

BEST'S COUNTRY RISK REPORT

Morocco

CRT-4

August 22, 2018

Region: Middle East & North Africa

[Country Risk Criteria Procedures](#)

[Guide to Best's Country Risk Tiers](#)

- The Country Risk Tier (CRT) reflects A.M. Best's assessment of three categories of risk: Economic, Political, and Financial System Risk.
- Morocco is a CRT-4 country with high levels of economic, political, and financial system risk.
- GDP growth was 4.2% and inflation, 0.8%, in 2017. Economic growth is expected to be in the 3.0%-4.5% range over the medium term, while inflation is expected to range between 1.0% and 2.0%.
- The map depicts countries in the region that A.M. Best evaluates for country risk. The region contains countries with risk levels ranging from CRT-3 to CRT-5.



- **Country Risk Tier 1 (CRT-1)** Very Low Level of Country Risk
- **Country Risk Tier 2 (CRT-2)** Low Level of Country Risk
- **Country Risk Tier 3 (CRT-3)** Moderate Level of Country Risk
- **Country Risk Tier 4 (CRT-4)** High Level of Country Risk
- **Country Risk Tier 5 (CRT-5)** Very High Level of Country Risk

Regional Summary: Middle East & North Africa

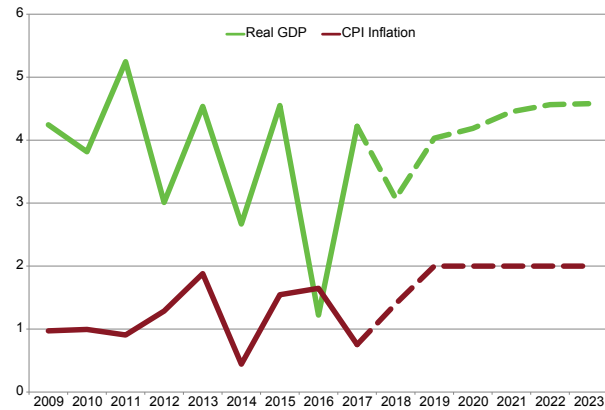
- Higher global interest rates, particularly if interest rates increase faster than expected, raise the potential for greater fiscal vulnerabilities and tighter credit conditions. According to the IMF, debt in the region has increased an average of 10% of GDP each year since 2013, owing to countries financing large fiscal deficits through increased borrowing and draw downs of fiscal buffers.
- Economic growth for the region is estimated to increase in 2018 on strengthening global growth, a moderate rise in oil prices, easing fiscal adjustment, reforms to promote non-oil sector growth, and growing infrastructure investment.
- Fiscal consolidation and revenue generating programs implemented over the last few years continue, albeit at a slower pace. Revenue measures include the introduction of a value-added tax (January 2018) in Saudi Arabia and the United Arab Emirates, with other countries likely to implement similar measures by the end of the year. Improving the efficiency of public spending (via a bill that lowers the government wage bill, for example) on the expenditure side is also a priority.

Vital Statistics 2017		
Nominal GDP	USD bn	109.82
Population	mil	34.9
GDP Per Capita	USD	3,151
Real GDP Growth	%	4.2
Inflation Rate	%	0.8
United Nations Estimates		
Literacy Rate	%	68.5
Urbanization	%	61.2
Dependency Ratio	%	51.6
Life Expectancy	Years	77.1
Median Age	Years	29.3
Insurance Statistics		
Insurance Regulator	The Supervisory Authority of Insurance and Social Security (ACAPS)	
Premiums Written (Life)	USD mil	1,523
Premiums Written (Non-Life)	USD mil	2,195
Premiums Growth (2016 - 2017)	%	3.0
Regional Comparison		
	Country Risk Tier	
Morocco	CRT-4	
Egypt	CRT-5	
Ghana	CRT-5	
Kenya	CRT-5	
Nigeria	CRT-5	
Tunisia	CRT-4	

Source: IMF, UN, Swiss Re, Axco and A.M. Best



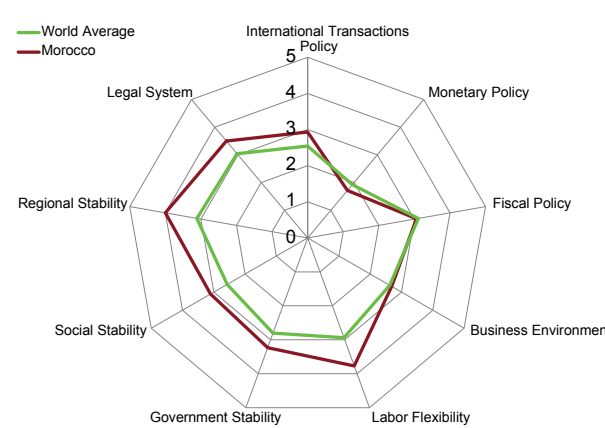
Economic Growth (%)



Source: IMF World Economic Outlook and A.M. Best

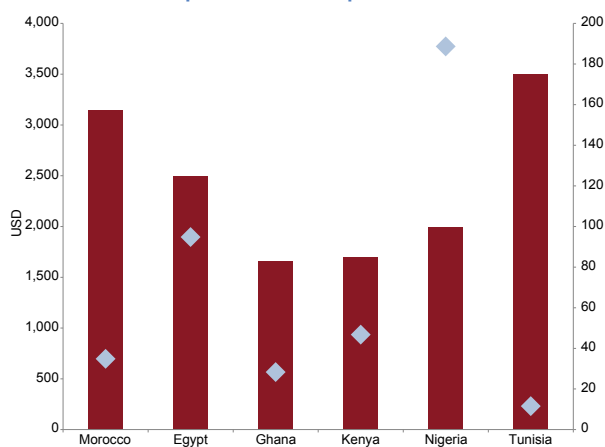
Political Risk Summary

Score 1 (best) to 5 (worst)



Source: A.M. Best

GDP Per Capita and Population



Source: IMF and A.M. Best

Economic Risk: High

- The economy had previously been driven by the agricultural and extractive industries, but manufacturing and services now account for over 70% of GDP.
- Unemployment rates are high, with first quarter 2018 levels at 10.5% for the total population. Youth unemployment rates are more than double that, at 25.7%.
- GDP per capita is low, at approximately USD3,200. The agriculture sector contributes approximately 15% of GDP, but accounts for more than 35% of all jobs.
- High levels of corruption, shortages of skilled labor, and a high tax burden remain hindrances to business. Additionally, state-owned enterprises dominate certain sectors of the economy, limiting competition and increasing inefficiency.
- Morocco has strong trade relationships with the European Union, with Spain and France taking in almost 50% of Morocco's total exports. Improving economic conditions in the region will benefit Morocco. Automotive exports have outpaced agricultural products in the last few years.

Political Risk: High

- Morocco is a constitutional monarchy led by King Mohammed VI who came into power in July 1999, succeeding his father, who had ruled for 38 years. As head of state, the king appoints the prime minister and can dismiss the government or dissolve parliament.
- Budget deficits have resulted in fiscal consolidation and austerity measures. The government has lowered spending by reforming the pension system and cutting subsidy costs. Improving the tax code is expected to increase revenues by lowering corporate tax rates and improving public management.
- Social issues linked to poverty, high unemployment, inadequate housing, and political corruption are likely to lead to incidents of civil unrest but are unlikely to threaten political stability. The country needs to reform the judiciary and the education systems.
- Morocco entered into a two year, USD3.6 billion precautionary and liquidity line of credit with the IMF in July 2016, to support plans to promote higher and more inclusive growth by pursuing sound economic policies.

Financial System Risk: High

- Morocco's insurance market is regulated by the Supervisory Authority of Insurance and Social Security (ACAPS).
- The central bank has adopted more flexible exchange rates, by allowing the currency to fluctuate with a wider band of plus/minus 2.5%. The previous band was 0.3%.
- According to the IMF, non-performing loans remain high, at 7.9%, but are well provisioned and are closely monitored. However, risks from large credit exposures persist.