

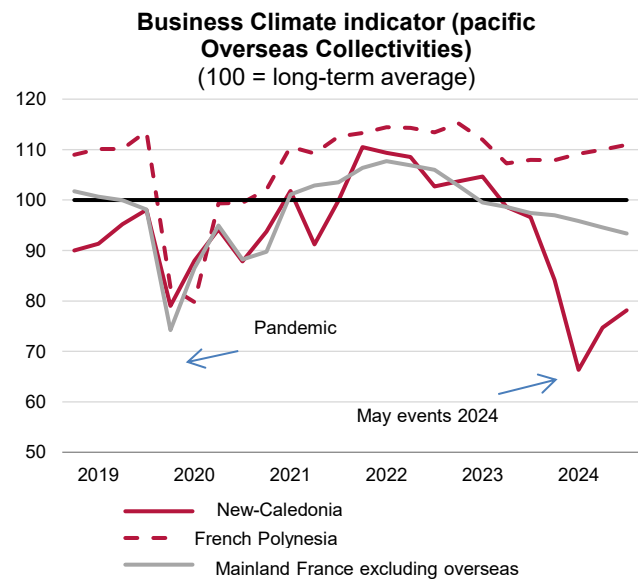
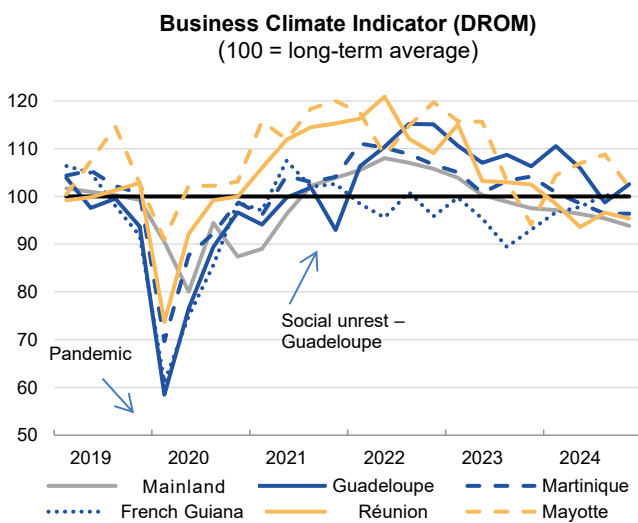


ECONOMIC CONJUNCTURE

Economic conjuncture in 2024 and outlook for 2025 in the French Overseas Territories

The French overseas territories have not been spared by the succession of shocks that have affected the global economy in recent years. In addition to the consequences of the 2020 health crisis and Russia's invasion of Ukraine in 2022, uncertainty stemming from erratic US trade policy emerged at the beginning of 2025. These territories have also been impacted by their own structural vulnerabilities of an economic, social, political or geophysical nature: protests against the high cost of living in Martinique; cyclones Chido in Mayotte and Belal and Garance in Réunion; and insurrectionary riots in New Caledonia, among others.

Business sentiment points to stalled conjuncture in most territories



Sources: IEDOM, IEOM, Bank of France

After four atypical years marked first by the health crisis and then by the economic rebound and high inflation, 2024 broadly marked a return to a more normal conjuncture configuration. However, local situations remained highly contrasted across the French overseas territories.

In Mayotte, following the end of 2023, which had been disrupted for more than two months, conjuncture prospects improved significantly in 2024, driven by renewed optimism among business leaders. This improvement was nevertheless abruptly interrupted by the passage of cyclone Chido in mid-December 2024, which dampened expectations at year-end.

In Réunion, the business climate indicator (BCI) remained below its long-term average throughout the year. Business leaders reported weak activity across all sectors, while persistent uncertainty continued to weigh on investment decisions.

In Martinique, business sentiment was also pessimistic. The BCI declined over the year, reflecting sluggish activity. This deterioration intensified at the end of 2024 due to disruptions linked to the social movement against the high cost of living.

In Guadeloupe, business leaders remained relatively more optimistic, benefiting from lower operating costs and shorter payment delays. Nevertheless, concerns emerged regarding the deterioration of activity, particularly in the construction sector, the agri-food industry and trade.

In French Guiana, 2024 was marked by a gradual improvement in conjuncture. The BCI increased steadily over the year, returning to its long-term average, driven mainly by the construction and industrial sectors.

In Saint-Pierre-and-Miquelon, household consumption remained resilient and continued to support activity in the main sectors of the economy. The fisheries sector recorded a particularly strong year, while tourism benefited from the expansion of cruise activity, reaching a record level of visitor numbers.

In French Polynesia, tourist arrivals reached a new record in 2024. Business confidence remained strong,

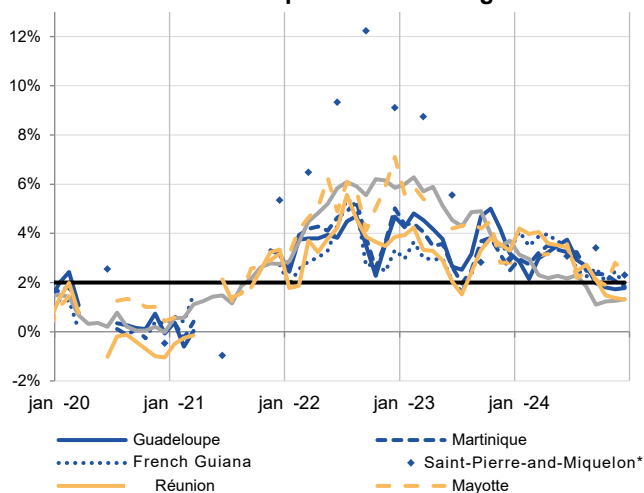
with the BCI staying well above its long-term average throughout the year.

In New Caledonia, conjuncture deteriorated sharply in 2024. Against a backdrop of severe difficulties in the nickel sector already present at the end of 2023, the insurrectionary riots of May 2024 triggered an unprecedented economic shock. All sectors were affected, and business leaders reported major difficulties across all dimensions (activity, cash flow, employment and investment). The BCI collapsed to its lowest level on record in the second quarter of 2024 and struggled to recover in the second half of the year amid persistent uncertainty.

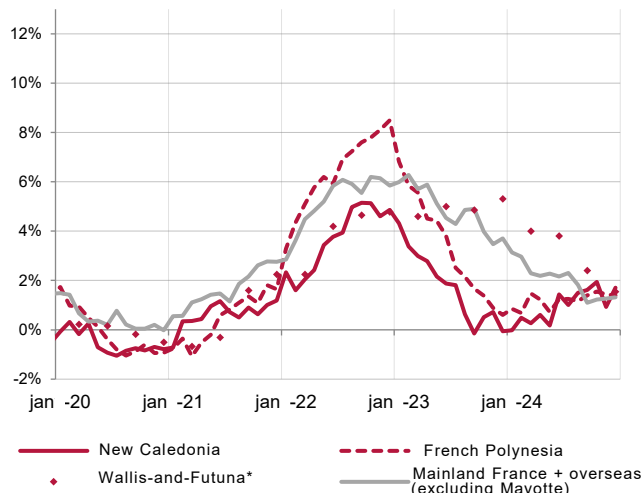
In Wallis and Futuna, economic activity continued to expand in 2024 in a context of slowing inflation. Employment improved slightly in both the public and private sectors.

Inflation declined across all overseas territories

Consumer Price Index in euro-area overseas departments and regions¹



Consumer Price Index in the Pacific overseas collectivities



* In Saint-Pierre-and-Miquelon and Wallis and Futuna, the consumer price index is calculated on a quarterly basis.

Note: In the absence of systematic price surveys linked to the health crisis, the CPI series are incomplete in 2020 and 2021 for certain territories. Latest data point: December 2024.

Sources: INSEE, Prefecture of Saint-Pierre-and-Miquelon; Insee; ISPF; STSEE

Inflation in the French overseas territories maintained its downward momentum in 2024. After reaching 2.6% year on year in December 2023, it stood at 1.6% at the end of 2024, compared with +1.3% for mainland France and the overseas departments as a whole.

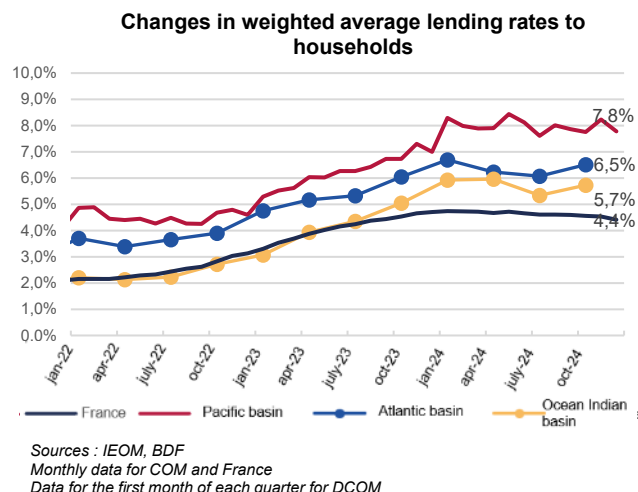
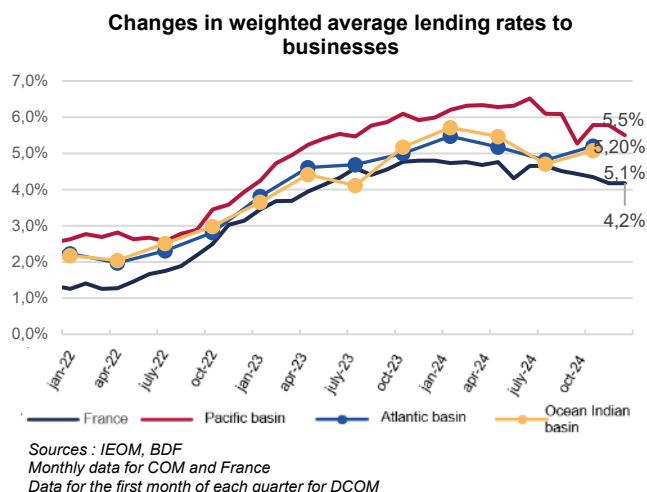
In the French Caribbean departments, although inflation slowed sharply compared with the previous year, food and energy prices remained the main contributors to inflation in 2024. The Indian Ocean territories displayed relatively similar characteristics. Energy prices declined in Réunion, while energy prices continued to rise in Mayotte, at a sustained pace, but at a lower level than in 2023. It should be noted that the passage of cyclone

Chido in Mayotte and cyclone Garance in Réunion led to increases in food prices during the first months of 2025.

Inflation remained contained in French Polynesia and New Caledonia, following the decline observed in 2023. Food prices, whose decrease had contributed significantly to the slowdown in inflation in both territories in 2023, stabilised in French Polynesia and increased in New Caledonia, where the spring 2024 riots reignited inflation that had been subdued for several quarters. Inflation slowed in Wallis and Futuna, although food and energy prices remained on an upward trend.

¹ Euro-area Overseas departments and collectivities

A slight easing in the cost of credit following the decline in policy rates²



After an upward trend since the second half of 2022, lending rates to businesses and households reached a peak in 2024, before beginning to ease slightly for certain categories of credit.

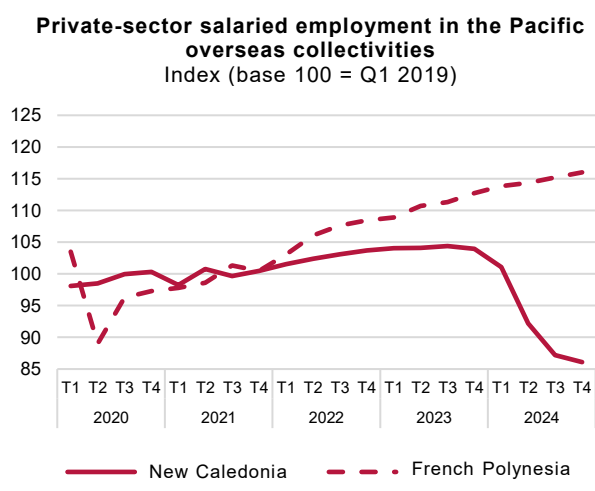
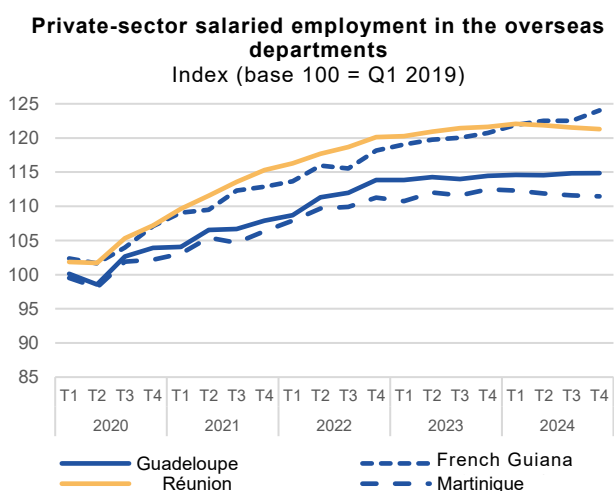
Lending rates applied to businesses and households in the French overseas territories are generally higher than those observed in France as a whole. This differential can partly be explained by higher structural costs for banks operating in the Pacific basin, as well as by differences in local economic structures. Over the past ten years, gaps with mainland France have gradually narrowed, particularly during 2022–2023, when lending rates reached their lowest levels. While differentials persist between the euro-area overseas departments and

collectivities and mainland France, they are mainly attributable to overdraft rates. Excluding overdrafts, the gap in lending rates between the euro-area overseas departments and collectivities and mainland France remains limited.

As a consequence of the easing of monetary conditions by the European Central Bank (ECB) in 2024, growth in lending rates in the euro-area overseas departments and collectivities generally paused.

Similar developments were observed in the Pacific overseas collectivities, in connection with the decline in IEOM policy interest rates.

A near-generalised slowdown in employment in the overseas departments, while the situation is highly contrasted in the Pacific



² Methodologies relating to the cost of credit published by IEDOM and IEOM are available in the IEDOM and IEOM – Lending rates publications.

In 2024, the slowdown in job creation observed in 2023 was confirmed in many overseas territories. Private-sector employment remained stable year on year in Réunion and Guadeloupe, and declined slightly in Martinique (-1%). French Guiana (+2.8%) and French Polynesia (+2.9%) stood out, driven in particular by strong demographic growth in French Guiana and robust tourism performance in French Polynesia. In New Caledonia, under the combined effects of the crisis in the nickel sector – which had already led to a significant reduction in employment from the first quarter – and the May riots, private-sector employment collapsed in 2024: over one year, one in six salaried jobs disappeared. In the fourth quarter, the decline in employment continued, although it appeared to begin easing.

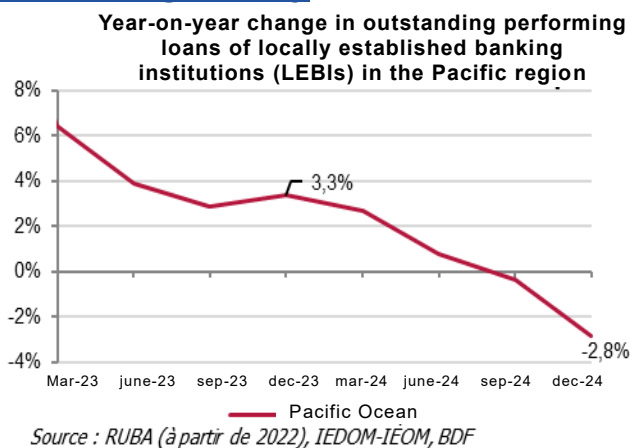
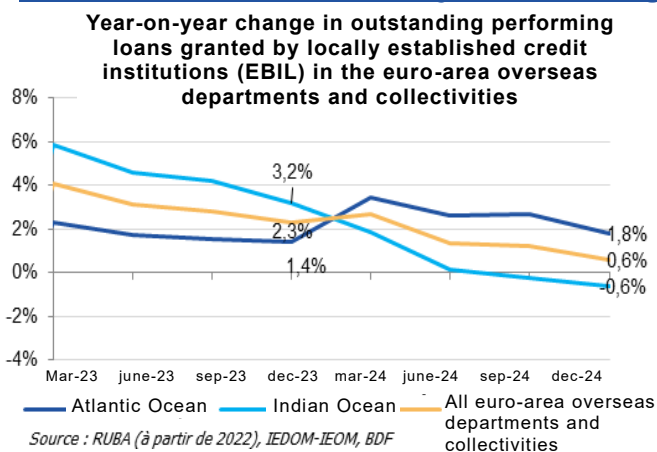
The construction sector was the main contributor to the slowdown observed in Réunion and the French Caribbean, with employment in this sector declining by 6% and 4% respectively. By contrast, construction activity remained very dynamic in French Guiana (+5%). In the accommodation and food services sector, employment increased in French Guiana (+6% of salaried employment) and in Réunion (+3%). Employment

remained stable in Guadeloupe and declined in Martinique (-2%).

In the Pacific region, the situation was highly contrasted. French Polynesia recorded employment growth across all sectors, with the exception of industry, which posted a limited decline of 1%. In New Caledonia, the 2024 riots and the nickel crisis resulted in significant job losses across all sectors: employment in industry, notably affected by the closure of the Northern plant in the third quarter, declined by 27%; one in ten jobs disappeared in services, the territory's largest employer; and employment in construction fell by nearly 30%.

Unemployment in the overseas territories remains significantly higher than in mainland France, with the unemployment rate exceeding 10% in almost all territories. In 2024, with the exception of Martinique, unemployment declined across all overseas departments. For the fourth consecutive year, the unemployment rate decreased in French Polynesia, reaching the national level (7.5%). Saint Pierre and Miquelon continued to record a very low unemployment rate, at around 3%.

A subdued economic conjuncture weighs on banking activity



In 2024, banks in the French overseas territories faced a subdued economic conjuncture. Business climate indicators were poorly oriented in most territories. Nevertheless, some positive signals emerged: inflation continued to slow and the European Central Bank (ECB) initiated a reduction in policy rates as early as summer 2024, contributing to a decline in lending rates. In this context, credit activity in the euro-area overseas departments and collectivities continued to grow, driven by investment.

At 31 December 2024, outstanding performing loans granted in the euro-area overseas departments and collectivities by all banking institutions (whether locally established or not) amounted to EUR 61.9 billion.

Locally established banks accounted for 73% of total outstanding loans (i.e. EUR 45.1 billion) and saw their activity slow to +0.6% at end-2024 (after +2.3% in 2023). Growth in outstanding loans was observed mainly among banks operating in the Atlantic basin (+1.8%)³, while those established in the Indian Ocean overseas departments and collectivities (Réunion and Mayotte)

³ Guadeloupe, French Guiana, Martinique, Saint-Pierre-and-Miquelon, Saint-Martin and Saint-Barthélemy.

recorded a slight decline (-0.6%). In detail, investment loans (accounting for 41% of outstanding loans) continued to support credit dynamics within the local banking sector, with a renewed acceleration in growth, particularly in the fourth quarter of 2024 (+2.5% year on year). Outstanding loans increased both for businesses and households (+1.1%), albeit with differing dynamics. While credit activity gained momentum among businesses (+1.1% in 2024, after +0.5% in 2023), driven by investment loans, household lending recorded more subdued growth (+1.1%, after +2.5% in 2023), reflecting weak growth in housing loans and household consumption.

In the Pacific overseas collectivities, outstanding performing loans granted by locally established banking institutions (LEBIs) declined (-2.8% year on year in 2024, after +3.3% year on year at end-2023), amounting to CFP 1,838 billion. This development was mainly attributable to the sharp contraction observed in New Caledonia (-6.1%), linked to the consequences of the

riots and the nickel sector crisis. By contrast, credit activity in French Polynesia partially offset this impact at the regional level, with outstanding loans increasing by +2.6% year on year.

Across the Pacific region, the decline in outstanding loans was particularly marked for businesses: outstanding business loans (which accounted for 39% of outstanding performing loans at end-2024) fell by 4.8% year on year (after +3.9% in 2023). Outstanding household loans declined by 2.1% year on year. By nature, investment loans proved more resilient (-0.5% year on year at end-

2024, accounting for 36% of outstanding performing loans), while mortgage loans declined (-2.1% year on year at end-2024, accounting for 42% of outstanding performing loans), in line with economic activity in this segment.

In the euro-area overseas departments and collectivities, the doubtful loan ratio – i.e. credit risk – remained stable at 4.6% (+0.2 percentage points year on year). By contrast, it increased significantly in the Pacific overseas collectivities, in connection with the events in New Caledonia.

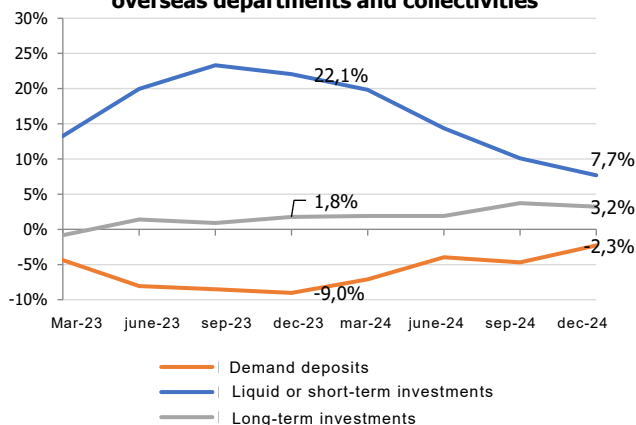
Economic agents' savings continue to grow in the euro-area overseas departments and collectivities, but stagnate in the Pacific region

As at 31 December 2024, deposits collected in the euro-area overseas departments and collectivities amounted to EUR 48.6 billion (+3.6% year on year). 92% of these deposits (EUR 45 billion) were held with locally established institutions, increasing by 1.9% year on year (after +1.3% in 2023). Economic agents continued to favour liquid or short-term investments (+7.7% year on year), which are more remunerative. However, this increase was less pronounced than in 2023 (+22.1% year on year). In 2024, renewed interest was also observed in long-term investments (+3.2%, after +1.8%), in connection with households' interest in life insurance contracts. Demand deposits continued to decline (-2.3%), notably for businesses (-4.2%) and, to a lesser extent, for households (-1.8%).

In the Pacific overseas collectivities, deposit collection remained stable year on year among locally established banking institutions (LEBIs) (+0.2% at end-2024, after -0.4% year on year at end-2023), amounting to CFP 1,692 billion. This overall stability masked contrasting trends across the two main markets in the region: deposits in French Polynesia (accounting for 49% of the region) increased slightly over the year (+2%), while deposits declined year on year in New Caledonia (-1.2% at end-December).

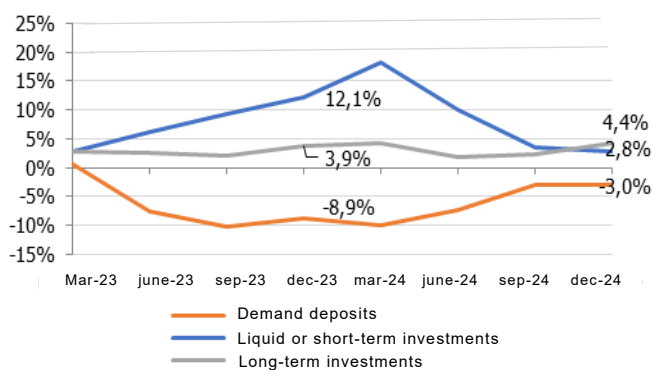
Within LEBIs, investments held outside the issuing area accounted for 18% of outstanding deposits at end-2024 and increased by 3.2% year on year.

Year-on-year change in EBIL deposit outstanding by type in the euro-area overseas departments and collectivities



Sources : SURFI, RUBA (from 2022), IEDOM, BDF

Year-on-year change in EBIL deposit outstanding by type in the Pacific region



Sources : SURFI, RUBA (à partir de 2022), IEOM, BDF

Strengthening attractiveness to address the challenges facing the overseas territories

In an uncertain international environment, 2025 is shaping up to be a contrasted year for the French overseas territories. In the short term, activity prospects remain unfavourable. In the first quarter of 2025, the business climate was poorly oriented in most territories. Martinique stood out as the only exception, with its business climate indicator (BCI) edging back slightly above its long-term average.

The overseas territories need to strengthen their attractiveness in order to reduce their vulnerability to shocks. Compensating for these vulnerabilities through fiscal and social transfers to households and businesses is not sufficient. A deep structural transformation now appears necessary. To this end, several avenues for improvement have been identified:

Enhancing competition: to limit the risks associated with insufficient competition and reduce barriers to entry, the Competition Authority recommends amending the Commercial Code with regard to the implementation of structural injunction powers, and introducing a new provision allowing sanctions to be imposed where an integrated operator discriminates against third-party customers in favour of its subsidiaries.

Reducing structural rigidities: the 'octroi de mer' system has been extended until 31 December 2027, despite the criticism it has attracted. In particular, the Competition Authority considers that it contributes to rigidities in goods and services markets. It remains necessary to give concrete form to the reform intentions expressed in 2023 by the Interministerial Committee for Overseas Territories, by examining options such as simplifying tax rates or reducing them for products for which no local equivalent exists.

Providing better support for businesses: overseas businesses report difficulties in carrying investment projects, linked to the multiplicity of public stakeholders, regulatory complexity and insufficient familiarity with regulations among project sponsors. The challenge lies both in simplifying administrative procedures and pooling businesses' requests. Moreover, excessive payment delays are not an inevitability in the overseas territories.

Focusing investment efforts on high-impact projects: port modernisation, the energy transition and food self-sufficiency are three areas in which investment can have a significant impact for these territories.

Overall, the overseas territories display relatively low levels of connectivity to major international markets. Strengthening port connectivity would provide broader access to regional and international markets and help lower transport and transaction costs, by reducing transshipment operations and increasing competition on certain routes.

The overseas territories possess significant assets for the production of decarbonised electricity (solar, geothermal, wind or biomass). Increasing the use of renewable energy sources is not only a matter of decarbonising electricity generation; it would also help reduce dependence on imported fossil fuels.

Local production remains insufficiently developed for most agricultural and agri-food products. The objective of food self-sufficiency, pursued since the Overseas General Assembly (2009), remains far from being achieved, despite successive plans and a system of public support.

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