

New Caledonia at a Glance

STRUCTURAL CHARACTERISTICS

Capital	Nouméa
Surface area	18,576 km ²
Geographical location	South Pacific, Australia at 1,500 km, New Zealand at 1,800 km, Paris at 17,000 km
Languages spoken	French and Kanak languages
Currency	Pacific franc - F CFP - (ISO code 4217: XPF) – F CFP 1,000 = EUR 8.38
Status	<i>Sui generis</i> Territory part of France
National representation	2 MPs, 2 senators, 2 representatives at the Economic, Social and Environmental Council
State representation	High Commissioner of the Republic

Historical background

The regular occupation of the territory, which resulted from Austronesian migration, is thought to date back to 2,000 B.C. Captain James Cook discovered New Caledonia in 1774. In 1853, the archipelago became a French colony by order of Napoleon III. In 1946, New Caledonia subsequently became an Overseas Territory, a status that was confirmed with the establishment of the 5th Republic.

The 1980s were marked by the rise of the Kanak independence movement. Following a period of unrest, the signing of the Matignon Accords on 26th June 1988 did, however, restore political stability and initiate economic rebalancing.

The Nouméa Accord, signed on 5th May 1998, built on the path opened up by previous agreements by establishing a 20-year period whereby certain competences were to be gradually devolved from the State to New Caledonia and new institutions established.

During the referendum on 4th November 2018, people who are on the special electoral list for consultations under the terms defined in Article 218 of the amended Organic Law of 19th March 1999 will be called on to decide on the question "Do you want New Caledonia to gain full sovereignty and become independent?".

Institutional organisation

New Caledonia is defined as a *sui generis* territorial authority specifically governed by Chapter XIII of the Constitution (Articles 76 and 77), which excludes it from the scope of territorial authorities. The institutional organisation is specified by the Organic Law n° 99-209 of 19th March 1999.

The State, represented by the High Commissioner of the Republic, is responsible for organising services under the sovereign powers of the State and for ensuring "the regular performance of their competences by the institutions of New Caledonia and the Provinces and the legality of their actions".

The Congress, made up of 54 members, is New Caledonia's deliberative assembly. It legislates by voting the "laws of the country" and elects the members of the Government by proportional representation.

The Government of New Caledonia is the territory's collegiate executive body. It prepares and executes the decisions of the Congress and its Permanent Commission. It includes the main political forces represented at the Congress, which are required to reach agreement on the management of New Caledonia, as decisions may only be taken by majority vote of its members.

The Provinces were established in 1989 with the aim of ensuring the economic and demographic rebalancing of the territory. There are three Provinces (South, North and Loyalty Islands) and they exercise their extensive powers in the fields of economic development, territorial development, social sectors and culture.

Other institutions have also been established, such as the Customary Senate (made up of 16 members in accordance with practices recognised by custom, with two representatives per customary area of New Caledonia), the Economic Social and Environmental Council (CESE), the Consultative Committee on Mines, and the Mines Council.

A YOUNG POPULATION

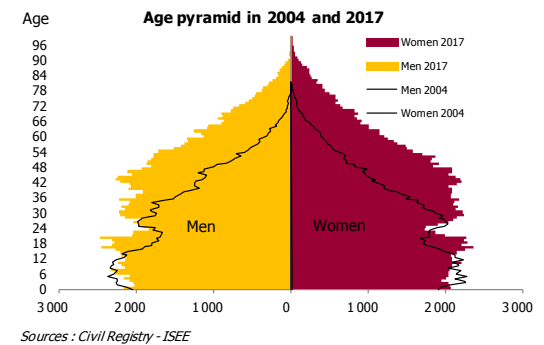
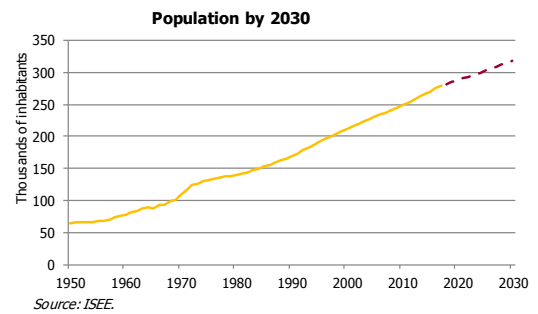
The population is estimated at 278,500 inhabitants on 1st January 2017, the last census having taken place in 2014. The demographic transition, which started in the 1990s, is continuing: almost half of the population is under 30, but the relative importance of those aged 60 and over is increasing.

There was a slowdown in the growth of New Caledonia's population between 2014 and 2017, with an annual average of +1.2%, against +1.8% in the five previous years. The population has increased in the three provinces. Population growth results from both the natural balance (70%) and migration balance (30%). Three-quarters of inhabitants live in the South Province, particularly in the city of Greater Nouméa (two-thirds), 19% in the North Province, and the remainder in the Loyalty Islands Province.

Demographic indicators	New Caledonia	France ⁽¹⁾
Population (NC: in thousands; France: in millions, 2017)	278.5	67.2
Percentage of under 20s (% , 2017)	31.0	24.4
Percentage of 20-59 year-olds (% , 2017)	56.0	50.0
Percentage aged 60 and over (% , 2017)	13.0	25.6
Population density (inhab./km ² , 2017)	15.0	118.8
Annual average population growth rate (2009-2014)	1.82	0.56
Birth rate (for 1,000 inhabitants, 2016)	15.4	11.2
Mortality rate (for 1,000 inhabitants, 2016)	5.7	9.1
Infant mortality rate (for 1,000 births, 2016)	4.0	3.9
Total fertility rate (2017)	2.1	1.9
Life expectancy at birth, female (years, 2016)	79.8	85.3
Life expectancy at birth, male (years, 2016)	74.2	79.5

(1) Insee 2017 population survey.

Sources: ISEE, Insee, Civil Registry.



ECONOMY AT A GLANCE

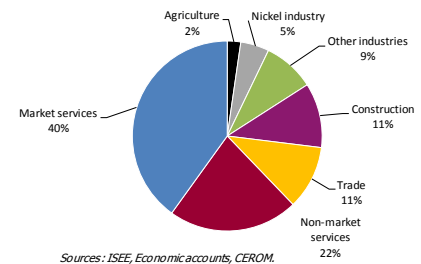
New Caledonia experienced strong growth between 2006 and 2011: Gross Domestic Product (GDP) rose by an average of 4.0% a year in real terms, thanks to strong household consumption and major investments related to large-scale metallurgical projects. Between 2012 and 2016, there was a sharp slowdown in activity and GDP growth stands at an average of 1.5%. In 2016, GDP registered real growth of 0.6%, while GDP per capita stood at F CFP 3.5m (approximately EUR 29,300), putting the territory in third place in the Pacific region (after Australia and New Zealand).

Key economic indicators	New Caledonia	France
GDP (billions of F CFP, 2016)	983 ⁽¹⁾	265,978
Real GDP growth rate (% , 2016)	0.6 ⁽¹⁾	1.2
GDP per capita (thousands of F CFP, 2016)	3,530 ⁽¹⁾	3,975
Activity rate (% , 2014)	71.5	71.4
Unemployment rate as per the pop. census (% , 2014)	14.7	14.0
Unemployment rate as per ILO (% , 2017)	N/A	8.9
Number of DEFM (% of working age pop., 2017) ⁽²⁾	4.2	15.0

(1) Latest CEROM estimate of GDP; (2) End-of-month jobseekers.

Sources: IEOM, ISEE, Insee, CEROM, New Caledonia General Treasury.

Sectoral breakdown of added value in 2016



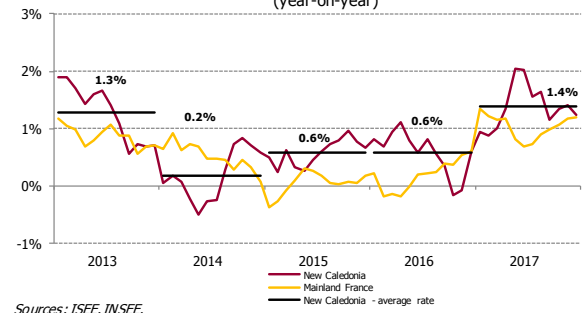
Real GDP growth rate as a % (2006-2016)



Moderate inflation

Over the past five years, the consumer price index (CPI) has risen by an average annual rate of 0.8%, which is slightly higher than in mainland France (+0.5%). The main contributors to the increase in the CPI are services (32%) and the energy index (30%). The indexes for manufactured products and food contributed to the increase in the CPI by 21% and 17%, respectively. This growth was mainly driven by the increase in food and service prices, and tempered by the decline in energy prices until 2016. In 2017, the price index rose by an annual average of 1.4%, supported by the rise in energy prices (+3.8% year-on-year) and, to a lesser extent, service prices (+1.1% year-on-year). The price difference with mainland France is the second highest in the overseas territories after French Polynesia (+33% in New Caledonia, against +39% in French Polynesia).¹

Consumer Price Index (year-on-year)



¹ Source: CEROM, 2015 spatial price comparison (2018).

Flat paid employment market

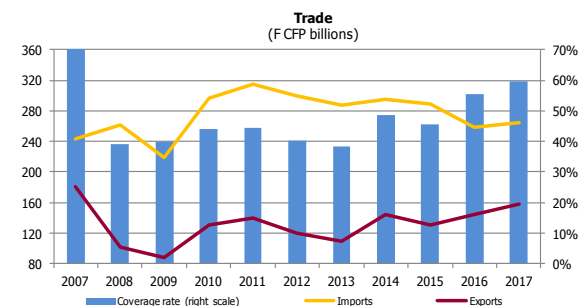
Over the past ten years, paid employment (private and public) has risen by a strong average annual rate of 2.2%. Between 2005 and 2011, paid employment rose by an average annual rate of 3.9%, bolstered by the need for labour for the major metallurgical projects, before slowing to an annual average of 1.2% between 2012 and 2015. In 2016, there was a slight fall in paid employment (-0.5%) due to net job losses in several sectors, in particular in the nickel sector, related to the streamlining of the costs of metallurgical plants. In 2017, there was a slight increase in paid employment (+0.4%), driven by job creations by the public sector, offsetting the decline in the private sector workforce. Self-employment has risen by an annual average of 3.2% over the last decade, accounting for some 23,800 jobs in 2017 (21% of total employment).



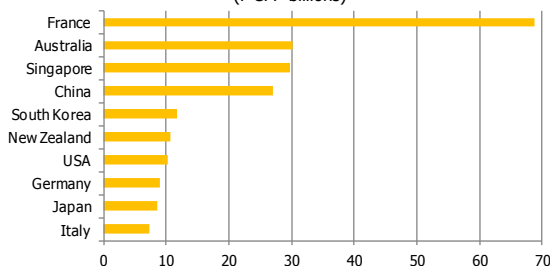
Reduction in trade deficit

The trade balance is structurally in deficit and stood at F CFP -107bn in 2017. The trade deficit widened considerably between 2007 and 2013 due to a higher rise in the amount of imports than in exports following the boost to industrial activity during the period of major works. The 10-year average of the coverage rate stood at 48%, but rose to 59.6% in 2017, with large variations due to the volatility of nickel prices and therefore of the value of exports.

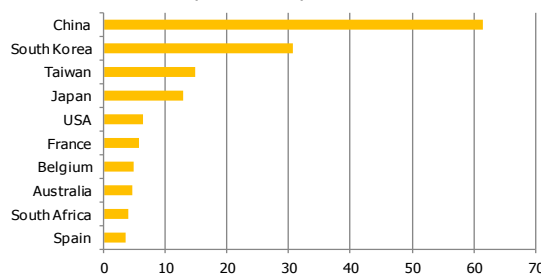
France continues to be the territory's main supplier, despite a regular decline in its share in total imports (26% in 2017, against 32% in 2005), followed by Australia, Singapore (main supplier of hydrocarbons) and China. China has strengthened its position as the territory's main client: with over a third of total exports, its market share has seen a fourfold increase in ten years. Since 2016, South Korea has been the second recipient country, with exports doubling compared to 2015, driven by sales of ore and metallurgical products. In 2017, Taiwan became New Caledonia's third recipient country, ahead of Japan, whose market share has halved in ten years.



Top ten suppliers in 2017
(F CFP billions)



Top ten clients in 2017
(F CFP billions)



Imports (millions of F CFP)	2017
Food products, beverages, tobacco	42,168
Mineral products	60,872
Chemical products	25,763
Rubber and plastics products	11,343
Wood and articles of wood	2,437
Paper and articles of paper	3,479
Textiles	6,297
Metals and articles in these metals	16,033
Machines, appliances and electrical equipment	43,818
Transport equipment	30,308
Other products	22,499
Total imports	265,016

Sources: ISEE, Customs, DIMENC.

Exports (millions of F CFP)	2017
Nickel ore	25,239
Ferronickels	77,810
Nickel mattes	0
Nickel oxide (NiO)	27,128
Nickel Hydroxide Cake (NHC)	6,527
Cobalt carbonate	10,911
Shrimps	1,244
Tuna	197
Other products	8,766
Total exports	157,822

Sources: ISEE, Customs, DIMENC.

MAIN SECTORS OF ACTIVITY

The structure of New Caledonia's economy is characterised by the predominance of market services (including trade) and non-market services, which accounted for 51% and 22%, respectively, of added value in 2016 (+6.9 points and +6.4 points compared to 2007). The share of industry, including the nickel sector, for its part stands at 14% (-9.3% compared to 2007), the construction sector accounts for 11% (+2.4% compared to 2007) of added value.

Key sectoral indicators	2007	2017	AAGR ⁽¹⁾	2007	2017	AAGR ⁽¹⁾	
Imports durable consumer goods (F CFP M)	8,592	8,872	0.4%	Nickel ore extraction (thousands of wet tonnes)	7,575	16,552	8.1%
Imports of non-durable consumer goods (F CFP M)	42,166	59,088	4.9%	Nickel ore exports (thousands of wet tonnes)	4,040	6,482	4.8%
Tuna exports (tonnes)	656	407	-4.7%	Metallurgical production (in tonnes of contained Ni)	59,796	110,619	6.3%
Shrimp exports (tonnes)	1,307	770	-5.2%	Metallurgical exports (in tonnes of contained Ni)	57,431	109,544	6.7%
Private paid employment (annual average)	54,123	65,482	1.9%	Tourist arrivals	103,363	120,697	1.6%
Paid employment in construction (annual average)	7,658	6,834	-1.1%	Cruise passenger arrivals	124,467	493,278	14.8%
Power generation (GWh)	1,926	3,130	5.0%	N° of trips by New Caledonians outside the territory	106,377	134,547	2.4%

(1) AAGR: Average annual growth rate between 2007 and 2017.
Source: ISEE.

Significant weight of public finances

The share of State expenditure in GDP remained relatively stable between 2006 and 2016, in the region of 16% of GDP. The share of social benefits from CAFAT in GDP has risen sharply in recent years, from 10.4% of GDP in 2008 to 16.1% in 2016.

Public finances	2006	2016
Public workforce (% paid employment)	29.2	28.3
Share of tax revenues in GDP (%)	16.0	18.8
Share of State expenditure in GDP (%)	16.8	15.9**
Share of social benefits* in GDP (%)	10.4***	16.1

*CAFAT benefits, **2015, ***2008

Sources: ISEE, DBAF, CAFAT.

Increase in nickel industry production capacity

There has been a sharp rise in metallurgical production and mining since 2011, by an annual average of 10%, with the gradual increase in production of the two new plants. In 2017, metallurgical production reached a record level of 110 thousand tonnes and is continuing to increase, albeit at a slower rate than over the past two years (+2.9%, after 14.4% in 2016 and 13.6% in 2015). However, the sector is exposed to the high volatility of nickel prices, which have been on a downward trend since 2014, but have gradually been increasing since mid-2017. The cost management programmes set up by the metallurgical plants following the fall in prices minimise the knock-on effects of these results.

The production of cobalt, which has been a co-product of the South plant since 2012, saw a fivefold increase between 2014 and 2017 and stands at 2.3 thousand tonnes. However, in 2017, there was a sharp decline in cobalt production year-on-year (-9.0%). Similarly, exports fell in volume (-12.0%), but saw a sharp rise in value (+62.7%), reflecting the significant increase in the price of cobalt, which has more than doubled in a year with the anticipation of rapid growth in the market for electric vehicles, whose batteries contain cobalt.

Slowdown in construction activity

The construction industry accounted for an average of 10% of wealth creation between 2007 and 2017 and employs an average of 12.5% of private sector employees. Between 2007 and 2012, activity in the construction industry was boosted by large-scale projects (construction of two metallurgical plants). Since 2012, activity in the sector has been slowing down and the number of jobs fell by an average of 4.2% between 2012 and 2017, in particular due to the decline in public procurement. However, activity continues to be supported by tax exemptions on intermediate housing.

Continuous rise in the number of tourists

On average, 108,000 tourists have visited the territory every year since 2007. Their number has been rising at a rapid pace since 2011, by 3.1% a year on average, and reached a record level of 120,000 tourists in 2017. Similarly, there has been a sharp increase in the number of cruise passengers, by an annual average of 15% over the past decade. It stood at 493,000 in 2017, after having exceeded 500,000 cruise passengers in 2016. The tourism sector (accommodation and catering) has accounted for an average of 5,000 jobs since 2012. The expenditure of tourists and cruise passengers is estimated at approximately F CFP 27bn in 2017.

FINANCING OF THE ECONOMY

New Caledonia has 9 locally established credit institutions, including 4 banks, 4 financial companies and 1 specialised credit institution. In addition, Agence Française de Développement (AFD), Caisse des Dépôts et Consignations (CDC) and the European Investment Bank (EIB) operate regularly in New Caledonia. There is a high level of banking and financial activity, due to the substantial financing needs of the economy, which leads to an average annual growth in outstanding performing loans of 5.6% over the period 2008-2017. The total outstanding amount of deposits rose by 1.8% year-on-year (after +2.2% in 2016). At 31st December 2017, the total gross outstanding amount of loans to New Caledonian clients stood at F CFP 1,178bn, with F CFP 778bn contracted from local credit institutions (*i.e.* a largely majority share, at 66%). At the end of 2017, the aggregated balance sheet total of the four local banks stood at FCFP 928.1bn. It has remained stable compared to 2016 (-0.1%), after a sharp rise in 2016 (+7.4%).

Monetary and financial indicators	2007	2017	AAGR ⁽¹⁾
Money supply (billions of F CFP)	385	682	5.9%
Number of inhabitants per bank branch	2,397	2,487	0.4%
Number of inhabitants per ATM	1,619	991	-4.8%
Number of bank accounts per inhabitant	1.64	1.94	1.7%
Financial assets of economic agents ⁽²⁾ (billions of F CFP)	483	802	5.2%
Performing outstanding loans of economic agents ⁽²⁾	468	754	4.9%
Rate of doubtful loans (%) ⁽³⁾	2.9	3.2	1.0%

(1) Average annual growth rate for 2005-2015.

(2) From local credit institutions.

(3) Doubtful loans/loans outside the issuing zone.

Source: IEOM.

Business indicators	2017
Bank loans ⁽¹⁾ (billions of F CFP, at 31/12)	490
<i>incl. operating loans (%)</i>	16.9%
<i>incl. investment loans (%)</i>	50.1%
<i>incl. construction loans (%)</i>	30.8%
Net doubtful loans (billions of F CFP, at 31/12)	8.7
Average cost of credit for companies (%)	3.7
Financial assets ⁽²⁾ (billions of F CFP, at 31/12)	260

(1) Loans for all credit institutions.

(2) From local credit institutions.

Source: IEOM.

Household indicators	2017
Bank loans ⁽¹⁾ (billions of F CFP, at 31/12)	439
<i>incl. consumer loans (%)</i>	15.4%
<i>incl. housing loans (%)</i>	83.7%
Number of cases of overindebtedness filed	91
Net doubtful loans (billions of F CFP, at 31/12)	5.3
Average cost of credit to households (%)	4.6
Financial assets ⁽²⁾ (billions of F CFP, at 31/12)	424.8

(1) Loans for all credit institutions.

(2) From local credit institutions.

Source: IEOM.

NB: The date used in this note are as at 31st December 2017 unless specified otherwise

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