

Martinique's Economy in 2012 Slowdown in economic activity

In 2012, there was a slowdown in economic activity, which pushed up unemployment. This negative climate prompted households to adopt a cautious attitude and consumption was sluggish. The business climate deteriorated during the year, along with business investment plans. With no medium-term outlook, business leaders adjusted their investment policies downwards and simply confined themselves to renewing their production facilities.

Following low growth in 2011 (+1.0% at constant prices), 2012 did not bring the boost required for a return to business levels prior to the 2009 crisis.

Economic activity declined in most sectors, particularly in the primary and retail sectors. The trend was mixed in the industry and tourism sectors. There was a slight upturn in the construction industry at the end of the year, but it was not enough to stem the downward trend.

Despite the crisis, and although the rate of doubtful loans had risen at the end of the year, banks generally continued to support the financing of the economy.

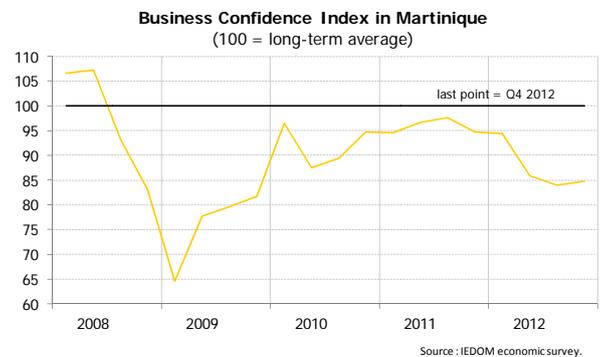
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BUSINESS SUFFERS FROM LACK OF CONFIDENCE

Business climate worsens

The trend for the business climate has been negative since 2008. Following an upturn between 2009 and 2011, the situation deteriorated again at the end of 2011 and beginning of 2012. At the end of 2012, the Business Confidence Index levelled off at 84.8, a much lower rate than its long-term average.

However, this trend can be put down to the contraction in activity in 2012 and the pessimism of Martinique's business leaders for the beginning of 2013 in a difficult economic climate.



Prices are rising

At the end of December 2012, the consumer price index in Martinique had risen by 2.0% year-on-year. This increase was higher than for France as a whole (+1.3%). In 2011, it also rose by 2.0%. The annual average stood at 1.5% in 2012 (against 2.6% in 2011).

This year-on-year trend is due to the increase in prices for food (+4.3%), services (+1.2%), energy (+5.7%) and, to a lesser extent given their relative weight, manufactured products (+0.8%).

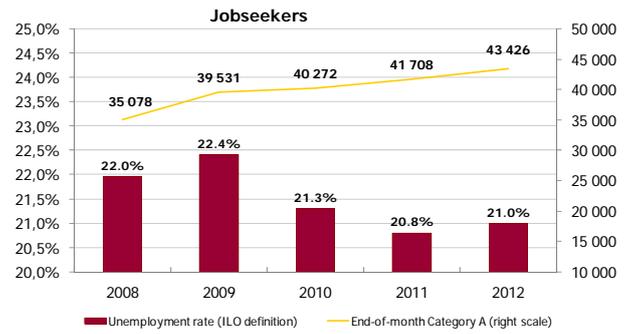


Labour market deteriorates

The number of jobseekers continued to increase (+4.1%) and stood at 43,426 at the end of the year. The difficulties of returning to employment have been exacerbated by the crisis, which has led to an increase in long-term jobseekers (+5.8%).

The number of beneficiaries of the RSA (income support benefit) also continued to increase (+5.7%), while as a result of the revision of the duration of unemployment benefit in March 2009, the number of beneficiaries of unemployment benefit has fallen (-13.1% year-on-year).

Employment opportunities decreased (-30.7% year-to-date) to 8,300. The gap between employment demand and supply has consequently been widening.

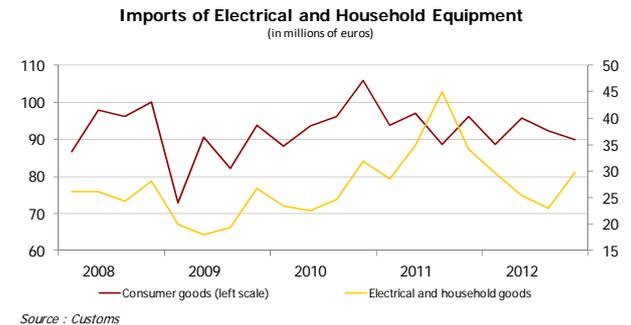


Sluggish consumer demand

Household consumption was below the level of 2011.

Imports of consumer goods and electronic and household equipment fell (-2.4% and -24.5%, respectively). Private vehicle registrations also fell sharply (-11.2%).

Finally, the stock of consumer loans to households fell (-2.8%).

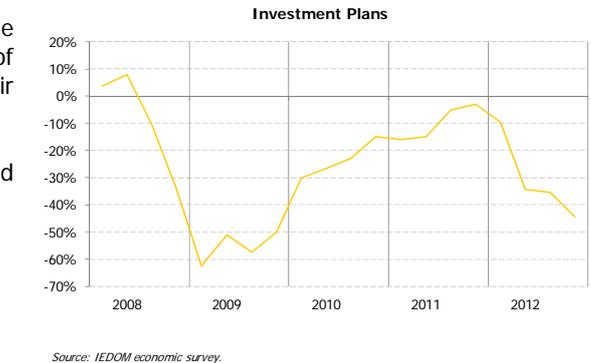


Decline in investment

The trend for investment plans was negative throughout the year. In the fourth quarter, they reached their lowest level since 2009. The lack of medium-term visibility prompted business leaders to review their investment policies and give priority to their renewal requirements.

There was a marked decrease in imports of capital goods (-17.8%) and in registrations of commercial vehicles (-15.8%).

The stock of corporate investment loans declined (-1.4%).

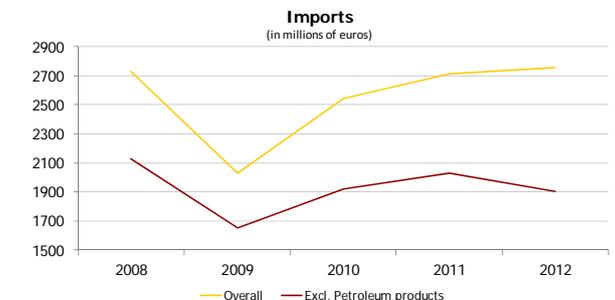


Foreign trade driven by oil products

Imports rose moderately (+1.5% year-on-year), driven by petroleum products. Exports rose considerably (+30.8%), but returned to a level on a par with 2010, after the temporary decrease in petroleum products in 2011 (technical stoppages planned at the SARA refinery company).

Imports, excluding petroleum products, fell (-6.2%). This trend is due to the decline in imports of mechanical equipment and of electric, electronic and IT equipment (-3.6%), following the increase in 2011 due to the equipment of the new Bellefontaine power plant.

The trend for exports, excluding petroleum products, remained positive (+3.2%), with the rise in exports of transport equipment (+63.8%) and agricultural products (+3.2%).



DOWNTURN IN ACTIVITY IN MOST SECTORS

Mixed results in the agricultural sector

The sugar cane industry has been facing unfavourable weather conditions for several years now. During the 2012 crop year, less than 175,000 tonnes of cane were harvested (-15.2%). Furthermore, there has been a marked decline in sugar production (-21.8%), despite the fact that the cane is rich in sugar. However, rum production is continuing to rise (+4.5%).

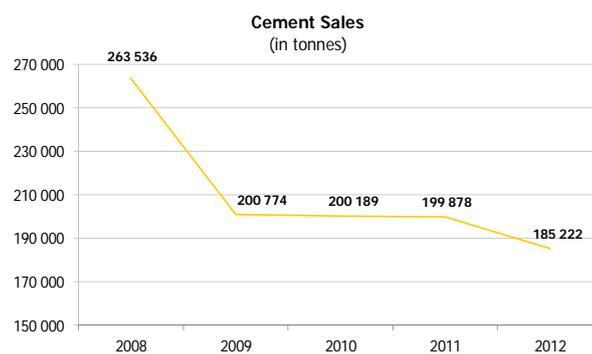
In the banana sector, there was an increase in the tonnages exported (+5.3% year-on-year). Production has held up well, despite the development of black leaf streak, which affects yields on plantations. In addition, the sector is facing a further decrease in customs tariffs on banana imports from Latin America (from EUR 176 to EUR 114 euros a tonne), which increases competition.

The livestock sector is holding out well and there has been an increase in meat production (+2.4%).

Difficulties persist in the construction industry

The situation remains difficult in the construction industry. The sector is highly dependent on public procurement and has suffered from a lack of new construction projects.

In 2012, cement sales (185,222 tonnes) declined (-7.3%), while the level of the three previous years (approximately 200,000 tonnes) was already well below the level prior to the crisis in 2009. In detail, there was a more marked decline in bulk sales, which are generally for major projects, than sales in bags, which are traditionally for the general public (-9.4% and -2.3%, respectively).



Mixed picture in the industrial sector

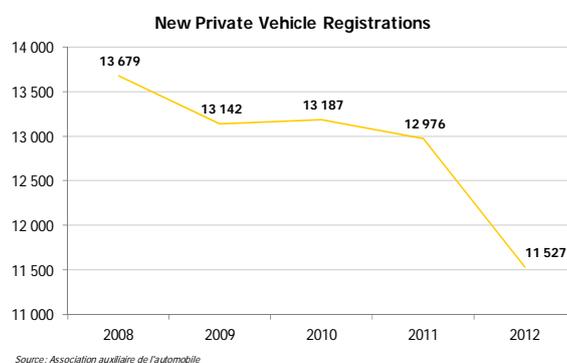
Manufacturing industries associated with the construction industry saw a decline in their business. There was a mixed trend for agri-food industries: while exports of products from the agri-food industry were down overall (-4.3%), rum production rose (+4.5%), bolstered by innovation and the development of new markets.

Slowdown in retail industry

The low level of household consumption had an impact on activity in the retail industry.

Car sales were down, both for private vehicles and commercial vehicles (-11.2% and -15.8% year-on-year, respectively).

Two groups in the supermarket sector strengthened their positions in late 2011 and early 2012 by buying three hypermarkets. Total hypermarket sales remained on an upward trend in 2012 (+5.4%). However, professionals have expressed their concern, given the sluggish economic situation and the caution on the part of consumers.

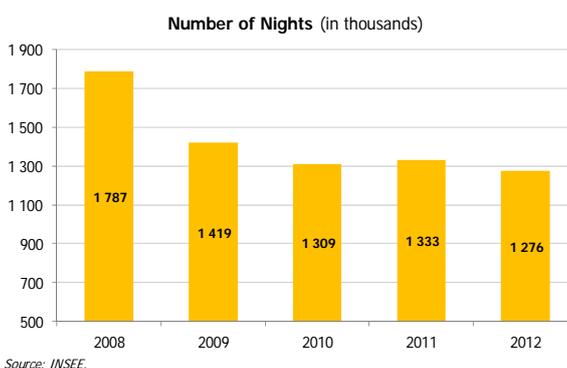


Mixed picture in tourism market

There was a mixed trend in the tourism industry.

Passenger traffic was down at Aimé Césaire Airport (-3.5% year-on-year, with 1,563,481 non-transit passengers). This was also the case for the hotel occupancy rate (-4.3%, with a total of 1,275,547 nights at the end of December).

The cruise industry was the only segment to experience renewed growth (89,831 cruise passengers in 2012, almost 2.5 times the number for 2011). This improvement was due to the various promotion and communication activities conducted in 2011, which targeted cruise lines with the aim of revitalising the sector.



BANKS MAINTAIN THEIR FINANCING, DESPITE THE CRISIS

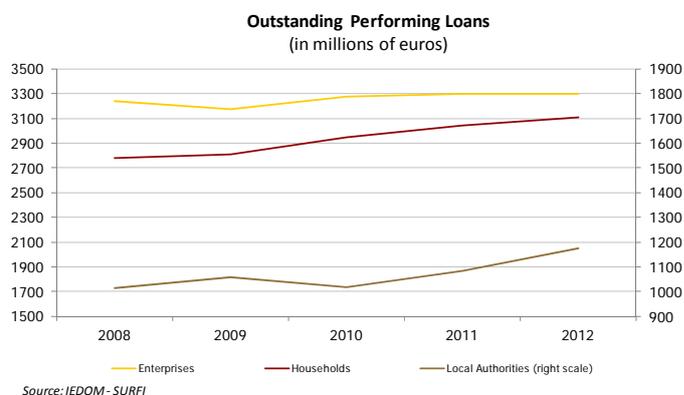
Increase in outstanding loans, but in a mixed manner

Despite a downturn in the economy, there was an overall increase in the stock of outstanding performing loans of 2.3%. At the end of 2012, it stood at EUR 7.9bn. This increase was driven by the growth of outstanding loans to local authorities (+8.6% to EUR 1.2bn, *i.e.* 14.8% of outstanding loans) and, to a lesser extent, loans to households (+2.1% at EUR 3.1bn, *i.e.* 39.2% of outstanding loans), while corporate loans stagnated (at EUR 3.3bn, *i.e.* 41.6% of outstanding loans).

In detail, there was a decline in corporate investment loans (-1.4% at EUR 1.7bn). Operating loans recovered a level close to the level at the end of 2011 (+1.4% year-on-year at EUR 0.5bn), after having peaked during the year. There was a marked decline in cash loans (-11.7%), while there was a sharp increase in overdrafts (+15.0%), a sign that banks were more selective, but also of cash flow problems in companies.

There was a decline in household consumer credits (-2.8% to EUR 0.9bn), while home loans continued on an upward trend (+4.2% at EUR 2.2bn).

Outstanding loans to local authorities mainly comprised investment loans, which rose sharply in 2012 (+10.5% to EUR 1.2bn). This growth accounted for over half the growth in performing loans in 2012.



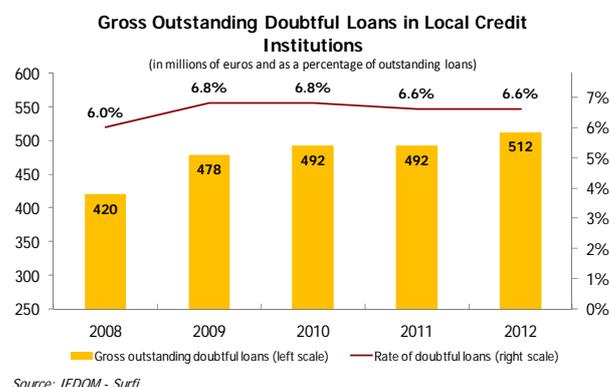
Increase in doubtful loans

At the end of 2012, there was a deterioration in the quality of the portfolio and the stock of doubtful loans in local credit institutions stood at EUR 0.5bn (+4.1%).

The rate of doubtful loans thus reached 6.6% of total outstanding loans, while it had been stable at 6.5% since the beginning of the year.

Financial assets on the rise

The assets of economic agents rose to EUR 6.5bn at the end of the year (+4.3%). As regards households more particularly, the upward trend for special savings accounts was driven by the increase in the number of Livret A, Livret Bleu and Sustainable Development passbook accounts, following the limits being raised in the 4th quarter of 2012, while long-term saving benefited from renewed interest in house purchase savings plans and life insurance contracts. The borrowing position of Martinique's local market continues to stand at EUR 2.0bn.



OUTLOOK REMAINS UNCERTAIN

Overall, Martinique has been experiencing a marked crisis of confidence for over four years now, while the outlook for the short- and medium-term is uncertain.

In 2012, Martinique's economy did not manage to overcome the gap caused by the crisis in 2009 and is struggling to find growth drivers. After partially catching up in 2010 (+4.6%) and 2011 (+1.0%), Martinique, like all the overseas territories, is suffering from contagion from the crisis and a deceleration in the recovery. The economic crisis that is continuing in the eurozone, which notably requires measures to reduce public deficits, could once again affect economic activity in 2013.

Over the coming months, while the situation remains difficult, the growth of Martinique's economy could be driven by the ongoing regional recovery plan, public procurement and infrastructure projects in priority areas: transport, social housing and upgrading to anti-earthquake standards. In this respect, the rebound in outstanding investment loans to local authorities at the end of 2012 is an encouraging sign.

From a long-term perspective, Martinique is engaged in a process to identify drivers for sustainable development that would bring down unemployment. Furthermore, it is seeking to strengthen its regional presence, by joining or working more closely with several cooperation institutions, especially economic institutions. These initiatives should foster greater integration into its Caribbean environment and offer new opportunities for economic development.

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