

The economy of Saint-Pierre-et-Miquelon in 2010

A significant improvement

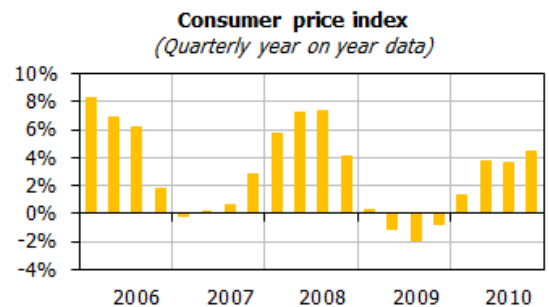
After a mixed 2009, the economy recovered in 2010. Despite sustained price rises, resulting from the more than 15% appreciation of the Canadian dollar and increased energy costs, business investment has been showing positive signs, while household demand has risen. The dynamism of household consumption can be corroborated by the significant increase in imports of manufactured products and foodstuffs. Furthermore, certain key sectors of the archipelago have seen their position improve, testimony to which are positive results in the tourism and fisheries sector, as well as support by public procurement in the Building and Public works sector.

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ECONOMIC ACTIVITY ALONG THE RIGHT LINES

Significant price hikes

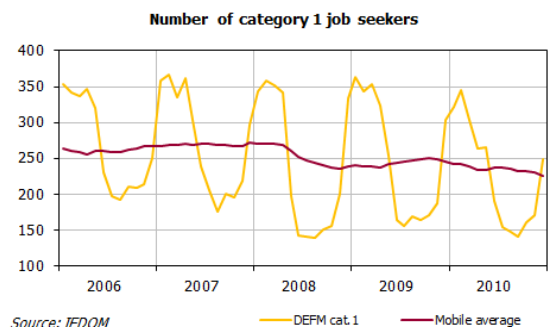
The consumer price index (CPI) increased 4.5% year on year during 2010. The over 15% appreciation of the Canadian Dollar against the Euro during 2010, linked to the hike in prices of fuel (+18.9% over a year) and domestic fuel oil (+22.9% over a year) largely explains this development. Prices are thus rising over twice as fast as in mainland France (+1.8% in 2010 year on year). All elements have increased, ranging from +2.2% for foodstuff prices to +6.6% for prices of manufactured products.



Source: Préfecture

A strong job market

The average monthly number of category 1 jobseekers totalled 226 in 2010, that is to say the lowest level in ten years. The average monthly unemployment rate thus stood at 7.1% in 2010 against 7.7% in 2009, whereas the number of DEFM (end of month job seekers) at 31 December stood at 249, that is to say 18% less than in the same period of the previous year. 228 positions were registered in 2010 with Pôle Emploi (French job centre), o/w around 17% were open ended contracts, and 199 were filled, that is to say over 87%.

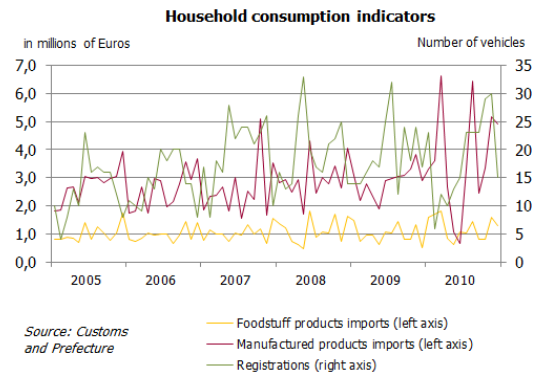


Source: IEDOM

— DEFM cat. 1 — Mobile average

Sustained household consumption

After a mixed 2009, household consumption rose in 2010. Imports of food products increased 24% to total 14.6 million Euros over the year. Imports of manufactured products followed a similar trend, increasing 27% to 43.5 million Euros. Only the number of private car registrations fell slightly (231 vehicles in 2009 against 222 in 2010). Consumer credits, up in the first half of 2010, underwent a reversal of this trend in Q3 2010 (-0.3% year on year).

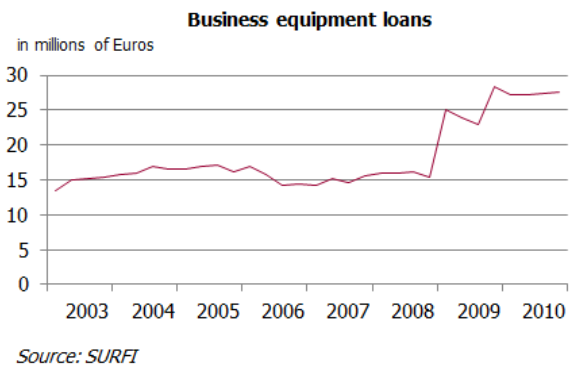


Investment on the right track for all key players

Indicators relating to business investment are on the right track. Investment credits grew for all key players. Imports of basic products remained stable at almost 3.4 million Euros. Imports of utility vehicles for their part increased 15% over the first nine months of the year compared with the same period of the previous year. Loans granted to company to purchase equipment totalled 27 million Euros, that is to say an increase of almost 20% over a year. The amount nevertheless remains lower than that measured at 31 December 2009 (28 million Euros).

Outstanding housing loans grew 5.6% compared with Q3 of the previous year.

Investment credits from local authorities also rose over 30% between September 2009 and September 2010. Nevertheless, the amount of outstanding loans remained almost static over the last three quarters.



Significant rise in the value of imports

Imports increased 24% in value. Nevertheless, this increase is mainly linked to the appreciation of the Canadian dollar as well as rising energy prices, as in quantity imports fell 3%. Not all products performed the same: imports of foodstuffs and manufactured products increased in both value and quantity, whereas imports of basic products and oil products increased in value but fell in quantity.

Imports in 2010 grew 15% compared with 2009. This growth was mainly due to the strong increase in exports of fresh cod and frozen cod fillets and, to a lesser extent, frozen fillets of other species. Exports of snow crab for their part remain relatively stable.

In total, the trade balance fell 24% to reach almost 70 million Euros.

Households less vulnerable

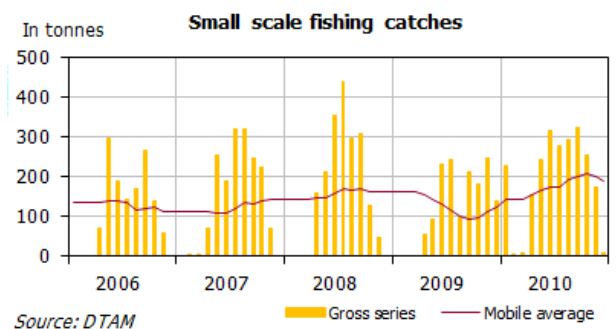
At the end of 2010, 23 persons facing a banking ban were registered in the central cheque registry of the Banque de France; this was the seventh consecutive year in which such a fall was recorded. The number of cheque payment incidents was nevertheless up compared with the previous year, 58 incidents having been reported to the FCC in 2010 against just 46 in 2009. On the other hand, no overindebtedness cases were filed for the third year in a row.

Improvements in key sectors

An improvement in the fisheries sector

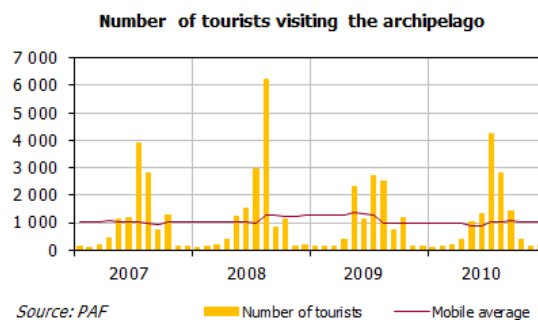
With 1,926 tonnes caught since the beginning of the season (April 2010), the volume of small scale fishing catches increased almost 30% compared with the same period in 2009, returning to the level observed in 2008. Cod was the most widely caught fish, representing around 23% of all catches.

Industrial fishing catches rose to almost 500 tonnes at the end of 2010, that is to say 16% more than at the end of 2009.



A rise in tourists visiting the archipelago

Over 12,300 tourists visited the archipelago in 2010, that is to say 5% more than the previous year. 60% of tourists were Canadian, followed by Americans (16%) and French people not residing in the archipelago (14%). The great majority of tourists arrive by sea (77%)



Continued dynamism of the Building and Public works sector

Traditionally driven by public procurement, the Buildings and Public works sector has maintained its dynamism thanks to construction work on the new hospital. Also, private demand has taken off, with the number of building permits registered increasing strongly, up from 86 in 2009 to 156 in 2010.

BANKING AND FINANCIAL ACTIVITY

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.

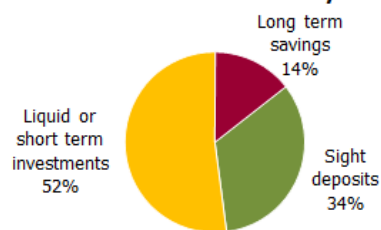
Stabilisation of asset amounts

Financial assets of customers increased only slightly, by 0.7% in Q3 2010, compared with the same period in 2009. With 198 million Euros at 30 September 2010, the total amount of assets remains below its level reached in Q4 2009 (210 million Euros).

Over three quarters of assets are held by households, mainly in the form of liquid or short term investments. On the other hand, the amount of these assets is down 1.2% over a year, testimony to a trend towards negative savings not seen since Q3 2007. Furthermore, household savings are increasingly placed in long term investments.

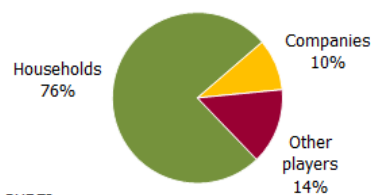
Against a backdrop of low interest rates, key players thus favour long term investments, which have increased over 60% over a year, to reach 28 million Euros at 30 September 2010. Life insurance products are the most in-demand products, their amount having doubled over a year. Conversely, sight deposits as well as liquid or short term investments both fell 5%.

Breakdown of financial assets by nature



Source: SURFI

Breakdown of financial assets by player



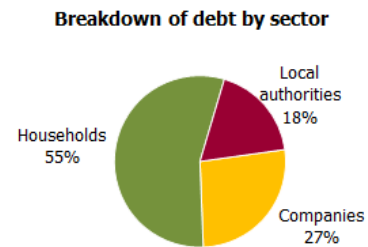
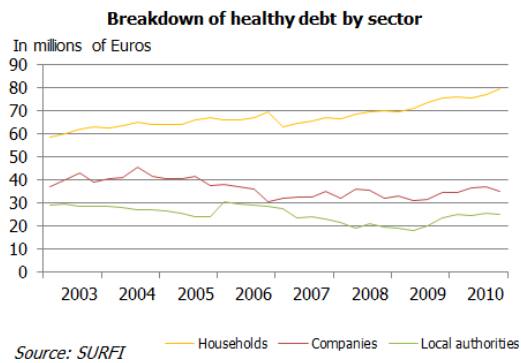
Source: SURFI

An increase in financial support

At 30 September 2010, gross loans granted by credit establishments overall increased 5.8% over a year, that is to say the fourth consecutive quarter of rises. All key players are affected by this rise, whether households (+3.5 million Euros), companies (+5.6 million Euros) and local authorities (+5.2 million Euros).

Over half of loans are granted to households, that is to say almost 77 million Euros, o/w 64 million is for housing loans alone. For their part, business represent 27% of outstanding loans, mainly in the form of equipment loans (27 million Euros out of the 37 million granted to businesses).

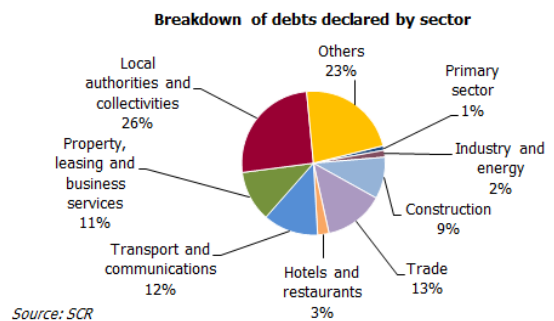
Bad debt rates continued to fall in Q3, standing at 7.9% on 30 September, that is to say the lowest rate observed in the archipelago since Q2 2005.



Source: SURFI

Breakdown of declared risks

The highest risks are borne by the *local authorities and collectivities* sector, which represents 26% of investment risks, that is to say 20.2 million Euros, up 39% over a year. Next come *other business sectors*, including, in particular, leisure activities, administrative and support services, health and social action... (23%), then the sectors of *trade* (13%), *transport and communication* (12%) and *property* (11%).



Changes to the organisation of the banking system

New financial reporting system: SURFI

This new device for the collection of prudential and monetary data involves, in particular, the modernisation of the reporting system, as well as the establishment of a single exchange platform between the Banque de France and banking establishments.

Sustained Guarantee Funds activity

The recovery plan, which gave rise in 2009 to the creation of new sections within the Saint-Pierre-et-Miquelon Guarantee Funds (FGSPM), was extended until 31 December 2010. Since it was set up in favour of current banking finance and operations for the consolidation of short term business loans, a single guarantee has been issued in favour of the Banque de Saint-Pierre-et-Miquelon. The activity of these funds was particularly strong during 2010: 18 companies benefitted from the intervention of the FGSPM, representing 782,000 Euros in outstanding guarantees compared with almost 244,000 Euros in 2009. All outstanding guarantees valid at 31 December 2010 stood at 1,295,000 Euros, against 732,000 Euros at the end of December 2009.

THE OUTLOOK FOR 2011

The improvements observed in the job market should continue in 2011 thanks to support from public procurement in the Buildings and Public works sector: the end of the hospital project, as well as construction of the new EDF electricity plant, which should begin in H1 2011, could create significant amounts of local jobs.

Also, the first work cycle envisaged within the framework of the strategic development plan (SDS) for 2010-2030 was officially launched at the SDS implementation meeting on 3 September 2010. Within the framework of the single scheduling document (DOCUP) approved at the 9th forum for dialogue between Overseas Countries and Territories and the European Union in March 2011, the archipelago will receive an endowment of around 20 million Euros for the 2011-2013 period in respect of the 10th FED.

Finally, tourism is expected to increase during 2011. The boosting of the archipelago's tourist capacity, the renovation of existing structures as well as promotional activities carried out by professionals in the sector, are likely to increase tourism.

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Publication Director: Y. BARROUX – Editor-in-Chief: F. DUFRESNE

Publisher and Printer: IEDOM

Print Date: 11 March 2011 – Legal Deposit: March 2011 – ISSN 1952-9619