



Outlook for Saint-Pierre-et-Miquelon

STRUCTURAL CHARACTERISTICS

Contextual data

| | |
|-------------------------|--|
| Administrative capital | Saint-Pierre |
| Surface area | 242 km ² |
| Geographical location | Atlantic Ocean, 25 km southwest of Newfoundland, 4,300 km from Paris |
| Languages spoken | French |
| Currency | Euro |
| Status | Overseas collectivity |
| National representation | 1 deputy, 1 senator, 1 representative on the EESC |
| State representation | Prefect |

Historic milestones: a history linked to fishing

The territory of Saint-Pierre-et-Miquelon was discovered in 1520 by the Portuguese sailor José Alvarez Faguendes. Jacques Cartier took possession in 1535 in the name of Francis I. The archipelago was then christened Saint-Pierre-et-Miquelon. By turns a British then French colony, it became French for good in 1816.

The first true settlement, of French origin, goes back to the second half of the seventeenth century, the two islands serving as a base for Norman, Breton and Basque fishermen, who were whale catchers and cod fishers. The latter flourished after the second World War in particular, with the appearance of factory ships which transform and freeze the resource directly on board. Such intense industrial fishing led to the creation, in 1977, by Canada and then France, of exclusive economic zones (ZEE) of 200 miles. Territorial disputes were settled in 1992 by the court of arbitration of New York, which reduced the French ZEE to a narrow band of ocean to the south of the archipelago. The same year, faced with a reduction in cod resources, Canada imposed a five-year moratorium on cod fishing, which shook the archipelago's economy. The economic structure based on a single industry was called into question, trading progressively giving way to administrative services. Cod fishing would only resume in 1997, restricted by extremely strict quotas compared with past production. Authorised catches as well as their distribution were fixed by a bilateral agreement in 1994 between France and Canada.

The institutional framework: special status for the archipelago

Since 2003, Saint-Pierre-et-Miquelon has had the status of an overseas collectivity, governed by article 74 of the Constitution. The organic law of 21 February 2007, containing statutory and institutional provisions relating to overseas territories, gave Saint-Pierre-et-Miquelon its own special status.

The collectivity of Saint-Pierre-et-Miquelon comprises two communes (Saint-Pierre and Miquelon-Langlade) and a local Council. The communes of Saint-Pierre and Miquelon-Langlade have the same powers as a commune in mainland France.

The local Council of Saint-Pierre-et-Miquelon holds the powers of departments and regions in mainland France, with a few small exceptions (secondary schools, national highways, etc.). Furthermore, the local Council has tax raising, customs and planning powers.

Under community law, Saint-Pierre-et-Miquelon is considered to be an Overseas Country and Territory (PTOM) formed on the basis of an associative regime. In this respect, this archipelago is treated as a foreign territory which applies only part of community law, and this on the basis of an associative agreement. Due to its PTOM status, certain community level technical regulations are not mandatorily applicable, this having the benefit of facilitating commerce, in particular with the United States and Canada.

DEMOGRAPHICS

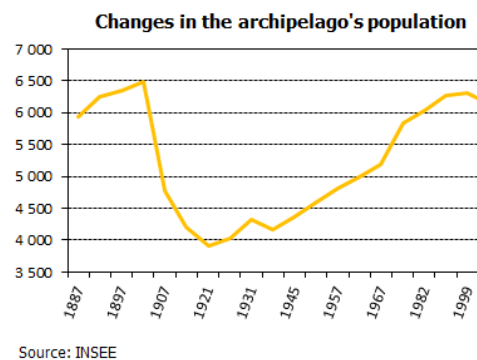
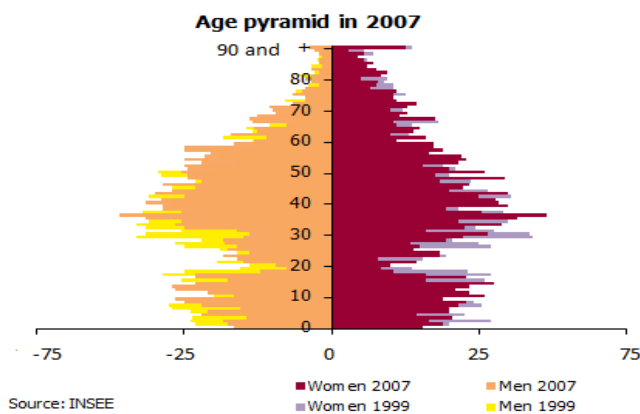
A declining population

6,125 inhabitants were counted at the time of the INSEE census in 2006. The fall of 200 inhabitants compared with the 1999 census particularly affected the commune of Miquelon-Langlade. This fall followed a stagnation of the population between 1990 and 1999, which had experienced continuous demographic growth since 1921. The archipelago suffered from a significant loss of young people heading off to study or to find their first job. The proportion of young people between 20 and 30 thus fell from 12.6 % in 1999 to 9.6 % in 2006.

Demographic indicators

| | |
|--|-------|
| Total population (2006) | 6,125 |
| Share of the - 20s (% , 2006) | 25 |
| Share of the + 60s (% , 2006) | 17.8 |
| Population growth rate (since 1999) | -3.0% |
| Active population | 3,194 |
| Number of category 1 DEFM (end-of-month job seekers) | 226 |
| Average household size | 2.4 |

Source: INSEE, Prefecture



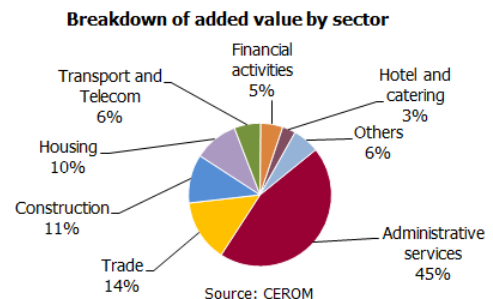
THE OUTLOOK FOR THE ECONOMY

The 2004 GDP of Saint-Pierre-et-Miquelon, evaluated within the framework of draft rapid economic accounts for Overseas Territories (CEROM), stood at 161.1 million Euros, that is to say a GDP per capita of 26,073 Euros, below the national average (30,368 Euros in 2009). The archipelago's economy is dominated by the tertiary sector (83%). Administration, commerce and construction make up two thirds of wealth creation. Administrative services alone (education, health, social action, administration) represent 39% of added value, that is to say almost two times as much as mainland France.

Main economic indicators

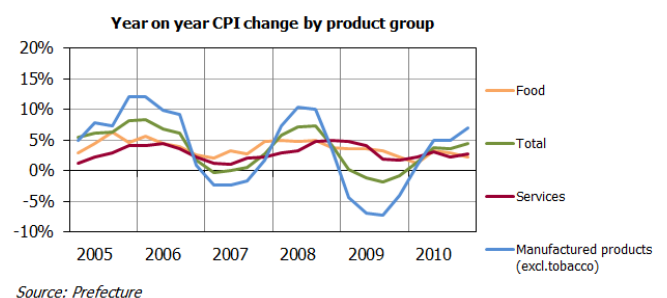
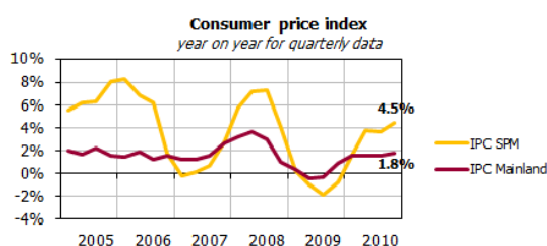
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|--|--------|
| GDP (2004, in millions of Euros) | 161.1 |
| GDP per capita (2004, in Euros) | 26,073 |
| Inflation rate (year on year at 31 December 2010, %) | 4.5 |
| Total actual imported goods (2010, in millions of Euros) | 70.8 |
| Total actual exported goods (2010, in millions of Euros) | 3.8 |
| Cover rate (2010, in %) | 5.4 |
| Average monthly unemployment rate (2010, in %) | 7.1 |
| Number of companies counted (2010) | 545 |
| Share of the public sector in GDP (2004, in %) | 39 |

Sources: CEROM, Prefecture, CACIMA, Customs Department and DCSTEP



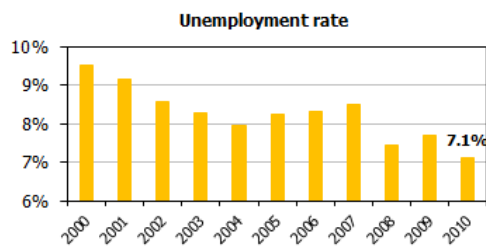
An extremely volatile price index

The price index in Saint-Pierre-et-Miquelon is much more volatile than that of the mainland. It is in fact highly dependent on the exchange rate of the Canadian dollar (the great majority of consumer products being imported from Canada) and the price of diesel and fuel (significant weighting in household consumption).

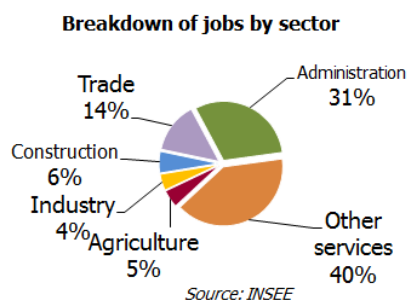


Jobs concentrated in the services sector

Employment was affected drastically by the sudden cessation of cod fishing. The economy became highly service based, and the tertiary sector represented 86% of jobs in 2006, against 72% in 1992. The employment market is characterised by its highly seasonal nature, linked to the vagaries of the climate. This leads to a rise in job seekers and recipients of RMI benefits during this period. Nevertheless, over the last few years, the initiation of several public projects has made it possible to reduce the number of job seekers.



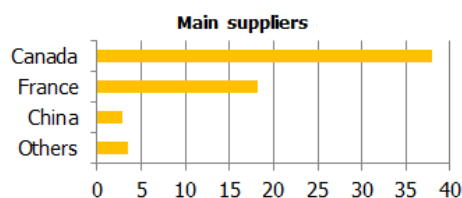
Source: DCSTEP



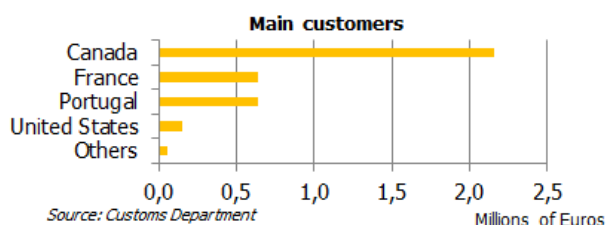
Source: INSEE

A trade gap suffering from a structural deficit

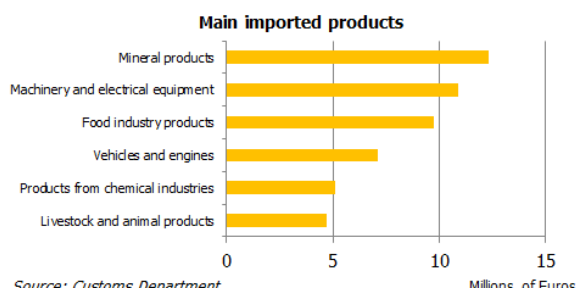
The archipelago having little domestic production, it is highly dependent on foreign supplies. Due to its geographical proximity, Canada is the main supplier, with 53% of the total value of imports. Exports mainly comprise fishing products, with the main customer being Canada, making North America the archipelago's main market.



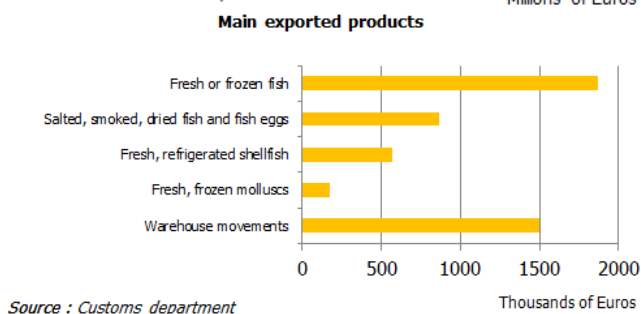
Source: Customs Department



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Source: Customs department

AN ECONOMY DOMINATED BY THE TERTIARY SECTOR

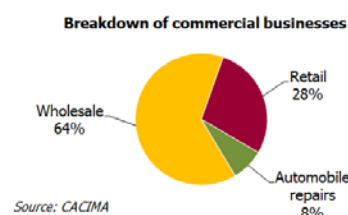
The archipelago's main activities are administrative services, Building and Public Works and trade (67% of value creation). The local economy is characterised by a significant fabric of cottage industries, representing over a quarter of companies counted.

Sectoral Indicators

| | 2010 | Annual change |
|---|--------|---------------|
| Tourist arrivals | 12,322 | 4.7% |
| Number of companies | 545 | 3.2% |
| <i>o/w cottage industries</i> | 152 | 2.0% |
| Electricity consumption (in MWh) | 42,431 | 1.6% |
| Small scale fisheries catches (in tonnes) | 2,043 | 16.0% |
| Industrial fisheries catches (in tonnes) | 1,080 | 0.7% |

Dynamism of local trade, despite a limited market

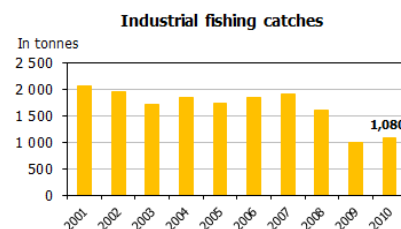
The trade sector makes a significant contribution to economic activity (14% of wealth creation). Over the last few years, several business developments of over 400 m² have been developed, added to which is a relatively dense fabric of small businesses. Businesses on the archipelago have to deal with numerous limitations such as the contraction of the market or competition from mail order selling and the market in Newfoundland.



Source: CACIMA

The fishing sector facing difficulties

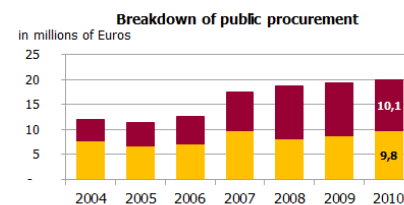
Fishing has long been the main source of the archipelago's wealth, but the extension of Canada's exclusive economic zone (ZEE) to 200 marine miles to the detriment of the French ZEE has had an impact on the archipelago's fishing sector. Furthermore, quotas assigned according to species and fishing zones (French, Canada...) have been declining since the moratorium. Two types of fishing co-exist in Saint-Pierre-et-Miquelon: small scale fishing, whose season runs from April to November, and industrial fishing, which takes over the baton between November and March.



Source: DTAM

The importance of public procurement to construction

The Building and Public Works sector has been a significant driver of the local economy since the decline of the fishing industry. Works carried out under public procurement contracts have almost doubled over the last five years.



Source: DTAM

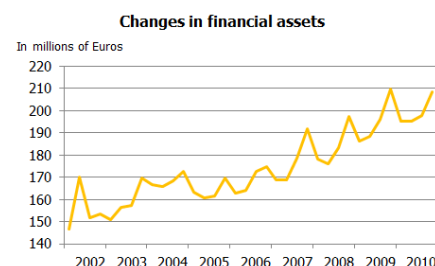
FINANCING OF THE ECONOMY

General data

Five credit establishments are established on the archipelago: two commercial banks (Banque de Saint-Pierre-et-Miquelon and the Banque Postale), a mutual savings banking (Caisse d'Epargne Ile-de-France), a financial company (the Coopérative Immobilière des îles Saint-Pierre-et-Miquelon) and a specialist financial institution (the French Development Agency).

The stabilisation of financial assets

Total financial assets stood at 208.5 million Euros at the end of 2010, o/w almost three quarters were held by households. For the first time the amount of assets underwent a slight annual downturn (-0.6%), due mainly to the contraction of business and household sight deposits (-19.6% and -6.7%) as well as short term investments by households (-9.9%), putting an end to continuous growth over five years of savings by economic players. Half of assets comprise liquid or short term investments, sight deposits and long term savings representing 37% and 14%.



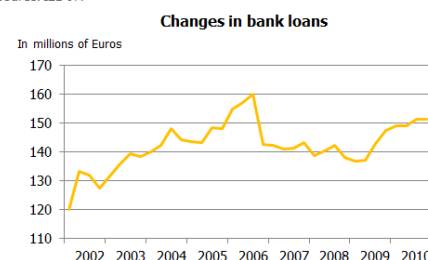
Source: IEDOM

A new increase in bank loans

Gross outstanding loans to the economy grew 3% to exceed 151 million Euros.

Healthy household debt continued to grow, exceeding 79 million Euros at the end of 2010 (+5%). Outstanding housing loans, which represents 83% of total household debt, is the main factor being this change (+ 6 %). Furthermore, consumer credits fell again (+2% over a year).

Healthy business debt grew 2% over a year, reaching 35 million Euros despite a slowdown in the growth of loans. Investment loans fell around 3%, a figure not seen since Q4 2008. The growth in loans is therefore exclusively due to the rise in operating credits (+14%).



Source: IEDOM

Finally, the gross rate of bad debts fell for the fourth year in a row, to total 7.4%, that is to say the weakest level observed since 2005.

| Bank loans to the economy (in €M) | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 |
|-----------------------------------|-------|-------|-------|-------|------|------|
| Companies: | 37.5 | 30.3 | 35.2 | 31.9 | 34.3 | 35.0 |
| o/w Operating credits | 20.6 | 15.3 | 19.2 | 16.1 | 6.1 | 6.9 |
| o/w Investment credits | 16.1 | 14.5 | 15.6 | 15.4 | 28.3 | 27.5 |
| Households | 66.8 | 69.5 | 67.0 | 69.9 | 75.6 | 79.4 |
| o/w Consumer credits | 7.4 | 9.2 | 8.9 | 10.1 | 13.4 | 13.7 |
| o/w Housing credit | 55.3 | 58.0 | 57.1 | 59.1 | 62.1 | 65.6 |
| Local collectivities | 23.9 | 28.8 | 23.0 | 19.6 | 23.7 | 24.9 |
| o/w Operating credits | 2.6 | 4.7 | 2.4 | 0.6 | 1.1 | - |
| o/w Investment credits | 16.8 | 20.3 | 17.4 | 16.1 | 20.2 | 22.5 |
| Other agents | 1.8 | 1.7 | 0.5 | 0.7 | 0.5 | 0.9 |
| Gross bad debt rate | 12.2% | 12.8% | 12.1% | 11.7% | 8.9% | 7.4% |

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