

# CHART OF THE WEEK

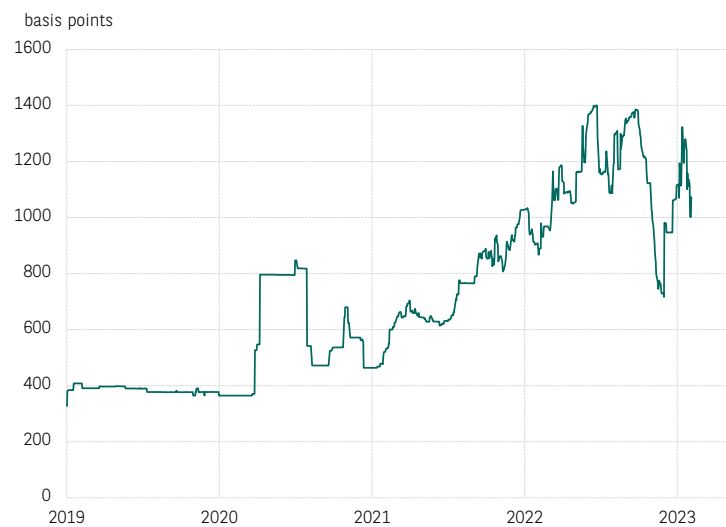


8 February 2023

## TUNISIA: CONCERNS OVER DEBT

Stéphane Alby

### Tunisia: 5-year CDS



Source: Bloomberg, BNP Paribas

Tunisia is raising concern. The CDS premium on 5-year sovereign bonds has risen from less than 730 basis points (bps) at the end of November to 1072 bps currently. At this level, the country is joining the category of emerging issuers considered to be close to default by investors. There are many reasons for this.

The rise in commodity prices has hit hard an economy already weakened by the Covid-19 crisis with inflation now exceeding 10%, twin deficits of between 9-10% of GDP and foreign exchange reserves covering less than 3 months of imports of goods and services.

Investors' distrust mainly reflects uncertainties about the country's ability to secure an IMF rescue programme, which is essential for covering the State's financing needs. This agreement should have been approved in December 2022, but it was postponed sine die to give the authorities time to finalise their reform programme. However, the political crisis, exacerbated by the very low turnout in parliamentary elections, makes it a more distant prospect.

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