overall densities of around 300 and 253 startups per 100,000 inhabitants respectively, while at the lower end Romania registers just 16. Rural startup rates show a similar divide: the Netherlands records approximately 135 rural startups per 100,000 inhabitants, Luxembourg 90, Denmark 68, and Finland 59. At the bottom of the scale, Romania counts fewer than 1 rural startups per 100,000 inhabitants, and in Malta rural startups are virtually absent—reflecting its territorial composition, where only about 2.5% of the population lives in rural areas.

Figure 3 – Startup rates per 100,000 inhabitants by country and Degree of Urbanisation



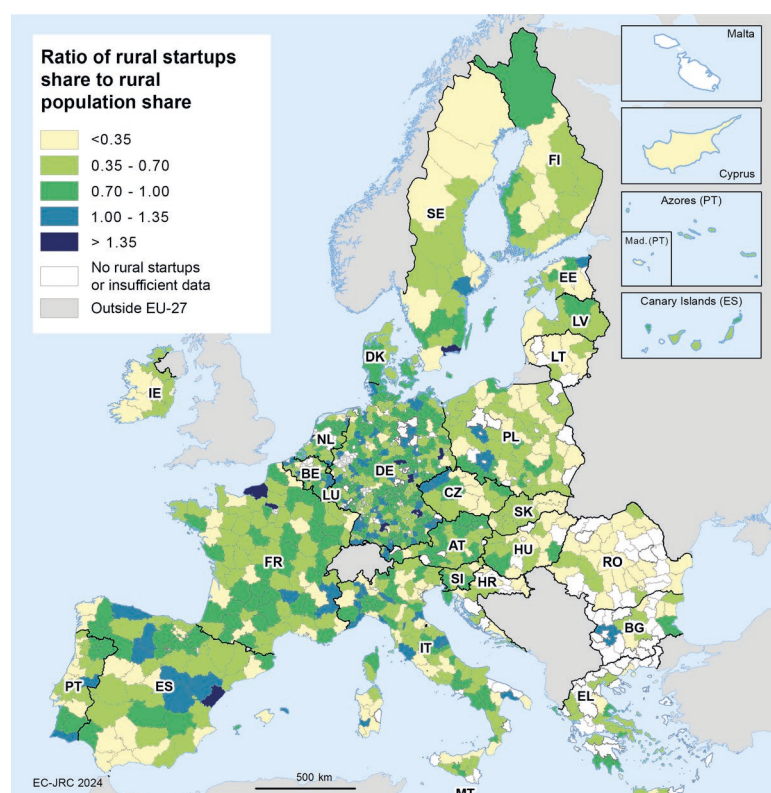
Source: JRC analysis based on Eurostat Population Statistics, and Dealroom data (2024)

⁽²⁾ These figures are based on Dealroom data, including both startups and other startup ecosystem players (such as scaleups, venture capital firms, crowdfunding platforms, support providers, incubators, accelerators, or coworking spaces) as they invest in, acquire, or support startups.

To better understand how likely rural residents are to start innovative businesses, Figure 4 presents a ratio comparing the share of rural startups with the share of people living in rural areas. A ratio of 1 indicates that the proportion of rural startups matches the rural population share. A ratio below 1 suggests that rural areas host fewer startups than expected based on their population size, while a ratio above 1 implies that rural residents are starting more businesses than expected, given their population size.

Across the EU, the average ratio is 0.24, meaning that rural residents are starting only 24% of the startups one would expect if innovative businesses were evenly distributed in line with the population. Among EU countries, Luxembourg reports the highest national ratio at 0.51. At the lower end, Romania records a ratio of just 0.05, pointing to significant missed entrepreneurial opportunities in rural areas. However, Figure 4 shows how the most striking variations are found within countries. For example, while France as a whole records a ratio of 0.25, the Val-d'Oise department exceeds 2, meaning rural residents in that region are creating startups at more than twice the expected rate given the size of the rural population. Similarly, while Germany records a national ratio of 0.32, the Alb-Donau-Kreis district in Baden-Württemberg shows a ratio above 1.5.

Figure 4 – Rural startups relative to rural population

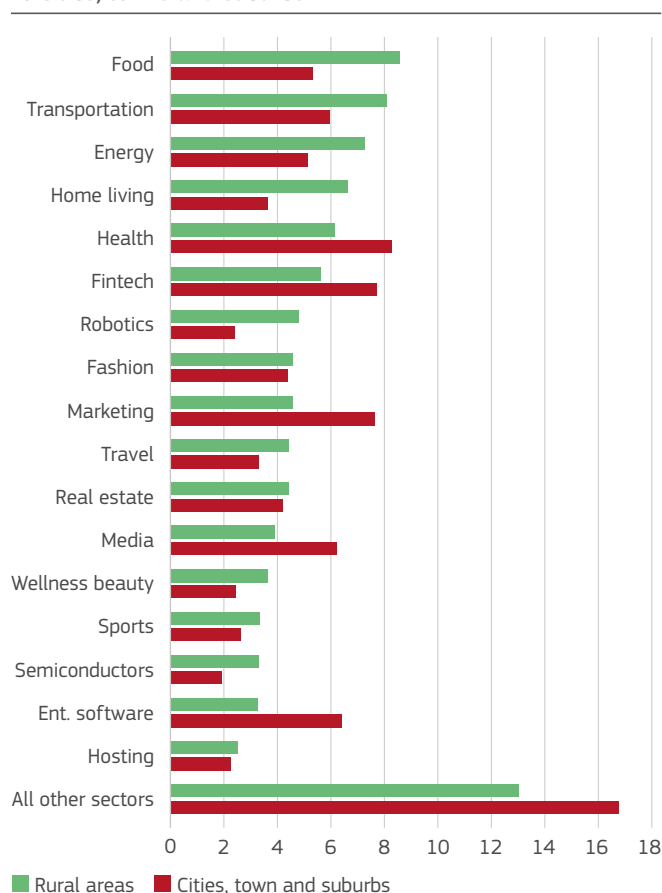


Source: JRC analysis based on Eurostat Population Statistics, and Dealroom data (2024)

In Italy, the province of Imperia exceeds 1.2, compared to a national average of 0.38. These examples illustrate that in some regions, rural residents are significantly more entrepreneurial than in others, underlining the importance of local factors and enabling conditions.

In terms of **sectoral specialisation** (Figure 5), rural startups display distinct profiles. As expected, agrifood is more prominent in rural areas, with 8.6% of rural startups active in this sector compared to 5.4% in non-rural areas. At the same time, rural areas also show a stronger relative presence in transport (8.1% vs. 6.0%), energy (7.3% vs. 5.2%), and high-tech sectors such as robotics (4.8% vs. 2.4%) and semiconductors (3.3% vs. 1.9%), among others. These differences suggest that innovative businesses operating in sectors requiring more space or proximity to natural resources may find more favourable conditions in rural settings, fostering unique innovation niches outside urban centres. Conversely, media, marketing, fintech, and health startups are more concentrated in urban and intermediate regions. These patterns reflect both agglomeration effects and the infrastructure demands of different types of entrepreneurial activity.

Figure 5 – Sectoral distribution of startups in EU rural areas vs cities, towns and suburbs



Source: JRC analysis based on Dealroom data (2024)

While the sectoral comparisons of Figure 3 reflect within-area distributions, some rural sectors stand out even when looking at EU-wide totals. For example, while rural areas host 6.2% of all EU startups, they account for over 11% of all EU robotics startups. This illustrates how European rural areas, despite their smaller overall footprint, can play a significant role in innovative startups, demonstrating their potential to punch above their weight in certain sectors.

SCALING SUCCESS: WHERE FIRMS THRIVE AND GROW

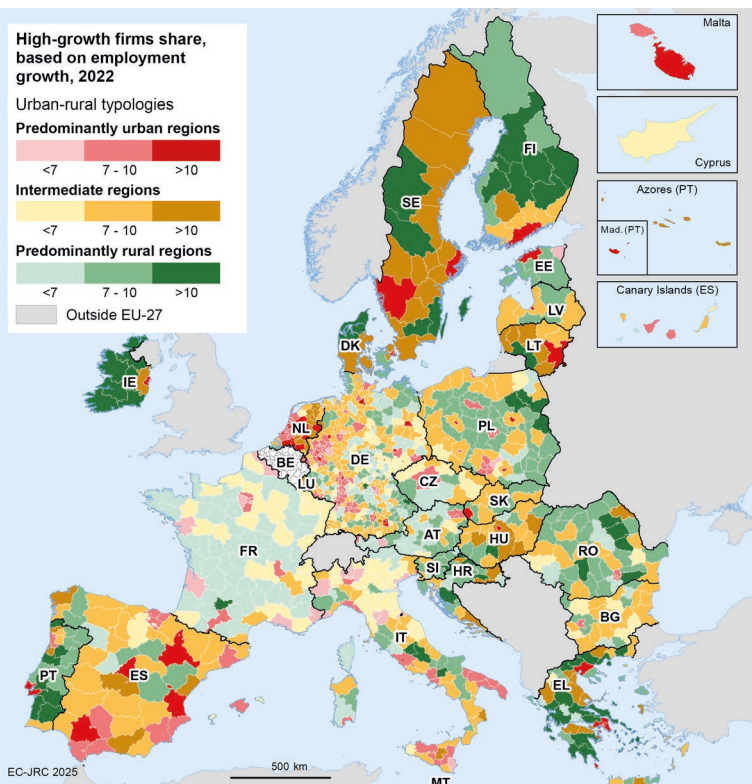
High-growth enterprises (HGEs), defined as firms with 10 or more employees that record average annual growth above 10% over three consecutive years, accounted for 9.2% of all businesses with ten or more employees operating in the EU in 2022, totalling approximately 151,500 firms. Sweden leads the ranking with an HGE share of 20%, followed by Lithuania (15.4%) and Malta (13.1%). In contrast, Cyprus, France, Italy, and Austria report shares below 6%, suggesting structural barriers to scaleup, such as limited access to finance, shortages of skilled labour, or underdeveloped innovation infrastructure.

At regional level, Figure 6 shows how approximately one-third of NUTS3 regions exceed the EU average, with the highest shares (12% or more) concentrated in the Nordic (Sweden, Finland, Denmark), Baltic (Lithuania), and parts of Southern Europe (Greece, Croatia, Italy, and Malta), including their capital regions. The highest regional share was recorded in Östra Mellansverige (Sweden), where 22.5% of businesses were classified as HGEs.

Across the urban–rural typology, the average HGE rate is 10.1% in urban regions, 8.7% in intermediate regions, and **8.2% in rural regions** (Figure 7). However, several rural regions stand out. Jämtland (Sweden) recorded the highest rural share of high-growth enterprises at 21.2%.

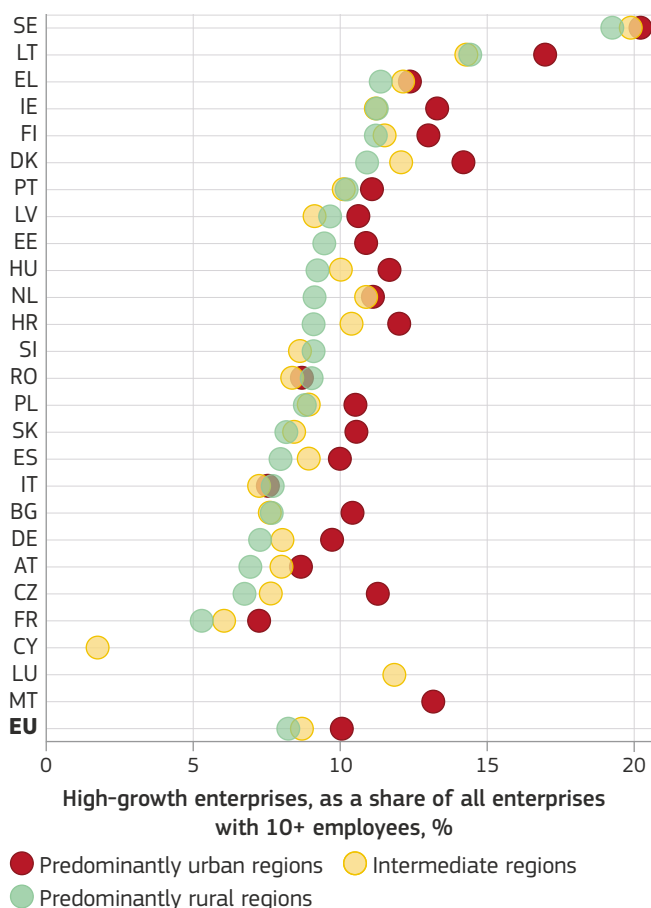
In total, 82 rural regions reached HGE shares of 10% or more, including Viseu Dão Lafões (Portugal), Voiotia and Evvoia (Greece), Midland and Mid-West (Ireland), Marijampolės (Lithuania), Keski-Suomi (Finland), Vrancea (Romania), and Łomżyński (Poland). These examples suggest that strong business growth can emerge also in rural regions, possibly due to the presence of niche industries, vibrant innovation ecosystems, or targeted policy support.

Figure 6 – High-growth enterprise shares across EU regions by urban–rural typology



Source: JRC analysis based on Eurostat Business Demography data (2022)

Figure 7 – High-growth enterprise shares by country and urban–rural typology



Source: JRC analysis based on Eurostat Business Demography data (2022)

UNLOCKING ENTREPRENEURIAL POTENTIAL ACROSS ALL TERRITORIES

Addressing territorial disparities and unlocking the full growth potential of all regions often requires integrated, place-based strategies that reflect local opportunities and challenges. More inclusive entrepreneurship and innovation policies are vital to ensure that no region—urban, intermediate or rural—is left behind.

To this end, the European Commission encourages, among others (e.g., European Commission, 2020; 2021; 2022; 2025):

- Leveraging territorial data and intelligence to inform evidence-based policymaking and to monitor regional innovation dynamics more effectively.
- Investing in skills and talent development, with targeted upskilling and reskilling programmes aligned with local economic needs and transitions.
- Improving access to finance, particularly through diversified and tailored financial instruments for SMEs and startups in rural and peripheral areas.
- Reducing administrative and regulatory burdens by simplifying procedures, increasing transparency, and scaling up digital governance tools that make it easier to start and grow a business, especially in peripheral areas.
- Upgrading physical and digital infrastructure, including broadband access, transport, and facilities that support local innovation and enterprise development.
- Embedding entrepreneurial education and culture, by integrating entrepreneurship into all levels of education and supporting local institutions, such as vocational centres, coworking hubs, and community organisations, that nurture entrepreneurial mindsets.
- Fostering innovation networks and interregional collaboration to support knowledge diffusion, peer learning, and capacity building, particularly in peripheral or rural regions.

Reinforcing these pillars will enhance the resilience and dynamics of regional economies, enabling all regions to maximise Europe's competitiveness.

Box 1: Nurturing scaleups in rural areas: the case of Jämtland (Sweden)

Jämtland (Sweden) recorded the highest share of high-growth enterprises among rural regions in Europe, reaching an impressive 21.2% in 2022. The region's entrepreneurial vibrancy appears to stem from a combination of favourable local conditions. Jämtland hosts one of Sweden's densest networks of coworking and learning hubs, offering access to skills development

and professional infrastructure. Its economy is characterised by dynamic clusters, a strong cooperative culture, and active local development groups that help translate local knowledge into enterprise. Among the initiatives embedded in this ecosystem is Lärcentrum, a long-standing platform providing vocational and adult education across the region, which supports lifelong learning and better alignment between local skills and labour market needs (Mariotti and Sasso, 2024).

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ACKNOWLEDGEMENTS

This study was conducted by the Territorial Development Unit (European Commission—Joint Research Centre) as part of the JRC work on innovation and entrepreneurship in rural areas, supported by the Preparatory Action 'Startup Village Forum and Rural Innovation Valleys'. The authors wish to thank Lewis Dijkstra for his support and insightful comments throughout the study, Emanuele Pugliese for initial discussions, and Laura Spirito for the graphic layout of this policy brief.

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SUGGESTED CITATION

Sasso, S., Perpiña Castillo, C., *Entrepreneurship in the EU: key insights into business dynamics in rural regions*, European Commission, Seville, 2025, JRC143536.

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