

Bulletin:

King's Proposed Reforms Bolster Morocco's Political Stability And Underpin The Sovereign Ratings

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FRANKFURT (Standard & Poor's) March 16, 2011--Standard & Poor's Ratings Services said today that its views on the Kingdom of Morocco's (BBB-/Stable/A-3) creditworthiness are unchanged following King Mohammed VI's March 9 announcement regarding constitutional reform. Standard & Poor's believes that the announced reforms will enhance political stability in Morocco and demonstrate policymakers' ability to act proactively to strengthen the social contract.

The King said that the proposed constitution would strengthen parliament and political parties. The prime minister would still likely be named by the King but would represent the majority in parliament.

The new constitution would also recognize the country's multi-ethnic identity and give greater independence to regional government. The King also announced measures to reinforce pluralism, human rights, individual liberties, and the independence of the judiciary.

We consider that the reform process could benefit from the King's announcement of a close dialogue with political parties, trade unions, and civil society groups. He has announced a draft constitution to be ready by end-June 2011, before being submitted to popular approval through referendum.

It is our view that these changes are likely to bolster political stability in Morocco and reduce risks of policy discontinuities, in contrast to current uncertainties in the broader MENA region. We also believe that the resulting enhanced institutional predictability, and potentially improved perceptions of legitimacy, domestically, could help stabilize the ratings at a time when unforeseen challenges in the wider region are testing the

formulation and implementation of stability-oriented economic policies.

The ratings on Morocco are supported by our view of the government's commitment to long-term macroeconomic stability, a strong external position, and its overall track record of prudent fiscal management. Currently, we believe the most identifiable risk to Morocco's ratings would be a significant worsening of the fiscal balance, in particular if a marked increase in food and fuel subsidies were to materialize.

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- Tunisia's Jasmine Revolution Is Adding To Political And Fiscal Risks In The MENA Region, Jan. 27, 2011.

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