At a glance
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Tunisia: Economic situation

The revolution that toppled Tunisia's authoritarian regime in 2011 left multiple sectors of the economy struggling in its wake, and the ensuing political instability, decreased foreign investment and security threats have only complicated their recovery. To address these challenges, the government, elected in 2014, has pursued policies aimed at supporting economic activity while also seeking to resolve long-standing socio-economic grievances voiced during the uprisings.

General background

Economic indicators, 2016

Population: 11 037 225
GDP: US$127.2 billion
GDP per capita: US$11 600
Real GDP growth: 1.8%
Unemployment rate: 15.4%
Inflation rate: 4.5%
Public debt: 52.6%
Population below poverty line: 15.5%
Gini index: 40
Source: CIA World Factbook.

Tunisia has been recognised as an upper middle-income country by the World Bank (WB), and prior to 2011 it was considered as one of the best-performing non-oil exporting economies in the Middle East and North Africa. Despite the country's relatively positive overall economic performance, many Tunisians were marginalised by endemic economic problems such as youth unemployment and regional wealth inequality. Public discontent culminated in the 2011 Jasmine Revolution which forced President Zine al-Abidine Ben Ali to resign. The accompanying instability caused the economy to contract by an estimated 1.9% of GDP in 2011. Subsequently, Tunisia's government has faced an array of economic issues, ranging from falling foreign direct investment (a 5.8% drop compared to 2013, and 22.3% compared to 2010) to unemployment at a rate of 15.4% (about 2% higher than before the uprisings). Although the economy has posted growth since 2011, real GDP growth declined from 2.4% in 2014 to around 1% in 2015, and a predicted 1.8% in 2016; these trends are insufficient to produce substantial change.

Monetary and fiscal policy

In support of the government's efforts to boost growth, the Central Bank of Tunisia (BCT) initially pursued an expansionist monetary policy, maintaining relatively low interest rates to spur consumption and investment. In a bid to absorb the immediate economic aftershocks of the revolution, the interim government increased public sector employment by 26% between 2010 and 2013, which worsened Tunisia's fiscal situation. As a result, its international credit rating was downgraded a number of times, thereby raising the cost of external borrowing and further discouraging external investment. Recently, the BCT has tightened monetary policy to contain the relatively high inflation rate and growing current account deficit, while limiting foreign exchange interventions to preserve foreign currency reserves and maintain competitiveness. This policy has, however, contributed to the Tunisian dinar's further depreciation. In 2014, strong revenue collection helped reduce Tunisia's fiscal deficit by 3.3% of GDP. Other challenges confronting the government involved carrying out public spending cuts that would trigger public discontent, and boosting security expenditure significantly due to heightened security concerns. As part of the EU's support, the European Commission proposed to grant macro-financial assistance (MFA) to Tunisia for a second time, amounting to a maximum of €500 million. The regulation follows the first grant of MFA, of €300 million, approved in 2014, the last tranche of which is expected to be disbursed in the course of 2016.

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The EU's aid will complement the International Monetary Fund's new programme of about US$2.9 billion loan, focusing on stronger and more inclusive growth and job creation. IMF and WB officials have also recommended reforms, such as reducing state pensions and changing investment regulations, to encourage more private-sector competition. The current government promises: not to increase public sector wages until 2018; to decrease energy subsidies; and, hopes to raise the retirement age by five years to reduce the fiscal deficit in line with a 2020 objective. The government's 'strategic plan' for 2016-2020, presently in its final stages of elaboration, aims to reduce unemployment to 11%, and establish an average growth rate of 5%.

Key sectors

Although tourism, which accounts for 7-8% of Tunisia's economy, was showing some signs of recovery, the sector suffered a major setback in 2015 after terrorist attacks on key visitor sites halved the number of tourist arrivals from Europe. Several other sectors of the economy, such as services, manufacturing and agriculture, have seen positive growth figures. However, there has been a sharp decline in olive oil production, with early indications for 2015-2016 revealing a 60% drop from the previous year's record harvest; in response, the EU has offered Tunisia a special olive oil quota. Tunisia is a net energy importer; its already modest oil and gas exploitation have decreased to 58 000 barrels/day in the past year, down from 70 000 barrels/day in 1985. Further missing recovery expectations, the country's leading phosphate mining industry posted only a 20% production increase in 2014 relative to 2013. According to the Tunisian authorities, the problems affecting the hydrocarbon and mining sectors caused by technical shortcomings and labour disputes cost the economy 1% of GDP a year.

International trade

Tunisia's imports rose by 6.4% while its exports increased by 2.5% in 2015, driven largely by the boost in mechanical, electric and electronic exports, now accounting for nearly 40% of total exports. In part due to the low international price of hydrocarbons, which Tunisia imports, its high current account deficit is predicted to drop from -6.0% in 2015 to -5.5% in 2016. The EU is Tunisia's largest client and supplier, accounting for 74% of the country's exports and 53% of imports respectively. In 1995, Tunisia became the first country to sign an association agreement with the EU as part of the Euro-Med Association. The EU and Tunisia have furthermore decided to deepen free trade with each other though the Deep and Comprehensive Free Trade Area (DCFTA), to expand free trade in services, parts of agriculture, and investment, and to reduce non-tariff barriers. Tunisia also signed a preferential trade agreement with Algeria and has sought to reach out to non-traditional trade partners such as Turkey and India.

Regional disparities

The unequal distribution of wealth between Tunisia's relatively wealthy northern and coastal regions and poorer interior was a driver for social mobilisation during the 2011 uprisings. Prior to the revolution, the government had tried to address territorial inequalities by investing in the private sector in rural regions. The interim government attempted to reduce the gap by investing in favour or rural regions, activating emergency measures for youth unemployment in the interior, and developing micro-enterprises in poorer areas, projects which ultimately under-performed. Measures to address regional inequality, such as modifying the process of regional financing, as well as decentralising administration are also in the National Strategic Development Plan for 2016-2020.

European Parliament – Tunisia Economic Cooperation

An EP resolution from 25 February 2016 outlines the criteria for the DCFTA. The text praises the creation of an EU-Tunisia Joint Parliamentary Committee (JPC) in order to facilitate trade negotiations. On earlier occasions, members of both parliaments met to discuss regional development, economic reforms and additional issues. EP resolutions of 23 October 2013, 9 July 2015 and 7 October 2015, address broader topics related to Tunisia, noting the positive effects of economic development in the country and the need for the EU to increase its cooperation with it.