

***CENTRAL BANK OF TUNISIA***

**A N N U A L   R E P O R T**

**2 0 1 3**

## ***Note of the Governor***

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*As from 2012 and after the 2011 recession, Tunisia started up a moderate economic recovery thanks to expansionary monetary and budgetary policies, foreign direct investment flows, as well as mobilizing of important external resources, paving the way for promising prospects of economic recovery. Yet, this upsurge was rapidly thwarted by several adverse factors tied to the economic situation with, in particular an adverse international and regional environment, chaotic pursuit of the political transition process along with the assassination of two political leaders, ongoing security and social instability, budget margin erosion and financial system fragility. Thus, the economic activity pace remained weak over 2013 along with intensified pressure at the budgetary and external account levels in a context which is still marked by high unemployment, notably among young graduates, and regional disparities.*

*Thus, growth rate was limited to 2.3% last year and the economic activity slowdown was confirmed over the first half of 2014 in key sectors of the economy, notably, the industrial sector, with a drop in energy production while the main export-oriented sectors lost their dynamism. Similarly, the services sectors lost vitality, influenced mainly by a drop in tourist activity and transport. Thus, the economic growth remained sluggish (2.2% in the first quarter of the current year) and should not go beyond 2.8% for the year as a whole. This would neither help to reduce significantly the unemployment rate, notably among young graduates, nor improve the standard of living of citizens.*

*This economic situation is particularly alarming in so far as it was accompanied by worsening of internal and external financial imbalances, with in particular, a sharp widening in the current deficit in the wake of faster pace in imports of energy and foodstuff against exports deceleration, net drop in FDI flows, upward trend in indebtedness rate and accelerated level of inflation. These were all factors that weighed even more pressure on foreign currency reserves (the current level of which could reach 108 days of imports only thanks to external loan mobilizing efforts), on liquidity of the economy and the exchange rate of the national money.*

*The ongoing flat economic activity, along with deteriorated financial balances, has gone on too long and should be rapidly contained. This requires the commitment of all actors and mobilizing of every effort to establish measures for immediate recovery with the results to be perceived on the short term, without which the national economy may plug into irreparable backslides with the economic and social cost would not only be intolerable but also and mainly insuperable for the national community.*

*These measures which should, in the light of proposals issued from consultings that gathered, over the last previous months, representatives from the Administration, political parties, national and professional organizations and the civil society, ensure macroeconomic stabilization are based notably on boosting production pace by resuming stability and security, giving an end to hemorrhaging trade deficit, revitalizing the tourist activity, rationalizing public expenditure, while avoiding fiscal austerity measures, boosting tax collection effort and fighting against tax evasion. Besides, immediate actions should be taken to contain inflationary tensions such as stabilizing supply and market provisioning, creating buffer stocks, intensifying economic control and fighting against parallel trade. To this end, the bold measures advocated in the framework of the 2014 supplementary finance law draft should be backed by all the stakeholders who should be aware that even if certain measures might be painful for certain economic or social categories they are still inevitable and their postponing will only weigh further on the future bill of fiscal consolidation.*

*In this respect and even if the above mentioned measures are likely to back up certain macro economic stability on the short term, the country will still be faced up, on the medium term, to important challenges, notably, weak level of growth, high unemployment, wide regional disparities, fragile financial system as well as a more and more reduced budgetary margin. This requires an immediate setting of structural reforms in the framework of a holistic vision of the national economy over the next decades : restructuring the economy in favour of promising sectors and those with high added value, promoting domestic and foreign private investment, grid of wealth and future job creation ; reform of the tax and subsidies systems, adjustment of*

*financial vulnerability as well as governance of the banking and financial sector to ensure its full role in financing of the economy ; and finally firm and reasoned openness on abroad.*

*In a difficult context that has prevailed over the last previous years, the Central Bank of Tunisia (BCT) has, in the framework of the assignment entrusted to it by law (of which mainly price stability), multiplied efforts to counter inflationary pressure in a particularly complex environment marked by sharp increase of the wage bill in the absence of productivity gains, ongoing depreciation of the dinar influenced by persisting deterioration of economic fundamentals, disruption of the distribution channels and adjustment of administered prices to contain the unprecedented increase in equalization outlays inhibiting thus any public action enhancing development.*

*Thus, the monetary policy which has in the wake of the set of measures undertaken as from the revolution, seen an ever increasing shrinking in its margin of maneuver, has pursued as from 2013 a less accommodating tendency while avoiding to limit the conditions for economic growth recovery and this, through several measures (cf. chapters of the report devoted to BCT policies for detailed analysis of actions and measures concerning the monetary and exchange policies) such as the successive increases in the key rate, suspension of one-month call for bid and the removal of ceiling on forward bank deposits rates.*

*In the same way, the volume of refinancing given to banks in the wake of their intensified need for liquidity, reached a record level in 2012 and 2013. In this context, and in order to protect its balance sheet against risks of counterparts default, the BCT required that banks should boost collaterals of refinancing operations through a minimum portion in the form of negotiable government securities, encouraging them to manage their liquidity in a more prospective way.*

*Besides, the BCT worked to modernize its analytical and forecasting framework, helping it to be endowed with the necessary tools to improve the process of help to decision-making, while seeing to improve the communication strategy to better steer market expectation and boost the monetary policy efficiency.*

*Concurrently and at the foreign exchange level, two main axes of reform of the foreign exchange market were achieved in 2013 and 2014. This concerned the establishment of a trade reporting system to help the BCT collect, on real time, the foreign exchange transactions carried out on the interbank market and the creation of the market makers agreement for quotation of the dinar against foreign currency. These reforms aim at ensuring a better follow up of the foreign exchange market and a more efficient management of BCT interventions as well as encouraging banks to more actively manage their foreign exchange positions in order to reinforce the market liquidity. Moreover, use of coverage instruments should be eased and new instruments should be introduced to manage foreign exchange and interest rate risks. At the operational level, the BCT intensified its interventions on the foreign exchange market to face up to the sharp volatility of the national money exchange rate to guarantee external accounts balances, which brought about a restrictive effect on banks liquidity in dinar (offset by recourse of these banks to the Central Bank refinancing).*

*As for the banking sector reforms, the Central Bank pursued in 2013 its action focusing on credit risk coverage and the setting of a new mechanism to manage money laundering and terrorism financing risk as well as on easing conditions for banks. The reforms aim, notably at the consolidation of public banks capitalization, enhancing banks to control their risks, increasing the savings remuneration rate while establishing the principle of freedom in setting bank fees.*

*Over the forthcoming period, the BCT would face up several challenges. Further to its main target of price stability, it should embark on its burdensome tasks targeting financial stability and contribution to economic growth recovery. Through an anticipating monetary policy, it would see to anchor inflationary anticipations to act on future inflation. Indeed curbing inflation should not be the exclusive prerogative of the BCT and its achievement requires voluntary contribution of the fiscal policy on the one hand, and social partners commitment to collaborate together so as to control price-salary spiral on the other hand.*

*Aware of the important stakes and challenges to be taken up over the next years and of its crucial role in recovery of the national economy, the BCT has already been*

*committed to a multidimensional reform dynamism involving modernization and diversification of its instruments and means of monetary and foreign exchange and risk management as well as the establishment of tools and resources necessary for a more efficient supervision of lending institutions, further to boosting internal structures of governance. Similarly, it helped in reflection on the financial sector reform and the State role in financing the economic activity, in the light of full audit results of the major public banks ; the target being to clear up the sector, boost financial soundness and modernize its governance in compliance with the best international practices so as to create an efficient mechanism for financial resource allocation to growth and economic development.*

*The Central Bank of Tunisia, whose monetary policy is developed and conducted independently for a sound governance of the national economy, is entirely committed to boost the reform orientation in management of public affairs of the country initialed by the State in so far as it represents the sole guarantee of return to rapid growth on a sustainable and sound basis.*

*Our country, which has almost succeeded, not without sacrifice, the political transition step, with organization of free and democratic parliamentary and presidential elections by a party-independent government is now also facing a more difficult step, the one of succeeding, in the acceptable deadlines, the economic transition that ensures significant and balanced growth with the costs but also advantages to be fairly shared by the whole national community.*

***Chedly AYARI***

***Governor***

***4 August 2014***

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## **Note of the Governor**

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# ***ECONOMIC REPORT***

# 1 - INTERNATIONAL ENVIRONMENT

## 1.1. INTERNATIONAL SITUATION

**The world economic activity** posted a certain slowdown over 2013, with a slightly lower growth pace than the one recorded over the previous year : 3% vs. 3.2% in 2012, despite maintaining of very accommodating monetary policies in industrialized countries, which was the main catalyst of recovery pursuit. To this effect, and even if this recovery is well pursued, its pace was uneven between advanced countries and emerging ones, as well as within even each group of countries. Growth in advanced countries was again subject to several overturning risks mainly from both sides of the Atlantic, which are essentially linked to budgetary adjustment processes and financial markets volatility. As for emerging countries, activity weakened and continued to send flatness signs as shown by growth rates recorded over 2013, less than those recorded over the last decade on the whole.

To this respect, recovery uneven pace over 2013 was illustrated, on the one hand, by growth speed up in the United States where activity has largely benefited from a very accommodating monetary policy conducted by the Federal Reserve (FED) and a sound domestic demand, paving the way thus, for a substantial drop in unemployment rates and helping to partially counterbalance public expenditure slowdown effects resulting from budget rebalancing, as well as the Japanese economy revival which was mainly driven by the expansionary macroeconomic policies (Abeconomics)<sup>1</sup> adopted by the new Japanese Government. On the other hand, and despite the emergence from recession, the Euro Zone's economy continued to record negative growth rates, yet at a less rapid pace than in 2012. This evolution rested mainly on budgetary adjustment effects which concerned, at the same time, core zone countries and to a more pronounced degree, peripheral countries, in addition to financial conditions tightening which weighed considerably on domestic demand penalized by unemployment rates persistence at worrying levels.

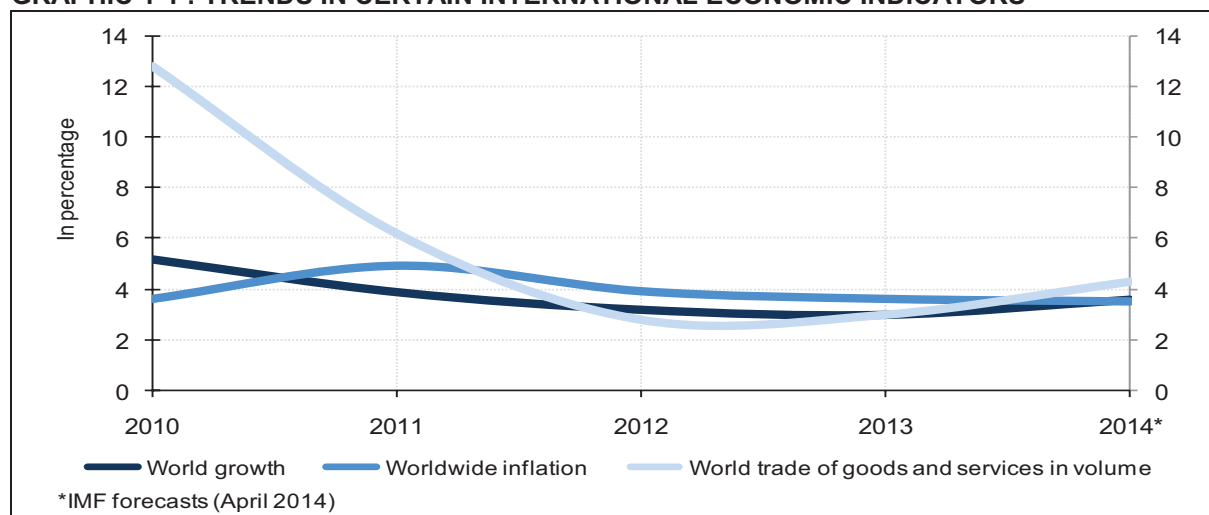
Thus, the world economic activity moderate pace over 2013 weighed on the employment situation with stabilization of the **world unemployment rate** at the 6% level.

**World trade in goods and services** in 2013 virtually maintained its 2012 pace : 3% vs. 2.8%, due to weakening international demand which was, itself the cause of **international commodity prices'** ongoing drop.

**International capital markets** performed very positively in 2013 and concerned most important financial centres the most spectacular of which was recorded in Japan. This trend is the offspring mainly of accommodating monetary policies (low interest rates and massive injection of liquidity in the economy) which went on mainly in the United States and Japan.

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<sup>1</sup> It is a term made up of "Abe" and "economics" meaning the economic policy advocated by SHINZO ABE, Japanese Prime Minister since 26 December 2012.

**GRAPHIC 1-1 : TRENDS IN CERTAIN INTERNATIONAL ECONOMIC INDICATORS**

Source : IMF World Economic Outlook (April 2014)

**In 2014**, activity should continue to progress, in line notably with ongoing recovery in advanced countries' economies. According to IMF estimates, the world economic activity should post a slight acceleration in 2014 up to a 3.6% growth rate.

This trend should not hide certain risks' persistence notably those inherent to the budgetary rebalancing process, besides geopolitical risks. As for advanced countries, the output gaps remain important overall. This would require maintaining of accommodating monetary policies helping to curb the public finances firming up effects on economic activity. As for emerging and developing economies, expected firming up of external demand from advanced countries should help back up activity in a context marked, however, by persisting structural internal imbalances in these countries contributing to amplification of economic and financial vulnerabilities which constitute major challenges as regards deep-seated reforms.

### 1.1.1. Economic activity

There was a recovery at uneven pace between major developed economies over 2013. Overall, growth rate in all these countries was slightly lower than that recorded over the previous year : 1.3% vs. 1.4% in 2012. Faced up with progress at a promising pace of economic activity notably in the United States and Japan, the Euro Zone economy, although it has emerged from recession, continues to run at a low speed in a large number of the zone's countries.

As for **the American economy**, growth rate posted 1.9% in 2013 against 2.8% in the previous year. In fact, this poor performance recorded over the whole year must not hide activity strengthening and recovery firming up as shown by the positive and encouraging trends having marked the second half of the year. Thus, with 4.1% and 2.6% growth rates respectively, in annual pace over the last two quarters of the year (against only 1.1% in the first quarter and 2.5% for the second one), the American economy seems to be well settled on the path of recovery, despite the slowing effect of public finances reduction process established by the Government. This activity strengthening is mainly attributable to maintaining of an exceptionally accommodating monetary policy, pursued efforts to deleverage households and businesses and prices increase in the residential real estate sector, besides job creation that favoured a considerably lower unemployment rate (7.4% vs. 8.1% in 2012). This helped domestic demand to be more vigorous and to sustain growth. It remains important, however, that certain risks continue to feed sources of uncertainty regarding recovery everlastingness, such as the high public indebtedness rate and the budget deficit's worrying level as illustrated by difficulties to reach an agreement on raising the public debt ceiling, during the 2013 autumn, which even caused a

temporary suspension of some public services, despite conclusion, at the end of 2013, of an agreement on the next two years' budgets.

As for the **Euro Zone**, activity shrunk in 2013 but at a weaker pace than a year earlier : a 0.5% drop in GDP against -0.7% in 2012. This result could partly be recorded thanks to return of confidence among investors, adjustment of high public and private sectors' indebtedness rate and the unprecedented accommodating monetary policy provided by the European Central Bank since the undertaking of unconventional monetary measures. Yet, the high level of unemployment and persistence of strict financial conditions within some peripheral countries have undoubtedly continued to weigh on domestic demand which remained relatively flat.

Moreover, it is worth mentioning that if the Euro Zone got out, over the second quarter of 2013, of the longest recession phase ever in its history (extending over a year and a half), this weak adjustment was carried out at different paces between the member States. In fact, Germany, France, Austria and Luxemburg achieved positive annual growth rate, while countries committed to the readjustment process sunk into recession (notably Cyprus, Greece and Slovenia).

In **emerging and developing countries**, activity was heterogeneous, but overall, growth slightly slowed down over 2013, where GDP growth rate was down to 4.7% after having neared 5% in 2012. Although these economies continued to ensure the major part of world growth, strong divergences subsist between countries notably in terms of growth rate and activity cyclical positioning, which requires implementation of a new series of structural reforms. Worth of note that activity deceleration in this group of countries is tied to adverse financing conditions as well as to the drop in both external demand and international prices for commodities in exporting countries.

In **China**, economic growth rate stood in 2013 at the same level recorded over the previous year : 7.7%, following the historical turning point which marked the Chinese Government's economic policy. The latter gave up further boosting of the activity, so as to place the Chinese economy on a more balanced and sustainable growth path based much more on household consumption than on exports which were affected by external demand weakening. This change of target in favour of consumption could certainly reduce growth speed in China, on the one hand, but on the other hand, it should lead to a more balanced and sustainable growth in the future not only for China but also for the whole world economy.

Growth in **the Middle East and North Africa** region posted a sharp deceleration in 2013 : 2.2% against 4.1% a year earlier. This trend is mainly attributable to loss of vigour of the world demand and the disturbances characterizing domestic supply which contributed notably to crude oil production decline in the region.

In addition, lack of visibility and increasing uncertainties regarding the length of political transition processes and the external accounts situation have severely hit confidence in crude oil-importing countries. Yet, a medium-term sustainable and inclusive growth could not be possible without a remarkable improvement of the socio-political context and macroeconomic stability, diversification of economies and speed up of the job creation pace.

**TABLE 1-1 : TRENDS IN MAIN ECONOMIC INDICATORS WORLDWIDE**

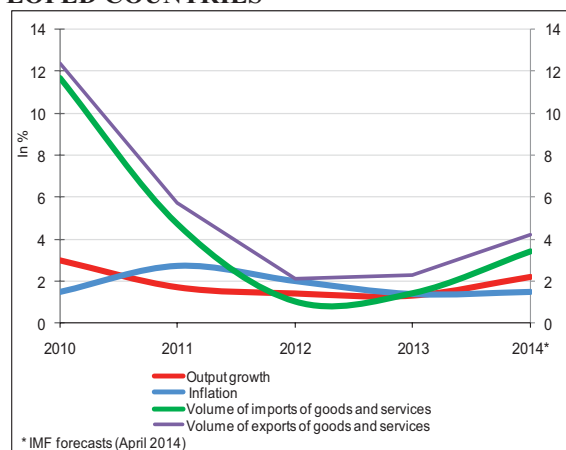
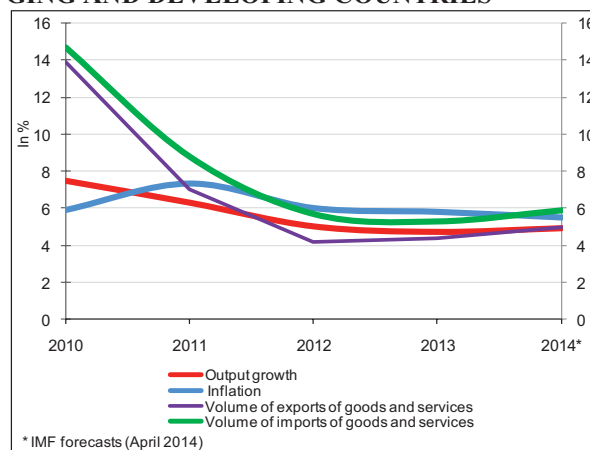
Description	Economic growth (in real terms & %)			Unemployment (in % of working population)		
	2012	2013	2014 <sup>1</sup>	2012	2013	2014 <sup>1</sup>
<b>WORLD</b>	<b>3.2</b>	<b>3.0</b>	<b>3.6</b>	<b>6.0</b>	<b>6.0</b>	<b>6.1</b>
<b>Developed countries</b>	<b>1.4</b>	<b>1.3</b>	<b>2.2</b>	<b>8.0</b>	<b>7.9</b>	<b>7.5</b>
<i>of which :</i>						
<i>United States</i>	2.8	1.9	2.8	8.1	7.4	6.4
<i>Japan</i>	1.4	1.5	1.4	4.3	4.0	3.9
<i>United Kingdom</i>	0.3	1.8	2.9	8.0	7.6	6.9
<i>Euro Zone</i>	-0.7	-0.5	1.2	11.4	12.1	11.9
<i>of which :</i>						
- <i>Germany</i>	0.9	0.5	1.7	5.5	5.3	5.2
- <i>France</i>	0.0	0.3	1.0	10.2	10.8	11.0
- <i>Italy</i>	-2.4	-1.9	0.6	10.7	12.2	12.4
<b>Emerging &amp; developing Countries<sup>2</sup></b>	<b>5.0</b>	<b>4.7</b>	<b>4.9</b>	<b>..</b>	<b>..</b>	<b>..</b>
<i>of which :</i>						
- <i>China</i>	7.7	7.7	7.5	4.1	4.1	4.1
- <i>Russia</i>	3.4	1.3	1.3	6.0	5.5	6.2
- <i>India</i>	4.7	4.4	5.4	..	..	..
- <i>Brazil</i>	1.0	2.3	1.8	5.5	5.4	5.6
- <i>Morocco</i>	2.7	4.5	3.9	9.0	9.2	9.1
- <b><i>Tunisia</i></b>	<b>3.9</b>	<b>2.3</b>	<b>2.8</b>	<b>16.7</b>	<b>15.3</b>	<b>..</b>

Sources : IMF World Economic Outlook (April 2014), Ministry of Economy and Finance and the National Statistics Institute

<sup>1</sup> Forecasts.

<sup>2</sup> For this group of countries and as per estimates of the International Labour Organization, the unemployment rate varied in 2013 between a minimum of 4% in South Asia and a maximum of 12.2% in North Africa.

For 2014, **world growth forecasts** anticipate a slightly faster pace of production, up to 3.6%. Hence, activity should continue to improve mainly in advanced economies. This is likely to generate positive fallouts on a large number of emerging and developing countries through external demand firming up.

**GRAPHIC 1-2 : TRENDS IN CERTAIN INDICATORS OF THE SITUATION IN THE DEVELOPED COUNTRIES**

**GRAPHIC 1-3 : TRENDS IN CERTAIN INDICATORS OF THE SITUATION IN THE EMERGING AND DEVELOPING COUNTRIES**


### 1.1.2. World trade

If it is clear that developed economies restart-up helped the services and building sector recovery, it is worth mentioning also that the extent of this recovery was not as broad as in the manufacturing sector, which results in world trade persisting weakness.

Consequently, the volume of **world trade of goods and services** grew at a slightly faster pace : 3% against 2.8% in 2012 along with the slight world economic activity slowdown.

**The volume of world trade of goods** grew at a slightly faster pace while standing at a weak level, largely below those recorded before the international financial crisis : 2.7% against 2.6% in 2012. Expressed in dollars, the value of world exports of goods increased by 1.8% against only 0.8% a year earlier, totalling 18,591 billion dollars : 25.1% of overall production worldwide.

**Terms of trade** recovered somehow over 2013 in developed countries after 3 years in a row of drop (0.6% vs. -1.2% in 2012). However, in emerging and developing countries, there was a slight deterioration, putting an end to three years of continuous improvement in terms of trade in these countries (-0.1% vs. 0.3%), in line with the drop in international prices for commodities.

As for **world trade of services**, they performed well in 2013 with a considerably faster growth pace than a year earlier (5.1% vs. 1.9% in 2012), up to 4,492 billion dollars for the whole year.

**For 2014**, the IMF expected a faster growth pace of the overall volume of world trade of goods and services (4.3%) based on recovery firming up in main advanced countries which should be accompanied by stronger external demand targeting emerging and developing countries.

### 1.1.3. International investment

**International investment flows** worldwide went sharply upwards over 2013 compared to the previous year : 11% against a 22.1% drop, up to about 1,460 billion dollars : a level comparable to the average recorded before the 2007 economic crisis. This trend is mainly attributable to change in market anticipations following the FED's disclosure of reducing its quantitative easing programme, which increased international investment volatility.

Economic outlook improvement, notably for advanced countries, and international investors' return of confidence also contributed to this recovery. Worth of note that the most important increase in foreign direct investments (FDI) was recorded in developed countries (11.6%) where the overall amount of investments posted about 576 billion dollars. In this group of countries, the increase concerned mainly the European Union (+37.7%) while FDI flows continued to decline surprisingly in the United States despite recovery speed up. As for developing countries, even if FDI flows were limited to 6.2%, they posted about 759 billion dollars, accounting for more than the half of overall FDI worldwide. Moreover, the African Continent confirmed its economic attractiveness among international investors, attracting hence 56 billion dollars of FDI, up by 5.7% compared to 2012.

As for businesses **merger-acquisition operations** worldwide, they dropped by 5.9% in 2013 against a 1.7% increase 2012, down to about 2,393 billion dollars : its lowest level since 2009.

By sector, it is the telecommunications sector that recorded the highest growth rate : 122% compared to 2012, followed by the real estate sector (44%), while the financial sector and the one related to raw materials were down by 40% and 32% respectively, bearing in mind that about 15% of the overall package of operations were carried out in the energy sector, followed by the real estate (14%) and the telecommunications (11%) sectors.

As for geographic breakdown, the North American region is placed on top while preserving the same share of the previous year : about 47% of total, with the major part being assigned to the United States alone for more than 43% of overall merger-acquisition activity worldwide. In the



second place, and despite a very sharp drop in the overall value of merger-acquisition operations in this region (-30.1%), it is the European Continent which was attributed the second place with about 23% of total, helping it to be comfortably placed before other regions of the world.

As for outlook for **2014**, a progressive recovery of FDI is expected with an overall amount estimated at about 1,600 billion dollars, based on economic activity's firmed up recovery in developed countries. Yet, the growth pace heterogeneity, vulnerability and uncertainty that should still mark a large number of countries, as well as risks associated to the strategy to get out of the quantitative easing programme in the United States may curb this recovery.

#### **1.1.4. Monetary policies**

Economic recovery vulnerability in several countries, notably advanced ones, as well as strong capital markets volatility, besides inflation drop are as many reasons for most industrialized countries to pursue their ultra-accommodating monetary policies.

Hence, main Central banks have either maintained or brought their key interest rates to their lowest historical levels and increased the volumes of their asset purchases programmes within the framework of quantitative easing policies.

Yet, and following the better performance of the United States' economy, the **Federal Reserve** (FED) implied, over June 2013, that it intends to tighten its monetary policy following recovery in American economic situation-related indicators, notably the lower unemployment rate. It is within this framework that the FED decided, during its December 2013 meeting, to reduce its asset purchase programme by 10 billion dollars, bringing it thus to 75 billion dollars per month starting from January 2014. Nevertheless, it continued to maintain its key interest rate between 0% and 0.25% so as to consolidate economic recovery.

As for **the European Central Bank** (ECB), it pursued its expansionary monetary policy in order to sustain recovery initiated in several countries of the Euro Zone. Thus, the ECB decided, twice, in May and in November 2013, to lower its key interest rate again by 25 basis points each time, bringing it to 0.25% and opted, starting from July of the same year, for a communication strategy helping to provide economic agents with clear indicators on its prospective orientations as regards its key interest rates policy (forward guidance). In addition, the ECB extended, till July 2014, the duration of unlimited supply of liquidity to banks by means of its main refinancing operations and downgraded the credit rating required by banks on securitization products with a view to sustaining small and medium sized businesses financing.

**The Bank of Japan** has maintained the very accommodating feature of its monetary policy since April 2013, with a view to stimulating growth and fighting deflation which has been eroding the Japanese economy for years. Hence, it set itself a 2% inflation target that should be reached within two years and decided, to this end, to double its monetary basis within the same period of time and increase its stock of Japanese State bonds by 50,000 billion yen so as to lower rates on the long run.

**For 2014**, the weak levels of inflation in most industrialized countries should allow a pursuit of overall expansionary monetary policies, despite expected tightening of the asset purchase programme (QE3) in the United States.

#### **1.1.5. Public finances**

Successive economic upheavals and recurrent crisis episodes deteriorated budget deficits in most developed countries leading them to pursue rebalancing processes of their budget policies set out since 2011. In addition, better activity pace helped to improve tax receipts and contributed to budget deficit attenuation. Hence, developed countries' average budget deficit posted 4.9% of



GDP in 2013 : a 1.3 percentage point drop compared to its 2012 level. This easing concerned most countries, notably the United States (7.3% vs. 9.7% in 2012), and to a lesser degree, the Euro Zone (3% vs. 3.7%) and Japan (8.4% vs. 8.7%).

**TABLE 1-2 : TRENDS IN CERTAIN FINANCIAL INDICATORS IN THE WORLD**

Description	Current account balance (in % of GDP)			Budget balance (in % of GDP)			Inflation (variation in consumer prices in %) <sup>1</sup>		
	2012	2013	2014 <sup>2</sup>	2012	2013	2014 <sup>2</sup>	2012	2013	2014 <sup>2</sup>
<b>Developed countries</b>	<b>-0.1</b>	<b>0.4</b>	<b>-0.5</b>	<b>-6.2</b>	<b>-4.9</b>	<b>-4.2</b>	<b>2.0</b>	<b>1.4</b>	<b>1.5</b>
<i>of which :</i>									
<i>United States</i>	-2.7	-2.3	-2.2	-9.7	-7.3	-6.4	2.1	1.5	1.4
<i>Japan</i>	1.0	0.7	1.2	-8.7	-8.4	-7.2	0.0	0.4	2.8
<i>United Kingdom</i>	-3.7	-3.3	-2.7	-8.0	-5.8	-5.3	2.8	2.6	1.9
<i>Euro Zone</i>	2.0	2.9	2.9	-3.7	-3.0	-2.6	2.5	1.3	0.9
<i>of which :</i>									
- <i>Germany</i>	7.4	7.5	7.3	0.1	0.0	0.0	2.1	1.6	1.4
- <i>France</i>	-2.2	-1.6	-1.7	-4.8	-4.2	-3.7	2.2	1.0	1.0
- <i>Italy</i>	-0.4	0.8	1.1	-2.9	-3.0	-2.7	3.3	1.3	0.7
<b>Emerging &amp; develop- ing countries</b>	<b>1.4</b>	<b>0.7</b>	<b>0.8</b>	<b>-1.6</b>	<b>-2.2</b>	<b>-2.3</b>	<b>6.0</b>	<b>5.8</b>	<b>5.5</b>
<i>of which :</i>									
- <i>China</i>	2.3	2.1	2.2	-2.2	-1.9	-2.0	2.6	2.6	3.0
- <i>Russia</i>	3.6	1.6	2.1	0.4	-1.3	-0.7	5.1	6.8	5.8
- <i>India</i>	-4.7	-2.0	-2.4	-7.4	-7.3	-7.2	10.2	9.5	8.0
- <i>Brazil</i>	-2.4	-3.6	-3.6	-2.8	-3.3	-3.3	5.4	6.2	5.9
- <i>Morocco</i>	-9.7	-7.4	-6.6	-7.3	-5.4	-4.9	1.3	1.9	2.5
- <i>Tunisia</i>	<b>-8.2</b>	<b>-8.3</b>	<b>-7.2</b>	<b>-5.2<sup>3</sup></b>	<b>-6.2<sup>3</sup></b>	<b>-5.7<sup>3</sup></b>	<b>5.6</b>	<b>6.1</b>	<b>6.0</b>

Sources : IMF World Economic Outlook (April 2014)  
and Ministry of Economy and Finance

<sup>1</sup> Price index base 100 in 2005.

<sup>2</sup> Forecasts.

<sup>3</sup> Excluding privatization and grants.

On the opposite, the budgetary balances situation deteriorated slightly in emerging and developing countries, while remaining at sustainable levels, in line notably with shrinking tax receipts tied to a slower economic activity. In total, the budget deficit in this group of countries posted 2.2% of GDP in 2013 against 1.6% in the previous year.

### 1.1.6. Inflation

Over the whole year 2013, inflation worldwide remained weak, notably in developed countries, due mainly to economic recovery vulnerability in most advanced economies which always operate much below their potential. This results in important production gaps even in countries where economic activity firmed up more than anywhere else such as in the United States. This notwithstanding, affected jointly by the importance of these gaps and the high unemployment rates, as well as easing of international prices for raw materials, certain economies find themselves threatened by the deflation spectrum notably in the Euro Zone where the inflation rate was near to zero during the last months of the year. In this context, the increase in consumer prices was just 1.4% in **industrialized countries** against 2% in 2012.

As for **emerging and developing countries**, inflation rates remained more or less stable owing to economic activity slowdown as well as the slight easing in main commodity prices, stimulated notably by flat world demand which, to some extent, helped to contain the inflationary pressure in these countries. Yet, the operation of these economies at level close to their potentials and the deteriorated exchange rate in addition to sharp domestic demand in certain economies were as

many determining factors to curb the downward trend in prices. Over the whole year 2013, overall inflation in these countries dropped slightly, down from 5.8% against 6% in 2012.

**For 2014**, the IMF expects inflation standing at low levels far from objectives of most developed countries' Central banks over a good period of time, as long as output gaps remain important. Thus, the inflation rate should rise only slightly in these countries, to reach 1.5%, while it should post a certain deceleration in emerging and developing countries, to come to 5.5%.

***Box 1-1 : “Abeconomics” the Japanese new economic policy***

*Following the December 2012 elections, the new Japanese Government presided over by Prime Minister Shinzo Abe, adopted a new recovery plan called “Abeconomics” (Abe + economic) structured around three main pillars known in Japan as “the three arrows”. These target economy boosting, namely an expansionary budgetary policy, a more dynamic monetary easing policy and structural reforms to sustain the Japanese economy competitiveness.*

*This strategy brought about a strong depreciation of the yen and an increase in shares prices. Businesses' confidence reached historically high levels. Supported by these accommodating budgetary and monetary policies, the GDP would grow more vigorously. This risky strategy may succeed providing that the Government would manage raising production potential and foster the private sector demand.*

***The three-arrow strategy***

*Since the beginning of January 2013, “Abe”'s new Government presented a supplementary budget worth 10,300 billion yens. (2% of GDP). Taking account of local administrations and the private sector contributions, this amount could reach 20,200 billion yens. Towards the end of January, the same Government and the Bank of Japan (BoJ) published a common declaration that disclosed raising, from 1% to 2% of the inflation target. The BoJ was committed to conducting a monetary easing policy that will help fulfilling this goal as soon as possible. As for the Government, it promised to establish measures intended to supporting competitiveness and raising up the economy's growth potential.*

*In the framework of its new strategy, and in order to reach the inflation target, the BoJ suggested to speed up the asset repurchase programme and extend it to more than three-year State borrowings and even to more risky assets.*

***Strong improvement of economic agents' confidence***

*This Government's recovery policy brought about a strong depreciation of the yen, before even the first concrete measures were disclosed. In fact, Japanese shares prices increased, while the yen declined, in 2013, by about 20% against the dollar and by 27% against the euro. The Government welcomed this trend, asserting that the Japanese currency was overvalued. On the other hand, there was an extraordinarily better confidence of businesses which improved their profitability and became more competitive. Housing units construction underway skyrocketed in anticipation of the increase in VAT in April 2014 (up from 5% to 8%), deeming that conditions would remain favourable over the forthcoming months, despite some worries regarding the increase in fuel prices.*

*After Japanese businesses' improved profitability, the Government requested these businesses to plan an increase in wages in line with the BoJ's inflation target and the VAT expected increase. Such an increase in labour costs must contribute to putting an end to deflation. Yet, some distribution sector economic agents hoped that this increase in wages would give impetus to domestic demand.*

## 1.2. CAPITAL MARKETS

### 1.2.1. Stock markets

**In 2013**, stock markets took advantage from the ongoing accommodating monetary policies conducted by main Central Banks. However, emerging countries' markets have been particularly affected by anticipations of a fast tightening of the Fed's monetary policy. The MSCI<sup>1</sup> world index showed a 24.1% annual increase after a 12.2% increase in 2012.

In the **United States**, stock indexes progress has been confirmed since the beginning of 2013, as investors positively reacted to a series of economic data meaning an activity recovery, but also the Fed's commitment, despite mitigated anticipations, to maintaining key rates low. Over the whole year, the S & P 500 has recorded its best performance since 1997, up by 30%. The Nasdaq and the Dow Jones closed for the year on an increase by 38% and 26.5% respectively.

In the **Euro Zone**, the ECB's ultra-accommodating monetary policy, easing of financial pressure related to the sovereign debt crisis in Europe as well as macro economic outlook improvement notably over the second quarter of 2013, were been as much elements improving markets' confidence. Eurostoxx index closed for the year on a 20.5% performance. The German Dax detached considerably with 25.5% increase reflecting the German economy's good growth outlook. In France, the CAC 40 went up by 18%. **Peripheral countries'** stock markets profited, overall, from lower aversion to risk such as IBEX (Spain) +21%, Athex (Greece) +28.1% and ISEQ (Ireland) +33.6%.

**In Japan**, stock markets registered new records strongly sustained by the Quantitative Easing policy conducted by the BOJ which incited investors to move towards more risky asset classes. In addition, export-oriented shares profited from depreciation of the yen against the dollar. The Nikkei index closed for 2013 at 56.7% in performance.

Contrary to their performance over 2012, **emerging countries' stock markets** declined over 2013 due notably to worries about Chinese growth and the massive capital outflows recorded in July and August of the same year. These markets were also destabilized by the perspective of seeing the Fed starting progressive reduction of the quantitative easing programme (Tapering). Even if the MSCI-emerging index closed for the year at the under performance of 5%, performances of indexes by country are very disparate, varying between -15.5% for the Bovespa (Brazil) or -6.7% for the Shanghai Composite (China) and +9% for the Sensex (India) or +18% for the JSE (South Africa).

### 1.2.2. Bond markets

**In the beginning of 2013**, and after a short lull, fears regarding the situation in Europe led to a drop in bond yields of countries considered as safe. This downward trend went on till the end of April. Two-year and ten-year American and German yields reached their lowest level for 20 months on 2 May 2013 (0.21% and 1.73% respectively for the Treasuries against -0.03% and 1.16% for the German Bunds), before rising again, in reaction notably to speculations on the Fed's suspension, or at least slowdown of its programme to support the economy. Ten-year yields closed for the first half of 2013 at 2.5% and 1.7% respectively for the Treasuries and the Bunds, against 1.9% and 1.5% in the beginning of the year.

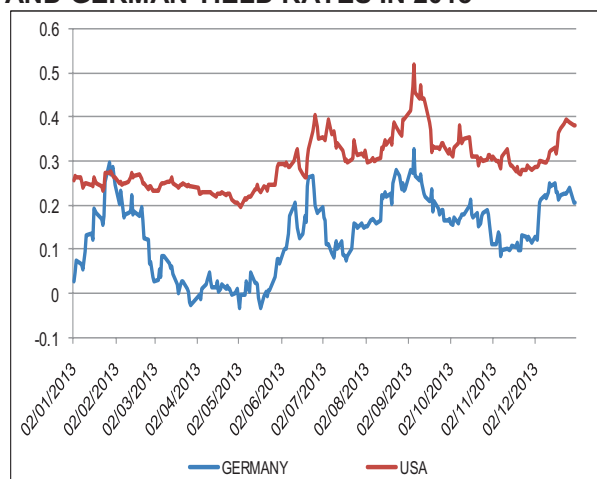
**Over the second half of 2013**, American and German yield rates moved upwards with strong fluctuations each time the FED's or the ECB's monetary policy committee meets. These rates reached their peaks of the year in mid-September : 2.99% for ten-year Treasuries and 2.05% for ten-year Bunds, with notably resurgent fears of a significant reduction in the Fed's support of the

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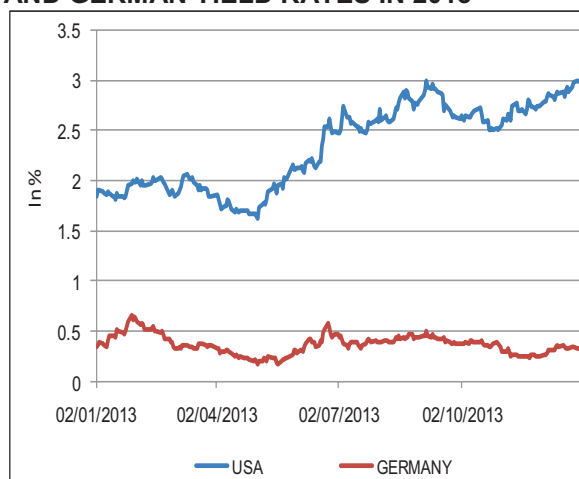
<sup>1</sup> MSCI : Morgan Stanly Capital Index.

economy. This increase in bond yields did not last for a long time. In fact, the nomination of “Janet Yellen”, an advocate of an ultra accommodating monetary policy, to succeed to Bernanke for the Fed’s Chairmanship, as well as the unexpected lowering in the ECB’s refinancing rate by 25 basis points, curbed the drop in bond prices in the Euro Zone and USA. Yield rates of 10-year benchmark closed for the year at 2.86% and 1.87% respectively for the United States and Germany.

**GRAPHIC 1-4: TRENDS IN 2-YEAR AMERICAN AND GERMAN YIELD RATES IN 2013**



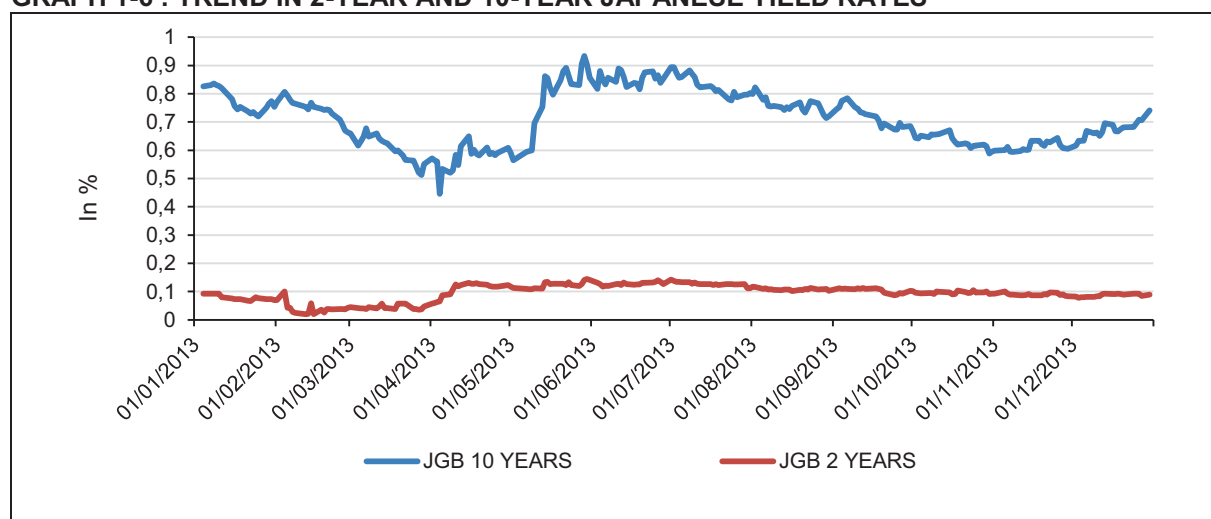
**GRAPH 1-5: TRENDS IN 10-YEAR AMERICAN AND GERMAN YIELD RATES IN 2013**



In Japan, the Japanese Government Bonds (JGB) prices performed well in the beginning of the year, profiting from their safe haven status, in keeping with the same upward trend initiated since the previous year. The Japanese 10-year yield rate reached its lowest level of the first half of the year ; about 0.45% on 4 April before it rose again, following the BOJ’s decision to boost its programme to purchase assets, closing for June at 0.85%.

Over the second half of the year, Japanese bond prices went up continuously, at a sustained pace, after the BOJ’s announcement of bringing the inflation rate target up from 1% to 2% and doubling its balance sheet within two years by accelerating its quantitative and qualitative easing programme. The 10-year yield rate evolved between 0.60% and 0.90%, before closing for the year at 0.74%.

**GRAPH 1-6 : TREND IN 2-YEAR AND 10-YEAR JAPANESE YIELD RATES**



### 1.3. INTERNATIONAL FOREIGN EXCHANGE AND GOLD MARKETS

Over 2013, international foreign exchange and gold markets were strongly affected by expansionary monetary policies and main Central Banks' non-conventional measures targeting economic recovery despite a modest world growth resumption and the Euro Zone's emergence from recession. These policies led to a 21.5% depreciation of the yen against the US dollar, a 28.1% drop in the gold price and a strong volatility of the EUR/USD parity. The latter traded between 1.2747 and 1.3892, influenced by a series of events related notably to the Euro Zone crisis, the American fiscal cliff and speculations on the end of the FED's programme to repurchase assets "Tapering".

**In the beginning of the year**, the European Central Bank's pursuit of an ultra-accommodating monetary policy and offset worries about the sovereign debt crisis in Europe were the causes behind the USD depreciation, posting towards the beginning of February, its lowest level for fourteen months against the euro, above 1.36. Yet, disclosure of GDP's 0.6% shrinking in the Euro Zone over the fourth quarter of 2012, the Cypriot Parliament's refusal of the rescue plan suggested in March and the political deadlock in Italy, have weighed heavily on the euro. The EUR/USD parity lost more than 8 figures in less than two months, posting its lowest level for the year : 1.2745 in the beginning of April.

**In the beginning of the second quarter**, the Troika's agreement (IMF, ECB, European Commission) on an aid plan worth 23 billion euros to Cyprus boosted the euro up to 1.31 before falling again to 1.28 following the ECB'S decision to reduce its key rate from 0.75% to 0.5% in the beginning of May.

Speculations on the Fed's downturn of the asset purchase programme helped the euro, then to recover, coming to more than 1.31 at the end of June.

Towards **mid third quarter** and following the downgrading of Italy's rating BBB in July, the euro dropped once again to 1.2755 against the dollar. In order to ease pressure in the Euro Zone, the ECB President Mario Draghi declared that the ECB would maintain its accommodating policy for more than one year and would remain eager to use all instruments available to it. The ECB's strong commitment helped the euro to start an upward phase. This trend was confirmed over August, with the euro posting 1.34 notably after publication of an encouraging figure on GDP growth in the Euro Zone over the second quarter of 2013, up to 0.3%.

Over the first half of September, the US dollar recovered, up to 1.3169, profiting from its status as a safe haven in a context of political uncertainties surrounding the United States decision to intervene in Syria. The dollar set out then a long period of depreciation against the euro, with withdrawal of Lawrence Summers' candidacy for the Fed's Chairmanship, followed by the Fed's surprising decision, on 19 September, to continue supporting the economy, while the market was expecting a reduction in its securities repurchase programme.

**Over the last quarter**, pressure on the dollar was fed by the budget deadlock which led to partial closure of the American federal services in October, because of failing agreement between the republicans and the democrats on raising the debt's ceiling. Uncertainties surrounding the shutdown possible economic fallouts pushed the EUR/USD parity to 1.3832 on 25 October 2013.

In the beginning of November and contrary to all expectations, the ECB announced a reduction in its key rate down to 0.25%, a new historic low, reversing hence the upward trend of the euro which dropped to 1.3367. This decision was justified by a fragile economic recovery and a 0.7% inflation rate in the Euro Zone, far from the 2% target set by the ECB's mandate on the long run. The euro's decline was however short lived, with the dollar sliding back again to 1.38 under the combined influence of several factors, notably :



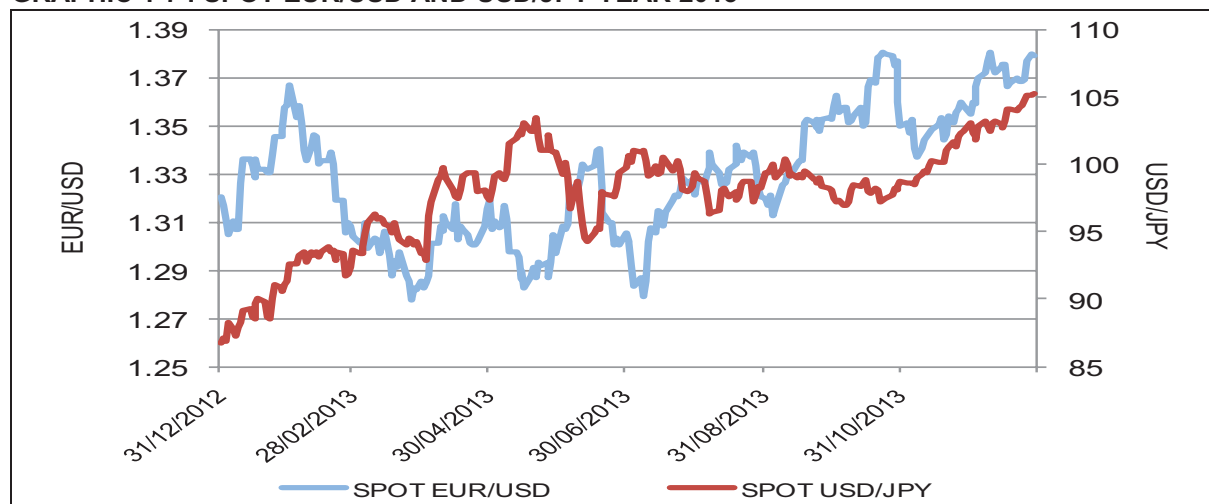
\* adoption by the American Senate of a two-year budgetary compromise and nomination of Janet Yeller, a supporter of expansionary monetary policy pursuit, for the chairmanship of the Federal Reserve.

\* conclusion of an agreement on banking union in the Euro Zone, on 19 December, by European ministers of finances who pinpointed the foundations of a unique resolution mechanism of banking crises that should start up in 2015.

Considering the better prospect of macroeconomic environment and the fact that inflation would remain considerably below the 2% target, the FED finally decided to begin the "Tapering" on 18 December 2013, reducing the pace of monthly asset purchases by 10 billion dollars, down to 75 billion dollars. The EUR/USD parity is hence pushed to 1.3678.

**Towards the end of 2013**, and with dissipation of the assumption that the ECB would possibly lower rates, as well as the prospect for a better growth in Europe, the EUR/USD parity recovered to 1.3893 within a movement amplified by the market's weak liquidity, a highest level since October 2011, considered as a resistance threshold by investors. The euro/dollar foreign exchange rate closed for 2013 at 1.3743.

**GRAPHIC 1-7 : SPOT EUR/USD AND USD/JPY YEAR 2013**



As for the yen, it was affected by the economic policies implemented by the Prime Minister which aim at getting the country out of deflation with a 2% inflation target, thanks notably to a recovery plan worth 108 billion dollars.

The BOJ announced, in April 2013, new quantitative easing measures and a large scale programme to repurchase assets, promising injection of about 1.4 trillion dollars in the economy in less than two years. It was also committed to carrying out unlimited purchases of assets starting from January 2014. This led to a virtually continuous depreciation of the yen.

The USD/JPY parity exceeded the psychological threshold of 100 yens for a US dollar on 9 May, the lowest yen level since October 2008, in the wake of Japanese investors' massive purchases of foreign assets, along with the drop in Japanese yields. The BOJ's disclosure of a monetary status quo during the June meeting and the absence of new recovery measures helped the yen to retrieve a part of its losses, posting 93 against the dollar. Over the third quarter, the yen resisted depreciation somehow, by standing below 100, due notably to G7 criticism of the BOJ's policy deemed exaggerated and profiting only to Japanese exporters. Then, the G7 wanted to mitigate its position by considering that the BOJ's ultimate goal is dragging the country out of the stagnation that has been lasting for two decades.

Therefore, the yen was on a downward trend again continuously against the main foreign currencies, unsurprisingly, till the end of the year. The yen's drop was also favoured by a resurgence of appetite for risk.

The USD/JPY parity closed for 2013 at the lowest level of 105 for 5 years against 87 in the beginning of January, losing thus 17% of its value.

Over 2013, **gold** broke its upward trend that prevailed over the last 13 years, recording for the first time since 2001 a negative result with a drop of about 28.5%.

After having reached a peak of 1,692.75 dollar per ounce in the beginning of 2013, following concerns about the Cypriot crisis acceleration, gold prices started to decline, down to 1,223.96 dollar per ounce at the end of the first half of the year.

Gold prices eroded in the wake of a better American economy outlook and emergence of a debate, in the Fed, on the less pronounced support to growth. Gold also suffered from Government measures to limit gold imports in India<sup>1</sup>, the drop in gold purchases carried out by Central Banks (a 33% drop over the first half) and fear that the Central Banks, affected by the debt crisis, would be led to massively sell their gold reserves like Cyprus.

Over the **second half of the year**, and faced up with the risk of outburst of a political deadlock between Syria and the United States regarding Chemical arms, gold regained its safe haven status and recovered over July and August to 1,419.65 dollar per ounce (as of 27 August). However, gold gains were short lived and its price declined again, closing for the year at 1,205.02 dollar per ounce.

The resolution found for the Syrian issue, the end of the budget cliff in the United States and the Fed's surprising decision to set out a tapering in its bond purchases weighted anew on the gold prices.

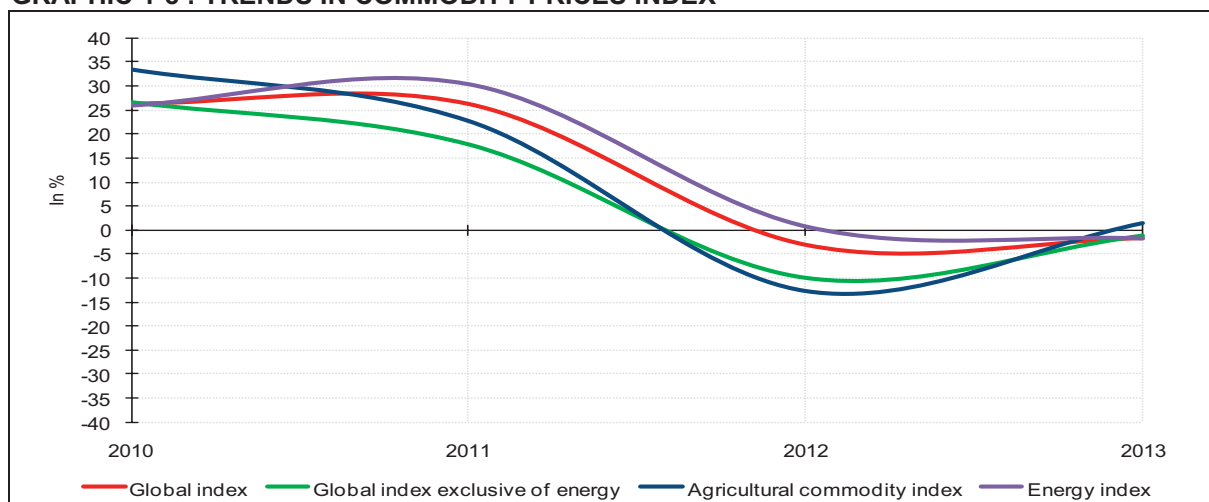
#### 1.4. COMMODITY PRICES

International commodity prices pursued overall, in 2013, their downward cycle initiated a year earlier, although at a less rapid pace, weakened by a gloomy world economic situation along with abundant supply for most products, notably foodstuff. Thus, world commodity prices evolved according to their own markets' fundamentals, affected by slower growth mainly in emerging countries and were completely disconnected from capital markets, as long as international investors' appetite for raw materials as asset category to carry out timely arbitrations decreased substantially and Central Banks' massive liquidity injection policy was less influential than in the past.

In this context, **world commodity prices index** elaborated by the International Monetary Fund (IMF) dropped by 1.6% over the whole year 2013, against -3.2% in the previous year, reflecting the decrease in **prices of metals** (-4.2% vs. -16.8%) and those of **energy** (-1.8% vs. +0.7%). On the opposite, **foodstuff prices** increased by 1.1% against a 2.4% drop in 2012.

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<sup>1</sup> In order to reduce the country's huge external deficit, the Indian Government raised up import duties from 4% to 6% in the beginning of 2013 then to 8% in June and 10% in August.

**GRAPHIC 1-8 : TRENDS IN COMMODITY PRICES INDEX**

Source : IMF International Financial Statistics

**For 2014**, most commodities' price easing is expected to go on, influenced by the same factors which prevailed over 2013, mainly activity slowdown in China and abundant supply on international markets. Yet, it is worth mentioning that over the first quarter of 2014, some products registered a growing price volatility following world activity firming up mainly in industrialized countries.

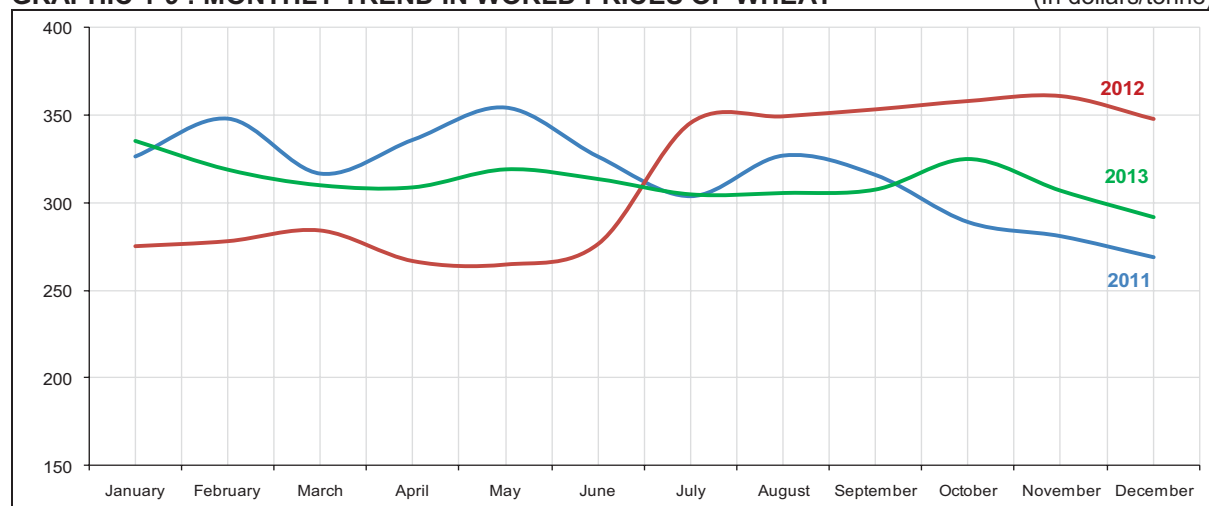
#### 1.4.1. Foodstuffs

International prices for foodstuffs went downwards overall in 2013, thanks to a favourable weather which brought abundant harvests, notably for cereals, while world stocks stood at high levels. In fact, cereals world's production progressed, according to the United Nations' Food and Agriculture Organization, by 200 million tonnes in 2013, reaching about 2,502 million. This, along with a comfortable level of stocks, led to a large provisioning of the international cereal market, weighing thus on prices.

As for **wheat**, particularly, the world production of which rose by 8.3% to 714 million tonnes, world prices went downwards in 2013, closing for the year at the level of 292 dollars per tonne against 336 dollars in the beginning of the year.

**GRAPHIC 1-9 : MONTHLY TREND IN WORLD PRICES OF WHEAT**

(In dollars/tonne)



Source : IMF International Financial Statistics



The same trend concerned **secondary cereals** for which growth in supply is estimated at 10% in 2013 according to the FAO, with prices going sharply downwards over the second half of the year. Particularly, corn prices have continued to drop since July 2013, down to 198 dollars per tonne at the end of the year : the lowest level since 2010 and in sharp drop by about 36% compared to December 2012. Over the whole year 2013, drop in prices posted about 13%.

Concerning international prices for rice, they dropped roughly throughout the whole year 2013, following mainly forecasts of a better supply (+2.7%), notably from south Asian countries. Thus, in 2013, the annual average price of rice dropped by 10.5% against a 5.3% increase in the previous year.

Likewise, for the second year in a row, world prices for **comestible oil** went downwards in 2013 except for olive oil. In fact, soybean oil prices posted a decrease tied to the good harvest in the United States, Brazil and Argentina, along with the slight drop in Chinese demand. Thus, the prices of this product continued to drop in 2013 : -10.7% on average after a drop by about 7% in 2012. As for international prices for palm olive, they registered a sharper drop in 2013 than that in 2012 : -18.7% on average against -12.7% respectively, although they recorded an upward trend towards the end of 2013, in line with anticipations of a sustained world demand and a more intensive use in biodiesel production. On the other hand, world prices for olive oil have continued to increase overall since September 2012, in the wake of the considerable decrease in world production for the 2012-2013 campaign (-27%). This upward trend of prices continued till October 2013. Starting from then, prices began to go downwards in line with a good harvest outset worldwide for the 2013-2014 campaign where production should outstandingly increase (+28%) to 3,098 million tonnes. This trend meant a 21.8% rise in prices on average over the whole year 2013, (against 2.1% in 2012) and by 5.9%, from the end of 2012 to the end of 2013 (vs. 15.1% a year earlier).

**TABLE 1-3 : AVERAGE PRICES OF FOODSTUFFS**

(In dollars per tonne)

Products	Places of quotation	Averages for the period			Variation in %		
		Dec. 2013	Year 2013	1 <sup>st</sup> Quar. 2014	Dec. 2013 Dec. 2012	2013 2012	1 <sup>st</sup> Quar. 2014 1 <sup>st</sup> Quar. 2013
Wheat	Gulf Ports U.S.	292	312	297	-16.1	-0.3	-7.6
Corn	Gulf Ports U.S.	198	259	210	-35.9	-13.1	-31.1
Rice	Thailand	448	519	441	-20.8	-10.5	-22.8
Oil :							
.Soybean	Dutch Ports	872	1,011	878	-19.9	-10.7	-21.6
.Palm	Malaysia/North Europe	795	764	814	11.3	-18.7	4.4
.Groundnut	Europe	1,493	1,773	1,546	-32.6	-25.3	-22.8
.Olive	United Kingdom	3,613	3,821	3,599	5.9	21.8	-10.1
Sugar	Brazil	600	573	606	1.4	-1.4	6.7
Coffee	New York	2,794	3,110	3,876	-17.8	-24.8	13.6
Tea	London	2,457	2,656	2,479	-30.1	-23.9	-22.3

Source : IMF International Financial Statistics

**Over the first quarter of 2014**, international prices of foodstuffs continued to drop, overall. In fact, cereal prices went sharply downwards compared to their levels of the previous year. Prices of most comestible oil products pursued their drop, while olive oil prices trend reversed in a sharp drop, after increasing over 2013.

#### 1.4.2. Industrial raw materials

Economic recovery vulnerability in some industrialized countries, notably the Euro Zone and the slower activity growth pace in main emerging countries, notably China, combined with abundant supply favoured lower world prices for most industrial raw materials, mainly metals.

On the other hand, cotton prices posted a 2.4% moderate increase in 2013 after having plummeted in 2012 (about -43%), due to the 3.8% decrease in world production compared to the previous campaign, against a 2% increase in demand, linked particularly to stock constitution in China, the first world industrial consumer of cotton.

**TABLE 1-4 : AVERAGE INDUSTRIAL RAW MATERIAL PRICES**

(In dollars per tonne)

Products	Places of quotation	Averages for the period			Variation in %		
		Dec. 2013	Year 2013	1 <sup>st</sup> Quar. 2014	Dec. 2013 Dec. 2012	2013 2012	1 <sup>st</sup> Quar. 2014 1 <sup>st</sup> Quar. 2013
Cotton	Liverpool	1,929	1,993	2,072	5.0	2.4	4.5
Natural rubber	Singapore	2,558	2,795	2,251	-17.7	-17.2	-28.7
Copper	London	7,202	7,355	7,037	-9.5	-7.6	-11.9
Tin	London	22,762	22,282	22,636	-0.5	5.6	-5.8
Zinc	London	1,975	1,910	2,026	-3.2	-2.1	-0.2
Lead	London	2,137	2,140	2,101	-6.3	3.7	-8.3
Phosphate	Casablanca	101	148	104	-45.4	-20.4	-39.9

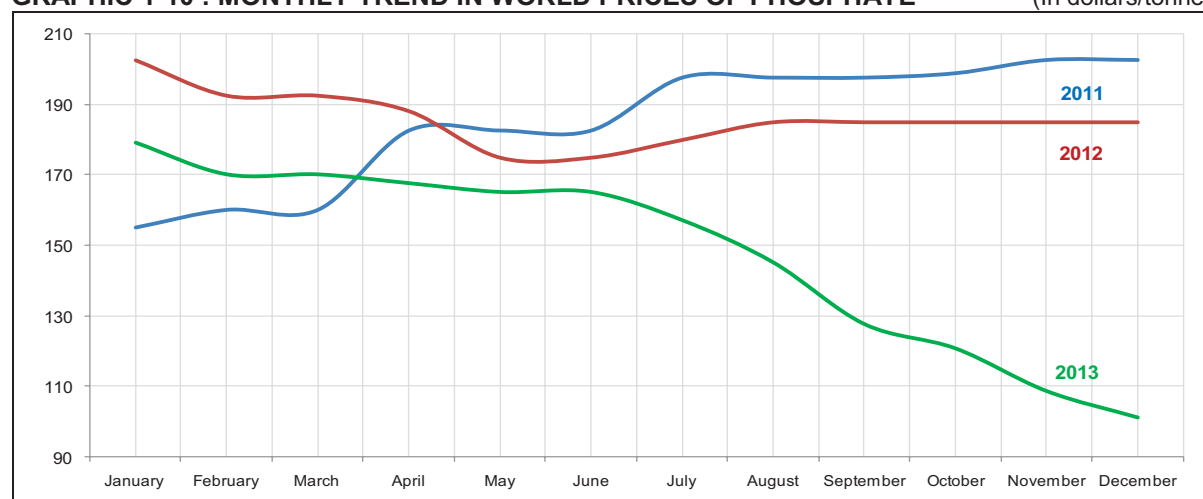
Source : IMF International Financial Statistics

Prices for most base metals followed a downward trend over 2013, reflecting the trade level weakened by activity slowdown in developed countries, mainly in China. Yet, the improvement of economic outlook in most industrialized countries towards the end of 2013 brought about a comeback of certain metals prices' upward trend. Particularly, the drop in prices posted, on average, 7.6% for copper and 2.1% for zinc.

Concerning world prices for phosphates, they posted a sharp drop over 2013, which was accentuated over the second quarter. This trend is attributable, for the most part, to Saudi Arabia's entry on the world market of this product with supply of roughly 6 million tonnes during its first exploitation year. Hence, phosphates prices dropped, on average, by more than 20% in 2013, down to 101 dollars per tonne in December against 185 dollars over the same month of the previous year.

**GRAPHIC 1-10 : MONTHLY TREND IN WORLD PRICES OF PHOSPHATE**

(In dollars/tonne)



Source : IMF International Financial Statistics

**Over the first quarter of 2014**, world prices of main base metals dropped compared to their 2013 levels. This is the same for phosphates prices which dropped by about 40% over the said period.

### 1.4.3. Crude oil

Like the other products, crude oil prices were affected by the world economic activity slowdown meaning a weaker demand especially in emerging countries, particularly China, but also an abundant supply notably in countries outside OPEC, in line with expansion of new non-conventional oil fields (oil shale) in North America, particularly in the United States, first world oil consumer of crude oil with imports considerably slowing down. Bearing in mind however that prices were under upward pressure over the 2013 summer months due to disturbance in provisioning from Libya and Nigeria and geopolitical tensions in the Middle East regarding the Syrian conflict.

In this context, international prices for the barrel of Brent closed for 2013 at 110.63 dollars against about 113 dollars in the beginning of the same year.

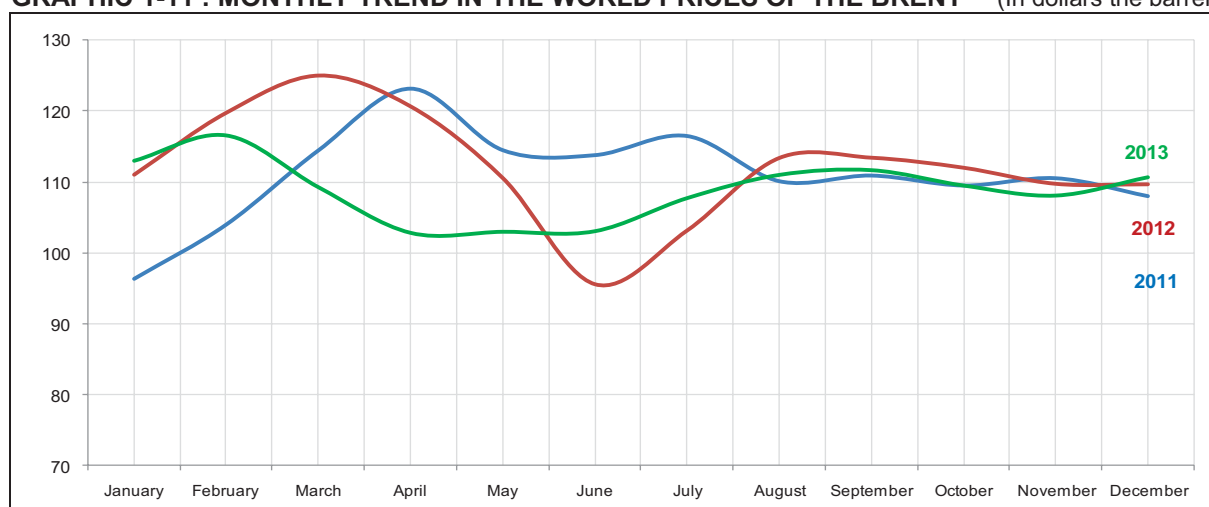
**TABLE 1-5 : TRENDS IN CRUDE OIL PRICES ON INTERNATIONAL MARKETS** (In dollars the barrel)

Description	2011	2012	2013	1 <sup>st</sup> Quar. 2013	1 <sup>st</sup> Quar. 2014	Variation in %		
						2012 2011	2013 2012	1 <sup>st</sup> Quar. 2014 1 <sup>st</sup> Quar. 2013
Brent	110.95	111.96	108.85	112.88	107.93	0.9	-2.8	-4.4
US light	95.05	94.14	97.94	94.36	98.76	-1.0	4.0	4.7

Source : IMF International Financial Statistics

**Over the first quarter of 2014**, the Brent prices on international markets dropped by 4.4% while those of the US light increased by 4.7%. This divergent trend in prices is mainly attributable to the lower level of American stocks but also to the activity pace differential between the United States and the Euro Zone where recovery is less pronounced.

**GRAPHIC 1-11 : MONTHLY TREND IN THE WORLD PRICES OF THE BRENT** (In dollars the barrel)



Source : IMF International Financial Statistics

## **2 – NATIONAL ECONOMIC AND FINANCIAL ENVIRONMENT<sup>1</sup>**

### **2.1. OVERVIEW**

Economic activity evolved in 2013 under the double influence of an adverse international economic situation and a national environment marked by political and security vicissitudes. As a consequence, weakness of production and export activities was combined with deterioration of macroeconomic imbalances.

Thus and after the recovery recorded in 2012, economic growth in Tunisia slowed down in 2013, due particularly to political uncertainty and security problems which had negative repercussions on tourism and foreign direct investments (FDI). Concurrently, agricultural production shrunk, notably the cereal harvest following adverse weather conditions. This is the same for the oil and natural gas extraction sector which went down by 7.1%. This adds to persisting weak economic performances in countries of the European Union and permanent instability in Libya, which affected exporting manufacturing sectors. In this context, growth posted 2.3% in 2013 against 3.9% a year earlier and 4.5% provided for initially in the economic Budget.

In order to face up to economic activity slowdown and limit the consequences of the drop in demand from abroad, the State pursued, in 2013, an expansionary budgetary policy. In fact, the budget deficit, excluding privatisations and grants posted 6.2% of GDP against 5.2% in 2012. The 2013 budget remained focused on current expenses rather than on public investment with a wage bill accounting for about 36% and subsidies above 20% of overall expenses.

Moreover, and after having rebounded, up from 13% in 2010 to 18.9% in 2011, the unemployment rate dropped progressively, down to 15.3% at the end of 2013. However, higher education graduates' unemployment rate remained at a very high level (31.9%).

As for inflation, it was positioned relatively high : 6.1% on average against 5.6% and 3.5% in 2012 and 2011, respectively. In addition to the recurrent problem of distribution channels being out of control, this upward movement which also affected core inflation (excluding fresh foodstuff and administered products) bears the mark of monetary easing pursued in 2011 and in the beginning of 2012, with the aim of sustaining economic activity and covering the banking system needs for liquidity, as well as the increase in imported commodities prices, notably foodstuff and depreciation of the Tunisian dinar.

Growing inflationary pressure pushed the Central Bank to tighten its monetary policy starting from the second half of 2012, by moderating the expansionary approach adopted upon the revolution. Hence, the key rate was raised to 4.5% in December 2013 : the third raising in less than 18 months, with the final objective being to curb all additional inflationary pressure.

Moreover, the hardly favourable domestic and external environment brought about a current account deficit widening in 2013, posting 8.3% of GDP against 8.2% a year earlier. This result is due to trade balance deficit standing at a high level besides shrinking of the surplus balance of services and the surplus balance of factor income and current transfers.

As a consequence, net assets in foreign currency closed for 2013 at 106 days of import against 119 days at the end of 2012. In this context, it is worth mentioning that the Tunisian dinar depreciated by 9.7% against the euro and by 5.8% against the US dollar due to vulnerability of the Tunisian economy fundamentals, impacts of the local political situation, as well as appreciation of the euro on international markets since the beginning of 2013.

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<sup>1</sup> For 2014, accounts of the nation's forecasts are those of the economic budget updated by the Ministry of Economy and Finance as of April.

Taking account of the drop in foreign currency reserves and the growing needs for external financing, Tunisia signed, in June 2013, a two-year stand-by agreement worth 1.74 billion US dollars with the International Monetary Fund (IMF) in order to back up the country's economic reforms programme for the 2013-2015 period, intended notably to boosting budgetary and external headroom and encourage a stronger and more inclusive growth. A first disbursement worth about 150 million dollars was done upon signature. The second is worth 506.7 million dollars was carried out at the end of January 2014 and a third disbursement of 25 million dollars was approved on 25 April 2014 by the IMF Executive Board. The remaining amount will be scheduled over the programme's duration.

For 2014, the economic budget estimates expect a growth rate of about 2.8%, based on an anticipated improvement of demand, both domestic and external. Domestic demand would be stimulated mainly by the increase in consumption and the higher investment pace which will profit from the better business climate and local and foreign investors' return of confidence following adoption of a new road map and the make up of a new government which is in charge, notably, of organizing the forthcoming elections. Concurrently, the international economic situation is expected to improve with economic growth firming up in industrialized countries. Particularly, the Euro Zone could resume a positive growth rate after two years in a row of economic recession. This will stimulate external demand, contributing thus to recovery of economic activity pace and growth at the national level.

**TABLE 2-1 : TRENDS IN TUNISIA'S MAIN ECONOMIC INDICATORS**

(In MTD unless otherwise indicated)

Description	2011	2012	2013	2014*	Variation in %	
					2013 2012	2014* 2013
<b>Accounts of the Nation</b>						
-GDP growth in previous year prices	-1.9	3.9	2.3	2.8		
°Agriculture & fishing	10.3	6.5	-4.1	3.5		
°Agriculture and fishing excluded	-2.8	3.7	2.9	2.8		
-GDP (in current prices)	64,690	70,658	76,351	82,964	8.1	8.7
-Gross national disposable income (GNDI)	64,738	71,486	76,946	84,389	7.6	9.7
-GNDI per capita (in dinars)	6,068	6,627	7,133	7,822	7.6	9.7
-Overall consumption	54,250	60,139	66,562	73,522	10.7	10.5
°Public consumption	11,609	12,994	14,489	16,279	11.5	12.4
°Private consumption	42,641	47,145	52,073	57,242	10.5	9.9
-Average propensity to consume (consump./GNDI) in % <sup>1</sup>	83.8	84.1	86.5	87.1	2.4	0.6
-Gross national savings	10,488	11,347	10,384	10,867	-8.5	4.7
-National savings rate (in % of GNDI) <sup>1</sup>	16.2	15.9	13.5	12.9	-2.4	-0.6
-Gross fixed capital formation (GFCF)	14,016	15,274	15,450	15,907	1.2	3.0
-Investment rate (in % of GDP) <sup>1</sup>	21.7	21.6	20.2	19.2	-1.4	-1.0
<b>Prices</b>						
-Industrial sale price index (base 100 in 2000)	162.7	173.2	178.4		3.0	
-Consumer price index (base 100 in 2005)	126.5	133.5	141.5		6.0	
. Foodstuffs and beverages	132.5	142.5	153.4		7.6	
. Other than food products and services	123.6	129.3	135.7		4.9	
<b>Employment</b>						
-Jobs created (in thousand jobs)	-106.7	85.1	112.9		32.7	
-Additional demand (in thousands)	140.0	1.0	69.0			
-Unemployment rate in % <sup>1</sup>	18.9	16.7	15.3		-1.4	
<b>External payments</b>						
-Rate of coverage (exports/imports in %) <sup>1</sup>	74.5	69.5	70.1		0.6	
-Balance of trade deficit (FOB/CIF)	8,603	11,630	11,808		1.5	
-Tourist receipts	2,432.6	3,175.3	3,221.4		1.5	
-Labour income	2,822	3,539	3,721		5.1	
- <b>Current deficit</b> <sup>2</sup>	4,766	5,812	6,302	5,960	490	-342
. In % of GDP <sup>1</sup>	7.4	8.2	8.3	7.2	0.1	-1.1
-Net inflows of capital <sup>2</sup>	2,280	7,829	5,002	7,738	-2,827	2,736
- <b>Overall BOP balance</b> <sup>2</sup>	-2,347	2,168	-1,095	2,150	-3,263	3,245
-External debt service ratio (in % of current receipts) <sup>1</sup>	10.6	10.5	8.2		-2.3	
-Rate of external indebtedness (in % of GNDI) <sup>1</sup>	39.2	40.1	41.1		1.0	
<b>Public finances</b>						
-Tax burden (in % of GDP) <sup>1</sup>	21.0	21.0	21.3	21.0	0.3	-0.3
-Equipment and loan granting expenditure	4,640	4,506	4,563	5,700	1.3	24.9
-Budget deficit in % of GDP <sup>1/3</sup>	3.3	5.2	6.2	5.7	1.0	-0.5
-Total State indebtedness/GDP (in %) <sup>1</sup>	44.4	44.5	45.7	49.1	1.2	3.4
<b>Monetary indicators</b> <sup>4</sup>						
- M3 aggregate	47,203	51,168	54,564		6.6	
. Liquidity rate of the economy (M3/GDP) in % <sup>1</sup>	70.0	68.9	68.6		-0.3	
-Net claims abroad <sup>2</sup>	5,749	7,053	3,887		-3,166	
of which : .Net assets in foreign currency <sup>2</sup>	10,581	12,576	11,603		-973	
. In days of imports <sup>5</sup>	113	119	106		-13	
-Net claims on the State <sup>2</sup>	8,048	9,374	10,357		963	
-Financing of the economy	48,919	53,231	56,837		6.8	

\* Forecasts.

Sources : Central Bank of Tunisia, Ministry of Economy and Finance &amp; The National Statistics Institute (INS)

<sup>1</sup> Variation in percentage points.

<sup>2</sup> Variation in MTD.

<sup>3</sup> Exclusive of debt amortisation, privatisation proceeds and grants.

<sup>4</sup> Financial system.

<sup>5</sup> Variation expressed in days.



## 2.2. SECTORAL ANALYSIS OF ECONOMIC GROWTH

Economic growth slowed down in 2013 : 2.3% against 3.9% in the previous year, due notably to the agricultural sector's poor performance, non-manufacturing industries regression and market services deceleration, particularly tourism and transport.

Concerning the **agriculture and fishing** sector, bad weather characterizing the first half of 2013 had an impact on certain agricultural branches of activity such as cereal production which dropped by 42.7%, down to 13 million quintals, and that of fishing and aquaculture which was down by 2% to 116 thousand tonnes, while olive oil and stock breeding production made a progress by about 21% and 2.7% respectively. As a result, the agriculture and fishing sector posted a 4.1% decrease at the end of 2013, with 0.4 percentage point negative contribution to economic growth.

**TABLE 2-2 : 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)		
	2012	2013	2014*	2012	2013	2014*
<b>Agricultural and fishing</b>	<b>6.5</b>	<b>-4.1</b>	<b>3.5</b>	<b>0.5</b>	<b>-0.4</b>	<b>0.3</b>
<b>Industry</b>	<b>2.7</b>	<b>-0.2</b>	<b>1.0</b>	<b>0.8</b>	<b>0.0</b>	<b>0.3</b>
<b>Manufacturing industries</b>	<b>4.2</b>	<b>1.5</b>	<b>2.1</b>	<b>0.7</b>	<b>0.3</b>	<b>0.3</b>
of which :						
-Agricultural industries & foodstuff	-2.8	2.3	-1.5	-0.1	0.1	0.0
-Building materials, ceramics and glass industries	7.4	2.3	7.6	0.1	0.0	0.1
-Mechanical & electrical industries	0.7	-2.0	2.0	0.0	-0.1	0.1
-Textile, clothing, leather & footwear industries	-4.0	1.9	0.5	-0.1	0.1	0.0
-Chemical industries	-5.9	9.4	6.0	-0.1	0.1	0.1
<b>Non manufacturing industries</b>	<b>0.6</b>	<b>-2.3</b>	<b>-0.4</b>	<b>0.1</b>	<b>-0.3</b>	<b>0.0</b>
of which :						
-Mining	17.2	7.5	12.0	0.1	0.0	0.1
-Oil and natural gas	-0.6	-5.3	-3.1	0.0	-0.4	-0.2
<b>Market services</b>	<b>4.4</b>	<b>4.0</b>	<b>3.7</b>	<b>1.8</b>	<b>1.6</b>	<b>1.5</b>
of which :						
-Trade	-0.5	3.0	2.7	0.0	0.2	0.2
-Transport	7.1	2.8	3.0	0.5	0.2	0.2
-Communications	10.0	9.5	7.8	0.5	0.5	0.4
-Tourism	10.5	1.7	3.0	0.4	0.1	0.1
-Financial structures	3.3	4.8	4.0	0.1	0.2	0.2
<b>Non-market services</b>	<b>5.9</b>	<b>5.8</b>	<b>4.2</b>	<b>1.0</b>	<b>1.0</b>	<b>0.8</b>
<b>GDP at market price</b>	<b>3.9</b>	<b>2.3</b>	<b>2.8</b>	<b>3.9</b>	<b>2.3</b>	<b>2.8</b>

\* Forecasts.

Sources : National Statistics Institute, The Ministry of Economy and Finance (2014) and BCT calculations

As for **the industrial sector**, it posted a slight 0.2% drop against a positive 2.7% growth in 2012. Added value in **non-manufacturing industries** went down by 2.3% following the 5.3% decline in the energy sector and the mining activity slowdown.

As for **manufacturing industries**, they recorded a moderate 1.5% growth driven mainly by recovery in chemical industries (9.4% vs. -5.9%), foodstuff industries (2.3% vs. -2.8%) and textile, clothing, leather and footwear industries, in line with European economic situation slight improvement over 2013, against a lower growth of mechanical and electrical industries. Likewise, building material, ceramics and glass industries posted a slowdown.

**Market services** grew by 4% in 2013 against 4.4% in 2012. This trend is linked mainly to the one of tourism and concurrently to that of transport, which grew at a slower pace from one year to

another. This trend could not be offset by the higher added value of the trade, communication and financial organizations sectors.

Slowdown in **tourism** is due to the insecurity climate which prevailed in the country over 2013. In fact, non-resident entries went upwards by 5.3% and concerned mainly Maghreb tourists (+14%), while Europeans' entries regressed by 2.3% mainly the French (-22.1%), the Spanish (-20.1%). On the contrary, tourist bednights virtually stagnated (-0.2%). Hence, tourist receipts in foreign currency posted a strong deceleration (+1.7% only vs. 30.5% in 2012). It follows that tourism grew at a slower pace, down from 10.5% in 2012 to 1.7% in 2013.

Concurrently, **transport** posted a deceleration : 2.8% against 7.1% in 2012, attributable to the decline in air transport activity (4.4% vs. 32% in 2012) both on international and internal lines.

The **communications sector** posted a positive 9.5% trend, though pursuing a slight slowdown, which reflects the sector's saturation notably mobile telephony.

As for **non-market services**, they grew by 5.8% in 2013 against 5.9% a year earlier and 4.8% in 2010, following a substantial increase in the wage bill, tied to massive civil service recruitments.

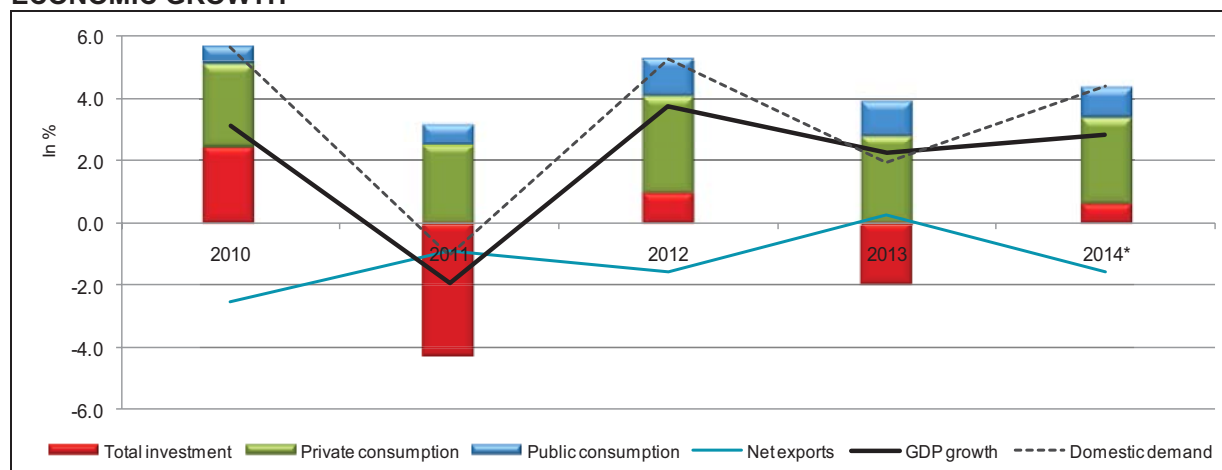
**For 2014**, the economic budget forecasts anticipate a 2.8% growth, in line with the expected improvement of agricultural activity and recovery of certain manufacturing industries sectors, mainly building material, ceramics and glass industries and mechanical and electrical industries. As for non-manufacturing industries, they continued to regress at a less important pace than the one recorded in 2013, mainly hydrocarbons. As for market services, they should grow at a slower pace, yet with a slight improvement in the tourism and transport sectors.

## 2.3. GLOBAL DEMAND

Trends in global demand in 2013 were affected by political and security difficulties which weighed on economic activity, particularly investments, exports and tourism, in addition to the persisting weak economic performance in the Euro Zone.

In fact, **domestic demand** grew by 1.8% in constant prices against 4.9% in 2012, recording thus a slowdown that affected mainly private consumption and investment. As for external demand, it was marked by a drop in exports and imports of goods and services meaning contribution of exports net of imports to economic growth by about 0.3 percentage point.

**GRAPHIC 2-1 : CONTRIBUTION OF THE DIFFERENT COMPONENTS OF GLOBAL DEMAND TO ECONOMIC GROWTH**



Source : BCT calculations based on data of the Ministry of Development and International Cooperation

\* Forecasts.



### 2.3.1. Domestic demand

Domestic demand which constitutes the main growth driving force, mainly during years marked by a difficult international economic situation, grew at a slower pace over 2013, reflecting the drop in the volume of gross fixed capital formation (GFCF) in real terms and final consumption slowdown.

**National final consumption** grew by 4.6% in constant terms and by 10.7% in current terms, against respectively 5.1% and 10.9% in 2012, meaning a slight increase in average propensity to consume which posted 86.5% of the gross national disposable income (GNDI).

This slowdown is mainly attributable to the one of **private consumption** which accounts for 78.2% of national consumption and which was affected by moderate trend in GNDI against a considerable increase in inflation rates.

As for **public consumption**, it pursued an important evolution pace in nominal terms (11.5% vs. 11.9%) and in real terms (6.2% vs. 6.8%) reflecting an expansionary budgetary policy with notably a 19.4% increase in operating costs: 74.5%% of the State budget expenses. Particularly, equalisation outlays rose by 52.1%, up to about 5,514 MTD corresponding to 7.2% of GDP, besides the ongoing increase in salaries and wages, the major category of budget expenditure.

**Gross fixed capital formation (GFCF)** grew by 1.2% against 9% in 2012, totalling 15,450 MTD. As for the investment rate, it went down from 21.6% in 2012 to 20.2% of GDP in 2013. In constant prices, GFCF dropped by 3.8% against a 7.1% increase in 2012. Taking account of stocks variation, investment dropped by 2% in current prices.

Investment moderate evolution is due to the climate of uncertainty which prevailed over 2013, affecting thus private investment, as shown by the slowdown of trends in loans to the economy, besides the drop in foreign direct investments (FDI) and State capital expenditure.

### 2.3.2. External demand

**Exports of goods and services** posted a 3.3% moderate trend in 2013 in current prices and a 4.1% drop in constant prices due notably to European demand weakness. Besides, the adverse domestic situation affected tourist activity and the one of non-manufacturing industries in line with social unrest at the level of both production sites and crude phosphate transport activity. The drop in energy exports and the virtual stagnation of the mining, phosphate and exports of phosphate-based products sector was offset by an increase in other sectors' exports, notably mechanical and electrical and textile/clothing industries. Exports of services were affected by the drop in tourist activity which remains below its 2010 level and in air transport.

**Imports of goods and services** slowed down in 2013 : 3.7% in current prices against 13% in 2012, reflecting economic activity weakness notably consumption and investment. In fact, imports slowdown concerned most product groups, with a drop in purchases of capital goods in particular.

**TABLE 2-3 : TRENDS IN RESOURCES AND USES AT PREVIOUS YEAR PRICES** (In %)

Description	2011	2012	2013	2014*
GDP at market prices	-1.9	3.9	2.3	2.8
Imports of goods and services	-2.3	6.5	-3.9	0.4
<b>Total resources = total uses</b>	<b>-2.1</b>	<b>4.7</b>	<b>0.0</b>	<b>2.0</b>
Final consumption	4.0	5.1	4.6	4.3
- Public	4.1	6.8	6.2	5.0
- Private	4.0	4.7	4.2	4.0
GFCF	-12.6	7.1	-3.8	-1.8
<b>Domestic demand</b>	<b>-1.0</b>	<b>4.9</b>	<b>1.8</b>	<b>4.0</b>
<b>Export of goods and services</b>	<b>-4.3</b>	<b>4.3</b>	<b>-4.1</b>	<b>-2.9</b>

Sources : Ministry of Economy and Finance and the National Statistics Institute

\* Forecasts.

**For 2014**, a progressive evolution of domestic demand is expected despite the drop in investment in constant terms and ongoing private and public consumption slowdown, due to a more restrictive orientation of budgetary policy.

Concerning foreign trade, it will benefit from a slight improvement of external demand in line with the expected recovery in the Euro Zone and activity resumption in the most affected sectors over 2013.

## 2.4. STRUCTURE AND FINANCING OF INVESTMENT

### 2.4.1. Structure of investment

Trend in GFCF was marked, over 2013, by improvement of industries in line with an increase in investments, notably in building materials ceramics and glass industries and in electricity and gas branches.

However, investments in market services dropped slightly, meaning a decline in their share of overall GFCF, in line with the lower investment level in the transport sector which was offset by a better performance of the trade and miscellaneous services sectors.

**TABLE 2-4 : TRENDS IN GROSS FIXED CAPITAL FORMATION BY SECTOR OF ACTIVITY**

(In current prices)

Description	Value in MTD			Variation in %		Structure in %		
	2012	2013	2014*	<u>2013</u> <u>2012</u>	<u>2014*</u> <u>2013</u>	2012	2013	2014*
Agriculture and fishing	1,297	1,322	1,296	1.9	-2.0	8.5	8.6	8.1
Industry	4,782	5,111	5,259	6.9	2.9	31.3	33.1	33.1
- Non manufacturing industries	2,847	2,896	3,042	1.7	5.0	18.6	18.7	19.1
- Manufacturing industries	1,935	2,215	2,217	14.5	0.1	12.7	14.3	13.9
Market services	8,094	8,017	8,402	-1.0	4.8	53.0	51.9	52.8
Community facilities	1,100	1,000	950	-9.1	-5.0	7.2	6.5	6.0
<b>Total</b>	<b>15,273</b>	<b>15,450</b>	<b>15,907</b>	<b>1.2</b>	<b>3.0</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

\* Forecasts.

Source : Ministry of Economy and Finance

### 2.4.2. Financing of investment

**National savings** dropped by 8.5% in 2013 bringing about a decline in the savings rate compared to the GNDI which was down from 15.9% in 2012 to 13.5% against an average of about 22% before 2011.

**TABLE 2-5 : DOMESTIC FINANCING OF INVESTMENT**

(In MTD unless otherwise indicated)

Description	2011	2012	2013	2014*	Variation in %	
					<u>2013</u> <u>2012</u>	<u>2014*</u> <u>2013</u>
<b>Global GFCF</b>	<b>14,016</b>	<b>15,274</b>	<b>15,450</b>	<b>15,907</b>	<b>1.2</b>	<b>3.0</b>
<b>Stock variation</b>	<b>1,239</b>	<b>1,886</b>	<b>1,372</b>	<b>1,863</b>	<b>-27.3</b>	<b>35.8</b>
<b>Total financing needs</b> (GFCF + stock variation)	<b>15,254</b>	<b>17,160</b>	<b>16,822</b>	<b>17,770</b>	<b>-2.0</b>	<b>5.6</b>
<b>National savings</b>	<b>10,488</b>	<b>11,347</b>	<b>10,384</b>	<b>10,867</b>	<b>-8.5</b>	<b>4.7</b>
- in % of GNDI	16.2	15.9	13.5	12.9		
- in % of GDP	16.2	16.1	13.6	13.1		
<b>Domestic financing rate</b>						
- National savings/GFCF (in %)	74.8	74.3	67.2	68.3		
- National savings/total financing needs (in %)	68.8	66.1	61.7	61.2		

\* Forecasts.

Source : Ministry of Economy and Finance

Drop in savings, mainly domestic ones reflects the slower growth pace of the gross national disposable income (GNDI) in 2013, down from 10.4% to 7.6%. Besides nominal GDP slowdown (8.1% vs. 9.2% in 2012), the external sector slowed down, particularly for transfers of Tunisians living abroad which increased by only 4.1% in 2013 against 25.4% in 2012, amounting to about 3,700 MTD or 4.8% of GDP.

Drop in savings reflects also a considerable evolution of the State operating expenditure which was up to about 22.9% of GDP against 15.9% in 2010. Concurrently, State core revenue recorded a less important evolution meaning a sharp drop in **Central administration savings**. In fact, the surplus core resources and donations compared to current expenses including debt interests were down by 2,585 MTD to 1,073 MTD between 2012 and 2013 : a 58.5% drop. This surplus helped to cover 24.4% of capital expenditure against about 54% in 2012 and 85% in 2010.

In these conditions, the Treasury's needs for financing, continuously deteriorating over the last three years, amounted to 10.2% of GDP, taking account of debt principal payment. The State external financing was up by 11% to 5,290 MTD.

These needs justify an important share of the economy's needs for external financing which amounted to 6.6% of GDP. Taking account of stock variation, this rate posted 8.4% of GDP.

The gap between investment and national savings was financed by the recourse to external financing marked by a drop in FDI flows and drawings on medium and long-term debt capitals. Worth of note that financing problems were faced in 2013 with notably difficulties to access to capital markets and postponing of financing through the new Islamic bonds "SUKUK", which meant a drop in net foreign currency assets.

**For 2014**, a moderate recovery in savings is expected against the ongoing drop in the savings rate. Concurrently, investments will show trends close to those of savings, meaning a certain deceleration in needs for external financing while remaining at a remarkable level.

## **2.5. JOB MARKET AND WAGES**

Combating unemployment and improving the citizen's income and life conditions continue to be the major challenges of the post-revolution period. However, ongoing economic, social and political instability throughout 2013, during which economic growth turned out to be below expectations, did not make it possible to reduce in a significant way, the unemployment rate which remains very high, notably for higher education graduates.

Despite this situation, the job market has posted a certain recovery since the beginning of the year, with a drop in the unemployment rate, down from 16.7% at the end of 2012 to 15.3% a year later, thanks notably to the significant acceleration in created jobs, reaching about 113 thousand jobs. Hence, the number of unemployed people dropped by 6.7%, down to 610 thousand in 2013, with the number of higher education graduates which remains quite high posting about 242 thousand jobless. This corresponds to a 31.9% unemployment rate, down by 1.3 percentage points compared to its 2012 level.

### **2.5.1. Job market**

Despite a slight improvement, the job market continues to suffer from a structural quantitative and qualitative imbalance between job offer and demand meaning a high and persisting unemployment. In fact, the working population's educational level is developing continuously, involving thus a more and more marked inadequacy between market needs and job seekers' qualifications, notably higher education graduates. This represents a growing underuse of the country's human resources given the public expenditure intended to the education of this category, on the one hand and the economy's inability to manage its employability improvement, on the other hand.

In addition, women's considerable inflow on the labour market (up from about 35% of the overall unemployed labour force in 2008 to about 40% in 2013) and the higher number of working population given the increasing share of the 15-59 age group in the structure of all the population, contributed to the increase in the number of jobless people, hence to worsening the unemployment problem.

Taking account of the importance of challenges to be taken up as regards employment, a series of measures were taken in 2013 in order to reduce pressure on the job market and speed up the pace of job creation. In fact, in the framework of reviewing the mechanisms of employment active policy, amendments were introduced to the decree on the National Employment Fund programmes regarding particularly simplifying the procedures and conditions for subscription to the work-encouraging programme, as well as regularizing the employment-solidarity contract beneficiaries' situation within the framework of public utility works based on objective criteria based on regional development indicators. In particular, the monthly allowance granted to them was up from 120 to 200 dinars.

Moreover, a national programme to finance micro-businesses was launched by signing four cooperation agreements between the Ministry of Employment and Professional Training and the Tunisian Solidarity Bank (BTS) with the target of promoting independent work by intensifying measures to accompany small enterprises owners.

Consequently, **net job creation** went upwards by 32.7% to about 113 thousand jobs created in 2013, thanks notably to mechanical and electrical industries and tourism sectors where jobs recovered, posting 25 thousand and 14 thousand jobs respectively in 2013, after having recorded losses by about 7 thousand and 6 thousand jobs respectively in 2012, thanks mainly to initiation of the European economic situation improvement. Thus, the administration-created jobs increased significantly: about 29 thousand jobs against about 18 thousand a year earlier, in line, notably, with massive public service recruitments.

**TABLE 2-6 : JOB CREATION**

(In thousand units)

Description	2010	2011	2012	2013
Agriculture and fishing	-3.1	-41.3	-4.1	-13.2
Mining and energy	-1.7	-1.5	5.7	2.7
Construction and civil engineering	27.3	-14.8	1.6	21.6
Manufacturing industries	33.5	-25.5	29.9	28.3
Transport and communications	5.1	-11.4	12.5	-0.6
Tourism	-4.6	-10.4	-6.2	13.5
Other market services	15.3	-21.7	28.1	31.5
Public service	6.7	19.9	17.6	29.1
<b>Total</b>	<b>78.5</b>	<b>-106.7</b>	<b>85.1</b>	<b>112.9</b>

Source : National Statistics Institute

On the other hand, job creation in the manufacturing industries sector, grew at a slower pace in line with losses at the level of the other manufacturing industries (-7.8 thousand jobs) as well as building materials, ceramics and glass industries and chemical industries (about-2 thousand jobs for each sector).

In addition, and following agriculture poor performance due to prevailing adverse weather over 2013, the agriculture and fishing sector recorded losses of about 13 thousand jobs. As for the transport and communications sector, it was also affected by the drop in air transport, mainly goods, meaning loss of about one thousand jobs against about 13 thousand created in 2012.

Concerning breakdown of unemployment by gender and given women's massive inflow on the labour market, women's unemployment continues to outnumber by far men's one, posting respectively 21.9% and 12.8% in 2013 against 24.2% and 13.9% a year earlier.

TABLE 2-7 : MAIN JOB INDICATORS

(In thousands unless otherwise indicated)

Description	2010	2011	2012	2013	Variation in %	
					2012 2011	2013 2012
- Working age 15 and more	8,038	8,175	8,283	8,384	1.3	1.2
- <b>Total labour force</b>	<b>3,769</b>	<b>3,909</b>	<b>3,910</b>	<b>3,979</b>	<b>0.0</b>	<b>1.8</b>
- Global activity rate (in %)	46.9	47.8	47.2	47.5		
- <b>Employed Labour force</b>	<b>3,277</b>	<b>3,171</b>	<b>3,256</b>	<b>3,369</b>	<b>2.7</b>	<b>3.5</b>
- Employment rate (in %)	40.8	38.8	39.3	40.2		
- <b>Job creation</b>	<b>78.5</b>	<b>-106.7</b>	<b>85.1</b>	<b>112.9</b>	<b>179.8</b>	<b>32.7</b>
- <b>Unemployed Labour force<sup>1</sup></b>	<b>492</b>	<b>738</b>	<b>654</b>	<b>610</b>	<b>-11.4</b>	<b>-6.7</b>
- <b>Global unemployment rate (in %)<sup>1</sup></b>	<b>13.0</b>	<b>18.9</b>	<b>16.7</b>	<b>15.3</b>		
of which :						
* Unemployment rate among university graduates (in %) <sup>1</sup>	23.3	33.1	33.2	31.9		

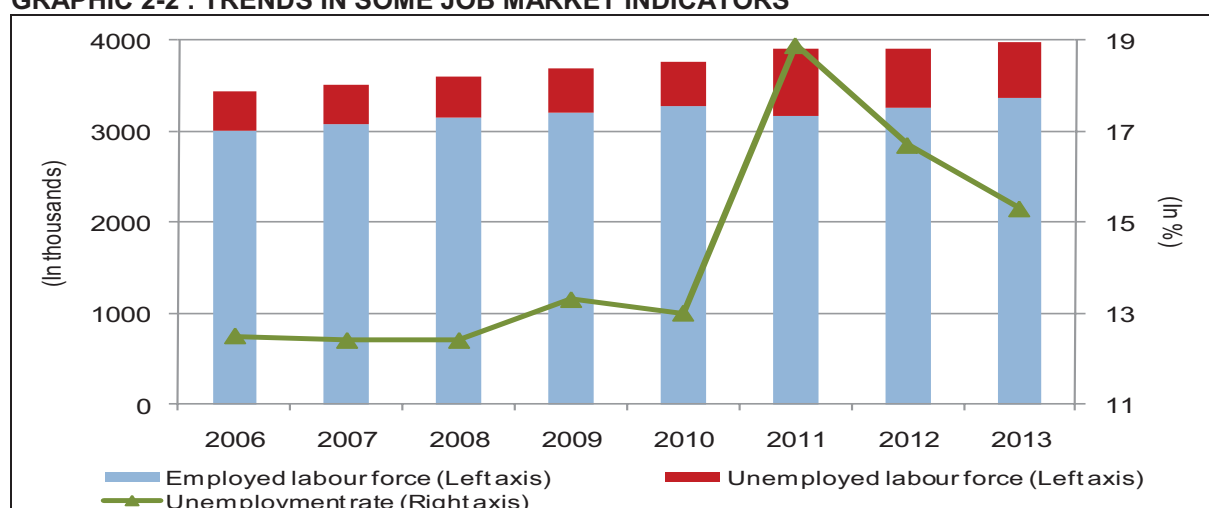
<sup>1</sup> As per norms of the International Job Bureau.

Source : National Statistics Institute

The 1.8% increase in overall **working population** against a stagnation a year earlier, along with a 1.2% increase in **working-age population** against 1.3% raised the **global activity rate** from 47.2% in 2012 to 47.4% in 2013.

Moreover, the **employed working population** increased by 3.5%, bringing the **employment rate** to 40.2% in 2013, up by 0.9 percentage point compared to the previous year, due notably to the increase in net job creation. Hence, the number of unemployed labour force, estimated at about 610 thousand people, regressed by 6.7% compared to 2012.

GRAPHIC 2-2 : TRENDS IN SOME JOB MARKET INDICATORS



Source : National Statistics Institute

2014 will be marked by intensified efforts notably with a view to achieving a sounder, more inclusive and job-generating growth and a more accelerated business creation pace. Focus will be put on highlighting the role of inland regions in job promotion by improving their competitiveness and achieving an optimal use of their resources. Thus, 90 thousand new jobs are expected to be created as per the 2014 economic budget.

### 2.5.2. Wages

2012 was marked by wage increases relevant to all labour force categories, despite a difficult and hardly encouraging economic situation. 2013 was however characterized by wage stability on the whole in the framework of expenditure rationalization and reduction policy following a common agreement between trade unions (mainly the UGTT), the employers' organization (UTICA) and the Government.

Moreover, a new social contract was signed on 14 January 2013 by the three above-mentioned parties within the framework of the national dialogue. The main axes of this contract include social protection, professional relationships and decent work, employment and vocational training policies, economic progress and regional development. Particularly, among the most important operational provisions provided for by this contract, is notably the creation of an Insurance Fund against job loss, the financing of which will be ensured by social partners. Its role consists in protecting wage-earners and further reassuring employers.

In 2014 and within the same context, three framework agreements were signed in May between the three parties. The first one concerns start up of social negotiations on wage increases in the private sector. The second one is about production and productivity and the third one concerns purchasing power and prices.

**TABLE 2-8 : TRENDS IN MINIMUM LEGAL WAGES** (In dinars unless otherwise indicated)

Description	July 2010	May 2011	July 2012	May 2014 <sup>1</sup>	Variation in %	
					July 2012 May 2011	May 2014 July 2012
<b>Guaranteed minimum inter-professional wage (SMIG)</b>						
-Hourly SMIG (in millimes)						
. 48-hr week	1,310	1,375	1,451	1,538	5.5	6.0
. 40-hr week	1,356	1,421	1,497	1,584	5.3	5.8
-Monthly SMIG <sup>2</sup>						
. 48-hr week	272.480	286.000	301.808	319.904	5.5	6.0
. 40-hr week	235.040	246.306	259.479	274.559	5.3	5.8
<b>Guaranteed minimum daily agricultural wage (SMAG)</b>	<b>8.380</b>	<b>9.000</b>	<b>11.608</b>	<b>12.304</b>	<b>29.0</b>	<b>6.0</b>

Source : Official Journal of the Tunisian Republic

<sup>1</sup> As per the Minister of social affairs declarations during a press conference held on 1 June 2014.

<sup>2</sup> Excluding a transport premium raised to 26.112 dinars in May 2014 and an assiduity premium worth 2.080 dinars.

Thus, social negotiations on wage increases in the private sector with respect to 2014 involved a 6% increase, starting from 1<sup>st</sup> May, in the guaranteed minimum inter professional wage (SMIG) for the 48-hour per week regime and a 5.8% increase for the 40 hour one, up to 319.904 and 274.559 dinars per month respectively.

As for the guaranteed minimum daily agricultural wage (SMAG), it should be raised, starting from the same date, by 6% or 696 millimes per day bringing the daily salary to 12.304 dinars. Likewise, specialized and skilled agricultural workers will be able to benefit from a technical expertise bonus worth 733 and 766 millimes per working day, bringing these workers' salaries, respectively, to 12.960 and 13.537 dinars per day.

## 2.6. PUBLIC FINANCES<sup>1</sup>

The political and social events which marked the transitional period in Tunisia had negative fallouts on public finances. Social pressure brought about an unprecedented speed up of current expenses growth pace, leading to a considerable slippage in Central Administration accounts.

While there was a significant surplus in the primary balance over the years before the revolution, a deficit of about 2,079 MTD or 2.7% of GDP was recorded in 2013 and for the third year in a row. Hence, the budget deficit exclusive of privatisation and grants worsened by 30.7% posting 4,783 MTD or 6.2% of GDP despite the drop in capital expenditure.

<sup>1</sup> Source : Ministry of Economy and Finance.



TABLE 2-9 : STATE BUDGET BALANCE

(In MTD unless otherwise indicated)

Description	2012	2013*	2014**	Variation in %	
				2013 2012	2014 2013
<b>Core resources and grants</b>	<b>18,488.4</b>	<b>19,959.7</b>	<b>20,287.0</b>	<b>8.0</b>	<b>1.6</b>
- Tax revenue	14,864.6	16,333.5	17,897.0	9.9	9.6
- Non tax revenue	3,623.8	3,626.2	2,390.0	0.1	-34.1
<b>Borrowing resources</b>	<b>4,764.1</b>	<b>5,290.4</b>	<b>7,013.0</b>	<b>11.0</b>	<b>32.6</b>
<b>Cash resources</b>	<b>8.2</b>	<b>1,195.0</b>	<b>0.0</b>		
<b>Sukuk</b>	<b>0.0</b>	<b>0.0</b>	<b>825.0</b>		
<b>Total resources</b>	<b>23,260.7</b>	<b>26,445.1</b>	<b>28,125.0</b>	<b>13.7</b>	<b>6.4</b>
<b>Expenditure exclusive of debt principal</b>	<b>20,409.5</b>	<b>23,450.2</b>	<b>24,925.0</b>	<b>14.9</b>	<b>6.3</b>
- Operating expenditure exclusive of equalisation	11,011.9	11,962.0	13,458.0	8.6	12.5
- Equalisation	3,624.1	5,514.0	4,292.0	52.1	-22.2
- Debt interest	1,267.6	1,411.2	1,475.0	11.3	4.5
- Capital expenditure	4,765.9	4,387.0	5,600.0	-8.0	27.6
- Net loans of treasury	-260.0	176.0	100.0	167.7	-43.2
<b>Debt principal redemption</b>	<b>2,851.2</b>	<b>2,994.9</b>	<b>3,200.0</b>	<b>5.0</b>	<b>6.8</b>
<b>Total expenditure</b>	<b>23,260.7</b>	<b>26,445.1</b>	<b>28,125.0</b>	<b>13.7</b>	<b>6.4</b>
<b>Primary balance</b>	<b>-653.5</b>	<b>-2,079.3</b>	<b>-3,163.0</b>		
<b>In % of GDP</b>	<b>-0.9</b>	<b>-2.7</b>	<b>-3.7</b>		
<b>Budget deficit (excluding privatisation and grants)</b>	<b>-3,658.9</b>	<b>-4,782.5</b>	<b>-4,852.0</b>		
<b>In % of GDP</b>	<b>5.2</b>	<b>6.2</b>	<b>5.7</b>		
<b>Financing</b>					
- Privatisation and grants	1,737.8	1,292.0	214.0		
- Net domestic financing	600.8	1,705.4	350.0		
- Net external financing	1,320.3	1,785.1	4,288.0		

\* Updated data as of February 2014.

\*\* 2014 finance law.

The increase in expenditure at a significantly higher pace than the one of core resources and grants exerted a strong pressure on indebtedness. Thus, the outstanding balance of public debt went up from 44.5% to 45.7% of GDP from one year to the next.

### 2.6.1. State budget resources

Overall resources available to the State budget in 2013 continued to grow at a significant pace. They increased by 13.7% or 3,184 MTD compared to the 2012 level, up to 26,445 MTD. This trend is mainly attributable to massive recourse to indebtedness and considerable mobilisation of cash resources.

Resources' structure was characterized by the lower share of core resources, down from 79.5% in 2012 to 75.5% in 2013 and the increase, hence, in the contribution of borrowing and cash resources in total, up by 4 percentage points to 24.5%.



TABLE 2-10 : CORE RESOURCES AND GRANTS

(In MTD unless otherwise indicated)

Description	2012	2013*	2014**	Variation in %	
				<u>2013</u> <u>2012</u>	<u>2014</u> <u>2013</u>
<b>Tax revenue</b>	<b>14,864.6</b>	<b>16,333.5</b>	<b>17,897.0</b>	<b>9.9</b>	<b>9.6</b>
- Direct tax	6,089.2	7,117.7	7,743.0	16.9	8.8
* Income tax	3,187.9	3,710.4	4,221.0	16.4	13.8
* Corporate tax	2,901.3	3,407.3	3,522.0	17.4	3.4
<i>of which : oil companies</i>	1,285.0	1,800.0	1,552.0	40.1	-13.8
- Levies and indirect tax	8,775.4	9,215.8	10,154.0	5.0	10.2
<i>of which :</i>					
* V A T	4,375.8	4,449.3	4,715.0	1.7	6.0
* Consumer duty	1,597.6	1,547.2	1,704.0	-3.2	10.1
<b>Non tax revenue</b>	<b>3,623.8</b>	<b>3,626.2</b>	<b>2,390.0</b>	<b>0.1</b>	<b>-34.1</b>
* <i>Oil and gas income</i>	210.5	109.7	130.0	-47.9	18.5
* <i>Shareholding income</i>	757.5	1,070.7	500.0	41.3	-53.3
* <i>Privatization and grants</i>	1,737.8	1,292.0	214.0	-25.7	-83.4
<b>Total</b>	<b>18,488.4</b>	<b>19,959.7</b>	<b>20,287.0</b>	<b>8.0</b>	<b>1.6</b>

\* Updated data as of February 2014.

\*\* 2014 finance law.

### 2.6.1.1. Tax revenue

Accounting for about 82% of the State budget core resources, tax revenue posted, in 2013, about 16,338 MTD, up by 1,469 MTD or 9.9% compared to their 2012 level. This trend bears the mark of the increase in direct taxes (+16.9%) due to corporate tax recovery following economic activity improvement in 2012, on the one hand and income taxes progress (+16.4%) in line with creation of about 113 thousand jobs in 2013 on the other hand. However, indirect taxes and levies grew at a sharply slower pace (5% vs. 13.7% a year earlier) following notably, the drop in consumer rights (-3.2%) besides slower growth in customs duties and VAT which were affected by imports deceleration.

Taking account of the increase in tax revenue at a slightly faster pace than the one of current GDP (9.9% and 8.4%, respectively), the tax burden rose moderately in 2013 by 0.3 percentage point to 21.3%.

For 2014, and based on a 4% economic growth rate in real terms and 9.6% in current prices over this year, as well as adoption of new budgetary measures (430 MTD), in addition to better collection procedures (400 MTD), the Finance Law for 2014 anticipates a 9.6% increase in tax revenue, resulting in a tax burden of about 21% coming to its 2012 level.

### 2.6.1.2. Non tax revenue

Non-tax revenue virtually stagnated over 2013 (+0.1%) against +16% over the previous year, posting 3,626 MTD. This is attributable to the ongoing drop by about 48% in the pipeline royalty following the decline in Italian purchases of the Algerian gas, causing thus a 40% decrease in the lump sum taxation (558.6 Ktep in 2013 vs. 924.4 Ktep in 2012)<sup>1</sup> besides the shrinking amount of disbursed grants. Worth of note that non-tax revenue mobilized in 2013 involved an overall amount of 1,000 MTD, corresponding to a portion of the proceed from “Tunisie Télécom” privatization.

Concerning 2014, forecasts indicate a sharp drop in non-tax revenue (-34.1%) attributable mainly to the anticipated decline in income from State shareholdings which represent the first source of this kind of revenue, in line with the fragile financial situation of the main public enterprises.

<sup>1</sup> As per the monthly report of the National Energy Watch (December 2013).

### 2.6.1.3. Borrowed resources

The budget deficit worsening along with the increase in the State's core resources at a less rapid pace than the one of expenditure made the State recourse to indebtedness over 2013 more accentuated, up by 11% compared to its 2012 level, coming to 5,290 MTD.

Out of this total, 65.2% were resources from abroad while the remaining part was raised on the domestic market.

**TABLE 2-11 : BORROWED RESOURCES**

(In MTD unless otherwise indicated)

Description	2012	2013*	2014**	Variation in %	
				2013 2012	2014 2013
<b>- Domestic Borrowings</b>	<b>1,517.7</b>	<b>1,843.1</b>	<b>2,500.0</b>	<b>21.4</b>	<b>35.6</b>
. 52 week Treasury bonds	322.4	165.3	250.0	-48.7	51.2
. Bonds equivalent to Treasury bonds (BTA)	1,195.3	1,573.9	2,250.0	31.7	43.0
. Domestic borrowing in foreign currency	0.0	103.9	0.0	-	-100.0
<b>- External Borrowings</b>	<b>3,246.4</b>	<b>3,447.3</b>	<b>4,513.0</b>	<b>6.2</b>	<b>30.9</b>
. Budgeted drawings	2,674.1	2,771.3	3,886.6	3.6	40.2
<i>of which : International capital market</i>	1,526.2	.....,	1,394.0	...	...
. Earmarked external borrowings : (administrative projects)	464.6	478.9	526.4	3.1	9.9
. Retroceded external loans : (corporate projects)	107.7	197.1	100.0	83.0	-49.3
<b>Total</b>	<b>4,764.1</b>	<b>5,290.4</b>	<b>7,013.0</b>	<b>11.0</b>	<b>32.6</b>

\* Updated data as of February 2014.

\*\* 2014 finance law.

Raising of domestic borrowed resources was ensured by issue of Bonds equivalent to Treasury Bonds which account for 85.4% of the overall amount of these resources. A new budget-financing mode was adopted for the first time on the domestic market, namely the recourse to a borrowing in foreign currency worth 103.9 MTD. This caused a drop in the issue of short-term Treasury Bonds by about the half, down to 165.3 MTD.

As for external borrowing resources, they went up by 6.2% in 2013 compared to their 2012 level, posting 3,447 MTD, 1,240 MTD of which are loans drawn in 2012 namely the World Bank loan worth 827 MTD and the Japanese Bank for International Cooperation (JBIC) loan worth 413 MTD.

### 2.6.2. State budget expenditure

The State budget overall expenditure grew faster over 2013, up from 12.1% in 2012 to 13.7% in 2013 due mainly to persisting increase in operating expenses mainly with respect to salaries and equalisation, besides progress in debt interest-related expenses. This trend could have been more significant had it not been for the drop in capital expenditure (-8%).

Operational analysis of State expenditure excluding debt service remains marked by prevailing social aspect of public expenditure (54%). The remainder is divided between general services (25%) and economic services (21%).

#### 2.6.2.1. Operating expenditure

Marked by the increase in both equalisation outlays and the wage bill, operating expenditure grew by 19.4% compared to its 2012 level, up to 17,476 MTD corresponding to about 2/3 of the State overall budget. This is likely to evict capital expenditure which is directly linked to investment effort, consequently to job creation.

About 67% of the increase in operating expenditure is attributable to the higher equalisation outlays which went on an increase at a sustained pace since the revolution, up to 5,514 MTD: largely above the amount of capital expenditure and the budget deficit. Elaborating a strategy to rationalize this expenditure constitutes more than ever an imperious need to ensure public finances viability in the forthcoming years and to overcome the inefficiency of the universal aspect adopted in the breakdown of these transfers. In this framework, studies demonstrated that the vulnerable population targeted by this expenditure enjoys only 12% of the overall amount of food subsidies. Besides, 20% of the richest category benefit from 70% of the overall amount of these subsidies.

Concerning salaries-related outlays which account for about 55% of operating expenditure, they went up by 11% to 9,606 MTD. This increase is mainly attributable to the impact of carried out recruitments and civil servants promotion, in addition to the monthly allowance worth 70 dinars generalised on all Central Administration employees.

**TABLE 2-12 : OPERATING EXPENDITURE** (In MTD unless otherwise indicated)

Description	2012	2013*	2014**	Variation in %	
				<u>2013</u> 2012	<u>2014</u> 2013
Salaries and wages	8,655.5	9,606.0	10,554.9	11.0	9.9
Means of services	983.4	972.0	1,050.8	-1.2	8.1
Interventions exclusive of equalisation	1,373.0	1,384.0	1,556.1	0.8	12.4
Equalisation	3,624.1	5,514.0	4,292.0	52.1	-22.2
- Commodities	1,235.6	1,450.0	1,407.0	17.4	-3.0
- Fuel	2,111.0	3,734.0	2,500.0	76.9	-33.0
- Transport	277.5	330.0	385.0	18.9	16.7
Non-allocated expenditure	0.0	0.0	296.2		
<b>Total</b>	<b>14,636.0</b>	<b>17,476.0</b>	<b>17,750.0</b>	<b>19.4</b>	<b>1.6</b>

\* Updated data as of February 2014.

\*\* 2014 finance law.

For 2014, operating expenditure should grow at a slower pace in line with the expected decline in equalisation outlays, the level of which remains quite high. Worth of note that these outlays were provided for on the basis of freezing of civil servants' wage increases.

It is worth mentioning, however, that this expenditure takes into account mainly a review of some commodity prices on the local market, a 1.670 dinar exchange rate for one dollar and an average price of 110 dollars for a barrel of oil. It follows that every 10 millime depreciation (appreciation) of the dinar for one dollar would bring about additional expenses (receipts) worth 30 MTD, while every increase in the barrel's price level by one dollar would make supplementary costs worth 40 MTD and vice versa.

#### **2.6.2.2. Capital expenditure and net loans from the Treasury**

Given slow administrative procedures, particularly as regards public contracts, along with the social disturbances hampering the achievement of some projects, capital expenditure with respect to 2013 was largely below initial forecasts for the second year in a row. Thus, capital expenditure implementation rate did not exceed 80% of the amount provided for by the 2013 Finance Law (5,500 MTD) and posted a 8% drop compared to its 2012 level, down to 4,387 MTD : 5.7% of GDP and 27.7% of overall investment.

**TABLE 2-13 : CAPITAL EXPENDITURE AND NET LOANS FROM THE TREASURY**

(In MTD unless otherwise indicated)

Description	2012	2013*	2014**	Variation in %	
				<u>2013</u> 2012	<u>2014</u> 2013
Direct investment	1,651.1	1,672.0	2,021.1	1.3	20.9
Public financing	1,928.2	1,665.0	1,870.7	-13.7	12.4
External loans/State projects	464.6	479.0	526.4	3.1	9.9
Treasury funds	722.0	571.0	765.5	-20.9	34.1
Non-allocated expenditure	0.0	0.0	416.3		
Net loans from the Treasury	-260.0	176.0	100.0	167.7	-43.2
<b>Total</b>	<b>4,505.9</b>	<b>4,563.0</b>	<b>5,700.0</b>	<b>1.3</b>	<b>24.9</b>

\* Updated data as of February 2014.

\*\* 2014 Finance law.

However, taking account of expenditure with respect to net loans and advances from the Treasury, capital expenditure went up slightly by 1.3%, to 4,563 MTD.

For 2014, the amount allotted to capital expenditure should recover by 27.6%, to reach 5,600 MTD or 33.3% of overall investment. This expenditure will be intended notably to achieving already-scheduled projects over the previous years, besides other new development programmes. Worth of note that an amount of 500 MTD should be allocated to increasing the three main public banks social capital.

### 2.6.2.3. Public debt service

Disbursements with respect to public debt reimbursement (Principal and interests) with respect to 2013 posted 4,406.1 MTD, up by 7% compared to their last year level against 14.2% in 2012. This trend meant a significant increase in the domestic debt service which was partly offset by a decline in external debt reimbursement.

**TABLE 2-14 : DEBT SERVICE**

(In MTD unless otherwise indicated)

Description	2012	2013*	2014**	Variation in %	
				<u>2013</u> 2012	<u>2014</u> 2013
<b>Domestic debt</b>	<b>1,606.2</b>	<b>2,176.6</b>	<b>2,950.0</b>	<b>35.5</b>	<b>35.5</b>
Principal	925.1	1,332.7	2,150.0	44.1	61.3
Interests	681.1	843.9	800.0	23.9	-5.2
<b>External debt</b>	<b>2,512.6</b>	<b>2,229.5</b>	<b>1,725.0</b>	<b>-11.3</b>	<b>-22.6</b>
Principal	1,926.1	1,662.2	1,050.0	-13.7	-36.8
Interests	586.5	567.3	675.0	-3.3	19.0
<b>Total</b>	<b>4,118.8</b>	<b>4,406.1</b>	<b>4,675.0</b>	<b>7.0</b>	<b>6.1</b>
Principal	2,851.2	2,994.9	3,200.0	5.0	6.8
Interests	1,267.6	1,411.2	1,475.0	11.3	4.5

\* Updated data as of February 2014.

\*\* 2014 Finance law.

For 2014, the debt service should increase by 6.1% to 4,675 MTD with a drop in outlays related to external debt. The latter were founded on an exchange rate of 2.260 dinars for one euro, 1.670 dinars for one dollar and 17.300 dinars for 1000 Japanese yen. Worth of note that every depreciation by 10 millimes of the dinar against the dollar and the euro, and by 100 millimes for 1,000 Japanese yen would bring about additional expenses worth 7.5 MTD with respect to the debt service.

### 2.6.3. Financing the budget deficit and trends in the outstanding balance of public debt

In line with the increase in the State Budget non-discretionary expenditure, along with core resources' slower growth pace, the budget deficit excluding privatization and grants posted a new record for the second year in a row, up to 4,782.5 MTD or 6.2% of GDP against about 3,659 MTD and 5.2% in 2012. This deficit could have worsened more had it not been for the drop in capital expenditure.

In order to cover this deficit, public authorities' action focused on a financing scheme ensured up to 25% by treasury resources, 27% by income from privatizations and grants and 48% by borrowings, particularly external ones. Hence, the outstanding balance of public debt grew by 11.4% up to 35,022.2 MTD or 45.7% of GDP.

The outstanding balance structure shows the higher share of domestic debt at the expense of the external debt one without, however, exceeding it. Worth of note that external debt is still marked by the euro share dominance : 53.5%. The shares of the dollar and the yen posted 23.4% and 16.7%, respectively while the remaining share corresponds to miscellaneous other foreign currencies.

**TABLE 2-15 : THE OUTSTANDING BALANCE OF PUBLIC DEBT**

Description	2012		2013*		2014**	
	In MTD	In % of total	In MTD	In % of total	In MTD	In % of total
<b>Domestic debt</b>	<b>11,706.3</b>	<b>37.3</b>	<b>15,024.0</b>	<b>42.9</b>	<b>15,120.0</b>	<b>36.2</b>
In % of GDP	16.6		19.6		17.8	
<b>External debt</b>	<b>19,713.8</b>	<b>62.7</b>	<b>19,978.2</b>	<b>57.1</b>	<b>26,634.0</b>	<b>63.8</b>
In % of GDP	27.9		26.1		31.3	
<b>Total</b>	<b>31,420.1</b>	<b>100.0</b>	<b>35,002.2</b>	<b>100.0</b>	<b>41,754.0</b>	<b>100.0</b>
In % of GDP	44.5		45.7		49.1	

\* Updated data as of February 2014.

\*\* 2014 Finance law.

For 2014, the budget deficit exclusive of privatization and grants is expected to reach 5.7% of GDP : a quite high rate despite its decline compared to the previous year rate. In addition, the outstanding balance of public debt should increase by 3.4 percentage points, up from 45.7% to 49.1% of GDP, posting 41,754 MTD, about 64% of which constitute external debt.

### 2.7. TOTAL INDEBTEDNESS<sup>1</sup>

Deterioration of the post-revolution socio-economic situation weakened Tunisia's economic fabric as well as its public finances. In fact, economic agents' recourse to national and international borrowing resources is notably attributable to some structural aspects due to domestic savings weakness, current deficit worsening and foreign direct investments drop. Moreover, the same difficulties rendered more difficult both domestic indebtedness, due to non-financial economic agents' persisting aversion to risk, and external indebtedness influenced by the negative disclosure effect generated by financial rating agencies' poor appreciation of sovereign risk.

<sup>1</sup> This aggregate underlines all the financing means held by resident non financial economic agents including the State, whether owed to residents or non residents, in the form of loans or securities issued on the domestic capital market exclusive of financing through capital securities newly issued or in the framework of boosting core funds. In the framework of this section, total indebtedness is analysed as per a global approach based on stock including notably State resources held in BCT accounts.

TABLE 2-16 : TREND IN TOTAL INDEBTEDNESS

(In MTD unless otherwise indicated)

Description	2011	2012	2013	Variation in %		
				<u>2011</u> 2010	<u>2012</u> 2011	<u>2013</u> 2012
<b>Domestic indebtedness (DI)</b>	<b>58,525</b>	<b>63,969</b>	<b>68,096</b>	<b>15.0</b>	<b>9.3</b>	<b>6.5</b>
-State <sup>1</sup>	11,965	13,350	14,057	20.3	11.6	5.3
-Other non-financial economic agents	46,560	50,619	54,039	13.7	8.7	6.8
° <b>From the financial system</b>	<b>54,288</b>	<b>59,642</b>	<b>64,296</b>	<b>15.0</b>	<b>9.9</b>	<b>7.8</b>
-State	8,048	9,374	10,357	22.6	16.5	10.5
-Other non-financial economic agents	46,240	50,268	53,939	13.8	8.7	7.3
° <b>On capital markets</b>	<b>4,237</b>	<b>4,327</b>	<b>3,800</b>	<b>14.9</b>	<b>2.1</b>	<b>-12.2</b>
-State	3,917	3,976	3,700	15.8	1.5	-6.9
-Other non financial economic agents	320	351	100	4.1	9.7	-71.5
<b>*Money market</b>	<b>248</b>	<b>297</b>	<b>44</b>	<b>14.8</b>	<b>19.8</b>	<b>-85.2</b>
-State	0	0	0	-	-	-
-Other non-financial economic agents	248	297	44	14.8	19.8	-85.2
<b>*Bond market</b>	<b>3,989</b>	<b>4,030</b>	<b>3,756</b>	<b>14.9</b>	<b>1.0</b>	<b>-6.8</b>
-State	3,917	3,976	3,700	15.8	1.5	-6.9
-Other non-financial economic agents	72	54	56	-21.2	-25.0	3.7
<b>External indebtedness (EI)</b>	<b>23,778</b>	<b>26,891</b>	<b>28,625</b>	<b>8.8</b>	<b>13.1</b>	<b>6.4</b>
-State*	16,711	19,721	19,978	7.4	18.0	1.3
-Other non-financial economic agents	7,067	7,170	8,618	12.2	1.5	20.6
<b>Total indebtedness (TI)</b>	<b>82,303</b>	<b>90,860</b>	<b>96,721</b>	<b>13.1</b>	<b>10.4</b>	<b>6.5</b>
-State**	28,676	33,071	34,035	12.4	15.3	2.9
-Other non-financial economic agents	53,627	57,789	62,686	13.5	7.8	8.5

Sources : Central Bank of Tunisia, Capital Market Council (CMF) and Ministry of Economy and Finance

\* External indebtedness of the State including non resident subscriptions to Treasury bonds.

\*\* In considering a global approach based on stocks, including the State resources held in its accounts at the BCT.

Hence, total indebtedness, including as much external debt as the domestic one, pursued over the considered financial year, the downward dynamic initiated since the previous year, down from 13.1% in 2011 to 10.4% in 2012, then to 6.5% in 2013 in the wake of contrasting trends of its components. After having exceptionally increased following soaring current budget expenses due to rocketing increase in the wage bill as well as compensation of energy and food product, the State total indebtedness posted a strong deceleration, with the growth rate dropping from 15.3% in 2012 to 2.9% in 2013. On the other hand, other non-financial economic agents' total indebtedness grew at a modestly faster pace over the same period (8.5% vs. 7.8% a year earlier). Moreover, analysis by source of indebtedness shows predominance of domestic indebtedness (70%). The remainder is ensured by external resources.

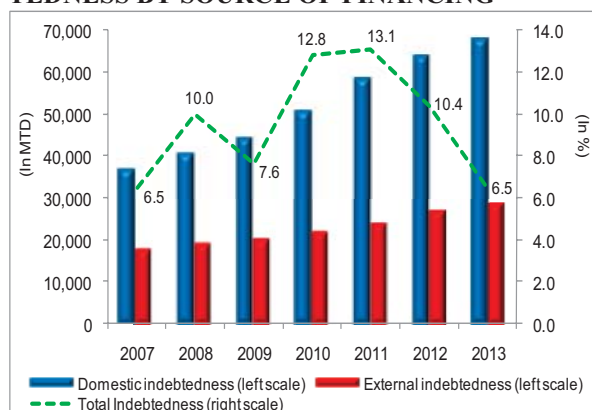
### 2.7.1. Domestic indebtedness

Domestic indebtedness has started 2013 to grow at a slower pace since the previous year : 6.5% vs. 9.3% in 2012 and 15% in 2011, reflecting evolution notably, of State indebtedness and to a lesser degree, the other non-financial economic agents' domestic indebtedness. Analysis by financing sources shows ongoing financial system hegemony in internal resources mobilisation despite its moderate growth over 2013 compared to that of the previous year (7.8% vs. 9.9%). Yet, funds raised on capital markets went downwards, over the same period, by 12.2% against a 2.1% increase in 2012, resulting mainly from exiguity of the above-said markets and persisting aversion of all non-financial economic agents to risk.

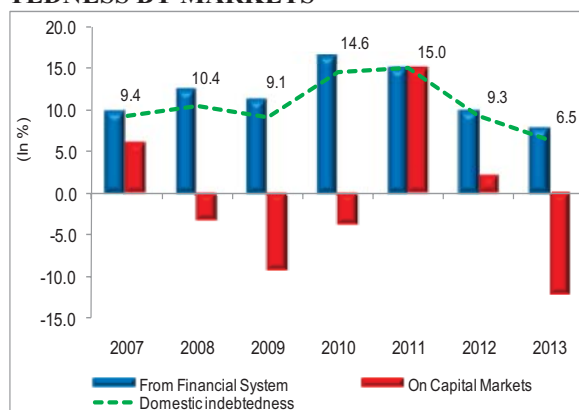


Particularly, State domestic indebtedness to the financial system grew at a slower pace over 2013, down from 16.5% in 2012 to 10.5% in 2013. As for the State's domestic financing via capital markets, it dropped by 7% against a 1.5% increase a year earlier, due notably to important reimbursements of Treasury bonds despite the State's increasing recourse to these securities issues. Thus, issues of these bonds in all categories involved an amount of 1,739 MTD and reimbursements worth 1,133 MTD to this respect : a net subscriptions package of 606 MTD against 1,524 MTD, 803 MTD and 721 MTD, respectively in 2012.

**GRAPHIC 2-3 : TRENDS IN TOTAL INDEBTEDNESS BY SOURCE OF FINANCING**



**GRAPHIC 2-4 : TRENDS IN DOMESTIC INDEBTEDNESS BY MARKETS**



As for the domestic indebtedness of other non-financial economic agents, it evolved moderately over the considered financial year (6.8% vs. 8.7%) in the wake of sharp drop in inter-business financing on the money market (-85.2% vs. +19.8%), despite slight recovery on the domestic bond market (+3.7% vs. -25%), reflecting thus liquidity shrinking for most economic agents. Worth of note that a sole issue was recorded on this market over 2013 worth 20 MTD after a total absence of this kind of operations over the previous two years.

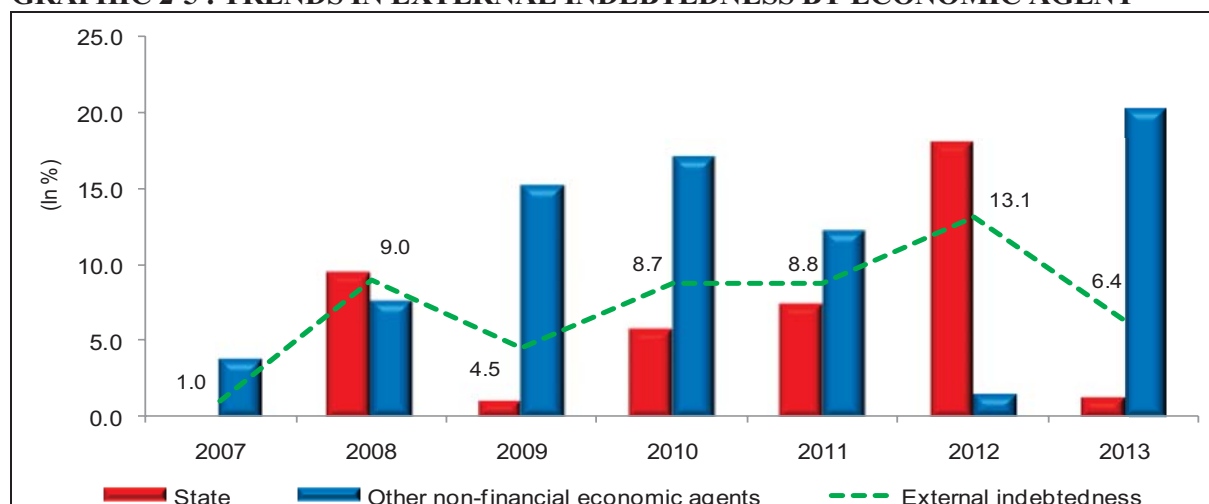
## 2.7.2. External indebtedness

The sharp deceleration in the State external indebtedness rate (1.3% in 2013 vs. 18% in 2012) and the exceptional soaring, from one year to the next, in indebtedness of other non-financial economic agents (20.6% vs. 1.5%) brought about a modest increase in total external indebtedness (6.4% vs. 13.1%). This evolution is attributable to weak external resources mobilized by the State which are largely below resources raised over 2012 along with a drop, over the same period, in the amount of reimbursement of public external debt (685 MTD vs. 992 MTD). As for external drawing carried out by the State in 2013, there was notably the private placement on the Japanese market guaranteed by the Japanese bank for International Cooperation : JBIC (19.4 billion JPY or 323 MTD) and the external loan given by the AMF to boost the budget (46 million \$ or 76 MTD).

Bonds equivalent to Treasury bonds (BTA) subscribed by foreigners and/or non-residents which represent an external financing source for the State budget, remain insignificant with a very weak participation rate in auctions for the acquisition of these securities in 2013 : 0.002%, corresponding to an outstanding balance of 0.154 MTD against 0.106% or 7 MTD in 2012. It is worth recalling that the maximum BTA amount that can be subscribed by foreigners and/or non-residents can not exceed 20% of the indicative overall volume of half-year issues.

As for other non-financial economic agents' external indebtedness, it evolved at an exceptional pace over 2013, reflecting importance of drawings on external resources mobilized by these economic agents, mainly the external loans granted to the STEG (203 MTD), to TUNISAIR Company (142 MTD) and to the Tunisian Chemical Group (110 MTD).



**GRAPHIC 2-5 : TRENDS IN EXTERNAL INDEBTEDNESS BY ECONOMIC AGENT**

### 2.7.3. Main financing indicators

The total indebtedness ratio compared to GDP in current prices gave up the upward trend of the last five years and recorded a slight drop (-1.9 percentage points), down from 128.6% in 2012 to 126.7% in 2013.

This trend reflects the drop in both the domestic indebtedness ratio (89.2% vs. 90.5%) and the external indebtedness one (37.5% vs. 38.1%).

On the other hand, the external indebtedness ratio compared to GNDI is 37.2% against 37.6%, given that external indebtedness grew at a less accelerated pace than the one of GNDI. Yet, the level of this ratio remains still within acceptable proportions.

**TABLE 2-17 : TRENDS IN THE MAIN FINANCING INDICATORS** (In % unless otherwise indicated)

Description	2011	2012	2013
<b>Total indebtedness/GDP in current prices</b>	<b>127.2</b>	<b>128.6</b>	<b>126.7</b>
*State	44.3	46.8	44.6
*Other non-financial economic agents	82.9	81.8	82.1
<b>Domestic indebtedness/GDP</b>	<b>90.5</b>	<b>90.5</b>	<b>89.2</b>
*State	18.5	18.9	18.4
*Other non-financial economic agents	72.0	71.6	70.8
<b>External indebtedness/GDP</b>	<b>36.7</b>	<b>38.1</b>	<b>37.5</b>
*State	25.8	27.9	26.2
*Other non-financial economic agents	10.9	10.2	11.3
<b>State domestic indebtedness/Domestic indebtedness</b>	<b>20.4</b>	<b>20.9</b>	<b>20.6</b>
<b>Domestic indebtedness of other non-financial economic agents/Domestic indebtedness</b>	<b>79.6</b>	<b>79.1</b>	<b>79.4</b>
<b>External indebtedness /GNDI</b>	<b>36.7</b>	<b>37.6</b>	<b>37.2</b>
<b>GDP in current prices (in MTD)</b>	<b>64,690</b>	<b>70,658</b>	<b>76,351</b>
<b>GNDI in current prices (in MTD)</b>	<b>64,738</b>	<b>71,486</b>	<b>76,946</b>

### 3. EXTERNAL PAYMENTS

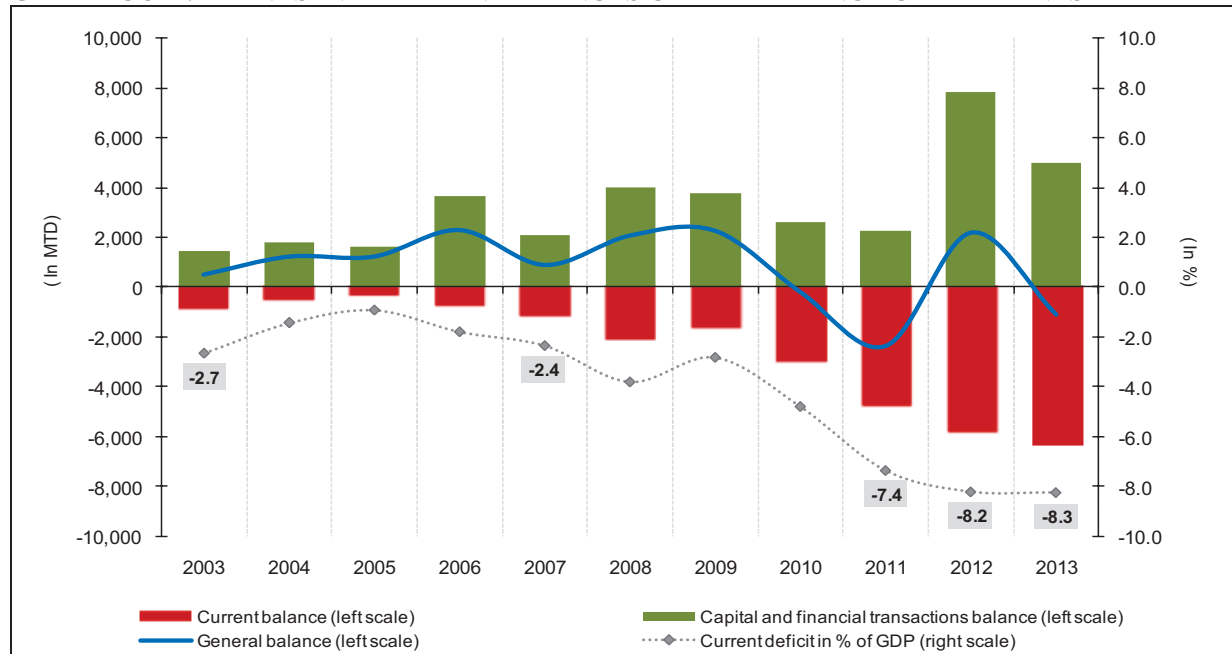
#### 3.1. BALANCE OF PAYMENTS

External payments continued to evolve over 2013 amidst a difficult national environment, strongly hit by social tensions, deterioration of the security climate as well as by fallouts from a political crisis caused by the transition period extension. This vulnerable situation brought about increasing uncertainties as regards economic outlook both among Tunisian operators and foreign investors. Concurrently, the decline in demand from the Euro Zone countries, Tunisia's main partners, linked to persisting sovereign debt crisis effects, has deeply influenced the growth pace of Tunisia's exports, notably those of manufacturing industries sector products as well as of some services.

In this context, the balance of current payments was under further pressure over 2013, posting a deficit which stood at a high level for the second year in a row : **6.3 billion dinars or 8.3% of GDP**. This result is due to the strong trade deficit deterioration, along with the sharp deceleration of flows from tourist receipts and remittances by Tunisians working abroad. Furthermore, external capital net inflows which stood at a limited level (5 billion dinars), helped cover the current deficit only partially (about 80%), due to the lower level of external resources in all forms of financing recorded over 2013.

Consequently, **net assets in foreign currency went down from 12,576 MTD and 119 days of imports at the end of 2012 to 11,602 MTD and 106 days at the end of 2013**, a situation reflected by the **1,095 MTD deficit** yielded by the general balance of payments.

GRAPHIC 3-1 : TRENDS IN THE MAIN BALANCES OF THE BALANCE OF PAYMENTS



**TABLE 3-1 : TRENDS IN THE MAIN BALANCES OF THE BALANCE OF EXTERNAL PAYMENTS**

(In MTD unless otherwise indicated)

Description	2009	2010	2011	2012	2013
<b>Current payments</b>	<b>-1,666</b>	<b>-3,012</b>	<b>-4,766</b>	<b>-5,812</b>	<b>-6,302</b>
Current deficit/GDP (%)	2.8	4.8	7.4	8.2	8.3
Merchandise (FOB-FOB)	-4,995	-6,548	-6,756	-9,535	-9,635
Services	3,409	3,522	2,102	3,053	2,634
Factor income & current transfers	-80	14	-112	670	699
<b>Financial operations and in capital</b>	<b>3,781</b>	<b>2,633</b>	<b>2,280</b>	<b>7,829</b>	<b>5,002</b>
Capital transactions	222	118	259	701	187
Participations	1,940	1,873	547	2,404	1,850
Other investments	1,619	642	1,474	4,724	2,965
<b>Adjustment operations (net flows)</b>	<b>127</b>	<b>180</b>	<b>139</b>	<b>151</b>	<b>205</b>
<b>General balance</b>	<b>2,242</b>	<b>-199</b>	<b>-2,347</b>	<b>2,168</b>	<b>-1,095</b>
<b>Net assets in foreign currency</b>	<b>13,353</b>	<b>13,003</b>	<b>10,581</b>	<b>12,576</b>	<b>11,602</b>
In days of import	186	147	113	119	106

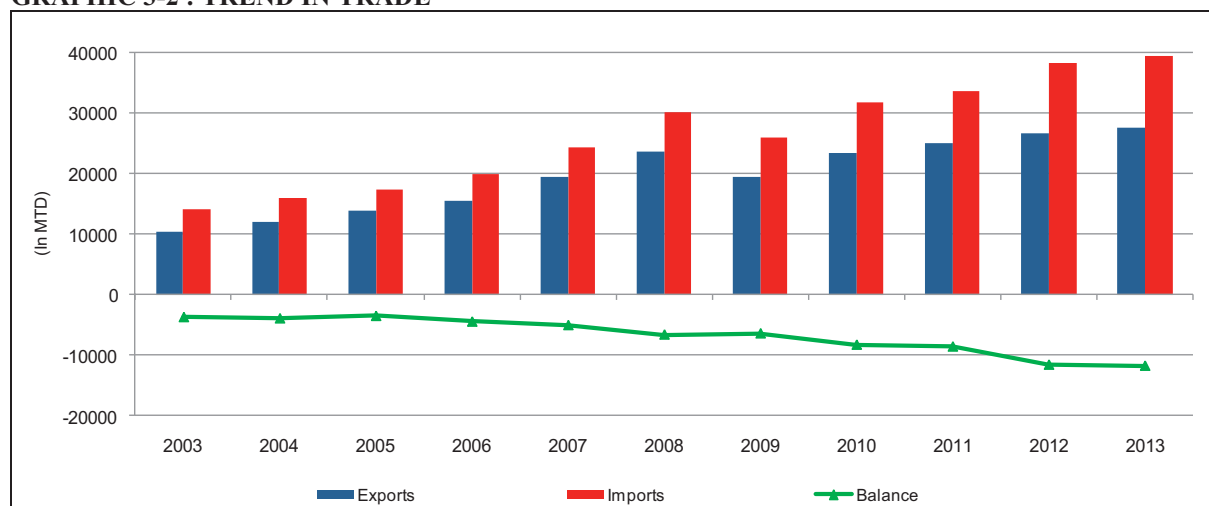
### 3.1.1. Trade Balance

The balance of current payments deficit widened by 490 MTD, posting 6,302 MTD in 2013 : 8.3% of GDP against 8.2% in 2012. This result is attributable to the combined effect of shrinking surplus of the balance of services (-419 MTD) and the slight deterioration of the trade balance expressed in terms of FOB-FOB (-100 MTD). However, the surplus balance of factor income and current transfers went slightly upwards (+29 MTD).

#### 3.1.1.1 Trade balance

After its widening by 35% or 3 billion dinars in 2012 compared to 2011, the trade deficit expressed, in terms of FOB-CIF slightly widened in 2013 (1.5% or 178 MTD compared to the one of 2012), posting 11,808 MTD, a level considered to be still high compared to those recorded over the previous years.

Over 2013, trade posted a slowdown that was more pronounced at the level of imports (+3.5% vs. 13.3% in 2012) than exports (+4.3% vs. +5.8%), bringing about thus a slightly better rate of coverage (+0.6 percentage point), up to 70.1%.

**GRAPHIC 3-2 : TREND IN TRADE**

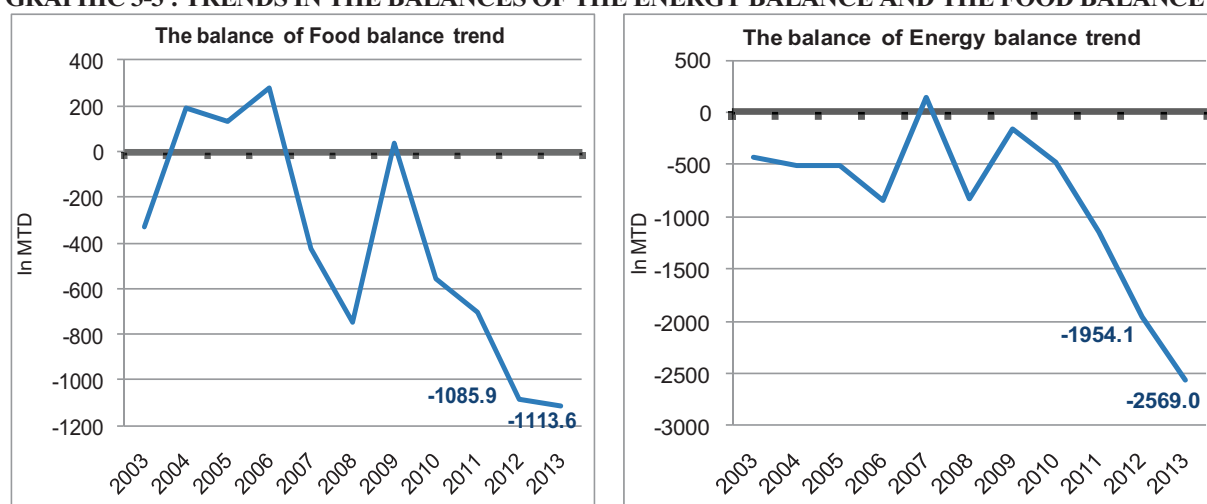
**TABLE 3-2 : MAIN FOREIGN TRADE INDICATORS**

(In MTD unless otherwise indicated)

Description	2009	2010	2011	2012	2013
<b>Export FOB</b>	<b>19,469.2</b>	<b>23,519.0</b>	<b>25,091.9</b>	<b>26,547.7</b>	<b>27,701.2</b>
Variation in %	-17.6	20.8	6.7	5.8	4.3
<b>Import CIF</b>	<b>25,877.6</b>	<b>31,816.7</b>	<b>33,695.4</b>	<b>38,178.0</b>	<b>39,509.4</b>
Variation in %	-14.4	23.0	5.9	13.3	3.5
<b>Trade deficit (FOB-CIF)</b>	<b>6,408.4</b>	<b>8,297.7</b>	<b>8,603.5</b>	<b>11,630.3</b>	<b>11,808.2</b>
<b>In % of GDP</b>	<b>10.9</b>	<b>13.1</b>	<b>13.3</b>	<b>16.4</b>	<b>15.2</b>
▪ Rate of coverage (in %)	75.2	73.9	74.5	69.5	70.1
▪ Opening rate (in %)	77.0	87.1	90.6	91.2	86.6
▪ Effort rate at export (in %)	33.1	37.0	38.7	37.4	35.7
▪ Dependence rate (in %)	43.9	50.1	51.9	53.8	50.9
▪ Penetration rate (in %)	39.6	44.3	45.8	46.2	44.2

Source : National Statistics Institute

Furthermore, analysis of trend in the trade balance by product groups shows, mainly, the ongoing deterioration of the energy balance and the foodstuff one which yielded deficits of a rather structural nature over these last years. For both of these balances, the overall deficit posted, in fact, about 3.7 billion dinars in 2013 : roughly the third of the overall trade deficit (against an average annual deficit of 0.7 billion dinars over the 2005-2010 period). As for the balance of consumer goods traditionally posting a surplus, it also yielded, for the second year in a row a deficit (-373 MTD) which however went on shrinking slightly (-2.4%) compared to 2012. As for deficits yielded by the balance of capital goods and the one of raw materials and semi-finished products, they shrunk by about 400 MTD and 50 MTD respectively compared to 2012.

**GRAPHIC 3-3 : TRENDS IN THE BALANCES OF THE ENERGY BALANCE AND THE FOOD BALANCE****TABLE 3-3 : TREND IN TRADE DURING 2013**

(In MTD unless otherwise indicated)

Sector	Agri. and Agrofood Industries	Energy	Mining, phosphates and by products	Textile, clothing, leather and footwear	Mechanical and electrical industries	Other manufacturing industries	Total
<b>Exports at current prices</b>	<b>2,740.6</b>	<b>4,209.7</b>	<b>1,657.9</b>	<b>6,227.2</b>	<b>10,364.6</b>	<b>2,501.2</b>	<b>27,701.2</b>
Variation in current prices in %	6.3	-5.4	0.5	5.1	6.7	12.3	4.3
Variation in constant prices in %	-1.7	-4.7	13.3	-0.2	1.2	2.5	2.6
<b>Imports at current prices</b>	<b>4,403.5</b>	<b>6,778.7</b>	<b>884.5</b>	<b>4,473.4</b>	<b>16,048.0</b>	<b>6,921.3</b>	<b>39,509.4</b>
Variation in current prices in %	4.6	5.8	-8.3	4.7	0.6	8.6	3.5
Variation in constant prices in %	6.0	-1.0	-0.9	1.1	-5.6	2.2	-1.9
<b>Trade balance at current prices</b>	<b>-1,662.9</b>	<b>-2,569.0</b>	<b>773.4</b>	<b>1,753.8</b>	<b>-5,683.4</b>	<b>-4,420.1</b>	<b>-11,808.2</b>

Source : National Statistics Institute

Expressed in constant prices, exports progressed by 2.6% while imports dropped by 1.9%. The increase in import prices index at a faster pace than the export one (5.5% and 1.7% respectively) caused a 3.6% deterioration of terms of trade compared to 2012, which concerned mainly those inherent to the energy, (-7.2%) and the textile, clothing and leather (-6.4%) sectors while those of agriculture and agro-food industries improved by 9.6%.

**TABLE 3-4 : TREND IN EXPORT PRICE AND IMPORT PRICE INDEXES BY SECTOR**

Sector	Agri. and Agrofood Industries	Energy & Lubricant	Mining, phosphates and by products	Textile, clothing & leather	Mechanical and electrical industries	Other miscellaneous industries	Total
<b>Price indexes</b>							
<b>XPI</b>							
2012	176.8	466.6	364.3	201.0	158.5	164.0	199.6
2013	191.2	462.9	323.1	194.9	167.0	179.6	202.9
Trend in % (2013/2012)	8.1	-0.8	-11.3	-3.0	5.4	9.5	1.7
<b>IPM</b>							
2012	249.6	463.1	381.5	180.7	163.2	186.4	202.2
2013	246.2	495.3	353.3	187.1	173.9	198.0	213.3
Trend in % (2013/2012)	-1.4	7.0	-7.4	3.5	6.6	6.2	5.5
<b>Trade terms</b>							
2012	70.9	100.7	95.5	111.2	97.1	88.0	98.7
2013	77.7	93.5	91.5	104.1	96.1	90.7	95.1
Trend in % (2013/2012)	9.6	-7.1	-4.2	-6.4	-1.0	3.1	-3.6

Source : National Statistics Institute

As for the sectoral analysis of **exports** which amounted to 27,701 MTD, it shows recovery premises which affected most sectors relevant to the manufacturing industries branch after the counter performance recorded in 2012. Shippings of this sector accounted for more than two thirds of overall exports over the last five years. The slight recovery of demand from European union countries, substantially hit by the sovereign debt crisis effects during the previous years, brought about a recovery of the textile, clothing and leather sector sales (+5.1% vs. -7.1% in 2012) as well as a slight speed up of the mechanical and electrical industries sector sales (+6.7% vs. +4.7%), yet without reaching the usual growth paces. As for the other manufacturing industries sector's exports, they continued to increase at a sustained pace despite a slight slowdown compared to 2012 (+12.3% vs. 17.6%). This dynamics is mainly attributable to ongoing firming up of demand from the Libyan market intended mainly to building and construction products.

As for the agriculture and agrofood industries sector's sales, they increased by 6.3% in line mainly with progress of the ones of olive oil (38.3%) and dates (10.3%), posting together an amount of 1.2 billion dinars : 44% of this sector's exports.

As for the value of the mining, phosphates and by products sector exports, it virtually stagnated compared to 2012 but remains below 23.2% compared to the one recorded in 2010, in line with the ongoing social tension with brought about disturbances at the level of production sites and railway transport of crude phosphate. Moreover, it is worth mentioning that the 13.3% increase in the exported quantities over 2013 could offset the drop in phosphate products prices on the international market (-17.6% for the DAP and -20.3% for crude phosphate), a trend that is expected to go on over the forthcoming years with abundant world supply led by emergence of new countries that produce these products. This situation is likely to compromise preservation of Tunisia's traditional markets once the usual production pace is resumed.

Concurrently, the energy sector sales went downwards by 5.4% compared to 2012, following the reduced level of exports of crude oil (-3.1%) and refined products (-9.9%).

At the level of **imports**, which amounted to 39,509 MTD, all product groups increased except for capital goods. Particularly, foodstuff imports continued to increase at a sustained pace (+12.5%), following the 35.8% increase in the value of cereal products purchases (wheat and barley) due to the 28.5% increase in quantities. Worth of note in this regard that the cereal bill which totalled 1,276 MTD in 2013 could have been more important had it not been for the stagnation of the average import prices in dinar.

As for the energy products purchases, they continued to stand at a high level although they posted a strong slowdown compared to 2012 (+5.8% vs. +33.4%), in line, mainly with the higher purchases of crude oil (+15.9%) and natural gas (+15.8%).

Likewise, purchases of consumer goods and raw material and semi-finished products grew at a slower pace, up by 5.9% and 1.8% respectively against 12% and 5.3% in 2012, reflecting hence the country's economic activity slowdown.

On the other hand, purchases of capital goods dropped by 2% compared to 2012, a year marked by carrying out of an exceptional operation related to the acquisition of a ship worth about 406 MTD (Tanit). Excluding this ship, imports of capital goods would increase by 3.1% in line mainly with the electricity sector considerable purchases.

**TABLE 3-5 : TREND IN TRADE BY REGIME**

(In MTD, unless otherwise indicated)

Description	2009	2010	2011	2012	2013	Variations in %	
						<u>2012</u> <u>2011</u>	<u>2013</u> <u>2012</u>
<b>Exports FOB</b>	<b>19,469.2</b>	<b>23,519.0</b>	<b>25,091.9</b>	<b>26,547.7</b>	<b>27,701.2</b>	<b>5.8</b>	<b>4.3</b>
General regime	7,596.5	9,157.9	8,681.9	10,200.3	10,311.6	17.5	1.1
Offshore regime	11,872.7	14,361.1	16,410.0	16,347.4	17,389.6	-0.4	6.4
<b>Imports CIF</b>	<b>25,877.6</b>	<b>31,816.7</b>	<b>33,695.4</b>	<b>38,178.0</b>	<b>39,509.4</b>	<b>13.3</b>	<b>3.5</b>
General regime	18,132.0	21,969.8	22,751.9	27,433.6	28,174.9	20.6	2.7
Offshore regime	7,745.6	9,846.9	10,943.5	10,744.4	11,334.5	-1.8	5.5
<b>Trade balance</b>							
<b>FOB-CIF<sup>1</sup></b>	<b>-6,408.4</b>	<b>-8,297.7</b>	<b>-8,603.5</b>	<b>-11,630.3</b>	<b>-11,808.2</b>	<b>-3,026.8</b>	<b>-177.9</b>
General regime <sup>1</sup>	-10,535.5	-12,811.9	-14,070.0	-17,233.3	-17,863.3	-3,163.3	-630.0
Offshore regime <sup>1</sup>	4,127.1	4,514.2	5,466.5	5,603.0	6,055.1	136.5	452.1

<sup>1</sup> Variation in MTD

Source : National Statistics Institute

Broken down by regime, trade under the general regime reveals a strong deceleration both at the level of exports (+1.1% vs. 17.5% in 2012) and imports (+2.7% vs. 20.6% in 2012). The deficit under this regime went up by 3.7% or 630 MTD to 17,863 MTD. Worth of note that exports' deceleration has affected mainly extracting industries sectors.

On the other hand, trade under the off-shore regime recovered over 2013 both for exports and imports, up by 6.4% and 5.5% respectively against -0.4% and -1.8% in 2012, a trend which concerned mainly manufacturing industries sectors' sales, notably the textile, clothing and leather ones.

**Box 3-1 : Impacts of certain domestic and external factors on trend in Tunisia's trade over 2013**

*The trade deficit recorded a strong deterioration over 2012 which **went on over 2013**, yielding a record deficit of more than 11.8 billion dinars. This brought about strong pressure on the balance of current payments as well as on the country's assets in foreign currency level.*

*This situation is mainly attributable to the energy deficit widening which more than doubled between 2011 and 2013, coming to about 2.6 billion dinars: more than 20% of the overall trade deficit, a result which bears particularly the mark of imports progress at a significantly faster pace than exports : an average annual growth rate over the 2012-2013 period that is worth 22% and 9% respectively.*

*It should be pointed out in this respect that this constraining situation of the energy deficit which went on till the first months of 2014 is due to both exogenous and endogenous factors. The impact of these factors differs according to products, as follows :*

*- The 15.8% or 227 MTD increase over 2013 in natural gas purchases, up to 1,667 MTD is mainly attributable to the strong regression in the gas royalty with respect to the lump-sum tax system, as*



*a counterpart of cross-border pipeline passing through the national territory by about 40%. The 2.1% increase in household consumption linked mainly to higher electricity production from gas (the share of which accounts for 73%) also contributed to the increase in the value of gas imports from Algeria.*

*- The 15.9% or 213 MTD increase in crude oil imports, up to 1,555 MTD, after the strong progress recorded in 2012, was intended to offsetting the 9.8% drop in national production, along with the increase in national demand.*

*- The 5.4% decrease in exports of energy products is closely linked to the sharp decline in production which hit main oil fields.*

*Faced up with this situation, some measures are deemed necessary for energy deficit monitoring. The most recommended ones involve :*

*- Rationalizing energy consumption at the level of administration and public enterprises.*

*- Studying the creation of a tax on energy-consuming household equipment and an allowance on energy-efficient households can also contribute to limiting energy imports.*

*- Examining the instauration of a corporate "pollution" tax (proportional to energy consumption), with receipts to be allocated to the general equalisation fund.*

*- For the building sector : orienting new real-estate projects towards energy-efficient buildings and encouraging households to resort to their own energy production (solar, wind energy).*

*- For hydrocarbons exploitation activity : Ensuring recovery of gas and oil exploration activity, immediate exploitation of fields with proved and marketable reserves and improving the social climate on production sites.*

*- Launching a survey and a technical audit to explain the excessive trend in energy consumption in order to identify ultimate energy-saving niches.*

*- Establishing an investment strategy to help diversifying energy sources through exploitation of renewable energies.*

### **3.1.1.2 Balance of services**

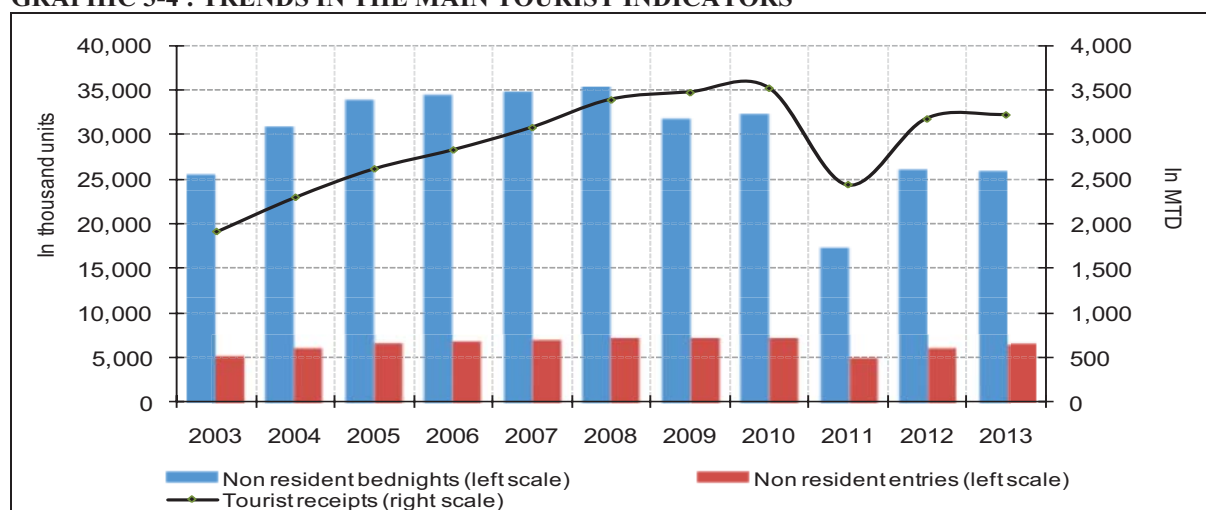
The traditional surplus balance of services was down by 419 MTD in 2013 to 2,634 MTD, due to the balance of transport worsening deficit and shrinking surplus balance of travel owing to the strong deceleration of receipts from tourism. As for the balance of other services, their surplus grew at a less sustained pace than the one of 2012, in line mainly with economic activity slowdown.

**The surplus balance of travel** went downwards by 90 MTD, coming to 2,462 MTD. This result is attributable to the increase in expenditure (+18.5%) at a more pronounced pace than the one of receipts (+2.3%) made up, for more than 90%, of flows from tourism.

After the strong recovery recorded over 2012, tourism performed modestly, in line mainly with the security situation deterioration that prevailed in the country over 2013. Non-resident entries were up by just 5.3% against 24.4% a year earlier, posting 6.3 million visitors in 2013. Non-resident bednights dropped slightly (-0.6%), down to about 25,762 million units in 2013.

Following these trends, receipts from tourism increased by just 1.5%, up to 3,221 MTD, accounting for only 8% of current receipts against an average of 11.9% over the 2001-2010 decade. Furthermore and exclusive of the foreign exchange effect, tourist receipts decreased by 4.6% compared to 2012.



**GRAPHIC 3-4 : TRENDS IN THE MAIN TOURIST INDICATORS**

By geographic zone, the decline in tourist activity was mainly felt at the level of the European market which has a high spending capacity. Related entries and bednights, in fact, dropped by 2.3% and 1.4% respectively in 2013. Concurrently, receipts from European tourists dropped by 2%, down to 2,278 MTD.

These results reflect mainly the French market's counter performance, the main market to provide Tunisia with European tourists which was considerably hit by Tunisia's image in the media following the security situation deterioration over 2013 leading to a decline in all its tourist indicators. Their entries and bednights were in fact down by 22.1% and 31% respectively in 2013. Tourist receipts from this market went down by 24.4% to 515 MTD.

As for the Maghreb market, it seems less sensitive to the country's security climate with entries and bednights increasing by 14% and 9.9% respectively over 2013. Receipts from this region went up, as a result, by 13.2% to 840 MTD, helping to partially offset the drop in European tourists flows. Worth of note, in this framework, that tourist expenditure of Libyans staying frequently and even permanently in Tunisia (about 1.2 million Libyans according to the Ministry of Foreign Affairs) following the post-revolution events that occurred in Libya, helped to sustain the level of travel receipts notably the tourist ones over the latest three years.

On another level, tourism contrasting performances by target market undoubtedly reflects differentiated trends at the level of demand but above all, persisting constraints on supply due to the drop in the Tunisian tourist product competitiveness over the last decade. Efforts are ceaseless in order to support this sector particularly with start up, in February 2013 during a national forum, of a new strategy to develop Tunisian tourism by 2016. Among the major pillars of this strategy are supply diversification, promotion and marketing, governance and restructuring of the sector's finances, monitoring new information and communication technologies as well as air transport development.

In line with personal tourism, receipts with respect to medical care continued to increase at a sustained pace, up to 172 MTD reflecting the privilege enjoyed by Tunisia in the field of medical and sanitary evacuation services as well as in the fields of spa and well-being tourism.

**As for the balance of Transport**, it yielded a 662 MTD deficit in 2013 against 263 MTD a year earlier, a trend which is attributable to the combined effect of the 9.8% drop in receipts and the 6.9% progress in expenditure.

As for receipts, 2013 was marked by a sharp decline in the gas-royalty value which represents the Tunisian State share with respect to Algerian gas transport to Italy via the two transcontinental

pipelines. This lump sum went down, in fact, from 750 MTD in 2012 to 478 MTD in 2013, concurrently with the drop in the volume of the Italian party's provisioning in Algerian gas.

As for receipts with respect to crossing bills, main component of transport services exports, they dropped slightly (-0.7%) in 2013 against a 26.9% increase in 2012, following mainly tourist activity considerable slowdown as well as foreign companies competitiveness.

Concerning expenditure with respect to transport, made up mainly of freight, they went up by 6.9% in 2013 to 2,721 MTD against 11.8% and 2,546 MTD, in line with imports deceleration.

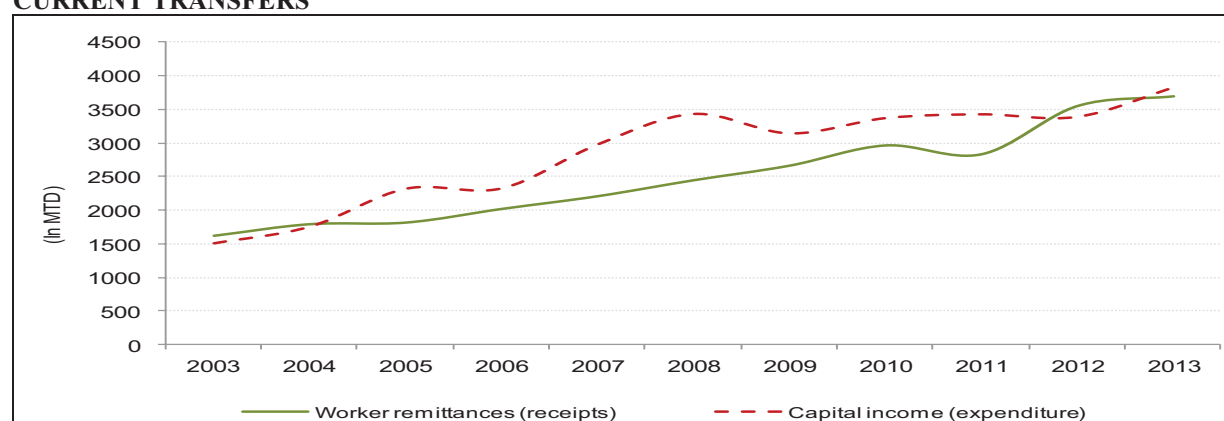
**The surplus balance of other services** grew by 17.9% in 2013, up to 690 MTD, a trend attributable mainly to the increase in receipts at a more accelerated pace than the one of expenditure : 10.6% and 7.5%, respectively in 2013.

Particularly, there was a fast growth of receipts inherent to communication services (+14.4% against +9.2% in 2012) and to computer and information services (+10% vs. +8.5% in 2012). However, flows from large-scale works and technical services posted a deceleration, bearing in mind that the major part of services paid in this respect is mainly intended to Libya and to the sub-Saharan African countries.

### 3.1.1.3 Balance of factor income and current transfers

The surplus balance of factor income and current transfers went up slightly compared to 2012 (+4.3%), posting 699 MTD in 2013. In fact the increase in receipts thereof helped to cover and more the one in expenditure with respect to factor income and current transfers.

**GRAPHIC 3-5 : TRENDS IN THE MAIN ITEMS OF THE BALANCE OF FACTOR INCOME AND CURRENT TRANSFERS**



**As for receipts**, flows from worker remittances certainly rose in 2013 but at a less sustained pace than the one recorded in 2012 (5.2% vs. 25.4%), coming to 3,721 MTD. This deceleration concerned, in fact, both modes of transfer.

**Contribution in cash** increased by 3.2% in 2013 to 2,719 MTD, a level which was, however, amplified by the foreign exchange effect resulting from the 7% depreciation of the Tunisian dinar against the euro and its 3.9% depreciation against the US dollar (in terms of monthly averages). Excluding the foreign exchange effect, worker remittances in cash would drop by 3.2%.

**TABLE 3-6 : TRENDS IN WORKER REMITTANCES BY MODE OF TRANSFER**

Year	Total		Transfer in cash		Transfer in kind	
	In MTD	Variation in %	In MTD	In % of total	In MTD	In % of total
2009	2,653	8.9	2,104	79.3	549	20.7
2010	2,953	11.3	2,333	79.0	620	21.0
2011	2,822	-4.4	2,165	76.7	657	23.3
2012	3,539	25.4	2,634	74.4	905	25.6
2013	3,721	5.1	2,719	73.1	1,002	26.9

**Contribution** in kind constituted by acquisitions from abroad of transport equipment by Tunisians resident abroad continued to grow for the second year in a row at a sustained pace : 10.7%, up to 1,002 MTD (against +37.7% and 905 MTD in 2012). This new level, raised two years ago, is mainly attributable to the entering into force, since May 2012, of the regulatory decision that stipulates raising of the maximum age of imported cars under the FCR regime by Tunisians resident abroad from 3 to 5 years.

Concerning receipts with respect to current transfers, they posted a strong deceleration (+40%), to reach 615 MTD in 2013, following mainly the combined effect of the increase in the amount of grants from Turkey (51 MTD) and the higher taxes paid by foreign oil companies operating in Tunisia.

**As for expenditure with respect to capital income**, they grew by 12.8% in 2013, up to 3,814 MTD, bearing the mark of the increase in transfers carried out with respect to income from foreign direct investment which went up by 19.1% to 2,852 MTD. The value of this expenditure was, particularly, amplified in 2013 through transfers of the dividends made by “Qatar Télécom” company for a package worth 440 MTD relevant to its shareholding in the capital of “Tunisiana” company with respect to the three financial years 2010-2012. As for transfers carried out by companies operating in the energy sector, they went up by just 1.7% to 1,840 MTD in 2013, while those achieved by the other sectors went up by 9.6% to 572 MTD and concerned mainly the industrial sector.

**As for expenditure with respect to medium and long term debt interests**, dropped by 5.6% to 821 MTD : 21.5% of overall expenditure with respect to capital income against 870 MTD and 25.7% in 2012. More than the half of these payments (442 MTD) was carried out in the framework of multilateral cooperation mainly on behalf of the EIB (161 MTD) and the ADB (117 MTD). Payments to the capital market and within the framework of bilateral cooperation involved amounts of 217 MTD and 162 MTD respectively in 2013.

### 3.1.2. The balance of capital and financial operations

The surplus balance of capital and financial operations went down sharply to 5,002 MTD in 2013 against 7,829 MTD a year earlier, a trend attributable to shrinking net foreign capital flows in all forms of financing. In particular, FDI flows going to Tunisia and drawings on medium and long term borrowed capitals dropped by 27.5% and 39.2% respectively, compared to their 2012 levels.

**TABLE 3-7 : TREND IN THE MAIN BALANCES OF THE BALANCE OF CAPITAL AND FINANCIAL OPERATIONS**

Description	(In MTD)				
	2009	2010	2011	2012	2013
- Capital transactions	222	118	259	701	187
- Foreign investment	1,940	1,873	547	2,404	1,850
- Other investment <sup>1</sup>	1,619	641	1,474	4,724	2,965
<b>Balance of financial operations and in capital</b>	<b>3,781</b>	<b>2,632</b>	<b>2,280</b>	<b>7,829</b>	<b>5,002</b>

<sup>1</sup> This involves financial transactions tied to medium and long term loan capital, to short term assets and liabilities as well as SDR allocations.

**The surplus balance of capital operations** dropped sharply, down to 187 MTD against 701 MTD in 2012, a result attributable to the strong shrinking of grants in cash in the framework of both multilateral and bilateral cooperation, down from 708 MTD in 2012 to 195 MTD in 2013. These consist mainly in aids granted by the European Union for an overall amount of 53 million Euros (117 MTD) in the framework of financing programmes to support the Education-employment adequacy in Tunisia (PEFESE : 20 MEUR), support to Competitiveness (PAC : 15 MEUR), as well as support to Recovery (PAR II : 10 MEUR). As for Qatar, it granted Tunisia a donation worth 20 million US dollars (about 31 MTD).

**As for the surplus balance of foreign investments**, it went downwards by 554 MTD to 1,850 MTD in 2013, a trend attributable to the sharp drop in foreign direct investment flows.

**TABLE 3-8 : FOREIGN INVESTMENT RECEIPTS (Liabilities)** (In MTD)

Sector	2009	2010	2011	2012	2013
Energy	1,234	1,317	1,063	886	1,077
Manufacturing industries	772	574	331	532	508
Tourism and real estate	85	95	23	77	19
Telecommunications	154	127	194	758	88
Financial sector	0	43	0	243	99
Others	34	9	5	8	24
<b>Foreign direct investment</b>	<b>2,279</b>	<b>2,165</b>	<b>1,616</b>	<b>2,504</b>	<b>1,815</b>
<b>Portfolio investment</b>	<b>78</b>	<b>253</b>	<b>102</b>	<b>83</b>	<b>180</b>
<b>Total</b>	<b>2,357</b>	<b>2,418</b>	<b>1,718</b>	<b>2,587</b>	<b>1,995</b>

**Foreign direct investment flows (FDI) going to Tunisia** shrank by 27.5%, down to 1,815 MTD in 2013 against 2,504 MTD in 2012, a year marked by the transfer to non-residents of the social shares of companies confiscated by the Tunisian State for a package worth 855 MTD. Excluding these ad-hoc operations, FDI flows would increase by 10.1%.

On the other hand, the wait-and-see climate, the lack of visibility concerning economic outlook as well as political and security tensions are the main factors that have negatively affected the attractiveness of foreign direct investment flows, notably, in 2013 when they accounted for just 2.4% of GDP and contributed by only 27.7% to medium and long-term external financing against an average of 5.4% and 50.9% respectively over the 2006-2010 five-year period.

Analysis of foreign direct investment flows by beneficiary sector helps to find out that the main part of FDI flows continues to be held by the energy sector (60% of overall FDI) which recovered significantly in 2013 (+21.6%), up to 1,077 MTD, after the decline recorded over the two previous years (-16.7% in 2012 and -19.3% in 2011). This progress is attributable to investments increase in the exploration field, up from 317 MTD to 551 MTD from one year to another, while those carried out in the framework of development dropped by 7.6%, down to 526 MTD.

On the other hand, flows intended virtually to all other sectors shrunk compared to those carried out in 2012. Particularly, FDI going to the manufacturing industries sector dropped slightly in 2013 (-4.4%), posting 508 MTD. These flows were intended mainly to the electrical and electronic sector and to the mechanical one which involved the respective packages of about 180 MTD and 76 MTD respectively, accounting together for about the half of overall investments in the manufacturing industries sector.

Concurrently, FDI carried out in the services sector went sharply downwards posting 218 MTD against 1,082 MTD in 2012, a year marked by the Tunisian State's transfer of 15% of "Tunisiana" capital to "QATAR TELECOM" company (637 MTD) and of 13% of the Banque de Tunisie capital to the *Banque Islamique Fédérative du Crédit Mutuel BFCM France* (218 MTD). The financial sector profited, over 2013, from a package worth 99 MTD corresponding to the Tunisian State's transfer operation of its overall shareholding (50%) in the "Tunisian Qatari Bank" to the

“Qatar National Bank” (QNB). As for flows going to the telecommunications sector, they posted 88 MTD while the tourism and real estate sectors profited only from a package worth 19 MTD.

Excluding energy, FDI flows going to Tunisia helped to achieve 390 new projects and 208 extension and renovation ones. In fact, these projects created 9,715 new jobs, 8,308 jobs of which in the manufacturing industries sector. The number of foreign or mixed companies posted, thus 3,162 MTD at the end of 2013, helping to create about 334 thousand jobs.

Concerning expenditure with respect to FDI, it went upwards by 22.9%, posting 112 MTD. Particularly, foreign direct investments by Tunisians living abroad recovered, up to 35 MTD in 2013 relevant mainly to the industries sector. On the other hand, disengagements in the form repatriation of equipments by foreign oil companies dropped compared to 2012, down from 43 MTD in 2012 to 34 MTD in 2013.

**As for the balance of portfolio investment**, it yielded a 130 MTD surplus against a 24 MTD deficit a year earlier, following the 180 MTD increase in receipts, 73 MTD of which correspond to the *Société Financière Internationale* shareholding in Amen Bank capital increase and 49 MTD with respect to non-residents’ subscription operations to the capital increase of SAH group (owner of the Lilas trademark for hygiene items) in the framework of its stock exchange listing. Expenditure with respect to portfolio investment shrank strongly compared to 2012 (-53.8%), down to 50 MTD in 2013.

**The balance of other investments** yielded a 2,965 MTD surplus against 4,724 MTD in 2012, in line mainly with the 1,579 MTD drop in medium and long term net capital loan inflows, posting 1,025 MTD. Drawings dropped at a more accelerated pace than expenditure with respect to medium and long term debt amortization : -39.2% and -21.8% respectively. Furthermore, the National Bank of Qatar’s deposit at the Central Bank of Tunisia involving 500 million US dollars (about 817 MTD) in November 2013 helped to largely offset the sharp drop in medium and long term net capital loan inflows, hence ease pressure on external payments balance.

As for drawings, they went down from 5,805 MTD to 3,529 MTD from one year to another, following mainly strong shrinking of the ones going to the **Administration** which dropped sharply in 2013 (-76.7%), down to 1,064 MTD accounting for just 30.2% of overall drawings against 78.6% a year earlier. A package worth 483 MTD (45.4% of these funds) was raised in the framework of multilateral cooperation, 213 MTD of which are granted by the African Development Bank. Those granted on the capital market, which accounted for 35.1% of Administration drawings in 2013 concern wholly the private placement on the Japanese market worth 22.4 billion yen. As for drawings made by the Administration in the bilateral framework, they involved a package of 208 MTD.

On the other hand, drawings going to **monetary authorities (BCT)** leaped significantly, up from 217 MTD in 2012 to 1,041 MTD in 2013, 639 MTD of which (300 MEURO) represent a medium-term loan granted by the French Bank “Natixis”. In addition, the IMF disbursed 150 million dollars (about 242 MTD) with respect to the first portion of the Stand-By loan, the agreement of which involves an overall amount of 1.74 billion dollars (about 2.87 billion dinars). This loan is intended to supporting the transition period, favouring a higher and inclusive growth and creating jobs. Likewise, the monetary authority benefited, over 2013, from a package worth 64 million US dollars (107 MTD) granted by the Arab Monetary Fund (AMF) in the framework of the financial and banking sector structural adjustment programme.

Drawings going to **businesses** went up by 38.8% to 1,424 MTD in 2013, accounting for 40.4% of medium and long-term drawings against 17.7% in 2012. These resources were granted, for about two thirds, in the framework of multilateral cooperation mainly from the EIB (551 MTD). Corporate drawings were intended to financing projects in the energy (607 MTD), financial (310 MTD) and transport (205 MTD) sectors.

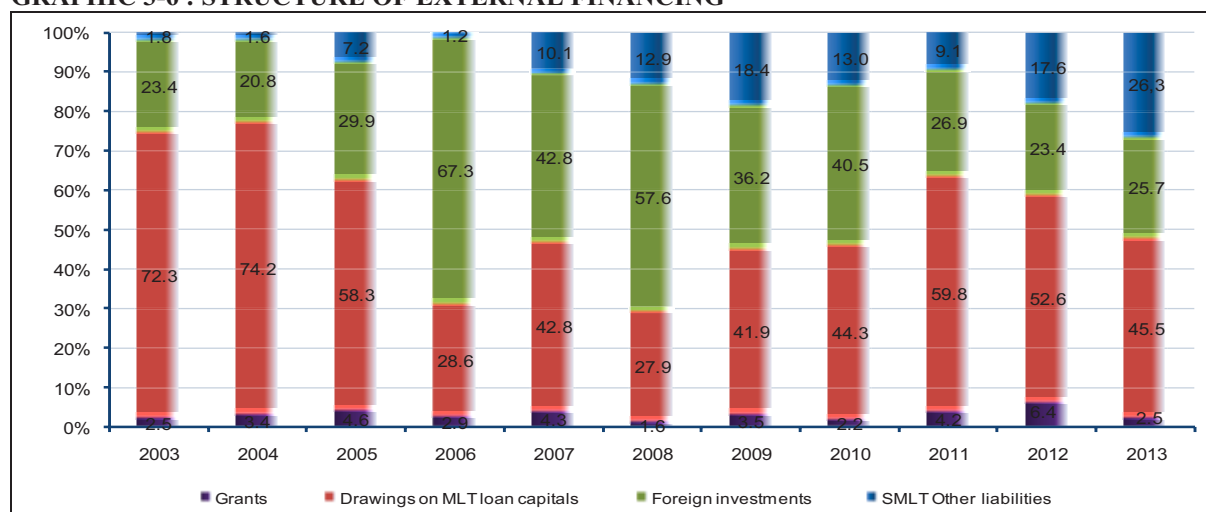


**TABLE 3-9 : BREAKDOWN OF DRAWINGS AND AMORTISATION OF MEDIUM AND LONG TERM DEBT BY TYPE OF COOPERATION** (In MTD)

Description	Drawings			Amortisation			Net flows		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
<b>Bilateral cooperation</b>	<b>1,174</b>	<b>862</b>	<b>1,208</b>	<b>753</b>	<b>800</b>	<b>709</b>	<b>421</b>	<b>62</b>	<b>499</b>
Administration	652	577	208	382	398	393	270	179	-185
Monetary authorities	0	0	639	0	0	0	0	0	639
Businesses	522	285	361	371	402	316	151	-117	45
<b>Multilateral cooperation</b>	<b>2,317</b>	<b>2,943</b>	<b>1,790</b>	<b>858</b>	<b>1,018</b>	<b>1,101</b>	<b>1,459</b>	<b>1,925</b>	<b>689</b>
Administration	1,851	1,985	483	450	537	598	1,401	1,448	-115
Monetary authorities	0	217	402	0	0	0	0	217	402
Businesses	466	741	905	408	481	503	58	260	402
<b>Capital markets</b>	<b>320</b>	<b>2,000</b>	<b>531</b>	<b>1,282</b>	<b>1,383</b>	<b>694</b>	<b>-962</b>	<b>617</b>	<b>-163</b>
Administration	0	2,000	373	1,165	992	685	-1,165	1,008	-312
Monetary authorities	0	0	0	0	0	0	0	0	0
Businesses	320	0	158	117	391	9	203	-391	149
<b>Total</b>	<b>3,811</b>	<b>5,805</b>	<b>3,529</b>	<b>2,893</b>	<b>3,201</b>	<b>2,504</b>	<b>918</b>	<b>2,604</b>	<b>1,025</b>
Administration	2,503	4,562	1,064	1,997	1,927	1,676	506	2,635	-612
Monetary authorities	0	217	1,041	0	0	0	0	217	1,041
Businesses	1,308	1,026	1,424	896	1,274	828	412	-248	596

Concerning capital outflows with respect to medium and long term debt amortisation, they dropped by 21.8%, down to 2.504 MTD. Reimbursements of debt principal carried by the Administration dropped by 13% down to 1,676 MTD, 685MTD (330 MEUR) of which constitute reimbursement of a debenture loan principal contracted in 2003. Concurrently, the package settled by businesses kept shrinking strongly (-35%), down to 828 MTD.

**GRAPHIC 3-6 : STRUCTURE OF EXTERNAL FINANCING**



### **BOX 3-2 : Tunisia's external debt: Position and outlook**

#### ***Is Tunisia's current external debt position alarming?***

*While it posted about 50% in 2004, the medium and long term external indebtedness rate, measured in comparison to GNDI, has dropped till the end of 2010 and was limited to 37,3% thanks notably to relatively weak mobilisations over the 2005-2010 period (13.3 billion dinars), especially those going to the State (6.7 billion dinars). This is compared to debt amortization settled over the same period (13.8 billion dinars, 1 billion dinars of which with respect to reimbursement of two debenture loans in 2009 and 2010).*

*After this downward cycle, the medium and long term external indebtedness rate kept moving upwards, up from 39.2% of GNDI in 2011 to 40.1% in 2012, posting 41.1% in 2013, affected by the combined impacts of weak growth and important drawings (13.1 billion dinars). Debt amortization which was amplified by reimbursement of four debenture loans involving 2.8 billion dinars helped, nonetheless, to offset the effect of intensified fund raisings over the 2011-2013 period.*

*Although it exceeded about 4 percentage points compared to 2010, about 2 points of which in 2011, the medium and long term external indebtedness rate still stands at a manageable level : less by 9 points compared to 2004. This position allows Tunisia, in case of an economic recovery, to have a relatively comfortable indebtedness margin.*

*As for short-term external debt, the major part is not made up of borrowings but rather of non-residents' deposits and commercial liabilities intended to financing imports, a structure that helps to curb risks on foreign currency reserves. Thus, trend in short-term liabilities shows an attenuation of these debts by short-term assets in such a way as to monitor net liabilities within reasonable limits. Short-term debt (liabilities) accounted for just 14.1% of GNDI at the end of 2013, against 13.4%, 11.8% and 11.2% respectively in 2012, 2011 and 2010.*

### ***Is external debt outlook worrying ?***

*From December 2014, when the loan worth 300 MEUR granted by NATIXIS to the Central Bank will have to be reimbursed, to April 2017, maturity to fall due for the private Qatari placement worth 500 MUSD, the debt service will be eased up. In fact, over this period, the State will not have to reimburse any debenture loan, which is likely to attenuate pressure on the medium and long term external debt service. Furthermore, it should be reminded that reimbursements under this category of debt went on yearly over the 2009-2013 period.*

*On the other hand, the important drawings raised over the last three years should not lead to a significant change as regards trend in the debt service until April 2017, all other factors being equal. As a matter of fact, the major part of these drawings comes from public financing sources which often borrow at advantageous conditions (rate, duration, grace period). Consequently, the debt service ratio should stand at about 10%, compared to current receipts, far from liquidity risks.*

*However, debt sustainability is not a question of stock or of debt service, but rather a question of a macro-economic order. That is being, certain conditions should be ensured so as to avoid any liquidity or solvency risk, such as :*

- Reducing the present current deficit to bring it to manageable levels so as to reduce recourse to external indebtedness, thereby to preserve a level of foreign currency reserves.*
- Growth recovery up to rates helping to yield national savings levels that properly cover the needs for financing of required investments.*
- Following an indebtedness policy based on compliance with long-term macro-economic balances and at reasonable conditions.*
- Adopting adequate strategies encouraging attraction of foreign direct investment flows notably towards high added-value sectors. This financing mode constitutes, in fact, the best **substitute for external indebtedness.***



**TABLE 3-10 : TREND IN RECEIPTS AND EXPENDITURE WITH RESPECT TO CURRENT PAYMENTS**

(In MTD unless otherwise indicated)

	2010	2011	2012	2013	Variation in %	
					<u>2012</u> <u>2011</u>	<u>2013</u> <u>2012</u>
<b>Current balance*</b>	<b>-3,012</b>	<b>-4,766</b>	<b>-5,812</b>	<b>-6,302</b>	<b>-1,046</b>	<b>-490</b>
Receipts	35,268	35,201	38,884	40,463	10.5	4.1
Expenditure	38,280	39,967	44,696	46,765	11.8	4.6
<b>Trade balance (FOB)*</b>	<b>-6,548</b>	<b>-6,756</b>	<b>-9,535</b>	<b>-9,635</b>	<b>-2,779</b>	<b>-100</b>
Export (FOB)	23,519	25,092	26,548	27,701	5.8	4.3
Import (FOB)	30,067	31,848	36,083	37,336	13.3	3.5
<b>Services balance*</b>	<b>3,522</b>	<b>2,102</b>	<b>3,053</b>	<b>2,634</b>	<b>951</b>	<b>-419</b>
Receipts	8,310	6,728	8,204	8,176	21.9	-0.3
Expenditure	4,788	4,626	5,151	5,542	11.3	7.6
<b>Transport balance*</b>	<b>-81</b>	<b>-378</b>	<b>-263</b>	<b>-662</b>	<b>115</b>	<b>-399</b>
Receipts	2,202	1,899	2,283	2,059	20.2	-9.8
Expenditure	2,283	2,277	2,546	2,721	11.8	6.9
<b>Travel balance*</b>	<b>3,003</b>	<b>1,841</b>	<b>2,552</b>	<b>2,462</b>	<b>711</b>	<b>-90</b>
Receipts	3,786	2,695	3,478	3,559	29.1	2.3
Expenditure	783	854	926	1,097	8.4	18.5
<b>Government operations balance*</b>	<b>221</b>	<b>219</b>	<b>179</b>	<b>144</b>	<b>-40</b>	<b>-35</b>
Receipts	479	467	503	412	7.7	-18.1
Expenditure	258	248	324	268	30.6	-17.3
<b>Other service balance*</b>	<b>379</b>	<b>420</b>	<b>585</b>	<b>690</b>	<b>165</b>	<b>105</b>
Receipts	1,843	1,667	1,940	2,146	16.4	10.6
Expenditure	1,464	1,247	1,355	1,456	8.7	7.5
<b>The Balance of income factors and current transfers</b>	<b>14</b>	<b>-112</b>	<b>670</b>	<b>699</b>	<b>782</b>	<b>29</b>
Receipts	3,438	3,381	4,132	4,586	22.2	11.0
Expenditure	3,424	3,493	3,462	3,887	-0.9	12.3

\* Variation in MTD.

**TABLE 3-11 : TREND IN RECEIPTS AND EXPENDITURE WITH RESPECT TO CAPITAL AND FINANCIAL OPERATIONS**

(In MTD unless otherwise indicated)

	2010	2011	2012	2013	Variation in %	
					<u>2012</u> <u>2011</u>	<u>2013</u> <u>2012</u>
<b>Balance of capital and financial operations*</b>	<b>2,633</b>	<b>2,280</b>	<b>7,829</b>	<b>5,002</b>	<b>5,549</b>	<b>-2,827</b>
Receipts	6,014	7,113	11,609	8,069	63.2	-30.5
Expenditure	3,381	4,833	3,780	3,067	-21.8	-18.9
<b>Capital operations balance*</b>	<b>118</b>	<b>259</b>	<b>701</b>	<b>187</b>	<b>442</b>	<b>-514</b>
Receipts	130	266	708	195	166.2	-72.5
Expenditure	12	7	7	8	0	14.3
<b>Financial operations balance*</b>	<b>2,515</b>	<b>2,021</b>	<b>7,128</b>	<b>4,815</b>	<b>5,107</b>	<b>-2,313</b>
Receipts	5,884	6,847	10,901	7,874	59.2	-27.8
Expenditure	3,369	4,826	3,773	3,059	-21.8	-18.9
<b>- Foreign investment balance*</b>	<b>1,873</b>	<b>547</b>	<b>2,404</b>	<b>1,850</b>	<b>1,857</b>	<b>-554</b>
Receipts	2,428	1,729	2,602	2,011	50.5	-22.7
Expenditure	555	1,182	198	161	-83.2	-18.7
<b>- Other investment balance*</b>	<b>642</b>	<b>1,474</b>	<b>4,724</b>	<b>2,965</b>	<b>3,250</b>	<b>-1,759</b>
Receipts	3,456	5,117	8,299	5,863	62.2	-29.4
Expenditure	2,814	3,643	3,575	2,898	-1.9	-18.9
<b>Adjustment operations (net flows)*</b>	<b>180</b>	<b>139</b>	<b>151</b>	<b>205</b>	<b>12</b>	<b>54</b>
<b>General balance*</b>	<b>-199</b>	<b>-2,347</b>	<b>2,168</b>	<b>-1,095</b>	<b>4,515</b>	<b>-3,263</b>

\* Variation in MTD.

### 3.2. OVERALL EXTERNAL POSITION

Tunisia's overall external position yielded, at the end of 2013, net liabilities abroad of about 85,635 MTD against 75,015 MTD a year earlier, up by 14.2%. This result is mainly attributable to the combined effect of the 10.4% increase in gross liabilities and the 5.4% drop in gross assets.

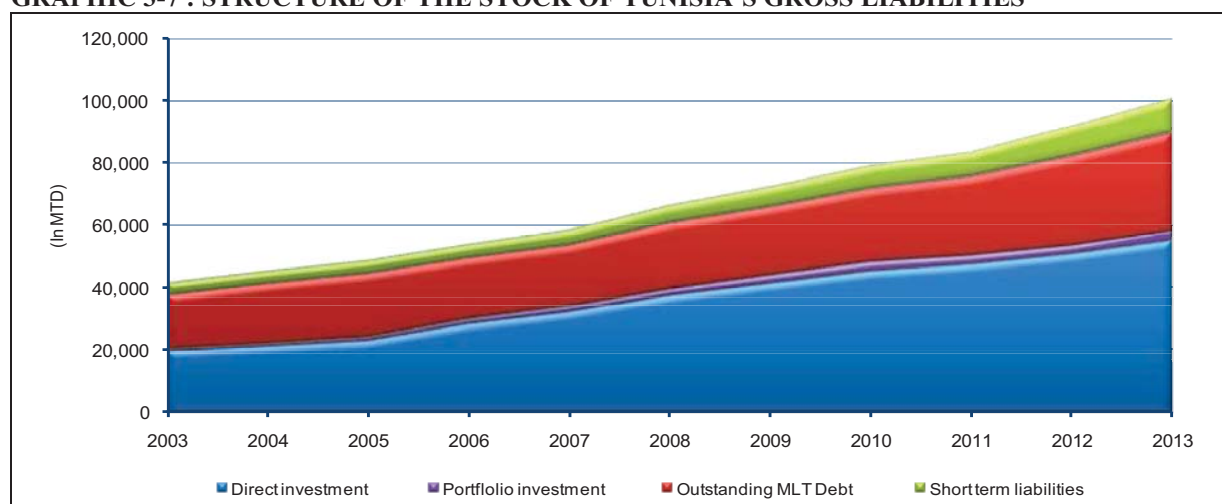
**TABLE 3-12 : TUNISIA'S OVERALL EXTERNAL POSITION**

(In MTD)

DESCRIPTION	2010	2011	2012	2013
<b>Direct investment (net)</b>	<b>-44,684.8</b>	<b>-46,848.0</b>	<b>-50,096.1</b>	<b>-54,400.8</b>
Assets	413.0	445.2	459.5	501.8
Liabilities	-45,097.8	-47,293.2	-50,555.6	-54,902.6
<b>Portfolio investment (net)</b>	<b>-3,024.6</b>	<b>-2,823.2</b>	<b>-2,725.6</b>	<b>-3,000.2</b>
Assets	95.7	99.0	100.7	105.9
Liabilities	-3,120.3	-2,922.2	-2,826.3	-3,106.1
<b>Other investment (net)</b>	<b>-28,140.0</b>	<b>-30,480.8</b>	<b>-35,949.7</b>	<b>-40,895.8</b>
<b>Liabilities</b>	<b>-31,585.9</b>	<b>-33,952.2</b>	<b>-39,242.1</b>	<b>-44,284.1</b>
<b>Medium and long term liabilities</b>	<b>-24,438.3</b>	<b>-26,290.3</b>	<b>-29,638.8</b>	<b>-33,462.2</b>
<b>Loans<sup>1</sup></b>	<b>-23,833.9</b>	<b>-25,592.8</b>	<b>-28,912.3</b>	<b>-31,869.4</b>
Government	-15,734.2	-16,867.7	-19,886.5	-20,123.7
Monetary authorities	0.0	0.0	-216.1	-1,343.3
Financial sector	-1,753.4	-1,595.9	-1,580.0	-1,697.2
Other sectors	-6,346.3	-7,129.2	-7,229.7	-8,705.2
<b>Currency and deposits</b>	<b>-604.4</b>	<b>-697.5</b>	<b>-726.5</b>	<b>-1,592.8</b>
Monetary authorities	-604.4	-697.5	-726.5	-1,592.8
<b>Other medium and long term liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Short-term liabilities</b>	<b>-7,147.6</b>	<b>-7,661.9</b>	<b>-9,603.3</b>	<b>-10,821.9</b>
<b>Currency and deposits</b>	<b>-5,008.8</b>	<b>-5,151.1</b>	<b>-6,103.0</b>	<b>-6,922.3</b>
Monetary authorities	-18.9	-84.9	-191.3	-157.1
Government	0.0	0.0	0.0	0.0
Financial sector	-4,989.9	-5,066.2	-5,911.7	-6,765.2
Other sectors	0.0	0.0	0.0	0.0
<b>Trade credits</b>	<b>-2,138.8</b>	<b>-2,510.8</b>	<b>-3,500.3</b>	<b>-3,899.6</b>
Other sectors	-2,138.8	-2,510.8	-3,500.3	-3,899.6
<b>Other short-term liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Assets</b>	<b>3,445.9</b>	<b>3,471.4</b>	<b>3,292.4</b>	<b>3,388.3</b>
<b>Medium and long term assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Short-term assets</b>	<b>3,445.9</b>	<b>3,471.4</b>	<b>3,292.4</b>	<b>3,388.3</b>
<b>Currency and deposits</b>	<b>2,035.0</b>	<b>1,309.4</b>	<b>1,683.9</b>	<b>2,043.8</b>
Financial sector	2,035.0	1,309.4	1,683.9	2,043.8
<b>Trade credits</b>	<b>1,410.9</b>	<b>2,162.0</b>	<b>1,608.5</b>	<b>1,344.5</b>
Other sectors	1,410.9	2,162.0	1,608.5	1,344.5
<b>Other short-term assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Reserve assets</b>	<b>13,935.7</b>	<b>11,588.3</b>	<b>13,756.7</b>	<b>12,662.1</b>
Monetary gold <sup>2</sup>	267.0	310.9	341.3	263.3
Special drawing rights	540.9	557.6	581.0	612.1
Reserve position at IMF	124.9	122.8	134.2	136.6
Foreign currency	13,002.9	10,597.0	12,700.2	11,650.1
<b>TOTAL</b>	<b>-61,913.7</b>	<b>-68,563.7</b>	<b>-75,014.6</b>	<b>-85,634.7</b>

<sup>1</sup> In considering accrued but not yet falling due interests.

<sup>2</sup> Gold holdings were reassessed according to the gold price at end of period of London Fixing market.

**GRAPHIC 3-7 : STRUCTURE OF THE STOCK OF TUNISIA'S GROSS LIABILITIES**

### 3.2.1. Liabilities

#### 3.2.1.1. Foreign investment

Amounting to 58,009 MTD at the end of 2013, the stock of gross liabilities with respect to foreign investments (direct and portfolio) grew by 8.7% against 53,382 MTD and 6.3% at the end of 2012. The progress made from a year-end to another is attributable to the combined effect of the increase in the stock of direct investments as well as the one of portfolio investment which resumed an upward trend, after two years in a row of drop.

As for **the stock of gross liabilities in the form of FDI**, it went up by 8.6% at the end of 2013 to 54,903 MTD, a trend that reflects, particularly, the price and foreign exchange effects while net foreign direct investment flows dropped by 28.6%, down to 1,739 MTD in 2013.

**Liabilities in the form of portfolio investment** rose by 9.9% at the end of 2013, up to 3,106 MTD. This result is attributable to the significant recovery in the balance of portfolio investments balance which yielded a 130 MTD surplus against a 24 MTD deficit in 2012, while TUNINDEX index closed for 2013 at a 4.3% loss.

#### 3.2.1.2. Other investments

The stock of gross liabilities with respect to other investments went upwards by 12.8% at the end of 2013, posting 44,284 MTD. This trend is relevant to all forms of liabilities.

Concerning the **stock of medium and long term debt which represents the bulk of gross liabilities with respect to other investments, (71.5%)**, it went up by 2,976 MTD to 31,654 MTD in 2013 : 41.1% of GNDI against 40.1% in 2012. The foreign exchange effect contributed by 57% to the amplification, from a year-end to another, of the stock of medium and long term external debt (against 26.8% in 2012), in line with depreciation of the Tunisian dinar against main indebtedness currencies (euro : -9.7% dollar : -5.8%)<sup>1</sup>. As for the volume effect which reflects medium-term net capital loan inflows, it was less important than the one of 2012, due to the drop in drawings (-39.2%) at a more significant pace than medium and long term debt amortization (-21.8%).

Breakdown of the outstanding balance of medium and long term external debt by institutional sector shows a 7% increase in the one of Administration and monetary authorities, posting 21,321 MTD, accounting thus for more than two thirds of the stock of medium and long term

<sup>1</sup> End of 2013 variations compared to end of 2012.

external debt. The financial sector's stock of medium and long term external debt and the one of other sectors were up by 6.8% and 20.6% respectively, to 1,686 MTD and 8,647 MTD.

The outstanding balance of medium and long-term currency and deposits went up from 727 MTD in 2012 to 1,593 MTD in 2013, in line with the deposit carried out, in 2013, by the National Bank of Qatar at the Central Bank of Tunisia (500 MUS).

**TABLE 3-13 : MAIN PARAMETERS OF MEDIUM AND LONG TERM EXTERNAL DEBT**

(In MTD unless otherwise indicated)

Description	2009	2010	2011	2012	2013
<b>Outstanding medium &amp; long term debt<sup>1</sup></b>	<b>21,977</b>	<b>23,582</b>	<b>25,348</b>	<b>28,678</b>	<b>31,654</b>
<b>Rate of indebtedness (in % of GNDI)</b>	<b>37.3</b>	<b>37.3</b>	<b>39.2</b>	<b>40.1</b>	<b>41.1</b>
<b>Drawings on medium &amp; long term loan capital</b>	<b>2,726</b>	<b>2,641</b>	<b>3,811</b>	<b>5,805</b>	<b>3,529</b>
<b>Medium &amp; long term debt service</b>	<b>3,184</b>	<b>3,269</b>	<b>3,737</b>	<b>4,071</b>	<b>3,325</b>
Principal	2,313	2,434	2,893	3,201	2,504
Interest	871	835	844	870	821
<b>Debt service ratio<sup>2</sup> (In %)</b>	<b>10.6</b>	<b>9.3</b>	<b>10.6</b>	<b>10.5</b>	<b>8.2</b>

<sup>1</sup> Outstanding balance of debt excluding incurred but not yet falling due interests.

<sup>2</sup> Calculated with reference to current receipts.

As for **short-term liabilities**, they went up by 12.7% at the end of 2013 to 10,822 MTD, accounting for 10.6% of overall gross liabilities. This result is attributable to the 13.4% increase in liabilities with respect to currency and deposits, up to 6,922 MTD, in line with the increase by 18.6% in non-resident deposits and 4.4% in liabilities with banking correspondents outside Tunisia at the end of 2013.

**TABLE 3-14 : TRENDS IN SHORT TERM LIABILITIES AND ASSETS**

(In MTD unless otherwise indicated)

Description	2010	2011	2012	2013	Variation in% 2013/2012
<b>Short term liabilities</b>	<b>-7,148</b>	<b>-7,662</b>	<b>-9,603</b>	<b>-10,822</b>	<b>12.7</b>
* Currency and deposits	-5,009	-5,151	-6,103	-6,922	13.4
of which : non resident deposits	-3,751	-4,009	-4,545	-5,391	18.6
Bank correspondents outside Tunisia	-1,239	-1,058	-1,316	-1,374	4.4
*Trade credits	-2,139	-2,511	-3,500	-3,900	11.4
<b>Short term assets</b>	<b>3,446</b>	<b>3,471</b>	<b>3,292</b>	<b>3,388</b>	<b>2.9</b>
* Currency and deposits	2,035	1,309	1,684	2,044	21.4
of which : bank correspondents	1,699	970	1,314	1,541	17.3
*Trade credits	1,411	2,162	1,608	1,344	-16.4
<b>Net liabilities</b>	<b>-3,702</b>	<b>-4,191</b>	<b>-6,311</b>	<b>-7,434</b>	<b>17.8</b>
<b>Reserves assets</b>	<b>13,936</b>	<b>11,588</b>	<b>13,757</b>	<b>12,662</b>	<b>-8.0</b>
Net liabilities/reserve assets (in %) <sup>1</sup>	<b>26.6</b>	<b>36.2</b>	<b>45.9</b>	<b>58.7</b>	<b>12.8</b>

<sup>1</sup> Variations in percentage points.

Liabilities with respect to trade credits rose by 11.4% compared to those of end 2012, up to 3,900 MTD, still a high level in line with the one of imports under the general regime. Worth of note that this type of transactions is accompanied by financial settlements having, as a result, an impact on the level of assets in foreign currency.

### 3.2.2. Assets

Posting 16,658 MTD at the end of 2013, gross assets went downwards by 5.4% following the 8% shrinking in reserve assets, down to 12,662 MTD covering 76% of overall assets. Concurrently, net assets in foreign currency dropped by 7.7% to 11,602 MTD and 106 days of imports at the end of 2013 against 12,576 MTD and 119 days at the end of 2012.

Other reserve assets components, special drawings rights and the IMF reserve position went upwards by 5.4% and 1.8% respectively, posting 612 MTD and 137 MTD. Monetary gold reserves declined, however, from 341 MTD to 263 MTD.

As for short-term assets, they increased by 2.9% to 3,388 MTD, a trend attributable to the 21.4% increase in financial assets (currency and deposits), while assets with respect to trade credits shrank by 16.4%.

**TUNISIA'S EXTERNAL PAYMENTS : TRENDS IN CURRENT RECEIPTS AND CAPITAL INFLOWS**  
(5<sup>th</sup> edition) (In MTD)

Description	2010	2011	2012	2013
<b>A – CURRENT RECRIPTS</b>	<b>35,267.5</b>	<b>35,200.4</b>	<b>38,884.0</b>	<b>40,463.3</b>
<b>EXPORT OF GOODS (FOB)</b>	<b>23,519.0</b>	<b>25,091.9</b>	<b>26,547.7</b>	<b>27,701.2</b>
<b>SERVICES</b>	<b>8,309.7</b>	<b>6,727.7</b>	<b>8,204.6</b>	<b>8,176.0</b>
TRANSPORT	2,202.4	1,899.3	2,283.3	2,058.8
<i>Freight</i>	218.0	241.9	260.8	284.8
<i>Passengers</i>	1,190.6	866.1	1,098.9	1,091.3
<i>Other transports</i>	793.8	791.3	923.6	682.7
<i>Of which : gas royalties</i>	602.6	641.7	749.5	478.1
TRAVEL	3,785.9	2,694.9	3,478.0	3,559.5
<i>Tourism</i>	3,522.5	2,432.6	3,175.3	3,221.4
<i>Professional and official travel</i>	88.1	60.8	84.2	93.5
<i>Studies and training</i>	30.7	28.1	36.0	39.4
<i>Medical care</i>	117.2	131.5	151.6	171.5
<i>Other living expenses</i>	27.4	41.9	30.9	33.7
GOVERNMENT TRANSACTIONS	478.3	467.2	503.3	412.3
<i>Tunisian government</i>	0.0	0.0	0.0	0.0
<i>Foreign governments</i>	478.3	467.2	503.3	412.3
OTHER SERVICES	1,843.1	1,666.3	1,940.0	2,145.4
<i>Insurance premiums and benefits</i>	93.5	85.9	103.4	110.2
<i>Office costs</i>	126.8	115.5	122.2	114.7
<i>Commercial &amp; international trade costs</i>	248.4	226.1	275.4	327.8
<i>Large scale works &amp; technical services</i>	685.1	504.2	635.4	700.6
<i>Communication services</i>	432.4	486.1	530.6	606.9
<i>Financial services</i>	103.7	92.5	108.3	111.3
<i>Computer and information services</i>	60.9	57.8	62.7	69.0
<i>Royalties and licence rights</i>	35.5	37.2	36.1	40.8
<i>Staff and cultural services</i>	13.9	12.7	13.9	17.8
<i>Miscellaneous</i>	42.9	48.3	52.0	46.3
<b>FACTOR INCOME</b>	<b>3,085.1</b>	<b>2,977.0</b>	<b>3,692.3</b>	<b>3,971.0</b>
CAPITAL INCOME	131.7	155.1	153.5	249.7
<i>Interest on loans and investment</i>	110.2	130.9	133.4	205.2
<i>Dividends and profits</i>	11.9	15.2	11.7	8.2
<i>Direct investment income</i>	9.6	9.0	8.4	36.3
LABOUR INCOME	2,953.4	2,821.9	3,538.8	3,721.3
<i>Worker remittances</i>	2,468.9	2,335.9	2,985.6	3,099.0
<i>Other labour income</i>	484.5	486.0	553.2	622.3
<b>CURRENT TRANSFERS</b>	<b>353.7</b>	<b>403.8</b>	<b>439.4</b>	<b>615.1</b>
<i>Tunisian private sector</i>	205.9	193.4	219.3	212.1
<i>Tunisian public sector</i>	147.8	210.4	220.1	403.0



(In MTD)

Description	2010	2011	2012	2013
<b>B – CAPITAL &amp; FINANCIAL TRANSACTIONS</b>	<b>6,013.7</b>	<b>7,113.3</b>	<b>11,609.7</b>	<b>8,069.1</b>
<b>CAPITAL TRANSACTIONS</b>	<b>129.8</b>	<b>266.2</b>	<b>708.0</b>	<b>195.0</b>
<b>FINANCIAL TRANSACTIONS</b>	<b>5,883.9</b>	<b>6,847.1</b>	<b>10,901.7</b>	<b>7,874.1</b>
* DIRECT INVESTMENTS	2,175.5	1,627.5	2,518.5	1,831.6
Assets	10.5	11.6	14.5	16.6
Liabilities	2,165.0	1,615.9	2,504.0	1,815.0
Shareholding	2,160.0	1,612.1	2,499.8	1,810.2
Others	5.0	3.8	4.2	4.8
* PORTFOLIO INVESTMENTS	252.7	102.4	83.4	179.6
Public sector	0.0	0.0	0.0	0.0
Assets	0.0	0.0	0.0	0.0
Liabilities	0.0	0.0	0.0	0.0
Private sector	252.7	102.4	83.4	179.6
Assets	0.0	0.0	0.0	0.0
Liabilities	252.7	102.4	83.4	179.6
* OTHER INVESTMENT	3,455.7	5,117.2	8,299.8	5,862.9
<b>LIABILITIES</b>	<b>3,455.7</b>	<b>4,391.6</b>	<b>7,746.3</b>	<b>5,598.9</b>
MEDIUM AND LONG TERM LIABILITIES	2,641.5	3,877.3	5,804.9	4,346.1
Loans and trade credits	2,641.5	3,810.7	5,804.9	3,529.3
General government	1,142.0	2,503.2	4,561.4	1,064.4
Monetary authorities	0.0	0.0	217.5	1,041.4
Financial sector	105.8	86.2	219.6	309.8
Other sectors	1,393.7	1,221.3	806.4	1,113.7
Currency and deposits	0.0	66.6	0.0	816.8
General government	0.0	0.0	0.0	0.0
Monetary authorities	0.0	66.6	0.0	816.8
Other medium and long-term liabilities	0.0	0.0	0.0	0.0
SHORT TERM LIABILITIES	814.2	514.3	1,941.4	1,252.8
Currency and deposits	414.7	142.3	951.9	853.5
General government	0.0	0.0	0.0	0.0
Monetary authorities	0.0	66.0	106.4	0.0
Financial sector	414.7	76.3	845.5	853.5
Other sectors	0.0	0.0	0.0	0.0
Trade credits	399.5	372.0	989.5	399.3
Other sectors	399.5	372.0	989.5	399.3
Other short-term liabilities	0.0	0.0	0.0	0.0
<b>ASSETS</b>	<b>0.0</b>	<b>725.6</b>	<b>553.5</b>	<b>264.0</b>
MEDIUM AND LONG-TERM ASSETS	0.0	0.0	0.0	0.0
SHORT-TERM ASSETS	0.0	725.6	553.5	264.0
Currency and deposits	0.0	725.6	0.0	0.0
Financial sector	0.0	725.6	0.0	0.0
Trade credits	0.0	0.0	553.5	264.0
Other sectors	0.0	0.0	553.5	264.0
<b>C – ADJUSTMENT OPERATIONS (net flows)</b>	<b>180.1</b>	<b>139.2</b>	<b>151.2</b>	<b>205.4</b>
<b>GENERAL TOTAL</b>	<b>41,461.3</b>	<b>42,452.9</b>	<b>50,644.9</b>	<b>48,737.8</b>

**TUNISIA'S EXTERNAL PAYMENTS : TRENDS IN CURRENT EXPENDITURE AND CAPITAL**  
**OUTFLOWS (5<sup>th</sup> edition)** (In MTD)

Description	2010	2011	2012	2013
<b>A – CURRENT EXPENDITURE</b>	<b>38,279.8</b>	<b>39,966.8</b>	<b>44,696.4</b>	<b>46,764.8</b>
<b>IMPORT OF GOODS (FOB)</b>	<b>30,067.2</b>	<b>31,848.3</b>	<b>36,082.7</b>	<b>37,336.4</b>
<b>SERVICES</b>	<b>4,788.4</b>	<b>4,625.7</b>	<b>5,151.2</b>	<b>5,541.6</b>
TRANSPORT	2,283.0	2,277.0	2,545.7	2,720.5
<i>Freight</i>	1,574.9	1,667.1	1,870.0	1,955.7
<i>Passengers</i>	91.7	99.5	125.0	151.0
<i>Other transport</i>	616.4	510.4	550.7	613.8
TRAVEL	783.3	853.9	926.3	1,097.2
<i>Tourism</i>	479.4	531.8	537.3	682.8
<i>Professional and official travel</i>	80.4	69.5	99.7	114.6
<i>Studies and training</i>	107.0	120.0	129.3	154.6
<i>Medical care</i>	18.5	18.8	15.3	20.2
<i>Other living expenses</i>	98.0	113.8	144.7	125.0
GOVERNMENT TRANSACTIONS	257.6	247.7	323.7	267.7
<i>Tunisian Government</i>	257.6	247.7	323.7	267.7
- <i>Technical assistance</i>	38.2	41.4	80.9	27.7
- <i>Other</i>	219.4	206.3	242.8	240.0
<i>Foreign governments</i>	0.0	0.0	0.0	0.0
OTHER SERVICES	1,464.5	1,247.1	1,355.5	1,456.2
<i>Insurance premiums and benefits</i>	303.5	306.3	317.4	333.8
<i>Office costs</i>	13.7	18.3	12.4	15.8
<i>Commercial &amp; international trade costs</i>	158.7	152.0	159.5	173.3
<i>Large scale works &amp; technical services</i>	571.1	432.9	502.5	552.6
<i>Communication services</i>	85.3	94.6	108.8	125.0
<i>Financial services</i>	109.0	82.0	92.8	91.6
<i>Computer and information services</i>	53.9	41.6	48.8	53.0
<i>Royalties and licence rights</i>	21.7	17.0	20.0	22.2
<i>Staff and cultural services</i>	15.6	7.2	11.2	18.5
<i>Miscellaneous</i>	132.0	95.2	82.1	70.4
<b>FACTOR INCOME</b>	<b>3,380.7</b>	<b>3,444.9</b>	<b>3,410.0</b>	<b>3,845.8</b>
Capital income	3,361.6	3,418.1	3,381.2	3,814.0
<i>Interest on medium &amp; long term loans</i>	835.0	844.1	870.2	821.6
<i>Interest on short term loans</i>	70.3	90.0	57.3	78.7
<i>Dividends and profits</i>	79.2	68.3	58.8	61.3
<i>Direct investment income</i>	2,373.9	2,415.7	2,394.9	2,852.4
<i>Rent</i>	3.2	0.0	0.0	0.0
LABOUR INCOME	19.1	26.8	28.8	31.8
<i>Work remittances</i>	9.7	18.4	15.4	16.9
<i>Other labour income</i>	9.4	8.4	13.4	14.9
<b>CURRENT TRANSFERS</b>	<b>43.5</b>	<b>47.9</b>	<b>52.5</b>	<b>41.0</b>
<i>Tunisian private sector</i>	40.0	47.4	52.3	41.0
<i>Tunisian public sector</i>	3.5	0.5	0.2	0.0

(In MTD)

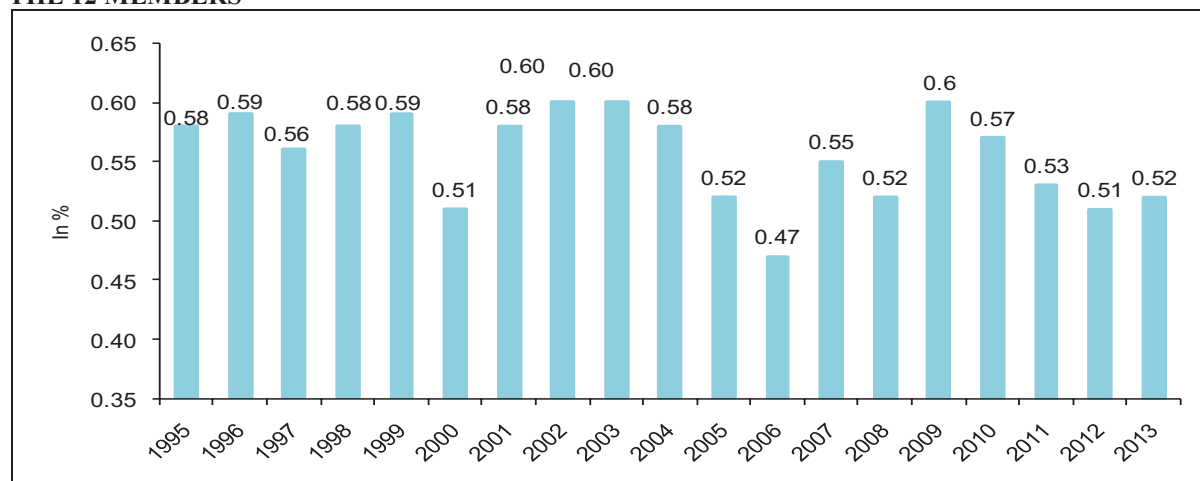
Description	2010	2011	2012	2013
<b>B – CAPITAL &amp; FINANCIAL TRANSACTIONS</b>	<b>3,380.7</b>	<b>4,833.5</b>	<b>3,780.1</b>	<b>3,067.6</b>
<b>CAPITAL TRANSACTIONS</b>	<b>11.9</b>	<b>7.5</b>	<b>6.8</b>	<b>8.7</b>
<b>FINANCIAL TRANSACTIONS</b>	<b>3,368.8</b>	<b>4,826.0</b>	<b>3,773.3</b>	<b>3,058.9</b>
DIRECT INVESTMENTS	265.3	1,018.4	90.9	111.7
Assets	105.5	29.5	21.0	35.2
Liabilities	159.8	988.9	69.9	76.5
Shareholding	148.4	976.7	56.4	52.4
Other	11.4	12.2	13.5	24.1
PORTFOLIO INVESTMENTS	289.8	164.0	107.4	49.6
Public sector	0.0	0.0	0.0	0.0
Assets	0.0	0.0	0.0	0.0
Liabilities	0.0	0.0	0.0	0.0
Private sector	289.8	164.0	107.4	49.6
Assets	0.0	0.0	0.0	0.0
Liabilities	289.8	164.0	107.4	49.6
OTHER INVESTMENTS	2,813.7	3,643.6	3,575.0	2,897.6
<b>LIABILITIES</b>	<b>2,469.8</b>	<b>2,892.5</b>	<b>3,200.5</b>	<b>2,537.7</b>
MEDIUM AND LONG TERM LIABILITIES	2,433.7	2,892.5	3,200.5	2,503.5
Loans and trade credits	2,433.7	2,892.5	3,200.5	2,503.5
General government	1,456.0	1,997.4	1,927.3	1,676.3
Monetary authorities	0.0	0.0	0.0	0.0
Financial sector	316.0	276.0	278.1	300.5
Other sectors	661.7	619.1	995.1	526.7
Other medium and long-term liabilities	0.0	0.0	0.0	0.0
SHORT TERM LIABILITIES	36.1	0.0	0.0	34.2
Currency and deposits	36.1	0.0	0.0	34.2
General government	0.0	0.0	0.0	0.0
Monetary authorities	36.1	0.0	0.0	34.2
Financial sector	0.0	0.0	0.0	0.0
Other sectors	0.0	0.0	0.0	0.0
Other short-term liabilities	0.0	0.0	0.0	0.0
<b>ASSETS</b>	<b>343.9</b>	<b>751.1</b>	<b>374.5</b>	<b>359.9</b>
MEDIUM AND LONG-TERM ASSETS	0.0	0.0	0.0	0.0
SHORT-TERM ASSETS	343.9	751.1	374.5	359.9
Currency and deposits	124.6	0.0	374.5	359.9
General government	0.0	0.0	0.0	0.0
Monetary authorities	0.0	0.0	0.0	0.0
Financial sector	124.6	0.0	374.5	359.9
Trade credits	219.3	751.1	0.0	0.0
Other sectors	219.3	751.1	0.0	0.0
<b>C – ADJUSTMENT OPERATIONS (net flows)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>GENERAL TOTAL</b>	<b>41,660.5</b>	<b>44,800.3</b>	<b>48,476.5</b>	<b>49,832.4</b>
<b>BALANCE</b>	<b>-199.2</b>	<b>-2,347.4</b>	<b>2,168.4</b>	<b>-1,094.6</b>

### 3.3. TREND IN COMPETITIVENESS INDICATORS

#### 3.3.1. Trend in export market share

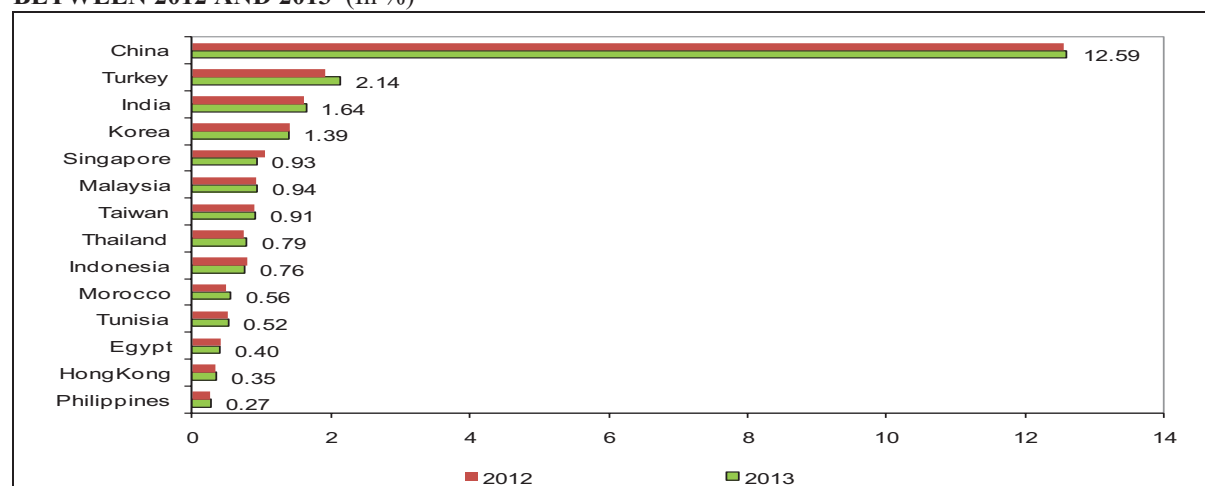
After two years in a row of regression, trend in the market share of Tunisian exports on main European Union countries<sup>1</sup> (EU) shows a stabilization in 2013 and compared to the end of 2012 (+0.01 percentage point), posting 0.52%. Despite this slight improvement, Tunisia was backward by one rank, holding the 11<sup>th</sup> position among the chosen sample of main competitor countries<sup>2</sup>, getting ahead Egypt (0.40%), Hong Kong (0.35%) and the Philippines (0.27%).

**GRAPHIC 3-8 : TREND IN TUNISIA MARKET SHARE ON THE EUROPEAN UNION MARKET OF THE 12 MEMBERS**



By comparison, Morocco has continued to improve its market share since 2011 and exceeded Tunisia at the end of 2013 by occupying the 10<sup>th</sup> rank with a 0.56% share. The first three places were held by China followed by Turkey and India with the successive shares of 12.59%, 2.14% and 1.64%.

**GRAPHIC 3-9 : TREND IN MARKET SHARES OF TUNISIA AND COMPETITOR COUNTRIES BETWEEN 2012 AND 2013 (ln %)**



<sup>1</sup> The market share for a country on the EU is measured by the ratio between that country's exports to the EU region and its imports from this region (this is relevant to the 12 main EU countries).

<sup>2</sup> The sample taken into consideration includes the Middle East and North Africa region countries (Morocco, Turkey, Egypt and Jordan) and Asian countries (China, Taiwan, Indonesia, Malaysia, the Philippines, Singapore, Hong Kong, India and South Korea).

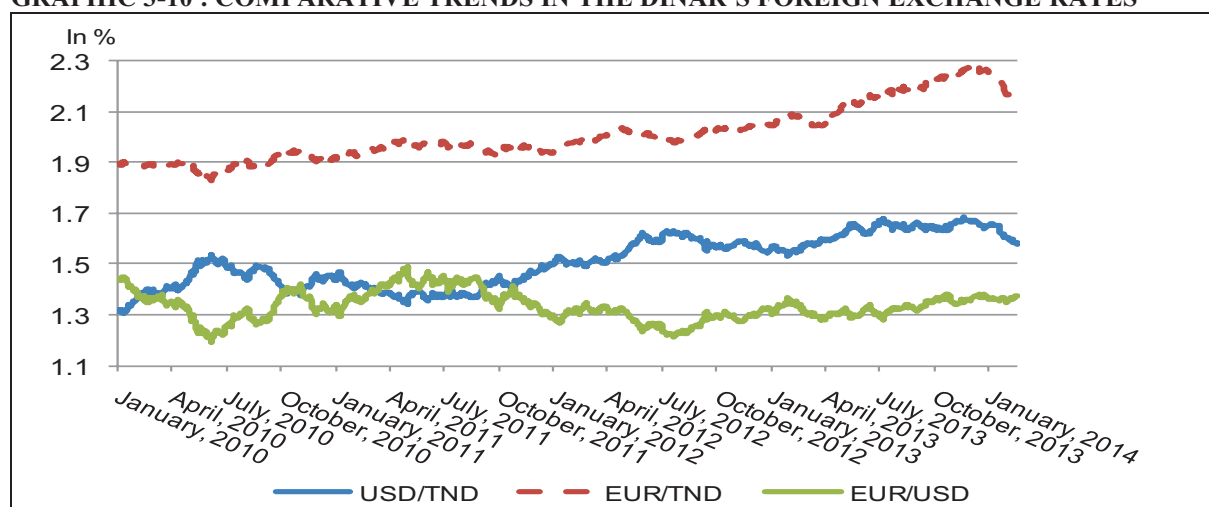
### 3.3.2. Trend in the dinar exchange rate

The overall volume of transactions on the spot foreign exchange market increased by 14.6% over 2013 : a volume worth 77,636 MTD due to a 43.3% increase in currency/dinar transactions. This trend is mainly attributable to Central Bank intensified interventions on the market so as to offset pressure on the dinar's exchange rate. In fact, starting from May 2013 requests to purchase foreign currencies by large-scale major public enterprises and foreign firms in the framework of transfer of their profits went upwards. However, currency/currency transactions dropped by 3.6%.

The dinar foreign exchange rate depreciated by 9.7% against the euro at the end of 2013 and compared to the end of 2012 and by 5.8% against the US dollar. Over the same period, the euro exchange rate appreciated by about 4.5% against the dollar, posting 1.38 dollar.

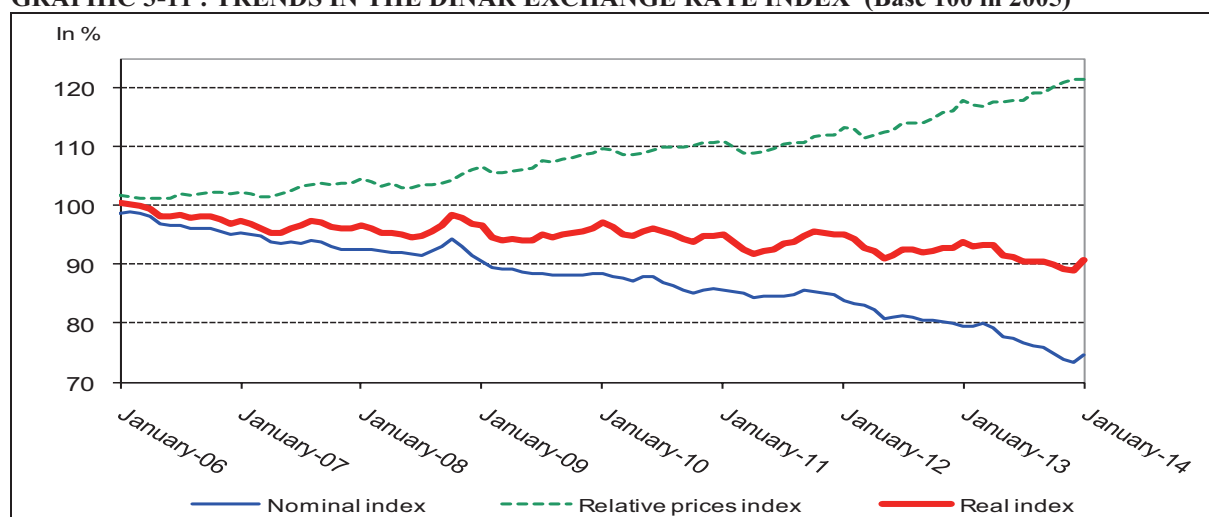
In terms of annual average, the dinar foreign exchange rate depreciated by 7% against the euro and by 3.9% against the US dollar in 2013.

**GRAPHIC 3-10 : COMPARATIVE TRENDS IN THE DINAR'S FOREIGN EXCHANGE RATES**



The dinar's nominal effective exchange rate, calculated on the basis of a sample of Tunisia's main partner and competitor countries' currencies, depreciated by 8.4%. As for the effective multilateral foreign exchange, it depreciated by 4% due to the inflation differential widening notably with the Euro Zone and the United States.

**GRAPHIC 3-11 : TRENDS IN THE DINAR EXCHANGE RATE INDEX (Base 100 in 2005)**



## 4 – MONEY, CREDIT AND MONETARY POLICY

### 4.1. MONEY AND SOURCES OF MONETARY CREATION

Money supply M3 evolved in 2013 at a slower pace than a year earlier. This downward trend, initiated since 2009, was the result of the combined effect of a slower progress pace both of financing of the economy and net claims on the State as well as a decrease in net claims abroad.

#### 4.1.1. Monetary aggregates

Money supply M3 progress rate which came to 13% in 2009, has hence pursued an ongoing downward trend with the level going down from 12.1% in 2010 to 9.1% in 2011 and 8.4% in 2012 to finally close up for 2013 at 6.6%. Yet, M3 aggregate deceleration, expressed in terms of average, as was recorded at end 2012, was reversed in 2013, with its average growth rate coming to 8.2% compared to 7.6% a year before.

Following a slight recovery in the progress rate of Money supply M3 in terms of average and a deceleration in that of the economic activity, by GDP and in current prices (8.1% against 9.2% in 2012), the gap between these two indicators was reduced for the second year in a row, which caused a quasi-stagnation in money-circulation velocity in 2013, reacting 1.44 against 1.45 in 2012 and 1.42 one year before. Trend in this indicator reflects the degree of non financial economic agents' confidence with respect to attractiveness to liquidity and the national economy despite a particularly difficult environment. Money supply slowdown was however thwarted by the increase in the inflation rate which came on average to 6.1% against 5.6% a year earlier, influenced by the increase both in the prices of fresh foodstuff and manufactured products.

**TABLE 4-1 : TREND IN SOME MACROECONOMIC INDICATORS**

Description	2010	2011	2012	2013
<b>Money supply M3 (in MTD)</b>	<b>41,014</b>	<b>45,447</b>	<b>48,897</b>	<b>52,903</b>
M3 average growth rate (in %)	12.5	10.8	7.6	8.2
<b>GDP in current prices (in MTD)</b>	<b>63,059</b>	<b>64,690</b>	<b>70,658</b>	<b>76,351</b>
GDP growth rate in current prices (in %)	7.6	2.6	9.2	8.1
<b>Average inflation rate (in %)</b>	<b>4.4</b>	<b>3.5</b>	<b>5.6</b>	<b>6.1</b>
<b>Money circulation velocity</b>	<b>1.537</b>	<b>1.423</b>	<b>1.445</b>	<b>1.443</b>

The events that prevailed in 2013, notably the political, economic and social tensions, brought about a climate marked by uncertainty and lack of visibility which influenced sharply the evolution of monetary aggregates.

In fact, persisting pressure on bank liquidity which accounted for rather important amounts over 2013 and lack of investment opportunities on the capital market whose key index yield is going down, were particularly reflected on monetary investment choices of non-financial economic agents as well as investors' interest in State securities whose amount of issues was up.

Thus, the main component of money supply M3 evolved in 2013 in a disparate way through reallocations within this aggregate. In fact, fiduciary money recovery (10.3% vs. -3.7% in 2012) was accompanied by a sharp deceleration both of bank money (1.4% vs. 10.3%), notably sight deposits at banks, borrowings and private bonds of more than one year (2.9% vs. 21.1% in 2012) and to a lesser degree quasi-monetary deposits (8.8% vs. 10.4% a year earlier).

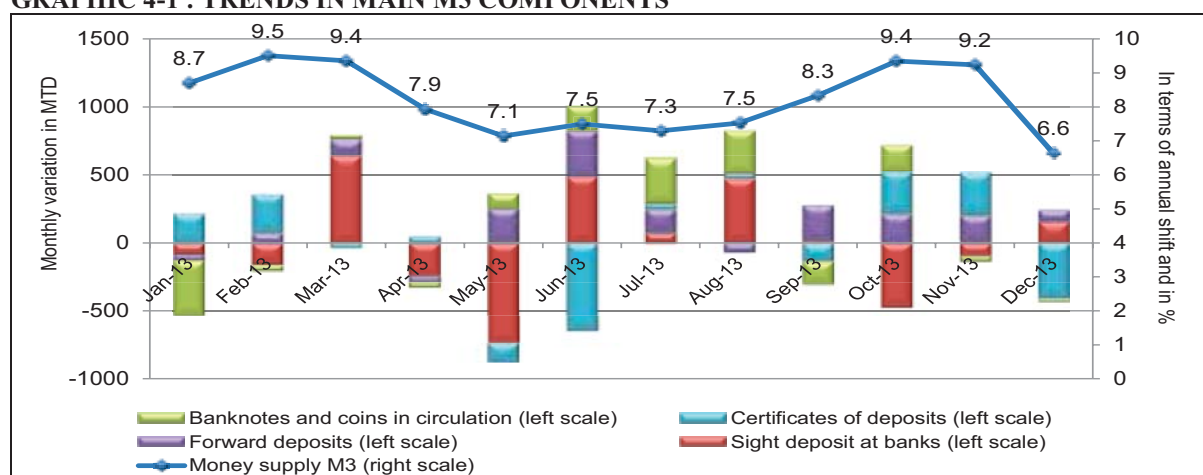
After a moderate increase by 1% or 74 MTD in 2012 following, mainly, return of banknotes to the banking sector in the wake of BCT decision to withdraw some banknotes denominations from circulation, banknotes and coins in circulation grew by 6.3% or 452 MTD in 2013 with exceptional increases by 339 MTD and 314 MTD recorded respectively in July and August of the same year. This trend was mainly led by a habitual increase in household expenditure, notably in



summer, the holly month of Ramadan and Aid El Fitr holidays to which are added fallouts from socio-political events following the assassination of a political leader in July. Worth of note that from November 2012 till February of the following year, restitution of banknotes denominations to the banking sector following their withdrawal from circulation for an amount of 1,138 MTD, lessened sharply the impact of progress of banknotes and coins from circulation.

As for bank money, there was notably a net deceleration in sight deposits at banks (0.4% or 43 MTD in 2013 against 15.5% or 1,643 MTD in 2012) concurrently with recovery of deposits at the Postal Cheque Center : CCP (+8.1% against -27.5% a year earlier). Worth of note in this respect, that over the last five years, the annual progress of sight deposits at banks did never reach this floor rate of end December. Yet, the evolution of this category of deposit was uneven throughout the year with a sharp increase in March (+638 MTD), June (+486 MTD) and August (+468 MTD) involving notably, deposits in current account of private companies and to a lesser degree public companies deposits. Yet, an exceptional decrease of 734 MTD was recorded in May 2013, attributable mainly to significant drawings by some private companies, private individuals and to a lesser degree public companies. Deposits of social security structures and insurance companies at banks dropped slightly from one year to the next.

**GRAPHIC 4-1 : TRENDS IN MAIN M3 COMPONENTS**



Concurrently, the deceleration over 2013 in the growth pace of quasi-monetary resources (8.8% vs. 10.4% a year earlier) reflects, mainly, that of deposits in special savings accounts (7.1% vs. 16.7%) and deposits at the postal savings center : CEP (5.8% vs. 19.1%). Trend in savings accounts could have been more important given the increase on three occasions as of December 2012, in the savings remuneration rate (TRE) which went up from 2% to 3.25% at end 2013, had it not been for the difficult economic situation tinged with persisting inflation.

However, removal of ceilings on banks' conditions<sup>1</sup> with respect to rates of forward accounts remuneration, cash vouchers and other financial products in March 2013 had the expected positive effect on forward deposits and other financial products whose outstanding balance recovered henceforth sharply (26.6% or 1,542 MTD for the year as a whole compared to -35.8% or -3,241 MTD a year earlier) to the detriment of safe investments like certificates of deposits which were down (-1.9% or -111 MTD compared to +143% or 3,509 MTD).

After a rebound recorded in 2012 (21.1% vs. 9.7% in 2011), contractual savings mobilized, notably, in the form of borrowings and more than one year private bonds, posted a further deceleration in its progress pace, coming to just 2.9% at the end of 2013. This evolution reflects, mainly, the modesty of these bond issues net of redemptions which accounted for just

<sup>1</sup> Circular to banks n°2013-04 of 28 March 2013.

45 MTD compared to 272 MTD a year earlier. Worth of note that funds raised over the considered period on the capital market totalled some 300 MTD, 81 MTD of which were confined to banks compared to an average amount of 260 MTD in 2012. It should be noted that the leasing institutions remain the main actors on this market to raise the funds required for their activity and for better match between collected resources and their use.

**TABLE 4-2 : TRENDS IN RESOURCES AND COUNTERPARTS OF THE FINANCIAL SYSTEM**

(End of period figures)

Description	In MTD			Variation in % unless otherwise indicated		
	Dec. 2012	Dec. 2013	March 2014*	<u>Dec.2012</u> <u>Dec.2011</u>	<u>Dec.2013</u> <u>Dec.2012</u>	<u>Mar. 2014</u> <u>Mar. 2013</u>
<b>Money supply M3</b>	<b>51,168</b>	<b>54,564</b>	<b>55,478</b>	<b>8.4</b>	<b>6.6</b>	<b>5.9</b>
<i>of which :</i>						
<i>Banknotes and coins in circulation</i>	7,164	7,616	7,654	1.0	6.3	13.5
<i>Sight deposits at banks</i>	12,218	12,261	12,601	15.5	0.4	-0.1
<i>Forward deposits and other financial products</i>	5,801	7,343	8,035	-35.8	26.6	35.0
<i>Certificates of deposits</i>	5,962	5,851	5,408	143.0	-1.9	-15.8
<i>Savings accounts<sup>1</sup></i>	15,567	16,448	16,643	15.3	5.7	3.1
<b>Other resources</b>	<b>18,490</b>	<b>16,517</b>	<b>16,624</b>	<b>19.2</b>	<b>-10.7</b>	<b>-1.9</b>
<b>Total resources=total counterparts</b>	<b>69,658</b>	<b>71,081</b>	<b>72,102</b>	<b>11.1</b>	<b>2.0</b>	<b>4.0</b>
<b>Net claims abroad<sup>2</sup></b>	<b>7,053</b>	<b>3,887</b>	<b>2,456</b>	<b>1.304</b>	<b>-3.166</b>	<b>-3.595</b>
<i>of which :</i>						
<i>Net assets in foreign currency<sup>2</sup></i>	12,576	11,603	11,158	1.995	-973	-11
<i>(Number of days of import<sup>3</sup>)</i>	(119)	(106)	(100)	(+6)	(-13)	(-4)
<b>Net claims on the State<sup>2</sup></b>	<b>9,374</b>	<b>10,357</b>	<b>11,635</b>	<b>1.326</b>	<b>983</b>	<b>2.589</b>
<i>of which : Treasury bonds<sup>2</sup></i>	3,136	3,693	4,204	126	557	1.392
<i>Treasury current account<sup>2</sup></i>	129	199	504	-519	70	-315
<b>Financing of the economy</b>	<b>53,231</b>	<b>56,837</b>	<b>58,011</b>	<b>8.8</b>	<b>6.8</b>	<b>7.0</b>
<i>of which : loans to the economy</i>	50,565	53,983	54,905	8.8	6.8	6.8

<sup>1</sup> This item includes special savings accounts, housing savings accounts, project-savings accounts, investment savings accounts, other savings accounts and the savings account at the CEP.

<sup>2</sup> For these aggregates, variations are expressed in MTD.

<sup>3</sup> Variations expressed in days.

\* Provisional figures.

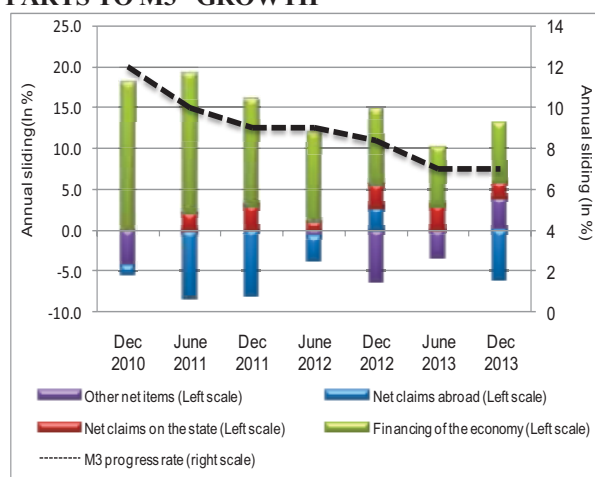
#### 4.1.2. Sources of monetary creation

Economic activity slowdown in 2013 which came after a slight easing a year earlier (2.6% compared to 3.7%) influenced financial system's loans to the economy which continued to increase in a descending order with a growth rate down from 13.4% in 2011 to 8.8% in 2012 then to 6.8% in 2013. These trends which reflect, mainly, the drop in private investment were accompanied by an increase in bank liquidity needs over 2013 to finance the economy. Worth of note in this respect that the global refinancing volume of the BCT peaked at 5,295 MTD over the first two weeks of September and closed for 2013 at 4,548 MTD.

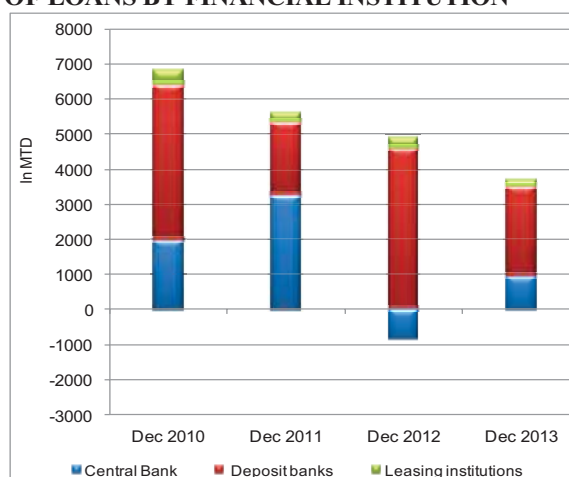
In the wake of this unfavourable environment, some companies met difficulties in honouring their commitment on the required deadlines bringing about 1,252 MTD increase, over 2013, in non-performing loans<sup>1</sup> compared to 511 MTD in 2012.

<sup>1</sup> This involves frozen, doubtful and contentious claims, unpaid values at first and second presentation as well as arrangements, rescheduling and consolidation.

**GRAPHIC 4-2 : CONTRIBUTION OF COUNTER-PARTS TO M3\* GROWTH**



**GRAPHIC 4-3 : TRENDS IN THE STRUCTURE OF LOANS BY FINANCIAL INSTITUTION**

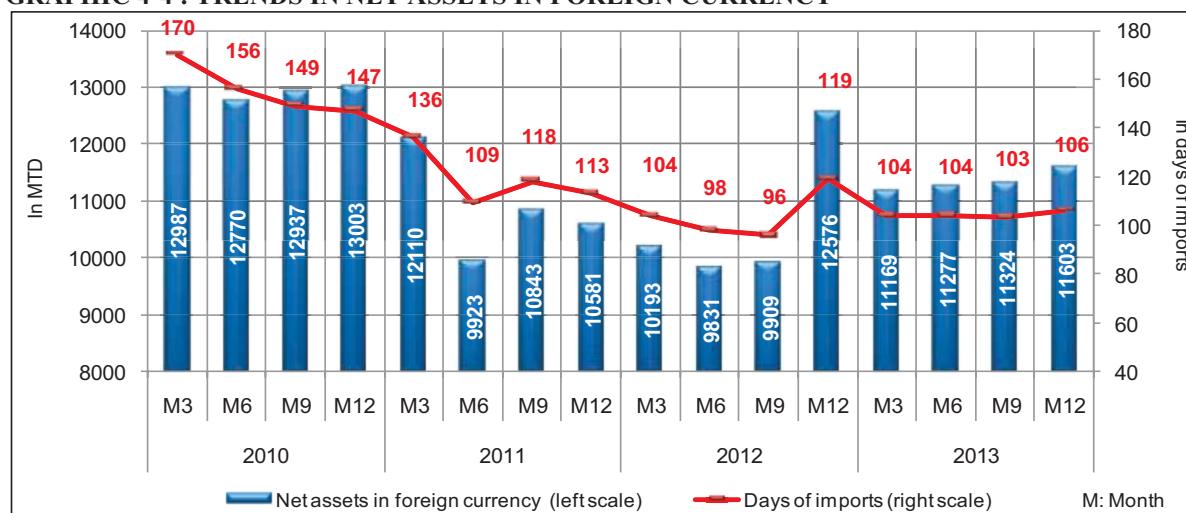


\* M3 : Net claims abroad + Net claims on the State + Financing of the economy + Other net items.

As for net claims abroad which pursued an almost downward trend in 2013, they closed for the financial year at a consequent drop (-3,166 MTD vs. +1,304 MTD) influenced mainly by current deficit widening (8.3% of GDP vs. 8.2% in 2012) and foreign direct investment decrease. In this context, net assets in foreign currency decreased sharply (-973 MTD vs. +1,995 MTD in 2012), coming to 11,603 MTD at end 2013, corresponding to 106 days of import compared to 12,576 MTD and 119 days respectively a year earlier. Worth of note that gold holding revaluation decided by the BCT Executive Board as of December 2013 as per London-Fixing gold Market rate at end of period, helped to improve the level of international reserves.

In this context, the main medium and long term external resources mobilised in 2013 were notably led by Qatari National BANK «QNB» placement at the BCT (817 MTD), mobilising of the first portion of IMF stand by loan (242 MTD), the loan granted by «NATIXIS» bank to the BCT (639 MTD) as well as the private investment carried out by Japan (323 MTD).

**GRAPHIC 4-4 : TRENDS IN NET ASSETS IN FOREIGN CURRENCY**



*Financial system net indebtedness vis-à-vis the financial system* grew over 2013 at a less sustained pace than in the previous year (10.5% vs. 16.5%). This slowdown which reflects mainly, that of savings deposit counterparts held at the CEP (5.8% vs. 19.1%) was combined with a recovery in the Treasury current account (+54.3% compared to -80.1%). Worth of note that this

deceleration would have been more important if it had not been for the significant rise in the outstanding balance of Treasury bonds in banks' portfolio (+557 MTD vs. +126 MTD).

The Treasury current account which evolved erratically over the considered financial year with a record level of 2,050 MTD in January 2013 and a minimum of 117 MTD in September of the same year, could only moderately increase from one end of period to the next (+70 MTD vs. -519 MTD).

Given the increasing needs in resources, the State was rather very active on the financial market with a volume of issues in Treasury bonds going from 1,524 MTD to 1,739 MTD from one year to the next, corresponding to the same level expected in the framework of the State budget of 2013 (1,800 MTD) with more than 90% of these issues carried out in the form of bonds equivalent to Treasury bonds. Yet, and because of the significant volume of redemptions in this respect over 2013 (1,133 MTD vs. 803 MTD in 2012), net subscriptions went down from 721 MTD to 606 MTD over the same period. Further to these raised funds, the State had recourse to part of its resources at the BCT, particularly those held in «Tunisian government in foreign currency» and «remainder from privatization of Tunisie Telecom operator» accounts as well as profit and income from the State shareholding in the capital of some public enterprises to face up current expenditure.

In the light of data available **at end March 2014**, M3 money supply continued to decelerate, up by 5.9% in annual shift compared to 9.4% in March 2013. This trend is attributable to the combined effect of slower progress pace in financing to the economy (7% vs. 8.4%), the significant drop in net claims abroad (-59.4% vs. +20.2 %) and firming up of State indebtedness vis-à-vis the financial system.

#### **4.2. MONETARY POLICY**

For the third year in a row as from 14 January 2011 revolution, monetary policy conducting was not easy to implement in so far as it has faced up several challenges at the same time. In fact, price stability, a priority goal for the Central Bank as a whole, was not ensured at all, with skyrocketing inflation, reaching in 2013 its highest level for two decades. Resuming the same level of growth as the one before the transition period would not be soon achieved given a prevailing climate of uncertainty on the part of most of the economic operators. The banking system has faced up several problems starting from liquidity tightening to the deteriorated quality of its assets.

Hence, the Central Bank continued over 2013 to face up a particularly difficult environment. In effect, given the risk of persisting inflationary pressures, mainly its effect on market anticipations and their possible devastating effect on medium and long term growth outlook, the Central Bank has tightened its monetary policy by increasing its key rate twice, bringing it from 3.75% (in effect since 29 August 2012) to 4% (on 28 March 2013) then to 4.5% (on 25 December 2013). Concurrently, it continued to supply the required liquidity to banks while protecting its balance sheet by setting a haircut on private claims accepted as collateral against refinancing operations and requiring a minimum portion of Treasury bonds.

Besides, the Central Bank worked in 2013 on improving its communication strategy by explaining the reasons behind monetary policy decisions with respect to key rate, corridor, reserve requirement or collaterals to better conduct market anticipations and boost monetary policy efficiency. In the same way, the Bank works to modernize its analytical and forecasting framework by developing the different variants of Taylor rule, setting monetary conditions' index, producing various forecasting models of growth and inflation, necessary tools to implement a coherent process to help decision making in monetary policy area.

For 2014, the Central Bank would do with a still fragile economic environment despite an expected relative detente of inflation. The main target is to run a monetary policy capable of ensuring price stability while favouring conditions for growth recovery in a healthy and sustainable way.

#### 4.2.1 Liquidity management<sup>1</sup>

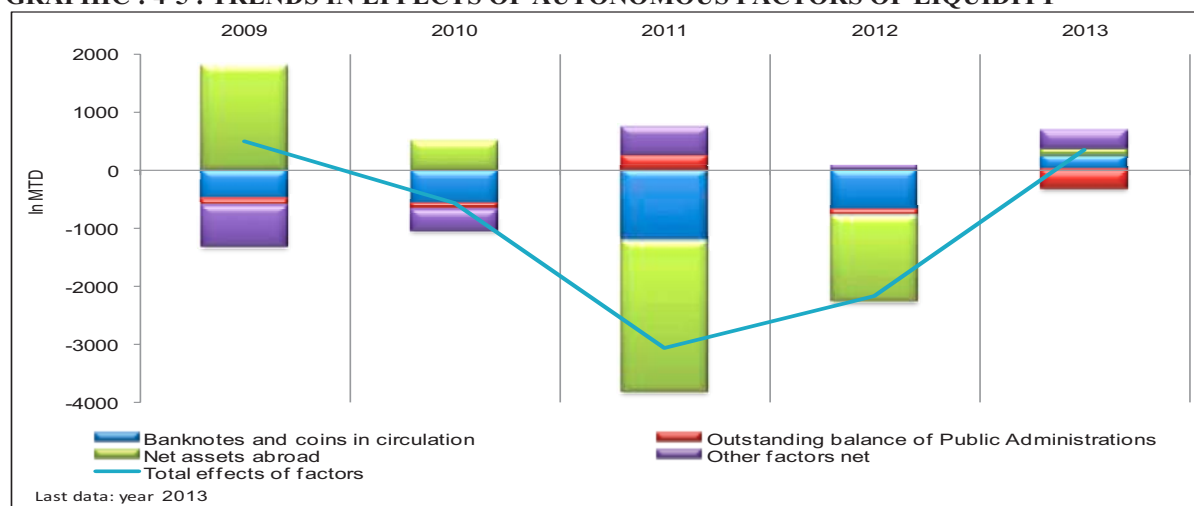
Bank liquidity tightening which marked 2011 and 2012 was slightly reduced in 2013, influenced by the expansive effect exerted by banknotes and coins in circulation and net assets abroad.

After increasing by 684 MTD in 2012, **banknotes and coins in circulation** regressed by 253 MTD in 2013, exerting an expansive effect on bank liquidity. The above-mentioned drop is, mainly, attributable to BCT decision to withdraw some banknotes<sup>2</sup> from circulation, leading to an increase in bank deposits of economic agents.

**Net assets abroad** firmed up slightly by 103 MTD despite persisting high level of the current deficit (8.4% of GDP in 2013 compared to 8.2% in 2012 and 7.4% in 2011) that was covered by disbursement of significant resources in foreign currency in the form of donations<sup>3</sup> and drawings on external loans<sup>4</sup>.

The intensified level of the Central Bank intervention on the foreign exchange market to ensure the balance between supply and demand on this market (5,045 MTD in 2013 vs. 3,503 MTD in 2012 : 44% increase) brought about a restrictive effect on “dinar” liquidity of banks. This effect was offset by banks’ recourse to Central Bank refinancing.

**GRAPHIC : 4-5 : TRENDS IN EFFECTS OF AUTONOMOUS FACTORS OF LIQUIDITY**



**The net balance of public administrations** dropped by 315 MTD from one year to the next, exerting thus a restrictive effect on bank liquidity. Its trend was influenced by 235 MTD consolidation in the **Treasury current account** in line, mainly, with the better level of private individuals’ income on the one hand and conversion into dinar of significant foreign currency

<sup>1</sup> Statistics of this part are expressed in terms of averages on daily data.

<sup>2</sup> Cf. BCT Circulars to banks and authorised intermediaries n°2012-14 of 4 September 2012, n°2012-26 of 31 December 2012 and n°2013-01 of 17 January 2013.

<sup>3</sup> Granted by the European Union (51.5 million euros).

<sup>4</sup> Notably Qatar National Bank placement at the BCT, in November (500 million USD) «NATIXIS» loan for the BCT, in June (300 million euros), the loan granted by the IMF in June (69.3 million USD and 57.3 million euro), the Japanese debenture loan in August (19,410 million Japanese yen) and the loan given by AMF in December (109.9 million USD). Worth of note also that the Treasury accounts were replenished at end 2012 following disbursement of significant foreign currency resources, bringing about a substantial increase in net assets abroad in January 2013.



resources<sup>1</sup> on the other ; with a negative effect on bank liquidity that could have been more important if it had not been for the high level of expenditure with respect to salaries and subsidies<sup>2</sup>.

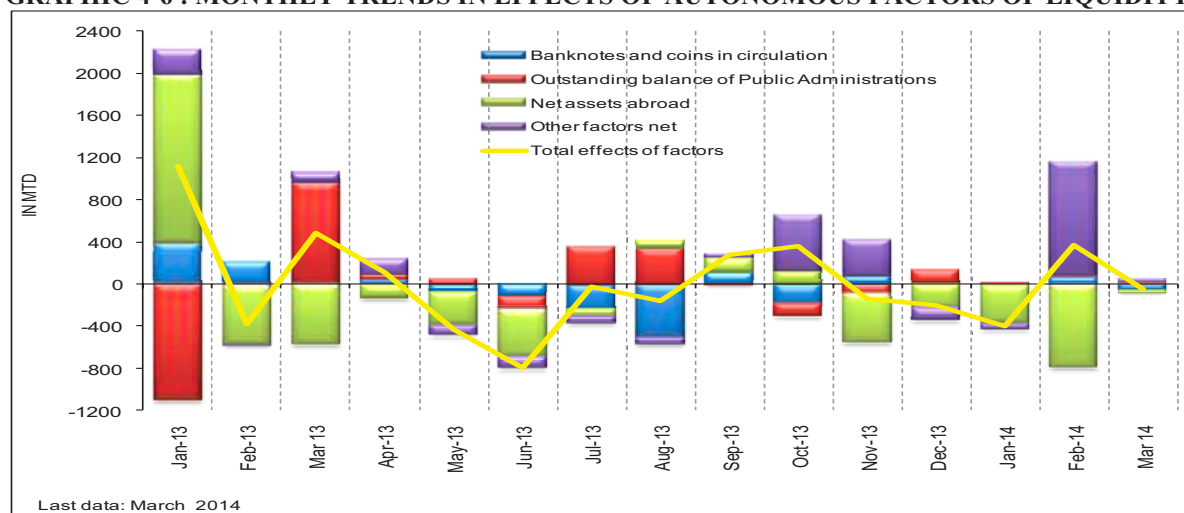
**TABLE 4-3 : TRENDS IN LIQUIDITY FACTORS AND MONETARY POLICY OPERATIONS**

(Average monthly data in MTD)

Description	2012	2013	2014 Q1	Variation*	
				2013 2012	2014 Q1 2013 Q1
<b>Banknotes and coins in circulation</b>	<b>-7,400</b>	<b>-7,147</b>	<b>-7,592</b>	<b>253</b>	<b>-819</b>
<b>Net balance of administrations</b>	<b>-77</b>	<b>-392</b>	<b>85</b>	<b>-315</b>	<b>1,230</b>
<i>of which : Treasury current account balance</i>	-710	-945	-527	-235	960
<b>Net assets abroad</b>	<b>6,312</b>	<b>6,415</b>	<b>4,674</b>	<b>103</b>	<b>-2,747</b>
<i>of which : Net assets in foreign currency</i>	10,133	11,343	11,500	1,210	-395
<b>Other net factors</b>	<b>-3,052</b>	<b>-2,740</b>	<b>-1,562</b>	<b>312</b>	<b>1,349</b>
<b>Total autonomous factors (A)</b>	<b>-4,217</b>	<b>-3,864</b>	<b>-4,395</b>	<b>353</b>	<b>-987</b>
Calls for bids	4,201	3,013	3,558	-1,188	708
1-7 day-allowance uptakes	0	0	0	0	0
3 month pawns of Treasury bonds	0	0	0	0	0
Net tapping transactions	2	0	0	-2	0
Open market transactions	285	938	888	653	65
Repurchase options	0	0	0	0	0
24 hour deposit facilities	-24	-13	-4	11	16
24 hour credit facilities	78	361	320	283	220
<b>Total Monetary Policy Operations (B)</b>	<b>4,542</b>	<b>4,299</b>	<b>4,762</b>	<b>-243</b>	<b>1,009</b>
<b>Total Assets in banks current accounts (A) + (B)</b>	<b>325</b>	<b>435</b>	<b>367</b>	<b>110</b>	<b>21</b>
Memento : Required reserves	316	421	354	105	20

\* The (-) sign indicates a restrictive effect on bank liquidity.

**GRAPHIC 4-6 : MONTHLY TRENDS IN EFFECTS OF AUTONOMOUS FACTORS OF LIQUIDITY**



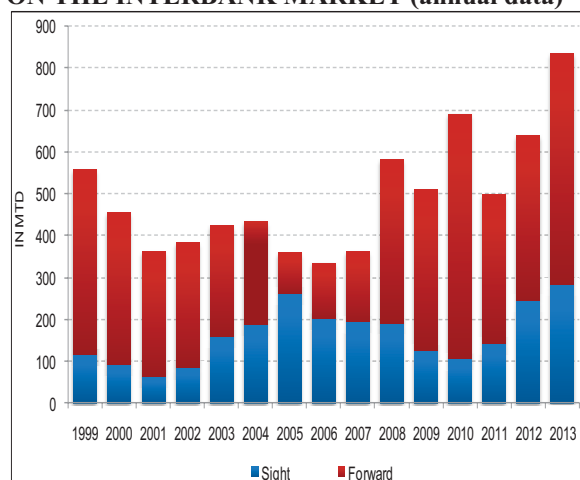
<sup>1</sup> 2013 was marked by transfer into dinar of 386 million euro in drawings from the World Bank (mobilized in 2012) and the African Development Bank loan for 500 million USD, both held in the account "Tunisian Government Special Account in Foreign Currency", the 25 billion Japanese yen debenture loan mobilized in December 2012 on the Japanese financial market and part (750 million USD) of resources from privatization of 35% in Capital of Tunisie Telecom.

<sup>2</sup> Cf. Public finance chapter and State Budget implementation results Brochure of the Ministry of Economy and Finance of end December 2013.

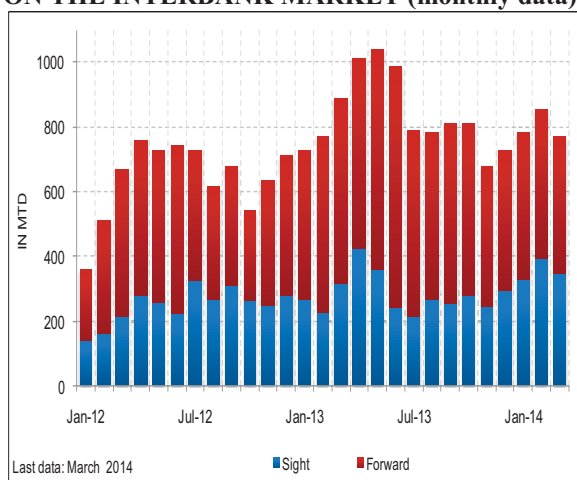


In considering trends in the autonomous factors of bank liquidity (+353 MTD), **monetary policy operations** totalled 4,299 MTD on average in 2013, 243 MTD less than in 2012. Consequently, assets in banks' ordinary current accounts held at the Central Bank came to 435 MTD compared to 325 MTD a year earlier and reflected, globally, trends in the reserve requirement.

**GRAPHIC 4-7 : TRENDS IN TRANSACTIONS ON THE INTERBANK MARKET (annual data)**



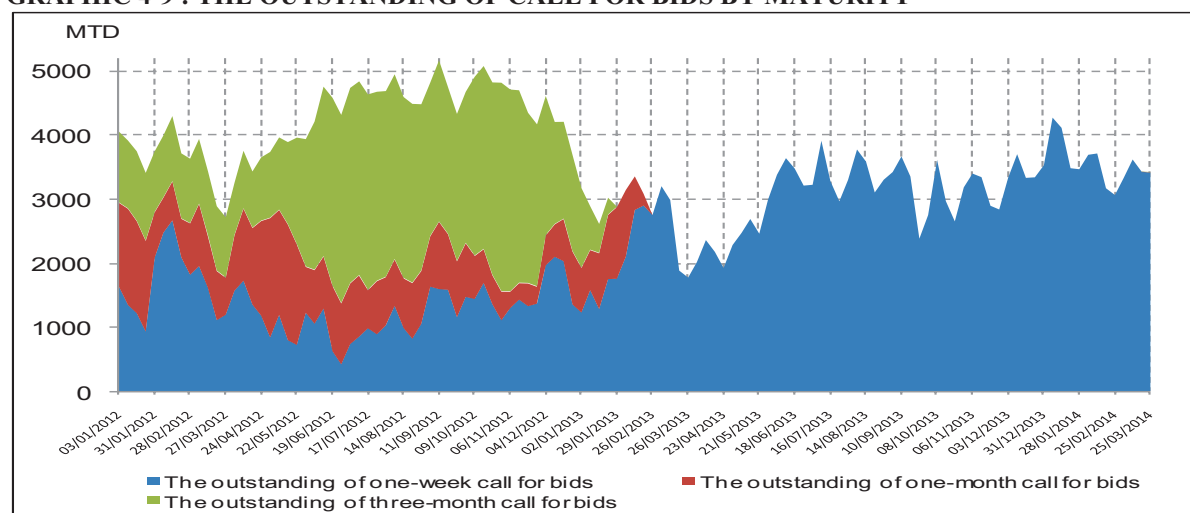
**GRAPHIC 4-8 : TRENDS IN TRANSACTIONS ON THE INTERBANK MARKET (monthly data)**



Over 2013, the interbank market activity was marked by 196 MTD increase in transactions. Most of the rise concerned forward operations (+161 MTD), accounting for 66.1% of overall interbank transactions compared to 61.3% a year earlier.

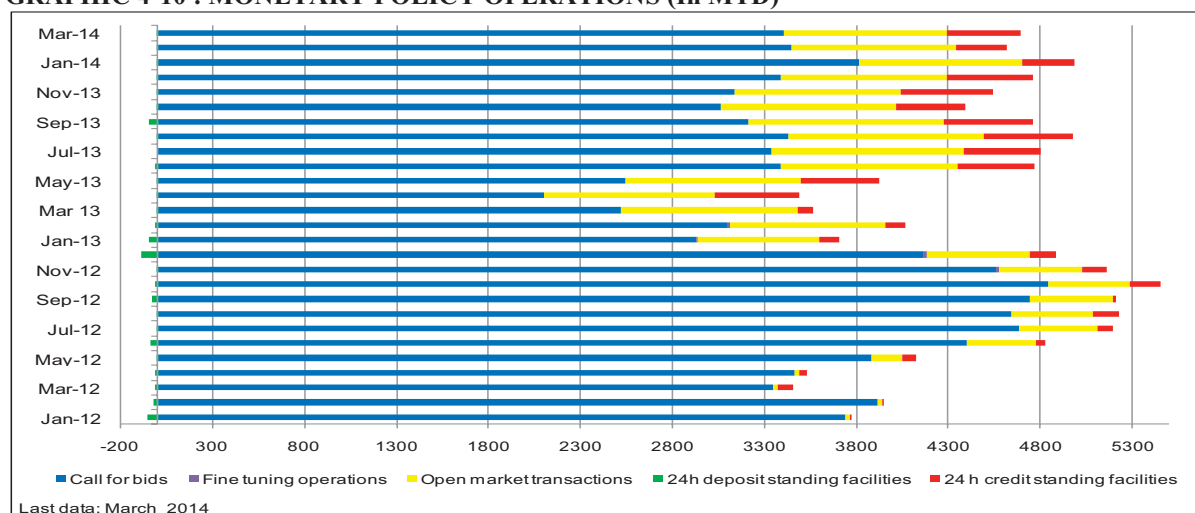
In the framework of its monetary policy operations, the Central Bank intervened, mainly, through 7-day call for bids to provide an average amount of 3,013 MTD, 1,188 MTD less than in 2012. Worth of note that after giving up granting of 3-month refinancing as of November 2012, the Issuing Institution gave an end to 1-month call for bids as of February 2013.

**GRAPHIC 4-9 : THE OUTSTANDING OF CALL FOR BIDS BY MATURITY**



Intervention of the Central Bank through its main refinancing operations accounted for 70.1% of overall monetary policy operations and was completed by firm purchase of Treasury bonds in the framework of Open market firm operations whose outstanding balance went from 285 MTD to 938 MTD from one year to the next, up by 653 MTD. Banks had recourse to 24-hour credit facilities (361 MTD on average throughout the year compared to 78 MTD in 2012).

**GRAPHIC 4-10 : MONETARY POLICY OPERATIONS (In MTD)**



Worth of note that refinancing to banks is made against presentation of collaterals in the form of Treasury bonds or performing loans on the private sector as per provisions of Central Bank statutes. In the same respect, the Issuing Institution required that banks should, as per provisions of circular n°2013-10 of 1<sup>st</sup> August 2013, present as of September 2013 a minimum portion of 10% in the form of negotiable government securities (Treasury bonds), the rest can be covered by claims. This proportion was raised up to 20% at end 2013 and will be brought to 40% as of January 2015. This process aims at lightening the counterpart risk that weighs, more and more, on the Central Bank balance sheet with an increase in the volume of granted refinancing which reached a record high level in 2012 and 2013, representing 6.4% and 5.6% of GDP respectively.

Other new point with respect to collaterals is setting up of a 10% haircut, as of 2 January 2014, on private claims accepted in refinancing. This measure is explained by the fact that, so far, claims have been entered at their nominal value while they should be valorised at the market price. Indeed, the haircut will be brought up to 25% as of July 2014 to better take account of risk of counterpart default in addition to residual maturity of claims.

In the framework of modernizing and diversifying the intervention modes of the Central Bank on the money market, a new instrument was created to improve management of liquidity on this market. In fact, and as per provisions of circular n°2013-19 of 27 December 2013, the Central Bank may initiate **swap exchange operations** with banks involving spot purchase or sale of dinar against foreign currency and simultaneously resell or repurchase them forward on predetermined date and exchange rate. This instrument comes thus to complete a set of tools used by the Central Bank in monetary policy conducting. The latter is henceforth endowed with supplementary means to better tune bank liquidity and therefore run the interbank interest rate. However, the process for modernizing the operational framework of monetary policy conducting is not yet fulfilled as far as no liquidity interbank market, other than the overnight one, is created and as long as no yield curve going up to twelve months, is available. Obviously, this can not be decreed, it can only be the outcome of a common action by all parties to deepen and modernize the money market.

**TABLE 4-4 : CHRONOLOGICAL SEQUENCE OF MONETARY POLICY DECISIONS TAKEN IN 2013 AND OVER THE FIRST QUARTER OF 2014**

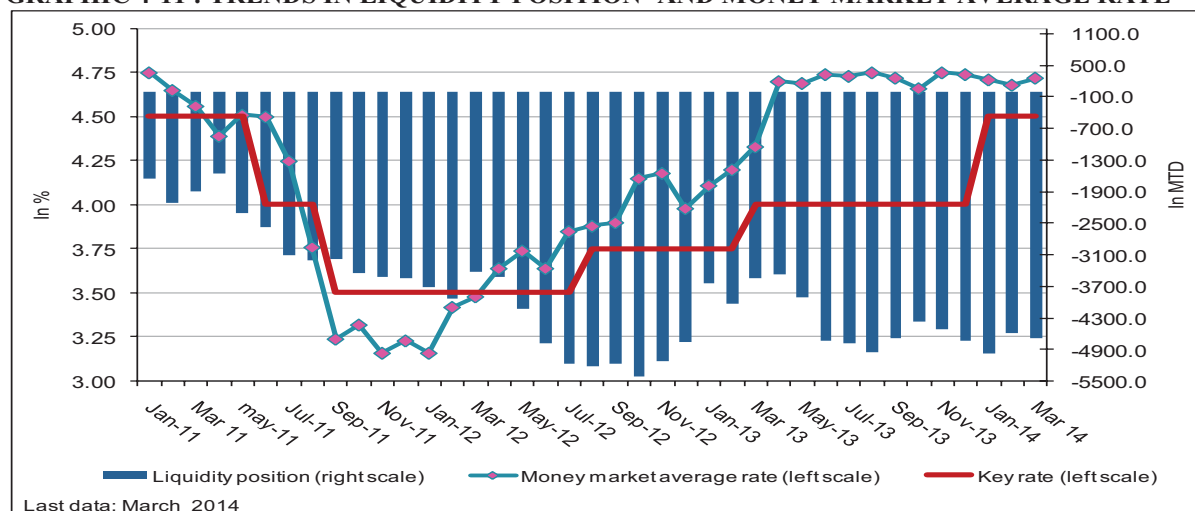
DECISION	REGULATORY REFERENCE	REASON FOR DECISION
Adoption of asymmetric corridor of +75bp/-25bp around the key rate.	Press release of the BCT Executive Board meeting held on 27 February 2013.	Enhance banks to better manage their liquidity while giving more flexibility to interbank rates trends.
Increasing by 25bp the key rate, to bring it up from 3.75% to 4%.	Press release of the BCT Executive Board meeting held on 27 March 2013.	Curb inflationary pressures and protect small savers' interests while seeking to act on inflationary anticipations.
Raising by 25bp the minimum savings remuneration rate (TRE), up from 25% to 2.75%.	BCT circular to banks n°2013-4 of 28 March 2013.	
Removal of ceiling on forward account remuneration.	BCT circular to banks n°2013-4 of 28 March 2013.	Gradually release market conditions and improve transmission of monetary policy impetus.
Reducing from 50% to 30% the reserve requirement rate on consumer loans.	BCT Circular to banks n°2013-3 of 28 March 2013.	Lighten pressure on bank liquidity.
Instituting a 10% <sup>1</sup> portion of Government bonds collateral to refinancing counterparts and a 10% haircut on private claims.	BCT Circular to lending Institutions n°2013-10 of 1 <sup>st</sup> August 2013.	Better control the risks weighing on the BCT balance sheet tied to possible default of counterpart.
Increasing by 50bp the key rate, bringing it to 4.5%.	Press release of the BCT Executive Board meeting held on 25 December 2013.	Curb inflationary pressure while targeting more efficient action on inflationary anticipations.
Restoring symmetric-fluctuating corridor for market rates worth +/- 25bp around the key rate.		Get interbank rate closer to the BCT key rate.
Increasing by 50bp the TRE, bringing it to 3.25%.	BCT circular to banks n°2013-18 of 27 December 2013.	Protect small savers interests, by reducing the negative gap between the lending rate applied by banks and the inflation rate.
Setting up swap exchanges as monetary policy instrument	BCT circular to banks n°2013-19 of 27 December 2013.	Diversify terms of intervention and management of bank liquidity, further to modernizing of the operational framework of monetary policy implementing.
Reducing from 2% to 1% the reserve requirement rate on sight deposit and other sums due to the customer and removal of insufficiency with respect to liquidity ratio from the basis for computing the reserve.	BCT circular to banks n°2013-20 of 27 December 2013.	- Lessen pressure on liquidity induced by the increase in the reserve requirement rate on consumer loans. - Separate prudential rules instrument from monetary policy instrument.
Increasing the portion of Government bonds to 40% (to be in effect as of January 2015) with respect to refinancing collateral and 25% haircut on private claims (to be in effect as of July 2014).	BCT circular to lending institutions n°2014-2 of 28 March 2014.	Better control credit risk on BCT balance sheet tight to possible default on counterpart.

<sup>1</sup> This portion, into force in September, was brought up to 20% at end December 2013.

#### 4.2.2. Trends in interest rates and transmission of monetary policy decisions

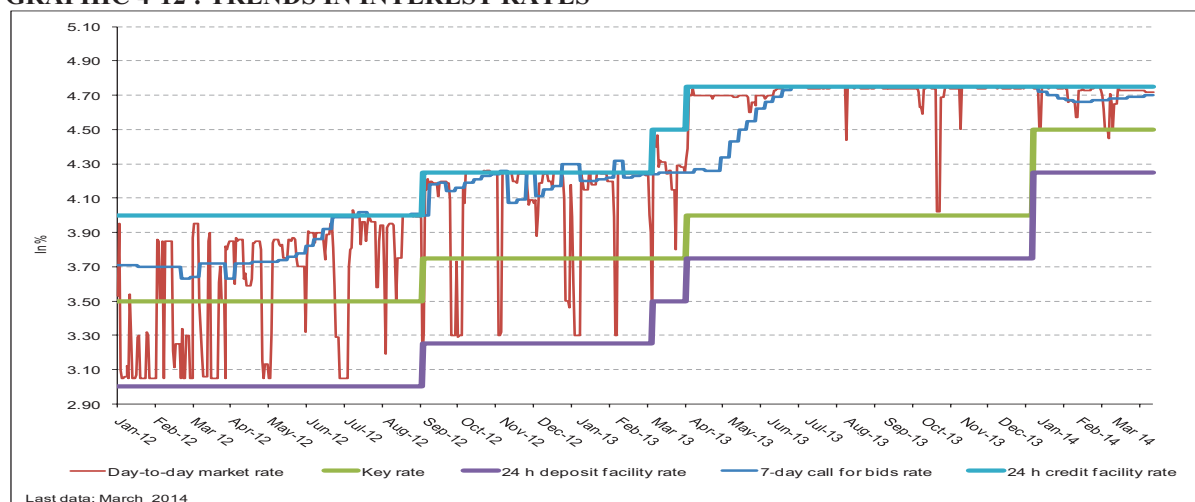
In an environment marked by persisting pressure on bank liquidity, the money market rate stood, most of the time, at a level which is very close to that of credit facility rate ; and this despite a relatively neutral management of liquidity by the Central Bank. Further to liquidity deficit and uncertainty with respect to its evolution, this situation could have been led by interest rate increase anticipations in the wake of persisting inflationary pressure.

**GRAPHIC 4-11 : TRENDS IN LIQUIDITY POSITION<sup>1</sup> AND MONEY MARKET AVERAGE RATE**



In fact, tendency towards a less accommodating monetary policy initiated since 2013 through the write off of one month call for bids, the adoption of an asymmetric corridor (+75bp/-25bp), the 25bp increase in the key rate, bringing it to 4% and the removal of ceiling of rates applied on forward deposits was understood by banks as BCT willingness to maintain the money market average rate (TMM) close to the ceiling rate to curb inflationary pressure.

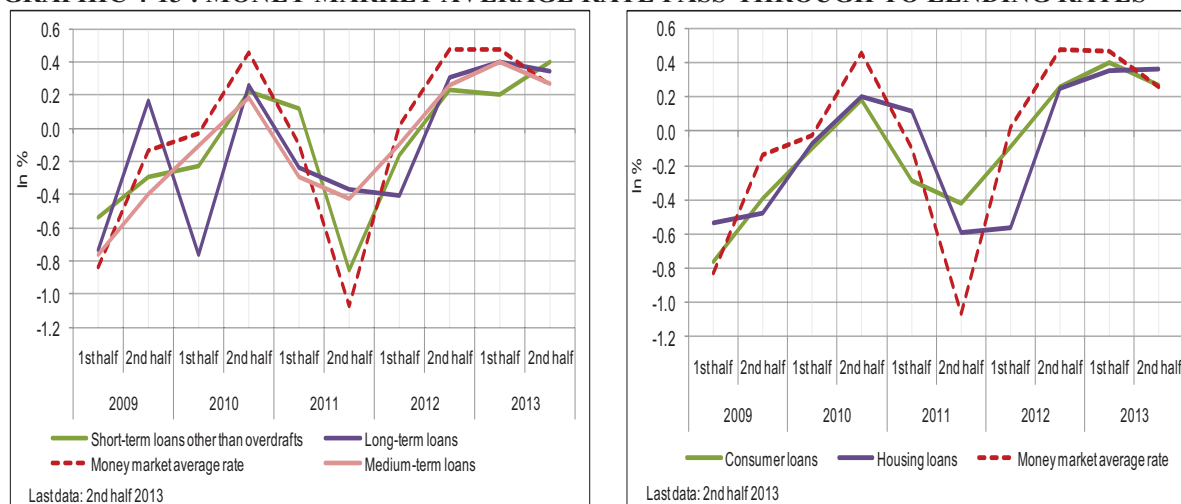
**GRAPHIC 4-12 : TRENDS IN INTEREST RATES**



Meanwhile, TMM variations pass-through to banks lending rates remained important and even virtually complete for all loan categories. In this respect TMM increase by 73bp compared to its average level of 2012 second half brought about 67bp increase in the global effective rate (TEG), all loan categories included, during the same period.

<sup>1</sup> Liquidity position equals the difference between total autonomous factors (structural liquidity) and the amount of required reserves.

**GRAPHIC 4-13 : MONEY MARKET AVERAGE RATE PASS-THROUGH TO LENDING RATES**



Source : Central Bank of Tunisia

Spreads compared to TMM remained thus at almost the same level of end 2012. Worth of note that applied margins are lower than levels observed in the second half of 2000 decade ; and this despite a deteriorated quality of credit portfolio and increasing risk of default tied to the economic situation. This phenomenon could be interpreted in different ways :

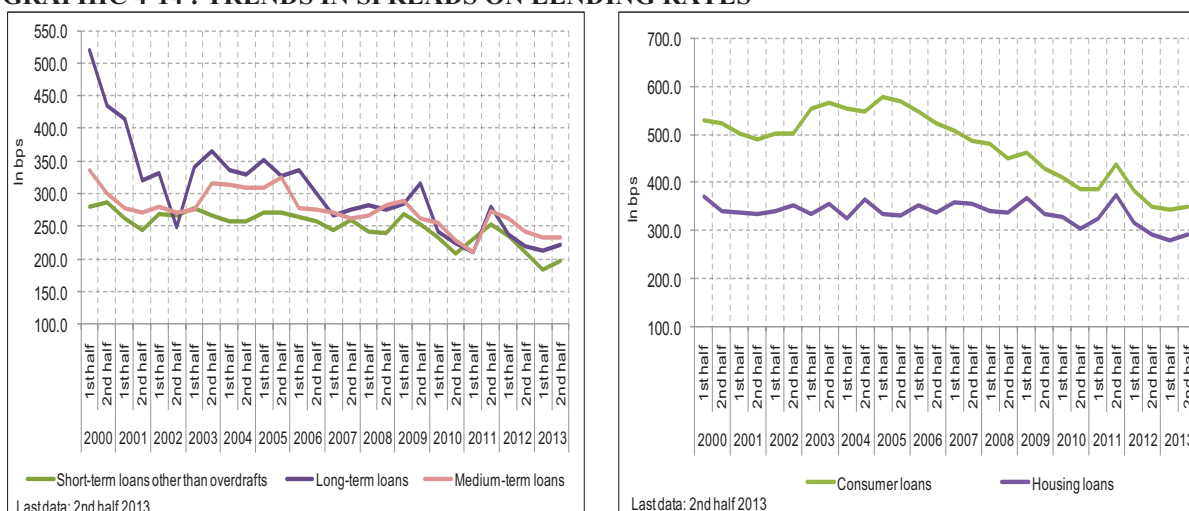
The first explanation is the decrease in the bargaining power of banks faced with sharp competition on liquidity (deposits). In other terms, banks use loans to preserve their deposits.

Another explanation would be banks' hesitation to overcharge loans for fear to further broach their clients' situation. This flexibility would be favoured by lower cost of bank resources that was led by the structures' effects. Actually, the increase in the share of sight deposits and special savings accounts on the one hand and the drop of the share of institutional investors in banks' deposits on the other hand have probably reduced, all things being equal, the cost of bank resources hence giving them more latitude to absorb the supplementary risk due to portfolio quality.

A last argument would be fear from adverse selection phenomenon. An increase in the interest rate may attract bad borrowers. This would lead to further deterioration of banks' portfolio quality.

Nevertheless, it is still possible for banks to proceed to quantitative rationing through greater loan selectivity, notably, by increasing requirements with respect to collaterals.

**GRAPHIC 4-14 : TRENDS IN SPREADS ON LENDING RATES**

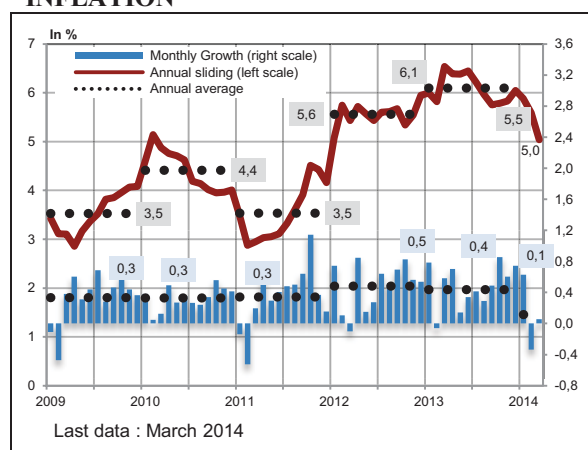


### 4.3. MONETARY POLICY AND INFLATION

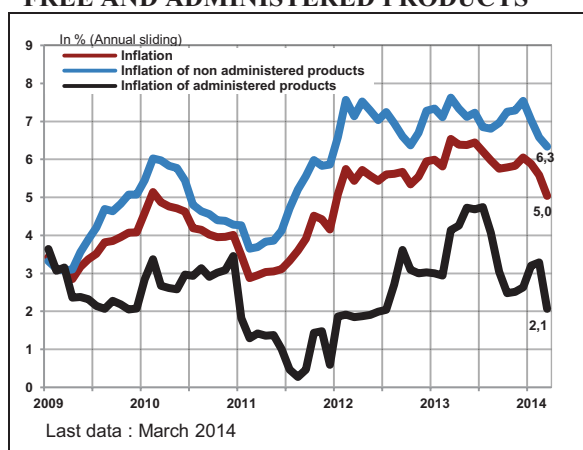
#### 4.3.1. Trends in inflation

The ongoing evolution of freely-set prices at a sustained pace (7.2% on average against 7% in 2012) along with the increase in administered products (3.6% vs. 2.4% in 2012) contributed to exacerbation of inflationary pressure in 2013. In fact, the inflation rate measured by consumer price index, crossed the 6% threshold and came to 6.1% on average compared to 5.6% in 2012. In terms of annual shift, price rise over 2013 extended the disruptions initiated in 2012 on the cyclicity of inflation observed over the last decade.

**GRAPHIC 4-15 : TRENDS IN HEADLINE INFLATION**



**GRAPHIC 4-16 : TRENDS IN INFLATION OF FREE AND ADMINISTERED PRODUCTS**

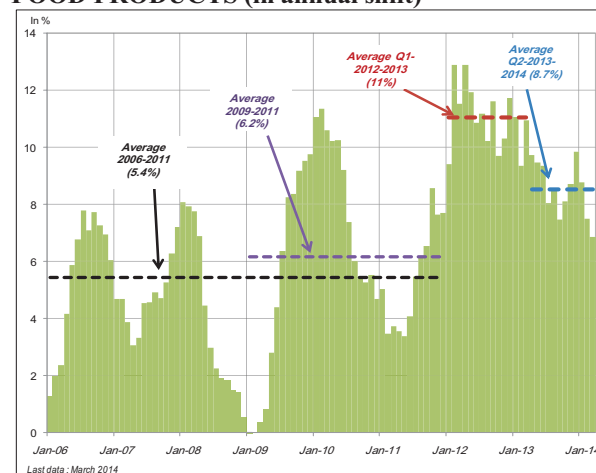


Source : National Statistics Institute

The increase in inflation was extended to all the following components :

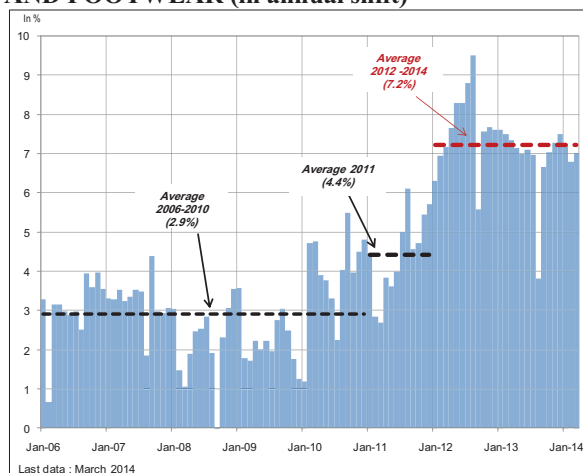
**Foodstuff prices** pursued their evolution at a sustained pace in 2013 (8% on average compared to 7.5% in 2012) despite fresh food product deceleration (9.2% vs. 11.2% in 2012) which contrasted with faster pace of processed foodstuff (6.4% vs. 3.0% in 2012), notably, edible oil (16.2% vs. -4.5% in 2012) and alcoholic beverages (13.4% in 2013 vs. 8.1% in 2012).

**GRAPHIC 4-17 : TRENDS IN CPI FOR FRESH FOOD PRODUCTS (in annual shift)**



CPI : Consumer price index.

**GRAPHIC 4-18: TRENDS IN CPI FOR CLOTHING AND FOOTWEAR (in annual shift)**



Sources : National Statistics Institute and BCT calculations



**Manufactured product** prices firmed up by 5.7% in 2013 compared to 5.4% in 2012, in line notably with faster pace in fuel price increase (10.7% in 2013 vs. 2.4% in 2012) following price adjustment in March for building materials (6.8% in 2013 vs. 5% in 2012) and home appliance products (4.2% in 2013 vs. 3.7% in 2012).

As for **services** and though prices grew, on average, at a more moderate pace, they were nevertheless affected by adjustment of electricity<sup>1</sup> and water tariffs<sup>2</sup> (7.9% and 1.7% respectively in 2013 compared to 1.2% and 0% in 2012) as well as those of transport (4.1% in 2013 vs. 0.5% in 2012).

**TABLE 4-5 : TRENDS IN CONSUMER PRICE INDEXES FOR SOME GROUPS OF PRODUCTS** (In %)

Description	2011	2012	2013					Q1-2014*
			Q1*	Q2*	Q3*	Q4*	Year	
<b>General index</b>	<b>3.5</b>	<b>5.6</b>	<b>6.1</b>	<b>6.4</b>	<b>6.0</b>	<b>5.9</b>	<b>6.1</b>	<b>5.5</b>
<b>By group of products</b>								
- Fresh food products	5.4	11.2	10.4	9.5	8.0	8.9	9.2	7.7
- Processed food products	1.6	3.0	5.7	6.1	7.0	6.8	6.4	6.2
- Manufactured products	3.7	5.4	5.9	6.5	5.5	5.0	5.7	4.5
- Services	3.2	3.6	3.8	4.5	4.7	4.5	4.4	4.8
<b>By regime of price fixing</b>								
- Freely set prices	4.7	7.0	7.4	7.2	6.9	7.4	7.2	6.7
- Administered prices	1.1	2.4	3.4	4.6	3.9	2.5	3.6	2.8
of which : energy	2.4	1.7	6.5	10.3	8.6	5.6	7.7	5.3

\* Variation in annual sliding.

Sources : National Statistics Institute and BCT calculations

Q : Quarter.

**Breakdown of headline inflation**, in annual shift, shows a predominance of foodstuff component which contributes alone with an average 2.8 points in headline inflation : 45.7% (particularly fresh foodstuff with 1.8 point or 30%) followed by “manufactured products” component with 1.9 point : 31.9% and finally the “services” component with 1.4 point : 22.4%. As per price regime, contribution of the administered component grew in 2013 to 1.1 point compared to 0.8 point in 2012. Worth of note that social tensions and political instability curbed trend in administered prices and planned actions through removal or suspension of some planned administered price adjustments (price adjustments concerned just some products like fuel, drinking water and electricity).

**TABLE 4-6 : CONTRIBUTION TO INFLATION** (In % point)

Description	2011	2012	2013					Q1-2014*
			Q1*	Q2*	Q3*	Q4*	Year	
<b>General index</b>	<b>3.5</b>	<b>5.6</b>	<b>6.1</b>	<b>6.4</b>	<b>6.0</b>	<b>5.9</b>	<b>6.1</b>	<b>5.5</b>
<b>By group of products</b>								
- Fresh food products	1.0	2.1	2.1	1.9	1.6	1.8	1.8	1.6
- Processed food products	0.2	0.5	0.9	0.9	1.0	1.0	1.0	0.9
- Manufactured products	1.3	1.8	2.0	2.2	1.9	1.7	1.9	1.5
- Services	1.0	1.2	1.2	1.4	1.5	1.4	1.4	1.5
<b>By regime of price fixing</b>								
- Freely set prices	3.2	4.8	5.1	5.0	4.8	5.1	5.0	4.6
- Administered prices	0.3	0.8	1.0	1.4	1.2	0.8	1.1	0.9
of which : energy	0.2	0.1	0.4	0.7	0.6	0.4	0.5	0.4

\* Contribution to variation in annual sliding.

Sources : National statistics institute and BCT calculations

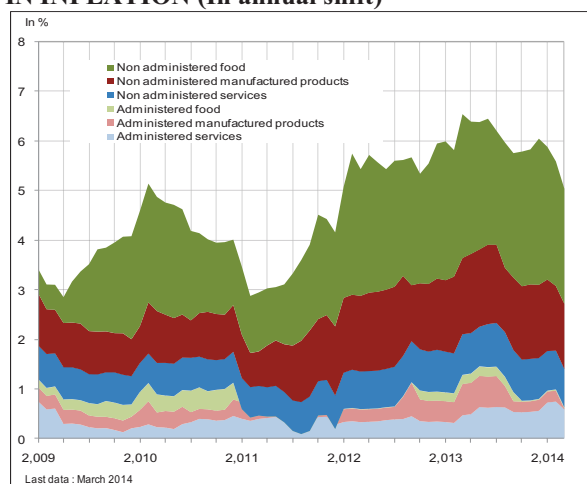
Q : Quarter.

<sup>1</sup> Price adjustment for electricity in March 2013.

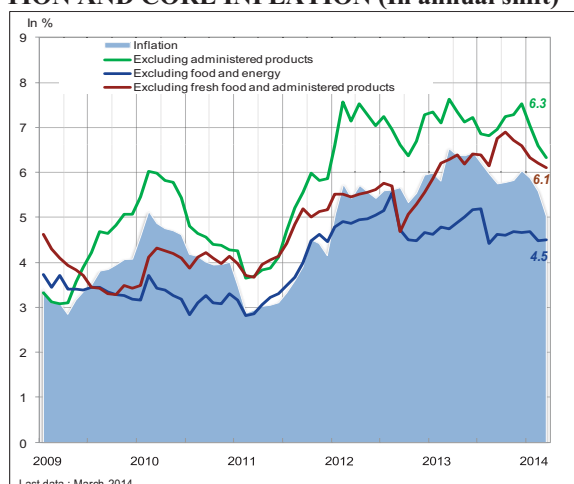
<sup>2</sup> Price adjustment of drinking water twice in May and July 2013.

**Core inflation**, measured by price index exclusive of fresh and administered products to which the Central Bank pays a particular attention in monetary policy conducting, came to 6.6% in annual shift in December 2013 compared to 5.6% a year earlier, showing an amplified level of inflationary tensions.

**GRAPHIC 4-19 : CONTRIBUTION TO TRENDS IN INFLATION (In annual shift)**



**GRAPHIC 4-20: TRENDS IN HEADLINE INFLATION AND CORE INFLATION (In annual shift)**



Sources : National Statistics Institute and BCT calculations

#### 4.3.2. Inflation determinants

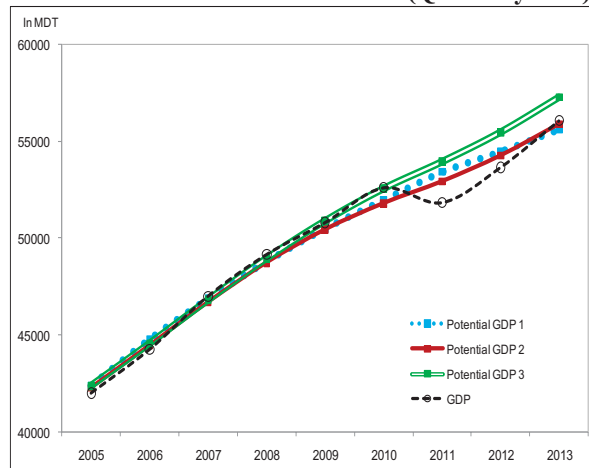
Inflation evolution in 2013 is mainly attributable to salaries increase, both in agricultural and non agricultural sectors, ongoing depreciation of the dinar against the main foreign currencies, notably, the euro and the dollar (7% and 3.9% respectively in 2013 compared to 2.5% and 9.9% in 2012) and disturbance of the distribution channels due both to unfavourable weather conditions, which compromised the agricultural season, and parallel trade with neighbour countries. To this is added the unprecedented increase in equalization outlays which pushed the Government to carry out some adjustments of the administered prices, affecting thus trend in prices.

After 3.9% increase in 2012, GDP at last year prices grew by just 2.3% in 2013. Thus, **the economic growth rate remained, on average, below the potential production growth<sup>1</sup>**. Yet, it should be noted that the output gap forecasts are always subject to great uncertainty. In fact, they measure the gap between observed output and unobserved level of output potential with the measure being sensitive to across the used technique. If we consider for instance the growth potential measured by output function or simple univariate statistical filters<sup>2</sup>, its level would be less high and the output gap would be reduced and would become fairly positive. Despite uncertainty surrounding the output gap measurements, it is unlikely that inflationary pressures would emanate from pressures on output capacities.

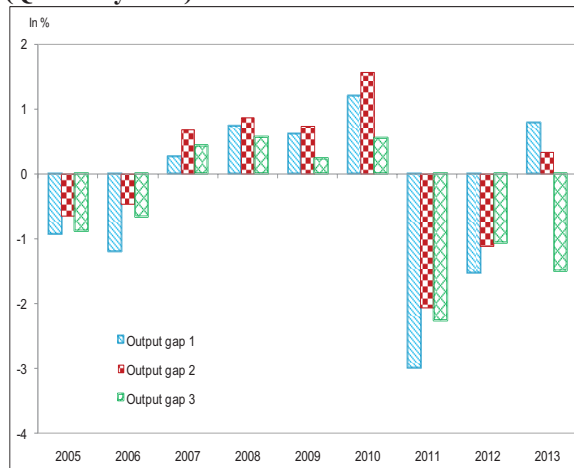
<sup>1</sup> As calculated by Kalman filter integrated in GPM model for medium term forecast of growth and inflation of the BCT.

<sup>2</sup> Hodrick-Prescott filters or band-pass filters.

**GRAPHIC 4-21 : TRENDS IN GDP IN VOLUME COMPARED TO ITS TENDENCY(Quarterly data)**



**GRAPHIC 4-22 : TRENDS IN OUTPUT GAP (Quarterly data)**



Sources : National Statistics Institute and BCT calculations

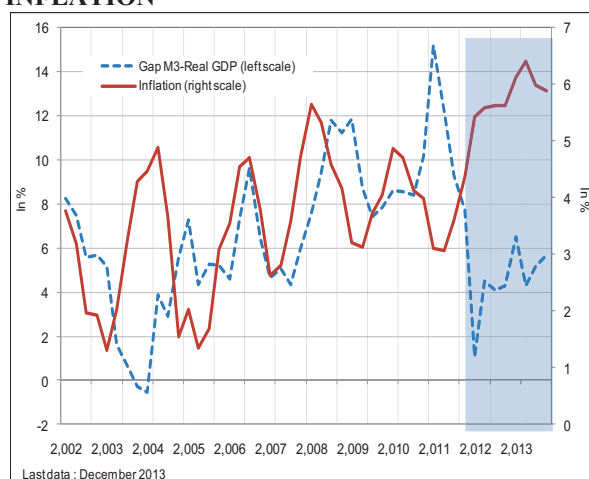
N.B. The output gaps are calculated on the basis of 3 approaches of Potential GDP determinants. Approach 1 is based on output function, approach 2 on Hodrick-Prescott filter with adjustment of side-effects and approach 3 on kalman filter integrated in a multivariad model (GPM model of medium term forecast of the BCT).

**Non agricultural private sector salaries** which are generally the main cost component continued to grow at a fairly sustained pace in 2013 (7.5% on average over 2013, a growth rate comparable to that of 2012 which came to 7.2%) and this despite absence of negotiation in the framework of the collective labour agreement over the considered year. Worth of note that the above-mentioned increase in salaries in the absence of productivity gains would bring about an increase in production costs resulting in an exacerbation of pressure on consumer prices.

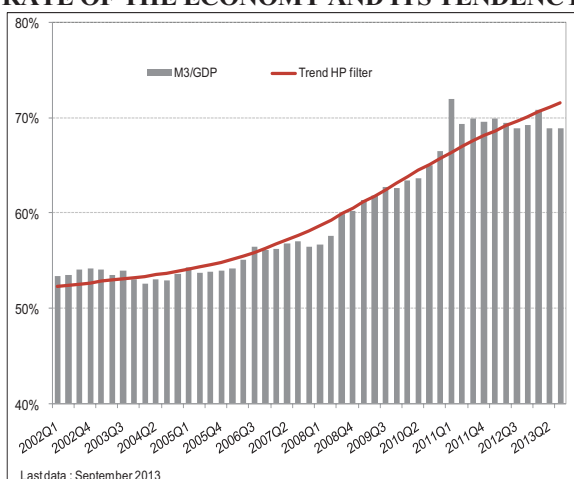
Besides, trend in salaries would also explain the resilience at the level of private consumption that was boosted by the important number of Libyan citizens on the Tunisian territory.

On another level, **M3 money aggregate** continued to grow at a slower pace in 2013 (6.6% vs. 8.4% in annual shift). If we consider the previously observed relationship between trend in money at the broad sense and prices, this slowdown would mean that the inflation rate might be down further in the forthcoming months.

**GRAPHIC 4-23: TRENDS IN M3-GDP GAP AND INFLATION**



**GRAPHIC 4-24 : TRENDS IN THE LIQUIDITY RATE OF THE ECONOMY AND ITS TENDENCY**



Review of the economy liquidity rate, measured by M3/GDP ratio shows that money supply stood at levels compatible with the evolution of the activity, denoting absence of inflationary pressure of a monetary origin. **Money velocity**, which came at 1.44, maintained almost the same pace as 2012.

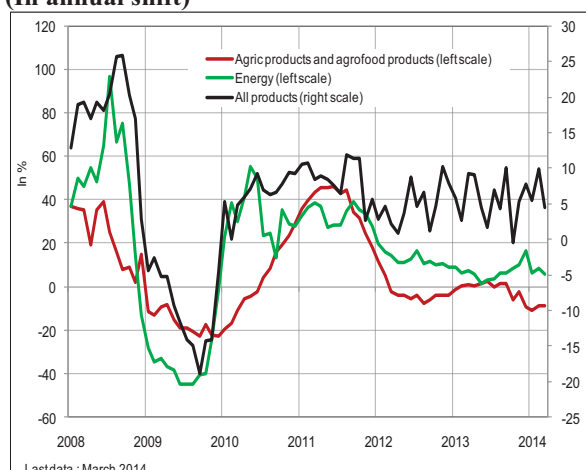
**TABLE 4-7 : TREND IN MONEY VELOCITY**

Description	2007	2008	2009	2010	2011	2012	2013
GDP in current prices (in MTD)	49,874	55,297	58,883	63,059	64,690	70,658	76,351
M3 in annual average (in MTD)	28,225	32,400	36,458	41,014	45,444	48,897	52,906
Money velocity	1.77	1.71	1.62	1.54	1.42	1.45	1.44

Sources : BCT and Ministry of the Economy and Finance

As for the **import prices**, they increased on average by 5.6% in 2013 (against 4.9% in 2012), although raw material world prices were affected by a gloomy environment and agricultural products by favourable weather conditions that yielded record level of crops. Excluding foodstuff, mining and energy, the import prices grew, on average, by 6.4% (against 2.5% in 2012). This evolution in the import prices is attributable, mainly, to that of manufacturing industries, and particularly leather and footwear industry (8.3% vs. 2.2%) and mechanical and electrical industries (6.7% vs. 2.8%), which contributed to maintaining of inflationary pressure of external origin.

**GRAPHIC 4-25 : TRENDS IN IMPORT PRICES (In annual shift)**



Sources : National Statistics Institute, IMF International Financial Statistics and BCT calculations

**GRAPHIC 4-26 : TRENDS IN BRENT BARREL PRICE**



**The dinar depreciation** throughout 2012 and 2013 contributed to an accelerated pace of prices. The exchange rate variations are usually impacted on consumer price general index within a portion going between 10% and 25% over a period going up to one year. Thus, the effect on inflation of the depreciation of the nominal effective exchange rate by 4.1% and 5.6% that marked the dinar in 2012 and 2013 respectively will continue to pass-through the different components of price channel over the forthcoming months.

**Box 4-1 : Pass-through of the exchange rate to consumer prices**

*The pass-through of the exchange rate variations to domestic prices is carried out via two mechanisms.*

*The first is carried through import prices ; a depreciation of the local currency increases product import prices be them oriented to final consumption where consumer prices are directly affected or intermediate consumption that initially impacts production prices before reaching final consumption.*

*The second mechanism operates through change in relative prices and its impact on demand. A depreciation of the national currency makes domestic prices more competitive compared to external prices, increasing thus demand on domestic products and therefore their prices.*

*Empirical studies on the issue yield an incomplete pass-through of exchange rate variations to consumer prices, but the pass-through degree varies significantly from one country to another. The openness degree, the monetary policy credibility, the level of inflation... are as many elements that might affect the degree of exchange rate pass-through. The degree of the latter varies also from one product to another in line with the competition degree in which the company evolves, with the labelling it holds...*

*Most of the studies conducted in Tunisia are aligned and come with a pass-through that varies between 10% and 25%. This result would be explained by several factors of which notably :*

*- The important share of administered prices in the basket : the administration of prices in a way that is frequently disconnected from the international price evolution explains, partly, the weak pass-through of the exchange rate in Tunisia. Thus, it has probably constituted a source of anchorage of inflation anticipation at moderate levels.*

*- The progressive reduction in the customs duties : In the framework of the Association Agreement with the European Union, Tunisia was committed in a tariff dismantling process that has partially offset the impact of the dinar depreciation up to 2008.*

*- Relatively prudent monetary and budgetary policies.*

*Yet, the pass-through might now be in an increase with import rise at the level of final consumption (household equipment, transport material, mobile phone, computer hardware...) as well as a skidding inflation.*

**For the year 2014**, extending of the political transition phase and the amplified level of macro-economic imbalances on the one hand and the economic situation in the Euro Zone on the other continue to weigh on the economic growth recovery in Tunisia. In fact, despite a certain political stability recorded after completion of the Constitution and establishment of the new Government, the economic slowdown phase would be pursued in 2014 and a real recovery can only be achieved as of 2015.

As for inflation, it pursued, over the first quarter of the current year, its deceleration started as from the beginning of the year, coming to 5% in terms of annual shift at end March 2014 compared to 6% in December 2013, benefiting from a negative base effect and price lull for fresh food products. This trend which is also noticeable at the level of core inflation (6.6% in December 2013 and 6.1% in March 2014) was led by the contribution of several factors such as improvement of supply, organization of the distribution channels along with a more rigorous monetary policy with respect to inflation.

In considering achievement in the first quarter of 2014, the BCT forecasts account for easing of inflationary tensions compared to the previous year, with an average rate oscillating between 5% and 5.5% for 2014 as a whole.

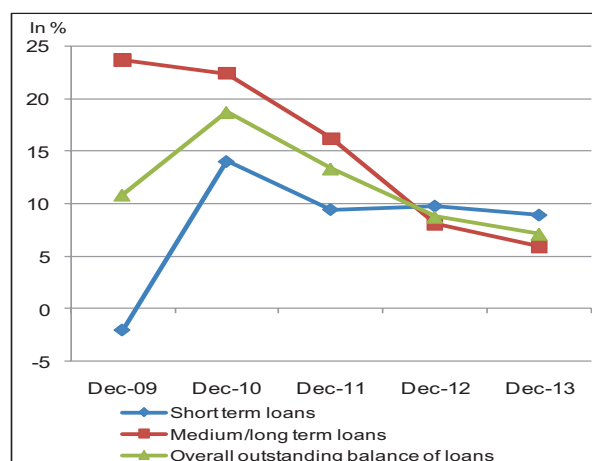
#### **4.4. DISTRIBUTION OF CREDIT**

##### **4.4.1 Trends in the outstanding balance of loans**

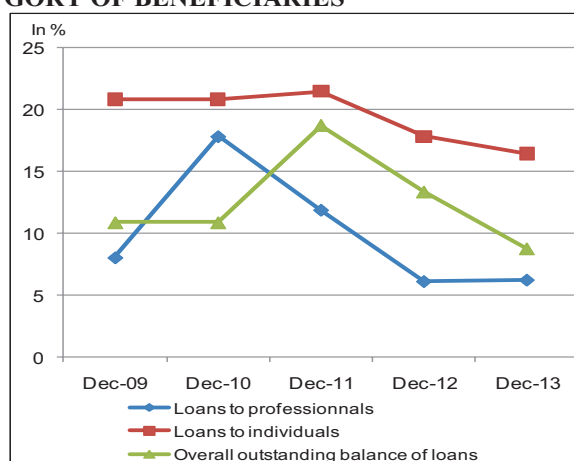
The outstanding balance of loans, without surety bonds, granted by the financial system to the economy as registered by the Central Unit of risks and the Central Unit for loans to private individuals, reached some 57 billion dinars at the end of 2013, posting 7.1% progress : a rate which is 1.7 percentage point below the one recorded a year earlier.

Loans declared by the financial system concerned about 338 thousand companies and professionals and more than 1.278 million private individuals, recording thus an increase by 132 thousand loan beneficiaries compared to 2012. The lending institutions continued hence to finance the different operators despite a difficult economic and social environment that continues to prevail in the country three years after the revolution.

**GRAPH 4-27 :TRENDS IN OVERALL OUTSTANDING BALANCE OF LOANS BY TERM**



**GRAPH 4-28 : TRENDS IN OVERALL OUTSTANDING BALANCE OF LOANS BY CATEGORY OF BENEFICIARIES**



Growth pace for medium and long term loans started up as of 2011 a faster deceleration that yielded by the end of 2013 an evolution rate below that of short term loans for the first time in 5 years, denoting a typical behaviour of economic operators when a climate of uncertainty (postponing all investment programmes) continues to prevail.

**TABLE 4-8 : BREAKDOWN OF THE OUTSTANDING BALANCE OF LOANS TO THE ECONOMY BY BENEFICIARY, SECTOR AND TERM**  
(In MTD unless otherwise indicated)

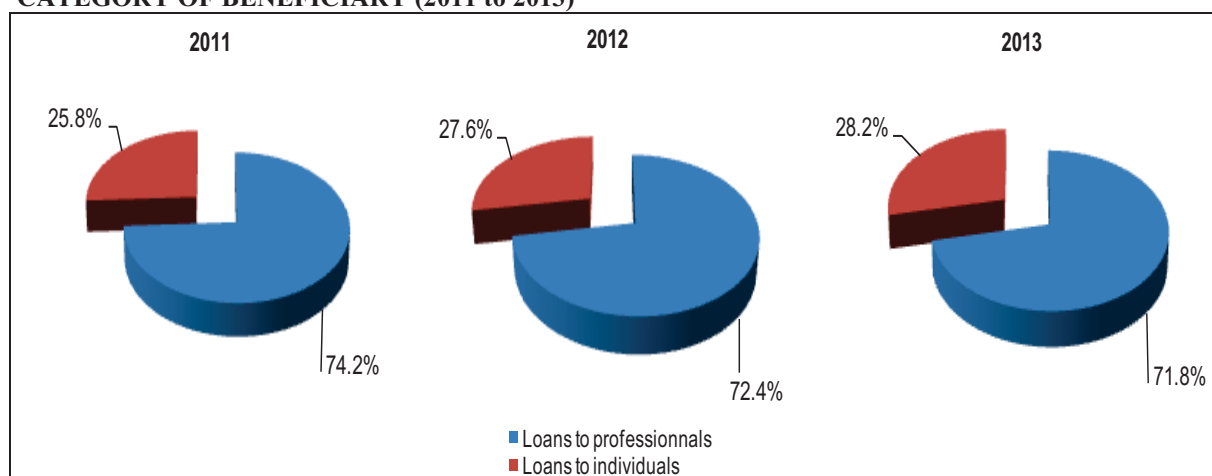
Description	2011	2012	2013	Variation (in %)	
				<u>2012</u> 2011	<u>2013</u> 2012
<b>Loans to businesses and to professionals</b>	<b>36,286</b>	<b>38,497</b>	<b>40,887</b>	<b>6.1</b>	<b>6.2</b>
<b>Agriculture &amp; fishing</b> <sup>1</sup>	<b>1,681</b>	<b>1,751</b>	<b>1,903</b>	<b>4.2</b>	<b>8.7</b>
Short term	952	973	1,092	2.2	12.2
Medium & long term	729	778	811	6.7	4.2
<b>Industry</b>	<b>13,133</b>	<b>13,870</b>	<b>14,691</b>	<b>5.6</b>	<b>5.9</b>
Short term	7,719	8,269	9,027	7.1	9.2
Medium & long term	5,414	5,601	5,664	3.5	1.1
<b>Services</b>	<b>21,472</b>	<b>22,876</b>	<b>24,293</b>	<b>6.5</b>	<b>6.2</b>
Short term	9,450	10,698	11,667	13.2	9.1
Medium & long term	12,022	12,178	12,626	1.3	3.7
<b>Loans to individuals</b>	<b>12,611</b>	<b>14,682</b>	<b>16,090</b>	<b>16.4</b>	<b>9.6</b>
<b>Consumer loans</b>	<b>6,491</b>	<b>8,352</b>	<b>9,108</b>	<b>28.7</b>	<b>9.1</b>
Short term	1,815	1,943	2,046	7.1	5.3
Medium & long term	4,676	6,409	7,062	37.1	10.2
<b>Housing loans</b>	<b>6,120</b>	<b>6,330</b>	<b>6,982</b>	<b>3.4</b>	<b>10.3</b>
Medium & long term	6,120	6,330	6,982	3.4	10.3
<b>Total</b>	<b>48,897</b>	<b>53,179</b>	<b>56,977</b>	<b>8.8</b>	<b>7.1</b>
Short term	19,936	21,883	23,832	9.8	8.9
Medium & long term	28,961	31,296	33,145	8.1	5.9

<sup>1</sup> This concerns loans granted directly to farmers and fishermen.



At the end of 2013, the evolution rate of loans to professionals increased slightly, offsetting thus the accentuation of drop of that of loans to private individuals. However, this increase did not prevent the downward trend in the evolution rate of the overall outstanding balance persisting for the fourth year in a row.

**GRAPHIC 4-29 : BREAKDOWN OF THE OUTSTANDING BALANCE OF GRANTED LOANS BY CATEGORY OF BENEFICIARY (2011 to 2013)**



Breakdown of the outstanding balance of loans granted at end 2013 by category of beneficiary shows a slight drop of share of loans to businesses and professionals benefitting loans to private individuals.

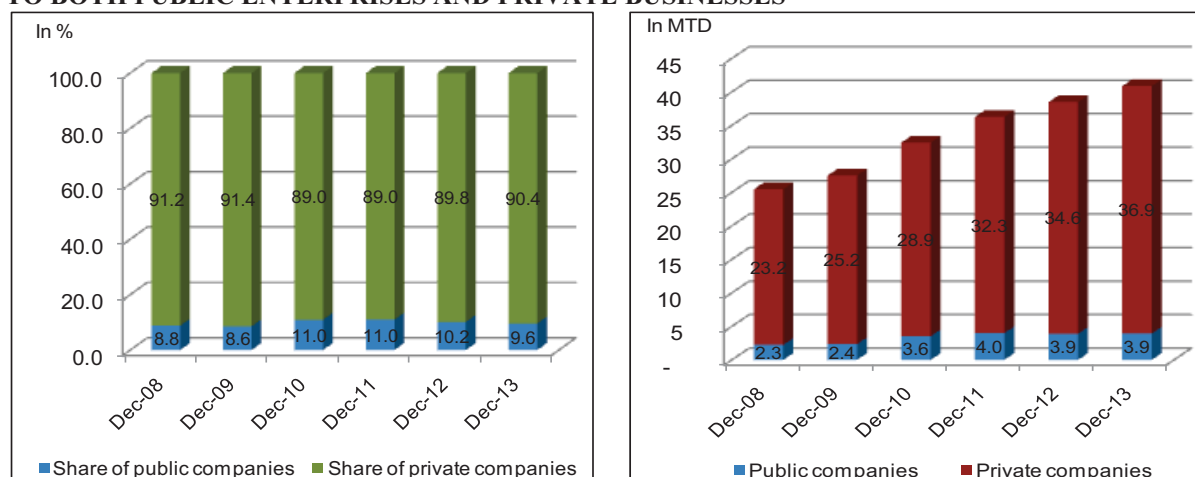
**TABLE 4-9 : BREAKDOWN OF THE OUTSTANDING BALANCE OF LOANS TO (PUBLIC AND PRIVATE) COMPANIES AND TO INDIVIDUALS**  
(In MTD unless otherwise indicated)

Description	2011	2012	2013	Variation (in %)	
				<u>2012</u> 2011	<u>2013</u> 2012
<b>Loans to businesses and to professionals</b>	<b>36,286</b>	<b>38,497</b>	<b>40,887</b>	<b>6.1</b>	<b>6.2</b>
<b>Agriculture &amp; fishing</b>	<b>1,681</b>	<b>1,751</b>	<b>1,903</b>	<b>4.2</b>	<b>8.7</b>
Public companies	47	51	75	8.5	47.1
Private companies	1,634	1,700	1,828	4.0	7.5
<b>Industry</b>	<b>13,133</b>	<b>13,870</b>	<b>14,691</b>	<b>5.6</b>	<b>5.9</b>
Public companies	1,378	1,201	1,078	-12.8	-10.2
Private companies	11,755	12,669	13,613	7.8	7.5
<b>Services</b>	<b>21,472</b>	<b>22,876</b>	<b>24,293</b>	<b>6.5</b>	<b>6.2</b>
Public companies	2,573	2,662	2,789	3.5	4.8
Private companies	18,899	20,214	21,504	7.0	6.4
<b>Loans to individuals</b>	<b>12,611</b>	<b>14,682</b>	<b>16,090</b>	<b>16.4</b>	<b>9.6</b>
<b>Total</b>	<b>48,897</b>	<b>53,179</b>	<b>56,977</b>	<b>8.8</b>	<b>7.1</b>
Public companies	3,998	3,914	3,942	-2.1	0.7
Private companies	32,288	34,583	36,945	7.1	6.8
Individuals	12,611	14,682	16,090	16.4	9.6

Breakdown of the outstanding balance of loans to businesses and professionals between private companies and public enterprises shows an increase in the share of loans granted to the first category against a decrease in the one given to the second category.

The increase in the outstanding balance of loans to businesses and professionals is mainly attributable to 6.8% increase in that of loans to private companies. The outstanding balance of loans to public enterprises increased slightly by a 0.7% against 2.1% drop in 2012, due notably to financing of the Cereals Board and Tunisia Trade Board to fund their activities, notably wheat and other strategic foodstuff imports.

**GRAPHIC 4-30 : BREAKDOWN OF THE OUTSTANDING BALANCE OF PROFESSIONAL LOANS TO BOTH PUBLIC ENTERPRISES AND PRIVATE BUSINESSES**



The outstanding balance of loans to businesses belonging to corporate groups went up from 19.7 billion dinars in 2012 to 20.6 billion dinars in 2013, recording thus 4.6% increase compared to 4.2% a year earlier. The share of these loans in the overall outstanding balance of loans to professionals reached 50.4% compared to 51.2% in 2012.

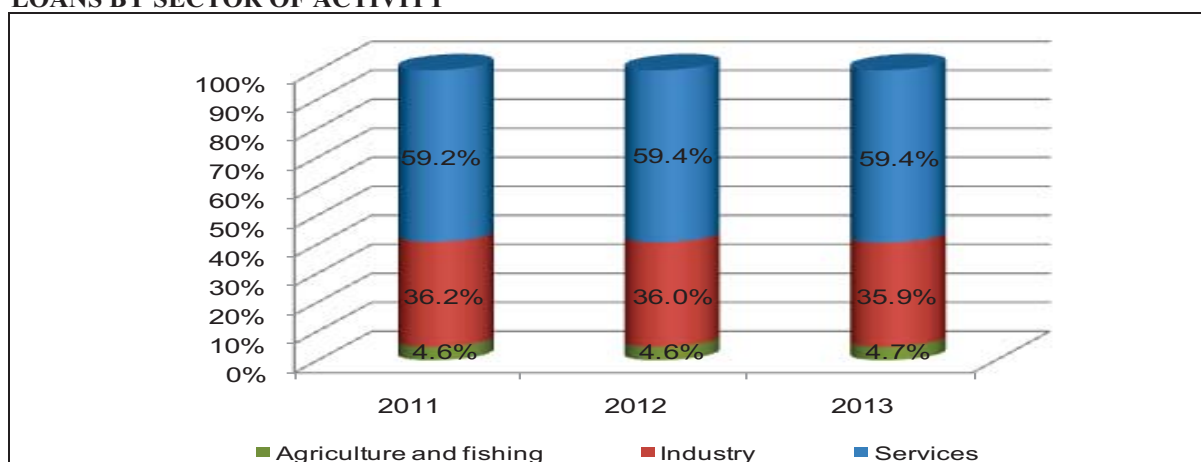
Public banks continued to play an important role in financing of the economy, ensuring 15.1 billion dinars in funding : 36.9% of loans granted at the end of 2013. In fact, the Banque Nationale Agricole (BNA) ensured more than 51.1% of loans granted directly to agriculture and fishing sector, the Société Tunisienne de Banque (STB) provided 36.7% of loans to tourism and the Banque de l'Habitat (BH) covered 18.1% of loans to real estate sector.

Besides, as of its creation and up to end 2013, the Banque de Financement des Petites et Moyennes Entreprises (BFPME) approved of 2,256 projects for a global cost of investment worth 1,787 MTD, which would help to create more than 43 thousand jobs. The Banque Tunisienne de Solidarité (BTS) which is specialized in financing micro-projects approved of 137,616 projects with a global cost of 1,280 MTD, likely to create more than 230 thousand jobs.

On another level, through budgetary resources channelled by the BTS, micro-credit associations which totalled 280 at end 2013 provided 587 thousand loans for a global amount of 554 MTD.

Sectoral breakdown of the outstanding balance of loans to the economy shows a stagnation in the share of loans to the services sector and a drop in that of industry against a consolidation in the share of agriculture.

**GRAPHIC 4-31 : TRENDS IN THE SHARE OF OUTSTANDING BALANCE OF PROFESSIONAL LOANS BY SECTOR OF ACTIVITY**



#### 4.4.1.1. Financing for agriculture and fishing

The overall outstanding balance of loans to agriculture and fishing (including indirect loans) posted 8.8% increase at end 2013 compared to 4.3% in 2012. This acceleration was led by faster growth pace in direct and indirect loans.

As for direct loans, the trend was led by rescheduling measures of the debt taken by public authorities in the wake of the draught that hard hit certain regions on the one hand and by the increase in the volume of seasonal loans over 2013-2014 campaign on the other hand ; notably following the upward review of the scale of seasonal crop loans and granting of complementary loans for grass removal and fertilisation in the wake of favourable weather conditions.

The increase in indirect loans was mainly due to a rise in short term loans granted to the Cereals Board meant for wheat import to offset the drop in local production over 2012-2013 season.

**TABLE 4-10 : THE OUTSTANDING BALANCE OF LOANS TO THE AGRICULTURE AND FISHING SECTOR** (In MTD)

Description	Short term loans			Medium & long term loans			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
<b>Direct loans</b>	<b>952</b>	<b>973</b>	<b>1,092</b>	<b>729</b>	<b>778</b>	<b>811</b>	<b>1,681</b>	<b>1,751</b>	<b>1,903</b>
<b>Indirect loans</b>	<b>836</b>	<b>883</b>	<b>1,011</b>	<b>258</b>	<b>260</b>	<b>235</b>	<b>1,094</b>	<b>1,143</b>	<b>1,246</b>
<b>Agricultural products commercialisation structures</b>	<b>836</b>	<b>883</b>	<b>1,011</b>	<b>157</b>	<b>149</b>	<b>133</b>	<b>993</b>	<b>1,032</b>	<b>1,144</b>
<i>which :</i>									
<i>National Oil Board</i>	119	129	134	82	81	71	201	210	205
<i>Cereals Board</i>	524	522	676	0	0	0	524	522	676
<i>SMCSAB (ex. Central Wheat Cooperative)<sup>1</sup></i>	26	31	12	5	4	4	31	35	16
<i>SMCSAGC (ex. Central Cooperative for Large Scale Crop-ping)<sup>2</sup></i>	37	45	53	48	42	36	85	87	89
<b>Agricultural material marketing companies</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>101</b>	<b>111</b>	<b>102</b>	<b>101</b>	<b>111</b>	<b>102</b>
<b>Total</b>	<b>1,788</b>	<b>1,856</b>	<b>2,103</b>	<b>987</b>	<b>1,038</b>	<b>1,046</b>	<b>2,775</b>	<b>2,894</b>	<b>3,149</b>

<sup>1</sup> Central mutual company for agricultural services of wheat (SMCSAB).

<sup>2</sup> Central mutual company for agricultural services of large-scale farming (SMCSAGC).

Short term loans progressed by 13.3% in 2013 compared to just 3.8% a year earlier. This faster pace hit both the outstanding balance of direct loans which rose by 12.2% in 2013 compared to 2.2% in 2012 and that of indirect loans which went up by 14.5% in 2013 against 5.6% in 2012.

Trend in the outstanding balance of medium and long term loans posted a deceleration of 4.4 percentage points which was led by a slower evolution in the outstanding balance of direct loans (4.2% in 2013 against 6.7% in 2012) combined with a drop in that of indirect loans (-9.6% in 2013 vs. 0.8% in 2012). This concerned on the one hand the structures commercializing agricultural products after the consolidation loans that went to SMCSAGC fell due, and reimbursement of maturities of medium and long term restructuring loans that went to the National Oil Board (ONH) with the State guarantee ; and the structures commercializing agricultural materials due to a regression of their activity in the wake of a drop in cereal production over 2012-2013 season on the other hand.

#### 4.4.1.2. Financing for industry

Totalling 14,691 MTD at end 2013 against 13,870 MTD in the previous year, the outstanding balance of loans granted to this sector grew by 5.9% vs. 5.6% a year earlier. This slight improvement was led by faster increase in the outstanding balance of short term loans (which

account for 61.4% of the overall outstanding balance), up by 9.2% in 2013 against 7.1% in 2012. This progress comes mainly from the industries manufacturing other non metallic mineral products (+16.3% in 2013 vs. +2.6% in 2012) and other industrial sectors (+13.1% in 2013 vs. -1.2% in 2012). The progress pace of the outstanding balance of medium and long term loans posted a slower progress pace, going up by just 1.1% in 2013 against 3.5% increase in 2012.

**TABLE 4-11 : BREAKDOWN OF THE OUTSTANDING BALANCE OF LOANS GRANTED TO THE INDUSTRIAL SECTOR BY BRANCH OF ACTIVITY** (In MTD)

Description	Short term loans			Medium & long term loans			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
- Agrofood industries	1,742	2,020	2,243	896	937	953	2,638	2,957	3,196
- Other mineral or metal product manufacturing	622	638	742	1,259	1,412	1,462	1,881	2,050	2,204
- Construction	884	997	1,072	572	588	621	1,456	1,585	1,693
- Metallurgy and metal work	1,057	1,153	1,180	345	350	356	1,402	1,503	1,536
- Chemical industries	645	690	718	292	313	348	937	1,003	1,066
- Textile and clothing industries	546	575	588	196	227	229	742	802	817
- Other industrial sectors	2,223	2,196	2,484	1,854	1,774	1,695	4,077	3,970	4,179
<b>Total</b>	<b>7,719</b>	<b>8,269</b>	<b>9,027</b>	<b>5,414</b>	<b>5,601</b>	<b>5,664</b>	<b>13,133</b>	<b>13,870</b>	<b>14,691</b>

#### 4.4.1.3. Financing for services

Banks' financing of the services sector with more than 70% for trade, real estate and tourism grew at a slower pace : 6.2% in 2013 vs. 6.5% in 2012 attributable mainly to 4.1% deceleration in the outstanding balance of operating loans. The outstanding balance of investment loans grew by 448 MTD (3.7% in 2013 vs. 1.3% in 2012). This concerned mainly financial activities' branch and involved financing of acquisition of shares confiscated by the State in the capital of companies operating in car dealership.

**TABLE 4-12 : BREAKDOWN OF THE OUTSTANDING BALANCE OF LOANS TO THE SERVICES SECTOR BY BRANCH OF ACTIVITY** (In MTD)

Description	Short term loans			Medium & long term loans			Total		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
- Trade, automobile repair and household items	5,151	5,550	6,073	2,236	2,206	2,248	7,387	7,756	8,321
- Real estate, renting & service to businesses	1,161	1,367	1,495	2,969	3,097	3,337	4,130	4,464	4,832
- Hotels and restaurants	1,292	1,426	1,759	2,500	2,430	2,188	3,792	3,856	3,947
- Transport & communications	553	847	947	2,374	2,369	2,386	2,927	3,216	3,333
- Financial activities	653	732	720	944	939	1,200	1 597	1,671	1,920
- Collective, social & personal services	329	362	390	384	393	401	713	755	791
- Health & social services	47	52	60	335	372	449	382	424	509
- Public administration	99	134	74	102	155	200	201	289	274
- Education	22	23	25	62	71	77	84	94	102
- Miscellaneous	143	205	124	116	146	140	259	351	264
<b>Total</b>	<b>9,450</b>	<b>10,698</b>	<b>11,667</b>	<b>12,022</b>	<b>12,178</b>	<b>12,626</b>	<b>21,472</b>	<b>22,876</b>	<b>24,293</b>

#### 4.4.1.4. Financing for private individuals

The overall private individual's indebtedness to banks totalled 16,090 MTD in 2013 compared to 14,682 MTD in the previous year : up by 9.6% compared to 16.4% in 2012. This deceleration was led by slowdown of the outstanding balance of loans in its different terms as well as the decrease in the outstanding balance of loans, granted notably to finance car purchase.

Housing loans represented 43.4% of the outstanding balance of loans to individuals (compared to 43.1% a year earlier). On the other hand, medium term consumer loans meant for housing fitting accounted for 41.3% of the outstanding balance of loans to private individuals (compared to 40.6% in 2012).

**TABLE 4-13 : BREAKDOWN BY FINANCING CATEGORY OF THE OUTSTANDING BALANCE OF LOANS TO PRIVATE INDIVIDUALS** (In MTD unless otherwise indicated)

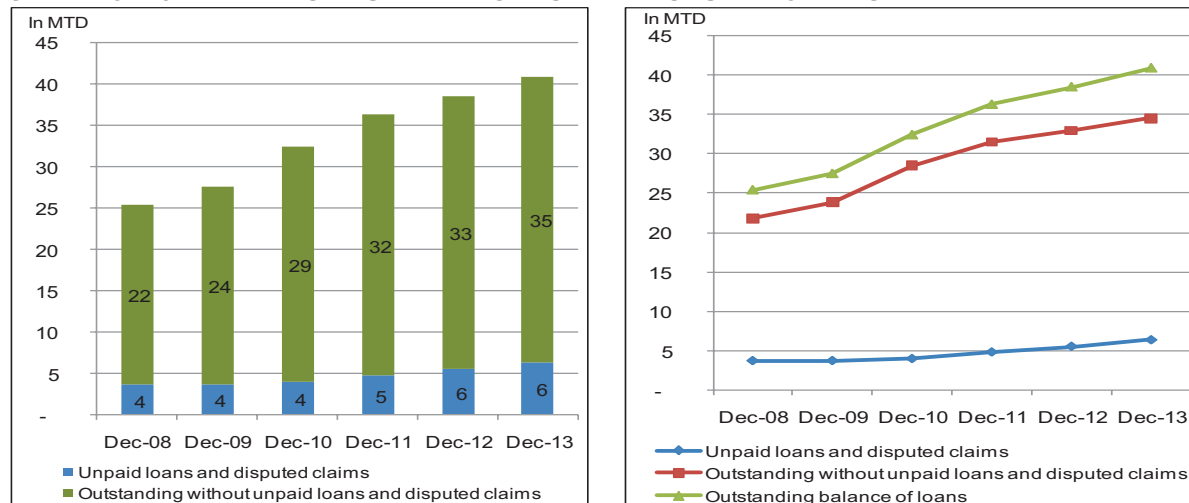
Description	2011	2012	2013	Variation in %	
				<u>2012</u> 2011	<u>2013</u> 2012
<b>Short term loans</b>	<b>1,815</b>	<b>1,943</b>	<b>2,046</b>	<b>7.1</b>	<b>5.3</b>
<b>Medium &amp; long term loans</b>	<b>10,796</b>	<b>12,739</b>	<b>14,044</b>	<b>18.0</b>	<b>10.2</b>
Housing	6,120	6,330	6,982	3.4	10.3
Housing fitting out	4,239	5,958	6,649	40.6	11.6
Vehicles	344	354	325	2.9	-8.2
Solar water heating	68	77	72	13.2	-6.5
Family computer	23	17	14	-26.1	-17.6
University loans	2	3	2	50.0	-33.3
<b>Total</b>	<b>12,611</b>	<b>14,682</b>	<b>16,090</b>	<b>16.4</b>	<b>9.6</b>

#### 4.4.1.5. Unpaid and disputed claims

The outstanding balance of unpaid and disputed professional claims evolved from 4,775 MTD in 2011 to 5,511 MTD in 2012, to reach 6,374 MTD in 2013 : a respective increase of 15.4% and 15.6% over the last two years.

This increase concerned most of activity sectors, influenced by persisting economic difficulties over 2013. In fact, over 2013, some 22,368 companies posted an increase in their unpaid and disputed debts and other 7,414 recorded unpaid debts for the first time.

**GRAPHIC 4-32 : TRENDS IN UNPAID LOANS AND DISPUTED CLAIMS**



**TABLE 4-14 : BREAKDOWN OF THE OUTSTANDING BALANCE OF UNPAID AND DISPUTED CLAIMS BY ACTIVITY SECTOR**

(In MTD unless otherwise indicated)

Description	2012			2013			Share in total (in %)	
	Unpaid & disputed	Total loans	Share (in %)	Unpaid & disputed	Total loans	Share (in %)	2012	2013
<b>Agricultural sector</b>	<b>588</b>	<b>1,751</b>	<b>33.6</b>	<b>634</b>	<b>1,903</b>	<b>33.3</b>	<b>10.7</b>	<b>9.9</b>
Agriculture, hunting and forestry activities	537	1,609	33.4	568	1,743	32.6	9.8	8.9
Fishing and fish breeding	51	142	35.9	66	160	41.3	0.9	1.0
<b>Industrial sector</b>	<b>1,797</b>	<b>13,870</b>	<b>13.0</b>	<b>2,008</b>	<b>14,691</b>	<b>13.7</b>	<b>32.6</b>	<b>31.5</b>
- Agrofood industries	408	2,957	13.8	432	3,196	13.5	7.4	6.8
- Other mineral and non metal product manufacturing	212	2,050	10.3	234	2,204	10.6	3.9	3.6
- Construction	320	1,585	20.2	342	1,693	20.2	5.8	5.4
- Metallurgy and metal work	132	1,503	8.8	137	1,536	8.9	2.4	2.1
- Chemical industries	52	1,003	5.2	64	1,066	6.0	0.9	1.0
- Textile and clothing industries	223	802	27.8	240	817	29.4	4.0	3.8
- Other industrial sectors	450	3,970	11.3	559	4,179	13.4	8.2	8.8
<b>Service sector</b>	<b>3,126</b>	<b>22,876</b>	<b>13.7</b>	<b>3,732</b>	<b>24,293</b>	<b>15.4</b>	<b>56.7</b>	<b>58.6</b>
- Trade, automobile repair and household items	850	7,756	11.0	962	8,321	11.6	15.4	15.1
- Real estates, rent and services to businesses	634	4,464	14.2	746	4,832	15.4	11.5	11.7
- Hotel and restaurants	1,044	3,856	27.1	1,342	3,947	34.0	19.0	21.1
- Transport and communications	210	3,216	6.5	281	3,333	8.4	3.8	4.5
- Financial activities	62	1,671	3.7	123	1,920	6.4	1.1	1.9
- Collective, social and personal services	149	755	19.7	166	791	21.0	2.7	2.6
- Health and social services	27	424	6.4	29	509	5.7	0.5	0.5
- Public administration	8	289	2.8	2	274	0.7	0.1	-
- Education	13	94	13.8	15	102	14.7	0.3	0.2
- Miscellaneous	129	351	36.8	66	264	25.0	2.3	1.0
<b>Total</b>	<b>5,511</b>	<b>38,497</b>	<b>14.3</b>	<b>6,374</b>	<b>40,887</b>	<b>15.6</b>	<b>100.0</b>	<b>100.0</b>

Breakdown of the outstanding balance of unpaid and disputed professional claims by activity sector shows a slight drop in the share of the sectors of agriculture/fishing and industry, going from 10.7% to 9.9% and from 32.6% to 31.5% between 2012 and 2013 following debt restructuring operations that benefitted the different operators of these sectors. However, the share of unpaid and disputed professional claims of the services sector rose from 56.7% in 2012 to 58.6% in 2013, an increase that concerned mainly “Hotel and restaurants” branch and that of “transport and communications”.

Worth of note that five branches of activity accounted for 4,050 MTD or 63.5% of overall outstanding balance of unpaid and disputed professional claims and are broken down as follows :

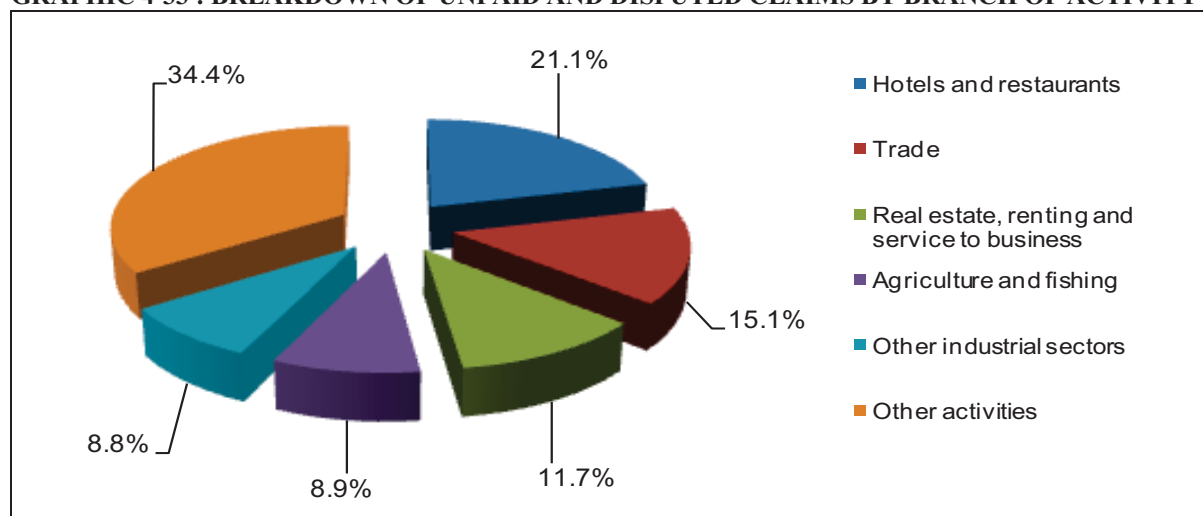
- Hotel and restaurants : 1,342 MTD or 21.1%,
- Trade, automobile repair and household items : 962 MTD or 15.1%,
- Real estate, rents and services to businesses : 746 MTD or 11.7%,
- Agriculture, hunting and forestry activity : 568 MTD or 8.9%, and
- Agrofood industries : 432 MTD or 6.8%.

Worth of note on another level that the average rate of unpaid and disputed claims went up from 14.3% in 2012 to 15.6% in 2013. This increase was led by structural difficulties faced up by some branches of activity of which notably :



- Hotel and restaurants : 34% vs. 27.1% in 2012,
- Agriculture and fishing : 33.3% vs. 33.6% in 2012,
- Textile industries : 29.4% vs. 27.8% in 2012.

**GRAPHIC 4-33 : BREAKDOWN OF UNPAID AND DISPUTED CLAIMS BY BRANCH OF ACTIVITY**



As for private individuals, the outstanding balance of unpaid and disputed claims posted an increase of 14.7% in 2013 vs. 11.9% a year earlier. This acceleration is mainly due to higher progress pace in the outstanding balance of loans in disputes while that of unpaid claims posted rather a deceleration.

**TABLE 4-15 : BREAKDOWN OF THE OUTSTANDING BALANCE OF UNPAID AND DISPUTED CLAIMS WITH RESPECT TO LOANS TO INDIVIDUALS BY FINANCING CATEGORY**

(In MTD unless otherwise indicated)

Description	Dec. 2011	Dec. 2012	Dec. 2013	Variation			
				2012 2011		2013 2012	
				In MTD	In %	In MTD	In %
Disputed claims	129	150	190	21	16.3	40	26.7
Overall unpaid amount	249	273	295	24	9.6	22	8.1
- Unpaid housing	184	194	206	10	5.4	12	6.2
- Unpaid consumption	65	79	89	14	21.5	10	12.7
of which :							
Unpaid housing fitting out	6	15	25	9	150.0	10	66.7
<b>Total (unpaid + disputed claims)</b>	<b>378</b>	<b>423</b>	<b>485</b>	<b>45</b>	<b>11.9</b>	<b>62</b>	<b>14.7</b>

## 5 – ACTIVITY AND OPERATING OF LENDING INSTITUTIONS

Lending institutions' activity grew at a slower pace compared to 2012, as shown by the 7.2% increase in total assets over 2013 against 11.5% in 2012.

Yet, this trend remains commensurate with economic growth. In fact, total assets compared with GDP stood at its 2012 level : 111.3%.

Concurrently, extension of the network of bank branches in 2013 remains roughly at the same pace as the two previous financial years : 66 branches against 127 in 2010.

**TABLE 5-1 : MAIN INDICATORS OF LENDING INSTITUTIONS**

	2011	2012	2013*
<b>Structure and size</b>			
<b>Number</b>	<b>43</b>	<b>43</b>	<b>43</b>
Resident banks	21	21	21
Non resident banks	8	8	8
Leasing institutions	9	9	9
Factoring institutions	3	3	3
Merchant banks	2	2	2
<b>Total assets (in MTD)</b>	<b>70,460</b>	<b>78,562</b>	<b>84,182</b>
Resident banks share (in %)	90.1	90.1	89.7
<b>Total assets/GDP in current prices (in %)</b>	<b>108.9</b>	<b>111.3</b>	<b>111.3</b>
Loans to the clients (in MTD)	47,665	51,771	55,576
Clients deposits (in MTD)	40,164	44,552	48,120
<b>Banking facilities indicators</b>			
Bank branch network	1,389	1,450	1,516
Number of inhabitants per bank branch (in thousands)	7.7	7.4	7.1

\* Provisional data.

### 5.1. RESIDENT BANKS

#### 5.1.1. Activity

Over 2013, growth pace deceleration was much more felt at the level of resources than resident banks uses. In fact, the increase in uses (loans to the clients and securities portfolio) was more significant than the one in resources (deposits and medium and long term borrowings) : 4,129 MTD or 7.6% against 332 MTD or 7.1%.

Consequently, indebtedness of these banks on the money market worsened by 960 MTD or 35.6%, up to 3,660 MTD<sup>1</sup>.

##### 5.1.1.1. Trend in resources

2013 was marked by a slower growth pace of resources : 3,321 MTD or 7.1% against 4,569 MTD or 10.8% in 2012. This slowdown concerned both clients deposits and medium and long term borrowing resources.

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<sup>1</sup> End of period data.

**TABLE 5-2 : RAISED OPERATING RESOURCES**

(In MTD unless otherwise indicated)

Description	2011	2012	2013*	Variation			
				2012/2011		2013/2012	
				In MTD	In %	In MTD	In %
<b>Clients deposits</b>	<b>38,410</b>	<b>42,718</b>	<b>45,894</b>	<b>4,308</b>	<b>11.2</b>	<b>3,176</b>	<b>7.4</b>
Sight deposits and other sums due	14,465	17,054	17,698	2,589	17.9	643	3.8
Savings deposits	10,719	12,271	13,022	1,552	14.5	751	6.1
Forward accounts	10,772	7,429	9,322	-3,343	-31.0	1,893	25.5
Certificates of deposits	2,454	5,964	5,852	3,510	143.0	-112	-1.9
<b>Medium and long term borrowings resources</b>	<b>3,754</b>	<b>4,015</b>	<b>4,160</b>	<b>261</b>	<b>7.0</b>	<b>144</b>	<b>3.6</b>
Special resources	2,314	2,457	2,659	143	6.2	202	8.2
Ordinary debenture loans	737	903	915	166	22.5	12	1.4
Other borrowings	215	246	231	31	14.4	-15	-6.1
Bonds convertible in shares and subordinated borrowings	488	409	355	-79	-16.2	-54	-13.3
<b>Total operating resources</b>	<b>42,164</b>	<b>46,733</b>	<b>50,053</b>	<b>4,569</b>	<b>10.8</b>	<b>3,321</b>	<b>7.1</b>

\* Provisional data.

In fact, progress in the outstanding balance of deposits was down from 4,309 MTD or 11.2% in 2012 to 3,176 MTD or 7.4% in 2013, following the slower trend in sight deposits and other sums due (3.8% vs. 17.9% in 2012) and savings deposits (6.1% vs. 14.5%) and the 1.9% drop in the outstanding balance of certificates of deposits against a 143% increase.

Moreover, only forward accounts were up remarkably over 2013 by 1,893 MTD or 25.5% retrieving more than the half of the drop recorded in 2012 (3,343 MTD), notably in line with removal of the ceiling for interest rates on this category of deposits.

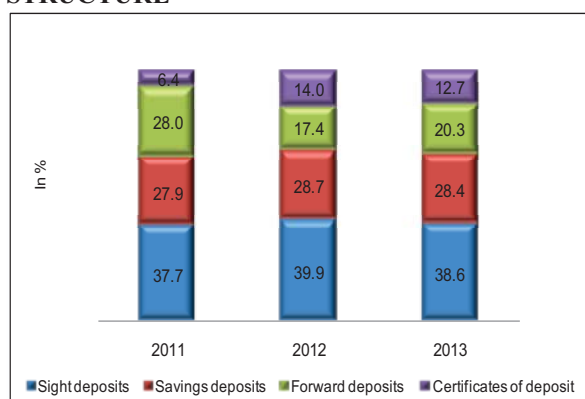
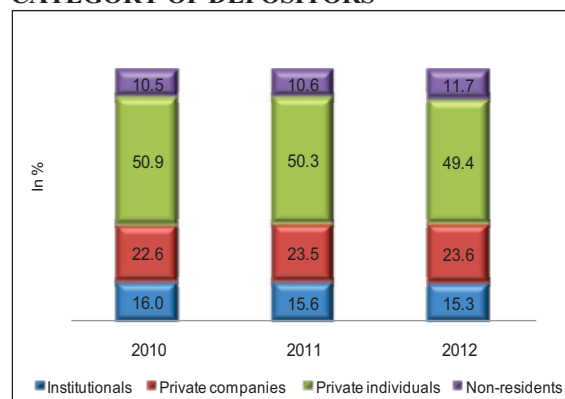
By category of depositors, slowdown of the outstanding balance of deposits concerned private companies, individuals, and to a lesser degree institutional investors.

**TABLE 5-3 : TREND IN DEPOSITS BY CATEGORIES OF DEPOSITORS**

(In %)

Category	2012	2013
Private companies	14.7	8.0
Individuals	9.3	5.7
Institutional investors	7.4	6.0
Non-residents	12.8	18.6

These trends influenced deposits structure with firming up of forward deposits share (+2.9 percentage points) and a drop in the share of certificates of deposits and sight deposits (-1.3 percentage points for each category) and the savings deposits share (-0.3 percentage point).

**GRAPHIC 5-1 : TREND IN DEPOSITS STRUCTURE****GRAPHIC 5-2 : DEPOSITS COLLECTED BY CATEGORY OF DEPOSITORS**

By category of depositors, deposits structure recorded a drop in individuals' deposits (-0.9 percentage point) and institutionals (-0.3 percentage point) and an increase in private companies' deposits share (+0.4 percentage point) and non-resident deposits (+1.1 percentage points) following speed up of their pace (18.6% in 2013 against 12.8% in 2012).

Medium and long term borrowing resources went up by 144 MTD or 3.6% : almost the half of the 2012 progress (261 MTD or 7%). This slower growth concerned mainly bond resources (12 MTD or 1.4% against 166 MTD or 22.5%) in line with the drop in the volume of issues (80 MTD against 211 MTD in 2012), while special resources grew at a more significant pace than the one of 2012 : 202 MTD or 8.2% against 143 MTD or 6.2%.

#### 5.1.1.2. Trend in uses

Resident banks uses grew at a slower pace (3,529 MTD or 7.6% against 3,763 MTD or 8.6% in 2012). This slowdown concerned notably loans to clients, the growth of which was down from 8.6% in 2012 to 7.4% in 2013 : a pace comparable to the one of deposits. Hence, the rate of coverage of deposits by loans stood at its 2012 level : 92.9%.

The outstanding balance of securities portfolio grew at a faster pace than the one of 2012 (9% vs. 6.3%) following banks' important acquisitions of Treasury bonds so as to reinforce refinancing counterparts at the BCT.

**TABLE 5-4 : USES**

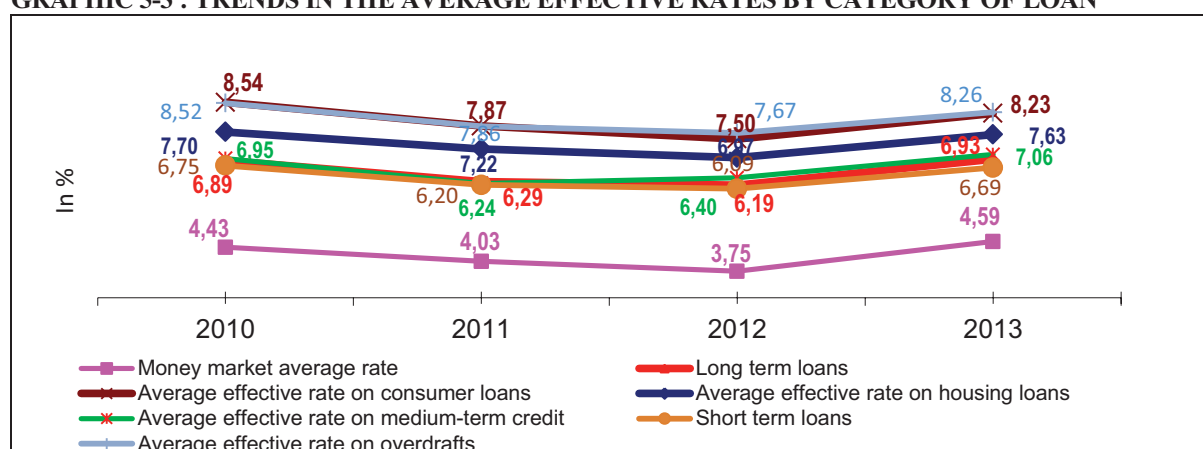
(In MTD unless otherwise indicated)

Description	2011	2012	2013*	Variation			
				2012/2011		2013/2012	
				In MTD	In %	In MTD	In %
<b>Loans to the clients</b>	<b>43,949</b>	<b>47,712</b>	<b>51,241</b>	<b>3,763</b>	<b>8.6</b>	<b>3,529</b>	<b>7.4</b>
Securities portfolio	6,280	6,673	7,273	393	6.3	600	9.0
Shareholding securities	2,239	2,368	2,565	129	5.8	197	8.3
Transactions and placements securities	282	319	345	37	13.1	26	8.2
Bonds	200	307	258	107	53.5	-49	-16.0
Treasury bonds	3,010	3,136	3,693	126	4.2	557	17.8
National borrowings	549	543	412	-6	-1.1	-131	-24.1
<b>Overall uses</b>	<b>50,229</b>	<b>54,385</b>	<b>58,514</b>	<b>4,156</b>	<b>8.3</b>	<b>4,129</b>	<b>7.6</b>

\* Provisional data.

Banks' effective average rates posted, due to the money market rate increase by 84 base points a generalized increase which concerned long-term loans (+74 base points), consumer loans (+73 base points), housing loans (+66 base points), medium-term loans (+66 base points), short-term loans (+60 base points) and overdrafts (+59 base points).

**GRAPHIC 5-3 : TRENDS IN THE AVERAGE EFFECTIVE RATES BY CATEGORY OF LOAN\***



\* Relative to the second half of the year's rates.

### 5.1.2. Operating results

Net banking proceeds grew by 316 MTD or 13.7% in 2013 against 233 MTD or 11.2% in 2012. This acceleration is attributable to :

- The increase in income from the investment portfolio by 13 MTD or 12.5% against a 18 MTD drop or 14.8% in 2012,
- The 173 MTD or 12.9% progress in the interest margin against 153 MTD or 12.8% in 2012.
- The 78 MTD or 15.1% increase in net commissions on banking operations against 59 MTD or 12.9% in 2012, and
- The 52 MTD or 14.9% increase in gains on commercial securities portfolio against 39 MTD or 12.5% in 2012.

**TABLE 5-5 : OPERATING RESULTS**

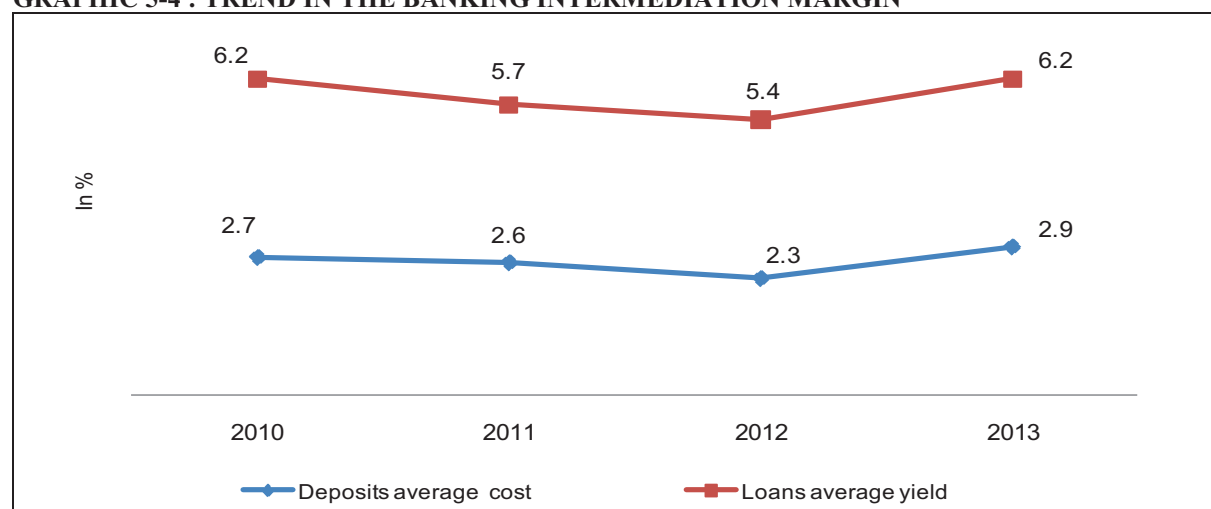
(In MTD unless otherwise indicated)

Description	2011	2012	2013*	Variation			
				2012/2011		2013/2012	
				In MTD	In %	En MTD	In %
Interest margin	1,191	1,344	1,517	153	12.8	173	12.9
Net commissions	458	517	595	59	12.9	78	15.1
Gains on commercial securities-portfolio	311	350	402	39	12.5	52	14.9
Income from the investment portfolio	122	104	117	-18	-14.8	13	12.5
<b>Net banking proceeds</b>	<b>2,082</b>	<b>2,315</b>	<b>2,631</b>	<b>233</b>	<b>11.2</b>	<b>316</b>	<b>13.7</b>
Operating costs	1,065	1,165	1,240	100	9.4	75	6.4
<i>of which : wage bill</i>	<i>811</i>	<i>886</i>	<i>935</i>	<i>75</i>	<i>9.2</i>	<i>49</i>	<i>5.5</i>

\* Provisional data.

The average cost of deposits and the average yield of loans were up by 0.6 and 0.8 percentage points respectively, due to the increase in the money market rate.

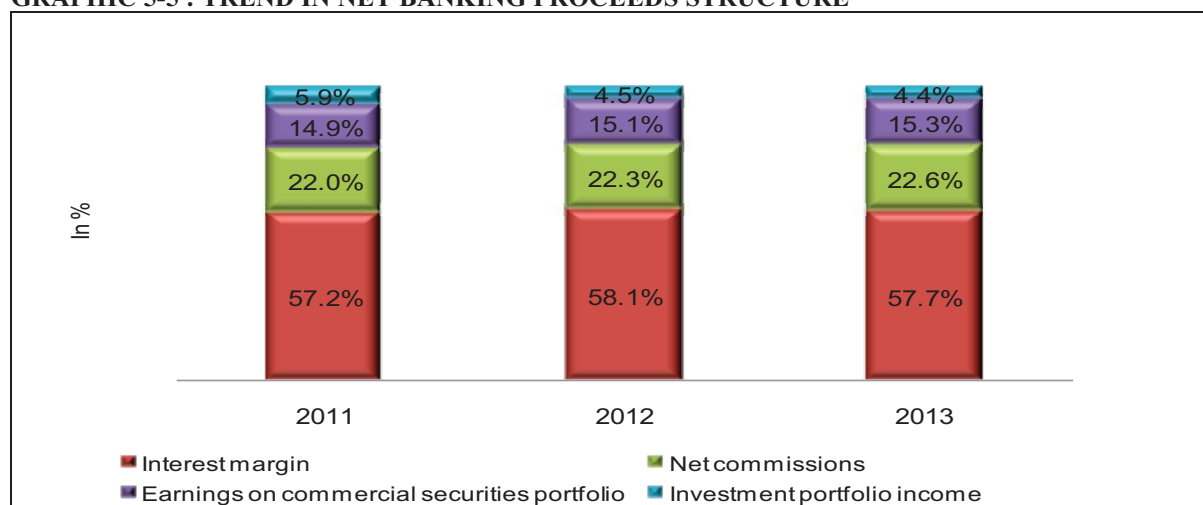
**GRAPHIC 5-4 : TREND IN THE BANKING INTERMEDIATION MARGIN**



The structure of net banking proceeds is kept almost unchanged compared to 2012 with a slight increase in the share of commissions and gains on commercial securities portfolio by 0.2 and 0.8 percentage points, respectively, against a drop by 0.4 percentage point in the interest margin and 0.1 percentage point in income from the investment portfolio.

The 6.4% evolution in operating costs at a more significant pace than that of net banking proceeds brought about a 3.5 percentage points increase in the operating ratio, posting 51.7%.

**GRAPHIC 5-5 : TREND IN NET BANKING PROCEEDS STRUCTURE**



## 5.2. LEASING INSTITUTIONS

### 5.2.1. Activity

Activity in the leasing sector grew at a slower pace in 2013, as the outstanding balance of leasing rose by just 7.1% against 11.8% in 2012, up to 2,762 MTD at the end of 2013, financed up to 77% by borrowed resources, 45.2% of which are bank borrowings and 40.4% debenture loans.

It is worth mentioning, in this framework, that the sector raised 259 million dinars of bond resources in 2013 against 190 million dinars in 2012.

**TABLE 5-6 : TRENDS IN THE OUTSTANDING BALANCE OF LEASING AND BORROWING RESOURCES**  
(In MTD unless otherwise indicated)

Description	2011	2012	2013*
<b>Outstanding balance of leasing</b>	<b>2,305</b>	<b>2,578</b>	<b>2,762</b>
<b>Borrowing resources</b>	<b>1,857</b>	<b>2,034</b>	<b>2,125</b>
of which : Bank resources (share in %)	46.0	45.2	45.2
Bond resources (share in %)	39.8	39.9	40.4
<b>Borrowing resources cost (in %)</b>	<b>5.8</b>	<b>7.8</b>	

\* Provisional data.

### 5.2.2. Operating results

The sector's activity slowdown had repercussions on net proceeds which regressed by 3.2% (against 17% in 2013), down to 120 MTD at the end of 2013.

**TABLE 5-7 : OPERATING INDICATORS**  
(In MTD unless otherwise indicated)

Description	2011	2012	2013*	Variation			
				2012/2011		2013/2012	
				In MTD	In %	In MTD	In %
Interest margin	96	114	112	18	18.8	-2	-1.8
<b>Net proceeds</b>	<b>106</b>	<b>124</b>	<b>120</b>	<b>18</b>	<b>17.0</b>	<b>-4</b>	<b>-3.2</b>
Operating charges	37	42	45	5	13.5	3	7.1

\* Provisional data.



The operating ratio deteriorated, down from 33.9% in 2012 to 37.5% in 2013, following the drop in net banking proceeds and the 7.1% increase in operating costs.

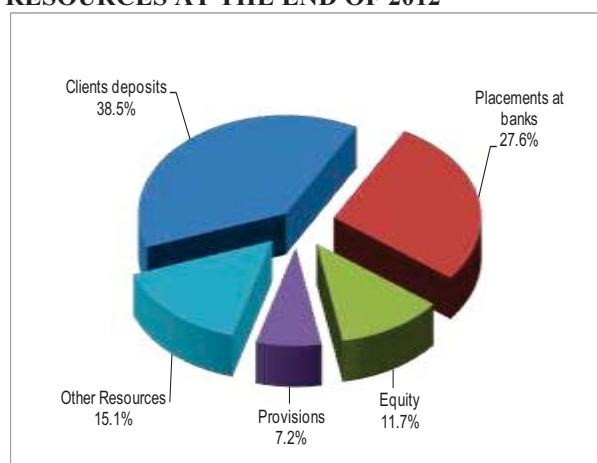
### 5.3. NON RESIDENT BANKS

#### 5.3.1. Activity

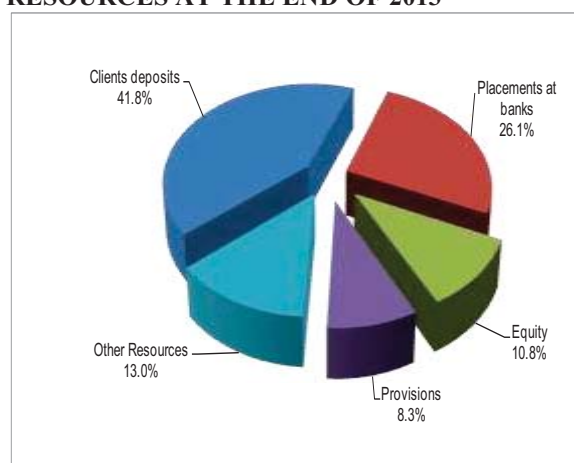
##### 5-3-1-1 Operating resources

The outstanding balance of non-resident banks' resources posted a 133.6 M\$US or 4.4% increase, yet at a less accelerated pace than the one of 2012 (216.5 M\$US or 7.6%). Resources structure is mainly made up of clients' deposits (41.8% vs. 38.8% in 2012), placements at banks (26.1% vs. 27.6% in 2012) and equity (10.8% vs. 11.7% in 2012).

**GRAPHIC 5-6 : NON RESIDENT BANKS RESOURCES AT THE END OF 2012**



**GRAPHIC 5-7 : NON RESIDENT BANKS RESOURCES AT THE END OF 2013**



**TABLE 5-8 : TRENDS IN NON RESIDENT BANKS' RESOURCES**

(In million \$ US unless otherwise indicated)

Description	In million \$ US			Variation			
				2012/2011		2013/2012	
	2011	2012	2013*	In M\$ US	In %	In M\$ US	In %
<b>Placement at banks</b>	<b>885.8</b>	<b>840.8</b>	<b>831.1</b>	<b>-45.0</b>	<b>-5.1</b>	<b>-9.7</b>	<b>-1.2</b>
Based in Tunisia	405.8	392.5	303.3	-13.3	-3.3	-89.2	-22.7
Based abroad	480.0	448.3	527.8	-31.7	-6.6	79.5	17.7
<b>Clients deposits</b>	<b>1,163.2</b>	<b>1,174.4</b>	<b>1,330.7</b>	<b>11.2</b>	<b>1.0</b>	<b>156.3</b>	<b>13.3</b>
Resident	249.5	251.1	285.9	1.6	0.6	34.8	13.9
Non resident	913.7	923.3	1,044.8	9.6	1.1	121.5	13.2
<b>Other resources</b>	<b>239.2</b>	<b>460.3</b>	<b>414.2</b>	<b>221.1</b>	<b>92.4</b>	<b>-46.1</b>	<b>-10.0</b>
<b>Equity</b>	<b>403.8</b>	<b>356.2</b>	<b>343.0</b>	<b>-47.6</b>	<b>-11.8</b>	<b>-13.2</b>	<b>-3.7</b>
<b>Provisions</b>	<b>142.2</b>	<b>219.0</b>	<b>265.3</b>	<b>76.8</b>	<b>54.0</b>	<b>46.3</b>	<b>21.1</b>
<b>Total resources</b>	<b>2,834.2</b>	<b>3,050.7</b>	<b>3,184.3</b>	<b>216.5</b>	<b>7.6</b>	<b>133.6</b>	<b>4.4</b>

\* Provisional data.

Concurrently, bank placements dropped by 1.2% following notably the 22.8% decrease in bank placements set up in Tunisia.

##### 5.3.1.2. Trend in uses

Over 2013, non resident banks' activity grew at a slower pace, down from 7.6% in 2012 to 4.4% in 2013, following notably the drop in the volume of placements held at other banks set up in Tunisia, as well as loans, down by 12.8% and 2.7% respectively, against a 24.4% increase.

However, the growth pace of securities-portfolio investments was up by 28.5% against 11.6% in the previous year.

As a consequence, the share of Treasury operations depreciated by 0.2 percentage points, down to 57.3%, the share of loans was down by 1.9 percentage points to 26.2%, while the share of securities-portfolio went up by 2.2 percentage points to 11.8%.

**TABLE 5-9 : TRENDS IN NON RESIDENT BANKS' OPERATING USES**

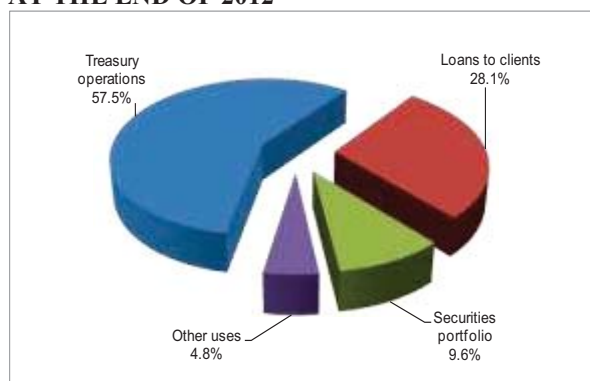
(In million \$ US unless otherwise indicated)

Description	In million \$ US			Variation			
				2012/2011		2013/2012	
	2011	2012	2013*	In M\$ US	In %	In M\$ US	In %
<b>Treasury operations</b>	<b>1,600.7</b>	<b>1,754.7</b>	<b>1,825.1</b>	<b>154.0</b>	<b>9.6</b>	<b>70.4</b>	<b>4.0</b>
<i>of which : placements</i>							
<i>at banks</i>	1,336.9	1,352.2	1,246.0	15.3	1.1	-106.2	-7.9
<i>Based in Tunisia</i>	281.0	349.6	304.9	68.6	24.4	-44.7	-12.8
<i>Based abroad</i>	1,055.9	1,002.6	941.1	-53.3	-5.0	-61.5	-6.1
<b>Loans</b>	<b>858.9</b>	<b>857.6</b>	<b>834.3</b>	<b>-1.3</b>	<b>-0.2</b>	<b>-23.3</b>	<b>-2.7</b>
to residents	88.6	96.6	102.1	8.0	9.0	5.5	5.7
to non residents	770.3	761.0	732.2	-9.3	-1.2	-28.8	-3.8
<b>Securities portfolio</b>	<b>261.2</b>	<b>291.7</b>	<b>374.8</b>	<b>30.5</b>	<b>11.7</b>	<b>83.1</b>	<b>28.5</b>
<b>Other uses</b>	<b>113.4</b>	<b>146.7</b>	<b>150.1</b>	<b>33.3</b>	<b>29.4</b>	<b>3.4</b>	<b>2.3</b>
<b>Total operating uses</b>	<b>2,834.2</b>	<b>3,050.7</b>	<b>3,184.3</b>	<b>216.5</b>	<b>7.6</b>	<b>133.6</b>	<b>4.4</b>

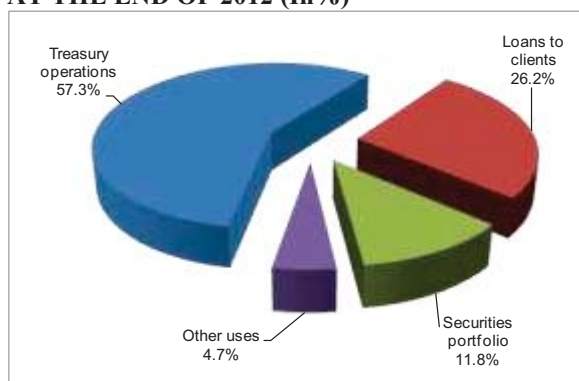
\* Provisional data.

The structure of loans to clients did not change over 2013 and remained focused on non-resident financing with an 87.8% share against a 12.2% share for resident financing.

**GRAPHIC 5-8 : NON RESIDENT BANKS USES AT THE END OF 2012**



**GRAPHIC 5-9 : NON RESIDENT BANKS USES AT THE END OF 2012 (In%)**



Over the same year, surety bonds dropped, due notably to the 31.7% deterioration of documentary credit confirmations, and the 23.1% opening of documentary credits in line with the 18% drop in approvals and guarantees.

**TABLE 5-10 : TRENDS IN NON RESIDENT BANKS' SURETY BONDS**

(In million \$ US unless otherwise indicated)

Description	In million \$ US			Variation			
				2012/2011		2013/2012	
	2011	2012	2013*	In M\$ US	In %	In M\$ US	In %
<b>Total surety bonds</b>	<b>1,199.2</b>	<b>1,361.8</b>	<b>983.3</b>	<b>162.6</b>	<b>13.6</b>	<b>-378.5</b>	<b>-27.8</b>
<i>of which :</i>							
<i>Documentary credit confirmation</i>	562.6	579.6	396.0	17	3.0	-183.6	-31.7
<i>Opening of documentary credits</i>	167.5	205.5	158.0	38	22.7	-47.5	-23.1
<i>Approval and guarantee</i>	360.8	377.3	309.2	16.5	4.6	-68.1	-18.0

\* Provisional data.

### 5.3.2. Operating results

The interest margin stemming from non-resident banks activity dropped by 7.3 million \$US or 21.9% in 2013. Concurrently, net banking proceeds dropped by 6.3 million \$US or 6.7%, posting 87.7 million \$US. As a result, the operating ratio deteriorated by 1.7 percentage points.

**TABLE 5-11 : OPERATING INDICATORS**

(In million \$ US unless otherwise indicated)

Description	In million \$US			Variation			
				2012/2011		2013/2012	
	2011	2012	2013*	In M\$ US	In %	In M\$ US	In %
Interest margin	43.7	33.3	26.0	-10.4	-23.8	-7.3	-21.9
<b>Net banking proceeds</b>	99.5	94.0	87.7	-5.5	-5.5	-6.3	-6.7
Operating charges	34.5	36.2	35.3	1.7	4.9	-0.9	-2.6

\* Provisional data.

### 5.4. MERCHANT BANKS

#### 5.4.1. Activity

Merchant banks' activity was marked, over 2013, by a sharp drop in their turnover, meaning a 84.4% decrease in their net banking proceeds, down to 0.3 MTD, covering just 1/5 of operating charges.

**TABLE 5-12 : MAIN INDICATORS**

(In MTD unless otherwise indicated)

Indicators	2012	2013*	Variation 2013/2012	
			In MTD	In %
Operating proceeds	2.084	0.552	-1.532	-73.5
<b>Net banking proceeds</b>	2.032	0.317	-1.715	-84.4
Operating costs	1.519	1.516	-0.003	-0.2
- Wage bill	0.677	0.947	0.27	39.9
- General operating costs	0.842	0.569	-0.273	-32.4

\* Provisional data.

### 5.5. FACTORING COMPANIES

#### 5.5.1. Activity

The factoring sector activity evolved at a higher pace in 2013 than in 2012, as shown by the 30.3% increase in the outstanding balance of financing against 12.1% in 2012, posting 199.4 MTD

**TABLE 5-13 : FACTORING ACTIVITY INDICATORS**

(In MTD unless otherwise indicated)

Indicators	2011	2012	2013*	Variation 2013/2012	
				In MTD	In %
<b>Outstanding balance of financing</b>	<b>136.5</b>	<b>153.0</b>	<b>199.4</b>	<b>46.4</b>	<b>30.3</b>

\* Provisional data.

Borrowing resources increased by 23.5% with firming up of the share of debenture loans to the detriment of treasury bills and bank borrowings.

**TABLE 5-14 : TRENDS IN RESOURCES**

(In MTD unless otherwise indicated)

Indicators	2011	2012	2013*	Variation 2013/2012	
				In MTD	In %
<b>Equity</b>	<b>32.0</b>	<b>35.9</b>	<b>38.8</b>	<b>2.9</b>	<b>8.1</b>
<b>Borrowing resources</b>	<b>88.5</b>	<b>93.6</b>	<b>115.6</b>	<b>22.0</b>	<b>23.5</b>
Bank borrowings (in %)**	44.9	46.5	43.0		-3.5
Treasury bills (in %)**	39.3	42.8	34.5		-8.3
Debenture loans (in %)**	15.8	10.7	22.5		11.8

\* Provisional data

\*\* Variation in percentage points.

### 5.5.2. Operating result

The factoring activity yielded an 18.7% increase in income over 2013, totalling 22.1MTD.

Up to 36.7% or 8.1 MTD of this income is derived from factoring commissions and 63.3% or 14 MTD from financing commissions, 46.4% of which helped to cover financial charges.

**TABLE 5-15 : OPERATING INDICATORS**

(In MTD unless otherwise indicated)

Indicators	2011	2012	2013*	Variation 2013/2012	
				In MTD	In %
Interest margin	5.2	6.2	7.5	1.3	21.0
Net factoring proceed	11.4	13.6	15.6	2.0	14.7
Operating charges	6.1	7.0	7.4	0.4	5.7

\* Provisional data.

Net factoring proceed increased by 14.7% along with a less significant increase in operating costs, bringing about a 4.4 percentage points increase in the operating ratio, up to 47.4% at the end of 2013.

### 5.6. QUALITY OF BANKING SERVICES

In the framework of implementing the assignment entrusted to it, the Banking Service Watch follows up, as of its creation, the quality of services rendered by the Lending Institutions to their customers by :

- assessing the way through which these institutions set up the organization policies and procedures that should be able to promote service quality attribute as per BCT circular to lending institutions n°2006-12 of 19 October 2006 ;
- checking up the set up device for customer information about banks' conditions and making sure that pricings are published permanently and in all branches in compliance with BCT circular to banks n°91-22 of 17 December 1991 as modified by subsequent texts ;
- following monetic activity to guarantee an ongoing availability of banknotes in cash dispensers services ;
- processing requests coming to the Banking Services Watch and following up those addressed to the lending institutions, and
- following up the sound operation of bank mediation mechanism set up as of 2006, when the Banking Services Watch was created. This procedure helps the customer to settle amicably disputes with the lending institutions.

Worth of note that in application of articles 8 and 9 of decree n°2006-1881 of 10 July 2006 setting the conditions for carrying out banking mediation activity, lending institution's customers having disputes with these institutions must follow the procedure stated below :

- address an informal appeal in writing to the lending institution that has to reply to the request within 15 working days as of the date of this request ;
- submit complaints to the bank mediator through a written request including their claims along with necessary supporting information and proof of exhaustion of means of redress with the lending institution,
- sent a request to the Banking Service Watch when they are not satisfied with the lending institutions and the mediator's opinion and this before initiating judicial proceedings.

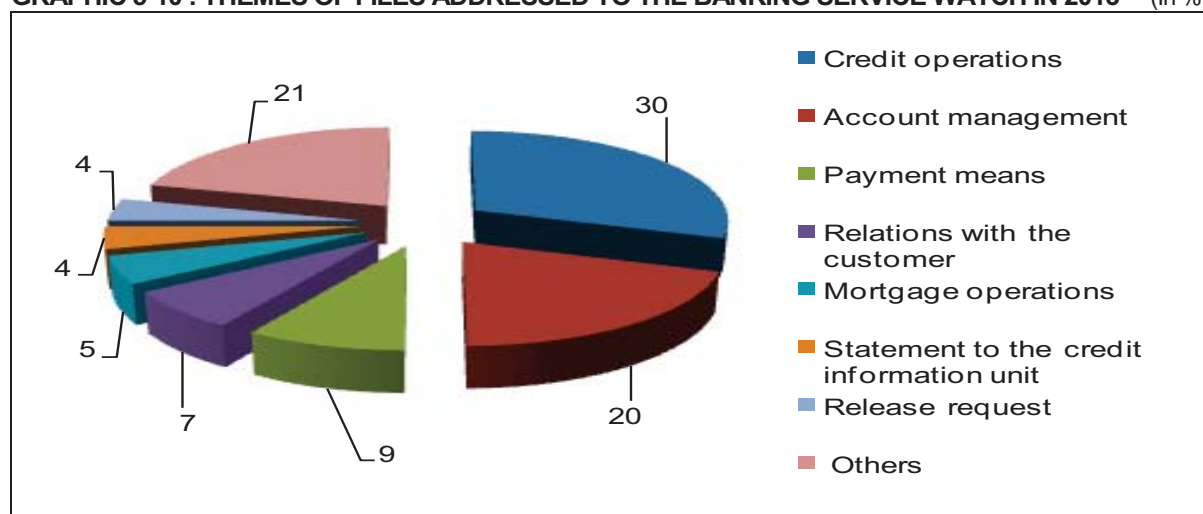
#### 5.6.1. Processing customers' claims addressed to the Banking Service Watch

During 2013, the number of written claims that were addressed to the Banking Service Watch totalled 139 compared to 209 in 2012 coming, mainly, from banks' customers, with 59% of these claims tied to credit operations, account management and payment means.

**TABLE 5-16 : THEMATIC BREAKDOWN OF FILES ADDRESSED TO THE BANKING SERVICE WATCH IN 2013**

Referred theme	Number	Share in total (in %)
Credit operations	42	30
Account management	27	20
Payment means	12	9
Relations with the customer	9	7
Mortgage operations	7	5
Statement to the Credit information Unit	6	4
Release requests	6	4
Others	30	21
Total	139	100

**GRAPHIC 5-10 : THEMES OF FILES ADDRESSED TO THE BANKING SERVICE WATCH IN 2013 (In %)**



Besides, it is worth mentioning that the Banking Service Watch receives requests relative to search for banking relations of people who have passed away (195 requests in 2013 against 306 in 2012) in order to allow their heirs and eligible persons to assert their rights. To this end, the Banking Service Watch proceeds in issue of a standard letter to all banks and the National Post Authority (ONP). Responses will then be transferred to the applicants.

### **5.6.2. Follow up of monetic service quality**

Monetic service quality is measured by cash dispensers' availability rate, outage duration and repair work promptness.

Over the second half of 2013, cash dispensers availability rate measuring the duration of services rendered to customers varied between a minimum of 91.98% and a maximum of 97.19%. Its lowest level was recorded over the third week of July 2013 in line with logout of some cash dispensers as preventive measures taken by a number of banks. These banks either logged out deliberately or emptied the cash boxes of these dispensers which are mostly exposed to vandalism acts in the wake of the social climate that prevailed during this period.

On another level, the average duration of cash dispensers' outage per week varied, during the second half of the year, between a maximum of 115 minutes per day and a minimum of some 40 minutes.

Worth of note that the main reasons behind cash dispensers downtime are the following :

- internal errors ;
- logout ;
- banknotes shortage ; and
- maintenance.

### **5.6.3. Bank mediation activity analysis**

Bank mediation is an amicable mode of settlement of disputes that may occur between the lending institution and the customer in which the mediator, a neutral third party, recommends a solution to give an end to the dispute after hearing the two parties' point of view. This recommendation is subject to approval of both the lending institution and the customer.

The legal framework of mediation, which comes in a large context of banking service quality improvement, was set by law n°2006-19 of 2 May 2006 that has inserted article 31(c) in law n°2007-65 of 10 July 2001 relative to lending institutions.

Concurrently this framework was completed by law n°2006-26 of 15 May 2006 providing for modification of the BCT organic law n°58-90 of 19 September 1958 by adding a fourth title relative to Banking Service Watch creation, article 75 of this law entitles the latter to give recommendations to lending institutions' mediators, to examine the Mediators' Report and to elaborate an Annual Report on Bank Mediation.

In application of the regulation governing bank mediation activity, once his assistance is sought, the mediator decides on the admissibility of the complaint submitted to him by reasoned decision. When accepting the request, the mediator can ask the lending institution and the customer to provide him with the documents he deems necessary for the achievement of his mission. After examining the file, the mediator gives his opinion in a written document that he signs. However, his opinion does under no circumstance bind the two parties who reserve the right to accept or reject it and who must, within a ten-working day deadline as of their information, tell the mediator about their respective opinions.

#### **5.6.3.1. Received files**

During 2013, the total number of requests received by the mediators came to 146, of which 97 were accepted and processed.



**TABLE 5-17 : BREAKDOWN OF REQUESTS RECEIVED BY REFERRAL THEME**

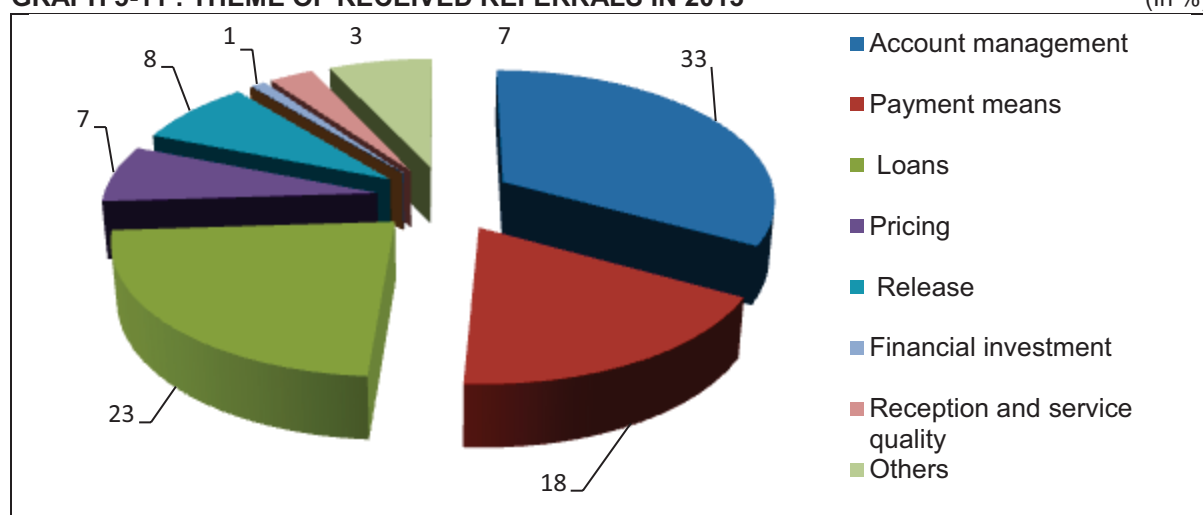
Description	2011		2012		2013*	
	Number	Share in %	Number	Share in %	Number	Share in %
Account management	94	31	113	33	52	33
Payment means	42	14	40	12	27	18
Loans	60	20	92	27	36	23
Pricing	25	8	19	6	12	7
Release	29	9	21	6	13	8
Savings	6	2	4	1	0	0
Financial investment	7	2	9	3	2	1
Reception and service quality	10	3	4	1	6	3
Other	33	11	40	11	10	7
<b>Total</b>	<b>306</b>	<b>100</b>	<b>342</b>	<b>100</b>	<b>158</b>	<b>100</b>

\* Provisional figures.

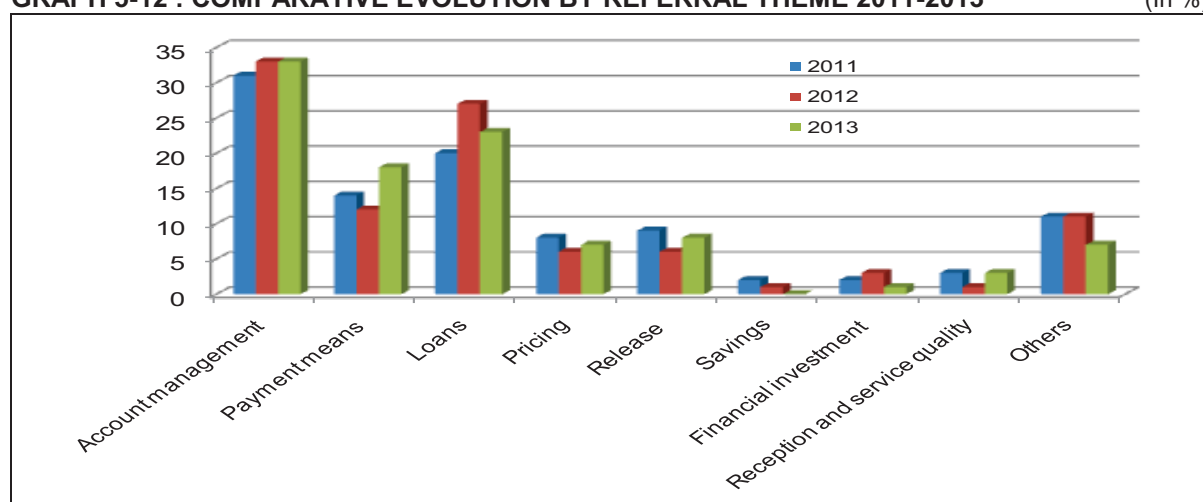
Breakdown of received requests shows that referrals tied to “account management” (its share remained unchanged compared to the previous year) and “loan” themes (23% in 2013 against 27% in 2012) remain dominant. Worth of note that one request may have more than one theme.

**GRAPH 5-11 : THEME OF RECEIVED REFERRALS IN 2013**

(In %)

**GRAPH 5-12 : COMPARATIVE EVOLUTION BY REFERRAL THEME 2011-2013**

(In %)



### 5.6.3.2. Accepted and processed files

#### 5.6.3.2.1. Fate of received referrals

**TABLE 5-18 : FATE OF ACCEPTED AND PROCESSED REFERRALS**

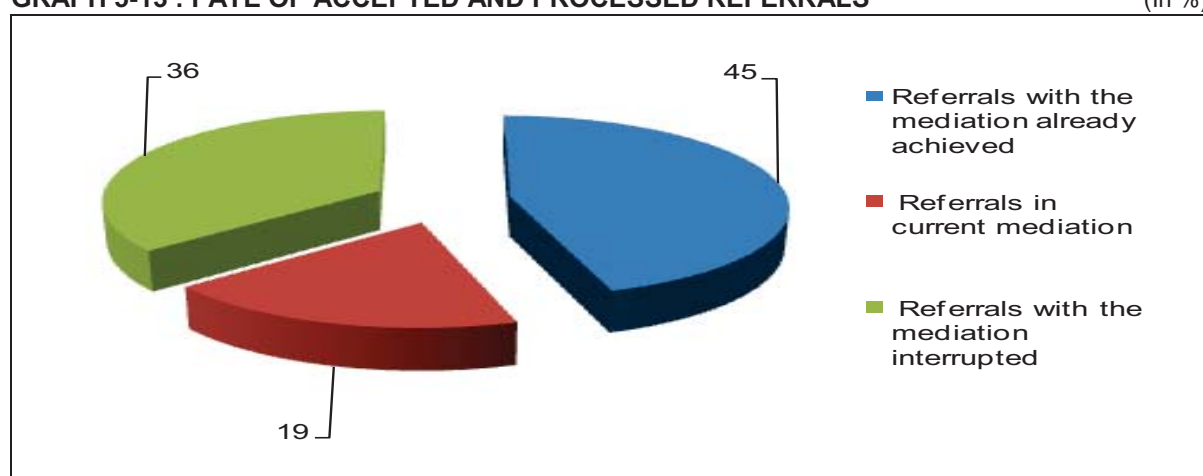
Description	2011	2012	2013*
Referrals with the mediation already achieved	38	37	45
Referrals in current mediation	10	15	19
Referrals with the mediation interrupted	52	48	36

\* Provisional figures.

Referrals that have been accepted and processed by the mediators accounted for 66% of files received in 2013 (against 63% in 2012), posting thus a slight increase in processed files. On another level, out of 97 estimated admissible requests, 36% have been interrupted ; 19% in current mediation and 45% with achieved mediation. Worth of note that a mediation is considered achieved (or closed) when files are processed by the mediator and the latter's opinion is transmitted to the two parties.

**GRAPH 5-13 : FATE OF ACCEPTED AND PROCESSED REFERRALS**

(In %)



#### 5.6.3.2.2. Fate of the opinions issued by the mediators

The number of opinions issued by the mediators and accepted by the lending institutions amounted to 31 in 2013 : 69% of the files processed during this year. This rate helps to assess the degree of commitment of the lending institutions to the mediation framework that was established.

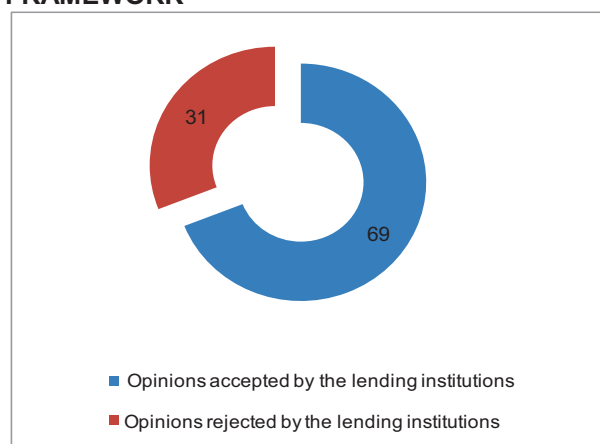
**TABLE 5-19 : FATE OF ACCEPTED AND PROCESSED REFERRALS IN 2013**

Description	Number*
<b>Both parties answered back</b>	<b>28</b>
Agreement of the lending institution and the customer	22
Rejection of the lending institution and the customer	3
Agreement of the lending institution and rejection of the customer	2
Agreement of the customer and rejection of the lending institution	1
<b>One of the two parties did not answer back</b>	<b>17</b>
No answer by the customer and agreement of the lending institution	7
No answer by the customer and rejection of the lending institution	1
No answer by the lending institution and agreement of the customer	5
No answer by the lending institution and rejection of the customer	0
No answer by the two parties	4

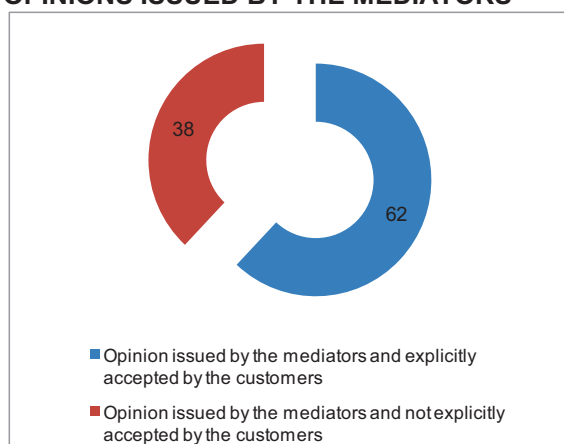
\* Provisional figures.

The customers accepted 28 opinion issued by the mediators, representing 62% of files achieved in 2013. This rate helps assess the degree of the lending institutions' customers confidence in the opinions issued by the mediators.

**GRAPHIC 5-14: DEGREE OF LENDING INSTITUTIONS' COMMITMENTS IN THE MEDIATION FRAMEWORK**



**GRAPHIC 5-15: DEGREE OF LENDING INSTITUTIONS' CUSTOMERS CONFIDENCE IN OPINIONS ISSUED BY THE MEDIATORS**



### 5.6.3.3. Rejected files

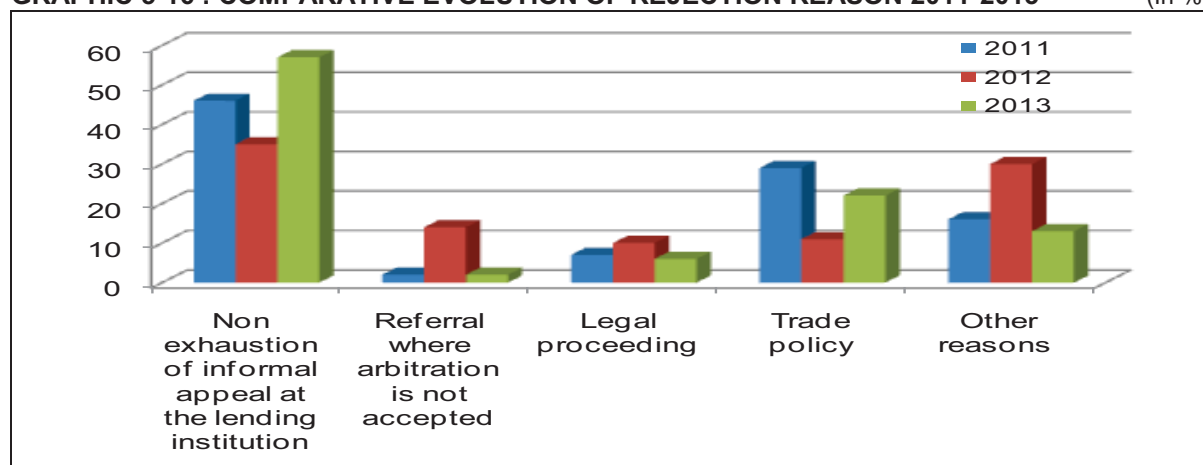
**TABLE 5-20 : RATE AND REASONS FOR REJECTION**

Description	2011	2012	2013*
<b>Rejection rate</b>	<b>29</b>	<b>37</b>	<b>33</b>
<b>Rejection reasons</b>			
- Non exhaustion of informal appeal at the lending institution	46	35	57
- Referral where arbitration is not accepted	2	14	2
- Legal proceeding	7	10	6
- Trade policy	29	11	22
- Other reasons	16	30	13

\* Provisional figures.

Over 2013, the rejection rate was down slightly, going from 37% in 2012 to 33% in 2013. On the other hand, "Non-exhaustion of informal appeal" remains the main reason of rejection, its rate went from 35% in 2012 to 57% in 2013.

**GRAPHIC 5-16 : COMPARATIVE EVOLUTION OF REJECTION REASON 2011-2013** (In %)



## 6. CAPITAL MARKET

The Tunisian capital market activity was considerably hit, throughout 2013, by a persisting difficult economic context as well as by deterioration of the security situation, having notably led main rating agencies to review Tunisia's sovereign rating downwards. This situation meant investors' scepticism regarding a rapid recovery of the Stock exchange market.

In this context, the Tunis stock exchange reference index, which nevertheless, recovered in the beginning of the year, closed for 2013 at a drop for the third year in a row, with a negative 4.3% annual yield against -3% a year earlier. This led to a 14.3% cumulated loss of the index over the three previous years.

On the other hand, speed up of stock listings pace over 2013 with quotation of 12 new companies proves the Tunisian capital market's absorption potential and constitutes a corporate reaction to bank loan shortage through recourse to other financing sources.

Moreover, the issues market was characterized by an ongoing recourse of the Treasury to domestic indebtedness and firming up of the volume of issued Treasury bonds by 14.1% compared to the previous year, to reach 1,739 MTD with respect to 2013, in line with the delay in raising external resources provided for by the 2013 finance law, notably in the form of Sukuk<sup>1</sup>.

Besides, the drop in the volume of funds raised by companies through public call for savings on the bond market recorded in 2013 was not offset by the increase in funds raised with respect to capital increases in cash. Hence, funds raised by public call for savings declined, totalling 691 MTD in 2013 against 720 MTD a year earlier.

The secondary market was not very dynamic as transactions on the stock quotation dropped by 26.2% compared to the previous year, totalling just 1,534 MTD with respect to 2013 : a 6.2 MTD daily average volume of trade against 8.3 MTD in 2012.

On another level, mutual savings' mobilisation vehicles continued to play a key role on the capital market, despite certain operations to repurchase shares carried out at the end of the year as regards bond units. In fact, net assets held by mutual funds investing in securities (OPCVM)<sup>2</sup> totalled 4,569 MTD at the end of 2013 : 6% of GDP against, 4,921 MTD and 7% of GDP in 2012.

On the other hand, the regulatory framework was backed up by the State's diversification of sources to raise resources through adoption of a framework governing Islamic Sukuks which are negotiable securities issued as per shariaa norms and are based on the profits and losses share principle<sup>3</sup>.

Likewise, a regulatory framework specific to Islamic investment funds<sup>4</sup> was adopted over 2013. The said funds must operate in compliance with shariaa norms and can be created in the form of mutual funds investing in securities or investment companies or expert funds or non-resident businesses operating in capital shareholding of existing businesses or those underway.

Concurrently, the fiscal framework was adapted to these new regulatory measures through the institution of a regime specific to Islamic Sukuk and the Sukuk common fund.

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<sup>1</sup> The 2013 finance law provided for raising of 1,000 MTD in the form of Sukuk, which was not achieved.

<sup>2</sup> Excluding venture capital mutual investment funds (FCPR).

<sup>3</sup> Law n°2013-30 of 30 July 2013 related to Islamic Sukuks.

<sup>4</sup> Law n°2013-48 of 9 December 2013 related to Islamic investment funds.

**TABLE 6-1 : MAIN STOCK EXCHANGE INDICATORS**

(In MTD unless otherwise indicated)

Description	2011	2012	2013	1 <sup>st</sup> Q. 2014
<b>State issues<sup>1</sup></b>	<b>1,335</b>	<b>1,524</b>	<b>1,739</b>	<b>984</b>
- BTA and BTZc	962	1,195	1,574	914*
- BTCT	373	329	165	70
<b>Outstanding balance of Treasury bonds (End of period)</b>	<b>6,953</b>	<b>7,674</b>	<b>8,280</b>	<b>8,943</b>
- BTA and BTZc	6,580	7,352	8,115	8,737
- BTCT	373	322	165	206
<b>Outstanding balance of Treasury bonds/GDP (In %)</b>	<b>10.7</b>	<b>10.9</b>	<b>10.8</b>	<b>11.7<sup>2</sup></b>
<b>Corporate issues through public call for savings</b>				
<b>Approved amounts</b>	<b>491</b>	<b>580</b>	<b>573</b>	<b>70</b>
- Capital increase	51	180	225	0
- Debenture loans	440	400	348	70**
<b>Raised Funds<sup>3</sup></b>	<b>382</b>	<b>720</b>	<b>691</b>	<b>77</b>
- Capital increase	95	149	257	7
- Debenture loans	287	571	434	70
<b>Amount of transactions on the official quotation</b>	<b>1,678</b>	<b>2,078</b>	<b>1,534</b>	<b>584</b>
- Equity securities (a)	1,572	1,943	1,457	527
- Claim securities	106	135	77	57
<b>Number of listed companies (In units)</b>	<b>57</b>	<b>59</b>	<b>71</b>	<b>73</b>
<b>Stock market capitalisation (b)</b>	<b>14,452</b>	<b>13,780</b>	<b>14,093</b>	<b>15,105</b>
Stock market capitalisation/GDP (In %)	22.3	19.5	18.5	19.8 <sup>2</sup>
TUNINDEX in points (Base 1,000 on 31 December 1997)	4,722.25	4,579.85	4,381.32	4,591.17
Annual rotation rate (a/b) (In %)	10.9	14.1	10.3	3.5
Liquidity rate (In %) <sup>4</sup>	60	53	56	53
<b>Amount of transactions on the off list</b>	<b>16</b>	<b>38</b>	<b>34</b>	<b>1</b>
<i>Amount of registry and declarations</i>	<b>1,444</b>	<b>814</b>	<b>2,317</b>	<b>129</b>
<b>Mutual funds investing in securities :</b>				
<b>OPCVM (Exclusive of FCPR)<sup>5</sup></b>				
- Operating units	106	111	115	115
- Net assets	5,228	4,921	4,569	4,693

Sources : Tunis Stock Exchange Market (BVMT) and the Capital Market Council (CMF)

<sup>1</sup> Calculated on the basis of auction dates.<sup>2</sup> Calculated on the basis of 2013 GDP.<sup>3</sup> Calculated on the basis of subscriptions closing date.<sup>4</sup> The liquidity rate is defined as the volume of traded securities compared to the volume of securities offered to sale on the official quotation.<sup>5</sup> FCPR : Venture capital mutual investment funds.

\* Taking account of Treasury bonds substitution auctions for a cumulated amount of 289.6 MTD.

\*\* Amount likely to be brought up to a maximum of 100 MTD.

## 6.1. FINANCING THE STATE AND INVESTMENT

The issues market was characterized, over 2013, by firming up of Treasury drawings which went on in the beginning of 2014 due to the budget deficit widening and difficult conditions of access to external markets.

As for businesses, they boosted their recourse to capital securities issues on the occasion of new stock listings or to consolidate their financial bases, however with a less important recourse to the bond market for long resources mobilisation.

### 6.1.1. State issues

Pressure on public finances was maintained and led to the Treasury's ongoing recourse to domestic indebtedness with firming up of Treasury bond issues which went upwards by 14.1%

compared to 2012, totalling 1,739 MTD with respect to 2013 : about 97% of the estimated amount of issues for 2013<sup>1</sup>.

Like the previous year, Treasury issues focused on bonds equivalent to Treasury bonds which accounted for 91% of the overall package. However, there was a discrepancy between carried out auctions and the provisional schedule of issues as regards short-term Treasury bonds (BTC) with an achievement rate of just 41% for BTCs, reflecting the Treasury's preference for long-term financing.

Amounts raised on bonds equivalent to Treasury bonds (BTA) focused, over 2013, on the new "BTA 5.5% - February 2020" line opened in June 2013 and the "BTA 5.25% - December 2016" line which took up about 73.4% of the overall volume of BTA issues.

**Over the first quarter of 2014**, a cumulated package worth 694 MTD with respect to Treasury bonds (624 MTD of which in the form of BTA) was issued : 34.7% of the annual provisional amount of issues<sup>2</sup>.

Worth of note, in this regard, that over the said quarter, two Treasury bond trade auctions were carried out in February and in March 2014, as per provisions of decree n°2006-1208<sup>3</sup>. These operations consisted in the substitution of BTAs with short-term due dates, namely "BTA 7.5% - April 2014" and "BTA 8.25% - July 2014" lines by other bonds with a longer maturity so as to ease up pressure on the Treasury's liquidity.

The lines which were subscribed on the occasion of these two auctions are "BTA 6.75% - July 2017" (190.6 MTD), "BTA 6.9% - May 2022" (98.5 MTD) lines and the zero coupon Treasury bonds line "BTZc - October 2016" (0.5 MTD).

#### **6.1.2. Corporate issues through public call for savings**

The primary market was marked, over 2013, by firmed up issue of equity securities by public call for savings with a view to boosting the financial bases of certain businesses, along with diverse stock listing operations which have always been accompanied by capital increases. The bond market was characterized by a drop in raised funds compared to 2012.

Over 2013, the CMF granted its visa for the capital increase in cash of 14 companies involving a package worth 225 MTD, 113 MTD of which concerned newly-listed companies.

The amount of fresh money raised by businesses in the form of capital increases amounted to 257 MTD, 32 MTD of which are relevant to capital increase operations signed in 2012 and carried out over 2013.

The bond market was marked by irregular issues with an interruption going from May to July 2013.

In this framework, the CMF gave its visa, in 2013, for the issue of 15 debenture loans of which two subordinated borrowings initiated by a leasing company. The cumulated amount of signed borrowings posted 348 MTD (likely to be brought to a maximum of 458 MTD). These debenture loans continued, in addition, to be the privilege of lending institutions which took up about 92% of the overall amount signed in 2013.

As for funds raised on the bond market over 2013, they totalled 434 MTD<sup>4</sup> : down by 137 MTD or 24% compared to the volume raised a year earlier.

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<sup>1</sup> An estimated amount of 1,800 MTD, reviewed upwards to 2,280 MTD by the 2013 supplementary finance law.

<sup>2</sup> The estimated amount of BTA and BTC issues is 2,000 MTD (of which 1,750 MTD in the form of BTA) for 2014.

<sup>3</sup> Article 8 of decree n°2006-1208 of 24 April 2006, setting conditions and modes of Treasury bonds issue and reimbursement provides for the possibility for the public Treasury to carry out Treasury bonds trade and anticipated reimbursement operations through auctions.

<sup>4</sup> Of which 86 MTD related to borrowings signed in 2012 and raised during 2013.



This situation meant a lack of visibility and a difficult economic situation that led to extension of the required time for raising certain debenture loans, as four debenture loans signed in 2013 were closed over the prorogation period, while other issuers were unable to raise the maximum amount for which borrowings were issued. These difficulties were also exacerbated by simultaneous stock listing operations and capital increases in cash of certain companies through public call for savings.

Thus, there were some distortions relative to debenture loans issue conditions in line with the competitiveness faced by issuers to mobilize long term resources.

**Over the first quarter of 2014**, the CMF gave its visa to four bond issues initiated by leasing companies for an overall amount of 70 MTD likely to reach a maximum of 100 MTD.

Funds raised by businesses on the primary market totalled, over this quarter, 77 MTD, 70 MTD of which are in the form of debenture loans. The remainder was relative to the capital increase in cash of “CELLCOM” on the occasion of its stock listing.

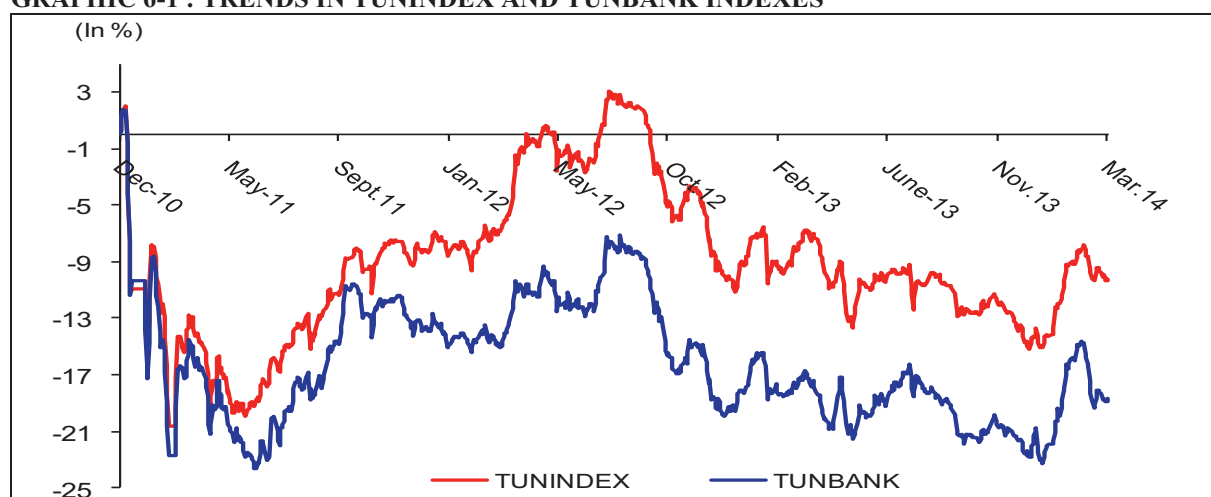
## 6.2. THE STOCK MARKET

Despite a prevailing difficult economic situation, 2013 was marked by multiple stock listings with quotation of 12 new companies (7 of which on the main market of the stock listing)<sup>1</sup>. Over **the first quarter of 2014**, “CELLCOM” and “SOTIPAPIER” companies were listed on the main market of the stock listing, bringing the number of listed companies to 73 units at the end of March 2014.

New stock listings over 2013 involved a mobilization of resources from the public sector worth 387 MTD<sup>2</sup>. Worth of note, however, that excluding the stock listing operations of “SAH”, “One Tech Holding” and “City Cars” companies which made it possible to raise funds worth 259 MTD, these listings were modest-sized and with small capitalisation.

Moreover, trend in the stock market over 2013 was marked by TUNINDEX reference index recovery in January (+3.9%) which helped to retrieve 2012 losses. Yet, security tensions resurgence, along with economic activity slowdown meant a vacillating movement of the index which lasted till the end of 2013 and led to a 4.3% negative yield of TUNINDEX, closing for 2013 at 4,381.32 points.

**GRAPHIC 6-1 : TRENDS IN TUNINDEX AND TUNBANK INDEXES**



<sup>1</sup> Listing of Hannibal Lease, One Tech Holding, City Cars, Euro-Cycles, Best Lease, SAH and MPBS companies on the main market and Aetech, Land'or, New body Line, Syphax Airlines and SOTEMAIL Companies on the alternative market of the stock quotation.

<sup>2</sup> Taking account of shares subject to a private placement or a liquidity contract.

In this framework, the balance of variations of listed shares prices was negative with lower prices for 48 listed shares. The sharpest drop was recorded by “ELECTROSTAR” share (-43%), followed by the “STB” (-41.7%). However, some other shares performed well, notably those related to the telecommunication sector, namely “HEXABYTE” (+60.3%) and “SERVICOM” (+59.3%).

Like 2012, banking shares weighed heavily on the stock market’s overall orientation over 2013 given that these shares account for about 40% of stock capitalization and weigh by 45% of Tunindex composition. The TUNBANK sectoral index posted a negative 3.2% yield with respect to 2013, with a drop in the share price of 7 banks among the 11 listed ones : the sharpest drop recorded by the STB (-41.7%), the half-year statements of which were published with a 4- month delay, yielding a 5.1 MTD negative result for the first half of 2013 against a positive 5.3 MTD result for the same period of 2012.

The drop in TUNBANK index remains, however, moderate compared to the ones recorded by other sectors, the sharpest of which is registered by the “Automobiles and equipment suppliers” index (-15.4%), followed by the sectoral indexes “Services to consumers” (-12.2%), “Distribution” (-11%) and “Basic material” (-8.1%).

The downward trend recorded over 2013 was followed by TUNINDEX recovery over **the first two months of 2014** in line with the lull in political and security tensions. Nonetheless, the index dropped again over March 2014, hit by some profit taking operations. This has limited its gains since the beginning of the year to 4.8%.

Over this quarter, all sectoral indexes posted a positive yield at rates ranging between 2.9% for the banking sector index and 13.8% for the “agrofood and beverages” index.

On the other hand, the lower level of stock capitalization brought about by lower prices on the market over 2013, was offset by a volume effect due to multiple new stock listings and capital increase operations of certain companies. In this framework, market capitalisation went up by 2.3%, from one year to another, totalling 14,093 MTD (18.5% of GDP) at the end of December 2013, bearing in mind that overall capitalisation of listed companies amounted to 1,136 MTD at the end of 2013.

The market’s stock capitalisation firmed up by 1,012 MTD to 15,105 MTD at the **end of March 2014** led by the market’s upward trend and the new stock listings.

The share of foreign investors in stock capitalization went up from 20.51% at the end of 2012 to 22.04% at the end of 2013 sustained, particularly, by the increase in these investors’ shareholding in the Banque de Tunisie capital, following transfer of the share confiscated by the State on behalf of “BFCM-CIC”, already shareholder of the said bank with 20%.

The net balance of transactions carried out on the stock exchange quotation on behalf of foreign investors was negative by 73 MTD, bearing in mind that transfers were focused on SAH share following outflow of a foreign investment fund and opening of a portion of the capital to the public in the framework of this company’s stock listing.

The foreign shareholding rate came to 22.09% at the end of **the first quarter of 2014** with a 12 MTD balance of their intervention on the Stock quotation.

Moreover, transactions on the stock quotation over 2013 were relatively not that dynamic, notably over the summer period. This led to a 26.2% drop in their volume compared to their 2012 level. They totalled 1,534 MTD (1,457 MTD of which on capital securities) with respect to 2013 : a daily average volume of trade worth 6.2 MTD against 8.3 MTD, a year earlier.

These transactions were notably fed by those carried out on SAH, Carthage Cement, One Tech Holding and SOMOCER shares which took up about the third of the overall volume of transactions on capital securities.

**Over the first quarter of 2014**, the volume of transactions on the stock quotation amounted to 584 MTD. This led to a daily average volume of trade worth 9.7 MTD against 6.2 MTD over the same period of 2013.

Capitals trading on the off-list posted 34 MTD in 2013, while registry and declaration operations grew up significantly, from one year to another, totalling 2,317 MTD in 2013 (against 814 MTD in 2012), led particularly by transfer operations of the State share in the confiscated companies “Tunisiana”, “Banque de Tunisie”, “STAFIM Peugeot” and “City Cars” which took up about 46% of the overall package of registries and declaration.

Trade on the off-list and registry and declaration operations totalled, respectively, 1 MTD and 129 MTD over **the first quarter of 2014**.

### 6.3. ACTIVITIES AT MUTUAL FUNDS INVESTING IN SECURITIES (OPCVM)

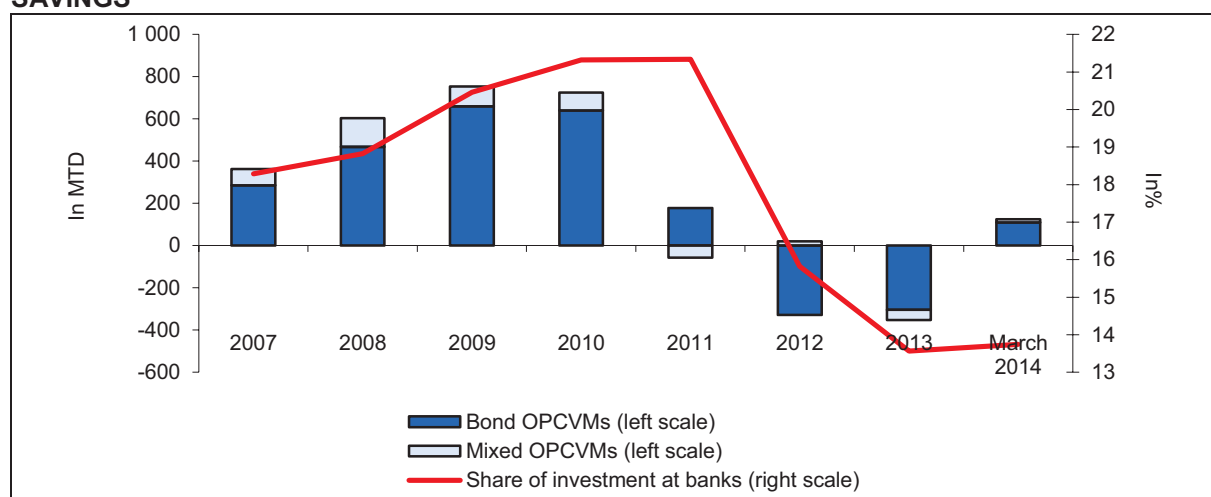
Over 2013, the Capital Market Council (CMF) authorized the constitution of seven mutual investment funds “FCP”, five of which are mixed-type, one shares-type and one venture capital mutual investment fund “FCFR”<sup>1</sup>, as well as liquidation of a mixed-type mutual investment fund following its lifetime expiry. Consequently, the number of operating mutual funds investing in securities (OPCVM)<sup>2</sup> amounted to 115 at the end of December 2013 against 111 in 2012.

Entering into operation of new mixed OPCVMs was not offset by predominance of bond companies which hold 89% of the net assets of overall operating OPCVMs : 4,067 MTD at the end of 2013. On the other hand, the mutual investment market is still characterized by a strong concentration of OPCVM assets as shown by holding of about 76% of overall net assets by only 10 companies.

Mixed units’ net assets dropped, over 2013, by 8.9% in line with the stock market’s downward trend discouraging new subscriptions and prompting operations to repurchase OPCVM shares. Concurrently, bond companies’ net assets dropped by 6.9% over 2013. As a result, the net assets of overall OPCVMs declined by 7.2% in 2013 against a 8.5% regression of national savings.

This trend was notably noticed over December 2013 following a movement to repurchase shares in most bond open-ended investment companies (SICAVs), leading to a 273 MTD drop in OPCVMs net assets.

**GRAPHIC 6-2 : VARIATION OF OPCVM NET ASSETS AND TRENDS OF THEIR SHARE IN BANK SAVINGS**



<sup>1</sup> The CMF granted its visa for the constitution of a venture capital mutual investment fund “Fonds de Développement Régional” involving an amount of 100 MTD by CDC management and Attijari Bank.

<sup>2</sup> Excluding venture capital mutual investment funds.

However, it should be mentioned that OPCVM activity recovered over **the first quarter of 2014**, with a 124 MTD increase in net assets, 109 MTD of which for bond companies, following a movement to purchase OPCVM shares.

Detailed review of the financial statements of 46 OPCVMs (42 SICAVs and 4 FCPs) at the end of 2013, with net assets accounting for about 94% of overall OPCVMs, shows a significant exit of shareholders and unit holders at the level of both bond and mixed OPCVMs. Concurrently, net assets of overall OPCVMs dropped by 7.2% in 2013 against -6.7% in 2012.

**TABLE 6-2 : OPCVM ACTIVITY**

Description	2012			2013		
	Bond	Mixed	Total	Bond	Mixed	Total
Number of OPCVM	26	20	46	26	20	46
Net assets in MTD	4,316	298	4,614	4,010	272	4,282
Number of shareholders	45,841	2,811	48,652	45,234	2,355	47,589

The drop in net assets of the 46 OPCVMs is attributable to the accelerated decline in bond OPCVMs **collection-effect** : -330 MTD in 2013 against -319 MTD in 2012, along with the drop in this effect at the level of mixed OPCVMs : -27 MTD in 2013 against -14 MTD in 2012.

**The distribution effect**, illustrating the drop in the value of OPCVM net assets brought about by dividends distribution operations grew slightly slower (-135 MTD in 2013 against -156 MTD in 2012), following notably the drop in bond OPCVMs performance over the financial year 2012.

However, **the price effect**, which reflects OPCVMs management performances, went slightly upwards in 2013, following notably the Central Bank of Tunisia's decision to raise its key interest rate from 3.75% in February 2013 to 4.5% in December 2013.

**TABLE 6-3 : EXPLANATORY EFFECTS OF TRENDS IN NET ASSETS OF MUTUAL FUNDS INVESTING IN SECURITIES (OPCVMs)** (In MTD)

Description	2012			2013		
	Bond	Mixed	Total	Bond	Mixed	Total
<b>Net assets (end of period)</b>	<b>4,316</b>	<b>298</b>	<b>4,614</b>	<b>4,010</b>	<b>272</b>	<b>4,282</b>
<b>Net assets (beginning of period)</b>	<b>4,635</b>	<b>312</b>	<b>4,947</b>	<b>4,316</b>	<b>298</b>	<b>4,614</b>
<b>Collection effect</b>	<b>-319</b>	<b>-14</b>	<b>-333</b>	<b>-330</b>	<b>-27</b>	<b>-357</b>
Subscriptions	4,602	350	4,952	4,257	135	4,392
Buy-backs	4,921	364	5,285	4,587	162	4,749
<b>Distribution effect</b>	<b>-155</b>	<b>-1</b>	<b>-156</b>	<b>-134</b>	<b>-1</b>	<b>-135</b>
<b>Price effect</b>	<b>155</b>	<b>1</b>	<b>156</b>	<b>158</b>	<b>2</b>	<b>160</b>
<b>Total effect</b>	<b>-319</b>	<b>-14</b>	<b>-333</b>	<b>-306</b>	<b>-26</b>	<b>-332</b>

On another level, OPCVMs performance over 2013 was marked by a slight increase in OPCVMs yields contrasting with a drop in mixed units' yield and leading to a better overall yield of all OPCVMs bond: 3.14% in 2013 against 3.07% in 2012.

**TABLE 6-4 : AVERAGE YIELD RATE OF MUTUAL FUNDS INVESTING IN SECURITIES (OPCVM)\* (In %)**

Description	2008	2009	2010	2011	2012	2013	Q1 - 2014
Bond OPCVM	4.08	3.94	3.67	3.48	3.34	3.63	0.92
Mixed OPCVM	5.18	14.07	10.02	-0.69	0.84	-0.85	2.90
<b>Overall OPCVM</b>	<b>4.21</b>	<b>5.10</b>	<b>4.41</b>	<b>3.07</b>	<b>3.07</b>	<b>3.14</b>	<b>1.14</b>

\* This involves yield rates at overall operating mutual funds investing in securities at end of period.

An analysis of the structure of the portfolio held by OPCVMs over 2013 demonstrates that long-term securities continue to dominate assets managed by OPCVMs, with a 76.7% share in overall managed assets against 76.3% in 2012.

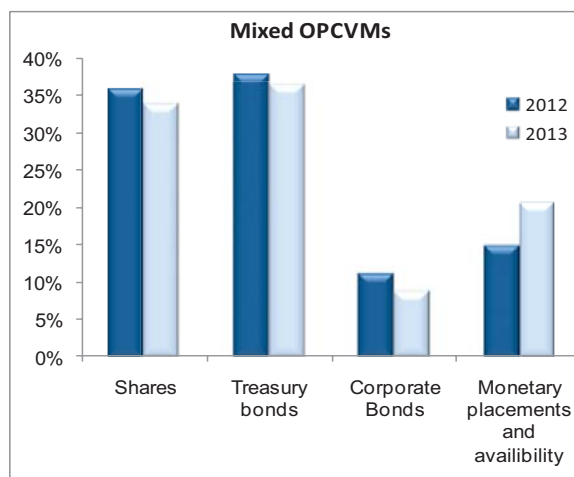
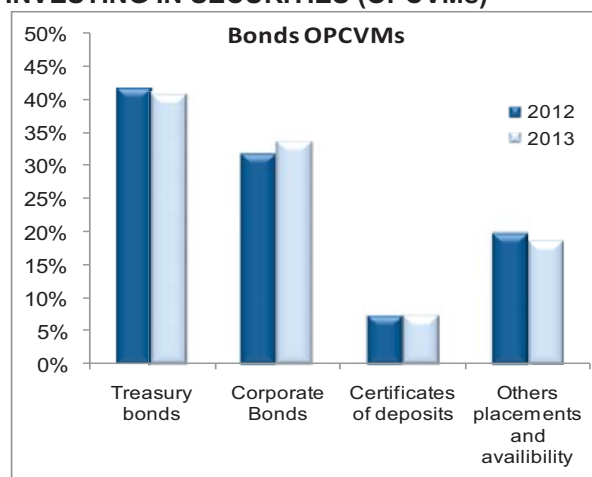
The share of State securities in overall long-term securities went down from 54.1% in 2012 to 52.6% in 2013 in favour of corporate bond investments (the share of which rose from 39.8% in 2012 to 41.7% in 2013).

**TABLE 6-5 : BREAKDOWN OF ASSETS MANAGED BY MUTUAL FUNDS INVESTING IN SECURITIES (OPCVM)** (In MTD)

Description	2012			2013		
	Bond	Mixed	Total	Bond	Mixed	Total
<b>Long term securities</b>	<b>3,276</b>	<b>256</b>	<b>3,532</b>	<b>3,073</b>	<b>222</b>	<b>3,295</b>
<i>of which :</i>						
- Stocks	0	97	97	0	86	86
- Corporate bonds	1,370	34	1,404	1,348	25	1,373
- State securities	1,797	114	1,911	1,631	102	1,733
- Mutual investment securities	109	11	120	94	9	103
<b>Placement at banks</b>	<b>621</b>	<b>15</b>	<b>636</b>	<b>747</b>	<b>45</b>	<b>792</b>
<b>Other short term securities*</b>	<b>434</b>	<b>30</b>	<b>464</b>	<b>198</b>	<b>13</b>	<b>211</b>
<b>Total managed assets</b>	<b>4,331</b>	<b>301</b>	<b>4,632</b>	<b>4,018</b>	<b>280</b>	<b>4,298</b>

\* Treasury bills and short term Treasury bonds.

**GRAPHIC 6-3 : TREND IN THE STRUCTURE OF ASSETS MANAGED BY MUTUAL FUNDS INVESTING IN SECURITIES (OPCVMs)**



***ACTIVITIES OF THE CENTRAL BANK  
OF TUNISIA***



# 1 – GOVERNANCE AND INTERNAL AUDIT

## 1.1. GOVERNANCE

2013 constitutes the first general control mission full year at the Central Bank of Tunisia, in its new configuration marked by implementation of its direct organic reporting to the Bank's Governing Board and its functional reporting to the Executive Board.

This sign of independence and autonomy which cannot possibly be strengthened before two or three financial years coincided with the beginning of implementation of the recommendations resulting from the International Monetary Fund (IMF) safeguards assessment mission which targeted reinforcement of sound governance practices at the BCT, internal control mechanism development and risk monitoring, as well as establishment of transparency rules both for public funds management and Central Bank reporting.

The combination of these two events along with consolidation of the role of committees reporting to the Executive Board and the best coordination with auditors and external assistance and consulting missions made 2013 a particularly successful year at all levels for Central Bank of Tunisia's governance structures.

Over 2013 and for the first time in the Bank's history, a report elaborated by the general Auditor was submitted to the Bank's Governing Board and examined by the Executive Board. This report related salient facts of the control activity highlighting main audit findings and outcomes of the recommendations follow-up works. It drew BCT Governance structures' attention to main risks inherent to the Bank's activity and the lessons learned from the General Control activity and the one of external auditors over 2013. The general Auditor, responsible for internal audit expressed his declaration on the independence of internal audit at the Central Bank in 2013 and this in compliance with the international standards of internal audit (see the box bellow).

### **Box 1.1 :**

*Reporting of internal audit to the Bank's Governing and Executive Boards as well as adoption, in 2013, of the regulatory framework governing the general control activity constituted out of the internal audit charter and BCT internal Auditors' ethical code and effective start-up of the Permanent Audit Committee works, all marked the end of audit dependency which has been affecting its efficiency and reducing its added value since its creation in 1988.*

*International audit activity was conducted all over 2013 with entire independence. No directive or instruction from any party whatsoever has affected the conduct of missions, the inventory of carried out findings or the formulated conclusions and recommendations.*

*The independence of internal audit operating mode may however be affected by shortage of allocated means compared to its goals.*

## 1.2. THE INTERNAL CONTROL SYSTEM

Over 2013, the internal control and risk management mechanism was marked by the main following facts:

- **The internal inspection** body created in 2011 and which was in charge of controlling acts and persons rather than functions, has gradually regained the place to which it is entitled at the Bank i.e. a symbolic representation, as exceptional events following 14 January 2011 and the ensuing specific missions were minimized.
- **Control of cash desks** carried on throughout 2013 with its cash operations supervision activity while contributing significantly to elaboration of "New Cash Instructions".

- **Internal Audit** focused its action over 2013 on adopting the most important evolutions as regards its operating mode as much as reinforcement of its structures.

### 1.3. INTERNAL AUDIT

2013 was characterized by a twofold development of the internal audit activity (1) consolidating its structures and capacities (2) improving quality and the number of internal audit missions.

#### 1.3.1. Consolidating internal audit capacities

Aside from reinforcing human means quantitatively through recruitment of three staff members and qualitatively through targeted training, several actions were achieved so as to improve full potential of the internal audit function. These consist mainly in:

a) Adopting a regulatory framework governing the internal audit activity : The **Permanent Audit Committee Charter, the Internal Audit Charter, BCT Internal Auditors Ethical Code.**

b) Organizing Internal Audit Permanent Committee meetings for the first time.

c) Adopting **standardized formats for findings**, dysfunctioning or non-conformity causes, formulations of recommendations (FRAPs) and **structured audit reports.**

d) Improving the reporting with disclosure of the main internal audit works results to the Bank's Governing Board and the permanent audit committee.

#### 1.3.2. Internal audit achievements

Over 2013, internal audit targeted its actions to the risks that it deemed most serious and speeded up missions relative to the Bank's business processes, namely control of guarantees with respect to refinancing of banks, changing banknotes, managing funds as well as auditing the information and SWIFT messaging system.

Furthermore, the Board's Governing Board ordered social audits that covered activity of the Bank's staff members association and health insurance social services.

Thus, internal audit carried out 14 **insurance audit** missions, with the major part either achieved or being finalized. Only one mission will be postponed to the 2014 audit programme.

Likewise, internal auditors participated in more than 20 **consulting audit** missions as special missions required by the Bank's Governing Board or by the departments themselves with a view to giving an opinion on a regulation change, an action (full audit), a function, a procedure, a decentralization measure, an accounting method (monetary gold reassessment), ect.

On the other hand, internal audit continued to ensure its usual functions and showed **a high degree of availability to the Bank's Governing Board to coordinate the safeguards assessment mission and the skill assessment mission works achieved by the IMF** respectively in February and April 2013 as well as the ones of the Bank's external auditors.

Internal audit has also ensured:

a) Follow up of external and internal auditors recommendations by conducting a series of meetings in the beginning of the year with departments concerned by the implementation of the not -yet achieved recommendations.

b) Representation of the Central Bank at the **"International Conference for the internal audit heads of departments at Francophone Central Banks"** which took place in Romania and the **"International Forum on Central Banks governance and risk management"** organized by the IMF in Dubai.

c) **International certification of a general control staff member (certified internal audit)**, the first one in the history of the Bank and which will probably be followed by several other ones thanks to the Bank's Governing Board's support thereof.

## **2. HUMAN RESOURCES AND THE SOCIAL BALANCE SHEET**

### **2.1. MANAGEMENT OF HUMAN RESOURCES**

#### **2.1.1. Recruitment and mobility**

##### **2.1.1.1. Recruitment**

In order to foster its workforce, the Central Bank recruited, over 2012, 48 staff members with different profiles (27 executives, 42 cashiers, 12 security staff and 3-DTS level or professional training agents). These include 28 statutory agents (of which 27 executives) and 56 contractual agents.

The recruitments into question were carried out through different recruitment modes:

- An entry examination to recruit security staff
- Recruitment of disabled staff members through a competitive selection
- An external public competitive entry examination to recruit archivists and reference librarians
  - Sponsorship of a student with respect to the 33<sup>rd</sup> promotion of the Arab Maghreb Institute of Development Financing (IFID) (estimated hiring date: beginning of 2016)
  - A public competitive entry examination based on written exams to recruit computer specialists (estimated hiring date: over 2014).

##### **2.1.1.2. Mobility**

The Central Bank carried on with a mobility-encouraging policy of its staff so as to better meet their aspirations and contribute to their professional enrichment, hence improve the Bank's performances.

To this respect, twelve (12) requests for job changes within departments at the Head office and four (4) between branches have been satisfied.

### **2.2. REMUNERATION POLICY**

#### **2-2-1- Reform of the allowance regime:**

In the framework of the allowance regime ongoing reform established in 2011, the following actions have been undertaken:

- Extension of the scope of the risk allowance beneficiaries onto agents in charge of urgent purchases
- Revalorization of the daily allowance intended to compensating expenses related to BCT staff travel fees inside the country.

#### **2-2-2 Mechanization of the remuneration system:**

The Central Bank continued the remuneration system computerization process over 2013 so as to ensure the mechanization and accounting integration of the retirement allowance. This step helped not only to have direct access to information but also to take real-time decisions.

#### **2-2-3 Trend in main indicators**

##### **2-2-3-1 trend in the wage bill (excluding employer's costs)**

Over 2013, the annual basic salary of the senior staff category accounts for 80.9% of the overall basic salary against 82.13% in 2012 and 82.6% in 2011. This is attributable to the important number of recently retired staff members. In fact, the number of departures for mandatory

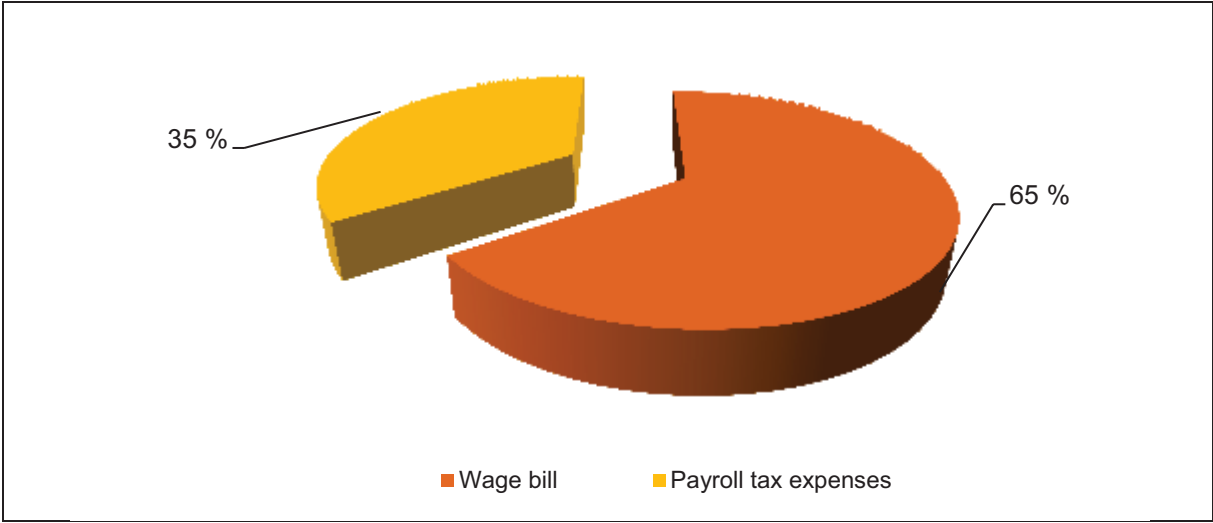
retirement age posted, in 2013, 40 staff members against 33 in 2012, while the number of early retirements came to 14 in 2013 against 22 in 2012.

The wage bill grew at a slower pace, posting 4.5% in 2013 against 10.1% in 2012. This is attributable to the combined effect of hiring 84 staff members, mandatory retirement of 54 staff members, career developments, the impact of the allowance regime reform in 2012 on allowances paid in 2013 and the drop tied to freezing of sectoral wage increase in 2013.

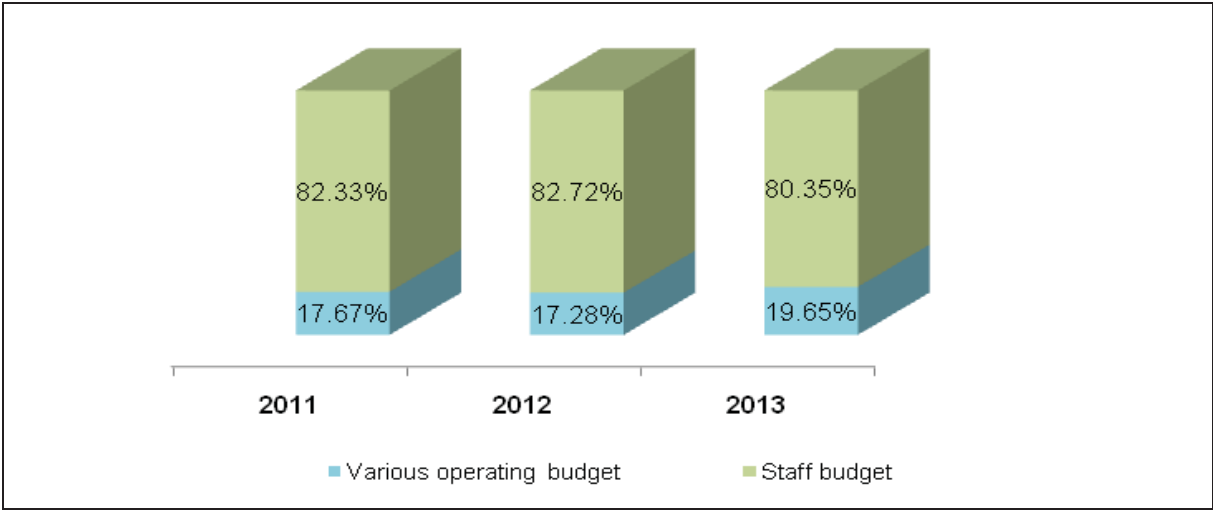
**2-2-3-2 Trend in gross average salary**

Over 2013, the gross average salary per wage-earner was up by just 3% in value against a 6.1% inflation rate. This progress occurred after 2012 when the gross average salary increase came to 14.4% compared to 2011, against a 5.6% inflation rate due to 2012 sectoral wage increase, the impact of the 2011 increase in allowances paid over 2012 and the impact of the review, in 2012, of the allowance regime.

**GRAPHIC 2-1 : BREAKDOWN OF 2013 STAFF COSTS**



**GRAPH 2-2: BREAKDOWN OF THE BANK’S OPERATING COSTS**



In the framework of an austerity budget policy, measures taken over 2013 contributed to reducing the Bank staff budget expenses, so as to reach an **80.35%** share of the overall operating budget against **82.72%** in 2012 and **82.33%** in 2011. Hence, the budget trend with respect to staff members for 2013 was down by **7.4%** compared to 2012.

### 2.3. TRAINING ACTIVITY

Over 2013 and in the framework of training and skills development activity, one hundred sixty (160) bank staff members participated in training sessions, twenty (20) of whom with respect to trainings leading to certification and one hundred forty (140) with respect to specialized trainings. As for certifying trainings, they concerned the following fields :

- Post-graduate studies organized by the Arab Maghreb development financing Institute (IFID): two (2) newly-recruited staff members.
- Professional Master's degree (MBA) in banking governance, audit and internal control : two (2) staff members.
- Professional Master's degree in risk Management: one (1) staff member
- Mini Master's degree in Islamic finance organized by the Academy of Banks and Finance (ABF): three (3) staff members
- ABF medium cycle: six (6) staff members
- The technical Institute of Banks (ITB) cycle: six (6) staff members

As for specialized training, the Bank staff members' participation is as follows :

- Thirty-seven (37) participations in training courses organized in Tunisia,
- Twenty-five (25) participations in intra-Bank training courses,
- Seventy-eight (78) participations in training courses organized abroad, thirty-nine (39) of which at international financial organizations and thirty-nine (39) at partner Central Banks.

Description	2012	2013	Variation	
			Number of staff members	In %
<b>Training leading to a certification</b>	<b>4</b>	<b>20</b>	<b>16</b>	<b>400.0</b>
<b>Specialised Training</b>	<b>229</b>	<b>140</b>	<b>-89</b>	<b>-38.9</b>
- in Tunisia	84	37	-47	-55.9
- Intra-Bank	80	25	-55	-68.7
- Abroad	65	78	13	20.0
<b>Total</b>	<b>233</b>	<b>160</b>	<b>-73</b>	<b>-31.3</b>

As for training intended to higher education students, the Bank accepted one hundred sixty three (163) university students on summer internships and on-end-of university studies summer probationary trainings, as well as one hundred (100) visitors in the framework of information days.

### 2.4. SOCIAL POLICY

The social benefits enjoyed by the Bank's staff are statutory and constitute a vehicle to motivate employees and maintain a social peace within the institution.

As for the basic trade union, it is an entire social partner. The Central Bank takes into account, thus, its recommendations in elaborating its social policy. 2013 was marked by the constitution of a second trade union bureau in the framework of trade union action plurality.

#### 2.4.1. Loans to the staff

The Bank's Social Fund granted, over 2013, **1,079** social loans (about **10.5 MTD**) covering the staff's miscellaneous financing needs, at favorable reimbursement conditions compared to bank loans.

In fact, the Social Fund which recorded a substantial and sustainable increase at the level of its volume of activity (+20%) compared to a year earlier in the wake of the reforms undertaken in 2012, is henceforth making from its financial balances monitoring a priority. This aims at ensuring the social fund's ability to meet all future financing requests stemming from the Bank's staff.

#### 2.4.2. Social welfare and health insurance

Over 2013, the amount of health insurance services amounted to **4.8 MTD**. In addition, a package worth 289,540 dinars was allotted to payment of scholarship and nurseries allowances.

#### 2.4.3. Pilgrimage:

In 2013, two active staff members and one retired member staff, drawn by lot among candidates, went on pilgrimage to Mecca at the Bank's expenses.

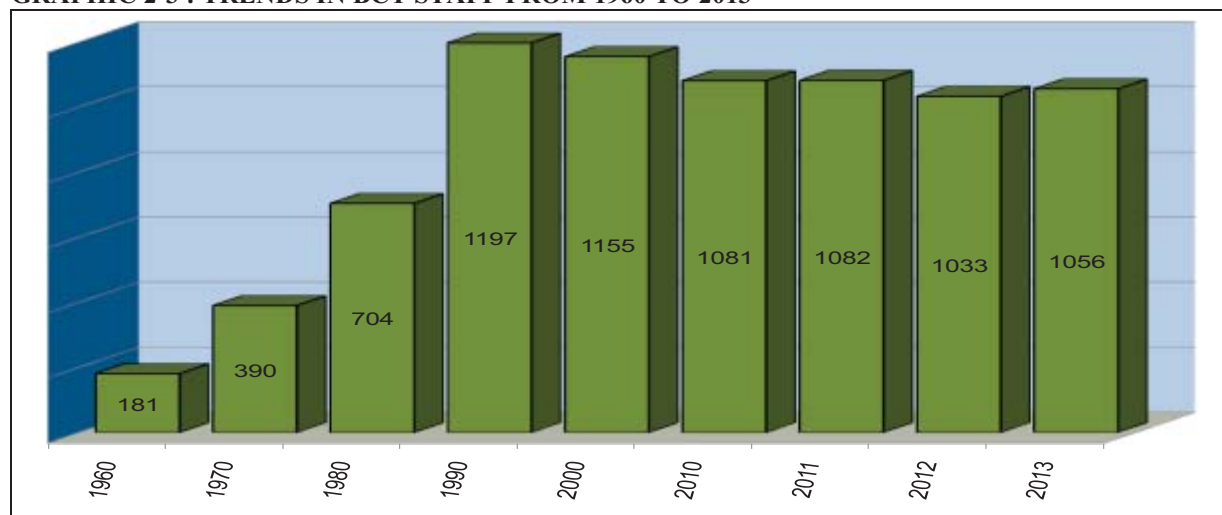
#### 2.4.4. Retirement

In 2013, 16 requests for early retirement were satisfied, bearing in mind that 36 other staff members retired at the mandatory age limit of 60 years, totalling **52 retired staff members**.

#### 2.4.5. Trends in staff number

As of 31 December 2013, there was a total of 1056<sup>1</sup> staff members. Compared to drops entered over the previous years, there was an increase in the total staff number following the recruitment of 84 staff members.

**GRAPHIC 2-3 : TRENDS IN BCT STAFF FROM 1960 TO 2013**



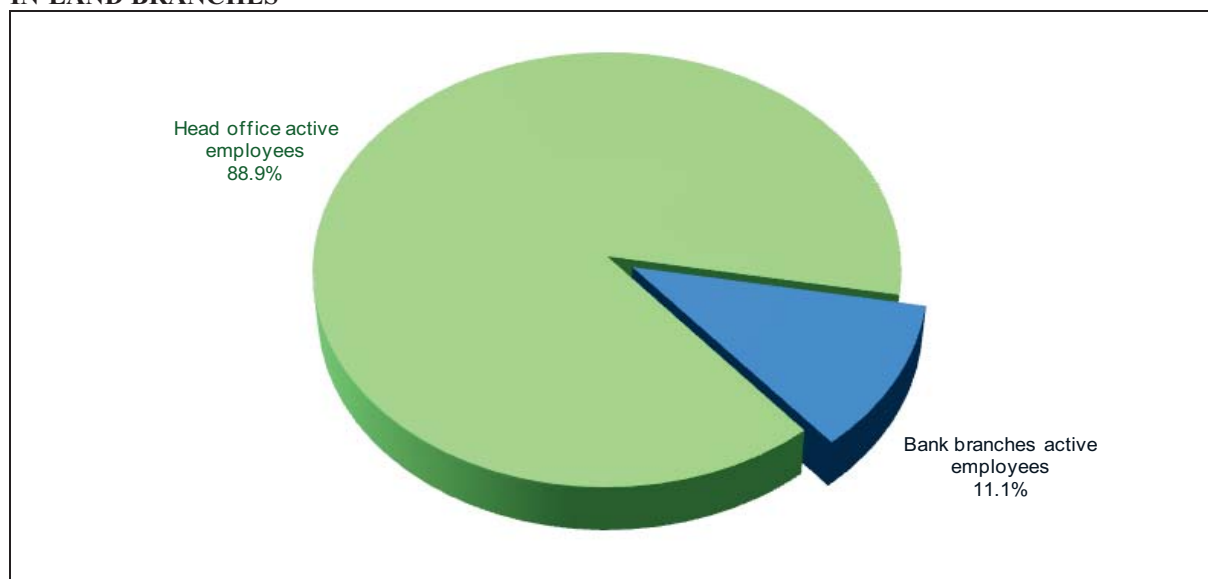
The total number of active employees<sup>2</sup> is divided between the Head office in Tunis (907) and the 11 in-land branches (113) (excluding seconded staff or leave of absence).

<sup>1</sup> This figure involves permanent staff, interns and on trial, seconded or absent staff members, as well as contractual staff members and those on secondment to the Bank.

<sup>2</sup> Total number of active employees = active permanent staff + contractual staff + seconded to the Bank.



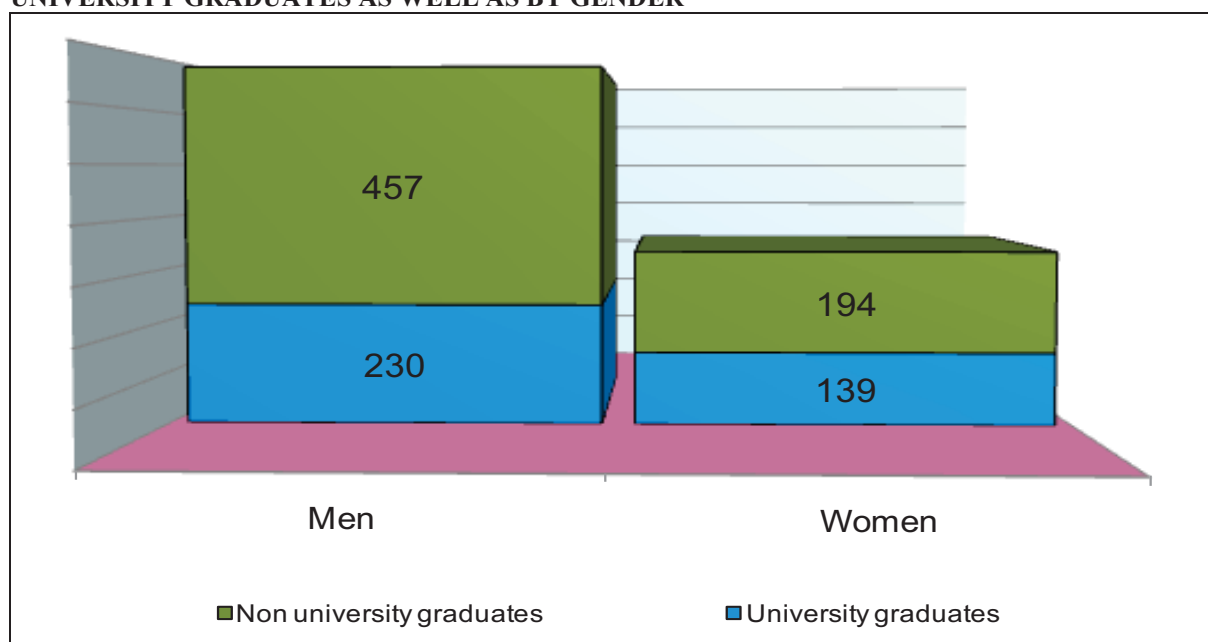
**GRAPHIC 2-4 : BREAKDOWN OF BCT EMPLOYEES BETWEEN THE HEAD OFFICE AND THE IN-LAND BRANCHES**



The number of graduated staff members<sup>1</sup> at the BCT as of 31 December 2013 amounts to 369 executives: 36.18% of working staff members.

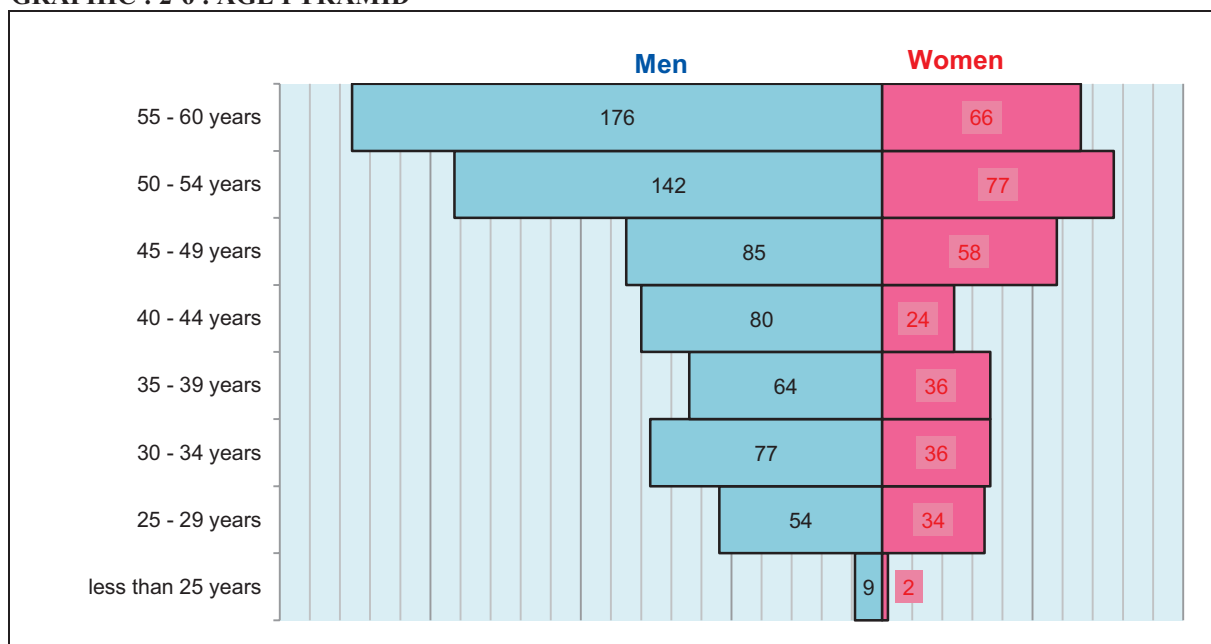
32.65% of the Bank's working staff members are women.

**GRAPHIC 2-5 : BREAKDOWN OF EMPLOYEES BETWEEN UNIVERSITY GRADUATES AND NON UNIVERSITY GRADUATES AS WELL AS BY GENDER**



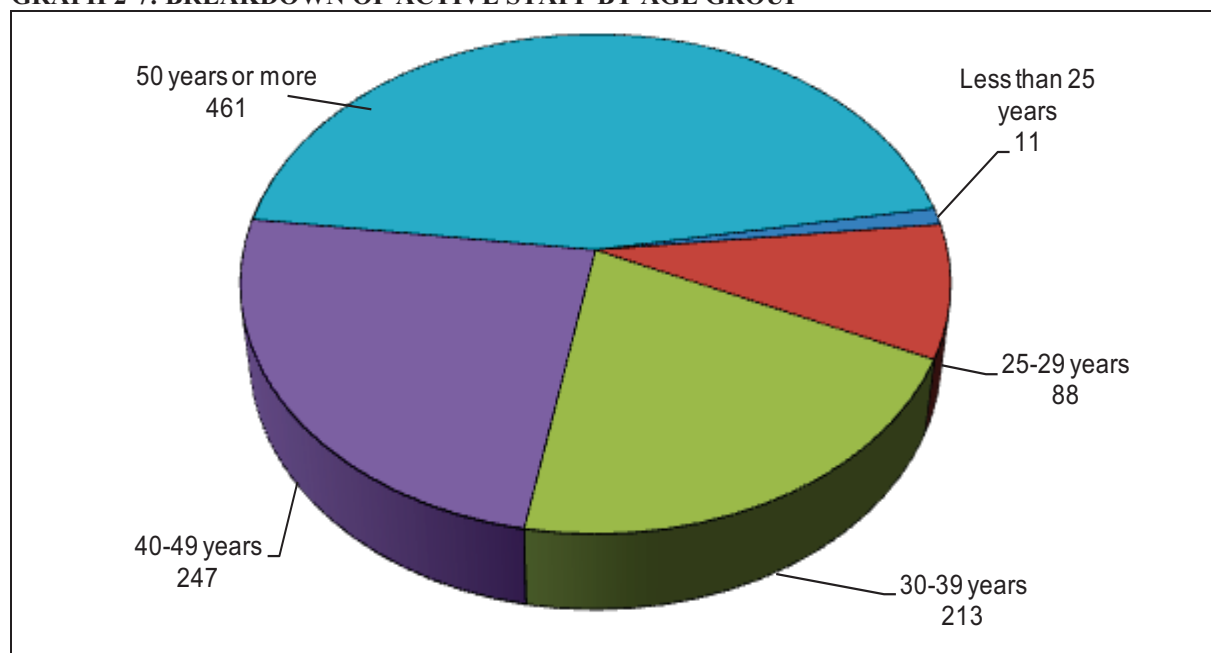
<sup>1</sup> Executives : holding a bachelor degree or more (or an equivalent degree).

**GRAPHIC : 2-6 : AGE PYRAMID**



The average age at the end of 2013 is 45.4 years. The 50-59 years- old age group accounts for about the half of the Bank's active staff (45.2%) : 461 staff members. That is why the Bank has been pursuing an active staff reinforcement policy for more than two years.

**GRAPH 2-7: BREAKDOWN OF ACTIVE STAFF BY AGE GROUP**



### 3 - PAYMENT SYSTEMS AND FIDUCIARY CIRCULATION

#### 3.1. PAYMENT SYSTEMS AND MEANS OF PAYMENTS

##### 3.1.1. Net payment systems or inter-bank clearing

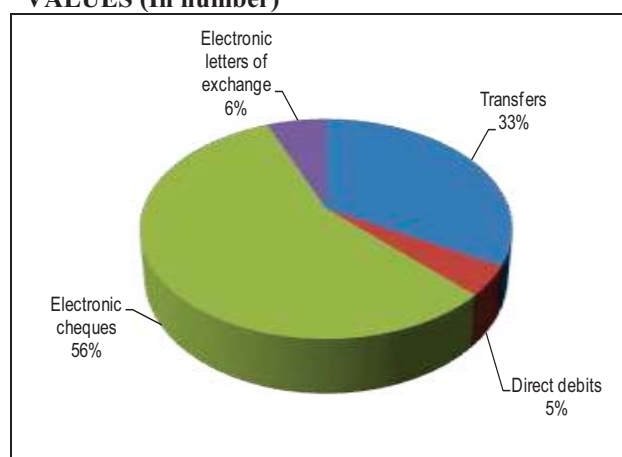
These systems encompass electronic clearing, manual clearing and electronic banking.

##### 3.1.1.1. Electronic clearing

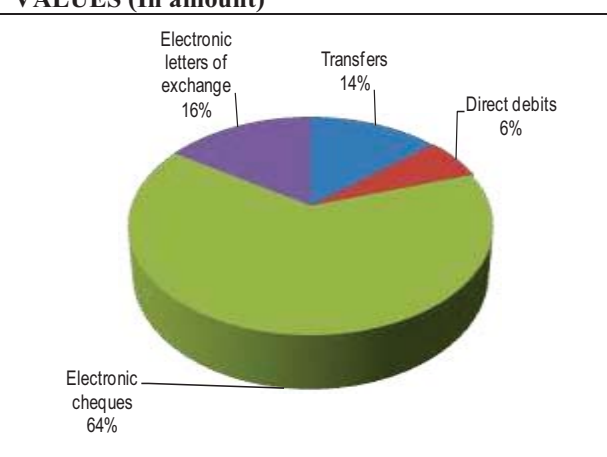
The electronic clearing system involving transfers, direct debits, cheques and bills of exchange, connects twenty five adherents (The Central Bank of Tunisia, The National Post Office and twenty three local banks), along with the Interbank clearing Company (SIBTEL) founded at the end of 1999.

Over 2013, 44 million values were cleared worth 107,673 MTD : up by 3.3% and 8.8% respectively in number and in amount compared to 2012. Breakdown of cleared values, which remained almost unchanged compared to the previous year, is summed up in the following graphs :

**GRAPHIC 3-1 : BREAKDOWN OF CLEARED VALUES (In number)**



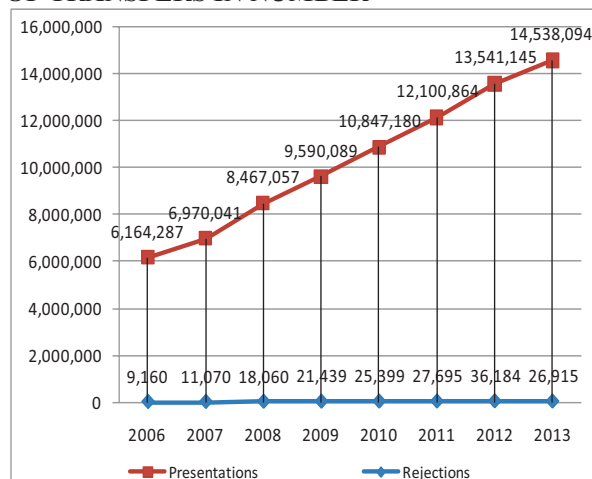
**GRAPHIC 3-2 : BREAKDOWN OF CLEARED VALUES (In amount)**



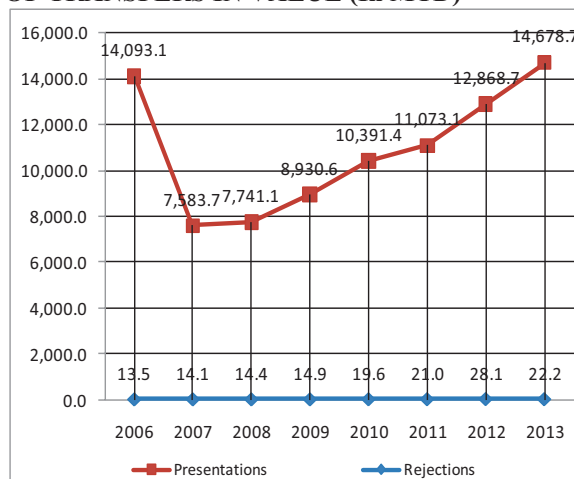
**Transfers**<sup>1</sup> presented through electronic clearing in 2013 posted more than 14.5 million in number worth 14,679 MTD : up by 7.4% in volume and 14.1% in value compared to 2012. 75% of transfers were presented by seven adherents among the twenty five ones. The rejection rate reached 0.2% in terms of number. The most frequent reason of rejection is “closed account”.

<sup>1</sup> Only transfers worth less than 100 thousand dinars are exchanged for businesses and individuals through clearing, the remaining part being processed via Tunisia's Gross Amounts Transfer System (SGMT) since 6 November 2006.

**GRAPHIC 3-3 : PRESENTATION & REJECTION OF TRANSFERS IN NUMBER**



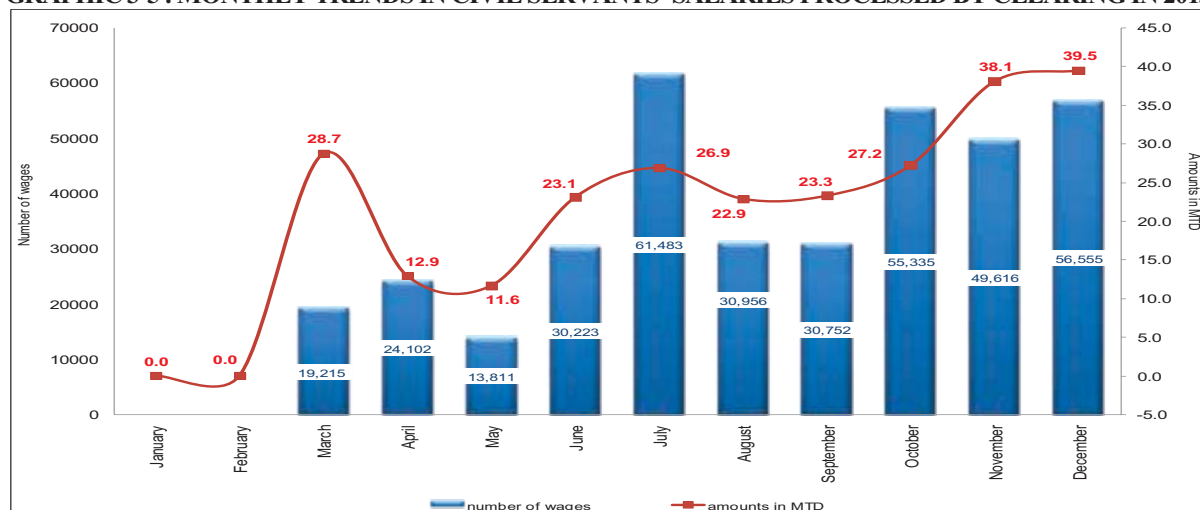
**GRAPHIC 3-4 : PRESENTATION & REJECTION OF TRANSFERS IN VALUE (In MTD)**



Worth of note that, since March 2013, civil servants' salaries started to be processed gradually via the electronic clearing system by ministry<sup>1</sup>.

Thanks to the efforts made by the National Computer Centre, ministries, the Central Bank of Tunisia, the SIBTEL and the banking Community, 372 thousand salary transfers were processed by electronic clearing over 2013 for an amount worth 254 MTD. The rejection rate did not exceed 0.07% in volume for the main reason "closed account".

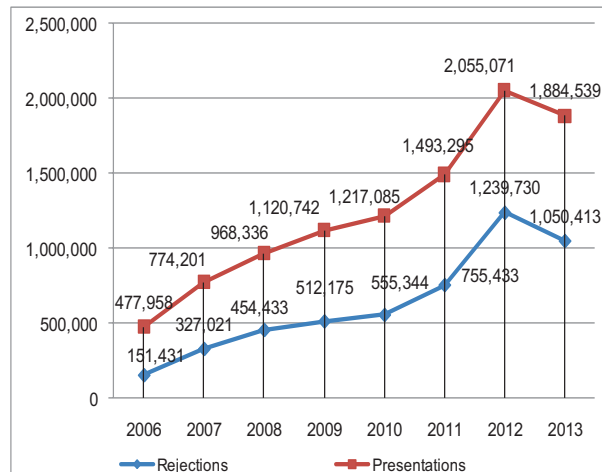
**GRAPHIC 3-5 : MONTHLY TRENDS IN CIVIL SERVANTS' SALARIES PROCESSED BY CLEARING IN 2013**



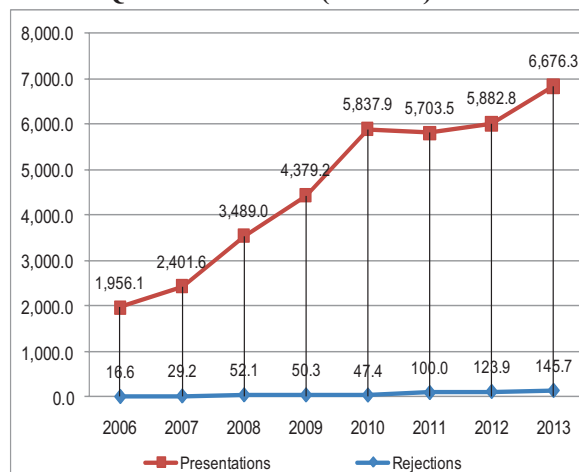
As for **direct debits**, the number of issuing structures rose from 34 in 2006 to 67 in 2013. Presentation posted 1.9 million direct debits for an amount of 6,676 MTD : down by 8.3% in volume and up by 13.5% in value compared to 2012. 94% of direct debits were presented by seven adherents among the twenty five ones. The rejection rate is quite high (55.7% vs. 60.3% a year earlier) because of insufficient funds.

<sup>1</sup> Apart from the Government's Presidency, relevant ministries are : the Ministry in charge of Higher Education, Scientific Research, Information and Communication Technologies, the one in charge of Justice, Human rights and Transitional Justice, the one in charge of Public Health (Central Administration), the one in charge of Equipment, Territory fitting out and Sustainable Development and the one in charge of Economy and Finances (General Department of Public Accountancy and Collection and the General Department of Customs).

**GRAPHIC 3-6 : PRESENTATION & REJECTION OF DIRECT DEBITS IN VOLUME**

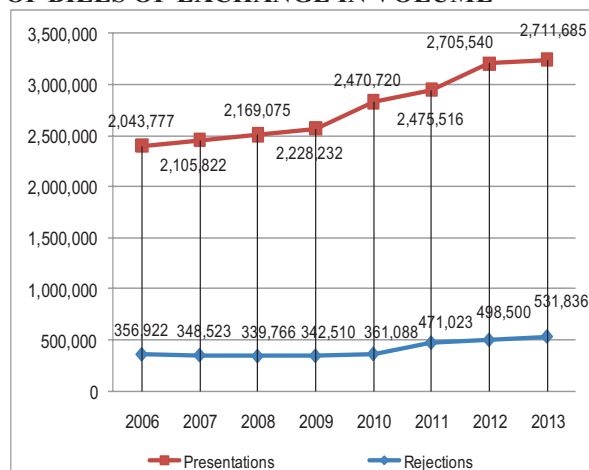


**GRAPHIC 3-7 : PRESENTATION & REJECTION OF CHEQUES IN VALUE (In MTD)**

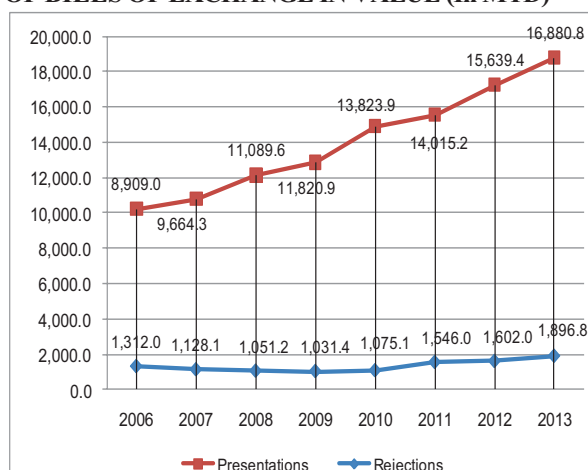


Concerning **bills of exchange**, 2.7 million ones were submitted to payment over 2013 involving an amount of 16,880 MTD, up by 0.2% in volume and 7.9% in value compared to the previous year. 63% of bills of exchange were submitted by seven adherents among the fifty-five ones. The rejection rate remained constant and was close to 19%.

**GRAPHIC 3-8 : PRESENTATION & REJECTION OF BILLS OF EXCHANGE IN VOLUME**

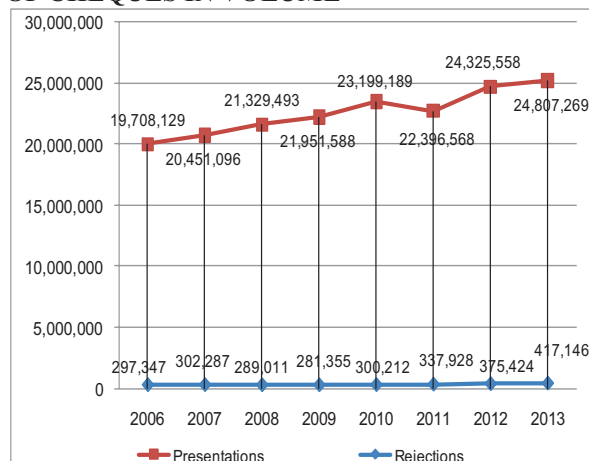


**GRAPHIC 3-9 : PRESENTATION & REJECTION OF BILLS OF EXCHANGE IN VALUE (In MTD)**

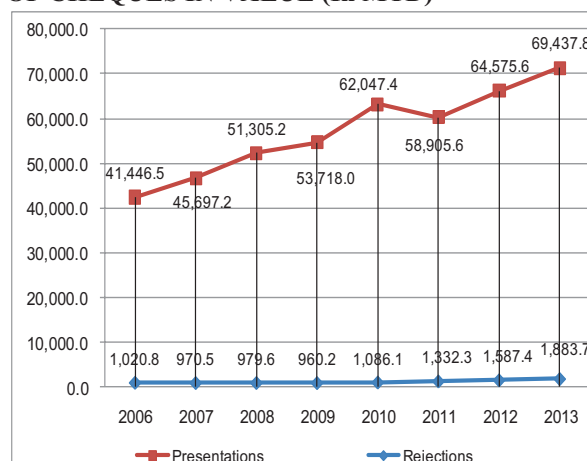


As for **cheques**, 24.8 million ones were submitted through electric clearing over 2013 involving an amount of 69,438 MTD, a 2% increase in volume and 7.5% in value compared to the previous year. 68% of cheques were presented by seven adherents among the twenty five ones. The rejection rate was close to 1.7%.

**GRAPHIC 3-10 : PRESENTATION & REJECTION OF CHEQUES IN VOLUME**



**GRAPHIC 3-11 : PRESENTATION & REJECTION OF CHEQUES IN VALUE (In MTD)**



### 3.1.1.2. Manual clearing

Since 2003, all clearing houses at the Central Bank branches have been closed, except for the head office clearing house. Manual clearing is used solely to deal with non-standardized cheques and bills of exchange. The volume of manual clearing is very low for cheques (0.69% of the overall number of electronic and manual cheques in 2013) as well as for bills of exchange (0.27% of the overall number of electronic and manual bills of exchange).

### 3.1.1.3. Electronic banking system

Trends in monetic indicators in 2013 show a sustained progress that brought about a new culture in favour of modern payment means.

- **Issue of cards** : 2013 was characterized by a sustained issue of monetic cards, bringing the overall number to 2.4 million against 2.3 million cards at the end of 2012, up by 6%.

- **Traders' affiliation** : The number of traders affiliated to the monetic network posted 13,958 at the end of December 2013, down by 937 affiliations or -6% compared to 2012.

- **The number of electronic payment terminals (TPE)** installed for traders posted 12,767 units at the end of 2013, 39 TPE more compared to 2012.

- **The total number of cash dispensers (GAB/DAB)** : widening of the number of cash dispensers (ATMs) went on in 2013 with installation of 88 new units, helping the network to reach 1,939 units at the end of 2013 against 1,851 in 2012 : an extension by some 5% of the network capacity.

- **Electronic commerce** : Analysis of trends in electronic commerce regarding on-line payment on the Secured Payment System (SPS) for 2013 shows the following main elements :

\* Carried out transactions firmed up in 2013 compared to 2012, up by 47%, bringing the number of authorizations to 568,481 operations against 386,451 a year earlier.

\* The turnover of transactions amounted to 50.1 MTD against 41 MTD in 2012, up by 22% or 9,073 MTD compared to 2012.

- **Monetic transactions carried out in Tunisia** : The number of authorized transactions by card evolved at a sustained pace as it reached 53.2 million operations with respect to 2013 against 48.9 million operations over the previous year, up by 9%.



Likewise, the turnover generated by transactions by card firmed up over 2013, posting 5,979 MTD against 5,496 MTD over 2012, up by 9%.

### 3.1.2. Gross payment system or Tunisian system for large amounts Transfer(SGMT)

The SGMT is a settlement system in gross mode and real time, managed by the BCT through which payments of amounts denominated in bank money and on settlement accounts opened in the system to participants are executed.

The SGMT, launched on 6 November 2006 by the BCT and intended to treasury exchanges between banks, provides the national banking system with an effective tool to provide against systemic risks in the fields of liquidity and loans, as per international standards. It should be mentioned that data exchange between banks and the SGMT is done through SWIFT messages.

Trends in exchanges carried out in the framework of this system are reflected in the following table.

**TABLE 3-1 : TRENDS IN SGMT ACTIVITY<sup>1</sup>** (In MTD unless otherwise indicated)

Years	Number of operations	Amount	Number of working days	Daily average	
				Number of operations	Amount
<b>2008</b>	154,326	387,361.2	248	622	1,561.9
<b>2009</b>	159,210	381,542.0	250	632	1,526.2
<b>2010</b>	169,853	464,067.8	253	671	1,834.3
<b>2011</b>	174,816	700,196.5	249	702	2,812.0
<b>2012</b>	181,968	820,188.8	252	722	3,254.7
<b>2013</b>	169,122	1,413,175.0	246	687	4,744.6

<sup>1</sup> Transfers to businesses and private parties are currently processed by the SGMT only for amounts equal to or exceeding 100,000 dinars.

## 3.2. FIDUCIARY CIRCULATION

Analysis of this activity includes fiduciary circulation, issue of banknotes and coins and their shredding.

### 3.2.1. Trends in fiduciary circulation of banknotes and coins

In 2013, fiduciary circulation went up at an annual average rate of 10.2% in value consisting of a 10.4% increase for banknotes and 5.5% increase for coins.

Worth of note that the fiduciary circulation value totalled 7,616 million dinars as of 31 December 2012, 96.4% of which concerned banknotes.

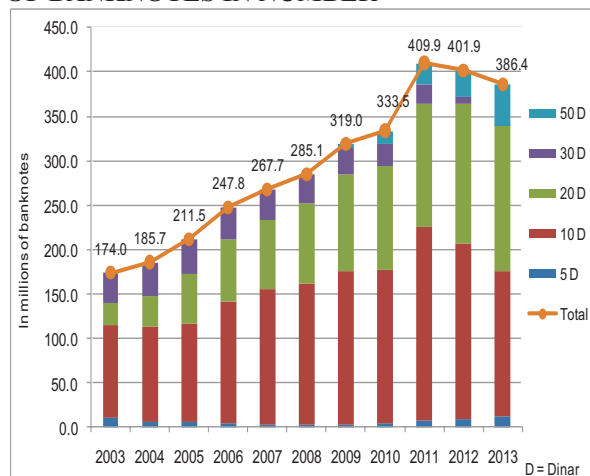
**TABLE 3-2 : TRENDS IN FIDUCIARY CIRCULATION** (In MTD)

Description	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Banknotes	2,634	2,927	3,429	3,881	4,129	4,409	5,052	5,557	6,845	6,900	7,341
Coins	175	184	191	198	207	221	224	232	245	265	275
<b>Total</b>	<b>2,809</b>	<b>3,111</b>	<b>3,620</b>	<b>4,079</b>	<b>4,336</b>	<b>4,630</b>	<b>5,276</b>	<b>5,790</b>	<b>7,090</b>	<b>7,165</b>	<b>7,616</b>

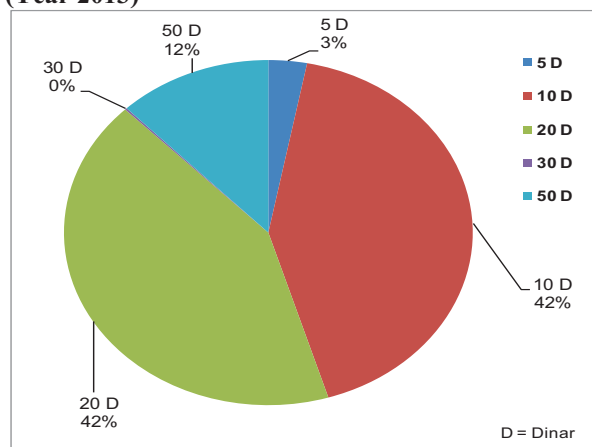
#### 3.2.1.1. Fiduciary circulation of banknotes

In 2013, fiduciary circulation of banknotes amounted to 7,341 MTD, corresponding to 386.4 million banknotes : a 6.4% increase in terms of value and a 3.9% drop in number compared to 2012.

**GRAPHIC 3-12 : FIDUCIARY CIRCULATION OF BANKNOTES IN NUMBER**



**GRAPHIC 3-13:STRUCTURE OF FIDUCIARY CIRCULATION OF BANKNOTES IN NUMBER (Year 2013)**



Graphs 3-12 and 3-13 show figures related to the circulation of five banknotes in dinar. Intermediary value banknotes are most frequently used for daily payments. In fact 10-dinar and 20-dinar banknotes account for 84.6% of the overall number of banknotes into circulation. These two banknotes are the most frequently used in cash dispensers.

The number of 10-dinar banknotes regressed by 9.5% in 2012 and 17.2% in 2013. This regression is mainly due to the non-availability of this banknote in sufficient number to meet demand.

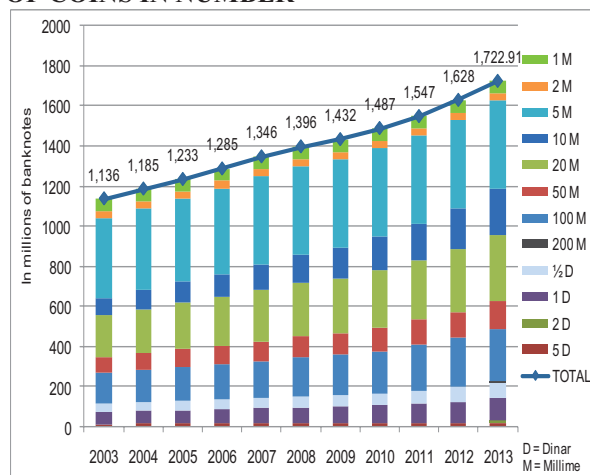
Yet, the number of 50-dinar, 20-dinar and 5-dinar banknotes into circulation went up, compared to 2012, by respectively 56%, 4% and 20%.

Worth of note that the Central Bank of Tunisia put into circulation, on 28 November 2013, the new 10-dinar banknote type 2013 as per the programme to renew the banknote range.

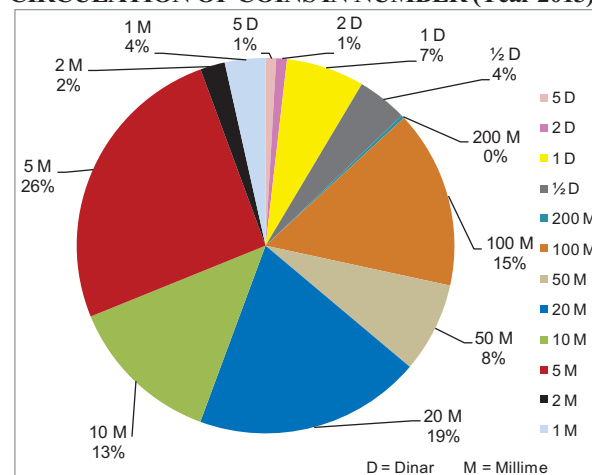
### 3.2.1.2. Fiduciary circulation of coins

Over 2013, 1,722.9 million coins were put into circulation, worth 274.7 MTD : up by 5.8% in number and by 3.8% in value compared to 2012.

**GRAPHIC 3-14 : FIDUCIARY CIRCULATION OF COINS IN NUMBER**



**GRAPHIC 3-15 : STRUCTURE OF FIDUCIARY CIRCULATION OF COINS IN NUMBER (Year 2013)**



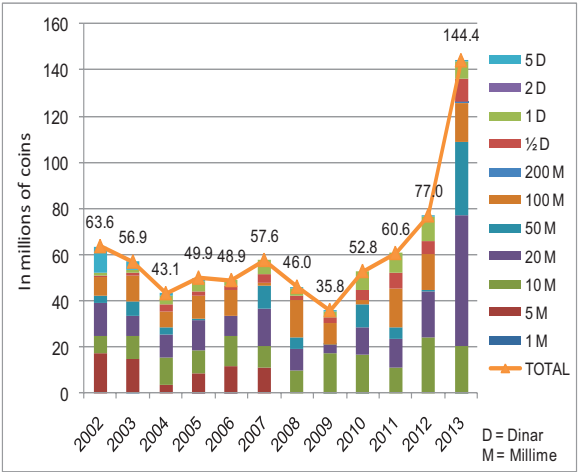
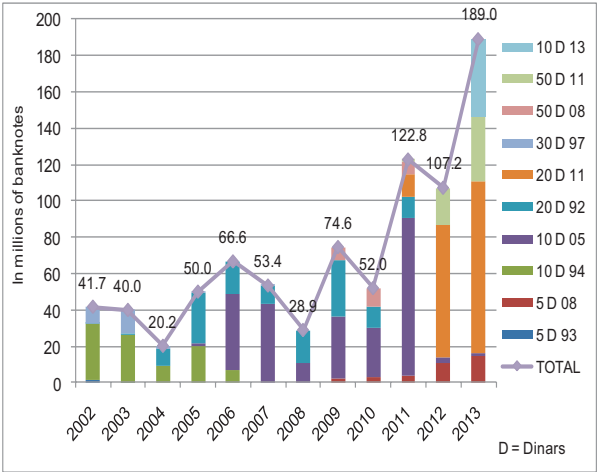
The main feature characterizing 2013 is the very important share of 100 millime, 10 millime and 5 millime coins in the overall structure in number of coins circulation : 73.6% of overall coins into circulation. The year was also marked by putting two new coins into circulation one of 2 dinars and the other of 200 millime, starting from 26 December 2013<sup>1</sup>.

### 3.2.2. Issue of banknotes and coins

In 2013, issue of banknotes went up considerably to 189 million banknotes : 77% compared to 2012 and 54% compared to 2011. This trend is due to increasing needs for liquidity following replacement of banknotes drawn from circulation in 2013 and the worn out ones.

New banknotes issued since 2011 account for 91.6% of the overall number of banknotes into circulation.

**GRAPHIC 3-16: ISSUE OF BANKNOTES IN NUMBER**      **GRAPHIC 3-17: ISSUE OF COINS IN NUMBER**



As for the issue of coins, it has continued increasing since 2009. This trend was very important in 2013. It went up from 77 million coins in 2012 to 144.4 million coins in 2013, up by 87.6%. 20-millime and 50-millime coins were the most issued in 2013.

<sup>1</sup> Cf. BCT circular to banks and authorized intermediaries n°2013-17 of 25 December 2013.

## 4 - MANAGEMENT OF INTERNATIONAL RESERVES

### 4.1. FRAMEWORK FOR MANAGING RESERVES

Considering the Investment Guidelines governing reserves activity, reserve management actions over 2013 were mainly in keeping with the following axes :

- Rebalancing reserve portfolios ;
- Managing proceed from issues in yen ;
- Introducing Dual Currency Deposits (DCD).

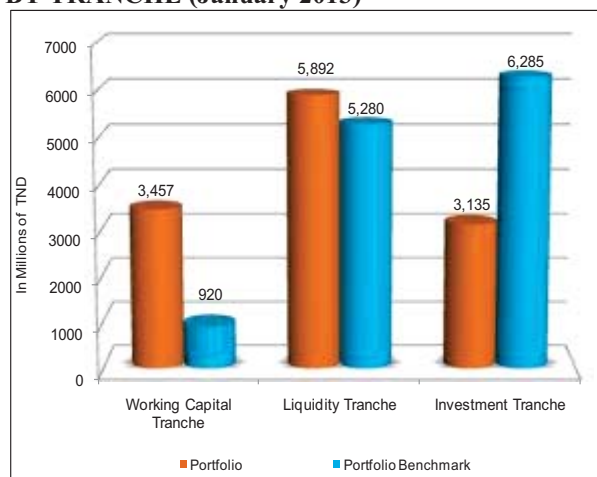
#### 4.1.1. Rebalancing reserve tranches

In the beginning of 2013, tranches showed significant gaps compared to their target levels set in the Investment Guidelines, notably the working capital tranche and the investment tranche which amounted, respectively to 28% and 25%, against target levels of 7% and 50%. The working capital's excess liquidity in the beginning of the year is attributable to massive foreign currency inflows over December 2012 (proceed from the issue of 25 billion yen, ADB and IBRD loans and privatization receipts). As for the investment tranche, discrepancy is due to rebalancing operations carried out at the end of each year and which consist in transferring securities with residual maturity for less than one year from the investment tranche to the liquidity one.

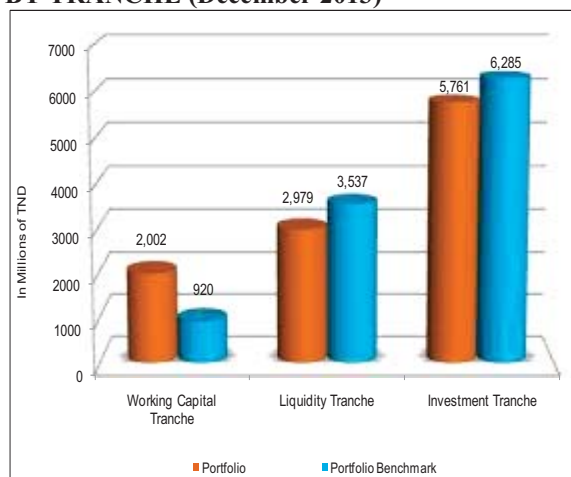
At the end of the first quarter, the working capital was virtually brought to its target level : 927 MTD. However, a gradual boosting of the working capital has been initiated since April 2013, bringing it to 2 billion dinars in December 2013, so as to ensure a better degree of liquidity and face up to important settlements with respect to the debt service and the energy bill.

On the other hand, and in view of persisting economic difficulties in Tunisia and the poor performance of main foreign-currency generating sectors, the liquidity tranche was consolidated over the second half thanks to the Natixis loan (300 million Euro), disbursed at the end of June 2013. As for the investment tranche, and after rebalancing actions, it was up thanks to proceed from the Samurai issue of 25 billion yen carried out in August 2013.

**GRAPHIC 4-1 : BREAKDOWN OF RESERVES BY TRANCHE (January 2013)**



**GRAPHIC 4-2 : BREAKDOWN OF RESERVES BY TRANCHE (December 2013)**



#### 4.1.2. Managing the position in Japanese yen

Following the issue of 25 billion yen in December 2012, 4.5 billion yen were converted on the market into dollars at an average weighted foreign exchange rate of 88.49. The remainder was intended to covering needs in yen with respect to 2013.

As for the proceed from issue of the second portion of Samurai borrowing carried out in August, it was totally converted into dollars (19.5 billion JPY) at an average weighted foreign exchange rate of 97.7. Converting of yen into dollar aimed at profiting from the higher interest rates on the dollar compared to the yen.

#### 4.1.3. Dual Currency Deposit operations

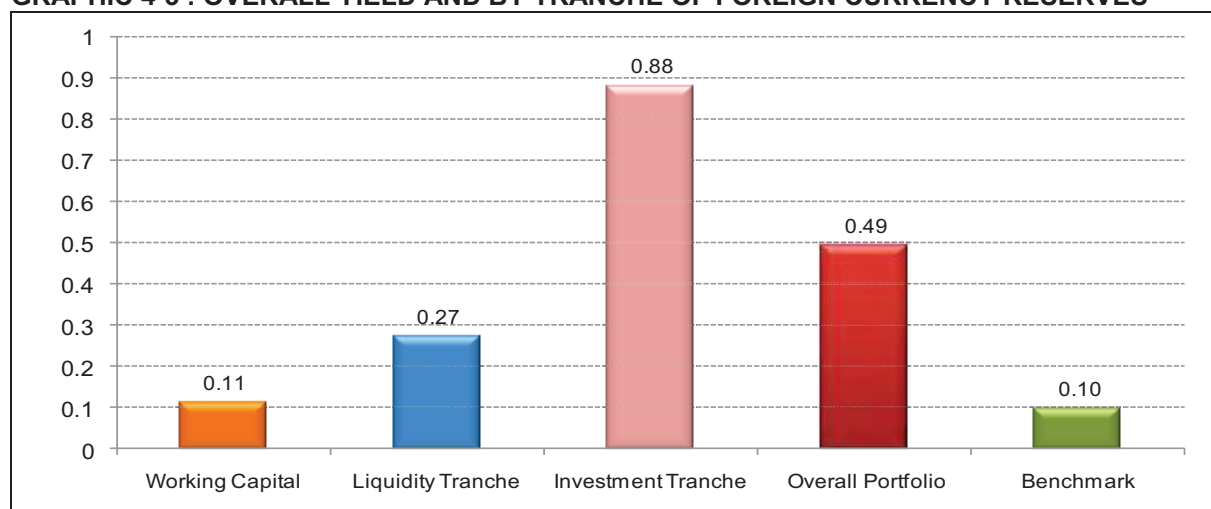
The Dual Currency Deposit (DCD) is a deposit offering an improved interest rate along with an option giving the right to the counterpart to reimburse the principal either in the currency of the deposit or in another currency agreed-on in advance at a pre-set rate (strike). The use of this instrument was limited to restructuring needs or reconstitution of positions required for debt reimbursements.

In 2013, DCD operations carried out on the USD/JPY parity, within the framework of managing the proceed from the issue in yen, for a one week investment period, generated a proceed in interest worth 279.8 thousand dinars, corresponding to an average yield rate of 3.14% against 0.05% for the average rates of the yen's one-week bank deposit. Moreover, DCD operations carried out on the EUR/USD parity produced a gain of 168.3 thousand dinars, corresponding to an average yield rate of 5.6% on an overall position of 70 million euros.

#### 4.2. RETURN ON RESERVES

The overall rate of return on assets in foreign currency amounted to 0.49% in 2013, showing thus an outperformance compared to the reference benchmark composite<sup>1</sup> by 39 basis points. The relatively important gap compared to the benchmark, made up of Government securities, is attributable to yield pick-up thanks to investments in supranational and government agencies issues. The investment tranche was the main yield generator with a 0.88% performance over the whole year, against 0.27% for the liquidity tranche and 0.11% for the working capital.

**GRAPHIC 4-3 : OVERALL YIELD AND BY TRANCHE OF FOREIGN CURRENCY RESERVES**



As for performance of reserves' main currencies, the yield rate of investments in euro recorded 0.60%, against 0.44% and 0.39% respectively for investments in GBP and USD.

The yield gap between assets in euro and those in dollar comes mainly from the investment tranche yield differential, with securities in euro of more than one year generating a 1.15% yield, against 0.61% for securities in US dollar.

<sup>1</sup> Composite index reflecting benchmarks of different sub-portfolios weighted by their shares of reference in the overall portfolio of assets in foreign currency.

### 4.3. EXTERNAL MANAGERS

In the framework of the RAMP “Reserve Advisory and Management Programme”, launched in September 2011, the BCT entrusted the World Bank Treasury with the mandate of managing reserves worth a package of 200 million US dollars, to be managed according to an improved index-based management mode compared to the 1-3 year US Treasuries benchmark.

At end of 2013, the net result of the portfolio managed by the World Bank amounted to 1,069,874 US dollars, 1,396,963 dollars of which are interest proceeds, a net loss in value on securities transfer worth 321,658 dollars and a 5,431 dollars loss on “Futures” operations. In terms of yield, the portfolio shows a yield rate similar to the benchmark one : 0.3%.

### 4.4. TREND IN RESERVES

#### 4.4.1. Trend in reserves level

At end of 2013, foreign currency reserves posted 12,662.1 MTD (7,719.4 million dollars), against 13,419.8 MTD (8,644.8 million dollars) at end of 2012. The drop in reserves, due mainly to the trade deficit widening, was offset by gold holdings reassessment based on the gold ounce price as of 31 December 2013, bringing the value of gold holdings to 263.3 MTD against 4.4 MTD as of 31 December 2012.

**TABLE 4-1 : TRENDS IN FOREIGN EXCHANGE RESERVE ITEMS**

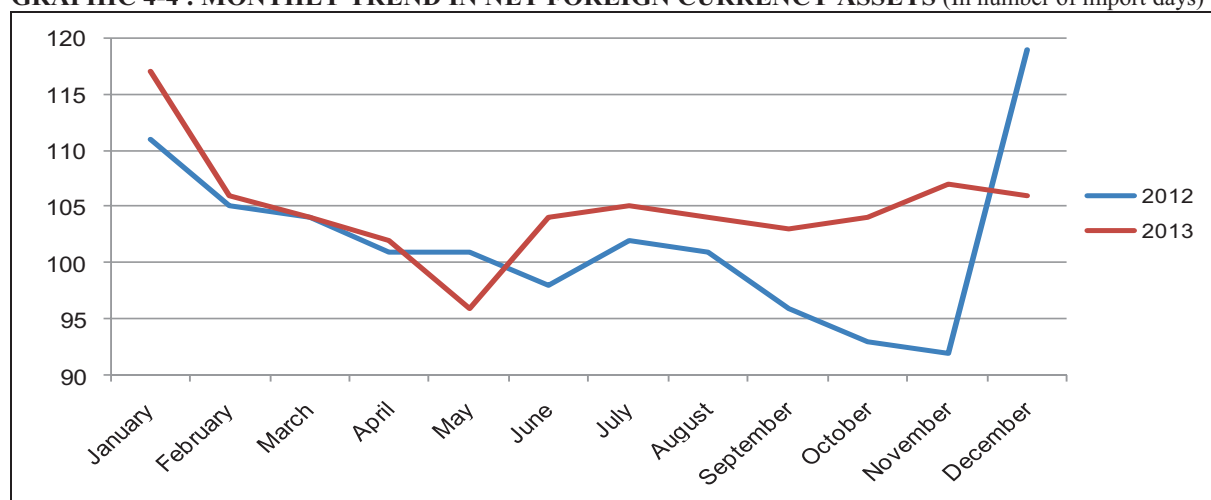
(In millions)

Line items-international reserves	2012		2013		Variation 2013/2012	
	TND	USD	TND	USD	TND	USD
Gross assets in foreign currency	12,700.2	8,181.3	11,650.0	7,102.4	-1,050.2	-1,078.9
Assets and investment in SDRs	581.0	374.2	612.1	373.2	31.1	-1.0
IMF reserve position	134.2	86.5	136.6	83.3	2.4	-3.2
Gold holdings*	4.4	2.8	263.3	160.5	258.9	157.7
<b>Total international reserves</b>	<b>13,419.8</b>	<b>8,644.8</b>	<b>12,662.0</b>	<b>7,719.4</b>	<b>-757.8</b>	<b>-925.4</b>

\* Review of gold holdings value based on the gold ounce price as of 31/12/2013.

Expressed in days of import, the drop in net foreign currency assets posted 13 days, with the level of assets declining to 106 days of import at the end of December 2013 against 119 days as of 31 December 2012.

**GRAPHIC 4-4 : MONTHLY TREND IN NET FOREIGN CURRENCY ASSETS** (In number of import days)

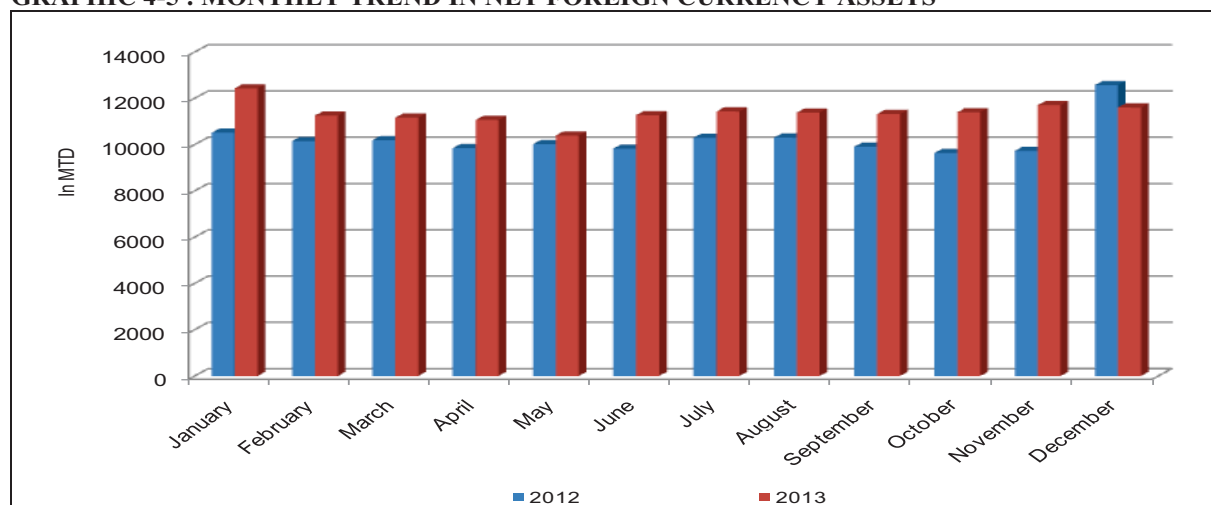


The major part of the drop in reserves was recorded over February and May 2013, periods when the issue worth 330 million euros falling due on 19 February and massive transfers with respect to settlements of energy and raw material imports were reimbursed. Drawings on external loans



(IMF 234 MTD and Natixis 637 MTD) carried out over June, the Samurai issue worth 25 billion yens in August and drawings on the 183 MTD AMF loan carried out over December, helped to offset a good part of the drop in foreign exchange reserves.

**GRAPHIC 4-5 : MONTHLY TREND IN NET FOREIGN CURRENCY ASSETS**



#### 4.4.2. Breakdown of reserves by foreign currency

Breakdown of reserves by foreign currency was marked by the drop in the euro's share from 48% to 45% against rise of the dollar's share, up from 43% to 47%.

This variation is attributable to reimbursement, in February, of the issue worth 330 million euros and drawings on external borrowings denominated in dollar for the most part. As for the Japanese yen share, it decreased by 1.7% following settlements with respect to the debt service in yen and transfer against the US dollar of a package worth 20.5 billion yens.

**TABLE 4-2 : BREAKDOWN OF RESERVES BY CURRENCY**

	USD		EUR		GBP		JPY		Others	
	In millions	Share In%	In millions	Share In%	In millions	Share In%	In millions	Share In%	In millions*	Share In%
<b>31-12-2012</b>	3,556	43.5	3,001	48.4	240	4.7	20.802	3.0	45	0.4
<b>31-12-2013</b>	3,333	47.0	2,290	44.5	289	6.7	9.920	1.3	47	0.5
<b>Variation (in millions)</b>	<b>-223</b>		<b>-711</b>		<b>49</b>		<b>-10,882</b>		<b>2</b>	

\* TND

## 5 - FINANCIAL ANALYSIS OF CENTRAL BANK OF TUNISIA MANAGEMENT

### 5.1. FINANCIAL BALANCE

The resources/uses table which indicates the Bank's financial balance, shows the following situation as of 31 December 2013.

**TABLE 5-1 : FINANCIAL BALANCE**

(In MTD)

	2013	2012	Variation
<b>NET RESOURCES</b>	<b>12,949.3</b>	<b>14,582.5</b>	<b>-1,633.2</b>
Net fiduciary resources	7,615.8	7,164.5	451.3
Net position with the clients	5,157.0	7,152.8	-1,995.8
Others	176.5	265.2	-88.7
<b>NET USES</b>	<b>12,949.3</b>	<b>14,582.5</b>	<b>-1,633.2</b>
Gold and foreign currency	8,708.2	11,758.1	-3,049.9
Net bank refinancing	4,241.1	2,824.4	1,416.7

The above-mentioned table, which groups balance sheet headings in such a way as to facilitate a better analysis of them, shows that the Bank's assets dropped by 1,633.2 MTD, posting 12,949.3 MTD in 2013 against 14,582.5 MTD in 2012.

At the level of net resources, this decrease is due to the drop in the net position with clients, down to 1,995.8 MTD in the wake of regression of the liability heading "Government Accounts", partly offset by the increase in fiduciary circulation worth 451.3 MTD.

As for net uses, the increase in the net lending position of the Central Bank of Tunisia with respect to refinancing operations could not offset the drop in "gold and foreign currency" heading.

Details of resources/uses by category of operations are as follows :

**TABLE 5-2 : GOLD AND FOREIGN CURRENCY**

(In MTD)

	2013	2012	Variation
<b>Asset</b>	<b>12,755.3</b>	<b>13,842.8</b>	<b>-1,087.5</b>
Gold holdings	263.3	341.3	-78.0
Subscriptions to international organisations	2.4	2.4	0.0
IMF reserve position	136.6	134.2	2.4
AMF subscription in foreign currency	52.4	49.2	3.2
Assets and investment in special drawing rights	612.1	581.0	31.1
Foreign currency assets	11,650.0	12,700.2	-1,050.2
Foreign currency shareholding	38.5	34.5	4.0
<b>Liability</b>	<b>4,047.1</b>	<b>2,084.7</b>	<b>1,962.4</b>
Allocations of special drawing rights	690.6	648.9	41.7
Foreign accounts in foreign currency	47.4	124.5	-77.1
Other commitments in foreign currency	1,916.9	293.7	1,623.2
Intervention on the money market in foreign currency/non resident banks	53.1	84.8	-31.7
Foreign currency of Authorised intermediaries/non resident banks	106.9	7.5	99.4
Differences on conversion and revaluation	1,232.2	925.3	306.9
<b>GOLD AND FOREIGN CURRENCY</b>	<b>-8,708.2</b>	<b>-11,758.1</b>	<b>3,049.9</b>

Net gold and foreign currency position dropped by 3,049.9 MTD from the end of 2012 to the end of 2013, owing mainly to assets in foreign currency decline, down to 1,050.2 MTD and other commitments in foreign currency increase, up to 1,623.2 MTD.

In fact, mobilized external resources over 2013 notably in the form of external borrowings or deposits (150 million USD with respect to the first portion of the stand-by loan granted by the IMF, 300 million EUR with respect to a medium-term loan granted by the “Natixis” bank, 22.4 billion Japanese yen with respect to the private borrowing issued on the Japanese financial market, 500 USD million with respect to the deposit carried out by the Qatar National Bank at the BCT...) were far from compensating foreign currency outflows in line with current deficit worsening and reimbursement of external debt maturities, of which the one worth 730 MTD (330 million euros) with respect to the debenture loan contracted in 2003.

As for commitments, the increase in “Other commitments in foreign currencies” heading is mainly due to the above-mentioned borrowing in euro contracted at Natixis and the Qatari deposit in US dollar, as well as drawings on the AMF’s structural adjustment facilities worth 41.9 million SDR. Depreciation of the dinar against these currencies also contributed to the increase of this category from one year to another.

Moreover, operations to re-evaluate accounts in foreign currencies generated a net 388.1 MTD gain, reflecting the impact of the dinar’s value depreciation against the main foreign currencies, notably the euro and the US dollar. As a result, latent net gains cumulated to this respect closed for the financial year 2013 at 976.5 MTD.

As for re-evaluation, at the market price, of assets in gold ingots on 31 December 2013, it generated a 255.7 MTD latent gain. Hence, the overall amount of “Differences on conversion and revaluation” heading closed for the financial year 2013 at 1,232.2 MTD.

Worth of note that the amount of this heading for 2012 was restated for comparability motifs, including the amount of the gain which would have been yielded on 31 December 2012 if gold ingots had been re-evaluated at the market price as of this date : 336.9 MTD.

**TABLE 5-3 : OPERATIONS WITH THE CLIENTS**

(In MTD)

	<b>2013</b>	<b>2012</b>	<b>Variation</b>
<b>Asset</b>	<b>710.0</b>	<b>697.9</b>	<b>12.1</b>
Advance to the State for subscriptions to Monetary Funds	710.0	697.9	12.1
<b>Liability</b>	<b>5,867.0</b>	<b>7,850.7</b>	<b>-1,983.7</b>
Government accounts and other sums for the Treasury	1,761.9	4,688.0	-2,926.1
Foreign institutions' current accounts in dinars	800.7	552.1	248.6
Foreign currency commitments towards Tunisian Authorised Intermediaries (resident banks)	2,955.7	2,289.3	666.4
Other credit accounts	348.7	321.3	27.4
<b>NET POSITION WITH THE CLIENTS</b>	<b>5,157.0</b>	<b>7,152.8</b>	<b>-1,995.8</b>

Shrinking of the net position with clients is due to the sharp decrease in government accounts, namely special accounts in foreign currency and miscellaneous accounts. In fact, external resources in the form of borrowings mobilized at the end of the financial year 2012 and entered in the said accounts were used in 2013. These consist mainly in the IBRD and ADB loans within the framework of boosting economic recovery, governance and job creation, as well as the debenture loan worth 25 billion Japanese yen issued on the Japanese market on 14 December 2012.

On the other hand, the use of a portion of receipts from privatization of 35% of “Tunisie Télécom” ’s capital, worth 750.1 million US dollars also contributed to the decline of this heading.

**TABLE 5-4 : BANK REFINANCING**

(In MTD)

	<b>2013</b>	<b>2012</b>	<b>Variation</b>
<b>Asset</b>	<b>4,555.7</b>	<b>4,249.5</b>	<b>306.2</b>
Financing for lending institutions tied to monetary policy operations	3,668.0	3,688.0	-20.0
Securities purchased in the framework of open market operations	887.7	561.5	326.2
<b>Liability</b>	<b>314.6</b>	<b>1,425.1</b>	<b>-1,110.5</b>
Commitments towards lending institutions related to monetary policy operations	8.0	988.0	-980.0
Current accounts of banks accounted for in the reserve requirement	306.6	437.1	-130.5
<b>NET BANK REFINANCING</b>	<b>-4,241.1</b>	<b>-2,824.4</b>	<b>-1,416.7</b>

At the level of banking sector refinancing, the Issuing Institute pursued, over 2013, its interventions on the money market to meet the sector's needs for liquidity although to a lesser degree than in 2012, mainly through calls for bids. Hence, the volume of intervention's annual average in the above-said form went down from 4,202 MTD in 2012 to 3,013 MTD in 2013. The contribution of liquidity to banks, in 2013, also meant BCT purchase of Treasury Bonds in the framework of the open market. Thus, the amount of "securities purchased within the framework of open market operations" increased from 561 MTD at the end of 2012 to 888 MTD at the end of 2013.

## 5.2. ANALYSIS OF RESULTS

Central Bank of Tunisia results posted 186.8 MTD, against 214.9 MTD in 2012, down by 28.1 MTD or by 13.1%. Worth of note that, in this context, the main elements having contributed to the drop in the Bank's results are on the one hand, the lower result of transactions with international organisations (-15.5 MTD) and, on the other hand, the decrease in net foreign exchange gains on current transactions in foreign currencies (-22.5 MTD). However, the increase in net proceeds of monetary policy operations (12.5 MTD) helped to offset the drop in results.

As for staff costs, they amounted to 62.4 MTD against 67.1 MTD in 2012. Shrinking of these costs is attributable to absence in 2013, of costs with respect to allotment to provisions for paid leaves, contrary to the previous financial year when a provision was constituted for the first time to this effect, worth 6.1 MTD.

General operating costs increased by 1.7 MTD from 2012 to 2013, up to 13.8 MTD against 12.1 MTD in 2012. Breakdown of results by category of transaction is as follows :

**TABLE 5-5 : RESULT BREAKDOWN BY CATEGORY OF OPERATIONS**

(In thousand dinars)

	<b>2013</b>	<b>2012</b>
<b>Management of reserves</b>	<b>39,987.5</b>	<b>36,350.0</b>
Proceeds	167,250.4	106,064.3
Charges	127,262.9	69,714.3
<b>Transactions with international organisations</b>	<b>-5,273.3</b>	<b>10,214.1</b>
Proceeds	3,320.9	12,196.3
Charges	8,594.2	1,982.2
<b>Monetary policy operations</b>	<b>198,473.0</b>	<b>186,014.1</b>
Proceeds	218,540.8	186,815.7
Charges	20,067.8	801.6
<b>Other operations</b>	<b>-2,240.3</b>	<b>751.7</b>
Proceeds	5,324.4	5,900.0
Charges	7,564.7	5,148.3
<b>Exchange commissions</b>	<b>19,638.1</b>	<b>25,899.3</b>
<b>Exchange difference on current operations</b>	<b>12,393.1</b>	<b>34,855.5</b>
<b>Staff costs</b>	<b>-62,416.1</b>	<b>-67,120.6</b>
<b>General operating charges</b>	<b>-13,802.5</b>	<b>-12,050.7</b>
<b>FINANCIAL YEAR RESULT</b>	<b>186,759.5</b>	<b>214,913.4</b>

**TABLE 5-6 : RESULT TIED TO RESERVE MANAGEMENT**

(In thousand dinars)

	<b>2013</b>	<b>2012</b>
<b>Proceeds</b>	<b>167,250.4</b>	<b>106,064.3</b>
Interest on forward deposit	7,217.6	13,823.0
Interest on securities	156,390.6	88,797.0
Interest on foreign currency fund for management mandate	1,752.3	2,779.0
Extending of discount on foreign currency securities	536.8	491.5
Gain in value on foreign currency fund for management mandate	834.4	148.0
Resumption of provisions on funds in foreign currencies for management mandate	453.0	-
Other proceeds	65.7	25.8
<b>Charges</b>	<b>127,262.9</b>	<b>69,714.3</b>
Charges on interventions on the money market in foreign currency	2,201.3	6,858.7
Extending of premiums on securities in foreign currency	114,150.5	59,960.4
Loss in value on foreign currency fund for external management mandate	1,611.5	1,184.2
Charges for management of foreign currency securities	758.5	449.9
Interests on borrowings in foreign currencies	2,317.0	-
Commissions on borrowings in foreign currencies	2,557.6	-
Interests on deposit accounts in foreign currencies	2,451.0	-
Fees with respect to reserves external management mandate services	658.6	577.7
Allotment to provisions for depreciation of the foreign currency Fund/external management mandate	293.4	453.0
Other charges	263.5	230.4
<b>NET RESULT OF TRANSACTIONS TIED TO MANAGEMENT OF RESERVES</b>	<b>39,987.5</b>	<b>36,350.0</b>

The net result of operations tied to reserve management increased by 3.6 MTD, from one year to another. It is worth mentioning that although interests on investments grew by 60 MTD thanks to securities coupons, costs inherent to spreading out of premiums on the securities into question, amounted to 114.2 MTD, up by 54.2 MTD compared to 2012 financial year. This led to eradication of the impact of the above-said coupons growth.

**TABLE 5-7 : RESULT TIED TO TRANSACTIONS WITH INTERNATIONAL ORGANISATIONS**

(In thousand dinars)

	<b>2013</b>	<b>2012</b>
<b>Proceeds</b>	<b>3,320.9</b>	<b>12,196.3</b>
Reserve position remuneration	84.7	109.0
Interest on SDR assets	475.0	614.6
Gains on IMF reserve position adjustment	2,369.5	11,425.9
Discounts on commitment commissions on confirmation agreement	362.1	-
Interest on investment in SDR	29.6	46.8
<b>Charges</b>	<b>8,594.2</b>	<b>1,982.2</b>
IMF commissions on SDR allocations	538.6	693.2
Commitment commissions on confirmation agreement	2,100.8	-
Drawing commissions on IMF loan	1,207.0	-
Commission on the use of IMF resources	1,505.7	-
Drawing commissions on AMF loan	322.6	901.0
Commitment commissions on AMF loan	268.2	375.4
Commissions on the use of AMF resources	2,647.3	-
Miscellaneous commissions	4.0	12.6
<b>NET RESULT TRANSACTIONS WITH INTERNATIONAL ORGANISATIONS</b>	<b>-5,273.3</b>	<b>10,214.1</b>

Transactions with international institutions generated a net loss of 5.3 MTD in 2013 against a net proceed of 10.2 MTD in 2012. This is because costs increased substantially in 2013 following miscellaneous commissions paid up to the IMF and the AMF in line with the loans contracted with both of these international institutions.

**TABLE 5-8 : RESULT TIED TO MONETARY POLICY OPERATIONS**

(In thousand dinars)

	<b>2013</b>	<b>2012</b>
<b>Proceeds</b>	<b>218,540.8</b>	<b>186,815.7</b>
Interest on money market intervention in the form of purchase on calls for bids	140,219.8	165,635.9
Proceeds on securities purchased firm	60,646.3	17,719.2
Interest on 24-hour credit facilities	17,348.5	3,291.7
Penalizing interest with respect to the money market	326.2	103.1
Interest on punctual intervention on the money market		65.8
<b>Charges</b>	<b>20,067.8</b>	<b>801.6</b>
Interest on 24-hour deposit facilities	464.8	768.0
Charges of operations on securities	19,585.1	26.1
Commissions on operations of purchase and sale of Treasury bonds	17.9	7.5
<b>NET RESULT OF INTERVENTION OPERATIONS ON THE MONEY MARKET</b>	<b>198,473.0</b>	<b>186,014.1</b>

Proceeds from refinancing operations constituted the determining element of Central Bank of Tunisia results for the fiscal year 2013 due to ongoing BCT intervention on the money market to meet the banking sector's needs for liquidity through calls for bids, as well as Treasury bonds purchased firm in the framework of the open market.

Thus, these proceeds increased by 31.7 MTD to 218.5 MTD, as of 31 December 2013, 140.2 MTD of which account for interests with respect to liquidity injections through calls for bids and 60.6 MTD constitute interests on securities purchased firm within the framework of the open market. Yet, the 20.1 MTD in cost coming mainly from losses following re-evaluation of the securities into question at the market's value, on the closure date, has partly wiped out the impact of the above-said proceeds' increase. As a consequence, net refinancing proceeds posted, as of 31 December 2013, 198.5 MTD against 186 MTD in 2012, up by 12.5 MTD or 6.7%.



**TABLE 5-9 : RESULT TIED TO OTHER OPERATIONS**

(In thousand dinars)

	<b>2013</b>	<b>2012</b>
<b>Proceeds</b>	<b>5,324.4</b>	<b>5,900.0</b>
Commissions on foreign bank notes of non residents	1,645.2	2,275.9
Shareholding income	1,430.5	1,079.9
Remainder of unused budget credits	542.5	946.2
Interest collected on banks and financial institutions' accounts	380.6	307.7
Other proceeds on miscellaneous operations	1,325.6	1,290.3
<b>Charges</b>	<b>7,564.7</b>	<b>5,148.3</b>
Allotments for fixed asset amortization	6,747.2	4,306.8
Allotment for depreciation of participation securities		520.0
Other charges on miscellaneous operations	817.5	321.5
<b>NET RESULT OF OTHER OPERATIONS</b>	<b>-2,240.3</b>	<b>751.7</b>

***FINANCIAL STATEMENTS***  
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## **BALANCE SHEET AS AT 31 DECEMBER 2013**

(In dinars)

<b>A S S E T S</b>	<b>NOTES</b>	<b>31/12/2013</b>	<b>31/12/2012*</b>
Gold holding	1	263 348 161	341 306 043
Subscriptions to international organisations	2	2 371 793	2 371 793
IMF reserve position	3	136 604 685	134 234 666
Assets and investments in special drawing rights	4	612 128 579	580 961 437
Foreign currency assets	5	11 650 020 717	12 700 193 796
Refinancing to lending institutions related to monetary policy transactions	6	3 668 000 000	3 688 000 000
Securities purchased in the framework of the open market transactions	7	887 722 794	561 496 851
Advance to the State pertaining to Monetary Funds subscription	8	710 026 755	697 881 599
Shareholding portfolio	9	38 550 627	34 571 501
Fixed assets	10	35 495 152	37 914 130
Miscellaneous debtors	11	33 141 748	31 234 622
Memorandum accounts and accounts calling for adjustment	12	140 193 467	90 037 348
<b><u>TOTAL ASSETS</u></b>		<b><u>18 177 604 478</u></b>	<b><u>18 900 203 786</u></b>

\* Restated for comparability reasons.

**THE ATTACHED NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS**

## **BALANCE SHEET AS AT 31 DECEMBER 2013**

(In dinars)

<b>LIABILITIES AND EQUITY</b>	<b>NOTES</b>	<b>31/12/2013</b>	<b>31/12/2012*</b>
<b><u>LIABILITIES</u></b>			
Banknotes & coins in circulation	13	7 615 770 976	7 164 460 393
Bank and financial institutions current accounts		443 551 792	518 933 220
Government accounts	14	888 107 923	2 696 730 743
Commitments towards lending institutions related to monetary policy transactions	15	8 000 000	988 000 000
Allocations of special drawing rights	16	690 560 809	648 870 304
Current accounts in dinar of foreign institutions	17	800 715 833	552 068 895
Commitments in foreign currency towards Tunisian authorised intermediaries	18	3 115 682 542	2 381 604 896
Foreign accounts in foreign currency	19	47 355 886	124 549 787
Other commitments in foreign currency	20	1 916 906 709	293 704 785
Current collection of values	21	4 844 473	41 761 259
Differences on conversion and revaluation	22	1 232 236 697	922 157 546
Miscellaneous creditors	23	51 291 517	38 496 731
Provisions for costs to manufacture banknotes and coins	24	15 485 259	28 400 000
Memorandum accounts and accounts calling for adjustment	25	1 043 504 359	2 178 384 803
<b><u>TOTAL LIABILITIES</u></b>		<b><u>17 874 014 775</u></b>	<b><u>18 578 123 362</u></b>
<b><u>EQUITY</u></b>	26		
Capital		6 000 000	6 000 000
Reserves		110 751 542	100 503 768
Other equity		2 588	612
Results carried forward		76 043	662 643
<b><u>TOTAL EQUITY PRIOR TO FINANCIAL YEAR RESULTS</u></b>		<b><u>116 830 173</u></b>	<b><u>107 167 023</u></b>
Financial year results		186 759 530	214 913 401
<b><u>TOTAL EQUITY PRIOR TO ALLOCATION</u></b>		<b><u>303 589 703</u></b>	<b><u>322 080 424</u></b>
<b><u>TOTAL LIABILITIES AND EQUITY</u></b>		<b><u>18 177 604 478</u></b>	<b><u>18 900 203 786</u></b>

\* Restated for comparability reasons.

**THE ATTACHED NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS**

## **STATEMENT OF OFF BALANCE SHEET COMMITMENTS**

**AS AT 31 DECEMBER 2013**

(In dinars)

	NOTES	31/12/2013	31/12/2012*
<b>Guarantee Commitments given</b>	<b>27</b>	<b>7 949 687 859</b>	<b>8 486 801 616</b>
Debenture loans		7 011 298 192	7 711 699 461
Other external borrowings		938 389 667	775 102 155
<b>RECEIVED GUARANTEES IN COVERAGE OF REFINANCING OPERATIONS</b>		<b>3 668 000 000</b>	<b>3 688 000 000</b>
Current claims		2 106 515 000	2 341 000 000
Bonds equivalent to Treasury bonds		1 561 485 000	1 347 000 000

\* Restated for comparability reasons.

**THE ATTACHED NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS**

## **STATEMENT OF RESULTS AS AT 31 DECEMBER 2013**

(In dinars)

	NOTES	31/12/2013	31/12/2012
<b><u>PROCEEDS</u></b>			
Proceeds from intervention on the money market		218 540 784	186 815 783
Interest on forward investments in foreign currency		165 360 589	105 398 947
Other proceeds on foreign currency transactions	28	35 577 547	63 701 870
Proceeds on transactions with international organisations		3 320 921	12 196 280
Interest on claims on the State			98 958
Interest on banks and financial institutions' accounts		380 576	307 723
Miscellaneous proceeds	29	3 287 377	3 211 552
Write back of provisions for costs to manufacture banknotes and coins		12 914 741	47 133 903
<b><u>TOTAL PROCEEDS</u></b>		<b><u>439 382 535</u></b>	<b><u>418 865 016</u></b>
<b><u>COSTS</u></b>			
Costs related to money market intervention		20 067 782	801 609
Interest paid on transactions in foreign currency	30	4 585 336	6 886 342
Other costs on transactions in foreign currency	31	122 680 507	62 838 248
Costs on transactions with international organisations		8 594 285	1 982 187
Miscellaneous costs		814 628	311 256
Staff costs	32	62 416 065	67 120 592
General operating costs	33	13 802 462	12 050 700
Costs for banknotes and coins manufacturing		12 914 741	18 733 903
Allocations for fixed asset depreciation		6 747 199	4 306 778
Allocation of provisions for banknotes and coins manufacturing			28 400 000
Allocation of provisions for depreciation on shareholdings			520 000
<b><u>TOTAL COSTS</u></b>		<b><u>252 623 005</u></b>	<b><u>203 951 615</u></b>
<b><u>FINANCIAL YEAR RESULTS</u></b>		<b><u>186 759 530</u></b>	<b><u>214 913 401</u></b>

THE ATTACHED NOTES ARE AN INTEGRAL PART OF THE FINANCIAL STATEMENTS



**NOTES RELATED TO FINANCIAL STATEMENTS  
OF THE CENTRAL BANK OF TUNISIA  
AS AT 31 DECEMBER 2013**

**1.1. LEGAL FRAMEWORK AND ACCOUNTING REFERENTIAL**

The Central Bank of Tunisia's financial statements are drawn up in conformity with the terms of law n°58-90 of 19 September 1958 governing its founding and organisation (as modified in subsequent texts) and Tunisian accounting standards, taking into account the specific nature of the Central Bank's activities.

Central Bank of Tunisia financial statements include :

- a balance sheet,
- a statement of off balance sheet commitments,
- a statement of results, and
- notes related to the financial statements.

**1.2. ACCOUNTING PRINCIPLES AND RULES OF ASSESSMENT**

**1.2.1. Gold holdings**

The Bank's gold holdings are made up of ingots and commemorative coins. As of 31 December 2013, assets in the form of ingots became assessed at market price by using morning London fixing instead of the official rate set at 0.6498475 dinar for a gram of fine gold, a rate applied since 19 August 1986, date of devaluation of the dinar as per decree n°86-785 of 18 August 1986.

Revaluation of gold ingots at the market price will be monthly in the same way as for foreign currency assets, and the difference resulting from this revaluation is entered in the balance sheet liabilities under a revaluation difference account.

This revaluation was decided to improve the financial information quality conducted in the financial statements, by giving full information on the real value of gold assets which are part of the country's international reserves.

Gold assets in the form of commemorative coins continued to be assessed at the above mentioned official rate. Review of the procedure for valorising these coins will come later while taking account of their specific features.

**1.2.2. Assets and liabilities in foreign currency**

Assets and liabilities labelled in foreign currency are converted to dinars at «*accounting reference rates*» that remain valid for a period of one month. Accounting reference rates represent average rates ( $[\text{bid rate} + \text{offer rate}] / 2$ ) set by the Central Bank of Tunisia on the last working day of each month.

Assets and liabilities labelled in foreign currency are revalued at the end of each month. Latent losses and gains resulting from monthly revaluation are entered under the balance sheet account «*differences on conversion*».

**1.2.3. Assumption of proceeds and costs**

**1.2.3.1.** The entering of proceeds and costs is based on the periodicity convention and the convention of attachment of costs to proceeds. Thus, when proceeds are entered in an accounting year, all costs having contributed to achievement of these proceeds are determined and attached to this same financial year.

**1.2.3.2.** Proceeds and costs resulting from transactions in foreign currency are converted into dinars at the rate of exchange in effect on the day of the transaction.

**1.2.3.3.** At the end of the financial year, the balance of the account «*differences on conversion*» is processed as follows:

- Debit balance : The total amount of the balance is entered as a cost for the financial year.
- Credit balance : The amount representing unrealized gains is carried forward to the subsequent financial year.

**1.2.3.4.** Differences between the exchange rates in effect on the day of the transaction and accounting reference rates are entered on the statement of results as gains or losses on exchange. Such gains and losses, in effect, result from actual transactions.

#### **1.2.4. Fixed assets**

Tangible and intangible fixed assets are accounted for by applying the rule of «*historic cost*», that is to say the cost of acquisition or the actual amount disbursed to cover costs in the case of construction. Aside from land and works of art, fixed assets are to be depreciated in a straight-line method over the projected lifespan of the fixed asset by applying the usual rates for each category of fixed asset. For certain equipment that is specific to the Central Bank of Tunisia (such as cash register equipment), lifespan and applied depreciation rate are determined by reference to the experience of their users. Tangible fixed assets involve mostly land, buildings, technical equipment, computer hardware, cash register equipment, transport material, and office equipment. Intangible fixed assets are made up mainly of computer software.

The deadlines for retained depreciation as per the nature of each fixed assets are set as follows :

Software	3 years
Buildings	20 years
Office equipment	Between 3 and 10 years
Transport materiel	Between 5 and 7 years
Computer hardware	3 years
Reprography equipment	3 years
Cash register equipment	Between 5 and 10 years
Fittings and improvements	Between 3 and 20 years
Technical installation	Between 3 and 10 years
Plant and technical equipment	Between 3 and 10 years

#### **1.2.5. Securities in foreign currency**

Securities labelled in foreign currency that are part of «*foreign currency assets*» are assessed at market price on the closing day of the financial year. Latent losses from the difference between accounting value and market value of securities are recorded as provisions for depreciation except for securities that were meant (as of their holding) to be kept up to maturity. Latent gains are not recorded.

#### **1.2.6. Securities in dinar**

Securities in dinars purchased in the framework of open market transactions are assessed at market price on the balance sheet's closing date. The difference resulting from revaluation is entered in a difference on revaluation account in the balance sheet liabilities. In case of negative difference, the related amount is entered as a cost for the financial year.

### 1.2.7. Shareholding portfolio

The Central Bank of Tunisia's shareholding portfolio is made up of securities that it has acquired in the framework of article 53 of its articles of association that represent its share in the capital of a number of non resident organisations and companies as well as resident companies that manage common banking services. These shares are recorded at the price of acquisition. Shares granted freely and which did not yield financial flows are not recorded.

## 1.3. DETAILED EXPLANATION OF THE HEADINGS IN THE FINANCIAL STATEMENTS

### NOTE 1 : GOLD HOLDING

Under this heading is found gold money assets which came at 6.8 tonnes of fine gold as at 31 December 2013, broken down as follows :

	2013		2012	
	In dinars	In grams	In dinars	In grams
<b><u>GOLD HOLDING</u></b>	<b><u>6 779 913</u></b>	<b><u>263 348 161</u></b>	<b><u>6 739 902</u></b>	<b><u>341 306 043</u></b>
Ingots	4 128 877	261 625 393	4 088 866	339 583 275
* in BCT coffers	2 731 366	173 072 395	2 691 355	223 518 963
* held at the Bank of England	1 397 511	88 552 998	1 397 511	116 064 312
Commemorative coins	2 651 036	1 722 768	2 651 036	1 722 768

Gold ingot assets are assessed at market price up to 31 December by using morning London fixing (USD 1,201.5 per fine gold ounce or USD 38.63 the gram of fine gold on 31 December 2013).

For comparability needs, data on ingots as at 31 December 2012 were reprocessed by valuing them at the market rate prevailing on this date (USD 1,664 the ounce or USD 53.50 the gram of fine gold).

Given their specific features, commemorative coins were not revalued at market price and remained valued at the official rate of 0.6498475 dinar for 1 gram of fine gold.

### NOTE 2 : SUBSCRIPTIONS TO INTERNATIONAL ORGANISATIONS

The amount recorded under this heading represents the total of sums paid by the BCT to certain international financial organisations as shares subscribed to in gold or foreign currency by the Republic of Tunisia in the capital of these institutions as per prevailing legislation authorising the Central Bank to enter these shares under the assets heading of the Bank's balance sheet. The date of the last transaction entered in this framework goes back to 1969. The State has since then assumed all subscriptions, whether in local or foreign currency.

The following institutions are involved :

Institution	Subscribed amount (In TND)*
International Bank for Reconstruction and Development	215 408
International Development Association	87 202
International Financial Company	76 808
African Development Bank	1 992 375

\* This concerns the exchange value in TND of amounts subscribed in gold or in foreign currency at historic exchange rates.

Worth of note that the amount of this heading is to be adjusted by writing it off of the Bank balance sheet asset in so far as the latter does not have the status of a shareholder in the capital of these structures. This issue is in current review within an ad-hoc committee regrouping representatives of the relevant ministerial departments.

### NOTE 3 : IMF RESERVE POSITION

The amount recorded under this heading (136.6 MTD)<sup>1</sup>, represents the counter value in dinars of the portion of Tunisia's shares subscribed to in foreign currency (56.2 million SDR) in the capital of IMF. This represents the difference between Tunisia's full share (286.5 million SDR) and IMF's holdings in dinars, held in its account n°1 on the books of the Central Bank of Tunisia exclusive of assets from recourse to IMF loans. In the same way as for assets in foreign currency, the IMF reserve position is part of Tunisia's international reserves. In effect, if support for the balance of payments is required, these reserve assets labelled in SDR can be withdrawn from IMF without any prior conditions, converting them to the most freely convertible currencies.

### NOTE 4 : ASSETS AND INVESTMENT IN SDR

This heading includes :

- the balance of the SDR account opened in the name of the Central Bank of Tunisia on the books of the IMF, which on 31 December 2013 came to 239.4 million SDR (the equivalent of 606.1 million dinars)<sup>2</sup>.

- the amount in SDR representing the Central Bank of Tunisia's contribution to the PRGF<sup>3</sup>-HIPC<sup>4</sup> fiduciary fund administered by the International Monetary Fund, which amounted to 2,361,605 SDR, the equivalent of 6 million dinars.

(In dinar)

	2013	2012
<b>ASSETS AND INVESTMENT IN SPECIAL DRAWING RIGHTS</b>	<b>612 128 579</b>	<b>580 961 437</b>
Assets in Special Drawing Rights	606 149 926	575 343 727
Investment in Special Drawing Rights	5 978 653	5 617 710

### NOTE 5 : FOREIGN CURRENCY ASSETS

Foreign currency assets are broken down as on 31 December 2013 as follows :

(In dinar)

	2013	2012
<b>FOREIGN CURRENCY ASSETS</b>	<b>11 650 020 717</b>	<b>12 700 193 796</b>
Foreign banknotes assets	102 813 335	84 847 754
Sight assets	144 260 851	1 303 616 596
Foreign currency cheques	25 326	31 275 917
Forward assets	4 963 017 182	4 462 371 953
Securities	6 093 431 824	6 490 503 473
<i>Of which : securities pledged as collateral</i>	<i>663 448 470</i>	
Foreign currency funds entrusted to external management mandate	329 704 938	311 387 264
(Provisions)	(293 435)	(453 037)
Debit foreign accounts in foreign currency	17 060 696	16 643 876

<sup>1</sup> 1 TND = 0.411763 SDR, as per IMF quotation in effect since 30 April 2013.

<sup>2</sup> 1 SDR = 2.531606 TND, as at 31 December 2013.

<sup>3</sup> Poverty Reduction and Growth Facility.

<sup>4</sup> Heavily Indebted Poor Countries.

## STRUCTURE OF YEAR-END ASSETS

	USD		EUR		GBP		JPY		OTHERS	
	In million	Share in %	In million	Share in %	In million	Share in %	In million	Share in %	In million*	Share in %
31-12-2012	3 556	43,5	3 001	48,4	240	4,7	20 802	3	45	0,4
31-12-2013	3 333	47	2 290	44,6	289	6,7	9 920	1,3	47	0,4
Variation (in million)	-223		-711		49		-10.882		2	

\* TND.

Worth of note that certain external resources given in the form of grants or loans to the Tunisian Government in the framework of bilateral economic cooperation, earmarked exclusively to financing predefined projects and that, as a result, can only be used when there is an eligible expenditure duly approved by the donor, are not entered in this heading given the conditional feature of their use. In fact, these external resources are recorded outside financial accounting for follow up requirements.

On 31 December 2013, the value of these external resources likely to be used in line with progress of the projects they finance, amounted to 114 MTD compared to 98.9 MTD on 31 December 2012.

### **NOTE 6 : REFINANCING TO LENDING INSTITUTIONS RELATED TO MONETARY POLICY TRANSACTIONS**

This heading includes the net outstanding balance of the Central Bank intervention on the money market to inject liquidity into banks. This outstanding balance totalled 3,668 MTD as at 31 December 2013, 3,527 MTD of which in the form of liquidity injections through calls for bids, and 141 MTD in the form of 24-hour loan facilities.

Previously, this heading used to include the overall net debit outstanding balance of the Central Bank intervention on the money market. In the case of overall net credit outstanding balance where liquidity tapping actions go beyond these injections, this outstanding balance would be entered in the liability balance sheet under "Commitments towards lending institutions related to monetary policy transactions" heading. For proper information, there was, as of 2013 financial year, a separate presentation of BCT intervention on the money market in the form of liquidity injection and that in the form of liquidity tapping, without clearing between the two types of intervention.

For comparability reasons, 2012 financial year data relative to the two relevant headings have been consequently reprocessed.

### **NOTE 7 : SECURITIES PURCHASED IN THE FRAMEWORK OF OPEN MARKET TRANSACTIONS**

This heading is made up of firm purchased securities portfolio in the framework of open market operations. This portfolio is currently made up of bonds equivalent to Treasury bonds. The value of this heading progressed by 326.2 MTD compared to 2012, following notably the acquisitions made in January and March 2013 :

	(In dinar)	
	2013	2012
<b><u>SECURITIES PURCHASED IN THE FRAMEWORK OF OPEN MARKET TRANSACTIONS</u></b>	<b><u>887 722 794</u></b>	<b><u>561 496 851</u></b>
Bonds equivalent to Treasury bonds purchased firm	887 722 794	561 496 851

**NOTE 8: ADVANCE TO THE STATE PERTAINING TO MONETARY FUNDS SUBSCRIPTION**

This heading enters, as an advance to the Treasury, the counter value in dinars of amounts paid out for subscriptions corresponding to Tunisia's shares in the capital of the International Monetary Fund and the Arab Monetary Fund, in application of the terms of law n°77-71 of 7 December 1977 governing relations between the Central Bank of Tunisia and these two financial institutions.

- *International Monetary Fund* : the overall amount of Tunisia's subscription in the capital of this institution comes to 286.5 million SDR, 230.3 million subscribed in dinars and credited to account n°1 in the name of the International Monetary Fund and 56.2 million in convertible currency.

- *Arab Monetary Fund* : Tunisia holds a 19.275 million Arab accounting dinar share in the capital of this institution, of which :

\* 7 million Arab accounting dinars as a cash subscription (6.9 million subscribed in convertible currencies and 0.1 million in local currency, credited to the AMF's dinar account on the books of the Central Bank of Tunisia),

\* 5.85 million Arab accounting dinars as Tunisia's new share as per decision n°3/2005 of the Fund's Board of Governors approving release of the remaining portion of capital by incorporation of reserves and distribution of new shares to member states, proportionate to their initial shares, and

\* 6.425 million Arab accounting dinar representing Tunisia share in subscription to the Fund capital increase as per decision n°3/2013 of the Fund's Board of Governors. Half of this amount is released through incorporation of reserves and the other will be released in cash over 5 years as of 1<sup>st</sup> April 2014.

The Arab accounting dinar is worth 3 SDRs.

Subscriptions in dinars to the capital of these two institutions, recorded as a credit to their respective accounts on the books of the Central Bank of Tunisia, are adjusted annually to take into account trends in the exchange rate for the SDR against the Tunisian dinar, with reference to prices set by the International Monetary Fund.

**NOTE 9 : SHAREHOLDING PORTFOLIO**

The amount recorded under this heading represents the paid-up portion of the Central Bank of Tunisia's holdings in the capital of the following institutions :

Institution	Accounting Balance by currency	Balance on 31/12/2013 in TND*
▪ Tunisian Foreign Bank (Provisions for shares depreciation)	6 658 090,98 EUR	15 062 599 (520 000)
▪ SWIFT Company	5 330,00 EUR	12 058
▪ African Import Export Bank	10 000 000.00 USD	16 403 000
▪ Maghreb Bank for Investment and Foreign Trade	2 500 000.00 USD	4 100 750
▪ Programme to finance inter Arab Trade	2 065 000.00 USD	3 387 220
▪ Interbank Clearing Company (SIBTEL)	105 000.000 TND	105 000
<b>Total</b>		<b>38 550 627</b>

\* As per rates of exchange in effect on 31 December 2013 :

1 EUR = 2.2623 TND

1 USD = 1.6403 TND



**NOTE 10 : FIXED ASSETS**

The following table shows details of the heading "fixed assets" as at 31 December 2013 (in dinars) :

Heading	Gross value				Amortisation			Net accounting value 31/12/2013
	31/12/2012	Entries 2013	Outputs 2013	31/12/2013	31/12/2012	2013	31/12/2013	
Softwares	4 544 229	879 770		5 423 999	3 588 888	728 912	4 317 800	1 106 199
Other intangible fixed assets	44 318			44 318				44 318
Softwares : advances and on accounts	706 344		688 573	17 771				17 771
<b>Intangible fixed assets</b>	<b>5 294 891</b>	<b>879 770</b>	<b>688 573</b>	<b>5 486 088</b>	<b>3 588 888</b>	<b>728 912</b>	<b>4 317 800</b>	<b>1 168 288</b>
Lands	2 504 959	432 600		2 937 559				2 937 559
Buildings	55 174 244	542	123 919	55 050 867	40 985 934	1 574 850	42 560 784	12 490 083
Office equipment	776 730	53 070	14 960	814 840	437 363	62 664	500 027	314 813
Transport material	3 523 921		277 836	3 246 085	2 219 922	122 195	2 342 117	903 968
Computer hardware	3 389 746	3 631 070		7 020 816	3 109 228	1 041 869	4 151 097	2 869 719
Reprography equipment	93 285	8 650		101 935	88 577	7 351	95 928	6 007
Cashier equipment	10 104 837	661 684	3 935	10 762 586	2 129 061	1 728 934	3 857 995	6 904 591
Fittings	2 214 537	119 138		2 333 675	1 152 855	210 610	1 363 465	970 210
Technical installations	6 664 649	1 702 600		8 367 249	2 522 154	783 725	3 305 879	5 061 370
Technical equipment	493 817	15 830		509 647	351 447	44 770	396 217	113 430
Works of art	654 766			654 766				654 766
Pending tangible fixed assets	3 609 177	1 111 745	3 620 574	1 100 348				1 100 348
<b>Tangible fixed assets</b>	<b>89 204 668</b>	<b>7 736 929</b>	<b>4 041 224</b>	<b>92 900 373</b>	<b>52 996 541</b>	<b>5 576 968</b>	<b>58 573 509</b>	<b>34 326 864</b>
<b>Total</b>	<b>94 499 559</b>	<b>8 616 699</b>	<b>4 729 797</b>	<b>98 386 461</b>	<b>56 585 429</b>	<b>6 305 880</b>	<b>62 891 309</b>	<b>35 495 152</b>



#### **NOTE 11 : MISCELLANEOUS DEBTORS**

The main entry under this heading is the outstanding balance of loans granted to Central Bank staff, financed from reserves for social fund (29.6 MTD vs. 27.3 MTD in 2012) as well as miscellaneous advances and payment on account granted to the staff.

#### **NOTE 12 : MEMORANDUM ACCOUNTS AND ACCOUNTS CALLING FOR ADJUSTMENT (ASSETS)**

This heading includes mainly proceeds to be received, and costs carried forward with respect to the programme for manufacturing banknotes and coins spread over 2013 and 2014. In fact, given the exceptional nature of this programme it has been decided to break down relative costs over three financial years as per the linear method.

This is broken down as follows :

(In dinar)		
	2013	2012
<b><u>MEMORANDUM ACCOUNTS AND ACCOUNTS CALLING FOR ADJUSTMENT (ASSETS)</u></b>	<b><u>140 193 467</u></b>	<b><u>90 037 348</u></b>
Proceeds to be received	99 109 684	81 184 973
Net costs carried forward	25 829 482	
Gross values	38 744 222	
(Proceedings)	(12 914 740)	
Foreign banknotes calling for adjustment	11 591 977	
Gold to be sold to jewellers	1 941 824	7 866 803
Other miscellaneous debtor accounts	1 720 500	985 572

#### **NOTE 13 : BANKNOTES AND COINS IN CIRCULATION**

Banknotes and coins in circulation increased by 451.3 MTD or 6.3% to 7,615.8 MTD, compared to 7,164.5 MTD in 2012. They are broken down as follows :

(In dinar)		
	2013	2012
<b><u>BANKNOTES AND COINS IN CIRCULATION</u></b>	<b><u>7 615 770 976</u></b>	<b><u>7 164 460 393</u></b>
Banknotes	7 341 025 430	6 899 849 450
Coins	274 745 546	264 610 943

#### **NOTE 14 : GOVERNMENT ACCOUNTS**

The main entries under this heading are the balance of the Treasury's current account (199 MTD), the balance of the Tunisian Government special accounts in foreign currency recording drawings on external loans and grants made to the State or public institutions with State guarantee (586.1 MTD), the outstanding balance of loans accounts labelled in dinars (63.5 MTD) and the outstanding balance of miscellaneous accounts (26.8 MTD) as well as the balances of other accounts relating to miscellaneous funds held by the Central Bank on behalf of the State, such as the Fund for Industrial Promotion and Decentralisation (*FOPRODI*) and the National Fund to Promote Handicrafts and Small Trades (*FONAPRA*).

(In dinar)

	2013	2012
<b>GOVERNMENT ACCOUNTS</b>	<b>888 107 923</b>	<b>2 696 730 743</b>
Tunisian Treasury current account	199 015 296	129 327 970
Tunisian Government special account in foreign currency	586 073 081	2 068 164 396
Tunisian Government grants accounts	2 222 018	1 855 499
FOPRODI	9 968 513	10 361 038
Tunisian Government – miscellaneous accounts	26 755 649	446 745 215
FONAPRA	582 741	2 290
Tunisian Government – loans accounts	63 490 625	40 274 335

***NOTE 15 : COMMITMENTS TOWARDS LENDING INSTITUTIONS RELATED TO MONETARY POLICY TRANSACTIONS***

This heading enters the BCT intervention operations on the money market in the form of liquidity tapping. The outstanding balance of these interventions came to 8 MTD as on 31 December 2013 compared to 988 MTD in 2012. This concerns particularly an outstanding tapping of liquidity in the form of 24-hour deposit facilities.

***NOTE 16 : ALLOCATIONS OF SPECIAL DRAWING RIGHTS***

This item includes the counterpart of the cumulated amounts of SDR allotted by the International Monetary Fund to Tunisia in its quality of member State. Coming to 272.8 million SDR<sup>1</sup> as at 31 December 2013, these allocations are to be returned to the International Monetary Fund if SDR are cancelled. Thus they constitute an open-ended commitment towards the International Monetary Fund.

***NOTE 17 : CURRENT ACCOUNTS IN DINARS OF FOREIGN INSTITUTIONS***

This heading posts the balances of accounts opened in dinars in the name of foreign institutions such as the International Monetary Fund, the World Bank, the African Development Bank, and the Arab Monetary Fund. The balance of International Monetary Fund account n°1 (799.1 MTD), including the amount of Tunisia's subscription in dinars to the capital of the Fund (559.2 MTD) and the amount of the first portion of the confirmation loan granted by the IMF (239.9 MTD) is the major component of this heading.

***NOTE 18 : COMMITMENTS IN FOREIGN CURRENCY TOWARDS TUNISIAN AUTHORIZED INTERMEDIARIES***

This heading includes the sight assets in foreign currency of authorised intermediaries (728.6 MTD) and the outstanding balance of borrowings by the Central Bank on the money market in foreign currency (2,387.1 MTD).

***NOTE 19 : FOREIGN ACCOUNTS IN FOREIGN CURRENCY***

This heading records the credit balance of accounts in foreign currency or convertible Tunisian dinars in the name of non resident banks or institutions.

***NOTE 20 : OTHER COMMITMENTS IN FOREIGN CURRENCY***

The amount under this heading represents the exchange value in dinars of forward commitment amounts in foreign currency of the Central Bank of Tunisia with respect to external borrowings or deposits.

<sup>1</sup> 1 SDR = 2.531606 TND as of 31/12/2013.

It is broken down as follows :

\* 50 million US dollar (82 MTD) representing deposit made by the Bank of Algeria at the Central Bank of Tunisia pursuant to the convention signed by the two central Banks on 28 April 2011,

\* 500 million US dollar (820.2 MTD) representing the deposit carried by Qatar National Bank at the Central Bank of Tunisia as per the convention concluded in this respect on 20 November 2013,

\* 300 million euro (678.7 MTD) representing the borrowing contracted with respect to NATIXIS on 28 June 2013,

\* 132.7 million SDR (336.1 MTD) representing overall loans contracted in 2012 and 2013 from the Arab Monetary Fund. This concerns 28.7 million SDR in automatic loan, 38.2 million SDR in offsetting credit and 65.8 million SDR in structural adjustment facilities.

#### **NOTE 21 : CURRENT COLLECTION OF VALUES**

The amount recorded under this heading represents the net credit balance of values collection accounts, notably drawn cheques and bills in favour of the Treasury as well as transfers made by the Bank's departments through electronic clearing system.

#### **NOTE 22 : DIFFERENCES ON CONVERSION AND REVALUATION**

This category includes the credit balance for the account «differences on conversion», representing accumulated net gains on revaluation of foreign currency accounts (976.5 MTD, 588.4 MTD of which carried forward from 2012 financial year) as well as net gains from revaluation at market price of gold ingots assets (255.7 MTD, of which 336.9 MTD reflecting the effect of accounting change in 2012, and 81.2 MTD in loss representing the difference between the value at market price of gold ingots as on 31 December 2012 and their value at market price on 31 December 2013).

#### **NOTE 23 : MISCELLANEOUS CREDITORS**

This heading includes mainly the deposit accounts of Bank staff, provisions constituted with respect to retirement benefits and leave allowance to be paid, withholding taxes due to the State, contributions for social coverage pending payment, the attachment orders on current accounts and other accounts in the name of national entities (independent high Commission for elections, the citizenship Fund, the national Committee for collection of fraudulent acquisition of goods existing abroad).

(In dinar)

	<b>2013</b>	<b>2012</b>
<b><u>MISCELLANEOUS CREDITORS</u></b>	<b><u>51 291 517</u></b>	<b><u>38 496 731</u></b>
Trust fund accounts (staff accounts, staff association account...)	12 490 295	11 397 857
Provision for retirement benefit	9 083 673	7 107 506
Provision for leave to be paid	5 847 736	6 071 157
Withholding tax, VAT collected and other taxes and levies due to the State	1 757 250	1 519 102
Contributions with respect to social coverage – suspense account	1 855 181	1 554 248
Suppliers	2 873 774	
Other miscellaneous creditors	17 383 608	10 846 861
<i>of which :</i>		
<i>Attachment orders</i>	16 521 556	9 425 950

Worth of note that an amount of provision worth 0.2 MTD was recovered with respect to leaves to be paid following data updating with respect to this provision determination.

**NOTE 24 : PROVISIONS FOR COSTS TO MANUFACTURE BANKNOTES AND COINS**

The amount under this heading (15.5 MTD) represents the remainder of provision worth 28.4 MTD allotted in 2012 to cover part of costs for manufacturing of banknotes and coins in the framework of the manufacturing programme in current implementation, to be spread over 2013 and 2014. In considering the decision to break down costs inherent to this programme over three years, a recovery of provision worth 12.9 MTD was carried to cover costs of the same amount as of 2013.

**NOTE 25 : MEMORANDUM ACCOUNTS AND ACCOUNTS CALLING FOR ADJUSTMENT (LIABILITIES)**

This heading shows mainly credit amounts pending settlement, costs to be paid, proceeds paid in advance, and the counterpart of the IMF's reserve position.

(In dinar)

	2013	2012
<b>MEMORANDUM ACCOUNTS AND ACCOUNTS CALLING FOR ADJUSTMENT (LIABILITIES)</b>	<b>1 043 504 359</b>	<b>2 178 384 803</b>
Counterpart of the IMF reserve position	136 604 684	134 234 666
Foreign currency pending assignment	884 058 999	2 023 739 807
<i>of which : income from privatisation of Tunisie Telecom</i>	<i>872 041 329</i>	<i>1 989 733 513</i>
Costs to be paid and miscellaneous proceeds paid in advance	8 018 062	6 768 818
Expenditure to be paid for specific and exceptional purposes	2 428 733	1 962 531
Staff costs to be paid	9 625 390	9 450 033
Other memorandum and adjustment accounts	2 768 491	2 228 948

**NOTE 26 : EQUITY**

Equity prior to the appropriation of 2013 result came to 303.6 MTD as at 31 December 2013, compared to 322.1 MTD on 31 December 2012, a decrease by 18.5 MTD. Breakdown is as follows :

(In dinar)

	2013	2012
Capital	6 000 000	6 000 000
Reserves	110 751 542	100 503 768
<i>Legal reserve</i>	<i>3 000 000</i>	<i>3 000 000</i>
<i>Special reserve</i>	<i>76 894 667</i>	<i>67 994 667</i>
<i>Social fund reserve</i>	<i>30 856 875</i>	<i>29 509 101</i>
Other equity	2 588	612
Results carried forward	76 043	662 643
<b>Total equity prior to financial year results</b>	<b>116 830 173</b>	<b>107 167 023</b>
Financial year results	186 759 530	214 913 401
<b>TOTAL EQUITY PRIOR TO APPROPRIATION</b>	<b>303 589 703</b>	<b>322 080 424</b>

**NOTE 27 : OFF BALANCE SHEET COMMITMENTS**

The statement of off balance sheet commitments includes :

**- Guarantee commitments**

This concerns the debenture loans issued by the Central Bank of Tunisia on behalf of the Tunisian Government on foreign financial markets and external borrowings by the State in the framework of bilateral economic cooperation. These borrowings are managed by the Central Bank on behalf of the State against signature of commitments to the foreign party (foreign bank or financial

institution) for settlement of relevant payments due. This also includes external borrowings contracted by the BCT and retroceded to Tunisian Authorised Intermediaries (particularly loans from the Programme to Finance Inter Arab Trade).

Amounts in this statement represent the outstanding balance in principal and interest with respect to the above-mentioned borrowings.

These commitments are in fact considered to be surety bonds (off balance sheet), in accordance with the accounting convention «pre-eminence of content over form». The Central Bank's financial commitments from the above mentioned borrowings mean a similar commitment on the part of the State for repayment of all scheduled amounts as well as settlement of all related financial costs.

*- Guarantee received as a counterpart of interventions on the money market*

This involves guarantees received as a counterpart of liquidity injection. On 31 December 2013, they totalled 3,668 MTD and were broken down into bonds equivalent to Treasury bonds and current claims amounting to 1,561 MTD and 2,106.5 MTD.

**NOTE 28 : OTHER PROCEEDS ON FOREIGN CURRENCY TRANSACTIONS**

This includes mainly commissions on foreign exchange transactions (19.6 MTD), arising from the margin applied on the rate of currencies in sale as well as gains of exchange on current operations (12.4 MTD).

**NOTE 29 : MISCELLANEOUS PROCEEDS**

(In dinar)		
	2013	2012
<b><u>MISCELLANEOUS PROCEEDS</u></b>	<b><u>3 287 377</u></b>	<b><u>3 211 552</u></b>
Proceeds on unused budget allocations	542 537	946 189
Commissions on sale of gold to jewellers	102	60 517
Cost recovery	309 543	420 537
Recovery of complementary retirement pensions for seconded staff	150 802	194 823
Income from shareholding securities	1 430 470	1 079 858
Proceeds from services related to transfer of gross amounts	270 607	261 052
Net proceeds on fixed asset transfers	161 795	130 720
Other proceeds	421 521	117 856

**NOTE 30 : INTEREST PAID ON TRANSACTIONS IN FOREIGN CURRENCY**

Interest paid on transactions in foreign currency came to 4.6 MTD as at 31 December 2013 compared to 6.9 MTD as at 31 December 2012, going down by 2.3 MTD due to interest cost tightening with respect to intervention on the money market in foreign currency, partially absorbed by interests paid with respect to the borrowing contracted from NATIXIS.

(In dinar)		
	2013	2012
<b><u>INTEREST PAID ON TRANSACTIONS IN FOREIGN CURRENCY</u></b>	<b><u>4 585 336</u></b>	<b><u>6 886 342</u></b>
Interest on money market intervention in foreign currency	2 201 250	6 858 748
Interest on foreign currency borrowings	2 316 974	-
Interest on sight overdrafts in foreign currency	67 112	27 594

**NOTE 31 : OTHER COSTS ON TRANSACTIONS IN FOREIGN CURRENCY**

This heading includes mainly costs relating to extension of the premium on securities in foreign currency (114.2 MTD).

**NOTE 32 : STAFF COSTS**

This heading came, as of 31 December 2013 to 62.4 MTD compared to 67.1 MTD as on 31 December 2012, down by 4.7 MTD due notably to the fact that 2012 has recorded 6.1 MTD in costs with respect to allotment to provisions for leaves to be paid, in adjustment of previous years, while in 2013, there was a recovery of provisions in this respect.

	(In dinar)	
	2013	2012
<b>STAFF COSTS</b>	<b>62 416 065</b>	<b>67 120 592</b>
Salaries, salaries supplement and related costs	24 404 717	30 205 976
Bonuses	13 518 252	12 558 703
Social costs	21 658 331	19 622 638
<i>of which : complementary retirement pensions</i>	<i>11 006 431</i>	<i>9 628 500</i>
Allotment to provisions for retirement leave	1 976 167	4 107 506
Costs of staff training	482 598	265 769
Levies, taxes and equivalent payments on remuneration	376 000	360 000

Worth of note that complementary retirement pensions are entered in cost when paying them to retired agents.

**NOTE 33 : GENERAL OPERATING COSTS**

General operating costs totalled 13.8 MTD as at 31 December 2013 compared to 12.1 MTD on 31 December 2012. They are broken down as follows :

	(In dinar)	
	2013	2012
<b>GENERAL OPERATING COSTS</b>	<b>13 802 462</b>	<b>12 050 700</b>
<b>Purchases</b>	<b>2 539 699</b>	<b>2 300 312</b>
Consummate purchases : consumables and stationery	2 525 444	2 295 494
Small tools purchases	14 255	4 818
<b>External services</b>	<b>5 909 023</b>	<b>5 606 239</b>
General subcontracting	19 419	16 544
Maintenance, repair and maintenance contracts	2 443 183	1 977 017
Insurance premium	999 334	1 362 336
Transport and customs clearance of foreign banknotes costs	407 471	640 893
Post office and telecommunications costs	1 331 873	1 263 491
Miscellaneous costs	707 743	345 958
<b>Miscellaneous ordinary costs</b>	<b>5 323 764</b>	<b>4 127 010</b>
<b>Levies, taxes and equivalent payments other than on remunerations</b>	<b>29 976</b>	<b>17 139</b>



**AUDITORS' REPORT  
ON THE FINANCIAL STATEMENTS  
AS AT 31 DECEMBER 2013**

**To the Chairman of the Executive Board of the Central Bank of Tunisia**

In compliance with the assignment confided to us, we have controlled the Central Bank of Tunisia's financial statements including the balance sheet and the statement of off balance sheet commitments as at 31 December 2013 as well as the statement of the results for the period then ended and a summary of main accounting methods and other explanatory notices.

The Bank's Executive Board has finalised the annual accounts and our responsibility is to give an opinion on these accounts based on our audit.

Our control was carried out in accordance with provisions of article 29 of law n°58-90 of 19 September 1958 governing the founding and organisation of the Central Bank of Tunisia, as amended by law n°2006-26 of 15 May 2006, and with professional standards applicable in Tunisia. These standards require that we comply with ethical rules and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting methods used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the enclosed financial statements give a true and fair view of the financial position of the Central Bank of Tunisia as at 31 December 2013 and the results of its operations for the year then ended in accordance with the generally accepted accounting principles in Tunisia, taking into account the specific nature of the Central Bank's activities.

24 February 2014

**Mourad GUELLATY Accountancy Firm**

*Mourad GUELLATY*



**C M C Accountancy Firm**

*Chérif BEN ZINA*





## **BREAKDOWN OF RESULTS FOR 2013**

In compliance with the terms of article 68 of law n°58-90 dated 19 September 1958 governing the founding and organisation of the Central Bank of Tunisia, the Bank's Executive Board at its meeting on 26 February 2014 approved breakdown of 2013 results as follows (Amounts in TND):

<b>Results for the year</b>	<b>186,759,530</b>
<b>Results carried forward from previous financial years</b>	<b>76,043</b>
<b>Results to be broken down</b>	<b>186,835,573</b>
Results carried forward	35,573
Share due to the State	186,800,000