

# Morocco: It's oh so quiet

Stéphane Colliac

Economic Research Department  
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# Morocco (B1) is given the best Euler Hermes grade all over the African continent

## Hurdles in Africa

### #1 Political risk at the root

- Aftermath of the Arab Spring (political gridlocks and fractionalization of some countries) and Sunni/Shia rivalry (Saudi Arabia vs. Iran)
- Old cold conflicts warming up again (e.g. Kurds in Turkey and beyond)
- Political uncertainty on the back of weak economic performance in commodity exporters (South Africa, Nigeria, Ghana, Gabon)

### #2 A commodity price/exchange rate issue

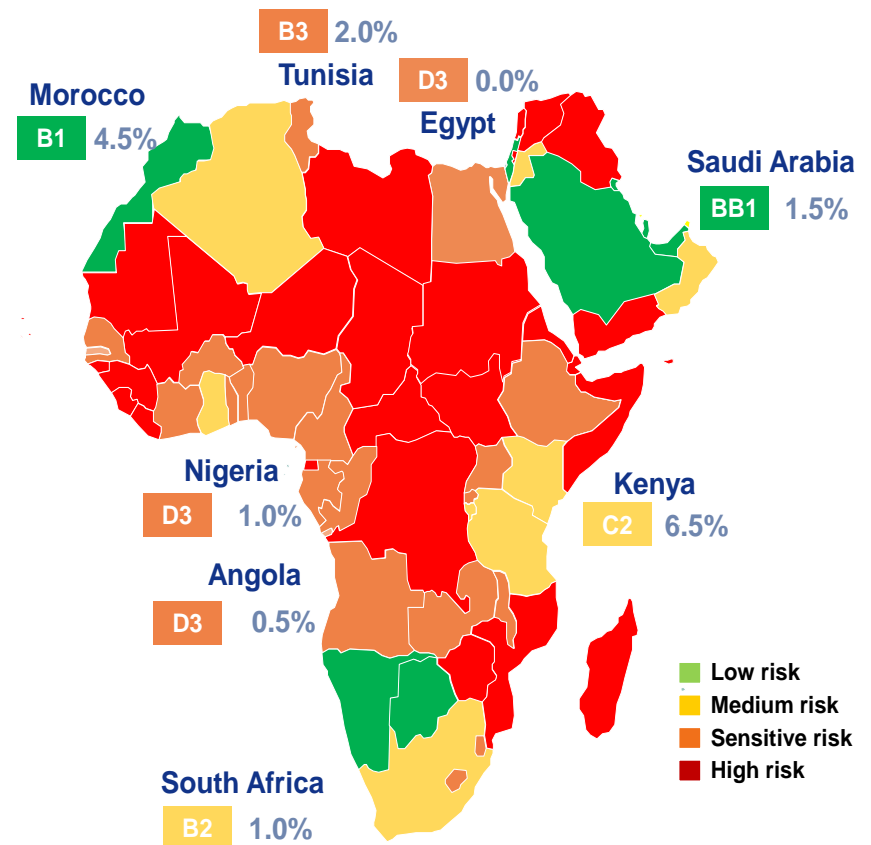
- Despite some oil price recovery, terms of trade heavily cut national savings (about 25% of GDP in Saudi Arabia)
- Exchange rate policy: Floating exchange rates acted as shock absorbers (South Africa, Egypt) and fixed ones worsened by the sudden stop (Nigeria, Angola)

### #3 A growing debt pile

- Vulnerable fiscal policy: Fiscal spending is key for social cohesion, so consolidation is tricky
- Public debt increased in many Sub-Saharan economies: Either liquidity issues (Ghana, Tunisia) or solvency risks (Mozambique, Angola)

## Middle East & Africa: country risk and economic growth

*growth in 2017 in light grey*

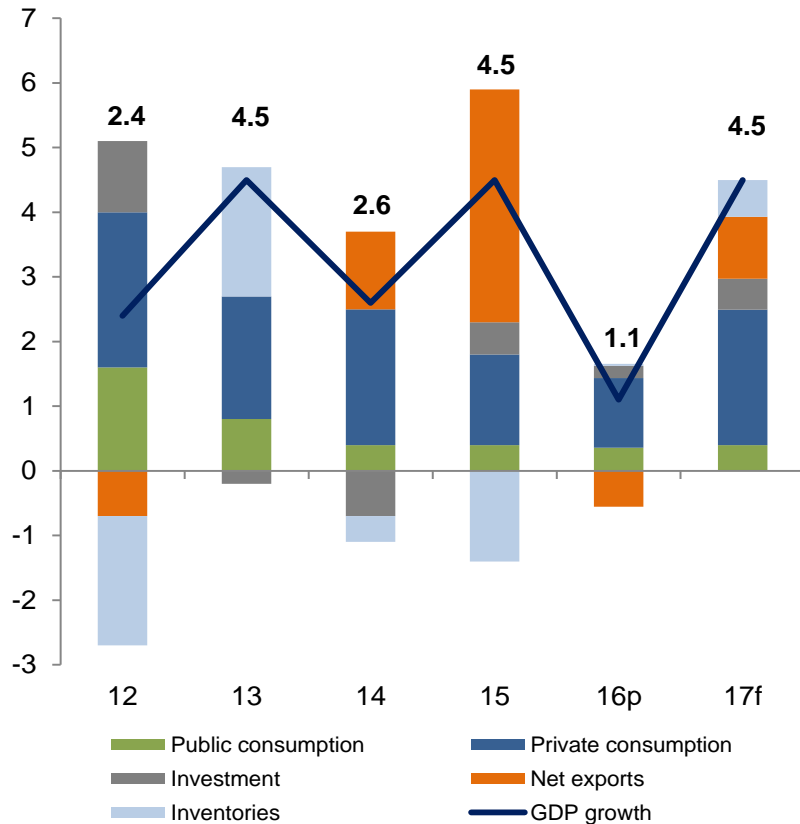


# In 2017, GDP growth strikes back, as expected

Consumption (public & private) was the resilient factor in 2016. Growth should be broader-based in 2017

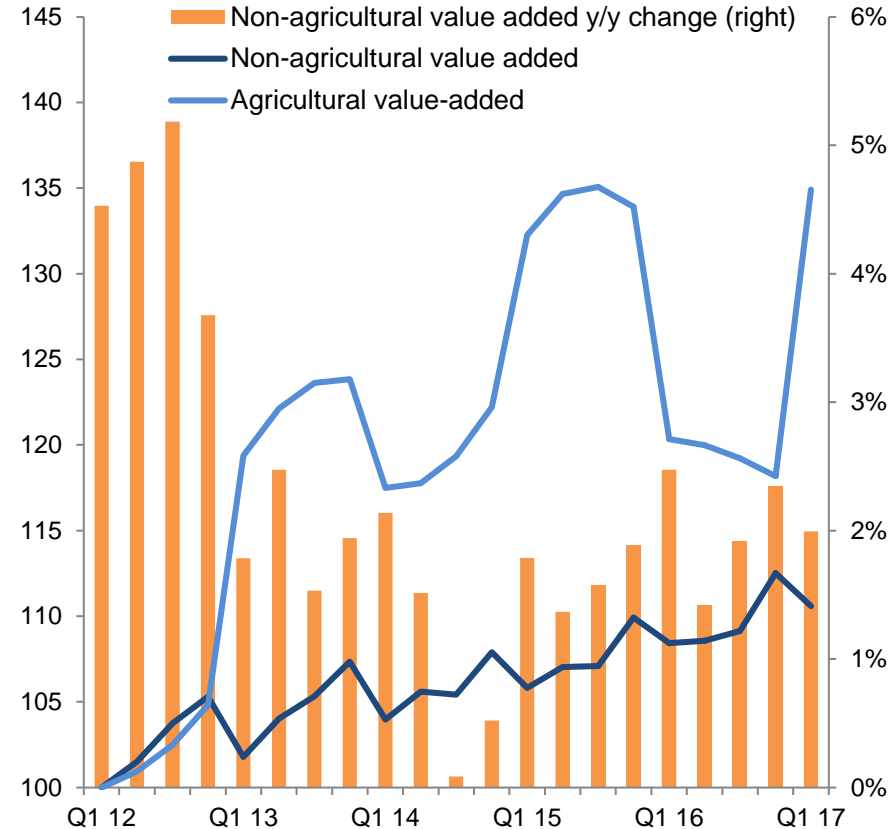
In 2017Q1, GDP growth accelerated to +4.3% y/y, after +0.9% in 2016Q4. A good harvest helped agricultural output recover

**Contributions to GDP growth (%)**



Sources: Données nationales, Euler Hermes

**Value added: agriculture vs. non-agriculture**



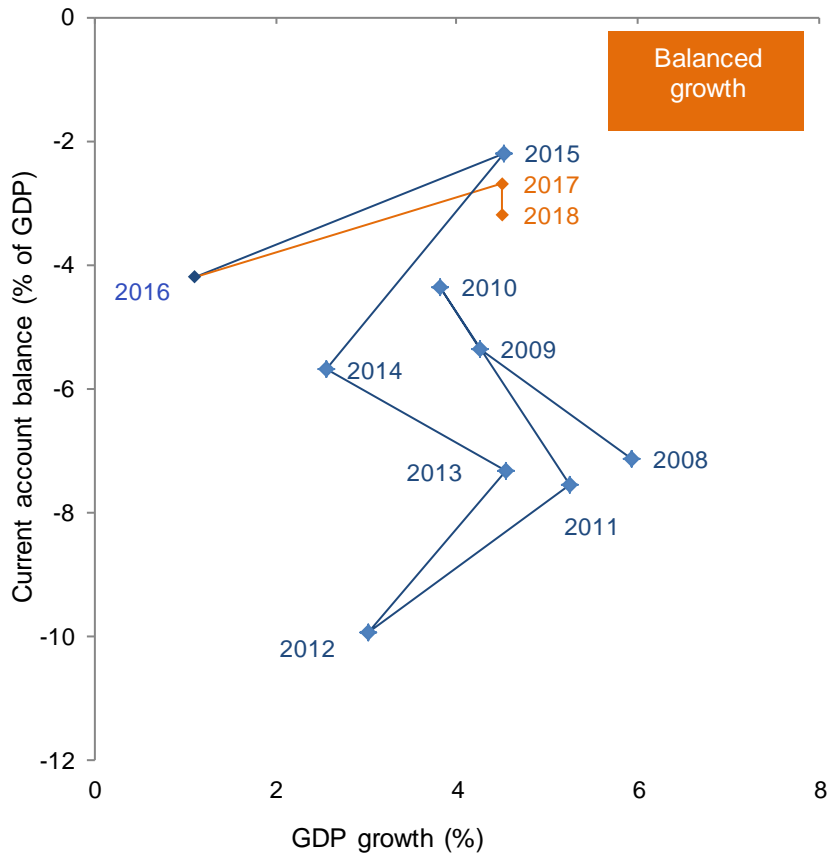
Sources: IHS, Euler Hermes

# A balancing act: Exchange rate liberalization

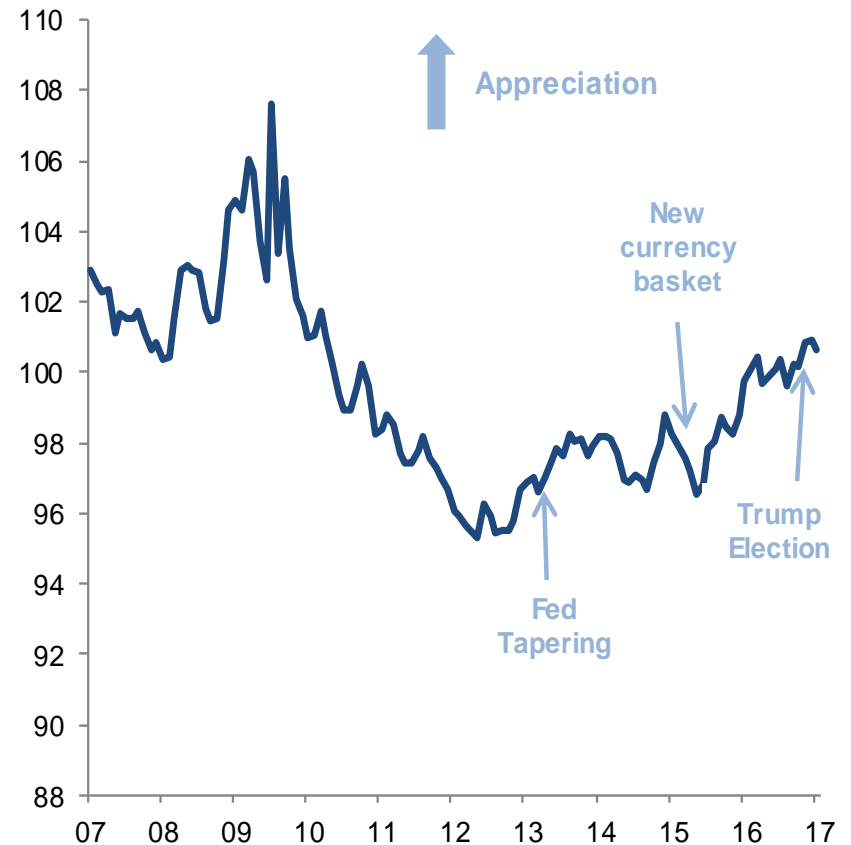
The current account deficit is hard to beat. It is consistent with a view that the Dirham is too high

A more flexible Dirham will start to be implemented in June. A +/-2.5% target range is likely

**GDP growth and current account balance**



**Dirham: real effective exchange rate**

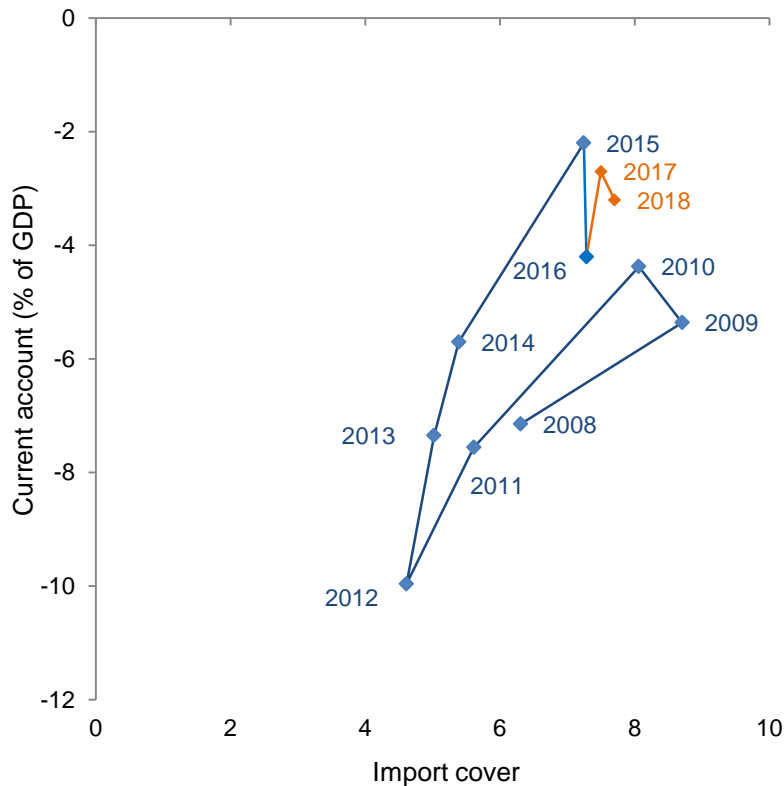


# More exchange rate flexibility is manageable

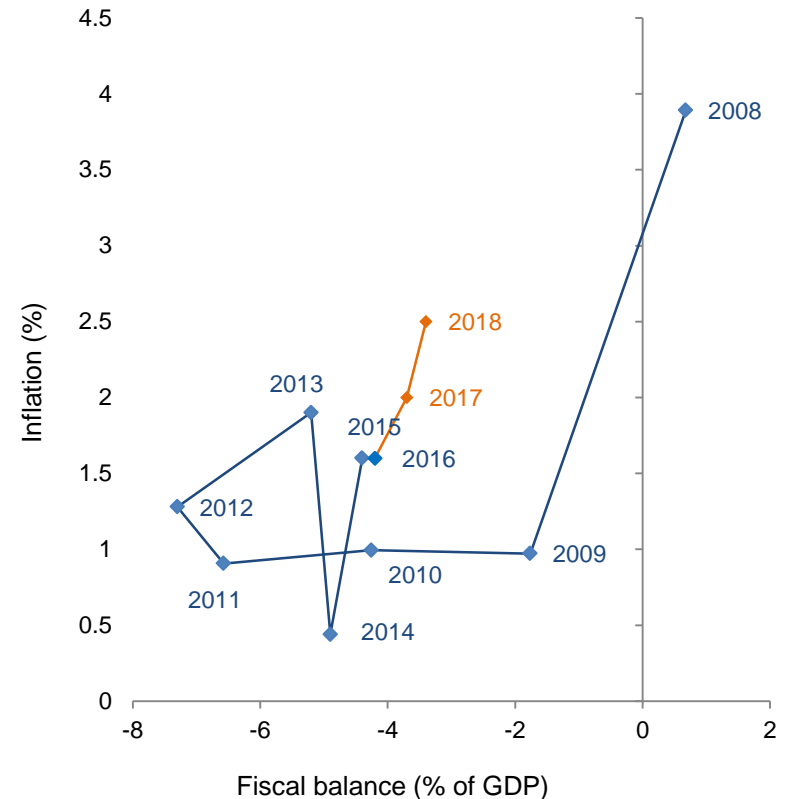
Despite a deterioration of the current account deficit, the import cover of foreign reserves is quite stable: no external liquidity issue

Low inflation is a strength. Fiscal consolidation lagged in 2016, but financing is not a big issue (S&P affirmed its BBB- sovereign rating)

**External balance: forex reserves and current account**



**Internal balance: fiscal balance and inflation**

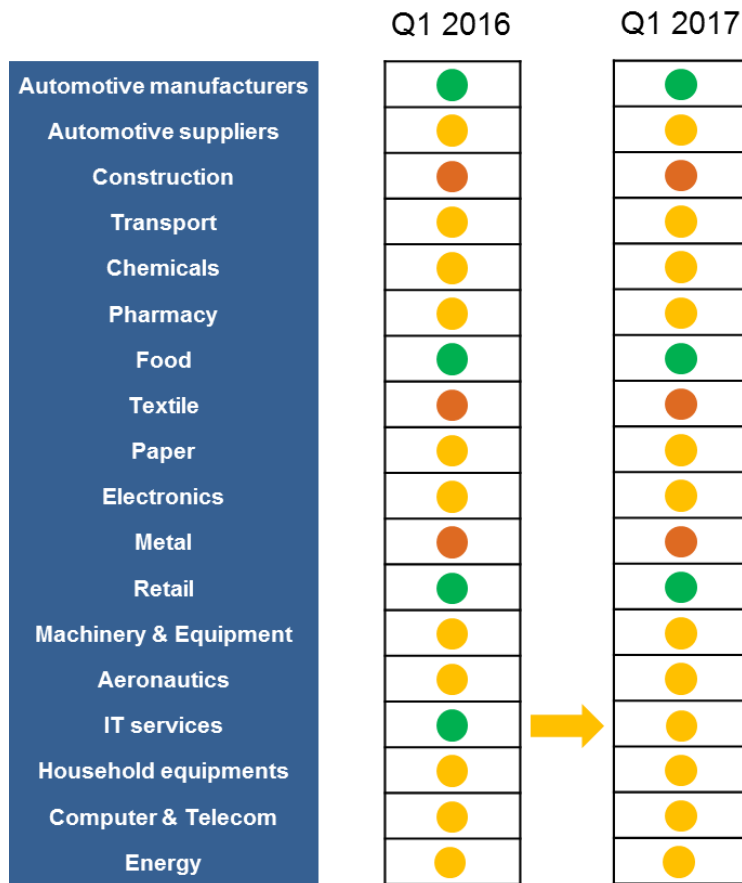


# In the real economy, the seemingly stability goes along some concerning realities

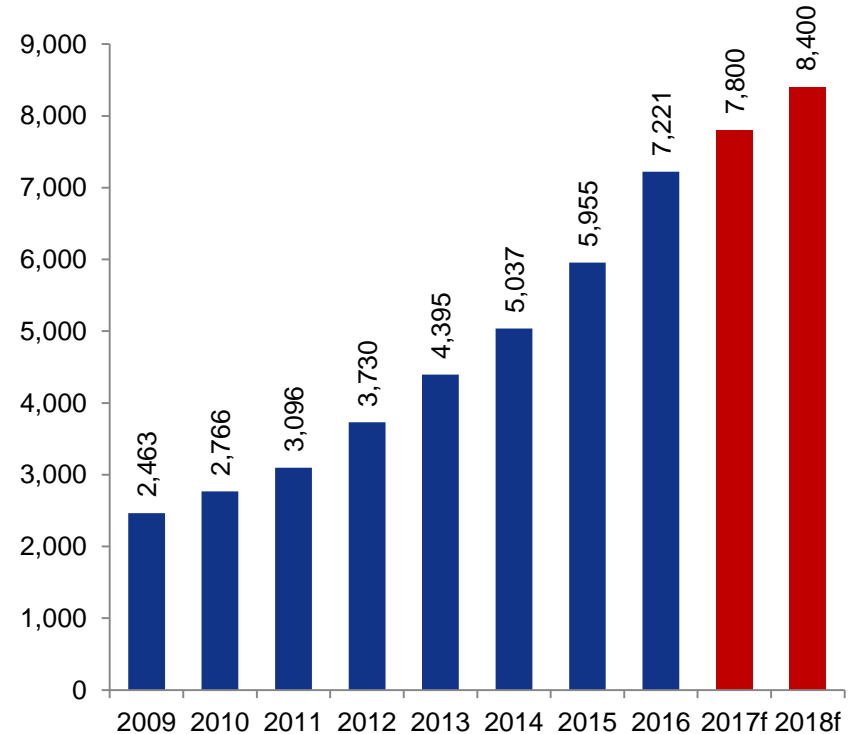
Except for IT services, sector risks remain unchanged. Flop 3 : construction, metal and textile

An surging number of insolvencies (+21% in 2016) related to strong business growth and housing downturn

**Euler Hermes sector risk assessment**



**Business insolvencies**

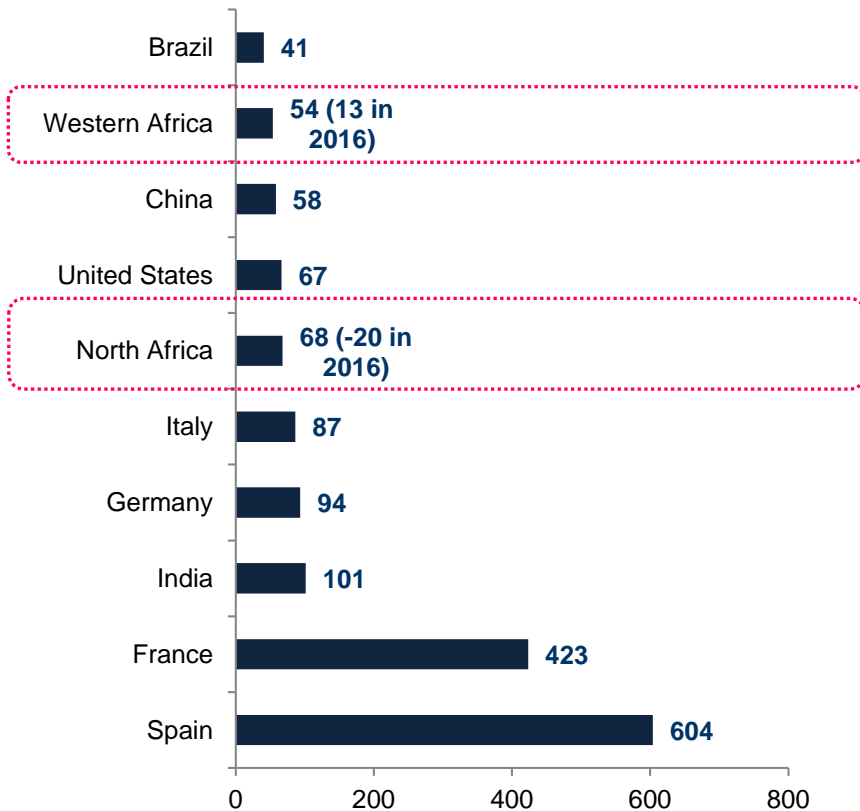


# An additional EUR1.8bn (MAD15.3bn) in goods exports to make in 2017, 3 times 2016 export gains

In 2017, good exports should increase by +10%. Demand from African economies is increasing, but remains far below European one

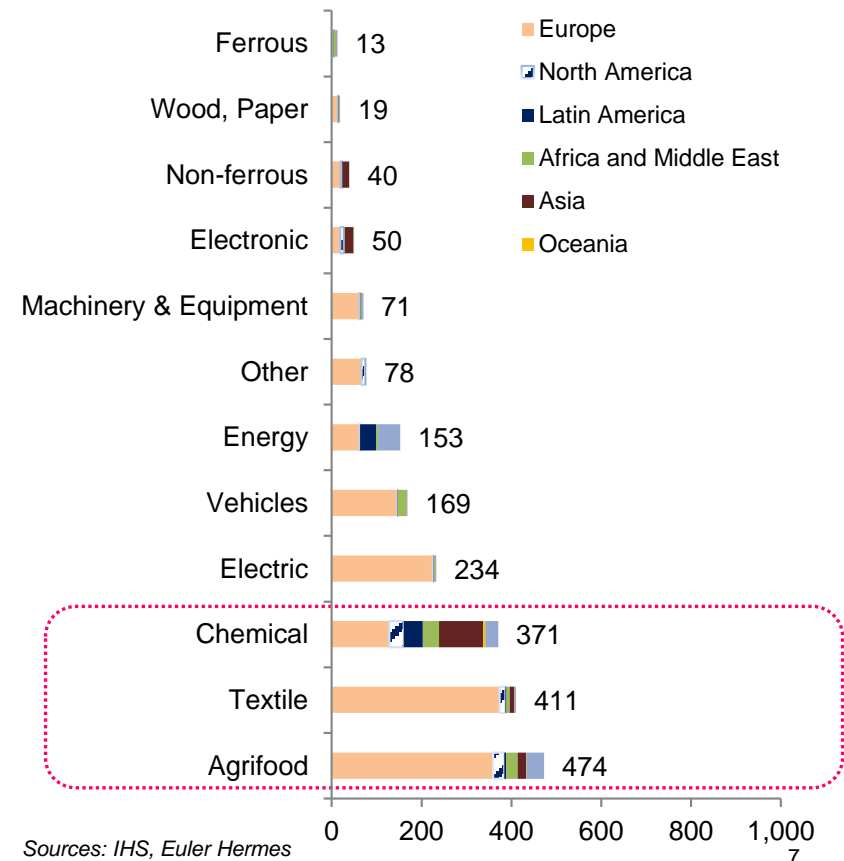
70% of export gains will be driven by 3 sectors. Chemicals include pharmaceuticals and fertilizers (phosphate)

**Export gains in 2017, by destination (M EUR)**



Sources: IHS, Euler Hermes

**Export gains in 2017, by sector (M EUR)**



Sources: IHS, Euler Hermes

# Thank you for your attention

**Economic Research Department**  
Euler Hermes Group  
1 place des Saisons  
92048 Paris La Défense Cedex  
France

Phone +33 01 84 11 50 50  
[research@eulerhermes.com](mailto:research@eulerhermes.com)  
<http://www.eulerhermes.com/economic-research>

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