

PRESS RELEASE

Sixth meeting of the Coordination and Systemic Risk Monitoring Committee

Rabat, December 20, 2017

The Coordination and Systemic Risk Monitoring Committee held, on December 20, its sixth meeting at the headquarters of Bank Al-Maghrib in Rabat.

During this meeting, the Committee analyzed the risk mapping of the financial system and reviewed the progress made in the inter-authority roadmap for strengthening financial stability for the period 2016-2018.

The analysis of the financial system situation in light of observed and expected economic and financial developments enabled the Committee to identify the following key findings:

- Macroeconomic risks remain generally moderate, particularly amid continued fiscal consolidation. In terms of external accounts, risks remain limited thanks to the gradual narrowing of the current account deficit and the adequate level of net international reserves, which provide coverage of more than 5 months of imports of goods and services in 2017. Domestically, economic growth in 2017 is accelerating, driven mainly by the rebound in agricultural value added and the recovery of nonagricultural activities, albeit at a slow pace. Regarding the macroeconomic outlook, the prospects remain broadly positive owing to the strengthening of global economic activity and the further reduction of twin deficits. However, areas of uncertainty surround the external conditions related in particular to geopolitical tensions and the U.S. trade policy.
- Bank lending continued to improve moderately. Loans to nonfinancial corporations accelerated. Nonperforming loans, albeit decelerating, remain significant amid the slow recovery of nonagricultural activities.
- In this context, banking income decelerated in the first half of 2017, in connection with lower trading income. The banking sector remains profitable and adequately capitalized and proved resilient to stress tests simulating macroeconomic shocks. Exposures to concentration and interest rate risks are closely monitored.
- Despite a slight decrease in the coverage ratio of technical provisions by representative assets, the insurance sector continues to meet minimum coverage requirements and shows a solvency margin well above the regulatory minimum. However, these margin surpluses should probably decrease, given the future move towards a risk-based solvency regime.
- The gradual implementation of the parametric reform of the civil pension scheme continues. Owing to the establishment of balanced pricing for the future rights of affiliates, this reform has led to an improvement of certain risk indicators related to this regime, but has not allowed clearing its major commitments under past entitlements.
- Regarding the stock market, liquidity is still on an uptrend, though slow, mainly due to the low floating capital. At the same time, volatility is declining sharply after two consecutive years of increase. Meanwhile, valuation has dropped somewhat but remains relatively high, driven by investors looking for profitability in a context of low interest rates. These investors include mutual funds whose subscriptions are more oriented towards “equity” and

“diversified” segments. Securities lending is receiving particular attention following the sharp increase in the outstanding amount of transactions in 2017.

The Committee also discussed implementation of the roadmap for the contribution of the Moroccan financial sector to promoting sustainable development.

Press contact:

Nouaim SQALLI

Phone: 06.66.208.246

Email: n.sqalli@bkam.ma

Follow us on Twitter @bankalmaghrib