IEOM
Institut d'Émission d'Outre-Mer

Express Note
N° 132 – July 2014

Agence de la Nouvelle-Calédonie

New Caledonia at a Glance

PORTRAIT

STRUCTURAL CHARACTERISTICS

Capital	Nouméa
Surface area	18,576 km²
Geographical location	South Pacific, Australia at 1,500 km, New Zealand at 1,800 km, Paris at 17,000 km
Languages spoken	French and vernacular languages (27 to 30)(1)
Currency	Pacific franc - F CFP - (ISO code 4217: XPF) – F CFP 1,000 = EUR 8.38
Status	*Sui generis* Territory part of France
Global HDI ranking (2010)	51
National representation	2 MPs, 2 senators, 2 representatives at the Economic, Social and Environmental Council
State representation	High Commissioner of the Republic

(1) Plus the languages of the communities of Wallisian, Polynesian, Asian, Vanuatan origin, etc.

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 possession by order of Napoleon III. In 1946, New Caledonia subsequently ceased to be a colony and 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 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.

Starting in 2014, and by 2018 at the latest, citizens who are members of the restricted electorate (in accordance with the conditions defined in Article 218 of the amended Organic Law of 19th March 1999) will be called on to decide on the devolution of the State's sovereign powers to New Caledonia.

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 organization 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 the Loyalty Islands) and they exercise their powers in all areas which are not expressly the prerogative of the State, New Caledonia or the municipalities.

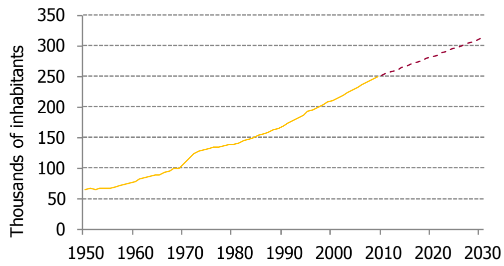
Other institutions have also been established, such as the Customary Senate (made up of 16 members in accordance with practices recognised by custom, with two representatives per customary area of New Caledonia), the Economic and Social Council, the Consultative Committee on Mines and the Mines Council.

A YOUNG POPULATION

While the last census was conducted in 2009, New Caledonia's population was estimated at 260,000 inhabitants at 1st January 2013. Since the 1980s-1990s, the population increase has been slowing down but remains high, with an additional 1.7% a year between 1996 and 2009. 85% of population growth is due to the natural balance and 15% to the apparent migration balance. The population is rising sharply in the South Province (annual average of +2.3% between 1996 and 2009) and moderately in the North Province (+0.7%). However, the Loyalty Islands lost inhabitants over the same period (-1.3%).

Half of the population is under 30, but the relative importance of the 60 year-old and over age group is increasing. Two inhabitants out of three live in the Greater Nouméa area.

Population in 2030

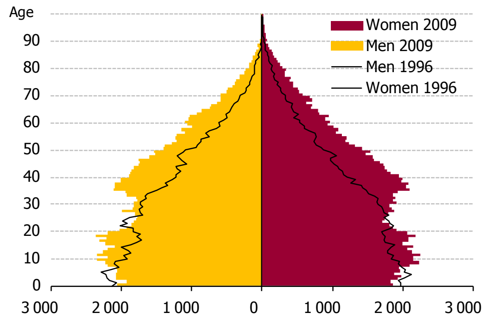


Source: ISEE.

Demographic indicators	**New Caledonia**	**France[1]**
Population (NC: 2009, thousands; France: millions)	245.6	65.8
Percentage of under 20s (2009)	34	24.7
Percentage of 20-59 year-olds (2009)	54	51.5
Percentage aged 60 and over (2009)	11	23.8
Population density (inhab./km², 2010)	13.2	115[2]
Annual average population growth rate (1996-2009, %)	1.7	0.6[3]
Birth rate (for 1,000 inhabitants, 2008)	16.3	12.6
Mortality rate (for 1,000 inhabitants, 2008)	4.8	8.7
Infant mortality rate (for 1,000 births, 2008)	6.1	3.5
Total fertility rate (2007)	2.2	2.01
Life expectancy at birth, female (years, 2007)	80.3	84.8
Life expectancy at birth, male (years, 2007)	71.8	78,4

(1) INSEE 2013 population survey; (2) Population density in mainland France in 2013; (3) Between 2004 and 2014.
Sources: ISEE, INSEE.

Age pyramide in 1996 and 2009

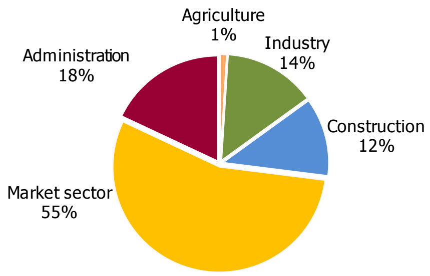


Sources: Civil Registry - ISEE.

ECONOMY AT A GLANCE

New Caledonia's economy has experienced strong growth over the past decade: Gross Domestic Product (GDP) rose by an annual average of 3.4% between 2001 and 2012. Growth was mainly driven by investments following the large-scale metallurgical projects, and by the buoyant trend in household consumption. Investment thus accounted for 38% of GDP in 2012, against only 23% in 2001. In 2012, GDP per capita stood at F CFP 3.3m (EUR 28,000), putting it in 3rd place in the Pacific region (after Australia and New Zealand) and in 1st place for the French overseas territories.

Breakdown of added value in 2012



Source: ISEE - CEROM (estimation).

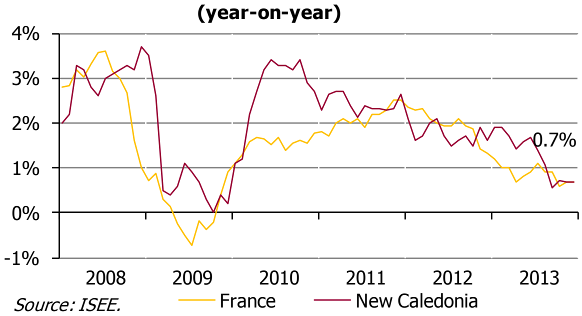
Key economic indicators	**New Caledonia**	**France[3]**
GDP (billions of constant F CFP, 2012)(p)	855.5[1]	242,518
GDP growth rate (%, 2012)(p)	2.2[1]	0.0
GDP per capita (thousands of constant F CFP, 2012)(p)	3,342[1]	3,708.4
State expenditure in the Territory (% of GDP, 2012)	18.3	-
Debt[3] of local authorities (% of GDP)	8.6	8.3[2]

(p) provisional;
(1) CEROM estimation; (2) Public debt notified or in the sense of Maastricht; (3) 2012 figures unless specified otherwise.
Sources: ISEE, INSEE, CEROM, Customs, IEOM, New Caledonia General Treasury.

Slowdown in inflation

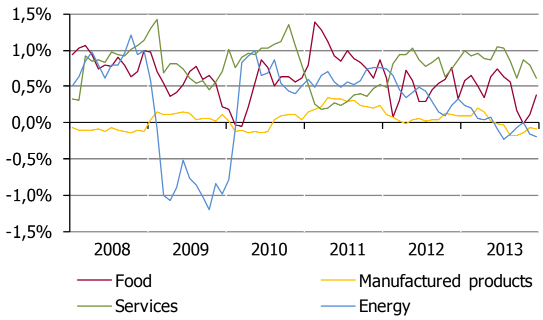
Between 2008 and 2013, the consumer price index rose by an annual average of 2.0%, higher than the rate in mainland France (1.6% a year). The highest increase in prices over the period was for food and services. After two years of sustained increase, the slowdown in inflation that began in 2012 (+1.6%) continued in 2013 (+0.7%). The price differential with mainland France is the highest in the overseas territories (+34% according to a CEROM study released in 2012).

Consumer price index (year-on-year)



Source: ISEE.

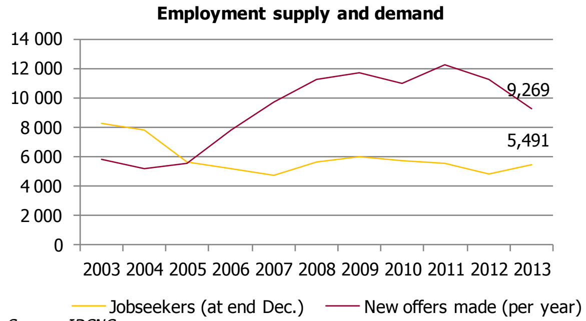
Contribution of items to year-on-year CPI



Sources: ISEE, IEOM calculations of contributions.

Labour market less dynamic at the end of the year

Private sector paid employment has been dynamic over the past ten years, with an average annual increase of 3.7%. The service sector accounts for half of job creations. The large-scale projects and ramp-up in production at the metallurgical plants have boosted job creation, particularly in the industry and construction sectors. However, following an initial decline in 2012, the downturn in employment opportunities continued in 2013. The number of jobseekers contracted overall over the last decade, accounting for 4.5% of the working population. In 2013, it was affected by the economic slowdown and rose for the first time since 2010.



Source: IDCNC.

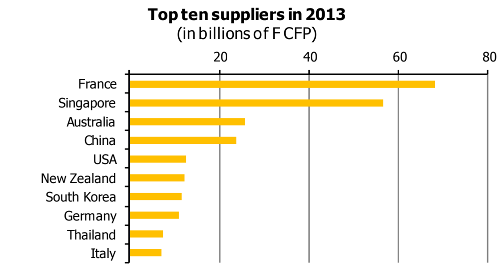
Paid employment	2004	2013	2013/2004 (1)
Private sector	**46 941**	**64 401**	**3,2%**
Agriculture	1761	1626	-0,8%
Industry	7 336	11430	4,5%
Construction	5 780	8 037	3,4%
Trade	8 334	10 369	2,2%
Services	22 698	31399	3,3%
Energy	1032	1541	4,1%
Public sector	**20 096**	**25 255**	**2,3%**

(1) Average annual growth rate

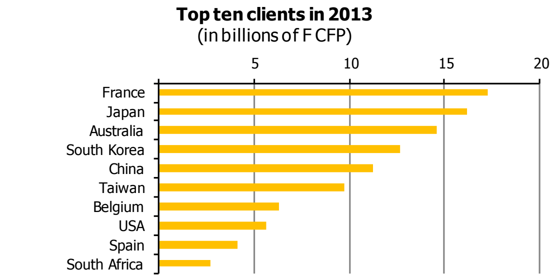
Sources: RIDET. CAFAT.

Structural trade deficit, partly offset by nickel

New Caledonia remains structurally dependent on the outside for its supplies. Between 2007 and 2011, imports of industrial equipment for the construction of the North plant had a strong impact on the total volume of imports. Despite a level well above the 10-year average, the completion of the project has led to a gradual return to normal levels since 2012. Exports, 90% of which are for nickel ore and metallurgical products, helped maintain a coverage rate of about 37% in 2013. France continues to be New Caledonia's main trade partner for both imports and exports. For imports, it is followed by Singapore, the main supplier of hydrocarbons, and for exports by Japan, a heavy consumer of minerals and ferronickel. Australia is New Caledonia's 3rd main supplier to the territory, and has been its 3rd largest client since 2013, following the increase in the purchase of metallurgical products from the South Plant.



Sources: ISEE, Customs, DIMENC.



Sources: ISEE, Customs, DIMENC.

Imports (millions of F CFP)	2013
Intermediate goods	60 898
Energy	75 902
Other imports	7 964
Capital goods	45 313
Consumer goods	34 479
Agricultural and food products	35 961
Automotive industry	26 163
Agriculture, forestry and fisheries	4 217
Total imports	**290 899**

Sources: ISEE, Customs, DIMEN.

Exports (millions of F CFP)	2013
Ferronickels	47 328
Nickel ore	17 751
Nickel mattes	14 564
Nickel Hydroxyde Cake (NHC)	4 591
Other exports	21390
Tuna	265
Shrimps	1302
Holothurians	342
Total exports	**107 533**

MAIN SECTORS OF ACTIVITY

Beyond the impact it has on employment and wealth creation, the nickel sector is one of the main drivers of New Caledonia's economic growth due to the scale of mineral and ferronickel exports and the investments made for the construction of two metallurgical plants. These projects have also had a knock-on effect on the construction industry and business service sector. In 2013, the number of residential tourists fell by 4%, but remains above the 10-year average. Growth in the mainland France market does not offset the decline in the traditional Australian and Japanese markets, while the boom in cruise tourism is taking hold.

Key sector indicators	2013	2013/2004 (1)		2013	2013/2004 (1)
Beef production (tonnes)	2 704	-1,4%	Nickel ore production (thousands of tonnes)	11 123	4,7%
Pork production (tonnes)	1813	4,4%	Nickel ore exports (thousands of tonnes)	4 460	1,5%
Tuna exports (tonnes)	775	-4,1%	Metallurgical production (in tonnes of contained Ni)	69 206	2,3%
Shrimp exports (tonnes)	868	-5,4%	Metallurgical exports (in tonnes of contained Ni)	65 126	1,5%
Housing units authorised	1200	-7,3%	Tourist arrivals	107 753	0,8%
Cement consumption (tonnes)	119 277	0,3%	Cruise passenger arrivals	385 523	17,5%
Power generation (Gwh)	2 299	3,2%	Trips by New Caledonians	120 607	3,0%

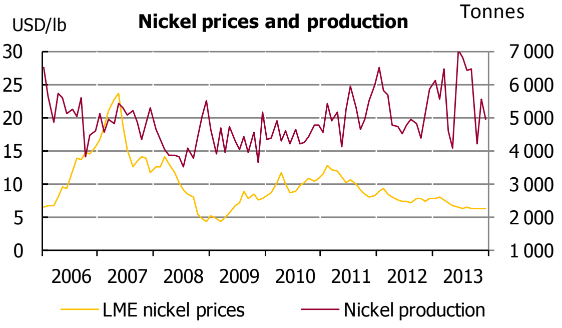
(1) Average annual growth rate; (p) provisional

Sources: ISEE, ERPA, Holcim, EEC, ENERCAL, Construction Industry Economic Unit.

Nickel sector on track for gradual increase in production capacity

New Caledonia has the 2nd largest estimated nickel reserves in the world (16%) after Australia, but ahead of Brazil and Russia. Annual production over the past five years has averaged 56.2 thousand tonnes of nickel metal, *i.e.* about 4% of world production. The sector is exposed to the high volatility of nickel prices, which were on a downward trend from mid-2011 to the end of 2013, with, however, an upturn in early 2014 (USD 8.42/lb in June 2014).

New Caledonia should be able to triple its production capacity when the ramp-up in production has been completed at the North and South plants by 2015. Mining is also experiencing growth *via* a partnership between the Korean steelmaker Posco and SMSP to operate a metallurgical plant in South Korea, 51% of which is owned by SMSP.



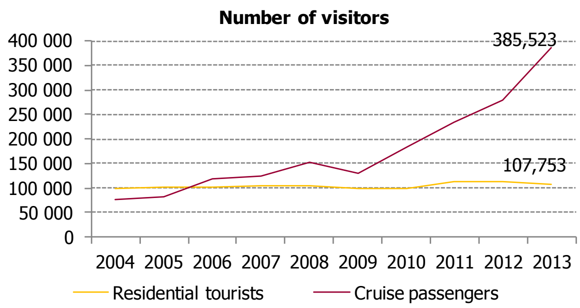
Sources: LME, DIMENC, ISEE.

Decline in construction activity at the end of the year

The construction industry accounted for an average of 10% of wealth creation between 2001 and 2009 and employed about 9% of New Caledonia's workforce in 2013. Over the past decade, the construction industry has recorded an average annual rise of 3.4% rise in employment and of 5.9% in the number of companies. For several years, activity in the sector was supported by large-scale projects (construction of the two metallurgical plants, refurbishment of La Tontouta Airport, infrastructure to host the Pacific Games). However, the construction industry has been penalised by the slowdown in the construction of new housing, while population projections suggest a steady increase in needs until 2030.

Downturn in residential tourism

With 107,753 residential tourists in 2013, New Caledonia accounts for less than 1% of tourism in Oceania, far behind Australia (48%), New Zealand (20%), Guam (11%) and Fiji (5%). In 2013, there were 5,380 direct and indirect jobs in the tourist industry. Accommodation provision increased by 15% between 2009 and 2013. During this period, the expenditure of residential tourists with New Caledonian service providers is estimated at an annual average of F CFP 19.4bn. Cruise tourism, for its part, has seen strong development since 2010, as it has benefitted from the success of short-stay circuits from Australia.



Sources: ISEE, Department of Border Police, PANC.

FINANCING OF THE ECONOMY

New Caledonia has 9 locally established credit institutions, including 4 banks and 5 financial companies. 7 credit institutions from outside the zone operate regularly in New Caledonia, including Agence Française de Développement (AFD), the Caisse des Dépôts et Consignations (CDC) and the European Investment Bank (EIB). There is a high level of activity in the banking and financial sector due to the substantial financing needs of the economy. The portfolio of local financial institutions remains particularly healthy, with a low ratio of doubtful loans, at 3.0% at the end of 2013.

Monetary and financial indicators	2004	2013	Variation 2013/2004
Number of inhabitants per bank branch	1838	2 383	29,7%
Number of inhabitants per ATM	2 212	1082	-51,1%
Number of bank accounts per inhabitant	1,54	1,93	25,3%
Financial assets of economic agents (1) (billions of F CFP, at 31/12)	343	715	108,5%
Performing outstanding loans of economic agents (1)	335	675	101,5%
Rate of doubtful loans (%) (2)	5	2,9	-17 pt

(1) With local credit institutions.
(2) Doubtful loans/total loans.
Sources: IEOM, ISEE.

The local banking system is marked by a more dynamic lending activity than collection activity and has a structural liquidity deficit. This can be seen with the negative net external position of F CFP 58.6bn at the end of 2013.

Business indicators	2013
Bank loans(1) (billions of F CFP, at 31/12)	453
incl. operating loans (%)	*18,5*
incl. investment loans (%)	*51,9*
incl. construction loans (%)	*25,9*
Net doubtful loans (millions of F CFP, at 31/12)	4 821
Average cost of business loans (%, Jul.-Aug. 2013)	4,7
Financial assets(2) (billions of F CFP, at 31/12)	228

(1) Loans for all credit institutions
(2) With local credit institutions
Sources: IEOM, ISEE.

Household indicators	2013
Bank loans(1) (billions of F CFP, at 31/12)	410
incl. consumer loans (%)	*18,2*
incl. home loans	*80,4*
Number of cases of overindebtedness filed	83
Net doubtful loans (millions of F CFP, at 31/12)	3 201
Average cost of household loans loans (%, Jul.-Aug. 2013)	5,82
Financial assets(2) (billions of F CFP, at 31/12)	376

(1) Loans for all credit institutions
(2) With local credit institutions
Sources: IEOM, ISEE.

NB: The data used in this note are as of 31st December 2013 unless specified otherwise.

All IEOM publications can be accessed and downloaded free of charge on the website www.ieom.fr

Publication Director: Nicolas de SEZE – Editor-in-chief: Charles APANON
Edited and printed by: IEOM
Printed: 31 July 2014 – Legal deposit: July 2014 – ISSN 1968-6277