Express Note

N° 75 - October 2012

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 - (XPF) – 1,000 F CFP = EUR 8.38
Status	*Sui generis* Territory part of France
Global HDI ranking (2005)	34
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.

Acquisition of specific status

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. Then in 1946, New Caledonia ceased to be a colony and became an Overseas Territory, a status which 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 will be called on to decide on the devolution of the State's sovereign powers to New Caledonia.

Division of competences

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.

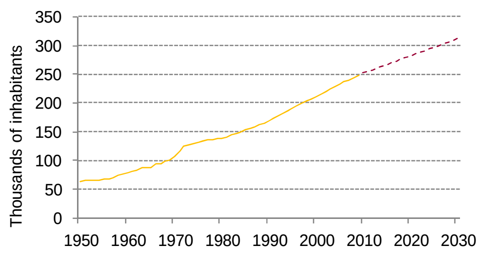
Other institutions have also been established, such as the Customary Senate (made up of 16 members in accordance with practices recognised by custom, with two representatives per customary area of New Caledonia), the Economic and Social Council, the Consultative Committee on Mines and the Mines Council.

A YOUNG POPULATION

The population of New Caledonia was estimated at 252,000 inhabitants at 1st January 2011. Since the 1980s-1990s, the population increase has been slowing down but remains high, with an additional 1.7% of inhabitants 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 elderly people is increasing. Two inhabitants out of three live in the Greater Nouméa area.

Population by 2030

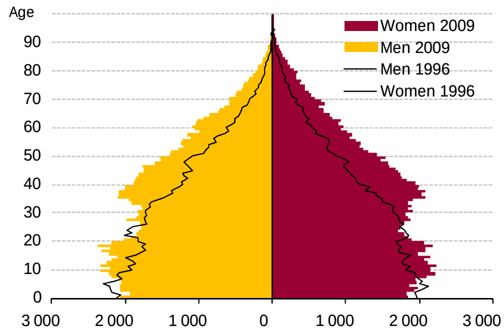


Source: ISEE

Demographic indicators	New Caledonia	France[1]
Population (thousands, millions for France, 2009)	245.6	65.4
Percentage of under 20s (2009)	34	25
Percentage of 20-59 year-olds (2009)	54	52
Percentage aged 60 and older (2009)	11	23
Population density (inhab./km², 2010)	13.2	102.7[2]
Annual average population growth rate (1996-2009, %)	1.7	0.6[3]
Birth rate (for 1,000 inhabitants, 2008)	16.3	12.7
Mortality rate (for 1,000 inhabitants, 2008)	4.8	8.5
Infant mortality rate (for 1,000 births, 2008)	6.1	3.5
Total fertility rate (2007)	2.2	2.0[4]
Life expectancy at birth, female (years, 2007)	80.3	84.8
Life expectancy at birth, male (years, 2007)	71.8	78.2

(1) Insee 2011 population survey; (2) French population density in 2010; (3) Between 2002 and 2012; (4) TFR in 2009.
Sources: ISEE, INSEE.

Age pyramid in 1996 and 2009

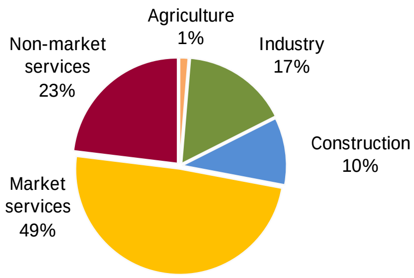


Sources: Civil Registry - ISEE.

ECONOMY AT A GLANCE

New Caledonia's economy has experienced strong growth over the past decade: Gross Domestic Product (GDP) rose by an average of 3.4% a year between 1999 and 2010. This growth can be attributed mainly to the nickel industry and the significant investments made to increase production, notably with the construction of two metallurgical plants, one in the North, the other in the South. Investment therefore accounted for 44% of GDP in 2010, against only 22% in 1999. In 2010, New Caledonia's per capita GDP was estimated at F CFP 3.3m (EUR 27,500), putting it in 2nd place in the Pacific region (between Australia and New Zealand) and in first place for the French Overseas Territories.

Breakdown of added value in 2010



Source: ISEE - CEROM (estimation).

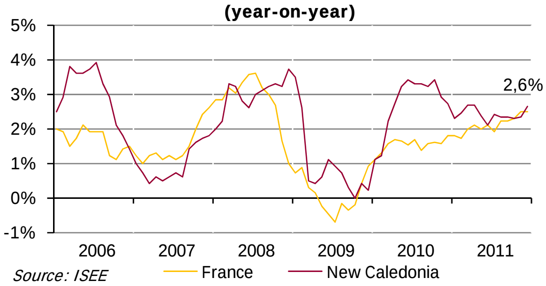
Key economic indicators	New Caledonia	France
GDP (billions of constant F CFP, 2010)(p)	812[1]	231,177
GDP growth rate (%, 2010)(p)	3.7[1]	1.7
Per capita GDP (thousands of constant F CFP, 2010)(p)	3,288[1]	3,656
Import dependency rate[2] (%, 2010)	37	30
State expenditure in the Territory (in % of GDP, 2010)	18.1	-
New Caledonia local authority debt (in % of GDP , 2010)	7.0	8.3[3]

(p) provisional;
(1) CEROM estimation; (2) Imports/GDP; (3) Public debt notified or in the sense of Maastricht.
Sources: ISEE, CEROM, Customs, IEOM, New Caledonia General Treasury.

Sustained price rises

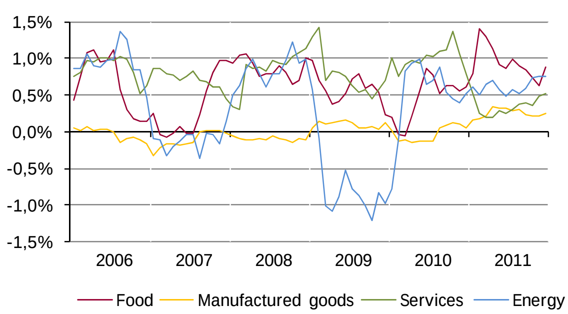
Between 2005 and 2011, the consumer price index (CPI) rose by an annual average of 2.1%, a rate slightly higher than that of price rises in France (1.9% a year). The overall trend of the index is highly correlated with fluctuations in energy and food prices. New Caledonia is subject to imported inflationary pressure, due in particular to the hike in oil product prices and the depreciation of the euro – and therefore of the Pacific franc - *vis-à-vis* other Pacific zone currencies (Australian and New Zealand dollars in particular). The contribution made by services and manufactured goods to the overall increase in prices was lower over the period.

Consumer price index (year-on-year)



Source: ISEE

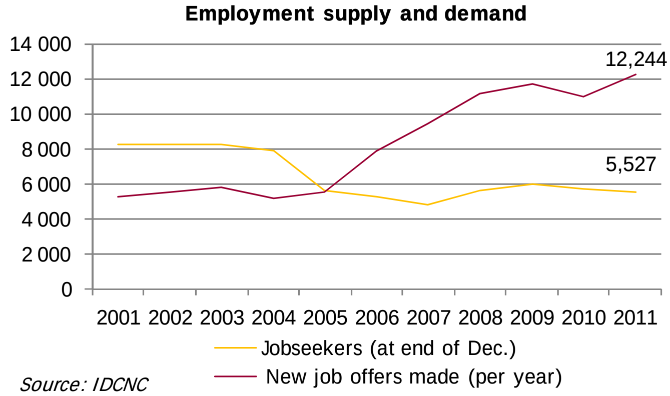
Contribution of items to year-on-year CPI



Sources: ISEE, IEOM calculation of contributions

Dynamic labour market

Paid employment has been dynamic, with an average annual increase of 3.9% between 2002 and 2011. Market services account for almost half of job creations. More recently, the commissioning of the plant in the South and the construction of the North plant have boosted the increase in the workforce in the sectors of industry, construction, maintenance and transportation. The number of jobseekers contracted overall over the last decade and had fallen below the mark of 6,000 jobseekers at the end of 2011, *i.e.* less than 5% of the working population.



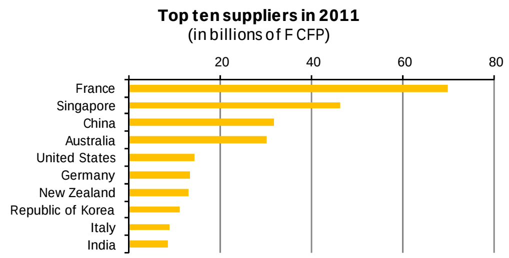
Source: IDCNC

Employment	2002	2011	2011/2002(1)
Total employment	**62,941**	**88,634**	**3.9%**
Agriculture	2,123	2,360	1.2%
Industry	7,588	11,679	4.9%
Construction	5,604	9,396	5.9%
Market services	28,466	40,807	4.1%
Non-market services	19,161	24,392	2.7%

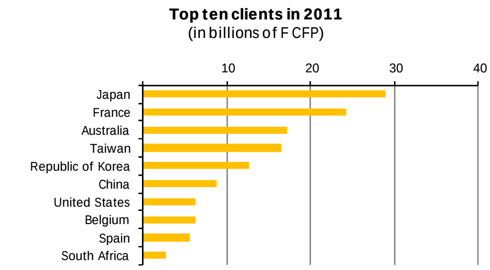
(1) Average annual growth rate.
Sources: RIDET, CAFAT.

Structural trade deficit, partly offset by nickel

New Caledonia remains structurally dependent on the outside for its supplies. Since 2007, imports of industrial equipment for the construction of the North plant have had a strong impact on the total volume of imports. However, exports – 94% of which are for nickel ore and metallurgical products – helped maintain a coverage rate of about 45% in 2011. France continues to be New Caledonia's main trade partner for imports. Japan, a heavy consumer of nickel ore, became the territory's largest customer in 2011.



Sources: ISEE, Customs, DIMENC



Sources: ISEE, Customs, DIMENC

Imports (millions of F CFP)	2011
Intermediate goods	63,494
Energy	57,148
Other imports	49,264
Capital goods	43,724
Consumer goods	34,098
Agricultural and food products	33,700
Automotive industry	31,243
Agriculture, forestry and fisheries	4,037
Total imports	**316,708**

Sources: ISEE, Customs, DIMENC.

Exports (millions of F CFP)	2011
Ferronickel	74,319
Nickel ore	25,034
Nickel mattes	22,807
Nickel Hydroxide Cake (NHC)	10,971
Other exports	7,732
Tuna	1,013
Shrimps	437
Holothurians	287
Total exports	**142,599**

MAIN SECTORS OF ACTIVITY

Beyond its impact in terms of the jobs and wealth it creates, the nickel sector is one of the main drivers of New Caledonia's economic growth by the scale of investments made with the construction of two metallurgical plants. These projects have also had a knock-on effect on the construction industry and business service sector. Moreover, after a period of stagnation, residential tourism is picking up again thanks to the return of clients from mainland France, while the boom in cruise tourism has taken hold.

Main sector indicators	2011	2011/2000(1)
Beef production (tonnes)	2,780	-1.3%
Pork production (tonnes)	1,650	3.6%
Tuna exports (tonnes)	843	-4.1%
Shrimp exports (tonnes)	708	-6.3%
COTSUEL certificates of compliance	2,536	3.8%
Cement consumption (tonnes)	147,760	4.7%
Power generation (Gwh)	2,256	2.7%

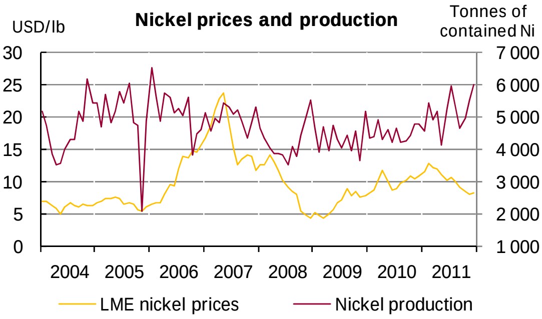
	2011	2011/2000(1)
Nickel ore production (thousands of tonnes)	9,251	2.5%
Nickel ore exports (thousands of tonnes)	4,431	1.8%
Metallurgical production (in tonnes of contained Ni)	61,927	0.5%
Metallurgical exports (in tonnes of contained Ni)	61,159	0.2%
Tourist arrivals	111,875	1.1%
Cruise passenger arrivals	235,684	16.6%

(1) Average annual growth rate.
Sources: ISEE, OCEF, Holcim, EEC, ENERCAL, COTSUEL.

Nickel on a path of diversification

In 2011, the estimation of world nickel reserves puts New Caledonia in 2nd place worldwide after Australia. Production over the past five years averaged 56.8 thousand tonnes of nickel metal and accounts for 4% of world production. However, the sector continues to be exposed to the high volatility of nickel prices, which have risen by a 1 to 5 ratio over the past ten years.

New Caledonia should be able to triple its production capacity following the start-up of the North and South nickel plants scheduled for 2015. Mining is also expanding *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

Construction industry seeking new growth drivers

The construction industry accounted for 10% of wealth creation in 2010 and employs 10.3% of New Caledonia's workforce. Activity in the sector has for several years been driven by large-scale projects: construction of metallurgical plants, extension and refurbishment of the La Tontouta international airport and infrastructure to host the Pacific Games. Over the past decade, the construction industry has recorded a 5.9% increase in employment and a 7.2% increase in the number of companies. The completion of the major works and the slowdown in the construction of new housing, partly due to the end of the Girardin Law on the French Overseas Territories, have led to a fall in the level of activity. However, the renewal of public procurement (*via* the construction of the Médipôle healthcare centre in Koutio, the development of the Voh-Koné-Pouembout area and projects under the 2011-2015 Development Contract) and the construction of intermediate housing, backed up by a number of local measures to promote home ownership, could be new growth drivers.

Cruise tourism booming

Tourist visits to New Caledonia account for 1% of tourist arrivals in Oceania, far behind Fiji (6%), New Zealand (26%) and Australia (60%). In 2011, over 5,500 people were working in the tourism industry, representing an average increase of 5% over the past 5 years. The industry's activity is driven by residential tourists, a local client base and cruise passengers. There are 2.2 times more cruise passengers, *i.e.* almost 236,000 in 2011.

Residential tourist expenditure with New Caledonian service providers is estimated at an annual average of F CFP 18bn between 2007 and 2011. It exceeds F CFP 20bn in 2011, thanks to the recovery in the tourism industry.

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).

Banking and financial activities are experiencing strong growth resulting from the high financing needs of the economy. The portfolio of local financial institutions remains particularly healthy, with a stable rate of doubtful loans at 2.6% for 3 years now.

The local banking system is characterized by a structural liquidity deficit, in conjunction with the fact that the credit activity is more dynamic than the collection activity. This can be seen with the negative net external position of F CFP 81bn at the end of 2011.

Monetary and financial indicators	2001	2011
Number of inhabitants per bank branch	2,668	2,329
Number of inhabitants per ATM	2,736	1,170
Number of bank accounts per inhabitant	1.40	1.86
Financial assets of economic agents(1) (billions of F CFP, at 31/12)	267	642
Healthy outstanding credit of economic agents(1)	268	642
Rate of doubtful loans (%)(2)	5.4	2.6

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

Business indicators	2011
Average cost of corporate loans (%, Jan.-Feb. 2012)	4.93
Financial assets(1) (billions of F CFP, at 31/12)	209
Bank loans(2) (billions of F CFP, at 31/12)	426
Share of operating loans (%)	*17.9*
Share of investment loans (%)	*53.3*
Share of construction loans (%)	*25.7*

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

Household indicators	2011
Net doubtful loans (millions of F CFP, at 31/12)	2,197
Financial assets(1) (billions of F CFP, at 31/12)	346
Bank loans(2) (billions of F CFP, at 31/12)	391
Share of consumer loans (%)	*18.4*
Share of home loans (%)	*80.2*
Number of cases of overindebtedness filed	82

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

N.B.: The data used in this note are as of 31st December 2011.

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