

Economic and financial publications



Economic Conjuncture

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FRENCH POLYNESIA: ECONOMIC OVERVIEW

Structural characteristics

Capital	Papeete
Area	3,251 km ²
EEZ area	5,500,000 km ²
Geographic location	South Pacific; Auckland 4,100 km away, Honolulu 4,400 km away, Paris 15,700 km away
Languages spoken	French and vernacular languages ⁽¹⁾
Currency	Pacific Franc– CFP Franc- (code ISO 4217: XPF) – CPF 1,000 = 8.38 euros
Status	Overseas collectivity attached to France
Human Development Index ranking (2010)	75

(1) Tahitian, Paumotu, Marquisan, Mangarevan, Rurutu, Raivavae...

Historical background

Originally from Southeast Asia, the Polynesian people gradually settled the territory between 300 AD and the end of the 14th century. Europeans first reached French Polynesia in 1521 (Magellan), but permanent settlement did not begin until 1767, following the arrival of Captain Wallis.

At the end of the Pomare dynasty, the territory became a French protectorate in 1842, before being ceded to France in 1880. The French Establishments in Oceania (EFO) were renamed 'French Polynesia' in 1957, and the attachment to France was confirmed by referendum in 1958.

The creation of the Pacific Experimentation Centre (CEP) in September 1962, followed by its establishment in 1964, and the first nuclear tests in 1966, which continued until 1996, structurally transformed the Polynesian economy and society.

The Pacte de progrès (1993), co-signed by the French State and the Polynesian government to ensure the post-nuclear transition towards endogenous growth, contributed to the emergence of sectors such as fishing, pearl farming, tourism and construction.

Institutional organization

Administrative autonomy, introduced in 1977, was strengthened by the internal autonomy status in 1984. Amended several times, this status granted French Polynesia its own legal personality within the French Republic in 1996, along with extended powers in 2004.

The functions of the French State, limited to sovereign responsibilities (guaranteeing public freedoms, defence, security, currency and credit, etc.), are exercised by its local representative, the High Commissioner of the Republic. The powers of the Country are implemented and overseen by the following four institutions:

- The **President**, elected by the Assembly of French Polynesia for a five-year term, forms the Government and directs its action. The President promulgates Country Acts and signs decisions deliberated by the Council of Ministers. He is the authorising officer of the budget and heads the local administration.
- The **Government**, composed of a Vice-President and 7 to 10 ministers, is responsible for matters within its jurisdiction. It approves draft deliberations to be submitted to the Assembly of French Polynesia, as well as the necessary implementing measures.
- The **Assembly of French Polynesia (AFP)**, made up of 57 members elected for five years by direct universal suffrage, adopts the Acts of the Country and deliberations submitted by the Government. It votes the budget, approves the accounts of French Polynesia and oversees the Government's action.
- The **Economic, Social, Environmental and Cultural Council (CESEC)**, a consultative assembly of 48 members appointed for four years and representing professional organisations, trade unions, bodies and associations involved in the economic, social and cultural life of the Country, must be consulted on draft measures of an economic, social or cultural nature and on proposals submitted by the Government or the Assembly. It may also issue opinions on matters of its own choosing.

An ageing population

According to the latest census, French Polynesia had 278,786 inhabitants in 2022, corresponding to an average annual growth rate of 0.2% since the previous census conducted in 2017. Several factors explain this slowdown in population growth, including low birth rates, linked to a decline in fertility (1.8 children per woman of childbearing age, compared with 4.2 in the 1980s), and net migration. Net migration has been negative for around fifteen years and is estimated at an average of 1,300 net outflows per year between 2017 and 2022. As a temporary factor, the Covid-19 pandemic also played a role, leading to an exceptional increase in deaths in 2021. While the number of residents aged 60 and over has increased (15% of the population in 2022, compared with 7% in 2002), the share of young people under 20 has declined (29% compared with 40%).

Population is mainly concentrated in the Windward Islands (75% of the total population), particularly Tahiti (69%), and in the Leeward Islands (13%).

Economic Overview

Since the beginning of the century, French Polynesia has experienced two major negative shocks: a deep economic crisis from 2008 to 2012, compounded by chronic political instability, followed by the Covid-19 crisis, which led to a standstill in international tourism.

Main economic indicators in 2022

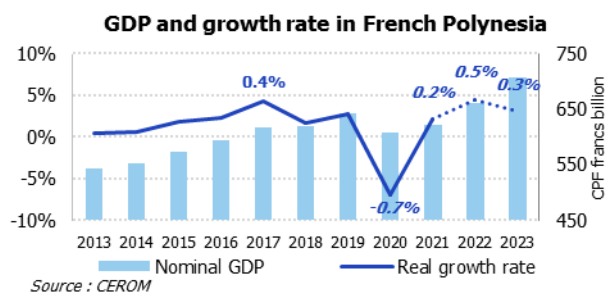
French Polynesia France

GDP (CFP francs billion, current prices) ⁽¹⁾	659,815	314 928
GDP growth rate (% , constant CFP francs) ⁽¹⁾	4,5	2,5
GDP per capita (CFP francs million, current prices) ⁽¹⁾	2,37	4,63
Import dependency ratio (% of GDP)	38	29

Sources : CEROM, IEOM, Insee

(1) CEROM Estimate

According to Rapid Economic Accounts estimates, the pandemic caused Polynesian GDP to contract by 7.0% in 2020. The economic recovery, which remained relatively modest in 2021 (+2.1%), became more pronounced in the following years, with growth of +4.5% in 2022 and +3.0% in 2023.



Economic growth was driven by the recovery in external demand and household consumption.

Inflation easing

Demographic indicators in 2022

French polynesia France

Population (millions)	0,28	68,1
Share of population under 20 (%)	29,0	23,3
Share of population aged 20–59 (%)	56,7	48,9
Share of population aged 60 and over (%)	15,0	27,7
Average annual population growth rate (% , 2017-2022)	0,3	0,3
ZCrude birth rate (per 1,000 inhabitants)	12,9	10,6
Crude death rate (per 1,000 inhabitants)	6,0	9,8
Infant mortality rate (annual average 2017–2021, per 1,000 live births)	6,0	3,7
Total fertility rate	1,8	1,8
Life expectancy at birth – women (years)	79,0	85,1
Life expectancy at birth – men (years)	74,9	78,6

Source : Insee, ISPF

While the decline in fuel prices (–14.4%) made a significant contribution to the slowdown in inflation, several components recorded marked increases, notably food prices (+0.6%), rents (+5.0%) and accommodation and food services (+3.5%).

Labour market dynamism

The labour market is dominated by the tertiary sector, which employs eight out of ten workers, especially in non-market services, which account for more than one in four jobs.

Between 2013 and 2019, salaried employment increased by an average of around 1,000 jobs per year, before declining by 2,300 jobs in 2020 during the health crisis.

Subsequently, the economic recovery supported a rebound in the labour market, leading to a decline in the unemployment rate to 8.5% in 2023, compared with 10.0% in 2019.

Emploi	2013	2023 (sept.)	Change 2013/2023 ⁽¹⁾
Total employment	71,517	ND	-
Self-employed employment	10,381	ND	-
Salaried employment	61,136	72,322	1,5%
Primary sector	1768	1,656	-0,6%
Industry	4,776	5,640	1,5%
Construction	4,249	5,784	2,8%
Trade	9,016	10,867	1,7%
Other services	41,327	48,375	1,4%

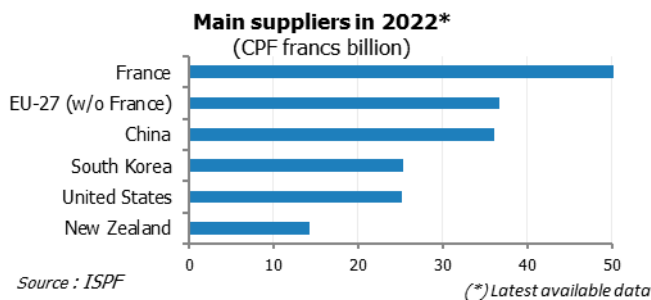
Sources : CPS, ISPF

(1) Average annual growth rate

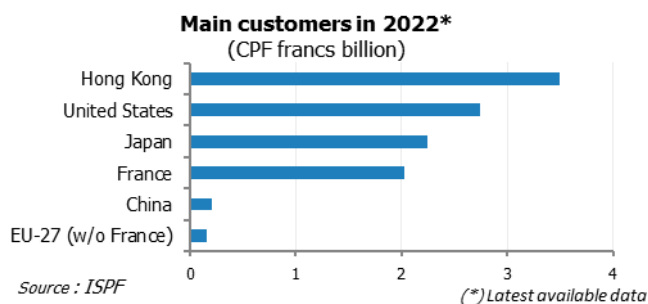
After a decade of moderate inflation, consumer prices surged by 8.5% year-on-year in 2022, strongly affected by international tensions (rising commodity prices, supply-chain disruptions, the war in Ukraine, etc.). Once these pressures eased, the consumer price index (CPI) increased by 0.6% in 2023.

A structural trade deficit

The geographical isolation of French Polynesia and the small size of its domestic market limit opportunities for economies of scale and for local production substituting for imports. Structurally in deficit, the real trade balance (excluding re-exports and exceptional imports) stood at –CFP 225 billion in 2023, compared with –CFP 182 billion in 2019, prior to the health crisis.



As the country's main trading partners, European countries – led by France – together with China and the United States, account for more than half of French Polynesia's external trade.



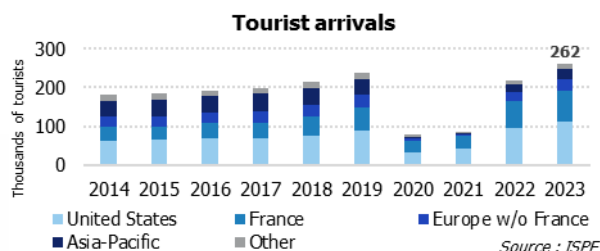
Main sectors

The Polynesian economy relies primarily on the tertiary sector, which accounts for more than 80% of value added. Non-market services represent around one third of total value added. The contribution of the primary sector (3%) and the secondary sector (12%) to wealth creation remains more limited.

Tourism

Tourism is the leading source of export revenue of French Polynesia. After the 2008–2012 downturn, tourist arrivals grew at an average annual rate of 6.3%, before being divided by three during the Covid years.

Tourist activity then rebounded strongly, reaching an all-time record of 262,000 visitors in 2023.



The main source markets for French Polynesia are the United States (43% of total arrivals in 2023), Europe (41%), including France (30%), and the Pacific region (9%), mainly Australia, New Zealand and New Caledonia.

Imports (CFP francs million)	2023	Share
Intermediate goods	53,507	23 %
Agri-food industry products	53,628	21%
Capital goods*	45,616	20 %
Consumer goods	36,402	16%
Energy products	33,204	10%
Automotive industry products	2,200	9 %
Agricultural, forestry and fishery products	4,325	2 %
Total	247,884	100 %

Sources : customs, ISPF (*Excluding exceptional imports)

Exports* (CFP francs million)	2023	Share
Pearl products	17,914	53 %
Fish	2,295	19%
Copra oil	340	7 %
Vanilla	560	6 %
Noni	198	5 %
Monoï	254	3 %
Mother-of-pearl	166	2 %
Other	827	6 %
Total	22,553	100 %

Sources : Douanes, ISPF *) Hors réexportations

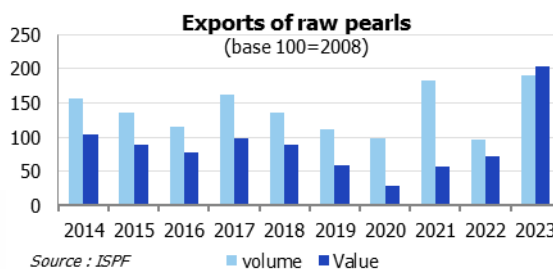
The services trade balance is traditionally in surplus, driven by tourism and air transport. After being impacted by the health crisis in 2020 and 2021, it returned in 2022 to a largely positive balance of CFP 56.5 billion, comparable to the pre-Covid level (CFP 55 billion in 2019).

One in five tourists visits as part of a cruise, one in ten for visiting friends and relatives tourism, while the remainder stay in hotels and similar accommodation

The pearl farming sector

Pearl farming, the country's second-largest source of foreign exchange earnings, was severely affected by the health crisis, in addition to pre-existing structural difficulties (overproduction, quality issues, marketing constraints, etc.).

The temporary suspension of pearl taxation, introduced to support the sector, led to a large-scale clearance of low-quality stocks in 2021.

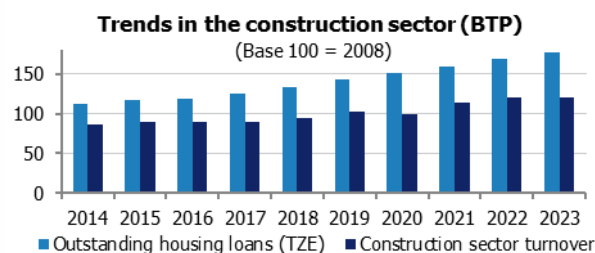


In 2023, exports doubled in volume (17 tonnes) and tripled in value (CFP 17 billion) compared with the previous year, driven by exceptionally strong demand.

The secondary sector

The secondary sector accounted for 18% of total turnover declared for VAT purposes and 16% of salaried employment in 2023. After being affected by the 2008–2012 recession and then by the health crisis, the sector was impacted by post-Covid inflation in raw material and intermediate goods prices. The construction sector index recorded an average increase of 11.8% in 2022, followed by 5.7% in 2023.

The construction sector was also affected by weak public procurement and lower household investment. In 2023, public expenditure effectively disbursed amounted to CFP 12.2 billion, down 20% year-on-year (CFP 15.2 billion in 2022) and 5% lower than in 2019 (CFP 12.9 billion).



Sources : IEOM, ISPF

Financing of the economy

Three banks (Banque Socredo, Banque de Tahiti and Banque de Polynésie), two payment institutions (Marara Paiements and EGPF-NiuPay), three finance companies (Ofina, BPCE Lease Tahiti and Sogelease BDP) and the Caisse des Dépôts et Consignations (CDC) operate in French Polynesia. Mainland French financial institutions (AFD, CASDEN, CAFFIL and Dexia Crédit Local), as well as the European Investment Bank (EIB), also carry out activities remotely, without local branches. The local financing landscape is further supplemented by SOFIDEP (loans to SMEs), as well as by Adie and Initiative Polynésie, which provide microcredit and interest-free loans.

Monetary and financial indicators

	2014	2023	T CAM ⁽¹⁾
Broad money M3 (billion F CFP) end-of-year	407	722	6,6%
Non-performing loans (%)	12,8	2,6	-
Number of inhabitants per bank branch	4 235	2 050	-7,7%
Number of inhabitants per ATM	1623	1557	-0,5%
Number of bank accounts per inhabitant	1,42	1,38	-0,3%
Number of bank cards per inhabitant	0,72	0,96	3,2%

Source : IEOM

(1) Average annual growth rate

Over the decade, the stock of performing loans held by Polynesian banks increased at an average annual rate of 4.9%. They have almost succeeded in reducing their stock of non-performing loans by two-thirds (CFP 19 billion in 2023 compared with CFP 52 billion in 2014), which had accumulated during the 2008–2012 crisis, through loan sales to specialised companies and by streamlining their recovery procedures.

The renewed economic momentum following the Covid-19 crisis boosted performing loans, which rose by 8.1% year on year at end-2023, while portfolio quality remained sound, with the gross non-performing loan ratio declining to 2.6%.

Corporate sector indicators

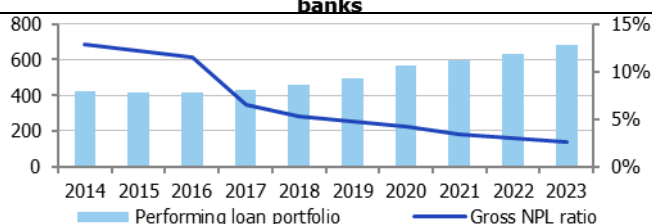
	2014	2023	T CAM ⁽¹⁾
Corporate lending rates (Q4):			
- Overdrafts (%)	5,54	5,87	0,6%
- Equipment loans (%)	4,38	3,8	-1,6%
Financial assets (end-of-year, billion F CFP)	116	205	6,6%
Bank credit outstanding (billion F CFP) end-of-year (*)	157	316	8,1%
Including housing loans	42%	37%	-
Including consumer loans	45%	49%	-
Gross NPL ratio – local credit institutions, end-of-year (%)	19,9	3,2	-

Source : IFOM

(*) établissements de crédit locaux et hors zone d'émission

(1) Taux de croissance moyen/an

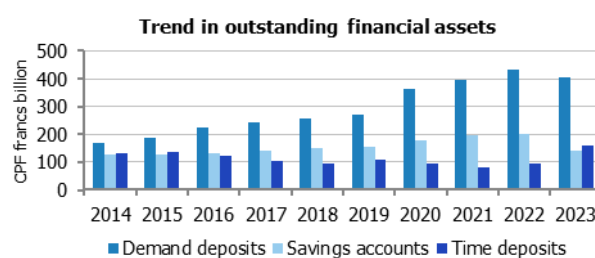
Trend in the outstanding loans granted by local banks



Source : IEOM

Between 2013 and 2023, outstanding financial assets held by economic actors increased by an average annual rate of 4.9%. The low interest rate environment observed until the first half of 2022 favoured demand deposits, which accounted for 52% of total assets in 2022 compared with 32% in 2013, to the detriment of interest-bearing investments such as time deposits (11% compared with 24%).

The subsequent increase in policy rates led to new portfolio reallocations towards time deposits, which represented 20% of total financial assets in 2023.



Source : IEOM

Household sector indicators

	2014	2023	T CAM ⁽¹⁾
Household lending rates (Q4) :			
- Overdraftst (en %)	11,65	11,32	-0,3%
- Mortgage loans (en %)	3,74	3,41	-1,0%
Financial assets (end-of-year, billion F CFP)	382	531	3,7%
Bank credit outstanding (end-December, billion F CFP)	277	382	3,6%
Including housing loans	66%	71%	-
Including consumer loans	30%	23%	-
Gross NPL ratio – local credit institutions, end-of-year (%)	8,2	2,4	-

Source : IEOM

(*) établissements de crédit locaux et hors zone d'émission

(1) Taux de croissance moyen/an