

OVERVIEW OF THE MOROCCAN ECONOMY

Attijariwafa bank

As of 30 June 2016

Financial Communication

2016



التجاري وفا بنك
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Content



Political context and growth of the Moroccan economy

Balance of payments trend

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Interest and exchange rates

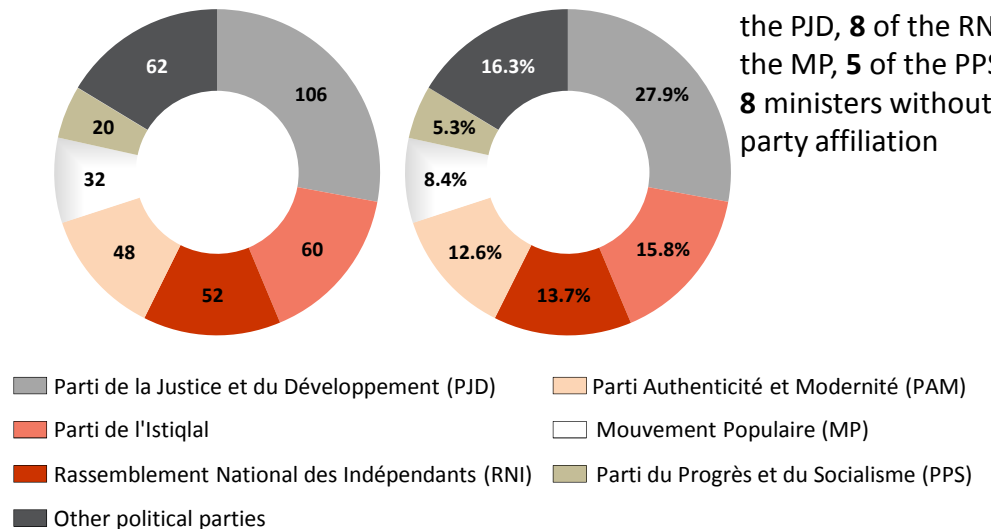
Political context

Context

- **July 2011:** New constitution approved by referendum
- **November 2011:** Legislative elections
- **December 2011:** New government with a Chief of Government from the parliamentary majority
- **September 2015:** Municipal and regional elections
- **October 2016:** Legislative elections

Parliament composition

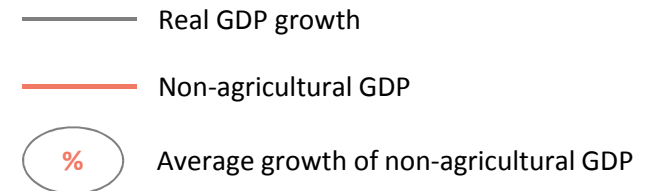
In 2016



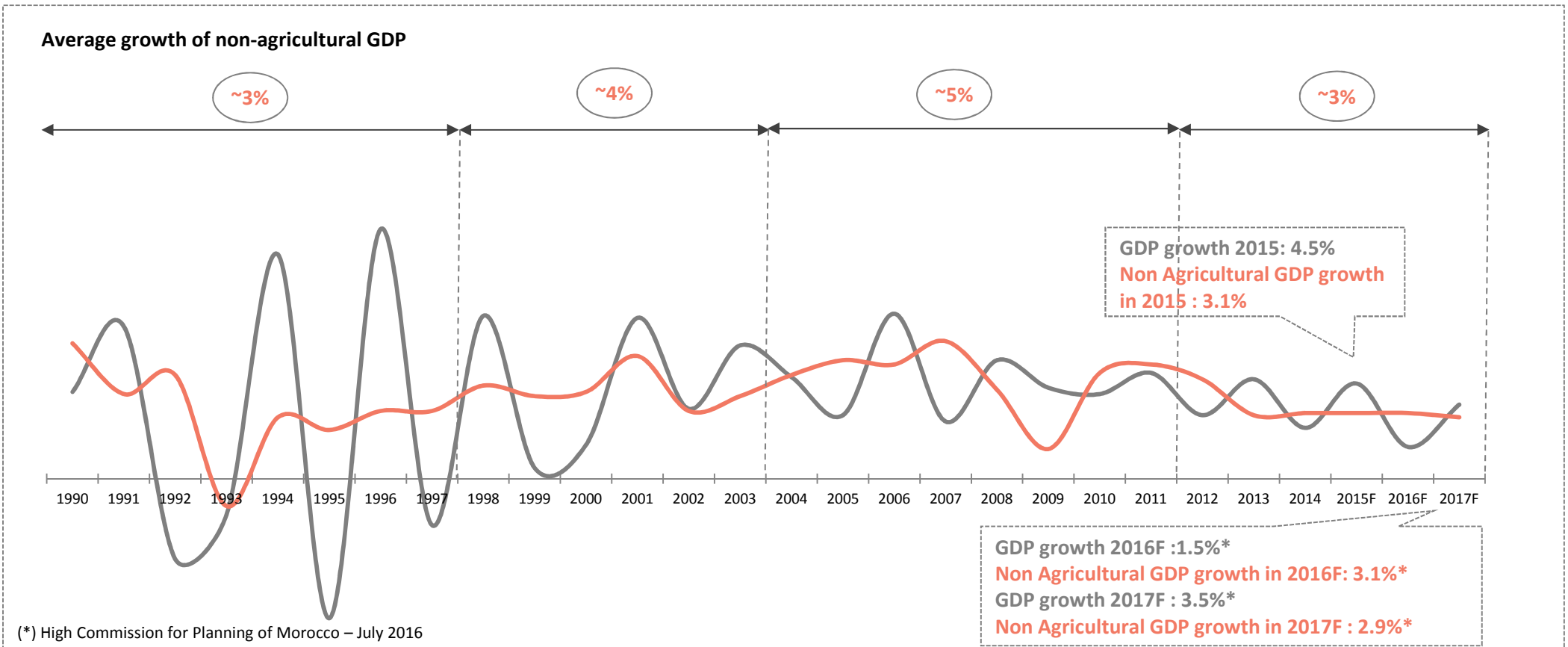
The current government includes **12** members of the PJD, **8** of the RNI, **6** of the MP, **5** of the PPS and **8** ministers without party affiliation

- Morocco has been a **Monarchy** for more than **13 centuries** (**constitutional and parliamentary Monarchy** since **1962**)
- **Successful transition** within the **Arab spring** context thanks to a decade of reforms and a stable **social and political environment**

GDP growth between 1990 and 2017



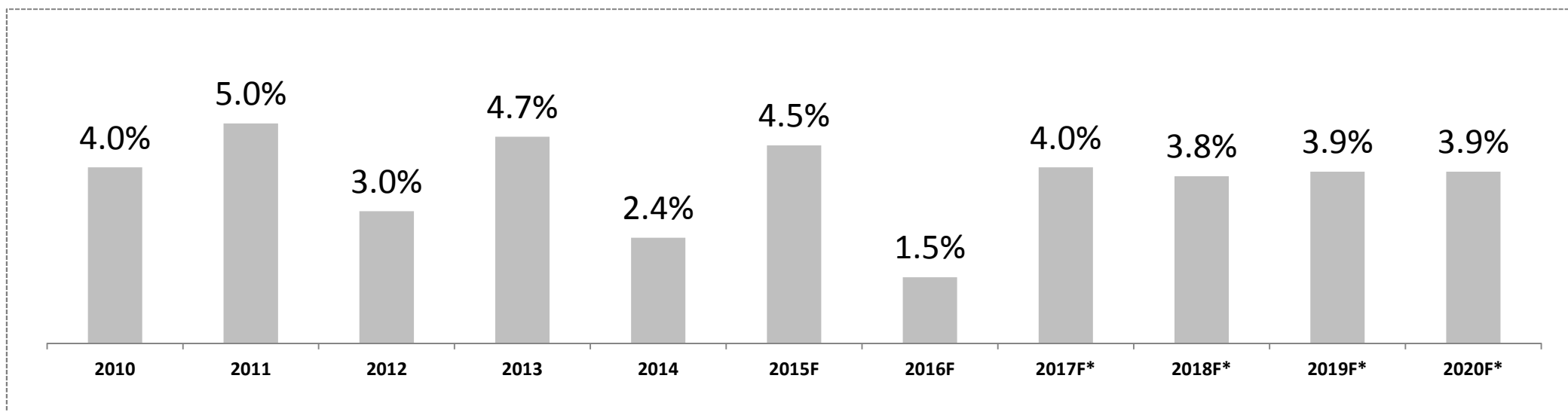
GDP growth in %



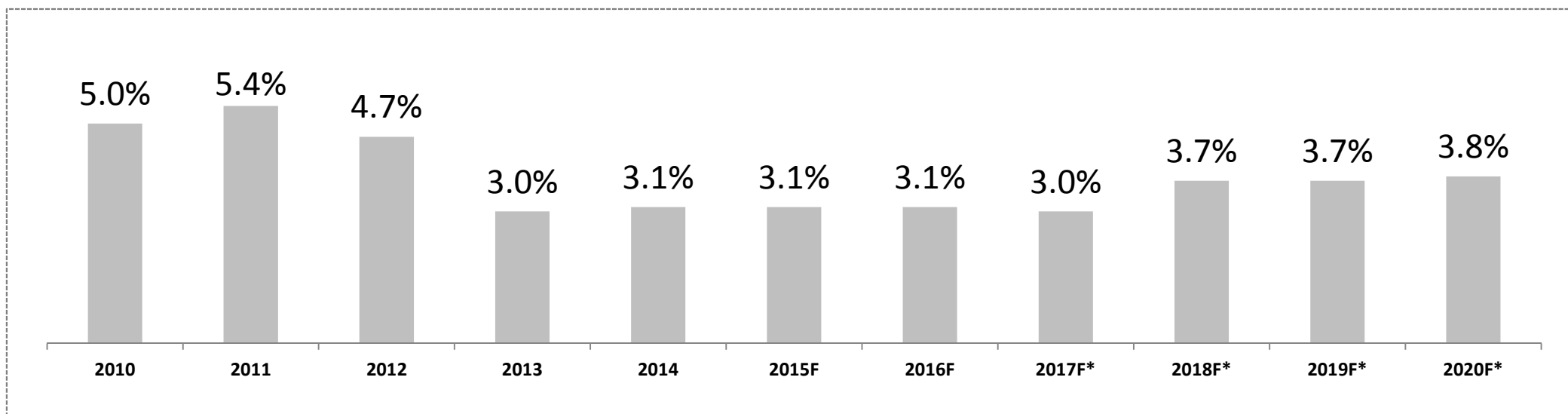
- **5% Non-agricultural GDP growth** between 2004 and 2011 compared to 3% in the 1990s as result of:
 - **Strong domestic demand** supported by the emergence of a **new Moroccan middle class**
 - **Higher level of diversification** of sources of growth and **emergence of export industries**: Offshoring, Automotive, Electrical and Electronic, Aerospace sectors
 - **Strong growth of public investment** and launch of **major infrastructure projects** (highways, ports, airports, railway infrastructure)
- **Slow-down of Non-Agricultural GDP** since 2012 mainly due to **the Global Crisis and the Arab Spring**

GDP growth

GDP growth



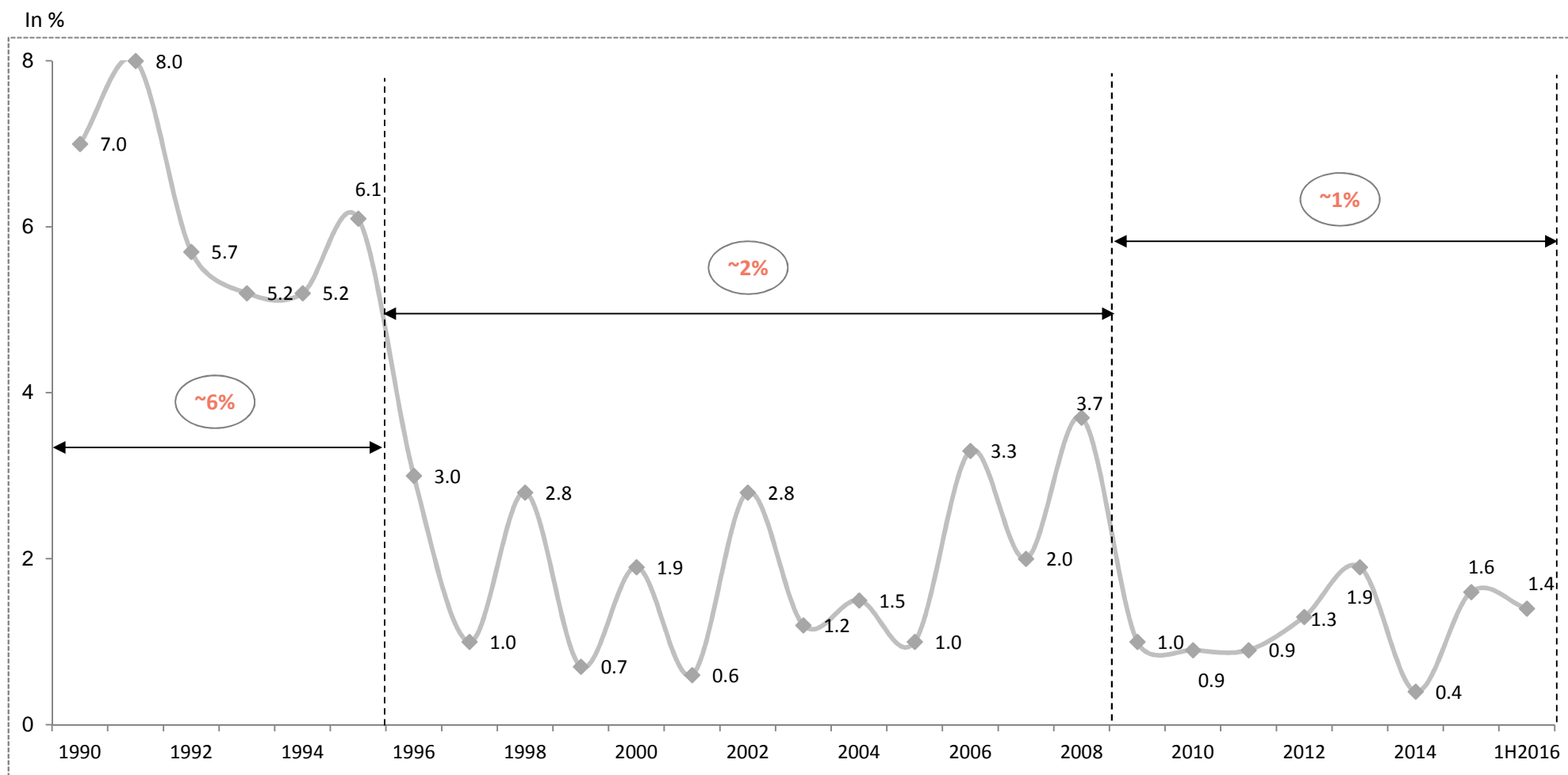
Non-agricultural GDP growth



(*) AWB Forecast

Control over inflation since 1995

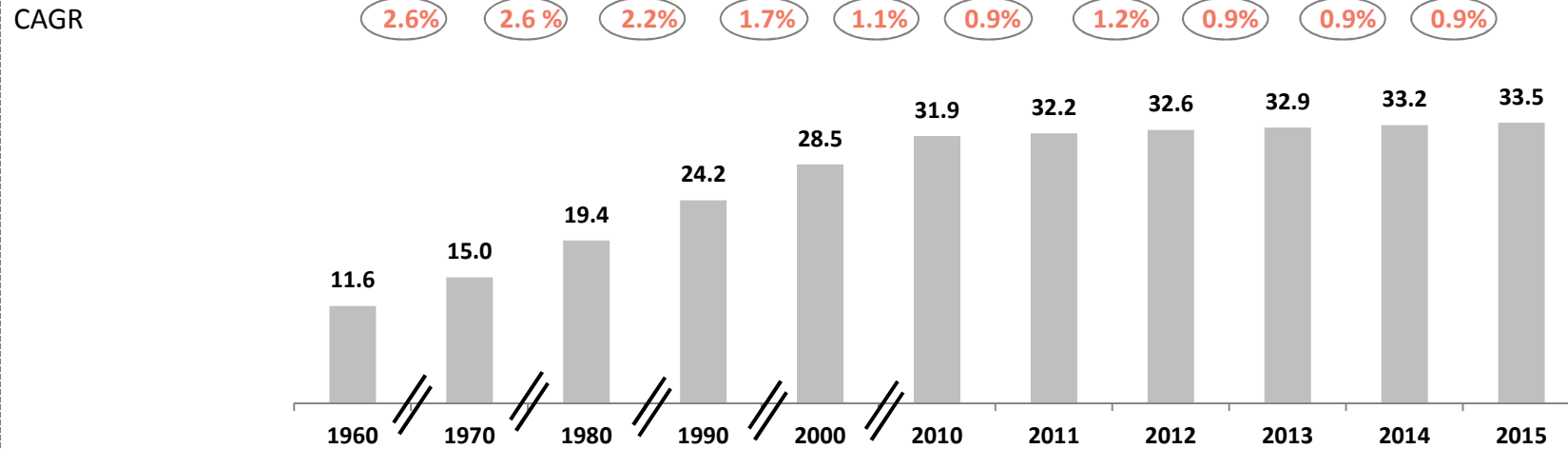
○ % Average inflation over the period



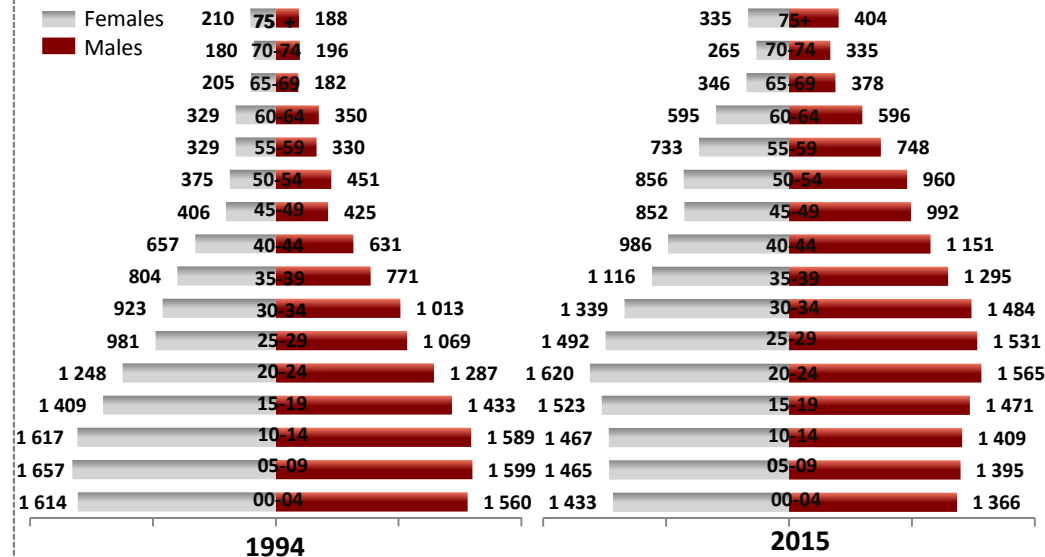
Source: MEF/HCP

Demographic trends

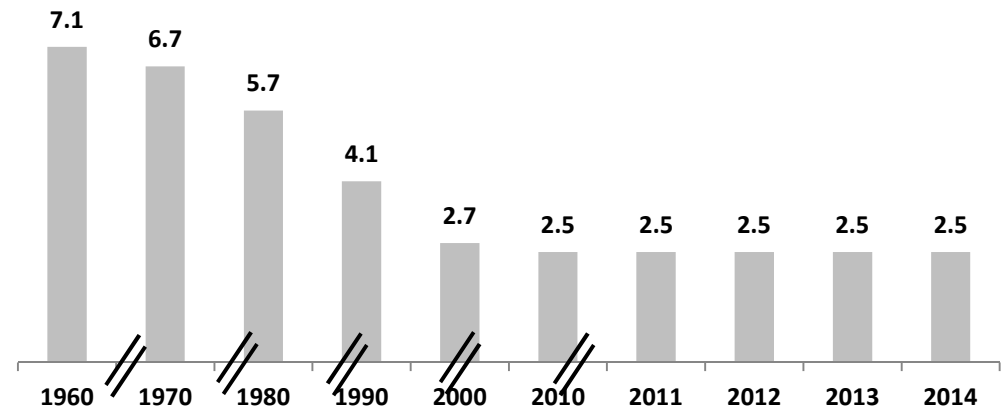
Demographic growth



Age Pyramid (in '000)



Fertility rate, total (births per woman since 1960)



Content

Political context and growth of the Moroccan economy



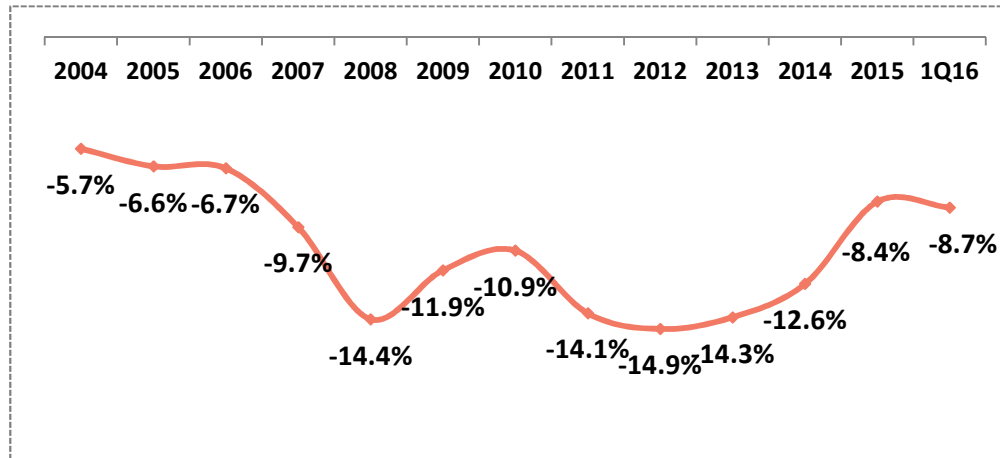
Balance of payments trend

Public finance

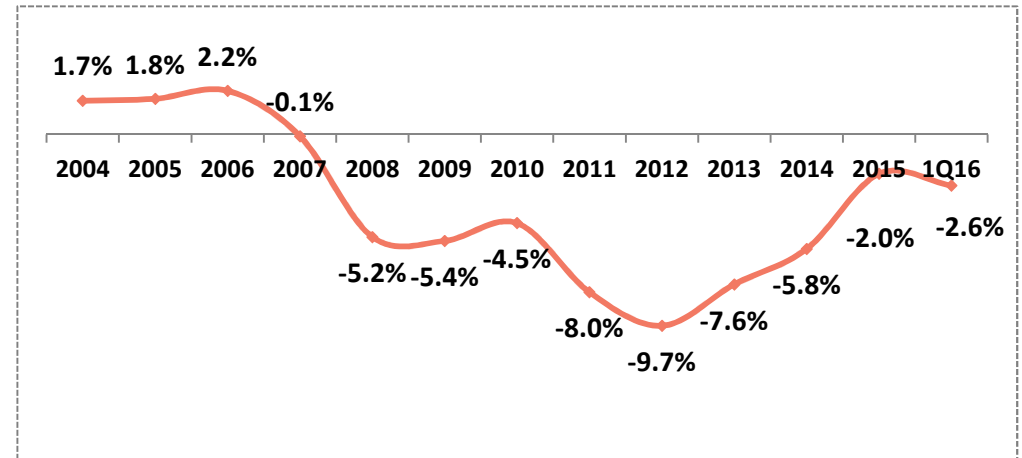
Interest and exchange rates

Balance of payments trend

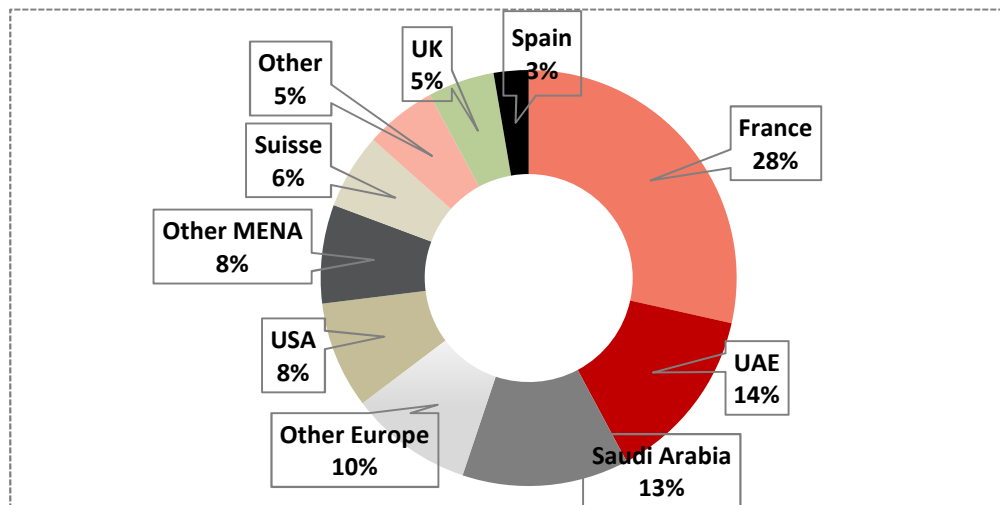
Trade* deficit (%GDP)



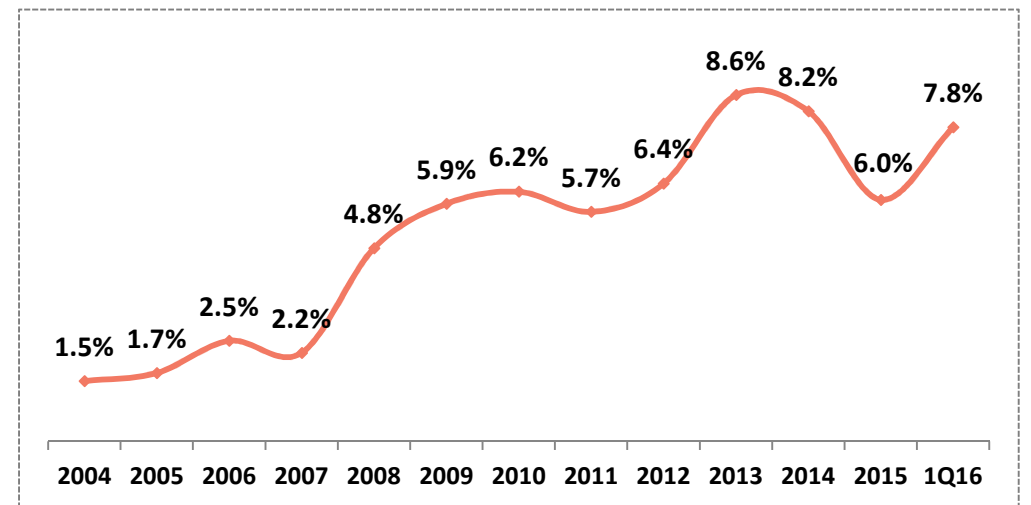
Current Account Balance (% GDP)



Breakdown of Foreign Direct Investment **



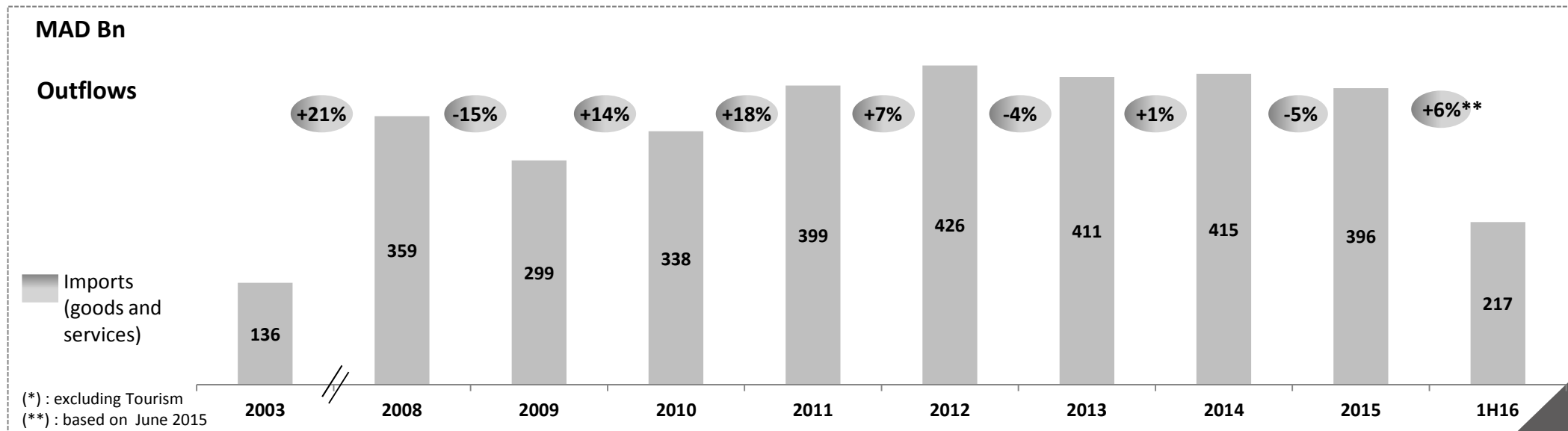
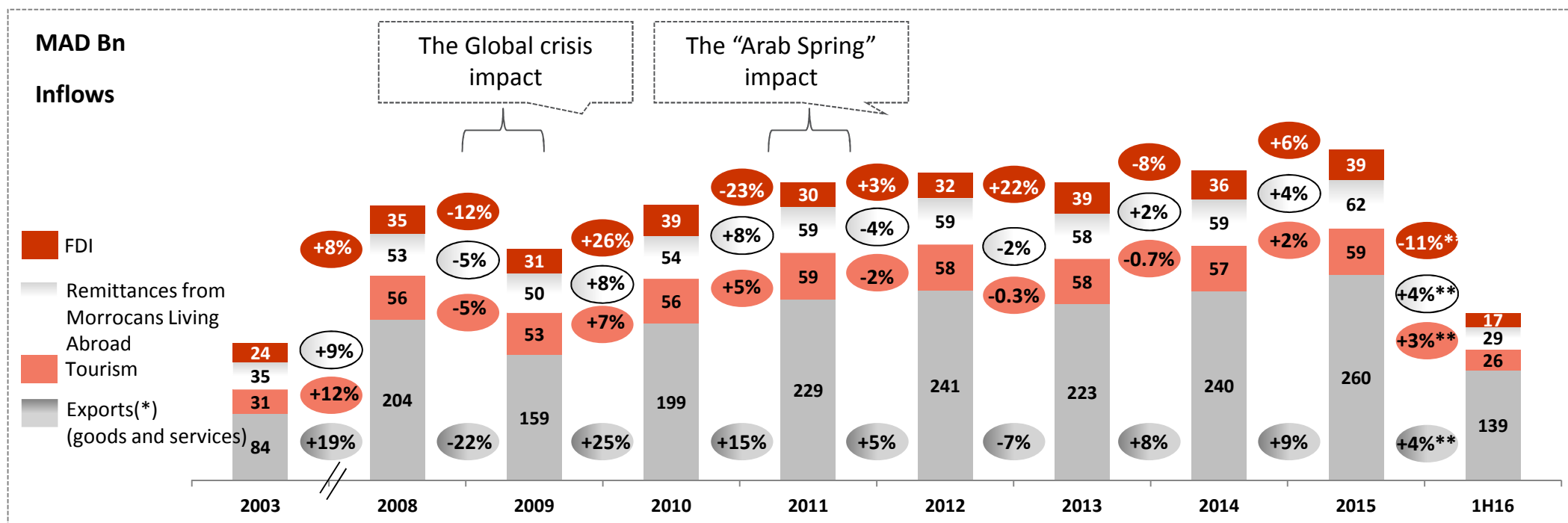
Capital and Financial Transactions Account



(*) including Tourism

(**) As of 31 December 2014

Balance of payments: Main components trend



Imports and exports:

Main components trend in 1H2016 (compared to 1H2015)

% of total volume*

Imports of goods (main components)		Annual growth**	Main drivers
Total imports		+3.9%	<ul style="list-style-type: none"> Imports of goods & services : +6.2% Imports (excluding Energy) : +13.9%
Soft Commodities	11.6	+14.2%	<ul style="list-style-type: none"> Economic growth and public and private investments
Consumption goods	20.1	+15.8%	<ul style="list-style-type: none"> Custom barriers dismantlement and signing of several FTAs
Equipment products	27.9	+15.8%	<ul style="list-style-type: none"> Emerging middle class
Semi-finished products	23.5	+9.1%	<ul style="list-style-type: none"> Commodities spot prices
Energy	12.3	-30.6%	<ul style="list-style-type: none"> Economic and demographic growth

Exports of goods (main components)		Annual growth	Main drivers
Total exports***		+1.8%	<ul style="list-style-type: none"> Exports of goods & services : +3.7% Exports (excluding phosphates) : +6.3%
Aeronautics	3.9	+9.7%	<ul style="list-style-type: none"> National strategy aiming at supporting the emergence of export industries (The "Global Trades of Morocco": Automotive, Aeronautics, Electronics,...)
Electronics	3.8	+6.7%	
Automotive	25.0	+14.9%	
Textile	15.9	+5.2%	<ul style="list-style-type: none"> Mining, Tex. & Agri.: historical sectors with new strategies (e.g.: Green National Plan for Agri business, Fast Fashion-focused new strategy for Textile,...)
Agriculture	22.2	+7.2%	
Phosphate & Derivatives	17.1	-12.1%	<ul style="list-style-type: none"> OCP is a major world player and market maker in this industry with an ambitious strategy optimizing value vs. volume and adapting production to the macro-economic context in Morocco

(*) June 2016 figures ; (**) 1H2016 compared to 1H2015 ; (***) excluding Tourism & services

- Financial Communication & Investors Relation -

Imports and exports:

Focus on « The Global Trades of Morocco »

x% CAGR

Context

- Ambitious export-oriented industrial strategy aiming at positioning Morocco as a leading regional player (the National Pact for the Industrial Emergence)
- Competitive advantages of Morocco:
 - Highly skilled workforce at a competitive cost: e.g. 10,000 engineers graduating each year, launch of new specialized institutes*
 - Best Standards infrastructures, e.g.:
 - 1,800 km of highways (in 2012)
 - Tanger Med: the largest port of the Mediterranean and Africa
 - Attractive incentive framework through the free zone status providing a total exemption from corporate tax and a potential aid for the set up (up to 10% of the total investment)

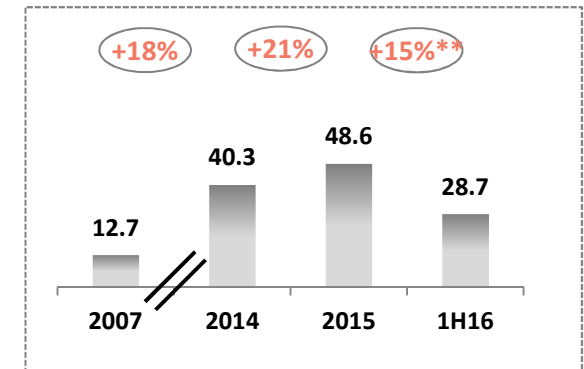
Automotive sector

- Strong growth of the Automotive sector over the last decade (wiring industry: MAD 10.9 billion and car manufacturing: MAD 15.4 billion in terms of exports in June 2016)
- Launch of the 1st production line of the Renault plant in 2012 and inauguration of the second in October 2013 (a EUR 1 bn investment)
 - 340,000 vehicles produced from 2014
 - 60 cars/hour
 - More than 170,000 vehicles exported in 2014
- 25.0% of Moroccan exports in June 2016 from 10.3% in 2007
- PSA 1st Assembly plant in Morocco (close to Kenitra) scheduled to start production in 2019 (capacity: 90,000 vehicles/year and could reach 200,000 in 2023) and requires an investment of EUR 557 million (USD628 million)

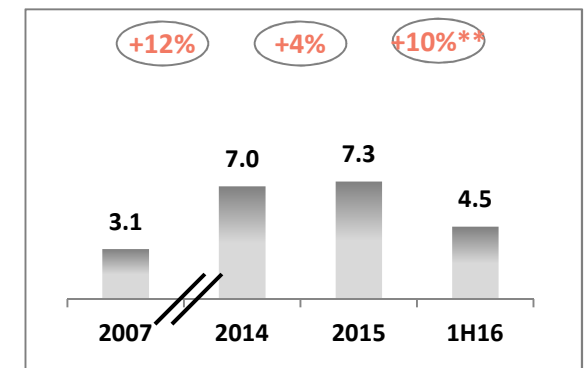
Aeronautics sector

- 100 companies operating in the Aerospace industry with the presence of international groups such as EADS, Safran, Zodiac Aerospace, Boeing
- Ongoing set up of a new Bombardier plant (MAD 2.0 billion investment, 850 direct jobs and more than 4,000 indirect jobs)
- 3.9% of Moroccan exports in June 2016 from 2.5% in 2007

Exports (in MAD billion)



Exports (in MAD billion)



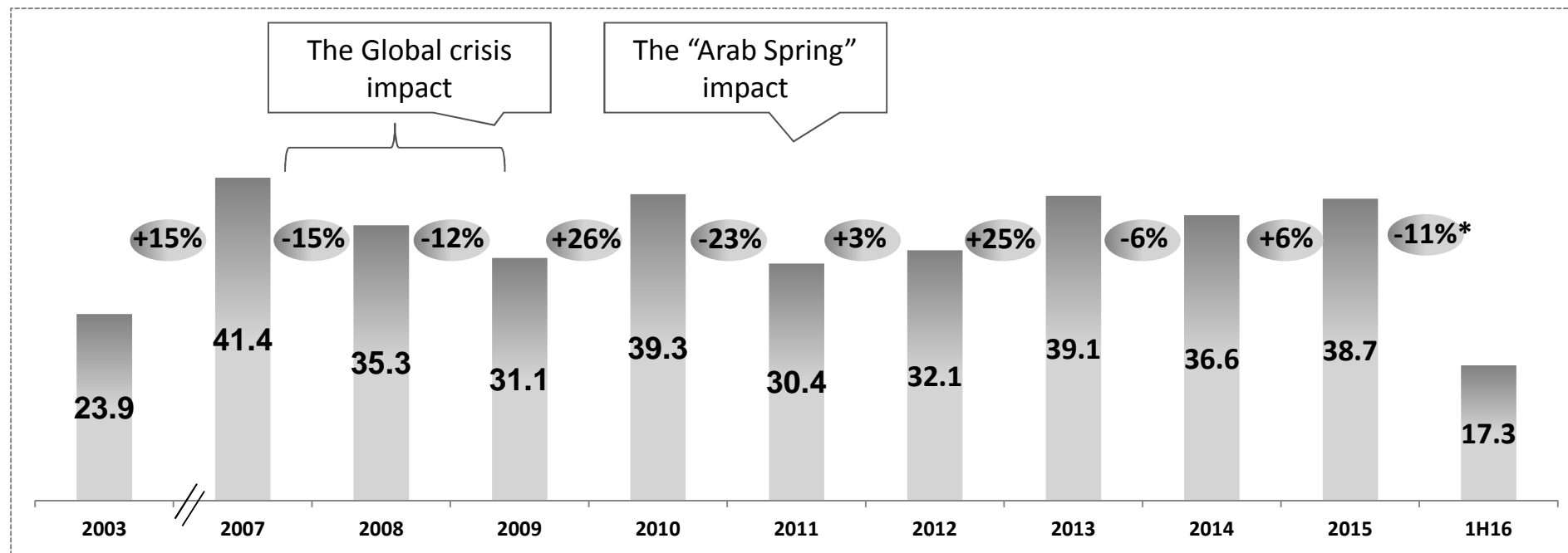
(*) e.g., Institute of Aviation Trades (IMA) and Specialized Institute of Aviation Trades and Airport Logistics (ISMALA) and Institute for Training Professionals Automotive Industry (IFMIA)

(**) Based on June 2015

FDI Trend

x% % of GDP
X% +/-

MAD Bn



% GDP

5%

7%

5%

4%

5%

4%

4%

5%

4%

4%

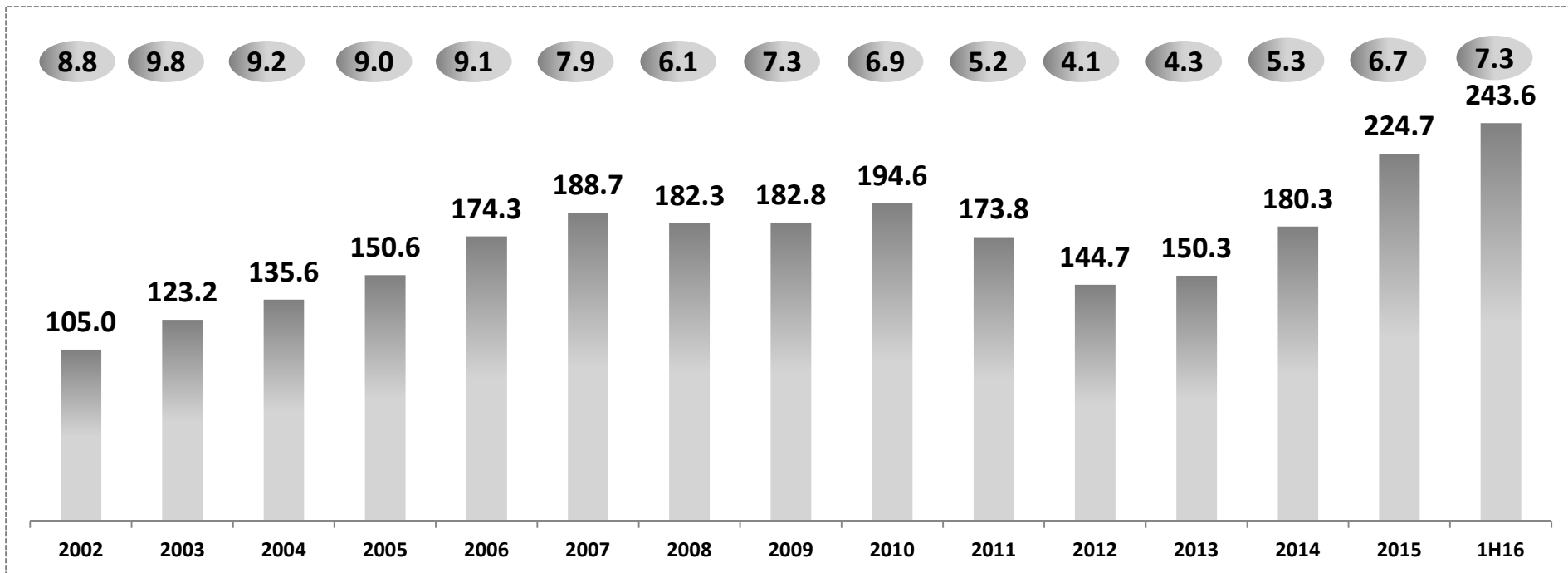
3.4%

(*) Based on June 2015

Foreign currency reserves trend

Months of imports

MAD bn



- Increase of Foreign Currency reserves since 2013 from 4.3 to 7.3 months of imports thanks to :
 - Trade and current account deficits narrowing in 2015
 - Resilience in MLA Remittances and tourism
 - Good track record of FDI and increasing access to international financial markets

Content

Political context and growth of the Moroccan economy

Balance of payments trend

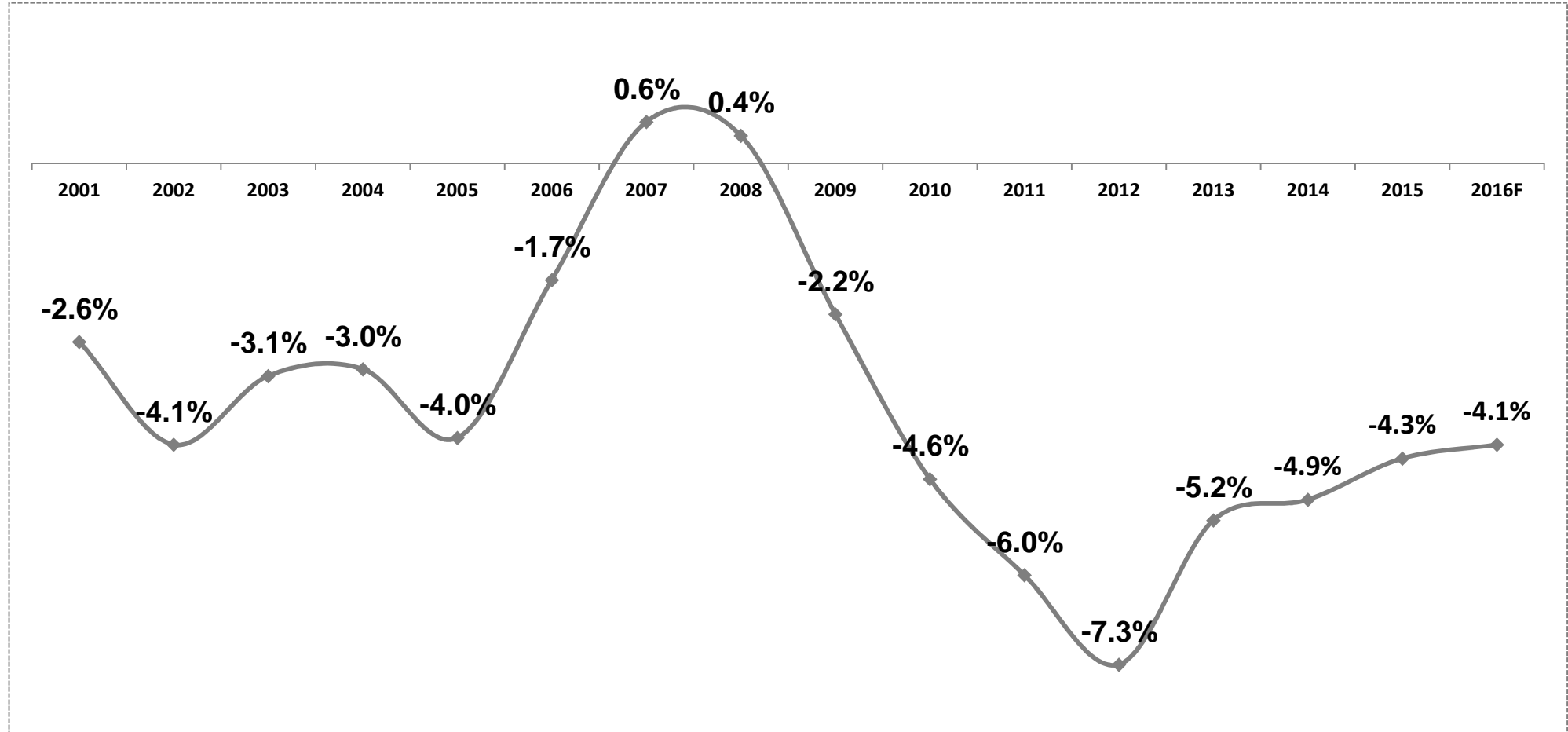


Public finance

Interest and exchange rates

Budget surplus/deficit between 2001 and 2016

In % of GDP

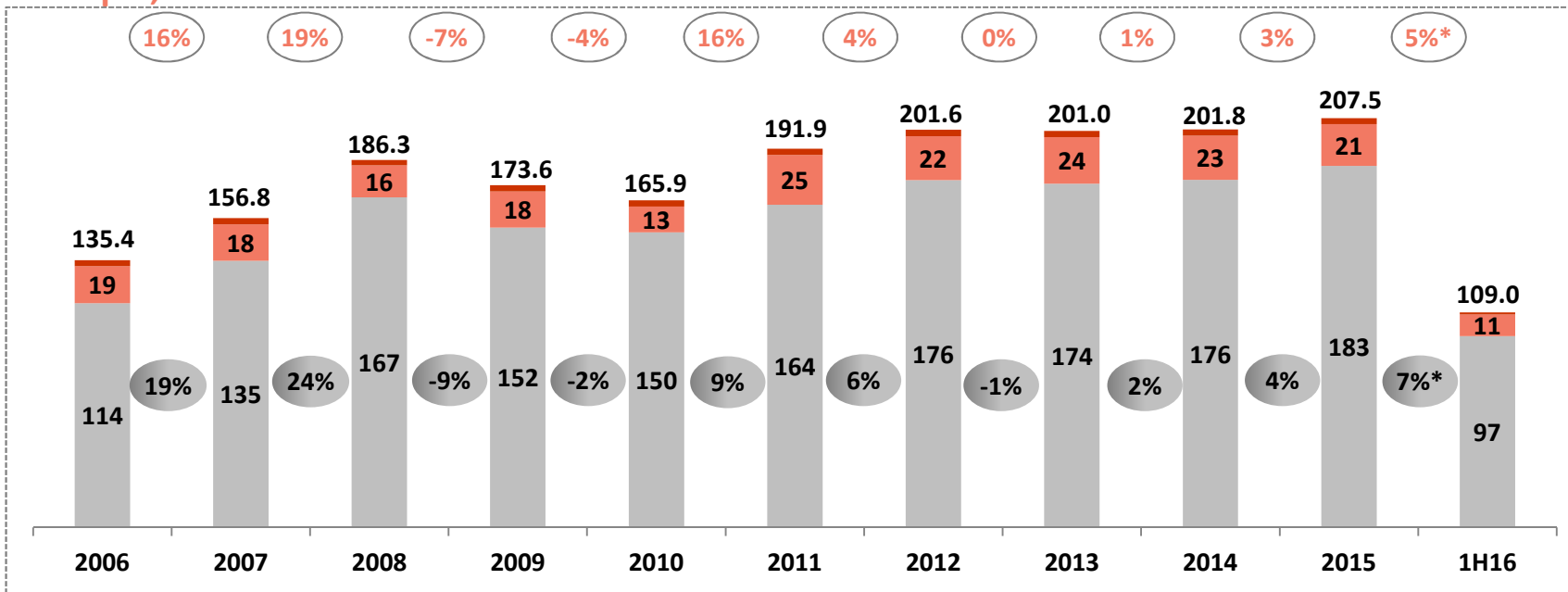


- High Commission for Planning of Morocco forecasts:
 - 2016^F: - 4.1%
 - 2017^F: - 4.2%

Public finance: receipts and expenses trends

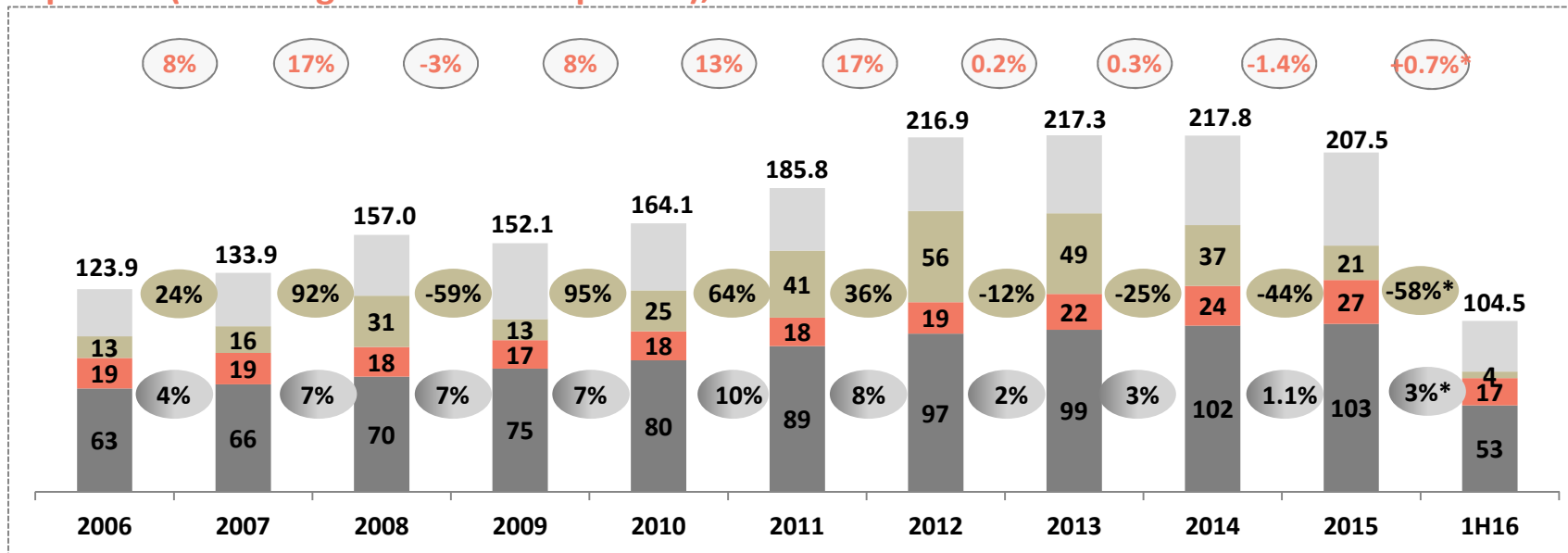
(%) Annual growth

Receipts, MAD bn



- Other revenues
- Non-tax revenues
- Tax revenues
- % Tax revenues growth

Expenses (excluding Investment expenses), MAD bn



- Other expenditures
- Subsidies
- Public debt service
- Total payroll
- % Subsidies annual growth
- % Payroll annual growth

(*) : Based on June 2015

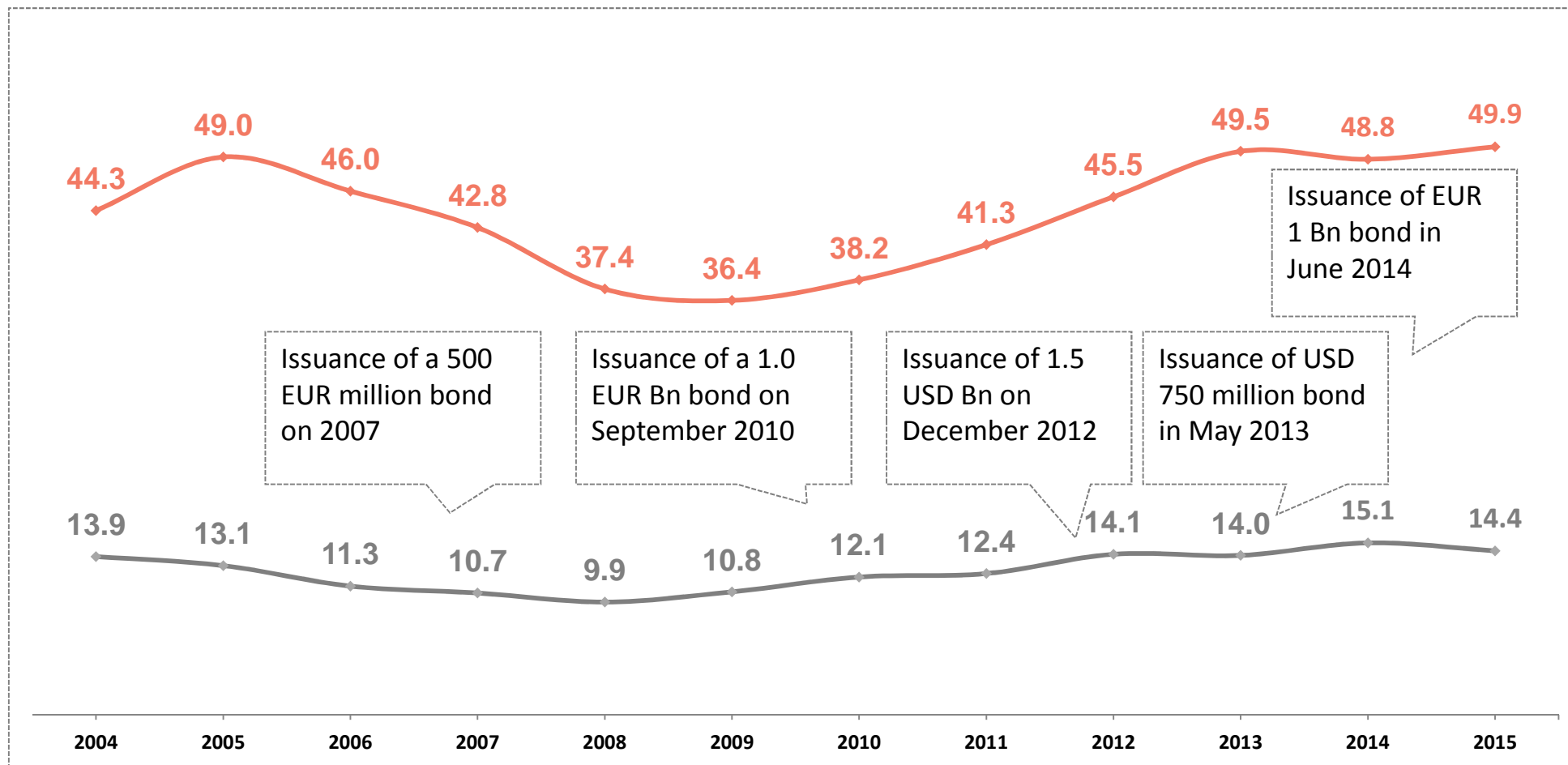
- Financial Communication & Investors Relation -

Control of external and internal indebttness

— External debt / GDP
— Internal debt / GDP

48,7% and 14,6% in 2016

In % of GDP



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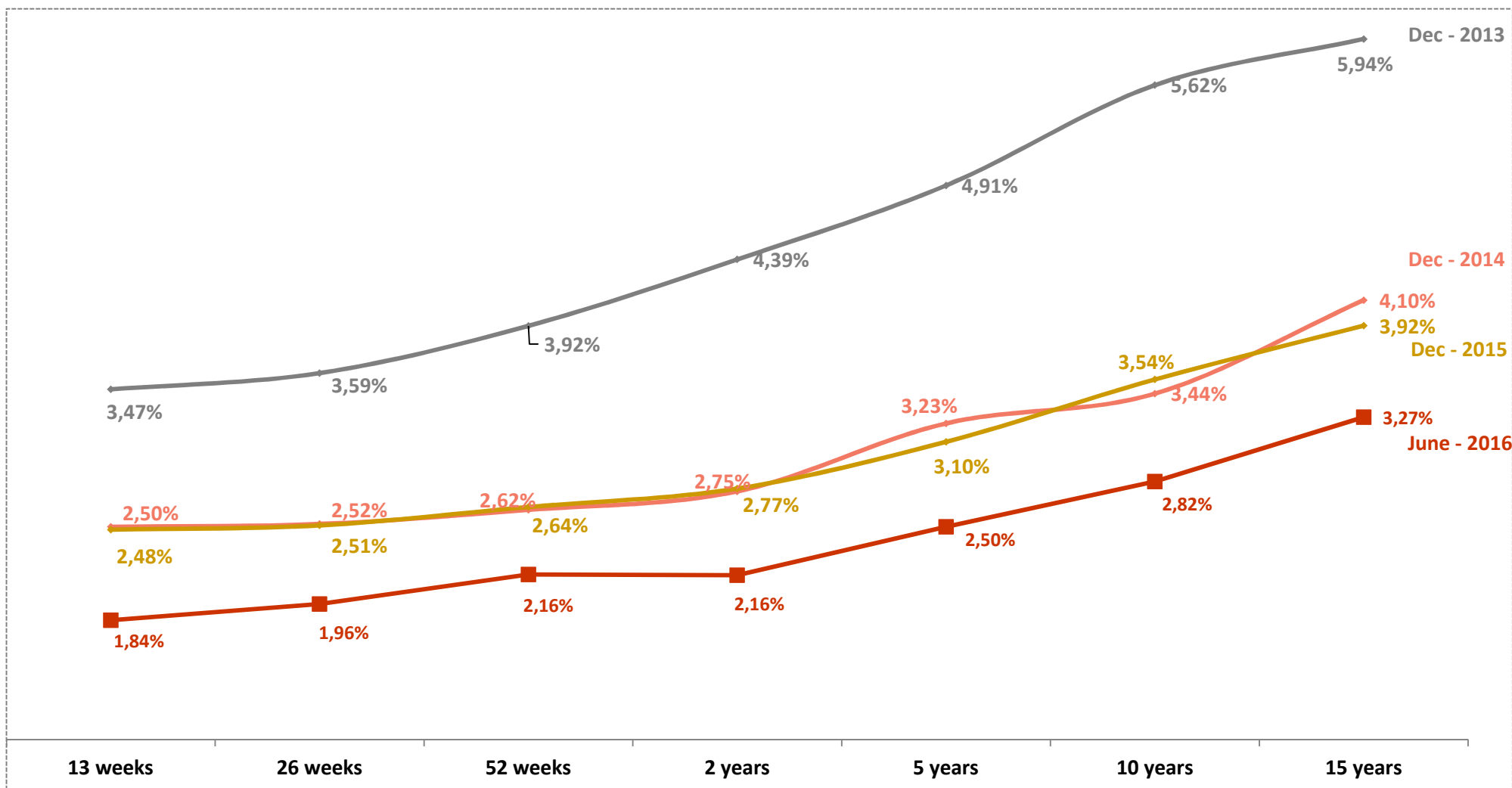
Public finance



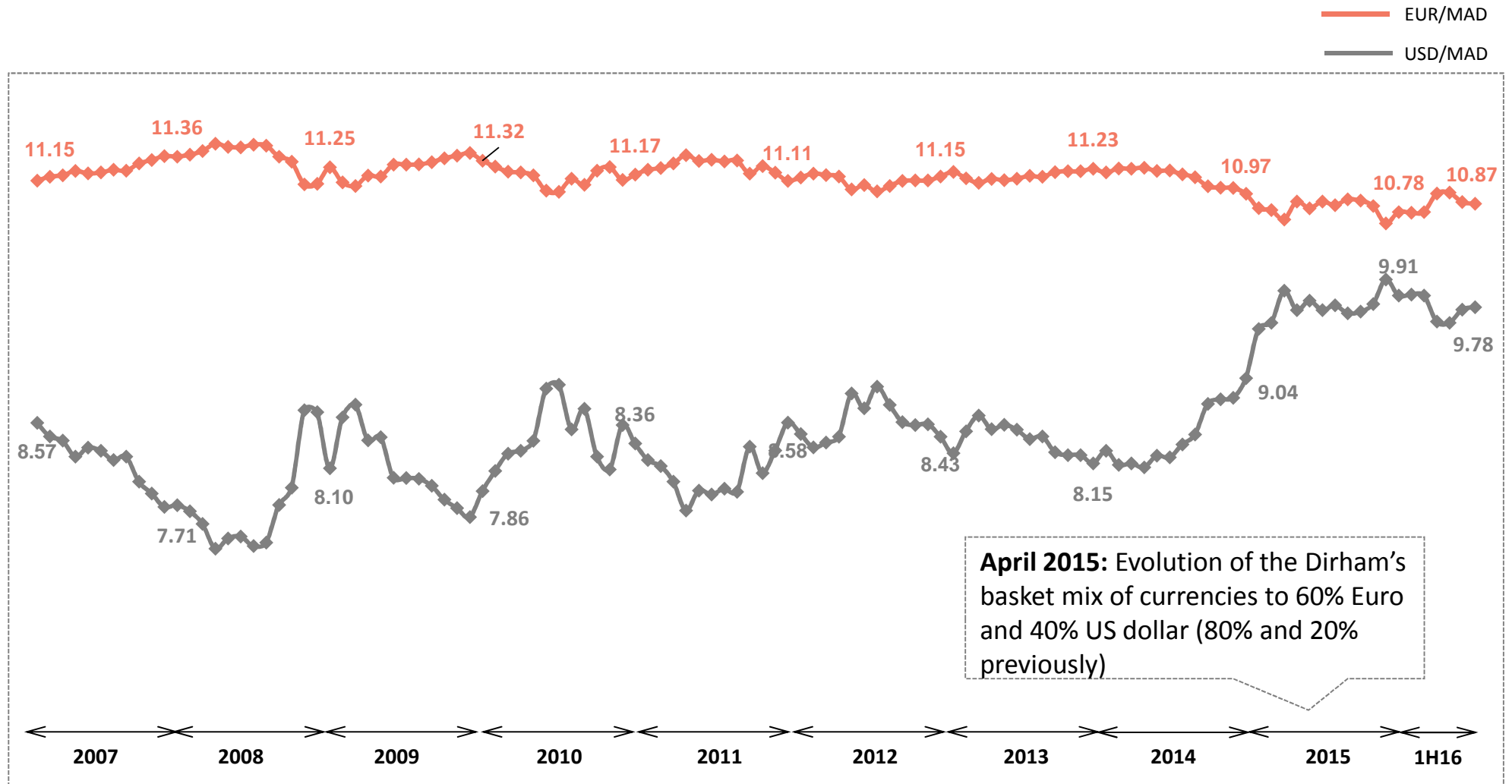
Interest and exchange rates

Yield curve trend between 2012 and June 2016 (treasury bill secondary market)

— June - 2016
— Dec - 2015
— Dec - 2014
— Dec - 2013



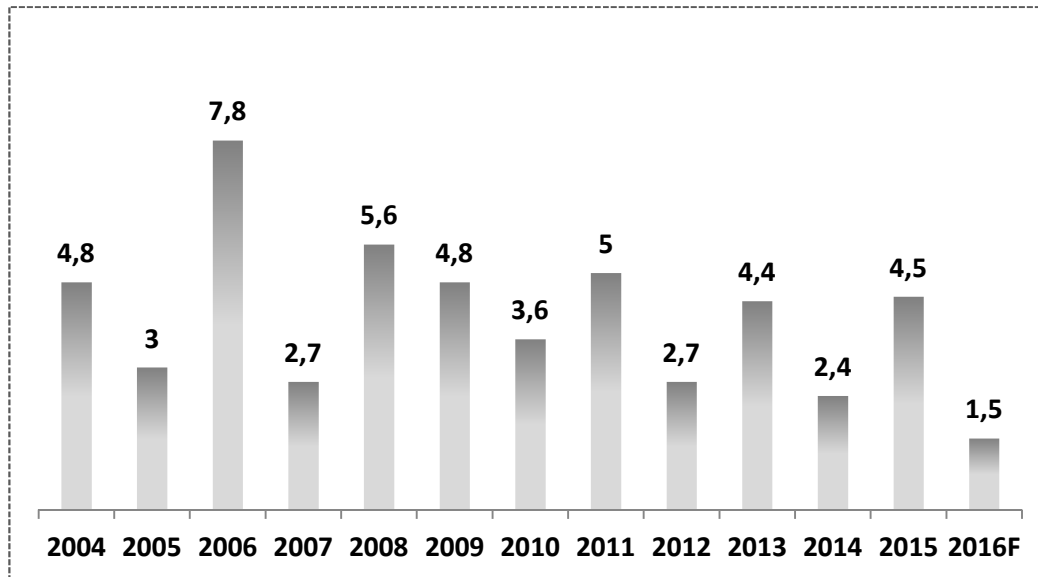
Exchange rates trend



BACKUP

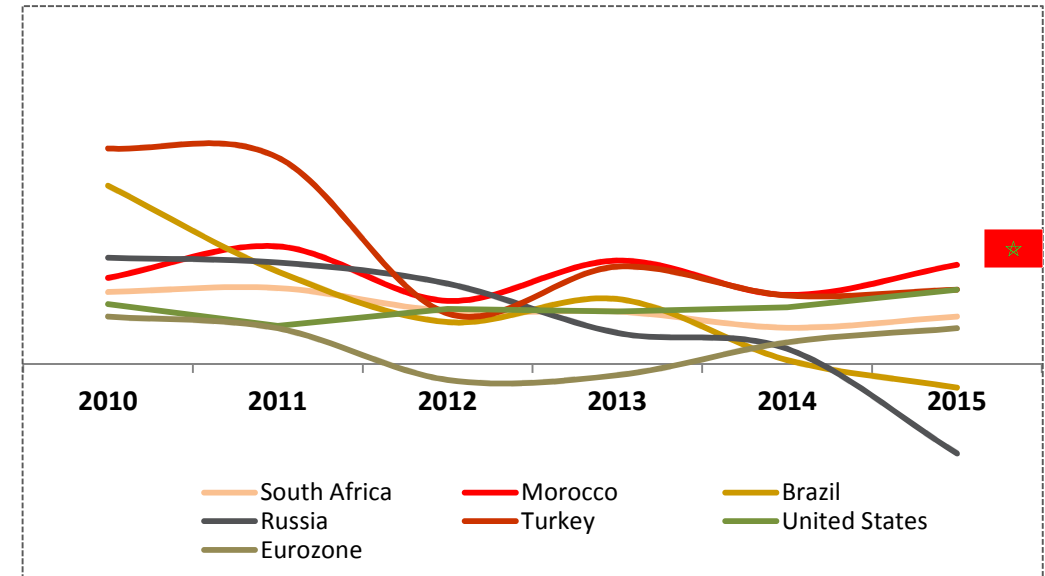
Economic growth

Morocco's GDP Annual Growth (%)

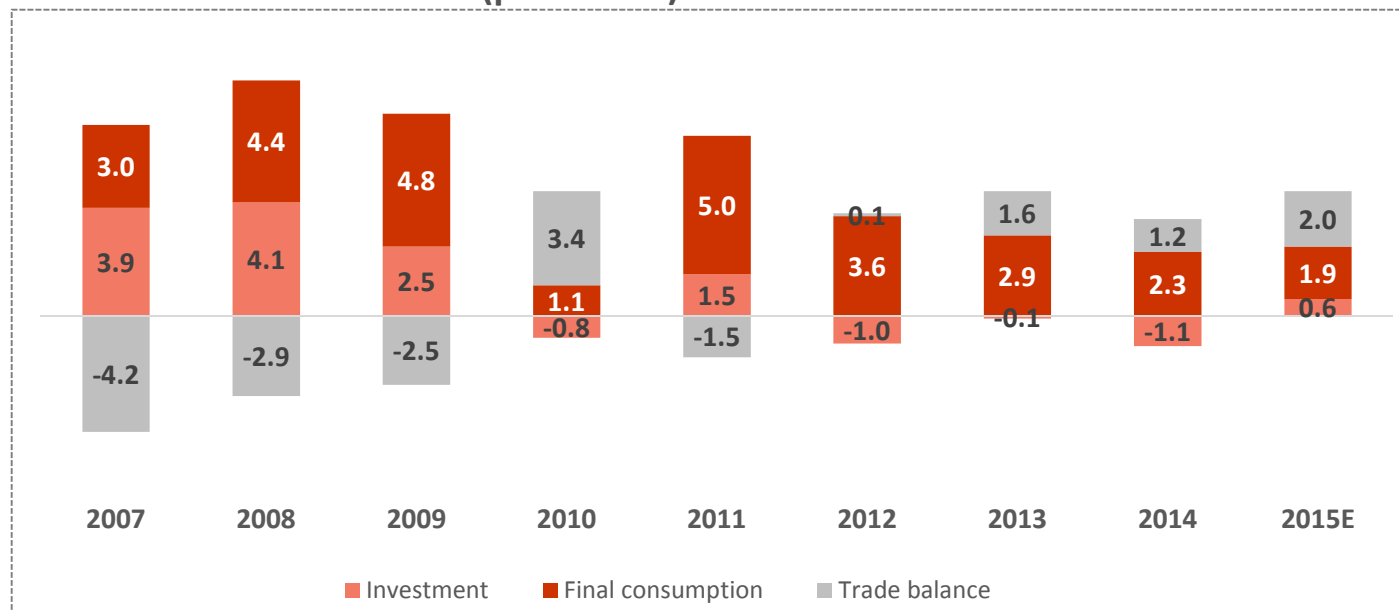


Source: MEF/HCP

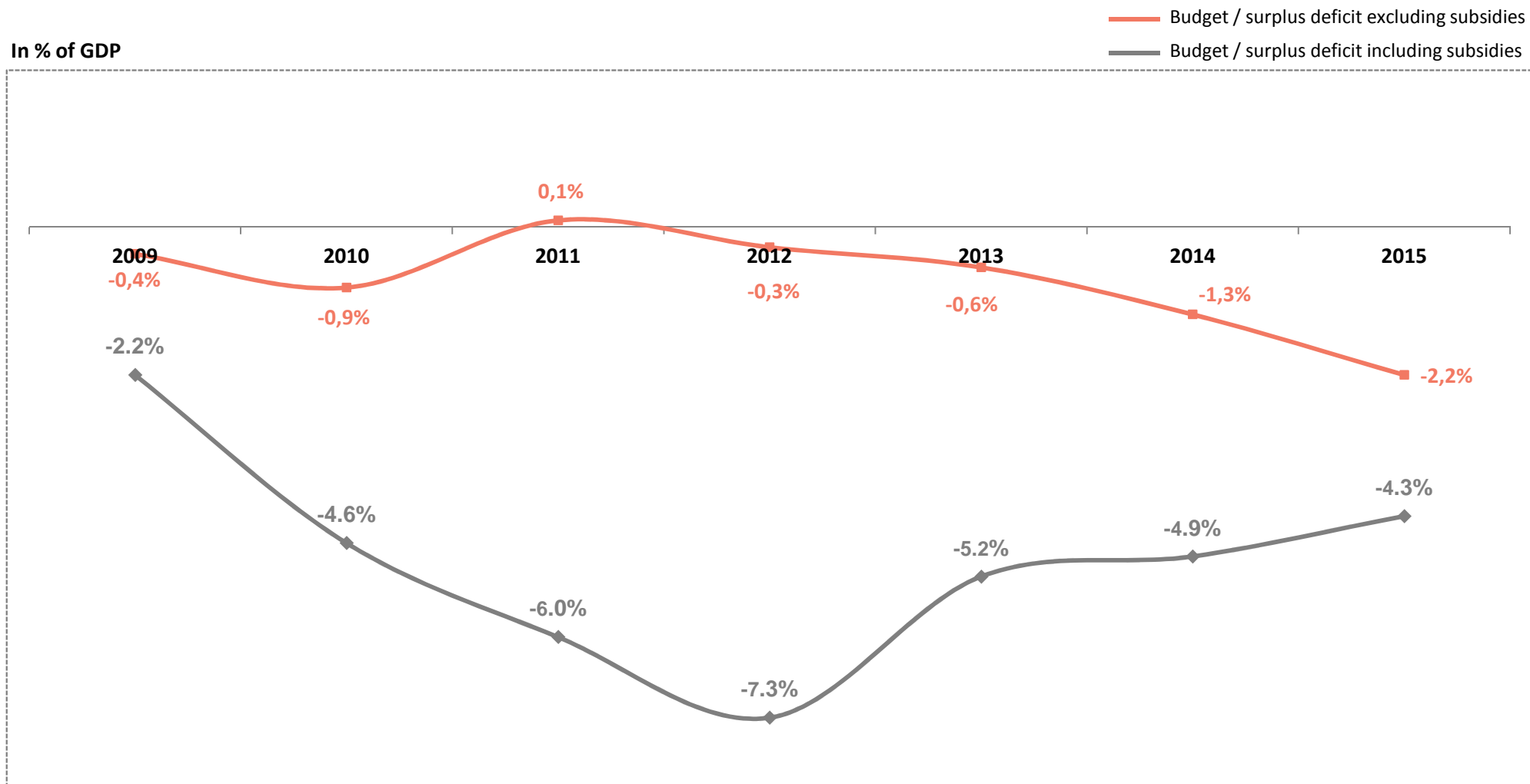
Historical Performance of Annual GDP Growth



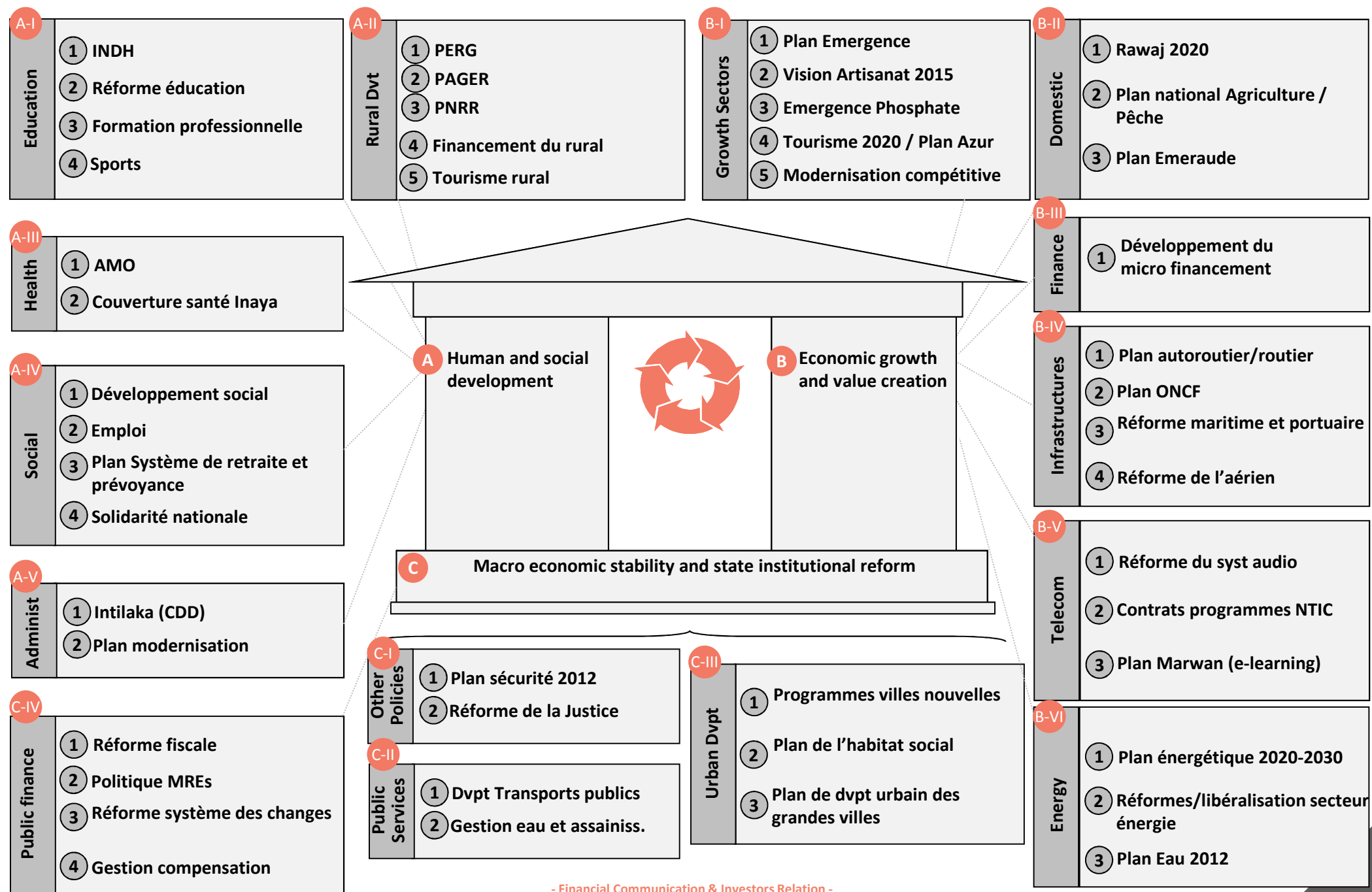
Main Contributions to GDP (point of %)



Budget surplus/deficit between 2009 and 2015



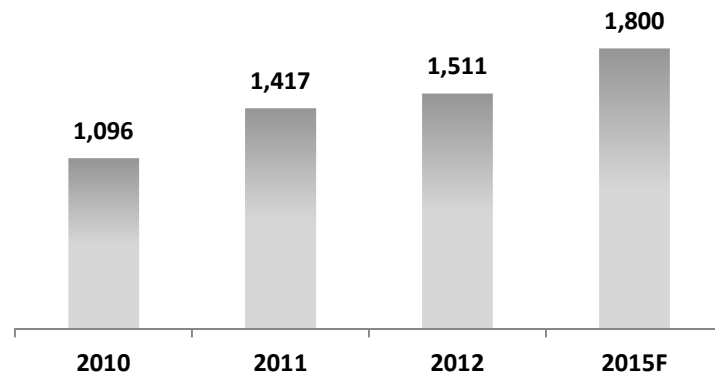
National strategy: a comprehensive list of ~50 socio-economic programmes



CASE STUDY

HIGHWAY PROGRAM IN MOROCCO

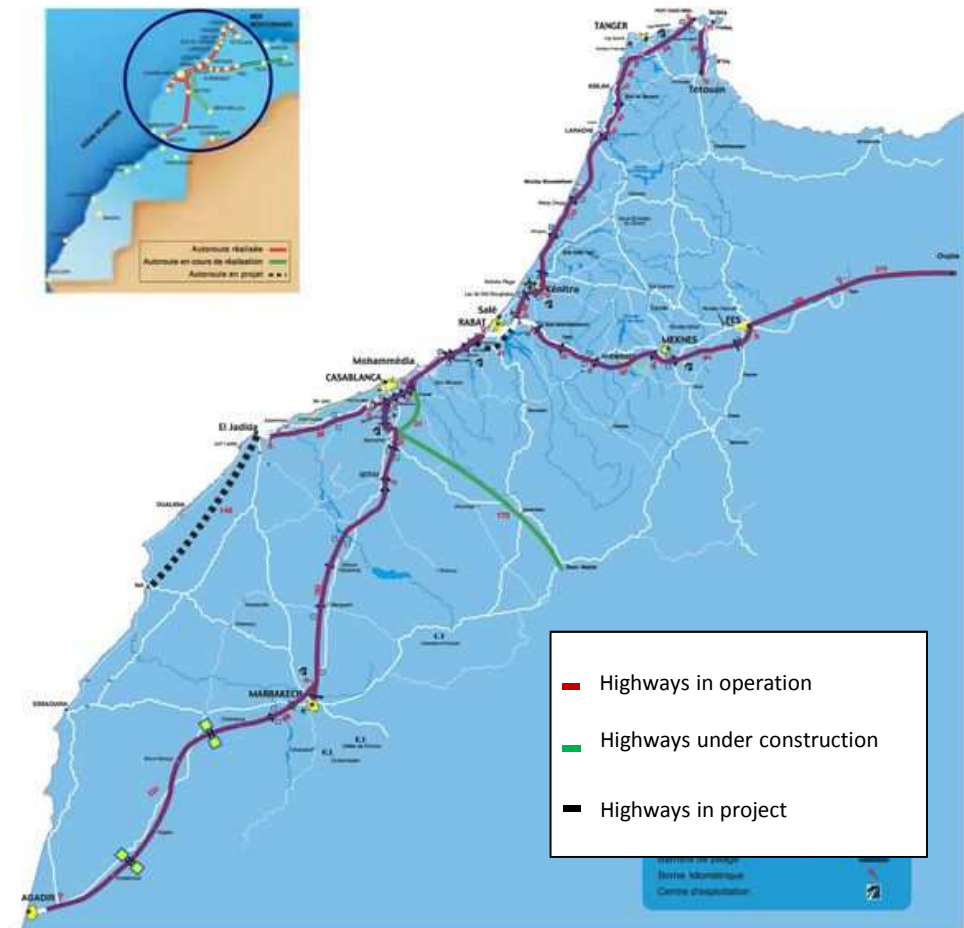
Highway Network (Km)



Key figures

- **Investments** : 4.4 USD bn since 1989
- **Future Investments** : 1.7 USD bn through 2015
- **Toll revenues** : 0.2 USD bn in 2011 (+16%)
- **Peak traffic** : 40 262 Vehicles/day (Casablanca-Rabat)

Highway network roadmap



CASE STUDY

The automotive industry in Morocco

Context

- Evolution of automobile manufacturing: Surge of emerging countries with an increased trend towards regional outsourcing (in 1990, over 80% of the production was concentrated in developed countries against 43% in 2010).
- Morocco positions itself as a platform for competitive and attractive investment, production and export at both regional and international levels
- One of the drivers of the domestic industry and the National Pact for the Industrial Emergence
- Strong growth on both equipment suppliers and Manufacturers

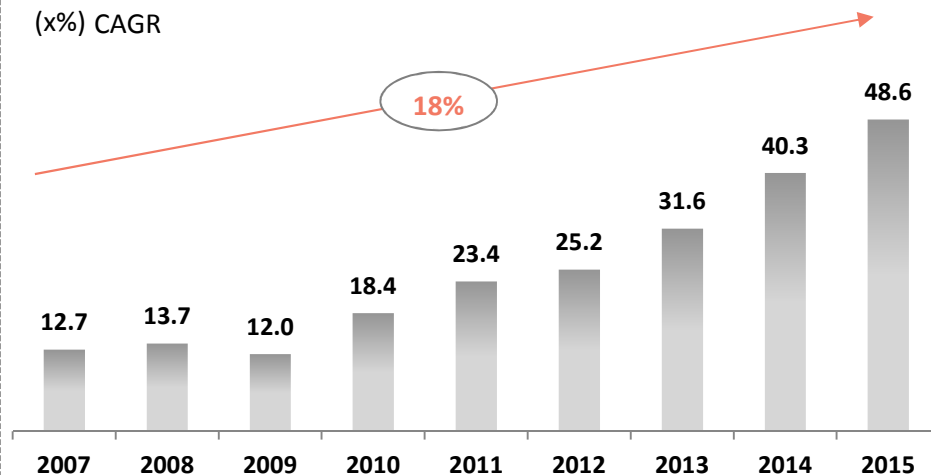
Renault Tanger Med Project

- Implementation of the first production line of the Renault plant, operational since February 2012 and inauguration of the second in October 2013
- Global cost of the project: more than one billion euros (600 m for the first part and 400 m for the second)
- Production goals: 340,000 vehicles from 2014
- More than 100,000 vehicles exported in September 2013
- Production capacity of the 2 sites: 60 cars/hour
- Green project: zero carbon industrial site and zero industrial liquid rejections
- Located between Tangier city and Tanger Med Port, at Melloussa Free Zone.
- Competitive advantages: skilled workforce at a competitive cost, attractive incentive framework through the free zone status which provides a total exemption from corporate tax and also aid for the installation of up to 10% of the total investment...

PSA Peugeot-Citroen plant

- Implementation of PSA in Kenitra which will be operational from 2019 with a production capacity of 200,000 vehicles. This project requires MAD 6 bn (€ 557 million)

Automotive exports (in MAD billions)



* An increase of 53% compared to 2013 in line with the great project of Renault Tanger

Benefits for Morocco?

- Improvement in the trade balance
- Sustainable jobs creation: 6,000 direct jobs and 30,000 indirect jobs generated by Renault and around 4,500 direct jobs and 20,000 indirect jobs created by PSA
- Transfer of technology and know-how for local skills: creation of the Institute for Training Professionals Automotive Industry (IFMIA), wholly funded by the Moroccan government

Ongoing projects

- In August 2013, signature of 6 investment contracts between the Ministry of Trade and Industry, the Hassan II Fund and companies operating in the sector
- Global cost: MAD 360 million
- Sustainable jobs creation :1 060 direct jobs
- These projects are organized around four areas:
 - Injection and joining plastic parts
 - The manufacture of components for commercial vehicles
 - Automotive wiring
 - The stamping and cutting of metal parts

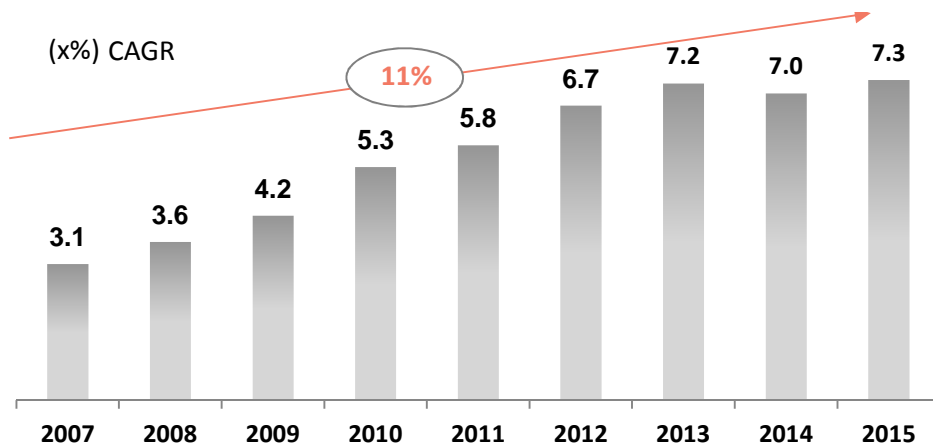
CASE STUDY

The aeronautics industry in Morocco

Aeronautics Industry

- Established as one of the world's leading new businesses (the global trades in Morocco) by the National Pact for the Industrial Emergence
- 100 companies operating in the aerospace industry with the presence of reference groups such as EADS, Safran, Zodiac Aerospace, Boeing for production, services, maintenance and engineering activities
- Industry benefiting from the confidence of global investors towards Morocco as a competitive industrial platform. (As an example, the implementation of Bombardier adds to the list of large contractors and confirms the ability of Morocco to host a quality aviation platform.)
- Competitive advantages: skilled workforce at a competitive cost, attractive incentive framework through the free zone status which provides a total exemption from corporate tax and also aid for the installation of up to 10% of the total investment...
- Totally export-oriented
- Launch of 4 aeronautical ecosystems in 2015 aiming at creating 23,000 new jobs, doubling export turnover as part of 2014-2020 Industrial Acceleration Plan

Aerospace exports (in MAD billions)



Benefits for Morocco?

- Sustainable jobs creation: 8 400 highly skilled workers in 2012 against 5 769 employees in 2008 (only 3 900 in 2005)
- Transfer of technology and know-how : Launch of the Institute of Aviation Trades (IMA) in April 2011 and inauguration of the Specialised Institute of Aviation Trades and Airport Logistics (ISMALA) in 2013

Ongoing projects

- Inauguration of the "Midparc" integrated industrial platform dedicated to careers in aeronautics, space industry and electronics (September 2013) whose total cost amounts to MAD 887.6 million
- Signing of a Memorandum of Understanding with Eaton Group for the establishment of a factory in the Midparc free zone (USD 4 million), in te 51st edition of the International Paris Le Bourget Air Show

Focus on Bombardier

- The Signing of an agreement in November 2011 between the Moroccan government and the Canadian Bombardier Aerospace Group for the gradual establishment of an industrial unit in Casablanca
- Investment cost : MAD 1.66 billion
- Sustainable jobs creation: 850 direct jobs and more than 4 000 indirect jobs .

CASE STUDY

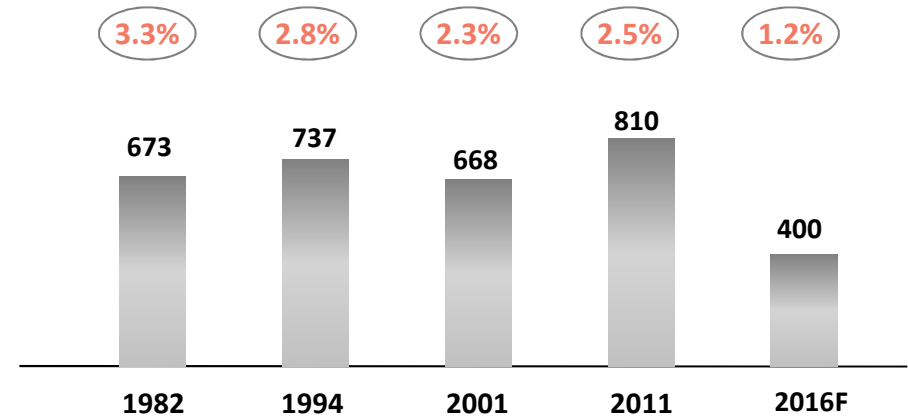
LOW COST HOUSING

Context

- **Strategic goals of the low cost housing program**
 - Promote the access of low-income households to the property;
 - Create 300 000 good quality and low-cost housing in the coming ten years
 - Reduce the deficit of accommodation from 608,000 in 2010 to 400,000 urban households before 2020
- **Target**
 - 1,500,000 people
- **Ressources deployed**
 - Nearly 4,000 hectares of land were released for this vast national project that will cost 60 billion MAD and will generate up to 160,000 jobs
- **Incentives for development of social housing and home ownership**
 - For developers
 - VAT Exemption
 - Corporate tax exemption
 - Reduced registration and stamps fees
 - Discount on special tax on cement
 - Land allocations by the state for the development of social housing programs
 - Facilitation of project licencing procedures
 - For buyers
 - Standardized housing with minimum quality guaranteed
 - VAT exemption (40,000 MAD)
 - Mortgage repayments deductible from income tax
 - FOGARIM loans for low or variable income populations, guaranteed by CGC (Central Guarantee Fund)
- **FOGARIM figures**
 - 11 MAD billion outstandings at the end of 2011
 - 81 000 beneficiaries since its icreation

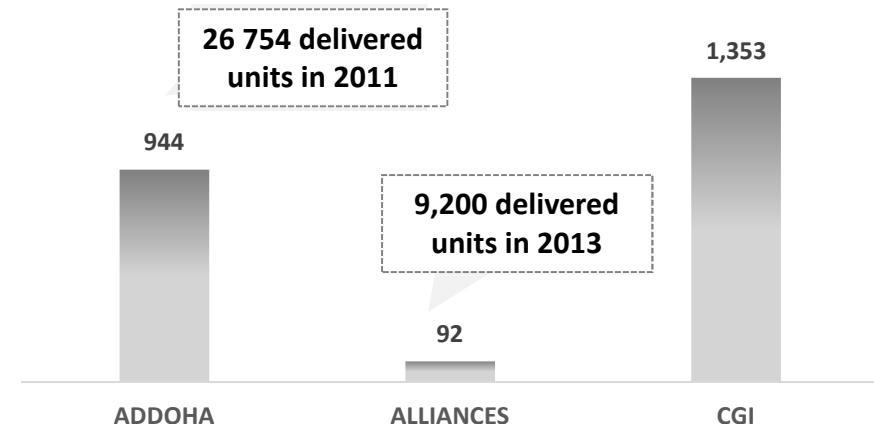
Housing deficit (in 000)

X% Housing deficit / total population



Source : Ministry of Housing and Urban Development

Market capitalizations of main developers (USD million, 30/06/15)

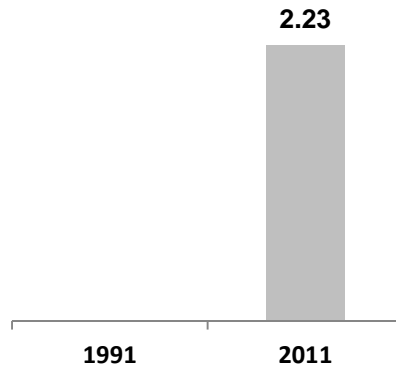


CASE STUDY

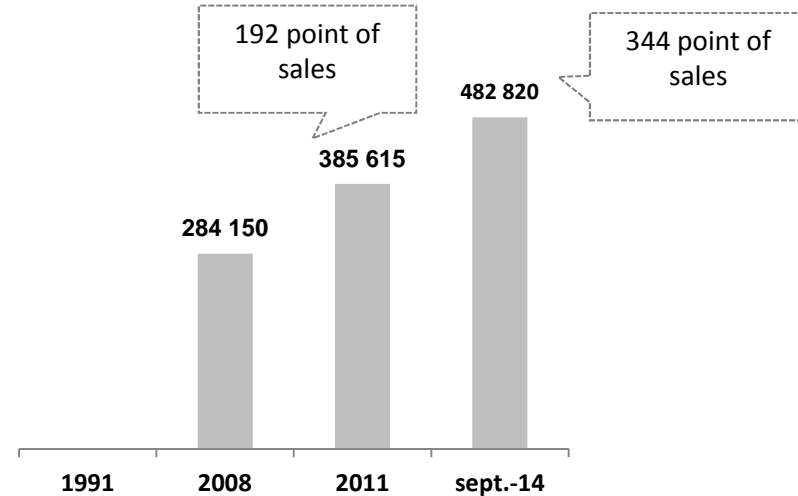
TRANSFORMATION OF RETAIL SECTOR IN MOROCCO

Evolution of sales of mass distribution between 1991 and 2011

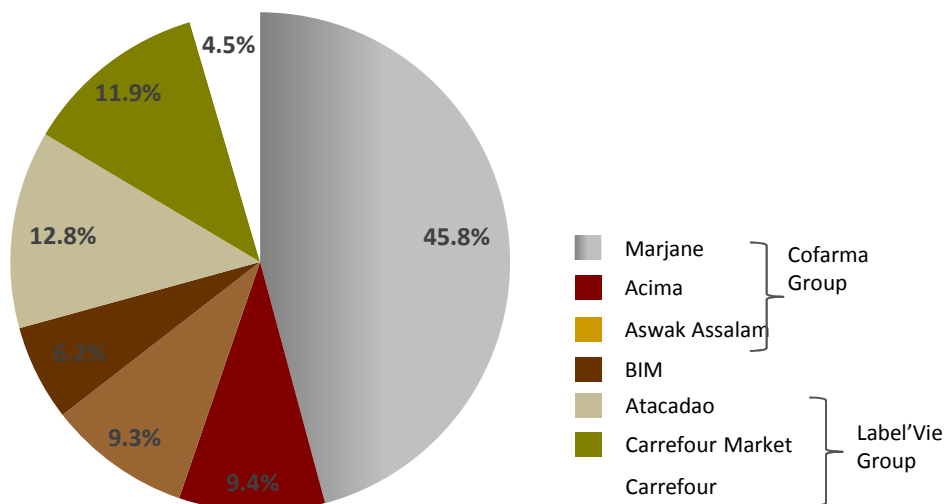
In USD bn



Evolution of mass distribution surface in Morocco (m²)



Market shares in m² (as of 30 September 2014)

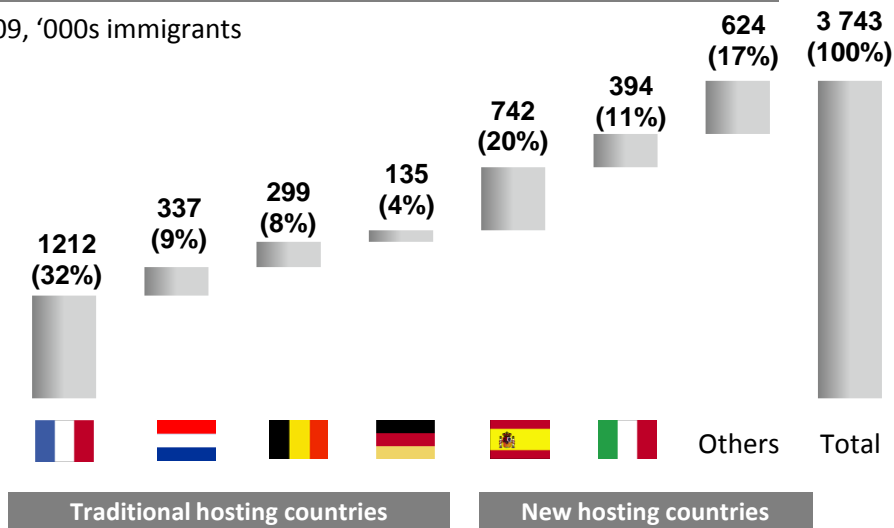


- The potential of the mass distribution is **still very important**:
 - Recent **CAGR of 16 to 20%**
 - Per capita mass distribution **surface in Morocco** is around **11 m²** (vs.40 m² for Turkey)
- Development of mass distribution was **supported by** and has **significantly supported** the rapid growth of middle class
- It has also helped develop modern payment forms (as opposed to cash) and improve transparency

CASE STUDY IMMIGRANT BANKING

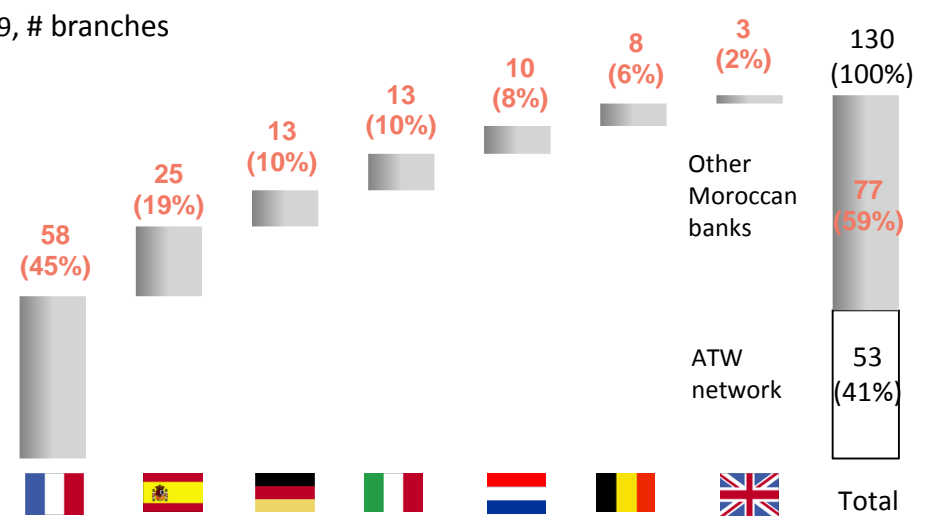
Break-down of Moroccan legal immigration by geography

2009, '000s immigrants



Moroccan banks network in Europe

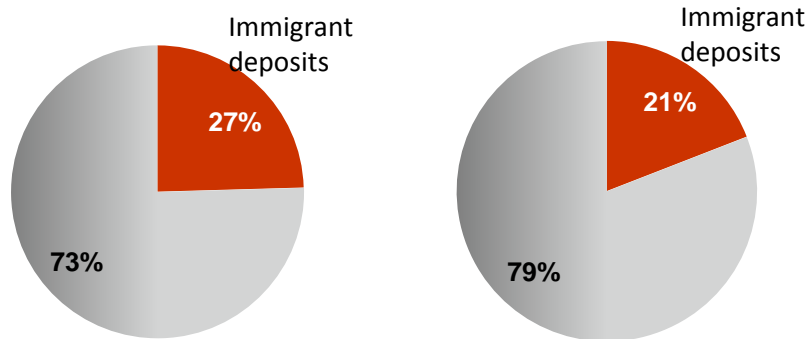
2009, # branches



Moroccan immigrant deposits

% of total deposits in Morocco
2002

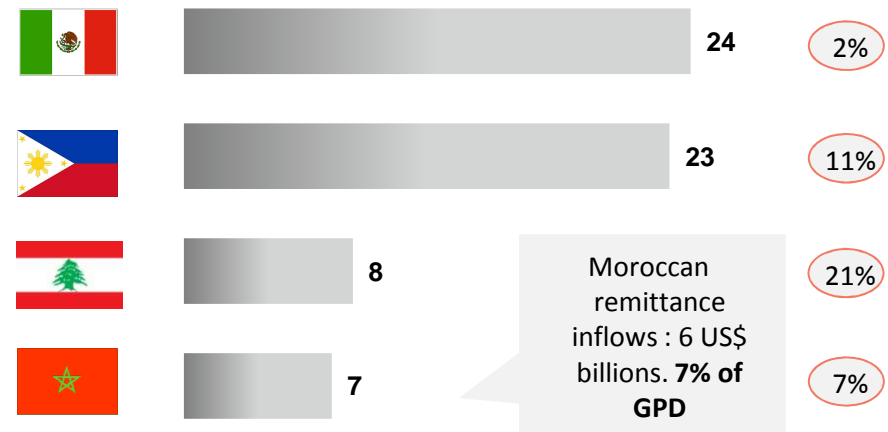
June-15



Diaspora money transfers

2011. USD Bn

Immigrant remittances as
a % of GDP

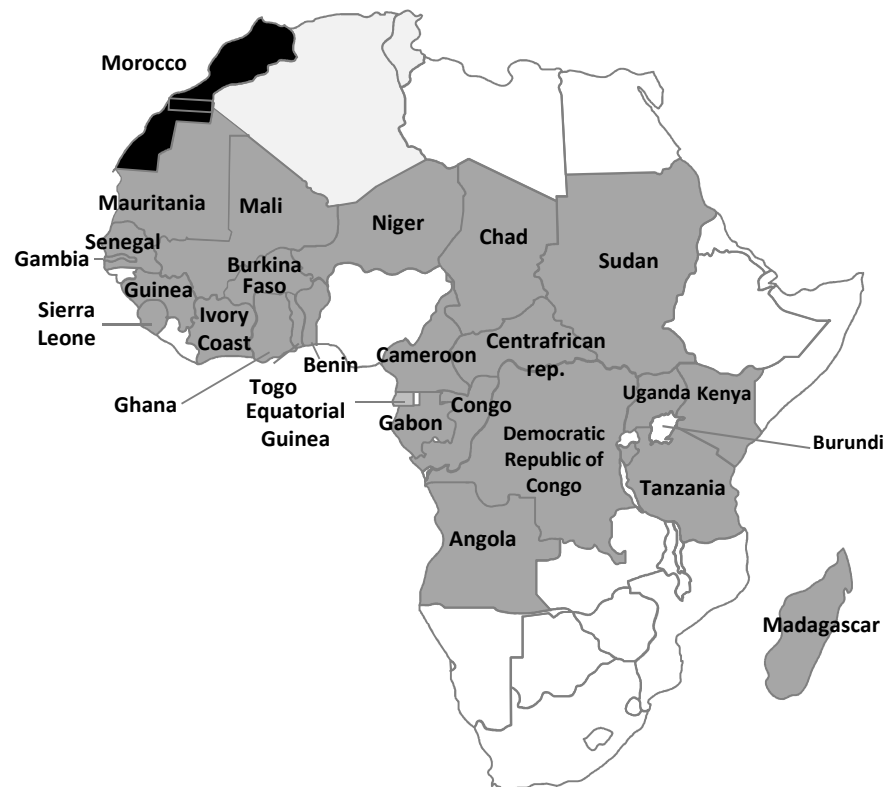


Source: World Bank. Central Bank (Morocco)

CASE STUDY

REGIONAL EXPANSION OF MOROCCAN COMPANIES IN AFRICA

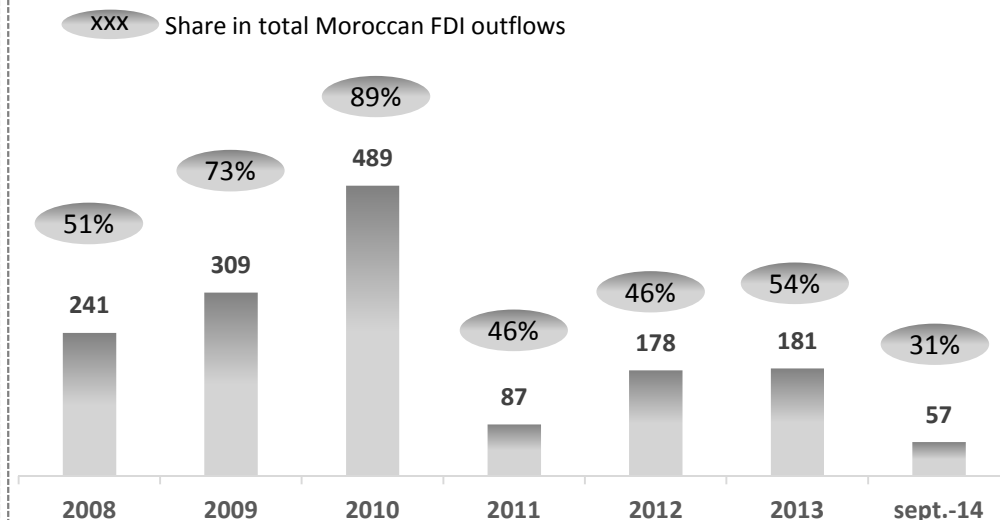
Sub-Saharan footprint of Moroccan companies



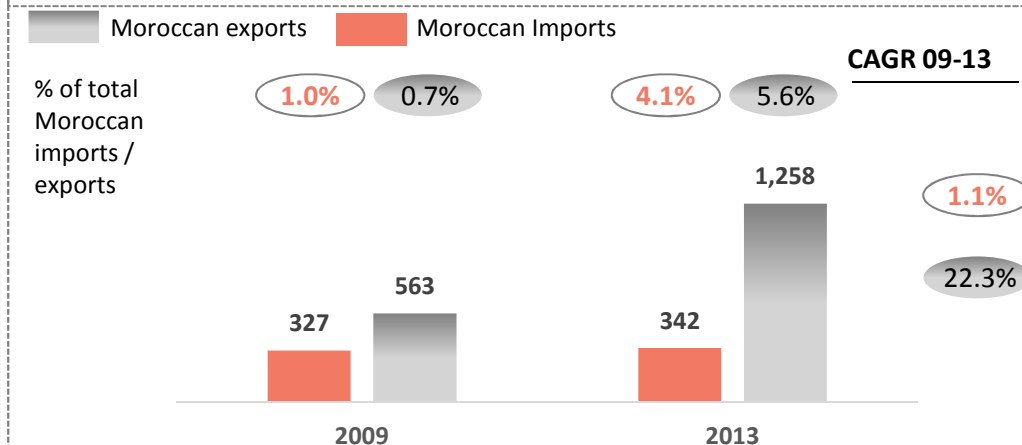
Main Moroccan companies operating in sub-Saharan Africa



Moroccan FDI outflows towards sub-Saharan Africa (USD m)



Trade between Morocco and sub-Saharan Africa* (USD m)



*Includes only South Africa, Nigeria, Equatorial Guinea, Gabon, Ivory Coast, Centrafrican Republic, Democratic Republic of Congo, Cameroon, Guinea, Senegal, Togo, Ghana, Madagascar, Mali, Benin, Burkina Faso, Kenya, Tanzania, Congo, Ouganda, Angola, Gambia, Chad, Niger, Namibia, Soudan, Liberia, Guinea Bissau...