

Saint-Martin at a Glance

STRUCTURAL CHARACTERISTICS

Capital	Marigot
Surface area	56 km ² (excl. Sint Maarten – 34 km ²)
Geographical location	Antilles Arc - Paris at 6,700 km, New York at 2,700 km, Guadeloupe at 260 km
Languages spoken	French, English, Creole
Currency	Euro
Status	Overseas Territory (COM) and Outermost Region (OR)
National representation	1 MP, 1 senator, 1 representative at the Economic, Social and Environmental Council
State representation	Prefect

Historical milestones

The island of Saint-Martin lies in the north of the Antilles Arc, midway between Puerto Rico and Guadeloupe (260 km) and around 25 kilometres to the northwest of Saint-Barthélemy. The island is thought to have been discovered by Christopher Columbus during his second voyage to the Antilles on 11th November 1493, Saint-Martin's Day. It was successively occupied by the French, Dutch and Spanish. The Spanish left in 1648 and the island was taken over by the French and Dutch. On 13th March 1648, they signed a treaty to share the island (Mont Concorde Treaty), which defined the boundaries of their respective sovereignties. The island has since been divided in two, with free movement between the two parts: a Dutch part (Sint Maarten) in the south, with a surface area of 34 km², and a French part in the north covering 56 km², where the Prefecture of Saint-Barthélemy and Saint-Martin is located.

Saint-Martin's administrative status as a municipality of the department of Guadeloupe, in force since 1947, came to an end in 2007. Indeed, the process to change its status, which was set in motion by the islands of Saint-Martin and Saint-Barthélemy about ten years ago, culminated in the adoption on 21st February 2007 of a new status as an overseas territory (COM) following a referendum on 7th December 2003, approved by 76.2% of voters in Saint-Martin.

Institutional organisation

On 15th July 2007, the new territory of Saint-Martin was officially established with the creation of its regional council, comprising 23 members. Its institutions, which have been operational since 2009, also include a 7-member Executive Council and an Economic, Social and Cultural Council (CESC).

Saint-Martin is governed by the Organic Law of 21st February 2007 and exercises all the powers devolved to municipalities, departments and regions, as well as those that the State has transferred to it. The new territory is now responsible for taxation, road transport, seaports, road systems, tourism, the territory's land rights, access to work for foreigners, but also has competences for urban planning, construction, housing, energy and for setting up and organising services and public institutions. It may also adapt laws and regulations related to land in the public domain and education. However, the State remains competent for criminal law, commercial law and monetary, banking and financial law, which is why a Prefect is appointed, representing the State and Government in the territories of the islands of Saint-Martin and Saint-Barthélemy. The new Prefecture, which is competent for the two territories, is located in Marigot (Saint-Martin) and has an office in Gustavia (Saint-Barthélemy).

The municipality establishes a budget with State support, which allows it to fully exercise its powers. In this respect, the introduction of the General Turnover Tax (TGCA) in August 2010 was a key step in strengthening the municipality's tax resources. It generated some EUR 6.5m in 2012.

At community level, Saint-Martin officially became an Outermost Region (OR) with the ratification of the Treaty of Lisbon, which came into force on 1st December 2009.

At national level, a seat in Parliament has been established for both islands, following a seat in the Senate, since the legislative elections in June 2012.

SLOWDOWN IN POPULATION GROWTH RATE

In 2010, the population of the French part of the island stood at 39,969 inhabitants, a 27% rise compared to 1999 and a 0.4% rise compared to 2009. The population of the Dutch part stood at 37,429 inhabitants, down 8.4% year-on-year. The average annual increase (+2.2%) over the decade is well below the high rate of the 1980s (+17.1%), which were marked by a very positive migratory balance. While the foreign community accounted for roughly 53% of the population in 1990, it fell to 35.3% in 2009, mainly as a result of immigration laws.

The population has remained very young as a result of the high level of natural growth: 37% of the population was under 20 in 2009, compared to 30% in Guadeloupe and 22% in Saint-Barthélemy. According to INED forecasts for 2030, the population is expected to remain young, despite the fact that the percentage of over 60 year-olds will double. Scenarios put the figure at between 45,000 and 61,600 inhabitants.

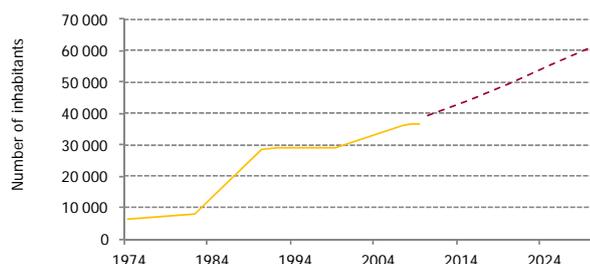
Population density in Saint-Martin stands at 697 inhabitants per km², which is higher than in Guadeloupe (247 inhab./km²) and Saint-Barthélemy (425 inhab./km²).

Demographic indicators	Saint-Martin	France ⁽¹⁾
Population (thousands, millions for France, at 01/01/2010)	36,969	65.8
Percentage of under 20s (2009)	37	24.7
Percentage of 20-59 year-olds (2009)	55	51.5
Percentage of aged 60 and older (2009)	8	23.8
Population density (inhab./km ² , at 01/01/2010)	697	115 ⁽²⁾
Annual average population growth rate (%)	2.2 ⁽³⁾	0.6 ⁽⁴⁾
Birth rate (for 1,000 inhabitants, 2012)	26.0 ⁽⁵⁾	12.6
Mortality rate (for 1,000 inhabitants, 2012)	3.2 ⁽⁵⁾	8.7

(1) At 01/01/2013, INSEE 2012 population survey; (2) Density of French population in 2011; (3) Between 1999 and 2010; (4) Average 2003-2013; (5) Data 2009.

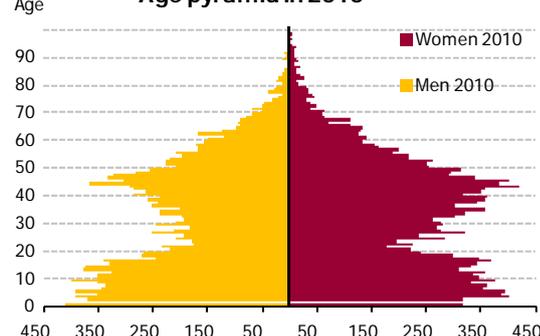
Source: INSEE.

Population by 2030



Source: INSEE, INED.

Age pyramid in 2010



Source: INSEE.

ECONOMY AT A GLANCE

To understand the issues relating to the economic and social development of Saint-Martin, it is necessary to take into account its territorial continuity with the Dutch part, which creates a highly competitive environment. Indeed, Sint Maarten is more attractive to businesses due to less restrictive regulations and lower operating costs and taxes. However, on the French side, the education and health system is of a better quality. A share of social payments and income generated by activity in the public and private sectors is spent in Sint Maarten, where the US dollar is the most commonly used currency, which benefits the economy of the Dutch part.

On 12th October 2010, France ratified the Franco-Dutch customs cooperation agreement in Saint-Martin in order to strengthen cooperation between the two parts of the island. A deliberating forum between the two parts of the island was also established in late 2011. This mixed commission aims to formalise relations between authorities in the areas of security, the environment, energy, waste processing, health, education and immigration.

Relatively low level of GDP per capita

An estimate of the GDP of Saint-Martin carried out in 2005 under the CEROM (Rapid Economic Accounts for Overseas Territories) partnership valued it at EUR 421m in 1999, *i.e.* almost EUR 14,500 per capita. This level is 39% lower than the national average at this date, 21% lower than the GDP per capita for the Dutch part (around EUR 16,500) and more or less the same as Guadeloupe. In 2009, a report by the Inspectorate General of Finance estimated GDP at EUR 560m and average GDP per capita at EUR 16,000, *i.e.* 12% less than in Guadeloupe.

Key economic indicators	Saint-Martin	Sint Maarten	France
GDP (billions of constant euros, 1999)	0.421 ⁽¹⁾	-	1,367
GDP per capita (euros, 1999)	14,500 ⁽¹⁾	16,500	22,664
Actual expenditure of the territory (EUR M, 2012)	132.8	-	-
Actual revenues of the territory (EUR M, 2012)	124.9	-	-
Debt of the territory (EUR M, 2012)	50.6	-	9 ⁽²⁾

(1) CEROM estimation, (2) Public debt notified or in the sense of Maastricht.

Sources: INSEE, Territory of Saint-Martin, CBS Labour Force Service Estimation.

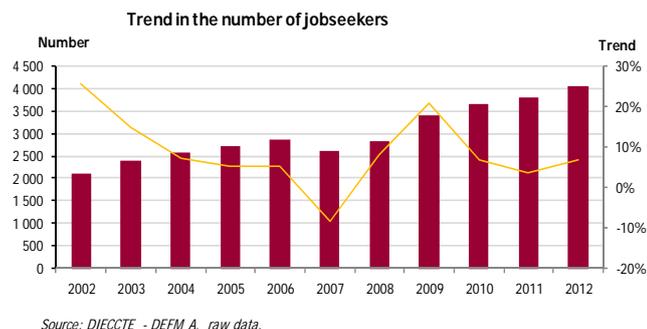
Unemployment double that of the Dutch part

The working population in Saint-Martin stood at 17,608 people in 2009 (against 24,344 in Sint Maarten). It represents 72.4% of the working age population, *i.e.* a slightly higher level than in mainland France (70.9%).

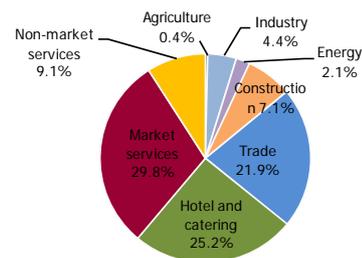
The number of people in employment in Saint-Martin stood at 12,920 in 2009 (73% of the working population). This percentage is 15 points lower than in the Dutch part at the same date.

The breakdown of employment is relatively similar to that observed in the Dutch part. In 2012, 64.1% of people in employment worked in the service sector, 21.9% in trade and 7.1% in the construction and public works sector

The unemployment rate stood at 26.6% in 2009 and was stable compared to 1999. In Sint Maarten, it was half this figure, 12.2% in 2009, but the comparison is difficult due, in particular, to extremely different employment and social protection regulations.

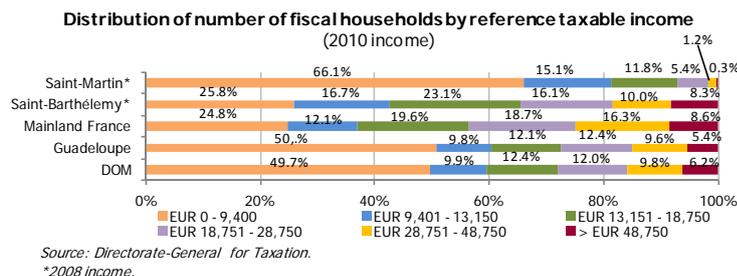


Breakdown of paid employment in Saint-Martin



Majority of low incomes

The distribution by household income bracket is quite different from mainland France and Saint-Barthélemy. In 2010, households with taxable income in the lowest bracket (below EUR 9,400) accounted for 66.1% of fiscal households. The highest brackets (above EUR 18,750) only represented 6.9% of the total, against 34.4% in Saint-Barthélemy, 27.4% in Guadeloupe and 43.6% in mainland France.



MAIN SECTORS OF ACTIVITY

Saint-Martin's economy used to be based on the exploitation of salt marshes and tobacco growing, then on cotton and sugarcane, but is today largely service-based and heavily dependent on tourism.

Key sector indicators	2012	Trend 12/06	2012	Trend (1) 12/06
Number of overnight hotel stays	272,000	-3.2% (1)	Inter-island traffic	141,913 -3.1%
Number of hotel rooms	1,678	0.4% (1)	Passengers at airport	201,219 2.3%
Occupancy rate	49.8%	-10.3 pts	Building permit requests	81 -12.1%
Number of cruise passengers	4,793	-9.7% (1)	Building permits issued	54 -14.2%

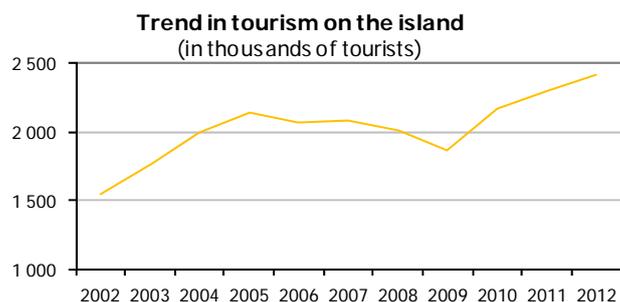
(1) Average annual growth rate.

Sources: Port of Marigot, Territory of Saint-Martin, Grand'Case Airport, Caribbean Tourism Organization (CTO).

Upturn in tourism losing momentum

The tourism industry, which benefitted from the opportunities created by the tax reductions of the 1980s, is one of the pillars of Saint Martin's economy. It comprises a number of activities, including the hotel and catering branch, which employed 1,424 people in 2010, i.e. 26.7% of the workforce, compared to 5.4% in Guadeloupe and 35.5% in Saint Barthélemy.

The island is mainly visited by a North American clientele and, to a lesser extent, European and South American tourists. Almost 90% of visitors are short-stay cruise passengers, who take advantage of the Phillipsburg duty free zone on the Dutch side.



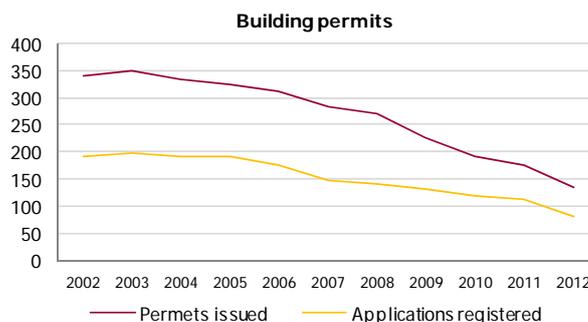
The cruise industry is the main pillar of the island's tourism development. It has developed significantly since the commissioning in 2000 of the island's only deep water port located in Phillipsburg, which has a capacity to moor cruise ships. As the Port of Marigot in the French part does not have the facilities to accommodate deep draught cruise ships, it has targeted a high-end clientele travelling on smaller vessels (100 to 360 passengers).

Tourism on the island of Saint-Martin developed more rapidly from 2000 onwards, with the expansion of the capacity of the port of Phillipsburg. It received 2.1 million tourists in 2005, but this figure subsequently fell and in 2009 was down 12.8% compared to 2005. There was an upturn in the number of tourist visits in 2010. In 2012, the number of visitors to the island reached the record level of 2.4 million visitors (against 2.3 million and 2.2 million in 2011 and 2010, respectively), i.e. a 27.2% increase compared to the 2009 low.

Construction industry struggling to keep going

Up until 2008, the island's population growth and economic development contributed to the growth of the construction and public works industry, despite substantial competition from companies established in the Dutch part.

Despite the lack of statistics, the available qualitative elements would appear to indicate a marked slowdown in activity in the sector, particularly since the end of 2008, in connection with the first signs of the crisis. The number of building permits issued by the territory fell 44.3% between 2009 and 2012, while outstanding real estate loans to companies only increased by 2.3% over the same period.



Source: Territory of Saint-Martin.

In 2012, the sector employed 7.1% of the workforce according to Unédic, down 0.3 points compared to 2010.

FINANCING OF THE ECONOMY

In 2012, there were 6 local credit institutions in Saint-Martin: 4 banks affiliated to the French Banking Association (AFB) and 2 mutual banks. These institutions have a total of 14 bank branches and employ 72 officers.

By way of comparison, the Dutch side has 11 credit institutions.

The equipment rate for bank branches and ATMs remained stable year-on-year.

Due to the worsening economic environment, there was a further decline in performing loans (-2.7% year-on-year) at the end of 2012. The growth rate for household loans (+3.3%) fell sharply (+8.6% in 2011) in connection with consumption financing losing momentum (+2.3% in 2012, against +10.8% the previous year). The trend for home loans does, nevertheless, remain positive: +6.7% year-on-year. However, outstanding loans to companies have decreased (-8.4%), reflecting the difficulties encountered by these economic actors.

At the end of 2012, the level of financial assets of Saint-Martin's economic agents returned to an upward trend. At EUR 266m, the outstanding amount rose by 3.2%, after a fall of 2.3% in 2011. The overall trend is mainly related to the dynamism of liquid or short-term investments (+7.1%, after +4.6% in 2011).

Business indicators	2012
Average cost of credit for businesses (%; Guadeloupe and North Islands, Jan. 2012)	5,3
Financial assets ⁽¹⁾ (EUR M)	145,0
Bank loans ⁽²⁾ (EUR M)	86,7
<i>incl. operating loans (%)</i>	11,6
<i>incl. investment loans (%)</i>	62,6
<i>incl. construction loans (%)</i>	25,8

(1) From local credit institutions, excl. La Banque Postale.

(2) Total lending from credit institutions, excl. La Banque Postale.

Source: Iedom.

Monetary and financial indicators	2008	2012
Number of inhabitants per bank branch	3,055	2,746
Number of inhabitants per ATM	1,666	1,326
Number of bank accounts per inhabitant	0.68	0.82
Financial assets of economic agents ¹ (EUR M)	209.5	266.0
Healthy outstanding credit of economic agents ² (EUR M)	185.7	198.7

¹ With local credit institutions, excl. La Banque Postale.

² Total lending from credit institutions, excl. La Banque Postale.

Source: Iedom.

Household indicators	2012
Financial assets ⁽¹⁾ (EUR M)	105.2
Bank loans ⁽²⁾ (EUR M)	104.6
<i>incl. consumer loans (%)</i>	18.4
<i>incl. home loans (%)</i>	81.6

(1) From local credit institutions, excl. La Banque Postale.

(2) Total lending from credit institutions, excl. La Banque Postale.

Source: Iedom.

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

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