

Economic and financial publications



Martinique : Economic overview

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Structural characteristics

Capital	Fort-de-France
Area	1,128 km ²
Geographic location	Lesser Antilles – 3,150 km from New York, 6,900 km from Paris, 200 km from Pointe-à-Pitre
Languages spoken	French and Creole
Currency	Euro (€)
Status	Overseas department and region (DROM) and outermost region (OR)
Human Development Index ranking (2010, AFD estimate)	4 Members of Parliament, 2 Senators, 1 representative on the Economic, Social and Environmental Council
National representation	Prefect

Historical background: from the colonial period to departmentalisation

The history of Martinique is closely linked to European colonial expansion in the Caribbean. Archaeological excavations suggest Amerindian settlements, notably Arawaks and Caribs, between the 1st century BC and the 14th century. Europeans discovered the island in 1502, when Christopher Columbus landed at the site of present-day Le Carbet. Martinique became French in 1635, when Pierre Belain d'Esnameux founded the first colony. Attached to the Company of the American Islands, the island was economically exploited through the cultivation of indigo, coffee and sugarcane, based on the slave system.

In the 18th century, Martinique was marked by revolutionary movements and opposition between pro- and anti-slavery factions. Although the abolition of slavery was voted in 1794, it was not implemented due to British occupation. In 1802, Napoleon reinstated slavery. Its effective abolition took place in 1848 following the slave uprising in Saint-Pierre. During the Second Empire, Martinique was subject to political centralisation, before gradually integrating into the Third Republic with the introduction of universal suffrage and parliamentary representation.

The 20th century was marked by the eruption of Mount Pelée in 1902, which shifted the island's economic centre from Saint-Pierre to Fort-de-France. Martinique contributed to the war effort in 1914, and assimilationist demands emerged, leading to departmentalisation in 1946. In 1963, the BUMIDOM organised the migration of Martinicans to mainland France in response to unemployment.

The Constitution of the Fifth Republic, decentralisation in the 1980s and the recognition of Martinique's outermost region status in the 1990s led to reflections on adapting the island's institutional framework. This adaptation was made possible by the constitutional revision of March 2003.

Institutional framework

The 2003 constitutional reform confirmed Martinique's dual institutional anchoring through the creation of the designation 'overseas department and region' (DROM).¹ Given the institutional complexity resulting from the coexistence of a General Council and a Regional Council within the same territory, two referendums² were held in 2010. During the second consultation, voters approved the creation of a single local authority exercising the powers devolved to both the General Council and the Regional Council, governed by Article 73 of the Constitution.

The first elections were held in December 2015, establishing the Territorial Authority of Martinique (Collectivité territoriale de Martinique — CTM). The CTM is composed of three main bodies: the Assembly (deliberative body), the Executive Council (executive body), and the Economic, Social, Environmental, Cultural and Educational Council (advisory body). The

¹ This status is shared with Guadeloupe, French Guiana and Mayotte. The latter is a department exercising the powers devolved to DROMs.

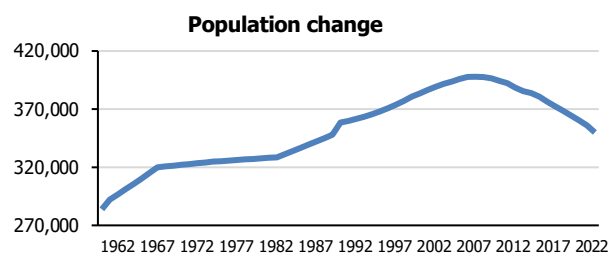
² The first consultation concerned the possibility of transforming Martinique into an overseas collectivity governed by Article 74 of the Constitution, with a specific institutional organisation reflecting its own interests within the Republic. This proposal was rejected by 78.9% of Martinican voters.

CTM has specific powers in the areas of transport, vocational training and energy, enabling it to adapt laws and regulations applicable within its territory.

At the European level, Martinique, like the other DROMs, is classified as an outermost region (OR). This status provides for the general applicability of European Union law while allowing the territory to benefit from structural funds.

Demography

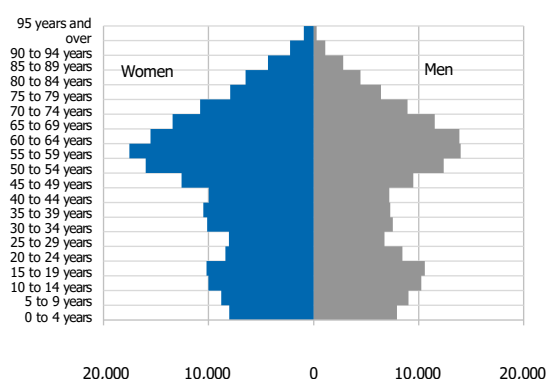
As at 1 January 2022, Martinique's population was estimated at 352,205 inhabitants, representing 0.5% of the national population. Far from slowing, the process of depopulation has intensified over time, with an average annual decline of -0.9% between 2013 and 2019, compared with -0.5% between 2007 and 2012. This trend is mainly driven by the departure of young people for education and employment opportunities, as illustrated by the hourglass-shaped age pyramid. In 2022, net migration stood at -3,844 inhabitants, while the natural balance was -685 (with 3,490 births and 4,175 deaths). Since 2022, Martinique has been the oldest region in France³.



Source: INSEE

Over the ten-year period from 2012 to 2022, the population declined at an average rate of 1.0% per year, corresponding to a decrease of 3,698 inhabitants per year. Combined with a declining birth rate, this trend has led to a marked ageing of the population. The ageing index of the population⁴ has increased steadily over recent decades, rising from 42% in 2012 to 111% in 2022, i.e. an increase of 69 percentage points over 20 years, well above the national increase (+22 percentage points). According to INSEE⁵, this population decline could continue, with the population projected to fall to 212,000 inhabitants by 2070. This trend is expected to have a profound impact on the territory, notably through increased demand for personal and care services. Population decline is also likely to weigh on consumption, which is one of the main drivers of gross domestic product growth in Martinique.

Age pyramid in 2022



Source: INSEE

Demographic indicators

	Martinique	France entière
Population (thousands; millions for France) (e)	352.2	67.8
Share of population under 20 (%) (e)	21.3	23.3
Share of population aged 60 and over (%) (e)	31.5	27.2
Population density (inhabitants/km ²) (e)	312.2	121
Average annual population change (%; 2012–2022)	-1.0	+0.3
Birth rate (per 1,000 inhabitants, 2022)	10.0	10.4
Death rate (per 1,000 inhabitants, 2022)	11.9	10.0
Life expectancy at birth – women (years, 2022)	82.8	85.2
Life expectancy at birth – men (years, 2022)	76.7	79.4

Source: INSEE

(e) Estimates as at 1 January 2022

Macroeconomic framework

In 2022, Martinique's gross domestic product (GDP) amounted to €9.5 billion, recording a growth rate of +5.6% in volume compared with 2021.

Economic growth in 2022 was mainly driven by household consumption and exports. The combination of GDP growth and population decline mechanically led to an increase in GDP per capita in volume terms (+7%), which reached €27,029 in 2022, compared with €22,215 in 2012. Reflecting this favourable economic environment, the aggregate net banking income of local financial institutions increased by 4.7% in 2022.

However, this economic dynamism should not obscure the significant disparities that persist on the island. In 2020, 27% of Martinique's population lived below the poverty line⁶, compared with 15% in mainland France.

Main economic indicators

	Martinique	France As a whole
GDP (current € billions, 2022)	9.5	2,639
GDP growth rate (%; volume, 2022)	+5.6	+2.5
GDP per capita (constant euros, 2022)	27,029	38,547
Inflation rate (%; CPI, annual average, 2022)	+4.0	+5.2
Unemployment rate (%; ILO definition, annual average 2022)	12.0	7.2
Business climate indicator (annual average 2022)	108.8	-

Source: INSEE, CEROM

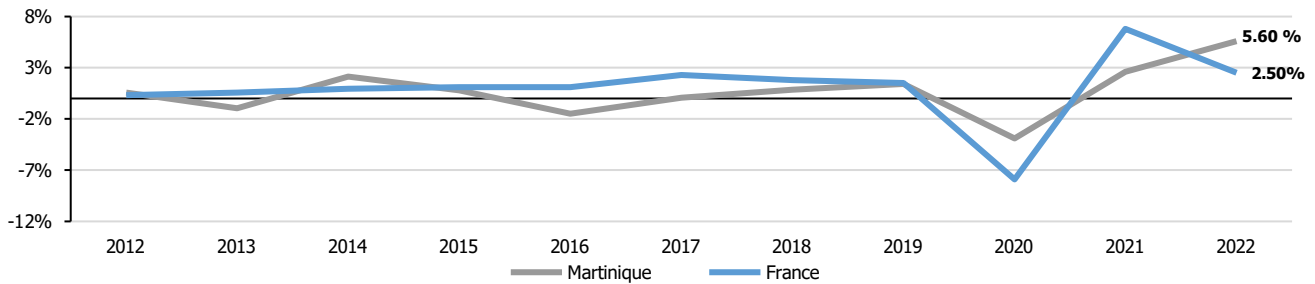
³ <https://www.insee.fr/fr/statistiques/7673167>

⁴ Population aged 65 and over relative to the population under 20.

⁵ <https://www.insee.fr/fr/statistiques/6664201>

⁶ <https://www.insee.fr/fr/statistiques/7679141?sommaire=7679160&q=martinique>

GDP growth rate (volume)



Source: INSEE, National Accounts 2022 – CEROM, Rapid Economic Accounts

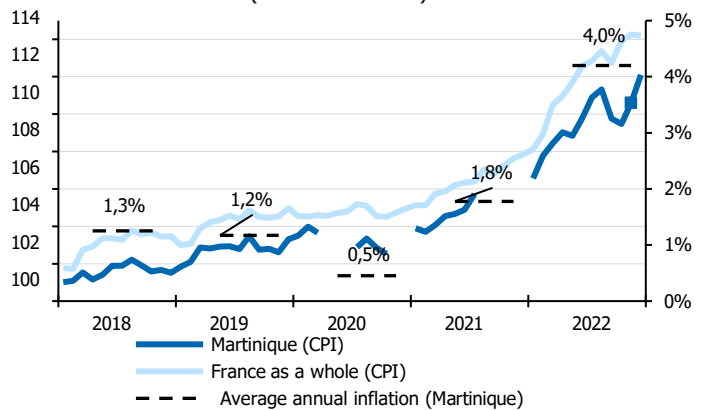
Persistently high inflation and elevated price levels

The strong post-Covid economic recovery, followed by Russia's invasion of Ukraine, generated tensions on certain prices (first through supply chains, then through raw materials), which gradually spread and pushed inflation to levels significantly higher than those observed over the previous decade. In 2022, household consumer prices increased by an average of 4.0% in Martinique, compared with +5.2% nationwide.

The structure of inflation changed over the course of the year. The contribution of the energy component gradually declined, while food prices became the main driver of inflation over the last two quarters. In 2022, price dynamics were supported by increases in energy prices (+15.0%), driven by petroleum products (+17.8%), food products (+5.4%), and, to a lesser extent, manufactured goods (+2.5%).

Consumer Price Index

(base 100 in 2015)



Source: INSEE

Although inflation was lower than at the national level, the overall price level remained higher in Martinique (+13.8%⁷), with even more pronounced differentials for food products (+40.2%) and communication services (+37.4%). To address the issue of the high cost of living, the price shield (bouclier qualité-prix – BQP) was extended in November 2022 to include an additional list of products (43 new items), under the BQP+ scheme.

High unemployment and a declining labour force

The labour market in Martinique is characterised by a declining yet still high unemployment rate, alongside a shrinking labour force.

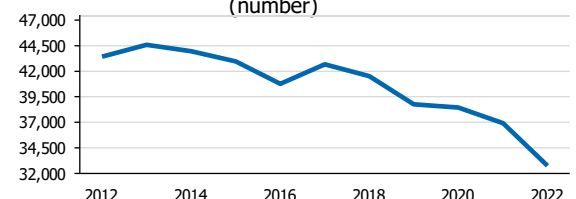
In 2022, the number of salaried jobs stood at 131,736, representing an average annual increase of +0.5% between 2012 and 2022. The tertiary sector remains the island's main source of employment. In 2022, it accounted for 84% of salaried employment, or 110,439 people. Public sector employment amounted to 40,400 employees in 2021, of whom 40.6% worked in local government, 36.4% in central government, and 23.0% in the hospital public service. This distribution has remained stable over the past ten years.

Employment 2022	Employees	%
Total salaried employment	131,736	100
Agriculture	3,788	2.9
Industry	8,985	6.8
Construction	6,237	4.7
Market services	59,211	44.9
Non-market services	53,515	40.6

Source: INSEE, Economic conditions dashboard (as at 04/09/2023)

Category A jobseekers

(number)



Source: STMT, Pôle emploi, Dares

In 2022, the unemployment rate reached its lowest level of the decade, at 12.0%⁸ (ILO definition), reflecting in particular a marked decline in the number of category A jobseekers (–2.8% on average per year over ten years). While remaining below the levels observed in other overseas departments, it is still well above that of mainland France (7.2%). Young people under the age of 29 were the group most affected by unemployment in 2022, with a rate of 31%. As at 31 July 2023, seniors accounted for 38% of jobseekers in categories A, B and C, compared with 13% for young people⁹.

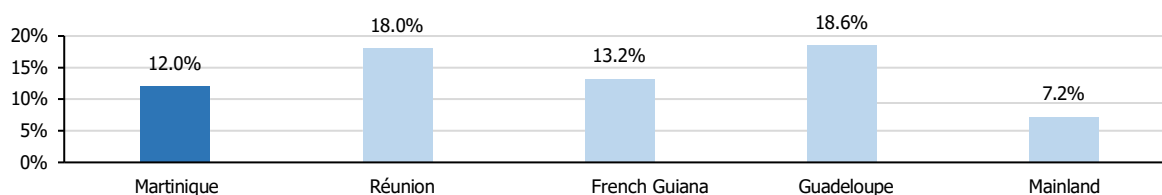
⁷ <https://www.insee.fr/fr/statistiques/7648939>

⁸ Average unemployment rate (ILO definition)

⁹ Pôle emploi, data as at end-July 2023. It should be noted that more than 48% of jobseekers have been registered for over one year.

However, this positive assessment should be qualified, as at the same time the labour force has been declining by an average of 1.9% per year over the past decade. In 2022, the labour force was estimated at 136,600 people, compared with 166,112 in 2012. All else being equal in terms of employment, a decline in the labour force mechanically leads to a reduction in unemployment without necessarily reflecting an improvement in the overall economic situation.

Unemployment rate (ILO definition) in 2022



Source: INSEE

A structurally negative foreign trade balance

In 2022, Martinique imported €3.4 billion worth of goods (including €2.7 billion excluding petroleum products) and exported €0.4 billion (including €0.2 billion excluding petroleum products). The trade deficit has widened steadily over the past decade, driven by rising imports and declining exports. In 2022, it reached €3.0 billion, compared with –€2.35 billion in 2012.

Energy accounts for a significant share of Martinique's foreign trade due to the presence of SARA (Société Anonyme de Raffinerie des Antilles), which exports refined fuels mainly to Guadeloupe and French Guiana. This situation explains why Guadeloupe and French Guiana are major export partners for Martinique, while mainland France and the European Union are its main suppliers. Regional trade excluding energy remains limited.

Total imports	3,427
Imports excluding petroleum products	2,672

Source: Customs

Total exports	425
Exports excluding petroleum products	233

Main suppliers in 2022

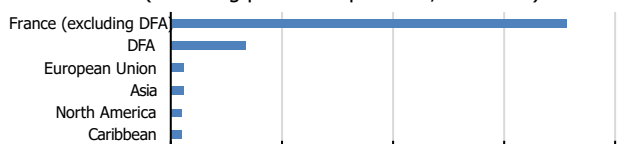
(excluding petroleum products, € millions)



Source: Customs

Main customers in 2022

(excluding petroleum products, € millions)



Source: Customs

Main sectors of activity

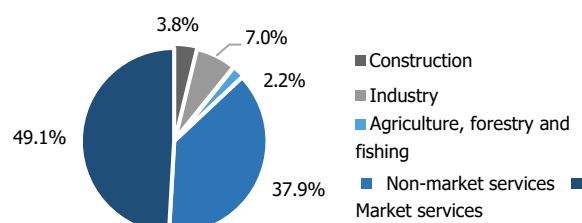
According to INSEE, in 2021 the tertiary sector (market and non-market services) accounted for 87% of value added in Martinique, compared with 79.2% in mainland France. Between 2011 and 2021, value added in this sector increased by an average of 1.1% per year. The share of non-market services is particularly high, reflecting the weight of public services in the local economy. It represents 37.9% of value added, compared with 22.8% at the national level. Market services account for 49.1% of value added, compared with 56.5% in mainland France.

Main sectoral indicators

	2022	CAGR* 2022/2012
Sugarcane production (tonnes)	189,241	+0.8%
Sugar production (tonnes)	1,080	-9.5%
Rum production (hectolitres of pure alcohol)	100,795	+1.7%
Banana shipments (tonnes)	151,693	-2.1%
<u>Meat production (tonnes, excluding poultry)</u>	<u>2,026</u>	<u>-1.1%</u>

Sources: CTCS, DAAF, Ciments Antillais, CMT, SAMAC, DEETS

Breakdown of value added by sector



Source: INSEE

	2022	CAGR* 2022/2012
Cement sales (tonnes)	145,275	-2.4%
Number of tourists	720,002	+1.2%
of which cruise passengers	75,535	-2.1%
Number of airport passengers	1,698,576	+0.8%
<u>Retail sector turnover (€ million)</u>	<u>948</u>	<u>n.a</u>

*CAGR: compound annual growth rate

Agricultural production mainly oriented towards exports

In 2021, agriculture, forestry and fishing contributed 2.2% of GDP in Martinique. Between 2011 and 2021, value added in the sector increased by an average of +0.9% per year.

Due to its insular nature, one of Martinique's key challenges is to increase food self-sufficiency and reduce dependence on imports. However, the utilised agricultural area has continued to decline since 2000, falling from 32,000 hectares in 2000 to 21,894 hectares in 2020, and half of the agricultural land in use is devoted to export crops.

Bananas are the island's leading export product. In 2022, production amounted to 151,693 tonnes (+17.4% compared with 2019), of which less than 5% was destined for the local market.

The sugarcane sector remains highly dependent on climatic conditions (rainfall), and production declined by 10% in 2022. In addition, weed growth has affected yields, which have fallen from an average of 140 tonnes per hectare to 60 tonnes per hectare, in a context of bans on certain phytosanitary products (herbicides) and labour shortages. Benefiting from its Appellation d'Origine Contrôlée (AOC) status since 1996, the rum sector continues to develop, with the launch of two new AOC brands – Baie des Trésors and Braud & Quenesson – bringing the total number of certified brands to 14.

In livestock farming, although the self-sufficiency rate for local consumption remains low (17%), meat production (excluding poultry) increased by +10.4%, mainly driven by higher pork (+15.6%) and beef (+2.2%) production.

Construction and public works: awaiting a rebound in public procurement

The construction and public works sector (BTP) accounted for 3.8% of value added in Martinique in 2021. This share has declined slightly over the past ten years (from 4.1% in 2011), as the sector recorded only a +0.2% average annual increase in value added between 2011 and 2021.

In 2022, the main indicators of the sector's economic situation point to a decline in activity. Business activity has been hampered in particular by a lack of visibility regarding public procurement. Longer payment delays have weakened corporate cash flow. A recovery in the sector will require greater structuring.

Nevertheless, the outlook is favourable. Although there are currently no major flagship projects in Martinique, there is a significant market for building renovation and seismic upgrading. The CTM construction programme could also stimulate demand. Over the past decade, corporate debt in the construction sector has increased by an average of 6.4% per year, accounting for 4.0% of total corporate debt (compared with 3.2% in 2012).

Tourism: sector recovery in 2022

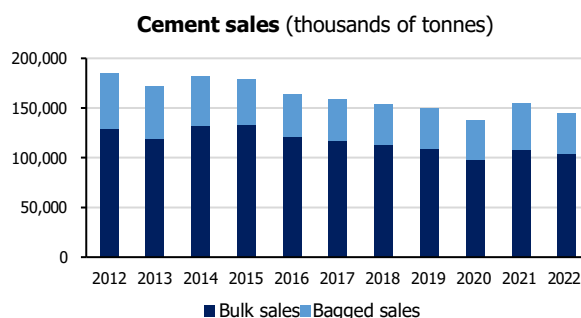
The number of tourists grew at an average annual rate of +6% between 2012 and 2019, despite two years marked by health restrictions (2020 and 2021).

The lifting of health measures allowed tourism activity to resume, although visitor numbers remained well below pre-crisis levels (-25% in 2022 compared with 2019). The total number of tourists reached 720,002 in 2022, more than double the 2021 figure, while total tourism expenditure amounted to €508 million in 2022, representing an increase of 3.6% compared with 2019, which had already been a record year.

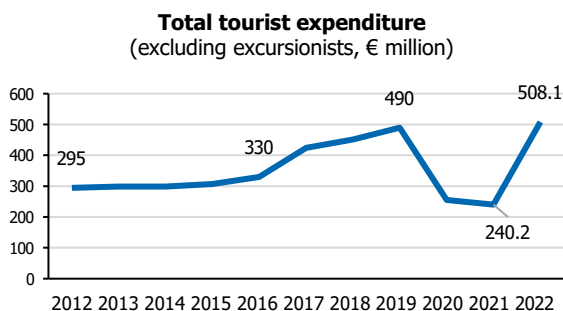
In terms of investment, several large-scale projects are underway to expand accommodation capacity over the medium to long term (the extension of the Club Med, the takeover of the Club des Trois-Îlets hotel, the renovation of the former Marouba hotel in Le Carbet, etc.). The inclusion of Mount Pelée and the peaks of northern Martinique on the UNESCO World Heritage List in September 2023 is also expected to support tourism demand. However, the sector's outlook remains highly dependent on the evolution of airfare prices. According to the DGAC, fares for flights to overseas territories had already increased by 15.4% between August 2022 and August 2023, and by 16% in the opposite direction. Over the past ten years, corporate debt in the tourism sector has increased fourfold, but still accounts for only 2.7% of total corporate debt in Martinique (compared with 1% in 2012)

Financing of the economy

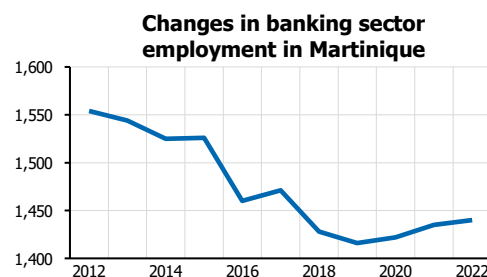
In 2022, the number of credit institutions established in Martinique stood at 18 (including 12 banks, 1 specialised credit institution, 4 financing companies, and 1 institution with a specific status). Together, they operated 131 branches, employed 1,440 staff, and managed 1.1 million deposit and savings accounts. Over the past ten years, employment in the banking sector has declined by 7.3%, reflecting the various restructuring processes experienced by the sector. More recently, credit institutions have entered a phase of staff reinforcement, with employment increasing over the past three years, particularly among mutual banks, which already hold a significant market share.



Source: Ciment Antillais



Source: CMT



Source: IEDOM

RIISING INTEREST RATES

Following a dual inflationary shock resulting from the strong post-Covid recovery and the war in Ukraine, the European Central Bank (ECB) put an end to its highly accommodative monetary policy and began a gradual normalisation of interest rates in the second half of 2022. As a result, policy rates increased by 250 basis points in 2022, marking the first rate hike since 2011. After several years of historically low interest rates, this tightening continued in 2023 with six additional increases. The rise in interest rates has been reflected in household lending, with mortgage rates in Martinique increasing by 43 basis points year-on-year. The average rate reached 1.77%, identical to the level observed at the national level. The average loan amount rose to €180,000 (up €20,000 compared with 2021), while the average maturity remained stable at around 20 years. For businesses, the average rate on investment loans increased by 108 basis points over the year, reaching 3.60%. The transmission of monetary policy through the various channels may take up to two years.

Over the period 2012–2022, outstanding performing loans increased by an average of 3.1% per year. Household lending contributed to this growth, with average annual increases of 3.4%, including +3.3% for housing loans and +3.8% for consumer credit. While housing loans have grown steadily, consumer credit only returned to growth in 2015, following several years of decline.

Outstanding corporate loans increased by an average of 4.2% per year over the decade, driven by investment loans (+5.8%) and working capital loans (+7.2%). Particular mention should be made of the exceptional growth in working capital loans in 2020 (+140.4%), linked to the introduction of state-guaranteed loans (PGE).

STATE-GUARANTEED LOANS (PGE)

To address the economic shock caused by the coronavirus crisis, the President of the Republic announced on 16 March 2020 the introduction of a state guarantee scheme for bank loans intended to meet the liquidity needs of companies affected by the health crisis. This exceptional scheme made it possible to support bank financing up to €300 billion. In Martinique, as at 31 December 2021, total outstanding PGE amounted to €826 million, representing 16% of total outstanding corporate loans. Martinique thus ranked fourth among regions in terms of the intensity of recourse to PGE, measured by the ratio of the share of amounts to the share of value added.

<u>Corporate indicators</u>	<u>2012</u>	<u>2022</u>	<u>Household indicators</u>	<u>2012</u>	<u>2022</u>
Financial assets (€ million)	1,248.2	2,882.1	Financial assets (€ million)	4,821.7	5,316.5
Outstanding performing loans (€ million)	3,296.3	4,974.6	Outstanding performing loans (€ million)	3,106.5	4,357.7
of which investment loans	50.27%	58.6%	of which housing loans	71.52%	70.6%
of which housing loans	34.19%	21.0%	of which consumer credit	28.41%	29.4%
of which working capital loans	14.31%	18.9%	Average interest rate on housing loans	n.a.	1.48%
Average interest rate on equipment loans	n.a.	1.92%	Average interest rate on personal loans	n.a.	3.81%
Average interest rate on scheduled cash loans	n.a.	1.59%	Number of over-indebtedness cases filed	512	413
Legal entities banned from banking services	2,604	1,543	Individuals banned from banking services	17,426	7,986

Source: IEDOM

Outstanding loans to local authorities declined over the period (–0.4%), despite record levels recorded in 2020 and 2021. In 2022, the ratio of total debt of economic agents to GDP stood at 126%.

The gross doubtful loans ratio improved overall over the decade (–2.2 percentage points). At 5.5%, however, it remains high compared with the level observed in mainland France (2.4% in 2021). In recent years, the trend has nevertheless reversed, with an increase of +0.4 percentage points compared with 2021.

Over the past decade, savings increased by an average of 4.9% per year. During the health crisis, economic agents significantly increased their savings: households due to restrictions limiting consumption opportunities, and businesses through the take-up of state-guaranteed loans that were not fully used. In 2022, financial assets continued to grow, but at a slower pace. Businesses increased their bank deposits, in contrast with 2021, when they drew down their cash holdings. Households, for their part, did not use their 'forced savings' accumulated during lockdowns for consumption, and their financial assets increased again, albeit more moderately than in 2020 or 2021. In addition, savings behaviour evolved in 2022 due to the renewed attractiveness of short-term investments.

The rate of bank card ownership, which is structurally high in Martinique, continued to increase. Over ten years, the number of cards rose by 11.4%, despite the significant demographic decline observed in Martinique. The level of card ownership per capita thus increased from 1.6 cards per inhabitant in 2012 to 2.0 in 2022. Nevertheless, the population retains a strong attachment to cash payments. On average, a resident of Martinique made €4,765 in cash payments and €8,398 in card payments in 2022, compared with €1,831 in cash payments and €8,601 in card payments for a resident of mainland France.

<u>Monetary and financial indicators</u>	<u>2012</u>	<u>2022</u>
Number of inhabitants per permanent bank branch	2,602*	2,689
Number of inhabitants per ATM	1,058*	1,159
Number of bank accounts per inhabitant	3.32*	3.15
Financial assets of economic agents (€ million)	6,538.7	8,786.7
Outstanding performing loans of economic agents (€ million)	7,931.2	10,781.4
Gross doubtful loans ratio (local credit institutions)	6.9%	5.5%

Source: IEDOM – * 2010 Data