

## Tunisia – Awaiting A Miracle?

The revolution that overthrew Zine el Abidine Ben Ali in 2011 seems a long time ago now, and while Tunisia's ability to avoid the civil break-down and conflict still raging in other countries affected by the "Arab Spring" such as Libya and Syria, is indeed a credit to its people and institutions, the road to economic recovery remains slow and uncertain.

Parliament will meet this Friday to debate a list of 27 cabinet nominees suggested by the new Prime Minister designate, Youssef Chahed, who will be the 6th to hold office since 2011, and at 40 years of age the youngest in Tunisia's history. He previously served as a junior minister in Habib Essid's government and is an expert in international agricultural policies. Talk that he is also a close ally of President Essebsi inevitably led to allegations of nepotism by those opposed to his recent and steep promotion, but if the nominations are approved (which appears likely) his administration will be the most inclusive so far, with representatives from all the major political parties as well as some independents. However even this wide assortment of potential ministers has already been met with opposition from some quarters including a few in Chahed's own 'Nidaa Tounes' party, and this highlights just one of the many challenges the incoming Prime Minister faces. His predecessor, Habib Essid, served just 18 months before he was removed from his post in July after he lost a confidence vote in parliament on his ability to tackle the country's economic situation, and pursue the fight against extremism.

Thus Chahed will likely also have a short period of time in which to enact much needed but painful reforms, such as those called for by outside institutions like the IMF, and to get a firm grip on the overall security situation. Tunisia was hailed for its relatively peaceful transition to democracy, since then however political squabbling and strong resistance from Tunisia's main labour unions, particularly over key issues such as restructuring a bloated public sector and reducing government spending, prevented previous administrations from making similar progress in overhauling the economy.

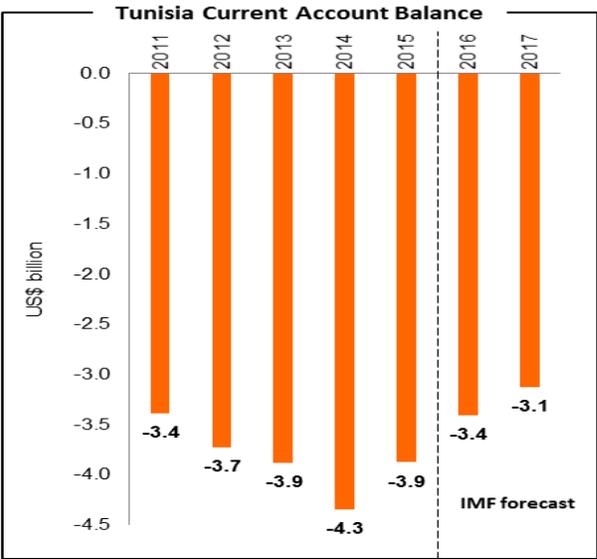
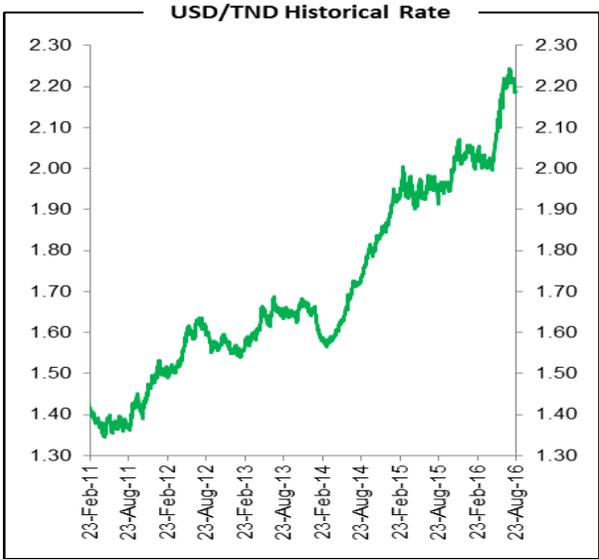
Tunisia's current account deficit has widened to 9% of GDP since 2011, the Dinar hit an all-time low against the US dollar in July this year, economic growth was an anemic 0.80% in 2015, and official unemployment has risen to 15.60%. Tunisia's tourism sector, one of the mainstays of the economy, has seen a marked contraction over the past few years due primarily to a number of high profile terror attacks on foreign visitors including the killing of 38 holidaymakers at a resort in Sousse last year. Almost 7 million tourists visited Tunisia in 2010, but that number shrunk to 5.5 million last year and tourism receipts dropped from US\$3.5 bio to US\$1.5 bio. This sector also employs 11.50% of the country's workforce and thus the social and financial impact of the tourism downturn is felt across the country. It is worth acknowledging however that the tourism ministry has actively tightened security in recent months, especially around the country's key tourist sites and hotels, while a push by the industry to offer cut-price holidays has reportedly achieved some success this year by attracting tourists from outside of its usual European market, including Russians and Algerians.

Meanwhile phosphate exports, another key foreign exchange earner, have been disrupted in recent months due to sit-ins and demonstrations by people seeking employment. Such protests are becoming a worryingly common event, just recently the medical and legal unions threatened to encourage their members to go out on strike over stricter audits of their declared incomes. The latter issue emphasizes the need for urgent action by the government to tackle endemic corruption and bureaucracy in order to offer their citizens a more accountable and efficient civil service which would benefit the country as a whole, and encourage ordinary Tunisians to become more trustful of government officials like tax collectors.

**24 August 2016****Glenn Wepener**Executive Director & Geo-Political  
Analyst, Middle East & Africa

As outlined above the incoming administration faces numerous hurdles, but patience by ordinary Tunisians is wearing thin in a country where almost 50% of the population is under the age of 30. In a speech last week Chahed did acknowledge the fact that difficult and painful steps were required and appears willing to take them. "We are in times that require exceptional decisions and sacrifices. I want to talk frankly with the Tunisian people about the reality of the country's financial situation," he warned, adding that he was determined to root out corruption, remove red tape, sort out public finances and boost growth. Whether or not he will be able to generate enough political capital to follow through with these promises remains to be seen, but if a credible long-term plan for the country can be drawn up and agreed upon this time around, and more importantly communicated clearly to the public, together with a firm implementation timeframe, it could be the country's last opportunity to avoid a further deterioration of the economy and consequently more serious social unrest.

One female Tunisian MP was quoted as saying recently that "Nobody can perform the miracles we need right now," let's hope Chahed will prove her wrong.



Sources: Bloomberg & IMF

**Glenn Wepener**  
**Executive Director & Geopolitical Analyst**  
**Middle East & Africa**  
 Market Insight & Strategy Group  
 NBAD Global Markets  
 Tel: +971-2-6110141  
 Mobile: +971-50-6415937  
 Email: [GlennMaurice.Wepener@nbad.com](mailto:GlennMaurice.Wepener@nbad.com)  
 Website: [www.nbad.com](http://www.nbad.com)

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