



Agence de la
**Nouvelle-
Calédonie**

ECONOMIC AND FINANCIAL PUBLICATIONS

Annual summary 2024

The riots profoundly affected the economy of New Caledonia in 2024

As a consequence of the riots in May 2024, which added to the troubles in the nickel sector, all economic indicators collapsed in 2024.

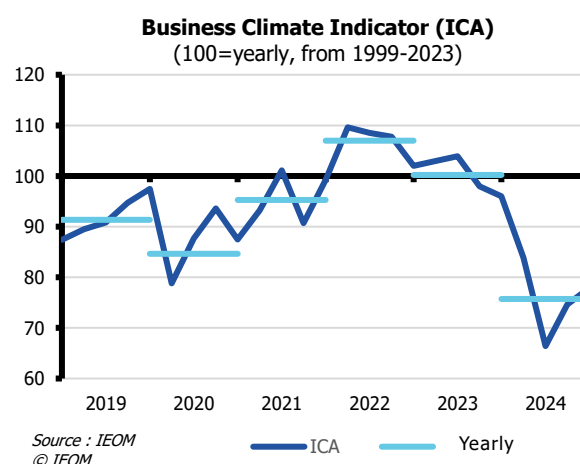
The business climate indicator (ICA), measured by the IEOM, collapsed in 2024 amid a major crisis in the nickel sector, followed by unprecedented insurrectionary riots that affected the territory starting on 13th May. It fell below the previous low recorded during the health crisis in 2020. Despite a slight rebound in the 3rd and 4th quarters of 2024, the ICA did not manage to regain this previous level. Numerous indicators reflect this shock of unprecedented magnitude for the Caledonian economy. Private employment has contracted by about 20% since the peak of the 3rd quarter of 2023 (nearly 13,000 jobs are estimated to have been destroyed according to the ISEE). Household consumption, resilient in recent years, has slowed down: card payments and withdrawals decreased by 8% in 2024. Banking activity has also been profoundly affected as total credit production (excluding overdrafts) plummeted by 49% in 2024, even though central bank interest rates were trending downwards.

Sectoral situations also appear to be very degraded. The nickel sector was already facing a major crisis at the beginning of the year: in a context of falling nickel prices in international markets, industrial shareholders announced at the end of 2023 their intention to stop financing their metallurgical plants in the territory. After Glencore's announced withdrawal in February 2024, the productive activity of the Northern plant was halted, awaiting a potential buyer. The riots subsequently crystallized the difficulties in the sector. Blockades and destruction at mining sites directly threatened the supply of ores to the metallurgical plants as well as their survival: the Southern plant (Prony) halted its activity between May and November 2024, while the SLN operated at a reduced capacity to preserve the integrity of its production apparatus. Activity in the construction sector collapsed in 2024, while the outlook for 2025 remains very pessimistic. The primary sector, recently faced with exceptional rainfall, had to deal with major difficulties in marketing its production due to the riots. Only the tourism sector saw a modest recovery at the end of the year with a timid return of cruise passengers to the territory, still far from the levels recorded in 2023. All interviewed business leaders agree on the lack of perspectives for the coming year.

A collapse of the economy

Business climate at an all-time low

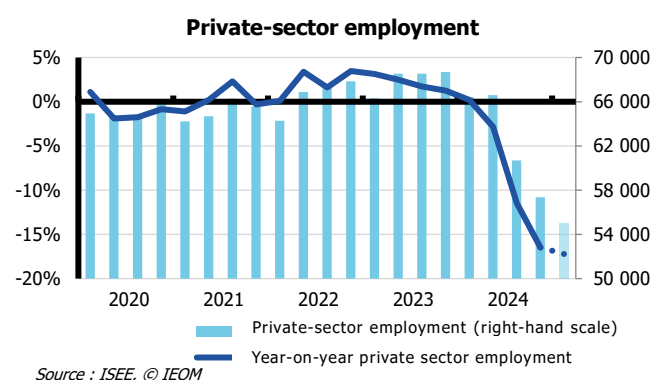
After a rebound year in 2022, the business climate indicator (ICA) faltered in 2023 before collapsing in 2024. The ICA averaged 75.7 in 2024, down 24.5 points from 2023. This is an unprecedented drop. The interviewed businesses in New Caledonia describe an unprecedented shock affecting their entire environment (activity, employment, investment, cash flow). Even though the security situation in the territory improved in the second half of the year, the lack of more precise political perspectives continued to maintain a high level of uncertainty that has hindered business investment. Looking ahead 12 months, 42% of responding businesses were still fearing a failure in the last quarter (with a record 59% in the 2nd quarter). This level remains significantly higher than what is generally observed in this survey (18% on average in 2023).



A clear deterioration in private sector employment

In 2024, the destruction caused by the riots resulted in a sharp drop in salaried employment. Some 11,500 employees would have lost their jobs in 2024. At 3rd quarter 2024 (latest figures stabilized available), private salaried employment was down 16.5% year-on-year (gross ISEE data). In Q4 2024 (ISEE estimates), private salaried employment is forecast to decline by 17.2% year-on-year.

At the same time, the balance of opinion regarding the workforce has sharply deteriorated: not only have many business leaders been forced to reduce their workforce, but many are also not planning to recruit in the coming year.

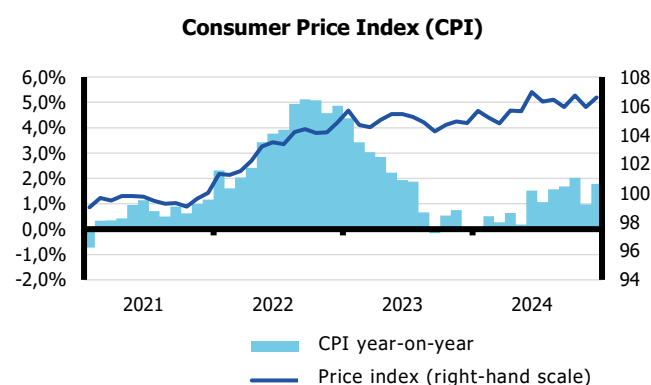


Inflation under control

Inflation averaged 1.0% in 2024 in New Caledonia (versus 1.7% in 2023), with a slight upward trend following the riots. Between January and May 2024, average inflation was 0.6%. This monthly average rose to 1.5% from June to December. The riots of May 2024 have probably had a restrictive effect on supply with the destruction of certain businesses and constraints on the movement of goods and people.

Over the year, the price of manufactured goods has sharply fallen (-2.7%). By contrast, food prices have continued to rise (+3.3%), as did services (+1.0%) and energy (+0.4%).

By contrast, annual inflation remains higher in mainland France in 2024 (+2.0%).



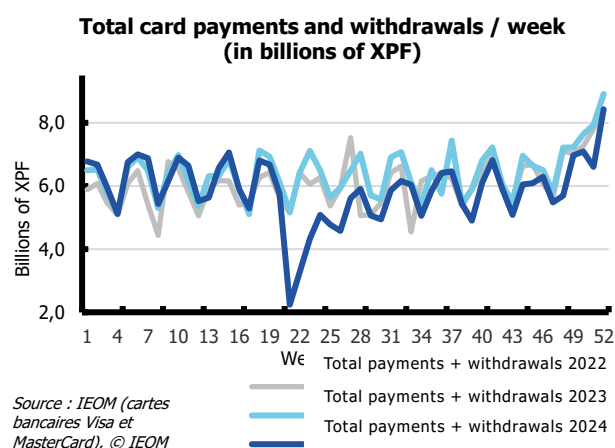
A decline in household consumption

Cumulative bankcard payments and banknote withdrawals for 2024 were down sharply compared to 2023 (-8.1%). The riots in May 2024 led to a sharp drop in consumption, as shops closed and supplies were severely cut off. Although Caledonians were eventually able to gradually return to their consumption habits, the delay in the first few weeks of the riots has never been made up.

Over 2024 as a whole, consumer credit production contracted sharply (-6.7 billion XPF, -39.4% compared with 2023).

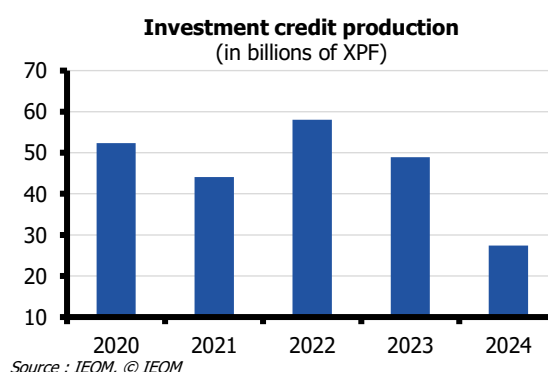
New vehicle registrations fell considerably in 2024 (-49.9% on 2023), while used vehicle sales declined less sharply (-14.4%).

Some banking indicators of household vulnerability deteriorated sharply at the end of the year. Thus, in December 2024, the number of FICP incidents was up 24.7% compared to December 2023. In 2024, the number of over indebtedness cases filed with the IEOM (103) was up 14.4% compared to 2023, with a particularly sharp rise in the 4th quarter of 2024.



A very sharp fall in investment credit production

Total investment credit production is contracting sharply over the year (-44.0%, or -21.5 billion XPF compared to 2023). This historically low level illustrates the lack of outlook among business leaders.



The 12-month investment forecasts of business leaders questioned in the IEOM business survey are down sharply compared to 2023. They remain firmly anchored in negative territory, illustrating management's reluctance

to invest in 2025 against a backdrop of economic deterioration and political and institutional uncertainty.

In 2024, the balance between registrations and deregistration of self-employed workers ('patentés') is very largely negative (-1,470, source ISEE-Ridet), as is the case for companies (-163).

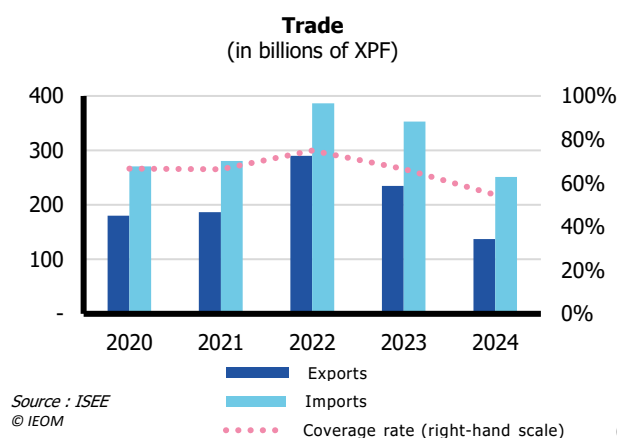
Trade deficit continues to deteriorate

Exports fall in value in 2024 (-41.5% compared with 2023, to 137.2 billion XPF). Nickel products accounted for 88.0% of exports, which were hit by a sharp slowdown in metallurgical production, blockades at mining sites and falling nickel prices. Ferronickel accounted for 54.1% of the sector's exports, ahead of NHC (22.6%) and ores (23.2%). Clearly more modest, exports of seafood products (particularly shrimps) rose by 25.2% in value. However, they only represent 1.5% of total exports.

Imports (XPF 251.1 billion, seasonally adjusted) fell by less than exports (-28.8% in value). The fall is particularly significant (-43.9%) for mineral products (including coal, oil, etc.), which account for 23.2% of imports. This drop

can be explained in particular by the sharp slowdown in the energy-intensive metallurgical industry.

If the trade deficit remains relatively stable (XPF 113.9 bn in 2024 compared with XPF 118.1 bn in 2023), the ratio of exports to imports is sharply deteriorating (55% in 2024 compared to 67% in 2023).



Very serious deterioration in all sectors

An unprecedented crisis in the nickel sector

After a year of record metallurgical production in 2023, 2024 marks a turning point. KNS ceased production in February before laying off most of its staff a few months later. SLN and PRNC were heavily affected by the riots: PRNC's production was interrupted for more than 6 months, while SLN had to permanently reduce the power of its furnaces due to a lack of satisfactory ore supplies. The nickel pact proposed by the French government at the end of 2023 has not been signed, and the two remaining metallurgists are still facing major structural problems (energy and labour costs, access to mining resources), and a lack of profitability.

The withdrawal of industrial shareholders is taking place against a backdrop of falling nickel prices over the past few years. The average annual LME price falls by 22% between 2023 and 2024. This trend is taking place

against a backdrop of strong growth in Indonesian and Chinese production and rising inventories.

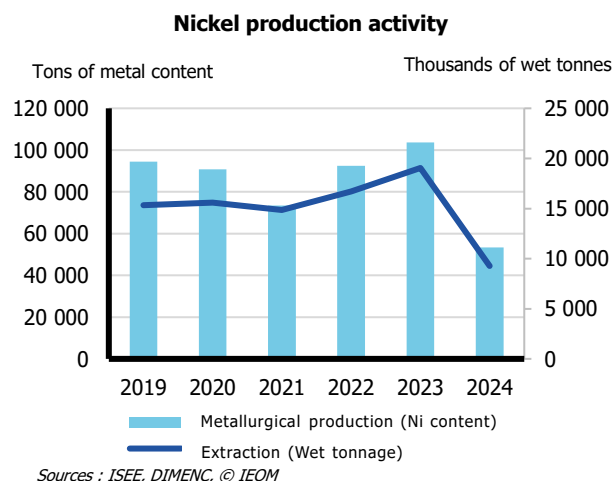
In New Caledonia, after two consecutive years of growth, metallurgical production falls by 48.6% in 2024, to 53,327 tonnes of contained nickel. Ferronickel production fell sharply (-47.8%), as did NHC production (-50.2%).

In the wake of this contraction, exports of metallurgical products fall by 45.0% in volume terms in 2024. In terms of value, the decline is even more marked due to the fall in prices, resulting in a 52.1% drop in the value of nickel exports.

In 2024, mining falls sharply (-51.3% in wet tonnes extracted, after +14.8% in 2023), due to blockades and destruction at mining sites. The total value of ore exports follows the same trend, down 48.0% year-on-year (-34.8 bn XPF).

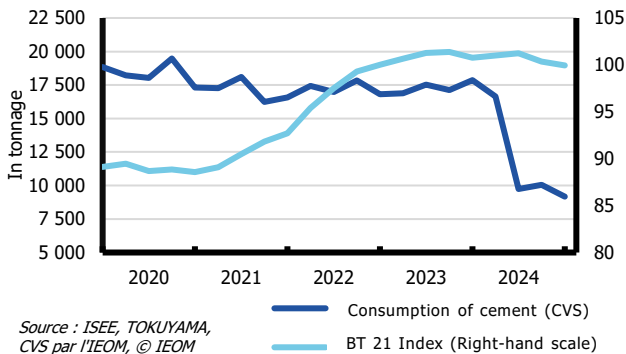
The construction sector at a standstill

The decline in activity in the building and civil engineering sector that has been observed for several years becomes more pronounced in 2024. Cement consumption plummets to its lowest level since 1995, falling by 34.3% in 2024. The contractors interviewed by IEOM as part of its business survey report state a sharp deterioration in their business activity in 2024 and in their investment forecasts for the year ahead. This trend is reflected in the decline in the balance of opinion, which was well below its long-term average in the second half of the year. Paradoxically, this lack of dynamism is accompanied by a sharp fall in business failures in the construction sector (down 45.1% year-on-year), due to the aid measures put in place by state and local authorities.



The BT 21 index of selling prices for construction materials falls by an annual average of 0.4% in 2024, confirming the general downward trend in inflation.

Evolution in cement sales and the BT 21 index



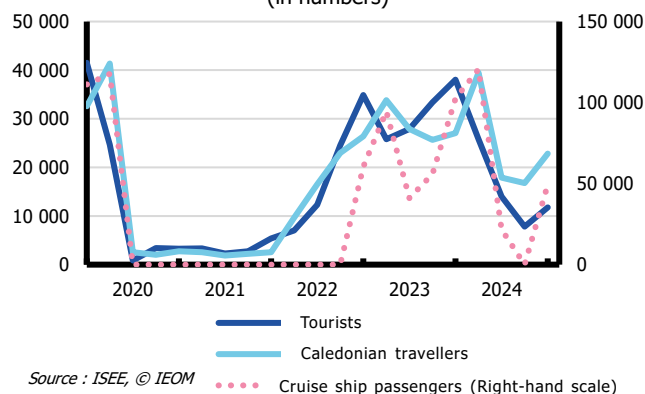
Sharp fall in tourist numbers in 2024 after an encouraging 2023

After gradually returning to pre-crisis levels in 2023 thanks to the complete reopening of borders, tourist numbers fell sharply in 2024 (prolonged closure of the international airport following the riots, cessation of flights by Qantas and Air New Zealand, reluctance on the part of foreign tourists due to the security situation on the island, etc).

Despite the gradual recovery in cruise ship arrivals, cruise tourism experienced a marked slowdown in 2024. Only 64 cruise ships and 191,528 cruise passengers visited the region, compared with 118 ships and 343,703 passengers in 2023, a decrease of 39 cruise ships and 102,467 cruise passengers over the year.

In 2024, the number of stay-over tourists (excluding cruise passengers) fell sharply to 59,399 arrivals, compared with 125,097 in 2023. Although this is still higher than the lows recorded during the health crisis, it is still well below the level seen during the recovery in 2022 (78,749 tourists), making 2024 the third-lowest year in terms of tourism visitor numbers since 2013. This

Tourists (in numbers)



downturn is mainly due to a sharp drop in the number of visitors from Australia (-65.9%), New Zealand (-73.9%), mainland France (-41.8%) and Japan (-58.6%).

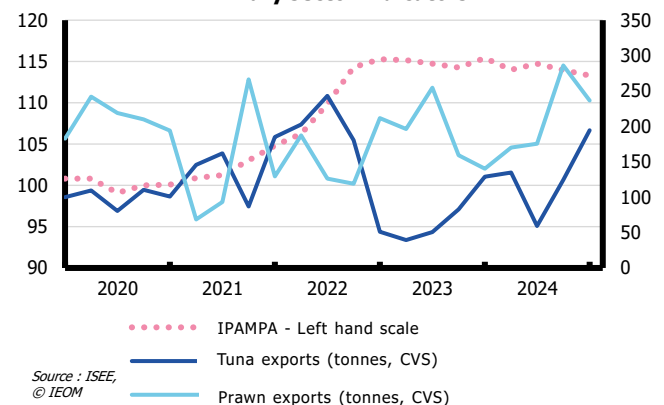
The balance of opinion among hotel and tourism managers has deteriorated for the second year running. Business prospects are also on the decline, as indicated by the ICA survey of industry professionals for the final quarter of 2024.

A primary sector affected by exceptional weather conditions and a worsened outlook

After coming under the influence of El Niño in mid-2023, New Caledonia continued to feel its effects until April 2024, marked by sustained winds and worsening drought. This then gave way to neutral climatic conditions between May and November, before the onset of another moderate La Niña episode in December 2024. The year 2024 stood out as the third warmest year ever recorded in New Caledonia since meteorological records began.

Farmers are better able to manage drought (irrigation, etc.) than episodes of heavy rainfall.

Primary sector indicators



As a result, vegetable import authorisations have fallen for the second year running (7,849 tonnes authorised for import in 2024 compared with 10,411 tons in 2023), as have the volumes actually imported (-20.7%). Vegetable prices rose slightly (+3.6%), while fruit prices fell (-3.9%). The meat industry was faced with a double constraint: on the one hand, the drought caused by El Niño affected the development of livestock, and on the other, the disruption caused by the riots in May hampered the transport of animals and delayed slaughtering. As a result, cattle slaughtering fell by 31.6% over the year (seasonally adjusted data).

The aquaculture sector showed positive indicators in 2024: shrimp exports were up again (+68.6% year-on-year), as were Tuna exports, which after a sharp contraction in 2023, also rose sharply (+51.0% year-on-year).

Input costs, summarised by the monthly index of purchase prices for agricultural inputs (IPAMPA), are set to fall in 2024 (-0.8% year-on-year). However, the sector's professionals are pessimistic about the outlook for their business, investment and workforce.

A very sharp fall in banking activity

Easing of monetary conditions

With inflationary pressures easing significantly, the IEOM began a cycle of cuts of around 100 basis points in policy rate between June and December 2024 (this movement continued in early 2025). As a reminder, the IEOM had left its policy rates unchanged between September 2023 and June 2024.

Following the riots in New Caledonia and in order to support the implementation of emergency measures taken by the State to meet the cash flow needs of businesses in New Caledonia, the IEOM decided to set up in June 2024 an exceptional crisis facility dedicated to New Caledonian banks (known as DEC-NC) in the form of a 3-month refinancing line at a rate of 0%. IEOM also continues to provide resources to the banking system in a context where there is a shortfall between deposits placed locally and lending in New Caledonia (see below). IEOM's outstanding refinancing for New Caledonia (refinancing lines and rediscounting) stood at XPF 123 billion in December 2024.

In 2024, the IEOM's action was guided by the threefold aim of promoting economic development, contributing to price stability and ensuring the zone's monetary liquidity.

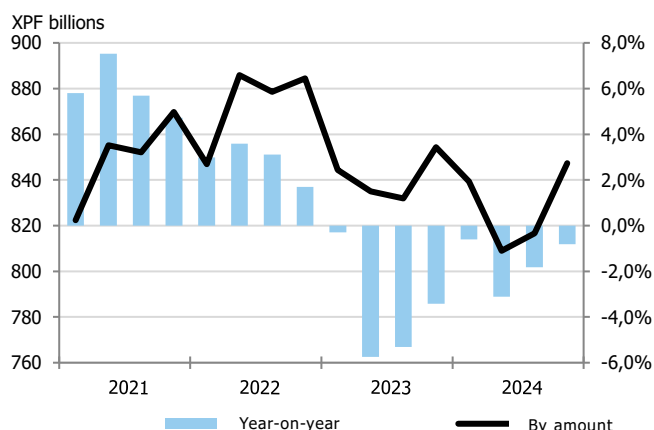
Modest fall in outstanding deposits

The riots of 13th May 2024 affected the trend in outstanding financial assets held by economic agents in locally established banking institutions. These assets fell back in the 2nd quarter of 2024, before recovering in the following quarters.

During the first few weeks of the crisis, economic agents had to cope with material and income losses, leading them to use their available cash and savings. Subsequently, they were often able to take advantage of support measures (partial unemployment, deferment of payments, business support funds, etc.) and in some cases, the payment of insurance indemnities. Some companies gradually resumed their activities, which explains the slowdown in the decline in outstanding deposits seen in the last two quarters of the year.

On 31st December 2024, financial assets were down 0.8% year-on-year (-6.9 bn XPF).

Outstanding financial assets of local banks



Source: SURFI, RUBA

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This decline was mainly due to sight deposits held by households (10.0%, or -15.7 bn XPF) and their ordinary passbooks (-12.9%, or 10.5 bn XPF). This was partially offset by sight deposits from "other agents", notably local authorities and government agencies (+23.6%, or +9.3 bn XPF), while deposits from businesses stabilized (+0.2%), thanks to a slight increase in their sight deposits (+0.7%).

In addition, households are less keen on term accounts in 2024 (+2.3% year-on-year at December 31, 2024, after +128.6% at end-2023), in favor of life insurance policies, which act as a safe-haven investment in this uncertain environment (+5.0% at end-2024, versus +0.9% a year earlier).

On 12.31.2024, outstanding assets of non-local banking institutions represented 39% of total outstanding assets. They are mainly made up of ordinary passbook deposits from households and sight deposits from businesses.

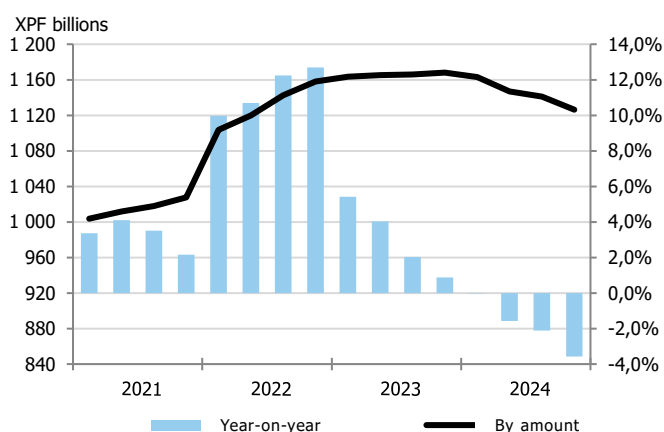
Very sharp contraction in outstanding loans

At the end of December 2024, the gross loans outstanding of locally based banking institutions contracted for the third consecutive quarter, down 3.6% year-on-year (or XPF 41.7 bn), compared with +0.9% a year earlier.

At the end of 2024, businesses and households were more affected than local authorities, with declines of 7.6%, 6.8% and 1.5% respectively over the year. On 31st December 2024, they accounted for 40% (businesses), 44% (households) and 15% (local authorities) respectively of the healthy loans outstanding of locally based banking institutions.

By type of loan, household housing loans fell the most sharply (5.6% or XPF 23.7 bn), followed by investment loans (-6.3% or -XPF 14.3 bn), consumer loans (14, 9% or XPF 9.5 bn), corporate operating loans (8.2% or XPF 8.7 bn) and to a lesser extent local authority investment loans (-2.1% or XPF 3.1 bn).

Gross loans outstanding of local banks



Source: SURFI, RUBA

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A sharp increase in doubtful debts

As a result of numerous company destructions, job losses and sluggish economic activity, the quality of the portfolio of local financial institutions continued to deteriorate in 2024. Total net doubtful loans rose sharply at the end of 2024: +58.2% year-on-year (or XPF 18.1 bn), taking the doubtful loan rate to 7.69% on 31 December 2024 (compared with 5.17% at the end of 2023). The increase in net doubtful loans was driven by business loans (up 78.7% or XPF 11.7 bn) and, to a lesser extent, household loans (up 85.2% or XPF 6.2 bn). Provisions rose by 27.5% year-on-year. As provisions rose less than net doubtful loans, the provision rate fell to 43.29% (from 48.65% at the end of 2023).

Improvement in local banks' customer deficits

Structurally, the deposits collected by New Caledonian financial institutions do not cover the production of loans, generating a customer balance deficit in the banking sector (scope: FBF banks, finance companies and CAMNC).

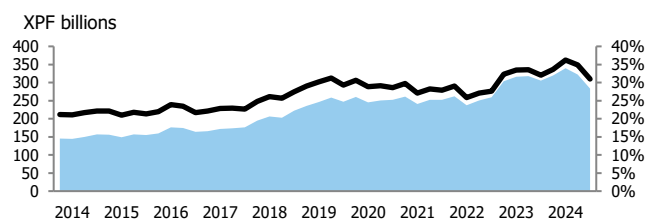
After several years of deterioration, this deficit improved modestly in 2024, standing at XPF 283.6 billion on 31st December 2024 (an improvement of XPF 21.7 billion over

one year). This improvement is due to a smaller fall in outstanding deposits (-XPF 15.1 bn) than in outstanding loans (-XPF 36.8 bn).

In order to finance their shortfall in sources and uses of funds, the banks mainly refinance with the IEOM, which helps to cover a large part of the shortfall, and they borrow from other banks, mainly in France. On a more marginal basis, some banks also collect deposits from outside the region.

The customer balance is equal to [gross loans outstanding - deposits placed locally] for non-financial customers.

Caledonian banking deficit (excluding TCN*)



Source : IEOM
Loans scope: FBF + SF* + CAMNC
Deposits scope: FBF
* TCN : Titre de créance négociable (negotiable debt security); SF : Sociétés de financement (Finance companies)
Source : RUBA, IEOM

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A fragile and uncertain outlook for 2025

The year 2024 began against a backdrop of serious crisis in the nickel sector and rising institutional and political tensions. These tensions culminated on 13th May in unprecedented insurrectionary riots, which had a profound effect on New Caledonia. Although the economic results are still being assessed, 2024 was above all characterised by an unprecedented collapse in New Caledonia's business climate.

Numerous indicators bear witness to this collapse: job losses, a fall in consumption, a rise in household vulnerability indicators, a sharp contraction in banking activity, a deterioration in the trade deficit, etc. The professionals surveyed, from all sectors, describe a very poor outlook for the coming months (contraction in business forecasts, pressure on cash flow, pessimism about the development of the workforce and investment, etc.).

These events also severely damaged the region's public finances, at a time when its budgetary room for manoeuvre was considerably reduced. Without the financial support of the French state, it would not have

been possible to ensure the continuity of public services (funding unemployment, the health system, electricity supply, payment of civil servants' pensions, etc.). Part of this aid was conditional on structural reforms that were essential to guarantee the sustainability of New Caledonia's public finances.

In 2025, New Caledonia will face some major challenges. One of these is the nickel sector. The continuing fall in prices on international markets has crystallised the structural difficulties faced by New Caledonian metallurgists. Growing competition from Asian producers, a shift in global demand towards products for electric batteries and the return of major geopolitical tensions mean that an in-depth strategic review of the sector is required.

Finally, 2025 marks the return of political and institutional discussions. While all the political players have returned to the discussion table, the lack of visibility and hope of a short-term agreement continues to weigh heavily on the considerably weakened economic players.