Profile of Morocco's Economy

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Morocco's Finances
Morocco's Budget Deficit

- The global financial crisis has a negative drag on Morocco's budget.
- Before the crisis, even with govt subsidies, the budget showed a slight surplus.
- Privatization efforts have benefited the Moroccan budget.
- Despite an increasing budget deficit, Morocco's inflation rate has remained at low rates.
Government Bond Yield Curve

- Yields on government bonds of all lengths have decreased by nearly 50% between Dec 2010 and June 2012

- Lowering bond yields point to a more stable economic environment in Morocco
Inflation

- Between 1990-1994 inflation was at an all high in 1991 of 8.0%, the average inflation for this time period was 6%.
- Starting 1996-97 inflation dramatically decreased, averaging 2% between 1996 and 2012.
- Inflation is predicted to rise again in 2012.
Domestic and External National Debt

- Domestic debt makes up the overwhelming majority of Morocco's debt.

- External debt has decreased from 2003 to a low of 9.9% of GDP in 2008 when the financial crisis drove it back into the 12% range for 2010 and 2011.

- Total debt, as a percent of GDP, decreased during the early 2000's but is up against due to the global financial crisis.
Morocco’s Balance of Payments
Balance of Payments as a Percentage of GDP

- Balance of Payments: a snapshot of all monetary transactions between a country and the rest of the world
- Current Account Balance: the sum of the balance of trade, factor income - which is profit on foreign investments - and cash transfers and is one of two measures that go into the balance of payments
- Positive in the beginning of the decade, current accounts went heavily negative in 2008 due to the global financial crisis
Balance of Payments Components as a Percentage of GDP

- Moroccan exports have remained level from 2000-2011
- Moroccan imports have increased significantly between 2006-2011
- Morocco’s capital accounts, one of the two parts of the balance of payments, has been a small proportion of GDP
- Remittances continue to play an important role in Morocco's economy
Factors Impacting Balance of Payments

- A high exchange rate makes exports more expensive and hurts the trade balance.
- Today the Moroccan dirham is at a 5 year high against the Euro.
- The dirham is also at a 5 year low against the dollar.

- Morocco's foreign reserves have remained stable at US $19-25 billion for the last 7 years.
- Foreign reserves have been over 20% of GDP since 2001.
Gross Domestic Product
Morocco’s real GDP in the 1990's fluctuated wildly mostly due to agricultural variations

Non-agricultural GDP has grown steadily and at an increasing rate since 1994
- Morocco’s GDP per capita grew at 2.3% in the 1990's

- 2000-2004 saw a 10.8% increase in per capita GDP and 2004-2009 saw another 10.9% increase
● Morocco’s GDP growth has been spread regionally

● Urban areas of Casablanca and Rabat have experienced the most growth
  ○ Nearly doubling over 9 years
Domestic consumption makes up the majority of GDP, levels have remained at 75%.

The majority of GDP growth is driven by investments in Morocco.
Imports and Exports
Morocco's Trade

- Europe remains Morocco's largest trading partner both for imports and exports.
- France is the number one trading partner.
- Between 2007-2010 trade with China increased 11% and China is now the third largest source of Moroccan imports.
Imports and Exports as Percent of GDP

- Morocco's exports have grown at the same rate as GDP
- As a percentage of GDP, exports have remained stable from the 1990's to present
- This trend is expected to continue through 2013
- Morocco's imports have risen faster than GDP growth
- The 2008 global financial crisis caused a temporary drop in Moroccan imports to levels seen in the early 2000's
Foreign Investment and Remittances
FDI Net Inflow

- FDI Net inflow in Morocco peaked in 2007, before the global financial crisis
- Morocco's FDI net inflows have been declining since 2007 both in real terms and as a percentage of GDP
Remittances

- Remittances to Morocco in 2011 were slightly above ($US) 7 billion which is an all-time high
- Remittances have been steadily rising since 2000 when they totaled only ($US) 2 billion

Source: World Bank
Morocco's Infrastructure
Infrastructures Projects

- Morocco's highway network has increased from 1096 kilometers to 1800 between 2010 and 2012
- Morocco has invested ($US) 4.4 billion in the highway network since 1989 and will invest another 1.7 billion through 2015

Tanger-Mediterranean Port

- Morocco's Tanger-Med port on the Straits of Gibraltar has modern infrastructure capable of handling hydrocarbons, misc trade, and passengers
- ($US) 1.8 billion has been invested in Tanger
- It is estimated that Tanger-Med will be one of the top 15 busiest ports in the world
Morocco's Banking Sector
Morocco's banking sector has decreased its non-performing loans rate from nearly 20% in 2005 to 5% in 2011.

This compares favorably with Tunisia's rate which was nearly 24% in 2005 and slightly over 12% in 2011.
Proportion of Banknotes in Money Supply

- Money Supply is the total amount of monetary assets available in an economy at a specific time

- Morocco has much a lower proportion of banknotes in the money supply than either Turkey or Tunisia
Penetration of Capital Markets

- Capital market penetration is high for Morocco, only Spain and the US have higher penetration.
- Morocco's capital market wealth is comparable to Egypt's before the Arab Spring.
Morocco's Middle Class
Growing Middle Class

- 49% of Morocco's population is rural and 51% is urban
- Morocco's urban middle class makes up 14% of the total population
- Farmers remain the single largest group within Morocco making up 39% of total households
Internal Consumption Driving Demand

- Domestic demand is playing an increasingly important role in GDP growth.

- Domestic demand contributed to 1.5% of real GDP growth in the 1990's while between 2006 to 2010 it contributed 5% to real GDP growth.

- Internal demand has driven growth and overcome negative external demand.
Government Policies

- Morocco's minimum wage is now ($US) 1.43 per hour
- Morocco's minimum wage has increased 27% from 2008 to 2012
- Morocco has steadily decreased its salary expenses from a high of 11.7% of GDP in 2006 to 10.9% in 2011

![Graph showing the evolution of hourly minimum wage and government salary expenses as a percentage of GDP between 2001 and 2011.](image)