Press Release

Euler Hermes: Morocco consolidates *Batal* (champion) position in the Mediterranean, with stable 4.5% GDP growth in 2014 and despite 10% bankruptcies increase

CASABLANCA - 18 NOVEMBER 2013 – During the first annual Moroccan edition of its International Trade Observatory held in Casablanca, Euler Hermes, the global leading credit insurer, shared its analysis of 2014 risks and opportunities for the Moroccan economy.

Mediterranean market export prospects for Moroccan businesses and global economy forecasts were discussed with local industry executives and institutions.

Morocco: well underway to steady GDP growth at +4.5%, but expect a 10% business failure increase linked to public finance structural adjustment

Slow down for a better bounce-back

"Growth in Morocco should be stable at 4.5% in 2014, with contrasting factors cancelling each other out," said Tawfik Benzakour, Euler Hermes ACMAR CEO. "On the downside, reduced public investment and an expected decline in agricultural output; on the upside, more Mediterranean country exports and more company investments."

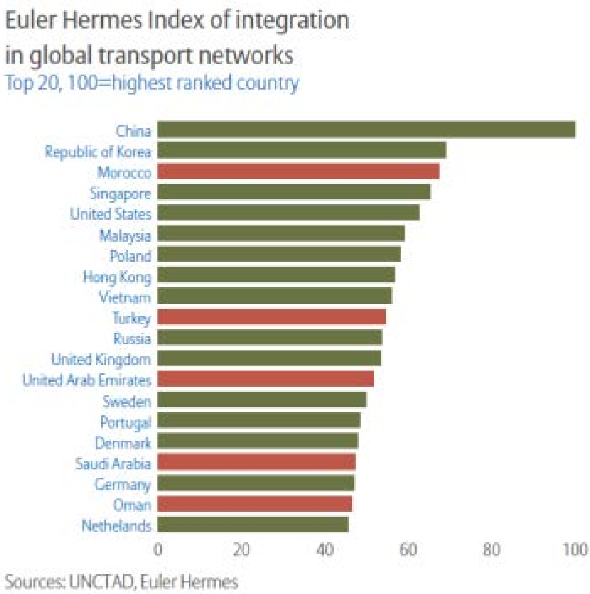
Morocco is slated to benefit from the modest activity growth in the euro zone in 2014. This includes stabilization of foreign direct investments at 3.6% of the GDP, 3.5 billion dirhams in remittances and 0.2 billion dirhams of additional tourism incomes, capped by 16 billion dirhams of exports.

Monitoring funding and competitiveness

The slowdown of private sector credit (+3.7% in 2013 vs. +8% in 2012 for bank lending) and increasing labor unit costs (close to 8% per annum) have all taken their toll on Morocco's economy.

"Morocco remains limited in terms of investment margins and financing to capture growth and new opportunities domestically and elsewhere," added Benzakour. "Intercompany credit acts as a daily stabilizer and support for the business environment. It is worth noting, however, that significant investments in non-price competitiveness such as infrastructure and transport have made Morocco a champion in the Mediterranean."

According to Ludovic Subran, Euler Hermes chief economist, "In our transport network integration ranking, Morocco is third globally after China and South Korea, thanks to success stories like TangerMed, which made Morocco an international trade hub."



Paying greater attention to defaults
The short-term cost of public finance consolidation will particularly impact company failure rate dynamics. Euler Hermes anticipates a 10% rise in corporate insolvencies in Morocco in 2014 -- to 7,332 bankruptcies -- while the business development rate is expected to turn around, creating 22,122 new companies in 2014. The retail, automotive maintenance and household appliances distribution sectors are expected to bear the brunt of insolvencies in 2014, as in 2013.

2014: Morocco to maintain its Mediterranean leadership

The new Mediterranean map
In its International Trade Observatory, Euler Hermes redraws the map of the Mediterranean region, extending from Spain to Turkey and also to the Gulf countries - major regional players despite their geographic remoteness.

“Growth in the Mediterranean should reach 1.8% in 2014 versus 0.4% in 2013, but there are three distinct regions,” said Mahamoud Islam, Euler Hermes economist and co-author of the inaugural Observatory.

- Old Europe (France, Italy and Spain), challenged by flagging demand and de-industrialization despite the presence of highly productive workforces and sturdy logistic systems
- the “batal” of the Maghreb (Morocco, Algeria, Tunisia), whose natural and demographic resources drive investments in the business environment and infrastructure, and
- the Gateway to Asia (Saudi Arabia, Turkey and the United Arab Emirates) with increasing industrialization and solid financial systems enabling them to become the link between Africa, Europe and Asia.

Morocco well-positioned in business environment breadth and improvements
By 2022, Morocco, like Turkey, should see its GDP per capita double, particularly due to its key agri-business, chemistry and textile sectors, and to its relatively high investment rate of more than 35% of GDP.

“Offering a breeding ground for businesses will be essential for Morocco, as well as for other Mediterranean countries,” added Subran. “Relaxing administrative procedures and the emergence of alternative capital finance options for companies are prerequisites for this success.”

Political risks and economic dependency to be avoided

Half of the companies surveyed by the CFA Institute, the largest association of investment professionals in the world expect political stability and good governance to be the most decisive factors for the Middle East and North Africa regions. In addition, major intra-regional differences were seen to exist despite recent efforts in “ease of doing business” indicators such as the resolution of insolvency proceedings.

“The risk of slower-than-expected growth in the euro zone should not be underestimated,” said Mahamoud Islam. “Some countries, like Turkey in the eastern Mediterranean, have already tapped into new export routes. Diversification of business and export products, and of currency sources, should become a priority for Morocco in the next years.”

Ludovic Subran concluded: “Morocco has invested heavily in upgrading its infrastructure. The next step is human and social capital investment to sustain the vibrancy of its growth momentum and position as the “batal” of the Mediterranean.”

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Euler Hermes, a company of Allianz, is listed on Euronext Paris. The Group is rated AA- by Standard & Poor’s.

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