

Economic and Financial Publications



Economic outlook

N° 282 / August 2019

WALLIS AND FUTUNA AT A GLANCE

Structural characteristics

Capital of the Territory	Mata'Utu
Surface area	142 km ²
Geographical location	South Pacific; Paris at 16,000 km, Suva at 780 km; Nouméa at 2,500 km
Languages spoken	French, Wallisian and Futunian
Currency	Pacific franc - FCFP - (XPF) - FCFP 1,000 = EUR 8.38
Status	French Overseas Territory with a special status
Global HDI ranking, 2005	53 rd
National representation	One MP, one senator, one representative at the Economic, Social and Environmental Council
State representation	One Prefect, Administrator Superior of the Territory

Historical background

Wallis and Futuna were originally populated as a result of the migration of Austronesians, who colonised part of Melanesia and Western Polynesia towards 1,500 B.C. The Tongans took possession of the Island of Uvea in the 15th century, while the Samoans settled in Futuna in the 17th century.

In 1616, Futuna and Alofi were discovered by the Dutch navigators Jacob Le Maire and Willem Schouten, who named them the "Horn Islands". Uvea was in turn discovered in 1767 by the English navigator Samuel Wallis, who gave his name to the island.

European presence increased with the establishment of Marist missionaries in 1837, who were tasked with evangelising the archipelago. A request for French protectorate made by Queen Amelia was subsequently ratified in 1887 for Wallis and Futuna separately, then in 1888 for the unified protectorate of both islands.

In 1942, Wallis was used as a rear base by the USA to respond to the advance of Japanese troops in the Pacific. 6,000 soldiers were stationed on the island, which experienced times of plenty. The post-war period was marked by an economic crisis and political instability.

In 1959, the inhabitants of the archipelago adopted the status of French Overseas Territory by referendum. Law n° 61-814 of 29th July 1961 established the status of Territory, which has changed very little since then.

Institutional organisation

In 2003, the archipelago became a French Overseas Territory with a special status, without the status of 1961 being amended. In addition to the State's own institutions, the status recognises the existence of customary entities. This organisation is based on the following institutions:

- The State, represented by the Prefect, an Administrator Superior who exercises the Territory's executive power. He is represented by a delegate designated by decree;
- The Territorial Assembly, comprising 20 members, is the Territory's legislative body. However, its deliberations only come into effect once they have been approved by the Administrator Superior;
- Three districts, with boundaries based on the three kingdoms (Uvea, Alo and Sigave), and whose Administrator Superior is the chief;

- Chieftaincies, one per kingdom, comprising a king surrounded by ministers. They manage land issues, *inter alia*, and intervene in the current affairs of the Territory *via* the Territorial Council and District Councils.

Slowdown in population decline

According to the last population census conducted by the Territorial Service of Statistics and Economic Studies (STSEE), the number of inhabitants of Wallis and Futuna stood at 11,558 at 23rd July 2018. The population fell by 5.2% between 2013 and 2018, *i.e.* an annual average population decline of 1.1% over the period, a slower rate than during the period 2008-2013 where the decline stood at 1.9%.

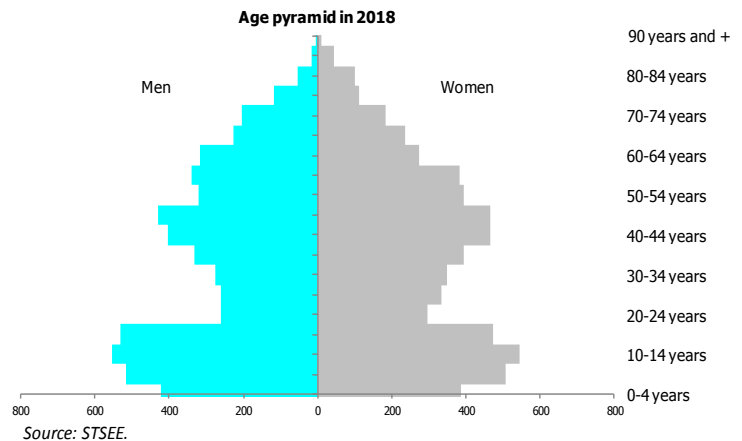
The population decline is due to the high level of emigration of young people aged between 20 and 35, as well as a falling birth rate. Combined with an increase in life expectancy at birth (76.9 years in 2018), it results in an ageing of the population. Consequently, the median age rose from 32.2 years to 35 years between 2013 and 2018.

Demographic indicators	Wallis and Futuna ⁽¹⁾	France ⁽²⁾
Population (France: in millions)	11,558	66,992,699
Population in Wallis	8,333	
Population in Futuna	3,225	
Percentage of under 20 year-olds	34	24.1
Percentage of 20-59 year-olds	49.4	49.8
Percentage aged 60 and over	16.5	26.1
Population density (inhab./km ²)	81	117 ⁽³⁾
Annual average growth rate (%; 2013-2018)	-1.1	0.49
Birth rate (‰)	11.7	11.1
Mortality rate (‰)	5.1	9.3
Infant mortality rate (‰)	N/A	3.8
Total fertility rate	2.2	1.87
Life expectancy at birth for men (years)	68.1	79.4
Life expectancy at birth for women (years)	78.9	85.3

(1) STSEE census, data in July 2018; (2) INSEE 2018 population survey; (3) Mainland France

N/A: Not available

Sources: STSEE, INSEE



Economy at a glance

The economy of Wallis and Futuna is largely supported by the administrative sector, which accounts for over half of wealth creation. The trade sector is also a key sector for the Territory. It is supported by household consumption and accounts for almost a third of private sector employees declared at the Wallis and Futuna Social Security Fund.

Key economic indicators	Wallis and Futuna	France ⁽¹⁾
GDP (billions of FCFP, 2005)	18 ⁽²⁾	280,800
GDP per capita (thousands of FCFP, 2005)	1,211 ⁽²⁾	4,192
Share of public administrations in GDP (%; 2005)	54.0 ⁽²⁾	16.2
State expenditure in the Territory (thousands of FCFP, 2018)	15.5	-

(1) National accounts in 2018, INSEE; (2) Estimation.

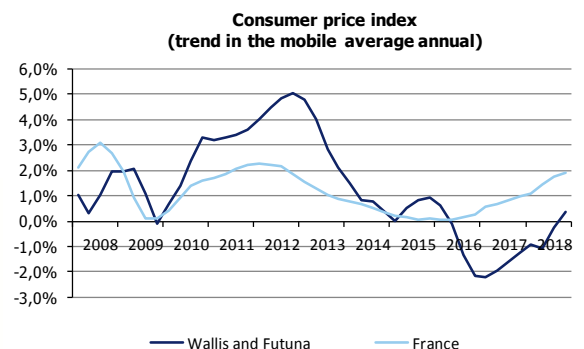
Sources: CEROM, DFIP of Wallis and Futuna, INSEE.

Exports are marginal due to the low level of production facilities and the distance from potential markets.

With no personal income and corporate taxes, income from import taxes is the Territory's main source of budget revenue. In 2018, customs revenues accounted for 70% of the archipelago's tax revenues, which is on par with the average of the period 2008-2018. Direct taxes and miscellaneous taxes (8.8% and 21.0% in 2018, respectively, 10% and 20% on average over the period) make up the remainder of budgetary revenues.

Moderate inflation

After two and a half years of average annual decline, the total CPI rose slightly (+0.4%) in 2018. There have been two periods of high inflation over the last ten years, from late 2008 to mid-2009 and, especially, from early 2010 to late 2013, with a peak at 5.0% in late 2012. The Territory is dependent on price developments in mainland France, as well as on changes in raw material prices, in particular concerning energy products. Conversely, the decline observed between 2016 and 2018 is largely due to the consequence of the gradually alignment of electricity prices in the Territory with those of mainland France by 2020.

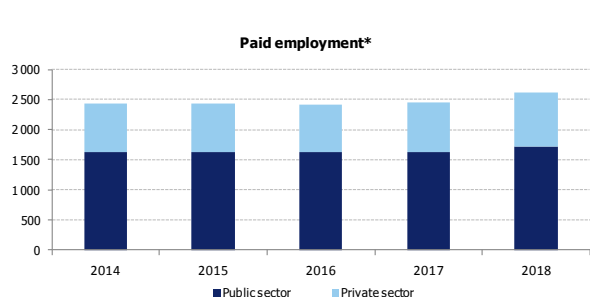


In the context of the law on the economic regulation of the French overseas territories, called the "law against the high cost of living",¹ an agreement on the moderation of consumer product prices is now signed every year between the State and its main suppliers and distributors operating in the Territory's supply chain. Consequently, the "price-quality shield" has led to a moderation in the prices on a list of fifty-six consumer products for a total cost of FCFP 43,360, compared with the basket of eleven products for FCFP 9,200 when the measure was launched in 2013.

Employment market becoming more formal

In 2018, the labour participation rate in Wallis and Futuna stood at 47.0% of the working age population (after 49.6% in 2013 and 40.0% in 2008), *i.e.* a lower level than in the other Pacific Overseas Territories (66.7% in New Caledonia and 61.1% in French Polynesia).² However, the unemployment situation is more mixed, with the Territory falling between these two regions with a rate of 17.4%, which is higher than New Caledonia (11.7%) but lower than French Polynesia (21.2%).

In 2018, there was an annual average of 2,624 registered employees. The distribution of employment between the public sector and private sector remains similar to the previous years, with two-thirds of employees registered as employed in the public or semi-public sector. Over the long term, private employment has risen over the last five years (+1.0% on average), after having stagnated between 2008 and 2013 (+0.1%). Growth in public employment also gathered pace between 2013 and 2018 (+0.9%), after having risen at a lower rate (+0.4%) in the previous years.



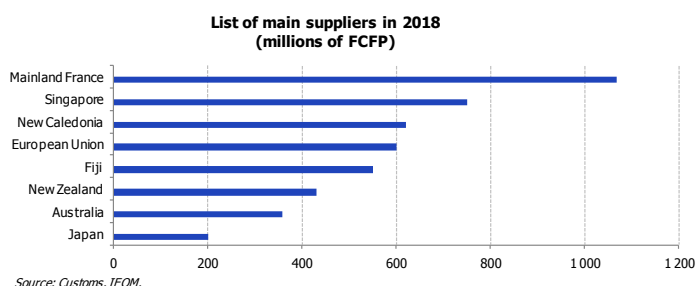
* Employment declared at the CPSWF as an annual average + State civil servants.
Sources: CPSWF, Senior administration, Vice-rectorate.

	2008	2013	2018	2013/ 2008 ⁽¹⁾	2018/ 2013 ⁽¹⁾
Total employment	2 465	2 503	2 624	0,3%	0,9%
Industry /agriculture	90	93	103	0,6%	2,2%
Construction industry	130	110	68	-3,3%	-9,0%
Trade	317	302	303	-1,0%	0,1%
Market services	320	357	428	2,2%	3,7%
Non-market services	1 608	1 643	1 722	0,4%	0,9%

(1) A average annual growth rate.

Significant regional trade

Wallis and Futuna exports very few goods and depends largely on the outside for its supplies. While its market share has declined over the long term (29.7% in 2008, 21.5% in 2013 and 18.6% in 2018), mainland France remains the archipelago's main supplier despite its distance. Singapore, which is the archipelago's second largest supplier and supplies the vast majority of energy products, shows greater stability in its market share (14.3%, 14.7% and 13.1% for the years above). In 2018, New Caledonia was in third place and its market share reached 10.8%, a lower level than in 2013 (12.2%), but higher than the average over the last five years (7.6%). Conversely, the European Union, the Territory's fourth largest supplier, has a market share close to its average for 2014-2018 (10.7%), with 10.5% of total imports. Fiji is in fifth place, with the rise in imports of energy products from this country increasing its market share to 9.6%, whereas it stood at 8.2% in 2013 (and 8.3% on average for the period 2014-2018).



The structure of imports remains relatively stable over the long term, with imports of agricultural and food products remaining in first place with a quarter of the total. There has been an increase in imports of consumer goods, from 14% in 2008 to 17% ten years later, while imports of intermediate goods are following the exact opposite trend. The other import items are at similar levels in 2008 and 2018.

Imports in value (millions of FCFP) and share of total (%)	2008		2013		2018	
	Value	Share	Value	Share	Value	Share
Agricultural and food industries	1 495	25%	1 640	28%	1 466	26%
Consumer goods industries	828	14%	883	15%	968	17%
Energy	898	15%	1 104	19%	905	16%
Intermediate goods industries	1 061	18%	920	16%	811	14%
Capital goods industries	855	14%	808	14%	783	14%
Automotive industry	687	12%	455	8%	609	11%
Agricultural, forestry and fish products	101	2%	114	2%	183	3%
Total	5 925	100%	5 923	100%	5 725	100%

Source: Customs.

¹ Law n° 2012-1270 of 20th November 2012, published in the Official Journal of Wallis and Futuna of 21st November 2012.

² The data for French Polynesia are for 2017.

Economy not diversified and dependent on the public sector

The economy of the Wallis and Futuna archipelago is characterised by the predominance of the administrative sector, which drives local activity. Consequently, the other sectors (trade and market services) are highly dependent on the public sector *via* the salaries paid, large-scale projects, investment works, etc.

Main sector indicators	2018	2018/ 2008 ⁽¹⁾	2018	2018/ 2008 ⁽¹⁾	
Cement imports (tonnes)	2 395	-5,1%	Public procurement notifications in the construction industry (millions of FCFP)	2 145	N/A
New vehicle registrations (number)	92	-2,5%	Pupils in school - 1st and 2nd levels (number)	3 156	-3,4%
Number of companies (registered)	672	N/A	International air traffic (number of passengers)	30 467	1,5%
incl. agriculture, livestock, fishing (%)	20		Domestic traffic (number of passengers)	14 298	0,6%
incl. construction (%)	12				
incl. trade (%)	26				

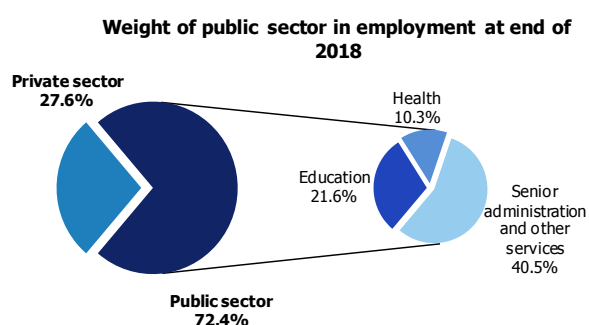
(1) Average annual growth rate; N/A: Not available.

Sources: Customs and Misc. Contributions Department, Public Procurement Unit, CPSWF, Civil Aviation, Vice-rectorate.

Public sector omnipresent

The non-market sector is the Territory's main employer (72.4% of registered employees). Education accounts for 21.6% of all employees and almost half of them are on secondment with two-to four-year contracts on the archipelago. The Health Agency, on which the entire health system is based, employs 10.3% of the total number of registered employees.

In 2018, the State's contribution to financing the local economy stood at FCFP 15.5bn, in contrast to the level of the previous period, which ranged between FCFP 12bn and FCFP 12.7bn between 2008 and 2016. This increase started in 2017 with FCFP 1bn more than in the previous year and continued in 2018 with an increase of some FCFP 2bn. Staff expenditure, which corresponds to the payment of the salaries of State civil servants, now accounts for 55.7% of State transfers to the Territory, a level higher than the average for the period 2008-2018 (50%). Public procurement experienced growth in 2018, the amount of public contracts in the construction sector saw a fourfold increase in a year following the launch of works for the Quai de Leava in Futuna, for which the construction works will begin in 2019 and be completed in 2021. This large-scale construction project is a major boost for the sector, which had been waiting for this type of project since 2013.



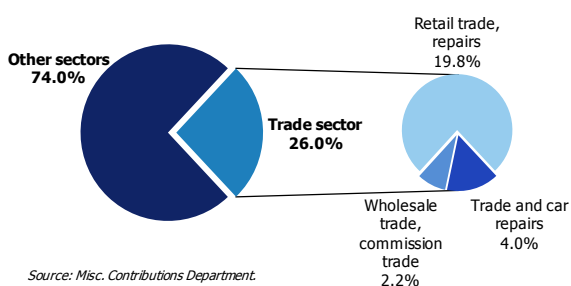
Sources: CPSWF, Senior Administration, Vice-rectorate.

Trade and market services dominate private activity

At the end of 2018, there were 176 registered companies in the trade sector (26.0% of the total) and 212 in the market services sector (31.5% of the total). The share of these two sectors in the number of companies has seen a significant change over the long term, falling from 72% in 2008 to 49% in 2013, then rising to 57.5% in 2018.

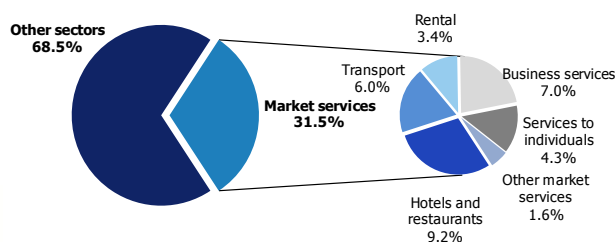
The trade sector and market services sector are drivers of the private economy and account for almost a third of employment in the Territory over the long term (31% in 2008 and 2013, 32% in 2018). More specifically, the trade sector employs 303 people, while the market services sector employs 428 people, *i.e.* 13.4% and 18.9%, respectively, of all employees registered at the Social Security Fund (CPSWF) in 2018. These two sectors together account for 81% of private sector employees registered (33.6% for trade and 47.4% for market services). The economy of Wallis and Futuna is entirely geared towards meeting domestic demand, which explains the preponderance of these sectors in private sector activity.

Breakdown of companies in the trade sector



Source: Misc. Contributions Department.

Breakdown of companies in the market services sector



Source: Misc. Contributions Department.

Financing the economy and fiduciary activity

There is only one retail bank, the Wallis and Futuna Bank (BWF), which has been established on the archipelago for some twenty years now. At the same time, the Public Finance Directorate of the Wallis and Futuna Islands provides personal banking services, both in Wallis and Futuna. Other institutions operate in the Territory: AFD, EIB and New Caledonian banks. Since 2009, ADIE has also been offering micro-credits to small entities (often individual entrepreneurs).

Monetary and financial indicators	2008	2018
Money supply (millions of FCFP)	6 452	7 310
Net external banking position (millions of FCFP)	2 931	2 781
Number of inhabitants per bank branch	4 308	3 855
Number of inhabitants per ATM	13 484	6 034
Number of bank accounts per inhabitant	0,55	0,42
Financial assets of economic agents ¹ (millions of FCFP)	4 523	5 041
Performing outstanding loans of economic agents ¹ (millions of FCFP)	1 363	1 916
Doubtful loan ratio - total loans (%)	16,3	3,0

(1) With local credit institutions.

Source: IEOM.

At 31st December 2018, the total amount of outstanding performing loans granted in Wallis and Futuna stood at FCFP 4.1bn, including 47% allocated by the local credit institution. Due to the small size of the Territory and as a result of the low number of companies, the variations in the outstanding amount of loans allocated to companies are erratic. The outstanding amount of these loans now stands at FCFP 767m, down 4.7% compared to 2017. The outstanding amount of loans to households fell between 2008 and 2013, from FCFP 1.7bn to FCFP 1.5bn, the same level as in 2018.

Business indicators	2008	2013	2018	Household indicators	2008	2013	2018
Financial assets ¹ (millions of FCFP)	1 871	1 806	2 347	Financial assets ¹ (millions of FCFP)	1 962	2 109	2 085
Bank loans ² (millions of FCFP)	1 458	2 370	767	Bank loans ² (millions of FCFP)	1 673	1 530	1 532
Share of operating loans (%)	12,1	4,7	0,2	Share of consumer loans (%)	61,2	81,7	96,3
Share of investment loans (%)	86,0	83,8	69,4	Share of home loans (%)	38,4	18,3	3,7
Share of construction loans (%)	0,0	11,5	3,8				
Legal persons banned from holding a bank account	13	14	15	Natural persons banned from holding a bank account	416	330	186

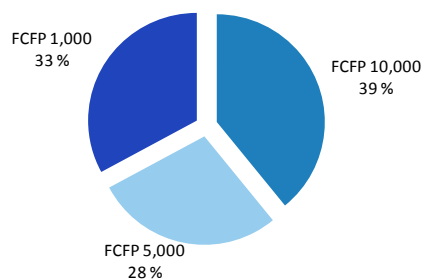
(1) With local credit institutions.

(2) Loans for all credit institutions.

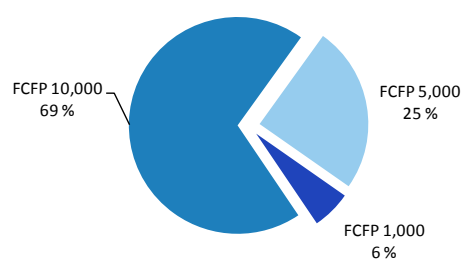
Source: IEOM.

At 31st December 2018, the net issuance of banknotes in FCFP, all denominations taken together, stood at 417,930 units for a total value of FCFP 2.4bn. While the FCFP 10,000 denomination only accounts for about 19% in French Polynesia and New Caledonia, it remains the predominant face value in the archipelago, although its share in the volume of banknotes has been declining over the last ten years (48% in 2008, 43.5% in 2013 and 39% in 2018). This composition of the money in circulation is in particular due to the use of these high-value notes for payment operations.

Breakdown by denomination of the net issuance of banknotes at 31 December 2018 (in volume)



Breakdown by denomination of the net issuance of banknotes at 31 December 2018 (in value)



N.B.: The data used in this note are as of 31st December 2018 unless specified otherwise.