

## Economic and financial publications



An archipelago in search of attractiveness

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# SAINT PIERRE AND MIQUELON: ECONOMIC OVERVIEW

Capital	Saint-Pierre
Area	242 km <sup>2</sup>
Geographic location	North Atlantic Ocean, 25 km from Newfoundland, 1,800 km from Montreal and 4,300 km from Paris
Languages spoken	French
Currency	Euro
Status	Overseas collectivity, status of Overseas Country and Territory (OCT)
Human Development Index ranking (2010, AFD estimate)	66
National representation	1 Member of Parliament, 1 Senator, 1 representative at the Economic, Social and Environmental Council
State representation	Prefect

## STRUCTURAL CHARACTERISTICS

### Historical and geographical background

Before the arrival of Europeans from the 15th century onwards, the archipelago was inhabited by Amerindian populations, including the Beothuks, considered to be the last indigenous inhabitants of the Newfoundland region. From 1536, following the taking possession of the territory in the name of King Francis I by Jacques Cartier, the archipelago alternated between French and British rule before becoming definitively French in 1816. Historically, the territory has been closely linked to the fishing sector, with the permanent settlement of Basque, Breton and Norman fishermen from the 17th century onwards and the development of fishing activities, particularly cod fishing, which experienced periods of prosperity during the second half of the 19th century and again from the post-war period until the 1980s. In 1992, faced with the collapse of fish stocks, the cod fishing moratorium imposed by the Canadian federal government definitively marked the end of an already declining economic model.

Located in the heart of the Grand Banks of Newfoundland in the North Atlantic, 4,300 km from Paris and 25 km south of Newfoundland, the Saint-Pierre-and-Miquelon archipelago is made up of eight islands or islets covering a total area of 242 km<sup>2</sup>, of which only two are permanently inhabited. Saint-Pierre, the smallest but also the most densely populated island, with 205 inhabitants per km<sup>2</sup>, covers an area of 26 km<sup>2</sup>. Miquelon-Langlade, the largest island (216 km<sup>2</sup>), has a very low population density of 3 inhabitants per km<sup>2</sup>. It is in fact composed of two islands, Miquelon and Langlade, linked by a sandy isthmus 12 km long.

### Institutional framework

Initially an overseas territory (1946–1976), then an overseas department (1976–1985), and subsequently a sui generis territorial collectivity (1985–2003), the archipelago has held the status of an overseas collectivity governed by Article 74 of the Constitution since 2003. The territorial collectivity of Saint-Pierre-and-Miquelon is composed of two municipalities (Saint-Pierre and Miquelon-Langlade) and a Territorial Council. The Organic Law of 21 February 2007, relating to the statutory and institutional provisions applicable to Overseas Territories, defined a specific status for Saint-Pierre-and-Miquelon. In particular, it sets out the scope of the collectivity's powers, the rules governing the organisation and operation of its institutions, and the conditions under which these institutions are consulted on draft legislation containing provisions specific to the territory. Sovereign powers listed in the Constitution cannot be transferred to the collectivity.

The territorial collectivity of Saint-Pierre-and-Miquelon exercises powers in the areas of taxation, duties and levies, land registry, customs regime, urban planning, construction and housing. The State, represented by the Prefect, retains powers relating to the management of local public educational institutions, roads classified as national roads, and traffic policing.

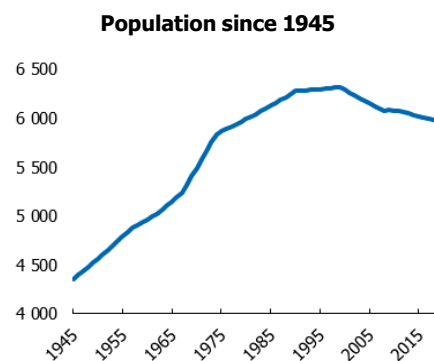
Under European legislation, Saint-Pierre-and-Miquelon is classified as an Overseas Country and Territory (OCT) under an association regime. As such, the archipelago is not part of the territory of the European Union and is therefore not directly subject to EU law. Consequently, the Territorial Council sets the level of customs duties, the special tax, the octroi de mer, and consumption duties.

## A TERRITORY STRUGGLING TO RETAIN ITS POPULATION DESPITE A FAVOURABLE LABOUR MARKET

### A population in decline since the early 2000s

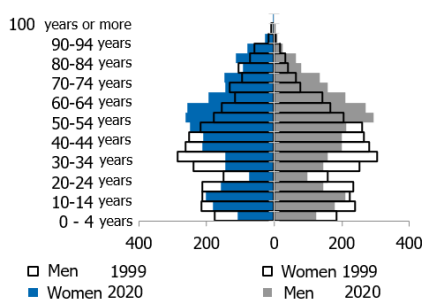
The population of the archipelago was estimated at 5,925 inhabitants in 2020, including 5,340 in Saint-Pierre and 585 in Miquelon-Langlade. Between 1945 and 1999, the population grew steadily (+0.7% per year on average). Since then, it has entered a gradual decline (-0.3% per year on average). This decrease is partly explained by a **negative natural increase since 2016**, linked to **low fertility rates and an ageing population**, as illustrated by the age pyramid. The natural increase rate stood at -1.0‰ in 2020, compared with +5.1‰ in 1999.

People aged 15–29 accounted for 12.9% of the population in 2020, compared with 19.7% in 1999. This decline reflects both the downward trend in births and the departure of younger generations, who are required to pursue higher education outside the archipelago and, in most cases, do not return due to a lack of professional opportunities.



Source : Insee

### Age pyramid 1999 – 2020



Source : Insee

The ageing index increased sharply (82.7% in 2020, compared with 42.6% in 1999), as did the share of people aged over 60 (25.1% in 2020, compared with 15.6% in 1999), pushing the dependency ratio from 45.6% in 1999 to 54.4% in 2020.

**In the longer term, the decline in the labour force, rising demand for personal services, and the prospect of reduced consumption are expected to weigh on the archipelago's economic momentum.**

### ...Characterised by a limited level of precariousness

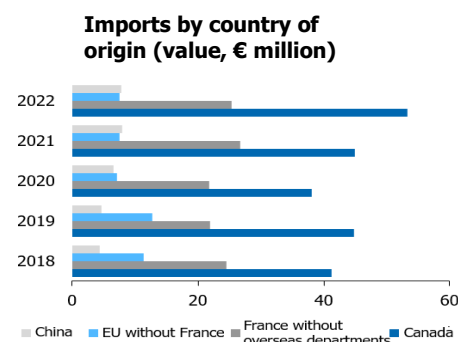
The financial situation of households raises no particular concern. In 2019, the average annual gross wage income amounted to €31,900, compared with €21,760 in mainland France excluding Mayotte. This gap reflects the significant weight of the public sector in total employment on the archipelago. Around half of all jobs are concentrated in this sector, where the average annual gross wage is 1.8 times higher than at the national level (€41,987, compared with €22,960 in mainland France excluding Mayotte in 2019). The archipelago also records few cases of over-indebtedness (around 50 cases filed over the past ten years) and a low share of RSA beneficiaries (0.7%, compared with 5.3% in France as a whole in 2020). This situation can be explained in particular by a high activity rate, at 81.6%, compared with 71.9% in France as a whole at the end of 2020, resulting in a low unemployment rate of 3.3% in 2022, compared with 7.3% in France as a whole, as well as a low share of precarious jobs (0.3%, compared with 3.8% nationwide in 2020). The labour market is characterised by strong seasonality linked to climatic conditions, with a slowdown in activity during the winter period. As a result, the number of jobseekers increases between November and April. Over the past five years, the archipelago has recorded an average of 308 Category A jobseekers during the winter period, compared with 187 on average during the rest of the year. In connection with the improvement in the unemployment rate (3.3% in 2022, compared with 4.1% in 2020), recruitment difficulties have intensified in Saint-Pierre-and-Miquelon.

## A TERRITORY WITH A HIGH COST OF LIVING AND DEPENDENT ON THE PUBLIC SECTOR

### An economy that relies heavily on imports from Canada

The archipelago's structural constraints—weather conditions, the small size of the domestic market, isolation and limited resources—restrict the development of local production. **As a result, imports accounted for 41% of GDP in 2015.**

Given its geographical proximity, **Canada is the archipelago's leading supplier of goods.** The European Union, including mainland France, ranks second. However, excluding France, EU exports to Saint-Pierre-and-Miquelon amounted to just over €7 million (current euros) over the past two years, a level comparable to that of China over the same period.



Source : Customs

## Imports by product (value, € million)

In 2022, investment goods and consumer goods each accounted for a similar share of imports, at close to 39%. Fuel imports, in value terms, represented 22.6% of total imports, as Saint-Pierre-and-Miquelon is 100% dependent on hydrocarbons for its energy consumption. More than 80% of these imports are used for electricity generation—with EDF operating diesel thermal power plants on each island—and for residential heating.

The archipelago's trade balance, which is structurally in deficit, recorded a shortfall of around €100 million in 2022. Although declining, seafood products still account for the bulk of exports. In 2022, the sale of an ATR 42-500 aircraft by Air Saint-Pierre exceptionally boosted exports to more than €8 million, representing an increase of nearly 90% compared with their 2020–2021 level. The coverage ratio thus rose to 7.4%, an increase of around 3 percentage points.

Dependence on Canada has repercussions on the price index measured in Saint-Pierre-and-Miquelon, which is often correlated **with price developments in Canada or changes in the euro/Canadian dollar exchange rate**. Over the ten years prior to 2022, inflation remained below 3.4%, with one year of deflation in 2016. Beyond the global low-inflation environment, the territory benefited from the almost continuous appreciation of the euro against the Canadian dollar (+1.5% per year on average between 2016 and 2020).

In 2022, average annual inflation reached 9.3%, an abnormally high level explained by supply-chain disruptions and the repercussions of Russia's invasion of Ukraine. These effects were amplified by the depreciation of the euro against the Canadian dollar. Housing, water, electricity and gas accounted for nearly half of the average price increase recorded in 2022.

Price levels in the archipelago are higher than in mainland France due to costs associated with insularity, particularly maritime freight costs. This gap widened in 2022, as price increases were significantly higher in the territory than in mainland France (+5.2% on average).

Two mechanisms have been introduced to reduce the observed gap in the cost of living: the Bouclier Qualité Prix (BQP), in place since November 2012, and administered prices for hydrocarbons since November 1988. The former sets a maximum total price of €160 for a basket of 55 consumer goods. This scheme applies only in Saint-Pierre (Miquelon did not renew it in 2022).

The latter regulates the prices of premium petrol, regular petrol, domestic fuel oil and diesel, which vary according to changes in duties and taxes as well as import prices. In the context of rising oil prices, fuel prices were increased in 2022, contributing to the inflation observed during the year.

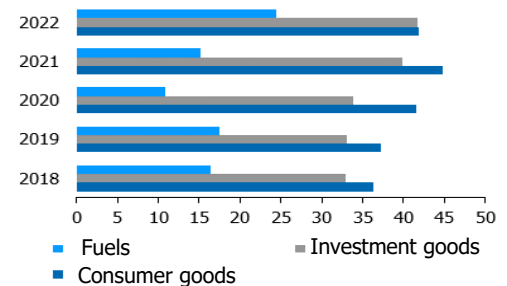
### ...driven by public administrations

Since the late 1990s, the archipelago's economy has been dependent on the service sector. The tertiary sector accounts for the majority of jobs (86.7% in 2020 compared to 81.0% in 1999), particularly public administration, education, health, and social services (57.0% of tertiary sector jobs). Over the last decade, job creation in public administration has increased by 9.9%, while the primary and secondary sectors have lost 24.5% and 17.2% of their jobs, respectively. Excluding public administration, employment has only grown in the construction sector (+15.6% between 2010 and 2020).

### Breakdown of employment by sector

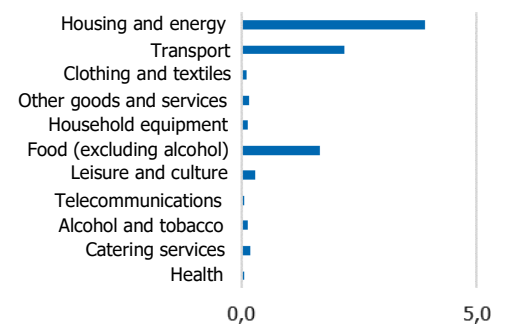
	1999	2010	2020	Share in 2020	Change 2020/2010
Primary sector	76	55	42	1.4%	-24.5%
Industry	194	170	141	4.7%	-17.2%
Construction	261	190	220	7.3%	+15.6%
Tertiary sector	2,259	2,506	2,619	86.7%	+4.5%
Trade, transport and miscellaneous services	1,037	1,146	1,125	37.2%	-1.9%
Public administration, education, health and social services	1,222	1,360	1,494	49.5%	+9.9%
<b>Total</b>	<b>2,790</b>	<b>2,921</b>	<b>3,021</b>	<b>100.0%</b>	<b>+3.4%</b>

Source : Insee



Source: Customs

### Contributions\* to average annual price changes in 2022\*

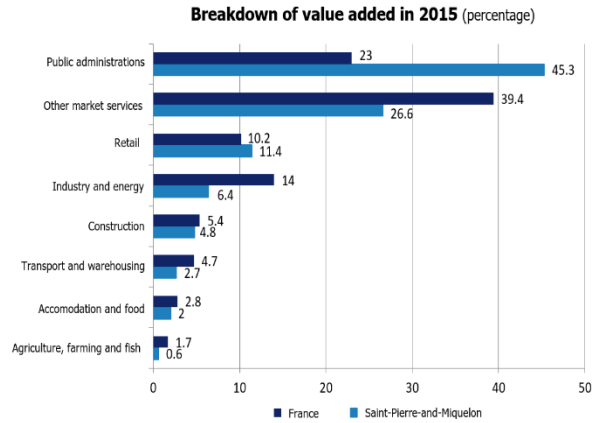


\* The contribution of each component is calculated by multiplying its average annual change by its weighting.

Source : Prefecture

Income earned by public sector employees and equivalent staff supports private household consumption in the archipelago. In 2020, the average declared income of public sector employees amounted to €43,562, compared with €28,975 in the private sector.

**Taken together, public and private consumption accounted for 113% of GDP in 2015.** The share of public administrations in value added was more than 20 percentage points higher in 2015 than in mainland France (45.3% of value added, compared with 23.0% in France).



Sources: Iedom, Insee

## A PRIVATE SECTOR WITH UNCERTAIN DEVELOPMENT

### A sizeable local retail sector despite numerous constraints

In 2015, the retail sector accounted for 11.4% of value added in the archipelago and represented nearly 17% of registered businesses in 2022. The number of retail businesses has been increasing since 2020, rising from 106 in 2020 to 120 in 2022. Retail activity is predominantly small-scale, with more than 70% of retail businesses falling into this category since 2020. Retail trade in Saint-Pierre-and-Miquelon mainly consists of small shops, primarily focused on food and clothing (on average 44% of retail businesses since 2020), alongside a limited number of outlets exceeding 400 m<sup>2</sup>. Nevertheless, the development of this sector remains uncertain, as local retailers face numerous constraints: limited depth of the local market, geographical isolation leading to supply difficulties and longer delivery times, competition from online sales, direct purchasing on the Canadian market, and high maritime transport costs. Inventory management has also become more complex in recent years due to the distance from suppliers and longer transport times, linked to the significant increase in the number of port calls to Saint-Pierre.

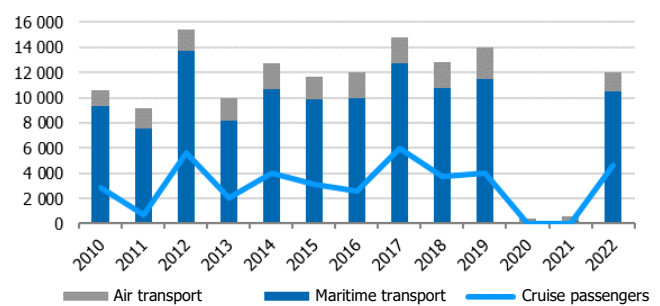
### Construction: a sector supported by public procurement

Despite the seasonal halt in activity during the winter period, construction is the second-largest sector, accounting for 5% of value added in 2015. It represented around 7% of employment in 2020 and 11% of registered businesses in 2022. This weight is largely explained by the importance of public procurement. Over the past five years, public procurement has averaged €24.6 million per year. In 2022, contracts awarded by the State and local authorities amounted to €24.4 million, up 14.3% compared with 2021 (€21.4 million). In 2023, public procurement commitments totalled €23.9 million, including €10.8 million for the Territorial Collectivity, €7.2 million for the municipality of Saint-Pierre, €4.6 million for the State, and €1.3 million for the municipality of Miquelon-Langlade. The sector is expected to benefit from future public programmes, notably the Neighbourhood, Development and International Cooperation Instrument (NDICI), scheduled to run until 2027.

### Tourism: a recovery yet to be confirmed

The Covid-19 pandemic severely affected the tourism sector. 2020 and 2021 recorded the lowest visitor numbers since 2010. In 2022, tourism activity rebounded significantly, with 11,999 tourists visiting the archipelago. However, this figure remained 13% below the average recorded during the three years preceding the Covid-19 crisis. The return of cruise tourism supported arrivals, as the number of cruise passengers in 2022 exceeded that of 2019 (4,650 compared with 4,000). In 2023, 15 cruise calls were scheduled. Given geographical proximity, Canadians account for the majority of inbound tourist flows. In 2022, they represented 60.5% of total tourist arrivals, or 7,264 visitors. This figure has nevertheless declined compared with the 2015–2019 period, during which an average of 8,667 Canadians visited the archipelago each year. Conversely, the number of US tourists increased by 30% compared with the average recorded over the 2015–2019 period.

Foreign tourist arrivals since 2010



Source : Border Police

### An insufficiently diversified fisheries sector

The fisheries sector has undergone significant restructuring. At the end of 2020, the four companies operating in the industrial fishing hub in Miquelon were dissolved and subsequently absorbed by Pêcheur du Nord, which was sold in June 2023 to a mixed-economy company with the municipality of Miquelon as a shareholder. In response to the difficulties faced by industrial fishing, the creation in 2022 of a new local fishing company, SPM Océan, has raised hopes of renewed momentum.



Since 2017, which marked the downturn in industrial fishing activity, the average annual catch has amounted to 367 tonnes, compared with an annual average of 974 tonnes between 2010 and 2017, representing a 62% decline. Fishing rights available in international waters between Canada and Greenland under the Northwest Atlantic Fisheries Organization (NAFO) are either exploited through the chartering of foreign vessels or transferred to other countries. Similarly, the quotas allocated by the International Commission for the Conservation of Atlantic Tunas (ICCAT) are not exploited by the archipelago. As a result, the quota utilisation rate fell from 41.8% for the 2020–21 season to 38.5% for the 2022–23 season. Moreover, catches are concentrated on a limited number of species: scallops accounted for 58% of industrial catches over the past two seasons, followed mainly by halibut, flounder and skate. Greater diversification would allow for more sustainable resource management.

With the decline of industrial fishing, artisanal fishing has strengthened its position. Catches increased by nearly 1.3% over the past decade, and the sector now accounts for 88% of total catches over the past two seasons. However, as with industrial fishing, artisanal fishing remains concentrated on a limited number of species: since 2015, sea cucumber, due to its high value added and ease of harvesting, has represented an average of 76.6% of catches. Lastly, the seafood processing sector remains underdeveloped in the archipelago. As a result, the sector is subject to strong seasonality, and its value added within the economy remains limited.

## **DYNAMIC BANK FINANCING, BUT CONSTRAINED BY A LACK OF ENDOGENOUS GROWTH DRIVERS**

### **Organisation of the local banking system**

The five locally established financial institutions (EFIL) account for 84.3% of total financing in the archipelago. Caisse d'Épargne Provence Alpes Corse (CEPAC), since its acquisition of the Banque de Saint-Pierre-et-Miquelon (BDSPM) in 2016, Caisse d'Épargne Île-de-France (CEIDF), and the Caisse des Dépôts et Consignations (CDC) carry out both lending and deposit-taking activities. The Coopérative immobilière des îles Saint-Pierre-et-Miquelon (CISPM) contributes to housing finance, in particular with the aim of facilitating access to home ownership for residents of the archipelago, primarily low-income households. The Public Treasury is also present locally, performing a deposit-taking function for public sector employees. The banking system is organised around six branches (including four domiciliation branches), corresponding to one branch per 988 inhabitants (compared with one branch per 1,881 inhabitants in France as a whole), and four automated teller machines (ATMs), i.e. 1,481 inhabitants per ATM (compared with 1,299 inhabitants per ATM in France as a whole). In 2022, credit institutions managed a total of 18,791 accounts, broken down as follows: current accounts (50.5% of the total number of accounts, with an average balance of €13,990), savings accounts (41.9%, with an average balance of €10,986), housing savings accounts and plans (5%, with an average balance of €27,591), and time deposit accounts (2.6%, with an average balance of €50,780).

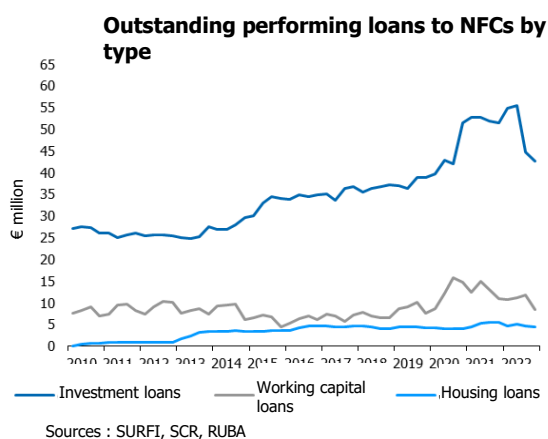
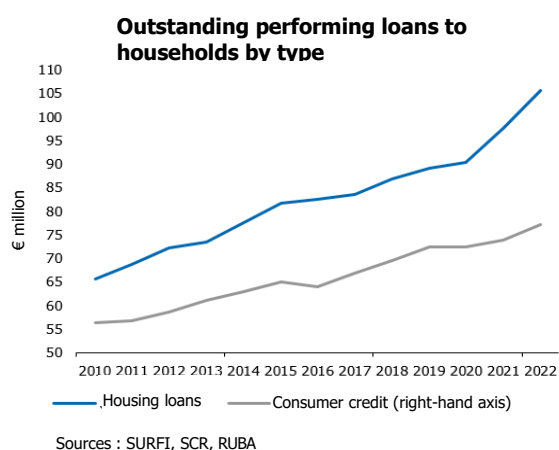
### **Dynamic bank lending, primarily geared towards households**

**Between 2010 and 2022, outstanding performing loans increased by an average of 4.0%** per year, rising from €135 million to €225 million. This momentum was driven by lending to both businesses and households (also +4.0% on average per year over the same period). At the same time, the gross doubtful loans ratio declined by 6.6 percentage points, falling from 7.8% in 2010 to 1.2% in 2022.

The resurgence of inflation since 2022 has altered the operating conditions of banking activity in the archipelago. Efforts to curb inflation led the European Central Bank to tighten its monetary policy by gradually increasing its policy rates. This shift resulted in a higher cost of credit. In addition, banks' refinancing activity was constrained by rising interest rates, which in turn tightened credit granting conditions. Despite this environment, banking activity remained dynamic, driven by the growth in household lending, while outstanding loans to businesses declined over the course of 2022.

Household bank financing accelerated again (+8.3% in 2022, after +7.1% in 2021). This development was mainly due to the increase in housing loans (+8.4% in 2022, after +8.0% in 2021), notably following the marketing of the fourth phase of the Graves housing estate in Saint-Pierre. Despite the long-term decline in the population, housing demand remains buoyant, particularly due to the increase in the number of households (+4.8% over the past fifteen years). Consumer credit also increased, returning to growth rates comparable to those recorded over the 2017–2019 period (growth of more than 7%). Households channel most of their investment towards housing: 80% of loans granted to households are housing loans. This proportion is close to that observed for households in mainland France, where 85% of total household outstanding loans are housing loans. The purchase of a primary residence therefore remains a priority for many households in the archipelago.

With regard to corporate financing, outstanding investment loans declined for the second consecutive year in 2022 (-17.2% in 2022, after -0.1% in 2021). Similarly, working capital loans fell by 24.3%, following a 25.1% decline in 2021, in connection with the repayment of state-guaranteed loans (PGE). Compared with other overseas territories, the archipelago made moderate use of PGE, with a total of 51 loans granted as at 31 December 2021, for an amount of €10 million. The bank indebtedness of non-financial corporations (NFCs) consists mainly of investment loans, which account for three quarters of total outstanding loans to NFCs. Despite the significant share of investment loans in total corporate credit, private-sector players are constrained by the insularity of the territory and the narrowness of the local market, which limit profitability prospects and weigh on investment decisions. At the end of 2022, outstanding loans granted by financial institutions to resident households and businesses in the archipelago amounted to €188 million, including €132 million for households and €56 million for NFCs. **Resident households thus accounted for 70% of total outstanding loans to households and NFCs, compared with 53% at the national level for households in mainland France.**



### The monetary assets of economic agents were supported by the increase in sight deposits.

Between 2010 and 2022, the financial assets held by economic agents in the archipelago increased by an average of 3% per year, rising from €208 million to €305 million. Sight deposits amounted to €133 million in December 2022, compared with €77 million in December 2010, corresponding to an average annual increase of 4.3%. Liquid or short-term investments, which include all products that are immediately available with a very limited risk of capital loss (Livret A, Livret Bleu, youth savings accounts, cash deposits, savings bonds, etc.), changed little between 2010 and 2022, increasing from €102 million to €115 million, i.e. an average annual rise of 0.9%. As a result, the strong increase since 2010 in regulated savings accounts (+4.4% on average per year between 2010 and 2022) was offset by the structural decline in market-rate indexed investments (-5.4% on average per year over the same period). While both categories amounted to €51 million in 2010, regulated savings accounts totalled €90 million in 2022, compared with €25 million for market-rate indexed investments. Long-term savings increased their share of total financial assets held by economic agents in the archipelago, rising from €30 million in 2010 to €58 million in 2022. These savings consist mainly of life insurance products, housing savings plans, and securities accounts invested in shares and bonds.

Sight deposits therefore remain the preferred form of investment for residents of the archipelago. They increased sharply during the health crisis, due to the build-up of so-called “forced savings” by economic agents. The recent increase in regulated interest rates on other liquid savings products could nevertheless challenge the dominant position of sight deposits within total savings. At the end of 2022, financial assets were held mainly by households (around 75%). Households thus held just over half of sight deposits, almost all liquid savings (around 90%), and all long-term savings. By contrast, the savings of non-financial corporations (NFCs) consist almost exclusively of sight deposits.

## CHALLENGES FACING THE ARCHIPELAGO

The key challenge for the territory is to **restore sufficient economic attractiveness to generate renewed demographic momentum**, which is essential for diversifying the archipelago’s economy and addressing the recruitment difficulties that currently limit the development of the private sector. The territory nevertheless has several assets that could foster private initiatives: high-quality digital connectivity, following the installation of a submarine fibre-optic cable linking the archipelago to the Burin Peninsula in Newfoundland; a more favourable corporate tax environment, with a standard corporate income tax rate of 23% and a reduced rate of 15% for eligible companies; and a stable environment characterised by low levels of insecurity.

In order to revitalise economic activity and stimulate demographic growth, the Territorial Collectivity has identified several strategic development priorities focused on youth, sustainable development and sustainable tourism. Since 2018, these priorities have translated into concrete actions, including the ordering of new ferries (2018), the acquisition of a new ATR aircraft (end of 2020), the introduction of a direct air service to Paris during the summer season (2018), and the rehabilitation of the deep-water quay (2022). The arrival of foreign tourists is expected to benefit the retail and accommodation and food services sectors and to support the local economy. The archipelago is thus continuing its efforts to open up and strengthen regional cooperation, as illustrated by the opening of the Tourist Information Centre (CIT) in May 2022 in Fortune, Newfoundland.

Improving the archipelago’s economic attractiveness also requires **addressing the tensions observed in the housing market**, resulting from a mismatch between supply and demand and an ageing housing stock, some of which requires substantial energy renovation work. The relocation project for the village of Miquelon, threatened by coastal flooding as a result of climate change, is one of the major housing challenges. Owing to its unprecedented and pioneering nature, this project is receiving particular attention from public authorities.

Finally, **strengthening the territory’s energy and food independence** represents a major challenge for the years ahead, at a time when the vast majority of goods are imported and the archipelago must also undertake **its energy transition** by reducing the share of hydrocarbons in its energy mix, introducing renewable energy sources, and continuing the development of the district heating network. The development of wind farms is being considered as a solution well suited to the territory and could help reduce the archipelago’s environmental footprint. In the longer term, increased energy and food self-sufficiency should also help to reduce external dependence and imported inflation.