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The Revolution in Tunisia: Economic Challenges and Prospects¹

1 – Introduction

For decades, Tunisia has been considered one of the success stories on the African continent. Sound macroeconomic alongside impressive social management accomplishments set Tunisia apart as one of the most robust performers in Africa. This perception was cemented by the country's progress in recent years, including its brisk recovery from the 2009 economic crisis characterized by a GDP growth of 3.7% in 2010 and impressive progress towards achieving the Millennium Development Goals (MDGs). This led many to believe Tunisia was, by-and-large, a sustainable good practice development model.

Yet on January 14, 2011 former President Zine El Abidine Ben Ali left power after a month of protests and violent confrontations that left over 200 dead. The social unrest

and political turmoil that engulfed Tunisia in January indicated that despite the country's comparative economic success, key social and development challenges had not been addressed. The combination of youth graduate unemployment, conspicuous and predatory corruption as well as political and economic disenfranchisement had created an untenable condition of discontent amongst Tunisians that erupted in a revolution and ended the 23 year rule of the country's second President.

In the sections that follow, this note will review the different factors that led to the recent social unrests. It will then analyse the macroeconomic environment and introduce a series of economic scenarios for 2011 and 2012. Having assessed the various directions the economy could take, given the conditions described above, the note provides a few concluding remarks.

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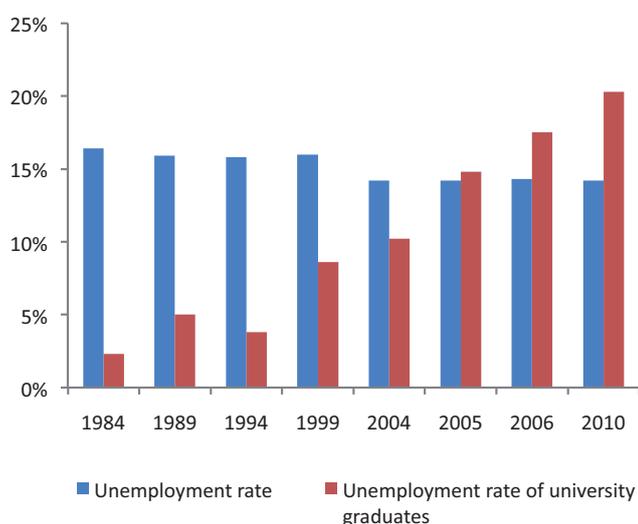
2. Key Development Challenges Remain after the Revolution

Even if the social unrest ultimately took a political turn, its roots lay in the day-to-day challenges faced by the population. Indeed Tunisian disquiet was sparked by the suicide of a young man who set himself on fire after the police confiscated his produce cart. Mohammed Bouazizi quickly became a symbol of the economic desperation shared by a majority of the Tunisian people.

Social unrest in Tunisia occurred in spite of reported social progress. Tunisia scores well on progress towards the MDGs. When it comes to the Human Development Indicator (HDI), Tunisian scores are equally impressive, ranking 98 out of 182 countries. In Africa, only three countries rank higher than Tunisia (Libya 55, Seychelles 57 and Mauritius 81).

Yet, despite these social advantages, the country faces high levels of youth unemployment, particularly among youth with graduate degrees, important regional inequities and governance problems. These issues, which triggered the revolution, still remain and will have to be addressed urgently by the government.

Figure 1: Unemployment in Tunisia

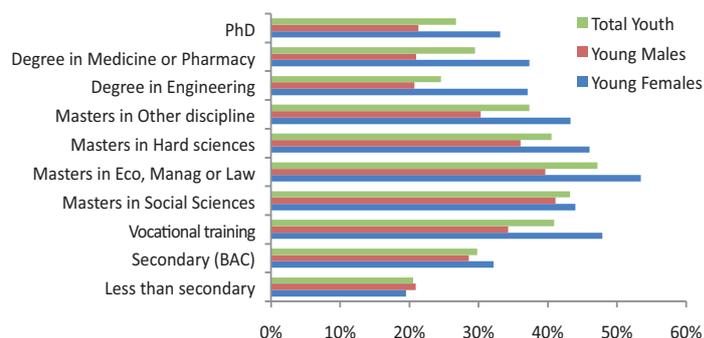


Source: INS (National Institute of Statistics) and the World Bank

2.1 Youth Graduate Unemployment

Although the fight against unemployment has been the number one priority of the Tunisian economic policy for several years, the government failed to create adequate jobs for the educated youth. While the overall unemployment rate has remained above 14%, unemployment for the educated youth

Figure 2 – Tunisian Unemployment Rates of Youth Graduates by Education and Gender, 2007



Source: Stampini, M. and A. Verdier-Chouchane (2011), *op. cit.*

increased by a factor of 10 over the last two decades and reached 20% in 2010 (Figure 1). The upward trend in the unemployment of university graduates is the consequence of the youth bulge, high throughput in universities, mismatch in the demand and supply of skilled workers, and the relatively low quality of training received by many graduates².

While there is a clear lack of employment opportunities for the youth, it also seems that there is a mismatch between the field of specialization chosen and the realities of the job market. As a testimony, unemployment reached 47.1% on average for the youth holding a Masters in Economics, Management or Law and 43.2% for those holding a Masters in Social Science. In contrast unemployment was 24.5 % for those in the Engineering field³.

The issue of unemployment for young graduates will not be resolved quickly as the Tunisian labour force increases

² The PISA (Program for International Student Assessment) reports from the OECD shows that the quality of secondary education in Tunisia is relatively low out of a sample of about 65 countries. OECD. 2009. PISA 2009 Results: What Students Know and Can Do. <http://www.oecd.org/edu/pisa/2009>

³ A complete analysis of the issue of youth unemployment can be found in Stampini, M. and A. Verdier-Chouchane (2011), "Labor Market Dynamics in Tunisia: The Issue of Youth Unemployment", Working Paper No 123, African Development Bank and available at <http://www.afdb.org/en/documents/publications/working-paper-series/>

in addition to the stock of those already unemployed. But most importantly, because of the impact of the revolution on production capacity, investors' confidence and local insecurity, economic activities are expected to decline in the short-term, especially in the industry and tourism sectors. In addition to the destruction of existing jobs, these conditions could also seriously constrain employment generation in the months to come.

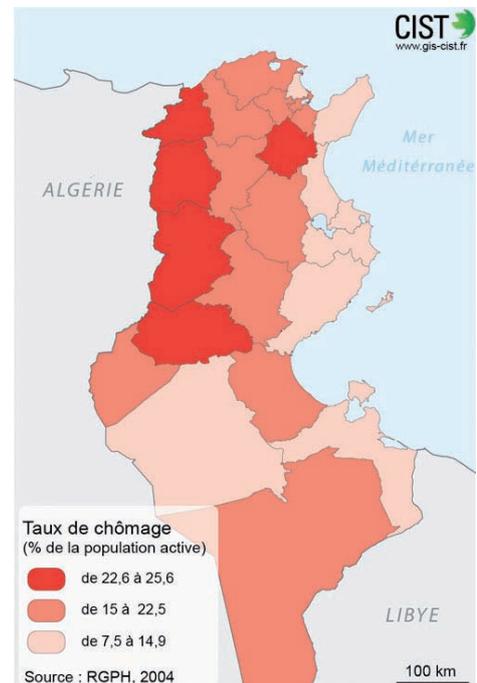
One of the challenges for the government will be to generate decent job opportunities for young unemployed graduates. In January 2011 the interim government established a program offering part-time employment opportunities in the public sector to long-term young unemployed graduates. In this program, workers would work half time and receive TDN 150 on a monthly basis (equivalent to 55% of the minimum wage) and would benefit from health care coverage and preferential public transport fares.

2.2 Regional Disparities

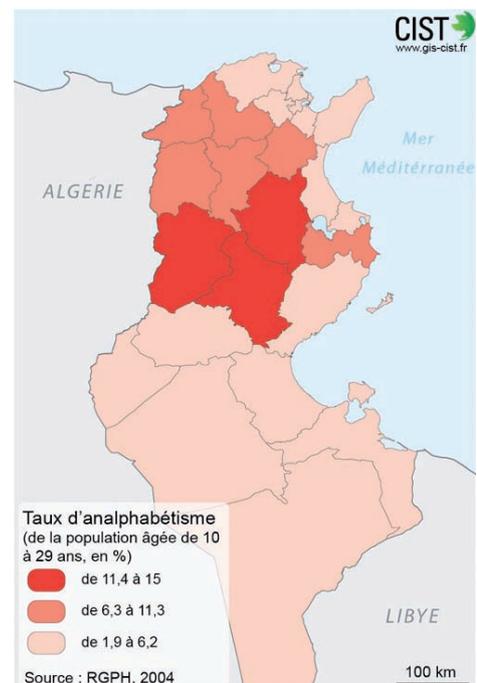
Although Tunisia has experienced a significant reduction of poverty and improvement of social indicators, regional and socio-economic disparities remain significant. The issue of regional disparities was at the core of the social unrest in the cities of Sidi Bouzid, Kasserine, and Thala in the Mid-East region.

Overall, the Eastern coast is in better shape than the Western and Southern regions (see Figure 3). The population and economic activities are mainly concentrated in the North East (governorate of Tunis) and the Mid-East (governorate of Sfax) with the coastal region accounting for 75% of non-agricultural jobs. As a result, there is significant variability in average consumption and in poverty across regions. In 2000, while the poverty headcount (national average) stood at 18.4%, it in fact ranged from 6.9% in Greater Tunis to 30.8% in the Mid-West (see Figure 4). Similarly, unemployment is especially severe in the hinterlands (see Map 1). On average, since 2004, the unemployment rate has exceeded 22.6% in the region of Jendouba, Le Kef, Kasserine and Gafsa.

Map 1 – Unemployment rate across Tunisian regions in 2004

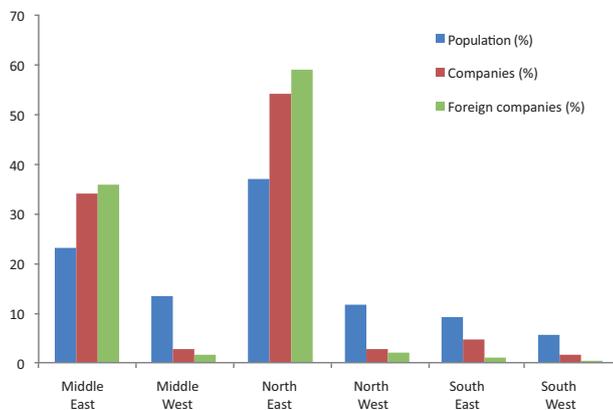


Map 2 – Illiteracy Rate (aged 10-29) across regions in 2004 Tunisia



However, the poorest regions have also suffered from a lack of attention by the authorities with the coastal areas receiving 65% of public investment. As a result, the Mid-West is the poorest region in terms of public service delivery (health and education) as exemplified by the number of inhabitants per pediatrician (Figure 5) and youth illiteracy (map 2). To buy social peace, forthcoming key challenge of the Tunisian government will be to reduce inequality across regions.

Figure 3: Population and Companies and across Tunisian regions (2000)



Source: Krifa-Schneider, H., F. Gsouma and H. Hammadou (2009) "Ouverture internationale, croissance et inégalités régionales : le cas de la Tunisie", available at: http://gdri.dreem.free.fr/wp-content/c24-krifa-etal_final.pdf

2.3 Governance & Corruption

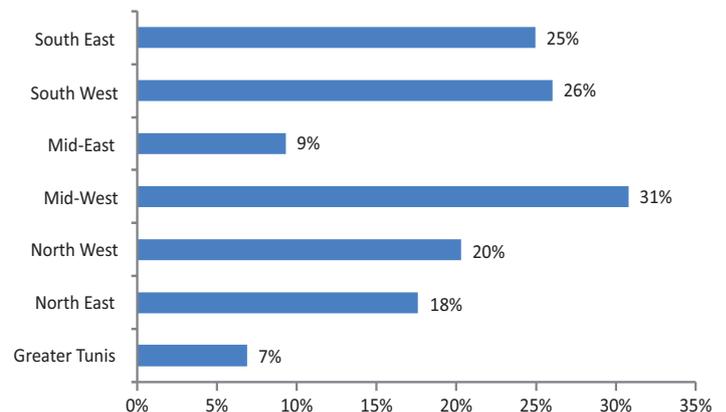
In terms of governance, Tunisia occupies a relatively good position compared with the average of countries in the Middle East and North Africa region (MENA), and better still, compared to the rating for sub-Saharan Africa. An exception, however, is the indicator related to Voice & Accountability. Transparency International ranks Tunisia 59th out of 178 countries, which makes the country the most highly ranked state in North Africa. However, Freedom House⁴ provides evidence that Tunisia

showed a significant lack in political rights and civil liberties. The Freedom House indicators also suggest that Tunisia had one of the worst media environments in the Arab world in 2010, with the government using an array of legal, penal, and economic measures to silence dissenting voices.

Most importantly perhaps, the conspicuous corruption at the highest level of decision making in Tunisia was a critical element behind the popular uprising that led to the downfall of former President Ben Ali. It allowed the development of an ill acquired financial empire without precedent in Tunisia including the media, transport, banking, telecommunications, tourism, airport services and retail sectors⁵. Shady acquisitions accelerated during the privatization program in early 2000, as did the provision of banking loans at very low interest rates which facilitated asset predation.

The Global Financial Integrity Foundation estimated the cost of corruption in the country at about USD 1 billion dollar per year⁶.

Figure 4: Decomposition of total poverty headcount, using per capita expenditures (in 2000 USD PPP), with a poverty line of USD 3



Source: African Development Bank (2010) "Growth, Poverty and Inequality in Selected African Middle Income Countries", mimeo, Development Research Department.

⁴<http://www.freedomhouse.org/>

⁵ and ⁶ The current and following paragraphs as well as the reported figures are based on different articles that were published online by Le Monde and the Economist, respectively at: <http://www.lemonde.fr/> and <http://www.economist.com/>

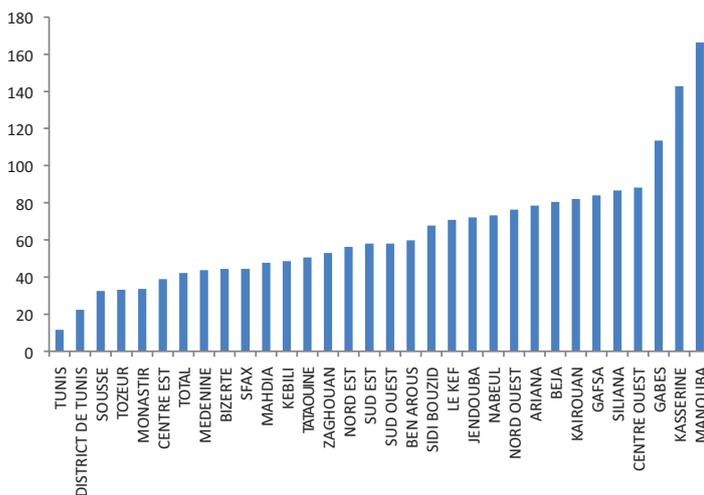
3. Forecasting the Impact of the Revolution on the Tunisian Economy

3.1 Recent Macroeconomic Trends

Although Tunisia was not hit directly by the financial crisis, the steep recession in European countries significantly affected significantly Tunisian export and its manufacturing sector in 2009 (around 80% of the Tunisian export market)⁷. An economic rebound began in 2010, with a GDP growth estimate of 3.7%, helped by the depreciation of the dinar which boosted Tunisian industrial exports to the euro area. Inflation rose by 4.5% in 2010 on average, due to the increase of the subsidised food and oil prices in order to keep the Compensation Budget under control.

The current account deficit increased from 2.9% in 2009 to 4.8% in 2010, due to the rebound of the trade sector in which an increase in imports (+17.5%), outpaced exports (+12.6%), while tourism revenues stagnated (+1.2%). Despite the global economic rebound, FDI inflows stagnated (+3%) in 2010. Foreign exchange reserves still stand at a comfortable level about 5 months of imports.

Figure 4: Number of inhabitants per pediatrician in 2004 ('000)



Source: Ministry of Public Health

Fiscal deficit was 2.6% of GDP in 2010. The impact of the economic crisis on fiscal revenues has been limited, because of the offshore status of the export sector. The 2010 budget kept a supportive fiscal stance to ensure the economic recovery with a high level of public investment, but which has not been fully absorbed. Public debt level remained stable (USD 20.9 billion or about 43% of GDP in 2010), after its significant reduction from 58.3% of GDP in 2005, due to the appreciation of the USD and the Yen against the Dinar. For the same reason, the external debt in 2010 is expected to be at the same level as 2009, namely 48% of GDP (or about USD 23.3 billion).

The banking sector reform resulted in a reduction of the NPL (non performing loan) ratio from 25% in 2003 to 13% in 2009, while provisioning rate for NPL increased from 44% to 58% and the capital adequacy ratio rose from 9.3% to 12.4% during the same period.

3.2 Economic Forecast for the short term

The Revolution holds great promise for Tunisia and the longer-term dividends could well be significant in terms of economic growth and social equity and cohesion. However, the country's political situation remains fragile. In addition to political transition challenges, in the short term, the government is facing the immediate urgency caused by a reduced fiscal space and increasing social demands while challenges related to youth unemployment, regional disparities and economic disenfranchisement cannot be left unaddressed.

The authorities estimated that during the recent upheavals between USD 5 and 8 billion (around 4% of GDP) were lost, tourism receipts have been seriously affected, key investments have been put on hold and thousands of jobs have been lost. During the month of January 2011, TND 1.8 billion was injected into the banking sector to contain a massive withdrawal. This contrasts with the over-liquidity situation Tunisia had faced, recently, leading to a mop-up of TND 1.1 billion last year. Foreign exchange reserves fell from TND 13 billion (147 days of import) end-December 2010 to TND 12.2 billion (139 days) in January 2011.

⁷ Tunisia signed an Association Agreement with the EU in 1995, which led to the free trade agreement with the EU market for industrial products in 2008. Services and Agriculture are under negotiation.

The African Economic Outlook model has been used to forecast macroeconomic impacts in the short-term, based on three scenarios: namely High, Middle and Low. Table 1 shows the summary results based on the three scenarios while the full tables of demand composition, public finances and current account are presented in Annexes 1, 2 and 3.

of the economy and quick recovery in the tourism sector, supported by a strong external financing and FDI and a well-targeted fiscal stimulus package. Fiscal deficit will remain under control at 3.9% of GDP, but the current account deficit will reach 6.1% of GDP, because of increased deficit in the trade balance, with export of manufactured goods inducing

Table 1: Summary Results of High, Middle and Low Scenarios

	Macroeconomic Indicators							
	2009	2010(e)	2011(p)			2012(p)		
			Low	Mid	High	Low	Mid	High
Real GDP growth	3.0	3.7	-2.5	1.1	3.6	2.4	3.3	4.2
CPI inflation	3.5	4.4	6.4	4.7	4.2	4.4	4.6	4.2
Budget balance % GDP	-2.7	-2.6	-6.0	-5.2	-3.9	-5.9	-4.8	-3.2
Current account % GDP	-2.8	-4.7	-8.9	-7.6	-6.1	-7.0	-5.6	-4.4

Source : projection of EDRE-ORNA

Note: Main assumptions for the different scenarios are reported in the Tables on Demand Composition (columns 4 and 5) of Annexes 2, 3 and 4. Another important assumption concerns the tourism receipts respectively of -5%, -20% and -30% for the high, mid and low scenario.

In the three scenarios, the GDP growth will be affected by a lower demand for tourism services, business disruption, and reduced FDI. The middle scenario suggests a GDP growth rate of 1.1% for 2011, followed by a slight economic recovery at 3.3% in 2012. Private investment will contract, while current public expenditures, especially wages and salaries, will rise significantly because of the increasing social demands. The fiscal deficit will stand at 5.2% of GDP in 2011. Current account deficit will increase to 7.6% of GDP, because of an increase in imports and decrease in tourism receipts. Similarly, inflation could grow to at least 4.7%.

GDP growth rate could increase to 3.6% in 2011 followed by a quick recovery at 4.2% in 2012, in case of rapid normalisation

increase in imports, and decrease in tourism receipts. Inflation will be under control at 4.2%, although high international food and oil prices will put pressure on the fiscal balance and the current account.

Nevertheless, in case of prolonged political and social instability, the economy could contract by 2.5% in 2011. Both public and private investment will contract, while massive hiring and salary increase in the public sector will affect the fiscal deficit, which could reach 6% of GDP. The Government will, in this case, try to cope only with social demands, at the expense of the fiscal balance, external balance and inflationary pressure. The current account deficit will increase to 8.9% because of the significant loss in tourism

receipts and the increase in imports induced by an increase in consumption and a decrease in exports. Inflation could reach at least 6.4% because of the salary increase, depreciation, and high international food and oil prices which will be passed through to domestic prices despite the high level of subsidies. For the low scenario a slow positive growth of 2.4% is projected for 2012.

4. Concluding Remarks

Developments in Tunisia during the first months of 2011 unfolded with unprecedented speed, defying predictions of even the most insightful observers of this, the smallest and—until recent events—arguably the most stable and economically well-performing country in the North Africa region. What started out in mid-December, with protests in the capital of the Tunisian centre Governorate of Sidi Bouzid, after a young and unemployed graduate student set himself on fire, spread throughout the country in the following weeks and culminated in the departure of Ben Ali on January 14, 2011.

Following initial spikes in looting and insecurity, the ensuing months have seen Tunisia move towards relative social calm and emerging optimism about the future. After several iterations, an interim government, headed by an experienced politician, Mr. Béji Caïd Essebsi, as Prime Minister, and composed of technocratic ministers, was finally formed (in early March). This team seems to enjoy a significant measure of credibility.

The most recent interim government, but also its immediate predecessor, has undertaken gradual but decisive actions to purge the top-brass of the former regime in the security forces as well as the central and regional administrations.

In a country-wide survey carried out by Tunisian SIGMA in early February, two-thirds of those surveyed expressed trust in the administration and the transitional government*.

The first two months following the departure of Ben Ali thus give reason for guarded optimism and the longer term dividends of the revolution could well be significant—both in terms of economic growth and social equity and cohesion. Provided the course stuck out these first months of the Revolution is pursued and leads to free and orderly elections, Tunisia's economic growth potential is likely to gain significantly as the drag of predatory corruption is lifted and a socio-political environment more conducive to individual liberty and private economic enterprise takes hold.

Nevertheless, serious challenges remain in the months ahead before the full potential presented by the Tunisian Revolution can be realized. Besides the political and security-related challenges that need to be navigated as the country moves towards parliamentary and presidential elections, the real economy and fiscal balances will be under pressure as a result of the drop in economic activity that surrounded and followed in the wake of the Revolution. Moreover, the underlying social discontentment that drove the Tunisian Revolution—notably youth unemployment, particularly among young graduates, and regional disenfranchisement—remain.

There is thus little doubt that political stability and social peace—indeed, the very credibility of the interim government—hinges critically on early and decisive progress on these fronts. Concerted and significant early support from external development partners such as the AfDB, the World Bank, the EU and others constitutes a critically important element in bridging Tunisia's short term challenges to the longer term opportunities. ■

* SIGMA Conseilis, a Tunisian marketing and media-study firm (with operations in Algeria, Morocco, Libya, France, and Tunisia), carried out the survey of 1,250 individuals (18 years or older) in Tunisia during the period January 30th to February 3th, 2011.

Annex 1. Detailed Results for the Low Scenario

Table 1 - Demand Composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010(e)	2011(p)	2012(p)	2010(e)	2011(p)	2012(p)
Total revenue and grants	23,8	24,8	12,0	-17,6	2,7	2,7	-4,3	0,6
Tax revenue	4,8	4,9	12,0	-8,0	5,0	0,5	-0,4	0,2
Grants	19,0	19,9	12,0	-20,0	2,0	2,2	-4,0	0,3
Consumption	80,0	78,1	4,5	2,9	2,0	3,6	2,3	1,7
Public	17,2	16,2	4,5	12,4	1,3	0,8	2,1	0,3
Private	62,7	61,9	4,5	0,3	2,2	2,8	0,2	1,4
External sector	-3,8	-2,9	-	-	-	-2,6	-0,4	0,2
Exports	40,8	45,0	2,6	-7,2	3,5	1,0	-2,7	1,2
Imports	-44,6	-48,0	8,9	-5,3	2,6	-3,5	2,2	-1,1
Real GDP growth rate						3,7	-2,5	2,4

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 2 - Public Finances (percentage of GDP)

	2002	2007	2008	2009	2010(e)	2011(p)	2012(p)
Total revenue and grants	23,3	21,9	24,2	23,1	23,1	23,3	23,1
Tax revenue	19,5	19,1	20,5	19,9	20,1	20,2	20,0
Grants	0,4	0,1	0,3	0,3	0,2	0,2	0,2
Other revenues	3,4	2,7	3,3	2,9	2,9	2,9	2,9
Total expenditure and net lending (a)	25,6	24,5	24,8	25,8	25,7	29,3	29,0
Current expenditure	18,0	18,4	19,0	18,1	18,4	22,2	21,8
Excluding interest	15,2	16,0	16,9	16,1	16,4	20,2	20,0
Wages and salaries	11,2	10,6	10,4	10,7	10,7	12,3	12,3
Goods and services	1,5	1,6	1,6	1,7	1,9	2,6	2,5
Interest	2,8	2,4	2,1	2,0	1,9	2,0	1,8
Capital expenditure	7,3	5,4	5,8	6,6	7,2	6,9	7,1
Primary balance	0,5	-0,2	1,4	-0,7	-0,7	-4,0	-4,1
Overall balance	-2,3	-2,6	-0,7	-2,7	-2,6	-6,0	-5,9

a. Only major items are reported.

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 3 - Current Account (percentage of GDP)

	2002	2009	2010(e)	2011(p)	2012(p)	2010(e)	2011(p)	2012(p)
Trade balance	-9,2	-7,4	-8,9	-8,5	-8,5	-10,9	-12,7	-12,1
Exports of goods (f.o.b.)	29,6	38,9	42,7	33,1	33,1	33,7	32,9	33,0
Imports of goods (f.o.b.)	38,8	46,3	51,7	41,6	41,6	44,6	45,6	45,0
Services	5,3	5,4	5,9	5,8	5,8	6,3	3,7	5,0
Factor income	0,3	-0,8	-1,2	-0,7	-0,7	-0,6	-0,7	-0,7
Current transfers	0,3	0,5	0,5	0,5	0,5	0,6	0,7	0,7
Current account balance	-3,2	-2,4	-3,8	-2,8	-2,8	-4,7	-8,9	-7,0

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 4 - Macroeconomic Indicators

	2009	2010(e)	2011(p)	2012(p)
Real GDP growth	3,0	3,7	-2,5	2,4
CPI inflation	3,5	4,4	6,4	4,4
Budget balance % GDP	-2,7	-2,6	-6,0	-5,9
Current account % GDP	-2,8	-4,7	-8,9	-7,0

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 5 - Summary Results

	2002	2003	2004	2005	2006	2007	2008	2009	2010(e)	2011(p)	2012(p)
Real GDP growth	1,8	5,6	6,0	4,1	5,4	6,3	4,6	3,0	3,7	-2,5	2,4
CPI inflation	2,7	2,8	3,6	2,1	4,5	3,1	5,1	3,5	4,4	6,4	4,4
GDP (scaled \$)	32901,4	34728,2	36826,1	38329,9	40380,6	42942,5	44924,9	46295,0	47981,1	46817,7	47929,9
RGDP	23141,8	27453,9	31183,9	32272,3	34376,8	38922,9	44878,5	43523,0	45800,0	45382,2	47800,4
Exchange rate	1,4	1,3	1,2	1,3	1,3	1,3	1,2	1,4	1,4	1,5	1,5

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Annex 2 - Detailed Results for the Middle Scenario

Table 1 - Demand Composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010(e)	2011(p)	2012(p)	2010(e)	2011(p)	2012(p)
Total revenue and grants	23,8	24,8	12,0	-8,0	4,0	2,7	-2,0	0,9
Tax revenue	4,8	4,9	12,0	0,0	2,0	0,5	0,0	0,1
Grants	19,0	19,9	12,0	-10,0	4,5	2,2	-2,0	0,8
Consumption	80,0	78,1	4,5	5,2	2,8	3,6	4,1	2,4
Public	17,2	16,2	4,5	13,8	1,7	0,8	2,3	0,3
Private	62,7	61,9	4,5	2,8	3,1	2,8	1,8	2,0
External sector	-3,8	-2,9	-	-	-	-2,6	-1,1	0,1
Exports	40,8	45,0	2,6	-3,6	4,8	1,0	-1,3	1,7
Imports	-44,6	-48,0	8,9	-0,6	3,9	-3,5	0,2	-1,6
Real GDP growth rate						3,7	1,1	3,3

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 2 - Public Finances (percentage of GDP)

	2002	2007	2008	2009	2010(e)	2011(p)	2012(p)
Total revenue and grants	23,3	21,9	24,2	23,1	23,1	23,3	23,1
Tax revenue	19,5	19,1	20,5	19,9	20,1	20,2	20,0
Grants	0,4	0,1	0,3	0,3	0,2	0,2	0,2
Other revenues	3,4	2,7	3,3	2,9	2,9	2,9	2,9
Total expenditure and net lending (a)	25,6	24,5	24,8	25,8	25,7	28,5	27,9
Current expenditure	18,0	18,4	19,0	18,1	18,4	21,0	20,6
Excluding interest	15,2	16,0	16,9	16,1	16,4	19,1	18,9
Wages and salaries	11,2	10,6	10,4	10,7	10,7	12,1	12,0
Goods and services	1,5	1,6	1,6	1,7	1,9	2,3	2,3
Interest	2,8	2,4	2,1	2,0	1,9	1,9	1,7
Capital expenditure	7,3	5,4	5,8	6,6	7,2	7,3	7,1
Primary balance	0,5	-0,2	1,4	-0,7	-0,7	-3,3	-3,0
Overall balance	-2,3	-2,6	-0,7	-2,7	-2,6	-5,2	-4,8

a. Only major items are reported.

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 3 - Current Account (percentage of GDP)

	2002	2009	2010(e)	2011(p)	2012(p)	2010(e)	2011(p)	2012(p)
Trade balance	-9,2	-7,4	-8,9	-8,5	-8,5	-10,9	-12,4	-11,6
Exports of goods (f.o.b.)	29,6	38,9	42,7	33,1	33,1	33,7	33,4	33,6
Imports of goods (f.o.b.)	38,8	46,3	51,7	41,6	41,6	44,6	45,8	45,3
Services	5,3	5,4	5,9	5,8	5,8	6,3	4,8	6,1
Factor income	0,3	-0,8	-1,2	-0,7	-0,7	-0,6	-0,6	-0,6
Current transfers	0,3	0,5	0,5	0,5	0,5	0,6	0,7	0,6
Current account balance	-3,2	-2,4	-3,8	-2,8	-2,8	-4,7	-7,6	-5,6

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 4 - Macroeconomic Indicators

	2009	2010(e)	2011(p)	2012(p)
Real GDP growth	3,0	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: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 5 - Summary Results

	2002	2003	2004	2005	2006	2007	2008	2009	2010(e)	2011(p)	2012(p)
Real GDP growth	1,8	5,6	6,0	4,1	5,4	-6,3	4,6	3,0	3,7	1,1	3,3
CPI inflation	2,7	2,8	3,6	2,1	4,5	3,1	5,1	3,5	4,4	4,7	4,6
GDP (scaled \$)	32901,4	34728,2	36826,1	38329,9	40380,6	42942,5	44924,9	46295,0	47981,1	48484,4	50073,7
RGDP	23141,8	27453,9	31183,9	32272,3	34376,8	38922,9	44878,5	43523,0	45800,0	47340,1	50474,3
Exchange rate	1,4	1,3	1,2	1,3	1,3	1,3	1,2	1,4	1,4	1,4	1,5

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Annex 3 - Detailed Results for the High Scenario

Table 1 - Demand Composition

	Percentage of GDP (current price)		Percentage changes, volume			Contribution to real GDP growth		
	2002	2009	2010(e)	2011(p)	2012(p)	2010(e)	2011(p)	2012(p)
Total revenue and grants	23,8	24,8	12,0	0,6	5,2	2,7	0,1	1,2
Tax revenue	4,8	4,9	12,0	3,0	2,0	0,5	0,1	0,1
Grants	19,0	19,9	12,0	0,0	6,0	2,2	0,0	1,1
Consumption	80,0	78,1	4,5	5,3	3,6	3,6	4,3	2,9
Public	17,2	16,2	4,5	10,6	1,7	0,8	1,8	0,3
Private	62,7	61,9	4,5	3,9	4,1	2,8	2,5	2,6
External sector	-3,8	-2,9	-	-	-	-2,6	-0,8	0,0
Exports	40,8	45,0	2,6	1,1	5,9	1,0	0,4	2,1
Imports	-44,6	-48,0	8,9	2,8	5,1	-3,5	-1,2	-2,1
Real GDP growth rate						3,7	3,6	4,2

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 2 - Public Finances (percentage of GDP)

	2002	2007	2008	2009	2010(e)	2011(p)	2012(p)
Total revenue and grants	23,3	21,9	24,2	23,1	23,1	23,3	23,1
Tax revenue	19,5	19,1	20,5	19,9	20,1	20,1	20,0
Grants	0,4	0,1	0,3	0,3	0,2	0,2	0,2
Other revenues	3,4	2,7	3,3	2,9	2,9	2,9	2,9
Total expenditure and net lending (a)	25,6	24,5	24,8	25,8	25,7	27,1	26,4
Current expenditure	18,0	18,4	19,0	18,1	18,4	19,7	19,1
Excluding interest	15,2	16,0	16,9	16,1	16,4	17,8	17,5
Wages and salaries	11,2	10,6	10,4	10,7	10,7	11,3	11,1
Goods and services	1,5	1,6	1,6	1,7	1,9	2,2	2,2
Interest	2,8	2,4	2,1	2,0	1,9	1,9	1,7
Capital expenditure	7,3	5,4	5,8	6,6	7,2	7,3	7,1
Primary balance	0,5	-0,2	1,4	-0,7	-0,7	-2,0	-1,6
Overall balance	-2,3	-2,6	-0,7	-2,7	-2,6	-3,9	-3,2

a. Only major items are reported.

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 3 - Current Account (percentage of GDP)

	2002	2009	2010(e)	2011(p)	2012(p)	2010(e)	2011(p)	2012(p)
Trade balance	-9,2	-7,4	-8,9	-8,5	-8,5	-10,9	-11,6	-10,7
Exports of goods (f.o.b.)	29,6	38,9	42,7	33,1	33,1	33,7	34,2	34,8
Imports of goods (f.o.b.)	38,8	46,3	51,7	41,6	41,6	44,6	45,9	45,5
Services	5,3	5,4	5,9	5,8	5,8	6,3	5,5	6,3
Factor income	0,3	-0,8	-1,2	-0,7	-0,7	-0,6	-0,6	-0,6
Current transfers	0,3	0,5	0,5	0,5	0,5	0,6	0,7	0,6
Current account balance	-3,2	-2,4	-3,8	-2,8	-2,8	-4,7	-6,1	-4,4

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 4 - Macroeconomic Indicators

	2009	2010(e)	2011(p)	2012(p)
Real GDP growth	3,0	3,7	3,6	4,2
CPI inflation	3,5	4,4	4,2	4,2
Budget balance % GDP	-2,7	-2,6	-3,9	-3,2
Current account % GDP	-2,8	-4,7	-6,1	-4,4

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

Table 5 - Summary Results

	2002	2003	2004	2005	2006	2007	2008	2009	2010(e)	2011(p)	2012(p)
Real GDP growth	1,8	5,6	6,0	4,1	5,4	6,3	4,6	3,0	3,7	3,6	4,2
CPI inflation	2,7	2,8	3,6	2,1	4,5	3,1	5,1	3,5	4,4	4,2	4,2
GDP (scaled \$)	32901,4	34728,2	36826,1	38329,9	40380,6	42942,5	44924,9	46295,0	47981,1	49693,3	51723,7
RGDP	23141,8	27453,9	31183,9	32272,3	34376,8	38922,9	44878,5	43523,0	45800,0	48851,6	52459,8
Exchange rate	1,4	1,3	1,2	1,3	1,3	1,3	1,2	1,4	1,4	1,4	1,5

Source: Data from AfDB; estimates (e) and prediction (p) based on authors' calculations.

