

The Guyanese economy in 2010: an end of year improvement

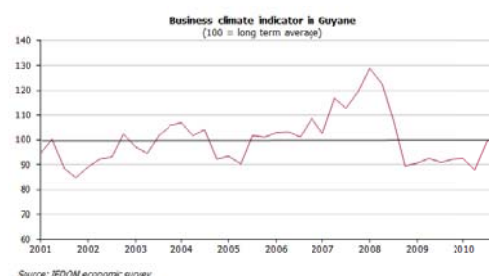
After a 2009 of two halves, supported by the spatial sector, 2010 was better overall thanks to an improved second half. Local factors (mainly the closure of the Larivot bridge, a key route) acted as a brake on business at the beginning of the year, but the Business Climate economic indicators (ICA) on consumption and investment rebounded progressively in the second half, although it remained below 2008 levels. For its part, the labour market still remains sluggish.

The catch up effect was particularly notable for the Building and Public works sector, which was more dynamic after August mainly thanks to public procurement. This sector, as well as the spatial sector, have yet again played a key role in the economy, whereas traditional sectors are in difficulty, mainly handicapped by institutional obstacles and environmental constraints.

REBOUND IN THE SECOND HALF

Rise in the business climate indicator at the end of the year

Standing for over a year at almost 10% below its long term average, the business climate indicator (ICA) rebounded as of Q3 2010 to return to its long term average.

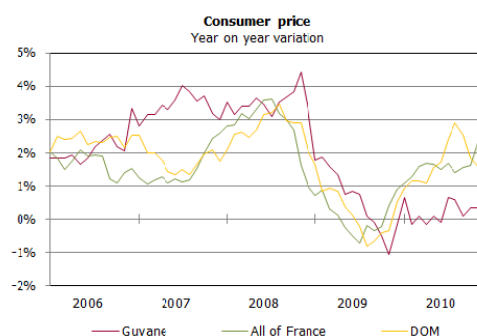


Source: IEDOM economic survey

Weak price growth

After a significant slowdown in 2009, prices stabilised in 2010, although they seemed to rise in the rest of France. The year on year consumer price index was +0.4% in December 2010, after 0.2% in 2009 and +3.3% in 2008.

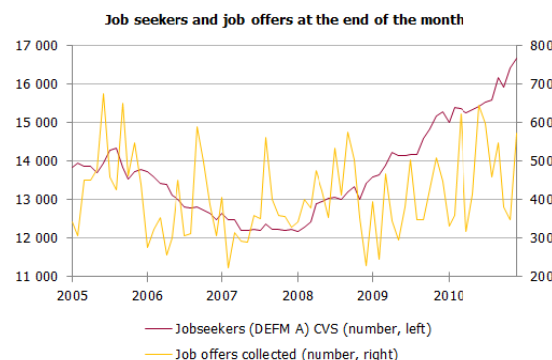
This moderation is the result of a significant growth in foodstuff prices (+2.2%), driven by the rise in the cost of fresh products and energy (+5.2%), tempered by a slide in manufactured products (-1.9%); service prices were practically stable over the year (+0.2%). Growth in the energy sector comes from oil price adjustments as of H2 2010, but remains well below that observed for France overall and the other DOM.



Source: INSEE

A still sluggish labour market

The deterioration of the labour market, already observed in 2009, continued in 2010, albeit at a less pronounced rate. The number of job seekers registered with the job centre (category A) grew 10.7% between December 2009 and December 2010 (compared with +13.9% at the end of 2009) and reached 16,925 jobseekers (CVS data). The number of offers collected increased 19% over one year, after a 5% fall in 2009. The unemployment rate stood at 21% in June 2010, stable compared with 2009, against 21.7% in Martinique and 23.8% in Guadeloupe.



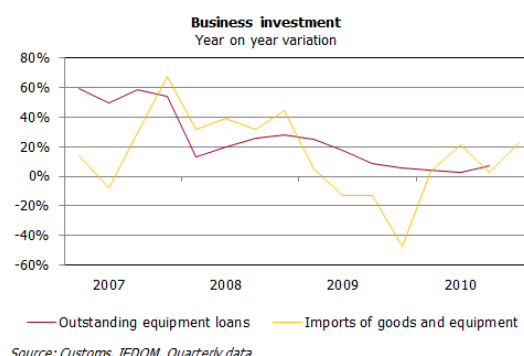
Source: DDTFP

Progressive rebound in consumption at the end of the year

All indicators show a progressive rebound in consumption in 2010 after falling off in the middle of the year. Businessmen questioned within as part of the IEDOM economic survey bear witness to an increase in business at the end of the year; dock duties increased 6.1% in 2010, as did imported goods and consumption (+13% over one year in value). Imports of textile products and shoes were particularly dynamic (+26.5%). Finally, sales of new cars to individuals also grew 7.3% (against -4.9% in 2009).

Timid upswing in business investment

Business investment recovered gradually in 2010 after falling since H1 2009. Equipment imports recovered (+12% in value over a year). Slack at the beginning of the year, outstanding business equipment liabilities saw a modest rise of 6.9% in Q3 on a year on year basis (against +16% on average since 2008). This rebound in investment was confirmed by economic surveys with professionals, which show a rise in investment projections during the year. Public investment, with the construction or renovation of transport infrastructure in particular, also remains dynamic. Household investment continues to be stimulated by significant housing demand, after a slight drop in 2009. In September, outstanding housing loans grew 16.2% over a year.



Business transactions supported by the spatial sector and the price of raw materials¹

Exports of goods continued their growth which began in 2009 (+31.9% in value over one year, for an amount of €158.3 M). Nevertheless, this rise can largely be explained by the more significant exports of goods not produced locally, and related in particular to the spatial sector, such as computer, electronic and optical products or chemical products. The rise in gold exports (+20% in value) also contributed to the increase in exports in 2010.

After retreating the previous year, imports increased 13.9%, in particular in respect of "computer goods" or "agri-food industry products" (+22.2%), driven by healthy consumption. Finally, affected by hikes in oil prices in 2010, imports of refined oil products increased 7% in value.

In total, the trade deficit has fallen, to - €923.6 M.

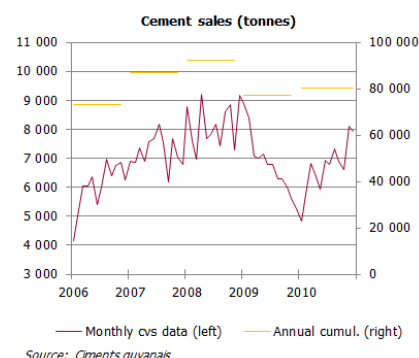
BUSINESS STILL DRIVEN BY THE SPATIAL AND CONSTRUCTION SECTORS

A generally satisfactory 2010 for the spatial sector

In 2010, the spatial sector, whose share in Guyane's GDP is around 15% (including 10% of indirect effects), stood at the average for the last few years, with 6 launches of Ariane 5 rockets and the sending into orbit of 12 satellites (against 7 launches in 2009, also for 12 satellites). However, the launch rate was significantly disrupted due to technical difficulties which delayed the first launch to May. The first launches of the Soyuz (Russian medium sized launcher) and Vega (European light launcher), which were planned for 2010, also had to be put back to 2011. The order book totalled, at the beginning of 2011, a record level with 29 satellites to launch (and 6 launches dedicated to putting ATV - Automated Transfer Vehicles – in orbit to supply the international space station. Furthermore, future Arianespace launchers are under preparation, with a second version of the Ariane 5 planned for 2016-2017, and the commencement of preparatory studies on the future Ariane 6 launcher, thanks to the unfreezing of the Grand Emprunt (the national loan).

Strong catch up effect in H2 for the Building and Public works sector

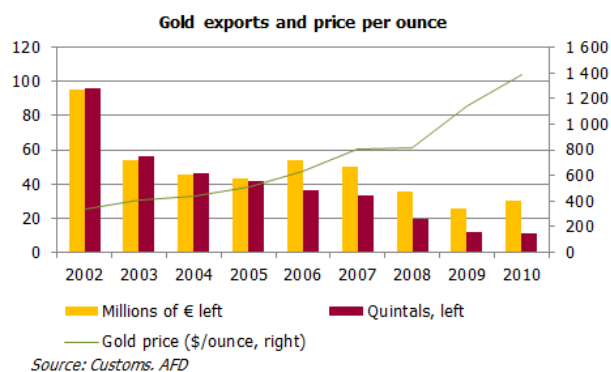
The public works sector saw a mixed 2010. The first half was very poor, mainly due to the closure of the Larivot bridge (between 2009 and March 2010), and synonymous with serious financial and logistic limitations in terms of supplies of materials. Business recovered in H2, driven by several important projects: repair of the docks at the port of Dégrad-des-Cannes, extension of the Cayenne hospital, construction of a new hypermarket in the Terca Industrial Zone and social housing in Saint-Laurent-du-Maroni. Cement sales in 2010 caught up and exceeded those of 2009 (+3.5% over a year), while remaining below the exceptional levels of 2008. The economic surveys carried out among professionals in the sector confirmed this recovery during 2010.



¹ Foreign trade results come from customs statistics. They bear only on goods traded, accordingly excluding spatial transport activities which correspond to services provided to satellite owners. The results are provisional and reviewed on a monthly basis over two years.

A decline in production from traditional Guyanese industries

The Guyanese gold sector saw a moderate year. Representing almost a fifth of exports in value, gold exports certainly grew 20%, for an amount of €30.3M, but this figure can be explained by soaring gold prices (+22.2% between December 2009 and December 2010), masking the decline in exports by volume (-11.1%, that is to say 10.1 quintals or 1 tonne). Volumes of gold exported have continuously declined since 2002. Also, gold panning remains a major environmental, social and safety issue in Guyane. Several advances were made in 2010, such as the drawing up of a French-Brazilian agreement against illegal gold panning and the implementation in Guyane of a law on the traceability of gold. Nevertheless the departmental mining guidelines scheme (SDOM) is still pending finalisation.



After two years of growth the timber sector experienced a difficult 2010 in terms of production. Volumes of forest timber fell 19% over one year, to stand at 68 225m³. The putting in place of a sustainable management policy seeking to take environmental impacts into account (in particular preventing motor vehicles from entering the forest during the rainy season) could explain this decline in 2010. However, the outlook for the sector is good: demand for products is sustained and professionals have undertaken an international certification scheme, with, in particular, the adoption in November 2010 of a low environmental impact forestry exploitation charter.

A sluggish agricultural sector

The rice growing sector in 2010 saw a slight recovery, but this wasn't sufficient to reverse the downwards trend underway since the beginning of the 2000s. Production grew 4.9% over the year, and exports by 47.7% in volume (+17.2% in value). The Spanish group SOS, which ran the Mana rice farms, ceased its activities in Guyane at the end of 2010. Negotiations are underway for a potential takeover, and production has been frozen for the moment.

The 2010 season for the production of Guyanese rum was brought forward from June to December (traditionally a season begins in August and ends in April) due to modernisation work planned for 2011. Over the 7 months of the campaign, 180 286 litres of pure alcohol were produced (the 2009-2010 season, over 8 months, saw levels of 183 074 litres). The only Guyanese rum plant experienced problems with sugar cane supplies (fires in the fields). Some one hundred hectares would have to be replanted to secure the resource.

Fishing was handicapped by the weakness of infrastructures and problems with illegal fishing. Fish exports (in particular snapper) nevertheless performed well, growing 23.6% (volume) over 2009. The shrimp sector was undermined by increased costs (fuel prices), and above all by difficulties in accessing the resource (which can be explained by a conjunction of environmental factors); the region was threatened with a shortage at the end of 2010. For several years now this has resulted in falling prices and exports (-28.5% for the latter over a year in volume).

The tourist sector looking good at the end of the year

Air traffic performed well in 2010, except for a slump in the middle of the year, and totalled 423 849 passengers (arrivals, departures, internal flights and transit), up 5.8% over one year, in other words its strongest growth over the last ten years. Hotel indicators bear witness to a mixed performance, with a good last quarter: + 6 points a year for occupancy rates, at 58 %, but - 3.2 % for the cumulative number of nights in 2010. Business projections by professionals surveyed as part of the IEDOM economic survey reflect this trend, with a low point expected in Q3 and a strong rebound in business at the end of the year.

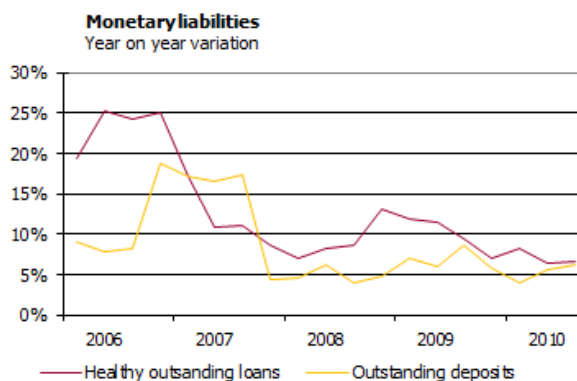
FINANCING OF THE ECONOMY SHOWS TIMID SIGNS OF RECOVERY

With the change on 30 June 2010 to declaration obligations of credit institutions (switch to SURFI –Unified Financial Reporting System – and the abandonment of the BAFI system), classification criteria for credit institutions in the IEDOM monetary statistics were revised. Thus a Locally Established Credit Institution (ECIL) is deemed to be any establishment having effective local representation, that is to say at least one permanent local agent. Unlike these, Credit Institutions Not Established Locally (ECNIL) are those operating without a local representation. The data published in this not may thus differ from that in series published to date by the IEDOM. Nevertheless, all historical series have been reviewed according to the new methodology.

Characterised by a return to stability of the economic environment, banking and financial activity in Guyane was notable for a timid recovery in financing demand as of H2 2010.

Increase in household sight deposits

After a slight drop at the beginning of the year, collection activities by locally established credit institutions confirmed the rebound observed in Q2. Over one year, overall collections grew 6.3 % for a total of €1 321.6 M at 30 September 2010. This growth was driven by the growth of household sight deposits, which contributes almost 40% of this rise (+€44M). On the other hand, liquid or short term investments saw a more modest growth, with arbitration between investments indexed to market rates, which aren't very lucrative and lose almost €12M over one year, and regulated saving (+€36M), where rates have risen since 1 August 2010². For its part, long term saving has continued to grow (+7.1%), driven by the valuation of share investments³ and investments in life insurance (+11.7% compared with September 2009).



Source: IEDOM, SURFI data

A decline in the growth of credits until Q3

Outstanding credits granted by all credit institutions (locally established or otherwise - that is to say €2,152.7M of healthy liabilities at the end of September 2010) grew 6.5% over twelve months, nevertheless below the levels for previous years⁴, reflecting a certain general slowdown in demand for financing in the department. In Q3, we can nevertheless observe a slight recovery (+1.2% compared with June, after +0.2 % on average in H1), supported by equipment financing granted to companies (+€21M) and household housing credits (+€18M).

Affected by a more selective policy in respect of the granting of capital loans, combined with work on consolidating ordinary business debit accounts since 2009, carried out in particular by locally established institutions, operating credits decline (-14.6% over one year).

After a constant slide since 2007, with a low point reached in Q1 2010 (4.5 %⁵), bad debt levels for locally established companies stood at 5% at the end of September. The outstanding liabilities of €97.3M (+€9.7% over a year) were affected by numerous declassifications in the business segment during Q2⁶.

The results of the quarterly economic survey carried out by IEDOM among the managers of the leading investment establishments highlight a banking and financial sector showing signs of improvement for Q4 2010 and the beginning of 2011. This end of year was positive for collection activities, and the sharper recovery in Q3 of financing market business (in particular equipment loans) continued in Q4 and was confirmed at the beginning of 2011. In the retail market, consumer and housing credit should remain on the right track. Relatively optimistic about the improvement of the economic environment at the end of the year, managers of credit institutions predict an improvement in the main profitability indicators based on a growth in GDP and a reduction in operating costs.

THE OUTLOOK FOR 2011

2011 overall should continue this dynamic path, even if the professionals surveyed by the IEDOM anticipate a slowdown in business at the beginning of the year.

The International Space Year should be a busy one and stimulate the economy of the zone, in particular tourism. Public works should remain dynamic, in response to high housing demand and public procurement relating to urban development projects, waste management infrastructures, water management or sports facilities... There nevertheless remains the threat of shortages of supplies. The opening of the bridge over the Oyapock, announced for September 2011, could have, in time, an impact on the transport and agriculture sectors.

Demographic growth will once again be at the heart of the Guyanese economy, providing a solid base for the growth of consumption, which could yet be tempered by uncertainty relating to price changes. In fact, price hikes could resume due to the effect of rises to foodstuffs and barrel prices, which is now reflected directly in fuel prices via the new price administration system. This change, if confirmed, could cause social difficulties.

Finally, the job market should not see notable improvements: although the economy is managing to create jobs, there are significant manpower reserves, added to which are the numerous active people joining the market each year, which could hinder the fall in unemployment in the mid term.

² The book A rate was revalued 0.5 points at 1 August 2010, rising from 1.25 % to 1.75 %.

³ In particular due to the growth in stock market indexes, with +10% for the CAC 40 between Q2 and Q3 2010.

⁴ +8.8 % in September 2008 and +8.9 % in September 2009 (year on year).

⁵ This rate was adjusted downwards to take into account a change in the scope of credit institutions (taking into account the CDC, the CASDEN BP and the AFD as local establishments).

⁶ These declassifications focus on a credit establishment and do not call into question the overall consolidation of investment liabilities, even if bad debts also saw strong growth (+38.1% over twelve months), to €32.3 M over the period.