



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 15,800 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 (2005) | 42 |
| National representation | 3 MPs, 2 senators, 1 representative at the EESC |
| State representation | High Commissioner of the Republic |

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

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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 and 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, significantly modified French Polynesia’s economy and society.

Towards greater autonomy

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.

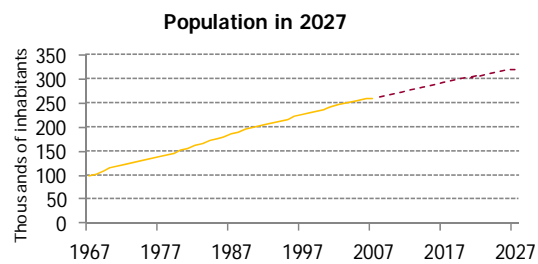
The functions of the State are provided by its local representative, the High Commissioner of the Republic. The competences of the country are implemented and controlled by the four following institutions:

- 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, 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

At 22nd August 2012, the population of French Polynesia stood at 268,270 inhabitants. Although it remains young, it appears to be ageing. Indeed, between the two last censuses (2002 and 2007), the over 60s segment increased by 27%, while the under 19 segment fell by 4.2%.

The geographic distribution of the population is marked by a strong density on the Windward Islands, where three-quarters of inhabitants reside. The 2007 census showed that the island of Tahiti alone was home to 92% of the population of the archipelago (178,133 inhabitants out of 194,623).

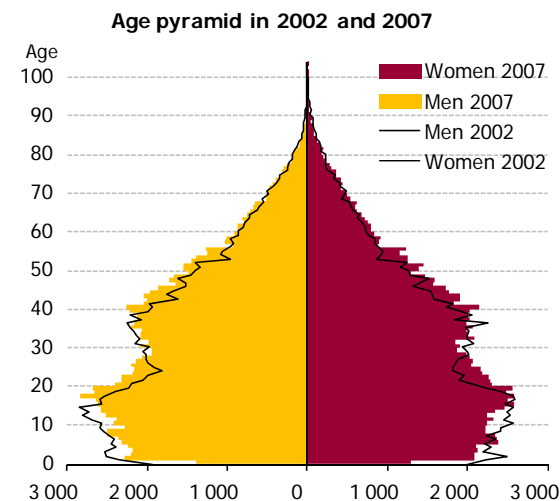


Source: ISPF.

| Demographic indicators | FP | France ⁽¹⁾ |
|--|------|-----------------------|
| Population (thousands, millions for France, at 01/01/2011) | 268 | 65.4 |
| Percentage of under 20s (2007) | 36.1 | 25 |
| Percentage of 20-59 year-olds (2007) | 55.2 | 52 |
| Percentage aged 60 and older (2007) | 8.7 | 23 |
| Population density (inhab./km ² , 2007) | 74 | 102.7(2) |
| Annual average population growth rate (% , 2002-2011) | 1.2 | 0.6 (3) |
| Birth rate (rate for 1,000 inhabitants, 2009) | 17 | 12.7 |
| Mortality rate (rate for 1,000 inhabitants, 2010) | 4.7 | 8.5 |
| Infant mortality rate (rate for 1,000 births, 2010) | 5.5 | 3.5 |
| Total fertility rate (2010) | 2.1 | 2.00(4) |
| Life expectancy at birth for women (years, 2010) | 78.3 | 84.8 |
| Life expectancy at birth for men (years, 2010) | 73.2 | 78.2 |
| Percentage of illiterate people in the 16-65 age group (20...) | N/A | 9 (5) |

(1) Insee 2011 population survey; (2) French population density in 2010; (3) Between 2002 and 2012; (4) TFR in 2009; (5) 2004-2005 Information and Daily Life (IVQ) survey conducted by Insee on the population of metropolitan France aged between 18 and 25

Sources: Insee, ISPF.



Source: Censuses - ISPF.

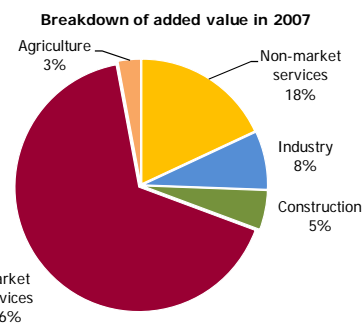
ECONOMY AT A GLANCE

The Progress Pact, co-signed in 1993 by the State and the Polynesian Government to ensure the post-nuclear transition of the economy towards a growth model based on domestic wealth, has promoted the development of activities such as fishing, pearl culture, tourism and construction and public works. The support for public expenditure and investment, boosted by tax exemption mechanisms at local level and in mainland France, led to an annual average GDP growth rate of 3.7% between 1996 and 2006. However, Polynesia's economy has slumped since 2007, which is shown by the sluggish increase in overall business turnover, with an annual average of +0.2% between 2006 and 2011 (+4.8% between 2001 and 2006).

| Key economic indicators | FP | France ⁽¹⁾ |
|--|-------|-----------------------|
| GDP (billions of constant F CFP, 2007) | 577 | 238,256 |
| GDP growth rate (% , constant F CFP, 2007) | 1.7 | 1.7 |
| Per capita GDP (thousands of constant F CFP, 2006) | 2,221 | 3,655.6 |
| Import dependency rate ⁽²⁾ (% , 2007) | 27.8 | 30 |
| State expenditure in the territory (in % of GDP, 2007) | 23.4 | - |
| Debt of Territories (% of GDP, 20...) | N/A | 8.3 ⁽³⁾ |

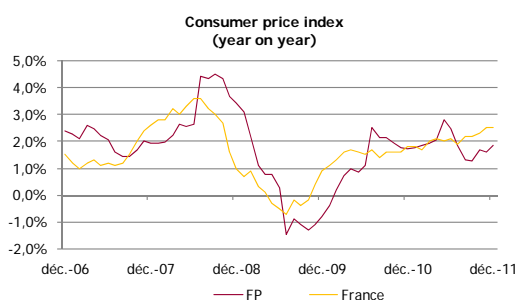
(1) 2011 figures, unless otherwise specified; (2) (Imports)/(GDP); (3) Public debt notified or in the sense of Maastricht

Sources: Insee, Customs, ISPF.



Source: ISPF.

Moderate inflation

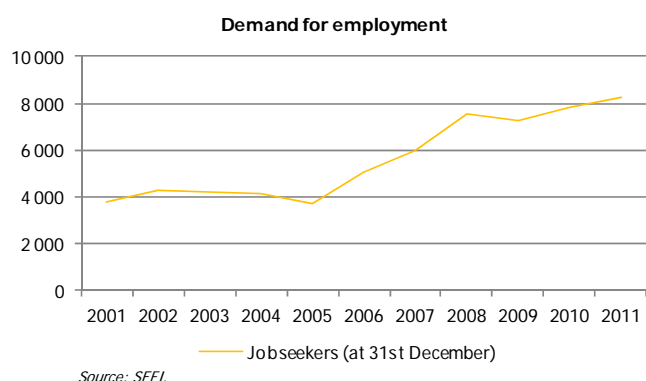


Source: Insee, ISPF.

The annual average increase in the consumer price index (CPI) stands at 1.6% over the decade, with a peak in 2008 (+3.4% year on year). At the end of the period, it is driven by the increase in food product prices. The latter account for over half the increase in the CPI in 2010 and 2011.

Decline in employment

There was an increase in the workforce between 2001 and 2007 (+17.9%), before it subsequently fell continuously (-9.9% between 2007 and 2011). The number of jobseekers over the same period more than doubled from 3,800 in 2001 to 8,255 in 2011. The need for annual job creations is estimated at 2,500 to offset job losses and receive new labour market entrants.



| Employment | 2001 | 2011 | Evol. (1) 11/01 |
|-------------------------|--------------|----------------|--------------------|
| Total employment | 68,23 | 73,440 | 0.74 |
| Self-employment | 9,029 | 10,462* | 1.65 |
| Paid employment | 59,20 | 62,978 | 0.62 |
| Agriculture | 2,298 | 1,753 | - |
| Industry | 4,912 | 5,020 | 0.22% |
| Construction | 5,305 | 4,741 | - |
| Trade | 9,225 | 9,544 | 0.34% |
| Market services | 23,492 | 27,887 | 1.73% |
| Non-market services | 13,971 | 14,033 | 0.04% |

* 2010; (1) Average yearly trend
Sources: CPS, ISPF.

Structural imbalance in foreign trade

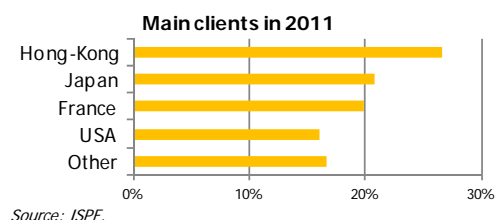
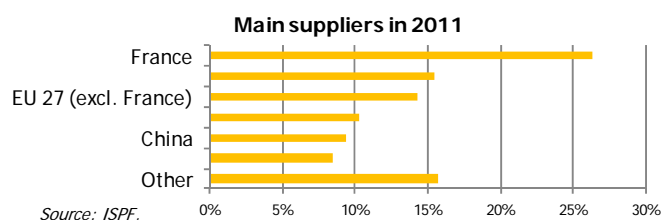
French Polynesia is highly dependent on the outside to meet its energy and food requirements. The limited size of its territory and domestic market, the double insularity of its archipelagos, as well as its distance from the main consumer markets, all limit the development of products to replace imports with competitive exports. Consequently, the external trade deficit remains high (between F CFP 120bn and F CFP 150bn a year). France continues to be French Polynesia's main trade partner with a quarter of trade.

| Import values (in millions of F CFP) | 2011 |
|--|----------------|
| Products from agricultural and food industries | 36,089 |
| Intermediate goods | 32,956 |
| Capital goods | 23,728 |
| Consumer goods | 24,700 |
| Energy products | 24,511 |
| Automotive industry products | 9,364 |
| Agriculture, forestry and fisheries products | 2,647 |
| Total | 153,994 |

Source: ISPF.

| Export values (in millions of F CFP) | 2011 |
|--------------------------------------|---------------|
| Pearl products | 7,539 |
| Misc. | 3,707 |
| Noni | 781 |
| Fish | 851 |
| Coconut oil | 736 |
| Mother-of-pearl | 295 |
| Vanilla | 219 |
| Monoï | 257 |
| Total | 14,385 |

Source: ISPF.



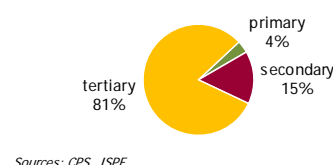
MAIN SECTORS OF ACTIVITY

French Polynesia enjoys an exclusive economic zone covering over 5 million km², yet it still exploits this potential very little (pearl culture, fishing). The Polynesian economy is dominated by services; they accounted for 81% of market added value in 2007 and employed 82% of the workforce at 31st December 2011.

| Main sector indicators | 2002 | 2011 | Var. 10 years |
|---|---------|---------|------------------|
| Tourist visits (Number of tourists) | 189,030 | 162,776 | -13.9% |
| Gross pearl exports (in millions of F CFP) | 14,674 | 7,117 | -51.5% |
| Fish product exports (in millions of F CFP) | 1,137 | 851 | -25.2% |
| Bitumen imports (in thousands of tonnes) | 3.5 | 1.8 | -48.5% |
| Processed wood imports (in thousands of tonnes) | 33 | 23 | -30.2% |
| Cement imports (in thousands of tonnes) | 140 | 95 | -32.2% |
| New vehicle registrations | 7,120 | 4,440 | -37.6% |

Source: ISPF, Fisheries Department.

Breakdown of market GDP by sector in 2007



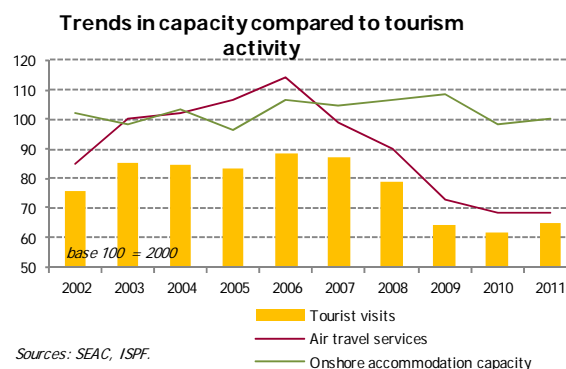
Construction industry suffers from low investment

In 2011, the construction and public works industry employed 8% of the workforce in the market sector and accounted for 5% of GDP creation in 2006. Between 2002 and 2007, its turnover, boosted by public procurement and household investment, rose by an annual average of 4%. It has since been in constant decline (annual average of -7% between 2007 and 2011) due to the slowdown in domestic demand. Public procurement fell by an annual average of 19% over the period and the total amount of housing loans allocated by local banks decreased by 12%. At the same time, the sector lost 27% of its workforce.

Tourism performance linked to air travel

Tourism accounted for 7% of GDP creation in 2006. The supply of paid accommodation is divided between the hotel industry, which received two-thirds of tourists in 2011, and the cruise industry (18% of the total). In terms of room nights, tourists staying with a host accounted for a quarter of the total.

The fall in the number of tourist visits since 2006 (-30.5% between 2006 and 2010) is due to reduced air travel services (-40%). However, the onshore accommodation capacity was slow to adjust and only decreased significantly in 2010 (-9.3%). In 2011, this situation led to a further decline in the workforce in the sector (-1.4% after -4.4% in 2010), despite a 5.8% increase in the number of tourist visits in the year.

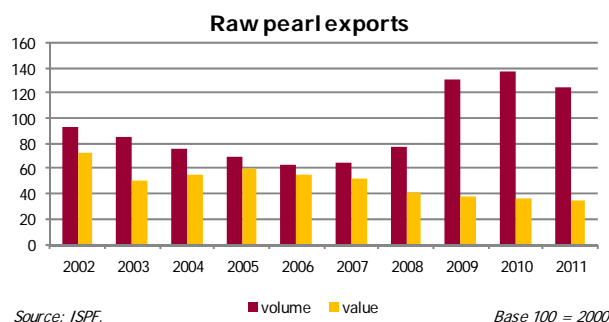


Decline in pearl culture revenues

Pearl culture is another core product of French Polynesia's economy. It provides half the country's income from exports and contributes to maintaining the population located in the remote archipelagos (Tuamotu Gambier).

Despite support from public authorities (incentive measures in the 1990s, then definition of sector regulation), pearl culture is experiencing a crisis of overproduction due to the decline in the quality of production, exacerbated by fluctuations on the international market (competition from other producing countries, demand linked to global economic conditions).

Over the last five years, exports have doubled in volume, but have lost 35% in value.



FINANCING OF THE ECONOMY

Overall data

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 in French Polynesia, such as AFD, CDC and Casden. The rate of access to banking services remains stable at around 0.8 current accounts per inhabitant, which is slightly below the level in mainland France (1.1).

In 2011, the overall situation of banks declined by 2.4%. The rate of performing outstanding loans fell by 0.9% over the year, while their deposits increased by 3.2%, as economic agents repatriated funds from abroad to invest them in term accounts (+17.9%).

Deteriorating portfolio quality

The rate of gross doubtful loans has been rising for several years and stood at 12.3% at the end of 2011 (11% at the end of 2010 and 8.5% at the end of 2009). Its increase over the year is due both to companies (18.4% at the end of December 2011 against 16.5% a year earlier) and households (7.5% against 6.6% previously).

| Business indicators | 2011 |
|---|------|
| Cost of corporate loans (%) Jan./Feb. 2011: | |
| - Open | 4.03 |
| - Medium- and long-term | 4.18 |
| Financial assets (billions of F CFP) at end of Dec. | 108 |
| Bank loans (billions of F CFP) at end of Dec. | 171 |
| - Share of operating loans (%) | 51 |
| - Share of investment loans (%) | 33 |
| - Share of construction loans (%) | 10 |
| Rate of doubtful loans at end of Dec. (%) | 18.4 |

| Monetary and financial indicators | 2011 |
|--|-------|
| M3 money supply (billions of F CFP) at end of Dec. | 401 |
| Net external banking position (billions de F CFP) at end of Dec. | -22 |
| Rate of doubtful loans – Local credit inst. (in %) | 12.3 |
| Number of inhabitants per bank branch | 3,600 |
| Number of inhabitants per ATM | 1,656 |
| Number of current accounts per inhabitant | 0.8 |
| Number of bank cards per inhabitant | 0.7 |

| Household indicators | 2011 |
|---|-------|
| Cost of household credit (%) Jan./Feb. 2011: | |
| - Open | 10.52 |
| - Real estate | 4.43 |
| Financial assets (billions of F CFP) at end of Dec. | 332 |
| Bank loans (billions of F CFP) at end of Dec. | 235 |
| - Share of home loans (%) | 60 |
| - Share of consumer loans (%) | 37 |
| Rate of gross doubtful loans at end of Dec. (%) | 7.5 |