SECTION 4 – TRENDS IN PRICES

Prices began to rise somewhat more rapidly in 2010, up 3.1% for industrial selling prices and 4.4% for retail prices (compared to 2.1% and 3.5% respectively in 2009). There are many factors involved in this trend, mainly the increase in global consumption at a faster pace than in 2009, the impact of soaring world prices following recovery in the world economy, fluctuations in exchange rates and in particular appreciation of the euro, lower production for certain products (especially agricultural products), and a degree of imbalance between supply and demand during periods of high consumption or gaps between agricultural harvests.

To mitigate this pressure, the Central Bank of Tunisia on two occasions (in March and May 2010) raised the reserve requirement rate bringing it from 7.5% to 12.5%, which helped absorb excess bank liquidity and even curb trends in consumer loans. At the same time, the State's budgetary policy contributed to keeping prices down, notably rationalisation of outlays for current consumption of goods and services and the maintenance at a high level of price subsidies for basic consumer products, fuel and transport.

In 2011, prices were eased slightly in line with abundant supply for some agricultural products, downward adjustment of certain food products offset in January as well as slower progress in private consumption. Thus, the increase in household consumption general index regressed to 3.1% in 2011 first half compared to 4.8% in the same period of 2010. For the year as a whole inflation is anticipated at 3.6%.

1. Industrial selling prices

The general price index for industrial selling prices posted a higher increase in 2010 than the year before due in particular to faster growth in the second half, as reflected in annual sliding of 6.1% for these prices in the month of December, compared to 1% in the opening months of the year.

TRENDS IN INDUSTRIAL SELLING PRICE INDEX (Base 100 in 2000) (In %)

Description	2008	2009	2010	First five months	
				2010	2011
Overall index	**12.1**	**2.1**	**3.1**	**0.7**	**5.7**
Manufacturing industries	**7.6**	**1.8**	**3.6**	**2.9**	**5.3**
-Agrofood industries	6.9	3.6	4.6	4.8	4.3
-Building materials, ceramic & glass industries	7.1	0.6	5.9	4.8	9.6
-Mechanical & electrical industries	12.0	-3.8	1.1	-2.0	6.1
-Chemical industries	15.7	0.7	4.9	2.6	5.1
-Textile, clothing, leather & footwear industries	5.8	-0.9	1.4	1.6	8.1
-Miscellaneous manufacturing industries	1.8	5.6	0.8	0.6	2.7
Mines	**139.0**	**1.7**	**-12.0**	**-34.3**	**10.5**
Energy	**16.3**	**3.1**	**4.8**	**2.8**	**6.0**
-Oil and gas products	15.6	0.7	4.7	4.8	4.2
-Electricity and water	17.1	5.8	4.9	0.0	8.0

Source : National statistics institute

Selling prices in the energy sector had the sharpest increase (4.8%), involving oil and gas products as well as electricity and water, influenced in particular by soaring oil prices on the world market and thus an increase in production costs.

Manufacturing industries too posted higher selling prices (+3.6%), mainly because of the higher cost of importing raw materials and semi-finished goods. This trend held for most sectors, notably building materials industries and chemical sector.

Inversely, selling prices for mining products dropped by a considerable 12%, mainly because of falling prices for phosphates prior to recovery in the closing months of 2010 as international demand picked up.

2. Prices for family consumption

The increase in the family consumption general price index was higher than in 2009, involving mainly food and beverages, the share of which in inflation came to some 52% or 2.3 percentage points (40% or 1.4 percentage point the previous year). This trend was influenced by insufficient supply of a number of agricultural products in a context of growing demand, as well as by the impact of higher international prices following a drop in production in a number of countries and renewed growth in world demand, especially from emerging countries.

By price regime, higher inflation characterised both products for which prices are freely set (5.1% vs. 4.1% in 2009) and those for which prices are controlled (3% vs. 2.5%). They contributed 77% and 23% respectively to the increase in the general price index, virtually unchanged from the previous year. Price hikes were particularly marked for food (7%) and beverages (5.8%).

TRENDS IN THE FAMILY CONSUMPTION GENERAL PRICE INDEX

(Base 100 in 2005) (In %)

Description	Dec.2009 / Dec.2008	Dec.2010 / Dec.2009	Average for the year		First half	
			2009/2008	2010/2009	2010	2011
General index	**4.1**	**4.0**	**3.5**	**4.4**	**4.8**	**3.1**
-Food products & beverages	7.0	4.9	4.3	6.8	7.9	3.1
-Tobacco	13.2	1.5	9.1	5.0	8.7	0.8
-Clothing & footwear items	1.2	4.7	2.1	3.8	3.6	3.5
-Housing, water, gas, electricity & other fuel	1.9	4.3	2.8	3.4	2.8	4.2
-Furniture, household items & current home maintenance	2.0	2.9	3.7	2.3	2.1	2.7
-Health	1.7	1.9	2.7	1.5	1.4	2.2
-Transport	2.3	4.3	3.0	3.7	3.9	3.2
-Communications	-0.3	-0.5	0.5	-1.6	-1.1	-0.4
-Leisure and culture	2.2	2.0	0.5	1.5	1.3	2.4
-Education	6.2	1.7	1.8	5.7	6.2	1.7
-Restaurant and hotels	6.2	6.9	5.9	6.3	6.5	5.7
-Miscellaneous goods & services	2.8	2.0	4.0	2.2	2.3	2.0

Source : National Statistics Institute

3. Price subsidies

Outlays by the general equalisation fund were down by 27% in 2010 to about 584 MTD or 0.9% of GDP, compared to 800 MTD and 1.4% a year earlier. Almost all these outlays continued to go for cereals/cereal-based products (467 MTD) and for vegetable oils (113 MTD). The price of cereal-based products went up in July 2010, prior to the decision to lower them starting January 2011. This was also the case for other products such as sugar, for which price subsidies were not included in the budget of the general equalisation fund.

Expenditure for equalisation was provided entirely by a 730 MTD allocation from the State budget, 146 MTD of which were carried forward to 2011 for the cereals Board to cover equalisation costs in the opening months of the year.

TRENDS IN THE GENERAL EQUALISATION FUND OUTLAYS (In MTD)

Description	2007	2008	2009	2010	2011*
Cereals/cereal-based products	474.2	873.0[1]	687.3	466.7	..
Vegetable oil	111.5	167.5	108.4	112.7	..
Milk	7.3	2.8	0.0	0.0	..
School paper	5.0	4.6	4.3	4.3	..
Total	**598.0**	**1,047.9**	**800.0**	**583.7**	**1,100.0**

* *Supplementary finance law forecasts.* *Source : Ministry of Commerce and Tourism*

SECTION 5 – JOB MARKET AND WAGES

Job promotion and measures to counter unemployment have for many years been a major challenge for Tunisia's economic policy, with far too few jobs to meet new demand, especially from the growing number of graduates of higher education. Because of the slow pace of economic growth and private investment, the pro-active employment policy that began to be implemented in early 2009 has not managed to reach its objectives, especially those pertaining to insertion of graduates of higher education in the active population and reducing the number of unemployed, who at the end of 2010 numbered almost half a million. The unemployment rate came to 13% at the end of 2010, compared to 13.3% a year earlier, while that of graduates of higher education is estimated at 23.3%.

For 2011, new pressure appeared on the job market, influenced by a drop in the pace of economic activity, the inflow of new graduates of higher education and vocational training, and the return of a large number of Tunisians who had been working in Libya. This situation is likely to push up unemployment, despite efforts by the State to create 20,000 jobs in the civil service and to implement the new "Amal" programme to promote employment among graduates of higher education.

1. Job market

After a particularly difficult year in 2009 during which a large number of jobs disappeared (especially in manufacturing industries where some 38,000 jobs were lost) and total net new jobs came to 43,500 for 85,000 additional demands, the job market in 2010 recovered, favoured by brisker growth in private investment and in the pace of exporting industries' activity. From one year to the next, 78,500 new jobs were created (+80%), thanks in particular to net recovery in manufacturing industries, especially those meant for export. Inversely, net job creation was down in agriculture and fishing because of a poor agricultural season. This was also the case in mining, energy and tourism.

Although the number of jobs created in construction and civil engineering picked up compared to 2009 (thanks to steadily higher growth of investment in housing and progress in community facilities), there was a drop in new job creation in the Administration and especially in market services other than tourism.

It should be noted that more than three quarters of net new jobs were in manufacturing industries and construction/civil engineering, while in 2009 almost half had been in agriculture and fishing, influenced by a good agricultural season, particularly for cereal production.

[1] Excluding the 70 MTD allocation from the State budget in 2007, which was blocked in the general Treasury for the Cereals Board and spent in 2008.