

The International Environment

- Slower economic growth in the main industrialised and emerging countries over the third quarter of 2006 ;
- Decrease of commodities prices and net easing of inflation in September 2006 ;
- Ongoing tightening of monetary policy in the Euro Zone ;
- Slight appreciation of the dollar against the euro and the yen and sustained rise in the main stock indicators over the third quarter of 2006.

The National Climate

- Start up of the 2006-2007 agricultural season in satisfactory conditions ;
- Ongoing recovery in the production of manufacturing industries ;
- Improvement of the main tourist indicators ;
- Sustained progress in foreign trade particularly for imports ;
- Faster pace of inflation, at end September 2006, compared to last year ;
- Tightening of bank liquidity over the third quarter of 2006 and increase of net claims on abroad combined with faster progress in financing to the economy and firming up of net claims on the State over the first nine months of 2006 ;
- Ongoing rise of stock indexes contrasting with a drop in issues through public call for savings and the volume of capital trading over the third quarter of 2006 ;
- Significant surplus of the general balance of payments following the transfer of 35 % of the capital of Tunisie Telecom ;
- Appreciation of the dinar against the US dollar and depreciation against the euro compared with the beginning of the current year ;
- Increase of the volume of transactions on the spot exchange market following the simultaneous rise in currency/currency and in currency/dinar transactions.

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THE INTERNATIONAL ENVIRONMENT

The economic growth in the world over the third quarter of 2006 was marked by an almost general slowdown due to the impact of soaring commodities' prices, mainly, those of crude oil and metals, and tightening of monetary policy with a view to curbing inflationary pressure, mainly, in the industrialised countries.

For the current year as a whole, the expected world growth rate would be slightly higher than in 2005 (5.1% vs. 4.9%). In fact the observed drop as of last September, in crude oil prices, the inflation easing and the maintaining of the same the key rate, in most of the industrialised countries, are favourable factors to economic activity boosting for the rest of the year 2006.

In the **United States**, the growth rate regressed to 1.6% in annual pace over the third quarter of 2006, compared to 2.6% in the previous quarter. This slowdown is due, mainly, to a tightening in real estate investment (-17.4%), related mainly to high level of interest rate.

In the **Euro Zone**, the slower economic activity was accentuated with a growth rate going down from 2.7% in annual pace over the second quarter of 2006 to 2.6% in the third. This situation is, notably, led by the counter-performance of the French economy, second economy in the zone, the activity of which was affected by weak industrial investment and exports.

In **Japan**, the growth rate was, maintained over the third quarter of the current year at its level of the previous quarter (2.7% in annual pace) and this thanks to positive development of exports and corporate investment which helped to offset the drop in private consumption.

In **China**, the economic expansion was down slightly over July-September 2006 period, coming in at 10.4% in annual pace compared to 11.3% over the three previous months. This slower pace is in line with measures taken by the Chinese government against risks of the economy overheating, particularly, rising interest rate and bank credits' restrictions.

As for **employment**, a quasi-stability of the unemployment rate was recorded over the third quarter of 2006. Thus, the number of jobless people in September 2006 accounted for 4.6% in the United States, 7.8% in the Euro Zone and 4.2% in Japan compared to 4.8%, 7.8% and 4.1% respectively last July.

Commodities' prices posted an easing, exclusive of wheat, the harvest of which was affected by the drought that prevailed in a number of producing countries, and metals like copper and zinc, due to difficulties at the level of production.

In particular, **crude oil** prices which reached a record high level of about 78 dollars the Brent barrel in the beginning of August 2006, regressed to about 60 dollars as of September. This drop is, mainly, led

by slower world demand due to a decrease in the pace of the activity, particularly, in the United States and China, big energy consumer, as well as higher level of stocks. To avoid price decline, the OPEC decided, on 20 October 2006, to reduce its production by 1.2 million barrels per day as of 1st November, bringing it to 26.3 million barrels.

Energy price decline, combined with the effect of monetary policy tightening led to a drop in **inflation**, notably, in the industrialised countries. Thus, consumer price rise came in, in terms of annual drift, over September 2006 at 2.1% in the United States, 1.7% in the Euro Zone and 0.6% in Japan compared to 3.8% 2.3% and 0.9% respectively in the previous month.

Facing persisting inflationary risks, the European Central Bank raised its key rate on 5 October 2006, bringing it up to 3.25%, whereas, the US federal Reserve

decided, on 25 of the same month, to maintain the same key rate at 5.25% and this for the third month in a row.

On the other hand, the **international foreign exchange markets** were marked by a slight appreciation of the dollar against the main foreign currencies, in considering the interest rates' gaps in favour of the dollar. In fact, the average rate of the dollar rose, between August and October 2006, by 1.6% against the euro and by 2.4% against the yen.

Stock indexes went on an upward trend on the main stock exchange markets, reaching for most of them, on 26 October, their highest levels as of the beginning of 2006, and this following notably a drop in energy prices. This trend concerned, mainly, the US indexes which rose by 6.2% for the Dow Jones and by 8.2% for the Nasdaq between end August and end October 2006.

NATIONAL CLIMATE

ECONOMIC ACTIVITY : Recovery of production in manufacturing industries and improvement of tourist indicators, combined with consolidated activity in foreign trade.

Concurrently with signs of improvement of world economic growth for the rest of the current year, following the significant easing of oil prices as of almost two months, the Tunisian economy continued to develop favourably in most sectors of activity. This evolution concerned, particularly, the pace of production

in manufacturing industries including textile and clothing and leather and footwear, tourist activity and the other services like communications. Furthermore, favourable weather conditions following beneficial rainfalls in October contributed to agricultural season start up in satisfactory conditions.

On the other hand, foreign trade continued to rise at a faster pace than a year before, notably, for imports, due to soaring prices for energy and other several imported products like raw materials and semi-finished products and capital goods ; in addition to the impact of the main currencies' appreciation against the dinar. This situation led to higher trade deficit, up by about 30% at end September 2006 compared to the same period of last year and therefore a 2.4 percentage point drop in the rate of coverage, down to 77.4%.

Despite abundant and regular supply of different products, notably, key foodstuff, the inflation rate remained fairly high, reaching an average 4.7% over the first nine months of the current year compared to 1.6% in the same period of 2005.

1- Agriculture and fishing

The new agricultural season is going on in favourable weather conditions, mainly, following significant rainfalls in several regions of the countries which will lead to positive effects on the agricultural activities, notably, large-scale farming, olive and market garden produce.

As for **large-scale farming**, preparations for **cereal** sowing campaign started up and this over estimated areas of 1.5 million hectare, almost the same level as the previous season. Cereal production forecasts account for 18 million quintals, helping to curb **imports**. The latter amounted to 1,751 thousand tons aver the first nine months of the current year for 354.7 MTD, levels which are respectively down by 3.2% and in a virtual standstill (-0.2%) compared to the same period of 2005.

As for **tree farming, olive oil** production over the new 2006-2007 campaign is estimated between 160 thousand and 180 thousand tons compared to 210 thousand over the previous season. **Oil exports** amounted to 98.7 thousand tons for 555 MTD compared to 92.5 thousand tons and 379.2 MTD over the same period of the previous year.

As for **dates**, estimates account for a production of 131 thousand tons over the current campaign compared to 113 thousand over the previous one (81.5 thousand tons of Deglet Nour compared to 70 thousand tons).

In **livestock** sector, **fresh milk** production totalled 85.2 thousand tons in August 2006 compared to 80.7 thousand in the same month of the previous year. Over the first eight months of the current year, production increased by 5.6%, amounting to 675 thousand tons. Over the same period, **the collected quantities of milk** accounted for about 389 thousand tons compared to 365 thousand tons a year earlier.

Red meat production progressed by 2.3% in August 2006, amounting to 9 thousand tons. However, it posted a 1.2% drop over the first eight months of the year, down to 74 thousand tons.

In **fishing and aquaculture**, production dropped by 3.8% over the first eight months of the current year, amounting to 70.5 thousand tons due mainly to a drop in coastal fishing (-6%) and pelagic trawling (-13%). Inversely, production rose for blue fish (7%), benthic trawl (3%) and fishing in the lakes (39%).

By region, production rose in the governorates of Bizerte (38%), Monastir (28%), Sousse (26%), Nabeul (13%) and the

region of Tunis-Ben Arous (9%) ; whereas it regressed in most of the other governorates.

Seafood exports regressed, over the first nine months of 2006, by 10.3% in quantity and increased by 2.9% in value, to reach 13 thousand tons and 139.8 MTD. Decrease in the exported quantities hit, particularly, shellfish and mollusc. **Imports** amounted to 22.4 thousand tons at end August 2006, for a value of 36 MTD vs. 18.6 thousand tons and 24 MTD over the same period of 2005.

As for **the food balance** with abroad, **foodstuff exports** progressed by 18.1% over the first nine months of 2006 compared to 6.7% drop over the same period of the previous year, amounting to about 1,081 MTD and representing 9.6% of total exports compared to 9.1% in the previous year. **Foodstuff imports** rose by 10.9% at end September 2006 compared to 6.5% rise over the same period of 2005, amounting to 872.5 MTD following, notably, high purchases of vegetal oil and sugar. Thus, the balance of food posted a surplus of 207.6 MTD over the first nine months of the year compared to 127.4 MTD a year earlier and the rate of coverage came in at 123.8% compared to 116.2% in the previous year.

Domestic market supply with foodstuff was abundant, notably, for key products such as vegetables, fruits and fish, thanks to production improvement in addition to recourse to buffer stocks and imports. Nevertheless, foodstuff prices pursued their upward trend in September 2006 and this at a 0.6% rate compared to the previous month, due to demand increase over this period of the year which coincided with the beginning of Ramadhan.

2- Industrial Activity

The general index of industrial production continued to rise in August 2006 coming in at 3.2% in annual drift compared to 4% in July and 3.1% in the same month of the previous year, in line with an ongoing recovery in manufacturing production (5.5% vs. 4.2% last year). Thus, the industrial production index was firmed up over the first eight months of the current year, to reach 2.1% vs. 0.6% in the same period of 2005.

This evolution concerned only **manufacturing industries**, the production index of which rose by 4.1% at end August 2006 compared to a standstill over the same period of the previous year. This recovery was mainly, led by sustained rise of production in mechanical and electrical industries (16.8% vs. 9.2%) and a progress in agrofood industries (5.4% vs. -3.4%). Worth of note that production decrease in the sector of textile and clothing and in leather and footwear (-2.7% vs. -5.4% in the previous year) was lessened following the emergence of signs of recovery (production rise in July 2006 for the first time as of March 2005).

Inversely, the **mining sector** production regressed by 12.7% over the first eight months of 2006 compared to 1% increase in the same period of the previous year, due to a drop in the production of phosphate (-14.1%), iron ore (-4.4%) as well as suspension of production of lead, zinc and barytine due to depletion of reserves in the mining fields of Bougrine, Boujaber and Fej Lahdoum.

Energy production dropped by 3.2% at end August 2006 compared to 3% rise over the same period of the previous year.

Following manufacturing production recovery, **imports of raw materials and semi-finished products** grew at a faster pace over the first nine months of 2006, with 14.4% increase compared to 9.1% over the same period of the previous year. The same trend concerned **imports of capital goods** which rose by 18.3% at end September 2006 compared to 4.4% last year, following manufacturing industries progress (2.7% at end August), in addition to the increase in the import prices and the depreciation of the dinar against the euro and the US dollar (2.9% and 4.3% in average respectively over the first nine months of 2006).

On the other hand, foreign trade in the industrial sector was marked by consolidated activity for the **exports of non-food manufactured products** which rose by 10.2% over the first nine months of 2006 compared to 9.2% in the same period of the previous year and this despite a drop in the exports of textile and clothing (-1.7%). This progress concerned, mainly, mechanical and electrical industries (23.7%), building material industries, ceramics and glass (33.1%) and miscellaneous industries (25.8%).

3- Tourism

Over the first nine months of 2006, the main tourist indicators posted a slower pace despite an improvement in the pace of the activity in August and September.

Foreign tourist entries rose by 5.6% in annual shift in September 2006, compared to 5.4% in the same month of last year, amounting to about 715 thousand individuals. This improvement was led by Maghreb tourist entries (5.3% vs. -1.1% in

September 2005), mainly, the Libyans (12.8% vs. -6.4%).

Over the first nine months of the current year, the total number of tourists went beyond 5.3 million individuals, up by 3% vs. 2.6% at end August and 9.3% in the same period of 2005. The deceleration compared to last year hit the European entries (1.6% vs. 14%), in particular, the French (4.1% vs. 16.8%) and the English (7% vs. 14.7%), in addition to a drop in the number of German tourists (-4.1% vs. 3.8%) and the Scandinavians (-27.8% vs. 43.5%). Maghreb entries posted an improvement compared with the previous year (5.8% vs. 2%) which concerned all the nationalities, such as the Algerian (9.3% vs. 7.2%), the Libyan (3.4% vs. -0.3%), the Moroccan (12.1% vs. -4.8%).

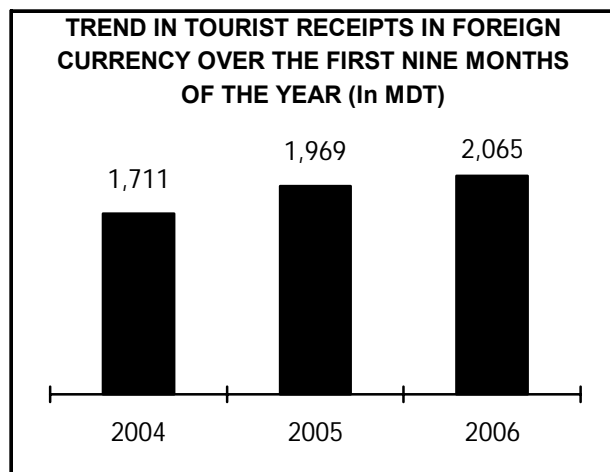
Overall tourist bednights progressed by 4.5% in September 2006 in terms of annual drift compare to 2.1% in August and 6% in the same month of last year. Over the first nine months of the year, these bednights totalled 30.7 million units, up by 1.4% vs. 0.9% at end August and 10.3% in the same period of 2005.

Most of the tourist zones posted a more or less substantial increase in their bednights : from 0.8% in the zone of Tabarka-Aïn Draham to 10.5% in that of Yasmine-Hammamet, whereas the drop hit, in particular, the zone of Tunis-Zaghouan (-5.6%).

The **relative rate of occupancy** posted a virtual stagnation over the first nine months of the year of 2006 (56.6% vs. 56.3% in 2005). In tourist zones, Mahdia posted the highest rate of occupancy (71.8% vs. 72% a year before), followed by Djerba-Zarzis (69% vs. 66.7%), Sousse

(65.7% vs. 64.8%) and Yasmine-Hammamet (65.1% vs. 63.9%), the rate of occupancy being below the general average in the other zones.

In this context, **tourist receipts in foreign currency** rose by 4.9% over the first nine months of 2006 compared to 15.1% in the same period of the previous year, amounting to about 2,065 MTD.



4- Air Transport

In line with slower foreign tourist entries, **the passengers' air traffic** grew at end August 2006 at a slower pace than the previous year (0.7% vs. 11.1%). This deceleration hit the **international lines** (1.2% vs. 12.1% last year) ; worth of note the more pronounced drop in the number of passengers on **domestic lines** compared to 2005 (-8.9% vs. -1.2%).

5- Investment projects

Declared investment projects in **manufacturing industries** rose significantly by almost 30% over the first eight months of 2006 vs. 20.4% over the same period of the previous year, totally about 1,577 MTD. Worth of note that investment projects do not take into account declared projects for the creation of the two totally

exporting ciment plants in the region of Nabeul for a total investment of 583 MTD.

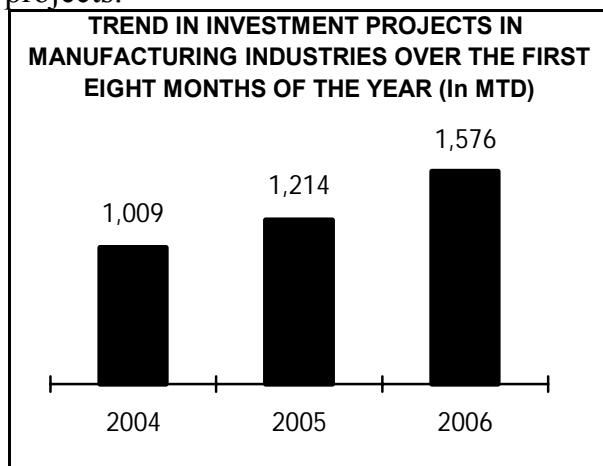
By regime, investment projects rise concerned mainly **totally-exporting industries** (90.5%) ; whereas **domestic market-oriented industries** posted a slight progress of 1.9%.

Sector-related breakdown shows, notably, a net progress of investment projects in chemical industries, leather and footwear and mechanical and electrical sector. Inversely, investment projects regressed in building materials, ceramics and glass industries. Worth of note that investment projects declared in textile and clothing posted a slight rise of 3%, despite difficult conditions related to fierce external competition.

At the regional level, breakdown of industrial investment projects posts a net rise in **regional development zones** (76% compared to 2005), bringing their share in the total from 34.8% to 47.2% from one year to the next. This significant evolution is, notably, led by the declaring of a big project with respect to the creation of a phosphoric acid unit in one of the regional development areas in the govenorate of Sfax and this for an envelope of 259 MTD.

In **services other than tourism**, declared investment projects in the first eight months of 2006 posted 55.3% increase compared to 19.9% drop in the previous year, totalling 426 MTD. This progress is related to an increase in the number of declared projects, up by 22.1%, to reach 2,550 units. Recovery of investment projects concerned, mainly, **domestic market-oriented services** (63.7%) ; whereas **totally-exporting services** posted

a slight rise of 2.9% in their investment projects.



6- Trend in prices

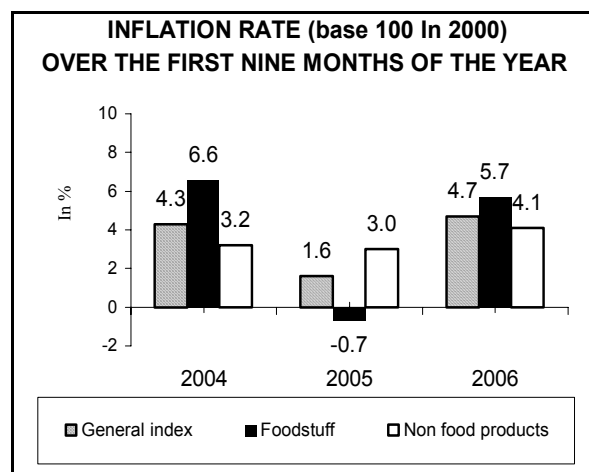
Household consumer price general index (base 100 in 2000) rose by 0.3% in September 2006 compared to the previous month vs. 0.4% in the same month of last year. This evolution was led by high prices for foodstuff and leisure and culture (0.6% for each of the two items compared to 0.6% and 0.8% respectively in September 2005) following notably price rise for eggs (7.5%), poultry (5%) and sheep meat (1.5%) as well as the prices of books and school furniture (9.3% and 4.2% respectively).

The annual shift of the general index of prices came in at 4.7% in September 2006 vs. 4.8% in the previous month and 2.4% a year earlier. Prices of a number of items of expenditure rose substantially, such as **foodstuff** (6.4% vs. 0.5% last year) and **clothing** (4.8% vs. 2.9%).

In terms of monthly averages of the general index of price, the inflation rate stood at 4.7% in the first nine months of 2006 and this for the third month in a row

vs. 1.6% in the same period of 2005. This acceleration is led by the faster evolution compared to last year, of the prices of most items of expenditure, notably, **foodstuff** (5.7% vs. -0.7%) in particular, oil (31.5% vs. 13.7%), vegetables (7.1% vs. -6.5%), fruits (6.7% vs. -9.6%), sugar and confectionery (6.3% vs. 0.8%) and meat and poultry (4.9% vs. 1.1%). **Transport** and **housing** prices rose as well : (6.7% vs. 4.5%) and (5% vs. 2.7%) respectively due to a sharp rise in the prices of energy products (16.1% vs. 8%).

Excluding foodstuff, the inflation rate came in also at a high level of 4% in 2006 vs. 1.2% in 2005.



By regime, non-controlled product prices grew at a significantly faster pace (4.8% in average vs. 1.2% in 2005) attributable, mainly, to **foodstuffs** (6.9% vs. -1%). **Controlled product** prices posted the same evolution (4.7% vs. 2.7%) which concerned, mainly, **non-food products** (5.8% vs. 3.4%) due to rising prices for fuel and building materials.

Due to inflation maintaining at a high level, the Central Bank of Tunisia raised on 26 September 2006, its key rate by 25 basis points, bringing it up to 5.25%. This

decision aims at curbing inflationary pressure led, mainly, by soaring imported oil and commodities' prices, decreasing production for a number of agricultural products over the first half of 2006 and the depreciation of the dinar against the US dollar and the euro. It aims at preserving macro-economic balances of the country, mainly, rationalising private consumption and household indebtedness, encouraging the national savings and controlling the deficit of external payments.

On the other hand, other appropriate measures were taken, such as regular supply of the domestic market with key products through resort to import and strategic stocks, in addition to intensification of economic control and the citizen's awareness with respect to rationalized consumption and therefore controlled indebtedness.

FINANCIAL SYSTEM SITUATION : Tightening of bank liquidity over the 3rd quarter of 2006 and increase of net claims on abroad combined with faster progress in financing to the economy, and firming up of net claims on the State over the first nine months of 2006.

I - BANK LIQUIDITY AND REFINANCING OF THE FINANCIAL SYSTEM¹

1- Bank liquidity

Bank treasury which was marked by restrictive effects exerted by all autonomous factors of bank liquidity, exclusive of net assets on abroad, was tightened in the third quarter of 2006.

Bills and coins in circulation which came in at 3,849 MTD exerted a restrictive effect of 204 MTD on bank liquidity over the considered quarter compared to an expansive effect of 48 MTD over the previous quarter. This evolution was led by firming up of manual exchange thanks to tourist flows, combined with faster pace of household expenditure over the summer season and the back-to-school period. Over this period, the highest level of the year was recorded (3,943 MTD on 28 August 2006).

In the same way, **the net balance of public administration** which dropped by 104 MTD (compared to a firming up by 453 MTD over the previous quarter) contributed to bank liquidity tightening. This evolution reflects, mainly, 121 MTD increase in the balance of Treasury current account due, notably, to encashment of the profit of Tunisie Telecom over 2005 (246 MTD) and part of the dividends of the Groupe Chimique Tunisien (80 MTD) as

well as transfers to the account “foreign currency awaiting appropriation” of the last portion of the amount of transfer of the second licence of the GSM mobile phone (164 MTD) on 14 September and a portion of earnings from the privatisation of 35% of the capital of Tunisie Telecom (197 MTD) on 27 September. This rise was, however, lessened by the significant amounts with respect to early reimbursement of a loan given by the ADB (166 MTD) as well as domestic debt maturities.

The item “other factors” rose sharply over the considered period (+2,301 MTD), amounting to 2,654 MTD after entering the proceeds of the privatisation of 35% of the capital of Tunisie Telecom (2,250 million dollars) in the account “foreign currency awaiting appropriation” ; a transaction that had no impact on liquidity.

However, **net assets on abroad** which rose by 2,484 MTD over the third quarter of 2006 (compared to 578 MTD drop over the previous quarter) amounted to 5,845 MTD. This rise is attributable, mainly, to a consolidation by 2,617 MTD in the net assets in foreign currency which came in at 7,814 MTD, lessened by respective increases of 109 MTD and 18 MTD in the account “foreign currency of authorised intermediaries” and the account “money market in foreign currency”. The evolution of net assets in foreign currency was marked by the encashment of proceeds from the above-mentioned privatisation as well as the firming up tourist receipts and work remittances and this concurrently

¹ Statistical data are presented in terms of daily averages.

with encashment of drawings on external loan, notably, the loan given by the European Investment Bank for the STEG (50 million euros). This rise would have been greater of it had not been for significant expenditure with respect to reimbursement of external debt, notably, the aforesaid early reimbursement which was combined with large trade deficit due to soaring raw-material and fuel world prices.

In considering the evolutions of the main autonomous factors of bank liquidity, the Central Bank intervened to inject, overall, in the framework of its monetary policy operations an average amount of 323 MTD over the third quarter of 2006 compared to 168 MTD over the previous quarter. As a result, **assets in banks' current account** came in at 218 MTD.

2- Monetary Policy Operations

Facing soaring world prices for raw materials and fuel and ensuing increase in the general level of prices, the Executive Board of the Central Bank of Tunisia decided, during its monthly meeting of 26 September 2006, to raise the key rate of the Issuing Institution from 5% to 5.25%. This decision which will in fact help to achieve the set targets with respect to controlling inflation, will also contribute to encouraging savings and productive investment and to restraining consumer loans.

In the framework of diversifying its means of interventions and to further enrich the set of monetary policy instruments, the Central Bank launched for the first time, in September 2006, the repurchase agreement operations. These transactions, the regulating framework of which was set up in 2003, consists in carrying out purchases (sales) with the commitment to resell (repurchase) stocks and commercial deeds backed by a concrete transfer of securities and this in compliance with a typical outlined agreement with local banks.

Over the considered period, transactions on the **interbank market** posted 18 MTD drop, marking thus the drop in sight and forward transactions by 14 MTD and 4 MTD respectively.

The Issuing Institution intensified its interventions in the form of **open-market operations**. Over the considered quarter, three operations of firm purchase of Treasury bonds were carried out for a total amount of 171 MTD. These operations were recorded in July and in the first ten days of August. Firm purchases were carried out on bonds equivalent to Treasury bonds (BTA) lines falling due in

TREND IN FACTORS OF BANK LIQUIDITY ⁽¹⁾

(Daily averages in MTD)

Description	2 nd quarter 2006	3 rd quarter 2006	Variat. 3 rd quar.2006 2 nd quar.2006
Bills & coins in circulation	-3,645	-3,849	-204
Net balance of public administration	657	553	-104
Of which : Treasury current account balance	-252	-373	-121
Net assets on abroad	3,361	5,845	+2,484
Of which : Net assets in foreign currency	5,197	7,814	+2,617
Other factors	-353	-2,654	-2,301
= (A) TOTAL AUTONOMOUS FACTORS	20	-105	-125
Calls for bids	-12	-20	-8
One to seven-day allowance uptake	0	13	+13
Three-month Treasury bond allowance	0	0	0
Net tapping operations	-12	-9	+3
Open market operations	192	349	+157
Repurchase agreement	0	-10	-10
= (B) TOTAL OPERATIONS OF MONETARY POLICY	168	323	+155
= (A)+(B) ASSETS IN BANKS' CURRENT ACCOUNT	188	218	+30

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

July 2007 (48 MTD), in June 2008 (65 MTD), in March 2009 (32 MTD), in April 2010 (21 MTD) and in March 2012 (5 MTD). Worth of note that the outstanding balance of Open Market which was substantially consolidated over this period, reached a maximum level of 476 MTD on 8 August 2006. Towards the end of August and following the improvement of bank liquidity as of the second half of the considered month, the Central Bank carried out seven firm sale operations for a total amount of 248 MTD. These sales were operated, mainly, on BTA lines in September 2006 (41 MTD), July 2007 (161 MTD), June 2008 (33 MTD), March 2009 (3 MTD) and March 2012 (10 MTD). Over the same period, reimbursements on BTA lines were carried out in July 2007 and on short term Treasury bonds (BTCT) lines falling due on 29 August 2006 for a total of 6 MTD. In this way, the outstanding balance of Open Market operations regressed from 311 MTD at end June to 221 MTD at end September.

Over the considered quarter, the Central Bank had to intervene four times to inject liquidity in the form of **positive calls for bids** for amounts fluctuating between a minimum of 170 MTD and a maximum of 250 MTD and five times as of the second half of August in the form of **negative calls for bids**, to mop up liquidity surplus. Mopped up envelopes in this form fluctuated between a minimum of 77 MTD and a maximum of 409 MTD. Overall, an average amount of 20 MTD was mopped up in the form of calls for bids in the third quarter of the year compared to 12 MTD over the previous quarter.

Repurchase agreement operations introduced for the first time on 15 September 2006 were carried out to mop up liquidity surplus. Their concrete forms were in the form of repurchase agreement operation

(sale with commitment to repurchase). The first operation accounted for 87 MTD for a period varying between 3 and 4 days. The second operation was carried out on 21 September and accounted for an average 92 MTD given for a period of 7 days.

In the same way, the Central Bank carried out 1 to 7 days allowance uptakes for an average amount of 13 MTD, completed by **fine tuning** operations of bank liquidity in the form of tapping, the average level of which came in at 9 MTD for all the period.

In light of the evolution of the different modes of intervention of the Central Bank, **monetary policy operations** yielded an average injection of 323 MTD over the third quarter compared to 168 MTD over the previous quarter.

Day-to-day interest rate on the money market fluctuated between 4.97% and 5.13% and thus the money market average rates in July, August and September came in at 5.04%, 5.01% and 5% respectively.

As for repurchase operations, they were all carried out at a 4.97% rate.

II – TREND IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS

Over the first nine months of 2006, trend in financial system resources was marked, over the first nine months of 2006 by higher level of net claims on abroad, faster progress pace in financing to the economy and firming up of net claims on the State. This evolution was reflected on M3 aggregate which rose by 9.9% vs. 7.3% in the same period of the previous year and an updated forecast of 11% for the year 2006 as a whole. In annual shift, the progress rate came in at 13.7% in September 2006 vs. 9.8% in the previous year.

1- Money supply M2

This aggregate rose by 10.5% over the considered period vs. 7.3% over the same period of last year. This evolution reflects an increase both in available money and quasi-money.

Available money (M1) grew in September 2006 by 10.2% compared to its level in December 2005 compared to 8.7% in the same period of last year. This trend is due to higher progress pace in bank money combined with slower pace in fiduciary money. Bank money which reflects faster sight deposit at banks (15.9% vs. 8%) increased by 15.1% vs. 9.7%. From one month to the next, sight deposits rose by 1.1% or 57 MTD. This rise concerned, mainly, those of the STEG (Société Tunisienne de l'Electricité et du Gaz) the STIR (Société Tunisienne des Industries de Raffinage) and Maghreb Invest companies.

Fiduciary money rose by just 2.8% over the first nine months of 2006 compared to 7.2% over the same period of last year, marking thus the slower progress pace of bills and coins in circulation (5.2% or 188 MTD vs. 7.4% or 231 MTD). Compared to the previous month, this aggregate regressed by 3.1% or 120 MTD vs. -3.5% or -123 MTD, reflecting thus the seasonal effect that marked the post-summer period of this year.

Concurrently, quasi-money posted 10.7% increase over the considered period compared to 6.5% over the same period of the previous year. This progress is due to notable firming up in certificates of deposit (13.7% or 131 MTD vs. -9.7% or -99 MTD), faster progress both in deposits in special savings accounts at banks (6.7% or 328 MTD vs. 3.7% or 170 MTD) and in savings at the postal savings centre (9.7% or 137 MTD vs. 7.6% or 95

MTD). In the same way, forward deposits and other financial products posted an increase, though at a slower pace than last year (11.2% or 587 MTD vs. 13.3% or 595 MTD). Compared to their level in August, the latter dropped by 57 MTD following, mainly, a drop in deposits at the National security fund (CNSS) and the water distribution company (Société Nationale d'Exploitation et de Distribution des Eaux).

TRENDS IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS *

(Figures at end of period in MTD)

Description	Sept. 2006	Variations in %	
		Sept. 2006 Dec. 2005	Sept. 2005 Dec. 2004
M4 AGGREGATE	2,6448	9.7	7.5
Money supply (M3)	2,6170	9.9	7.3
Money supply (M2)	2,4451	10.5	7.3
Money (M1)	9,635	10.2	8.7
Quasi-money	14,816	10.7	6.5
M3 – M2	1,719	1.7	6.3
M4 – M3	278	-0.7	25.9
NET CLAIMS ON ABROAD**	7,054	2941	962
DOMESTIC LOANS	31,152	8.5	6.0
Net claims on the State**	4,933	767.0	321.0
of which: Treasury bonds **	1,891	141.0	57.0
Treasury current account**	438	-250.0	50.0
Financing of the economy	26,219	6.9	5.6

* Provisional data for 2005.

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

2- "M3 - M2" aggregate

This aggregate posted a deceleration over the first nine months of 2006, rising by just 1.7% compared to 6.3% over the same period of the previous year. This evolution is due, mainly, to an increase in housing-savings (3% vs. 2.7%) combined with a drop in the outstanding balance of debenture loans (-0.6% vs. 11.3% rise last year). Worth of note that issues in this respect totalled 90 MTD from the beginning of the year (vs. 55 MTD over the same period of last year) of which 40 MTD was issued in September 2006 by the Banque Tuniso-Koweitienne and totally

subscribed to over the considered month. Concurrently, significant reimbursements were carried out over the same month. They concerned the fifth portion of the debenture loan of the Arab Tunisian Lease "ATL 2001/1", the fourth portion of the debenture loan of Tunisie Leasing "Tunisie Leasing 2002/1" and the second portion of the debenture loan of the Compagnie Internationale de Leasing "CIL 2004/1".

3- Net claims on abroad

Net claims on abroad posted a significant rise (2,941 MTD) over the considered period compared to its level in December 2005 vs. 962 MTD over the same period of the previous year. This trend was led by an increase in net assets in foreign currency (2,879 MTD vs. 961 MTD) which would have been down by 32 MTD if it had not been for encashment of income from privatisation of 35% of the capital of Tunisie Telecom.

From one month to the next, net assets in foreign currency rose by 207 MTD, reaching 8,751 MTD at end September, corresponding to 165 days of import vs. 5,872 MTD and 124 days of import in December 2005 and 5,695 MTD and 120 days in September 2005. This evolution is led, mainly, by mobilising of external resources (119 MTD), of which particularly drawing on a borrowing given by the European Investment Bank "BEI" for the STEG (85 MTD), on the Japanese Bank of International Cooperation (JBIC : 17 MTD) and on the International Bank of Reconstruction and Development (IBRD : 16 MTD). Despite this evolution, net claims on abroad rose by just 17 MTD in September 2006 due to higher external

commitments of deposit banks and notably non-resident deposits (+101 MTD).

4- Net claims on the State

Net claims on the State rose by 767 MTD at the end of the first nine months of 2006 compared to 321 MTD in the same period of the previous year. This evolution is attributable to a drop in the balance of the Treasury current account (-250 MTD), combined with an increase in the outstanding balance of Treasury bonds at the lending institutions (+141 MTD) and at the Central Bank (+206 MTD). From one month to the next, net claims on the State dropped by 213 MTD following an increase in the Treasury current account (+137 MTD) combined with a drop in the outstanding balance of Treasury bonds at the Central Bank (-66 MTD).

Worth of note that net issues of Treasury bonds amounted to 570 MTD at end September 2006, of which 555 MTD in the form of BTA issued mostly over the first seven months of 2006.

5- Financing of the economy

Financial system financing to the economy went up by 6.9% or 1,681 MTD over the first nine months of 2006 compared to 5.6% or 1,282 MTD over the same period of the previous year. This evolution is attributable, mainly, to an increase in loans from ordinary resources (7.7% or 1,628 MTD vs. 6% or 1,195 MTD) and the evolution of securities-portfolio (7.2% or 99 MTD vs. 10.3% or 127 MTD). Loans from special resources continued their downward movement though at a slower pace than a year before (-2.6% or -44 MTD vs. -5.5% or -99 MTD). Worth of note that loans from ordinary resources

posted 85 MTD drop from one month to the next, due mainly to reimbursement of part of the loans granted with respect to financing olive oil stocks following its commercialisation.

The outstanding balance of treasury bills with approval and guarantee stood at the same level as August 2006, going down by 2 MTD over the first nine months of the current year compared to 59 MTD increase over the same period of the previous year.

Trend in loans to professionals and private individuals over the first eight months of 2006 shows as per the risk base and private individual loan registry and excluding approvals and guarantees that the sector of services enjoyed most of this

increase : 1,280 MTD vs. 828 MTD (362 MTD of which for financing current expenditure of private individuals compared to 343 MTD ; 306 MTD for commerce vs. 115 MTD, 283 MTD for real estate promotion and housing financing vs. 274 MTD and 78 MTD for tourism vs. 39 MTD the previous year. Loans to the sector of industry rose by 131 MTD vs. 207 MTD (of which 41 MTD for mechanical and electrical industries vs. 123 MTD, 30 MTD for building materials, ceramics and glass compared to 36 MTD and 13 MTD for agrofood industries compared to -30 MTD). Furthermore, loans given to agriculture rose by 274 MTD vs. +10 MTD in the previous year.

CAPITAL MARKET : Ongoing rise in stock indexes contrasting with a drop in issues through public call for savings and in the volume of capital trading over the third quarter of 2006.

Over the third quarter of 2006, capital market activity was marked by an ongoing rise in stock indexes at a sustained pace. This contrasted with a drop in issues through public call for savings and a regression in the volume of capital trading.

On the other hand, the considered quarter was marked by the transfer of part of the capital of the national operator of telecommunications, the introduction of two new companies on the stock quotation, the split of the shares of six listed companies and the agreement given to two mutual investment funds (OPC) and a management company and this for the first time as of the promulgation of the laws

regulating them ¹.

Thus, the third quarter of 2006 posted :

1- The transfer, in July, of 35% of the capital of the National Telecommunication Company "Tunisie Telecom" held by the State to the Emirate consortium "Tecom-Dig" for a global envelope of 2,250 million US dollars ;

2- The admission of the shares of the leasing company "El Wifack Leasing" and

¹ This concerns the laws :

- N°2001-83 of 24 July 2001 providing for enactment of the code of mutual investment funds as completed by the law N°2005-105 of 19 December 2005 relating to the creation of capital risk FCP ;
- N°2005-58 of 18 July 2005 relating to start-up funds ; and
- N°2005-96 of 18 October 2005 relating to reinforcing financial relations security.

the real estate company "Essoukna" on the stock quotation on 11 July 2006 and 18 September 2006 respectively bringing thus the number of listed companies to 48 ;

3- The CMF agreement for :

- the creation by the BIAT and its subsidiary the management company "BIAT assets management" of a mixed mutual investment fund for an initial amount of 100 thousand dinars ;

- the launching of a start-up fund "Ikdam I" for an initial amount of 1 MTD by the Bank of Financing Small and Medium-Sized Companies (BFPME) and the management company "Ikdam gestion";

- The start up of 7 capital risk mutual investment funds (FCPR) by the BFME and the management company "SAPES. SA"¹;

- the creation of a portfolio management company "MAC United Gulf" on behalf of third parties by the stock intermediary "MAC. SA", and the extension of the operating framework of "TUNINVEST Finance Group" to this type of activity ;

4- The reduction of the nominal value of 6 listed shares : Arab Tunisian Bank (ATB), the Société Immobilière Tuniso-Séoudienne (SITS), Tunisair, the Société Tunisienne des Marchés de Gros (SOTUMAG), Tunisie Leasing and the Société Moderne de Céramiques (SOMOCER).

¹ This concerns the following capital risk mutual investment funds FCPF with strat-up amounts mentioned between brackets : "FCPR GCT" (1.5 MTD), "FCPR CIOK" (1 MTD), "FCPR SONEDE" (0.6 MTD), "FCPR STEG" (0.5 MTD), "FCPR ONAS" (0.3 MTD), "FCPR ONP" (0.5 MTD) and "FCPR SNCPA" (0.1 MTD).

Primary market ²

Issues through public call for savings posted a drop of 261 MTD, down from 510 MTD to 249 MTD from one quarter to the next over the current year compared to an envelope of 444 MTD over the third quarter of 2005 ; worth of note that this decrease was led, in particular, by a regression in the State issues.

In fact, after accounting for an amount of 435 MTD over the second quarter of 2006, the Treasury issues came in at just 180 MTD, 73 MTD of which in the form of bonds equivalent to Treasury bonds over the third quarter of the year, down by 255 MTD, in line, notably, with payment in the Treasury of the remainder from the sale of the mobile phone (ORASCOM) licence and of the portion of the transfer of 35% of the Tunisie Telecom capital.

As for bonds maturity, there were exclusive drawings on the 52-week short term Treasury bonds (BTCT), contrasting with diversification of issues of bonds equivalent to Treasury bonds (BTA) with a the Treasury marked preference for 10-year maturity bonds which represented 70.8% of the global amount of BTAs issued over the third quarter.

The limited offer for Treasury bonds and the Central Bank decision to raise its key rate by 1/4 of a percentage point to 5.25% on 26 September 2006 led to an increase in the average weighted rate (TMP) at issue, those relating to the issue of 52-week BTCT rose by 5.1% to 5,348% with respect to the last auction in September.

As for companies carrying out public call for savings, 2 debenture loans were initiated over the third quarter of 2006 by the leasing company "Tunisie Leasing"

² Statistics are set up on the basis of auction dates for public shares and visa dates of the Financial Market Council (CMF) for stocks and bonds.

and the “Banque Tuniso-Koweitienne” for a global amount of 55 MTD, fully subscribed to, compared to 60 MTD over the third quarter of last year.

Concurrently 5 capital increase operations were recorded over this quarter for an accumulated amount of 14 MTD¹, 5.7 MTD of which in the form of cash money injection, the remainder being carried out through incorporation of reserves, compared to respective volumes of 12.2 MTD and 9.5 MTD over the same period of 2005.

Secondary market

The secondary market marking event over the third quarter of 2006 consists in July registry operation that concretised the transfer of 49 million shares of Tunisie Telecom, accounting for 35% of its capital for an amount of 2,250 million USD, bringing thus the volume of registry operations from 277 MTD to 3,189 MTD² from one quarter to the next compared to 178 MTD over the third quarter of 2005.

The volume of capital trading on the stock quotation was more modest than a quarter before, regressing from 238 MTD to 142 MTD and this despite the introduction of two new companies on the stock quotation and the interest shown by foreign investors for a number of listed shares.

The deduced drop is, notably, due to the adjustment movement which marked

¹ This concerns capital increase operation initiated by Essoukna (2.1 MTD in cash), Tunis Ré (5.6 MTD, 3.6 MTD of which in cash), Tunisair (3.5 MTD through incorporation of reserves), SOTETEL (1 MTD through incorporation of reserves) and Air Liquide Tunisie (1.3 MTD through incorporation of reserves).

² This volume amounts to 136 MTD, exclusive of Tunisie Telecom.

the Stock exchange as of June 2006 and which was extended up to August, as well as the wait and see situation that prevailed over the third quarter and which coincided with the season of publication of six-month financial statements of listed companies.

Concurrently, trading on the offlist regressed by 14 MTD from one quarter to the next, down from 12 MTD over the third quarter of 2005 to 9 MTD in the same period of 2006.

As for transactions on behalf of foreign investors in portfolio, their net balance came in at 14.8 MTD over the third quarter of 2006, exclusive of the transaction on Tunisie Telecom securities which yielded an accumulated quarterly volume of 37.2 MTD for acquisitions compared to 22.4 MTD for transfers. This same balance was 125.2 MTD³ over the third quarter of 2005.

These investors were particularly attracted by the shares of Karthago Airlines, SOTRAPIL and TUNISAIR which accounted for more than half of the quarterly volume of acquisitions.

Furthermore, attraction by these same investors resulted in an upward stepping over the threshold of the capital of a number of companies.⁴

³ This balance includes the registry operation recorded in September 2005 with respect to privatisation of the cement company Société Tuniso-Algérienne du Ciment Blanc (SOTACIB) which was totally transferred to two Spanish groups for 97 MTD.

⁴ Stepping over the threshold of 10% for the capital of SIAME and of 20% for the capital of Karthago Airlines by the Emirate investor “Dubai investment group Ltd”, of 5% for the capital of SOTRAPIL and that of ELECTROSTAR by the Emirate investor “Emirates International Investment Company LLC” and the threshold of 5% of the capital of TUNISAIR by the koweit investor “Global Investment House KSCC”.

As for listed shares yields, the upward trend noticed over the previous quarter was carried on over the third quarter. In fact, the market was notably sustained by sound performance of the banking sector's shares which led the market towards an upward trend as well as by the shares with high buyer interest by investors.

In this framework, 32 listed shares posted an increase at rates varying between 1.7% and 76.7% from one quarter to the next. The best performance was achieved by the share TUNISAIR which benefited from high buyer interest as well as the operation of split of its shares at end August 2006.

Yet, 13 other shares posted a drop varying between -1% and -16.9% ; the sharpest decrease was by the share SOTETEL.

Newly listed companies' shares were marked by 23.4% increase for the ESSOUKNA share, compared to its entry rate, closing for the third quarter at 5.8 dinars and 5.3% drop in El Wifack Leasing share.

On the other hand, the overall upward trend of the market was favourable to soaring stock indicators which posted new record high levels.

Thus TUNINDEX, the capitalisation index reached its record high level, closing for September 2006 at 2,139.43 points, up by 10% from one quarter to the next.

Concurrently, BVMT index stepped over 1,400 points, amounting thus to 1,454.05 points at end September and recording an 8.5% gain over the quarter.

Furthermore, the positive development of the market had a positive impact on the

stock capitalisation which was consolidated by 469 MTD from one quarter to the next, totalling 5,085 MTD over the third quarter of 2006 compared to 3,823 MTD at the end of the same quarter of last year.

In the same way, market liquidity improved, going from a quarterly average of 44% to 46% compared to an average 49% over the third quarter of 2005.

ACCUMULATED VOLUME OF STOCK TRANSACTIONS AND ISSUES THROUGH PUBLIC CALL FOR SAVINGS (figures in MTD)

Description	3 rd quarter 2005	3 rd quarter 2006
Global volume of transactions	414.0	287.0
Stock quotation	224.0	142.0
Off list	12.0	9.0
Registry Operations	178.0	136.0 *
Volumes of issues through public call for savings	444.0	249.0
Shares	12.0	14.0
Bonds	60.0	55.0
Treasury bonds	372.0	180.0

* Exclusive of Tunisie Telecom

TREND IN STOCK EXCHANGE INDICATORS (Figures of end of period unless otherwise indicated)

Description	Sept. 2005	June 2006	Sept. 2006
BVMT index in points (base 465.77 on 31 March 1998)	1,121.29	1,340.52	1,454.05
TUNINDEX index in points (base 1.000 on 31 Dec. 1997)	1,588.96	1,945.11	2,139.43
Stock exchange capitalisation (in MTD)	3,823	4,616	5,085
Nber of listed companies (in units)	45	46	48
Liquidity rate (in%)	58.0	33.0	54.0

OPCVM and investment companies' activity

Following new agreements given by the CMF, the number of OPCVM was consolidated, going from 54 to 63 authorised unit from one quarter to the next.

Funds managed by OPCVM rose by 118 MTD, from 2,611 at the end of the second quarter to 2,729 MTD, 2,538 MTD of which managed by bond OPCVM at the end of the third quarter of 2006 compared to a global amount of 2,355 MTD over the same period of 2005.

As for investment companies, while capital stock equity of SICAF maintained the same level of the end of the second quarter of the year (497 MTD) those relating to SICAR posted a slight drop of 3 MTD, to reach 269 MTD at the end of the third quarter of the year due to reduction of the capital of "Tunisie SICAR" from 3.5 MTD to 3 MTD, as well as the reduction in the capital of "Tuninvest SICAR" following the reduction

in the nominal value of these shares from 7.5 to 6.5 dinars per share and the cancelling of 14,000 shares.

TREND IN NUMBER OF INVESTMENT COMPANIES AND ASSETS MANAGED BY OPCVM

(Figures in MTD unless otherwise indicated)

Description	Sept. 2005	June 2006	Sept. 2006
OPCVM			
FCP			
Units	7	16	25
Managed assets (in MDT)	0.429	20	22.2
SICAV			
Units	34	38	38
Managed assets (in MDT)	2,355	2,591	2,707
Investment company			
SICAR			
Units	40	39	39
Managed assets (in MDT)	285	272	269
SICAF			
Units	92	91	91
Managed assets (in MDT)	498	497	497

EXTERNAL PAYMENTS : Significant surplus in the general balance of payments following the transfer of 35% of the capital of Tunisie Telecom

The general balance of payments post 2,869 MTD surplus over the first nine months of 2006 compared to 1,026 MTD over the same period of 2005.

This improvement is due to notable rise in the surplus of the balance of capital and financial operations which totalled 3,505 MTD over the first nine months of 2006 compared to 1,133 MTD a year earlier and this following the transfer of 35% of the capital of Tunisie Telecom for an amount of 2,250 million dollars. However, the current deficit was widened by 529 MTD, to reach 636 MTD in line with the worsening of the trade deficit affected, mainly, by sharp rise in the deficit of the balance of energy.

Consequently, net assets in foreign currency increased to 8,751 MTD, 165 days of import at end September 2006 compared to 5,695 and 120 days a year earlier and

5,872 MTD and 124 days of import at end 2005.

TREND IN THE MAIN BALANCES OF THE BALANCE OF PAYMENTS

(In MTD)

DESCRIPTION	2004	2005	First 9 months	
			2005	2006*
A - CURRENT PAYMENTS	-686	-405	-107	-636
- Merchandises (FOB)	-3,027	-2,553	-1,837	-2,487
- Services	+2,048	+2,364	+1,786	+1,795
- Factor income	+151	-377	-188	-73
- Current transfers	+142	+161	+132	129
B - CAPITAL & FINANCIAL TRANSACTIONS	+1,930	+1,640	+1,133	3,505
- Operations in capital	+134	+165	+37	+59
- Investment	+767	+940	+580	+3,615
- Short. medium and long term loan borrowings	+1,888	+249	+516	-169
C - ADJUSTMENT OPERATIONS (NET FLOWS)	-31	-19	-	-
GENERAL BALANCE	+1,213	+1,216	+1,026	+2,869

* Provisional figures.

I- Balance of current operations

The balance of current operations posted a deficit of 636 MTD over the first nine months of 2006, representing 1.6% of GDP compared to 107 MTD and 0.3% in the same period of last year.

This evolution is attributable, mainly, to the widening of the trade deficit by 650 MTD which, expressed FOB-FOB, totalled 2,487 MTD over the first nine months of 2006. However the surplus of the balance of services improved over the same period by 9 MTD, to reach 1,795 MTD. Trend in the current deficit reflects an increase in the deficit of the balance of energy. Excluding this component, the current payments would show a surplus of 98 MTD in the first nine months of 2006.

A- Balance of trade

The trade deficit, expressed FOB-CIF worsened by 761.4 MTD in the first nine months of 2006, amounting to 3,286 MTD and this in line with imports' rise at a faster pace than exports, 16.2% and 12.7% respectively compared to 9.3% and 12.4% a year earlier.

As a result, the rate of coverage reduced 2.4 percentage point, to reach 77.4% over the first nine months of 2006.

The main evolutions of the items of the balance of trade are the following :

- Worsening of the deficit of the balance of energy over the first nine months of 2006 by 391.5 MTD, amounting to 734.3 MTD. This evolution was led by imports rise at a faster pace than exports (44.6% and 25% respectively). Thus, the rate of coverage fell by 10.5 percentage points, to reach 67.5%.

- Tightening of the surplus of the balance of consumer goods, coming in at 603.6 MTD vs. 761.8 MTD a year earlier. Imports rose by 5.9% vs. 1.4% for exports. Thus, the rate of coverage regressed from 120.3% to 115.2% from one period to the next.

- Worsening of the deficit of the balance of capital good by 127.9 MTD over the first nine months of 2006, totalling 1,829.5 MTD. Yet, the rate of coverage improved, reaching thus 39.1% vs. 33% over the same period of the previous year and this following export rise by 40.3% and import increase by 18.3% compared to 15.4% and 4.4% a year earlier.

- In the same way, the deficit of the balance of raw materials and semi-finished products was widened over the first nine months of 2006, amounting to 1,533.3 MTD vs. 1,369.4 MTD over the same period of the previous year and this despite 15.7% rise in exports ; whereas the imports progressed by 14.4% vs. 12.5% and 9.1% respectively over the same period of 2005. These trends helped to improve the rate of coverage by 0.7 percentage point, coming in at 65.4%.

- However, the surplus of the balance of food improved by 80.2 MTD or 63% over the first nine months of 2006, to reach 207.6 MTD. This evolution is led by export rise by 18.1% (46.4% increase in olive oil exports, totalling 555 MTD) whereas the imports rose by 10.9%. The rate of coverage went up as a result by 7.6 percentage points, coming in at 123.8%.

B- Balance of services and factor income

1- Balance of services

The surplus in the balance of services went up slightly by 9 MTD in the first nine months of 2006, to 1,795 MTD. This evolution is, mainly, led by a slower pace in tourist receipts which increased by 4.9% to reach 2,065 MTD vs. 15.1% and 1,969 MTD a year earlier. Worth of note that overall bednights progressed by 1.4% over the first nine months of 2006.

2- Balance of factor income

The balance of factor income posted over the first nine months of 2006, a deficit of 73 MTD vs. 188 MTD a year earlier. The recorded improvement was led by 7.5% rise in receipts from work remittances (in cash and in kind), to reach 1,508 MTD which was combined with slower level of expenditure with respect to capital income. This expenditure rose by just 1.7%, to reach 1,718 MTD. Expenditure with respect to interest of medium and long term debt totalled 635 MTD in the first nine months of 2006 vs. 613 MTD a year before.

II- Balance of financial operations and in capital

This balance posted 3,505 MTD surplus over the first nine months of 2006 vs. 1,133 MTD over the same period of a year before.

The main evolutions recorded in this framework are :

- The balance of foreign investment posted 3,615 MTD surplus in the first nine months of 2006 vs. 580 MTD in the same period of the previous year following the transfer of 35% of the capital of Tunisie Telecom. Excluding this operation, the surplus in the balance of foreign investment would be 693 MTD.

- However, the surplus of loan-borrowings posted 169 MTD deficit in the first nine months of 2006 compared to a surplus of 516 MTD a year earlier.

This trend is led by :

* Sharp rise in expenditure for the reimbursement of medium and long term debt principal following the reimbursement, in March 2006, of Samurai II borrowing for 35 billion Japanese yen, which corresponds to 405 MTD and the early reimbursement of the syndicated borrowing with respect to private debt for an amount of 266.5 million euros, corresponding to 447.5 MTD, in June 2006. Furthermore, the Administration reimbursed in advance a 160 MTD borrowing for the ADB in August 2006.

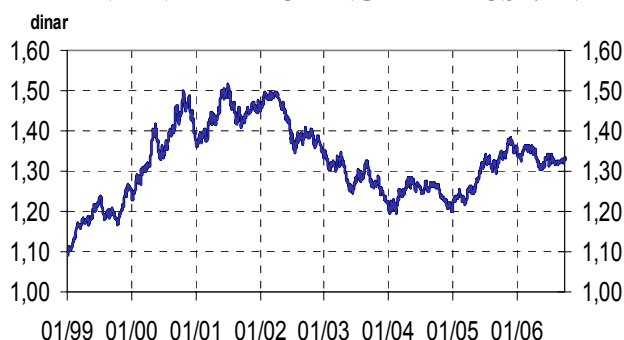
* Decrease in drawings, noting that in June 2005, the Administration mobilised a package of 400 million euros, which corresponds to 634 MTD with respect the euro-bond debenture loan.

TREND IN THE DINAR EXCHANGE RATE AND FOREIGN EXCHANGE MARKET ACTIVITY OVER THE FIRST NINE MONTHS OF 2006 : Appreciation of the dinar against the Japanese yen and the US dollar and depreciation against the euro and the Moroccan dirham

I. TREND IN THE DINAR EXCHANGE RATE

Over the first nine months of 2006, the dinar exchange rate appreciated 3.8%, on the interbank market against the Japanese yen and 2.3% against the US dollar. However, it depreciated 4.6% against the euro and 3% against the Moroccan dirham.

TREND IN THE EXCHANGE RATE USD/TND



Compared to the beginning of the year 1999 date of launching the euro and up to end September 2006, the dinar depreciated, on the interbank market, by 23.8% against the euro, 22.2% against the Moroccan dirham, 18.2% against the US dollar and 14.4% against the Japanese yen.

TREND IN THE EXCHANGE RATE EUR/TND



II. TREND IN FOREIGN EXCHANGE MARKET ACTIVITY

A- Spot market

Transactions on the spot market totalled 24,625 MTD over the first nine months of 2006 compared to 19,484 MTD in the same period of last year, up by 5,141 MTD or 26%.

This evolution is in connection with an increase in currency/currency transactions (up by 3,566 MTD) and currency/dinar transactions (up by 1,575 MTD).

TREND IN SPOT EXCHANGE TRANSACTIONS
(in MTD)

Description	First 9 months 2005	First 9 months 2006	Variations
Transactions currency against dinar	12,445	16,011	+3,566
Transactions currency against currency	7,039	8,614	+1,575
Total	19,484	24,625	+ 5,141

1- Currency/dinar transactions

The volume of these transactions on the foreign exchange market over the first nine months of 2006 totalled 8,614 MTD vs. 7,039 MTD over the same period of last year, up by 1,575 MTD or 22%.

The share of currency/dinar transactions accounted for 35% of the global volume of spot exchange transactions compared to 36% in the same period of 2005.

The share of interbank exchange came in at 86% over the first nine months of 2006 compared to 14% for the Central Bank.

The Central Bank intervention came in at 1,182 MTD vs. 638 MTD over the first nine months of 2005, up by 544 MTD. In the same way, transactions on the interbank market posted an increase of 1,031 MTD or 16%.

TREND IN SPOT EXCHANGE TRANSACTIONS OF CURRENCY AGAINST DINAR

(in MTD)

Description	First 9 months 2005	First 9 months 2006	Variations
Interbank market	638	1,182	+544
Transactions with the Central Bank of Tunisia	6,401	7,432	+1,031
Total	7,039	8,614	+1,575

2- Currency/currency transactions

Over the first nine months of 2006, the volume of currency/currency transactions totalled 16,011 MTD vs. 12,445 MTD in the same period of 2005, up by 3,566 MTD or 29%.

The share of these transactions in overall spot exchange transactions is 65%.

Transactions with foreign correspondents accounted for 95% of the global volume.

TREND IN SPOT EXCHANGE TRANSACTIONS FROM ONE FOREIGN CURRENCY TO ANOTHER

(in MTD)

Description	First 9 months 2005	First 9 months 2006	Variations
Interbank market	924	831	-93
Transactions with foreign correspondents	11,521	15,180	+3,659
Total	12,445	16,011	+3,566

The share of interbank market in overall spot exchange transactions came in at 95% vs. 5% for the Central Bank.

B - Forward market

The volume of forward exchange transactions amounted to 1,770.8 MTD in the first nine months of 2006 compared to 1,103.4 MTD over the same period of 2005, up by 667.4 MTD or 61%. The share of transactions in coverage of imports came in at 67% of the volume carried out between banks and companies compared to 33% for those in export coverage.

Transactions with respect to coverage against exchange risk incurred by importers totalled 1,134 MTD, up by 368.7 MTD. These transactions were, mainly, denominated in US dollar (56%) and in euro (40%).

Banks' forward purchase operations with respect to export coverage rose by 241 MTD, going from 319.8 MTD to 560.8 MTD over the same period. The share of transactions denominated in euro totalled 58% vs. 41% for the dollar.

Transactions between Tunisian Authorised Intermediaries and companies accounted for 96% of overall transactions.

TREND IN FORWARD EXCHANGE TRANSACTIONS

(in MTD)

Description	First 9 months 2005	First 9 months 2006	Variations
Between banks and companies	1,085.1	1,694.8	+ 609.7
Interbank market	18.3	76	57.7
Total	1,103.4	1,770.8	+ 667.4

III. SWAP EXCHANGE OPERATIONS AND INTEREST RATE GUARANTEE

A- Currency/dinar swap exchange transactions

The volume of swap exchange operations over the first nine months of 2006 amounted to 821,9 MTD compared to 214.3 MTD over the same period of last year, up by 607.6 MTD.

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

Description	First 9 months 2005	First 9 months 2006	Variations
Interbank market	1.1	82.9	+81.8
With foreign correspondents	203.7	737	+533.3
With companies	9.5	2	-7.5
Total	214.3	821.9	+607.6

B - Interest rate guarantee agreement operations "FRA"

Like in the first eleven months of 2005, no operation of interest rate guarantee agreement (FRA) was carried out over the same period of 2006. The accumulated volume of this type of operations as of their creation in June 2001 totalled 265.3 MTD.

NEW REGULATING PROVISIONS

I. MEASURES CONCERNING THE FINANCIAL SECTOR

A- Enforcement texts with respect to a number of new provisions of the organic law dealing with the creation and the organisation of the Central Bank and of the banking law

In order to confer to the Tunisian banking system the attributes of quality, the conditions inherent to the banking service watch, to basic banking services and those related to carrying the activity of the bank mediator were fixed.

1- Structure, organisation and functioning of the banking service watch

In compliance with provisions of article 77 of the law N°2006-26 of 15 May 2006 modifying the law dealing with the creation and organisation of the Central Bank and providing for the creation of a banking service watch, the present decree fixes the rules of organisation and

functioning of this watch. In fact, it is run by a board chaired by the Governor of the Central Bank of Tunisia and is made up of at least twelve members representing different structures and, notably, the ministries in charge of commerce and finances, the BCT, the Tunisian Professional Association of Banks and Financial Institutions, and the Consumer Protection Organisation. Worth of note in this respect that in case the Governor is committed, the Deputy Governor replaces him and chairs therefore the board.

The board meets on invitation of his president or his deputy at least once every three months. The board's decisions are taken on the basis of the present members' majority's vote. Worth of note that in case of equality, the Governor will have the casting vote.

The secretariat of the watch is entrusted to a senior manager of the BCT having the rank of at least a Managing Director and appointed by the Governor.

He is in charge of working out and implementing the decisions of the board. (Decree N°2006-1879 of 10 July 2006 published in JORT N°56 of 14 July 2006).

2- Fixing the list of basic banking services

In the framework of modernising the banking sector and improving its performances, a set of measures were taken to further clarify the bank-customer relationship and improve the quality of banking services. In this respect, the basic services that must be ensured by a lending institution are the following :

- Management of account and its closing ;

- Delivery of bank details and their mention on each statement of account ;

- Acting as a paying agent with respect to commercial bills and bank transfers ;

- Sending a statement of the account operations at the account holder's address declared to the bank ;

- Carrying out transactions of cheque encashment and bank and postal transfers ;

- Effecting payments in the form of transfers or debits or any other form of payment ;

- Achievement of cash deposit and withdrawal operations ;

- and delivery of a bank card.

In particular, the convention of management of deposit accounts of private individuals and business concerns, open for non-professional needs at the lending institutions acting as banks and at non-resident banks is subdued as of 2 January 2007 to a number of minimum general and particular conditions.

As for the minimum general conditions, the considered convention

must, notably, point out the duration of the convention and conditions of its renewal, terms of account opening and required documents for the identification of the customer, enjoyed products and services by the latter, the Bank's compulsory informing of the customer, in a written document or any other means bearing a proof, about any project modifying the conditions applicable to the account, conditions of transfer of the account from one branch to another and conditions of termination of the convention and closing of the account. It must also specify that it is compulsory to keep confidential the information relating to the customer, terms of the mandate and functioning of the joint deposit account, the fate of the account in case of death of his holder(s) and the Bank's compulsory mention in the statement of account of the possibility of recourse to the bank mediation and the customer's compulsory informing of the bank, without deadline, about any change with respect to the information he gave to his banker.

As for the minimum particular conditions, the above-mentioned convention must specify the terms for obtaining and withdrawing means of payment, the commissions applicable to banking products and services, the value dates, the non-authorised accounts debit position repercussions and account freezing repercussions as well as family name, first name and address of the bank mediator(s).

Worth of note that for deposit accounts open before 2 January 2007 and which are subject of neither a written convention nor an implicit approval of the customer, the bank must deliver to the latter, on his request, a convention project.

On another level and with a view to conferring attributes of quality to services

provided by lending institutions and non-resident banks, these establishments are called to set up systems ensuring security, celerity and transparency of operations. In this respect, they must institute programmes spreading the culture of quality and implanting it in the different structures and agents, set accurate regulating measures for each operation and adopt norms of quality into effect.

In the same context, lending institutions and non-resident banks must fix the deadlines for achieving banking operations, notably, basic banking services and comply with them. They must as well fix the deadlines for responding to financing applications, provided that these deadlines do not exceed 20 bank working days for investment loans and new operating loans, 10 bank working days for renewal of operating loans and 5 bank working days for non-professional loans to private individuals. Worth of note that the mentioned deadlines are accounted for as of the date of depositing the application along with all required documents and information.

In the same way, lending institutions and non-resident banks are called to adopt a transparency-based communication policy with their customers. To this end, they must publish the deadlines for implementing their transactions and the list of documents to be presented as a support to each application, give on the counterpart a receipt of the deposited application and respond in a written way to any application.

With a view to reinforcing the informational framework, lending institutions and non-resident banks are called to send to their customers a monthly statement of account for deposit accounts and current accounts and to make available for professional account holders, the scale

of interest rate applied over each quarter while highlighting the elements taken into consideration in computing the interests.

On the other hand and with a view to preserving the bank-customer relationship, lending institutions and non-resident banks are called to consider the customer's claims by studying carefully each application and responding to him in a written note within no more than 15 bank working days as of the date of depositing the application. (Decree N°2006-1880 of 10 July 2006 published in JORT N°56 of 14 July 2006, circular of the BCT to banks N°2006-11 of 18 October 2006 and circular of the BCT to lending institutions N°2006-12 of 19 October 2006).

3- Conditions for carrying out the bank mediator's activity

In the framework of clarifying the bank-customer relationship and improving the quality of banking services and to make this relationship more efficient, each lending institution is called to designate one or several mediators in charge of examining the customer's requests.

The bank mediation activity may be carried out by a private individual or a business concern provided they hold a Tunisian nationality and have an experience of at least ten years in the area of banking.

The mediator is appointed, for three years renewable just once as per a written convention that can only be cancelled before its ending by the lending institution when the mediator makes a serious offence in carrying out his assignment. To accomplish his assignment in full autonomy, the mediator must have neither a business relation nor any other connection with the lending institution.

Furthermore, the bank customer can resort to the bank mediator only after

exhausting all procedures with respect to his bank. In this respect, his complaints must be addressed to the mediator through a written request duly signed by the customer along with any relevant document he holds. As for the mediator, he has to inform the customer in a written note within the regulating deadlines, about his opinion. Worth of note that the mediator can not represent one of the parties before the law with respect to this litigation. However, the customer preserves the right to take the case to the court at any moment during the litigation.

Finally, the bank mediator is called to transmit, no later than 31 March of each year, an annual report on his activity to the banking service watch. (Decree N°2006-1881 of 10 July 2006 published in JORT N°56 of 14 July 2006).

B- Modifying the procedure of bilateral settlements between the States of Arab Maghreb Union (UMA)

In order to guarantee more flexible conditions with respect to transactions between the UMA countries and following the decision of the Board of Governors of the central banks of the UMA countries, the Maghreb economic operators may henceforth chose either the unified procedure of bilateral settlements between the States of the Arab Maghreb or the direct settlement through the authorised intermediaries by available means of payment and this in any foreign currency listed by the Maghreb central banks. Worth of note that only the first procedure was previously accepted. (Circular to authorised inter-mediaries N°2006-09 of 13 September 2006).

II- MORE FLEXIBLE CONDITIONS FOR EXCHANGE AND FOREIGN TRADE REGULATION

In the framework of an ongoing liberalisation of external finance, and with a view to gradually setting up full convertibility of the dinar, a set of measures were undertaken to introduce more flexible conditions with respect to exchange and foreign trade regulation. Thus, Tunisian private individuals holding foreign currency resources coming from abroad with respect to services provided for non-residents set up outside Tunisia were entitled to open “service providers” accounts in foreign currency or in convertible dinar.

On another level, the conditions inherent to granting travel allowance and transfers with respect to medical care fees and tuition fees were modified with a view to meeting the set target.

A- Operating conditions for “service providers” accounts in foreign currency and in convertible dinar

Set up as per provisions of decree N°2005-581 of 7 March 2005, the “service providers” accounts in foreign currency and in convertible dinar are accounts which can be open with respect to an authorised intermediary by any resident private individual holding foreign currency resources derived from remuneration of services provided for non-residents set up outside Tunisia. Members of liberal professions (notably auditors, lawyers, doctors, consulting engineers and architects), consultants, counsellors and any other operator who gives services to non-residents abroad as well as non-detached agents of public sector and the private sector’s employees called to carry out a technical assistance mission for non-residents established outside Tunisia can enjoy opening of such an account.

The opening of the “service providers” account in foreign currency or in convertible dinar is free and is effected

on presentation of a copy of the national identity card for resident individuals and copy of the stay card for foreign individuals. A relevant document on the profession of the concerned individual as well as any other document indicating the nature of given services and relating remuneration are required.

The two categories of accounts that can be opened by service providers are convertible foreign currency accounts and convertible dinar accounts.

For the first category, the above mentioned account is freely credited with foreign currency amounts coming from remuneration of given services, revenues or proceeds from assets purchased abroad through debiting this account as well as interests generated by deposited sums and this in compliance with conditions set for special accounts in convertible foreign currency.

It is also debited freely through sale of foreign currency on the foreign exchange market, handing over of currency to the account holder, her husband/his wife, his parents or children to travel abroad or to a resident wage-earner employee of the account holder to travel abroad for business. In the same way, any payment with respect to a current transaction in compliance with the regulation into force as well as any payment carried out abroad for the acquisition of furniture or real estate property located outside Tunisia, ownership right abroad or claims on abroad or denominated in foreign currency, represented or not through titles or even any management deed affecting assets regularly built up abroad can be debited from this account.

It should be pointed out that any other credit or debit operation of the mentioned account is subdued to authorisation of the Central Bank.

As for “service providers” account in convertible dinar, it is freely credited with the exchange value in dinar from sale on the foreign exchange market of currency from remuneration of given services, revenues in dinar from the sale of foreign currency on the foreign exchange market, of revenue or proceeds from assets acquired abroad through debit of the mentioned account or even interest generated by deposited sums in this account. It is freely debited with respect to any payment effected in Tunisia, purchase of currencies on the foreign exchange market with a view to handing them over to the account holder, her husband/his wife, his parents or children to travel abroad or a resident wage-earner employee of account holder to travel abroad for business. In the same way, any payment with respect to a current transaction in compliance with the regulation into force as well as any payment carried out abroad for the acquisition of furniture or real estate property located outside Tunisia, ownership right abroad or claims on abroad or denominated in foreign currency, represented or not through titles or even any management deed affecting assets regularly built up abroad can be debited from this account.

Like “service providers” accounts in convertible foreign currency, any other credit or debit transaction of “service providers” account in convertible dinar is subdued to authorisation of the Central Bank. On the other hand, the “service providers” account can in no case be a debit account.

Worth of note that any private individual can hold only one “service providers” account in convertible foreign currency or in convertible dinar. He can enjoy meanwhile neither an “export-profit” account nor a business travel allowance.

Furthermore he has to declare any purchase of property abroad through debiting the mentioned account. (Circular of the BCT to authorised intermediaries N°2006-14 of 9 November 2006).

B- Tourist allowance

The amount of tourist allowance fixed at 2,000 dinars as of 2004 was raised to 4,000 dinars per calendar year. Tourist allowance to children aged less than 10 was also raised from 1,000 dinars to 2,000 dinars per year.

Resident individuals holding foreign nationality and benefiting from transfer with respect to work remittances can enjoy with their family members a 2,000 dinar-allowance per calendar year compared to 1,000 dinars earlier. Worth of note that this allowance is halved for children below 10 years.

Contrary to previously, the tourist allowance can not be accumulated for two years in a row. Furthermore, it can be delivered fully at once or on several times but the unused portion is not carried forward over the forthcoming years. (Circular of the BCT to authorised intermediaries N°2006-15 of 13 November 2006).

C- Stay fees for medical care

The annual amount that can be transferred by any patient with respect to fees of stay for medical care is raised from 1,000 to 1,500 dinars per calendar year. This amount was raised from 750 to 1,000 dinars for the person accompanying the patient. (Circular of the BCT to authorised intermediaries N°2006-17 of 20 November 2006).

D- Tuition fees allowance

The maximum amount of allowance that can be transferred with respect to stay fees abroad for studies during the

university or school year was increased from 1,000 to 1,500 dinars. This provision will come into force as of 1st January 2007. (Circular of the BCT to authorised intermediaries N°2006-18 of 27 November 2006).

III- MEASURES TARGETTING THE CAPITAL MARKET REVIVAL

A- Incentives to foreign investment in portfolio

1- Fixing the rates of subscription to and acquisition of bonds of listed companies and companies subdued to a rating by foreign non-residents

In application of decree N°2005-3142 of 6 December 2005, allowing non-residents to participate in the capital of resident companies, the maximum rate for subscription to or acquisition of bonds of listed companies or companies having obtained a grading by a rating agency, by a foreign non-resident private individual or a business concern through foreign currency import is fixed at 10% of the outstanding balance of each issuing line. (Circular of the BCT to authorised intermediaries N°2006-08 of 1st August 2006).

2- Conditions for non-residents' access to the capital of small and medium-sized companies

To encourage foreign investment in portfolio and with a view to pursuing efforts aiming at introducing more flexible conditions for exchange regulation, the approval of the high commission of investment relating to acquisition of Tunisian shares giving the right to vote or share capital in small and medium sized companies set up in Tunisia and operating in free sectors at creation by any foreign resident or non-resident private individual or business concern or by non-resident business concern set up in Tunisia and holding a foreign contribution, is no longer

due. Conditions for implementing these provisions will be set by the Central Bank and the capital market council, each in his field.

Worth of note that any company with the net corporal fixed assets amounting to no more than 4 million dinars and with the number of employees totalling no more than 300 is considered a small and medium-sized company as per the regulation into effect. (Decree N°2006-2321 of 28 August 2006 published in JORT N°69 of 29 August 2006).

B- Reinforcing transparency of financial information

In the framework of reinforcing transparency of financial information and with a view to consolidating the financial security, companies with the shares in capital or those giving access to capital and which are listed on the stock quotation are henceforth called to transmit or deposit at the stock exchange market (BVMT) and at the capital market council (CMF) and to publish in the official bulletin of the CMF, a series of quarterly indicators of activity and this within no more than 20 days following the end of each quarter of the financial year.

These indicators which are fixed in accordance with the sector of activity within which the company operates must be published in a daily newspaper after depositing or sending them to the CMF. It should be pointed out that if a company operates in several sectors of activity, it has to establish cumulatively the indicators relating to these different sectors.

Furthermore, the communicated indicators must be accompanied by commentaries relating to bases used for their working out, to justifications of drawn estimates, to report on the marking events within the company over the considered period and

their impact on the financial situation of the company itself as well as the companies it controls, justifications of possible differences compared to already published forecasts and information on risks incurred by the company in its sector of activity.

Sectors concerned by these provisions are :

- Bank establishments,
- The leasing sector,
- Insurance and reinsurance companies,
- Investment companies (SICAF and SICAR),
- The sector of services,
- The sector of trade and distribution,
- The sector of air transport,
- The sector of industry,
- The sector of real estate,
- The sector of tourism.

(Directive of the Minister of Finance of 12 July 2006 published in JORT N°57 of 18 July 2006).

IV- INCENTIVES FOR THE TEXTILE SECTOR

In the framework of the efforts to support the sector of textile which faces some difficulties led by the multi-fibre agreement dismantling combined with fierce competition of Asian products in general and Chinese products in particular, the authorities undertook in 2005, measures aiming to support promoters of companies operating in this sector. In this respect, the fund to develop industrial competitiveness was entitled to give to these promoters who move from sub-contraction to co-contraction, a reimbursable allotment or a participation in the capital of these

companies, meant to re-capitalize entities in the sector.

To better cover the needs of these promoters, terms and quotas of financing by the fund to develop industrial competitiveness were reviewed upward.

Thus, the amount of reimbursable allotment can, henceforth, reach half of the needs for re-capitalisation without going beyond 150,000 dinars compared to 1/3 and 100,000 dinars previously. Beneficiaries must account for a capital stock equity, in cash, of at least half of the mentioned needs (1/3 earlier).

In the same way, participation in capital will be carried out within the limit of half of the needs for re-capitalisation without, however, exceeding 150,000 dinars compared to 1/3 and 100,000 dinars earlier. In this case, beneficiaries are called to mobilise capital stock equity in cash, corresponding to at least 1/4 of re-capitalizing needs compared to 1/3 earlier. Contribution by one or several venture capital investment companies can in no case be less than 1/4 of the re-capitalizing needs compared to 1/3 earlier. (Decree N°2006-1703 of 12 June 2006 published in JORT N°49 of 20 June 2006).

V- REVIEWING THE SCALE OF LOANS TO CEREAL FARMING

The scale of loans to seasonal cereal farming, set by Circular of the BCT to banks N°2003-12 of 15 October 2003 was reviewed upward for the 2006-2007 campaign to take into account the increase in charges notably, those inherent to inputs, to the manpower and the mechanization cost. The maximum amount of the credit that is modulated in line with the size of the farming land, expenditure to be incurred, yields and commercialised quantities over the previous campaigns is fixed at 430 dinars per hectare for dry farming of hard wheat, soft wheat and pulses for zone I and at 335 dinars for zone II compared to 385 dinars and 300 dinars respectively before.

As for irrigated farming, this scale was raised from 490 dinars the hectare to 550 dinars.

Concerning dry barley farming, the maximum amounts of loans to be given per hectare were set at 285 dinars for zone I, 260 dinars for zone II and 110 dinars for zone III compared to 255 dinars, 230 dinars and 100 dinars respectively in the past.

The scale of “fodder” speculation went from 200 dinars to 240 dinars for winter farming and from 250 dinars to 300 dinars for summer farming. (Circular of the BCT to banks N°2006-10 of 15 September 2006).

MAIN ECONOMIC INDICATORS

(In MTD unless otherwise indicated)

Description	First 9 months			Variations in %	
	2004	2005	2006	2005/2004	2006/2005
Investment projects (1)	1,351.3	1,488.7	2,002.9	10.2	34.5
- Manufacturing industries	1,008.8	1,214.2	1,576.5	20.4	29.8
- Services (other than tourism)	342.5	274.5	426.4	-19.9	55.3
Index of industrial production (base 100 in 1990) (1)	173.9	175.0	178.6	0.6	2.1
Of which : manufacturing industries	200.9	200.9	209.1	0.0	4.1
Balance of Trade					
- Overall exports FOB	8,887.1	9,985.8	11,250.4	12.4	12.7
- Overall imports CIF	11,451.0	12,510.4	14,536.4	9.3	16.2
- Trade deficit excluding energy FOB-CIF (2)	2,240.7	2,181.8	2,551.7	-58.9	369.9
- Overall trade deficit FOB-CIF (2)	2,563.9	2,524.6	3,286.0	-39.3	761.4
- Overall coverage rate (%) FOB-CIF (%)	77.6	79.8	77.4	2.2points	-2.4points
Increase in consumer prices :					
- Shift from the beginning of the year (%)	1.2	2.4	3.1		
- In terms of monthly averages (%)	4.3	1.6	4.7		
Tourism					
- Non-residents' inflows (1,000 individuals)	4,727	5,168	5,324	9.3	3.0
- Overall bednights (1,000 units)	27,409	30,232	30,661	10.3	1.4

(1) End of August of each year.

(2) Variations are expressed in millions of dinars.

MAIN MONETARY AND EXTERNAL FINANCE INDICATORS⁽¹⁾

(In MTD unless otherwise indicated)

Description	September		Variations in %	
	2005	2006	Septem. 2005 December 2004	Septem. 2006 December 2005
MAIN MONETARY AGGREGATES OF THE FINANCIAL SYSTEM (2)				
M4 AGGREGATE	23,313	26,448	7.5	9.7
Money supply M3	23,026	26,170	7.3	9.9
Net claims on abroad (3)	4,089	7,054	962	2941
Domemstic loans	28,511	31,152	6.0	8.5
Net claims on the State (3)	4,146	4,933	321	767
of which : -Treasury bonds (3)	1,704	1,891	57.0	141.0
- Treasury current account (3)	714	438	50.0	-250.0
Financing of the economy	24,365	26,219	5.6	6.9
EXTERNAL PAYMENT INDICATORS (2)				
Tourist earnings (4)	1,969	2,065	15.1	4.9
Cash labour income (4)	1,073	1,144	6.0	6.6
Debt service (4)	1,915	2,605	-5.4	36.1
Current deficit (3) (4)	-107	-636	229	-529
General balance of the balance of payments (3) (4)	1,027	2,869	-399	1842
EXCHANGE RATE (in dinar) (5)				
1 US dollar	1.3463	1.3333	12.2	-2.2
1 Euro	1.6129	1.6884	-1.4	4.8
1.000 Japanese yen	11.8474	11.2201	2.2	-3.7
1 Pound sterling	2.3549	2.4752	2.6	5.8
10 Moroccan dirhams	1.4645	1.5259	1.1	3.1

(1) Figures of end of period for monetary statistics and accumulated from the beginning of the year for external payments.

(2) Provisional data for 2006.

(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.