

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	Delegated 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 before, 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 an 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 the municipality, department and region, 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 public services and 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 delegated 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 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 concerns all economic operations, sales and service provision carried out in the territory of the municipality of Saint-Martin and stood at 4% in 2014 (up 2 points compared to 2012). In 2014, this tax generated EUR 9m, *i.e.* a EUR 2.5m increase compared to 2012.

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

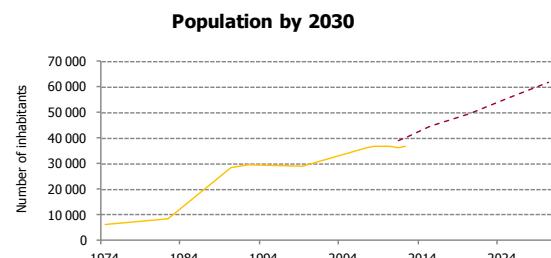
At national level, a seat in Parliament has been established for both islands, following a seat in the Senate, since the legislative elections in June 2012.

SLOWDOWN IN POPULATION GROWTH RATE

In 2011, the population of Saint-Martin stood at 36,287 inhabitants, *i.e.* 7,175 more people than in 1999. The population has increased by an annual average of 1.9% 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 33.5% 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: 27% of inhabitants were under 25 in 2011. The population is expected to remain young until 2030, despite a doubling of the share of people aged over 60.

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



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

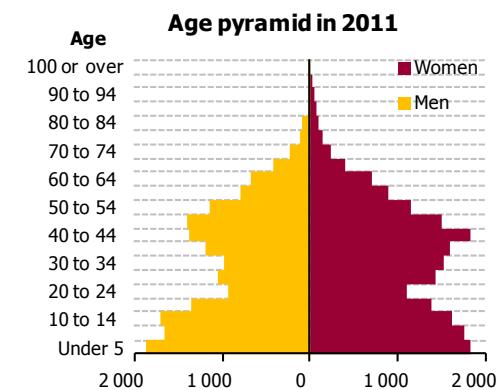
Demographic indicators	Saint-Martin	Mainland France
Population (thousands, millions for France, at 01/01/2011)	36,287	63.1
Percentage of under 25s (2011)	27.0	30.7
Percentage of 25-64 year-olds (2011)	63.6	52.4
Percentage aged 65 and over (2011)	9.4	16.9
Population density (inhab./km ² , at 01/01/2011)	698	116 ⁽¹⁾
Average annual population growth rate (%)	0.3 ⁽²⁾	0.5* ⁽²⁾
Birth rate (for 1,000 inhabitants)	17.6 ⁽³⁾	12.3*
Mortality rate (for 1,000 inhabitants)	2.6 ⁽³⁾	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

2006 and 2011; (3) Average 2006-2011

Source: INSEE; 2011 population census, use of main Civil Registry statistics.



Source : Insee, 2011 pop. census, exploitation of main data.

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 the 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. This process has been continued, with several cooperation meetings held in 2013 and 2014, which defined the conditions for effective cooperation and the priority areas.

Relatively low level of GDP per capita

GDP per capita in Saint-Martin stood at EUR 14,700 in 2010,¹ against EUR 14,500 in 1999. In 11 years, there has been little change in GDP per capita due to the strong population growth of 27% (*i.e.* an annual average of +2.1% between 1999 and 2010).

Key economic indicators	Saint-Martin	Sint Maarten	France
GDP (billions of constant euros, 2010)	0.544 ⁽¹⁾	-	1,946
GDP per capita (constant euros, 2010)	14,700 ⁽¹⁾	16,000	29,905

(1) CEROM estimation

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

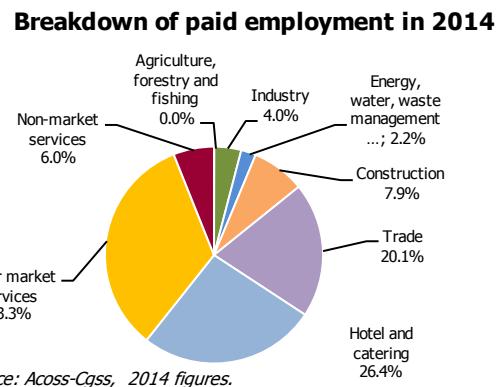
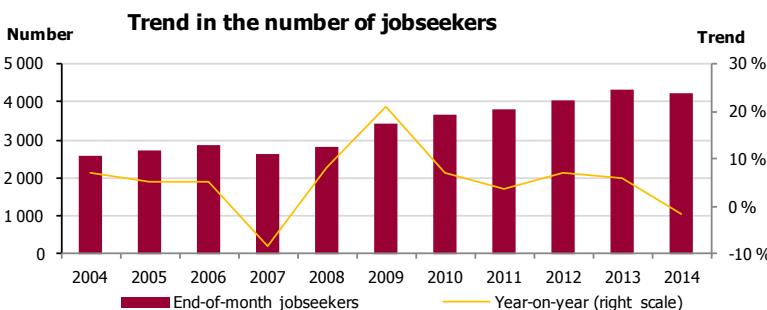
The average annual growth rate for GDP is estimated at 2.3%. GDP per capita in Saint-Martin is well below the national average (EUR 29,905 in 2010). It is at a lower level than in Guadeloupe (EUR 18,919) and Sint Maarten (EUR 16,000).

¹ CEROM Note, "Estimation of GDP per capita in Saint-Martin", October 2014.

Unemployment higher than in the Dutch part

According to INSEE,² 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 2003-2014, the number of jobseekers rose by an annual average of 5.1%. 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.

As the economic policies for employment and social protection are different on the Dutch side, the unemployment rate in Sint Maarten only stood at 12%³ in 2011, *i.e.* a rate 2.5 times lower than in Saint-Martin.



Majority of low incomes

The distribution by household income bracket for tax residents in Saint-Martin⁴ is quite different from mainland France. It is more similar to Guadeloupe and is characterised by a majority of low incomes. In 2012, 60.8% of tax residents in Saint-Martin declared a net taxable income of below EUR 10,000, against 50.3% of residents in Guadeloupe, and 23.9% of residents in mainland France. The category of fiscal households in Saint-Martin that declares an income of above EUR 30,000 only represents 9.6%, against 15.5% in Guadeloupe and 26.6% 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	2014		AAGR ⁽¹⁾ 04-14	2014		AAGR ⁽¹⁾ 04-14
	Number	AAGR ⁽¹⁾ 04-14		Number	AAGR ⁽¹⁾ 04-14	
Number of overnight hotel stays	297,000	-1.7%		Inter-island traffic	145,350	-2.2%
Number of hotel rooms	1,678	-4.2%		Passengers at airport ⁽²⁾	194,105	1.7%
Occupancy rate	54.0%	-1.8pts		Building permit applications	91	-7.1%
Number of cruise passengers	2,002	-15.8%		Building permits issued	63	-7.9%

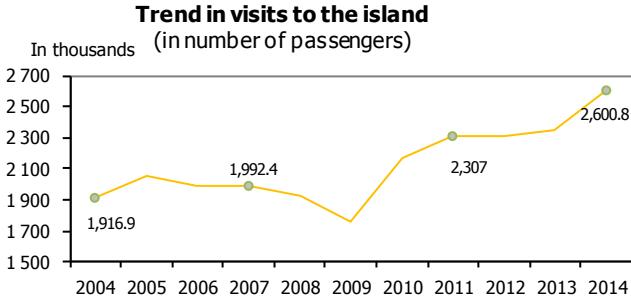
(1) Average annual growth rate. (2) Arrivals and departures

Sources: 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 1,613 people in 2014, *i.e.* 26.4% of the workforce recorded by Acoss-CGSS, the social security agency.

Over the past ten years, tourist visits to the island have increased by 3% a year. They have been badly disrupted by climate hazards, such as the cyclones in 1999 and 2000, the events of 11th September 2001, and the various international economic crises.



² INSEE: 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).

³ Sint Maarten, 2013 Macro monitor, Outlook 2014.

⁴ 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 2014, there were some 2.6 million visitors to the island. Clients are mainly North American and, to a lesser extent, European and South American. As the French part does not have appropriate port and airport facilities for mass tourism, it only receives 10% of visitors to the island.

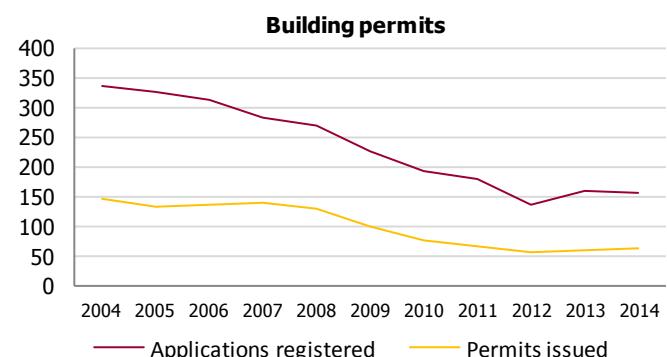
Almost three-quarters of visitors are cruise passengers. Sint Maarten, which has the island's only deep water port in Philipsburg, attracts nearly all the cruise activity (99.7%) on the island of Saint-Martin. The share of cruise passengers arriving at Marigot, in the French part, remains very marginal in total traffic. The port, which does not have the facilities to accommodate deep draught cruise ships, targets a high-end clientele travelling on smaller vessels (100 to 360 passengers). Furthermore, the activity remains more uncertain in the French part, which suffers from poor weather conditions (including strong swells), making it difficult to navigate around the quays.

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, and in a context whereby the municipality's financial scope of action has been considerably reduced since it changed status. In 2014, the Cité Scolaire school complex project launched by the municipality and certain private contracts gave some new momentum to companies in the sector, but it was not sufficient to regain the dynamism required for a recovery. The number of building permit applications registered by the municipality has fallen by 35.9% compared to 2008.

In 2014, the sector employed 7.9% of the workforce recorded by Acoss-CGSS, against 10.4% in 2009.



Source: Territory of Saint-Martin.

FINANCING OF THE ECONOMY

In 2014, there were six local credit institutions in Saint-Martin, including four banks affiliated to the French Banking Association (AFB) and two mutual and cooperative banks.

These institutions, which employ 66 officers, have a total of 14 bank branches and 29 ATMs.

Between 2010 and 2014, the outstanding amount for performing loans fell from EUR 221.2m to EUR 201.6m, with an average annual decrease of 2.3% over the period. In 2014, following three consecutive years of decline, the lending activity saw a return to positive growth (+3.5%). This improvement is attributable exclusively to the good performance of business loans (+10.6%, against -4.7% in 2013), which account for over 45% of outstanding amounts. Conversely, household loans (50.6% of performing outstanding amounts), which recorded an average annual growth rate of 2.3% between 2010 and 2014, have declined (-1.0%, after -1.5% in 2013). This is due to the combined decrease in consumer loans and home loans.

Between 2010 and 2014, financial assets rose from EUR 263.8m to EUR 320.8m, with an average annual growth rate of 5.0%. In 2014, corporate assets accounted for 55% of total assets and overnight deposits continue to be the main financial assets held by the municipality's economic agents (56%).

Business indicators	2014
Financial assets ⁽¹⁾ (EUR M)	175.2
Bank loans ⁽²⁾ (EUR M)	91.4
<i>incl. operating loans (%)</i>	6.1
<i>incl. investment loans (%)</i>	60.2
<i>incl. property loans (%)</i>	25.1

(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	2010	2014
Number of inhabitants per bank branch	2,845	2,654
Number of inhabitants per ATM	1,479	1,281
Number of current accounts per inhabitant	0.43	0.44
Financial assets of economic agents ¹ (EUR M)	263.8	320.8
Healthy outstanding credit of economic agents ² (EUR M)	221.2	201.6

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

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

Source: Iedom.

Household indicators	2014
Financial assets ⁽¹⁾ (EUR M)	127.9
Bank loans ⁽²⁾ (EUR M)	102.0
<i>incl. consumer loans (%)</i>	19.2
<i>incl. home loans (%)</i>	82.8

(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 2014.

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

Edited and printed by: IEDOM

Printed: September 2015 – Legal deposit: September 2015 – ISSN 1952-96