



Central Bank of Tunisia

THE ECONOMIC SITUATION PERIODICAL

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N°88

THE INTERNATIONAL ENVIRONMENT

- Upward review of the International Monetary Fund forecasts for the world growth in 2010 ;
 - Contrasted evolution of the job market in the main industrialised countries, in line with diverging pace of the economic activity ;
 - Slower pace of inflation in the developed countries following a drop in most of commodities prices on the international market ;
 - Depreciation of the US dollar, notably, against the euro, due to uncertainties about pursuit of economic recovery in the United States ;
 - Ongoing volatility of the main international stock indexes, with a drop in most of the first half of the current year.
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THE NATIONAL CLIMATE

- Substantial drop in cereal production over 2009-2010 season, in line with tighter planted and harvested areas in the wake of scant rainfalls ;
 - Ongoing progress of production and exports of manufacturing industries in line with recovery of external demand ;
 - Drop of most tourist indicators in the first half of 2010 ;
 - Stabilisation of inflation at end June 2010 and this for the third month in a row ;
 - Net reduction of bank excess liquidity over the second quarter of 2010 and faster progress in financing of the economy, leading to an ongoing effort of the banking sector with respect to financing of the economic activity in the first half of the same year ;
 - Ongoing upward trend in stock indexes and dynamic transactions on the secondary market, contrasting with a drop in issue on the primary market ;
 - Deficit of the general balance of payments in the wake of wider current deficit ;
 - Depreciation of the Tunisian dinar against the US dollar and appreciation against the euro.
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INTERNATIONAL ENVIRONMENT

Over the first half of 2010, the international environment was marked by ongoing worries on the part of investors for the pursuit of economic recovery in the United States of America, the driving force for the world growth. Thus, the dollar exchange rate posted a sensitive drop, notably against the euro, leading to an upward trend in the prices of most of commodities, while the main international stock indexes pursued their volatility.

Following firming up of the economic activity in the first half of the current year, the International Monetary Fund has recently reviewed its world growth forecasts for 2010 as a whole, up to 4.6% compared to 4.2% in estimates last April. The improvement concerned both the **developed countries** (2.6% vs. 2.3% as per previous forecasts), notably, the United States (3.3% vs. 3.1%) and Japan (2.4% vs. 1.9%) as well as the **emerging and the developing countries** (6.8% vs. 6.3%) in particular, the Asian countries (9.2% vs. 8.7%) like China (10.5% vs. 10%), Central and eastern Europe countries (3.2% vs. 2.8%) and Latin America (4.8% vs. 4%).

Worth of note that the Fund maintained its growth forecasts for the Euro Zone at 1% and this due to the effects of austerity programmes set up by certain countries of the zone to contain their budget deficits that may affect the pace of the economic recovery.

On the other hand, the advanced composite index in the OECD countries reduced 0.1 percentage point, in June 2010 compared to a commensurate increase over the previous month, reaching 103.4 points.

To avoid a new financial crisis, a law was adopted in the United States of America to deal with the most important restructuring of the financial sector, and this to protect the consumer. This law provides, in particular, for limiting bank investments for speculative reasons, creating new structures of financial supervision and boosting control on the markets of derivative financial products.

Employment posted contrasted trends in the main industrialised countries, in line with diverging pace of the economic activity. In effect, the unemployment rate came to 9.5% in the United States over June 2010, its lowest level for about a year, compared to 9.7% in the previous month. In the Euro Zone, the number of unemployed came to 10% of the active population in June, while in Japan, the unemployment rate went up from 5.2% to 5.3% between May and June 2010.

The **world commodities market** was marked, at end June 2010, by an ongoing drop in the prices of most products, in line mainly with persisting worries about the evolution of the world demand. In particular, the drop came to 14.6% for wheat at end June and compared to the end of the previous year, 31.5% for sugar and 32.7% for zinc compared to -16.1%, -38.4% and -8.1% respectively at end March 2010. **Oil prices** posted also the same trend, down to 75.01 dollars for the Brent barrel and 75.63 dollars for the barrel of light American compared to 82.70 and 83.76 dollars respectively at end March of the same year.

As for **inflation**, the increase of consumer prices in the main industrialised and emerging countries posted a slower pace in June 2010 compared to the previous month, due notably to a drop in the pace of domestic demand. Thus, the inflation rate, expressed in terms of annual shift, came to 1.1% over June in the United States compared to 2% in the previous month, 1.4% in the Euro Zone vs. 1.6% and 2.9% in China vs. 3.1%. In Japan however, the decrease in prices was pursued, reaching 0.7% in June 2010 vs. -0.9% in May.

The **international foreign exchange markets** were influenced by an ongoing depreciation of the euro against the dollar, to reach 1.22 dollar for 1 euro at end June 2010 compared to 1.35 dollar at end March, given that the European currency was affected by the crisis of public indebtedness in some Euro Zone countries, notably, Greece.

The **main international stock indexes** pursued their volatility due to persisting worries on the part of investors about the world economic perspectives, mainly with the European public debt crisis. In particular, the drop came, at end June 2010 and compared to the end of last year to 6.3% for Dow Jones, 11% for Nikkei and 12.5% for CAC 40.

THE NATIONAL CLIMATE

ECONOMIC ACTIVITY : Ongoing recovery of production and exports for manufacturing industries contrasting with a drop in cereal production and certain regression in tourism and air transport indicators

The national economic situation was over the first half of 2010 marked by an ongoing recovery of production and exports of the industrial sector in the wake of an increase in external demand and by control of inflation though its level is still relatively high. Inversely, most of tourism and air transport indicators posted some regression compared to the previous year, due notably, to economic and financial difficulties in the Euro Zone.

1) AGRICULTURE AND FISHING

Cereal harvest and pick-up season went on in normal conditions and the pick-up totalled 4.8 million quintal of cereals up to 19 July 2010 compared to 8.7 million in the same period of the previous season. This drop is attributable to a drop in production compared to the previous season due to unfavourable weather conditions over different periods of the season further to reduction of areas planted with cereals which covered 1,262 thousand hectares compared to 1,391 thousand hectares in 2008-2009 season. Private operators participated with 42.5% in pick-up operations compared to 55.4% for cooperatives and 2.1% for the cereals Board.

In **market garden farming, season potato production** is estimated between 170 thousand and 190 thousand tonnes for the current season vs. 170 thousand tonnes in the previous season. **Stocked quantities** came to some 37 thousand tonnes up to early July 2010 over a total of 45 thousand tonnes projected.

As for **livestock, milk** quantities collected over the first five months of 2010 and compared to the same period of the previous year, increased by 6.5% and pastured milk production rose by 16.7% vs. a progress in the sales of pastured milk by 8.3%. Worth of note also that the global stock of milk came to some 56 million litres at early July compared to stocking programme of 51 million litres. In this respect, the market is expected to be provisioned in a normal and regular manner up to the end of the current year.

In the **fishing sector**, production came over the first half of the current year to some 54 thousand tonnes compared to 59 thousand tonnes in the same period of the previous year.

At the level of **foreign trade in foodstuff and agro-food, olive oil** exports came to some 65 thousand tonnes at end June 2010 for 261 MTD compared to 96 thousand tonnes and 351 MTD in the first half of 2009. Worth of note that export prices denominated in Tunisian dinar went up by 10.6% vs. some 19% drop last year.

As for **dates**, the exported quantities in the beginning of the season and up to mid July, accounted for 66 thousand tonnes for about 226 MTD vs. some 56 thousand tonnes and 172 MTD in the same period of the previous year and this following an increase in the prices on the world market and a progress in production (162 thousand tonnes vs. 145 thousand tonnes a year earlier), notably, deglet-nour dates (+15.8%).

Sea food exports totalled, over the first half of the current year, some 8,000 tonnes for 78 MTD compared to 9 thousand tonnes and 111 MTD over the same period of 2009.

Cereal imports (wheat, barley and pop corn) amounted, over the first half of the current year, to 1,500 thousand tonnes for 444 MTD, up by 37.6% in volume and 20% in value compared to 10% and 40.6% regression respectively in the same period of the previous year.

Overall, **foreign trade in agricultural products and agro-food** posted, over the first half of 2010, 23.2% progress in imports and 9.4% drop in exports. This led to 199 MTD in deficit compared to some 80 MTD in surplus over the same period of 2009 and a drop from 109.6% to 80.6% in the rate of coverage from one period to the next.

2) INDUSTRIAL ACTIVITY

The **general index of industrial production** at end June 2010 grew by 7.4% compared to the first half of last year vs. 7.7% in the same period of the previous year in line with recovery of production in **manufacturing industries** (9.1% vs. -11.3% at end June 2009). However, production decelerated for **energy** (0.8% vs. 8.1%) and **mining** (4.4% vs. 12.1%).

Progress of **production index in manufacturing industries** is attributable to recovery of production in mechanical and electrical industries (28.9% vs. -15.4% at end June 2009), chemical industries (14% vs. -12.7%) and building material, ceramics and glass industries (6.7% vs. 0.3%). However, there was a drop in the production of textile, clothing, leather and footwear industries though at a less pronounced pace than last year (-2.8% vs. -19.8%).

Worth of note that **production in manufacturing industries** posted a 7.9% recovery in June 2010 compared to 6.3% a year earlier and this, notably, in mechanical and electrical industries (+26.1%), whereas production regressed in the sector of textile, clothing, leather and footwear (-1.9% vs. -14.2% a year earlier).

At the level of **foreign trade**, exports for industries **other than agro-food** posted, over the first half of 2010, a notable increase (some 20% compared to 20.4% drop at end June 2009), notably, for mechanical and electrical industries (39% vs. -15.4% a year before), and more particularly electrical industries (44.3% vs. -13.9%). The improvement concerned also, though to a lesser degree, exports of leather and footwear industries (13.5%) and that of chemical industries (7.4%) and textile and clothing (4.6%).

In line with a progress in industrial activity, **imports of raw materials and semi-finished products** went up by 30.2% in the same period compared to 21.4% drop a year before.

Exports of the energy sector went up significantly (37.9% vs. -32.2% at end June 2009). This concerned, mainly, crude oil (47.8%), despite a drop of 9.6% in the exported volume. **Imports of the energy sector** grew also by 74.1% vs. -58.3% a year before. Consequently, the **balance of trade** posted a deficit of some 191 MTD vs. 134 MTD surplus in the same period of 2009.

As for the **upgrading programme of the industrial sector**, the number of adhering companies amounted, over the first five months of the current year to 223 units compared to 153 in the same period of 2009. Thus, the total number of businesses adhering to this programme totalled 4,757 units as of its launching in 1995, of which 3,187 companies obtained approval of their upgrading plans for a global investment of 5,384 MTD.

3) TOURISM

The **tourism sector** recorded contrasting results in June 2010. In effect, tourist entries posted a 2.2% drop in terms of annual drift compared to 3% progress in the previous month and 2% regression in June 2009. Besides, overall tourist bednights posted a recovery of 4.6% compared to 10.5% drop a year before, while tourist receipts in foreign currency grew at a slower pace (1.8% vs. 6.2% in June 2009).

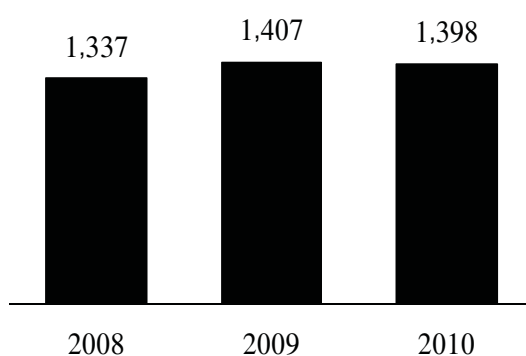
In the first half of 2010, the **number of foreign tourists** posted a 2% drop compared to a slight increase of 0.5% a year earlier, totalling 2.9 million tourists. This decline is attributable, mainly, to a decrease in the

European flows, though at a less pronounced pace than the previous year (-2.8% vs. -8.1%), notably, the **German** (-7.3% vs. -6.8%), the **Italian** (-11.9% vs. -12.7%) and the **French** (-1.1% vs. -3.7%). The number of **Maghreb tourists** posted also the same trend (-1.3% vs. +12.7% last year), following a drop in the **Libyan entries** (-6.6% vs. +17.8%), whereas the number of **Algerian tourists** went up substantially (14.2% vs. 0.6%).

Overall tourist bednights however progressed by 2.5% at end June 2010 compared to 7.5% drop a year earlier, coming in at 13.9 million units. This trend concerned the main tourist zones like Tunis-Zaghouan (15.7% vs. -2.7%), Tabarka-Aïn Draham (14.7% vs. -1.6%), Yasmine-Hammamet (7.2% vs. -8.2%) and Jerba-Zarzis (4.3% vs. -13.7%).

Tourist receipts in foreign currency posted, over the first half of 2010, a 0.6% regression (-2.3% without the exchange effect) compared to 5.2% progress in the previous year, totalling some 1,398 MTD.

**TREND IN TOURIST RECEIPTS IN FOREIGN CURRENCY
IN THE FIRST HALF OF THE YEAR
(IN MTD)**



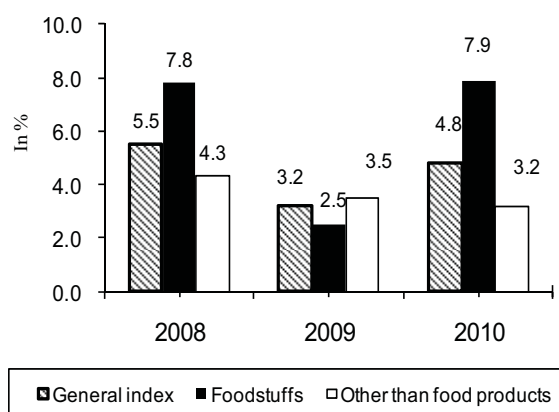
4) TREND IN PRICES

The general index of household consumer prices (base 100 in 2005) posted 0.4% increase in June 2010 compared to 0.3% in the previous month and a commensurate increase in June 2009. This is attributable, notably, to an increase in the prices of **housing** and **local energy** (1.1%), in particular, electricity and gas royalties (3.6%) as well as **clothing and footwear** (0.6%).

In terms of annual shift, the increase in the **general index of prices** came to 4.6% in June 2010, compared to 4.7% a month before and 3.4% in the same month of 2009. The faster pace compared to the previous year was led by an increase in the prices of **foodstuff and beverages** (7.4% vs. 3.8% in June 2009), **housing** and **local energy** (3.7% vs. 2.7%), **clothing and footwear** (3.3% vs. 2.1%) and **education** (6.2% vs. 1.2%).

In terms of monthly averages, the inflation rate came at 4.8% at end June 2010 for the third month in a row compared to 3.2% in the same period of 2009. The increase of inflation compared to the previous year is due, mainly, to a substantial rise in the prices of **foodstuff and beverages** (7.9% vs. 2.5%) in particular sugar and candy (21.5% vs. 6.9%), fresh and dry fruits (13.6% vs. -3.7%), meat (10.8% vs. 4.8%), edible oil (8.8% vs. -11%), fish (7.8% vs. 4%) and vegetables (7.1% vs. 2.9%), as well as prices for **clothing and footwear** (3.6% vs. 2.1%) and **leisure and culture** (1.3% vs. -0.6%).

**TREND IN INFLATION IN THE FIRST HALF OF THE YEAR
(BASE 100 IN 2005)**



Excluding foodstuff, the level of inflation dropped compared to the first half of 2009 (3.2% vs. 3.5%).

By regime of price fixing, freely-set product prices grew at a markedly faster pace compared to the previous year (5.7% in average vs. 3.3% at end June 2009) concerning mainly **foodstuff** (8.5% vs. 2.4%). **Controlled product** prices grew at the same pace as a year earlier (2.8%), following a deceleration in the prices of **non-food products** (2.2% vs. 2.8%) vs. an acceleration in the prices of **controlled product** prices (5.3% vs. 2.9%).

FINANCIAL SYSTEM SITUATION

Notable tightening in bank liquidity surplus in the second quarter of 2010 and faster progress pace in financing to the economy reflecting an ongoing effort of the banking sector with respect to financing of the economic activity in the first half of 2010

I- BANK LIQUIDITY AND REFINANCING OF THE FINANCIAL SYSTEM¹

1) BANK LIQUIDITY

After a slight expansion in the first quarter of 2010, excess liquidity tightened significantly in the following quarter, influenced by the restrictive effects exerted by all the autonomous factors of liquidity excluding net assets abroad.

At -146 MTD in average over the second quarter of 2010, the **net balance of public administration** dropped by 57 MTD. Its drop is, mainly, attributable to 69 MTD increase in the balance of the Treasury current account notably in the wake of mobilizing of important tax receipts which was combined by encashment of 195 MTD with respect to subscriptions to Treasury bonds (157 MTD of which in the form of bonds equivalent to Treasury bonds) as well as collection of dividends from Tunisie Telecom (150 MTD) and part of profit of Gafsa Phosphate Company (59 MTD) with respect to 2009 accounting year, concurrently to encashment of a transfer as from the “special account of the Tunisian Government in foreign currency” for 210 MTD from drawings on the external borrowings given by the world Bank and the African Development Bank in the framework of the programme to support integration (PAI) during August and September 2009. The restrictive effect led by some of these receipts (excluding transfer as of “special account of the Tunisian Government in foreign currency” which had no impact on liquidity) was markedly lessened by significant expenditure for external debt service and maturities of Treasury bonds coming due for an amount of 732 MTD (of which 707 MTD in the form of BTA) as well as related interest (127 MTD), concurrently with transfer for certain companies and public structures (772 MTD) that went, notably, to social security funds and ETAP.

Similarly, **bills and coins in circulation** which came at 5,294 MTD in average over the considered period rose by 25 MTD, giving rise to a commensurate tightening in bank liquidity. Over the considered period, their level fluctuated between a minimum of 5,192 MTD and a maximum of 5,438 MTD, recorded respectively on 21 April and 30 June.

However, firming up of **net assets on abroad** over the second quarter of 2010 by 165 MTD in average exerted an expansive effect on bank liquidity. Their increase was, mainly, led by a decrease in “Tunisian Government special account in foreign currency” and the account “foreign currency of authorised intermediaries”, down by 301 MTD and 196 MTD respectively ; the extent of which was however lessened by 259 MTD drop in net assets in foreign currency. Decrease of the latter was attributable mainly to wider current deficit and reimbursement of an amount of 421 MTD with respect to external debt principal, combined with transfer by the popular bank “Caisse d’épargne” and the popular bank “Val de France” of their holding in capital of BIAT to resident investors (88 MTD).

¹Statistical data are presented in terms of quarterly averages.

The restrictive effect led by the above mentioned expenditure (excluding reimbursement of external public debt) was lessened by the expansive effect that was led by encashment of significant receipts notably from:

- drawings on external borrowings granted mainly by the European Investment Bank : BEI (110 MTD of which 58 MTD for STEG) and the African Development bank : ADB (12 MTD) for the Ministry of education.
- foreign direct investment, notably, carried in the capital of the company "Carthage Cement" for 73 MTD.

In considering trend in the main autonomous factors of bank liquidity, **monetary policy operations** yielded in the second quarter of 2010 an average tapping of 272 MTD vs. 877 MTD in the previous quarter. **Assets in banks' current account** rose by 347 MTD to reach 1,265 MTD, leading to an upward review in the reserve requirement rate decided as per provisions of circular to banks n°2010-07 of 30 April 2010 into effect as of 1st May 2010.

TREND IN FACTORS OF BANK LIQUIDITY

(Daily averages in MTD)

DESCRIPTION	1 st quarter 2010	2 nd quarter 2010	Var. 2 nd quart. 2010/ 1 st quart. 2010 ⁽¹⁾
BILLS & COINS IN CIRCULATION	-5,269	-5,294	-25
NET BALANCE OF PUBLIC ADMINISTRATION	-89	-146	-57
OF WHICH : TREASURY CURRENT ACCOUNT BALANCE	-487	-556	-69
NET ASSETS ABROAD	10,392	10,557	+165
OF WHICH : NET ASSETS IN FOREIGN CURRENCY	13,143	12,884	-259
OTHER NET FACTORS	-3,239	-3,580	-341
= (A) TOTAL AUTONOMOUS FACTORS	1,795	1,537	-258
CALLS FOR BIDS	-912	-310	+602
1 to 7 –day allowance uptake	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	-48	-31	+17
24-HOUR CREDIT STANDING FACILITIES	57	43	-14
= (B) TOTAL MONETARY POLICY OPERATIONS	-877	-272	+605
= (A)+(B) ASSETS IN BANKS' CURRENT ACCOUNTS	918	1,265	+347

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

2) MONETARY POLICY OPERATIONS

Facing a persisting excess liquidity in 2009 and its intensification in the first four months of the current year and in considering re-occurrence of inflationary pressure, the Central Bank decided to review upward the reserve requirement rate and remunerate the additional reserve portion at an annual rate of 1%¹.

At the operational level, the increase in deficit bank demand and the drop in surplus bank supply in the second quarter of 2010 brought about a tighter excess liquidity on the money market.

On the **interbank market**, transactions went up by 17 MTD to 686 MTD. Their trend was led by 27 MTD increase in forward transactions ; sight transactions however dropped by 10 MTD. Worth of note in this respect that forward transactions continue to dominate with an 83% share in total.

¹ Cf. Circular of the BCT to banks n°2010-07 of 30 April 2010.

In the framework of its monetary policy operations, **the Issuing Institution** focused its interventions, in April and May, mainly, on **negative call for bid operations** for amounts going between 157 MTD and 1,531 MTD and durations going between one week and one month. Over June, bank treasury showed a need for liquidity. Consequently, the Issuing Institution intervened to inject liquidity through positive call for bid for amounts going between 250 MTD and 505 MTD and this for **the first time as from January 2008**. Overall, an average amount of 310 MTD was mopped under this form over the second quarter of 2010 compared to a tapping of 912 MTD in the previous quarter.

Over different periods of the quarter, certain banks had recourse to the Issuing Institution to place their excess liquidity through **24 hour deposit standing facilities** for amounts varying between (15 MTD and 472 MTD : an average 31 MTD for the period under review while the others had recourse to **24 hour credit standing facility** for amounts varying between 20 MTD and 167 MTD, an average 43 MTD for all the quarter.

Open-market operations' outstanding balance stood at 26 MTD throughout the quarter.

Weighted day-to-day interest rate on the money market fluctuated between 4.03% and 4.62%. Thus, the money market average rate came at 4.12%, 4.36% and 4.38% respectively in April, May and June 2010, reflecting bank liquidity situation.

The savings interest rate came at 2.25% throughout the quarter.

II- TREND IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS

Counterparts of financial system resources were marked, over the first half of 2010, by a notable acceleration in the pace of financing to the economy (10% vs. 4.9%) and a drop in net claims on the State (-1.3% vs. +6.2%) and net claims abroad (-5.9% vs. +4.2%). These trends were reflected on M3 money supply which went up at a slower pace than the previous year : 4.3% vs. 5.3%. In terms of annual drift, this aggregate posted a faster pace, up by 11.9% in June 2010 vs. 10.8% a year earlier.

TREND IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS*

(Figures at end of period in MTD)

DESCRIPTION	JUNE 2010	VARIATION IN %	
		JUNE 2009 DECEMBER 2008	JUNE 2010 DECEMBER 2009
M4 AGGREGATE	40,372	5.2	4.2
MONEY SUPPLY (M3)	40,260	5.3	4.3
MONEY SUPPLY (M2)	38,064	5.8	4.3
MONEY (M1)	14,948	4.8	4.8
QUASI-MONEY	23,116	6.4	4.0
M3 – M2	2,196	-2.0	4.9
M4 – M3	112	-17.6	-34.1
OTHER RESOURCES	15,024	4.3	9.9
TOTAL RESOURCES=TOTAL COUNTERPARTS	55,396	4.9	5.7
NET CLAIMS ABROAD**	9,065	345.0	-566.0
DOMESTIC LOANS	46,331	5.1	8.3
NET CLAIMS ON THE STATE**	6,648	361.0	-87.0
OF WHICH : - TREASURY BONDS**	2,476	267.0	-80.0
- TREASURY CURRENT ACCOUNT**	442	92.0	46.0
FINANCING TO THE ECONOMY	39,683	4.9	10.0

* Provisional data for 2010.

** For these aggregates, variations are expressed in MTD.

1) M2 MONEY SUPPLY

M2 money supply posted a slower progress pace in the first half of 2010 (4.3% vs. 5.8%) following a slow-down in the pace of quasi-money, while available money rose at the same pace as the previous year.

Available money increased by 4.8% over the considered period, reflecting the contrasting effect of slower pace of fiduciary money (2.8% or 142 MTD vs. 4.6% or 204 MTD) and faster pace of bank money (5.8% or 540 MTD vs. 4.9% or 388 MTD) in line, mainly, with an increase in the outstanding balance of sight deposit at banks which represents the main component, up by 7.1% or 581 MTD vs. 6.2% or 436 MTD.

At 5,438 MTD at end June 2010, the highest level as of the beginning of the year, bills and coins in circulation rose by 118 MTD compared to their level in December 2009, reflecting faster pace of household expenditure in the beginning of the summer season and intensification of manual exchange operations.

Quasi-money recorded a slower progress pace in the first half of 2010 (4% vs. 6.4%) resulting, mainly, from a slower pace in the outstanding balance of certificate of deposit (2.1% or 37 MTD vs. 26.6% or 355 MTD) and to a lesser degree that of deposits in special savings accounts (2.9% or 211 MTD vs. 5% or 321 MTD), while forward deposits and other financial products went up at the same pace of last year (4%). From one month to the next, the outstanding balance of certificates of deposit reduced 113 MTD in the wake of coming due of some certificates of deposits that were subscribed to beforehand by some private companies.

2) «M3–M2» AGGREGATE

This aggregate posted a recovery, over the first half of 2010 (+4.9% vs. -2%) attributable, mainly, to an increase in the outstanding balance of bonds and borrowings with a duration of more than one year (+11.6% or +102 MTD vs. -6.6% or -45 MTD). This trend reflects the importance of subscriptions to debenture loans with respect to the considered six-month period, totalling 230 MTD compared to an amount of bonds falling due that came to 128 MTD.

Bond issues from the beginning of 2010 concerned the Tunisian Banking Company STB (100 MTD), the Tuniso-Kuwaiti Bank BTK (50 MTD), Tunisie Leasing (15 MTD and 20 MTD in February and April respectively), Hannibal Lease (30 MTD) and Arab International Lease (15 MTD). These borrowings were subscribed to at variable interest rates : TMM+ a margin going between 0.5% and 0.8% and fixed interest rates varying between a minimum of 5.125% and a maximum of 5.85%. Corresponding maturities varied between 5 and 20 years.

3) NET CLAIMS ABROAD

Net claims abroad posted, over the considered period a drop of 566 MTD compared to 345 MTD increase in the first half of 2009 attributable, notably, to a tightening in net assets in foreign currency (-583 MTD) following a widening in the current deficit.

Net claims abroad dropped by 105 MTD in June 2010 in line, mainly, with an increase in non-resident deposits (+97 MTD) and a drop in net assets in foreign currency. The latter totalled, over the considered month 12,770 MTD, corresponding to 155 days of import compared to 12,208 MTD and 161 days respectively in June 2009.

4) NET CLAIMS ON THE STATE

State indebtedness vis-à-vis the financial system dropped by 87 MTD during the first six months of 2010 compared to an increase of 361 MTD a year earlier, under the combined effect of lower outstanding balance of Treasury bonds in bank portfolio (-80 MTD) and the counterparts of deposits at the Postal

Current Account CCP (-42 MTD) and the increase in the balance of the Treasury current account (+46 MTD). The latter rose, in June 2010, by 83 MTD following, notably, mobilizing of significant tax receipts.

Worth of note that Treasury bond issues totalled 513 MTD as of the beginning of the year ; while the reimbursement amount in this respect came to 782 MTD vs. 542 MTD and 731 MTD respectively a year earlier, posting a negative balance of net subscriptions that amounted to 269 MTD vs. -190 MTD in the same period of 2009. Subscriptions to Treasury bonds in June of the current year were limited to bonds equivalent to Treasury bonds BTA for 34 MTD and involved the line March 2019 at a weighted average rate (TMP) of 5.309%.

5) FINANCING TO THE ECONOMY

The faster pace in the financial system loans to the economy over the considered period (10% vs. 4.9%) is attributable to an increase both in the outstanding balance of loans on ordinary resources (11.1% vs. 5.2%) and portfolio-securities though at a slower pace than a year earlier (6.3% vs. 10.4%), lessened by a continued drop in the outstanding balance of loans on special resources and treasury bills (-1.2% and -34.1% vs. -3% and -17.6% respectively).

As per statistics of the risk Base and the file of loans to private individuals and excluding approval and guarantee, the increase in granted loans over the first five months of 2010 went to the sector of services (+1,233 MTD vs. +383 MTD) and to private individuals (+794 MTD vs. +474 MTD) followed by the sector of industry (+451 MTD vs. -117 MTD) and agriculture/fishing (+27 MTD vs. +17 MTD).

CAPITAL MARKET

Ongoing upward trend in stock indexes and dynamic transactions on the secondary market contrasting with a drop in issues on the primary market

The major events that characterised the capital market over the second quarter of 2010 are as follows :

- notable revival of capital trading on the secondary market and ongoing increase in TUNINDEX index contrasting with less sustained activity on the issue market, notably, bond one ;
- admission of "Tunis Ré" on the primary market of the stock quotation through issue of 2 million new shares at 7 dinars the share, 2 dinars of which an issuing premium, and start up of their quotation on 11 May 2010 ;
- admission of "Carthage Cement" on the alternative market of the stock quotation through issue of 71 million new shares at 1.900 dinar the share with a nominal of 1 dinar, 28.72% of which were distributed through public subscription, 66.72% in guaranteed investment and 4.56% in private investment. Stock trading for these shares started up on 22 June 2010 ;
- opening of capital of the company "ENNAKL" at 40% in the framework of a double quotation of its shares on Tunis stock market and that of Casablanca, and start up of their quotation on 13 July at 10.700 dinars the share ;
- split of the nominal value of shares of "Banque de Tunisie" and "Monoprix" from 10 dinars to 1 and 2 dinars respectively, which is likely to favour liquidity of these shares and to revivify their trading ;
- CMF approval for the creation of a mutual investment fund (FCP) of a mixed type, a venture capital mutual investment fund (FCPR) and a management company ; and start up of public subscriptions at FCPR-F.P.PME for 25 MTD devoted to financing small and medium sized-businesses projects ;
- promulgation of law n°2010-29 of 7 June 2010 encouraging businesses to introduce their shares on the stock exchange which stipulates 20% reduction in the corporate tax rate for businesses listing their ordinary share on Tunis stock exchange quotation providing that the rate for opening capital to the public is at least equal to 30% and this during five years as of the admission year.

STOCK ISSUES AND TRANSACTIONS

DESCRIPTION	2 nd QUARTER OF 2009	1 st QUARTER OF 2010	2 nd QUARTER OF 2010
AMOUNT OF ISSUES	209	589	404
STATE ISSUES	106	318	195
- BTA AND BTZC*	98	211	156
- BTCT**	8	107	39
CORPORATE ISSUES THROUGH PUBLIC CALL FOR SAVINGS	103	271	209
CAPITAL SECURITIES	3	41	149
CLAIM SECURITIES	100	230	60
GLOBAL VOLUME OF TRANSACTIONS	744	639	1,172
STOCK QUOTATION	527	520	668
OFF LIST	8	2	3
REGISTRY OPERATIONS	209	117	501

* Bonds equivalent to Treasury bonds and zero coupon Treasury bonds.

** Short term Treasury bonds.

PRIMARY MARKET

The second quarter of 2010 was marked by a drop in issues on the primary market ; which concerned in particular, public and private bond issues.

State issues posted 38.7% drop compared to the previous quarter and totalled 195 MTD, 156 MTD of which in the form of bonds equivalent to Treasury bonds, bringing their accumulated volume from the beginning of the year and till end June 2010 to 513 MTD, representing 64.1% of the estimated half-year amount in 2010.

Corporate recourse to capital market through public call for savings posted 62 MTD (22.9%) drop compared to its level of the previous quarter, totalling 209 MTD at end June 2010. Issues from the beginning of the year amounted to 480 MTD vs. 238 MTD in the same period of the previous year.

Drop in corporate issues through public call for savings over the second quarter of 2010 is attributable to regression in bond issues which offset the firming up of capital securities' issues. Issues on the bond market regressed from 230 MTD to 60 MTD from one quarter to the next and were initiated by two leasing companies and one industrial company for durations of 5 and 7 years and at rates varying between TMM + 0.625% and 5.4%.

The Capital Market Council gave also, in the second quarter of 2010, its visa for the issue of a debenture loan by a leasing company worth 30 MTD, concluded in July 2010.

Capital increase in cash was tripled over the considered quarter, amounting to 149 MTD vs. 41 MTD a quarter before. These issues concerned Tunis Ré (14 MTD) and Carthage Cement companies (135 MTD) in the framework of its listing.

Another operation of capital increase in cash without recourse to public call for savings was initiated by UNIFACTOR for 5 MTD ; while four companies initiated capital increase operations through incorporation of reserves : SFBT (5 MTD), TPR (1 MTD), CIL (1 MTD) and Assad (1 MTD).

As for institutional savings, the number operating mutual funds investing in securities (OPCVM) remained stable at 93 units at end June 2010. Assets managed by these structures rose by 9.1% compared to the previous quarter, totalling 5,103 MTD, 4,522 MTD of which managed by bond units.

These structures' yield as of the beginning of the year and up to end June 2010 came at 1.83% for bond units and 7.04% for mixed ones.

SECONDARY MARKET

Dynamic activity on the secondary market was confirmed in the second quarter of 2010 as shown through the consolidation of capital trading on the stock quotation and the ongoing increase in TUNINDEX index despite a slower progress pace.

TUNINDEX rose by 4.9% in the second quarter of 2010 to 4,914.43 points (vs. 9.2% a quarter before and 18.1% in the second quarter of 2009), yielding 14.5% from the beginning of the year.

Sectoral index at end June 2010 posted a quarterly yield varying between -2.8% for construction and building material index and 15.8% for financial service index. The banking sector index came at 4.3%.

Transactions on the stock quotation went up by 28.5%, to reach 668 MTD, 655 MTD of which on capital securities compared to 520 MTD and 508 MTD respectively a quarter before. Consequently, the daily average volume of capital securities' trading went from 8.2 MTD to 10.1 MTD from one quarter to the next. This dynamic activity that characterized the secondary market is attributable, in particular, to investors enthusiasm with respect to shares newly introduced on the stock market.

Variations in listed shares prices yielded, over the second quarter of 2010, an upward performance for 29 shares varying between 0.1% (BT) and 88.4% (STIP) and negative yields for 24 other shares at rates varying between -0.6% (Tuninvest-SICAR) and -14.2% (SIMPAN). Worth of note that Tunis Ré and Carthage Cement shares posted a positive yield of 41.6% and 60.4% respectively compared to their introduction rates.

As a result of two new listings and performance of already listed shares, stock capitalisation went up, over the considered quarter, by 7.5% to 14,370 MTD at end June 2010 : 22.6% of estimated GDP for 2010 compared to 17.2% of GDP at end June 2009.

The second quarter of 2010 was marked by investors ongoing withdrawal from the stock market, leading thus to a drop of their share in stock capitalisation, down to 20.78% at end June 2010 vs. 22.28% at end March 2010.

TREND IN STOCK INDICATORS

(Figures at end of period in MTD unless otherwise indicated)

DESCRIPTION	JUNE 2009	MARCH 2010	JUNE 2010
STOCK INDICATORS			
STOCK CAPITALISATION	10,126	13,363	14,370
STOCK CAPITALISATION / GDP (in %)	17.2	21.0	22.6
AVERAGE PRICE EARNING RATIO (PER)	14.5	15.6	16.8
NUMBER OF LISTED COMPANIES (in units)	51	52	54
MONTHLY LIQUIDITY RATE (in %)	57	49	63
FOREIGN HOLDING RATE (in %)	23.9	22.28	20.78
INDEXES			
TUNINDEX index in points (BASE 1,000 ON 31/12/1997)	3,677.46	4,686.31	4,914.43
TUNINDEX QUARTERLY YIELD (in %)	18.1	9.2	4.9
FCP AND SICAV			
NOMBER OF OPERATING UNITS	82	93	93
NETS ASSETS	4,259	4,678	5,103

These investors intervention on the stock quotation yielded a negative balance of 129.6 MTD for the second quarter of 2010 (a volume of transfer of 148.4 MTD vs. 18.8 MTD in acquisitions) attributable, mainly, to transfer on BIAT shares by foreign investors as majority shareholders. This yielded a 7.87% drop in foreign holdings in the capital of this bank at end June compared to 17.26% at end March 2010.

EXTERNAL PAYMENTS

Deficit of the general balance of payments in the wake of wider current deficit

In the first six months of 2010, the general balance of payments posted a deficit of 584 MTD vs. 558 MTD in surplus over the same period of last year.

This trend is attributable to 1.706 MTD widening in the current deficit, to reach 2,409 MTD, while the surplus balance of financial operations and in capital increased by 564 MTD, to reach 1,825 MTD.

TREND IN THE MAIN BALANCES OF THE BALANCE OF PAYMENTS

(In MTD)

DESCRIPTION	2008	2009	FIRST HALF	
			2009	2010*
A-CURRENT PAYMENTS	-2,109	-1,666	-703	-2,409
- MERCHANDISES (FOB)	-4,941	-4,994	-1,866	-3,575
- SERVICES	+3,257	+3,409	+1,302	+1,347
- FACTOR INCOME	-675	-393	-281	-322
- CURRENT TRANSFERS	+250	+312	+142	+141
B - FINANCIAL OPERATIONS AND IN CAPITAL	+4,022	+3,781	+1,261	+1,825
- OPERATIONS IN CAPITAL	+97	+222	+44	+47
- Foreign investment (Direct and in portfolio)	+3,156	+1,940	+642	+694
- Other investment ¹	+769	+1,619	+575	+1,084
C-ADJUSTMENT OPERATIONS (NET FLOWS)	+140	+89	-	-
GENERAL BALANCE	+2,053	+2,204	+558	-584

* Provisional figures.

I- BALANCE OF CURRENT TRANSACTIONS

In the first half of 2010, the balance of current payments posted a deficit of 2,409 MTD, corresponding to 3.8% of GDP vs. 703 MTD and 1.2% a year earlier.

This trend is attributable, mainly, to significant widening in the trade deficit, which expressed FOB-FOB, went up from 1,866 MTD to 3,575 MTD from one period to the next. Concurrently, the deficit of the balance of factor income rose by 41 MTD to reach 322 MTD. However, the surplus balance of services improved by 45 MTD, to reach 1,347 MTD.

A. BALANCE OF TRADE

Expressed FOB-CIF, the deficit of the balance of trade widened 1,914.5 MTD or 75.7% to reach 4,443.2 MTD in the first half of 2010. The rate of coverage went down by 7.1 percentage points, to reach 71.9% in the wake of import rise at a faster pace than exports.

Exports rise by 19.2%, to 11,348.6 MTD influenced the increase in sales of all products excluding that of agriculture and agrofood industries which dropped by 7.9%.

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.

Imports went up by 31.1% to reach 15,791.8 MTD vs. 19.5% and 12,046.4 MTD drop over the same period of 2009, a progress that concerned the purchase prices of all groups of products.

The main trends in the balance of trade by groups of products are :

- Deficit in the balance of capital goods which widened 557.4 MTD or 30.5% to reach 2,383.8 MTD in the first half of 2010 vs. 1,826.4 MTD a year earlier. The rate of coverage was, however, improved by 1.2 percentage point, to reach 41.8% and this following an increase in exports at a faster pace than imports : 37.1% and 33.2% respectively, to reach 1,712.7 MTD and 4,096.5 MTD. This trend is attributable mainly to an increase in sales and purchases by the mechanical and electrical industries, up by 39% and 36.5% respectively.
- The balance of raw materials and semi-finished products posted a deficit of 1,793.5 MTD over the first six months of 2010 vs. 1,239.2 MTD a year earlier, leading to a drop in the rate of coverage which regressed from 68% to 64.4% from one period to the next. Imports went up at a faster pace than exports (30.2% and 23.4% respectively, to reach 5,035.7 MTD and 3,242.2 MTD.
- The balance of energy posted a deficit of 190.6 MTD vs. a surplus of 133.9 MTD a year earlier. This trend is explained by import progress by 74.1% to 1,801.4 MTD following an increase in the prices as well as in the imported quantities ; while exports progressed by 37.9% to reach 1,610.8 MTD under the exclusive effect of price rise. The rate of coverage dropped consequently by 23.5 percentage point, to reach 89.4%.
- The balance of food posted 199 MTD in deficit over the first half of 2010 compared to 79.9 MTD surplus in the same period of 2009, down by 278.9 MTD, attributable to import increase by 23.2% to 1,028.2 MTD while exports dropped by 9.4% to reach 829.2 MTD. Correlatively, the rate of coverage dropped significantly from 109.6% to 80.6% from one period to the next.
- The balance of consumer goods posted 123.7 MTD in surplus over the first half of 2010, down by 199.4 MTD. This tightening, from one period to the next, was led by import rise by 18.4% while exports grew by just 11.1% to reach 3,830 MTD and 3,953.7 MTD respectively. Consequently, the rate of coverage went down to 103.2% vs. 110% last year.

B. BALANCE OF SERVICES AND FACTOR INCOME

1) BALANCE OF SERVICES

The surplus balance of services improved by 45 MTD in the first half of 2010, coming in at 1,347 MTD. Flows going to tourism, the main component of service receipts went down by 0.6% to reach 1,398 MTD compared to 1,407 MTD a year earlier.

2) BALANCE OF FACTOR INCOME

The deficit balance of factor income was widened by 41 MTD over the first six months of 2010, going from 281 MTD to 322 MTD from one period to the next. This trend is attributable to an increase in expenditure with respect to capital income (up by 8.7% to 1,601 MTD). Worth of note that expenditure for reimbursement of medium and long term debt interest went down by 5 MTD, to reach 430 MTD. On the other hand, flows with respect to work remittances increased by 95 MTD or 8.4%, to reach 1,213 MTD.

II- BALANCE OF FINANCIAL OPERATIONS AND IN CAPITAL

The surplus balance of financial operations and in capital was further consolidated in the first six months of 2010, coming to 1,825 MTD vs. 1,261 MTD in the same period of 2009.

The main evolutions are :

- Improved surplus in the balance of medium and long term loan capital, up by 509 MTD to 1,084 MTD. Worth of note that expenditure to reimburse medium and long term debt principal regressed by 75 MTD, totalling thus 817 MTD.

- Consolidated surplus in the balance of foreign investment (up by 52 MTD, to 694 MTD in the first half of 2010), in the wake of 2.3% increase in foreign direct investment receipts, totalling 849 MTD, helping thus to improve the balance of foreign direct investment by 38 MTD, to reach 765 MTD. Concurrently, flows with respect to portfolio investment rose by 53 MTD to 108 MTD, 73 MTD of which non-resident participation in the capital of "Carthage Cement" company. The balance of portfolio operations posted however a deficit in the wake of significant expenditure (179 MTD), of which some 88 MTD, with respect to transfer by the popular bank "Caisse d'Epargne" and the popular bank "Val de France" of their share in the capital of BIAT bank to residents.

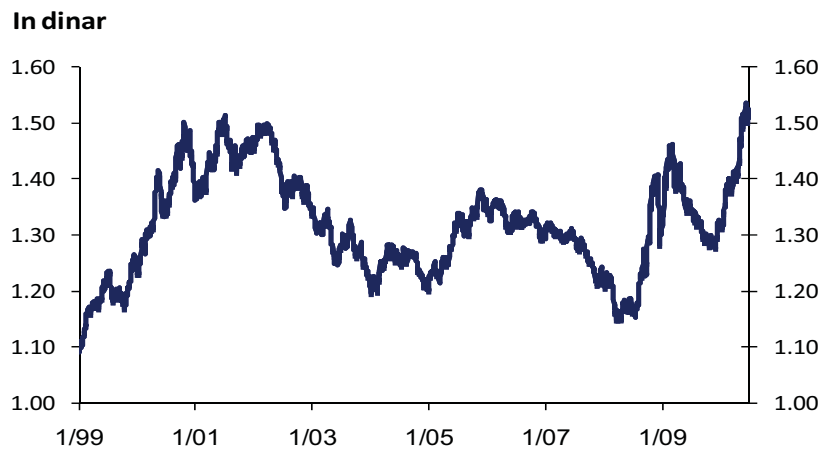
TREND IN THE DINAR EXCHANGE RATE AND FOREIGN EXCHANGE MARKET ACTIVITY OVER THE FIRST HALF OF 2010 :

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

I- TREND IN THE DINAR EXCHANGE RATE

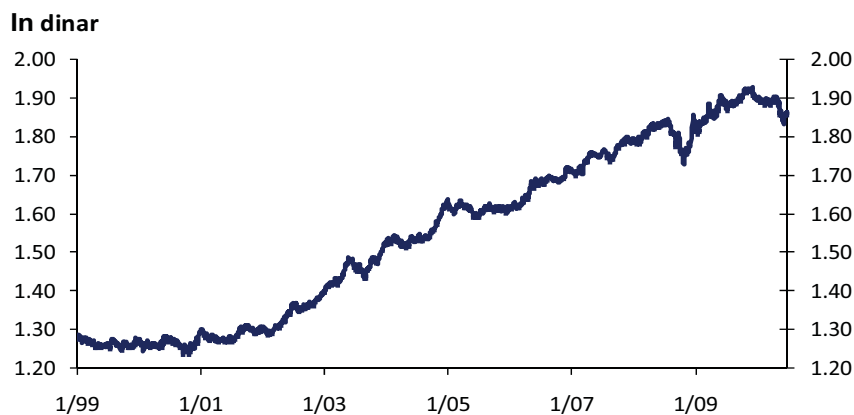
Compared to end 2009 and up to end June 2010, the dinar depreciated on the interbank market against the Japanese yen (16.9%), the US dollar (13.2%) and the Moroccan dirham (0.5%). However, it appreciated against the euro (2%).

TREND IN THE EXCHANGE RATE USD/TND



In the first six months of 2010 and compared to the same period of last year, the dinar exchange rate on the interbank market posted a depreciation against the Japanese yen (5.3%), the US dollar (1.9%), the euro (1.3%) and the Moroccan dirham (0.8%).

TREND IN THE EXCHANGE RATE EUR/TND



II- TREND IN FOREIGN EXCHANGE MARKET ACTIVITY

A. SPOT MARKET

Transactions on the spot exchange market totalled 26,053 MTD in the first half of 2010 vs. 19,634 MTD, over the same period of last year, up by 33%.

TREND IN SPOT EXCHANGE TRANSACTIONS

(In MTD)

DESCRIPTION	1 ST HALF OF 2009	1 ST HALF OF 2010	VARIATION IN MTD
CURRENCY AGAINST CURRENCY TRANSACTIONS	12,177	16,010	+3,833
CURRENCY AGAINST DINAR TRANSACTIONS	7,457	10,043	+2,586
TOTAL	19,634	26,053	+6,419

1) CURRENCY / DINAR TRANSACTIONS

Currency/dinar transactions on the foreign exchange market over the first half of 2010 accounted for a volume of 10,043 MTD compared to 7,457 MTD over the same period of last year, up by 35%.

The share of currency/dinar transactions represented 39% of the global volume of spot exchange compared to 38% for the same period of 2009.

The share of interbank exchange in the first half of 2010 came to 73% vs. 27% for the Central Bank.

The Central Bank intervention came to 2,706 MTD vs. 342 MTD over the same period of last year, up by 691%. Yet, transactions on the interbank market went up slightly by 3%.

TREND IN SPOT EXCHANGE TRANSACTIONS OF CURRENCY AGAINST DINAR

(In MTD)

DESCRIPTION	1 ST HALF OF 2009	1 ST HALF OF 2010	VARIATION IN MTD
TRANSACTIONS WITH THE CENTRAL BANK OF TUNISIA	342	2,706	+2,364
INTERBANK MARKET	7,115	7,337	+222
TOTAL	7,457	10,043	+2,586

2) CURRENCY / CURRENCY TRANSACTIONS

The volume of currency/currency transactions totalled 16,010 MTD over the first half of 2010 compared to 12,177 MTD in the same period of 2009, up by 32%.

The share of these transactions in overall spot exchange transactions came at 61%. Transactions with foreign correspondents accounted for 92% of the global volume of exchange.

TREND IN SPOT EXCHANGE TRANSACTIONS FROM ONE FOREIGN CURRENCY TO ANOTHER

(In MTD)

DESCRIPTION	1 ST HALF OF 2009	1 ST HALF OF 2010	VARIATION IN MTD
INTERBANK MARKET	561	1,320	+759
TRANSACTIONS WITH FOREIGN CORRESPONDENTS	11,616	14,690	+3,074
TOTAL	12,177	16,010	+3,833

B. FORWARD MARKET

The volume of forward exchange transactions totalled 2,752 MTD over the first six months of 2010 compared to 2,214 MTD in the same period of 2009, up by 24%. The share of transactions in import coverage in the volume carried between banks and businesses came at 81% vs. 19% for those of export coverage.

Forward sale of currency operations by Tunisian Authorised intermediaries and relative to coverage against incurred exchange risk by imports rose by 568 MTD in the first half of 2010, amounting thus to 2,183 MTD. These operations were, mainly, denominated in euro (54%) and in US dollar (44%).

However, forward purchase operations amounted to 516 MTD, down slightly by 1 MTD. The share of operations denominated in euro reached 54% vs. 42% for the US dollar.

TREND IN FORWARD EXCHANGE TRANSACTIONS

(In MTD)

DESCRIPTION	1 ST HALF OF 2009	1 ST HALF OF 2010	VARIATION IN MTD
BETWEEN BANKS & COMPANIES	2,132	2,699	+567
INTERBANK MARKET	82	53	-29
TOTAL	2,214	2,752	+538

III- SWAP EXCHANGE TRANSACTIONS

The volume of swap exchange transactions went from 349 MTD in the first half of 2009 to 134 MTD in the same period of the current year, down by 62%.

OVERALL TRANSACTIONS CONCERNING FOREIGN CURRENCY/DINAR SWAPS

(In MTD)

DESCRIPTION	1 ST HALF OF 2009	1 ST HALF OF 2010	VARIATION IN MTD
INTERBANK MARKET	59	32	-27
WITH FOREIGN CORRESPONDENTS	98	101	+3
WITH COMPANIES	193	1	-192
TOTAL	349	134	-215

* Provisional figures.

NEW REGULATING PROVISIONS

I- MEASURES CONCERNING THE CAPITAL MARKET

1) ENCOURAGING ENTERPRISES' ACCESS TO TUNIS STOCK EXCHANGE MARKET (BVMT)

In the framework of reinforcing the role of the capital market in financing businesses and in order to boost its transparency and sound management as indicated in point 12 of the 2009-2014 presidential programme, it was decided to reduce by 20% the tax rate (provided for by the tax code) on private individual income and the corporate tax for businesses introducing their ordinary shares on Tunis stock exchange quotation providing that the rate for opening capital to the public is at least 30% for five years as of the year of admission.

Worth of note that this reduction is granted to businesses introducing their ordinary shares, on Tunis stock exchange quotation, between first January 2010 and 31 December 2014.

(Cf. Law n°2010-29 of 7 June 2010 published in JORT n°47 of 11 June 2010)

2) UNIFYING THE REGULATION GOVERNING MUTUAL FUNDS INVESTING IN SECURITIES AND THAT GOVERNING COMPANIES MANAGING STOCK PORTFOLIO ON BEHALF OF THIRD PARTIES

In order to unify the regulation governing mutual funds investing in securities as per law n°2001-83 of 24 July 2001 setting the code for these structures, with that governing companies managing stock portfolio on behalf of third parties as per law n°2005-96 of 18 October 2005 relating to consolidation of financial relations' security, notably article 20 ; a bylaw of the Minister of Finance unified the two regulations in one that provides for capital Market council visa, so as to adjust the regulation to its economic and financial context.

(Cf. Minister of Finance bylaw of 29 April 2010 published in JORT n°41 of 21 May 2010)

II- MEASURES IN THE ECONOMIC FIELD

1) CREATING A UNIT TO SUPERVISE INVESTORS

In the framework of implementing the presidential decision for the creation of an administrative structure within each ministry to better supervise investors and encourage individual and collective initiatives and to prepare the favourable conditions that help accelerate the pace of investment and business creation, units to supervise investors were created within the ministries.

These structures play the role of sole speaker to investors for the activities relevant to each ministry and this to help them overcome the difficulties they met when implementing their investment projects.

The different units must, if need be, co-ordinate between themselves in order to find appropriate solutions to files that require intervention of several ministries. Thus, a central unit to supervise investors was created within the Prime Ministry to deal with files that are still unsolved after all attempts by the relevant structures are exhausted.

These units which report directly to the cabinet of each ministry are managed by senior executives ranked at least managers in the central administration, helped by executives in the same ministry.

(Cf. Decree n°2010-771 of 20 April 2010 published in JORT n°33 of 23 April 2010)

2) CREATING A REGIME ENHANCING CREATIVITY AND INNOVATION IN THE AREA OF INFORMATION AND COMMUNICATION TECHNOLOGIES

To better support projects in innovative, high added value activities in the area of information and communication technologies, a regime enhancing creativity and innovation in this area has been created. The latter comes to replace the already established regime under provisions of articles 12,13 and 14 of law n°98-111 of 28 December 1998 relative to the finance law for the year 1999 providing for the creation of a Fund enhancing innovation in information technologies.

Projects that can take advantage from financing of this regime must be carried out by :

- private individuals holding Tunisian nationality and university diploma, assuring personally and in full time the responsibility of management of the project for the creation of new initiatives individually or in the form of businesses held by private individuals with Tunisian nationality ;
- companies formed by private individuals holding Tunisian nationality, operating in the area of information and communication technologies with respect to achievement of operations to expand creative and innovative projects, employing a minimum number of specialists in the areas of telecommunication, computer science, multimedia or related activities.

Furthermore, funding by this regime, which can not be accumulated with financial incentives given as per the law into force for the same components of the project, can be in the form of capital acquisition or reimbursable allotment, project study or technical assistance premium, investment premium to acquire equipment or investment premium for intangible investment.

Worth of note that profit from funding by the regime in the form of capital acquisition is given to the beneficiary from funding by the regime and is exclusively earmarked for acquisition of this holding.

(Cf. Law n°2010-18 of 20 April 2010 published in JORT n°33 of 23 April 2010)

3) FIXING THE AMOUNT AND MODALITIES FOR GRANTING THE PREMIUM WITH RESPECT TO INVESTMENT IN RESEARCH-DEVELOPMENT ACTIVITIES

The amount and modalities for granting the premium with respect to investment in research-development activities as provided for in article 42 of the code giving incentives to investment and activities carried by businesses operating in the industrial sector, in agriculture and fishing and in service activities (computer services, studies services, expertise and assistance, environmental services, health sector and public and private institutions and enterprises and the scientific associations carrying projects in research and technological development provided for by article 16 of law n°96-6 of 31 January 1996 relative to scientific research and technological development) were set as per the decree quoted as a reference.

Actions considered as “investment in research-development activities” are operations concerning studies necessary for development of new products or new production methods, carrying experiences and prototype technical tests as well as on-site experimentations and acquisition of scientific equipment for laboratories, necessary for conducting the research-development projects.

Applicants for this premiums must present in this respect a request to the Minister in charge of technology backed by a document including, notably, a presentation on the company, the investment to be implemented, the financing mode and the implementation deadline. These premiums are granted by decision of the Minister in charge of technology on opinion of an advisory committee chaired by this Minister and made up of seven members representing relevant ministries and institutions.

Premiums are given in the framework of a contract-programme concluded between the Ministry in charge of technology and beneficiaries from the premiums, fixing notably actions to be implemented and modes of their financing, the list of needed equipment and the schedule for executing the actions.

The amount of investment premiums is set at :

- 50% of the cost of studies with a ceiling for the premium worth 25,000 dinars, and
- 50% of the cost of carrying the experiences and the prototype technical tests as well as on-site experimentations and acquisition of scientific equipment for laboratories that is necessary for conducting the research-development projects and applied research projects with a ceiling for the premium worth 100,000 dinars.

Release of the amount of the premium is only made after checking achievement of approved actions and is granted on two portions. The first half is paid when beginning the achievement of approved investment and the second at its completion.

(Cf. Decree n°2010-656 of 5 April 2010 published in JORT n°30 of 13 April 2010)

4) MODIFYING THE DENOMINATION OF THE INDUSTRIAL PROMOTION AGENCY AND EXTENSION OF ITS ASSIGNMENTS

Given the importance of innovation in the national economy, it was decided to integrate innovation among assignments of the “Industrial Promotion Agency” and therefore to modify its denomination to become “Industrial Promotion and Innovation Agency”.

Thus, activity of this agency was enlarged and other assignments were entrusted to it so as to supervise the economic businesses and help them identify their needs in the area of technological innovation, to spread the culture of technological innovation by informing the public about programmes and mechanisms tied to innovation, giving more value to research results and transferring the technology, as well as to contribute to development of competitiveness, improvement of productivity and promotion of new activities and innovative businesses.

(Cf. Law n°2010-25 of 17 May 2010 published in JORT n°40 of 18 May 2010)

5) TERMS AND CONDITIONS FOR GIVING AND WITHDRAWING AUTHORISATION TO OLIVE OIL PRIVATE EXPORTERS IN THE FRAMEWORK OF THE QUOTA GRANTED BY THE EUROPEAN UNION

New provisions, applied as from 1st May 2010 up to 31 October 2010 require from private exporters listed as olive oil exporters and intending to export olive oil in the framework of the quota granted to Tunisia by the European Union for 2010 to obtain, over the above-mentioned period, an authorisation in this regard delivered by the Minister of Agriculture, hydraulic resources and fishing.

These exporters are called to deposit the authorisation request at the same Ministry in a deadline of 31 October 2010. This authorisation is delivered by the Minister over a two-month non-renewable period after opinion of a commission.

This commission, chaired by the Minister of agriculture, hydraulic resources and fishing or his representative is made up of eight members designated by decision of the Minister on proposal of relevant parties representing the different ministerial departments, associations and professional structures.

In the framework of the annual quota given by the European Union in 2010, this commission :

- studies and gives opinion about requests presented by private exporters in order to export ;

- makes suggestions for giving authorisations for Tunisian olive oil export ;
- gives opinion about distribution of the monthly quantities between the different operators as per the regulation into force in the European Union on the one hand in line with the national availability of the season and of the market needs on the other ; and
- proposes prohibition of the exporter or write off of his name from the list of exporters authorised to export Tunisian olive oil.

The monthly quantities are attributed to private exporters as per the chronological order of registering their demands at the Ministry of Agricultural, hydraulic resources and fishing, the quality of oil, by giving priority to organic olive oil and processed olive oil, the export prices and the volume of exports achieved over the last two years.

Worth of note that this commission can fix a ceiling for all exporters who intend to export olive oil in bulk in the framework of a quota during each month in case the demands go beyond the quota of a given month.

Further to ordinary control of quality during export, Tunisian olive oil quantities that are exported in bulk in the framework of the above-mentioned quota are systematically subdued to a second control of quality during cargos and the analysis fees tied to the operation control are borne by the exporters.

When private exporters authorised to export olive oil as per provisions of this new regulation do not respect these provisions, the Minister of Agriculture, hydraulic resources and fishing can decide, after advice of the above-mentioned commission, to definitively withdraw authorisation of olive oil export.

(Cf. Decree n°2010-699 of 5 April 2010 published in JORT n°31 of 16 April 2010)

6) DIRECT SALE BY THE PRODUCER TO THE CONSUMER

In application of article 7 of law n°2009-69 of 12 August 2009 relative to distribution trade, the decree quoted as a reference re-defines direct sale by the industrial producer to the consumer (private individuals or legal entities) who purchases products to consume them at the final step or the intermediary and this to boost soundness of upgrading in this sector, to modernize the distribution channels, to reinforce the competitiveness climate, to promote small trade and guarantee balance and complementarity between the different parties intervening on the market.

(Cf. Decree n°2010-828 of 20 April 2010 published in JORT n°34 of 27 April 2010)

7) MODIFYING THE STRUCTURE OF THE NATIONAL COUNCIL FOR TRADE

In order to adjust the structure and modalities of functioning of the national council for trade to new economic and social requirements and to give the latter more dynamism and flexibility in accomplishing its assignments as provided for by provisions of decree n°92-100 of 13 January 1992 and which consists in conducting a periodic examining of the distribution trade situation, giving opinion on issues relevant to the distribution trade and drawing up proposals to the government in the framework of developing the sector, it was decided to repeal provisions of the above-mentioned decree and replace it by other provisions.

Thus, structure of the above-stated council was enlarged to integrate new members and this further to representatives of the different institutions, organizations and administrative structures. This involves members representing the ministries of industry and technology, development and international cooperation, communication technologies, professional training and employment, social affairs, solidarity and Tunisians abroad and the competitiveness Council. The Tunisian Union for agriculture and fishing is henceforth represented by two persons instead of one.

(Cf. Decree n°2010-1194 of 24 May 2010 published in JORT n°43 of 28 May 2010)

MAIN ECONOMIC INDICATORS

(In MTD unless otherwise indicated)

DESCRIPTION	FIRST HALF			VARIATION IN %	
	2008	2009	2010	2009 2008	2010 2009
INDUSTRIAL PRODUCTION INDEX (BASE 100 IN 2000)	132.1	122.0	131.1	-7.7	7.4
OF WHICH : MANUFACTURING INDUSTRIES	139.3	123.6	134.8	-11.3	9.1
BALANCE OF TRADE					
- OVERALL EXPORTS FOB	12,235.1	9,517.7	11,348.6	-22.2	19.2
- OVERALL IMPORTS CIF	14,970.2	12,046.4	15,791.8	-19.5	31.1
- TRADE DEFICIT EXCLUDING ENERGY FOB-CIF (1)	1,979.3	2,662.6	4,252.6	683.3	1,590.0
- OVERALL TRADE DEFICIT FOB-CIF (1)	2,735.1	2,528.7	4,443.2	-206.4	1,914.5
- OVERALL COVERAGE RATE FOB-CIF (%)	81.7	79.0	71.9	-2.7points	-7.1points
INCREASE IN CONSUMER PRICES :					
- SHIFT FROM THE BEGINNING OF THE YEAR (%)	1.8	1.2	1.7		
- IN TERMS OF MONTHLY AVERAGES (%)	5.5	3.2	4.8		
TOURISM					
- NON RESIDENT ENTRIES (1,000 persons)	2,951	2,967	2,908	0.5	-2.0
- OVERALL BEDNIGHTS (1,000 units)	14,632	13,528	13,865	-7.5	2.5

(1) Variations are expressed in millions of dinars.

MAIN MONETARY AND EXTERNAL FINANCE INDICATORS⁽¹⁾

(In MTD unless otherwise indicated)

DESCRIPTION	JUNE		VARIATION IN %	
	2009	2010	JUNE 2009 DEC. 2008	JUNE 2010 DEC. 2009
MAIN MONETARY AGGREGATES OF THE FINANCIAL SYSTEM (2)				
M4 AGGREGATE	36,179	40,372	5.2	4.2
MONEY SUPPLY (M3)	35,968	40,260	5.3	4.3
NET CLAIMS ABROAD (3)	8,521	9,065	345.0	-566.0
DOMESTIC LOANS	40,433	46,331	5.1	8.3
NET CLAIMS ON THE STATE (3)	6,143	6,648	361.0	-87.0
OF WHICH :				
- TREASURY BONDS (3)	2,335	2,476	267.0	-80.0
- TREASURY CURRENT ACCOUNT (3)	489	442	92.0	46.0
FINANCING OF THE ECONOMY	34,290	39,683	4.9	10.0
EXTERNAL PAYMENT INDICATORS (2)				
TOURIST RECEIPTS (4)	1,407	1,398	+5.2	-0.6
CASH LABOUR INCOME (4)	913	965	+15.4	+5.7
DEBT SERVICE (4)	1,327	1,247	-0.3	-6.0
CURRENT DEFICIT (3) (4)	-703	-2,409	+224	-1,706
GENERAL BALANCE OF THE BALANCE OF PAYMENTS (3) (4)	558	-584	+90	-1,142
EXCHANGE RATE (IN DINAR) (5)				
1 US DOLLAR	1.3400	1.5173	2.3	15.2
1 EURO	1.8903	1.8621	2.7	-1.9
1,000 JAPANESE YEN	13.8517	16.9761	-4.5	20.4
1 STERLING POUND	2.2057	2.2528	14.6	6.4
10 MOROCCAN DIRHAMS	1.6683	1.6700	1.2	0.5

(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.