# PRESS RELEASE

## *Eighth meeting of the Coordination and Systemic Risk Monitoring Committee (CSRMC)*

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**Rabat, December 26, 2018**

The Coordination and Systemic Risk Monitoring Committee held on December 25, 2018 its eighth meeting at the headquarters of Bank Al-Maghrib in Rabat.

During this meeting, the committee analyzed the risk mapping of the financial system, took stock of the inter-authority roadmap for strengthening financial stability for the period 2016-2018 and approved the new roadmap for 2019-2021.

The committee, after analyzing the financial system conditions in light of the observed and expected economic and financial trends, drew the following main conclusions:

- In an international environment marked by uncertainties (persisting trade and geopolitical tensions, rising protectionism, Brexit concerns, markets volatility) macroeconomic risks remain moderate overall. With respect to external accounts, the current account deficit, after widening in 2018 to 4.4 percent of GDP, is expected to gradually ease over the forecast horizon and net international reserves would continue to provide more than 5 months of imports of goods and services. Domestically, economic growth would slow down in 2018 to 3.3 percent from 4.1 percent in 2017, due to deceleration in agricultural value added and the slow recovery of non-agricultural activities, which have not yet reached their pre-crisis growth levels. Concerning public finance, the fiscal deficit is expected to widen in 2018 to 3.7 percent of GDP and to continue, based on Bank Al-Maghrib's forecasts, to evolve around this level in the medium term.

- In a context of slow recovery of non-agricultural activities, bank credit to the nonfinancial sector continued its deceleration, particularly for loans allocated to Non-financial Corporations (NFC), both private and public. The rate of NFC's nonperforming loans, albeit slightly lower, remains high.

- Nonetheless, the banking sector managed to achieve a rise in the net result during the first half of 2018, covering mainly an increase of the net banking income coupled with an improvement in the balance of non-operating income. In addition, banks continue to generate solvency ratios above the regulatory minimum requirements and have proved resilient to stress tests simulating deterioration in macroeconomic conditions. However, they remain exposed to concentration and interest rate risks, which, for their part, are subject to a special monitoring.

- The insurance industry continues to be strong. From a prudential perspective, the coverage rates of technical liabilities by investments of insurance and reinsurance companies remain above the minimum regulatory requirements. Moreover, the sector continues to post a solvency margin, to cover the underwriting risk, well above the regulatory minimum required. Nevertheless, the transition towards the risk-based solvency regime, in implementation of the latest amendment to the Insurance Code, will probably lead to a significant reduction in the surpluses of this margin.

- The parametric reform of the Civilian Pension Scheme has led to balanced pricing for the future rights of affiliates. It remains, however, necessary to identify the appropriate solutions to the problem of deficits of this scheme stemming from its significant commitments in respect of past rights.
  Concerning the other retirement schemes, no significant change in the depletion dates of the reserves was noted in the carried-out projections.

- Capital markets, while remaining stable overall, were marked in particular by the issuing of the first sovereign Sukuk in addition to a "social and green" bond. The private debt market was characterized by a 43 percent increase in issuances, amounting to 48 billion dirhams at end-September 2018. In addition, interest rate levels remained low overall and stable in money and bond markets. Mutual funds' net assets reached 438.5 billion at end-November, up 5.4 percent compared to end-2017, with subscriptions targeting the "medium and long-term bonds" category, in a context of a bear stock market. Indeed, the stock exchange posted a fall in its MASI and MADEX indexes by 11.7 percent and 12.1 percent respectively at end-October 2018, after reaching a positive peak respectively at 7.2 percent and 7 percent in March 9, 2018. The decline affected most sectors, particularly real estate. Against this background, the annualized 20-day volatility of the MASI index increased significantly in the second half of 2018 but remains, however, limited to a range between 6.6 percent and 11.2 percent. The issuance volume, characterized by a return of IPO's, slightly improved in 2018 to around 2 billion dirhams.

In addition, the Committee reviewed the progress made by the financial sector relating to combatting money laundering and terrorist financing in light of the proceedings of the 28th MENAFATF Plenary Meeting, held on November 24-29, 2018. It also took note of the Anticorruption Management System project being implemented at Bank Al-Maghrib.

**<u>Press contact:</u>**

**Nouaim SQALLI**

Tel : 06.66.20.82.46

E-mail : n.sqalli@bkam.ma

**Reda HARMAK**

Tel : 06.69.58.81.80

E-mail : r.harmak@bkam.ma

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