



What Clients Asked This Week | Nov 15, 2019

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ALBANIA

Albania's and North Macedonia's external debt issue plans in 2020

Albania | Nov 08, 17:24

The question originally referred to this article: [Finance ministry sells ALL 10.7bn in one-year T-bills](#)

Question:

Are you aware of any plans for Albania or Macedonia to issue external debt in 2020?

Answer:

The Albanian government has not approved the budgetary framework for 2020 yet, but preliminary information showed that it plans foreign borrowing at about 0.8% of GDP, which will likely include both loans and Eurobond issue. The foreign borrowing in 2020 will thus amount to approximately ALL 14.5bn or some EUR 117.5mn, according to our calculations. Albania last raised a EUR 500mn seven-year Eurobond on Oct 2, 2018.

The North Macedonian government has not yet announced any intentions to issue debt on the global capital markets next year. We note that the government will resign on Jan 3 next year to be replaced by a transitional cabinet, which will oversee the Apr 12 snap parliamentary election. The government last issued a EUR 500mn seven-year Eurobond in January 2018.

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ARMENIA

Anti-corruption strategy

Armenia | Nov 13, 13:18

The question originally referred to this article: [PM Pashinyan welcomes 1915 genocide recognition by US House](#)

Question:

What is the latest on establishing the anti-corruption agency, the Commission for the Prevention of Corruption (CPC)? Thanks

Answer:

The commission for the prevention of corruption was set up last month. The government allocated a small, initial

budget for it, so that it can begin work. The commission will not investigate corruption violations but rather focus on preventive activities and review public officials' tax declarations, including income and property. The government wants to reform some of the institutions involved in the fight against corruption and create new ones, including specialised courts and structures within the prosecutor's office. The My Step government has been trying to push the reform also into the constitutional court but so far has failed. Its tactics in this regard have been rejected both domestically and abroad, due to concerns about the lack of respect between institutions as well as the independence of the judiciary.

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CZECH REPUBLIC

Effect timing from utility price changes

Czech Republic | Nov 12, 10:13

Question:

Are you 100% sure that the Nov price increase will be in CPI from December? Just looking at the series of energy prices in CPI, we often get big price increases in January, sort of suggesting that the January increases appear in CPI in January, rather than February.

Answer:

No, we are not 100% sure, we only extrapolated from the CPI methodology, which reads that actual expenditures on utilities are accounted for. Since these will arrive in December, it is why we surmised they should go in the December print, rather than the November one. If they use accrued basis, they don't mention it anywhere, so we are afraid we cannot say for sure which one it is going to be. We guess those households who pay tariffs according to market prices at certain hours (there are a few of those) will report the price increase immediately, but there are also tariffs which fix the price for a certain period of time, and we don't believe these will reflect the change so quickly.

So sure, there could be some effect as early as in November, but we cannot claim it with any degree of certainty.

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Electricity tariffs

Czech Republic | Nov 12, 10:11

Question:

In section IV / category D: "cena za distribuované množství elektřiny:" Does this stand for the price of electricity or is it sort of distribution fee? The first table (the larger one) seems to be some fixed fee if I'm, not mistaken.

Answer:

It is the distribution fee, it is why it is singled out in a separate line. Distribution fees are usually fixed, so the Czech setup is not different than most in CEE.

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Electricity tariffs proposal

Czech Republic | Nov 12, 10:10

Question:

I can see a draft decision on the ERU site about the power price tariffs for 2020 but it seems they exist in Czech only:

<http://www.eru.cz/cs/-/verejny-konzultacni-proces-k-navrhum-cenovych-rozhodnuti-pro-elektroenergetiku-pro-rok-2020>

Can you please help me find my way in this? What is the expected price (total tariff) increased planned for 2020 for consumers?

Answer:

Unfortunately, there is no single tariff listed and we don't believe it is in our capacity to calculate it. Here is why.

The relevant document is the one linked at the end of the first paragraph (návrh cenového rozhodnutí ERÚ, kterým se stanovují ceny za související službu v elektroenergetice odběratelům ze sítí nízkého napětí), in short, a proposal about tariffs for low-voltage consumers. The remaining documents deal with high-voltage consumers and wholesale market fees. In the document, the part that refers to households is IV - households are considered category D electricity consumers. However, there are 10 different tariffs available, depending on consumption level, preferred pricing time periods (there are options to pay less in off hours if consumption is within certain limits), etc. Each of these tariffs has a breakdown with monthly bills depending on power distributor and actual consumption.

Unfortunately we don't know what share of households are on each tariff or what their average power consumption levels are. The regulator has that information and it publishes average prices after it reaches agreement on final tariff levels, but we are not sure just anyone can get so detailed information to calculate what the final price would be.

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Electricity price tariffs

Czech Republic | Nov 12, 10:08

The question originally referred to this article: [CEZ, E.ON raise electricity tariffs by 5% as of November](#)

Question:

Does this 5% increase relate to the total electricity bill or is this just the power price component of the total?

Answer:

It refers to the power price component only, we should have mentioned that. There has been no announcement

about a change of transmission and maintenance fees, which the energy regulator sets, so our understanding is they won't change. And of course, the hike applies only to clients of CEZ and EON, which are about 55% - the most recent market data we could find date to 2018.

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Excise tax changes

Czech Republic | Nov 08, 12:20

The question originally referred to this article: [Chamber of Deputies wraps up voting government's tax package](#)

Question:

Are the excise tax hikes proposed here any different from the earlier version?

Answer:

There is no meaningful difference from what the cabinet adopted earlier this year. Technically, there is one change, as MPs threw out taxation of local heating installations. However, it was expected to bring only CZK 40mn anyway, so the finance ministry didn't resist. The Senate will very probably make a lot of changes, but these will be overturned when the bill comes back to the Chamber of Deputies, as the government secured absolute majority through the votes of ANO, the CSSD and the KSCM.

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POLAND

Enterprise Ministry's CPI forecasts and accuracy

Poland | Nov 08, 16:22

The question originally referred to this article: [Enterprise Ministry sees CPI inflation at near 2.5% y/y in November](#)

Question:

What is the track record of the Enterprise and Tech Ministry's CPI inflation forecasts?

Answer:

Well, actually they aren't amazing great in their forecasts, but it is usually one of the first and I report it as giving some sort of benchmark for forecasts and perhaps to sketch out what part of the government at least sees. There is still nothing as accurate as the FinMin's old CPI forecasts.

Please see the attached excel file for a direct comparison.

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Wage increases in 2020

Romania | Nov 15, 13:51

Question:

Could you please let me know the planned minimum and public sector wage increase in 2020? And if you have numbers for previous years for comparison it would be greatly appreciated.

Answer:

Public-sector wages

Wages in the public sector should increase by 2022 in accordance with the unitary wage law. That law does not provide percentage increases but sets wage levels that should be reached in 2022 for each job in the public sector. In order to reach those levels, each public sector institution/authority increases wages gradually each year, so the total growth would be equally distributed in each of the four years since the law enforcement (2018). Considering the end-2018 average wage level in the public sector, the former labour minister estimated a 25% average hike in the entire public sector until 2022. However, increases vary for each position and job, as it depends on the wage level at the law enforcement date. Thus, some will benefit from higher increases, while there will be few suffered wage cuts, at least in the first period of the law application, in case their wage is above the level set in the law.

Doctors and nurses benefited from the entire hike as of March 2018, so they had their wages increased by 70-170%. A 15% average growth was also applied for professors in April 2018, following some pressure from unions. Hence, wages in healthcare should no longer increase so much while in education there will be only minor hikes in the following years.

Minimum wage

The gross minimum wage in Romania is currently RON 2,080. Construction sector and employees with university degree have higher minimum wage levels, namely RON 3,000 and RON 2,350 respectively. The former government prepared and emergency ordinance to increase it by RON 100 as of 2020. The new government hasn't approved it yet, but it seems that it wouldn't be given up. PM Orban commented that he would approve the increase only after discussing with the business environment for avoiding further arbitrary hikes. You can find minimum wage levels in the past years [here](#).

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One-offs that increase non-tax revenues in 2019

Serbia | Nov 11, 08:47

Question:

What are all the one-offs that increased non-tax revenues in 2019?

Answer:

The largest one-offs that increased non-tax revenues in 2019 were the concession fee for the Belgrade airport and NBS profit for 2018.

[Ask the editor](#)[Back to contents](#)**Breakdown of capital expenditure**

Serbia | Nov 11, 08:45

Question:

Do you have a breakdown of the various items of capital expenditure (for both 2019 supplementary budget and draft 2020)?

Answer:

The breakdown for the various items of capital expenditure in the 2020 draft budget are the following:

Infrastructure and other construction - 58.3%

Machines and equipment - 26.4%

Acquisition of non-tangible assets - 5.3%

Stocks - 2.5%

Land expropriation - 6.6%

Other - 0.9%

You may find the breakdown on p. 253 of the [the draft budget](#), where the government also provides a list of the major projects that will be financed next year and the respective cost. As for the 2019 supplementary budget, it does not provide such a breakdown. The government has said that it will allocate more funds for construction of Pojate-Preljina highway section and Belgrade-Sarajevo highway.

[Ask the editor](#)[Back to contents](#)**Item pension in 2020 draft budget**

Serbia | Nov 11, 08:43

The question originally referred to this article: [2020 budget strives to preserve fiscal discipline amid higher current spending](#)

Question:

You mention in the text that pensions will increase by 5.4% according to the Swiss formula but in the table there is a decline for the item pension. What is the reason?

Answer:

Our guess is that this is due to the one-off bonuses of RSD 5,000 that were disbursed to the pensioners in early

November (included in the budget revision) but also because the government is counting on higher social contribution collection next year.

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GDP growth in Q3

Serbia | Nov 08, 11:54

Question:

Did you see the announcement that Vučić made, that 3Q GDP was 4.7% in 3Q. According to SEENEWS: Serbia's gross domestic product (GDP) growth quickened to 4.7% in the third quarter of 2019 from 4.4% in the previous quarter, president Aleksandar Vucic said. Real GDP in 2Q19 was 2.9%, and perhaps it was revised up to 4.4%, but this is a big revision. Have you heard anything locally about this announcement? And do you think the 4.7% he announces indeed is real GDP in 3Q19?

Answer:

We've listened to the interview of President Vucic for Pink TV but he only mentioned the Q3 GDP flash estimate of 4.7% and said nothing about the Q2 print. In a fresh comment FinMin Mali also mentioned the Q3 flash estimate saying that GDP growth this year could even reach 3.8%, up from earlier projected 3.5%. I cannot say for sure whether they cite estimates of the finance ministry or data obtained in advance from the statistics office RZS, which did not publish the flash estimate. Note that the RZS did not publish GDP flash estimate for Q2 either attributing this to problems in obtaining necessary data and apparently they faced the same situation for the third quarter. The detailed Q3 GDP print should be released on Dec 2, according to the calendar of the statistics office.

Honestly, we would be surprised to see such a big revision for Q2 GDP print given that overhauls at oil and chemical industries (that were implemented in March and April) led to slowdown in H1, while the food industry is still suffering from the customs tariffs imposed by Kosovo. The authorities have earlier said that they expected economic growth to accelerate in H2 so there could be indeed quickening of the economic activity with the waning of the effects of the above mentioned one-off factors.

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EGYPT

Geopolitics

Egypt | Nov 15, 13:38

The question originally referred to this article: [Saudi company mulls USD 610mn investment in real estate – Amwal Al Ghad](#)

Question:

Could you help me understand the geopolitics with Egypt. Are they fully aligned with Saudi? Any risks that could arise in the near term?

Answer:

President Sisi wants to restore Egypt's leading role in the MENA region by maintaining close relations with Europe and the US on the one hand, while strengthening ties with Russia, especially in the areas of energy and military equipment. Furthermore, the government wants to turn Egypt into a gas hub, following the discoveries of massive gas reserves in the Mediterranean. Although often criticised by its Western allies for human rights violations, the Egyptian regime had remained a key factor in regional stability and the fight against terrorism. Egypt has managed to contain Al Qaeda militants in the Sinai Peninsula and it is fighting militants on the Libyan border.

As part of the Arab League, Egypt criticized strongly Turkey for its military operation in Syria. In Oct 2019, Egypt, Cyprus and Greece condemned Turkey for its "unilateral" and "provocative" measures to conduct offshore drilling in disputed waters in the Eastern Mediterranean.

Egypt and Saudi Arabia have maintained close economic and political relations, although there have been some issues such as two disputed islands and Egypt's condemnation of Jamal Khashoggi's murder. Unlike Saudi Arabia, President Sisi supports Syrian President Bashar al-Assad, but Egypt has not taken any actions to prove its support. Furthermore, Egypt had received sizeable financial support from Saudi Arabia, the UAE and Kuwait in the form of USD deposits in the central bank. Some USD 10bn was due to mature in 2019, and it is expected to be rollovered with no significant pressure on Egypt's external accounts.

Egypt's major geopolitical challenge, apart from security challenges in Libya and Sinai Peninsula, is the massive USD 4bn GERD dam that Ethiopia is building on the Nile river. Egypt worries GERD will diminish its scarce water supply from the Nile, and is pushing for the dam's reservoir to be filled over seven years, while Ethiopia insists on a three-year filling time. Recently, talks on the technical details governing the operation of the dam stalled and tension have started to build up. Russia and the US offered mediation in the dispute, but Ethiopia refused any mediation other than the tripartite consultations on the filling and operation of the GERD (Egypt, Ethiopia and Sudan). During the maiden Russia-Africa summit in October, Sisi and Ethiopia's PM Ahmed agreed the independent technical committee working on GERD should immediately resume its work. Sisi and Ahmed met in Sochi to defuse the tension that has escalated in October. Ahmed told Sisi that his recent statements before the Ethiopian parliament [that Ethiopia is ready to go to war over GERD] were taken out of context, stressing his country's respect for the government and people of Egypt.

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Political risks

Egypt | Nov 15, 13:36

The question originally referred to this article: [Police seals off Cairo's Tahrir Square after renewed calls for protests](#)

Question:

Could you tell me what your assessment of the political risks in Egypt are currently? Were you worried about the September protests and is there a likelihood of a repeat?

Answer:

Summary:

President Sisi was given a constitutional right to rule the country for the next decade and the heavy-handling of the September protests show he is very serious about that. These protests were against Sisi's regime (corruption and waste), and were limited to the large cities, because Sisi, a former army chief, is popular across the country for his heavy stance on terrorism and insecurity. This in turn is used to justify the crackdown on political opposition and civil liberties. As long as the region remains volatile and the threat to Egypt appears imminent, the majority of Egyptians seem to accept limited political freedom. Meanwhile, Egypt has implemented badly-needed economic reforms, which have put severe strain on disposable incomes and fueled social tension. These reforms have put the economy on strong footing, but the economic transition hides short-term risks. The government has stepped up spending on social programs and safety nets with money freed from the removal of the fuel subsidy (as recommended by the IMF and the World Bank) in order to counter the tension. Overall, political risks have increased since Sisi was re-elected in Apr 2018, but we do not expect a material deterioration in the current political environment.

Protests against President Sisi's rule are limited to urban youth

The Sep 2019 demonstrations were against President Sisi's autocratic rule and corruption, but they were largely limited to the bigger urban centers and did not gain much support outside the cities. The main reason is while the regime has steadily become more autocratic and repressive since 2014, President Sisi is actually popular in the country. Sisi supporters say Egypt faces security threats (Al Qaeda in Sinai, militancy across the Libya border), so the country needs a strong man to tackle the challenges. President Sisi, a former army chief, has many times blamed radical political Islam and extremism for the problems in the region in order to justify the draconian rules and human rights violations. While we cannot rule out protests against Sisi's regime going forward, we believe these protests will be limited to the urban youth and will not gain broader support. With many political activists still in detention or under surveillance, it seems Sisi has blunted the urban protest movement for now.

Economic hardships are much stronger incentive for broader protests and hide more risks

Sisi's power is however more vulnerable to social tension related to the economic reforms and the economic hardships. Under Sisi's rule, Egypt has implemented badly-needed economic reforms to reduce macroeconomic imbalances and put the economy on sustainable growth trajectory. These measures included pound float, subsidy cuts, new taxes and higher tax rates and resulted in rampant inflation during 2017 and 2018. Sisi's government has acknowledged the challenges and there has been an increase in spending on social programs, education and health. After all, higher bread prices were a key trigger for the 2011 revolution. The completion of the fuel subsidy reform has been a significant achievement and should help safeguard fiscal space for high priority social spending. The country has secured loans from international development agencies for large investments in electricity production, rural development, water sanitation and SMEs funding programs. As far as the economy is concerned, the government's reform program (backed by USD 12bn IMF loan) has been a success and the government has demonstrated its commitment to further structural reforms that should encourage private investments and improve the business environment. However, due to the rigid labour market, youth unemployment remains high, while the dominance of the public sector in the overall economic activity suffocates market driven development and more inclusive growth. Furthermore, poverty and lack of job prospects, two underlying pressures, have not been tackled effectively and elements within society feel marginalised and represent future stability risks in the absence of meaningful and inclusive economic development.

Overall, the long-term challenges to inclusive economic development are still there, but the foundations for economic growth are much stronger than they were a decade ago. This means Egypt is facing somewhat uncertain

economic transition and Sisi's government knows that. Already, the government backed down on its plans to cut the highly sensitive food subsidy program and following the September 2019 protests, returned nearly 2mn people to the food subsidy program. Protests against economic reforms are more likely to gain broad support, and we believe Sisi's regime will be more responsive to such demonstrations. We believe Sisi is committed to structural reforms, but we see reform fatigue as a medium-term risk, especially if the projected robust economic growth fails to materialize in more inclusive economic development.

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GENERAL MENA

GCC Eurobonds/Financing needs

General MENA | Nov 12, 19:07

Question:

Do you have any estimations how much Saudi Arabia, Abu Dhabi, Bahrain, Dubai, Oman, Qatar and Sharjah might issue in terms of eurobonds? Do we know how their financing needs look like for 2020?

Answer:

The countries (or emirates) in question have not yet published their draft budgets for 2020, so the answer to your question is to some extent based on assumptions and our own expertise.

None of the governments of **Saudi Arabia, Bahrain, Kuwait, Oman, Qatar, UAE, Abu Dhabi, Dubai and Sharjah** plans Eurobond sale in 2020, to our knowledge. The **UAE** does not typically issue bonds at the federal level. However, there were news reports in September that the government of Dubai has spoken with banks about a potential issue of US dollar-denominated bonds.

FINANCING NEEDS IN 2020

Saudi Arabia - the DMO has not published the annual borrowing plan, but the pre-budget statement for FY 2020 puts the fiscal deficit at SAR 187bn (USD 50bn or about 6.5% of GDP). Analysts expect about 60% of the deficit to be financed through debt (IMF assumes as high as 67%) and the rest to be financed from the government deposit in the central bank.

Bahrain - Neighbours Saudi Arabia, UAE, and Kuwait to provide financing. The USD 10bn support package of long-term interest-free loans to be disbursed in 2018-2022 is significant in the context of Bahrain's annual financing needs. Bahrain received USD 2.3bn in support during Q4 2018. The country will receive another instalment of USD 2.3bn in 2019, and will subsequently receive USD 1.76bn in 2020, USD 1.85bn in 2021, USD 1.421bn in 2022, and USD 650mn in 2023.

Bahrain has USD 4.9bn of external medium and long term debt maturing in 2020-2022.

Kuwait - Fiscal financing needs are expected to remain high, because of the mandatory transfers to the Future Generations Fund (FGF). Kuwait's fiscal financing needs - overall fiscal balance after compulsory transfers to the FGF and excluding investment income - are projected to exceed 10% of GDP over the medium term. The IMF has estimated the cumulative net financing needs at KWD 35.2bn (USD 116bn) over 2019-2025. About 56% of

cumulative financing is expected to come from reserves, followed by net external debt issuance (28%) and net domestic debt issuance (16%).

Oman - High fiscal deficits will lead to an average change in net general government debt of over 6% of GDP over the next four years. We think government will continue to finance its funding needs predominantly via the issuance of foreign currency debt, with the remainder financed by asset drawdowns and privatizations. Domestic issuances will likely remain low, due to the small size of the domestic market. For example, 2019 budget assumed budget deficit of OMR 2.8bn (USD 7.4bn) to be financed by net foreign borrowing (OMR 2.0bn), net domestic borrowing (OMR 0.4bn) and financing from reserves (OMR 0.4bn).

Qatar - In November 2019, Emir Sheikh Tamim bin Hamid Al-Thani said the country will post a budget surplus in 2019. The surplus will be Qatar's first after three years of deficits. Similarly, the IMF said in its latest Fiscal Monitor report that it expects the government will continue running fiscal surpluses at least until 2022.

Abu Dhabi - The budget will likely record a deficit of 1% of GDP in 2020 and over 2% in 2021, as oil prices decrease and oil production remains stable. Abu Dhabi's fiscal financing requirement (the cumulative deficit excluding ADIA income) will total USD 36bn for 2019-2021. The Abu Dhabi Investment Authority (ADIA) is a sovereign wealth fund owned by the emirate of Abu Dhabi. As for **Dubai**, we do not expect this emirate to have significant budget deficits in the coming years and its 2020 financing needs should be relatively small. For **Sharjah**, we could not find any reliable data.

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MOROCCO

Country overview

Morocco | Nov 15, 10:33

Question:

I am just coming up to speed on this country and would love to get your thoughts on the below aspects: 1) What are the major SOEs that the government depends on and where could I take a look at the balance sheet? 2) in your assessment, is there a low risk of social instability? What is the popular perception of the government and the King? 3) how realistic do you think 4% privatizations over the next 4 years will be for the government? have they earmarked the necessary assets? 4) could you remind me of how the constitution is set up between the king and parliament? what are the delineation of powers? 5) Geopolitically, what is Morocco's stand in the GCC. Any risks from there? 6) Do you know which African destinations the Moroccan banks have been expanding into? 7) Do you expect the reforms to deliver significant growth for the country?

Answer:

1. State enterprises

The finance ministry has a very detailed report on SOEs in French. The latest can be found here. It includes a list of the total public portfolio with stakes, transfers and many others. The largest SOEs are OCP SA, ADM, CAM, MASEN, RAM, Barid Al-Maghrib and HAO. The latest summary report in English (submitted with budget 2018) is here.

2. **Instability**

The government can be defined as stable due to the popularity of the King and the fact that he remains in control of most aspects of government. In our view, there is low risk of instability. That said, social tensions escalated since 2018 when there were mass boycotts against high prices of certain products. Social protests are focused on the low standard of living, high unemployment among youths and corruption.

3. **Privatisation**

The government has a long-standing experience with privatization and according to the IMF has a well-developed legal framework (see latest Article IV report, Box 2). It is conceivable that the plan is executed as intended. The downside is that the government is selling assets in order to finance social spending in the absence of foreign grants and in the long-term will lose revenue as a result, barring other reforms. The list of companies eligible for privatization has been expanded with the 2019 budget adopted in Nov 2018. In 2019 an 8% stake in Maroc Telecom was sold.

4. **Constitution**

The constitution adopted in 2011 granted some powers to the parliament and the PM, introducing the institutions of democracy such as elections, parliament and separate powers. However, the king continues to exercise considerable control over the executive, persistently orchestrates the political scene and acts to manipulate the cabinet, the PM and the parliament itself. The text of the constitution in English can be found at this link. The constitution grants the king exclusive powers as regards national security, the army and religion. This is a summary of the king's powers.

5. **GCC**

The sensitive issue for Morocco is Western Sahara. Overall, Morocco has been aligned with the GCC and has enjoyed Saudi Arabia's support historically. Put in simple terms, Saudi Arabia has kept out of Western Sahara issue and Morocco has kept out of the Yemen conflict. There have been reports more recently, of some tensions between Saudi Arabia and Morocco over Morocco's support for Qatar, for instance. The Moroccan Treasury reported that Saudi Arabia did not pay its USD 1.25bn commitment in full which was interpreted as a signal of cooling relations between the states. However, we think the two countries remain fundamental allies.

6. **Banks expansion**

Moroccan banks have presence across Africa. According to Fitch Ratings, as of 2017 the international exposures of the three largest Moroccan banks, mostly in the African continent, represent about 20-30% of their total assets and a third of their profits. The BMCE has subsidiaries in 19 African countries, Attijariwafa in 13 and GBPC in eight. Countries include Benin, Burkina Faso, Burundi, DRC, Djibouti, Ethiopia, Ghana, Kenya, Ivory Coast, Madagascar, Mali, Niger, Rwanda, Senegal, Tanzania, Senegal, Uganda. Attijariwafa Bank acquired Barclays' Egypt in 2017. As of 2019 Attijariwafa Bank operates in 25 countries through 4,930 branches with 20,000 employees.

7. **Economic growth**

Economic growth is expected largely to rebound on the back of a recovery in agriculture which was a drag this year. Risks, however, stem from the potential slowdown in Europe which is Morocco's main export market. Though Morocco has developed export industries, agriculture remains a large employer, especially

in rural areas. In addition, Morocco is an oil importer and is vulnerable to swings in prices. The country needs to work on education and health in order to boost competitiveness and correct labour market inefficiencies.

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INDIA

Political and economic situation in India

India | Nov 13, 10:28

The question originally referred to this article: [Govt privatisation proceeds reach INR 173.6bn in first half of FY 2019-20](#)

Question:

Hello I'm new to covering India and am just about coming up to speed. Are there good pieces you have come across that summarize the political and economic situation in India? Also, could you tell me the key reforms that are needed over the next year in order to have a rebound in growth in India? What measures does that market want the government to undertake?

Answer:

Here are a few links that will give you an overview of the prevailing economic and political situation in India:

<https://www.livemint.com/industry/banking/the-great-indian-credit-squeeze-in-six-charts-11572424223172.html>
(this will explain how the liquidity crunch in the NBFCs has taken a toll on the overall economic activity in the country)

<https://openknowledge.worldbank.org/bitstream/handle/10986/32515/9781464815157.pdf?sequence=5&isAllowed=y> (the recent IMF's report on South Asia. It will help you understand how the Fund sees India's current economic slowdown; read pages 17-19 and 69-71)

<https://www.frbsf.org/banking/asia-program/pacific-exchange-blog/indias-non-bank-financial-companies-emerge-from-the-shadows/> (a really good piece about the current crisis in India's shadow banking)

For India's current political situation at the national level, I would suggest you to kindly go through our political stories particularly those related to Jammu and Kashmir and the state legislative elections. The first will inform you how having an absolute majority in the Lok Sabha allows the Modi-led government to take bold steps in the contentious region while ignoring the human rights concerns. The second will give you a sketch about the relationship between economy and politics in India, that is how the economic slowdown has translated into a lower-than-expected performance of the BJP in Maharashtra and Haryana state elections.

We think that over the next year the government critically needs to take countercyclical policies to lessen the pace of the private consumption slowdown which is the main factor behind the country's economic growth easing. For the past few months, the government has in fact taken a number of measures in this regard, including corporate tax rate cuts, bailout fund for the real estate sector, liquidating financial sector etc; these steps have also been acknowledged by the international financial institutions. However, the fiscal initiatives will come at the cost of the government missing its fiscal deficit target by at least 0.3 to 0.5pps. We also think that a cut in the personal income

tax will also go a long way in accelerating the private consumption growth.

Also please have a look at our snapshot, which covers current political and economic developments, as well as key macroeconomic statistics, thus giving you a brief overview of the country.

<https://ceemarketwatch.com/browser/snapshot?countryId=101>

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