

Morocco

Country Report

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Country Snapshot

Government

Head of State	King Mohammed VI (since Jul.1999); Prime Min. Abdelillah Benkirane (since Nov.2011)
Ruling political coalition	Parti Justice et Development (moderate Islamist) (27.1%), Rassemb. National des Indep. (13.2%), MP (8.1%), PPS (9.9%).
Main opposition parties	Istiqlal (15.2%)
Elections	Next elections are due in Oct. 2016.

Demographics and social indicators

Population	33.3 million (CIA, July 2015)
Main Language	French (official Language: Berber and Arabic)
Life expect. at birth	76.7 years old (CIA)
Literacy %(adults>15)	68.5% (CIA)
Urban population	60.2% (CIA 2015)

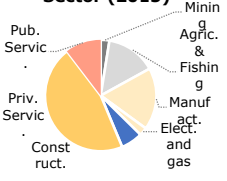
Economic structure

GDP in USD	USD 103.142 bn (2015)
GDP per capita	USD 3078.59 (2015)

GDP structure (% of the nominal GDP)

Mining	2.5%
Agric. & Fishing	14.5%
Manufact.	18.0%
Elect. and gas	2.4%
Construct.	6.3%
Priv. Serv.	45.9%
Pub. Serv.	10.4%

Nominal GDP by Sector (2015)



	1980-89	1990-99	2000-09	2010-15
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Real GDP growth*	3.9%	3.3%	4.8%	3.9%
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* Average growth rates from the WEO (IMF)

Trade Structure - Main partners by destination/origin

Exports		Imports	
	% of total		% of total
Spain	22.6%	France	13.9%
France	20.2%	Spain	12.6%
Brazil	4.4%	China	8.4%
Italy	3.9%	USA	6.5%
India	3.5%	Germany	5.8%

Source: ITC (2015)

Trade structure - Top product groups

Exports		Imports	
	% total		% total
Elect.mach.&equip	15.8%	Mineral fuels	18.1%
Vehicles	11.9%	Electr.mach&equipment	9.6%
Apparel&Clothing acces.	9.3%	Machinery&mech.appl.	8.5%
Fertilizers	8.4%	Vehicles	8.0%
Inorg.chemicals	7.5%	Plastics	4.6%

Source: ITC (2015)



Country Rating

	Rating	Last change	Outlook
S&P	BBB-	May 2014	Positive
Moody's	Ba2	Feb 2014	Stable
Fitch	BBB-	Feb 2011	Stable

Business Development Indicators

Last update

Global Competitiveness Index	
Ranking 72 (out of 140 countries)	2015-16
Ease of Doing Business	
Ranking 75 (out of 189 countries)	2016
Human Development Index	
Ranking 126 (out of 188 countries)	2015
Corruption Perception Index (Transparency.org)	
Ranking 88 (out of 168)	2015

General assessment

Strengths	Weaknesses
<ul style="list-style-type: none"> Political stability Trade policy based on regional integration and strong economic co-operation, both with Mediterranean and Sub-Saharan regions. 	<ul style="list-style-type: none"> Industrial model is vulnerable Lack of sustainable development of the economy

Outlook and Risks

- Growth should remain robust in the medium term driven by the ongoing modernization of the agriculture sector and on growing importance of the industrial sector.
- Modernization of the industrial sector important for the correction of the external imbalance.
- Geopolitical risks in the region might limit FDI flows
- Risks to growth are related with global demand performance.

Key Macroeconomic Indicators

		2012	2013	2014	2015 E	2016 P	2017 P
GDP (real % change)	IMF	3.0%	4.7%	2.4%	4.5%	2.3%	4.1%
Non-agricultural	IIF	4.7%	3.0%	3.1%	3.4%	3.6%	4.0%
Nominal USD bn	IMF	98.3	107.2	110.0	103.1	108.1	114.3
Nominal in bn of Local Currency (dirhams)	IMF	847.9	901.4	924.8	1,001.6	1,048.9	1,102.9
CPI (% change, anual avg.)	IMF	1.3%	1.9%	0.4%	1.6%	1.5%	2.0%
Unemployment rate	IMF	9.0%	9.2%	9.9%	9.8%	9.7%	9.6%
Trade balance (USD bn)	IIF	-20.1	-19.9	-18.4	-13.2	-12.3	-14.1
Exports of Goods (USD bn)	IIF	21.4	22.0	23.5	21.7	21.6	22.9
Imports of Goods (USD bn)	IIF	-41.5	-41.9	-41.9	-35.0	-33.9	-37.0
Services, net (USD bn)	IIF	4.3	5.0	5.1	5.0	5.0	5.0
Current account balance (% GDP)	IMF	-9.5%	-7.9%	-5.7%	-1.4%	0.4%	0.1%
Fiscal balance (% of GDP)	IMF	-7.3%	-5.2%	-4.9%	-4.3%	-3.5%	-3.0%
Public Debt (% of GDP)	IMF	58.3%	61.5%	63.4%	63.7%	64.3%	64.0%
External Debt (millions USD)	IIF	34.46	39.48	40.53	41.48	42.29	43.17
USD/Din (period average)	IIF	8.628	8.406	8.406	9.764	9.764	9.764
International Reserves (USD million)	IIF	16.4	18.4	19.6	22.3	25.6	28.2
months imports goods and services	IIF	3.9	4.4	4.7	6.4	7.6	7.7

Sources:IMF, IIF.

GDP growth accelerated in 2015, should be slower in 2016

Economic growth picked up pace to 4.5% in 2015, after an expansion of 2.6% in 2014, mostly due to a solid performance of agricultural activity: a strong increase in the production of cereals allowed for a 12.8% growth in the year. Non-agricultural activity kept a similar dynamic, increasing around 2%. The industrial sector grew 4.3% (3.5% in 2014), while construction decelerated to 0.8% (2.6% in 2014). Mining and tourism receded 5.1% and 3.2%, respectively. From an expenditure perspective, the contribution of the domestic demand was more modest, result of a slowdown in consumption and investment, which were partly explained by the reduction or elimination of subsidies to the consumption of energy goods. This modest expansion on internal demand was compensated by a strong performance of the external demand, which contributed with 3.5 percentage points (p.p.) to the rate of growth, 2.3 p.p. more than in 2014. For the whole year, changes in stocks shaved 1.3 p.p. off growth. The first quarter of 2016 saw a slowdown to a 1.7% yoy expansion in GDP (5.2% in the previous quarter), caused by 9% decrease in agricultural production, related to unfavourable weather. Non-agricultural activity experienced more modest growth, although the manufacturing sector posted steady growth, particularly supported in an expansion in the automobile sector. Exports grew only 2% (5.5% in 4Q15) amid weak global economic activity. According to the Moroccan statistics body (HCP), economic expansion should lower its pace in 2016, as adverse climate conditions should limit agricultural production growth. The IMF expects GDP to increase about 2.3% this year.

Foreign direct investment remains strong

According to NKK African Research, factors such as the enacting of structural reforms, political and economic stability, and the country's proximity to Europe, turned Morocco into one of the most attractive destinations for FDI in the region. In 2015, net inward FDI flows represented 2.4% of the GDP, 0.4 p.p. less than in the previous year, largely due to the weak growth in the Eurozone and the increased risk of geopolitical risks in the region. Data from the Moroccan Investment Development Agency show that the main sectors for FDI in 2015 were real-estate (27% of the total), manufacturing (2.9%), financial activities (8.5%) and construction (8.5%); the major sources of FDI were France (22.6%), UAE (16.8%), USA (10.7%), Saudi Arabia (5.9%) and Germany (5.1%).

External and internal imbalances on track to correction

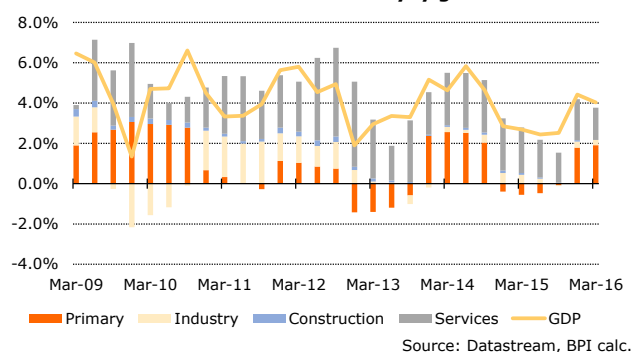
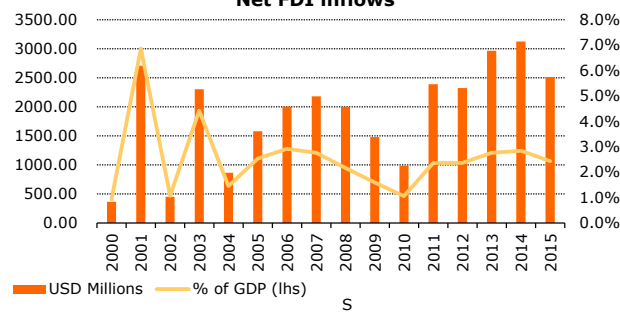
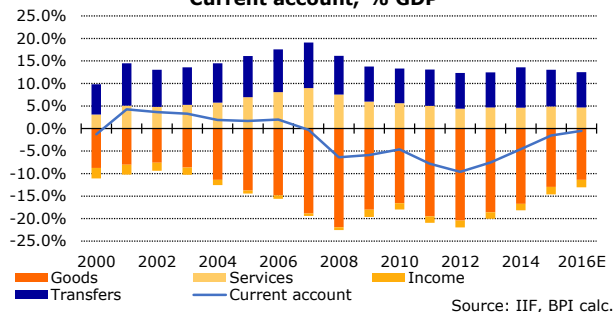
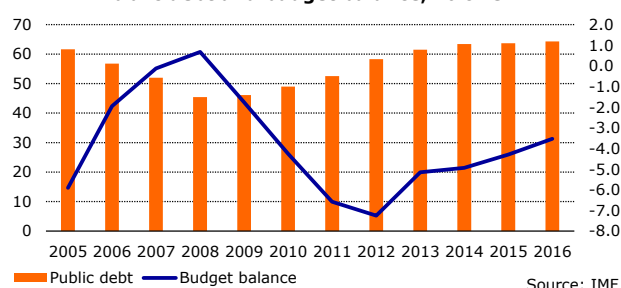
IMF data shows that the Moroccan current account deficit decreased to 1.4% of the GDP in 2015, 4.3 p.p. smaller than in 2014. Exports growth and the effects of the falling oil prices on imports are causing this change, and are more than compensating for the loss of revenues in the tourism sector, which has suffered losses due to an elevation of the political risks in the region. In the first half of 2016, the trade deficit increased 6.5% in comparison with the same period of 2015, as exports rose a mere 1.6%, while imports surged 3.7%. Detailed data showed a 12% fall in the exports of phosphates, which account for about 20% of Moroccan exports and thus accounted for 2.4 p.p. less in the change of exports. Nevertheless, other sectors saw solid paces of expansion: the automobile exports increased 15%, adding 3.3 p.p. to aggregate growth, and the aeronautic and electronic sector expanded, respectively, 9.8% and 7.3%, adding 0.4 and 0.3 p.p. to the change in exports. The rise in imports results from the increase in purchases of capital goods (related to the automobile sector) and consumption goods. Equipment imports rose 15.4%, and durable goods imports increased 15.6%. In 2016, the IMF expects a slight improvement of the trade deficit, contributing for the current account to post a 0.4% surplus. This improvement in the external deficit and a robust FDI have led to a rise of international reserves, which represent 6.5 months of imports, while the IMF considers these will rise to 7.6 months in 2016. In the end of the first half of 2016, international reserves were at USD 24.9 million, 11% more than in the end of 2015. At the same time, the public finances have been following a path of consolidation, with the budget deficit reducing to 4.3% of the GDP in 2015, minus 0.6 p.p. than in 2014. This was driven by a more moderate wage growth and the end of subsidies to energy goods. A reform to the pensions systems was enacted already in 2016, lifting the retirement age, a measure that should be gradually implemented over the next six years, contributing to the correction of the budget deficit.

Labour market

The unemployment rate remains at a high level, near 10%, with the youth unemployment rate around 20%. It is worth to notice that joblessness is affecting mostly the population with more educational qualifications, a sign that there is a mismatch between the needs of the employing sectors and the skills of the population; also, the unemployment rate is higher in the urban areas.

Political situation

The next general elections are held on October 7, with a high probability that the current prime-minister will remain in office.

Sector contributions for yoy growth**Net FDI inflows****Current account, % GDP****Public debt and budget balance, % of GDP****Unemployment**