

Euler Hermes: Moroccan companies can benefit from 8.4 billion MAD increase in demand for exports in 2015

CASABLANCA – NOVEMBER 5, 2014 – [Euler Hermes](#), the global leader in credit insurance, presented the main findings of its second annual International Trade Observatory in Casablanca. Euler Hermes analyzed Moroccan economic trends, with a special focus on export opportunities and risks for Moroccan small- and medium-sized businesses and industries (SME/SMI).

False start for global economic growth

For the fourth consecutive year, global GDP growth will be less than 3% (2.5% in 2014 and 2.9% in 2015) in light of the numerous risks that continue to weigh on company balance sheets. Noteworthy trends include the stabilization in demand in emerging markets, the very slow recovery in Europe, liquidity and currency risks and the resurgence of geopolitical risks.

“2014 was a complicated year and 2015 will be slightly better, but companies will not enjoy smooth sailing. Invoice settlement times will remain at high levels – 73 days on average – and the number of insolvencies is only expected to decline by 3%, keeping the loss rate 20% higher than its pre-crisis level,” notes Ludovic Subran, chief economist at Euler Hermes.

No pick-up in Moroccan growth until 2015

Three years after the Arab spring, North Africa has yet to make a full economic recovery. Morocco continues to fare reasonably well, although first-half growth came to a standstill, partially as a result of unfavorable weather conditions that affected the agricultural sector (15% of value added). Euler Hermes is forecasting 3% growth for Morocco this year.

“The Moroccan economy should do better in 2015. We are forecasting 4.2% growth, driven by household consumption and corporate investment. The business environment remains tumultuous, however, as evidenced by the expected 10% increase in company insolvencies in 2015, comparable to the 2014 level,” says Tawfik Benzakour, general manager of Euler Hermes in Morocco.

Exports: the good news

The slightly improved economic growth prospects for Morocco’s leading trading partners present an opportunity for established Moroccan exporters and companies looking to begin exporting.

“In 2015, Moroccan exports are expected to increase by MAD 8.4 billion to reach MAD 240 billion. The main export markets accounting for the additional demand include Europe as well as India and Africa, led by the chemicals, agri-business and textile sectors,” adds Ludovic Subran.

The following sector opportunities were identified by Euler Hermes in its second International Trade Observatory report:

- **Phosphate fertilizers:** Morocco is the world’s second leading producer, with 6.4 million metric tons in 2013. Sub-Saharan Africa offers strong potential, whereas slowing economic growth in Brazil is weighing on exports to this new land of opportunity.
- **Agri-business:** Morocco benefits from the wealth and diversity of an agricultural sector that accounts for 15% of the country’s value added. However, the food industry only represents one-fourth of the country’s nominal exports and has room to grow and thereby penetrate additional markets, notably in the Middle East.
- **Electrical and electronic components and equipment:** exports are expected to reach the equivalent of €110 million in 2015. The main export growth markets are located in Europe,



notably the United Kingdom, Netherlands and Spain, and Algeria represents another promising market.

- **Automotive and aeronautics:** thanks to Morocco's cost competitiveness (although labor costs are rising, they are still three times lower than in Eastern Europe) as well as investment in expertise and know-how, the automotive and aeronautics supply chains are growing for exports, notably toward Europe.
- **Tourism:** Morocco is a prized tourist destination for a broad range of customer segments. The development of the tourist industry, notably from emerging countries, offers genuine opportunities to the hotel, food service and crafts industries as well as services to visitors.

To capture this additional demand for exports, the government and private sector have undertaken substantial efforts in order to support Moroccan companies, stimulate investment and protect companies as they seek out overseas exports.

"In a period when many countries, including in Europe, are becoming more competitive, Morocco continues to beef up its "export infrastructure" through the 2014-2020 national industrial growth plan, free trade zones and infrastructure investment. The toolbox to support small- and medium-sized businesses and industries (PME/PMI) is also expanding, notably through increased use of credit insurance to protect against unpaid invoices and win new market share over the long term," says Tawfik Benzakour.

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Media contacts:

Euler Hermes ACMAR

Ghizlane HADDAOUI - +33 (0)5 22 79 03 30
ghizlane.haddaoui@eulerhermes.com

Euler Hermes MMEA

Guglielmo Santella – +39 335 84 96 775
guglielmo.santella@eulerhermes.com

Euler Hermes Group Media Relations

Remi Calvet– +33(0)1 84 11 61 41
remi.calvet@eulerhermes.com

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