

البنك المركزي التونسي

Banque Centrale
de Tunisie



Central Bank
of Tunisia

OVERVIEW OF THE MACRO-ECONOMIC SITUATION IN TUNISIA

October 2015



Trend in the main macro-economic indicators

	2007	2008	2009	2010	2011	2012	2013	2014	2015*
Growth	6.3	4.5	3.1	3.2	-1.9	3.9	2.4	2.3	1.0
Unemployment rate***	12.4	12.4	13.3	13.0	18.9	16.7	15.3	15.0	15.2
Graduates unemployment rate***	18.7	20.6	23.4	23.3	33.1	33.2	31.9	30.4	28.6
Investment rate	23.1	23.5	24.1	24.4	21.8	22.2	20.2	19.0	18.2
FDI in% of GDP	4.2	6.2	3.9	3.4	2.5	3.6	2.4	2.2	-
Trade deficit in% of GDP	7.4	8.9	8.5	10.3	10.5	13.5	12.6	13.7	-
Current account deficit in% of GDP	2.4	3.8	2.8	4.7	7.3	8.2	8.3	8.9	8.8
Foreign currency reserves in Billion TND**	9.6	11.7	13.4	13.0	10.6	12.6	11.6	13.1	12.7
Reserves in days of import**	141	139	186	147	113	119	106	112	111
Inflation rate**	3.4	4.9	3.5	4.4	3.5	5.6	6.1	5.5	5.0
Fiscal deficit	2.7	1	3	1	3.3	5.5	6.8	4.9	4.8
Public debt rate	45.9	43.3	42.8	40.3	44.4	44.5	45.8	49.4	51.9
External debt rate	39.6	38.6	37.3	36.9	39.2	40.1	40.9	43.7	44.9

Sources: Central Bank of Tunisia, Ministry of Development, Investment and International Cooperation and National Statistics Institute

* Forecasts.

** Data at end September 2015

*** Data relative to the second quarter of 2015

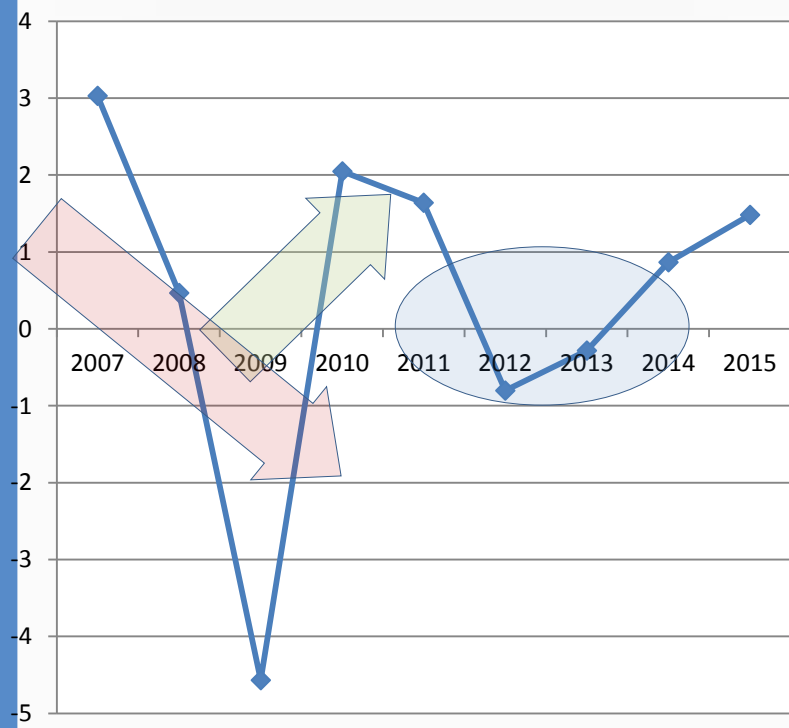
- Economic activity slowdown → Persisting high unemployment levels despite a slight improvement from one year to another.
- Private investment decline.
- Deteriorated financial balances with a slight improvement from one year to another
- Resilience of the economy in view of the challenges and constraints related to the international and the national environment.

- The 2008 international financial crisis, then the sovereign debt crisis in certain Euro Zone countries.
- World economy slowdown.
- Threat of deflation in the advanced economies.
- Non-conventional ultra-accommodating monetary policies.
- Maintaining of unemployment at high levels.
- Moderate and not yet affirmed world economic recovery with disparities between groups of countries and regions.
- Persisting risk in emerging economies and commodity-exporting countries.

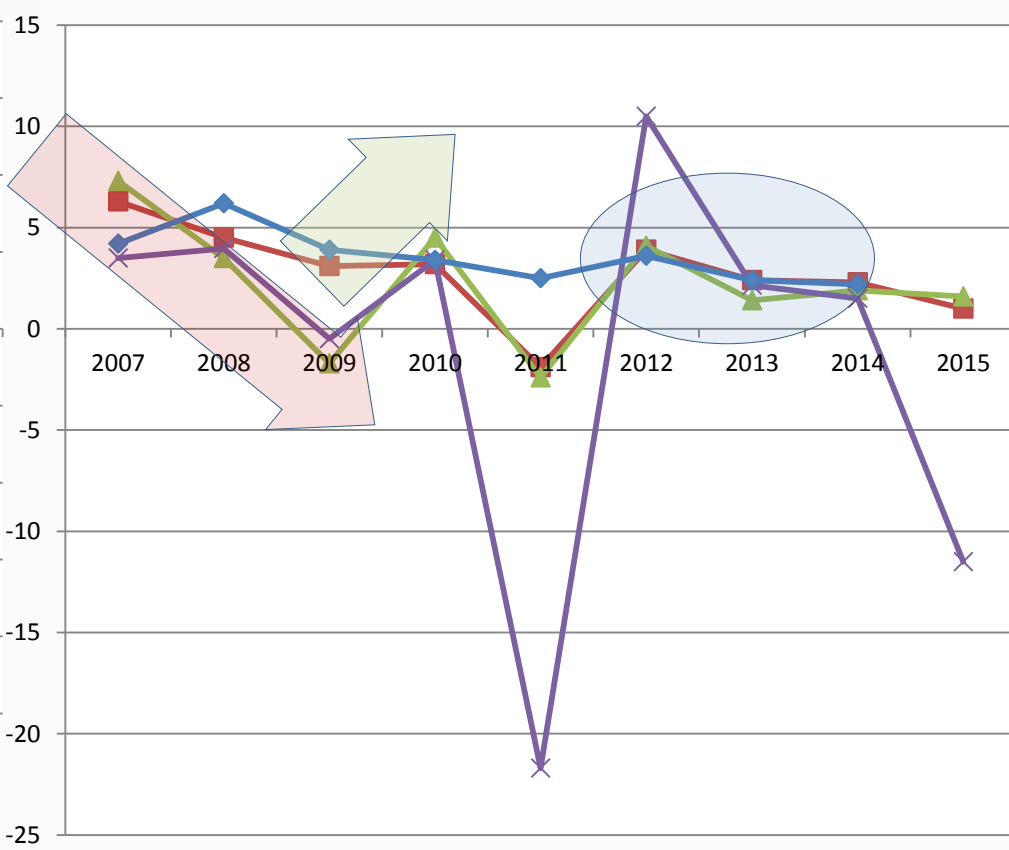
The international economic environment

- Fallouts from international financial crisis 2007-2008 : Drop of foreign demand in the Euro Zone (more than ¾ of trade and FDI ...) notably on exporting manufacturing industries, tourism and FDI.
- Drop of growth in the Euro Zone 2012-2014 : An impediment to growth recovery in Tunisia (1% growth in Europe -> 0.6 point growth in Tunisia)

Growth in Euro zone

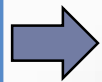


Growth in Tunisia



- Stronger impact of the international financial crisis over the post-revolution period : 2011-2014
 - . Political and social instability
 - . Deterioration of business climate.
- Political, social and security instability in the region (Libya).
- Intensification of strikes and sit-ins.
- Recurrent suspension of activity in important sectors like phosphate and chemical industries.
- Short-term orientation of actions taken by the authorities with no medium term view (interim governments).

- Expansive budgetary policy
- Job creation in public services (some 70 thousand jobs created as from 2011)
- An accommodating monetary policy facing to short banking sector liquidity : drop from 12.5% to 2% in the reserve requirement rate with a full allotment of bank demand : decrease of the interest rate on two occasions.
- Injection of the necessary liquidity on the money market in dinar and in foreign currency with an appropriate exchange rate policy.



Aware of the major challenges facing the Tunisian economy, the public authorities launched, along with short term actions imposed by the economic and social climate, a structural reform programme targeting creation of favourable conditions to strong but inclusive growth as well as consolidated macro-economic balances.

- Political side** : set up of democratic institutions, modern constitution that ensures democracy, freedom and human rights, legislative and presidential elections that are free and compliant with international best practices.
- The establishment of an economic and financial reform programme** boosted by the two-year stand-by agreement concluded with the IMF in June 2013; the before-last review was successfully concluded on 30 August 2015.

Areas of reforms

❖ Financial sector

- **Eliminating deficiencies relative to public banks** : recapitalization and strengthening of governance.
- **Reinforcing banking supervision in compliance with the international best practices.**

❖ Restoring leeways in budgetary and external areas

- **Consolidating budgetary balances** : boosting equity and investment expenses.
- **Reducing the fiscal deficit.**
- **Fiscal reform** : widening the tax base and simplifying procedures.
- **Customs reform** : transparency and efficiency.
- **Reform of the fuel subsidies and set up of a programme to boost needy families.**
- **Reinforcing the analytical and operational framework of the monetary policy.**
- **More flexible approach to exchange rate.**

❖ Improvement of the business climate

- **Adoption of a new investment code**
- **Adoption of a new exchange code**
- **Adoption of a law on public-private partnership**
- **New bank law**
- **New central bank law**

Financial sector

- Full audit of three public banks and launching of their effective recapitalization process
- Aligning prudential norms with international ones (new liquidity ratio, haircut on collaterals, new framework for bank resolution, gradual increase in solvency ratio)

Macro-economic Policies and Structural reforms

- Consolidating the monetary policy framework (40% share of Treasury bonds in refinancing and 25% haircut on loans presented as collaterals)
- Improving management of quasi-budgetary risks of public enterprises : Audit of STEG, STIR, ETAP; consolidated balance sheet of 10 public enterprises
- Adoption of modernization plan for the tax authority
- Targeting of commodities subsidies as a component of budgetary consolidation

Financial sector

- Adoption by the Assembly of People's representatives of the bank law, the BCT law and the law providing for creation of the Asset Management Company
- Set up of a new bank reporting and rating system

Macro-economic policies and Structural reforms

- Adoption of a strategy to follow up public enterprises
- Adoption of a tax reform plan (Finance law 2016)
- Adoption by the Executive Boards of 5 public enterprises of performance contracts
- Implementing a weekly auction in foreign currency at the BCT
- Adoption of the investment code by the Assembly of People's Representatives

- **Open and diversified economy** : about 90% openness rate.
GDP structure : agriculture 9%, manufacturing industries 16%, non-manufacturing industries 12%, services 41%, administration 18%.
- **Sectoral Competitiveness (at the international level)** :1st world exporter of dates, 7th world producer of phosphate and triple superphosphate, 2nd world exporter of olive oil, 8th world supplier of clothing items...
- **Diversity of external financing**, with strong support from multilateral and bilateral partners.
- **Resilient economy** to external and domestic shocks.
- **Geostrategic position and infrastructure**: nine international airports, railway network covering 2167 km, road network on about 20 000 km, internet and phone network ...
- **Skilled human resources**

- **Enhancing legislation** : regulating framework ensuring free investment, simplicity in establishment procedures, protection of intellectual property and easing of recruitment procedures: According to “Doing Business 2015” ranking, Tunisia holds the 1st place among the Maghreb countries with respect to facility in doing business (60th out of 189 countries in the world).
- **Ambitious development plan 2016-2020**: boosted by an already launched structural reform programme aiming at modernizing the economy, reinforcement its potential and fruitful integration in the world economy as well as medium-term access to emergence status .
- **Successful completion of the democratic transition** providing political stability and visibility, with policy discipline and conservative debt management and improving outlook for budget deficit in 2016.
- **Some 3 200 foreign companies** were set up in Tunisia ensuring more than 340 000 jobs.