

Saint-Martin at a Glance

STRUCTURAL CHARACTERISTICS

Capital	Marigot
Surface area	56 km ² (excl. Sint Maarten); 90 km ² (incl. Sint Maarten)
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 (OR)
National representation	1 MP, 1 senator, 1 representative at the Economic, Social and Environmental Council
State representation	Delegate Prefect

Shared sovereignty

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 following a referendum on 7th December 2003, approved by 76.2% of voters in Saint-Martin.

From municipality to overseas territory (COM)

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 competent for taxation, road transport, highways, tourism and public ownership law and for the creation and organisation of public services and establishments. It may also adapt laws and regulations pertaining to public ownership and education. However, the State remains competent for criminal law, commercial law and monetary, banking and financial law, which is why a Delegate Prefect is appointed, representing the State and the 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 6.3m in 2011, against EUR 2m in 2010.

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, on 18th February 2010, the Constitutional Council established a joint seat in Parliament for the municipalities of Saint-Martin and Saint-Barthélemy. The first MP for Saint-Martin and Saint-Barthélemy has held a seat at the National Assembly since the legislative elections of June 2012.

SLOWDOWN IN POPULATION GROWTH RATE

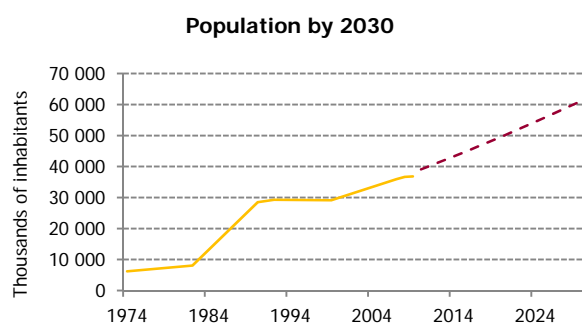
In 2009, the population of Saint-Martin stood at 36,824 inhabitants, a 26.5% rise compared to 2009 and a 0.4% rise compared to 2008. The average annual increase (+3.1%) over the decade is well below the high rate of the 1980s (+17.1%) and is characterised by an extremely positive migratory balance. While the foreign community accounted for roughly 53% of the population in 1990, it fell to 35.3% in 2009, mainly as a result of the tightening of immigration laws.

The population has remained very young as a result of the high level of natural growth: 37% of the population was under 20 in 2009, compared to 30% in Guadeloupe and 22% in Saint-Barthélemy. According to INED forecasts for 2030, the population is expected to remain young, despite the fact that the percentage of over 60 year-olds will double. Scenarios put the figure at between 45,000 and 61,600 inhabitants.

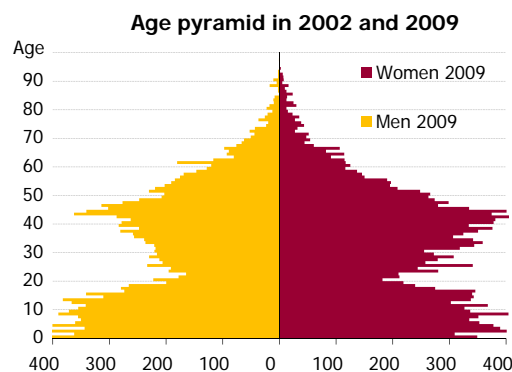
Population density in Saint-Martin stands at 695 inhabitants per km², which is higher than in Guadeloupe (248 inhab./km²) and Saint-Barthélemy (424 inhab./km²).

Demographic indicators	Saint-Martin	France ⁽¹⁾
Population at 1 st Jan. 2009 (millions for France)	36,824	65.4
Percentage of under 20s (2009)	36.9	25
Percentage of 20-59 year-olds (2009)	55.4	52
Percentage of aged 60 and older (2009)	7.8	23
Population density (inhab./km ² , at 01/01/2010)	678	102.7 ⁽²⁾
Annual average population growth rate (% , 2000-2010)	3.1 ⁽⁴⁾	0.6 ⁽³⁾
Birth rate (for 1,000 inhabitants, 2011)	26.3 ⁽⁵⁾	12.7
Mortality rate (for 1,000 inhabitants, 2011)	3.1 ⁽⁵⁾	8.5

(1) INSEE 2011 population survey; (2) Density of French population in 2010; (3) Between 2002 and 2012; (4) Average 1999-2009; (5) 2008 data
Source: INSEE.



Source: INSEE, INED.



Source: INSEE.

TERRITORIAL CONTINUITY WITH SINT MAARTEN

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

On 12th October 2010, France ratified the Franco-Dutch customs cooperation agreement in Saint-Martin, which aims 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 who share the same concerns, which include security, the environment, energy, waste processing, health, education and immigration.

Relatively low level of GDP per capita

An estimate of the GDP of Saint-Martin carried out in 2005 under the CEROM (rapid economic accounts for Overseas Territories) partnership valued it at EUR 421m in 1999, *i.e.* EUR 14,500 per capita, a level 36% lower than the mainland average at this date, 21% lower than the GDP per capita for the Dutch part (around EUR 16,500) and 13% lower than Guadeloupe. In 2009, a report by the Inspectorate General of Finance estimated GDP at EUR 560m and average GDP per capita at EUR 16,000, *i.e.* 12% less than in Guadeloupe.

Key economic indicators	Saint-Martin	Sint Maarten	France
GDP (billions of constant euros, 1999)	0.421 ¹	-	1,367
GDP per capita (euros, 1999)	14,500 ¹	16,500	22,664
Actual expenditure of the territory (millions of euros, 2011)	97.3	-	-
Actual revenues of the territory (millions of euros, 2011)	106.3	-	-
Debt of territories (millions of euros, 2011)	29.3	-	8.3 ²

¹ CEROM estimation, ² Public debt notified or in the sense of Maastricht
Sources: INSEE, Territory of Saint-Martin, CBS Labour Force Service Estimation.

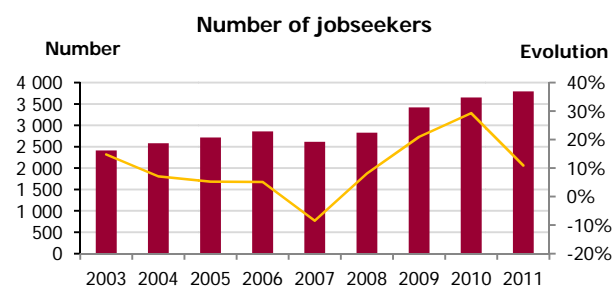
Unemployment double that of the Dutch part

The working population in Saint-Martin stood at 17,608 people in 2009 (against 24,344 in Sint Maarten). It represents 72.4% of the working age population, *i.e.* a slightly lower level than in mainland France (70.9%).

The number of people in employment in Saint-Martin stood at 12,920 in 2009 (73% of the working population). This percentage is 15 points lower than in the Dutch part.

The breakdown of unemployment is relatively similar to that observed in the Dutch part. In 2010, 63.4% of people in employment worked in the service sector, 23.2% in trade and 7.4% in construction and public works.

The unemployment rate stood at 26.6% in 2009 and was stable compared to 1999 (26.6%). In Sint Maarten, it was half this figure, 12% in 2009, but the comparison is difficult due, in particular, to extremely different employment and social protection regulations.



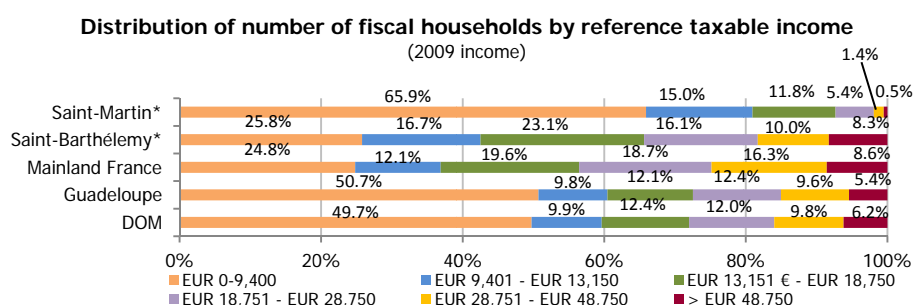
Source: DIECCTE - DEFM A, raw

Paid employment	2000	2010 (p)	Evol. (1) 10/00
Total	5,526	5,342	-0.3%
Agriculture	7	12	5.5%
Industry	351	310	-1.2%
Construction	400	397	-0.1%
Trade	1,247	1,237	-0.1%
Tourism	1,800	1,424	-2.3%
	1,721	1,962	1.3%

(p) provisional; (1) Average yearly trend
Source: Assedic.

Majority of low incomes

The distribution by household income bracket is extremely different from mainland France and the neighbouring island of Saint-Barthélemy. Households with taxable income in the lowest bracket (below EUR 9,400) account for 65.9% of fiscal households. The highest brackets (above EUR 18,751) are particularly under-represented (34.1% in Saint-Martin against 75.3% in mainland France and 74.2% in Saint-Barthélemy).



Source: Directorate-General for Taxation.
*2007 income.

ECONOMY RESOLUTELY FOCUSED ON TOURISM

The 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.

Main sector indicators	2011	Evol. 11/06	2011	Evol. (1) 11/06
Number of overnight hotel stays	295,000	-2.0% (1)	Inter-island traffic	130,236 -4.2%
Number of hotel rooms	1,729	1.2% (1)	Passengers at airport	211,628 4.8%
Occupancy rate	52.2 %	-7.9 pts	Building permit requests	111 -6.1%
Number of cruise passengers	14,826	25.4% (1)	Building permits issued	66 -7.9%

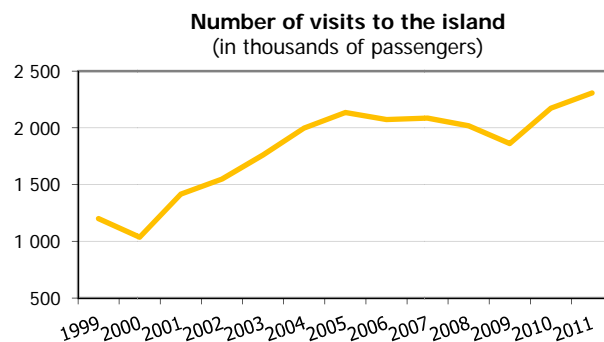
(1) Average annual growth rate
Source: Port of Marigot, Territory of Saint-Martin, Grand'Case Airport, Caribbean Tourism Organization (CTO).

Tourism seeking a niche

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 1,590 people in 2010, i.e. 26.7% of the workforce, compared to 5.4% in Guadeloupe and 35.5% in Saint Barthélemy.

The island is mainly visited by a North American clientele and, to a lesser extent, European and South American tourists. Almost 90% of visitors are short-stay cruise passengers, who take advantage of the Phillipsburg duty free zone on the Dutch side.

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 located in Philipsburg, which has a capacity to moor cruise ships. 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).



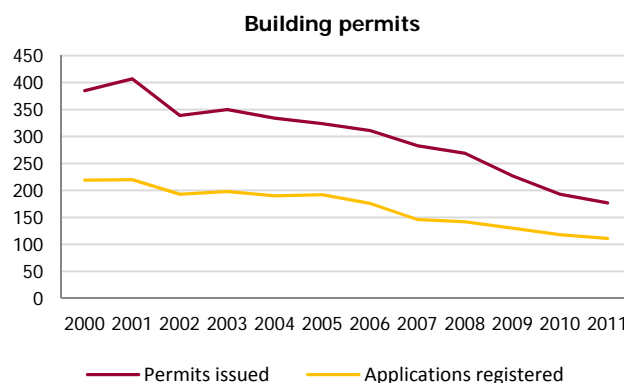
Sources: Airports of Juliana and Grand'Case, Port of Marigot, Caribbean Tourism organization (CTO).

Total tourism to the island of Saint-Martin developed rapidly from 2000 onwards, with the expansion of the capacity of the port of Phillipsburg. It received 2.1 million passengers in 2005, but this figure has fallen progressively since then and was down 12.8% by 2009 as a result of the global economic crisis. There was a net increase in tourism in 2010 and 2011, with the number of visitors to the island in 2011 reaching a record level of 2.3 million visitors (against 2.2 million in 2010), *i.e.* a 15% increase compared to the 2009 low.

Construction industry losing momentum

Up until 2008, the island's population growth and economic development contributed to the growth of the construction and public works 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 municipality fell 32% between 2009 and 2011 and outstanding real estate loans for companies fell 5.6% in 2011, after falling 12.7% in 2010. The sector's share in total employment stood at 7.4% in 2010, down one point compared with 2005.



FINANCING OF THE ECONOMY

In 2011, there were 6 local credit institutions in Saint-Martin: four banks affiliated with the French Banking Association and two mutual banks. These establishments have a total of 14 bank branches and employ 69 officers. By way of comparison, the Dutch side has 12 credit institutions.

The equipment rate for bank branches and ATMs has increased over the year, following a decrease in 2010.

After dynamic growth in 2010, there was a slowdown in banking activity in 2011. Outstanding performing loans increased 2.9% over the year, excluding an exceptional operation conducted by a local establishment. While the growth rate for household loans remains strong (+7.4%), it has slowed down in connection with a more moderate growth in home loans (+6.5%). The trend for consumer loans remains positive (+12.1%). However, outstanding loans to companies have decreased (-2.2%, excluding exceptional operations), which shows the persistent difficulties encountered by these economic actors.

Monetary and financial indicators	2007	2011
Number of inhabitants per bank branch	2,888	2,734
Number of inhabitants per ATM	1,502	1,320
Number of bank accounts per inhabitant	0.68	0.65
Financial assets of economic agents ¹ (EURm)	239.1	293.9
Healthy outstanding credit of economic agents ² (EURm)	150.4	219.7

¹ With local credit institutions

² Total lending from credit institutions

Source: Iedom.

Business indicators	2011
Average cost of credit for businesses (%; Guadeloupe and North Islands, Jan. 2012)	5.25
Financial assets ¹ (millions of euros, at end Dec.)	145.9
Bank loans ² (millions of euros, at end Dec.)	94.6
<i>Incl. operating loans (%)</i>	24.5
<i>Incl. investment loans (%)</i>	56.4
<i>Incl. construction loans (%)</i>	19.1

¹ From local credit institutions

² Total lending from credit institutions

Source: Iedom.

Household indicators	2011
Financial assets ¹ (millions of euros, at end Dec.)	132.2
Bank loans ² (millions of euros, at end Dec.)	116.7
<i>Incl. consumer loans (%)</i>	17.2
<i>Incl. home loans (%)</i>	82.8

¹ From local credit institutions

² Total lending from credit institutions

Source: Iedom.

N.B.: The data used in this note are as of 31st December 2011.

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Publication Director: N. de SEZE – Editor-in-chief: C. APANON

Edited and printed by: IEDOM

Printed: October 2012 – Legal deposit: October 2012 – ISSN 1952-9619