

The economy of Saint-Pierre-et-Miquelon in 2011

Recovery marking time

The economic recovery that was initiated in 2010 was not confirmed in 2011 even if there were signs of improvement during the second quarter and more perceptively in the fourth quarter.

The economic activity of the year remained therefore quite subdued as demonstrated by the varied trends of economic indicators. Even though the increase in the price index is less than 2010 it is still at a high level and the unemployment indicator followed a slightly upward trend over a year. Household consumption rose but at a rate much lower than 2010 whereas household and corporate investment remained well-oriented.

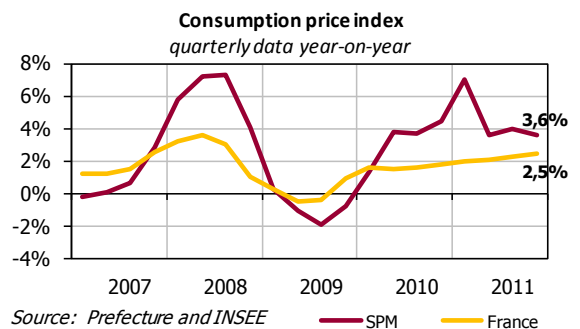
Several sectors which had recorded good results the year before saw a decrease in these results in 2011 especially the fishing and tourism sectors.

Assets fell over a year; only the household savings continued to increase as the uncertainty regarding the future of the economic situation spurred consumers to adopt a cautious behaviour. However, the outstandings of credits granted continued to rise, an increase which nevertheless tended to level off.

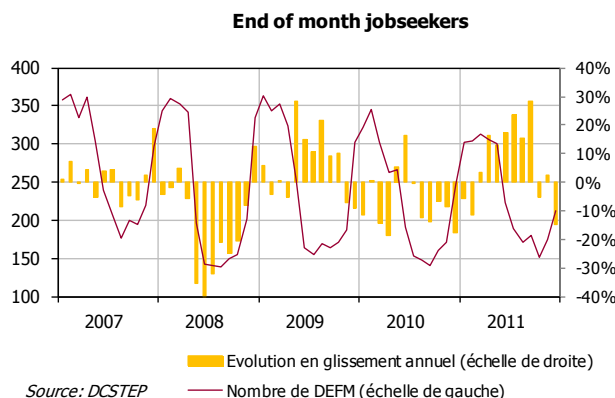
ECONOMIC ACTIVITY SLIGHTLY ON THE DECLINE

Strong increase in prices

The consumption price index (CPI) rose 3.6% on a year-on-year basis, driven by the increase in manufactured products (+5.2%). Within a context of relative stabilisation of the Euro compared with the Canadian dollar this development can be largely explained by the increase in fuel prices (+11.0% over a year) and those of fuel oil (+17.0% over a year) further to revaluation which occurred during the first quarter. Accordingly, prices rose more quickly than for the whole of France (+2.5% in 2011 on a year-on-year basis).



Less favourable development of employment



The average monthly number of category 1 jobseekers rose to 236 in 2011 that is 10 people more than the year before.

Unemployment indicators stood at 7.4% in 2011 against 7.1% in 2010. The construction sector saw the most jobseekers with 24% of the total followed by home-care services with 17%. The holders of level V diplomas (BEP- Certificate of Vocational proficiency CAP- Certificate of Professional Competence) were the most effected by unemployment: they represent more than half of the category 1 jobseekers.

172 labour demands were filed in 2011 with the Pôle Emploi and 142 of these positions were filled for a satisfaction rate of approximately 83%.

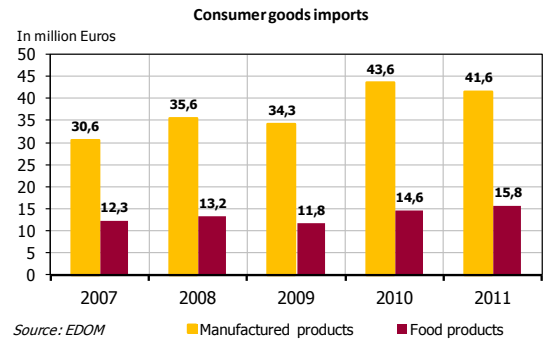
Slower growth in household consumption

Following the sharp increase recorded in 2010 the growth of household consumption slowed. Imports of foodstuffs rose 7.9% over a year (against +24% in 2010) to reach 16 million Euros whereas imports of manufactured goods decreased 4.4% after an increase of 27% the year before to reach 42 million Euros.

Private car registrations showed significant signs of improvement as 274 privately owned vehicles were registered in 2011 against 222 in 2010.

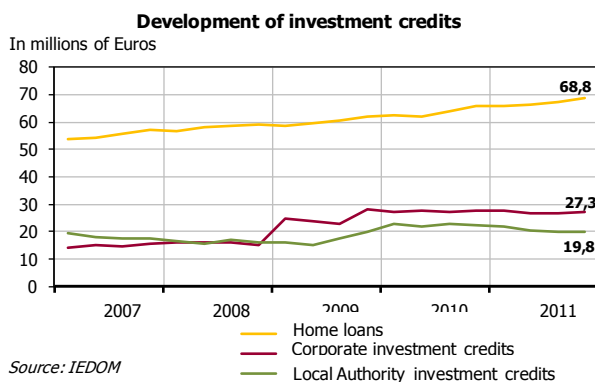
Consumption credits continued to rise but at a lesser rate: they rose 1.4% on a year-on-year basis in 2011 against 2.1% in 2010.

The vulnerability of households declined: there was a total of 18 natural persons who were restricted access to banking facilities at the end of 2011 against 23 a year earlier that is the eighth consecutive year that this figure has been on the decline. The number of cheque-related payment incidents also decreased (47 in 2011 against 58 in 2010). Finally, no insolvency file was submitted for the fourth consecutive year.



Investment well-oriented especially for households

Corporate investment showed relatively satisfactory results. Gross product imports increased 13.6% in value compared with 2010 for a total amount of 5.6 million Euros. Commercial vehicle imports declined to 23.7% in 2011 compared with the previous year as 116 vehicles were registered against 115 in 2010. However, 2011 saw an exceptionally high number of commercial vehicle registrations. Investment credit granted to businesses exceeded 27 million Euros but decreased slightly over a year by 0.6%. The amount of these credits was relatively stable for the second consecutive year after a sharp increase in 2009.



Outstandings on home loans followed an upward trend for the fourth consecutive year and came close to 69 million Euros at the end of 2011, up by 4.8% over a year.

However, the investment credits of local authorities have been on continual decline since the end of 2010; over a year the amount of these credits fell by 11.9 %.

Rise in imports

Imports increased 7% in value during 2011. This increase mainly stemmed from the significant rise in energy prices at the amount of oil product imports went up more than 42% over a year whereas the imported quantities remained stable.

All products did not have the same trend: food products imports increased almost 8% whereas the imports of manufactured products decreased approximately 4%. Raw material imports saw the sharpest increase progressing by 14% in value.

The amount of exports went down by half with respect to the year before due to the closing down of the main seafood processing factory in Saint-Pierre in April 2011.

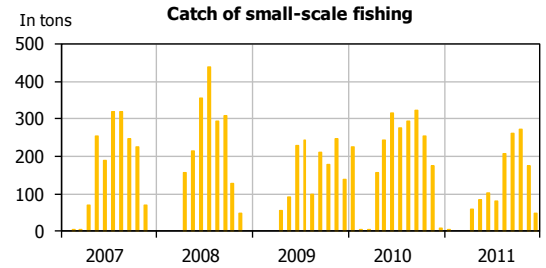
Unfavourable trend for the fishing and tourism sectors

Significant deterioration of the fishery business

With 1, 291 tons caught since the start of the season (April 2011), the volume of small-scale fishing decreased 37% compared with the same period in 2010. The closing of the *SPM Seafoods International* and *Nouvelles Pêcheries* processing factories is one major reason for these poor results.

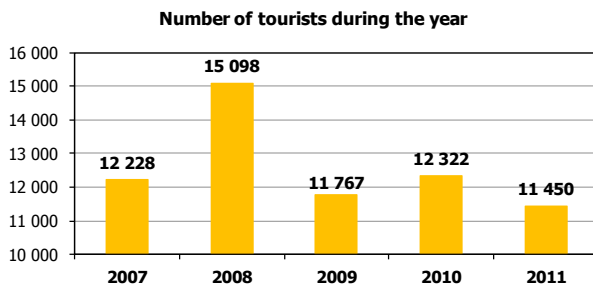
However, the catch of cod did not suffer from these closings. This explains the increase in the share of cod total of small-scale fish caught which moved from 23 % in 2010 to 36 % in 2011.

Moreover, catch of industrial fishing decreased 33% in 2011 compared with the same period the year before as the season started later.



Source: DTAM

Decrease in the number of tourists visiting the archipelago



Source: PAF

Approximately 11,500 tourists visited the island in 2011 that is 7% less than the year before. This decrease is more due to the reduced number of cruise ship stop-overs than by the decline in traditional entries to the territory.

Canadians represent a bit more than two thirds of the tourist numbers, followed by non-resident French, 20% and Americans, 8%. The vast majority of tourists visit the territory by sea (71 %).

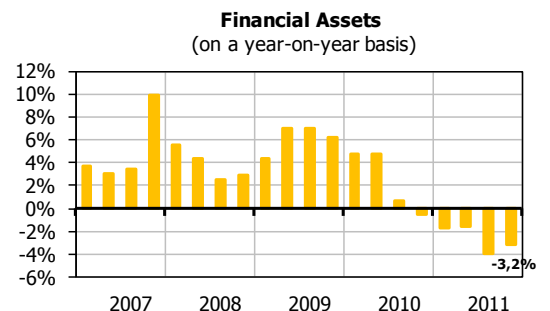
Buoyancy of the Construction sector

Traditionally driven by public procurement, the construction sector remained buoyant in particular due to start of the new EDF power plant worksite. Private procurement also played a significant role in the construction activity, 109 building permits were filed in 2011.

BANKING AND FINANCIAL ACTIVITY

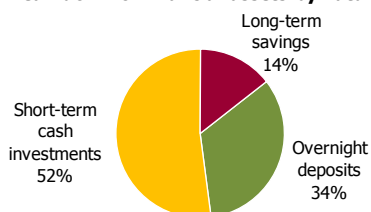
Decline in the number of financial assets

The financial assets of customers decreased 2.3% in 2011 to stand at 202 million Euros. It is necessary to go as far back as 2005 to observe such a long period of declining assets. Local authorities are largely responsible for this decline (-23.7%), which especially affects overnight deposits. Outside of local authorities, the rise in the amount of assets remained positive.



Source: IEDOM

Break-down of financial assets by nature

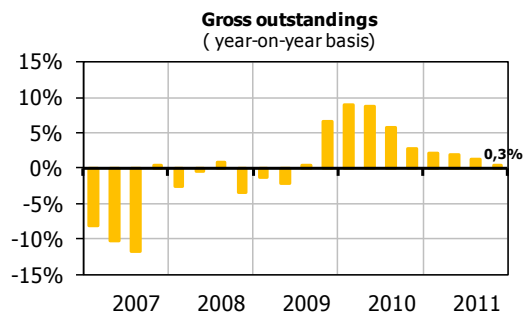


Source: SURFI

More than three quarters of financial assets were held by households mainly in the form of short-term or liquid investments which alone represent more than 60% of the household assets. Against a backdrop of economic uncertainty households chose to make more secure investments as demonstrated by the rise in the amounts deposited in special savings accounts (+8.7%) or in life-insurance contracts (+8.9%) to the detriment of investments indexed on market rates (-2.8 %).

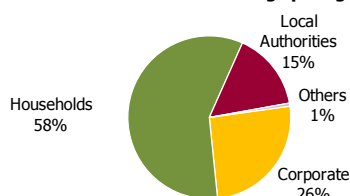
Mixed trend for financial support

The gross financial aids granted by all the credit institutions showed a slight increase (+0.3%) during 2011. Healthy loans rose at a higher rate (+1.3%), attesting to an improvement in the quality of risks. The rate of doubtful debts stood at 6.5% at the end of December 2011, that is the lowest rate observed since December 2004 (back then it was 6.4%). Moreover, the rate of provisioning which had decreased during 2011 recovered at the end of the year to reach 73.1%.



Source: IEDOM

Breakdown of outstandings per agent



Source: SURFI

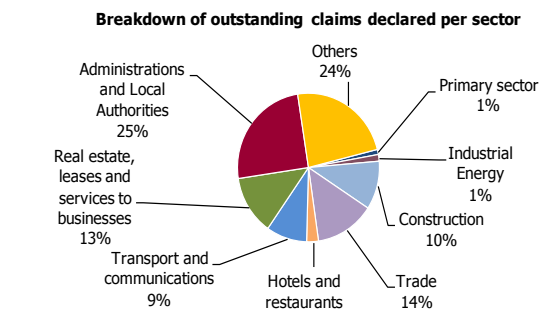
Loans granted to household increased 4.2%. Consequently, there was an upturn in the share of credits granted to households with respect to the previous year and these credits exceeded 58%, that is approximately 83 million Euros, 69 million of which for home loans alone.

Business loans followed an upward trend of 3.9%, driven by increase in the amount of operating credits. Accordingly, they represented 26% of the loans granted for a total amount of 36 million Euros, 27 million of which were investment credits.

The highest outstandings on credits are from the local authorities and administration sector which represent 25% of local exposure however this amount decreased 10% over a year. Other sectors of activity follow notably including recreational activities, administrative and support services, human health and social action (24%) then followed the trade (14%), real estate (13%) and construction (11 %).

Only three sectors saw an annual increase in their outstandings: real estate +4%, construction +3% and the primary sector +1.5 %.

Finally, credits to local authorities exclusively comprised of investment credits decreased 11.8%. Consequently, short-term credits increased at a rate higher than that of long-term credits.



Source: SCR

OUTLOOK FOR 2012

Following a year marked by sustained public procurement, the building and public works sector should continue to play a key role in local economy with continuation of construction works for the new EDF power plant.

The single programming document for the 10th European Development Fund for an amount of 20.74 million Euros signed in September 2011 should moreover be advantageous for the tourism sector in particular due to the related calls for economic diversification and allure.

Ways of restructuring the fishing and aquaculture sectors of the island are being devised. New directions in particular with the aim of diversifying the species processed and creating greater synergy in production means may be materialised.

Finally several developmental projects may soon be launched with in particular implementation of an optical fibre sub-marine cable which will allow the archipelago to have access to broadband.

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