RESEARCH REPORT

FIXED INCOME

Q1

Q2 | **MOROCCO** | HALF-YEARLY

Fixed Income Market

Q3

Q4

A TRUSTWORTHY **OUTLOOK** FOR RATE STABILITY

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Despite the increase in the Treasury's financing needs over the past two years as a result of the significant readjustment of fiscal policy, bond rates did not experience any particular pressure during H1-2021.

Let us recall that the health crisis' negative repercussions on the two Supply / Demand circuits brought the fiscal deficit to 7.6% of GDP in 2020. In 2021, the deficit would remain at high levels of 6.3% of GDP against a normative level of 3.5%, due to the adoption of a counter-cyclical fiscal policy[1].

Thanks to an accommodating monetary policy by Bank Al-Maghrib marked by a historic cutting of the key rate to 1.5% and an orientation towards external financing through a record raising of $ 3 Bn, the Treasury benefited from a significant drop of its financing cost since 2020.

In the light of our half-yearly analysis, five key messages would be retained :

- After a year 2020 marked by an unprecedented -6.3% recession, the Moroccan economy would experience a solid rebound of 5.8% in 2021E. The tangible signs of GDP recovery were reflected positively on the State's public finances during this first half of the year. This attests to the good budgetary execution of the forecasts of the 2021 Finance Act ;

- Despite almost exclusive recourse by the Treasury to the domestic market, the yield curve has not suffered any visible pressure. On the opposite, it continued to slide during H1-2021. Indeed, the better-than-expected recovery of the economy helped to support public finances' comfortable situation ;

- We are maintaining our main scenario, which favors the stability of bond rates during H2-2021. However, the visible delay in international fundraising of the Treasury, through an execution rate of only 22% at the end of June, could generate "transient" tensions on the yield curve during Q4-21;

- The subject of "inflation" is at the heart of our rate stability scenario in 2021. In fact, the inflationary context in Morocco remains generally manageable, thus eliminating any risk of monetary tightening from Bank Al-Maghrib over the short-term;

- The significant increase in public debt should be put into perspective. On the one hand, the interest charge followed a downward trend since 2015 due to the fall in the financing costs of the Treasury both on the domestic and foreign markets. On the other hand, the increase in Morocco's outstanding debt would be analyzed within the framework of the new global post-Covid-19 trend. To this end, the evolution of the Kingdom's debt is less pronounced compared to emerging countries.

(1) A fiscal policy that takes place by opposing growth cycles. The goal is to revive the economy when it is slowing down.

SUMMARY

AFTER THE COVID-19 SHOCK, A SOLID ECONOMIC RECOVERY IS IN SIGHT

An economic rebound expected at more than 5.0% in 2021E ...

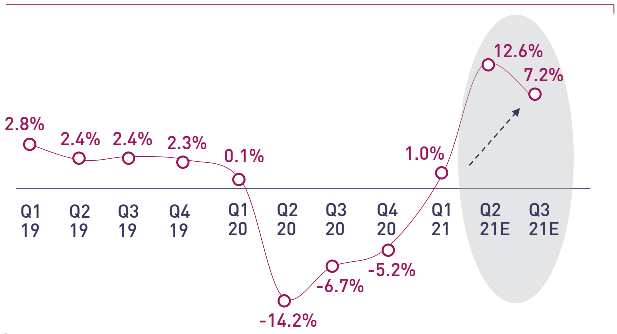
After the year 2020 marked by an unprecedented -6.3% recession, the Moroccan economy would experience a solid rebound of 5.8% in 2021E, according to the latest HCP projections. Several factors contributed to this recovery :

(1) A record agricultural campaign for 2021 exceeding the historic threshold of 100 MQx against 32 MQx in 2020 and an average of 65 MQx during the last five-years ;

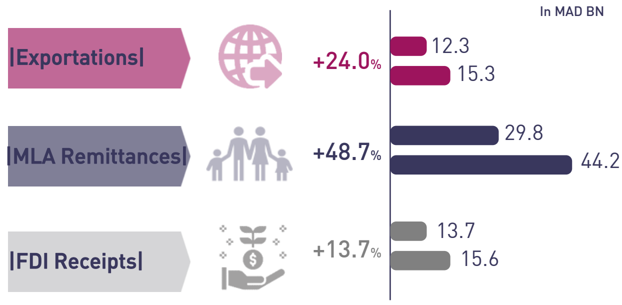
(2) A quite rapid recovery in the main strategic economy sectors supported by the launch of a major investment plan of over MAD 120 Bn. This favorable development was made possible thanks to the successful deployment of the vaccination campaign in Morocco through a vaccination rate exceeding 50% of the population having received at least the 1st dose of the vaccine ;

(3) A recovery in foreign Demand addressed to Morocco combined with the establishment of the "Marhaba" operation, the repercussions of which are positive both on the dynamics of domestic Demand and on the balance of payments. At the end of this H1-2021, Moroccans living abroad remittances and FDI receipts show interesting performances of + 48.7% and + 13.7% respectively.

MOROCCO: CHANGE IN NOMINAL QUARTERLY GDP



MOROCCO: BALANCE OF PAYMENTS AT JUNE 2021



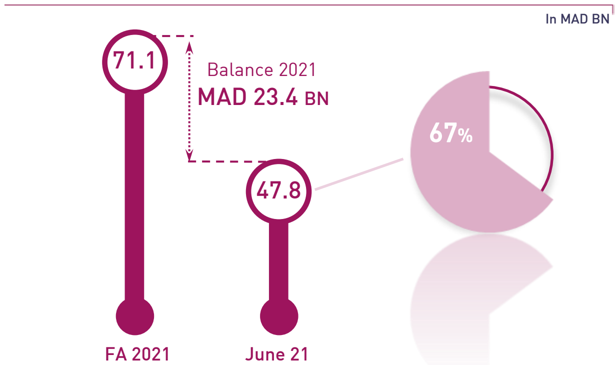
... reflecting positively on public finances situation in H1-2021

The tangible signs of recovery in the national economy are reflected positively on the state's public finances during H1-2021. At the end of this period, the Treasury financed nearly 67% of its annual financing requirement announced for the fiscal year 2021, or MAD 47.8 Bn *(C.f.-Budget Focus June 2021)*.

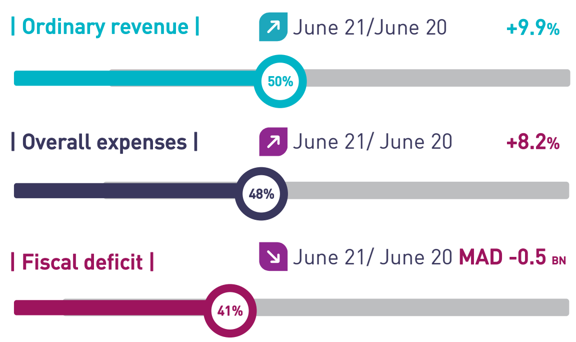
At the same time, we note a good budgetary execution of the FA-21's forecasts in H1-21 through :

- An improvement in tax revenue of + 8.3% to MAD 107.9 Bn (with the exception of the corporate tax which remains penalized by the deceleration in activity in 2020). Taking into account the solidarity contribution of MAD 3.5 Bn allocated to the Social Protection Support Fund, the increase would be greater in the order of +12% ;
- An increase in ordinary expenditure of + 5.4% to MAD 127.8 Bn, reflecting the increase in staff expenditure, in particular under the effect of the 3rd tranche's measures to salary increases within the framework of social dialogue ;
- A fiscal deficit of MAD -29.5 Bn at the end of June 2021, almost at the same level as the previous year. Recall, in June 2020, the Treasury noted a surplus of MAD 15.3 Bn thanks to the special Covid-19 fund.

FINANCING NEEDS: S1-21 VS. FA 2021



FA 21: ACHIEVEMENT RATES VS. CHANGE IN H1-21



Sources : Bank Al-Maghrib, Forex Exchange Office, Ministry of finance, AGR Analysis & Computations

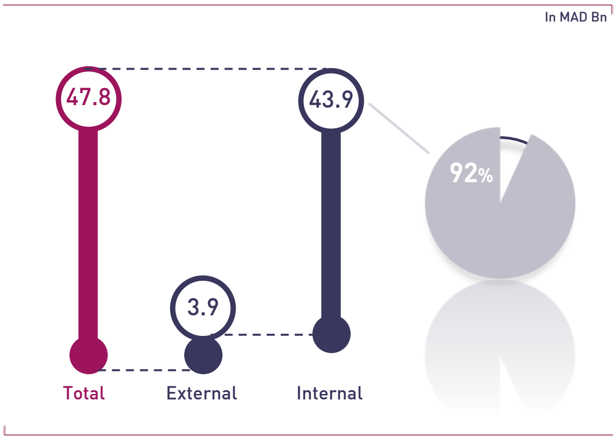
A LOCAL DEBT MARKET WHICH REMAINS UNDER LOW PRESSURE ...

Despite almost exclusive use of internal market during the 1st half

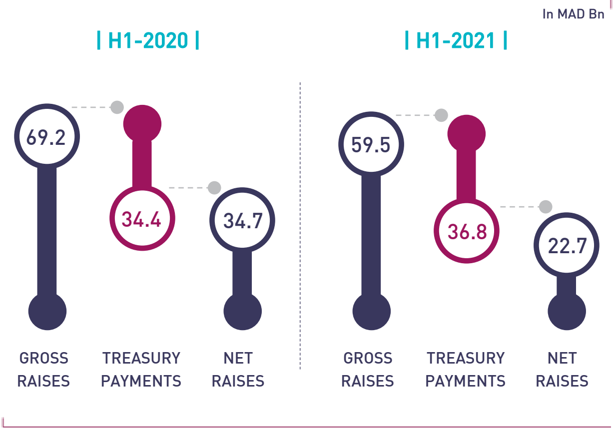
In the absence of new international inflows, the Treasury's financing needs for the 1st half of 2021 were mostly satisfied on the domestic market, i.e. up to 92%. Despite the almost exclusive recourse by the Treasury to the domestic market, its gross raises[1] on the auction market amounted to nearly MAD 60.0 Bn in H1-21, down -13.9% compared to the same period of the previous year.

This evolution is even more pronounced at the level of net raising[2] of the Treasury during the 1st half of 2021. The latter amounted to MAD 22.7 Bn in H1-21 against MAD 34.7 Bn during the same period of the previous year. , i.e. a significant drop of -34.5%. Originally, more significant capital and interest payments in this 1st semester. As a reminder, these went from MAD 34.4 Bn to MAD 36.8 Bn during the studied period.

DOMESTIC VS. OUTSIDE FINANCING H1-21



TREASURY: CHANGE IN NET RAISES [2]



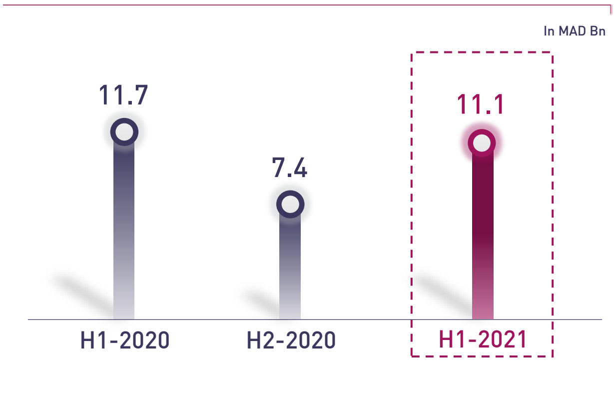
... the Treasury issuance policy did not exert great pressure

The decline in gross government borrowings on the auction market is mainly explained by the favorable trend in the Treasury's public finances and a comfortable cash flow situation. This helped to contain the TB Offer on the domestic debt market.

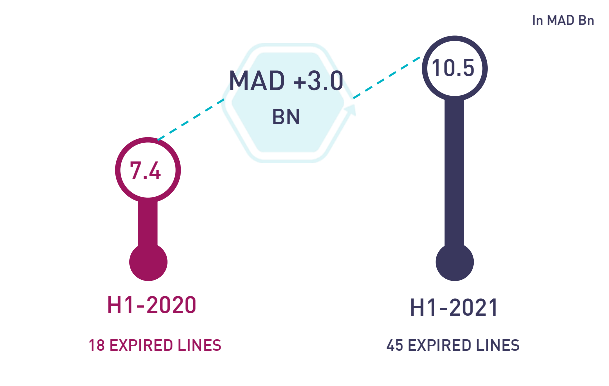
The expansive effect of the last international outflow of $ 3.0 Bn last December is still visible on Treasury accounts. It shows a surplus of its cash position during H1-21. The significant levels of its money market investments attest to this. The overall outstandings including cleared and repurchased investments exceeded MAD 11.0 Bn on a daily average in H1-21, up + 51.3 %% compared to H2-20.

At the same time, the duplication of TB exchange operations during H1-21 made it possible to readjust the profile of the Treasury's debt and smooth its short-term payments. These increased by MAD 3.0 Bn, from MAD 7.4 Bn in H1-20 to more than MAD 10.5 Bn in H1-21.

TREASURY: OUTSTANDING MONETARY INVESTMENTS



TREASURY: TBS EXCHANGE OPERATIONS



(1) Gross raising of the Treasury on the auction market excluding reimbursements of expired TBs.

(2) Net treasury raises including deposits from the Treasury in TBs.

Sources : Ministry of finance, AGR Computations & Analysis

... MARKED BY A REPROFILING OF TREASURY DEBT

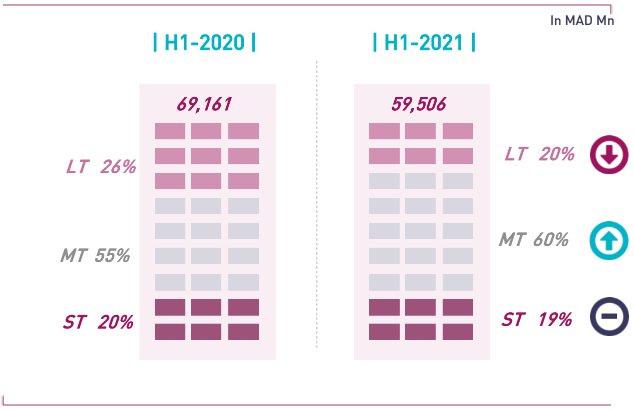
The treasury confirms its appetite for SMT maturity segments

Like the H1-20, the Treasury issuance policy was characterized by the predominance of government money raising on the short and medium-term segment of the curve. Thus, the weight of Treasury subscriptions on these two maturity brackets increased from 75% in H1-20 to 79% in H1-21. In contrast, the share of long maturities fell by 6 pts, from 26% to 20% during the same period. In our opinion, these orientations reveal two main findings :

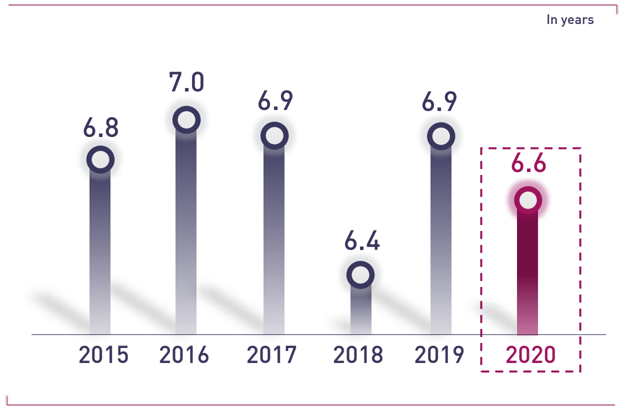
(1) Bolstered by a comfortable duration of over 6.5 years, the Treasury enjoys fairly comfortable leeway allowing it to optimize its financing cost on the domestic market by moving towards SMT maturities. The latter have lower profitability requirements than those of long maturities ;

(2) In a context highlighted by a lack of visibility, investors tend to increase their long-term payment requirements. Under these conditions, the Treasury would avoid marking up the yields on long maturities.

TREASURY: BREAKDOWN OF RAISINGS BY MATURITY



TREASURY: CHANGES IN DEBT DURATION

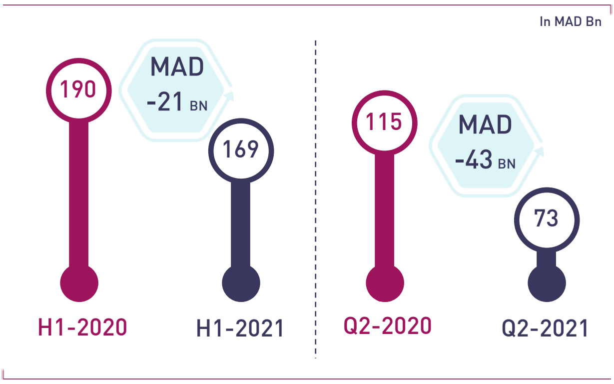


A significant decline in demand from investors in Treasury bond during Q2-21

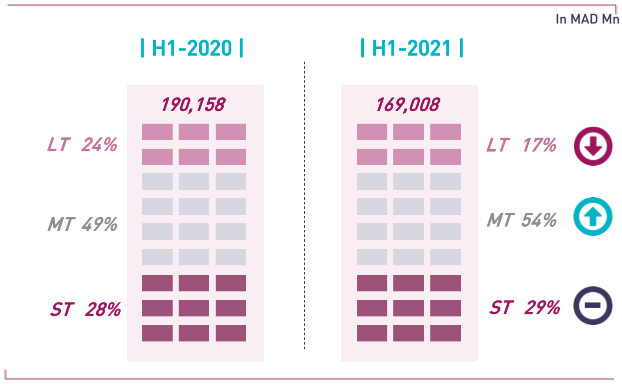
After an increase of 30% during the 1st quarter of 2021, the demand of investors in TB fell by -11% at the end of H1-21, going from MAD 190.2 Bn to MAD 169.1 Bn over this period. This change is mainly explained by the drop in Demand during Q2-21 of -37.0%, i.e. a drop of more than MAD 40.0 Bn. Originally, a large base effect in Q2-20 which saw strong investor interest in TBs. In fact, investors faced a period of great uncertainty highlighted by unprecedented decisions to lockdown the population. As an indication, Demand exceeded MAD 115 Bn in Q2-20, against a quarterly average of MAD 85 Bn in 2019.

Analyzing the distribution of investors' Demand in TBs, we note an increase in short and medium maturities, the weight of which increased from 76% in H1-20 to 83% in H1-21. Conversely, the weight of LT maturities fell from 24% to 17% over the same period. Initially, the orientation of local operators' investment strategies towards the SMT, pending a possible normalization of rates in the future.

INVESTORS' DEMAND IN TREASURY BILLS



BREAKDOWN OF DEMAND BY MATURITY



Sources : Ministry of finance, ATW Capital Markets, AGR Computations & Analysis

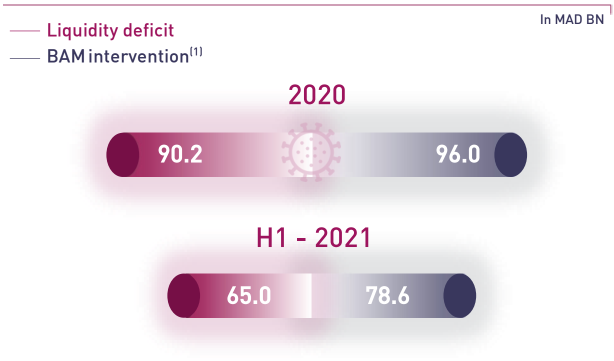
AN ALWAYS VISIBLE INTEREST OF LOCAL ACTORS IN TREASURY BILLS

Still favorable liquidity conditions on the money market

The decline in investor Demand for TBs during H1-21 is only a technical readjustment of the bond market, after an exceptional phase marked by the onset of the health crisis. It would be noted that banks and management companies, which represent more than half for TBs Demand, still show a pronounced interest in TBs in a market marked by favorable liquidity conditions.

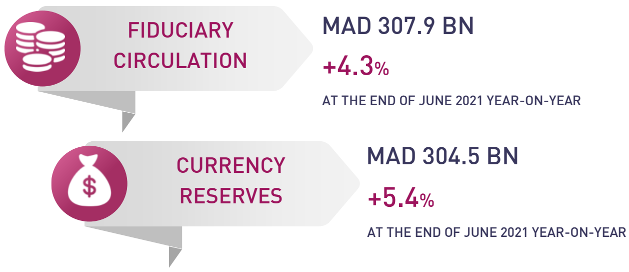
Regarding the bank liquidity deficit, it eased by 11.6% from an average of MAD 90.2 Bn in 2020 to MAD 64.2 Bn in H1-21. This orientation is supported by the increase in foreign currency assets by 5.4% to MAD 304.5 Bn at the end of June 2021 under the effect of the last international outflow from the Treasury as well as the relative full observed at the level of currency in circulation. Recall that Bank Al-Maghrib continues to meet all bank financing needs over the past two years.

EVOLUTION IN THE BANKING LIQUIDITY DEFICIT



[1] Average of 7-day advances, guaranteed loans, repurchase agreements and foreign exchange swaps

EVOLUTION OF AUTONOMOUS LIQUIDITY FACTORS



Positive net inflows from bond UCITS

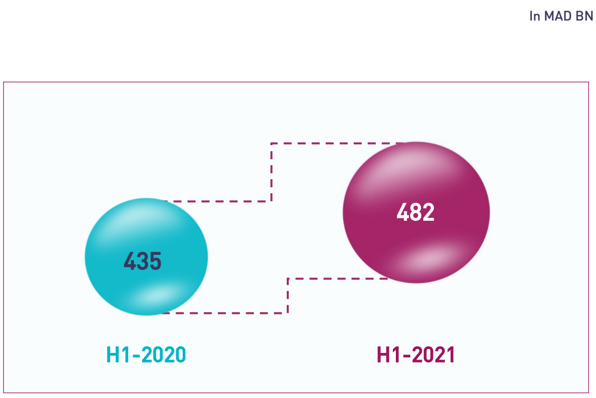
Management companies continued to show a real appetite for TBs during H1-21, despite the aggressive return to Equity and Diversified funds. These funds assets appreciated considerably by 28.1% and 75.5% respectively in H1-2021 supported by the relative attractiveness of the returns offered by Equities.

UCITS bond assets under management stood at MAD 482 Bn during H1-2021 against MAD 435 Bn during H1-2020, a significant increase of +11.0% compared to the same period of the previous year. In addition, we note a more pronounced interest in short maturities, which is reflected in :

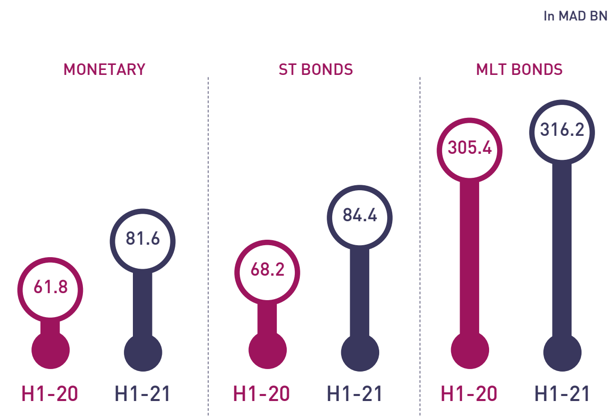
(1) The appreciation of Assets under management of money market funds of 32.1%, going from MAD 61.8 Bn in H1-20 to more than MAD 81.0 Bn in H1-21 ;

(2) The increase in assets under management of ST UCITS by + 23.8%, from MAD 68.2 Bn in H1-20 to MAD 84.4 Bn at the end of H1-2021.

ASSETS UNDER MANAGEMENT OF BOND UCITS



CHANGE IN ASSETS UNDER MANAGEMENT IN H1-21



Sources : Bank Al-Maghrib, Ministry of finance, ATW Capital Markets, MCMA, AGR Computations & Analysis

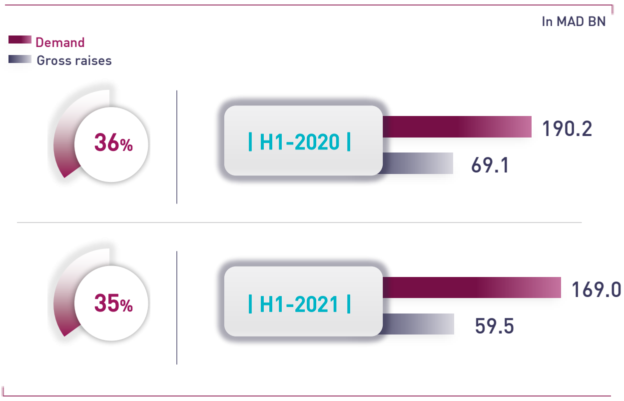
CONTINUED SLIDING OF THE PRIMARY CURVE DURING H1-2021

A Supply/Demand clash ...

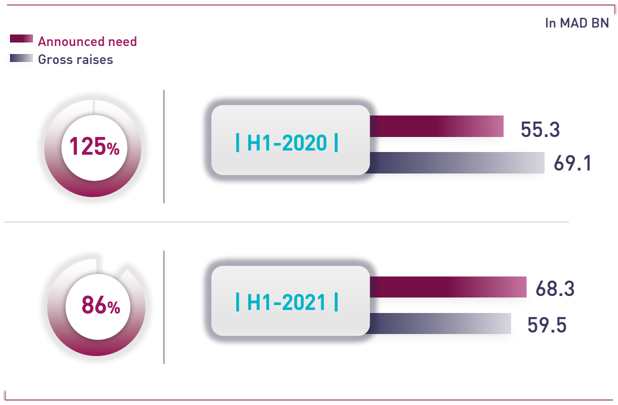
Taking into account the greater drop in gross Treasury raisings compared to investor demand, bond rates trended downward during the first half of 2021. Indeed, the recovery of the economy from Q2-21 contributed to supporting the comfortable situation of public finances and to maintaining the cash surpluses accumulated by the Treasury since December 2020. This is evidenced by the TBs Demand satisfaction rate which consolidated during H1-21 at 35.0% vs. 36.0% in H1-20. This configuration dragged down the remuneration requirements of local investors.

At the same time, the Treasury's recourse to the domestic market remained very moderate, despite the absence of a new international fundraising. This situation did not generate upward pressure on bond yields. This observation is reflected in the achievement rate of Treasury requirements during the period studied. As an indication, the Treasury subscribed an amount of MAD 59.5 Bn during H1-21 against MAD 68.3 Bn of announced financing needs. This is an achievement rate of 86% compared to a 25% year-on-year overrun a year earlier.

TREASURY: DEMAND SATISFACTION RATE



TREASURY: REQUIREMENTS ACHIEVEMENT RATE



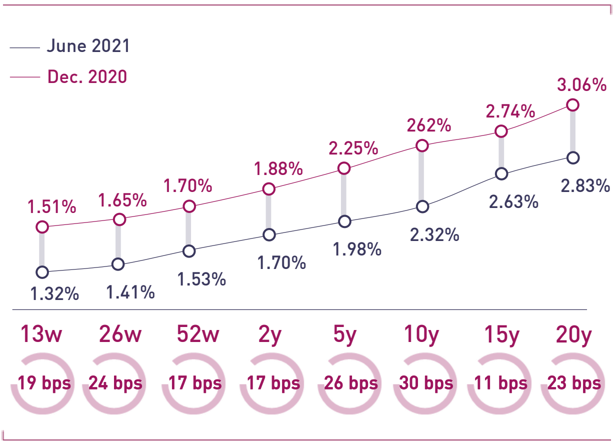
...which favors the sliding of the yield curve

Concretely, we saw a rates downward trend on the primary and secondary compartments during H1-21:

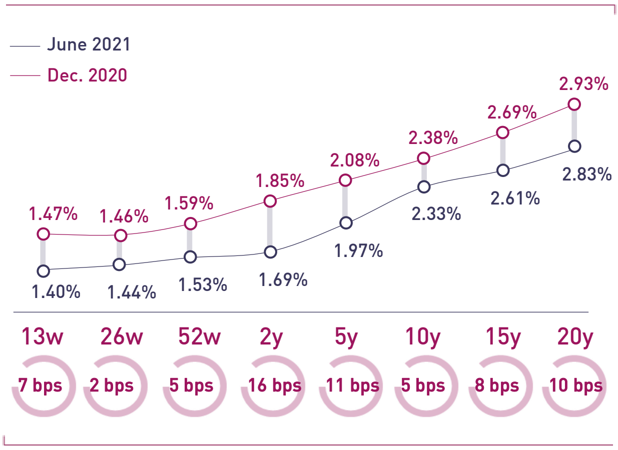
- **Primary curve:** The ST maturity segment experienced declines varying in a range of [17 to 24 BPS], while the maturities of the MLT segment swung in a range of [11 to 30 BPS] ;
- **Secondary curve:** Short maturities fell by 4.7 BPS on average during H1-21, while medium and long maturities fell over the same period by 10.0 BPS on average.

The lower return requirements of local investors also reflect an improvement in their confidence level in the economy. This is clearly reflected in the results of the AGR Confidence Index in Q2-21, the score of which crossed the 60 pts for the 1st time since 2016 *(Cf. AGR Confidence Index).*

MOROCCO: PRIMARY BOND CURVE (TBS)



MOROCCO : SECONDARY BOND CURVE (TBS)



Sources : Ministry of finance, ATW Capital Markets, AGR Computations & Analysis

« INFLATION » AT THE HEART OF OUR KEY RATE STABILITY SCENARIO

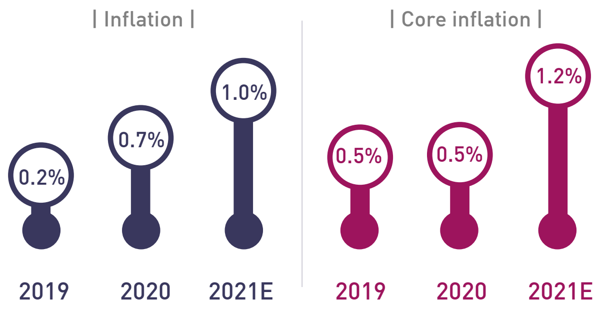
Taking into account the liquidity conditions of the money market, the evolution of the economy's refinancing costs as well as the outlook for ST bank loans, *we maintain our scenario of the key rate stability at 1.5% during the second half of 2021*. This indicator is closely linked to the evolution of the yield curve's short maturities. To this end, the fundamental factors which justify this scenario still seem relevant to us. These were presented in our edition related to Q1-21 *(Cf - Quarterly Fixed Income Q1-2021).*

As a reminder, our rate stability scenario is based on an globally manageable inflationary context. It is true that the consumer price index accelerated during H1-21, in line with the global trend. For example, inflation in the United States is expected to drop from 1.8% in 2020 to 2.3% in 2021E. In the Eurozone, the price index would stand at 1.2% for 2021E, against 0.3% in 2019. Nevertheless, we are confident that inflation will be under control in Morocco below 2.0% during the period 2021E-2022E. Such a scenario would rule out any risk of monetary tightening from BAM over the ST.

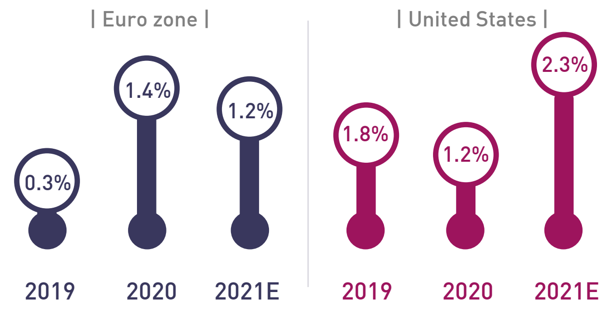
In the end, we note four main observations concerning the topic of "inflation":

- The main central banks, like the FED and the ECB, agree on the temporary nature of recent inflationary pressures. In fact, these would not present a real source of concern in the eyes of these institutions. Under these conditions, the main international central banks suggest the maintenance of their accommodating monetary policies in 2021E ;
- According to Bank Al-Maghrib, inflation will settle around 1.0% in 2021E against 0.7% in 2020. This will evolve to 1.4% from 2022E. At the origin, the rise in the prices of raw materials, in this case those of petroleum and crude oils. Remember that the price of Brent appreciated by more than 45% in H1-2021 ;
- Controlling food component prices under the effect of an exceptional agricultural season combined with a recovery without much pressure in domestic Demand would make it possible to contain the price index in Morocco at moderate levels ;
- We rule out the scenario of a sharp deterioration in the health situation in H2-21. After having surpassed the peak of contamination in August 2021 and taking into account the pace of the vaccination campaign in Morocco, we remain confident that the various sectors of activity affected by this health crisis will gradually return to normal.

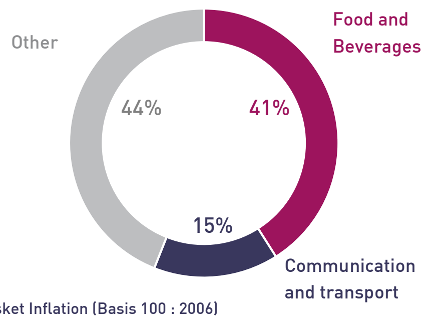
MOROCCO: INFLATION VS. CORE INFLATION



BENCHMARK : INTERNATIONAL INFLATION (%)

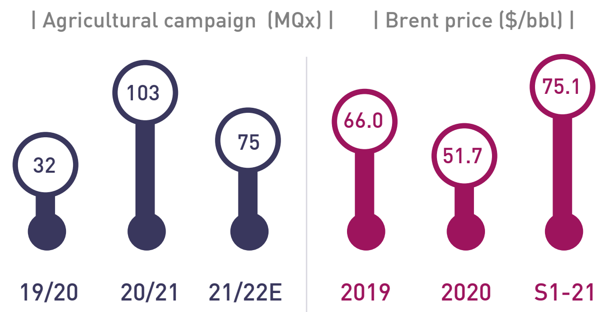


MOROCCO : INFLATION(2) BASKET



(2) 2007 Basket Inflation (Basis 100 : 2006)

MOROCCO : AGRICULTURAL CAMPAIGN VS. BRENT PRICE



Sources : Bank Al-Maghrib, IMF, HCP, Ministry of Agriculture, Bloomberg, AGR Computations & Analysis

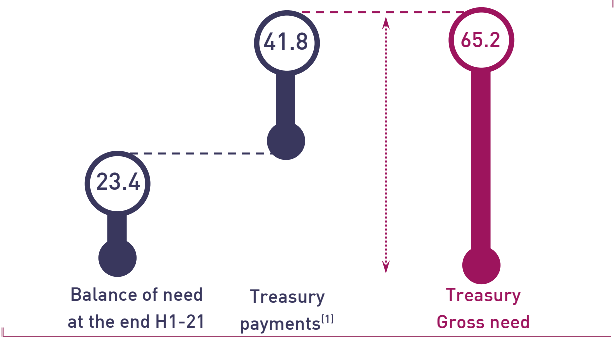
A BOND MARKET ON THE SIGN OF STABILITY IN H2-2021

A recourse without great pressure from the Treasury to the domestic market in 2021E

Based on 2021 FA forecasts and the level of treasury payments estimated at MAD 41.8 Bn during the rest of 2021, we estimate that the average gross financing requirement of the Treasury per month would stand at MAD 5,5 Bn in the 2nd half of the year (Cf-Budget Focus June 2021). This level, considered low, takes into account the hypothesis of the achievement of all the financing of the Treasury internationally expected at more than MAD 32 Bn during the H2-2021.

Under these conditions, the Treasury would be able to mobilize the necessary resources on the domestic market without exerting strong pressure on bond yields. *In the end, we maintain our forecasts for a stable evolution of bond rates during the 2nd half of 2021* (Cf-Quarterly Fixed Income Q1-2021).

TREASURY FINANCING NEEDED AT END 2021



(1) Remaining internal and external payments

ESTIMATED MONTHLY TREASURY REQUIREMENT

(2) On the TB auction market and through other domestic financing operations

A comfortable Treasury issuance policy during the 2nd half of 2021

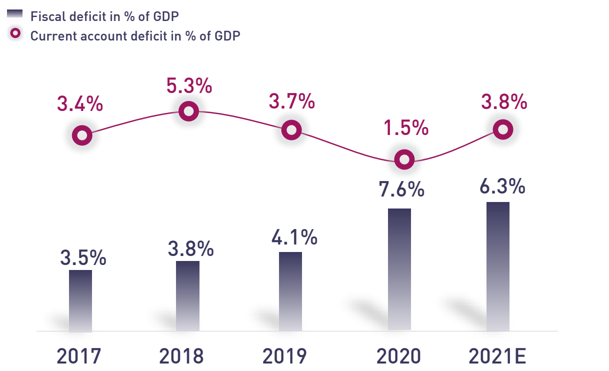
It is important to mention that the Treasury benefits from a generally favorable context in Morocco, allowing it to carry out a comfortable TBs issuance policy. To this end, we note the following findings :

(1) A fiscal policy that would continue its expansionist and counter-cyclical orientation through a credible deficit level of 6.3% of GDP in 2021E against 7.6% in 2020. In fact, the 2021 FA is based on the mobilization of additional revenue such as privatizations for a target amount of MAD 4.0 Bn ;

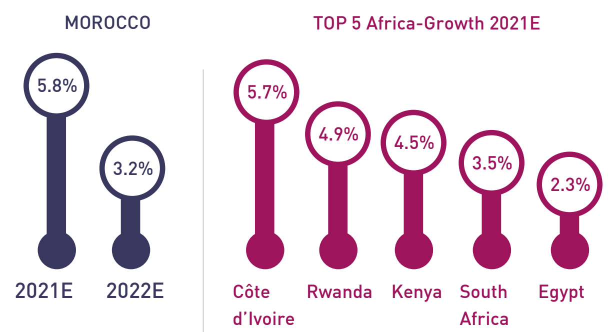
(2) A current account deficit which improved markedly since 2012 under the effect of the structural decline in the energy bill and the good momentum of exports in 2021. The current account deficit thus fell from 7.5% of GDP in 2012 to 5.3% in 2018 then around 3.8% in 2021E ;

(3) Reassuring economic fundamentals reflected in a consensus forecast for GDP growth around 5.8% in 2021E. To this end, the Moroccan economy is expected to post one of the best growth rates among african economies during 2021E. Starting 2022E, economic growth would resume with a normative rate above 3.0% according to the initial forecasts of the 2022 FA.

FISCAL DEFICIT VS. CURRENT ACCOUNT DEFICIT



MOROCCO: GDP GROWTH FORECAST



Sources : Ministry of Finance, World Bank, ATW Capital Market , AGR Computations & Analysis

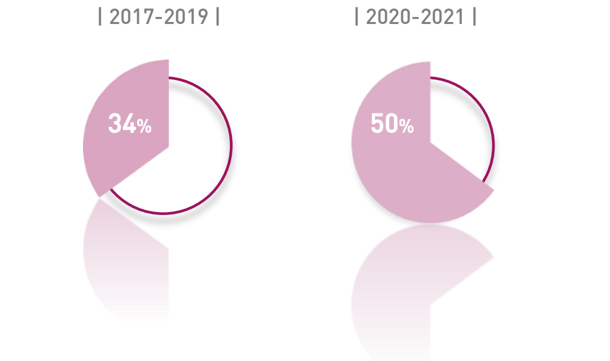
THE DELAY IN EXTERNAL RAISINGS, THE MAIN SOURCE OF RATE VOLATILITY

A "temporary" rate increase in Q4-2021 is a possible scenario

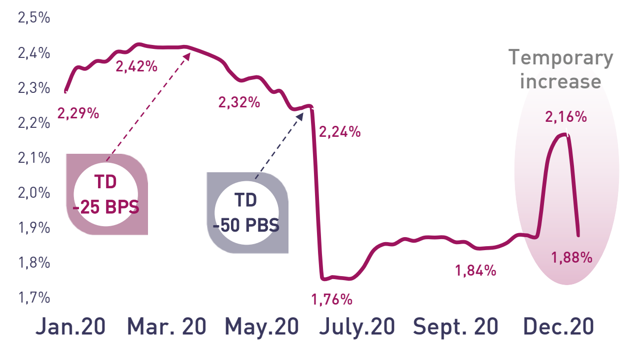
On the sidelines of the health crisis, the orientation towards external raisings emerged as an essential alternative in order to alleviate the pressure on domestic liquidity and to avoid an increase in the financing cost of the economy. In 2020, the Treasury mobilized external resources amounting MAD 60.0 Bn against an estimate of MAD 41.0 Bn in 2021E. Under these conditions, the external market would cover 50% of the Treasury's financing requirement over the period 2020-2021E against 34% during the period 2017-2019.

The visible delay in recourse to external financing with an execution rate of 22% at the end of June 2021, could nevertheless generate "temporary" tensions on rates during the last quarter of 2021. A situation similar to that observed in November 2020. At this time, rates experienced upward pressure due to the Treasury's pronounced recourse to the domestic market before quickly readjusting around mid-December following the Eurobond issue of $ 3M.

TREASURY: WEIGHT OF EXTERNAL FINANCING



2-YEAR RATE: TEMPORARY INCREASE IN 2020



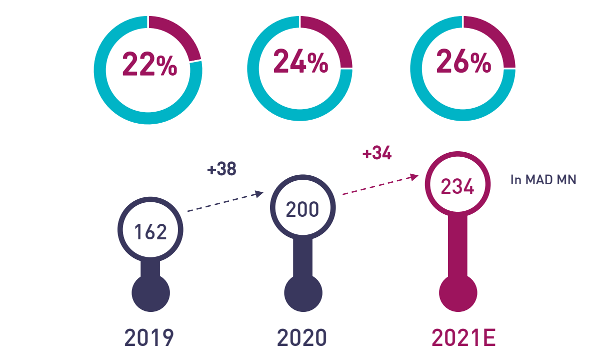
Nevertheless, international financing conditions remain a guaranteed factor

External financing remains a determining factor for the stability of bond rates in 2021E. It is true that this new orientation raised the weighting of the Treasury's external debt which would reach 26% in 2021E against 24% in 2020 and 21.0% on average during the period 2017-2019. In the current context, this weight remains consistent with the Treasury bench-mark, which external debt weight varies within a range of [20% to 30%].

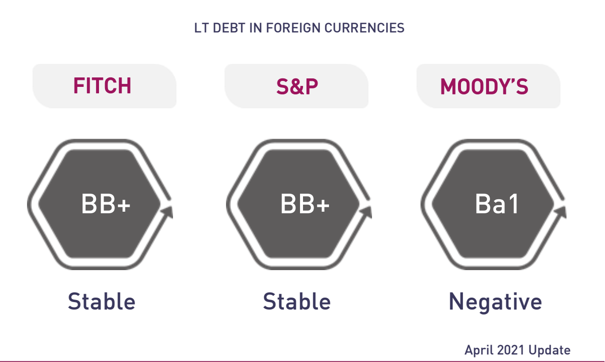
We remain confident in Morocco's ability to achieve new international issues without difficulty and under favorable financing conditions. Compared to emerging countries, the Kingdom will still benefit in 2021 from a relatively attractive international risk premium.

In the end, the upward tensions that rates could experience during Q4-2021 would be of a "temporary" nature. Consequently, these do not call into question our central scenario which favors a relative stability of the yield curve for the remaining of the year 2021E.

TREASURY: WEIGHT OF EXTERNAL DEBT



MOROCCO: MAIN RATINGS OF LT DEBT



Sources : Ministry of Finance, ATW Capital Market , AGR Computations & Analysis

AN INCREASE IN THE OUTSTANDING PUBLIC DEBT TO RELATIVIZE

A counter-cyclical Treasury policy impacting the outstanding public debt

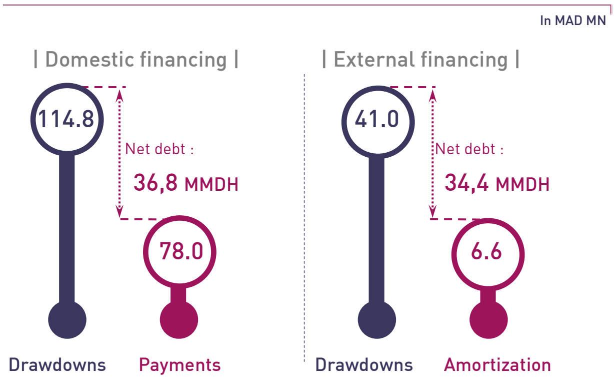
The implementation of an expansionary fiscal policy in order to counter the harmful effects of the health crisis on the economy's productive fabric impacted the outstanding public debt during the period 2020-2021. Under these conditions, the Treasury Debt would exceed MAD 900 Bn in 2021E against MAD 832 Bn in 2020. The debt ratio for its part took an upward trend since 2020 due to the scissors effect between the increase in Treasury needs and the declining GDP. The debt level would stand at 79.6% of GDP in 2021E against 77.2% in 2020 and an average of 65.1% during the period 2017-2019. In more details :

(1) Domestic debt is estimated at MAD 670 Bn at the end of 2021E, up by MAD 36.8 Bn compared to 2020 ;

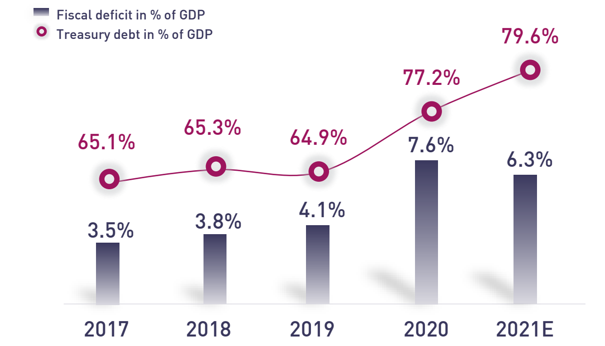
(2) The external debt of the Treasury would evolve from MAD 200 Bn in 2020 to MAD 234 Bn at the end of 2021E.

Nevertheless, it would be noted that the increase in Morocco's outstanding Debt would be analyzed within the framework of the new global post-Covid-19 trend. In fact, the debt of the Kingdom since the start of the health crisis is less pronounced compared to emerging countries. For example, Egypt, South Africa and Ghana are expected to post increases in their debt ratios in 2021 of 6 pts, 15 pts and 14 pts to 90%, 77% and 78% respectively.

2021 FA : DOMESTIC VS. EXTERNAL FINANCING



TREASURY: DEBT LEVEL EVOLUTION



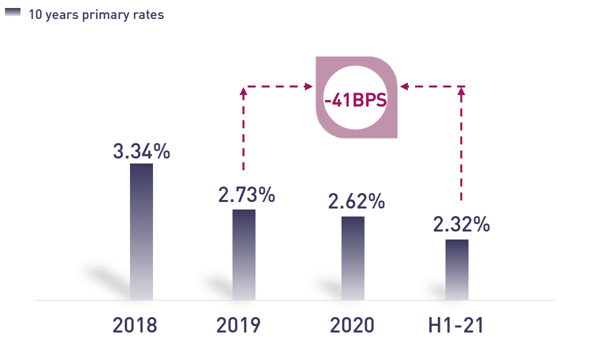
However, with no visible impact on Treasury interest charges

The significant increase in the outstanding Treasury debt is in our view to be put into perspective. This development has not had a visible impact on Treasury interest charges over the past two years. On the contrary, interest was on a downward trend since 2015. The weight of interest charges in relation to external and domestic debt does not exceed 1.0% and 0.6% respectively in 2020 against 1.3% and 0.7% in 2015.

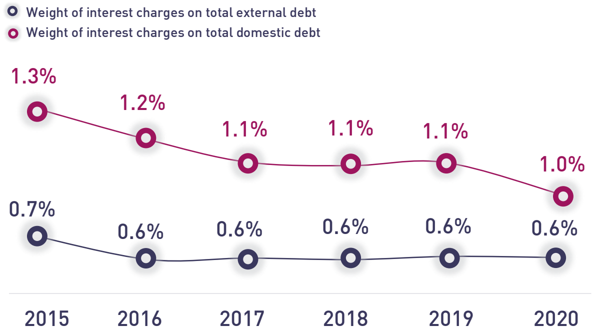
Originally, the downward trend in sovereign rates both on the domestic and international markets. On the one hand, we are witnessing the decline of more than 40 BPS in the 10-year rate in Morocco since 2019. On the other hand, we note a drop in interest rates from the last international exit of the Treasury in euros on the 10-year maturity at 2.0% in September 2020 against 3.5% on a similar maturity denominated in the same currency in 2014.

In the end, we remain confident in Morocco's ability to control its debt ratios due to the positive impact of the economic recovery plan on GDP growth as well as the control of the fiscal deficit.

TREASURY: REDUCED FINANCING COSTS



TREASURY: INTEREST CHARGES (2015-2020)



Sources : Ministry of Finance, IMF, Bloomberg, ATW Capital Market , AGR Computations & Analysis

AGR: MATRIX OF RISKS THREATENING THE RATE STABILITY SCENARIO IN 2021

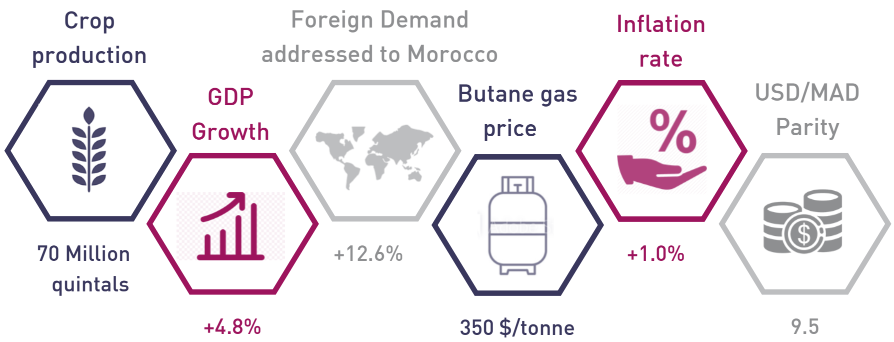
At this stage of the analysis, it is important to highlight several risk factors that could call into question our central scenario of bond rate stability in 2021. We highlight the various risk factors that may induce volatility of short and medium term bonds rates.

RISK FACTORS	Economic Impact	Market Impact	AGR Scenario	Probability of occurence
SUSTAINABLE INCREASE IN INFLATION	Exacerbation of inflationary pressures internationally. Significant pressure on import prices.	Possible tightening of BAM's monetary policy. Increase in the key rate currently set at 1.5%.	**Systematic rise in the yield curve over a ST horizon.**	 Weak High
RISE IN THE OIL PRICE	Degradation of foreign exchange reserves and increase in the energy bill. Pressure on the gas subsidy expense.	Tension on the bank liquidity deficit. Widening of the fiscal deficit. Treasury strong pressure on the domestic market.	**Systematic rise in the yield curve over a ST horizon.**	 Weak High
ABSENCE OF EXTERNAL ISSUES	Intensive use of the domestic market in the absence of the materialization of the external issuances provided by 2021 FA (i.e. MAD 41 Bn).	Aggressive return of the Treasury on the domestic market.	**Bullish tension on the yield curve with an unsustainable character.**	 Weak High
SLOWER THAN EXPECTED RECOVERY RATE	Pressure on the State's tax revenues and the effort to support the economy leading to an increase in the financing needs of the Treasury.	Possible easing of monetary policy to support the economy. Possible decrease in the Key Rate.	**Decrease of the SMT segment of the curve and transmission to LT Rates.**	 Weak High
PRIVATIZATION AND ASSET TRANSFER DELAY	Pressure on government revenue and on the deficit. These operations are expected to bring in nearly MAD 10 Bn to the state budget.	Increase in the Treasury TB Offer on the auctions market.	**Slight tensions on the primary and secondary rate curves.**	 Weak High

Source : Calculs & Estimations AGR

APPENDIX: GENERAL ORIENTATIONS OF THE 2021 FINANCE ACT

Assumptions retained under the 2021 FA



Balance table under the 2021 FA compared to the AFA 2020

In MAD Bn unless otherwise indicated

Objectives	Heading	2020 AFA	2021 FA	Variation	Mechanism
Revenues Mobilization	Regular revenues	222.5	236.9	+6%	⇒ Use of innovative financing mechanisms in partnership with institutions: MAD 14 Bn
	Tax revenue	185.8	195.6	+5%	⇒ Continuation of privatization operations: MAD 4 Bn
	Direct taxes	87.5	80.1	-8%	⇒ Asset Sale: MAD 6 Bn
	Indirect taxes	78.0	90.0	+16%	
	Non-tax revenue	33.7	38.0	+13%	
Control of expenses	Global expenses	308.3	308.0	0%	⇒ Control of staff costs by limiting to the incompressible needs in terms of new creations to guarantee the quality of the services offered.
	Regular expenses	237.5	246.9	+4%	⇒ Rationalization of administrative operating expenses: renewable energies and energy efficiency.
	Operating expenses	197.3	205.7	+4%	⇒ Improved investment management: use of innovative financing mechanisms and prioritization of ongoing projects.
	Public debt Interest	28.3	27.7	-2%	
	Subsidies	11.9	13.6	+14%	
	Investment	70.8	68.1	-4%	
Gradual recovery of the fiscal balance	Fiscal deficit	-82.8	-71.1	-12 MAD BN	⇒ Rationalization of government spending by controlling financing needs in 2021.
	As % of GDP	7.5%	6.5%	-100 BPS	⇒ Upward trend in Treasury debt in line with the government's counter-cyclical fiscal policy.
	Treasury debt	823.3	894.5	+71 MAD BN	
	As % of GDP	75.5%	77.7%	+220 BPS	

ANNEXE: ECONOMIC DASHBOARD 2015-2020

International	UNITY	2015	2016	2017	2018	2019	2020
Global growth	Annual variation	3.5%	3.3%	3.8%	3.6%	2.8%	-3.3%
Eurozone growth	Annual variation	2.0%	1.9%	2.6%	1.9%	1.3%	-6.6%
Foreign Demand addressed to Morocco	Annual variation	4.5%	3.3%	5.7%	2.4%	1.3%	-22.4%
Official reserve assets	Months of B&S imports	6.7	6.4	5.6	5.3	6.9	7.5
Economic growth	UNITY	2015	2016	2017	2018	2019	2020
Growth	Annual variation	4.5%	1.1%	4.2%	3.1%	2.5%	-6.3%
Agricultural added value	Annual variation	12.8%	-13.7%	15.2%	3.7%	-5.8%	-8.6%
N-agricultural added value	Annual variation	3.5%	2.1%	2.9%	2.9%	3.8%	-5.8%
Demand	UNITY	2015	2016	2017	2018	2019	2020
Household consumption	Annual variation	2.4%	3.7%	3.5%	3.4%	1.8%	-8.7%
Government agencies consumption	Annual variation	1.9%	1.5%	1.5%	2.7%	4.8%	4.4%
Investment	Annual variation	1.5%	9.8%	4.1%	5.9%	0.2%	-8.5%
G&S Imports	Annual variation	-3.1%	14.7%	7.9%	7.4%	3.4%	-11.5%
G&S Exports	Annual variation	6.0%	5.5%	11.1%	6.0%	5.6%	-14.8%
Treasury debt	UNITY	2015	2016	2017	2018	2019	2020
Treasury total debt	% of GDP	63.7%	64.9%	65.1%	65.2%	64.9%	77.8%
Treasury domestic debt	% of GDP	49.4%	50.8%	50.7%	51.8%	50.9%	59.1%
Treasury external debt	% of GDP	14.3%	14.1%	14.4%	13.4%	14.0%	18.6%
Treasury debt duration	In years	6.8	7.0	6.9	6.4	6.9	6.6
Public finances	UNITY	2015	2016	2017	2018	2019	2020
Tax pressure*	% of GDP	20.7%	20.9%	21.2%	21.2%	20.7%	18.9%
Regular revenues	Annual variation	21.4%	21.6%	21.7%	21.0%	21.7%	20.2%
Tax revenues	Annual variation	18.4%	18.6%	18.9%	18.9%	18.4%	16.9%
Regular expenses	Annual variation	20.3%	20.0%	19.4%	19.2%	19.4%	21.6%
Investment expenses	Annual variation	5.9%	6.3%	6.3%	5.9%	6.1%	6.4%
Fiscal deficit	% of GDP	4.2%	-4.3%	-3.5%	-3.8%	-4.1%	-7.6%

* Tax revenue (including VAT from local authorities) / GDP

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