

ECONOMIC CONJUNCTURE

The economy of French Polynesia in 2024

A satisfactory outcome amid a climate of confidence

In French Polynesia, business confidence remained strong in 2024, as reflected in the business climate indicator (ICA), which stayed well above its long-term average throughout the year. The labour market remained dynamic, while inflation slowed markedly, helping to strengthen household purchasing power.

These favourable results were driven mainly by tourism, with French Polynesia recording a new visitor attendance record. In addition, activity in the construction sector benefited from the organisation of the surfing events of the Olympic Games.

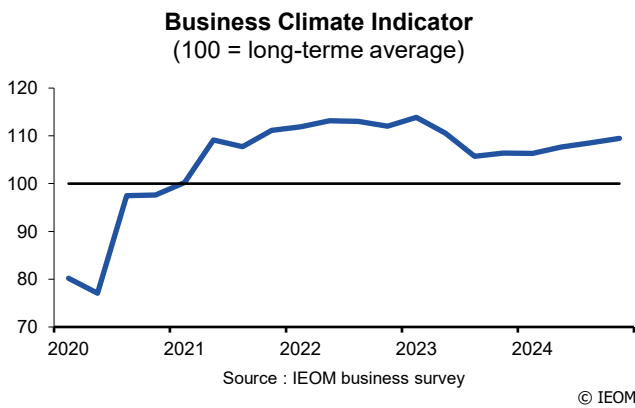
By contrast, banking activity eased after a particularly buoyant year in 2023.

Looking ahead to 2025, the optimism that still prevailed at the end of 2024 has given way to concerns related to recent announcements of sharp increases in tariffs.

A climate of confidence in 2024

Favourable economic conditions

The business climate indicator (BCI), which has remained above its long-term average since the end of the Covid-19 crisis, did not weaken in 2024, reflecting the resilience of economic activity in French Polynesia.

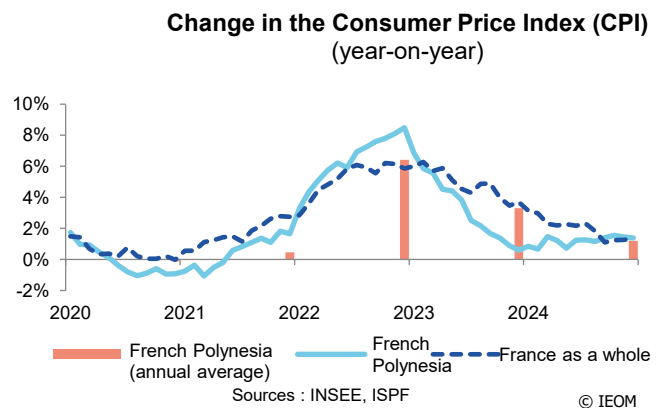


Businesses surveyed over the year as part of the IEOM quarterly business survey reported satisfactory business conditions, which encouraged them to strengthen their workforce without significantly increasing operating costs. They were also able to consolidate their cash positions, supported by improved customer payment terms and the relative stability of their selling prices over the year.

A market slowdown in price growth

Inflationary pressures eased in 2024: the consumer price index (CPI) recorded an average increase of 1.2% over the year, following rises of 3.3% in 2023 and 6.4% in 2022.

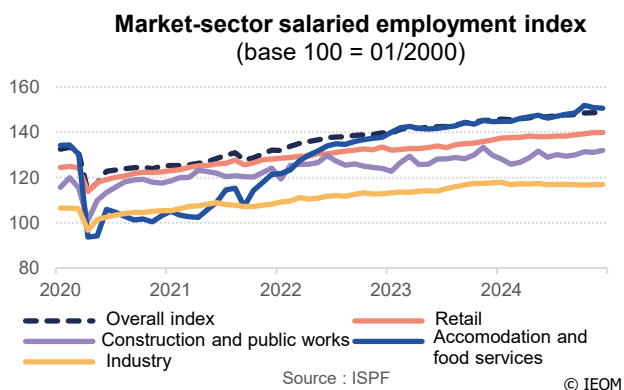
In December 2024, the CPI rose by 1.4% year-on-year, driven in particular by higher insurance premiums (+9.8%), accommodation and food services (+2.4%), transport (+1.1%) and housing-related expenditure (+2.4%). Food prices remained broadly stable (+0.1%), while prices for communications (-6.4%) and clothing (-5.5%) declined.



A dynamic labour market

According to the employment survey conducted by ISPF in the second quarter of 2024, the unemployment rate declined to 7.5%, down from 8.5% a year earlier, while the employment rate increased by 1.9 percentage points, reaching 57.7% (compared with 55.8% in 2023). Average salaried employment in full-time equivalent terms rose significantly, from 62,800 in 2023 to 64,700 one year later.

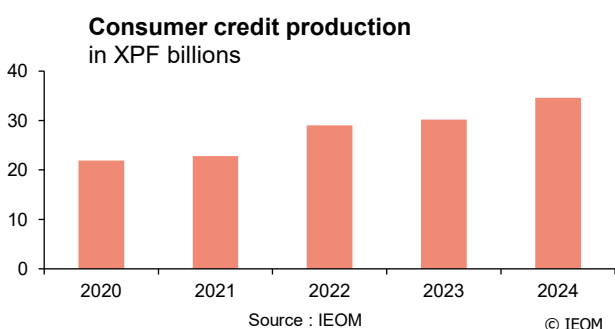
The average monthly number of job vacancies increased by 4% over the year, driven in particular by staffing needs related to the organisation of the Olympic Games events. At the same time, the number of end-of-month jobseekers declined by 7.7%, following a decrease of 16.8% in 2023.



In December 2024, the market-sector salaried employment index increased by 2.4% year-on-year, slightly below its average over the previous five years (+2.6%). The strongest increases were recorded in accommodation and food services (+4.1%) and market services (+3.0%), while the industrial sector was the only one to post a decline (-0.6%).

Stable growth in household consumption

Overall, household consumption was supported by increased recourse to credit: consumer credit production rose by 15%, reaching XPF 34.6 billion in 2024, compared with XPF 30.2 billion in 2023.



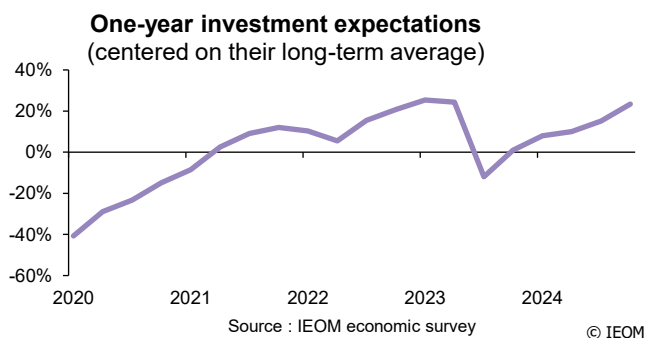
Driven by the return of the motor show, which had been suspended since the Covid-19 crisis, registrations of passenger cars reached 5,825 units in 2024, marking the best performance of the decade, following an exceptional year in 2023 (6,247 registrations).

Retailers participating in the IEOM quarterly business surveys also reported relatively stable activity, particularly in the second half of the year. This assessment appears to be corroborated by the modest

increase in imports of consumer goods, which rose by 0.4% compared with the previous year.

Private investment driven by businesses

Against a generally favourable economic backdrop, businesses reported positive investment intentions over a one-year horizon. This momentum is not fully reflected in equipment credit production: although sharply down year-on-year, at XPF 36 billion in 2024 compared with XPF 56.4 billion in 2023—a year marked by the completion of several large-scale projects—it nevertheless exceeded its 2022 level by 5% (XPF 34.4 billion).

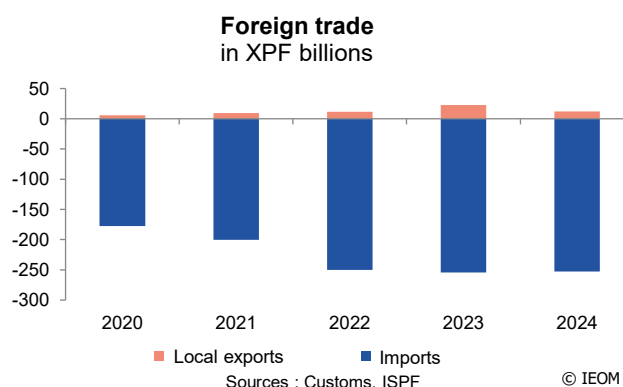


By contrast, households proved far more cautious. New housing loan applications totalled only XPF 30 billion, marking a second consecutive annual decline (-19% after -20% in 2023). Household real estate projects were discouraged not only by the limited supply of properties and land, but also by still-high construction costs and interest rates. Between end-2023 and end-2024, the weighted average interest rate on household housing loans increased by 16 basis points, while IEOM policy rates were reduced by 100 basis points.

A structural imbalance in external trade

Export revenues in French Polynesia, which had doubled in 2023 (XPF 22.6 billion compared with XPF 11.7 billion in 2022) following the unexpected and short-lived success of Tahitian pearls in the Chinese market (see below), fell back to XPF 12 billion in 2024.

At the same time, imports declined only marginally, by 1% (XPF 252.6 billion compared with XPF 254.1 billion in 2023), bringing the import coverage ratio back to 5%, the same level as in 2022 (after 9% in 2023).



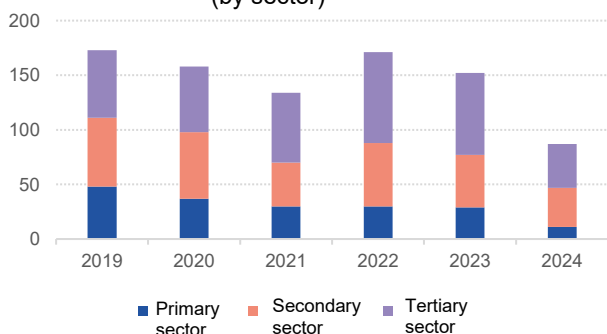
A favourable year for construction and tourism

Sound business conditions

The solid level of business activity in French Polynesia is reflected in the credit ratings assigned by IEOM: in 2024, 59% of the companies analysed were granted a favourable rating, unchanged from 2023 and above the pre-Covid level (55% in 2019).

In addition, the number of business failures declined sharply over the year, falling by 42% (92 failures in 2024 compared with 158 in 2023). Fewer than half concerned the tertiary sector, despite the fact that it accounts for three quarters of active businesses.

Business failures
(by sector)



Source : IEOM

© IEOM

According to provisional data drawn from VAT returns, the overall turnover of businesses over the first nine months of 2024 (not adjusted for inflation) increased by 2% year-on-year. The most dynamic sectors were construction (+9%) and industry (+8%), while the tertiary sector recorded only a 1% increase.

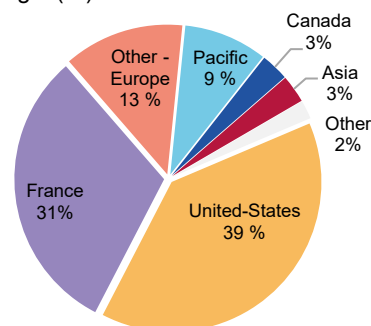
Tourism : a new record for visitor numbers

Setting a new record, tourist arrivals reached 264,000 visitors in 2024, i.e. 2,000 more than in 2023, driven by the strong momentum of the cruise sector. While the number of cruise passengers increased by 19% (52,000 compared with 44,000 in 2023), land-based tourism declined by 3%.

For the Polynesian hotel industry, this resulted in a decrease in the average occupancy rate by 5.6 points (67.6% compared with 73.2% in 2023). Hoteliers responding to the IEOM business survey reported a decline in activity but did not adjust their prices downward, thereby preserving their cash positions. As a result, the average revenue per available room stood at XPF 48,600 in 2024 (XPF 48,500 in 2023).

Most source markets strengthened, with the exception of New Caledonia (-24%), affected by unrest that began in May 2024, and the United States (-7%). Nevertheless, American visitors remained the leading customer base for Polynesian tourism, ahead of visitors from mainland France and other European countries.

Tourist arrivals in 2024
by origin (%)



Source : ISPF

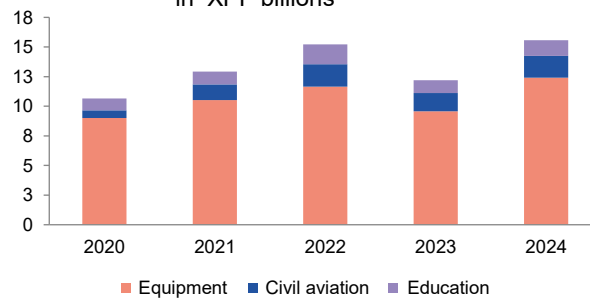
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The secondary sector

During the 2024 IEOM business surveys, business leaders in the secondary sector reported satisfaction with their level of activity, to the extent that they increased hiring to meet demand.

The construction and public works (BTP) sector benefited from a particularly favourable environment, driven by projects linked to the organisation of the Pacific Games in French Polynesia in 2027, the installation of two submarine cables by Google, as well as various public infrastructure projects (road and port works, etc.). In 2024, public-sector disbursements amounted to XPF 15.6 billion, exceeding by more than one quarter both their level in the previous year (XPF 12.1 billion) and the ten-year average (XPF 12.4 billion).

Public-sector disbursements
in XPF billions



Sources : DGEE, Directorate for Infrastructure, SEAC © IEOM

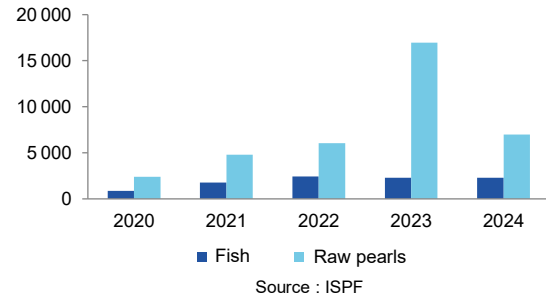
While the public works segment recorded a satisfactory year, the building sector suffered from weak real estate investment. The Polynesian Housing Office, the main provider of social housing, delivered only 311 housing units in 2024, compared with 447 in 2023 and 556 in 2022.

Primary sector

After an exceptional year, exports of Tahitian pearls declined by half in both volume and value. In 2024, they generated only XPF 7 billion in export revenue, compared with XPF 17 billion in 2023. Nevertheless, the average price per gram remained above XPF 800, a level not reached since 2008 (XPF 900), except in 2023 (XPF 1,000).

Export revenues from fish stabilised at XPF 2.3 billion, albeit with higher volumes (+2%). This lower level of revenue reflects an unfavourable catch composition, dominated by albacore tuna to the detriment of higher value-added species such as bigeye tuna and yellowfin tuna.

Exports : fish and raw pearls
in XPF billions



A slowdown in credit activity for Polynesian banks

Local banks, which benefited in 2023 from the strong performance of the Polynesian economy and rising interest rates, experienced a more subdued year in 2024, marked by a decline in credit production. As a result, a contraction of around 3% to 4% in the aggregate net banking income in Papeete is anticipated, amounting to XPF 27 billion, compared with XPF 28 billion in 2023.

Deposit inflows driven by households

In 2024, outstanding deposits reached XPF 838 billion, representing a year-on-year increase of 2.5%, driven by households. Household financial assets, which account for two thirds of total deposits, rose by 2.9%, while deposits held by businesses stabilised (+0.5%).

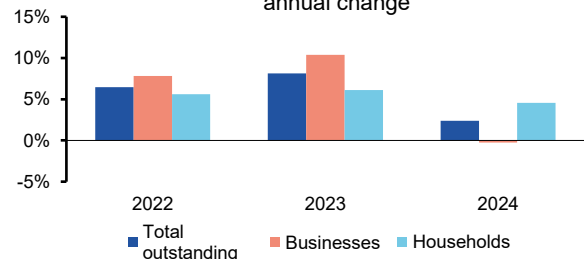
The still-elevated level of interest rates once again encouraged economic agents to favour time deposits, the outstanding amount of which increased by XPF 41 billion, to the detriment of sight deposits (- XPF 13 billion) and savings accounts (- XPF 12 billion).

As regards life insurance contracts, which represent the bulk of investments outside the issuing area, life insurance outstandings increased by 2.5% over the year.

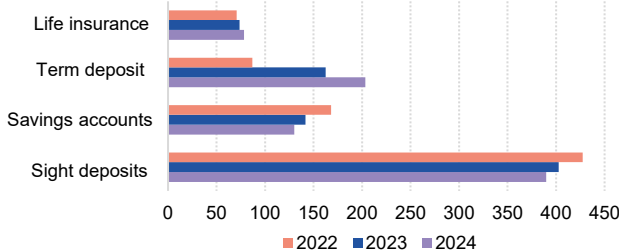
As a result, outstanding performing loans to businesses, which had increased by 10.4% the previous year, stagnated in 2024, impacted by the sharp contraction in new equipment loans (- XPF 21 billion compared with 2023).

By contrast, outstanding household loans maintained a solid growth momentum, rising by 4.6% in 2024 after +6.1% in 2023. Strong consumer credit production (+8.4%) offset the weakness in housing loan production (-20.3%).

Outstanding performing loans of local banks
annual change



Outstanding amounts of main assets as of 31 December
in XPF billions



A slowdown in credit activity

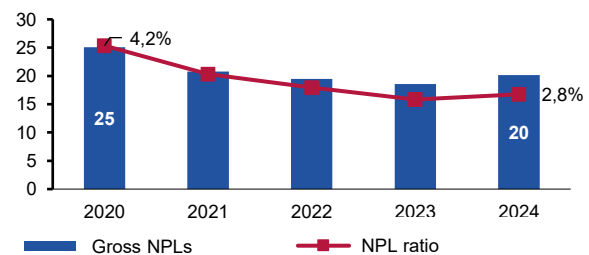
After a particularly buoyant year in 2023 (+8.1% year-on-year), the performing loan portfolio grew at a slower pace in 2024 (+2.4%). This slowdown was attributable to a decline in credit production of XPF 31 billion (XPF 137 billion compared with XPF 169 billion in 2023), which affected the main customer segments, particularly businesses (- XPF 26 billion).

Credit risk remains contained

At end-2024, gross non-performing loans (NPLs) increased by 8.7% year-on-year, reaching XPF 20 billion, mainly due to the downgrading of a single counterparty by all Polynesian banks.

As a result, the gross NPL ratio deteriorated slightly, rising from 2.6% at end-2023 to 2.8% one year later. At the same time, the provisioning ratio declined to 56.5%, compared with 57.8% at end-2023.

Gross non-performing loans of local banks
in XPF billions



Outlook for 2025

The forecasts formulated by business leaders surveyed in the fourth quarter 2024 business survey are broadly optimistic: they anticipate an acceleration in activity and appear willing to invest in 2025.

However, the outlook remains uncertain, due to geopolitical tensions and domestic political issues as the municipal elections scheduled for next March approach. In addition, the social climate remains fragile. The year 2024 was marked by strike action, with protests against the high cost of living featuring prominently. The walkout by civil servants at the end of the year, which ended in a

truce rather than a definitive agreement, could resurface in 2025.

Similarly, the economic policy pursued by the new US administration could negatively affect the Polynesian economy. Exports to the United States – although limited and mainly consisting of fresh fish – could be affected by higher tariffs. More broadly, a potential recession in the United States or a weakening of the US dollar could discourage part of the American tourists from travelling to French Polynesia, even though they currently represent the territory's main source market.

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