

Saint-Pierre and Miquelon's economy in 2013

More positive economic trend

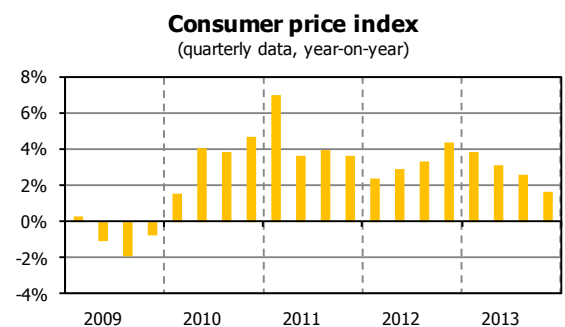
The results for 2013 mark the return to a positive trend for the archipelago's main economic indicators, unlike in 2012, which had highlighted a more mixed situation. The generally favourable trend that emerges is mainly based on more contained inflation than in the previous year, and a recovery in the labour market. This contributed to an upturn in household consumption and promoted business investment. However, these encouraging developments do not mask the observation on the different sectors, which remains mixed. This particularly concerns public procurement, which has fallen sharply, fishing, which continues to face structural difficulties, and the tourist industry, which reports lower results.

POSITIVE TREND FOR ECONOMIC ACTIVITY

Slowdown in inflation

The consumer price index rose by 1.6% year-on-year, *i.e.* a much lower increase than in 2012 (+4.4%), which had been marked by a sharp rise in energy prices. Its increase in 2013 was mainly driven by the rise in food prices (+2.7%) and manufactured goods (+1.4%).

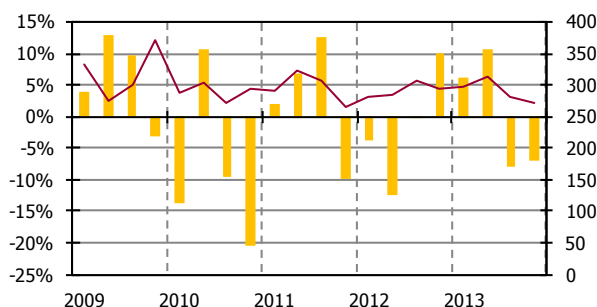
This slowdown in the growth rate for consumer prices, which occurred at a time when the euro appreciated against the Canadian dollar, results from both the more modest increase of prices of manufactured goods (+1.4%) than in 2012 and the stabilisation of energy prices (average of +0.8%, including -4.9% for fuel oil, +7.3% for electricity and gas, and petrol prices unchanged).



However, prices overall continued to rise more rapidly than in France as a whole (+0.9% year-on-year).

Positive trend for employment

Jobseekers- DEFM A
(seasonally adjusted data)



Source: DCSTEP,
seasonally adjusted
IEDOM.

■ Year-on-year
— Number of jobseekers

The number of jobseekers (category A DEFM end-of-month) fell in 2013 (-8.8%), unlike the previous year when there was a marked increase (+6.5%). At the end of 2013, it stood at 269 people (DEFM A).

The sectors the most represented among jobseekers continue to be the construction industry (21%), and business services (17%). Almost half of jobseekers (45%) have a level of training equivalent to a level 5 diploma (CAP and BEP vocational training certificates). At the same time, the number of job offers rose to 261 (against 184 in 2012), 72% of them were filled.

Upturn in household consumption

Following a slowdown in 2012, there was an upturn in household consumption in 2013. There was a sharp rise in imports of manufactured goods (+43%), which amounted to EUR 49m in 2013, against EUR 34m in 2012, while there was a decline in imports of food products (-0.7%), after having risen slightly by 3.5% in the previous year to EUR 16m.

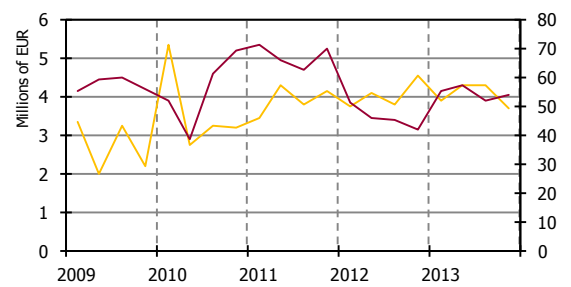
Passenger vehicle registrations also rose (+18%, *i.e.* 219 vehicles in 2013, against 185 in 2012).

The growth rate for consumer loans to households was higher than in 2012 (+10.2% year-on-year, against +7.5%).

The indicators of household financial vulnerability, which remain at relatively low levels, improved compared to the previous year. The number of natural persons banned from holding a bank account fell by 41% (10 at the end of 2013, against 15 at the end of 2012). This was also the case for the number of decisions to confiscate bank cards, which fell by 50% (16 in 2013, against 34 in 2012). Only one cheque payment incident was reported in 2013.

Imports of household goods

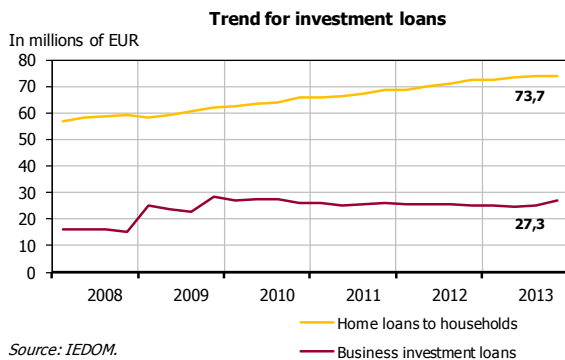
(seasonally adjusted data)



Source: Customs, seasonally adjusted IEDOM.

— Imports of food products
— Passenger vehicles

Upward trend for investment



Source: IEDOM.

— Home loans to households
— Business investment loans

The stock of outstanding business investment loans, which fell slightly in 2012, started to rise again (+7.4%) and stood at EUR 27.3m in 2013, *i.e.* the highest outstanding amount since 2010.

Imports of raw products continued to rise (+12%), but at a slower rate than in previous years (+27.8% in 2012 and +13.6% in 2011). They reached some EUR 8m.

The trend was the same for commercial vehicle imports, which rose by 22% (*i.e.* 95 vehicles), thus returning to a level close to 2011 (116 vehicles).

The stock of outstanding home loans to households, which had already reached a peak in 2012, remained at a slightly higher level in 2013 (+1.9%), and stood at EUR 73.7m.

Growth in trade

There was a significant increase in imports (+18%), unlike in the previous year, when they were relatively stable.

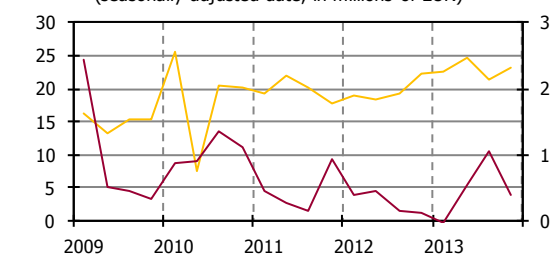
This increase was mainly due to the growth in imports of manufactured goods (+43%), related to large-scale equipment deliveries (turbine, engine) for the new power plant. The rise in imports of raw products (+11.4%) also contributed to this trend. There was a decline in imports of food products and oil products (-0.7% and -5.7%, respectively).

There was sharp growth in the amount of exports in 2013 (+70%). This was a result of the exceptional sales of metals for recycling for Europe.

The combination of these trends led to a further deterioration in the trade balance, for which the deficit rose from EUR 78m to EUR 91m.

Trade

(seasonally adjusted date, in millions of EUR)



Source: Customs, seasonally adjusted

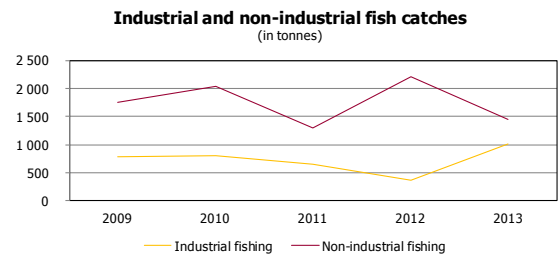
— Imports (left scale)
— Exports

SITUATION IN MAIN BUSINESS SECTORS

Mixed results for fishing activity

With less than 1,500 tonnes caught since the beginning of the season (April 2013), the volume of non-industrial catches fell by 34% compared to the fishing year of the previous year. This lower performance results from more adverse weather conditions than usual and difficulties to sell sea cucumbers in Canadian factories.

Industrial catches for this period saw a 1.5 fold increase and stood at 1,114 tonnes. This trend must, however, be seen in the light of an activity that had been exceptionally low in the previous year, due to one of the three main industrial fishing vessels being immobilised because of technical problems.

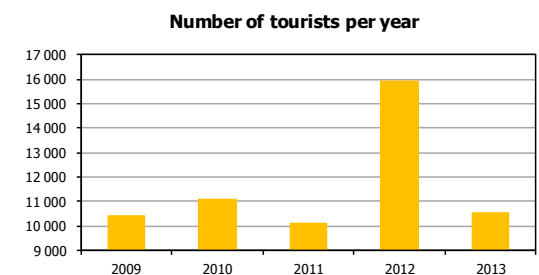


Fall in tourist visits

Some 11,700 tourists arrived on the archipelago in 2013, which marked a significant decline compared to the previous year (-32%).

This observation can, however, be qualified. Indeed, this decline is more due to the decrease in the number of port-calls by cruise ships (2,060 cruise passengers in 2013, against 5,686 in 2012), which was exceptionally high in 2012, than to the fall in the number of usual arrivals in the territory.

Canadians still account for the majority of tourists (63%) to the archipelago, followed by the French (15%) and Americans (12%). Tourists continue to mainly arrive by boat (71%).

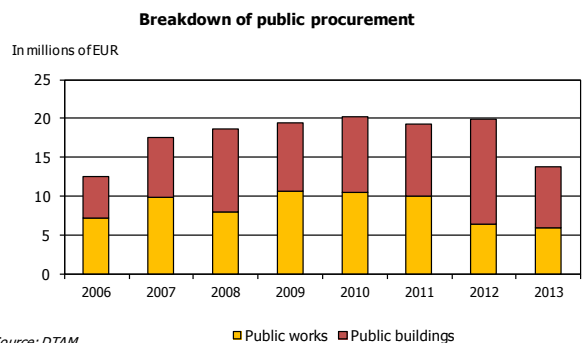


Source: Border police.

Contraction in public procurement

In 2013, there was a marked decline in public procurement, which reached its lowest level since 2007. The amount of works conducted fell by 30.8% in 2013 and stood at EUR 13.8m. They mainly focussed on construction (68%), although this activity was almost halved compared to the previous year (EUR 7.84m in 2013, against EUR 13.56m in 2012). Public works, for their part, remained relatively stable (EUR 5.96m in 2013, against EUR 6.38m in 2012).

This decline is mainly due to the fact that certain large-scale projects have reached their completion phase, such as the new hospital and the EDF power plant, for which the works in 2012 had amounted to EUR 3.47m and EUR 6.1m, respectively.



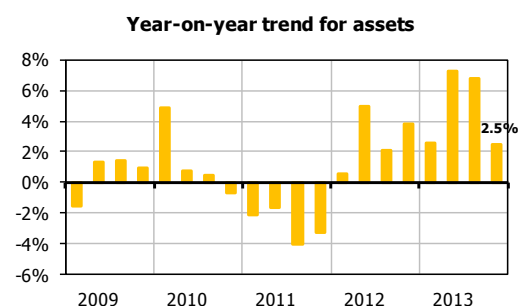
Source: DTAM.

SLIGHT INCREASE IN BANKING AND FINANCIAL ACTIVITY

Rise in financial assets

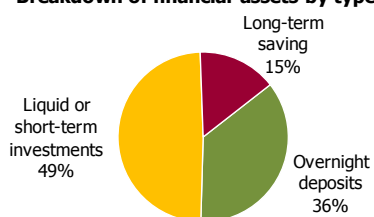
Total financial assets held by economic agents on the archipelago rose by 2.5% in 2013 to EUR 214.8m, the highest end of the year level since 2009.

This upward trend, which was less marked than in 2012 (+3.8%), was mainly due to the strong performance of overnight deposits (+4.7%), but also to the increase in liquid and short-term investments (+2.5%), which accounted for almost half of total assets. In 2013, there was a slowdown in long-term saving (-2.6%), after it had benefitted from the increase in the outstanding amount of homebuyer savings plans in the previous year.



Source: IEDOM.

Breakdown of financial assets by type



Source: SURFI.

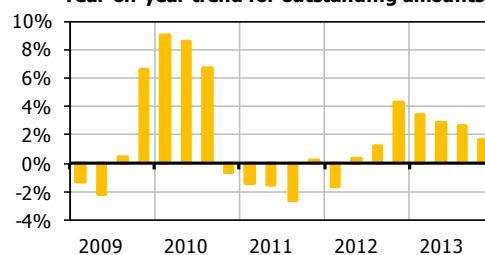
75% of assets are held by households, mainly in liquid or short-term investments (67% of household assets).

As in the previous year, households once again opted for safe or tax-friendly investments. This trend is reflected in the decrease in the amount of investments indexed on market rates (-8.4%), to the benefit of special savings accounts (+3.3%), homebuyer savings plans (+37.9%) and life insurance contracts (+9.4%).

Slight increase in outstanding loans

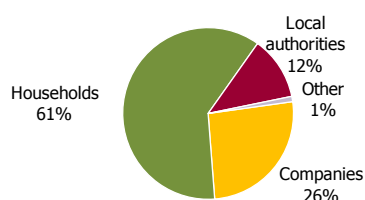
The gross outstanding amount of loans allocated by all the credit institutions rose by 1.7% in 2013 and was lower than in 2012 (+4.3%). There has been a slightly more positive trend for outstanding performing loans (+2.3%), which shows that there has been an improvement in risk quality. Indeed, the rate of nonperforming loans has fallen below the 5% mark (4.7%), a rate that had never been reached over the past ten years.

Year-on-year trend for outstanding amounts



Source: IEDOM.

Breakdown of outstanding amounts by agent



Source: SURFI.

In 2013, loans allocated to households rose by 3.3%, driven by the growth in consumer loans (+10.2%) and, to a lesser extent, the increase in the outstanding amount of home loans (+1.9%). They accounted for 61% of the outstanding amount allocated and totalled EUR 90m. Financing allocated to companies also increased by 4.3%, mainly driven by the strong performance of property loans and the increase in the stock of outstanding investment loans (+7.4%). With a total amount of EUR 38m, their share in total outstanding loans remains stable (26%).

After having risen in 2012 (+12.7%), loans to local authorities fell by 8.6% to EUR 18.5m, meaning that their share in the total stock of outstanding loans fell (12% in 2013, against 14% in 2012).

There has been no change in the sectoral breakdown of outstanding loans compared to the previous year. The stock of outstanding loans continues to be focused on a few business sectors: public administration (20%), construction (18%), property activities (16%) and the retail industry (12%). The trend has not, however, been the same in all these sectors. The only increase in outstanding amounts has been in property activities (+29%) and the construction industry (+3.3%). There has been a decline in public administration and the retail industry (-8.4% and -2.6%, respectively).

OUTLOOK FOR 2014

The signs of a beginning of an economic recovery seen during this year mean that it is too early to establish projections for the future, as the territory's economic path is still not supported by structural factors. Indeed, despite the fact that rapid changes are taking place in the region, driven by strong growth in the neighbouring Canadian provinces, as in recent years, in 2013, the archipelago did not make any fundamental changes to its economic development model, which continues to be highly dependent on public procurement and household consumption.

However, if a number of initiatives that are still at the project stage materialise, they could contribute to setting in motion fresh economic impetus and a strategic repositioning. This mainly involves large-scale structural projects, such as the digital cable project, for which the government confirmed the allocation of a EUR 5m grant in 2013, or the project for the major deepwater port. Other potential projects, which may really improve services to the archipelago, such as the ferry boat and the marine terminal that would be associated with it, could also contribute to developing new growth drivers, particularly in terms of tourism.

These projects could bring a new strategic positioning to the archipelago if they are conducted in a proactive manner, within a concerted strategy between the many actors in the territory, and if they are firmly part of the regional dynamics and the opening up to the global economy.

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