

Martinique's economy in 2013 Sluggish activity

Following 2012, a year with no growth, in 2013, Martinique's economy did not regain the momentum for the recovery that would curb the rise in unemployment and allow it to return to the pre-crisis levels of 2009.

The Business Climate Indicator improved, but business investment plans remain cautious: with no favourable medium-term outlook, business leaders are limiting investments to renewing their production facilities. Economic activity is generally suffering from the low level of domestic demand.

Conditions continue to be subdued in most sectors: the situation remains difficult in the construction industry; there are mixed results in agriculture and industry; there is a slowdown in the retail industry. The tourist industry is the only one to have picked up in 2013.

Despite an economic environment that is still considered to be weak, and an increase in the rate of nonperforming loans, banks generally continue to support the financing of the economy. The stock of outstanding corporate loans was, however, down, while there was an increase in the stock for households and local authorities. At the same time, the trend for the collection of client assets remains positive.

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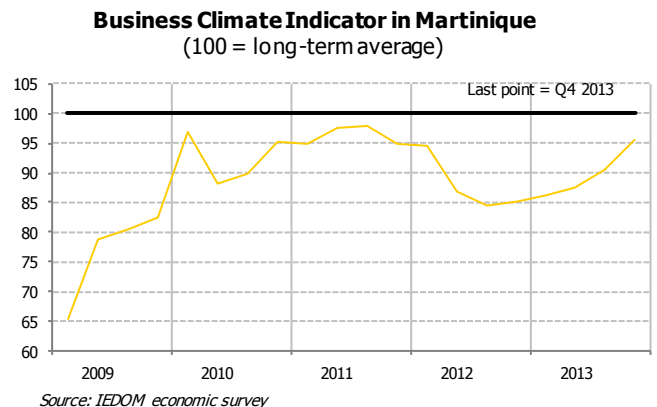
ACTIVITY SUFFERS FROM WEAK DEMAND

Improvement in Business Climate Indicator

Following a marked decline in 2012, there was a significant improvement in the Business Climate Indicator in 2013.

It rose by 10.4 points year-on-year, but does, however, remain below its long-term average. It stood at 95.7 points at the end of the year.

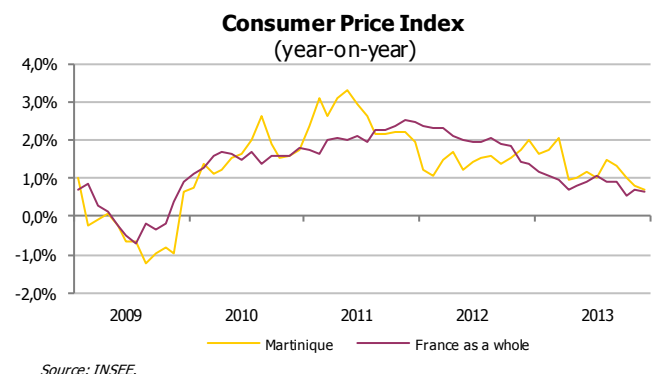
This increase is the result of a more positive trend in activity and less pessimism on the part of business leaders in 2013. The latter do, however, remain cautious due to the unfavourable economic situation.



Moderate inflation

There was little change in the consumer price index year-on-year (+0.7% at the end of December 2013). The average annual inflation rate stood at +1.3% (against +1.5% in 2012), which was slightly above average annual inflation in France as a whole (+0.9%).

This trend was due to the significant decrease in energy prices (-2.1%), despite the increase in food prices (+1.8%), services (+1.1%) and manufactured goods (+0.3%).

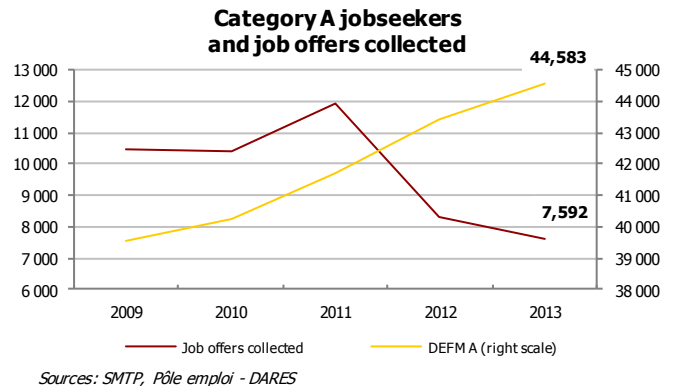


Labour market remains weak

The number of jobseekers continued to increase (+2.7% year-on-year) and stood at 44,583 at the end of the year. The effects of the crisis made it even more difficult to return to employment, especially for older workers (50 and over), for which there was an increase in the number of demands (+13.4%).

At the same time, employment opportunities continued to decline (-8.3% year-to-date) and stood at 7,592.

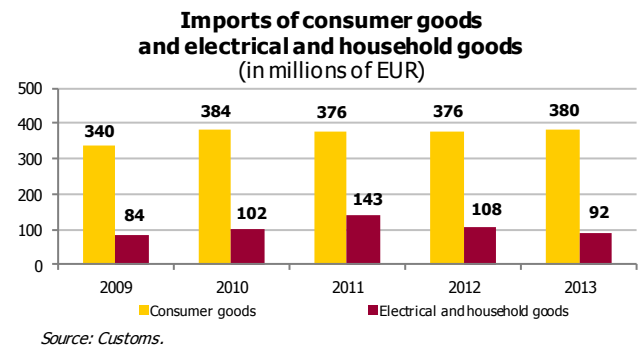
Finally, the number of beneficiaries of the RSA active solidarity income rose (+7.0%), as did the number of people on benefit from the Pôle Emploi employment agency (+1.4%).



Household consumption sluggish

Household consumption was sluggish in 2013. Imports of electrical and household goods and passenger vehicle registrations were down (-14.4% and -3.8%, respectively). There was also a decline in the stock of outstanding household consumer loans (-2.7%).

Although the trend was positive, the increase in hypermarket sales turnovers was lower than in the previous year (see below). At the same time, there was a slight increase in consumer goods imports (+1.2%), which was entirely driven by the rise in imports of various manufactured goods (+4.6%).

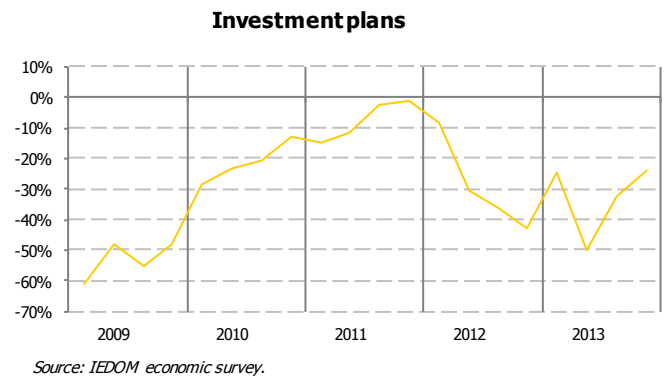


Investment trend remains negative

The trend for investment plans remains negative.

The lack of medium-term visibility prompted business leaders to review their investment policies and give priority to maintaining their production facilities, especially in the agrifood and construction industries.

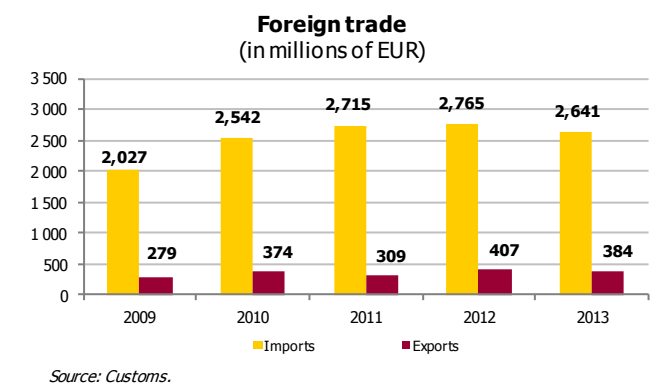
Imports of capital goods were down (-4.4%), as were commercial vehicle registrations (-6.0%). Finally, there was a decline in the stock of outstanding business investment loans (-2.7%).



Imports affected by weak demand

There was a decline in imports (-4.5%), as a result of the decrease in hydrocarbon imports (-35.6%). The low level of domestic demand also weighed on imports of mechanical equipment and electrical, electronic and IT equipment (-9.4%).

Exports were also down (-5.7%), due to the decline in oil product exports (-13.1%) to Guadeloupe and French Guiana. However, excluding oil products, they rose (+1.9%), driven by exports of transport equipment (+52.7%) and agrifood industry products (+12.8%).



ACTIVITY SLUGGISH IN MOST SECTORS

Mixed situation in agricultural sector

Production in the banana industry was affected by the development of black sigatoka, which has an impact on yields. There was a decline in the tonnages exported, which stood at 155,575 tonnes (-16.8% year-on-year).

The sugarcane industry also had to face a decline in yields, which reduced the quantity of sugarcane that can be crushed. However, the volume of sugarcane harvested (177,921 tonnes) rose (+1.5%), thanks to the increase in crop areas. This development mainly benefited distilleries (+5.6% to 135,050 tonnes), as the share for the Galion sugar refinery (42,872 tonnes) was once again in decline (-9.5%).

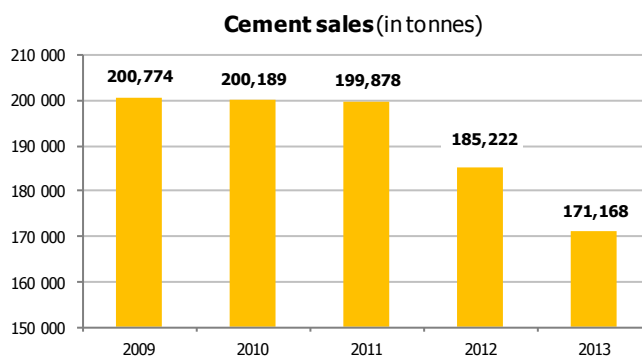
In terms of livestock industries, there was an increase in local meat production (+6.5%), driven by the production of pork (+9.4%) and beef (+4.3%).

Situation remains difficult in construction industry

The crisis is continuing and the situation remains difficult in the construction industry. This sector is heavily reliant on public procurement and suffers from a lack of new construction launches.

Cement sales were down (-7.6% to 171,168 tonnes). This decline concerns both bulk sales, which are generally for large-scale projects, and sales in bags, which are traditionally for the household market (-8.2% and -6.1%, respectively). Furthermore, there is a negative trend for the certificates of electrical compliance issued by Consuel (-8.8%).

However, there has been an increase in both the number of building permits issued and housing starts (+29.3% and +19.8%). This increase gives cause to hope for an improvement in the situation in the coming months.



Source: Ciment Antillais.

Mixed results in industrial sector

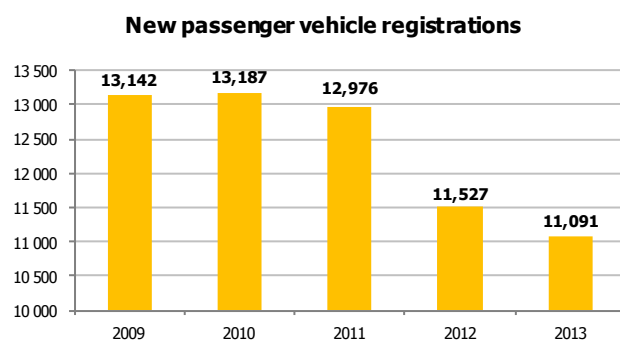
While construction-related industries have seen a decline in their business, there is a mixed trend for agrifood industries. Exports of agrifood products have increased overall (+12.8%), but the production of rum (81,064 hectolitres of pure alcohol) and sugar (2,188 tonnes) has declined (-5.0% and -25.1%, respectively).

Slowdown in retail activity

The lack of dynamism in household consumption weighs on activity in the retail sector.

Car sales were down (-4.1%): 13,018 vehicles were registered in 2013. This trend concerns both passenger vehicles (-3.8%) and commercial vehicles (-6.0%).

In the mass retailing sector, the overall sales turnover of hypermarkets continues its upward trend, but with slower growth (+2.5%, against +5.4% the previous year).

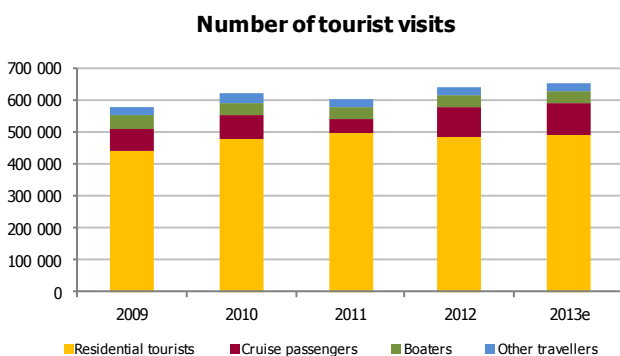


Source: Association Auxiliaire Automobile.

Tourist industry recovers vitality

In 2013, there was a further upturn in the tourist industry, with an increase in the number of tourist visits (+1.7% to 651,808 tourists). The number of passengers arriving at Aimé Césaire Airport rose (+3.7%, to 1,623,870 passengers), as did hotel occupancy (+3.3%, to a total of 1,081,214 nights at the end of October).

The cruise segment continued its growth (+12.7% to 103,770 cruise passengers). This improvement is in particular linked to the introduction of new stops and terminuses from Martinique.



BANKS LARGELY MAINTAIN THEIR FINANCING

Heterogeneous trend for outstanding loans

Despite an unfavourable economic situation, the stock of outstanding performing loans reached EUR 8.0bn at the end of 2013, maintaining a level similar to at the end of 2012 (+0.2%). This trend is due to the increase in loans to households (+2.8% to EUR 3.2bn) and, to a lesser extent, loans to local authorities (+2.9% to EUR 1.2bn). There was a downturn in the stock of outstanding corporate loans (-4.0% to EUR 3.2bn).

In detail, business investment loans were down (-2.7% to EUR 1.6bn). There was also a decline in operating loans (-5.8% to EUR 0.4bn), as a result of the decrease in current accounts (-21.0%), which was not offset by the increase in cash loans (+11.4%).

There was a decline in consumer loans to households (-2.7% to EUR 0.9bn), while the upward trend continued for home loans (+5.1% to EUR 2.3bn).

Loans to local authorities, which mainly comprise investment loans, continued to increase (+3.2% to EUR 1.2bn).

Slight increase in nonperforming loans

The quality of the portfolio deteriorated slightly. The amount of gross nonperforming loans of locally established credit institutions stood at EUR 0.5bn at the end of 2013 (+3.9%). The rate of nonperforming loans thus reached 6.8% (against 6.6% at the end of 2011 and end of 2012).

Increase in financial assets

In 2013, the assets of economic agents rose to EUR 6.7bn at the end of the year (+3.5%). This trend concerns all categories of assets: overnight deposits (+4.3% to EUR 2.1bn), liquid or short-term investments (+4.3% to EUR 2.4bn) and long-term savings (+2.0% to EUR 2.2bn). In terms of households, liquid or short-term investments have continued to grow (+3.8% to EUR 1.5bn), as a result of the limits being raised on special savings accounts. At the same time, households continue to have a strong interest in long-term savings. This concerns both life insurance contracts (+5.2% to EUR 1.3bn) and homebuyer savings plans (+1.6% to EUR 0.5bn). In a depressed economic environment, households would appear to prefer to save rather than consume.

At the end of 2013, the level of borrowing of Martinique's banking market stood at EUR 1.9bn.

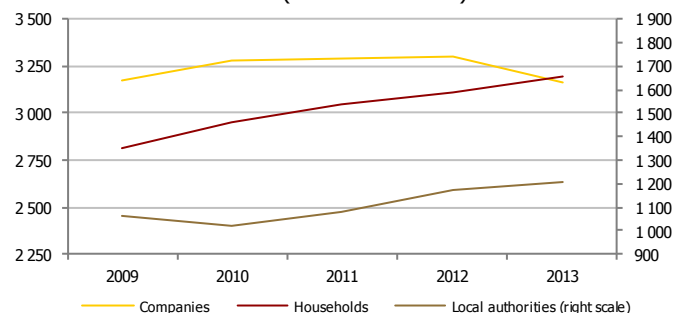
OUTLOOK REMAINS UNCERTAIN

While Martinique's economy had benefitted from a partial recovery in 2010 and 2011 following the crisis in 2009, growth came to a standstill in 2012. In 2013, the economic situation remained weak, with generally sluggish activity and mixed results in most sectors, apart from the tourist industry, which experienced an upturn.

In the coming months, Martinique's economy could benefit from the effects of certain structural projects, particularly in the transport sector, and a more positive outlook in the housing sector, as a result of the increase in the number of building permits issued.

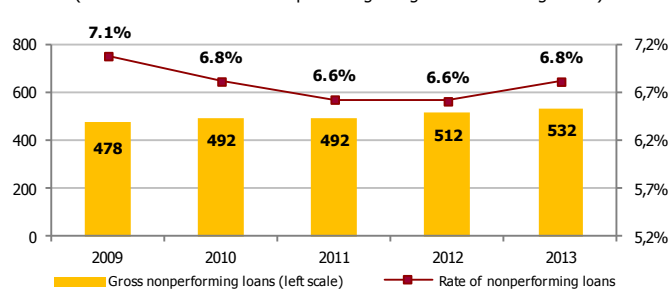
In the medium term, the challenge for Martinique is to identify growth drivers able to revive the economy and permanently curb the increase in unemployment. In the coming years, the tourist industry could be a key driver for development. In this respect, the Martinique Tourism Committee has the target of a million tourists by 2020, a level that was already reached at the end of the 1990s.

Outstanding performing loans
(in millions of EUR)



Source: IEDOM - Surf.

Outstanding gross nonperforming loans of local institutions
(in millions of EUR and as a percentage of gross outstanding loans)



Source: IEDOM - Surf.