Central Bank of Tunisia

THE ECONOMIC SITUATION PERIODICAL

DECEMBER 2010 **N°90**

THE INTERNATIONAL ENVIRONMENT

- Upward review of the International Monetary Fund forecasts for the world economic growth in 2010 and 2011.
- Slight improvement of employment in the industrialized countries at end 2010.
- Increase in the world commodities' prices, mainly, foodstuff and energy.
- Appearance of inflationary pressure at end 2010, notably, in the industrialised countries.
- Drop of the euro exchange rate against the dollar in 2010 compared to an appreciation of the yen.
- Diverging evolution of the main world stock indexes in 2010.

THE NATIONAL CLIMATE

- Drop of agricultural production, notably, cereals and olive oil.
- Net recovery of the industrial sector in 2010, mainly, manufacturing industries and slight progress of tourist activity.
- Increase of the inflation rate to 4.4% in 2010 compared to 3.5% in the previous year.
- Less tightening in bank liquidity over the last quarter of 2010, sharps acceleration of the progress pace in financing to the economy and slower progress in M3 money supply in 2010.
- Downward trend in stock indexes and decrease in the volume of funds raised through public call for savings and transactions on the stock quotation.
- Deficit in the general balance of payments in the wake of wider current deficit and tighter net capital flows in 2010.
- Depreciation of the Tunisian dinar against the US dollar and the euro.

INTERNATIONAL ENVIRONMENT

The international environment was, over the last months of 2010, marked by an ongoing improvement of the economic indicators in the main industrialised countries, notably, the United States of America, with however rising worries with respect to sovereign debt in a number of European countries. Consequently, the European currency exchange rate remained under pressure compared to the other currencies, mainly, the dollar. On another level, world commodities' prices posted an upward trend, mainly, for foodstuff and energy. Similarly, the main world stock indexes went up in line with better economic outlook.

Thus, the International Monetary Fund (IMF) reviewed up its **world economic growth** estimates for 2011 to 4.4% vs. 4.2% forecast last October. Worth of note that growth for 2010 was also reviewed upward, going up from 4.8% to 5%. Improvement of growth forecasts for 2011 concerns, notably, the **industrialised countries** (2.5% vs. 2.2% as per estimates in October 2010), in particular in the United States (3% vs. 2.3%) and Japan (1.6% vs. 1.5%) ; while the Fund maintained its forecasts for the Euro Zone (1.5%).

Emerging and developing countries will keep their growth rate up in 2011 though lower than in 2010 : 6.5% vs. 7.1%. Worth of note that the IMF maintained its growth forecasts for China and India with 9.6% and 8.4% respectively, compared to 10.3% and 9.7% in 2010.

Unemployment situation improved somehow in the industrialized countries with an unemployment rate down to 9.4% in the United States in December 2010 compared to 9.8% in the previous month. Besides, in November of the same year the unemployment rate stood at 10.1% in the Euro Zone and 5.1% in Japan.

At end 2010, **the world commodities prices** went up for most foodstuffs, notably in the wake of unfavourable weather conditions that affected several agricultural crops like cereals in certain producing countries like Australia, Brazil and China. In particular, at end 2010 and compared to the end of the previous year, price rise reached 46.2% for wheat and 18.9% for sugar compared to 20.1% and 2.2% respectively at end November. Similarly, prices of industrial raw materials pursued their increase which came, over the same date, to 89.4% for cotton and 32.6% for copper compared to 80.4% and 14% at end November.

On the other hand, **crude oil** prices went beyond the level of 90 dollars the barrel as of early December 2010, in line with a recovery in world demand, a decrease in stocks and an ongoing cold wave that hit the United States and Europe. Thus, the barrel price rose, at end 2010, to 94.75 dollars for the Brent and 91.38 dollars for the light American, up by 21.6% and 15.1% respectively compared to the end of the previous year.

As for **inflation**, consumer prices grew at a slightly faster pace in the main industrialised countries in December 2010, following notably an increase in the prices of energy. In terms of annual shift, the inflation rate reached 1.5% in the United States vs. 1.1% in the previous month and 2.2% in the Euro Zone compared to 1.9%.

On the **international foreign exchange markets**, the value of the euro in 2010 dropped against the dollar, due mainly to fallouts from the sovereign debt crisis in some European countries and risks of its spread out to other countries in the Euro Zone. The European currency closed for 2010 at 1.3386 dollar, down by 6.6% compared to the dollar from end of year to the next.

Inversely, the yen appreciated in 2010 against the dollar, enjoying its status as a save refuge for investors facing troubles on international financial hubs, notably in the wake of sovereign debt crisis. At the end of the year, it came to 80.915 yens for the dollar, an appreciation of 13.1% from one end of year to the next.

On the other hand, the central banks of several industrialized countries continued to ease their **monetary policies** in 2010, notably, through non-conventional measures in the form of programmes of equity acquisition like Treasury bonds and Treasury bills. This was the case for the US Federal Reserve and the Bank of Japan that intervened with respective amounts of 600 billion dollars and 5,000 billion yens (about 43 billion euros). However, the central banks of certain industrialized and emerging countries started to apply restrictive monetary policies to ease pressure on the economy. In particular, the bank of China increased the key interest rate twice in 2010 and the reserve requirement rate six times over the same year.

On another level, the evolution of the **main international stock markets** diverged in 2010. In particular, the US stock exchange market posted positive results, benefitting from the important interventions of the Federal Reserve to support economic recovery and from improved economic indicators in the United States towards the end of the year. In this context, Dow Jones and Nasdaq indexes posted 11% and 16.9% increase respectively, from one end of year to the next.

However, several European stock markets posted a drop due to sovereign debt crisis. In particular, CAC 40 index dropped by 3.3% between end 2009 and end 2010. In the same way, Tokyo stock market recorded a drop in the wake of the appreciation of the yen which affected exports, and therefore the financial results at Japanese businesses. Drop in Nikkei index came thus to 3.3% from one end of year to the next.

THE NATIONAL CLIMATE

ECONOMIC ACTIVITY : Faster growth pace in 2010 notably in the wake of recovery of the industrial sector compared to regression of production in agriculture

Gross domestic product progressed by 3.7% in constant prices, over the first nine months of 2010, the same rate expected for all the year, compared to 2.8% in the same period of the previous year. This improvement is attributable to substantial recovery in manufacturing industries (7.3% vs. -6.1% in the first nine months of 2009), notably export-oriented ones like mechanical and electrical industries (21.9% vs. -9.7%). This contrasted with a regression in the agricultural sector and in fishing (-8.5% vs. 5.9%).

For the year 2011, economic growth rate is expected to reach 5.4% as per the economic budget forecasts for the current year, yet this level is unlikely to be achieved following troubles in investment and in industrial production in the wake of the political events the country is witnessing. To this was added repercussions of the ongoing world price rise for most commodities, notably, energy and foodstuff, as well as the effect of scant rainfalls on agricultural production.

1) AGRICULTURE AND FISHING

This sector posted in 2010 a drop in its **added value** estimated at 8.8% in constant prices compared to 6% progress in 2009, following notably regression of production of cereals and olive oil.

Cereals production in 2009-2010 campaign regressed to 10.8 million quintals compared to 25.3 million in 2008-2009 campaign. The current campaign is expected to achieve an increase in production, particularly that planted areas went slightly above the set target (1,500 thousand hectares achieved compared to 1,234 thousand in the previous campaign).

Olive oil production in 2010-2011 campaign is estimated at 120 thousand tonnes compared to 150 thousand in the previous campaign. In considering a local consumption of some 30 thousand tonnes and an available stock at the beginning of the campaign that amounted to 25 thousand tonnes, it is expected to export 115 thousand tonnes vs. achievements for all 2009-2010 campaign that came to about 100 thousand tonnes for 413 MTD in terms of value. Worth of note the improved level of **olive oil world production** for the second campaign in a row (some 3 million tonnes), following unfavourable weather conditions in most of producing countries in the Mediterranean.

Dates and **citrus fruits** production went up by 7.4% and 13.9% respectively compared to the previous campaign, to reach 174 thousand and 352 thousand tonnes.

In **livestock sector**, fresh milk production in 2010 progressed by 2.3%, to reach 1,054 thousand tonnes, helping to increase the collected quantities meant for milk industry.

As for **fishing and aquaculture**, production was maintained, over the first eleven months of 2010, at the same 93 thousand tonnes recorded in the same period of 2009.

Concerning **foreign trade in agricultural products and foodstuffs**, **cereals imports** posted an increase of some 65% in quantity and 78% in value over 2010, reaching 3,234 thousand tonnes for 1,087 MTD, in the wake of a drop in production and an increase in prices on the world market. The increase concerned, notably, hard wheat (86.4% in quantity and 72.8% in value). Because of soaring cereal world prices in the last months of 2010 and compared to 2009, **the average import prices** expressed in dinars, increased by

22.3% the tonne for barley and 5.1% for soft wheat, against 8.6% drop in hard wheat prices. The average level of cereal import prices remains below that of locally produced cereals, and this for the second year in a row, with a gap varying between some 35% for barley and 47% for soft wheat.

As for **exports**, the **exported quantities of olive oil** reached in 2010 some 110 thousand tonnes for 444 MTD compared to some 142 thousand tonnes and 533 MTD in the previous year.

As far as **dates** are concerned, exports totalled from the beginning of the current marketing campaign and up to 24 January 2011, a level identical to that recorded in the same period of the previous campaign (some 25 thousand tonnes). The value of these exports rose by 3.7%, to reach 85 MTD, following an improvement in the average level of prices.

Seafood exports rose in 2010 by 3.7% in quantity and 1.6% in value, coming at some 17 thousand tonnes and 185 MTD.

Food balance with abroad posted a deficit of some 557 MTD in 2010 compared to 38 MTD in surplus a year earlier, in the wake of 38.6% increase in imports compared to a slight 1.2% rise in exports. Consequently, the rate of coverage regressed from 102.4% to 74.8% from one year to the next.

2) INDUSTRIAL ACTIVITY

The general index of industrial production rose by 6.8% in December 2010 compared to 6% in the same month of the previous year. This trend is attributable to a progress in **manufacturing industries'** production (8.3% vs. 10.2% in December 2009) and a net recovery in **mining sector** production (27% vs. -7.7%) ; while production in the **energy** sector regressed but at a slower pace than a year earlier (-2.6% vs. -8.1%).

In 2010, **the general index of industrial production** rose by 7.8% compared to 4.5% drop in the previous year, following a substantial recovery in **manufacturing industries'** production (9.3% vs. -6% a year earlier) as well as that in the **mining** sector (15.4% vs. -2.8%) ; while production posted a virtual standstill in the sector of **energy** (0.6% vs. 1.7% a year before).

Progress in **manufacturing industries' production** concerned all the sectors, in particular mechanical and electrical industries (25.2% vs. -8.3% in 2009) and chemical industries (6.9% vs. 2.3%) that benefitted from external demand recovery. Similarly, production in textile, clothing, leather and footwear sector went up by 4.2% compared to 14.8% drop a year before.

As for **foreign trade, exports in manufacturing industries other than food** posted a net recovery in 2010 (22.1% vs. -13.4% in the previous year), notably mechanical and electrical industries (34.5% vs. -3.7%) which consolidated their position as the first exporting sector with a share going beyond 42% of overall industrial exports, compared to 37% in 2009. Similarly, exports in chemical industries recovered (23.1% vs. -43% a year earlier), mainly in the wake of recovery in phosphate by-products exports and increasing prices on the world market. Exports in the textile and clothing sector grew by 6.8% vs. 8.7% drop in 2009, in line with progressive recovery in this sector's activity.

In the same way, **imports of raw materials and semi-finished products** increased substantially in 2010 : 26% vs. 21% regression in the previous year.

As for **foreign trade in energy**, exports progressed by 25.6% in 2010 compared to -35.3% a year earlier, following an increase in sales of crude oil (up by 42.3% and some 1% in quantity). Imports rose at a faster pace than in 2009 (36.1% vs. -43.2%), notably, for oil products (24.1% in quantity and 79.3% in value), in line with an increase in prices on the world market and suspension of activity in Bizerte refinery. Thus, **trade balance in energy** posted a deficit of some 484 MTD compared to a deficit of 152 MTD a year earlier.

3) TOURISM

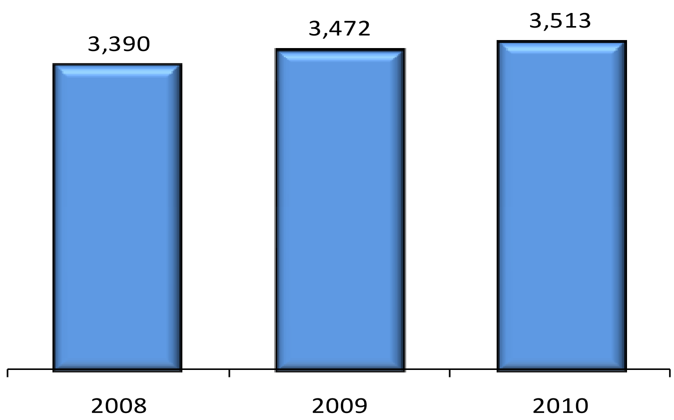
The number of foreign tourists in 2010 posted a stagnation after 2.1% drop in the previous year, coming to 6.9 million tourists. This situation was led by a regression in Maghreb flows (-2.4% vs. 7.9% in 2009), notably the Libyans (-8.5% vs. 12.9%) ; while the number of European tourists increased (1.9% vs. 8.8% drop a year earlier) in line, mainly, with a significant increase in the British, the Scandinavian, the Russian and the Turkish tourists flows.

On the other hand, **overall tourist bednights** increased by 4.3% in 2010 vs. 9.2% drop a year earlier, coming to 36.2 million units. This progress concerned, notably, Tunis-Carthage (17%), Tabarka-Aïn Draham (10.2%) and Yasmine-Hammamet (8.5%) zones.

The occupancy rate of used logging capacity, came to 50.3% and varied between 17.5% in Gabes and 60.3% in Jerba-Zarzis.

Tourist receipts in foreign currency increased by 1.2% in 2010 (-1.2% without the exchange effect) compared to 2.4% progress in the previous year, to reach 3,513 MTD, representing some 10% of current receipts of the balance of payments compared to 11.6% in 2009.

TREND IN TOURIST RECEIPTS IN FOREIGN CURRENCY (IN MTD)



4) AIR TRANSPORT

Passengers' air transport increased by 5.5% in 2010 after a regression of 5.4% in the previous year, coming to 11.2 million passengers. This trend concerned **international lines** (5.4% vs. a commensurate drop in 2009), notably, regular flights (12.2%) as well as **domestic lines** (9.8% vs. -4.9%).

By **airport**, and excluding that of Monastir, passengers air traffic increased in all the airports, mainly Tunis-Carthage (8.8%), Tozeur (15.8%) and Sfax (16.1%).

5) TREND IN PRICES

The general index of household consumer prices (base 100 in 2005) increased by 0.4% in December 2010 (the same rate posted in December 2009) compared to 0.5% in the previous month. This increase is, mainly, led by higher prices in restaurants and hotels (2.2%), telecommunications (2.1%), transport (1.1%)

and to a lesser degree clothing and footwear (0.8%) and housing and domestic energy (0.5%). However, prices for foodstuff and beverages regressed slightly (-0.1%).

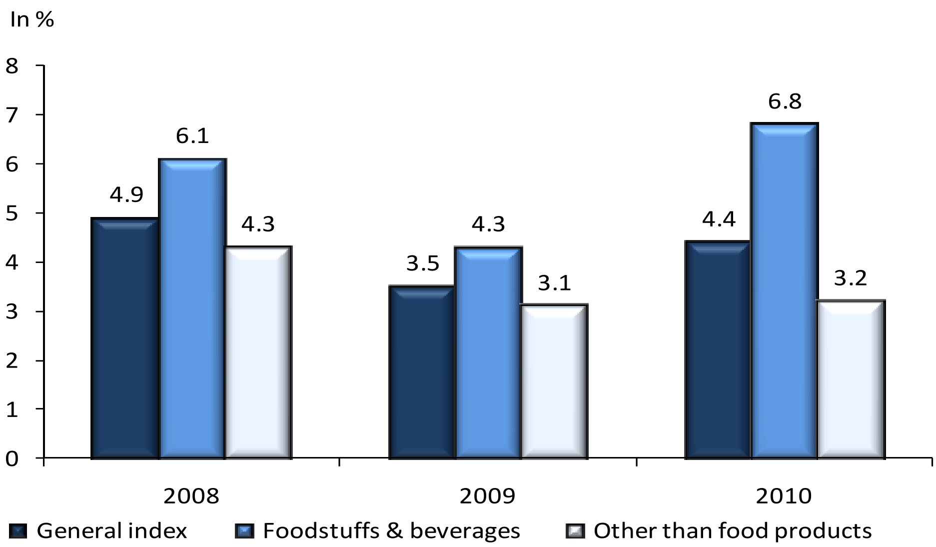
In terms of annual shift, the increase in the general index of prices was maintained, in December 2010 and for the fourth month in a row at 4% vs. 4.1% in December 2009. Price deceleration for foodstuff and beverages (4.9% vs. 7% a year earlier), tobacco (1.5% vs. 13.2%) and education (1.7% vs. 6.2%) contrasted with faster progress pace in the prices of clothing and footwear (4.7% vs. 1.2%), housing and domestic energy (4.3% vs. 1.9%), transport (4.3% vs. 2.3%) and restaurant and hotels (6.9% vs. 6.2%).

In terms of monthly averages, the inflation rate came to 4.4% in 2010 vs. 3.5% in 2009. It is mainly attributable to substantial increase in the prices of foodstuff and beverages (6.8% vs. 4.3% a year earlier), notably, sugar and candy (16.5% vs. 11.6%), fruits and dry-fruits (10.7% vs. 2.7%), meat (9.1% vs. 6.8%), edible oils (8% vs. -8.9%) and fish (7.6% vs. 5.3%), as well as restaurant and hotel prices (6.3% vs. 5.9%) and education (5.7% vs. 1.8%). To this is added the increase in transport (3.7% vs. 3% a year before), clothing and footwear prices (3.8% vs. 2.1%) as well as housing and domestic energy prices (3.4% vs. 2.8%).

Excluding foodstuff and beverages, the inflation rate posted a virtual stagnation in 2010 (3.2% vs. 3.1% a year earlier). **Excluding foodstuff/beverages and energy** price rise came to 3.3% vs. 3.4% in 2009.

By regime of price fixing, freely-set product prices grew at a faster pace in 2010, 5.1% in average compared to 4.1% in the previous year, a trend that concerned, notably, foodstuff and beverages (7% vs. 4.5%). Similarly, prices for **controlled products** grew at a faster pace than the previous year (3% vs. 2.5%), mainly in line with an increase in the prices of foodstuff and beverages (5.8% vs. 3.6%).

TREND IN INFLATION
(Price index base 100 in 2005)



Overall, the average level of inflation was in 2010 in compliance with updated forecasts in the framework of the 2011 economic Budget (4.5%). Yet, it was higher than in the previous year (3.5%). This is attributable, mainly, to an increase in the world prices of imported products, mainly foodstuff and energy, further to the impact of fluctuations of the exchange rate and particularly, appreciation of the euro against the dinar.

As for estimates for 2011, the economic budget forecasts accounted for an inflation rate of 3.5%, in considering the inherited inflation rate of 2% vs. 2.5% a year earlier.

FINANCIAL SYSTEM SITUATION

Less tightening in bank liquidity over the last quarter of 2010, faster progress pace in financing of the economy and slower progress pace in money supply M3 in 2010

I- BANK LIQUIDITY AND REFINANCING OF THE FINANCIAL SYSTEM[1]

1) BANK LIQUIDITY

Bank liquidity tightening that has marked the third quarter of 2010 was relatively lessened in the last quarter, influenced by the expansive effect exerted, notably, by net assets abroad.

At 10,256 MTD, **net assets abroad** firmed up by 85 MTD, in average, over the fourth quarter of 2010, notably, under the effect of an increase in net assets in foreign currency.

The 176 MTD increase in net assets in foreign currency is, mainly, attributable to encashment of receipts from drawings on external borrowings granted, notably, by the European Investment Bank EIB (300 MTD, of which 116 MTD for Tunisie Autoroutes, 73 MTD for STEG and 58 MTD for health Ministry), the African Development Bank ADB (210 MTD, of which 181 MTD in the framework of the integration support programme and 24 MTD for the Ministry of equipment, housing and regional fitting out), the international Bank for reconstruction and development IBRID (193 MTD, 180 MTD of which in the framework of the integration support programme) and the French Development Agency (67 MTD), along with a donation by the European Union worth 61 MTD. It should be noted that the above-mentioned borrowings (excluding those granted, notably, to Tunisie Autoroutes company and to STEG) had no impact on liquidity in so far as they were directly saved in Tunisian Government special account in foreign currency. Besides, the level of net assets in foreign currency would have been higher if it had not been for the importance of trade deficit and reimbursements with respect to external debt service.

However, **bills and coins in circulation** which came at 5,697 MTD, in average over the considered period, went up by 18 MTD, giving rise to a commensurate tightening in bank liquidity. Over the considered period, their level fluctuated between a minimum of 5,528 MTD and a maximum of 5,855 MTD, posted respectively on 20 October and 15 November. Worth of note that the last date corresponds to Aïd El Idha eve.

At -383 MTD in average over the fourth quarter of 2010, **the net balance of public administrations** dropped by 41 MTD from one quarter to the next, contributing to liquidity tightening. Its drop was, notably, led by 43 MTD increase in the balance of the Treasury current account, notably, in the wake of mobilizing of significant tax revenues which was combined with encashment of a donation by the European Union for 18 million euro or 34 MTD, in the framework of the integration support programme and collection of income from gas royalties (55 MTD) nonetheless lessened by significant expenditure, notably, transfers for certain businesses and public structures (1,441 MTD went, in particular, to social security funds, STIR, "Tunisie Autoroutes" company and STEG) which were combined with release of the first portion of the State subscription to capital increase of "Tunisie Autoroutes" (345 MTD)[2]. To this expenditure were added

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[1] Statistical data are presented in terms of quarterly averages.

[2] As per provisions of law n°2010-57 of 1st December 2010 published in JORT n°97 of 3 December 2010, the State was authorised to subscribe to capital increase of the Company Tunisie Autoroutes for 729 MTD, bringing thus the capital of this company to 999.5 MTD. The above-mentioned first portion was released in December 2010.

payments to honour external public debt (395 MTD) and domestic public debt maturities (107 MTD, of which 73 MTD in the form of short term Treasury bonds and 34 MTD in interest on bonds equivalent to Treasury bonds : BTA). Worth of note that no Treasury bond issue took place as of August 2010.

In considering trend in the main autonomous factors of bank liquidity, **monetary policy operations** yielded an average injection of 1,016 MTD in the fourth quarter of 2010 compared to 1,021 MTD in the previous quarter. Consequently, **assets in banks' current account** held at the Central Bank increased by 76 MTD, to reach 1,457 MTD.

TREND IN FACTORS OF BANK LIQUIDITY (Daily averages in MTD)

DESCRIPTION	3rd QUARTER 2010	4th QUARTER 2010	VARIATION 4th QUARTER 2010 / 3rd QUARTER 2010 (1)
BILLS & COINS IN CIRCULATION	**-5,679**	**-5,697**	**-18**
NET BALANCE OF PUBLIC ADMINISTRATION	**-342**	**-383**	**-41**
OF WHICH : TREASURY CURRENT ACCOUNT BALANCE	-782	-825	-43
NET ASSETS ABROAD	**10,171**	**10,256**	**+85**
OF WHICH : NET ASSETS IN FOREIGN CURRENCY	12,825	13,001	+176
OTHER NET FACTORS	**-3,790**	**-3,735**	**+55**
= (A) TOTAL AUTONOMOUS FACTORS	**360**	**441**	**+81**
CALLS FOR BIDS	1,020	961	-59
1 TO 7-DAY ALLOWANCE UPTAKE	0	0	0
PAWN OF 3-MONTH TREASURY BONDS	0	0	0
NET TAPPING OPERATIONS	0	0	0
OPEN MARKET OPERATIONS	26	26	0
PURCHASE AGREEMENT	0	0	0
24-HOUR DEPOSIT STANDING FACILITIES	-30	-9	+21
24-HOUR CREDIT STANDING FACILITIES	5	38	+33
= (B) TOTAL MONETARY POLICY OPERATIONS	**1,021**	**1,016**	**-5**
= (A)+(B) ASSETS IN BANKS' CURRENT ACCOUNTS	**1,381**	**1,457**	**+76**

(1) The (-) sign indicates a restrictive effect and the (+) sign indicates an expansive effect.

2) MONETARY POLICY OPERATIONS

The increase in surplus bank supply at a higher pace than the increase in deficit bank demand led to tighter bank needs for liquidity on the money market over the fourth quarter of 2010.

On the **interbank market**, transactions rose by 91 MTD to reach 752 MTD. Their trend led to a combined increase in forward transactions (up 65 MTD) and sight transactions (up 26 MTD). Worth of note in this respect that forward transactions continue to dominate with a share of 86% of total.

In the framework of its monetary policy operations, the issuing Institution focused its interventions over the considered period, mainly, on **positive call for bid operations** for amounts going between 563 MTD and 1,227 MTD and durations going from one to two weeks. Overall, an average amount of 961 MTD was injected under this form, over the fourth quarter of 2010, compared to 1,020 MTD a quarter before.

In the same way, banks had recourse to **24-hour credit standing facilities** for amounts going between 15 MTD and 286 MTD, corresponding to an average 38 MTD for the period under review.

Correlatively to fiscal withholdings, certain banks resorted, at the end of the month, to the issuing Institution to place their liquidity surplus through **24-hour deposit standing facilities** for amounts that went between 71 MTD and 258 MTD, an average of 9 MTD for the considered period.

As for **open market operations**, their outstanding balance was kept at 26 MTD throughout the quarter.

Day-to-day weighted interest rate on the money market fluctuated between 4.05% and 4.99%. Thus, the money market average rate (TMM) came at 4.62%, 4.80% and 4.87% respectively in October, November and December 2010.

The savings remuneration rate (TRE) stood at 2.50% in October and November before reaching 2.80% in December 2010 in line with an increase in TMM.

II- TREND IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS

Counterparts of financial system resources were in 2010 marked by notable acceleration in financing to the economy (19.2% vs. 10.3%) and a drop both in net claims on abroad (-5% vs. +17.8%) and on the State (-2.5% vs. +16.5%). These trends were reflected on M3 money supply which rose by 11.1% vs. 13% in 2009.

TREND IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS* (Figures at end of period in MTD)

DESCRIPTION	DECEMBER 2010	VARIATION IN %	
		DECEMBER 2009 / DECEMBER 2008	DECEMBER 2010 / DECEMBER 2009
M4 AGGREGATE	43,085	12.7	11.2
MONEY SUPPLY (M3)	42,857	13.0	11.1
MONEY SUPPLY (M2)	40,424	13.0	10.8
MONEY (M1)	15,781	15.1	10.6
QUASI-MONEY	24,643	11.7	10.8
M3 – M2	2,433	12.9	16.2
M4 – M3	228	-33.6	34.1
OTHER RESOURCES	15,625	11.6	14.3
TOTAL RESOURCES=TOTAL COUNTERPARTS	58,710	12.4	12.0
NET CLAIMS ABROAD**	9,149	1,455.0	-482.0
DOMESTIC LOANS	49,561	11.2	15.8
NET CLAIMS ON THE STATE**	6,567	953.0	-168.0
*OF WHICH : - TREASURY BONDS***	2,445	488.0	-111.0
*- TREASURY CURRENT ACCOUNT***	605	-1.0	209.0
FINANCING TO THE ECONOMY	42,994	10.3	19.2

** Provisional data for 2010.*
*** For these aggregates, variations are expressed in MTD.*

In terms of monthly averages, the progress pace of this aggregate, which is higher than that of GDP in current prices remained almost stable, rosing by 12.4% in 2010 vs. 12.5% a year earlier. This compares to economic growth rates of 7.9% (estimated) and 6.3% respectively. Consequently, the liquidity rate of the economy went from 62% to 64.6% from one year to the next.

1) M2 MONEY SUPPLY

In 2010, this aggregate posted a slower progress pace (10.8% vs. 13%) reflecting that of quasi-money and available money.

Trend of the latter (10.6% vs. 15.1%) is explained by slower growth rate in fiduciary money (9.5% or 476 MTD vs. 13.9% or 610 MTD) and bank money (11.2% or 1,039 MTD vs. 15.8% or 1,263 MTD) in line, mainly, with a slower progress pace in the outstanding balance of sight deposits at banks (13.9% or 1,143 MTD vs. 17.8% or 1,244 MTD). Worth of note that the latter posted its highest variation in July 2010 (+601 MTD) following deposits of certain businesses of which, notably, the Tunisian company of oil activities (ETAP).

Bills and coins in circulation, the main component of fiduciary money posted uneven trend in 2010, influenced by the seasonal feature, posting a deceleration of 9.7% or 514 MTD vs. 13.7% or 635 MTD a year earlier. Significant variations of this aggregate were recorded in June (+118 MTD) and July (+256 MTD) following high level of expenditure in summer and in November and December, reflecting faster pace of household expenditure in Aïd El Idha and new year holidays.

Quasi-money posted a slower progress pace in 2010 (10.8% vs. 11.7%) reflecting to different degrees that of the outstanding balance of certificates of deposit (4.7% or 81 MTD vs. 29.7% or 396 MTD) and the outstanding balance of deposits in the special savings accounts (11.3% or 819 MTD vs. 13.7% or 870 MTD) ; while forward deposits and other financial products went rather up (10.4% or 956 MTD vs. 6.5% or 565 MTD). This trend is, probably, attributable to modest opportunities for investment in Treasury bonds over 2010, notably, following absence of issues of these bonds as of September.

Worth of note that quasi-money posted an ongoing increase as of the beginning of the year, except in March and May, during which their outstanding balance dropped in the wake of lower outstanding balance of certificates of deposits as well as forward deposits and other financial products. Drop in quasi-money (-50 MTD) posted in December 2010 is partially attributable to a drop in the outstanding balance of certificates of deposit (-254 MTD) after those subscribed by social security funds and some companies operating in the telecommunications fell due. Their extent was offset by an increase in deposits in special savings accounts (+155 MTD).

2) «M3–M2» AGGREGATE

Firming up of the progress pace of this aggregate (16.2% vs. 12.9%) in 2010 is attributable, mainly, to an increase in the outstanding balance of bonds and borrowings of more than one year (37.7% or 330 MTD vs. 29.2% or 198 MTD). This trend reflects the importance of subscriptions to debenture loans which reached 540 MTD compared to the amount of bonds coming due (210 MTD).

Bond issues over the considered period concerned the Société Tunisienne de banque - STB (100 MTD), Arab Tunisian Lease - ATL (75 MTD and 35 MTD in July and December respectively), the Compagnie Internationale de Leasing - CIL (60 MTD, in two equal portions in July and October), Hannibal Lease - HL (60 MTD in two equal portions in July and November), the Banque Tuniso-Koweitienne -BTK (50 MTD), the Banque de Tunisie et des Emirats - BTE (50 MTD), Attijari Leasing (30 MTD) and Arab International Lease - AIL (15 MTD). These borrowings were subscribed to at variable interest rates : money market average rate (TMM) plus a margin going from 0.5% to 1% and at fixed interest rates varying between a minimum of 5.125% and a maximum of 5.85%, corresponding maturities were between 5 and 20 years.

3) NET CLAIMS ABROAD

After an increase of 1,455 MTD in 2009, net claims abroad regressed in 2010 by 482 MTD, reflecting, mainly, tighter net assets in foreign currency (-350 MTD) which totalled 13,003 MTD, corresponding to 147 days of import compared to 13,353 MTD and 186 days respectively a year earlier.

Drop in net assets in foreign currency in 2010 is only attributable to wider current deficit, notably, the trade deficit, the extent of which was lessened by drawings on external borrowings, particularly, those granted by the African Development bank - ADB (549 MTD, 181 MTD of which granted in December in the framework of the integration support programme), the European Investment Bank - EIB (476 MTD) and the International Bank for Reconstruction and Development - IBRD (232 MTD, of which 180 MTD in December in the framework of integration support programme). These resources went, mainly, to certain public enterprises like STEG, ETAP, SNCFT and Tunisie Autoroutes.

4) NET CLAIMS ON THE STATE

State indebtedness vis-à-vis the financial system dropped in 2010 by 168 MTD compared to 953 MTD increase a year before due, mainly, to a drop in the outstanding balance of Treasury bonds in bank portfolio (-111 MTD vs. +488 MTD) and the increase in the balance of the Treasury current account (+209 MTD).

Treasury bond issues totalled 634 MTD at the end of 2010, while the amount of reimbursement in this respect came to 948 MTD, a negative balance of net subscriptions worth 314 MTD vs. 1,036 MTD, 846 MTD and +190 MTD respectively in 2009. It should be noted that the State did not issue any Treasury bonds in the last four months of 2010 in line with core resources that it holds, allowing it to meet its needs.

Worth of note that the balance of the Treasury current account, though its level in December changed notably, posted an uneven trend throughout the considered period, reaching its lowest levels in February and April (25 MTD and 85 MTD following, mainly, reimbursement of domestic debt service and transfers for certain public enterprises. A maximum level of 936 MTD was reached in March, resulting from mobilization of significant tax revenues.

5) FINANCING TO THE ECONOMY

The sharp acceleration in financial system financing to the economy in 2010 (19.2% or 6,934 MTD vs. 10.3% or 3,371 MTD) reflects that of the outstanding balance of loans on ordinary resources (20.6% vs. 11%), while the outstanding balance of loans on special resources pursued its drop at a less sustained pace than that of the previous year (-1% vs. -3.3%).

As per statistics of the risk Base and the file of loans to private individuals and excluding approval and guarantee, the increase in loans granted over the first eleven months of 2010 went to the sector of services (+2,685 MTD vs. +1,763 MTD) and to private individuals (+1,651 MTD vs. 1,365 MTD) followed by the sector of industry (+1,512 MTD vs. +202 MTD) and agriculture and fishing (+113 MTD vs. +49 MTD).

CAPITAL MARKET

Downward trend in stock indexes and drop in the volume of funds raised through public call for savings and transactions on the stock quotation

The main events that marked the last quarter of 2010 were as follows :

- Drop of TUNINDEX along with decrease of issues on the main market and transactions on the secondary market in the wake of disclosure of taxation of gains on stock transfer and outbreak of the last events in the country ;

- Listing, as of 1st December 2010 of shares of "Modern Leasing" company on the main market of the stock quotation, at 8.5 dinars the share, bringing thus the number of listed companies to 56 at end 2010 ;

- Capital Market Council (CMF) authorisation for merger through absorption of UBCI (Banking Union for Commerce and Industry) of four of its affiliates ;

- CMF total prohibition of "SICOFI" company and its general manager from any activity tied to stock brokerage for three and six months respectively in the wake of failure to respect legal and regulatory provisions relative to internal organization, treatment of stock exchange orders as well as keeping and administering stock accounts ;

- CMF approval for the creation of seven mutual investment funds (FCP) of a mixed type and three spin-up funds relative to "TUNISAIR", "Ciment de Bizerte" and "EL FOULADH" and start up of public subscriptions to four FCP, one of which of a bond type and in venture capital mutual investment fund "FCPR GCT III".

I - PRIMARY MARKET

Absence of State issues has marked the primary market over the last quarter of 2010 compared to 122 MTD in drawings a quarter before ; and this in line with an average monthly balance of the Treasury current account that amounted to 825 MTD in the last quarter of 2010 (compared to 609 MTD in the first nine months of 2010).

Consequently, public issues in 2010 were limited to 635 MTD : 42.3% of the provisional annual amount compared to 1,036 MTD and 54.5% in 2009 respectively.

STATE ISSUES (In MTD)

DESCRIPTION	YEAR 2009	3RD QUARTER 2010	4TH QUARTER 2010	YEAR 2010
BTA*	783	102	0	469
BTCT**	253	20	0	166
TOTAL	**1.036**	**122**	**0**	**635**

** Bonds equivalent to Treasury bonds.*
*** Short term Treasury bonds.*

Funds raised by companies through public call for savings regressed from 277 MTD to 233 MTD from one quarter to the next due to a drop in bond issues non-offset by firming up of core funds of companies. Thus, bank contribution to financing of private investment remains dominant with a 19.3% progress in 2010.

Bond issues posted a 45.3% drop, to reach 145 MTD relative to five borrowings initiated by leasing companies for durations varying between 5 and 7 years and at rates varying between 5.375% and money market average rate (TMM +1%). Worth of note that CMF gave its visa to four other bond issues for an accumulated amount of 110 MTD (of which a subordinated borrowing worth 20 MTD), and that were not closed up in 2010.

Capital securities issues posted a net increase from 12 MTD to 88 MTD from one quarter to the next. These issues concerned capital increase operations for SODINO SICAR, Modern Leasing in the framework of its introduction on the stock market and ATB, dictated by a concern for conformity to prudential norms in the wake of adoption of new trades tied to financial technology as well as extension of the bank network and its market share.

Capital market contribution to private investment financing came to 11.3% or 989 MTD at end 2010 compared to 12.1% in 2009.

CORPORATE ISSUES THROUGH PUBLIC CALL FOR SAVINGS (In MTD unless otherwise indicated)

DESCRIPTION	YEAR 2009	3RD QUARTER 2010	4TH QUARTER 2010	YEAR 2010
Capital securities	301	12	88	289
Claim securities	675	265	145	700
Total amount of raised funds	**976**	**277**	**233**	**989**
Capital market contribution to financing private investment (in %)	12.1	-	-	11.3

Institutional savings was enriched with 9 mutual funds investing in securities (OPCVM), coming to 97 units at end December 2010. Assets managed by these structures totalled 5,107 MTD at end 2010, 4,521 MTD or 88.5% of which held by bond units. OPCVMs yield dropped from 5.1% in 2009 to 4.4% in 2010, in the wake of a drop in yield by mixed units (10% in 2010 vs. 14.1% in 2009).

OPCVM ACTIVITY (In MTD unless otherwise indicated)

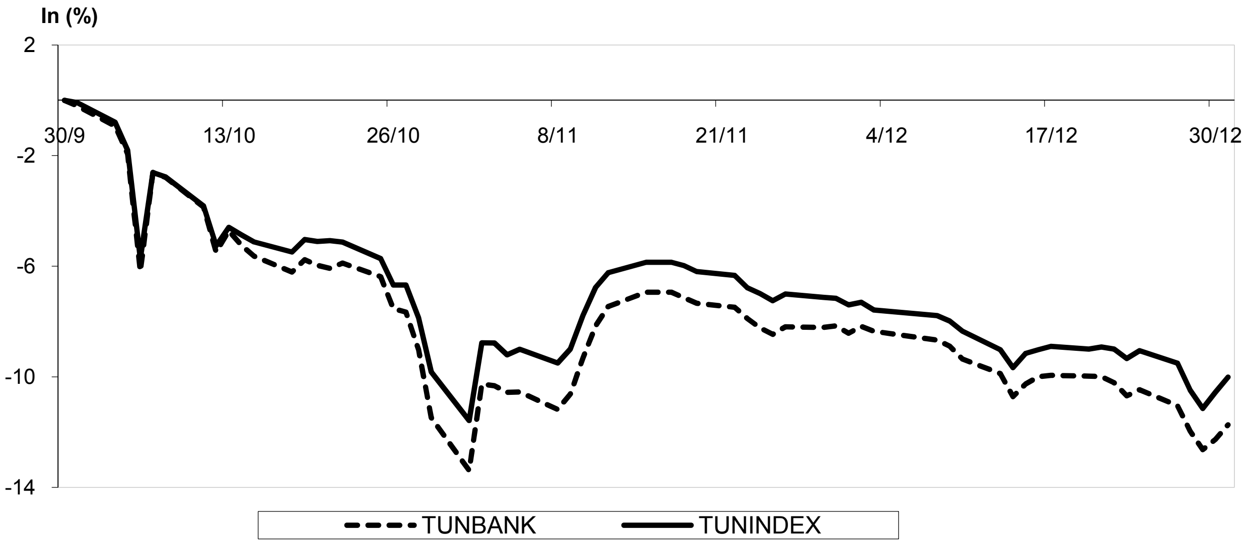
DESCRIPTION	DECEMBER 2009	SEPTEMBER 2010	DECEMBER 2010
Number of operating units	88	94	97
Net assets	4,383	5,246	5,107

II - SECONDARY MARKET

The fourth quarter of 2010 was marked by a drop in transactions on the secondary market along with a 10% drop in TUNINDEX, corresponding to an annual yield of 19.1% compared to 48.4% a year earlier. Taxation of gains on transfer of listed shares was the reason behind trend on this market.

Concurrently, sector-related indexes posted negative yields, over the fourth quarter of 2010, that varied between -2.1% for “Matériaux de base” index and -13.4% for “Automobiles et équipementiers” index with a 11.7% drop for “TUNBANK” index.

TREND IN TUNINDEX AND TUNBANK INDEXES (TUNINDEX and TUNBANK)



Annual yields in sector-related indexes was positive except for “Service aux consommateurs” index (-0.01% vs. +60.8% in 2009) due to a drop in “TUNISAIR” share (-18.9%). These positive yields varied between 3.2% for “Distribution” index and 38.6% for “Services financiers” index with 19.6% increase in “TUNBANK” index, compared to 49.7% in 2009.

Capital trading on the stock quotation dropped by 10.2% from one quarter to the next, coming to 717 MTD (676 MTD of which on capital securities) over the last quarter of 2010.

Yet dynamic activity has characterised this market over the first three quarters of 2010, bringing annual transactions up by 49% to 2,702 MTD, 2,626 MTD of which on capital securities with an average volume of daily transactions on shares worth 10.5 MTD and a rotation rate of 17.2% in 2010 (compared to 6.9 MTD and 14% respectively in 2009). This dynamic activity is mainly attributable to investors enthusiasm for newly introduced shares and for certain financial shares which accounted for almost 50% of the global volume of transactions.

TREND IN THE VOLUME OF TRANSACTIONS (In MTD)

DESCRIPTION	YEAR 2009	3RD QUARTER 2010	4TH QUARTER 2010	YEAR 2010
Global volume of transactions	**3,324**	**1,030**	**997**	**3,837**
Stock quotation	1,814	798	717	2,702
Off list	40	7	36	48
Registry operations	1,470	225	244	1,087

Financial performance of listed shares was over the last quarter of 2010 influenced by the new fiscal measure relative to taxation of gains on stock transfer. Negative yields concerned 43 shares varying between -0.2% (placement de Tunisie SICAF) and -26.4% (SOPAT). “Modern Leasing”, the newly introduced share recorded the highest increase for the year (up by 40.8%).

However, positive annual yields in 2010 concerned 42 shares among 56 listed ones, 17 shares of which of lending institutions which account for almost 52% of stock capitalisation. These yields varied between 1.1% (Placement de Tunisie SICAF) and 136.5% (SERVICOM).

This upward tendency on the market, along with five new stock introductions and four listed companies' capital increase transactions boosted stock capitalisation by 25% to reach 15,282 MTD, 24.1% of GDP at end 2010 compared to 20.8% at end 2009. The share of floating stock capitalisation in overall capitalisation was maintained at its level posted a year earlier (27.5%).

The share of foreign investors in stock capitalisation amounted to 20.16% at end December 2010 compared to 19.97% a quarter before, in the wake of return of these investors to the Tunisian market with an amount worth 22 MTD on the stock quotation (71 MTD in acquisitions compared to 49 MTD in transfers).

This share was however down compared to its level in 2009 (20.16% vs. 21.92% in 2009), attributable mainly to transfers on BIAT shares held by foreign shareholders for the Tunisian majority shareholder in the framework of restructuring capital of this bank.

TREND IN STOCK INDICATORS

DESCRIPTION	DECEMBER 2009	SEPTEMBER 2010	DECEMBER 2010
TUNINDEX in points (base 1,000 on 31/12/1997)	4,291.72	5,681.39	5,112.52
Stock capitalisation (in MTD)	12,227	16,862	15,282
Stock capitalisation / GDP (in %)	22.9	26.6	24.1
Average price earning ratio	19	19.3	15.6
Number of listed companies (in units)	52	55	56
Monthly liquidity rate (in %)	44	66	65
Foreign investment rate (in %)	21.92	19.97	20.16

EXTERNAL PAYMENTS

Deficit of the general balance of payments in the wake of wider current deficit and lower net capital flows

The general balance of payments yielded in 2010 a 274 MTD deficit compared to 2,204 MTD surplus in 2009.

Current deficit widening by 1,372 MTD to 3,038 MTD was in effect combined with 1,017 MTD drop in the surplus balance of financial operations and in capital, coming in at 2,764 MTD.

I - BALANCE OF CURRENT TRANSACTIONS

The balance of current transactions posted a deficit of 3,038 MTD, corresponding to 4.8% of GDP compared to 1,666 MTD and 2.8% a year earlier.

This widening is attributable to an increase in the trade deficit, which expressed FOB-FOB, totalled 6,548 MTD vs. 4,994 MTD in 2009. However, the surplus balance of services improved by 84 MTD, to reach 3,493 MTD. Concurrently, the deficit balance of factor income reduced 106 MTD, to reach 287 MTD.

TREND IN THE MAIN BALANCES OF THE BALANCE OF PAYMENTS (In MTD)

DESCRIPTION	2008	2009	2010*
A-CURRENT PAYMENTS	**-2,109**	**-1,666**	**-3,038**
- MERCHANDISES (FOB)	-4,941	-4,994	-6,548
- SERVICES	+3,257	+3,409	+3,493
- FACTOR INCOME	-675	-393	-287
- CURRENT TRANSFERS	+250	+312	+304
B - FINANCIAL OPERATIONS AND IN CAPITAL	**+4,022**	**+3,781**	**+2,764**
- OPERATIONS IN CAPITAL	+97	+222	+154
- FOREIGN INVESTMENT (DIRECT AND IN PORTFOLIO)	+3,156	+1,940	+1,939
- OTHER INVESTMENT [1]	+769	+1,619	+671
C-ADJUSTMENT OPERATIONS (NET FLOWS)	**+140**	**+89**	**-**
GENERAL BALANCE	**+2,053**	**+2,204**	**-274**

* Provisional figures.

1. This involves financial operations relative to medium and long term loan-borrowing capital, to short term assets and liabilities as well as SDR allocations.

A. BALANCE OF TRADE

Expressed FOB-CIF, le deficit in the balance of trade came to 8,298 MTD in 2010, a widening of 1,890 MTD compared to that recorded in 2009. Correlatively, the rate of coverage dropped by 1.3 percentage point, to reach 73.9% in the wake of import rise at a faster pace than exports.

As for imports, they were up by 23% to reach 31,817 MTD, an increase that concerned the value of purchase of all groups of products. Exports progressed by 20.8%, to reach 23,519 MTD.

Trends in the balance of trade by groups of products are as follows :

- The deficit balance of raw materials and semi-finished products widened 601 MTD, to reach 3,214 MTD. Yet, the rate of coverage improved by 0.7 percentage point, to reach 68.4% and this following an increase in exports at a faster pace than imports : 27.4% and 26% respectively, to reach 6,966 MTD and 10,180 MTD.

- The food balance posted a deficit of 557 MTD in 2010 compared to 38 MTD surplus in 2009. This deterioration is due to import increase by 38.6%, to reach 2,209 MTD while exports rose by just 1.2%, coming to 1,651 MTD. Correlatively, the rate of coverage went down from 102.4% to 74.8% from one year to the next.

- The balance of capital goods posted 4,336 MTD deficit in 2010 compared to 3,956 MTD in 2009. Yet, the rate of coverage improved by 4.4 percentage points, to reach 44.3% and this following an increase in exports at a faster pace than imports : 30.9% and 18.1% respectively, amounting to 3,442 MTD and 7,779 MTD. In particular, sales of mechanical and electrical industries rose by 34.5% while purchases rose by 22.5%.

- The deficit of the balance of energy was widened by 332 MTD, to reach 484 MTD in 2010. This widening is attributable to import progress by 36.1%, to reach 3,797 MTD and this following an increase in the prices and quantities of imported refined products, up by 44.5% and 24.1% respectively. Exports progressed by 25.6%, to reach 3,314 MTD due to an increase in prices. The rate of coverage regressed consequently by 7.3 percentage points, to reach 87.3%.

- The surplus balance of consumer goods improved by 19 MTD, to reach 294 MTD and this despite import rise at a faster pace than exports : 15% and 14.7% respectively, totalling 7,852 MTD and 8,146 MTD. Consequently, the rate of coverage regressed to 103.7% in 2010 compared to 104% in 2009.

B. BALANCE OF SERVICES AND FACTOR INCOME

1) BALANCE OF SERVICES

The surplus balance of services improved by 84 MTD compared to that recorded in 2009, coming to 3,493 MTD. Flows going to tourism, the main component of service receipts, went up by 1.2% to reach 3,513 MTD in 2010 vs. 3,472 MTD a year earlier ; and this correlatively with 4.3% increase in overall bednights while non-resident entries posted a virtual stagnation.

2) BALANCE OF FACTOR INCOME

The deficit balance of factor income was reduced by 106 MTD, from 393 MTD to 287 MTD from one year to the next. This tightening is attributable to 9.5% increase in flows with respect to work remittances coming to 2,904 MTD while expenditure tied to capital income rose by 5.4%, to reach 3,305 MTD, of which 835 MTD to reimburse medium and long term debt interest.

II - BALANCE OF FINANCIAL OPERATIONS AND IN CAPITAL

The balance of financial operations and in capital posted a surplus of 2,764 MTD in 2010 vs. 3,781 MTD in 2009.

The main trends were as follows :

- The surplus balance of other investment regressed by 948 MTD, to reach 671 MTD in 2010. Worth of note that in 2009, Tunisia received an SDR allocation from the IMF for a total value of 496 MTD, the equivalent of 238.5 million in SDRS.

- The surplus balance of foreign investment maintained almost its level of 2009 (1,939 MTD). Tightening in the surplus balance of foreign direct investment by 84 MTD, to 1,976 MTD was offset by a commensurate lightening in the deficit of the balance of portfolio investment. Foreign direct investment flows dropped by 5% to 2,173 MTD while portfolio investment receipts rose by 174 MTD, to reach 253 MTD.

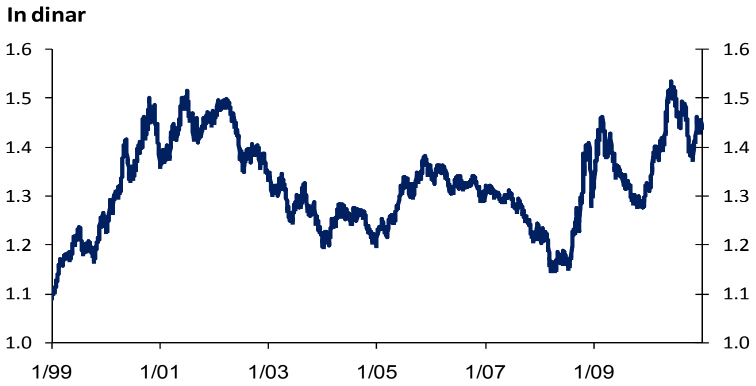
TREND IN THE DINAR EXCHANGE RATE AND FOREIGN EXCHANGE MARKET ACTIVITY IN 2010

Depreciation of the Tunisian dinar against the US dollar and the euro

I - TREND IN THE DINAR EXCHANGE RATE

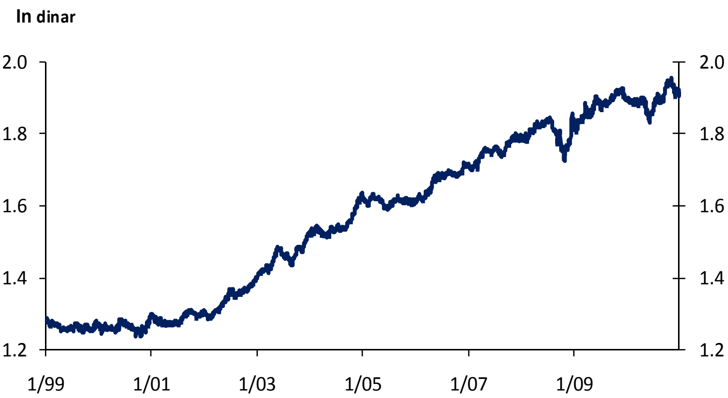
At end 2010 and compared to end 2009, the dinar exchange rate on the interbank market dropped by 19.4% against the Japanese yen, by 8.4% compared to the US dollar, by 2.3% against the Moroccan dirham and posted a virtual stability against the euro (-1.2%).

TREND IN THE EXCHANGE RATE USD/TND



The same trend was observed for average rates in 2010 compared to 2009. In effect, the dinar exchange rate posted a depreciation of 11.3% against the Japanese yen and 5.8% against the US dollar. Compared to the Moroccan dirham and the euro, minimum drops of -1.4% and -1% were recorded respectively.

TREND IN THE EXCHANGE RATE EUR/TND



II - TREND IN FOREIGN EXCHANGE MARKET ACTIVITY

A. SPOT MARKET

Transactions on the spot exchange market came to 55,044 MTD in 2010 compared to 39,497 MTD in 2009, up by 39%.

TREND IN SPOT EXCHANGE TRANSACTIONS (In MTD)

DESCRIPTION	2009	2010	VARIATION IN MTD
CURRENCY AGAINST CURRENCY TRANSACTIONS	23,722	35,250	+ 11,528
CURRENCY AGAINST DINAR TRANSACTIONS	15,775	19,794	+ 4,019
TOTAL	**39,497**	**55,044**	**+ 15,547**

1) CURRENCY / DINAR TRANSACTIONS

Currency/dinar transactions on the foreign exchange market in 2010 totalled 19,794 MTD vs. 15,775 MTD in 2009, up by 26%.

Currency/dinar transactions accounted for 36% of overall spot exchange operations compared to 40% in 2009.

The share of interbank exchange came to 78% in 2010 compared to 22% for the Central Bank.

Intervention of the Central Bank reached 4,319 MTD vs. 1,904 MTD in 2009. Similarly, transactions on the interbank market went up by 12%.

TREND IN SPOT EXCHANGE TRANSACTIONS OF CURRENCY AGAINST DINAR (In MTD)

DESCRIPTION	2009	2010	VARIATION IN MTD
TRANSACTIONS WITH THE CENTRAL BANK OF TUNISIA	1,904	4,319	+ 2,415
INTERBANK MARKET	13,871	15,475	+ 1,604
TOTAL	**15,775**	**19,794**	**+ 4,019**

2) CURRENCY / CURRENCY TRANSACTIONS

The volume of these transactions totalled 35,250 MTD in 2010 compared to 23,722 MTD in 2009, posting a growth rate of 49%.

TREND IN SPOT EXCHANGE TRANSACTIONS FROM ONE FOREIGN CURRENCY TO ANOTHER (In MTD)

DESCRIPTION	2009	2010	VARIATION IN MTD
INTERBANK MARKET	1,062	2,945	+1,883
TRANSACTIONS WITH FOREIGN CORRESPONDENTS	22,660	32,305	+ 9,645
TOTAL	**23,722**	**35,250**	**+ 11,528**

The share of these transactions in overall spot exchange transactions was 64%. Transactions with foreign correspondents accounted for 92% of the global volume of foreign exchange.

B. FORWARD MARKET

The volume of forward market transactions totalled 6,615 MTD in 2010 compared to 4,469 MTD in 2009, up by 48%. The share of transactions in import coverage in the volume carried between banks and businesses came to 74% vs. 26% for that of export coverage.

Operations relative to coverage against foreign exchange risk incurred by importers were mainly denominated in US dollar (51%) and in euro (47%).

As for transactions relative to coverage against the exchange risk in exports, the share of operations denominated in euro totalled 57% compared to 41% for the US dollar.

TREND IN FORWARD EXCHANGE TRANSACTIONS (In MTD)

DESCRIPTION	2009	2010	VARIATION IN MTD
BETWEEN BANKS & BUSINESSES	4,387	6,358	+ 1,971
INTERBANK MARKET	82	257	+ 175
TOTAL	**4,469**	**6,615**	**+ 2,146**

III - SWAP EXCHANGE TRANSACTIONS

The volume of swap exchange transactions went from 822 MTD in 2009 to 630 MTD in 2010, down by 23%.

OVERALL TRANSACTIONS CONCERNING FOREIGN CURRENCY/DINAR SWAPS (In MTD)

DESCRIPTION	2009	2010*	VARIATION IN MTD
INTERBANK MARKET	59	325	+266
WITH FOREIGN CORRESPONDENTS	387	277	-110
WITH BUSINESSES	376	28	-348
TOTAL	**822**	**630**	**-192**

* Provisional figures.

NEW REGULATING PROVISIONS

I – MODIFYING THE RESERVE REQUIREMENT CONDITIONS

Thanks to easing of inflationary pressure, and facing an ongoing tightening of bank liquidity as of early 2011, requiring massive intervention by the Central Bank of Tunisia (BCT) to inject liquidity on the money market, it has been decided to review downward the reserve requirement rate to provide the necessary financing to the economy.

This decrease, in effect as of 1st March 2011, consisted in fixing the rate of this reserve to 10%, compared to 12.5% earlier, on the outstanding balance of sight deposits, other sums owed to the customer, certificates of deposits with an initial duration of less than 3 months and failure to respect the liquidity ratio over the considered month ; and to 1%, compared to 1.5%, on the outstanding balance of certificates of deposits, forward accounts, cash vouchers and other financial products with an initial duration that is equal to or higher than 3 months but less than 24 months. Consequently, remuneration of the additional deposits constituted with respect to 2.5% increase of the reserve requirement rate that was decided in April 2010 is no longer in effect.

Worth of note that the 1% rate applied on the outstanding balance of special savings accounts and the 0% rate applied on the outstanding balance of all other deposits regardless of the form with an initial or contractual duration of 24 months or more were kept unchanged.

(Cf. Circular of the BCT to banks n°2011-02 of 2 March 2011)

II – CONJUNCTURAL MEASURES ENCOURAGING BUSINESSES TO PURSUE THEIR ACTIVITIES

A series of conjunctural measures encouraging businesses operating in the industrial sector and in certain service activities has been taken to help these businesses pursue their activities and contribute to boosting of the national economy, and this in the wake of prevailing conditions in the country as of mid January 2011.

Businesses enjoying these new measures are either those with the assets damaged by fire, pillaging, or vandalism actions, or those having posted a substantial slowdown or even having given up (partially or totally) their activities, affecting thus their turnover, their indebtedness and their relations with customers having direct connection with the exceptional conditions.

Relevant businesses benefit from the following measures :

1) State assumption of 50% of employer's contribution to the national legal regime of social security with respect to wages paid to workers concerned by the measure of working hours' reduction by 8 hours a week minimum in the wake of slower activity at these businesses.

Similarly, the State assumes the employer's contribution to the national legal regime of social security with respect to wages paid to workers put in technical unemployment by these businesses.

Worth of note that granting of this advantage tied to the first two measures is subject to two prior conditions :

- reduction of the working hours and the technical unemployment must be in compliance with provisions of articles 21 to 21-11 provided for in the working code ;

- the company benefiting from these advantages declares the workers' wages on the basis of the wage paid over the considered period, deducts and pays the portion of contribution assumed by the workers and the remaining portion from the employer's contribution.

Businesses benefiting from these measures, and that are subdued to corporate tax at 10% or 30% can depose their tax return due on businesses with respect to income or profit over 2010 without being obliged to pay the tax due in this respect. Thus, payment of this tax can be carried through a tax return deposed at the latest on 25 September 2011 without payment of late-payment penalties provided that a decision to give the advantages, given by the Minister relevant to the sector in which the business operates, is attached to the mentioned tax return and this after consulting the sector-related consultative Commission that will be created in this respect.

This deadline can be extended up to 25 March 2012 for businesses having totally given up their activity and having been unable to resume it before 1st July 2011.

2) Relevant businesses may enjoy assumption of the differential going up to 2 percentage points between the interest rate and the money market average rate (TMM) for loans granted by the lending institutions to these businesses.

This measure concerns rescheduling loan for portions that fell due or falling due between December 2010 and end 2011, on condition that rescheduling is not made over more that 5 years ; and loans to finance investment aiming to repair damages granted between December 2010 and end 2011.

3) A special mechanism was set up to guarantee loans granted by the lending institutions to affected businesses. This mechanism consists in guaranteeing rescheduling loans, investment loans to repair damages and short term loans granted in 2011. Management of this mechanism is entrusted to the Tunisian Guarantee Company (SOTUGAR) in compliance with a convention to be concluded with the Minister of finance.

The 31 December 2010 deadline provided for by article 45 of law n°2007-69 relative to economic initiative was extended by one year i.e. 31 December 2011.

Worth of note that these measures do not apply to businesses concerned by law n°95-34 of 17 April 1995 relative to recovery of businesses in economic difficulties.

(Cf. Law-decree n°2011-09 of 28 February 2011 published in JORT n°14 of 4 March 2011)

III – SETTING SCALES FOR COMPLEMENTARY LOANS FOR SEASONAL CROPS

As for 2010-2011 cereal campaign, the scale setting the amount of complementary loans for seasonal crops meant for supplementary fertilisation and anti-fungal treatment remained unchanged compared to its level two seasons before, at 99 dinars per hectare for irrigated cereals and dry land cereals in Zone I and 86 dinars per hectare for dry land cereals in Zone II. Reimbursement maturities were set at 31 August 2011.

(Cf. BCT note to banks n°2011-03 of 14 February 2011)

IV – HARMONIZATION OF THE LEGISLATION GOVERNING THE HIGH CONSULTATIVE COUNCIL

To better harmonize provisions governing the high consultative Council and to take into account, notably, the new legislation relative to youth parliament, new regulating provisions were set up to repeal nine former high consultative Councils and replace them by the creation of six others i.e. :

- The high development Council,
- The high employment promotion Council,
- The high scientific research and technological innovation Council,
- The high human resource promotion Council,
- The high social promotion and disabled people protection Council,
- The high environment protection and durable management of natural resource Council.

These Councils represent a space for study, dialogue and consulting about national policies and programmes relevant to the Councils competences and are charged also with follow up of their execution.

Meetings of these Councils are held at least once a year and if need be. They are presided over by the Prime minister who calls the members. The standing secretariat of each Council is attributed to one of the relevant ministries. This secretariat is charged, notably, with elaboration of the Council's meeting agenda draft, calling members, writing meeting minutes and following the decisions and recommendations of the Council.

Further to the government members, the representatives of professional structures and any other individual called by the President and whose presence in works is considered useful, the high consultative Councils include also the secretary general or the prime secretary of each political party represented in the Chamber of deputies and a representative from youth parliament on proposal of its president.

Similarly, the national committees in the specific sectors relevant to attributions of the Councils can be created if need be. Structure and attributions of these committees are set through bylaw of the Prime Minister on proposal of the Minister in charge of the standing secretariat of the Council.

(Cf. Decree n°2010-3080 of 1st December 2010 published in JORT n°98 of 7 December 2010)

V – EXTENDING THE LIST OF ACTIVITIES ELIGIBLE TO ADVANTAGES OF THE CODE ENHANCING INVESTMENT

In order to consolidate contribution of the services sector in economic development, it has been decided to extend the list relative to "other services" eligible to the advantages provided for by articles 1,2,3 and 27 of the code enhancing investment, to logistic services activities that include the operations tied to grouping, stocking and delivering goods, as well as any other activity related to transport, loading, unloading, packaging, assembling, quality control and customer follow up ; and this for businesses operating in sectors provided for by the code enhancing investment.

Besides, this list relative to other service activities was extended to services tied to using the freight central unit.

(Cf. Decree n°2010-2936 of 9 November 2010 published in JORT n°91 of 12 November 2010)

VI – CONDITIONS AND PROCEDURES RELATED TO GIVING CONCESSIONS AND CRITERIA FOR CLASSIFYING THOSE HAVING A NATIONAL INTEREST

In compliance with provisions of the law n°2008-23 relative to concessions regime, notably, its article 13, two decrees appeared in 2010, the first fixing conditions and procedures for giving concessions and the second defining criteria for classifying national-interest concessions.

1) CONDITIONS AND PROCEDURES FOR GIVING CONCESSION

It should be noted that non-discrimination between candidates, beneficiary autonomy, follow up of clear, detailed and objective procedures of all the steps for giving the concession and making general disclosure of feedback, explanation to all candidates of any observation and clarification required are so many rules to be respected with regard to granting the concession.

These concessions must be given after a call for competitiveness through bids published at least 30 days before the set deadline for reception of candidacy through the press and possibly any other tangible or intangible advertisement means.

Assignment for approval of the call for bid file is entrusted to a special commission in charge of elaboration of preliminary steps for granting the concession.

2) CRITERIA FOR CLASSIFYING NATIONAL-INTEREST CONCESSIONS

National-interest operations involve implementation of an activity or carrying out the projects that respond to national priorities and requirements for economic and social development as per objectives of the national development plans.

These concessions must meet a determined threshold (partly or fully), criteria like the amount of investment, employment capacity, the integration rate, the rate of use of sophisticated techniques and technologies, development of infrastructure and the level of exploiting natural resources and its repercussions.

Besides these criteria, concessions are recognized as national-interest ones by the Prime minister after opinion of the unit following up concessions created by decree n°2008-2965 of 8 September 2008.

(Cf. Decree n°2010-1753 of 19 July 2010 published in JORT n°59 of 23 July 2010 and Decree n°2010-3437 of 28 December 2010 published in JORT n°105 of 31 December 2010)

VII – MAIN MESURES TAKEN IN THE FRAMEWORK OF THE FINANCE LAW FOR 2011 FINANCIAL YEAR

The main measures taken in the framework of the finance law for 2011 financial year concerned, notably, boosting businesses' competitiveness and enhancing investment and employment concurrently with ongoing fiscal reforms.

1) RATIONALIZING EXEMPTION OF GAINS ON STOCK TRANSFER

In order to encourage medium and long term stock exchange investment, and to develop the capital market, achieve social fairness and bring the fiscal legislation governing taxation of gains on transfer of Tunis stock exchange shares in line with international standards, it has been decided to rationalize exemption of gains from transfer of these shares listed on Tunis stock exchange market and acquired or subscribed to before or as of 1st January 2011. In this respect, gains on transfer of stocks and shares exempted from tax were re-defined and a withholding tax of gains on transfer of stocks and shares carried by non resident private individuals and legal entities that are neither set up nor domiciliated in Tunisia was established.

In effect, the new provisions define operations generated from gains on transfer of stocks and shares exempted from tax as being those coming from transfer of shares:

- admitted on Tunis stock exchange market quotation and acquired before 1st January 2011 ;

- carried in the framework of an operation of introduction on Tunis stock exchange market ;

- admitted on Tunis stock exchange quotation, acquired as of 1st January 2011 and with the transfer occurring after the end of the year following the year of acquisition or subscription.

Besides, are not subject to tax and within the limit of a ten thousand dinar franchise, the operations generating gains on transfer of stocks :

* admitted on Tunis stock exchange market quotation, not tied to a professional asset and acquired as of 1st January 2011 and with the transfer occurring before the end of the year following the year of acquisition or subscription;

* non-listed or social shares or fund shares not tied to a professional asset.

This added value is equal to the difference between the price of transfer of stocks, or social shares and their acquisition price minus the loss with respect to transfer operations over the year.

Worth of note that this tax exoneration is applied also on gains :

- on transfer of shares of start-up funds and shares of venture capital mutual investment fund provided for by the legislation governing them ;

- achieved by private individuals and coming from operations of transfer of shares of open-end investment companies provided for by law n°2001-83 of 24 July 2001 providing for promulgation of the code of Mutual Investment Structures ;

- achieved on behalf of third parties by venture capital mutual investment companies operating in the framework of law n°88-92 of 2 August 1988 relative to invest companies ;

- on transfer of stocks or shares carried by venture capital investment companies provided for by law n°88-92 of 2 August 1988 and the texts modifying it, meeting the conditions provided for by the mentioned law on their behalf or on behalf of others in compliance with provisions of article 21 of the above mentioned law ;

- from contribution of stocks or share to the capital of the parent company or the holding providing that the former or the latter are committed to introduce their shares on Tunis stock exchange market at the latest at the end of the year following the year of deduction. This deadline can be extended by only one year by Minister of Finance bylaw on the basis of an explanatory report from the Capital Market Council (CMF) ;

- on total transfer of stocks or shares held by a manager in the capital of the company he runs after reaching the retirement age or after being unable to pursue management of the company. To enjoy this deduction, the manager must be holding more than 50% of the capital of the company (are taken into account the direct and indirect participation of the manager of the company and that of his non-emancipated children) and pursue exploitation of the company over at least a three-year period as of 1st January of the year following the year of transfer.

On another level, a withholding tax with respect to gains on transfer of stocks and shares achieved by non-resident private individuals and non-established/non-domiciliated legal entities in Tunisia was set. Worth of note that this withholding is tax-free. This withholding rates differ according to whether the transfer was made by non-resident private individuals or by legal entities non-set/non-domiciliated in Tunisia (art. 41).

2) HARMONIZATION OF THE WITHHOLDING RATE WITH RESPECT TO INTEREST ON FOREIGN BANK LOANS WITH RATES PROVIDED FOR IN THE FRAMEWORK OF NON-DOUBLE TAXATION CONVENTIONS

In the framework of a better tax collection from withholding with respect to loan interests paid to banking institutions non-established in Tunisia and to harmonize the rate applied in this respect with those applied in the framework of non-double taxation conventions, it has been decided to raise up this rate from 2.5% to 5% (art. 43).

3) WIDENING THE FIELD OF INTERVENTION OF THE INTEGRATED MANAGEMENT CENTRES

In order to extend the field of intervention of the integrated management centres, it has been decided to allow companies with turnovers of no more than 150 thousand dinars for services activities and 300 thousand dinars for the other activities and companies that have recourse to integrated management centres to keep their accounts and set their tax returns to enjoy the 20% deduction of income or profit subdued to private individuals' income tax or the corporate tax over the first five years as of the year during which adherence to the centre took place for the first time. Worth of note that previously, only small-sized businesses created over the period going between 1st January 2007 and 31 December 2011 could enjoy this deduction (art. 21).

4) INCENTIVES FOR THE CREATION OF SMALL AND MEDIUM-SIZED BUSINESSES

In order to encourage private initiative and the creation of small and medium-sized businesses, it has been decided to set a preferential regime for businesses created as of 1st January 2011 and with an annual turnover of no more than 300 thousand dinars for services activities and non-commercial professions, and 600 thousand dinars for repurchase activities and for local transformation and consumption activities.

Henceforth, this regime helps these companies deduct from taxable profit part of their profit or income from operation of the companies over the first three years, i.e. 75% with respect to the first year, 50% for the second and 25% for the third year. Keeping accounts in compliance with the accounting legislation is necessary in order to enjoy this deduction (art. 19).

5) PROVIDING PREMIUMS GRANTED IN THE FRAMEWORK OF INTERVENTIONS BY THE NATIONAL EMPLOYMENT FUND WITH A PREFERENTIAL TAX REGIME

To better consolidate employment promotion mechanisms, it has been decided :

- to exempt premiums granted in the framework of the National Employment Fund interventions as well as premiums granted by businesses in the same framework from the income tax. These premiums involve those granted with respect to introductory courses to the professional life, to contracts of insertion of the graduates, contracts of adaptation and professional insertion and contracts of reintegrating working,

- not to subdue these premiums to contribution of the fund to promote housing for wage earners (FOPROLOS) (art. 28).

6) EXTENDING THE INTERVENTION FIELD OF THE FUND TO DEVELOP INDUSTRIAL COMPETITIVENESS AND BOOSTING ITS RESOURCES

The field of intervention of this Fund was extended to upgrading operations of the services sector and handicrafts so as to help the latter enjoy financing by this Fund and therefore facilitate their development.

To this end, resources of the Fund were consolidated by a 1% rate tax on the turnover, VAT excluded, achieved by the service providers and this further to the 1% tax due on the turnover achieved by manufacturers of products subdued to tax and on customs value for imports. This Fund is henceforth called "the fund to develop competitiveness in industry, services and handicrafts (art. 14 to 16).

7) BOOSTING RESOURCES OF THE FUND TO DEVELOP COMPETITIVENESS IN TOURISM

As of 1st September 2011, resources of this Fund will be consolidated by an increase in the contribution due on transport of tourists made by travel agencies category "A". This contribution amounts henceforth to two dinars (compared to 1.700 dinar earlier) per month and per seat offered to vehicles meant for tourist transport and used by the above-mentioned agencies (art. 17-18).

8) SET UP OF THE FUNCTION OF FISCAL MEDIATOR, SUPERVISORY COMMISSION OF TAX CONTROL AND A COMMISSION TO RE-EXAMINE BYLAWS OF COMPULSORY TAXATION

To bring tax payers closer to the tax administration, it has been decided to create a fiscal mediator function with respect to the Minister of finance, with the assignment consisting in examining individual requests of private individuals and legal entities with regard to the difficulties they met in their relations with the tax administration or with the collection administration, exclusive of requests tied to taxation or with respect to which a jurisdictional decision is pronounced.

This mediator carries out his mission in total independence with regard to the tax administration and the collection administration. He is nominated by decree for three renewable years and can have representatives in the regions with demarcation of the territorial responsibility.

In the same way, one or several national Commission and one or several regional supervisory Commissions of tax control are created at the level of tax administration departments. They give their opinions on files tied to fiscal check up transmitted to them by the tax administration, on demand of the tax payer or on the initiative of the administration and this before setting the bylaw relative to compulsory taxation.

Furthermore, a Commission to re-examine bylaws of compulsory taxation is created with respect to the Minister of finance to give its opinion about requests of tax payers who ask for re-examining bylaws of compulsory taxation for which no judgement decision on the fund is pronounced due to expiry of the recourse deadline provided for by the regulation or because of rejection of the recourse for reasons tied to the form (art. 30).

(Cf. Law n°2010-58 of 17 December 2010 providing for the finance law for 2011 financial year published in JORT n°102 of 21 December 2010)

MAIN ECONOMIC INDICATORS

(In MTD unless otherwise indicated)

DESCRIPTION	2008	2009	2010	VARIATION IN % 2009/2008	VARIATION IN % 2010/2009
INDUSTRIAL PRODUCTION INDEX (BASE 100 IN 2000)	**129.1**	**123.3**	**132.9**	**-4.5**	**7.8**
OF WHICH : MANUFACTURING INDUSTRIES	132.9	124.9	136.5	-6.0	9.3
BALANCE OF TRADE					
- OVERALL EXPORTS FOB	23,637.0	19,469.2	23,519.0	-17.6	20.8
- OVERALL IMPORTS CIF	30,241.2	25,877.6	31,817.1	-14.4	23.0
- TRADE DEFICIT EXCLUDING ENERGY FOB-CIF (1)	5,770.3	6,256.4	7,814.6	486.1	1,558.2
- OVERALL TRADE DEFICIT FOB-CIF (1)	6,604.2	6,408.4	8,298.1	-195.8	1,889.7
- OVERALL COVERAGE RATE FOB-CIF (%)	78.2	75.2	73.9	-3.0 points	-1.3 point
INCREASE IN CONSUMER PRICES :					
- SHIFT FROM THE BEGINNING OF THE YEAR (%)	4.0	4.1	4.0		
- IN TERMS OF MONTHLY AVERAGES (%)	4.9	3.5	4.4		
TOURISM					
- NON RESIDENT ENTRIES (1,000 persons)	7,049	6,901	6,902	-2.1	0.0
- OVERALL BEDNIGHTS (1,000 units)	38,112	34,624	36,115	-9.2	4.3

(1) Variations are expressed in millions of dinars.

MAIN MONETARY AND EXTERNAL FINANCE INDICATORS(1)

(In MTD unless otherwise indicated)

DESCRIPTION	DECEMBER 2009	DECEMBER 2010	VARIATION IN % DEC. 2009/DEC. 2008	VARIATION IN % DEC. 2010/DEC. 2009
MAIN MONETARY AGGREGATES OF THE FINANCIAL SYSTEM (2)				
M4 AGGREGATE	38,761	43,085	12.7	11.2
MONEY SUPPLY (M3)	38,591	42,857	13.0	11.1
NET CLAIMS ABROAD (3)	9,631	9,149	1,455.0	-482.0
DOMESTIC LOANS	42,795	49,561	11.2	15.8
NET CLAIMS ON THE STATE (3)	6,735	6,567	953.0	-168.0
OF WHICH :				
- TREASURY BONDS (3)	2,556	2,445	488.0	-111.0
- TREASURY CURRENT ACCOUNT (3)	396	605	-1.0	209.0
FINANCING OF THE ECONOMY	36,060	42,994	10.3	19.2
EXTERNAL PAYMENT INDICATORS (2)				
TOURIST RECEIPTS (4)	3,472	3,513	+2.4	+1.2
CASH LABOUR INCOME (4)	2,104	2,284	+91	+8.5
DEBT SERVICE (4)	3,184	3,233	+22.1	+1.5
CURRENT DEFICIT (3) (4)	-1,666	-3,038	+443	-1,372
GENERAL BALANCE OF THE BALANCE OF PAYMENTS (3) (4)	2,204	-274	+151	-2,478
EXCHANGE RATE (IN DINAR) (5)				
1 US DOLLAR	1.3173	1.4379	0.6	9.2
1 EURO	1.8985	1.9221	3.1	1.2
1,000 JAPANESE YEN	14.1047	17.5090	-2.8	24.1
1 STERLING POUND	2.1174	2.2099	10	4.4
10 MOROCCAN DIRHAMS	1.6616	1.7009	0.8	2.4

(1) Figures of end of period for monetary statistics and accumulated from the beginning of the year for external payments.
(2) Provisional data for 2010.
(3) Variations are expressed in millions of dinars.
(4) Variations compared with the same period of the previous year.
(5) Interbank average market rate of end of period.