

French Polynesia at a Glance

STRUCTURAL CHARACTERISTICS

Capital	Papeete
Surface area	3,251 km ²
EEZ surface area	5.5m km ²
Geographical location	South Pacific, Auckland at 4,100 km, Honolulu at 4,400 km, Paris at 18,000 km
Languages spoken	French and Vernacular languages ⁽¹⁾
Currency	Pacific franc (ISO 4217 code: XPF) XPF 1,000 = EUR 8.38
Status	French Overseas Territory, part of France
Global HDI ranking (2010)	75
National representation	3 MPs, 2 senators, 1 representative at the Economic, Social and Environmental Council

(1) *Tahitian, Tuamotu, Marquesan, Mangareva, Rurutu, Raivavae, Rapa.*

Historical background

The Polynesian people originated from Southeast Asia and gradually settled from 300 A.D. to the end of the 14th century. Europeans, for their part, reached French Polynesia back in 1521 (Magellan), but finally only settled in 1767, after the arrival of Captain Wallis.

In the 19th century, the Pomare dynasty from Tuamotu established its power throughout the territory, until the signing of the protectorate (1842) and the handing over by Pomare V, the last King of Tahiti, of its states to France (1880). In 1957, the French Establishments in Oceania (FEO) became "French Polynesia", and part of France as a result of a referendum in 1958.

The establishment of the Pacific Testing Centre (PTC) from the 1960s onwards brought about radical changes in French Polynesia's traditional economy and society.

Institutional organisation

Management autonomy was granted in 1977 and was completed by the status of internal autonomy in 1984. It has been amended several times and gave French Polynesia a specific status within the French Republic (1996) and extended powers (2004), with the French State only retaining the competence for jurisdiction, based on its sovereign missions (guarantee of public freedoms, defence, currency...). It was revised again in 2007, then in 2011.

The functions of the State are provided by its local representative, the High Commissioner of the Republic. The competences of the country are implemented and controlled by the four following institutions:

- The **President of the Government**, elected by the Assembly of French Polynesia for 5 years, forms the government and directs its action. He promulgates the laws of the country and signs the acts debated by the Council of Ministers. He is in charge of the budget and local administration;
- The **Government**, comprising a Vice President and between 7 and 10 ministers, is jointly and collectively responsible for matters within its field of competence. It defines the draft decisions to be submitted to the Assembly and the required enforcement measures;
- The **Assembly of French Polynesia** (AFP), which comprises 57 members elected for 5 years by direct universal suffrage. It adopts the laws of the country and the deliberations submitted by the Government. It approves the budget, as well as the accounts of French Polynesia, and oversees the Government's action;
- The **Economic, Social and Cultural Council** (ESCC), a collective body with 48 members, representing trade associations, trade unions, and institutions and associations which contribute to the economic, social and cultural life of the country. It is automatically referred to for its opinion on economic, social or cultural projects and for draft laws submitted by the Government or the AFP.

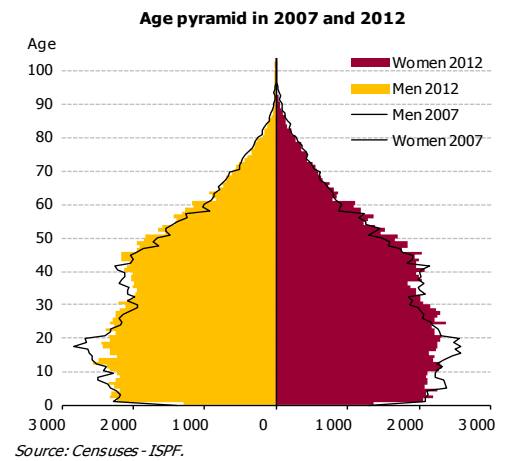
AGEING POPULATION

At 31st December 2015, French Polynesia had 272,800 inhabitants, an increase of 0.4% year-on-year.

The slowdown in population growth (annual average of +1.9% in the 1990s) is due to the decline in the birth rate, to an all-time low in 2015, in connection with the decrease in the fertility rate, and, according to the hypothesis of the Institute of Statistics of French Polynesia (ISPF), a significant migration loss.

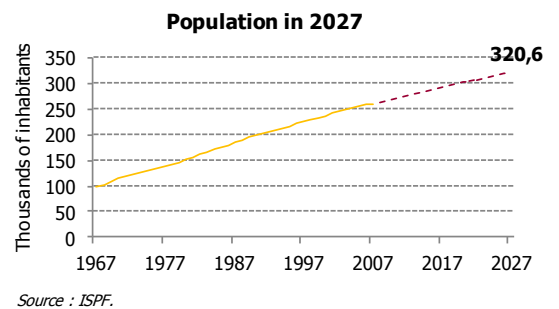
A quarter of the population was under the age of 15 in 2012. It remains young but is, however, ageing. According to ISPF projections, it will reach 320,600 inhabitants by 2027, with 17% over the age of 60.

It is mainly concentrated on the Windward Islands (3/4 of the total at the 2012 census), and especially in Tahiti (2/3 of the total). The Leeward Islands are the second largest settlement area (13% of the total).



Demographic indicators	French Polynesia	France (1)
Population (French Polynesia: in thousands; France: in millions; 2014)	271	66.3
Percentage of under 20s (2012)	33.0	24.7
Percentage of 20-59 year-olds (2012)	56.9	50.8
Percentage aged 60 and older (2012)	10.1	24.5
Population density (inhab./km ² , 2012)	71	117 ⁽²⁾
Annual average population growth rate (% , 2002-2012)	1.0	0.6 ⁽³⁾
Birth rate (rate for 1,000 inhabitants, 2013)	15.5	12.4
Mortality rate (rate for 1,000 inhabitants, 2013)	5.3	8.4
Infant mortality rate (rate for 1,000 births, 2013)	9.0	3.5
Total fertility rate (2013)	1.98	2.01
Life expectancy at birth for women (years, 2013)	77.4	85.4
Life expectancy at birth for men (years, 2013)	72.9	79.2

(1) INSEE 2014 population survey; (2) Mainland France in 2014; (3) Between 2004 and 2014.
Sources: INSEE, ISPF.



ECONOMY AT A GLANCE

French Polynesia has been affected by the global economic crisis and a period of political instability. It has experienced a long recession, with average annual real GDP falling by 1.3% between 2008 and 2013.

Growth has returned for the past two years, as can be seen with the increase in the Business Confidence Index (BCI), which has stood above its long-term average since the last quarter of 2013.

According to the estimates of the Rapid Economic Accounts, GDP increased by 1.1% in volume in 2015, thanks to the contribution made by public and private investment (+1.0%), and household consumption (+0.7%). However, the recovery is still not sufficient to reinvigorate the labour market.

Key economic indicators in 2015	French Polynesia	France
GDP (billions of constant F CFP) ⁽¹⁾	552.5	260 274
GDP growth rate (% , constant F CFP)	1.1	1.3
GDP per capita (millions of constant F CFP)	2.03	3.91
Import dependency rate ⁽²⁾ (% , in 2014)	38.6	31.4

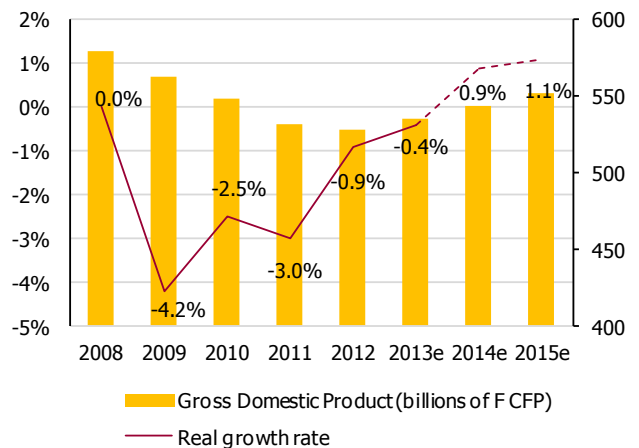
(1) Rapid Economic Accounts; (2) Imports of goods and services as a % of GDP.
Sources: INSEE, ISPF, CEROM.

Fall in consumer prices

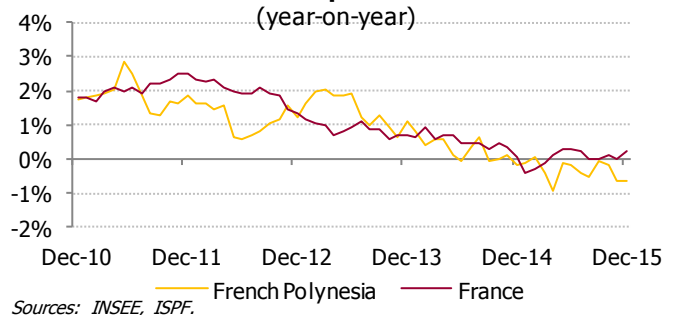
There was a moderate increase in prices between 2004 and 2014 (+1.4% on average).

In 2015, the Consumer Price Index (CPI) fell by an average of 0.4%, due to the decline in energy and transport prices, which were affected by the global decrease in oil prices. Conversely, there was a rise in prices for food (+2.4%) and restaurant services (+1.1%).

GDP and growth rate in French Polynesia



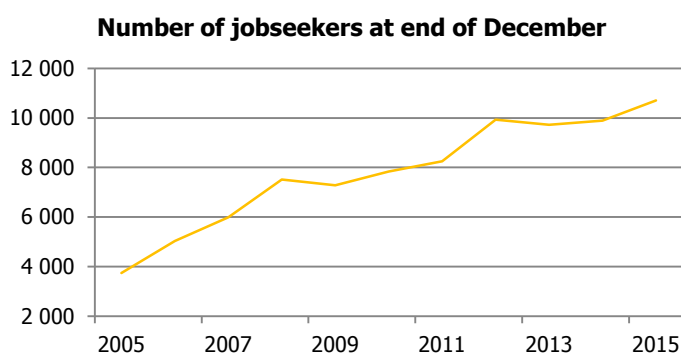
Consumer price index (year-on-year)



Stabilisation in employment

The number of people in paid employment constantly rose between 2002 and 2007 (annual average of +2.4%), but plummeted during the crisis (annual average of -2.2% between 2008 and 2013). It levelled off in 2014, with the gradual upturn in the economy.

Between the last two censuses (2007-2012), the unemployment rate jumped from 11.7% to 21.8%. In 2015, the number of jobseekers continued to rise (+8.2%, after +1.8% in 2014). They are supported by contracts for access to employment (CAE), which were introduced in 2014.



Source: SEFI.

Employment	2005	2015	Trend 15/05 ⁽¹⁾
Total employment	76,493	77,205	0.1%
Self-employment	10,354	11,066	0.7%
Paid employment	66,139	61,652	-0.7%
Agriculture	2,216	1,687	-2.7%
Industry	5,246	4,692	-1.1%
Construction	6,133	4,069	-4.0%
Trade	10,091	9,355	-0.8%
Market services	27,099	28,566	0.5%
Non-market services	15,354	13,283	-1.4%

(1) Average annual growth rate.

Sources: CPS, ISPF.

Structural deficit in foreign trade for goods

The limited size of its territory and its domestic market penalises French Polynesia in the development of competitive production to substitute for imports and exports. The balance of trade is structurally in deficit and, in 2015, stood at F CFP -152.4bn. However, trade in services shows a structural surplus (F CFP 53bn in 2014, *i.e.* 10% of estimated 2014 GDP), in particular thanks to tourism.

France and the USA, with 25% and 11% of trade in goods, respectively, remain French Polynesia's main trade partners. Pearl products are the main export products and generated 62% of local export revenues in 2015.

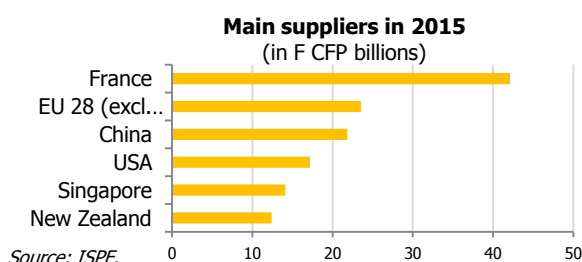
Imports (in millions of F CFP)	2015	Share
Products from agricultural and food industries	38,427	23%
Intermediate goods	34,004	21%
Capital goods	33,924	21%
Consumer goods	20,122	12%
Energy products	24,851	15%
Automotive industry products	9,968	6%
Agricultural, forestry and fisheries products	3,419	2%
Total	164,712	100%

Source: ISPF.

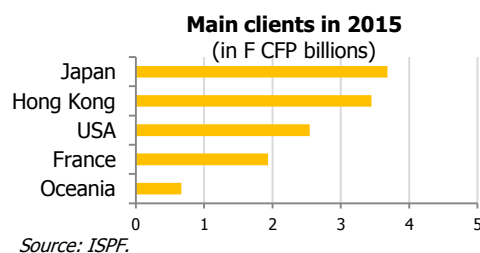
Exports* (in millions of F CFP)	2015	Share
Pearl products	7,637	62%
Fish	1,589	13%
Noni	668	5%
Coconut oil	732	6%
Mother-of-pearl	196	2%
Vanilla	343	3%
Monoï	333	3%
Misc.	768	6%
Total	12,267	100%

Source: ISPF.

(*) Excl. re-exports.



Source: ISPF.



Source: ISPF.

MAIN SECTORS OF ACTIVITY

The services sector, with 85% of added value in 2012 and over 8 employees out of 10 at the end of 2015, plays a predominant role in French Polynesia's economy. It is characterised by the prominence of public administrations, which account for 37% of total added value. Market services account for 38% of wealth creation, while the contribution of primary sectors (3%) and secondary sectors (12%) is less significant.

Key sector indicators	2005	2015	Trend 15/05 ⁽¹⁾
Tourist visits (number of tourists)	208,067	183,831	-1.2%
Gross pearl exports (in millions of F CFP)	12,156	7,361	-4.9%
Exports of fishery products (in millions of F CFP)	358	1,589	+16.1%
Bitumen imports (in thousands of tonnes)	6.5	1.0	-17.2%
Processed wood imports (in thousands of tonnes)	32	21	-4.3%
Cement imports (in thousands of tonnes)	131	88	-3.9%
New vehicle registrations	7,755	3,998	-6.4%

(1) Annual average growth rate.

Sources: ISPF, Fisheries Department.

Prospects remain limited for the construction industry

The construction industry was for a long time driven by household and public sector investment, but has suffered from the crisis and its turnover fell by an average of 5% between 2008 and 2013. It has seen a recovery over the past two years, thanks to public procurement and household investment in housing (+3.7% year-on-year in outstanding bank loans for housing in 2015). In 2015, its turnover increased by 4.5% year-on-year (after +13.7% in 2014 and +1.8% in 2013). Social housing construction, which still falls short of the needs of the 5,292 applicants registered by the Polynesian Housing Office (OPH) in 2015, is expected to gain momentum, thanks to the emergence of new private operators and to public financing, in particular *via* the 2015-2020 Project Contract (F CFP 12bn).

Upturn in tourism confirmed

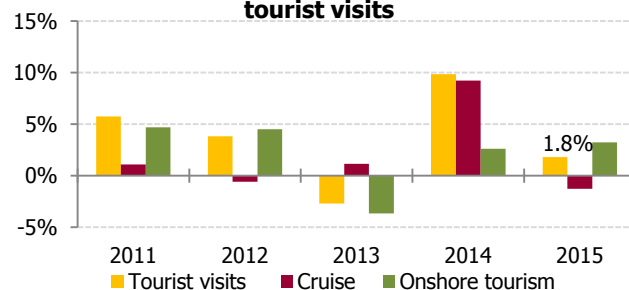
Tourism is the country's main source of exports and accounted for 15% of the total turnover declared in 2015 and 17% of paid employees. Following years of growth, the number of tourist visits was affected by the global crisis and fell to the extent that in 2010 (153,919) it returned to its 1993 level. However, it is once again increasing, +1.8% in 2015, with the rise in onshore tourism (+4%) being offset by the decline in the locally-based cruise segment (-6.5%).

The main outbound tourism markets in French Polynesia are the USA (35% of the total in 2015), France (19%), Europe, excluding France (15%) and Japan (6%).

Towards a reform in the pearl industry

The pearl industry contributes to French Polynesia's exports, but also to maintaining economic life in the Tuamotu Gambier archipelago where most farms are located (78% of concessions in 2014). However, starting in the 2000s, revenues declined due to external causes (competition from other pearls, fall in prices) and internal causes (overproduction, lack of organisation of the industry...). After rising for two years, income from raw pearl exports fell by 14.6% in 2015. Following a consultation with professionals, the Government has undertaken a reform of the pearl industry, which should endorse the definition of a total production quota and the creation of quality certificates.

Contributions to the development of tourist visits



Source: ISPF.

FINANCING OF THE ECONOMY

French Polynesia has three banks (Banque Socredo, Banque de Polynésie and Banque de Tahiti) and three financial companies (Ofina, Sogelease BDP and Oceor Lease Tahiti). Other credit institutions from mainland France also operate there (AFD, CDC and Casden) and a European institution (EIB). These institutions have a total of 64 bank branches and 1,087 employees. The banking facilities rates (branches and ATMs) are lower than the national average, due to the geographical fragmentation of the country.

The outstanding amount of performing loans allocated by local banks rose until 2011, but was affected by the impacts of the economic crisis and has since been falling constantly (annual average of -0.6% between 2011 and 2015). At the same time, the rate of gross non-performing loans remains high (12.2% in 2015), especially for companies (20.1%).

In 2015, there was an increase in the growth of the financial assets of economic agents, +4.3% (annual average of +2.2% between 2011 and 2015), due to companies rebuilding their cash flow and the savings behaviour of households. It was boosted by overnight deposits, which rose by 11.4% over the year.

The money supply rose by 4.6% in 2015 (F CFP 426bn in December 2015, against F CFP 407bn a year earlier), thanks to overnight deposits (+9.6%) and term deposits (+3%). Conversely, the total amount of savings accounts fell by 0.8% over the year.

Business indicators	2015
Cost of corporate loans 4 th quarter 2015:	
- Open	3,14 %
- Medium- and long-term	3,06 %
Financial assets (billions of F CFP) at end of December	116
Bank loans (billions of F CFP) at end of December (*)	150
<i>incl. operating loans</i>	39 %
<i>incl. investment loans</i>	49 %
<i>incl. construction loans</i>	20,1

(*) Local credit institutions and outside the issuing area.

Source: IEOM, local data.

Monetary and financial indicators	2015
M3 money supply (billions of F CFP) at end of Dec.	426
Rate of doubtful loans – Local credit inst. (%)	12.2
Number of inhabitants per bank branch	1,809
Number of inhabitants per ATM	1,686
Number of current accounts per inhabitant	1.41
Number of bank cards per inhabitant	0.74

Household indicators	2015
Cost of household credit 4 th quarter 2015:	
- Open	10,21 %
- Real estate	3,29 %
Financial assets (billions of F CFP) at end of December	358
Bank loans (billions of F CFP) at end of December (*)	281
<i>incl. home loans</i>	67 %
<i>incl. consumer loans</i>	28 %
Rate of gross doubtful loans at end of December (%)	7,7

(*) Local credit institutions and outside the issuing area.

Source: IEOM, local data.

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