Morocco
Facing the global economic crisis
For faster growth and more widely shared prosperity

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Minister of Economic and General Affairs
I - Morocco: economy advantages

II - The global economic crisis impacts

III - Our strategy to mitigate the crisis effects

IV - A new governance style
I - Morocco: economy advantages

- A strong and diversified growth
- Stable macroeconomic framework
- Strong and healthy financial system
- A more open economy and a more attractive economy
- A decreasing unemployment rate
- An improving level of life
A strong and diversified growth

Global GDP

An increasing average growth

- Average growth: 3.3%
- Average growth: 5.1%

GDP

An increasing Non agricultural growth

- Average growth: 4.3%
- Average growth: 5.4%
Stable macroeconomic framework

% GDP

A balanced budget

Current account surplus between 2001 and 2007

% GDP

privatization income excluded

Overall position

situation proche de l'équilibre

A mastered inflation

In %

A decrease in public and external debt

% GDP

60,9

47,8

16,5

10,2
Strong and healthy financial system

A solid financial sector supporting development

**Banking sector**

**Deposits**

Average growth: 19%

- 2003: 31
- 2008: 72

**In % of GDP**

- 2003: 61
- 2008: 86

**Loans**

Average growth: 18%

- 2003: 25
- 2008: 69

**Market capitalization**

Average growth: 30%

- 2003: 22
- 2008: 69

**In % of GDP**

- 2003: 49
- 2008: 81
Strong and healthy financial system

A solid financial sector supporting development

An increasing credits extended to economy

In billions USD

2003 2004 2005 2006 2007 2008

+30.8%

A continued decline in interest rates

52 weeks 2 years 5 years

870 basis points 900 basis points 900 basis points
A more open economy and a more attractive economy

An increasing opening rate of the economy

Commitment to Free Trade and Regional Integration

Positive evolution of Foreign Direct Investments
A more attractive economy

MULTIPLE FDI PROJECTS COMING ON STREAM IN MOROCCO

- Automotive
  - DELPHI
  - Valeo
  - M/SONIC
  - TANGER FREE ZONE
- Offshoring - BPO
  - STMicroelectronics
  - M/SONIC
  - TANGER FREE ZONE
  - SAVOY INTERNATIONAL
- Aeronautics
  - Aéronautique
  - Automotive
- Electronics
  - Alcatel-Lucent

An increasing number of franchisees

- Clothing, 26%
- Catering, 7%
- Furniture, 7%
- Shoes, 5%

Attractivity is a reality

+470 franchisees since 2002
+40 franchisees en 2008
A proactive employment policy

A decreasing unemployment rate

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban Unemployment Rate</th>
<th>National Unemployment Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>22%</td>
<td>13.8%</td>
</tr>
<tr>
<td>2000</td>
<td>20%</td>
<td>13.4%</td>
</tr>
<tr>
<td>2001</td>
<td>18%</td>
<td>13.0%</td>
</tr>
<tr>
<td>2002</td>
<td>17%</td>
<td>12.6%</td>
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<tr>
<td>2003</td>
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<td>15%</td>
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<tr>
<td>2005</td>
<td>14%</td>
<td>11.4%</td>
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<tr>
<td>2006</td>
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</tbody>
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An Improving level of life

GDP per capita (purchasing power parity)

A significant improvement of purchasing power

Annual Average growth : 6.3%
Improvement of level life

Decreasing poverty and vulnerability

Poverty

- Urban area
- Rural area
- Poverty rate

Poverty rates:
- 28% in 1994
- 16.5% in 1999
- 10.4% in 2001
- 7.6% in 2004
- 4.8% in 2007

Percentage improvements:
- 42% decrease in 1994-2007
- 41% decrease in 1999-2007
- 37% decrease in 2001-2007
II - The global economic crisis impacts

1 - A more resilient economy toward exogenous chocks

2 - The spreading channels of the crisis

3 - Global economic crisis: the challenges
1-A more resilient economy toward exogenous shocks

- Toward regular shocks associated with rainfall volatility

Diversification of the GDP growth now less volatile
1-A more resilient economy toward exogenous shocks

- Toward energy and food crisis: Budgetary capacity to fund subsidies

- Morocco is among countries that mastered inflation at low level
1-A more resilient economy toward exogenous shocks

- Toward Financial crisis: A sound financial system

Morocco depends weakly on resource currencies

External liabilities of banks represent 1.2% of their resources.

The commitments in foreign currencies of enterprises represent just 3.3% of loans.

Moroccan banks do not hold claims "toxic"
2- The spreading channels of the economic crisis

**Expected slowdown on the external demand in 2009**

**EVOLUTION OF THE GLOBAL DEMAND INDEX**

**EVOLUTION OF MOROCCAN EXPORTS INDEX 1998-2009**

- **Mondial demand**
- **Exports**
- **European demand**

Graph showing the evolution of global demand, exports, and European demand from 1998 to 2009.
2- The spreading channels of the economic crisis

- Decrease in Moroccan migrants money transfers (2,4%)
- Decline in tourism incomes (3,5%)
- Regression of FDI flows (23,3%)
3 - Global economic crisis: the challenges

- Growth slowdown of non-agricultural sectors
- Increase in unemployment
- Increase in current account deficit
- Less external financings
III - Our strategy to mitigate the crisis effects

- More support to the domestic demand
- Support sectors affected by the crisis
- Prepare the after crisis
1- More support to the domestic demand

Accelerate the pace of big structuring projects

An increasing public investment

In Billion
Moroccan dhs

+ 13.8%
+ 65%

2002 2003 2004 2005 2006 2007 2008 2009
1- More support domestic demand

Major infrastructure development programs

- **Highways, roads and railways**: 1’000 km of highways, 15’000 km of rural roads and railways
  - USD 10-15 bn

- **Major integrated infrastructures** (e.g., « Tanger Med »): launch of a port in the North of Morocco at international standards, one of the top 3 ports in the Med
  - USD 2-3 bn

- **Energy policy**: massive investment programs in power generation and clean renewables and liberalization agenda
  - USD 2 bn

- **Utilities**: massive development of rural electrification (PERG), water distribution (PAGER) and waste management
  - USD 1.5 bn

- **Sustainable development / Water resources**: modernization of water efficiency systems in agriculture and new sustainable sources (pipeline, desalinization, dams)
  - USD 6 bn

- **Social Housing and urban development** (200’000 houses p.a.)
  - USD 15 bn
1- More support domestic demand

TangerMed: an example of integrated development plan

An integrated Logistics Hub
- 14 kms from Europe
- Top 3 ports in Mediterranean
- Full logistics integration

- Breakthrough developments
- in industry in record time

- More support domestic demand
- About €600 millions investment
- 400 000 cars produced yearly (for export)
- Over 35 000 jobs
- 15-20 activities locally integrated

35 000 to 40 000 jobs in past 5 years
Protect purchasing power

- Income improvement
- Mastered Prices

Reinforcement of social security

- Designing a conditional cash transfer program
- Setting an insurance for job loss
- Enlargement of the health care coverage

Enhancing human development

- National Initiative for Human Development
- Enhancement of rural zones
2- Supporting sectors affected by the crisis

Exports activities: the need to preserve jobs

- **Financial support**: creating a guarantee fund to improve the financial situation of firms
- **Commercial support**: Support marketing efforts to find new destinations for export (creation of a fund to support exports)
- **Social support**: giving financial support the employer charges (100%) in affected sectors such automobile, textile and leather

Tourism: preserve the sector attractiveness (“cap 2009” plan)
3- Prepare for the after crisis

coherent agenda of structural reforms

Agriculture
Morocco green plan

Industry
National pact of development

Water and environment strategy

Energy strategy

Capacity building
Education and training

Tourism strategy
Azur Plan
IV - A new governance style

Moralization and civism
- Mandatory Asset declarations
- Creation of anti corruption agency
- Creation of a Special Control Unit Against Money Laundering

Contracting partnership
With:
- Private sector
- Public companies (contractual programs)
- Social partners

Institutional dimension
- Launch of the “competitiveness council”
- Creation of the Moroccan agency to promote investment
- Creation of agency to promote agriculture
- Creation of the committee of business climate
Thank you for your attention