

## French Guiana's Economy in 2012 A subdued economy

Economic activity declined in French Guiana in 2012, with a relatively subdued end of the year.

There was a slowdown in household consumption and business investment and the labour market continued to deteriorate. However, the trend for the space and construction industries was extremely favourable and they continued to have a very positive impact on French Guiana's economy.

With strong population growth generating important needs, especially for infrastructure and housing, French Guiana's market has become a growth driver for West Indian investors facing the maturity of their own markets.

Following a slight drop in the second quarter, financing activities, which held up in the second half of the year – still mainly driven by the housing sector – experienced growth year-on-year. The collection of savings saw a significant increase in 2012, due to an exceptional operation in the third quarter. Once this exceptional operation has been offset, the financial assets of economic agents still show progress.

### SUBDUED END OF THE YEAR

#### Business climate still weak

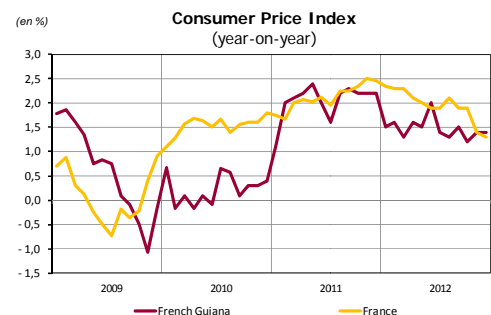
The Business Confidence Index (BCI) remained below its long-term average at 95.5, despite a very slight improvement in the last quarter (+0.6 points). This trend is mainly attributable to business leaders' opinions at the end of 2012 (overall contribution of +0.7 points), while forecasts for the beginning of 2013 are down slightly (-0.1 points). Activity was generally in decline in 2012.



Source: IEDOM, economic survey.

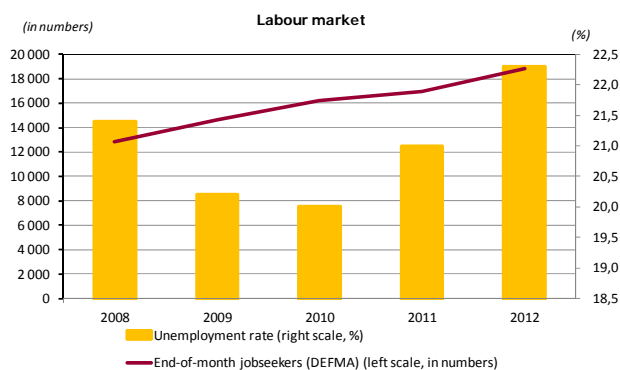
#### Moderate inflation

In 2012, the price index rose by a yearly average of 1.5% and was down 0.5 points compared to 2011. The price index had risen by 1.4% year-on-year in December 2012 (figure slightly above France as a whole: +1.3%). It was mainly driven by price increases for services (+1.3%), food (+2.4%) and energy (+4.8%).



Source: Insee

#### Labour market slump worsens



Source: Dieccte, Insee

The number of end-of-month category A jobseekers (DEFM A) rose by 11.4% year-on-year, with 18,850 people registered at the end of December 2012 (against an annual average of +9.7% over the past three years). With 16,800 people unemployed, the unemployment rate as defined by the ILO rose slightly (22.3% in June 2012, *i.e.* +1.3 points), while the youth unemployment rate (15 to 24 year-olds) rose more rapidly and reached 51.5%, *i.e.* almost +4 points in a year. The unemployment "halo" (people seeking to work, but considered as inactive) remained relatively high: it is estimated at 13,800 people. However, the number of beneficiaries of the Active Solidarity Income (RSA) introduced on 1<sup>st</sup> January 2011 fell by 4%, with 15,388 people registered at 31<sup>st</sup> December 2012.

## Slower growth in household consumption

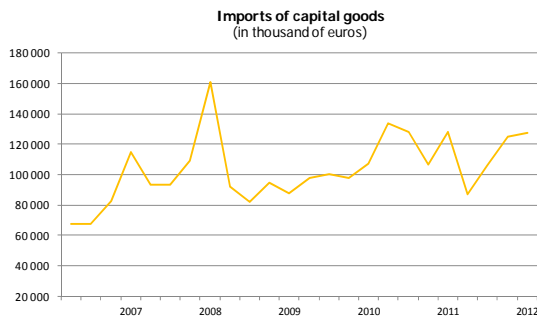
There was a slowdown in household consumption in 2012. Traders interviewed during the IEDOM economic survey reported a decline in their business. Imports of consumer goods only rose by 2.1% in value year-on-year, whereas they increased by 8.0% in 2011 and by 13.1% in 2010. Sales of new private vehicles fell by 10%.

However, the vulnerability of households would appear to be receding, with a decline in bank card confiscations (-5%) and the number of overindebtedness files submitted to the commission (-8.9%), despite the fact that the number of natural persons banned from holding a bank account rose during the year (+5.9%).



Source : Customs, seasonally adjusted IEDOM

## Slowdown in business investment



Source : Customs, seasonally adjusted IEDOM

Business investment came to a standstill, after a positive trend in 2011. Imports of capital goods fell sharply (-10.6% in value year-on-year), mainly due to a significant decrease in the first quarter. The IEDOM economic survey does, however, show stability in investment plans, following a deterioration in the third quarter.

Total outstanding corporate loans rose by 5.4% during the year, driven by the increase in real estate loans (+9.4%), but suffered from the reduction in investment financing (-5.6%).

In terms of households, financing for housing was the only segment to increase in 2012 (+11.6%). This helped maintain an increase in total outstanding loans to the general public at 8.5%. Performing loans to local authorities suffered from a 1.8% decrease in investment loans (which account for 99.8% of the loan stock) and fell by 2.0% during the year.

## Substantial increase in exports

The December 2012 figures for foreign trade show a sharp rise in imports in 2012 (EUR 223.4m, +44.6%). This was due to the increase in exports of capital goods (+47.9%, mainly because of the transshipment of empty containers and space-related equipment) and gold exports (+28.2% in volume, +41.1% in value). Imports rose by 9.2% in 2012 and reached EUR 1,486.5m. This increase remains below the level seen in 2011. Consequently, the trade deficit stood at EUR 1,263.2m in 2012, *i.e.* a higher negative balance than in the previous year (+4.7%).

## POSITIVE TREND IN MOST SECTORS

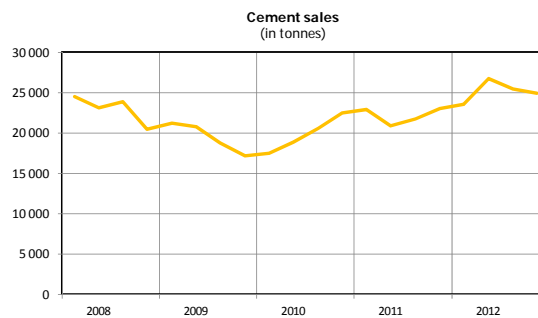
### Livestock sector in better shape

The trend was more positive for activity in the primary sector and agri-food industries in 2012. Beef production (+2%) and pork production (+6%), as well as the corresponding imports (+5% and +14%, respectively), rose during the year. Exports of agri-foodstuffs did, however, continue to decline in value (-15%), while imports rose by 8%. The quantities of fish exported rose compared to last year (+3%), but the tonnage of shrimp exports halved, despite an upturn at the end of the year. The fishing industry continues to be hampered by the lack of infrastructure and unattractiveness of the profession.

2012 was a year of restructuring in the rice sector. Following the departure of the Spanish group SOS in 2010, which returned under the name of Deoleo Group, rice production remained relatively low. The harvest declaration made by rice growers for the 3,300 hectares (including 600 flooded by the sea) reported that in March 2013, 260 ha had been harvested for a paddy yield (unhusked rice) of 14.5%, following a year with no harvest in 2011. The sector is still facing regulatory difficulties (over plant protection products) with the European Union.

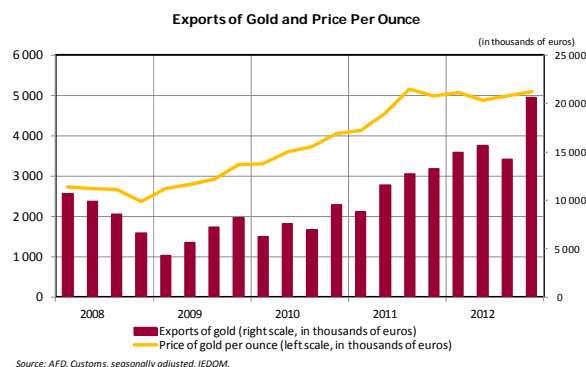
## Construction industry continues to be dynamic

In the construction industry, cement sales rose by 14.7% in 2012. The threshold of 100,000 tonnes was exceeded in December 2012 for the first time in 18 years. The market was mainly bolstered by social housing construction and by an increasing number of private housing units for rental. This upward trend is expected to continue in 2013, with demand continuing to be very strong, both for infrastructure and housing. Indeed, only 50% of housing needs, estimated at between 3,500 and 4,000 units a year, are covered by current production.



Source: Ciments guyanais, seasonally adjusted, adjusted for the number of working days, IEDOM.

## Increase in the production of French Guiana's traditional industries



Source: AFD, Customs, seasonally adjusted, IEDOM.

Gold exports have been rising steadily since 2010. In 2012, French Guiana officially exported 1.73 tonnes of gold, worth EUR 65m. The precious metal has confirmed its safe haven status, ranging between USD 1,585 and USD 1,747 per ounce in 2012. The average gold price per ounce stood at USD 1,670 in 2012, up 6.4% compared to 2011. However, the industry is badly affected by illegal gold mining (estimated at 10 tonnes a year, despite efforts to destroy illegal sites) and by the strengthening of regulatory constraints.

With the exception of 2009, the volumes of logs from forest volumes have stagnated over the past 4 years at a threshold of about 70,000 m<sup>3</sup>. For 2012, 74,878 m<sup>3</sup> of logs were harvested (+1.5% year-on-year).

## Space industry remains strong

2012 was another positive year for the space industry, with 10 rocket launches (7 Ariane 5 rockets, 2 Soyouz, 1 Vega) to put 18 satellites and an automated transfer vehicle (ATV) into orbit. According to the CEO of Arianespace, this sustained trend is expected to continue in 2013, with 6 to 7 Ariane launches, 4 Soyouz launches and between 1 and 2 Vega launches.

## Trend relatively positive for tourism industry in 2012

There was a decline in traffic at Cayenne-Félix Eboué Airport, with a total of 428,864 passengers at the end of December 2012 (-1.5% year-on-year, against +2.7% for the previous year). The occupancy rate for approved hotels remained stable, with an annual average of 60%, and the number of nights rose by 1.6% (annual total of 318,000 nights in November 2012 against 313,000 in November 2011). Professionals in the tourism industry consider that there had been a more upward trend for business at the end of 2012, despite the fact that the middle of the first half of the year had been somewhat difficult. Cash flow problems and burdens on companies in the sector improved slightly, while there was a marked increase in recruitment intentions from the second quarter onwards.

## FINANCING OF THE ECONOMY STILL DRIVEN BY CONSTRUCTION INDUSTRY

Despite an economic downturn, the financing of French Guiana's economy, which is structurally related to infrastructure and housing needs, continued to increase and stood at 5.5% at the end of December 2012. Housing loans, which account for 57% of outstanding performing loans, rose by +10.4% compared with the end of 2011.

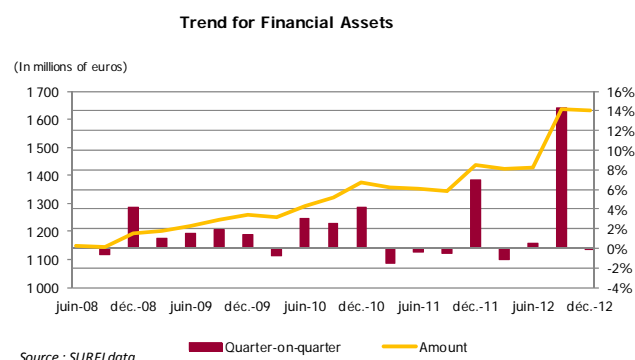
Corporate bank loans rose by 5.4%. Loans to households rose by 8.5% (their share in total outstanding performing loans stood at 31.9%, after 31.0% in 2011), while there was a decline in financing for local authorities (-2.0%).

## Collection of savings impacted by exceptional operation

In 2012, there was a significant increase – 13.4% – in the savings collection activity, which brought the total outstanding amount up to EUR 1,631.8m at the end of the year. The situation can be explained by an exceptional operation that occurred in the third quarter of 2012, which meant that a high proportion of financial assets concerned long-term equity investments.

With slower growth in consumption, combined with attractive conditions for certain investment vehicles, household saving rose by 4.4% in 2012, against 4.2% in 2011. There was a decline in short-term investment in the corporate segment to the benefit of overnight deposits.

All segments taken together, long-term investments, which accounted for 23% of financial assets at the end of 2011, rose to 30% at the end of 2012. This was, however, due to an exceptional operation conducted by a local institution. Once this operation has been offset, it can be estimated that financial investments made by economic agents rose by 3.4% during the year, against +4.4% at the end of 2011.

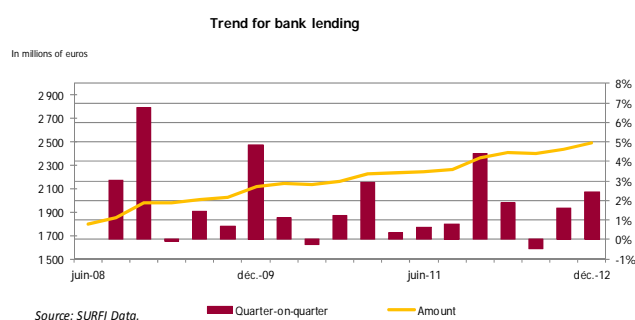


## Lending activity driven by housing finance

Despite a less favourable economic context, the lending activity continued to be relatively dynamic, with an increase in outstanding performing loans in all credit institutions, which reached EUR 2,494m in December 2012 (+5.5%, against +5.8% at the end of 2011 and +5.4% at the end of 2010). Outstanding corporate loans stood at EUR 1,277m, representing an annual increase of 5.4% (after +6.7% in 2011). While there was a decline in investment loans in 2012 (-5.6%, after +19.4% in 2011), there was a marked increase in investment and real estate loans allocated to companies (26.2% and 9.7%, respectively).

Bank lending to households, with a total outstanding amount of EUR 795m, rose by 8.5% in 2012 (after +8.0% in 2011). Finance for housing accounts largely for this trend, with an annual increase of 11.6%. However, outstanding consumer credit declined during the year (-2.0%, against -0.8% in 2011), due to the fact that people were less willing to consume.

The rate of total gross doubtful loans in local credit institutions stood at 4.2%, a slight improvement compared to 2011 (4.4%).



## OUTLOOK FOR 2013

The outlook for activity in the first quarter of 2013 is mixed depending on the business sectors. Plans to invest over the next year, while they have declined to a lesser extent, are still down.

The space industry is expected to continue to have a sustained level of activity (about 13 launches scheduled). The outlook is favourable until 2015, with the launch of the initial studies on the Ariane 6 launcher. The upward trend in the construction industry is also expected to continue in 2013, mainly to meet housing needs, which remain high. The social housing programmes launched in 2012 (Macouria ZAC comprehensive development area, housing in the Soula area, Saint-Maurice ZAC comprehensive development area in Saint-Laurent) should benefit the construction industry. Furthermore, the territory's infrastructure and development works launched at the end of 2011 will continue in 2013 (with the Balata and Les Maringouins interchange, the second bridge at Lariivot, which is under study, the completion of the Matoury commercial complex). Finally, other projects for public amenities will contribute to supporting the volume of business in the construction industry, notably those planned for the forward base for the 2014 Football World Cup and the 2016 Olympic Games in Brazil.

In the tourism industry, the expected outlook for the beginning of 2013 has deteriorated, despite the fact that the end of 2012 was considered more positive. The gold industry may, however, benefit from more favourable mining prospects, notably with mine operators setting up on the illegal gold mining sites. The potential to exploit mineral and energy wealth, notably with oil being discovered off the coast of French Guiana, is part of a more long-term sustainable development of French Guiana.

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Publication Director: N. de SEZE – Editor-in-chief: F. DUFRESNE

Edited and printed by: IEDOM

Printed: 20<sup>th</sup> March 2013 – Legal deposit: March 2013 – ISSN 1952-9619