

COUNTRY PROFILE:**KINGDOM OF MOROCCO****DATED:****FEBRUARY 2011****CREDIT GUARANTEE:**

IES/02: ATTACHMENT A

<i>Export Department Comment/Opinion</i>	Rating 2B. We do offer open cover. We have a low exposure and low commitments. This is not a claim-free market. Suggested use of a collection agent is recommended.
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Recent Political Highlights

- Morocco is a constitutional monarchy with King Mohammed VI as chief of state since 1999 and Prime Minister Abbas el Fassi as head of government since 2007. The prime minister is appointed by the king following legislative elections. The king has the power to dissolve parliament.
- The next parliamentary election is scheduled for September 2012.
- The EIU reported that the regional dispute over Western Sahara worsened following a number of casualties in a protest outside the city of Laâyoune. Prospects for a negotiated settlement are poor. Western Sahara is a former Spanish colony in northwest Africa that was seized by Morocco in 1975, sparking armed conflict by the Saharawi Arab Democratic Republic (the Polisario Front). Western Sahara has rich fishing grounds off its coast and reserves of phosphates, used to make fertilizer and detergent. It may also have oil and gas reserves.
- The EIU still expects political stability for 2011 as there are no serious challenges facing the rule of King Muhammad VI. Political parties in the country are not expected to form a strong enough power base to influence the policy-making process.

Recent Economic Highlights

- Morocco's population is estimated at 31.6m. The country is strategically located in North Africa with close proximity to European markets. It is the world largest exporter of phosphate, a major source of foreign export earnings.
- Some of the main challenges facing the country include: illiteracy, unemployment, a narrow export base and adapting to the weak growth in European markets, Morocco's main trading partner. Unemployment among youth is considered to be high as a result of the country's low investment in education with only two thirds of children aged 6-11 completing primary school.
- Real GDP growth slowed from 4.9% in 2009 to 4.2% in 2010. Composition by sector: services sector 51%, industrial sector 32% and the agricultural sector 17%.
- The Moroccan road agency, ADM, is set to issue bonds worth approximately \$350m during the course of the year in order to service foreign loan interest payments. ADM also managed to secure a \$248m loan agreement with Export-Import Bank of China.
- Morocco's sole sugar refiner, Consumar, stated that due to bad weather conditions, they were unable to meet interim targets in a plan to increase supply of cane and beet to cover 55% of domestic sugar demand by 2013. In a joint venture with the government, Consumar invested \$434m to improve farming and processing in an attempt to reach the 55% target. The country's refined sugar needs add up to an estimated 1.2m tons per year, with Consumar producing only 409,000 tons in 2010. Morocco imports at least 60% of their sugar needs. Consumar forecast a positive increase in refined sugar production for 2011 as a result of good rainfall.
- The Moroccan government is reported to add an additional \$1.8bn to subsidy funds in 2011 to cope with rising global commodity prices. This could add pressure on the budget deficit. The government heavily subsidises staples that include cooking gas, sugar and flour.
- The Moroccan government is expected to suspend custom duties on imported wheat, to assist the domestic economy following an increase in global wheat prices. Renault is planning a new factory in Morocco that will produce an estimated 350,000 cars per year under its Dacia low-cost brand.
- The government increased its allocation to infrastructure investment from \$9bn for the previous period to \$47bn in the 2008-2012 period. This will increase spending on roads, ports, airports and transmission grids. The country will also focus on reducing its reliance on energy imports by investing in wind power projects with an estimated cost of \$17bn. The project aims to generate 2GW from wind power and 2GW from solar power by 2020. BMI expects Morocco's construction sector to grow 5-7% annually till 2015. These projects are estimated to create a sizeable amount of job opportunities for the poor.
- According to the House of Commons report, Morocco was named as one of the countries most at risk in recent research into food supplies. Rising food prices are seen as inevitable and despite its large agricultural sector, climate change, water scarcity, a growing population suffering widespread poverty and rising energy costs pose a threat to standards of living and may lead to political instability.
- The World Bank expects economic growth to reach 4.4% in 2011 driven by domestic demand and improving exports. The Bank will issue a \$60m loan for education and \$66m for the financial sector to boost economic growth.

Latest Trade Developments

- Total exports increased from \$13.9bn in 2009 to \$14.5 in 2010. Export commodities include: clothing and textiles, electric components and fertilisers (including phosphates).
- Total imports increased from \$30bn in 2009 to \$34bn in 2010. Import commodities include: crude petroleum, textile fabric, telecommunications equipment, wheat, gas and electricity.
- Main trading partners include: Spain, France, China, Italy, Germany, US, India and Saudi Arabia.
- SA's exports to Morocco equalled R1bn in 2008, R542m in 2009 and R603m up to November 2010.
- SA's imports from Morocco equalled R103m in 2008, R107m in 2009 and R131m up to November 2010.