

The economy of Martinique in 2011 Modest growth with insufficient job opportunities

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The economy of Martinique has been fragile since the 2009 social crisis which had a lasting impact on the confidence of economic agents. Recovery continued in the 2011, however growth was subdued and unable to keep unemployment in check.

The business climate indicator was stable and business well-oriented. Investment forecasts were no longer in decline at the end of the year however they remain cautious. Finally, the uncertain local and economic context has led business leaders to put off major investments.

Household consumption has remained steady but were weakened by a deteriorated employment situation and consumers tended to adopt cautious behaviour.

There was considerable diversity in economic activity depending on the sectors. Whereas the year was difficult for the primary sector, the construction industry grew but remained below the pre-2009 crisis level. The business sector remained steady and the hotel and tourism sector improved.

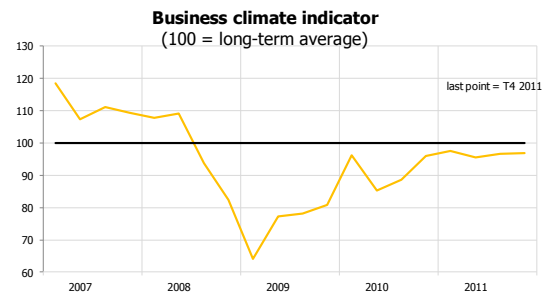
At the same time, banking exposures continued to increase at a slower rate whereas the rate of doubtful debts trended downwards.

2010 RECOVERY CONTINUES IN 2011

Stable business climate

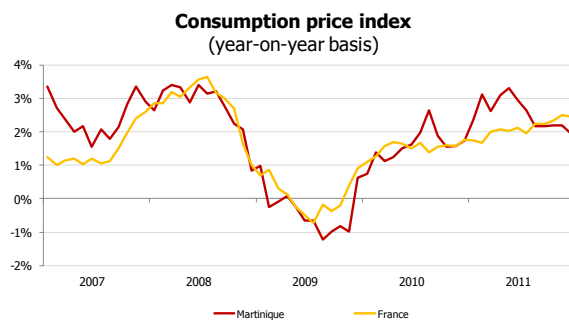
The business climate indicator remained stable throughout the year at a level slightly below its long-term average.

This resistance stems from the favourable trend of the activity which saw an upturn at the end of the year in particular in the construction, tourism and business services sector.



Source: IEDOM economic survey

Moderate price increase



Source: INSEE

The consumption price index rose 2.0% in 2011 at a rate that was more modest than for the whole of France (2.5 %).

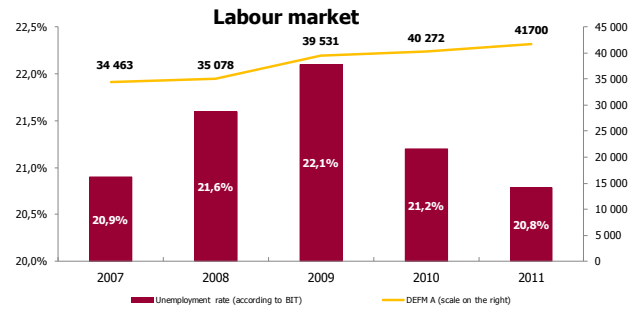
More than half of this trend stemmed from the increase in energy prices. Excluding energy, the consumption prices rose 1.1% over a year. Services were the second largest contributor to the price increases. Outside of energy and services, prices increased 0.5% over a year.

Increase in unemployment

Unemployment increased despite the improved economic trend.

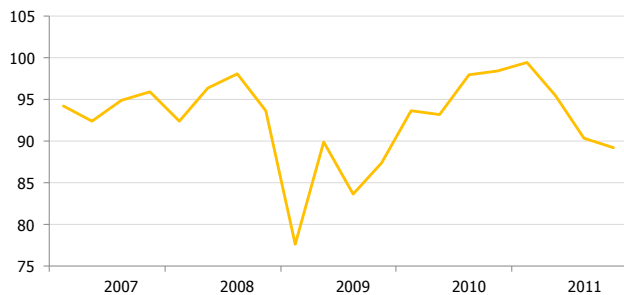
The number of job-seekers rose for the fourth consecutive year amounting to 41,700 at the end of 2011 (+3.5% over a year). Women and young people under the age of 25 are the most affected categories. The latter represents 15.1% of job-seekers. Unemployment rates stood at 20.8 % (-0.4 points) and there was a sharp surge in the number of unemployment benefit recipients which totalled 22,899 at the end of the year (+11.8 %).

Labour demand rose to 11,970 at the end of the year (+15.3 %).



Household consumption steady despite end-of-year slow-down

Consumer goods imports (S.A.)
(in million Euros)



Household consumption was stabilised in comparison to 2010. There was a downturn in consumer goods imports over the year (-2.6%), whereas registrations of new vehicles remained at the same level as the year before (+0.3%).

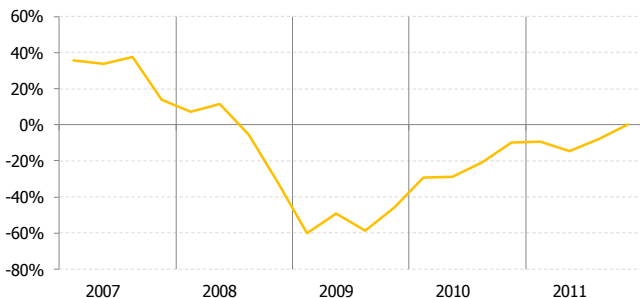
The upward trend in the sales turnover of large retailers continued (+3.6 % in 2011, compared with +9.6 % in 2010).

Household consumer credits outstanding were stable over the period (-0.5 %).

These elements on the one hand revealed a deterioration in the labour market and on the other hand a resurgence of the extremely cautious behaviour from consumers within an uncertain economic context.

Companies cautious in terms of investment

Investment forecast



Investment forecasts remained stable at the end of the year whereas they had been on the decline for three years following the especially significant decrease during the social crisis which had affected Martinique in 2009.

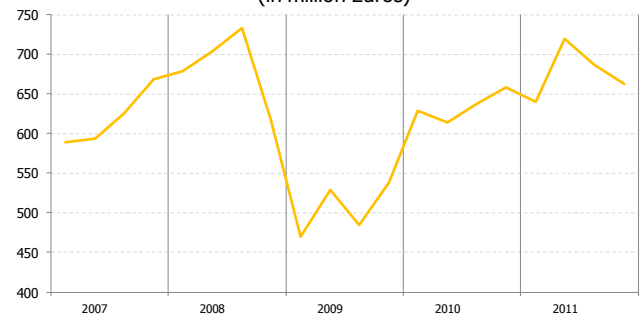
The recovery of outstandings on investments credits granted by local credit institutions (+3.0%) demonstrated this improvement even if it essentially relates to renewal requirement. This return to equilibrium remained fragile given the uncertain climate and lack of forward-looking prospects.

Imports fall in the second half-year

Domestic demand placed pressure on imports at the end of the year. Despite a general rise in 2011 (+6.6%) a rate that was nonetheless lower than that of 2010 (+25.4%), they increased in the second half-year.

There was a marked downturn over the year in exports (-17.6 %), affected by the decrease in exports of oil products (-30.5 %) and agricultural produce (-12.9 %). With regard to oil products, SARA's refining capacities were lowered in 2011 given technical interruptions thereby leading to a fall in exports from Martinique to Guadeloupe and French Guianese warehouses.

Imports (S.A.)
(in million Euros)



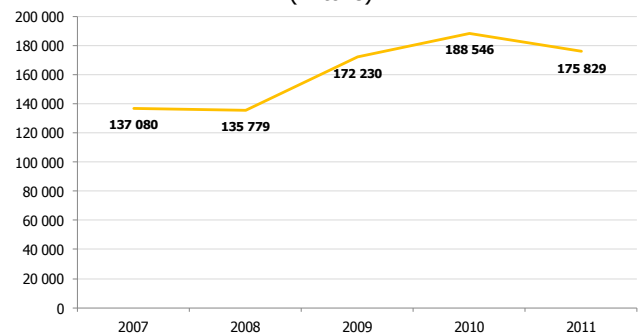
PERSISTENT SECTORIAL DIFFICULTIES

Difficulty for the agricultural industry

The primary sector saw a decline in its activity.

Banana shipments to the European Union significantly decreased (-6.7%) and the sugarcane/rum industry deemed the 2011 marketing a disappointment due to poor weather conditions (heavy rainfall). Despite the increase in the quantities of ground sugarcane sugar and rum production fell (respectively -6.8% and -1.5%).

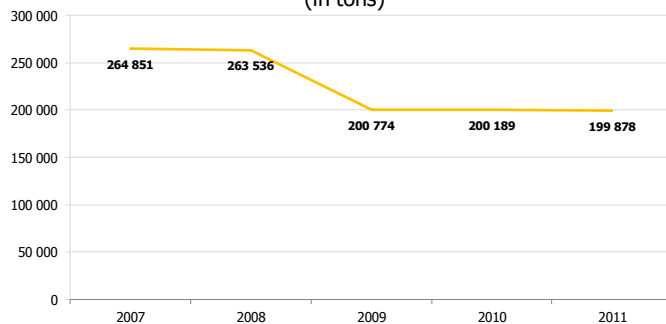
Banana exports
(in tons)



Source: CIRAD

Rise in the construction activity below pre-crisis levels

Cement sales
(in tons)



Source: Antillais Cement

The recovery of social housing programs, road works and certain major worksites led to an improvement in the construction industry. Nonetheless, the launch of the projects is not sufficient to sustainably renew the sector which is largely dependent on public procurement.

Cement sales stagnated in 2011 and remained lower than pre-2009 crisis level (approximately 200,000 tons per year whereas the previously exceeded 260,000 tons). The number of certificates of electric conformity fell by 9.7% testifying to a slow-down in the delivery of housing.

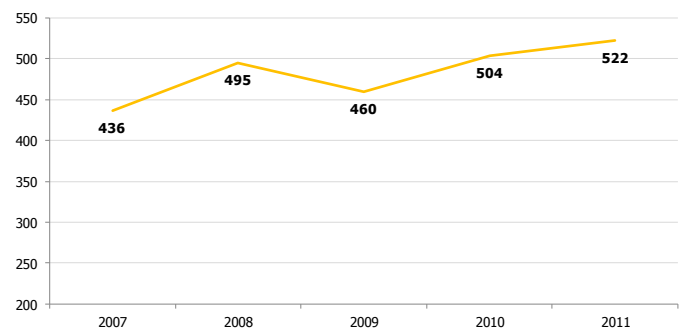
Stable business sector

The business sector experienced sluggish growth.

Business leaders in the sector reported modest increase in activity within a situation of heightened competition and cautious behaviour from consumers.

Sales of large retailers increased 3.6% in 2011 (96% the year before) standing at EUR 522 million. The re-opening of the Cluny hypermarket under the Carrefour brand in December stimulated the turnover of the large retail sector at the end of the year. In 2011 the sector saw the difficulties of the Lancry group (Leclerc brand) which led to redistribution of market shares.

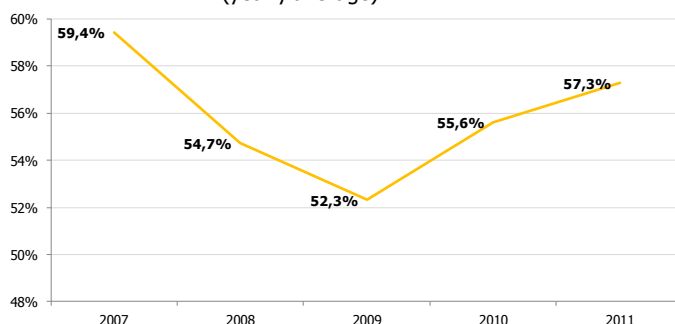
Turn-over of the large retail sector
(in million Euros)



Source: DIECCTE

Improved economic situation for the hotel and tourism sector

Hotel occupancy rate
(yearly average)



Source: INSEE

The tourism industry improved in 2011.

The number of passengers who landed at the airport increased by 4.1% (1,620,833 passengers). Likewise, the hotel occupancy rate rose and on average reached 57.3% over the year (against 55.6% in 2010 and 52.3% in 2009). The number of tourist stays rose 4.3% over the year amounting to 498,000. However, there was an extremely low number of cruise passengers in 2011 (37,932 cruise passengers that is a decrease of 48.8%).

BANKS SUPPORT FINANCING OF THE ECONOMY

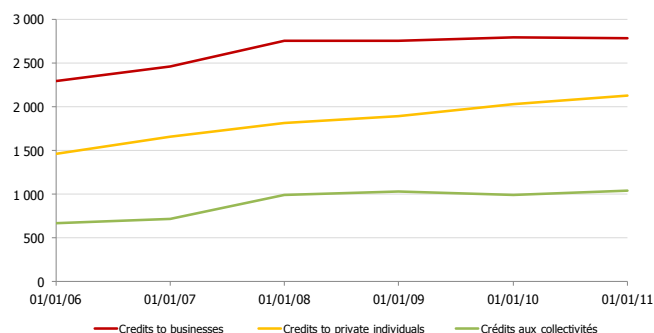
Banking exposures on the rise

In general, healthy banking exposures rose 1.6% in 2011 reaching 7.7 billion euros at the end of the year (all credit institutions). This confirmed the favourable trend of the economic activity for the year at a nonetheless modest rate (the rise in healthy loans outstanding was 4.5% the year before). The outstanding amount of household loans increased 3.1% (3.0 billion Euros, that is 39.4% of healthy outstanding loans), those of authorities 6.2% (1.1 billion Euros, that is 14.0% of outstanding loans), whereas corporate credits outstanding decreased 0.7 % (3.3 billion Euros, that is 42.2 % of outstanding loans).

It is worth noting that outstandings on investment credits granted to businesses by the local credit institutions followed an upward trend (+3.5 %).

Economic agents tended to maintain their investment efforts. Corporate operating credits and consumer credits fell in 2011 (respectively 6.7% and 0.5% for all institutions). However, investment credits and market credits remained stable or increased. Accordingly, the investment credits or mortgage credits granted by banks to businesses and professionals remain stable (0.2%). At the same time, housing loans to consumers and investment and mortgage credits to local authorities increased (+4.6%).

Investment credits
(in million Euros)



Source: SURFI

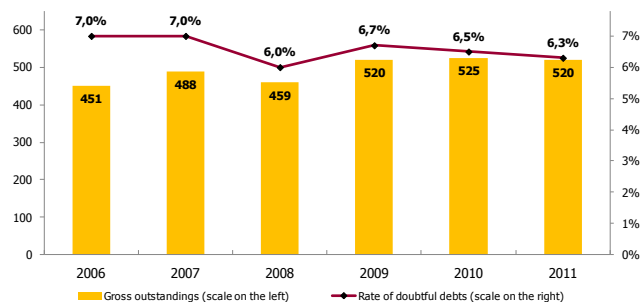
Fall in doubtful debts

The portfolio quality continued to improve in 2011.

Doubtful loans outstanding slightly decreased (-1.0% over the year), as well as the rate of doubtful debts (6.3% of the gross outstanding loans at the end of the year).

The rate of allowances for doubtful debts was 58.5 %.

Doubtful outstanding loans
(in million Euros and in percentage of outstandings)



Source: SURFI

Modest increase in financial assets

The financial assets of economic agents rose 0.9% in 2011 reaching 6.2 billion euros on 31 December. The local market borrowed 2.0 billion Euros, the credits granted by banks increased to a total of 8.2 billion Euros.

CRISIS MAY UNDERMINE ECONOMIC RECOVERY

In 2011, Martinique's economy continued its recovery started in 2010 against the backdrop of a deteriorated labour situation. The slowdown of growth experienced in Europe may affect the change in the activity during the upcoming months in particular through the deficit reduction measures, as the election period is less conducive to investments. Moreover, household consumption which is the main driver of the local economy appears to be heading for a downturn at the end of the year in relation with the depressed labour market situation.

In a difficult global economic environment, Martinique's economy may benefit from consolidation of the activity in the tourism sector and continued recovery in the construction industry.

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