BANK AL-MAGHRIB

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ANNUAL REPORT

PRESENTED TO HIS MAJESTY THE KING

2018

GOVERNOR

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REPORT
ON THE FINANCIAL YEAR 2018

PRESENTED TO HIS MAJESTY THE KING

BY MR. ABDELLATIF JOUAHRI

GOVERNOR OF BANK AL-MAGHRIB

Your Majesty,

In application of Article 57 of Law No. 76-03 on the Statutes of Bank Al-Maghrib promulgated by Dahir No. 1-05-38 of Shawwal 20, 1426 (November 23, 2005), I have the honor to present to Your Majesty the report of the year 2018, the sixtieth year of the central bank.

SUMMARY

Majesty,

The hope fuelled in 2017 that the world economy has entered a new cycle of expansion, after a decade marked by the aftermath of the crisis, soon faded away in 2018. In a context of trade and geopolitical tensions, Brexit-related uncertainties and tightening financial conditions, growth moved down to 3.6 percent. This slowdown, coupled with a clear weakening of international trade, affected a large number of developing and advanced countries, with the notable exception of the United States.

Despite this overall unfavorable development, labor market conditions continued to improve in advanced economies. The unemployment rate stood at 3.9 percent in the United States, its lowest level in almost half a century, and continued to decline in the euro area, albeit remaining high in some member countries.

With regard to commodities, it should be particularly noted that oil prices increased again, chiefly supported by the renewal of the production-cut deal by OPEC and certain non-OPEC countries. Driven by this price increase, inflation recorded a new overall rise in emerging and developing countries as well as in advanced economies, standing, in the United States, at a level close to the Fed's objective.

The Fed, also prompted by buoyant economic activity, quickened its pace of policy rate normalization, with four increases in the target range of its rates and a further reduction of its balance sheet. The ECB maintained its accommodative stance, keeping its key rates unchanged, while continuing to gradually reduce its asset purchases before stopping them at the end of the year.

In financial markets, US stock markets once again posted remarkable uptrends, while those of the euro area and the United Kingdom declined, particularly impacted by concerns about the outcome of Brexit and the less favorable economic outlook. In the currency markets, the euro and currencies of key emerging economies posted depreciations against the dollar, particularly pronounced in the case of Turkey and Argentina.

In this uncertain and rapidly changing environment, the national economy continued to grow at low to moderate rates, growing by 3.0 percent, after 4.2 percent in 2017. The favorable weather conditions for the second year in a row led to a positive trend in agricultural value added, while nonagricultural sectors continued their slow recovery, increasing by no more than 2.6 percent. Activity accelerated relatively in processing industries, remained strong, albeit decelerating, in tourism and continued to be sluggish in the construction sector. On the demand side, the contribution of net exports to economic growth turned negative again at 1.3 percentage point, while its domestic component rose to 4.3 points.

In the labor market, conditions were characterized by a relative improvement in job creation, with 112,000 new jobs, more than half of which concentrated in services. However, the market remained less attractive with a decline in net entry to 64,000 job-seekers, leading to a further decrease in the participation rate, particularly in urban areas. Against this backdrop, unemployment rate fell to 9.8 percent nationally and to 14.2 percent in urban areas, while remaining very high among urban youth aged 15 to 24, of whom more than four out of ten are unemployed.

In terms of macroeconomic balances, twin deficits worsened in 2018. Indeed, despite the continued robust performance of exports, particularly for phosphate derivatives and automotive sectors, the trade balance continued to deteriorate, mainly due to the increase in energy bill and in capital goods purchases. Similarly, travel receipts decelerated sharply, despite the uptrend of tourism activity, and remittances from Moroccan expatriates declined, the first after that of 2014. Also, taking into account a significant reduction of GCC grants, the current account deficit widened from 3.4 percent to 5.5 percent of GDP. On the other hand, driven by a major transaction in the insurance sector, foreign direct investment flows amounted to 47.4 billion dirhams or 4.3 percent of GDP. Bank Al-Maghrib's net international reserves thus reached 230.7 billion dirhams at the end of the year, the equivalent of slightly over 5 months of imports of goods and services.

At the same time, fiscal consolidation slowed somewhat, with the deficit worsening from 3.5 percent to 3.7 percent of GDP, well above the 3 percent target set in the 2018 Finance Law. In addition to lower GCC grants, this change is attributable to higher spending on other goods and services and subsidy costs. Conversely, investment spending showed a drop, the first since 2013. Tax revenues improved by 4.2 percent, reflecting higher receipts from VAT and income tax, as well as less proceeds from corporate taxes. Taking these elements into account, the Treasury's debt ratio rose to 65.3 percent of GDP, with an increase to 51.9 percent of GDP of its domestic component and a decline to 13.4 percent of GDP of the external debt.

In order to speed up the clearance of the stock of VAT arrears and relieve the corporate cash flow, the Ministry of Economy and Finance set up, in collaboration with banks, a system of reimbursement through factoring transactions. The amount recovered at the end of the year reached 26.3 billion dirhams for both public and private companies.

In this context, inflation rose significantly from 0.7 percent to 1.9 percent, driven mainly by rising volatile food prices. Building on an expected moderate consumer prices increase over the medium term and continued gradual recovery in nonagricultural activities, Bank Al-Maghrib maintained the accommodative stance of its monetary policy, keeping its key rate unchanged at a historically low level. It also continued to promote appropriate financing for the economy, significantly rising the volume of its weekly injections to cope with the increased bank liquidity needs, mainly owing to a marked increase in currency in circulation. At the same time, the Bank ensured that its decisions were transmitted and lending conditions were improved, leading to a decrease in lending rates, which benefited in particular to companies. Despite this decline, bank credit growth was limited, particularly as a result of weak demand.

The year was marked by the launch on January 15 of the gradual transition to a more flexible exchange regime, which aims mainly to strengthen the resilience of the national economy to external shocks and to support its competitiveness. The first phase of this transition was to widen the dirham fluctuation band from ± 0.3 percent to ± 2.5 percent, while keeping the reference basket unchanged as the basis for calculating the key rate. The Bank continued throughout the year its support, communication and awareness raising efforts. It also adapted its operational framework, setting up, as a main mode of intervention, an auction system for the purchase and sale of currencies against the dirham.

The first year of implementing this reform took place under favorable conditions, with broad ownership by the banking system, a gradual adaptation of economic operators and a deepening of the interbank foreign exchange market. In addition, reflecting its alignment with the fundamentals of the economy, the dirham exchange rate evolved within the fluctuation band without the central bank's intervention.

The outcome and success of this project depend on meeting certain prerequisites, including the consolidation of macroeconomic balances, which should remain among the authorities' key concerns. Nor can it yield the expected results without the implementation of other structural reforms aimed particularly at improving productivity, diversifying the economy and developing a consistent, competitive and higher value-added export offer.

The banking sector was able to maintain overall profitability despite limited credit growth. As part of the alignment of accounting and prudential regulation with international standards, Bank Al-Maghrib introduced in 2018 the accounting standard IFRS 9, which enhances the protection of banking institutions against credit risk. In order to preserve the banking system's financing capacity, it chose a gradual implementation, based on impact assessment and consultation with the actors.

Regarding macroprudential policy, the Bank continued, in close collaboration with the Finance Department and the other financial regulators, to strengthen supervision of the financial sector. More particularly, it set up a framework for analyzing the interactions between monetary and macroprudential policies and implemented a system for analyzing risks inherent to the exchange rate regime reform.

On another level, further to the mutual assessment of the national anti-money laundering and counter-terrorist financing (AML/CFT) system by the Financial Action Task Force for the Middle East and North Africa, several shortcomings were identified, thus calling for increased monitoring of our country by this group. Hence, public authorities and private sector stakeholders are requested to mobilize with a view to implementing recommendations of this review. In this regard, the Bank continued to expand its regulatory and supervisory framework in this area, while supporting the banking system to comply with the new requirements.

Regarding the Casablanca stock exchange, after two consecutive years of growth, prices fell overall, with a decline of 8.3 percent in the MASI, and the trading volume dropped significantly. Despite this underperformance, the valuation level, as measured by the PER, remains high compared to the main frontier markets. As for real estate assets, prices stabilized overall, after a substantial increase in 2017, and the number of transactions rose by 4.8 percent.

In terms of financial inclusion, the Ministry of Economy and Finance and Bank Al-Maghrib achieved the elaboration, on a participatory approach, of the National Financial Inclusion Strategy, which aims to absorb the deficit and reduce inequalities in this area, especially for the benefit of young people, women and the rural population. In the same vein, the Bank's efforts, together with the National Telecommunication Regulatory Agency and other stakeholders, helped implement the national interoperable real-time mobile payment. For this purpose, Bank Al-Maghrib set up the relevant regulatory framework and granted more than a dozen of payment institution approvals.

Majesty,

In light of all these developments, our country seems to have gone through a difficult economic situation in 2018. It was not able to reduce its economic and social deficits at a time when it is increasingly facing high social expectations at the domestic level and deep changes with uncertain implications, externally.

Indeed, the global economy remains marked by the aftermath of the crisis, with high levels of indebtedness and a widening of inequalities, leading to a weaker confidence in public institutions and rising populism. There are also geopolitical tensions, migratory movements caused by the proliferation of conflicts and climate change, whose manifestations have increasingly become tangible. More recently, the trend towards protectionism and the questioning of multilateralism and the rules of world trade, with an unprecedented escalation of the trade war, heighten uncertainties and threaten trade and growth.

In the face of these external challenges and after the remarkable performances made during the first decade of the millennium, our country has experienced persistent difficulties in recent years. Indeed, the sluggishness of nonagricultural activities since 2013 is starting to become worrying. The increase in their value added hovers around 2.3 percent, as against 4.6 percent between 2000 and 2012 and the overall growth is patterned by the alternation of good and bad crop years, with an average annual rate of merely 3.3 percent. If this situation persists, the ambition of emergence would be hard to achieve even on a distant horizon.

This trend has certainly an impact on the labor market. Over the past six years, more than nine out of every ten jobs created, as opposed to seven previously, were concentrated in tertiary activities, especially in trade and personal services, where informal work is widespread. Moreover, the apparent resistance of unemployment to an upward move is a mere consequence of the faster fall in the participation rate, which itself would be only the reflection of the discouragement of certain segments among the working-age population. If the participation rate, low when compared internationally, were at its level of the beginning of 2000s, the market would have included nearly two million additional working people.

In addition, the outlook remains uncertain. The slowness and divergence surrounding the 2030 vision of education are likely to perpetuate the already alarming weak performance of our education and training system and to continue condemning generations of our children and youth to economic and social exclusion. On the other hand, the digital revolution is radically raising the requirements of the labor market, making access to employment more difficult for entire sectors of the workforce that are less prepared for tomorrow's jobs. Added to this is the equally worrying problem of the advanced economies' attractiveness for the skilled labor force of emerging and developing countries, which is reflected each year by the exodus of cohorts of graduates offered better working conditions.

Thus, Morocco is significantly under-exploiting the temporary opportunities of its demographic transition to strengthen its human capital, a key component of its intangible wealth and a determining factor of its development, as highlighted by the study on wealth trends carried out by the Economic, Social and Environmental Council and Bank Al-Maghrib upon Royal instructions. In addition, the exclusion from the labor market and the persistence of inequalities, largely amplified in the perception of the population through social media, reinforce the feeling of marginalization and weaken social cohesion.

The sluggishness of growth and employment is also a direct consequence of that of private investment, even with the many incentives granted and a largely developed financial system compared to economies of similar levels of development. Despite all the efforts made for our productive system, its situation is still worrying nowadays. The available data show a fragmented and fragile fabric, weakened by the informal sector, the unfair practices, corruption and by the payment delays. The fabric is 90 percent dominated by very small units and remains poorly profitable, with more than two-thirds of companies reporting a zero-taxable income or a loss and 1 percent generating more than eight tenths of proceeds from corporate tax. In addition, only a small minority can break into foreign markets.

These results fall well short of what was hoped for in view of the efforts exerted and the many reforms made in recent years. They are recorded at a time when several sectoral strategies, intended to produce together a growth and employment momentum and to cause a competitive productive fabric to emerge, are approaching their deadlines.

Putting the country back on a higher and more inclusive path of growth entails a continuation of reforms, but with a greater requirement of efficiency and performance and a better consideration of this uncertain international environment. It also requires objective, independent and regular assessments to make the necessary adjustments and optimize future choices.

In this sense, the temporary slowdown in fiscal consolidation may seem appropriate in a context of low growth and pressing social needs. However, the high public debt level requires increased vigilance. Greater mobilization of resources and, above all, more efficiency in spending would help meet the different requirements in this area.

In the same vein, the last symposium on taxation issued several recommendations that seem promising. Also, the planned set up of a framework law should alleviate the uncertainty associated with the instability of our tax system and thus give better visibility to economic operators. However, the results of their implementation still depend on adequate sequencing to preserve the balance of public finances, while strengthening the equity of the system.

Moreover, the planned revival of the privatization program may be justified in several respects, even if the lack of objective evaluation of the previous operations and the outcome of certain privatized companies require a thorough preparation and close monitoring of this program.

Beyond the punctual revenues they generate, these operations should constitute opportunities to improve the performance of transferred companies and maximize the ripple effects on their ecosystems.

This stance and the planned expansion of public-private partnerships, as suggested by the reform of the relevant law, should make a contribution to the recovery of our productive fabric. Today, we believe that the large-scale emergence of a competitive Moroccan company, able to develop itself and to cope with international competition, should be placed among the priorities of public policy and requires the combined efforts of all stakeholders. In this vein, Bank Al-Maghrib organized, together with the Moroccan Professional Bankers' Group (GPBM) and the General Confederation of Moroccan Firms (CGEM) a second tripartite meeting, after that of 2016, to review the reasons lying behind the sluggish investment and credit demand, as well as to identify the ways and measures likely to boost them.

Strengthening our productive fabric seems to us all the more important since the situation of our external equilibrium remains fragile. The latter, despite the continued uptrend of exports, especially those of the World Crafts of Morocco, remains threatened by the volatility of energy prices, the growing imports of capital and consumer goods, as well as by the outflow of FDI income, which should increase over the years. Moreover, our model based on openness, liberalization and attractiveness to foreign investment, through tax incentives, is likely to suffer from the tightening of international standards on taxation. In addition to ongoing monitoring and increased vigilance, a discussion should be launched to identify new levers that would make it possible to preserve and enhance this attractiveness.

Moreover, the digital revolution is now reshaping the traditional models of production, exchange and consumption. It certainly offers countless opportunities, but also poses many risks including cybercrime. Our country has made some progress in this regard, particularly by simplifying administrative procedures related to tax payments, creating a dedicated agency, in addition to the initiatives made in the private sector. However, in view of its economic, financial and social implications, and to avoid a deeper digital divide, the national strategy put in place by the authorities must create a favorable framework enabling the systematic fructification of the potential of such transformation and mobilize it for the benefit of the country's development. Given the required substantial human and financial resources, a prioritization of objectives and actions remains necessary.

On the other hand, the implementation of advanced regionalization is expected to advance further with the adoption of the national administrative decentralization charter, the expected reform of the local taxation, the gradual transfer of financial resources to local governments and the redefinition of the role of regional investment centers, as structures for supporting the development of territorial economic poles. Nevertheless, success of this structuring project depends on the emergence of local elite having the skills necessary to ensure administrative and financial management and to draw the relevant local development policies.

Besides, the current overhaul of public social policy, focused on targeting households through a single social register, seems to be a promising move that would help adopt a globalized and coherent approach to reinforce the social safety nets in our country. It will also facilitate the subsidy reform, which still gives rise to much controversy, more than five years now after its launch. However, the success of this project is a significant challenge that requires continuing the major mobilization observed so far around this project. The time necessary for the development of such a register, the reliability and timeliness of information to establish the socio-economic profiling of the population involve significant risks. In fact, the experience with the deployment of the insurance medical system (RAMED) clearly illustrates how difficult it is to identify truly eligible population.

Similarly, three years after its launch, the pension reform remains incomplete, while the impact of the parametrization made during the first phase at the Moroccan Pension Fund (CMR) remains limited and offers only a temporary relief. In view of the gradual worsening of the technical gaps, this project should be completed in the near future to ensure the sustainability of all schemes.

Majesty,

As we pointed out on the same occasion a year ago, the public policy governance in our country suffers from several deficiencies related to lack of consistency, efficiency in implementation and objective evaluation. It is therefore not surprising that economic and social performance does not live up to the efforts made.

More worrying is that this situation, combined with the poor quality of public services, particularly health and education, undermines the citizen's confidence in the public administration and in the intermediary bodies. The recent repeated reluctance of public action, as illustrated in the controversies around the framework law on education, the management of the issue of contractual teachers, the dithering on the question of margins on petroleum products or the level of tax contribution of some professions, are perceived by the population as a lack of concern for its legitimate interests.

Eight years now after the constitutional reform of 2011, based particularly on strengthening the participatory democracy and the role of several institutions and bodies with regard to the political, economic and social governance of the country, these developments prove to be clearly out of step with the spirit that underpinned this reform.

Yet, despite these challenges, our country still enjoys a privileged status regionally and internationally thanks to its stability and to the continued sustained pace of reforms launched upon instructions of your Majesty. Morocco is considered by international institutions as a credible partner and perceived by investors as a country of opportunities. The renewal of the IMF precautionary and liquidity line for the fourth time, the continued positive assessment of the rating agencies and the significant amounts of foreign investment only mirror their confidence.

In order to preserve and strengthen this status, and build on it for the benefit of growth and employment, all the vital forces of the country must put on a genuine spurt. These forces are required to go beyond personal and partisan considerations to mobilize in the service of the interests of the country and the population.

Abdellatif JOUAHRI

Rabat, June 2019

PART 1

ECONOMIC, MONETARY AND FINANCIAL SITUATION

1.1 International environment

In a context marked by escalating trade tensions, Brexit-related uncertainties, political difficulties in some advanced economies and tightening financial conditions, global growth decelerated from 3.8 percent in 2017 to 3.6 percent in 2018. With the notable exception of the United States, where the economy has been operating at full capacity, the slowdown affected a large number of advanced and emerging economies.

These trends had an impact on world trade, which saw a sharp drop in its growth, mainly due to the weakening of the export dynamics of China and Germany. However, after two years of decline, foreign direct investment recovered, benefiting mainly developed economies.

In advanced countries' labor markets, unemployment remained low in the United States and continued to fall in the euro area, while remaining high in some member countries.

Concerning raw materials, energy prices posted a further rise, mainly driven by the renewal and compliance with the production reduction agreement, concluded between OPEC countries and certain non-member countries. The increase also involved fertilizer prices and, to a lesser extent, metal and mineral prices. Regarding agricultural commodities, trends were divergent, with mainly a sharp increase in cereal prices and a decline for oils and sugar.

Driven by rising energy prices, inflation was up again in emerging and developing countries as well as in advanced economies, especially in the United States where it stood at a level close to the Fed's objective.

Supported by a higher pace of economic activity and a robust labor market, the Fed accelerated the normalization of its monetary policy, with four increases in 2018 in the target range of the federal funds rate and a continued reduction of its balance sheet. The ECB maintained its accommodative stance, keeping its key interest rates unchanged, while continuing to gradually reduce the amount of its asset purchases.

The increase in the Fed's rate resulted in a sharp rise in sovereign yields in the United States. However, in the euro area, with the exception of Italy, which was under heavy pressure on its debt securities due to political and budget difficulties, sovereign bond yields changed only slightly.

The rise in yields, combined with the strengthening of US economic activity, caused the dollar to appreciate against both the euro and the currencies of the main emerging economies. In particular, Turkey and Argentina, both affected by macroeconomic and financial instability, suffered a sharp depreciation of their currencies and a sharp underperformance of their stock markets. Similarly, owing to the Brexit-related uncertainties and the less favorable economic outlook, the stock markets of the euro area and the United Kingdom were tilted to the downside, while a substantial new performance was recorded in the United States and Japan. The bank lending growth continued to recover in the euro area and slow down in the United States.

1.1.1 Economic growth

After standing at 3.8 percent in 2017, world growth fell back to 3.6 percent in 2018, due to deceleration from 2.4 percent to 2.2 percent in developed countries and from 4.8 percent to 4.5 percent in emerging and developing economies.

Table 1.1.1: Global growth (%)

	2014	2015	2016	2017	2018
World	**3.6**	**3.4**	**3.4**	**3.8**	**3.6**
Advanced economies	**2.1**	**2.3**	**1.7**	**2.4**	**2.2**
United states	2.5	2.9	1.6	2.2	2.9
Euro area	1.4	2.1	2.0	2.4	1.8
Germany	2.2	1.5	2.2	2.5	1.5
France	1.0	1.1	1.2	2.2	1.5
Italy	0.1	0.9	1.1	1.6	0.9
Spain	1.4	3.6	3.2	3.0	2.5
United kingdom	2.9	2.3	1.8	1.8	1.4
Japan	0.4	1.2	0.6	1.9	0.8
Emerging and developing countries	**4.7**	**4.3**	**4.6**	**4.8**	**4.5**
Emerging and developing countries of Asia	**6.8**	**6.8**	**6.7**	**6.6**	**6.4**
China	7.3	6.9	6.7	6.8	6.6
India	7.4	8.0	8.2	7.2	7.1
Countries of Latin America and the Caribbean	**1.3**	**0.3**	**-0.6**	**1.2**	**1.0**
Brazil	0.5	-3.5	-3.3	1.1	1.1
Mexico	2.8	3.3	2.9	2.1	2.0
Commonwealth of Independent States	**1.0**	**-1.9**	**0.8**	**2.4**	**2.8**
Russia	0.7	-2.5	0.3	1.6	2.3
Emerging and developing countries of Europe	**3.9**	**4.8**	**3.3**	**6.0**	**3.6**
Turkey	5.2	6.1	3.2	7.4	2.6
Sub-Saharan Africa	**5.1**	**3.2**	**1.4**	**2.9**	**3.0**
South Africa	1.8	1.2	0.4	1.4	0.8
Middle East and North Africa	**2.7**	**2.4**	**5.3**	**1.8**	**1.4**

Source: IMF.

In major advanced economies, the United States was the exception with a much stronger growth from 2.2 percent to 2.9 percent, driven by the expansionary fiscal stance that supported domestic demand, in a context marked by the normalization of monetary policy and trade conflict with China.

Conversely, growth in the euro area moved down from 2.4 percent to 1.8 percent, against a backdrop of uncertainties surrounding the Brexit arrangements (Box 1.1) and political tensions in some countries of the area. Thus, in Germany, GDP growth was limited to 1.5 percent from 2.5 percent a year earlier, impacted by the weakening of external demand, private consumption and industrial production, particular automotive production, following the introduction of new anti-pollution standards. Similarly, in France, growth decelerated from 2.2 percent to 1.5 percent, as a result of a slowdown in consumption and investment in an environment of significant social movement in the last quarter of the year. It also decreased from 1.6 percent to 0.9 percent in Italy, affected by political tensions and budgetary difficulties, and from 3 percent to 2.5 percent in Spain, mainly due to the lower pace of external demand.

In the United Kingdom, despite the uptrend of government consumption, the lack of visibility on the outcome of the Brexit negotiations weighed on investment and household consumption, bringing growth down from 1.8 percent to 1.4 percent. In Japan, GDP increased only slightly to 0.8 percent from 1.9 percent, impacted by adverse weather conditions and natural disasters.

In the key emerging countries, the Chinese economy continued to slow down, with growth falling from 6.8 percent to 6.6 percent, the lowest rate since 1991. This deceleration was recorded in a climate of trade tensions with the United States and would have been probably larger in the absence of fiscal stimulus measures implemented by the authorities. It would be attributed to efforts to limit the debt of state-owned enterprises and reduce shadow banking activities. In India, despite less favorable financing conditions, the pace of economic activity remained high at 7.1 percent, as against 7.2 percent in 2017, supported by the recovery in investment and consumption. In Brazil, growth stagnated at 1.1 percent, affected by production interruptions due to strikes in the transport sector. Conversely, the Russian economy expanded from 1.6 percent to 2.3 percent, thanks to higher oil prices and spin-offs from the organization of the World Cup.

Moreover, in Sub-Saharan Africa, a relative consolidation of growth to 3 percent from 2.9 percent was observed, thanks to the rise in raw material prices and structural reforms in some countries. In its major economies, GDP grew by 1.9 percent in Nigeria, from 0.8 percent, reflecting stable oil production conditions and a recovery in the non-oil sectors. Despite the uptrend of its manufacturing industry, growth in South Africa recorded a sharp deceleration from 1.4 percent to 0.8 percent, driven by the underperformance in the mining and agricultural sectors.

In the Middle East and North Africa (MENA) region, growth posted a further slowdown from 1.8 percent to 1.4 percent, led by a contraction of 3.9 percent of GDP in Iran, after an increase of 3.7 percent, under the effect of the embargo imposed by the United States. In the other oil-exporting countries, it improved mainly from -0.7 percent to 2.2 percent in Saudi Arabia, from 1.6 percent to 2.2 percent in Qatar and from 1.4 percent to 2.1 percent in Algeria. In the importing countries, the pace of economic activity accelerated from 4.2 percent to 5.3 percent in Egypt and from 2 percent to 2.5 percent in Tunisia, while in Jordan it was almost stable at 2 percent.

Box 1.1.1: Brexit post-referendum developments

Nine months after the British voted in favor of their country leaving the European Union (EU), the United Kingdom handed to the European Council in March 2017 the letter that activates Article 50[1], thus paving the way for negotiations to reach Brexit two years later, i.e. March 29, 2019.

Negotiations officially started in June 2017 and ended after seventeen months with a withdrawal deal and a political declaration on November 13, 2018. These two texts, which lay down the rules governing the transition period and lay the milestones for the negotiations on future relations between the EU and the United Kingdom, were approved by the European Council on November 25, 2018. The last stage for their entry into force was then their ratification by the European and British Parliaments, which was to take place before March 29, 2019.

The clauses of the agreement on: (i) the definition of a transitional period from March 30, 2019 to December 31, 2020 during which the single market rules would continue to apply; (ii) the introduction of a backstop[2] to ensure no hard border between the Republic of Ireland and Northern Ireland in order to preserve the 1998 Belfast Peace Treaty; (iii) the protection of the rights of 4 million British and European expatriates; (iv) the full settlement of the European financial commitments made by the United Kingdom prior to the Brexit referendum; and (v) a multitude of areas, such as police and judicial cooperation, nuclear issues, and the status of Cyprus and Gibraltar.

As for the political declaration, which outlines the main features of the "future relationship" between the United Kingdom and the EU, it has not yet been negotiated in detail and was planned to be negotiated as of March 29, 2019. It covers issues such as immigration, commercial and economic cooperation, law enforcement and criminal justice, foreign policy, security and defense.

While the European Council endorsed the withdrawal agreement in November 2018, the same was not true for the British House of Commons, which rejected it three times[3], the last one was on March 29, 2019. The reason given by the opponents of the deal is that it does not allow sufficient break-up of links with the EU. In particular, they oppose the principle of a backstop which, in their view, amounts to unifying the island of Ireland and mooring it to the EU, which would constitute an important abandonment of sovereignty. It should be recalled that the day after its publication, the draft deal even led to the resignation of four members of the British Government, including the Minister in charge of Brexit, because of their disagreement with several of its clauses.

1 Article 50 of the EU Treaty provides for a mechanism for the voluntary and unilateral withdrawal of a country from the Union.
2 This backstop, which has been much discussed, consists in the creation of a customs union between the United Kingdom and the EU, which will be governed largely by the European rules and will last as long as no satisfactory alternative exists.
3 January 15 and March 12 and 29.

In view of the inability to convince the British Parliament to accept the agreement, the United Kingdom Government resigned itself to asking the European Council to postpone the Brexit date to June 30, 2019. An extension was thus granted until April 12, 2019, then October 31 of the same year[4] to avoid a disorderly exit.

The complexity and lack of visibility on the outcome of the negotiations ahead of the March 29, 2019 deadline continued to raise concerns about the economic impact of Brexit particularly on the United Kingdom. In this sense, several evaluations were carried out by international and national institutions, mainly the IMF[5] and the Bank of England[6].

The latter provides, in the event of a Brexit with no deal and no transition period, and compared to its projections for May 2016, a decrease in GDP ranging from 7.75 percent to 10.5 percent by the end of 2023. Assuming no border disruption and a slight tightening of financial conditions, the IMF estimates, compared to its central scenario of April 2019[7], a decline in GDP by 2021 of 3.5 percent for the United Kingdom, 0.5 percent for the EU and 0.2 percent worldwide.

4 In the event that the Brexit agreement is ratified by the British Parliament before that date, the withdrawal will take place on the first day of the following month. On the other hand, if the United Kingdom does not wish to participate in the European elections, it will be necessary for its members of the House to approve the deal before May 22, 2019; otherwise a no-deal withdrawal will take place on June 1, 2019. Finally, it should be noted that the United Kingdom still retains the possibility during this period to revoke the activation of Article 50 of the EU Treaty and to remain a member of the Union.

5 Box entitled "A No-Deal Brexit", published by the IMF in its World Economic Outlook of April 2019.

6 Study entitled "EU withdrawal scenarios and monetary and financial stability, a response to the House of Commons Treasury Committee", published by the Bank of England in November 2018.

7 Scenario that assumes that "the United Kingdom leaves the European customs union and the single market, concludes a general free trade agreement with the European Union and gradually

1.1.2 Labor market

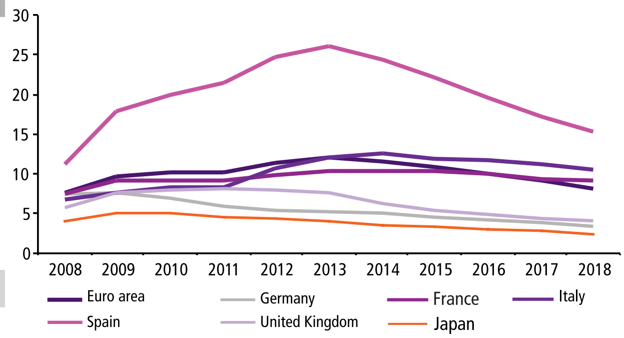
Labor market conditions in advanced countries remained favorable in 2018. In the United States, the economy created 2.6 million jobs from 2.2 million jobs in 2017, and the unemployment rate fell again from 4.4 percent to 3.9 percent, its lowest level in nearly half a century. However, despite this strength, wage growth remained limited at 1.1 percent, partly due to weak productivity growth.

Table 1.1.2: Unemployment rate (%)

	2014	2015	2016	2017	2018
Advanced countries					
United States	6.2	5.3	4.9	4.4	3.9
Euro area	11.6	10.9	10.0	9.1	8.2
Germany	5.0	4.6	4.2	3.8	3.4
France	10.3	10.4	10.1	9.4	9.1
Italy	12.6	11.9	11.7	11.3	10.6
Spain	24.4	22.1	19.6	17.2	15.3
United Kingdom	6.2	5.4	4.9	4.4	4.1
Japan	3.6	3.4	3.1	2.8	2.4
Emerging and developing countries					
Russia	5.2	5.6	5.5	5.2	4.8
China	4.1	4.1	4.0	3.9	3.8
Brazil	6.8	8.3	11.3	12.8	12.3

Source: IMF.

Chart 1.1.1: Unemployment rate in advanced countries (%)



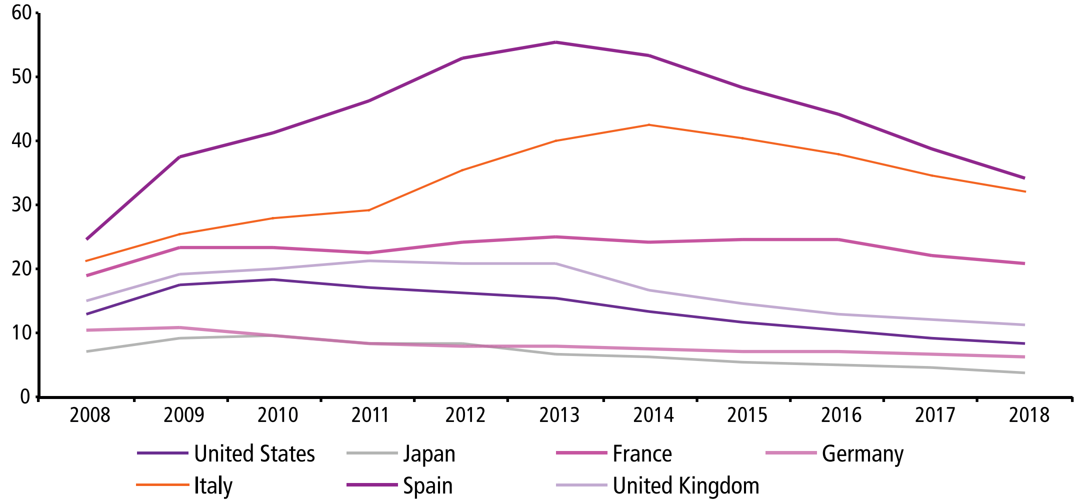
In the euro area, despite the low growth, the unemployment rate dropped for the fifth consecutive year, from 9.1 percent to 8.2 percent, its lowest level since 2008. This improvement had an impact on wages, which rose by 2 percent. In the main countries of the zone, the unemployment rate fell from 3.8 percent to 3.4 percent in Germany, from 9.4 percent to 9.1 percent in France, from 11.3 percent to 10.6 percent in Italy and from 17.2 percent to 15.3 percent in Spain. Similarly, in the United Kingdom, this rate decreased from 4.4 percent to 4.1 percent, despite the uncertainties surrounding Brexit.

This fall in unemployment was also observed in key emerging economies, with drops from 3.9 percent to 3.8 percent in China, from 5.2 percent to 4.8 percent in Russia and from 12.8 percent to 12.3 percent in Brazil. In the MENA countries, trends were divergent across countries, with particularly a worsening from 11.8 percent to 13.8 percent in Iran, a decrease from 12.2 percent to 10.9 percent in Egypt and a virtual stability at 15.6 percent in Tunisia and 11.7 percent in Algeria.

The youth unemployment[1] continued its downward trend that started in 2011 in most advanced countries, while remaining relatively high in some European economies. Indeed, the rate fell to 8.6 percent in the United States and 11.3 percent in the United Kingdom. In the euro area, it declined to 20.7 percent in France, 32.2 percent in Italy, 34.3 percent in Spain and 39.8 percent in Greece. Germany and Japan continued to post the lowest levels among advanced economies at 6.2 percent and 3.7 percent, respectively.

1 Persons aged 15 to 24 years.

Chart 1.1.2: Youth unemployment rate in advanced countries (%)



Source: Eurostat.

1.1.3 Commodity markets

In 2018, commodity prices continued overall their rise, which began in 2017, with rates of 27.8 percent for energy prices and 1.7 percent for non-energy ones. On the oil market, prices[1] reached their highest level in four years, averaging $68.3, up 29.4 percent. This change is particularly attributable to the renewal and compliance with the production reduction agreement, concluded between OPEC countries and certain non-member countries (OPEC+), as well as to the impact of social tensions in Venezuela and US sanctions against Iran.

Chart 1.1.3: Annual change in commodity price indexes (2010=100)

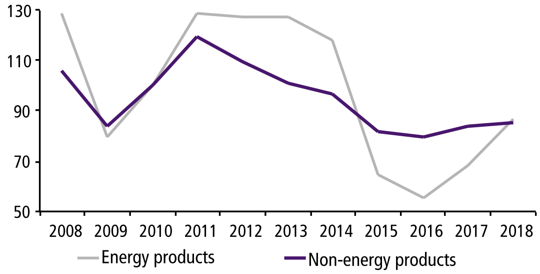
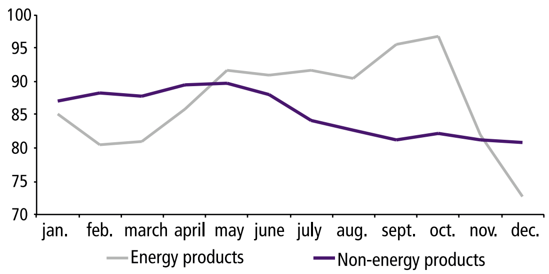


Chart 1.1.4: Monthly change in commodity price indexes in 2018 (2010=100)



Source: World Bank.

The infra-annual analysis highlights two distinct phases of trends. Over the first 10 months of the year, oil prices rose to an average of $76.7 in October and began a downward trend to approach $54.0 in December. This decrease is mainly due to the higher production in Saudi Arabia, Russia

1 The average price of Brent, WTI and Dubai Fateh.

and the United States, as well as unfavorable prospects for the trend of demand. Faced with this situation, the OPEC + countries agreed to reduce, as of January 2019, their aggregate production by 0.8 million barrels per day for OPEC member countries and by 0.4 million barrels for non-OPEC countries.

Concerning other energy products, prices rose by 19 percent for natural gas and 17.8 percent for coal[1], driven by strong demand from China and India.

Chart 1.1.5: Annual change in energy price indexes

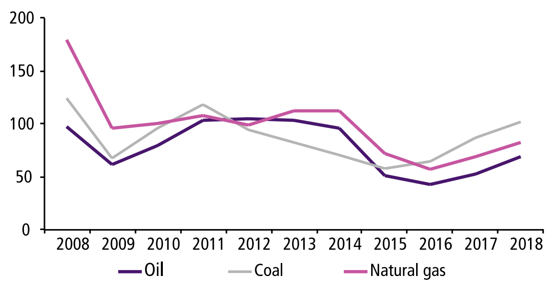
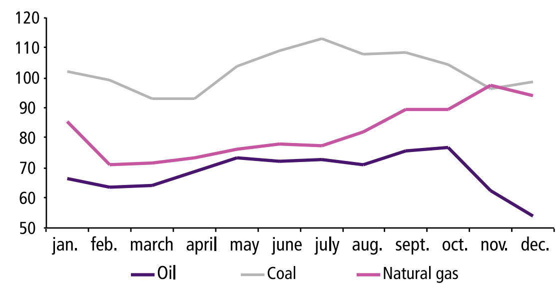


Chart 1.1.6: Monthly change in energy price indexes in 2018



Source: World Bank

Excluding energy, metal and mineral prices were up 5.5 percent, as against 24.2 percent a year earlier, particularly in connection with trade tensions between the United States and China. By product, prices rose 26 percent for nickel, 7.2 percent for aluminum, 5.8 percent for copper and 1.1 percent for zinc. However, they fell by 3.2 percent for lead and 2.8 percent for iron.

Prices for agricultural commodities posted a further decrease of 0.3 percent, driven by prices for vegetable oils, beverages (tea and coffee) and sugar. On the other hand, cereal prices recorded substantial increases, particularly with rates of 20.5 percent for durum, 28.9 percent for barley and 6.4 percent for maize. Under these conditions, and after five years of consecutive declines, fertilizer prices grew 11.1 percent, with increases of 22.4 percent to $346.7 per tonne on average for the TSP, 21.8 percent to $393.4 for the DAP and 16.6 percent to $249.4 for the urea. Crude phosphate prices, albeit at a slower pace, fell again by 2 percent to $87.9 per tonne and potassium chloride prices decreased by 1.3 percent to $215.5.

1 Average prices on the Australian and South African markets.

Chart 1.1.7: Non-energy price indexes

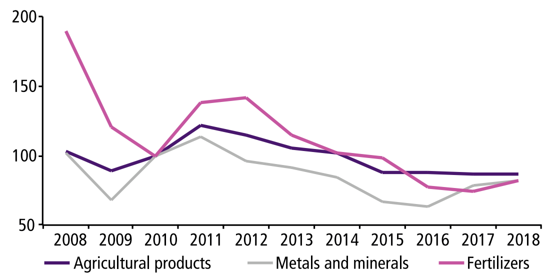
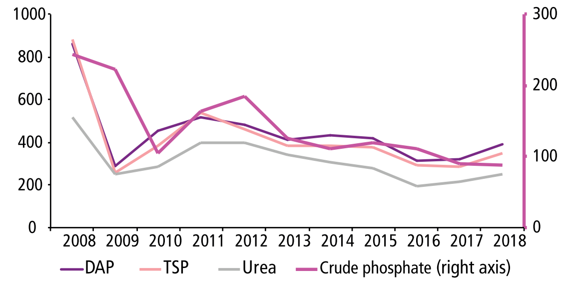


Chart 1.1.8: Prices of phosphate and fertilizers (dollar/tone)



Source: World Bank.

Precious metals' prices were down 0.7 percent, owing to declines of 7.9 percent for silver and 7.3 percent for platinum. However, the price of gold appreciated by 0.9 percent, prompted by the higher demand, especially from central banks.

1.1.4 Inflation

Due to higher energy prices in particular, global inflation continued to accelerate in 2018, standing at 3.6 percent from 3.2 percent in 2017.

Table 1.1.3: Inflation in the world (%)

	2014	2015	2016	2017	2018
World	**3.2**	**2.8**	**2.8**	**3.2**	**3.6**
Advanced economies	**1.4**	**0.3**	**0.8**	**1.7**	**2.0**
United States	1.6	0.1	1.3	2.1	2.4
Euro area	0.4	0.2	0.2	1.5	1.8
Germany	0.8	0.7	0.4	1.7	1.9
France	0.6	0.1	0.3	1.2	2.1
Italy	0.2	0.1	-0.1	1.3	1.2
Spain	-0.2	-0.5	-0.2	2.0	1.7
United Kingdom	1.5	0.0	0.7	2.7	2.5
Japan	2.8	0.8	-0.1	0.5	1.0
Emerging and developing economies	**4.7**	**4.7**	**4.2**	**4.3**	**4.8**
Russia	7.8	15.5	7.1	3.7	2.9
China	2.0	1.4	2.0	1.6	2.1
India	5.8	4.9	4.5	3.6	3.5
Brazil	6.3	9.0	8.7	3.4	3.7
Middle-East and North Africa	6.5	5.5	4.9	6.7	11.4

Source : IMF.

In the advanced economies, it rose from 1.7 percent to 2 percent, with increases from 2.1 percent to 2.4 percent in the United States, from 1.5 percent to 1.8 percent in the euro area and from 0.5 percent to 1 percent in Japan. In the United Kingdom, on the other hand, inflation fell from 2.7 percent to 2.5 percent, mainly in connection with the mitigation of the effects of the pound sterling depreciation. Regarding Morocco's key partners, inflation accelerated from 1.2 percent to 2.1 percent in France and from 1.7 percent to 1.9 percent in Germany, and fell from 2 percent to 1.7 percent in Spain and from 1.3 percent to 1.2 percent in Italy.

Chart 1.1.9: Inflation in the world (%)

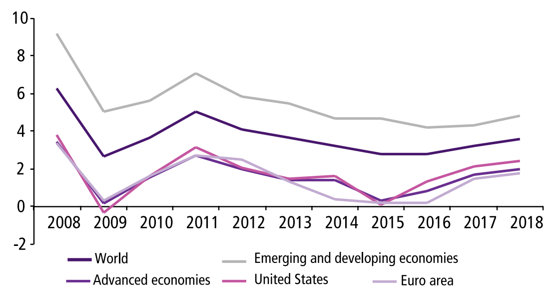
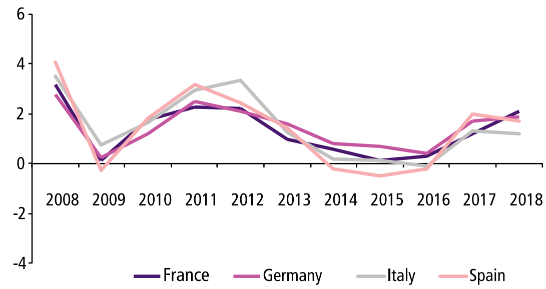


Chart 1.1.10: Inflation in the main economies of the Euro area (%)



Source: IMF.

In emerging and developing countries, the inflation rate rose from 4.3 percent to 4.8 percent. It moved up to 2.1 percent in China and to 3.7 percent in Brazil, while in Russia and India, it decreased to 2.9 percent and 3.5 percent, respectively. In addition, inflation rose sharply from 9.6 percent to 31.2 percent in Iran, and from 11.1 percent to 16.3 percent in Turkey, due to the strong depreciation of their respective currencies. In North Africa, it was up from 5.3 percent to 7.3 percent in Tunisia and decelerated from 23.5 percent to 20.9 percent in Egypt and from 5.6 percent to 4.3 percent in Algeria.

1.1.5 Public finance

With the notable exception of the United States and China, fiscal positions continue to improve, but debt levels remain very high in both advanced and developing countries.

In the United States, the budget deficit widened from 3.8 percent in 2017 to 4.3 percent of GDP in 2018. This worsening is attributed to the strongly expansionary stance of fiscal policy, marked by a rise in federal government spending, mainly military spending, and tax breaks.

In the euro area, fiscal policies remained neutral overall and the deficit eased from 1 percent to 0.6 percent of GDP, its lowest level since 2000. By country, this deficit was almost stable in France at 2.6 percent and eased from 3.1 percent to 2.7 percent in Spain and from 2.4 percent to 2.1 percent in Italy. On the other hand, budget surplus in Germany strengthened from 1 percent to 1.7 percent of GDP, reflecting lower-than-expected spending due to the late formation of the government coalition.

Meanwhile, the fiscal stance also remained neutral in the United Kingdom, where the budget deficit eased from 1.8 percent to 1.4 percent of GDP and in Japan where it stabilized at 3.2 percent of GDP.

Public debt posted a slight fall in most advanced economies from 106.2 percent to 105.8 percent of GDP in the United States and from 86.8 percent to 85 percent in the euro area. In the main countries of the zone, public debt dropped to 59.8 percent of GDP in Germany and 97 percent in Spain, while it rose slightly to 132.1 percent in Italy and almost stabilized in 98.6 percent in France. Meanwhile, it rose to 237.1 percent in Japan and remained at around 87 percent of GDP in the United Kingdom.

Chart 1.1.11: Budget balance in the main advanced economies (% of GDP)

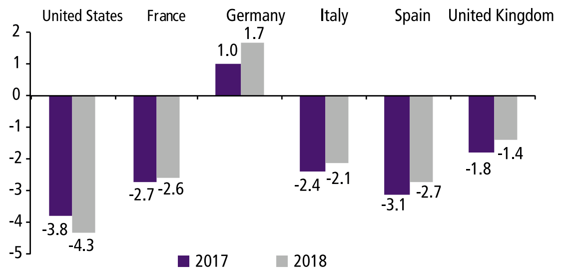
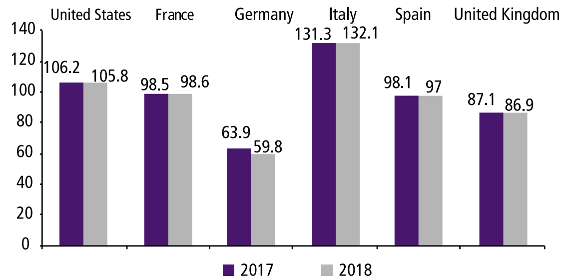


Chart 1.1.12: Public debt in the main advanced economies (% of GDP)



Source: IMF.

In the main emerging countries, the budget deficit in Brazil decreased from 7.9 percent to 6.8 percent of GDP, as a result of lower debt interest payments, and the debt ratio grew from 84.1 percent to 87.9 percent. In Russia, higher oil revenues resulted in a budget surplus of 2.8 percent of GDP, after a negative balance of 1.5 percent, and a reduction in the debt ratio from 15.5 percent to 14 percent. Similarly, in India, this deficit decreased from 7 percent to 6.7 percent of GDP and the debt level stabilized at 69.8 percent. In contrast, in China, the position of public finances deteriorated, with a widening deficit from 3.9 percent to 4.8 percent of GDP and a higher debt from 46.8 percent to 50.5 percent of GDP.

In the MENA region, the rise in oil prices led to a sharp recovery in the public finances of the exporting countries. Thus, in Qatar, after a deficit of 2.9 percent, the budget balance surplus stood at 5.3 percent of GDP and the debt ratio was reduced to 48.4 percent. Similarly, in Kuwait, the fiscal surplus strengthened to 11.4 percent of GDP, with a contraction of its debt to 14.8 percent. In Saudi Arabia, the deficit balance halved to 4.6 percent, but the debt ratio rose to 19.1 percent of GDP. The same trend was recorded in Algeria, with a negative balance down to 5.2 percent and an increased debt ratio to 36.9 percent. In Egypt, the position of public finance remained difficult, albeit with a relative improvement from one year to another, as the budget deficit decreased to 9.5 percent, along with a drop in the debt ratio to 92.6 percent.

1.1.6 External accounts

After a relative rebound of 5.4 percent in 2017, world trade in goods and services decelerated sharply in 2018 with growth limited to 3.8 percent. This change is particularly due to the heightened trade tensions, mainly between the United States and China (Box 1.2), and the uncertainties surrounding the outlook for the global economy. The pace of exports slowed from 7.2 percent to 4.3 percent in emerging and developing economies, and from 4.4 percent to 3.1 percent in advanced economies.

Against this backdrop, the current account surplus declined slightly in advanced economies. It moved down from 4 percent to 3.5 percent of GDP in Japan and from 3.2 percent to 3 percent in the euro area, with essentially a decline from 8 percent to 7.4 percent in Germany and from 1.8 percent to 0.8 percent in Spain. At the same time, the current account deficit stabilized at 2.3 percent in the United States and widened from 3.3 percent to 3.9 percent in the United Kingdom. In the emerging and developing economies, the current account surplus strengthened considerably in Russia, from 2.1 percent to 7 percent and eased from 1.4 percent to 0.4 percent in China, while in India and Brazil, the deficit worsened from 1.8 percent to 2.5 percent and from 0.4 percent to 0.8 percent, respectively. In the MENA region, higher oil prices significantly improved the current account balance of the exporting countries, with particularly an increase in surplus from 1.4 percent of GDP to 8.3 percent in Saudi Arabia, from 5.9 percent to 12.7 percent in Kuwait and from 3.8 percent to 9.3 percent in Qatar, while the deficit eased from 13.2 percent to 9.1 percent in Algeria. In importing countries, this deficit widened from 10.2 percent to 11.2 percent of GDP in Tunisia and eased from 6.1 percent to 2.4 percent of GDP in Egypt.

Table 1.1.4: Current account balance in the world (in % of GDP)

	2014	2015	2016	2017	2018
Advanced economies	**0.5**	**0.6**	**0.7**	**0.9**	**0.7**
United States	-2.1	-2.2	-2.3	-2.3	-2.3
Euro area	2.5	2.9	3.2	3.2	3.0
Germany	7.5	8.9	8.5	8.0	7.4
France	-1.0	-0.4	-0.8	-0.6	-0.7
Italy	1.9	1.5	2.5	2.8	2.6
Spain	1.1	1.2	2.3	1.8	0.8
United Kingdom	-4.9	-4.9	-5.2	-3.3	-3.9
Japan	0.8	3.1	4.0	4.0	3.5
Emerging and developing economies	**0.6**	**-0.2**	**-0.3**	**0.0**	**-0.1**
Emerging and developing countries of Asia	**1.5**	**2.0**	**1.4**	**0.9**	**-0.1**
China	2.2	2.7	1.8	1.4	0.4
India	-1.3	-1.0	-0.6	-1.8	-2.5
Countries of Latin America and the Caribbean	**-3.1**	**-3.2**	**-1.9**	**-1.4**	**-1.9**
Brazil	-4.1	-3.0	-1.3	-0.4	-0.8
Mexico	-1.9	-2.6	-2.3	-1.7	-1.8
Commonwealth of Independent States	**2.1**	**2.8**	**0.0**	**1.0**	**5.0**
Russia	2.8	5.0	1.9	2.1	7.0
Emerging and developing countries of Europe	**-2.9**	**-2.0**	**-1.8**	**-2.5**	**-2.2**
Turkey	-4.7	-3.7	-3.8	-5.6	-3.6
Sub-Saharan Africa	**-3.6**	**-5.9**	**-3.7**	**-2.1**	**-2.6**
South Africa	-5.1	-4.6	-2.8	-2.4	-3.4
Middle-East and North Africa	**6.0**	**-4.3**	**-4.2**	**-0.3**	**3.1**

Source : IMF.

Box 1.1.2: The Sino-US trade conflict

Believing that the United States is being harmed in its trade, US President Donald Trump decided in 2018 to take measures to further tax imports of his country, mainly those from China[1]. He accuses China of applying non-tariff barriers and blames it for forcing American companies operating on its territory to share their technologies with local partners and to disclose the secrets of intellectual property.

In January, the US administration imposed customs duties on washing machines and solar panels, most of which are imported from China. The latter reacted a month later by launching an anti-dumping investigation on US sorghum, claiming that it benefits from public subsidies.

The escalation continued, as President Trump signed in March 2018 a decree introducing tariffs of 25 percent on US steel imports and 10 percent on aluminum. In the same month, the United States announced new taxes on imports from China amounting to an additional $60 billion, targeting various sectors including aeronautics, information and communication technologies, and robotics. In retaliation, China increased its tariffs on several imported items by $3 billion in April, and decided in the same month to expand the list to include strategic products such as soybeans, beef, cotton, automotive industry and aeronautics, for an additional $50 billion.

In May, after negotiations with the United States, China lifted its anti-dumping measure on sorghum, while the United States stopped threatening to increase its tariffs. Shortly after, China lowered its fees on cars and auto parts to 6 percent irrespective of the country of origin. This truce was short-lived since the United States decided to implement its 25 percent tax threat amounting to 50 billion out of the $60 billion previously announced imports, with entry into force as of July for $34 billion and starting in August for the rest. China's immediate response was to impose similar sanctions in terms of volume, tariff and due date[2].

In July, President Trump announced a 10 percent taxation on an additional list of Chinese products[3] for $200 billion, with entry into force in September. He increased his threats in August by considering raising the tax from 10 percent to 25 percent as of January 1, 2019. In retaliation, China imposed taxes from 5 percent to 10 percent on a volume of $60 billion worth of imports from the United States as of September.

1 The US goods trade deficit with China amounted to $375.6 billion in 2017.

2 Targeting 659 products mainly cars, seafood products and soybeans.

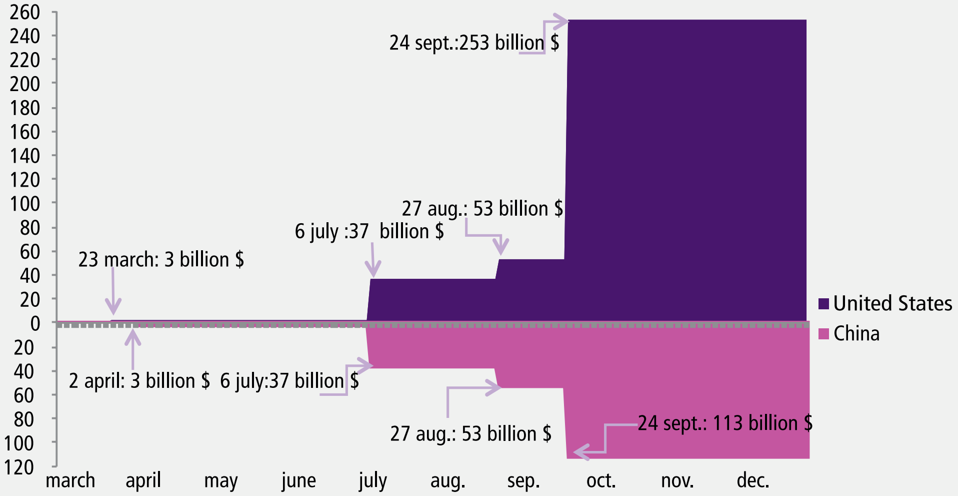
3 These include agricultural and chemical products, steel, aluminum, computers and tires.

In December, a significant change in the US position occurred with the decision to postpone for three months the realization of their threat announced in August to increase tariffs. As a sign of appeasement, China adopted several measures, including a reduction of duties on imports of US cars to 15 percent for a period of 3 months and a strengthening of the texts regulating intellectual property.

With a view to reaching an agreement at the end of the extension period, negotiations continued on structural issues, such as forced technology transfer and cyber-theft, intellectual property rights, services, agriculture, subsidies to high-tech companies and non-tariff barriers to trade. The United States push China to import agricultural commodities, energy and goods, such as semiconductors, and exert pressure so that it opens its financial services markets to more foreign companies. Positive progress in the negotiations led the US administration to further delay tariff hikes on the $200 billion worth of imports planned to come into effect in March 2019, and asked China in return to remove all duties on US agricultural products.

The review of the US trade balance in 2018 shows that imports from China grew by 6.7 percent to $539.5 billion from 2017, while exports of goods to China contracted 7.4 percent to $120.3 billion, a balance sheet that seems to run counter to the objectives of the US administration.

Chart B1.1.2.1: Amount of imports impacted by customs sanctions in 2018, by billion dollars



Source : Data of the office of the US trade representative and of the Chinese trade Ministry.

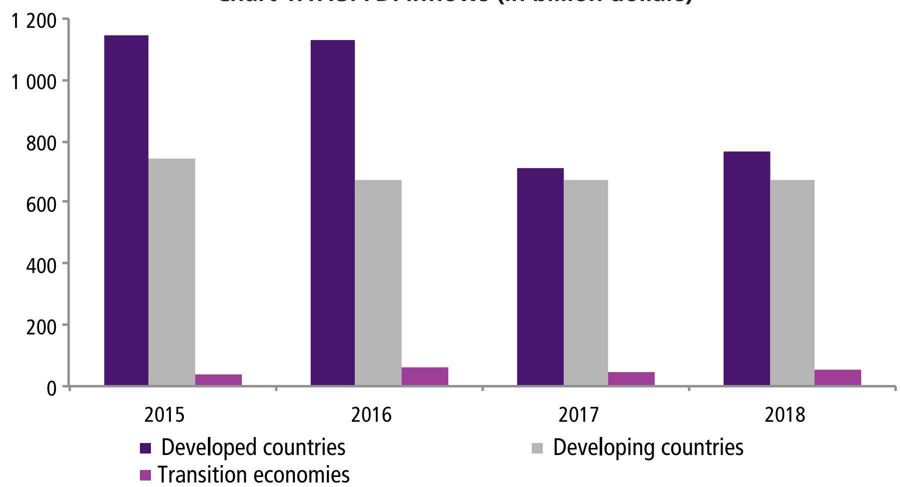
With respect to foreign direct investment (FDI), and after the significant decline in 2017, flows grew by 5 percent in 2018 to $1,502 billion. This trend mainly reflects an increase of 7.5 percent to 765 billion in those addressed to developed economies. European countries drained 380 billion, up 13.8 percent, and those in North America 320 billion, up 6.7 percent. Flows to economies in transition[1] rose by 20 percent to 56 billion, attracted by rising oil prices and improved

1 Albania, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Georgia, Kazakhstan, Kyrgyzstan, Montenegro, Moldova, Russia, Serbia, Tajikistan, Macedonia, Turkmenistan, Ukraine and Uzbekistan.

macroeconomic conditions, particularly in Russia. Concerning FDI to developing economies, their volume remained stable at nearly $670 billion, with an increase of 19 percent to Africa to $50 billion and a decline of 7.3 percent in FDI to Latin America and the Caribbean to 140 billion.

In key emerging countries, foreign exchange reserves fell at the end of 2018 to $3,168 billion in China, or nearly 15 months of imports of goods and services[1], as against 17.6 months a year earlier. Similarly, they fell to $396.1 billion in India, covering 7.4 months of imports from 8.8 months, and shrank to $93 billion in Turkey, or 4.7 months of imports, as against 5.2 months. By contrast, in Brazil, foreign exchange reserves remained almost stable at $374.7 billion, equaling 17.7 months of imports from 20.3 months, and improved in Russia to $468.5 billion, covering 16.4 months of imports, as opposed to 15.9 months in 2017.

Chart 1.1.13: FDI inflows (in billion dollars)



Source : UNCTAD.

1.1.7 Monetary policies

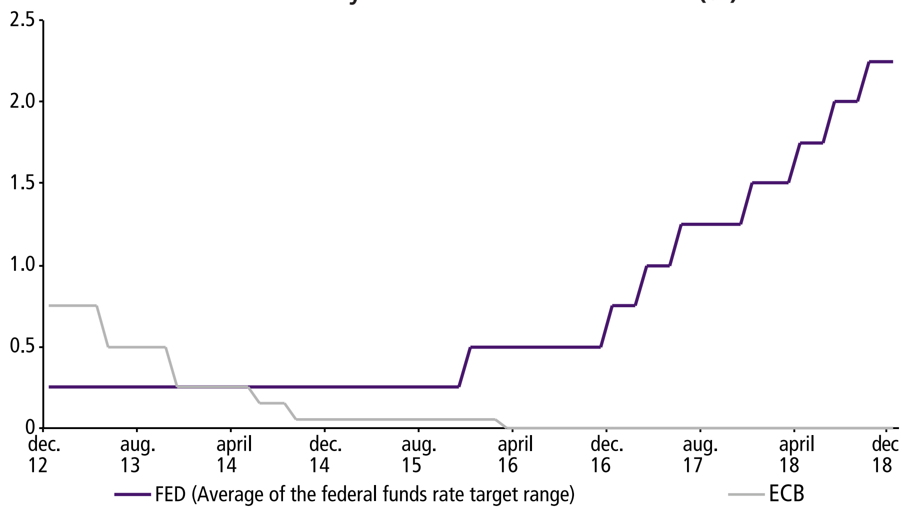
In a context marked by continued strength in the labor market, favorable growth prospects and inflation converging towards the 2 percent target, the Fed accelerated in 2018 the normalization of its monetary policy. Thus, it raised four times, against three times in 2017, the target range for the federal funds rate by 25 basis points to bring it at the end of the year to [2.25 percent-2.50 percent]. It also continued the gradual reduction of its balance sheet, bringing the total assets from $4,456 billion at end-September 2017 to 4,076 billion at end-December 2018 . In terms of communication, the Fed regularly reiterated its expectation that future gradual increases in the target range for the federal funds rate would remain consistent with a sustained expansion of economic activity, favorable labor market conditions and inflation close to its medium-term objective. In addition, after having stopped considering its monetary policy as accommodative

1 Imports of goods and services taken into account relate to the same year of foreign exchange reserves.

as of September, it revised down its growth projections after its last meeting of the year and predicted a downturn in its monetary tightening cycle in 2019.

With a view to ensuring a sustainable convergence of inflation to levels below, but close to, 2 percent in the medium term, the ECB kept unchanged the interest rates of the main refinancing operations at 0 percent, the marginal lending facility rate at 0.25 percent and the deposit facility at -0.40 percent. At the same time, it gradually reduced the pace of its asset purchase program, reducing the monthly amount of its purchases to €30 billion from January to the end of September, then to €15 billion until the end of December when it decided to end it. For a better anchoring of inflation expectations, the ECB further clarified its forward-looking indications, stating that its rates will remain at their levels at least until the summer of 2019 and in any event as long as necessary to ensure a sustainable convergence of inflation towards its objective.

Chart 1.1.14: Key rates of the ECB and the FED (%)

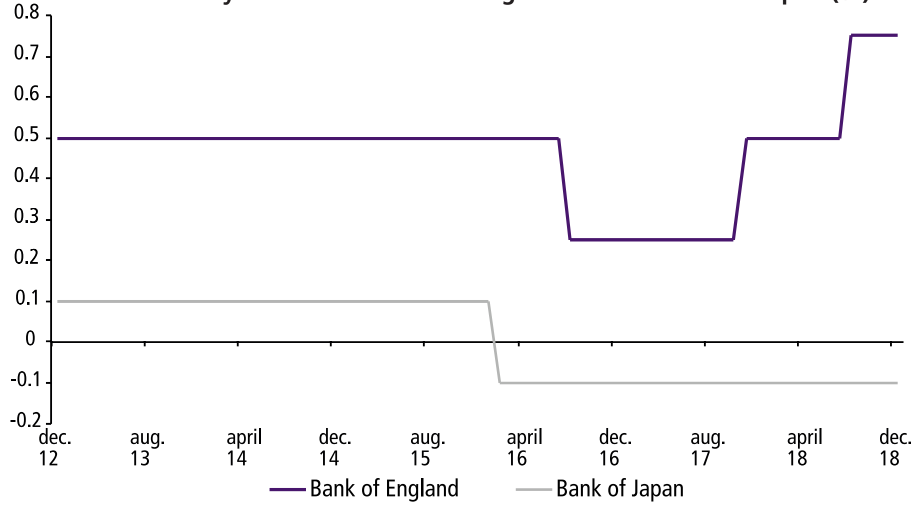


Source : Thomson Reuters.

Following continued inflation above its 2 percent target, the Bank of England (BoE) raised its key rate in August by 0.25 percentage point to 0.75 percent. Regarding its non-standard measures, it kept its stock of bond purchases unchanged at £10 billion for bonds of non-financial companies and at £435 billion for sovereign bonds. In addition, amid rising Brexit-related uncertainties, especially around the end of the year, the BoE indicated that the appropriate monetary policy stance will depend on the impact on demand, supply and the exchange rate.

The Bank of Japan continued its ultra-accommodative monetary policy, maintaining its short-term interest rate unchanged at -0.1 percent and its 10-year yields at around 0 percent, indicating that it intends to keep them at these levels for a long period. Regarding its asset purchases, it kept their annual pace at 80,000 billion yen for treasury bills, at 6,000 billion for exchange-traded funds and 90 billion for trust funds investing in real estate.

Chart 1.1.15: Key rates of the Bank of England and the Bank of Japan (%)



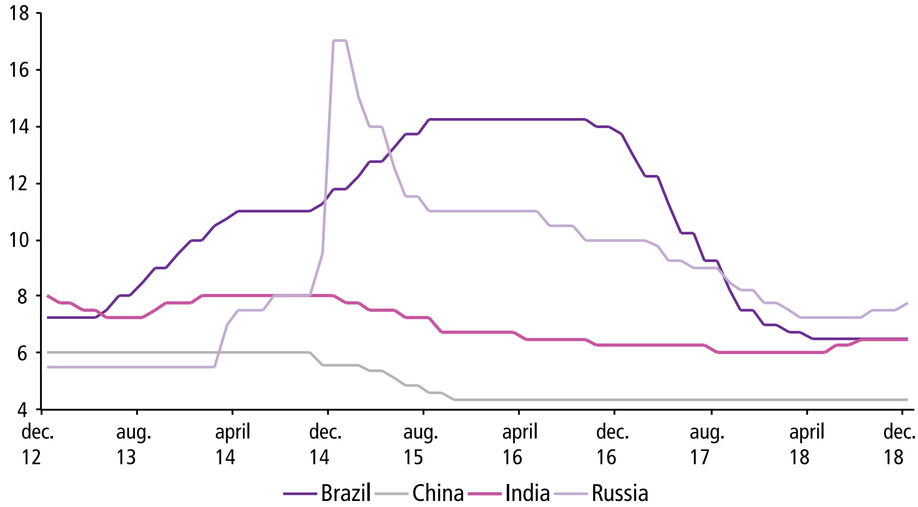
Source : Thomson Reuters.

In key emerging economies, the People's Bank of China pursued a neutral monetary policy, keeping its key rate unchanged at 4.35 percent. To encourage banks to accord more credit and reduce corporate financing costs, especially SMEs impacted by the US trade conflict, it lowered the reserve requirement ratio. The latter was reduced from 17 percent to 14.5 percent for large banks and from 15 percent to 12.5 percent for small financial institutions. In India, against a backdrop of favorable growth prospects and high inflation rates, the central bank raised its key rate by 25 basis points twice, to 6.5 percent. Moreover, from October onwards, it changed the stance of its monetary policy from neutral to "calibrated tightening" , while reiterating that this stance remains adequate with its commitment to achieve its medium-term inflation target of 4 percent, with a fluctuation range of plus or minus 2 percent.

Taking into account the relatively weak inflation[1] and the gradual recovery of the economy, the Central Bank of Brazil lowered its key rate from 7 percent to 6.5 percent, its lowest historical level. Similarly, the Central Bank of Russia reduced its key interest rate in February and March, bringing it down from 7.75 percent to 7.25 percent, to counter the weakening of inflation and the gradual decline in inflation expectations. In the second half of the year, with the rise in inflationary risks caused partly by the expected increase in VAT in January 2019, it raised it twice, bringing it again up to 7.75 percent.

1 The Central Bank of Brazil's inflation target is set at 4.5 percent, with a range of plus or minus 1.5 percentage point.

Chart 1.1.16: Key rates in major emerging countries (%)



Source : Thomson Reuters.

1.1.8 Financial markets

Trends in the main stock markets in 2018 were marked by trade tensions between the United States and China, acceleration of the normalization of US monetary policy, heightened uncertainties surrounding the outcome of negotiations on Brexit and the political crisis in Italy. Under these conditions, the performance of the main stock markets was mixed, with declines of 3.1 percent for the Eurostoxx 50 and 0.3 percent for the FTSE 100, as well as significant increases of 15.2 percent for the Dow Jones Industrials and 10.4 percent for the NIKKEI 225. In addition, these trends were coupled with a substantial increase in volatility in both US and European markets, as the VIX rose from 11.1 to 16.7 basis points and the VSTOXX from 14.8 to 16.4 points[1]. Regarding the main stock markets of emerging countries, the MSCI EM[2] posted a performance of 6.3 percent, with particularly increases of 12.9 percent for the index of China and 5.5 percent for that of India. In contrast, Turkey's and Argentina's indexes fell by 21.3 percent and 16.9 percent, respectively.

1 The VSTOXX and VIX are benchmark indicators measuring volatilities of the EUROSTOXX 50 and S&P 500, respectively

2 The MSCI EM is a composite index that covers the stock markets of the following countries: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Pakistan, Peru, Philippines, Poland, Russia, Qatar, South Africa, Taiwan, Thailand, Turkey and the United Arab Emirates.

Chart 1.1.17: The major stock market indexes in advanced countries

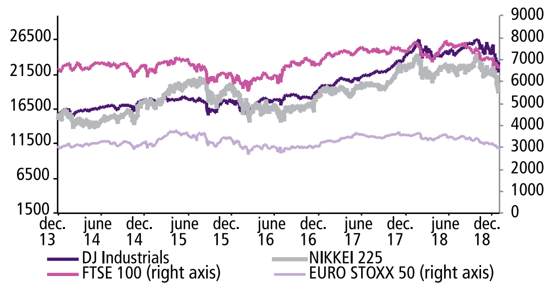


Chart 1.1.18: Stock markets volatility indexes

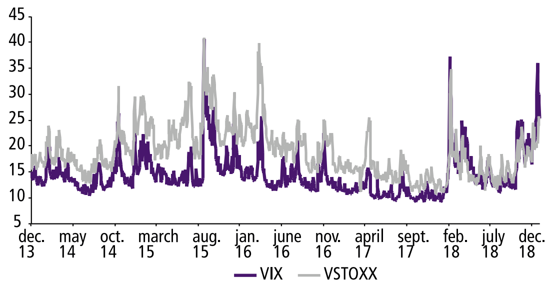
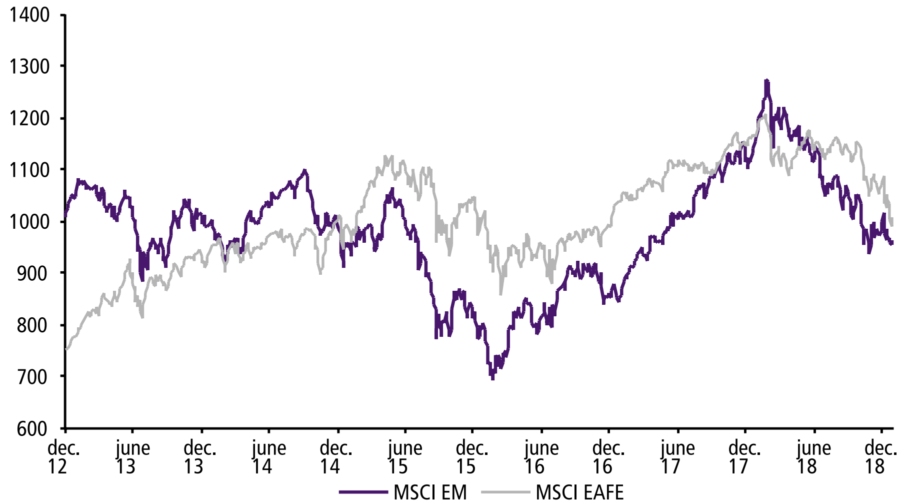


Chart 1.1.19: MSCI EM and MSCI EAFE[1]



1 The MSCI EAFE is a composite index that covers the stock markets of the following countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

Source : Thomson Reuters.

The sovereign bond markets of the advanced countries were once again impacted by divergent monetary policy stances of the major advanced economies. In the United States, the 10-year yields rose by 58.1 basis points to 2.9 percent, in a context of faster normalization of the Fed's monetary policy and anticipation of a higher inflation.

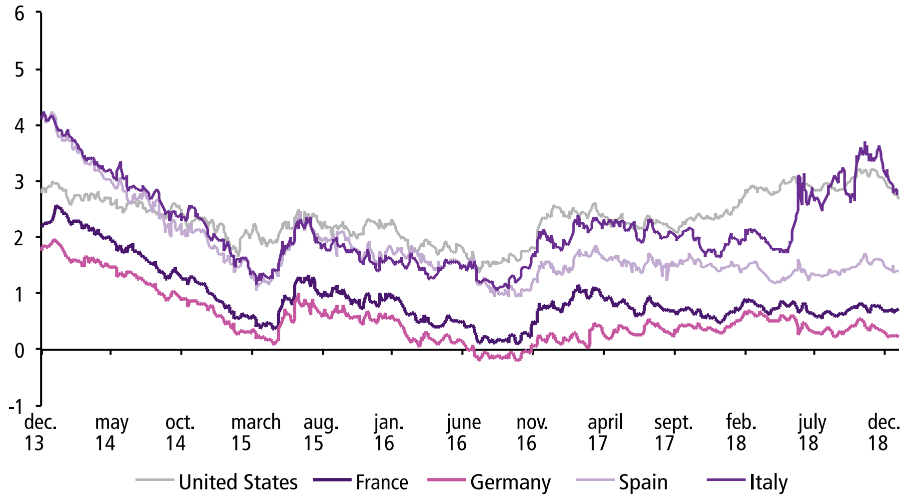
In the euro area, developments were marked by tensions in the Italian bond market which increased as of May because of the political stalemate that followed elections[1], then in October because of the country's disagreement with the European Commission about the country's draft budget for 2019. As of November, with the conclusion of an agreement between the two parties, the yields were down, averaging over the year as a whole 2.6 percent, up 53.2 basis points.

1 The complexity of the negotiations on the Government Agreement between the two political parties: the "League" and "5 Stars Movement".

For the other main economies in the zone, the 10-year sovereign yields were up 10.6 basis points to 0.4 percent in Germany, while they decreased by 5 points to 0.7 percent in France, by 13.9 points to 1.4 percent in Spain and by 129 points in Portugal and in Greece to 1.8 percent and 4.7 percent, respectively.

In major emerging economies, with the exception of Brazil, where it declined slightly from 10 percent to 9.8 percent, the 10-year sovereign bond yields grew from 6.7 percent to 7.7 percent in India, from 10.8 percent to 15.4 percent in Turkey and from 3.6 percent to 3.7 percent in China.

Chart 1.1.20: Change in 10-year sovereign rates of the USA and of the main countries of the Euro area (%)

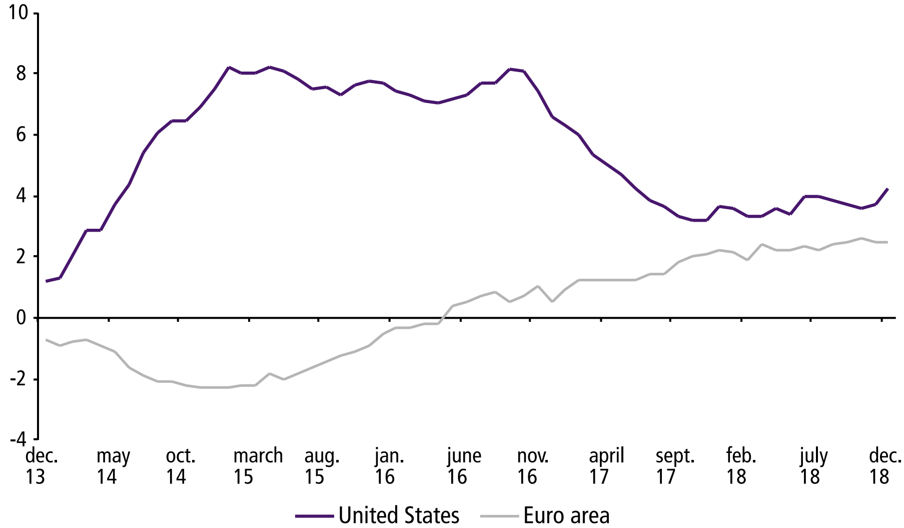


Source : Thomson Reuters.

Bank lending continued to benefit from the ECB's accommodating monetary policy, posting growth of 3.1 percent from 2.3 percent in 2017. However, its pace slowed in the United States from 4.4 percent to 3.7 percent, covering mainly a deceleration in residential and commercial real estate loans, as well as consumer loans. In the major emerging economies, bank credit growth accelerated from 6.1 percent to 15 percent in Russia and reached 2.6 percent after a contraction of 1.4 percent in Brazil, while in China, it decelerated from 30.1 percent to 21.6 percent[1].

1 For China, data relate to consumer loans.

Chart 1.1.21: Credit trends in the United States and the euro area (YoY, in %)



Source : Thomson Reuters.

In the currency markets, the euro depreciated against the dollar as a result of the weak growth outlook in the euro area, the strength of the US economy and the normalization of the Fed's monetary policy. At the end of the year, it stood at $1.14, down 3.8 percent from the end of 2017. The pound sterling continued to suffer the effects of the uncertainty around the outcome of negotiations on Brexit, depreciating by 5.4 percent against the dollar and 1 percent versus the euro.

Affected by trade and political tensions as well as by the strength of the US economy and the acceleration of the normalization of its monetary policy, the currencies of the major emerging economies depreciated against the dollar. The Chinese Yuan weakened by 5.4 percent, the Indian rupee by 8.2 percent, the Russian ruble by 17.3 percent, the Brazilian real by 14.7 percent, the Argentinian peso by 50.6 percent and the Turkish lira by 28.3 percent. The sharp decline of the latter vis-à-vis the dollar is particularly attributed to the escalation of diplomatic and commercial tensions between the United States and Turkey[1].

1 This escalation began in August 2018 with Turkey's refusal to release, at the request of the United States, the American pastor accused of espionage and terrorism. In return, the United States decided to double tariffs on their imports of Turkish steel and aluminum. Turkey responded by raising tariffs from 14 percent to 140 percent on a number of US products (alcoholic beverages, cars, tobacco, rice, coal, etc.).

Chart 1.1.22: Euro Vs Dollar

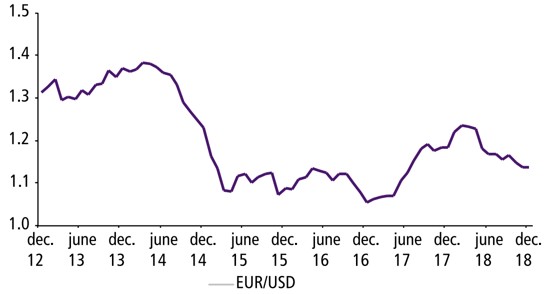
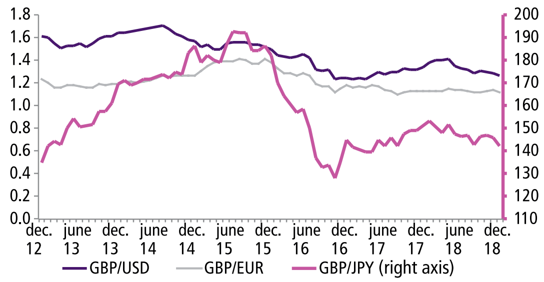
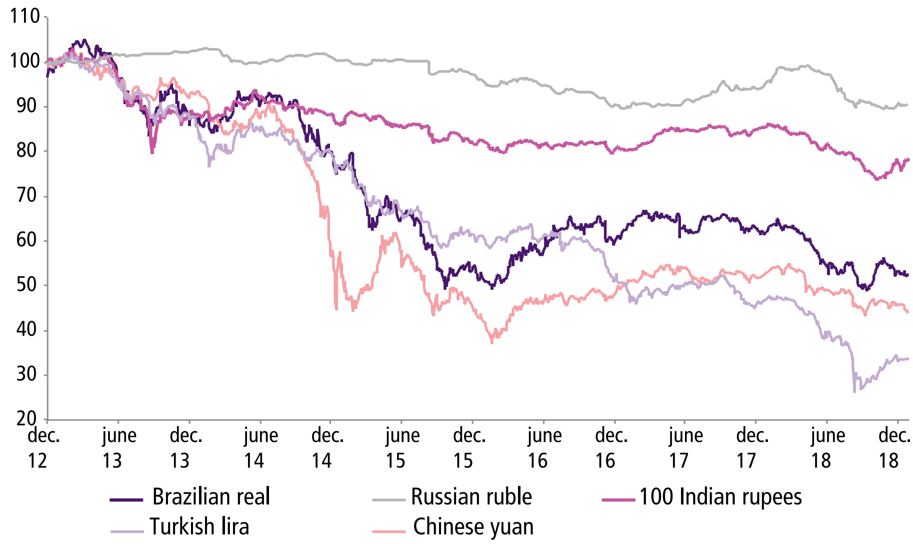


Chart 1.1.23: Exchange rate of the Sterling



Source : Thomson Reuters.

Chart 1.1.24: Change in the currencies of major emerging countries against the dollar (January 1. 2013 = 100)



Source: Thomson Reuters.

1.2 Output and demand

In 2018, the national economic growth stood at 3 percent from 4.2 percent a year earlier. Thanks to favorable weather conditions for the second year in a row, agricultural value added rose by 4 percent, as against 15.2 percent. Nonagricultural sectors continued their slow recovery that began in 2016, registering an increase of 2.6 percent, as opposed to 2.9 percent. The pace of activity improved mainly in the processing industries and the "electricity and water" sector, while it remained high, albeit at a slower pace, in the "hotels and restaurants" branch. In the construction sector, it was close to zero.

On the demand side, the slow growth is attributable to the contribution of net exports, which turned negative again at 1.3 percentage point, while the contribution of its domestic component rose from 3.9 to 4.3 percentage points.

At current prices, GDP amounted to 1,106.8 billion dirhams, up 4.1 percent. Taking into account current transfers and outflows from property income, gross national disposable income stood at 1,157.7 billion, or 32,870 dirhams per capita, compared to 32,342 dirhams a year earlier.

Table 1.2.1: Added value at prices of the previous year (Change in %)

	2012	2013	2014	2015	2016	2017	2018
Primary sector	**-7.8**	**17.8**	**-2.3**	**11.5**	**-12.5**	**13.1**	**2.7**
Agriculture. forest and services	-9.1	17.2	-2.2	11.9	-13.7	15.2	4.0
Fisheries	9.7	26.8	-4.0	7.3	1.1	-8.3	-11.0
Secondary sector	**0.8**	**0.6**	**3.5**	**1.8**	**0.6**	**3.6**	**3.0**
Extraction industry	-2.1	-1.2	3.0	-2.1	0.1	17.1	4.7
Manufacturing industry	1.8	-0.7	4.1	2.3	0.1	2.5	3.5
Electricity and water	-6.7	14.9	1.3	6.2	2.5	3.3	5.3
Construction	2.2	1.6	2.6	0.7	1.6	1.8	0.1
Tertiary sector	**6.3**	**1.9**	**2.3**	**1.7**	**2.9**	**2.7**	**2.7**
Trade	4.1	-2.0	1.6	0.5	5.3	3.2	2.3
Hotels and restaurants	2.6	4.7	2.2	-1.3	3.6	11.5	6.0
Transport	2.4	1.0	3.6	3.2	1.4	3.7	3.7
Post and telecommunication	29.5	2.9	5.2	2.8	6.9	0.8	2.8
Financial activities and insurance	4.2	0.2	2.5	2.6	0.2	3.5	1.6
Real-estate. renting and services to businesses	4.5	1.5	2.7	4.2	4.4	3.6	4.8
General government and social security	5.1	3.7	2.5	0.5	1.6	2.4	2.5
Education. health and social work	7.1	5.0	1.4	0.1	1.4	-0.9	-0.3
Other nonfinancial services	3.0	2.9	0.2	3.4	3.0	1.0	1.6
Nonagricultural value added	**4.5**	**1.8**	**2.7**	**1.8**	**2.1**	**2.9**	**2.6**
Total value added	**2.7**	**3.7**	**2.0**	**3.0**	**0.1**	**4.4**	**2.8**
Taxes on products net of subsidies	**6.8**	**14.6**	**9.7**	**18.1**	**8.8**	**3.1**	**4.6**
GDP	**3.0**	**4.5**	**2.7**	**4.5**	**1.1**	**4.2**	**3.0**

Source : HCP.

1.2.1 Output

After a rebound of 13.1 percent in 2017, the activity of the primary sector recorded in 2018 an increase of 2.7 percent, covering a rise of 4 percent in agricultural value added, as against 15.2 percent, and a further decline from 8.3 percent to 11 percent in fishing activities.

The 2017/2018 crop year was marked by two distinct phases. The first, up to end-November, was characterized by almost no precipitation, while the second phase saw abundant rainfall, with a good spatial and temporal distribution. Under these conditions, the area sown by the three main cereals decreased by 16.7 percent to 4.5 million hectares, but production amounted to 102.6 million quintals, up 7.3 percent compared to the previous crop year. Thus, the yield per hectare stood at 22.9 quintals, from 17.7 a year earlier.

Production showed contrasting trends across other crops, with increases of 6.5 percent for vegetable crops, 0.7 percent for sugar plants and 50.3 percent for olives. Conversely, fodder crops, citrus fruits and rosacea recorded respective decreases of 3.9 percent, 3.7 percent and 5.5 percent.

Livestock farming benefited from improved rangelands and the succession of two good crop years. Indeed, the production of red meat grew by 7 percent and that of milk by 2 percent. Similarly, respective increases of 13 percent and 29 percent were recorded for white meats and eggs.

Chart 1.2.1: Output of the three main grains (in millions of quintals)

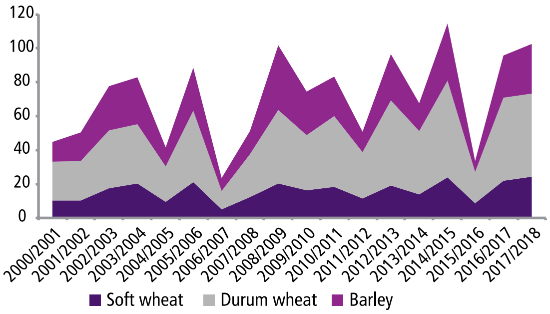
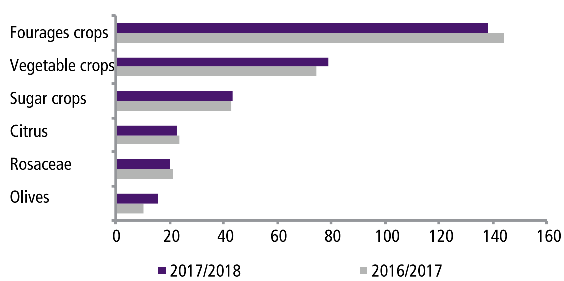


Chart 1.2.2: Production of the main crops excluding cereals (in millions of quintals)

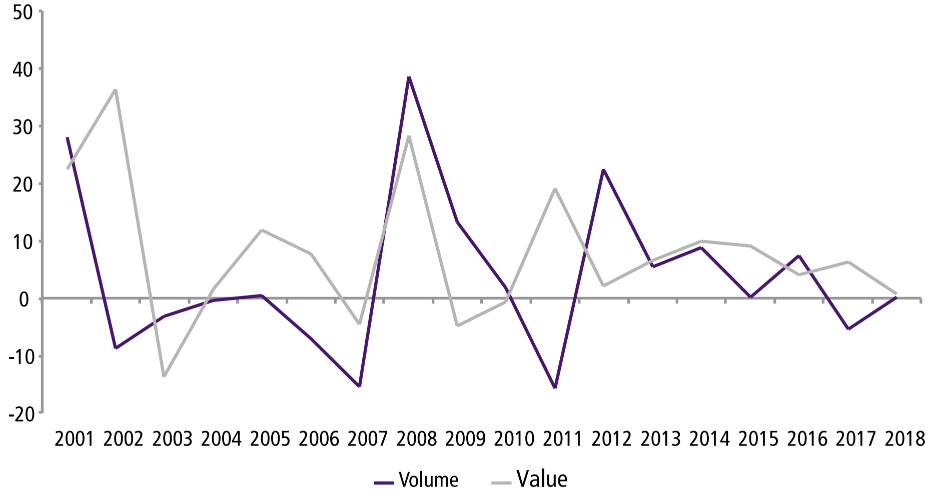


Source: Ministry of Agriculture. Maritime Fisheries. Rural Development. Waters and Forests.

Regarding fisheries, data available for the small-scale and coastal component[1] show a 2.1 percent increase in pelagic fish catches, as well as respective decreases of 7 percent and 17.5 percent in whitefish and cephalopods catches. Marketed production stabilized in volume at 1.3 million tonnes and improved in value by 0.8 percent to 7.3 billion dirhams.

1 Offshore fishing data for 2018 are not yet available.

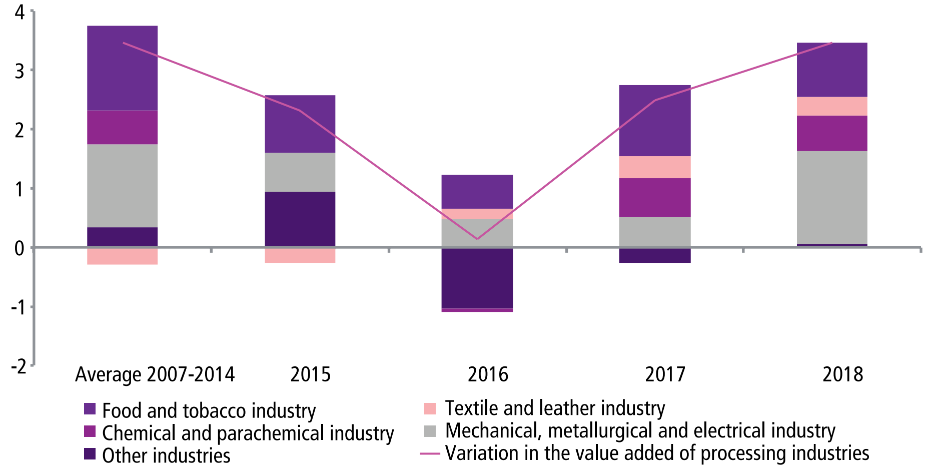
Chart 1.2.3: Marketed production of small-scale and artisanal fishing (Change in %)



Source: National Fisheries Office.

In the secondary sector, growth slowed to 3 percent in 2018, from 3.6 percent a year earlier, with contrasting trends across sectors. The value added of the processing industries moved up 3.5 percent, as against 2.5 percent a year earlier. By branch, the pace of activity rose from 2.2 percent to 6.7 percent in "mechanical, metallurgical and electrical industries", stabilized at around 4.5 percent in "chemical and parachemical industries" and dropped from 3.4 percent to 2.4 percent in "food and tobacco industries" and from 3.5 percent to 3.1 percent in "textile and leather industries".

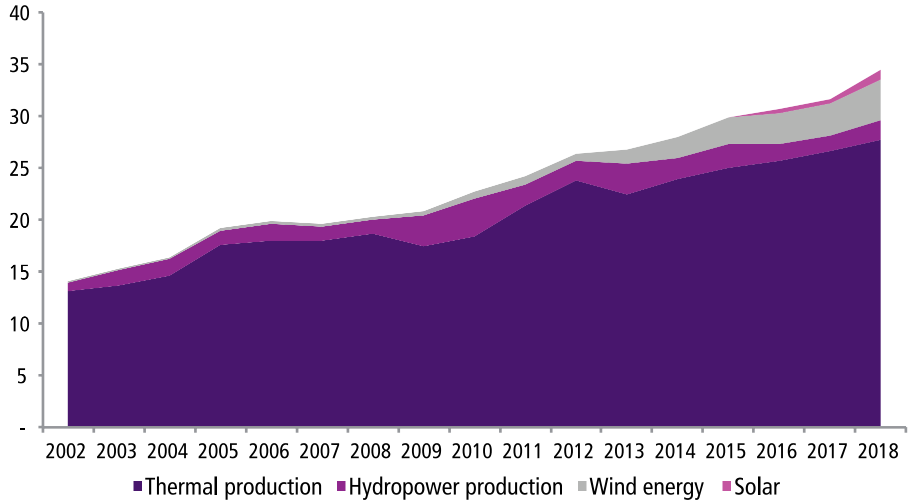
Chart 1.2.4: Contribution to changes in the value added of processing industries (in percentage points)



Sources : HCP and BAM calculations.

Concerning the "electricity and water" branch, the value added grew by 5.3 percent, as opposed to 3.3 percent, driven by an increase of 8.2 percent in electricity production, from 3.4 percent. The share of electricity produced from renewable energies rose from 15.7 percent to 19.7 percent overall, from 9.5 percent to 11.1 percent for wind power, from 4.9 percent to 5.8 percent for hydro energy and from 1.3 percent to 2.8 percent for solar power. Thermal energy, which accounts for about 80 percent of the total, improved by 3.9 percent. Under these conditions and taking into account a 2.1 percent drop in national consumption, the first since 2002[1], net imports fell by 42.8 percent.

Chart 1.2.5: Production of electricity by source (in thousands of GWH)

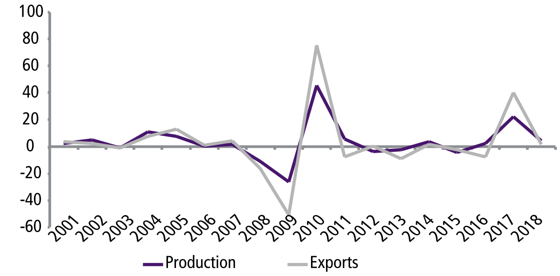


Source: ONEE.

Conversely, the value added of the "extractive industry" registered a slower growth from 17.1 percent to 4.7 percent, reflecting deceleration from 22 percent to 4.5 percent in the market production of phosphates. In the construction industry, activity evolved at a near-zero pace, after rising 1.8 percent. Available data indicate a further decline of 3.7 percent in cement sales, as against 2.5 percent, and a drop of 3.5 percent in property development loans, after a 4.9 percent increase.

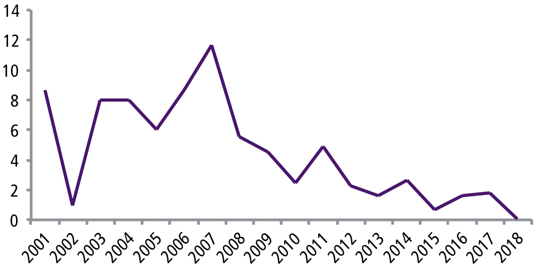
1 The year from which data are available.

Chart 1.2.6: Production and exports of crude phosphates in volume (change in %)



Source: OCP.

Chart 1.2.7: Added value of the Construction sector (Change in %)



Source : HCP.

In the tertiary sector, the pace of activity stabilized at 2.7 percent and its contribution to growth stood at 1.3 percentage point. The momentum of the tourist activity continued, as the value added of the "hotels and restaurants" branch improved by 6 percent, as against 11.5 percent in 2017. The arrivals at border posts rose again by 8.3 percent, from 9.8 percent, to 12.3 million, covering increases of 2.3 percent to 5.6 million for Moroccan expatriates and 13.9 percent for foreign tourists to 6.7 million. This trend involved the main tourist-issuing countries, with growth of 14.3 percent for France, 14.5 percent for Spain, 24 percent for Italy and 19.1 percent for Germany. Similarly, arrivals increased by 19 percent for North America and 22.9 percent for China.

Table 1.2.2: Arrivals at border posts

	In thousands				Change (in %)		
	2015	2016	2017	2018	2016/2015	2017/2016	2018/2017
Foreign tourists	**5 152**	**5 103**	**5 865**	**6 679**	**-0.9**	**14.9**	**13.9**
Europe	4 123	3 930	4 478	5 142	-4.7	14.0	14.8
France	1 564	1 450	1 614	1 844	-7.3	11.3	14.3
Spain	627	616	711	814	-1.8	15.4	14.5
Germany	286	260	331	394	-9.1	27.3	19.1
United Kingdom	504	459	486	511	-9.1	6.0	5.0
Russia	23	47	40	37	102.4	-16.1	-5.9
North America	264	294	366	436	11.3	24.3	19.0
Arabic countries	393	418	411	414	6.4	-1.7	0.5
Maghreb	195	210	208	214	7.5	-0.9	3.1
Rest of the world	371	461	610	688	24.2	32.4	12.9
China	11	43	107	132	307.5	150.8	22.9
Moroccans living abroad	**5 025**	**5 229**	**5 484**	**5 610**	**4.0**	**4.9**	**2.3**
Total	**10 177**	**10 332**	**11 349**	**12 289**	**1.5**	**9.8**	**8.3**

Source: Ministry of Tourism. air transport. handicrafts and social economy.

At the same time, overnight stays in classified hotels moved up 8.4 percent, from 14.8 percent, to 24 million, with an increase of 11.7 percent compared with 18.4 percent for non-residents and 1.2 percent for nationals as against 7.7 percent. By main destination, the increase was 10.1 percent in Marrakech, 9.7 percent in Tangier, 8 percent in Agadir and 2.9 percent in Casablanca.

Table 1.2.3: Overnight stays in classified accommodations

	In thousands				Change (%)		
	2015	2016	2017	2018	2016/2015	2017/2016	2018/2017
Foreign tourists	**12 504**	**12 703**	**15 046**	**16 812**	**1.6**	**18.4**	**11.7**
Europe	9 324	9 239	10 815	12 152	-0.9	17.1	12.4
France	3 732	3 622	4 172	4 681	-2.9	15.2	12.2
Spain	630	606	725	879	-3.8	19.6	21.1
Germany	1 343	1 270	1 745	1 869	-5.4	37.4	7.1
United Kingdom	1 725	1 763	1 896	2 015	2.2	7.6	6.3
Russia	535	286	175	133	-46.6	-38.7	-24.2
North America	438	469	599	759	6.9	27.8	26.7
Arabic countries	1 022	1 089	962	889	6.5	-11.6	-7.6
Maghreb	438	376	339	313	-14.2	-9.8	-7.7
Other countries	1 720	1 907	2 670	3 012	10.9	40.0	12.8
National tourists	**5 892**	**6 551**	**7 055**	**7 142**	**11.2**	**7.7**	**1.2**
Total	**18 397**	**19 255**	**22 101**	**23 954**	**4.7**	**14.8**	**8.4**

Source: Ministry of Tourism. air transport. handicrafts and social economy.

Taking into account a 4 percent improvement in bed capacity to 261.3 thousand beds, the occupancy rate increased from 43 percent to 46 percent nationally. By city, it grew 7 percentage points to 61 percent in Marrakech, 5 points to 60 percent in Agadir and 6 points to 52 percent in Tangier, while it stabilized at 54 percent in Rabat and was down 1 point to 33 percent in Tetouan.

Table 1.2.4: Occupancy rate by major cities

	In thousands				Change (%)		
	2015	2016	2017	2018	2016/2015	2017/2016	2018/2017
Marrakech	49	48	54	61	-1	6	7
Agadir	50	50	55	60	0	5	5
Casablanca	53	53	53	54	0	0	1
Tangler	42	40	46	52	-2	6	6
Rabat	53	54	54	54	1	0	0
Fes	31	30	34	38	-1	4	4
Essaouira	32	30	34	36	-2	4	2
Tetouan	29	29	34	33	0	5	-1
Ouarzazate	21	21	26	28	0	5	2
Meknes	25	23	24	26	-2	1	2
Total	**40**	**40**	**43**	**46**	**0**	**3**	**3**

Source: Ministry of Tourism. air transport. handicrafts and social economy.

The value added of transport services grew at the same pace of 2017, or 3.7 percent. Goods traffic contracted by 10 percent, after a rise of 6.4 percent for rail transportation, negatively impacted by the works for tripling the Casablanca-Kenitra axis and doubling the Casablanca-Marrakech line. The maritime freight decelerated sharply from 10.6 percent to 1.9 percent overall, from 8.1 percent to 1.9 percent for ports managed by the National Ports Agency and from 15 percent to 1.8 percent for Tangier-Med port. At the same time, the number of passengers by rail decreased again by 7.9 percent, as against 3.8 percent, while that by air improved 10.4 percent compared with 11.9 percent, whereas the maritime transport of Tangier-Med maintained its pace at 1 percent.

In terms of posts and telecommunications, the value added was up 2.8 percent, from 0.8 percent in 2017. The number of subscribers rose by 7.5 percent to 2.2 million for fixed-line telephony and 1.9 percent to 44.7 million for mobile telephony, albeit with respective decreases of 10.9 percent and 7.4 percent in outgoing average usage[1]. After the strong growth in recent years, the internet posted a limited increase of 2.7 percent to 22.8 million.

Box 1.2.1: Change in nonagricultural activities between 2000 and 2018

After a relatively sustained pace of 4.6 percent on average between 2000 and 2012, the growth of nonagricultural activities has been since 2013, hovering around 2.3 percent.

The sectors that have contributed the most to this slowdown are “general government and social services”[1], “posts and telecommunications”, “construction and public works”, “processing industry”, as well as “financial activities and insurance”. On the other hand, the “extractive industry”, “hotels and restaurants” and “electricity and water” branches recorded an acceleration of their activity.

Indeed, the value added of the “general government and social services” decelerated between the two periods, in a context marked by the fiscal consolidation that started in 2013. The growth fell from 4.4 percent to 2.2 percent for the “general government and social security” and from 4.3 percent to 1.1 percent for the “education, health and social action” branch, as their respective contributions to nonagricultural growth moved down from 0.5 to 0.3 point and from 0.5 to 0.1 point.

Similarly, with regard to “posts and telecommunications”, the pace of activity fell from 14.5 percent to 3.5 percent, reducing their participation in the growth of nonagricultural value added from 0.6 percentage point to 0.1 point. This trend reflects a relative market saturation, after the dynamism observed during the period from 2000 to 2012.

1 This name is adopted in this box to combine the two branches “general government and social security” and “education, health and social action”. The latter also includes services provided by the private sector, but their share remains low.

1 Defined by outgoing traffic ratio in minutes to the average number of subscribers.

At the same time, after the boom in the first decade of 2000, the construction sector showed a significant slowdown, as the average annual growth of its value added moved down from 6.1 percent between 2000 and 2012 to 1.4 percent since 2013. Its participation in nonagricultural growth thus fell from 0.4 to 0.1 percentage point. This slowdown would partly reflect a lower activity in the real estate market, as evidenced by changes in cement sales and loans granted to real estate developers[2] which, on average, registered annual respective decreases of 2.9 percent and 2.6 percent, as against increases of 6.2 percent and 14.2 percent.

Table B1.2.1.1: Nonagricultural value added by sector of activity (in%)

	Average annual change (in %)		Contribution to the growth of Nonagricultural value added (in pp)	
	2000-2012	2013-2018	2000-2012	2013-2018
Nonagricultural value added	**4.6**	**2.3**	**-**	**-**
Fisheries	-2.8	1.3	0.0	0.0
Secondary sector	**3.8**	**2.2**	**1.3**	**0.7**
Extractive industry	3.2	3.4	0.0	0.1
Processing industry	3.4	2.0	0.7	0.4
Electricity and water	4.9	5.5	0.1	0.1
Construction	6.1	1.4	0.4	0.1
Tertiary sector	**5.1**	**2.4**	**3.4**	**1.6**
Trade	3.4	1.8	0.4	0.2
Hotels and restaurants	3.3	4.4	0.1	0.1
Transport	4.8	2.8	0.2	0.1
Post and telecommunication	14.5	3.5	0.6	0.1
Financial activities and insurance	6.7	1.8	0.4	0.1
General government and social security	4.4	2.2	0.5	0.3
Education, health and social work	4.3	1.1	0.5	0.1
Real-estate, renting and services to businesses	5.3	3.5	0.7	0.4
Other nonfinancial services	2.9	2.0	0.1	0.0

Source : HCP.

The value added of processing industries grew on average by only 2 percent over the 2013-2018 period, compared to 3.4 percent between 2000 and 2012 and its contribution moved down to 0.4 percentage point from 0.7 point. This trend is due to the slow growth of the value added from 6.7 percent to 4.1 percent in "mechanical, metallurgical and electrical industries", from 4.2 percent to 3.2 percent in "food and tobacco industry", from 6.9 percent to 0.6 percent in "chemical industry and parachemical industries"[3]. Activity in textile and leather industries rose 0.7 percent, after a drop of 2.6 percent.

In the same vein, the growth of "financial activities and insurance" showed a marked deceleration from 6.7 percent to 1.8 percent and their contribution to the growth of nonagricultural value added decreased from 0.4 percent to 0.1 percentage point.

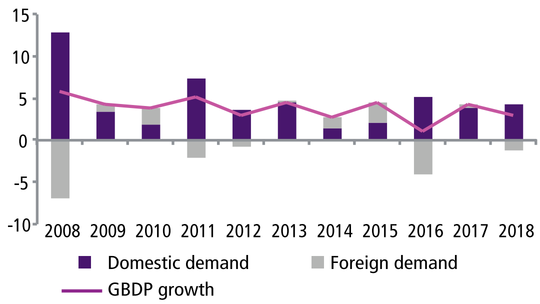
2 Average annual growth between 2008 and 2012.

3 In the absence of data on the value added of the processing industry branches for years prior to 2007, the average annual growth rates for the first period are calculated between 2007 and 2012.

1.2.2 Demand

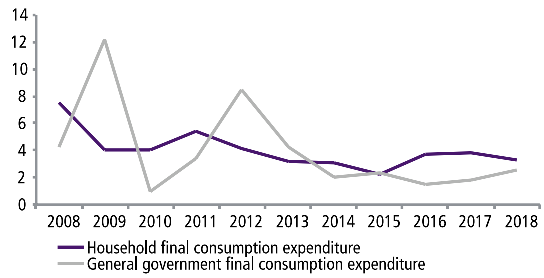
The analysis of the change in demand aggregates in volume shows that, after having been positive at 0.3 percentage point, the participation of external demand in growth turned negative again at 1.3 point in 2018. The growth of exports of goods and services decelerated from 11.1 percent to 5.8 percent and that of imports from 7.9 percent to 7.5 percent.

Chart 1.2.8: Contribution of the components of demand to growth (in percentage points)



Source : HCP.

Chart 1.2.9: National final consumption (change in %)

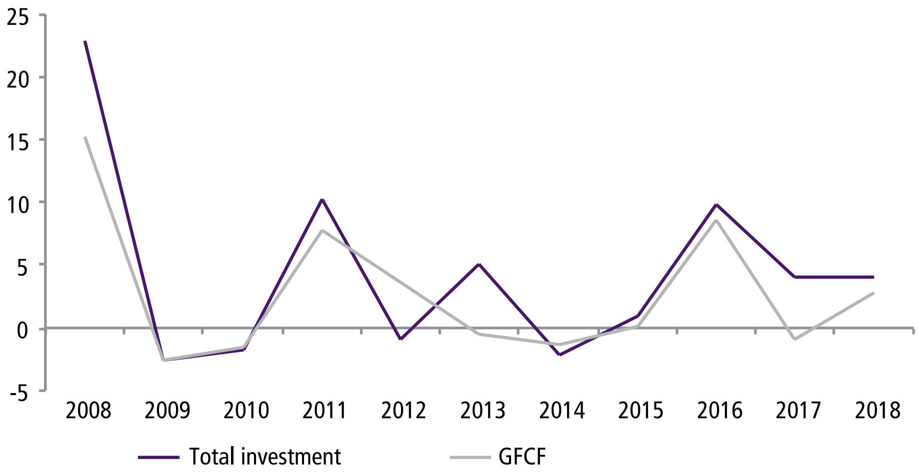


Domestic demand improved by 3.9 percent, as against 3.6 percent and its contribution to growth was 4.3 percentage points from 3.9 points.

The increase in national final consumption stood at 3.1 percent from 3.3 percent and its participation in growth stood at 2.4 percentage points. By component, household consumption rose by 3.3 percent, while general government consumption was up 2.5 percent and spending of non-profit institutions grew 3.2 percent.

Similarly, the pace of investment improved to 5.9 percent from 4.1 percent, with an increase of 1.2 percent, after a 0.2 percent decline in gross fixed capital formation and 39.5 percent in inventory change, as against 59.1 percent.

Chart 1.2.10: Change in investment (change %)



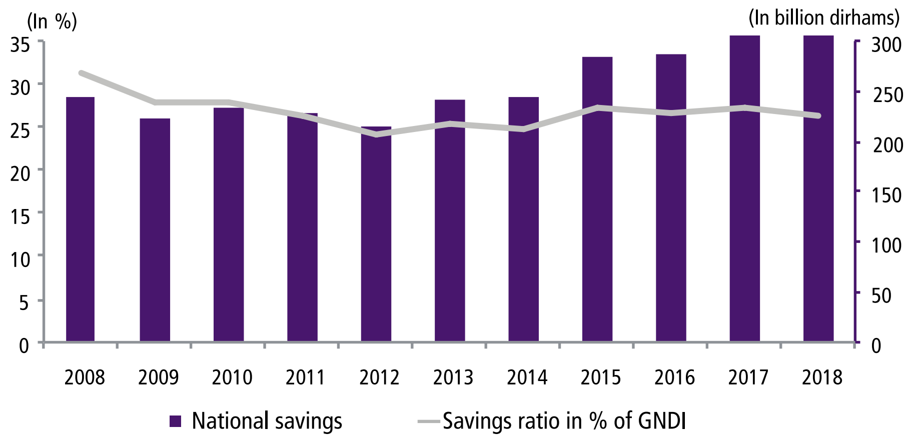
Source : HCP.

1.2.3 Main aggregates in nominal terms

At current prices, GDP moved up 4.1 percent to 1,106.8 billion dirhams. Taking into account a 12.5 percent drop in the balance of current transfers and an 11.7 percent increase in net property income, gross national disposable income (GNDI) grew by 2.7 percent to 1,157.7 billion dirhams.

With an increase of 4.2 percent, national final consumption reached 852.3 billion dirhams, or 73.6 percent of GNDI. National savings amounted to 305.4 billion dirhams, or a savings rate of 26.4 percent, down 1.1 percentage point from 2017.

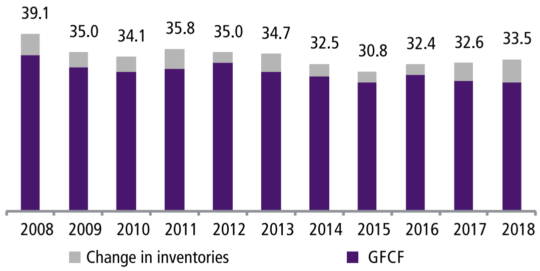
Chart 1.2.11: National savings



Source : HCP.

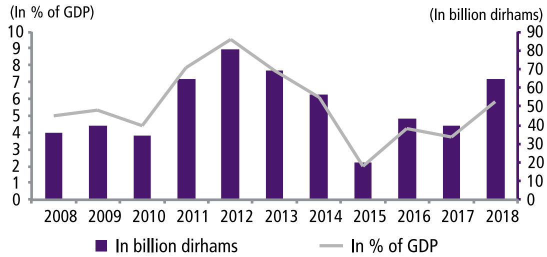
These savings made it possible to cover investment spending at 82.3 percent. The latter amounted to 371 billion dirhams, or 33.5 percent of GDP, an effort that remains among the most important when compared internationally. Against this backdrop, the financing requirement of the economy stood at 65.6 billion dirhams or 5.9 percent of GDP, as against 3.5 percent a year earlier.

Chart 1.2.12: Investment rate (in % of GDP)



Source : HCP.

Chart 1.2.13: Financing requirements



1.3 Labor market

Although the context is still marked by the slow recovery of nonagricultural activities, labor market conditions were characterized in 2018 by an improvement in terms of job creation. However, this market was relatively less attractive, with a net inflow of 64 thousand jobseekers, from 135 thousand in 2017, and a further decline in the participation rate, particularly pronounced in urban areas. As a result, the unemployment rate decreased by 0.4 percentage point to 9.8 percent. This decline benefited, in particular, rural youths aged 15 to 24 years, while unemployment continued to worsen among their urban counterparts, reaching a rate of 43.2 percent.

More than half of the 112 thousand jobs created were provided by services, while the other sectors continue to register a low level of job creation.

Under these conditions, the apparent labor productivity[1] in nonagricultural activities improved by 1.2 percent from 2.2 percent in 2017. Meanwhile, wages grew slightly by 0.2 percent in real terms, as against 1.4 percent a year earlier, in the private sector[2] and fell again by 1.5 percent, as opposed to 0.8 percent, in the civil service.

1.3.1 Labor force

In 2018, the number of working-age population[3] increased by 1.7 percent to nearly 26 million, of whom 14 million are inactive and 12 million are active population[4]. The latter grew only by 0.5 percent overall, from 1.1 percent in 2017, covering a 1 percent increase in urban areas and a stagnation in rural areas. This active population remains weakly feminized with a share of 24.4 percent nationally, 22.2 percent in the cities and 27.4 percent in rural areas. The labor force also remains low-skilled, with a proportion of 54.1 percent of those without diploma.

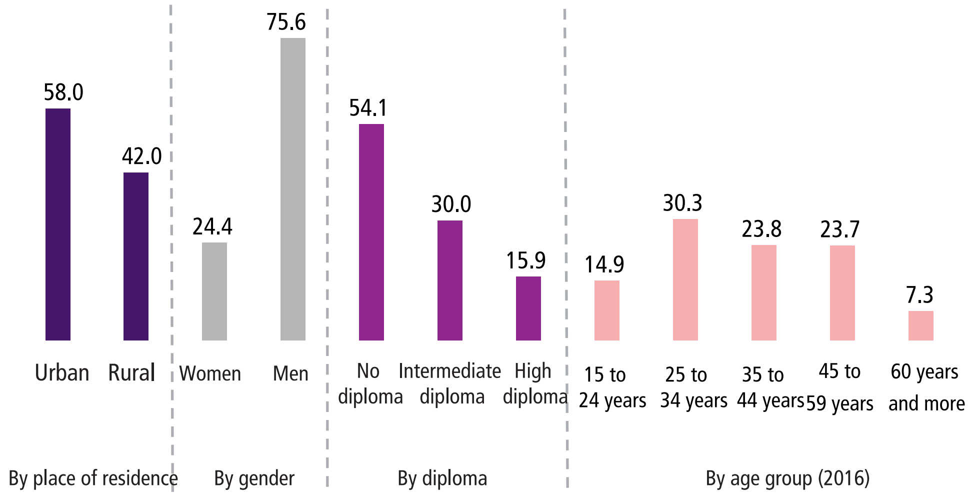
1 Measured by the value-added ratio to the number of employees.

2 Calculated on the basis of CNSS data.

3 Population aged 15 and over.

4 Population employed or looking for a job.

Chart 1.3.1: Structure of the labor force in 2018 (%)



Sources: HCP Data and BAM calculations.

Against this backdrop, the participation rate[1] continued its downward trend, year on year, from 46.7 percent to 46.2 percent. By area of residence, it decreased by 0.6 point to 41.8 percent in urban areas, with particularly a decline of 0.7 point to 66.9 percent among men, and 0.2 point to 53.9 percent in rural areas.

Chart 1.3.2: Labor force participation rate by residence (%)

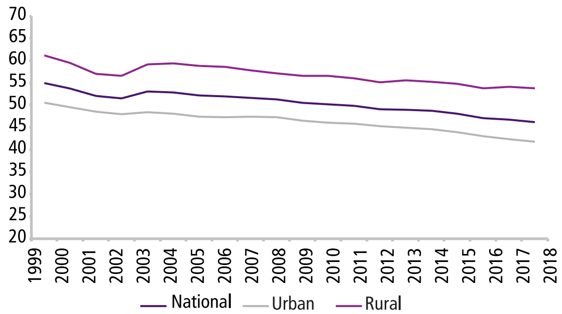
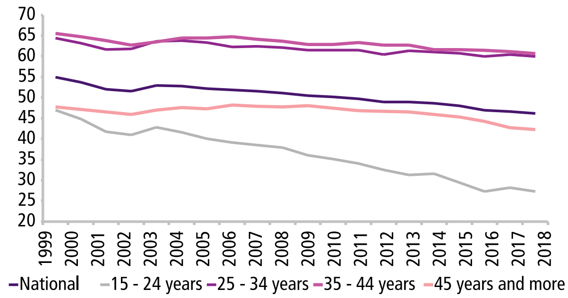


Chart 1.3.3: Labor force participation rate by age group (%)



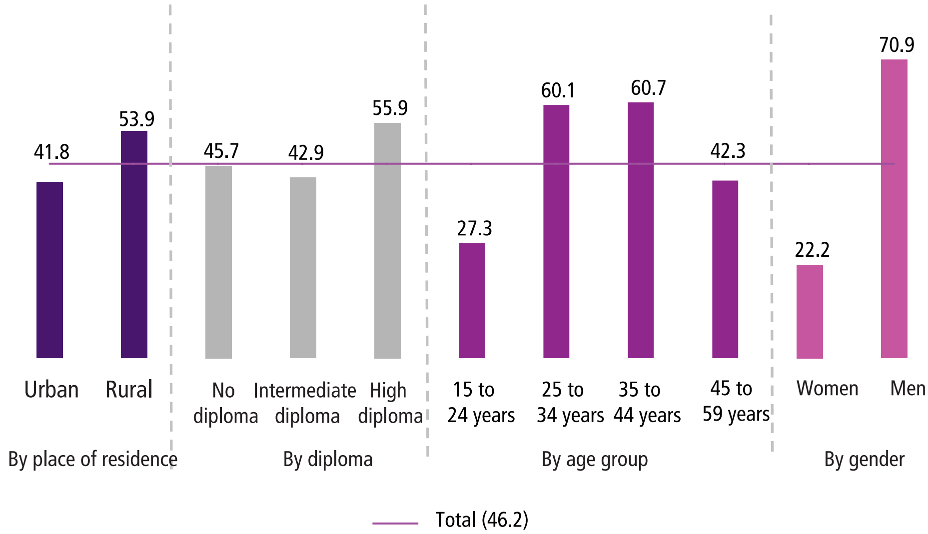
Source: HCP.

The decline in the participation rate affected all age groups, with the exception of the 25 to 34 age group in rural areas, which increased by 0.2 point to 63.2 percent. The rate fell 0.6 percentage point to 60.7 percent among those aged 35 to 44 and 0.9 point to 27.3 percent among young people aged 15 to 24 years. Of these, almost three in ten are not in employment, education or training[2]. Regarding non-enrolment in particular, the main factors reported[3] relate to the lack of interest in 26 percent of cases, the difficulty of access to an educational institution

1 This rate corresponds to the number of active persons relative to the working-age population.
2 HCP data for 2017.
3 "Labor Market in Morocco: Challenges and Opportunities" HCP and the World Bank, November 2017.

for 20 percent, school failure or repetition for 14 percent and lack of financial resources for 13 percent.

Chart 1.3.4: Activity rate in 2018 (%)



Source: HCP.

By region, the lowest participation rates were observed in Darâa-Tafilalet (41.3 percent) and Laâyoune-Sakia El Hamra (41.5 percent), while the highest rates were recorded in Dakhla-Oued Ed-Dahab (69.4 percent), Casablanca-Settat (49.7 percent) and Marrakech-Safi (48.6 percent).

The labor market in Morocco, like other countries in the MENA region, remains marked by a low level of women's participation, with a rate of 22.2 percent overall and 18.1 percent in urban areas. This rate[1] reached 51,7 percent in Latin America and the Caribbean, 50.5 percent in Europe and Central Asia and 58.9 percent in East Asia and the Pacific.

1.3.2 Change in employment

After creating 86 thousand in 2017, the national economy generated 112 thousand jobs, representing an increase of 1 percent of the volume of employment[2] to 10.8 million people. This growth was, however, lower than that of the working-age population, resulting in a further decline in the employment rate[3]. The latter fell from 41.9 percent to 41.7 percent overall, from 36.1 percent to 35.9 percent in the cities and stabilized at 52 percent in rural areas. By gender, it dropped by 0.4 point to 65 percent among men and by 0.2 point to 19 percent among women.

1 World Development Indicators, World Bank, data for 2018.

2 It is the employed labor force aged 15 and over.

3 Ratio of the employed labor force aged 15 and over to the total population aged 15 and over. It reflects the ability of an economy to use its labor resources.

At the sectoral level, despite a very good crop year for the second year in a row, agriculture generated only 19 thousand jobs from 42 thousand in 2017, with a cumulative loss of 151 thousand for the years 2015 and 2016. For the nonagricultural sectors, services created 65 thousand, from 26 thousand a year ago, of which 34 thousand in "non-store retail trade", 13 thousand in "personal and household services" and 12 thousand in "restaurants and hotels". The construction industry generated 15 thousand jobs, as against an average of 22 thousand over the last three years. In the industry including handicrafts, the pace of creations remained limited to 13 thousand, of which 11 thousand in the branch "textile, hosiery and clothing".

Taking these developments into account, the share of services in employment rose to 42.4 percent nationally and 64.4 percent in urban areas. The share of agriculture stands now at 35 percent, compared to 11.7 percent for industry including handicrafts and 10.8 percent for construction.

In terms of territorial breakdown, three regions account for 74.1 percent of the jobs created. They are Marrakech-Safi with 38 thousand posts, Casablanca-Settat with 28 thousand and Drâa-Tafilalet with 17 thousand. In contrast, Beni Mellal-Khenifra and Dakhla-Oued Ed-Dahab reported losses of 8 thousand and 5 thousand, respectively.

Chart 1.3.5: Contribution to employment evolution (in percentage point)

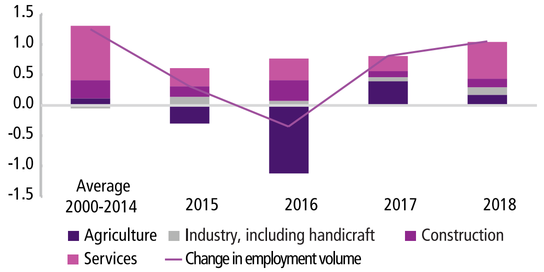
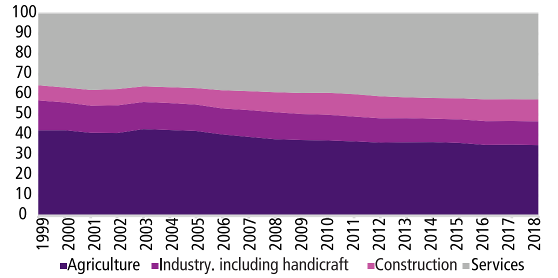


Chart 1.3.6: Structure of employment by sector of activity (%)



Source : HCP.

Analysis of the employment structure based on the professional status shows that wage earners account for almost half of employed workers, a proportion lower than that registered in advanced countries and in many emerging countries (see Box). Six in ten wage earners overall and nine in ten in the construction industry work without a contract. For the rest of the employed, 34.7 percent are self-employed and 16.5 percent are unpaid employees, almost all of whom are caregivers in rural areas.

In terms of qualification level, three out of five employees do not hold any degree. This share ranges from 44.2 percent among wage earners to 72.2 percent among self-employed persons. By sector, it stands at 39.9 percent in services, 46.1 percent in industry including handicrafts, 62.1 percent in construction and 82.2 percent in agriculture.

Working conditions remain precarious, as only 26.1 percent of employees overall and 45.4 percent of wage earners have a medical coverage related to the job they hold. This proportion improves with the level of qualification, rising from 14.6 percent for those without a diploma to 73.4 percent for higher-diploma holders. By industry, it ranges from 9.4 percent in agriculture to 43 percent in industry including handicrafts.

In addition, only one in five employed persons are affiliated to a pension system, 31.3 percent in urban areas and 4.8 percent in rural areas. This rate rises to 37.9 percent for wage earners and ranges from 7.1 percent for those without a diploma to 68.7 percent for higher-diploma holders. At the sectoral level, this share is limited to 3.6 percent in agriculture and 36 percent in industry including handicrafts.

This low quality of employment would explain the desire expressed by 20 percent of the employed labor force to change jobs. The latter would be mainly looking for better salary and, to a lesser extent, more favorable working conditions, stable employment or more adequate to the training received.

On the other hand, membership in a trade union or professional organization remains very low, as the affiliation rate stood at 4.3 percent overall and 7.2 percent among wage earners. When compared internationally[1] , this rate stands at 8.2 percent in Turkey, 19.6 percent in Chile, 28.1 percent in South Africa and 67.2 percent in Denmark.

Chart 1.3.7: Structure of employment by professional status (%)

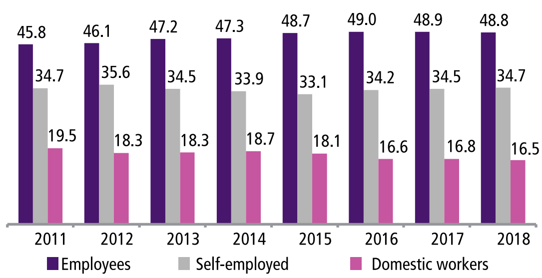
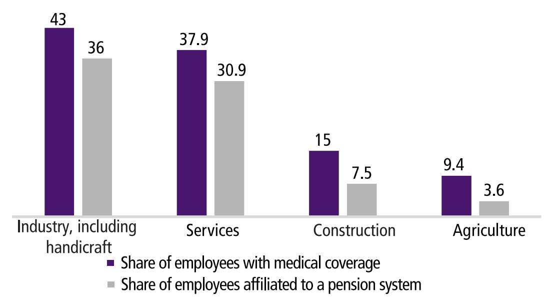


Chart 1.3.8: Protection of employees benefiting from social protection by sector of activity, in 2018 (%)



Source : HCP.

1.3.3 Unemployment and underemployment

After having increased by 4.2 percent in 2017, the unemployed population decreased by 3.9 percent in 2018 to 1.2 million people, with a decline of 2.5 percent in the cities and 11.4 percent in rural areas where it benefited women in particular. They remain predominantly urban,

1 ILO database: https://www.ilo.org/ilostat/

with a proportion of 84.7 percent, and young, as nearly two-thirds are aged between 15 and 29 years. First-time jobseekers accounted for 57.9 percent and long-term unemployed[1] for 67.6 percent.

Under these conditions and in view of the change in the labor force, the unemployment rate fell from 10.2 percent to 9.8 percent nationally, from 14.7 percent to 14.2 percent in urban areas and from 4 percent to 3.5 percent in rural areas. The decline was more pronounced among women with a drop of 0.7 point to 14 percent, as against 0.4 point to 8.4 percent among men. The improvement concerned all age groups, with the exception of young people aged 15 to 24 years in cities, whose unemployment worsened to 43.2 percent.

Unemployment continues to affect the most highly skilled persons with a rate almost seven times higher for higher-diploma holders[2] (23 percent) compared to those without a diploma (3.5 percent). This rate stands at 23.3 percent for vocational training diploma holders and 15.4 percent for general education graduates.

Chart 1.3.9: Rate of unemployment by age group (%)

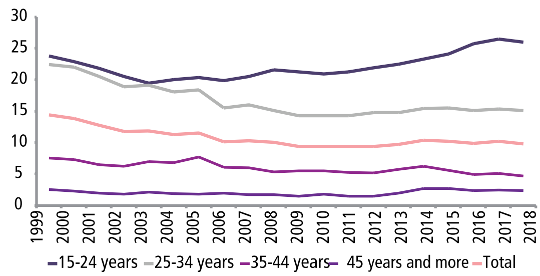
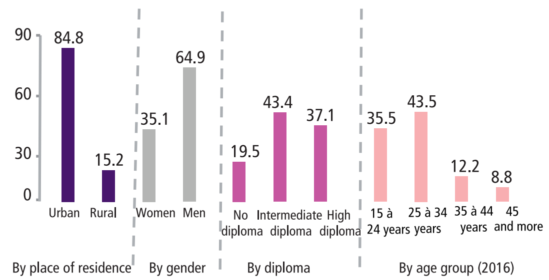


Chart 1.3.10: Structure of the unemployed population in 2018 (%)



Source : HCP.

The lower unemployment was coupled with a lower underemployment[3], the rate of which fell from 9.8 percent to 9.6 percent nationally, from 8.9 percent to 8.7 percent in the cities, and from 10.8 percent to 10.6 percent in rural areas. By gender, this decline, the first since 2013, covers a drop of 0.3 point to 10.8 percent among men and a slight increase of 0.1 point to 5.5 percent among women.

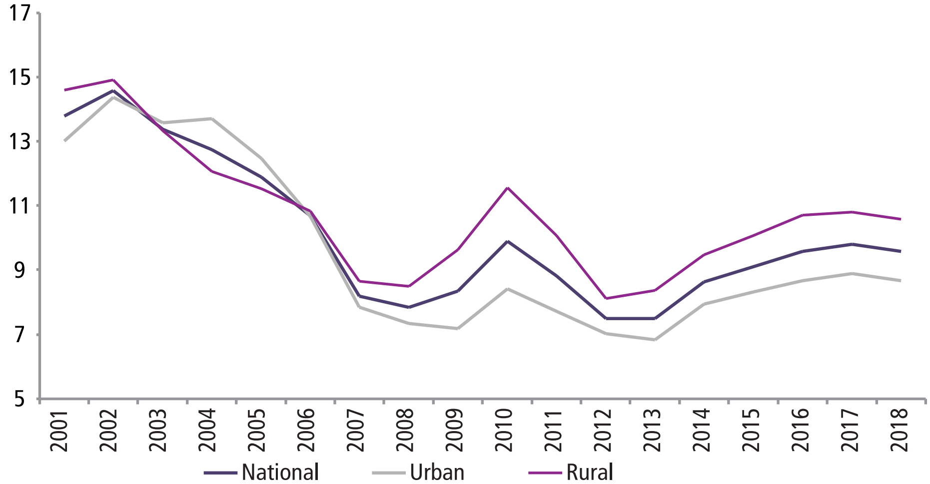
Underemployment remains tied in 66.2 percent of the cases to the inadequacy of skills and insufficiency of remuneration and in 33.8 percent to the limited number of hours worked. It decreases with age, from 15.9 percent for the 15 to 24 age group to 5.1 percent for those aged 45 and over. By sector of activity, construction remains the most affected with a rate of 15.1 percent, followed by agriculture with 10 percent and services with 8.6 percent. The industry including handicrafts, remains the sector where this phenomenon is the least widespread with a share of 6.8 percent of employees.

1 Unemployed for over one year.

2 High school, technician, specialized technician or higher education diplomas.

3 The underemployed population consists of persons who worked: (i) during the reference week less than 48 hours, but willing to work overtime and available to do so; or (ii) more than the threshold and are looking for another job or willing to change jobs for inadequacy with their training or skills or for insufficient income.

Chart 1.3.11: Rate of underemployment by residence (%)

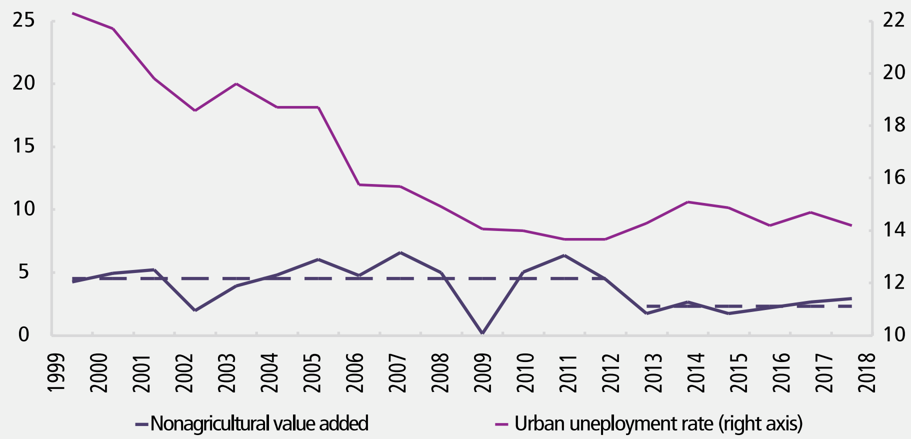


Source : HCP.

Box 1.3.1: Growth and unemployment - recent developments in urban areas[1]

Between 1999 and 2012, the urban unemployment rate followed a downward trend from 22.3 percent to 13.7 percent. This change was spurred by sustained growth in nonagricultural activities of around 4.5 percent on an annual basis. From 2013, as the latter slowed down significantly to 2.3 percent and job creation weakened between the two periods from 93.2 thousand jobs per year to 38.3 thousand, the unemployment rate recorded overall some resilience to the rise, standing at 14.2 percent in 2018.

Chart B1.3.1.1: Urban unemploymet and nonagricultural growth (in %)



Source : HCP

1 The analysis in this box is limited to urban areas. In rural areas, because of the predominance of agriculture, the unemployment rate, according to the ILO definition, is structurally weak.

At least two reasons would explain this seemingly paradoxical finding. The first is related to the sharply low participation rate, which would reflect a greater discouragement of the working-age population. This rate fell by 0.6 percentage point annually between 2013 and 2018, as against 0.4 point between 1999 and 2012. Had it remained at its 2012 level, nearly 574 thousand additional employed labor force would have entered the market and, assuming an unchanged rate of job creation, the unemployment rate in 2018 would have reached 20.8 percent, or 6.6 percentage points higher than the observed level.

The second reason is linked to the change in the quality of employment. Indeed, several labor market indicators suggest that the gradual improvement of this quality observed since 1999 would have decelerated from 2013. It is first of all about the underemployment rate which, after a fall from 12.9 percent in 1999 to 7 percent in 2012, increased to 8.7 percent in 2018. At the same time, since 2013, more than three jobs created out of ten instead of less than two previously are seasonal or casual, thus bringing the share of this category of employed labor force from 4.5 percent on average to 6.7 percent. Moreover, after falling from 6.2 percent in 1999 to 3.3 percent in 2012, the share of unpaid employment has almost stabilized at this level since. Similarly, wage-earning, which reflects the level of organization of the economy, remains relatively low, when compared internationally and the proportion of wage earners without contracts has remained around 53 percent since 2013, after a downward trend that began in 1999 when it reached 65.9 percent.

Chart B1.3.1.2: Structure of the employed population according to the professional status (in %)

Sources: HCP and World Bank.

On the other hand, some data, published only for the national level, indicate that a large part of the jobs created in recent years would have been in branches of activities where the informal sector is relatively widespread. In fact, in services, the main job provider, 97 percent of net creations in 2016 and 72 percent in 2018 are recorded in "non-store retail trade" and "personal and household services".

All these findings lead to the conclusion that the change in the unemployment rate alone is largely insufficient to assess labor market conditions and that a set of complementary indicators on the quality of employment should be considered in parallel. It is particularly in this sense that the International Labor Organization developed the Decent Work Agenda and integrated it into the broader framework of the Sustainable Development Goals.

1.3.4 Productivity and labor cost

The apparent labor productivity in the nonagricultural sectors rose by 1.2 percent in 2018, as against 2.2 percent a year earlier. This deceleration is attributed to an increase of 2.6 percent in the value added, as compared to 2.9 percent, and 1.3 percent in employment, as opposed to 0.6 percent. By sector, it slowed down from 2.8 percent to 1.8 percent in the secondary sector and from 2.2 percent to 1.2 percent in the tertiary sector.

At the same time, the average wage in the private sector rose by 2 percent, compared to 2.1 percent in 2017, in nominal terms and by 0.2 percent from 1.4 percent in real terms. In the civil service, it moved up slightly by 0.3 percent in nominal terms, after a virtual stagnation, and declined further by 1.5 percent, as against 0.8 percent, in real terms.

Chart 1.3.12: Apparent labor productivity in nonagricultural activities and average real terms wages (change in %)

Sources : HCP. CNSS. Ministry of the Economy and Finance and BAM calculations.

Table 1.3.2 : Main indicators of labor market

		2016	2017	2018
Indicators of activity				
Labor force (in thousands)		11 780	11 915	11 979
By place of residence	Urban	6 806	6 887	6 953
	Rural	4 974	5 028	5 026
National participation rate (%)		47.0	46.7	46.2
By place of residence	Urban	43.0	42.4	41.8
	Rural	53.8	54.1	53.9
By gender	Men	72.2	71.6	70.9
	Women	22.4	22.4	22.2
Indicators of employment				
Total job creation (in thousands)		-37	86	112
By place of residence	Urban	26	31	91
	Rural	-63	55	21
By sector	Agriculture	-119	42	19
	Industry. including handicraft	8	7	13
	Construction	36	11	15
	Services	38	26	65
Active labor force (in thousands)		10 613	10 699	10 811
By place of residence	Urban	5 840	5 872	5 963
	Rural	4 773	4 827	4 848
National employment rate (%)		42.3	41.9	41.7
By place of residence	Urban	36.9	36.1	35.9
	Rural	51.7	52.0	52.0
Indicators of employment and underemployment				
National underemployment rate (%)		9.9	10.2	9.8
By place of residence	Urban	14.2	14.7	14.2
	Young people aged 15 to 24 years	41.8	42.8	43.2
	Rural	4.0	4.0	3.5
Unemployment rate (%)		9.6	9.8	9.6
By place of residence	Urban	8.7	8.9	8.7
	Rural	10.7	10.8	10.6
Productivity and wage costs (change in %)				
Apparent labor productivity in nonagricultural activities		0.9	2.2	1.2
Guaranteed minimum wage and Minimum agricultural wage	Nominal	2.3	0.0	0.0
	Real	0.7	-0.7	-1.8
Private sector's wages	Nominal	1.9	2.1	2.0
	Real	0.3	1.4	0.2
Public sector's wages	Nominal	1.1	-0.1	0.3
	Real	-0.5	-0.8	-1.5

Sources : HCP. CNSS. Ministry of Labor and Profesionnal Insertion and BAM calculations.

1.4 Inflation

While remaining moderate, inflation, measured by the change in the consumer price index, posted a significant increase in 2018. Indeed, it accelerated to 1.9 percent from 0.7 percent in 2017 and an average of 1.5 percent between 2008 and 2016.

This trend is mainly due to higher volatile food prices, which rose 2.6 percent, after a decline of 3.1 percent a year ago. It is also driven, but to a lesser extent, by the increase of 2.8 percent in prices for regulated goods, as against 0.8 percent, as a result of increases in DCT on brown tobacco and stamp duties. Fuels and lubricants prices were up 5.2 percent compared to 8.8 percent, essentially reflecting the continued upward trend in international prices that began in early 2016.

Core inflation, which reflects the fundamental trend of prices, fell from 1.3 percent to 1.1 percent, due to the deceleration recorded for certain foodstuffs, especially oils.

All of these developments reflect the effect of the HCP's March 2018 update of the CPI reference basket structure. This adjustment, which has been applied retrospectively since January 2018, uses December 2017 as an interim basis. However, 2006 remains the base year for this index.

Chart 1.4.1: Change of inflation and core inflation (%)

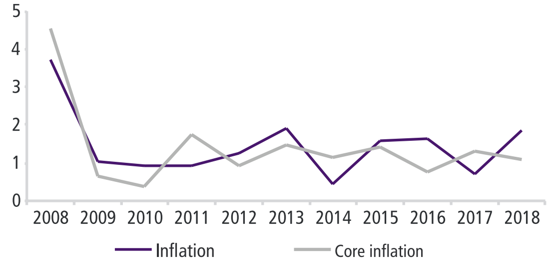
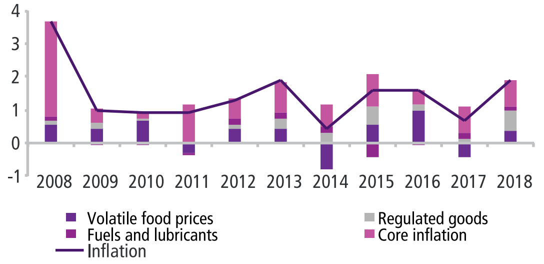


Chart 1.4.2: Contribution to inflation (in % point)



Sources: Data HCP, and BAM calculations.

Table 1.4.1: Consumer prices (change in %)

Groups of products	2012	2013	2014	2015	2016	2017	2018
Consumer price index	**1.3**	**1.9**	**0.4**	**1.6**	**1.6**	**0.7**	**1.9**
Volatile food prices	**3.0**	**3.3**	**-5.6**	**4.3**	**7.5**	**-3.1**	**2.6**
Fuels and lubricants	**9.9**	**8.0**	**7.0**	**-16.1**	**-1.7**	**8.8**	**5.2**
Regulated goods	**0.7**	**1.3**	**1.6**	**2.7**	**0.7**	**0.8**	**2.8**
Core Inflation	**0.9**	**1.5**	**1.2**	**1.4**	**0.8**	**1.3**	**1.1**
- Food products included in core inflation	2.2	1.6	1.0	1.8	0.6	1.6	0.8
- Clothing items and footwear	2.1	1.6	2.1	0.6	1.1	1.4	1.0
- Housing, water, gas, electricity and other fuels[1]	1.0	2.2	1.7	1.1	1.0	1.1	1.7
- Furniture, household appliances and routine household maintenance	0.1	0.2	0.8	0.3	0.6	0.5	1.0
- Health(1)	2.0	0.9	2.6	1.0	1.0	2.4	0.6
- Transport(2)	0.8	1.2	1.1	0.3	0.2	-0.4	0.1
- Communications	-19.6	-9.2	-4.6	0.2	-0.2	-0.2	0.0
- Entertainment and culture(1)	0.4	0.5	-0.9	0.2	1.7	0.6	0.8
- Education	3.8	5.5	3.4	2.9	2.3	2.7	2.5
- Restaurants and hotels	2.0	3.2	2.5	2.3	2.5	3.2	1.9
- Miscellaneous goods and services(1)	1.7	1.6	1.5	0.7	0.3	0.9	1.8

(1) Excluding regulated goods. (2) excluding regulated products. and fuels and lubricants.

Sources: HCP. and BAM calculations.

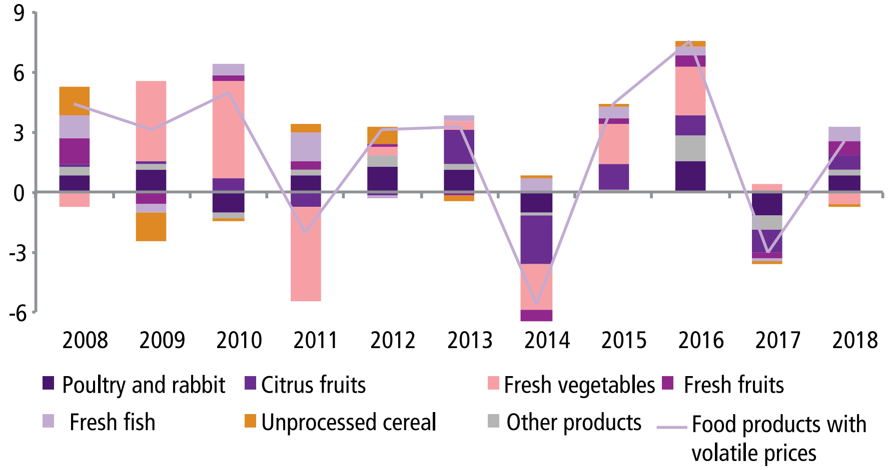
1.4.1 Components of the consumer price index

1.4.1.1 Volatile food prices

After a slowdown in the first two months of the year, the growth of volatile food prices accelerated markedly, partly owing to a limited supply of some fresh products, itself a result of adverse weather conditions at the beginning of the crop year. The improvement in the situation subsequently reflected a reversal of the upward trend in prices, which recorded an average increase of 2.6 percent over the year, after a drop of 3.1 percent in 2017. Thus, their contribution to inflation stood at 0.4 percentage point, after-0.4 point.

The price increase concerned all products, except for fresh vegetables and unprocessed cereals, which showed respective decreases of 3.2 percent and 4.1 percent. The highest increases were registered for citrus fruits with a rate of 15 percent and for fresh fruits with 3.7 percent.

Chart 1.4.3: Contribution to the change in volatile food prices (in % point)

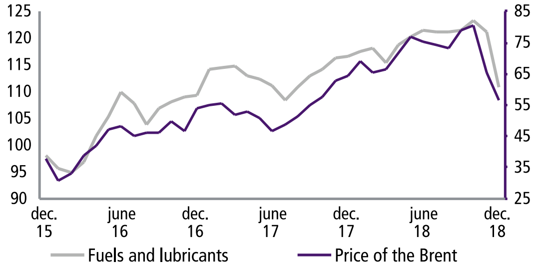


Sources: HCP and BAM calculations.

1.4.1.2 Fuels and lubricants

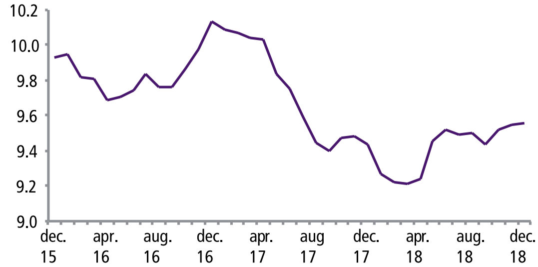
Fuels and lubricants prices moved up 5.2 percent from 8.8 percent a year earlier, contributing 0.1 percentage point to inflation from 0.2 percentage point. This increase is partly attributed to the increase in world prices of petroleum products, which is itself due to the rise in geopolitical tensions and the reduction production agreement by OPEC countries and certain non-member countries. The Brent price rose from $54.4/bl on average in 2017 to $71.1/bl in 2018, up 30.7 percent. The impact of this increase was mitigated by the average annual appreciation of 3.3 percent of the national currency against the US dollar.

Chart 1.4.4: Fuels and lubricants prices (base year 2006) and Brent prices ($ per barrel)



Sources: HCP and World Bank.

Chart 1.4.5: Exchange rate of the Dirham against the US dollar (dirham/dollar)



Source: BAM.

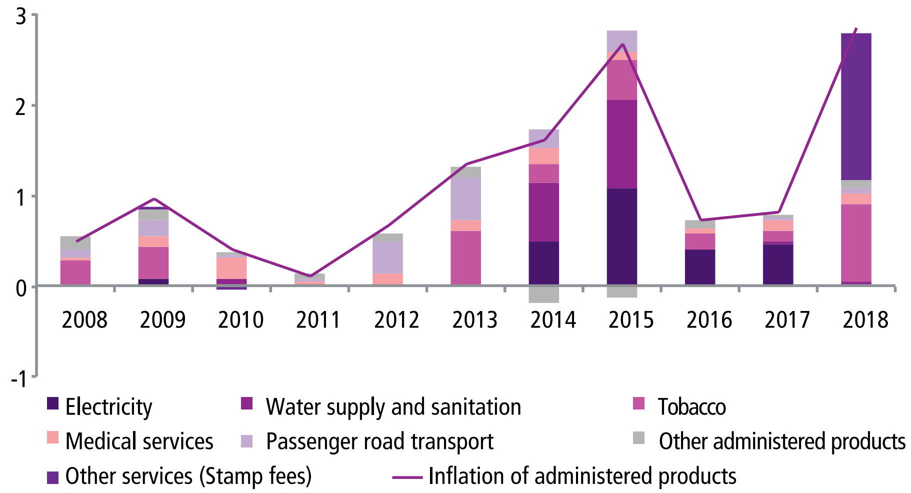
1.4.1.3 Regulated goods

Prices for regulated goods during the year was marked by higher stamp duties and DCT on brown tobacco. Indeed, following the increase in the stamp on the passport from 300 to 500 dirhams, introduced by the 2018 Finance Law, the index of "other services" section of the CPI grew by 20.2 percent, thus contributing 1.6 percentage point to the growth of prices for regulated products. Similarly, in accordance with the provisions of the 2017 Finance Law, DCT on brown tobacco cigarettes rose as of January 1st, 2018, from 315 to 388 dirhams per thousand cigarettes[1]. This measure resulted in an 11.9 percent increase in tobacco tariffs, which is a 0.9 percentage point contribution to the change in prices for regulated goods.

Regarding medical services, although no relevant regulatory decision was issued during the year, a 2.2 percent increase in their prices were recorded in 2018.

Overall, prices for regulated products will have risen 2.8 percent in 2018 from 0.8 percent a year earlier, bringing their contribution to inflation from 0.1 to 0.6 percentage point.

Chart 1.4.6: Contributions to inflation of regulated goods (in % point)



Sources: HCP data and BAM calculations.

1 The 2017 finance act provided for an increase in DCT on brown tobacco in three phases, increasing the specific quota from 217 dirhams per thousand cigarettes in 2016 to 315 dirhams in 2017, to 388 dirhams in 2018 then to 462 dirhams in 2019. At the same time, the minimum tax was to gradually increase over the same period from 265 dirhams in 2016 to 567 dirhams per thousand cigarettes in 2019.

Box 1.4.1: Change in health prices in Morocco between 2007 and 2018

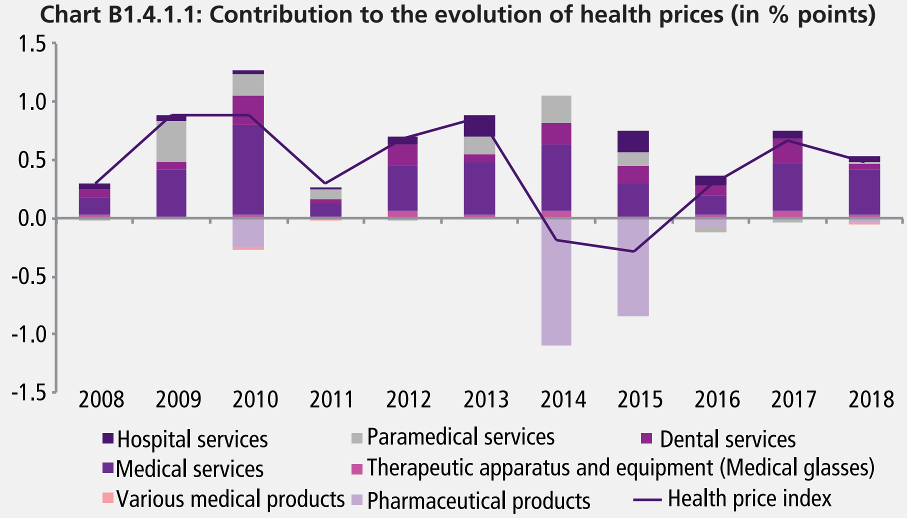
In Morocco, freedom of pricing is a fundamental principle enshrined in law. However, some products and services derogate from this rule because they are considered strategic, socially sensitive or whose markets are not sufficiently competitive. This category includes some medical acts and services in the private sector as well as pharmaceuticals.

However, data from the HCP's monthly price survey show that they sometimes post increases that are not necessarily the result of regulatory decisions. In this survey, three groups of products and services are identified, namely: (i) medical products, devices and equipment; (ii) outpatient services and (iii) hospital services.

Between 2007 and 2018, the prices of these groups fluctuated annually from a drop of 0.3 percent in 2015 to a rise of 0.9 percent recorded in 2009, 2010 and 2013. Over the entire period, the increase stands at 5 percent, much lower than the rise of 47.9 percent observed for education or 17.2 percent for all consumer prices. The highest increases were recorded in medical services, whose prices rose by 28.1 percent, while prices for medical glasses and dental care were up 16.3 percent and 14 percent, respectively. However, prices for pharmaceutical products fell by 6.3 percent, as a result of the Ministry of Health's decisions to lower the prices for certain medicines.

These products and services will have contributed 0.2 percentage point to the price trend over the period, a certainly low participation, but it should move upwards. According to HCP data, the weight of health services in the urban household budget increased from 5.4 percent in 1985 to 9.2 percent in 2013/2014.

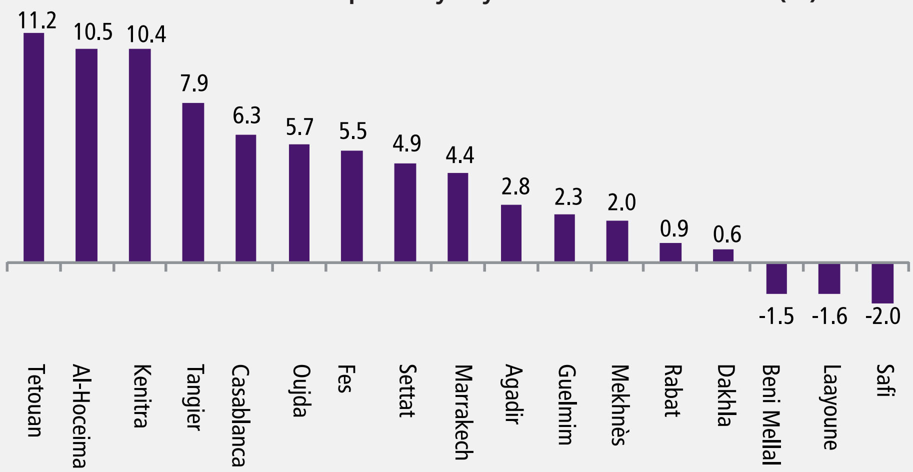
Chart B1.4.1.1: Contribution to the evolution of health prices (in % points)



Sources: HCP data and BAM calculations.

By city, the largest increases were recorded in Tetouan with a rate of 11.2 percent, followed by Al-Hoceima and Kenitra with nearly 10.5 percent each. On the other hand, prices fell by 2 percent in Safi, 1.6 percent in Laayoune and 1.5 percent in Beni Mellal. In terms of disparity among the 17 cities covered by the HCP Price Survey, the gap is thus 13.2 percentage points.

Chart B1.4.1.2: Health prices by city between 2007 and 2018 (%)



Source: HCP.

1.4.1.4 Core inflation

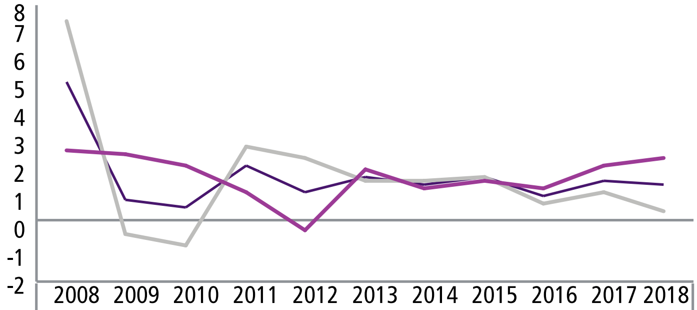
The change in core inflation in 2018 was mainly driven by the price trend of its food component. The latter rose by 0.8 percent, as against 1.6 percent a year earlier, mainly due to a sharp deceleration of prices for oils from 8.5 percent to 0.4 percent and a decline of 1.9 percent in dried pulse prices, after an increase of 5.1 percent. For the other components, apart from communication which registered stagnation, they showed increases ranging from 0.1 percent for transportation to 2.5 percent for education. In total, core inflation will have declined from 1.3 percent to 1.1 percent and its contribution to headline inflation remained stable at 0.8 percentage point.

• Tradable goods and nontradable goods

The slowdown in core inflation reflects that of tradable goods prices from 0.9 percent to 0.3 percent, which more than offset the acceleration of nontradable goods prices from 1.8 percent to 2 percent. The latter was mainly driven by the 3.1 percent price increase for "fresh meat", as against 1.7 percent and, to a lesser extent, by the 3.8 percent rise in "pre-primary and primary education" fees, versus 3.2 percent.

The deceleration in tradable goods prices is mainly attributed to a limited increase to 0.4 percent in tariffs for oils, as opposed to 8.5 percent a year earlier. The latter would have been impacted by the improvement of 50 percent in national olive production during the 2017-2018 crop year and 22.3 percent in the following year to reach a record level of 2 million tonnes[1]. They were also driven by international prices for oils, which fell significantly, as the FAO vegetable oil price index dropped by 14.7 percent in 2018. This change is also due to a 1.9 percent decrease in prices for dried pulses, after an increase of 5.1 percent a year ago.

Chart 1.4.7: Evolution of core inflation (%)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Core inflation	4,5	0,7	0,4	1,8	0,9	1,5	1,2	1,4	0,8	1,3	1,1
Tradables	6,5	-0,5	-0,8	2,4	2,0	1,3	1,3	1,4	0,6	0,9	0,3
Nontradables	2,3	2,2	1,8	0,9	-0,4	1,7	1,0	1,3	1,1	1,8	2,0

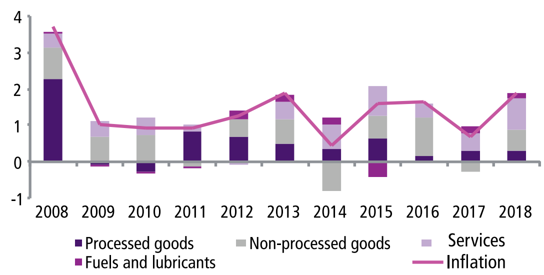
Sources: HCP and BAM calculations.

1.4.2 Goods and services

The breakdown of the CPI basket into goods and services[2] shows that the prices of processed products, excluding fuels and lubricants, grew by 0.7 percent, a rate almost unchanged from 2017, while prices for unprocessed goods rebounded 2.9 percent, after a decline of 1.2 percent a year earlier. Prices for services rose 2.2 percent, as against 1.6 percent, driven mainly by the increase in stamp duties in January 2018.

Chart 1.4.8: Prices of goods and services (%)

Chart 1.4.9: Contribution of prices of goods and services to inflation (% points)



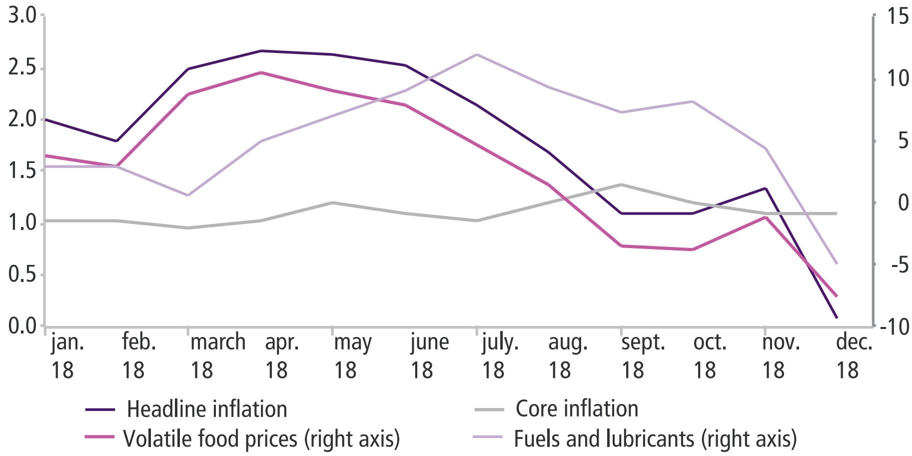
Sources: HCP and BAM calculations.

1 This figure was announced by the Minister of Agriculture, Fisheries, Rural Development, Waters and Forests at the launch of the 2018-2019 crop year.
2 Four categories are distinguished: processed goods excluding fuels and lubricants, unprocessed goods, fuels and lubricants and services.

1.4.3 Infra-annual inflation profile

After a robust rise in the last months of 2017, inflation remained in the first half of 2018 relatively high, averaging 2.3 percent year on year. From July, it began to slow down, ending the year at a rate of 0.1 percent in December and an average of 1.3 percent for the entire second half. Its trend during the year mainly reflects the change in volatile food prices, which varied from a 7.6 percent drop in December to a 10.4 percent increase in April. Core inflation remained almost stable at around 1.1 percent.

Chart 1.4.10: Infra-annual change of inflation (%)



Sources: HCP and BAM calculations.

1.4.4 Consumer prices by city

The analysis of the change in consumer prices by city indicates that with the exception of Settat, which saw a deceleration from 0.8 percent to 0.6 percent, all cities recorded higher inflation. The greatest acceleration was observed in Dakhla, where it rose from 0.8 percent to 3 percent, followed by Safi and Agadir where it increased from 1.1 percent to 2.7 percent and from 0.3 percent to 1.9 percent, respectively.

In terms of disparity, the inflation rate ranged from 0.6 percent in Settat to 3 percent in Dakhla, which is a gap of 2.4 percentage points from 2.2 points in 2017 and 1.3 point in 2016.

Table 1.4.2: Change in the CPI by city

	Average indexes							Inflation (%)			
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2015**	**2016**	**2017**	**2018**
Agadir	110.1	112.1	112.1	113.2	115.4	115.8	118.0	1.0	1.9	0.3	1.9
Casablanca	112.9	114.9	115.5	117.8	119.5	120.6	122.8	2.0	1.4	0.9	1.8
Fes	110.5	113.2	114.4	115.3	117.1	118.3	120.9	0.8	1.6	1.0	2.2
Kenitra	110.3	112.3	112.9	114.6	116	116.5	118.5	1.5	1.2	0.4	1.7
Marrakech	111	112.9	113.8	115.0	117	118.3	119.8	1.1	1.7	1.1	1.3
Oujda	109.6	112.6	112.5	114.2	115.3	116.1	118.4	1.5	1.0	0.7	2.0
Rabat	108.4	110.5	111.5	113.0	115.1	115.7	117.1	1.3	1.9	0.5	1.2
Tetouan	112	112	112.4	114.4	116.3	117.9	120.2	1.8	1.7	1.4	2.0
Meknes	112.5	114.9	115.1	117.9	120.1	120.0	121.7	2.4	1.9	-0.1	1.4
Tangier	111.7	114.7	115.1	117.0	119.1	120.2	121.8	1.7	1.8	0.9	1.3
Laayoune	111.5	112.6	112.8	115.1	116.5	118.9	122.1	2.0	1.2	2.1	2.7
Dakhla	110.4	111.8	112.6	115.2	117.4	118.3	121.9	2.3	1.9	0.8	3.0
Guelmim	110.4	112.5	112.3	114.5	116	116.8	119.4	2.0	1.3	0.7	2.2
Settat	111.4	112.7	112.5	113.7	116.1	117.0	117.7	1.1	2.1	0.8	0.6
Safi	105.9	108.2	108.9	110.5	111.6	112.8	115.8	1.5	1.0	1.1	2.7
Beni-Mellal	111.1	111.7	111.9	113.3	115.6	116.8	118.1	1.3	2.0	1.0	1.1
Al-Hoceima	112.2	114	113.8	115.3	117.9	118.4	120.3	1.3	2.3	0.4	1.6
National	**110.8**	**112.9**	**113.4**	**115.2**	**117.1**	**117.9**	**120.1**	**1.6**	**1.6**	**0.7**	**1.9**
Range (% points)								**1.6**	**1.3**	**2.2**	**2.4**

Sources: HCP and BAM calculations.

1.4.5 Industrial producer prices

After a rise of 0.7 percent in 2017, the first since 2012, producer prices in non-refining manufacturing industries[1] posted a further growth of 2.6 percent. This trend was mainly driven by an increase of 12.1 percent in the "chemical industry" prices, as against 2.1 percent a year earlier.

It is also attributable, but to a lesser extent, to an increase of 1.8 percent of the "textile industry", after a 1.2 percent drop in 2017, a faster growth from 0.7 percent to 2.6 percent in prices of the "other non-metallic mineral products" branch and from 2.9 percent to 6.2 percent in those of the "electrical equipment manufacturing" industry.

1 In the absence of official data on producer prices excluding refining before April 2016, this index is calculated by incorporating the weight of the refining industry estimated by Bank Al-Maghrib.

Table 1.4.3: Manufacturing producer price index (2010=100) (change in %)

	2012	2013	2014	2015	2016	2017	2018
Non-refining producer price index	**1.8**	**-0.9**	**-2.0**	**-0.2**	**-0.4**	**0.7**	**2.6**
Including							
Food industries	3.2	1.5	-0.7	-0.7	-0.4	0.3	0.2
Other mineral non-metallic products	-0.3	4.0	1.5	0.2	-0.7	0.7	2.6
Chemicals	2.1	-9.5	-11.7	-0.3	-0.2	2.1	12.1
Textile industry	0.8	-0.3	0.5	-2.8	0.1	-1.2	1.8
Clothing	0.8	0.7	1.1	2.8	0.8	0.0	0.7
Electrical equipment and supplies	1.7	-1.6	-2.4	0.1	-3.1	2.9	6.2
Paper and cardboard	-2.0	1.8	1.0	-0.4	-2.3	0.2	0.8
Manufacture of metal products. except machinery and equipment	2.1	1.4	-1.3	-2.9	-0.3	2.3	1.3

Sources: HCP.

Box 1.4.2: Empirical relationship between inflation and growth

The link between inflation and growth is one of the most widely debated issues in the economic literature. Theoretically, high and volatile inflation is a source of uncertainty that inhibits investment, erodes purchasing power and weakens growth accordingly. On the other hand, a rise in prices could be interpreted as a sign of dynamic demand and a faster economic activity. It is this apparent dilemma between growth and inflation that was highlighted by the work of Phillips[1] in the late 1950s, which established a negative empirical correlation between wage growth and the unemployment rate.

The findings of this work were strongly questioned in the 1970s when the United States registered high inflation rates along with economic stagnation and rising unemployment, a situation described as stagflation.

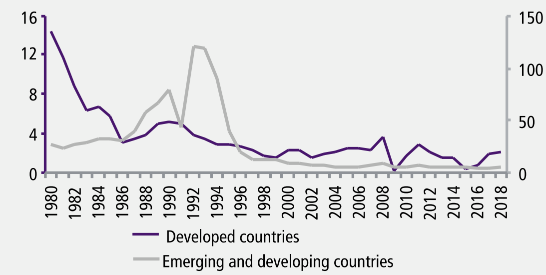
Subsequently, empirical studies have yielded rather mixed findings. One of the most important studies[2] was conducted in 1995 by Robert Barro from Harvard University on data from a sample of 100 countries covering the period 1960-1990. It shows that a 10-percentage-point-per-year increase in inflation causes an annual decline between 0.2 and 0.3 percentage point in GDP growth per capita and between 0.4 and 0.6 percentage point in the investment ratio to GDP. Other studies concluded that the relationship largely depends on the sources of growth, the nature of shocks on inflation and the level of inflation. For an oil-importing country, for example, price shocks can cause inflation to increase, while having a negative impact on economic activity.

1 In his article "The relationship between unemployment and the rate of change of money wages in the United Kingdom, 1861-1957", published in 1958, New Zealand economist Alban William Phillips empirically highlighted a relationship between the rate of change in nominal wages and the unemployment rate.

2 Robet J. Barro: "Inflation and Economic Growth", National Bureau of Economic Research, 1995, WP No. 5326.

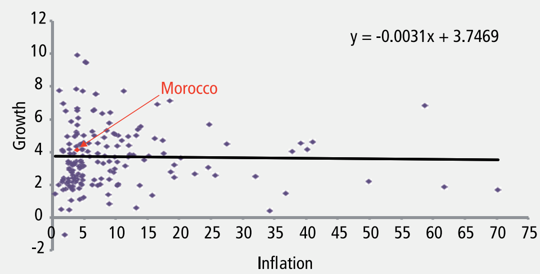
The analysis of inflation data over the last four decades shows a downward trend globally. In advanced economies, the average annual inflation rate fell from 6.5 percent in the 1980s to 1.5 percent over the last decade. In emerging and developing countries, with the exception of the 1990s when it reached more than 55 percent, inflation followed the same trend, falling from 37 percent in the 1980s to 5.2 percent since 2010. However, there is no clear link between this inflation trend and the growth one.

Chart B 1.4.2.1: Inflation evolution (%)



Source : IMF.

Chart B 1.4.2.2: Inflation and average growth, between 1980 and 2017 for a sample of 168 countries (%)



Source : World Bank.

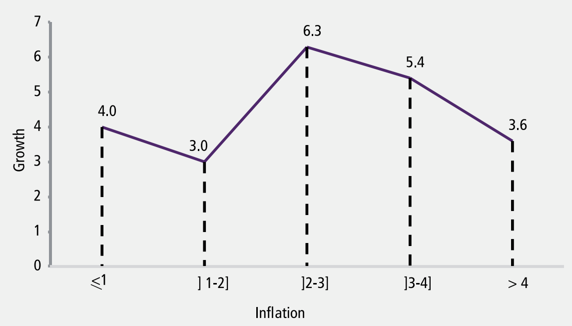
In Morocco, inflation decelerated from over 10 percent in the early 1980s to 1.2 percent over the last decade. This trend was accompanied by a slight slowdown in growth, which moved down from 3.8 percent on average to 3.6 percent with a drop in its volatility. Since 2013, while inflation has risen to 1.4 percent on average, growth has fallen back to 3.4 percent, driven by the decline in the pace of nonagricultural activities.

By grouping the years by level of inflation, the findings do not show a stable relationship between economic growth and inflation over the entire period. However, starting from a certain inflation threshold, a negative relationship emerges. The highest growth rates were observed when inflation stood between 2 percent and 3 percent.

Table B 1.4.2.1: Growth rate by inflation intervals (%)

Years	Inflation intervals	Growth average
1999; 2001; 2005; 2009; 2010; 2011; 2014; 2017	≤1	4.0
1997; 2000; 2003; 2004; 2012; 2013; 2015; 2016	] 1-2]	3.0
1987; 1988; 1996; 1998; 2002; 2007	**]2-3]**	**6.3**
1989; 2006; 2008	]3-4]	5.4
From 1980 to 1986 ; From 1990 to 1995	> 4	3.6

Chart B 1.4.2.3: Average growth rate and inflation (%)



Another way to explain these trends is to calculate the sacrifice ratio . Referring to the Phillips Curve and Okun's Law, this indicator is defined as the accumulated loss/gain in terms of growth following a permanent reduction in inflation.

Over the entire period from 1980 to 2017, this ratio[3] is close to zero on average for Morocco. When compared internationally, lower inflation was coupled with lower growth in some countries such as Egypt, with a ratio of 0.1 point, and France, with 2.1 points and a faster growth in other countries. This is particularly the case of China, with a gain of 0.4 point, and Jordan and Germany, with a gain of 1.5 point.

In conclusion, it is difficult to find a stable relationship between inflation and growth overall. Understanding the nature of this link requires the consideration of the specificities of each country in terms of policies followed, sources of inflationary pressures and the growth model.

3 Approach used by Laurence Ball in working paper No. 4306 entitled "What determines the sacrifice ratio", published by the National Bureau of Economic Research in March 1993.

1.5 Public finance

The fiscal consolidation process showed a certain slowdown in 2018, with the deficit widening from 3.5 percent to 3.7 percent of GDP, well above the 3 percent target provided for in the Finance Law.

On the revenue side, this overrun reflects a significant drop in GCC grants which were limited to 2.8 billion dirhams from 7 billion provided in the Finance Law and 9.5 billion collected a year earlier. On the other hand, tax receipts improved by 4.2 percent, including increases in VAT and income tax, while proceeds from corporate tax dropped. On the expenditure side, the investment was executed at 109 percent compared to the programmed amount, but was down year on year for the first time since 2013. Similarly, subsidy costs reached 129 percent of the programmed amount due to a substantial increase in international energy prices.

Taking into account the rebuilding of the stock of outstanding payments amounting to 3.2 billion and a decrease in the positive balance of the Treasury special accounts, the borrowing requirement stood at 38.1 billion, unchanged from 2017. The latter as well as the negative external net flow of 1.9 billion were financed by domestic resources. Against this backdrop, the Treasury's debt ratio rose 0.2 percentage point of GDP to 65.3 percent of GDP, with an increase to 51.9 percent of GDP in its domestic component and a decrease to 13.4 percent of GDP in external debt.

In addition, the year was marked by the introduction of a VAT credit refund system via factoring transactions[1]. This program, which aims to accelerate the clearance of the stock of arrears and relieve the pressure on corporate cash flow, amounted to 26.3 billion on December 31, benefiting both state-owned and private enterprises.

Table 1.5.1: Main indicators of public finance (% of GDP)

	2011	2012	2013	2014	2015	2016	2017	2018
Current receipts	25.4	26.0	25.5	25.4	23.6	23.7	24.0	23.5
Tax receipts	22.6	23.4	21.9	21.4	20.7	20.9	21.2	21.2
GCC donations	-	-	0.6	1.4	0.4	0.7	0.9	0.3
Overall expenditure	32.4	34.1	31.2	30.9	28.5	28.5	28.0	27.5
Current expenditure	26.3	28.1	25.9	25.0	22.6	22.3	21.7	21.6
Payroll	10.8	11.4	11.0	11.0	10.4	10.3	9.9	9.6
Subsidy costs	6.0	6.5	4.6	3.5	1.4	1.4	1.4	1.6
Investment	6.1	6.1	5.4	5.9	5.9	6.3	6.3	5.9
Fiscal balance	-6.6	-7.2	-5.1	-4.9	-4.2	-4.5	-3.5	-3.7
Direct public debt	52.5	58.2	61.7	63.4	63.7	64.9	65.1	65.3
Gross public debt	63.5	69.5	73.4	78.2	79.9	81.6	82.0	81.4

Sources: Ministry of the Economy and Finance (DTEF) and HCP.

1 Banks finance VAT claims at an interest rate charged to the companies. The Ministry of the Economy and Finance, in addition to its role as guarantor, undertakes to repay to banks the principal in installments, over a period of 5 years for transactions with private companies and ten years for public enterprises.

1.5.1 Finance Law of 2018

The Finance Law of 2018 assumed a growth rate of 3.2 percent, an average price of $60 per barrel of oil, an average exchange rate of 9.4 dirhams per dollar and inflation of 1.5 percent. It set a budget deficit target of 3 percent of GDP, unchanged from 2017.

Current revenue should improve by 4.4 percent. Tax receipts were forecast to rise by 5 percent, with a 12.3 percent increase in corporate tax and 8.8 percent in import VAT, while domestic VAT should decrease by 5.6 percent. Non-tax receipts were expected to decline by 0.7 percent, mainly as a result of a 12.5 percent decline in donations from GCC countries and an 8.3 percent increase in monopoly revenue.

At the same time, overall spending was to rise 3.9 percent, driven by a 2.8 percent increase in current expenditure. In particular, spending on other goods and services was forecasted to increase by 8.2 percent, a rate above the average of the past five years, and, taking into account the decision to create 19,315 new budget items, the wage bill would increase by 2 percent. Subsidy costs were expected to move down 6.4 percent to 13.7 billion, and investment up 8.4 percent to 60.3 billion compared to the 2017 Finance Law.

Table 1.5.2: Budgetary planning (in millions of Dirhams)

	2017 Finance Act	2018 Finance Act	Change in %	Change in value
Current receipts	**251 408**	**262 448**	**4.4**	**11 041**
Tax receipts[1]	225 814	237 010	5.0	11 196
Including : VAT	82 835	85 451	3.2	2 616
CT	45 555	51 169	12.3	5 614
IT	40 855	41 748	2.2	893
Nontax receipts	22 293	22 138	-0.7	-155
Including : Grants from GCC countries	8 000	7 000	-12.5	-1 000
Receipts of some special Treasury accounts	3 300	3 300	0.0	0
Overall expenditure	**290 377**	**301 722**	**3.9**	**11 345**
Current expenditure	**234 799**	**241 461**	**2.8**	**6 662**
Wage bill	106 701	108 854	2.0	2 153
Other goods and services	61 124	66 141	8.2	5 017
Debt service	27 474	27 112	-1.3	-362
Subsidy costs	14 650	13 719	-6.4	-931
Transfers to local government	24 851	25 635	3.2	785
Current balance[2]	**16 608**	**20 987**	**26.4**	**4 379**
Capital spending[3]	55 578	60 261	8.4	4 683
Balance of other Treasury special accounts	6 000	6 000		
Primary balance[2]	**-5 495**	**-6 162**		
Overall fiscal balance[2]	**-32 969**	**-33 274**		
In percentage of GDP[4]	**-3.0**	**-3.0**		
Financing requirement	**-32 969**	**-33 274**		
Domestic financing	20 462	13 507		
External financing	12 507	19 767		

1 Tax revenues are expressed in net terms and include 30 percent of VAT revenues transferred to local authorities.

2 The budget balance represents the difference between ordinary revenue and overall expenditure including the balance of the special accounts of the Treasury. The primary balance excludes debt interest payments. Ordinary balance refers to the difference between ordinary revenues and ordinary expenditure.

3 Forecast in terms of emissions

4 Ratios calculated on the basis of GDP as forecasted by the Ministry of Economy and Finance

Source: Ministry of Economy and Finance (DTEF).

Box 1.5.1 : Main tax measures of the 2018 Finance Law

The 2018 Finance Law brought up several changes in tax legislation, such as clarifications, harmonization, changes in the taxation method and introduction of amnesty measures. The main adjustments made in this regard are summarized below.

Corporate tax

- Establishing progressivity for the corporate tax (excluding credit institutions and similar entities) as follows:

Table B 1.5.1.1: Corporate tax escalation

	Before 2018	FL 2018
Amount of the net benefit	**Previous rates (Proportional)**	**New rates (Progressive)[1]**
Less or equal to 300 000 DH	**10%**	**10%**
Between 300 001 DH and 1 000 000 DH	20%	20%
Between 1 000 001 DH and 5 000 000 DH	**30%**	**31%**
More than 5 000 000 DH	31%	**31%**

1 The proportional scale is to apply rates based on the tax brackets, while the progressive scale is to apply evolutionary rates for each tax base, helping to benefit from a tax reduction on lower tax brackets through an amount to be deducted for each tranche.

- Revising the tax transparency regime of real estate collective funds (OPCI) established by the 2017 FL and extending its scope to cover all the activities of these funds. This is a total and permanent exemption of the corporate tax on profits made by the OPCIs and distributed as dividends. Depending on the category of the beneficiary, these dividends are subject to: (1) the income tax at the rate of 15 percent for natural persons; (2) the income tax based on a progressive scale for companies subject to it under the real net income or simplified net income; and (3) the corporate tax under common law conditions, instead of a previous 100 percent abatement, for other companies.
- For the merger or division operation, establishing the obligation to pay tax corresponding to capital gains realized, instead of integrating them in the income of the absorbing company or the company born out of the division. The objective is to avoid certain optimization practices consisting in the reversal of the said gains in the deficit fiscal years.
- For absorbing companies, establishing the possibility to defer over the subsequent fiscal years the portion of their deficit corresponding to the regularly recorded depreciation in order to support the investment programs carried out before the merger or division operations.

Income tax

- In case of transfer of supplementary pension agreement from one insurance to another, maintaining the benefit of deducting the amount of contributions or premiums within the limit of 10 percent of the total taxable income or 50 percent of the taxable net salary. The transfer must concern all the amounts paid under the initial contract, otherwise, it will be regarded as a repurchase taxable under the common law conditions.

- Strengthening the benefits granted under the TAHFIZ employment promotion scheme. This concerns the extension of the benefit of the exemption to 10 wage earners, instead of 5, and the recording of the 2-year count, as the maximum period for recruitments, from the date of commencement of operation, instead of the date of creation of the enterprise. This program was further extended until December 31, 2022.
- Establishing a single 20 percent rate on the proceeds from disposals of undeveloped urban land, as against three rates applied in the past (20 percent, 25 percent and 30 percent) based on the holding period.
- Extending the application of tax neutrality to transactions of the contribution of immovable property and other real estate rights by a natural person to the stock of a company. The income tax on real estate profits is thus deferred until the total or partial sale of the property contributed or the securities acquired in exchange for the contribution.

Value-added tax

- Establishing the VAT liability option for leases taken out on non-equipped premises intended for professional use in order to meet the needs of the "commercial rental" market, the landlords of which wish to benefit from deduction of VAT on the cost of construction of the premises rented.
- Broadening the possibility to repay the VAT credit to seawater desalination companies.
- Exempting from domestic and import VAT inputs for the aquaculture activity intended exclusively for the feeding of fish and other aquaculture animals, juvenile fish, larvae of other aquaculture animals and shell spat.
- Establishing the system of VAT not related to purchases of unprocessed milk of local origin used as an input into the production of taxable dairy products sold locally. This system is about introducing a notional deductible tax allowing the taxation of the value added of the said sector instead of its turnover, like what was established for agri-food production by the 2016 finance law.
- Exempting from VAT without the right to deduct all activities and operations carried out by sports federations recognized as being in the public interest.
- Exempting from import VAT drugs for the treatment of meningitis.

Registration and stamp fees

- Exempting from registration fees (1) contributions in kind or in cash as part of the capital increase of the companies; (2) acts of acquisition of bare land for the construction of hotels; and (3) transfer of units and shares of companies other than transparent real estate or predominantly real estate companies.

- Imposing taxes at the reduced proportional rate of 1.5 percent in terms of registration fees for the free transfer of real estate, business assets, shares in economic interest groups, leasehold rights and shares of listed companies, carried out by the Kafil for the child in care. The purpose of this measure is to align the tax treatment of these transactions with that of free transfers between ascendants and descendants.
- Limiting the scope of applying the 20-dirham stamp duty to acts and agreements subject to the formality of registration, instead of all acts establishing a legal fact or a legal relationship, and repealing stamp duties for certain documents deemed to be underperforming.
- Increasing the fixed stamp duties on the passport from 300 to 500 dirhams.
- Expanding the application of the proportional stamp duty of 5 percent to all ads broadcast on all types of digital screens.
- Excluding electric or hybrid motor vehicles from the scope of applying the proportional stamp duty relating to first car registration in Morocco.

Tax amnesty measures

- The 2018 FL granted the possibility of benefiting from the total cancellation of the penalties, fines, surcharges and recovery charges relating to taxes and duties, assessed before January 1, 2016 and remained unpaid as at December 31, 2017. It also introduced a 50 percent reduction in fines, penalties, surcharges and recovery costs for those liable to the said fines only, which remained unpaid as at December 31, 2017. The fees due must be paid before January 1, 2019.
- Establishing a contribution in full discharge for natural persons of foreign nationality who have a fiscal domicile in Morocco to regularize their situation. This measure makes it possible to pay the income tax for assets and cash held abroad, as well as the related fines, penalties and surcharges for the years prior to 2017. It was set at 10 percent of income and profits realized during 2016, and must be declared and liquidated during the year 2018.

Measures common to several taxes and duties

- Establishing a reduction of the corporate tax and income tax for the benefit of companies that take investments in the capital of young companies that are innovative in new technologies[1].
- Encouraging tourist entertainment facilities by granting the same tax benefits provided under corporate tax or income tax for hotels, for the part of the taxable base corresponding to their turnover realized in foreign currency duly repatriated directly by them or on their behalf through travel agencies.

1 A young innovative company is defined as a company created less than five years ago as of the date of equity holding, whose turnover for the last four years ended is less than five million dirhams per year, excluding VAT, and research and development expenses, incurred as part of its innovation activities, represent at least 30 percent of the expenses admitted as a deduction from its taxable income.

- In terms of corporate tax or professional income tax, establishing the deductibility of three para-fiscal taxes (ecological tax on plastics, special tax on rebar and special tax on the sale of sand), in order to harmonize the tax regime of all para-fiscal taxes.
- Clarifying the tax treatment applicable to the income of Sukuk certificates regarding corporate tax or income tax in order to highlight the legal specificities related to the definition of Sukuk certificates and the nature of the revenues they generate to distinguish them from other fixed-income investments.
- Overhauling the tax regime governing cooperatives and housing associations in order to better regulate the corporate tax-related benefits granted to them, by introducing new conditions setting the criteria for exemption. For members already owning a residential property, it was decided in the matter of registration fees to apply the common-law rate of 4 percent to the allocation of housing, instead of the fixed price of 200 dirhams.
- Entrenching the tax neutrality of certain products of participative finance to ensure the alignment of their tax treatment with that of conventional banking products:
  - Regarding corporate tax: subjecting remunerations of investment deposits to the same treatment reserved to fixed-income investments.
  - In terms of VAT, (1) clarifying the taxable base for the operations "Ijara Mountahiya Bitamlik, (2) transferring the right to deduct the tax levied on property acquired as part of operations of "Murabaha" to the final customer and (3) excluding the right to deduct, for credit institutions and similar entities, VAT charged on the acquisition of residential dwellings for rental purposes under the "Ijara Mountahia Bitamlik" contract and on the acquisitions to be sold under the "Murabaha" contract.
- In order to accelerate the dissemination of the Common Company Identifier (CCI), the 2018 FL introduced two new measures conditioning the granting of tax benefits to CCI users and introduced sanctions against taxpayers who do not mention it on the documents delivered to their customers.
- Gradually introducing the obligation for taxpayers in certain sectors to have a computerized billing system, which meets the technical criteria predetermined by the administration.

1.5.2 Budget execution

The budget execution for 2018 was characterized by a limited increase to 1.8 percent in current revenue[1], from 6.1 percent in 2017, along with a 2.4 percent rise in overall expenses, as against 2.9 percent. The deficit thus stood at 41.4 billion dirhams, exceeding by 8.1 billion compared to the budget law and worsening by 4.2 billion compared to 2017. The borrowing requirement almost stabilized at 38.1 billion dirhams.

1 Including the share of VAT proceeds transferred to local governments and excluding privatization receipts.

Chart 1.5.1: Budget balance and primary balance

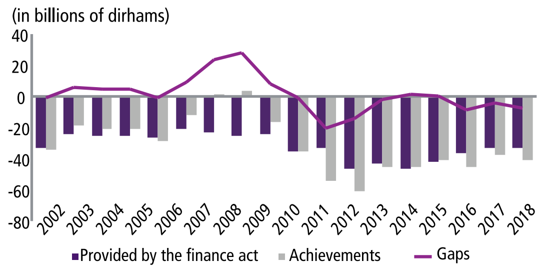
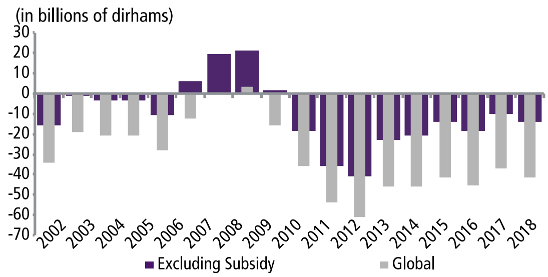


Chart 1.5.2: Budget balance



Source: Ministry of Economy and Finance (DTEF).

Current revenues

The change in current revenue covers a contraction in non-tax receipts, after a rise a year earlier, and a slow increase in tax receipts. The latter, executed at 99.1 percent, stood at 234.9 billion and its ratio to GDP at 21.2 percent.

Direct taxes, executed at 97.9 percent of forecasts, amounted to 95 billion, up 1.9 percent. By category of tax, income tax proceeds increased by 4.1 percent to 41.8 billion, with particularly improvements of 3.1 percent to 4.3 billion in receipts from real estate profits and 2.3 percent to 8.5 billion in those taken from public salaries[1]. On the other hand, corporate tax revenues showed a decrease of 1 percent to 49.9 billion, due to a base effect related to the good income recorded in 2016 by several key contributors[2] .

Indirect taxes drained 114.5 billion dirhams, up 5.4 percent, from 7 percent in 2017. The VAT revenue grew by 6 percent to 86.2 billion, reflecting an increase of 6.3 percent in import VAT to 54.7 billion, including 9.9 billion on energy products. Domestic VAT revenues improved by 5.5 percent to 31.6 billion, including refunds of 7.3 billion, from 7.2 billion in 2017. Regarding DCT, the increase applied to some cigarettes led to a rise of 9.1 percent to 10.8 billion in receipts on tobacco, bringing the revenue under this tax to 28.3 billion from 27.4 billion in 2017.

Chart 1.5.3: Corporate tax and income tax revenues

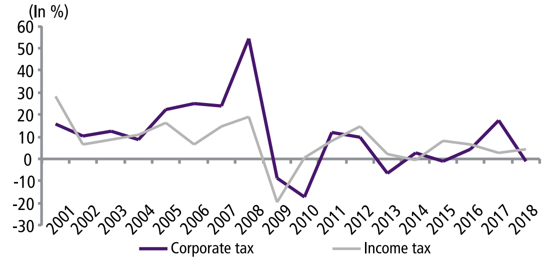
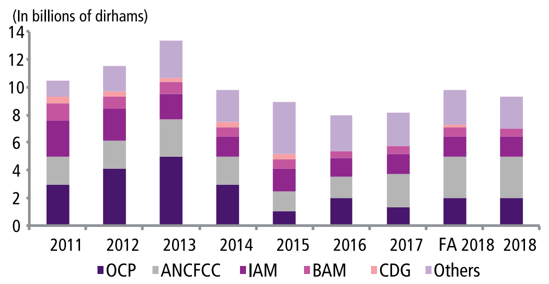


Chart 1.5.4: Receipts from monopolies and equity holdings



Source: Ministry of Economy and Finance (DTEF).

1 These are salaries paid by the Treasury's Personnel Expenditure Department, which represent more than 87 percent of the wage bill.

2 These are the financial sector, oil companies, the National Land Registry Office, cement plants, sugar companies and telecommunications companies. It should be noted that the tax paid in 2017 is based on the income achieved by the companies for the 2016 financial year.

After falling 5.1 percent in 2017, revenue from customs duties grew by 12.6 percent to 9.7 billion, covering a 6.9 percent decline in wheat import duties to 630 million dirhams. Similarly, registration and stamp duties were up 4.6 percent, as against 5.5 percent, to 15.6 billion, albeit lower than 17.5 billion provided in the budget law.

Chart 1.5.5: Current receipts

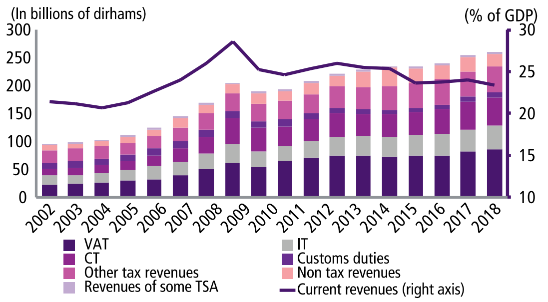
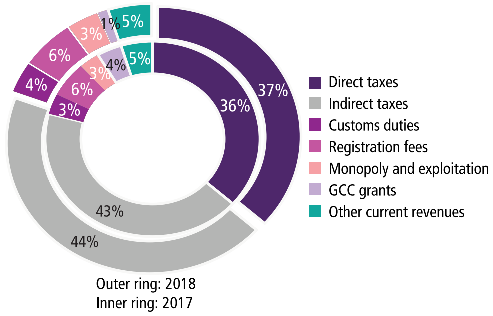


Chart 1.5.6: Structure of current receipts



Source: Ministry of Economy and Finance (DTEF).

Non-tax revenues decreased by 18.4 percent to 21.2 billion, largely due to a 2.8 billion drop in GCC donations from 9.5 billion in the previous year and 7 billion programmed by the finance law. The payment of these donations since 2013 has totaled 41.6 billion dirhams out of a projected total amount of 5 billion dollars. Excluding GCC grants, these revenues grew by 12.1 percent, driven mainly by a 16.8 percent increase to 9.3 billion in monopoly receipts. The main contributors in this regard were the National Land Registry Office, for 3 billion, OCP for 2 billion, Maroc Telecom for 1.5 billion and Bank Al-Maghrib for 565 million.

Table 1.5.3: Treasury expenses and revenues (In millions of DHS)

	2017[1]	2018	Change in %	Implementation rate compared to the Finance Act 2018
Current receipts	**255 135**	**259 788**	**1.8**	**99.0**
Tax receipts[2]	**225 522**	**234 890**	**4.2**	**99.1**
- Direct taxes	93 262	95 025	1.9	97.9
Corporate tax	50 368	49 862	-1.0	97.4
Income tax	40 156	41 806	4.1	100.1
- Indirect taxes	108 699	114 539	5.4	101.6
Value added tax [2]	81 316	86 221	6.0	100.9
Domestic consumer tax	27 383	28 318	3.4	103.8
- Customs duties	8 610	9 692	12.6	100.0
- Registration and stamp duties	14 951	15 634	4.6	89.2
Nontax receipts	**25 957**	**21 183**	**-18.4**	**95.7**
- Monopolies	7 958	9 294	16.8	94.6
- GCC donations	9 548	2 793	-70.7	39.9
Receipts of some Treasury Special accounts	**3 656**	**3 715**	**1.6**	**112.6**
Overall expenditure	**297 693**	**304 730**	**2.4**	**101.0**
Current expenditure	**230 684**	**239 073**	**3.6**	**99.0**
Goods and services	**163 881**	**168 207**	**2.6**	**96.1**
- Staff expenditure	104 901	105 993	1.0	97.4
- Other goods and services	58 980	62 214	5.5	94.1

Public debt service	**27 078**	**27 281**	**0.8**	**100.6**
- Domestic	23 305	23 548	1.0	100.3
- External	3 773	3 733	-1.0	102.5
Subsidy costs	**15 330**	**17 718**	**15.6**	**129.1**
Transfers to local governments	**24 395**	**25 866**	**6.0**	**100.9**
Current balance	**24 451**	**20 716**		
Capital spending	**67 009**	**65 658**	**-2.0**	**109.0**
Balance of other the Treasury Special accounts	5 415	3 589		
Primary balance[3]	**-10 065**	**-14 072**		
Overall fiscal balance[3]	**-37 143**	**-41 353**		
Change in arrears	-831	3 209		
Financing requirement	**-37 974**	**-38 144**		
Domestic financing	34 418	40 018		
- Auction market	27 631	34 546		
- Other transactions	6 787	5 472		
External financing	3 556	-1 874		
- Drawings	16 799	6 211		
- Depreciation	-13 243	-8 085		

1 Revised figures
2 Tax receipts are expressed in net figures. including 30% of VAT receipts transferred to local governments.
3 The budget balance represents the difference between ordinary revenue and overall expenditure including the balance of the special accounts of the Treasury. The primary balance excludes debt interest payments. Ordinary balance refers to the difference between ordinary revenues and ordinary expenditure.
Source: Ministry of Economy and Finance (DTEF).

Overall expenditure

The Treasury's overall expenditure rose to 304.7 billion, covering a 3.6 percent rise in current expenditure to 239.1 billion and a 2 percent decrease in investment spending to 65.7 billion.

Chart 1.5.7: Overall expenditure

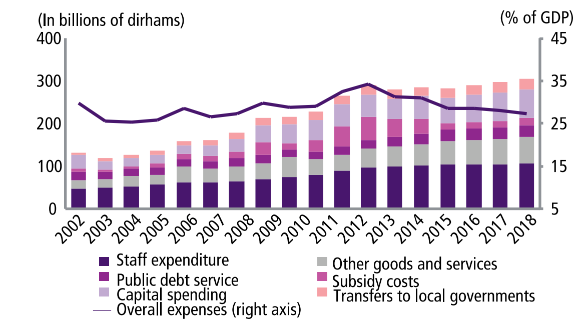
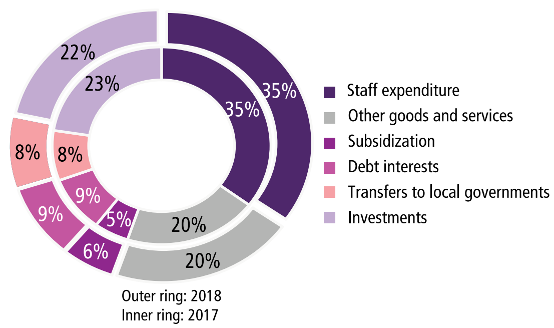


Chart 1.5.8: Structure of overall expenditure



Source: Ministry of Economy and Finance (DTEF).

Executed at 96.1 percent of the finance law, spending on goods and services moved up 2.6 percent to 168.2 billion. In particular, after stagnation in 2017, personnel expenses grew by 1 percent to 106 billion, mainly due to increases of 0.3 percent in the structural component and 24.9 percent in back pays, as well as a net increase[1] of 6740 in the number of civil servants. In view of this development, the average monthly gross salary would have increased by 0.3 percent to 9.586 dirhams[2]. As a percentage of GDP, the wage bill was down 0.3 percentage point to 9.6 percent, thus continuing its downward trend that began in 2013.

1 Difference between a creation of 19,315 positions and the cancellation estimated at 12,575, mainly retirements.
2 BAM estimates.

Spending on other goods and services rose from 59 billion to 62.2 billion, an amount which is 3.9 billion lower than the credits opened by the finance law. The change in this heading is partly attributed to respective increases of 19 percent and 16.3 percent in transfers to the Moroccan Pension Fund to 16.9 billion and to the public institutions and companies to 22.8 billion, while payments to the Treasury special accounts fell by 22.2 percent to 2.8 billion.

Subsidy costs continued their upward trend that began in 2016 with a significant increase of 15.6 percent to 17.7 billion, equaling 1.6 percent of GDP. The subsidy allocated to butane gas increased by 17 percent to 12 billion, owing to its increase of 10.9 percent to $519.2 per tonne on average[1]. For the rest, the subsidy allocated to sugar cost 3.4 billion, from 3.7 billion, and that intended for domestic wheat flour 1.4 billion, from 1.2 billion.

Chart 1.5.9: Wage bill

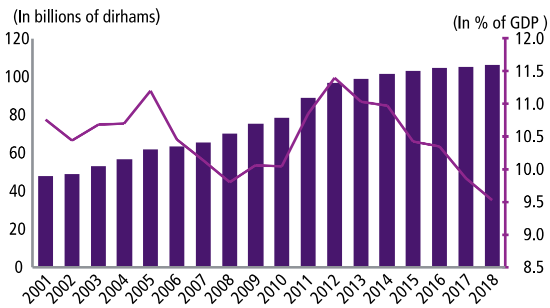
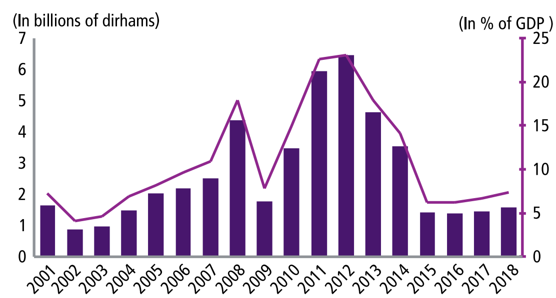


Chart 1.5.10: Subsidy costs



Source: Ministry of Economy and Finance (DTEF).

After falling slightly in 2016 and 2017, debt interest charges rose by 0.8 percent to 27.3 billion, covering a 1 percent increase to 23.5 billion for its domestic component and a decrease of 1 percent to 3.7 billion for its external component.

In total, the current balance showed a surplus of 20.7 billion, thus contributing 31.6 percent to the financing of investment spending. The latter saw a reduction of 2 percent to 65.7 billion, the first after that of 2013, but its execution rate remained high at 109 percent.

Chart 1.5.11: Current balance

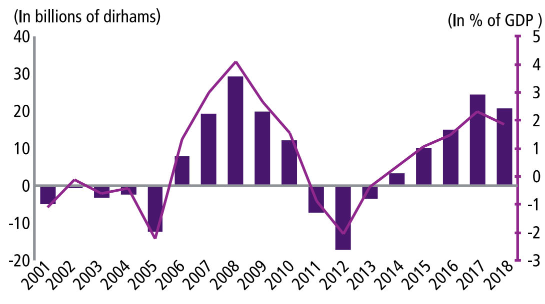
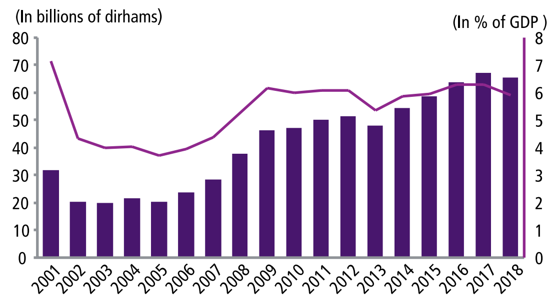


Chart 1.5.12: Capital spending



Source: Ministry of Economy and Finance (DTEF).

1 Newsletter of the Subsidy Fund.

Given a decrease to 3.6 billion in the surplus balance of the Treasury special accounts, as against 5.4 billion in 2017, the budget deficit stood at 41.4 billion dirhams. As payment arrears increased by 3.2 billion, the borrowing requirement was virtually stable year on year at 38.1 billion.

Chart 1.5.13: Stock of arrears

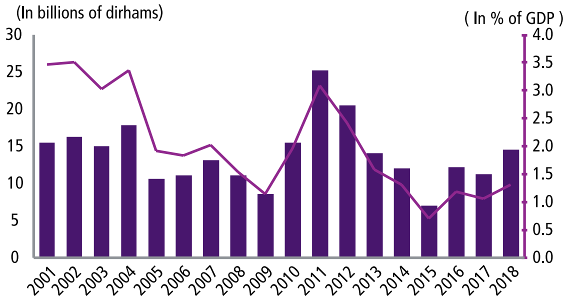
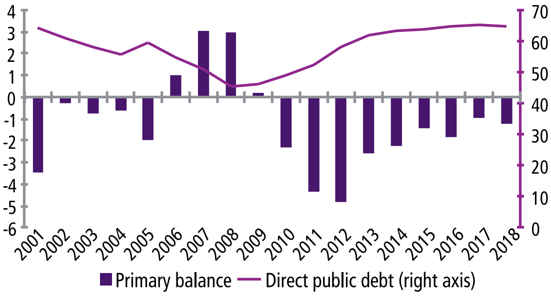


Chart 1.5.14: Primary balance and direct public debt (in % of GDP)



Box 1.5.2: Change in government investment

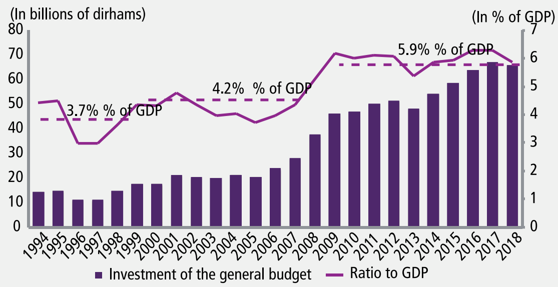
Since the beginning of the 2000s, and in order to accelerate its development, Morocco made a major investment effort, often exceeding 30 percent of GDP, one of the highest rates in the world. In this respect, the contribution of the public sector has been significant, through the general budget of the State, public enterprises and institutions (PEI) and local governments (LG). This box details an analysis of the change in public sector investment by separately distinguishing its three components, as consolidated data are not available, both public finance and national accounts statistics[1].

General budget investment

At the exit of the structural adjustment program (PAS), the concern for preserving macroeconomic balances remained omnipresent in the elaboration of the State's fiscal policy. Thus, during the period 1994-1998, the budget's investment expenditure was maintained at a level equivalent to 3.7 percent of GDP on average.

Starting in the 2000s, the state's proactive policy of reducing social deficits, developing infrastructures and supporting sectoral strategies and major projects led to a significant increase in Treasury investment. As a result, its ratio to GDP increased gradually to 4.2 percent of GDP on average over the period 2000-2007 and then to 5.9 percent of GDP between 2008 and 2018.

Chart B.1.5.2.1: Investment of the general budget



Sources : Ministry of Economy and Finance (DTEF) and HCP.

1 The national accounts data published by the HCP do not help distinguish the public sector separately. Non-market PEIs are classified under "general government" and PEIs of a commercial nature are grouped with "financial corporations" or with "nonfinancial corporations".

However, since 2010, in a context of a gradually widening budget deficit and a negative perception of the quality of public services, questions about the desirability of maintaining such a level of investment in the general budget and especially about its yields and management have become recurring.

Compared to other emerging and developing economies, the Treasury investment effort[2] in Morocco is quite high. Indeed, the ratio of investment spending to GDP stands over the period 2008-2016 at 5.2 percent on average, from 2.4 percent for Hungary and Tunisia, 2.1 percent for Chile, 1.7 percent for Turkey and 0.8 percent for South Africa.

PEIs constitute an important component of the Moroccan productive fabric contributing significantly to the investment effort. Between 2005 and 2015, investment of PEIs grew at an average annual rate of 9.4 percent, rising from 32.3 billion to 79.4 billion. Since then, it has decreased to 61.3 billion in 2017[3], a decline that would be attributable to several factors, including the lower pace of certain infrastructure projects, the robust rise in PEIs' indebtedness, as their total debt moved up from 74.5 billion dirhams in 2008 to 206.8 billion in 2017, and the pressure on their cash flow.

The main PEIs investors are OCP with an average share of 18.9 percent over the period 2010-2017, followed by ONEE (11.8 percent), CDG (11.4 percent), Al Omrane Holding (8.9 percent) and ONCF (7.8 percent). PEIs' investments cover several economic activities, notably "energy, mining, water and environment", with an average share of 32.8 percent, followed by "infrastructure and transport" with 25.3 percent, "housing and territorial development" with 16.9 percent and the financial sector with 11.4 percent.

Table B.1.5.2.1: Main state owned companies and institutions investors

	2010*	2016*	2017*	Change in % 2017/2016	Part in the total in % (average 2010-2017)
Groupe OCP	4 165	10 872	11 334	4.2	18.9
ONEE	**3 778**	**10 213**	**6 610**	**-35.3**	**11.8**
CDG Group	5 900	5 457	4 500	-17.5	11.4
Holding Al Omrane	**7 509**	**5 875**	**5 224**	**-11.1**	**8.9**
ONCF	3 397	5 796	6 274	8.2	7.8
ADM	**7 479**	**1 690**	**623**	**-63.1**	**5.5**
AREFs	1 867	1 740	1 914	9.7	4.3
ORMVAs	**1 497**	**2 198**	**2 411**	**61.1**	**3.3**
Groupe RAM	1 021	2 516	1 475	-41.4	1.8
ANCFCC	**126**	**1 672**	**1 354**	**-19.0**	**1.6**
MASEN	60	505	616	22.0	1.0

*Data in million dirhams.

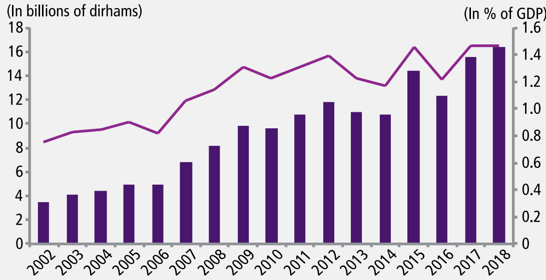
Source : reports of State-owned companies and institutions with the finance draft .

2 For reasons of international comparability, the data used are those of the IMF. Central government investment is measured by net acquisitions of nonfinancial assets, reflecting net acquisitions of disposals of nonfinancial assets. These include fixed assets, inventories, valuables and non-produced assets. Net investment in nonfinancial assets also includes consumption of fixed capital. In the case of Morocco, the investment ratio of the general budget of 5.9 percent of GDP on average differs from that of net acquisitions in nonfinancial assets which is 5.2 percent, because it does not include transfers in capital.

3 These figures correspond to achievements. For 2018, the planned investment in the 2019 FL amounts to 97 billion, but the execution should be well below, as the average execution rate between 2009 and 2017 stood at around 65 percent.

Investment of local governments has been on an upward trend from an average of 0.8 percent of GDP over the 2002-2006 period to 1.3 percent of GDP between 2007 and 2018. This increase is driven by the growth of their commitments under national investment programs, which increased 3.5 times over the last ten years to reach 6.7 billion dirhams in 2018. For this same year, "integrated projects" totaled 3.7 billion and "new works and major repairs" 3.2 billion.

Chart B.1.5.2.2: Investment of local and regional authorities



Sources : Ministry of Economy and Finance (DTEF) and HCP.

Table B.1.5.2.2: Public investment in Morocco (in% of GDP)

	2010	2011	2012	2013	2014	2015	2016	2017	2018
General budget	6.0	6.1	6.1	5.4	5.9	5.9	6.3	6.3	5.9
Local authorities	1.2	1.3	1.4	1.2	1.2	1.5	1.2	1.5	1.5
Public Institutions and Enterprises	8.6	8.4	9.1	8.7	7.7	8.0	7.2	5.8	8.8*

*Ministry of Economy and Finance Forecast

Sources : - Ministry of Economy and Finance and HCP.

- Monthly bulletin of statistics and local finances published by TGR.

Bearing in mind the difficulty of maintaining this investment effort of the public sector and with a view to encouraging the private sector to better participate in the national investment, the authorities have undertaken several actions and launched several projects of reforms.

Indeed, in view of the problems linked to the implementation of the general budget investment, which affect its quality and predictability, the Organic Law on Finance Laws (LOF), adopted in 2015, provides for the capping of carryovers of appropriations as of 2018 onwards at 30 percent of open payment appropriations, with the possibility of further reducing this proportion under a budget law. More generally, the LOF aims to strengthen the effectiveness and coherence of public policies, the accountability of managers, the improvement of the sustainability, readability and transparency of public finances.

In the same vein, the authorities carried out, in 2017, with the assistance of the IMF, a Public Investment Management Assessment (PIMA) which helped establish a framework for a better selection of projects using the analysis of costs, benefits and impacts. Meanwhile, a reform of the law on the control of PEIs was initiated with the aim of strengthening their control and governance.

In addition, along with the efforts undertaken to improve the business climate and encourage private investment, an amendment to the public-private partnerships (PPP) law was launched to address the shortcomings that limit their development. This particularly concerns the extension of their scope of application to local governments and the development of a national strategy defining the modalities for the assessment and selection of projects and partners.

1.5.3 Treasury financing

The Treasury borrowing requirement and the negative external net flow of 1.9 billion were covered by domestic resources of 40 billion, up 5.6 billion from the fiscal year 2017. In addition to the mobilization of a total of 5.5 billion through its own channels, as against 6.8 billion a year earlier, the Treasury resorted to the auction market for a net amount of 29.5 billion from 26.7 billion. UCITS increased their holdings of Treasury bills by 16.1 billion, banks by 7.6 billion and insurance and social welfare organizations by 6.5 billion. On the other hand, other financial institutions reduced their stock by 3.1 billion.

The negative net external flow includes repayments of 8.1 billion, from 13.2 billion in 2017, and gross drawings amounting to 6.3 billion, as against 16.8 billion. This financing was taken out mainly from the Arab Monetary Fund for 2.8 billion, the African Development Bank for 1.6 billion and the World Bank for 1.4 billion.

Chart 1.5.15: Treasury's net financing

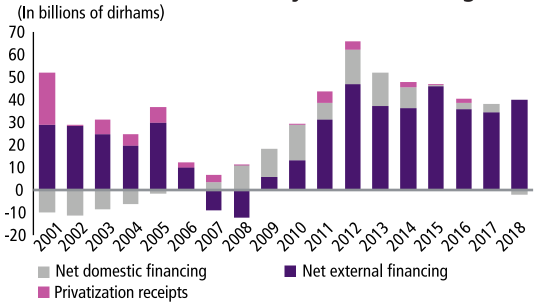
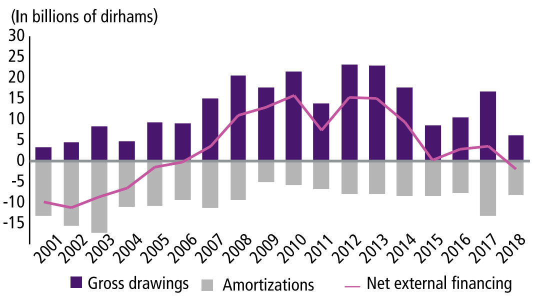


Chart 1.5.16: Treasury's external financing



Source: Ministry of Economy and Finance (DTEF).

1.5.4 Public debt

In 2018, the upward trend in direct public debt continued, growing by 4.4 percent to 722.7 billion dirhams. Given a nominal economic growth of 4.1 percent, its ratio to GDP rose from 65.1 percent to 65.3 percent. This trend covers an increase of 6.6 percent in its domestic component to 574.6 billion or 51.9 percent of GDP and a decline of 3.4 percent in the external component to 148.1 billion dirhams or 13.4 percent of GDP.

As regards the characteristics of this debt, the average maturity[1] of its domestic component declined from 6 years and 5 months to 6 years, mainly due to the predominance of short-term maturities[2] in the gross Treasury issues in 2018, with a share of 53.1 percent from 46.8 percent a year ago. Taking this trend into account, the average cost[3] decreased by 16 basis points to 4.4 percent. Regarding the external debt, its currency structure remains dominated by the euro at 63.3 percent, albeit down 2.3 percentage points, while the dollar portion rose from 27.8 percent to 28.5 percent. The average cost decreased by 21 basis points to 2.4 percent.

1 These are the average maturities of 5 years.

2 Average maturities of less than 5 years.

3 Calculated as the ratio of debt interest paid in the current year to the debt stock of the previous year.

The external debt of public enterprises and institutions registered a slight decrease, the first since 2005, amounting to 178.4 billion or 16.1 percent of GDP from 16.9 percent a year ago. In total, the outstanding public external debt[1] stood at 326.5 billion, or 29.5 percent of GDP from 31.3 percent in 2017. Multilateral institutions hold 48.8 percent of GDP, as against 28.4 percent for bilateral creditors and 22.8 percent for the international financial market and commercial banks.

Thus, the stock of total public debt[2] grew by 3.4 percent to 901.1 billion, representing 81.4 percent of GDP, as against 82 percent a year earlier.

Chart 1.5.17 : Treasury debt

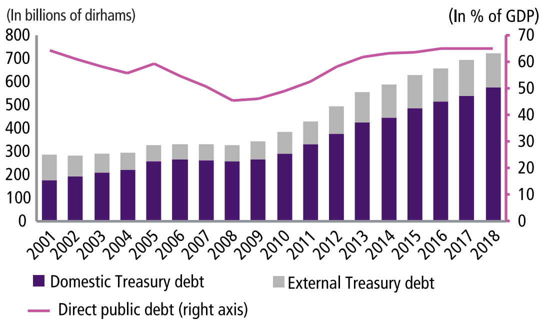
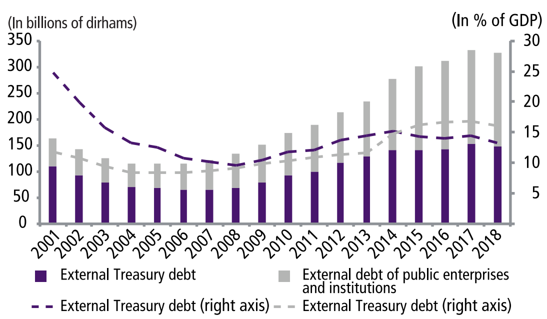


Chart 1.5.18 : External public debt



Source: Ministry of Economy and Finance (DTEF).

Table 1.5.4: Public debt position (in billions of dirhams)

	2011	2012	2013	2014	2015	2016	2017	2018
I- Domestic Treasury debt (1+2)	**331.3**	**376.8**	**424.5**	**445.5**	**488.4**	**514.7**	**539.1**	**574.6**
In % of GDP	40.4	44.4	47.3	48.1	49.4	50.8	50.7	51.9
1- Treasury bond auctions	**314.2**	**356.7**	**413.0**	**426.1**	**470.1**	**490.0**	**516.7**	**546.2**
In % of GDP	38.3	42.1	46.0	46.0	47.6	48.3	48.6	49.3
2- Other domestic debt instruments	**17.1**	**20.1**	**11.5**	**19.4**	**18.3**	**24.7**	**22.4**	**28.4**
In % of GDP	2.1	2.4	1.3	2.1	1.9	2.4	2.1	2.6
II- External Treasury debt	**99.6**	**116.9**	**129.8**	**141.1**	**140.8**	**142.8**	**153.2**	**148.1**
In % of GDP	12.1	13.8	14.5	15.2	14.3	14.1	14.4	13.4
III- Stock of direct debt (I+II)	**430.9**	**493.7**	**554.3**	**586.6**	**629.2**	**657.5**	**692.3**	**722.7**
In % of GDP	52.5	58.2	61.7	63.4	63.7	64.9	65.1	65.3
IV- Secured external debt of state-owned companies and institutions	**89.5**	**95.8**	**104.9**	**137.0**	**160.2**	**169.7**	**179.4**	**178.4**
In % of GDP	10.9	11.3	11.7	14.8	16.2	16.7	16.9	16.1
External public debt (II+IV)	**189.1**	**212.7**	**234.7**	**278.1**	**301.0**	**312.5**	**332.6**	**326.5**
In % of GDP	23.1	25.1	26.1	30.0	30.5	30.8	31.3	29.5
Stock of public debt (III+IV)	**520.5**	**589.5**	**659.2**	**723.6**	**789.4**	**827.1**	**871.7**	**901.1**
In % of GDP	63.5	69.5	73.4	78.2	79.9	81.6	82.0	81.4
GDP at current prices	**820.1**	**847.9**	**897.9**	**925.4**	**988.0**	**1 013.2**	**1 063.4**	**1 106.8**

Source: Ministry of Economy and Finance (DTEF) and HCP.

1 External debt of the Treasury and PEIs.

2 This terminology corresponds to the aggregation of direct public debt data and external debt of PEIs.

1.6 Balance of payments

Despite the continued uptrend of goods' exports, the trade deficit widened in 2018 to 18.6 percent of GDP, mainly due to the higher energy bill and purchases of capital goods.

However, after substantial increases in 2017, travel receipts decelerated sharply and remittances from Moroccan expatriates declined. Taking into account all of these developments and a contraction in GCC grants, the current account deficit widened significantly, from 3.4 percent to 5.5 percent of GDP.

Led by a large sale in the insurance sector, foreign direct investment (FDI) receipts reached 47.4 billion dirhams, or 4.3 percent of GDP, compared to 3.8 percent on average over the last five years. At the same time, after an exceptional level of 9.9 billion dirhams in 2017, residents' investments abroad dropped to 6.3 billion dirhams. Regarding loans, net inflows fell sharply to 3.2 billion dirhams, mainly reflecting a decline in Treasury drawings.

Against this backdrop, Bank Al-Maghrib's net international reserves (NIR) fell by 4.3 percent to 230.7 billion dirhams, equaling 5 months and 3 days of imports of goods and services.

Table 1.6.1: Main items of the balance of payments (in % of GDP, Unless otherwise indicated)

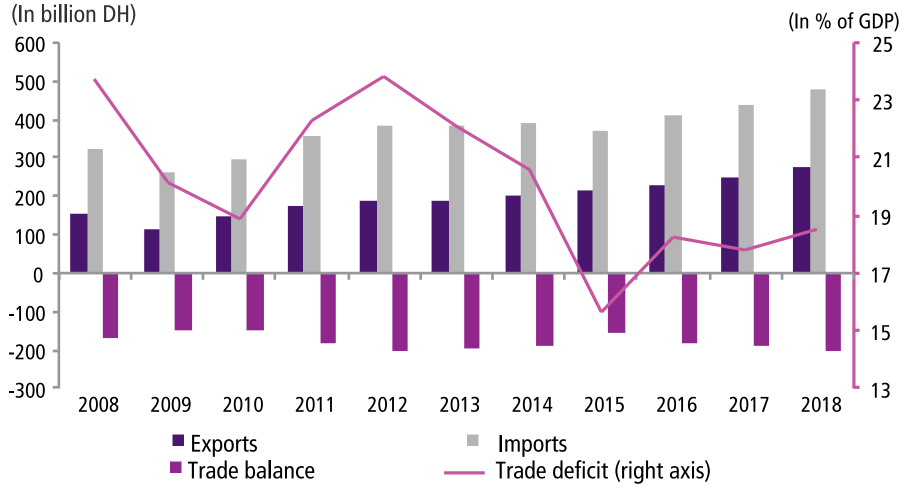
	2014	2015	2016	2017	2018
Current account	**-6.0**	**-2.1**	**-4.1**	**-3.4**	**-5.5**
Trade deficit	20.6	15.6	18.3	17.8	18.6
Travel receipts (change in %)	7.7	-1.4	5.0	12.3	1.3
Transfers of Moroccan expatriates (change in %)	-0.8	4.8	4.0	5.3	-1.5
Donations	1.5	0.5	1.0	1.1	0.4
Financial account (net flow)	**5.1**	**1.5**	**3.5**	**2.7**	**4.3**
Foreign direct investments receipts	3.9	4.0	3.5	3.2	4.3
Investments abroad by residents	0.4	0.6	0.6	0.9	0.6
Loans	1.4	1.5	1.7	2.1	0.3
Commercial loans	0.8	1.0	2.0	1.7	0.8
Net international reserves in months of imports	**5.4**	**6.0**	**6.3**	**5.6**	**5.1**

Sources: Foreign Exchange Office and HCP.

1.6.1 Trade balance

In 2018, the trade deficit widened by 16.6 billion to 205.9 billion dirhams, owing to an increase of imports by 43 billion, greater than the rise recorded in exports, namely 26.3 billion. Its ratio to GDP thus amounted to 18.6 percent, compared to 17.8 percent in 2017, albeit with an improvement in the coverage ratio by 0.4 percentage point to 57.2 percent.

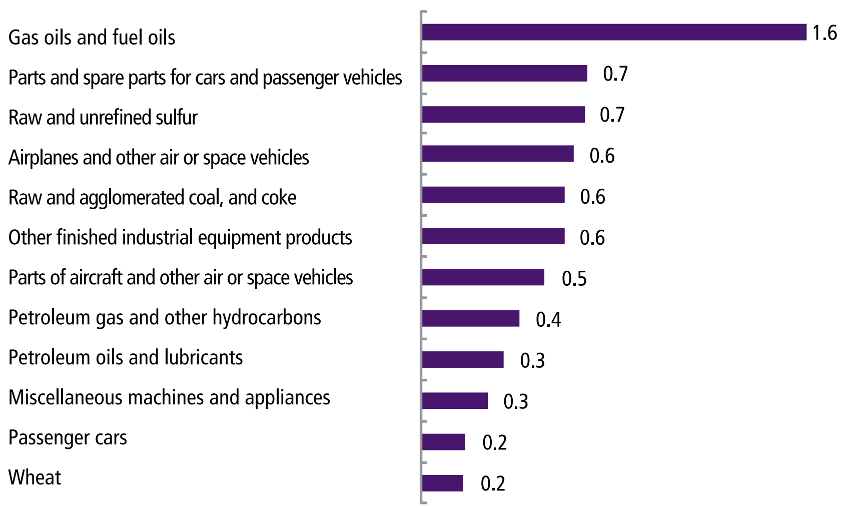
Chart 1.6.1: Trade balance



Source: Foreign Exchange Office.

Imports' increase involved all product groups. Thus, the energy bill moved up 18.1 percent to 82.2 billion dirhams, with increases by 20.7 percent in purchases of "gas oil and fuel oil" and 43.7 percent in those of "raw and agglomerated coal, and coke". This trend reflects the rising prices on the international market and, to a lesser extent, the increase in quantities imported. The latter grew by 5.5 percent overall and by 19.5 percent for "raw and agglomerated coal, and coke", mainly due to the commissioning of the Safi thermal power station in December 2018.

Chart 1.6.2: Contribution of the main products to the change of imports in 2018(in points of %)



Sources: Foreign Exchange Office and BAM calculations.

Purchases of capital goods totaled 120.1 billion, up from 109.4 billion in 2017, driven mainly by purchases of "airplanes and other air or space vehicles" and "parts of airplanes". Similarly, imports of finished consumer goods increased by 8.1 percent to 108.4 billion dirhams and food purchases by 7.6 percent to 45.8 billion.

Table 1.6.2: Main import products

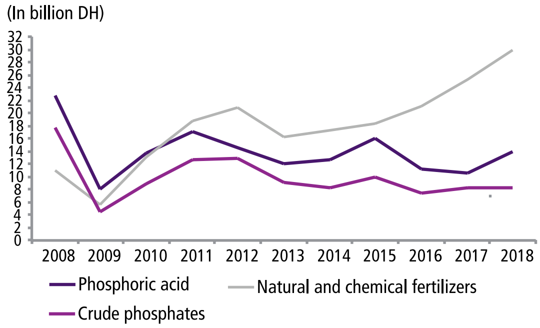
	In millions of dirhams			Change in %	
	2016	2017	2018	2017/2016	2018/2017
Total imports	**410 584**	**438 080**	**481 035**	**6.7**	**9.8**
Energy and lubricants	**54 507**	**69 542**	**82 152**	**27.6**	**18.1**
Gasoil and fuel oil	26 145	34 291	41 393	31.2	20.7
Oil gas and other hydrocarbons	11 102	13 789	15 601	24.2	13.1
Petrleum oil and lubricants	5 360	6 781	8 310	26.5	22.5
Raw and agglomerated coal and cokes	5 207	6 024	8 655	15.7	43.7
Capital goods	**103 672**	**109 352**	**120 068**	**5.5**	**9.8**
Machines and miscellaneous equipment	7 019	8 958	10 175	27.6	13.6
Piston engines and other engines	8 100	8 295	9 059	2.4	9.2
Parts of planes and other air or space vehicules	3 316	5 438	7 713	64.0	41.8
Planes and other air or space vehicules	4 168	2 000	4 804	-52.0	140.2
Consumer goods	**98 321**	**100 259**	**108 394**	**2.0**	**8.1**
Passenger cars	21 030	21 140	21 957	0.5	3.9
Parts and spare parts of cars and passenger cars	16 307	14 544	17 591	-10.8	21.0
Hosiery	4 037	4 333	5 275	7.3	21.7
Plastic articles	4 058	4 426	5 214	9.1	17.8
Food products	**44 600**	**42 526**	**45 772**	**-4.7**	**7.6**
Wheat	12 783	8 341	9 124	-34.8	9.4
Oilcakes and other residues	4 519	4 274	4 911	-5.4	14.9
Raw or refined sugar	4 628	4 951	3 505	7.0	-29.2
Dates	944	1 136	1 602	20.3	41.1
Semi-finished products	**91 565**	**95 571**	**99 843**	**4.4**	**4.5**
Plastic materials	11 517	13 050	13 763	13.3	5.5
Chemical products	9 232	9 010	10 216	-2.4	13.4
Fiber and cotton yarns papers and cardboard	5 801	5 422	6 565	-6.5	21.1
Wire, rods and sections of copper	3 387	3 452	5 031	1.9	45.7
Wire and electric cable	2 542	2 079	3 481	-18.2	67.5
Raw products	**17 838**	**20 716**	**24 628**	**16.1**	**18.9**
Raw and unrefined sulfur	4 393	5 002	7 994	13.9	59.8
Raw, sawn or hewn wood	2 674	2 591	2 926	-3.1	12.9
Live plants and floriculture products	528	728	901	37.8	23.7

Source: Foreign Exchange Office.

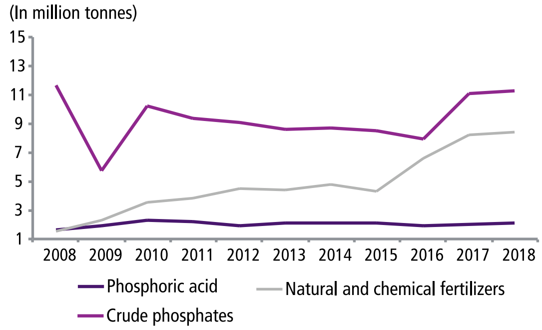
In terms of exports, phosphates and derivatives continued their momentum and improved by 17.6 percent to 52 billion dirhams, boosted by the diversified products and markets and by the rising prices of phosphate fertilizers. Sales grew by 18.4 percent to 29.8 billion for fertilizers, with more than 40 percent in volume shipped to the United States and Brazil, and by 30.3 percent to 13.9 billion for phosphoric acid, 42 percent of which was exported to India. Conversely, sales of crude phosphate declined by 0.9 percent to 8.3 billion.

Chart 1.6.3: Exports of phosphates and derivatives

In value



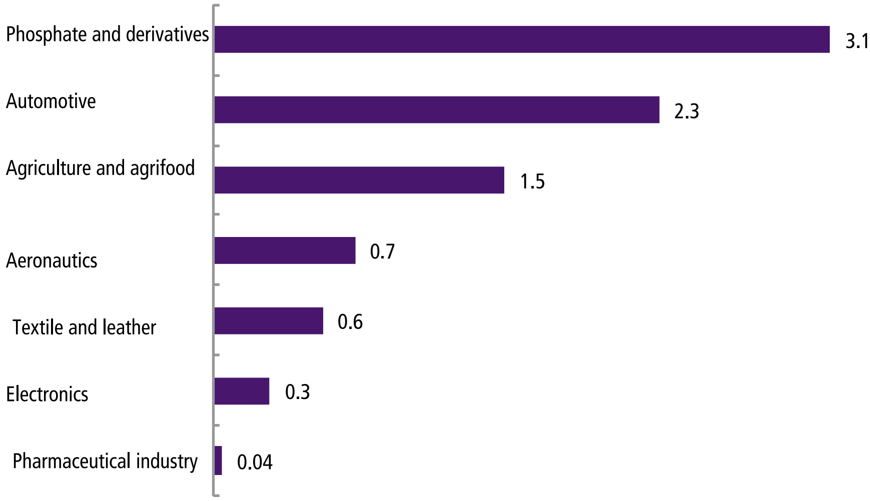
In volume



Source: Foreign Exchange Office.

The automotive sector continues to perform well, with a higher number of vehicles, 356 thousand, marketed to 78 countries, as against 20 thousand sold to 41 countries in 2012, the year when production began at the Renault-Tangier plant. In value, these sales grew by 8.3 percent to 34.2 billion dirhams, as against 7.2 percent to 22.9 billion for sales of cabling. The sector's export turnover stood at 64.4 billion, or 23.4 percent of total exports.

Chart 1.6.4: Contribution of the main sectors to changes in exports (in percentage points)



Sources: Foreign Exchange Office and BAM calculations.

At the same time, exports of the "agriculture and agri-food" sector[1] remained strong, and grew 6.7 percent to 58.1 billion dirhams, driven mainly by an increase of 13.3 percent to 23.5 billion dirhams in agricultural commodities. Similarly, the "textile and leather" sector rose by 3.7 percent to 38.4 billion, with a 2 percent improvement in "ready-made clothes".

1 Including fisheries.

For the other sectors, the momentum continued, with exports rising by 14.6 percent to 14 billion for aeronautics, 7.8 percent to 9.8 billion for electronics and 8.3 percent to 1.3 billion for the pharmaceutical industry.

Table 1.6.3: Main export sectors

	In millions of dirhams			Change in %	
	2016	2017	2018	2017/2016	2018/2017
Total exports	**225 651**	**248 841**	**275 156**	**10.3**	**10.6**
Automotive	**54 630**	**58 783**	**64 406**	**7.6**	**9.6**
Construction	29 783	31 568	34 202	6.0	8.3
Wiring	19 783	21 339	22 879	7.9	7.2
Phosphates and derivatives	**39 598**	**44 210**	**51 989**	**11.6**	**17.6**
Crude phosphates	7 412	8 370	8 298	12.9	-0.9
Phosphates derivatives	32 187	35 839	43 691	11.3	21.9
Agriculture and agrifood	**50 109**	**54 437**	**58 109**	**8.6**	**6.7**
Food industry	29 472	31 689	32 373	7.5	2.2
Agriculture. forestry. hunting	17 690	20 769	23 521	17.4	13.3
Textile and leather	**35 300**	**37 048**	**38 424**	**5.0**	**3.7**
Ready-made clothing	21 952	23 318	23 774	6.2	2.0
Hosiery items	7 463	7 553	7 800	1.2	3.3
Shoes	2 990	2 999	3 081	0.3	2.7
Electronics	**8 434**	**9 112**	**9 826**	**8.0**	**7.8**
Electronic components	4 182	4 395	4 624	5.1	5.2
Aeronautics	**9 200**	**12 216**	**14 000**	**32.8**	**14.6**
Assembly	1 851	3 416	3 954	84.5	15.7
Composite	1 492	2 017	2 275	35.2	12.8
Pharmaceutical industry	**1 100**	**1 161**	**1 257**	**5.6**	**8.3**

Source: Foreign Exchange Office.

Box 1.6.1: Trade in value-added: analysis of Morocco's trade

With the development of global value chains, the traditional analysis of foreign trade has become less and less relevant for assessing its impact on growth and employment and for informing the economic policy, especially trade policy. Indeed, the goods and services exported by a given country may require for their production a significant share of imported intermediate products and, consequently, it is the country of origin of these acquisitions which may be the main beneficiary, particularly in terms of job creation and value added. Similarly, imports from this country may include part of its own exports.

In this sense, to understand the intrinsic contributions of countries to international trade, several concepts have been developed to measure the content of trade in value added[1]. Thus, databases have been set up, including a Trade in Value Added, TiVA, established in 2013 by the OECD and the WTO. It currently comprises 46 indicators, covering 36 business sectors in 64 economies, calculated based on Input-Output tables from national accounts and data on foreign trade in goods and services by industry. Morocco was included in this database in 2016 with coverage from 2005 to 2015.

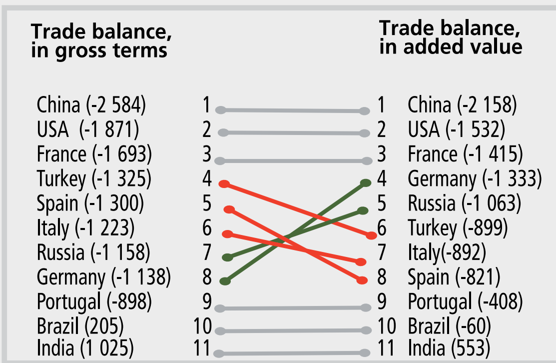
In what follows, data from TiVA are used for an analysis of Morocco's trade deficit in terms of value added by country and by sector with a view to identifying its origins and characteristics. The findings are compared to those based on traditional data. In this respect, it is important to point out that the value-added measurement does not change the overall amount of a country's balance of goods and services vis-à-vis the rest of the world. On the other hand, it can lead to a new distribution of this amount among the different sectors and trade partners.

Balance of goods and services by partner country

The analysis of trade in terms of value added essentially shows that China, the United States and France are the main contributors to the trade deficit of the national economy. This finding is similar to the one that follows from the traditional analysis, but with different levels. For example, Morocco has a deficit of $2.2 billion in value added with China, lower than 2.6 billion in gross terms[2] .

Conversely, Germany ranks 4th in terms of value added with a deficit of 1.3 billion, as against the 8th rank with 1.2 billion.

Chart B1.6.1.1: Commercial balances of goods and services in 2015 by main partner countries (value in million USD)



Source : TiVA (OCDE. 2018).

1 Koopman R., Wang Z., Wei S.J., "Tracing value-added and double counting in gross exports", NBER Working Paper No. 18579, November 2012.

2 That is the difference between exports and imports of goods and services measured using the traditional approach.

Turkey moves up to the 6th position from 4th and Spain to the 8th rank from the 5th.

In order to identify the origins of the differences between the two approaches, a separate analysis of exports and imports is needed:

- Exports to France, Spain and Turkey show significant declines, considering value-added data, suggesting that the content of domestic exports in imports coming directly or indirectly from these countries is high. On the other hand, value-added exports to the United States are relatively higher. In terms of ranking, France, Spain and the United States keep their rank as first markets based on both approaches, followed by China, which gains two positions in terms of value added. In the particular case of Brazil, the trade surplus turns into a deficit when it is measured in value added, indicating in particular that exports to that country are mainly intermediate products used by Brazil in its exports.
- Imports from France, Spain and Turkey are less important in terms of value added compared to traditional data. However, imports from Germany are higher, suggesting a smaller share of intermediate goods purchases from this country. Thus, France remains the main source of national imports, while the United States is in second position ahead of Spain.

Chart B1.6.1.2: Gross exports and in terms of VA, ranking by main clients in 2015 (value in million dollars USD)

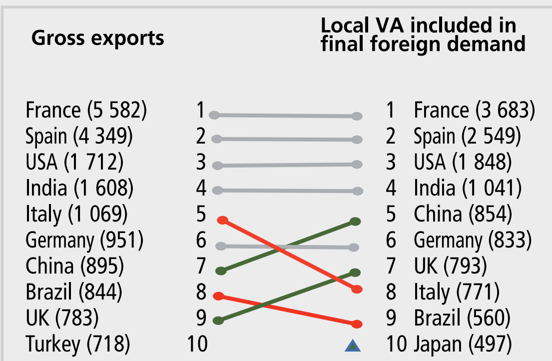
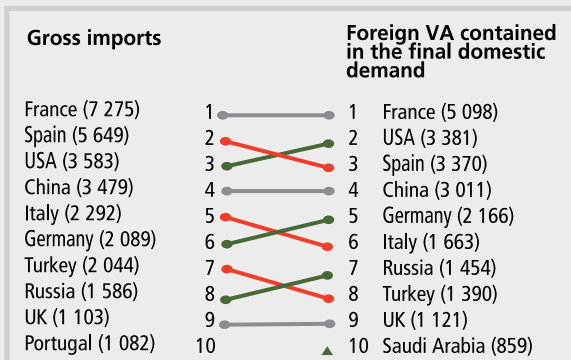


Chart B1.6.1.3: Gross imports in VA terms, ranking by main suppliers in 2015 (value in million dollars USD)



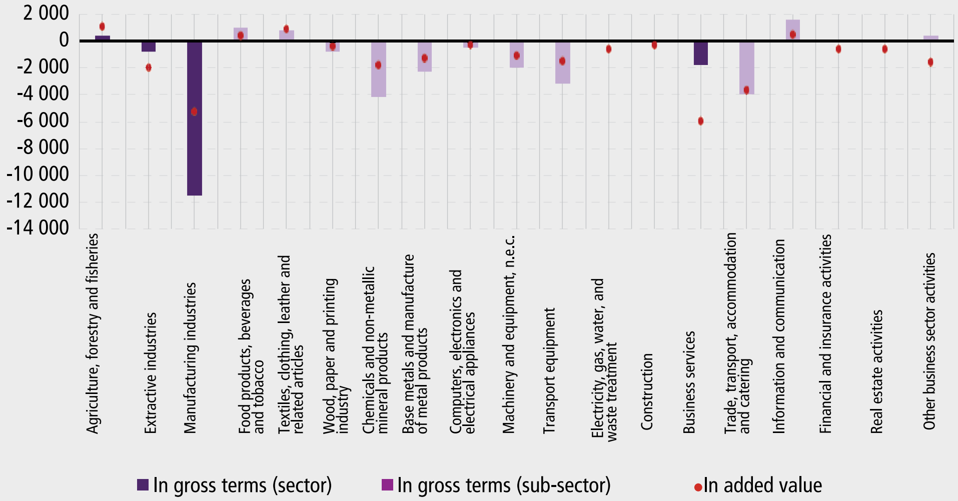
Source : TiVA (OCDE. 2018).

Value-added trade balance by sector

The breakdown of the trade balance by sector of activity reveals significant differences between the two approaches. The manufacturing sector's deficit in terms of value added was much lower, while the deficit of the sector of services to businesses widened significantly, becoming the main contributor to the deficit in value added.

At the same time, the agricultural trade balance surplus expanded when moving from traditional statistics to value-added statistics, reflecting the high domestic content of the sector's sales. The surplus balance of the textile industry also grew in terms of value added, in connection with a relatively high proportion of imported intermediate products reintegrated into Morocco's exports.

Chart B1.6.1.4: Commercial balance of goods and services in 2015 by sector of activity (value in million dollars USD)



Source : TiVA (OCDE. 2018).

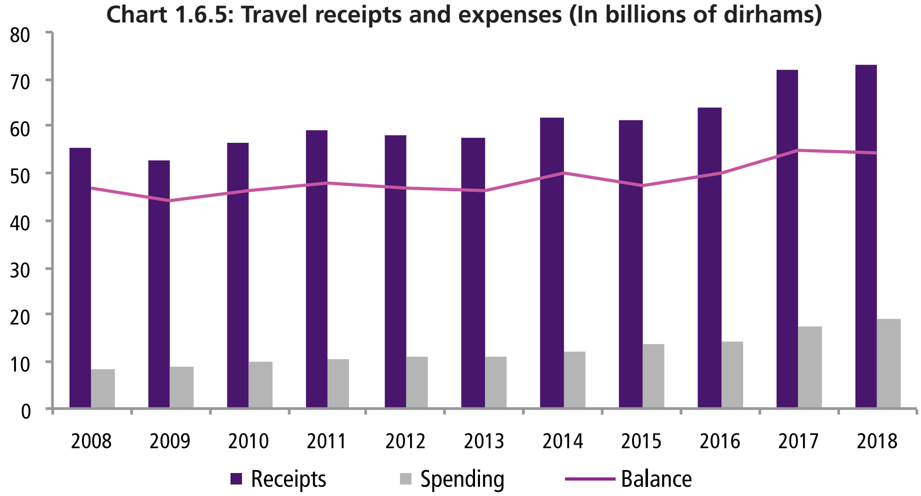
1.6.2 Balance of services

After a rebound of 12.3 percent in 2017, travel receipts recorded a limited rise to 1.3 percent, reaching 73 billion dirhams. This deceleration affected the main issuing countries, with particularly a rate falling back from 7.9 percent to 0.8 percent for France, from 26.9 percent to 4.4 percent for Germany and from 27.4 percent to 4.8 percent for the United States. At the same time, spending by Moroccans abroad increased by 8.7 percent, as against 21.2 percent to 18.9 billion dirhams.

With respect to transportation services, the maritime transport deficit widened to 15.9 billion and the air transport surplus grew to 6.4 billion. Exports under temporary admission regime[1] reached 15.8 billion dirhams, up 13.8 percent. Taking also into account the change in the other headings, the surplus of the balance of services strengthened by 2.6 billion to 75 billion dirhams.

1 Manufacturing services provided on physical inputs held by third parties.

Chart 1.6.5: Travel receipts and expenses (In billions of dirhams)



Source: Foreign Exchange Office.

1.6.3 Income balance

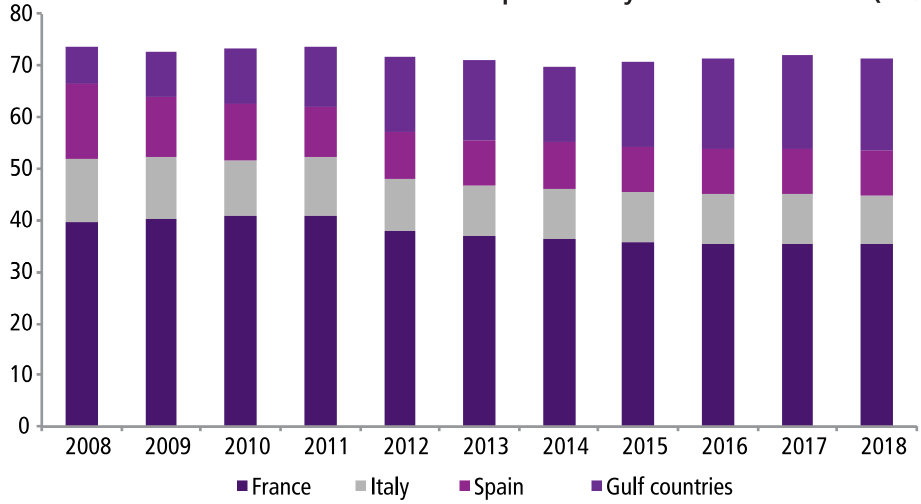
After two consecutive years of improvement, the income balance decreased by 18 percent to 54.2 billion dirhams in 2018, owing to an 11.6 percent decline in the balance of current transfers[1] and, to a lesser extent, an 8 percent worsening of the investment income deficit.

Similarly, the upward trend in remittances from Moroccan expatriates, which began in 2015, stopped with a 1.5 percent decrease to 64.9 billion dirhams. By country of residence, the decline was 1.7 percent for transfers from France which account for more than a third of the total, 2.2 percent from Italy and 2.7 percent from Spain. After posting an average annual increase of 13 percent over the last three years, remittances from the Gulf countries fell by 3 percent to 11.6 billion. At the same time, public transfer receipts fell from 13 billion to 4.7 billion dirhams, including 2.8 billion as donations from GCC partners.

With regard to direct investment income, after a notable increase in 2017, outflows almost stagnated at 17.7 billion dirhams, while inflows amounted to 3.1 billion as opposed to 3.7 billion. Thus, income deficit of direct investments widened by 5.2 percent to 14.6 billion dirhams.

1 Made up mainly of transfers from Moroccan expatriates and donations.

Chart 1.6.6: Transfer structure of Moroccan expatriates by main host countries (in %)



Source: Foreign Exchange Office.

1.6.4 Financial account

Driven by a sale transaction in the insurance sector, net FDI inflows amounted to 34.2 billion and their ratio to GDP increased from 2.4 percent to 3.1 percent. The sectoral breakdown shows that, in addition to the financial and insurance activities that drained 9.7 billion from 4.8 billion in 2017, manufacturing industries attracted 4.9 billion, up 7.9 percent. In the real estate sector, net investment flows amounted to 5.4 billion from 8.9 billion a year earlier.

By country of origin, net flows from Ireland almost tripled, from 3.5 billion to 9.7 billion, in connection with the sale transaction in the insurance sector[1] . Similarly, inflows from Denmark reached 3.2 billion, benefiting the warehousing and ancillary transport services and those from the United Arab Emirates grew by 1.3 percent to 2.8 billion. However, French investment fell to 3.8 billion and American investment to 2.2 billion.

Chart 1.6.7: Net FDI flows to Morocco by main sectors (in billion dirhams)

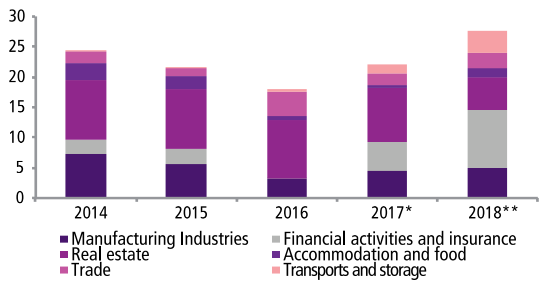
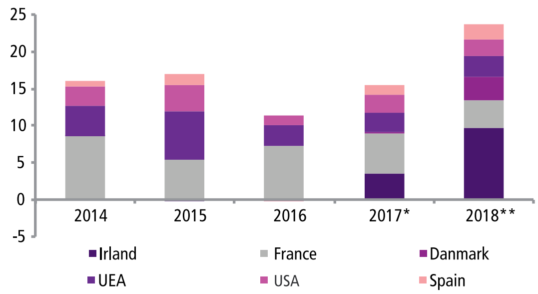


Chart 1.6.8: Net FDI flows to Morocco by major source countries (in billion dirhams)



* Updated figures

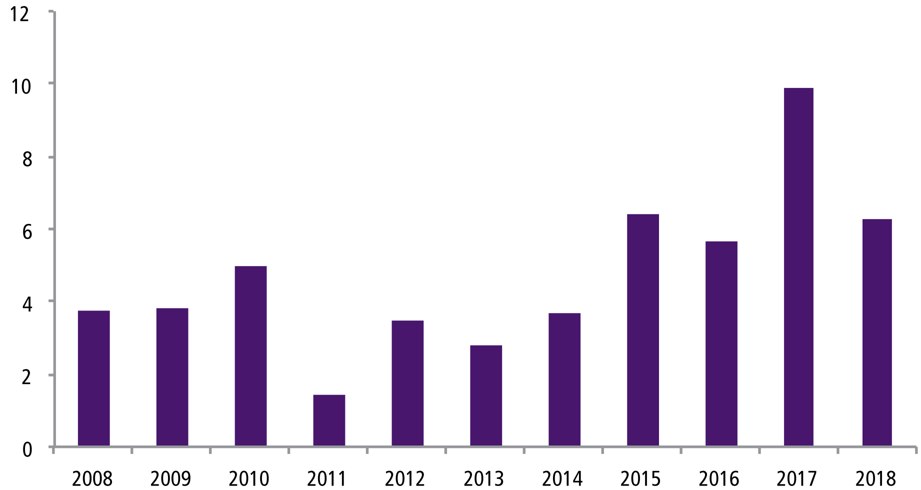
** Provisional figures

Source: Foreign Exchange Office.

1 The settlement of SAHAM Assurance's acquisition by the South African group SANLAM was completed in 2017 and 2018 via one of its subsidiaries based in Ireland.

At the same time, net outflows of foreign direct investment by residents fell back to 6.3 billion dirhams from 9.9 billion a year earlier. They were intended to three countries, namely Luxembourg at 1.5 billion, the United Arab Emirates at 1.2 billion and the Netherlands at 1.1 billion. Investments to African countries fell to 1.9 billion, including 1.6 billion in sub-Saharan Africa.

Chart 1.6.9: Net Flows of resident Direct Investments abroad (in billions of dirhams)



Source: Foreign Exchange Office

In terms of loans, the year was marked by a break in the upward trend that began since 2014, with a significant decline in their net flow from 19.6 billion to 3.2 billion dirhams. This change mainly reflects the drop of 16.4 billion in gross public drawings and, to a lesser extent, 0.7 billion in private loans. In the same vein, commercial credits shrank by half to 8.4 billion.

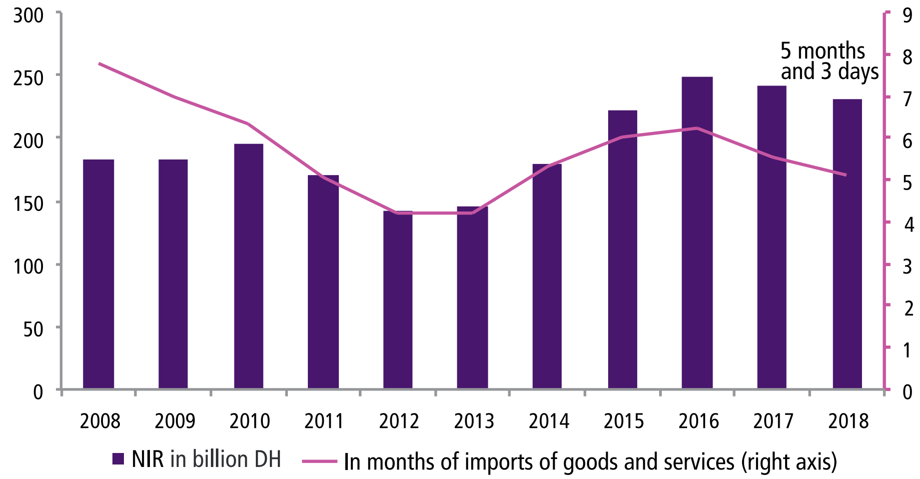
As for portfolio investments, those of non-residents made in Morocco recorded a net outflow of 4.9 billion dirhams, from 1.1 billion, while net acquisitions of residents amounted to 2.4 billion dirhams, as against 97 million in 2017.

In addition, holdings of "currency and deposits" declined by 4.8 billion, reflecting, in particular, deposits abroad by Moroccan banks. Commitments grew by 1.4 billion, mainly due to an increase in deposits by non-residents.

Taking into account these developments and those of other items, the financial account[1] posted a surplus of 38.3 billion dirhams from 19.2 billion dirhams in 2017. In total, outstanding NIR stood at 230.7 billion, equaling 5 months and 3 days of imports of goods and services.

1 Excluding reserves.

Chart 1.6.10: Net international reserves

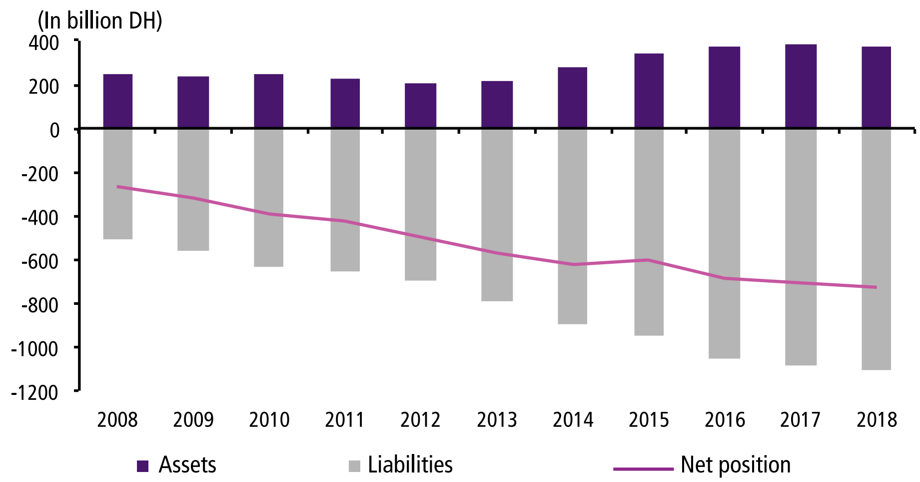


Sources: Foreign Exchange office and BAM calculations.

1.6.5 International investment position (IIP)[1]

In 2018, the international investment position worsened by 23.9 billion to 727.3 billion, owing to a 5.5 billion decline in assets and an 18.4 billion increase in commitments.

Chart 1.6.11: International investment position



Source: Foreign Exchange Office.

The increase in Morocco's commitments vis-à-vis the rest of the world is essentially attributable to a 4.2 percent rise to 614.4 billion dirhams in the direct investment stock. Similarly, loans increased by 0.8 billion to 287.6 billion, reflecting a 3.3 billion increase in loans to nonfinancial

1 The international investment position tracks the stock of financial assets and liabilities vis-à-vis the rest of the world at a specific point in time.

corporations, households and non-profit institutions serving households, while those granted to general government decreased by 1.2 billion. However, the portfolio investment declined by 9.3 billion to 100.8 billion.

The fall in assets is largely due to a further decline in official reserve assets, which dropped from 244.3 billion to 234 billion. Similarly, "currency and deposits" held by deposit-taking institutions[1] decreased by 4.8 billion to 39.6 billion, after having risen sharply a year earlier. On the other hand, outstanding direct investment grew 10.1 percent to 54.8 billion.

Table 1.6.4: Change in the IIP (in billions of dirhams)

	2017			2018		
	Assets	**Liabilities**	**Balance**	**Assets**	**Liabilities**	**Balance**
Direct Investments	49.8	589.7	-539.9	54.8	614.4	-559.5
Portfolio investments	12.3	110.1	-97.8	14.6	100.8	-86.2
Financial derivatives (other than reserves) stock-options of employees	0.2	0.3	-0.1	0.4	0.3	0.1
Other investments	77.2	387.1	-309.9	74.5	390.2	-315.7
Currency and deposits	48.8	35.7	13.0	44.9	37.1	7.8
Loans	0.5	286.7	-286.2	0.4	287.6	-287.2
Commercial loans and advances	27.0	57.2	-30.2	26.9	58.0	-31.1
Foreign reserve assets	244.3	-	244.3	234.0	-	234.0
Total assets / liabilities	**383.8**	**1 087.2**	**-703.4**	**378.3**	**1 105.6**	**-727.3**

Source: Foreign Exchange Office.

1 Other than the central bank.

1.7 Monetary conditions

Monetary conditions were characterized in 2018 by a fall in lending interest rates, particularly pronounced for companies. At the same time, after a decline in 2017, the real effective exchange rate recorded a slight appreciation, reflecting that of the nominal parity of the dirham against the euro and the currencies of some emerging economies.

The year also saw an increase in banks' liquidity needs, caused by a significantly higher currency in circulation and lower net international reserves.

Bank lending[1] continued to be impacted by the weak momentum of nonagricultural activities. Credit granted to the nonfinancial sector continued to show a slowdown, which was more marked for private businesses. Net claims on the central government accelerated, in connection with the operation of clearing the stock of VAT credits through factoring.

Under these conditions, M3 aggregate growth stood at 4.1 percent, from 5.5 percent a year earlier.

Table 1.7.1: Main indicators of monetary conditions

	2016	2017	2018	
Interest rate	**Average rate (in %)**			**Outstanding* amount (in billion DH)**
Interbank rate	2.27	2.28	2.28	-
Weighted lending average rate[1]	5.24	5.52	5.30	-
Deposits rate to one year	3.46	3.12	3.09	-
Treasury bills rate 52 weeks	2.26	2.31	2.39	-
Effective exchange rate	**Change (in %)**			
Nominal effective exchange rate	2.4	1.1	2.1	-
Real effective exchange rate	2.4	-0.7	1.2	-
Monetary aggregates	**Change (in %)**			
Bank loans	4.2	3.1	3.2	870.6
Loans to the nonfinancial sector	3.9	3.8	3.1	744.5
Net international reserves	12.2	-3.3	-4.3	230.7
Net claims on central government	-3.8	17.8	21.0	203.0
M3	4.7	5.5	4.1	1 320.6

* End of december.

1 The lending rate survey was recast in 2017, but with no impact on the change in rates. However, the reassessment slightly affected their levels for certain loan categories (see box "Recasting the lending rate survey").

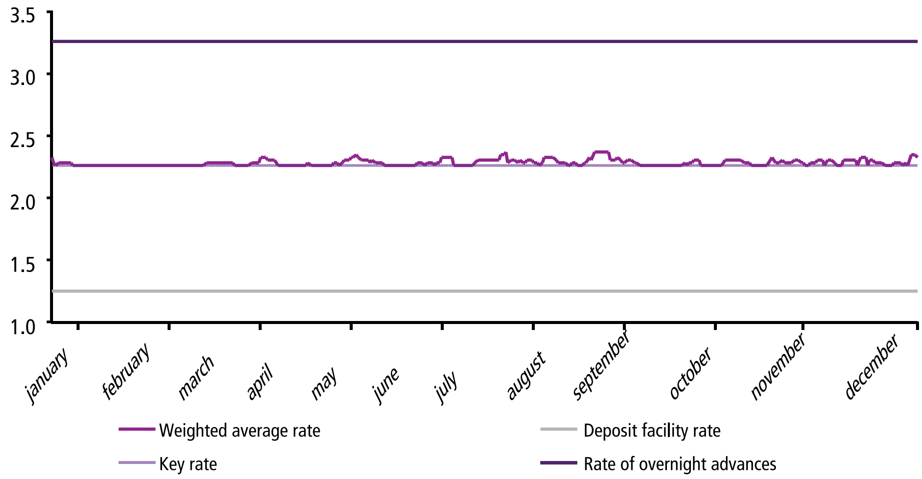
1.7.1 Interest rates

In a context of unchanged key rate, interest rates remained virtually stable in 2018, with the exception of lending rates, which were tilted to the downside. Thus, in the interbank market, the

1 Including financing provided by participative banks and windows.

weighted average rate remained in line with the key rate throughout the year with low volatility, as Bank Al-Maghrib raised its injections in response to the widening of the liquidity deficit.

Chart 1.7.1: Weighted average rate on the interbank market in 2018 (%)



In the sovereign debt market, the overall weighted average rate for Treasury issues fell from 2.80 percent to 2.77 percent. Data by maturity at the secondary compartment show slight changes, ranging from a decline by 5 basis points to 3.94 percent for 20-year maturities to a rise by 10 basis points to 2.27 percent for 13-week bills.

Chart 1.7.2: Weighted average rate of Treasury bonds (%)

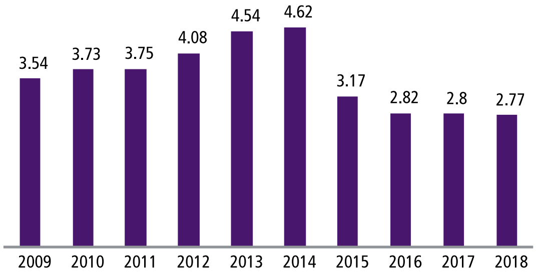
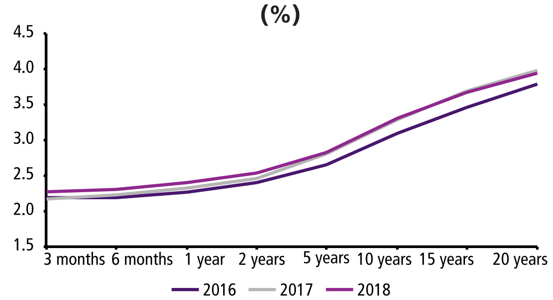


Chart 1.7.3: Yield curve in the secondary market (%)



Similarly, the deposit rates declined slightly to 2.77 percent on average for 6-month deposits and 3.09 percent for 12-month deposits, while the minimum rate on passbook accounts, indexed to 52-week Treasury bills, almost stabilized at 1.86 percent.

Table 1.7.2: Interest rates on time deposits and passbook accounts (%)

	2014	2015	2016	2017	2018
6-month deposits	3.65	3.57	3.08	2.82	2.77
12-month deposits	3.89	3.80	3.46	3.12	3.09
Passbook accounts with banks	3.32	2.28	1.89	1.84	1.86

Lending rates dropped during the year, largely reflecting lower rates on loans to businesses. Between the first and fourth quarters, the overall average rate dropped from 5.43 percent to 5.06 percent, with a drop of 10 points for individuals and 38 points for businesses. For private businesses in particular, the decrease was 18 points for large companies[1] and 19 points for very small, medium and small enterprises.

Table 1.7.3: Lending rates (%)

	Q1-2018	Q2-2018	Q3-2018	Q4-2018
Average lending rates	**5.43**	**5.36**	**5.35**	**5.06**
Loans to individuals	**5.78**	**6.09**	**5.79**	**5.68**
Housing loans	4.94	5.00	4.85	4.90
Consumption loans	6.40	6.57	6.32	6.45
Loans to corporations	**5.28**	**5.12**	**5.18**	**4.90**
By economic purpose				
Cash advances	5.23	5.02	5.15	4.82
Equipment loans	5.51	5.20	4.90	4.82
Property development loans	5.41	5.98	5.85	6.14
By size of the company				
VSME	6.09	5.78	5.93	5.90
Large companies	4.75	4.72	4.67	4.57
Loans to individual entrepreneurs	**6.23**	**7.08**	**6.80**	**6.41**
Property development loans	5.78	6.06	5.76	5.94
Cash advances	6.86	7.68	7.81	6.48

Source: BAM quarterly survey on banks lendinbg rates.

Box 1.7.1: Recasting the lending rate survey

The monitoring of lending rates applied by banks to nonfinancial units has a key place in the analytical framework of monetary policy. It helps to assess the financing conditions and to better understand the mechanisms and timelines for the transmission of monetary policy decisions. The monitoring of these rates within Bank Al-Maghrib is based on a survey with the banking sector, set up in 2006, to obtain data on the production of credit and the lending rates applied to loans.

As part of the process of improving its information system, the Bank conducted a review of this survey in 2017, taking into account international best practices in this area. Thus, the main adjustments made included the distinction between authorizations and disbursements in the reporting of cash loans. Only disbursements are now taken into account in the calculation of lending rates. Likewise, in order to evaluate the financing conditions of the VSMEs, the data are collected by size of enterprises.

1 In accordance with Basel standards, the classification of enterprises by size is based on turnover. They are considered "very small" if the turnover is less than 10 million dirhams; "small or medium" if it is between 10 million and 175 million dirhams and "large" if it is more than 175 million dirhams.

This reform showed a limited impact on the overall change in rates, but it would have affected their levels for certain loan categories, as indicated by the following comparison for the first quarter of 2018.

Table B.1.7.1.1: Comparaison of lending rates according to the two reportings (in %)

	Old reporting		New reporting	
	Q4-17	Q1-18	Q1-18	Q2-18
Global	**5.77**	**5.62**	**5.43**	**5.38**
Debtor accounts and cash advances	**5.85**	**5.64**	**5.34**	**5.23**
Entreprises	5.81	5.59	5.23	5.06
Individual entrepreneurs	8.37	8.22	6.86	7.69
Individuals	6.38	7.20	6.94	10.35
Equipment loans	**5.31**	**5.33**	**5.56**	**5.29**
Entreprises	5.30	5.27	5.51	5.20
Individual entrepreneurs	6.30	6.44	6.81	6.41
Real estate loans	**5.42**	**5.16**	**5.26**	**5.46**
Entreprises	6.95	5.45	5.41	5.96
Individual entrepreneurs	5.14	5.44	5.78	6.06
Individuals	4.94	4.81	4.94	5.00
Consumption loans	**6.56**	**6.59**	**6.40**	**6.57**

1.7.2 Foreign exchange market

In 2018, the dirham's reference rate[1] varied throughout the year within the fluctuation band. Over the period from January 15 to December 31, it depreciated by 3.6 percent against the dollar, resulting from a bearish basket effect[2] of 4.1 percent, itself caused by a depreciation of the euro of 6.7 percent against the dollar, and a bullish market effect of 0.5 percent. Versus the euro, it appreciated over the same period by 3.2 percent.

Chart 1.7.4: Exchange rates EURO/USD

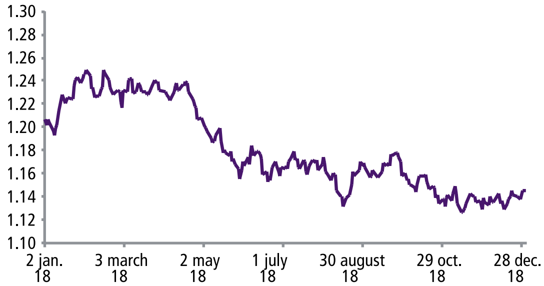
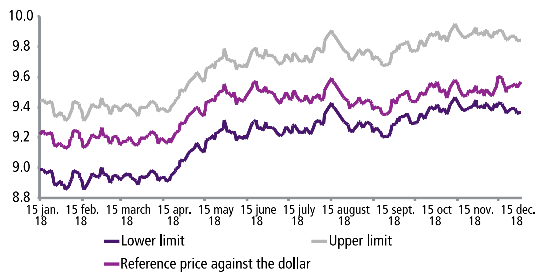


Chart 1.7.5: Dirham reference rates

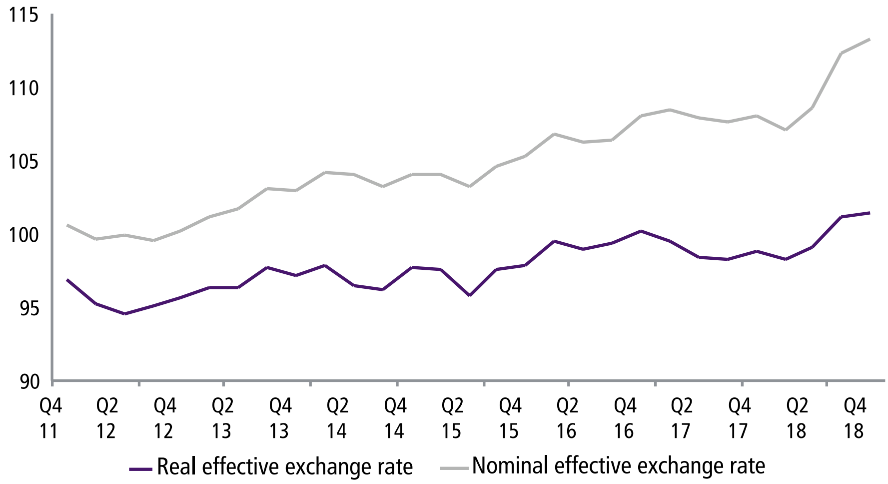


1 The reference rate is calculated on the basis of the quotations of the banks having the status of market holder according to the methodology published on the Bank Al-Maghrib's website: methodology for fixing the dirham's reference exchange rates.

2 The basket effect is the one resulting from the change in the euro/dollar parity, while the difference with the change found in the reference rate represents the market effect.

Compared to the currencies of the other main partner and competitor countries, the dirham strengthened on average by 37.1 percent against the Turkish lira, 12.8 percent versus the Tunisian dinar and 1 percent vis-à-vis the Chinese yuan. In this context, the effective exchange rate[1] appreciated by 2.1 percent in nominal terms and, given an inflation differential[2] in favor of Morocco, by 1.2 percent in real terms.

Chart 1.7.6: Effective exchange rate of the dirham (base 100 in 2010)



Box 1.7.2: Implementation of the exchange rate regime reform

A voluntary and gradual transition from a fixed exchange rate regime to a more flexible exchange rate regime was initiated on January 15, 2018, with the implementation of the first phase which resulted in a widening of the dirham fluctuation band from ± 0.3 percent to ± 2.5 percent compared to a central rate set on the basis of the same reference basket in place, which is composed up to 60 percent of the euro (EUR) and 40 percent of the US dollar (USD).

The implementation of this initial phase was coupled with several measures aimed at improving the market price-setting mechanism as well as boosting activity in the interbank foreign exchange market.

Thus, Bank Al-Maghrib introduced a new market price-setting mechanism within the limits of the fluctuation band. To this end, the Bank set up the status of market holder giving banks exclusive access to foreign exchange auctions in return for their commitments of quotations on the interbank foreign exchange market. These quotations are also used by the Bank to determine the dirham's reference rates against other currencies in accordance with international standards.

1 The basket adopted in the calculation includes the currencies of the following countries: Belarus, Brazil, China, Czech Republic, Egypt, Hungary, India, Japan, Korea, Pakistan, Poland, Romania, Russia, Senegal, Sweden, Tunisia, Turkey, Ukraine, United Kingdom, United States and the euro area.

2 The inflation level in Morocco is below the level observed in the countries of the sample used for the calculation of the effective exchange rate.

The Bank also reviewed the framework of its intervention in the foreign exchange market with a view to gradually reducing them. Thus, Bank Al-Maghrib adopted currency auctions as the main instrument of intervention. In addition, the interventions are carried out within the limits of a budget determined in such a way as to maintain the foreign exchange reserves at an adequate level. The objective is to allow the interbank market to develop further and therefore lead to better price setting according to the law of supply and demand, while banks' recourse to Bank Al-Maghrib should be used only as a last resort.

The Bank implemented other measures to boost the interbank foreign exchange market and improve its liquidity. Indeed, it made available to banks market holders an electronic currency trading platform. It also decided to trade, only currency versus currency, foreign banknotes with banks.

With regard to Bank Al-Maghrib's interventions on the foreign exchange market, net foreign exchange sales to banks amounted to 7.3 billion dirhams in 2018, from 53 billion in 2017, with particularly an amount of 4.6 billion through OTC transactions. This trade took place only between the beginning of the year and March 20, the date from which no request for the purchase or sale of currencies from banks was registered with the Bank. In addition, since January 15, sales by foreign banks of foreign banknotes to BAM have been carried out only against foreign currencies.

Chart 1.7.7: Currency Net sales by BAM

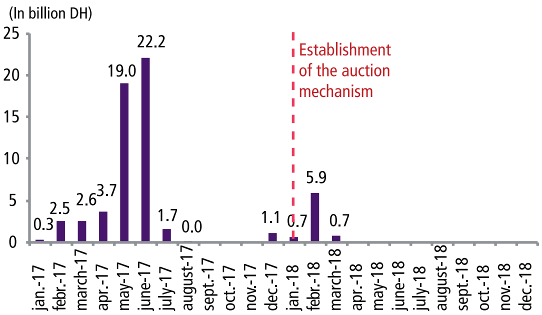
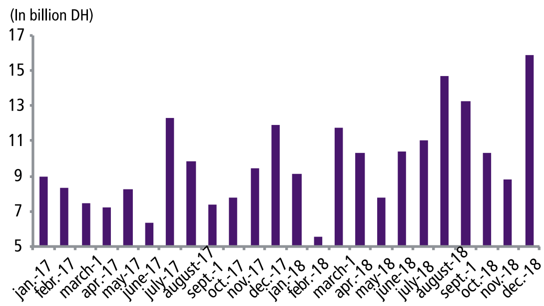


Chart 1.7.8: Volume of interbank operations[1] on the foreign exchange market



1 Including local and foreign banks.

With the implementation of the exchange rate reform, the interbank market saw a significant boost, as the exchange of currencies against dirhams averaged 10.7 billion dirhams, month on month, up 22.5 percent over 2017.

Banks' transactions with customers were particularly marked by the conclusion in several stages of the sale of Saham Assurance subsidiaries of the SAHAM group. Thus, purchases and sales of currencies against dirhams in cash stood respectively at 21.1 billion and 21.7 billion dirhams on monthly average, as against 22.5 billion and 24.2 billion dirhams in 2017. The balance of banks' transactions in cash thus decreased from 1.7 billion to 536 million dirhams in 2018. Concerning forward transactions, reflecting higher customer hedging transactions, purchases rose by 10.3 percent to 11.2 billion dirhams on average and sales by 16.7 percent to 3.9 billion dirhams.

Chart 1.7.9: Banks Cash transactions with customers in 2018

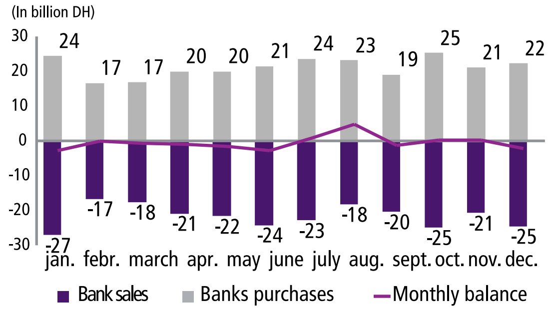
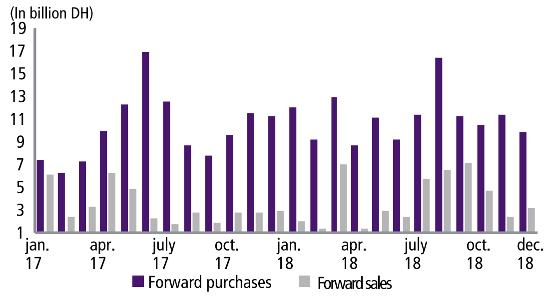


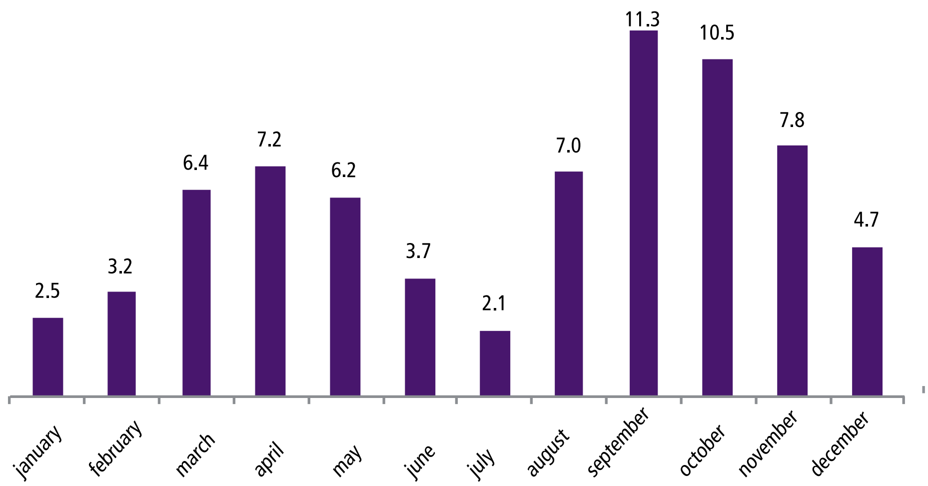
Chart 1.7.10: Bank hedging operations with customers



At the same time, banks' trading with foreign correspondents averaged 37 billion dirhams, on a monthly basis, down 21.5 percent from 2017, while their investments abroad grew 3.2 percent to 8.5 billion dirhams.

Under these conditions, the net foreign exchange position[1] was positive at 6.1 billion dirhams on average during 2018, instead of a negative position at 707 million in 2017. It remained positive overall throughout the year, with an average peak of 11.3 billion dirhams in September 2018.

Chart 1.7.11: Banks' exchange position in 2018
(in billions of dirhams)



1 The banks' foreign exchange position is the value of banks' foreign exchange assets net of liabilities, including those registered in the off-balance sheet. It provides information on the real foreign currency assets of the banking system.

1.7.3 Bank credit

In 2018, bank credit growth was almost stable at 3.2 percent, covering a slowdown in loans to the nonfinancial sector and a marked acceleration in loans to financial corporations. Its ratio to GDP fell from 79.3 percent to 78.7 percent.

The year was marked by the integration of participatory banks and windows into monetary statistics, after they started business in the second half of 2017. The volume of financing granted by these institutions, mainly as real estate Mourabaha, reached 4.6 billion dirhams at the end of December 2018.

Chart 1.7.12: Bank credit (change%)

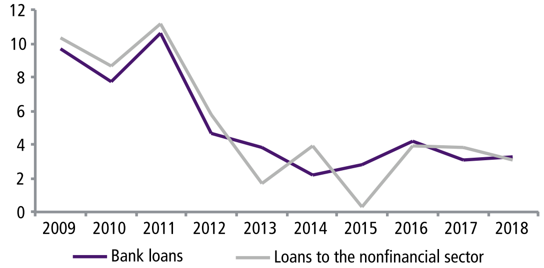
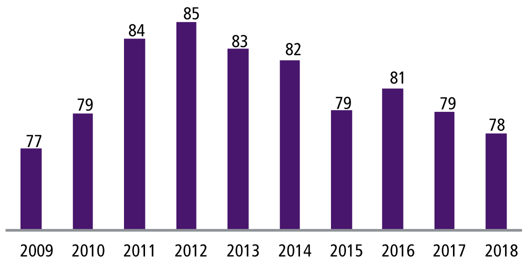


Chart 1.7.13: Bank credit-to-GDP ratio (%)



The growth in loans to private companies slowed down sharply, from 3 percent to 0.5 percent, with decreases of 0.8 percent in equipment loans and 6.4 percent in real estate ones, after respective improvements of 6 percent and 10.4 percent a year ago. Conversely, cash advances rose by 2.4 percent, after a decline of 0.8 percent.

Loans to public enterprises grew by 4.2 percent, as against 4.8 percent, mainly due to a deceleration of equipment loans from 29.6 percent to 3.3 percent, while cash advances grew by 14.7 percent, after a decrease of 53.9 percent.

The growth of credit allocated to individual entrepreneurs moved up from 0.3 percent to 3.4 percent, with increases of 18.6 percent in cash advances, as opposed to 2.7 percent, and 15.9 percent in real estate loans, after a decrease of 13.1 percent. Conversely, equipment loans rose only slightly to 0.8 percent, as against 3.8 percent.

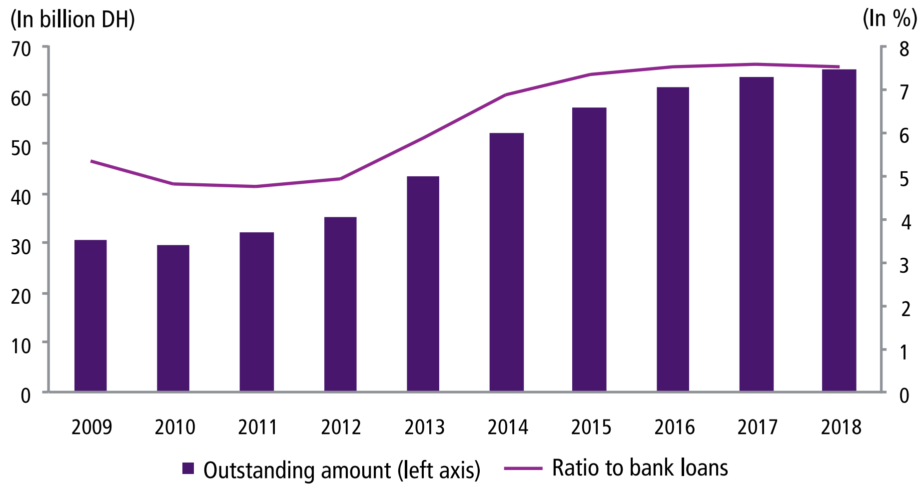
Loans to individuals grew by 6 percent, as against 5.1 percent, with accelerations from 4.5 percent to 6.3 percent for housing loans, driven by participatory financing, and from 5.3 percent to 6.4 percent in consumer loans.

Table 1.7.4: Bank credit

	2016	2017	2018	
	Change (%)		Change (%)	Outstanding amount (in billion DH)
Bank loans	**4.2**	**3.1**	**3.2**	**870.6**
Loans to the nonfinancial sector	**3.9**	**3.8**	**3.1**	**744.5**
Loans to businesses	**1.9**	**3.0**	**0.5**	**342.9**
Cash facilities	-1.5	-0.8	2.4	143.9
Equipment loans	1.9	6.0	-0.8	96.3
Loans to property developers	-2.4	10.4	-6.4	48.7
Loans to public firms	22.1	4.8	4.2	51.4
Cash advances	48.5	-53.9	14.7	6.8
Equipment loans	19.4	29.6	3.3	43.2
Loans to households	**3.6**	**4.0**	**5.3**	**329.8**
Loans to individuals	**4.0**	**5.1**	**6.0**	**269.2**
Consumer loans	4.8	5.3	6.4	52.9
Housing loans	4.8	4.5	6.3	187.6
Loans to individual entrepreneurs	**3.1**	**0.3**	**3.4**	**40.5**
		Ratio to bank loans (in %)		
Non-performing loans	**7.5**	**7.5**	**7.5**	
Households	7.4	7.8	7.6	
Private firms	11.5	11.2	11.4	

The nonperforming loan ratio to bank credit stabilized for the second consecutive year at 7.5 percent, with a decline from 7.8 percent to 7.6 percent for households and an increase from 11.2 percent to 11.4 percent for private companies.

Chart 1.7.14: Nonperforming loans



By sector of activity, loans granted to "transport and communications" and "trade, automobile repairs and household items" decreased by 4.6 percent and 1.4 percent, respectively, after increases of 14.4 percent and 8.5 percent in 2017. In the same vein, credit growth moved down from 16.3 percent to 8.8 percent for "extractive industries" and from 2.2 percent to 1.2 percent for "construction and public works". On the other hand, loans to "manufacturing industries" posted overall a slow fall from 7.7 percent to 0.7 percent and loans granted to the "electricity, gas and water" sector from 7.4 percent to 6 percent.

In addition, lending by financial corporations[1] other than banks to the nonfinancial sector rose 3.5 percent to 146.2 billion dirhams. In particular, those distributed by finance companies grew by 6 percent to 112.9 billion overall, with increases of 4.1 percent to 55.2 billion for private companies and 7.9 percent to 57.8 billion for households. Loans granted by offshore banks moved up 3.2 percent to 13.8 billion dirhams and those given by micro-credit associations rose 2.5 percent to 6.8 billion.

Table 1.7.5: Loans granted by major non-banking financial corporations

	2016	2017	2018	
	Change (%)		Change (%)	Outstanding amount (in billion DH)
Finance companies	**3.5**	**5.0**	**6.0**	**112.9**
Private firms	2.0	1.7	4.1	55.2
Households	5.1	8.5	7.9	57.8
Offshore banks	**30.8**	**-4.8**	**3.2**	**13.8**
Mircro-credit associations	**7.7**	**3.7**	**2.5**	**6.8**

1.7.4 Other sources of money creation

After a decline of 3.3 percent, net international reserves fell again by 4.3 percent to 230.7 billion dirhams at end-December 2018, equaling 5 months and 3 days of imports[2] of goods and services. Their trend was mainly marked by the Treasury's external deleveraging of 5.4 billion dirhams and a decline of 6.8 billion dirhams in donations from GCC partners.

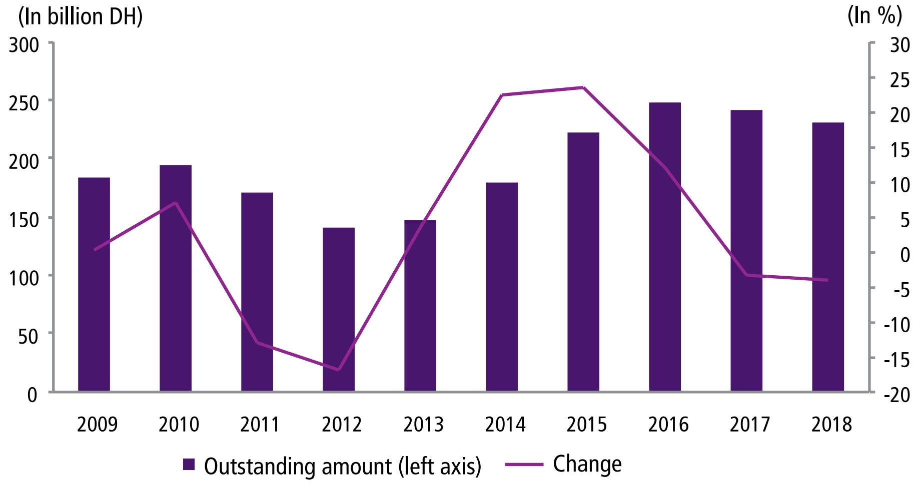
At the same time, banks continued to maintain a high level of their net foreign assets[3], amounting to 25.7 billion dirhams.

1 Loans allocated by finance companies, off-shore banks, microcredit associations and the CDG as well as securitized loans.

2 The calculation is based on imports planned by BAM.

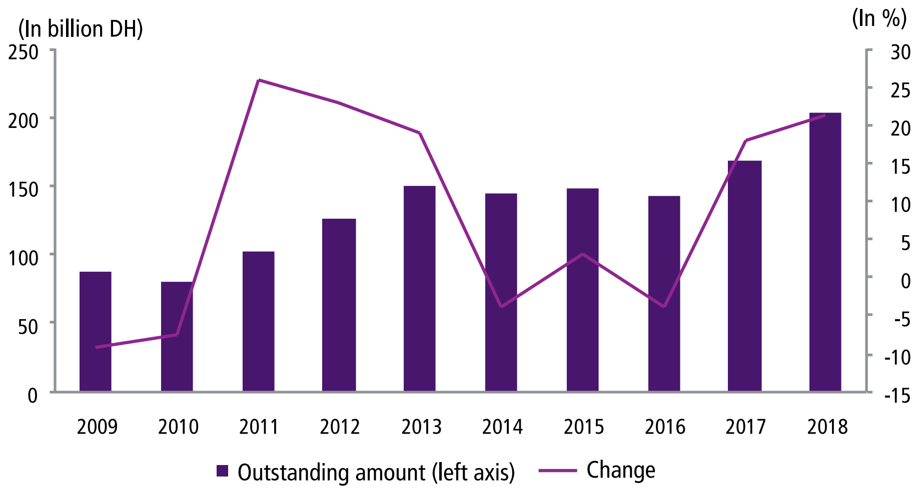
3 All banks' claims on non-residents net of their external liabilities.

Chart 1.7.15: Net international reserves



Net claims on the central government grew by 21 percent, from 17.8 percent, reflecting the banks' allocation of 26.3 billion dirhams as part of factoring operations launched by the State to clear the stock of VAT credits. However, the growth of bank holdings in Treasury bills decelerated from 18.3 percent to 7.4 percent and their holdings of money market mutual funds decreased further from 4.2 percent to 17.2 percent.

Chart 1.7.16: Net claims on the central government



1.7.5 Components of M3

In 2018, M3 aggregate grew by 4.1 percent, mainly reflecting a rise of 4.9 percent in demand deposits, 6.7 percent in currency in circulation and 3.4 percent in time deposits. Conversely, money market mutual funds declined by 6.8 percent.

By institutional sector, monetary deposits[1] of individuals[2] grew by 4 percent to 680.2 billion dirhams, due to increases of 3.6 percent in savings accounts and 5.6 percent in demand deposits as well as a decline of 3.6 percent in time deposits. Monetary holdings of private nonfinancial businesses rose by 3.8 percent to 176.7 billion dirhams overall, 7.9 percent for time deposits and 6.7 percent for demand deposits. For public companies, these assets grew 7.5 percent to 33.3 billion dirhams.

Table 1.7.6: Mains components of M3

	Currency in circulation	Demand deposits	Interest bearing Demand deposits	Time deposits	Money market fund shares	M3
	Outstanding amount as at end-December (in billion DH)					
2016	203.2	496.6	146.2	163.3	60.7	1 202.4
2017	218.8	534.3	153.9	155.8	60.6	1 269.1
2018	233.6	560.7	159.2	161.1	56.5	1 320.6
	Share in M3 (%)					
2016	16.9	41.3	12.2	13.6	5.0	100
2017	17.2	42.1	12.1	12.3	4.8	100
2018	17.7	42.5	12.1	12.2	4.3	100
	Change (%)					
2016	5.5	6.7	5.6	-4.5	-2.9	4.7
2017	7.7	7.6	5.2	-4.6	0.0	5.5
2018	6.7	4.9	3.5	3.4	-6.8	4.1

1 Demand deposits, time deposits and savings accounts.

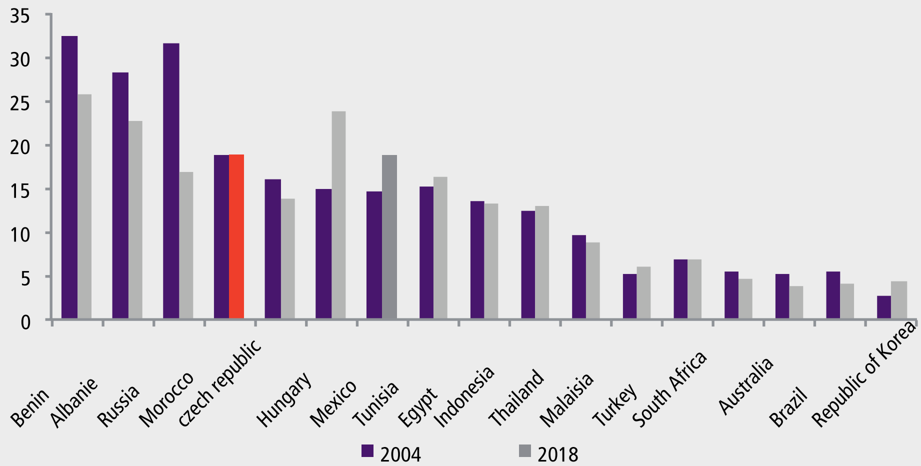
2 Including Moroccans living abroad.

Box 1.7.3: Determinants of currency in circulation in Morocco

Despite the development of systems and means of payment in recent years, the use of cash in transactions remains important in many emerging and developing countries, but also in some advanced economies. IMF data show that the share of currency in circulation in the money supply has declined only slightly over the last 15 years, or even increased in some countries. For example, in 2018 it stood at 22.6 percent in Albania, 16.5 percent in Tunisia, 16.8 percent in Russia, 14 percent in the Czech Republic and 10.2 percent in the euro area. In Morocco, this share also remains high at 17.7 percent, reflecting a still steady growth in currency in circulation, particularly with rates of 7.7 percent in 2017 and 6.7 percent in 2018.

The analysis of currency in circulation makes it possible to identify several short-term determinants linked to seasonal or cyclical factors, as well as structural factors that impact its long-term dynamics. These factors vary from one country to another depending on the social and economic specificities.

Chart B1.7.3.1: Share of currency in circulation in the money supply (in %)



Source: IMF.

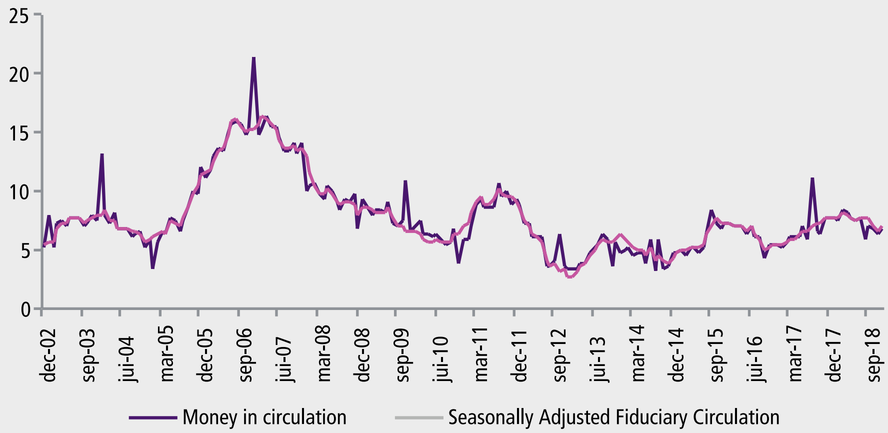
Seasonality of currency in circulation

Overall, the volume of currency in circulation has a fairly pronounced seasonal profile. This seasonality can be on a weekly basis, with a tendency to increase the day before the weekends, on a monthly basis with peaks at the time of salary payments, or on annual basis. The latter is dependent upon periods of holidays, especially school holidays, and the Hegira calendar, including the advent of Ramadan and religious holidays (Aid Al-Fitr, Aid Al-Adha, ...).

Identifying and quantifying the impact of these seasonal factors are of great importance for two main reasons. They help forecast the needs of the economy in currency in circulation, and thus adapt the production level and the distribution of banknotes and coins. They are also necessary for assessing liquidity position of the banking system and, consequently, for determining the volume of the Bank's interventions in the money market.

To do so, several statistical and econometric methods are used, including the X13-ARIMA technique. The application of this technique to monthly data on currency in circulation shows that the impact of seasonal factors is important. Indeed, without the effect of Aid Al-Adha, the year-on-year growth of currency in circulation would have stood at 6.9 percent, as against 11.2 percent observed in August 2017, at 8 percent from 13.3 percent in January 2004 and at 15.3 percent from 21.4 percent in December 2006.

Chart B1.7.3.2: Currency in circulation (year-on-year change, in %)



Long-term determinants of currency in circulation

Beyond seasonal factors, the long-term change in currency in circulation is determined by several variables, whether of economic nature or related to habits of units, including consumers. The most widely used variables in both theoretical and empirical literature include the level of economic activity measured by GDP. In the case of Morocco, data confirm a strong correlation between the volume of currency in circulation and agricultural value added on the one hand and nonagricultural one on the other.

Chart B1.7.3.3: Agricultural value added and currency in circulation (year-on-year change, in %)

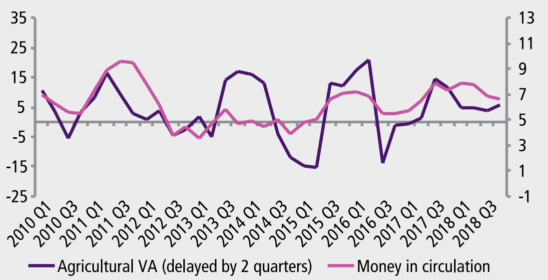
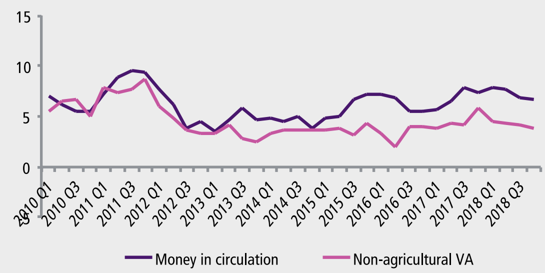


Chart B1.7.3.4: Nonagricultural value added and currency in circulation (year-on-year change, in %)



Source: Foreign Exchange Office and BAM.

Similarly, remittances from Moroccan expatriates and travel receipts are important determinants of the change in currency in circulation in the Moroccan context. To illustrate, the substantial increases in these two variables in 2017, with respective rates of 5.3 percent and 12.3 percent, would have contributed to the robust increase in the currency in circulation recorded the same year.

Chart B1.7.3.5: Travel receipts and currency in circulation (in %)

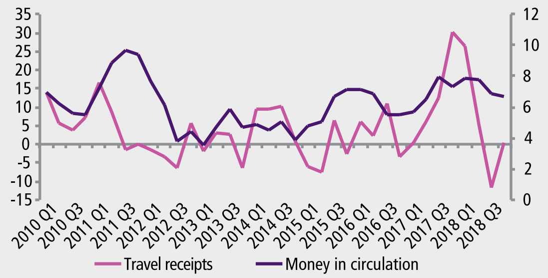
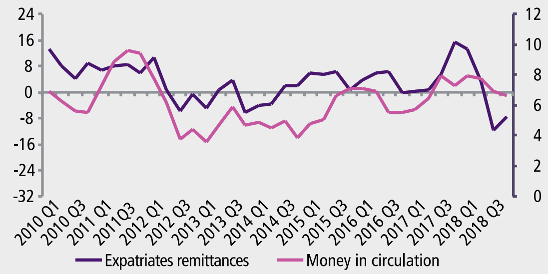


Chart B1.7.3.6: Expatriate remittances and currency in circulation (in %)



In addition, holdings of currency in circulation have an opportunity cost and one of the most used measurements is the interest rate. An analysis of lending rates and currency in circulation trends confirms a negative, albeit moderate, correlation between the two variables.

Currency in circulation may be affected by other factors, such as the size of the informal sector, the prevalence of tax evasion and corruption, or exceptional circumstances such as periods of political instability, loss of confidence in the banking system ...

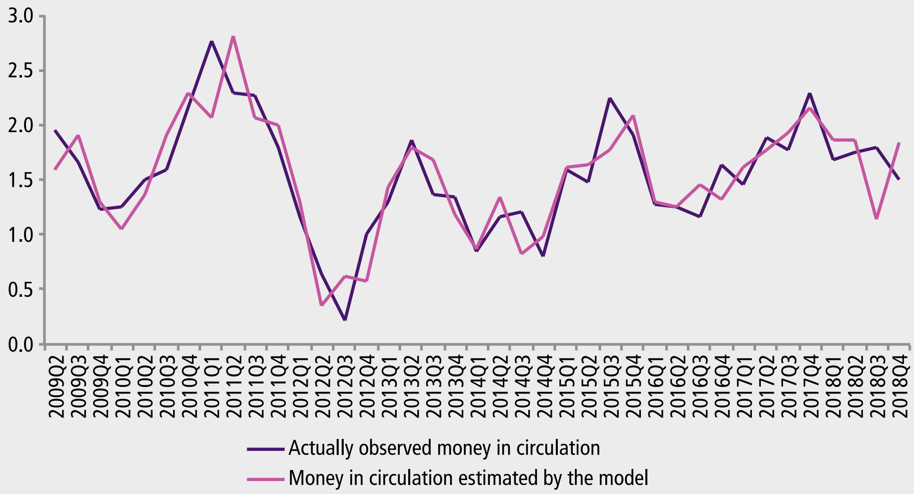
With a view to quantifying the impact of these various factors on currency in circulation, an autoregressive distributed lag model (ARDL) was developed based on the money demand function. In addition to certain variables listed above, the number of automatic teller machines (ATMs) has been introduced to understand the degree of development of the systems and means of payment, as the increase in the number of ATMs reflect a greater use of cash.

The estimation of this model based on quarterly data covering the period from 2009 to 2018 indicates signs consistent with the economic theory. The interest rate variable on 6-month deposits[1], however, is not very significant, a result that would reflect a certain lack of consideration for the opportunity cost of holding cash.

1 A similar result is obtained by considering the 12-month deposit rate.

This finding would also reflect the low level of financial inclusion. Morocco is indeed lagging behind in this area with strong inequalities to the detriment of women, youth and rural populations. However, recent efforts made by the authorities include the development and implementation of a financial inclusion strategy, the entry into operation of payment institutions and participatory finance as well as the establishment of a mobile payment solution. These efforts should over the coming years strengthen the use of financial services and reduce the use of currency in circulation.

Chart B1.7.3.7: Currency in circulation (quarterly change, in %)



1.7.6 Liquid investment aggregates[1]

Total outstanding liquid investment aggregates posted growth of 9.1 percent in 2018, as against 9.3 percent a year earlier. Treasury bills grew by 7 percent to 385.1 billion dirhams and bond UCITS by 15.2 percent to 252.3 billion. In contrast, equity and diversified mutual funds showed a fall of 4.8 percent to 49.9 billion dirhams.

Taking into account these developments, the liquidity rate of the economy, as measured by the ratio of total liquid investment and M3 aggregates to GDP, stood at 182.6 percent from 179.7 percent in 2017.

1 Liquid investment aggregates include financial assets held by units other than depositary institutions. These assets represent a stock of the purchasing power but are not liquid enough to be included in M3 aggregate.

Table 1.7.5: Liquid Investment (LI) aggregates

	2017		2018	
	Outstanding amount (in billion DH)	Change in %	Outstanding amount (in billion DH)	Change in %
LI1 aggregate	**370.7**	**2.1**	**397.9**	**7.4**
Negotiable Treasury bonds	359.9	1.2	385.1	7.0
Bonds of finance companies	8.1	61.9	9.7	20.0
Commercial paper	1.0	8.4	0.6	-35.5
Securities issued by contractual mutual funds	1.7	6.5	2.4	43.6
LI2 aggregate	**218.9**	**18.1**	**252.3**	**15.2**
Securities issued by bond mutual funds	218.9	18.1	252.3	15.2
LI3 aggregate	**52.4**	**35.4**	**49.9**	**-4.8**
Securities issued by equity and diversified mutual funds	52.4	35.4	49.9	-4.8
Total	**642.0**	**9.3**	**700.1**	**9.1**

1.8 Asset markets

In 2018, sovereign issues increased by 4 percent to 115.1 billion dirhams, nearly two-thirds of which concern medium maturities[1]. Their yields remained broadly stable, despite the decline in long-term rates. On the contrary, after their sharp rise in 2017, private debt issues decreased by 10.2 percent, mainly impacted by securities issued by banks' and, to a lesser extent, by nonfinancial corporations.

At the Casablanca Stock Exchange, the benchmark index underperformed by 8.3 percent after two consecutive years of increase. The prices decline covered the main sectors except for "telecommunications", and was more pronounced in the "real estate", "mining" and "oil and gas" sectors. On the other hand, the trade volume contracted significantly, especially on the block compartment.

In the real estate market, which increased significantly in 2017, asset prices almost stabilized overall, with a higher number of transactions. Analysis of their evolution in the main cities particularly reveals in Marrakech a decrease by 15.7 percent for sales and by 5.3 percent in prices.

Table 1.8.1: Key indicators of asset markets (percent change unless otherwise stated)

	2014	2015	2016	2017	2018
Debt market					
Outstanding amount of Treasury bills	3.2	10.3	4.2	5.4	5.7
Outstanding amount of private debt	1.8	-5.7	0.8	10.5	11.2
Stock market					
MASI	5.6	-7.2	30.5	6.4	-8.3
Liquidity ratio[1] in the central market equity (in %)	5.8	5.9	6.4	6.5	6.0
Capitalization (in % of GDP)	52.4	45.9	57.6	59.0	52.6
Real estate market (change in %)					
Real Estate Price Index	-0.1	0.9	1.3	5.4	0.0
Number of transactions	15.9	-1.1	8.7	-6.8	4.8

1 The liquidity ratio is measured by the annual volume of trade in relation to the average capitalization over the year.

Sources: Bank Al-Maghrib, Casablanca Stock exchange market, Maroclear and ANCFCC.

1 The short-term corresponds to maturities less than or equal to 1 year, the medium-term to those between 1 year and 5 years and the long-term to more than 5 years.

1.8.1 Debt securities

Treasury bills

In 2018, the Treasury raised an amount of 115.1 billion dirhams in the domestic market. Owing to these resources, added to those mobilized by its own channels, the Treasury was able to, in addition to financing the budget deficit and the net negative external flow, to repay 85.6 billion as part of the domestic debt. The issues were mainly medium-term, representing 64 percent instead of 56 percent in 2017, while shares of short and long-term securities fell by 23 percent to 16 percent and 21 percent to 20 percent respectively.

These developments came along with almost stable rates of average maturities, at 2.67 percent, lower long-term bonds, from 3.63 percent to 3.40 percent, and higher short term ones, from 2.30 percent to 2.40 percent. Thus, the overall weighted average rate of Treasury issues on the primary market stood at 2.77 percent against 2.80 percent a year earlier.

Chart 1.8.1: Issues and repayments of treasury bills (in billions of dirhams)

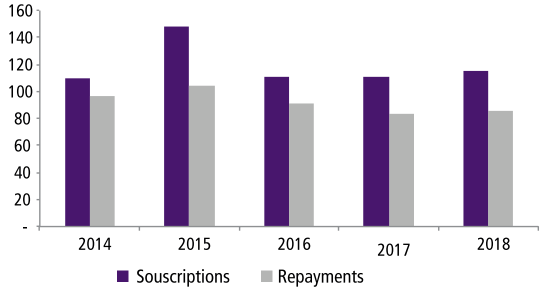
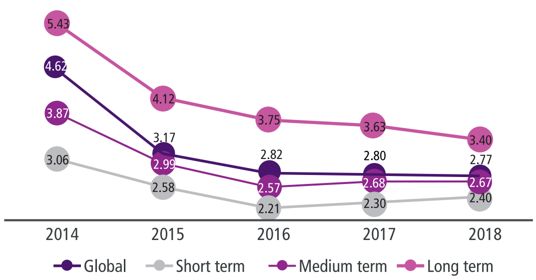


Chart 1.8.2: Average Treasury Bills rates on the primary market (%)

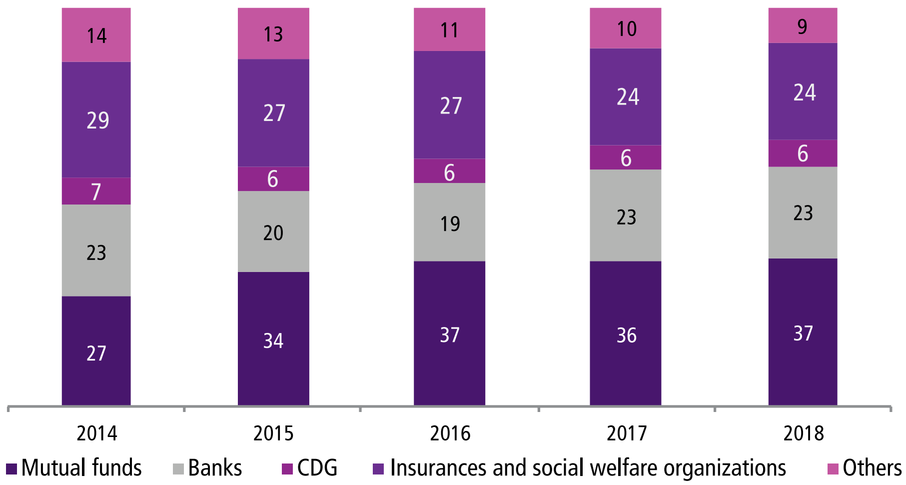


Taking into account the repayment operations, treasury bills' outstanding amount stood at DH 546.2 billion at the end of the year, up 5.7 percent. Their structure is dominated by long maturities with a share of 58.3 percent, followed by medium term ones with 38.1 percent, while short term bonds represent only 3.7 percent. The breakdown of this outstanding amount by creditors remained almost unchanged, with notably 37 percent for mutual funds, 24 percent for insurance and social security funds and 23 percent for banks.

Table 1.8.2: Treasury Bills transactions, by maturity (in million dirhams)

	2014	2015	2016	2017		2018	
				Amount	Structure in %	Amount	Structure in %
Outstanding amount	**426 057**	**470 104**	**490 028**	**516 706**	**100**	**546 205**	**100**
Short term	14 871	27 483	19 051	26 276	5	20 097	4
Medium term	165 013	182 719	187 865	191 593	37	207 857	38
Long term	246 173	259 902	283 112	298 838	58	318 251	58
Subscriptions	**110 169**	**148 521**	**111 364**	**110 680**	**100**	**115 052**	**100**
Short term	14 000	36 570	27 367	25 350	23	18 227	16
Medium term	36 054	75 086	52 370	61 747	56	73 982	64
Long term	60 115	36 865	31 627	23 583	21	22 843	20
Repayments	**97 083**	**104 474**	**91 440**	**84 002**	**100**	**85 554**	**100**
Short term	32 983	23 958	35 798	18 126	22	24 405	29
Medium term	48 591	57 380	47 225	58 019	69	57 718	67
Long term	15 509	23 135	8 417	7 857	9	3 430	4

Chart 1.8.3: Treasury Bills outstanding amount by holder (%)



Private debt securities

In 2018, issues of private debt securities decreased by 10.2 percent to DH 68.9 billion. This change mainly reflects the rise of financial corporations which, after a sharp rise to 60.4 billion in 2017, fell down to 54.1 billion. Banks issued 47.1 billion of them, down 9.5 percent, of which 77.6 percent in the form of certificates of deposit, with rates ranging from 2.40 percent to 2.45 percent for maturities of one to three months and from 2.70 percent to 2.90 percent for those from six months to one year.

Table 1.8.3: Private debt issuances (in millions of dirhams)

	Issues					Change 2018/2017	
	2014	2015	2016	2017	2018	In millions	In %
Overall	**83 006**	**56 830**	**50 456**	**76 713**	**68 874**	**-7 839**	**-10.2**
Financial companies	**59 660**	**34 054**	**40 920**	**60 409**	**54 052**	**-6 357**	**-10.5**
Banks	**51 698**	**28 245**	**36 781**	**52 044**	**47 100**	**-4 944**	**-9.5**
Certificates of deposit	47 498	21 245	28 181	39 047	36 550	-2 497	-6.4
Bonds	4 200	7 000	8 600	12 997	10 550	-2 447	-18.8
Other financial companies	**7 962**	**5 809**	**4 139**	**8 365**	**6 952**	**-1 413**	**-16.9**
Finance companies bills	7 502	4 979	3 889	7 015	5 327	-1 688	-24.1
Bonds	460	830	250	1 350	1 625	275	20.4
Nonfinancial corporations	**23 346**	**22 776**	**9 535**	**16 304**	**14 822**	**-1 482**	**-9.1**
Commercial papers	11 322	15 464	4 385	5 749	2 612	-3 137	-54.6
Bonds	12 024	7 312	5 150	10 555	12 210	1 655	15.7

Sources : Bank Al-Maghrib and Maroclear.

Securities issued by non-financial corporations decreased from 16.3 billion in 2017 to 14.8 billion dirhams, covering a decline from 5.7 billion to 2.6 billion for commercial paper and an increase from 10.6 billion to 12.2 billion for bonds.

Taking into account repayment operations, the outstanding amount of private debt securities increased by 11.2 percent to stand at 197.7 billion dirhams at end-2018. Its structure by issuer is dominated by banks at 52.3 percent, followed by nonfinancial companies, at 35.4 percent.

Table 1.8.4: Outstanding amount of the private debt (in millions of dirhams)

	2014	2015	2016	2017	2018	Change 2018/2017	
						In millions	In %
Overall	**169 173**	**159 606**	**160 912**	**177 733**	**197 723**	**19 990**	**11.2**
Financial corporations	**97 373**	**91 604**	**95 872**	**112 530**	**127 772**	**15 242**	**13.5**
Banks	**80 391**	**73 413**	**81 773**	**94 152**	**103 463**	**9 310**	**9.9**
Certificates of deposit	55 088	41 184	43 520	46 517	52 778	6 260	13.5
Bonds	25 303	32 229	38 253	47 635	50 685	3 050	6.4
Other financial companies	**16 982**	**18 191**	**14 100**	**18 378**	**24 309**	**5 931**	**32.3**
Finance companies bills	13 486	14 460	11 569	15 488	19 769	4 281	27.6
Bonds	3496	3731	2531	2 890	4 540	1 650	57.1
Nonfinancial corporations	**71 800**	**68 002**	**65 040**	**65 203**	**69 951**	**4 749**	**7.3**
Commercial papers	4 836	2 271	1 549	2 052	1 296	-756	-36.8
Bonds	66 964	65 731	63 491	63 151	68 655	5 504	8.7

Sources : Maroclear and Bank Al-Maghrib.

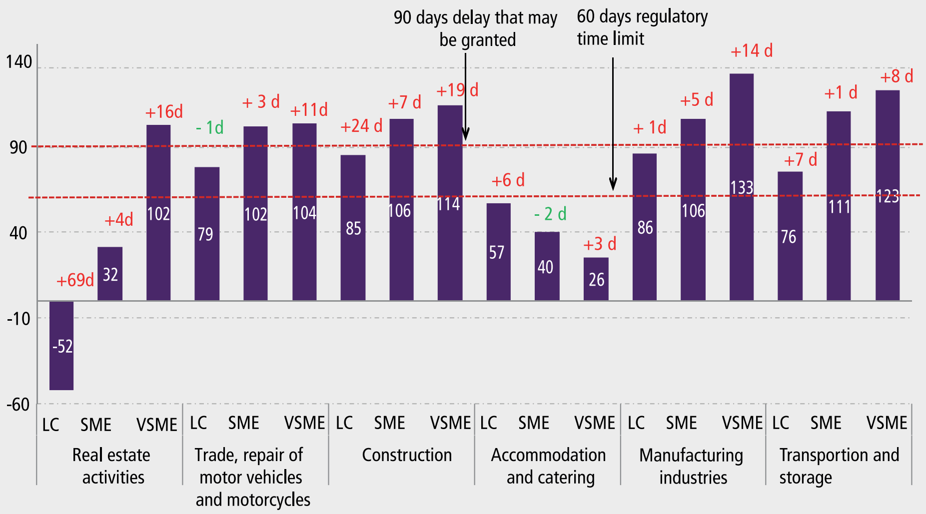
Box 1.8.1: Evolution of payment deadlines

Payment deadlines are widely brought about as obstacles to business development, especially among very small businesses. Estimations by the system put in place by Bank Al-Maghrib in 2013 show that, based on a sample of 74,354 companies[1], these delays maintain their high levels and even record relative increases. Thus, between 2016 and 2017[2], customer payment deadlines[3] rose in almost all business sectors, ranging from one Day of Sales (DS) in "Accommodation and catering" to 6 DS in "Construction".

Half of the companies are paid after the regulatory 60-day period while one third is paid past 120 days. Analysis by activity and type of customers reveals that companies having direct contact with private individuals enjoy relatively short customer deadlines, well below the regulatory limit. This is particularly the case in "accommodation and catering" and "real estate activities" sectors. On the other hand, companies operating in the "construction", "trade and automobiles and motorcycles repair ", "manufacturing industry" or in the "transport and warehousing" sectors posted on average, payment deadlines of more than 60 days.

By size of enterprise, very small enterprises (VSEs) are the ones which suffer the most from delayed payments, followed by small and medium-sized enterprises (SMEs). In the "manufacturing industry" for example, the deadlines reached 133 DS for the first, 106 DS for the second against 86 DS for large companies (LC). In the "transportation and warehousing" sector, these deadlines equaled 123 DS, 111 DS and 76 DS respectively.

Chart B.1.8.1.1: Customer deadlines in days of sales in 2018 (in DS)



Sources: OMPIC data and BAM processing and calculations.

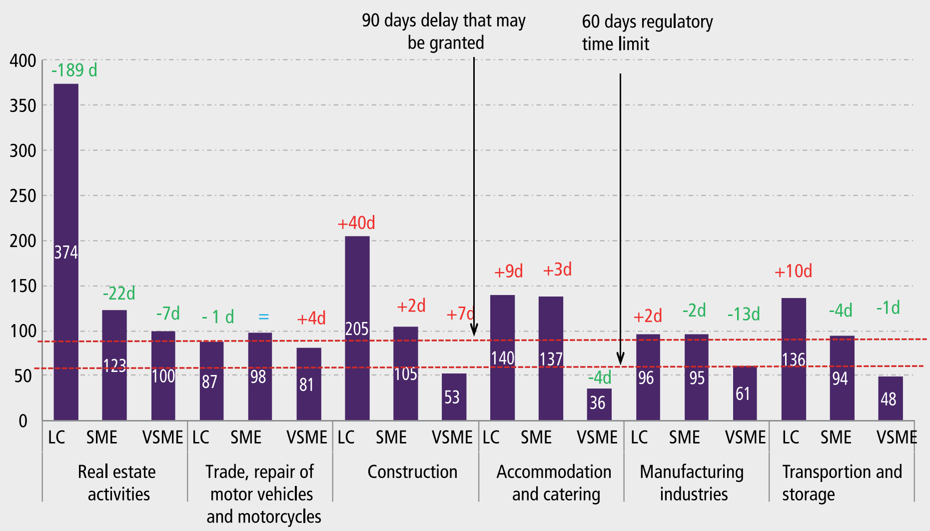
1 Data on companies are provided by the OMPIC and are processed, for more reliability, by the Bank staff.

2 Yearly comparison is based on the common population of 2016 and 2017, i.e. 46,454 companies.

3 Customer payment deadline is the ratio of customers' claims minus customers' advances to the turnover, multiplied by 360 to have a calculation in days of sales.

Supplier delays decreased[4] in all sectors, except for the "trade and automobiles and motorcycles repair" and the "Construction" sectors, which saw a slight increase. In 2017, just over one third of companies settled their suppliers after 60 days of purchase (DP), as against 120DP for one company out of five. LC are generally the ones which allow themselves the longest payment deadlines, particularly in the "real estate activities" and the "construction" where they reached respectively 374 DP and 205 DP, against 100 DP and 53 DP for VSEs.

Chart B.1.8.1.2: Supplier deadlines in days of purchase in 2018 (in DP)



Sources: OMPIC data and BAM processing and calculations.

Conscious of the difficulties related to payment delays, authorities increased their efforts in recent years by implementing several regulatory and operational measures. Thus in 2016, Decree 2-16-344 was promulgated, aligning these deadlines to 60 days for all public orders and setting the methods for calculating default interest. In the same year, the law 15-95[5] was amended to extend its scope to public institutions having a commercial activity, to allow derogation periods in order to take into account the specificity of some sectors, and to establish a payment deadlines observatory. The latter's mission is to better grasp the causes lying behind and to convey recommendations and proposals.

To help support these reforms, the Administration undertook several measures. Among these is improvement of the integrated expenditure management system (GID), establishment of an electronic platform "AJAL" dedicated to receiving complaints of suppliers of Public Institutions and Enterprises as well as an electronic billing device.

4 Supplier payment deadline is the ratio of suppliers' claims minus purchase suppliers' advances, multiplied by 360 to have a calculation in days.

5 Law promulgated by Royal Decree No. 1-96-83 dated 15 Rabii I, 1417 (1 August 1996), forming a code of commerce and governing acts of commerce and traders.

1.8.2 Mutual fund shares/units

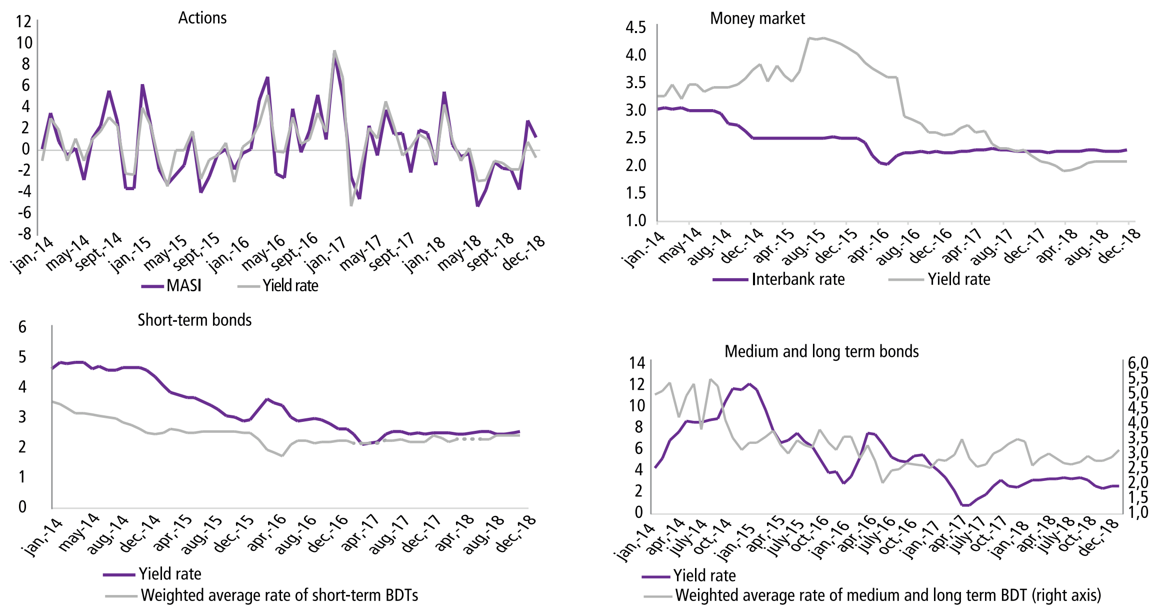
Investment in Mutual fund shares/units slowed sharply in 2018 and concerned more medium and long-term bond funds. Thus, after increasing by 14.3 percent in 2016 and 5.6 percent in 2017, subscriptions rose by 0.8 percent to DH 773.6 billion.

As a result of the declining stock market yields and the almost stable rates, bond funds drained 369.8 billion dirhams, up 32.6 percent, as against 20.9 billion for contractual bonds, after 15.6 billion a year before. On the other hand, acquisitions of other categories fell by 18.4 percent to 361.7 billion for "money market", by 5.8 percent to 14.7 billion for "diversified" and by 53.9 percent to 6.5 billion for "shares".

Considering the 760.1 billion redemptions, net subscriptions amounted to 13.6 billion, including net inflows of 20.2 billion for medium and long-term bond funds and a 9 billion outflow for "money-market" ones. The latter were probably affected in particular by the wider liquidity deficit of the banks.

As regards yields, equity and diversified funds posted losses of 7 percent and 1.2 percent, after gains of 10.5 percent and 5.5 percent, respectively. On the other hand, the performance indices of interest rate products grew at almost the same pace as in 2017, i.e. 2.2 percent for money market funds, 2.6 percent for short-term bonds and 2.7 percent for medium and long-term bond funds.

Chart 1.8.4 : Returns on mutual funds (in %)



Sources : Bank Al-Maghrib and Moroccan Capital Market Authority.

Under these conditions, mutual funds' net assets rose to DH 434.8 billion at the end of 2018, up by 4.5 percent, essentially covering 11.7 percent higher outstanding medium and long-term bond funds to 244.1 billion dirhams, 10.6 percent lower "equity" funds to 31.7 billion and 11.1 percent less "money market" funds to 60.9 billion.

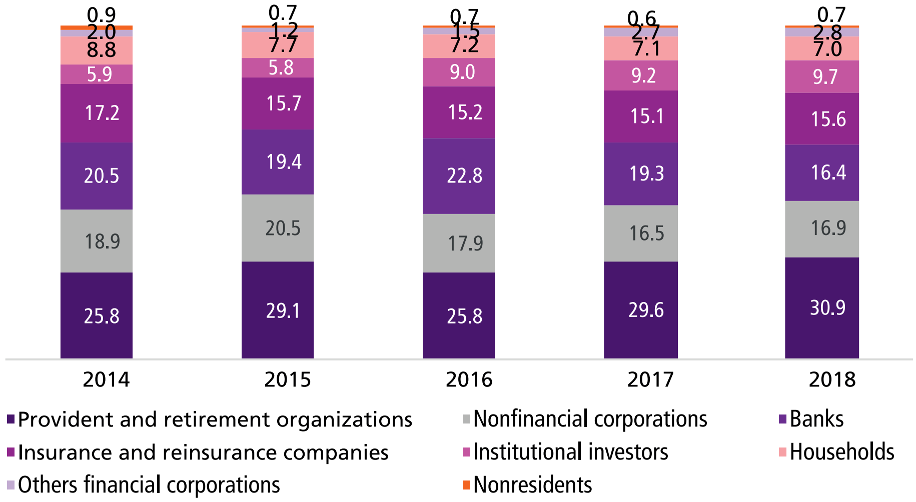
Table 1.8.5: Net assets of mutual fund shares/units (in billion dirhams)

	2014	2015	2016	2017	2018
			Net asset		
Shares	21.1	20.4	26.3	35.4	31.7
Contractual	1.0	1.8	1.6	1.9	2.8
Diversified	11.3	12.9	19.6	26.7	27.8
Monetary	73.7	71.6	72.8	68.5	60.9
Short-term bonds	43.6	48.3	51.2	65.0	67.5
Medium and long term bonds	149.8	175.1	204.1	218.4	244.1
Total	**300.5**	**330.1**	**375.6**	**416**	**434.8**
			Souscriptions		
Shares	4.3	6.0	4.5	14.0	6.5
Contractual	1.7	6.0	11.6	15.6	20.9
Diversified	4.9	5.5	10.8	15.6	14.7
Monetary	428.6	408.9	423.8	443.2	361.7
Short-term bonds	61.2	91.6	130.3	128.3	165.1
Medium and long term bonds	120.7	117.8	145.4	150.7	204.8
Total	**621.4**	**635.8**	**726.5**	**767.4**	**773.6**
			Repurchases		
Shares	4.0	5.7	4.6	7.7	7.0
Contractual	1.7	5.3	11.9	15.3	20.1
Diversified	3.5	4.4	6.3	8.9	13.4
Monetary	425.6	407.9	424.5	448.8	370.7
Short-term bonds	45.6	88.3	130.8	117.4	164.2
Medium and long term bonds	106.6	98.6	127.4	140.6	184.6
Total	**586.9**	**610.2**	**705.4**	**738.7**	**760.1**

Source : Moroccan Capital Market Authority.

The analysis of net assets' structure per holder shows that provident and pension funds, main investors in mutual funds, have once again reinforced their share, from 29.6 percent to 30.9 percent. Similarly, the share of businesses and insurance and reinsurance companies rose respectively from 16.5 percent to 16.9 percent and from 15.1 percent to 15.6 percent. On the other hand, the weight of banks' holdings fell from 19.3 percent to 16.4 percent while that of individuals remained almost stable at 7 percent.

Chart 1.8.5: Outstanding amounts of mutual funds by holder (%)



Source : Moroccan Capital Market Authority.

Box 1.8.2 : Sukuk market and first issuance in Morocco

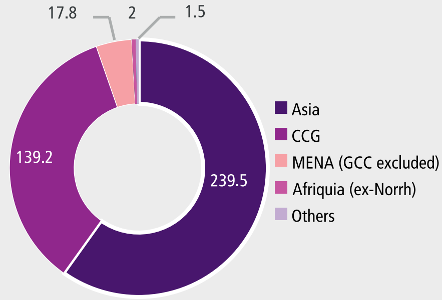
The sukuk market is an essential component of the participatory finance ecosystem, which allows the various units to better manage their resources and liquidity. These instruments are set apart by their certified compliance with the Shariaa, giving investors proportionate and undivided ownership rights over the underlying assets or the income they generate, instead of the fixed or variable interest applied for conventional bonds. The nature and structure of the sukuk differ widely according to the type of the underlying asset, the most common being the sukuk al-ijara, which are based on the principle of leasing, sukuk al-wakala and sukuk al- murabaha.

Since the early 2000s, the global sukuk market recorded a significant rise, moving from $1.2 billion in 2001 to $400 billion in 2017. This evolution was initially driven by GCC countries, after which other countries like Indonesia, Turkey or Pakistan subsequently became regular issuers.

Issues of these securities are largely dominated by sovereign Sukuks, while those initiated by the private sector are still weak, due to various obstacles, including the high cost of issuance, the complexity of legal structures and the lack of tax incentives.

Chart B.1.8.2.1 : Sukuk issues (in billions of dollars)

Chart B.1.8.2.2 : Breakdown of outstanding sukuk by region at the end of 2017 (in billions of dollars)



Source : Islamic financial services industry stability report, 2018.

In Morocco, to develop the participatory finance ecosystem, the first "Ijara" sovereign Sukuks were issued on October 5, 2018. This issue concerned one billion dirhams repayable on 5 years, with an annual yield of 2.66 percent. These certificates are backed by leases of real estate assets in the private domain of the State, and consist of administrative equipment located in Casablanca. At the operational level, the securitization fund created has purchased from the State the right of using these assets and rented them afterwards to the administrations concerned. To finance this operation, the fund issued Sukuk certificates which grant the buyers the right to benefit from the redistribution of the rental income.

Subscriptions reached 3.6 times the amount proposed. In addition to conventional banks, which accounted for 39 percent, participatory banks subscribed at 35 percent, as against 16 percent for mutual funds, the rest being subscribed by different investors.

1.8.3 Stock market

After two years of consecutive increases, the benchmark index of the Casablanca Stock Exchange, MASI, ended the year 2018 down 8.3 percent due to low interest rates. This underperformance may have resulted from the low-than-expected dividends, the climate of uncertainty created by a hostile campaign targeting products of some listed companies and from the withdrawal of some foreign investors.

Chart 1.8.6 : Annual change of MASI (%)

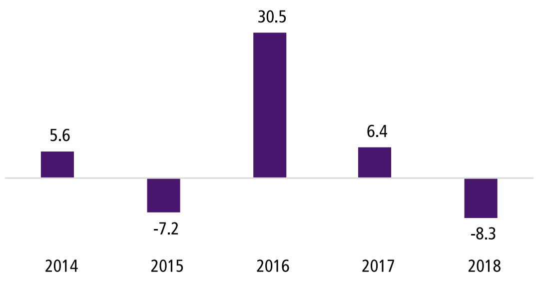
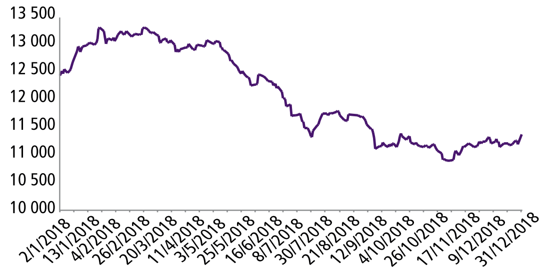


Chart 1.8.7: Daily change of MASI in 2018



Source: Casablanca Stock Exchange.

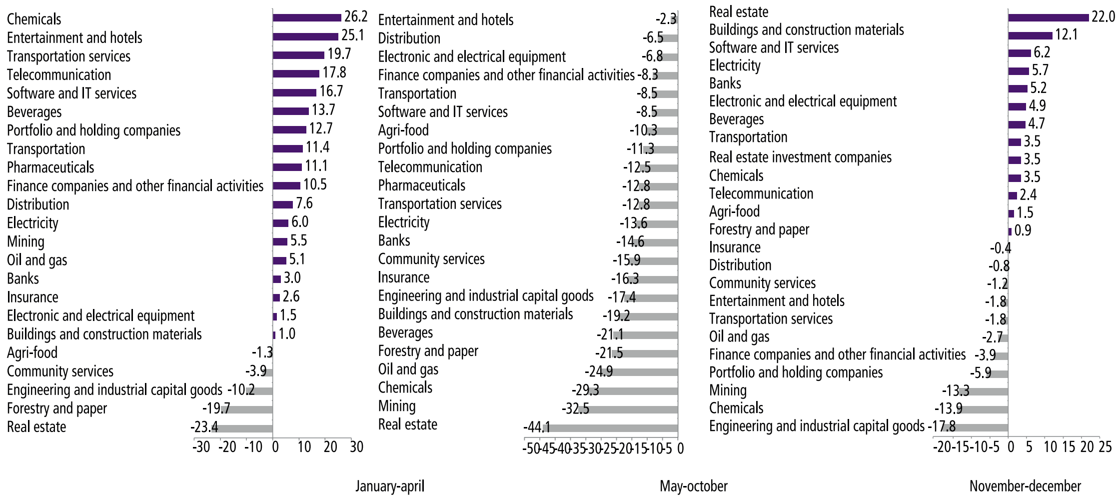
Analysis of prices through the year revealed that they have been trending upwards until April, after which they posted a performance of 5.2 percent compared to the end of December. This increase was mainly driven by the 17.8 percent gain recorded by the "Maroc Telecom" share, favored by the publication of significantly improved results and the continued momentum of its international activities[1]. Similarly, the price of "Marsa Morocco" rose by 19.7 percent, while the values of the banking sector improved by 3 percent during the same period.

Since May, the MASI started a generalized downward trend, posting, at end-October, a decrease of 11.9 percent compared to the beginning of the year. This underperformance has mainly resulted from that of the "banking", "buildings and construction materials" and "real estate" sectors, which recorded decreases of 12 percent, 18.4 percent and 57.2 percent respectively. In the real estate sector, prices' sharp decline reflects the sluggish market, which also impacted the activity of listed real estate developers'. In 2017, their turnover fell by 16.9 percent for "Douja Prom Addoha", by 10.4 percent for "Résidences Dar Essaada" and by 15.3 percent for "Alliances".

During the last two months of the year, the price rises, which particularly affected banks, "buildings and construction materials" companies and real estate companies, helped mitigate the decline in the benchmark index to 8,3 percent at the end of December 2018.

1 On April 17, 2018 Maroc Telecom finalized the purchase of 10 percent of the ONATEL S.A. capital in the Regional Stock Exchange (BRVM) of Abidjan for an amount 41 million euros. As a result, its share in the capital of its branch in Burkina Faso has amounted to 61 percent.

Chart 1.8.8:Sectorial equity indices (Change In %, 2018)



Source: Casablanca Stock Exchange.

Against this background, the valuation level of the Casablanca Stock Exchange fell sharply, as the PER[1] decreased from 20.4 to 17.1 while still remaining high compared to the main places of the "frontier markets". Also, the dividend yield[2] rose to 4.01 percent, after 3.38 percent in 2017.

Table 1.8.6: PER and dividend yield of the most represented countries in the category "Frontiers Markets" of the MSCI Index

	Weight in the MSCI FM[1] index	PER		Dividend yield (%)	
		2017	2018	2017	2018
Kuwait	24.61	14.2	14.2	4.81	3.68
Argentina	14.97	18.0	7.3	0.73	2.07
Vietnam	16.00	21.5	14.2	1.75	1.85
Morocco	**7.28**	**20.4**	**17.1**	**3.38**	**4.01**
Nigeria	6.48	11.0	9.2	3.39	5.34

1 Weight as at february 28, 2019.
Source : Thomson Reuters Eikon.

The overall trade volume fell by 17 billion to DH 52.7 billion, mainly reflecting the falling block transactions to 9.7 billion. In the central market, operations totaled 37.2 billion against 39.8 billion, equaling an average daily amount of 150.5 million against 159.1 million.

In addition, the year 2018 recorded capital increases for a total of DH 3.5 billion as well as two new listings. The first, carried out in May, concerned "Immorente Invest", an investment company specializing in leasing professional real estate assets, and was operated by an increase of 400 million dirhams. The second, which took place in December, concerned the company "Mutandis",

1 The PER represents the ratio between the stock price and earnings per share.
2 The dividend yield is the ratio between the distributed dividend and the share price.

an industrial and commercial group specializing in consumer goods of households, and was carried out through shares transfer and capital increase for the same amount. These two operations succeeded somehow, with subscriptions reaching 1.4 times and 2.5 times the offer, respectively.

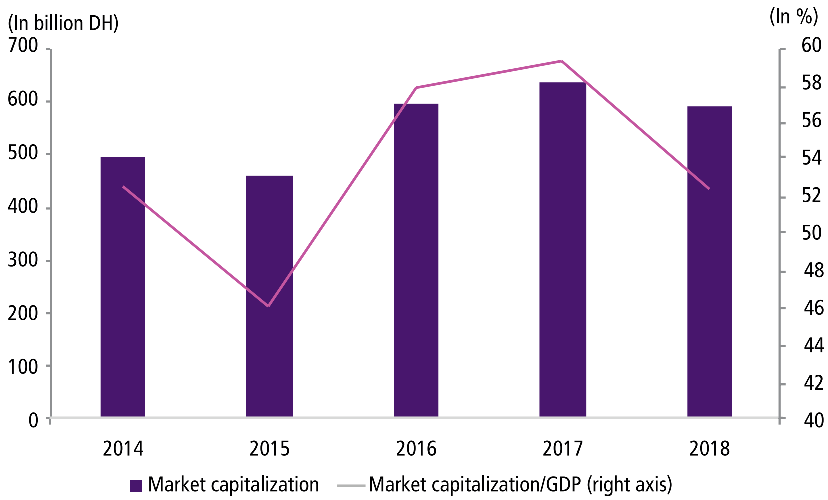
Table 1.8.7: Trading volume (in millions of dirhams)

	2014	2015	2016	2017	2018
I- Shares	**44 333.8**	**46 885.0**	**68 193.4**	**66 877.7**	**50 915.2**
1-Central market	27 594.6	28 758.0	32 082.2	39 489.0	37 121.8
2-OTC market	11 816.1	11 751.0	18 379.4	24 051.3	8 791.4
Total of the secondary market (1+2)	**39 410.7**	**40 509.0**	**50 461.6**	**63 540.3**	**45 913.2**
3- New listings	1 127.0	893.4	1 929.8	0.0	798.6
4- Securities contribution	2 493.1	923.0	4 797.9	1 213.1	251.3
5- Public offerings	671.9	2 407.9	440.4	67.1	25.2
6- Transfers	206.1	106.5	686.8	622.7	429.7
7- Capital increases	425.1	2 045.3	9 876.8	1 434.5	3 497.3
Total of other markets (3+4+5+6+7)	**4 923.1**	**6 376.0**	**17 731.8**	**3 337.4**	**5 002.1**
II- Bonds	**5 475.0**	**5 206.4**	**4 543.1**	**2 859.9**	**1 772.6**
8- Central market	3 355.4	2 689.7	2 120.9	307.8	55.1
9- OTC market	1 936.1	1 705.6	1 484.1	1 684.4	950.1
Total of secondary market (8+9)	**5 291.4**	**4 395.2**	**3 605.0**	**1 992.3**	**1 005.2**
10- New listings	183.6	809.7	938.1	657.9	767.4
11- Securities contributions	0.0	1.5	0.0	209.7	0.0
12- Transfers	0.0	0.0	0.0	0.0	0.0
Total of other markets (10+11+12)	**183.6**	**811.2**	**938.1**	**867.6**	**767.4**
Total (I+II)	**49 808.8**	**52 091.4**	**72 736.6**	**69 737.6**	**52 687.8**

Source: Casablanca Stock Exchange.

Overall, market capitalization will have lost DH 44.8 billion to stand at 582.2 billion at end-2018 and its ratio to GDP fell from 59 percent to 52.6 percent. Its floating component was down by 5.3 percent to 136.1 billion, reflecting the effect of prices depreciation, while the floating factor increased from 23.8 percent to 24, 1 percent.

Chart 1.8.9 : Change in market capitalization



Source: Casablanca Stock Exchange.

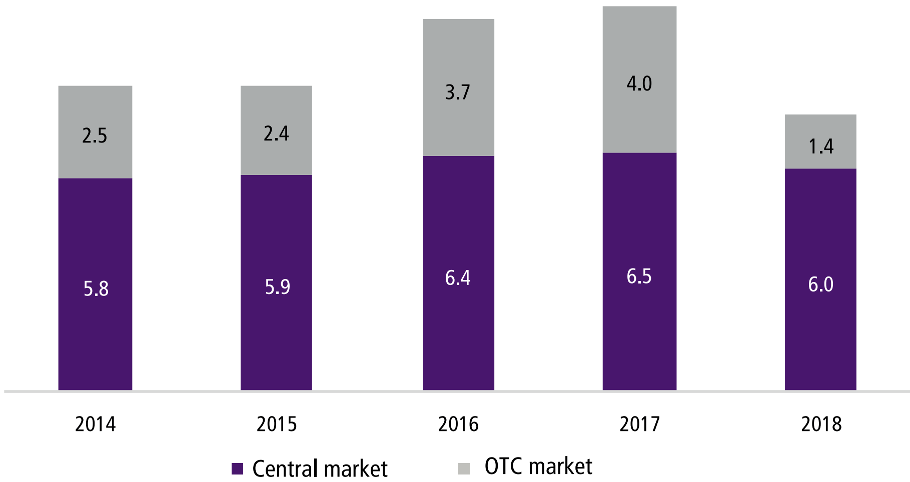
Table 1.8.8: Capitalization and free float factor of the main sectors in 2018

Sectors	Market capitalization (in billion dirhams)	Float factor (in%)
Banks	203.0	23.0
Telecommunication	124.4	20.0
Buildings and building materials	69.9	28.9
Food / Production	32.7	32.4
Insurance	24.9	16.3
Electricity	21.0	15.0
Oil and gas	20.1	9.1
Mining	13.7	19.4
Distributors	13.4	19.8
Transportation services	12.0	35.0
Beverages	10.3	20.9
Participation and property development	9.7	34.7
Finance companies and other financial activities	6.8	13.1
Community services	4.0	16.4
Pharmaceutical industry	4.0	20.0
Computing materials, softwares and computing services	3.4	42.6
Holding companies	2.8	19.9
Leisure and hotels	2.5	15.0
Chemistry	1.2	34.9
Transport	1.1	26.0
Real estate investment companies	0.7	53.2
Electronic and electrical equipment	0.3	20.0
Engineering and industrial equipment	0.2	20.0
Forestry and paper	0.1	45.0
Total	**582.2**	**24.1**

Source: Casablanca Stock Exchange.

Under these conditions, the liquidity ratio on the central equity market fell from 6.5 percent to 6 percent, remaining low compared to the main "frontier" and "emerging" market exchanges, where it particularly reached 87.7 percent for Brazil, 54.5 percent for India, 34.9 percent for Vietnam and 10.4 percent for Argentina.

Chart 1.8.10: Liquidity ratio (%)



Sources: Casablanca Stock Exchange, and BAM calculations.

1.8.4 Real estate assets

In 2018, the real estate market saw a 4.8 percent-higher number of transactions, after their 6.8 percent decrease, and stagnating prices overall, following their 5.4 percent rise a year ago. Sales increased by 3.3 percent for residential assets, 8.7 percent for land and 9.6 percent for professional use, while prices remained almost stable for all three categories.

Table 1.8.9: Change in REPI and in number of transactions (%)

	REPI					Transactions				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Overall	**-0.1**	**0.9**	**1.3**	**5.4**	**0.0**	**15.9**	**-1.1**	**8.7**	**-6.8**	**4.8**
Residential	**0.2**	**1.2**	**0.8**	**5.1**	**0.2**	**18.7**	**-1.9**	**8.2**	**-7.8**	**3.3**
Apartment	0.3	1.2	0.9	6.2	0.1	20.9	-1.5	8.2	-7.2	2.5
House	0.1	1.3	0.1	1.4	0.1	-5.6	-4.6	8.3	-15.5	14.4
Villa	-1.1	0.6	3.5	2.9	1.2	12.1	-9.5	6.9	-16.1	11.0
Urban land	**-0.9**	**1.3**	**2.1**	**5.8**	**-0.2**	**6.6**	**0.5**	**9.7**	**-4.3**	**8.7**
Business properties	**1.0**	**-1.2**	**3.9**	**7.2**	**0.2**	**14.8**	**0.5**	**7.9**	**-2.6**	**9.6**
Commercial premises	0.9	-1.0	4.9	6.4	1.0	14.8	0.0	7.6	-3.7	9.7
Offices	2.8	-3.0	-0.2	10.2	-2.7	14.9	5.1	8.9	5.5	8.2

Sources : ANCFCC data and BAM calculations.

In the major cities, after their 7.1 percent rise in 2017, prices in Marrakech decreased by 5.3 percent. This decline, the largest since the introduction of the price index in 2006, affected all assets classes and reached 2.5 percent for residential properties, 7.2 percent for land and 1.4 percent for commercial properties. Likewise, the number of transactions continued the downward trend that began in 2015, and fell by 15.7 percent, due to the respective decreases of the three categories of assets, by 19.9 percent, 0.9 percent and 37.6 percent.

Table 1.8.10: Change in prices and number of transactions by city (%)

	REPI					Transactions				
	2014	2015	2016	2017	2018	2014	2015	2016	2017	2018
Casablanca	0.1	4.4	-3.0	5.2	1.3	33.7	-4.2	4.4	5.1	-3.5
Marrakech	1.7	-2.2	1.0	7.1	-5.3	21.4	-5.8	-14.3	-12.6	-15.7
Fes	0.4	0.7	2.7	8.4	-1.0	12.8	-6.3	13.6	-10.5	10.3
Tangier	-0.5	1.1	2.0	6.9	2.0	7.0	-10.5	-5.5	-16.4	20.4
Meknes	1.5	1.3	2.1	7.6	0.6	30.6	11.6	23.3	-14.1	8.5
Oujda	-1.3	0.9	2.7	3.9	2.7	16.0	0.7	7.1	-2.6	-5.6
Kenitra	-0.6	2.3	3.1	5.5	1.2	15.2	6.0	14.6	-14.6	19.5
El Jadida	-4.2	-2.7	1.7	7.0	-0.9	-1.9	37.0	15.0	-14.4	9.2
Agadir	1.1	0.9	2.4	6.7	2.1	-10.4	-20.4	22.6	-4.3	25.2
Rabat	1.4	0.9	4.7	-1.1	3.6	4.7	-10.0	28.4	-18.8	23.1
Global	**-0.1**	**0.9**	**1.3**	**5.4**	**0.0**	**15.9**	**-1.1**	**8.7**	**-6.8**	**4.8**

Sources: National Land Registry Office and BAM calculations.

In Casablanca, prices increased by 1.3 percent overall, covering rises by 1.5 percent for residential properties and 0.9 percent for land, while commercial properties depreciated by 1.2 percent. As for transactions, they declined by 3.5 percent, mainly reflecting the 6.6 percent drop of residential sales. On the other hand, increases of 8.6 percent and 16.7 percent respectively were recorded for land and commercial properties.

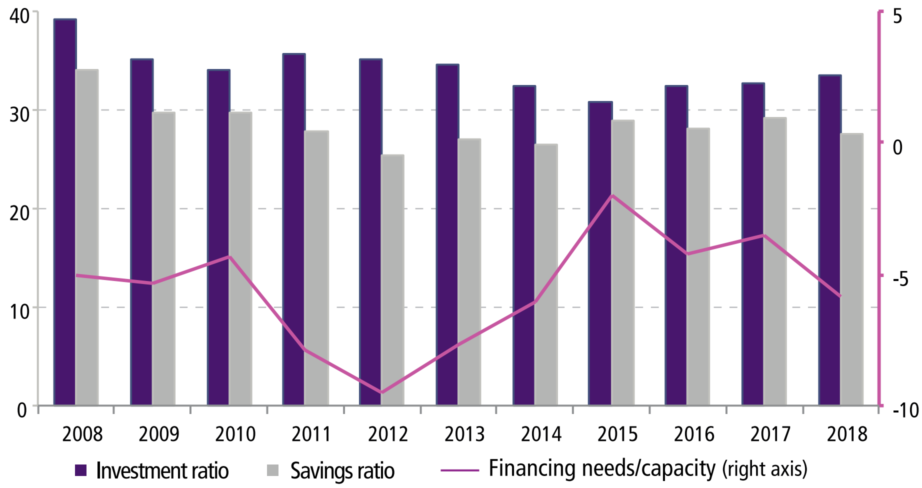
In Tangier, the market recorded an increase in both prices and transactions. Residential sales increased by 16.3 percent for prices rising by 1.8 percent. These rates reached respectively 51.4 percent and 2.6 percent for real estate, and 29.7 percent and 5.7 percent for commercial properties.

In Rabat, prices rose 3.6 percent after falling 1.1 percent in 2017, with valuations of 3.8 percent for residential properties, 8.5 percent for land and 1 percent for commercial properties. Besides, sales increased by 26.1 percent for residential properties and 25.8 percent for real estate, while those of commercial properties fell by 4.8 percent.

1.9 Financing the economy

At current prices, the Gross National Disposable Income[1] stood at 1157.7 billion dirhams in 2018, up by 2.7 percent compared to 2017. Taking into account a 4.2 percent increase in final consumption to 852.3 billion, national savings reached 305.4 billion, i.e. 27.6 percent of GDP. At the same time, investment spending speed up by 6.9 percent to reach 371 billion, or 33.5 percent of GDP. Under these conditions, the financing requirement of the economy increased to 65.6 billion, equal to 5.9 percent of GDP.

Chart 1.9.1: Financing requirement (in % of GDP)



Source: HCP.

By institutional sector[2], nonfinancial corporations' requirements may have increased in 2018 and 39.8 billion of them were financed through external sources. In the same way, the financing need of the general government[3] may have worsened, leading to a 32.2 billion-rise in its commitments vis-à-vis the residents. For households[4], their financing capacity may have increased.

1.9.1 Financial flows with the rest of the world

In 2018, the financing requirement of the economy was mainly covered by equity investments in resident enterprises which reached 26.6 billion dirhams, as against 18.6 billion a year earlier. As for other flows, commercial credits fell from 18.1 billion to 10 billion and loans dropped from 29.5 billion to 9 billion dirhams.

1 Gross national disposable income (GNDI) is the sum of GDP, current transfers and net income from abroad.

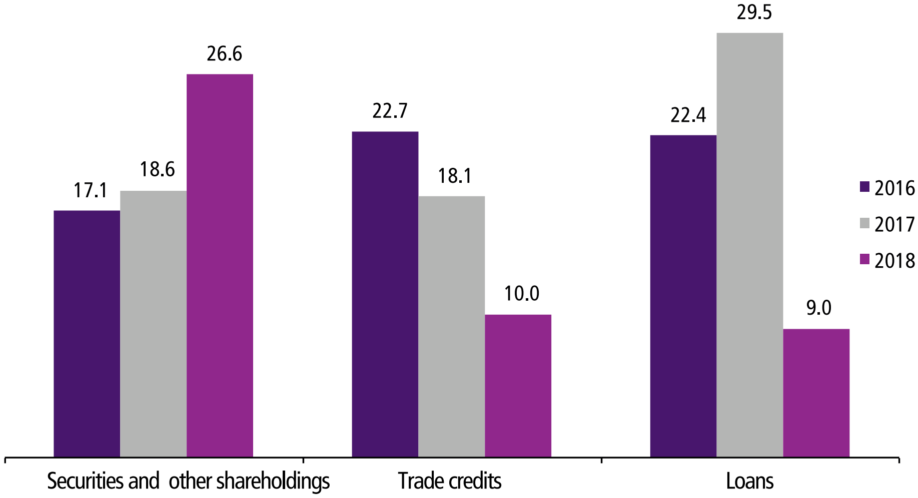
2 The 2018 data are estimated by BAM on the basis of information from the HCP table of integrated economic accounts.

3 They include the central government, local authorities and the compulsory pension schemes.

4 Households include individuals, sole proprietors, and non-profit institutions serving households.

By economic agent, the flow of net liabilities[1] of nonfinancial corporations stood at 39.8 billion, after 51.5 billion, including a slower growth of borrowings from 20.5 billion to 9.2 billion and of trade loans from 18.1 billion to 10 billion. In contrast, equities and other shareholdings increased by 20.7 billion, as against 15.7 billion a year earlier.

Chart 1.9.2: Main external financing sources
(Net flows in billion dirhams)



Source: Foreign Exchange Office.

With regard to general government, its net external liabilities rose from 6.6 billion dirhams to a negative flow of 1.9 billion, as a result of their 9.7 billion-decrease for loans. More particularly, gross drawings of the Treasury fell from 16.8 billion dirhams to 6.2 billion. This amount was contracted mainly from the Arab Monetary Fund for 2.8 billion, the African Development Bank for 1.6 billion and the World Bank for 1.5 billion dirhams.

On the other hand, assets of foreign residents decreased by 7 billion, after their 15.7 billion increase in 2017. For financial corporations in particular, Bank Al-Maghrib's gross international reserves fell by 10.6 billion dirhams, as against 1.4 billion for other assets of other companies. On the other hand, holdings of nonfinancial corporations rose by 4.9 billion after 3.2 billion, due to higher net flows of commercial loans and shareholdings.

1 Balance of outflows and inflows under liabilities.

Table 1.9.1: Financial flows with the rest of the world (in billions of dirhams)

	2017				2018			
	Total	GG[1]	NFC[1]	FC[1]	Total	GG[1]	NFC[1]	FC[1]
Funding Requirement[2]	**-37.7**				**-65.6**			
Residents' assets on rest of the world[3]	**15.7**	**0.2**	**3.2**	**12.3**	**-7.0**	**0.3**	**4.9**	**-12.2**
Gold and SDR	-0.2			-0.2	0.0			0.0
Cash and deposits	49.2		-0.3	49.4	2.7		0.2	2.5
Securities and other shareholdings	9.5	0.2	2.8	6.5	8.5	0.3	2.9	5.3
Securities other than shares	-42.3	0.0	0.0	-42.2	-18.1	0.0	0.0	-18.1
Loans	0.4	0.0	0.2	0.2	0.5	0.0	0.2	0.3
Trade credits	0.5		0.5		1.6		1.6	0.0
Other accounts payable	0.0		0.0		0.0		0.0	0.0
Financial Derivatives	-1.4			-1.4	-2.0			-2.0
Residents' liabilities to the rest of the world[3]	**44.3**	**6.6**	**51.5**	**-13.8**	**42.1**	**-1.9**	**39.8**	**4.2**
Deposits	-16.8			-16.8	1.4			1.4
Securities and other shareholdings	18.6		15.7	2.9	26.6		20.7	6.0
Securities other than shares	-0.7	-2.2	0.1	1.4	-3.2	-1.0	-0.1	-2.1
Loans	29.5	8.8	20.5	0.2	9.0	-0.9	9.2	0.7
Trade credits	18.1		18.1		10.0		10.0	
Other accounts payable	-3.0		-3.0		0.0		0.0	
Financial Derivatives	-1.4			-1.4	-1.8			-1.8

[1] GG: General government; NFC: Nonfinancial corporations; FC: Financial corporations.

[2] National accounts data.

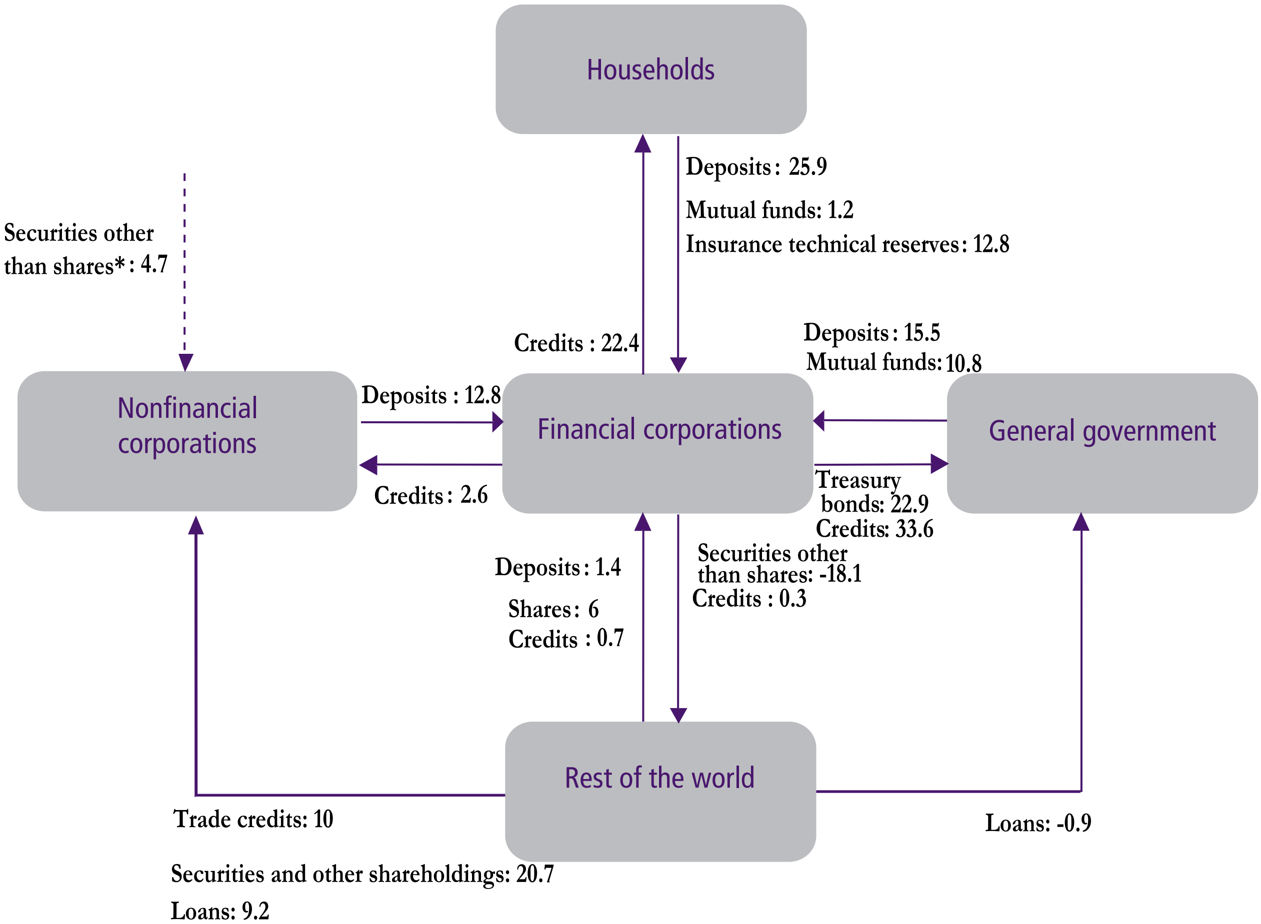
[3] Errors and omissions excluded.

Sources: Foreign Exchange Office data, HCP and BAM calculations and estimates.

1.9.2 Financial flows between resident sectors

In 2018, financial flows between the resident sectors saw a sharp acceleration of the credits granted by banks to the Central Administration and by the activity of participatory banks.

Figure 1.9.1: Main financial flows between institutional sectors in 2018 (in billions of dirhams)



*Flows where the breakdown by institutional sector is not available.

1.9.2.1 Financial flows of the general government

Financial transactions made by the general government with residents were characterized by a significant increase of their liabilities, by 39 billion dirhams. This change is explained by the fact that banks granted 26.3 billion as part of the factoring transactions launched by the State with the banking system to clear the stock of VAT credits. As for the net issues of treasury bills, they increased to 29.5 billion.

Table 1.9.2: Main financial flows of the general government (in billion dirhams)

	2017	2018
Financing Requirement[1]	**-4.3**	**-7.6**
Main net flows of financial assets acquisition	**15.9**	**32.2**
Deposits	2.8	15.5
Negotiable debt securities	-0.5	-0.8
Treasury bonds	-8.9	6.6
Mutual funds shares/units	22.5	10.8
Net flows of liabilities	**35.5**	**74.5**
Deposits with the Treasury	7.0	8.2
Treasury bonds	26.7	29.5
Loans	2.7	33.6
Other accounts payable/receivable	-0.8	3.2

1 BAM estimates based on the table of integrated economic accounts.
Sources : Bank Al-Maghrib, MCMA and Maroclear.

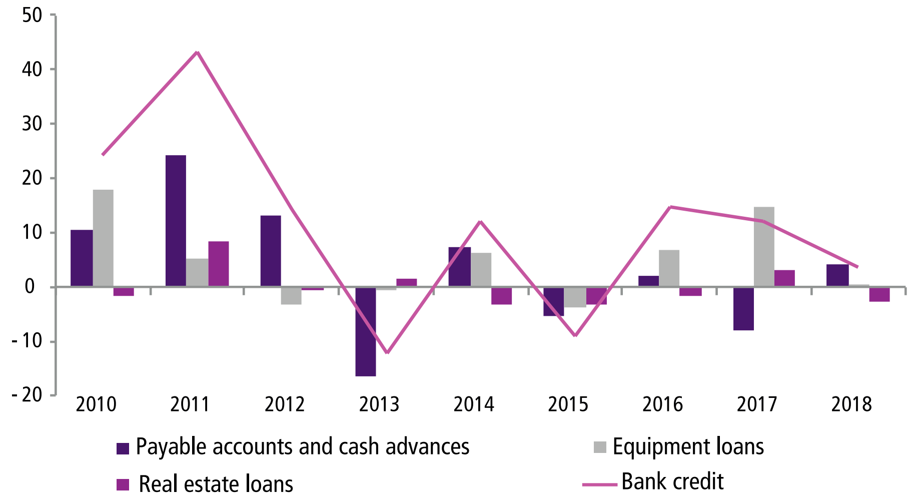
Regarding the financial assets of the General Government, consisting mainly of investments made by provident and compulsory pension schemes, they increased by 32.2 billion dirhams. Holdings of Treasury bills rose by 6.6 billion and deposits by 15.5 billion, while holdings of mutual fund securities rose by 10.8 billion.

1.9.2.2 Financial flows of nonfinancial corporations

After their 15.5 billion dirhams-increase in 2017, liabilities[1] of nonfinancial corporations grew by 7.3 billion, mainly due to the lower recourse to credit[2], as their outstanding amount rose by 2.6 billion against 15.4 billion one year before. This trend particularly reflects the lower flow of equipment loans granted by banks from 15 billion to 610 million. In addition, net issuance of debt securities amounted to MAD 4.7 billion after MAD 163 million.

1 Excluding commercial credits and shares.
2 Granted by banks and other financial companies.

Chart 1.9.3: Net flows of bank credits to nonfinancial corporations (in billion dirhams)



Regarding the assets of nonfinancial corporations, their flows increased from 4.3 billion in 2017 to 18.5 billion in 2018. More particularly, deposits with banks increased by 7.2 billion for demand deposits and 6.9 billion for time accounts. Also, their portfolio of mutual funds' securities increased by 5 billion.

Table 1.9.3: Major financial flows of nonfinancial corporations (in billion dirhams)

	2017	2018
Funding Requirement[1]	**-56.8**	**-98.8**
Net flows of financial assets acquisition (excluding trade credits and shares)	**4.3**	**18.5**
Deposits	3.5	12.8
Securities other than shares	-0.7	0.2
Mutual funds shares/units	1.3	5.0
Insurance technical reserves	0.1	0.6
Net flows of liabilities (excluding trade credits and shares)	**15.5**	**7.3**
Securities other than shares	0.2	4.7
Loans	15.4	2.6

1 BAM estimates based on the table of integrated economic accounts.

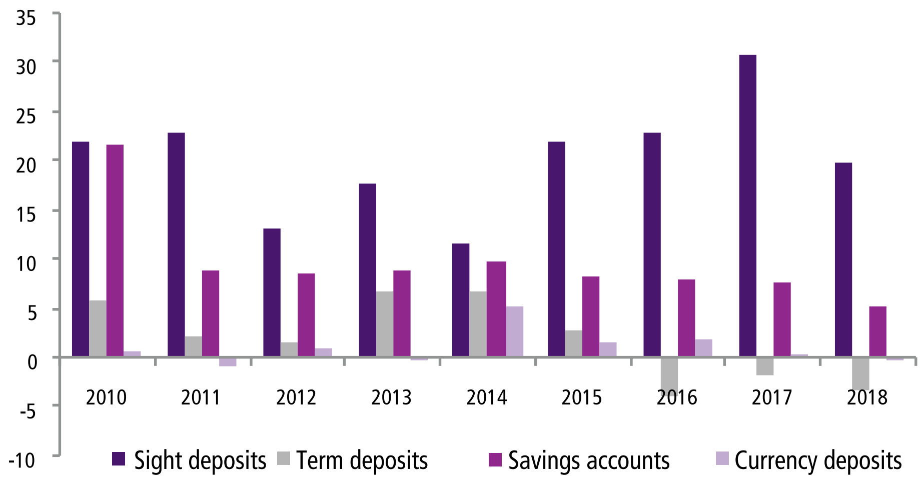
Sources : Bank Al-Maghrib, MCMA and Maroclear.

1.9.2.3 Household financial flows

Household financial assets[1] improved by 55.6 billion, after 74 billion. This trend mainly reflects their 25.9 billion-higher deposits, against 40.4 billion in 2017, particularly with a significant deceleration of demand deposits and the decline, for the third year in a row, of time accounts. Holdings of mutual funds securities rose merely by 1.2 billion, after 2.8 billion a year earlier.

1 Excluding commercial credits and shares

Chart 1.9.4: Flows of household deposits with banks (in billion dirhams)



With regard to households' commitments, loans from financial corporations increased by MAD 22.4 billion, as against 17.7 billion the previous year. In particular, housing loans grew by 11.1 billion, after 7.3 billion, including 3.9 billion granted by participatory banks.

Table 1.9.4: Main financial flows of households (in billion dirhams)

	2017	2018
Financing capacity[1]	**9.8**	**17.1**
Net flows of financial assets acquisition (excluding trade credits and shares)	**74.0**	**55.6**
Cash	15.5	14.6
Deposits	40.4	25.9
Negotiable debt securities	1.5	1.0
Mutual fund shares/units	2.8	1.2
Insurance technical reserves	13.9	12.8
Net flows of liabilities (excluding trade credits and shares)	**17.7**	**22.4**
Loans	17.7	22.4

1 BAM estimates based on the table of integrated economic accounts.

Sources : Bank Al-Maghrib, MCMA and Maroclear.

PART 2

ACHIEVEMENT OF BANK MISSIONS

HIGHLIGHTS OF THE YEAR

For Bank Al-Maghrib, the year 2018 was an exceptional year in many respects. The Bank made remarkable progress in achieving its missions as well as regarding its operating mode and its organization as a company.

The beginning of the year was marked by the launch, on January 15, of a major reform aimed at strengthening the national economy's resilience to external shocks and to enhancing its competitiveness. Hence, a gradual and orderly transition to a more flexible exchange rate regime was initiated, starting by expanding the fluctuation band of the dirham, while maintaining its current anchorage to the reference basket. At the operational level, the Bank adapted its intervention mechanism, and set up, as the main instrument of intervention, an auction system for the purchase or sale of currencies against the dirham. Implementation of this reform is taking place in good conditions, as the banking system grasped it well, operators have adapted progressively, the market is getting deeper, and the exchange rate is evolving within the band, with no intervention from the central bank.

In terms of monetary policy conduct, the Bank continued its accommodative stance, considering the moderate inflation and the continued improvement, albeit at a slow pace, of non-agricultural activities.

With regard to banking supervision, the Bank continued to strengthen the regulatory framework governing the activity of credit institutions and stepped up its efforts to protect customers. In terms of macro-prudential supervision, Bank Al-Maghrib has strengthened its analytical framework, particularly by setting up a framework to better understand the interactions between monetary and macro-prudential policies.

In the field of financial inclusion, the year culminated in the development of the National Financial Inclusion Strategy, which aims, in particular, to fill the gap in this area for the benefit of young people, women and rural population. For the same purpose, and in order to develop the use of electronic payments, the Bank continued, together with the National Agency for the Regulation of Telecommunications and other stakeholders, implementing the national mobile payment solution. In this regard, it defined the rules necessary for its operation and set up the mobile switch tool. To this end, the Bank has licensed 10 payment institutions to open payment accounts and to offer payment services to their customers.

At Dar As-Sikkah, modernization and capacity building efforts continued, with over one billion new banknote produced, half of which is meant for exportation.

In terms of financial information development, the second delegate integrated into the central risk registry led to a significantly higher number of users of these registries.

The Bank's communication policy continued to support its various projects while remaining fully committed to innovation and diversification. The Bank's presence on social networks was therefore strengthened by the production and diffusion of more and more educational materials to explain its missions and work and ensure their dissemination among the public. In addition, the Bank pursued its openness policy and continued contributing to the cultural life of the country by offering a rich cultural program of its Museum covering areas of art and numismatics.

Putting human capital at the heart of its concerns, the Bank remained vigilant as to improving its working conditions. Many initiatives were taken in this regard, including supporting improvement of core business skills, continuously developing good managerial practices, promoting professional gender equality and improving social benefits.

In light of these advances, the Bank confirmed its position at the national, regional and international levels. Hence, Bank Al-Maghrib was increasingly sought to shed light on the economic and social issues of our country, by taking part in different debates and producing analysis and research documents. It also continues to expand its cooperative relations with central banks as well as with regional and international institutions.

Besides, the year 2018 was marked by the drafting of the new strategic plan 2019-2023. Through this Plan, the Bank aims to achieve two main guidelines; the first is to ensure monetary and financial stability for the benefit of employment and sustainable and inclusive growth, and the second is to continue its transformation to foster creativity and the culture of innovation in the digital era. In this regard, to take full advantage of the opportunities offered by the digital revolution, the Bank has initiated a major project for its digital transformation. Hence, it intends to start adapting its businesses, reengineering its processes and promoting a culture of change among its agents to make this transformation a success.

The Bank has also strengthened alignment of its governance to the best international standards, with a concrete implementation of its guidelines in terms of Corporate Social Responsibility and compliance with ethical standards.

To achieve and succeed in these projects, Bank Al-Maghrib adapted its organizational and governance mode by setting up a dedicated digital entity and creating two new functions, namely Compliance and CSR. The Bank is also undertaking a major project aiming to reorganize the functions related to production and data management to take advantage of the opportunities offered by the new technologies in this area.

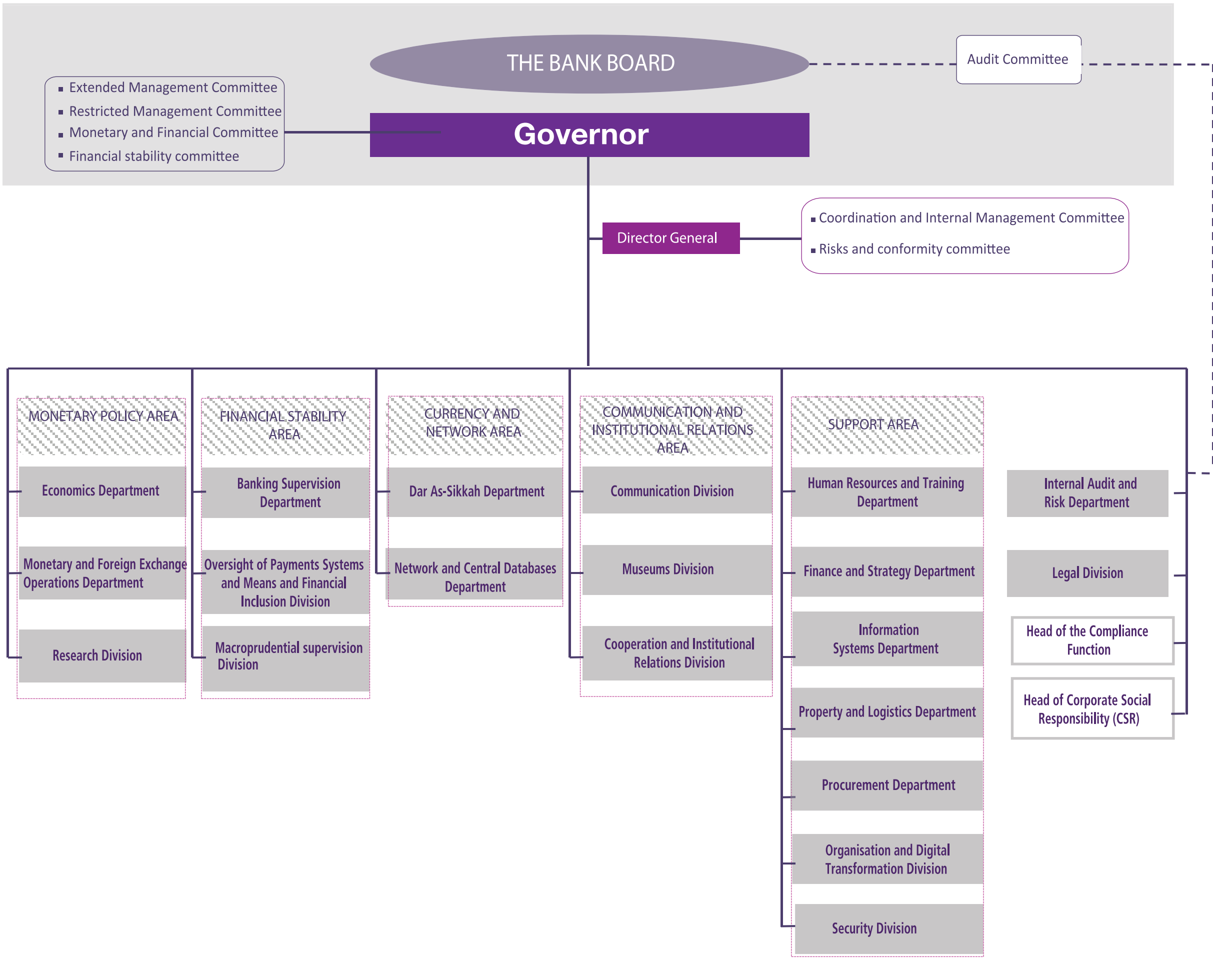
On the eve of its sixtieth anniversary, such advances are progressively making the Bank's ambition to be "a performing and innovative central bank and a force for change at the service of country" a reality.

2.1 Governance and strategy

2.1.1 Organizational and governance structure

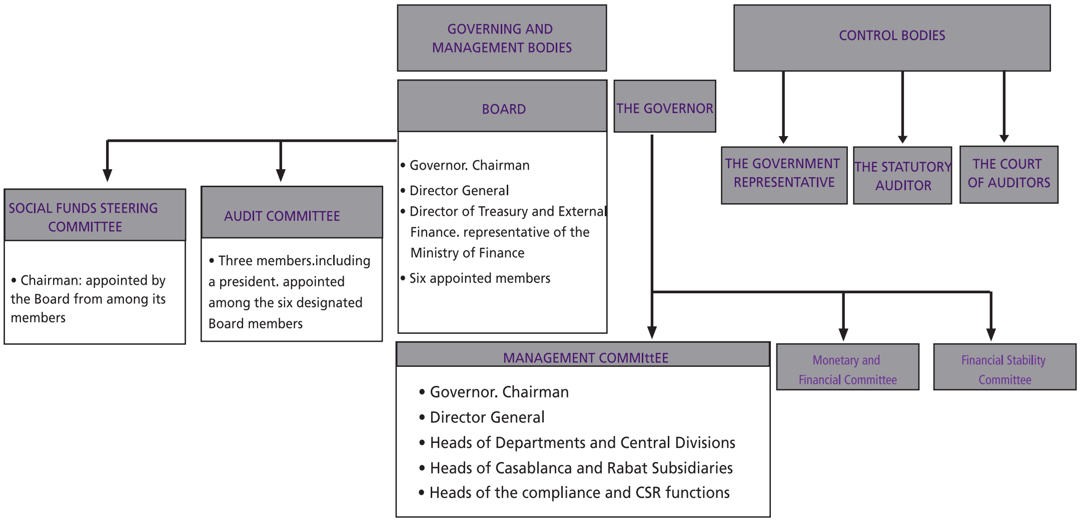
Further to the implementation of its 2019-2023 strategic plan, the organizational structure of the Bank is now based on 20 entities, a compliance function and a CSR (Corporate Social Responsibility) function in addition to 5 permanent governance bodies each of which intervenes in one or more fields of activity.

Organisational chart of Bank Al-Maghrib



The governing and management bodies of Bank Al-Maghrib consist of the Board, the Governor and the Management Committee. The Bank is supervised by three bodies: the Government representative, the Statutory auditor and the Court of Auditors.

Governance bodies of Bank Al-Maghrib



2.1.1.1 Administrative and management bodies

The Bank Board is composed of the Governor as chairman, the Director General and six members appointed for their monetary, financial or economic expertise for a six-year renewable term. Three of these members are proposed by the Governor and the other three by the Head of Government. The Director of Treasury and External Finance sits in the Board as an ex-officio member but does not vote on monetary policy decisions.

The Board, which meets quarterly following a predefined timetable made public at the beginning of the year, sets the monetary policy guidelines, based on the analyses and forecasts prepared by the Bank staff. It also decides on the strategic allocation which governs the foreign exchange reserves management and monitors the results of this management. The Board is also responsible for defining the characteristics of banknotes and coins issued by the Bank and deciding as to their circulation or withdrawal following regulatory provisions. It is also in charge of the Bank's management, particularly with regard to the general policy, the financial management and accounting, as well as the Bank's organization.

Two committees have been set up from among the Board members:

- The Audit Committee, which is responsible for examining and advising on matters relating to accounting information, internal and external audit, internal control and risk control. It is composed of three members, chosen from among the six designated members of the Board and meets four times a year, 10 days before the Board meetings. A charter, approved by the Board, defines the roles, responsibilities and operating procedures of the Audit Committee;

- The Social Funds Steering Committee, responsible for managing the Bank's internal pension and health insurance plans and monitoring their technical and financial management. It is chaired by a member of the Board and is composed of the heads of entities in charge of financial management, human resources and monetary and foreign exchange operations, as well as of two staff representatives. Its operating procedures are laid down in a charter approved by the Board.
- In compliance with the good governance practices, the Bank Board carries out a self-assessment of its functioning every two years.

The Governor manages and runs the Bank. He is particularly responsible for ensuring compliance with the statutory provisions and regulations, and for implementing the Board's decisions.

- The Management Committee assists the Governor in managing the Bank's business. Headed by the Governor, it is composed of the Director General, the heads of central departments and divisions, heads of the Conformity and CSR functions, and the heads of Rabat and Casablanca branches. This committee holds monthly meetings, with the rotational participation of the heads of the other branches through video-conferencing. It meets once a quarter, in restricted composition, to monitor the implementation of the digital strategy and of the major projects included in the strategic plan.

The Governor is also assisted by:

- The Monetary and Financial Committee (MFC) in areas related to monetary policy, foreign exchange reserves management, banking supervision, financial stability, systems and means of payment, financial inclusion, and research. The MFC meeting is held monthly according to a pre-established schedule, after its preparatory meeting headed by the Director General, which is meant, besides preparing for the MFC meetings, to assess the projections drawn up by the Bank staff. The forecast team of the Economics Department takes part in the Board meetings, as well as in the MFC and pre-MFC meetings.
- The Financial Stability Committee, which meets every six months to assess risks to financial stability and examining measures to mitigate them.

In addition to that, the Bank's organization includes two committees chaired by the Director General, which are involved in specific areas of activity, and whose decisions are submitted to the Governor for approval:

- The Internal Coordination and Management Committee: in charge of discussing the Bank's coordination and management issues, mainly those related to strategy, various policies, projects portfolio, data governance and management, budget and resources;

- The Risks and Compliance Committee: in charge of reviewing and approving the risks management policies, the mapping of these risks, as well as the tools pertaining to information security, cyber security, business continuity, crisis management and ethics.

2.1.1.2 Control Bodies

The Government Representative, on behalf of the government and in the name of the Minister of Finance, supervises the Bank's activities, except for those relating to monetary policy. He ascertains compliance with the legal provisions governing these activities, particularly the statutory ones.

The Bank's accounts are audited annually by an external statutory auditor. The latter certifies the Bank's financial statements, assesses its internal control system and submits his report to the Board. External audit in 2018 was provided by Mazars, appointed in 2015 for a non-renewable six-year term in accordance with the Bank's rules with regard to appointing an external statutory auditor.

Each year, the Bank submits its own accounting records as well as those of its staff social security funds to the Court of Auditors, in accordance with the laws in force.

2.1.1.3 Audit committee

In 2018, the Audit Committee reviewed the annual accounts of the Bank as at December 31, 2017 and recommended the Board to approve them. It also reviewed, beforehand, the statutory auditor's action plan for 2018.

The Committee also examined the main conclusions of the 2017 report on the Bank's internal control system, mainly the assessment of its level of maturity and its different components.

Moreover, the Committee considered the results of operational, reputation, financial and strategic risk control arrangements for 2018, gave its opinion on the 2019-2023 internal audit strategy and on its annual program for the year 2019, prior to its approval by the Bank Board.

In addition, and in accordance with good governance practices, the Audit Committee conducted a self-assessment exercise in 2018, which was deemed satisfactory. Areas for improvement have been identified and planned for implementation during the next 2019-2023 strategic cycle.

2.1.2 Strategy

Since 2004, Bank Al-Maghrib has been drawing up three-year strategic plans articulated around a vision, which is broken down into strategic objectives and operational objectives. The table below summarizes the main achievements of the last 2016-2018 plan.

Table 2.1.2.1: Main achievements of the Bank's 2016-2018 strategic plan

Monetary policy	
Reform of the exchange regime	**Strategic, analytic, and communication frameworks**
• Set up of a governance framework for the reform by establishing an external coordination committee with stakeholders and an internal "Exchange Committee" for a regular monitoring of this reform roadmap; • Announcement in January 2018 of the decision to widen the dirham's fluctuation band by +/- 2.5%; • Development of a reference framework for the functioning of the foreign exchange market, which particularly specifies the new system for pricing the Dirham, the methods for setting reference prices and the new currency auction system ; • Overhaul of the Bank's information and accounting systems to accompany the exchange regime reform; • Implementation of communication actions concerning the overhaul of the exchange regime.	• Review of the monetary policy decision-making process; • Work in progress for the design of a reference framework for inflation targeting; • Strengthened analytical framework of monetary policy; • Conduct of several studies and research projects focusing mainly on the impact of the transition to a new exchange regime, the opening of the capital account and on the monetary policy transmission mechanisms; • Adapted monetary policy communication documents, by improving the content of the "Monetary Policy Report" and of the press release issued at the end of the Bank Board meeting.
Banking supervision and financial stability	
Regulation and supervision	**Macro-prudential policy**
• Licensing of five participatory banks, three participatory windows and 11 payment institutions, and adaptation of the regulatory, accounting and control frameworks thereto; • Strengthened regulatory and control framework of credit institutions, including reform of the rules for rating outstanding debts, publication of the new circular on due diligence in the fight against money laundering and terrorist financing; • Enhanced regulatory and control system of credit institutions' commercial practices ; • Adopting the circular on the internal recovery plan and pursuing the actions to set up the banking resolution function; • Strengthened cross-border supervision mainly through the new cooperation agreements signed with the regulators of the host countries and the annual meetings of the colleges of supervisors.	• Strengthened governance framework, mainly with the publication of the text on the composition and functioning of the Committee for Systemic Risks Coordination and Surveillance (CSRCS) and adopting its rules of procedure; • Setup of macro prudential instruments relating to counter-cyclical capital and calibration of the instrument relating to the systemic capital surcharge; • Enhanced systemic risk monitoring and evaluation system, mainly by analyzing risks emerging from bank branches in Africa and their interconnections with insurance companies, as well as by setting up a framework for analyzing interactions with monetary and fiscal policies; • Reinforced communication actions by publishing a press release at the end of each meeting of the CSRCS and diffusing a pedagogical sheet intended for the general public to make the concepts of financial stability more understandable among the public.

Systems and means of payment

- Pursuing the works on the draft law on the supervision of financial market infrastructures and issuers of means of payment;
- Assessing the resilience of financial market infrastructures and performing tests to measure the good functioning of their business continuity plans in connection with the SRBM;
- The launch, in 2018, in partnership with the telecoms regulator, of the national mobile payment solution, which ensures interoperability of basic services.

Financial inclusion

- Strengthening the Bank's actions with regard to financial inclusion, namely by:
  - Contributing to the setup of a national governance and coordination structure;
  - Completing diagnosis of the current state of financial services supply and demand;
  - Completing the study on women's financial inclusion as well as the FINDEX survey;
  - Drafting, on a consultative basis, of the "National Financial Inclusion Strategy".

Network, currency & secure documents

New Network branches and specialization of the headquarters

- Launch of works related to the establishment of the Bank network in Dakhla and Errachidia;
- Development of the Bank's headquarters specialization strategy, taking into account the new regional division, the evolution of the branches, currency, and the bank's network activities.

Turning Dar As-Sikkah (DAS) into a profit a centre

- Strengthening the financial steering of Dar As-Sikkah, notably through adapting its accounting system and reviewing its analytical repository;
- Adapting the Bank's procurement regulations to take into account the specificities of DAS purchase operations;
- Mapping the international banknote production market, to serve as a basis for strengthening the commercial strategy of DAS;
- Broadening the portfolio of secure documents to include new products, including the driver's license and the registration card.

Governance

Data governance

- Establishment of the "Data Governance Committee", whose main responsibilities include formalizing the roles and responsibilities of stakeholders, clarifying common standards for data collection, processing and dissemination, and managing access and entitlements;
- Elaboration of a normative framework which foresees several principles, rules and procedures covering in particular data quality control, life cycle management, exchange, accessibility and security.

Systèmes de sécurité

- Development of the Bank's Security / Safety Policy and definition of the associated master plan including several projects relating to the implementation of new fire safety systems, automatic shut down and an integrated video surveillance, access control and anti-intrusion systems ;
- Implementation of the systems of video surveillance, access control and anti-intrusion in Annakhil Site and in Meknes branch, and expansion of this measure to cover other headquarters.

Cyber security

- Definition and implementation of the cyber-security reference framework, which specifically formalizes the responsibilities of the various stakeholders, the monitoring process and the principles governing first, second and third level control operations;
- Establishment of the "Operational Security Centre", to ensure oversight of cyber security and of vulnerability of the information system;
- Identification of sensitive information systems of the Bank, in accordance with the recommendations of the General Directorate of Information Systems Security;
- Performing a review of the level of compliance of the Bank's information security systems with the requirements of the National Directive on Information System Security;
- Set up of a strategy for the Bank staff awareness and training.

Resources	
Managerial practices and spirit of cooperation	**Digital Transformation**
• Adoption of a cross-cutting approach charter and development of a benchmark of best practices in this regard; • Drawing up a repository of good managerial practices focusing on employee development; • Deployment of the succession planning process to cover critical positions (by 2021); • Deployment of training modules with a strong behavioural dimension; • Organization of several "Team building" actions aimed at reinforcing behaviors favoring cross-cutting relations, cohesion and collective efficiency.	• Deployment of projects planned as part of the Bank's digital transformation, relating in particular to: - developing digital acculturation, implementing skills development actions and naming, then training, 30 digital ambassadors; - upgrading the Bank's information system to support the digital transformation and fostering collaborative solutions and mobility; - assessing the digital maturity of the processes and implementing the initiatives defined by using an "agile" project management approach; - Internal development of digital communication, by organizing the international symposium on Digital Transformation in 2016 and the Bank's first "Hackathon" in 2017. • Generalizing the "Electronic Document Management" solution to ensure storage of documents and rapid access to information.

Drawing on these advances and taking into account the changes in its national and international environment, the Bank started, in 2018, developing its sixth strategic plan, 2019-2023, the first of a five-year duration. This new strategic plan is articulated around a renewed vision, which now integrates "Innovation" and comprises two orientations, declined in ten strategic objectives:

- Ensure monetary and financial stability for the benefit of employment and of sustainable and inclusive growth
- Continue the Bank's transformation to foster creativity and the culture of innovation in the digital era.

Vision : « To be a high-performing and innovative central bank. and a force for change at the service of the country »

Strategic objectives		Strategic objectives
Adapt the monetary policy framework to promote the economy's resilience and competitiveness Develop the economic and financial expertise center and open it up to the Bank's environment Develop a more inclusive and competitive financing model for the economy Consolidate our banking regulation methods and the resilience of actors. particularly systemic ones Develop secure and efficient payment systems and means	**Orientation 1** « Ensure monetary and financial stability for the benefit of employment and of sustainable and inclusive growth » **Orientation 2** « Continue the Bank's transformation to foster creativity and the culture of innovation in the digital era »	Rethink the management model in order to develop expertise. collective performance and well-being at the workplace Transform the Bank's processes while fostering innovation and cyber resilience Enhance the efficiency and agility of the governance and organization mode Reinforce the positioning of Dar As-Sikkah in foreign banknotes and secure documents markets Pursue a transparent. more creative and more responsive communication policy

In this context, Bank Al-Maghrib will continue implementing the reform of the exchange rate regime started in 2018, by ensuring an adequate follow-up of the foreign exchange market, continuing to support the operators and the banking system, communicating further with stakeholders. At the same time, it will pursue conducting its monetary policy in such a way as to make it compatible with the gradual transition to a more flexible exchange regime and with the opening up of the country. In this regard, the Bank will strengthen its analysis and forecasting systems and adopt inflation targeting at the most appropriate time.

Similarly, the Bank will ensure that the financial system remains stable and resilient. For this purpose, it will continue adapting its regulatory and supervisory frameworks to converge towards the international standards, while limiting the impact depending on the actors and the services. At the same time, it will pursue its effort to support expansion outside the national borders of the banking system in order to increase the growth opportunities it offers while controlling the risks it entails.

The Bank also strives to ensure adequate financing of the economy, facilitate access to loans for the most vulnerable segments, enhance consumer protection and contribute to developing green and participatory finances. It will get on with implementing the National Financial Inclusion Strategy to achieve its goals, particularly in terms of reducing disparities for the benefit of young people, women and the rural population. Besides, Bank Al-Maghrib will monitor the development of payment systems and means, while strengthening their security and resilience.

Furthermore, the Bank's expertise will probably be more and more solicited with the rising call for revamping the country's development model. This requires not only strengthening of quality research and studies to help inform decision-making in the economic and financial fields, but also implies greater openness to the national and international academia and expanding the cooperation ties in this regard, particularly with other central banks.

With regard to Dar As-Sikkah, the Bank will capitalize on the investments and modernization efforts made in recent years to consolidate its position in the international market as concerns banknote printing and in the national one concerning the production of secure documents.

To achieve these ambitions, Bank Al-Maghrib is called upon to stand as a national example in terms of governance, management, efficiency and effectiveness. Hence, the Bank will adjust its organization and steering mechanisms and adapt the role of its governance committees. It will also rethink its managerial model with a view to further attracting and retaining talented staff with specific profiles. By setting up a digital roadmap, it will gradually adapt its businesses to go in line with the technological revolution, take advantage of the opportunities this revolution offers for the reengineering of its operational processes, and play a unifying role within its national ecosystem to promote the digitalization of financial services.

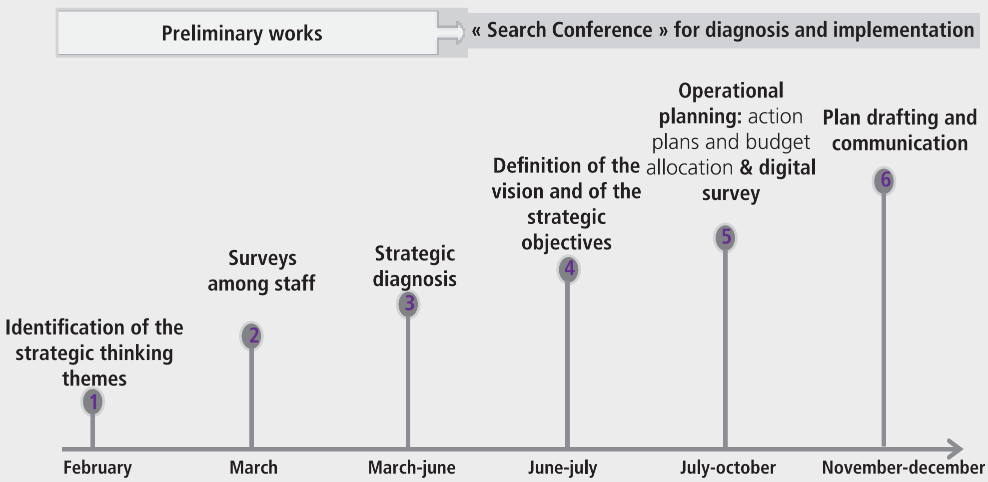
Finally, Bank Al-Maghrib will endeavor towards a more transparent and more open approach to its environment. It will hence communicate further about its missions and decisions and strive to reach different targets through more diverse and accessible formats, media and content.

Box 2.1.1: 2019-2023 strategic plan development process

The development of the 2019-2023 plan, started in February 2018, was based on a collective approach, with the contribution of over 200 employees through numerous workshops, with the aim of examining past achievements and exploring future developments. The discussions were also punctuated by two surveys conducted with the executives to gather expectations and proposals for improvement and support the analysis and strategic choices of the Bank.

The new strategic plan was developed following these key phases and macro planning steps:

The 2019-2023 strategic plan development process



2.1.3 Internal control, audit, risk management and ethics

2.1.3.1 Internal control system

The Bank's Internal Control System (ICS), built on the basis of the COSO[1] framework, is subject to an annual review covering all its components[2]. Report of this review, presented to the Board, builds

1 Committee of Sponsoring Organizations of the Treadway Commission.

2 Control environment, risk assessment, control activities, information and steering.

upon the results of the entities' self-assessment of their control systems, the overall mapping of operational risks and the conclusions of the internal and external audit missions.

Diagnosis of the ICS for 2017 was carried out based on a new evaluation approach whose main objective is to maintain a high level of maturity, while adapting the system to the evolution of the Bank's activities, its economic and regulatory environment, as well as to the risks brought about by these changes, in line with the guidelines of the COSO.

2.1.3.2 Internal audit

The internal audit of Bank Al-Maghrib is an independent activity whose mission is to provide assurance to the main stakeholders (Board, Audit Committee and Government of the Bank) as to the control the risks to which the Bank is exposed. It aims to help the latter achieve its objectives through a systematic and methodic assessment of its processes of risk control, internal control and corporate governance.

As such, the internal audit plans and carries out its missions according to a risk-based approach covering all the entities, processes and activities of the Bank. In addition to the risk analysis, the annual mission planning takes into account the strategic issues, the complementarity of the work with the auditor’s, the criterion of cyclicity as well as the expectations of the aforementioned stakeholders. The audit mission are particularly aimed at assessing the compliance of the Bank's activities with the laws, regulations and procedures in force, their effectiveness and efficiency with regard to the objectives assigned to them, and the reliability and security of the information.

Major processes audited in 2018

Core business processes	Support processes
-Macro prudential supervision	- Human resources
- Banking supervision	- Accounting and financial information
- Research activities	- Information systems
- Supervision of Financial Markets Infrastructures	- Physical security
- Currency activities	- Purchase and procurement contracts
- Bank network activities	

Since 2009, internal audit has been covered by a quality assurance and improvement program based on internal and external evaluations, in line with the Bank's strategic planning. External evaluations are carried out by specialized companies, selected through tenders or by peer central banks. In 2018, the internal audit activity assessed by peer central banks recognized for their advance in this area, who confirmed compliance of this activity with the international standards defined by the Institute of Internal Auditors (IIA). As part of the continuous improvement, the

"Audit" process has also been subject to two internal and external quality audit missions in accordance with the requirements of the ISO 9001 standard.

2.1.3.3 Risk management

Risk management Governance

A comprehensive risk management policy, derived from the governance charter, consolidates the basic principles governing the management of risks within the Bank, be they strategic, operational or financial. More particularly, it specifies the objectives and the scope of risk management as well as the roles and responsibilities of the various concerned stakeholders and governance bodies.

As part of the Bank's Integrated Management System, the risk management system was audited in 2018 by an external firm.

Strategic risks

Strategic risks correspond to the risks that may hamper the achievement of the strategic objectives set out in the Bank's three-year plans, due to exogenous factors, major operational risks or to the improper implementation of these objectives.

As part of the strategic management, the risks related to the three-year plan 2016-2018 were reviewed in 2018 in the light of the results of the key indicators developed to measure the change in their control level and the action plans allowing their mitigation.

Operational risks

Operational risks are managed according to an organized methodological approach which was the subject of an in-depth review in 2018 aiming notably to strengthen the comprehensiveness of risk typologies according to the four root causes of operational risk (human, governance & organization, external systems and factors).

Thus, risk mapping was updated by integrating the main improvements made to this approach while capitalizing on previous experiences.

Financial risks

Financial risks cover the following categories:

- Credit, market and liquidity risks inherent to transactions carried out in the context of the management of foreign exchange reserves;
- Credit risk relating to the implementation of monetary policy operations;
- Market risk related to the variation of the exchange rate for the currency export activity and the Bank's foreign currency purchase and sale transactions;
- Risks relating to the management of social funds and the use of the Bank's own funds.

With particular regard to the financial risks inherent to the management of foreign exchange reserves, the Bank put in place an appropriate governance framework to ensure that its investments comply with its main objectives in this area, namely security, liquidity and performance. To this end, the investment guidelines and the strategic asset allocation are decided by the MFC before being presented to the Board for validation. A risk committee, established within the monetary and foreign exchange management department, ensures compliance with these guidelines and reviews the changes with regard to risks and to performance before submitting them to the Operational and Financial Risk Committee and to the MFC.

Reputational risks

A specific approach allowing a more refined analysis of reputational risk exposure was adopted by the Bank. It is based mainly on analyzing the "image" impact induced by the so-called "primary" risks (strategic, operational and financial) and closely monitoring the media spin-offs citing the Bank in the written press as well as in electronic and visual media.

2.1.3.4 Business continuity and information security

The year 2018 was characterized by the update of business continuity plans which detail the needs and resources required to ensure the continuity of the Bank's core activities. Several consolidated and simultaneous exercises were organized for the most critical activities.

In addition, the Bank finalized the setup of a coordination framework for structured and concerted business continuity plans covering the Moroccan financial center by involving the main players. This framework, which does not replace members' plans or the works of maintaining them in operational conditions, allows responding to major loss scenarios affecting critical areas, including the impact of an actor's operational loss which could spread to other members and affect their business continuity.

In terms of information security, the Bank ensured compliance with the ISO 27001 standard for the "Information System" and "Banking operations" processes, and also worked on aligning its non-certified processes to this standard.

On the other hand, second-level controls were carried out as regards the Bank's compliance with the “Customer Security Program”, issued by SWIFT and the General Directorate of Information Systems Security, as concerns the security of information systems.

2.1.3.5 Ethics

As a Central Bank, Bank Al-Maghrib has put the ethical dimension at the heart of its values and its strategic vision, in line with the best practices in the area.

Since 2005, the Bank has put in place an organized deontological mechanism based on a participative approach. It consists of a Code of Ethics applicable to the Bank's wilaya and all staff, a Code specific to Members of the Board as well as variations specific rules for some sensitive functions (especially those involved in the “procurement” process, internal auditors, external service providers and suppliers). In addition, an ethics whistleblowing system allows employees to report, in a formalized and secure manner, any behavior that does not comply with the rules of good conduct adopted by the Bank.

In 2018, the Bank strengthened its ethical framework by launching a project to implement an Anti-Corruption Management System in line with the ISO 37001 standard. This project aims primarily to preserve and strengthen the Bank's reputational capital and encourage partners, operators under its supervision and its suppliers to adopt anti-corruption prevention programs, thus contributing to the implementation of the national anti-corruption strategy.

2.2 BANK MISSIONS

2.2.1 Monetary policy

During 2018, Bank Al-Maghrib maintained the accommodative stance of its monetary policy. Taking into account its medium-term forecasts, which in particular highlight moderate inflation and the continued improvement of non-agricultural activities, the Board decided, during its four annual meetings, that the level of 2.25 percent of the key rate was adequate and kept it unchanged.

In view of the widening of bank liquidity needs, mainly in conjunction with the significant increase in currency in circulation, the Bank increased the total volume of its injections to 62.6 billion dirhams as a weekly average from 42.8 billion in 2017. The interbank rate, which is the operational target of monetary policy, thus remained close to the key rate.

The year was marked by the launch in January of a major reform of the exchange rate regime, aimed primarily at strengthening the resilience of the Moroccan economy in the face of external shocks and enhancing its competitiveness. The first phase of this gradual transition was the widening of the dirham fluctuation band from ± 0.3% to ± 2.5%, while keeping unchanged the reference basket used as a basis for calculating the central rate. The Bank also strengthened and adapted its operational framework, putting in place, as a main mode of intervention, a system of auctions for the buying / selling of currencies against the dirham.

The implementation of this reform took place throughout the year under good conditions, with a wide appropriation by the banking system, a gradual adaptation by operators and a deepening of the market. In addition, reflecting its alignment with the fundamentals of the economy, the dirham exchange rate evolved within the band without central bank intervention.

2.2.1.1 Monetary policy decisions

The projections prepared for the first meeting of the Bank Board suggested an acceleration of inflation to 1.8 percent in 2018 before falling to 1.5 percent in 2019. Its core component was expected to stand around 1.4 percent and then 1.9 percent respectively, as a result of stronger domestic demand and lower real effective exchange rate.

Regarding growth, it was expected to slow to 3.3 percent in 2018 before improving to 3.5 percent in 2019, with the steady acceleration of its non-agricultural component, mainly driven by the vigor of household final consumption and the rebound in investment. As to bank lending to the non-financial sector, it was expected to grow by 4.5 percent in 2018 and 2019.

In terms of macroeconomic balances, forecasts projected a fiscal deficit at 3.2 percent of GDP, under the assumption of continuing efforts to control expenditure and mobilize resources. The current account deficit was expected to widen slightly in 2018 to 4.1 percent of GDP, mainly owing to a sharp rise in purchases of capital goods and a surge in the energy bill. In 2019, thanks to the vigor of exports and the decline in oil prices, it is expected to stand at 4 percent of GDP. Taking into account also the expected changes in other components of the balance of payments, net international reserves should improve to an amount equivalent to 5 months and 26 days of imports of goods and services in 2018 and 5 months and 17 days in 2019.

Against this background, the Bank Board considered the level of 2.25 percent of the key rate to be appropriate and decided to keep it unchanged.

Table 2.2.1: Inflation forecasts in 2018 (%)

	Board meetings			
	20 March	19 June	25 September	18 December
Average inflation over an 8-quarter horizon	1.7	1.8	1.4	1.1
Average inflation in 2018	1.8	2.4	2.1	2.0
Average inflation in 2019	1.5	1.4	1.2	1.0
Average inflation in 2020	-	-	-	1.2

On the occasion of the second meeting of the Board, the preparation of the inflation forecast was marked by the revision of the structure of the CPI reference basket made in March by the HCP which resulted in a 0.3 percentage point rise for 2018. In addition, taking into account higher prices for volatile food products and fuels and lubricants, the inflation projection was raised to 2.4 percent. Its core component was expected to decelerate to 1.1 percent in 2018, with the decline in the contribution of some food products, then increase to 1.6 percent, mainly due to the depreciation of the real effective exchange rate.

The outlook for foreign demand and favorable weather conditions sustained the upward revisions of the growth forecast in 2018, and downward revisions, due to a base effect, for 2019.

At the same time, fiscal adjustment was to continue in the medium term, albeit at a slower pace, with a deficit at 3.4 percent of GDP in 2018 and 3.3 percent in 2019, and the current account deficit at 4.1 percent of GDP before narrowing down to 3.6 percent in 2019.

Table 2.2.2 : Monetary policy decisions since 2010

Date	Key rate	Monetary reserve ratio	Other decisions
April 1, 2010		Decrease from 8% to 6%	
April 13, 2011			- Extension of the eligible collateral for monetary policy Operations to Deposit certificates. - Adjustment of bidding periods with those of the monetary reserve. - Deletion of savings accounts from the calculation base of the monetary reserve
September 20, 2011			Introduction of longer term repo operations
March 27, 2012	Decrease from 3.25% to 3%		Decision to enlarge the collateral eligible for monetary policy operations to securities representing credit claims on VSMEs.
September 26, 2012		Decrease from 6% to 4%	
December 13, 2012			- Implementation of the first loan operation secured by private securities intended for SMEs. - Easing of eligibility criteria for deposit certificates.
December 11, 2013			New program to further encourage bank funding of VSMEs.
December 19, 2013			Deleted remuneration of the monetary reserve.
March 25, 2014		Decrease from 4% to 2%	
September 23, 2014	Decrease from 3% to 2.75%		
December 16, 2014	Decrease from 2.75% to 2.50%		
July 1, 2015			New rules for allocating 7-day advances, taking into account each bank's effort in granting loans to the real economy and the pass-through of the Bank's decisions.
March 22, 2016	Decrease from 2.50% to 2.25%		
June 21, 2016		Increase from 2% up to 5%	Launching remuneration for reserves, benefiting banks having made further efforts in granting loans.

In September, taking into account new assumptions relating to oil prices and anticipations of price changes for volatile food products, the inflation forecast was adjusted downward to 1.4 percent on average over the forecast horizon. Its fundamental trend would then hover around 1 percent in 2018 and 1.2 percent in 2019.

Regarding the other variables, the projections were overall kept virtually unchanged, with the exception of the fiscal deficit which was revised upwards to 3.7 percent of GDP for 2018, due to the adjustments made to the level of tax revenue, donations from GCC countries and the subsidy costs.

In addition, the trajectory of net international reserves was significantly revised downwards, in view of the persistence of a relatively high exchange rate position of banks, which suggested that there will be no recourse to the central bank over the forecast horizon, and less important donations and loans.

For the last meeting of the year, inflation and growth projections were slightly downgraded for 2018 and 2019, while for 2020, forecasts prepared for the first time on this occasion indicated stable inflation and a clear improvement in the pace of economic activity. These developments, coupled with less optimistic expectations of banking sector activity, led to a reassessment of growth in bank loans to the non-financial sector, to 3.5 percent in 2018 and to 3.3 percent in 2019 before accelerating to 4.3 percent in 2020.

On the external accounts side, the data available as at the end of the year suggested a larger current account deficit for 2018, with a somewhat relative attenuation in 2019. For net international reserves, although falling, they continue to provide the equivalent of a little above 5 months of imports of goods and services.

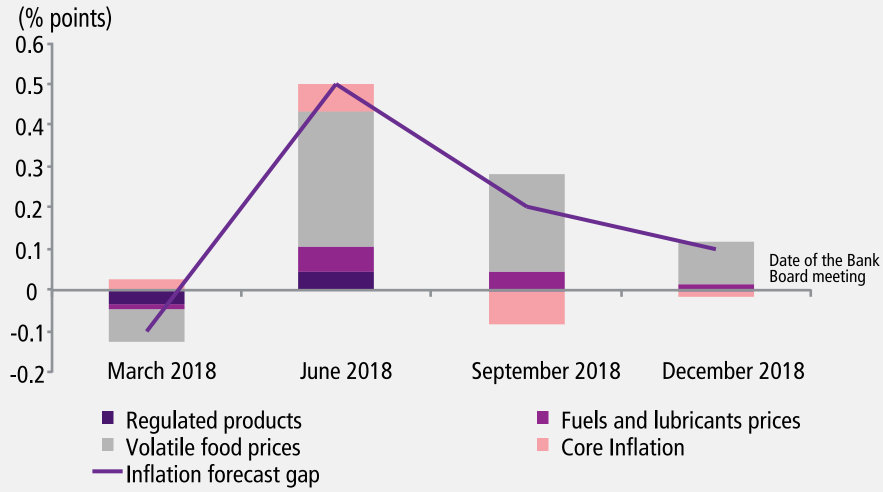
Against this background, the Board considered that the key rate level continued to ensure appropriate monetary conditions and decided therefore to keep it unchanged.

Box 2.2.2: Assessment of inflation and growth forecasts

For the conduct of its monetary policy, Bank Al-Maghrib projects the main macroeconomic aggregates over an eight-quarter horizon. As part of an ongoing effort to improve the quality of its forecasts, the Bank carries out an exhaustive and detailed evaluation of them annually. In keeping with its transparency policy, this box presents the main results for 2018 relating to inflation and growth.

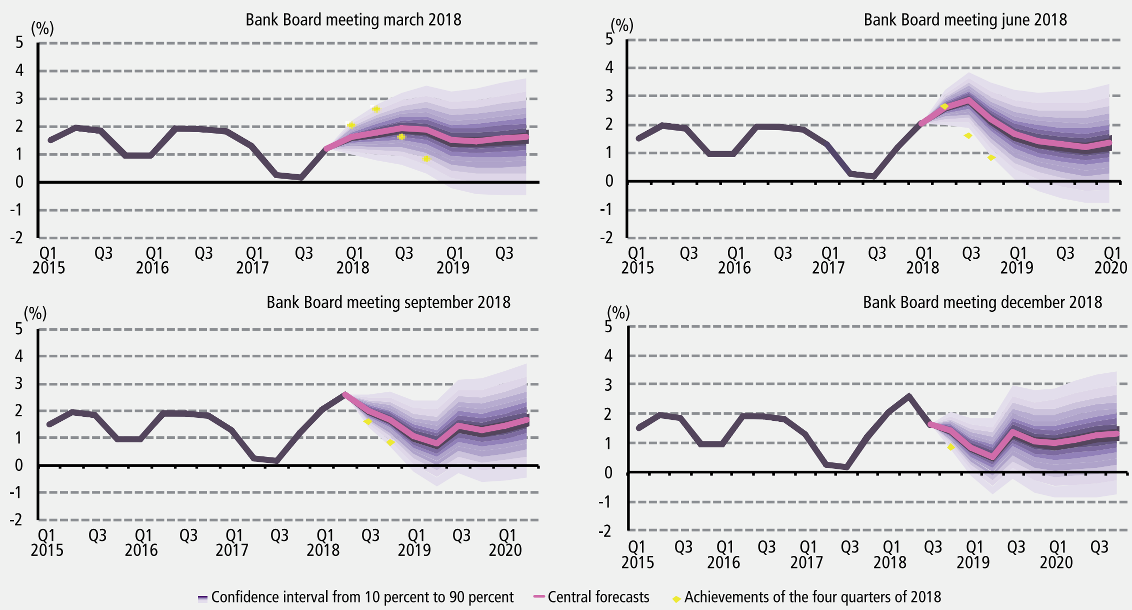
With regard to inflation, it stood at 1.9 percent while its projections hovered between 1.8 percent, announced in March 2018, and 2.4 percent in June. The differences are mainly attributable to supply shocks on prices of volatile food products, whose upward trend reversed in the second half of the year to drop at a faster-than-expected pace. With regard to its underlying component, and with the exception of the March 2018 projections, where a 0.3 percentage point gap was recorded, its change was well captured.

Chart B 2.2.2.1: Forecast differences by component of inflation for 2018 (Contributions in points of percentage)



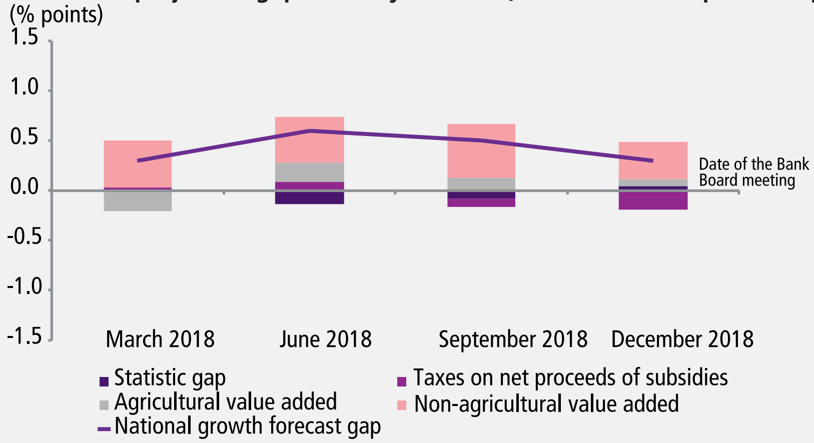
The fan charts, which represent the uncertainties surrounding central forecasts using confidence intervals, also illustrate these results. Achievements for the third and fourth quarters of 2018 were, in fact, at the lower end of the confidence interval by 90 percent over the last three quarters of the year.

Chart B 2.2.2.2: Inflation fan charts



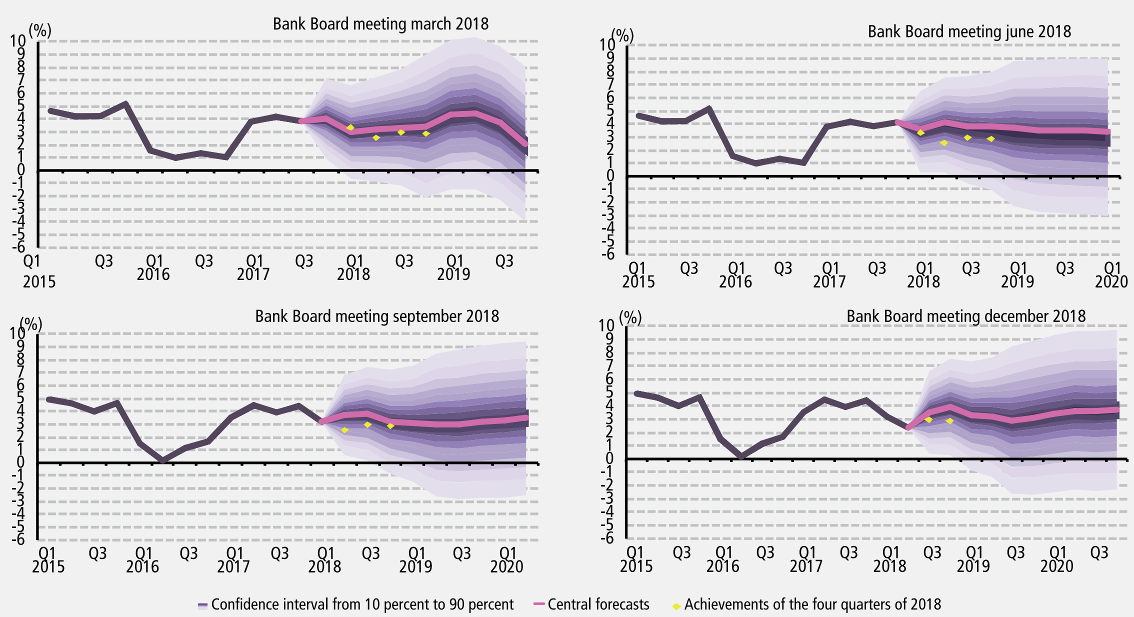
Regarding growth, its forecast has varied between 3.3 percent for the projections of March and December 2018, and 3.6 percent for that of June, levels above the achieved 3 percent. Regarding growth, its forecast has varied between 3.3 percent for the projections of March and December 2018, and 3.6 percent for that of June, levels above the achieved 3 percent. The growth in non-agricultural value added was expected to accelerate to around 3.2 percent, after 2.9 percent in 2017, while provisional data of the annual national accounts show a drop to 2.6 percent. For its part, the projection of agricultural value added was significantly revised upwards in June, following the announcement by the Agriculture Department of a cereal harvest well in excess of BAM estimates[1]. It was later on lowered, taking into account new data on non-cereal production and quarterly national accounts results.

Chart B2.2.2.3: Growth projection gap for the year 2018 (Contributions in points of percentage)



The analysis of the fan charts indicates that the quarterly achievements were within the 90 percent confidence interval, but almost always below projections.

Chart B2.2.2.4: Growth fan charts

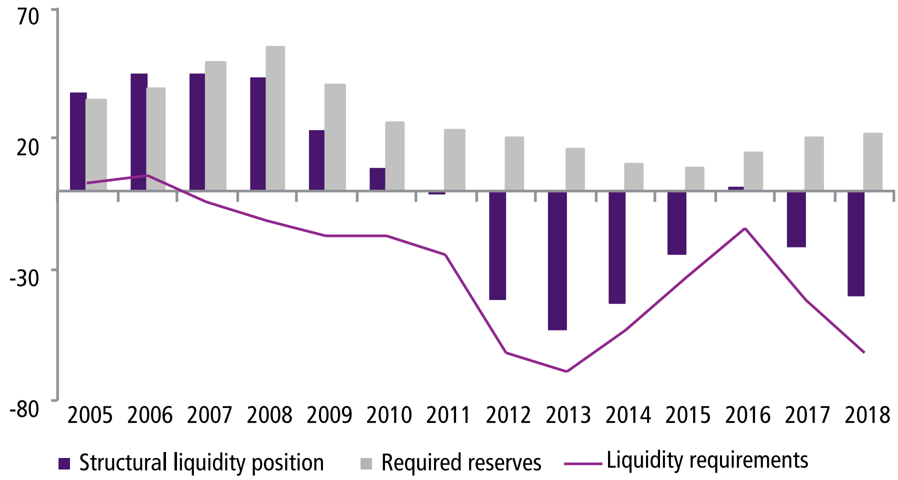


1 In March 2018, the Bank forecasted cereal production to stand at around 80 million quintals for the 2017-2018 while the Ministry of Agriculture announced a harvest of 98.2 MQx in April and raised it to about 103 MQx in July.

2.2.1.2 Implementation of monetary policy

The liquidity situation deteriorated again in 2018 as the deficit of bank treasuries widened to 62.2 billion dirhams on weekly average from 41.5 billion the previous year. This change is essentially due to the restrictive effects of the 17.4 billion increase in currency in circulation and the 2 billion drop in Bank Al-Maghrib foreign exchange reserves.

Chart 2.2.1: Structural liquidity position and required reserves amount (end-of-week average, in billion dirhams)



Under these circumstances, Bank Al-Maghrib increased the volume of its interventions, from 42.8 billion to 62.6 billion dirhams on average. These injections were carried out almost entirely in the form of 7-day advances, while overnight operations were in the number of four with an average volume of 2.8 billion. The Bank also continued to implement its program under the one-year secured loans, granted as part of the funding support for SMEs with an average outstanding amount of 2.9 billion dirhams.

Chart 2.2.2 : Banks' liquidity position (end-of-week averages in billion dirhams)

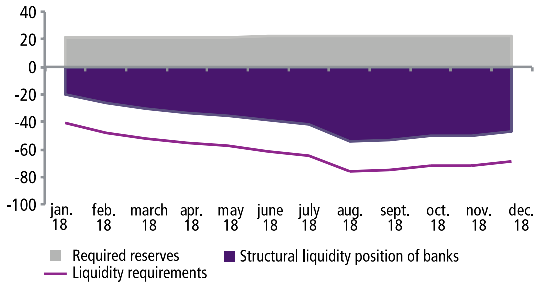
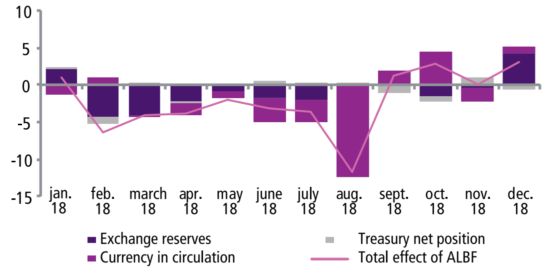


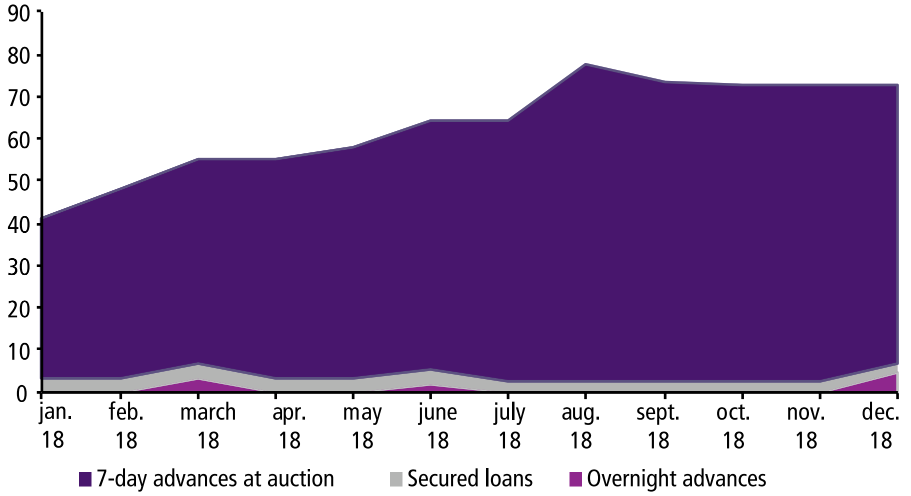
Chart 2.2.3: Contribution of autonomous factors to the change in liquidity requirements (end-of-week average, in billion dirhams)



The infra-annual analysis shows a gradual increase in liquidity needs during the first seven months of the year, which rose from 41.2 billion in January to 63.8 billion in July, mainly due to the decline in exchange reserves. In August, the conjunction of several seasonal factors led to a sharp increase in currency in circulation and a widening of liquidity needs to 76.3 billion dirhams.

As of September 2018, the bank treasuries' deficit gradually eased to stand in December at 69 billion dirhams on a weekly average, owing in particular to the declining currency in circulation and to improved foreign exchange reserves.

Chart 2.2.4 : Bank Al-Maghrib interventions (end-of-week average, in billion dirhams)



Thus, Bank Al-Maghrib continued throughout the year to adjust its injections in order to keep the weighted average rate on the interbank market – the operational target of monetary policy - aligned with the key rate. As for the volume of transactions, it fell as a daily average from 4.3 billion in 2017 to 4 billion in 2018.

Chart 2.2.5 : Average volume of exchanges in the interbank market (in billion dirhams)

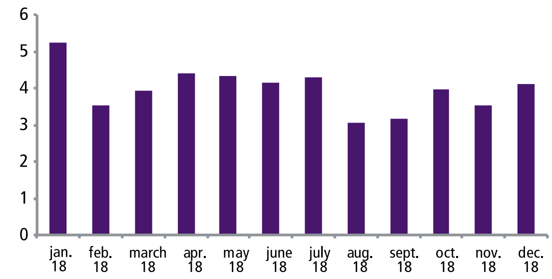
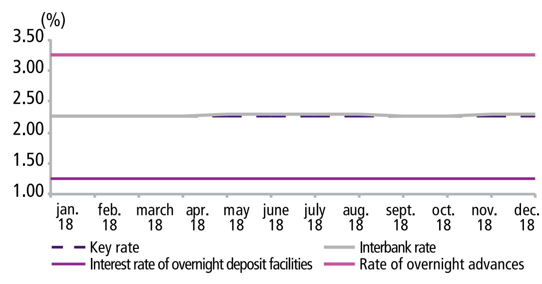


Chart 2.2.6 : Weighted average rate in the interbank market (daily averages)



Box 2.2.3: The transition to a more flexible exchange rate regime in Morocco : Consequences for the conduct of monetary policy

For economies where the exchange rate regime is flexible and capital flows are free, the unhedged interest rate parity theory states that the interest rate or yield spread between domestic and foreign markets should be equal to the anticipated change in the exchange rate. Thus, an easing of the monetary policy by cutting the policy rate would initially result in less attractiveness of the local currency-denominated bonds and would lead to capital outflows, and consequently to a decrease in its value. This depreciation would then exert a direct pressure on the price level of imported finished products and on local production costs, generating inflationary pressures. On the other hand, it would make local goods more competitive and boost foreign demand, which could in turn exacerbate the pressure on prices.

The scale of these impacts remain, however, dependent on a number of microeconomic factors, such as the pricing behavior of businesses and the degree of market competition, as well as macroeconomic factors such as trade and financial openness or still the price elasticity of trade.

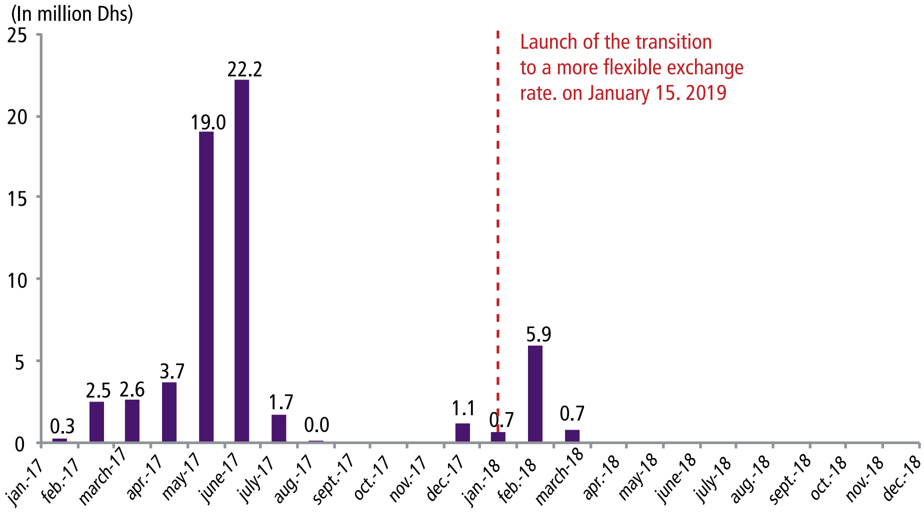
In Morocco, Under the Bank Al-Maghrib statutes, monetary policy aims at ensuring price stability, with the main tool being the key rate. In the context of a fixed exchange rate regime, the nominal anchor as a matter of fact being the exchange rate, the independence of this policy to achieve its objective is partly guaranteed by the restrictions on the capital account.

In January 2018, the country initiated a gradual transition to a more flexible exchange rate regime which, at an advanced stage, will not be without impact on the conduct of monetary policy. Indeed, the exchange rate as a nominal anchor would be abandoned, offering more margins and independence to monetary policy to achieve its objective of price stability. However, this also hinges on the preservation of macroeconomic balances and in particular fiscal discipline.

Under these circumstances, the Bank could move towards an inflation targeting framework. An explicit inflation target in the form of a point or interval will be fixed and announced. This requires adapting the monetary policy conduct at all levels: governance, instruments, implementation and communication, where the Bank has already made significant progress.

On the foreign exchange market, net sales of foreign currency to banks were limited to 7.3 billion dirhams, as against 53 billion in 2017, with 4.6 billion through OTC transactions, while auction operations did not exceed 2.7 billion. As of March 20, no currency purchase operation by banks was carried with the Central Bank.

Chart 2.2.7 : Net Currency cession of Foreign Exchange by Bank Al Maghrib (Contributions in percentage points)



2.2.2 Monetary statistics

The year 2018 was marked by enlarging the coverage of monetary statistics to Collective Investment Funds (FPCT) and the continuation of work aimed at integrating participatory banks and windows into these statistics.

With regard to FPCTs, the analytical situation of these structures was developed in accordance with the requirements of the IMF's Monetary and Financial Statistics Manual (MFSM), particularly in terms of sectoring institutional units and classifying financial assets. The integration of FPCTs into monetary statistics in April 2018 helped improve the institutional coverage of financial companies, refine the position of economic units vis-à-vis the latter and to have a credit indicator adjusted by securitization transactions, similar to the common practices in other central banks.

Concerning participatory banks and windows, the analytical situation of participatory finance was compiled in accordance with the requirements of the IMF Monetary and Financial Statistics Manual. In terms of impact, the introduction of these organizations helped refine monetary and credit aggregates and enrich the position of deposit-taking institutions vis-à-vis economic units, particularly households.

2.2.3 Research

Research activity in Bank Al-Maghrib for 2018 was marked by the publication of several working papers and articles, the organization of conferences and seminars and the launch of the Visiting Researchers Program.

As part of Bank Al Maghrib's overall transparency policy and openness to the academic world, five working papers[1] and articles were published in scientific journals on economic and monetary topics. These revolve around the transmission mechanisms of monetary policy, modeling, currency in circulation and human capital. In terms of communication, the year was also characterized by the publication on the institutional website of the second issue of the research letter, which describes the Bank's activities in this area throughout the year. At the same time, reflections were initiated notably on the development model and on the reform of the education and training system.

As part of efforts to boost research activities and strengthen collaboration with central banks and academic circles, the Bank launched the "Visiting Researchers" program. These visits are an opportunity both to build the capacity of Bank researchers and to explore opportunities for future collaboration in the area of economic and financial research. In addition, Bank Al-Maghrib organized on 23 and 24 April, in collaboration with the Cadi Ayyad University and the University of Basel, the third edition of the International Days of Macroeconomics and Finance.

As a result of all these efforts, Bank Al-Maghrib is now classified second in the IDEAS[2] -2018, ranking both at the level of national research institutions and at the level of Central Banks in Africa.

2.2.4 Reserves management

The Bank continued to optimize the income from foreign exchange reserves while ensuring compliance with security and liquidity requirements, through a management policy that aimed to minimize the impact of negative rates in the euro zone and take advantage of the uptrend in US interest rates.

Thus, despite the decline in foreign exchange reserves and the continued unfavorable investment conditions in the euro zone, the profit from managing these reserves rose by 18 percent in 2018, thanks to improved investment yields on dollar-denominated assets.

1 "Bayesian estimation of a neo-Keynesian model for the Moroccan economy", "Pass-through of the interest rate in Morocco: Lessons from the quarterly survey on lending rates", "Human capital in Morocco: Life-based income assessment "," Analysis of monetary policy transmission to sovereign rates "," Socially optimal coin and banknotes series: Do production costs really count? "

2 IDEAS is a bibliographic database created with the objective of contributing to the dissemination of scientific research around the world. It collects more than 2,800,000 studies and research in the fields of economics and finance and regularly ranks authors, scientific journals and research institutions according to the scope of their research and their impact on the academic environment.

2.2.5 Banking supervision

2.2.5.1 Banking regulation

In 2018, Bank Al-Maghrib continued its work to consolidate the regulatory and supervisory framework, in line with international standards. IFRS 9, which came into effect on January 1, 2018, introduces a new impairment model based on expected credit losses according to which banks are required to write down their financial assets as soon as the credit is granted and throughout its life cycle. In order to deal with the impact of the first implementation of this standard from a prudential point-of-view, Bank Al-Maghrib adopted transitional provisions that provide for a smoothing arrangement over a period of 5 years from 2018 to 2022.

Regarding the project on the reform of the classification and provisioning of loans, work focused on the development of a new impact study and further consultations with the profession. Bank Al-Maghrib invited banks to take preparatory actions for the entry into force of this reform. In order to regulate the use giving works as payments techniques and repurchase agreements for real estate assets, the Bank conducted a prudential reform based on an international benchmark.

At the same time, and as part of its efforts to complete the implementing texts of the banking law, the Bank adopted specific circulars governing offshore banks, micro-credit associations, the CDG and the CGC and provisions relating to Audit and Risk Committees. With regard to the deposit guarantee, the Bank has drawn up the specifications of the managing company for the collective deposit guarantee funds as well as the circulars on the payment and management terms of contributions.

As regards dealing with the difficulties facing credit institutions, Bank Al-Maghrib, in collaboration with the Ministry of Economy and Finance, continued the actions aiming at the establishment of a legal framework relating to the mission of bank resolution in line with international standards. In addition, alongside other financial regulators, the Bank conducted work on the preparation of the regulatory framework governing financial conglomerates.

In the field of participatory finance, the regulatory system was enriched by prudential regulations on capital and the solvency ratio. The Bank continued its discussions with the Higher Council of Religious Scholars (Conseil Supérieur des Oulémas-CSO) and the GPBM for implementing the contractual framework governing participatory funding products. Further to these discussions, several opinions were issued by this body relating in particular to the products of "Murabaha" to finance vehicles and capital goods and of "Wakala Bi Istitmar".

As part of the transition to a green economy and the development of sustainable finance, Bank Al-Maghrib continued its work to assess the climate risks of the banking sector. It continued its dialogue with banks on implementing the commitments made in the framework of the roadmap aimed at aligning the financial sector with sustainable development issues. On 26 April 2018, it joined the Central Banks and Supervisors Network for Greening the Financial System (NGFS) and is actively contributing to its work aimed at ensuring better understanding of climate risks of the banking sector and at sensitizing banks to their effects.

2.2.5.2 Banking supervision activities

In 2018, Bank Al-Maghrib's control area covered a population of 86 credit institutions and similar bodies, including 19 conventional banks[1], 5 participating banks, 28 finance companies, 6 offshore banks, 13 microcredit associations, 13 payment institutions of which 6 are specialized in fund transfer, the Deposit and Management Fund (CDG) and the Central Guarantee Fund (CCG). On a cross-border basis, banking groups had 45 subsidiaries and 16 branches in 35 countries, including 27 in Africa, 7 in Europe and one in Asia.

The banking sector continued to show resilience in a less favorable economic environment. To this end, Bank Al-Maghrib continued its efforts to monitor the risk areas to which institutions under its control are exposed. It continued to pay close attention to the quality of assets through monitoring healthy, sensitive and non-performing credit portfolios and following up their level of coverage with provisions. With regard to market risks and overall interest rates, the Bank strengthened their supervisory framework, in line with the gradual transition to a more flexible exchange rate regime.

In terms of oversight of cross-border activities, Bank Al Maghrib continued to reinforce its steady cooperation with host authorities, through holding supervisory colleges, the exchange of information and the conduct of joint supervision missions. A new cooperation agreement was concluded with the Central Bank of Mauritania, bringing the number of agreements signed to 13 and the countries covered to 24.

During the year under-review, the Bank conducted 11 general missions, 21 thematic missions and five missions to verify and follow up the implementation of recommendations made during previous missions. Following these controls, remedial action plans were put in place by the institutions concerned to take into account the Bank's recommendations. In addition, financial and disciplinary sanctions were taken against establishments which violated the legal or regulatory provisions.

1 Of which 3 have windows that practice participatory banking activities.

As part of the mutual evaluation process of the national anti-money laundering and terrorist financing (AML / CFT) mechanism, the Moroccan authorities continued their discussions with the Financial Action Task Force for the Middle East and North Africa (FATF/MENA) on the relevant draft assessment Report. This draft report provides an initial assessment of the compliance status of the national AML / CFT system, both in terms of effectiveness as well as technical compliance with the 40 FATF recommendations. The adoption of this report, scheduled for the plenary meeting of FATF/MENA in April 2019, will likely lead to a follow-up by this organization of the implementation by the Kingdom of Morocco of the recommendations made in this report. At the same time, Bank Al-Maghrib continued to strengthen the financial integrity of the banking sector by encouraging stakeholders to comply with the new requirements in terms of due diligence and adopting a risk-based approach.

2.2.5.3 Protection of banking customers

The Bank stepped up its on-site controls within the concerned institutions, to ensure their compliance with the provisions of Law 31-08 enacting consumer protection measures and the internal processing of their customers' claims. As a result of the control operations carried out, credit institutions were required to comply with the legal and regulatory provisions concerning in particular the closure of accounts, the early repayment of loans, the ceiling on late payment interest and the deadlines for dealing with complaints. Bank Al-Maghrib also continued to sensitize banks on their AML /CFT commitments and to the risks associated with pyramid selling activities.

The Bank handled 796 claims from customers of credit institutions compared with 597 in 2017, close to 72 percent of which were settled to the satisfaction of complainants. Nearly 40 percent of these claims related to the operating of bank accounts and 30 percent to credit conditions.

2.2.6 Macro-prudential surveillance

The Bank continued in 2018, in collaboration with the Ministry of Economy and Finance and the supervisory authorities for insurance and capital markets, work to strengthen macro-prudential supervision.

At the analytical level, the Bank implemented the framework for analyzing the interactions between monetary and macro prudential policies and set up, since the launch of the transition to a more flexible exchange rate regime, a risk-analyses mechanism specific to this transition. It also initiated, with the technical support of the IMF, a project to strengthen macro stress tests of the banking sector. The Bank also reviewed the process of developing financial soundness indicators used in macro prudential analysis in line with international standards.

In terms of governance, the Systemic Risk Coordination and Oversight Committee held its biannual meetings during which it reviewed the mapping of systemic risks, presented the achievements for 2016-2018 and validated the new roadmap for financial stability. At the communication level, the year 2018 was marked by the publication of the fifth issue of the annual report on financial stability.

Concerning macro-prudential instruments, and after laying the regulatory and analytical bases for counter-cyclical capital buffer and defining the methodological framework for the calibration of the capital surcharge applicable to systemically-important banks, the Bank continued the work of collecting data and implementation of an analytical base, aiming at the deployment of sector-based instruments relating to the real estate and household sectors.

2.2.7 Systems and means of payment

2.2.7.1 Surveillance of systems and means of payment

Bank Al-Maghrib, in collaboration with the National Agency of Telecommunications Regulation (ANRT) and other key stakeholders, initiated in 2018 the national solution of mobile payment. Works carried out in this context consisted of prparing all the prerequisites for the effective implementation of this new interoperable and real-time payment solution

At the same time, to complement and strengthen the banking sector's supply and give new momentum to the payments market, the Credit Institutions Committee has approved the licensing of 11 payment institutions. These operators are authorized to open payment accounts and provide payment services for their customers.

Regarding the monitoring of payment means, the Bank continued to conduct follow-up missions to its recommendations on securing these means with banks, assessing the conformity of checks issued by banks with minimum security requirements and the implementation of the monitoring solution of payment means which enables the secure and automated transmission of regulatory reports on means of payment.

As to the supervision of the activities of Financial Markets Infrastructures (FMIs), an on-site assessment mission was conducted with the RTGS, with the aim of assessing the rules of good governance, transparency, security, risk management, operational reliability and business continuity. In addition, the RIBAT[1] tool for scoring MFIs was finalized and deployed. In terms of strengthening the resilience of MFIs, a three-year (2016-2018) BCP project was successfully completed.

1 Risk-Based Assessment Tool

Box 2.2.4: Launch of mobile payment

Bank Al-Maghrib and the National Telecommunications Regulatory Agency (ANRT) launched a new means of payment by mobile phone called "m-wallet", in coordination with all involved market players including banks, payment institutions, telecom operators and HPS Switch.

This method of payment may be issued to an account held either by a payment institution or by a bank. It allows carrying out, electronically and in a dematerialized way, numerous operations including:

- Money Transfers from person to person (P2P);
- Merchant Payment Transactions;
- Withdrawal and deposit of cash.

The holder of an "m-wallet" may carry out these operations by filling the beneficiary's telephone number, who must himself hold an "m-wallet", regardless of the institution that holds the account of this beneficiary.

The setting up efforts of this new payment solution, which were running for nearly two years, have allowed to develop a set of rules necessary for its proper functioning. To this end, Bank Al-Maghrib promulgated two regulatory texts governing mobile payment, which notably detail technical and security rules, the process as well as the management rules of complaints, incidents and disputes.

2.2.7.2 Financial inclusion

Further to the drafting of the National Financial Inclusion Strategy, the Ministry of Economy and Finance and Bank Al-Maghrib finalized the formulation of this strategy within the framework of a participatory approach involving all public and private stakeholders. To this end, the vision, the levers and the governance structure of this strategy were defined based on an in-depth analysis of the state of play of financial inclusion in Morocco and referring in particular to the results of the Findex survey[1] .

In addition, the Moroccan Foundation for Financial Education (MFFE) highlighted, during the fifth meeting of its Board of Directors held on January 10, 2018, the achievements of the Foundation since 2016 as well as its partnership experiences with Crédit Agricole du Maroc for training small farmers on financial education and with the National Agency for the Fight Against Illiteracy for the incorporation of financial education into national literacy programs. In March 2018, the MFFE, together with its partners, held the seventh edition of Finance Week for children and youth. Educational visits to Bank Al-Maghrib branches and Museum, Dar As-Sikkah, the Casablanca Stock Exchange, banking sector branches and insurance companies were organized for the benefit of nearly 200,000 students.

1 Developed by the World Bank, the Findex survey was conducted in 2011, 2013 and 2017 in 144 countries in order to evaluate the state of affairs of financial inclusion according to the perception of individuals and to make available to decision-makers comparable indicators on the penetration of financial products by segment of the population. In Morocco, the first Findex survey was conducted in 2017.

On the occasion of the Arab Financial Inclusion Day celebrated on April 27 each year since 2016, the Bank mobilized financial institutions around the theme "Supporting young people and entrepreneurs for a sustainable social and economic development". In this context, it developed, in collaboration with the MFFE, a brochure on financial inclusion defining this concept and showcasing its contributions.

In addition, as part of the second phase of the Morocco-OECD Country Program for the period 2019-2021 and following the request of Bank Al-Maghrib, the Ministry of General Affairs and Governance has integrated Financial Inclusion and Financial Education at the level of cooperation areas with the OECD.

2.2.8 Currency

2.2.8.1 Currency circulation

In 2018, currency in circulation increased in terms of value by 7 percent to 249 billion dirhams, or 30 percent of the monetary aggregate M1 and the equivalent of 23 percent of GDP. The circulation of notes rose by 7 percent to 245 billion dirhams and 1.7 billion notes, dominated up to 51 percent by the 200-dirham notes. By series of issue, 64 percent of the notes in circulation are of 2012 type and 33 percent are of the 2002 series. As to coins, their circulation increased by 3 percent to 3.4 billion dirhams and 2.8 billion units, of which 28 percent are 1 dirham coins and 19 percent are 10-cent coins.

Chart 2.2.8.1: Structure of banknotes in circulation

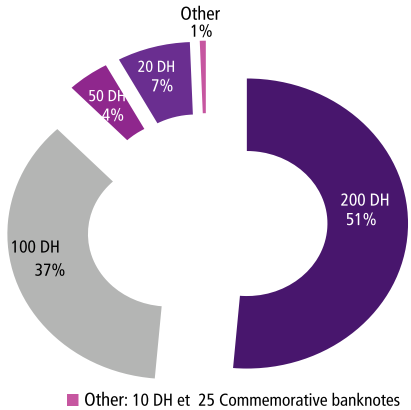
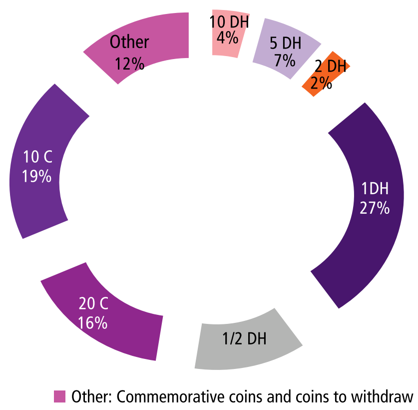


Chart 2.2.8.2: Structure of coins in circulation



2.2.8.2 Supply of the economy with banknotes

The overall volume of notes supplied to the economy increased to 2.7 billion notes in 2018, up 4 percent. Private Sorting Centers (PSC) contributed 76 percent, with a recycling volume of nearly

2.1 billion notes. Bank Al-Maghrib, for its part, has filled the remainder of the needs through injecting new banknotes which reached a volume of withdrawals from the counters of 503 million notes and through its processing activity for a volume of 162 million notes.

Like banknotes, the Central Bank satisfies up to 20 percent of the needs of coins nationally, while PSCs provide up to 80 percent. The total supply stood at around 400 million coins in 2018, down 4 percent from the previous year.

Chart 2.2.8.3: Change in the overall supply of MB (in billions of banknotes)

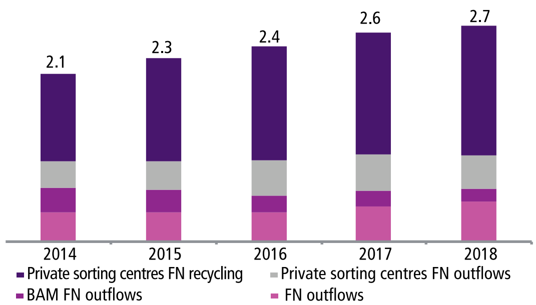
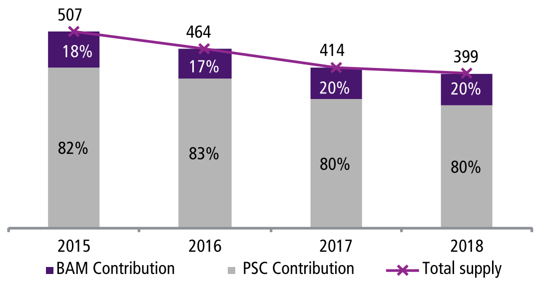


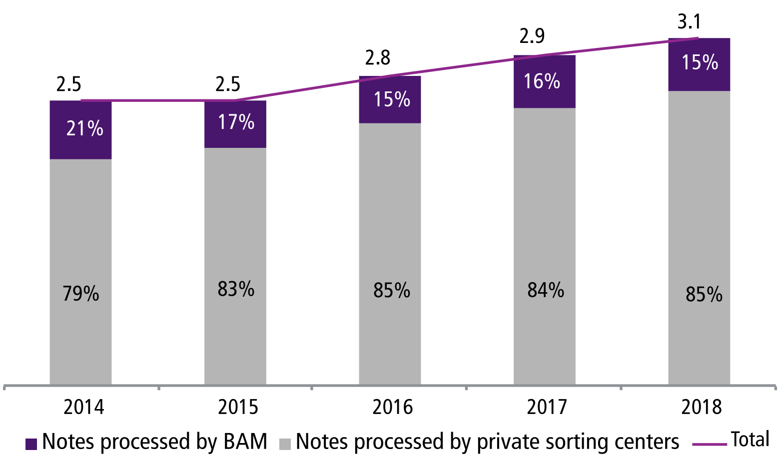
Chart 2.2.8.4: Change in the structure of the supply of coins (in millions of coins)



2.2.8.3 Quality maintenance

Quality maintenance concerned a volume of 3.1 billion notes, up 5 percent, of which 85 percent was carried out by PSCs and the rest by Bank Al-Maghrib. This processing allowed producing 1.6 billion fit recycled notes directly to banks and 434 million fit banknotes to Bank Al-Maghrib. The overall recycling rate thus stood at 79 percent compared with 80 percent in 2017.

Chart 2.2.8.5 : Change in the volume of processed banknotes (in millions)



The processing carried out by Bank Al-Maghrib aims at ensuring the quality of the maintenance by the PSCs. In addition to these quality checks, Bank Al-Maghrib conducted random checks to ensure compliance with the regulations on the recycling of currency in circulation, which concerned 174 bank branches and covered 77 missions with PSCs.

As to counterfeiting, the number of counterfeit notes continued its downward trend with a 7 percent decline in 2018. Thus, 9,074 counterfeit notes were detected for a value of 1.4 million dirhams, or 5.3 counterfeit notes for 1 million notes in circulation. Counterfeits target 200-dirham notes up to 63 percent, and by type of denomination, the 2002 issue series is the most dominant in counterfeit notes with a 48 percent share.

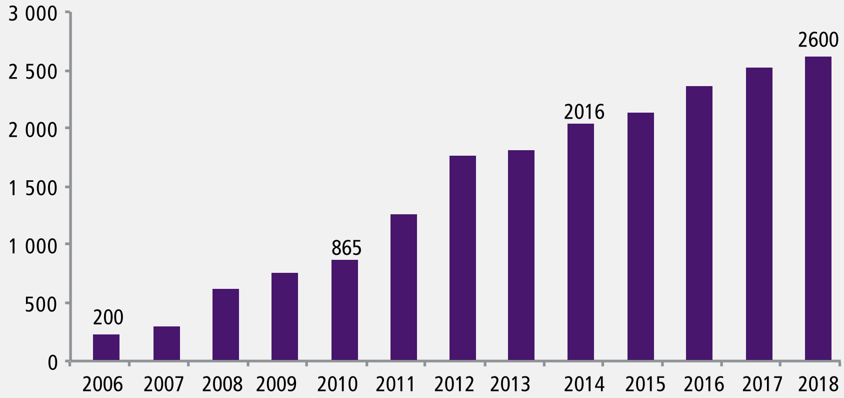
Box 2.2.5: Private Sorting Centers

As part of its core missions, the Central Bank ensures the integrity and quality of currency in circulation. Since 2005, it has delegated to the Private Sorting Centers Managing Companies (PSCMC) the mission of processing currency in circulation, in accordance with specifications that it elaborated for the creation of the Private Sorting Centers (PSCs) and the Instruction of the Governor No. 10 / G / 2005 on rules for sorting currency in circulation.

The PSCMC are currently at a number of two: Business Cash Center Maroc (BCC) and Brink's Maroc. To date, Bank Al-Maghrib authorized 15 PSCs to process funds (7 for BCC and 8 for Brink's). All currency zones are covered by both companies, with the exception of Agadir and Laayoune, where Brink's and BCC operate respectively. In 2018, these centers processed 2.6 billion notes, equivalent to 1.6 times the volume in circulation, and satisfied 76 percent of the economy's needs of bank notes, processed and packaged according to the rules set by Bank Al-Maghrib.

All commercial banks use PSCs to process notes and coins deposited at their counters. It appears that PSCs activity in the processing of banknotes has multiplied thirteen folds since the first PSC entered into production in 2005.

Chart B 2.2.5.1: Change in volumes processed by CPT (in millions of notes)



It should be noted that Bank Al-Maghrib carries out regularly a document and on-site inspection of the activity of each PSC. A rigorous monitoring is in place to ensure that operations are in line with the regulations in force, in particular compliance with the provisions on the detection of counterfeiting and the qualitative sorting of currency in circulation.

2.2.8.4 Production

In 2018, Bank Al-Maghrib produced 516 million Moroccan banknotes and 525 million foreign banknotes, bringing the total printed banknotes to over 1 billion notes. The production of coins concerned 80.5 million units.

Chart 2.2.8.6: Production of new banknotes (in millions of denominations)

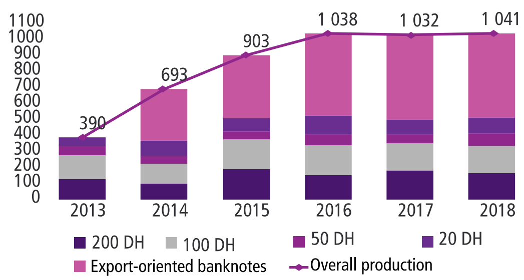
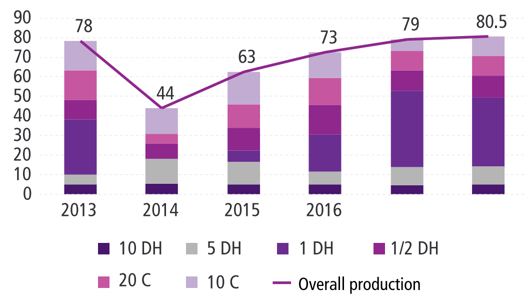


Chart 2.2.8.7: Production of new coins (in millions of units)



Box 2.2.6: Commemorative coins

Bank Al Maghrib issued in 2018 two commemorative coins with a face value of 250 dirhams, the first to celebrate the 19th anniversary of the enthronement of His Majesty King Mohammed VI and the second to mark the 70th anniversary of the Universal Declaration of human rights.

The first coin shows on the front side the portrait of His Majesty King Mohammed VI in addition to the expressions "Mohammed VI" and "Kingdom of Morocco" written in Arabic, with below the dates 2018-1440. On the back side, it shows the inscription "19th anniversary of the enthronement of His Majesty King Mohammed VI", written in Arabic and French. The center of the reverse side of the coin is decorated with a representation of the Coat of Arms of the Kingdom and a Map of Africa covered with sets of lines "representing the globe" and invoking the linkage of Morocco to Africa in addition to the face value in figures and in Arabic letters "250 dirhams".

The second coin features on the front side the portrait of His Majesty King Mohammed VI in addition to the expressions "Mohammed VI" and "Kingdom of Morocco" inscribed in Arabic with down the 2018-1440 dates. On the back side, the coin features the inscription "Anniversary of the Universal Declaration of Human Rights", written in Arabic and French with the dates "1948-2018". The center of the reverse contains a stylized representation of the globe bearing the number of commemorated years "70 years". The face value in numerals and in Arabic letters "250 dirhams" is also visible at the bottom of the back side of the coin.

As regards their technical characteristics, the two coins have an alloy consisting of 925 ‰ in silver and 75 ‰ in copper, with a weight reaching 28.28 grams and a diameter of 38.61 millimeters, a shaped edge and a "Proof"-type minting.

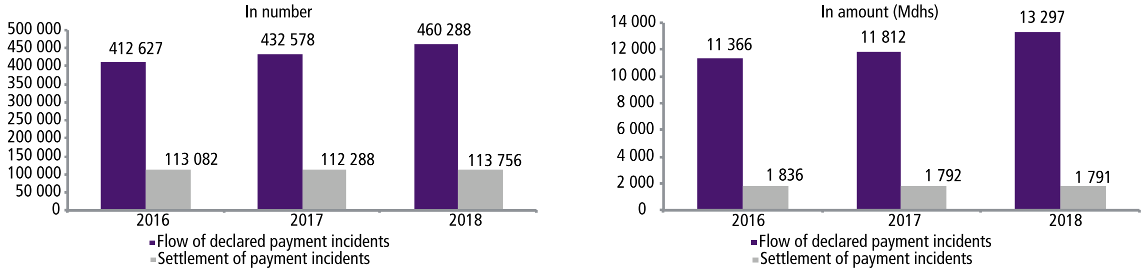
Concerning the production of secure documents, the Bank produced 1.5 million passports and more than 11 million secure documents including stickers, stamps, cards and other types of secure documents. As of 2020, the Bank will also be responsible for manufacturing the next generation of electronic driver's licenses and vehicle registration cards. In this regard, a partnership agreement was signed on 28 February 2018 with the Ministry of Equipment, Transport, Logistics and Water.

2.2.9 Activities of central information registries

The year 2018 was marked by a significant increase in the number of users of central information registries, partly reflecting the inclusion of eight participatory banks. Bank Al-Maghrib accompanied, during the year, the second Credit Bureau in the implementation of its activity.

The Checks default registry recorded 460 288 unsettled payment incidents amounting to 13 billion dirhams and 113 756 regularizations, up 6.4 percent and 12.6 percent respectively compared to the previous year. With respect to the bans on issuing checks, their number increased by 4.1 percent to 668,988 persons, 87.8 percent of which are composed of natural persons.

Chart 2.2.9.1: Change in payment defaults and settlements



With regard to defaults on Standardized Bills of Exchange (SBE), the data collected by the Central registry indicate that the cumulative unsettled payment incidents amounted to more than 69 billion dirhams broken down among 1.9 million cases, dominated up to 62 percent by natural persons. The number of people who have defaulted on SBE rose by 22.2 percent to 117,378, with a proportion up to 64 percent made of natural persons.

Chart 2.2.9.2: Change of payment defaults (in thousands)

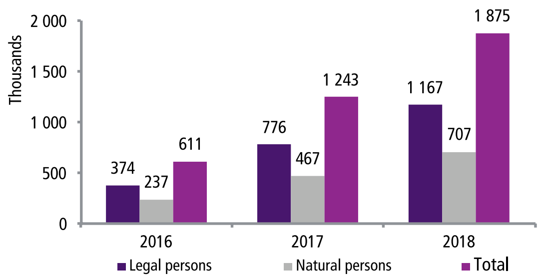
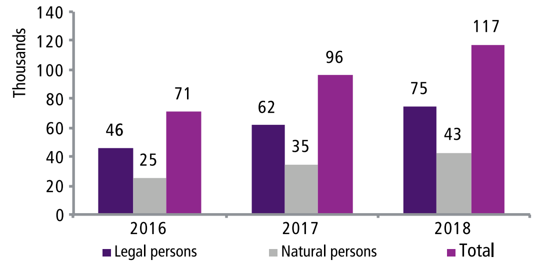
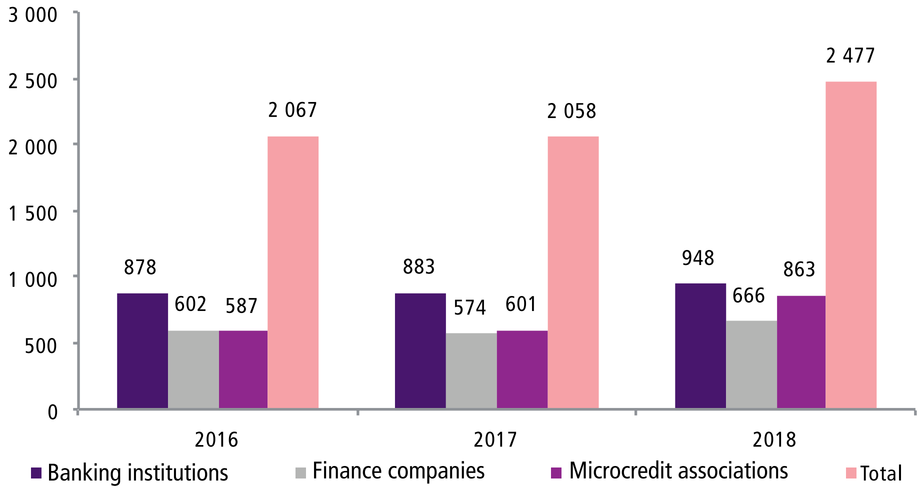


Chart 2.2.9.3: Change in the number of persons with unpaid bills of exchange (in thousands)



As for the central risk registries, the number of active contracts stood at 4.8 million, up 3.6 percent and representing an outstanding amount of 837.9 billion dirhams. For its part, the number of consultations reached more than 2.4 million, accumulating a total of 13.6 million consultations since the establishment of the Credit Bureau in 2009.

Chart 2.2.9.4: Yearly consultations per type of institution (in thousands)



2.3 Communication and Openness to the Bank's environment

In 2018, Bank Al-Maghrib continued its openness and transparency policy, increasing its efforts to improve the understanding of its missions and decisions by the general public and the financial market. Thus the press briefings held after Bank Board meetings are broadcast live on Bank Al-Maghrib's Youtube channel in order to enlarge the coverage scope or ensure better transmission of Board decisions. A large media coverage was also provided for several activities, including the launch of the exchange rate regime reform, the presentation of the national mobile payment solution, and the current progress of the Bank's new statutes. At the level of social networks, the past year was marked by strengthening the institution's employer brand by launching its LinkedIn page, in January 2018. New videos on the central bank's missions and on the profiles of its executives were therefore shared on the web.

On the numismatic and culture front, the Bank Museum continued to act as a major player in the cultural scene through rich and diverse programming and increased accessibility of collections at the local, regional and international levels. The cultural program was marked by the organization of the exhibition devoted to the Moroccan explorer Ibn Battouta, the setting up of an exhibition mixing art and numismatics under the common denominator of Arabic calligraphy and holding workshops around key international dates, such as International Women's Rights Day, World Storytelling Day and International museum Day. These events increased the Museum's visibility and attracted new visitors.

The Museum also continued its efforts to strengthen its territorial presence, particularly through the launch of the project to develop a Currency Museum in Fes, the organization of an exhibition in the Oriental region under the theme "Numismatics of Independent Morocco", as part of the "Oujda, the capital of Arab culture" celebration events, and the animation of a presentation workshop on the history of currency and the main missions of the Bank at Abdelmalek Essaadi University in Larache. Its radiance was also extended internationally with the animation of a conference on "The history of the Alawites told by the currency" organized by Ibn Battouta Club of Brussels and the signing of collections loan partnerships with the Block Museum of Art in the United States and The Museum of European and Mediterranean Civilizations in Marseille.

As part of the advanced regionalization project, the Bank continued to strengthen and optimize its presence at the local level. Thus, actions for developing the Bank Network were pursued with a view to building new branches in the cities of Errachidia and Dakhla. Similarly, the development of three currency centers[1] was launched in Salé, Taza and Settat as part of the Bank's network specialization plan.

Internationally, the Bank participated in numerous events, including the Spring Meetings and Annual Meetings of the IMF and the World Bank, the annual meetings of the Association of African Central Banks, the meeting of the Board of Governors of Arab Central Banks and Monetary Institutions and the meeting of Central Bank Governors of MAU countries. It also organized two seminars, the first on the regulation and supervision of the activities of money transfer operators, in partnership with the African Institute for Remittances, and the second jointly with the AFI on "Digital Financial Services - Innovations in Digital Financial Inclusion".

In addition, the Bank's Training Center hosted three seminars[2] in partnership with international financial institutions and central banks. The seminars saw the participation of a hundred executives from both the Bank and partner central banks.

As concerns international cooperation, the Bank continued to strengthen and intensify relations with other central banks. In addition to joining the Association of African Central Banks on August 9, 2018, and the joint organization with the central bank of Spain of a thematic meeting on gender in Malaga, the year was characterized by the signing of several agreements with the central banks of France, Qatar, Portugal and Tunisia. In addition, pursuing its policy of sharing experiences and expertise, the Bank hosted 19 study visits for managers of several central banks. For its part, it benefited from 9 study visits and 4 technical assistance missions.

1 The establishment of three currency centers aims to optimize the processing of banknotes at the domestic level. These centers will also be responsible for supplying all regions of the Kingdom with currency in circulation. In so doing, the Bank aims to secure significant gains in terms of transport and storage costs as well as in terms of processing times.

2 These seminars covered the following topics: Control practices in the fight against money laundering and terrorist financing, credit risk management and exchange rate policy.

2.4 Resources

2.4.1 Human resources

At end-2018, the Bank had 2,235 employees, 61 percent of them belonged to core business areas and 39 percent to support areas. The average age stood at 41, with an average seniority of 14 years. Women represent overall 40 percent of the total workforce, but are largely represented in some business lines with parity at the level of the Management Committee. It should be noted that the Bank has made professional gender equality a guiding principle for its actions and has included it among the objectives of its strategic plan 2019-2023.

By focusing on the development and well-being of its employees, the Bank pursued its efforts in terms of training, skills development, mobility and leadership development.

Training activities helped support the Bank's operational and strategic objectives, through the consolidation and ongoing development of the internal pool of skills. Thus, over 3 100 participation in training sessions were registered, benefiting 57 percent of the workforce, with an average of 9 days of training by trained employee. Specific training programs aimed at strengthening expertise (specialized cycles, certifying training, etc.) were also deployed for 350 participants.

In terms of external recruitment, the Bank increased its workforce by hiring 128 new recruits in various fields. In addition, mobility helped cover 49 percent of the Bank's needs, ie more than 120 employees who were able to diversify their career paths and enrich their skills portfolios.

In order to enable its employees to evolve in a stimulating and caring work environment, the Bank has embarked on a dynamic of developing leadership spirit and strengthening cooperation. In 2018, a management development course focused on personal development was introduced and benefited 60 middle and senior managers. Inter-entity team cohesion actions were also organized to strengthen relationships and foster collective efficiency. These actions were an opportunity for more than a hundred managers to become aware of their relationship modes and their communication style from a personal development perspective.

Bank Al-Maghrib also continued to give special importance to its internal communication policy with the aim of facilitating access and sharing of information and further promoting a culture of belonging. While using its range of internal communication media to relay its news, it organized several educational and cultural events for the benefit of its staff’s children. As is customary, the Bank's management s met for a new edition of the day of executives, organized on January 18, 2019, and dedicated to assessing the achievements of the past year and presenting the Bank’s ambitions under its new strategic plan.

In pursuit of its policy of strengthening the social welfare of its employees, the Bank continued to expand its offer in terms of holiday centers with projects to upgrade the holiday centers of Tangiers and Marrakech. It also continued to monitor the health conditions of its employees, with more than 6,400 medical consultations, preventive campaigns that benefited more than 472 employees and a medical surveillance that involved nearly 330 employees.

2.4.2 Digital strategy and information systems

Fully aware of the crucial role and importance of its information systems in carrying out its missions, the Bank undertook their overall upgrading as part of a digital transformation program aimed at seizing the opportunities offered by the digital revolution. The goal being to support the development of its activities and projects while strengthening physical Security and cyber Security mechanisms.

Internally, the Bank's digital strategy aims in part at simplifying and transforming its processes. For the "support" functions, it revolves around automating manual activities with low added value and which mobilize resources as part of an overall reengineering of the processes capable of enhancing their efficiency. This reengineering will also concern the processes of data collection, reliability and dissemination, which are essential for the Bank's businesses and which underpin the decisions of its policies.

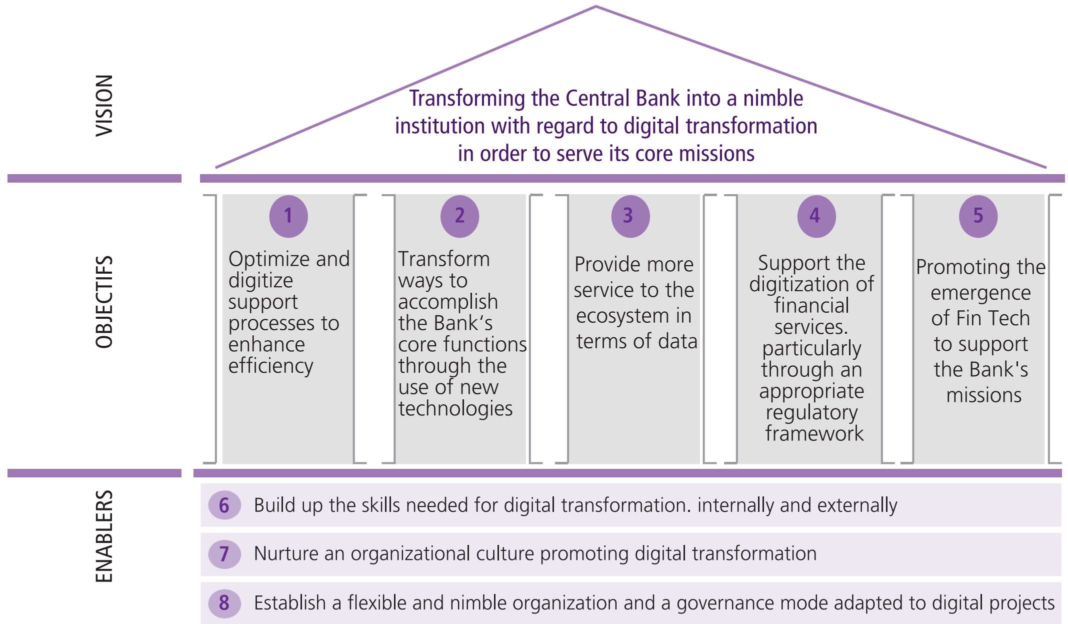
The use of the latest technology in the context of its core missions will enhance the Bank's ability to process and analyze an increasing bulk of data originating from its ecosystem. Big data and artificial intelligence will facilitate the use of this data and will allow staff to focus their know-how on core business activities.

These transformations will enrich the Bank's information system and improve the quality and reliability of compiled data as well as their accessibility both internally and for external users, including public and private decision-makers and academic researchers.

Externally, and to support the digitization of financial services and the emergence of new entrants like the FinTechs, the Bank will strive to put in place a more agile and adapted regulation, as well as a framework proportionate to the risks they Induce for client protection, financial integrity and operational resilience, including at the cyber level.

To better understand and then accelerate the use of new technologies, the Bank will create an "Innovation Lab" open to the FinTech ecosystem, with an objective to foster the emergence of innovative ideas with added value for its missions. It will implement a dedicated FinTech support policy to improve the delivery of financial services and accelerate financial inclusion.

Digital strategy of Bank Al-Maghrib



2.4.3 Social responsibility

The Bank continued to place sustainable development and social responsibility at the heart of its approach and processes. The actions carried out in this context focused particularly on publishing the Bank's Corporate Social Responsibility (CSR) charter, implementing a constant monitoring in terms of sustainable development, elaborating a study on the opportunity of a CSR labeling, finalizing Dar As-Sikkah site's carbon footprint, continuing the project to generalize the Health, Safety and Environment approach at the Bank's branches and the development of a Bank Al-Maghrib' suppliers charter incorporating guidelines on the issue. In addition, in line with this orientation, the Bank assigned to the CSR, as part of its new strategic plan, a specific function at the level of its organization.

As part of the QSE program (Quality, Health & Safety at work and the Environment), the Bank continued on the path of energy saving by implementing an energy management system in Dar As-Sikkah by introducing an energy policy that takes into account its specificities, the legal requirements and the management systems put in place.

With regard to the Integrated Management System (IMS), the efforts made concerned the optimization and alignment of this system with the requirements of the new versions of the ISO standards (2015) and were crowned by the maintenance of ISO certifications 9001, ISO 14001 and OHSAS 18001.

PART 3

FINANCIAL STATEMENTS OF THE BANK

In this part of the report, figures are rounded to the nearest thousand dirhams. Therefore, totals and sub-totals do not always correspond to the sum of the relevant rounded off figures.

Macroeconomic data are taken from various economic, monetary and financial publications.

3.1 Overview of the financial position of the fiscal year[1]

3.1.1 Balance sheet

As at December 31, 2018, the Bank's total balance sheet stood at 312,725,033 KDH from 295,374,535 KDH a year earlier, up 6 percent.

By main operation, this change is attributed to a 7 percent increase to 248,477,842 KDH in currency in circulation. It also reflects declines of 4 percent to 209,796,689 KDH in foreign transactions and 32 percent to 2,307,338 KDH in transactions with the State, mainly due to higher current account assets held by the Treasury (-672,452 KDH). Similarly, net position of credit institutions worsened markedly from -18,428,107 KDH to -43,857,909 KDH, as a result of the Bank's increased intervention in the money market to cope with a widening liquidity deficit.

Table 3.1.1: Balance sheet by transaction

In thousand dirhams	2018	2019	Change (%)
(of which)			
Currency in circulation	248 477 842	231 783 652	7
Transactions with foreign countries	-209 796 689	-219 310 119	-4
Transactions with the State	1 576 337	2 307 338	-32
Net position of credit institutions	-43 857 909	-18 428 107	<-100
Assets transactions	2 442 930	2 432 864	0.4

liabilities -Assets

3.1.2 Income

At the end of the 2018 financial year, the Bank's net income stood at 985,287 KDH, down 6 percent, covering an improved income from activities and higher general operating expenses.

Thus, net income from foreign exchange reserve management operations rose by 18 percent to 1,682,268 KDH, owing to higher yield rates of assets in dollar as well as a 30 percent decrease to 1,340,455 KDH in expenses related to foreign currency investments.

Monetary policy operations registered a robust increase (+ 51 percent) to 1,389,378 KDH, following a higher volume of Bank's interventions in the money market.

Conversely, income from other transactions fell by 40 percent to 548,165 KDH, particularly in connection with lower foreign exchange commissions (-106,072 KDH) and a lower intermediation margin, which fell to 11,409 KDH from 145,948 KDH at end-2017.

1 Changes in the balance sheet and profit and loss account items are addressed in more details in the comments section of the financial statements. For purposes of analysis, the balance sheet and profit and loss account items were adjusted in this part of the report.

Table 3.1.2: Net income of the fiscal year

In thousand dirhams	2018	2017	Change (%)
Income from foreign exchange reserves management operations	1 682 268	1 426 049	18
Income of monetary policy operations	1 389 378	918 284	51
Income of other operations	548 165	916 170	-40
Income of activities	**3 619 811**	**3 260 503**	**11**
General operating expenses	-1 802 101	-1 641 333	10
Gross operating income	**1 817 711**	**1 619 170**	**12**
Noncurrent income	-252 332	72 786	<-100
Income tax	-580 092	-649 049	-11
Net income	**985 287**	**1 042 906**	**-6**

3.2 Summary statements and related notes

3.2.1 Balance sheet (assets)

Table 3.2.1: Assets as at December 31, 2018

In thousand dirhams	Notes	2018	2017
Assets and investments in gold	1	**8 731 475**	**8 596 562**
Assets and investments in foreign currency	2	**216 223 579**	**226 510 350**
Holdings and investments held in foreign banks		52 394 684	44 722 540
Foreign Treasury bills and similar securities		160 298 056	178 239 660
Other holdings in foreign currency		3 530 840	3 548 150
Assets with international financial institutions	3	**9 863 989**	**9 846 591**
IMF subscription-Reserve tranche		2 152 196	2 152 611
Special Drawings Rights holdings		7 308 650	7 317 075
Subscription to the Arab Monetary Fund		403 143	376 905
Lending to the Government		**-**	**-**
Conventional advances		-	-
Overdraft facilities advances		-	-
Other facilities		-	-
Claims on Moroccan credit institutions and similar ones	4	**69 367 897**	**42 209 670**
Securities received under repurchase agreements		-	-
Advances to banks		69 302 257	42 152 864
Other claims		65 640	56 806
Treasury bills - Open market operations		-	-
Other assets	5	**5 452 636**	**5 114 561**
Fixed assets	6	**3 085 457**	**3 096 800**
Total assets		**312 725 033**	**295 374 535**

3.2.2 Balance sheet (liabilities)

Table 3.2.2: Liabilities as of December 31, 2018

In thousand dirhams	Notes	2018	2017
Banknotes and coins in circulation	**7**	**248 477 842**	**231 783 652**
Banknotes in circulation		245 135 550	228 591 884
Coins in circulation		3 342 291	3 191 768
Commitments in gold and foreign currency	**8**	**8 492 088**	**8 476 715**
Commitments in gold		-	-
Commitments in foreign currency		8 492 088	8 476 715
Commitments in convertible dirhams	**9**	**223 686**	**230 932**
Commitments to international financial institutions		213 543	222 578
Other liabilities		10 143	8 354
Deposits and commitments in dirhams	**10**	**31 659 471**	**30 619 347**
Current account of the Treasury		1 216 398	1 888 850
Deposits and commitments in dirhams to Moroccan banks		25 509 987	23 781 564
Current accounts		25 509 987	23 781 564
Liquidity-withdrawal accounts		-	-
Deposit facility accounts		-	-
Deposits of general government and public institutions		1 598 074	1 921 892
Other accounts		3 335 011	3 027 042
Other liabilities	**11**	**9 889 337**	**10 232 029**
Special Drawing Rights allocations	**3**	**7 468 935**	**7 459 290**
Equity capital and the like	**12**	**5 528 387**	**5 529 664**
Capital		500 000	500 000
Reserves		5 001 340	5 001 340
Retained earnings		27 046	26 140
Other equity capital		0	2 184
Net income of the fiscal year		**985 287**	**1 042 906**
Total liabilities		**312 725 033**	**295 374 535**

3.2.3 Off-balance sheet

Table 3.2.3: Off-balance sheet as of December 31, 2018

In thousand dirhams	Notes	2018	2017
Spot foreign exchange transactions			
Spot delivery of currencies			-
Spot purchase of dirhams			-
Forward foreign exchange transactions			
Foreign currencies receivable			-
Foreign currencies deliverable			-
Foreign exchange transactions- currency deposits	13	**6 428 495**	**1 679 310**
Foreign exchange transactions-arbitrage operations	13		
Foreign currencies receivable		-	505 629
Foreign currencies deliverable		-	504 553
Off-balance currency adjustment		**-**	**-**
Commitmens on derivatives		**-**	**-**
Commitmens on securities	14		
Securities received on advances granted		70 599 743	41 128 646
Securities received on advances to be granted		10 025 700	13 462 900
Other guarantees received on advances granted		2 753 697	3 656 100
Advances to be granted		9 524 415	12 789 755
Foreign securities receivable		5 458 712	363 851
Foreign securities deliverable		2 102 925	-
Other liabilities	15		
Received market guarantees		58 583	47 989
Guarantees commitments received for staff loans		846 161	825 609
Financing commitments granted to the staff		32 165	35 300
Other granted commitments		1 000	1 000

3.2.4 Profit and loss account

Table 3.2.4: Profit and loss account as at December 31, 2018

In thousand dirhams	Notes	2018	2017
Profit		**5 431 819**	**5 538 620**
Interests earned on holdings and investments in gold and in foreign currency	16	2 681 949	2 917 861
Interests earned on claims on credit institutions and similar bodies	17	1 422 337	956 308
Other interests earned	18	13 374	12 958
Commissions earned	19	608 351	844 960
Other financial revenues	20	156 006	120 499
Sales of produced goods and services	21	225 852	271 242
Miscellaneous revenues	22	17 826	27 477
Reversal of depreciation		-	-
Reversal of provisions	23	297 623	316 721
Noncurrent revenues	24	8 501	70 595
Expenses		**4 446 532**	**4 495 714**
Interests paid on commitments in gold and in foreign currency	25	184 384	77 778
Interests paid on deposits and commitments in dirhams	26	326 354	271 095
Commissions paid	27	32 471	16 609
Other financial expenses	28	1 063 238	1 645 436
Staff expenses	29	988 860	739 420
Purchases of materials and supplies	30	243 702	250 114
Other external expenses	31	352 911	321 385
Depreciation and provision expenses	32	419 450	522 696
Noncurrent expenses		255 072	2 132
Income tax	33	580 092	649 049
Net income		**985 287**	**1 042 906**

3.3.5 Main accounting rules and evaluation methods

3.3.5.1 Legal framework

The financial statements are developed and presented in conformity with the BAM Chart of Accounts, approved by the National Accounting Board in May 2007.

The Bank applies the accounting requirements specified in the General Accounting Standard for issues common to companies in terms of assessing stocks and fixed and other assets, and applies particular provisions for the evaluation of its financial transactions.

The financial statements, as cited under Article 55 of Law No.76-03 bearing Statutes of Bank Al-Maghrib, include the balance sheet, off-balance sheet, profit and loss account (PLA) and additional information statement (AIS).

3.3.5.2 Evaluation methods

Foreign exchange operations

Foreign exchange operations include spot and forward purchases and sales of foreign currencies, whether for Bank Al-Maghrib's own account or as part of intermediation with banks. These transactions are entered in the corresponding off-balance sheet accounts on their commitment date. Then, they are recorded in the balance sheet accounts on the value date or on the date of liquidity delivery.

Assets and commitments in gold and foreign currency

Assets and commitments in gold and foreign currency are converted into dirhams based on the applied exchange rate of foreign currencies on the closing date of the fiscal year.

Profits and losses resulting from this operation are entered in the exchange reserves' revaluation account as liabilities on the Bank's balance sheet, in accordance with the agreement governing this account, concluded between Bank Al-Maghrib and the Government on December 29, 2006.

By virtue of this agreement, the "foreign exchange reserve evaluation account" shall maintain a minimum credit balance equal to 2.5 percent of Bank Al-Maghrib's net foreign assets. In the event that a foreign exchange loss causes to bring the balance of the "foreign exchange reserve evaluation account" to a level below the required minimum threshold, the amount of the deficit is deducted from the income of Bank Al-Maghrib of the relevant fiscal year, without exceeding 10 percent of the net profit of the relevant financial year, and placed in a "foreign exchange loss reserve" account. If the said deficit exceeds 10 percent of the net profit of the Bank, the "reserve for foreign exchange loss" account may be replenished over several years.

The balance of the "foreign exchange loss reserve" account is returned to the Treasury if the balance of the "foreign exchange reserve revaluation account" exceeds the required minimum threshold.

This reevaluation mechanism has no tax impact.

Securities

The securities acquired as part of the management of exchange reserves are classified according to the purpose for which they are held (in portfolio of transaction, of securities held for sale, or of investment).

Transaction portfolio consists of securities purchased with the intention, right from the start, to resell them within a short deadline. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of these securities at the market price are entered in the corresponding income accounts.

Investment portfolio consists of securities acquired with the intention of being held until maturity. They are entered according to the rules below:

- They are recorded at their purchase price, excluding costs and, if need be, accrued coupons;
- Gains on these securities are not recorded;
- Losses on these securities are recorded only when the Bank judges that the security, which suffers a loss, will be probably sold in the following fiscal year and in the case where there is a probable issuer's default risk;
- The differences (discounts or premiums) between securities' prices of purchase and redemption are amortized on a straight-line basis over the remaining life of the securities.

As at December 31, 2018, no provision is recorded for this portfolio.

Portfolio of securities held for sale consists of securities other than those classified as transaction or investment securities. Their recording comes as follows:

- Entries into the portfolio are recorded in the balance sheet at their purchase price, excluding costs and, if need be, accrued coupons;
- The differences (discounts or premiums) between securities' purchase price and redemption price are not amortized over the duration for these securities holding;
- The unrealized losses resulting from the difference between the book value and the market value of these securities are recorded as depreciation provisions on a daily basis. However, unrealized gains are not counted.

It is worth reminding that as of October 2008, the Bank came up with a sub-category in its securities held-for-sale to include discount securities. These securities are recorded at their redemption price. Discount securities are spread over the life of the securities and entered in the revenue or expense accounts on a daily basis.

Other foreign assets

The Bank holds a portfolio of securities denominated in US dollars. The management of this portfolio is delegated to the World Bank by virtue of delegation contracts.

These securities are initially recorded at their purchase price. The gains or losses are entered in the appropriate profit and loss accounts, on the basis of the market values duly audited and reported by authorized agents and controlled by the Bank's staff.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at their purchase cost. They are posted on the assets side of the balance sheet at a net value representing their acquisition cost minus accumulated depreciations.

Fixed assets, including incidental expenses, are amortized according to the straight-line method, depending on the estimated duration of use of the goods, and by applying the depreciation rate in force.

The depreciation periods retained according to the nature of each fixed asset are as follows:

Table 3.2.5: Fixed assets depreciation periods

Real properties	20 years
Fixtures. fittings and facilities	5 years
Dar As-Sikkah equipment	10 years
Office equipment, computing materials and software, vehicles and other materials	5 years
Office furniture	10 years

Financial fixed assets

Shareholdings in Moroccan and foreign financial institutions are entered in the assets side of the balance sheet for their net value representing their acquisition cost minus the provisions set up at the closing date. Regarding foreign holdings, their value is converted into dirhams at the historical rate of the currency.

The provisions for depreciation of these unlisted securities are evaluated at the end of the fiscal year following the net asset value method, based on the last financial statements available.

Inventories

Inventories are composed of:

- Consumable materials and supplies;
- raw material for the manufacturing of banknotes and coins (paper, ink, and blanks);
- finished goods and in-process inventory (secured documents and foreign banknotes); and
- commemorative coins.

Consumable materials and supplies are recorded in the balance sheet at their purchase price, minus the provisions for their depreciation, if need be, at the closing date.

Raw materials are recorded in the balance sheet at their purchase price plus the handling costs, and minus the provisions for their depreciation, if need be.

Finished goods and in-process inventory are recorded in the balance sheet at their production cost, minus the provisions for their depreciation, if need be.

3.2.6 Financial risk management system

The purpose of the financial risk management system is to identify, monitor and mitigate the risks inherent in the investment operations of foreign exchange reserves, namely credit, market and liquidity risks.

To achieve this goal, risk management within Bank Al-Maghrib is based on a top-down governance framework that clearly sets out roles and responsibilities.

Thus, the **Bank Board** validates the foreign exchange reserves investment policy and risk tolerances and approves the investment universe and the strategic asset allocation. The **Monetary and Financial Committee** (MFC), chaired by Bank Al-Maghrib's Governor, oversees the implementation of this strategic allocation and validates, on an annual basis, the management strategy proposed by the entity in charge of managing foreign reserves. Finally, the **Operational and Financial Risk Committee** (OFRC), chaired by the Director General, reviews on a periodic basis risk and performance indicators related to the foreign exchange reserves management.

All of the objectives of the holding and management of reserves, investment principles, investment universe, limits by asset category, eligibility and concentration rules for issuers and counterparties as well as the authorized investment terms are formalized in a Bank's directive.

Definition of financial risks

The financial risks to which the Bank is exposed while managing foreign exchange reserves are:

- The **credit risk**, defined as:
  - Firstly, the payment default risk (counterparty risk) which corresponds to a risk of economic loss due to the inability of a counterparty to fulfill its obligations;
  - Secondly, the credit rating reduction risk, relating to the risk of lowering credit rating by one or more rating agencies.
- The **market risk**, which is the risk of loss arising from adverse changes in market factors. It concerns, inter alia, risks related to movements in interest or foreign exchange rates.
- The **liquidity risk**, which represents the possibility of not being able to meet commitments, even by mobilizing assets or at least with a significant capital loss.

Financial risk management

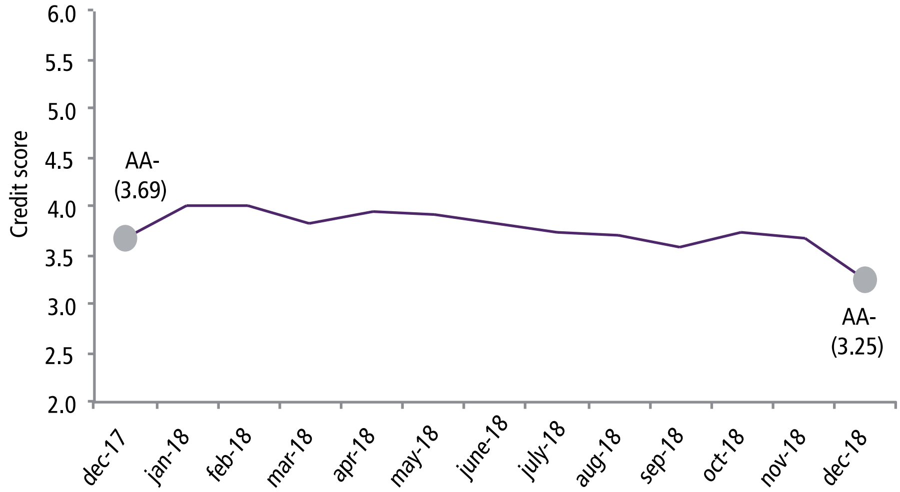
Credit risk

Bank Al-Maghrib ensures that investments made as part of the foreign exchange reserve management comply with its two main objectives, namely security and liquidity. Thus, in addition to the eligibility criteria for issuers and counterparties, the Bank uses more specific tools for credit risk management. These are exposure limits helping to avoid excessive risk taking and concentration. The different categories of limits applied and monitored are credit rating, asset category, country risk, issuer risk and counterparty risk.

In addition to the previous arrangements and with a view to ensuring a better assessment of overall exposure to credit risk, a synthetic indicator (credit risk score) is calculated and monitored on a daily basis. The approach consists in adopting the ratings used by the leading rating agencies (S&P, Moody's and Fitch), to which scores are assigned by a system of equivalence rating/score for each rating level. An average score is thus calculated making it possible to assess exposure in unitary or global manner.

During the year, the credit quality of the assets held improved with a credit risk score falling from 3.69 at end-2017 to 3.25 at end-2018, giving an average rating of "AA". This improvement is particularly due to the increase in the share of U.S. sovereign securities (rated AAA), following new investments in the excess reserves tranche.

Chart 3.2.1: Change in the level of credit risk of overall foreign exchange reserves



Rating	Corresponding score
AAA	1
AA+	2
AA	3
AA-	4
A+	5
A	6
A-	7
BBB+	8
BBB	9
BBB-	10

Market risk

The Bank manages market risk using a multi-level benchmark portfolios system and permitted deviations from these benchmark portfolios. Also, the management of overall market risk aims to ensure that each held-for-sale portfolio does not incur losses at given prudent levels of confidence.

The market risk exposure inherent in all held-for-sale portfolios, as well as the compliance of portfolio management with the framework defined for this risk, are analyzed on a daily basis using the Bank's information system. The market risk exposure is measured by a set of indicators, including duration, sensitivity, value-at-risk (VaR) and performance volatility relative to benchmark portfolios (tracking error).

3.2.7 Comments on the balance sheet items

Note 1: Assets and investments in gold

Under Article 8 of its Statute, Bank Al-Maghrib holds and manages foreign exchange reserves which consist of gold, SDRs and foreign currency assets. This item contains the dirham equivalent of gold assets deposited in Morocco and with foreign depositors, as well as investments in gold made with foreign counterparties. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the reevaluation account[1] of foreign exchange reserves, in accordance with the agreement governing this account concluded in 2006 between Bank Al-Maghrib and the State.

1 The credit balance of this account cannot be credited to the income of the financial year nor distributed or affected to any use.

The value of assets and investments in gold continued to rise reaching 8,731,475 KDH in 2018, in connection with the 1.5 percent appreciation in gold price, which stood at 12,280 DH at end-2018. The stock of gold held by the Bank remained virtually unchanged at 711,032 ounces (the equivalent of 22 tonnes), of which 250,000 ounces are placed abroad compared to 680,000 ounces in 2017.

Table 3.2.6: Assets and investments in gold

	2018	2017
Gold price per ounce in dirhams (1)	12 280	12 096
Quantity of gold ounces	711 032	710 712
Market value (2)	**8 731 475**	**8 596 562**
Gold stock (in tonnes)	**22.11**	**22.10**

(1) Price of Gold/MAD
(2) In thousand dirhams

Note 2: Assets and investments in foreign currency

Under the aforementioned Article, this item presents the equivalent in dirhams of assets in convertible foreign currencies, held in the form of demand deposits, time deposits and foreign bond securities.

Table 3.2.7: Breakdown by type of investment

In thousand dirhams	2018	Share in %		2017	Share in %	
Demand deposits	17 190 648	8		16 997 789	8	
Time deposits	31 018 797	14		23 527 587	10	
Securities held for sale (1)	51 287 243	24		31 476 987	14	
Investment securities	109 010 813	50	74%	144 570 491	64	79%
Transaction securities	-	-		2 192 182	1	
Other (2)	7 716 078	4		7 745 313	3	
Total	**216 223 579**	**100**		**226 510 350**	**100**	

(1) Taking into account provisions for depreciation.
(2) Including accrued interests. management authorizations. and foreign banknotes.

Assets and investments in foreign currency fell in 2018 by 5 percent to 216,223,579 KDH. Thus, the share of this item in the Bank's assets fell from 77 percent to 69 percent.

In terms of distribution, bond securities remain predominant, with a share of 74 percent. Within this category, portfolio of securities held for sale grew 63 percent to 51,287,243 KDH and the investment portfolio fell by 25 percent to 109,010,813 KDH. This change reflects the management strategy adopted in 2018, advocating the creation, within excess reserves, of a new "marked to market" portfolio (MTM) through the reallocation of losses of the "held to maturity" portfolio (HTM).

Table 3.2.8: Breakdown by currency

En milliers de dirhams	2018	2017	Change (in %)
EUR	130 198 846	138 126 030	-6
USD	84 815 369	87 397 283	-3
Other currencies	1 209 365	987 037	23
Total	**216 223 579**	**226 510 350**	**-5**

Table 3.2.9: Breakdown by remaining maturity (*)

	2018	2017
≤ 1year	38%	22%
> 1year	62%	78%
Total	**100%**	**100%**

(*) Securities held in internally-managed portfolios, inlcuding certificates of deposit.

At the same time, for the management of assets in euro, the Bank maintained its positioning in the money market, given the unattractiveness of bond investments denominated in this currency (largely negative rates compared to money market investments). As a result, money market investments grew by 32 percent to 31,018,797 KDH, bringing their share to 14 percent in 2018 from 10 percent a year earlier.

Note 3: Assets with international financial institutions

This item, reflecting positions with the IMF and AMF, rose slightly to 9,863,989 KDH, mainly as a result of the settlement of the last tranche under the Bank's participation in the AMF capital increase.

Position with the IMF

This includes on the assets side:

- IMF subscription - Reserve tranche, which composes the fraction (18.1 percent) subscribed by Bank Al-Maghrib as Morocco's quota in the capital of the IMF. It is composed of:

- **The available tranche**: 147.35 million SDRs (1,960,312 KDH), representing Bank Al-Maghrib's contribution to the IMF in foreign currency. This tranche, which could be used by our country when needed, is included in the foreign exchange reserves of the Bank. It should be reminded that the Bank had paid, in 2016, an amount of 76.55 million SDRs, equivalent to its share (25 percent) in Morocco's quota increase in the IMF capital under the 14th General Quota Review of the IMF.

Table 3.2.10: Position with the IMF

In thousand dirhams	2018	2017	Change (%)
Assets			
IMF subscription-Reserve tranche	2 152 196	2 152 611	-0.02
SDR holdings	7 308 650	7 317 075	-0.1
Total	**9 460 846**	**9 469 687**	**-0.1**
Liabilities			
SDR allocations	7 468 935	7 459 290	0.1
Accounts No.1 and 2	192 942	199 280	-3
Total	**7 661 878**	**7 658 569**	**0.04**

- **The mobilized tranche:** 14.36 million SDR (191,883 KDH) equal to Bank Al-Maghrib's subscription in national currency, deposited in the IMF "Account No.1" open in the books of the Bank.

- SDR holdings record the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDR purchase transactions by the Bank and the remunerations paid by the IMF, while in the credit side, it records payments of commissions on SDR allocations on a quarterly basis and reimbursement of Morocco's borrowings. These assets strengthened substantially in 2014, as the Bank purchased 320 million SDRs to restore a neutral position vis-à-vis the IMF.

At the end of 2018, the equivalent value of SDR holdings decreased by 8,425 KDH to 7,308,650KDH, due to a slight contraction in the number of SDRs combined with the changes in the SDR rate (-2.3 percent) and the US dollar rate (+2.5 percent). During this fiscal year, the Bank settled commitment fees on the IMF Precautionary and Liquidity Line (PLL) of 2,209,140 SDRs (equivalent to 29,394 KDH), as against 5,969,160 SDRs (79,800 KDH) a year earlier.

The SDR allocations item is registered in the liabilities side. It corresponds to the value, in dirhams, of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams, representing Morocco's share in the general allocation and special allocation (475.8 million SDRs) granted by the IMF to member countries. Quarterly commissions are paid by the Bank to the IMF on these allocations. In 2018, they remained at the same level as the previous year, or 561.42 million SDRs, while their equivalent in dirhams increased to 7,468,935 KDH (+9,646 KDH), owing to the aforementioned variations in the dollar and SDR rates.

AMF subscription

This account represents the fraction paid by the Bank for the paid-in subscription in the capital of the AMF.

Morocco's participation in this institution amounts to 41.33 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (5,979KDH);
- 21.69 million Arab dinars, subscribed in foreign currency, of which 10.10 million Arab dinars subscribed by the Bank (403,143 KDH), compared to 9.46 million Arab dinars in 2017, following the Bank's settlement of the last tranche (0.65 million Arab dinars), under its contribution to the AMF capital increase, whose release by member countries is scheduled over the five-year period 2014-2018;
- 19.44 million Arab dinars, of which 9.11 million are attributable to Bank Al-Maghrib for the AMF capital increase by incorporation of reserves, which took place in 2005 (5.88 million Arab dinars) and in 2013 (3.23 million Arab dinars).

Note 4: Claims on Moroccan credit institutions and similar ones

This item covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 6 of the Bank's Statute.

The year 2018 was marked by the continued widening of the banking liquidity deficit, mainly as a result of higher currency in circulation and lower foreign exchange reserves, thus leading the Bank to increase its interventions in the money market.

The analysis of the change in this deficit reveals four phases:

- A slight easing during the first quarter to 46.8 billion dirhams, on monthly average, as against 48.6 billion dirhams a quarter earlier, in connection with the recovery of foreign exchange reserves;
- An increase in banks' liquidity needs to 58.3 billion dirhams in the second quarter, due to both higher currency in circulation and lower foreign exchange reserves;
- A continued widening of the liquidity deficit between July and September with a peak of 76.3 billion dirhams on average in August, mainly reflecting the seasonal increase in currency in circulation and, to a lesser extent, the decline in foreign exchange reserves;
- A gradual easing in the liquidity deficit over the rest of the year, due to lower currency in

circulation and higher foreign exchange reserves, leading the Bank to reduce its injections into the money market to 69,302,257 KDH at the end of the year, divided as follows:

- 67,002,257 KDH through 7-day advances at auction granted at the key rate (2.25 percent since March 2016);
- 2,300,000 KDH corresponding to three operations of one-year secured loans. These operations are part of the program of supporting the financing of VSME, set up in December 2013.

Table 3.2.11: Structure of claims on banks

In thousand dirhams	2018	2017	Change (%)
Repurchase agreements	**67 002 257**	**39 002 864**	**72**
7-day advances	67 002 257	39 002 864	72
24-hour advances	-	-	-
Secured loans	**2 300 000**	**3 150 000**	**-27**
Total	**69 302 257**	**42 152 864**	**64**

Note 5: Other assets

This item includes, inter alia, cash accounts and equalization accounts, which are mainly composed of expenses to be spread out over many fiscal years, prepaid expenses, and accrued revenues, and any other debtor amount pending equalization. This item increased, from one year to the next, from 5,114,561 KDH to 5,452,636 KDH, up 7 percent.

Note 6: Fixed assets

Table 3.2.12: Fixed assets

In thousand dirhams	2018	2017	Change (%)
Fixed loans	747 806	732 977	2
Equity securities and the like	439 557	439 685	-0.03
Tangible and intangible fixed assets	6 685 630	6 414 906	4
Gross fixed assets	**7 872 992**	**7 587 569**	**4**
Depreciation and provision expenses	-4 787 536	-4 490 769	7
Net fixed assets	**3 085 457**	**3 096 800**	**-0.4**

Net fixed assets of the Bank fell to 3,085,457 KDH, slightly down 11,343 KDH, covering an increase of 285,424 KDH in the gross fixed assets and 296,767 KDH in depreciation and provisions.

Equity securities and the like

The gross value of Bank Al-Maghrib's equity securities portfolio remained virtually stable, from one year to the next, standing at 439,557 KDH at the end of 2018.

Table 3.2.13: Equity securities and the like

In thousand dirhams	2018				2017 Gross book value	change (in %) (3)
	Gross book value	Net book value (1)	Net situation(2)	Quote-part (en %)		
Securities held in Moroccan institutions and the like (including)	**198 373**	**194 808**			**198 373**	**-**
Dar Ad-Damane	1 265	0	206 633	1.69	1 265	-
Maroclear	4 000	4 000	297 270	20.00	4 000	-
Casablanca Finance City Authority	50 000	49 200	394 074	12.50	50 000	-
Moroccan Company for the Management of Deposit Insurance Funds (SGFG)	59	59	2 453	5.92	59	-
Receivables attached to equity	141 549	141 549			141 549	-
Securities held in foreign financial institutions	**241 184**	**233 009**			**241 313**	**-0.1**
Ubac Curaçao	23 228	23 228	90 583 USD	6.85	23 228	-
Swift	519	519	469 330 EUR	0.02	519	-
Arab Monetary Fund	5 979	5 979	1 262 880 DA(4)	0.02	6 108	-2.1
Arab Trade Financing Program	16 856	16 856	1 138 893 USD	0.28	16 856	-
Africa50-Project Finance	175 142	167 837	207 284 USD	8.54	175 142	-
Africa50-Project Development	19 460	18 590	23 472 USD	8.48	19 460	-
Gross total of equity securities and the like	**439 557**	**427 817**			**439 685**	**-0.03**

(1) Reworked gross book value of provisions made for the impairment of the Bank's holdings

(2) Net position of the organizations in which the Bank holds investments, based on the financial statements of 2017.

(3) Change in the gross accounting value between 2017 et 2018.

(4) Arab Dinars.

Tangible and intangible fixed assets

Table 3.2.14: Tangible and intangible fixed assets

In thousand dirhams	2017 Gross amount	Increase	Decrease	2018 Gross amount
Operating real estate properties	1 823 831	38 029	1 214	1 860 647
Operating furniture and equipment	2 361 813	127 894	3 673	2 486 034
Other operating tangible fixed assets	783 951	53 384	1 557	835 778
Non-operating tangible fixed assets	784 604	2 011	1 607	785 007
Intangible fixed assets	660 707	57 456	0	718 163
Total	**6 414 906**	**278 774**	**8 051**	**6 685 630**

At the end of 2018, the Bank's gross value tangible and intangible fixed assets reached 6,685,630KDH, up 270,724 KDH compared to their level recorded in 2017. Investments for the year reached 278,774 KDH and are distributed as follows:

- 21 percent in IT infrastructure and security projects as well as information systems. The latter mainly relates to the upgrade of the various modules of Indimaj integrated system, specific developments of the BACETE functionalities, following the establishment of the new exchange rate system and the purchase of ORACLE licenses;
- 14 percent in projects (i) for the redevelopment and extension of the Bank's sites, in particular, the headquarters, branch of Tangier and Dar As-Sikkah buildings (construction of a building for producing Secure Identity Cards) and (ii) for the construction of the new branches located in Dakhla and Er-Rachidia;
- 46 percent for the improvement of the Dar As-Sikkah production machinery, the purchase of recurring furniture and equipment, including upgrading the second banknote production line, renewal of the IT equipment, the acquisition of furniture, office equipment, as well as cash and secured documents processing machines;
- 16 percent mainly dedicated to the reinforcement and upgrade of electrical and safety installations, network wiring, carpentry, air conditioning, painting and fixtures in various Bank sites (operating sites and social facilities).

Decreases amounting to 8,051 KDH mainly concerned the sale of the Bank's former branch located in Laayoune, donations of computer equipment and sale of equipment discarded at the various operating sites and at the Bank's holiday centers and summer camps.

Note 7: Banknotes and coins in circulation

In accordance with Article 5 of its Statute, Bank Al-Maghrib shall issue banknotes and coins. The amount of this item covers the difference between banknotes and coins issued by the Bank and those deposited with the Bank.

Currency in circulation posted a 7 percent increase to 248,477,842 KDH, due to a higher demand for cash, thus representing 79 percent of the total balance sheet at the end of 2018 from 78 percent a year earlier.

Note 8: Commitments in gold and foreign currency

These liabilities mainly comprise currency deposits of foreign banks and non-residents. They stood at 8,492,088 KDH, recording a slight increase of 0.2 percent, compared to a 16 percent decline in 2017, due to an increase in Bank's foreign currency liabilities.

Note 9: Commitments in convertible dirhams

This item includes the Bank's commitments in convertible dirhams towards foreign banks, international financial institutions (IMF, IBRD) and non-residents.

Account No.1 of the IMF represents the major component of this entry. Its assets, as well as those of "Account No.2" of the IMF, which are readjusted annually to take into consideration the parity of the dirham against SDR, amounted to 192,942 KDH at end-2018, down 7,246 KDH.

This change is particularly due to the decrease in the Bank's commitments to international financial organizations (-10,264 KDH).

Table 3.2.15: Comitments in convertible dirhams

In thousand dirhams	2018	2017	Change (%)
Commitments to international financial institutions	**213 543**	**222 578**	**-4**
Commitments to foreign banks	20 211	18 982	6
Ordinary accounts of international financial institutions	193 332	203 596	-5
Other commitments	**10 143**	**8 354**	**21**
Total	**223 686**	**230 932**	**-3**

Note 10: Deposits and liabilities in dirhams

This item mainly includes:

- The current account of the Treasury, held by Bank Al-Maghrib by virtue of Article 12 of its Statute. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28, 2009:
  - The tranche lower than or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points, or 1,75 percent;
  - The tranche above 2 billion dirhams up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points, or 1.25 percent;
  - The tranche higher than 3 billion dirhams is not remunerated.
- The current accounts of Moroccan banks, held mainly to meet their commitments regarding the required reserve, established by virtue of Article 25 of the above-mentioned Statute. The minimum amount required under this reserve equals 4 percent of banks' liabilities, as decided by the Bank board during its meeting held in June 2016 and shall be respected on

average over the period of observation. For banks whose growth of outstanding loans to nonfinancial enterprises is higher than the average for the whole market, the amount of their reserve exceeding 2 percent is remunerated at a rate of 0.75 percent, in accordance with the provisions enacted by the Bank;

- Deposits of general government and public institutions, including the account of Hassan II Fund for Economic and Social Development.

This item can also accommodate, in a context of excess liquidity:

- 7-day liquidity withdrawals as unsecured deposits by tenders, remunerated at the key rate minus fifty basis points, or 1.75 percent;
- 24-hour deposit facilities allowing banks to place, on their own initiative, a cash surplus. The remuneration applied to these deposits is the key rate minus one-hundred basis points, or 1.25 percent.

In 2018, this item posted a rise of 3 percent to 31,659,471 KDH, under the combined effect of the increase of 1,728,424 KDH in the assets of Moroccan banks and the decrease of 672,452 KDH in the Treasury's current account balance.

Table 3.2.16: Deposits and commitments in dirhams

In thousand dirhams	2018	2017	Change (%)
Public Treasury current account	1 216 398	1 888 850	-36
Moroccan banks' current account	25 509 987	23 781 564	7
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	1 598 074	1 921 892	-17
Other accounts	3 335 011	3 027 042	10
Total	**31 659 471**	**30 619 347**	**3**

Note 11: Other liabilities

This entry includes in particular:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State and third parties, and pending contributions to provident funds and institutions for social security.

At the end of 2018, they had a balance of 719,838 KDH, of which 309,968 KDH under debt to the suppliers. The breakdown of these debts by maturity, pursuant to the provisions of Law No. 32-10 relating to the payment periods which entered into force in 2013, is as follows as of December 31, 2018:

Table 3.2.17: Breakdown by maturity of trade suppliers'debt balance

In thousand of dirhams	Amount of suppliers' debt at the end of the FY	Amount of unmatured debts	Amount of debts due			
Closing dates			Less than 30 days	Between 31 and 60 days	between 61 and 90 days	More than 90 days
Financial Year 2017	233 528	233 011	41	-	33	444
Financial Year 2018	309 968	308 580	664	-	536	188

- The equalization accounts, mainly composed of transactions between branches, expenses to be paid and revenues recognized in advance and any other debtor amount pending settlement;
- Amounts claimable after receipt of payment, including accounts making up the counterpart of securities presented for payment;
- Provisions for risks and expenses allowing to note the existing losses and expenses related to operations executed during the fiscal year and that are most likely realized. Their amount dropped by 78,503 KDH to 109,270 KDH. At the same time, the provision constituted in 2014 to 2016 (150,000 KDH), to cover pension liabilities, following the implementation in 2018 of the financing plan for the gradual transition to the TV 88-90 mortality table was partially reversed for 70,000 KDH. That corresponding to the penalty relating to supplier payments exceeding the 90-day regulatory deadline, in accordance with the aforementioned Law No. 32-10, fell from 68 KDH in 2017 to 54 KDH in 2018 (see Table 3.2.33), note 32 of the profit and loss account);
- The foreign exchange reserves re-evaluation account, which includes the exchange variations resulting from the assessment of assets and liabilities in gold and in foreign currency, based on the year-end average exchange rates (See Section 3-2-5 relating to the main accounting rules and evaluation methods).

This agreement sets the rules for implementing Article 24 of the Bank's Statute relating to the periodic evaluation of assets in gold and foreign currencies. This agreement also stipulates that in case of an insufficiency vis-à-vis the required minimum, a reserve for foreign exchange losses deducted from the net profit is constituted. The credit balance of this account can neither be posted in the revenues of the financial year, nor distributed or allocated to any other usage.

Table 3.2.18: Other commitments

In thousand dirhams	2018	2017	Change (%)
Other securities transactions	361	361	-
Miscellaneous creditors	719 838	382 953	88
Equalization accounts	200 007	178 281	12
Amounts claimable after receipt of payment	22 218	6 213	>100
Provisions for risks and expenses	109 270	187 773	-42
Revaluation account of foreign exchange reserves	8 837 645	9 476 448	-7
Total	**9 889 337**	**10 232 029**	**-3**

Note 12: Equity capital and the like

Under Article 2 of the Bank's Statute, the capital is set at 500,000 KDH, totally held by the State. It can be increased by decision of the Bank Board, after consulting the government representative, subject to approval by regulation.

The general reserve fund was established in accordance with Article 56 of the Statute of Bank Al-Maghrib, by deducing 10 percent from the net profit until it reaches the amount of the capital.

Special reserve funds were constituted, pursuant to Article 56 above, by allocating part of the profits. They stood at 4,501,340 KDH since 2004, make the most part of equity capital.

Table 3.2.19: Equity capital and the like

In thousand dirhams	2018	2017	Change (%)
(of which)			
Capital	**500 000**	**500 000**	**-**
Reserves	**5 001 340**	**5 001 340**	-
General reserve funds	500 000	500 000	-
Special reserve funds	4 501 340	4 501 340	-
Retained earnings	**27 046**	**26 140**	**3**
Total	**5 528 387**	**5 529 664**	**-0.02**

3.2.8 Comments on off-balance sheet items

The Bank keeps record of off-balance sheet commitments, detailing both given and received commitments. The accounts on the off-balance sheet are registered to debit when the liabilities materialize on maturity or in case of realization by a debit on the balance sheet, and to credit side in the opposite case. They include (i) commitments in foreign currency, (ii) commitments on securities and (iii) other liabilities.

Note 13 : Foreign exchange transactions

Table 3.2.20: Foreign exchange transactions

In thousand dirhams	2018	2017
Foreign exchange transactions- currency deposits	**6 428 495**	**1 679 310**
Foreign exchange transactions-arbitrage operations[1]		
Foreign currencies receivable	-	505 629
Foreign currencies deliverable	-	504 553

1 This item records currency transitional arbitrage operations initiated on the first day pending their unwinding on D + 2. No arbitrage operation is recorded in these accounts at the end of 2018

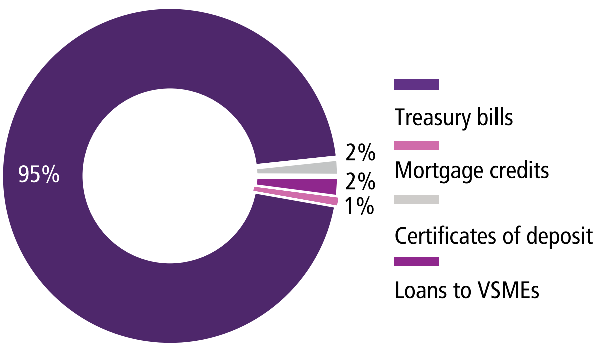
Note 14: Commitments on securities

This heading records mainly securities pledged to Bank Al-Maghrib to secure various advances to banks (debt securities issued or guaranteed by the State, negotiable debt securities, private claims, etc.) and advance facilities[1].

Table 3.2.21: Commitments on securities

In thousand dirhams	2018	2017
Securities received on advances granted	70 599 743	41 128 646
Securities received on advances to be granted	10 025 700	13 462 900
Other guarantees received on advances granted	2 753 697	3 656 100
Advances to be granted	9 524 415	12 789 755
Foreign securities receivable	5 458 712	363 851
Foreign securities deliverable	2 102 925	-

Chart 3.2.2: Structure of Commitments on securities received (*)



(*) Collateral received on the advances granted by the Bank as part of the monetary policy implementation.

1 Possible advances to the participants in the Moroccan Gross Settlement System (SRBM) to avoid systemic bottlenecks.

Note 15: Other commitments

Table 3.2.22: Other commitments

In thousand dirhams	2018	2017
Received market guarantees	58 583	47 989
Guarantees liabilities received for staff loans	846 161	825 609
Financing liabilities granted to the staff	32 165	35 300
Other granted liabilities	1 000	1 000

3.2.9 Comments on profit and loss account items

Note 16: Interests earned on holdings and investments in gold and in foreign currency

This item is highly correlated with levels of foreign exchange reserves and interest rates. It includes interests from the transactions of investments in gold, SDR and foreign currency, made by the Bank as part of its mission of foreign exchange reserves management:

- Bond market investments (investment portfolio and portfolio of securities held for sale);
- Investments in the international money market and in other Moroccan commercial banks (Treasury portfolio);
- SDR holdings and the reserve tranche available with the IMF;
- Foreign securities lending;
- Gold loans.

Table 3.2.23: Interests earned on holdings in gold and in foreign currency

In thousand dirhams	2018	2017	Change (%)
Investments in gold	6 228	9 168	-32
Bond investments	2 351 455	2 770 302	-15
Money market investments	229 316	79 155	>100
Claims on the IMF	82 007	46 366	77
Other interests*	12 943	12 870	1
Total	**2 681 949**	**2 917 861**	**-8**

(*) Include interests on foreign securities loans and holdings.

Interest from these transactions declined again, to 2,681,949 KDH, or -235,913 KDH compared to 2017, including:

- A 15 percent drop in bond investment income to 2,351,455 KDH, reflecting a 19 percent decline in the investment portfolio income to 1,880,419 KDH, due to the gradual strategy for investments on the excess reserve tranche, to support the gradual rise in US rates observed throughout the year. Conversely, interest on held-for-sale portfolio improved by 2 percent to 471,036 KDH, following the increase in its outstanding amount;
- A continued increase in interest on money market investments to 229,316 KDH, or 150,161 KDH more than in 2017, due to the positive impact of (i) improved rates benefiting from an increase in the Fed's key rate and (ii) higher outstanding investments in dollar. These revenues have fully offset the negative impact of interest on money market investments in the euro area (114,793 KDH);
- A 32 percent decline in interest on gold investments to 6,228 KDH, owing to the decrease in both the outstanding amounts and the rates of these investments;
- An increase in interest earned on SDR claims from 46,366 KDH to 82,007 KDH from one year to the next, reflecting a 41 basis point increase in the average SDR rate (0.93 percent in 2018, as against 0.52 percent in 2017).

Note 17: Interests earned on claims on credit institutions and similar bodies

This item records interests received by the Bank on various advances to credit institutions as part of the monetary policy conduct (for payment conditions, see Note 4 of the balance sheet).

These interests reached 1,422,337 KDH, marking a further rise of 466,029 KDH, in connection with the increase by the Bank in the volume of its interventions in the money market.

By main instrument:

- 7-day advances, whose outstanding average amount stood at 60,171,910 KDH, generated interests of 1,353,175 KDH, up 508,600 KDH;
- Secured loans transactions, whose outstanding amount was 2,928,194 KDH, generated an amount of 65,884 KDH, down 28,951 KDH.

Table 3.2.24: Interests received on claims on credit institutions

In thousand dirhams	2018	2017	Change (%)
(Including)			
Secured loans	65 884	94 836	-31
7-day advances	1 353 175	844 574	60
24-hour advances	3 063	16 880	-82
Total	**1 422 337**	**956 308**	**49**

Note 18: Other interests earned

This item covers mainly interests due to the Bank under loans granted to its staff for the purchase and construction of housing. It reached 13 374 KDH at the end of 2018, up 3 percent compared to 2017.

Note 19: Commissions earned

Commissions are deducted by the Bank in payment of banking transactions for customers, which cover, mainly, foreign exchange operations and the centralization of the Treasury's auction operations.

At the end of 2018, the amount of these commissions fell by 236,609 KDH, particularly owing to the fall in foreign exchange commissions (-106,072 KDH) and the intermediation margin (-134,539 KDH).

The centralization of the Treasury's auction operations generated 57,263 KDH, up 6 percent, reflecting a stronger presence of the Treasury on the primary market to finance its deficit.

Table 3.2.25: Commissions earned

In thousand dirhams	2018	2017	Change (%)
Foreign exchange commissions	523 051	629 124	-17
Intermediation margin	11 409	145 948	-92
Management of Treasury bonds	57 263	53 863	6
Other commissions	16 628	16 025	4
Total	**608 351**	**844 960**	**-28**

Note 20: Other financial revenues

The other financial revenues item mainly cover gains generated from foreign currency transactions and deferral of discounts on investment securities.

At end-2018, they rose to 156,006 KDH, up 35,507 KDH compared to 2017, in connection with:

- An increase in gains under the management mandate to 57,069 KDH, as against a loss of 30,353 KDH in 2017 which was attributable to the negative impact of the depreciation of the dollar;
- An increase of 17,472 KDH in gains realized on transaction securities, resulting from the rise in the volume of these transactions and the dollar rates;
- A decrease in gains on foreign investment securities held for sale (-29,132 KDH), in connection with smaller transactions of sales and deferral of discounts on investment securities (-14,551 KDH) following the suspension of investments in excess reserves since 2017.

Table 3.2.26: Other financial revenues

In thousand dirhams	2018	2017	Change (%)
Gains from investment securities sales	11 028	40 159	-73
Deferral of discounts on foreign securities	49 140	63 691	-23
Gains in management authorizations	57 069	-	-
Gains from securities available for sale	31 246	13 774	>100
Other revenues	7 522	2 874	>100
Total	**156 006**	**120 499**	**29**

Note 21: Sales of produced goods

This item includes revenues from sales of various goods produced by the Bank, which mainly cover secured documents including the biometric passport, and export-oriented foreign banknotes. The selling price of these documents is fixed on the basis of data from the analytical system established by the Bank. This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

At end-2018, these sales reached 225,852 KDH, down 45,390 KDH compared to their level in the previous year. This change resulted from the sale of secured documents amounting to 175,901KDH (-6 percent) and the negative changes in stocks of -11,583 KDH.

Note 22: Miscellaneous revenues

Miscellaneous revenues include the contribution of banks to the invoicing system of the Moroccan Gross Settlement System (SRBM) and the recovery of costs paid by Bank Al-Maghrib. This item fell to 17,826 KDH, down 9,651 KDH, particularly due to a base effect related to the participative banks' first payment in 2017 as fees of access to the SRBM.

Note 23: Reversal of provisions

This item reached 297,623 KDH in 2018, of which 192,240 KDH representing the reversals of the provisions constituted for the depreciation of foreign securities held for sale and 70,000 KDH relating to the partial reversal of the provision established to cover the pension commitment of 150,000 KDH, following the implementation this year of the financing plan of the gradual transition to the TV 88-90 mortality table[1] (see Table 3-2-33 of Note 32 of the profit and loss account).

1 TV 88-90 mortality table was adopted in 2017 by the Bank in the actuarial valuations of its welfare plans, for reasons of adequate life expectancy and to comply with national prudential regulation. The cost of moving to this table amounts to 450 MDH, supported by the Bank with a five-year financing plan starting in 2018.

Note 24: Noncurrent revenues

This item includes exceptional noncurrent revenues, with a significant impact both in absolute and relative figures.

At the end of the 2018 financial year, noncurrent revenues fell to 8,501 KDH, of which 6,000 KDH from the sale of a Bank's land.

Note 25: Interests paid on commitments in gold and in foreign currency

These interests rose from 77,778 KDH to 184,384 KDH, or +106,605 KDH due to the increase of:

- 76,281 KDH in negative interest on money market deposits in euro, which reached 114,793KDH at the end of 2018, in connection with higher monetary investments in this currency. These interests were fully offset by the income from deposits in dollar (see Note 16 of the profit and loss account);
- 30,324 KDH in commissions paid by the Bank under SDR allocations granted by the IMF to Morocco as a member country. These amounted to 69,591 KDH, in line with the increase in the SDR rate.

Note 26: Interests paid on deposits and commitments in dirhams

This item covers particularly interests paid by the Bank, mainly on deposits at the Treasury current account and compensation on metary reserves (for payment conditions, see Note 10 of the balance sheet). It can also include, in a context of excess liquidity, interests paid by the Bank under liquidity withdrawals, deposits facilities and swap of dirhams against currencies.

In 2018, compensation on metary reserves stood at 32,744 KDH, from 38,007 KDH at the end of 2017. Interest on the Treasury current account fell by 3 percent to 42,254 KDH, due to the decline in interest-bearing average outstanding amount (-1 percent).

Table 3.2.27: Interests on committments in dirhams

In thousand dirhams	2018	2017	Change (%)
(of which)			
Monetary reserve accounts	32 744	38 007	-14
Other accounts (including)	280 455	221 223	27
Treasury account	42 254	43 471	-3
Total	**326 354**	**271 095**	**20**

Note 27: Commissions paid

These are commissions paid in exchange for financial services provided to the Bank as well as negative intermediation margins on foreign exchange transactions. In 2018, they amounted to 32,471 KDH, up 96 percent compared to their level of the previous year (16,609 KDH), in connection with the negative intermediation margin recorded this year with a global amount of 21,973 KDH.

Note 28: Other financial expenses

This item covers losses on foreign currency transactions, including losses on the sales of investment securities and deferral of premiums on investment securities.

It fell back from 1,645,436 KDH to 1,063,238 KDH, down 582,199 KDH. This change is mainly attributable to lower deferrals of premiums on investment securities (-290,958 KDH), mainly due to the suspension of investments of the "held to maturity (HTM)" portfolio since 2017, and losses recorded, on the date of maturity or sales of securities, which were less significant than in 2017 (-284,458 KDH), in view of a base effect related to the high sales of securities during this year. It should be noted that these securities offer higher coupon rates than the market ones and that these losses are offset by reversals of provisions previously constituted, amounting to 293,145 KDH in 2017 and 192,240 KDH in 2018.

Table 3.2.28: Other financial expenses

In thousand dirhams	2018	2017	Change (%)
Losses in investment securities held for sale (*)	239 009	523 467	-54
Deferral of premiums on foreign securities	789 101	1 080 060	-27
Losses in management mandates	-	30 353	-
Negative interest rates paid on investment securities	28 221	5 271	>100
Other expenses	6 906	6 285	10
Total	**1 063 238**	**1 645 436**	**-35**

(1) * Result of the difference between the book value and the market value.

Note 29: Staff expenses

This item includes mainly the salaries and wages, allowances and bonuses paid to the Bank staff, employer contributions to Bank Al-Maghrib Staff Pension Fund and contributions to the Mutual Fund, various staff insurance premiums and vocational training expenses.

Staff expenses amounted to 988,860 KDH in 2018, up 34 percent compared to 2017, mainly due to the special employer contribution paid this year to Bank Al-Maghrib Staff Pension Fund (210,000 KDH).

Table 3.2.29: Staff expenses

In thousand dirhams	2018	2017	Change (%)
Staff salaries	621 624	592 189	5
Social expenses	335 326	123 192	>100
Training expenses	9 376	7 529	25
Other expenses	22 534	16 510	36
Total	**988 860**	**739 420**	**34**

Note 30: Purchases of materials and supplies

This entry includes fees of raw materials (paper, ink, coin blanks, electronic chips and precious metals) used in the manufacturing of coins and banknotes, secured documents and commemorative coins. It also includes changes in inventories of raw materials and supplies as well as rebates, discounts and payment deductions obtained on purchases, and granted to the Bank by its suppliers.

These purchases decreased by 3 percent in 2018 to 243,702 KDH, under the combined effect of:

- an increase in purchases of paper for banknotes and secured documents and a smoothing of existing inventory in 2017;
- lower purchases of electronic covers for the biometric passport and coin blanks;
- lower stocks of raw materials and supplies, causing changes of 7,198 KDH at end-2018 compared to 14,352 KDH at end-2017.

Table 3.2.30: Purchases of materials and supplies

In thousand dirhams	2018	2017	Change (%)
Purchase of raw materials	168 378	175 906	-4
Purchase of consumable materials and supplies	33 221	34 255	-3
Other purchases	42 102	39 953	5
Total	**243 702**	**250 114**	**-3**

Note 31: Other external expenses

They include Bank overheads and current expenditure covering, inter alia, computer maintenance, building upkeep, rental, water and electricity consumption, donations and grants as well as various taxes and duties.

In 2018, they amounted to 352,911 KDH, up 31,526 KDH. This trend particularly covers higher costs relating to contracts of software maintenance and computer and production equipment, as well as lower computer software rental expenses.

Table 3.2.31: Other external expenses

In thousand dirhams	2018	2017	Change (%)
Maintenance and repair of fixed assets	110 030	82 191	34
Rents	41 854	43 707	-4
Water. electricity and fuel costs	26 617	28 772	-7
Postal and telecommunication costs	29 840	29 746	0.3
Taxes and duties	18 700	18 954	-1
Other expenses	125 870	118 015	7
Total	**352 911**	**321 385**	**10**

Note 32: Depreciations and provisions

Depreciations

Table 3.2.32: Depreciations

In thousand dirhams	2018	2017	Change (%)
Depreciations of tangible and intangible fixed assets	**300 414**	**310 776**	**-3**
Properties[1]	82 280	91 044	-10
Furniture and equipment	171 868	167 501	3
Other tangible fixed assets	13	13	-
Intangible fixed assets	46 253	52 218	-11
Depreciations of other costs to be spread out over many fiscal years	**3 335**	**4 386**	**-24**
Depreciations of previous fiscal years	**3 820**	**5 216**	**-27**
Total	**307 569[2]**	**320 379**	**-4**

[1] Including fixtures, fittings and facilities.

Provisions

Table 3.2.33: Provisions

In thousand dirhams	Outstanding amount 31/12/2017	Expenses	Reversals	Other changes	Outstanding amount 31/12/2018
Provisions for depreciation					
Foreign Treasury bonds and similar securities	306 135	90 401	192 240	-7	204 290
Miscellaneous stocks and values	12 238	8 050	12 238		8 050
Moroccan equity securities	4 400	1 265	2 100		3 565
Foreign equity securities	8 175				8 175
Other provisions	3 172		377		2 794
Provisions for risks and expenses posted under liabilities					
Provisions for risks and expenses (including)	187 384	12 165	90 668		108 881
Pension commitment	150 000		70 000		80 000
Late penalty fees	68	54	68		54
Other provisions	389				389
Total		**111 881(2)**	**297 623**		

(2) Totaling 419,450 KDH corresponding to the amount of the profit and loss account item: "Depreciation and provisions".

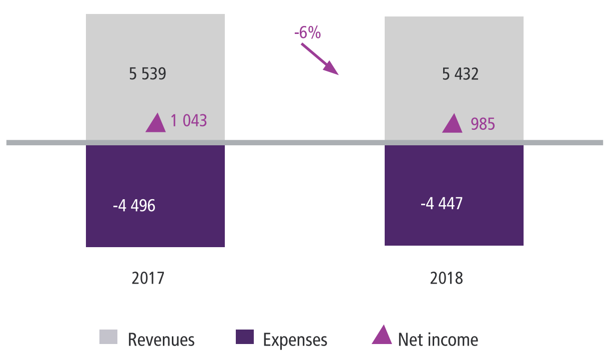
(3) Includes, inter alia, provision for claims of customers with a high risk of non-recovery.

For the terms governing provisions constitution and reversal, see Section 3-2-5 “Evaluation methods” and Note 11 of the balance sheet.

Note 33: Income tax

The tax rate is fixed at 37 percent under Article 19 of the General Tax Code, which is the taxation level applied to credit institutions under common law. Income tax fell, between 2017 and 2018, from 649,049 KDH to 580,092 KDH.

Chart 3.2.3: Change in revenues. expenses and net income (in millions of dirhams)



3.3 Statutory Audit Report

BANK AL-MAGHRIB
STATUTORY AUDITOR'S REPORT
FISCAL YEAR ENDED DECEMBER 31st, 2018

In accordance with our engagement as statutory auditors by the Bank's Board, we have audited the accompanying financial statements of Bank Al-Maghrib, for the year ended December 31st, 2018. Which include the balance sheet, the profit and loss account, and the attached disclosures. These statements present a net equity amounting to 5 528 387 thousands of Moroccan Dirhams, and a net profit of 985 287 thousands of Moroccan Dirhams.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with generally accepted accounting principles and standards in Morocco. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of the financial statements that are free from material misstatements, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the professional standards applicable in Morocco. These standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment as well as the assessment of the risk that financial statements may include material misstatements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements

We certify that the financial statements mentioned in the first paragraph show, in all material respects, a fair view of the results of the operations for the year ended as well as of the financial situation and assets of Bank Al-Maghrib on December 31st, 2018 in accordance with generally accepted accounting principles in Morocco.

Specific verifications and information

We have notably ensured the correspondence of the information provided in the management report with the bank's financial statements.

Casablanca, March 19th 2019

Mazars Audit et Conseil

Abdou SOULEYE DIOP
Managing Partner

3.4 Approval by the Bank Board

Pursuant to Article 55 of Law No. 76-03 bearing Statutes of Bank Al-Maghrib, the financial statements are hereby submitted by the Governor for approval by the Board.

At its meeting of March 19, 2019, after having taken cognizance of the statutory auditor's opinion on the sincerity of the financial statements and their conformity with the information provided in the Bank's management report, the Board approved the financial statements and net income distribution for the fiscal year 2018.

STATISTICAL APPENDICES

TABLE A1 MAIN INDICATORS OF THE ECONOMY

	2016*	2017*	2018**
International Economy (1)			
Economic growth (in %)			
World	3.4	3.8	3.6
Euro area	2.0	2.4	1.8
United States	1.6	2.2	2.9
United Kingdom	1.8	1.8	1.4
Brazil	-3.3	1.1	1.1
China	6.7	6.8	6.6
Inflation (in %)			
World	2.8	3.2	3.6
Euro area	0.2	1.5	1.8
United States	1.3	2.1	2.4
United Kingdom	0.7	2.7	2.5
Brazil	8.7	3.4	3.7
China	2.0	1.6	2.1
Unemployment (in %)			
World (2)	5.2	5.1	5.0
Euro area	10.0	9.1	8.2
United States	4.9	4.4	3.9
United Kingdom	4.9	4.4	4.1
Brazil	11.3	12.8	12.3
China	4.0	3.9	3.8
National Economy (3)			
National accounts			
At the price of the year before (change in %)			
Gross domestic product	1.1	4.2	3.0
Non-agricultural GDP	3.0	2.9	2.9
Non-agricultural value added	2.1	2.9	2.6
Taxes on products net of subsidies	8.8	3.1	4.6
Agricultural value added	-13.7	15.2	4.0
Household final consumption	3.7	3.8	3.3
General government final consumption	1.5	1.9	2.5
Investment	8.7	4.1	5.9
At current prices (in billions of dirhams)			
Gross domestic product	1 013.2	1 063.4	1 106.8
Gross National Disposable Income	1 073.4	1 127.2	1 157.7
Gross national saving (% of GDP)	28.2	29.1	27.6
Investment rate (% of GDP)	32.4	32.6	33.5
Financing requirement or capacity	42.7	37.7	65.6
Financing requirement or capacity (% of GDP)	4.2	3.5	5.9

(*) Revised
(**) Provisional
(1) Source: Global economic perspectives, IMF April 2019
(2) Source: International Labour Organization
(3) Source : High Commission for Planning.

TABLE A1 MAIN INDICATORS OF THE ECONOMY(continued)

	2016*	2017*	2018**
National Economy			
Employment and unemployment			
Activity rate in %	47.0	46.7	46.2
Employment rate(in %)	42.3	41.9	41.7
Net job creations	-37 000	86 000	112 000
Unemployment rate (in %)	9.9	10.2	9.8
Youth unemployment rate (15-24 years) in urban areas (in %)	41.8	42.8	43.2
Productivity and wage costs (change in %)			
Apparent labour productivity in nonagricultural activities	1.0	2.0	1.6
Interprofessional Guaranteed Minimum Wage and Agriculture Guaranteed Minimum Wage			
In nominal terms	2.3	0.0	0.0
In real terms	0.7	-0.7	-1.7
Prices (change in %)			
Inflation	1.6	0.7	1.9
Core inflation	0.8	1.3	1.1
External accounts			
Total exports FOB (in billions of DH)	225.7	248.8	275.2
Total imports CAF (in billions of DH)	410.6	438.1	481.0
Trade balance in % of GDP	18.3	17.8	18.6
Receipts of travel (variation in %)	5.0	12.3	1.3
Receipts MRE (variation in %)	4.0	5.3	-1.5
Current account balance (in % of GDP)	-4.1	-3.4	-5.5
Foreign direct investment receipts (in % of GDP)	3.5	3.2	4.3
Public finance (in % of GDP)			
Budget balance (1)	4.5	3.5	3.7
Total treasury debt	64.9	65.1	65.3
Domestic treasury debt	50.8	50.7	51.9
Public external debt	30.8	31.3	29.5
Money and monetary conditions			
Banking liquidity (in millions of dirhams)	-14.6	-41.5	-62.2
Key rate (2) (in %)	2.25	2.25	2.25
Lending rate (3) (in %)	5.24	5.52	5.30
Interbank rate (3) (in %)	2.27	2.28	2.28
Net international reserves (in Billions of dirhams)	249.2	240.9	230.7
Net international reserves in months of imports	6.3	5.6	5.1
Bank loans (change in %)	4.2	3.1	3.2
Bank loans to the non financial sector (change in %)	3.9	3.8	3.1
Rate of non-performing loans (in %)	7.5	7.5	7.5
Money supply (M3) (in Billions of dirhams)	1 202.4	1 269.1	1 320.6
Real effective exchange rate (annual change)	2.4	-0.7	1.2

(*) Revised
(**) Provisional
(1) Excluding privatization receipts.
(2) At end-December.
(3) Weighted average rates.
Source : High Commission for Planning,Foreign Exchange control office, Ministry of Economy and Finance and Bank Al-Maghrib.

TABLE A2.1 GROSS DOMESTIC PRODUCT AT THE PRICE OF THE PREVIOUS YEAR (BASE 2007)

(Changes In percentage)

	2014	2015	2016*	2017*	2018**
Gross domestic product	**2.7**	**4.5**	**1.1**	**4.2**	**3.0**
Primary sector	**-2.3**	**11.5**	**-12.5**	**13.1**	**2.7**
Agriculture, forest and related services	-2.2	11.9	-13.7	15.2	4.0
Fishing, aquaculture	-4.0	7.3	1.1	-8.3	-11.0
Secondary sector	**3.5**	**1.8**	**0.6**	**3.6**	**3.0**
Extraction Industry	3.0	-2.1	0.1	17.1	4.7
Manufacturing Industry	4.1	2.3	0.1	2.5	3.5
Elecricity and water	1.3	6.2	2.5	3.3	5.3
Building and public works	2.6	0.7	1.6	1.8	0.1
Tertiary sector	**2.3**	**1.7**	**2.9**	**2.7**	**2.7**
Trade	1.6	0.5	5.3	3.2	2.3
Hotels and restaurants	2.2	-1.3	3.6	11.5	6.0
Transport	3.6	3.2	1.4	3.7	3.7
Postal and telecommunications services	5.2	2.8	6.9	0.8	2.8
Financial activities and insurance	2.5	2.6	0.2	3.5	1.6
Real estate, rents and services to companies	2.7	4.2	4.4	3.6	4.8
General government and social security	2.5	0.5	1.6	2.4	2.5
Education, health and social action	1.4	0.1	1.4	-0.9	-0.3
Other nonfinancial services	0.2	3.4	3.0	1.0	1.6
Non-agricultural added value	**2.7**	**1.8**	**2.1**	**2.9**	**2.6**
Global added value	**2.0**	**3.0**	**0.1**	**4.4**	**2.8**
Tax on products net of subsidies	**9.7**	**18.1**	**8.8**	**3.1**	**4.6**

(*) Revised

(**) Provisional

Source : High Commission for Planning

TABLE A2.2 GROSS DOMESTIC PRODUCT BY BRANCH OF ACTIVITY

(At current prices) (In millions of dirhams)

	2014	2015	2016*	2017*	2018**
Gross domestic product	**925 376**	**987 950**	**1 013 229**	**1 063 351**	**1 106 822**
Primary sector	**107 905**	**124 759**	**121 554**	**131 419**	**135 730**
Agriculture, forest and related services	99 167	114 841	110 549	120 092	124 395
Fishing, aquaculture	8 738	9 918	11 005	11 327	11 335
Secondary sector	**245 138**	**257 796**	**262 348**	**278 087**	**286 874**
Extraction Industry	22 691	22 692	20 638	24 483	25 528
Manufacturing Industry	152 599	159 425	158 844	166 878	173 751
Elecricity and water	16 272	21 095	24 980	27 021	27 906
Building and public works	53 576	54 584	57 875	59 695	59 686
Tertiary sector	**477 665**	**491 424**	**510 699**	**531 325**	**553 510**
Trade	77 157	76 968	81 775	84 011	87 749
Hotels and restaurants	20 998	21 175	22 485	26 659	28 808
Transport	32 679	36 290	37 997	40 898	42 837
Postal and telecommunications services	22 203	21 298	21 239	21 175	21 615
Financial activities and insurance	44 003	46 868	46 602	48 472	50 004
Real estate, rents and services to companies	98 513	102 832	109 432	114 878	122 571
General government and social security	88 038	90 630	93 491	97 356	101 427
Education, health and social action	81 053	81 816	83 603	83 555	84 008
Other nonfinancial services	13 021	13 547	14 075	14 321	14 491
Non-agricultural added value	**731 541**	**759 138**	**784 052**	**820 739**	**851 719**
Global added value	**830 708**	**873 979**	**894 601**	**940 831**	**976 114**
Tax on products net of subsidies	**94 668**	**113 971**	**118 628**	**122 520**	**130 708**

(*) Revised
(**) Provisional
Source : High Commission for Planning

TABLE A2.3 GOODS AND SERVICES ACCOUNT

(At current prices) (In millions of dirhams)

	2014	2015	2016*	2017*	2018**	Changes in % 2017*/2016	Changes in % 2018**/2017
RESOURCES							
Gross domestic product	925 376	987 950	1 013 229	1 063 351	1 106 822	4.9	4.1
Imports of goods and services	436 221	418 871	461 111	497 243	545 170	7.8	9.6
EXPENDITURES							
Households final consumption	550 793	562 842	586 461	609 882	636 065	4.0	4.3
General government final consumption	184 303	190 450	195 644	201 821	210 014	3.2	4.1
Final national consumption of NPIs(1)	4 923	5 424	5 845	6 007	6 175	2.8	2.8
Gross fixed capital formation	276 237	280 271	304 286	304 571	314 963	0.1	3.4
Changes in stocks	24 861	24 027	23 912	42 607	56 051	78.2	31.6
Exports of goods and services	320 480	343 807	358 192	395 706	428 724	10.5	8.3

(*) Revised
(**) Provisional
(1) Non-profit institutions
Source : High Commission for Planning

TABLE A2.4 GROSS NATIONAL DISPOSABLE INCOME AND ITS APPROPRIATION

(At current prices) (In millions of dirhams)

	2014	2015	2016*	2017*	2018**	Changes in % 2017*/2016	Changes in % 2018**/2017
Gross national disposable income	**985 064**	**1 043 299**	**1 073 422**	**1 127 198**	**1 157 674**	**5.0**	**2.7**
Gross domestic product	925 376	987 950	1 013 229	1 063 351	1 106 822	4.9	4.1
Net income of property from outside	-21 677	-18 895	-19 479	-20 838	-23 270	7.0	11.7
Gross national income	903 699	969 055	993 750	1 042 513	1 083 552	4.9	3.9
Net current transfers from outside	81 365	74 244	79 672	84 685	74 122	6.3	-12.5
Gross national disposable income	**985 064**	**1 043 299**	**1 073 422**	**1 127 198**	**1 157 674**	**5.0**	**2.7**
Final national consumption	740 019	758 716	787 950	817 710	852 254	3.8	4.2
Households final consumption	550 793	562 842	586 461	609 882	636 065	4.0	4.3
General government final consumption	184 303	190 450	195 644	201 821	210 014	3.2	4.1
Final consumption NPIs(1)	4 923	5 424	5 845	6 007	6 175	2.8	2.8
Gross national saving	245 045	284 583	285 472	309 488	305 420	8.4	-1.3

(*) Revised
(**) Provisional
(1) Non-profit institutions
Source : High Commission for Planning

TABLE A2.5 INVESTMENT AND SAVINGS

(At current prices) (In millions of dirhams)

	2014	2015	2016*	2017*	2018**	Changes in % 2017*/2016	Changes in % 2018**/2017
RESOURCES							
Gross national saving	245 045	284 583	285 472	309 488	305 420	8.4	-1.3
Net capital transfers received	19	9	0	0	0	-	-
EXPENDITURES							
Gross fixed capital formation	276 237	280 271	304 286	304 571	314 963	0.1	3.4
Changes in stocks	24 861	24 027	23 912	42 607	56 051	78.2	31.6
Financing requirement or capacity	-56 034	-19 706	-42 726	-37 690	-65 594	-11.8	74.0

(*) Revised
(**) Provisional
Source : High Commission for Planning

TABLE A2 6 AGRICULTURE

(Area in thousands of hectars / production in millions of quintals / yield in quintals/ha)

	Crop year 2016-2017			Crop year 2017-2018		
	Area	Production	Yield	Area	Production	Yield
Principal cereals	**5 386**	**96**	**18**	**4 487**	**103**	**23**
Soft wheat	2 296	49	21	1 891	49	26
Hard wheat	1 088	22	20	997	24	24
Barley	2 001	25	12	1 599	29	18
PULSE CROPS	**306**	**3**	**9**	**330**	**3**	**9**
Market garden crops	**253**	**74**	**293**	**262**	**79**	**302**

Source : Ministry of Agriculture and fisheries, rural development and water and forests

TABLE A2.7 ELECTRICITY PRODUCTION

(In GWH)

	2014	2015	2016	2017*	2018**	Changes in % 2018/2017
Net local Production (1)	**28 081**	**914 29**	**30 841**	**31 891**	**34 517**	**8.2**
Thermal	23 988	25 048	25 653	26 617	27 653	3.9
Hydraulic	2 033	2 282	1 662	1 565	1 998	27.7
Wind	1 924	2 519	3 000	3 035	3 841	26.6
Solar	0	6	402	415	950	128.8
Electricity exchange balance (***)	6 010	4 974	5 154	5 896	3 375	-43.0

(1) Difference between net local production and the total by the source of production, represented by the contribution of national third parties
(*) Revised
(**) Provisional
(***) The difference between imports and exports.
Sources : National Electricity Office.

TABLE A2.8 INDICES OF MANUFACTURING PRODUCTION
(Base 100 in 2010)

Sector and Branch	2017	2018	Percentage changes 2018/2017
Mines	**122.4**	**127.7**	**4.3**
Metal ores	106.7	108.4	1.6
Various products of extractive industries	123.2	128.7	4.5
Manufacturing industries excluding refining of oil products	**113.0**	**116.6**	**3.2**
Foodstuffs products	120.4	123.0	2.2
Manufactured tobacco	111.5	113.4	1.7
Textile industry products	95.8	97.8	2.1
Clothing products and fur	114.9	121.6	5.8
Leather, travel goods, shoes	81.9	74.3	-9.3
Woodworking products	81.4	77.0	-5.4
Paper and card boards	95.1	97.6	2.6
Edition products, printed or reproduced products	127.9	137.1	7.2
Chemical products	129.6	137.2	5.9
Rubber and plastic products	106.6	104.1	-2.3
Other non metal ore products	92.8	92.7	-0.1
Metal products	92.4	94.7	2.5
Metal-working products	110.7	111.4	0.6
Machinery and equipement	101.5	99.9	-1.6
Electrical machines and appliances	92.5	96.1	3.9
Radio,television and communication equipment	116.8	117.2	0.3
Medical precision and optical instruments, watches and clocks	173.1	177.6	2.6
Automotive industry Products	135.1	148.3	9.8
Other transport equipment	153.2	167.9	9.6
Furniture, other manufacturing	87.1	87.3	0.2
Electricity	**136.5**	**145.4**	**6.5**

Source : High Commission for Planning`

TABLE A2.9 TOURISM

(In unit)

	2015	2016	2017	2018	Percentage changes 2018/2017
Total of tourist arrivals	**10 176 762**	**10 331 731**	**11 349 344**	**12 288 708**	**8.3**
Foreign tourists	**5 151 704**	**5 103 204**	**5 864 917**	**6 679 101**	**13.9**
European Union countries	**3 825 869**	**3 621 872**	**4 104 559**	**4 672 843**	**13.8**
France	1 563 568	1 449 757	1 614 011	1 844 397	14.3
Spain	626 896	615 720	710 730	814 069	14.5
Germany	286 328	260 255	331 185	394 328	19.1
United Kingdom	504 475	458 561	486 262	510 516	5.0
Italy	227 961	219 334	246 313	305 505	24.0
Other European countries	**297 133**	**307 783**	**373 145**	**468 789**	**25.6**
America	**333 008**	**379 454**	**480 371**	**563 435**	**17.3**
United States	181 468	197 858	254 531	304 960	19.8
Canada	82 837	96 436	111 394	130 579	17.2
Brazil	25 684	32 447	44 736	50 681	13.3
Middle East (1)	**198 229**	**208 655**	**203 499**	**199 303**	**-2.1**
Maghreb	**195 214**	**209 823**	**207 885**	**214 295**	**3.1**
Africa	**162 834**	**179 105**	**200 311**	**226 525**	**13.1**
Asia	**105 125**	**162 190**	**252 381**	**284 917**	**12.9**
Other countries	**34 292**	**34 322**	**42 766**	**48 994**	**14.6**
Moroccans resident abroad	**5 025 058**	**5 228 527**	**5 484 427**	**5 609 607**	**2.3**

(1) Including Egypt

Source : Ministry of Tourism, air transport, handicraft, and social economy.

TABLE A3.1 EMPLOYMENT AND UNEMPLOYMENT

(Population in thousands and rates in percentage)

	2016	2017	2018
Working age population	**25 078**	**25 533**	**25 950**
Urban	15 840	16 244	16 630
Rural	9 238	9 289	9 320
Employed labour force	**11 780**	**11 915**	**11 979**
Urban	6 806	6 887	6 953
Rural	4 974	5 028	5 026
Activity rate	**47.0**	**46.7**	**46.2**
Urban	43.0	42.4	41.8
Rural	53.8	54.1	53.9
Employment rate	**42.3**	**41.9**	**41.7**
Urban	36.9	36.1	35.9
Rural	51.7	52.0	52.0
Unemployment rate	**9.9**	**10.2**	**9.8**
By area of residence			
Urban	14.2	14.7	14.2
Rural	4.0	4.0	3.5
By gender			
Men	8.6	8.8	8.4
Women	14.1	14.7	14.0
Group of age			
15 to 24 years	25.8	26.5	26.0
25 to 34 years	15.1	15.4	15.1
35 to 44 years	4.9	5.1	4.7
45 years and over	2.4	2.5	2.4
By diploma			
Without any diploma	3.8	3.8	3.5
With diploma	17.6	17.9	17.1

Source : High Commission for Planning.

TABLE A3.2 EMPLOYMENT BY BRANCH OF ECONOMIC ACTIVITY (1)

(thousands of persons)

Employment	Year		Changes	
	2017(*)	2018	in absolute value	In percentage
Total	**10 699**	**10 811**	**112**	**1.0**
Agriculture, forestry and fishing	3 761	3 780	19	0.5
Industry (including handicraft)	1 256	1 269	13	1.0
Construction and public works	1 154	1 169	15	1.3
Services	4 518	4 583	65	1.4

(1) This concerns the employment of persons aged 15 years and above.
(*) Revised.
Source : High Commission for Planning.

TABLE A3.3 EMPLOYMENT AND UNEMPLOYMENT BY REGION

(en %)

Region	Year	Activity rate			Employment rate			Unemployment rate		
		Urban	Rural	National	Urban	Rural	National	Urban	Rural	National
Tangier-Tetouan-Al Hoceima	2017	42.6	53.1	46.7	37.8	51.0	42.8	11.5	3.9	8.2
	2018	42.7	53.4	46.7	38.0	51.5	43.1	11.1	3.6	7.8
Oriental	2017	42.1	51.4	45.0	33.5	45.8	37.3	20.5	11.0	17.1
	2018	41.5	50.0	44.1	33.3	45.2	36.9	19.8	9.7	16.3
Fez-Meknes	2017	37.7	53.7	43.6	32.0	52.1	39.4	15.0	3.0	9.5
	2018	37.1	52.8	42.8	31.6	51.4	38.8	14.7	2.6	9.3
Rabat-Sale-Kenitra	2017	43.6	57.4	47.3	36.5	54.2	41.2	16.4	5.6	12.9
	2018	42.1	57.4	46.1	35.6	54.9	40.6	15.4	4.4	11.8
Beni Mellal-Khenifra	2017	37.4	54.7	45.7	33.0	53.6	42.9	11.6	2.0	6.1
	2018	35.8	54.0	44.5	31.8	53.0	41.8	11.3	2.0	5.9
Casablanca-Settat	2017	45.8	66.2	50.5	38.9	64.3	44.8	14.9	2.9	11.3
	2018	45.0	65.9	49.7	38.6	64.6	44.5	14.3	2.1	10.6
Marrakech-Safi	2017	42.7	53.2	48.4	37.0	51.7	44.9	13.4	3.0	7.2
	2018	43.5	52.9	48.6	37.8	51.4	45.2	13.1	2.9	7.1
Draa-Tafilalet	2017	35.5	42.7	40.2	31.8	41.1	37.8	10.5	3.9	6.0
	2018	35.1	44.8	41.3	31.2	43.5	39.1	11.1	2.9	5.4
Souss-Massa	2017	41.8	45.7	43.4	36.5	43.2	39.2	12.8	5.6	9.8
	2018	41.3	46.0	43.2	36.0	43.2	38.9	12.9	6.0	10.0
Guelmim-Oued Noun	2017	41.0	45.9	42.7	31.7	41.9	35.1	22.9	8.8	17.7
	2018	41.5	44.2	42.5	31.8	39.5	34.4	23.4	10.6	18.9
Laayoune-Sakia El Hamra	2017	38.7	-	39.7	33.7	-	34.8	13.1	-	12.3
	2018	40.2	-	41.5	34.5	-	35.9	14.1	-	13.5
Dakhla-Oued Ed-Dahab	2017	57.4	-	71.9	49.4	-	66.6	13.9	-	7.4
	2018	56.8	-	69.4	49.7	-	64.3	12.6	-	7.3
Total	**2017**	**42.4**	**54.1**	**46.7**	**36.1**	**52.0**	**41.9**	**14.7**	**4.0**	**10.2**
	2018	**41.8**	**53.9**	**46.2**	**35.9**	**52.0**	**41.7**	**14.2**	**3.5**	**9.8**

Source : High Commission for Planning.

TABLE A4.1 HEADLINE INFLATION AND CORE INFLATION

(annual change)

(Base 100 in 2006)

Years/Months	Inflation															
	Global	Food products exluded from core inflation	Fuels and lubricants	Products with regulated tariffs	Core Inflation											
					Global	Food products included in the core inflation	Clothing and footwear	Housing, water, gas, electricity and other fuels (1)	Furniture, household items and routine household maintenance	Health (2)	Transport (1)	Communications	Leisure and culture (2)	Education	Restaurants and hotels	Various goods and services(2)
2012	1.3	3.0	9.9	0.7	0.9	2.2	2.1	1.0	0.1	2.0	0.8	-19.6	0.4	3.8	2.0	1.7
2013	1.9	3.3	8.0	1.3	1.5	1.6	1.6	2.2	0.2	0.9	1.2	-9.2	0.5	5.5	3.2	1.6
2014	0.4	-5.6	7.0	1.6	1.2	1.0	2.1	1.7	0.8	2.6	1.1	-4.6	-0.9	3.4	2.5	1.5
2015	1.6	4.3	-16.1	2.7	1.4	1.8	0.6	1.1	0.3	1.0	0.3	0.2	0.3	2.9	2.3	0.7
2016	1.6	7.5	-1.7	0.7	0.8	0.6	1.1	1.0	0.6	1.0	0.2	-0.2	1.6	2.3	2.5	0.3
2017	0.7	-3.1	8.8	0.8	1.3	1.6	1.4	1.1	0.5	2.4	-0.4	-0.2	0.6	2.7	3.2	0.9
2018(*)	1.9	2.6	5.2	2.8	1.1	0.8	1.0	1.7	1.0	0.6	0.1	0.0	0.8	2.5	1.9	1.8
January	2.0	3.8	2.9	2.9	1.0	0.9	1.3	1.3	0.4	2.6	-0.4	0.0	0.1	2.0	2.9	1.8
February	1.8	2.8	3.0	2.9	1.0	0.9	0.8	1.4	0.5	0.5	-0.4	0.0	0.7	2.0	2.2	1.7
March	2.5	8.7	0.7	2.8	0.9	0.8	0.9	1.7	0.5	0.3	-0.1	0.0	0.8	2.0	1.6	1.9
April	2.7	10.4	5.0	2.8	1.0	0.7	0.7	1.7	0.6	0.3	-0.3	0.0	0.9	2.0	1.9	2.0
May	2.6	9.1	7.0	2.9	1.2	1.1	1.0	1.7	1.0	0.3	-0.2	0.0	0.8	2.0	1.9	1.7
June	2.5	7.8	9.2	2.9	1.1	1.1	1.0	1.6	1.0	0.0	0.2	0.0	0.8	2.0	2.2	1.6
July	2.1	4.7	11.8	2.7	1.0	0.8	0.9	1.7	1.4	0.2	0.2	-0.3	0.9	2.0	2.3	1.8
August	1.7	1.5	9.3	2.7	1.2	1.3	1.0	1.9	1.2	0.4	0.1	-0.3	1.0	2.0	1.6	1.7
September	1.1	-3.5	7.4	2.7	1.4	1.0	1.1	2.1	1.3	0.6	0.5	-0.3	0.9	3.4	1.4	1.5
October	1.1	-3.7	8.1	2.7	1.2	0.6	1.0	1.8	1.4	0.4	0.3	0.3	0.9	3.4	1.5	1.6
November	1.3	-1.0	4.4	2.8	1.1	0.5	1.1	1.8	1.4	0.9	0.2	0.3	1.0	3.4	1.6	1.5
Décember	0.1	-7.6	-5.1	2.9	1.1	0.4	0.9	1.7	1.3	1.6	0.9	0.3	1.0	3.4	1.7	1.5

(1) Excluding products and services and fuels and lubricants with regulated tariffs.
(2) Excluding products and services with regulated tariffs.
(*) Intermediary basis, December 2017.
Source : Calculated on the basis of data from High Commission for Planing.

TABLE A4.2 PRICE INDEX OF TRADABLES AND NON TRADABLE
(annual change)

Years/months	Price of tradable goods (CPIXT)	Price of non tradable goods (CPIXNT)
2012	2.0	-0.4
2013	1.3	1.7
2014	1.3	1.0
2015	1.4	1.3
2016	0.6	1.1
2017	0.9	1.8
2018	0.3	2.0
January	0.5	1.7
February	0.3	1.6
March	0.4	1.6
April	0.4	1.5
May	0.7	1.7
June	0.5	1.7
July	0.4	1.7
August	0.3	2.1
September	0.3	2.3
October	-0.1	2.4
November	-0.5	2.7
December	-0.8	3.0

Source : Calcullated on the basis of data from Foreign Exchange Office.

TABLE A4.3 INDUSTRIAL PRODUCER PRICE INDEX

(base 100 in 2010)

	2012	2013	2014	2015	2016	2017	2018
Mining industries	**0.1**	**0.1**	**0.3**	**-0.2**	**-0.3**	**0.0**	**0.0**
Mining hydrocarbons	13.7	1.6	0.1	0.0	0.0	0.0	0.0
Mining metallic ores	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other extractive industries	0.0	0.2	0.3	-0.2	-0.4	0.0	0.1
Manufacturing industries excluding refining (*)	**1.8**	**-0.9**	**-2.0**	**-0.2**	**-0.4**	**0.7**	**2.6**
Food industries	3.2	1.5	-0.7	-0.7	-0.4	0.3	0.2
Beverages manufacturing	9.7	1.5	1.0	0.1	0.0	0.0	0.3
Manufacturing of tabacco products	0.0	6.4	2.1	5.2	2.4	0.0	0.0
Textile manufacturing	0.8	-0.3	0.5	-2.8	0.1	-1.2	1.8
Manufacturing of wearing apparel	0.8	0.7	1.1	2.8	0.8	0.0	0.7
Manufacturing of leather and related products exept leather clothing	0.0	5.2	0.9	0.0	0.1	2.7	0.9
Manufacturing of wood and products of wood and cork, exept furniture; manufacture of articles of straw and plaiting materials	5.2	0.8	2.5	0.0	0.7	-0.3	1.5
Manufacturing of paper and cardboards	-2.0	1.8	1.0	-0.4	-2.3	0.2	0.8
Printing and reproduction of recorded media	0.0	0.6	0.3	0.0	0.0	0.0	0.0
Chemical industry	2.1	-9.5	-11.7	-0.3	-0.2	2.1	12.1
Pharmaceutical industry	1.2	-1.2	-1.6	-2.8	-0.7	-0.3	-0.2
Manufacturing of rubber and plastic products	2.9	0.1	2.4	2.4	2.6	-0.5	-0.5
Manufacturing of other non-metallicproducts	-0.3	4.0	1.5	0.2	-0.7	0.7	2.6
Manufacturing of base metals	-0.6	-1.2	-0.2	-1.6	-2.2	0.4	-0.2
Manufacturing of metal products, exept machinery and equipment	2.1	1.4	-1.3	-2.9	-0.3	2.3	1.3
Computer, electronic and optics products	0.0	-0.1	0.9	0.3	-0.1	0.2	-1.1
Manufacturing of Electric equipment	1.7	-1.6	-2.4	0.1	-3.1	2.9	6.2
Manufacturing of machinery and equipment	0.7	0.8	1.3	0.0	0.1	0.0	0.0
Automotive industry	-0.1	-0.3	-0.3	1.3	-0.2	-0.7	0.2
Manufacture of other transport equipment	0.4	0.0	-0.2	0.0	0.0	0.0	0.0
Manufacture of furniture	0.0	0.6	1.4	1.8	-0.2	2.4	2.7
Other manufactured industries	2.9	-2.9	-5.2	-5.3	0.0	0.7	-0.5
Production and distribution of electricity	**0.0**	**0.0**	**1.5**	**5.2**	**3.9**	**3.9**	**0.0**
Production and distribution of water	**0.0**	**0.0**	**2.5**	**9.6**	**6.0**	**0.0**	**0.0**

Source : High commission for planning`

(*) In the absence of official data on producer prices excluding refining for the period before April 2016, this index is calculated by including the weight of the refining industry as estimated by Bank Al-Maghrib.

TABLE A5.1 IMPORTS BY MAIN PRODUCTS

(Weight in thousands of tonnes, Value in millions of dirhams)

	2017*		2018**		Changes				Structure 2018 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Total imports	**52 961**	**438 080**	**55 100**	**481 035**	**2 139**	**4.0**	**42 955**	**9.8**	**100.0**	**100.0**
Food, beverage and tobacco	**10 459**	**42 526**	**10 674**	**45 772**	**216**	**2.1**	**3 246**	**7.6**	**19.4**	**9.5**
Wheat	3 630	8 341	3 987	9 124	357	9.8	784	9.4	37.4	19.9
Oilcake and other food industry residues	1 827	4 274	1 779	4 911	-48	-2.6	637	14.9	16.7	10.7
Corn	2 380	4 414	2 360	4 647	-20	-0.9	232	5.3	22.1	10.2
Raw or refined sugar	1 163	4 951	1 057	3 505	-106	-9.1	-1 446	-29.2	9.9	7.7
Tea	73	2 142	76	2 068	3	4.2	-74	-3.5	0.7	4.5
Other food products	1 387	18 404	1 416	21 518	30	2.1	3 114	16.9	13.3	47.0
Energy and lubricants	**21 638**	**69 542**	**22 837**	**82 152**	**1 199**	**5.5**	**12 610**	**18.1**	**41.4**	**17.1**
Gas-oil and fuel-oil	7 566	34 291	7 124	41 393	-441	-5.8	7 102	20.7	31.2	50.4
Petroleum gas and other hydrocarbons	3 637	13 789	3 612	15 601	-25	-0.7	1 812	13.1	15.8	19.0
Coal, coke and similar solid fuels	8 338	6 024	9 964	8 655	1 626	19.5	2 631	43.7	43.6	10.5
Petroleum oil and lubricants	1 036	6 781	1 105	8 310	69	6.7	1 528	22.5	4.8	10.1
Electrical energy	0	3 602	0	2 302	0	-	-1 299	-36.1	0.0	2.8
Other energy products	1 062	5 055	1 032	5 891	-30	-2.8	836	16.5	4.5	7.2
RAW PRODUCTS OF ANIMAL AND VEGETABLE ORIGIN	**1 796**	**12 992**	**1 798**	**13 276**	**2**	**0.1**	**283**	**2.2**	**3.3**	**2.8**
Raw or refined soybean oil	502	3 928	526	3 777	24	4.8	-151	-3.8	29.2	28.4
Raw, sawn, or hewn wood	702	2 591	722	2 926	20	2.8	335	12.9	40.2	22.0
Seeds, spores and fruit used to plant	67	1 062	38	997	-29	-43.0	-65	-6.1	2.1	7.5
Inedible animal sub-products	17	746	17	819	0	-0.8	73	9.9	1.0	6.2
Cotton	9	175	8	164	-1	-12.9	-11	-6.5	0.5	1.2
Other raw products of animal and vegetable origin	498	4 491	487	4 593	-12	-2.3	102	2.3	27.1	34.6
RAW PRODUCTS OF MINERAL ORIGIN	**6 360**	**7 724**	**6 649**	**11 352**	**289**	**4.5**	**3 629**	**47.0**	**12.1**	**2.4**
Crude and unrefined sulphur	5 467	5 002	5 835	7 994	368	6.7	2 992	59.8	87.8	70.4
Scrap metal, waste and scrap from copper, iron, steel and other ores	518	1 499	460	1 503	-59	-11.3	4	0.3	6.9	13.2
Synthetic textile fibres	34	510	35	566	1	1.7	55	10.9	0.5	5.0
Sand, quartz, Kaolin and other clays	150	155	155	153	5	3.4	-2	-1.6	2.3	1.3
Synthetic rubber	6	139	7	146	0	5.7	7	5.0	0.1	1.3
Other raw products of mineral origin	185	417	158	990	-27	-14.6	573	137.3	2.4	8.7

(*) Revised
(**) Provisional
(***) Represents the share of each product within its usage group, and the share of each usage group within the total.
Source : Foreign Exchange Control Office

TABLE A5.1 IMPORTS BY MAIN PRODUCTS (continued)

(Weight in thousands of tonnes, Value in millions of dirhams)

	2017*		2018**		Changes				Structure 2018 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Semi-finished products	**10 222**	**95 571**	**10 537**	**99 843**	**314**	**3.1**	**4 272**	**4.5**	**19.1**	**20.8**
Plastic materials and different plastic articles	787	13 050	822	13 763	35	4.4	713	5.5	7.8	13.8
Chemical products	2 356	10 507	2 468	10 216	111	4.7	-291	-2.8	23.4	10.2
Paper and cardboard; different articles in paper and cardboard	568	5 900	621	6 565	53	9.4	666	11.3	5.9	6.6
Copper wires, rods and shapes	66	4 022	77	5 031	11	16.5	1 008	25.1	0.7	5.0
Ammonia	1 448	4 009	1 446	3 983	-2	-0.1	-26	-0.6	13.7	4.0
Flat-rolled products of iron or non-alloy steel	376	3 317	411	3 782	34	9.1	464	14.0	3.9	3.8
Iron and non-alloy steel wires, bars and shapes	576	3 429	548	3 549	-28	-4.9	120	3.5	5.2	3.6
Natural and chemical fertilizers	1 015	2 821	1 160	3 168	146	14.4	347	12.3	11.0	3.2
Semi-finished products of iron or non-alloy steel.	618	2 721	503	2 503	-114	-18.5	-218	-8.0	4.8	2.5
Electronic components (transistors)	1	1 995	1	2 085	0	8.4	90	4.5	0.0	2.1
Piping accessories and metal construction	91	2 519	78	1 985	-12	-13.5	-534	-21.2	0.7	2.0
Other semi-finished products	2 321	41 282	2 401	43 214	81	3.5	1 933	4.7	22.8	43.3
Finished products of agricultral equipment	**40**	**2 100**	**44**	**2 372**	**4**	**9.7**	**272**	**13.0**	**0.1**	**0.5**
Agricultural tools and machines	26	1 126	30	1 405	4	15.5	278	24.7	67.6	59.2
Cultivators and agricultural tractors	14	962	14	959	0	-0.2	-3	-0.3	32.2	40.4
Other finished products of agricultural equipment	0	11	0	9	0	-43.7	-3	-23.8	0.3	0.4
Finished industrial equipment products	**892**	**107 252**	**882**	**117 696**	**-10**	**-1.1**	**10 444**	**9.7**	**1.6**	**24.5**
Miscellaneous machines and appliances	88	8 958	89	10 175	1	1.4	1 217	13.6	10.1	8.6
Apparatus for cutting or connecting electrical circuits and resistances	25	8 634	28	9 275	3	10.4	641	7.4	3.1	7.9
Wires, cables and other insulated conductors for electricity	56	9 356	53	9 061	-3	-5.2	-295	-3.2	6.0	7.7
Piston engines; other engines and parts thereof (industrial equipment)	83	8 295	81	9 059	-2	-2.0	764	9.2	9.2	7.7
Parts of aircraft and other air or space vehicles	3	5 438	4	7 713	0	11.0	2 275	41.8	0.4	6.6
Utility cars	69	5 249	64	5 282	-5	-6.7	33	0.6	7.2	4.5

(*) Revised.
(**) Provisional
(***) Represents the share of each product within its usage group, and the share of each usage group within the total.
Source : Foreign Exchange Control Office

TABLE A5.1 IMPORTS BY MAIN PRODUCTS (continued)

(Wheight in thousands of tonnes, Value in millions of dirhams)

	2017*		2018**		Changes				Structure 2018 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Pumps and compressors	45	3 925	44	3 589	-2	-3.5	-335	-8.5	4.9	3.0
Bandages and tires	64	3 030	69	3 138	4	6.9	108	3.6	7.8	2.7
Automatic data-processing machines and parts thereof	3	2 207	3	2 446	0	7.5	239	10.9	0.4	2.1
Sorting, crushing, grinding or agglomerating machines	18	836	20	1 255	2	9.4	419	50.2	2.3	1.1
Parts and spare parts for industrial vehicles	8	430	8	449	1	6.4	19	4.5	1.0	0.4
Other finished industrial equipment products	430	50 895	419	56 254	-10	-2.4	5 359	10.5	47.5	47.8
Finished consumer products	**1 553**	**100 259**	**1 678**	**108 394**	**125**	**8.1**	**8 135**	**8.1**	**3.0**	**22.5**
Tourist vehicles	200	21 140	200	21 957	1	0.4	816	3.9	11.9	20.3
Parts and spare parts for cars and tourist vehicles	240	14 544	280	17 591	39	16.4	3 047	21.0	16.7	16.2
Fabrics and yarn of man-made filaments	64	7 113	68	7 549	4	6.8	436	6.1	4.1	7.0
Knitted fabrics	60	4 333	82	5 275	21	35.4	942	21.7	4.9	4.9
Drugs and other pharmaceuticals	8	6 141	9	6 369	0	2.8	228	3.7	0.5	5.9
Miscellaneous plastic works	85	4 426	109	5 214	24	28.8	788	17.8	6.5	4.8
Seats, furniture, mattresses and lighting items (consumption)	103	3 453	105	3 464	2	2.0	11	0.3	6.2	3.2
Cotton fabrics and threads	29	3 082	28	2 829	-1	-3.3	-253	-8.2	1.7	2.6
Radio and television receivers	15	2 741	17	2 828	2	13.8	88	3.2	1.0	2.6
Other consumption finished products	750	33 285	781	35 318	32	4.2	2 033	6.1	46.6	32.6
Industrial gold	**0**	**114**	**0**	**177**	**0**	**-99.6**	**63**	**55.6**	**0.0**	**0.0**

(*) Revised.
(**) Provisional
(***) Represents the share of each product within its usage group, and the share of each usage group within the total.
Source : Foreign Exchange Control Office

TABLE A5.2 EXPORTS BY MAIN PRODUCTS

(Wheight in thousands of tonnes, Value in millions of dirhams)

	2017*		2018**		Changes				Structure 2018 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Total exports	**32 000**	**248 841**	**32 892**	**275 156**	**893**	**2.8**	**26 316**	**10.6**	**100.0**	**100.0**
Food products, beverages and tobacco	**3 476**	**49 382**	**3 735**	**52 806**	**259**	**7.4**	**3 424**	**6.9**	**11.4**	**19.2**
Crustaceans, mollusc and shellfish	114	9 209	89	8 691	-25	-22.2	-518	-5.6	2.4	16.5
Canned fish and crustaceans	185	6 769	197	7 452	12	6.7	683	10.1	5.3	14.1
Fresh tomatoes	533	5 710	569	6 428	36	6.8	718	12.6	15.2	12.2
Fresh, frozen or in brine vegetables	390	5 175	518	5 303	128	32.7	128	2.5	13.9	10.0
Citrus fruits	691	3 777	724	4 177	32	4.7	401	10.6	19.4	7.9
Other products	1 564	18 742	1 640	20 755	76	4.8	2 013	10.7	43.9	39.3
Energy products and lubricants	**411**	**2 279**	**639**	**3 291**	**228**	**55.5**	**1 012**	**44.4**	**1.9**	**1.2**
Petroleum oil and lubricants	406	2 247	379	3 103	-27	-6.7	856	38.1	59.3	94.3
Other energy products	5	32	260	188	255	5 291.2	156	485.8	40.7	5.7
Raw products of animal and vegetable origin	**267**	**5 271**	**232**	**5 477**	**-34**	**-12.9**	**205**	**3.9**	**0.7**	**2.0**
Crude and refined olive oil	22	544	35	732	13	57.5	188	34.5	15.0	13.4
Inedible animal sub-products	13	817	12	661	-1	-4.4	-156	-19.1	5.2	12.1
Fish fats and oils	35	713	31	629	-4	-10.8	-84	-11.8	13.2	11.5
Other crude or refined vegetable oils	23	570	22	521	-1	-	-50	-8.7	9.5	9.5
Agar-agar	1	298	1	319	0	3.7	22	7.2	0.5	5.8
Live plants and floriculture products	7	204	8	250	1	11.8	46	22.7	3.5	4.6
Other products	166	2 126	123	2 366	-43	-25.7	240	11.3	53.1	43.2
Raw products of mineral origin	**14 115**	**15 220**	**14 723**	**14 685**	**608**	**4.3**	**-535**	**-3.5**	**44.8**	**5.3**
Phosphates	11 061	8 370	11 251	8 298	190	1.7	-72	-0.9	76.4	56.5
Scrap metal, waste and scrap from copper, iron, steel and other ores	91	1 905	75	1 663	-16	-17.8	-242	-12.7	0.5	11.3
Copper ores	166	1 592	133	1 170	-33	-20.0	-422	-26.5	0.9	8.0
Barium sulphate	932	818	965	842	33	3.6	24	2.9	6.6	5.7
Lead Ore	59	805	72	816	13	21.8	12	1.5	0.5	5.6
Other raw products of mineral origin	1 806	1 731	2 228	1 896	422	23.4	165	9.6	15.1	12.9

(*) Revised.
(**) Provisional
(***) Represents the part of each product in its utilization grouping.
Source : Foreign Exchange Control Office

TABLE A5.2 EXPORTS BY MAIN PRODUCTS (continued)

Weight in million of tonnes / Value in millions dirhams)

	2017*		2018**		Changes				Structure 2018 in %(***)	
	Weight	Value	Weight	Value	Weight		Value		Weight	Value
					Absolute	%	Absolute	%		
SEMI FINISHED PRODUCTS	**12 727**	**52 346**	**12 493**	**60 619**	**-235**	**-1.8**	**8 273**	**15.8**	**38.0**	**22.0**
Natural and chemical fertilizers	8 236	25 203	8 386	29 828	150	1.8	4 625	18.4	67.1	49.2
Phosphoric acid	2 001	10 637	2 065	13 863	64	3.2	3 226	30.3	16.5	22.9
Electronic components (transistors)	2	4 272	2	4 411	0	7.8	139	3.3	0.0	7.3
Raw silver and semi-finished silver articles	0	1 129	0	662	0	-34.2	-467	-41.3	0.0	1.1
Flat-rolled products of iron or non-alloy steel	137	959	85	650	-52	-37.8	-308	-32.2	0.7	1.1
Other products	2 351	10 147	1 955	11 205	-396	-16.9	1 058	10.4	15.6	18.5
FINISHED PRODUCTS OF AGRICULTURAL EQUIPMENT	**0**	**135**	**0**	**151**	**0**	**5.2**	**16**	**12.2**	**0.0**	**0.1**
Cultivators and agricultural tractors	0	7	0	11	0	44.2	4	55.4	42.3	7.2
Agricultural tools and machines	0	8	0	8	0	-24.0	-1	-7.7	21.3	5.1
Other finished products of agricultural equipment	0	120	0	133	0	-3.3	13	11.0	36.4	87.7
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	**239**	**45 140**	**265**	**53 870**	**27**	**11.2**	**8 730**	**19.3**	**0.8**	**19.6**
Wires, cables and other insulated conductors for electricity	163	26 323	176	30 197	13	7.9	3 874	14.7	66.3	56.1
Apparatus for cutting or connecting electrical circuits and resistances	15	6 496	19	7 417	4	28.2	920	14.2	7.1	13.8
Parts of aircraft and other air or space vehicles	3	5 532	3	7 444	1	23.8	1 913	34.6	1.2	13.8
Turbojets and turboprop engines and parts thereof	0	279	0	631	0	25.9	351	125.8	0.0	1.2
Utility cars	3	260	6	609	2	66.3	349	134.1	2.1	1.1
Other finished industrial equipment products	55	6 250	**62**	**7 573**	7	12.5	1 323	21.2	23.3	14.1
Finished consumer products	**764**	**78 473**	**804**	**83 881**	**40**	**5.2**	**5 408**	**6.9**	**2.4**	**30.5**
Tourist vehicles	384	30 972	406	33 533	22	5.8	2 561	8.3	50.5	40.0
Ready-made clothing	75	23 317	77	23 774	2	3.2	457	2.0	9.6	28.3
Hosiery items	46	7 553	48	7 798	2	4.0	245	3.2	5.9	9.3
Covers, linen and other made-up textile articles	11	2 874	10	2 530	-1	-9.4	-343	-11.9	1.3	3.0
Shoes	11	2 255	11	2 373	-1	-4.6	118	5.2	1.4	2.8
Other products	237	11 502	252	13 873	15	6.2	2 370	20.6	31.4	16.5
Industrial gold	**0**	**595**	**0**	**377**	**0**	**-39.0**	**-218**	**-36.7**	**0.0**	**0.1**

(*) Revised.
(**) Provisional
(***) Represents the share of each product within its usage group, and the share of each usage group within the total.
Source : Foreign Exchange Control Office

TABLE A5.3 GEOGRAPHICAL DISTRIBUTION OF FOREIGN TRADE

(In millions of dirhams)

	Exports FOB		Imports CIF		Balance	
	2017*	2018**	2017*	2018**	2017*	2018**
Total	**248 841**	**275 156**	**438 080**	**481 035**	**-189 239**	**-205 878**
EUROPE	**176 823**	**192 932**	**286 156**	**308 907**	**-109 333**	**-115 975**
Spain	58 881	64 943	73 787	76 079	-14 906	-11 136
France	56 866	59 784	52 473	57 158	4 394	2 625
Italy	11 451	11 770	25 397	26 882	-13 947	-15 112
Germany	7 015	8 709	26 440	23 433	-19 426	-14 724
United Kingdom	5 958	7 791	9 910	10 612	-3 952	-2 821
Netherlands	5 400	6 184	7 227	8 738	-1 828	-2 554
Turkey	6 889	5 540	19 260	21 527	-12 371	-15 988
Other	31 252	33 751	90 921	106 004	-59 669	-72 252
ASIE	**24 277**	**28 240**	**81 309**	**94 181**	**-57 032**	**-65 941**
India	6 426	10 341	5 988	6 597	438	3 744
Arab countries of the Middle East (1)	4 823	4 166	15 807	21 475	-10 984	-17 309
China	2 973	2 535	39 561	47 277	-36 587	-44 742
Japan	1 931	1 987	4 435	3 579	-2 504	-1 592
Other	8 124	9 211	15 519	15 252	-7 395	-6 041
AMERICA	**22 264**	**27 485**	**52 680**	**56 292**	**-30 416**	**-28 807**
United States	9 775	12 941	30 108	38 203	-20 333	-25 262
Brazil	7 339	7 204	6 951	5 808	389	1 396
Canada	1 639	2 939	4 116	4 576	-2 477	-1 637
Mexico	1 236	2 014	1 935	1 307	-698	708
Other	2 275	2 387	9 571	6 399	-7 296	-4 011
AFRICA	**22 111**	**21 574**	**15 185**	**18 935**	**6 925**	**2 639**
Mauritania	1 784	1 779	3	22	1 781	1 758
Algeria	1 946	1 630	5 353	6 960	-3 407	-5 330
Tunisia	901	1 093	2 083	2 434	-1 182	-1 341
Libya	726	805	197	521	529	285
Other	16 753	16 266	7 549	8 998	9 204	7 268
OCEANIA AND OTHER	**3 366**	**4 925**	**2 749**	**2 720**	**617**	**2 204**

(*) Revised
(**) Preliminary
(1) Occupied Palestinian territories, Qatar, Jordan, United Arab Emirates, Oman, Kuwait, Islamic Republic of Iran, Syrian Arab Republic, Afghanistan, Iraq, Saudi Arabia, Bahrain, Yemen and Lebanon.
Source : Foreign Exchange Control Office.

TABLE A5.4 BALANCE OF PAYMENT

(In millions of dirhams)

	2018*		
	Credit	Debit	Balance
CURRENT TRANSACTIONS ACCOUNT			
GOODS AND SERVICES	**404 720.0**	**519 561.4**	**-114 841.4**
GOODS	**230 675.7**	**420 499.3**	**-189 823.6**
General goods	229 669.0	420 333.5	-190 664.5
Net exports of goods under merchanting	874.7	0	+874.7
Non-monetary gold	132.0	165.8	-33.8
SERVICES	**174 044.3**	**99 062.1**	**+74 982.2**
Manufacturing services performed on physical inputs detained by third parties	15 848.0	29.0	+15 819.0
Maintenance and repairing services not included elsewhere	2 892.8	993.0	+1 899.8
Transportation	33 011.3	41 784.3	-8 773.0
Sea transportation	10 733.1	26 645.6	-15 912.5
Air transportation	17 212.2	10 831.1	+6 381.1
Other transportation	5 013.1	4 299.1	+714.0
Postal and mail services	52.9	8.5	+44.4
Travel	73 038.7	18 857.8	+54 180.9
Business travels	3 286.7	1 699.7	+1 587.0
Personal travels	69 752.0	17 158.1	+52 593.9
Construction	4 190.3	4 980.2	-789.9
Insurance and pension services	1 107.5	473.5	+634.0
Financial services	639.2	964.2	-325.0
Fees for intellectual property usage, not included elsewhere	47.7	1 566.7	-1 519.0
Telecommunication, computer and information services	15 642.9	2 635.4	+13 007.5
Other services to businesses	20 255.9	14 684.3	+5 571.6
Personal, cultural and leisure services	1 292.9	331.2	+961.7
Goods and services of the general government, not included elsewhere	6 077.1	11 762.5	-5 685.4
PRIMARY INCOME	**6 149.2**	**27 016.0**	**-20 866.8**
Investment income	5 932.2	26 975.2	-21 043.0
Direct investments	3 105.4	17 742.9	-14 637.5
Portfolio investments	104.4	3 459.0	-3 354.6
Other investments	78.9	5 773.3	-5 694.4
Reserve assets	2 643.5	0	+2 643.5
Other primary income	217.0	40.8	+176.2
SECONDARY INCOME	**81 200.6**	**6 108.6**	**+75 092.0**
Public	4 729.6	1 023.0	+3 706.6
Private	76 471.0	5 085.6	+71 385.4
CURRENT ACCOUNT	**492 069.8**	**552 686.0**	**-60 616.2**
Financing capacity (+) / need(-)	**-**	**-**	**-60 616.2**

(*) Preliminary
Source : Foreign Exchange Office

TABLE A5.4 BALANCE OF PAYMENT (continued)

(In millions of dirhams)

	2018*		
	Net asset purchases	Liability net increase	Balance
FINANCIAL ACCOUNT			
DIRECT INVESTMENTS	**6 250.0**	**34 169.0**	**-27 919.0**
Equity and investment funds shares	5 775.0	28 373.0	-22 598.0
Debt instruments	475.0	5 796.0	-5 321.0
PORTFOLIO INVESTMENTS	**2 439.4**	**-4 924.1**	**+7 363.5**
Shares and investment fund units	2 392.3	-1 745.4	+4 137.7
Debt securities	47.1	-3 178.7	+3 225.8
FINANCIAL DERIVATIVES	**-2 040.3**	**-1 750.7**	**-289.6**
OTHER INVESTMENTS	**-2 890.8**	**14 558.5**	**-17 449.3**
Other equity	295.6	0	+295.6
Currency and deposits	-4 765.0	1 428.9	-6 193.9
Loans	0	3 169.5	-3 169.5
Trade credits and other advances	1 578.6	9 960.1	-8 381.5
RESERVE ASSETS	**-9 433.2**	**0**	**-9 433.2**
TOTAL CHANGE IN ASSETS/LIABILITIES	**-5 674.9**	**42 052.7**	**-47 727.6**
Financing capacity (+) / need (–)	**-**	**-**	**-47 727.6**
Net errors and omissions	-	-	+12 888.6

(*) Preliminary
Source : Foreign Exchange Office.

TABLE A5.5 INTERNATIONAL INVESTMENT POSITION

(In millions of dirhams)

	2017*			2018**		
	Asset	Liability	Balance	Asset	Liability	Balance
Direct investments	**49 784**	**589 669**	**-539 886**	**54 824**	**614 362**	**-559 538**
Equity and investment funds shares	**44 422**	**538 870**	**-494 448**	**49 075**	**557 711**	**-508 636**
Direct investor in direct investment firms	44 422	538 870	-494 448	49 075	557 711	-508 636
Debt instruments	**5 362**	**50 799**	**-45 437**	**5 749**	**56 651**	**-50 902**
Direct investor's claims on direct investment firms	5 362	50 799	-45 437	5 749	56 651	-50 902
Portfolio investments	**12 258**	**110 101**	**-97 844**	**14 631**	**100 794**	**-86 164**
Equity and investment funds shares	**11 178**	**33 053**	**-21 874**	**13 490**	**29 797**	**-16 306**
Deposit-taking institutions other than central bank	1 065	13 571	-12 506	1 158	11 339	-10 182
Other sectors	10 114	19 482	-9 369	12 332	18 457	-6 125
Other financial corporations	3 985	1 112	2 873	6 046	327	5 718
Nonfinancial corporations, households and NPISH	6 128	18 370	-12 242	6 287	18 130	-11 843
Debt securities	**1 079**	**77 049**	**-75 969**	**1 140**	**70 998**	**-69 857**
Deposit-taking institutions other than the central bank	1 036	3 345	-2 309	1 049	1 257	-208
General government	0	45 570	-45 570	0	42 512	-42 512
Other sectors	43	28 134	-28 091	92	27 229	-27 137
Other financial corporations	43	0	43	92	0	92
Nonfinancial corporations, households and NPISH	0	28 134	-28 134	0	27 229	-27 229
Financial derivatives (other than reserves) and employees stock-options	**245**	**320**	**-75**	**354**	**292**	**62**
Other investments	**77 209**	**387 110**	**-309 901**	**74 498**	**390 160**	**-315 662**
Other equity	**2 016**	**0**	**2 016**	**2 335**	**0**	**2 335**
Currency and deposits	**48 758**	**35 727**	**13 032**	**44 905**	**37 117**	**7 788**
Central bank	609	3 455	-2 846	826	3 126	-2 300
Deposit-taking institutions other than the central bank	44 464	32 272	12 193	39 628	33 991	5 637
Other sectors	3 685	0	3 685	4 451	0	4 451
Other financial corporations	1 224	0	1 224	1 242	0	1 242
Nonfinancial corporations, households and NPISH	2 461	0	2 461	3 209	0	3 209
Loans	**469**	**286 718**	**-286 250**	**358**	**287 554**	**-287 196**
Deposit-taking institutions other than the central bank	469	3 517	-3 048	358	2 538	-2 180
General government	0	107 917	-107 917	0	106 680	-106 680
Other sectors	0	175 284	-175 284	0	178 336	-178 336
Other financial corporations	0	868	-868	0	641	-641
Nonfinancial corporations, households and NPISH	0	174 416	-174 416	0	177 695	-177 695
Commercial credits and advances	**25 967**	**57 206**	**-31 239**	**26 899**	**58 020**	**-31 121**
Other sectors	25 967	57 206	-31 239	26 899	58 020	-31 121
Nonfinancial corporations, households and NPISH	25 967	57 206	-31 239	26 899	58 020	-31 121
Special drawing rights (allocations)	0	7 459	-7 459	0	7 469	-7 469
Reserve assets	**244 336**	**0**	**244 336**	**234 026**	**0**	**234 026**
Monetary gold	8 597	-	8 597	8 732	-	8 732
Special drawing rights	7 213	-	7 213	7 234	-	7 234
IMF reserve position	1 953	-	1 953	1 960	-	1 960
Other reserve assets	226 573	-	226 573	216 100	-	216 100
Total assets/liabilities	**383 831**	**1 087 201**	**-703 370**	**378 332**	**1 105 609**	**-727 276**

(*) Revised.
(**) Provisional
Source : Foreign Exchange Office.

TABLE A6.1 TREASURY REVENUE AND EXPENDITURE

(In millions of dirhams)

	2017			2018			Changes in % Realization
	Realization(*)	FL	Implemen-tation rate of finance bill	Realization(**)	FL	Impleman-tation rate of finance bill	
Current revenue	**255 135**	**251 408**	**101.5**	**259 788**	**262 448**	**99.0**	**1.8**
Tax revenues	**225 522**	**225 814**	**99.9**	**234 890**	**237 010**	**99.1**	**4.2**
Direct taxes	93 262	89 382	104.3	95 025	97 059	97.9	1.9
Corporate tax	50 368	45 555	110.6	49 862	51 169	97.4	-1.0
Income tax	40 156	40 855	98.3	41 806	41 748	100.1	4.1
Other direct taxes	2 738	2 972	92.1	3 357	4 142	81.0	22.6
Indirect taxes (1)	108 699	109 442	99.3	114 539	112 742	101.6	5.4
VAT	81 316	82 835	98.2	86 221	85 451	100.9	6.0
(Domestic)	29 920	32 364	92.4	31 567	30 554	103.3	5.5
(Import)	51 396	50 471	101.8	54 654	54 897	99.6	6.3
CDT	27 383	26 607	102.9	28 318	27 291	103.8	3.4
(Tobacco)	9 920	9 150	108.4	10 820	9 550	113.3	9.1
(Energy products)	15 732	15 912	98.9	15 735	15 990	98.4	0.0
(Other)	1 731	1 545	112.0	1 763	1 751	100.7	1.8
Customs duties	8 610	8 931	96.4	9 692	9 688	100.0	12.6
Registration Fees and stamp duties	14 951	18 059	82.8	15 634	17 521	89.2	4.6
Non-tax revenues (1)	**25 957**	**22 293**	**116.4**	**21 183**	**22 138**	**95.7**	**-18.4**
State monopolies	7 958	9 067	87.8	9 294	9 821	94.6	16.8
Other revenues	17 999	13 226	136.1	11 889	12 317	96.5	-33.9
Including the Central Guarantee Fund	9 548	8 000	119.4	2 793	7 000	39.9	-70.7
Revenues of Certain Special Treasury accounts	**3 656**	**3 300**	**110.8**	**3 715**	**3 300**	**112.6**	**1.6**
Expenditure	**297 693**	**290 377**	**102.5**	**304 730**	**301 722**	**101.0**	**2.4**
Current expenditure	**230 684**	**234 799**	**98.2**	**239 073**	**241 461**	**99.0**	**3.6**
Administrative expenses	163 881	167 825	97.7	168 207	174 995	96.1	2.6
Personnel expenses	104 901	106 701	98.3	105 993	108 854	97.4	1.0
Other goods and services	58 980	61 124	96.5	62 214	66 141	94.1	5.5
Interest on the Public debt	27 078	27 474	98.6	27 281	27 112	100.6	0.8
Domestic	23 305	23 764	98.1	23 548	23 470	100.3	1.0
Foreign	3 773	3 710	101.7	3 733	3 642	102.5	-1.0
Subsidization	15 330	14 650	104.6	17 718	13 719	129.1	15.6
Transfers to local authorities	24 395	24 851	98.2	25 866	25 635	100.9	6.0
Current balance	**24 451**	**16 608**	**-**	**20 716**	**20 987**	**-**	**-**
Capital expenditure	**67 009**	**55 578**	**120.6**	**65 658**	**60 261**	**109.0**	**- 2.0**
Special Treasury accounts Balance	**5 415**	**6 000**	**-**	**3 589**	**6 000**	**-**	**- 33.7**
Budget deficit	**- 37 143**	**- 32 969**	**-**	**- 41 353**	**- 33 274**	**-**	**11.3**
Change in pending expenditure	**- 831**	**0**	**-**	**3 209**	**0**	**-**	**-**
Financing requirements or surplus	**- 37 974**	**- 32 969**	**-**	**- 38 144**	**- 33 274**	**-**	**0.4**
Net financing	**37 974**	**32 969**	**-**	**38 144**	**33 274**	**-**	**-**
Foreign financing	**3 556**	**12 507**	**-**	**- 1 874**	**19 767**	**-**	**-**
Foreign borrowing	16 799	23 000	-	6 211	25 000	-	-
Amortization	- 13 243	- 10 493	-	- 8 085	- 5 233	-	-
Domestic financing	**34 418**	**20 462**	**-**	**40 018**	**13 507**	**-**	**-**

(*) Revised
(**) Preliminary
(1) Including the share of the VAT receipts paid to local authorities .
Source : Ministry of Economy and Finance

TABLE A7.1 MAIN FOREIGN EXCHANGE RATES QUOTED BY THE BANK AL-MAGHRIB AND EFFECTIVE EXCHANGE RATE(EER)

End of period	2017		2018												
	Annual average	Dec.	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	Annual average
1 EURO - EUR (1)	10.931	11.132	11.279	11.350	11.328	11.311	11.135	11.090	11.055	10.950	10.970	10.900	10.809	10.853	11.086
1 DOLLAR - USD (1)	9.691	9.408	9.240	9.190	9.184	9.212	9.427	9.495	9.466	9.475	9.407	9.490	9.519	9.529	9.386
REAL EFFECTIVE EXCHANGE RATE(*)	98.793	98.859			98.200			99.116			101.193			101.366	99.969
NOMINAL EFFECTIVE EXCHANGE RATE(*)	108.029	108.070			107.137			108.626			112.361			113.201	110.331

(*) Quarterly data
(1) Monthly average reference exchange rate.
Source: Bank Al-Maghrib

TABLE A7.2 DEVELOPMENT OF THE EXCHANGE MARKET ACTIVITY

(In millions of dirhams)

	Annual average 2017	2018												Annual average 2018
		Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	
Spot operations														
Currency-againt-currency sale/purchase operations with foreign correspondants	47 139	35 148	41 952	42 963	38 184	35 384	32 454	36 692	41 339	34 077	33 062	34 743	38 229	37 019
Interbank sale/purchase operations againts the dirham(*)	8 770	9 094	5 581	11 760	10 321	7 769	10 437	11 004	14 679	13 265	10 342	8 782	15 864	10 741
Currency investments abroad	8 218	13 769	9 871	11 423	11 085	7 034	6 094	8 350	5 453	6 082	8 271	7 480	6 907	8 485
Currency sale by BAM to the banks	4 417	669	5 884	735	0	0	0	0	0	0	0	0	0	607
Forward operations														
Forward purchase of currency by banks customers (import coverage)	10 120	12 069	9 170	12 930	8 746	11 184	9 169	11 361	16 404	11 236	10 458	11 405	9 861	11 166
Forward sale of currency by banks customers (export cover)	3 332	2 030	1 305	7 058	1 410	2 882	2 399	5 672	6 449	7 205	4 656	2 365	3 209	3 887

(*) The series of the volume processed on the interbank foreign exchange market now includes purchase or sale transactions against the Moroccan Dirham on the local interbank market (one-way), plus the transactions carried out between local and foreign banks.
Source : Bank Al-Maghrib.

TABLE A7.3 BANK LIQUIDITY FACTORS AND BAM INTERVENTIONS(1)

(In millions of dirhams)

	Dec-17	Jan-18	Feb-18	March-18	April-18	May-18	June-18	July-18	Aug-18	Sept-18	Oct-18	Nov-18	Dec-18
Notes and coins	230 536	231 760	230 749	231 034	232 764	233 726	236 932	239 991	252 247	250 447	245 920	247 746	246 693
Treasury's net position (2)	-3 368	-2 969	-3 976	-3 843	-4 108	-4 254	-3 660	-3 609	-3 430	-4 146	-4 810	-3 832	-4 440
Bank Al-Maghrib net foreign exchange holdings	232 942	234 991	230 692	226 554	224 400	223 623	221 874	219 808	219 657	219 371	217 792	217 361	221 480
Other net factors	-20 104	-19 861	-21 664	-21 726	-21 448	-21 578	-20 205	-17 794	-18 109	-17 782	-17 112	-15 775	-17 270
Bank's structural liquidity position(3)	-21 065	-19 599	-25 697	-30 048	-33 920	-35 934	-38 922	-41 586	-54 129	-53 004	-50 050	-49 991	-46 923
Reserve requirement	21 209	21 610	21 864	21 661	21 636	21 726	22 010	22 198	22 156	22 163	22 216	22 099	22 032
Surplus or liquidity requirement	-42 274	-41 209	-47 562	-51 709	-55 555	-57 660	-60 932	-64 484	-76 285	-75 167	-72 266	-72 091	-68 956
Bank Al-Maghrib money market interventions	**44 350**	**41 150**	**48 400**	**52 300**	**55 350**	**58 250**	**62 246**	**64 178**	**77 920**	**73 300**	**72 550**	**72 900**	**69 428**
7-days advance on call for tenders	40 000	37 750	45 000	48 200	52 250	55 250	58 800	61 378	75 120	70 500	70 250	70 600	66 000
Advances at 24 hours	3 000	0	0	3 500	0	0	2 230	0	0	0	0	0	4 510
Guaranteed loans	3 150	3 400	3 400	3 400	3 100	3 000	3 000	2 800	2 800	2 800	2 300	2 300	2 300

(1) Monthly oustanding amounts calculated on the basis of end-of-week averages .

2) The Treasury's net position is the difference between, on the one hand, the total of advances granted to the Treasury and the treasury bonds - open market transactions held by Bank Al-Maghrib, and on the` other hand, the total of accounts of the Treasury and Hassan II Fund for economic and social development . As the new statutes of Bank Al-Maghrib restrictes financial assistance to the state to cash facilities, the TNP is particularity influenced by movements at the level of the Treasury's account and that of Hassan II fund for economic and social development

(3) Bank's structural liquidity position is the net effect of autonomous factors on bank treasuries It is calculated as follows : BSLP = Net foreign assets of Bank Al-Maghrib + Treasury's net position + Other net factors - Notes and coins in circulation

Source: Bank Al-Maghrib.

TABLE A7.4 MONEY MARKET RATES IN 2018

(in %)

Month	Bank Al-Maghrib's intervention rate		Interbank market rate	
	7-days advances	24-hours advances	Monthly average	Month end
January	2.25	3.25	2.26	2.25
February	2.25	3.25	2.25	2.26
March	2.25	3.25	2.27	2.32
April	2.25	3.25	2.26	2.27
May	2.25	3.25	2.28	2.25
June	2.25	3.25	2.28	2.30
July	2.25	3.25	2.30	2.32
August	2.25	3.25	2.30	2.29
September	2.25	3.25	2.27	2.30
October	2.25	3.25	2.27	2.32
November	2.25	3.25	2.28	2.31
December	2.25	3.25	2.29	2.32

Source: Bank Al-Maghrib

TABLE A7.5 INTEREST RATES OF DEPOSITS WITH BANKS

(in %)

	2017		2018	
	January -June	July- December	January -June	July- December
Savings accounts(1)	1.81	1.86	1.84	1.88

(1) The minimum rate on savings books is equal to the weithed average rate of 52 weeks treasury bills issued by tender during previous semester minus 50 basis points.

Source: Bank Al-Maghrib

TABLE A7.6 DEPOSIT RATES IN 2018

(in %)

Month	6-month deposits weighted average interest rate	12- month deposits weighted average interest rates
January	2.82	3.24
February	2.76	3.12
March	2.79	3.10
April	2.79	3.08
May	2.72	3.11
June	2.84	3.10
July	2.83	3.10
August	2.71	3.06
September	2.85	3.05
October	2.59	3.05
November	2.73	3.02
December	2.80	3.04

Source: Bank Al-Maghrib

TABLE A7.7 WEIGHTED AVERAGE RATES OF TREASURY BILLS ISSUED BY TENDER

(in %)

Months		Maturities								
		13-weeks bills	26-weeks bills	52-weeks bills	2-years bills	5-years bills	10-years bills	15-years bills	20-years bills	30-years bills
2017	January	2.19	-	2.37	2.53	2.89	-	-	-	-
	February	2.15	2.29	2.35	2.59	2.84	3.28	3.87	-	-
	March	2.09	2.15	2.27	2.46	2.77	3.26	-	4.02	-
	April	-	-	-	2.41	2.76	-	-	-	4.45
	May	2.09	-	2.26	2.43	2.79	3.27	3.87	4.06	-
	June	-	-	-	2.40	2.80	3.27	-	-	-
	July	-	-	-	2.50	2.84	-	3.88	-	-
	August	2.18	-	2.37	2.48	2.85	-	3.87	-	-
	September	-	2.23	2.35	2.48	2.81	3.32	3.85	-	-
	October	2.14	-	2.28	2.42	2.77	3.27	3.76	3.98	4.41
	November	2.14	2.19	2.27	2.42	-	3.28	3.68	-	-
	Décember	2.17	2.19	2.32	2.48	-	3.28	3.69	-	-
2018	January	-	-	2.42	2.58	2.85	-	3.70	-	-
	February	-	-	2.35	2.55	2.81	3.29	-	-	-
	March	2.16	2.19	2.28	2.45	2.76	3.26	3.67	-	-
	April	-	-	2.31	2.45	2.75	3.22	-	3.98	-
	May	-	-	-	2.50	2.76	-	3.67	-	-
	June	-	-	-	2.54	2.78	3.25	3.68	-	-
	July	-	-	-	2.57	2.79	3.27	3.70	-	-
	August	2.20	-	2.40	2.58	2.82	3.28	-	-	-
	September	-	-	2.43	2.59	2.84	3.30	-	-	-
	October	-	-	2.45	2.60	2.86	3.31	-	-	-
	November	-	-	2.44	2.59	2.87	3.33	3.74	-	-
	December	-	-	2.45	2.60	2.86	3.37	3.74	-	-

TABLE A7.8 INTEREST RATES (1) OFFERED ON NEGOTIABLE DEBT SECURITIES

(in %)

	2017	2018
Certificates of deposit		
Under 32 days	-	-
32 days to 92 days	2.25 -2.55	2.35 - 2.55
93 days to 182 days	2.25 - 2.63	2.40 - 2.90
183 days to 365 days(*)	2.30 - 2.75	2.45 - 3.00
366 days to 2 years	2.40 - 2.90	2.64 - 3.15
More than 2 years up to 3 years	2.62 - 3.00	2.83 - 3.10
More than 3 years up to 5 years	2.61 - 3.30	2.98 - 3.95
More than 5 years	3.33 - 3.71	-
Financing companies bonds		
2 years	2.85 - 3.10	2.85 - 3.12
More than 2 years up to 3 years	2.92 - 3.40	3.11 - 3.29
More than 3 years up to 5 years	2.61 - 3.60	3.23 - 3.50
More than 5 years	-	-
Commercial papers		
Under 32 days	3.70 - 3.75	4.00 - 5.00
32 days to 92 days	3.70 - 5.30	3.70 - 5.00
93 days to 182 days	2.65 -5.30	2.74 - 5.30
183 days to 365 days	2.65 - 5.75	2.56 - 5.75

(1) Min and Max.
(*) Revised
(-) No emission.
Source: Bank Al-Maghrib

TABLE A7.9 INTEREST RATES (1) OFFERED ON NOTES AND BONDS ISSUED ON THE BOND MARKET

(in %)

	2017	2018
Less than 4 years	3.37 - 5.05	-
More than 4 years to 5 years	2.91 - 5.00	3.50-5.69
More than 5 years to 7 years	2.79 - 3.83	3.32-4.46
More than 7 years to 10 years	2.18 - 4.22	2.94-4.16
More than 10 years to 15 years	2.97 - 4.18	3.84-5.00
More than 15 years to 20 years	4.35 - 4.42	-
More than 20 years to 25 years	4.10 - 4.90	-
More than 25 years to 30 years	-	4.50
Over 30 years	-	3.00*-6.23*

(1) Minimum and maximum observed.
(-) No issue of securities.
(*) These are the perpetual bonds.
Source : Maroclear.

TABLE A7.10 LENDING RATES

(in %)

Periods / Agent and economic object	Q1-18	Q2-18	Q3-18	Q4-18
Average lending rate (in %)	**5.43**	**5.36**	**5.35**	**5.06**
Loans to individuals	**5.78**	**6.09**	**5.79**	**5.68**
Housing loans	4.94	5.00	4.85	4.90
Consumer loans	6.40	6.57	6.32	6.45
Loans to sole proprietors	**6.23**	**7.08**	**6.80**	**6.41**
Accounts receivable and cash advances	6.86	7.68	7.81	6.48
Equipment loans	6.81	6.41	6.64	7.49
Loans to property development	5.78	6.06	5.76	5.94
Loans to enterprises	**5.28**	**5.12**	**5.18**	**4.90**
By economic purpose				
Accounts receivable and cash advances	5.23	5.02	5.15	4.82
Equipment loans	5.51	5.20	4.90	4.82
Loans to property development	5.41	5.98	5.85	6.14
By size of the enterprise				
VSME	6.09	5.78	5.93	5.90
Large companies	4.75	4.72	4.67	4.57

Source: Bank Al-Maghrib.

TABLE A7.11 MAXIMUM AGREED INTEREST RATE OF CREDIT INSTITUTIONS(1)

(Annual rates in %)

Periods / rates	April 2016 - March-2017	April 2016- March 2017	April 2017 - March 2018	April 2018 - March 2019
Maximum interest rate agreed (MIRA)	14.30	13.90	13.60	13.57

(1) The maximum conventional interest rate (TMIC) is calculated annually on April 1 of each year, depending on variation recorded during the previous calendar year in the deposit rate on 6-month and 1-year deposits.

Source: Bank Al-Maghrib.

TABLE A 8.1 MONETARY AND LIQUID INVESTMENTS AGGREGATES

(In billions of dirhams)

	2016	2017	2018												Annual change (%)		
			Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2016	2017	2018
Currency in circulation	203.2	218.8	218.1	217.3	219.9	221.1	221.1	224.1	228.0	238.4	234.7	231.7	232.2	233.6	5.5	7.7	6.7
Bank notes and coins in circulation	215.7	231.8	231.3	229.7	231.9	234.2	233.8	236.7	241.8	255.4	247.7	245.3	246.1	248.5	4.8	7.4	7.2
Banks' cash holdings	**12.5**	**12.9**	**13.1**	**12.4**	**12.0**	**13.1**	**12.7**	**12.6**	**13.8**	**17.1**	**13.0**	**13.6**	**14.0**	**14.9**	**-5.6**	**3.5**	**14.9**
Bank money	**548.6**	**592.2**	**579.1**	**582.5**	**591.4**	**586.7**	**589.3**	**605.4**	**598.5**	**596.4**	**604.1**	**596.1**	**602.6**	**625.1**	**6.7**	**7.9**	**5.6**
Demand deposits with BAM	2.2	1.9	2.6	3.9	4.1	3.9	3.8	3.7	3.2	3.1	3.0	2.8	2.1	2.1	-16.5	-16.5	10.4
Demand deposits with banks	496.6	534.3	522.0	521.9	529.9	526.6	528.3	541.4	537.1	535.4	540.7	531.5	537.1	560.7	6.7	7.6	4.9
Demand deposits with the Treasury	49.8	56.0	54.5	56.7	57.5	56.3	57.2	60.2	58.2	57.9	60.4	61.7	63.3	62.3	7.7	12.4	11.3
M1	751.9	811.0	797.2	799.8	811.4	807.7	810.4	829.5	826.6	834.7	838.7	827.7	834.7	858.7	6.3	7.9	5.9
Demand deposits	146.2	153.9	154.7	155.0	155.6	155.6	156.0	156.8	156.9	157.6	158.2	158.7	159.0	159.2	5.6	5.2	3.5
Comptes d'épargne auprès des banques	**146.2**	**153.9**	**154.7**	**155.0**	**155.6**	**155.6**	**156.0**	**156.8**	**156.9**	**157.6**	**158.2**	**158.7**	**159.0**	**159.2**	**5.6**	**5.2**	**3.5**
M2	**898.1**	**964.9**	**951.9**	**954.8**	**967.0**	**963.4**	**966.5**	**986.3**	**983.5**	**992.4**	**996.9**	**986.4**	**993.7**	**1 017.9**	**6.2**	**7.4**	**5.5**
Other monetary assets	**304.3**	**304.2**	**298.2**	**298.0**	**299.4**	**295.1**	**301.2**	**290.5**	**296.6**	**299.8**	**291.9**	**313.2**	**307.8**	**302.7**	**0.6**	**0.0**	**-0.5**
Time accounts and fixed-term bills with banks	**163.3**	**155.8**	**153.4**	**153.9**	**152.7**	**149.7**	**153.5**	**153.3**	**153.9**	**153.2**	**153.9**	**163.9**	**161.7**	**161.1**	**-4.5**	**-4.6**	**3.4**
Money market UCITS	60.7	60.6	59.9	56.6	57.6	55.0	56.2	52.7	55.9	57.1	54.3	61.1	59.4	56.5	-2.9	0.0	-6.8
Deposits in foreign currencies (1)	43.2	41.1	38.9	40.4	41.8	40.7	42.0	41.9	40.6	41.1	40.4	40.1	39.8	37.4	10.0	-5.0	-8.9
Securities sold under repurchase agreements	5.6	9.9	10.7	11.6	11.1	13.4	13.5	7.9	10.3	13.1	7.8	10.0	9.0	7.0	97.3	76.0	-29.9
Certificates of deposit of a residual maturity of 2 years or less	20.0	22.5	22.0	21.5	23.4	22.8	22.6	24.0	24.7	24.1	23.8	25.1	24.7	27.8	8.3	12.5	23.4
Time accounts with the treasury	7.7	8.6	8.1	8.2	8.1	8.1	8.7	8.0	8.7	8.6	8.7	10.5	10.0	9.9	28.3	11.5	14.6
Other deposits(2)	3.8	5.7	5.3	5.9	4.7	5.5	4.8	2.7	2.5	2.6	3.0	2.5	3.1	3.1	56.4	50.6	-45.4
M3	**1 202.4**	**1 269.1**	**1 250.0**	**1 252.9**	**1 266.4**	**1 258.5**	**1 267.7**	**1 276.8**	**1 280.1**	**1 292.2**	**1 288.8**	**1 299.7**	**1 301.5**	**1 320.6**	**4.7**	**5.5**	**4.1**
LI	**587.1**	**642.0**	**647.6**	**657.3**	**667.8**	**654.7**	**662.1**	**676.1**	**674.6**	**676.6**	**680.3**	**683.5**	**688.5**	**700.1**	**7.7**	**9.3**	**9.1**
LI 1	363.0	370.7	372.1	372.0	373.9	362.2	368.5	380.5	375.3	376.1	384.0	380.8	385.1	397.9	5.3	2.1	7.4
LI 2	185.4	218.9	220.2	228.7	236.8	235.5	237.7	239.1	243.4	244.9	244.4	251.8	252.7	252.3	8.9	18.1	15.2
LI 3	38.7	52.4	55.2	56.6	57.0	57.0	55.9	56.4	55.9	55.5	51.9	50.8	50.6	49.9	27.7	35.4	-4.8

(1) Demand and time deposits in foreign currencies with banks.
(2) Lons made by banks from financial corporations.
Source: Bank Al-Maghrib.

TABLE A 8.2 BREAKDOWN OF MONETARY ASSETS BY INSTITUTIONAL SECTOR

(In billions of dirhams)

	2016	2017	2018												Annual change (%)		
			Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2016	2017	2018
Households	**644.4**	**682.3**	**678.1**	**684.8**	**689.0**	**687.4**	**689.9**	**697.0**	**698.5**	**696.6**	**698.3**	**699.1**	**698.3**	**706.2**	**4.5**	**5.9**	**3.5**
Demand deposits	372.7	402.9	400.6	405.9	409.6	408.6	409.7	417.4	417.3	415.6	417.7	415.9	415.9	422.8	6.4	8.1	4.9
Savings accounts with banks	146.2	153.9	154.7	155.0	155.6	155.6	156.0	156.8	156.9	157.6	158.2	158.7	159.0	159.2	5.6	5.3	3.5
Time accounts and fixed-term bills with banks	105.7	103.9	102.0	103.5	103.7	103.1	103.7	101.8	102.2	100.7	100.5	101.9	101.0	100.5	-3.6	-1.8	-3.2
Deposits in foreign currencies	11.9	12.2	11.3	11.3	11.4	11.5	12.0	11.9	12.2	12.6	11.9	11.9	11.8	12.0	18.0	1.9	-1.0
Certificats of deposits of a residual maturity of 2 years or less	1.7	3.1	3.2	3.1	2.4	2.5	2.4	2.8	3.2	3.2	3.5	3.5	3.5	3.8	-4.4	80.5	20.6
Money market UCITS	6.1	6.3	6.2	5.9	6.3	6.0	6.2	6.3	6.7	6.9	6.5	7.3	7.1	7.9	-0.5	4.2	25.1
Private nonfinancial corporations	**167.3**	**170.3**	**163.3**	**160.4**	**164.7**	**161.6**	**162.0**	**160.9**	**159.9**	**164.1**	**162.5**	**163.5**	**165.9**	**176.7**	**2.9**	**1.8**	**3.8**
Demand deposits	99.1	103.1	96.5	94.8	98.4	97.0	96.4	99.1	95.9	98.4	98.6	95.2	97.9	109.9	7.9	4.1	6.6
Time accounts and fixed-term bills with banks	25.1	22.5	22.8	22.6	21.6	21.6	21.3	21.6	21.9	22.1	21.9	22.3	23.4	24.3	-16.9	-10.4	7.9
Deposits in foreign currencies	9.4	11.9	11.9	12.5	12.0	12.0	12.0	12.3	12.2	12.8	12.3	12.5	12.2	11.1	19.7	26.7	-6.4
Money market UCITS	33.7	32.3	31.9	30.3	32.3	31.0	31.7	28.0	29.8	30.6	29.5	33.1	32.2	31.2	4.5	-4.0	-3.4
Public sector	**31.9**	**31.0**	**28.2**	**26.5**	**26.6**	**24.4**	**25.0**	**23.7**	**22.9**	**22.4**	**24.4**	**33.0**	**32.5**	**33.3**	**-11.7**	**-2.8**	**7.5**
Demand deposits	10.9	12.5	11.3	11.0	11.7	10.6	10.5	12.5	11.5	11.6	12.8	10.8	11.8	12.9	1.8	15.3	2.9
Time accounts and fixed-term bills with banks	9.6	7.8	7.1	6.6	5.1	4.8	5.1	5.2	4.9	4.7	5.2	14.9	13.9	12.6	-	-19.2	62.6
Money market UCITS	9.4	8.4	8.3	7.9	8.2	7.9	8.0	5.0	5.3	5.4	5.4	6.0	5.9	6.9	-	-10.7	-17.3
Other financial corporations .	**86.7**	**89.6**	**87.8**	**87.1**	**88.6**	**87.9**	**91.7**	**90.2**	**91.9**	**92.7**	**88.1**	**88.2**	**87.1**	**84.5**	**18.1**	**3.4**	**-5.6**
Demand deposits	8.5	9.1	7.9	6.1	5.7	5.7	7.3	7.4	7.3	4.9	6.6	4.6	5.0	7.6	-10.8	7.4	-17.3
Time accounts and fixed-term bills with banks	19.4	18.0	18.0	17.7	19.0	17.3	19.9	21.3	21.6	22.4	22.8	21.4	20.4	19.9	43.5	-7.1	10.4
Other deposits	3.8	5.6	5.3	5.9	4.7	5.5	4.7	2.7	2.5	2.6	2.9	2.3	3.0	2.9	56.5	49.6	-48.5
Deposits in foreign currencies	19.5	14.3	13.9	15.1	16.5	15.6	16.1	16.3	14.6	14.8	14.8	14.1	14.5	12.9	-2.1	-26.6	-9.6
Certificats of deposits of a residual maturity of 2 years or less	18.3	19.4	18.8	18.4	21.0	20.3	20.3	21.1	21.3	20.8	20.2	21.4	21.0	23.8	9.7	6.1	22.7
Money market UCITS	11.6	13.7	13.4	12.5	10.8	10.1	10.3	13.5	14.2	14.2	12.9	14.6	14.3	10.5	31.7	17.9	-23.3
Pensions	5.6	9.4	10.4	11.5	10.8	13.4	13.0	7.9	10.3	13.1	7.8	9.8	9.0	7.0	123.8	67.9	-26.1

Source: Bank Al-Maghrib.

TABLE A 8.3 M3 COUNTERPARTS

(In billions of dirhams)

	2016	2017	2018												Annual change (%)		
			Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2016	2017	2018
Claims on the economy	**957.6**	**989.5**	**980.4**	**978.1**	**988.8**	**987.4**	**987.3**	**1 005.7**	**1 009.3**	**1 009.4**	**1 005.7**	**999.6**	**1 002.9**	**1 022.9**	**5.9**	**3.3**	**3.4**
Nets claims of ODC	956.6	988.4	979.2	976.8	987.6	986.3	986.2	1 004.6	1 008.1	1 008.2	1 004.5	998.4	1 001.7	1 021.8	5.9	3.3	3.4
Banks loans	818.1	843.3	826.4	824.5	830.1	830.6	832.9	857.0	850.9	849.6	854.5	846.7	848.2	870.6	4.2	3.1	3.2
Dont finanacement participatif	-	0.2	0.2	0.3	0.6	1.1	1.5	2.0	2.4	2.6	2.9	3.3	3.6	4.1	-	-	-
Net claims on central government	**142.4**	**167.8**	**173.5**	**174.7**	**180.5**	**177.7**	**185.4**	**182.4**	**175.8**	**177.6**	**186.5**	**197.6**	**202.5**	**203.0**	**-3.8**	**17.8**	**21.0**
Nets claims of ODC	142.6	167.6	175.1	176.1	181.5	179.3	185.8	183.5	176.5	179.4	186.7	199.8	202.1	202.2	-4.4	17.5	20.6
Loans	23.7	24.7	27.3	27.4	32.0	32.9	33.6	32.6	30.4	31.3	32.7	53.8	54.4	56.5	8.8	4.4	128.3
Treasury bills portfolio	129.9	148.6	156.9	156.5	158.6	155.7	158.8	158.9	157.8	156.9	158.3	156.1	152.5	154.4	-5.7	14.4	3.9
Banks	107.5	127.2	134.0	133.2	136.8	133.7	137.6	137.2	138.3	139.2	140.8	137.7	130.9	136.6	-7.6	18.3	7.4
Money market funds	22.4	21.5	22.8	23.3	21.7	22.0	21.1	21.7	19.6	17.7	17.5	18.4	21.6	17.8	5.2	-4.2	-17.2
Net international reserves	**249.2**	**240.9**	**239.9**	**233.5**	**231.4**	**229.4**	**228.9**	**227.6**	**225.9**	**225.8**	**224.5**	**224.4**	**223.3**	**230.7**	**12.2**	**-3.3**	**-4.3**
Official reserves holdings	253.5	244.3	243.7	236.6	235.3	232.6	232.0	230.8	230.1	229.8	228.1	227.5	226.2	233.7	12.5	-3.6	-4.3
Monetary Gold	8.3	8.6	8.7	8.7	8.7	8.7	8.8	8.4	8.2	8.1	7.9	8.3	8.3	8.7	11.2	3.4	1.6
Foreign currency	2.6	3.7	3.2	2.9	3.6	4.1	3.1	2.9	4.7	9.7	5.4	3.3	2.8	3.4	-34.0	40.6	-7.2
Securities deposits included in the official reserves	233.1	222.9	222.5	215.8	213.8	210.6	210.9	210.2	208.1	202.9	205.6	206.9	206.2	212.4	13.5	-4.4	-4.7
Reserve position in the IMF	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	2.0	106.3	-2.1	0.4
SDR holdings	7.4	7.2	7.2	7.3	7.3	7.3	7.3	7.3	7.2	7.2	7.2	7.2	7.1	7.2	-1.5	-3.1	-0.1
Short term external liabilities in foreign currency	4.2	3.4	3.7	3.1	3.9	3.2	3.1	3.2	4.2	4.0	3.6	3.2	3.0	3.1	27.8	-19.7	-9.2
Non-monetary liabilities	**185.8**	**201.6**	**204.5**	**202.1**	**202.2**	**203.1**	**199.8**	**200.2**	**202.4**	**203.0**	**206.3**	**207.3**	**211.6**	**218.8**	**9.8**	**8.5**	**8.5**
DC capital and reserves	133.7	137.9	141.6	140.8	139.8	141.4	138.4	136.5	137.9	136.8	138.1	141.6	142.9	149.1	4.7	3.2	8.1
DC Non-monetary liabilities	52.1	63.7	62.9	61.3	62.5	61.6	61.5	63.7	64.5	66.2	68.2	65.6	68.6	69.7	25.6	22.3	9.5
Others counterparts of M3	**38.9**	**72.4**	**60.6**	**68.7**	**67.9**	**67.1**	**66.0**	**61.2**	**71.5**	**82.4**	**78.5**	**85.3**	**84.4**	**82.9**	**-9.6**	**86.1**	**14.4**
Counterparts of deposits with the Treasury	57.5	64.6	62.6	64.9	65.6	64.3	65.9	68.2	66.9	66.5	69.2	72.2	73.4	72.2	10.1	12.3	11.8
Others nets items(1)	-10.8	-13.5	-19.7	-23.3	-21.3	-19.7	-20.0	-21.0	-10.2	-11.2	-16.2	-14.4	-13.9	-8.9	-1.9	25.7	-34.5
ODC net claims on nonresidents	-1.8	27.7	23.5	33.0	29.5	28.1	26.4	20.3	20.8	32.9	31.5	33.7	31.0	25.6	-121.8	-	-7.5
SDR allocations and other liabilities(2)	7.7	7.5	7.5	7.7	7.7	7.6	7.6	7.6	7.5	7.6	7.5	7.5	7.5	7.5	-1.1	-2.0	-0.1
Other external assets BAM	1.6	1.2	1.8	1.9	1.9	2.0	1.2	1.3	1.4	1.8	1.6	1.4	1.4	1.5	40.7	-25.1	19.9
Total counterparts(3)	**1 202.4**	**1 269.1**	**1 250.0**	**1 252.9**	**1 266.4**	**1 258.5**	**1 267.7**	**1 276.8**	**1 280.1**	**1 292.2**	**1 288.8**	**1 299.7**	**1 301.5**	**1 320.6**	**4.7**	**5.5**	**4.1**

(1) Composed of consolidation adjustments and the net balance of various elements..
(2) Foreign assets and liabilities excluded from the NIR..
(3) Total of counterparts=Net international reserves+net claims on central government+claims on the economy- non-monetary resources+other M3 counterparts.
Source: Bank Al-Maghrib

TABLE A 8.4 BREAKDOWN OF LOANS BY ECONOMIC PURPOSE AND BYINSTITUTIONAL SECTOR (*)

(In billions of dirhams)

	2016	2017	2018												Annual change (%)		
			Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2016	2017	2018
Bank loans	**818.1**	**843.3**	**826.4**	**824.5**	**830.1**	**830.6**	**832.9**	**857.0**	**850.9**	**849.6**	**854.5**	**846.7**	**848.2**	**870.6**	**4.2**	**3.1**	**3.2**
By economic purpose																	
Accounts receivable and cash advances	172.7	167.4	158.4	158.7	163.4	162.6	162.2	175.7	173.1	172.8	176.7	169.4	169.7	177.7	0.5	-3.1	6.2
Equipment loans	152.9	170.6	168.3	169.7	171.3	171.6	172.1	173.0	173.6	173.9	172.1	172.2	172.9	174.0	8.1	11.6	2.0
Real-estate loans	246.9	257.8	258.8	259.0	260.0	261.3	262.3	264.6	265.4	265.7	265.7	266.5	267.2	267.3	2.5	4.4	3.7
Home loans	188.7	196.0	196.3	197.1	198.2	199.4	200.6	201.9	202.5	202.9	203.9	204.7	205.9	207.1	5.2	3.8	5.7
Including: Participatory financing for housing	-	0.2	0.2	0.3	0.6	1.1	1.5	2.0	2.4	2.6	2.9	3.3	3.6	4.1	-	-	-
Loans to real-estate developers	55.5	60.1	58.9	57.9	58.9	58.9	59.1	60.0	59.4	59.8	59.8	58.0	57.3	58.0	-4.6	8.3	-3.5
Consumer loans	48.7	51.0	51.4	51.5	51.7	52.2	52.8	53.2	53.6	53.9	53.9	53.9	53.9	54.1	5.4	4.6	6.1
Various claims on customers	135.5	132.9	125.1	121.4	119.8	118.0	118.1	126.4	120.5	117.4	120.6	118.0	118.4	132.3	6.6	-1.9	-0.5
Financial loans (1)	120.6	116.3	109.1	105.1	103.7	102.0	102.1	110.0	104.4	101.7	104.3	102.7	103.6	117.3	5.8	-3.6	0.8
Other loans (2)	14.8	16.6	16.0	16.3	16.1	16.0	16.0	16.4	16.1	15.8	16.3	15.3	14.8	15.0	13.4	12.4	-10.1
Non performing loans	61.4	63.6	64.4	64.3	63.8	64.9	65.3	64.0	64.8	65.9	65.6	66.6	66.1	65.2	6.8	3.7	2.5
By institutional sector:																	
Loans to the nonfinancial sector	**695.4**	**722.1**	**713.9**	**716.1**	**721.3**	**725.2**	**727.1**	**742.1**	**743.0**	**743.6**	**744.2**	**739.2**	**739.4**	**744.5**	**3.9**	**3.8**	**3.1**
Public sector excluding the central government	62.2	66.6	65.0	66.0	68.2	68.2	69.1	69.4	71.1	70.7	70.8	70.2	71.0	70.9	18.0	7.2	6.4
Local governments	15.1	17.3	17.3	17.3	17.1	16.5	16.5	17.3	17.6	17.5	17.5	17.8	18.1	19.5	6.7	14.7	12.9
Public nonfinancial corporations	47.1	49.3	47.7	48.7	51.1	51.7	52.6	52.1	53.5	53.1	53.3	52.4	52.9	51.4	22.1	4.8	4.2
Private sector	633.2	655.5	648.9	650.1	653.1	657.0	658.1	672.7	671.9	672.9	673.4	669.0	668.5	673.6	2.7	3.5	2.8
Private nonfinancial corporations	331.2	341.2	333.8	335.4	336.6	337.9	337.0	350.8	347.4	346.3	345.1	340.4	339.1	342.9	1.9	3.0	0.5
Other resident sectors	302.0	314.3	315.1	314.8	316.5	319.1	321.1	321.9	324.5	326.7	328.3	328.6	329.4	330.8	3.6	4.0	5.3
Households	301.2	313.3	314.2	313.8	315.6	318.3	320.2	320.9	323.6	325.8	327.3	327.5	328.4	329.8	3.6	4.0	5.3
Private individuals and Moroccans living abroad	262.1	274.1	274.8	275.7	276.9	279.4	281.0	282.3	284.2	285.3	285.6	287.2	287.8	289.2	3.7	4.6	5.5
Sole proprietors	39.1	39.2	39.4	38.1	38.7	38.9	39.2	38.6	39.5	40.4	41.7	40.3	40.6	40.5	3.1	0.3	3.4
NPISH	0.9	1.0	0.9	0.9	0.9	0.8	0.9	1.0	0.9	0.9	1.0	1.1	1.0	1.0	0.2	14.3	1.6
Other financial corporations	**122.7**	**121.2**	**112.5**	**108.3**	**108.8**	**105.4**	**105.7**	**114.9**	**107.9**	**106.0**	**110.3**	**107.5**	**108.8**	**126.1**	**6.0**	**-1.3**	**4.0**
Finance companies	59.2	56.2	56.3	56.1	54.7	55.1	54.5	55.6	56.3	55.5	55.0	55.9	55.7	56.6	6.8	-5.0	0.7
Credit institutions and similar bodies(1)	26.6	24.2	25.0	24.1	23.9	23.1	24.0	24.2	23.2	23.8	23.0	24.7	23.9	23.8	23.0	-8.9	-1.9
Non-money market funds	16.4	16.2	11.3	9.6	11.6	9.0	8.9	13.6	9.8	9.0	12.4	8.7	10.3	13.6	-27.5	-0.8	-16.5
Other (3)	20.6	24.5	19.9	18.5	18.6	18.2	18.3	21.5	18.6	17.7	19.9	18.3	18.9	32.0	27.1	18.9	30.7

(1) Consisting of loans granted to financial and non financial customers as part of a financial operation.
(2) Composed mainly of factoring receivables.
(3) Mutual fund management companies, brokerage firms, insurance and reinsurance companies, provident and pension funds, and mutual securitization investment funds,securitization funds.
(*) Loans granted by conventional banks and participants banks.
Source: Bank Al-Maghrib.

TABLE A 8.5 QUARTER BREAKDOWN OF LOANS BY TERM AND BY ACTIVITY SECTOR

(In billions of dirhams)

	2016	2017(*)	2018				Annual change (%)		
			Janv.	Feb.	Mar	Dec.	2015	2017	2017
Bank loans(1)	**818.1**	**843.3**	**830.1**	**857.0**	**854.5**	**870.6**	**4.2**	**3.1**	**3.2**
Breakdown by term (2)									
Short term	282.7	276.4	259.0	278.0	286.1	285.8	1.1	-2.2	3.4
Nonperforming maturities	6.9	6.3	8.4	8.1	7.7	7.7	-14.3	-8.8	23.6
medium term	187.7	199.9	191.4	193.1	177.0	180.1	-3.5	6.5	-9.9
long term	286.3	303.4	315.9	321.8	325.8	339.5	13.0	6.0	11.9
Non-performing loans;	61.4	63.6	63.8	64.1	65.6	65.2	6.8	3.7	2.5
By activity sector									
Primary sector	**31.7**	**30.5**	**30.8**	**30.5**	**34.8**	**35.9**	**-5.4**	**-3.5**	**17.6**
Agriculture and fishing	31.7	30.5	30.8	30.5	34.8	35.9	-5.4	-3.5	17.6
Secondary sector	**237.2**	**238.2**	**241.6**	**249.5**	**249.8**	**243.3**	**1.4**	**0.4**	**2.1**
Extractive industries	13.4	15.6	15.2	16.9	17.0	17.0	1.1	16.3	8.8
Manufacturing Industries	81.6	82.1	83.4	87.4	88.2	87.5	-1.5	0.6	6.5
Food and tobacco industries	25.6	28.1	28.6	31.4	31.9	32.1	-8.2	9.7	14.3
Textile, clothing, and leather industries	6.2	6.1	6.3	6.1	6.1	6.0	-9.0	-1.2	-2.6
Chemical and Para chemical industries	9.1	9.4	9.8	10.3	11.5	11.2	-22.6	2.7	19.2
Mechanical, electrical, electronic and metal-working industries	19.0	18.1	18.9	19.0	18.8	18.7	4.3	-5.1	3.4
Other manufacturing industries	21.6	20.4	19.9	20.6	19.8	19.5	19.7	-5.4	-4.5
Electricity, gas and water	50.5	46.7	47.7	49.0	47.4	43.9	2.1	-7.4	-6.0
Construction and public works	91.7	93.7	95.3	96.2	97.2	94.9	3.7	2.2	1.2
Tertiary sector	**549.2**	**574.6**	**557.8**	**577.0**	**569.9**	**591.4**	**6.1**	**4.6**	**2.9**
Trade, automotive and household goods repairs	52.2	56.7	55.1	56.7	55.6	55.9	9.4	8.5	-1.4
Hotels and restaurants	15.9	15.2	15.7	15.3	15.5	14.4	-4.1	-4.1	-5.3
Transport and Communications	33.3	38.0	36.1	40.7	40.5	36.3	0.8	14.4	-4.6
Financial activities	133.4	128.3	118.6	124.6	120.8	135.7	5.3	-3.9	5.8
Individuals and MRE	262.1	274.1	276.9	282.3	285.6	289.2	3.7	4.6	5.5
Local governments	15.1	17.3	17.1	17.3	17.5	19.5	6.7	14.7	12.9
Other sections (3)	37.3	45.0	38.4	40.0	34.3	40.4	40.2	20.8	-10.3

(1) Loans granted by conventional banks and participants banks.
(2) Short term: period < 2 years, medium term: between 2 and 7 years and long term: > 7 years.
(3) Excluding personal and domestic services.
(*)Figures Revised.
Source: Bank Al-Maghrib.

TABLE A 8.6 Claims on nonfinancial units, by economic purpose (1)

(In billions of dirhams)

	2016	2017	2018				Annual change (%)		
			Janv.	Feb.	Mar	Dec.	2016	2017	2018
Claims on nonfinancial units	**248.2**	**268.9**	**274.2**	**273.1**	**272.6**	**275.0**	**8.0**	**8.3**	**2.3**
Loans granted by other financial corporations	**132.8**	**141.3**	**139.3**	**138.9**	**137.9**	**146.2**	**5.5**	**6.4**	**3.5**
Finance companies	**101.4**	**106.5**	**106.9**	**109.1**	**108.3**	**112.9**	**3.5**	**5.0**	**6.0**
Consumer loans	26.7	27.1	26.9	27.4	27.4	27.7	-0.5	1.5	2.2
Leasing	56.0	60.6	61.7	63.1	63.5	64.7	7.3	8.2	6.7
Non performing loans	9.5	10.0	10.3	10.4	10.9	11.2	-1.3	6.0	11.5
Offshore banks	**14.0**	**13.4**	**12.9**	**13.2**	**12.7**	**13.8**	**30.8**	**-4.8**	**3.2**
Cash advances	9.1	8.5	8.0	8.4	7.8	8.9	18.8	-6.9	4.7
Equipment loans	4.8	4.7	4.7	4.6	4.7	4.7	70.4	-1.1	-1.0
Caisse de Dépôts et de Gestion	**8.5**	**11.3**	**9.4**	**6.5**	**6.8**	**7.6**	**2.2**	**32.9**	**-32.8**
Cash advances	4.9	6.0	5.8	2.8	3.1	3.6	7.2	21.0	-39.9
Equipment loans	3.3	4.9	3.2	3.2	3.2	3.3	-8.8	47.2	-32.7
Microcredit associations	**6.4**	**6.6**	**6.7**	**6.9**	**6.9**	**6.8**	**7.7**	**3.7**	**2.5**
Securitization funds	**1.8**	**2.8**	**2.7**	**2.5**	**2.4**	**4.4**	**-17.5**	**59.8**	**56.5**
Securities issued by non financial corporations and held by other financial corporations	**103.0**	**116.9**	**123.4**	**123.2**	**124.2**	**118.7**	**10.7**	**13.5**	**1.6**
Non-money market UCITS	38.6	44.1	49.5	46.0	46.6	43.8	8.8	14.4	-0.6
Insurance and reinsurance companies	36.1	44.2	45.1	46.5	46.7	46.7	12.4	22.5	5.5
Caisse de Dépôts et de Gestion	10.9	9.4	9.9	10.4	10.7	7.8	7.5	-14.2	-16.9
Pension funds (2)	17.1	18.6	18.6	20.1	20.1	20.1	16.9	8.4	8.4
Other claims	**12.4**	**10.6**	**11.6**	**11.0**	**10.5**	**10.0**	**13.2**	**-14.3**	**-5.9**

(1) Excluding claims on other financial corporations and the Central Government.
(2)Relating to the financial sector, namely CIMR and CNRA.
Source: Bank Al-Maghrib.

TABLE A 8.7 CHANGE IN THE INTERBANK MARKET

(In millions of dirhams)

	2017	2018												Average
	Average	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	
Averge outstanding amounts	8 593	10 125	8 037	8 698	10 164	9 437	8 608	7 381	6 353	6 544	7 549	6 793	7 977	8 139
Average exchanged volume	3 741	5 249	3 509	3 914	4 832	4 329	4 149	4 284	3 062	3 164	3 946	3 536	4 097	4 030

Source : Bank Al-Maghrib

TABLE A 8.8 SUBSCRIPTIONS TO TREASURY BILLS BY TENDER

(In millions of dirhams)

Maturities	TOTAL 2017	2018												
		Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	TOTAL
Total subscriptions	**110 680**	**12 498**	**12 447**	**4 938**	**6 787**	**7 882**	**8 446**	**11 714**	**7 342**	**8 107**	**9 806**	**10 652**	**14 435**	**115 053**
Short-term	**25 350**	**5 100**	**1 061**	**1 323**	**1 037**	**0**	**0**	**0**	**1 468**	**2 054**	**1 363**	**3 395**	**1 426**	**18 227**
13 Weeks	3 535	0	0	511	0	0	0	0	300	0	0	0	0	811
26 Weeks	2 081	0	0	100	0	0	0	0	0	0	0	0	0	100
52 Weeks	19 734	5 100	1 061	712	1 037	0	0	0	1 168	2 054	1 363	3 395	1 426	17 316
Moyen term	**61 747**	**7 248**	**9 156**	**1 798**	**4 333**	**6 870**	**7 896**	**9 874**	**3 729**	**5 138**	**7 743**	**5 443**	**4 755**	**73 983**
2 Years	26 402	6 923	2 378	853	207	4 750	5 830	8 375	1 545	2 591	3 154	3 443	2 875	42 924
5 Years	35 346	325	6 777	945	4 126	2 120	2 066	1 500	2 184	2 547	4 589	2 000	1 880	31 060
Long term	**23 583**	**150**	**2 231**	**1 816**	**1 417**	**1 012**	**550**	**1 839**	**2 145**	**915**	**700**	**1 815**	**8 254**	**22 844**
10 Years	8 872	0	2 231	1 086	1 312	0	400	788	2 145	915	700	815	7 494	17 885
15 Years	12 959	150	0	730	0	1 012	150	1 051	0	0	0	1 000	760	4 853
20 Years	739	0	0	0	105	0	0	0	0	0	0	0	0	105
30 Years	1 013	0	0	0	0	0	0	0	0	0	0	0	0	0

Source : Bank Al-Maghrib

TABLE A9.1 OUTSTANDING AMOUNT OF TREASURY BILLS BY TENDER

(by category of initial subcribers) (In millions of dirhams)

	2014(*)	2015(*)	2016(*)	2017(*)	2018	Changes in %		Share in %	
						2017/2016	2018/2017	2017	2018
UCITS	116 251	157 887	178 947	187 877	203 962	5.0	8.6	36.4	37.3
Insurance companies and pension institutions	123 613	126 113	134 510	125 394	131 910	-6.8	5.2	24.3	24.2
Banks	98 416	96 027	93 515	117 541	125 184	25.7	6.5	22.7	22.9
Deposit and management fund(1)	29 158	29 068	29 841	33 151	35 021	11.1	5.6	6.4	6.4
Other financial enterprises	38 163	39 427	29 644	30 322	27 187	2.3	-10.3	5.9	5.0
Non-financial enterprises	20 082	21 234	23 272	21 996	22 269	-5.5	1.2	4.3	4.1
Finance companies	351	340	291	425	672	45.9	58.1	0.1	0.1
Non-resident enterprises	24	9	9	0	0	-	-	-	-
Total treasury bill auctions	**426 057**	**470 104**	**490 028**	**516 706**	**546 205**	**5.4**	**5.7**	**-**	**-**

(*) Revised.

(1) Excluding the outstanding amount of provident funds treasury bills by the C.D.G.

Source: Bank Al-Maghrib.

TABLE A9.2 OUTSTANDING AMOUNTS OF NEGOTIABLE DEBT SECURITIES

(by category of initial subcribers) (In millions of dirhams)

Securities types	2017					2018				
	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total
Total	**17 307**	**1 218**	**41 736**	**3 796**	**64 057**	**16 058**	**455**	**52 287**	**5 042**	**73 843**
Certificates of deposit	12 762	874	29 151	3 730	46 517	9 822	217	37 995	4 743	52 778
Bills of financing companies	4 415	244	10 794	36	15 488	6 227	158	13 085	300	19 769
Commercial paper	130	100	1 792	30	2 052	9	80	1 207	0	1 296
Total	**10 098**	**7 665**	**30 621**	**3 426**	**51 811**	**8 387**	**160**	**31 886**	**4 057**	**44 489**
Certificates of deposit	8 175	5 957	21 559	3 356	39 047	6 515	80	26 187	3 768	36 550
Bills of financing companies	1 295	838	4 832	50	7 015	1 854	0	3 209	264	5 327
Commercial paper	628	870	4 231	20	5 749	18	80	2 489	25	2 612

Source: Bank Al-Maghrib.

TABLE A9.3 BOND MARKET

(In millions of dirhams)

	2017	2018				2018
		Q1	Q2	Q3	Q4	
Outstanding	**113 676**	**113 476**	**121 799**	**123 779**	**123 880**	**123 880**
Public sector	**53 693**	**53 623**	**61 223**	**63 223**	**65 064**	**65 064**
Non-financial corporations	36 208	36 208	42 888	42 888	41 729	41 729
Banks	17 485	17 415	18 335	20 335	23 335	23 335
Private sector	**59 983**	**59 853**	**60 576**	**60 556**	**58 816**	**58 816**
Banks	30 150	29 150	30 200	30 200	27 350	27 350
Non-financial corporations	26 943	27 743	26 746	26 417	26 927	26 927
Other financial corporations	2 890	2 960	3 630	3 940	4 540	4 540
Bonds issued	**24 902**	**2 000**	**10 970**	**3 755**	**7 660**	**24 385**
Public sector	**16 472**	**0**	**8 000**	**2 000**	**4 000**	**14 000**
Banks	8 847	0	1 000	2 000	3 000	6 000
Non-financial corporations	7 625	0	7 000	0	1 000	8 000
Private sector	**8 430**	**2 000**	**2 970**	**1 755**	**3 660**	**10 385**
Banks	4 150	0	2 300	1 000	1 250	4 550
Non-financial corporations	2 930	2 000	0	400	1 810	4 210
Other Financial corporations	1 350	0	670	355	600	1 625

Source: Bank Al-Maghrib.

TABLE A9.4 STOCK EXCHANGES INDICATORS

Period		Turnover (in millions of dirhams)	MASI	MADEX	Market capitalisation (in millions of dirhams)
2011 December		18 885.8	11 027.7	9 011.6	516 222
2012 December		16 213.8	9 359.2	7 614.0	445 268
2013 December		18 278.6	9 114.1	7 418.1	451 113
2014 December		13 429.6	9 620.1	7 842.8	484 448
2015 December		20 286.6	8 925.7	7 255.2	453 316
2016 December		22 115.5	11 644.2	9 547.3	583 380
2017 December		21 047.7	12 388.8	10 100.3	626 965
2018 December		18 220.2	11 364.3	9 233.0	582 155
2017	January	7 935.0	12 228.9	10 020.8	616 449
	February	3 100.0	11 926.5	9 764.2	599 445
	March	3 213.0	11 379.7	9 264.3	574 530
	April	2 182.3	11 637.9	9 489.9	586 609
	May	3 630.9	11 578.0	9 441.7	582 954
	June	9 016.2	12 015.8	9 831.0	605 443
	July	4 039.0	12 201.3	9 953.8	606 680
	August	3 904.5	12 397.1	10 134.0	624 085
	September	3 954.5	12 140.5	9 877.2	615 698
	October	3 186.8	12 373.0	10 088.7	626 304
	November	4 527.7	12 568.4	10 260.9	636 794
	December	21 047.7	12 388.8	10 100.3	626 965
2018	January	5 176.8	13 075.5	10 653.8	663 170
	February	3 243.4	13 142.7	10 710.6	665 598
	March	3 438.0	13 062.4	10 611.8	660 642
	April	2 061.8	13 028.0	10 598.6	662 293
	May	4 332.3	12 335.4	10 005.8	628 542
	June	6 623.8	11 878.7	9 617.2	605 706
	July	2 035.1	11 746.1	9 555.0	597 619
	August	1 300.3	11 546.5	9 381.4	588 887
	September	2 141.2	11 335.6	9 214.8	578 698
	October	2 650.8	10 919.7	8 873.4	557 648
	November	1 463.7	11 229.3	9 129.7	572 543
	December	18 220.2	11 364.3	9 233.0	582 155

Source : Casablanca Stock Exchange.

TABLE A9.5 INDEX OF REAL ESTATE ASSETS PRICES

	Index of real estate assets prices (REPI)		
	2017*	2018**	Changes (%) 2018/2017
Overall	**116.7**	**116.8**	**0.0**
Residential	**116.1**	**116.3**	**0.2**
Apartments	114.2	114.2	0.1
Houses	125.8	126.0	0.1
Villas	128.6	130.2	1.2
Urban Land	**120.9**	**120.7**	**-0.2**
Commercial property	**119.6**	**119.8**	**0.2**
Commercial local	122.1	123.3	1.0
Offices	109.6	106.6	-2.7

(*) Revised.
(**) Provisional
Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

TABLE A9.6 NUMBER OF TRANSACTIONS BY CATEGORY

	Changes (%)	
	2017/2016*	2018/2017**
Overall	**-6.8**	**4.8**
Residential	**-7.8**	**3.3**
Apartments	-7.2	2.5
Houses	-15.5	14.4
Villas	-16.1	11.0
Urban Land	**-4.3**	**8.7**
Commercial property	**-2.6**	**9.6**
Commercial local	-3.7	9.7
Offices	5.5	8.2

(*) Revised.
(**) Provisional
Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

TABLE A9.7 NUMBER OF TRANSACTIONS IN THE MAJOR CITIES

CITIES	Changes (%) 2018/2017	
	REPI	NUMBER OF TRANSACTIONS
Agadir	2.1	25.2
Casablanca	1.3	-3.5
El jadida	-0.9	9.2
Fes	-1.0	10.3
Kénitra	1.2	19.5
Marrakech	-5.3	-15.7
Meknès	0.6	8.5
Oujda	2.7	-5.6
Rabat	3.6	23.1
Tangier	2.0	20.4

Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

CONTENTS

Contents

LIST OF CHARTS

LIST OF TABLES

LIST OF BOXES

LIST OF STATISTICAL APPENDICES

LIST OF ABBREVIATIONS

AIS : Additional Information Statement

AMF : Arab Monetary Fund

ANCFCC : Agence Marocaine de la Conservation Foncière, du Cadastre et de la Cartographie (Land Registry Office)

ANRT : Agence Nationale de Réglementation des Télécommunications (National Telecommunication Regulatory Agency)

ARDL : Auto regressive distributed Lag

BAM : Bank Al-Maghrib

BRVM : Bourse régionale des valeurs mobilières (Regional Stock exchange market)

CCI : Company Common identifier

CCSRS : Comité de Coordination et de Surveillance des Risques Systémiques (Systemic Risk Coordination and Surveillance Committee)

CDG : Caisse de Dépôt et de Gestion (Deposit and Management Fund)

CNSS : Caisse Nationale de Sécurité Sociale (National Social Security Fund)

COSO : Committee of Sponsoring Organizations of the Treadway Commission

CPI : Consumer Price Index

CSR : Corporate Social Responsibility

DAP : Diammonium Phosphate

DAS : Dar As-Sikkah

DCT : Domestic consumption tax

DGSSI : General Directorate of Information Systems Security

DH	: Moroccan dirham
DP	: Days of purchase
DS	: Days of sales
DTEF	: Direction du Trésor et des Finances Extérieures (Department of Treasury and External Finance)
ECB	: European Central Bank
EU	: European Union
Euribor	: Euro Interbank Offered Rate
FAO	: Food and Agriculture Organization
FDI	: Foreign direct investment
FED	: U.S. Federal Reserve
FSAP	: Financial Sector Assessment Program
FTSE	: Financial Times Stock Exchanges
GCC	: Gulf Cooperation Council
GDP	: Gross domestic product
GID	: Gestion intégrée des dépenses (Integrated expenditure Management)
GNDI	: Gross National Disposable Income
GWH	: Gigawatt per hour
HCP	: Haut commissariat au plan (High Commission for Planning)
HTM	: Held to maturity
IAM	: Itissalat Al-Maghrib
IBRD	: International Bank for Reconstruction and Development
ICS	: Internal Control System
IIA	: Institute of Internal Auditors
IIP	: International Investment Position
ILO	: International Labour Organisation
IMF	: International Monetary Fund
ISO	: International Organization for Standardization
KDh	: Thousands of Dirhams
LC	: Large companies
LG	: Local Governments
LI	: Liquid investments
Libor	: London Interbank Offered Rate
MAD	: Moroccan Dirham
MASI	: Moroccan All Shares Index
MENA	: Middle East and North Africa
MFC	: Monetary and Financial Committee

MSCI	: Morgan Stanley Capital International
MSCI EAFE	: Morgan Stanley Capital International, Europe, Australasia and the Far East
MSCI EM	: Morgan Stanley Capital International, Emerging Markets
MSCI FM	: Morgan Stanley Capital International, Frontier Markets
MTM	: Marked to market
NIR	: Net international reserves
NPI	: Non-profit institutions
OCP	: Office Chérifien des Phosphates (National Phosphates Office)
OECD	: Organisation for Economic Co-operation and Development
OFRC	: Operational and Financial Risk Committee
OMPIC	: Office Marocain de la Propriété Industrielle et Commerciale (Moroccan Office of Industrial and Commercial Property)
ONEE	: Office National de l'Electricité et de l'Eau Potable (National Office for Electricity and Drinking Water)
OPEC	: Organization of the Petroleum Exporting Countries
OTC	: Over the counter
PAS	: Structural Adjustment program
PEI	: Public Enterprises and Institutions
PER	: Price Earnings Ratio
PER	: Price-to-earning ratio
PIMA	: Public Investment Management Assessment
PLA	: Profit and Loss account
PPP	: Public-private partnerships
QSE	: Quality, Security, Environment
RAM	: Royal Air Maroc
REPI	: Real Estate Price Index
SDR	: Special drawing rights
SPBL	: Structural position of banking liquidity
SRBM	: Système des Règlements Bruts du Maroc (Moroccan Real-Time Gross Settlement System)
TiVA	: Trade in Value Added
TSP	: Triple superphosphate
UNCTAD	: United Nations Conference on Trade and Development
VAT	: Value added tax
VSMEs	: Very small, small and medium-sized enterprises
WDI	: World Development Indicators
WTO	: World Trade Organisation

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