IEDOM Institut d'Émission des Départements d'Outre-Mer

Express note

No. 108 – July 2011

AGENCE DE LA GUYANE

Outlook for Guyane

PORTRAIT

STRUCTURAL CHARACTERISTICS

Contextual data

Administrative capital	Cayenne
Surface area	83,846 km² (16% of national territory, equivalent to the surface area of Portugal)
Geographical location	North east of the South American continent, bordering Brazil and Suriname, 7 000 km from Paris
Languages spoken	French + Creole, Amerindian and Guyanese languages
Currency	Euro
Status	Overseas Department and Region (DROM) and ultra-peripheral European region (RUP)
Global HDI rank (2010)	37°
National representation	2 deputies, 2 senators, 1 representative on the Economic, Social and Environmental council
State representation	Prefect

Historic milestones: successive waves of immigration

Unlike other overseas departments which are islands, Guyane (French Guiana) is located in the north east of the South American sub continent. It is the biggest of the French overseas territories (16% of the territory of mainland France), equivalent to the surface area of Portugal.

The first traces of man in the Amazon date back around 6 000 years. The Europeans discovered Guyane in 1500, and the French established themselves there in 1643: at that time it was populated by the Amerindians. Slavery, instituted in the second half of the seventeenth century, was abolished in 1848. The first penal colony opened at the end of the eighteenth century for the enemies of the Revolution. After 1852, under Napoleon III, prisoner deportation really took off, to make up for manpower needs following the emancipation of more than two thirds of the population in 1848. Several penal colonies were built, the main ones being in Cayenne, the Salvation Islands and in Saint-Laurent-du-Maroni.

Gold was first discovered in 1855, giving rise to a gold rush which would continue until the end of the second world war and act as a magnet for numerous immigrants, mainly from the West Indies.

1965 marked the beginning of construction on the Guyanese Space Centre in Kourou. The spatial sector soon became an important part of Guyanese economy and life. 9 April 1968 saw the launch of the first rocket probe, baptised Véronique and, on 24 December 1979, the first Ariane rocket. Since then, over 500 launches have been carried out from Kourou.

More recently Guyane has become a magnet for migrants from much of South America and the Caribbean, mainly from Suriname, Brazil, Guyana and Haiti. Immigration is facilitated by the inclusion of Guyane in the South American sub continent, river borders (the Maroni in the west with Suriname, the Oyapock in the east with Brazil) being more market places and routes than actual borders.

Institutional organisation: from a single departmental region to a single collectivity

The institutional framework of French overseas territories was defined by the constitutional law of 28 March 2003. Since the departmentalisation laws of 19 March 1946 and 31 December 1982, Guyane has been a department and a region. Unlike its counterparts in mainland France, its territorial footprint covers a single department and it has extended powers, in particular in respect of local public finances. It is, like other overseas territories, an ultra-peripheral region of the European Union**,** which implies the applicability of community law and allows it to benefit from structural funds.

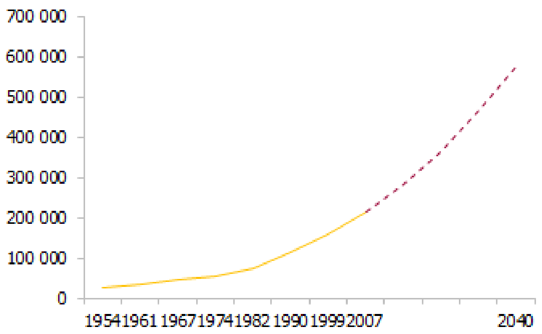
Following the referendum of January 2010, the new single collectivity, replacing the department and the region, should see the light of day in 2014. A draft law defining the organisational and operative conditions (governance, voting method, number of councillors, financial resources) of the collectivity was presented in the Council of Ministers in January 2011 and voted on in July 2011.

A YOUNG AND EXPANDING POPULATION

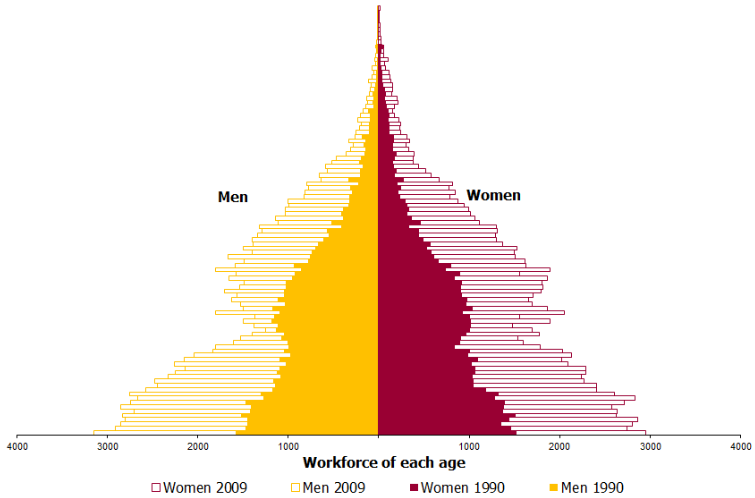
The Guyanese population is notable for its high growth rate, its youth and significant immigration.

The youth of the population can largely be explained by high fertility rates: 3.6 children per woman. Between 1999 and 2010, the Guyanese population saw annual average growth of around 3.7%, in other words a rate five times greater than at a national level. According to INSEE projections, the population should almost triple in 30 years, exceeding half a million in 2040.
The presence of high numbers of immigrants (30% of the population) is the result of successive waves of immigration from different countries, leading to great cultural diversity.

Population changes in Guyane by 2040



Source: INSEE



Source: INSEE

Population at 1 January 2010 (*estimate*)	232 223
Proportion under 20 (*2009, %*)	44.4
Proportion from 20 to 59 years (*2009, %*)	49.4
Proportion over 60 (*2009, %*)	6.2
Population density (2009, inhab/km²)	2.7
Annual average population growth rate (2000-2010, %)	3.7
Birth rate (2009, ‰)	26.9
Mortality rate (2009, ‰)	3.1
Child mortality rate (2009, ‰)	10.4
Number of children per woman (2008)	3.6
M/W life expectancy (2008, years)	74.8 / 81.2

Source: INSEE

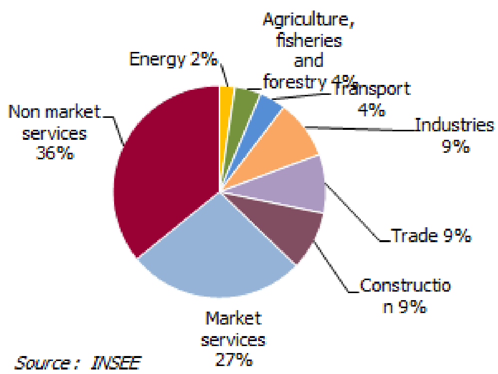
THE OUTLOOK FOR THE ECONOMY

This small economy (less than 10% of GDP for overseas territories in 2009) has been expanding strongly for several years: between 1999 and 2007, Guyanese GDP grew 4.3% a year in real terms, compared with 2.1% a year national average. This vitality is largely linked to its demographic dynamism: the increase in the population is a challenge that is accompanied by significant investments in equipment and the growth of a productive network that could clear the way for a more independent development.

The spatial sector is also an important part of this economic dynamism, driving exports upwards and influencing other components of demand, investment in particular.

This growth has not yet made it possible to catch up with the national average: GDP per inhabitant still represents only 47% of GDP per French inhabitant, one of the lowest rates in overseas territories.

Breakdown of added value in 2007



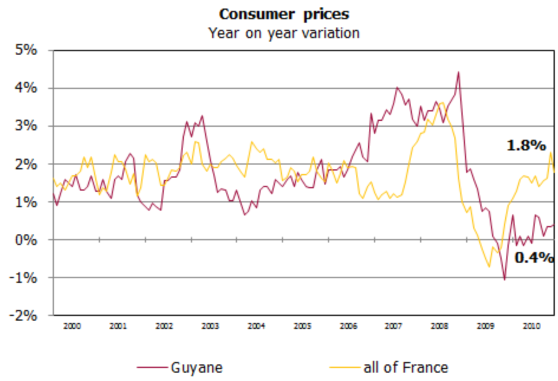
Source : INSEE

Main economic indicators	
GDP (2009, €bill.)	3.2
GDP Growth rate (2009, &, in volume)	3.6
GDP per capita (2009, €)	14 028
Inflation rate (year on year at 31/12/2010, %)	0.4
Total imports (2009, €M)	1 081
Total exports[1] (2009, M€)	1 010
Trade balande (2009, M€)	-71
Asset coverage rates[2] (2009, %)	12.7
Rate of dependency on the exterior[3] (2009, %)	45
Government expenses (2009, €M)	1075.2
Collectivity bank debt[4] in Guyane (2009, % of GDP)	10.00%

[1] *including certain services linked to the spatial sector* [2] *exports/imports* [3] *imports/ GDP*
[4] *Region, Department, communes and conurbations*
Sources : INSEE, CEROM 2–3 estimations 2008, provisional Customs figures, DRFIP

Moderate price hikes over the last two years

Since 2004, Guyane has experienced accelerated price rises, particularly notable in 2007 and 2008, mainly due to the effect of strong rises to the price of services, fresh products and energy. 2009 and 2010 saw a clear slowdown, then stabilisation. The annual year on year consumer price index was +0.4% in December 2010, but the beginning of 2011 saw a notable rise.



Source: INSEE

A still sluggish labour market

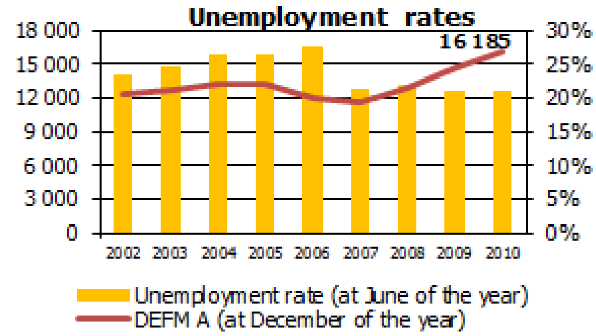
The labour market is characterised by a low activity rate (56% in the 15-64 segment), with a still significant weighting of the informal sector and high unemployment rate (21% in June 2010 and 23% on average between 2002 and 2010).

Jobs predominantly come from three public services (state, territorial and hospital), which in 2004 were responsible for over half of the national payroll (against just over 20% in mainland France). Services and Building and Public Works have been the most dynamic in terms of job creation since 2000.

Salaried jobs by business sector

	2009	Var. 09/00	Share in 2009
Agriculture and fisheries*	275	*-0.628*	0.011
Industry and energy	3223	*0.215*	0.125
Building and Public Works	3697	*0.755*	0.1445
Trade	4524	*0.3*	0.176
Services	13993	*0.48*	0.544
Total	**25712**	***0.395***	**1**

**Not exhaustive (changes only in non agricultural salaried employment)*
Source: Job centre



Sources: DIECCTE, INSEE
DEFM A: job seekers who have not worked during the month

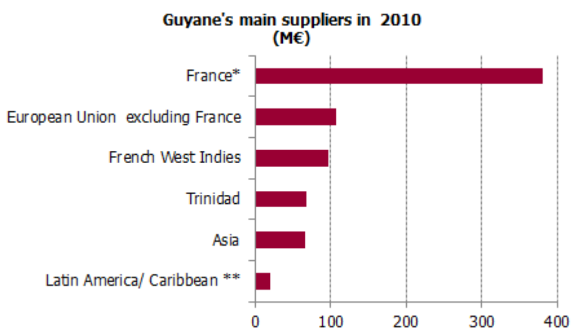
Still a largely dependent economy

The share of imports in the GDP, close to 100% in the 1990s, has reduced but remains structurally high (between 50 and 60%), due to the spatial sector which requires the importation of high added value equipment, and the weakness of production sectors. However, unlike other overseas territories, Guyane has a varied agricultural sector which largely covers the requirements of its internal market. Exports are undiversified: the re-exportation of goods linked to the spatial sector (“equipment” category), gold and fishing products.

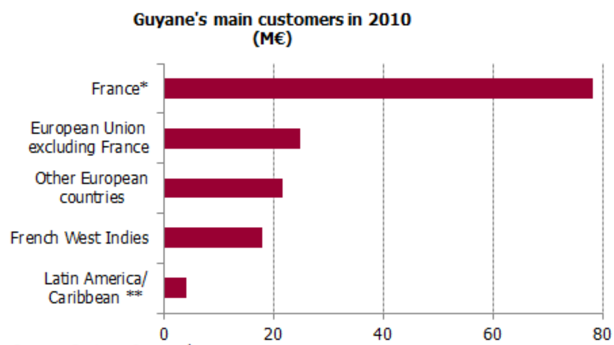
Mainland France is far and away the leading trading partner of Guyane, which still trades very little with its South American neighbours.

The main products imported in 2010 (M€)		**The main products exported in 2010** (M€)	
Equipment industries	402	Equipment industries*	88.5
Agrifood industries	178.7	Metal and metallurgical products (including gold)	31.3
Refined oil products	158.5	Others (chemical products, wood)	21.6
Consumer goods industries	138.7	Agrifood industries	14.8
Sundry (wood, rubber, metals...)	127.5	*including shrimps*	*4.6*
Total imports	**1081.8**	**Total exports**	**158.3**

Source: Customs
** includes the value of empty containers and goods linked to the spatial sector*



Source : Customs, Insee calc.
** All France excl. DFA   ** Excluding DFA and Trinidad*



Source : Customs, Insee calc.
** All France excl. DFA   ** Excluding DFA*

THE MAIN BUSINESS SECTORS

The Guyanese economy is dominated by the tertiary sector, but industry continues to develop. The weighting of the spatial sector in the economy has fallen around ten points in ten years, reflecting a certain diversification of local activity. Most traditional sectors are in difficulty: gold production has slumped, rice growing is in decline and access to shrimp resources is problematic. The timber segment on the other hand, which benefits from sustained demand, is developing, while tourism has good development potential, in particular in the eco-tourism field, but lacks an infrastructure and qualified professionals.

Sectoral Indicators

	2000	2010	*Var. 10/00*
Rice production (tonnes)	19 612	9481	*-0.517*
Gold exports* (tonnes)	6.7	1.1	*-0.836*
Shrimp catches (tonnes)	2 737	969	*-0.646*
Volumes of timber exploited (m^3)	56 158	70619	*0.258*
Satellites launched (number) **	11	12	*0.091*
Air passenger traffic (number)	436 166	423849	*-0.028*

**Provisional data*

***2001 data due to an atypical situation in 2000*

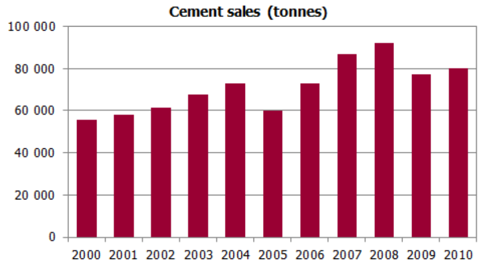
Sources : DAAF, Customs, IFREMER, ONF, Arianespace, CCIRG

The key role of the spatial sector

Although its importance is declining, the spatial sector has a drag effect on the sectors of industry, business services and transport. According to an impact study carried out by the INSEE in 2007, the weighting of this activity represented 16.2% of GDP in 2002 (against 26% in 1994): 4% of direct effects, 10.3% of indirect effects and 1.9% of inferred effects. The workforce of the Guyanese Space Centre stands at around 1 500, and it is estimated to have created 4 200 inferred jobs. For several years now the launch rate has been sustained: on average 6 launches a year, that is to say almost 12 satellites.

Construction driven by public procurement and housing needs

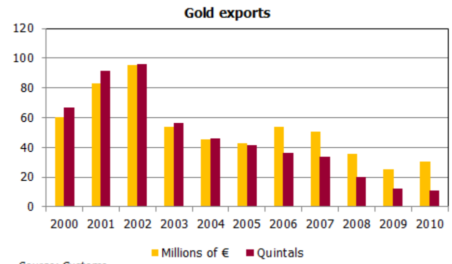
Both in terms of infrastructures and housing (with demand estimated at 3 500 homes a year, compared with production of around 2 200 in 2010), there are significant needs. The sector underwent sustained growth between 2006 and 2008, thanks in particular to public procurement and major projects (Soyuz). After a slowdown in 2009-begining of 2010, mainly due to the closure of the Larivot bridge, the main road axis linking the island of Cayenne with the west of Guyane, business seems to be taking off again.



Source: Ciments guyanais

A gold sector facing difficulties

While it is still the main "local" export, with a fifth of the total in value, this good result can be explained by soaring gold prices. The volumes of gold produced and exported have continuously declined since 2002. The sector is affected by problems linked to clandestine gold panning and the strengthening of regulatory constraints.



Source: Customs

FINANCING OF THE ECONOMY

The Guyanese economy is mainly financed by locally established credit institutions (which hold 85% of the total outstanding credits). The annual growth in bank credits, supported by high demand for housing finance, is essentially driven by housing loans (mainly granted to households and social housing authorities), which represent over 50% of total outstanding liabilities. Companies concentrate 50% of the department's total indebtedness, against 30% for households and 15% for local collectivities. Within a context of more selective credit policies, the bad debt rate has fallen by half in 5 years, standing at 4.7% at the end of 2010.

Companies	**2 010**	**Households**	**2 010**
Cost of business loans (July/ August 2010)		Number of inhabitants by bank teller	5 664
-medium and long term	5.7%	Number of inhabitants by ATM	2,394
Outstanding bank loans (all establishments)	1130 M€	Number of bank accounts by inhabitant	1.28
Operating credits	74.3 M€	Number of cards in circulation	208,977
Investment credits	352.1 M€	Number of overindebtedness reports filed	185
Property credits	699.2 M€	Outstanding bank loans (all establishments)	687.8 M€
Financial assets (all establishments)	320,5 M€	Consumer credits*	169.5 M€
call deposits	235.8 M€	Housing credit	518.2 M€
liquid or short term savings,	79.3 M€	Financial assets (all establishments)	913.5 M€
long term savings	5.4 M€	call deposits	310.1 M€
Number of payment incidents affecting bill	374	liquid or short term savings,	298.7 M€
Number of legal entities subject to banking prohibition	658	long term savings	304.6 M€
		Number of physical persons subject to banking prohibition	7,940
		Average debt per household ** (in €)	11.514
		Household savings rates (% of gross available revenue, 2007)	26.8%
Bad debt rate (local establishments. all agents) 4.7%			

*Excluding new participant in the capital loan market in 2010 **59 735 households estimated by the Insee in 2(

For companies, outsanding property, investment and operating credits represent respectively 62%, 31% and 7% of bank loans in December 2010

For households, outstanding housing and consumer credit represented respectively 75% and 25% of their outstanding bank loans in December 2010

Source : IEDOM – Outstanding liabilities at 31 December 2010 and one year change; INSEE

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