Central Bank of Tunisia

THE ECONOMIC SITUATION PERIODICAL

SEPTEMBER 2010 N°89

THE INTERNATIONAL ENVIRONMENT

- Upward review of International Monetary Fund forecasts for the world economic growth in 2010 and downward review for 2011.
- Still preoccupying situation for employment in the main industrialised countries.
- Increase of commodities world prices and therefore inflation, notably, in the developed countries.
- Appreciation of the euro against the dollar, in line with the interest rate differential between the Euro Zone and the United States.
- Set up of non-conventional measures by certain central Banks to further ease monetary policies and support economic recovery.
- Ongoing fluctuations of the main international stock indexes with an upward tendency, notably, following improved results of major holdings.

THE NATIONAL CLIMATE

- Decrease of agricultural production, in particular, cereals.
- Ongoing recovery of production and exports in manufacturing industries in the wake of consolidated external demand.
- Weak evolution of tourism.
- Ongoing control of inflation over the first nine months of 2010.
- Tighter bank liquidity in the third quarter of 2010 and faster progress pace in loans to the economy in the wake of ongoing effort by the financial system with respect to financing of the economy.
- Notable increase in stock indexes and transactions on the official quotation and consolidated contribution of capital market in private investment financing.
- Deficit of the general balance of payments in the wake of larger current deficit and lower level of net capital inflows.
- Depreciation of the Tunisian dinar against the US dollar and the euro.

This document is free downloadable from the Central Bank of Tunisia's internet site, chapter Publications, address http : //www.bct.gov.tn

INTERNATIONAL ENVIRONMENT

The international environment continued to be marked, over the first nine months of 2010, by pursuit of recovery measures by certain industrialised countries to further support economic recovery in a time the problem of public debt led a number of countries, mainly, in the European Union, to take budgetary austerity measures. On the other hand, commodities' price rise on the world market went on and foreign exchange markets posted a drop for the US dollar, notably, against the euro and the Japanese yen ; while international stock indexes posted an upward trend in most of the periods.

Despite rising doubts with respect to soundness of economic growth in certain industrialised countries, the International Monetary Fund (IMF) reviewed upward its **world economic growth forecasts for 2010** : 4.8% vs. previous forecasts of 4.6% in July and 4.2% last April. This improvement concerned **the developed countries** (2.7% vs. 2.6% in forecasts over July), excluding the **United States** (2.6% vs. 3.3%) in particular the **Euro Zone** (1.7% vs. 1%) and **Japan** (2.8% vs. 2.4%).

As for **Emerging and developing countries**, growth rate for 2010 is projected at 7.1% compared to previous forecasts of 6.8% in the wake of an expected improvement in **Central and eastern Europe** (3.7% vs. 3.2% as per previous estimates) and in the **region of Latin American and the Caribbean islands** (5.7% vs. 4.8%).

For the year 2011, the IMF reviewed slightly downward its growth forecasts : 4.2% compared to 4.3% in estimates last July and this, notably, in line with the effects of budgetary austerity programmes set by certain countries, in particular in the European Union, to face up to the public indebtedness crisis.

The American economy posted, over the current year, a slower pace of economic recovery, a reduced level of inflation and a drop in the dollar exchange rate against the other main currencies, mainly the yen and the euro ; further to persisting high level of unemployment. To further support the economic recovery, boost domestic demand and hold down unemployment, the US federal Reserve is expected to take up more flexible decisions in the monetary policy. Worth of note that available economic indicators in this country confirm slower economic activity with 1.9 point drop in the advanced index of industrial sector in September 2010, while consumer confidence index diminished by some 5 points over the same month.

In the **Euro Zone**, the advance index of industrial sector and services dropped by 1.4 point and 2.3 points respectively in September 2010. Besides, retail sales dropped by 0.4% in August compared to 1% progress in industrial production over the same month and 0.9 point increase in the economic confidence index in September.

As for employment, the situation stabilised in the main industrialised countries with an unemployment rate of 9.6% in the United States in September 2010 and this for the second month in a row ; and 10.1% in the Euro Zone in August for the fourth straight month. This rate varied between 4.3% in Austria and 20.5% in Spain. In Japan, the unemployed rate came to 5.1% of the labour force in August 2010 compared to 5.2% in the previous month.

As for the world commodities, price rise went on for most products in line notably with a progress in purchases for speculative reasons and a drop in the dollar exchange rate. In particular, the increase came at end September 2010 and compared to end 2009, to 23.1% for wheat, 38.5% for cotton and 9.6% for copper compared to 23.6%, 17.6% and 0.1% respectively at end August 2010.

This same trend concerned **crude oil prices**, notably, following a drop in stock level in the United States. Thus, the barrel price came to 82.31 dollars for the Brent and 79.97 dollars for the light American at end September 2010 compared to 74.64 dollars and 71.92 dollars respectively at end August.

As for **inflation**, consumer price rise went on in most of the industrialized countries in September 2010. Thus, the inflation rate, expressed in terms of annual shift, came to 1.1% in the **United States**, the same rate as the previous month, and 1.8% in the **Euro Zone** compared to 1.6% in August. **In Japan**, prices continued to go down : -0.9% in August and this for the second month in a row.

On the **international foreign exchange market**, the value of the euro increased against the dollar from the beginning of September 2010 following intention of the American federal Reserve to maintain its key interest rate close to zero for a long period, leading investors to move towards more yielding currencies. Thus, the exchange rate of the euro rose to 1,3637 dollar at end September 2010 compared to some 1.27 dollar at the end of the previous month.

The Japanese yen pursued progress compared to the other main currencies, notably the dollar, despite the Japanese government direct intervention on the foreign exchange market at mid-September 2010 for the first time since March 2004, to limit the increase of the Japanese currency which affects the economic recovery in this country. The exchange rate of the yen came to 83.49 yens for one dollar at end September 2010 compared to 84.10 yens at end August.

In the area of monetary policy, certain central Banks undertook non conventional measures to ensure more flexible monetary policy and support economic growth. In particular, the **Bank of Japan** decided at end August 2010 to raise up the ceiling of liquidity made available to banks from 20,000 to 30,000 billion yens and this at a fixed interest rate, 10,000 billion yens of which will be lent for a six-month maturity. Similarly, the **European Central Bank** was committed at early September 2010 to supply important volume of liquidity for maturities going between one week and one month, and this up to 18 January 2011, which will help maintain the interest rate at low levels.

On the other hand, the **main international stock indexes** continued to fluctuate while going upward in most of the periods, following notably improved results in major holdings. In particular, at end September 2010 and compared to the end of the previous year, the increase came to 3.5% for Dow Jones and 4.4% for Nasdaq vs. 1.7% and 2% respectively at end August.

THE NATIONAL CLIMATE

ECONOMIC ACTIVITY : Sustained progress in production and exports of manufacturing activities, contrasting with regression of agricultural production and weak evolution in tourism

The **national environment** was, at end September 2010, marked by a substantial recovery in foreign trade, notably, exports of manufacturing industries, in the wake of consolidated external demand. However, agricultural production regressed compared to the previous season, in particular for cereals and olive oil, while tourist activity and air transport posted a slight progress. The inflation rate stood at 4.6% at end September 2010 compared to 3.4% in the same period of the previous year.

1) AGRICULTURE AND FISHING

Preparations for **2010-2011 cereal season** were pursued with ploughed fields over some 80% of planned areas which are estimated at 1,517 thousand hectares and supply of farmers with fertilizers and selected seeds at a sustained pace. As for **seasonal loans**, 14.8 MTD were granted to 188 farmers further to start up of the programme to reschedule debt of the farmers affected by drought last season.

As for **tree farming** sector, production is estimated between 120 thousand and 130 thousand tonnes of **olive oil** over 2010-2011 season compared to 150 thousand in the previous season, at 174 thousand tonnes for **dates**, 119 thousand tonnes of which deglet-Nour (high quality dates) compared to 162 thousand and 110 thousand tonnes respectively last season, and at 330 thousand tonnes of **citrus fruits** compared to almost 309 thousand tonnes in 2009-2010 season.

As for **livestock sector**, **fresh milk** production totalled 791 thousand tonnes over the first nine months of current year compared to 773 thousand tonnes in the same period of 2009. Concurrently, the **collected quantities of milk** went up by 8.2% to reach some 502 thousand tonnes : 63.5% of total production. **Industrial milk storage** came to 42 million litres at early October 2010 compared to 27.6 million litres a year earlier. This helped meet consumer needs and achieve an exportable surplus. **Red meat** production almost stagnated at end September 2010, amounting to some 88 thousand tonnes.

Foreign trade in agricultural products and foodstuff posted some 80,000 tonnes in export of olive oil at end September 2010 for 327 MTD compared to about 124,000 tonnes and 457 MTD in the same period of 2009.

Dates exports progressed, over the 2009-2010 commercialization season by 12.9% in quantity and 26% in value, to reach 79 thousand tonnes and 271 MTD. **Sea food exports** regressed by 11.8% at end September 2010 in quantity and by 24.1% in value, to reach 10.5 thousand tonnes and 107 MTD.

Imports of cereals (wheat, barley and corn) totalled some 2,238 thousand tonnes in the first nine months of 2010 for 669 MTD, up by 56.9% and 43.2% respectively compared to the same period of 2009. The increase concerned, notably barley (366% in volume and 355% in value), and to a lesser degree soft wheat (59.1% and 44.3% respectively).

Overall, **foreign trade in food products** posted, in the first nine months of the current year, a 34.3% increase in **imports** compared to 7.9% drop in **exports**, leading **to some 320 MTD in deficit** compared to **some 164 MTD in surplus** over the same period of 2009. Thus, **the rate of coverage** regressed from 114.7% to 78.6% from one period to the next.

2) INDUSTRIAL ACTIVITY

The general index of industrial activity rose by 3.2% in August 2010 in terms of annual shift compared to 7% a month before and 2.3% regression in the same month of the previous year. This progress concerned all the sectors like **manufacturing industries** (3.2% vs. -2.3% in August 2009), **energy** (3% vs. -2.4%) and **mining** (10% vs. -4.1%).

Over the first eight months of 2010, the **general index of industrial production** progressed by 6.8% vs. 7.3% in July and 6.3% drop in the same period of last year and this following, mainly, a recovery in **manufacturing industries'** production (8.2% vs. -9.1%) ; while production rose at a slower pace in the sectors of **energy** (1.7% vs. 5.2%) and **mining** (4.3% vs. 9.1%).

The increase in **manufacturing industries' production** concerned all sectors, excluding textile, clothing, leather and footwear which regressed slightly compared to the previous year (-2.7% vs. -17.3% at end August 2009). Production grew, notably in mechanical and electrical industries (27.5% vs. -13% last year) and chemical industries (9.2% vs. -7.5%).

As for **foreign trade** and excluding export of agrofood industries which dropped by 14.4% in the first nine months of 2010 compared to -18.8% in the same period of the previous year, **manufacturing industries' exports** grew substantially for all the sectors, mainly, mechanical and electrical industries (36.6% vs. -10.6%) and textile, clothing, leather and footwear (7.5% vs. -12.6%) and chemical industries (16% vs. -44.7%).

In line with a recovery in the industrial activity, **imports of raw materials and semi-finished products** went up by 29.8% at end September 2010 after dropping substantially in the same period of the previous year (-25.3%).

Worth of note that **foreign trade in the sector of energy** recovered substantially in the first nine months of 2010. This concerned both **exports** (36.1% vs. -38.8% a year earlier) and **imports** (49.6% vs. -48.5%), notably, following an increase in the world prices and the imported quantities of oil products (36.2%). Thus, **the sector's balance of trade** posted a deficit of some 266 MTD compared to just some 4 MTD in deficit over the same period of 2009.

3) TOURISM

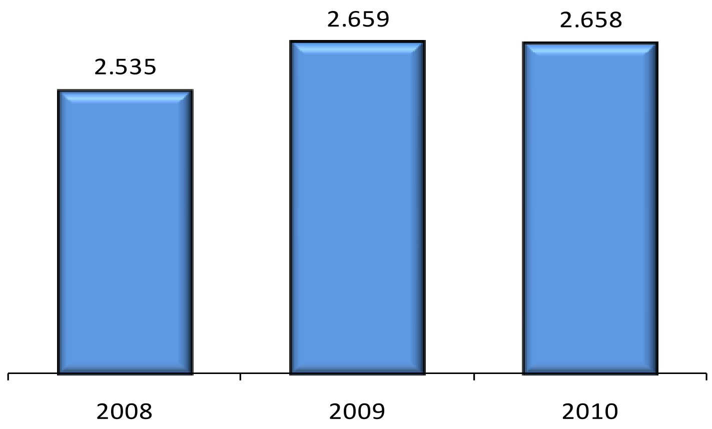
In September 2010, the tourist sector posted a positive evolution in most of its indicators. In effect, **foreign tourist entries** rose by 9.2% in terms of annual shift, the highest level posted over the current year, compared to 13.7% drop in the previous month. In the same way, **overall tourist bednights** pursued the same trend with 9.3% progress compared to -2.1% in August 2009 ; while **tourist receipts in foreign currency** rose, in terms of annual shift, at a satisfactory pace (8.9% vs. -2.9% in the previous month).

Over the first nine months of 2010, **foreign tourist entries** dropped by 0.9% vs. -2.2% at end August and -2.1% in the same period of last year, totalling 5.5 million tourists. This trend is particularly, led by a regression in **Maghreb tourist** entries (-3.1% vs. +9.9% over the same period of the previous year), following a drop in the number of Libyans (-8.3% vs. +16.5%). However, the **European tourist entries** recovered slightly (+0.7% vs. -9.3% a year before), in line, notably, with a positive evolution in entries of the French (1.8% vs. -3.4%), the British (29.4% vs. 5.4%) and the Russian (48.2% vs. -20.3%).

Overall tourist bednights posted a recovery (+3.1% vs. -9.6% last year), totalling 29.5 million units. The progress concerned most of tourist zones, mainly Tunis-Zaghouan (17.3% vs. -10.9% at end September 2009), Tabarka-Aïn Draham (8.3% vs. -11.2%) and Jerba-Zarzis (3.1% vs. -13.2%).

Over the same period, **tourist receipts in foreign currency** maintained almost their last year level (-1.8% without the exchange effect) compared to 4.9% progress a year before, coming to some 2,658 MTD.

TREND IN TOURIST RECEIPTS IN FOREIGN CURRENCY IN THE FIRST NINE MONTHS OF THE YEAR (IN MTD)



4) AIR TRANSPORT

Activity of **air transport of passengers** progressed by 13.1% in September 2010 in terms of annual shift compared to 10.9% drop in the same month of last year and this following a substantial rise in foreign tourist entries in the same month.

Over the first nine months of the current year, this activity progressed by 4.4% vs. 6.1% drop in the same period of the previous year, with a number of passengers close to 8.9 million persons. This trend concerned the **international lines** (+4.2% vs. -6.1% a year earlier), notably, regular lines (+12.2%), as well as **domestic lines** (+7.6% vs. -5.5%).

By airport and excluding the airport of Monastir and Gabes, air transport activity progressed in the other airports, notably, Tunis-Carthage (8.1%), Sfax (12.1%) and Tozeur (21.3%).

5) TREND IN PRICES

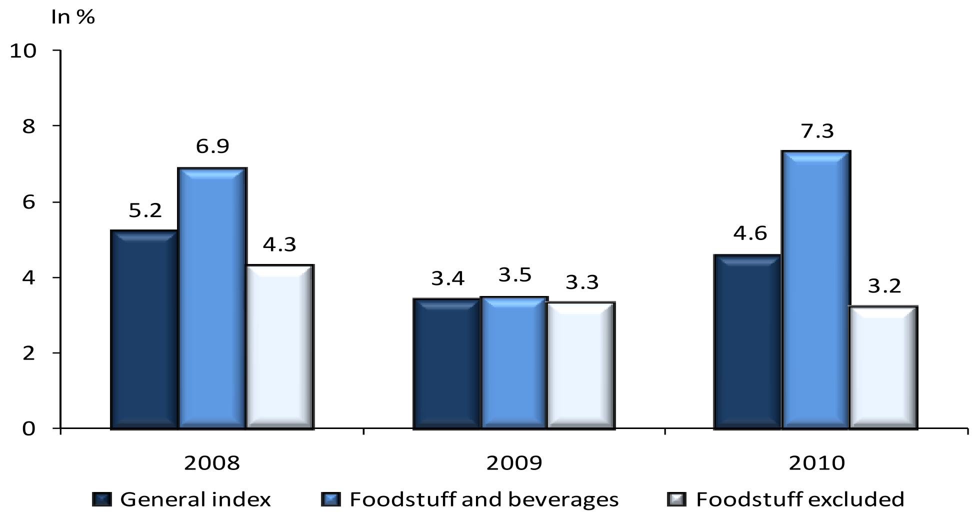
The general index of household consumer prices (base 100 in 2005) increased by 0.3% in September 2010 compared to 0.2% in the previous month and 0.5% in September 2009. This is due, mainly, to an increase in the prices of **clothing and footwear** (2%), as well as **education** (1.3%) following an increase in the prices of kindergarden and crèche services (8.1%) and stationery (2.1%). Worth of note that other product items either maintained their prices or increased them by no more than 0.4%.

In terms of annual shift, the increase in **the general index of consumer prices** came to 4% in September 2010 compared to 4.1% in the previous month and 3.9% in the same month of 2009. Worth of note also the ongoing drop in terms of annual shift in the general index of prices from the beginning of last February when it reached 5.1% and this, notably, following a slower progress in the prices of **foodstuff and beverages.**

In terms of monthly averages, the inflation rate came to 4.6% in the first nine months of the current year compared to 3.4% in the same period of 2009. This increase is attributable, mainly, to an increase in the prices of **foodstuff and beverages** (7.3% vs. 3.5% last year) like sugar and candy (18.5% vs. 9%), fresh and dry fruits (11.9% vs. -0.2%), meat (9.9% vs. 6.1%), edible oil (9.1% vs. -10.9%), fish (7.6% vs. 4.6%) and vegetables (5% vs. 4.4%), as well as prices of **clothing and footwear** (3.7% vs. 2.2%), **restaurants and hotels** (6.5% vs. 5.8%) and **education** (6.2% vs. 1.2%).

TREND IN INFLATION IN THE FIRST NINE MONTHS OF THE YEAR

(BASE 100 IN 2005)



Excluding **foodstuff and beverages**, the average level of inflation regressed slightly to 3.2% at end September 2010 compared to 3.3% in the same period of the previous year. Worth of note that the item foodstuff and beverages contributed 2.5 percentage points or some 54% to inflation rate compared to 1.2 point or 35% a year earlier.

By regime of price fixing, **freely-set product prices** grew at a faster pace than last year (5.4% in average compared to 3.7% at end September 2009). This concerned, mainly, **foodstuff and beverages** (7.7% vs. 3.6%). **Fixed product prices** rose at a slightly faster pace compared to last year (2.9% vs. 2.6%), in line with an increase in the prices of **foodstuff and beverages** (5.6% vs. 3.3%), while **other fixed product prices** grew at a slower pace (2.2% vs. 2.4%).

Freely set product prices contributed 3.6 percentage points or some 78% to inflation compared to 2.5 points and 73.5% at end September 2009.

For 2010 as a whole, the inflation rate is estimated at 4.5% as per the 2011 economic budget project and is expected to ease relatively next year, to reach 3.5%, a level close to that of 2009 (3.7%).

FINANCIAL SYSTEM SITUATION

Bank liquidity tightening in the third quarter of 2010 and faster progress pace in financing of the economy in the wake of an ongoing effort of the financial system in this respect

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

1) BANK LIQUIDITY

After posting a surplus throughout two years, bank liquidity was tightened in the third quarter of 2010, influenced by the restrictive effects exerted by all bank liquidity factors.

Down from 10,557 MTD in the second quarter of the current year to 10,171 MTD over the considered quarter, **net assets abroad** decreased, in average, by 386 MTD. Their trend was, mainly, due to the restrictive effect led by an increase in the account “intervention on the money market in foreign currency” and “foreign currency of authorised intermediaries” for respective amounts of 310 MTD and 85 MTD, in line with faster pace for imports and 59 MTD decrease in net assets in foreign currency. The latter’s drop was led by wider trade deficit and reimbursement of a substantial amount of foreign debt (1,177 MTD, 597 MTD of which inherent to the 35.6 billion yen-debenture loan contracted in 2000 on the Japanese financial market) and Tunisia participation in IMF financial transactions programme for Ukraine (55 million dollars held in the account “IMF reserve Position”). Worth of note that both the debenture loan reimbursement and the above-mentioned participation had no impact on liquidity. Yet, the extent of this drop was lessened by encashment of significant receipts notably from :

- drawings on external borrowings granted, mainly, by the African Development Bank (315 MTD, 227 MTD of which for ETAP and 85 MTD for the Ministry of equipment, housing and physical planning), the Islamic Development Bank (181 MTD, 159 MTD of which for “TIFERT” company), the European Investment Bank (59 MTD, 28 MTD of which for STEG and 28 MTD for the Treasury, meant to finance technopole projects), the French Development Agency (28 MTD for ONAS) and the Arab Fund for Economic and Social Development (16 MTD for STEG),

- foreign direct investment, in particular, to release the fourth and last portion of holding of the foreign company “Cemolins Internationale SL” in the capital of the company “SOTACIB KAIROUAN” for 28 MTD, and

- tourist receipts and work remittances.

In the same way, **bills and coins in circulation** which came at 5,679 MTD in average during the considered period, rose by 385 MTD, leading to a commensurate tightening in bank liquidity. Over the considered period, that was marked by the coming of the holly month of Ramadhan in the first half of August and therefore by faster pace of household expenditure, bills and coins in circulation fluctuated between a minimum of 5,463 MTD and a maximum of 5,899 MTD posted respectively on 1st July and 8 September, the last date corresponds to two days before Aïd El Fitr.

Similarly, at -342 MTD, in average, during the third quarter of 2010, **the net balance of public administration** dropped by 196 MTD, contributing to bank liquidity tightening. Its drop was, mainly, due to 226 MTD increase in the balance of the Treasury current account that was led, notably, by :

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

- mobilizing of significant tax receipts ;

- encashment of 150 MTD with respect to income from the State holding in the capital of Gafsa Phosphate Company (CPG) ;

- subscriptions to Treasury bonds (122 MTD, 102 MTD of which in the form of bonds equivalent to Treasury bonds : BTA) ;

- collection of gas royalties (63 MTD) ; and

- encashment of the above-mentioned borrowing granted by the European Investment Bank.

The restrictive effect led by some of these receipts was however lessened by the expensive effect tied to significant expenditure for external debt service (excluding the above mentioned Samurai 2000 debenture loan, having no impact on liquidity) and domestic debt (204 MTD, 111 MTD of which in the form of interest on BTA) and transfer for certain companies and public structures (667 MTD) that went, notably, to social security funds.

In considering trend in the main autonomous factors of bank liquidity, **monetary policy operations** totalled an average +1,021 MTD in the third quarter of 2010 compared to -272 MTD in the previous quarter. Consequently, assets in banks' current account rose by 116 MTD to 1,381 MTD.

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

DESCRIPTION	2nd QUARTER OF 2010	3rd QUARTER OF 2010	VARIATION 3rd QUARTER 2010 / 2nd QUARTER 2010 (1)
BILLS & COINS IN CIRCULATION	**-5,294**	**-5,679**	**-385**
NET BALANCE OF PUBLIC ADMINISTRATION	**-146**	**-342**	**-196**
OF WHICH : TREASURY CURRENT ACCOUNT BALANCE	-556	-782	-226
NET ASSETS ABROAD	**10,557**	**10,171**	**-386**
OF WHICH : NET ASSETS IN FOREIGN CURRENCY	12,884	12,825	-59
OTHER NET FACTORS	**-3,580**	**-3,790**	**-210**
= (A) TOTAL AUTONOMOUS FACTORS	**1,537**	**360**	**-1,177**
CALLS FOR BIDS	-310	1,020	+1,330
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	-31	-30	+1
24-HOUR CREDIT STANDING FACILITIES	43	5	-38
= (B) TOTAL MONETARY POLICY OPERATIONS	**-272**	**1,021**	**+1,293**
= (A)+(B) ASSETS IN BANKS' CURRENT ACCOUNTS	**1,265**	**1,381**	**+116**

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

2) MONETARY POLICY OPERATIONS

The sharp rise in demand by banks in need for liquidity along with a substantial drop in supply by banks having surplus, in the third quarter of 2010, led to net tightening in liquidity on the money market.

On the **interbank market**, transactions dropped by 25 MTD to 661 MTD. Their trend was led by 42 MTD drop in sight transactions, forward transactions having rather increased by 17 MTD. Worth of note in this respect that forward transactions continued to predominate with a share of 88% of total.

In the framework of its monetary policy operations, the Issuing Institution focussed its interventions, over the considered period, mainly, on **positive call for bid operations** for amounts going between 710 MTD and 1.405 MTD. Overall, an average amount of 1,020 MTD was injected under this form over the third quarter of 2010 compared to a tapping of 310 MTD in the previous quarter.

Banks had recourse to the Issuing Institution to place their liquidity surplus through **24-hour deposit standing facilities** for amounts going between 55 MTD and 374 MTD, an average of 30 MTD over the considered period. Worth of note that these operations were carried during the last week of July and September. However, some of them had recourse to **24-hour credit standing facilities** for amounts going between 1 MTD and 123 MTD, an average 5 MTD over the considered period.

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

Day-to-day weighted interest rate on the money market fluctuated between 4.05% and 4.80%. Thus, the money market average rate came at 4.52% , 4.61% and 4.52% respectively in July, August and September 2010, reflecting tighter bank liquidity compared to the previous quarter.

The savings interest rate (TRE) was marked by an upward trend in the money market average rate (TMM), up from 2.25% in July to 2.50% in August and September.

II- TREND IN FINANCIAL SYSTEM RESOURCES AND THEIR COUNTERPARTS

Counterparts of financial system resources were, over the first nine months of 2010 marked by notable rise in financing to the economy (14.5% vs. 7.6%) and a drop in both net claims abroad (-4.8% vs. +16.5%) and on the State (-3.2% vs. +10.4%). As for uses, M3 money supply rose at a slower pace than the previous year: 8.9% vs. 10.3%. In terms of annual shift, this aggregate posted rather a slight progress of 11.7% in September 2010 vs. 11.3% a year earlier.

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

DESCRIPTION	SEPTEMBER 2010	VARIATION IN %	
		SEPTEMBER 2009 / DECEMBER 2008	SEPTEMBER 2010 / DECEMBER 2009
M4 AGGREGATE	42,207	9.9	8.9
MONEY SUPPLY (M3)	42,043	10.3	8.9
MONEY SUPPLY (M2)	39,719	10.4	8.8
MONEY (M1)	15,817	10.8	10.9
QUASI-MONEY	23,902	10.1	7.5
M3 – M2	2,324	8.2	11.0
M4 – M3	164	-42.2	-3.5
OTHER RESOURCES	14,748	8.5	7.9
TOTAL RESOURCES=TOTAL COUNTERPARTS	56,955	9.5	8.6
NET CLAIMS ABROAD**	9,164	1,347.0	-467.0
DOMESTIC LOANS	47,791	8.0	11.7
NET CLAIMS ON THE STATE**	6,518	602.0	-217.0
OF WHICH : - TREASURY BONDS**	2,502	309.0	-54.0
- TREASURY CURRENT ACCOUNT**	608	-77.0	212.0
FINANCING TO THE ECONOMY	41,273	7.6	14.5

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

1) M2 MONEY SUPPLY

Over the first nine months of 2010, this aggregate posted a slower progress pace (8.8% vs. 10.4%) reflecting that of quasi-money while available money rose almost at the same rate of 2009.

Evolution of the latter was led by the contrasted effect of slower fiduciary money (6.5% or 326 MTD vs. 11.2% or 492 MTD) and faster pace of bank money (13.2% or 1,225 MTD vs. 10.6% or 847 MTD) in line, notably, with an increase in the outstanding balance of sight deposit at banks (up by 15.4% or 1,270 MTD vs. 13.8% or 964 MTD. From one month to the next, these deposits grew by 381 MTD in the wake of deposits by the company "TIFERT", some oil companies and Tunisia chemical Group (GCT).

However, quasi-money grew at a slower pace in the first nine months of 2010 (7.5% vs. 10.1%), reflecting to different degrees that of its main components, notably, the outstanding balance of both certificates of deposit (7.2% or 124 MTD vs. 29.9% or 399 MTD) and deposits in the special savings accounts (6.6% or 477 MTD vs. 10.5% or 669 MTD) and forward deposits and other financial products (6.8% or 626 MTD vs. 7.6% or 659 MTD).

2) «M3–M2» AGGREGATE

Progress pace for this aggregate over the first nine months of 2010 firmed up (11% vs. 8.2%) attributable, mainly, to an increase in the outstanding balance of bonds and borrowings with more than one year (26.1% or 229 MTD vs. 19% or 129 MTD). This trend reflects the importance of subscriptions to debenture loans over the same period, totalling 415 MTD compared to the amount of bonds falling due : 186 MTD.

Bond issues over the considered period concerned the Tunisian Banking Company -STB- (100 MTD), Arab Tunisian Lease -ATL- (75 MTD), Tuniso-Kuwaiti Bank -BTK- (50 MTD), Tunisie-Emirates Bank -BTE- (50 MTD), Tunisie Leasing -TL- (15 MTD and 20 MTD in February and April respectively), Hannibal Lease -HL- (30 MTD), International Leasing Company -CIL- (30 MTD), Attijari Leasing (30 MTD) and Arab International Lease -AIL- (15 MTD). These borrowings were subscribed to at variable interest rate : TMM + a margin varying between 0.5% and 1% and fixed interest rates varying between a minimum of 5.125% and a maximum of 5.85%. Corresponding maturities were between 5 and 20 years.

3) NET CLAIMS ABROAD

Net claims abroad regressed over the considered period by 467 MTD vs. 1,347 MTD increase in the first nine months of 2009, following, mainly tighter net assets in foreign currency (-416 MTD) in the wake of wider trade deficit and significant amount in reimbursement of foreign debt, notably, "GLOBAL SAMURAI 2000" debenture loan for 597 MTD in July 2010, the extent of which was lessened by the volume of drawings on external loans (942 MTD).

Net assets in foreign currency totalled 12,937 MTD at end September 2010, the equivalent of 149 days of import compared to 13,299 MTD and 185 days respectively in September 2009.

4) NET CLAIMS ON THE STATE

State indebtedness vis-à-vis the financial system decreased by 217 MTD in the first nine months of 2010 compared to 602 MTD increase a year earlier in the wake of higher balance in the Treasury current account (+212 MTD) and a drop in the outstanding balance of Treasury bonds in banks' portfolio (-54 MTD).

Worth of note that Treasury bonds issues totalled 635 MTD over the considered period while reimbursements in this respect came to 876 MTD, a negative balance of net subscriptions that amounted to 241 MTD vs. 765 MTD, 731 MTD and -34 MTD respectively over the same period of 2009. Worth of note that no new subscription in this respect was recorded in September 2010.

5) FINANCING TO THE ECONOMY

Faster pace in financial system loans to the economy over the considered (14.5% vs. 7.6%) is attributable to that of the outstanding balance of loans on ordinary resources (16% vs. 8.5%) and the increase though at a slower pace than a year before in securities portfolio (6.1% vs. 10.5%) ; while the outstanding balance of loans on special resources and that of treasury bills pursued their drop (-3.5% and -3.5% vs. -3.1% and -42.2% respectively).

As per statistics of the risk base and the file of loans to private individuals and excluding approval and guarantee, the increase in loans given over the first eight months of 2010 concerned the services sector (+2,047 MTD vs. +1,207 MTD) and private individuals (+1,179 MTD vs. +929 MTD) followed by the sectors of industry (+1,055 MTD vs. +47 MTD) and agriculture and fishing (+62 MTD vs. +26 MTD).

CAPITAL MARKET

Notable increase in stock indexes and transactions on the stock quotation and consolidation of capital market contribution to financing of private investment

The main events of the third quarter of 2010 are as follows :

- marked increase in Tunindex, ongoing dynamic transactions on stock quotation and a recovery in corporate issues through public call for savings, notably, bond issues ;

- start up of quotation of the shares of the company "ENNAKL Automobiles" on 13 July 2010 simultaneously on Tunis and Casablanca stock markets at 10.7 dinars the share.

- listing of this company had been made by capital coverage at 40% (30% of which on Tunis Stock market) through public bid at firm price (OPF) and a guaranteed placement ;

- stock market approval for admission of shares of the company "Modern Leasing" on the main market of the stock quotation through issue of 1 million new shares at 8.5 dinars the share, 3.5 dinars of which an issuing premium ;

- disclosure of launching a study on merger of STB (Tunisian banking Company) and BH (Housing Bank) upon recommendations of the Head of the State ;

- reduction of the nominal value of the shares of the company "SOTUVER" and "SOPAT" from 10 and 5 dinars respectively to 1 dinar and transfer of the latter from the alternative market to the main market of the stock quotation ;

- suspension, upon demand of the Capital Market Council (CMF), of quotation of the STIP share as of 8 September 2010 ;

- CMF approval for the creation of three mutual investment funds (FCP), two of which of a mixed type and for the liquidation of "FCP SECURAS", an FCP of a mixed Type ;

- start up of public subscriptions in "FCP valeurs AL KAOUTHER", an FCP of a mixed type and in "Tunisian Development Fund", a Venture capital investment fund (FCPR) for 15 MTD meant, mainly, for boosting investment opportunities and equity of businesses set up in regional development zones, as well as high added-value projects.

STOCK ISSUES AND TRANSACTIONS

DESCRIPTION	3rd QUARTER 2009	2nd QUARTER 2010	3rd QUARTER 2010
AMOUNT OF ISSUES	**728**	**404**	**399**
STATE ISSUES	**224**	**195**	**122**
- BTA AND BTZC*	115	156	102
- BTCT**	109	39	20
CORPORATE ISSUES THROUGH PUBLIC CALL FOR SAVINGS	**504**	**209**	**277**
CAPITAL SECURITIES	184	149	12
CLAIM SECURITIES	320	60	265
GLOBAL VOLUME OF TRANSACTIONS	**657**	**1,172**	**1,030**
STOCK QUOTATION	450	668	798
OFF LIST	14	3	7
REGISTRY OPERATIONS	193	501	225

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

*** Short term Treasury bonds.*

I - PRIMARY MARKET

The third quarter of 2010 was marked by stabilisation of issues on the primary market, due essentially to recovery of corporate issues through public call for savings, which offset the effect of the drop in State issues from 195 MTD to 122 MTD from one quarter to the next, down by 37.4% due in particular to interruption of treasury drawings throughout September 2010. Thus, the accumulated volume of public issues came to 635 MTD in the first nine months of the year, representing 39.7% of the provisional issues for 2010.

Capital market contribution to private investment financing was consolidated by 32.5% and went up from 209 MTD to 277 MTD from one quarter to the next thanks to dynamic activity on the bond market which recorded the issue of five borrowings by the lending institutions for a global amount of 265 MTD with durations going between 5 and 20 years and rates varying between 5.2% and 5.85%.

Capital securities issues however regressed significantly from 149 MTD to 12 MTD. They concerned the 4 MTD capital increase for SOPAT company and release of the remaining three quarters from capital increase of the company “Tunisie Lait” approved in 2009.

CMF gave also approval in the third quarter of 2010 for 24 MTD capital increase in cash to SODINO SICAR, an investment company, to be released at half the amount at subscription.

Capital increase through incorporation of reserves concerned the Banking Union for Commerce and Industry -UBCI- (25 MTD), SOTUMAG (3 MTD), “Air Liquide” company (2 MTD) and SIMPAR (0.5 MTD).

As for institutional savings, the number of operating mutual fund investing in securities (OPCVM) went up to 94 units at end September 2010 in the wake of entry into operation of “Valeurs AL KAOUTHER” FCP. Assets managed by these structures rose by 2.8% compared to the previous quarter, totalling 5,246 MTD, 4,627 MTD or 88.2% of which managed by bond units with a yield rate of 4.07% in the first nine months of 2010.

II - SECONDARY MARKET

In the third quarter of 2010, the secondary market was characterised by firming up of capital trading on the stock quotation and consolidation of stock exchange indicators.

TUNINDEX closed for September 2010 at 5681.39 points, up considerably by 15.6% in the third quarter of 2010 (compared to 4.9% a quarter before). The index yield from the beginning of the year came, consequently to 32.4% vs. 40.5% in the same period of the previous year.

Sectoral index posted quarterly positive yields excluding construction and building material index which recorded 1.1% drop. The best performance concerned the banking sector which rose by 18.9% in the considered quarter.

Dynamic activity on the secondary market was pursued in the third quarter of 2010 as reflected through the increase in the global volume of transactions on stock quotation, which went from 668 MTD to 798 MTD from one quarter to the next, of which 655 MTD and 788 MTD respectively on the capital securities, corresponding to a daily average volume of trading on capital securities that amounted to 12.5 MTD vs. 10.1 MTD in the previous quarter. The most traded shares were those newly introduced on the stock market i e : “ENNAKL Automobiles” and “Carthage Cement” which accounted for almost 43% of the quarterly volume of transactions on the capital securities.

The market upward trend was consolidated in the third quarter of 2010 which recorded an increase in the rate of 39 shares varying between 0.3% (SIPHAT) and 59.4% (TUNIS-RE) and a drop in the prices of 16 other shares at rates varying between -0.5% (TUNISAIR) and -35.1% (UBCI). ENNAKL Automobiles share, newly introduced on the stock market, posted an increase of 24.6% compared to its introduction price.

Consequently, stock capitalization was up by 17.3% compared to its level at the end of the second quarter, reaching 16,862 MTD at end September 2010, corresponding to 26.6% of provisional GDP for 2010 compared to 19.1% of GDP a year earlier.

The third quarter of 2010 was marked by slower pace in foreign investors' withdrawal from the stock market, their intervention on the stock quotation yielded a negative balance of 20.8 MTD for the quarter (a volume of transfer of 95.3 MTD and acquisitions of 74.5 MTD) compared to -129.6 MTD in the previous quarter. The share of these investors in stock capitalisation came at 19.97% at end September 2010.

TREND IN STOCK INDICATORS (Figures at end of period in MTD unless otherwise indicated)

DESCRIPTION	SEPTEMBER 2009	JUNE 2010	SEPTEMBER 2010
STOCK INDICATORS			
STOCK CAPITALISATION	11,209	14,370	16,862
STOCK CAPITALISATION / GDP (in %)	19.1	22.6	26.6
AVERAGE PRICE EARNING RATIO (PER)	15.91	16.8	19.3
NUMBER OF LISTED COMPANIES (in units)	51	54	55
MONTHLY LIQUIDITY RATE (in %)	59	63	66
FOREIGN HOLDING RATE (in %)	23.45	20.78	19.97
INDEXES			
TUNINDEX index in points (BASE 1,000 ON 31/12/1997)	4,063.75	4,914.43	5,681.39
TUNINDEX QUARTERLY YIELD (in %)	10.5	4.9	15.6
FCP AND SICAV			
NOMBER OF OPERATING UNITS	86	93	94
NETS ASSETS	4,389	5,103	5,246

EXTERNAL PAYMENTS

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

The general balance of payments yielded, over the first nine months of 2010, 342 MTD in deficit compared to 2,148 MTD in surplus over the same period of last year.

This trend is attributable, mainly, to wider current deficit : up by 1,962 MTD to 2,524 MTD. Concurrently, the surplus balance of financial operations and in capital dropped by 528 MTD, to 2,182 MTD vs. 2,710 MTD in the same period of 2009, a period marked by release of SDRs allocations granted by the IMF for 496 MTD.

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

DESCRIPTION	2008	2009	FIRST NINE MONTHS	
			2009	2010*
A-CURRENT PAYMENTS	**-2,109**	**-1,666**	**-562**	**-2,524**
- MERCHANDISES (FOB)	-4,941	-4,994	-2,914	-5,054
- SERVICES	+3,257	+3,409	+2,366	+2,486
- FACTOR INCOME	-675	-393	-237	-178
- CURRENT TRANSFERS	+250	+312	+223	+222
B - FINANCIAL OPERATIONS AND IN CAPITAL	**+4,022**	**+3,781**	**+2,710**	**+2,182**
- OPERATIONS IN CAPITAL	+97	+222	+64	+68
- FOREIGN INVESTMENT (DIRECT AND IN PORTFOLIO)	+3,156	+1,940	+1,259	+1,279
- OTHER INVESTMENT [1]	+769	+1,619	+1,387	+835
C-ADJUSTMENT OPERATIONS (NET FLOWS)	**+140**	**+89**	**-**	**-**
GENERAL BALANCE	**+2,053**	**+2,204**	**+2,148**	**-342**

* Provisional figures.

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

I - BALANCE OF CURRENT TRANSACTIONS

The balance of current operations in the first nine months of 2010 posted 2,524 MTD in deficit, corresponding to 4% of GDP compared to 562 MTD and 1% a year earlier.

The wider current deficit compared to the same period of 2009 is attributable, mainly to higher trade deficit which, expressed FOB-FOB, totalled 5,054 MTD compared to 2,914 MTD. However, the surplus balance of services improved by 120 MTD to reach 2,486 MTD. Concurrently, the deficit of the balance of factor income was tightened by 59 MTD to reach 178 MTD.

A. BALANCE OF TRADE

Expressed FOB-CIF, the deficit of the general balance reached 6,348 MTD over the first nine months of 2010, a widening of 2,434 MTD or 62.2% compared to that posted over the same period of 2009. The rate of coverage was down by 5.5 percentage points, to reach 73% in the wake of import rise at a faster pace than exports.

Exports grew by 20.4%, totalling 17,175 MTD compared to 14,265 MTD a year earlier, a trend that marked the increase in sales of all products excluding agricultural products and agro-food industries which dropped by 6.7%.

Imports went up by 29.4%, to reach 23,522 MTD compared to 18,178 MTD over the same period of 2009, an increase that concerned the value of purchase of all groups of products.

Trends in the balance of trade by groups of products over the first nine months of 2010 are as follows :

- the deficit of the balance of capital goods was widened by 760 MTD or by 29.1%, reaching 3,375 MTD. Worth of note that exports and imports of this group of products reached 2,517 MTD and 5,892 MTD respectively. Yet, the rate of coverage improved by 0.9 percentage point, to reach 42.7% and this following an increase in exports at a faster pace than imports (33.9% and 31.1% respectively), a trend that marked an increase in sales and purchases of mechanical and electrical industries (up by 36.6% and 34.1% respectively).
- the balance of raw materials and semi-finished products posted a deficit of 2,540 MTD compared to 1,816 MTD a year earlier, a widening that was attributable to import rise at a faster pace that exports : 29.8% and 25.2% respectively, totalling 7,544 MTD and 5,004 MTD. The rate of coverage was consequently down from 68.8% to 66.3% from one period to the next.
- the balance of food posted a deficit of 320 MTD compared to 164 MTD in surplus in the same period of 2009, a deterioration of 484 MTD, attributable to 34.3% increase in imports, totalling 1,499 MTD, while exports posted rather a 7.9% drop to reach 1,178 MTD. Correlatively, the rate of coverage dropped from 114.7% to 78.6% from one period to the next.
- the deficit of the balance of energy widened 262 MTD compared to the deficit posted over the same period of 2009, going from 4 MTD to 266 MTD. This trend is attributable to import progress by 49.6% to reach 2,872 MTD, mainly following an increase in prices and imported quantities of refined products. Exports grew by 36.1% to reach 2,606 MTD, mainly, under the effect of price rise. Consequently, the rate of coverage dropped by 9.1 percentage points, down to 90.7%.
- the balance of consumer goods posted a surplus of 153 MTD compared to 357 MTD in the same period of 2009, down by 204 MTD. The tightening from one period to the next was led by import rise by 18.2% while exports progressed by just 13%, to reach 5,716 MTD and 5,869 MTD respectively. Consequently, the rate of coverage dropped to 102.7% compared to 107.4% a year earlier.

B. BALANCE OF SERVICES AND FACTOR INCOME

1) BALANCE OF SERVICES

At 2,486 MTD in the first nine months of 2010, the surplus balance of services improved by 120 MTD or 5.1% compared to the same period of 2009. Flows benefitting the tourist sector, main component of service receipts rose by just 0.2%, to reach 2,665 MTD. Worth of note that overall bednights grew by 3.1% compared to the same period of the previous year, while non-resident entries dropped by 0.9%.

2) BALANCE OF FACTOR INCOME

The deficit of the balance of factor income reduced 59 MTD in the first nine months of 2010, down from 237 to 178 MTD from one period to the next. This improvement is attributable to an increase in flows with respect to work remittances (up by 156 MTD or 7.7% to reach 2,186 MTD); while expenditure with respect to capital income grew by just 3.9%, to reach 2,434 MTD, 593 MTD of which for reimbursement of medium and long term debt interest.

II - BALANCE OF FINANCIAL OPERATIONS AND IN CAPITAL

The balance of financial operations and in capital posted 2,182 MTD in surplus in the first nine months of 2010 compared to 2,710 MTD in the same period of 2009.
The main evolutions recorded over this period are as follows :

- surplus balance of other investment which dropped by 552 MTD, to reach 835 MTD. Worth of note that over the same period of last year, Tunisia enjoyed allocations in SDRs that were granted by the IMF for a total value of 496 MTD, the equivalent of 238.5 million SDRs (212.4 million SDRs in the framework of the general allocation and 26.1 million SDRs for special allocation).

- the surplus balance of foreign investment firmed up by 20 MTD, to reach 1,279 MTD following tighter deficit in the balance of portfolio investment (down by 41 MTD to 59 MTD). However, the surplus balance of foreign direct investment was down by 21 MTD to 1,338 MTD following 2.5% drop in receipts in this respect, totalling 1,494 MTD.

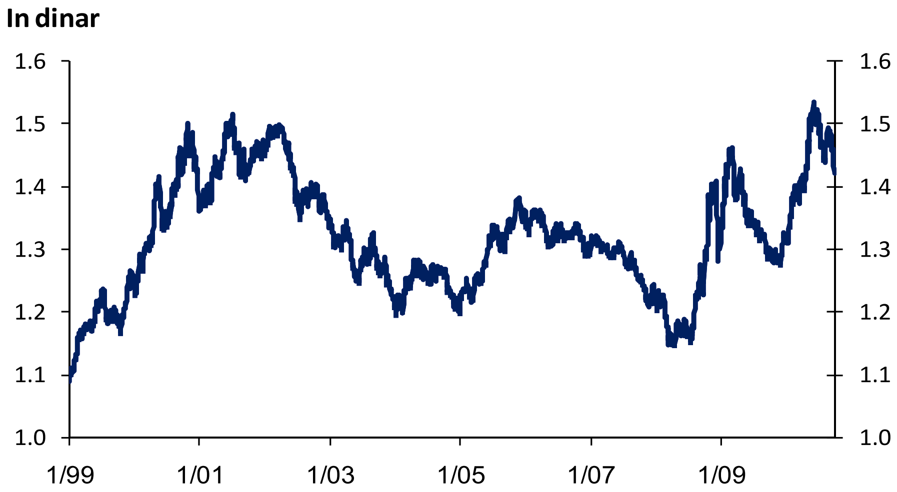
TREND IN THE DINAR EXCHANGE RATE AND FOREIGN EXCHANGE MARKET ACTIVITY OVER THE FIRST NINE MONTHS OF 2010

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

I - TREND IN THE DINAR EXCHANGE RATE

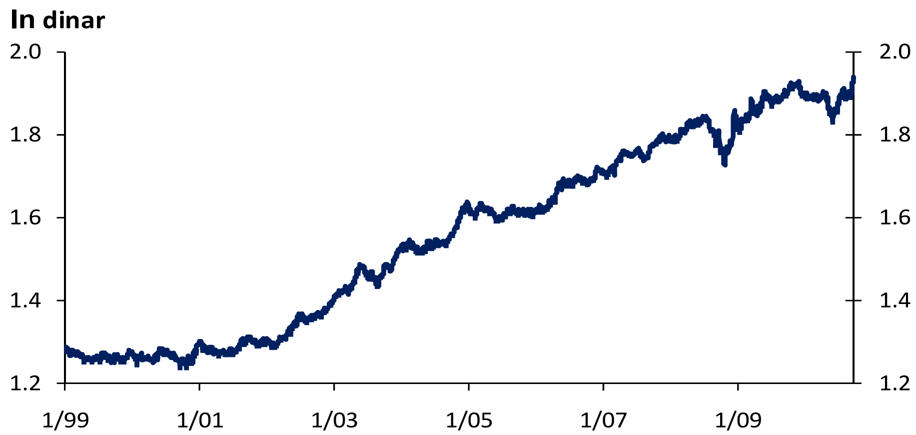
Compared to end 2009 and up to end September 2010, the dinar posted, on the interbank market a depreciation against the Japanese yen (16.6%), the US dollar (7.3%), the Moroccan dirham (4.4%) and the euro (2%).

TREND IN THE EXCHANGE RATE USD/TND



Over the first nine months of 2010 and compared to the same period of last year, the dinar exchange rate depreciated on the interbank market against the Japanese yen (9.5%), the American dollar (4.7%), the Moroccan dirham (1.1%) and the euro (1%).

TREND IN THE EXCHANGE RATE EUR/TND



II - TREND IN FOREIGN EXCHANGE MARKET ACTIVITY

A. SPOT MARKET

Transactions on the spot exchange market reached 38,953 MTD in the first nine months of 2010 compared to 28,338 MTD in the same period of last year, up by 38%.

TREND IN SPOT EXCHANGE TRANSACTIONS (In MTD)

DESCRIPTION	9 MONTHS 2009	9 MONTHS 2010	VARIATION IN MTD
CURRENCY AGAINST CURRENCY TRANSACTIONS	17,236	24,404	+7,168
CURRENCY AGAINST DINAR TRANSACTIONS	11,102	14,549	+3,447
TOTAL	**28,338**	**38,953**	**+10,615**

1) CURRENCY / DINAR TRANSACTIONS

The volume of currency/dinar transactions on the foreign exchange market came to 14,549 MTD vs. 11,102 MTD in the same period of last year, up by 31%.

The share of interbank foreign exchange transactions over the first nine months of 2010 reached 78% vs. 22% for the Central Bank.

The Central Bank intervention came to 3,206 MTD vs. 935 MTD over the same period of last year. In the same way, transactions on the interbank market posted an increase of 12%.

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

DESCRIPTION	9 MONTHS 2009	9 MONTHS 2010	VARIATION IN MTD
TRANSACTIONS WITH THE CENTRAL BANK OF TUNISIA	935	3,206	+2,271
INTERBANK MARKET	10,167	11,343	+1,176
TOTAL	**11,102**	**14,549**	**+3,447**

2) CURRENCY / CURRENCY TRANSACTIONS

The volume of currency/currency transactions came to 24.404 MTD over the first nine months of 2010 compared to 17,236 MTD in the same period of 2009, a growth rate of 42%.

The share of these transactions in overall spot exchange transactions was 63%. Transactions with foreign correspondents accounted for 92% of the global volume of foreign exchange.

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

DESCRIPTION	9 MONTHS 2009	9 MONTHS 2010	VARIATION IN MTD
INTERBANK MARKET	755	2,049	+1,294
TRANSACTIONS WITH FOREIGN CORRESPONDENTS	16,481	22,355	+5,874
TOTAL	**17,236**	**24,404**	**+7,168**

B. FORWARD MARKET

The volume of forward exchange transactions totalled 4,498 MTD over the first nine months of 2010 compared to 3,167 MTD in the same period of 2009, up by 42%. The share of transactions in coverage of imports in the volume handled between banks and companies came to 80% vs. 20% for that of export coverage.

The share of forward sales of foreign currency by Tunisian Authorised Intermediaries and relative to coverage against the incurred exchange risk by importers rose by 995 MTD in the first nine months of 2010, totalling 3,457 MTD. These operations, were mainly denominated in euro and US dollar (49% for each currency).

In the same way, forward purchase operations totalled 872 MTD, up by 249 MTD. The share of operations denominated in euro totalled 57% vs. 39% for the US dollar.

TREND IN FORWARD EXCHANGE TRANSACTIONS (In MTD)

DESCRIPTION	9 MONTHS 2009	9 MONTHS 2010	VARIATION IN MTD
BETWEEN BANKS & COMPANIES	3,085	4,329	+1,244
INTERBANK MARKET	82	169	+87
TOTAL	**3,167**	**4,498**	**+1,331**

III - SWAP EXCHANGE TRANSACTIONS

The volume of swap exchange transactions went from 481 MTD in the first nine months of 2009 to 215 MTD in the same period of the current year, down by 55%.

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

DESCRIPTION	9 MONTHS 2009	9 MONTHS 2010*	VARIATION IN MTD
INTERBANK MARKET	58	32	-26
WITH FOREIGN CORRESPONDENTS	147	182	+35
WITH COMPANIES	276	1	-275
TOTAL	**481**	**215**	**-266**

* Provisional figures.

NEW REGULATING PROVISIONS

I - MEASURES CONCERNING THE FINANCIAL SECTOR

1) BOOSTING SECURITY MEASURES WITH RESPECT TO TRANSPORT OF FUNDS

New provisions were set for the lending institutions in the area of transport, loading and unloading of fund on their own behalf.

These conditions are to be scrupulously respected when the amount of the fund goes beyond 60,000 dinars (or its counter value in foreign currency). Worth of note that these funds can be either banknotes or metallic coins denominated in dinar, or banknotes in foreign currency.

Thus, during each operation of transport of fund from / to their branches or from / to the BCT, the lending institutions are called to use means of transport in compliance with the technical specifications as defined by the Tunisian Professional Association of Banks and Financial Institutions (APTBEF).

Security measures were provided for by the new provisions during each transport of fund. This involves, mainly, protecting these operations by detectives, providing the BCT (headquarters and branches) with the identity and the number of the national identity card of the agent in charge of transport of fund, notify at any moment the relevant departments of the BCT of any secondment and cover the transported funds by an insurance contract.

(Cf. Circular of the BCT to lending institutions n°2010-11 of 18 October 2010)

2) MODIFYING THE CONDITIONS FOR GRANTING MICROLOANS

Microloans granted by associations and structures, entitled by the regulation into force on their budgetary resources mobilised in the framework of conventions concluded with the Tunisian Solidarity Bank are given at a 5% rate with a flat file study commission of 2.5% of the amount of the loan. Yet, when the microloan is given on resources other than those stated above, the interest rate applied on this type of microloans must consider effective expenditure needed for granting these loans, notably, the cost of resources, the supervisory and training operations and operating fees.

Besides and to help economically weak persons, and intending to finance their needs to improve their living conditions, it was decided to raise up, from 700 dinars to 1,000 dinars, the ceiling of the amount of microloans given by the institutions entitled to do it.

(Cf. Bylaw of the Minister of finance of 29 September 2010 published in JORT n°79 of 1st October 2010)

3) FINANCING THE OPERATIONS FOR CONSOLIDATION OF FINANCIAL STRUCTURES OF SMALL AND MEDIUM-SIZED COMPANIES OPERATING IN THE SECTOR OF INDUSTRY AND RELATED SERVICES

The 25 MTD financing line budgeted in the 2009 supplementary finance law to boost exporting businesses was re-allocated for small and medium-sized businesses operating in the sector of industry and related services for the consolidation of their financial structures. To enjoy this financing, the following conditions must be met :

- subscription to the industrial upgrading programme,

- preparing a financial restructuring study,

- the beneficiary must not be object of recovery measures in the framework of law n°95-34 of 17 April 1995 dealing with businesses in economic difficulties,

- the investment amount must not go beyond 5 million dinars.

(Cf. Circular of the BCT to lending institutions n°2010-10 of 14 September 2010)

4) DESIGNATION OF A NEW MANAGER FOR THE NATIONAL FUND OF GUARANTEE

Management of the national fund of guarantee is entrusted, henceforth, to the Tunisian Guarantee Company (SOTUGAR) as per a convention to be concluded in this respect between the Minister of finance and this institution ; and this instead of the Tunisian-Re-assurance company "Tunis-Ré". Besides, the Commission made up of members representing several ministries and the Central Bank of Tunisia and that used to decide on requests for guarantee by the national fund of guarantee, covering notably, loan assumption and irrecoverable holdings, interest on unpaid amounts of the loan, part of fees for suing and for legal collection of loans and guarantee of a yield on holdings of venture capital investment companies is no longer into operation.

(Cf. Decree n°2010-1950 of 6 August 2010 published in JORT n°66 of 17 August 2010)

II - MEASURES IN THE ECONOMIC AREA

1) ELIGIBILITY CONDITIONS FOR INTERVENTIONS BY THE REGIME ENHANCING CREATIVITY AND INNOVATION IN THE AREA OF INFORMATION AND COMMUNICATION TECHNOLOGIES

In application of provisions of law n°2010-18 of 20 April 2010 relative to the creation of the regime enhancing creativity and innovation in the area of information and communication technologies, the decree quoted as a reference fixed the activities eligible for intervention of the above-mentioned regime, procedures and conditions to be met in order to benefit from intervention of this regime ; as well as the rates and modalities for granting and releasing premiums, reimbursable allotment and capital acquisition.

Activities eligible for financing by this regime are those related to production or development of logistics or local digital content with high added value, production or development of systems and applications with high added value in the area of information and communication technologies and development of innovative services based on information and telecommunication technologies or relevant areas.

As for **conditions for eligibility of intervention by this regime**, they are based on the maximum cost of eligible projects. This cost amounts to :

- 200 thousand dinars for **new projects carried by private individuals** with Tunisian nationality, holding a university degree, personally assuming and in full time responsibility of management of the project and investing individually ;

- 500 thousand dinars for **new projects carried by businesses made up of private individuals with a Tunisian nationality** ;

- 500 thousand dinars including net fixed assets with respect to carrying **operations to extend creative and innovative projects** by businesses operating in the area of information and communication technologies, made up of private individuals holding Tunisian nationality and hiring at least 3 engineers or 4 skilled technicians and 4 skilled technicians in the areas of telecommunication, computer, multimedia or in relevant areas.

Besides, interventions by this regime require **other conditions in arranging financing** of these projects. This financing plan must include a minimum equity of 50% of the cost of the project if the new projects are initiated by private individuals. For new projects initiated by businesses made up of Tunisian private individuals, the financing plan must include a minimum equity of 50% of the cost of the project and a contribution in cash presented by the promoter worth at least 2% of the minimum capital of the project. As for the above mentioned extension operations, a minimum 50% equity of the cost of the project must be accounted for in the financing plan of these operations.

In the same way, the promoter investing individually enjoys a reimbursable allotment that does not go beyond 49% of the minimum rate of equity, while the promoter investing in the form of a business can choose between capital acquisition or reimbursable allotment. In both cases the amount is given at 49% of the minimum capital of the project with a ceiling of 120,000 dinars.

Companies operating in the area of information and communication technologies carrying extension operations are eligible for a reimbursable allotment that does not go beyond 49% with 120,000 dinars ceiling. This allotment is granted to one or several shareholders in projects among private individuals of Tunisian nationality whose contribution to equity is at least 10% of the minimum capital.

Release of the reimbursable allotment can only be done after paying the minimum contribution borne by the beneficiaries and the balance of the business capital subscribed to associates, and after obtaining approval for financing the project. As for individual promoters, the allotment can only be released after obtaining the financing approval. The allotment is reimbursable over a 12-year duration, of which 5 years of grace with a 3% interest rate a year. Worth of note that management of the reimbursable allotment is entitled to one or several lending institutions acting as banks as per a convention to be concluded with the Minister of finance.

Participation in this regime can only be given to projects including participation of a venture capital investment company or venture capital mutual funds investing in securities or companies managing start-up funds. In any case, the amount of participation of the above mentioned companies and funds in the project can not be below the participation charged by this regime. Management of this participation is entrusted to one or several venture capital investment companies or companies managing venture capital mutual investment funds or companies managing start-up funds as per a convention to be concluded between each of these companies and the Minister of finance.

The premium earmarked to projects and operations eligible for financing of this regime can be either a premium for study and technical assistance set at 70% of the total cost of study and technical assistance without going beyond 10,000 dinars, or a premium to acquire equipment set at 10% of the total cost of equipment without going beyond 20,000 dinars, or finally a premium for intangible investment with a 50% rate of the cost of investment and a 60 thousand dinar-ceiling and this, as per the list “A” annexed to decree n°2008-388 of 11 February 2008 giving incentives to new promoters, small and medium-sized businesses, small businesses and small trades.

To enjoy the advantages tied to interventions by this regime, a feasibility study for the project must be conducted and an approval should be obtained from the Minister in charge of communication technologies after opinion of the Commission of attribution of advantages as provided for by article 7 of decree n°94-539 of 10 March 1994 fixing the premiums, the lists of activities and projects of infrastructure and public facilities eligible for encouragement with respect to regional development.

Worth of note that interventions of this regime are financed by the Fund to develop communication, information technologies and communication as provided for by degree n°2010-2026 of 16 August 2010.

(Cf. Decree n°2010-2342 of 20 September 2010 published in JORT n°76 of 21 September 2010 and decree n°2010-2026 of 16 August 2010 published in JORT n°68 of 24 August 2010)

2) MODALITY OF INTERVENTION OF THE FUND TO FINANCE BIOLOGICAL REST IN THE FISHING SECTOR

Fishing units can enjoy financial assistance, tied to biological rest, from the fund to finance biological rest in the fishing sector on the basis of the average shipping days over the three years preceding the season concerned by the biological rest and the concerned fishing zone provided the ship owner does not carry any activity over the fixed period of biological rest.

Distribution of this help is tied to functions of the members of the crew mentioned on the list of the crew or the maritime record, while taking into account the minimum guaranteed agricultural salary for workers and the previously set ratios.

The maximum amount of help to the crew must not go beyond the guaranteed agricultural salary for workers multiplied by 17 on each biological rest day. The ship owner enjoys 40% of the amount of help granted to the fishing unit.

To enjoy this help, the ship owner must meet some conditions like the deadline for submitting the request for assistance and the documents making up the request file.

Worth of note that this funds was created as per article 11 of law n°2009-71 of 21 December 2009 providing for the 2010 finance law.

(Cf. Decree n°2010-1766 of 19 July 2010 published in JORT n°59 of 23 July 2010)

MAIN ECONOMIC INDICATORS

(In MTD unless otherwise indicated)

DESCRIPTION	FIRST NINE MONTHS			VARIATION IN %	
	2008	2009	2010	2009 / 2008	2010 / 2009
INDUSTRIAL PRODUCTION INDEX (BASE 100 IN 2000) (1)	**131.5**	**123.2**	**131.6**	**-6.3**	**6.8**
OF WHICH : MANUFACTURING INDUSTRIES	136.6	124.2	134.4	-9.1	8.2
BALANCE OF TRADE					
- OVERALL EXPORTS FOB	18,222.4	14,264.5	17,174.7	-21.7	20.4
- OVERALL IMPORTS CIF	22,592.0	18,178.1	23,522.3	-19.5	29.4
- TRADE DEFICIT EXCLUDING ENERGY FOB-CIF (2)	3,769.9	3,909.8	6,081.9	139.9	2,172.1
- OVERALL TRADE DEFICIT FOB-CIF (2)	4,369.6	3,913.6	6,347.6	-456.0	2,434.0
- OVERALL COVERAGE RATE FOB-CIF (%)	80.7	78.5	73.0	-2.2points	-5.5points
INCREASE IN CONSUMER PRICES :					
- SHIFT FROM THE BEGINNING OF THE YEAR (%)	2.8	2.6	2.5		
- IN TERMS OF MONTHLY AVERAGES (%)	5.2	3.4	4.6		
TOURISM					
- NON RESIDENT ENTRIES (1,000 persons)	5,639	5,522	5,471	-2.1	-0.9
- OVERALL BEDNIGHTS (1,000 units)	31,622	28,577	29,474	-9.6	3.1

(1) At end 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		VARIATION IN %	
	2009	2010	SEPT. 2009 / DEC. 2008	SEPT. 2010 / DEC. 2009
MAIN MONETARY AGGREGATES OF THE FINANCIAL SYSTEM (2)				
M4 AGGREGATE	37,803	42,207	9.9	8.9
MONEY SUPPLY (M3)	37,655	42,043	10.3	8.9
NET CLAIMS ABROAD (3)	9,523	9,164	1,347.0	-467.0
DOMESTIC LOANS	41,565	47,791	8.0	11.7
NET CLAIMS ON THE STATE (3)	6,384	6,518	602.0	-217.0
OF WHICH : - TREASURY BONDS (3)	2,377	2,502	309.0	-54.0
- TREASURY CURRENT ACCOUNT (3)	320	608	-77.0	212.0
FINANCING OF THE ECONOMY	35,181	41,273	7.9	14.5
EXTERNAL PAYMENT INDICATORS (2)				
TOURIST RECEIPTS (4)	2,659	2,665	+4.9	+0.2
CASH LABOUR INCOME (4)	1,613	1,715	+13.1	+6.3
DEBT SERVICE (4)	2,370	2,424	+21.3	+2.3
CURRENT DEFICIT (3) (4)	-562	-2,524	+621	-1.962
GENERAL BALANCE OF THE BALANCE OF PAYMENTS (3) (4)	+2,148	-342	+979	-2.490
EXCHANGE RATE (IN DINAR) (5)				
1 US DOLLAR	1.2974	1.4213	-3.2	-6.3
1 EURO	1.8970	1.9367	0.4	4.0
1,000 JAPANESE YEN	14.4648	16.9102	4.4	-0.4
1 STERLING POUND	2.0679	2.2264	-6.2	-1.2
10 MOROCCAN DIRHAMS	1.6672	1.7380	-0.1	4.1

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