

RESEARCH REPORT

FIXED INCOME

Q1

Q2

Q3

Q4





| MOROCCO | QUARTERLY Monetary Policy

BANK AL-MAGHRIB : THE START OF A NEW MONETARY TIGHTENING CYCLE

- 03 | Towards a synchronization of monetary policies internationally
- 04 | Dirham depreciation ... a factor which fuels inflation in Morocco
- 04 | A bond market which has already priced in a rate hike in Morocco
- 05 | Main adjustments to BAM forecasts



Attijari
Global Research

KEY RATE		MANDATORY RESERVE		2022E GROWTH		2022E INFLATION	
	+50 BPS		<i>Unchanged</i>		-20 BPS		+100 BPS
Q3-22	2.0%	Q3-22	0%	New	+0.8%	New	6.3%
Q2-22	1.5%	Q2-22	0%	Initial	+1.0%	Initial	5.3%

BANK AL-MAGHRIB: THE START OF A NEW MONETARY TIGHTENING CYCLE

On the sidelines of its 3rd monetary policy meeting in 2022, Bank Al-Maghrib decides to raise its Key Rate by +50 BPS to 2.0% for the 1st time since 2008. The institution finally leaned in favor of support price stability in Morocco. This monetary reversal is in line with our initial scenario expressed in June 2022 [\[see June 2022 Key Rate\]](#). Recall that the market consensus was mixed regarding the KR expectations, as the results of our last survey carried out in September 2022. [\[See Q3-22 Key Rate Survey\]](#).

For the first time in 20 years, the Central Bank announces a KR increase of 50 BPS. A scenario similar to its European counterpart during Q3-2022. Indeed, the ECB has surprised the market twice with KR hikes of 50 BPS in July and 75 BPS in September against initial forecasts of 25 BPS and 50 BPS. This decision attests to a change in BAM's perception of the "transitional" nature of inflation in Morocco. From now on, the institution has as a priority the easing of the inflationary pressure which seems to be increasingly sustainable.

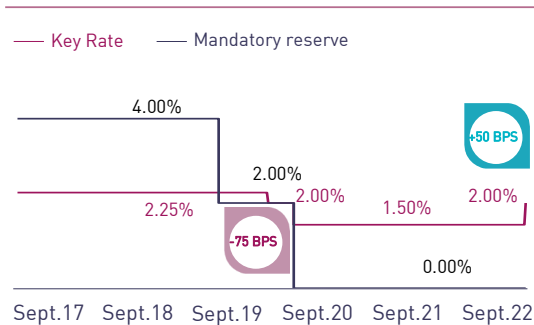
Lamyae Oudghiri

Manager
+212 529 03 68 18
l.oudghiri@attijari.ma

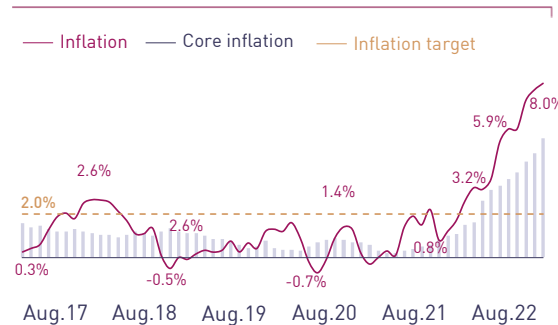
Meryeme Hadi

Associate
+212 529 03 68 19
m.hadi@attijari.ma

MOROCCO : MONETARY POLICY INSTRUMENTS



MOROCCO : INFLATION VS. CORE INFLATION



Despite the challenges of post-Covid economic recovery and the risks weighing on Morocco's growth, BAM seems determined to counter recent inflationary pressures. As a matter of fact, Bank Al-Maghrib aligns itself with the trajectory of the major Central Banks internationally to fight against inflation mainly imported into Morocco. At the end of August 2022, the CPI recorded an increase of 8.0%, a three decades high.

Faced with high inflation on an international scale, the monetary tightening policies of Central Banks should a priori continue in Q4-22. Recall that price increases have reached 40-year highs in the United States and Europe, at more than 8.0% and 9.0% respectively.

EXPERT OPINION

By adopting such a reversal of its monetary policy, Bank Al-Maghrib is opting for a tightening which is both strong and rapid. The target is to deal with inflationary risks which could weigh on the LT growth outlook.

The short-term impact of this significant Key Rate increase should a priori be restrictive on domestic Demand through the channel of bank loans. Nevertheless, this 1st increase does not seem capable of restoring real rates to positive territory. Therefore, pressures on savings remuneration are expected to continue in ST.

Under these conditions, this first Key Rate increase could, in our opinion, be the start of a new cycle of monetary tightening by Bank Al-Maghrib.

Sources: Bank Al-Maghrib, HCP, AGR Computations & Estimates

TOWARDS A SYNCHRONIZATION OF MONETARY POLICIES INTERNATIONALLY

During Q3-2022, we witnessed an acceleration of monetary tightening internationally, through successive increases in KR. Regardless of its "external" or "internal" origin, the "sustainable" nature of inflation seems to be upfront in the minds of the major Central Banks, raising the specter of a long recession in developed economies.

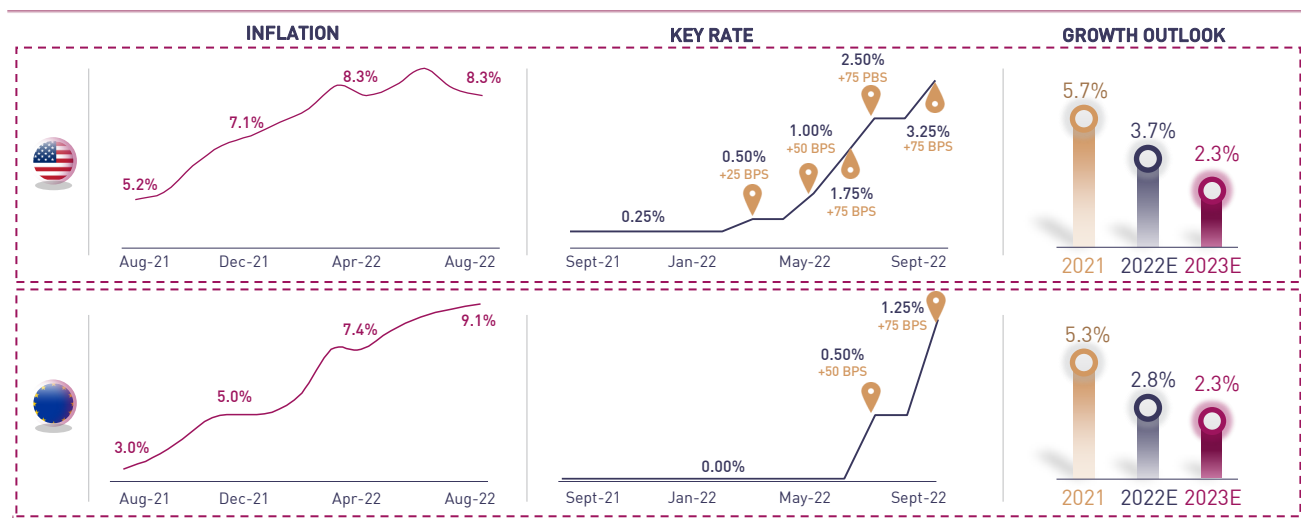
UNITED STATES: MONETARY INFLATION DRIVEN BY DEMAND (INTERNAL ORIGIN)

As early as Q4-2021, the Fed cites "structural" factors behind the inflationary spike in the United States. These are mainly the continued improvement in employment indicators as the unemployment rate reaching a 50-year low (3.7% in August 2022) and the increase in the average salary in the United States of 5.2% during the same period. To this end, the Fed raised its KR 5 successive times in 2022, i.e. a cumulative increase since March 2022 of 300 BPS, thus bringing Fedfunds to 3.25% against 0.25% at the start of 2022. The Federal Reserve intends to continue its monetary tightening during Q4-2022 despite the risks of economic recession. Remember that inflation stood at 8.3% at the end of August 2022, i.e. a 40 year high.

EUROZONE: SUPPLY-DRIVEN MONETARY INFLATION (EXTERNAL ORIGIN)

Faced with the global inflationary surge under the effect of the energy crisis' exacerbation in Europe, the ECB finally recognized the "structural" nature of inflation within the Euro Zone. This has continued to rise since 2021, reaching a record of 9.1% in August 2022, i.e. the highest since 1997. At the same time, the gap between the Fed and the ECB monetary policies has created tensions on the single currency which has fallen below parity against the Dollar and this, for the first time since the emergence of the Euro Zone. In this context, the ECB decides to raise its KR twice successively in July and September 2022 by 50 and 75 BPS. Despite the external origins of inflation, the ECB should pursue its orientation by acting on the loan Demand circuit.

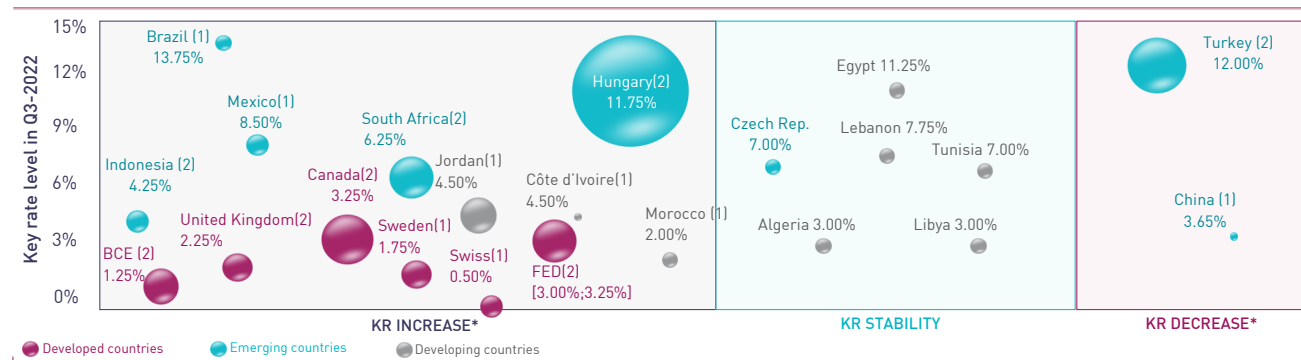
USA VS EZ: INFLATION VS KEY RATE DECISIONS & GROWTH OUTLOOK



The synchronization of monetary tightening policies on a global scale is reflected in no less than 650 BPS of simultaneous KR hikes recorded in September among the 35 major international Central Banks. Alongside the **ECB** and the **FED**, we quote for information the **BOE**, the **Bank of Canada**, the **NSB** or the **BCEAO**.

Nevertheless, we note two exceptions in terms of monetary policy in the face of the global inflationary surge. A new financial doctrine advocating support for post-Covid19 economic recovery despite the inflationary cost. This is China, which lowered its KR for the second time in a row in 2022 in order to boost growth tested by anti-Covid measures. Despite exceptional inflation of 80.2%, Turkey decided in turn to lower its Key Rate to 12%.

INTERNATIONAL : KEY RATE DECISIONS IN Q3-2022 BY COUNTRY AND DEVELOPMENT LEVEL



* The size of the bubble represents the magnitude of the increase (decrease) in the Policy Rate in Q3-2022
 * The figure in parentheses represents the number of increases (decreases) in Q3-2022

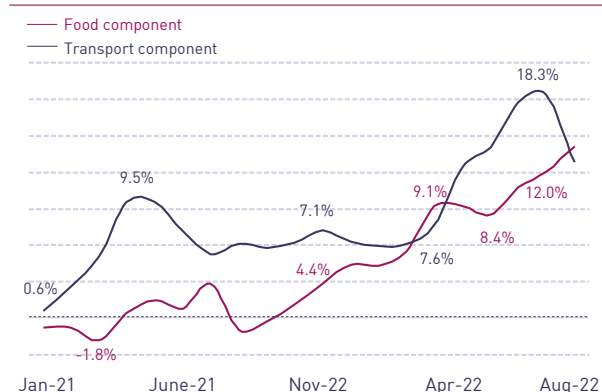
Sources : IMF, Official websites of Central Banks, AGR Computations & Estimates

DIRHAM DEPRECIATION ..., A FACTOR WHICH FUELS INFLATION IN MOROCCO

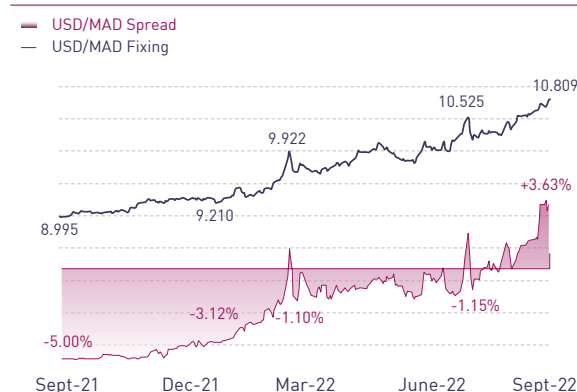
It is obvious that sustained inflation at the domestic level may constitute a serious constraint to the economic recovery insofar as the purchasing power of households would be undermined. Today, it is clear that there is a new source of risk capable of maintaining inflationary pressures in 2023E. It is the continuation of the Dirham depreciation against the Dollar and this, within a context of aggressive raising of the FED's Key Rates. Note that the Dollar¹ index reached a 20-year high in September.

At the same time, liquidity conditions on the interbank foreign exchange market would be less favorable due to the increase in import flows. To this end, remember that more than 50% of Morocco's imports are in dollars and mainly concern energy and cereal products. This situation propelled the difference between the MAD reference rate and its mid-basket to more than +3.60%, i.e. its highest since the implementation of the exchange rate reform in 2018. The latter is thus approaching the upper threshold of the Dirham fluctuation band set at 5%. Under these conditions, the USD/MAD parity reached a 10 year high, at 10.81, up 17% YTD.

INFLATION : « FOOD » & « TRANSPORT » COMPONENT



USD/MAD EVOLUTION : FIXING VS. LIQUIDITY SPREAD



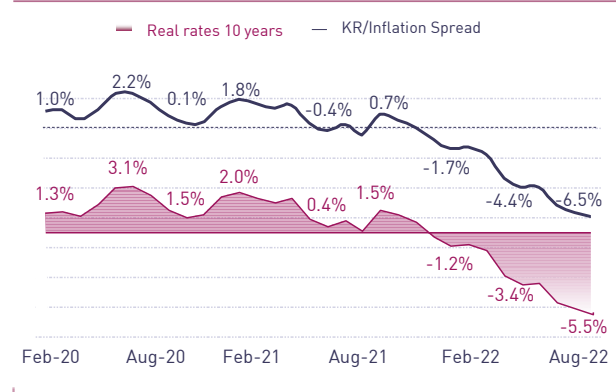
A BOND MARKET WHICH HAS ALREADY PRICED IN A RATE HIKE IN MOROCCO

Given the increase in investors' profitability requirements within the primary auction market justified by inflationary expectations, the bond curve experienced visible upward tensions in 2022. Mainly oriented by flows, rates accelerated their inflection in September, integrating a possible normalization of Rates in Morocco at the ST. During the auction session of 09/13/2022 alone, the 5-year rate rose by around 30 BPS to 2.65%, thus exceeding the 10-year rate (2.41%) for the first time since 2015.

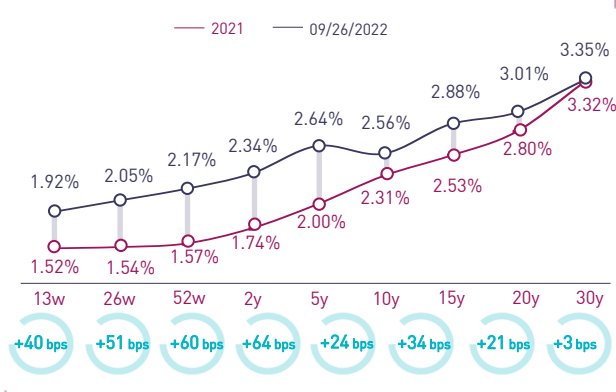
Questions around the remuneration of domestic savings arise as the inflationary surge materializes. Real rates in Morocco have been in negative territory since Q1-2022. Such a situation increases investors' appetite for more profitable assets such as REISs or risk capital. To this end, innovative Treasury financing based on real estate management mechanisms reached more than MAD 10.0 Bn at the end of August 2022.

This upward trend in bond rates in Morocco, which has reached +64 BPS for the 2-year maturity since the beginning of the year (even before the Central Bank's KR increase), could continue by the end of 'year. This development remains in line with the trend in bond rates observed internationally. As an indication, the ten-year German Bund yield crossed the 2% threshold for the first time since 2013., while the 2-year US Treasury bond yield reached 4%, i.e. its highest since October 2007.

MOROCCO : REAL RATES EVOLUTION



MOROCCO : SECONDARY YIELD CURVE



¹ This is an index that represents the trend of the United States Dollar against a basket of international currencies.

MAIN ADJUSTMENTS TO BAM FORECASTS

Determined to fight against the inflationary surge since Q4-21, the Central Bank has taken strong action through a 50 BPS increase in its Key Rate. The implications of this monetary decision on the main projections of economic growth and inflation indicators in Morocco during the 22E-23E period are as follows:

Downward revision of growth projections during the period 2022E-2023E

With regards to BAM's monetary tightening and continued inflationary pressures, BAM is once again revising its growth projections downwards in 2022E. This would stand at 0.8% against 1.0% initially. The Moroccan economy remains weakened in 2022 by a weak cereal crop of Quintal 32 Mn against a record of Quintal 103 Mn in 2021 and an unfavorable international context.

In 2023E, Moroccan growth should stand at 3.6% against 4.0% initially suffering from the restrictive effects of the KR rise on the consumption and investment channels. The non-agricultural component of GDP should post a deceleration in its growth rate to 2.5% in 2023E against 3.4% a year earlier. Regarding the cereal crop, a return to a normative production level of Quintal 75 Mn is forecasted in 2023E.

Inflation outlook revised upwards in 2022E

Inflation in Morocco remains fueled by imports through the food and transport components. These represent almost 2/3 of the basket of the Moroccan consumer.

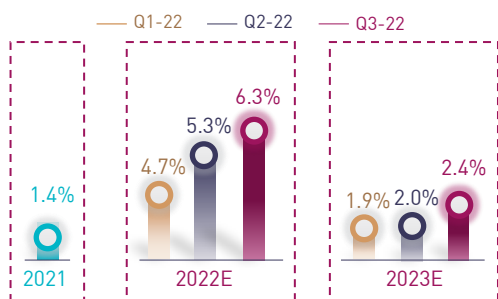
Unlike Western countries, inflation in Morocco is considered "Supply" inflation rather than Demand inflation. Under these conditions, inflation is revised upwards in 2022E to 6.3% against 5.3% initially. This should return to a moderate pace according to BAM's projections at 2.4% in 2023E.

Revision of the economy's loan growth pace

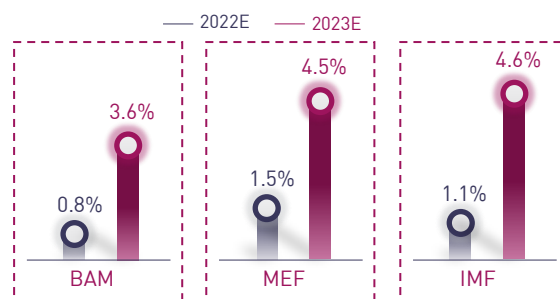
Taking into account the expected tightening of financing conditions for the economy, BAM expects a moderate increase in bank loans, i.e. 4.0% in 2022E and 3.6% in 2023E.

The liquidity deficit should widen to nearly MAD 90 Bn in 2023E, mainly reflecting the increase in fiduciary money over MT, while foreign exchange reserves should continue to firm up over MT. Foreign currency reserves should reach new records in 2022E and 2023E at more than MAD 340 Bn supported by the appreciation of travel receipts, FDI, Workers' remittances as well as the concretization of external Treasury financing planned under the 2022 FA to MAD 40 Bn by the end of the year.

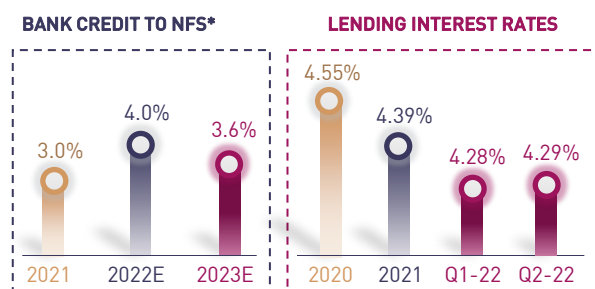
MOROCCO : INFLATION FORECASTS EVOLUTION 2022-2023



MOROCCO : GROWTH FORECASTS

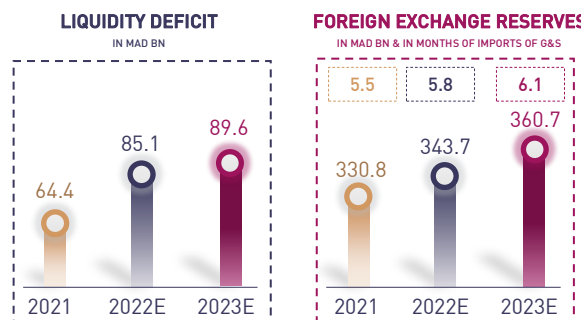


MOROCCO : BANK CREDIT VS. LENDING INTEREST RATES



*Non Financial sector

MOROCCO : LIQUIDITY DEFICIT & FOREIGN EXCHANGE RESERVES



Sources : Bank Al-Maghrib, MEF, IMF, AWB Capital Markets, AGR Computations & Estimates

ATTIJARI GLOBAL RESEARCH

HEAD OF STRATEGY

Taha Jaidi
+212 5 29 03 68 23
t.jaidi@attijari.ma
Casablanca

MANAGER

Lamyae Oudghiri
+212 5 29 03 68 18
l.oudghiri@attijari.ma
Casablanca

SENIOR ASSOCIATE

Mahat Zerhouni
+212 5 29 03 68 16
m.zerhouni@attijari.ma
Casablanca

ASSOCIATE

Walid Kabbaj
+212 5 22 49 14 82
w.kabbaj@attijari.ma
Casablanca

CHIEF ECONOMIST

Abdelaziz Lahlou
+212 5 29 03 68 37
ab.lahlou@attijari.ma
Casablanca

MANAGER

Maria Iraqui
+212 5 29 03 68 01
m.iraqui@attijari.ma
Casablanca

ASSOCIATE

Meryeme Hadi
+212 5 22 49 14 82
m.hadi@attijari.ma
Casablanca

INVESTOR RELATIONS ANALYST

Nisrine Jamali
+212 5 22 49 14 82
n.jamali@attijari.ma
Casablanca
Casablanca

SENIOR ANALYST

Ines Khouaja
+216 31 34 13 10
khouaja.ines@attijaribourse.com.tn
Tunis

FINANCIAL ANALYST

Ulderich Djadjo
+237 681 77 89 40
u.djadjo@attijarisecurities.com
Douala

FINANCIAL ANALYST

Yves André Angaman
+225 07 49 24 60 35
yves.angaman@sib.ci
Abidjan

Equity

BROKERAGE - MOROCCO

Abdellah Alaoui
+212 5 29 03 68 27
a.alaoui@attijari.ma

Rachid Zakaria
+212 5 29 03 68 48
r.zakaria@attijari.ma

Anis Hares
+212 5 29 03 68 34
a.hares@attijari.ma

Alae Yahya
+212 5 29 03 68 15
a.yahya@attijari.ma

Sofia Mohcine
+212 5 22 49 59 52
s.mohcine@wafabourse.com

CUSTODY - MOROCCO

Tarik Loudiyi
+212 5 22 54 42 98
t.loudiyi@attijariwafa.com

WAEMU - CÔTE D'IVOIRE

Mohamed Lemridi
+225 20 21 98 26
mohamed.lemridi@sib.ci

BROKERAGE - TUNISIA

Hichem Ben Romdhane
+225 29 318 965
h.benromdhane@attijaribank.com.tns

CEMAC - CAMEROUN

Felix Dikosso
+237 651 23 51 15
f.dikosso@attijarisecurities.com

Bonds /Forex /Commodities

MOROCCO

Mohammed Hassoun Filali
+212 5 22 42 87 24
m.hassounfilali@attijariwafa.com

Amine Elhajji
+212 5 22 42 87 09
m.elhajji@attijariwafa.com

Loubaba Alaoui Mdaghri
+212 6 47 47 48 34
l.alaouim@attijariwafa.com

Dalal Tahoune
+212 5 22 42 87 07
d.tahoune@attijariwafa.com

EGYPT

Ahmed Darwish
+20 127 755 90 13
ahmed.darwish@attijariwafa.com.eg

TUNISIA

Atef Gabsi
+216 71 80 29 22
gabsi.atef@attijaribank.com.tn

MIDDLE EAST - DUBAI

Serge Bahaderian
+971 0 43 77 03 00
sbahaderian@attijari-me.com

WAEMU - CÔTE D'IVOIRE

Abid Halim
+225 20 20 01 55
abid.halim@sib.ci

CEMAC - GABON

Youssef Hansali
+241 01 77 72 42
youssef.hansali@ugb-banque.com

DISCLAIMER

RISKS
Investment in Securities is a risky operation. This document is intended for informed investors. The value and yield of an investment can be influenced by several factors both economic and technical. Previous performances of the different assets classes do not constitute a guarantee for subsequent achievements. Furthermore, forecast of future achievements may be based on assumptions that could not be realized.

LIABILITY LIMITS
The investor acknowledges that these opinions constitute an element of decision support. He assumes full responsibility for his investment choices. Attijari Global Research can't be considered responsible for his investment choices. This document can under no circumstances be considered as an official confirmation of a transaction addressed to a person or entity and no guarantee can be made that this transaction will be concluded on the basis of the terms and conditions contained in this document or on the basis of other conditions. Attijari Global Research has neither verified nor conducted an independent analysis of the information contained in this document. Therefore, Attijari Global Research doesn't make any statement or guarantee and makes no commitment to this document's readers, in any way whatsoever regarding the relevance, accuracy or completeness of the information contained therein. In any case, readers should collect the internal and external opinions they deem necessary, including from lawyers, tax specialists, accountants, financial advisers, or any other experts, to verify the adequacy of the transactions which are presented to them. The final decision is the sole responsibility of the investor. Attijari Global Research can not be held responsible for financial losses or any decision made on the basis of the information contained in its presentations.

INFORMATION SOURCE
Our publications are based on public information. Attijari Global Research strives for the reliability of the information provided. However, it is unable to guarantee its veracity or completeness. The opinions provided are expressed only by the analysts writers. This document and all attachments are based on public information and may in no circumstances be used or considered as a commitment from Attijari Global Research.

CHANGE OF OPINION
The expressed recommendations reflect an opinion consisting of available and public elements during the preparation period of the said note. The views, opinions and other information expressed in this document are indicative and may be modified or removed at any time without prior notice.

INDEPENDENCE OF OPINION
Attijari Global Research preserves full independence regarding the opinions and recommendations issued. As a result, the investment decisions of Attijariwafa bank Group subsidiaries may conflict with the recommendations and / or strategies published in the Research notes.

REMUNERATION AND BUSINESS STREAM
Financial analysts responsible for the preparation of this report receive remunerations based on various factors, among which the quality of the research and the relevance of the topics discussed. Attijariwafa bank Group maintains a business stream with the companies covered in the publications of Attijari Global Research.

ADEQUACY OF OBJECTIVES
The various publications of Attijari Global Research are prepared excluding the individual financial circumstances and objectives of persons who receive them. The instruments and discussed strategies may not be appropriate for the different investor profiles. For this reason, making an investment decision solely on these opinions may not lead to the intended objectives.

OWNERSHIP AND DIFFUSION
This document is the property of Attijari Global Research. It may not be duplicated or copied partially or fully without the written consent of the management of Attijari Global Research. This document can be distributed only by Attijari Global Research or one of Attijariwafa bank Group's subsidiaries.

SUPERVISORY AUTHORITIES
Attijari Global Research is subject to the supervision of the regulatory authorities for the various countries of presence. These include AMMC in Morocco, CMF in Tunisia, CREPMF in WAEMU, COSUMAF in CEMAC and CMA in Egypt. Any person accepting to receive this document is bound by the terms above.

par l'organe de contrôle relatif aux différents pays de présence. Il s'agit plus précisément de l'AMMC au Maroc, de la CMF en Tunisie, de la CREPMF à l'UEMOA, de la COSUMAF à la CEMAC et de la CMA en Egypt. Toute personne acceptant la réception de ce document est liée par les termes ci-dessus.