



Comptes Economiques  
Rapides pour l'Outre-mer



## RAPID ECONOMIC ACCOUNTS FOR NEW CALEDONIA IN 2023

Isee - leom

### Growth slows down in 2023 before collapsing in 2024

In 2023, growth continues to build on the strong momentum of 2022 before slowing during the year. **Gross domestic product** rises by 2.8% at constant prices, after +3.5% in 2022. The deterioration in the nickel market has dampened the post-Covid recovery, and the fall in prices has led to a decline in nominal GDP, estimated at 1,078 billion CFP francs. GDP per capita fell by the same proportion (-1.3%). The year 2024 is marked by the riots that began in May, which significantly affected the economic fabric and amplified uncertainties. Initial data suggests a GDP loss of between 10 and 15% in 2024.

### 2023: the recovery falters month by month

In 2023, difficulties in the metallurgical industry and persistent institutional uncertainties have helped to create a less favourable environment. The business climate indicator (ICA) contracts and falls back below its long-term average at the end of the year. Private employment continued to rise, but at a slower pace than in 2022.

**Household consumption** is running out of steam, growing by just 0.4% in volume (compared to +2.6% in 2022), despite the marked slowdown in **inflation**. Foreign trade is the main contributor to real growth, with exports rising and imports falling (+8.7% and -2.4% in volume, respectively). However, after considering the unfavourable price effects in the nickel market, the trade deficit widens in value. **Investment** contracts (-3.6% in volume) in a more uncertain environment with higher interest rates.

The year 2023 is characterised by a clear slowdown in inflationary dynamics in New Caledonia: the household consumer price index (CPI) rises by an average of 1.7% over the year 2023 (compared to 3.7% in 2022). In terms of prices, the nickel sector has benefited from lower oil and coal prices for its costs, but has suffered from a particularly sharp decline in its selling prices.

**Actual growth (%)**

	2021e	2022e	2023e
GDP in volume	-2,1	3,5	2,8
Final consumption	1,2	2,0	0,3
GFCF	-1,5	7,3	-3,6
Exports	-19,5	16,8	8,7
Imports	-2,0	8,1	-2,4

e: estimated

Sources: Isee, Economic Accounts, Cerom

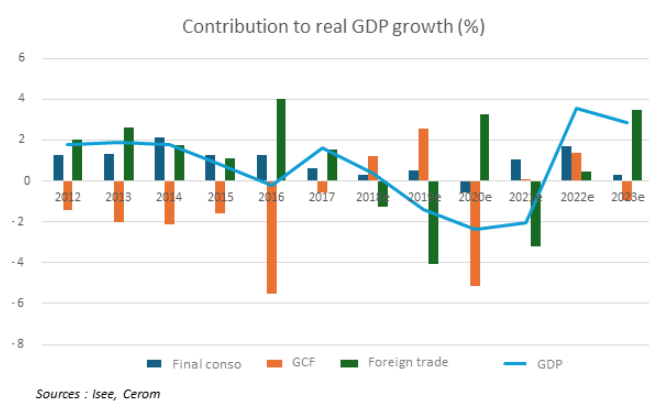
### Growth in GDP and GDP per capita

	2017b	2023e
GDP (billions of F.CFP)	969	1 078
GDP/capita (millions of F.CFP)	3,58	4,0

b: base - e: estimated

Sources: Isee, Economic Accounts, Cerom

### Foreign trade is driving growth... excluding price effects



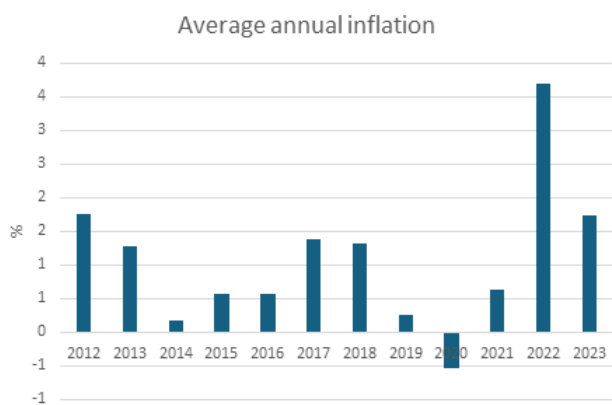
### *Private sector salaried employment at a record level before a significant turnaround*

In 2023, the number of private sector salaried employees continued to rise, crossing the threshold of 68,000 employees for the first time. On average, 68,190 employees were declared by private sector employers to the Cafat in 2023, representing a 1.2% increase compared with 2022. Agriculture is the only sector in which the number of employees is seen to fall significantly (-5.1%). Services show the strongest net job creation (+606, or +1.8%). Construction (168 extra jobs, or +2.8%) and industry (+156 employees, or +1.0%) also continue to create jobs. However, this momentum fades as the year progresses. The number of salaried jobs falls at the end of the year, marking the start of a profound turnaround in the employment market. Similarly, the proportion of employees holding several jobs rises again (+2.8% in 2023, after +5.6% in 2022) and seems to confirm the development of a form of precarity already observed the previous year.

### *Household consumption rises very slightly*

The year 2023 is marked in New Caledonia by a gradual normalisation in the trend of the consumer price index. While the consumer price index (CPI) rises by an average of 1.7% over the year, increases remain particularly high for food (+4.8%) and, to a lesser extent, services (+1.8%). By contrast, energy and manufactured goods prices both decline (-1.3% and -1.0% respectively). The price moderation measures for certain products introduced in 2022 have been phased out over the course of 2023.

### **Inflation is below 2% in 2023**

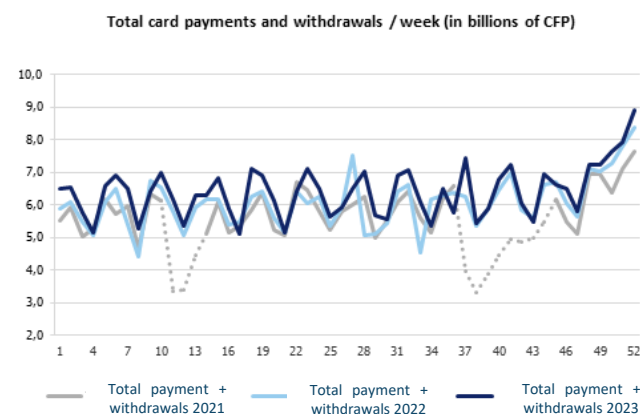


Source: Isee

Household consumption slows sharply: rising by just 0.4% in volume in 2023 (after +2.6% in 2022). Once again, this reflects the weakening of the upward

momentum seen in 2022, which had seen the lifting of travel restrictions and the recovery of purchasing after the health crisis. In 2023, bankcard payments and banknote withdrawals are up over the year (+5.3%), but at a significantly slower pace than in 2022 (+9.5%). The expectations of New Caledonians seem rather unfavourable despite the positive trend in the employment market.

### **Consumption rises at a slower pace than in 2022**



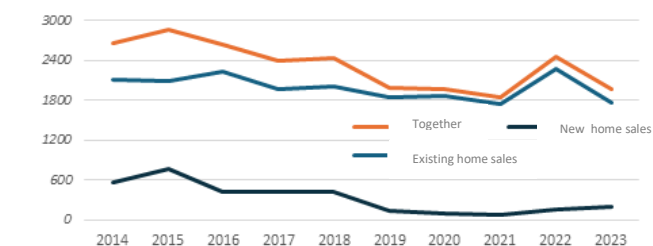
Sources: Caledonian Banking services, IEOM

### *Investment begins to fall*

Private investment is declining against a backdrop of institutional uncertainty and rising credit costs. Central bank interest rates rose until the 3rd quarter of 2023, when they reached a plateau due to persistent global inflationary pressures. The cost of credit therefore rose in 2023 in the wake of policy rates. In this context, banking activity is running out of steam after the renewed dynamism of 2022. Growth in outstanding loans from New Caledonian financial institutions slows drastically, rising by 1.2% in 2023 (compared to +3.4% in 2022). Sales of residential property fall after a particularly buoyant year in 2022 (down 20% and up 33% respectively), but new home sales are still on the rise (up 23%). By contrast, business investment is marking time, as shown by the fall in imports of machinery and transport equipment (-28%). Public sector players are maintaining their level of investment despite budgetary difficulties.

### Slight upturn in household investment in new home sales in 2023

Change in the number of new and existing buildings since 2014 (Unit: nb - Sources: notaries, DSF, Isee)



Sources: Notaries, DSF, Isee

### The fall in nickel prices leads to a widening of the trade deficit, despite a favourable trend in volume terms

Exports of goods and services rise in volume (+8.7%), driven by nickel sales (+9%). At the same time, import volumes fall (-2.4%). Foreign trade therefore makes a positive contribution to overall real growth.

Price effects were again particularly significant in 2023 and explain the widely divergent trends in value. Exports of goods fall sharply in value to CFP 234.7 billion (-19.0% compared with 2022). Nickel products account for 95% of exports and are penalised by sharply falling prices (the price of a tonne of nickel falls by 19% in 2023). Ferronickel accounts for 48.9% of the sector's exports, ahead of NHC (26.4%, up sharply on 2022) and nickel ore (24.7%). Exports of seafood and aquaculture products (CFP 1.6 billion, mainly tuna and prawns) are much more modest, rising by 1.0% in value.

Imports of goods decrease by 8.8% in value to CFP 352.8 billion. The fall in oil and coal prices explains the sharp drop in imports of mineral products in value (-21.7% although imports are up by 33.1% in volume). Mineral products now account for 29.5% of imports by value (compared with 14.5% for food products).

Over the year, the **foreign trade coverage ratio** is down 8.4 points to 66.5%. The fall in exports in value (-55.2 billion CFP francs) is greater than that of imports (-34.0 billion CFP francs), worsening the trade deficit (118.1 billion CFP francs in 2023).

### Nickel's share in GDP down sharply

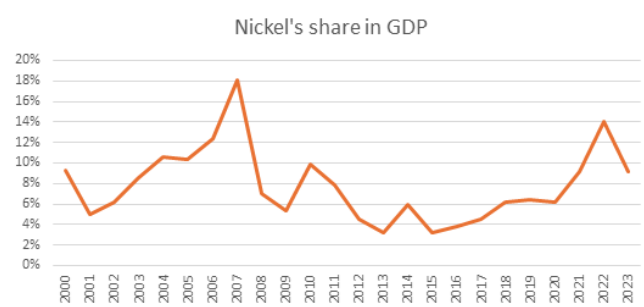
After 2022, a year marked by rising nickel prices and increased production in the territory, 2023 is characterised by a sharp fall in the value of nickel on international markets. The nickel price on the LME

stands at 9.75 USD/Lb in 2023 (compared with 11.80 USD/Lb in 2022). On the other hand, New Caledonian metallurgical production continues to progress (+12.1% of contained nickel, after +25.9% in 2022). The end of the La Nina phenomenon allowed for an increase in nickel ore extraction (+14.0% in wet tonnage) and consequently in metallurgical production.

The sector's share in GDP falls back to its 2021 level of 9%. This 5-point loss in the sector's contribution to wealth creation illustrates the worsening difficulties encountered by the 3 metallurgical plants, which publicly express growing reservations about their ability to continue operating. This will result in the closure of the KNS plant in early 2024.

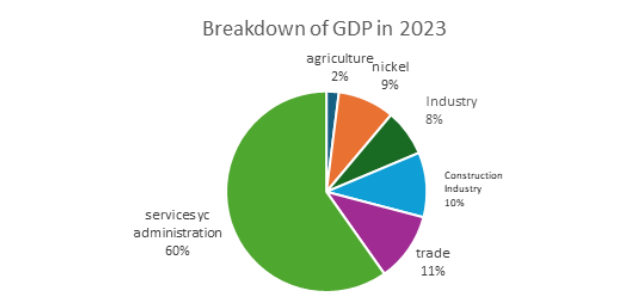
This loss of contribution from nickel is reflected in the rise in the relative share of other sectors: +2 points for industry, +2 points for services and +1 point for construction.

### Nickel's share in GDP is falling



Sources: Isee, economic accounts, Cerom

### Significant growth in industry and services

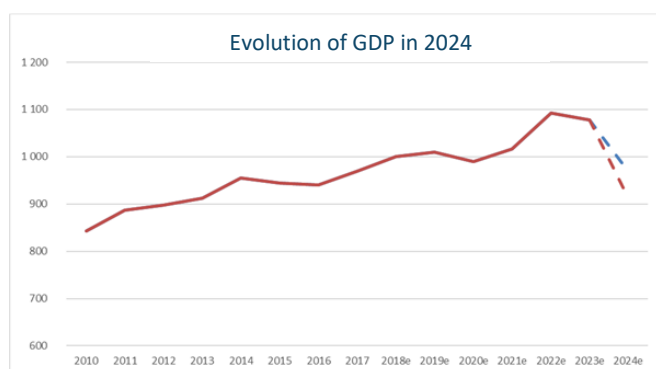


Sources: Isee, economic accounts, Cerom

## The year 2024 when GDP went up in smoke

In the first few months of 2024, the decline in activity that began in 2023 is confirmed. The riots that began in May lead to a collapse in economic activity. The various public and private interventions (solidarity funds, deferment of bank payments, partial unemployment benefits, etc.) have cushioned the blow, but the recession is severe. Based on the information available to them, the initial work of the Cerom partners suggests **a fall in GDP of around 10 to 15% in 2024**, i.e. a level of GDP between that of 2013 and 2017. The 3 engines of the economy: consumption, investment and foreign trade are indeed in very poor shape.

### A historic fall in GDP in 2024



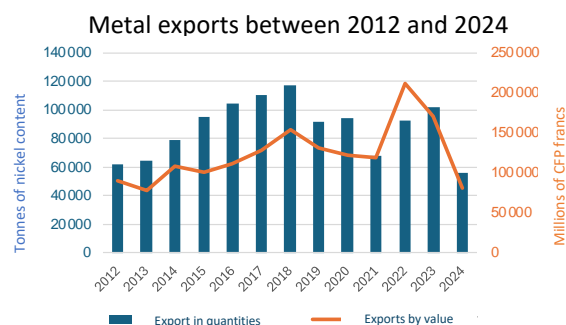
Sources: Isee, economic accounts, Cerom

The worrying situation at the 3 metallurgical plants deteriorates further in the 1st quarter of 2024, with the withdrawal of their main shareholders: KNS is mothballed before ceasing operations for lack of a buyer and Eramet announces that it is no longer granting new financing to the SLN. A major crisis in the nickel sector thus compounds the structural crisis in New Caledonia's public finances.

A third crisis, on an unprecedented scale, began with the outbreak of riots on 13<sup>th</sup> May 2024. These result in the destruction of nearly 500 establishments<sup>1</sup>, as well as significant damage to other businesses<sup>1</sup>, homes, public structures, etc. The New Caledonian economy comes to a virtual standstill for 2 weeks, which already represents, excluding nickel, a loss of added value estimated at 25 billion CFP francs. Added to this loss are those of businesses unable to produce or which have lost their customers (other businesses, households, tourists, etc.).

<sup>1</sup> Source : CCI Survey

### Nickel exports fall in 2024



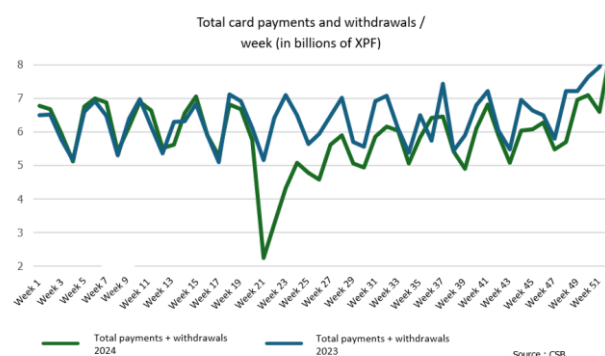
### Ore exports between 2012 and 2024



Sources: DRD- NC, Isee

Household income falls sharply: 1 in 6 private-sector employees has lost his/her job between the end of 2023 and the end of 2024. In the public sector, the reduction in the workforce is around 3%. In addition to these losses in salaried employment, there are also the difficulties faced by self-employed workers ("patentés"), who are suffering from a drop in orders, and whose numbers are down by 1,470<sup>2</sup>. Partial and total unemployment benefit schemes have nevertheless helped to limit the reduction in disposable income.

### Consumption picks up after several months



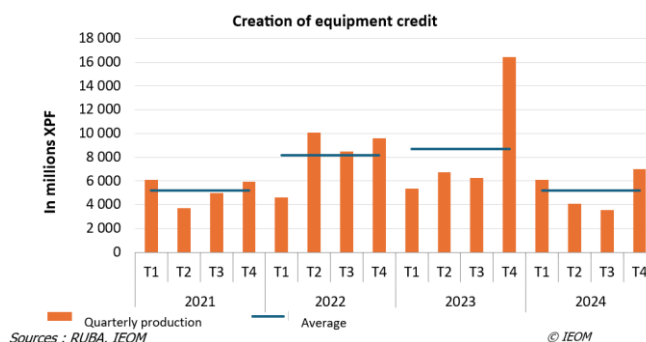
Sources: Caledonian Banking Services, IEOM

<sup>2</sup> Net balance between creations and deregistration at Ridet 2024

At the same time, prices rose by 1.0% on average over the year, with a more marked increase for food (+3.3%), which remains a predominant consumption item for low-income families and an expense that is difficult to compress. Bank card payments and withdrawals have fallen by 8.1% over the year and **household consumption is estimated to be down by 8 to 10%.**

Destructions, persistent tensions and institutional uncertainties are seriously undermining New Caledonians' expectations.

## Equipment production plummets



**Investment is at an all-time low:** property transactions have fallen by 2/3, and credit production has collapsed. These factors lead to an estimate of a **20-25% reduction** in investment.

The decline in economic activity is reflected in a 28.0% fall in imports of goods and a sharp drop in nickel sales, with an even sharper fall in exports (-40.5%).

## METHODOLOGICAL WARNING

### Cerom

The rapid economic accounts for New Caledonia are part of the tripartite “Comptes Rapides pour l’Outre-mer (Cerom)” project between Isee, AFD and IEOM, the aim of which is to contribute to the gradual development of the capacity to analyse changes in the economies of the French overseas territories. In New Caledonia, it is used to conduct macro-economic studies (macro-economic assessments, sectoral studies, impact simulations), to draw up rapid economic accounts, managed by Isee, enabling an assessment of the main accounting aggregates (GDP, consumption, investment, etc.) and to distribute quarterly management charts.

### The Tablo model adapted to New Caledonia

The Tablo model is a quasi-accounting input-output model used to project the latest available IOT (Input-Output Table) from the national accounts (2017) on the basis of supply and demand hypotheses and the latest available data. The model is based on 23 products and 14 branches. The account is projected using the Leontief method, based on interactions between branches, and the Keynes method, based on income-consumption interactions. The results of this model remain closely dependent on the past, the hypotheses, and the amount of definitive data available.

To assess the initial trends for 2024, the Cerom partners have opted for 2 macroeconomic approaches, based on 2 sets of hypotheses:

- relating to the evolution of value added by branch.
- relating to the evolution of demand.

The simulation obtained by applying low and high hypotheses enables a range of estimates to be drawn up.



## DEFINITIONS

- **Gross domestic product (GDP)** is the main aggregate measuring economic activity. It corresponds to the sum of gross value added (GVA) newly created by resident producer units in a given year, valued at market prices and increased by taxes less subsidies on products.
- **The Business Climate Indicator (ICA)** is measured quarterly by the IEOM on the basis of the results of the business survey conducted among business leaders.
- **Household consumption** includes all goods and services purchased by resident households. If government consumption is added, final consumption is obtained.
- **Inflation** is used to estimate the average change in the price of goods and services consumed by households between two given periods. The Consumer Price Index (CPI) is calculated from 23,000 monthly price quotes. For the rapid accounts, the annual average change in the CPI is used.
- **Investment** is measured in national accounts by gross fixed capital formation (GFCF), which is the difference between acquisitions and disposals of tangible assets (machinery, etc.) or intangible assets (software, etc.), made by resident producers and used repeatedly or continuously in other production processes for at least one year. The investment rate is the ratio of investment to total value added. For international comparisons, this ratio is often limited to business investment.
- The **foreign trade coverage ratio** is the ratio between the value of exports and that of imports between two countries (or two zones). It can be relative to a product or to all trade in products (in this publication, only goods).

## THEMATIC STUDIES

Rapid economic accounts for New Caledonia in 2022: A clear rebound from the health crisis against a backdrop of an unprecedented rise in prices (October 2023)

The health crisis takes hold in 2021, with its effects changing in nature (August 2021)

The Covid 19 health crisis contaminates the New Caledonian economy in 2020 and above all beyond (November 2020)

An unprecedented crisis, with a significant immediate impact and uncertain future induced effects (April 2020)

## FIND OUT MORE

- www.isee.nc:** May 2024 crisis - monthly monitoring of the main economic indicators  
Summary of real estate transactions 2023 - New Caledonian real estate: slowdown in 2023 and sharp downturn at the beginning of 2024 (September 2024)  
Annual summary of salaried employment in 2023 (July 2024)
- www.ieom.fr:** New Caledonia's Annual Economic Report 2023  
Annual review: New Caledonia's economy in 2024  
Quarterly economic trends (4th quarter 2024)
- www.afd.fr:** Observatory of New Caledonia's municipalities 2024: New Caledonia's municipalities face the crisis arising from the riots of May 2024 (December 2024)

## RAPID ECONOMIC ACCOUNTS FOR NEW CALEDONIA IN 2023

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