

IX. FOREIGN EXCHANGE MARKET

The foreign exchange market in Tunisia in 2008 recorded a 40% increase in the overall volume of spot transactions, influenced mainly by the increase in foreign exchange. This was the case for both transactions between foreign currency and the dinar and those involving operations from one foreign currency to another. On the other hand, forward foreign exchange and swap transactions between foreign currency and the dinar were down slightly. Transactions involving options for foreign exchange (for which quotation has been delegated to banks since December 2007) have shown a significantly lower volume.

As for the rate of exchange, the dinar showed major fluctuation against the main foreign currencies in 2008, under the combined impact of :

- * greater volatility on international foreign exchange markets in the wake of the financial crisis, with the euro/dollar ratio posting a variation of some 28.3% in 2008
- * an increase in inflation in Tunisia, up from 3.2% in 2007 to 5% in 2008.

A. TRENDS IN SPOT TRANSACTIONS BETWEEN THE TUNISIAN DINAR AND THE MAIN FOREIGN CURRENCIES

In terms of annual averages, the dinar in 2008 depreciated by 9.4% against the Japanese yen, by 2.9% against the euro, and by 2.2% against the Moroccan dirham. On the other hand, it appreciated by 12.4% against the pound sterling and by 4% against the US dollar.

AVERAGE RATES OF MAIN FOREIGN CURRENCIES AGAINST THE DINAR ⁽¹⁾

(In account and spot transactions)

Description	2004	2005	2006	2007	2008	Variation (%) ⁽²⁾	
						2007/06	2008/07
1 US dollar	1.2456	1.2981	1.3294	1.2799	1.2309	3.9	4.0
1 euro	1.5486	1.6126	1.6709	1.7519	1.8051	-4.6	-2.9
1 pound sterling	2.2730	2.3492	2.4372	2.5418	2.2613	-4.1	12.4
1,000 Japanese yens	11.4812	11.7453	11.3776	10.8007	11.9204	5.3	-9.4
10 Moroccan dirhams	1.4021	1.4601	1.5036	1.5485	1.5827	-2.9	-2.2

⁽¹⁾ These are rates on the interbank market.

⁽²⁾ (-) means a depreciation of the dinar, (+) an appreciation.

In 2008 the ratio between the euro and the US dollar was highly volatile (28.3%) and this had an impact on the degree of variation between the dinar and the Japanese yen (42%), the US dollar (22.7%), the euro (7.6%) and the Moroccan dirham (7.5%).

RANGE OF FLUCTUATION OF MAIN FOREIGN CURRENCIES AGAINST THE DINAR

Description	1 USD/TND	1 EUR/TND	1,000 JPY/TND	10 MAD/TND
Highest level	1.4081 (04/12/2008)	1.8565 (18/12/2008)	15.2500 (04/12/2008)	1.6587 (19/12/2008)
Lowest level	1.1474 (18/03/2008)	1.7256 (27/10/2008)	10.7377 (07/08/2008)	1.5427 (08/10/2008)
Range of fluctuation (%)	22.7	7.6	42.0	7.5

A look at trends in the rate of exchange between the dinar and the US dollar shows four main phases. The first, in effect until 18 March, was marked by an upward trend for the dinar, which started the year at 1.2230 and closed for this first phase at 1.1474, appreciating by 6.6%. The dollar/dinar ratio then enjoyed relative stability until 15 July, when it posted 1.1525. Starting on this date, the dinar fell against the US dollar by 18.2%, registering 1.4081 on 4 December. There was then a reversal of trend and the dinar once again took off on a new phase of 7.5% appreciation, closing for the year at 1.3099 TND to the dollar.

In terms of monthly averages, the dinar followed the same trends. It began with appreciation of 5.1% between January and April, moving from 1.2163 TND to 1.1576 TND to the dollar. It then remained fairly stable until the month of July, posting a rate of 1.1647. Next, it depreciated by 16% to reach 1.3871 TND in November before appreciating anew by 3.3% to 1.3424 TND to the dollar in December.

Against the euro, the dinar started the year at a rate of 1.7947, then depreciated (by 2.7%) until 22 July, reaching 1.8446 TND to the euro. The trend then reversed and the dinar appreciated by 6.9%, posting 1.7256 on 27 October. Since that date, the dinar followed a downward trend against the euro that lasted until 31 December, depreciating by 6.3% and closing for the year at the rate of 1.8409.

This same trend held in terms of monthly averages. The dinar first depreciated by 2.7%, moving from 1.7891 TND to the euro in January to 1.8379 TND in July. It then appreciated by 4.9%, coming to 1.7521 TND in October. Between October and December, it depreciated by 3.6% to close for the year at 1.8167 TND to the euro.



The ratio between the JPY and the TND followed an uneven pattern, marked by successive rises and falls. The dinar began the year at 10.9022 TND to 1000 yen, then depreciated by 8.8% to reach 11.9525 on 17 March. The trend then reversed and the dinar appreciated by 11.3% to 10.7377 on 7 August. Since that date, the dinar depreciated by a sharp 29.6% to reach 15.2500 on 4 December, before appreciating once again by 5.1% to post 14.5050 at the end of the year.

In terms of monthly averages, the dinar first depreciated by 2.6% until March, going from 11.2609 TND to 11.5576 TND for 1000 yen. It then appreciated by 6.1%, posting 10.8970 TND in July. Between then and December, it depreciated by a considerable 26.2% to close for the year at 14.7682 TND for 1000 yens.



Against the Moroccan dirham, the dinar experienced depreciation of 2.9% between the beginning of the year and 21 July, moving from 1.5688 TND to 1.6150 TND. The trend then reversed, with 4.7% appreciation of the dinar, posting 1.5427 TND on 8 October. Then the dinar once again depreciated, by 6.4%, to close for the year at 1.6484 TND for 10 Moroccan dirhams.

In terms of monthly averages, the dinar first depreciated by 1.5% until the month of July, moving from 1.5695 TND to 1.5932 TND for 10 dirhams. It then appreciated by 2.4%, posting 1.5561 TND in October. From that time until December, it depreciated by 3.9%, closing for the year at 1.6187 TND for 10 Moroccan dirhams.

B. TRENDS IN FOREIGN EXCHANGE MARKET TRANSACTIONS

1. SPOT TRANSACTIONS

Trends in foreign exchange in 2008 had an impact on the volume of spot foreign exchange transactions, posting an increase of 14,287 MTD (40%) over the 2007 figure to reach 49,853 MTD.

This improvement concerned both transactions from one foreign currency to another (7,314 MTD) and transactions between foreign currency and the dinar (6,973 MTD).

TRENDS IN SPOT TRANSACTIONS

(In MTD)

Description	2006	2007	2008	Variation in MTD	
				2007/2006	2008/2007
Transactions from foreign currency to dinars	11,243	12,238	19,211	995	6,973
Transactions from one foreign currency to another	21,855	23,328	30,642	1,473	7,314
Total	33,098	35,566	49,853	2,468	14,287

a. Transactions between foreign currency and the dinar

Foreign exchange transactions between foreign currency and the dinar amounted to 19,211 MTD in 2008, an average of 77.5 MTD a day compared to 12,238 MTD and 49 MTD respectively a year earlier, an increase of 6,973 MTD or 57%. The share of interbank exchanges in overall transactions between foreign currency and the dinar came to 83% in 2008, compared to a 17% share for transactions with the Central Bank. These compare to 2007 figures of 91% and 9% respectively.

The intervention of the Central Bank came to 3,238 MTD in 2008, vs. 1,110 MTD in 2007, an increase of 2,128 MTD. Similarly, transactions on the interbank market posted an increase of 4,845 MTD. A breakdown of interbank transactions by category of bank shows that resident banks dominated activity on this market segment, with an 80% share of global volume, compared to a 20% share for offshore banks.

TRENDS IN FOREIGN CURRENCY/DINAR TRANSACTIONS (In MTD unless otherwise indicated)

Description	2006	2007	2008	Variation (%)	
				2007/2006	2008/2007
Interbank market	10,038	11,128	15,973	10.9	43.5
Resident banks	7,838	9,075	12,793	15.8	41.0
Offshore banks	2,200	2,053	3,180	-6.7	54.9
Central Bank of Tunisia	1,205	1,110	3,238	-7.9	191.7
Total	11,243	12,238	19,211	8.8	57.0

At the level of breakdown by foreign currency, the share of dollar/dinar transactions in overall volume went up by 41% in 2008, compared to 39% in 2007. On the other hand, the share of euro/dinar transactions fell from 60% in 2007 to 58% in 2008, while transactions in yen remained at the same level of 1%.

BREAKDOWN BY FOREIGN CURRENCY OF TRANSACTIONS ON THE SPOT FOREIGN EXCHANGE MARKET

Year	Currency	Interbank market		Central Bank		Total	
		Amount In MTD	Share In %	Amount In MTD	Share In %	Amount In MTD	Share In %
2006	USD	3,961	39.5	340	28.2	4,301	38.3
	EURO	5,853	58.3	796	66.0	6,649	59.1
	YEN	160	1.6	0	0	160	1.4
	Others	64	0.6	69	5.8	133	1.2
	Total	10,038	100.0	1,205	100.0	11,243	100.0
2007	USD	4,376	39.3	364	32.8	4,740	38.7
	EURO	6,561	59.0	717	64.6	7,278	59.5
	YEN	122	1.1	0	0	122	1.0
	Others	69	0.6	29	2.6	98	0.8
	Total	11,128	100.0	1,110	100.0	12,238	100.0
2008	USD	6,049	37.9	1,735	53.6	7,784	40.5
	EURO	9,742	61.0	1,468	45.3	11,210	58.4
	YEN	115	0.7	0	0	115	0.6
	Others	67	0.4	35	1.1	102	0.5
	Total	15,973	100.0	3,238	100.0	19,211	100.0

b. Transactions between foreign currency and convertible dinars

The volume of foreign exchange transactions between foreign currency and convertible dinars, which are handled by authorised intermediaries and foreign correspondents, went up by 11% in 2008 to 2,878 MTD, compared to 2,582 MTD in 2007, corresponding to daily averages of 11.6 MTD and 10.3 MTD respectively. Purchase of convertible dinars by foreign correspondents represented 67% of overall volume vs. 33% for sales, compared to 64% and 36% respectively the year before.

c. Transactions from one foreign currency to another

Foreign exchange transactions from one foreign currency to another came to 30,642 MTD in 2008, up from 23,328 MTD in 2007, an increase of 7,314 MTD or 31%. But their share in the overall volume of foreign exchange spot transactions fell from 66% in 2007 to 61% in 2008. Transactions carried out with foreign correspondents represented 94% of all transactions going from one foreign currency to another in 2008, down from 96% in 2007.

TRENDS IN TRANSACTIONS FROM ONE FOREIGN CURRENCY TO ANOTHER

(In MTD unless otherwise indicated)

Description	2006	2007	2008	Variat. (%) 2008/2007
Transactions between Tunisian Authorised Intermediaries	1,010	886	1,953	120.4
Transactions with foreign correspondents	20,845	22,442	28,689	27.8
Total	21,855	23,328	30,642	31.4

2. FORWARD TRANSACTIONS

Despite volatility in foreign exchange rates recorded over the period under review and the increase in foreign trade transactions, the overall volume of forward transactions went from 3,941 MTD in 2007 to 3,928 MTD in 2008, a slight drop of 13 MTD. The share of transactions between authorised intermediaries and businesses in overall volume rose from 80% in 2007 to 96% in 2008.

TRENDS IN FORWARD TRANSACTIONS

(In MTD)

Description	2006	2007	2008	Variation in MTD	
				2007/06	2008/07
Transactions between Tunisian Authorised Intermediaries and businesses	2,296.7	3,138.9	3,767.6	842.2	628.7
Transactions on the interbank market	120.9	801.8	160.0	680.9	-641.8
Total	2,417.6	3,940.7	3,927.6	1,523.1	-13.1

Transactions between authorised intermediaries and businesses were marked by an increase in selling by banks (to cover imports), coming to 3,079 MTD vs. 2,717 MTD in 2007, an increase of 362 MTD or 13%.

Similarly, forward purchases by authorised intermediaries (to cover exports) rose from 422 MTD in 2007 to 688 MTD in 2008, an increase of 266 MTD or 63%.

VOLUME OF FORWARD BUYING AND SELLING BY AUTHORISED INTERMEDIARIES TO BUSINESSES

(In MTD)

Description	2006	2007	2008
Forward buying	687.5	422.0	688.3
Forward selling	1,609.2	2,716.9	3,079.3
Total	2,296.7	3,138.9	3,767.6

The structure by currency of forward foreign exchange transactions to cover imports shows a larger share for the euro, up from 39% in 2007 to 43% in 2008. In turn, the share of the US dollar fell from 56% in 2007 to 54% in 2008. The structure by currency of forward foreign exchange transactions to cover exports shows an increase in the share of the US dollar, up from 46% in 2007 to 54% in 2008. In turn, the share of the euro fell from 53% in 2007 to 45% in 2008.

STRUCTURE BY CURRENCY OF FORWARD BUYING AND SELLING BY AUTHORISED INTERMEDIARIES TO BUSINESSES IN 2008

Description	Euro		US Dollar		Other currencies		Total	
	MTD	% of total	MTD	% of total	MTD	% of total	MTD	%
Forward buying	308	44.7	368.8	53.6	11.5	1.7	688.3	100
Forward selling	1,333	43.3	1,656.1	53.8	90.2	2.9	3,079.3	100
Total	1,641	43.6	2,024.9	53.7	101.7	2.7	3,767.6	100

3. FOREIGN CURRENCY/DINAR EXCHANGE SWAP TRANSACTIONS

The volume of foreign exchange swap transactions fell in 2008 to 1,565.4 MTD, a daily average of 6.3 MTD, compared to 1,695.8 MTD and 6.8 MTD respectively in 2007. The cumulative volume of these transactions since they were created in June 2001 came to 9,773 MTD, an annual average of 1,289 MTD. The share of foreign exchange swap transactions carried out with foreign correspondents came to 91%, compared to 9% carried out between authorised intermediaries and businesses. 69% of foreign exchange swap transactions were labelled in dollars and 31% in euros.

TREND IN FOREIGN CURRENCY/DINAR EXCHANGE SWAP TRANSACTIONS

Description	2006	2007	2008	Variation in MTD	
				2007/2006	2008/2007
Interbank market	82.9	132.3	3.2	49.4	-129.1
Transactions with foreign correspondents	957.9	1,560.5	1,426.9	602.6	-133.6
Transactions between Tunisian Authorised Intermediaries and businesses	2.0	3.0	135.3	1.0	132.3
Total	1,042.8	1,695.8	1,565.4	653.0	-130.4

4. FOREIGN EXCHANGE OPTIONS BETWEEN FOREIGN CURRENCY AND THE DINAR

Quotation of foreign currency/dinar foreign exchange options was delegated to banks in December 2007 and the corresponding period of coverage was extended from one to three years (circular to authorised intermediaries n°2007-27 of 18 December 2007). Transactions using this financial instrument amounted to just 0.9 MTD in 2008.