The Negative Impact of the Tunisian Dinar drop on Trade Deficit.

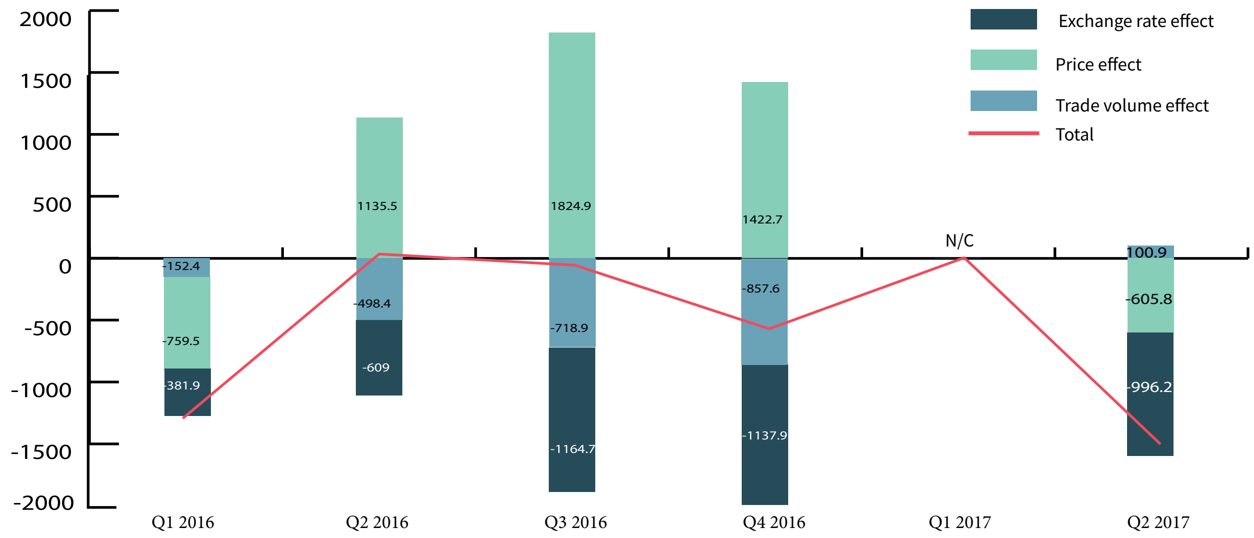
Key Highlights :

• Tunisia has been caught into a vicious circle as every dinar devaluation, decided by the IMF, is leading to an increasing trade deficit that triggers a greater substantial depreciation of the Dinar.

• The downward variation of the dinar (The currency impact) had an adverse effect on the development of trade as evidenced by the decline of 1,1 billion dinars in 2016.

• The adverse impact of the Tunisian Dinar depreciation on trade has been assessed at 1 billion dinar solely for the first half-year.

Title: *The Incremental Trade Effects on 2016 - 2017*
Author : *Tunisian Observatory of Economy*
Sources *: Central Bank of Tunisia*



As outlined in Data Analysis 8, The IMF exerts pressure on the Central Bank of Tunisia (BCT) in order to push it to consent to the Tunisian Dinar depreciation. The reason advanced by the IMF is that the depreciation of the Tunisian Dinar will enhance the competitiveness of exporters and therefore increase exports. Furthermore, it is supposed to lower the amount of imports because it will increase their prices. The IMF is dropping the value of the Tunisian Dinar dramatically in order to reduce trade deficit in the medium term. On the other hand, the Central Bank of Tunisia breaks down the development of trade exchanges to the following three sub-effects: the exchange rate effect, the effect of the variation of the prices (example: oil price) and the effect of the change in trade volumes. As illustrated in the figure, the downward variation of the dinar (The currency impact) had an adverse effect on the development of trade as evidenced by a 1,1 Billions decline in 2016 and 1 billion dinar solely for the first half of 2017. This indicates that the adverse impact of the increase of the value of imports, due to the depreciation of the dinar, outweighs the positive effect of the increase in the exports value due to this decline. In other words, instead of alleviating trade deficits as expected by the IMF, the depreciation of the dinar has conversely increased it. Accordingly, Tunisia is caught into a vicious circle as every required depreciation by IMF leads to further trade deficit. Is this the reason why the Central Bank of Tunisia decided to take action on the amount of imports[1]?

[1] https://www.ilboursa.com/marches/importations-la-bct-fixe-la-liste-des-produits-juges-non-essentiels_12659

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