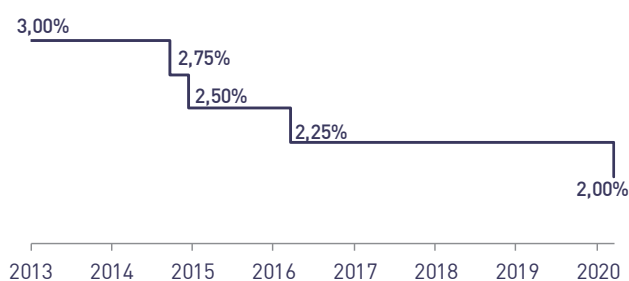


AN EXCEPTIONAL SITUATION... A NEW APPROACH

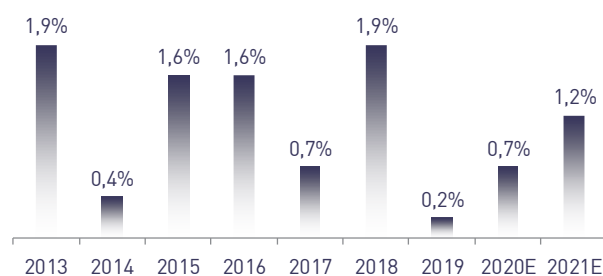
A break... in the continuity

Supported by the effectiveness of its monetary policy, which has proven to be relevant in its mission of maintaining price stability, Bank Al-Maghrib has maintained its key rate intact at 2.25% for almost 4 years while prioritizing a long-term interpretation of macroeconomic aggregates.

KEY RATE EVOLUTION



INFLATION



Indeed, in an exceptional context marked by two years of successive droughts and the propagation of Covid-19, the Bank Al-Maghrib Board, in its revised version after new members' appointment, has decided to lower the key rate by 25 BPS to 2.0%.

Therefore, this change is in line with the downward trend in the key rate, which has been reduced from 3.5% in 2008 to 2.0% currently.

This decision is in the spirit of the measures taken by the world's central banks which have decided to loosen their monetary policies in both developed countries (the Federal Reserve, the Bank of England, the Bank of Canada and that of Norway) and in comparable countries (Central Bank of Tunisia). They have in fact decided to lower their interest rates to limit the impact of the pandemic on their respective economies.

Abdelaziz Lahlou
Chief Economist

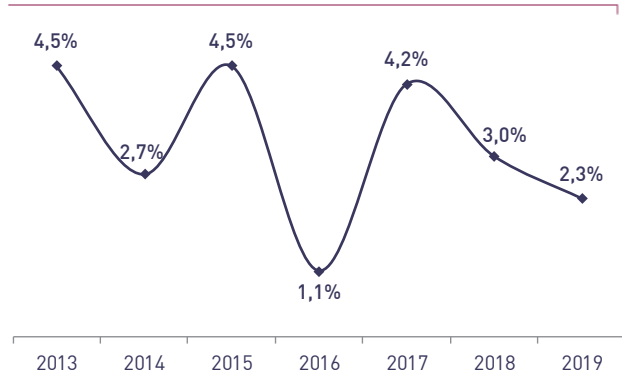
Source : BAM

AN EXCEPTIONAL SITUATION... A NEW APPROACH

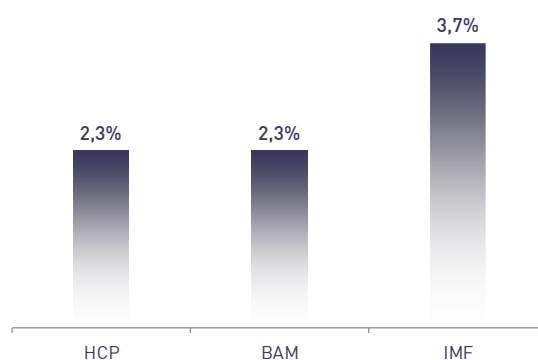
The support of economic growth... emerged as a top priority

This decision is justified by the need to support economic growth, particularly in a context where inflation, set at 0.2% in 2019 and expected at 0.7% and 1.2% respectively in 2020E and 2021E, does not represent a major concern. On the other hand, growth presents an apprehension source particularly after the announcement by the High Commission for Planning of a growth level for 2020E expected to reach 2.3% at best, i.e. the lowest during the two past decades. This situation can be explained by both endogenous factors (low rainfall) and exogenous factors (slowdown in foreign Demand, Covid-19 effect). These forecasts are likely to be revised downwards if the pandemic is not contained in the short term.

ECONOMIC GROWTH



2020E GROWTH FORECASTS



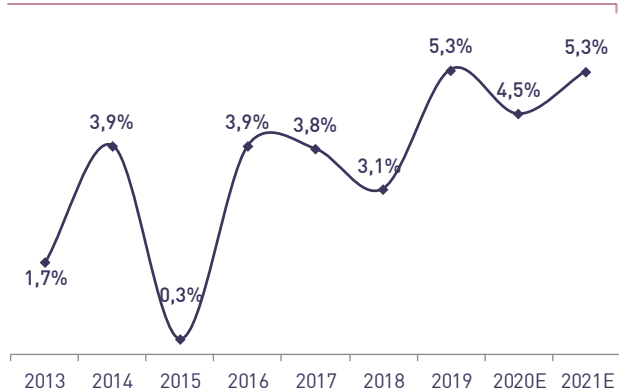
Frequent monitoring... in a continually evolving context

Faced with the fast evolution of events, the Central Bank suggests in its press release that it could make adjustments, whenever appropriate, without necessarily respecting a quarterly frequency.

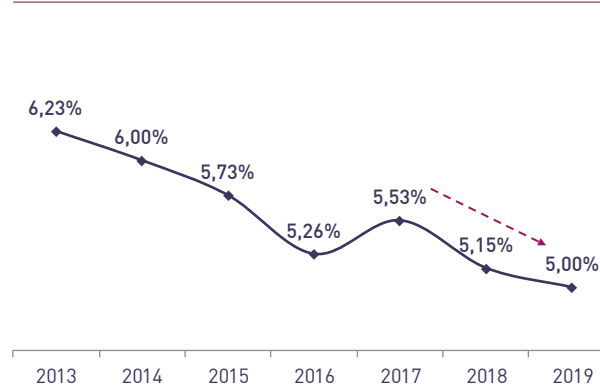
In perspective

This drop in the key rate would be reflected in the banking sector. The average borrowing rate has already fallen by 18 BPS over a quarter to 4.91% in Q4-19, a drop which has affected individuals, businesses and individual entrepreneurs.

EVOLUTION OF LOANS TO THE NON-FINANCIAL SECTOR



EVOLUTION OF THE AVERAGE BORROWING RATE



While welcoming the relevance of this decision, we believe that it could be accompanied in the future by other monetary easing actions and in particular liquidity injections in the hope of increasing the transmission level of these actions to the Demand. Loans growth is expected to reach 4.5% in 2020E then 5.3% in 2021E after 5.3% in 2019.

Sources : BAM, HCP, IMF

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