

Economic and financial publications



Economic Conjuncture

No 378 / November 2022

NEW CALEDONIA : ECONOMIC OVERVIEW

Structural characteristics

Capital	Nouméa
Area	18,576 km ²
Geographic location	South Pacific – 1,500 km from Australia, 1,800 km from New Zealand, 17,000 km from Paris
Languages spoken	French and Kanak languages
Currency	CFP franc – F CFP – (ISO 4217 code: XPF) – 1,000 F CFP = EUR 8.38
Status	Overseas collectivity with special status
National representation	2 Members of Parliament, 2 Senators, 2 representatives on the Economic, Social and Environmental Council
State representation	High Commissioner of the Republic
Territorial institutions	Congress of New Caledonia, Government, Customary Senate, Economic, Social and Environmental Council (CESE), Customary Councils, 3 Provinces

Historical background

Regular settlement of the territory, resulting from the Austronesian migration movement, is thought to date back to around 2,000 BC. Captain James Cook discovered New Caledonia in 1774. In 1853, the archipelago became a French colony by order of Napoleon III. In 1946, New Caledonia was granted the status of an overseas territory, which was confirmed with the advent of the Fifth Republic.

The 1980s were marked by the rise of the Kanak independence movement. Following a period of unrest, the **Matignon Agreements**, signed on 26 June 1988, restored political stability and initiated a process of economic rebalancing.

The Nouméa Accord, signed on 5 May 1998, extended the approach set out in the previous agreements. It organised over a 20-year period, the gradual transfer of certain powers from the State to New Caledonia and the establishment of new institutions (Congress, Government, Customary Senate, Economic and Social Council). The Accord also provided for at least one referendum consultation at the end of this period. Voters registered on the special electoral roll, under the conditions set out in Article 218 of the amended Organic Law of 19 March 1999, were asked on three occasions whether New Caledonia should attain full sovereignty and become independent. At the first consultation on 4 November 2018, 56.7% of voters answered 'No' and 43.3% 'Yes'. At the second consultation on 4 October 2020, 53.3% voted 'No' and 46.7% 'Yes'. At the third consultation on 12 December 2021, marked by a call for non-participation by independence movements, abstention reached 56.13% of registered voters. Among those who voted, 96.5% answered 'No' and 3.5% 'Yes'.

A unique institutional status within the French Overseas territories

New Caledonia is defined as a **sui generis collectivity**, specifically governed by Title XIII of the Constitution (Articles 76 and 77), which places it outside the scope of territorial collectivities. **Its institutional organisation is set out in Organic Law No. 99–209 of 19 March 1999.**

The **State**, represented by the High Commissioner of the Republic, is responsible for organising services relating to the sovereign powers of the State and for ensuring 'the regular exercise of their powers by the institutions of New Caledonia and the Provinces, as well as the legality of their acts'.

The **Congress**, composed of 54 members drawn from the three provincial assemblies, is the deliberative assembly of New Caledonia. It adopts 'laws of the country' and elects the members of the Government.

The **Government** of New Caledonia is the territory's collegial executive body. It prepares and implements the deliberations of the Congress and its Standing Committee. It brings together the main political forces represented in the Congress, which must reach consensus in managing the territory, as decisions can only be taken by a majority of its members.

The **Provinces**, created in 1989 with the objective of economic and demographic rebalancing, number three (South, North and Loyalty Islands). Their extensive powers cover economic development, spatial planning, social affairs and culture.

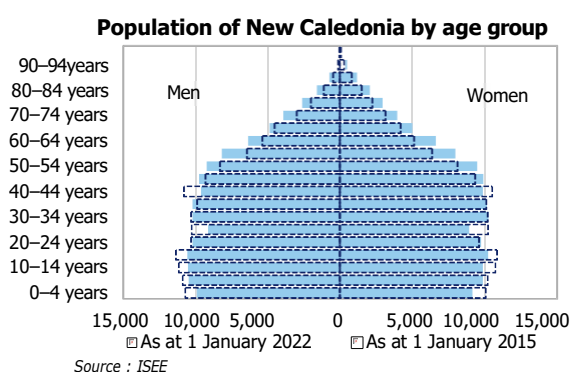
Additional institutions have also been established, such as the Customary Senate, the Economic, Social and Environmental Council (CESE), and the Competition Authority.

An easing of demographic momentum

As at 1 January 2022, the population of New Caledonia is estimated at 269,808. The territory has therefore been experiencing a slight demographic contraction since the last census in 2019 (271,290). This situation marks a reversal over the past decade. Population growth, which stood at +8.8% over the 2009–2014 intercensal period, then +1.0% between 2014 and 2019, has now turned negative (-0.4% in 2021). The **negative net migration balance** – with a cumulative loss of 9,497 people between 2014 and 2019, a trend that continued in 2020 and 2021 – is no longer offset by a positive natural balance, due to the steady decline in fertility. With an average age of 34.7 years in 2019, compared with 33.0 years in 2014, New Caledonia's population is ageing. Although the share of those under the age of 20 has declined (29.6% in 2021, compared with 31.8% in 2014), it remains higher than that observed in France as a whole (23.7%).

According to data from the 2019 census, the South Province has 203,144 inhabitants (75% of the population, including 67% in Greater Nouméa), up 1.6% compared with 2014. The North Province has 49,910 inhabitants (18% of the total population), down 1.1%. Lastly, 18,353 people live in the Loyalty Islands Province, whose population is stable compared with 2014 but has declined sharply compared with 1996 (-12.1%).

Demographic indicators – 2021	New Caledonia	France
Population (milliers, millions pour la France)	269,8 ⁽¹⁾	
Share of population under 20 (%)	29.6	23.7
Share of population aged 20–64 (%)	59.9	55.3
Share of population aged 65 and over (%)	10.6	21.0
Population density (inhabitants/km ²)	15	119.7 ²
Annual population growth rate (%)	-0.4	0.3
Birth rate (per 1,000 inhabitants)	14.3	10.9
Death rate (per 1,000 inhabitants)	7.2	9.7
Infant mortality rate (per 1,000 live births)	7.4	3.6
Total fertility rate	2.02	1.83
Life expectancy at birth – women (years)	79.1	85.4
Life expectancy at birth – men (years)	72.9	79.3



ISEE, INSEE estimate: (1) 2022, (2) 2019 data

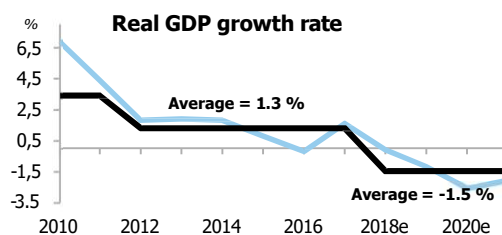
Economic overview

A growth regime anchored in negative territory since 2018

New Caledonia's gross domestic product (GDP) exceeded XPF 1,000 billion in 2018 (CEROM estimate). However, economic growth has since turned negative, averaging -1.5% per year in real terms between 2018 and 2021, compared with +1.3% over the 2012–2017 period. The economic environment has been shaped by several factors: the maturity of certain growth drivers, the Covid-19 health crisis, a succession of referendum consultations generating tensions and uncertainty, as well as cyclical and structural difficulties affecting the nickel industry (volatility in global prices, social unrest, adverse weather conditions, and technical difficulties). As a result, New Caledonia did not experience the rebound observed in other overseas territories and in mainland France in 2021.

Main economic indicators	2011	2021	France
GDP (current XPF bn)	887	1,016(e)	299,043
GDP growth rate (%)	4.4	-2.1	6.8
GDP per capita (current euros)	29,440	30,509	36,981
Import dependency ratio (% of GDP) ¹	42.0	33.4	29.2
Inflation rate (%), annual average	2.4	0.6	1.6
Unemployment rate (%), ILO definition	n.a.	13.3	7.3

(1) Estimate 2020; (2) Goods and services
Sources: IEOM INSEE ISEE Banque de France

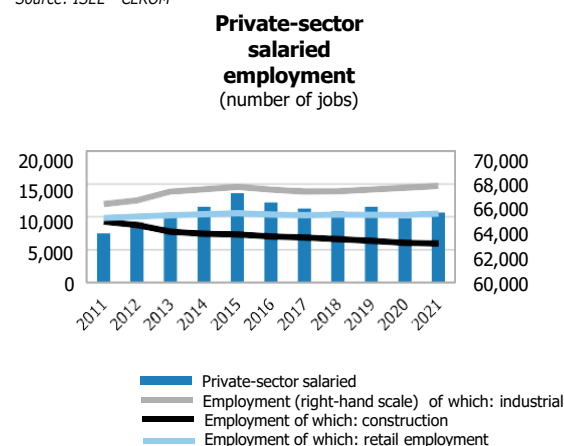


A sluggish labour market since 2016

Between 2011 and 2021, **private-sector employment increased by only 0.2%** per year on average, reaching 65,340 jobs in 2021. Employment

grew until 2015, before stagnating and then declining slightly thereafter. This overall trend masks significant sectoral disparities. The construction sector recorded substantial job losses (-3,300 jobs), reflecting the completion of several major projects (metallurgical plants, Médipôle hospital, etc.). By contrast, manufacturing industry created jobs (+2,075 jobs). Over the same period, the retail sector generated only 695 jobs.

At the same time, over the 2009–2019 decade (latest available data), **public-sector employment continued to grow steadily** (+1.0% per year on average, or +2,000 jobs over the period), including +591 jobs between 2015 and 2018,



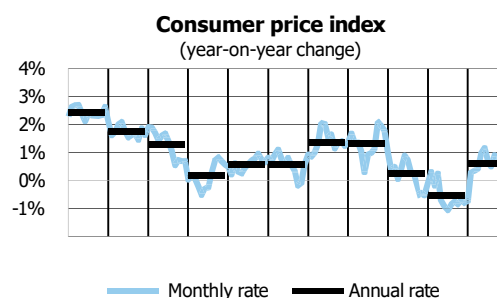
partially offsetting private-sector job losses. In 2019, with nearly 22,300 employees, the public sector accounted for 25% of total salaried employment (around 88,000 people).

Moderate inflation until 2021

Since December 2011, **inflation excluding tobacco has amounted to only 7.6% over ten years, i.e. less than 1% per year on average.** Over the same period, food prices increased by 15.9%, while service prices rose by 12.3%. The average price gap with mainland France was estimated at 33% in 2015.

In 2022, inflation accelerated sharply, driven in particular by the war in Ukraine.

The consumer price index (CPI) increased by 5.1% year on year in October, mainly as a result of higher energy and food prices. This level nevertheless remained below that recorded in mainland France over the same period (+6.2%).



Source : ISEE

A structural trade deficit

The **goods coverage ratio averaged 54% over the past ten years, with significant fluctuations** linked to nickel price volatility, including a peak at 68.3% in 2018. Between 2011 and 2021, exports, 93% of which consist of products from nickel-related activities, increased in value (+32.2%), while imports declined (-10.6%). The trade balance, which is structurally in deficit, has remained relatively stable since 2020, standing at -XPF 94.8 billion in 2021.

France remains the territory's leading supplier (26% of imports), followed by China (12%), Singapore (10%) and Australia (9%). **China** has become the **leading customer** (47% of total exports), due to its purchases of nickel. Trade with neighbouring archipelagos (in particular the States of the Melanesian Spearhead Group) remains limited.



Source : ISEE, Customs

Imports by value (XPF billion)	2011	2021	CAGR ⁽¹⁾	Exports by value (XPF billion)	2011	2021	CAGR ⁽¹⁾
Mineral products	60.9	55.9	-0.8%	Nickel-related products	130.8	174.3	2.9%
Machinery, electrical equipment and appliances	45.6	50.1	1.0%	of which ferronickel	74.6	88.8	1.8%
Food products, beverages and tobacco	37.6	44.3	1.6%	of which nickel ore	25.0	55.7	8.3%
Transport equipment	35.1	38.1	0.8%	of which mattes	22.1	0.0	-100.0%
Chemical products	19.5	24.5	2.3%	of which Nickel Hydroxide Cake (NHC)	9.2	29.9	12.4%
Metals and articles thereof	16.1	17.2	0.7%	Seafood products	1.8	1.2	-4.3%
Rubber and plastic products	11.2	11.1	-0.2%	of which shrimp	1.0	0.9	-1.4%
Textiles	6.9	8.7	2.4%	of which tuna	0.4	0.3	-4.7%
Paper and paper products	4.7	3.4	-3.2%	of which sea cucumbers	0.002	0.0	—
Other products	73.7	25.3	-10.2%	Other products	7.4	9.5	2.4%
Total imports	314.2	280.7	-1.1%	Total exports	140.6	185.9	2.8%

(1) CAGR: compound annual growth rate over the period 2011–2021.
Sources : ISEE, Customs, DIMENC

(1) CAGR: compound annual growth rate over the period 2011–2021.
Sources : ISEE, Customs, DIMENC

A territory weakened by rising indebtedness

The balance of public finances is under increasing strain. The **debt ratio** (outstanding principal/actual operating revenues) **of the Government of New Caledonia** rose from 36% in 2012 to 255% in 2022, having increased sharply since the start of the Covid-19 pandemic. This rise reflects, in particular, loans implemented by the French Development Agency (AFD) and guaranteed by the State: XPF 28.6 billion in May 2020 and XPF 20.88 billion in July 2022.

The issue of financing the deficits of CAFAT's¹ social security accounts remains acute. The deficit was multiplied by five between 2017 and 2020, notably for the Unified Health and Maternity Insurance Scheme (RUAMM), which recorded a net result of -XPF 9 billion in 2020, bringing the cumulative deficit to XPF 37 billion.

Main sectors of activity

New Caledonia's economy is characterised by advanced tertiarization. In 2021, services (including public administrations) accounted for 61% of value creation, while trade represented 11%. They were followed by industry (including mining and metallurgical activities) at 17%, construction at 10%, and the primary sector at 2%. The territory counts 38,588 market-sector enterprises, 98% of which employ fewer than 10 employees

A metallurgical sector facing production and profitability challenges

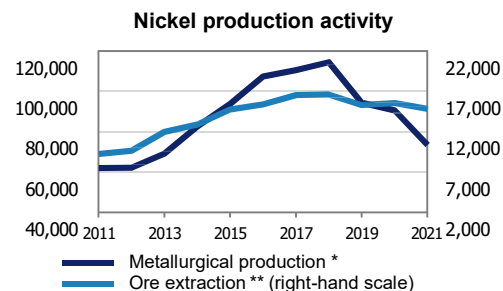
Considered the **flagship sector of New Caledonia's economy, the contribution of the nickel industry to GDP varies significantly depending on nickel price trends. It stood at 9% in 2021.** Its spillover effects on the wider economy are nonetheless far more significant, given the importance of subcontracting activities and its strong influence on business confidence.

¹ CAFAT is New Caledonia's social security body. For salaried employees in the territory, it manages all schemes (pensions, health insurance, workplace risks, unemployment, family benefits). All are in deficit, with the exception of the family benefits scheme.

Ore extraction and metallurgical production increased sharply following the commissioning of two new plants between 2007 and 2012. This trend has since reversed. From 2018 onwards, mining output declined by 10.6% (despite new export licences granted by the Government), while metallurgical production fell by 35.9%, due to social unrest, technical difficulties, and the frequency of adverse weather events.

At the global level, the numerous investments made after the 2007–2008 price boom – particularly in Asia – led to a significant increase in production capacity and strong downward pressure on prices.

Since the 2016 low, LME nickel prices have rebounded markedly, averaging USD 18,480 per tonne in 2021, driven by strong demand.



Units: * tonnes of contained nickel, ** thousands of tonnes Sources: ISEE, DIMENC

Despite favourable environment, local metallurgical operators continue to struggle to achieve profitability, as costs (notably energy costs) remain high and production volumes insufficient.

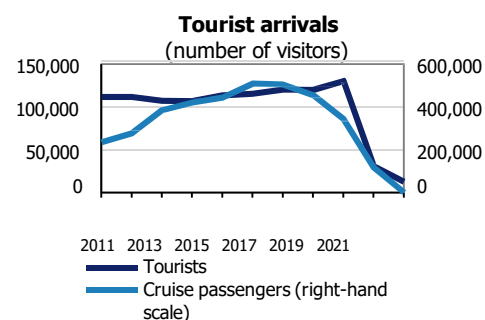
Construction activity in sharp contraction

The construction sector accounted for 9% of value creation and employed nearly 9% of private-sector salaried workers in 2021. Long driven by economic catch-up dynamics (infrastructure development and the construction of metallurgical plants), activity in the sector has weakened markedly. Household investment in real estate as well as the number of construction sites have declined. As a result, the number of employees in the construction sector fell by 36% between 2011 and 2021.

A tourism sector severely affected by the health crisis

Between 2011 and 2019, an average of 113,000 tourists visited New Caledonia each year, with a peak of 130,000 visitors in 2019. At the same time, the cruise sector expanded rapidly, reaching a record 509,000 cruise passengers in 2016. **The closure of borders in 2020, in response to the Covid-19 pandemic, led to a collapse in tourist and cruise arrivals.** Nevertheless, domestic tourism and public support measures enabled most businesses in the sector to

withstand the crisis until borders reopened in March 2022. In 2021, the tourism sector (accommodation and food services) accounted for 6.1% of private-sector salaried employment, compared with 6.7% in 2019.



Source: ISEE

Financing of the economy

New Caledonia has ten financial institutions locally established in the credit market, including four commercial banks (BCI, BNC, SGCB, BNPPC), four finance companies (SOCALFI, BPCE Lease Nouméa, Nouméa Crédit, Crédit Calédonien et Tahitien), one specialised credit institution (Crédit Agricole Mutuel), and one public investment bank (Bpifrance). In addition, seven 'out-of-area' institutions complement the territory's financing offer.

Monetary and financial indicators	2011	2021	CAGR ⁽¹⁾
Money supply (XPF bn)	533	709	2.9%
Inhabitants per bank branch	2,333	2,477	0.6%
Inhabitants per ATM	1,170	970	-1.9%
Bank accounts per inhabitant	1.85	1.84	-0.1%
Financial assets of economic agents ² (XPF bn)	642	879	3.2%
Outstanding performing loans of economic agents ² (XPF bn)	891	1,275	3.7%
Doubtful loans ratio ² (%)	2.6	4.2	—

(1) Compound annual growth rate, 2011–2021

(2) With local and out-of-area credit institutions

Source: IEOM

The **banking penetration of the economy has continued to increase**, as reflected in the number of bank accounts, the development of payment instruments, and the growth in outstanding performing loans between 2011 and 2021 (+3.7% per year on average), which approached XPF 1,300 billion at end-2021 (equivalent to 128% of GDP). Since 2018, in a subdued economic and political environment, banking activity has remained generally resilient, although **signs of a gradual slowdown** have emerged, notably weaker momentum in the real estate market and investment.

Business sector	2011	2021	CAGR ⁽³⁾	Households	2011	2021	CAGR ⁽³⁾
Outstanding performing loans ² (XPF bn, end-Dec.)	422	523	2.2%	Outstanding performing loans ² (XPF bn, end-Dec.)	391	537	3.2%
of which operating loans (%)	18	20	—	of which consumer loans (%)	18	14	—
of which investment loans (%)	53	46	—	of which housing loans (%)	80	85	—
of which construction loans (%)	26	31	—	Net non-performing loans (XPF bn, end-Dec.)	3	9	12.2%
Net doubtful loans (XPF bn, end-Dec.)	3.8	32.0	23.9%	Financial assets ² (XPF bn, end-Dec.)	346	457	2.8%
Financial assets ² (XPF bn, end-Dec.)	208.9	291.	3.4%	Outstanding performing loans ² (XPF bn, end-Dec.)	391	537	3.2%
		3					

(1) loans granted by all credit institutions

(2) With local credit institutions

(3) Compound annual growth rate, 2011–2021

Source: IEOM

As part of **the modernisation of its monetary policy and its support for the economy of the CFP franc zone in response to the crisis, IEOM** introduced a new refinancing instrument in December 2019. Credit institutions operating in the territory may subscribe to this facility through a tender-based mechanism. These refinancing lines represent a significant shift compared with previous policy arrangements and now make it possible to cover half of the banking sector's customer funding shortfall in New Caledonia. At end-2021, the total outstanding amount of IEOM loans granted to credit institutions in the CFP franc zone stood at XPF 175 billion.