

III. MONEY AGGREGATES AND THEIR COUNTERPARTS

A higher level of net claims abroad and an exceptionally high increase in financing of the economy were the main factors for monetary growth in 2008, while the State's net indebtedness to the financial system grew but at a slower pace. These developments meant sustained growth in the M3 money aggregate.

FINANCIAL SYSTEM RESOURCES¹ AND THEIR COUNTERPARTS

Description	M T D			Variation (%)	
	2006	2007	2008	2007/2006	2008/2007
M4 AGGREGATE	26,782	30,116	34,398	12.4	14.2
Money supply, broad sense (M3)	26,546	29,853	34,142	12.5	14.4
Money supply, strict sense (M2)	24,834	28,197	32,288	13.5	14.5
Money M1	9,871	11,083	12,386	12.3	11.8
Fiduciary money	3,873	4,099	4,399	5.8	7.3
Bank money	5,998	6,984	7,987	16.4	14.4
Quasi-money	14,963	17,114	19,902	14.4	16.3
M3-M2	1,712	1,656	1,854	-3.3	12.0
M4-M3	236	263	256	11.4	-2.7
OTHER RESOURCES	10,293	10,897	12,319	5.9	13.0
TOTAL RESOURCES=TOTAL COUNTERPARTS	37,075	41,013	46,717	10.6	13.9
NET CLAIMS ON ABROAD *	5,753	6,658	8,380	905	1.722
DOMESTIC LOANS	31,322	34,355	38,337	9.7	11.6
Net claims on the State*	5,165	5,674	5,781	509	107
Financing of the economy	26,157	28,681	32,556	9.6	13.5
Loans to the economy	24,661	27,084	30,832	9.8	13.8
Securities portfolio	1,496	1,597	1,724	6.8	8.0

* For these aggregates, variations are expressed in MTD.

A. THE M3 AGGREGATE

In reaching 34,142 MTD at the end of 2008, the M3 aggregate grew at a faster pace (14.4%) than the year before (12.5%). Expressed in terms of monthly averages, trends in this aggregate show a 14.8% increase in 2008 (compared to 11.2% in 2007) for nominal economic growth rates of 10.3% and 10.2% respectively. Consequently, the economy liquidity rate, measured by the ratio M3/GDP, went up by 2.5 percentage points between 2007 and 2008, from 61.9% to 64.4%.

The record increase in world prices for raw materials and energy weighed heavily on the consumer price index, which over the first four months of the year came to relatively high levels, with a peak of 6% in terms of annual variation in April 2008.

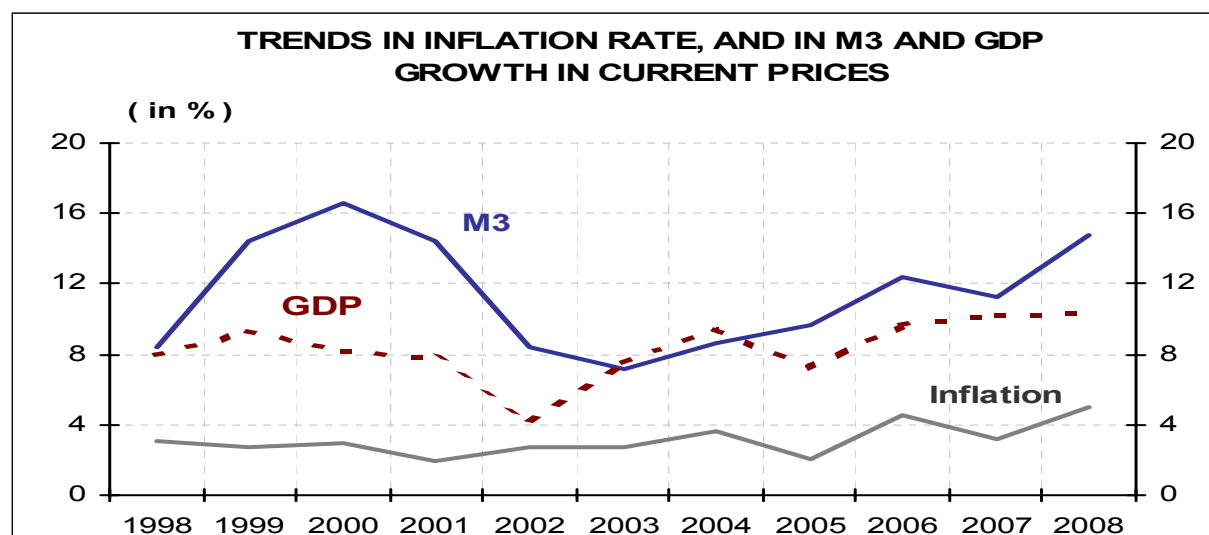
¹ As defined in this context, the financial system is made up of the Central Bank of Tunisia, the banks, the Postal Cheque Centre (CCP), the leasing companies and the Postal Savings Centre (CEP).

TRENDS IN THE LIQUIDITY RATE OF THE ECONOMY AND THE RATE OF INFLATION

YEARS	MTD		In %	
	M3 (annual average)	GDP (in current prices)	Liquidity rate (M3/GDP)	Average inflation rate
2004	20,596	35,192	58.5	3.6
2005	22,575	37,767	59.8	2.0
2006	25,374	41,408	61.3	4.5
2007	28,225	45,629	61.9	3.2
2008	32,394	50,325	64.4	5.0

Sources : BCT, Ministry of Development and International Cooperation and INS

With a fresh outbreak of inflationary pressure, the Central Bank decided to apply restrictive monetary policy, raising the reserve requirement rate twice. Tougher monetary policy in conjunction with lower world prices contributed to slower growth in the M3 aggregate, which fell from 16.2% in June (in terms of 12-month sliding) to 14.4% in December 2008. Inflation fell from its highest level (6% in April) to just 4.1% in December 2008. It was only in early 2009 that the Central Bank decided to ease monetary policy, given the considerable drop in inflation and prospects for its role in supporting economic activity.



1. MONEY SUPPLY M2

Money supply (M2) went up in 2008 by 14.5% compared to 13.5% a year earlier, influenced by faster growth in quasi money and slower growth in available money. Posting 12,386 MTD at the end of December 2008, the M1 aggregate went up by 11.8% over the previous year's figure. This development was the result of both higher fiduciary circulation and an increase in bank money, although at a slower pace than in 2007. Thus fiduciary money in 2008 evolved in an irregular manner, in line with seasonal patterns. After fluctuating throughout the first quarter of the year, this aggregate followed an upward trend until September, when it reached its maximum for the year at 4,412 MTD in the wake of major expenditure during the month of Ramadan and for the Aid El Fitr holiday. In October, fiduciary money dropped but then rose once again to close for the year at 4,399 MTD. In all, this aggregate went up by 7.3% over the period under review, compared to 5.8% the year before.

BANK MONEY AND ITS MAIN COMPONENTS

Period	Bank money		Of which			
			Sight deposits at banks		Sight deposits in postal cheque centre	
	MTD	Variation*(%)	MTD	Variation*(%)	MTD	Variation*(%)
2006	5,998	13.9	5,387	14.9	592	6.3
2007						
March	5,962	-0.6	5,195	-3.6	750	26.7
June	6,590	9.9	5,910	9.7	650	9.8
September	7,023	17.1	6,255	16.1	736	24.3
December	6,984	16.4	6,249	16.0	692	16.9
2008						
March	7,182	2.8	6,298	0.8	865	25.0
June	7,758	11.1	6,922	10.8	815	17.8
September	7,775	11.3	6,955	11.3	807	16.6
December	7,987	14.4	6,983	11.7	981	41.8

* Compared to the level in December of the previous year.

Although it posted slightly slower growth compared to the previous year, the growth rate for bank money in 2008 remained fairly high (14.4% vs. 16.4% in 2007), based notably on slower growth in sight deposits at banks. The main component of bank money, sight deposits at banks went up by just 11.7%, compared to 16% the year before, involving mainly deposits by private parties (+575 MTD), private companies (+200 MTD). It should be noted that 25% of the increase in sight deposits involve resident accounts in foreign currency. On the other hand, deposits at the postal cheque centre *CCP* went up significantly, posting a growth rate that was well above that of the year before, i.e. 41.8% vs. 16.9%. At the same time, quasi money rose in 2008 by 16.3% vs. 14.4% the year before, under the influence of notable recovery in the outstanding balance of certificates of deposit (+34.9% or +345 MTD vs. -1% or -10 MTD), faster growth in the outstanding balance of special savings accounts at banks (10.2% or 587 MTD vs. 7.9% or 425 MTD) and the increase in both the outstanding balance of forward deposits & other financial products and that of savings at the postal savings centre *CEP* at rates comparable to those recorded the year before : 20.1% and 12.2% vs. 21.5% and 13.1% respectively.

QUASI-MONEY AND ITS MAIN COMPONENTS

Period	Quasi-money		Of which					
			Forward deposits and other financial products		Certificates of deposit		Savings deposits	
	MTD	Variat.* (%)	MTD	Variat.* (%)	MTD	Variat.* (%)	MTD	Variat.* (%)
2006	14,963	11.8	5,916	13.0	998	4.5	7,182	10.7
2007								
March	15,681	4.8	6,342	7.2	982	-1.6	7,376	2.7
June	15,872	6.1	6,611	11.7	808	-19.0	7,448	3.7
September	16,533	10.5	6,969	17.8	939	-5.9	7,577	5.5
December	17,114	14.4	7,185	21.5	988	-1.0	7,870	9.6
2008								
March	17,890	4.5	7,516	4.6	916	-7.3	8,113	3.1
June	18,777	9.7	7,856	9.3	1,384	40.1	8,256	4.9
September	19,771	15.5	8,278	15.2	1,609	62.9	8,431	7.1
December	19,902	16.3	8,626	20.1	1,333	34.9	8,708	10.6

* Compared to the level in December of the previous year.

It should be noted that quasi money, which went up steadily over the first 10 months of 2008, marked its highest level in October (20,059 MTD), in line with the low level of Treasury bond issues, then fell over the last two months, following a drop in the outstanding balance of certificates of deposits due in particular to certificates, subscribed to by institutionals, that had fallen due.

SAVINGS ACCOUNTS

Period	Special savings accounts		Savings at the Postal Savings Centre		Other savings accounts	
	MTD	Variat.* (%)	MTD	Variat.* (%)	MTD	Variat.* (%)
2006	5,353	9.2	1,622	15.4	207	13.7
2007						
March	5,441	1.6	1,697	4.6	238	15.0
June	5,485	2.5	1,721	6.1	242	16.9
September	5,590	4.4	1,743	7.5	244	17.9
December	5,778	7.9	1,835	13.1	257	24.2
2008						
March	5,923	2.5	1,927	5.0	263	2.3
June	6,028	4.3	1,960	6.8	268	4.3
September	6,168	6.7	1,990	8.4	273	6.2
December	6,365	10.2	2,058	12.2	285	10.9

* Compared to the level in December of the previous year.

2. THE M3-M2 AGGREGATE

After having marked a drop of 3.3% in 2007, the outstanding balance of the M3-M2 aggregate went up by 12% in 2008. This was due mainly to considerable recovery in the outstanding balance of bonds and borrowings with a duration of more than one year (28.7% vs. -17.4%), reflecting the greater recourse of lending institutions to the financial market. In effect, debenture loans issued in this framework came to 295 MTD in 2008. This involved mainly the Bank of Housing BH (70 MTD in May), the Tunisian Banking Company *STB* (50 MTD in May) and Attijari Bank (50 MTD in December). These issues were for various durations of between five and 25 years, bearing fixed interest of between 6.5% and 7.25% and variable interest of between money market average rate +0.75% and money market average rate +2%. Some 50% of these issues took place in May 2008. The outstanding balance of home savings continued on a growth path for the second straight year, down from 6.5% in 2006 and 5.1% in 2007 to a slower pace of 4.1% in 2008.

THE «M3-M2» AGGREGATE AND ITS COMPONENTS

Period	M3-M2		Home savings		Bonds & borrowings for more than one year		Savings for projects and investments	
	MTD	Variat.* (%)	MTD	Variat.* (%)	MTD	Variat.* (%)	MTD	Variat.* (%)
2006	1,712	1.2	1,068	6.5	638	-6.6	6	20.0
2007								
March	1,681	-1.8	1,082	1.3	592	-7.2	7	16.7
June	1,689	-1.3	1,086	1.7	596	-6.6	7	16.7
September	1,709	-0.2	1,094	2.4	608	-4.7	7	16.7
December	1,656	-3.3	1,122	5.1	527	-17.4	7	16.7
2008								
March	1,654	-0.1	1,131	0.8	516	-2.1	7	0.0
June	1,820	9.9	1,133	1.0	680	29.0	7	0.0
September	1,854	12.0	1,145	2.0	701	33.0	8	14.3
December	1,854	12.0	1,168	4.1	678	28.7	8	14.3

* Compared to the level in December of the previous year.

B. NET CLAIMS ABROAD

Net claims abroad continued to grow in 2008, up from 905 MTD in 2007 to 1,722 MTD in 2008, under the combined effects of higher net assets in foreign currency and slower growth in external commitments. Aside from February, September and December (when there was a significant drop in their outstanding balance, in line with repayment of debt service and widening of the trade deficit), net claims abroad went up, reaching their maximum level 8,421 MTD in November. This increase was due mainly to the high level of drawings on contracted external borrowings, notably from the European Investment Bank (289 MTD), the International Financial Corporation IFC in Washington, an affiliate of the World Bank Group (204 MTD), the French development agency *AFD* (139 MTD), the African Development Bank *ADB* (170 MTD), the Japanese Bank for International Cooperation *JBIC* (72 MTD), the Arab Fund for Economic and Social Development *AFESD* (35 MTD) and the BNP Paribas bank (33 MTD). In the same way, encashment of income from sale of State shares in the capital of the Tuniso-Kuwaiti Bank to the savings bank group *Caisse d'épargne* (150 MTD) along with foreign investment flows contributed to higher net claims abroad and involved notably acquisition of two tourism units by the Libyan company *LAICO* (131 MTD) and by foreign institutionals when the company Automobile Tunisian network and services *ARTES* was posted on the stock market (74 MTD), in conjunction with holdings acquired by other foreign investors in capital increases, notably the Tunisian Insurance and Reinsurance Company *STAR* (132 MTD by *GROUPAMA*), the *UIB* (57 MTD by the *Société Générale*), the Tuniso-Andalousian white cement company *SOTACIB* (80 MTD), the *SAH-LILAS* company (56 MTD) and the Arab Tunisian Bank *ATB* (32 MTD).

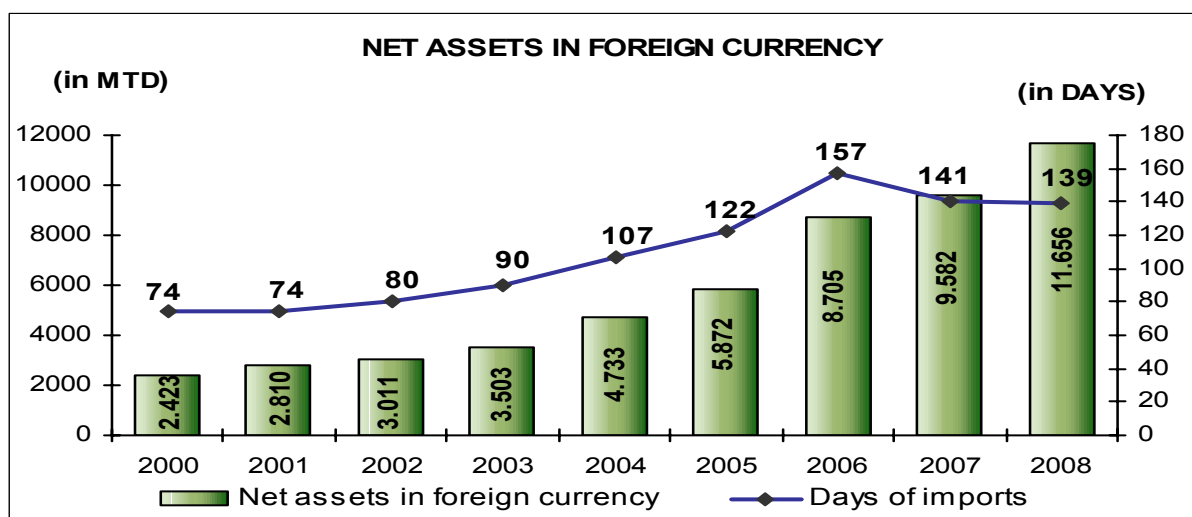
FOREIGN ASSETS AND LIABILITIES

(In MTD)

Period	International reserves			Other foreign assets	External liabilities		Net claims abroad	
	Total	Of which : Foreign currency assets			Total	Of which : Deposits by non residents	Amount	Variation*
		Amount	Variation*					
2006	8,807	8,756	2,773	1,423	4,477	2,137	5,753	2,808
2007								
March	8,563	8,513	-243	1,529	4,526	2,250	5,566	-187
June	8,862	8,811	55	1,648	4,707	2,409	5,803	50
Sept.	9,572	9,514	758	1,785	4,913	2,546	6,444	691
Dec.	9,689	9,638	882	2,026	5,057	2,585	6,658	905
2008								
March	9,835	9,777	139	2,111	5,028	2,623	6,918	260
June	10,150	10,095	457	2,317	5,033	2,619	7,434	776
Sept.	10,849	10,795	1,157	2,483	5,229	2,827	8,103	1,445
Dec.	11,742	11,687	2,049	1,920	5,282	3,119	8,380	1,722

* Compared to the level in December of the previous year.

Consequently, net assets in foreign currency amounted to 11,656 MTD at the end of 2008, the equivalent of 139 days of imports vs. 9,582 MTD (141 days) in December 2007.



C. DOMESTIC LOANS

Domestic loans amounted to 38,337 MTD at the end of 2008, an increase of 11.6% vs. 9.7% a year earlier, reflecting faster growth in financing of the economy, while net claims on the State grew but at a slower pace.

1. NET CLAIMS ON THE STATE

At a total of 5,781 MTD for 2008, net claims on the State went up by just 107 MTD (1.9%) vs. 509 MTD (9.9%) a year earlier. This slower growth reflects a drop in the outstanding balance of portfolio Treasury bonds held by lending institutions (-297 MTD vs. +239 MTD), in conjunction with an increase in the Treasury's current account (+74 MTD vs. -121 MTD). The counterpart of deposits at the postal cheque centre *CCP* increased by 289 MTD in 2008 compared to 100 MTD in 2007 and that of deposits at the postal savings centre *CEP* stayed at a level similar to that of the year before (+223 MTD vs. 213 MTD).

Issues of Treasury bonds in 2008 involved just 735 MTD (77% in the last quarter of the year) vs. 1,488 MTD the year before, while repayments continued at about the same level as in 2007 : 1,174 MTD (54% in bonds equivalent to Treasury bonds falling due in June 2008) vs. 1,151 MTD. Consequently, overall net subscriptions to Treasury bonds for the year under consideration were negative (-439 MTD at the end of 2008 vs. +337 MTD a year earlier). The drop in volume of Treasury issues over the first three quarters of 2008 was due to easy cash flow at that time of the year, following the high level of resources from major profits from the 2007 accounting year at certain public institutions such as the Central Bank (435 MTD) and income from privatisation.

NET CLAIMS ON THE STATE

(In MTD)

Period	Net claims on the State		Of which			
			Treasury current account		Treasury bonds	
	Amount	Variation*	Amount	Variation*	Amount	Variation*
2006	5,165	999	444	-244	2,126	376
2007						
March	5,455	290	494	50	2,249	123
June	5,934	769	139	-305	2,441	315
September	5,820	655	75	-369	2,295	169
December	5,674	509	323	-121	2,365	239
2008						
March	5,699	25	549	226	2,355	-10
June	5,705	31	140	-183	1,959	-406
September	5,737	63	50	-273	1,931	-434
December	5,781	107	397	74	2,068	-297

* Compared to the level in December of the previous year.

2. FINANCING OF THE ECONOMY

Posting 32,556 MTD at the end of 2008, financing of the economy by the financial system rose at a faster pace : 13.5% vs. 9.6% a year earlier. This is because higher world prices for energy products and commodities along with an intensive policy for supplying businesses (especially public enterprises) led to greater recourse to bank financing and consequently major commitments by these structures to banks. Financing of the economic (exclusive of public structures) went up by just 11.9% in 2008.

The higher level of financing of the economy concerned loans from both ordinary resources (15.1% vs. 10.8%) and securities portfolio (8% vs. 6.8%). Loans from special resources, on the other hand, continued to fall (-1.9% vs. -2.9%). The outstanding balance of Treasury bills with endorsement and guarantee recorded a drop from the previous year's level (-7 MTD vs. +27 MTD).

FINANCING OF THE ECONOMY

Description	MTD			Variation (%)	
	2006	2007	2008	2007/2006	2008/2007
Loans to the economy	24,661	27,084	30,832	9.8	13.8
Loans from ordinary resources	22,655	25,102	28,890	10.8	15.1
Loans from special resources	1,770	1,719	1,686	-2.9	-1.9
Treasury bills *	236	263	256	27.0	-7.0
Securities portfolio	1,496	1,597	1,724	6.8	8.0
Total	26,157	28,681	32,556	9.6	13.5

* For this aggregate, variations are expressed in MTD.

Analysis of the structure of loans to the economy showed that loans from banks' core resources continued to dominate. Their share in overall volume remained stable at around 95%, with the drop in financing from BCT resources due to banks' lower or non recourse to refinancing by the BCT, given easy cash conditions starting in March 2008, when banks started going to the Central Bank to invest surplus cash.

LOANS TO THE ECONOMY

Origin	MTD			Variation (%)	
	2006	2007	2008	2007/2006	2008/2007
Central Bank	270	-198	0	-173.3	-100.0
Banks	23,277	26,007	29,444	11.7	13.2
Leasing companies	1,114	1,275	1,388	14.5	8.9
Total	24,661	27,084	30,832	9.8	13.8