

French Guiana's economy in 2013 Some signs of improvement at the end of the year

Following a mixed year in 2012, French Guiana's economy slowed down until the third quarter of 2013. The end of the year did, however, show signs of a recovery, with a rise in household consumption and renewed business investment. In this context, the situation on the labour market deteriorated again in 2013.

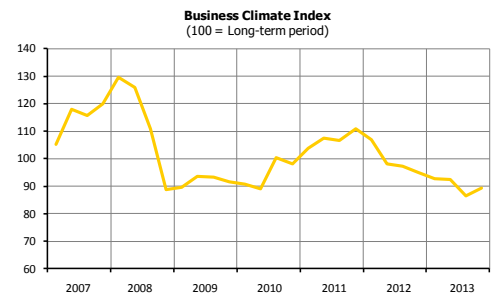
There was a mixed trend for the volume of activity and performance, depending on the business sector. The gold, construction and space industries showed signs of a slowdown in 2013, while actors in the tourist industry and livestock farming express a certain optimism.

The financing activity, which is constantly growing in French Guiana, continued to be mainly driven by the housing sector. This includes loans allocated to social landlords for housing construction and loans to households to purchase property. Savings collection continued to increase in 2013, but at a slower rate than in the previous year, due to the exceptional operation in 2012.

UPTURN IN ACTIVITY PROVING SLOW

Slight improvement in business climate

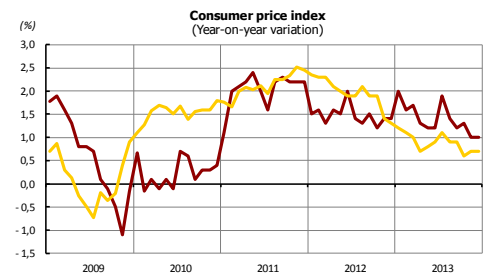
In 2013, the Business Climate Indicator (BCI) continued to be weak. Although it was below its long-term average, the BCI did remain relatively stable in the first half of the year (92.6 points). Following this interval, the BCI once again lost 6.2 points, but recovered in the fourth quarter, although it did not recover a satisfactory level. Pessimistic forecasts on business trends in 2013 had a negative effect on the BCI. The business outlook for the first months of 2014 are, however, more favourable.



Source: IEDOM, economic survey.

Slight fall in inflation

In 2013, the consumer price index (CPI) rose by an annual average of 1.4%, against 1.5% in 2012. The index had increased by 1.0% year-on-year at the end of December 2013, mainly driven by food prices (+3.1%) and services (+1.0%).

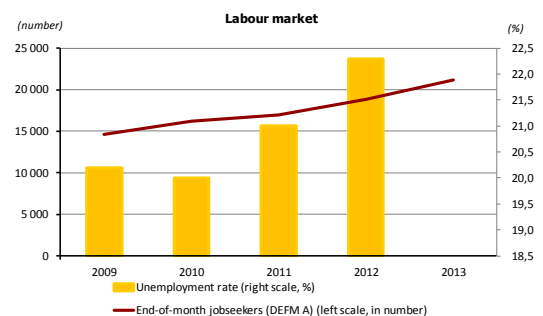


Source: INSEE.

Labour market depressed

At the end of December 2013, there had been a deterioration in the labour market. The number of category A jobseekers registered at the Pôle Emploi employment agency stood at 21,200, up 12.5% compared to the end of December 2012.

The number of long-term job offers (six months or more) rose by 87.3% year-on-year; the number of people registered is also constantly rising. Women suffer the most from this situation (12,867, women jobseekers against 8,914 men, seasonally adjusted). However, the increase in the number of young men registered at Pôle Emploi is higher than that of young women (+31.7%, against +7.1%, respectively). For the 50s and over (3,966 people) and under 25s (3,699 people), the number registered rose by 17.1%, seasonally adjusted.



Source: Dieccte, INSEE.

The number of beneficiaries of the active solidarity income (RSA) rose by 11.3%, with 17,125 people registered at 31 December 2013. In addition, the unemployment rate by ILO methodology stood at 22.3% in June 2012, and youth unemployment (15-24 year olds) had reached 51.5%.

Rise in household consumption

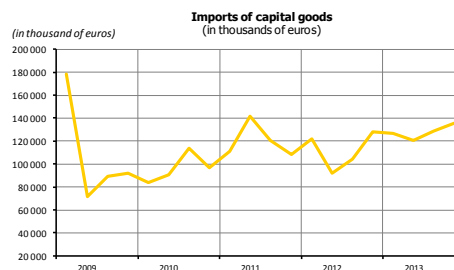
Household consumption rose in 2013. Imports of consumer goods increased by 9.3% year-on-year. There was, however, a decline in imports of electrical and household equipment (-4.4%), as was the case with new vehicle sales (-1.6%). At the same time, there was an upturn in consumer loans (+3.7%), with a total outstanding amount of EUR 170.7m. Finally, household vulnerability indicators were mixed: the number of confiscations of bank cards fell by 45.2% (*i.e.* 2,200 confiscations in 2013, against 4,014 in 2012), while there was an increase in the number of natural persons banned from holding a bank account (+6.4% year-on-year at the end of December 2013).



Source: Customs, seasonally adjusted by IEDOM.

Upturn in business investment despite unfavourable forecasts

There was a marked rise in capital goods imports (+15.7% in value year-on-year), with a subdued first half of the year and a significant and steady increase at the end of 2013. Similarly, business investment loans rose by 5.3% in 2013, almost entirely driven by the increase in equipment loans (+7.0%). IEDOM's economic survey of the fourth quarter of 2013 does, however, indicate a negative trend for investment plans for the sixth quarter in a row, except for in the tourism industry.



Source: Customs, seasonally adjusted by IEDOM.

Rise in exports

The foreign trade figures for December 2013 show a rise in exports in value (+31.0% at EUR 292.6m in 2013, against +44.6% in 2012). This rise is due to the re-export of probe and drilling machinery for Trinidad and Tobago (+273%). Imports, for their part, rose by 6.9% in 2013, against +9.2% in 2012, to EUR 1,588.9m.

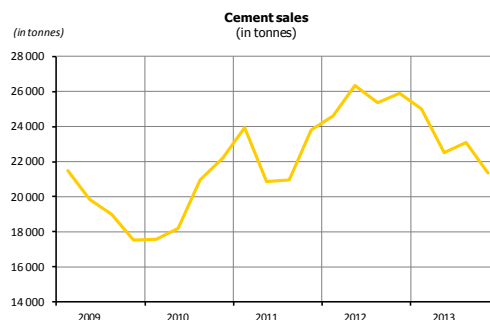
DOWNTURN IN MOST SECTORS

Livestock farming continues to recover

The trend for activity in the primary sector and agrifood industries continued to be quite positive in 2013. While beef and pig production increased over the year (+13.8% and +16.0%, respectively), their imports fell by 4.2% and 5.7%, respectively. Exports of agrifood products rose in value (+2%), while imports remained quite stable (-0.5%). The quantity of fish exported increased, but less than in the previous year (+1.9% in 2013, against 5.8% in 2012), and the tonnage of shrimps exported remained on the same trend (+7.4%), thanks to a positive start to the year. The sector has, however, been experiencing serious difficulties since 2010, when the tonnage exported fell below the one thousand mark. The average exported, which stood at 1,500 tonnes between 2004 and 2009, has fallen to some 600 tonnes since 2010. The fragility of the infrastructure and the industry's lack of attractiveness are both factors that hold back its development.

Slowdown in construction industry

In the construction industry, cement sales fell by 9.9% in 2013. There was a fall in sales during the first two quarters. Despite the slight upturn in the third quarter, sales fell at the end of the year, particularly bulk sales. Furthermore, actors in the sector saw no sign of recovery in the market at the end of the year. The number of social housing unit constructions launched was down to 609 in 2013, against 1,087 in 2012. In addition, although the volume of housing units under construction remains well below demand, professionals do not anticipate a recovery for the beginning of 2014.

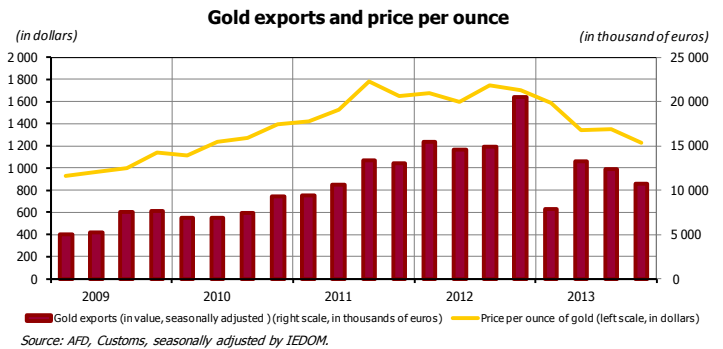


Source: Ciments guyanais, seasonally and working day adjusted IEDOM.

Gold and timber industries depressed

There was a marked decline in gold exports in 2013. French Guiana exported 1.35 tonnes of gold (-21.9% year-on-year), worth EUR 44m (-32.3%). The precious metal's image as a safe haven was eroded in 2013.

Timber exports were worth EUR 2,187m in value, *i.e.* a year-on-year decrease of 19.9%. Timber exports have been constantly falling, the exception being 2012.



Slight downturn in space industry

With 7 rocket launches in 2013 (4 Ariane-5, 2 Soyuz, 1 Vega) against 10 in 2012, there was a slowdown in activity in the space industry. The launches put 14 satellites into orbit (including the launch of an automatic transfer vehicle (ATV) to supply the international space station), against 18 in the previous year. In 2013, 18 contracts for launches were signed for Arianespace, for a sales turnover worth EUR 1.4bn. Arianespace was given the opportunity to launch a programme that aims to increase, without losing performance, the effective volume available and to construct a new building to fuel the stage of Soyuz. The first constructions are expected for the second half of 2015.

Tourist industry confirms positive trend

Traffic at the Cayenne-Félix Eboué Airport rose slightly, with a total of 437,599 passengers recorded at the end of December 2013 (*i.e.* +2.0% year-on-year, against -1.5% in 2012).

The average monthly occupancy rate for approved hotels stood at 59% in 2013 (60% in 2012). The number of overnight stays fell by 3% (an annual total of 273,000 nights in October 2013, against 282,000 in October 2012). Following a slowdown in the first quarter, tourist industry professionals saw a positive trend in activity at the end of 2013. Their investment plans for the next year are quite positive.

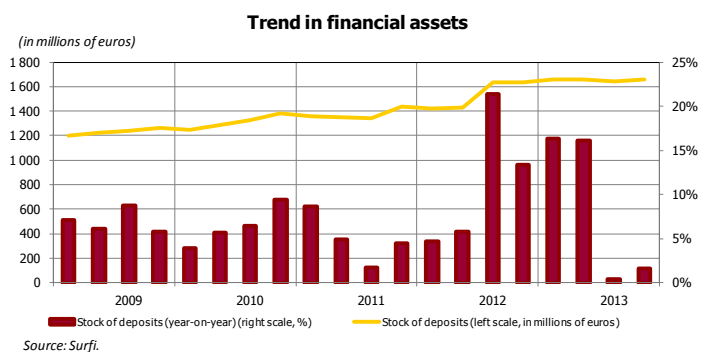
FINANCING OF THE ECONOMY STILL GROWING

Despite a mixed economic situation, the Department's banking activity had grown at the end of December, with an increase in the level of financing of the economy (+5.6%, *i.e.* EUR 139.2m), bringing the stock of outstanding performing loans up to EUR 2,633.8m. There was also an increase in savings collection, with financial assets up by 1.6% in 2013 (*i.e.* EUR +26.8m) to EUR 1,658.7m. This trend was less marked than in 2012, due to the exceptional operation that took place in the third quarter of 2012, which had a strong impact on the increase in local banking assets.

Rise in savings collection despite decline in share investments

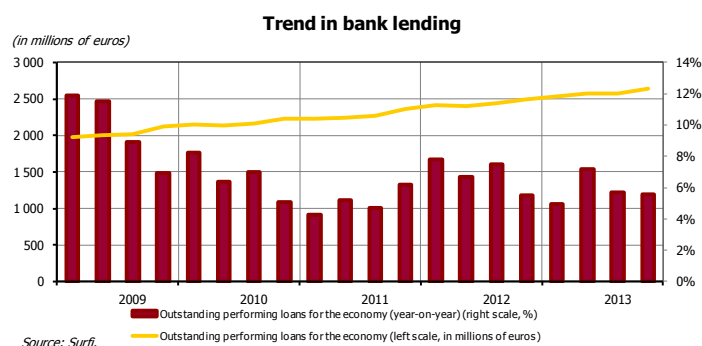
There was a marked increase in overnight deposits of 4.2% (EUR 29.5m), while a slight contraction (-0.9%, *i.e.* EUR -4.1 M€) was observed for liquid investments, which were negatively affected by the drop in collections for the Livret A savings accounts in the last quarter (-3.2% over the year, *i.e.* EUR -5.8m), and by a marked decline in the stock of outstanding money market UCITS (-23.1%, *i.e.* EUR -11.0m).

Long-term investments were up 0.3% (EUR 1.4m), mainly driven by investments in life insurance contracts (+6.3%, *i.e.* EUR 13.1m), and by an increase in the amounts outstanding on homebuyer savings plans (+7.5%, *i.e.* EUR 6.6m). The sharp decline in share investments (-13.5%, *i.e.* EUR -20.3m) is more due to the lower valuation of the portfolio than to a drop in collections.



Lending activity mainly driven by housing finance

In terms of corporate finance, there was a year-on-year increase in outstanding performing loans of 5.9% (EUR 75.9m) to a total of EUR 1,353.8m at 31 December 2013. The outstanding stock of housing loans, which stood at EUR 841.0m, accounted for 62% of corporate loans and continues to be the main driver of the financial activity. The increase in the stock of outstanding housing loans (+7.5%, *i.e.* EUR 58.9m) accounted for over three-quarters of the total increase in corporate loans. Investment loans rose by 5.3% (EUR 20.7m), due to an increase in the stock of outstanding equipment loans (+7.0%, *i.e.* EUR 20.5m). The decline in operating loans of 6.9% (*i.e.* EUR -6.9m) was mainly due to a significant decrease in overdrafts in 2013 (-11.7%, *i.e.* EUR -5.6m).



Loans to households maintained their growth rate, with an increase of 7.8% (*i.e.* EUR 62.1m), bringing the stock of outstanding performing loans to EUR 857.9m. As with corporate loans, this trend is especially due to the increase in housing loans (+8.9%, *i.e.* EUR 56.2m), which account for 80% of the stock of outstanding performing loans to households. There was an upturn in consumer loans in 2013 (+3.7%, *i.e.* EUR 6.0m) to a total of EUR 170.7m of outstanding loans.

The stock of outstanding performing loans to local authorities rose by 1.6% (EUR 6.2m) to EUR 386.9m. This increase is due to the increase in equipment loans (+1.7%, *i.e.* EUR 6.3m).

The rate of gross outstanding nonperforming loans of local credit institutions stood at 4.0%, which was a slight improvement compared to the end of December 2012 (-0.2 points). Total provisions for all the credit institutions taken together rose by 1% to EUR 62.9m, which brings the overall provisioning rate to 59.5% (+0.5 points over the year).

OUTLOOK FOR 2014

For the beginning of 2014, business leaders anticipate an improvement in their activity, although they do not plan to invest over the next year.

The difficult beginning of the year for the construction industry seems to suggest that the activity will be uncertain in 2014. An initial budget of EUR 17.6m was paid to the industry due to a time lag in State payments for credit from the single budget line. This payment should make it possible to meet financial commitments towards construction industry professionals (out of a total of EUR 35.7m according to the Regional Construction Industry Federation). 2014 could be a mixed year, even though the sector remains promising, with 13,000 current demands for housing that have still not been met. Indeed, the number of social housing starts in 2013 was down compared to previous years, and this trend is likely to have an impact on developments in 2014.

With a more important launch programme than the previous year, the space industry should once again make a significant contribution to growth in French Guiana's economy. Arianespace aims to continue to guarantee independent access to space for the European Union (*via* the launch into orbit of a constellation of Galileo satellites, but also the automatic transfer vehicles – ATVs), maintain its competitiveness with Ariane 5 ME, and strengthen its leadership with the Ariane 6 project. The budget announced for the space industry in 2014 stands at EUR 2.1bn, representing a financial effort per capita per year of EUR 30, against EUR 46 per capita per year for the USA.

Tourist industry professionals generally report an improvement in their activity. The upturn forecast for the end of 2013 has been confirmed, and expectations for the first months of 2014 remain positive.

The trend for the activity in the gold industry, where there has been a decline in performance, is quite similar to downward international trends.

The potential for the discovery of oil off French Guiana offers sustainable development prospects, but over a long-term period.