IEOM
INSTITUT D' ÉMISSION D'OUTRE-MER

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AGENCE DE LA NOUVELLE-CALÉDONIE

Outlook for New Caledonia

P O R T R A I T

STRUCTURAL CHARACTERISTICS

Contextual data

Capital	Nouméa
Surface area	18,576 km²
Geographical location	South Pacific; 1,500 km from Australia, 1,800 km from New Zealand
Languages spoken	French + vernacular languages (from 27 to 30)[1]
Currency	Pacific Franc - F CFP - (ISO code 4217 : XPF) - 1000 F CFP = 8.38 Euros
Status	Sui generis collectivity attached to France
Global HDI rank (2005)	34
National representation	2 deputies, 1 senator, 2 representatives on the Economic, Social and environmental council
State representative in New Caledonia	High Commissioner of the Republic
Internet code	.nc
European Union	Association regime of “Overseas countries and territories"
Pacific Community (CPS)	Member
Pacific Islands Forum	Associate member

(1) To which can be added languages spoken by communities from Wallis, Polynesia, Asia, Vanuatu, etc.

Historic milestones: acquisition of special status

New Caledonia was discovered in **1774** by Captain James Cook, becoming, under the orders of Napoleon III, a French possession in **1853**. In **1946** New Caledonia ceased to be a colony and became an **overseas territory**, a status which was confirmed with the advent of the Fifth Republic. Between 1976 and 1988, New Caledonia was the subject of five statutes granting it various levels of autonomy, and which have been the source of serious dissatisfaction and occasionally trouble.

The **Matignon agreements**, signed **26 June 1988**, allowed New Caledonia to restore some stability, via the putting in place of a temporary 10-year status leading to a self determination referendum in which Caledonians could vote for or against independence. The **Nouméa agreement**, signed on **5 May 1998**, follows the way opened by previous agreements, establishing a 20-year period which will see the progressive transfer of certain State powers to New Caledonia and the setting up of new institutions. As of 2014, and in 2018 at the latest, citizens on the restricted electoral role will be asked to vote on the transfer to New Caledonia of sovereign state powers.

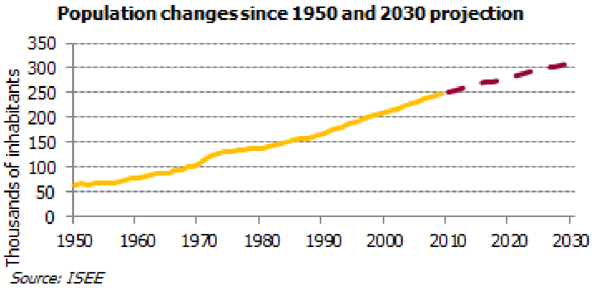
Institutional organisation: sharing skills

Due to its unique character, New Caledonia is defined as a sui generis territorial collectivity specifically governed by heading XIII of the French Constitution (articles 76 and 77). Its institutional organisation is established by organic law no. 99-209 of 19 March 1999:

- **The French State, represented by the High Commissioner** of the Republic, is responsible for organising services falling within the remit of the State’s sovereign powers, and ensuring “the proper carrying out of their powers by institutions in New Caledonia and the Provinces, and the legality of their acts";
- **Its Congress,** comprised of 54 members, is the deliberating assembly for New Caledonia. It legislates by voting on the "laws of the land" and chooses government members by proportional representation;
- **The Government of New Caledonia** is the collegiate executive body of the territory. It prepares and enacts the deliberations of Congress and its permanent Commission. It groups together the main political forces represented in Congress, which must reach agreements as to the governance of New Caledonia as decisions may only be taken with a majority of its members;
- **The Provinces**, which are three in number (South, North and the Loyalty Islands) have powers which are exercised in all matters which are not explicitly reserved for the State, New Caledonia or communes;
- Other institutions have also been created, such as the **Customary Senate** (comprising 16 members according to practice, on the basis of two representatives per customary area of New Caledonia), the **Economic and social council**, the **Consultative committee on mines** and the **Mines council.**

A YOUTHFUL POPULATION

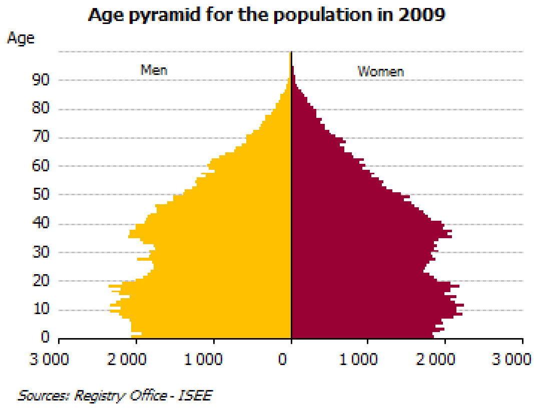
The population continues to show regular growth, but at a slightly slower rate (+1.7% as an annual average between 1996 and 2009 compared with +2.4% between 1983 and 1996). However, the fertility rate is declining, falling from 3.2 children per woman in 1990 to 2.2 in 2007. Half of the population is under 30. Two thirds of the population reside in the agglomeration of Nouméa, where average annual growth totalled 2.4% between 1996 and 2009.



Demographic indicators

Population at 27 July 2009	245 580
o/w (%): Under 15	25.6
15 - 64	67.1
65 and above	7.4
Population density (inhab/km²)	13.2
Population of the Greater Nouméa agglomeration (%)	66.7
Annual average population growth rate (1996-2009, %)	1.7
Birth rate (2008, ‰)	16.3
Mortality rate (2008, ‰)	4.8
Child mortality rate (2007, ‰)	6.1
Number of children per woman (2007)	2.2
M/W life expectancy (2007, years)	71.8 / 80.3

Source : ISEE



THE OUTLOOK FOR THE ECONOMY

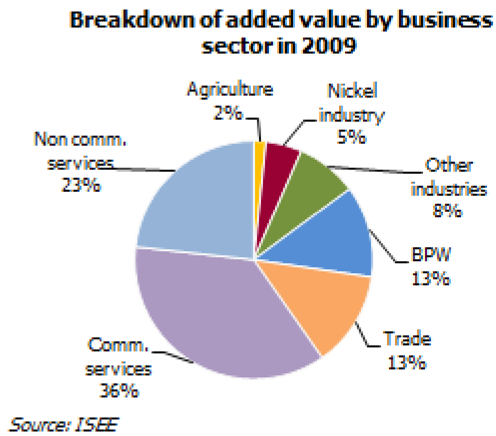
Over these last ten years, the development of the Caledonian economy has been particularly sustained, with an average annual growth rate of 3.5 % between 1998 and 2009. This growth, more regular than in the past, has mainly been driven by investment, which rose from 81 billion F CFP in 1998 (21% of GDP) to 282 billion F CFP in 2009 (37% of GDP). In terms of GDP/inhab., New Caledonia is between Australia and New Zealand.

Main economic indicators

GDP (in billions of F CFP, 2009) p	752
GDP Growth rate (%, 2009) p	2.4
GDP/inhabitant (in millions of F CFP, 2009) p	3.1
Household savings rates[1] (%, 2008)	15
Inflation rate (year on year at 31 December 2010, %)	2.7
Total imports of goods (in billions of F CFP, 2010)	298
Total exports of goods (in billions of F CFP, 2010)	122
Trade balance (in billions of F CFP, 2010) p	-176
Asset coverage ratio[2] (%, 2010)	41
Balance of current transactions (in billions of F CFP, 2009)	-78
Direct net foreign investments received (in billions of F CFP, 2009)	98
Government expenses (in billions of F CFP, 2010)	129
Liabilities of the collectivities of New Caledonia (in % of GDP, 2009)	4.8

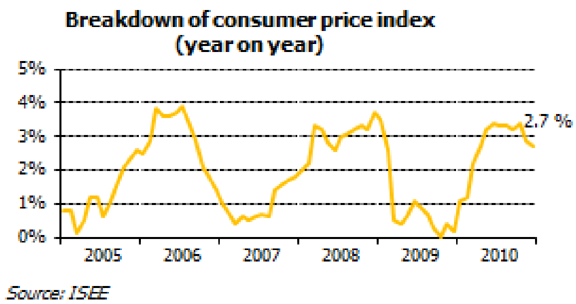
(p) : Provisional (1): BCM-ISEE survey, (2): exports/imports

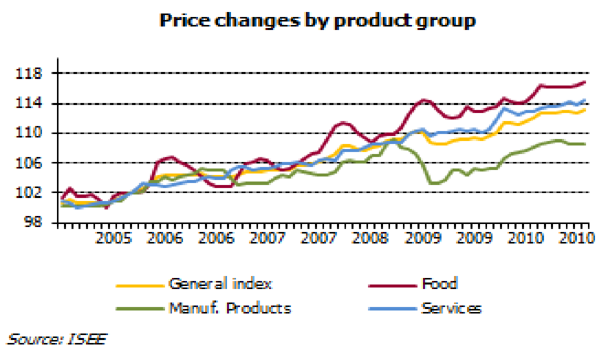
Source: ISEE, CEROM, Customs, IEOM, New Caledonia Public Revenue Office



Risk of the resurgence of inflationary trends

Between 2000 and 2010, the consumer price index grew at an average rate of 1.8% a year, despite several peaks in 2006 and 2008 caused partly by hikes in oil prices. In 2010 the price index stood at 2.7% due to the depreciation of the Pacific Franc against currencies in the Pacific area and hikes in the prices of oil and agricultural raw materials.



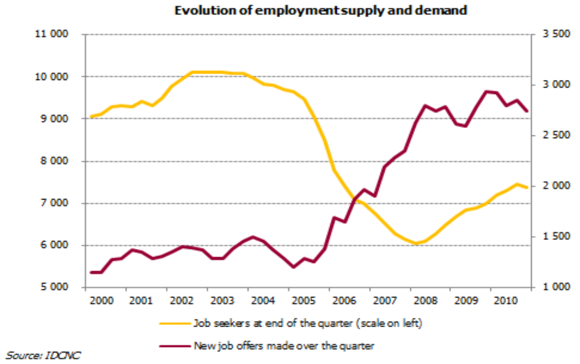


A dynamic labour market

Over the last five years, salaried employment has grown an average of 4.1% a year. There is also a healthy supply of jobs, mainly driven by various metallurgic projects and company creation.

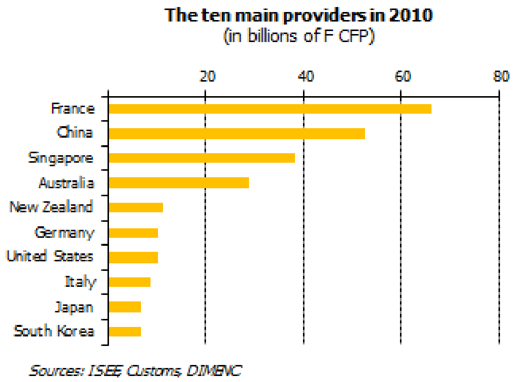
Total salaried employment[1]	2003	2010	Share in 2010	Annual Var. 10/03
Agriculture	2105	2 196	2.6%	*0.3%*
Mines and metallurgy	3 235	4 596	5.4%	*5.1%*
Other Industries	4 051	5 698	6.7%	*5.0%*
Energy	747	877	1.0%	*2.3%*
Construction	5 438	8 384	9.9%	*6.4%*
Trade	7 917	9 674	11.4%	*2.9%*
Services	40 694	53 130	62.8%	*3.9%*
Total	**64 250**	**84 555**	**100.0%**	***4.0%***

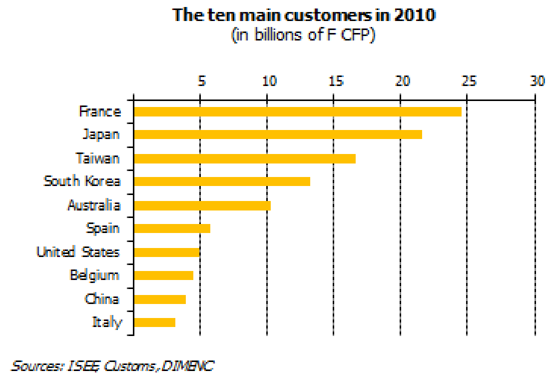
(1) Excluding the military, trainees and employment assistance tools
Sources: RIDET, CAFAT



A structural trade deficit, partially compensated by nickel

New Caledonia remains structurally dependant on the exterior. Nevertheless, its exports, over 90% made up of products from the nickel industry, allow it to maintain a coverage ratio of around 40%. France remains New Caledonia's leading trading partner, for both exports and imports.





The main products imported in 2010 (in value, millions of F CFP)		**The main products exported in 2010** (in value, millions of F CFP)	
Industrial units	41 206	Ferronickel	68 407
Hydrocarbons	40 678	Nickel mattes	26 198
Tourist cars	15 019	Nickel ores and their concentrates	20 836
Utility vehicles	9 063	Shrimps	1 025
Pharmaceutical products	8 735	Tuna	431
Coal	6 014	Sea cucumbers	181
Total import	**298 500**	**Total export**	**122 212**
Share of the total	40.4%	Share of the total	95.8%

Source : ISEE, Customs, DIMENC

THE MAIN BUSINESS SECTORS

The nickel sector is one of the main drivers of economic growth, given the scope of its investments linked to projects to develop metallurgical plants. These also have a knock-on effect on the Buildings and Public Works sector, which contributed 16% of growth between 1998 and 2009. Tourism, with less than 100,000 tourists staying in 2009 and 2010, is stagnating, while the growth in cruising offers new potential for development and diversification.

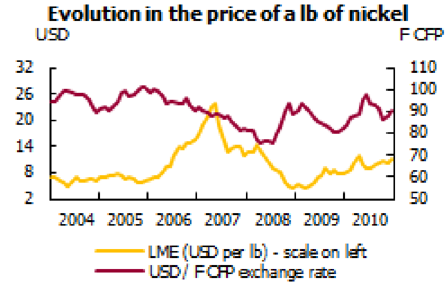
	2000	**2010**		**2000**	**2010**
Company creation rates (ICS scope, %)**	15.7	20.5	Beef production (tonnes)	4 058	3 419
o/w Agricultural and food industries (IAA)	10.6	16.5	Pork production (tonnes)	1 488	2 255
o/w Industries excluding agri-food	14.1	17.8	Fish farm production (tonnes)*	1 723	1 146
o/w Construction	13.6	20.9	Visitor arrivals (tourists and cruise ship passengers)	158 166	302 441
o/w Trade and repairs	12.2	16.7	Registrations of new four-wheel vehicles (number)	7 367	12 772
o/w Corporate services	23.3	28.3	Authorised housing (number)	1 573	na
o/w Household services	20.4	20.3	Cement consumption (tonnes)	93 985	161 236
Electricity production (Gwh)	1 645	2 132	Evolution of the BT21 index (at 31 December, year on year, %)	3,0	3,7

** These are results from the 1999-2000 and 2009-2010 campaigns, ** creation rate: Ratio of the number of business created over one year to the stock of companies at 1 January of the same year.*
Sources: ISEE, ERPA, Holcim, EEC, ENERCAL, Building and Public Works economic unit

Nickel – on the eve of a new era

In 2010, estimates of nickel reserves placed New Caledonia in 3rd place worldwide, after Australia and Brazil. With average annual production of 56 thousand tonnes of nickel metal over the last five years, New Caledonia currently represents 4% of global production. Nevertheless, the sector is exposed to the high volatility of nickel prices (16.9 $/lb on average in 2007 compared with 6.6 $/lb in 2009 and 9.9 $/lb in 2010).

In 2010 the Vale NC hydrometallurgical plant in the South of the island began nickel production, while construction work on the factory on the North, by the SMSP and Xstrata, have continued, with the commissioning of the port, laying of the conveyor and the arrival from China of all the modules which the factory will comprise.



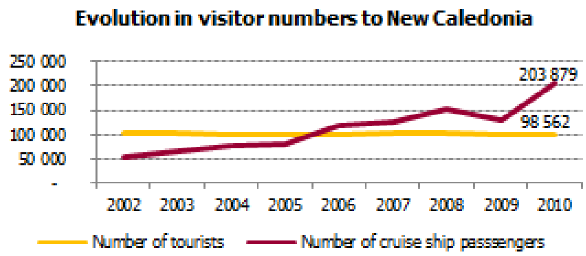
Source: Service des mines et de l'énergie

Building and Public Works activity supported by large projects

Activity in the Building and Public Works sector has grown significantly over the last few years, supported by major construction projects: the construction of metallurgical plants, the extension and renovation of the international airport at La Tontouta, social housing and development of the Voh - Koné – Pouembout area. This sector represented 12% of wealth creation in 2009, that is to say 3 points higher than in 1998, and employed 10% of salaried employees in the territory.

Strong growth of cruise ship tourism

Tourist arrivals – excluding cruise ship passengers – in New Caledonia represents just 1% of all tourists arriving in Oceania. This sector directly or indirectly employed over 5,000 employees in 2010, that is to say an average annual growth of 7% over the last five years. Despite stagnation in the number of foreign tourists, the sector is developing, thanks largely to local customers. Costs incurred with Caledonian providers were estimated, for 2009, at 17.4 billion F CFP for non resident tourists staying, and 586 million F CFP for cruise ship passengers. These latter are 2.5 times more numerous than in 2005, that is to say over 200,000 cruise ship passengers visiting in 2010.



Sources: ISEE, Direction de la Police aux Frontières en Nouvelle-Calédonie

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 the French Development Agency, the Consignment and Loans Fund and the European Investment Bank.

Over the last five years, banking and finance activities have undergone rapid growth, as witnessed by the growth in credit outstanding loans (+9.6 % in 2010), o/w 73% were taken out with local establishments. Outstanding loans by the latter in terms of households and companies grew respectively by 8.9% and 5.2% in 2010, and remain particularly healthy, the bad loan rate (2.5%) being at a historically low level.

Main financial indicators	**2010**
Corporate loan rediscount rate (at 13/04/2011, %)	1.25
M3 money supply (billions of F CFP, at the end of December)	517
Net external bank position (billions of F CFP, at the end of December)	-66
Bad debt rate – all claims (%)	2
Number of inhabitants by bank teller	2 323
Number of inhabitants by ATM	1 212
Number of bank accounts by inhabitant	1.78
Number of bank cards by inhabitant	0.78
Mandatory tax rate (% of GDP, 2007)	29
Fiscal pressure rate (% of GDP, 2007)	18

Source: IEOM, ISEE

Business indicators	**2010**
Cost of corporate loans (January/February 2011, %)	
Overdraft	5.05
Mid- and long term	4.58
Financial assets (in billions of F CFP, at the end of December)	213
Bank lending (in billions of F CFP, at the end of December)	406
Share of operating credits (in %)	19
Share of investment credits (in %)	53
Share of construction credits (in %)	25
5-year survival rate of companies created in 2003 (%)	65.4
Direct foreign investments (in billions of F CFP, 2009)	214

Household indicators	**2010**
Household mortgage cost (Jan/Feb 2011, %)	4.63
Number of overindebtedness reports filed	86
Financial assets (in billions of F CFP, at the end of December)	320
Bank lending (in billions of F CFP, at the end of December)	360
Share of consumer credits (in %)	19
Share of housing credits (in %)	80
Debt by household (in millions of F CFP, at the end of December)	5.0
Ratio of gross household debt (at end of Dec, 2009, % of GDP)	44
Portfolio inventory, gross purchases of securities from non residents (in billions of F CFP, 2009)	51

Source: IEOM, ISEE

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