

Euler Hermes' International Trade Observatory: Storm warning but Morocco holds firm

CASABLANCA - 2 DECEMBER 2015 - On 25 November 2015, Euler Hermes, the worldwide leader in trade credit insurance, held its third International Trade Observatory summit in Casablanca, attended by Ludovic Subran, the Euler Hermes group's chief economist, Tawfik Benzakour, chief executive of Euler Hermes ACMAR and political and economic experts such as Fouad Douri, chairman and CEO of Odco Assurances and former energy minister. They shared their analyses of the latest economic data, which point to potential growth for Morocco in excess of 3% in 2016 in a deeply unsettled global economic environment.

Turbulence in emerging markets

"While developed countries such as Germany and the United States have experienced stable growth rates on the whole, emerging countries had a particularly rough year, with the slowdown in China, concerns over rate rises from the US Fed and their currencies being torn apart. This lack of synchronization between developed and emerging countries will continue in 2016," said Ludovic Subran.

Global growth is not expected to exceed 3% in 2015 or 2016. In this context, world trade will contract by more than 2% in 2015, representing a net loss of USD 400 billion. In 2016, instability in the emerging markets should put an end to six consecutive years of declining company insolvencies at the global level. Euler Hermes forecasts that company insolvencies worldwide will stabilize at 300,000.

Morocco and resilience

"Morocco is showing considerable resilience despite being part of a region marked by political risk," stressed Tawfik Benzakour. "In 2015 it will see 4.5% growth, the highest in North Africa. Morocco's salvation lies essentially in agriculture. The weak growth in the non-farming sector in 2015 has been offset by growth of more than 15% in agricultural added value. At the same time, a healthy monetary policy has enabled the country to withstand external shocks."

Nevertheless, the economy remains turbulent: insolvencies are expected to increase by 15% in 2015 and 10% in 2016.

Sectors of the future: changing the bearing for more opportunities

Euler Hermes puts the additional export opportunities for Moroccan companies in 2016 at more than EUR 1 billion (MAD 11.3 billion). Almost half of these opportunities can be found in Spain and France, Morocco's biggest trade partners. Moreover, these countries are experiencing an upturn in growth, notably thanks to stronger domestic demand and a rebound (passive in France's case) in companies' capital expenditure.

The strongly performing sectors in 2016 should be:

- Phosphate fertilizers: in 2015, the rebound seen in industrial chemical production in 2014 was confirmed. The slowdown in growth in Brazil (a major fertilizer user) is weighing on exports of fertilizers, of which Morocco is the second largest producer in the world. Sub-Saharan Africa offers good scope for diversification.
- Agrifoods: a sector seeing strong growth compared with other manufacturing sectors but which is running out of steam owing to a lack of investment. Potential exports in 2016 are valued at EUR 390 million, particularly to Sub-Saharan Africa, France and Spain.



- Electrical and electronic components and equipment: this sector is beginning to make up lost ground in terms of investment. The main export market in terms of both volume and growth remains Spain. New high-growth markets are nonetheless beginning to appear, such as the Congo and Mali.
- Automobiles: thanks to Morocco's price competitiveness (labor costs rising but three times lower than in Eastern Europe) and to its investment in human and physical capital, automobile sector exports are increasing, in particular to Europe. Keeping export growth strong will depend on a new wave of investment.
- Pharmaceutical: the share of drug sales in exports remains small, although it has increased sharply over the last four years (11% in 2015 compared with 6% in 2011). Note that 95% of Moroccan pharmaceutical export sales are to two regions: the European Union and Africa.

“Morocco can be considered as a service hub, as shown by the know-how that it has successfully acquired through its banks, insurers and consulting firms. However, with the future being driven by innovation, it is essential that a true bedrock of entrepreneurs is created in order to build the Morocco of tomorrow,” concluded Ludovic Subran.

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