



---

## PRESS RELEASE

### Bank Al-Maghrib Annual Report 2016

His Majesty King Mohammed VI received, today , Saturday 5 Dhou Al Qi'da 1438 AH (29 July 2017) in the Royal Palace of Tetouan, Mr. Abdellatif Jouahri, Governor of Bank Al-Maghrib, who presented to His Majesty the central bank's annual report on the economic, monetary and financial situation for the year 2016.

In his address before His Majesty the King, Mr. Jouahri indicated that domestic economic growth in 2016, amid a sluggish global economy and unfavorable weather conditions, slowed down markedly to 1.2 percent. This deceleration adversely impacted the labor market, which lost a number of jobs and posted a new decline in the participation rate.

Concerning macroeconomic balances, he pointed out that fiscal deficit stood at 4.1 percent of GDP and current account deficit widened to 4.4 percent of GDP, while international reserves continued to grow, reaching the equivalent of six months and a half of imports. He said that, under these conditions, inflation stabilized at 1.6 percent.

Mr. Jouahri added that in response to these developments, Bank Al-Maghrib maintained an accommodative monetary policy to support economic activity. It cut its key rate to 2.25 percent and continued its program to support the financing of very small, small and medium enterprises. It also carried on with the reforms included in its prudential program to reduce risks faced by Moroccan banks. He indicated that the latter managed to maintain a good level of profitability and capitalization, notably thanks to their expansion in Africa and the diversification of their activities. He also said that as part of implementing the new banking law, Bank Al-Maghrib stepped up efforts to finalize the regulatory framework for participative banks and issue circulars on risk management and customer protection.

The Governor of Bank Al-Maghrib went on saying that the developments that marked the year 2016 suggest that our economy is still fragile and remains vulnerable to the vagaries of the international economy and weather conditions. He underlined that despite the continuing high level of investment, the various sectoral strategies launched in recent years and the measures taken to improve the business climate, our economy has not yet found the right trajectory and the development model that would permanently place it on a higher growth path.

In order to address these challenges, it is imperative to initiate a new generation of reforms to improve productivity and strengthen the resilience of the economy amid an uncertain international environment. He pointed out that the gradual move to a flexible exchange rate regime which will improve the domestic economy's capacity to absorb external shocks and preserve its competitiveness fits into this setting.

Mr. Jouahri further said that the challenge of employment cannot be overcome only by achieving higher growth rates, but also requires enhancing the capacity of the education and training system to meet labor market needs, indicating in this regard that the reform of the education system emerges today as a top priority for our country. He stressed that the success of this reform remains dependent on the commitment of all stakeholders to set up an environment of peace and solidarity among the different actors in order to guarantee the best conditions for its successful implementation and its completion within a reasonable time. Strengthening inclusive growth also requires policies aimed at redistributing national wealth and reducing social and territorial inequalities.

Finally, the Governor of Bank Al-Maghrib underlined that despite these internal challenges, Morocco, under the judicious leadership of His Majesty the King, continues to stand as an island of peace and stability in the region and enjoys great confidence on the international stage. Therefore, all the country's forces, namely public authorities, the private sector and social partners are called to make every effort to transform the latent opportunities of this confidence into tangible profits that can help accelerate growth and enhance its inclusiveness.