

Tunisia

Economic growth is expected to slow to 1.1% in 2011 (from 3.7% in 2010) because of the country's political revolution.

The root causes of the uprising -- regional economic disparities and high unemployment among school-leavers and college graduates -- will have to be quickly tackled by the new government.

Partners for Tunisia's emerging economy are still few but are investing more and more in the phosphate industry.

When a young man died after setting fire to himself in the town of Sidi Bouzid, 265 kilometers from Tunis, in mid-December, students, young people and others took to the streets to protest against unemployment and the high cost of living. Unrest and clashes with police and troops spread to other parts of Tunisia, including Jendouba, Kasserine, Le Kef and Gafsa, and then to big cities and the capital. President Zine El Abidine Ben Ali and his aides fled into exile in Saudi Arabia on 14 January 2011, ending his 23-year rule. The shock-wave of the revolution was felt in neighbouring countries. It also shook Tunisia's economic, social and political stability and sharply changed prospects for the future.

Budget and current deficits are expected to increase, due to the revolution's effect on tourism and foreign investment. Hopes for recovery are good thanks to sound macroeconomic policy in recent years. Corrective measures were taken early in the 2008/09 world economic crisis but growth should slow sharply to 1.1% in 2011, down from 3.7% in 2010 and 3% in 2009.

The interim government must organise the election of a constituent assembly in July 2011, but also end corruption and bad governance, restore the economy and meet numerous social demands. A return to normality and economic prospects for 2012 depend on how these challenges are met. The government will have to keep subsidies for staple products and energy to avoid unrest. It will also have to create jobs, both in the civil service and through public investment. Higher spending will increase the budget deficit to 5.2% of gross domestic product (GDP) in 2011 and 4.8% in 2012, up from a moderate 2.7% in 2009 and 2.6% in 2010. Inflation (4.4% in 2010) has already exceeded the 3% target for 2011 and should reach 4.7%. The external account will be affected by a drop in tourist revenue and bigger trade deficit. The current deficit is expected to rise substantially to 7.6% of GDP in 2011, from 4.7% in 2010 and 2.8% in 2009.

Tunisia has privileged ties with the European Union (EU) and is close to Arab League and North African countries through several free-trade agreements. Partners among the new economic powers are still few despite the attractive phosphate industry. Oil exploration and increasing mineral output should keep total exports at about a third of GDP. Nearly all the 18 targets under the Millennium Development Goals (MDGs) have been achieved, but more must be done to reach the goal of developing "strategies for decent and productive work for youth." Unemployment of qualified school-leavers and college graduates, as well as sharp economic disparities between the tourist-dominated coastal areas and the interior of the country, set off the uprising. Authorities have long recognised these problems but reforms have not sufficiently boosted competitiveness and employment. The country has made little progress with reforms, moving with a caution often criticised by international financial institutions. This hesitance increased during the world financial crisis. The revolution is therefore a new chance to speed up reform and improve governance, competitiveness and respect for human rights.

Table 1: Macroeconomic indicators

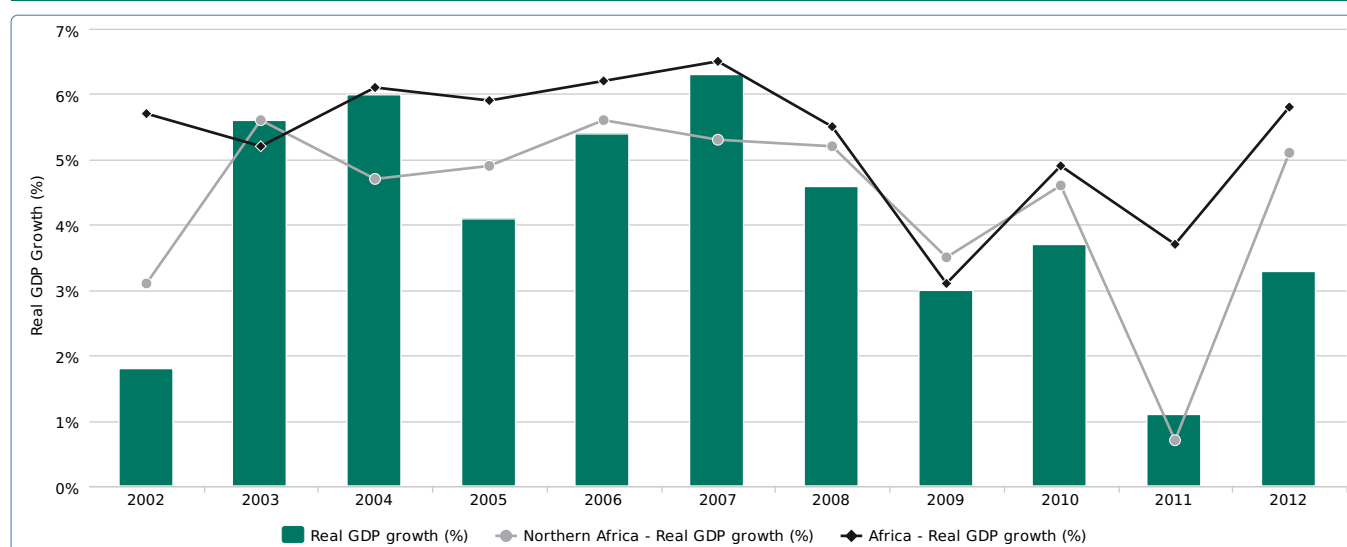
	2009	2010	2011	2012
Real GDP growth	3	3.7	1.1	3.3
CPI inflation	3.5	4.4	4.7	4.6
Budget balance % GDP	-2.7	-2.6	-5.2	-4.8
Current account % GDP	-2.8	-4.7	-7.6	-5.6

Source: National authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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Figure 1: Real GDP growth (N)



Source: IMF and local authorities' data; estimates and projections based on authors' calculations.

Figures for 2010 are estimates; for 2011 and later are projections.

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