

RESEARCH REPORT

FIXED INCOME

T1

T2

T3

T4

| MOROCCO | QUARTERLY Monetary Policy

BANK AL-MAGHRIB : INFLATION AS A NEW PRIORITY FOR 2023

03 | Towards continued international monetary tightening in 2023E

04 | A persistent inflationary environment..., growth under pressure in 2023E

04 | A yield curve which already factors in continued monetary tightening in 2023E

04 | Pressures on the MAD continue during Q4-22



Attijari
Global Research

KEY RATE		RESERVE REQUIREMENTS		GROWTH 2022E		INFLATION 2022E	
	+50 BPS		Unchanged		+30 BPS		+30 BPS
Q4-22	2.5%	Q4-22	0%	New	+1.1%	New	6.6%
Q3-22	2.0%	Q3-22	0%	Previous	+0.8%	Previous	6.3%

BANK AL-MAGHRIB : INFLATION AS A NEW PRIORITY FOR 2023

For its last monetary policy meeting in 2022, Bank Al-Maghrib decides to raise its Key Rate by +50 BPS to 2.5% for the 2nd consecutive time. The Central Bank thus confirms the shift in its monetary policy that began last September. Following the inflationary surge in Morocco which reached a 30-year high, i.e. above 8.0% in October, the institution is continuing its restrictive policy by prioritizing the support of price stability. Note that this increase of 50 BPS is in line with our survey carried out in December 2022 ([Cf. Key Rate Survey Q4-22](#)).

According to the latest BAM forecasts, economic activity has been revised slightly upwards in 2022E to 1.1% instead of 0.8% previously. In fact, the year 2022 was marked by a difficult international context, a weak crop of 34 MQx and an unprecedented acceleration of inflation. Under these conditions, BAM is revising its average inflation forecast upwards to 6.6% in 2022E against 6.3% previously.

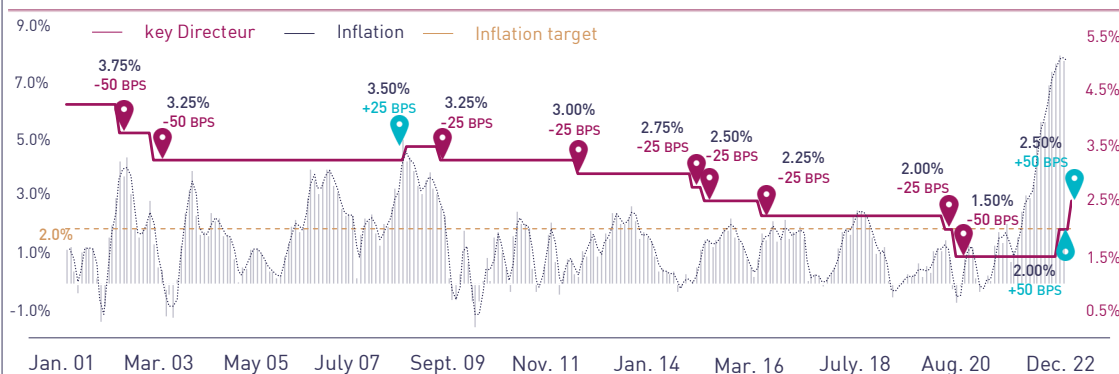
Lamyae Oudghiri

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 DECISIONS VS. INFLATION 2001-2022



Analyzing the new BAM forecasts over the period 2023E-2024E and according to our own reading of monetary conditions in Morocco, we come out with two main findings:

- (1) The "sustainable" character of inflation in Morocco now becomes the "main" scenario. The spread of external inflationary pressures combined with the decompensation of subsidized products scheduled from 2024E should fuel upward pressure on prices;
- (2) Continued monetary tightening by Central Banks internationally in 2023E. Despite a sharp deceleration internationally, inflation still remains at high levels in the United States and the Euro Zone. Consequently, the Fed and the ECB should continue to raise their KR in 2023E.

EXPERT ADVICE

In an inflationary context that is longer than expected, Bank Al-Maghrib has set the fight against rising prices as a new priority. By further tightening the financing conditions of the economy, BAM should thus slowdown the dynamics of domestic Demand in Morocco via its Investment & Consumption components.

This new monetary orientation also faces two major challenges. On the one hand, the visible pressures on the remuneration of national savings following the orientation of domestic real rates in negative territory since Q2-22. On the other hand, the continued dirham depreciation against the dollar. The latter remains supported by the aggressive rate hike process by the Fed.

In this perspective, Bank Al-Maghrib should logically continue its monetary tightening cycle in 2023E, through at least an additional rise in the KR during the first half of 2023.

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

TOWARDS CONTINUED INTERNATIONAL MONETARY TIGHTENING IN 2023E

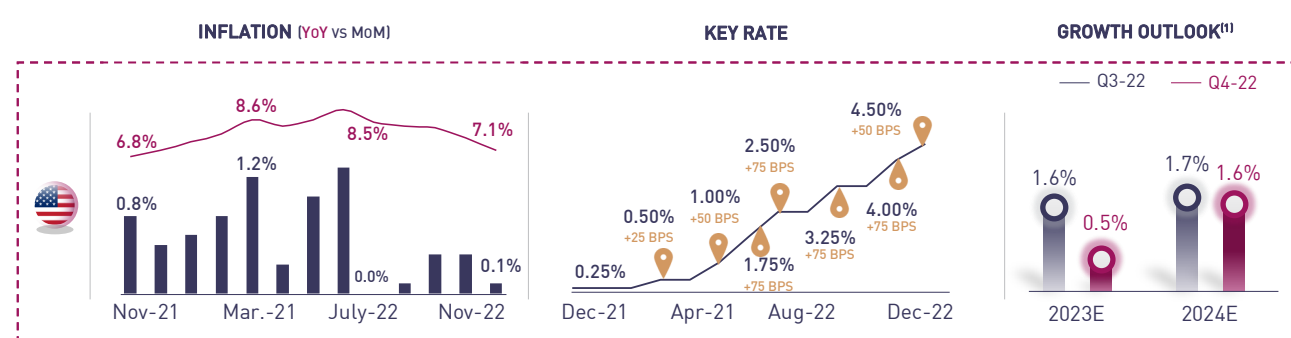
In a context of monetary tightening and easing of international energy prices leading to a slight decline in inflationary pressures in November, the major central banks (FED, BOE, ECB) slowed the pace of their monetary tightening. Despite the tangible risks of recession, these institutions are determined to pursue a restrictive monetary policy in 2023 in order to bring inflation back to around its target of 2% on the ST.

UNITED STATES: THE FED DETERMINED MORE THAN EVER TO DEFEAT THE INFLATIONARY SPIRAL

As expected, the Fed has slowed the pace of its monetary tightening and raised its KR in December by 50 BPS after an increase of 75 BPS successively during its last 4 monetary policy meetings. This is a 15-year high at 4.50%, a cumulative increase since March 2022 of 425 BPS. Originally, a higher-than-expected slowdown in inflation in November. Since its 40-year peak of 9.1% in June, inflation has steadily declined in the United States to reach 7.1% in November y-o-y.

However, the Fed is not ready to stop its KR hikes in 2023 until the deceleration in inflation is structural in order to converge towards its 2% target. Thus, the institution plans to increase its Rates by more than 75 BPS, i.e. a target of the "FedFunds" included in a range between [5%-5.25%] by the end of 2023. Under these conditions, the Fed is reviewing its growth forecasts down to 0.5% in 2023 against 1.6% initially. At the same time, the institution forecasts an increase in the unemployment rate to 4.6% in 2023 against 3.7% currently as well as inflation still above 3% over the studied period.

USA: INFLATION VS. KEY RATE DECISIONS AND GROWTH OUTLOOK

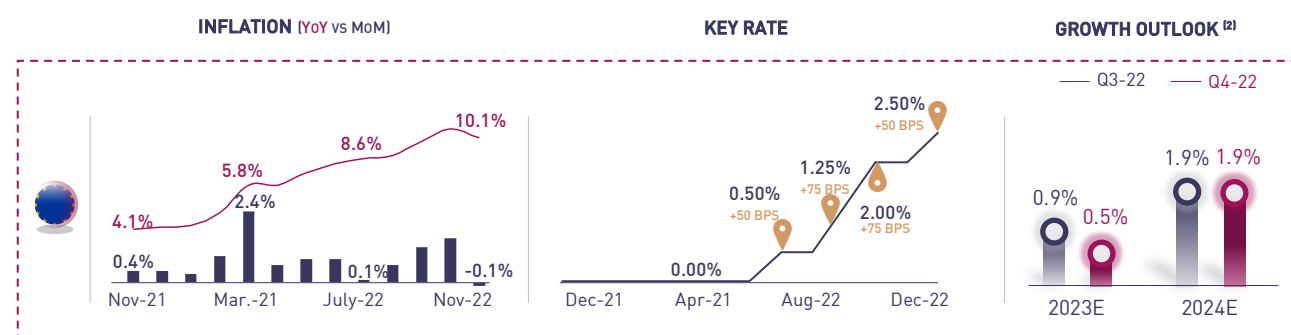


EUROZONE: ECB SHOULD CATCH UP WITH FED AND PROMISES MORE TO RAISE KR

While the old continent is on the verge of recession given the energy crisis persistence in Europe and geopolitical tensions, the ECB is continuing its monetary tightening, but at a less sustained pace. After raising its KR by 75 BPS twice during its last two monetary policy meetings, the ECB slowed the rate of increase to 50 BPS during its last meeting in December. Cumulatively, the ECB has raised its Key Rates by 250 BPS since July 2022, bringing them to 2.5% in December, i.e. a highest since 2008. Like the United States, inflation has decelerated to 10.1% in November against 10.6% a month earlier. This mainly results from the drop in oil price by -14%, falling from \$94 in October to \$84.

Nevertheless, the President of the ECB rules out a pivot point for inflation in the EU and expects a high inflation in 2023E exceeding the 6% threshold before returning to 3.4% in 2024E. Faced with the persistence of prices increase, the ECB intends to pursue its restrictive policy through a further increase of 50 BPS in February 2023. At the same time, the institution plans to significantly reduce the size of its inflated balance sheet, i.e. a reduction of €15 Bn per month from its APP program starting in March 2023.

EURO ZONE : INFLATION VS. KEY RATE DECISIONS AND GROWTH OUTLOOK



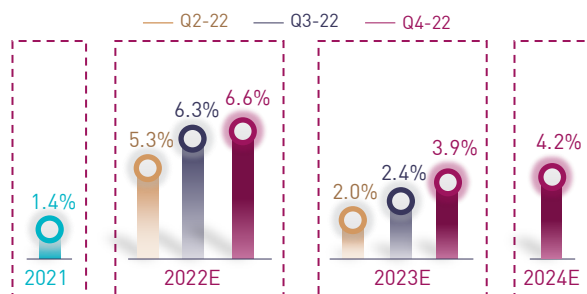
(1) Fed forecasts of USA growth, published in September and December 2022

(2) ECB forecasts of Euro Zone growth, published in September and December 2022

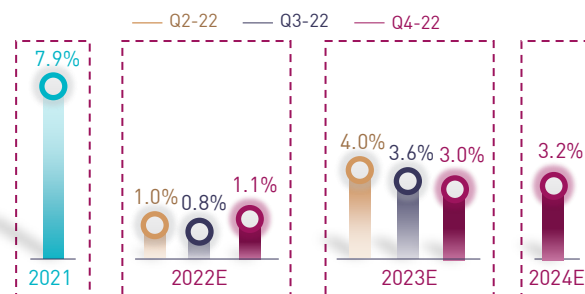
A PERSISTENT INFLATIONARY ENVIRONMENT..., GROWTH UNDER PRESSURE IN 2023E

While the latest national rainfall confirms BAM's forecasts for a normative crop of 75 MQx in 2023E, the continuation of a restrictive monetary policy combined with the persistence of inflationary pressures are prompting BAM to revise its growth projections downwards, like global economies. GDP growth would stand at 3.0% in 2023E against 3.6% initially. For its part, inflation is expected to slow to 3.9% in 2023E before rising again to 4.2% in 2024E.

MOROCCO : EVOLUTION OF INFLATION FORECASTS



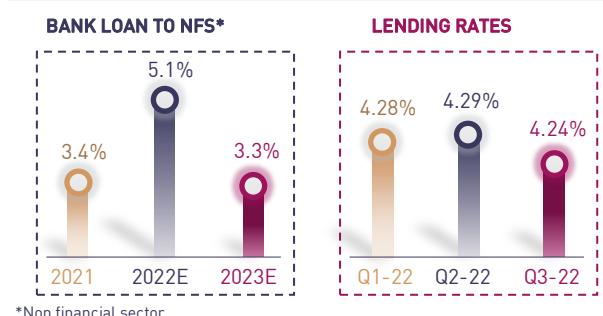
MOROCCO : EVOLUTION OF GROWTH FORECASTS



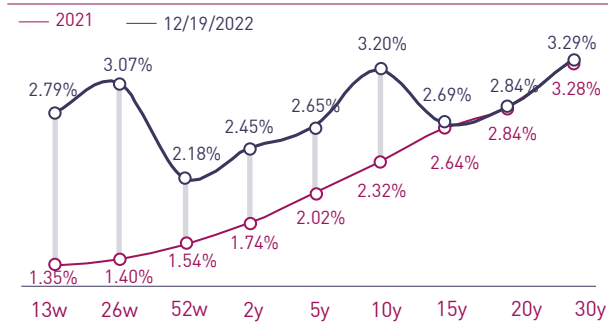
A YIELD CURVE WHICH ALREADY FACTORS IN CONTINUED MONETARY TIGHTENING IN 2023E

While the transmission of the KR rise in September is not yet fully visible on Lending Rates, it was clearly reflected in the Treasury refinancing cost from Q4-22. Bond yields already seem to price in the continued normalization of BAM's monetary policy. Also, we are witnessing an inversion of the primary curve with ST Rates higher than those of the MLT. As an indication, the 26-week rate exceeds the 3.0% threshold for the first time since 2015, i.e. a spread of more than +50 BPS with the current KR. In our opinion, this evolution reflects the increase in investors' return requirements given inflationary expectations and falling Demand for T-Bonds. To deal with this situation, the Treasury has implemented a new issuance strategy more suited to investors' expectations through the issue of new lines of T-Bonds (5 years reviewable, 32 days and 45 days).

MOROCCO : BANK LOAN VS. LENDING RATES



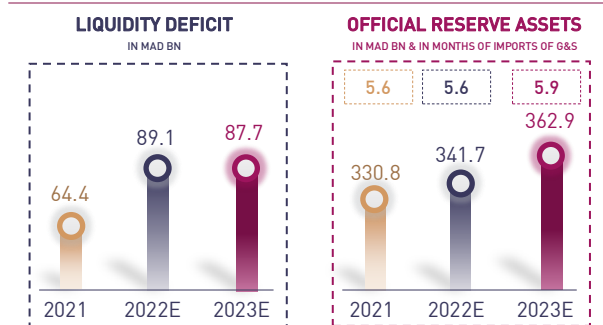
MOROCCO : PRIMARY BOND CURVE



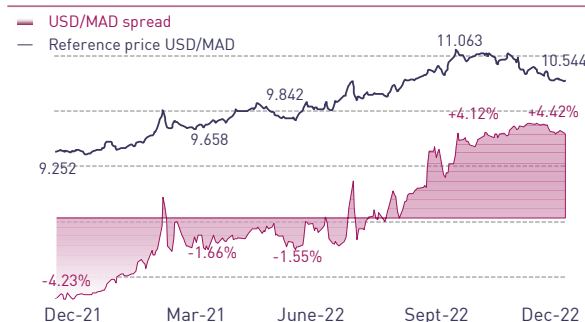
PRESSURES ON THE DIRHAM CONTINUE DURING Q4-22

The MAD evolution is closely monitored by the issuing institute. The continued MAD depreciation would amplify national inflationary pressures by considerably impacting household purchasing power. It should be noted that the USD/MAD parity reached a historic peak of 11.1 last September, before returning to around 10.5 in December, i.e. a dirham depreciation of -13.7% since the start of the year. For their part, liquidity spreads remain at the top of the MAD fluctuation band at nearly 5%.

LIQUIDITY DEFICIT VS. FOREIGN EXCHANGE RESERVES



USD/MAD EVOLUTION : FIXING VS. LIQUIDITY SPREAD



*Figures are as of 12/13/2022

Sources : Bank Al-Maghrib, MEF, IMF, AWB Trading Room, AGR Computations & Estimates

ATTIJARI GLOBAL RESEARCH

DIRECTEUR STRATÉGIE 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
DIRECTEUR ÉCONOMIE 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 29 03 68 17 m.hadi@attijari.ma Casablanca	INVESTOR RELATIONS ANALYST Nisrine Jamali +212 5 22 49 14 82 n.jamali@attijari.ma Casablanca
SENIOR ANALYST Ines Khouaja +216 31 34 13 10 khouaja.ines@attijaribourse.com.tn Tunis	FINANCIAL ANALYST Ulдерic 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	

Bourse / Gestion d'Actifs / Conseil

BROKERAGE - MAROC

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 - MAROC

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

UEMOA - CÔTE D'IVOIRE

Mohamed Lemridi +225 07 80 68 68 mohamed.lemridi@sib.ci

BROKERAGE - TUNISIE

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

CEMAC - CAMEROUN

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

Activités de marchés

MAROC

Mohamed Filali +212 5 22 42 87 24 m.hassounfilali@attijariwafa.com	Amine Elhajli +212 5 22 42 87 09 a.elhajli@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
--	---	--	---

ÉGYPTE

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

TUNISIE

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

MIDDLE EAST - DUBAÏ

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

UEMOA - CÔTE D'IVOIRE

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

CEMAC - GABON

Youssef Hansali +33 6 19 92 44 09 y.hansali@attijariwafa.net
--

AVERTISSEMENT

RISQUES
L'investissement en valeurs mobilières est une opération à risques. Ce document s'adresse à des investisseurs avertis. La valeur et le rendement d'un placement peuvent être influencés par plusieurs aléas à la fois économiques et techniques. Les performances antérieures des différentes classes d'actifs n'assurent pas une garantie pour les réalisations postérieures. Les estimations futures pourraient être basées sur des hypothèses qui pourraient ne pas se concrétiser.

LIMITES DE RESPONSABILITÉ
L'investisseur admet que ces opinions constituent un élément d'aide à la prise de décision. Celui-ci endosse la totale responsabilité de ses choix d'investissement. Attijari Global Research ne peut être considérée comme étant à l'origine de ses choix d'investissement. Ce document ne peut en aucune circonstance être considéré comme une confirmation officielle d'une transaction adressée à une personne ou à une entité et aucune garantie ne peut être formulée sur le fait que cette transaction sera conclue sur la base des termes et conditions qui figurent dans ce document ou sur la base d'autres conditions.

Attijari Global Research n'a ni vérifié ni conduit une analyse indépendante des informations figurant dans ce document. Par conséquent, Attijari Global Research ne fait aucune déclaration ou garantie et ne prend aucun engagement envers les lecteurs de ce document, de quelque manière que ce soit au titre de la pertinence, de l'exhaustivité ou de l'exhaustivité des informations qui y figurent. En tout état de cause, il appartient aux lecteurs de recueillir les avis internes et externes qu'ils estiment nécessaires, y compris de la part de juristes, fiscalistes, comptables, conseillers financiers, ou tout autre spécialiste, pour vérifier l'adéquation des transactions qui leur sont présentées. La décision finale est la seule responsabilité de l'investisseur. Attijari Global Research ne saurait être tenue pour responsable des pertes financières ou d'une quelconque décision prise sur le fondement des informations figurant dans ses présentations.

SOURCES D'INFORMATION
Nos publications se basent sur une information publique. Attijari Global Research œuvre pour la fiabilité de l'information fournie. Néanmoins, elle n'est en mesure de garantir ni sa véracité ni son exhaustivité. Les opinions formulées émanent uniquement des analystes rédacteurs. Ce document et toutes les pièces jointes sont fondés sur des informations publiques et ne peuvent en aucune circonstance être utilisés ou considérés comme un engagement de Attijari Global Research.

CHANGEMENT D'OPINION
Les recommandations formulées reflètent une opinion constituée d'éléments disponibles et publics pendant la période de préparation de la dite note. Les avis, opinions et toute autre information figurant dans ce document sont indicatifs et peuvent être modifiés ou retirés à tout moment sans préavis.

INDÉPENDANCE D'OPINION
Attijari Global Research préserve une indépendance totale par rapport aux opinions et recommandations émises. Par conséquent, les décisions d'investissement du Groupe Attijariwafa bank ou de ses filiales peuvent être en contradiction avec les recommandations et/ou les stratégies publiées dans les notes de Recherche.

RÉMUNÉRATION ET COURANT D'AFFAIRES
Les analystes financiers responsables de la préparation de ce rapport reçoivent des rémunérations basées sur des facteurs divers, dont principalement le niveau de compétence, la régularité des publications, la qualité de la Recherche et la pertinence des sujets abordés. Le Groupe Attijariwafa bank pourrait entretenir un courant d'affaires avec les sociétés couvertes dans les publications de Attijari Global Research.

ADÉQUATION DES OBJECTIFS
Les différentes publications de Attijari Global Research sont préparées abstraction faite des circonstances financières individuelles et des objectifs des personnes qui les reçoivent. Les classes d'actifs et les stratégies traitées pourraient ne pas convenir aux différents profils des investisseurs. Pour cette raison, reposer une décision d'investissement uniquement sur ces opinions pourrait ne pas mener vers les objectifs escomptés.

PROPRIÉTÉ ET DIFFUSION
Ce document est la propriété de Attijari Global Research. Ce support ne peut être dupliqué, copié en partie ou en globalité sans l'accord écrit de la Direction de Attijari Global Research. Ce document ne peut être distribué que par Attijari Global Research ou une des filiales du Groupe Attijariwafa bank.

AUTORITÉS DE TUTELLE
Les activités d'investissement et de conseil sont régies 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.