

13-ECONOMIC OVERVIEW

The New Caledonian economy has continued to grow at a sustained rate : over 4% per annum for about 20 years. Over the same period, **GDP per inhabitant** rose by an annual average of almost 2%. This growth has closed the gap in living standards with Metropolitan France (100% in 1960, or double, today the difference is only 30%). The New Caledonian standard of living is currently similar to that of French Polynesia and higher than the French overseas departments. **GDP per inhabitant** is close to New Zealand's, far higher than the other small insular economies of the South Pacific.

Many indicators point to the emergence, in the mid-1980s, of a new economy in New Caledonia, characterised by a predominant services sector, a nickel industry vital to the industrial development of the territory, a productive system outside nickel that is relatively well integrated and diversified given the size of the economy and geo-economic constraints, all making stable contributions to **GDP**, and lastly, an agricultural sector that now only contributes 2% of GDP as opposed to about 10% in the early 1960s.

The development of services in the New Caledonian economy has amplified since the beginning of the 1960s (54% of GDP at that time), to approximately 70% today (a level comparable to Metropolitan France), with development of non market services having a particular impact.

New Caledonia is a major player in the world nickel market, and accordingly the industry plays a symbolic part. Although nickel is indeed the major export resource (90% of goods exports), the relative weight of the sector has generally tended to decline since the beginning of the 1970s. At the end of the "nickel boom" (in 1971), the industry contributed approximately 30% to New Caledonia's GDP. This percentage declined continuously, reaching a low point in 1998, at which time nickel prices began rising again and led to an increase in the relative weight of nickel (over 10% of GDP in 2004 according to the latest estimations).

► **GDP per inhabitant.** *It is a common practice to identify a country's GDP and wealth, and overall satisfaction levels. In reality, many activities are not included in GDP (gardening, do-it-yourself work, housework, etc.) when they are done within the family circle or outside the market sector, whereas repairs and reconstruction after disasters are included. Furthermore, GDP measures production but neglects the pollution and nuisances that can result. A country's GDP can therefore increase while the population's level of satisfaction can decline. However, GDP/inhabitant, although not reflecting the economic structure of a country, is nonetheless an indicator of life for a given whole.*

► **GDP (Gross Domestic Product).** *Aggregate representing the final result of production activity of resident productive entities. It can be defined in three ways :*

- *GDP is equal to the sum of added-values in the various institutional sectors and various activity sectors, plus taxes less product subsidies (which are not allocated to sectors or activity sectors) ;*
- *GDP is equal to the sum of final domestic usage of goods and services (effective final consumption, gross fixed capital formation, variations in stock), plus exports, less imports ;*
- *GDP is equal to the sum of uses in trading accounts of institutional sectors : remuneration of employees, taxes on production and imports less subsidies, gross trading profit and mixed income.*

SOURCES

[1] CEROM (ISEE, IEOM, AFD), *L'économie calédonienne en mouvement*, supplément aux Notes et Documents, décembre 2005.

[2] Institut de la Statistique et des Études Économiques (ISEE), Comptes économiques définitifs, Comptes économiques rapides.

[3] Institut National de la Statistique et des Études Économiques (INSEE) : www.insee.fr

[4] Communauté du Pacifique (CPS) : www.spc.int

[5] Institut de la Statistique de la Polynésie Française (ISPF), Polynésie en bref 2006.

13.1 ECONOMIC RESULTS

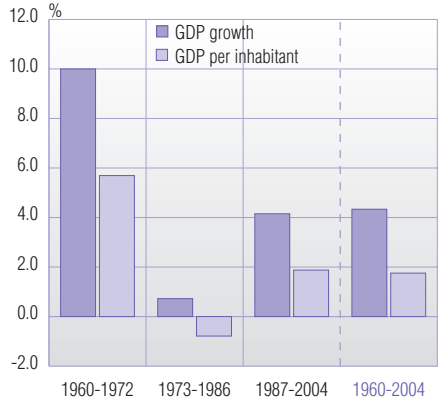
GDP and GDP per inhabitant [1]								
	1997	1998	1999	2000	2001	2002 e	2003 e	2004 e
Gross domestic product (million Euros)	3 151	3 197	3 422	3 703	3 682	4 005	4 339	4 690
GDP/inhabitant (Euros)	15 643.49	15 572.27	16 359.66	17 365.68	16 942.62	18 081.05	19 221.83	20 384.74

GDP per inhabitant in some Pacific countries and Overseas France [3, 4, 5]

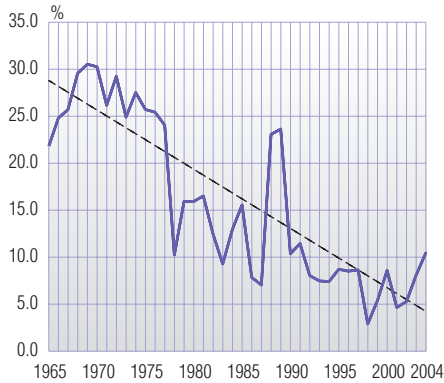
Cook islands (2005)	7 332.50
Federated States of Micronesia (2005)	1 784.94
Fiji islands (2005)	2 438.58
Guam (2000)	24 109.26
Kiribati (2004)	645.26
Marshall islands (2004)	1 910.64
Niue (2003)	5 203.98
Palau (2003)	4 583.86
Papua New Guinea (2002)	695.54
French Polynesia (2003)	17 028.16
Samoa (2004)	1 684.38
Solomon islands (2002)	377.10
Tonga (2004)	1 432.98
Tuvalu (2002)	1 826.84
Vanuatu (2003)	1 257.00
Australia (2003-2004)	23 103.66
New Zealand (2005)	20 807.54
New Caledonia (2004 e)	20 388.54
Metropolitan France (2005)	27 268.52
Guadeloupe (2000)	13 072.80
Martinique (2000)	14 279.52
Guiana (2000)	10 550.42
Reunion island (2003)	13 885.66

Unit : Euros

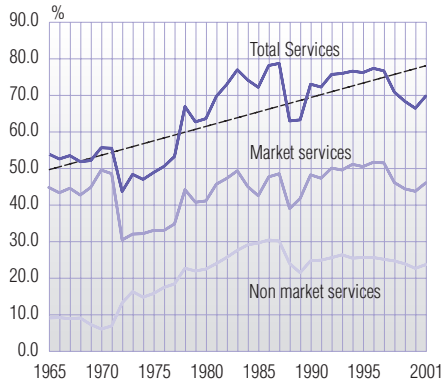
GDP growth and GDP per inhabitant rates [2]



Nickel industry weight in GDP [2]



Weight of services in GDP [2]



13-ECONOMIC OVERVIEW

According to the most recent estimations, New Caledonia's GDP exceeded 4.7 billion Euros in 2004.

GDP and imports constituted the economy's resources (6 410 million Euros), the majority of which were dedicated to households' final consumption spending and the non market public sector (4 106 million) ; other uses of resources in the economy were gross fixed capital formation ("investments", 1 171 million), variations in stocks (62 million) and goods and services exports (1 070 million).

The major component in GDP is added-value, which amounted to over 4 197 million in 2004.

The most recent detailed results providing a breakdown of added-value by activity sector relate to the 2001 year in which the various sectors of the economy produced added-value of 3 289 million Euros.

The services sector made the largest contribution to added-value with approximately 75% of total added-value ; the sector encompasses non market services (26% of added-value) and market services of which the most significant were services mainly provided to households (approximately 18% of total added-value for entities outside the public sector) and commerce (13%).

The weight of the nickel industry (ore extraction and metallurgy) is dependent on the international situation ; after an improved 2000, the nickel market experienced another crisis in 2001 : its contribution to added-value was only 5% as opposed to 9% the previous year. Since then, the improvement in the nickel market situation has given rise to an expected contribution of over 10% from the nickel sector for 2004.

The industrial sector (excluding metallurgy, including energy) has developed since the beginning of the 1980s with a diverse range of small and medium-size industries, making a relatively stable contribution of around 8% to added-value, while construction has contributed over 9%.

The weight of the agricultural sector, which also encompasses livestock production, forestry, fisheries and aquaculture, was in the vicinity of 2%.

▶ **GDP.** See 13.1.

▶ **Market and non market services.** See 11.3.

▶ **Services mainly provided to households.** *These encompass real estate activities ; hotels and restaurants ; education, health and social welfare ; associative, recreational, cultural activities and sport ; waste treatment, roading and rubbish management ; personal and domestic services. Accounted for in real estate services production are accommodation services generated by households owning a dwelling and renting it out ; this also covers households who own the dwelling they live in : they are considered to be producing a service, that they sell to themselves for an imaginary amount.*

▶ **Commerce.** See 24.1.

▶ **Ore extraction.** See 21.1 to 21.4.

▶ **Metallurgy.** See 23.1.

▶ **Energy.** See 22.1 to 22.4.

▶ **Small and medium-size industries (PMI).** See 23.3.

▶ **Construction.** See 23.2.

▶ **Agriculture.** See 18.1 to 18.5.

▶ **Fisheries.** See 20.1 and 20.2.

▶ **Aquaculture.** See 19.1 and 19.2.

SOURCE

[1] Institut de la Statistique et des Études Économiques (ISEE), Comptes économiques définitifs, Comptes économiques rapides.

13.2 PRODUCTION BY SECTOR

Resources and uses of goods and services at current prices [1]

	1998	1999	2000	2001	2002 e	2003 e	2004 e
Resources	4 347 921	4 721 921	5 094 646	5 135 532	5 471 193	6 130 850	6 409 803
Gross domestic product	3 196 660	3 422 669	3 702 887	3 682 030	4 004 768	4 339 038	4 689 875
Imports	1 151 261	1 299 252	1 391 759	1 453 503	1 466 416	1 791 812	1 719 928
Uses	4 347 921	4 721 921	5 094 646	5 135 532	5 471 193	6 130 850	6 409 803
Households' final consumption spending	2 245 379	2 368 858	2 409 141	2 561 045	2 708 734	2 791 294	2 899 941
Public administrations final consumption spending	920 786	956 686	992 519	1 041 726	1 109 085	1 178 840	1 206 393
Gross fixed capital formation	648 109	773 139	808 469	849 623	923 015	1 185 921	1 170 745
Variations in stocks	31 710	-7 701	40 970	-5 724	22 274	55 316	62 322
Exports	501 937	630 930	843 548	688 861	708 085	919 479	1 070 403

Unit: thousand Euros

Gross domestic product [1]

	1998	1999	2000	2001	2002 e	2003 e	2004 e
Added-value	2 854 639	3 052 063	3 312 606	3 289 276	3 573 031	3 860 381	4 196 905
+ taxes on products	348 139	377 251	396 525	399 248	438 517	486 065	501 065
- subsidies on products	-6 117	-6 645	-6 251	-6 495	-6 779	-7 408	-8 103
Gross domestic product	3 196 660	3 422 669	3 702 887	3 682 030	4 004 768	4 339 038	4 689 875

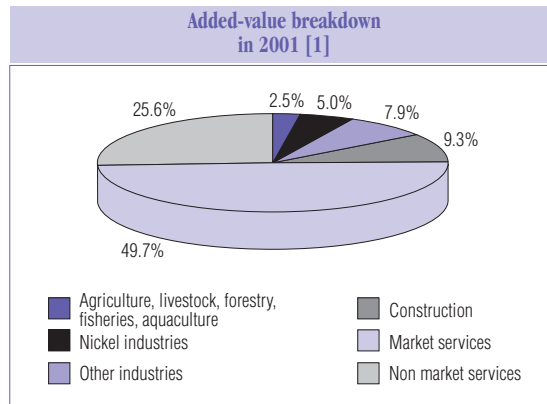
Unit: thousand Euros - Current prices

Added-value by activity sector [1]

	1998		1999		2000		2001	
	Amount	Percent. (%)	Amount	Percent. (%)	Amount	Percent. (%)	Amount	Percent. (%)
Agriculture, livestock, forestry, fisheries, aquaculture	70 853	2.4	74 062	2.3	81 077	2.4	86 901	2.5
Agrifoods industries	66 386	2.2	73 074	2.3	75 353	2.2	78 889	2.3
Nickel industries	92 473	3.1	184 218	5.8	318 289	9.3	171 279	5.0
Various Industries	114 932	3.9	120 152	3.8	116 759	3.4	121 292	3.5
Energy	75 370	2.5	71 842	2.3	70 593	2.1	69 981	2.0
Construction	276 356	9.3	291 104	9.2	312 113	9.1	318 457	9.3
Commerce	382 757	12.9	394 111	12.5	421 623	12.3	452 646	13.2
Transport and telecommunication	213 757	7.2	248 065	7.9	249 875	7.3	247 445	7.2
Banks and insurance	138 002	4.7	134 331	4.3	155 508	4.5	169 251	5.0
Services mainly provided to businesses	172 083	5.8	184 461	5.8	201 053	5.9	216 263	6.3
Services mainly provided to households	697 861	23.6	696 043	22.1	734 691	21.4	759 119	22.2
Administration	662 238	22.3	683 741	21.7	698 967	20.3	725 959	21.2
Total added value before SIFIM correction	2 963 067	100.0	3 155 204	100.0	3 435 901	100.0	3 417 481	100.0
SIFIM (a)	-108 437	///	-103 141	///	-123 303	///	-128 222	///
Gross added-value	2 854 639	///	3 052 063	///	3 312 606	///	3 289 276	///

(a) Indirectly measured intermediary financial services. These designate the difference between interest received and interest paid by agents in the context of financial operations. They are deducted to avoid double counting.

Units: thousand Euros - Current prices, %



13-ECONOMIC OVERVIEW

The government of New Caledonia has a variety of mechanisms at its disposal to regulate the economy. Economic legislation is one of the instruments in the same manner as taxation, while monetary policy is the responsibility of the State. Authority in matters of price control is jointly exercised by the congress and the government. Accordingly, the government of New Caledonia has the authority to set prices and tariffs subsequent to congress legislation. Price control draft legislation is submitted for opinions to the price consultation committee, the economic and social committee, consular chambers and professionals.

The **Economic affairs department** is responsible for the application of texts.

New Caledonian control mechanisms include a variety of accompanying measures for prices which are deployed in relation to changes in the prices. Accordingly, the strong inflationary pressure that marked the early 1980s (inflation higher than 10%) encouraged public authorities to establish a freeze on prices and sales margins for imported goods, local products and certain services. The end of the inflationary period enabled progressive liberalisation of prices, with the implementation of more flexible price regimes, such as moderation agreements and supervised or controlled freedom of prices. All these measures, in conjunction with increased competition and the development of mass merchants, has enabled new economic legislation to be put in place with a view to a return to free competition for which the general principles are stated in the framework of deliberation n°14 of October 6, 2004. The return to uncontrolled prices has become the general rule for mass consumption products and services. A limited number of products and services are still regulated, this is the case for essential or basic necessity products in particular. Price regulation is primarily based on modified general order n°74-436/CG of August 12, 1974 relating to price control and general legislation.

► **Economic affairs department (DAE).** In virtue of the modified organic law of March 19, 1999 giving New Caledonia authority in matters of price control, competition and fraud suppression, as well as legislation of commercial professions, the Economic affairs department's missions are :

- ensure consumer information and protection rules are respected (price controls for certain products and services, price display, advertising, labelling of foodstuffs, application of the fraud suppression law of August 1, 1905), as well as compliance with rules relating to fair trading between companies (invoicing, selling at loss, refusal to sell, selling with bonuses, discriminatory practices, false advertising...).
- application of legislation relating to rents for premises used as dwellings in terms of rent increases.

The department also takes part in defining and implementing economic activities in the territory, it is responsible for management of local production assistance regimes (provisional taxes, favourable fiscal regimes for productive businesses and hospitality, duty free sales regimes).

Lastly, subsequent to the transfers of authority under the organic law, it is responsible for overseeing the application of legislation relating to the exercise of commercial professions (door-to-door sales, hairdressers, private detectives, real estate agents, travel agents and tourism operators, beauticians).

► **Inflation.** See 13.4.

SOURCES

[1] Institut de la Statistique et des Études Économiques (ISEE), Indice des prix de détail à la consommation des ménages de Nouvelle-Calédonie.

[2] Institut National de la Statistique et des Études Économiques (INSEE), Indice des prix de détail à la consommation des ménages en France métropolitaine.

Direction des Affaires Économiques, données relatives à la réglementation des prix en Nouvelle-Calédonie.

SEE ALSO

Institut de la Statistique et des Études Économiques (ISEE) : www.isee.nc

Direction des Affaires Économiques : www.dae.gouv.nc (en cours de construction)

Chambre de Commerce et d'Industrie, La réglementation des prix en Nouvelle-Calédonie, Nouméa, février 2003.

Chambre de Commerce et d'Industrie (CCI) : www.cci-nc

13.3 CONSUMER PRICES (1)

Comparison of average* retail sales prices in 2005 between Nouméa and Metropolitan France [1 to 2]

	Unit	Metropolitan Price (a)	Nouméa Price	Nouméa Price/ Metropolitan Price
Bread and cereals				
Standard French bread stick	300 g	0.90	0.74	0.8
Pasta	500 g	0.73	2.04	2.8
Meats				
Fillet of beef	1 kg	30.19	24.58	0.8
Beef sirloin	1 kg	18.53	16.45	0.9
Beef ribs with bone	1 kg	16.61	15.76	0.9
Veal escalope	1 kg	19.36	14.09	0.7
Leg of lamb	1 kg	15.10	11.07	0.7
Pork loin	1 kg	7.02	13.70	2.0
Fresh veal liver	1 kg	27.18	7.50	0.3
Quality ham	1 kg	12.78	13.19	1.0
Milk, cheese, eggs and fatty foods				
UHT milk half-cream	1 l	0.65	0.77	1.2
Natural yoghurt	500 g	0.71	3.07	4.3
Natural cream cheese 40% fat	180 g	0.54	1.89	3.5
Camembert 45% fat	250 g	1.66	4.55	2.7
French emmental cheese	1 kg	8.25	11.70	1.4
Cheese spread	170 g	1.43	2.62	1.8
Olive oil	1 l	5.44	6.49	1.2
Sunflower oil	1 l	1.65	2.08	1.3
Butter	250 g	1.52	1.71	1.1
Fish and seafood				
Tuna	1 kg	15.55	9.52	0.6
Prawns	1 kg	18.07	13.53	0.7
Fresh fruit and vegetables				
Carrots	1 kg	1.06	2.66	2.5
Mushrooms	1 kg	4.38	16.62	3.8
Cucumber	1 kg	2.17	1.73	0.8
Courgettes	1 kg	2.30	3.07	1.3
Onions	1 kg	1.55	2.78	1.8
Leeks	1 kg	1.68	6.91	4.1
New season potatoes	1 kg	1.40	1.26	0.9
Tomatoes	1 kg	2.56	4.23	1.7
Bananas	1 kg	1.78	2.54	1.4
Lemons	1 kg	2.41	4.14	1.7
Strawberries	1 kg	7.77	12.74	1.6
Melons	1 kg	2.65	4.72	1.8
Grapefruit	1 kg	2.27	2.25	1.0
Peaches	1 kg	3.18	7.66	2.4
Pears	1 kg	2.20	2.83	1.3
Apples - Golden delicious	1 kg	2.07	2.87	1.4
Canned vegetables				
Whole canned mushrooms	460 g	3.09	2.90	0.9
Canned extra-slim beans	460 g	1.47	2.07	1.4
Various foodstuffs				
Sugar lumps	1 kg	1.42	0.95	0.7
Ground coffee	500 g	2.43	6.96	2.9
Baby food	200 g	0.97	1.62	1.7
Beverages				
Mineral water	1.5 l	0.48	1.15	2.4
Whisky	75 cl	12.46	20.26	1.6
Home maintenance				
Water supply (including fixed charges)	120 m ³	155.76	163.86	1.1
Bottle of butane gas, excluding deposit (12.5 kg)	1 btl	25.53	19.24	0.8
Automobiles				
Unleaded super petrol	1 l	1.22	0.98	0.8
Diesel	1 l	1.03	0.74	0.7
Automobile mechanical repairs	1 h	52.73	39.03	0.7
Automobile body repairs	1 h	53.75	33.80	0.6
Health services				
General practitioner consultation	1	20.00	27.65	1.4
Various products and services				
Shampoo and male haircut	1	17.65	13.28	0.8
24 exposure, 24x36 colour print	1	12.75	18.21	1.4
Cup of coffee	1	1.34	1.37	1.0

* Mathematical average of average monthly prices for 2005.

(a) Price points taken in the entire territory of Metropolitan France.

Unit : Euros

13-ECONOMIC OVERVIEW

The instrument for measuring price rises is the **households' consumption price index (IPC)** ; it takes into account all prices and the significance of items in the budget of an average household. In New Caledonia in 2005 year-on-year **inflation (+2.6%)** was higher than that recorded for the previous ten years. There are distinctions to be made in regard to the rate, given the evolution of prices over the past 25 years (1980-2005). The early 80s were indeed marked by strong inflationary pressure with rates of over 10% per annum (+16% in 1981).

Households' retail consumption prices have multiplied by 2.5 overall in the past 25 years (+147%), being average annual inflation of 3.7%. In the same period, services prices tripled (+205%), food-stuffs multiplied by 2.6 (+158%) and manufactured goods prices doubled (+103%).

Price changes in the territory can be partly explained by internal factors, influencing prices both upwards and downwards : transformations in the distribution network, changes in levels of competition in some markets and public authority intervention in terms of fixing certain prices, changes in rates applied to imported products (TGI and others) as well as the implementation of new taxes (TSS...). Factors can also be external through imports : repercussions from prices of imported raw materials, foreign currency fluctuations, inflation rates in supplier countries.

Also of note in recent years is the negative impact on New Caledonia of rampant raw materials prices (particularly fuel), but also inflation higher than 2% in supplier countries, in particular France and the other European Union countries (more than half of the territory's supplies), with whom the exchange rate risk is nil in virtue of the fixed rate between the F.CFP and the Euro since January 1, 1999.

► Households' consumption price index (IPC).

An instrument of measure of changes over time in the general level of prices for goods and services consumed by households. This includes almost all purchases of goods and services by households, with the exception of self-sufficiency consumption, spending for purchases of all forms of accommodation, lotteries, gaming and taxes.

The current index in New Caledonia (base 100 in December 1992), calculated by ISEE, was established under deliberation n° 393 of January 26, 1993. In comparison to the previous index (base 100 in August 1975) the major changes are related to nomenclature used (8 major spending categories instead of 3) and weightings, i.e. the significance of each expenditure item in the total spending of reference households. The "tobacco exclusive" index, which does not take into account tobacco prices, is used to calculate service prices, remuneration, grants, and any other advantage.

► **Inflation.** It is the loss of purchasing power of currency illustrated by a general and lasting increase in prices. The IPC index is used to evaluate inflation. This enables consumers to compare price fluctuations with variations in their personal income and therefore observe and evaluate changes in their purchasing power. There are two methods for calculating inflation rates :

- *year-on-year changes compare the value of the price index at two separate dates. For example, the rate of inflation for year N is determined by variation between the monthly indexes in December of years N and N-1. This method makes no allowance for whatever occurred between the two dates.*
- *annual average changes compare the average value of the index for year N to the average value for year N-1.*

► **TGI.** General import tax, See 14.4.

SOURCES

[1] Institut de la Statistique et des Études Économiques (ISEE), Indices des prix de détail à la consommation des ménages de Nouvelle-Calédonie.

[2] Institut de la Statistique de la Polynésie française (ISPF), Indices des prix de détail à la consommation des ménages de Polynésie française.

[3] OCDE, *Perspectives économiques*.

Institut National de la Statistique et des Études Économiques (INSEE) : www.insee.fr

Institut de la Statistique et des Études Économiques (ISEE), *Bilan Économique et Social 2005*.

Délibération n°393 du 26 janvier 1993, JONC du 2 mars 1993, Imprimerie administrative, Nouméa.

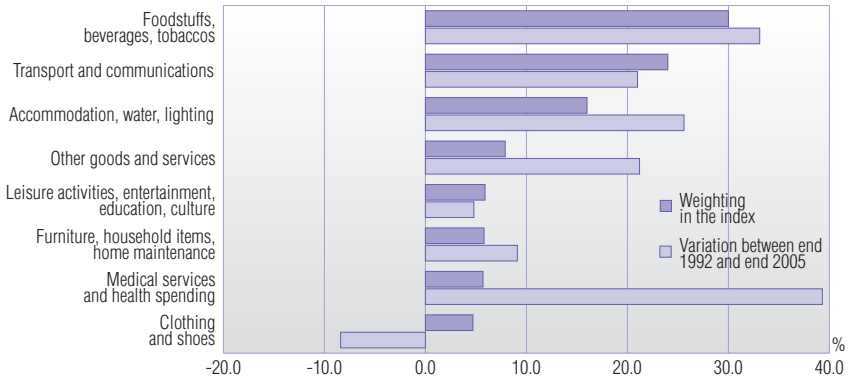
SEE ALSO

Institut de la Statistique et des Études Économiques (ISEE) : www.isee.nc

Institut de la Statistique de la Polynésie française (ISPF) : www.ispf.pf

13.4 CONSUMER PRICES (2)

Weightings in price index and variations of the 8 major spending categories since 1992 [1]



Annual inflation* rates of the three major spending categories [1]

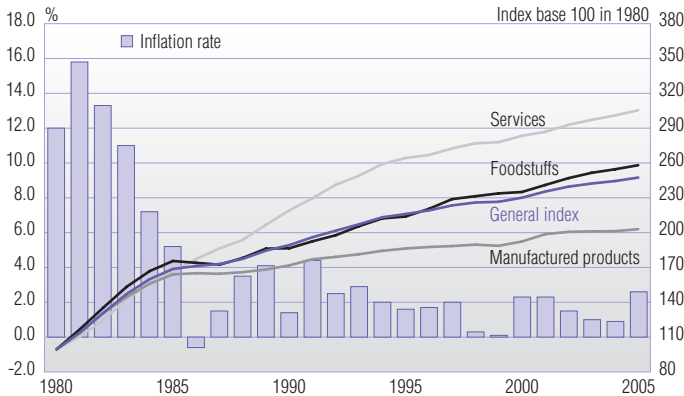
	Weighting	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005
Foodstuffs	2 691	11.7	3.4	-	2.4	1.7	2.9	2.3	1.7	1.4	2.4
Manufactured products	3 747	14.0	5.8	0.6	1.3	3.3	2.7	0.2	0.2	-	2.3
Services	3 561	9.6	6.9	4.0	1.4	1.9	1.4	2.2	1.1	1.3	3.1
General index	10 000	12.0	5.2	1.4	1.6	2.3	2.3	1.5	1.0	0.9	2.6
Index excluding tobacco (a)	9 750	///	///	///	1.5	2.0	2.2	1.6	1.0	0.9	2.5

* Year-on-year.

(a) The index excluding tobacco was created in 1993.

Unit : %

Inflation and price index by major category [1]



Consumption prices, annual average, in selected countries [1 to 3]

	2000	2001	2002	2003	2004	2005
France	1.8	1.8	1.9	2.2	2.3	1.9
Euro zone	2.2	2.5	2.3	2.1	2.1	2.2
Germany	1.4	1.9	1.3	1.3	1.0	1.8
Italy	2.6	2.3	2.6	2.8	2.3	2.1
United Kingdom	0.8	1.2	1.3	1.4	1.3	2.1
United States	3.4	2.8	1.6	2.3	2.7	3.4
Japan	-0.8	-0.8	-0.9	-0.3	-	-0.4
Australia	4.5	4.4	3.0	2.8	2.3	2.7
New Zealand	2.6	2.6	2.7	1.8	2.3	3.1
French Polynesia	1.0	1.0	2.9	0.4	0.4	1.0
New Caledonia	1.5	2.3	1.8	1.1	0.8	1.2

Unit : %

13-ECONOMIC OVERVIEW

M3 Monetary mass represents the amount of money in circulation in an economy. It encompasses all means of immediate or potential payment of non-financial economic agents.

According to data provided by **IEOM Overseas France central banking authority**, M3 monetary mass in New Caledonia at the end of 2005 amounted to 2 492 million Euros.

In the past ten years, changes in the elements that make up monetary mass show that the M1 aggregate, which represents almost half of all monetary mass (and has done for 30 years), has been multiplied by 2.5 (+152%) in ten years, with the amount in fiduciary circulation stable at around 96 million Euros, and current account deposits constantly rising. The M2-M1 aggregate (almost exclusively made up of passbook accounts and, since September 2002, home-buyer savings accounts) grew at the same rate (+151%) during this period.

Lastly, at the same time, the M3-M2 aggregate (essentially term deposits) has hardly changed, and remains around 600 million Euros.

Contractual savings (P1), that mainly appeared in 2002 with the establishment of home-buyer savings schemes, experienced spectacular growth in three years to reach 47 million in 2005.

New Caledonia's economic dependence on the outside world means exchange mechanisms are of considerable importance.

It must be remembered that imports from France and other European Union countries (accounting for over half of New Caledonia's supplies) present no **exchange risk** in virtue of the fixed parity between the F.CFP and Euro since January 1, 1999. Adoption of the Euro in New Caledonia is a wish of certain political groups and economic actors.

► **M3 Monetary mass.** It is divided into monetary aggregates according to their characteristics, in particular the level of liquidity:

- M1 encompasses immediately available methods of payment (fiduciary circulation and current account deposits accessible by cheque).
- M2 includes M1 plus interest earning current account deposits not accessible by cheque (ordinary bank passbooks, Caisse d'Épargne "A" and "B" passbooks, Caisse Nationale d'Épargne passbooks and Home-Buyer Savings Schemes).
- M3 includes, other than M2 and M1, nonnegotiable term deposits (term deposits, cash vouchers, savings certificates) and short term negotiable investments (deposit certificates).

► **IEOM Overseas France central banking authority.** Established by law n°66-948 of December 22, 1966. It is a national public establishment exercising its functions under the governance of an oversight council chaired by the Governor of the Bank of France or his representative and mainly made up of local personalities. The responsibility for issuing of money was given to IEOM on April 1, 1967. It circulates bank notes with face values of 10 000 F.CFP, 5 000 F.CFP, 1 000 F.CFP, and 500 F.CFP along with coins with F.CFP face values of 100, 50, 20, 10, 5, 2 and 1.

► **Exchange risk.** Risk taken by a bank or a business on the future value of its cashflow, given the uncertainty surrounding future changes in exchange rates.

► **Euro.** The F.CFP has had fixed parity with the Euro since January 1, 1999 (decree of December 16, 1998) which set 1 000 F.CFP equal to 8.38 euro (order of December 31, 1998).

SOURCES

[1] Institut d'Émission d'Outre-Mer (IEOM), *La Nouvelle-Calédonie en 2005*.

[2] Association Française des Banques de Nouvelle-Calédonie (AFBNC), données statistiques. Institut de la Statistique et des Études Économiques (ISEE), *Bilan Économique et social 2005*.

SEE ALSO

Institut d'Émission d'Outre-Mer (IEOM) : www.ieom.fr

13.5 CURRENCY (1)

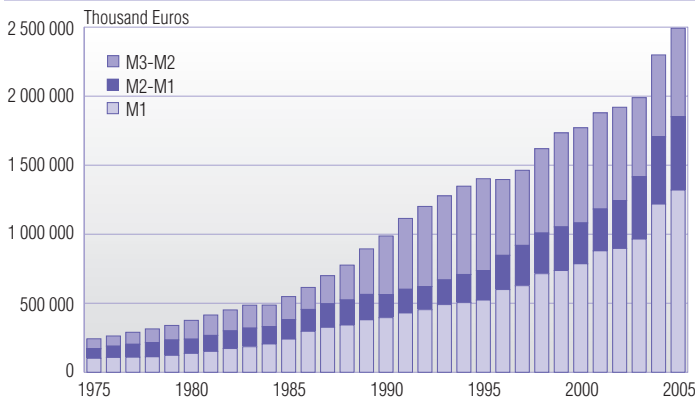
Monetary mass components* [1]

	1975	1980	1985	1990	1995	2000	2001	2002	2003	2004	2005
Fiduciary circulation	18 821	21 528	35 699	59 297	74 574	87 931	87 764	87 772	90 068	96 370	96 404
Current account deposits	82 560	115 351	204 816	336 356	448 783	698 138	792 120	809 366	874 998	1 122 149	1 223 673
Total M1	101 381	136 879	240 514	395 653	523 356	786 069	879 883	897 138	965 066	1 218 519	1 320 076
Passbook accounts	69 361	102 831	140 809	166 804	213 807	295 638	302 468	345 063	445 271	481 230	524 244
Home-Buyer savings accounts (a)	-	-	-	-	-	-	-	1 844	4 567	5 983	6 503
Total M2	170 743	239 710	381 324	562 457	737 163	1 081 707	1 182 351	1 244 045	1 414 904	1 705 732	1 850 824
Term deposits	71 909	131 876	139 301	389 360	648 403	680 707	687 235	665 959	565 759	585 821	634 341
Vouchers/certificates	-	4 500	27 604	35 506	16 592	8 665	9 402	9 821	8 430	7 291	6 922
Monetary mass (M3)	242 651	376 086	548 228	987 323	1 402 158	1 771 079	1 878 989	1 919 824	1 989 094	2 298 844	2 492 086
Contractual savings (P1)	(b)	(b)	(b)	(b)	(b)	235	260	10 584	29 464	38 556	47 389
Home-Buyer savings schemes (a)	-	-	-	-	-	-	-	10 274	29 196	38 263	47 079
Other specific regime savings accounts	(b)	(b)	(b)	(b)	(b)	235	260	310	268	293	310

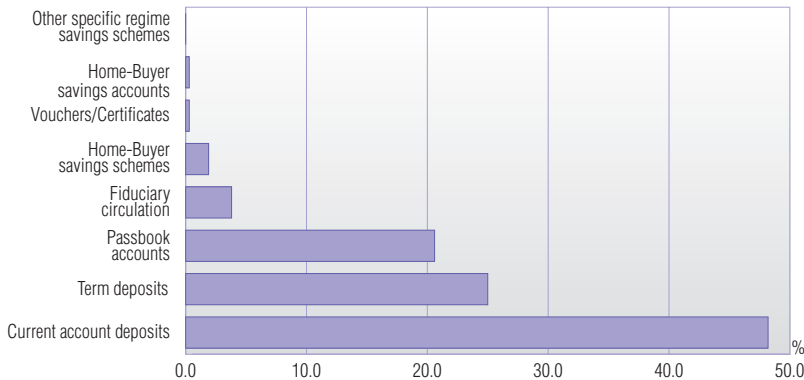
* At December 31 each year. (a) PEL and CEL schemes were set up in New Caledonia in 2002. (b) Included with passbook accounts prior to 2000.

Unit : thousand Euros

Monetary mass [1]



Structure of M3 monetary mass in 2005 [1]



Exchange rates* [2]

	1985	1990	1995	2000	2001	2002	2003	2004	2005
American dollar	163.50	99.07	91.14	130.07	133.83	127.07	105.99	96.35	96.27
Australian dollar	115.15	77.54	67.73	75.81	69.54	69.18	69.04	71.11	73.45
Canadian dollar	na	na	na	87.28	86.37	80.94	75.61	73.96	79.42
Fijian dollar	na	na	na	61.64	59.91	58.68	56.29	55.97	57.30
Hong Kong dollar	na	na	na	16.74	17.26	16.34	13.65	12.39	12.40
New Zealand dollar	80.80	59.06	59.96	59.49	56.56	59.02	61.77	64.15	67.91
Singapore dollar	74.25	53.86	63.62	75.25	74.89	71.21	60.90	57.13	57.92
Pound sterling	na	na	na	195.84	192.61	191.37	173.37	176.74	175.15
Vatu	1.54	0.85	0.81	0.95	0.93	0.92	0.88	0.86	0.88
Yen	0.67	0.68	0.97	1.21	1.10	1.01	0.91	0.89	0.87
Deutsch mark	55.49	61.17	62.76	61.01	61.01	///	///	///	///
Euro	///	///	///	(a)	(a)	(a)	(a)	(a)	(a)

* Annual average of buy and sell rates.

Unit : F.CFP

(a) Euro at fixed parity with F.CFP since January 1, 1999 (decree of December 16, 1999), establishing the rate at 1 000 F.CFP = 8.38 Euro (order of December 31, 1998).

13-ECONOMIC OVERVIEW

Other than the traditional aggregates of **M3 monetary mass** and its **counterparts**, analysis of the monetary situation in New Caledonia can relate to deposits and lending recorded by the **lending institutions** and **OPT**. At the end of 2005, total deposits collected by local institutions on their own behalf amounted to 2 443 million Euros, comprising 50% **current account deposits**, 21% **passbook accounts**, 26% **term accounts** and 2% **Home-buyer savings** (PEL and CEL). Adding savings collected locally and managed by offshore institutions (685 million, of which two-thirds in life insurance), financial assets totalled 3 128 million. More than half was held by individuals, 33% by businesses and 10% by other resident agents (public and private administrations, insurance and capitalisation companies).

Bank type lending obtained by the various economic agents amounted to 3 984 million Euros at the end of 2005, of which 20% for institutions located outside the currency zone. Debt is mainly for home loans (43%), capital goods loans (25%) and cashflow advances (15%). Individuals, with almost half of all gross debt, are the largest debtors to lending institutions ahead of businesses (non finance companies and sole traders). Individuals' lending is mainly in the form of home loans (76%), and, to a lesser extent, cashflow advances (17%), while businesses mainly borrow for capital goods (43%).

Institutions located outside the currency zone mainly provide loans for capital goods (51%) and home loans (41%) to individuals, businesses and other resident economic agents. Institutions in the currency zone have more diversified activities (43% home loans, 19% capital goods loans, 17% cashflow advances). Their customers are almost exclusively individuals (49%), or businesses (46%).

▶ **M3 monetary mass.** See 13.5.

▶ **Counterparts (monetary).** *Monetary creation undertaken by banks is not done without counterpart. It is only possible because money issuers have acquired a certain number of assets from either local or foreign economic agents. They enable identification of economic agents who have contributed to formation of monetary mass.*

▶ **Lending institutions.** See 24.3.

▶ **Current account deposits.** *Providing cash services to clients (deposits, cash withdrawals, issue and receipt of cheques, transfers, automatic payments...).*

▶ **Passbook accounts.** *This designation encompasses a series of regulated products for which interest rates are set by the banking regulation committee. Operations in these accounts are restricted, and they have specific characteristics with regard to duration and amounts of deposited funds.*

▶ **Term accounts.** *Interest-earning account, which the holder may not access before the expiry date set at the time of deposit.*

▶ **Home-buyer saving.** *Home-buyer savings are a passbook interest-earning investment leading to a home loan at a preferential rate. These savings products were introduced in New Caledonia in 2002.*

▶ **Bank type lending.** *Bank type lending or financial liabilities constitute all loans provided to economic agents by lending institutions and assimilated in New Caledonia (currency zone) and outside New Caledonia (outside currency zone).*

SOURCE

[1] Institut d'Émission d'Outre-Mer (IEOM), statistiques monétaires.

SEE ALSO

Institut d'émission d'outre-mer (IEOM) : www.ieom.fr

13.6 CURRENCY (2)

Financial assets* collected by local institutions [1]

	2000	2005
Assets collected by economic agent	2 099 475	3 128 321
Non finance companies	506 571	915 850
Sole traders	115 627	115 753
Individuals	1 196 077	1 754 638
Other resident and non-resident agents	281 199	342 080
Assets collected by category of deposit on their own behalf	2 099 475	3 128 321
on their own behalf	1 683 383	2 443 072
Current account deposits	698 138	1 223 673
Passbook accounts	293 761	519 526
Home-buyer savings accounts (a)	-	6 503
Term accounts	691 249	645 981
Long term savings investments	235	47 389
Home-buyer savings schemes (a)	-	47 079
on behalf of offshore institutions	416 092	685 249
Liquid and short term investments (b)	51 906	130 586
Long term savings investments	364 186	554 664
shares	25 383	25 081
debentures	4 609	6 251
Non-monetary transferable securities	84 051	77 674
life insurances	250 143	445 657

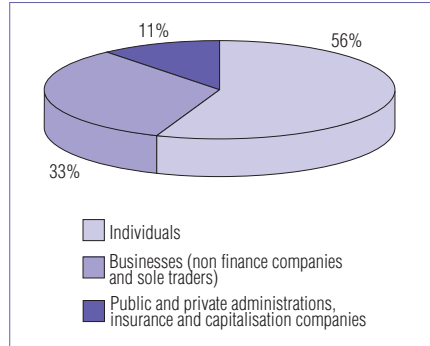
* At 31 December.

Unit : thousand Euros

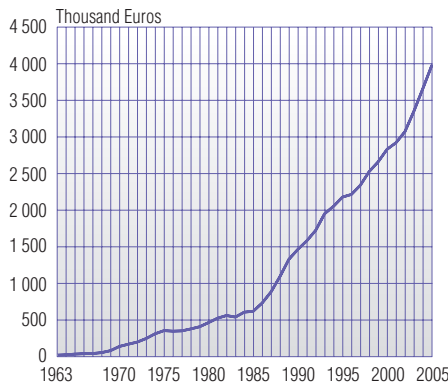
(a) Established in 2002.

(b) Only monetary transferable securities.

Financial assets by economic agent at the end of 2005 [1]

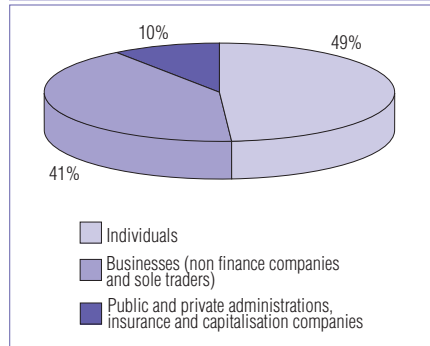


Debt* in the economy [1]



* At December 31.

Debt by economic agent at the end of 2005 [1]



Debt* by economic agent and type of lending [1]

	2000	2005
Bank type lending	2 841 725	3 983 575
Debt by economic agent	2 757 607	3 904 100
Non finance companies	1 070 947	1 464 782
Sole traders	162 714	150 882
Individuals	1 204 700	1 882 165
Other resident and non-resident agents	319 244	406 271
Debt by type of lending	2 757 607	3 904 100
Lease agreements	83 347	173 843
Cashflow advances	492 250	599 329
Capital goods loans	730 527	1 015 757
Home loans	1 106 227	1 706 411
Standard debit accounts	216 481	264 272
Other lending	79 216	91 443
Net doubtful debts	49 559	53 045
Non specific provisions	84 118	79 476

* By lending institutions inside and out of the IEOM currency zone.

Unit : thousand Euros

Financial debt by type of lending at the end of 2005 [1]

