MOROCCO

A&T BANK

EXECUTIVE SUMMARY

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Economic growth is expected to robust in 2018

We expect real GDP growth in Morocco will remain robust in 2018 thanks to rising private consumption and fixed investment. Fixed investment will be supported by rising government-driven spending on major infrastructure projects and rapid inflows of foreign investment. We expect a modest economic slowdown in 2018, forecasting real GDP growth of 3.8% in 2018, down from 4.2% in 2017. On the back of our estimate, we would like to highlight that we expect headline growth to slow this year, it remains higher than both the average 3.3% growth seen over the last five years as well as the 2018 MENA average of 3.0%.

Moroccan financial system is well capitalized

Morocco has a good banking sector supervisory system as the authorities are enhancing the macro prudential policy framework with the introduction of stricter capital and provisioning requirements. While Moroccan banks expansion policy in Africa obtains diversification and profit opportunities, but it also brings local operating environment risks such as risks from money laundering and terrorist financial activities. The banking sector of the country, which is in the midst of a recovery in lending growth, stands on the verge of another substantial step forward, thanks to the imminent launch of both an Islamic banking sector (backed by the creation of a wider Islamic finance system) and a new system of non-bank payment institutions.

Investment outlook is positive

We expect FDI inflows to remain robust over the coming years owing to Morocco's attractive investment profile. Besides, Morocco is the most attractive automotive production location in the Middle East and North Africa region. Furthermore, the country has had a USD3.5bn credit line from the IMF over the last six years and although Moroccan officials said they were unlikely to renew at expiry in mid-2018, the country will have no trouble finding alternative concessional lending if need be.

Turkey and Morocco trade relations

In the first four months of 2018, Turkey exports to Morocco rose by 23% to USD673mn in compared to same period of the previous year, whereas imports decreased by 5% to USD255mn. Overall, trade volume of Turkey to Morocco is standing at USD928mn in the first four month of 2018, 14% higher than trade volume amounted in the same period of 2017.

Turkey's net foreign direct investment to Morocco amounted as USD1,2bn according to the Ministry of Economy. While there are approximately 150 Turkish firms operating in Morocco, 63 Moroccan firms are actively operating in Turkish market. Turkish contractors have undertaken 57 project in Morocco in 1972-2017 period, which amounted as USD4.2bn.

SWOT - Morocco

Strengths

- Strong growth potential in tourism, renewable energy and export oriented manufacturing industries.
- Strong diplomatic ties with the EU and the US.
- Political stability in Morocco is looking more assured in compared to other countries in the MENA region.
- The lack of onerous bureaucratic procedures makes international trade time and cost efficient.
- There are no limits on foreign participation at the Casablanca Stock Exchange, increasing opportunities for portfolio investment.

Weaknesses

- High unemployment and poverty rate.
- Threat of Islamist terrorism is still present.
- Political instability in the Sahel will keep posing a direct threat to Morocco's internal security.
- Dependence on the agricultural sector means growth remains prone to volatile swings in accordance with unpredictable weather patterns.

Opportunities

- Government efforts to turn the economy in a manufacturing hub between Europe and Africa.
- Historic or linguistic ties with southern Europe, the GCC and Western Africa should make the economy an attractive destination for investors.
- Budget deficit will decrease in the coming period as the current government on track to continue the fiscal consolidation efforts.
- Current account deficit is expected to narrow with increasing external demand and the expansion of higher value-added export sectors.

Threats

- Moroccan economy is highly dependent to the Eurozone market.
- Export sector is highly vulnerable to any economic downturn in the Eurozone.
- The Moroccan economy remains vulnerable to fluctuations in the agricultural sector.
- Low human capital continues to cloud Morocco's investment outlook.
- The end of food and energy subsidies could lead to social unrest.
- The low quality education system in Morocco could reduce the qualified workers.

1- ECONOMIC OUTLOOK

Main Economic Indicators				
	2015	2016	2017	2018f
Nominal GDP, USDbn	101,3	103,6	108,0	120,5
GDP growth (%)	4,5	1,2	4,2	3,8
Inflation (yearly average) (%)	1,6	1,8	1,9	2,1
Budget balance (% GDP)	-4,2	-4,1	-3,5	-3,2
Current account balance (% GDP)	-2,1	-4,4	-3,6	-3,3

Source: National Sources, BMI, IMF

A&T Bank View: *Morocco will see continued robust real GDP growth in 2018 thanks to buoyant private consumption and fixed investment. That said, headline growth will fall below 2017 levels, as rising import growth outpaces exports. We expect a modest economic slowdown in 2018, forecasting real GDP growth of 3.8% in 2018, down from 4.2% in 2017. On the back of our estimate, we would like to highlight that we expect headline growth to slow this year, it remains higher than both the average 3.3% growth seen over the last five years as well as the 2018 MENA average of 3.0%.*

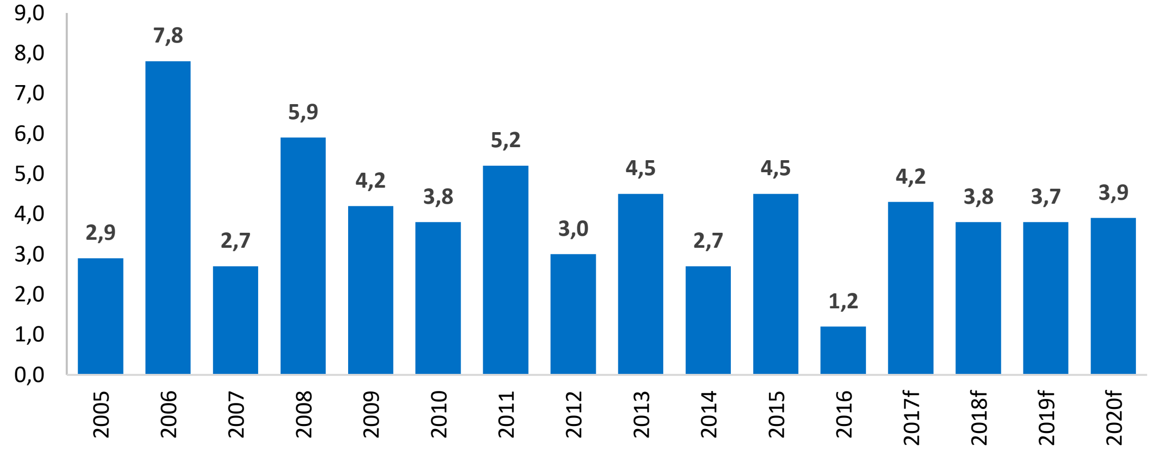
Core Views

- Morocco will see a modest economic slowdown in 2018 and 2019 owing to an uptick in imports, driven particularly by rising energy prices. Nevertheless, strong manufacturing and tourism sector activity will ensure the country remains an economic outperformer in MENA.
- Despite not possessing hydrocarbon wealth, Morocco will remain on par with its North African peers over the medium term. Investor interest in the country as an export-oriented manufacturing hub for the European market and increasingly to West Africa, as well as relative security compared to the rest of the MENA region, will bode well for Morocco's underlying growth momentum in the next few years.
- Morocco's fiscal deficit will narrow in 2018 and 2019, albeit more slowly than in recent years. While robust revenue growth and contained current spending will offer tailwinds, continued strong capital spending is set to keep the rate of fiscal consolidation gradual.
- We believe that Morocco will remain a net debtor to the global financial system over the coming decade, although we see limited risk of balance of payments crisis given limited exposure to portfolio investment. Furthermore, strong export growth will help to narrow the current account deficit while fiscal consolidation will see external debt steadily fall as a proportion of GDP.

Economic Risk

Over-exposure to the Eurozone markets poses a medium-term risk to Morocco's growth. Approximately two-thirds of the country's goods exports are absorbed by the kingdom's northern neighbours. Therefore, the export sector is highly vulnerable to any economic downturn in the Eurozone, and a steeper slowdown than we currently forecast following Brexit would force us to make significant downward revisions to Morocco. The tourism industry also relies extensively on visitors from France, Spain, the Benelux countries and the UK, and any degradation in the security situation would severely harm economic growth.

Morocco Real GDP Growth %YoY



Source: National Sources, BMI, IMF

Morocco is one of the largest producer of phosphate and contains about 70% of the world's estimated reserves. In Morocco, agriculture represents 13.1% of the GDP, industry sector accounts 29.8% of GDP and services sector represents 57.2% of GDP as of 2017. As we expect economic activity to improve in 2017 helped by the strong agricultural sector, due to waning base effects in the agricultural sector, the growth rate expected to fall to 3.8% in 2018. However, we maintain our positive outlook for the Moroccan economy with considering brightening external condition and attractive investment environment.

The current account deficit is expected to narrow in 2018 helped by the continuing export growth (including phosphate exports and higher value-added manufacturing sector exports), steady imports and strong tourism although rising energy imports will temper the pace of improvement. External risks will be increasingly subdued by high rates of foreign direct investment. FDI inflows are projected to continue with helping to raise country's reserve position to around seven months of imports. We think Morocco is the most attractive automotive production location in the Middle East and North Africa region. Furthermore, the country has had a USD3.5bn credit line from the IMF over the last six years (upon which it has not drawn) and although Moroccan officials said they were unlikely to renew at expiry in mid-2018, the country will have no trouble finding alternative concessional lending if need be.

On the fiscal front, budget deficit is expected to decline around 3% of GDP in line with the government objective to reduce public debt to 60% of GDP by 2021. In order to achieve these objective, authorities should rely more on accelerated tax reforms, building on a comprehensive approach to broaden tax base, reduce exemptions, increase VAT revenues and improve corporate taxation.

Inflation remained low in 2017 due to declining domestic food prices but it is expected to increase in 2018 with rising food and oil prices. Credit growth is expected to continue as Bank Al Magrib (BAM) has reduced its key policy rate to 2.25% in March 2016.

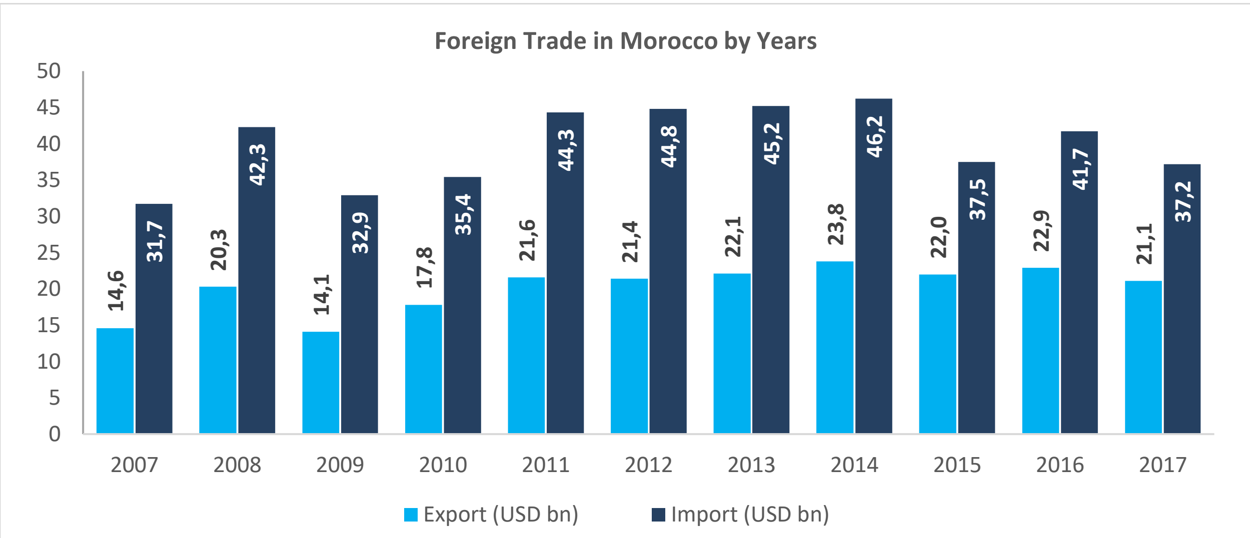
Meanwhile, high unemployment rate (10.7%) social inequalities in the region and the lack of implementation of reforms in education, governance and labor market could increase fragility in Morocco with pressuring foreign investment sentiment.

The New Government Program in Morocco
Main Priorities:
Supporting democratic choice and the rule of law, and advancing regionalization.
Enhancing integrity, reforming the administration, and establishing good governance.
Developing an economic model that promotes employment and sustainable development.
Promoting human development and social cohesion.
Strengthening Morocco's international influence to serve just causes in the world.
The Program Specific Objectives by 2021:
Reach economic growth between 4.5 and 5.5% and keep inflation below 2%.
Keep the budget deficit below 3% of GDP and reduce public debt to 60%.
Reduce unemployment to 8.5%.
Increase secondary education enrollment to 97% (from 88% today), and reduce illiteracy from 20% (from 30% today).
Increase access to basic health services to 100% (against 60% today), and reduce infant mortality to 20 deaths per 1,000 births (from 27 today).
Increase access to roads in rural areas from 79% to 90%.
Reduce the housing deficit from 400,000 to 200,000 units.

Source: National Sources, IMF

2- FOREIGN TRADE & FDI

In 2017, country's exports rose by 7.8% in compared to previous year and stood at USD21.1bn, while imports dropped by 10.8% to USD37,2bn. Electrical machinery and equipment, vehicles, articles of apparel and clothing accessories and fertilizers are the main exported products in Morocco. The five major export partners of Morocco were EU (65% share in total exports and Spain, France and Italy are main trading partners in EU), U.S., India, Turkey and Brazil.



The five major import partners of Morocco were EU countries (56,5% of total imports), China, U.S., Turkey and Russia. Historically, Morocco mainly imports mineral fuels, mineral oils and products of their distillation, mechanical appliances, vehicles, electrical machinery, cereals and plastics.

Import Partners	Value (Million Euro)	Share (%)
World	39.451	100
EU 28	22.283	56,5
China	3.618	9,2
USA	2.740	6,9
Turkey	**1.768**	**4,5**
Russia	857	2,2
Saudi Arabia	769	1,9
Brazil	637	1,6
India	545	1,4
Argentina	514	1,3
Algeria	478	1,2

Export Partners	Value (Million Euro)	Share (%)
World	21.763	100
EU 28	14.062	64,6
USA	903	4,1
Brazil	804	3,7
India	611	2,8
Turkey	**588**	**2,7**
China	271	1,2
Singapore	240	1,1
Ethiopia	218	1
Pakistan	182	0,8
Algeria	175	0,8

Source: European Commission

We expect export growth to slow in Morocco over the coming years, as the Eurozone - roughly 57% of Morocco's exports - sees a modest deceleration in economic growth. That said, exports will still remain a large source of overall economic output.

The automotive industry will lead this trend, with its share in total exports surging to 23.9% in 2017 compared to 12.3% in 2010. This is set to continue in 2018 and beyond, with automaker PSA Peugeot Citroën investing EUR557.0mn in the kingdom to build a manufacturing plant that will produce 200,000 units a year by 2019. Imports are also set to increase, albeit more moderately, in line with the uptick in private consumption amid accelerating economic growth.

As of 2017, the autos exports (including intermediate goods) were Morocco's largest at 23.9%, having surpassed both textiles and agriculture in the space of just a few years.

Foreign Trade Indicators				
Indicator Name	**2015**	**2016**	**2017**	**2018f**
Goods and services exports, USDbn	33,3	34,3	38,6	45,4
Goods and services exports, USDbn, % y-o-y	-7,7	2,7	12,7	17,7
Goods and services exports, % of GDP	32,9	33,1	35,5	37,8
Goods and services imports, USDbn	41,3	45,2	49,3	56,7
Goods and services imports, USD, % y-o-y	-17,0	9,5	9,1	15,0
Goods and services imports, % of GDP	40,7	43,6	45,4	47,2
Balance of trade in goods and services, USDbn	-7,9	-10,9	-10,7	-11,3
Balance of trade in goods and services, USD, % y-o-y	-41,7	37,7	-2,2	5,5
Balance of trade in goods and services, % of GDP	-7,8	-10,6	-9,8	-9,4

Source: BMI

Investment Outlook: *Morocco's drive to become a regional manufacturing hub, notably by attracting greater foreign investment, will result in large inflows of foreign direct investment, underpinning the stability of the country's external funding. Foreign direct investment grew by 13% in dollar terms in 2017.*

In our view, economic modernization projects, the construction of Ouarzazate Solar Power Station and the developments in banking sector could boost FDI in the coming period. In addition, a new investment charter was adopted to help restructure investment promotion activities under the auspices of a centralized agency and to develop free-trade zones in each of the 12 regions of the country.

Morocco is ranked 69th among 190 economies in the World Bank 2018 'Doing Business' report. Although this standing in the 3rd position in the MENA region, endemic corruption, low human capital and an often opaque policy-formation process continue to cloud Morocco's investment outlook. While France, Saudi Arabia, Spain, UAE and U.K. are main investing countries in Morocco, real estate, industry, tourism, finance and insurance sectors represent growth opportunities.

Foreign Direct Investment In Morocco			
Indicator Name	**2015**	**2016**	**2017**
FDI inflows, USDbn	3,3	2,3	2,6
FDI inflows, % of GDP	3,2	2,2	2,4
FDI outflows, USDbn	0,7	0,6	1,0
FDI outflows, % of GDP	0,6	0,6	0,9
Net portfolio investment, USDbn	-1,4	0,3	0,1
Total investment, USDbn	1,2	2,0	1,8

Source: UNCTAD, BMI

Morocco has improved its airports, tramways, highways system and railway network. Investment incentives are provided some of the sectors such as energy and construction. Morocco's main investment funds are Investment Promotion Funds (IPFS), Hassan II Fund and Energy Funds. Land and equipment assistance is given to the energy, automobile, nanotechnology, biotechnology and aeronautics sectors. Morocco has signed some agreements with the important countries that provided custom fee exemptions. The important agreements are, Free Trade Agreement with U.S. and Turkey, Association Agreement with EU, Agadir Agreement (2004), United Arab Emirates Agreement (2003), Arab League Agreement (1998). In addition, the agreement is under negotiations with the Economic Community of West African States (ECOWAS & CEMAC).

With considering political stability, strong macroeconomic drivers, ambitious sectoral strategies and world –class infrastructure, Morocco could attract more investors in the coming period. In July 2011 referendum, the new constitution has been established. The new referendum guaranteed the human rights, improve moral standards public life, the plurality of the Moroccan identity, the legality of the State and its institutions and individual and collective liberty. The African Development Bank recent report highlighted important projects in Morocco. These are;

- The first power station in the Noor complex in Ouarzazate opened in February 2016, and work commenced on the second and third power stations.
- Work began on a gas pipeline between Morocco and Nigeria

- EUR2bn contract has been signed with Ethiopia to build an industrial site aimed at making Ethiopia self-sufficient in agricultural fertilisers by 2025.

Favorable Business Environment in Morocco	
Investor Protection	51 Double Tax Avoidance Agreements 62 Investment Protection Agreements Member of OECD Investment Committee Member of International Centre for Settlement of Investment Disputes (ICSID) Member of MIGA(Multilateral Investment Guarantee Agency)
Legal Reforms	The creation of the Business Environment National Committee The modernization of business law The strengthening of intellectual property protection A new law on arbitration and mediation New banking regulations Administrative simplification
An Incentive Tax System	Reduction of tax burden The creation of funds specifically for investment promotion
International Instruments	Morocco adhered to the OECD Declaration on Property, Integrity and Transparency in the Conduct of International Business and Finance and to the OECD Declaration on Green Growth

Investment Opportunities by Sectors:

Major Investment Projects in Morocco	
BOMBARDIER	EUR160mn invested in aerospace manufacturing factory. Start the implementation in 2012 and manufacturing in 2013.
THALES	Thales establishes its African Headquarters in Morocco (formerly in France) Morocco= 15% of turnover in Africa
ALSTOM & NEXANS	50/50 Joint Venture: new factory for the production of harness and electricity cabinets for tramways and high-speed trains. Amount: EUR30mn Employment: 400 jobs
FOUR SEANS HOTEL	1st Four Seasons in North Africa. EUR160mn investment on 15 hectares. Inaugurated November 2011
HIKMA PHARMACEUTICALS	Amount: Euro90mn Acquisition of 63.9% of Moroccan pharmaceutical manufacturer Promopharm.

Morocco has determined some ambitious sector, such as industry, Information and Communications Technology (ICT), logistics, tourism, agriculture, fishing, energy and finance.

Industry Sector Main Objectives:

- 1.6% in additional GDP growth
- 220,000 jobs created
- Key Sectors: Automobile, aeronautics, electronics, IT, fishing and agriculture, textile

Information and Communications Technology (ICT) Sector Main Objectives:

- General Access to high-speed internet
- E-government
- To encourage the use of IT in SMEs

Logistics Sector Main Objectives:

- To improve the country's logistical competitiveness
- To reduce logistical costs from 20% to 15% of GDP
- An integrated national network of 70 multi-flow logistical zones

Tourism Sector Main Objectives:

- 20 million tourists in 2020
- 200,000 new beds
- Tourism GDP: from USD6bn in 2010 to USD17bn in 2020.

Agriculture Sector (Green Morocco Plan) Main Objectives:

- To modernise the agricultural sector
- USD10bn in additional GDP from agriculture
- USD15bn in public and private investments

Fishing Sector Main Objectives:

- USD1.5bn in additional GDP
- The creation of 75,000 jobs by 2020

Energy: Moroccan Solar Plan Main Objectives:

- Moroccan solar plan has launched in 2009 (Solar) and in 2010 (Wind) with a budget of USD15bn.
- Renewable energy>40% of national production by 2020
- Capacity: 2.000 MW of solar + 2.000 MW of wind power

Finance: Casablanca Finance City Main Objectives:

- To make of Casablanca a regional hub for the Magreb and Western Africa.

3- BANKING SECTOR OUTLOOK

Morocco's banking sector is already the most highly developed in North Africa in terms of penetration indicators and among the most advanced in the wider MENA region. The industry, which is in the midst of a recovery in lending growth rates, now stands on the verge of another substantial step forward in development, thanks to the imminent launch of both an Islamic banking sector – backed by the creation of a wider Islamic finance system – and a new system of non-bank payment institutions. 19 banks, 7 offshore institutions and 34 non-banking financial institutions (including 16 consumer credit specialists, 13 microcredit lenders and 6 leasing companies) are operating in Morocco. The sector is dominated by locally owned banks, which account for 82.3% of industry assets, according to the Oxford Business Group latest survey. Concerning international presence, three banking groups are installed abroad in thirty countries, 22 in Africa, through 40 subsidiaries and 14 agencies with over 1.300 ATMs.

In January 2017, Morocco's central bank, Bank Al Maghrib (BAM) issued Islamic banking licences for five standalone sharia-compliant banks in the country. These include: Dar Assafaa, an Islamic bank to be established by Attijariwafa Bank, which has launched 23 agencies and is the only one of the five that does not involve a foreign partner; an Islamic banking joint venture (JV) between Crédit Immobilier et Hôtelier Bank, which is part of the state-owned CDG, and Qatar International Islamic Bank, known as Umnia Bank; Bank Al Tamwil wal Inmaa, a JV between BMCE Bank of Africa and Saudi-Bahraini conglomerate Dallah Albaraka; a JV between BCP and Saudi non-bank lender Guidance Financial Group; and Al Bank Al Akhdar, a 51/49 JV between Crédit Agricole du Maroc and a unit of the Islamic Development Bank – the Islamic Corporation for the Development of the Private Sector.

The largest bank in Morocco is Attijarawafa Bank. Part of Attijarawafa finance group, it is the third-largest bank in Africa and the second-largest company listed on the Casablanca Stock Exchange. The second-largest bank in the country is Groupe Banque Populaire (GBCP) and the third-largest bank operating in Morocco is BMCE Bank. Other major commercial banks operating in Morocco are the local unit of France's Société Génerale, BMCI Banque, Crédit du Maroc and Credit Immobilier et Hotelier. Other onshore banks in the country include the postal bank Al Barid Bank, which was launched in 2010 and has more than 1800 branches; the local unit of US-based Citibank, which is focused primarily on corporate business, the Moroccan subsidiary of Jordan-based Arab Bank and several investment banks, including CDG Capital, which manages state pension funds, and the investment arms of the country's major commercial banks.

Moroccan financial system is well capitalized and could withstand severe shocks associated with weak growth and global financial market volatility. Banks have adequate capital buffers and benefit from stable funding according the IMF. The total loan of the sector stood at USD86bn in December 2017 up from USD83,9bn at the end of 2016, pointing to a recovery in credit demand. Retail credit growth and efforts by the authorities to encourage lending to smaller businesses as factors behind this. The value of the banking sector deposit stood at USD111,8bn in December 2017, indicating an increase of 3,4% from USD108,1bn at the end of 2016.

With lending growth recovering and non-performing loan (NPL) growth slowing, returns are healthier. The sector as a whole recorded profits of USD527,7bn in 2016, according to BAM, for a return on assets (ROA) of 1.1% and a return on equity (ROE) of 11.4%.

Morocco Commercial Banking Sector							
Indicator Name	2014	2015	2016	2017	2018	2019	2020
Total assets, MADmn	1.213.186	1.255.647	1.312.151	1.377.759	1.446.647	1.518.979	1.594.928
Total assets, USDmn	133.650	126.432	129.572	135.339	141.274	147.473	154.847
Total assets, % of GDP	131,1	127,1	129,1	130,4	129,9	129,5	128,9
Total assets, % y-o-y	3,7	3,5	4,5	5,0	5,0	5,0	5,0
Loans, MADmn	828.272	833.242	849.906	875.404	919.174	965.133	1.013.389
Loans, USDmn	91.246	83.899	83.926	85.992	89.763	93.702	98.387
Loans, % of GDP	89,5	84,3	83,6	82,9	82,6	82,3	81,9
Loans, % y-o-y	3,9	0,6	2,0	3,0	5,0	5,0	5,0
Deposits, MADmn	1.021.752	1.052.405	1.094.501	1.138.281	1.183.813	1.231.165	1.280.412
Deposits, USDmn	112.561	105.967	108.079	111.815	115.606	119.530	124.311
Deposits, % of GDP	110,4	106,5	107,7	107,7	106,3	104,9	103,5
Deposits, % y-o-y	3,3	3,0	4,0	4,0	4,0	4,0	4,0
Loan/deposit ratio	81,06	79,18	77,65	76,91	77,65	78,39	79,15
Loan/asset ratio	68,27	66,36	64,77	63,54	63,54	63,54	63,54

Source:BAM,BMI

Morocco Banking Sector Financial Soundness Indicators (%)						
Indicator Name	2012	2013	2014	2015	2016	2017-May
Capital adequacy ratio	12,3	13,3	13,8	13,7	14,2	-
Return on assets	1,0	1,0	0,9	0,8	1,1	-
Return on equity	11,8	10,6	10,2	9,1	11,4	-
NPL / total loans	5,0	5,9	6,9	7,4	7,6	7,8
Specific provisions to NPLs	67,8	64,0	65,0	68,0	69,0	70,0
FX loans to total loans	2,9	2,7	3,9	2,5	2,7	2,7
Liquid assets / total Assets	10,5	12,5	13,3	16,1	14,5	13,5
Liquid assets / short-term liabilities	14,7	17,4	17,7	21,2	18,6	17,1

Source: IMF

The gross NPL ratio realized as 7.8%in May 2017, which was slightly higher in compared to 2016 and provisioning levels are comfortable. Capital position is good as the sector's capital adequacy ratio stood at 14.2% in 2016. While Moroccan banks expansion policy in Africa (recently in Egypt) obtains diversification and profit opportunities, but it also brings local operating environment risks such as risks from money laundering and terrorist financial activities. Moreover, projections for economic growth for 2018 are much better than in 2017, so the rate at which NPLs expand should be slower than in 2017.

In the coming period, with considering improving economic condition and strong regulatory and supervisory framework, we expect gradual increase in banking sector assets and deposits. The credit growth is expected to accelerate with easing of lending standards and positive economic developments.

4- TURKEY & MOROCCO:

Foreign Trade:

Turkey's exports to Morocco rose by 12,9% to USD 1.7bn in 2017 and imports increased by 0,7% to USD 924mn in compared to 2016. The trade volume of Turkey to Morocco is standing at USD 2.6bn in 2017, higher than trade volume of 2016, which amounted as USD 2,4bn. Historically, trade balance has been in favor of Turkey.

In the first four months of 2018, Turkey exports to Morocco rose by 23% to USD673mn in compared to same period of the previous year, whereas imports decreased by 5% to USD255mn. Overall, trade volume of Turkey to Morocco is standing at USD928mn in the first four month of 2018, 14% higher than trade volume amounted in the same period of 2017.

Morocco mainly imports automobile, jeweler, truck, iron profile and land vehicle parts from Turkey, while mainly exports cars, gold meat, natural aluminum, calcium phosphate and phosphoric acid to Turkey. The banking system incompatibility for the letter of credit transactions and some customs problems in maritime trade are the main issues that could delay the foreign trade transaction.

Turkey-Morocco Foreign Trade Relationship				
Years	Export (USDmn)	Import (USDmn)	Trade Balance	Trade Volume
2010	624	397	227	1.021
2011	921	420	501	1.341
2012	1.015	429	585	1.444
2013	1.193	572	621	1.765
2014	1.407	640	767	2.046
2015	1.338	711	627	2.048
2016	1.469	918	551	2.387
2017	1.658	924	734	2.582
2018*	673	255	418	928

Source: Turkstat, Foreign Trade Statistics,

* included January- April 2018 period.

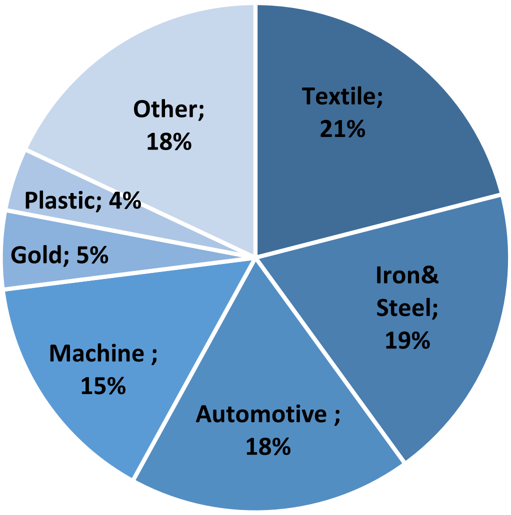
Turkey's net foreign direct investment to Morocco amounted as USD1,2bn according to the Ministry of Economy. While there are approximately 150 Turkish firms operating in Morocco, 63 Moroccan firms are actively operating in Turkish market. Turkish contractors have undertaken 57 project in Morocco in 1972-2017 period, which amounted as USD4.2bn

In 2016, Turkish contractors total project amount realized as USD452mn. Under the process of Euro-Mediterranean regional integration, Morocco and Turkey signed a Free Trade Agreement in April 7, 2004 and the agreement has entered into force in January 1, 2006. The main working fields are textile, automotive, agriculture, tourism and construction sector for Turkish investors.

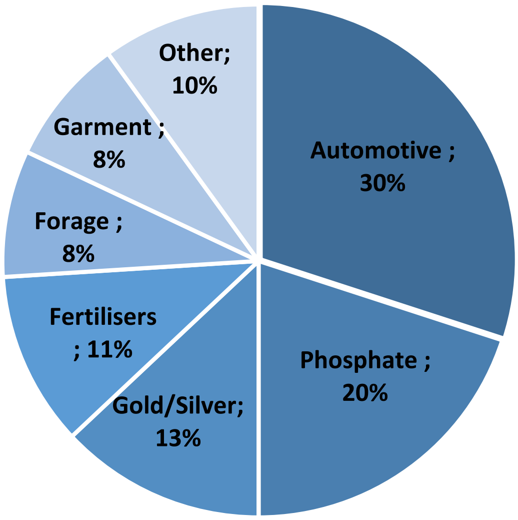
Turkish firms recent activities in Morocco are;

- **BIM** has 279 stores in Morocco. The company plans to increase its stores in the coming period.
- **The Kale Group** has opened showroom in Casablanca, with the Moroccan Middle East Trading Agency (MME).
- **Ronesans Holding** is continuing their construction projects.
- **Yapı Merkezi** won the railway platform construction tender
- **Nurol İnşaat** has announced that El Jadida-Safi Motorway Project is under construction in order to contribute to touristic, industrial and social development of the Atlantic region of Morocco.
- **STFA:** The project consists of construction Works for the New Port of Safi in Morocco.

Turkey's Export to Morocco



Turkey's Export to Morocco



The Importance of Morocco for our country:

- Geo-strategic location
- Stability-Growth-Foreign Capital
- Increasing purchasing power of the market
- High Industry-Agriculture-Fishing
- Potential for tourism
- Potential for contracting
- Wealthy phosphate source
- Positive attitude to our country