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Thoughts from a Renaissance man

Tunisia: Outperforming in the 2020s

We think Tunisia should be a winner in the 2020s, thanks to good literacy and infrastructure, as well as recent FX-driven competitiveness gains.

The TND is the cheapest currency in Africa or Frontier markets, according to our REER model

The Tunisian dinar (TND) this year became the cheapest currency of all the Frontier or African economies in our real effective exchange rate (REER) model. Unlike for some volatile currencies, this is an exceptional occurrence. The TND has only been more than 20% cheap vs fair value of TND1.9/$ in just 3% of the months since 1995. Its current level is contributing to a big shift in competitiveness. Already at the average exchange rate for 2017, the minimum wage in euro terms has fallen by 13% since 2012, a deeper fall than Greek hourly labour costs over 2012-2016. The minimum wage is now roughly half the level of that in Morocco – which itself has a fairly valued currency based on our REER model.

Tunisia has become increasingly competitive within North Africa and vis-à-vis Emerging Europe

This big improvement in competitiveness is against a positive backdrop for literacy, electricity and infrastructure that we think should make Tunisia one of the next decade's winners in Africa and Frontier markets. In terms of literacy, Tunisia is a decade ahead of Egypt and 15 years ahead of Morocco. As early as a generation ago it reached the threshold at which we calculate manufacturing can exceed 20% of GDP. Industry requires energy, so it is encouraging that electricity output per capita was 63% above that in Morocco in 2015, 10x that of Nigeria and 17x that of Ethiopia. Meanwhile, as we wrote last year, emerging Europe has run out of labour, which is driving labour costs much higher even as Tunisia's costs fall. With an employment rate of just 44% (2013) against 68% in Bulgaria (2016) or 77% in the Czech Republic, there is plenty of room for Tunisian women and men to enter the formal workforce and provide the supply of labour that foreign industry may seek. We think FDI flows will look with increasing interest at North Africa and Turkey as springboards to sell into the EU, and Tunisia should be a big beneficiary in the 2020s. The EU is keen to foster stability in North Africa and began talks in 2015 with Tunisia on a comprehensive free trade agreement. This will cover agriculture as well as the manufacturing exports Tunisia already produces (over 50% of exports go to France and Italy).

We forecast that 2017 was the worst year for the C/A

A currency does not get this cheap without reason. The first years after the Arab Spring saw inexperienced governments, faced with unstable neighbours, a restive electorate and weak export markets, choose to boost public spending, and particularly wages, rather than risk embarking on radical economic reforms. This worsened public finances, perhaps crowded out private investment, and maintained sluggish growth but at the expense of a current account (C/A) deficit that probably reached 10% of GDP in 2017. Change is now under way. More technocratic governments have in the past two years pushed some reform, let the currency take the strain resulting from the twin deficits, and shown resolve this month when protests began against price rises and stubbornly high unemployment. The IMF and international community remain engaged, having promised $3.3-3.5bn annually to Tunisia through to 2021.

Eurobonds appear to offer value, as will local assets when the TND has stabilised

Tunisia's eurobonds trade at wider spreads vs lower-rated credits in Africa, which we think is only justified if growth continues to be around 2% or less and if 2019 elections produce a very negative surprise. That is not our base case. Given supportive market conditions at present, we expect a tightening of bond spreads relative to Egypt. For local assets (TND bonds and equities), we think investors will wait for data that show the currency has stabilised.

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In 2018, for the first time, Tunisia became the cheapest Frontier or African currency in our REER model – the spot rate is around 25% cheaper than long-term fair value[1]. on this metric, it is the cheapest currency in Frontier and Africa.

Figure 1: Frontier currencies

	Current FX rate vs $	FX rate implied by long-term average REER	FX rate if REER falls to previous lows	Date of REER low	Long-term average divided by current rate	IMF 2017E C/A (% GDP)	IMF 2018E C/A (% GDP)	Standard deviations away from historical average	Yvonne's avg REER estimate	RenCap YE18 forecast	One-year local currency yields
Kenya	102	159	298	Jul-95	1.56	-6.1	-7.0	1.0	124	113	11.1
Argentina*	19.3	29.9	65.4	Mar-02	1.55	-3.6	-3.7	1.0			22.4
Vietnam	22,693	28,925	36,655	Jan-04	1.27	1.3	1.4	1.0			3.1
Bangladesh	83.1	105	128	Dec-06	1.26	-0.7	-1.3	2.0			4.3
Estonia	0.81	1.00	1.64	Jan-95	1.23	1.8	1.4	1.0			na
Kuwait	0.30	0.37	0.45	Jun-95	1.23	-0.6	-1.4	2.0			2.5
Lithuania	0.81	0.99	1.92	Apr-95	1.22	-1.6	-1.4	1.0			-0.1
Lebanon	1,512	1,772	3,161	Dec-92	1.17	-18.0	-16.8	1.0			5.1
Mauritius	32.7	37.9	44.0	Dec-06	1.16	-5.8	-6.2	2.0			2.5
Jordan	0.71	0.82	1.01	Sep-95	1.15	-8.4	-8.3	1.0			7.1
Sri Lanka	154	175	220	Feb-04	1.14	-2.5	-2.3	0.0			8.8
Romania	3.79	4.20	8.84	Feb-97	1.11	-3.0	-2.9	0.0			2.0
Oman	0.38	0.42	0.49	Nov-07	1.11	-14.3	-13.2	1.0			2.9
Nigeria	360	385	867	Apr-95	1.07	1.9	1.0	0.0	313	373	16.3
Croatia	6.03	6.41	7.17	May-00	1.06	3.8	3.0	1.0			0.2
Slovenia	0.81	0.85	0.92	Aug-97	1.05	5.0	4.9	1.0			-0.4
Ivory Coast	559	575	668	Aug-97	1.03	-2.9	-2.8	0.0	561		5.7
Bahrain	0.38	0.39	0.47	Jun-11	1.03	-4.6	-4.2	0.0			3.3
Serbia	96.3	96.1	163	Feb-01	1.00	-4.0	-3.9	0.0			na
Morocco	9.19	9.08	9.68	Aug-12	0.99	-4.0	-2.9	0.0			2.4
Senegal	559	526	581	Nov-00	0.94	-5.1	-5.2	-1.0	561		5.5
Kazakhstan	321	279	364	Jan-16	0.87	-5.3	-3.8	-1.0		345	5.1
Tunisia	2.43	1.88	2.49	Nov-17	0.77	-8.7	-8.4	-1.0			5.8

Note: Govt bonds/bills except: Morocco, Kenya, Senegal, Tunisia, Mauritius, Ivory Coast, Georgia, Azerbaijan, Belarus, Saudi Arabia (auction yields); Oman, Bahrain, Jordan (interbank rates); Kazakhstan (12M NDF implied yield).
*Argentina's inflation data were unreliable for 2007-2015 - we have constructed a REER series using 'shadow' inflation data.

Source: Bruegel, IMF, Bloomberg, Renaissance Capital

This degree of undervaluation is very rare for Tunisia.

Figure 2: How often have currencies been over-, under- or fairly valued since 1995? (shaded cells show current valuation level)

	More than 20% undervalued	5-20% undervalued	Fair value	5-20% overvalued	More than 20% overvalued
Kenya	44%	7%	6%	14%	**29%**
Argentina*	28%	10%	31%	8%	**24%**
Vietnam	1%	51%	21%	13%	**14%**
Bangladesh	0%	40%	38%	9%	**12%**
Estonia	12%	25%	18%	45%	**0%**
Kuwait	0%	36%	38%	20%	**6%**
Lithuania	13%	12%	31%	44%	**0%**
Lebanon	16%	16%	28%	**36%**	4%
Mauritius	0%	25%	48%	**27%**	0%
Jordan	0%	31%	43%	**25%**	2%
Sri Lanka	0%	52%	5%	**37%**	5%
Romania	14%	28%	2%	**48%**	8%
Oman	0%	34%	36%	**30%**	0%
Nigeria	28%	17%	15%	**20%**	21%
Croatia	0%	20%	66%	**14%**	0%
Slovenia	0%	12%	**81%**	7%	0%
Ivory Coast	0%	30%	**48%**	22%	0%
Bahrain	0%	38%	**29%**	32%	0%
Serbia	8%	51%	**21%**	10%	10%
Morocco	0%	4%	**91%**	5%	0%
Senegal	0%	**17%**	69%	14%	0%
Kazakhstan	3%	**38%**	19%	37%	4%
Tunisia	**3%**	45%	13%	39%	0%

Source: Bruegel, Bloomberg, Renaissance Capital

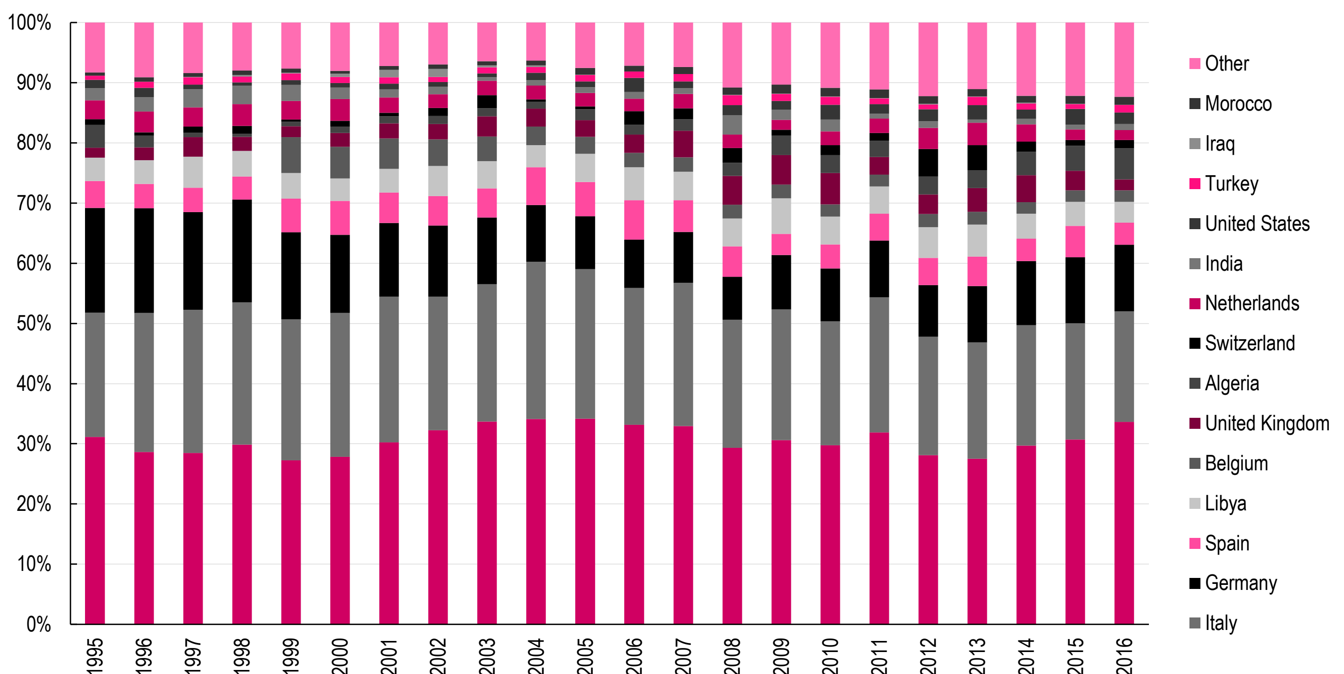
[1] See *Thoughts from a Renaissance Man: Weaker dollar improves EM/Frontier FX fair values*, 4 January 2018.

In addition to what we see as the TND's current attractive FX valuation, we also highlight our July 2017[2] and October 2017[3] work on literacy, which suggests that Tunisia has the human capital to help it become one of the most successful economies in Africa. This in turn followed from our work on Central European demographics and wages, which also suggested that Tunisia will be one of the main long-term beneficiaries of shrinking workforces in the EU[4]. See the Appendix pages for more on this.

Clearly it was time to get on the plane and do some more focused research, despite headlines in the days ahead of the trip suggesting Tunisia was melting down into a new Arab Spring. The day before we arrived, the prime minister criticised the behaviour of protestors and made modest concessions to alleviate the pain felt by those hit by price rises. Despite considerable searching, we could find only a handful of peaceful protestors (teaching graduates seeking employment by the government). We were told protestors lost sympathy when they burned cars in the evening, rather than protesting during the day, and did not attract widespread support from a population that is keen for stability.

Our first impressions were that Tunisia has decided to bite a fiscal bullet, and the government is now strong enough to stick to these plans despite: 1) protests; and 2) local elections in May 2018 and parliamentary and presidential elections in 2019. We found this already very encouraging. At the same time the authorities have allowed the currency to weaken substantially. Taken together, fiscal restraint and a very competitive currency should improve the C/A on the import and export side, even as a stronger eurozone has already improved the export outlook (67% of 2016 exports went to the eurozone, and roughly 35% to France alone). French purchasing managers' index (PMI) figures are the highest since 2000. Tourism has also recovered most of its post-2015 losses – there were queues at passport control last week.

Figure 3: Tunisia's exports markets since 1995 – France and Italy account for half its exports



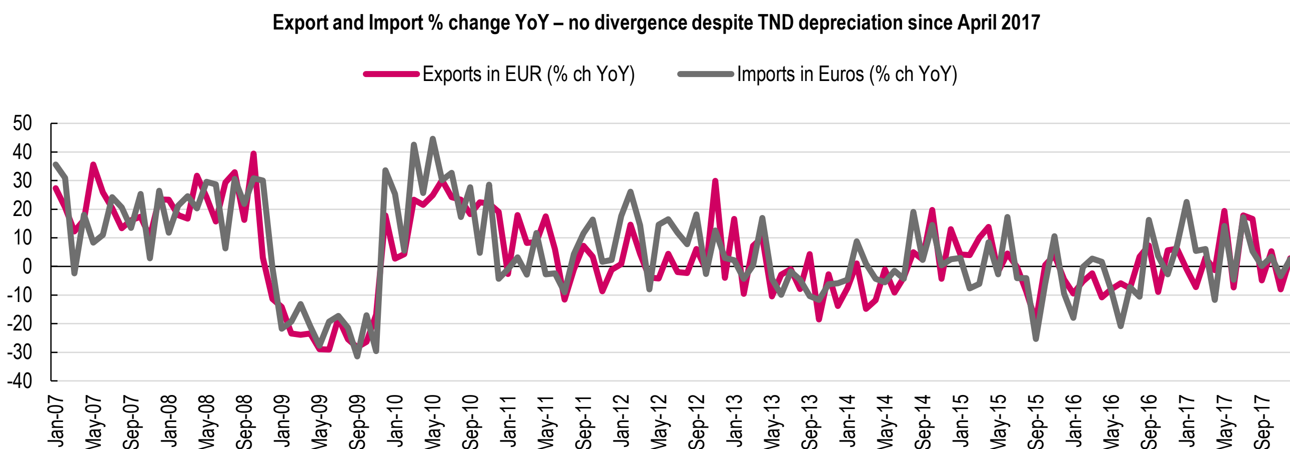
Source: UNCTAD

[2] See *Thoughts from a Renaissance Man: Literacy, development and industrialisation*, 27 July 2017.
[3] See *Thoughts from a Renaissance Man: No Take Off without Education*, 27 October 2017.
[4] See *Thoughts from a Renaissance Man: CE3 demographics to create MENA jobs*, 29 June 2017.

A rebalanced economy, with cheap wages and good human capital, should (we thought) attract more FDI, which will help Tunisia return to the high-growth period before the global financial crisis (GFC) and the Arab Spring. However, we did explain our view in all meetings that foreign manufacturers will want to see two years of political and social stability before investing in new factories that will be in place for a decade or more. Given January's protests, this two-year lag suggests FDI will only pour in from 2020 onwards. That may well coincide with a time when Central Europe has become much more expensive and spare capacity in the European economy has been cut significantly. Tunisia's boom-time may be a 2020s story.

This is what *should* happen, but so far data are not supporting our view. Most obviously, there is no sign that export growth is outpacing import growth, even in the most recent (December 2017) trade figures, despite the currency moving sharply weaker since April 2017. Even with a YoY depreciation of over 20% against the euro, exports and imports both rose in TND terms by around 25% in December. The trade deficit widened in TND, and in euros was flat.

Figure 4: Tunisia's export and imports since 2007 – % change



Source: Tunisian National Institute of Statistics (INS); Bloomberg; Renaissance Capital

As Tunisia's C/A deficit was probably around 10% of GDP in 2017, we need to see evidence of a rapidly shrinking trade deficit before we can confidently forecast stabilisation of the TND (Egyptian-style), let alone appreciation. Our main caveat is that a number of Tunisian officials agree that TND3/EUR is already very cheap. Helped perhaps by dollar weakness, the currency has in fact been stable at this level for two months already. It may be that currency stability has already started, before underlying trade data can explain it. At present we remain cautious on the TND outlook.

One potential trade that caught our eye was investment in local-currency bonds. At around 7.6% yield for 10-years, some adventurous funds might take up the 20% allocation offered to foreigners at the monthly auction, which often ranges from TND100mn to TND200mn (so $8-16mn of a $40-80mn issue size). A 25% undervalued currency that rebounds even just a few percentage points would offer double-digit returns. Admittedly, with the secondary market on the stock exchange limited to less than TND50mn ($21mn) over 12 months, there would be no easy way to monetise any gains. The only other option to sell your position would be to access the TND3.5bn ($1.4bn) in bilateral trade by selling to local banks directly – and good luck with that.

If the currency is not about to stabilise or rebound, then inflation is likely to continue rising, prompting more rate hikes from the Central Bank of Tunisia (Banque Centrale de Tunisie;

BCT). For both reasons (FX losses and rate hikes), foreign investors might choose to wait before considering an investment in local bonds.

Meanwhile, growth is unlikely to exceed the IMF's GDP forecast of 3% in 2018, if we do not get the strong acceleration from 3% export growth (in euro terms) that we calculate for 2017. Indeed, one economist we spoke to suggested GDP growth above 2% will be hard to achieve. Fiscal restraint and interest rate hikes are already headwinds in the short term. Hefty currency depreciation will also likely hurt growth in 2018, as imports become more expensive and domestic demand reacts negatively.

So the question we are left trying to answer is why is the economy not reacting more positively to the currency fall? Are deep-rooted structural factors to blame? Or are we just a little impatient and the turnaround is about to begin?

The positive backdrop for Tunisia

Let us start with what we like in Tunisia. We are not fans of political longevity, but there is a positive case to be made for President Habib Bourguiba. In one meeting, he was compared to Ataturk in Turkey. Just one year after independence in 1956 he was appointed president and eventually became 'president for life' before being overthrown after 30 years in 1987. He believed education was vital for Tunisia, and during his rule doubled the literacy rate from 25% in 1956 to around 50% by 1987. That was insufficient to allow industrialisation but paved the way for Tunisia to reach the 70-80% threshold range where we calculate industrialisation can happen. The literacy rate exceeded 74% in 2000. This was 15 years ahead of Morocco, which only reached 72% literacy in 2015, and a decade ahead of Egypt.

Figure 5: Tunisia's literacy is 15 years ahead of Morocco, 10 years ahead of Egypt

	1897-1914	1920-1940	1943-1952	1956	1975-1979	1980-1984	1985-1989	1990-1994	1995-1999	2000-2004	2005-2009	2010-2014	2015
MSCI MENA													
Egypt	7	14	20		38		44		56		69	74	76
Iran			11		37		52	66	73	77	83	84	87
Iraq			13							74		80	80
Kuwait			18		60	68	74		78		94	96	96
Lebanon			48								90		94
Morocco			13			30		42		52	56	67	72
Saudi Arabia			3					71		81		94	95
Tunisia			**18**	**25**		**48**		**59**		**74**	**77**	**80**	**81**
UAE			3		54		71				90		93
MSCI Frontier Africa													
Ivory Coast			3				34		36	49		41	43
Kenya			23							82	72		78
Mauritius			52					80		84		91	91
Nigeria			12					55		55	51		60
Senegal			3				27			39	46	47	56

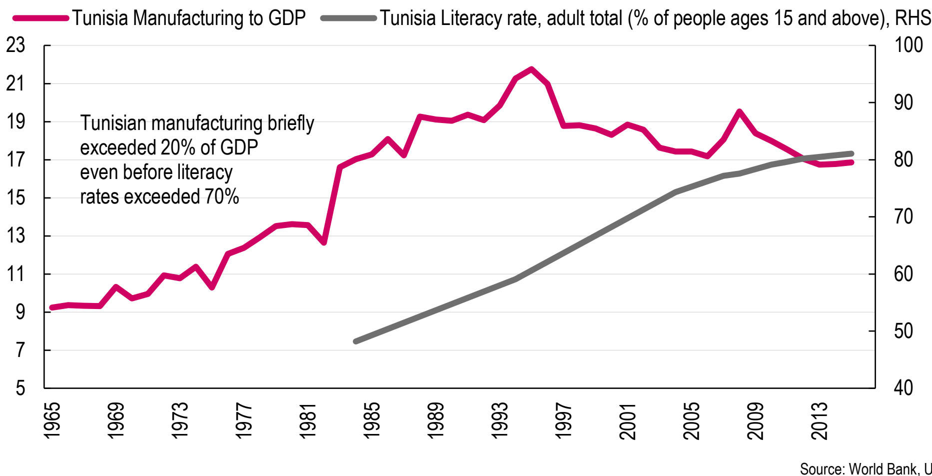
Source: UN, *Tunisia, the Vicissitudes of Economic Development* by Allan Findlay

He helped Tunisia become a regional leader on women's rights. We think this is important, because it means the country can boost the employment ratio (getting above 50% isn't possible if women can't join the labour market). This could increase the labour supply significantly, and that makes Tunisia more attractive as a destination for FDI because it will help to keep wages at a competitive level. This should help both men and women get better-paid jobs created by foreign direct investors (mostly men first, women later).

Bourguiba believed in export-orientated industrialisation. It is a model we have seen work in Asian economies of all sizes, from Singapore to China. It fits with the theories of Paul

Collier and others, who argue that firms exposed to international competition will be forced to keep improving competitiveness, and who suggest this is a better model for long-term growth than the Brazilian/Nigerian import substitution model. Both Bourguiba and his successor Ben Ali helped to develop Tunisia's industrial base, such that manufacturing became significant for the economy. That in turn helped Tunisia to become the richest non-oil economy in North Africa, and therefore the most likely to democratise.

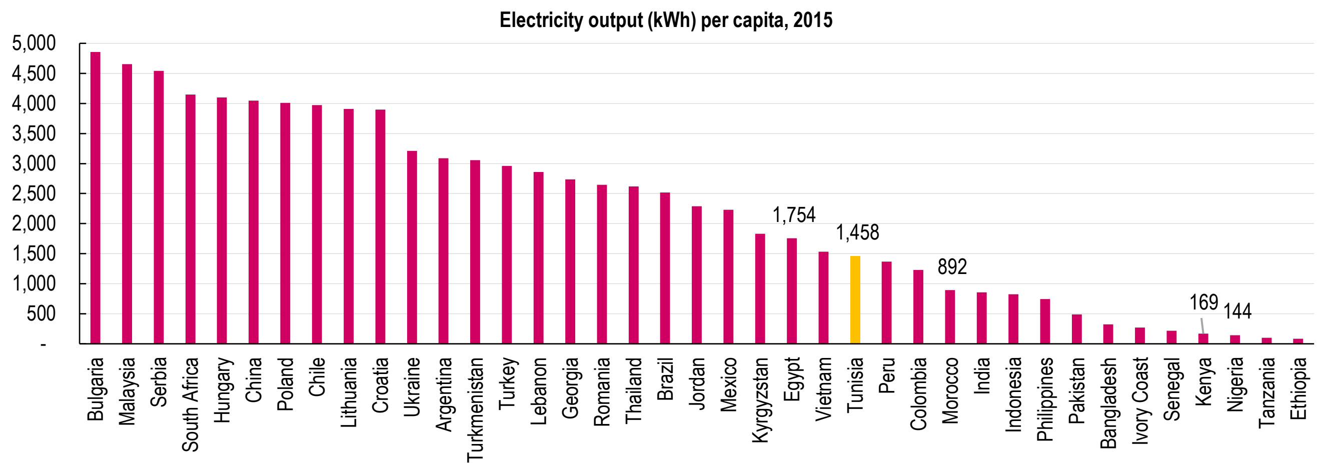
Figure 6: Tunisia's manufacturing sector is now around 17% of GDP; industry (including mining) is around 28%



Source: World Bank, UN

Tunisia has also built the electricity capacity the country needs to sustain an industrial base. The latest International Energy Agency (IEA) data show it has 10x the electricity per capita of Nigeria does, 17x that of Ethiopia, and is more than 63% above Moroccan levels too.

Figure 7: Electricity output per person in 2015, in EM, Frontier and Beyond Frontier excluding countries above 5,000 kwh



Source: IEA

When democratisation did occur in 2011, the West fell over itself in effusive promises of support for Tunisia. The country already had a free trade area with the EU, since 2008. The G8 promised $20bn to Tunisia and Egypt from the World Bank, the IMF and the European Bank for Reconstruction and Development (EBRD), which, even if one-quarter had reached Tunisia, would have been worth over 10% of GDP. Tunisia hoped this would support a good growth rebound of 4.5% in 2012 and also 4.5% in 2013. Neither was achieved. In 2015, the EU launched talks on a Deep and Comprehensive Free Trade Area, which would broaden free trade to agriculture (e.g. helping to boost Tunisia's

exports of olive oil) as well as addressing technical barriers to trade. In 2016, $17.5bn (nearly 40% of GDP) was promised to Tunisia at its investment conference. Yet growth has consistently disappointed, despite the positive structural backdrop we outlined above and this show of international support.

Figure 8: Pledged at the Tunisia 2020 Conference, $mn

		2017	2018	2019	2020	2021	Total
Grants	Saudi Arabia	100					100
	Switzerland		110				110
Budgetary / CBT loans	African Development Bank	616	343	476	332	332	2,099
	Kuwait						500
	World Bank	810	750	1,000	1,000	1,000	4,560
	EU		213				213
Project loans/FDI/Private loans	Agence Francaise de Développement (AFD)						266
	Saudi Arabia	125	100	125	100	125	575
	Germany (KfW)						431
	Italy						595
	Turkey						100
	Arab Fund for Economic and Social Development						1,500
	Canada	24					24
	FADES	300	300	300	300	300	1,500
	EIB						2,657
	IFC						300
	EBRD						669
	Qatar	1,050	50	50	50	50	1,250
Conference pledge grand total		3,499	3,389	3,449	3,305	3,305	17,449

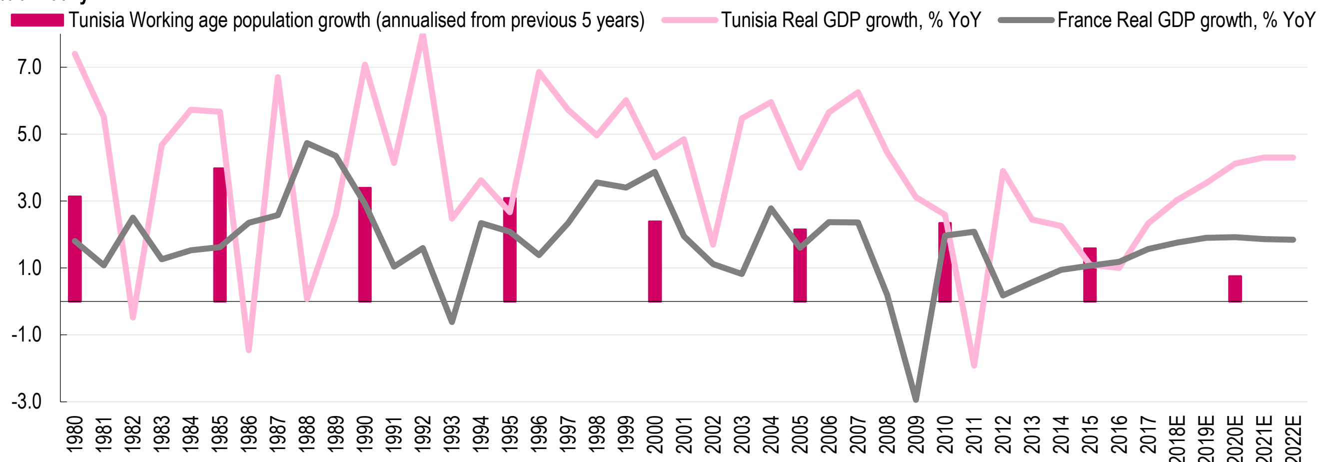
Source: IMF

What went wrong?

There is today a considerable amount of pessimism in Tunisia. It reminds us of Romania (and others, e.g. Croatia, Bulgaria, Serbia, Slovenia, etc.) over 2011-2015. After a major shock and weak growth for a number of years, it is no surprise that local sentiment begins to assume this is the ‘new normal’. Reforms are criticised as inadequate, politicians are accused of failing to provide leadership. Confidence is low. But at least the 2011-2015 period saw countries in Emerging Europe improve their current accounts and stabilise their domestic finances. In Tunisia’s case, both have worsened considerably. What has gone wrong?

One overlooked factor is demographics. The rolling five-year GDP growth rate was 1.2 ppts above the working age population growth rate in 1985-2015. This does conceal a broad range of outcomes, from 0.4 ppt below population growth in 1985-1990 (when Bourgiba was overthrown) to 3.2 ppts above it during 1995-2000. This implies that against a population growth rate of about 1.3% over 2013-2017, Tunisian average real GDP growth should only have been 2.5% annually (within a 2.1-5.7% range). The IMF estimates it was 1.8%, so it has underperformed. Today, then, 2.5% growth can arguably be seen as a trend growth rate (with the important caveat that a rising employment ratio could offset demographic stagnation – see the Appendix below).

Figure 9: When Tunisia's working age population was growing at 4% annually, it was easier to achieve high GDP growth than now, when it is growing by less than 1% annually



Source: UN, IMF

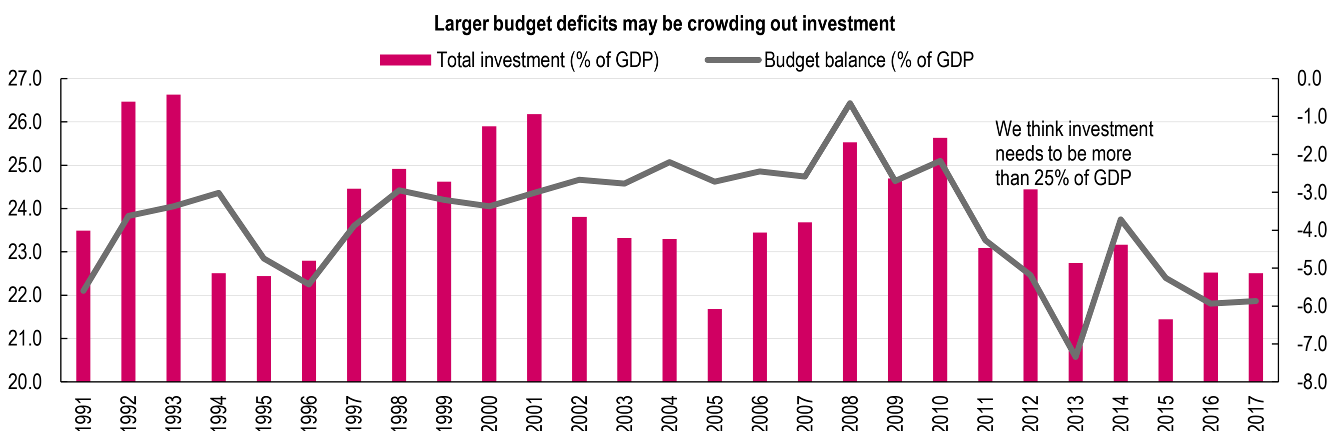
Second, Tunisia's most important export market, the eurozone, and specifically France within it, has been weak since the GFC. France's economy has not grown more than 2% in any year since 2007. We don't think it is a coincidence that 2007 was the fastest growth Tunisia recorded in the past decade.

Against these demographic and external headwinds, Tunisia would have needed a benign domestic backdrop to outperform the average trend growth of 2.5%. Instead the country has been stuck in a vicious cycle that has suppressed growth.

It of course starts with the Arab Spring. Unprepared and inexperienced politicians became leaders of a country that was in turmoil. With youth unemployment being cited as a key trigger of the Arab Spring, and an economy in shock, they took the easiest course available, which was to expand government spending to create public sector jobs. The public-sector wage bill has doubled since 2011.

They avoided difficult structural reforms that might incite unrest. Weak fiscal policy and a lack of reform saw borrowing rise, arguably crowding out private sector investment, and growth began to suffer. Underperforming GDP then fed into weaker budget revenue, which further worsened the fiscal picture and encouraged more borrowing. Unemployment remained a problem due to weak growth, which in turn fed political weakness. This deterred investment, both foreign and domestic, which undermined growth.

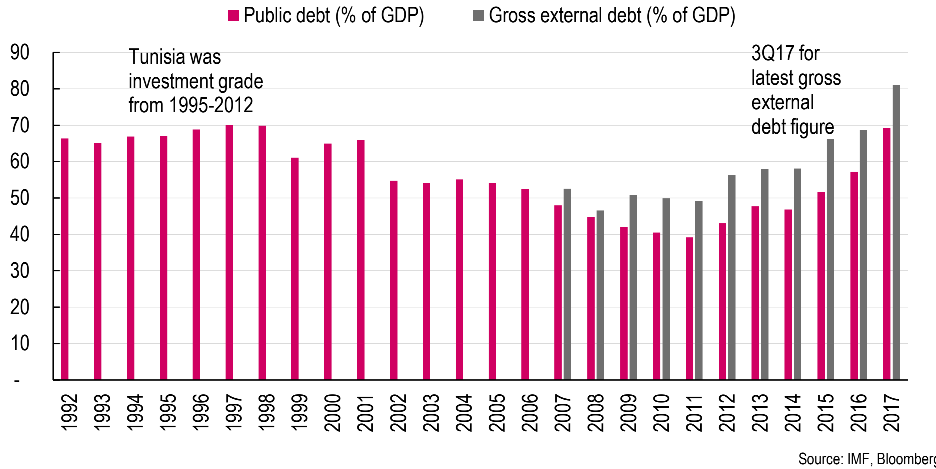
Figure 10: Investment as a % of GDP has consistently been below 25% of GDP since 2010



Source: IMF

Higher fiscal spending did at least maintain some domestic demand, albeit more consumption than investment. The C/A deficit widened and Tunisia began to face a growing twin deficit problem. The country's credit ratings were cut as the public and external debt burdens mounted, and this also will not have helped the attractiveness of Tunisia as an investment destination.

Figure 11: Tunisian debt levels have been at this level before; the country was rated more highly then

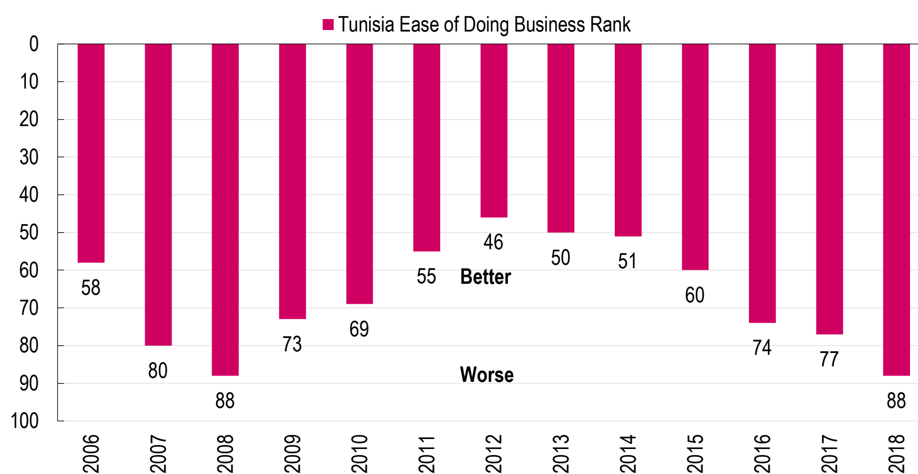


Source: IMF, Bloomberg

Meanwhile Tunisia had the misfortune not just to export to weak France, but also to have Libya as its neighbour. Libya's collapse in 2011 did not just hit demand for Tunisian exports of goods and services to Libya, it also imported terrorism into Tunisia. This produced heavy blows against the tourism industry, further worsening the C/A.

Seven years on, and Tunisia has fallen significantly in the World Bank's Ease of Doing Business rankings. FDI inflows have not risen. The export quality of Tunisian goods has not improved much. Meanwhile, competition from other Frontier economies has intensified.

Figure 12: Tunisia has slipped in the Ease of Doing Business rankings



Note: We report the ranking as it was released each year, not adjusting for methodological changes that changed previous rankings.

Source: World Bank

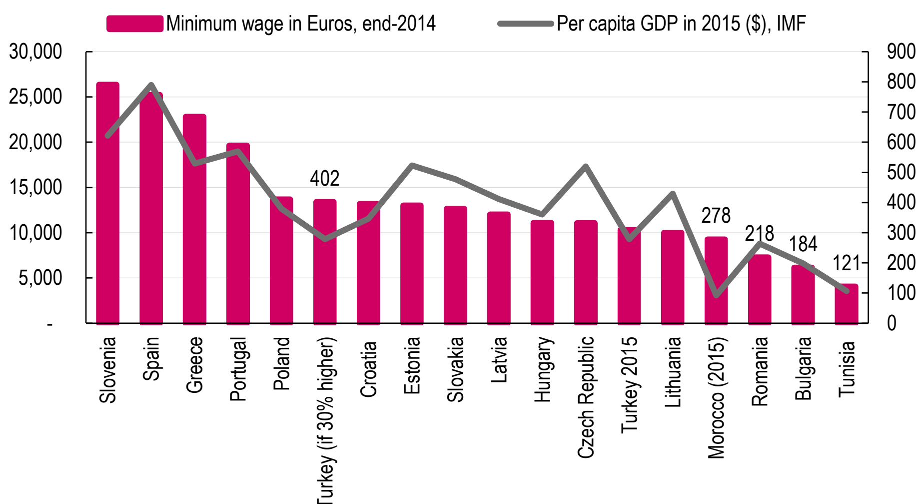
Something had to change

Something had to change and it has. A national unity government was formed to take decisions that no single party had the determination or the parliamentary majority to do. The growth in public employment has stopped. Older workers are being retired. The government has re-prioritised ease of doing business reforms. The government faced down protests in January, rather than cave in to demands for higher wages. The army has been strengthened, border security has been improved, and terrorism suppressed. The UK has lifted the ban on taking laptops on flights to the UK from Tunisia, but maintained it for other countries.

Most obviously to us, the BCT has allowed the currency to take the strain of this weak growth and twin deficit story. Significant depreciation has cut wage costs in euros, even as wages in euros are rising in double-digit terms in Frontier rivals such as Romania. The minimum monthly wage in euros has fallen from EUR129-150 in 2012 to EUR112-130 in 2017. This is two-thirds of the level of Bulgaria in 2015 – and wages have risen significantly in countries such as Bulgaria and Romania since then[5]. We were told often that for the same skill level, wages in Tunisia are now half those in Morocco, and Figure 13 supports this view.

Figure 13: Below is a chart we made in 2015/2016 looking at the minimum wage – updated with Tunisia's latest numbers

Per-capita GDP ($, lhs, 2015) vs minimum monthly wage (euros, rhs, 2014 or now) – Tunisia data are 2017



Source: Eurostat, INS, IMF, Bloomberg, Renaissance Capital

Conclusion

From here we think the growth scenarios available to Tunisia are as follows.

Below trend (2% or less) – May 2018 local elections and 2019 elections produce an even messier political backdrop, in which the (incoherent) opposition Popular Front becomes a much more significant force in Tunisian politics. Periodical unrest deters foreign investors. No government is able to contain the budget deficit. Public debt marches higher. The currency continues to take the strain.

Above trend (3-4%) – this should be our base case. There are plenty of examples of countries recovering from a long period of weakness to record above-trend growth for the

[5] See *Thoughts from a Renaissance Man: Bulgaria and Romania, beneficiaries of Brexit*, 20 November 2017.

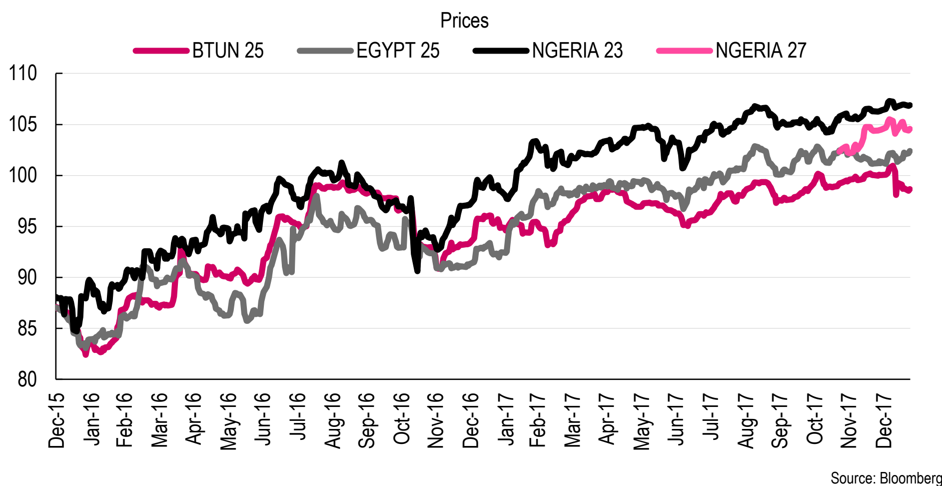
following decade, from Russia after 1999, to the Ivory Coast after 2010, to Romania today. A stronger EU and Libya will help. Better security should lift tourism. The currency is cheap and competitive, which should entice investment.

Much above trend (5-6%) – this would probably require stronger economic reform. A good performance for pro-reform parties in 2019, leading to a victory over trade unions that resist privatisation, might see Tunisia record a decade of strong growth.

We still think that the structural shifts happening in Central Europe give additional support to the two stronger scenarios, via new investment in manufacturing in Tunisia, but not until the 2020s. The winners of the 2019 election probably have a lot to look forward to.

Given this, we think Tunisia's eurobonds should be performing a little better than they are. We see Tunisia as having a cheaper currency than Egypt, with a better educated population, while like Egypt it has a supportive international community. The IMF is expected to sign off on the latest EFF review meetings in March. While the C/A is worse than in Egypt, and reform has been slower, Tunisia's public debt ratio is lower and its credit rating considerably higher. At the least we think the yield on Tunisian debt should be aligned with Egypt, and with scope to tighten very considerably if either our 'above trend' or 'much above trend' scenarios pan out in in the coming years.

Figure 14: Eurobond prices since 2015 – Tunisia, Nigeria, Egypt



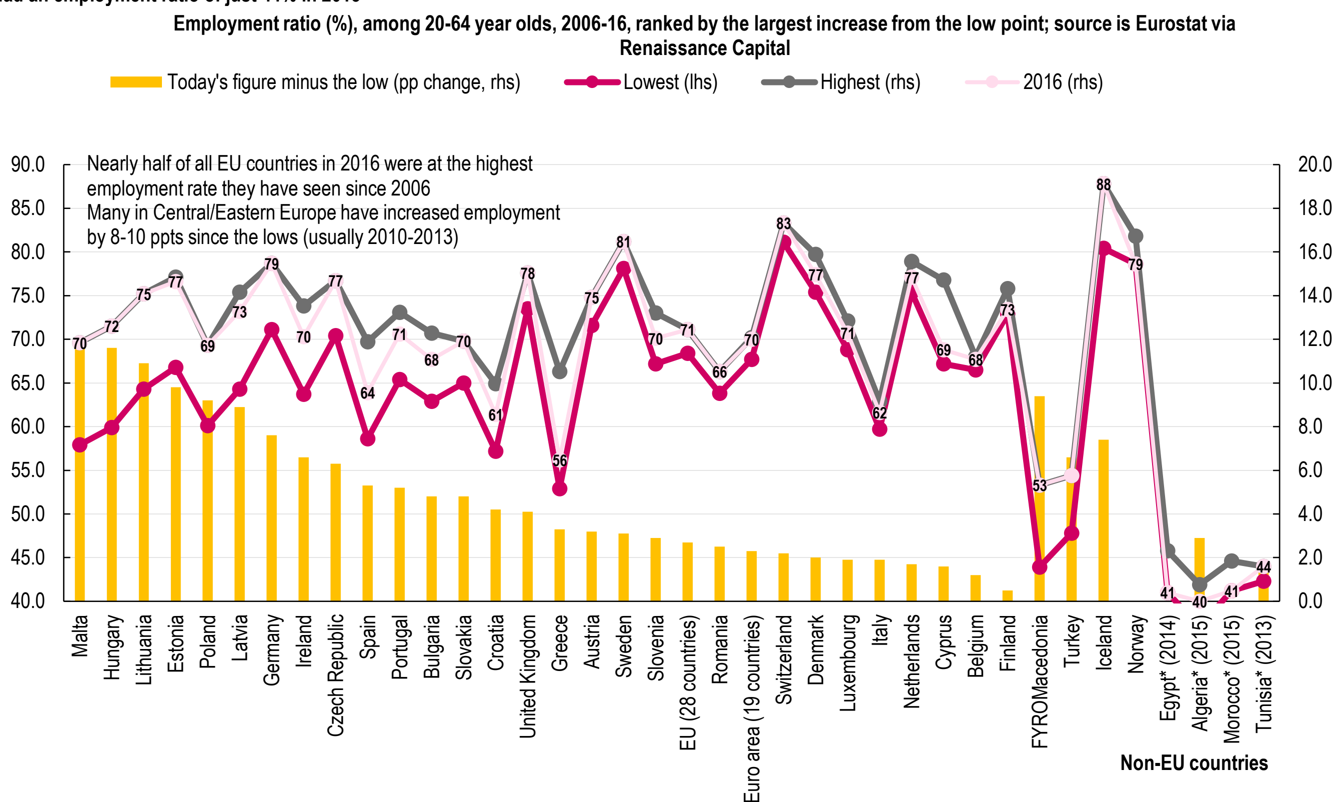
Source: Bloomberg

Employment could increase by 68% (from 44% to 74%)

A higher employment ratio could see Tunisia beat its demographic slowdown. We think the low employment rate in Tunisia – estimated by the EU at 44% in 2013 – means 3-6% GDP growth is actually achievable despite the demographic slowdown. The working age population growth rate may be slowing from 3% in 1995 to sub-1% annually by 2020, but the employment ratio could rise by 30 ppts from where it is today to perhaps 74%. If this expands by 1-2 ppts annually, as Hungary has seen in the past decade, and productivity gains add 2-3 ppts on top of this, when combined with 1 ppt working age population growth, we could still end up with 6% real growth.

Figure 15: Employment growth has been explosive in much of Eastern Europe and has probably maxed out around 75-80%; Tunisia (far right on the x-axis below) had an employment ratio of just 44% in 2013

Employment ratio (%), among 20-64 year olds, 2006-16, ranked by the largest increase from the low point; source is Eurostat via Renaissance Capital



Source: Eurostat

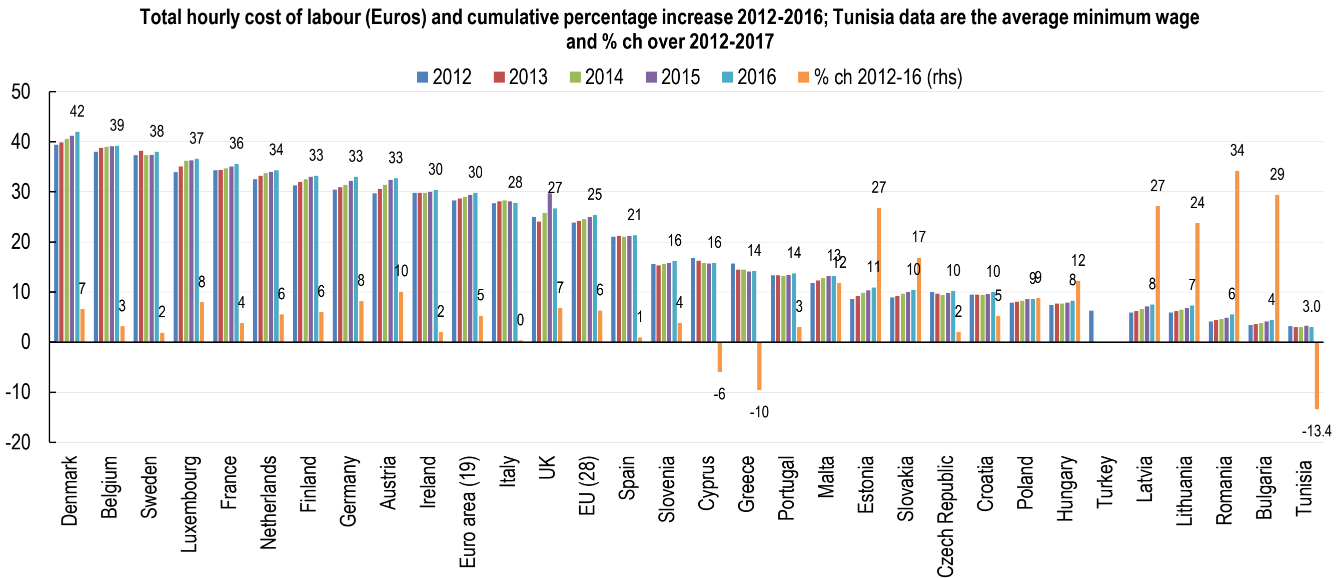
But to get employment growth up will require strong demand for labour. This is likely only when FDI picks up. This should be a function of Central European as well as Tunisian trends.

We think Tunisian manufacturing has not risen above 20% despite high literacy, good electricity and decent infrastructure because the competition from Central Europe has been too strong. Central Europe has benefited from highly skilled labour, cheap wages (until recently), good geography, and the certainty provided by EU membership. All of this still applies, except for labour, which is getting rapidly more expensive. We think shrinking Central European workforces and the limited scope for additional Ukrainian migrant flows to Central Europe mean Central European wages will rise for years.

To put Tunisia into context, its minimum wage cost (excluding indirect costs such as social security payments) was just 7% less than the total hourly average labour cost of employing a worker in Bulgaria in 2012 – we assume this means the average cost to employ a Tunisian was considerably higher than to employ a Bulgarian. An adjustment

was needed. It has come from both rising Bulgarian labour costs and falling Tunisian wages.

Figure 16: Tunisia's (minimum) wage decline in euros over 2012-1017 has been steeper than the total labour cost fall in Greece over 2012-2016



Source: Eurostat, INS

Privatisation and foreign investment

We think there is also work that Tunisia could do to entice investment. A privatisation programme is already planned. This includes enterprises confiscated by Ben Ali's companies as well as companies such as the poultry producer that were established to help Tunisia diversify its economy in the early post-independence decades. If all goes well, at least one of the three large state-owned banks might also be sold. There are no plans to sell 'strategic' companies, such as the utilities. The French influence remains strong.

Foreign investors already in Tunisia include many firms from Italy and France. We were told Benetton has more factories in Tunisia than in Italy itself. Abraaj is purchasing a stake from Dubai Holding in Tunisia Telecom, Qatar has a stake via Egypt's Orascom in another telecoms firm, while (France's) Orange owns the number-three operator. French and Moroccan banks have significant size in Tunisia. The current government has lifted the foreign ownership limit from 50% to 66% of domestic firms.

FDI inflows have averaged 2-4% of GDP since 2009, and about $1bn in recent years. Other peers have seen an improvement in FDI in recent years.

Figure 17: Tunisia inflows of FDI have remained at a steady 2-4% of GDP since 2009

FDI inflows as % of GDP (capped at 10% of GDP)

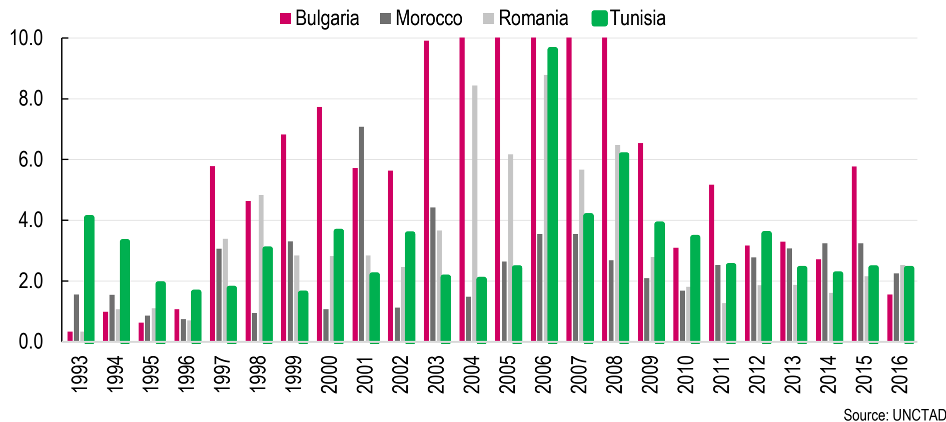
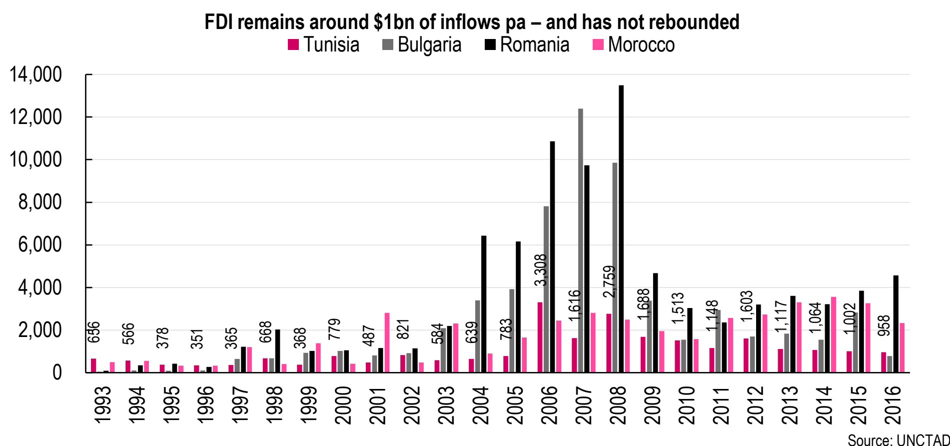


Figure 18: FDI inflows not picking up in $ terms



Infrastructure

The key obstacle raised in many of our meetings was the ports. In particular the main port in Tunis needs reform. There are ambitious plans to build a public-private partnership-(PPP) funded new deep-water port.

Labour reform

Tunisia might also decide to confront the powerful trade unions. While this economist would point out that France, with its strong trade union tradition, is richer than the UK, with weaker labour rights, the sense we got in Tunis was that days lost to strikes in Tunisia are higher than in many other countries we cover (we don't have data to back this up). It was also pointed out that unrest has hit phosphate mining and its exports, first in the mining district itself and then in the transport of phosphate products out of the country.

The unions have a special place in the national psyche, having helped to achieve independence in 1956 and to bring down Ben Ali during the Arab Spring. They won the Nobel peace prize for this. Critics point out that both were on course to happen anyway, and the unions were pulled along by the coat-tails of history, as Otto von Bismarck may have put it, rather than created history. We are not knowledgeable enough to express an

opinion on that ourselves. Now reformers see the unions as a drag on Tunisia's performance and believe a post-election government may have to clash with the unions as the UK's Margaret Thatcher did in the mid-1980s. This may then pave the way for a Tunisian renaissance in the 2020s.

Meanwhile, changes are being made in the public sector. Older public sector workers are being encouraged to retire early, to cut the wage bill, and perhaps encourage a little more (youth-led) innovation in the civil service.

Savings, pension funds and capital controls

Unlike in Morocco or South Africa, there is no sizeable pension fund system acting as a support to financial market asset prices. On the positive side, this means valuations of bonds and equities are considerably cheaper than in Morocco, for example. As in Morocco, there are restrictions on Tunisians (but not Tunisian companies) taking capital abroad.

Politics

Tunisia's first ever democratic municipal elections will be held in May 2018. No-one has a strong view on turnout or voting intentions, but the vote will offer a clue to the 2019 elections.

The electorate swung away from the Ennahda Party after the 2011-2014 period in which it ruled. Ennahda (which means Renaissance) compares itself to Turkey's ruling AKP. Its liberal critics fear the same comparison. The party of President Beji Caid Essebsi, Nidaa Tounes (Call of Tunisia), is now likely to be the target of any disappointment heading into 2019, which means parties not associated with current policy may see a lift in support. The ideologically incoherent Popular Front (a collection of very different parties) might see its support rise.

The base case of those we met is that Tunisia now just wants stability and growth, and parties supportive of that will remain dominant after 2019, even if they do lose seats. The fact that protests were faced down by the government in January is supportive of this view.

Figure 19: Election results and parliamentary seat numbers

		Oct-11 Seats	Oct-11 % of vote	Oct-11 Votes ('000)	Pre-2014 election Seats	Oct-14 Seats	Oct-14 % of vote	Cot-14 Votes ('000)	
Centre-right	**Nidaa Tounes**				6	**86**	**37.6**	**1,280**	
Moderate Islamist	**Ennahda**	37.0	89	1,501	85	**69**	**27.8**	**947**	
Pro-business	**UPL**				2	**16**	**4.0**	**137**	(was allied to CPR in 2011-2014)
	Popular Front				6	15	3.7	125	
	Afek Tounes				4	**8**	**3.0**	**103**	
	CPR	8.7	29	353	12	4	2.1	73	(was allied to Ennahda in 2011-in14)
	Spoilt votes							106	
	Other				N/A	19			
					115	217			

National unity government in bold formed 2015.

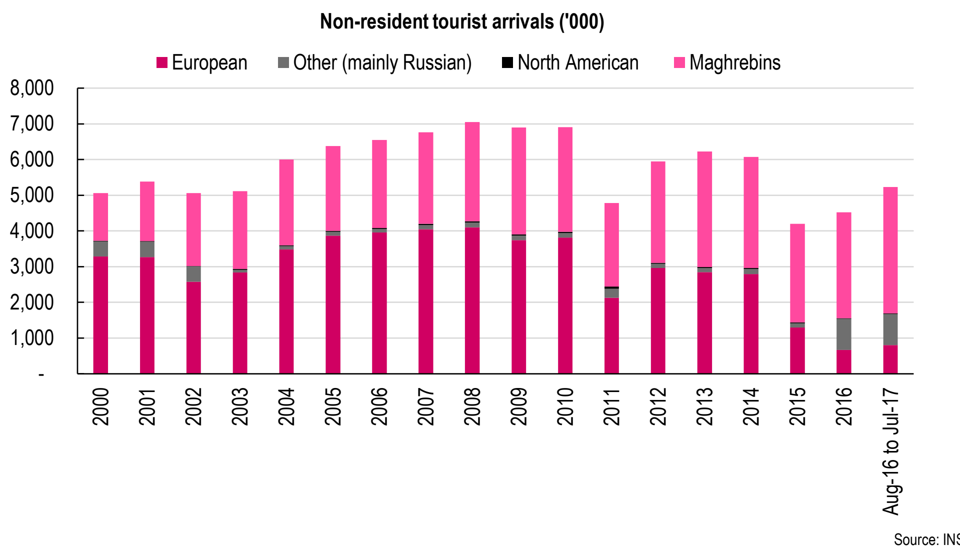
Source: Wikipedia

Tourism

Tourism brought in 5% of GDP in travel receipts in 2013-2014, but this slumped to 3% of GDP in 2015-2016 due to terrorism. Non-resident arrivals fell to around 4mn against a pre-Arab Spring peak of 8mn. As has been the norm in all countries over the past 20 years, the negative shock of terrorism tends to last for about 12-18 months and has faded. Tourism numbers are now up significantly, supported by a tenfold increase in Russian visitors since Egyptian holidays were closed to them (623k in 2016 vs 52k in 2015). We were most surprised by the magnitude of Algerian non-resident arrivals (28-68% of all arrivals between July 2016 to May 2017) and those from Libya (14-44% of all arrivals). In many other tourist destinations in Africa, neighbours are not so important. The implication is that **the oil price rise may have a positive knock-on effect in terms of tourism spending in Tunisia**, as these two nations represented 52-85% of all arrivals from August 2016 to May 2017.

In addition, as noted above, if rising oil prices benefit Libyan political stability, this should also reduce future terrorism threats in Tunisia.

Figure 20: Tourism on the rise again



Source: INS

Fiscal picture

In Morocco from 2012 and Egypt since then, we have seen governments cut back on subsidies[6] and redirect spending towards investment. Tunisia is moving in a similar direction. Between now and 2022, the IMF extended fund facility (EFF) review from mid-2017 forecasts subsidies will be cut from 5.7% of GDP to 4.2% of GDP, while capital expenditure will rise from 4.7% to 6.7% of GDP.

Rising oil prices will make this harder to achieve in 2018. The budget assumed an oil price of around $54-55/bl. If oil this year averages $65/bl, the fiscal bill for the subsidy will rise from TND1.5bn to TND2.8bn (adding 1% of GDP to the deficit). The authorities want to cap the bill and should deliver several price hikes in the retail price for fuel, based on a technocratically designed price mechanism. There are now doubts this can be done in 2018, given the protests in January and the election calendar.

[6] For more on subsidies in Tunisia, the MENA region and Frontier and EM countries in general, see *Thoughts from a Renaissance Man: Egypt: Subsidy cuts and 'martial aid'*, published on 14 July 2014.

Current account and FX reserves

The IMF was forecasting a C/A deficit of about 8-9% of GDP in 2017-2018. It is likely to have been 10% of GDP in 2017. We do assume a reduction in 2018, but we are not currently more bullish than the IMF. We were told FX reserves are equivalent to around three months of import cover – above the 2.4-3.0-month level of the 1990s and early 2000s. We can see they are now worth 14% of GDP, against 10% of GDP in the late 1990s.

The IMF highlighted a liquidity squeeze in the FX market in its June 2017 report. Daily turnover in the interbank market had fallen from $200mn to $20mn. We assume the situation has improved since then, as this was not an issue that came up in meetings. The majority of currency transactions are in euros.

Credit ratings

Tunisia's ratings have fallen significantly since the Arab Spring. Our forecast in *No take-off without education* (27 October 2017) was that they will remain flat in 2018. We thought downside risk existed (Moody's has the country on a negative outlook given bond redemptions in 2019), and protests in January were supportive of that concern. However, we (unlike Fitch) think fiscal risks, other than oil, look more limited since the government made only modest concessions to protestors in January 2018. The government looks committed to maintaining the international support that the IMF estimates (in the June 2017 EFF review) will be an annual $3-4bn.

We find it curious that Tunisia was investment grade the last time that public debt was at this level, and FX reserves then were lower as a percentage of GDP than they are now. This implies a fair amount of bad news is already priced into the rating.

Inflation and interest rates

We asked one expert what the pass-through from the FX rate might be – and they did not know. This is not that surprising. Tunisia had a very steady currency model until April 2017, so there is no data to show how the economy reacts to currency volatility. Even with price caps on oil prices, for example, we think inflationary pressure will continue in coming months due to YoY currency depreciation, and beyond that point due to retail price adjustments to higher oil prices. We assume the BCT will continue to raise interest rates to ensure no significant secondary-round effects from currency depreciation.

There is an interest rate cap. Unlike in Kenya, this is not linked to the central bank policy rate. It is instead a cap above the average lending rate of the banks. As the underlying reference rate is market-led, not central bank-led, we think this is not particularly problematic.

The average cost of funding in the banking system is around 3-4%. Lending was rising by around 9% in September, a few percentage points above inflation, and roughly in line with nominal growth. There are plans to increase banking access. World Bank data from 2011 show only around 30% of the population has access to a bank account (well below EM and Frontier averages).

Tunisia

Figure 21: Credit ratings

	Current	Date	(Prior)	Outlook
Foreign currency				
Moody's	B1	Aug-17	(Ba3)	–
S&P	NR			na
Fitch	B+	Feb-17	(BB-)	=
Local currency				
Moody's	B1	Aug-17	(Ba3)	–
S&P	NR			na
Fitch	B+	Feb-17	(BB-)	=

Figure 22: Consensus forecasts

	18E	19E
Real GDP (%)	2.9	na
CPI (%)	4.9	na
C/A bal. (% GDP)	-7.4	na
Fiscal bal (%GDP	-5.1	na
FX vs $, YE	na	na
FX vs EUR, YE	na	na

Note: Bloomberg Consensus

Figure 25: Eurobonds (10y or closest) vs US 10y yields

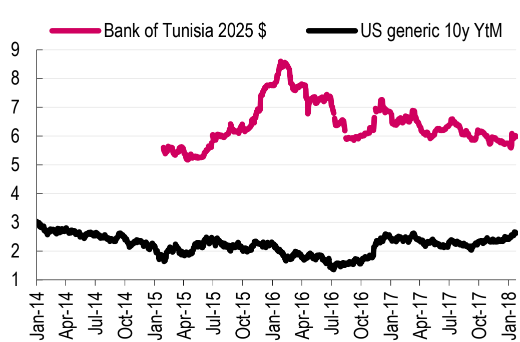


Figure 23: Selected benchmark issues

Name	Amt. Out (mn cu)	Price Level	Coupon (%)	Dur.	Yield (%)	Z-Sprd. (bps)
Sovereign						
$						
BTUN 5 ¾ 01/30/25	1,000	98.74	5.75	5.5	6.0	341.8
BTUN 8 ¼ 09/19/27	150	111.39	8.25	6.6	6.6	401.7
€						
BTUN 4 ½ 06/22/20	400	105.17	4.50	2.2	2.3	233.0
BTUN 5 ⅝ 02/17/24	850	104.93	5.63	4.8	4.7	419.1
¥						
BTUN 2.04 08/07/23	22,400	105.02	2.04	5.2	1.1	96.6
BTUN 1.61 10/10/24	50,000	100.73	1.61	6.1	1.5	132.5

Figure 26: Government bond yields (lcl)

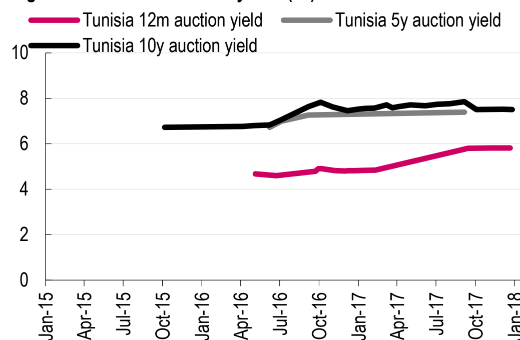


Figure 27: Currency vs $ and Euro and REER (Dec 07 = 100)

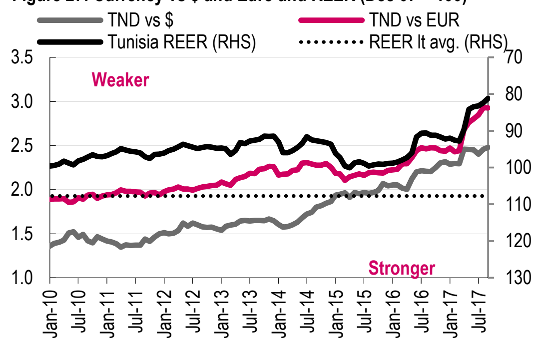
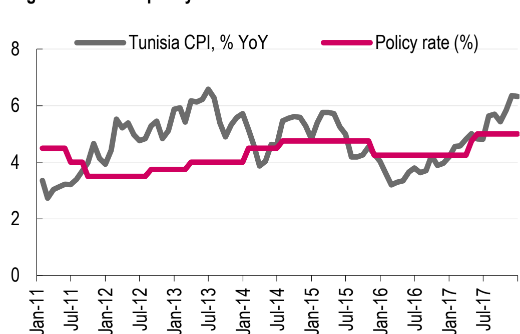


Figure 24: Trade profile

Exports, 2016 ($bn)	13	Imports, 2016 ($bn)	19
Geographic share		**Geographic share**	
Euro area	67%	Euro area	54%
US	4%	China	6%
China	1%	US	3%
Japan	1%	Japan	0%
Other key countries		Other key countries	
Libya	6%	Algeria	8%
Algeria	3%	Turkey	4%
UK	1%	Libya	2%
Morocco	1%	Ukraine	2%
Switzerland	1%	Brazil	1%
Product		**Product**	
Other manufactures	36%	Machinery and transport	34%
Machinery and transport	36%	Other manufactures	25%
Other machinery/transport	25%	Other machinery/transport	25%
Textiles, fabrics and clothin	21%	Fuels	12%
Food items	11%	Chemicals	12%

Figure 28: CPI vs policy rate



Source for all tables and charts: Bloomberg, Bruegel, IMF, UNCTAD

Tunisia

Figure 29: Tunisia key economic indicators

Ratings (M/S&P/F) B1/NR/B+ | EODB Rank: 88 (77) - Middle | Corruption Rank: 75 (76) - Middle | RenCap Legal score: 49 (53) - Middle

Year	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017E	2018E	2019E
Activity													
Real GDP (% YoY)	6.3	4.5	3.1	2.6	-1.9	3.9	2.4	2.3	1.1	1.0	2.3	3.0	3.5
Investment (% GDP)	23.7	25.5	24.7	25.6	23.1	24.4	22.7	23.2	21.4	22.5	22.5	24.3	24.6
Unemployment rate year-end (%)	12.4	12.4	13.3	13.0	18.9	16.7	15.3	15.3	15.0	14.0	13.0	12.0	12.0
Nominal GDP (lcl bn)	49.9	55.3	58.9	63.1	64.5	70.4	75.2	80.8	84.7	90.4	97.5	105.0	114.0
Nominal GDP ($bn)	38.9	44.8	43.6	44.1	45.8	45.0	46.3	47.6	43.2	42.1	40.3	40.5	43.7
Population (mn)	10.2	10.3	10.4	10.5	10.7	10.8	10.9	11.0	11.1	11.2	11.3	11.5	11.6
GDP per capita ($)	3,805	4,341	4,179	4,177	4,292	4,180	4,249	4,329	3,884	3,749	3,556	3,540	3,779
Stock of bank credit (lcl, bn)	28	32	35	41	47	51	55	60	64	70	77	83	na
Lending/GDP (%)	55.2	57.3	59.1	65.7	72.8	72.5	73.1	74.2	75.2	77.0	78.5	79.5	na
Gross domestic saving (% of GDP)	21.3	21.7	21.9	20.8	15.7	16.1	14.4	14.0	12.5	13.5	13.8	16.0	16.9
Prices													
CPI (average % YoY)	3.0	4.3	3.7	3.3	3.5	5.1	5.8	4.9	4.9	3.7	5.3	6.4	5.3
CPI (year-end, % YoY)	3.9	4.4	3.3	3.3	3.9	5.9	5.7	4.8	4.1	4.2	6.3	6.0	5.0
Fiscal balance (% of GDP)													
Consolidated government balance	-2.6	-0.7	-2.7	-2.2	-4.3	-5.2	-7.3	-3.7	-5.3	-5.9	-5.9	-5.5	-4.5
Primary government balance	0.0	-0.2	1.4	-0.7	-0.3	-2.4	-3.4	-5.5	-1.8	-3.3	-3.6	-3.0	-2.0
Total public debt (% of GDP)	48.0	44.8	42.0	40.5	39.2	43.1	47.7	46.8	51.6	57.2	69.2	73.0	73.5
External indicators													
Exports ($bn)	14.8	18.6	14.0	15.8	17.2	16.3	16.3	16.0	13.4	12.9	13.5	na	na
Imports ($bn)	19.1	24.5	19.2	21.9	23.5	24.0	23.7	25.0	20.4	19.0	20.1	na	na
Trade balance ($bn)	-4.3	-5.9	-5.2	-6.0	-6.4	-7.7	-7.4	-9.0	-7.0	-6.1	-6.6	na	na
Trade balance (% of GDP)	-11.0	-13.2	-11.9	-13.7	-13.9	-17.1	-16.0	-19.0	-16.2	-14.5	-16.4	na	na
Current account balance ($bn)	-0.9	-1.7	-1.2	-2.1	-3.4	-3.7	-3.9	-4.3	-3.8	-3.8	-4.0	-3.5	-3.0
Current account balance (% of GDP)	-2.4	-3.8	-2.8	-4.8	-7.4	-8.3	-8.4	-9.1	-8.9	-9.0	-9.9	-8.6	-6.9
Net FDI ($bn)	1.6	2.8	1.7	1.5	1.1	1.6	1.1	1.1	1.0	1.0	na	na	na
Net FDI (% of GDP)	4.2	6.2	3.9	3.4	2.5	3.6	2.4	2.2	2.3	2.3	na	na	na
C/A balance plus FDI (% of GDP)	1.8	2.3	1.0	-1.4	-4.9	-4.7	-6.0	-6.9	-6.6	-6.7	na	na	na
Exports (% YoY, value)	30.1	25.9	-25.0	13.5	8.3	-5.0	0.2	-2.0	-16.1	-4.1	4.7	na	na
Imports (% YoY, value)	26.9	28.7	-21.9	14.2	7.5	2.1	-1.2	5.5	-18.5	-7.0	5.9	na	na
FX reserves (ex gold, US$bn)	7.9	8.8	11.1	9.5	7.5	8.4	7.3	7.2	7.3	5.9	5.5	na	na
Import cover (months of imports)	4.9	4.3	6.9	5.2	3.8	4.2	3.7	3.5	4.3	3.7	3.1	na	na
External Debt													
Gross external debt YE ($bn)	20.5	20.9	22.1	22.0	22.5	25.3	26.8	27.7	28.6	28.9	na	na	na
Gross external debt YE (% of GDP)	52.6	46.5	50.8	49.9	49.1	56.3	58.0	58.1	66.3	68.6	na	na	na
Gross external debt YE (% of exports)	138	112	158	139	131	156	164	173	213	224	na	na	na
Short-term external debt YE ($bn)	4.0	4.3	4.8	5.0	4.9	6.2	6.6	6.8	6.6	6.7	na	na	na
Short-term external debt YE (% of GDP)	10.2	9.7	11.1	11.3	10.8	13.8	14.2	14.4	15.2	15.9	na	na	na
Short-term external debt YE (% of exports)	26.9	23.2	34.6	31.4	28.8	38.2	40.2	42.8	48.9	51.9	na	na	na
Short-term external debt to reserves (%)	51	49	44	53	66	75	90	95	90	114	na	na	na
Total debt service ($bn)	2.5	2.0	2.1	2.4	2.6	2.6	2.7	1.9	2.3	na	na	na	na
Total debt service (% of GDP)	6.5	4.5	4.8	5.4	5.8	5.8	5.7	4.0	5.4	na	na	na	na
Total debt service (% of exports)	17.0	10.8	15.1	14.9	15.4	16.0	16.2	12.0	17.2	na	na	na	na
Total debt service to reserves (%)	32.0	22.8	19.1	24.9	35.5	31.2	36.4	26.6	31.6	na	na	na	na
Currency and monetary policy													
Key policy rate (% YE)	na	na	4.5	4.5	3.5	3.8	4.0	4.8	4.3	4.3	5.0	5.5	na
Broad money growth (%YoY)	12.4	14.2	12.7	12.2	9.1	8.5	6.1	8.7	5.1	8.0	8.3	na	na
Exchange rate (€) annual average	1.76	1.81	1.88	1.90	1.96	2.01	2.16	2.26	2.18	2.38	*2.74*	*3.13*	*3.22*
Exchange rate ($) annual average	1.28	1.23	1.35	1.43	1.41	1.56	1.62	1.70	1.96	2.15	*2.42*	*2.59*	*2.61*
Credit rating history											Latest		
Moody's	Baa2	Baa2	Baa2	Baa2	Baa3	Baa3	Ba3	Ba3	Ba3	Ba3	B1	na	na
Standard & Poor's	BBB	BBB	BBB	BBB	BBB-	BB	-	-	-	NR	NR	na	na
Fitch	BBB	BBB	BBB	BBB	BBB-	BB+	BB-	BB-	BB-	BB-	B+	na	na

Note: 2017-19E exchange rate forecasts are from Renaissance Capital and IMF forecasts

Source: IMF, World Bank, UNCTAD, Bloomberg, Renaissance Capital

Tunisia

Figure 30: Key data

Local Currency	TND
S&P / Moody's Rating	NR/B1
Weight in MSCI FM (%)	0.4%
MSCI Index	**MXTN**
2018 P/E	11.3
2018 EPS Growth	0.2%
Trailing P/B	2.1
Beta to FM	0.1
MSCI Full MktCap, $bn	1.5
MSCI free float MktCap, $br	0.6
No. of Companies	2
3M ADTV ($mn) MSCI cos	0.2
Local Index	**TUSISE**
MktCap ($bn)	7.5
No. of Companies	56
3M ADTV ($mn)	1.4

Figure 31: Performance, $ (31 Dec 09 = 100)

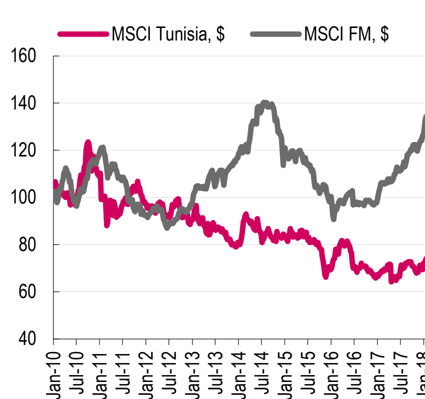


Figure 32: Economic outlook

IMF Forecasts	2016	2017	2018	2019
Real GDP (% YoY)	1.0	2.3	3.0	3.5
GDP/Capita, $	3,749	3,518	3,429	3,565
Population, mn	11.2	11.3	11.5	11.6
CPI (year-end, %YoY)	4.2	4.5	4.1	3.9
C/A balance (% of GDP)	-9.0	-8.7	-8.4	-7.7
Govt. bal. (% of GDP)	-5.9	-5.9	-5.3	-4.0
Bloomberg consensus				
Real GDP (%YoY)	1.0	2.3	2.9	na
CPI (year-end, %YoY)	4.2	4.5	na	na
C/A balance (% of GDP)	-9.0	-8.7	-7.4	na
Key policy rate (year-end)	4.25	5.00	na	na
FX				
TND vs $	2.32	2.46	na	na
TND vs EUR	2.44	2.96	na	na

Figure 33: Index and stock data

Ticker	Name	Sector	MktCap ($mn)	FF Mkt Cap ($mn)	3MADTV ($mn)	$ Performance 1M	3M	12M	12MF P/E (x)	Trail PBV (x)	12MF RoE (%)	# Analyst Recs	MSCI wgt (%)
MXTN	**MSCI Tunisia**		**1,467**	**557**	**0.2**	**6.7**	**7.0**	**5.5**	**11.2**	**2.1**	**15.6**	**5**	**0.4**
BT TU	Banq Tunisie	Financials	583	293	0.0	3.0	2.2	-8.2	13.2	2.0	15.3	2	52.2
BIAT TU	Banq Intl Arabe	Financials	890	264	0.1	11.3	14.3	31.6	9.7	2.4	20.2	3	47.8
PGH TU	Poulina Group	Industrials	778	778	0.2	9.7	28.9	53.2	13.4	2.7	14.9	2	-
TJARI TU	Attijari Bank	Financials	698	698	0.1	21.9	23.6	45.7	15.7	3.4	19.9	2	-
SFBT TU	Soc Frigorifique	Cons. Staples	1,056	434	0.1	3.1	1.8	1.9	15.1	4.5	19.1	2	-
BH TU	Banq De L'Habita	Financials	359	359	0.1	8.3	-1.0	18.3	9.4	1.3	12.8	1	-
UIB TU	Union Intl Banq	Financials	313	313	0.1	7.9	6.4	22.3	9.6	2.0	16.3	1	-
AB TU	Amen Bank	Financials	261	261	0.0	5.7	-1.6	1.0	6.6	0.8	11.0	1	-
MAG TU	Societe Magasin	Cons. Disc.	181	181	0.0	3.0	31.6	49.8	na	na	na	1	-
ARTES TU	Artes	Cons. Disc.	102	102	0.0	11.4	6.1	-24.9	10.9	1.7	15.0	1	-
MNP TU	Soc Nouvelle Mai	Cons. Disc.	99	99	0.0	9.4	29.9	21.7	na	na	na	1	-
STAR TU	Soc Tunsienne D'	Financials	87	87	0.0	-9.1	-21.4	-38.3	12.3	0.7	5.0	1	-
WIFAK TU	El Wifack Leasin	Financials	87	87	0.0	4.0	5.7	-7.4	35.3	1.2	3.3	1	-
AST TU	Cie D'Assur-Astr	Financials	84	84	0.0	3.8	3.2	34.8	na	1.8	na	0	-
CC TU	Carthage Cement	Materials	160	80	0.1	6.3	-0.1	6.3	na	3.6	na	1	-
TPR TU	Tunisie Profiles	Industrials	73	73	0.1	6.0	25.5	13.8	16.9	1.9	10.7	2	-
TRE TU	Tunis Re	Financials	69	69	0.0	5.6	13.3	-5.8	8.8	0.9	9.3	1	-
STB TU	Soc Tunisienne B	Financials	236	67	0.0	5.8	-5.1	-10.3	41.1	0.8	4.0	1	-

Figure 34: 3MADTV, $mn

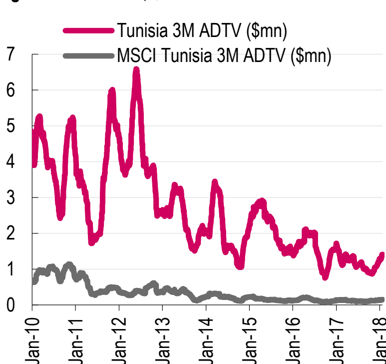


Figure 35: Valuations vs FM, 12M Fwd P/E (x)

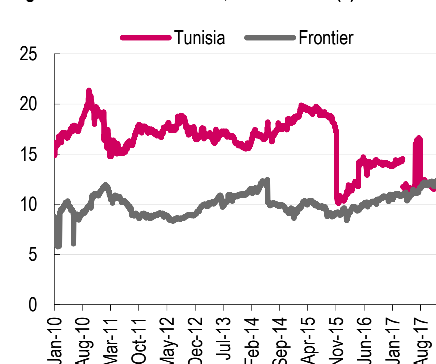
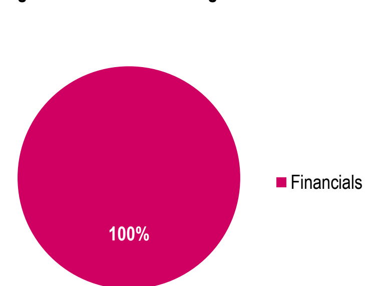


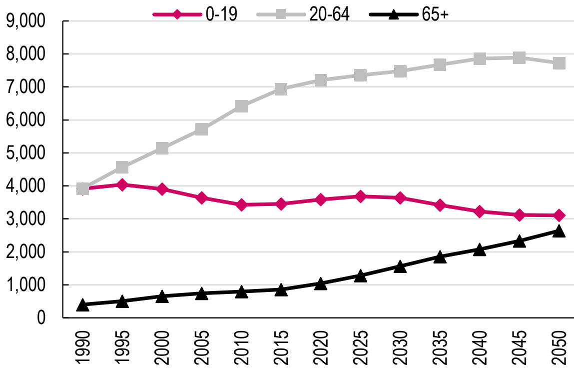
Figure 36: MSCI sector weights



Sources for all tables and charts: IMF, Bloomberg, MSCI

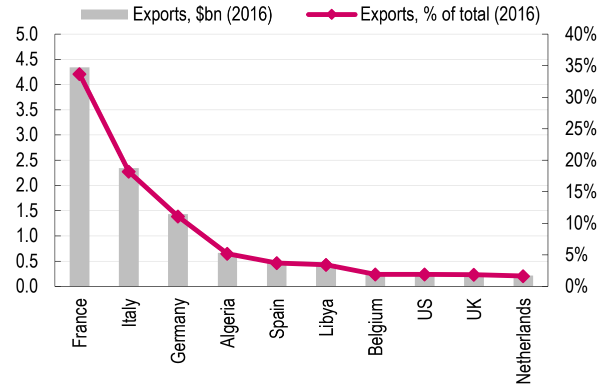
Tunisia

Figure 37: Population, '000



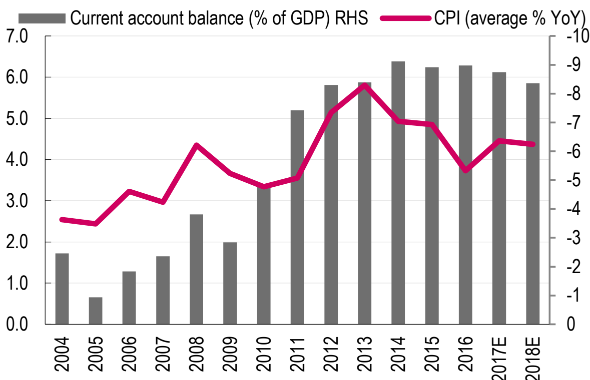
Source: UN

Figure 38: Export destinations, total $13bn



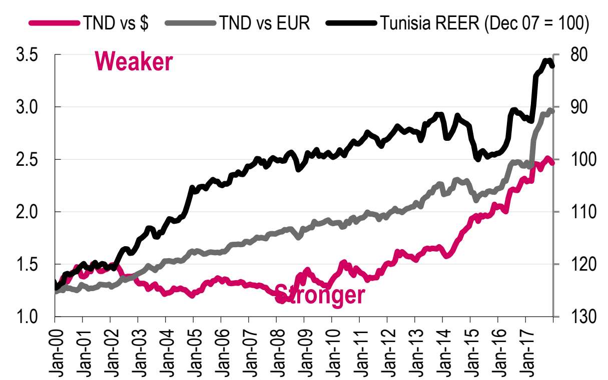
Source: IMF

Figure 39: CPI avg %, C/A % of GDP



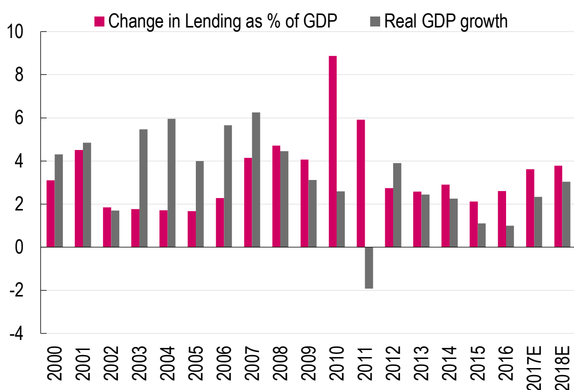
Source: IMF

Figure 40: Tunisia - dinar



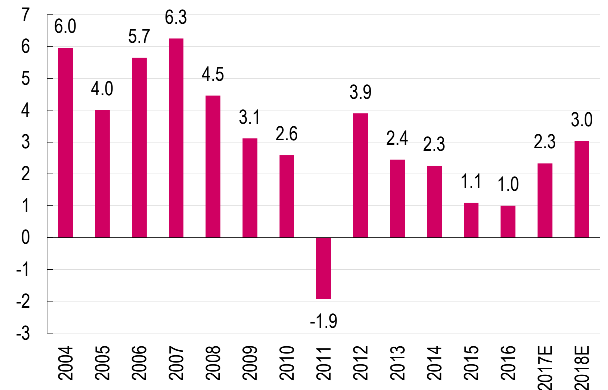
Source: Bloomberg, Bruegel

Figure 41: Bank lending growth vs GDP



Source: IMF

Figure 42: Real GDP % change, YoY



Source: IMF

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