

Guadeloupe's economy in 2013 Hesitant economic situation

In 2013, Guadeloupe's economy remained fragile. The trend for most economic indicators was generally marked by a wait-and-see policy and uncertainty.

Business investment was low and household consumption had difficulty recovering its level. The labour market was under pressure, with employment opportunities at a record low. Trade declined in the second half of the year as a result of weak domestic demand, although it did increase over the year.

Some positive signs can, however, be noted. The Business Climate Indicator improved and recovered its long-term average at the end of the year. Employment demand levelled off and inflation remained moderate. At the sectoral level, the tourist industry continued to be dynamic. There was an upturn in retail activity at the end of the year, although the trend remained negative for the automotive market.

In this context, growth in banking activity held up: the stock of outstanding household and business loans has risen less rapidly and the trend for financial assets remains positive. The loss rate on the local banking market is improving.

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FRAGILE ECONOMIC CLIMATE

Upturn in Business Climate Indicator

After having fallen since mid-2012 to its lowest level in the second quarter since 2009, the Business Climate Indicator (BCI) improved in the third quarter and recovered its long-term average at the end of the year.

This rebound (by almost 20 points) put an end to five quarters of continuous decline in the BCI since mid-2012. However, all business sectors do not reflect this improvement and the trend for most economic indicators bears the mark of a changing and fragile environment.

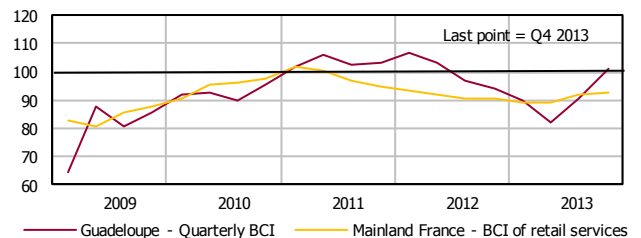
Inflation remains low

As in 2012, price increases remained moderate. Average inflation stood at +0.9 % in 2013, well below the 2012 level (+1.9 % on average), and was at the same level as in France as a whole in 2013.

The second half of the year was marked by a significant slowdown in the inflation rate (+0.4 % on average, against +1.5% in the first half of the year).

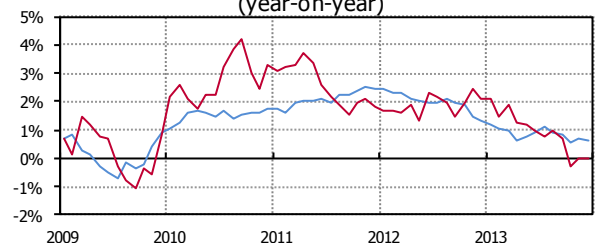
The increase in prices for manufactured goods (+0.5% year-on-year) and food prices (+0.8%) each made a 0.14 point contribution to inflation. The fall in energy prices (-3.4% year-on-year), particularly for oil product prices, offset the increase in the index. Prices for services, the main household expenditure item (41.3%), remained stable.

Business climate indicator
(100 = Long-term average)



Source: IEDOM economic survey, Banque de France.

Consumer price index
(year-on-year)



Source: INSEE

Labour market still under pressure

The labour market continued to deteriorate in 2013. However, the number of end-of-month jobseekers (DEFM A) would appear to have levelled off at the end of the year. There were 60,393 people registered, *i.e.* an increase of +1.4%, after +4.6% in 2012 and +6.3% in 2011. This increase was lower than in mainland France, where it rose by +5.4% year-on-year in 2013. The over 50s contributed exclusively to the deterioration of the labour market. Their number rose by 13.4%, to 12,100 DEFM A jobseekers.

At the same time, the number of job offers collected has remained on a downward trend since 2009. The decline reached a record level in 2013 (-24.7%), following a fall of 8.2% in 2012 and 6.4% in 2011. By comparison, it fell by 21.0% in 2009. A total of 9,380 job offers (long- and short-term) were posted at the Pôle Emploi employment agency in 2013, *i.e.* the lowest level since 2000.

According to the annual employment survey conducted in the second quarter of 2013 by the national statistics office, INSEE, paid employment in the retail sector was down 2.1% year-on-year and fell to its level of the fourth quarter of 2012.

Household consumption more cautious

Faced with the persistent tensions on the labour market and an uncertain economic environment, household consumption was cautious and on a downward trend.

Imports of agrifood products were down by 4.8% on 2012 and consumer goods imports by 3.6%. The decrease was twice as high for imports of household goods (-10.1% compared to 2012). The levels do, however, remain high and above those prior to the crisis.

The caution among households can also be seen with the trend for the stock of outstanding consumer loans, which has stagnated (-0.1%).

After a rather weak first six months, business leaders in the retail sector report that activity was positive in the second half of the year. In 2013, there was a decline in the number of natural persons banned from holding a banking account (20,478, -2.1% compared to 2012). The number of applications lodged with the excessive debt commission (287) was down slightly (-0.7%) and the number of cheque payment incidents was at its lowest level since 2009. The number of confiscations of bank cards was, however, up 22.5% compared to 2012 (5,358 confiscations of bank cards, against 6,567 in 2013).

Difficult for investment to resume

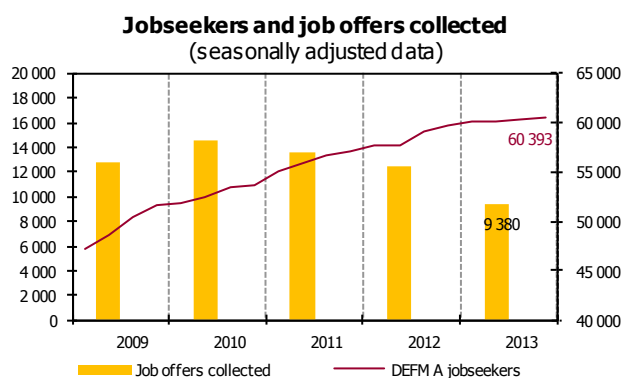
The trend for investment was more positive than in 2012, although it suffered from an economic context that entrepreneurs considered to be uncertain and changing. Business leaders had to adapt and readjust their investment plans throughout 2013. This observation is confirmed by changes in the balance of opinion on investment, which fluctuated and did not show a clear trend.

During the year, imports of goods for companies experienced significant upward and downward trends. However, on a year-to-date basis, the levels are higher than in 2012. There was a sharp rise in capital goods imports (+18.2%), which even exceeded their pre-crisis level. Imports of intermediate goods continued to increase (+1.8%, after +5.4% in 2012). The stock of outstanding business investment loans rose slightly (+0.9% at the end of December). Property investment increased, but at a slower pace: the stock of outstanding home loans rose by 3.9% year-on-year, after +8.2% in 2012.

Increase in trade over the year

2013 started with record high levels for imports and exports. In the first half of the year, imports were up 2.9% on 2012 and were above their pre-crisis level (+13.0% compared to the first half of 2008). There was a decline in trade starting in mid-2013.

However, year-to-date, imports rose by 3.8% compared to 2012 (+2.8% compared to 2011), driven by a more positive trend for business investment. There was a sharp rise in exports (+24.5%), due to atypical movements for oil products (+8.0%, excluding oil products).



Source: DIECCTE.



Source: Customs.



Source: Customs.

BUSINESS TRENDS UNEVEN DEPENDING ON THE SECTOR

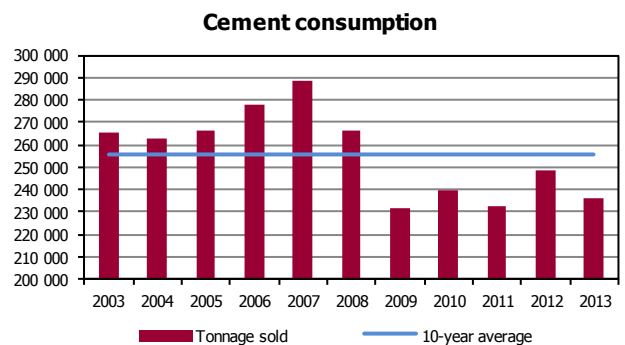
Mixed results in agriculture and industry

In 2013, the level of activity in the primary sector was mixed. The sugarcane harvest was disappointing, despite a good start and higher sugar content, and had to be stopped early due to unfavourable weather conditions. In 2013, sugar refineries crushed 448,022 tonnes of sugarcane, *i.e.* an overall decrease of 23.5% compared to 2012. The production of crushed sugarcane is considered to be one of the lowest of the decade. The banana sector, however, confirmed its recovery: banana exports were up 8.9% compared to 2012 and stood at 65,661 tonnes.

Business picked up in manufacturing industries in the second half of the year, following a difficult first half, but the balance remains weak for most companies. There is a negative trend for the activity of agrifood industries; sugar production fell by 15.0% and rum production by 9.8%. Exports of agrifood products were relatively stable compared to 2012 (+0.6%, seasonally adjusted).

Downturn in construction industry

According to industry professionals, 2013 ended with an overall decline in the building and public works activity. The reduction in the number of employees continued (-704 jobs in 2013, after -3,176 in 2012). Cement sales on the local market were down 5.5%: since the beginning of the year, a total of 219,589 tonnes were sold on the local market, against 232,425 tonnes in 2012. This figure is close to the lowest levels observed in 2011 and during the social crisis in 2009. The number of housing units authorised fell by 8.1%, *i.e.* an annual shortfall of 360 housing units. According to the IEDOM economic survey, in the last quarter of 2013, the trend for the cashflow of companies was more positive, in particular due to shorter client payment periods.

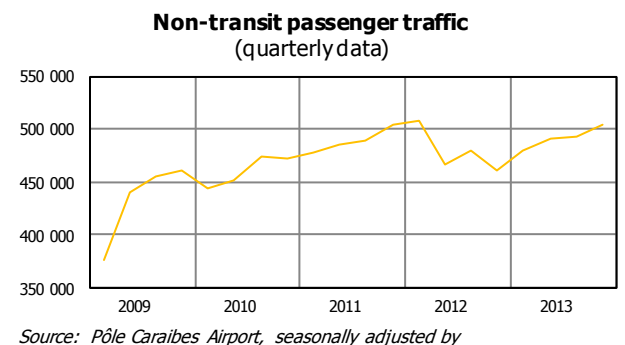


Tourist industry remains dynamic

The tourist industry progressed in 2013. At the Pôle Caraïbes Airport, non-transit passenger traffic rose by 2.0% year-on-year and reached a total of 1,925,047 passengers at the end of December.

Hotel occupancy in classified hotels remained stable in 2013. The number of overnight stays fell by 0.6%, but the average room occupancy rate rose by 0.9 points to 57.4%.

In 2013, several refurbishment and upgrading projects were launched in certain hotels on the island, with the aim of offering more upmarket tourist services.

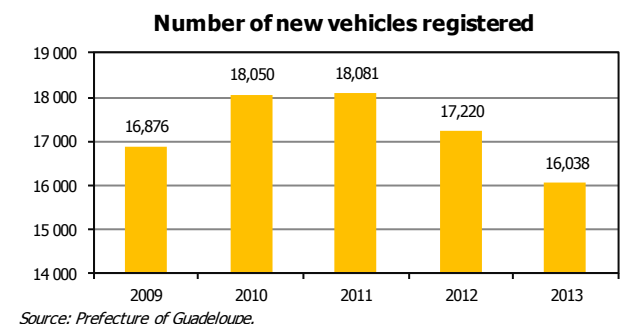


The cruise segment remained stable compared to 2012, which industry professionals had considered a satisfactory year. The number of cruise passengers stood at 158,354. The trend for the 2013-2014 season would appear to be positive.

Upturn in retail industry at the end of the year

Business picked up for companies in the retail industry, especially during the last two quarters of the year, and business leaders' expectations for the beginning of 2014 are positive.

However, the automotive market is in difficulty. With 16,038 new vehicle registrations in 2013, the decline is continuing (-6.9% compared to 2012). This is the lowest level of the decade.



BANKING ACTIVITY HOLDS UP

Slowdown in financing activity

The lending activity struggled in 2013, as was the case for the still fragile recovery in the department's economic activity. At EUR 8.1bn, the stock of outstanding performing loans was up 2.9% year-on-year, *i.e.* an increase close to the one observed in 2012 (+3.1%), but well below the growth rates recorded in 2011 (+7.1%) and 2010 (+6.4%).

There was little improvement in financing allocated to companies, which was affected by the difficulties encountered in most sectors. The outstanding stock had risen by only 0.6% at the end of 2013 to EUR 3.7bn.

The growth rate for property loans reached a record low at +1.7% (EUR +35.3m), thus departing from the levels observed in previous years. Following a subdued first half of the year, there was a slight upturn in investment loans at the end of the year (+0.9% year-on-year, after -5.5% in 2012). At the same time, there was a decline in operating loans for the sixth year in a row (-7.3%).

There was a further slowdown in the lending activity to households at the end of 2013. At EUR 3.2bn, the outstanding stock rose by 4.1% year-on-year, after an increase of 4.9% in 2012. Although it is dynamic, the growth in home loans is slowing (+6.0%, after +7.1% in 2012). In an unfavourable environment for household consumption, the stock of outstanding consumer loans remained stable over the year (-0.1%), after a slight increase in 2012 (+0.5%).

Improvement in loss rate

There was an improvement in the loss rate on the local banking market throughout 2013, especially in the fourth quarter: there was indeed a marked decline in the stock of gross outstanding nonperforming loans (-10.6%) to EUR 492.3m. There has been a significant decrease in the proportion of these nonperforming loans in the total amount of loans allocated, to 6.8% (-0.9 points).

Positive trend for financial assets

The net collection of savings continued to be dynamic in 2013. At EUR 7.4bn, the financial assets of economic agents rose by 4.3% (EUR +301.3m). This increase, which is similar to 2012 (+4.7%), can be attributed more to households, which have seen a 3.6% increase in their assets. The growth rate for business assets was more moderate (+2.1%, after +3.2% in 2012), while it picked up for the other agents (+20.1%, after +17.0%).

There was a stronger increase in overnight deposits than in 2012 (+6.8%), which are the main financial assets held by agents (35.0%). Liquid or short-term investments, however, saw less rapid growth (+3.0%, after +4.6% in December 2012), as they were affected by a further reduction in investments indexed on market rates (-1.6%). The trend remained positive for special savings accounts (+5.0%), which benefitted from the dynamism, albeit less marked, of the Livret A accounts (+6.6%) and sustainable development accounts (+16.5%). Long-term saving, for its part, continued to grow, but also at a slower rate (+2.8%, after +5.6% in 2012), due to a fall in life insurance.

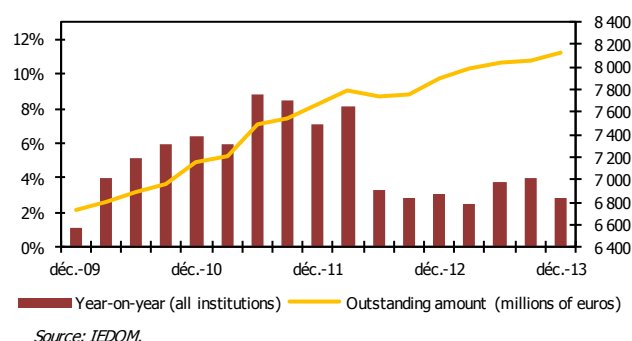
MIXED OUTLOOK FOR 2014

Following several quarters of slowdown, since the second half of 2013, Guadeloupe's economy has been showing some signs of an upturn in a context of a recovery in growth in France and the euro zone.

However, all Guadeloupe's economic actors operate in an environment that is particularly changeable and fragile and, due to the lack of visibility, requires constant adaptation for companies and their services.

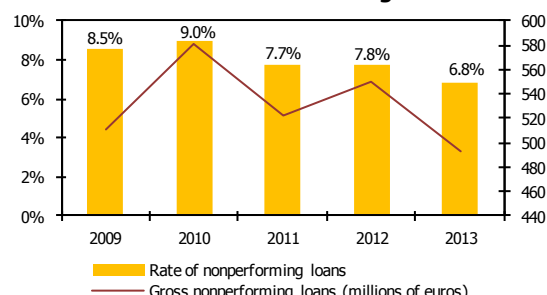
The consolidation of signals in 2014 particularly depends on activity being strengthened in certain sectors, such as agriculture and industry, by stimulating new momentum in other sectors like the construction industry, and through the confirmation of growth both in France and at international level. 2014 shows promise for the tourist industry, with a good start to the cruise season and the holding of the "Route du Rhum – Destination Guadeloupe" event which, in addition to an increase in the number of visits, will contribute to promoting the Department's image.

Trends in bank loans



Source: IEDOM.

Risk trends on local banking market



Source: IEDOM.

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