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2 March 2018

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RATINGS

Morocco

	Foreign Currency	Local Currency
Gov. Bond Rating	Ba1/POS	Ba1/POS
Country Ceiling	Baa2	Baa1
Bank Deposit Ceiling	Ba2	Baa1

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Government of Morocco – Ba1 Positive

Annual credit analysis

OVERVIEW AND OUTLOOK

The credit profile of Morocco (Ba1 positive) reflects a structural shift towards higher value-added export industries as well as improvements in the fiscal area in the form of subsidy and pension reforms. These improvements set the stage for higher non-agricultural growth and for a stabilization and gradual reduction in public-sector indebtedness. The country is strategically positioned within global value chains in the automotive and aeronautics sectors and as a trade hub between Europe and the African continent. This positioning is mirrored by the Moroccan banking system's cross-border expansion across the African continent, and is supported by a transportation infrastructure upgrade. The gradual foreign-exchange rate liberalization introduced in early 2017 supports a gradual improvement in competitiveness.

The main constraints on the Ba1 rating are relatively low GDP per capita, volatile growth and a relatively high, albeit affordable, debt-to-GDP ratio. A weak labor market and skills mismatches limit the country's competitiveness and constrain the growth potential of the non-primary sector. The foray of large Moroccan banks into the Sub-Saharan African continent presents both opportunities and risks.

Upward rating pressure would arise from increased evidence that the country's budgetary performance will be sufficiently robust in the coming years to firmly position the central government debt ratio on a downward trajectory, combined with a stabilization of debt guarantees to state-owned enterprises. The maintenance of reform momentum despite sporadic protests would also be credit positive.

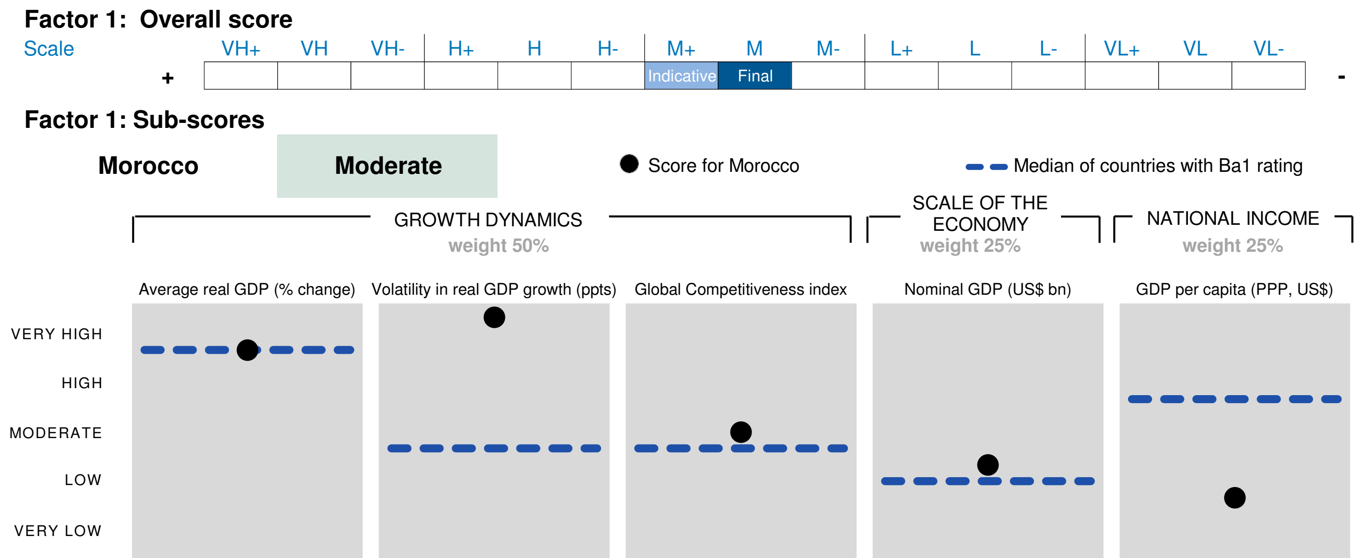
Downward rating pressure could emerge if the Moroccan government proved unable to control the deficit, the debt burden and debt guarantees. Increased tensions with the Western Sahara territory would also be credit negative, as would an unforeseen deterioration in the external accounts.

This credit analysis elaborates on Morocco's credit profile in terms of economic strength, institutional strength, fiscal strength and susceptibility to event risk, which are the four main analytic factors in our Sovereign Bond Rating methodology.

CREDIT PROFILE

Our determination of a sovereign's government bond rating is based on the consideration of four rating factors: Economic strength, institutional strength, fiscal strength and susceptibility to event risk. When a direct and imminent threat becomes a constraint, that can only lower the preliminary rating range. For more information please see our Sovereign Bond Rating methodology.

Economic strength: Moderate



Economic strength evaluates the economic structure, primarily reflected in economic growth, the scale of the economy and wealth, as well as in structural factors that point to a country's long-term economic robustness and shock-absorption capacity. Economic strength is adjusted in case excessive credit growth is present and the risks of a boom-bust cycle are building. This 'credit boom' adjustment factor can only lower the overall score of economic strength.

Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Morocco's score for economic strength is set at "Moderate," below the indicative score of "Moderate (+)" to reflect the current potential growth constraints which we expect to improve only gradually over time. Other sovereigns with a similar score include Guatemala (Ba1 stable) and Hungary (Baa3 stable).

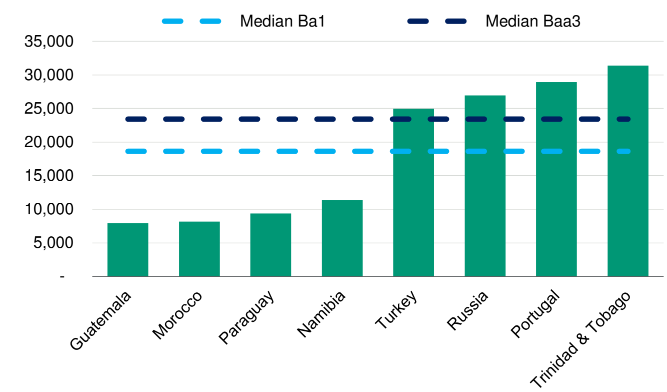
Despite its structural challenges, Morocco is one of the better performers among Ba peers of similar size and wealth levels with a score of "Moderate," as opposed to Azerbaijan (Ba2 stable) and Namibia (Ba1 negative) with a score of "Low (+)" and "Moderate (-)," respectively. In the Baa3 space, Hungary (Baa3 stable) and Kazakhstan (Baa3 stable) share the "Moderate" economic strength score.

Peer comparison table factor 1: Economic strength

	Morocco Ba1/POS	M Median	Azerbaijan Ba2/STA	Namibia Ba1/NEG	Guatemala Ba1/STA	Hungary Baa3/STA	Romania Baa3/STA	Portugal Ba1/POS
Final score	M		L+	M-	M	M	M+	M+
Indicative score	M+		L+	M-	M	M+	M+	M+
Nominal GDP (US$ bn)	103.6	103.6	37.8	10.8	68.8	125.8	187.6	204.9
GDP per capita (PPP, US$)	8,160.2	18,061.9	17,453.0	11,334.9	7,944.7	27,475.0	22,349.2	28,916.0
Average real GDP (% change)	3.5	2.6	1.6	4.0	3.6	2.4	3.8	0.8
Volatility in real GDP growth (ppts)	1.4	3.1	7.9	2.3	1.5	3.0	4.4	2.3
Global Competitiveness Index	4.2	4.1	4.7	4.0	4.1	4.3	4.3	4.6

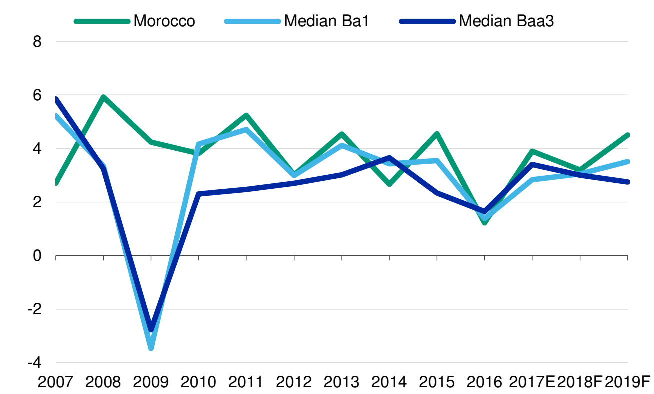
At $8,160, Morocco's GDP per capita in PPP terms remains below the Ba1 median of $18,062 in 2016 (see Exhibit 1), and its economic structure features a significant agricultural share of about 13% of output in 2017 and accounts for 32% of employment, which contributes to Morocco's volatile growth pattern (see Exhibit 2). Morocco's real GDP growth increased to 3.9% in 2017 from 1.2% a year earlier, driven primarily by a 16% rebound in agricultural output growth after a severe drought impacted crop yields in 2016 (base effect).

Exhibit 1
GDP per capita remains below levels of peers
$, PPP, 2016



Source: Moody's Investor Services

Exhibit 2
Morocco's real GDP growth is volatile driven by the agricultural contribution
%



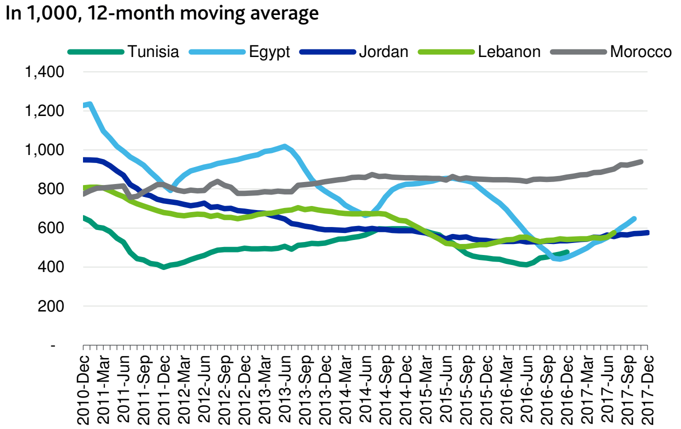
Source: Moody's Investors Service

Improving non-agricultural growth will be offset by low growth in primary sector in 2018

We expect real GDP growth to decelerate this year to 3.2% from 3.9% in 2017 owing to a lower primary sector growth rate of about 1.3% from 16% in 2017, offset by a further acceleration in non-agricultural growth to 3.0% from 2.7% in 2017. Non-agricultural growth will continue to be driven by the services sector and the phosphate mining industry. 2017 was a record year for tourism with arrivals exceeding 11 million for the first time in 2017 (i.e. 11.35 million, see Exhibit 3) and marking an increase of 10% from one year before. The higher visitor numbers reflected both increased demand from the traditional European markets including visitors from Germany (Aaa stable), Italy (Baa2 negative), Spain (Baa2 stable) and France (Aa2 stable), but also a marked increase in visitor numbers from new markets such as China (A1 stable), Japan (A1 stable) and Brazil (Ba2 negative).

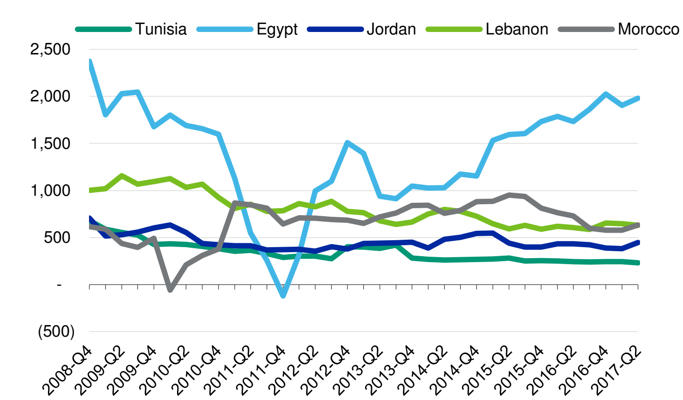
This positive performance in the tourism sector is also reflected in the transportation sector, including air traffic, which marked a record year following the extension of new airline routes to established and new markets. The planned completion this year of Casablanca's airport extension, which will double capacity to 14 million passengers, will further accommodate inflows. In the mining industry, the improved external demand environment in East Africa and Latin America also contributed to the positive performance in the phosphate mining sector (+16.4% annual growth in 2017) which we expect will continue to support growth in 2018. Meanwhile, the manufacturing sector continued to expand by about 2% in 2017 and we expect a slightly improved performance in 2018, benefiting from continued foreign direct investment in the automotive and aeronautics sectors (see Exhibit 4).

Exhibit 3
Morocco outperformed regional peers in terms of tourist arrival numbers...
In 1,000, 12-month moving average



Sources: National Statistics, Moody's Investors Service

Exhibit 4
...and remains in second place in terms of net FDI inflows
Mil. US $, 4-quarter moving average



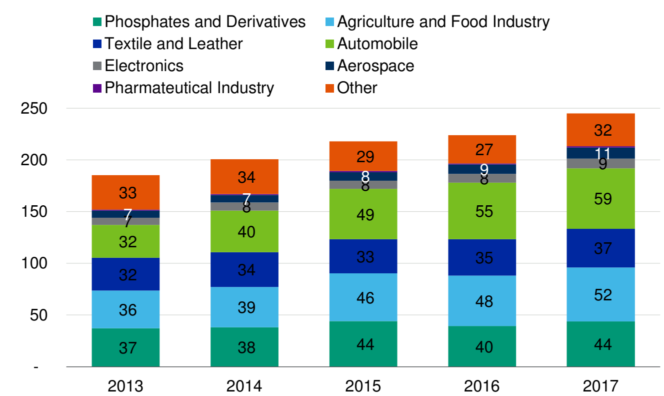
Sources: National Statistics, Moody's Investors Service

Structural reform agenda supports expansion of new industries…

Morocco's economic diversification agenda into higher value-added industries continues to show results, with higher value-added automotive exports representing 24% of total exports in 2017 from 14% in 2012 (see Exhibit 5). The potential for further expansion is highlighted by newly announced investments: in February 2018, Gestamp, a Spanish multinational company specializing in the design, development and manufacture of technical metal components for the automotive industry, announced the construction of its first plant in Morocco. The plant will be a joint venture with the Moroccan automobile supplier manufacturer Tuyauto. The factory will be constructed in the Kenitra Atlantic Free Zone near the French Groupe PSA factory, along with the Renault-Nissan group. The plant is expected to open in 2019, adding 120 jobs to the country.

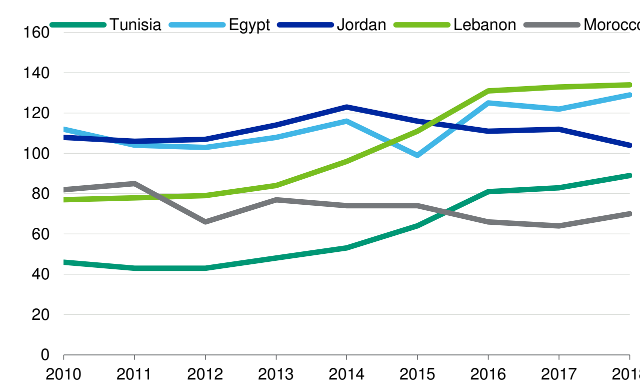
Other investors in Morocco include a Chinese electric car company (Yangtse Automobile) which has announced it will invest $100 million in Morocco. In addition, Canada's Linamar Corp. is building a $280 million plant in Morocco to supply engine parts to a new Peugeot factory planning to start production in 2019. Renault-Nissan's Tangier operation produces 340,000 cars to serve more than 73 countries in Asia, Europe, and Africa. The Tanger-Med deepwater port provides the necessary infrastructure to service deeper trade integration with Western Europe and to support Morocco's strategy to act as an entry point for African trade with the Western Hemisphere.

Exhibit 5
Total exports by sector
Billion dirham



Sources: National Statistics, Moody's Investors Service

Exhibit 6
Ease of Doing Business Ranking (lower = better)
Out of 190 countries



Sources: World Bank Ease of Doing Business Ranking, Moody's Investors Service

That said, unemployment remains close to 10%. Higher potential growth and job creation depends on higher labor participation and productivity growth. Key priorities according to the IMF include improving the quality of the education system, the functioning of the labor market, increasing female labor force participation, and stronger efforts to further improve the business environment. The World Economic Forum's Global Competitiveness Indicators reflect these persisting structural challenges, including in the areas of labor market efficiency, access to financing for SMEs and the quality of higher education and training where the country performs poorly by global comparison. Morocco outperforms regional MENA peers as well as rating peers Guatemala (Ba1 stable) and Paraguay (Ba1 stable) in the Ease of Doing Business ranking, at 69th place out of 190 countries in the 2018 survey (Guatemala 97th, Paraguay 108th), with the greatest progress achieved in the area of protecting minority investors (see Exhibit 6).

…including in renewable energy…

According to the chairman of the Executive Board of the Moroccan Agency for Sustainable Energy (MASEN), Mustapha Bakkoury, the production of electricity using renewable energy has reached 34% at the end of 2017. The country's 2020 goals to increase the contribution of renewable energies to the domestic production of electricity to 42% –and further to 52% by 2030– are on track. The 2018 solar program will markedly extend the Noor Laayoune I and Noor Boujdour I plants to bring them up to the 2020 desired capacities of 2,000 MW from solar power. In terms of wind energy, he said that 2018 will see the commissioning of plants that will produce capacities of around 300 megawatts, as well as the launch of new projects, notably in Midelt and Taza, which are expected to reinforce the 2,000 MW wind power target for 2020.

Morocco currently imports about 90% of its energy consumption needs, of which one third for electricity production. In 2015, Morocco's electricity production capacity was 8,154 MW, divided between coal (31%), gas (26%), hydroelectricity (22%), fuel diesel (10%) and wind (10%). Electricity production capacities will be increased by about 6,500 MW by 2020. Of this new total capacity of around 14,500 MW, solar and wind energy will each represent about 2,000 MW under the government's renewable energy plan from 180MW solar in 2016, and 895MW wind in 2016. In terms of total primary energy supply (of which electricity represents about one third), renewable energy will account for 10%-12% of the primary energy supply in 2020, up from 5% in 2009. The harnessing of significant renewable domestic energy resources is credit positive from an environmental sustainability perspective, while at the same time permanently reducing Morocco's dependence on imports and its balance of payment sensitivity to higher energy prices.

The projects are being financed through significant contributions from multilateral development bank loans and bilateral loans. The government and the European Bank for Reconstruction and Development (EBRD, Aaa stable) signed a Memorandum of Understanding (MoU) in January 2018 to develop a co-financing product dedicated to green projects. The aim of this new initiative is to facilitate the funding of SMEs in the sector. Other similar financing deals are likely to emerge in light of the commitments made by the Ministry of Economy and Finance for the climate at the COP22 in 2016.

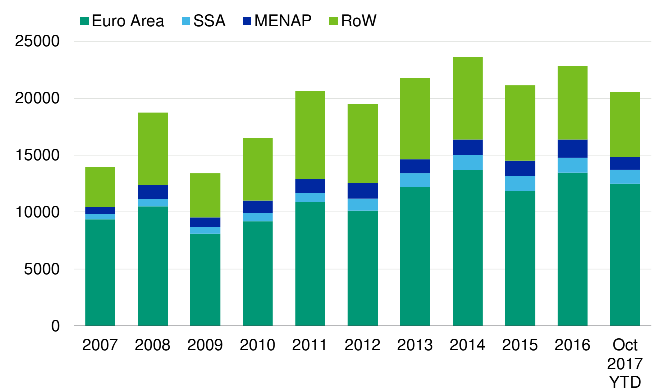
... and increased geographical trade orientation to Sub-Saharan Africa

While 60% of Moroccan exports and 50% of imports remain geared toward the euro area, in particular to France (export share of 36%) and to Spain (23%), the government has over the past few years undertaken a targeted strategy to diversify trade partners within the African continent. The government aims to reduce the dependence on Europe as the main source of external demand, source of remittances and FDI. This trade diversification strategy is aided by the financial sector expansion strategy into Sub-Saharan Africa (SSA) with the goal of establishing Morocco as the region's financial services hub (Casablanca as the “Finance City”) and as the entry point into French-speaking SSA for foreign companies.

The share of SSA trade in total exports remains small but has expanded consistently since 2007 to 6% as of October 2017 YTD from 3.3% in 2007. SSA has also become the main FDI destination out of Morocco, mainly in the financial services industry, supported by numerous double taxation avoidance (DTAA) and investment promotion agreements, and a product mix that is geared toward phosphates and food products.

Exhibit 7

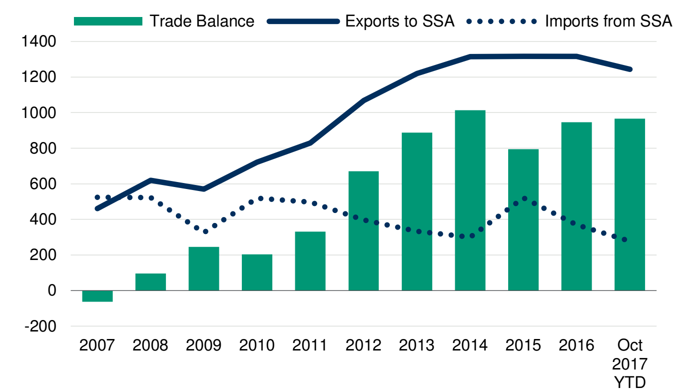
Expanding Trade with SSA...
(Total Moroccan exports by region, million $)



Source: IMF Direction of Trade Statistics

Exhibit 8

... contributes positively to Morocco's trade balance
(million $)



Source: IMF Direction of Trade Statistics

Morocco’s bid to join African trade and political unions is part of its strategy to raise its regional profile. Last year, the country was re-admitted to the Africa Union (AU) after a 30-year absence amid tensions over the contested Western Sahara region. Its membership will help strengthen diplomatic ties with its neighbors, and paves the way for new commercial agreements. The country’s bid to join the Economic Community of West African States (ECOWAS) which was agreed in principle at the end of 2017 amid some resistance from member countries, would also pave the way for regional projects in the trade and energy sectors.

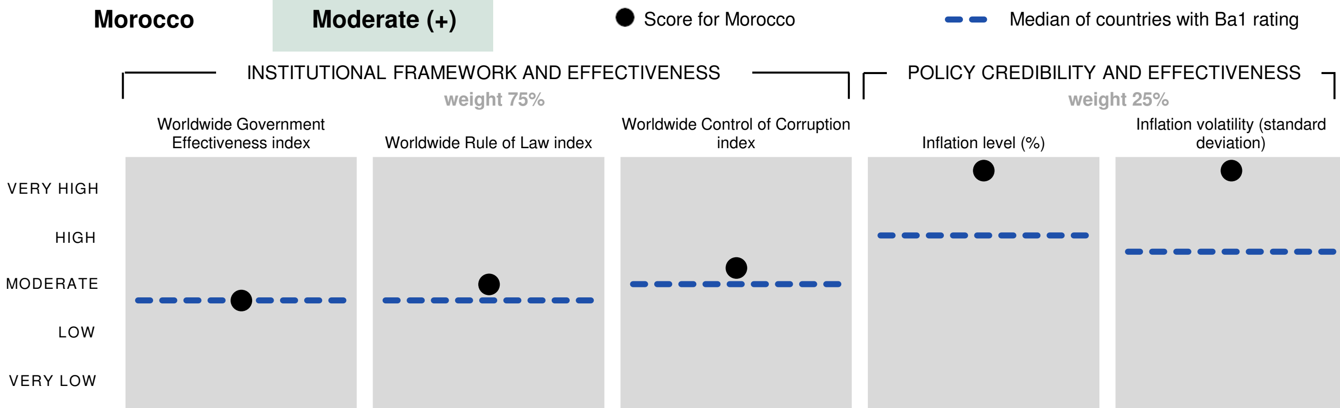
Institutional strength: Moderate (+)

Factor 2: Overall score

Scale		VH+	VH	VH-	H+	H	H-	M+	M	M-	L+	L	L-	VL+	VL	VL-	
	+						Indicative	Final									-

Factor 2: Sub-scores

Morocco	Moderate (+)



Institutional strength evaluates whether the country's institutional features are conducive to supporting a country's ability and willingness to repay its debt. A related aspect of institutional strength is the capacity of the government to conduct sound economic policies that foster economic growth and prosperity. Institutional strength is adjusted for the track record of default. This adjustment can only lower the overall score of institutional strength.
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Our "Moderate (+)" score for institutional strength reflects Morocco's coherent economic policies that have been pursued for many years and a higher degree of political stability than elsewhere in the region. After implementation of the organic budget law in 2016, major reform projects included the enactment of parametric public pension reform, fiscal decentralization under the Advanced Regionalization program and tax reform to improve the business environment. Institutional strength is also supported by a consistently low inflation track record that reflects Bank Al-Maghrib's policy credibility and effectiveness as it moves toward a more flexible exchange rate regime.

The final score of "Moderate (+)" is below the indicative "High (-)" to reflect the country's government effectiveness performance that is more closely aligned with peers in the "Moderate" segment.

Peer comparison table factor 2: Institutional strength

	Morocco Ba1/POS	M+ Median	Guatemala Ba1/STA	Russia Ba1/POS	Turkey Ba1/NEG	Brazil Ba2/NEG	South Africa Baa3/RUR	Portugal Ba1/POS
Final score	M+		L-	L+	M-	M	M+	VH-
Indicative score	H-		L-	VL-	M	M-	H-	VH+
Gov. Effectiveness, percentile [1]	40.4	57.3	19.1	31.6	45.5	35.2	56.6	80.1
Rule of Law, percentile [1]	41.9	55.8	8.8	13.2	41.1	45.5	54.4	82.3
Control of Corruption, percentile [1]	49.2	53.6	20.5	13.9	46.3	30.1	55.1	77.2
Average inflation (%)	1.5	2.3	3.9	6.2	9.2	5.6	5.6	1.2
Volatility in inflation (ppts)	1.0	2.0	2.7	3.4	1.3	1.7	1.9	1.5

[1] Moody's calculations. Percentiles based on our rated universe.

Ongoing policy reforms will support the institutional framework in the medium term

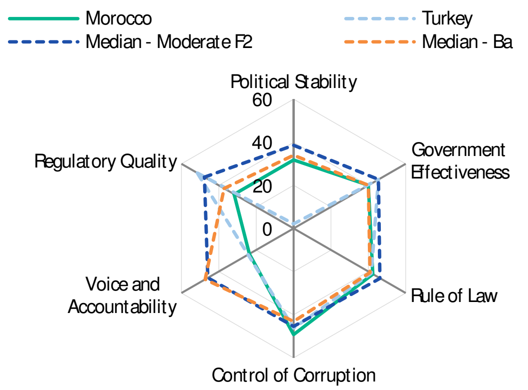
Morocco's average percentile rankings in the Worldwide Governance Indicators, namely the government effectiveness, rule of law and control of corruption indicators, are broadly in line with the medians for Ba-rated sovereigns and the median for regional peers (see Exhibit 10).

Following popular protests during the Arab Spring, King Mohammed VI introduced significant constitutional reforms in 2011 that were later adopted by referendum. The reforms increased the power of the government and strengthened the judiciary, although the King still retains ultimate authority. The 2011 constitution also requires the passage of 18 organic laws to implement various constitutional reforms, which are at different stages of implementation.

Important policy reforms that Morocco is currently implementing include: (1) the remaining chapters of the new organic financial law to strengthen the budgetary framework; (2) a parametric reform of the main public pension fund to restore sustainability which was adopted in July 2016 and entered into force before the elections in October 2016; (3) an advanced regionalization program to devolve budgetary powers to local authorities to target project selection and implementation; and (4) tax reforms to broaden the tax base, projected to increase revenue intake by about 1.5%-2% of GDP over the medium term. We expect the implementation of these reforms to improve Morocco's government effectiveness performance in the future (see Exhibit 11)

Exhibit 9

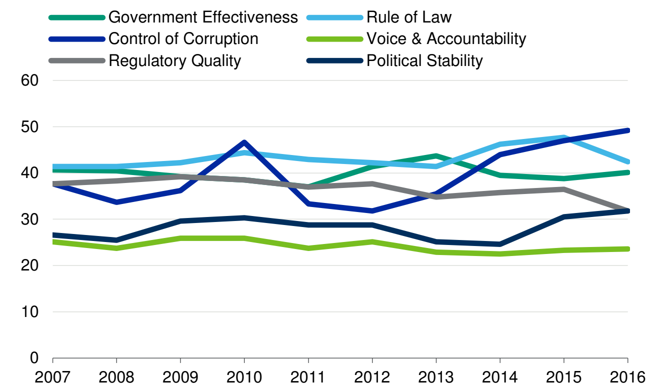
Morocco's performance on Worldwide Governance Indicators is in line with peers...



Sources: Worldwide Governance Indicators, Moody's Investors Service

Exhibit 10

... and reflect institutional reform implementation in the wake of the Arab spring



Sources: Worldwide Governance Indicators, Moody's Investors Service

Recent successes have included removing all subsidies on liquid petroleum products by the end of 2015, the progressive implementation of the parametric pension reform guidelines for the public sector adopted in 2016, and the publication of a new banking law that introduces a legal crisis resolution framework and establishes the regulatory and supervisory frameworks for Islamic banks. Additionally, changes in corporate tax in the 2018 finance law will increase the share of tax revenue allocated to the regions to 4% from 3% currently. Such reforms will further strengthen Morocco's institutional framework over the medium term.

Meanwhile, the new central bank law adopted in July 2017 significantly strengthens the central bank's independence. The law grants the bank with autonomous status and gives it discretional powers in how best to meet its price stability mandate. This includes additional autonomy in the use of bank reserves in order to defend or preserve the value of the domestic currency in a flexible exchange rate regime. The reform is the cornerstone of the foreign-exchange rate liberalization policy and it shields the bank from short-term political pressures.

Additionally, the reform further institutionalizes the bank's role in supervision and crisis-resolution. The latter is particularly important given the three major Moroccan banks' increased cross-border expansion in sub-Saharan Africa. This includes increased powers to intervene in the markets as well as the introduction of a new emergency liquidity assistance (ELA) framework. The reform provides better clarity on the role of the bank in ensuring financial stability, strengthening its crisis-resolution abilities in the unlikely event of a banking crisis.

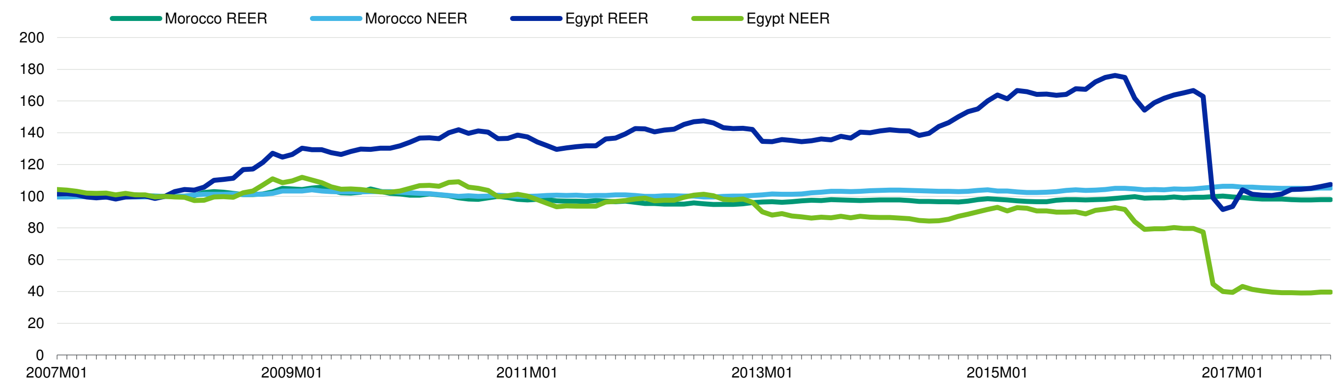
Introduction of gradual foreign exchange rate liberalization policy is credit positive

The introduction of a gradual foreign-exchange rate liberalization policy on 15 January 2018 represents an important development in the country's institutional framework. The new policy widens the daily trading band around the reference rate, which is pegged to a basket of 60% euro and 40% US dollars, to 2.5% in each direction, from 0.3% previously. We expect this to be the first step in an incremental policy shift that will extend over several years and is intended to increasingly allow nominal exchange rate adjustments to reflect changes in terms of trade or in capital flows. The increased foreign exchange rate flexibility will safeguard Morocco's foreign-exchange reserves and improve its competitiveness, a credit positive development.

The policy was prepared with extensive technical support from the IMF and was communicated several months ahead to the markets. As a result, the value of the Moroccan Dirham remained stable against major currencies in the days following the change. Looking ahead, we do not expect any major currency disruptions or depreciation pressure as a result of the policy measure because the gradual liberalization occurs amid a current account deficit that is broadly in line with fundamentals at a forecast 4%-5% of GDP over the next two years, and which is backed by a significant foreign-exchange buffer amounting to about six months of import cover.

Our assessment of a broadly balanced external position in Morocco is also informed by the country's real effective exchange rate dynamics compared to Egypt's (B3 stable) run up to its currency's full flotation in November 2016, for instance. Exhibit 12 below shows that both countries' nominal exchange rates with trading partners have remained broadly stable since 2010, reflecting their respective pegs. However, Morocco's relative price stability and average inflation rate of 1.2% in 2010-15 has ensured a broad alignment between the nominal and real effective exchange rates with no indication of significant trend deviations between the two.

Exhibit 11
Morocco and Egypt's real and nominal effective exchange rate dynamics show different patterns
(December 2007 = 100)

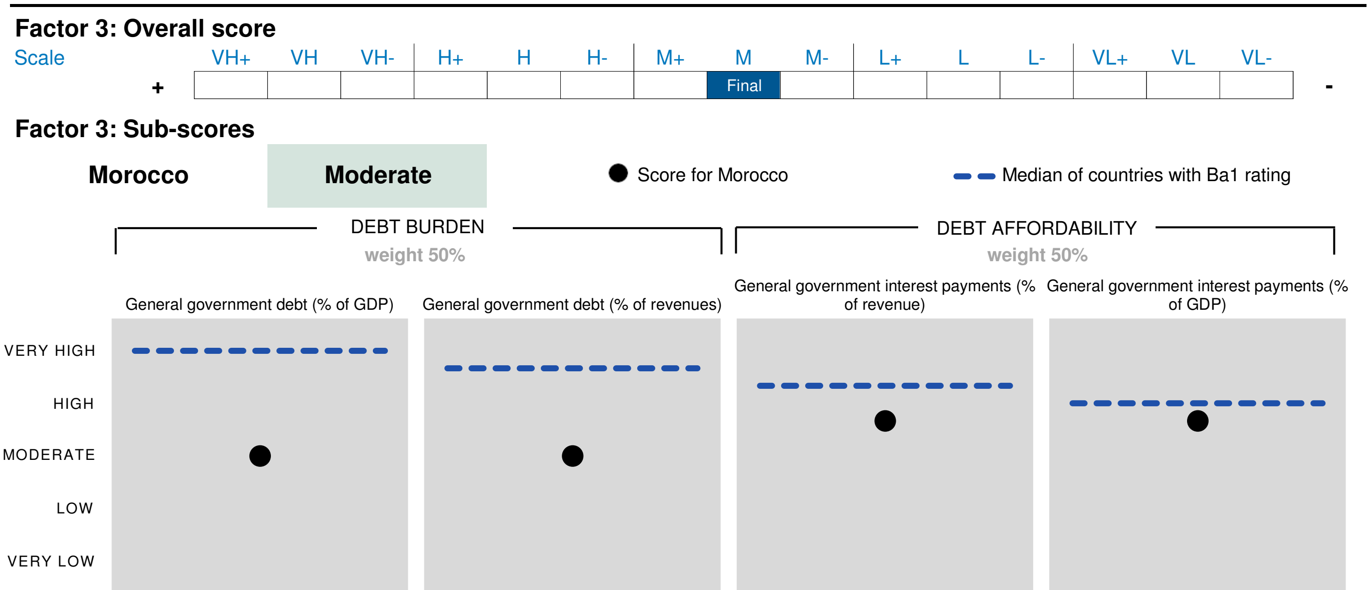


Sources: Zsolt Datvas; Real effective exchange rates for 178 countries: a new database, Bruegel

Looking ahead, Morocco's geographic trade diversification strategy toward Africa and other emerging markets away from its current orientation toward the euro area could weigh on its relative cost competitiveness under a rigid peg to the euro and US dollar basket versus a scenario where the nominal exchange rate absorbs any shifts in relative labor or production costs more flexibly. To the extent that the foreign-exchange liberalization strategy is accompanied by easing capital controls that we expect once the stability of the more flexible exchange rate regime has been tested, it could also encourage higher direct investment inflows in the domestic economy.

We expect price stability and inflation expectations to remain anchored despite the gradual trend toward exchange rate liberalization, and to average about 1.5% in 2018 from 0.8% in 2017.

Fiscal strength: Moderate



Fiscal strength captures the overall health of government finances, incorporating the assessment of relative debt burdens and debt affordability as well as the structure of government debt. Some governments have a greater ability to carry a higher debt burden at affordable rates than others. Fiscal strength is adjusted for the debt trend, the share of foreign currency debt in government debt, other public sector debt and for cases in which public sector financial assets or sovereign wealth funds are present. Depending on the adjustment factor the overall score of fiscal strength can be lowered or increased.
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Morocco's "Moderate" fiscal strength takes into account the relatively high but affordable central government debt stock, which we expect will peak at 65.4% of GDP in 2018. Moreover, the country's relatively low foreign-currency exposure at 22% of central government debt mitigates the significant deterioration of its debt metrics by almost 20 percentage points of GDP from 2009 to 2017. Other countries in with "Moderate" fiscal strength include Ethiopia (B1 stable), Georgia (Ba2, stable) and Hungary (Baa3, stable).

Peer comparison table factor 3: Fiscal strength

	Morocco Ba1/POS	M Median	Azerbaijan Ba2/STA	South Africa Baa3/RUR	Romania Baa3/STA	Portugal Ba1/POS	Turkey Ba1/NEG	Namibia Ba1/NEG
Final score	M		H	M+	M+	L+	H-	M-
Indicative score	M		M+	M+	M+	L+	H+	L+
Gen. gov. debt/GDP	64.7	60.0	50.7	51.3	37.6	130.1	28.1	38.3
Gen. gov. debt/revenue	248.1	167.2	148.1	142.9	121.2	302.3	81.9	123.5
Gen. gov. interest payments/GDP	2.6	2.5	0.4	4.0	1.5	4.2	2.0	2.6
Gen. gov. int. payments/revenue	10.2	7.3	1.2	11.0	4.9	9.7	5.9	8.5

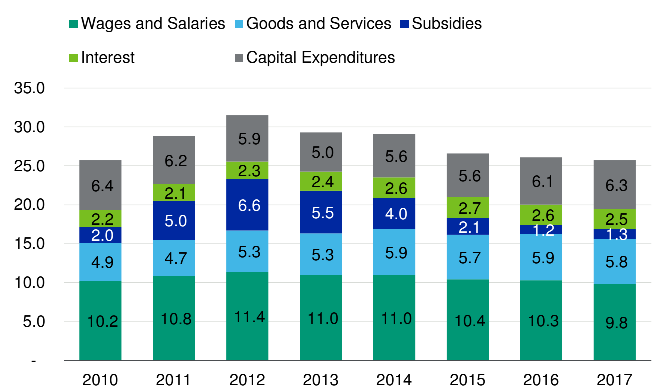
Budget execution performs in line with expectations and is supported by low subsidy bill

The favorable revenue performance and the expenditure control exerted in line with budget parameters has contributed to the achievement of the fiscal deficit target at 3.5% of GDP at the end of 2017. For 2018, we expect a further decline in the fiscal deficit to 3.0% in line with the 2018 budget (see Exhibits 14 - 16).

As a result of the complete removal of fuel subsidies in late 2015 (supported by the plunge in oil prices), the government has significantly reduced the cost of subsidies to 1.3% of GDP in 2017 from 6.6% in 2012. The government continues to subsidize cooking gas, in addition to wheat, and sugar to cushion the impact on vulnerable households, for whom a more targeted support mechanism has been devised. In the 2018 budget the government announced the progressive removal of sugar subsidies by 2019, which will save an estimated 0.3% of GDP. The government also expanded the targeted education allowance (Tayssir) and medical insurance (Ramed) programs for households in poverty, in addition to continued subsidies for public transportation.

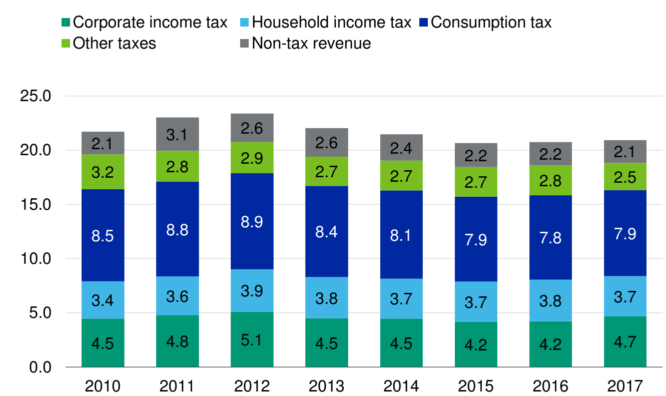
The government has reiterated 2020 as the target date to replace across the board subsidies on the remaining products with a targeted compensation mechanism which at this stage remains fragmented across different programs. The shift to a unified transfer program will be based on the implementation of a national population register, a centralized social register and the assignment of a unique identification number to all nationals.

Exhibit 13
Lower subsidies and improving expenditure composition...
% of GDP



Sources: National Statistics, Moody's Investors Service

Exhibit 14
...complement the government's envisioned expansion in the tax base
% of GDP

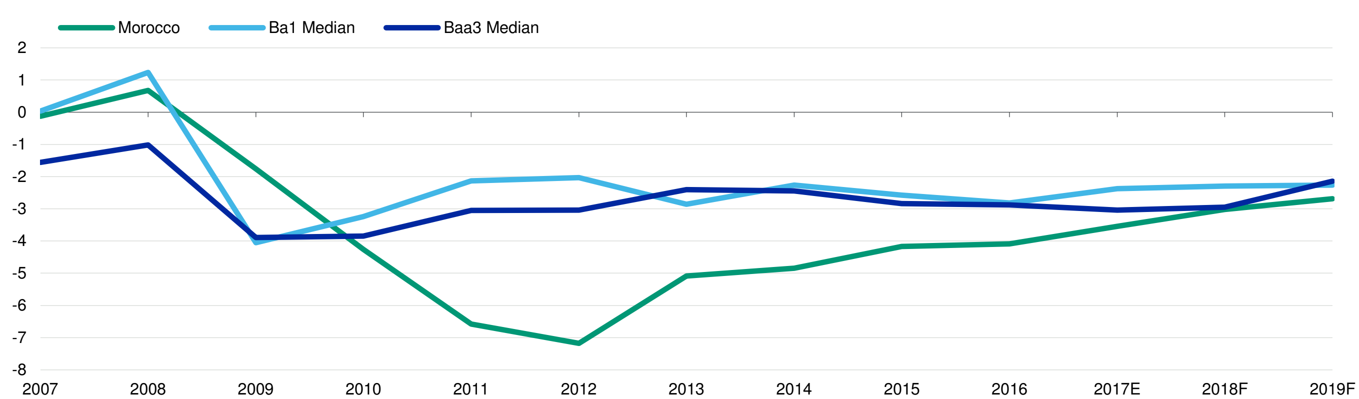


Sources: National Statistics, Moody's Investors Service

Other policy reforms support fiscal profile in the medium term

First, the unpopular civil service pension reform was ultimately adopted in both chambers of parliament in July 2016 and implementation began in September 2016. It includes a gradual increase in the retirement age to 63 from 60 by 2022, accompanied by higher worker and state contributions. For instance, starting January 2018, contributions for workers to pensions will increase to 13% from 12% previously, with a further increase to 14% targeted for 2019 (with worker contributions matched by the government). The Ministry of Finance projects these reforms will extend the public pension fund's reserves to 2027 from 2022 before the reform.

Exhibit 15
Gradual, but steady fiscal consolidation improves prospects for reduction in debt ratio starting 2018
% of GDP



Source: Moody's Investors Service

Second, tax reforms that broaden the tax base and remove some exemptions are projected to increase revenue by about 1.5%-2% of GDP in the medium term. At the same time, the government plans to increase the allocation of income tax revenue to states to about

5% of GDP by 2020, from 1%-2% now. This reform underscores the King's directive to increase both effectiveness and accountability for public policy at the local level an according to each region's necessities.

Third, authorities have submitted a draft law to reinforce the governance and oversight of public enterprises to the cabinet for approval, and they are also working on a consolidated SOE balance sheet. Significant improvement in the financial management of SOEs could put a lid on fiscal transfers to the latter which in 2016 amounted to 2.6% of GDP (same as the year before).

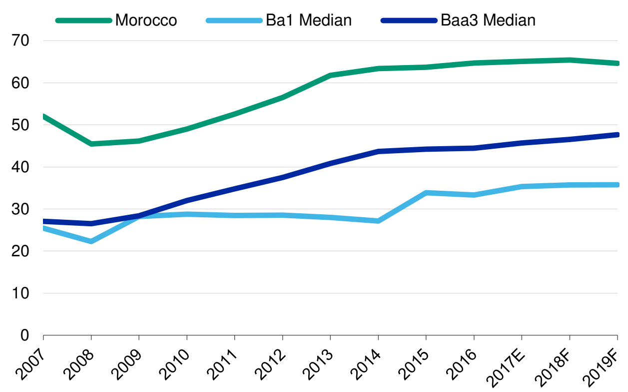
General government debt stabilizes and will start to decline in 2019

Our current projections indicate that the central government debt ratio will peak in 2018 at 65.4% of GDP and gradually decline thereafter to around 60% by 2020, in line with the government's commitments (see Exhibit 17). A stabilization of the public debt ratio would also require a stabilization of the guaranteed debts of SOEs, which reached 17% of GDP as of September 2017 and which drive the public sector debt ratio to about 83% of GDP. Upward rating pressure would arise from increased evidence that the country's budgetary performance will be sufficiently robust in the coming years to firmly position the central government debt ratio on a downward trajectory, combined with a stabilization of debt guarantees from SOEs.

Exhibit 16

We expect the central government debt/GDP ratio to stabilize in 2018...

% of GDP

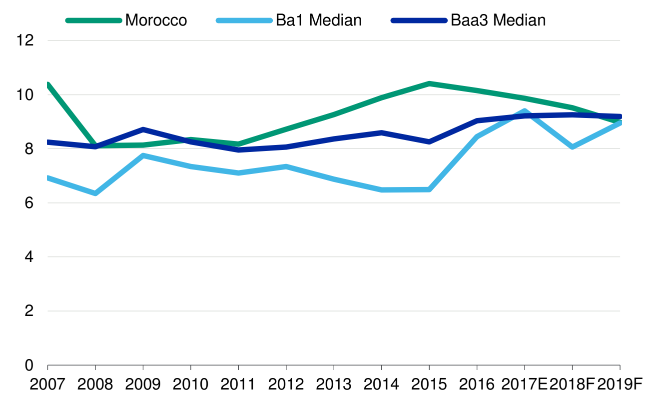


Sources: National Statistics, Moody's Investors Service

Exhibit 17

...and debt affordability to improve over the forecast horizon

Interest/Revenues, % of GDP



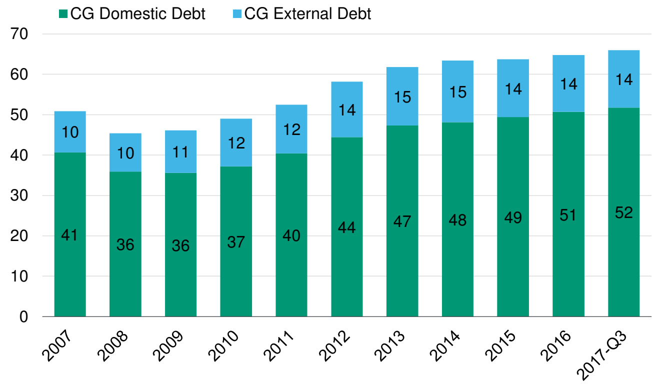
Sources: National Statistics, Moody's Investors Service

The average interest cost of the central government debt stock was 4.0% as of September 2017 from 4.2% in 2016 (stemming from 4.4% for domestic debt and 2.5% for external debt), contributing to an improving debt affordability trend (see Exhibit 18). 78.4% of the central government debt stock was domestic currency debt (see Exhibit 19). As of June 2017, the average maturity decreased to 6 years and 11 months from 7 years in 2016. The short-term debt ratio at issuance in central government debt stood at 3.5%.

Taking into account guaranteed external debts of SOEs, the public external debt stood at 30.9% of GDP as of June 2017 (14.0% of GDP was external central government debt and 16.9% of GDP was guaranteed external SOE debt) (see Exhibit 20). The majority, 61.3% is denominated in euro. Around three quarters of it is owed to official creditors and 27.4% carries a variable interest rate.

Exhibit 18

We expect a stabilization in the central government debt ratio...
% of GDP



Sources: National Statistics, Moody's Investors Service

Exhibit 19

...and also in guaranteed external SOE debt ratio
% of GDP

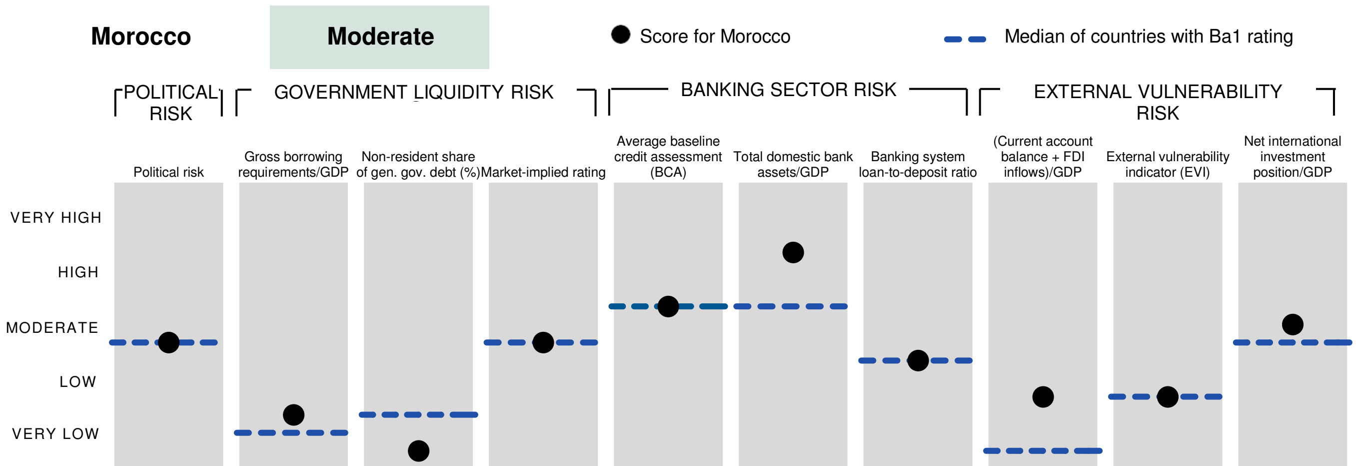
Sources: National Statistics, Moody's Investors Service

Susceptibility to event risk: Moderate

Factor 4: Overall score

Scale	VL-	VL	VL+	L-	L	L+	M-	M	M+	H-	H	H+	VH-	VH	VH+	
+								Final								-

Factor 4: Sub-scores



Susceptibility to event risk evaluates a country's vulnerability to the risk that sudden events may severely strain public finances, thus increasing the country's probability of default. Such risks include political, government liquidity, banking sector and external vulnerability risks. Susceptibility of event risk is a constraint which can only lower the preliminary rating range as given by combining the first three factors.
Note: In case the Indicative and Final scores are the same, only the Final score will appear in the table above.

Morocco's susceptibility to event risk is driven by banking sector risk, currently assessed at "Moderate". Other countries with a "Moderate" score for susceptibility to event risk include Armenia (B1 stable), Azerbaijan (Ba2 stable), Brazil (Ba2 negative) and Georgia (Ba2 stable).

Banking sector risk: Moderate

Peer comparison table factor 4c: Banking sector risk

	Morocco Ba1/POS	M Median	Russia Ba1/POS	Bahamas Baa3/NEG	Romania Baa3/STA	Portugal Ba1/POS	Turkey Ba1/NEG	Namibia Ba1/NEG
Final score	M		M+	L+	VL+	H-	M	L+
Indicative score	M		M+	M-	VL+	H-	M	L+
Baseline credit assessment	ba3	b1	ba3	--	ba3	b2	ba2	--
Total dom. bank assets/GDP	121.0	95.6	93.2	88.5	53.1	231.2	104.7	66.1
Loan-to-deposit ratio	94.1	91.0	105.6	100.9	80.3	87.3	119.3	97.8

We assess Morocco's banking sector risk as "Moderate." Banking system assets are roughly 120% of GDP. Out of 19 commercial banks that operate in the country, five are majority government-owned and seven are majority foreign-owned, mainly by French banks. Market concentration is relatively high, with the three largest banks comprising about two-thirds of total banking system assets. Private sector credit growth has decelerated to 2.9% y/y in December 2017 from 5.1% in June, with credits to transport and communication equipments driving demand. The monetary policy rate has accordingly remained unchanged at 2.25% since March 2016.

Nonperforming loans accounted for 7.4% of gross loans in June 2017. Their stock will remain elevated in the foreseeable future mainly due to loan concentrations and high exposure to riskier SME and sub-Saharan Africa portfolios. Problem loan formation is slowing, however, aided by improving economic conditions and a more selective expansion into sub-Saharan Africa.

Capital buffers will continue to exceed regulatory requirements, but will reduce slightly as loan growth accelerates. Banks' capital – with a sector-wide reported Tier 1 ratio of 11.5% - has only limited capacity to absorb additional credit losses, as indicated by our stress test.

Additional provisioning requirements due to new regulatory (Circular 19G) and accounting standards (IFRS 9) will continue to push banks to increase loss-absorbing buffers.

On the regulatory front, the 2014 Banking Law enhanced banking regulation and supervision, with particular emphasis on cross-border risks and large financial institutions. The central bank's regulatory powers were extended to financial conglomerates, microfinance institutions and off-shore banks. A supervisory college with foreign regulators was set up for cross-border banking groups. A macroprudential policy committee was created, the Systemic Risk Surveillance and Coordination Committee (CCSRS), to support the development of a macro-prudential toolkit, leading to the possible implementation of additional capital buffers for large banks and revised loan-to-value and debt-to-income limits for borrowers.

Looking forward, the upcoming Central Bank Law will strengthen BAM's independence and the creation of a centralised Shari'ah board to oversee newly created Islamic banks will foster the sustainable and homogeneous development of this new market.

Political risk: Moderate (-)

Peer comparison table factor 4a: Political risk

	Morocco Ba1/POS		Russia Ba1/POS	Bahamas Baa3/NEG	Romania Baa3/STA	Portugal Ba1/POS	Turkey Ba1/NEG	Namibia Ba1/NEG
Final score	M-		H	VL	L+	VL	H-	L+
Geopolitical risk	L+	--	H	VL	VL	VL	M	VL
Domestic political risk	M-	--	M	VL	L+	VL	H-	L+

The political risk score at "Moderate (-)" captures sporadic social protests and potential tensions related to the Western Sahara territory, while taking into account the favorable security and political stability track record in comparison with regional peers.

Social issues remain high on the political agenda following protests in the Rif region and in the ex-mining city of Jerada, situated in the north of the country. We expect sporadic social tensions to erupt over the medium term as unemployment remains high at 10.2% in 2017 and at 26.5% among youth and those with a university degree at 17.9%. That said, we expect these tensions to remain manageable.

Following the February 27, 2018 ECJ ruling[1] that the "Fisheries Agreement concluded between the EU and Morocco is valid in so far as it is not applicable to Western Sahara and to its adjacent waters", both the EU and the Moroccan representative re-iterated their commitment to the strategic partnership between Morocco and the EU and pledged to take appropriate measures where necessary to be consistent with the judgment of the court. This court decision follows a similar ruling in December 2016 concerning liberalization measures on agricultural and fishery products.[2]. The EU is Morocco's main trading partner which accounts for about 65% of exports and 56% of imports as of 2016, but the strategic relationship between Morocco and the EU extends beyond the economic domain to the security sphere, in addition to migration policy and regional stability. We therefore expect the involved parties to successfully renegotiate the agreements with the necessary adjustments and at minimal cost.

That said, the legal precedent set by the December 2016 and February 2018 rulings by the ECJ regarding the status of Western Sahara-- a separate and distinct territory in accordance with the Charter of the United Nations (UN) and the peoples' self-determination principle-– increases potential litigation risks around the world as highlighted by the February 23, 2018 decision by the maritime court of Port Elizabeth in South Africa to assign ownership of a 50,000 tons cargo of phosphate rock aboard the vessel NM Cherry Blossom-- detained since May 1, 2017 at Port Elizabeth-- to the Sahrawi Arab Democratic Republic (SADR), against Morocco's state-owned phosphate company OCP. Not recognizing the South African court's jurisdiction in this matter, OCP did not litigate the case.

We do not expect any significant trade disruptions to Morocco's main export activity from the ECJ ruling in our central scenario, despite the legal uncertainty it created. As a sign of renewed efforts to promote direct negotiations over the Western Sahara conflict, the United Nations Secretary-General Envoy Horst Koehler has in January invited the two parties to separate meetings in Germany while also engaging the African Union for the promotion of negotiations between the two parties.

Government liquidity risk: Low (-)

Peer comparison table factor 4b: Government liquidity risk	Morocco Ba1/POS	L- Median	Russia Ba1/POS	Bahamas Baa3/NEG	Romania Baa3/STA	Portugal Ba1/POS	Turkey Ba1/NEG	Namibia Ba1/NEG
Final score	L-		M-	L	VL	M-	L+	M-
Indicative score	VL+		VL	L-	VL	VL	L	L+
Gross borrowing req./GDP	11.0	8.2	2.6	6.9	7.6	13.3	8.8	12.7
Gen. gov. ext. debt/gen. gov. debt	21.8	38.3	17.7	28.0	48.3	60.6	40.7	32.0
Market funding stress indicator	Ba1	Baa2	Baa1	Ba3	A1	Aa2	Ba2	Ba3

We have adjusted upwards the final government liquidity risk score to "Low (-)" from the indicative "Very Low (-)" after the inclusion of market-based risk indicators.

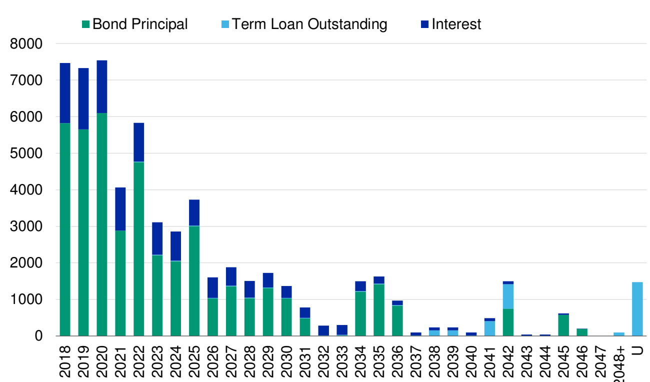
We estimate Morocco's gross borrowing requirements at about 10% of GDP over 2018-19, which is in line with the median of sovereigns with the same score. The debt maturity profile is smooth and the low share of short-term issuance mitigates rollover risk (see Exhibit 21).

In addition, the domestic capital market is relatively deep and liquid in the regional context and allows the government to fund itself in local currency to a large degree, as indicated by the comparatively low external debt share at 22% of central government debt. The reliance on domestic funding shields the sovereign's exposure to a the tightening global funding environment to a significant degree, as does the existence of capital controls (see Exhibit 22).

Morocco has announced that it will not renew the $3.47 billion contingent liquidity line provided the IMF following the build-up of robust external buffers. The arrangement will expire on 21 July 2018.

Exhibit 21

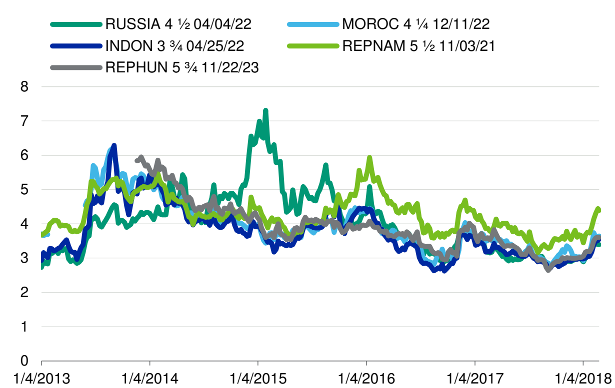
Debt maturity profile indicates low rollover risk...
(million $)



Source: Bloomberg

Exhibit 22

...supporting a market-implied rating in line with peers
(international bond yield, %)



The highlighted bond yields refer to Russia (Ba1 positive), Indonesia (Baa3 positive), Hungary (Baa3 stable), Namibia (Ba1 negative)
Source: Bloomberg

External vulnerability risk: Low (-)

Peer comparison table factor 4d: External vulnerability risk	Morocco Ba1/POS	L- Median	Russia Ba1/POS	Bahamas Baa3/NEG	Romania Baa3/STA	Portugal Ba1/POS	Turkey Ba1/NEG	Namibia Ba1/NEG
Final score	L-		L	L	L+	L	H-	M
Indicative score	L		VL-	VL+	L	L	M+	M
(Curr. acc. bal. + FDI inflows)/GDP	-2.9	-1.3	4.5	-9.2	1.3	5.4	-2.3	-11.9
External vulnerability indicator (EVI)	74.1	57.0	26.1	27.2	113.4	--	223.0	130.0

We set Morocco's external vulnerability risk at "Low (-)," below the indicative score of "Low" to reflect the narrowing of the current account deficit to 5% of GDP in 2017 from a peak of 9.5% in 2012, and the restoration of the foreign exchange buffer to about 6 months of import cover (see Exhibit 23). The current account balance improved on the back of the sharp fall in global oil prices, which reduced the energy import bill by 18% in US dollar terms from 2015-16, and due to improved external demand from main trading partners.

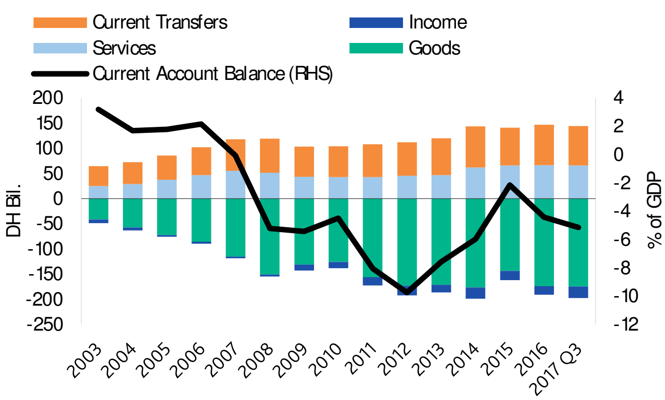
Looking forward, we deem the current account deficit in the 4.5%-5% range over the next two years to be in line with fundamentals. The government aims to permanently improve the energy balance through reduced energy import dependency by boosting investment projects in the alternative energy sector, as highlighted in the economic strength section of this report.

With respect to the financial account, we expect FDI inflows to remain in the current 2%-2.5% of GDP range over the medium term, balanced by nascent FDI outflows into Sub-Saharan Africa in support of Morocco's trade diversification strategy (see Exhibit 24). If sustained at current levels, we expect that net FDI inflows will remain an important source of funding for the country's current account deficit, therefore limiting the build-up of external debt at an estimated 45% of GDP in 2017, in line with peers.

Exhibit 23

Expanding service and remittance revenues compensate for higher energy imports...

(billion dirham, % of GDP, 4-quarter moving sum or average)

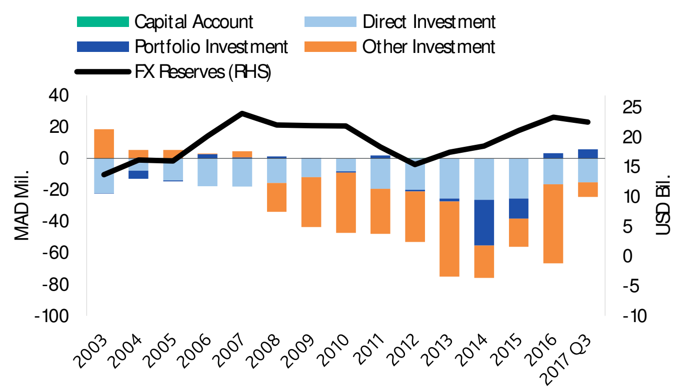


Source: National Statistical Service, Moody's Investors Service

Exhibit 24

... supporting the build-up of foreign exchange reserves

(billion dirham, 4-quarter moving sum; billion $ EOP)

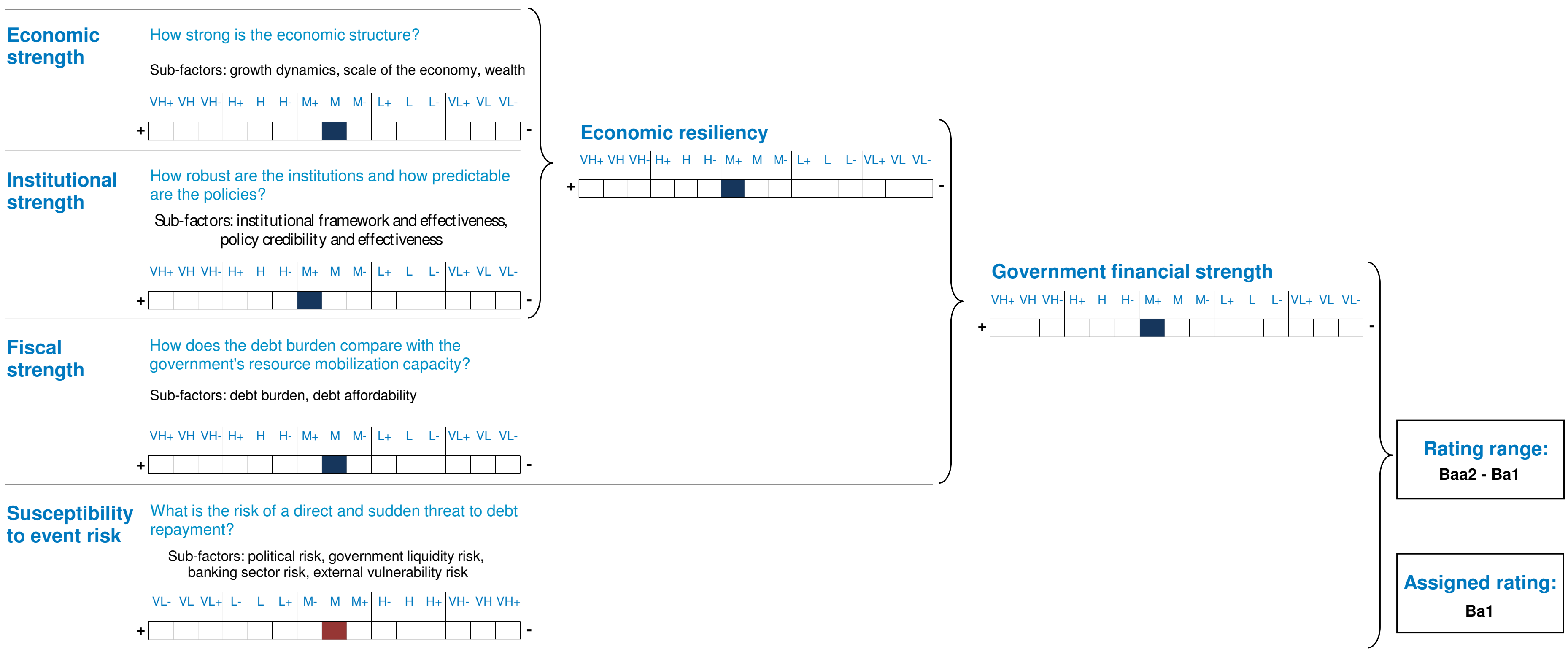


Source: National Statistical Service, Moody's Investors Service

Rating range

Combining the scores for individual factors provides an indicative rating range. While the information used to determine the grid mapping is mainly historical, our ratings incorporate expectations around future metrics and risk developments that may differ from the ones implied by the rating range. Thus, the rating process is deliberative and not mechanical, meaning that it depends on peer comparisons and should leave room for exceptional risk factors to be taken into account that may result in an assigned rating outside the indicative rating range. For more information please see our Sovereign Bond Rating methodology.

Exhibit 25
Sovereign rating metrics: Morocco



Source: Moody's Investors Service

Comparatives

This section compares credit relevant information regarding Morocco with other sovereigns that we rate. It focuses on a comparison with sovereigns within the same rating range and shows the relevant credit metrics and factor scores.

Morocco's economic strength in comparison to peers is constrained by its relatively lower level of GDP per capita (PPP) while outperforming Ba1 -rated peers in terms of institutional strength, in particular policy effectiveness as measures by its price stability performance. The country's debt burden is high compared with that of Ba1 peers but affordability indicators underpin Morocco's positive funding terms. In addition, Morocco's relatively low share of external funding mitigates its overall external vulnerability. The current account balance has declined and is now closer to peers.

Exhibit 27

Morocco and key peers

Morocco Key Peers

	Year	Morocco	Russia	Bahamas	Romania	Romania	Romania	Ba1 Median	Middle East & North Africa Median
Rating/Outlook		Ba1/POS	Ba1/POS	Baa3/NEG	Baa3/STA	Baa3/STA	Baa3/STA	Ba1	Baa2
Rating Range		Baa2 - Ba1	Baa2 - Ba1	Baa3 - Ba2	Baa1 - Baa3	Baa1 - Baa3	Baa1 - Baa3	Baa3 - Ba2	A3 - Baa2
Factor 1		**M**	**M+**	**L+**	**M+**	**M+**	**M+**	**M**	**H-**
Nominal GDP (US$ bn)	2016	103.6	1281.3	11.3	187.8	187.8	187.8	86.2	110.9
GDP per capita (PPP, US$)	2016	8160.2	26925.9	24484.8	22349.2	22349.2	22349.2	18160.6	35220.1
Avg. real GDP (% change)	2012-2021	3.5	1.1	0.6	3.9	3.9	3.9	3.6	3.1
Volatility in real GDP growth (ppts)	2007-2016	1.4	4.7	2.3	4.4	4.4	4.4	2.6	3.2
Global Competitiveness index	2015	4.2	4.6	--	4.3	4.3	4.3	4.2	4.5
Factor 2		**M+**	**L+**	**M+**	**M+**	**M+**	**M+**	**M-**	**H-**
Government Effectiveness, percentile [1]	2016	40.4	31.6	66.9	36.0	36.0	36.0	43.0	52.9
Rule of Law, percentile [1]	2016	41.9	13.2	55.8	57.3	57.3	57.3	40.8	61.0
Control of Corruption, percentile [1]	2016	49.2	13.9	79.4	53.6	53.6	53.6	44.8	59.5
Average inflation (% change)	2012-2021	1.5	6.2	1.4	2.1	2.1	2.1	4.2	2.4
Volatility in inflation (ppts)	2007-2016	1.0	3.4	1.2	3.1	3.1	3.1	2.3	3.6
Factor 3		**M**	**VH**	**L**	**M+**	**M+**	**M+**	**M+**	**M+**
Gen. gov. debt/GDP	2016	64.7	15.7	53.1	37.6	37.6	37.6	33.3	61.9
Gen. gov. debt/revenue	2016	248.1	47.8	300.3	121.2	121.2	121.2	159.7	199.3
Gen. gov. interest payments/revenue	2016	10.2	2.7	13.8	4.9	4.9	4.9	8.4	5.7
Gen. gov. interest payments/GDP	2016	2.6	0.9	2.4	1.5	1.5	1.5	2.3	1.4
Gen. gov. financial balance/GDP	2016	-4.1	-3.7	-2.8	-3.0	-3.0	-3.0	-2.8	-6.7
Factor 4		**M**	**H**	**L+**	**L+**	**L+**	**L+**	**M**	**M**
Current account balance/GDP	2016	-4.4	2.0	-9.8	-2.1	-2.1	-2.1	-1.6	-5.5
Gen. gov. external debt/gen. gov. debt	2016	21.8	17.7	28.0	48.3	48.3	48.3	36.4	32.6
External vulnerability indicator (EVI)	2018F	74.1	26.1	27.2	113.4	113.4	113.4	74.1	108.0

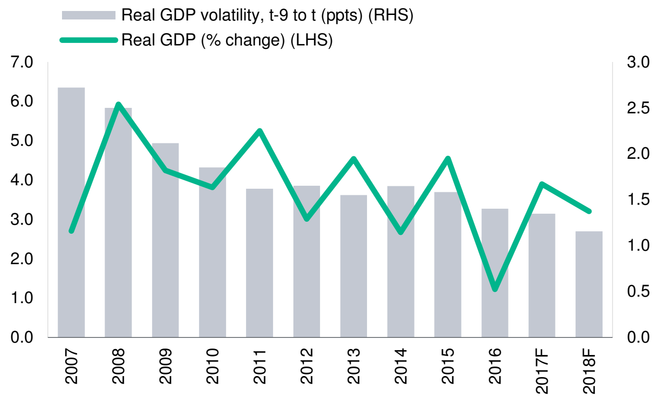
[1] Moody's calculations. Percentiles based on our rated universe.

Source: IMF, national authorities, Moody's Investors Service

DATA, CHARTS AND REFERENCES

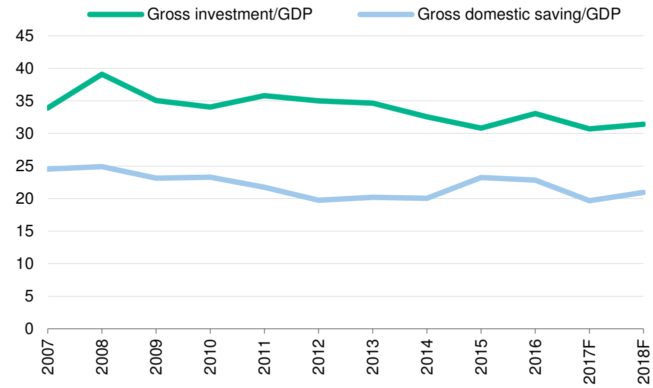
Chart pack: Morocco

Exhibit 28
Economic growth



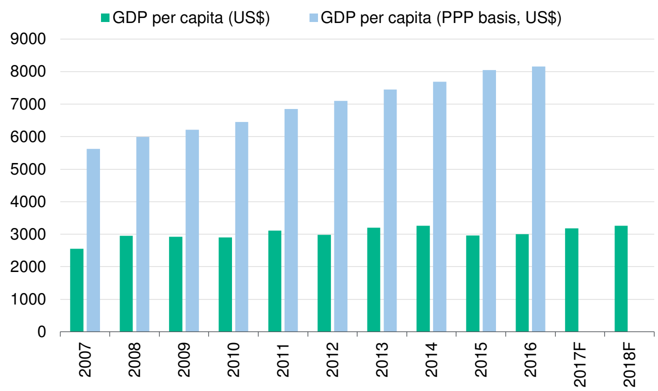
Source: Moody's Investors Service

Exhibit 29
Investment and saving



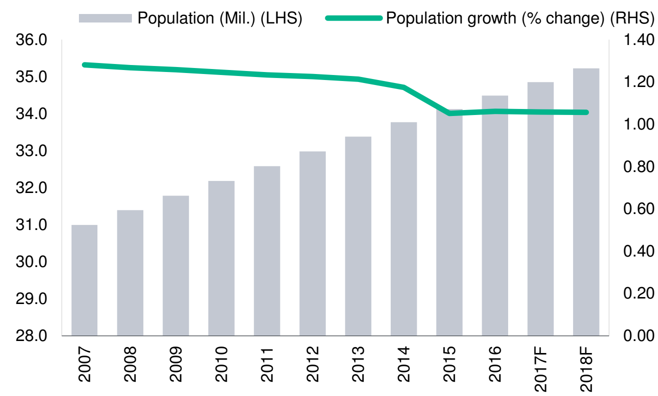
Source: Moody's Investors Service

Exhibit 30
National income



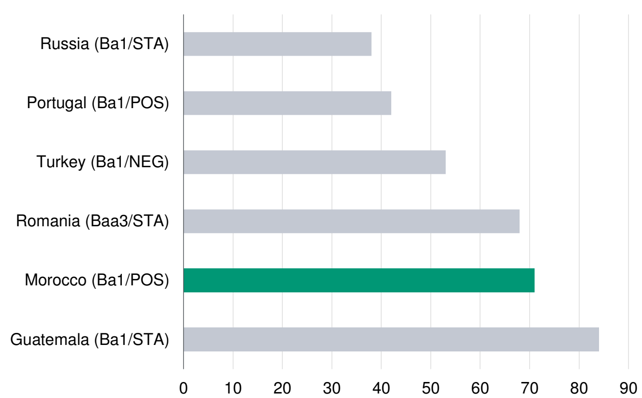
Source: Moody's Investors Service

Exhibit 31
Population



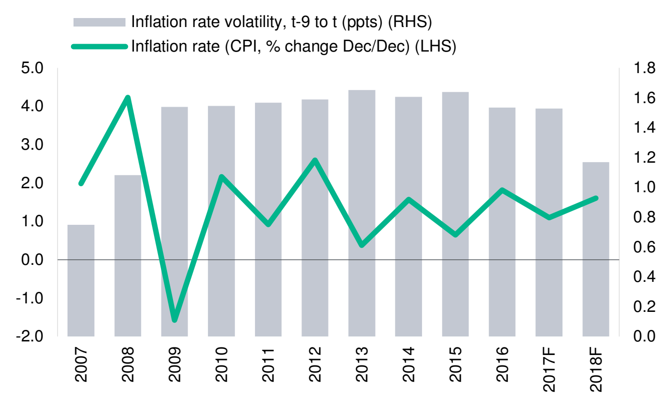
Source: Moody's Investors Service

Exhibit 32
Global Competitiveness Index
Rank 71 out of 137 countries



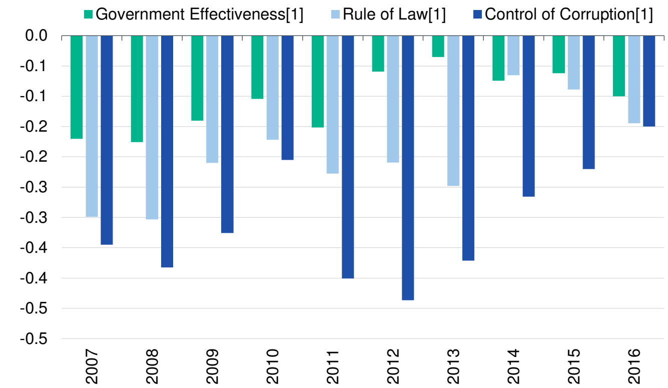
Source: World Economic Forum

Exhibit 33
Inflation and inflation volatility



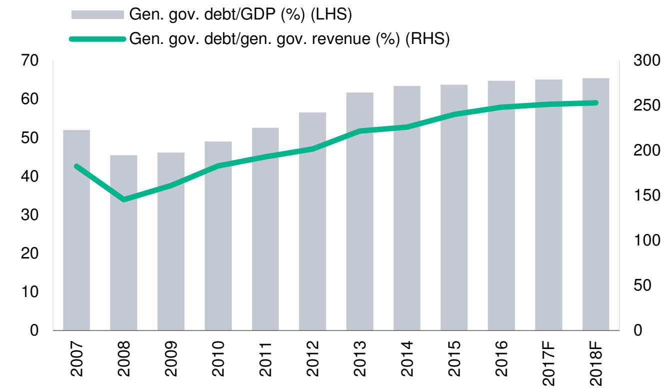
Source: Moody's Investors Service

Exhibit 34
Institutional framework and effectiveness



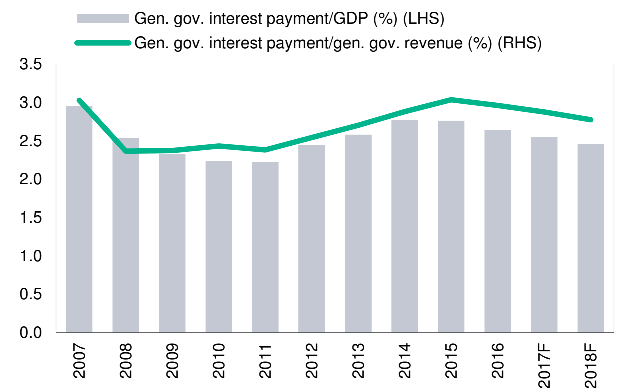
Source: Worldwide Governance Indicators

Exhibit 35
Debt burden



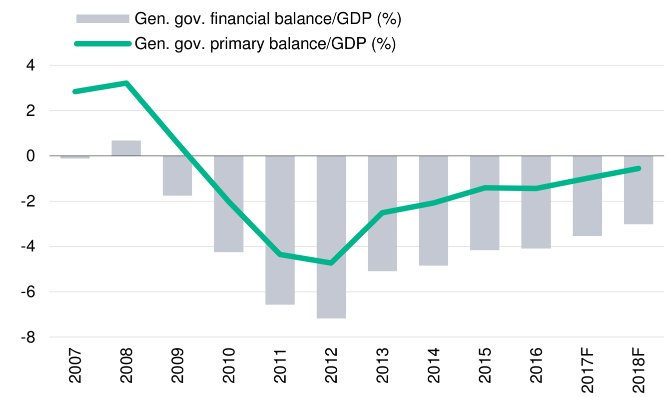
Source: Moody's Investors Service

Exhibit 36
Debt affordability



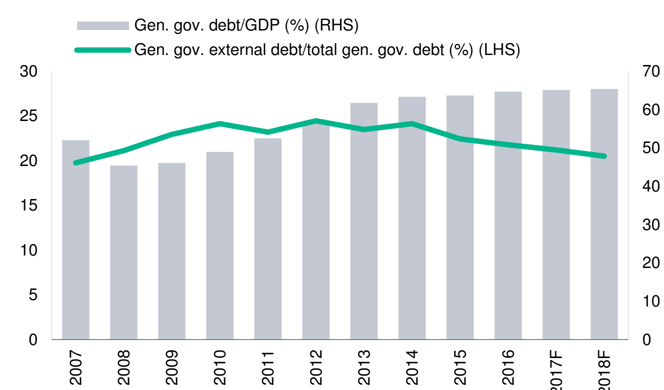
Source: Moody's Investors Service

Exhibit 37
Financial balance



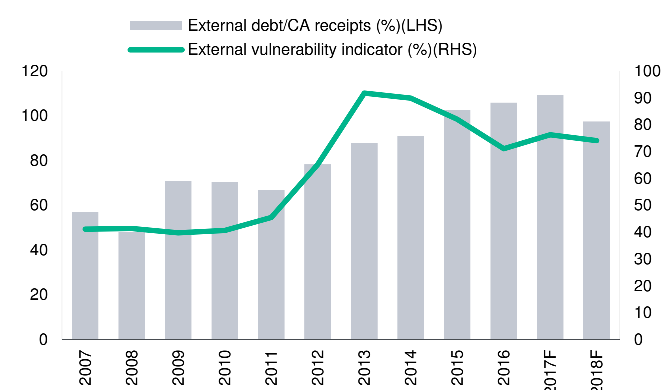
Source: Moody's Investors Service

Exhibit 38
Government liquidity risk



Source: Moody's Investors Service

Exhibit 39
External vulnerability risk



Source: Moody's Investors Service

Rating history

Exhibit 40
Morocco

	Government Bonds			Foreign Currency Ceilings				
				Bonds & Notes		Bank Deposit		
	Foreign Currency	Local Currency	Outlook	Long-term	Short-term	Long-term	Short-term	Date
Outlook Changed	Ba1	Ba1	Positive					Feb-17
Outlook Changed	Ba1	Ba1	Stable	--	--	--	--	Sep-14
Outlook Changed	Ba1	Ba1	Negative	--	--	--	--	Feb-13
Rating Raised	--	--	--	Baa2	P-2	--	--	May-06
Outlook Changed	Ba1	Ba1	Stable	--	--	--	--	Jun-03
Rating Assigned	--	Ba1	Negative	--	--	--	--	Dec-01
Rating Assigned	Ba1	--	--	--	--	--	--	Jul-99
Rating Assigned	--	--	Stable	Ba1	NP	Ba2	NP	Mar-98

Source: Moody's Investors Service

Annual statistics

	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017F	2018F	2019F
Economic structure and performance												
Nominal GDP (US$ bil.)	92.5	92.9	93.2	101.4	98.3	106.8	110.1	101.2	103.6	110.8	114.7	117.0
Population (Mil.)	31.4	31.8	32.2	32.6	33.0	33.4	33.8	34.1	34.5	34.9	35.2	35.6
GDP per capita (US$)	2,947	2,923	2,897	3,112	2,980	3,200	3,260	2,965	3,004	3,179	3,257	3,289
GDP per capita (PPP basis, US$)	5,993	6,216	6,452	6,846	7,095	7,446	7,692	8,045	8,160	--	--	--
Nominal GDP (% change, local currency)	10.7	4.4	4.8	4.5	3.4	5.9	3.1	6.8	2.8	4.7	4.6	6.2
Real GDP (% change)	5.9	4.2	3.8	5.2	3.0	4.5	2.7	4.5	1.2	3.9	3.2	4.5
Inflation (CPI, % change Dec/Dec)	4.2	-1.6	2.2	0.9	2.6	0.4	1.6	0.6	1.8	1.1	1.6	2.0
Gross investment/GDP	39.1	35.0	34.1	35.8	35.0	34.7	32.5	30.8	33.1	30.7	31.4	32.0
Gross domestic saving/GDP	24.9	23.1	23.3	21.8	19.8	20.2	20.0	23.2	22.8	19.7	20.9	22.2
Nominal exports of G & S (% change, US$ basis)	21.0	-21.3	15.5	17.1	-2.4	2.0	8.9	-7.6	3.3	-0.3	4.0	2.0
Nominal imports of G & S (% change, US$ basis)	33.1	-19.7	8.1	23.2	-0.1	2.3	2.8	-17.3	9.5	3.2	2.6	0.3
Openness of the economy[1]	85.7	67.9	75.2	83.4	85.1	80.0	81.8	77.2	80.4	76.5	76.2	75.4
Government Effectiveness[2]	-0.2	-0.1	-0.1	-0.2	-0.1	0.0	-0.1	-0.1	-0.1	--	--	--
Government finance												
Gen. gov. revenue/GDP	31.3	28.7	26.8	27.2	28.0	27.8	28.0	26.5	26.1	25.9	25.9	25.8
Gen. gov. expenditures/GDP	30.6	30.4	31.1	33.8	35.2	32.9	32.9	30.7	30.2	29.4	28.9	28.5
Gen. gov. financial balance/GDP	0.7	-1.8	-4.3	-6.6	-7.2	-5.1	-4.8	-4.2	-4.1	-3.5	-3.0	-2.7
Gen. gov. primary balance/GDP	3.2	0.6	-2.0	-4.4	-4.7	-2.5	-2.1	-1.4	-1.4	-1.0	-0.6	-0.4
Gen. gov. debt (US$ bil.)[3]	40.2	43.9	46.0	50.2	56.8	68.0	64.8	63.5	65.1	74.5	72.0	75.6
Gen. gov. debt/GDP[3]	45.4	46.1	49.0	52.5	56.5	61.7	63.3	63.7	64.7	65.1	65.4	64.6
Gen. gov. debt/gen. gov. revenue[3]	145.4	161.0	182.7	193.0	201.6	221.7	226.0	240.0	248.1	251.4	253.0	250.5
Gen. gov. interest payments/gen. gov. revenue	8.1	8.1	8.3	8.2	8.7	9.3	9.9	10.4	10.2	9.9	9.5	9.0
Gen. gov. FC & FC-indexed debt/gen. gov. debt[3]	21.1	22.9	24.1	23.2	24.5	23.5	24.1	22.4	21.8	21.2	20.5	20.0
External payments and debt												
Nominal exchange rate (local currency per US$, Dec)	8.1	7.9	8.4	8.6	8.4	8.2	9.0	9.9	10.1	9.3	10.1	10.1
Real eff. exchange rate (% change)	10.7	-9.9	-0.5	8.0	1.5	-0.4	-1.1	-2.6	4.5	--	--	--
Current account balance (US$ bil.)	-4.5	-5.0	-4.1	-8.0	-9.4	-7.8	-6.6	-2.2	-4.5	-5.6	-5.6	-5.3
Current account balance/GDP	-4.9	-5.4	-4.4	-7.9	-9.5	-7.3	-6.0	-2.1	-4.4	-5.0	-4.8	-4.5
External debt (US$ bil.)	21.0	24.7	27.3	29.9	33.8	39.3	42.8	43.0	46.3	50.2	46.0	46.0
Public external debt/total external debt	78.9	77.9	77.3	74.8	74.2	72.0	69.7	69.2	65.1	65.1	65.1	65.1
Short-term external debt/total external debt	7.8	9.0	10.1	12.8	12.3	13.6	17.8	16.0	19.3	19.3	19.3	19.3
External debt/GDP	22.7	26.6	29.2	29.5	34.4	36.8	38.9	42.5	44.7	45.3	40.1	39.3
External debt/CA receipts[4]	48.3	70.8	70.4	67.0	78.3	87.8	91.0	102.6	105.9	109.4	97.4	96.6
Interest paid on external debt (US$ bil.)	0.8	0.7	0.9	0.8	0.8	1.1	1.1	1.1	1.2	1.2	1.2	1.1
Amortization paid on external debt (US$ bil.)	4.2	3.4	3.3	3.2	3.6	5.1	4.8	3.6	3.8	3.9	3.8	3.7
Net foreign direct investment/GDP	0.9	1.8	1.5	1.9	2.0	1.0	1.8	1.1	1.2	2.4	2.4	2.5
Net international investment position/GDP	-35.8	-43.9	-50.0	-50.5	-60.0	-66.1	-61.4	-60.1	-63.9	--	--	--
Official forex reserves (US$ bil.)	22.0	21.9	22.1	18.6	15.7	17.7	18.8	21.4	23.3	24.3	22.8	24.5
Net foreign assets of domestic banks (US$ bil.)	1.9	2.1	0.6	0.2	0.3	-0.2	0.0	0.8	-0.2	--	--	--

	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017F	2018F	2019F
Monetary, external vulnerability and liquidity indicators												
M2 (% change Dec/Dec)	7.4	7.7	5.0	7.2	4.9	3.6	5.5	6.9	6.2	--	--	--
Monetary policy rate (% per annum, Dec 31)	3.5	3.3	3.3	3.3	3.0	3.0	2.5	2.5	2.3	--	--	--
Domestic credit (% change Dec/Dec)	21.0	8.6	8.8	12.0	7.1	5.5	2.6	1.8	4.6	--	--	--
Domestic credit/GDP	94.0	97.8	101.5	108.8	112.7	112.2	111.7	106.5	108.3	--	--	--
M2/official forex reserves (X)	3.2	3.6	3.5	4.3	5.5	5.2	4.7	4.0	3.8	--	--	--
Total external debt/official forex reserves	95.4	112.5	123.3	160.8	216.0	221.7	228.2	201.0	198.2	206.3	202.3	187.9
Debt service ratio[5]	11.4	11.8	10.8	9.0	10.3	13.7	12.4	11.1	11.4	11.1	10.6	10.1
External vulnerability indicator (EVI)[6]	41.4	39.8	40.7	45.5	65.2	91.8	90.0	82.1	71.1	76.3	74.1	75.3
Liquidity ratio[7]	18.3	26.8	25.9	53.4	54.5	47.0	40.1	34.3	45.2	--	--	--
Total liabilities due BIS banks/total assets held in BIS banks	84.1	92.4	104.6	180.1	240.4	207.9	221.1	236.6	218.4	--	--	--
"Dollarization" ratio[8]	1.8	2.3	2.5	3.0	3.4	3.0	4.2	4.5	4.7	--	--	--
"Dollarization" vulnerability indicator[9]	5.4	7.3	8.3	11.6	15.8	13.4	17.4	15.7	16.0	--	--	--

[1] Sum of Exports and Imports of Goods and Services/GDP
[2] Composite index with values from about -2.50 to 2.50: higher values suggest greater maturity and responsiveness of government institutions
[3] Central government debt
[4] Current Account Receipts
[5] (Interest + Current-Year Repayment of Principal)/Current Account Receipts
[6] (Short-Term External Debt + Currently Maturing Long-Term External Debt + Total Nonresident Deposits Over One Year)/Official Foreign Exchange Reserves
[7] Liabilities to BIS Banks Falling Due Within One Year/Total Assets Held in BIS Banks
[8] Total Foreign Currency Deposits in the Domestic Banking System/Total Deposits in the Domestic Banking System
[9] Total Foreign Currency Deposits in the Domestic Banking System/(Official Foreign Exchange Reserves + Foreign Assets of Domestic Banks)

Moody's related publications

- **Issuer Comment** Government of Morocco: Morocco introduces gradual foreign-exchange rate liberalization, a credit positive, 22 January 2018
- **Outlook**: Moody's: Stable outlook for the Levant and North Africa sovereigns in 2018 as improving growth offsets persistent fiscal and political risks, 16 January 2018
- **Rating Action**: Moody's changes outlook on the Government of Morocco's Ba1 rating to positive from stable; ratings affirmed, 24 February 2017
- **Rating Methodology**: Sovereign Bond Ratings, 22 December 2016

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Related websites and information sources

- Sovereign risk group web page
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Endnotes

1 The Fisheries Agreement concluded between the EU and Morocco is valid in so far as it is not applicable to Western Sahara and its adjacent waters

2 Agreement between the European Union and the Kingdom of Morocco concerning liberalisation measures on agricultural and fishery products — Decision approving the conclusion of an international agreement

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