

TRENDS IN ADDED VALUE BY SECTOR OF ACTIVITY IN REAL TERMS AND CONTRIBUTION TO ECONOMIC GROWTH

Description	Added value growth (in %)			Contribution to economic growth (in percentage points)		
	2009	2010	2011*	2009	2010	2011*
Agricultural and fishing	8.8	-8.7	7.8	0.7	-0.7	0.6
Industry	0.6	2.6	0.6	0.2	0.8	0.2
Manufacturing industries	-1.7	1.1	3.9	-0.3	0.2	0.6
of which :						
-Agricultural industries & foodstuff	1.9	2.2	1.0	0.1	0.1	0.0**
-Mechanical & electrical industries	-4.0	25.0	5.0	-0.3	0.1	0.6
-Textile, clothing, leather & footwear industries	-9.6	6.0	-0.5	-0.3	0.2	0.0**
-Chemical industries	2.5	6.8	-5.0	0.1	0.1	-0.1
Non manufacturing industries	3.5	4.7	-3.5	0.5	0.6	-0.4
of which :						
-Mines	3.0	13.0	-52.0	0.0**	0.1	-0.5
-Oil and natural gas	3.4	3.5	-2.1	0.2	0.2	-0.1
Market services	3.1	5.2	-3.7	1.3	2.1	-1.5
of which :						
-Commerce	3.0	3.4	2.0	0.2	0.3	0.2
-Transport	0.5	2.8	-7.0	0.0**	0.2	-0.5
-Communications	15.9	13.5	12.5	0.6	0.6	0.6
-Tourism	-0.5	4.3	-45.0	0.0**	0.2	-2.3
-Financial structures	2.0	5.0	3.0	0.1	0.2	0.1
GDP at market price	3.1	3.0	0.2	3.1	3.0	0.2

* Updated forecasts.

Source : Ministry of Planning and International Cooperation

** Contribution to growth is almost nil.

SECTION 2 – TRENDS IN GLOBAL DEMAND

The beginning of improvement in economic conditions (both worldwide and domestically) in the second half of 2010 led to faster growth in domestic demand and net recovery in foreign trade in goods and services. But this trend was not strong enough to re-launch certain economic activities after deterioration because of unfavourable outside factors such as adverse weather and tough foreign competition in certain sectors and this prevented an increase in job creation in line with set goals.

1. Domestic demand

Thanks to a sustained upward trend in final consumption, investment that grew at a faster pace than the year before, and a higher increase in stocks, domestic demand increased at a higher rate than in 2009: 10.4% in current prices and 5.5% in real terms. This bears out its role as a major lever for the country's development, especially at a time of changing international conditions. But its contribution to economic growth has decreased, down from 3.3 points in 2009 to 1.5 percentage point in 2010, following major recovery in export of goods and services at a faster pace than domestic demand.

Final consumption grew at a high 9% in current prices (4.5% in real terms), based on private consumption sustained by an increase in income and by greater recourse to bank financing, as seen in the 21.4% increase in the outstanding balance of non professional loans to private individuals. This situation manifested itself as a slight increase in average propensity to consume, which rose from 78% to 78.6% of Gross National Disposable Income (GNDI).

In the area of **investment**, gross fixed capital formation (GFCF) posted slightly higher growth than the 9.3% recorded for 2009, when implementation of an economic recovery programme brought about an increase in public investment to offset flat activity in a private sector that was still reeling from the

impact of the world economic and financial crisis. Despite strong performance for GFCF in market services (especially in communications, housing and community facilities), trends in investment were marked by virtual stagnation in the private sector's share (57% of total), influenced in particular by the ongoing drop in FDI (-5%). This drop was attributable largely to manufacturing industries (-25.6%), which was mitigated to some degree by renewed growth in foreign investment in the energy sector (+6.7%), in line with the increase in oil prices.

TRENDS IN GROSS FIXED CAPITAL FORMATION BY SECTOR OF ACTIVITY

Description	Value in MTD			Variation in %		Structure in %		
	2009	2010	2011*	<u>2010</u> 2009	<u>2011*</u> 2010	2009	2010	2011*
Agriculture and fishing	977	1,270	1,070	30.0	-15.7	6.9	8.0	6.9
Industry	4,974	5,419	5,216	8.9	-3.7	35.0	34.3	33.7
- Non manufacturing industries	3,554	3,581	3,286	0.8	-8.2	25.0	22.7	21.2
- Manufacturing industries	1,420	1,838	1,930	29.4	5.0	10.0	11.6	12.5
Market services	6,905	8,083	7,787	17.1	-3.7	48.6	51.1	50.4
Community facilities	1,350	1,044	1,400	-22.7	34.1	9.5	6.6	9.0
Total	14,206	15,816	15,473	11.3	-2.2	100.0	100.0	100.0

* Updated forecasts.

Source : Ministry of Planning and International Cooperation

For 2011, a considerable increase in public investment is anticipated, especially in basic infrastructure and community facilities to inland areas of the country, which will help mitigate the effect of lower FDI and national private investment. Globally, the pace of investment will slow considerably to 2.2%, according to updated forecasts.

2. External demand

Taking advantage of recovery in manufacturing industries and tourism and progress in foreign demand from the European Union, Tunisia's main trading partner, global export of goods and services returned to growth in 2010, up by 16.6% in current prices and 12.6% in constant terms, after a year of considerable decrease caused by fallout from the world economic and financial crisis. Consequently, the contribution of foreign demand to economic growth became positive, posting 1.5 percentage point, vs. -0.2 point a year earlier. It should be noted that in addition to the volume effect, good performance by exports was pumped up to a certain degree by the generalised increase in world prices and depreciation in the dinar's rate of exchange against the main currencies, notably the euro.

Import of goods and services, after dropping in 2009, posted 21.5% growth in current prices and 17.5% in volume, led mainly by stronger industrial activity and soaring international prices, especially in energy and foodstuffs.

Trends in import of goods are linked to exports, in line with trends in foreign demand. This was due to the high degree of openness of the national economy to the outside world and by its dependency on imports to supply a significant portion of the capital goods and raw materials/semi-finished products needed for investment and for production cycle respectively. As for services, Tunisia has achieved a considerable surplus in tourist receipts in foreign currency, but there is a significant deficit in maritime transport of merchandise because of poor contribution of the national fleet.

TRENDS IN RESSOURCES AND USES AT PREVIOUS YEAR PRICES

(In %)

Description	2008	2009	2010	2011*
GDP at market prices	4.5	3.1	3.0	0.2
Imports of goods and services	5.3	-7.2	17.5	-0.8
Total resources = total uses	4.8	-0.7	7.7	-0.2
Final consumption	4.8	4.0	4.5	4.5
- Public	6.1	4.2	4.4	5.8
- Private	4.5	4.0	4.5	4.2
GFCF	5.3	4.6	7.1	-5.5
Domestic demand	5.8	3.0	5.5	-0.1
Export of goods and services	2.8	-7.6	12.6	-0.4

* Updated forecasts.

Source : Ministry of Planning and International Cooperation

SECTION 3 – NATIONAL SAVINGS AND FINANCING OF INVESTMENT

In line with the low rate of economic growth and sustained growth in final consumption, national savings grew in 2010 at a slightly lower rate than the previous year : 5.5% vs. 6.6%. Consequently, the savings rate was lower than in 2009, posting 21.4% of GNDI, a level that cannot sustain growth in investment nor reduce recourse to external financing. The resulting gap in financing was covered by mobilisation of external resources, mainly in the form of medium and long term loans and FDI inflows, with a drop of some 350 MTD in net assets in foreign currency between 2009 and 2010.

DOMESTIC INVESTMENT AND FINANCING

(In MTD unless otherwise indicated)

Description	2008	2009	2010	2011*	Variation in %	
					2010 2009	2011* 2010
Global GFCF	13,001	14,206	15,816	15,473	11.3	-2.2
Stock variation	1,259	355	888	1,214	150.1	36.7
Total financing needs (GFCF + stock variation)	14,260	14,561	16,704	16,687	14.7	-0.1
National savings	12,150	12,949	13,662	12,734	5.5	-6.8
- in % of GNDI	22.2	22.0	21.4	19.0		
- in % of GDP	22.0	22.0	21.6	19.0		
Domestic financing rate						
- National savings/GFCF (in %)	93.5	91.2	86.4	82.3		
- National savings/total financing needs (in %)	85.2	88.9	81.8	76.3		

* Updated forecasts.

Source : Ministry of Planning and International Cooperation

Funds raised by companies on the Tunis stock exchange by means of public call for savings went up by just 1.3% in 2010, following a year of sharp increase, posting 989 MTD. Consequently, the financial market's contribution to financing of investment in the private sector dipped slightly, from 12.1% in 2009 to 11.3% in 2010, compared to a target of 20%. This situation calls for ongoing efforts to further develop the national financial market and enable it to provide greater direct financing to private investment, helping companies to limit recourse to bank financing.

In 2010 the banking system approved financing for 3273 initiatives at a global investment cost of 5164 MTD, up from 3082 initiatives and 4340 MTD a year earlier.

For 2011, the expected drop in the level of national savings, because of slowing economic growth, will exert pressure on financial fundamentals and lead to widening of the budget deficit and of the deficit in the balance of current payments. This situation will require greater recourse to mobilisation of external resources to ensure financing of investment and also preserve the level of foreign exchange reserves.