

Outlook for Saint-Martin

STRUCTURAL CHARACTERISTICS

Surface area	56 km ² (excl. Sint Maarten) ; 90 km ² (incl. Sint Maarten)
Geographical location	Antilles Arc – Paris 6,900 km, New York 2,700 km, Guadeloupe 260 km
Languages spoken	French, English, Creole
Currency	Euro
Status	Overseas Collectivity (COM)
National representation	1 deputy, 1 senator, 1 representative on the Economic, social and environmental council
State representation	Delegate Prefect for Saint-Barthélemy and Saint-Martin

Historic milestones: a shared sovereignty

Saint-Martin lies in the north of the Antilles arc, equidistant between Puerto Rico and Guadeloupe (260 km) and around 25 kilometres to the north west of Saint-Barthélemy. The island may have been discovered by Christopher Columbus during his voyage to the Antilles, on 11 November 1493, Saint-Martin's day. Occupied successively by the French, Dutch and the Spanish, who left in 1648, it was then taken back by the French and the Dutch, who signed the Mont Concorde treaty on 13 March 1648 to share the island and demarcate their sovereignty. Since then the island has been split in two, with free movement between the two parts: a Dutch part (Sint Maarten) in the south, with a surface area of 34 km², and a French part in the north covering 56 km², which is home to the Préfecture of Saint-Barthélemy and Saint-Martin.

Saint-Martin's administrative status as a commune of the department of Guadeloupe, in force since 1947, came to an end in 2007. The constitutional process began ten years ago by the islands of Saint-Martin and Saint-Barthélemy culminated in the adoption, on 21 February 2007, of its new status as over seas collectivity following a referendum on 7 December 2003, approved by 76.2% of voters.

From commune to overseas collectivity

On 15 July 2007, the new COM of Saint-Martin was officially inaugurated with the establishment of its regional council, comprising 23 members. Its institutions, which have effectively been operating since 2009, also include a 7 member Executive Council and an Economic, Social and Cultural Council (CESC).

Governed by the organic law of 21 February 2007, Saint-Martin holds the powers devolved to communes, departments and regions, as well as those that the State has transferred specifically to it. The new collectivity now has powers in terms of tax matters, road transport, highways, tourism and public ownership law in the collectivity in terms of the creation and organisation of its public services and establishments. The collectivity may also adapt laws and regulations pertaining to public ownership and teaching. Nevertheless, the State remains competence in criminal law, commercial law and monetary, banking and financial law, whence the appointment of a Préfet Délégué (Delegate Prefect) representing the State and the government in the COM of the islands of Saint-Martin and Saint-Barthélemy. The new préfecture, having authority over the two collectivities, operates from Marigot (Saint-Martin), with a regional office in Gustavia (Saint-Barthélemy).

The collectivity is responsible, with State assistance, for drawing up a budget which allows it to fully exercise its powers. In 2009 the collectivity posted operating income of €18M, reduced by the loss, as a result of its new status, of the fraction of dock duties previously returned by Guadeloupe (€12M, that is to say almost a quarter of its actual revenue) and the compensation fund (€6M). The introduction in August 2010 of the TGCA (Taxe générale sur le chiffre d'affaires or *General Turnover Tax*) represents a significant step forward in the consolidation of the collectivity's fiscal resources.

At community level, Saint-Martin officially became an Ultra-Peripheral Region (R.U.P.) with the ratification of the Treaty of Lisbon which entered into force on 1 December 2009. At the end of October 2010 the collectivity participated in the Conference of RUP Presidents, which now has an eighth member, for the first time.

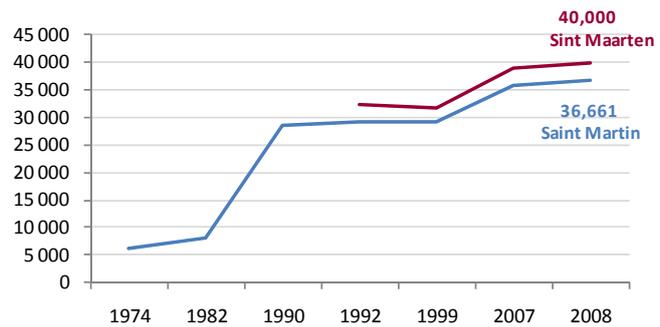
DEMOGRAPHICS

Since 1982, the number of inhabitants has increased almost five-fold

In 2008, the population of Saint-Martin was 36,661, that is to say an average rise of 2.9% a year since 1999, with the highest growth recorded in the 1990s (+17.1%), characterised by net inward migration. The Dutch part of the island experienced similar demographic change.

Thanks to high natural growth, the population has remained very young: 37 % of the population was under 20 in 2008 compared with 30% in Guadeloupe and 22% in Saint-Barthélemy. While in 1990 the foreign community represented 53% of the total population, this share fell to 36% in 2008, mainly due to the strengthening of immigration laws: over three quarters of foreigners come from the Caribbean area, in particular Haiti (47% of all foreigners). Saint-Martin's population density is 678 inhabitants per km², higher than that of Guadeloupe (248 inhab./km²) and Saint-Barthélemy (402 inhab./km²).

The population of Saint-Martin and Sint Maarten

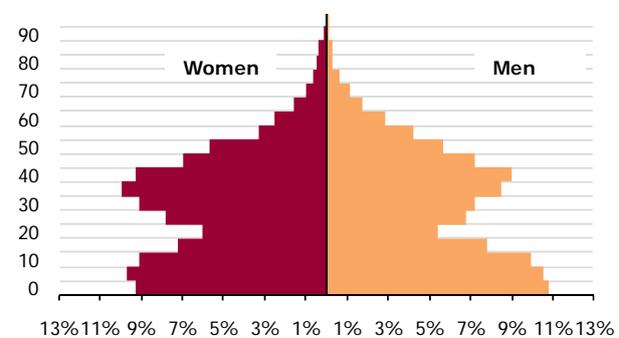


Source: INSEE 1999 and 2008, census, CBS

Population at 1 January 2008 (<i>estimate</i>)	36,661
Proportion under 20 (2008, %)	37.2
Proportion from 20 to 59 years (2008, %)	55.4
Proportion over 60 (2008, %)	7.4
Population density (2008, inhab./km ²)	678
Average annual growth rate (1999-2008, %)	2.9
Birth rate (2008, ‰)	26.3
Mortality rate (2008, ‰)	3.1

Source: INSEE

Still a youthful population



Source: INSEE

OUTLOOK FOR THE ECONOMY

Territorial continuity with Sint Maarten

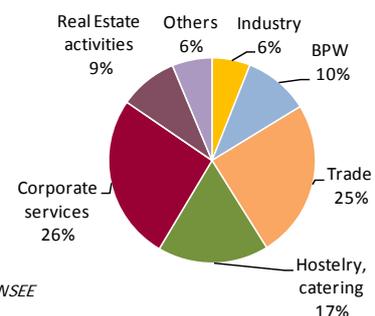
To understand the issues relating to the economic and social development of Saint-Martin, it is necessary to take into account its territorial continuity with the Dutch part, creating a highly competitive environment. In fact Sint Maarten is more attractive to businesses due to its more relaxed regulatory system, lower operating costs and taxes. On the other hand, on the French side, the education and health system is of a better quality. A share of social payments and income generated by activity in the public and private sectors is spent in Sint Maarten, where the US dollar is the most commonly used currency, benefitting the economy of the Dutch part.

In order to strengthen cooperation between the two parts of the island, a mixed tripartite commission, comprising the State, the Collectivity and the government of Sint Maarten, should be created at the end of 2011. This seeks to formalise relations between authorities concerning matters including security, the environment, energy, waste processing, health, education and immigration.

An economy resolutely focussed on tourism

An estimate of the GDP of Saint-Martin carried out in 2005 within the framework of the CEROM, attended by the INSEE, IEDOM and AFD, valued it at €421M in 1999, that is to say €14,500 per inhabitant, a level 39% lower than the mainland average on this date, 21% lower than the GDP per capita for the Dutch part (around €16,500) and 13% lower than Guadeloupe. In 2009, a report by the Inspectorate General for Finances valued GDP at €560M, and average GDP per capita at 16,000 Euros, that is to say 12% less than in Guadeloupe.

Distribution of companies by sector in 2007



Source: INSEE

Previously based on the exploitation of salt marshes and tobacco growing, then cotton and sugar cane, the economy is now strongly service driven and depends largely on tourism. According to statistics from the INSEE, of the 5,681 companies surveyed recently in 2007 on the island of Saint-Martin, 26.1 % were in the corporate service industry, 24.9% were dedicated to trade, and 17.4% operated in the hotel and catering sector.

Unemployment twice as high as in the Dutch part

Saint-Martin's active population was 17,311 in 2008 (compared with 24,344 in Sint Maarten). This represents 71.4% of people of working age, that is to say a level slightly higher than that of Guadeloupe (68.3%) and mainland France (69.7%). The number of the active population in the workforce in Saint-Martin was 12,897 in 2008 (75% of the active population). This proportion is 13 points lower than the Dutch part.

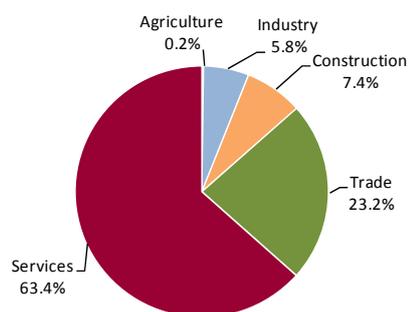
The breakdown of unemployment is relatively similar to that observed in the Dutch part. In 2010, 63.4% of the occupied workforce worked in the service sector, 23.2% in trade and 7.4% in BWP. The public sector employs one in five (compared with one in three in Guadeloupe).

The unemployment rate stood at 25.5% in 2008, slightly down compared with 1999 (26.6%). In Sint Maarten, it was half this figure, 12% in 2009, but the comparison is difficult due, in particular, to extremely different employment and social protection regulations.

Main economic indicators	Saint-Martin	Sint Maarten
Unemployment rate (in %)	25.5 % (2008)	12% (2009)
Job seekers (2010)	3,654 (DEFM A)	2,966 (2009)
Active population (2008)	17,311	24,344
Working active pop. (2008)	12,897	21,378

Sources: INSEE, DIECCTE, CBS

Employment by sector in Saint-Martin in 2010



Source: ASSEDIC - 2010 Provisional data

Tourism: searching for a niche

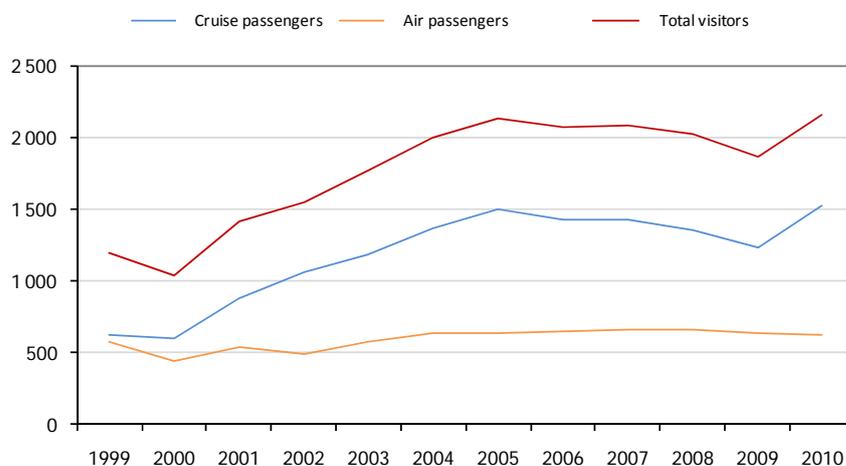
The tourism sector, which benefitted from the opportunities generated by the tax reductions of the 1980s, is one of the pillars of the Saint Martin economy. It comprises several activities including the hotel and catering branch, which represented 1,590 employees in 2010, that is to say 26.7% of the employed workforce compared with 6.3% in Guadeloupe and 35.5% in Saint-Barthélemy.

The island mainly plays host to a North American clientele and, to a lesser extent, European and South American visitors. Diversification of markets could improve with the ruling of 14 December 2009, establishing new provisions in favour of more flexible controls on South American citizens, in particular from Brazil, Central America and the Caribbean.

Almost 90% of visitors are cruise ship passengers who use the Phillipsburg duty free zone, on the Dutch side. The main plank of the island's tourist development, the cruise ship business has developed significantly since the commissioning in 2000 of the island's only deep water port located in Philipsburg. In 2008 the port's capacity was increased by the construction of a new dock enabling the mooring of today's largest cruise ships (capacity of around 6,000 passengers).

The port of Marigot, in the French part, not having the infrastructures to take large draft cruise ships, has targeted the luxury end of the market, travelling on smaller vessels (100 to 360 passengers).

Island visitor numbers
(in thousands of passengers)



Sources: Grand case and Juliana airports, Saint-Martin tourist office

Total tourism to the island of Saint-Martin developed rapidly after 2000 with the increased capacity of the port of Phillipsburg. It welcomed 2.1 million passengers in 2005, but this figure has fallen progressively since then, down 12.8% by 2009 thanks to the global economic crisis.

2010 saw a net increase in tourism on the island due to the rebound of cruise ship activity on the Dutch side. With 2.2 million visitors welcomed, it even exceeded its historic levels of 2005.

Building and Public Works: the 2nd driver of the economy

The island's demographic and economic growth, which is closely linked to that of tourism, has had a positive impact on the BPW sector, despite the significant competition from companies established on the Dutch side.

The sector is characterised by the predominance of small enterprises, 79.9% of companies not having any employees. In 2010, the BPW sector employed just over 397 workers, or 7.4 % of salaried workers.

It is difficult to monitor activity in the BPW sector due to the absence of statistics. The qualitative elements available nevertheless appear to show a net slowdown of activity in the sector since the end of 2008, coinciding with the first signs of the global economic crisis, and in a context where the collectivity's financial room for manoeuvre has been notably reduced since its constitutional change. The balance sheet for 2009 and 2010 is mediocre, the number of building permits issued by the collectivity fell 23.6% in 2009, and 22.7% in 2010, and outstanding housing credits for companies fell 12.7% in 2010, after slowing down in 2009. The lack of infrastructure projects and limitations on public investment in a context of long lasting budgetary austerity make the outlook quite precarious.

FINANCING OF THE ECONOMY

In 2010, there were 6 credit companies in Saint-Martin: four banks affiliated with the French Banking Association and two mutual banks, these establishments having 13 ATMS and employing 69 people. By way of comparison, the Dutch side has 11 credit establishments.

On the French side, rates of bank tellers and ATMS fell over a year after improving in 2009. The collectivity thus remains worse equipped than Saint-Barthélemy and Guadeloupe.

After declining in 2009, banking recovered in 2010 due to a better economic context. Healthy outstanding loans increased 22.1% over a year. The growth observed was mainly driven by a one off transaction in the account of an investment company. Even when taking this transaction out of the equation, credits nevertheless saw health growth (+10.2 %) driven mainly by households (+13.5%) rather than companies (+3.8 % excluding the one off transaction).

Companies		Households	
Cost of corporate loans (Guadeloupe and Iles du Nord, Jan. 2011)		Number of inhabitants by bank teller	2,933
<i>Overall weighted average</i>	5.19 %	Number of inhabitants by ATM	1,525
<i>Short term:=</i>	6.76 %	Number of bank accounts by inhabitant	1.5
<i>Medium and long term</i>	4.18 %	Outstanding bank loans	€108.6M
Outstanding loans	€119.6 M	<i>Consumer credits</i>	+12.8 %
<i>Operating credits</i>	+84.3 %	<i>housing credit</i>	+13.6 %
<i>Investment credits</i>	+14.1 %	Financial Assets	€127.3M
<i>Property credits</i>	-12.7 %	<i>call deposits</i>	+12.3 %
Financial Assets	€149.6 M	<i>liquid or short term savings</i>	+11.8 %
<i>call deposits</i>	+38.6 %	Physical persons subject to banking prohibition	552
<i>liquid or short term savings</i>	+10.7%	Over indebtedness plans filed	4
Number of legal entities subject to banking prohibition	211		
Number of credit mediation cases (at 31 December 2010)	17		

Source: IEDOM at 31/12/2009 ; changes are annual

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