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## *Eighteenth meeting of the Coordination and Systemic Risk Monitoring Committee*

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**Rabat, December 26, 2023**

The Coordination and Systemic Risk Monitoring Committee (CCSRS) – composed of representatives of Bank Al-Maghrib (BAM), the Moroccan Capital Market Authority (AMMC), the Supervisory Authority of Insurance and Social Welfare (ACAPS), and the Department of Treasury and External Finance (DTFE) – held its eighteenth meeting on Tuesday, December 26, at the headquarters of Bank Al-Maghrib, in Rabat.

Following a progress report on the financial stability roadmap for the period 2022-2024, the Committee analyzed the mapping of systemic risks and reviewed the synthesis of its monthly sub-committee's work. The monitoring indicators examined continue to demonstrate the soundness and resilience of the Moroccan financial sector.

After examining the situation of the financial system in the light of economic and financial trends, both observed and expected, the Committee noted the following:

- The developments in macroeconomic conditions continue to be closely monitored against an international backdrop of heightened geopolitical tensions (stalemate in the war in Ukraine and the Middle East conflict) and of continued slowdown in the global economy. Domestically, according to Bank Al-Maghrib's projections, economic growth is set to improve from 1.3 percent in 2022 to 2.7 percent in 2023, before consolidating at 3.2 percent in 2024 and 3.4 percent in 2025. After three consecutive hikes by a total of 150 basis points between September 2022 and March 2023, the key rate has been held steady at 3 percent to date. Meanwhile, inflation has continued decelerating since its peak last February, and is expected to average 6.1 percent by the end of 2023, compared with 6.6 percent in 2022, before declining significantly to stand at 2.4 percent in 2024 and 2025. Regarding the external position, the current account deficit is likely to narrow to 1.6 percent of GDP in 2023, before widening, over the next two years, to 2.5 percent in 2024 and 3.8 percent in 2025, while official reserve assets should cover almost 5 months and 6 days of imports of goods and services over the next two years. On the public finance front, the fiscal deficit would continue to shrink, reaching 4.8 percent of GDP in 2023, 4.5 percent in 2024, then 3.9 percent in 2025. In the light of the above, Treasury debt should ease to 69.8 percent of GDP in 2023, 69.6 percent in 2024 and 68.9 percent in 2025.

- The growth pace of bank credit to the non-financial sector decelerated in the first three quarters of 2023, reflecting the slowdown in the provision of liquidity facilities to private companies, and is forecast to end the year at 2.6 percent, before accelerating to 4.6 percent in 2024 and 4.7 percent in 2025, driven in particular by the projected growth in economic activity. At end-October 2023, the rate of non-performing loans stood at 8.9 percent, compared with 8.4 percent at end-2022, for a provisioning rate of 67.5 percent.

- On a corporate basis, the banking sector recorded at the end of the first six months of 2023 a 13.5 percent increase in the cumulative net income of banks, driven by strong intermediation results and a recovery in market activity results. Such performance has consolidated banks' soundness, with capital adequacy ratios at the end of June 2023 reaching 15.8 percent for the solvency ratio and 12.9 percent for the Tier 1 capital ratio, on an individual basis, compared with regulatory minimums of 12 percent and 9 percent, respectively. On a consolidated basis, these ratios stand at 13.4 percent and 11.4 percent. In terms of liquidity, the banks continue to have liquidity cushions that exceed the regulatory minimum. Under these conditions, the macro-stress testing exercise carried out by Bank Al-Maghrib based on December 2023 economic projections once again confirms the banking sector's resilience in the face of shock scenarios simulating a sharp deterioration in economic conditions.

- Financial Market Infrastructures, such as Maroclear, are regularly subject to on-site inspections and follow-up on the implementation of related recommendations. Monitoring and assessment results reveal that these infrastructures remain highly resilient, both financially and operationally, and entail a low level of risk to financial stability.

- Despite a challenging macroeconomic environment, the insurance sector continued to show resilience and growth. At end-October, premiums written rose by 1.4 percent to 47.4 billion dirhams, driven by the dynamics of the non-life segment, which grew by 7.1 percent, while life segment contracted by 5.2 percent mainly due to rising inflation. On the financial front, the sector's investment portfolio rose by 3.3 percent to 229.6 billion dirhams. Unrealized capital gains benefited from the stock market recovery, rising by 30.6 percent to 19.6 billion dirhams. Net income rose by 9.1 percent year-on-year. In terms of solvency, the sector continues to generate an average margin significantly exceeding the regulatory minimum under the current prudential framework.

- On the stock market, the MASI index continued its upward trend, recording an increase of 11.89 percent on December 12, with a moderate volatility level averaging 9.71 percent. Overall market valuation remains relatively high, with a P/E ratio of 17.7x, albeit on a downtrend compared with the average of the last 5 years. The stock market's liquidity ratio at end-November increased to 9.50 percent, compared with 8.51 percent a year earlier.

- On the bond market, T-bond rates fell sharply at the end of the first half of 2023, then stabilized throughout the second half with lower volatility levels, following the upward trend recorded since the second half of 2022, as a result of the monetary policy tightening. Outstanding private debt at end-October 2023 stood at 250 billion dirhams, showing a slight year-on-year decline of 1.71 percent.

- Net debt for non-financial issuers in the first half of 2023 remained at a moderate level, at 49 percent of shareholders' equity for listed issuers and 81 percent of shareholders' equity for unlisted issuers.

- Following the wave of redemptions that marked 2022 due to the stock market downturn and to the significant rise in bond rates, the total net assets of UCITS stood at 572.3 billion dirhams on December 1, 2023, up 14.25 percent compared to end-December 2022, while they had posted a decrease of 15.5 percent in 2022. Investors subscriptions are oriented towards the “short-term bond” and “medium- and long-term bond” categories in particular, amounting to 43.9 and 16.3 billion dirhams respectively. As for real-estate investment funds (OPCI), their total net assets continue to grow, reaching 76.5 billion dirhams at end-October 2023, which represents an increase of 32.5 percent compared with end-December 2022.

The Committee also provided an update on actions underway, aimed at further strengthening the compliance and effectiveness of the national system for combating money laundering and the financing of terrorism, and called for further efforts ahead of the forthcoming mutual evaluations by the MENAFATF.