



French Polynesia at a Glance

STRUCTURAL CHARACTERISTICS

Capital	Papeete
Surface area	3,251 km ²
Geographical location	South Pacific, Auckland at 4,100 km, Honolulu at 4,400 km, Paris at 18,000 km
Languages spoken	French + 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
State representation	High Commissioner of the Republic

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

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Historical background

The Polynesian people settled through waves of migration from 300 A.D. to the end of the 14th century. Europeans, for their part, reached French Polynesia back in 1521 (Magellan), but finally settled after the arrival of Captain Wallis (1767). At the turn of the 19th century, the Pomare dynasty – a family from Tuamotu – extended its power throughout the territory. Its last representative, Pomare V, handed over its sovereignty to France in 1880 for all the islands that were Tahiti crown dependencies.

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) in 1960, then the nuclear tests which continued until 1996, made radical changes to French Polynesia’s economy and society.

Institutional organisation

Management autonomy was granted in 1977 and was completed by the status of internal autonomy in 1984. In 1996, French Polynesia was given a specific status within the French Republic, and in 2004 it was accorded extended powers, with the State only retaining the competence for governmental functions. Up until 2011, political life in French Polynesia was marked by chronic instability (10 governments in 7 years). On 1st August 2011, an organic law on the functioning of institutions was adopted in order to restore stability. It has been in force since a new Assembly was established following territorial elections in May 2013.

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:

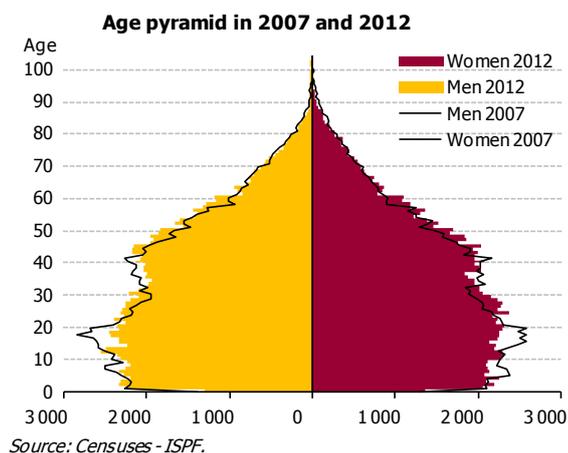
- The **President**, elected by the Assembly of French Polynesia for 5 years, forms the government and directs its action. He promulgates the laws of the country and signs the acts debated by the Council of Ministers. He is in charge of the budget and local administration;
- The **Government**, comprising a maximum of 15 ministers, including a Vice President, 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) 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 monitors the Government’s action;
- The **Economic, Social and Cultural Council** (ESCC), a collective body with 51 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 opinions on projects of an economic, social or cultural nature and for draft laws submitted by the Government or AFP.

AN AGEING POPULATION

According to the 2012 census, the population of French Polynesia stands at 268,207 inhabitants. Between 2007 and 2012, it increased by 8,500 inhabitants under the combined effect of a natural surplus of 16,500 people and a migration loss estimated at 7,750 people. The migration loss stems both from the increase in the number of emigrants and the decline in immigration.

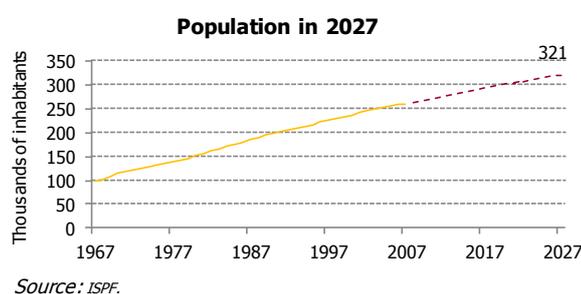
The population of French Polynesia remains young, with a quarter under the age of 15 in 2012, but it is ageing. Indeed, between 2007 and 2012, the under-20 age group fell by 5.6%, while the over-60 group rose by 20%. By 2027, French Polynesia will have 320,000 inhabitants, with 17% over the age of 60.

The geographic distribution of the population is marked by a strong density on the Windward Islands, where three-quarters of inhabitants reside, including 9 people out of 10 on the island of Tahiti.



Demographic indicators	French Polynesia	France ⁽¹⁾
Population (French Polynesia: 2012, in thousands; France: millions)	268	65.8
Percentage of under 20s (2012)	33.0	24.6
Percentage of 20-59 year-olds (2012)	56.9	51.5
Percentage aged 60 and older (2012)	10.1	23.8
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	12.3
Mortality rate (rate for 1,000 inhabitants, 2013)	5.3	8.7
Infant mortality rate (rate for 1,000 births, 2013)	9.8	3.6
Total fertility rate (2013)	2.0	1.99
Life expectancy at birth for women (years, 2013)	77.4	85.0
Life expectancy at birth for men (years, 2013)	72.8	78.7

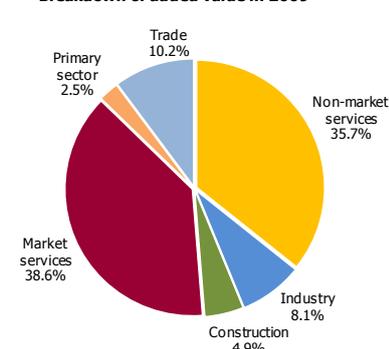
(1) INSEE 2013 population survey; (2) Mainland France in 2013; (3) Between 2004 and 2014.
Sources: INSEE, ISPF.



ECONOMY AT A GLANCE

French Polynesia has the characteristics of a modern economy, where services are the main source of wealth creation. The support for public expenditure by the State and private investment, boosted by tax relief measures at local level and in mainland France, led to an average annual growth rate of 4.2% between 1997 and 2007. However, Polynesia's economy has slumped since 2007, which is shown by the decline in overall business turnover (annual average of -1.7% between 2007 and 2013, against +5.2% between 2002 and 2007) and in the number of paid employees. After having stagnated in 2008, real GDP fell by 4.2% in 2009, marking French Polynesia's entry into recession.

Breakdown of added value in 2009



Key economic indicators	French Polynesia	France ⁽¹⁾
GDP (billions of constant F CFP, 2009) ⁽²⁾	563	252,230
GDP growth rate (% , constant F CFP, 2009)	- 4.2	0.0
GDP per capita (thousands of constant F CFP, 2009)	2.14	3.83
State expenditure in the territory (% of GDP, 2009)	25.1	-
Debt of local authorities (% of GDP)	N/A	8.4 ⁽³⁾

(1) 2013 figures, unless specified otherwise; (2) No GDP data available for French Polynesia after 2009; (3) Public debt notified or in the sense of Maastricht.
Sources: INSEE, ISPF.

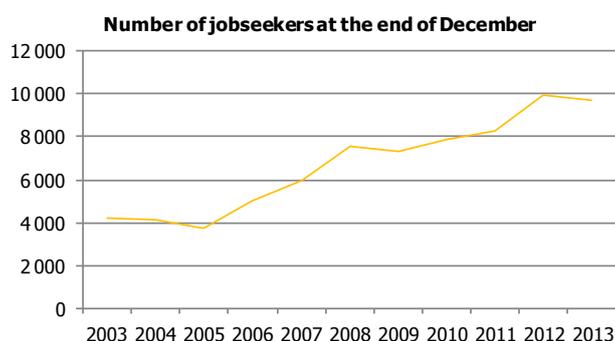
Moderate inflation

Inflation is moderate (+1.5% increase in the consumer price index on average between 2002 and 2012 with, however, a peak of +3.4% in 2008). In 2013, inflation stood at 1.1% at the end of the year and was mainly due to the increase in transport fares (+2.1% in 2013) and in food prices (+1.5%).



Continuing decline in labour market

Following a steady increase between 2002 and 2007 (annual average of +2.4%), the number of people in paid employment fell between 2008 and 2013 (annual average of -2.2%). 67% of the workforce is employed in the service sector, over half work in the market sector. At the same time, there was a sharp increase in the number of jobseekers from 2006 onwards, despite a 2% decrease in 2013. The average number of applications per job offer (excluding assisted employment) has risen sharply over the decade (37 in 2013, against 13 in 2005), which reflects the difficult situation on the labour market



Source: SEFI.

Employment	2003	2013	Trend 13/03 ⁽¹⁾
Total employment	73,395	71,085	-0.3%
Self-employment	10,239	10,119	-0.1%
Paid employment	63,156	60,966	-0.3%
Agriculture	2,073	1,759	-1.1%
Industry	5,032	4,774	-0.5%
Construction	5,859	4,230	-3.0%
Trade	9,606	9,221	-0.4%
Market services	26,289	27,784	+0.6%
Non-market services	14,297	13,198	-0.8%

(1) Average annual growth rate.

Sources: CPS, ISPF.

Deficit in foreign trade in goods, offset by services

French Polynesia is dependent on the outside to meet its energy and food requirements. The limited size of its territory and domestic market, the dual insularity of its archipelagos, as well as its distance from the main consumer markets, all limit the development of substitute production for imports and competitive exports.

The deficit in foreign trade in goods is high (between F CFP 125bn and F CFP 150bn a year). France continues to be French Polynesia's main trade partner with almost a quarter of trade. Pearl products are the main export products and generate two-thirds of export revenues. However, trade in services shows a structural surplus (F CFP 57.2bn in 2012), thanks to tourism and public administration services.

Imports (in millions of F CFP)	2013
Products from agricultural and food industries	36,402
Intermediate goods	33,020
Capital goods	29,529
Consumer goods	27,574
Energy products	23,083
Automotive industry products	8,866
Agricultural, forestry and fisheries products	3,047

Total **161,523**

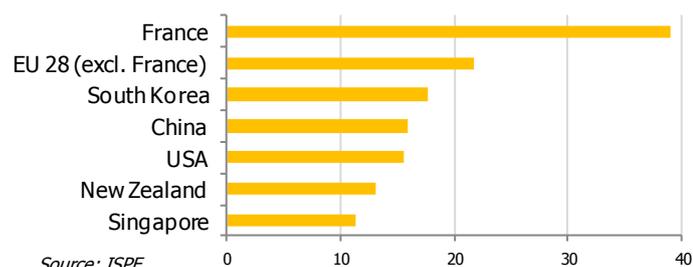
Source: ISPF.

Exports (in millions of F CFP)	2013
Pearl products	7,881
Fish	1,100
Noni	458
Coconut oil	421
Mother-of-pearl	249
Vanilla	316
Monoï	214
Misc.	1,271

Total **11,910**

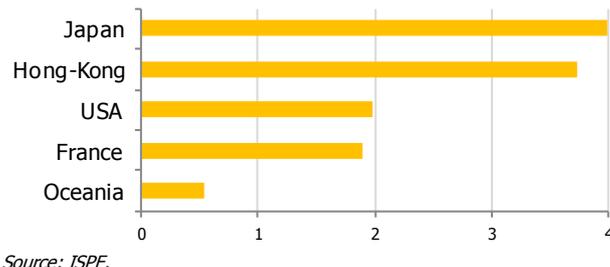
Source: ISPF.

Main suppliers in 2013
(in billions of F CFP)



Source: ISPF.

Main clients in 2013
(in billions of F CFP)



Source: ISPF.

MAIN SECTORS OF ACTIVITY

The structure of French Polynesia's economy is marked by the importance of the service sector, which accounted for 85% of total added value in 2009, and in which over 8 out of 10 employees worked at the end of 2013. While the sector is characterised by the importance of administered services, market services are, however, the main branch of the economy, with 39% of the wealth produced. The primary sector, which includes agriculture, but also pearl farming and fishing, only accounts for 3% of French Polynesia's economy.

Main sector indicators	2004	2013	10-year trend ⁽¹⁾
Tourist visits (number of tourists)	211,893	164,393	-2.5%
Gross pearl exports (in millions of F CFP)	10,959	7,652	-3.4%
Exports of fishery products (in millions of F CFP)	395	1,100	+20.3%
Bitumen imports (in thousands of tonnes)	5.5	3.0	+3.5%
Processed wood imports (in thousands of tonnes)	37.8	20.3	-6.0%
Cement imports (in thousands of tonnes)	151.5	98.4	-4.1%
New vehicle registrations	7,184	4,151	-5.3%

Sources: ISPF, Fisheries Department.

(1) Average annual growth rates between 2004 and 2013.

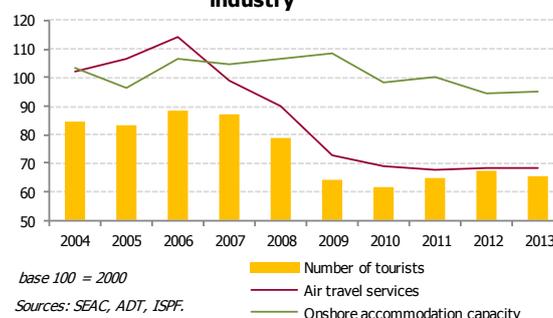
Difficulties persist in the construction industry

Between 2002 and 2007, the construction industry benefited from the high level of public procurement and household investment, with an average annual increase in turnover of 5%. It was hit by the crisis and badly affected by sluggish domestic demand from 2007 onwards. It was also marked by cashflow problems due to the lengthening of customer payment periods. After three consecutive years of decline, public procurement, which generates a third of overall activity in the construction industry, saw a slight recovery in 2013. This is reflected in the 6.9% increase in the expenditure incurred by the Territory. The building sector continued to be penalised by an insufficient number of new sites, while the local production of new real estate loans fell by 7.3% in 2013 for households, and by 9.8% for companies.

Signs of an upturn in the tourist industry

The tourist industry is the flagship sector in Polynesia's economy and accounted for 8% of GDP creation in 2007. Some 9,800 employees (16% of employees in French Polynesia) work in the sector. The number of tourist visits, which was satisfactory between 2002 and 2007 (annual average of +2.9%), subsequently decreased significantly (annual average of -4% between 2008 and 2013). This fall coincides with a reduction in air travel services (annual average of -3.6%) and the onshore accommodation capacity (-10.5% over the period). In 2013, despite a slight fall in the number of tourists (-2.7%) over the year, there was a rise in the number of paid-for overnight stays (+1.2%), driven by the increase in the average length of stay (+0.3 days). Turnover in the sector increased by 4%.

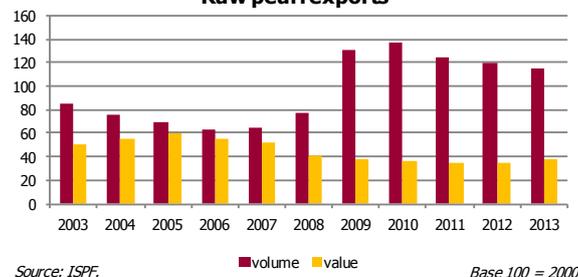
Trends in capacity compared to tourist industry



End of crisis in sight for pearl industry

The pearl industry is mainly based in Tuamotu Gambier and is a keystone of the economic development of the remote archipelagos. It also helps curb population exodus towards Tahiti. In 2012, pearl farming was conducted on 466 farms and employed 1,300 people. The public authorities have supported its expansion with an incentive-giving regulatory framework. However, since the early 2000s, the industry has been experiencing a deep crisis due to the fall in world prices and difficulties in structuring the sector. In 2013, the pearl industry experienced a recovery, bolstered by the success of auctions organized by the Poe o Rikitea Economic Interest Group (EIG). Income from raw pearl exports rose by 11% compared to 2012, thanks to the 16% increase in the average price per gramme, which reached F CFP 568.

Raw pearl exports



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, such as AFD, CDC and Casden. In 2013, the total balance sheet of banks fell by 0.3%, reflecting the persistent lack of dynamism of the local economic activity. Local banks also recorded a further decline in their net banking income (-2.2%), which resulted in a fall in their profitability despite a good control of overheads, whereas there was a significant increase in the cost of risk.

The rate for local gross doubtful loans has been increasing for several years and stands at 12.6%. The deterioration in the loss ratio concerns companies in particular (19.1%), notably as a result of the considerable number of defaults in the trade sector. Faced with the depressed labour market and difficulties to repay their loans, households saw a more diffuse increase in their rate of gross doubtful loans (8.3% in 2013, +0.5 points).

Monetary and financial indicators

	2013
M3 money supply (billions of F CFP) at end of Dec.	391
Net external banking position (billions of F CFP) at end of Dec.	12.6
Rate of doubtful loans – Local credit inst. (in %)	4,048
Number of inhabitants per bank branch	1,706
Number of inhabitants per ATM	1.4
Number of current accounts per inhabitant	0.7

Business indicators

	2013
Cost of corporate loans 4 th quarter 2013:	
- Open	3.88%
- Medium- and long-term	3.63%
Financial assets (billions of F CFP) at end of December	104
Bank loans (billions of F CFP) at end of December (*)	165
incl. operating loans	44%
incl. investment loans	43%
incl. construction loans	10%
Rate of gross doubtful loans at end of December (%)	19.1

Source: IEOM, local data.

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

Household indicators

	2013
Cost of household credit 4 th quarter 2013:	
- Open	9.94%
- Real estate	3.97%
Financial assets (billions of F CFP) at end of December	340
Bank loans (billions of F CFP) at end of December (*)	275
incl. home loans	65%
incl. consumer loans	32%
Rate of gross doubtful loans at end of December (%)	8.3

Source: IEOM, local data.

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

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