

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 (OMR)
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 2011, the population of Saint-Martin stood at 36,992 inhabitants, *i.e.* 7,880 more people than in 1999. The population has increased by an annual average of 2.0% since 1999. The annual increase is well below the high rate of the 1980s (+17.1%). The high natural balance, which is due to a high fertility rate and low mortality rate, is the sole driver of population growth. While the foreign community accounted for roughly 53% of the total population in 1990, its share fell to 35.3% in 2010, mainly as a result of immigration laws.

The population has remained very young as a result of a high level of natural growth: 36.7% of the population was under 20 in 2010, compared to 29.4% in Guadeloupe and 20.3% in Saint-Barthélemy. According to INED forecasts for 2030, the population is expected to remain young, despite the fact that the proportion of over 60 year-olds will double. Scenarios put the figure at between 45,000 and 61,600 inhabitants.

Average population density stands at 698 inhab./km², which is higher than in Saint-Barthélemy (437 inhab./km²) and Guadeloupe (249 inhab./km²).

Demographic indicators	Saint-Martin	Mainland France
Population (thousands, millions for France, at 01/01/2011)	36,992	63.1
Percentage of under 24s (2011)	41.8	30.7
Percentage of 24-64 year-olds (2011)	53.0	52.4
Percentage of aged 65 and older (2011)	5.2	16.9
Population density (inhab./km ² , at 01/01/2011)	698	116 ⁽¹⁾
Average annual population growth rate (%)	2.1 ⁽²⁾	0.5* ⁽³⁾
Birth rate (for 1,000 inhabitants, 2010)	26.3 ⁽⁴⁾	12.3*
Mortality rate (for 1,000 inhabitants, 2010)	3.2 ⁽⁴⁾	8.7*

*Mainland France and overseas departments, excl. Mayotte

(1) Ratio between the population in mainland France in 2011 and its surface area (545,965 km²); (2) Between 1999 and 2010;

(3) Between 2006 and 2011; (4) Average 1999-2010

Source: INSEE; RP 2011, Use of main Civil Registry statistics.

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, which benefits the economy of the Dutch part where the US dollar is the most commonly used currency.

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

GDP per capita in Saint-Martin stood at EUR 14,700 in 2010, against EUR 14,500 in 1999. In 11 years, there has been little change in the GDP per capita due to the strong population growth of 27% (*i.e.* an annual average of +2.1% between 1999 and 2010). The average annual growth rate for GDP is estimated at 2.3%. GDP per capita in Saint-Martin is well below the national average (EUR 29,905 in 2010). It is at a lower level than in Guadeloupe (EUR 18,919) and Sint Maarten (EUR 16,000).

Key economic indicators	Saint-Martin	Sint Maarten	France
GDP (billions of constant euros, 2010)	0.544 ⁽¹⁾	-	1,946
GDP per capita (euros, 2010)	14,700 ⁽¹⁾	16,000	29,905
Actual expenditure of the territory (EUR M, 2013)	130.1	-	-
Actual revenues of the territory (EUR M, 2013)	124.4	-	-
Debt of the territory (EUR M, 2013)	52.5	-	8.5 ⁽²⁾

(1) CEROM estimation, (2) Public debt notified or in the sense of Maastricht in 2012 (% of GDP)

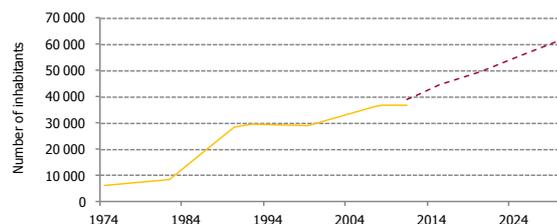
Sources: INSEE, Territory of Saint-Martin, IMF World Eco Outlook Database.

Unemployment double that of the Dutch part

According to INSEE,¹ the working population in the territory of Saint-Martin stood at 17,709 people in 2011. It represents 73.9% of the working age population, *i.e.* a slightly higher level than in mainland France (72.6%). Over the period 2003-2013, the number of jobseekers rose by an annual average of 6.0%. The unemployment rate stood at 30.5% in 2011, against 26.6% in 1999. In 2011, it stood at 22.7% in Guadeloupe and 8.6% in mainland France.

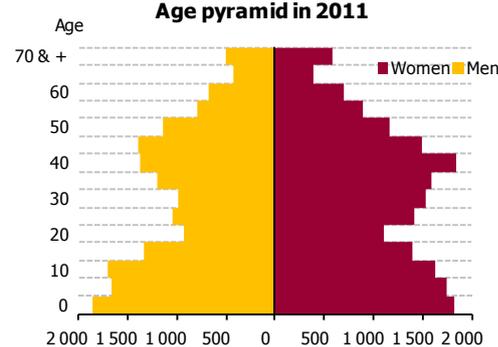
¹ INSEE: Use of main employment figures, working population RP 2011, employment survey in Guadeloupe, second quarter 2012, unemployment in mainland France since 1975 (excel series, figure in second quarter 2011, latest available data: second quarter 2014).

Population in 2030



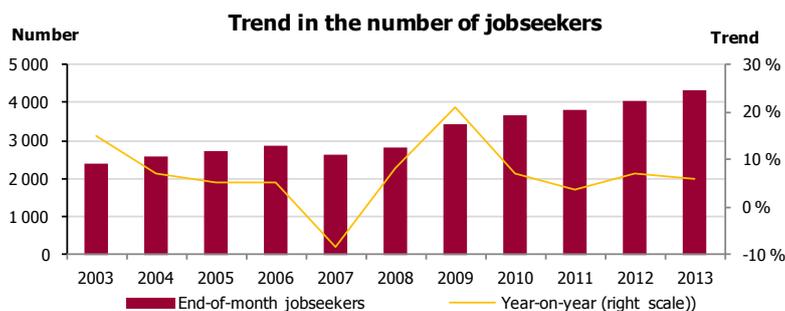
Sources: INSEE, INED (Saint-Martin Report, population projection 2010-2030).

Age pyramid in 2011



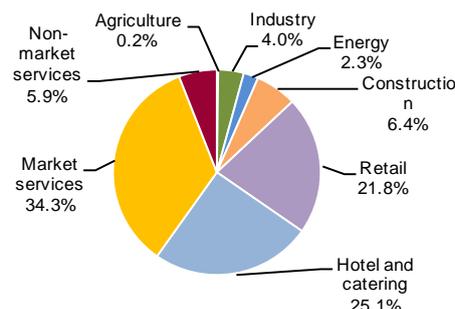
Source: INSEE.

In Sint Maarten, the unemployment rate in 2011 was 12%,² i.e. two times lower. The economic policies for employment and social protection are different on the Dutch side.



Source: DIECCTE - DEFM A, raw data.

Breakdown of paid employment in 2013

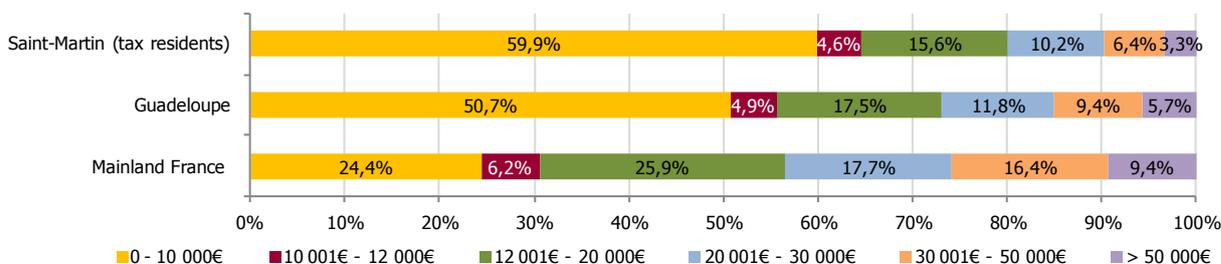


Source: Unédic, 2013 figures.

Majority of low incomes

The distribution by household income bracket for tax residents in Saint-Martin³ is quite different from mainland France. It is more similar to Guadeloupe and is characterised by a majority of low incomes. In 2011, 59.9% of tax residents in Saint-Martin declared a net taxable income of below EUR 10,000, against 50.7% of residents in Guadeloupe, and 24.4% of residents in mainland France. The category of fiscal households in Saint-Martin that declares an income of above EUR 30,000 only represents 9.9%, against 15.1% in Guadeloupe and 25.8% in mainland France.

Breakdown by reference tax income bracket at 31/12/2012 (2011 income)



Sources: Tax residents of Saint-Martin: Territory of Saint-Martin, data from tax returns made at 31st May 2014
Guadeloupe, mainland France: DGFIP.

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	2013	Trend 13/07	2013	Trend (1) 13/07
Number of overnight hotel stays	292,600	-2.3% (1)	Inter-island traffic	133,229 -5.8%
Number of hotel rooms	1,678	0.4% (1)	Passengers at airport	199,701 1.2%
Occupancy rate	53.6%	-6.5 pts	Building permit requests	101 -6.0%
Number of cruise passengers	5,161	-8.0% (1)	Building permits issued	59 -13.1%

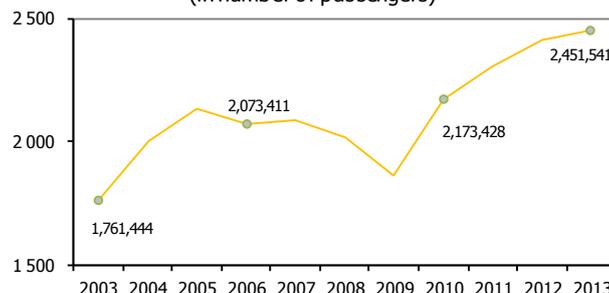
(1) Average annual growth rate.

Source: Port of Marigot, Territory of Saint-Martin, Grand'Case Airport, AHSM.

French side benefits little from dynamic tourist industry

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 1,482 people in 2013, i.e. 25.1% of the workforce, compared to 5.9% in Guadeloupe and 33.0% in Saint Barthélemy. The island is mainly visited by a North American clientele and, to a lesser extent, European and South American tourists. 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, which is located on the Dutch side and has a capacity to moor cruise ships. The island received 2.1 million tourists

Trend in visits to the island (in number of passengers)



Sources: Airports of Juliana and Grand'Case, Saint-Martin Tourist Office.

² Sint Maarten, 2013 Macro monitor, Outlook 2014.

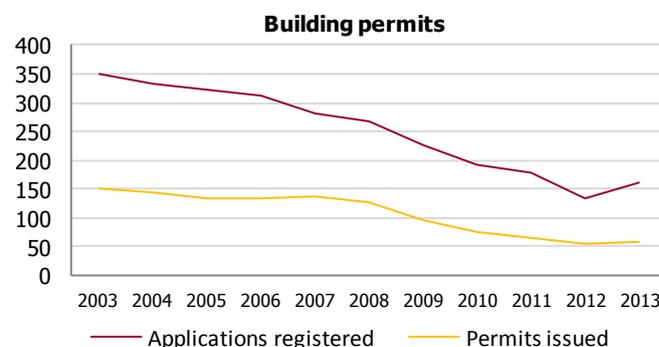
³ Tax residents in Saint-Martin are households established before 15th July 2007, as well as those established after this date but with at least 5 years of residence in the territory. These residents do not make a national tax return, but a tax return specific to regulations in Saint-Martin, which is recorded by the territory. State tax residents living in Saint-Martin are households established in Saint-Martin after 15th July 2007 who have not resided in the territory for at least 5 years. These residents make a national tax return, which is recorded (as is the case in mainland France and in Guadeloupe) by the Public Finances General Directorate (DGFIP).

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 2013, the number of visitors to the island reached the record level of 2.5 million, a figure up 1.5% (after +4.7% in 2012 and +6.1% in 2011). In 2013, almost three-quarters of visitors to the island were cruise passengers. The Port of Philipsburg on the Dutch side attracts almost all (99.7%) of the cruise activity. 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). Furthermore, out of the 667,000 visitors who arrived on the island by plane in 2013, 70% landed at Princess Juliana Airport in Sint Maarten. The number of visitors who arrived on the Dutch side accounted for some 90% of total visitor flows in 2013.

Difficult situation for construction industry

Up until 2008, the island's population growth and economic development contributed to growth in the construction 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 53.5% between 2008 and 2013. While the number of building permits rose by 9.3% in 2013, it only accounts for 58.6% of the number of permits registered (against 66.7% in 2012). Between 2008 and 2013, the outstanding amount for property loans to companies rose by 2.8%, and the outstanding amount for personal home loans by 27.5%.



In 2013, the sector employed 6.4% of the workforce according to Unédic, against 10.4% in 2009.

FINANCING OF THE ECONOMY

In 2013, 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 67 officers. The equipment rate for bank branches (14) and ATMs (29) remained stable year-on-year.

Between 2009 and 2013, the outstanding amount for performing loans rose from EUR 182.3m to EUR 194.9m, with an average annual growth rate of 1.7% over the period. In 2013, in an economic context that remained fragile, there was a decline in the outstanding amount for performing loans (-1.9%) for the third year in a row. There was a further decline of 4.7% in the outstanding amount for performing loans to companies (after -20.9% in 2011 and -8.4% in 2012) to EUR 82.6m at the end of 2013. While between 2009 and 2012 the outstanding amount for performing loans to households rose by an annual average of 7.4%, it fell by 1.4% in 2013 to EUR 103.1m.

Between 2009 and 2013, the level of financial assets rose from EUR 221.4m to EUR 288.6m, with an average annual growth rate of 6.8%. The financial assets of non-financial corporations and households rose each year over the period 2009-2013, except in 2011, when they fell by 3.0% and 0.9%, respectively.

Business indicators	2013
Financial assets ⁽¹⁾ (EUR M)	151.5
Bank loans ⁽²⁾ (EUR M)	82.6
<i>incl. operating loans (%)</i>	7.7
<i>incl. investment loans (%)</i>	65.8
<i>incl. property loans (%)</i>	26.5

(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	2009	2013
Number of inhabitants per bank branch	2,833	2,695
Number of inhabitants per ATM	1,473	1,301
Number of bank accounts per inhabitant	0.40	0.44
Financial assets of economic agents ¹ (EUR M)	221.4	288.6
Healthy outstanding credit of economic agents ² (EUR M)	182.3	194.9

¹ With local credit institutions, excl. La Banque Postale.
² Total lending from credit institutions, excl. La Banque Postale.
Source: Iedom.

Household indicators	2013
Financial assets ⁽¹⁾ (EUR M)	117.2
Bank loans ⁽²⁾ (EUR M)	103.1
<i>incl. consumer loans (%)</i>	18.9
<i>incl. home loans (%)</i>	81.1

(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 2013.

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Publication Director: Nicolas de SEZE - Editor-in-chief: J.-M. PAUGAM

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