# PRESS RELEASE

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

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**Rabat, December 24, 2024**

The Coordination and Systemic Risk Monitoring Committee (CCSRS) held its twentieth meeting on Tuesday, December 24, 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 systemic risk mapping, reviewed the outcomes of its monthly sub-committee's work, and assessed more broadly the financial system situation, along with the observed and anticipated economic and financial trends. It thus noted the following:

- The international environment remains characterized by persistent geopolitical tensions and high levels of uncertainty. After a period of considerable resilience, the global economy is expected to decelerate in the medium term. Domestically, according to Bank Al-Maghrib's projections, economic growth would slow from 3.4 percent in 2023 to 2.6 percent in 2024, before accelerating to 3.9 percent over the next two years. For its part, inflation continues to slow and is set to average 1 percent at the end of 2024, compared with 6.1 percent in 2023, before settling at moderate levels, 2.4 percent in 2025 and 1.8 percent in 2026. Regarding external accounts, the current account deficit would remain contained at less than 2 percent of GDP over the forecast horizon, while official reserve assets would gradually strengthen to reach 400.2 billion dirhams at end 2026, equivalent to almost 5 months and 8 days of imports of goods and services. In terms of public finance, fiscal consolidation is set to continue in the medium term, with a deficit, excluding proceeds from the sale of State holdings, that is likely to ease from 4.5 percent of GDP this year, to 4.2 percent in 2025 and 3.9 percent in 2026. Under these conditions, the Treasury's debt would stand at 70.5 percent of GDP in 2024, before easing to 69.5 percent in 2025 and 68.7 percent in 2026.

- Bank credit to the non-financial sector is projected to accelerate gradually, from 3.8 percent in 2024 to 4.2 percent in 2025 and 5.5 percent in 2026, reflecting mainly the expected improvement in economic activity. The non-performing loan rate stood at 8.8 percent at end-October 2024, compared with 8.4 percent at end-2023, for a provisioning rate of 68.8 percent.

- At the end of the first half of 2024, the banking sector's aggregate net income increased, on a corporate basis, by 17.3 percent, driven by an improvement in market and intermediation activities. Such performance strengthened the soundness of the banks, whose capital adequacy ratios reached, at the end of June 2024, 16 percent for the solvency ratio and 13.3 percent for the Tier 1 capital, on an individual basis, well above the regulatory minimums of 12% and 9% respectively. On a consolidated basis, these ratios stood at 13.8 percent and 11.9 percent, respectively. The macro-stress solvency test exercise continues to demonstrate the banking sector's resilience in the face of shock scenarios simulating a sharp deterioration in economic conditions, with short-term liquidity ratio remaining above the regulatory minimum.

- With regard to Financial Market Infrastructures, the outcomes of the monitoring and assessments carried out once again confirm their strong resilience, both financially and operationally, and indicate that they still entail a low level of risk to financial stability.

- Similarly, the insurance sector continued to show soundness and resilience. At the end of October 2024, written premiums amounted to 49.6 billion dirhams, up 4.5 percent on the same period in 2023. This increase covered both the non-life branch (+4.6 percent) and the life branch (+4.4 percent), which regained its growth momentum after the sharp deceleration in 2023.

  On the financial front, the sector's investment portfolio rose by 4 percent to 243.4 billion dirhams. Unrealized capital gains increased by 62.3 percent, compared to end-2023, to 35.2 billion dirhams, driven by the stock market recovery and lower interest rates. As for the net income, it rose by 8 percent year-on-year.

  In terms of solvency, the sector continues to generate an average margin well above the regulatory minimum under current prudential standards.

- Regarding the Casablanca Stock Exchange, the MASI index continued its upward trend, posting a 22 percent gain on December 17, 2024, compared with the beginning of the year. Average volatility remains moderate at 9.87 percent, compared with 6.87 percent in the first half of 2024. The overall market P/E stood at 17.7x on December 17, below the 5-year average of 20x, due to the increase in listed companies' earnings. At the end of November 2024, the stock market liquidity ratio improved to 11.48 percent from 9.50 percent a year earlier.

- In the bond market, the Treasury bill issuance receded to 169.2 billion dirhams at the end of November 2024, compared with 239.8 billion dirhams a year earlier, and the downward trend in treasury bill rates continues, particularly in the secondary market. Outstanding private debt rose by 8.3 percent at end-November to 272.2 billion dirhams, 59.7 percent of which was used to finance credit institutions. Despite a slight increase in the first half of 2024, the net debt of non-financial issuers through public offerings remains under control overall, representing 55 percent of shareholders' equity for listed issuers and 85 percent for unlisted issuers.

- On December 13, 2024, the net assets of UCITS reached 672.5 billion dirhams, up 20.13 percent since the beginning of the year. Net subscriptions by investors at that date amounted to 68.1 billion dirhams, 33.97 billion of which was in the medium- and long-term bond category. As regards other Collective Investment Undertakings (OPC), data at the end of September 2024 show that the total net assets of the Real Estate Investment Funds (OPCI) stood at 96.9 billion dirhams, up 28.4 percent year-on-year, while outstanding securitization funds remained stable at around 17 billion dirhams, and the total net assets of the Capital Investment Funds (OPCC) stood at 2.8 billion dirhams, up 3.9 percent.

- With regard to the quality of investors in the capital markets, a growing interest from resident individuals has been observed in terms of the number of securities accounts, of UCITS unit holders, as well as the volume of stock market transactions.

Lastly, the Committee reviewed the implementation of the actions aimed at strengthening the compliance and effectiveness of the national system for combating money laundering and the financing of terrorism. While commending the progress made since Morocco's removal from the FATF's grey list, the Committee reiterate the need to pursue efforts in view of the third round of the MENAFATF mutual evaluations, due to start in 2026.

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