Observatoire Tunisien de l'Economie

المرصـــد الـتـونـسي للإقتصـــاد

datanalysis | N°16

Devaluation of the Dinar: A net loss of 4.2 billion dinars in two years for the State

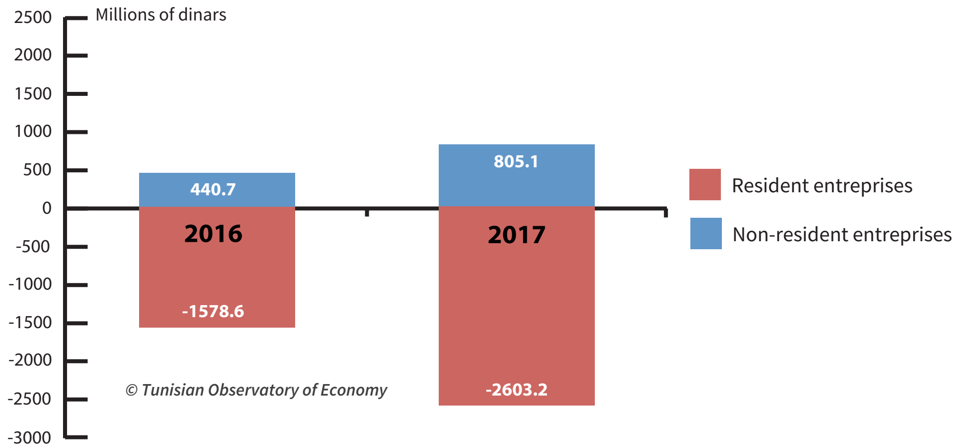
Key highlights :

- Cumulatively over the years 2016 and 2017, the state lost the net equivalent of TND 4.2 billion in foreign currency due solely to the devaluation of the dinar
- The shortfall for the State in equivalent of foreign currencies, due to the status of non-resident companies, amounts to 1.2 billion dinars between 2016 and 2017.

Title: Impact of the devaluation of the dinar by residence in Tunisia 2016 - 2017

Author : Tunisian Observatory of Economy

Sources : CBT



The particularity of foreign trade in goods in Tunisia is that it is divided into two worlds. A world where exports and imports by resident companies have a direct impact on foreign exchange reserves. And a parallel world where exports and imports by non-resident companies have no direct impact on the country›s foreign exchange reserves. Indeed, Article 6 of Law 72 allows non-resident companies not to repatriate their export earnings. In return, they do not draw on the country›s foreign exchange reserves for their imports. This separation is structural given that, according to 2017 CBT figures, 60% of exports and 27% of imports in Tunisia are carried out by non-resident companies, and therefore have no positive or negative impact on the country›s foreign exchange reserves. This distinction is essential for analyzing the impact of the devaluation of the dinar.

Thus, as the figure shows, we estimate that, cumulatively over the years 2016 and 2017, the state lost the net equivalent of TND 4.2 billion in foreign currency due solely to the devaluation of the dinar. On the other hand, the State is faced with a shortfall, over the same period, of an equivalent of TND 1.2 billion in foreign currency due to the concession on the exchange regime made to non-resident companies in Law 72 (Article 6). Even if the State were to recover these currencies, the balance sheet of the devaluation on the foreign currency reserves would still be negative at an equivalent of TND 3 billion in foreign currency. Thus, the State does not benefit from the gain in competitiveness enjoyed by non-resident enterprises that are totally exporters thanks to devaluation, but it does pay the negative consequences of this devaluation on imports by resident enterprises. As regards foreign currencies, essential to sustain the value of the dinar, the devaluation of the dinar can be summarized as follows: pile, non-resident companies win; face, the state loses. In a publication, the CBT concluded[1]: «It is imperative to review the current economic model which has reached its limits especially for the offshore regime whose contribution to value added and also to the enrichment of foreign currency assets are reduced».

[1] *Trade Analysis of Tunisia-Year 2016*

Author : Chafik Ben Rouine|Email : Chafik.benrouine@economie-tunisie.org