



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 (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.*

P
O
R
T
R
A
I
T

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.

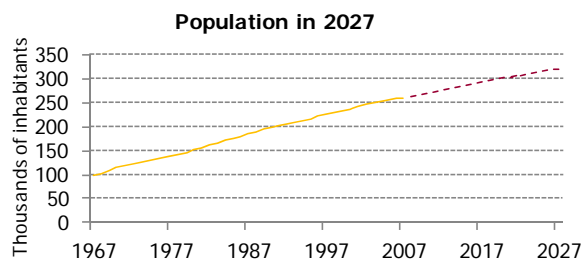
The functions of the State are provided by its local representative, the High Commissioner of the Republic. The competences of the country are implemented and controlled by the four following institutions:

- 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 268,270 inhabitants. Although it remains young, it appears to be ageing. Indeed, between the last two censuses (2002 and 2007), the 60 and over segment increased by 27%, while the under 20 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 2012 census showed that the island of Tahiti alone was home to 92% of the archipelago's population (183,645 inhabitants out of 200,881).

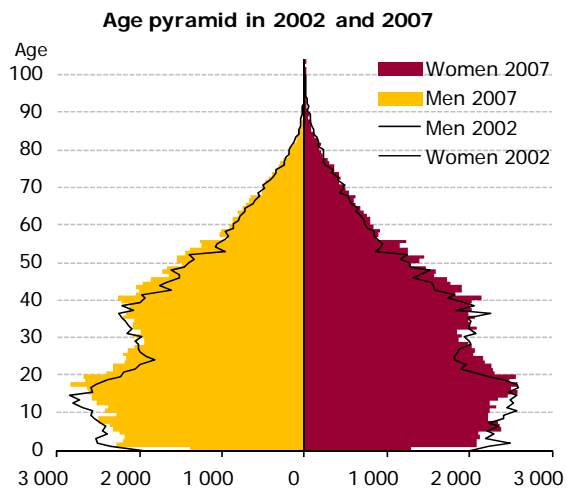


Source: ISPF.

Demographic indicators	FP	France ⁽¹⁾
Population (FP: in thousands at 22 nd August 2012; France: in millions at 1 st January 2013)	268	65.8
Percentage of under 20s (2007)	36.1	24.7
Percentage of 20-59 year-olds (2007)	55.2	51.5
Percentage aged 60 and older (2007)	8.7	23.8
Population density (inhab./km ² , 2007)	74	115 ⁽²⁾
Annual average population growth rate (% , 2002-2011)	1.2	0.6 ⁽³⁾
Birth rate (rate for 1,000 inhabitants, 2009)	17	12.6
Mortality rate (rate for 1,000 inhabitants, 2010)	4.7	8.7
Infant mortality rate (rate for 1,000 births, 2010)	5.5	3.5
Total fertility rate (2010)	2.1	2.01
Life expectancy at birth for women (years, 2010)	78.3	84.8
Life expectancy at birth for men (years, 2010)	73.2	78.4

(1) INSEE 2012 population survey; (2) Mainland France in 2011; (3) Between 2003 and 2013.

Sources: INSEE, ISPF.



Sources: Censuses - ISPF.

ECONOMY AT A GLANCE

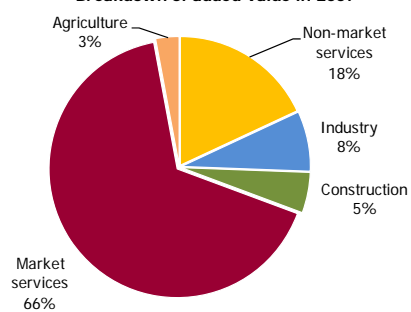
The Progress Pact, co-signed in 1993 by the State and the Polynesian Government to ensure the post-nuclear transition of the economy towards a growth model based on its domestic wealth, has promoted the development of activities such as fishing, pearl culture, tourism and construction. The support for public expenditure and private investment, boosted by tax exemption mechanisms at local level and in mainland France, led to an annual average GDP 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 -1.3% between 2007 and 2012, against +5.2% between 2002 and 2007) and in the number of paid employees.

Key economic indicators	FP	France ⁽¹⁾
GDP (billions of constant F CFP, 2007) ⁽²⁾	577	242,518
GDP growth rate (% , constant F CFP, 2007)	1.7	0.0
GDP per capita (thousands of constant F CFP, 2006)	2,221	3,706
State expenditure in the territory (in % of GDP, 2007)	23.4	-
Debt of local authorities (% of GDP, 2007)	N/A	8.3 ⁽³⁾

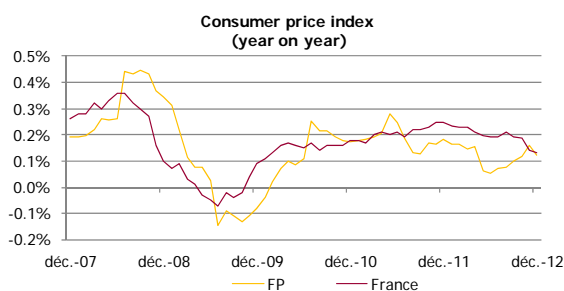
(1) 2012 figures, unless specified otherwise; (2) No GDP data available for French Polynesia after 2007; (3) Public debt notified or in the sense of Maastricht.

Sources: INSEE, Customs, ISPF.

Breakdown of added value in 2007



Source: ISPF.



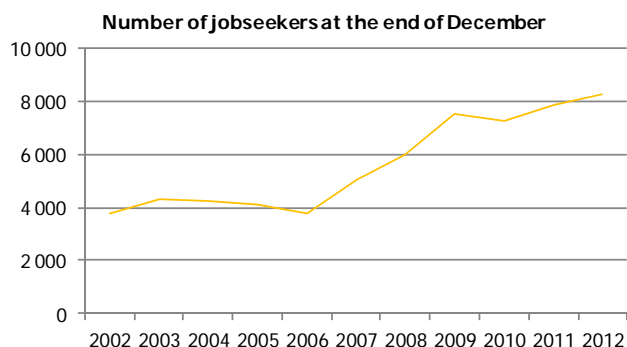
Sources: Insee, ISPF.

Absence of price pressures

Between 2002 and 2012, the consumer price index (CPI) rose by an annual average of 1.5%, although there was a peak in 2008 (+3.4% year on year). In 2012, the increase stood at 1.2%, thanks to the easing of pressures on food prices (+2.2%, after +4.4% in 2011).

Continuing decline in the labour market

Following a steady increase between 2002 and 2007 (annual average of +2.4%), the number of people in paid employment fell between 2007 and 2012 (annual average of -2.6%). At the same time, there was a sharp increase in the number of jobseekers from 2007 onwards (from 5,026 at the end of 2006 to 9,928 at the end of 2012). The need for annual job creations is estimated at 2,500 in order to offset job losses and receive new labour market entrants.



Source: SEFI.

Employment	2002	2012	Trend 12/02 ⁽¹⁾
Total employment	69,233	73,437*	0.7%
Self-employment	10,030	10,385*	0.4%
Paid employment	61,889	61,203	-0.1%
Agriculture	2,301	1,764	-2.6%
Industry	5,156	4,712	-0.9%
Construction	5,773	4,345	-2.8%
Trade	9,327	9,399	0.1%
Market services	24,648	27,593	1.1%
Non-market services	14,684	13,390	-0.9%

*2011; (1) Average yearly trend.

Sources: CPS, ISPF.

Structural deficit in foreign trade

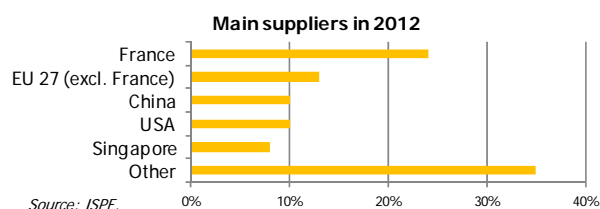
French Polynesia is highly dependent on the outside to meet its energy and food requirements. The limited size of its territory and domestic market, the double insularity of its archipelagos, as well as its distance from the main consumer markets, all limit the development of substitute production for imports and competitive exports. Consequently, the external trade deficit remains high (between F CFP 125bn 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)	2012
Products from agricultural and food industries	37,442
Intermediate goods	33,130
Capital goods	25,587
Consumer goods	23,339
Energy products	27,283
Automotive industry products	8,786
Agricultural, forestry and fisheries products	2,974
Total	158,536

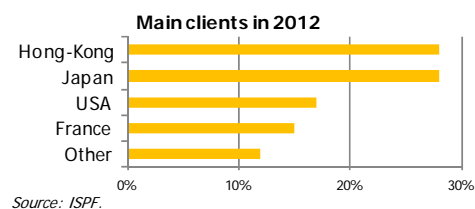
Source: ISPF.

Export values (in millions of F CFP)	2012
Pearl products	7,166
Fish	1,583
Noni	640
Coconut oil	711
Mother-of-pearl	267
Vanilla	301
Monoï	229
Misc.	2,022
Total	12,919

Source: ISPF.



Source: ISPF.



Source: ISPF.

MAIN SECTORS OF ACTIVITY

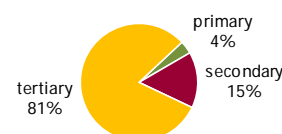
French Polynesia enjoys an exclusive economic zone covering over 5 million km², yet it still exploits this potential very little (pearl culture, fishing). The Polynesian economy is dominated by services; they accounted for 81% of market added value in 2007 and employed 82% of the workforce at 31st December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

Main sector indicators	2003	2012	10-year change ⁽¹⁾
Tourist visits (number of tourists)	212,767	168,978	-2.5%
Gross pearl exports (in millions of F CFP)	10,194	6,888	-4.3%
Exports of fishery products (in millions of F CFP)	656	1,583	+10.3%
Bitumen imports (in thousands of tonnes)	8.1	1.8	-15.4%
Processed wood imports (in thousands of tonnes)	36	20	-6.3%
Cement imports (in thousands of tonnes)	140	100	-3.7%
New vehicle registrations	7,926	4,206	-6.8%

Sources: ISPF, Fisheries Department.

(1) Annual average growth rates.

Breakdown of market GDP by sector in 2007



Sources: CPS, ISPF.

Lack of activity in construction industry

Between 2002 and 2007, the construction industry benefited from the high level of public procurement and household investment, with an annual average increase in turnover of 5%. It was hit by the turnaround in the economic situation and badly affected by sluggish domestic demand from 2007 onwards. Over the past five years, public procurement has seen a threefold decrease and the total annual amount of housing loans allocated to households by local banks fell by a third (F CFP 24.2bn in 2012, against F CFP 33.7bn in 2009). Consequently, the sector lost a third of its workforce and saw an annual average decline in its turnover of 7% between 2007 and 2012.

Signs of recovery in the tourism industry

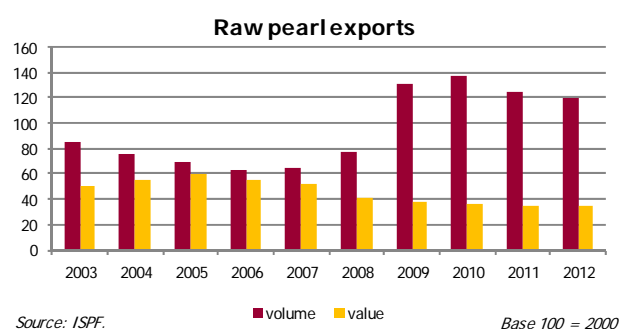
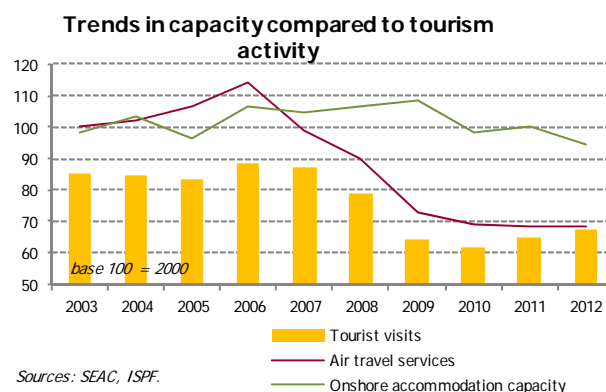
The tourism industry is the flagship sector in Polynesia's economy and accounted for 8% of GDP creation in 2007. There has been satisfactory performance in the number of tourist visits (annual average of +2.9% between 2002 and 2007). However, it subsequently decreased significantly (annual average of -5% between 2007 and 2012). This fall is partly related to the reduction in air travel services (-31% between 2007 and 2012). The onshore accommodation capacity, for its part, fell by 9.5% over the period.

There was an upturn in the tourism industry in 2012. The number of tourist visits rose for the second year running, +3.8% after +5.8% in 2011, and the turnover in the hotel industry increased by 7.1%. However, employment remains on a downward trend (-2.8% in 2012).

Pearl industry fragile

Cultured pearls are the flagship product of French Polynesia's exports and account for half of its income. The industry is based in Tuamotu Gambier and is a keystone of the economic development of the remote archipelagos. It also helps curb population exodus towards Tahiti.

However, the support from public authorities (incentive measures in the 1990s, then the definition of sector regulation) has not spared the industry from the crisis. With a less favourable international market (competition from other producing countries, contraction in international demand), production has continued to increase to the detriment of quality, which has led to a fall in export value. Between 2007 and 2012, the volume sold abroad doubled, but lost 35% in value.



FINANCING OF THE ECONOMY

General 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 there, 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 2012, the overall situation of banks declined by 2.9%, reflecting the local economy's lack of dynamism. The stock of deposits fell by 2.1% and performing outstanding loans fell by 1.2%, due to the low level of production.

Loss ratio remains high

The rate of gross doubtful loans has been rising for several years. In 2012, it fell slightly to 11.9% (12.3% at the end of 2011), thanks to an improvement in the corporate loss ratio (17.5% against 18.4% in December 2011). Conversely, the rate for gross doubtful household loans continued to increase (7.8%, against 7.3% a year earlier).

Business indicators	2012
Cost of corporate loans (%) January/February 2013:	
- Open	3.57
- Medium- and long-term	4.39
Financial assets (billions of F CFP) at end of December	108
Bank loans (billions of F CFP) at end of December	168
- Share of operating loans (%)	49
- Share of investment loans (%)	36
- Share of construction loans (%)	10
Rate of gross doubtful loans at end of December (%)	17.5

Monetary and financial indicators	2012
M3 money supply (billions of F CFP) at end of Dec.	393
Net external banking position (billions of F CFP) at end of Dec.	-26
Rate of doubtful loans – Local credit inst. (in %)	11.9
Number of inhabitants per bank branch	3,641
Number of inhabitants per ATM	1,604
Number of current accounts per inhabitant	0.8
Number of bank cards per inhabitant	0.7

Household indicators	2012
Cost of household credit (%) January/February 2013:	
- Open	10.84
- Real estate	4.33
Financial assets (billions of F CFP) at end of December.	330
Bank loans (billions of F CFP) at end of December	237
- Share of home loans (%)	62
- Share of consumer loans (%)	35
Rate of gross doubtful loans at end of December (%)	7.8

N.B.: The data used in this note are as of 31st December 2012 unless specified otherwise.

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

Publication Director: N. de SEZE Editor-in-chief: P.-Y. LE BIHAN

Edited and printed by: IEOM

Printed: 29th July 2013 – Legal Deposit: July 2013 – ISSN 1968-6277