

Economic growth and productivity in French Polynesia: a long-term analysis *

Vincent Dropsy and Christian Montet

Key question

After a very rapid economic boom in the 1960s stemming from the installation of the Pacific Testing Centre (CEP), French Polynesia experienced continuous deceleration in its growth over the following four decades before plunging into an economic depression in 2009. What are the factors of growth in French Polynesia? What is the contribution of total factor productivity (TFP), which measures technological changes?

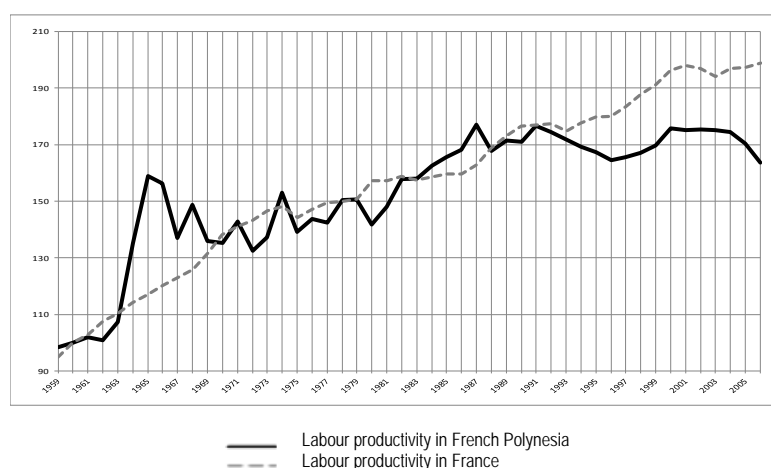
Methodology

After reconstructing long-term and consistent macroeconomic series for French Polynesia over the period 1960-2006, an accounting decomposition of per capita GDP growth was carried out in order to estimate the total productivity of production factors and compare it with that of France (mainland and overseas excluding Mayotte).

Main results

- Analysis of the growth factors of the economy in French Polynesia over the period 1960-2006 highlights the positive and significant contribution of TFP during the CEP period (from the start of the sixties to the end of the eighties), and over a short period in the second half of the 1990s. In contrast, TFP contributed negatively to growth over the periods 1988-1996 and 2001-2006.
- The strong growth of French Polynesia during the 1960-1973, almost 10% per year, corresponds to a rapid increase in capital stock linked to the construction of the Tahitian and CEP infrastructures, as well as significant contributions from TFP and the labour factor.
- Polynesia's TFP can be seen going off course compared to that of France from the very start of the eighties. It illustrates how difficult it was for French Polynesia to overcome dependence on France in the post-CEP years.
- The growth rebound in the second half of the 1990s aligns with a strong expansion of the sectors aimed at developing the country's own resources (tourism, fishing and pearl culturing).

Total factor productivity in French Polynesia and France



Whole of the economy, French Polynesia and France (mainland France and DOM excluding Mayotte).
Insee, annual national accounts, 2016 provisional and the database built by the authors.

Main message

The results obtained underscore the weakness of the TFP and its negative contribution to the economy's growth, from the late 1980s to the mid-1990s. Structural elements specific to the Polynesian economy and small island economies (small size, geographical isolation, limited access to global markets, etc.) appear decisive in explaining the chronically low-level of the TFP. The general lessons accumulated on the determinants of TFP also invite to recommend policies to strengthen international openness and competition, fostering entrepreneurial dynamism and innovation.