

Second Regional Report on Jobs and Growth in North Africa (2018 -2021): Developments through the COVID-19 Era

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The Case of Tunisia

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Health Situation & Government Response in Tunisia during the COVID-19 Pandemic

- Tunisia experienced its most challenging period during summer 2021:
 - Daily cases started to rise exponentially reaching an all-time peak of 14.2 cases per thousand and 396 deaths per million in July 2021.
 - The Tunisian health system was near collapse due to shortages in beds and oxygen.
- The pressure on the health system was lessened with the acceleration of the vaccination campaign in August 2021 where the number of administered vaccines reached 58.8 vaccinations per hundred, exceeding the world average.
- On the Social Protection front, the Tunisian government provided:
 - Cash assistance to workers in vulnerable sectors such as tourism, and to irregular workers (400,000 beneficiaries).
 - A one-off aid to needy families who already benefited from the PNAFN cash transfer program (260,000 families).

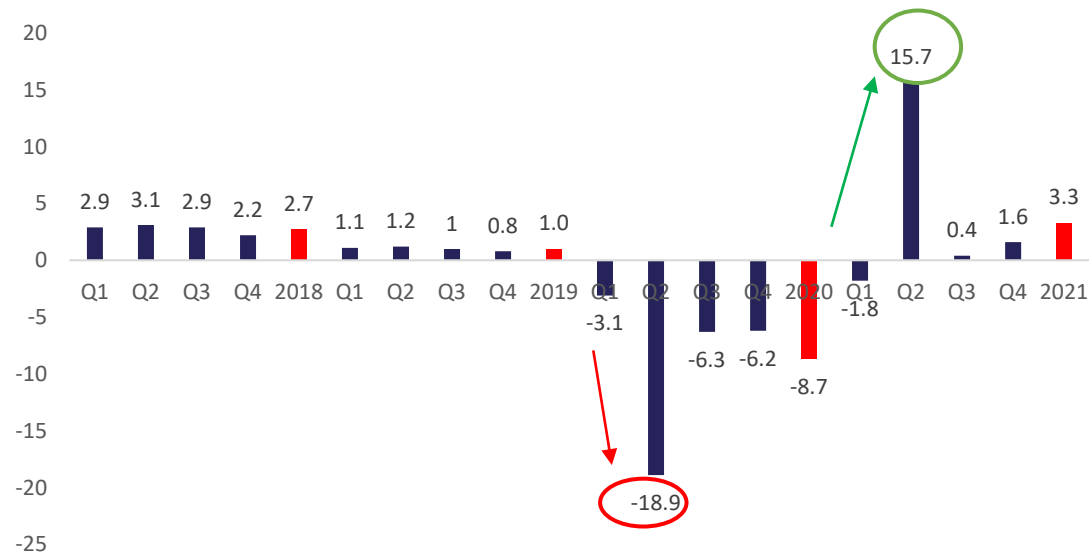
Outline

- Introduction
- Health Situation & Government Response in Tunisia during the COVID-19 Pandemic
- Trends in macroeconomic performance prior and amid COVID-19
- Labour market dynamics in Tunisia
- Conclusion and policy implications

From an underperforming economic growth prior COVID-19 to a severe recession in 2020 towards glimpses of recovery in 2021

- Tunisian growth was massively hit by COVID-19 in Q2 2020, resulting in a recession of 18.9 per cent, ending the year with a contraction of 8.7 per cent compared to 2019.
- In 2021, glimpses of economic recovery started to appear where the economic growth reach 3.3 per cent, which is the highest rate since 2018.

Figure 1: Real quarterly annual GDP growth (%) 2018-2021



A declining investment performance since 2015

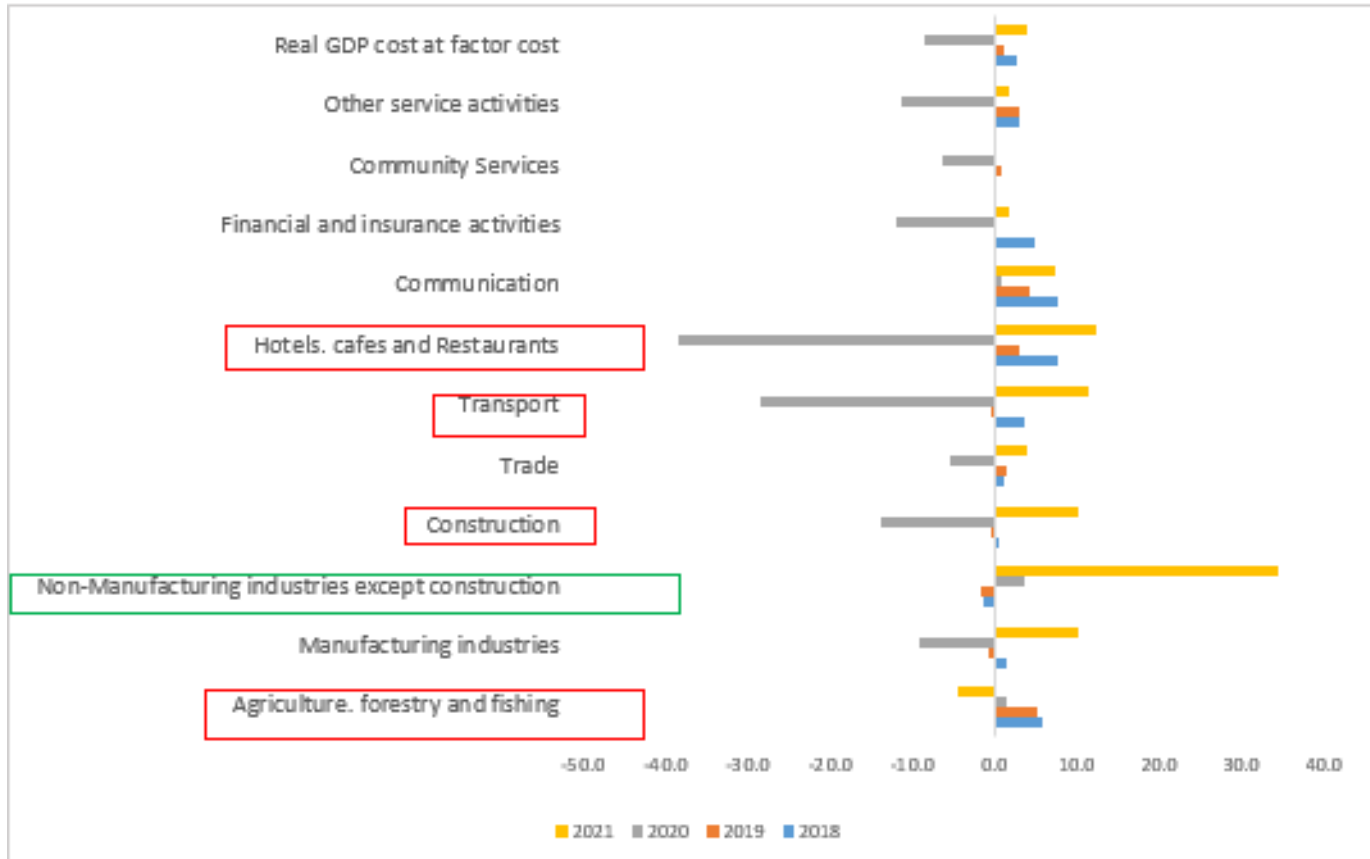
- COVID-19 shock has aggravated an already struggling investment environment since 2015
 - Investment and saving rates declined steadily over the period to reach 13.3 per cent and 4 per cent respectively in 2020.
 - During COVID-19, government current expending on social transfers increased at the expense of capital spending to accommodate the health and economic repercussions of the pandemic.
 - The reduction of key interest rate in March and October 2020 by a cumulative 125 basis points has pushed down the saving and investment rates in 2020.
- As one of the economic growth drivers, modest investment rates justify to a large extent the underperformance of Tunisia's growth prior COVID-19.

Table 1: Investment and saving rates as % of GDP

	2015	2016	2017	2018	2019	2020
Investment in % of GDP	19.8	19.3	18.9	18.4	18.3	13.3
Saving in % of GDP	11.1	9.6	9.1	10.5	9.4	4.0

An uneven impact across economic sectors

Figure 2: Growth rate by selected sectors (2018-2021)



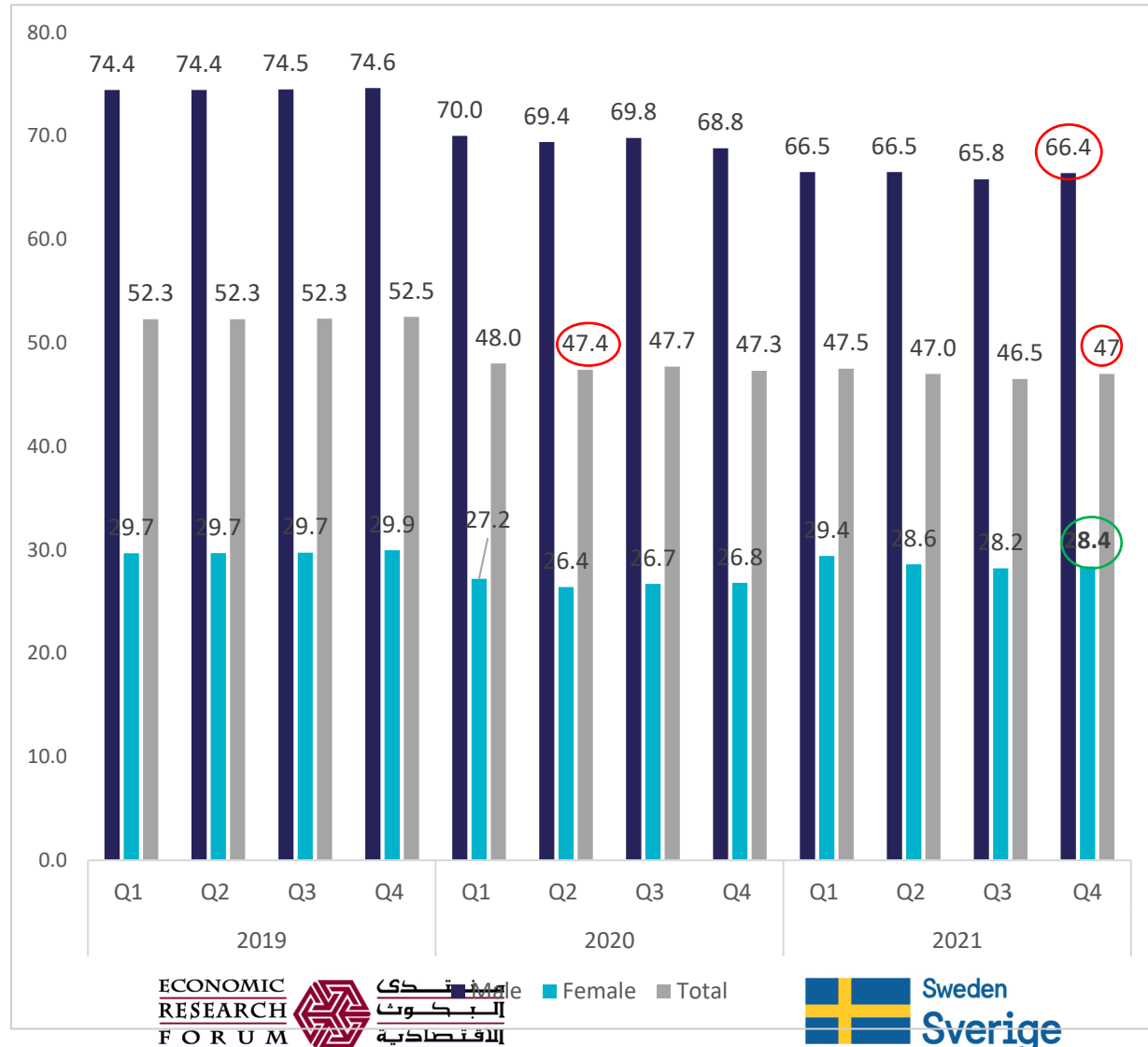
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A limited impact on labour force participation rates

Figure 3: Labour force participation rate 2019-2021

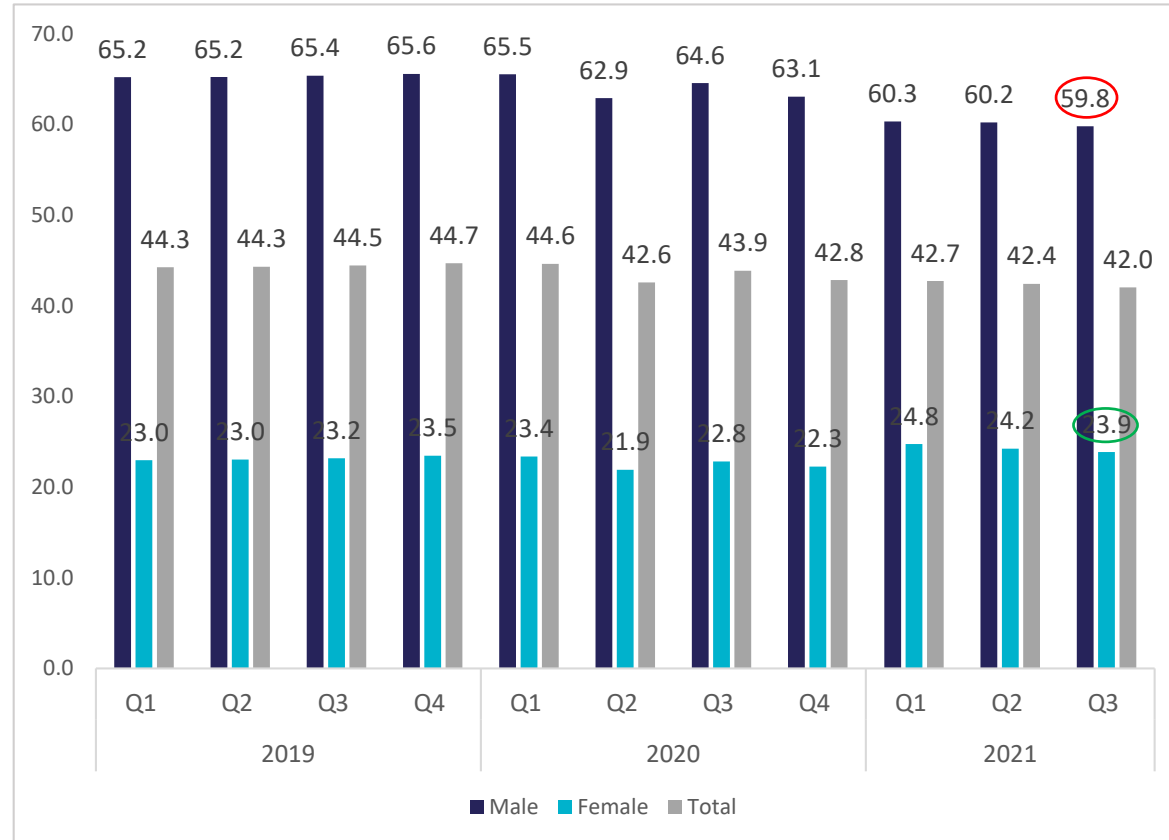
- The overall labour force participation rate was weakly affected by the pandemic.
- Impact was equally weak for both sexes.
- In 2021, male and female labour force participation rates moved in opposite directions.



A similar trend is observed for the employment rates

- Employment to population ratios are similar to the participation rates over the period.
- Male employment rates were following a decreasing trend in 2021 reaching a low of 59.8 per cent in Q3 2021.
- Female employment was slightly impacted following COVID-19 and was able to gain momentum afterwards.

Figure 4: Employment to population 2019-2021



Unemployment increased post COVID-19 and remained high

- The direct impact of COVID-19 on unemployment in Q2 2020 was similar across gender.
- Unemployment declined temporarily in Q3 2020, but increased again and remained persistently high through the third quarter of 2021.
- By Q4 2021, the unemployment rate declined to 16.2 per cent but remained well above it pre-pandemic level of 15.5 percent.

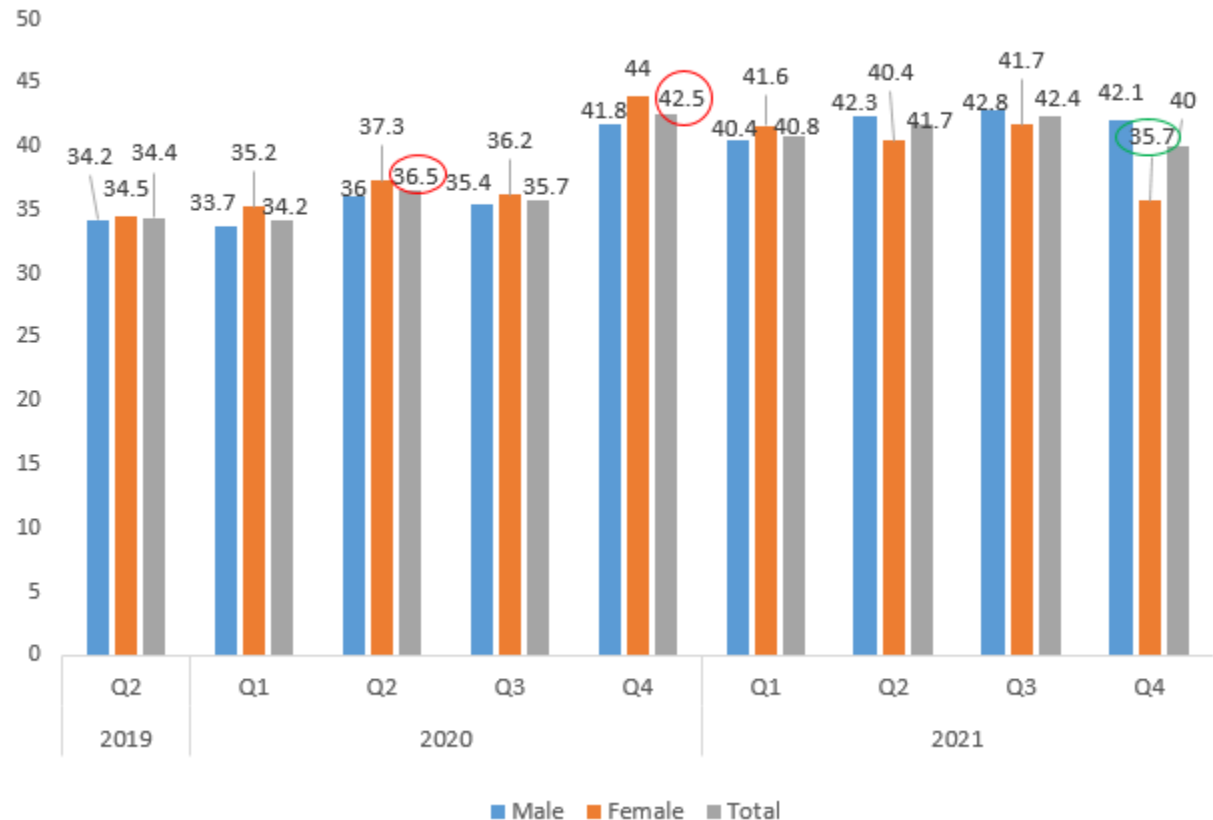
Figure 5: Unemployment rate 2019-2021



Youth unemployment - An impact materialized in Q4 2021

Figure 6: Youth unemployment rate: 15-24

- Youth unemployment rates increased following the COVID-19 outbreak.
- In 2021, the youth unemployment rate remained stubbornly high at above 40 per cent through the fourth quarter.
- Young women's unemployment was affected more strongly than that of young men, but that they also recovered more by the fourth quarter of 2021, falling close to pre-pandemic levels.



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Summary of results

- The COVID-19 outbreak in March 2020 has exacerbated existing macro-and-microeconomic challenges.
- From the macroeconomic side, the Tunisian economy experienced a negative growth of -8,7 per cent in 2020, compared to 1 per cent in 2019 then achieved an economic growth of 3.3 per cent in 2021.
 - The least performing economic sectors in 2020 were the hospitality and tourism sector, as well as the construction sector, which were all affected by the shutdowns experienced in the country.
 - The rise in interest rates and the decline capital spending pushed down the investment rates, which is one of the main engines of economic growth.

Summary of results

- From the microeconomic side, the outbreak of COVID-19 has amplified the already high unemployment rates but had a weaker impact on labour force participation levels.
 - However, in 2021, the labour participation rate increased among women and decreased among men, which could be possibly explained by a discouragement effect.
 - Similarly, female unemployment has more than recovered by Q4 2021 achieving a lower rate than pre-pandemic levels.
- Unemployment rates among Tunisian youth are alarmingly high, exceeding 40 per cent throughout 2021.
 - Young women were faster to recover and return to pre-pandemic levels, whereas the unemployment rate among young men remained high and above the rates observed a year before.

Policy implications

- Structural solutions are required to tackle structural imbalances at the macro- and micro-economic levels, manifested in:
 - The declining role of investment in the economy
 - The high unemployment rates, especially among women and youth
- In order to increase the investment rates:
 - Policies that create more fiscal space for public investment are needed, among which:
 - ✓ The introduction of an equitable taxation reform
 - ✓ Containing the public sector wage bill
 - ✓ Replacing generalized subsidies with transfers targeting the poor
 - Strengthening competition and opening up the economy to private sector investment to ensure inclusive and job-rich economic growth.
 - Improving the business climate is necessary to allow for FDI inflows, which positively affect economic growth.

Policy implications

- In order to tackle the high unemployment rates:
 - Upgrading the capacities of the private sector is essential:
 - ✓ To provide higher productivity jobs that fit the aspirations of educated youth
 - Reduce the cost of formality compared to the cost of operating in the informal sector:
 - ✓ To encourage firms to join the formal sector and subsequently increase the demand for skilled educated workers and increase labour force participation, especially among women.

Thank you for your attention!

Questions?!



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