ANNUAL REPORT

PRESENTED TO HIS MAJESTY THE KING

2016

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REPORT
ON THE FINANCIAL YEAR 2016

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 2016, the fifty-eighth year of the central bank.

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Majesty,

The international environment in 2016 was marked by heightened uncertainties stemming from the rising tide of populism and protectionism as well as the continued geopolitical tensions. Under these conditions, global growth slowed down to 3.1 percent, the lowest rate since the 2009 crisis. This weakening mainly reflects a noticeable deceleration in advanced countries, particularly the United States and to a lesser extent the euro area. In major emerging countries, economic activity decelerated in both China and India and contracted less than previously in Russia and Brazil.

The slowdown in growth had an impact on world trade, which grew by merely 2.2 percent. At the same time, foreign direct investment flows fell sharply, particularly towards developing countries, after doubling in 2015.

In contrast, labor market conditions in major advanced economies improved further. Unemployment fell to pre-crisis levels in the United States owing to continued strong job creation, and declined again in the euro area, although it remains high overall.

The downward trend in commodity prices reversed course in 2016. In particular, oil prices rebounded after the November agreement to cut production, but remained lower on average than the levels seen in 2015. This trend helped to stabilize world inflation, after four consecutive years of decline, with an increase in advanced economies and a decrease in emerging and developing countries.

Under these circumstances, the U.S. Federal Reserve continued to normalize its monetary policy, carrying out a new increase in the target range for federal funds rate, while the European Central Bank strengthened its accommodative policy. Thus, the divergence of their stances deepened further. Despite these developments, the euro remained virtually stable versus the dollar, which continued to appreciate against the currencies of major emerging countries. Meanwhile, foreign exchange markets were marked by a sharp depreciation of the pound sterling, following the vote in favor of the United Kingdom's exit from the European Union.

Impacted by this broadly unfavorable external environment and particularly harsh weather conditions, the national economy experienced a difficult year on various aspects. GDP grew by only 1.2 percent, the lowest rate since 2000, with a sharp contraction in the agricultural value added and stubborn sluggishness in nonagricultural sectors. Activity slowed markedly in the processing industries and continued to evolve at a slow pace in construction. However, there was a relative improvement in the tertiary sector, particularly in non-market services, trade and tourism. On the demand side, after two years of positive contribution, net exports contributed negatively to growth, while domestic demand expanded by 5.5 percent, driven by a significantly higher investment.

These developments affected the labor market, where conditions worsened considerably, as the national economy suffered a net loss of 37 thousand jobs, the first since 2001. Employment fell sharply in agriculture and slightly improved in services, construction and industry, including handicrafts. Under these conditions, a sizeable proportion of the labor force withdrew from the market, driving the participation rate even lower. As a result, the unemployment rate decreased by 0.3 percentage point to 9.4 percent, while continuing to increase among the youth, especially in urban areas where more than four out of ten young people do not find jobs.

In terms of macroeconomic balances, the fiscal adjustment process that began in 2013 did not proceed as expected. Deficit was virtually stable at 4.1 percent of GDP, while the Finance Act expected 3.5 percent. This overrun is attributed to a higher rate of investment spending execution, large repayments of VAT credits and lower grants from GCC than planned. However, the wage bill was contained, as its ratio to GDP declined to 10.3 percent, while subsidy costs rose slightly after three years of decline.

Treasury debt thus continued to trend upward, reaching 64.7 percent of GDP. Its domestic component grew to 50.6 percent and the external one to 14.1 percent of GDP. Taking account of the increase in the external debt of state-owned enterprises, the overall public debt ratio moved up to 81.4 percent of GDP.

Similarly, after a significant easing since 2013, the current account deficit widened from 2.1 percent of GDP in 2015 to 4.4 percent in 2016. The trade balance showed a marked deterioration, owing to a substantial increase in imports, particularly of capital goods, and a considerable slowdown in exports, impacted by lower prices for phosphates and derivatives.

In contrast, despite the persistently high unemployment in the main host countries and security concerns in some countries in the region, travel receipts and transfers from Moroccan expatriates held up well, with respective increases of 5 percent and 4 percent. Similarly, Morocco continued to attract large flows of foreign investment which amounted to 33 billion dirhams, albeit lower than the year before. Overall, net international reserves continued to grow, reaching 251.9 billion at end-December, which covers more than 6.5 months of goods and services' imports.

In this context, despite a sharp increase in certain fresh food prices and a significant easing in the decline of fuel prices, inflation stabilized at 1.6 percent, in conjunction with a decrease in core inflation.

In view of these developments and in the absence of inflationary pressures, Bank Al-Maghrib maintained an accommodative monetary policy in order to support economic activity. It reduced in March the key rate by 25 basis points to 2.25 percent, and maintained its program aimed at stimulating the financing of very small, small and medium-sized enterprises (VSMEs). Moreover, in order to regulate liquidity within the interbank market, which improved significantly with the expansion of foreign exchange reserves, the Bank raised the reserve requirement ratio from 2 to 4 percent, while providing incentives for banks that make greater efforts in terms of lending.

At the same time, Bank Al-Maghrib ensured that its decisions were transmitted to the real economy through close monitoring with the banking system. Consequently, its actions led to further easing in interest rates at various markets, with particularly a significant decline in lending rates. In this context, bank lending to the nonfinancial sector accelerated from 0.3 to 3.9 percent, driven by equipment loans to both public and private enterprises. However, the portfolio of nonperforming loans continues to increase and exposure to interest rate risk is greater, exacerbated by strong competition between banks.

In order to support a rebound in lending, which was strongly impacted by weak demand in recent years, Bank Al-Maghrib in 2016 started thinking with the parties concerned about the ways to help credit to recover. The conclusions of this reflection were contained in a memorandum that was sent to the Government and proposed concrete commitments for each party. These include particularly VSMEs' access to public procurement, reducing payment periods, restructuring troubled enterprises, improving the credit-granting decision process, and strengthening corporate governance and management capabilities.

Notwithstanding this context, the banking sector managed to maintain a good level of profitability and capitalization, thanks mainly to its expansion in Africa and the diversification of its activities.

Concerning the Casablanca stock market, equity prices posted a substantial increase of 30.5 percent, the most significant one for almost a decade. However, the market remained illiquid and its contribution to financing the economy was still marginal. Similarly, recourse to the private debt market remained low, with a sharp decrease in issuances of nonfinancial corporations.

On the real estate market, after a slight decline in 2015, the number of transactions was up 8.1 percent involving all property categories and all major cities except Marrakech and Tangier. At the same time, prices continued to grow at a moderate pace, standing at 0.9 percent, as against 1.2 percent a year earlier.

In terms of banking regulation, Bank Al-Maghrib continued to implement the reforms planned under its prudential program aimed to mitigate the risks faced by the banking sector, in line with the recommendations of the last FSAP mission, particularly credit and concentration risk.

Regarding macro-prudential surveillance, in addition to the development and implementation of the new instruments recommended by the Basel Committee, the Bank and the Ministry of Economy and Finance launched a project to align the bank crisis resolution framework with post-crisis international standards. The aim is to develop the legal, regulatory and conventional frameworks to allow for timely and orderly treatment of systemically important banks' failures, while limiting the use of public funds.

In addition, the Bank stepped up efforts to achieve the project of launching participative finance. It granted the first authorizations to five participative banks and three windows. Efforts also focused on finalizing circulars on the function of compliance with the opinions of the Higher Council of Ulemas, the technical specifications of participative finance products and investment deposits. Bank Al-Maghrib also worked with the Ministry of Economy and Finance to put in place a tax system adapted to participative finance, issue Sukuk certificates and develop a Sharia-compliant guarantee scheme.

Turning to financial inclusion, the initiatives undertaken over the last few years, with the participation of banks, yielded substantial results, as the rate of access to banking services reached 69 percent. Capitalizing on this progress, Bank Al-Maghrib, the finance ministry's Treasury and External Finance Department and their partners continue to work towards finalizing a national financial inclusion strategy.

In the same vein and with a view to developing the use of electronic payments, the Bank joined efforts with stakeholders to design and make available a low-cost national mobile payment solution. At the same time, it is gearing itself up to achieve the reform of the legal texts governing the means of payment and promote their use.

In addition, as part of our country's policy on climate change, the Bank initiated and coordinated with the Ministry of Economy and Finance and other regulators the development of a roadmap specifying the financial sector's contribution in this field.

On another front, work continues to align our national anti-money laundering and counter terrorist financing (AML/CFT) framework with international standards. In the first half of 2018, this framework is expected to be evaluated by the Middle East and North Africa Financial Action Task Force. In this regard, a national risk self-assessment started in 2016 and should lead to the development of a national AML/CFT strategy. However, the completion of this project requires a general mobilization of all the national actors involved in this framework.

With regard to Casa Finance City, after seven years of existence, it has succeeded in positioning itself on the world map of financial centers, ranking 30th internationally and 3rd in Africa and Middle East region. Nevertheless, achievements in terms of attractiveness fall short of ambitions and are largely insufficient in view of the valuable opportunities offered by our country's stability and openness, especially towards the African continent. In order to make it an effective instrument of support for this openness, a vast strategic project extending to 2025 was launched, the implementation of which requires an appropriate legal status with adequate human and financial resources.

Majesty,

In view of these developments, 2016 was broadly a difficult year, with a marked weakening of growth and employment and an adverse trend of twin deficits. This situation shows that our economy still suffers from significant weaknesses and remains vulnerable to the vagaries of the international economic situation and climatic conditions.

This also confirms that the growth momentum that began in the early 2000s is running out of steam and that despite the continued high level of investment, the various sectoral strategies launched in recent years and the measures taken to improve the business climate, our economy is still looking for the right path and the development model that is capable of placing it permanently on a higher growth trajectory. Moreover, the increase in the share of informal activities in GDP, as suggested by data from the latest informal sector survey, raises questions as to the efficiency of efforts aimed at modernizing the productive fabric.

This situation is all the more worrying, as Morocco has chosen to integrate into the world economy, whereas -with the exception of a few limited sectors- its range of exports has not developed in a manner that would allow for a real realization of the opportunities that this choice offers. Such configuration carries even greater risks given the shocks facing our country. To address these challenges, it is essential to initiate a new generation of reforms that can strengthen the resilience of the economy in an uncertain international environment.

In this regard, the improvement of productivity, which is the main determinant of long-term growth path, should be among the priority objectives of these reforms. Digital transformation, often perceived as the fourth industrial revolution, is one of the main drivers for a stronger competitiveness and a faster pace of growth. The authorities should seize the opportunities that this transformation presents by supporting economic operators and the population as part of a digital strategy, which would help avoid a new divide with the most advanced countries in the field.

Morocco's decision to move to a flexible exchange rate regime fits into this new generation of reforms. This transition will help enhance the economy's capacity to absorb external shocks and support its competitiveness. It has been facilitated by the fulfillment of several prerequisites, including improved macroeconomic balances, subdued inflation, sound and resilient banking system and adequate foreign exchange reserves.

To this end, a roadmap based on a gradual approach was developed and significant progress has been made in its implementation. Bearing in mind the importance of stakeholders' engagement for the success of this reform, Bank Al-Maghrib and its partners developed and rolled out a communication strategy to inform and sensitize market participants, the financial sector, the academic sphere and other parties concerned.

Overall, this major transition benefits from relatively favorable conditions, but involves risks as well. Its success depends on maintaining the prerequisites, particularly fiscal discipline and adequate foreign exchange reserves, as well as on the continuing mobilization of all stakeholders.

Majesty,

In addition to its weak resilience, domestic economic growth is still not inclusive enough. Labor market conditions in recent years have been marked by a downward trend in the participation rate and high rates of unemployment. The despair to integrate into the job market leads a part of our young people to self-exclusion. More than a quarter of this youth are today neither in employment nor in education or training. Women in particular are mostly inactive, especially in urban areas where more than 8 out of 10 do not enter the job market. These developments reflect the inability of our economy to benefit from the dividend of its demographic transition in order to accelerate its economic and social development.

The sustained improvement of employment is mostly dependent on accelerating growth and enhancing the capacity of the education and training system to respond adequately to the needs of the economy. This system suffers not only from poor performance and quality, but also, as evidenced by some national and international assessments, from some of the highest levels of inequality in the world.

If such a situation persists, it will inevitably worsen the already significant social disparities, as stressed by His Majesty the King in his 2014 Throne Speech. This dimension of disparities is often ignored in public policies while, in addition to their negative consequences on social cohesion and stability, they impede growth in the long run.

Reforming the education system has become, now more than ever, the top priority for our country. The charter presented to His Majesty the King involves all the parties, relevant government departments, education staff, trade unions and civil society. Its implementation should take place within the framework of a genuine national pact. This should lead to peace and synergy between the various actors, in order to ensure the best chances for a successful implementation and timely completion. It is in this way that we can reinstate the role of the school in training human capital and its status as a social elevator that guarantees equal opportunities.

Strengthening growth inclusiveness also requires appropriate policies for the redistribution of national wealth. In this respect, the efforts made in recent years to implement several ongoing social programs should be pursued. Nevertheless, to ensure their sustainability, it is imperative to improve the governance of these programs and subject them to regular assessments. Particularly, broadening the base of beneficiaries should be conditioned by the availability of adequate means and funds in order not to compromise their credibility. Also, the development of a system targeting the most disadvantaged populations would be of great benefit. It would make it possible to complete the subsidy system reform, which is now -as all studies confirm- more beneficial to the most affluent populations.

The completion of the structural project of advanced regionalization would also help to reduce territorial inequalities. After the first local elections and the establishment of local governance bodies, the challenge now is to transform local communities into real economic centers. This requires, first and foremost, reinforcing the capacities of local elected councils so that they can formulate and implement realistic policies adapted to their context. Financially, budget decentralization should continue in a gradual manner, while ensuring that it is supported by the development of local resources to limit the impact on State’s public finance.

Amid a persistently weak economic activity, fiscal policy faces a dilemma that requires a tradeoff, albeit a delicate one, between an expansionary stance to stimulate growth and budgetary rigor to preserve fiscal sustainability. To reconcile the two objectives, a significant margin would reside in improving expenditure quality and efficiency. Particularly, the public investment effort should continue, but should be much better directed in order to strengthen its leverage role and improve its spillover effects on private investment and growth.

In addition, particular attention should be paid to the financial situation of certain public institutions and enterprises whose high debt level requires consolidating their finances and strengthening their governance. The adoption and effective implementation of the bill developed in this regard should help achieve these objectives and improve the performance of these institutions.

With regard to pension schemes, the reform carried out in 2016 is certainly a remarkable step forward but offers only a temporary respite, and thus remains insufficient. The acceleration of retirements in the civil service and the improvement of life expectancy continue to put increasing pressure on the viability of these schemes. It is therefore urgent to move on to the next steps of the reform to ensure the sustainability of pension funds.

The authorities should also bring to fruition the various projects underway aimed at improving the business climate. This concerns in particular activating the mechanisms allowing for free and fair competition, continuing and enhancing the fight against corruption and speeding up the implementation of justice reform.

Finally, in order to facilitate a real economic takeoff, a review of the way our development policy is designed and steered is also needed. In this regard, it would be appropriate to adopt a comprehensive and coherent approach to public policy making and establish monitoring and evaluation arrangements. We have also suggested the establishment of a strategic planning framework that could define a long-term vision and prioritize objectives and resources.

Majesty,

Our country, under your leadership, continues to stand as an island of peace and stability and a committed actor in the fight against terrorism and climate change. Morocco's much acclaimed reintegration into the African Union, the renewal of the Precautionary and Liquidity Line arrangement with the IMF, the continued positive assessment of its economic prospects by rating agencies and the large flows of foreign investments bear witness to the confidence that it enjoys on the international scene.

Transforming the latent gains of this confidence into tangible results requires all the country's forces to mobilize. To that end, the authorities should clarify the vision of their decisions and improve governance at the local and national levels. Corporates, in their pursuit of higher profitability, should also attach greater importance to social and citizen responsibility in their decision-making process. For their part, social partners are invited to take a more constructive approach while raising legitimate and reasonable demands.

Only if these conditions are met will our country be able to accelerate its development and strengthen growth inclusiveness, thereby improving the living standards of its population as a whole and ensuring the self-fulfillment of its youth.

Abdellatif JOUAHRI

Rabat, June 2017

PART 1

ECONOMIC, MONETARY AND FINANCIAL SITUATION

1.1 International environment

Against a backdrop of increasing uncertainties as to the rising populism and trend towards protectionism, global economic growth weakened again in 2016. It moved down from 3.4 percent to 3.1 percent, its lowest level since 2009, reflecting a marked slowdown in advanced economies, particularly in the United States. In emerging and developing countries, economic growth declined slightly, with a deceleration in China and India and an easing in GDP contraction in Brazil and Russia.

Despite the economic slowdown, labor market conditions in the major advanced economies continued to improve, particularly in the United States, where unemployment was at its lowest level in nine years. In the euro area, it declined for the third consecutive year, although remaining high overall.

The weakening of activity continued to impact on world trade, which recorded its slowest growth since 2009. This change reflects a sharp deceleration in imports of advanced countries, whose current account surplus, therefore, increased. Imports of emerging and developing countries accelerated, causing the current account deficit to widen slightly. Similarly, after a sharp increase in 2015, foreign direct investment (FDI) flows fell by 13 percent, notably with a marked contraction of those destined for developing countries.

In commodity markets, the year saw a reversal of the downward trend in prices, which, however, remained at an average level below that of 2015. Particularly, the oil price trend was also marked by a rebound, following the production reduction agreement of November 30. Against this backdrop, and after four consecutive years of decline, global inflation remained stable, with an increase in advanced economies and a decline in emerging and developing countries.

Regarding monetary policies, the divergence of stances between the United States and the euro area continued in 2016. Indeed, while the US Federal Reserve (Fed) continued to normalize its policy with a further increase in its target federal funds range, the European Central Bank (ECB) strengthened the accommodative stance of its monetary policy with a reduction in its key rate and an expansion and increase in the volume of asset purchases. Following the vote for Brexit, the Bank of England has embarked on a wide range of measures, including a reduction in its key rate and the launch of a new asset purchase scheme.

On financial markets, sovereign yields in major advanced economies continued to ease, albeit with an upturn that began in the second half of the year. On the other hand, after an exceptional performance in 2015, stock markets posted declines in a context of rising uncertainties. The bank lending growth remained low in the euro area, while in the United States, its pace remained steady, albeit slightly slowing. In foreign exchange markets, in addition to the sharp depreciation of the pound sterling following the vote in favor of the Brexit, the year was characterized by a further appreciation of the dollar due to the normalization of the Fed's monetary policy.

1.1.1 Economic growth

In 2016, world growth declined for the second consecutive year to 3.1 percent from 3.4 percent in 2015 and 3.5 percent in 2014. In advanced economies, the pace of activity slowed down markedly to 1.7 percent, while in emerging and developing economies, it continued to decelerate for the sixth consecutive year, standing at 4.1 percent.

Table 1.1.1 : Global growth (%)

	2012	2013	2014	2015	2016
World	**3.5**	**3.4**	**3.5**	**3.4**	**3.1**
Advanced economies	**1.2**	**1.3**	**2.0**	**2.1**	**1.7**
United states	2.2	1.7	2.4	2.6	1.6
Euro area	-0.9	-0.3	1.2	2.0	1.7
Germany	0.7	0.6	1.6	1.5	1.8
France	0.2	0.6	0.6	1.3	1.2
Italy	-2.8	-1.7	0.1	0.8	0.9
Spain	-2.9	-1.7	1.4	3.2	3.2
United kingdom	1.3	1.9	3.1	2.2	1.8
Japan	1.5	2.0	0.3	1.2	1.0
Emerging and developing countries	**5.4**	**5.1**	**4.7**	**4.2**	**4.1**
Emerging and developing countries of Asia	**7.0**	**6.9**	**6.8**	**6.7**	**6.4**
China	7.9	7.8	7.3	6.9	6.7
India	5.5	6.5	7.2	7.9	6.8
Countries of Latin America and the Caribbean	**3.0**	**2.9**	**1.2**	**0.1**	**-1.0**
Brazil	1.9	3.0	0.5	-3.8	-3.6
Mexico	4.0	1.4	2.3	2.6	2.3
Community of Independent States	**3.5**	**2.1**	**1.1**	**-2.2**	**0.3**
Russia	3.5	1.3	0.7	-2.8	-0.2
Emerging and developing countries of Europe	**2.4**	**4.9**	**3.9**	**4.7**	**3.0**
Turkey	4.8	8.5	5.2	6.1	2.9
Sub-Saharan Africa	**4.3**	**5.3**	**5.1**	**3.4**	**1.4**
South Africa	2.2	2.5	1.7	1.3	0.3
Middle-East and North Africa	**5.5**	**2.1**	**2.7**	**2.6**	**3.8**

Source: IMF, april 2017.

In the United States, growth fell sharply from 2.6 percent to 1.6 percent, reflecting a slower private consumption and a weak investment. In addition, the negative contribution of net external demand was up compared to 2015, mainly due to the continued appreciation of the dollar.

Thanks to favorable monetary conditions and low energy prices, the economic activity improved slightly in the major economies of the euro area. However, reflecting the sharp deceleration of growth from 26.3 percent to 5.2 percent in Ireland[1] and to a lesser extent in some of its smaller

1 On July 12, 2016, The Irish Central Statistics Office revised upwards the country's growth for 2015 from 7.8 percent to 26.3 percent. This exceptional revision can be attributed to the reclassification of entire balance sheets of multinational companies which, through mergers, are domiciled in Ireland to benefit from the country's favorable tax rates (12.5 percent for corporate taxes for example) as well as the increase in the number of aircraft imported for Ireland-based leasing companies.

economies, GDP growth in the area moved down overall from 2 percent to 1.7 percent. Indeed, growth slowed from 1.3 percent to 1.2 percent in France, owing to the decline in external demand. It remained unchanged at 3.2 percent in Spain, notably with a relative improvement in private consumption and external demand as well as a decline in investment. Conversely, it accelerated from 1.5 percent to 1.8 percent in Germany, driven by investment and public spending, and from 0.8 percent to 0.9 percent in Italy, supported mainly by the uptrend of investment and domestic demand.

In the United Kingdom, in a context of uncertainties due to the results of the Brexit referendum (see Box 1.1.1), growth decelerated to 1.8 percent from 2.2 percent in 2015. In Japan, despite the improvement in private consumption and investment, growth slowed from 1.2 percent to 1.0 percent, impacted by the sharp fall in public spending.

Box 1.1.1: Causes and economic consequences of the Brexit[1]

Since its accession to the European Union (EU) in 1973, the United Kingdom (UK) has always advocated a liberal vision based mainly on a broad common market, but with a high degree of autonomy and sovereignty of member countries. It was in this context that it refused to join the euro area and negotiated a special status with numerous exemptions and derogations. However, several EU countries have argued in recent years for a more federal Europe and greater harmonization and unification of laws and policies. This divergence of vision led to the debate on the desirability of an exit from the EU which resulted in the holding of the UK referendum on 23 June 2016, the results of which were in favor of the Brexit with a vote share of 51.9 percent. The main reasons given by the pro-Brexit are:

- The free movement within the EU, which limits the maneuvering space in terms of managing migration flows, particularly from eastern Europe (Poland, Romania, Baltic countries...).
- The supremacy of the European laws and institutions, which arouse reluctance within the UK.
- The constraints of the Brussels regulations, particularly those relating to the common agricultural policy, European financial standards and contribution to the European budget.
- Restrictions on the development of trade outside the EU.
- The divergence on the management of certain important issues such as financial support to Greece and the refugee crisis.

1 The “Brexit” is an abbreviation of “British Exit”, which means the exit of the UK from the EU.

In the aftermath of this vote, international financial markets saw severe disruptions, which subsequently proved to be short-lived, with the exception of the depreciation of the pound sterling, which continued for the rest of the year. In terms of growth, contrary to what was expected, there was no significant change. This is partly due to the new easing measures decided by the Bank of England in August and the UK Government's commitment to use fiscal policy to support economic activity.

Although Brexit-related consequences were deemed to be limited at the end of 2016, uncertainties about the modalities of such an exit should create in the medium and long terms a negative economic impact, mainly for the UK itself and to a lesser extent for the other 27 countries of the EU.

Indeed, the UK rans the risk of losing not only the privileged access to the European market, but also the many markets with which the EU is bound by free trade agreements. It will be forced to renegotiate new trade agreements that will require long periods of time. It could also lose its attractiveness and would risk even an outflow of capital. In addition, pressure on the pound sterling could increase and particularly lead to a loss of households' purchasing power.

For other EU countries, this would particularly result in a lower volume of exports to the UK and lower investor confidence. Similarly, stopping the UK's contribution to the EU budget would result in a re-evaluation of budget allocations and/or an increase in contributions from other EU countries.

The quantification of the impact of Brexit has been the subject of several studies elaborated before the referendum. They showed variable results depending on the assumptions adopted, thus reflecting the great uncertainty on the post-Brexit scenarios. At the end of 2016, several institutions responsible for these studies revised downwards the negative impact of Brexit. The Bank of England admitted that it had been pessimistic in its assessments[2]. In its economic outlook for April 2017, the IMF revised its UK growth forecast by 0.5 percentage point for 2017 and 0.1 percentage point for 2018, compared to January. However, the uncertainties surrounding Brexit continue to weigh on the medium-term macroeconomic outlook.

2 On January 5, 2017, the Chief Economist of the Bank of England, at a conference organized by The Institute for Government, a research center, admitted that he was too pessimistic in his forecasts about the immediate consequences of the vote for Brexit. He said that they had forecast a sharp slowdown in the economy that did not happen, like all the others, almost all the other major forecasters. He believed that the performance of the UK economy was a "surprise".

In major emerging countries, growth continued to slow in China for the sixth consecutive year, from 10.6 percent in 2010 to 6.7 percent in 2016, in conjunction with the continued policy of rebalancing the economy. In India, it fell sharply from 7.9 percent to 6.8 percent, mainly due to the demonetization of certain banknotes, which significantly affected household consumption. In Brazil, the recession continued with a further 3.6 percent decline in GDP, from 3.8 percent, owing to lower household consumption, tight financial conditions and slow foreign demand, particularly that coming from China. Russia recorded a marked slow contraction in its GDP from 2.8 percent to 0.2 percent, thanks to the easing of monetary and financial conditions and the reversal of the downward trend in oil prices.

In sub-Saharan Africa, low commodity and staple product prices continued to weigh on growth, which decelerated sharply for the second consecutive year, from 5.1 percent in 2014 to 3.4 percent 2015 and then to 1.4 percent in 2016. In South Africa in particular, economic activity was also impacted by the persistence of electricity supply problems and drought, with growth falling from 1.3 percent to 0.3 percent.

The decline in oil revenues also affected the growth of exporting countries in the Middle East and North Africa, moving down in particular from 4.1 percent to 1.4 percent for Saudi Arabia and from 3.8 percent to 2.7 percent for the United Arab Emirates. However, the increase from 3.8 percent to 4.2 percent in Algeria and the rebound in Iran from -1.6 percent to 6.5 percent and Iraq from 4.8 percent to 10.1 percent brought overall growth in the region from 2.6 percent to 3.8 percent.

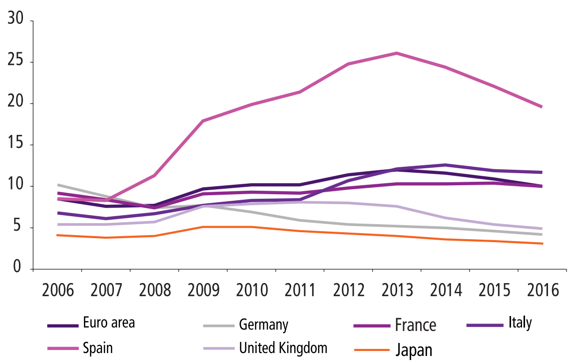
1.1.2 Labor market

Despite the economic slowdown, labor market conditions continued to improve in the major advanced economies. In the United States, for example, the rigor of the market continued with the creation of 2.2 million jobs, as against 2.7 million a year earlier and a further decline in the unemployment rate from 5.3 percent to 4.9 percent.

Table 1.1.2: Change in the unemployment rate (in %)

	2012	2013	2014	2015	2016
Advanced countries					
United States	8.1	7.4	6.2	5.3	4.9
Euro area	11.4	12.0	11.6	10.9	10.0
Germany	5.4	5.2	5.0	4.6	4.2
France	9.8	10.3	10.3	10.4	10.0
Italy	10.7	12.1	12.6	11.9	11.7
Spain	24.8	26.1	24.4	22.1	19.6
United Kingdom	8.0	7.6	6.2	5.4	4.9
Japan	4.3	4.0	3.6	3.4	3.1
Emerging countries					
Russia	5.5	5.5	5.2	5.6	5.5
China	4.1	4.1	4.1	4.1	4.0
Brazil	7.4	7.2	6.8	8.3	11.3

Chart 1.1.1: Change in the unemployment rate in advanced countries



Source: IMF.

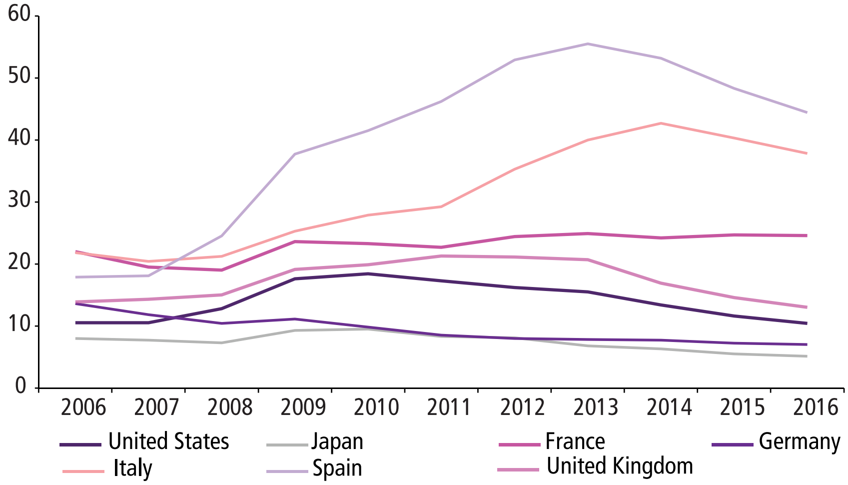
In the euro area, while remaining high overall, unemployment continues to drop from 10.9 percent to 10 percent, but with significant disparities across countries. It fell from 4.6 percent to

4.2 percent in Germany, from 10.4 percent to 10 percent in France, from 11.9 percent to 11.7 percent in Italy and from 22.1 percent to 19.6 percent in Spain. The unemployment rate also fell from 5.4 percent to 4.9 percent in the United Kingdom and from 3.4 percent to 3.1 percent in Japan.

In the main emerging and developing economies, the unemployment rate rose particularly from 8.3 percent to 11.3 percent in Brazil, from 25.4 percent to 26.7 percent in South Africa, decreased from 5.6 percent to 5.5 percent in Russia and from 4.1 percent to 4.0 percent in China. In the Middle East and North Africa, it dropped from 11.2 percent to 10.5 percent in Algeria, from 12.9 percent to 12.7 percent in Egypt and from 15 percent to 14 percent in Tunisia.

Particularly, youth unemployment[1] continued to fall in 2016 in almost all advanced countries, but persisting high in some euro area economies. Indeed, their unemployment rate fell in the United States for the sixth consecutive year to 10.4 percent from 11.6 percent a year earlier, and declined in the United Kingdom from 14.6 percent to 13 percent. It also decreased from 40.3 percent to 37.8 percent in Italy, from 48.3 percent to 44.4 percent in Spain, from 49.8 percent to 47.3 percent in Greece and almost stabilized at 24.6 percent in France. Japan and Germany continued to register the lowest levels, at 5.1 percent and 7 percent, from 5.5 percent and 7.2 percent, respectively.

Chart 1.1.2: Change in the unemployment rate among the youth under 25 years in advanced countries



Source: Eurostat.

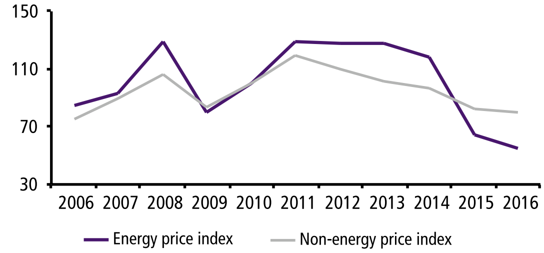
1.1.3 Commodity markets

Commodity prices posted a reversal of their downward trend in 2016, but they were lower on average compared to 2015. After a sharp decline of 45.1 percent, energy prices dropped again by

1 Persons under the age of 25.

15.3 percent driven by a 15.6 percent decrease in oil prices[1]. These prices moved down from $50.75 a barrel on average to $42.81, in a market characterized by an oversupply, slightly accentuated by the recovery in Iran's exports. In particular, after the production reduction agreement on 30 November, the price rebounded and hovered around $55 per barrel (see Box 1.1.2). Similarly, natural gas prices fell sharply by 22.8 percent, due to weak demand and excess production. However, a price increase of 12.3 percent was registered for coal, due to high demand and restrictions on production in China in order to mitigate environmental effects.

Chart 1.1.3: Annual change in commodity price indexes



Source: World Bank.

Chart 1.1.4: Monthly change in commodity price indexes

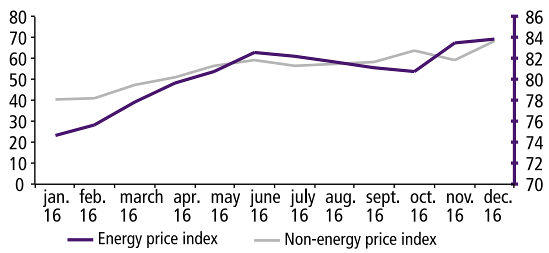


Chart 1.1.5: Annual change in energy prices

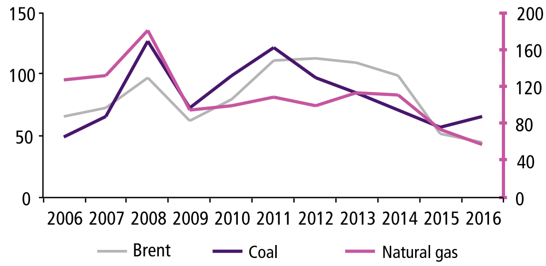
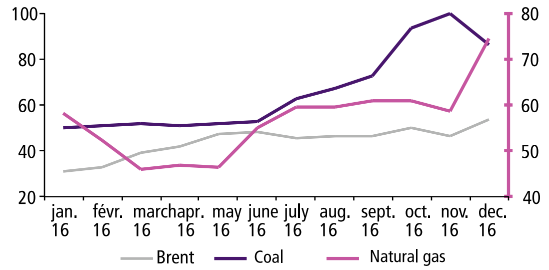


Chart 1.1.6: Monthly change in energy prices in 2016



Source: World Bank

Concerning non-energy products, metal and mineral prices recorded a further decline of 5.9 percent, as against 21.1 percent in 2015, mainly owing to the slowdown in demand from China in the beginning of the year. By product, prices decreased by 19.1 percent for nickel, by 11.7 percent for copper and by 3.6 percent for aluminum. Similarly, after a drop of 13.1 percent, prices of agricultural commodities fell slightly by 0.2 percent, with particularly a 7.7 percent decline in cereal prices following exceptional harvests in the main producing countries. They were down 18.4 percent for barley, 16.5 percent for wheat and 6.2 percent for maize. This trend, together with oversupply, led to a 21.1 percent fall in fertilizer prices. By product, prices decreased by 27 percent for urea to $199.3 per tonne, 24.7 percent for diammonium phosphate to $345.3, by 24.5 percent for triple superphosphate to $290.5, by 18.9 percent for potassium chloride to $245.6, and by 4.5 percent for crude phosphate to $112.2.

1 The average price of the three main oil categories, namely Brent, WTI and Dubai.

Chart 1.1.7: Change in non-energy price indexes

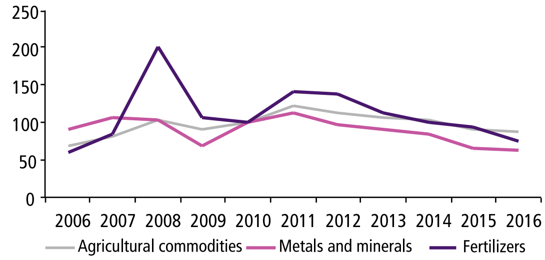
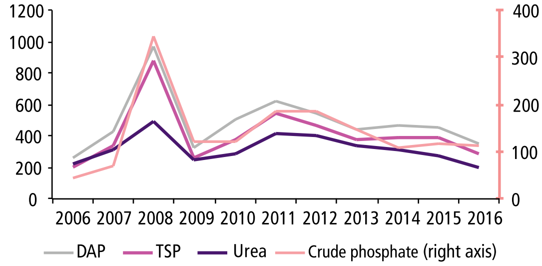


Chart 1.1.8: Change in prices of phosphate and derivatives (dollar/tonne)



Source: World Bank.

Conversely, after three years of consecutive declines, precious metals prices broadly rose by 7.5 percent. Indeed, gold and silver prices were up 7.6 percent and 9.1 percent, respectively, to $1,249 and $17.2 per ounce, reflecting mainly the strong demand from investors, in a context of lower interest rates. However, platinum prices continued to fall since 2012, with a decline of 6.3 percent to $987.1 per ounce, driven by a weakness in demand from investors and physical demand especially from China.

Box 1.1.2: Recent trends in oil prices

Since 2008, trends in international oil prices has been marked by increased volatility. After a record high of $146 per barrel on July 11, 2008, Brent prices fell sharply to $34.6 per barrel on December 24 of the same year, mainly due to lower global demand in the context of the economic crisis. However, with rising geopolitical tensions in the Middle East and the recovery of global demand as of 2010, prices were tilted again to the upside, reaching $127 per barrel on April 28, 2011. Since then and mainly due to heightened tensions and persistently high demand, prices remained at around $111 until June 2014. Such price trends, combined with lower production costs thanks to technological progress, encouraged the exploitation of alternative sources, such as shale oil.

As of June 2014, trends in the oil market have reversed, mainly due to the weakening of world demand in a context of slowing activity in the major emerging countries and oversupply. This decline worsened as OPEC decided on November 27, 2014 to maintain its level of production unchanged and continued until January 20, 2016, when the price reached its lowest level since 2003, i.e. $27.8 per barrel.

Chart B 1.1.2.1: Daily change of the Brent price (2000-2016)

Sources: Datastream and world Bank.

Under the pressure of the countries heavily affected by falling prices, OPEC members reached an agreement in principle aimed at reducing oil production at a meeting held in Algiers on September 28, 2016. This decision was successful in raising prices, which temporarily surpassed $50 a barrel and then regressed again due to uncertainties about the implementation of the agreement. At their November 30 meeting in Vienna, oil producers agreed on quotas to reduce production by 1.1 million barrels per day for OPEC member countries and 0.6 million barrels for non-member countries. Immediately thereafter, Brent prices rose by 7.6 percent to $50.1 a barrel and then hovered in the rest of the year around an average of $55 a barrel.

1.1.4 Inflation trends

After four consecutive years of decline, global inflation remained stable at 2.8 percent in 2016. This trend covers a relative acceleration from 0.3 percent to 0.8 percent in advanced economies and a decline from 4.7 percent to 4.4 percent in emerging and developing countries.

Table 1.1.3: Inflation trend in the world (%)

	2012	2013	2014	2015	2016
World	**4.1**	**3.7**	**3.2**	**2.8**	**2.8**
Advanced economies	**2.0**	**1.4**	**1.4**	**0.3**	**0.8**
United States	2.1	1.5	1.6	0.1	1.3
Euro area	2.5	1.3	0.4	0.0	0.2
Germany	2.1	1.6	0.8	0.1	0.4
France	2.2	1.0	0.6	0.1	0.3
Italy	3.3	1.2	0.2	0.1	-0.1
Spain	2.4	1.4	-0.1	-0.5	-0.2
United Kingdom	2.8	2.6	1.5	0.1	0.6
Japan	-0.1	0.3	2.8	0.8	-0.1
Emerging and developing countries	**5.8**	**5.5**	**4.7**	**4.7**	**4.4**
Russia	5.1	6.8	7.8	15.5	7.0
China	2.6	2.6	2.0	1.4	2.0
India	9.9	9.4	5.9	4.9	4.9
Brazil	5.4	6.2	6.3	9.0	8.7
Middle-East and North Africa	**9.7**	**9.3**	**6.6**	**5.9**	**5.4**

Source : IMF.

In advanced economies, the inflation rate in the United States rebounded from 0.1 percent to 1.3 percent, mainly due to easing disinflationary pressures stemming from the appreciation of the dollar and low oil prices. In the euro area, a slight increase from 0 percent to 0.2 percent was observed, mainly in conjunction with the recovery in oil prices and the firm anchoring of inflation expectations. Particularly, inflation rose to 0.3 percent in France and to 0.4 percent in Germany, while in Spain and Italy it recorded negative rates of 0.2 percent and 0.1 percent, respectively. However, inflation moved up from 0.1 percent to 0.6 percent in the United Kingdom, impacted by the depreciation of the pound sterling. In Japan, it slipped to negative rates, reaching -0.1 percent, mainly due to the dissipation of the impact of the higher VAT.

In the main emerging countries, inflation declined from 15.5 percent to 7 percent in Russia and from 9 percent to 8.7 percent in Brazil, mainly owing to the dissipation of the effect of the depreciation of their currencies. However, it accelerated from 1.4 percent to 2 percent in China, mainly due to the depreciation of the yuan and remained unchanged at 4.9 percent in India.

Chart 1.1.9: Inflation trend in the world

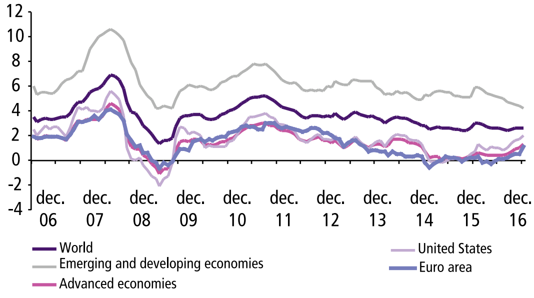
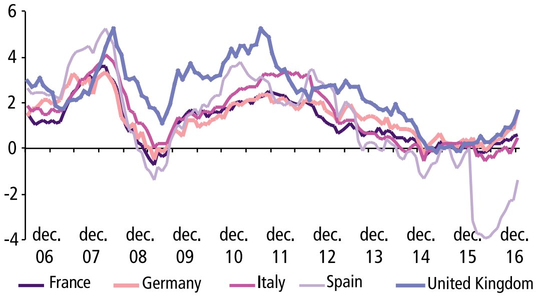


Chart 1.1.10: Inflation trend in Morocco's main european partner countries



Source: IFS.

1.1.5 Public finance

In 2016, the position of public finances saw divergent trends across advanced economies and broadly deteriorated in emerging and developing countries. Thus, the budget deficit widened in the United States from 3.5 percent to 4.4 percent of GDP, particularly due to the increase in health insurance and pension expenditure. In Japan, after an easing to 3.5 percent in 2015, it worsened to 4.2 percent, with the interruption of the budgetary consolidation process and the postponement of the second VAT increase to October 2019. However, the deficit eased markedly in the United Kingdom from 4.4 percent to 3.1 percent, as tax receipts especially corporate tax revenue, were better than expected.

Mainly due to lower interest charges on public debt, the fiscal deficit in the euro area narrowed from 2.1 percent to 1.7 percent of GDP despite the expenditure allocated to the fight against terrorism and the reception of asylum seekers. By country, it moved down from 3.5 percent to 3.3 percent in France, from 5.1 percent to 4.6 percent in Spain and from 2.7 percent to 2.4 percent in Italy. In Germany, the budgetary surplus strengthened to 0.8 percent from 0.7 percent in 2015.

In terms of debt, the government debt ratio rose from 105.6 percent to 107.4 percent of GDP in the United States, from 238 percent to 239.2 percent in Japan and from 89 percent to 89.2 percent in the United Kingdom. Conversely, it fell from 92.6 percent to 91.3 percent in the euro area, with particularly a drop from 71.2 percent to 67.6 percent in Germany and from 99.8 percent to 99.3 percent in Spain. This ratio rose from 96.2 percent to 96.6 percent in France and from 132 percent to 132.6 percent in Italy.

Chart 1.1.11: Change in fiscal balance as % of GDP

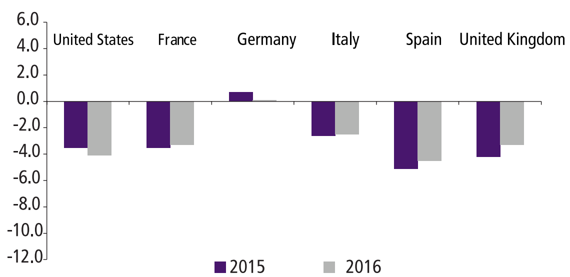
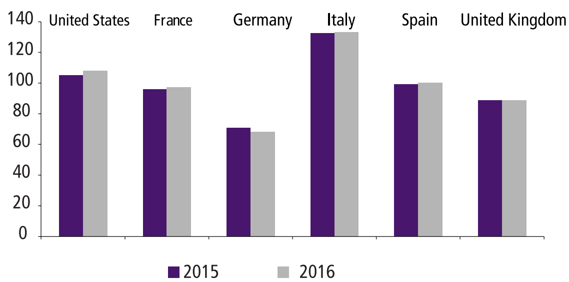


Chart 1.1.12: Change in public debt as % of GDP



Source: IMF.

In the major emerging countries, the fiscal stimulus associated with the process of rebalancing the economy in China resulted in a widening of the fiscal deficit from 2.8 percent to 3.7 percent of GDP and an increase in public debt from 42.6 percent to 46.2 percent of GDP. In Brazil, the deficit slightly narrowed from 10.3 percent to 9 percent, with an increase in the debt ratio from 72.5 percent to 78.3 percent. In Russia, it widened from 3.4 percent to 3.7 percent and the debt ratio rose from 15.9 percent to 17 percent. In India, the public debt situation improved relatively, with an easing in the deficit from 7.1 percent to 6.6 percent and a slight decrease in debt from 69.6 percent to 69.5 percent.

In the MENA region, the decline in oil revenues continues to weigh on the position of public finances. Qatar and Kuwait moved from respective budget surpluses of 5.6 percent and 1.2 percent of GDP to deficits of 4.1 percent and 3.6 percent. Deficit in Saudi Arabia and Algeria, albeit under slight mitigation, remained high at 16.9 percent and 11.6 percent, respectively. Deficit also worsened to 12 percent in Egypt, with an increase in the debt ratio to 97.1 percent.

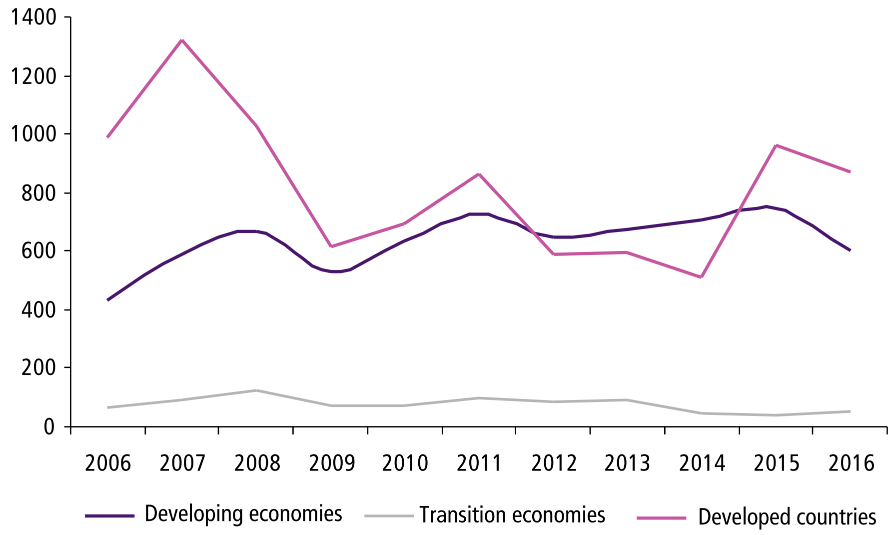
1.1.6 Trade and FDI

In a context of weakening global economic growth, international trade continued to slow down in 2016 to 2.2 percent from 2.7 percent in 2015. This change covers a deceleration in imports of advanced economies from 4.4 percent to 2.4 percent and an increase of 1.9 percent in those of emerging and developing economies after a 0.8 percent decline.

After a sharp increase of 36 percent, foreign direct investment (FDI) flows dropped by 13 percent to $1,525 billion, driven by a decline in advanced and developing economies. However, they rebounded by 38 percent in transition economies.

After almost doubling in 2015, FDI to developed countries fell by 9 percent to $872 billion, essentially reflecting a decrease of 18 percent in the European Union to $389 billion, compared to an increase of 67.6 percent a year earlier. On the other hand, flows to the United States, which had quadrupled in 2015, grew by 11 percent to 385 billion. Conversely, they saw large increases in Australia to 44 billion and in Japan to 16 billion.

Chart 1.1.13: Change in FDI inflows (in billion of dollars)



Source: CNUCED.

In developing countries, after an increase of 5.3 percent in 2015, FDI flows moved down by 20 percent to $600 billion. This change covers a 19 percent decrease in the Latin American and Caribbean region and a 22 percent decline in developing Asia, although flows to China rose by 2.3 percent to 139 billion. For economies in transition, after a contraction of 54 percent in the previous year, FDI flows progressed by 38 percent to 52 billion, including significant increases in Kazakhstan and Russia.

1.1.7 External accounts

The analysis of current account trends reveals a relative widening of the gap between the advanced countries on the one hand and the emerging and developing economies on the other.

In advanced economies, the current-account surplus continued to improve from 0.7 percent in 2015 to 0.8 percent of GDP in 2016. Thus, it expanded to 3.4 percent from 3 percent in the euro area, with mainly an increase from 1.4 percent to 2 percent in Spain, from 1.6 percent to 2.7 percent in Italy and from 8.4 percent to 8.6 percent in Germany, while the deficit widened from 0.2 percent to 1.1 percent in France. Similarly, in Japan, the current account surplus improved to 3.9 percent from 3.1 percent, while in the United States the current account deficit position remained unchanged at 2.6 percent. In the United Kingdom, this deficit slightly worsened from 4.3 percent to 4.4 percent.

Table 1.1.4: Change in the balance-of-payments' current account (% of GDP)

	2012	2013	2014	2015	2016
Advanced economies	**0.0**	**0.5**	**0.5**	**0.7**	**0.8**
United States	-2.8	-2.2	-2.3	-2.6	-2.6
Euro area	1.3	2.2	2.4	3.0	3.4
Germany	7.0	6.7	7.3	8.3	8.5
France	-1.2	-0.9	-1.1	-0.2	-1.1
Italy	-0.4	1.0	1.9	1.6	2.7
Spain	-0.2	1.5	1.1	1.4	2.0
United Kingdom	-3.7	-4.4	-4.7	-4.3	-4.4
Japan	1.0	0.9	0.8	3.1	3.9
Emerging and developing economies including	**1.2**	**0.6**	**0.5**	**-0.2**	**-0.3**
Emerging and developing countries of Asia	**0.9**	**0.7**	**1.5**	**2.0**	**1.3**
China	2.5	1.5	2.2	2.7	1.8
India	-4.8	-1.7	-1.3	-1.1	-0.9
Countries of Latin America and the Caribbean	**-2.4**	**-2.8**	**-3.2**	**-3.5**	**-2.1**
Brazil	-3.0	-3.0	-4.2	-3.3	-1.3
Mexico	-1.4	-2.5	-2.0	-2.9	-2.7
Community of Independent States	**2.3**	**0.6**	**2.1**	**2.8**	**-0.2**
Russia	3.3	1.5	2.8	5.1	1.7
Emerging and developing countries of Europe	**-4.4**	**-3.6**	**-2.9**	**-2.0**	**-1.9**
Turkey	-5.5	-6.7	-4.7	-3.7	-3.8
Sub-Saharan Africa	**-1.8**	**-2.4**	**-3.9**	**-6.0**	**-4.0**
South Africa	-5.1	-5.9	-5.3	-4.4	-3.3
Middle-East and North Africa	**13.5**	**10.9**	**5.9**	**-4.4**	**-3.7**

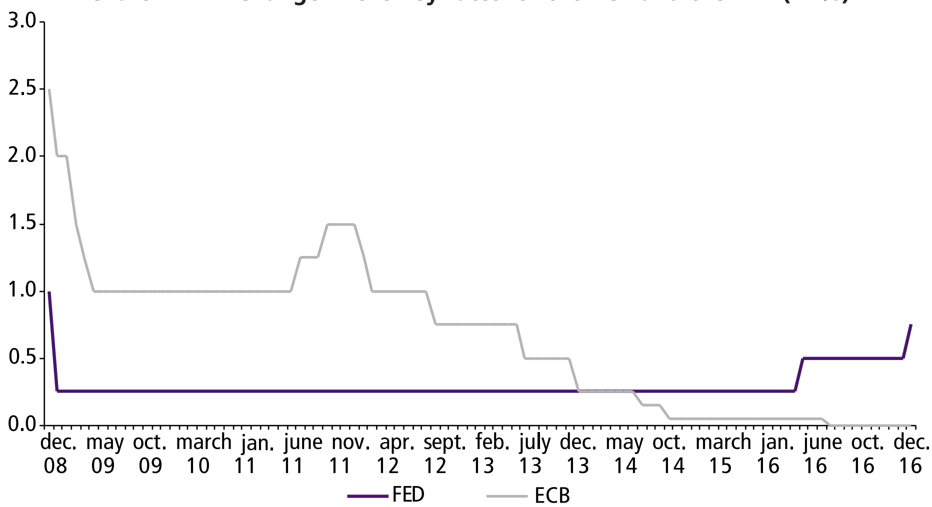
Source : IMF.

Conversely, in emerging and developing economies, the deficit as a percentage of GDP widened slightly from 0.2 percent to 0.3 percent. Particularly, it eased sharply in Brazil from 3.3 percent to 1.3 percent. In China and Russia, the current account surplus decreased from 2.7 percent to 1.8 percent and from 5.1 percent to 1.7 percent, respectively. In the MENA region, the current account balance remained broadly unchanged at -3.7 percent from -4.4 percent, with particularly an improvement in Saudi Arabia and Iran.

1.1.8 Monetary policy

In 2016, the FED continued to normalize its monetary policy, albeit at a slower pace than expected. After ending its Asset Purchase Program (Quantitative Easing) in 2014 and proceeding in December 2015 with an initial increase in its rate since 2006, it again raised its target range in December 2016 by 0.25 percentage point [0.50 percent - 0.75 percent]. This decision was motivated by the continued vigor in the labor market, and the upward inflation expectations and improved growth. However, the FED stressed that the monetary policy stance remains accommodative, supporting the achievement of its objectives of maximum employment and 2 percent inflation and reiterated that its Committee expected that economic conditions would evolve in a manner that would warrant only gradual increases in its rate. At the same time, it maintained its policy of reinvesting mature securities.

Chart 1.1.14: Change in the key rates of the ECB and the FED (in %)



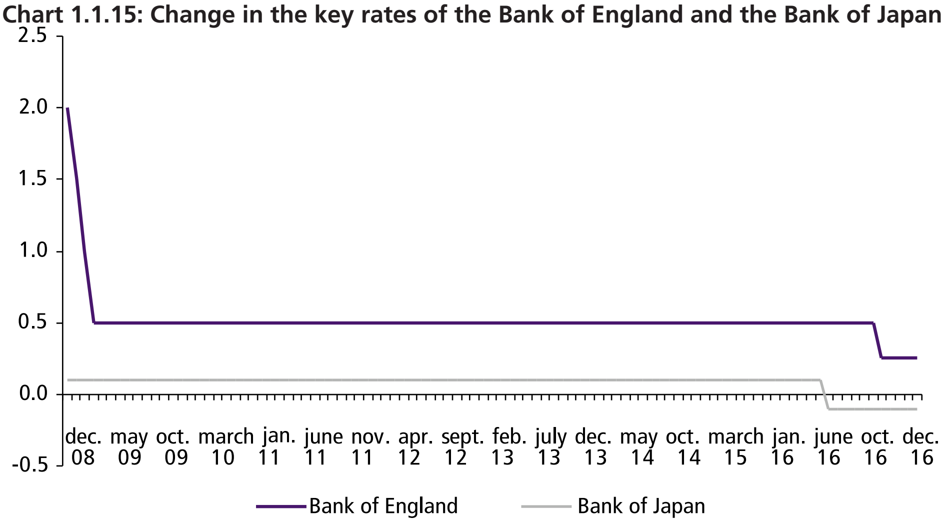
Source : Thomson Reuters Eikon.

Conversely, the ECB strengthened the accommodative stance of its monetary policy with a view to further easing financing conditions to support the economic recovery and accelerate the return of inflation to levels below but close to 2 percent. In March 2016, it adopted a package of measures including a reduction of 5 basis points in its key rate to 0 percent and a reduction in the interest rate on the marginal lending and deposit facility to 0.25 percent and -0.40 percent, respectively. It also expanded its monthly purchases under its asset purchase program (APP) from €60 billion to €80 billion, by extending it to investment grade euro-denominated bonds issued by non-bank corporations established in the euro area. It subsequently decided to extend this program until December 2017, but with a reduction in purchases to €60 billion from April 2017. In June 2016, it launched a new series of four targeted long-term refinancing operations (TLTRO II) for a period of four years. As part of its forward-looking communication, the ECB reiterated throughout the year its commitment to maintain or reduce its rates over an extended period of time and well past the horizon for its asset purchases.

In the United Kingdom, the monetary policy stance was impacted by the results of the Brexit referendum in June. At its meeting in August and to mitigate the expected impact of this vote, the Bank of England announced a package of measures reinforcing the accommodative stance of its policy. It decided to cut its key rate to 0.25 percent, its lowest historical level, and to launch a new asset purchase scheme for government bonds and corporate bonds of £60 billion and £10 billion, respectively, thus taking the stock of these asset purchases to 435 billion. It also launched a new Term Funding Scheme, that should guarantee the transmission of the reduction in the key interest rate to households and firms. This scheme provides funding from the Bank for financial institutions for amounts proportional to the credits allocated to UK companies and households at interest rates close to the key rate.

The Bank of Japan decided in January to reduce its rate to -0.1 percent and to continue the purchase of government bonds to maintain the yield of those with a maturity of ten years close to zero. It also continued its purchases of government bonds and risky assets with the aim of ensuring in total an increase in the monetary base at an annual pace of 80,000 billion yen in line with its commitment.

Chart 1.1.15: Change in the key rates of the Bank of England and the Bank of Japan



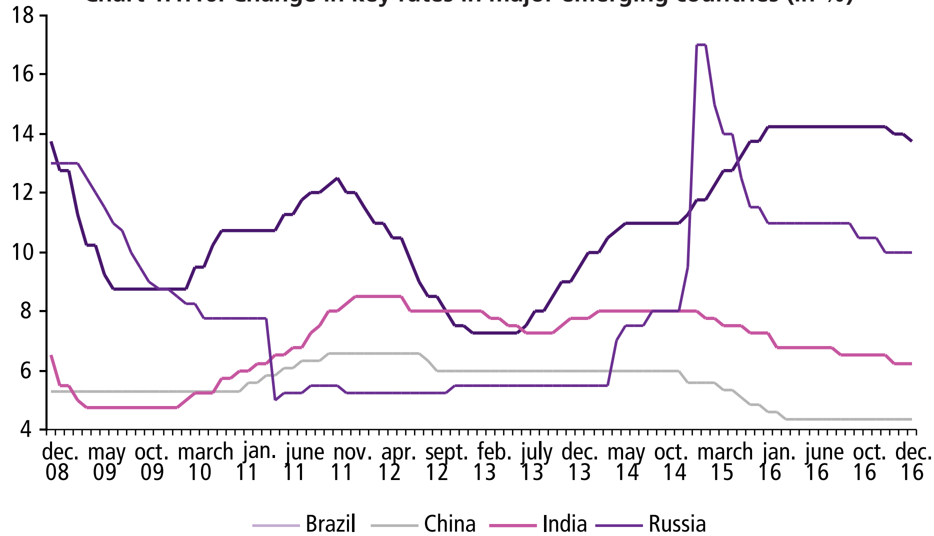
Source : Thomson Reuters Eikon.

In major emerging countries, following the depreciation of the yuan against the dollar, the Central Bank of China intervened in the foreign exchange market for a total of 320 billion dollars. The stock of its reserves thus decreased to 3,011 billion dollars. It also gradually lowered the yuan's central rate against the dollar to 6.7008 yuan per a dollar in November, its lowest level since September 2010. Meanwhile, it kept its key rate unchanged at 4.35 percent.

In India, the year was marked by the adoption of a new monetary policy regime in June. The Reserve Bank of India set up an inflation targeting framework with an inflation target of 5 percent in the short term and 4 percent in the medium term with a tolerance of ± 2 percent. During the year, with a view to supporting economic activity, it decreased its key rate twice, from 6.75 percent to 6.50 percent in April and to 6.25 percent in October.

Meanwhile, in the absence of inflationary pressures, the Central Bank of Brazil reduced its key rate from 14.25 percent to 14 percent in October and then to 13.75 percent in November, to support the economic recovery. Finally, in a context marked by a mitigation of inflationary risks and a rise in uncertainties surrounding the economic outlook, the Central Bank of Russia lowered its key policy rate twice, from 11 percent to 10.5 percent in June, and then to 10 percent in September.

Chart 1.1.16: Change in key rates in major emerging countries (in %)

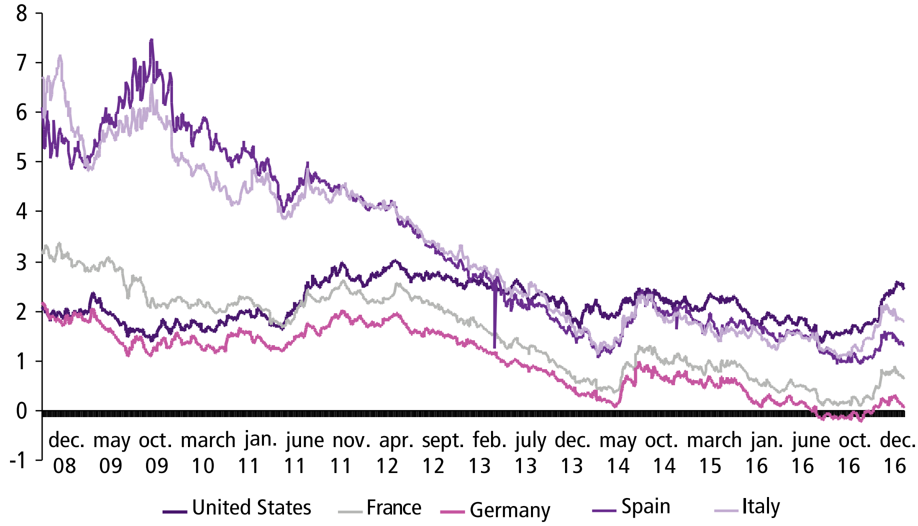


Source : Thomson Reuters Eikon.

1.1.9 Financial markets

Prompted by the accommodative stance of monetary policies in advanced economies, easing measures in major emerging economies and overall positive growth prospects, most bond markets showed an easing. Indeed, the 10-year sovereign yields declined from 2.1 percent to 1.8 percent in the United States, from 0.5 percent to 0.1 percent in Germany, from 0.8 percent to 0.5 percent in France and from 1.7 percent to 1.4 percent in Spain. In the main emerging countries, these yields fell from 13.8 percent to 12.9 percent in Brazil, from 3.4 percent to 2.9 percent in China and from 7.8 percent to 7.2 percent in India.

Chart 1.1.17: Change in 10-year sovereign rates of the United States and of some peripheral countries of the Euro area (in %)



Source : Thomson Reuters Eikon.

Despite the decline in bond yields, stock markets were broadly tilted to the downside in a context characterized by a rise in uncertainties caused particularly by the referendum in the United Kingdom and the US elections. Apart from the Dow Jones Industrial which recorded a 1.9 percent increase, the leading indexes of advanced economies were all down with decreases of 1.8 percent for the FTSE 100, 11.7 percent for the NIKKEI 225 and 12.7 percent for EUROSTOXX 50. Markets also experienced high volatility[1], but throughout the year, this volatility eased, as the VSTOXX dropped by 2.9 points to 21.1 basis points and the VIX by 2.6 points to 14.1 basis points. In emerging countries, the MSCI EM posted a further 9 percent decline, reflecting a 15.8 percent drop in China, 14 percent in Turkey and 7.8 percent in India.

Chart 1.1.18: Change in the major stock market indexes

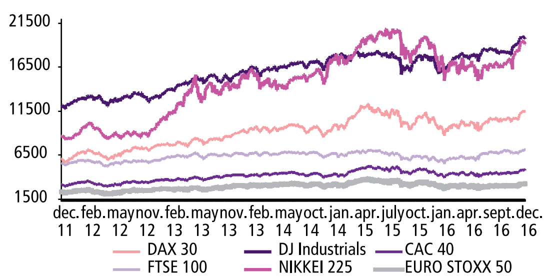
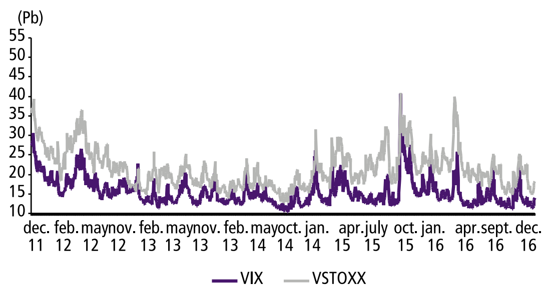
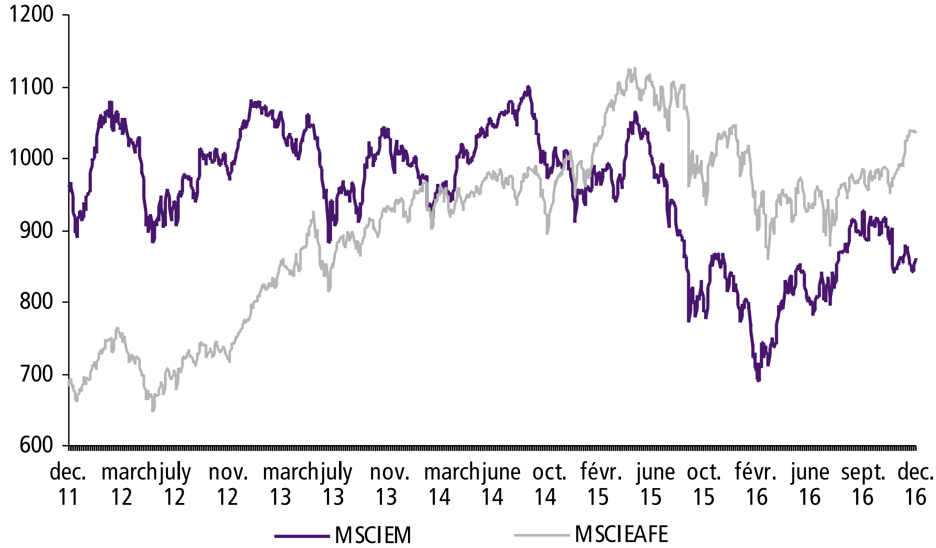


Chart 1.1.19: Change in volatility indicators



1 VSTOXX and VIX are reference indicators measuring the volatility of the Eurostoxx 50 and the S&P 500, respectively.

Chart 1.1.20: Change in the MSCI EM and MSCI EAFE*

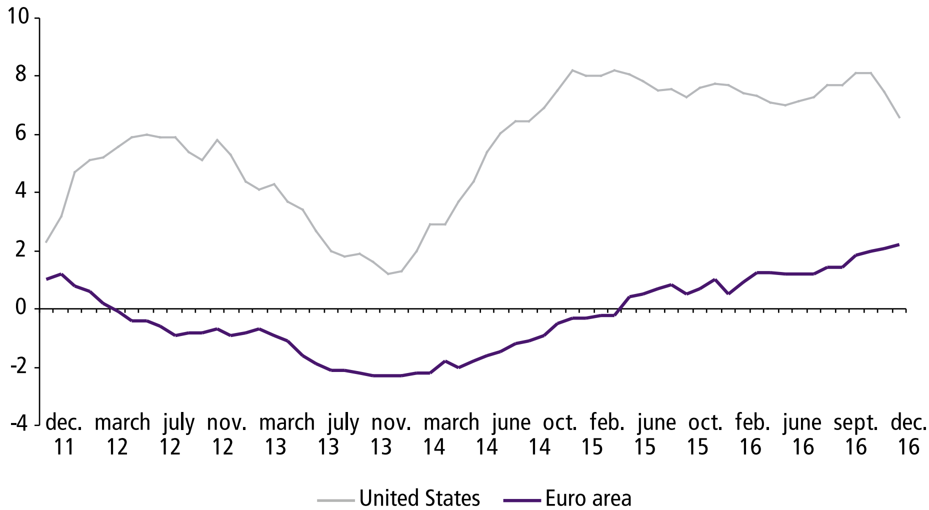


* MSCI EAFE index is a market capitalization index designed to measure equity market performance in developed markets excluding the United States and Canada. It contains indexes of around twenty developed countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

Source : Thomson Reuters Eikon.

Despite stimulus measures taken by the ECB, bank lending recovery remained slow in the euro area, with a growth of 1.5 percent from 0.4 percent a year earlier. In the United States, although slightly decelerating, credit growth remained relatively high at 7.4 percent, as against 7.8 percent. In the main emerging countries, it slowed from 8.1 percent to 0.2 percent in Brazil and from 4.1 percent to 2.7 percent in Russia. In China, available data on consumer loans show a marked acceleration from 18.6 percent to 28.2 percent.

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



Source : Thomson Reuters Eikon.

In 2016, foreign exchange markets were marked by a sharp depreciation of the pound sterling following the vote in favor of Brexit. It lost 11.3 percent of its value against the US dollar, 11.1 percent vis-à-vis the euro and 20.2 percent versus the Japanese yen. The euro/dollar exchange rate remained virtually stable at $1.1 for one euro. Currencies of the major emerging economies continued to face the pressures relating to the anticipation of a further normalization of the FED's monetary policy. Against the dollar, the Brazilian real depreciated by 5.1 percent, the Russian ruble by 9.1 percent, the Indian rupee by 4.6 percent, the Chinese yuan by 5.4 percent and the Turkish lira by 10.1 percent.

Chart 1.1.22: British Pound Vs Euro, Dollar, and Yen

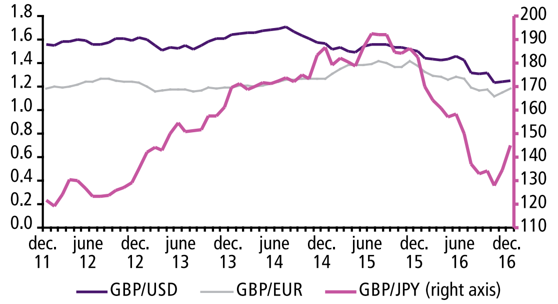
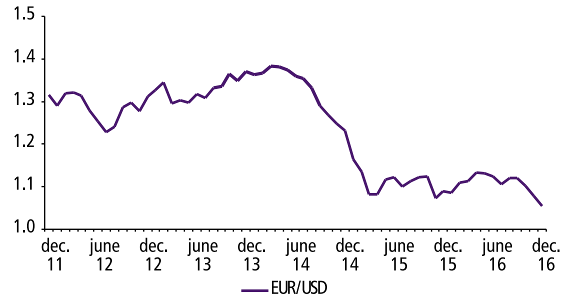
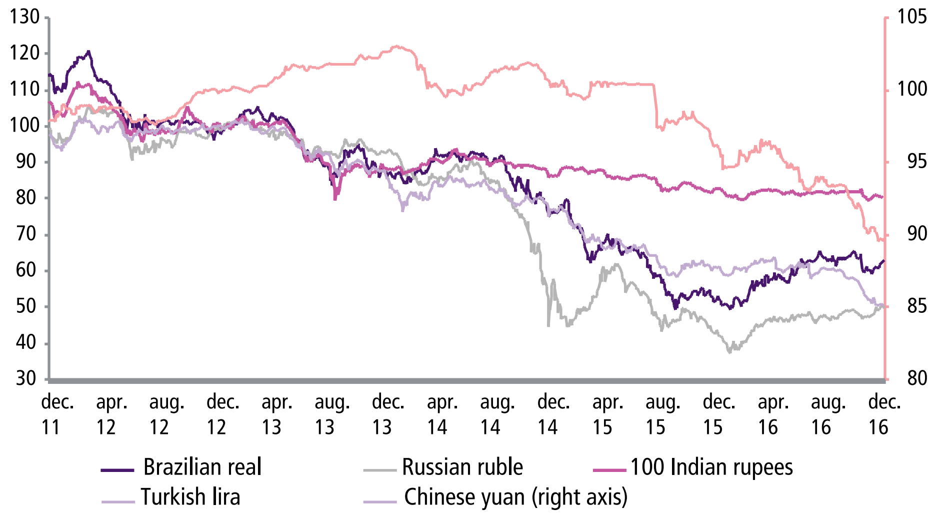


Chart 1.1.23: Euro Vs Dollar



Source : Thomson Reuters Eikon.

Chart 1.1.27: Change in the currencies of major emerging countries against the dollar (January 1, 2013 = 100)



Sources: Thomson Reuters Eikon, and BAM calculations.

1.2 Output and demand

Amid persistently sluggish nonagricultural activities and unfavorable weather conditions that had a severe adverse impact on the agricultural value added, the national economy in 2016 grew by a mere 1.2 percent, its lowest rate since 2000.

At the sectoral level, activity slowed down markedly in the processing industries and in the "electricity and water" sector and continued to rise at a low pace in construction. However, there was a relative improvement in the tertiary sector, mainly in trade, tourism[1] and posts and telecommunications. Overall, the nonagricultural value added grew by 2.2 percent, up from 1.8 percent in 2015.

On the demand side, the contribution of net exports was negative after being positive for two years, while the domestic component posted an increase of 5.5 percent, as against 1.9 percent a year earlier, driven by an improvement in investment.

GDP at current prices grew by 2.8 percent to 1,016.1 billion dirhams. Taking into account a 6.9 percent increase in net current transfers and a 2 percent decline in net property income outflows from abroad, the gross national disposable income (GNDI) rose by 3.2 percent.

Table 1.2.1 : Change in value added chained (%)

	2011	2012	2013	2014	2015	2016
Primary sector	**6.7**	**-7.8**	**17.8**	**-2.3**	**11.6**	**-11.3**
Agriculture	5.7	-9.1	17.2	-2.2	11.9	-12.8
Fisheries	24.8	9.7	26.8	-4.0	8.3	5.4
Secondary sector	**6.3**	**0.8**	**0.6**	**3.5**	**1.8**	**1.2**
Mining	5.0	-2.1	-1.2	3.0	-2.1	2.2
Processing industry	6.8	1.8	-0.7	4.1	2.3	0.8
Electricity and water	8.3	-6.7	14.9	1.3	6.2	2.5
Construction	4.9	2.2	1.6	2.6	0.7	1.7
Tertiary sector	**6.2**	**6.3**	**1.9**	**2.3**	**1.7**	**2.7**
Trade	7.4	4.1	-2.0	1.6	0.5	4.2
Hotels and restaurants	-1.1	2.6	4.7	2.2	-1.3	3.6
Transport	7.0	2.4	1.0	3.6	3.2	2.2
Post and telecommunication	9.5	29.5	2.9	5.2	2.8	4.9
Financial activities and insurance	8.6	4.2	0.2	2.5	2.6	1.2
Real-estate, renting and services to businesses	5.6	4.5	1.5	2.7	4.2	4.1
General government and social security	9.9	5.1	3.7	2.5	0.5	0.9
Education, health and social work	1.6	7.1	5.0	1.4	0.1	1.8
Other nonfinancial services	2.1	3.0	2.9	0.2	3.4	3.0
Nonagricultural activities	**6.4**	**4.5**	**1.8**	**2.7**	**1.8**	**2.2**
Total value added	**6.3**	**2.7**	**3.7**	**2.0**	**3.0**	**0.3**
Taxes on products net of subsidies	**-3.8**	**6.8**	**14.6**	**9.7**	**18.1**	**8.5**
Nonagricultural GDP	**5.2**	**4.7**	**2.9**	**3.4**	**3.7**	**3.1**
GDP	**5.2**	**3.0**	**4.5**	**2.7**	**4.5**	**1.2**

Source : HCP.

1 This includes the hotels and restaurants branch.

1.2.1 Output

After an increase of 11.6 percent, the primary sector value added showed a contraction of 11.3 percent in 2016, owing to a decrease of 12.8 percent for agriculture and an increase of 5.4 percent for fisheries.

The 2015-2016 crop year was characterized by unfavorable climatic conditions, with the most important rainfall decline in the last thirty years and poor spatial and temporal distribution of rainfall. This situation resulted in a drop of 71 percent in the harvest of the three main cereals[1] to 33.5 million quintals, after a record high of 115 million a year earlier. Output also decreased by 16 percent for market garden crops and 64 percent for pulses, while it improved by 23.7 percent for olives and by 9 percent for the sugar industry.

Chart 1.2.1: Main vegetable crops (in million quintals)

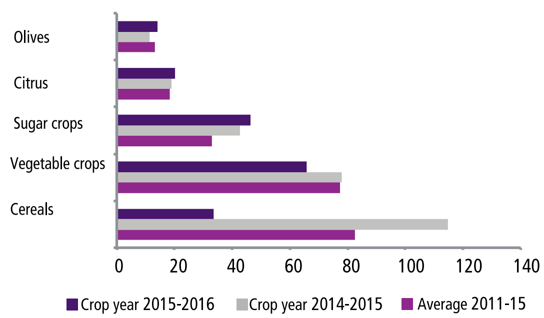
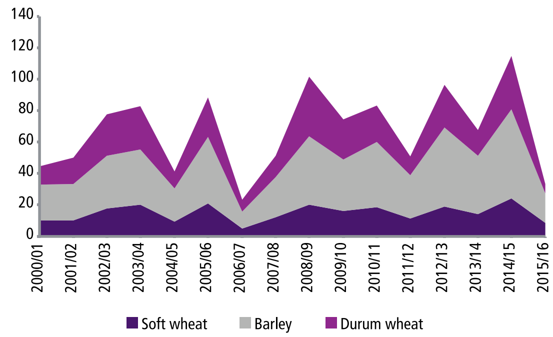


Chart 1.2.2: Main cereal production (in million quintals)



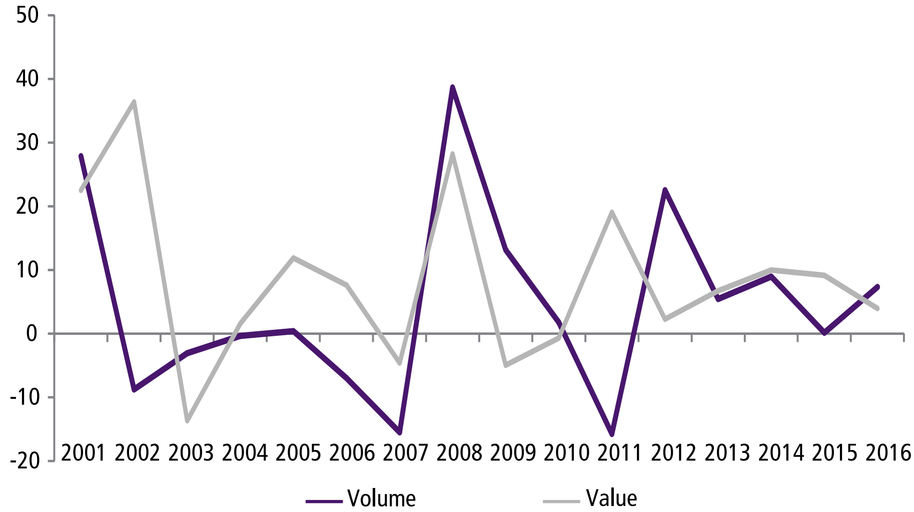
Source: Ministry of Agriculture and Fisheries.

With regard to fisheries, available data on its inshore and small-scale components[2] indicate an increase in production of 3.9 percent in value to 6.8 billion dirhams and 7.3 percent in volume to 1.4 million tonnes. A 47 percent share of this production was used for freezing, 23 percent for consumption, 17 percent for fish canning and 12 percent for manufacturing fishmeal and fish oil.

1 These are common wheat, durum wheat and barley.

2 Regarding offshore fishery, the recent data published are those of 2015.

Chart 1.2.3: Landings of inshore and small-scale fisheries (change in %)

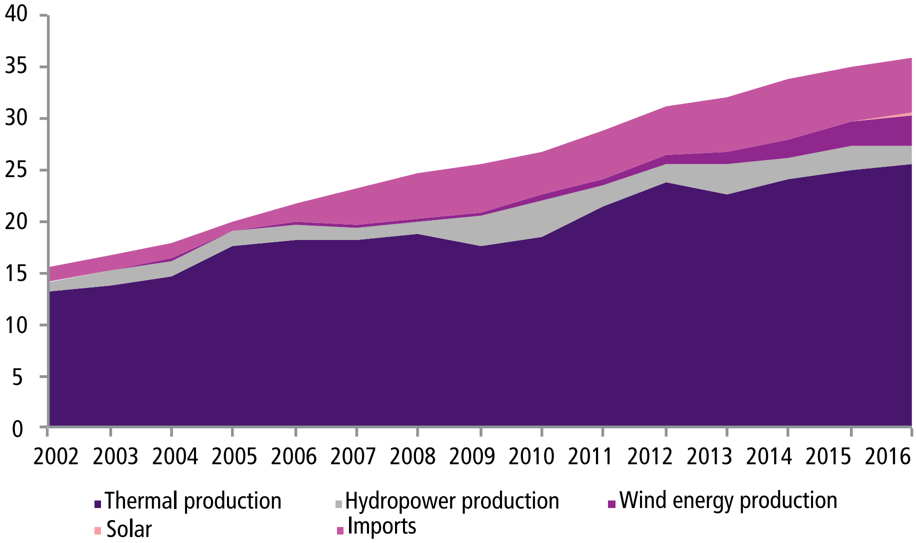


Source: National Fisheries Office.

The secondary sector activities continued to slow down to 1.2 percent from 1.8 percent in 2015. The value added of the processing industries rose by 0.8 percent as against 2.3 percent, with a further decline of 0.4 percent from 0.1 percent for chemicals and related industries and a deceleration from 2.6 percent to 0.1 percent for agrifood, which suffered particularly from the fall in agricultural production. At the same time, "mechanical, metallurgical and electrical" industries maintained their growth at 2.7 percent and "textile and leather" industries showed a rise of 1.8 percent after a decline of 2.4 percent, benefiting from an improvement in the external demand for ready-made garments.

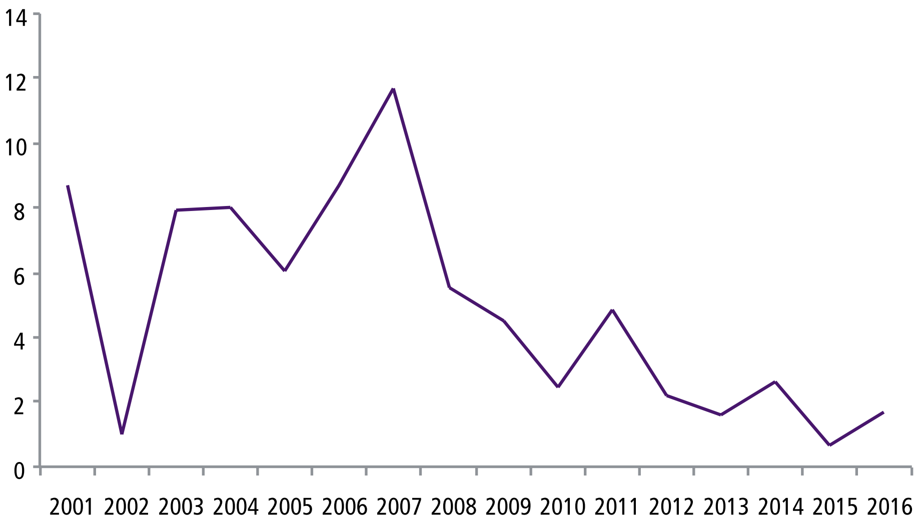
The value added of the electricity and water sector decelerated from 6.2 percent to 2.5 percent, reflecting a slowdown in electricity production from 6.4 percent to 2.9 percent. Thermal energy, which accounts for 85 percent of electricity, grew by 2.4 percent, and hydraulic energy fell by 27.1 percent, due to a rainfall deficit. At the same time, wind and solar energy continued to develop with the commissioning of Noor I solar power plant in December 2015 and the extension of the capacity of Akhfennir wind farm. Their output progressed by 36.7 percent from 34.5 percent and their share in the energy mix reached 10.8 percent from 8.1 percent in 2015. On the other hand, demand kept its pace of growth at 2.1 percent, with an increase of 1.4 percent for very high, high and medium voltage, which represents 75.4 percent of the total, and 4.2 percent for the low voltage. As a result, imports grew by 2.9 percent after a decline of 14.5 percent in 2015.

Chart 1.2.4: Available electricity by source (Thousands of GWh)



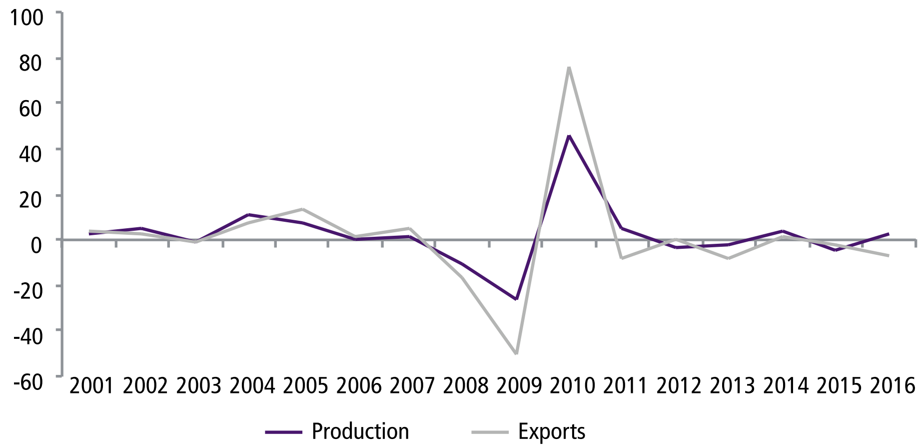
For the construction sector, the main indicators show that activity continued to evolve at a slow pace. Cement sales fell 0.7 percent after a 1.4 percent increase. The decline in real estate loans eased to 1.5 percent from 10.2 percent. Under these conditions, the value added of the sector grew by 1.7 percent from 0.7 percent a year earlier.

Chart 1.2.5 : Added value of the construction sector (change in %)



In contrast, after a decrease of 2.1 percent, the mining value added moved up 2.2 percent, mainly due to a 2.5 percent increase in market phosphate production, which was caused by an improvement of foreign demand for phosphate fertilizers.

Chart 1.2.6: Change in crude phosphate production and exports, in volume (change in %)



Source: OCP.

Tertiary activities showed a slight acceleration from 1.7 percent to 2.7 percent. After a drop of 1.3 percent, the value added of the "hotels and restaurants" sector rebounded by 3.6 percent. The number of arrivals at border crossings rose by 1.5 percent, reflecting a 4 percent increase in the number of Moroccan expatriates, while arrivals of foreign residential tourists decreased by 1 percent. By nationality, the decline was 7 percent for the French, 2 percent for the Spanish and 9 percent for the English. However, arrivals from China quadrupled, thanks in particular to the abolition of visas for its nationals, and those of Russia more than doubled, although their shares are still very low.

When compared internationally, Morocco showed a relative resilience compared to some countries in the region such as Egypt, Turkey and Tunisia, which registered respective declines of 42 percent, 26 percent and 9 percent in tourist arrivals at border posts in 2016. On the other hand, Jordan recorded a 9 percent increase.

Table 1.2.2 : Tourist arrivals at the borthers

	In thousands				Change (en %)		
	2013	2014	2015	2016	2014/2013	2015/2014	2016/2015
Foreign tourists	**5 323**	**5 437**	**5 152**	**5 103**	**2.1**	**-5.2**	**-1.0**
Europe	4 307	4.440	4.123	3 930	3.1	-7.1	-4.7
Including : France	1 782	1 798	1 564	1 450	0.9	-13.0	-7.3
Spain	683	684	627	616	0.1	-8.3	-1.8
United Kingdom	403	477	504	459	18.2	5.9	-9.1
North America	241	250	277	308	3.8	10.6	11.5
Arab countries	435	391	393	418	-10.1	0.5	6.4
Rest of the world	340	356	358	447	4.9	0.6	24.7
Moroccans living abroad	**4 723**	**4 845**	**5 025**	**5 229**	**2.6**	**3.7**	**4.0**
Total	**10 046**	**10 282**	**10 177**	**10 332**	**2.3**	**-1.0**	**1.5**

Source : Ministry of Tourism.

Similarly, after a 6 percent decline, overnight stays in classified hotels progressed by 4.7 percent, thanks to a rise of 11.2 percent for residents and 1.6 percent for non-residents. Taking account of a 5.7 percent increase in litter capacity to 242,624 beds, the occupancy rate stabilized at 40 percent. In Marrakech and Agadir, which accounted for 60 percent of overnight stays, it stood at 48 percent and 50 percent, respectively.

Table 1.2.3 : Overnight stays in classified tourist facilities

	In thousands				Change (in %)		
	2013	2014	2015	2016	2014/2013	2015/2014	2016/2015
Foreign tourists	**13 931**	**14 299**	**12 504**	**12 703**	**2.6**	**-12.6**	**1.6**
Europe	10 654	10 847	9 324	9 239	1.8	-14.0	-0.9
Including : France	5 052	4 742	3 732	3 622	-6.1	-21.3	-2.9
Spain	714	754	630	606	5.6	-16.4	-3.8
United Kingdom	1 518	1 718	1 725	1 763	13.2	0.4	2.2
North America	397	457	438	469	15.3	-4.2	6.9
Arab countries	1 092	968	1 022	1 089	-11.4	5.6	6.5
Rest of the world	1 789	2 027	1 720	1 907	13.3	-15.2	10.9
National tourists	**5 183**	**5 270**	**5 892**	**6 551**	**1.7**	**11.8**	**11.2**
Total	**19 114**	**19 569**	**18 397**	**19 255**	**2.4**	**-6.0**	**4.7**

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

Box 1.2.1: Internal tourism in Morocco

Internal tourism[1] is an increasingly important component of the tourism sector. According to data from the tourism satellite account, its share in overall tourism consumption amounted to 32 percent in 2015, from 24 percent in 2001. In addition, even if they are still only 10 percent[2] to opt for a stay in a classified hotel, national tourists account for an increasing share of overnight stays in these hotels. This share rose from 17 percent in 2000 to 34 percent in 2016.

Chart B 1.2.1.1 : National tourists in classified institutions

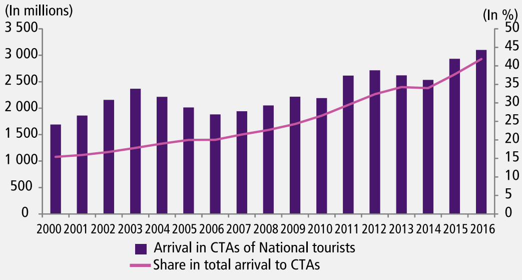


Chart B 1.2.1.2 : Nights of national tourists in classified tourism accommodations

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

1 It is a tourism of residents of a country moving within their own country

2 Data from the internal tourism survey carried out in January 2015 by the Ministry of Tourism with 25,000 residents aged 15 years and over and covering the entire national territory.

Internal tourism also contributes to regional economic development, by helping to redistribute a part of the national wealth. Thus, the Greater Casablanca region, which accounts for 32 percent of GDP[3], accounts for only 8 percent of tourist nights in 2016, while Marrakech-Tensift-Al Haouz, Souss-Massa-Draa and Tangier-Tetouan represent, respectively, 31.2 percent, 20.5 percent and 12.5 percent of these nights.

Chart B 1.2.1.3 : Overnight stays in classified tourist facilities by main tourist cities

City (share)	Rank In 2007	City (share)	Rank In 2016
Marrakech (21%)	1	Marrakech (29.3%)	1
Agadir (17%)	2	Agadir (13.1%)	2
Tangier (11.8%)	3	Tangier (8.1%)	3
Casablanca (8.8%)	4	Casablanca (7.8%)	4
Fes (6%)	5	Fes (4%)	5
Rabat (5.5%)	6	Tetouan (3.7%)	6
Tetouan (4.5%)	7	Rabat (3.6%)	7
Meknes (3.7%)	8	Meknes (1.8%)	8

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

Moreover, internal tourism contributes to the resilience of the tourism sector amid the vagaries of the international economic situation. Thus, during the period 2010-2016, while the number of nights spent by foreigners in classified hotels decreased by 2 percent, those of domestic tourists grew by 8 percent on an annual average, thus ensuring a virtual stability of the occupancy rate of these establishments. These developments had an impact on tourism consumption, as its internal component grew by 6.5 percent on an annual average between 2010 and 2015, as against 2.3 percent for inbound tourism.

3 Data published by the HCP in 2014.

Regarding transport services, activities continued to slow down to 2.2 percent from 3.2 percent in 2015. Available data[1] indicate an 8.6 percent growth in maritime freight traffic, due to increases of 9.7 percent in external trade-related traffic and 5.6 percent in transhipment at the Tanger Med port. Similarly, the number of passengers progressed by 3.6 percent for air transport to 18.2 million and by 7.7 percent for the maritime one to 5 million.

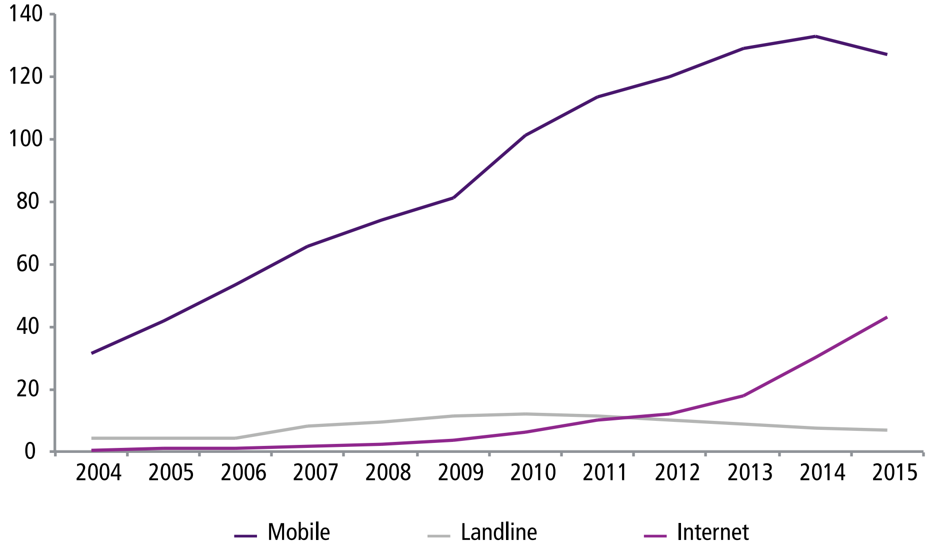
The growth of the postal and telecommunications sector accelerated from 2.8 percent to 4.9 percent. The related indicators show drops of 3.6 percent in mobile phone subscribers, albeit with an increase of 11.percent in average outgoing usage [2], and 6.8 percent in fixed telephony subscribers.

1 Data on rail transport are not yet published.

2 Measured by the ratio of outbound traffic in minutes to the average subscriber base.

However, the number of Internet subscribers, dominated by the mobile segment at 93 percent, grew by 17.9 percent. Against this backdrop, the penetration rate[1] decreased from 127.3 percent to 122.7 percent for the mobile phone and from 6.6 percent to 6.1 percent for the fixed phone, while it moved up from 42.8 percent to 50.4 percent for the Internet.

Chart 1.2.7: Penetration rate (change in %)



Source : HCP.

1.2.2 Demand

Driven by improved investment, the contribution of domestic demand to growth increased from 2.1 percentage points to 5.9 percentage points in 2016. By contrast, that of net external demand was negative by 4.7 points after two years of positive contribution.

Chart 1.2.8: Contribution of domestic and foreign demand to growth (in percentage points)

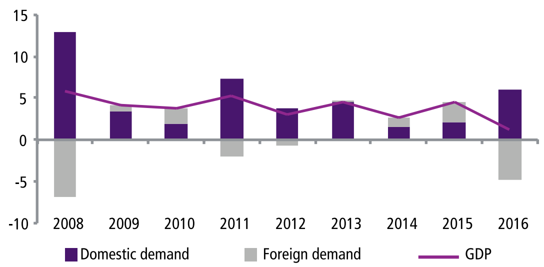
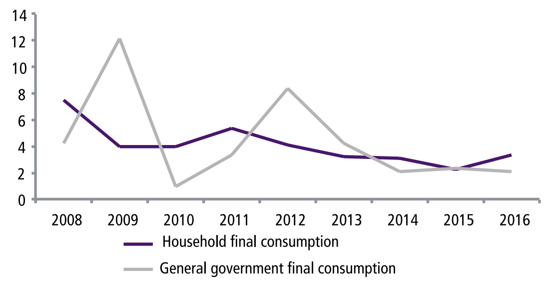


Chart 1.2.9: Final consumption expenditure (Change in %)



Source : HCP.

1 The penetration rate of a product indicates the percentage of the persons possessing this product to the total population during the year.

Despite the decline in agricultural incomes and the continuing deterioration in the labor market conditions, household final consumption grew to 3.4 percent from 2.2 percent in 2015. Considering an increase of 2.1 percent in the government one, national final consumption reportedly rose by 3.1 percent from 2.3 percent a year earlier, bringing its contribution to growth to 2.4 percentage points.

Box 1.2.2: Household actual final consumption and adjusted gross disposable income

Household final consumption (HFC) is the total expenditure allocated by resident households to the acquisition of consumer goods and services with a view to responding to their needs. Because it only considers expenditure by households themselves, this aggregate does not provide comprehensive information on their actual living standards. In this regard, the national accounting defines another broader concept, namely household actual final consumption (HAFC). This is measured by the value of all consumer goods and services that resident households actually use regardless of how they are financed. In addition to those directly acquired, it includes social transfers in kind from the general government (GG) and non-profit institutions (NPIs). These same considerations are also taken into account to determine an extended magnitude of households' gross disposable income (GDI), namely the adjusted GDI.

Analysis of the change in this aggregate on the basis of the available data covering the period 2007-2015 helps to distinguish two main phases. After a 5.4 percent increase on annual average between 2008 and 2013, the HAFC decelerated to 2.7 percent between 2014 and 2015.

By component, the HFC, which accounts for 87.2 percent of it, posted a slower growth from 5.1 percent between 2008 and 2013 to 2.7 percent between 2014 and 2015. Similarly, transfers from GG moved down between the two periods from 7.3 percent to 2 percent, reflecting the efforts made by the Government to contain current expenditure. At the same time, transfers from NPIs rose by 13.1 percent, as against 11.2 percent, but their share in transfers remained low, reaching 6.3 percent in 2015, compared with 93.7 percent for GG.

Chart B 1.2.2.1 : Household effective final consumption

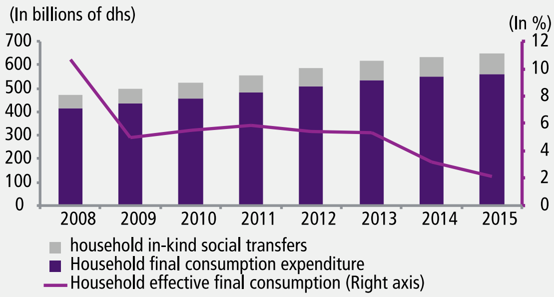
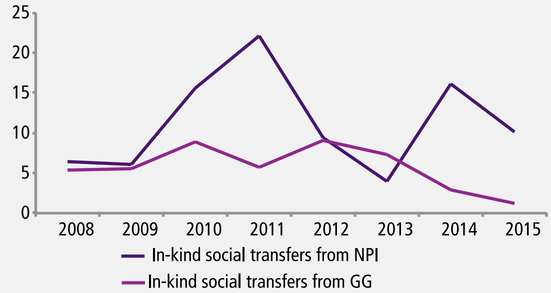


Chart B 1.2.2.2 : In-kind social transfers (Change in %)



Source : HCP.

The adjusted GDI showed an annual average increase of 5.3 percent between 2008 and 2015. Measured as a ratio to population, its growth stood at 4 percent over the same period. Considering also an inflation of 1.5 percent, real-term growth of the adjusted GDI, which represents a wider measurement of purchasing power, reportedly stood at 2.6 percent annually, as against 2.5 percent on the basis of GDI.

Chart B 1.2.2.3 : GDI and ADI of households (In billions of dirhams)

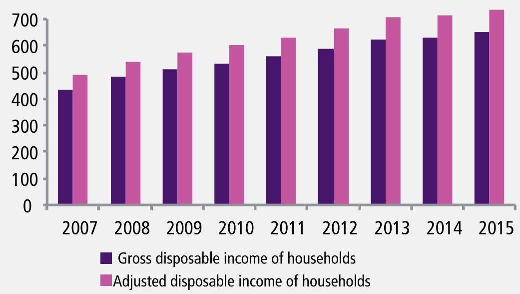
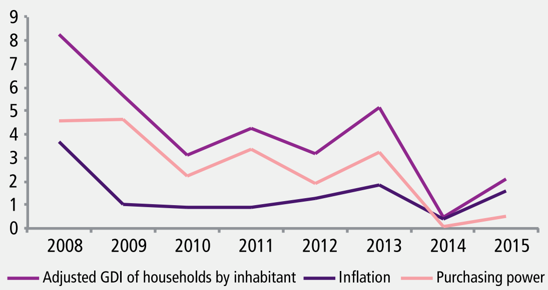


Chart B 1.2.2.4 : Households' purchasing power (Change in %)



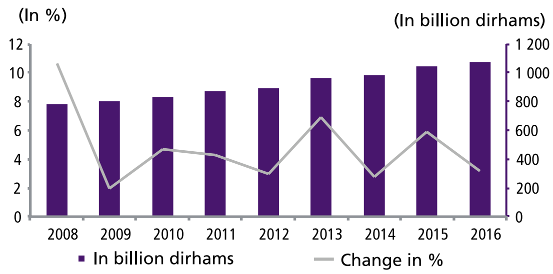
Source : HCP.

After a limited increase of 0.9 percent, investment progressed by 11.6 percent, taking its contribution to growth to 3.6 percentage points. By component, the gross fixed capital formation rose by 9.3 percent, with mainly a significant increase in Treasury investment. Change in inventories progressed by 38.8 percent, driven by imports of capital goods.

In terms of foreign demand, imports of goods and services recorded a marked growth of 15.4 percent, after a decline of 1.1 percent, while exports slowed from 5.5 percent to 5.1 percent.

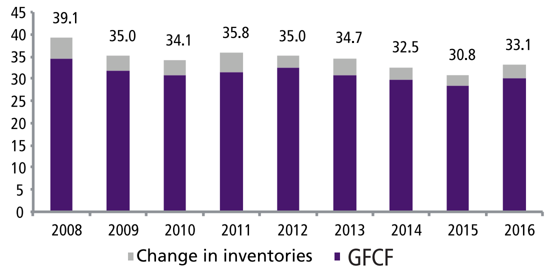
GDP at current prices stood at 1,016.1 billion dirhams, up 2.8 percent from 6.8 percent a year earlier. At the same time, net current transfers increased by 6.9 percent to 79.4 billion dirhams, while net property income outflows decreased by 2 percent to 18.5 billion dirhams. In total, GNDI stood at 1.077 billion dirhams, up 3.2 percent as against 5.9 percent.

Chart 1.2.10: Change in GNDI



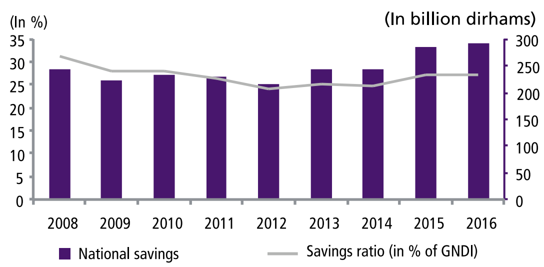
Source : HCP.

Chart 1.2.11: Trend in investment ratio (in % of GDP)



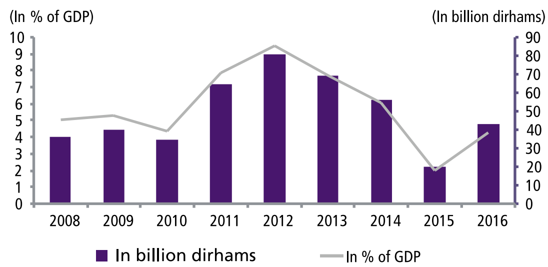
Domestic final consumption improved by 3.4 percent and its share in GNDI reached 72.8 percent in 2016. National savings stood at 27.2 percent of GNDI, with a decline in its domestic component to 21.5 percent of GNDI. Meanwhile, investment spending rose by 10.4 percent to 33.1 percent of GDP, from 30.8 percent a year earlier. As a result, the financing requirement of the economy rose from 2 percent of GDP to 4.3 percent.

Chart 1.2.12: National savings



Source : HCP.

Chart 1.2.13: Financing requirements



1.3 Labor market[1]

In an economic situation marked by a sharply slow growth, the labor market conditions deteriorated considerably in 2016, reflecting a net loss of 37 thousand jobs, the first since 2001. Against this backdrop, a substantial proportion of the unemployed population withdrew from the market, thus contributing to a further decline in the participation rate and a drop of 0.3 percentage point in the unemployment rate to 9.4 percent. However, this rate continues to increase among young people, especially urban dwellers, over four in ten of whom are unemployed.

At the sectoral level, employment declined further in agriculture, posting a loss of 119 thousand jobs, the largest ever recorded[2]. In services, the number of jobs created remained weak for the third consecutive year, standing at only 38 thousand jobs compared to an average of 90 thousand between 2000 and 2013. Similarly, industry, including handicrafts, generated only 8 thousand posts, i.e. a total of 23 thousand over the first two years of implementing the industrial acceleration plan. However, employment continued to improve in construction, with 36 thousand new jobs created as against 18 thousand a year earlier.

These developments resulted in a slight deceleration in apparent labor productivity, with particularly a decline in the secondary sector, the first since 2009. Meanwhile, wage costs[3] in real terms appreciated by 0.5 percent from 1.3 percent in the private sector and decreased by 1.4 percent in the public sector, as opposed to 1 percent.

1.3.1 Trends and characteristics of the labor force

After two years of sharp slowdowns, the labor force aged 15 years and over fell for the first time since 2002 by 0.7 percent to 11.5 million persons. This decline was more marked in rural areas, at a rate of 1.1 percent compared to 0.3 percent in urban areas, and affected only women who had a net exit of 110 thousand compared to a net entry of 30 thousand for men. The feminization rate of the working population thus dropped from 27.1 to 26.3 percent. The labor force remains low skilled, with a proportion of 58.6 percent of those without diploma. This rate stood at 57.3 percent for men and 66.8 percent for women.

1 Unless otherwise indicated, employment data are from the various HCP publications. They are derived from the "detailed results" reports for the period 1999-2013, the "first results" report for 2014 and the annual briefing notes for 2015 and 2016.

2 Since the generalization of the National Survey on Rural Employment in 1999.

3 Calculated on the basis of CNSS data for the private sector and the Ministry of Economy and Finance for the public sector.

Chart 1.3.1: Labor force aged 15 years and over by place of residence (change in %)

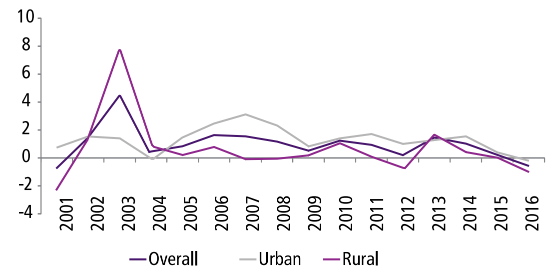
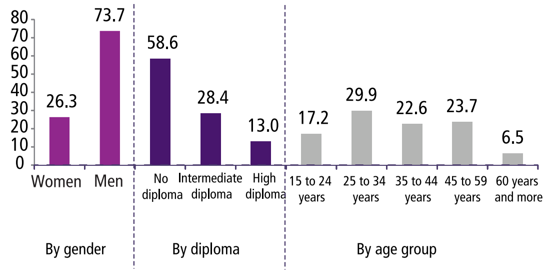


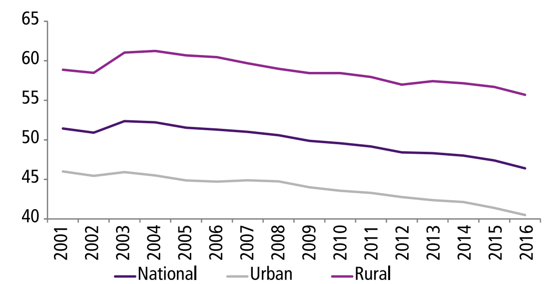
Chart 1.3.2: Structure of the active labor force by gender, diploma, and age group (%)



Source: HCP.

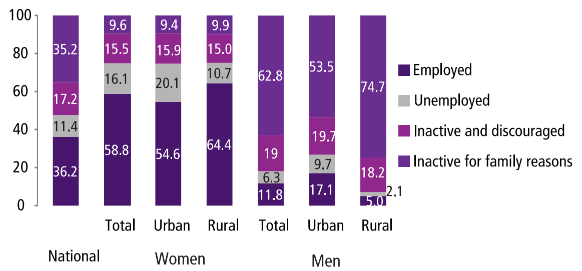
Taking account of a 1.5 percent increase in the working-age population, the participation rate continued to decline at a faster pace, from 47.4 to 46.4 percent nationally, from 41.4 to 40.5 percent in cities and from 56.7 to 55.7 percent in rural areas. By gender, it decreased by 0.7 point for men to 70.8 percent. For women, the decline was 1.2 point to 23.6 percent overall and 0.8 point to 16.6 percent in urban areas. The World Bank's Morocco Household and Youth Survey[1] found that the structural weakness of women's activity is mainly attributable for the 15-29 age group to marital or parental refusal in 53.8 percent of cases, the difficulty of reconciling between work and home for 22.9 percent and social norms for 11.1 percent.

Chart 1.3.3: Change in labor force participation rate by residence (%)



Source : HCP.

Chart 1.3.4: Participation rate of out-of-school youth (15-29 years, %)



Source: Kingdom of Morocco: Promoting Youth Opportunities and Participation, World Bank, May 2012

The decline in the participation rate affected all age groups, with particularly a drop of 0.8 percentage point among those aged 25-34 years to 60.3 percent and 2 percentage points among young people aged 15-24 years to 28.5 percent. For the latter, more than a quarter, or almost 1.7 million, is not in employment, education or training (NEET). This proportion reached 44 percent among young women and 11.7 percent among their male counterparts.

1 "Promoting Youth Opportunities and Participation",World Bank May 2012

Chart 1.3.5: Labor force participation rate by age group (%)

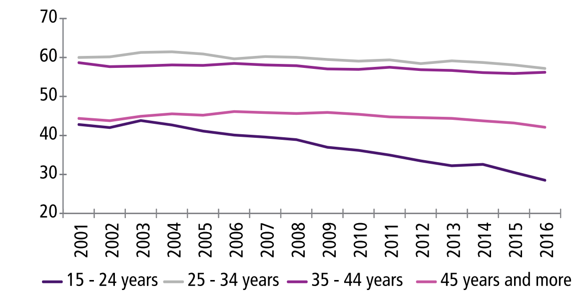
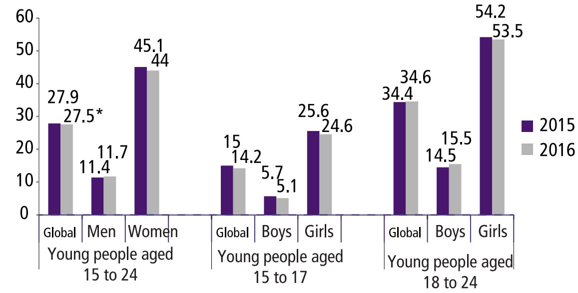


Chart 1.3.6: Ratio of young persons in NEET (%)



* This rate was calculated on the basis of data published by the HCP.
Source: HCP.

1.3.2 Change in employment

After two years of weak job creations, the national economy suffered a loss of 37 thousand posts in 2016, covering a decrease of 63 thousand in rural areas and an increase of 26 thousand in urban areas. The employed labor force fell by 0.3 percent to 10.64 million and the employment rate[1] fell sharply to 42 percent from 42.8 percent in 2015. By residence, the decline was more pronounced in rural areas, where this rate fell by one percentage point to 53.4 percent, as against 0.5 percentage point to 34.9 percent in urban areas.

By sector of activity, after a loss of 32 thousand jobs in 2015, agriculture showed a contraction of 119 thousand jobs, the largest ever recorded, due to exceptionally unfavorable climatic conditions[2].

In the nonagricultural sector, although slightly improving, employment continues to suffer from sluggish activity. In services, job creations remained limited to 38 thousand posts, concentrated in industries employing low-skilled workforce, namely "personal and household services" with about 29 thousand jobs and "non-store retail trade" with 8 thousand jobs. Similarly, after 15 thousand a year earlier, industry, including handicrafts, created only 8 thousand jobs, of which 6 thousand in the manufacture of wood and wood products. In construction, employment continued to improve with 36 thousand new jobs as against 18 thousand in 2015.

Taking into account these developments, the sectoral structure of employment was marked by a further drop in the agriculture share from 39 to 38 percent, while services and construction, whose shares rose from 40.3 to 40.8 percent and from 9.4 to 9.8 percent, respectively. The share of industry, including handicrafts, progressed slightly, from 11.2 to 11.3 percent.

1 Ratio of the employed labor force aged 15 years and over to the total population aged 15 and over.
2 The 2015/2016 crop year recorded the lowest cumulative rainfall in the last 30 years.

Chart 1.3.7: Job creation by sector of activity (in thousands)

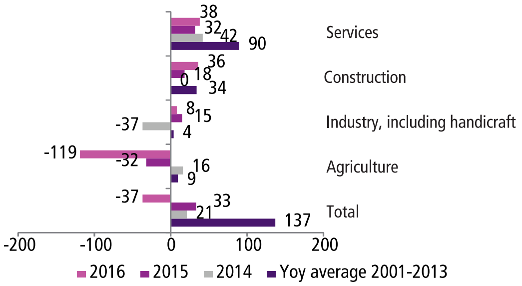
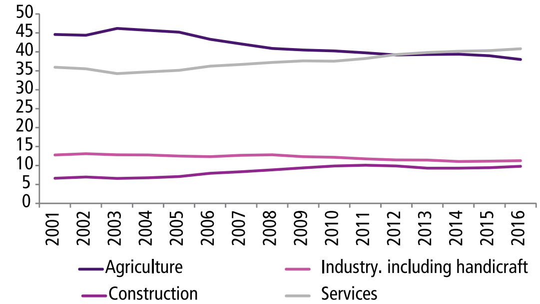


Chart 1.3.8: Structure of employment by sector (%)



Source : HCP.

The skills of the employed labor force are structurally low and their pace of improvement remains slow. Only 12.4 percent of employed persons hold a higher-level diploma, while 27.3 percent have an average degree and more than 60 percent have no diploma. The latter proportion stood at 71.9 percent among women compared to 59.7 percent among men. By sector of activity, it ranges from 41.5 percent in services to 82.5 percent in agriculture.

Chart 1.3.9: Structure of employment by level of qualification (%)

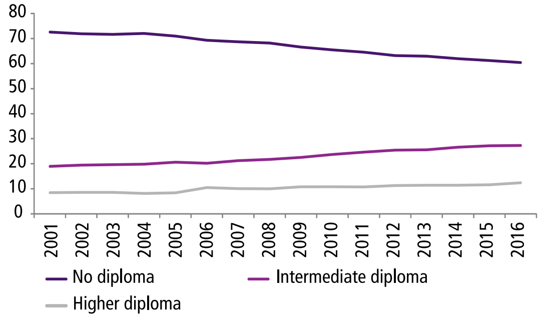
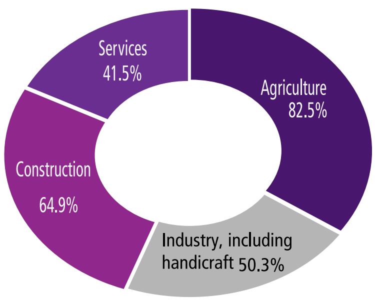


Chart 1.3.10: Proportion of unqualified labor force by sector (%)

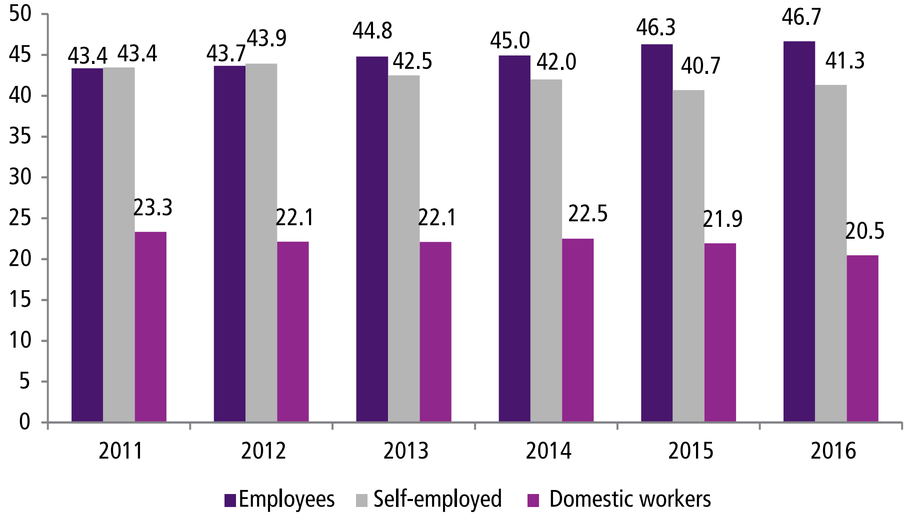


Source : HCP.

In addition, conditions of employment of the large segment of the employed labor force remain precarious. More than 78 percent of the employed do not receive medical coverage, including 92.8 percent in rural areas and 64.6 percent in urban areas. Similarly, 40.6 percent of this population overall, including 50 percent for men and 14.2 percent for women, have excess working hours[1]. More than 20 percent of the employed are not remunerated, 41.3 percent are self-employed and 46.7 percent receive wages. Of these, almost two-thirds have no contract, a proportion that stands at 89.7 percent in the construction sector.

1 This threshold is set by the ILO at more than 48 hours per week.

Chart 1.3.11: Structure of employment by professional status (%)



Source: HCP, and BAM calculations.

Box 1.3.1 : Self-employed status: principles and achievements

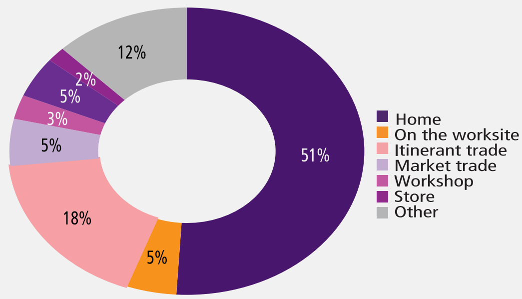
The law governing the self-employed status was published in the Official Gazette in March 2015. The establishment of this status is part of the authorities' efforts to reduce the burden of the informal economy and to reduce unemployment through self-employment, using simplified and advantageous taxation and streamlined administrative procedures. When the Finance Act 2016 was presented, the Government declared a target of 100,000 members to the self-employed status by 2020, or 20,000 per year.

In terms of eligibility, the self-employed status is open to any natural person who pursues an economic activity on an individual basis and whose annual turnover is less than or equal to 500.000 dirhams for commercial, industrial and handicraft activities, and 200,000 dirhams for service delivery. The income tax rate is in discharge and stands at 1 percent of turnover for the first category and 2 percent for the second. Moreover, thanks to this status, the holder is exempted from VAT, but remains subject to the business tax after five years of activity. In terms of administrative aspects, the self-employed is exempt from keeping accounts and is entitled to procedural facilitations, which consists of a simple declaration of existence and turnover. This status also exempts its holder from registration in the trade register and the designation of a principal place of residence. In addition, it is expected that a social and medical insurance scheme be established for the holders of this status.

The text governing this status also provides that the National Agency for Small and Medium-sized Enterprises (ANPME) should propose and drive support measures relating mainly to technical assistance, training and support for the self-employed.

From the launch of this new status to May 17, 2017, 44,768 registrations have been made. The breakdown by regularity of employment shows that 85 percent of the self-employed carry out permanent activities, while the others engage in seasonal activities. By sector, trade absorbs 44 percent of the total, followed by services with 31 percent and industry with 21 percent. In terms of place of activity, 51 percent of the self-employed work at home and 18 percent carry out non-sedentary trade, while 5.3 percent are established in a market.

Chart B1.3.1.1: Breakdown by place of activity



Source : Al Barid Bank

In terms of regional distribution, 48 percent of subscribers are concentrated in the Casablanca-Settat and Rabat-Salé-Kenitra regions. By gender, male self-entrepreneurs dominate with a 62 percent share.

Chart B1.3.1.2: Regional breakdown

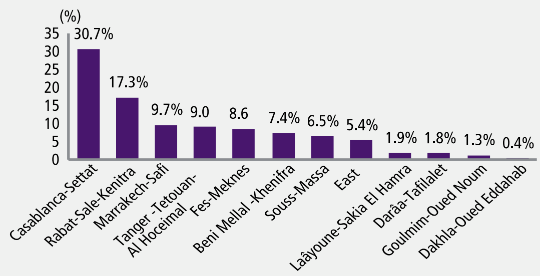
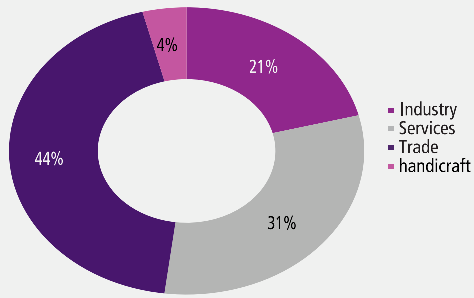


Chart B1.3.1.3: Breakdown by sector



As regards tax declarations, which began in March 2017, 123 self-entrepreneurs reported their turnover and paid over 76 thousand dirhams under the income tax.

1.3.3 Unemployment and underemployment trends

The unemployed labor force registered a further decrease in 2016 of 3.7 percent to 1.1 million. This trend reflects a 4.9 percent decline in the number of the unemployed in urban areas, particularly among men whose rate dropped significantly by 7 percent. However, this number grew in rural areas by 0.9 percent, covering an increase of 11 percent for women and a decline of 1.2 percent for men.

The unemployed population remains mainly young, with 64.8 percent of the population aged 15-29 years, and is dominated by the long-term unemployed[1] and first-time job seekers, who account for 67.2 percent and 54.7 percent, respectively. This population is also much more highly skilled than the employed population, with a 33.5 percent share having a higher-level diploma.

Chart 1.3.12: Proportion of long-term unemployed and first-time job seekers (%)

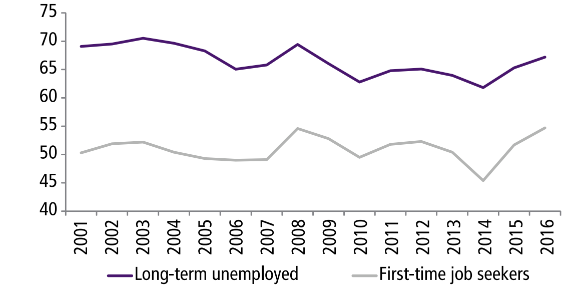
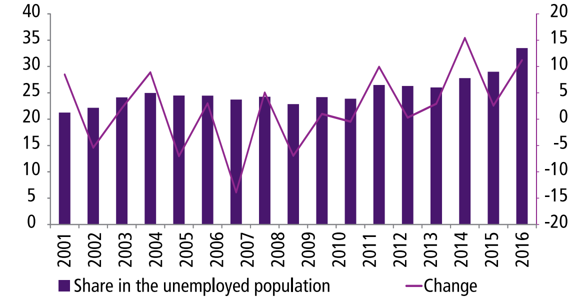


Chart 1.3.13: Unemployed high-level graduates (%)



Source : HCP.

Overall, the decline in the number of the unemployed, which is more significant relative to the labor force, reflects a fall in the unemployment rate from 9.7 to 9.4 percent nationally and from 14.6 to 13.9 percent in urban areas. Conversely, this rate was up slightly in rural areas from 4.1 to 4.2 percent. By age group, the decline was more marked among people aged 35 to 44 years, with 0.7 percentage point compared to 0.4 point for the 25-34 age group, and 0.3 point among people aged 45 years and over. Nevertheless, unemployment of young people aged 15 to 24 years continued to worsen, particularly in urban areas, where the rate stood at 41 percent, up 2 percentage points compared to 2015. Labor market conditions also continued to deteriorate for holders of higher-level diplomas, as the number of the unemployed in this category registered an average annual increase of 7 percent since 2010 to 370 thousand people, thus bringing their unemployment rate to 21.9 percent.

Chart 1.3.14: Rate of unemployment by age group (%)

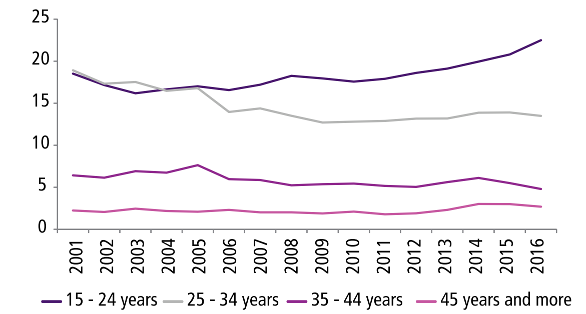
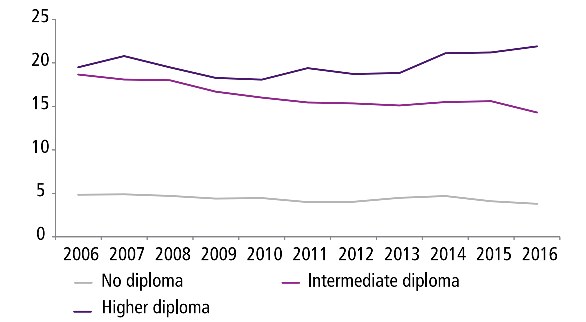


Chart 1.3.15: Rate of unemployment by degree of diploma (%)

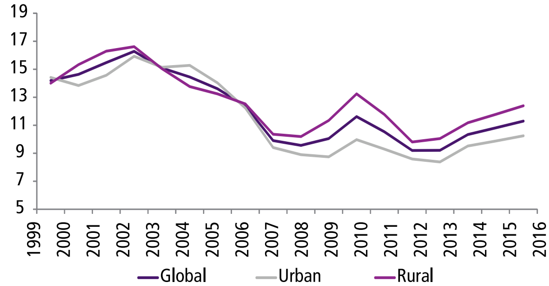


Source : HCP.

1 More than one year.

The observed decline in unemployment was coupled with a further increase in underemployment[1], a phenomenon that affects 70.5 percent of those seeking other employment for reasons of inadequacy with their skills or insufficient remuneration. Thus, the proportion of the underemployed grew 0.5 percentage point to 11.3 percent, with an increase of 0.7 point to 13.1 percent among men and a decrease of 0.4 percentage point to 6.2 percent among women. By sector of activity, with the exception of services where it stabilized at 10.1 percent, this rate showed increases ranging from 0.7 percentage point in industry, including handicrafts, to 1.6 percentage point in the construction branch.

Chart 1.3.16: Rate of underemployment by residence (%)



Source : HCP.

Table 1.3.1: Rate of underemployment by sector of activity and by gender (%)

	2015	2016
By secteur		
Agriculture	10.8	11.6
Construction	16.9	18.5
Industry including handicrafts	8.2	8.9
Services	10.1	10.1
By gender		
Men	12.4	13.1
Women	6.6	6.2

Box 1.3.2 : Gender inequality in the labor market

The issue of gender inequality in the labor market is a global concern that affects both developed countries as well as emerging and developing economies. Beyond its social impact, numerous studies highlight that it has a considerable economic cost.

In Morocco, since the early 2000s, major efforts have been made to reduce gender inequality in general. While significant results have been recorded in several areas, particularly in terms of enrollment, significant gaps persist, particularly in the labor market.

Indeed, the participation rate of women has not exceeded 23.6 percent in 2016, which is 47.2 percentage points lower than that of men. This gap stands at 49.7 points in cities and 43 points in rural areas. In seventeen years, it fell only marginally with a drop of 1.8 point nationally, 2.1 points in urban areas and 1.6 point in rural areas.

This wide disparity, which also characterizes the other countries of the MENA region, affects all age groups, especially those aged 25-44 years for whom the gap exceeds 60 points. By level of education skills, this disparity is relatively less pronounced for those with a higher-level diploma, i.e. 22.2 points as against 45.9 points for holders of intermediate-level diplomas and 56.1 points for those without diplomas.

1 According to HCP, the population living in underemployment consists of persons who have worked: i) during the reference week for less than 48 hours, but are willing to work extra or (ii) more than the set of thresholds, and who report that they are seeking a job or ready to change job for mismatch with their training or their qualifications, or for insufficient income.

Table B 1.3.2.1 : Labor force participation rate by gender in 2013 (%)

		National		Urban		Rural	
		Men	Women	Men	Women	Men	Women
	Overall*	70.8	23.6	66.3	16.6	77.9	34.9
Age group	15-24 years	47.0	17.0	35.3	10.9	60.3	24.5
	25-34 years	94.6	30.9	93.8	26.7	95.8	37.3
	35-44 years	96.5	30.9	95.9	22.3	97.7	46.3
	45 years and over	66.9	23.8	61.1	12.9	77.3	42.6
Level of qualification	With no diploma	81.4	25.3	75.2	10.7	87.0	39.6
	With an intermediate-level diploma	62.5	16.6	62.7	15.5	62.2	20.4
	With a high-level diploma	69.4	47.2	69.7	47.8	66.8	34.8

Source : HCP.

* Data for 2016.

Even when they enter the labor market, women have relatively more difficulties than men in accessing employment, with their unemployment rate in 2016 standing at 10.9 percent, compared to 8.9 percent for men. In urban areas, the rate was 22.1 percent compared to 11.7 percent for men. For higher-level graduates in particular, the unemployment rate is 26.1 percent compared to 14 percent for their male counterparts. In rural areas, women's unemployment rate is relatively lower, standing at 2.4 percent, compared to 5 percent for men.

Table B1.3.2.2: Unemployment rate by gender in 2013 (%)

		National		Urban		Rural	
		Men	Women	Men	Women	Men	Women
	Overall*	8.9	10.9	11.7	22.1	5.0	2.4
Age group	15-24 years	19.4	18.2	33.2	44.9	10.2	3.6
	25-34 years	12.3	15.7	17.2	28.0	4.9	2.5
	35-44 years	5.3	6.4	6.6	12.6	3.0	1.2
	45 years and over	2.6	1.5	3.4	3.9	1.6	0.3
Level of qualification	With no diploma	5.3	2.7	7.8	9.8	3.3	0.8
	With an intermediate-level diploma	14.1	20.2	16.6	25.4	8.6	6.7
	With a high-level diploma	14.6	26.5	14.0	26.1	22.3	40.9

Source: HCP.

* Data for 2016.

Moreover, if they have a job, it would be overall precarious and of low quality. Almost half of the jobs held by women, compared to 12.6 percent for men, are not remunerated. This proportion reaches 73.6 percent in rural areas where women work as family aids in farms. This situation reflects, among other things, their low level of education, as 56.4 percent among them do not have formal education compared to 25 percent for men.

Chart B1.3.2.1: Employment structure by gender according to professional status (in 2013, %)

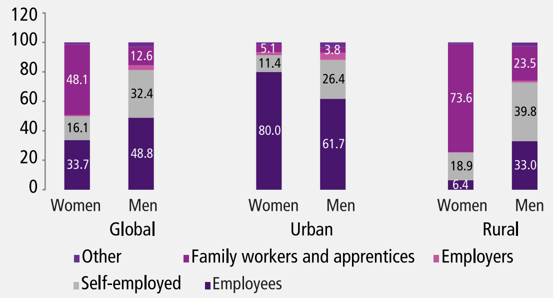
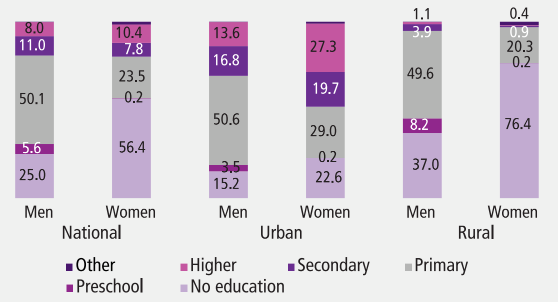


Chart B1.3.2.2: Employment structure by gender according to level of education (in 2013, %)



Source: HCP.

When they are paid, they receive lower wages than men. According to a World Bank study published in 2015[1] , the gap is estimated at 30 percent. Similarly, data from the World Economic Forum's survey of 2015 indicate that Morocco performs weakly in terms of equal pay by gender[2], ranking 125th out of 134 countries, far behind some countries in the MENA region such as Egypt (24th), Algeria (43rd) or Tunisia (72nd).

1 Morocco: mind the gap-empowering women for a more open, inclusive and prosperous society", World Bank, June 2015.

2 This ratio is calculated on the basis of the following question: "In your country, for a similar job, to what extent the wages of women are equal to those of men?" And the answer varies from 1: Absolutely not to 7: Full equal pay.

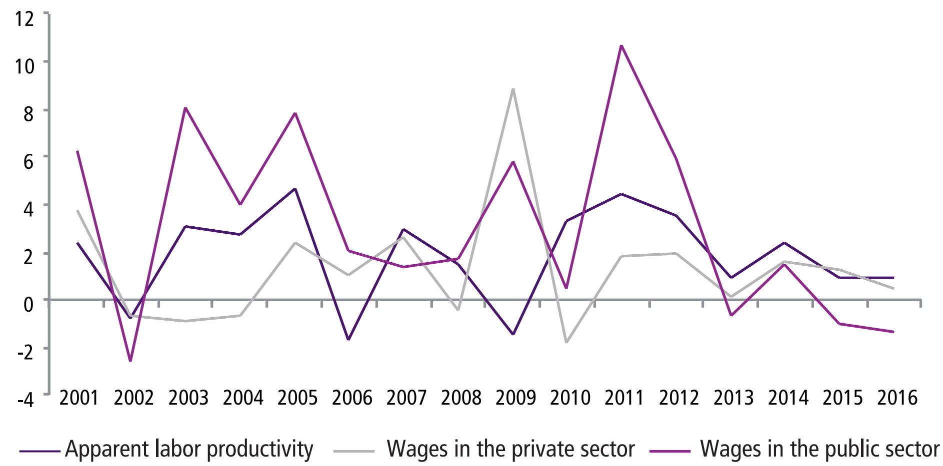
1.3.4 Productivity and labor cost

The virtual stability of the value added growth and the relative improvement in employment in the nonagricultural sector resulted in a slower apparent labor productivity[1]. Growth of the latter decelerated from 0.9 to 1 percent, reflecting a decrease of 0.7 percent in secondary activities, the first since 2009, after an increase of 0.3 percent. However, it moved up 1.8 percent in the tertiary sector, as against 0.9 percent.

In this context, the private sector's average wage, calculated on the basis of the CNSS data, rose from 2.8 to 2.1 percent in nominal terms and from 1.3 to 0.5 percent in real terms. In the public sector, it grew by 0.2 percent in nominal terms from 0.6 percent a year earlier and showed a decline from 1 to 1.4 percent.

1 Measured by the ratio of the value added to nonagricultural employment.

Chart 1.3.17: Evolution of wages and of apparent labor productivity in nonagricultural activities (change in %)



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

Table 1.3.2 : Main indicators of labor market

		2011	2012	2013	2014	2015	2016
Indicators of activity							
Labor force (in thousands)		11 538	11 549	11 705	11 813	11 827	11 747
Urban		6 089	6 145	6 217	6 307	6 326	6 307
Rural		5 448	5 404	5 488	5 506	5 501	5 440
National participation rate (%)		49.2	48.4	48.3	48	47.4	46.4
Urban		43.3	42.8	42.4	42.1	41.4	40.5
Young persons aged 15 to 24 years		25.6	24.5	23.1	22.6	21.6	20.4
Rural		57.9	57.0	57.4	57.2	56.7	55.7
Men		74.3	73.6	73.0	72.4	71.5	70.8
Women		25.5	24.7	25.1	25.3	24.8	23.6
Indicators of employment							
Total job creation (in thousands)		105	1	114	21	33	-37
By place of residence	Urban	103	48	26	27	29	26
	Rural	2	-47	88	-6	4	-63
By sector	Agriculture	-9	-59	58	16	-32	-119
	Industry, including handicraft	-32	-28	5	-37	15	8
	Construction	30	-21	-50	0	18	36
	Services	115	111	101	42	32	38
Active labor force (in thousands)		10 509	10 511	10 625	10 646	10 679	10 642
Urban		5 272	5 320	5 346	5 373	5 402	5 428
Rural		5 237	5 190	5 278	5 273	5 277	5 214
National employment rate (%)		44.8	44.1	43.8	43.3	42.8	42.0
Urban		37.5	37.0	36.4	35.9	35.4	34.9
Rural		55.7	54.7	55.2	54.7	54.4	53.4
Indicators of employment and underemployment							
National underemployment rate (%)		10.5	9.2	9.2	10.3	10.8	11.3
Urban		9.3	8.6	8.4	9.5	9.9	10.2

Rural		11.8	9.8	10.1	11.2	11.8	12.4
Unemployment rate (%)		8.9	9.0	9.2	9.9	9.7	9.4
Holder of higher diplomas		19.4	18.7	18.8	21.1	21.2	21.9
Urban		13.4	13.4	14	14.8	14.6	13.9
Young people aged 15 to 24 years		32.2	33.5	36	38.1	39	41
Rural		3.9	4.0	3.8	4.2	4.1	4.2
Productivity and wage costs (change in %)							
Apparent labor productivity in nonagricultural activities		4.5	3.5	0.9	2.4	0.9	1.0
Guaranteed minimum wage and Minimum agricultural wage	Nominal	5.0	7.2	2.3	2.5	4.9	2.3
	Real	4.1	5.8	0.3	2.0	3.3	0.7
Private sector's wages	Nominal	2.7	3.2	2.0	2.0	2.8	2.1
	Real	1.8	1.9	0.1	1.6	1.3	0.5
Public sector's wages	Nominal	11.8	7.3	1.2	2.0	0.6	0.2
	Real	10.7	5.9	-0.6	1.5	-1	-1.4

Sources : HCP, CNSS, Ministry of employment and general affairs and BAM calculations.

1.4 Inflation

In 2016, inflation, as measured by the change in the Consumer Price Index, remained moderate at 1.6 percent, which is the same rate as in 2015. By component, after an increase of 4.3 percent in 2015, volatile food prices rose 7.5 percent, the highest rate in the last eight years. This acceleration is attributed to a series of shocks that negatively impacted the supply of several fresh foodstuffs. Similarly, the fall in fuel and lubricant prices eased significantly from 16.1 percent to 1.7 percent, in conjunction with the reversal of the downward trend in international oil prices since the beginning of the year.

However, the growth in prices for regulated products decelerated from 2.9 percent to 0.8 percent, mainly owing to the suspension of the planned increase in drinking water supply services as part of the program-based contract concluded between the Government and the National Office for Electricity and Drinking Water (ONEE) in 2014. Core inflation fell from 1.3 percent to 0.8 percent in a context marked by sluggish demand and low imported inflation.

Chart 1.4.1: Inflation development

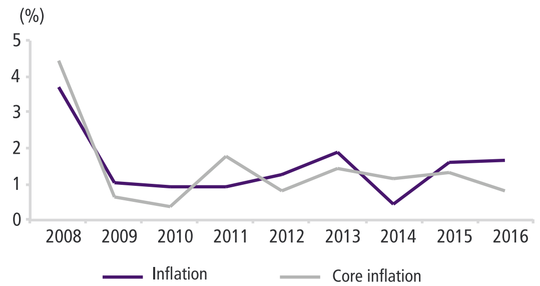
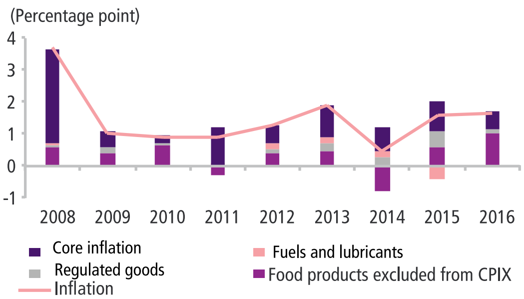


Chart 1.4.2: Contribution to inflation



Sources: Data HCP, and BAM calculations.

Table 1.4.1: Change in consumer prices

Groups of products	YoY change in %						
	2010	2011	2012	2013	2014	2015	2016
Consumer price index	**0.9**	**0.9**	**1.3**	**1.9**	**0.4**	**1.6**	**1.6**
Volatile food prices	**5.0**	**-2.0**	**3.0**	**3.3**	**-5.6**	**4.3**	**7.5**
Fuels and lubricants	**-0.7**	**0.0**	**9.9**	**8.0**	**7.0**	**-16.1**	**-1.7**
Price-regulated (1)	**0.4**	**0.1**	**0.7**	**1.4**	**1.7**	**2.9**	**0.8**
Inflation sous-jacente	**0.4**	**1.8**	**0.8**	**1.5**	**1.2**	**1.3**	**0.8**
- Food products included in core inflation	-0.6	3.3	2.2	1.6	1.0	1.8	0.6
- Clothing items and footwear	0.5	1.6	2.1	1.6	2.1	0.6	1.1
- Housing, water, gas, electricity and other fuels[1]	0.8	1.0	1.0	2.2	1.7	1.1	1.0
- Furniture, household appliances and routine household maintenance	0.8	0.8	0.1	0.2	0.8	0.3	0.6
- Health(*)	0.0	0.3	2.0	0.9	2.6	1.0	1.0

- Transport(*)	0.3	-0.3	0.9	1.2	0.9	0.3	0.3
- Communications	-1.1	-5.4	-19.6	-9.2	-4.6	0.2	-0.2
- Entertainment and culture	-0.7	-0.7	0.5	0.4	-0.9	0.3	1.6
- Education	4.1	4.1	3.8	5.5	3.4	2.9	2.3
- Restaurants and hotels	2.4	1.7	2.0	3.2	2.5	2.3	2.5
- Miscellaneous goods and services	1.7	2.1	1.4	1.3	1.2	0.6	0.2

(1) For the years before 2016, this heading corresponds to regulated products excluding fuels and lubricants

(*) Excluding price regulated goods.

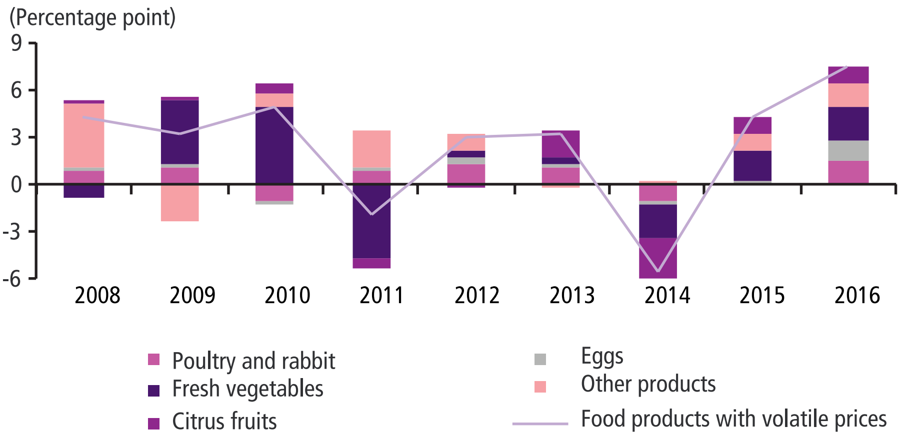
Sources: HCP, and BAM calculations.

1.4.1 Change in CPI components

1.4.1.1 Volatile food prices

Change in volatile food prices were marked in 2016 by a series of shocks that negatively impacted the supply of certain fresh vegetables, eggs and poultry. Indeed, inadequate rainfall, particularly between November 2015 and January 2016, resulted in a contraction in onion production and a surge in their prices[1], leading to a 7.1 percent increase in prices for "fresh vegetables" as against 6.4 percent. Similarly, health problems[2] affecting the poultry sector at the beginning of the year caused major disruptions in the production chain and record increases in prices for "eggs" and "poultry and rabbit". Prices of the latter grew by 8.1 percent after a stability in 2015 and those of "eggs" rose by 17.2 percent as against 2.1 percent. In total, volatile food prices grew 7.5 percent from 4.3 percent, bringing their contribution to inflation from 0.6 to 1 percentage point.

Chart 1.4.3: Contribution to the change in volatile food prices



Sources: HCP data and BAM calculations.

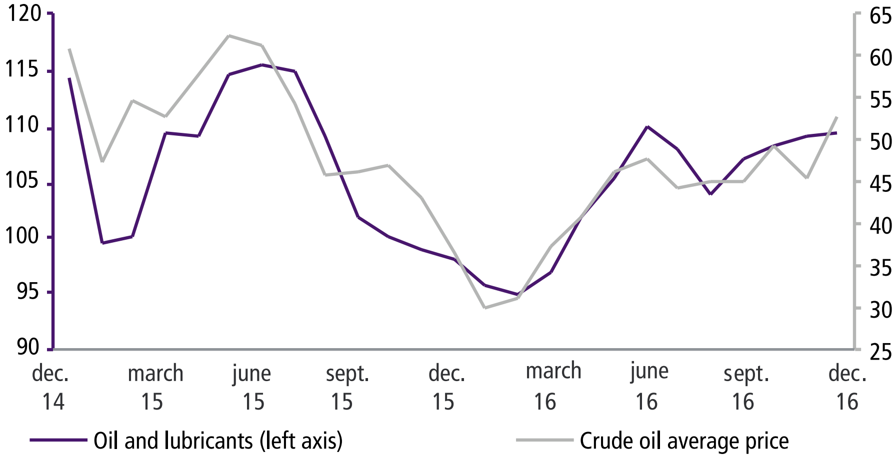
1 According to data from the ASAAR system of the Ministry of Agriculture and Fisheries, the wholesale price of dry onions increased from 2.5 dirhams/kg on average in 2015 to 9.4 dirhams/kg between March and May 2016, before declining to 2.3 dh/kg in December 2016.

2 This is an epizootic, a variant of avian influenza.

1.4.1.2 Fuels and lubricants

After dropping by 16.1 percent in 2015, fuel and lubricant prices fell slightly by 1.7 percent, due to the slower decline in international crude oil prices. After a downward trend that began in June 2014, crude oil prices were tilted to the upside as of January 2016, ending the year on an average of $42.8 per barrel from $50.8 in 2015 and $96.2 in 2014.

Chart 1.4.4: Fuel and lubricant prices (2006=100) and Brent prices ($ per barrel)



Sources: HCP and World Bank.

1.4.1.3 Regulated goods

After a strong 2.9 percent increase in 2015, prices for regulated goods grew by 0.8 percent, mainly reflecting slower growth of tariffs for "electricity", "water and sanitation", and "tobacco".

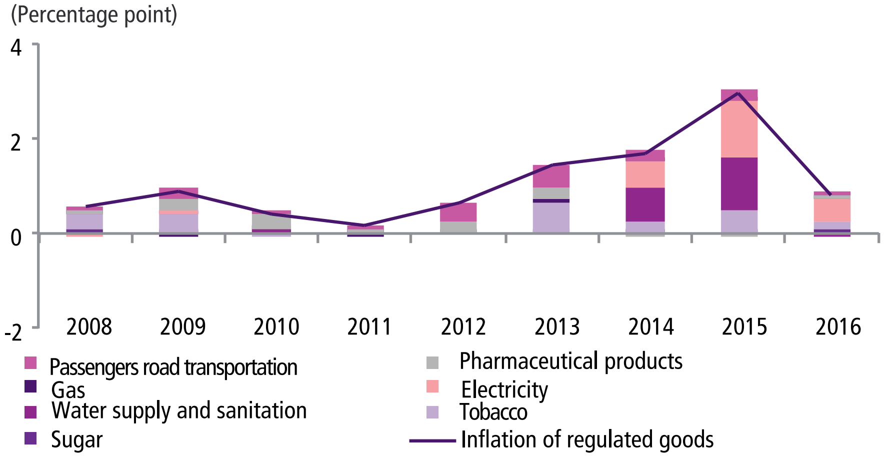
Thus, under the terms of the program contract between the State and ONEE covering the period 2014-2017, electricity tariffs rose by 2.4 percent in January 2016 from 2.2 percent in January 2015, and 6.5 percent in August 2014. On the other hand, the price increase in the "water supply and sanitation" sector, planned in 2015 and 2016, was suspended[1] . Also, prices for these services progressed by 1.4 percent, as against 7.6 percent and their contribution to regulated product inflation fell from 2.3 percentage points to 0.4 percentage point.

After a 4 percent increase, tobacco product prices moved up 1.5 percent in 2016 in conjunction with revisions made in June 2015 as part of the related control process[2]. Similarly, tariffs for "passenger road transport" rose slightly by 0.2 percent as opposed to 2.3 percent.

1 Following demonstrations in some cities.

2 As part of the gradual liberalization of the tobacco market and with a view to creating the conditions for sound competition between operators, the Government introduced in 2013 important changes in manufactured tobacco regime, including the abolition of the minimum price rule and the adoption of a price control procedure. Thus, prices, freely determined by the operator, can only be applied once they have been approved by a commission set up by the Ministry of General Affairs and Governance. This Ministry gives its opinion on the prices proposed for the new products and on the upward revisions of the prices of the existing products, while, by law, prices cannot be lowered.

Chart 1.4.5: Contributions to inflation of regulated goods



Sources: HCP data and BAM calculations.

Box 1.4.1: Liberalization of fuel prices and impact on inflation

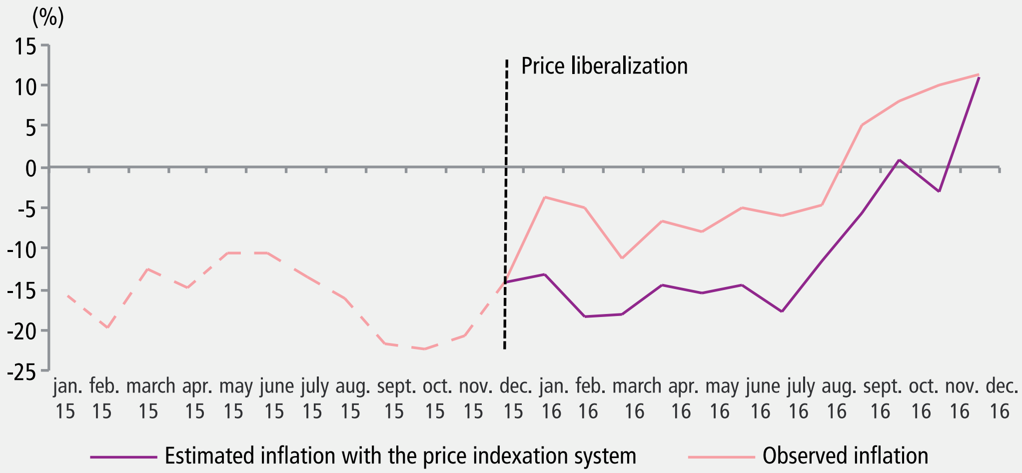
In December 2015, prices for liquid petroleum products were fully liberalized. This measure is the final phase of the gradual oil subsidy reform process that began in September 2013 with the partial indexation of pump prices on international prices. This process was followed by a gradual reduction of the unit subsidy, which was totally abolished in January 2015. Since then, the authorities have supported professionals in setting prices under a total indexing system, until end-November 2015.

Compared to the previous system, which was based on a structure that included fixed remuneration for the various parties and operations along the supply chain, price deregulation allows each operator to apply its own selling prices within the framework of a competitive market. It took place in a supportive context marked, at the beginning of 2016, by international oil prices being at the lowest level since 2004. Despite a relative recovery afterwards, the latter remained moderate and decreased by 16 percent in 2016, after a decline of 47 percent in 2015.

In the absence of official data on pump prices charged by the various operators, the reference indicator assessing price trends for these products remains the fuel and lubricant price index in the CPI published by the HCP. This index fell slightly by 1.7 percent after a decline of 16.1 percent in 2015. This change was in line with that of international prices. However, it does not provide, on its own, information on the impact of price liberalization.

The estimate of the tariffs that would have prevailed in 2016, if the indexing system[1] put in place by the authorities had remained in force, shows that, in view of changes in the international prices of reference petroleum products and the exchange rate, the decline in the fuel and lubricant price index would have stood at 10.5 percent. In this case, inflation would have been 1.4 percent as against the actual 1.6 percent, which is an upward impact of 0.2 percentage point on average over the year. December 2016 data show that this impact has faded, indicating that the initial gap between the prices charged and prices that would have prevailed under total indexation is no longer widening but persists.

Chart B1.4.1.1: Inflation of fuels and lubricants



1 Based on the elements of the last structure published for the second half of November 2015.

1.4.1.4 Core inflation

After hovering around an average of 1.3 percent in the last three years, core inflation moved down to 0.8 percent in 2016. This slowdown is mainly attributed to a decrease from 1.8 percent to 0.6 percent in the price growth of foodstuffs included in its reference basket, following a 0.2 percent decline in cereal prices, after a 4.7 percent increase. However, "clothing and footwear" prices rose 1.1 percent as against 0.6 percent, thus contributing 0.1 percent to core inflation, instead of almost no contribution in 2015. For the other headings, their contributions remained stable from one year to the next, with price changes ranging from a decrease of 0.2 percent for "communication" to an increase of 2.5 percent for "restaurants and hotels". Regarding "education" in particular, prices continue to progress, but at a relatively lower pace, or 2.3 percent from 2.9 percent in 2015 and 4.2 percent on average between 2008 and 2014.

• Tradable and nontradable goods

The deceleration in core inflation affected both tradable and nontradable goods, albeit at a more pronounced pace for tradable goods. Indeed, prices of the latter rose by 0.6 percent, as against 1.4 percent a year earlier, mainly due to a virtual stability after a sharp increase of 4.7 percent in 2015, in prices for cereal-based products, which account for 17.5 percent. This development was recorded in a context marked by persistent disinflationary pressures in Morocco's key trading partner countries and by a limited increase in international prices of non-energy commodities.

Table 1.4.2: Annual change in the prices of tradable* and nontradable goods (%)

	2010	2011	2012	2013	2014	2015	2016
Core inflation	**0.4**	**1.8**	**0.8**	**1.5**	**1.2**	**1.3**	**0.8**
Tradables	-0.8	2.5	2.0	1.2	1.4	1.4	0.6
Nontradables	1.7	1.0	-0.5	1.7	0.9	1.3	1.0

* Included in the core inflation indicator

Sources: HCP data, and BAM calculations.

Similarly, prices for nontradables grew by 1 percent from 1.3 percent. This slowdown is mainly due to a 0.2 percent decline in "fresh meat" prices after a 0.6 percent increase and a less rapid increase from 6.1 percent to 1.9 percent in the prices of "secondary education" services.

Chart 1.4.6: Change in core inflation

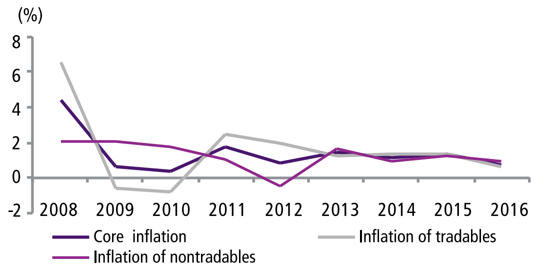
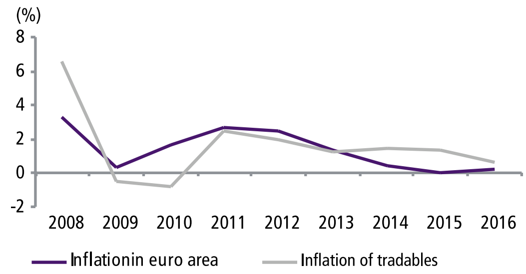


Chart 1.4.7: Change in inflation of tradables and inflation in the euro area



Sources: HCP data, and BAM calculations.

1.4.2 Goods and services

Analysis of CPI trends by distinguishing[1] between goods and services shows that the stagnation of inflation at its 2015 level covers a deceleration in services prices, a slow fall in fuel and lubricant prices and a steady growth of other goods. Indeed, the growth of services prices decelerated from 2.5 percent to 1.2 percent owing to slower growth of water and electricity supply prices and, to a lesser extent, the dissipation of the impact of the October 2014 increase in passenger road transport prices.

1 There are four categories: processed goods excluding fuels and lubricants, unprocessed goods, fuels and lubricants, and services.

Concerning goods excluding fuels and lubricants, prices of unprocessed goods accelerated from 2.8 percent to 4.7 percent, mainly due to a more rapid increase in fresh food prices compared to 2015. As to processed goods, after a rise of 1.4 percent in 2015 attributed to higher prices for cereal-based products, prices moved up slightly by 0.4 percent.

Chart 1.4.8: Change in prices of goods and services (%)

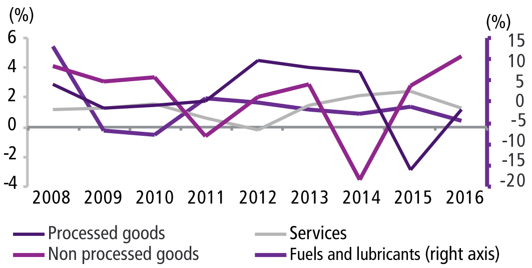
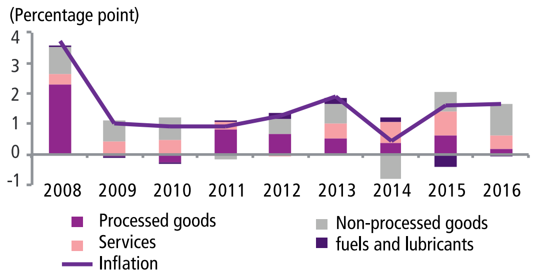


Chart 1.4.9: Contribution of prices of goods and services to inflation (% points)



Sources: HCP data, and BAM calculations.

Box 1.4.2: Change in consumption patterns and inflation measurement

According to international standards[1], inflation is calculated as the change in the consumer price index. The latter represents the standardized cost of a basket of goods and services that reflects household consumption patterns.

In Morocco, to determine the composition and structure of this basket, the HCP relies on data from the national household consumption and expenditure survey. This structural survey provides information on the population's socio-demographic characteristics, living conditions, and consumption and expenditure patterns. The reference basket currently used to calculate the consumer price index was developed on the basis of data from the 2001 survey, taking also into account information from the household living standards survey of 2007.

The latest household consumption and expenditure survey was carried out between July 2013 and June 2014 and its first findings, published in October 2016, indicate in particular that the food share in the household budget decreased. This share moved down from 41.3 percent in 2001 to 40.6 percent in 2007 and 37 percent in 2014 nationally, and for urban households, referred to in the CPI, it dropped from 37.9 percent to 36.8 percent and 33.3 percent, respectively. Despite this downward trend, the weight of food in the consumption budget of Moroccan households is still higher than that of some emerging countries, such as Chile (19.1 percent), Turkey (23.7 percent) or South Africa (18.2 percent), or even advanced countries like Spain (18.7 percent) or France (14.3 percent). The decrease in the food proportion was coupled with an increase in the share of certain services, such as "education", "housing and energy" and "hygiene and medical care".

1 "Consumer Price Index Handbook: Theory and Practice" jointly developed by the ILO, IMF, OECD, OSCE, United Nations and World Bank.

Table B1.4.2.1: Change in budget coefficients by major sections and place of residence

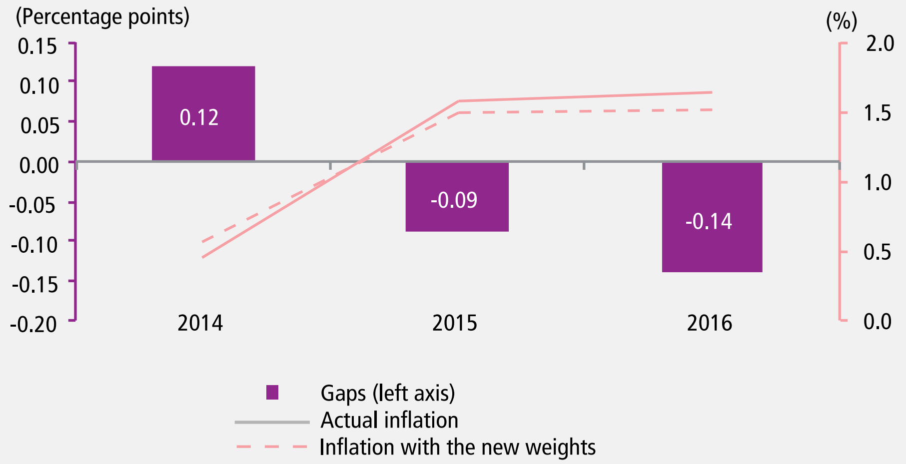
	Urban			Rural			Overall		
	2001	2007	2014	2001	2007	2014	2001	2007	2014
Food	37.9	36.8	33.3	49.9	49.3	47.3	41.3	40.6	37.0
Clothing	5.0	3.5	3.3	4.3	3.1	3.2	4.8	3.4	3.2
Housing and energy	22.6	21.1	24.2	21.0	18.3	19.8	22.1	20.3	23.0
Household appliances	3.8	3.7	3.1	4.0	3.6	3.5	3.8	3.6	3.2
Sanitation and medical care	8.3	7.6	9.2	5.6	6.3	7.5	7.6	7.2	8.7
Transportation	5.8	9.6	7.4	4.8	7.2	6.5	5.5	8.8	7.1
Communication	2.4	3.2	2.5	0.8	1.9	1.5	2.0	2.8	2.2
Education	1.9	3.3	4.4	0.8	1.2	1.7	1.6	2.7	3.7
Entertainment and culture	2.4	1.9	2.2	1.0	1.2	1.1	2.0	1.7	1.9
Other external on goods and services	9.9	9.3	10.4	7.8	7.9	7.9	9.3	8.9	10.0
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Source : HCP.

Consideration of the new consumption structure in the CPI calculation should lead to changes in terms of level and volatility of inflation. Indeed, an estimate of the CPI over the past two years by breaking down only two product groups, food[2] and non-food, shows lower inflation compared to the rate calculated by reference to the 2006 base index.

This overestimation of inflation by the current index is due to the surge in food prices during this period. It is estimated to be around 0.1 percentage point in 2015 and 2016.

Chart B1.4.2.1: Inflation of fuels and lubricants



The decrease of the food share in the household consumption basket also reduces the volatility of inflation. The standard deviation of inflation[3] over the past three years should fall from 0.7 percentage point by reference to the current basket to 0.6 percentage point with the new weights.

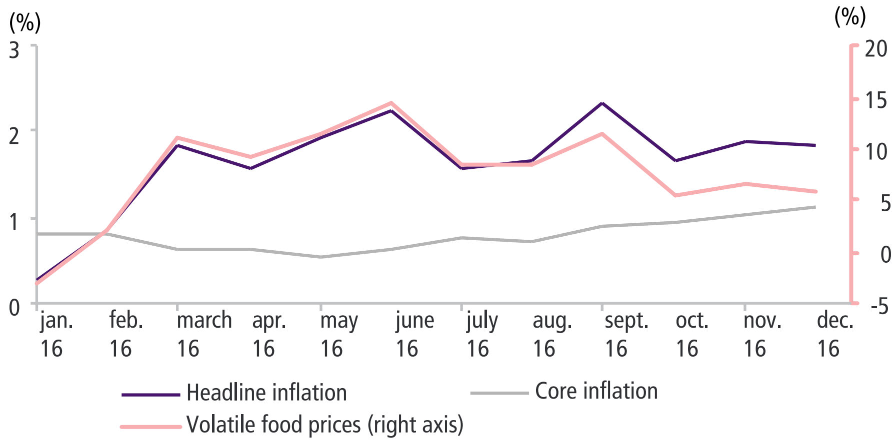
2 It should be noted that the food share in the CPI differs slightly from the food budget coefficient directly derived from the survey and represents the food expenditure share in the household budget. The CPI estimate based on the 2013/2014 survey assumes that the weight of food in the index changes in the same way as the food budget coefficient.

3 The standard deviation is used to measure the dispersion or spreading of a set of values around their average.

1.4.3 Infra-annual inflation profile

In the first months of the year, year-on-year inflation accelerated sharply from 0.3 percent in January to 1.8 percent in March, and hovered around the latter level over the rest of the year. Its trend between January and September was mainly driven by changes in volatile food prices. From October onwards, the effect of the slowdown in these prices was more than offset by the steeper upward trend in fuel and lubricant prices and the increase in core inflation.

Chart 1.4.10: Infra-annual change of inflation and core inflation



Sources: HCP data, and BAM calculations

1.4.4 Consumer price trends by city

The city-based analysis of consumer price trends shows that inflation ranged between 1 percent in Oujda to 2.3 percent in Al-Hoceima, which is a range of 1.3 percentage point compared to 1.6 percentage point in 2015.

Moreover, of the 17 cities covered by the price survey, 8 cities recorded faster inflation, ranging from 0.1 percentage point in Tangiers to 1 point in Settat and Agadir. Other cities saw decelerations between 0.1 point in Tetouan and 0.8 point in Laayoune.

Table 1.4.3 : Change in the CPI by city

	Average indexes				Inflation (%)		
	2013	2014	2015	2016	2014	2015	2016
Agadir	112.1	112.1	113.2	115.4	0.0	1.0	1.9
Casablanca	114.9	115.5	117.8	119.5	0.5	2.0	1.4
Fes	113.2	114.4	115.3	117.1	1.1	0.8	1.6
Kenitra	112.3	112.9	114.6	116.0	0.5	1.5	1.2
Marrakech	112.9	113.8	115.0	117.0	0.8	1.1	1.7
Oujda	112.6	112.5	114.2	115.3	-0.1	1.5	1.0
Rabat	110.5	111.5	113.0	115.1	0.9	1.3	1.9
Tetouan	112.0	112.4	114.4	116.3	0.4	1.8	1.7
Meknes	114.9	115.1	117.9	120.1	0.2	2.4	1.9
Tangier	114.7	115.1	117.0	119.1	0.3	1.7	1.8
Laayoune	112.6	112.8	115.1	116.5	0.2	2.0	1.2
Dakhla	111.8	112.6	115.2	117.4	0.7	2.3	1.9
Guelmim	112.5	112.3	114.5	116.0	-0.2	2.0	1.3
Settat	112.7	112.5	113.7	116.1	-0.2	1.1	2.1
Safi	108.2	108.9	110.5	111.6	0.6	1.5	1.0
Beni-Mellal	111.7	111.9	113.3	115.6	0.2	1.3	2.0
Al-Hoceima	114.0	113.8	115.3	117.9	-0.2	1.3	2.3
National	**112.9**	**113.4**	**115.2**	**117.1**	**0.4**	**1.6**	**1.6**
Range (% points)					**1.3**	**1.6**	**1.3**

Sources: HCP data, and BAM calculations.

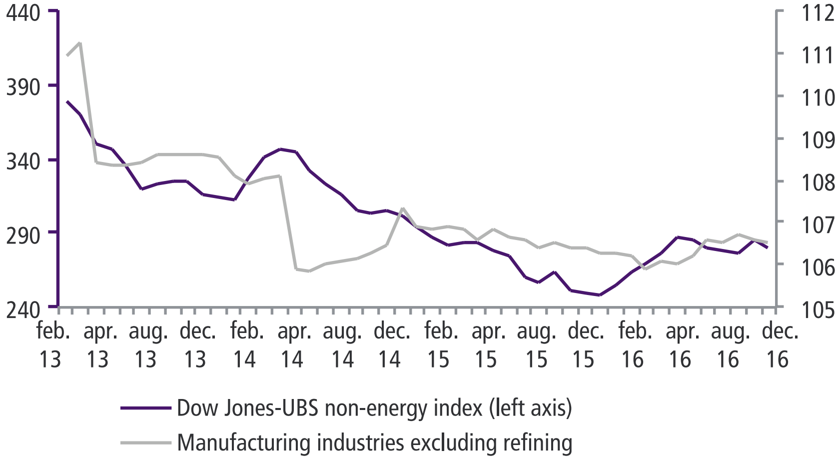
1.4.5 Change in the industrial producer price index

Change in industrial producer prices is apprehended by the monthly data collected from a sample of companies representing the industrial sector. Since May 2016, data on the coking and refining industry have been no longer available due to the cessation of the activity of SAMIR, the country's sole refiner. Under these conditions, the analysis will focus on the producer price index of manufacturing industries excluding refining. The latter is calculated on the basis of the weight of the refining industry in the overall index estimated from April 2016 data[1].

Thus, producer prices in non-refining manufacturing industries were tilted to the downside for the fourth consecutive year with a rate of 0.4 percent. This decline occurred in a context marked by the continued fall in oil prices and a slight increase in international prices for non-energy commodities. However, the infra-annual analysis of this trend indicates increases as of September, mainly reflecting the relative recovery in commodity prices on the international market.

1 The only observation published by the HCP with both overall and non-refining indexes.

Chart 1.4.11: Change in the overall DJ-UBSCI[1] and the industrial producer price index



[1] The Dow Jones-UBS Commodity Index (DJ-UBSCI) is composed of futures quotations of 22 commodities, including energy and agricultural goods, precious metals and base metals.

Sources: HCP data, Datastream, and World Bank.

By industry, prices dropped by 3.1 percent for electrical industries, 2.3 percent for paper and cardboard industries and 0.4 percent for food industries. Conversely, they increased by 2.6 percent for "rubber and plastic products", 2.4 percent for "tobacco products" and 0.8 percent for "clothing articles".

Table 1.4.4: Manufacturing producer price index (2010=100) (change in %)

	2011	2012	2013	2014	2015	2016
Non-refining producer price index	**8.2**	**1.8**	**-0.9**	**-2.0**	**-0.2**	**-0.4**
Including						
Food industries	4.5	3.2	1.5	-0.7	-0.7	-0.4
Tabacco products	0.0	0.0	6.4	2.1	5.2	2.4
Chemicals	36.7	2.1	-9.5	-11.7	-0.3	-0.2
Textile industry	2.1	0.8	-0.3	0.5	-2.8	0.1
Clothing	0.6	0.8	0.7	1.1	2.8	0.8
Electrical equipment and supplies	7.6	1.7	-1.6	-2.4	0.1	-3.1
Paper and cardboard	-0.2	-2.0	1.8	1.0	-0.4	-2.3
Rubber and plastic products	3.2	2.9	0.1	2.4	2.4	2.6

Sources: HCP data, and BAM calculations.

1.5 Public finance

The fiscal adjustment that began in 2013 did not proceed according to plan in 2016. Indeed, fiscal deficit excluding privatization stood at 4.2 percent of GDP, well above the target in the Finance Act. This excess is mainly due to higher execution of investment expenditure and repayment of VAT credits as well as lower grants from the GCC partners compared to the programmed amount.

Compared to 2015, tax revenues rose by 3.8 percent, with particularly a robust increase in customs duties. Nontax receipts fell slightly, covering mainly a decrease in monopoly revenues and an increase to 7.2 billion dirhams in grants from GCC countries. Meanwhile, current expenditure remained stable, mainly due to moderate payroll growth and a reduction in spending on other goods and services. Therefore, fiscal savings improved for the third year in a row, allowing a larger share of investment expenditure to be financed.

Taking into account an increase of 5.2 billion in arrears, the cash deficit stood at 36.9 billion, easing by 9.3 billion. This need was financed up to 92 percent by the domestic market.

Under these conditions, Treasury debt increased by 1 percentage point to 64.7 percent of GDP, with a 1.2 point increase in its domestic component to 50.6 percent of GDP and a 0.2 point decrease in the external debt to 14.1 percent of GDP.

Table 1.5.1 : Public finance main indicators, in % of GDP

	2011	2012	2013	2014	2015	2016
Current receipts	25.4	26.0	25.5	25.4	23.6	23.7
Tax receipts	22.6	23.4	21.9	21.4	20.7	20.9
GCC donations	-	-	0.6	1.4	0.4	0.7
Current expenditure	26.3	28.1	25.9	25.0	22.6	22.0
Payroll	10.8	11.4	11.0	11.0	10.4	10.3
Subsidy	6.0	6.5	4.6	3.5	1.4	1.4
Investment	6.1	6.1	5.4	5.9	5.9	6.2
Fiscal balance	-6.6	-7.2	-5.1	-4.9	-4.2	-4.1
Direct public debt	52.5	58.2	61.7	63.4	63.7	64.7
Gross public debt	63.5	69.5	73.4	78.2	79.9	81.4

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

1.5.1 Finance Act 2016

The 2016 budget law expected a reduction in fiscal deficit from 4.3 percent to 3.5 percent of GDP, or 36.6 billion dirhams. It mainly assumed a growth of 3 percent, inflation at 1.7 percent, an exchange rate of 9.5 dirhams per one dollar, and an average price of $61 per barrel for oil and $450 per tonne for butane gas.

The budgetary programming projected a 2.4 percent improvement in current revenue compared to the 2015 finance law. Tax receipts should progress by 3.2 percent, with particularly increases of 16.2 percent in registration and stamp duties, 5.7 percent in income tax and 3.4 percent in corporate tax, while proceeds from VAT should fall by 1.2 percent. Nontax revenues were expected to decline by 4.3 percent, reflecting a 12.5 percent decline in monopoly income, while grants from GCC partners should stand at 13 billion dirhams, which is the same level expected in 2015.

Table 1.5.2 : Budgetary planning (in millions of Dirhams)

	Finance Act 2015	Finance Act 2016	Change in %	Change in value
Current receipts	**240 197**	**245 945**	**5 748**	**2.4**
Tax receipts[1]	208 819	215 484	6 665	3.2
including : Value added tax	80 281	79 298	-984	-1.2
CT	42 780	44 255	1 475	3.4
IT	36 540	38 614	2 074	5.7
Nontax receipts[3]	28 378	27 161	-1 217	-4.3
Including : Grants from GCC countries	13 000	13 000	0	0.0
Receipts of some special Treasury accounts	3 000	3 300	300	10.0
Overall expenditure	**287 154**	**288 563**	**1 409**	**0.5**
Current expenditure	**237 919**	**235 433**	**-2 485**	**-1.0**
Wage bill	105 509	106 776	1 267	1.2
Other goods and services	58 865	61 033	2 168	3.7
Debt service	26 560	28 285	1 725	6.5
Subsidy costs	22 900	15 550	-7 350	-32.1
Transfers to local government	24 084	23 789	-295	-1.2
Current balance	**2 279**	**10 512**	**8 233**	
Capital spending[2]	49 235	53 130	3 895	7.9
Balance of other Treasury special accounts	5 000	6 000		
Overall fiscal balance	**-41 957**	**-36 618**		
In percentage of GDP*	**-4.3**	**-3.5**		
Financing requirement	**-41 957**	**-36 618**		
Domestic financing	20 368	14 409		
External financing	21 589	22 209		

1 Including 30% of VAT receipts transferred to local governments.
2 Issuance forecasts.
3 ratios calculated based on GDP as projected by the Ministry of Economy and Finance (DTEF).
Source: Ministry of Economy and Finance (DTEF).

Meanwhile, the expected easing of subsidy costs and the control of operating expenditure should result in a 1 percent drop in current expenses. In particular, payroll and other goods and services should rise only by 1.2 percent and 3.7 percent respectively, rates much lower than their historical averages. Investment issuances should expand by 7.9 percent to 53.1 billion dirhams.

Box 1.5.1 : Main tax measures of the 2016 Finance Act

One of the main tax measures of the 2016 Finance Act is the introduction of proportionate taxation regarding corporate tax. While maintaining the 37 percent rate for credit institutions and similar entities, it introduced four tax brackets based on the net taxable profit.

Table B1.5.1.1 : Corporate tax rate

Net taxable profit	Rate before 2016	Rate as of Januray 1, 2016
Below or equal to 300.000 DH	10%	10%
Between 300.001 DH and 1.000.000 DH		20%
Between 1.000.001 DH and 5.000.000 DH	30%	30%
Above 5.000.000 DH		31%

In terms of income tax, the main measures are about:

- Applying the tax system reserved for the product "Mourabaha" to "Ijara Mountahia Bitamlik". Thus, taxpayers who conclude the latter contract with a view to acquiring housing intended for their main residential use benefit particularly from:

- Deducing the rental margin of the total taxable income within the limit of 10 percent of the latter;
- Exempting the profit from the sale of the homes intended for the main residential use, with the status of the taxpayer assimilated to that of an owner during the period of rental;
- Taking into account the purchasing cost and the amount of the rental margin in determining the property profit in the event of the sale of the property.

- Extending by 40 percent the benefit of the deductible allowance to income from renting agricultural properties.
- Establishing the recovery of the tax on professional or agricultural income by means of spontaneous payment, determined on the basis of the real net income or simplified net income regimes. This measure is part of the generalization of the obligation of e-filing and e-payment scheduled as of January 2017.

Regarding the **value added tax**, the measures adopted are:

- Applying a reduced rate of 10 percent, instead of 20 percent, on the rental margin as part of the acquisition of a personal dwelling by way of "Ijara Mountahiya Bitamlik".
- Standardizing the import tax rate on barley and maize at 10 percent.

Table B1.5.1.2 : VAT Rate on wheat and maize imports

Utilization	Rate before 2016	Rate as of Januray 1, 2016
Human food	0%	
Livestock food	10%	10%
Others	20%	

- Exempting aircraft and aircraft dismantling operations from import VAT as against a 20 percent rate.
- Increasing the VAT rate applicable to rail transport operations from 14 percent to 20 percent and exempting imports of trains and railway equipment.
- Eligibility of low-income housing financed by participative banks for exemption from VAT.
- Generalizing the right to refund of the VAT charged on capital goods, except for those acquired by public establishments and enterprises.

The Finance Act also introduced other fiscal measures, including:

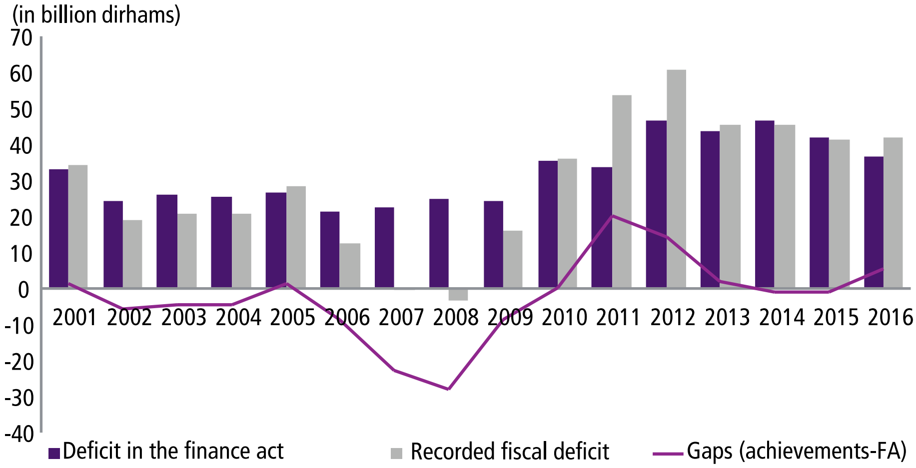
- Eliminating the charging of the minimum dues in terms of corporate tax and income tax over subsequent years, thus laying down the principle of minimum taxation definitively added to the Treasury.
- Generalizing as of January 1, 2017 the obligation of e-filing and e-payment to all taxpayers under the real net income or simplified net income regimes. For the financial year 2016, the obligation is only applicable to turnovers of more than or equal to 10 million dirhams.
- Several adjustments in terms of sanctions, the stated objective being to ensure equal treatment in terms of sanctions.

1.5.2 Budget execution

The budget execution for the year 2016 resulted in a higher deficit excluding privatization, up 2.1 percent to 42.1 billion dirhams, which is an overrun of 5.5 billion compared to the finance act target. This change was attributed to increases of 3.2 percent in current revenues[1] and 1.8 percent in overall expenditure as well as a decrease of 3.8 billion in the balance of Treasury special accounts.

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

Chart 1.5.1: Fiscal deficit



Source: Ministry of Economy and Finance (DTEF).

Current revenues

After a decrease of 0.6 percent, current revenues rose to 241.1 billion, driven by a 3.8 percent increase in tax receipts. These receipts, executed at 98.6 percent, stood at 212.4 billion and their ratio to GDP moved up from 20.7 percent to 20,9 percent.

Direct taxes, executed at 99.2 percent, amounted to 84.8 billion, up 4.9 percent. Corporate tax revenues grew by 5.2 percent to 43.2 billion, reflecting improved income from some major tax-payers, including OCP, ANRT and, BCP. Similarly, receipts from income tax rose 5.4 percent to 38.7 billion, with particularly increases of 17.2 percent to 4.3 billion in receipts from real estate profits and 3.1 percent to 9 billion in the income tax levied on public wages[1].

Proceeds from indirect taxes grew by 1.9 percent to 101.9 billion. VAT receipts were up 1.5 percent to 75.8 billion, covering an increase of 4.6 percent in import VAT to 47.9 billion and a decline of 3.3 percent in domestic VAT to 27.9 billion. The change in the latter is mainly attributed to larger repayments of VAT credits, which amounted to 8.1 billion, compared with 5.3 billion in 2015. Domestic consumer taxes (DCT) drained 26.1 billion, up 3 percent, mainly due to an 8.6 percent rise in receipts from tobacco to 9.3 billion and a drop of 0.6 percent to 15.2 billion for energy products.

Concerning other taxes, proceeds from customs duties jumped 17.6 percent to 9.1 billion, which is the largest increase since 1993, while registration and stamp duties rose 3.1 percent to 16.6 billion, thanks mainly to a significant improvement in receipts of the special annual tax on motor vehicles.

1 These are salaries paid by the Directorate of Staff Expenditure acting under the Treasury, which represent 88.1 percent of the total payroll.

Chart 1.5.2: Corporate tax and income tax revenues

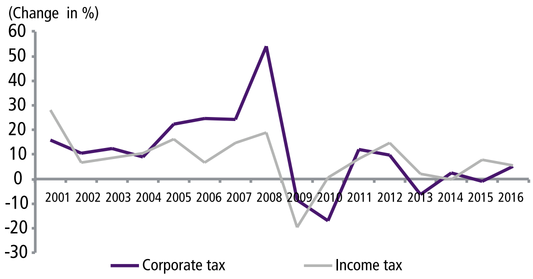
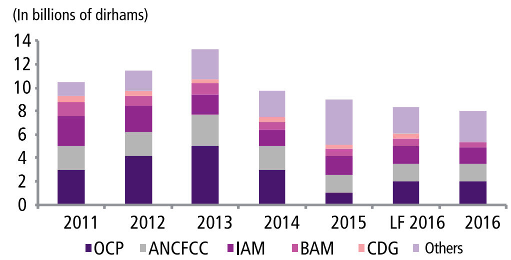


Chart 1.5.3: Receipts from monopolies and equity holdings



Source: Ministry of Economy and Finance (DTEF).

After a decrease of 24.1 percent, nontax revenues remained virtually stable at 25.4 billion in 2016. Donations from GCC countries totaled 7.2 billion from 3.7 billion in 2015, an amount far below the finance act projections of 13 billion dirhams. However, revenues from monopolies and equity holdings fell 8.6 percent to 8.2 billion, of which 2 billion came from OCP, 1.5 billion from ANCFCC, 1.4 billion from Maroc Telecom, 750 million from Marsa Maroc and 435 million from Bank Al-Maghrib. Other nontax revenues were down to 2.2 billion for cost-sharing contributions, to 1.9 billion for receipts used to offset debt expenses and 1 billion for the gas pipeline charge.

Chart 1.5.4: Current receipts

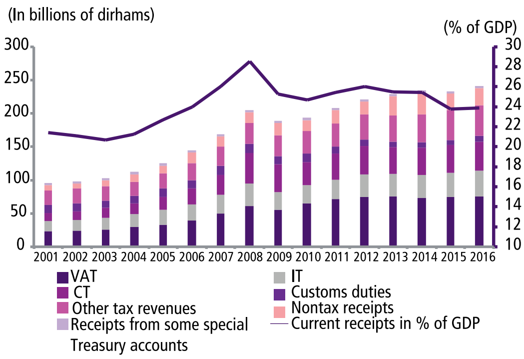
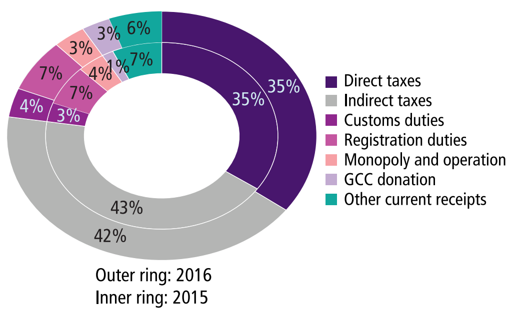


Chart 1.5.5: Structure of current receipts



Source: Ministry of Economy and Finance (DTEF).

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

	2015[1]	2016	Change in %	Implementation rate compared to the Finance Act 2016
Current receipts	**233 510**	**241 087**	**3.2**	**98.0**
Tax receipts	**204 645**	**212 373**	**3.8**	**98.6**
- Direct taxes	80 835	84 795	4.9	99.2
Corporate tax	41 091	43 242	5.2	97.7
Income tax	36 685	38 660	5.4	100.1
- Indirect taxes	100 003	101 914	1.9	97.2
Value added tax [2]	74 637	75 780	1.5	95.6
Domestic consumer tax	25 366	26 134	3.0	102.5
- Customs duties	7 715	9 074	17.6	114.8
- Registration and stamp duties	16 092	16 590	3.1	96.0
Nontax receipts	**25 493**	**25 391**	**-0.4**	**93.5**
- Grants from GCC countries	3 716	7 233	94.6	55.6
Receipts of some Special Treasury accounts	**3 372**	**3 322**	**-1.5**	**100.7**
Overall expenditure	**281 902**	**286 557**	**1.7**	**99.3**
Current expenditure	**223 211**	**223 315**	**0.0**	**94.9**
Goods and services	**159 552**	**159 384**	**-0.1**	**95.0**
- Staff expenditure	102 959	104 320	1.3	97.7
- Other goods and services	56 593	55 064	-2.7	90.2
Public debt service	**27 291**	**27 100**	**-0.7**	**95.8**
- Domestic	23 305	23 318	0.1	96.0
- External	3 986	3 782	-5.1	94.9
Subsidy costs	**13 977**	**14 097**	**0.9**	**90.7**
Transfers to local governments	**22 391**	**22 734**	**1.5**	**95.6**
Current balance	**10 299**	**17 771**		
Capital spending	**58 691**	**63 242**	**7.8**	**119.0**
Balance of other Special Treasury accounts	7 181	3 373		
Primary balance	**-13 921**	**-14 997**		
Overall fiscal balance	**-41 211**	**-42 097**		
Change in arrears	-5 073	5 151		
Financing requirement	**-46 284**	**-36 946**		
Domestic financing	45 923	32 618		
- Auction market	44 047	19 924		
- Other transactions	1 876	12 694		
External financing	318	2 794		
- Drawings	8 687	10 373		
- Depreciation	-8 369	-7 579		
Privatization	43	1 535		

1 Revised figures
2 Including 30% of VAT receipts transferred to local governments.
Source: Ministry of Economy and Finance (DTEF).

Overall expenditure

Current expenses, executed at 94.9 percent, were stable at 223.3 billion dirhams, albeit with a slight decrease of 0.1 percent in operating expenses to 159.4 billion. The wage bill rose 1.3 percent to 104.3 billion, reflecting mainly a net creation of 6,200 jobs and a 13.2 percent growth in retroactive pays. Nevertheless, measured as a ratio to GDP, it moved down again from 10.5 percent to 10.3 percent. After an increase of 11.5 percent in 2015, spending on other goods and services recorded a 2.7 percent decline. Transfers to public institutions and enterprises grew by 12.5 percent to 18 billion, loans to Treasury special accounts increased by 60.7 percent to 4.5 billion, payments to the Moroccan Pension Fund (CMR) remained unchanged at 13.4 billion and the other components dropped by 21.8 percent to 19.2 billion.

Chart 1.5.6: Overall Treasury expenditure

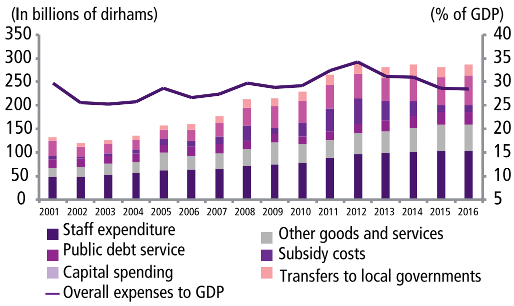
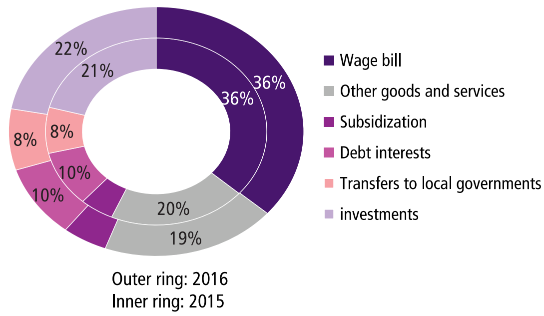


Chart 1.5.7: Structure of overall expenditure



Source: Ministry of Economy and Finance (DTEF).

After three years of decline, subsidy costs increased by 0.9 percent to 14.1 billion. Out of this amount, 7.2 billion were allocated to butane gas, down 16 percent, particularly owing to lower international prices. Subsidies for sugar progressed by 7.5 percent to 3.7 billion, while those for national wheat flour decreased by 25.5 percent to 1.2 billion.

Chart 1.5.8 : Wage bill

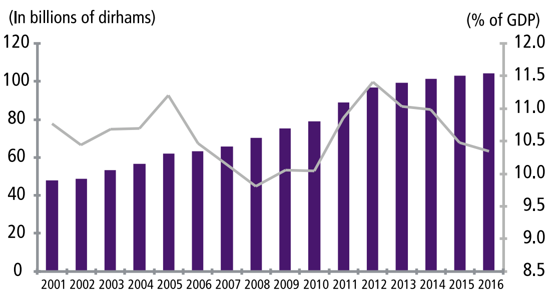
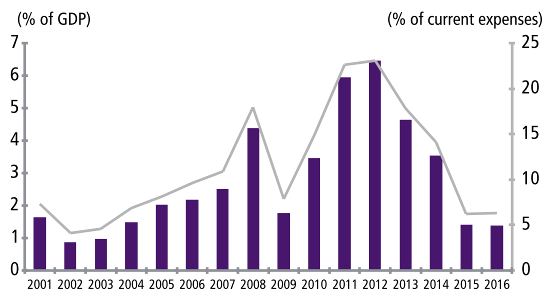


Chart 1.5.9 : Subsidy costs



Source: Ministry of Economy and Finance (DTEF).

After an increase by 10.1 percent in 2015, debt interest charges fell slightly by 0.7 percent to 27.1 billion. Interest payments on the external component fell by 5.1 percent to 3.8 billion and those on domestic debt stabilized at 23.3 billion.

Against this backdrop, the current balance posted a surplus and increased by 7.5 billion to 17.8 billion, thus covering investment expenditure up to 28.1 percent from 17.5 percent in 2015. The latter moved up 7.8 percent to 63.2 billion, or an execution rate of 119 percent. Expenditure by ministries rose by 14 percent to 41.4 billion and common expenses by 27.7 percent to 20.3 billion.

Chart 1.5.10 : Current balance

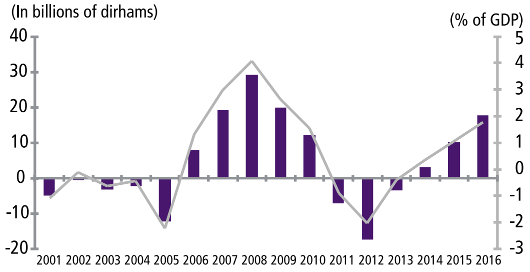
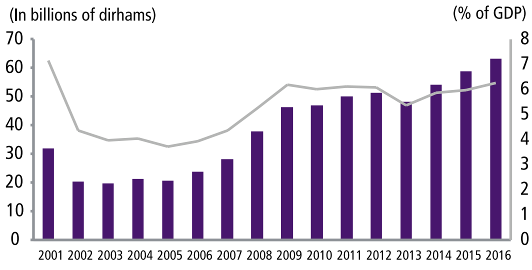


Chart 1.5.11 : Capital spending



Source: Ministry of Economy and Finance (DTEF).

Overall, taking into account a reduction to 3.4 billion in the surplus of the Treasury special accounts excluding privatization, as against 7.2 billion in 2015, the fiscal deficit excluding privatization stood at 42.1 billion dirhams. As the Treasury constituted arrears of payment totaling 5.2 billion in 2016, the cash deficit stood at 36.9 billion, easing by 20.2 percent.

Chart 1.5.12 : Stock of arrears

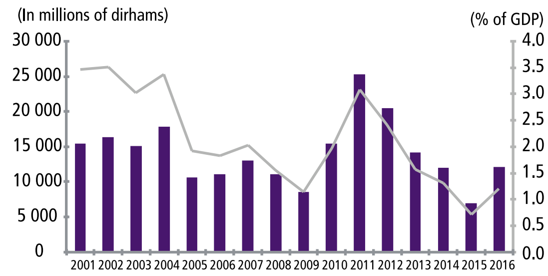
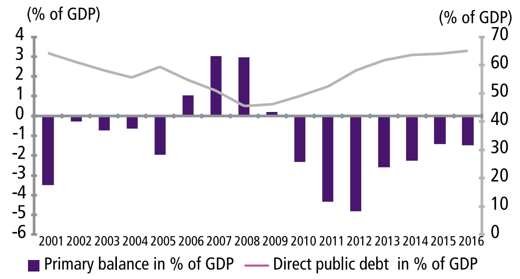


Chart 1.5.13 : Primary balance and direct public debt

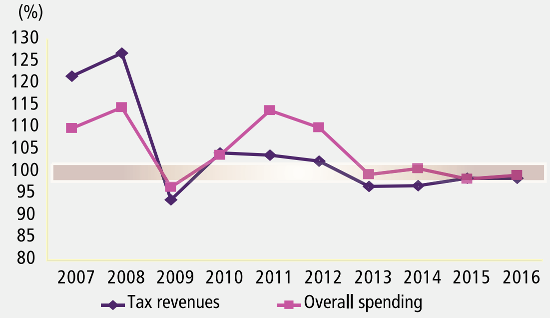


Source: Ministry of Economy and Finance (DTEF).

Box 1.5.2 : Change in the execution of Finance Acts between 2007 and 2016

Budget forecasts of the Finance Act are elaborated with reference to a macroeconomic framework that takes into account the direction of public policies and certain assumptions relating particularly to overall growth, import commodity prices and the exchange rate. On this basis, the Government sets in particular a target in terms of fiscal deficit and implicitly a public debt level.

Chart B 1.5.2.1: Achievements report/FA 2007-2016



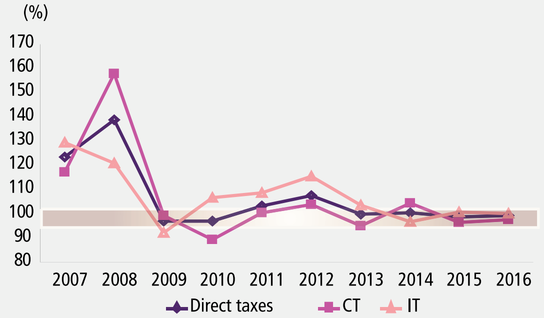
The review of the execution compared to budget forecasts for the period 2007-2016 shows that the execution exceeds the forecasts every other year for both revenue and expenditure (see Chart 1). However, over the last four years, tax revenues were lower than projected, while the execution of expenditure is more in line with programming.

1. Revenues

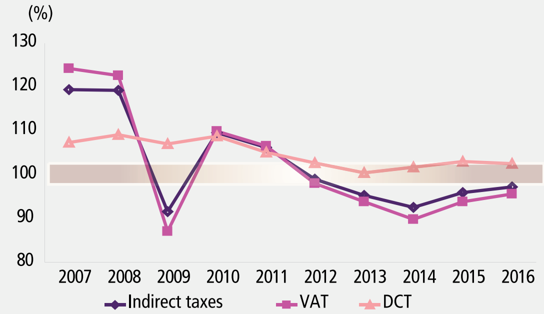
By heading, the collection of direct taxes was far above the forecasts at the beginning of the period. From 2013 onwards, tax collection was close to the forecasts.

Chart B 1.5.2.2: Change in achievements report/FA

a. Direct taxes

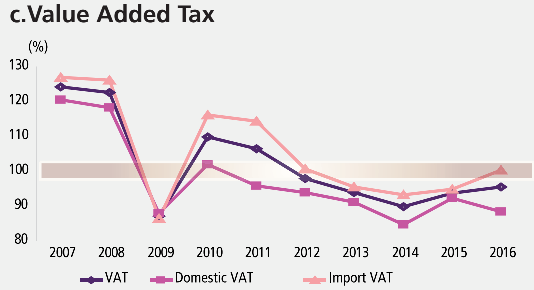


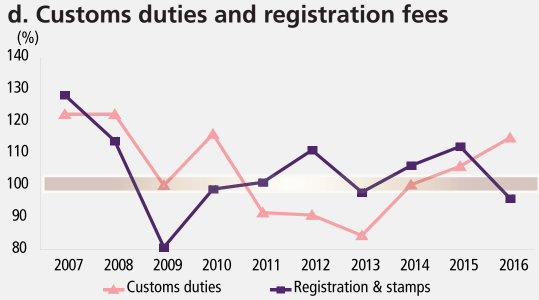
b. Indirect taxes



The collection of indirect taxes was below the projections made in the Finance Law, notably with a significant gap in 2009 due to the shock of the global crisis on the national economy. Indeed, nonagricultural growth was projected at 6.1 percent in the Finance Act, while it stood at 1.6 percent.

Regarding customs duties and registration and stamp duties, the collection overall deviated significantly from the projections.





As for nontax revenues, the collection exceeded the FA programming throughout the period, with the exception of the years 2015 and 2016, which saw much lower donations from GCC compared to projections.

2. Expenditure

After significant gaps between 2007 and 2012, the execution of current expenses over the last three years was close and slightly below programming. This trend reflects a drop in the subsidy costs with the gradual dismantling of the oil products subsidy system, prompted by lower-than-anticipated international prices. Regarding operating expenditure, the execution of the payroll was overall close to the forecast, while spending on other goods and services has been systematically below the programming level since 2010.

Chart B 1.5.2.3: Change in execution of expenditure components

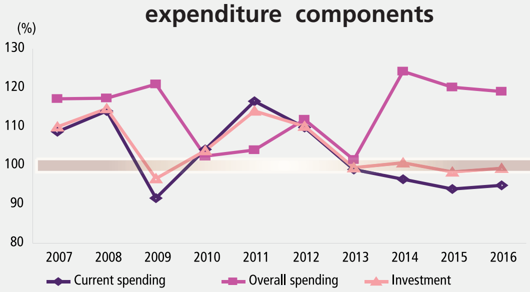
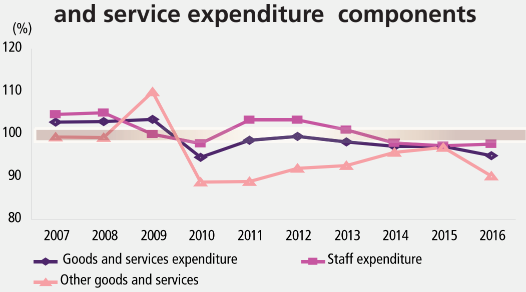


Chart B 1.5.2.4: Change in execution of goods and service expenditure components



With regard to investment expenditure, the execution is higher than the FA projections over the entire period, including in 2013 when the government decided to freeze the execution of 15 billion dirhams.

Analysis of these developments based on the projections and assumptions underlying the finance act indicate that the projected nonagricultural growth gap largely reflects the execution rates of VAT receipts, whereas the execution rate of subsidy costs is mainly linked to the oil price projected gap.

Table B1.5.2. 1 : Gaps (achievements-projections) of the main assumptions in the Finance Act

		2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Overall growth	**Projection**	3,5	6,8	5,8	3,5	5,0	4,2	4,5	4,2	4,4	3,0
	Achievement	3,5	5,9	4,2	3,8	5,2	3,0	4,7	2,4	4,5	1,2
	Gap	0,0	-0,9	-1,6	0,3	0,2	-1,2	0,2	-1,8	0,1	-1,8
Nonagricultural growth	**Projection**	-	6,1	6,1	4,4	5,6	4,6	4,5	4,8	4,4	3,5
	Achievement	7,1	4,5	1,6	4,0	5,2	4,7	3,0	3,1	3,4	2,6
	Gap	-	-1,6	-4,5	-0,4	-0,4	0,1	-1,5	-1,7	-1,0	-0,9
Oil price	**Projection**	65,0	75,0	100,0	75,0	75,0	100,0	105,0	105,0	103,0	61,0
	Achievement	72,7	97,6	61,9	79,6	110,9	112,0	108,9	99,2	52,9	45,9
	Gap	7,7	22,6	-38,1	4,6	35,9	12,0	3,9	-5,8	-50,1	-15,1
Euro/dollar parity	**Projection**	1,40	1,30	1,45	1,40	1,30	1,40	1,25	1,30	1,30	1,11
	Achievement	1,37	1,46	1,39	1,33	1,39	1,29	1,33	1,33	1,11	1,11
	Gap	-0,03	0,16	-0,06	-0,07	0,09	-0,11	0,08	0,03	-0,19	0,00

Sources : Source: Ministry of Economy, and Finance and HCP.

Overall, the fiscal balance was in line with projections only for three years during the period under review. In particular, significant overruns were recorded in 2011 (160.9 percent), in 2012 (130 percent) and in 2016 (112.3 percent). As a percentage to GDP, the deficit stood at 6.6 percent from 4 percent in the 2011 finance law, at 7.2 percent from 5.4 percent in 2012, and at 4.2 percent as against 3.5 percent in 2016.

1.5.3 Treasury financing

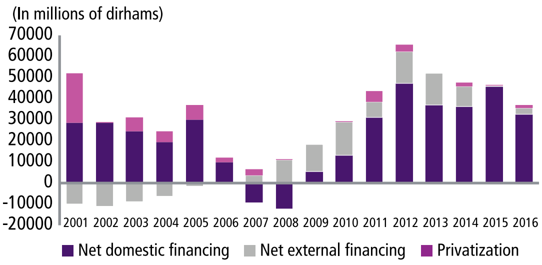
The Treasury borrowing requirement was covered by the domestic market up to 32.6 billion, by external resources with a net amount of 2.8 billion and by privatization proceeds worth 1.5 billion[1].

In addition to 9 billion dirhams mobilized through the Treasury's own channels, domestic financing was provided by net issuances of 19.9 billion dirhams. The breakdown of the latter by holders shows net subscriptions of 21.1 billion for UCITS, 8.4 billion for insurance companies and social welfare institutions, 2 billion for nonfinancial businesses and 774 million for the CDG. However, holdings of banks and other financial institutions decreased by 2.5 billion and 9.8 billion, respectively.

For external financing, gross drawings totaled 10.4 billion dirhams, up 19.4 percent compared to the previous year. By creditors, the World Bank contributed 5.5 billion, the African Development Bank 3.2 billion and Japan 783 million. At the same time, principal repayments stood at 7.6 billion, down 9.4 percent after remaining virtually unchanged a year ago.

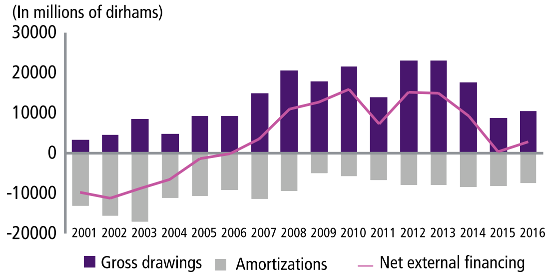
1 965 million came from the sale of the State's stake in the capital of Marsa Maroc and 570 million from that of SOMED.

Chart 1.5.14 : Treasury's net financing



Source: Ministry of Economy and Finance (DTEF).

Chart 1.5.15 : Treasury's external financing



1.5.4 Public debt

After a rise of 7.3 percent in 2015, direct public debt grew by 4.5 percent in 2016 to 657.4 billion dirhams, representing 64.7 percent of GDP, as against 63.7 percent a year earlier. This trend reflects increases of 5.4 percent in its domestic component to 514.6 billion, or 50.6 percent of GDP, and 1.4 percent in its external component to 142.8 billion, equaling 14.1 percent of GDP.

For the characteristics of this debt, the maturity of its domestic component continues to extend from 6.3 years to 6.6 years, and its average cost[1] declined by 46 basis points to 4.8 percent, driven by a 26 basis point drop on average to 2.82 percent in the weighted interest rates on Treasury issuances in 2016. For external debt, reflecting the desire to gradually align its structure by currency with that of the dirham currency basket, the share of the euro fell from 75.9 percent to 71 percent, while the dollar rose from 16.7 percent to 22 percent.

Concerning the external debt of public institutions and businesses, after an increase of 16.9 percent in 2015, it grew by 5.9 percent to 169.6 billion dirhams, bringing the outstanding external public debt to 312.4 billion, or 30.7 percent of GDP. Multilateral institutions hold 45.9 percent of the total, compared to 28.9 percent for bilateral creditors and 25.2 percent for the international financial market and commercial banks. Overall, the outstanding amount of public debt[2] reached 826.9 billion, up 4.8 percent, and its ratio to GDP moved up from 79.9 percent to 81.4 percent.

1 Calculated as the ratio between the debt interest paid in the current year and the debt stock of the previous year.

2 This data do not include the secured domestic debt.

Chart 1.5.16 : Treasury debt

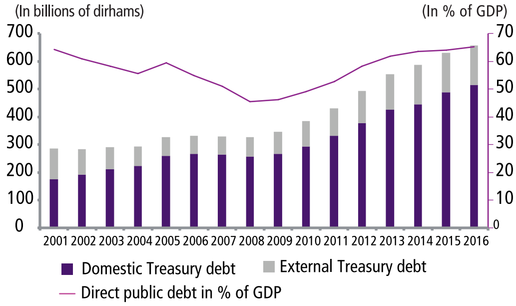
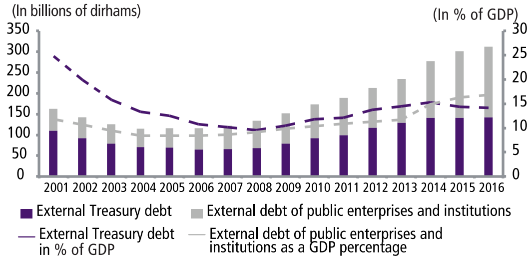


Chart 1.5.17 : Public debt



Source: Ministry of Economy and Finance (DTEF).

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016
I- Domestic Treasury debt (1+2)	**257.5**	**266.4**	**292.3**	**331.3**	**376.8**	**424.5**	**445.5**	**488.4**	**514.6**
In % of GDP	35.9	35.6	37.2	40.4	44.4	47.3	48.1	49.4	50.6
1- Treasury bond auctions	**252.7**	**257.9**	**277.8**	**314.2**	**356.7**	**413.0**	**426.1**	**470.1**	**490.0**
In % of GDP	35.2	34.5	35.4	38.3	42.1	46.0	46.0	47.6	48.2
2- Other domestic debt instruments	**4.9**	**8.5**	**14.4**	**17.1**	**20.1**	**11.5**	**19.4**	**18.3**	**24.6**
In % of GDP	0.7	1.1	1.8	2.1	2.4	1.3	2.1	1.9	2.4
II- External Treasury debt	**68.3**	**78.7**	**92.4**	**99.6**	**116.9**	**129.8**	**141.1**	**140.8**	**142.8**
In % of GDP	9.5	10.5	11.8	12.1	13.8	14.5	15.2	14.3	14.1
III- Stock of direct debt (I+II)	**325.8**	**345.2**	**384.6**	**430.9**	**493.7**	**554.3**	**586.6**	**629.2**	**657.4**
In % of GDP	45.4	46.1	49.0	52.5	58.2	61.7	63.4	63.7	64.7
IV- Secured external debt of state-owned companies and institutions	**65.3**	**73.5**	**81.5**	**89.5**	**95.8**	**104.9**	**137.0**	**160.2**	**169.6**
In % of GDP	9.1	9.8	10.4	10.9	11.3	11.7	14.8	16.2	16.7
External public debt (II+IV)	**133.6**	**152.3**	**173.8**	**189.1**	**212.7**	**234.7**	**278.1**	**301.0**	**312.4**
In % of GDP	18.6	20.3	22.2	23.1	25.1	26.1	30.0	30.5	30.7
Stock of public debt (III+IV)	**391.1**	**418.7**	**466.1**	**520.5**	**589.5**	**659.2**	**723.6**	**789.4**	**827.0**
In % of GDP	54.6	55.9	59.4	63.5	69.5	73.4	78.2	79.9	81.4
GDP at current prices	**717.0**	**748.5**	**784.6**	**820.1**	**847.9**	**897.9**	**925.4**	**988.0**	**1 016.1**

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

1.6 Balance of payments

After three years of improvement, the trade balance deteriorated in 2016, as the deficit widened to 18.2 percent of GDP. Imports rose sharply, driven mainly by capital goods purchases, while the growth of exports slowed significantly, largely due to lower prices for phosphates and derivatives on the international market.

Meanwhile, travel receipts and remittances from Moroccan expatriates once again progressed and donations from GCC partners amounted to 7.2 billion dirhams. The current account deficit thus stood at 4.4 percent of GDP from 2.1 percent a year earlier.

Regarding the financial account, FDI inflows, albeit declining, remained large at 33 billion dirhams. Considering other headings, particularly trade credits, the balance of which reached a record high of 19.8 billion, net international reserves (NIRs) rose by 12.1 percent to 251.9 billion, equaling 6 months and 18 days of imports of goods and services.

Table 1.6.1: Balance payment main components (in % of GDP)

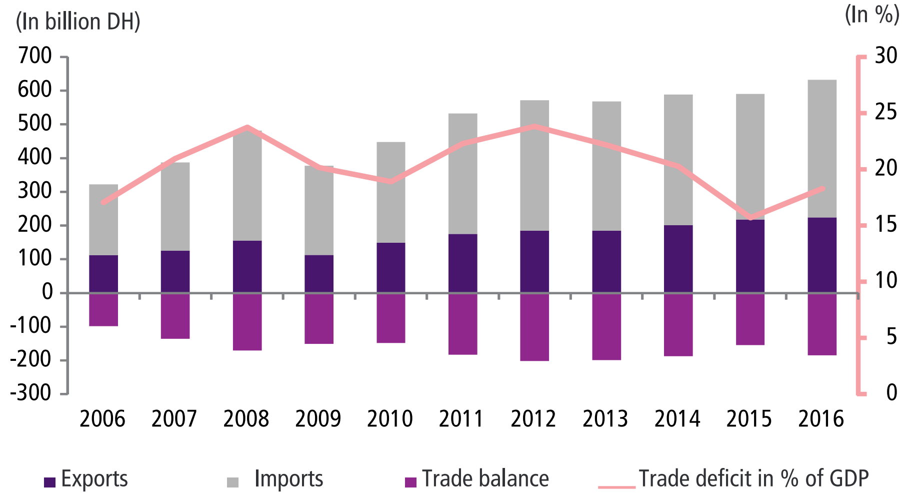
	2012	2013	2014	2015	2016
Current account	**-9.5**	**-7.8**	**-5.7**	**-2.1**	**-4.4**
Trade balance of goods	-23.8	-22.2	-20.2	-15.6	-18.2
Travel receipts (change in %)	-1.8	-0.4	3.0	3.1	5.0
Transfers of Moroccan expatriates (Change in %)	-3.8	3.0	3.7	0.3	4.0
Donations	0.2	0.8	1.8	0.5	0.9
Financial account (net flow)	**9.8**	**7.1**	**5.0**	**1.5**	**3.6**
Foreign direct investments	2.8	3.1	3.2	3.2	2.2
Public loans	2.7	3.6	4.0	2.2	1.1
Commercial loans	1.2	1.6	0.6	1.0	1.9
Currency and deposits	-0.2	0.5	-0.2	-0.6	1.0
Net international reserves in months of imports	**4.0**	**4.3**	**5.2**	**6.7**	**6.6**

Source: Foreign Exchange Office and BAM.

1.6.1 Trade balance

In 2016, the trade deficit widened by 30.5 billion dirhams to 184.6 billion, due to a 9.8 percent increase in imports to 408.7 billion and a 2.7 percent growth in exports to 224 billion. The import-export coverage rate dropped by 3.8 percentage points to 54.8 percent.

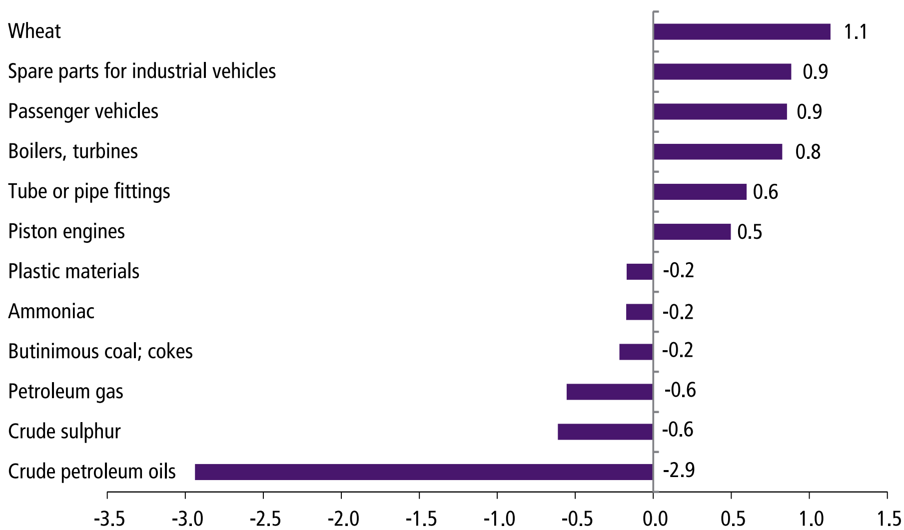
Chart 1.6.1: Trade balance



Source: Foreign Exchange Office.

The higher imports mainly reflect substantial increases of 27.6 percent in capital goods purchases and, to a lesser extent, 15.6 percent in imports of consumer goods, especially passenger cars. At the same time, given the weak cereal crop year, wheat supplies almost doubled to 12.8 billion dirhams bringing food purchases to 44.6 billion dirhams, up 25.2 percent.

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



Source: Foreign Exchange Office.

However, due to lower international oil prices, the energy bill eased again to 54.4 billion dirhams, down 17.9 percent. Purchases of petroleum gas decreased by 15.7 percent, despite a 4.7 percent increase in imported quantities, while diesel and fuel oil prices were up 1 percent in value and 23.6 percent in volume, as SAMIR activities have stopped since August 2015.

Table 1.6.2 : Main import products

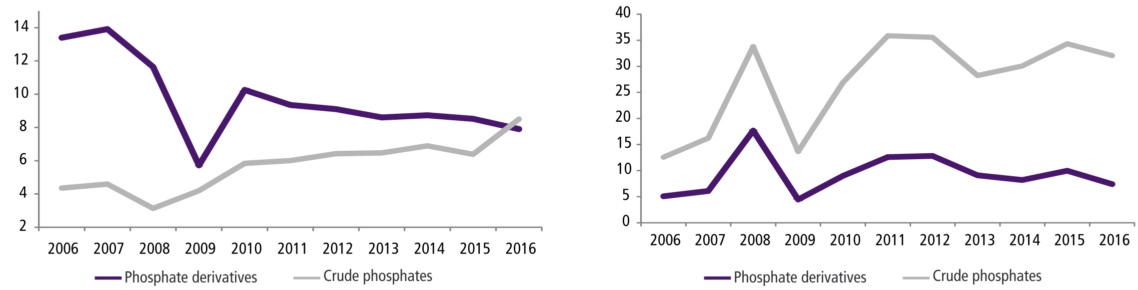
	In millions of dirhams			Change in %	
	2014	2015	2016	2015/2014	2016/2015
Total imports	**388 080**	**372 225**	**408 659**	**-4.1**	**9.8**
Capital goods	**82 001**	**93 609**	**119 435**	**14.2**	**27.6**
Spare parts for industrial vehicles	4 999	7 705	10 997	54.1	42.7
Boilers, turbines and parts	208	532	3 607	-	-
Piston engines ; other engines and their spare parts (industrial equipement)	4 779	6 246	8 097	30.7	29.6
Industrial vehicles	6 907	8 942	10 097	29.5	12.9
Consumer goods	**69 037**	**69 934**	**80 813**	**1.3**	**15.6**
Passenger cars	10 077	10 809	13 998	7.3	29.5
Food products	**41 751**	**35 615**	**44 573**	**-14.7**	**25.2**
Wheat	12 749	8 555	12 783	-32.9	49.4
Semi-finished products	**82 219**	**85 988**	**91 506**	**4.6**	**6.4**
Tube or pipe fittings and steel construction	2 536	2 608	4 833	2.8	85.3
Chemical products	8 245	9 041	9 239	9.7	2.2
Plastic materials and et various plastic works	11 606	12 153	11 515	4.7	-5.3
Crude products	**20 036**	**20 736**	**17 835**	**3.5**	**-14.0**
Crude sulphur	5 701	6 671	4 393	17.0	-34.1
Énergy and lubricants	**92 777**	**66 252**	**54 416**	**-28.6**	**-17.9**
Crude oil	28 288	10 937	0	-61.3	-
Gasoil and fuel oil	31 563	25 919	26 171	-17.9	1.0
Butinimous coal; cokes and similar solid fuels	6 089	6 017	5 207	-1.2	-13.5
Petroleum gas	19 213	13 169	11 103	-31.5	-15.7

Source: Foreign Exchange Office.

Regarding exports, despite an increase in shipped quantities, sales of phosphates and derivatives decreased by 10.9 percent. By product, they dropped by 30.6 percent for phosphoric acid and 25.7 percent for crude phosphates, but sales of fertilizers progressed by 14.6 percent.

Chart 1.6.3: Exports of phosphates and derivatives

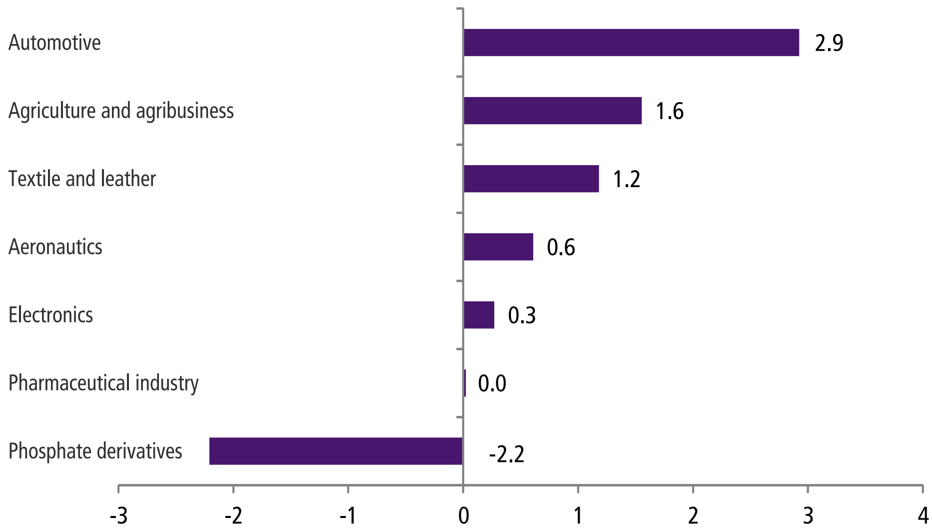
(in million tonnes) **(in billion DH)**



Source: Foreign Exchange Office.

Excluding phosphates and derivatives, exports grew by 6.2 percent, as against 6.9 percent. Car manufacturing continued to gain momentum with a 22.5 percent increase, while wiring sales showed stagnation.

Chart 1.6.4: Contributions to the development of exports (in points of %)



Source: Foreign Exchange Office.

Sales in the agricultural and agrifood[1] sector improved by 7.4 percent to 49.3 billion dirhams, with a 6.9 percent increase in those of the food industry. Similarly, textile and leather exports grew 7.8 percent, driven by an increase of 9.6 percent in ready-made garments, which accounted for 62.1 percent in the sector.

1 Including fisheries.

Table 1.6.3: Main export products

	In millions of dirhams			Change in %	
	2014	2015	2016	2015/2014	2016/2015
Total exports	**200 808**	**218 040**	**224 019**	**8.6**	**2.7**
Automotive	**40 262**	**48 821**	**55 194**	**21.3**	**13.1**
Wiring	17 384	19 906	19 833	14.5	-0.4
Construction	19 681	24 680	30 233	25.4	22.5
Phosphates and derivatives	**38 278**	**44 304**	**39 486**	**15.7**	**-10.9**
Crude phosphates	8 203	9 979	7 412	21.7	-25.7
Phosphates derivatives	30 075	34 325	32 074	14.1	-6.6
Agriculture and agribusiness	**39 029**	**45 945**	**49 335**	**17.7**	**7.4**
Food industry	21 951	25 176	26 920	14.7	6.9
Textile and leather	**33 512**	**33 048**	**35 626**	**-1.4**	**7.8**
Ready-made clothing	20 151	20 201	22 133	0.2	9.6
Hosiery items	7 379	7 019	7 491	-4.9	6.7
Shoes	2 897	2 928	2 991	1.1	2.2
Electronics	**7 966**	**7 860**	**8 451**	**-1.3**	**7.5**
Electronic components	4 255	3 991	4 182	-6.2	4.8
Aeronautics	**6 979**	**8 223**	**9 552**	**17.8**	**16.2**
Pharmaceutical industry	**986**	**1 048**	**1 100**	**6.3**	**5.0**

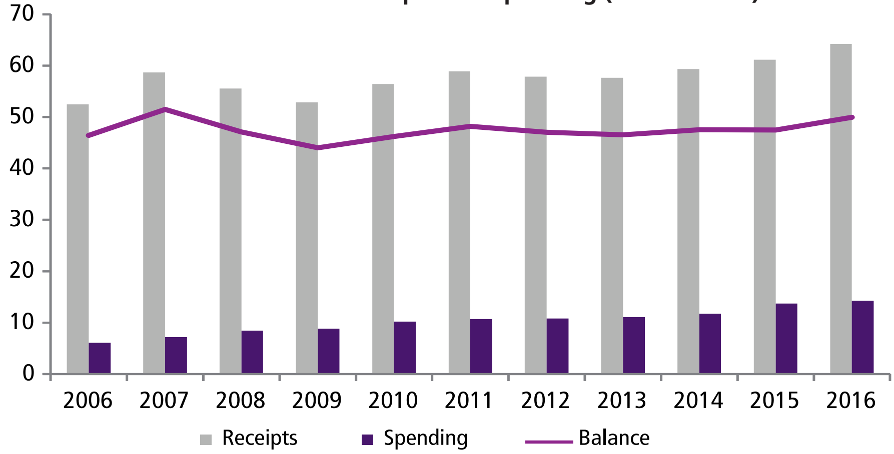
Source: Foreign Exchange Office.

1.6.2 Services balance

In 2016, the services balance surplus stabilized at 66.4 billion dirhams. The travel balance improved by 2.5 billion, mainly owing to a 5 percent increase in revenues to 64.2 billion. Similarly, the value added of re-exports under the temporary admission regime[1] was up 9.3 percent to 13.4 billion. Conversely, reflecting the widening trade deficit, the balance of transport services worsened from 3.5 billion to 6.5 billion.

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

Chart 1.6.5: Travel receipts and spending (in billion DH)



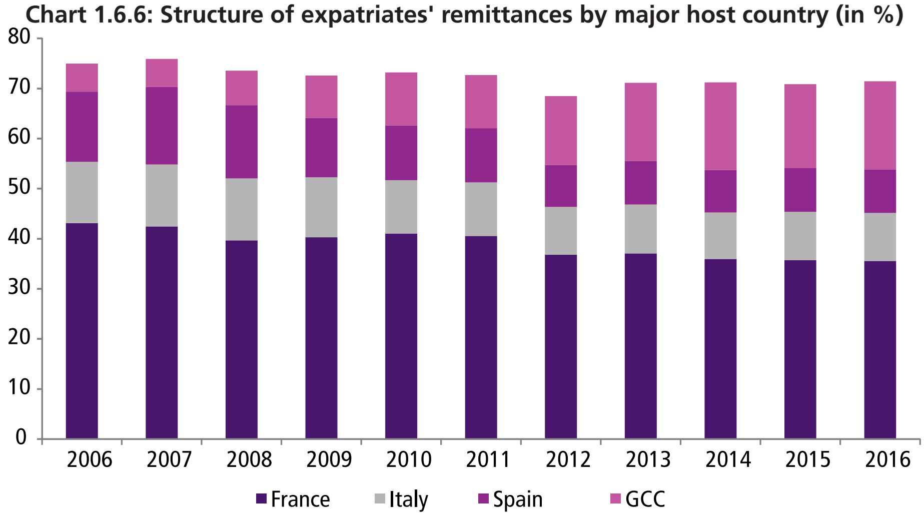
Source: Foreign Exchange Office.

1.6.3 Income balance

The income balance progressed by 11.5 percent to 62.8 billion dirhams. After rising 4.8 percent in 2015, receipts from Moroccan expatriates rose by 4 percent to 62.6 billion. They remain dominated by those from France, which represent 35.6 percent, compared to 9.6 percent for Italy and 8.7 percent for Spain. The share of GCC countries continued its upward trend from 16.7 percent to 17.6 percent.

Meanwhile, public transfers almost doubled to 10 billion dirhams, mainly due to higher donations from the GCC partners, which amounted to 7.2 billion from 3.8 billion a year earlier. In terms of FDI revenues, outflows grew by 8.8 percent to 15.1 billion, including 11.8 billion as dividends, or 36 percent of FDI inflows of the year. Inflows improved again to 3.3 billion from 2.7 billion a year earlier.

Chart 1.6.6: Structure of expatriates' remittances by major host country (in %)



Source: Foreign Exchange Office.

1.6.4 Financial account

The financial account excluding reserves generated a surplus of 63.5 billion dirhams in 2016, up 11.8 percent. This trend reflects a significant increase in the balance of trade credits, which reached a record high of 19.8 billion, and that of transactions in currency and deposits, amounting to 10.7 billion.

In terms of FDIs, albeit down from 2015, inflows remained relatively high at 33 billion or 3.2 percent of GDP. Equity investments accounted for 69.1 percent of them, while the remainder was debt transactions between related enterprises. These investments benefited mainly the real estate sector which drained 40.7 percent, as against 22.4 percent for industry and 10.8 percent for trade. By country of origin, France remains the leading investor in Morocco with a share of 26.4 percent, followed by the United Arab Emirates with 12.2 percent and Saudi Arabia with 8.4 percent. The year 2016 saw a significant increase in FDIs from Great Britain, which rose from 1.6 billion to 2.8 billion.

Given investment sales of 10.3 billion, of which 5.4 billion as shareholdings and the remainder as repayments on loans between related companies, net FDI flows stood at 22.8 billion.

Chart 1.6.7: FDI receipts by sector (billion DH)

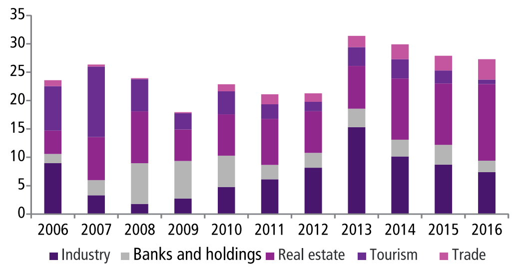
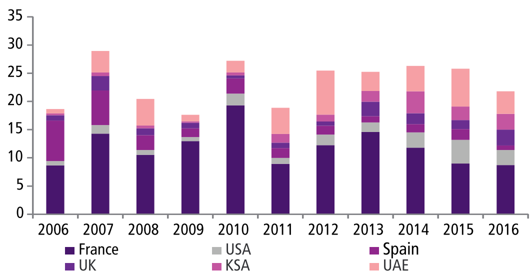


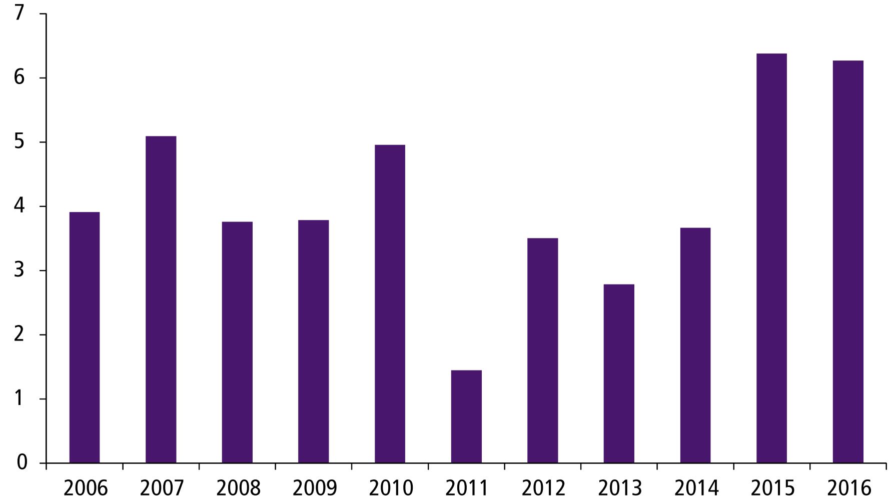
Chart 1.6.8: FDI receipts by country of origin (billion DH)



Sources: Foreign Exchange Office.

After a large increase in 2015, direct investment abroad by residents virtually stabilized at 7.2 billion. They benefitted industry with a share of 44.8 percent, while the telecommunication and banking sectors represented respective shares of 20.3 percent and 12.4 percent. By destination, the share of Africa rose from 41.2 percent to 44.4 percent and that of France improved slightly to 26.5 percent.

Chart 1.6.9: Net outflows of FDI by residents (billion Dhs)

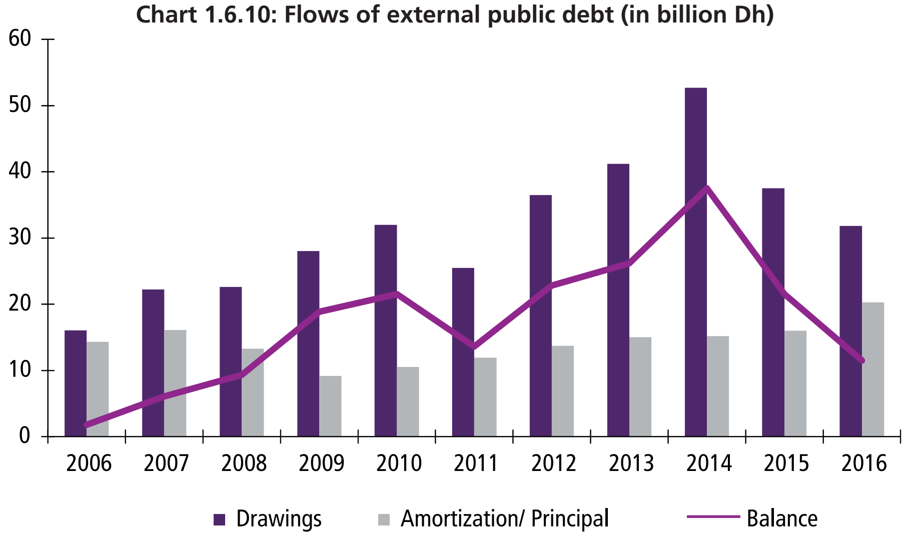


Source: Foreign Exchange Office

The balance of public loans fell again to 11.5 billion, owing to a decline of 12.5 billion in net inflows under the debt of public institutions. Net flows of the Treasury debt remained limited to 2.8 billion, from 308 million in 2015 and 12.5 billion on average between 2010 and 2014.

Concerning private loans, despite lower drawings, the net flow was up from 4.1 billion to 5.2 billion dirhams, reflecting significant decrease in repayments.

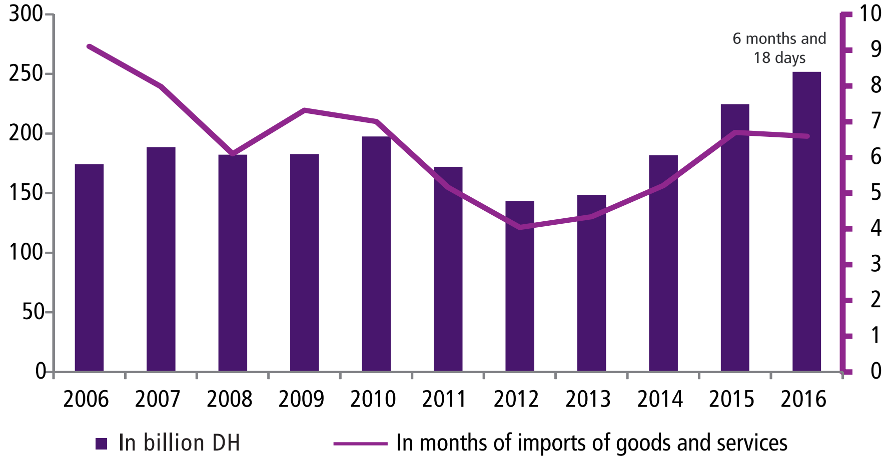
Chart 1.6.10: Flows of external public debt (in billion Dh)



Source: Ministry of Economy and Finance.

In total, net international reserves expanded by 27.3 billion dirhams to 251.9 billion, equaling 6 months and 18 days of imports of goods and services.

Chart 1.6.11: Net international reserves

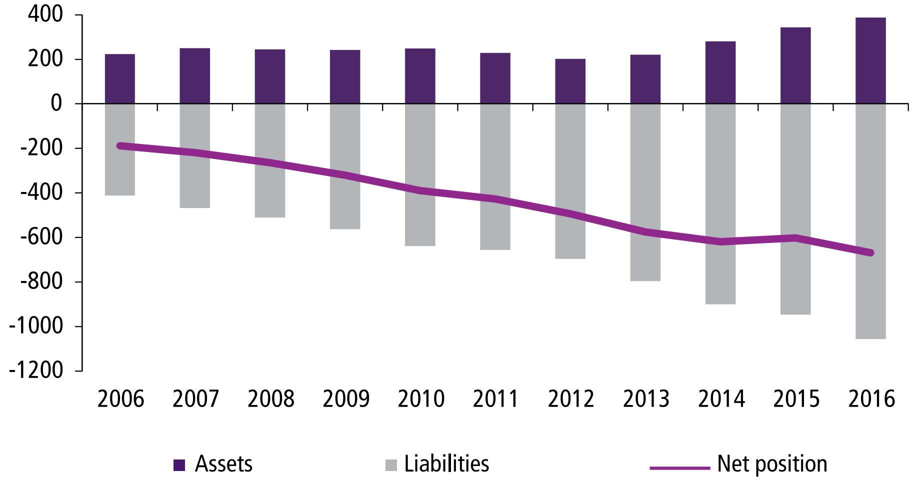


Source: Foreign Exchange Office and BAM calculations.

1.6.5 Overall international financial position

After an easing in 2015, the overall international financial position, which traces the stock of financial assets and liabilities vis-à-vis non-residents, increased by 11.1 percent to 668.9 billion dirhams. This change was attributed to a larger increase in liabilities compared to assets.

Chart 1.6.12: International financial position (in billion DH)



Source: Foreign Exchange Office.

Liabilities grew by 11.7 percent to 1056.8 billion, mainly reflecting increases of 12.4 percent in the direct investment stock to 553.1 billion and 6.6 percent in outstanding loans to 263.9 billion.

However, the financial assets of residents strengthened by 12.7 percent to 388 billion, of which two-thirds are foreign exchange reserves. Similarly, the outstanding direct investment by residents abroad grew by 19.8 percent to 54.1 billion and the outstanding portfolio investment progressed by 22.8 percent to 17.8 billion.

Table 1.6.4: International financial position (in billion DH)

	2015			2016		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance
Direct Investments	**45.1**	**492.0**	**-446.9**	**54.1**	**553.1**	**-499.0**
Portfolio investments	**14.5**	**102.8**	**-88.3**	**17.8**	**108.3**	**-90.5**
Financial derivatives	**1.1**	**0.5**	**0.6**	**1.1**	**1.1**	**0.0**
Other investments	**55.5**	**351.2**	**-295.7**	**58.9**	**394.4**	**-335.5**
Currency and deposits	32.0	44.2	-12.2	31.0	52.6	-21.6
Loans	0.4	247.6	-247.2	0.4	263.9	-263.5
Commercial loans and advances	21.9	51.7	-29.8	25.7	67.3	-41.6
Foreign reserve assets	**227.9**	**0.0**	**227.9**	**256.1**	**0.0**	**256.1**
Total assets / liabilities	**344.2**	**946.5**	**-602.3**	**388.0**	**1 056.8**	**-668.9**

Source: Foreign Exchange Office.

Box 1.6.1: Adequacy of reserve holdings

The accumulation of foreign exchange reserves is generally an economic performance indicator. However, when they exceed a certain level, they generate an opportunity cost insofar as these reserves yield a rate of return which could be lower than the rate supposedly allowed by other allocations.

To determine the adequate level of reserves, one of the most widely used indicators is their coverage in months of goods and services' imports. In 2011, the IMF introduced a new approach that takes account of the potential risks that may affect the level of these reserves. This new measure, called "Assessing Reserve Adequacy" (ARA), is based on four indicators:

i) exports (E), to take account of the risk of falling external demand;

ii) short-term debt (STD), which constitutes an immediate commitment by the country vis-à-vis its creditors;

iii) other liabilities (OL), consisting of the portfolio investment and medium and long-term debt;

iv) M2 aggregate, as an indicator to measure the risk of capital outflows.

The reference level of the ARA method is given by:

$$ARA = \alpha * E + \beta * DCT + \sigma * AE + \theta * M2$$

Where α, β, σ and θ are the weights allocated to the different risks.

On the basis of an analysis of the data of a group of emerging countries relating to periods of pressure on reserves, this reference level for a country with a fixed regime, according to the IMF, is the one that should provide a coverage of a loss of 10 percent of exports, an outflow of capital equivalent to 10 percent of the M2 aggregate, 30 percent of short-term liabilities and 20 percent of other liabilities. For countries adopting a flexible regime, the requirements are relatively lower insofar as this kind of regime makes it possible to absorb external shocks.

Under this approach, the level of reserves is considered adequate when its ratio to the ARA method stands between 100 percent and 150 percent.

Table B1.6.1.1 : Risk weighting using the ARA standard method (in %)

Exchange rate regime	Exports	Short-term debt	Other liabilities	M2
fixed	10	30	20	10
Flexible	5	30	15	5

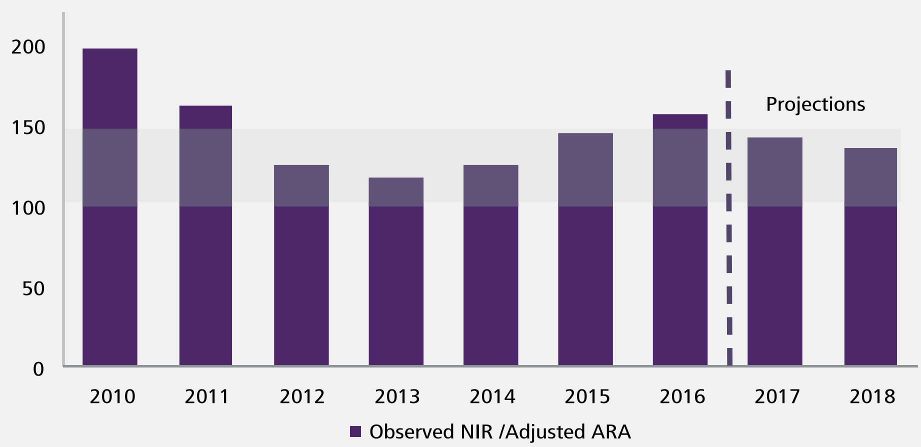
To take into account capital controls, the ARA is adjusted by reducing the weight of risks associated with an outflow of short-term capital. Also, coefficients for the stock of M2 of 5 percent under the fixed regime and 2.5 percent under the flexible regime are adopted instead of 10 percent and 5 percent, respectively.

Table B1.6.1.2 : Risk weighting using the ARA adjusted method (in %)

Exchange rate regime	Exports	Short-term debt	Other liabilities	M2
fixed	10	30	20	5
Flexible	5	30	15	2,5

In the case of Morocco, the level of international reserves is assessed by reference to the adjusted ARA on the basis of data for the period 2010-2016. Overall, it appears that the level of NIRs stands within the range of adequacy, albeit with a significant overrun in 2010, as it is higher than the upper threshold of 47 billion dirhams. In terms of prospects and referring to BAM forecasts of June, NIRs should remain in line with the adjusted ARA measure in 2017 and 2018, slightly below the upper threshold of the range.

Chart B1.6.1.1 : Risk weighting using the ARA adjusted method (in %)



Source : Calculs BAM.

1.7 Monetary conditions

In 2016, monetary conditions were marked by the continued easing of interest rates, mainly as a result of the reduction in the key rate, as well as a slight increase in the real effective exchange rate, reflecting an appreciation of the dirham against the currencies of the main competing economies.

During the year, the bank liquidity situation also improved substantially, as the need eased by more than half to 14.4 billion dirhams on weekly average, owing to the continued expansion of net international reserves, which rose 12.1 percent, as against 23.5 percent a year earlier.

In this context, bank lending to the nonfinancial sector grew faster from 0.3 percent to 3.9 percent, driven by an increase in equipment loans to both public and private enterprises. However, net claims on the central government fell by 3.8 percent, after a 3 percent increase.

These trends resulted in a slower growth of the M3 aggregate from 5.7 percent to 4.7 percent. By component, the growth of currency in circulation and demand deposits decelerated, while time deposits and money market mutual fund shares/units declined after an increase in the previous year.

Table 1.7.1: Main monetary indicators

	2014	2015	2016	Level in 2016*
Monetary aggregates (in billion dh, end-of-year)		**Change (%)**		
M3	6.2	5.7	4.7	1 202.4
Net international reserves	22.4	23.5	12.1	251.9
Net claims on central government	-3.7	3.0	-3.8	142.4
Bank loans	2.2	2.8	4.2	818.1
Loans to the nonfinancial sector	3.9	0.3	3.9	695.4
Interest rate (in %, annual average)		**Change (bp)**		
Interbank rate	-0.11	-0.44	-0.24	2.27
Lending rates	0.23	-0.27	-0.46	5.26
Index (100 = 2010)		**Change (bp)**		
Nominal effective exchange rate	1.7	0.4	2.4	106.9
Real effective exchange rate	0.2	0.1	2.4	101.1

*End of december for monetary aggregates

1.7.1 Loans to nonfinancial sector

Bank lending to the nonfinancial sector moved up 3.9 percent in 2016, as against 0.3 percent a year earlier. This improvement, which particularly involved companies, would be attributed to higher demand and easing supply conditions, according to Bank Al-Maghrib's lending conditions survey. Considering a 6 percent increase in lending to financial corporations, as against 20.4 percent, the bank credit growth accelerated overall from 2.8 percent to 4.2 percent.

Chart 1.7.1: Bank credit trend (YoY %)

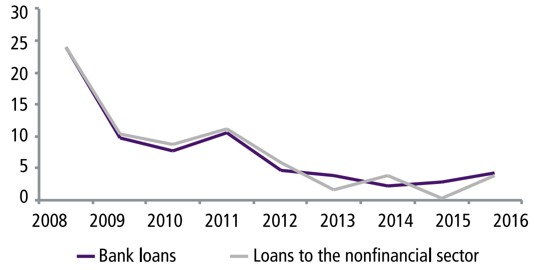
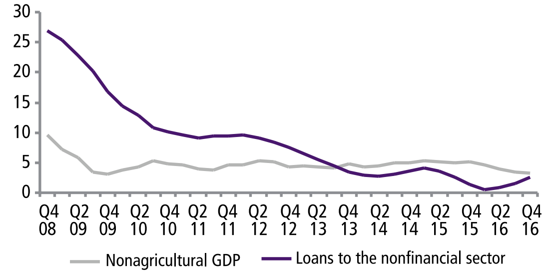


Chart 1.7.2: Loans and nonagricultural GDP (4-quarter moving average, in %)



Outstanding loans to businesses rose by 4.4 percent, after a decline of 2.2 percent in 2015. Loans to public enterprises grew by 22.1 percent from 7.3 percent, due to increases of 19.4 percent in equipment loans, as opposed to 2.4 percent, and 48.5 percent in cash advances as opposed to 14.8 percent. Similarly, loans to private enterprises were up 2.2 percent, after contraction of 3.2 percent, reflecting a 1.9 percent increase in equipment loans, after a 4.5 percent decline, a slow fall in cash advances and loans to real estate development from 4.4 percent to 1.5 percent and from 9.2 percent to 1.2 percent, respectively.

Table 1.7.2 : Bank credit trend

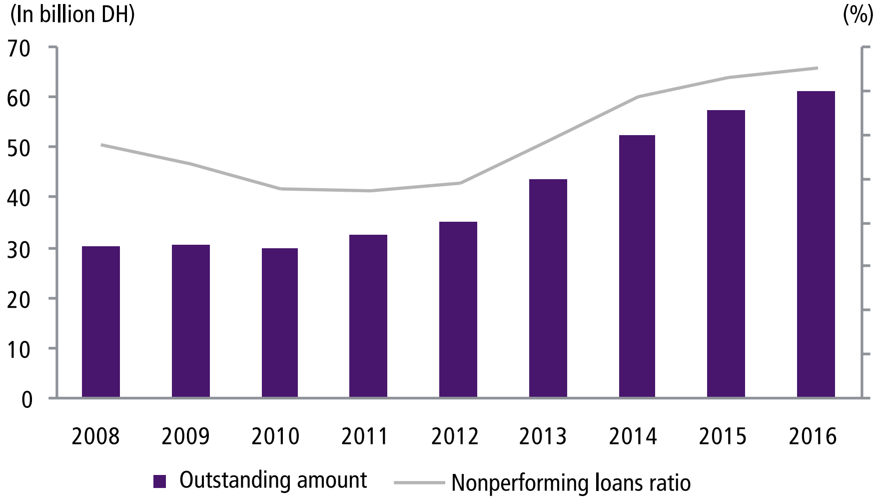
	Change (%)			2016	
	2013	2014	2015	Change (%)	Outstanding amount (in billion DH)
Bank loans	**3.9**	**2.2**	**2.8**	**4.2**	**818.1**
Loans to the nonfinancial sector	**1.7**	**3.9**	**0.3**	**3.9**	**695.4**
Loans to businesses	**-3.4**	**4.1**	**-2.2**	**4.4**	**370.8**
Cash facilities	-10.0	5.0	-3.5	1.3	154.5
Equipment loans	-0.5	5.4	-3.0	6.0	123.9
Real-estate loans	4.5	-2.7	-5.6	-1.9	42.1
Including loans to property developers	2.7	-2.7	-9.2	-1.0	39.8
Loans to households	**9.2**	**3.5**	**3.1**	**3.3**	**308.7**
Consumer loans	1.9	9.2	4.9	5.4	48.7
Real-estate loans	4.9	4.1	3.4	3.5	204.8
Housing loans	6.3	6.2	5.5	5.0	188.3
Nonperforming loans (NPL)	**5.9**	**6.9**	**7.3**	**7.5**	**-**

By sector, loans to "trade, automotive repairs and household items" and to "the construction sector" rose by 9.4 percent and 3.7 percent, respectively, as against 6 percent and 5.2 percent a year earlier. Similarly, although at a slower pace than in 2015, loans grew by 2.1 percent for the electricity, gas and water sector. Conversely, loans to the "manufacturing industries" continued to decline, albeit at relatively lower rates.

Bank loans to households [1] moved up 3.3 percent from 3.1 percent in 2015. Despite the further contraction in real estate loans, credit allocated to individual entrepreneurs progressed by 1.1 percent, driven by a marked improvement in equipment loans. In contrast, growth of loans to individuals slowed from 5 percent to 4 percent, with deceleration from 5.4 percent to 4.8 percent in consumer loans and virtually stable growth of home loans at 4.6 percent.

Meanwhile, nonperforming loans continued to slow down, albeit with a slight increase in their ratio to 7.5 percent. Persistent difficulties in certain sectors resulted in a 13.8 percent increase in unpaid debts of private companies, thus bringing their ratio from 10.6 percent to 11.8 percent. On the other hand, those of households fell by 3.6 percent and their share in outstanding loans was down from 7.8 percent to 7.2 percent.

Chart 1.7.3: Nonperforming loans



Loans granted by financial[2] corporations other than banks to the nonfinancial sector rose by 6.3 percent from 0.5 percent. Those accorded to businesses grew by 7.1 percent, after a 1.9 percent decline, mainly reflecting a 30.8 percent rebound in offshore bank credits and a 2.9 percent increase in leasing granted by finance companies, as against 2.2 percent. For households, loans allocated by finance companies progressed by 5.1 percent, as against 2.7 percent, and those distributed by microcredit associations increased by 7.7 percent, as opposed to 8.6 percent.

1Individuals, Moroccan expatriates and individual companies

2 Financing companies , offshore banks and microcredit associations

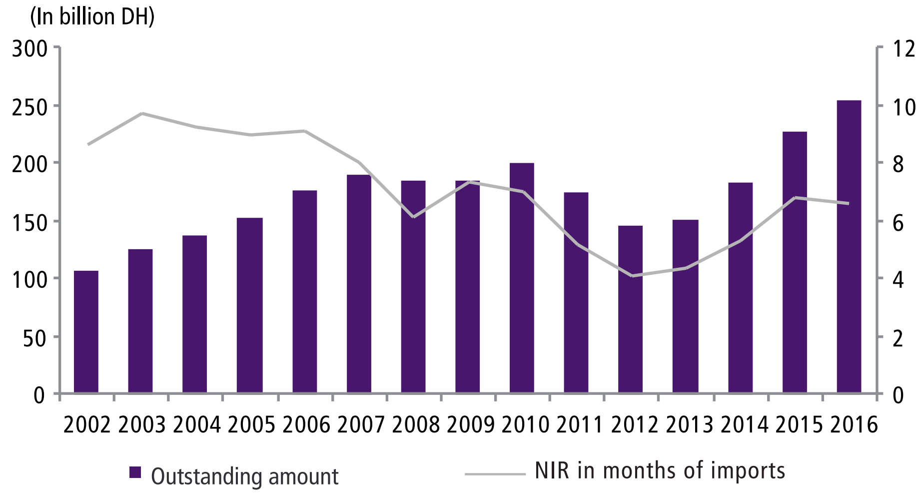
Table 1.7.3 : Credit granted by financial companies other than banks

	Annual change (%)			2016
	2014	2015	2016	Outstanding amount (in billion DH)
Finance companies	**-1.0**	**1.9**	**3.5**	**101.4**
Private firms	4.3	1.2	2.0	52.1
Households	-6.4	2.7	5.1	49.3
Offshore banks	**-6.5**	**-13.6**	**30.8**	**14.0**
Mircro-credit associations	**11.1**	**8.6**	**7.7**	**6.4**

1.7.2. Other sources of money creation

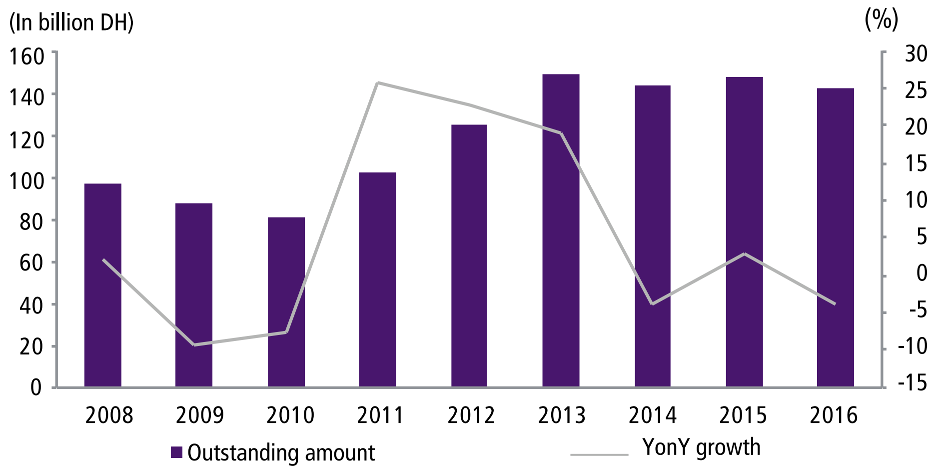
Although at a slower pace than in the past two years, net international reserves continued to strengthen thanks to an improvement in the financial account balance. Their outstanding amount grew by 12.1 percent to 251.9 billion dirhams, thus covering 6 months and 18 days of imports of goods and services in 2016.

Chart 1.7.4: Net international reserves



At the same time, the decrease in Treasury issues had an impact on net claims on the central government. The latter declined by 3.8 percent after a 3 percent increase a year earlier, with a 7.6 percent decrease in Treasury bills held by banks, as against an increase of 0.7 percent, while holdings of money market mutual funds grew by 5.2 percent, after a strong increase of 72.6 percent.

Chart 1.7.5: Net claims on the central government



1.7.3 M3 components

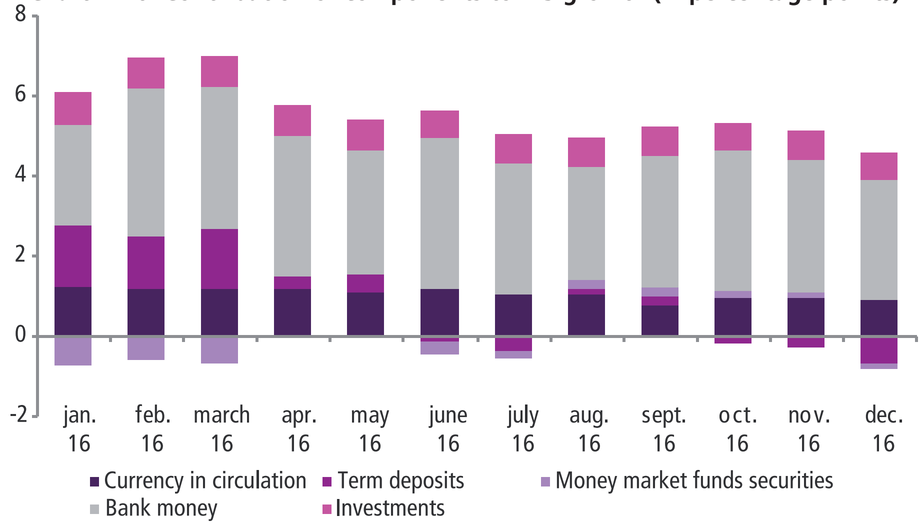
In 2016, the M3 aggregate growth moved down from 5.7 percent to 4.7 percent. After respective increases of 7.4 percent and 1.5 percent, time deposits decreased by 4.5 percent and money market mutual funds dropped by 2.9 percent. The growth of other components decelerated from 7 percent to 6.7 percent for demand deposits with banks, from 7.4 percent to 5.5 percent for currency in circulation and from 6.4 percent to 5.6 percent for savings accounts

Table 1.7.4: M3 components

	Currency in circulation	Bank money	Demand deposits	Other monetary assets	M3
		Outstanding amount as at end-December (in billion DH)			
2012	163.6	448.5	111.4	268.7	992.2
2013	171.4	457.6	120.3	273.6	1 023.2
2014	179.4	481.2	130.0	295.6	1 086.2
2015	192.6	514.4	138.4	302.6	1 148.0
2016	203.2	548.6	146.2	304.3	1 202.4
		Share in M3 (%)			
2012	16.5	45.2	11.2	27.1	100,0
2013	16.8	44.7	11.8	26.7	100,0
2014	16.5	44.3	12.0	27.2	100,0
2015	16.8	44.8	12.1	26.4	100,0
2016	16.9	45.6	12.2	25.3	100,0
		YoY change (%)			
2012	3.4	4.7	8.2	3.5	4.5
2013	4.7	2.0	8.1	1.8	3.1
2014	4.7	5.2	8.1	8.1	6.2
2015	7.4	6.9	6.4	2.4	5.7
2016	5.5	6.7	5.6	0.6	4.7

By institutional sector, monetary assets of private nonfinancial corporations slowed to 4.2 percent, with a 11 percent decrease in time deposits and an acceleration in demand deposits to 7.9 percent. In the same vein, the growth of monetary assets of individuals fell back to 4.8 percent, due to a 4.9 percent decline in time deposits and increases of 5.6 percent for savings accounts and 7.8 percent for demand deposits. For individual entrepreneurs, their demand deposits decreased by 8.8 percent and their time deposits fell by 21.4 percent.

Chart 1.7.6: Contribution of components to M3 growth (In percentage points)



1.7.4 Liquid investment aggregates

In a context characterized by lower issuances in the sovereign and private debt markets, the growth of liquid investment aggregates (LI)[1] slowed down markedly in 2016 from 13.7 percent to 7.7 percent. This change is mainly attributed to significant decelerations to 6.2 percent for Treasury bills and 8.9 percent for securities of bond mutual funds. However, reflecting the robust stock market performance in 2016, the outstanding securities of equity and diversified mutual funds expanded by 27.7 percent.

1 Liquid investment aggregates include financial assets held by institutional sectors other than depository corporations. These assets represent a purchasing power reserve, but are not liquid enough to be included in the M3 aggregate.

Table 1.7.5: Liquid investment aggregates

	2015		2016	
	Outstanding amount (in billion DH)	Change in %	Outstanding amount (in billion DH)	Change in %
LI1 aggregate	**344.6**	**13.0**	**363.0**	**5.3**
Negotiable Treasury bonds	334.6	13.0	355.5	6.2
Bonds of finance companies	7.0	35.6	5.0	-29.0
Commercial paper	1.2	-58.3	0.9	-19.3
Securities issued by contractual mutual funds	1.8	82.6	1.6	-9.1
LI2 aggregate	**170.3**	**17.8**	**185.4**	**8.9**
Securities issued by bond mutual funds	170.3	17.8	185.4	8.9
LI3 aggregate	**30.3**	**1.3**	**38.7**	**27.7**
Securities issued by equity and diversified mutual funds	30.3	1.3	38.7	27.7
Total LI	**545.2**	**13.7**	**587.1**	**7.7**

1.7.5 Interest rates

Interest rates continued to decline in 2016 in the various markets, mainly due to a cut in the key rate.

In the interbank market, after moving at levels very close to the key rate in the first quarter, the weighted average rate widened somewhat between April and mid-July, owing to an improvement in Bank liquidity. Following Bank Al-Maghrib's decision in June to raise the required reserve ratio, it again aligned itself with the key rate for the rest of the year. Throughout the year, the weighted average rate stood at 2.27 percent from 2.51 percent in 2015.

Chart 1.7.7: Weighted average rate on the interbank market (%)

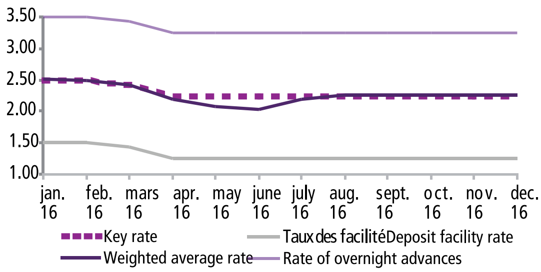
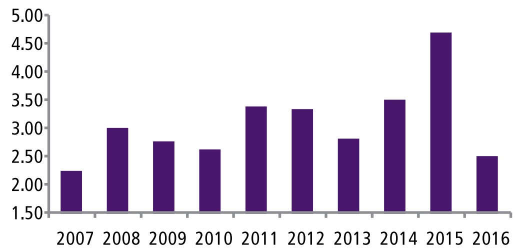


Chart 1.7.8: Volume of exchange in the interbank market (in billion DHs)



In the sovereign debt market, issuance rates continued their downward trend, with particularly decreases of 34 points for the 52-week maturity, 52 points for the 2-year one and 45 points for the 5-year maturity. Considering also a reduction in the average maturity of 6 years and 6 months to 5 years and 7 months, the average cost of emissions fell back from 3.2 percent to 2.7 percent.

Chart 1.7.9: Yield curve on the secondary market (%)

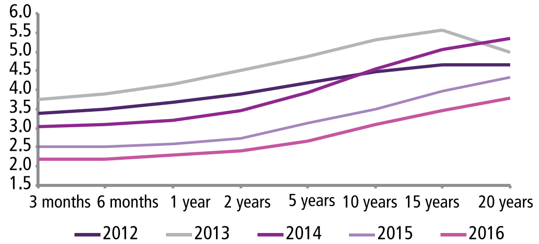
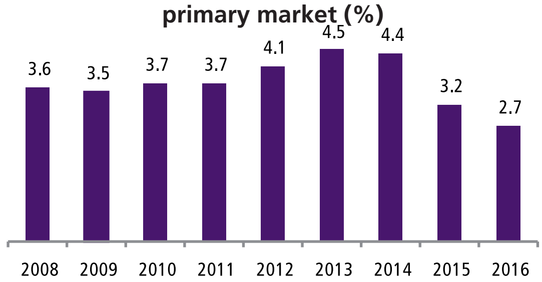


Chart 1.7.10: Weighted average rate on the primary market (%)



Deposit rates dropped by 48 basis points for 6-month deposits and 34 percentage points for 12-month deposits, standing at 3.08 percent and 3.46 percent, respectively. Similarly, the minimum rate paid on passbook accounts, pegged to the rates on 52-week Treasury bonds, decreased by 43 basis points to 1.85 percent.

Table 1.7.6: Interest rates on time deposits and passbook accounts (in %)

	2012	2013	2014	2015	2016
6-month deposits	3.49	3.56	3.65	3.57	3.08
12-month deposits	3.83	3.91	3.89	3.80	3.46
Passbook accounts with banks	**3.00**	**3.51**	**3.32**	**2.28**	**1.85**

Lending rates registered a further decline in 2016, from 5.70 percent to 5.24 percent on average[1]. This decline benefited all institutional sectors and affected all loan categories. For companies, rates were down 52 basis points for cash advances, 45 points for real estate loans and 12 points for equipment loans. For private individuals, rates fell by 46 points for consumer loans and by 25 points for housing loans.

Table 1.7.7: Lending rates (in %)

	2014	2015	Q1	Q2	Q3	Q4	2016
Debtor accounts and cash advances	5.97	5.68	5.44	5.16	4.98	5.24	5.18
Equipment loans	5.62	5.08	5.54	4.98	4.95	4.43	4.79
Real estate loans	5.98	5.84	5.59	5.44	5.34	5.15	5.39
Consumer loans	7.33	7.17	6.91	6.63	6.64	6.64	6.70
Overall credit rate	**6.00**	**5.70**	**5.55**	**5.25**	**5.08**	**5.17**	**5.24**

Source: BAM quarterly survey among banks.

1.7.6 Foreign exchange rate

Reflecting a virtually stable parity of the euro/dollar in 2016, the value of the dirham did not change significantly against these two currencies. Conversely, it appreciated against the currencies

1 Weighted average of lending rates for the four quarters of the year.

of other major partners and competitors[1] , with particularly increases of 6.2 percent against the Chinese yuan, 12.9 percent versus the pound sterling, 10.5 percent against the Turkish lira and 29.9 percent vis-à-vis the Egyptian pound. Under these conditions, taking into account a near-zero inflation differential[2] , the dirham's effective exchange rate rose by 2.4 percent in both nominal and real terms.

Chart 1.7.11: Transfer exchange rate (monthly average)

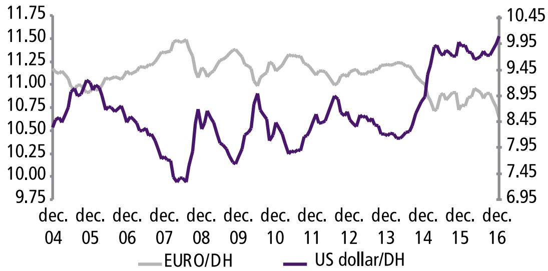
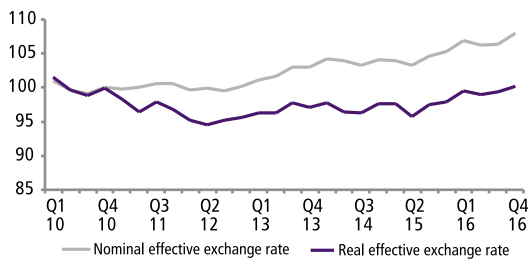


Chart 1.7.12: Effective exchange rates of the dirham (2010=100)



Box 1.7.1: Assessing the equilibrium level of the exchange rate

The equilibrium exchange rate is defined as the level of the real effective exchange rate (REER) in line with the fundamentals of the economy.

In a floating exchange rate regime, the REER is determined by the market and thus supposed to be close to its equilibrium level, although it may temporarily deviate from it. On the other hand, in a fixed exchange rate regime, it can move away from it sustainably, which can have negative effects on the economy. An overvalued currency can hamper net exports, widen the current account deficit and exert pressure on foreign exchange reserves. Conversely, an undervalued currency may increase imports, thus leading to inflationary pressures.

The assessment of the exchange rate equilibrium level is therefore of particular importance, especially in a fixed exchange rate regime. In this respect, several approaches have been developed to assess this level, which may sometimes lead to divergent results.

In the case of Morocco, a study[1] was carried out by Bank Al-Maghrib in October 2016 on the basis of data covering the period from 2007 to 2015, using three evaluation methods among the most commonly used by central banks.

1 The alignment of the exchange rate with its equilibrium level is also assessed by the IMF as part of Article IV consultations.

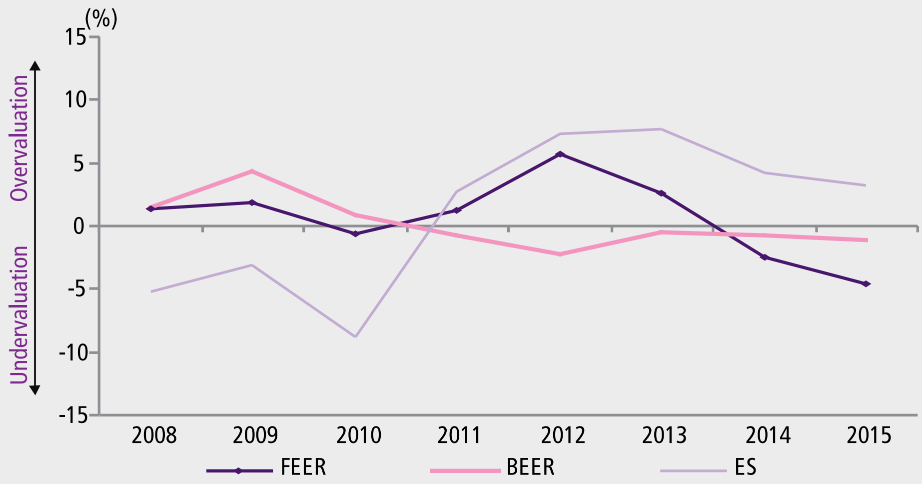
1 The countries selected for the calculation of the effective exchange rate are: Belarus, Brazil, China, Hungary, India, Japan, Pakistan, Poland, Romania, Russia, Senegal, Sweden, Tunisia, Turkey, Ukraine, the United Kingdom, and the euro area

2 Differential between inflation in Morocco and the weighted average of that of the countries selected to calculate the effective exchange rate

These are:

- Behavioral Equilibrium Exchange Rate (BEER): it consists in estimating the relation between the REER and its long-term determinants. Three variables were selected in this study: terms of the exchange, ratio of FDI to GDP and the trade openness measured by the ratio of the sum of exports and imports to GDP. The misalignment of the REER is then calculated as the difference between the observed trajectory and the estimated one.
- Fundamental Equilibrium Exchange Rate (FEER): the exchange rate equilibrium level is determined in two steps:
  i) estimating the difference between the current account and its equilibrium level. The latter is assessed through the estimation of the relationship between the current account and its main determinants. The selected variables are the energy bill, the net external position – measured by the ratio of foreign exchange reserves to GDP -, bank credit, the ratio of labor productivity in Morocco to that of partner countries as well as the terms of exchange;
  ii) assessing the misalignment of the REER on the basis of its current account elasticity.
- External Sustainability (ES): it is based on the same principle as the current balance approach, but considering the level ensuring the current account sustainability for the foreign exchange reserves. The latter is approached in the study using the IMF's ARA measure[2].

Chart B.1.7.1.1: Misalignment of the real effective exchange rate



Despite some divergence between the results of the three methods, it is clear that overall in the period under review, the REER did not show any significant and persistent misalignment. Moreover, since 2013, it has been gradually adjusted to be closer to its equilibrium level in 2014 and 2015.

2 This level is given by the formula: 30 percent of short-term debt + 30 percent of liabilities + 20 percent of the money supply + 10 percent of exports.

On the foreign exchange market, net sales [1] of foreign currencies by commercial banks to Bank Al-Maghrib posted a monthly average of 3.2 billion dirhams in 2016, from 4.2 billion a year earlier. For foreign banknotes in particular, net sales declined from 2.8 billion to 2.5 billion for transactions against dirhams and rose from 75 million to 1.4 billion for those against foreign currencies.

Regarding the interbank compartment, the amount of foreign currency exchanges against the dirham progressed by 52 percent to 5.3 billion dirhams on monthly average, while the amount of lending and borrowing in foreign currencies decreased by 39.7 percent to 22.5 billion.

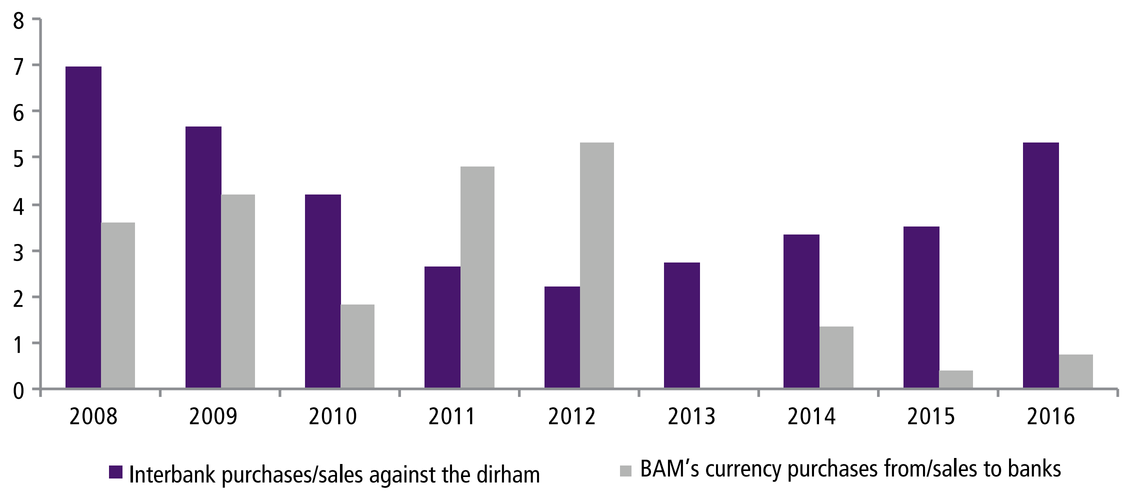
Table 1.7.8: Main transactions on the Forex market (in billion DHs, monthly average)

	2014	2015	2016	
			Volume	Change in %
Interbank foreign currency/DH purchases/sales	3.3	3.5	5.3	52
Purchases / Sales of foreign currency with foreign correspondents	38.2	104.7	52.7	-49.7
Foreign currency/DH purchases/sales with foreign correspondents	35.2	37.4	22.5	-39.7
Purchases / sales of foreign currency from bank customers	8.4	8.4	9.4	11.3

The monthly volume of banks' transactions with customers grew by 5.9 percent to an average of 54 billion dirhams, of which 44.6 billion as spot operations and 9.4 billion as forward transactions. Meanwhile, their operations with foreign correspondents amounted to 52.7 billion, down 49.7 percent, and their investments abroad fell from 8.9 billion to 7.1 billion.

Under these conditions, banks' net foreign exchange position[2] averaged 1.1 billion dirhams from 4.8 billion dirhams in 2015.

Chart 1.7.13: Spot transactions on the exchange market



1 Net sales include both transfer exchanges and foreign banknote exchanges

2 It is calculated as the difference between banks' claims and debts denominated in foreign currency

1.8 Asset markets

Reflecting an easing in the Treasury's borrowing requirement, albeit with a greater reliance on external financing, sovereign debt issues shrank by 25 percent to 111.4 billion dirhams in 2016. Similarly, issues of nonfinancial corporations declined sharply despite continued easing in rates, thus bringing the number of subscriptions on the private debt market to 50.3 billion.

At the same time, in a context of falling bond yields and rising income of listed companies, the benchmark index of the stock market rose significantly, while its liquidity, although improving, remained low.

In the real estate market, prices continued to evolve moderately, with higher transactions in all major cities, except Marrakech and Tangier, where declines were observed. Market trends during the year were characterized by a significant increase in sales in the third quarter prior to the implementation of the new pricing of land registry services in November.

Table 1.8.1 : Main indicators of asset markets (Change in %)

	2012	2013	2014	2015	2016
Debt market (change in %)					
Outstanding amount of Treasury bills	13.5	15.8	3.2	10.3	4.2
Outstanding amount of private debt	11.8	-2.0	1.8	-5.7	-4.9
Stock market					
MASI (change in %)	-15.1	-2.6	5.6	-7.2	30.5
Liquidity ratio (central market, in %)	6.2	6.1	5.8	5.9	6.4
Capitalization in % of GDP	53	50	52	46	58
Real estate market (change in %)					
Real Estate Price Index	2.0	1.7	-0.4	1.2	0.9
Number of transactions	11.2	-6.2	15.9	-1.3	8.1

1.8.1 Debt securities

Treasury bills

After a rise of 34.8 percent in 2015, the Treasury's issues fell back from 148.6 billion to 111.4 billion dirhams. The structure of these issues changed slightly, as the share of long-term maturities rose from 25 percent to 28 percent, while that of medium-term bonds decreased from 51 percent to 47 percent. Subscriptions were at rates well below those observed in 2015, including decreases of 30 basis points for the 52-week maturity and 40 basis points for the 5-year and 10-year bonds. The average cost of debt, measured by the average rate of emissions, thus dropped from 3.3 percent to 2.6 percent.

In addition, with a view to improving its debt profile and benefiting from low interest rates, the Treasury initiated operations involving the exchange of securities amounting to 25.1 billion dirhams, as against 22.7 billion in 2015.

Chart 1.8.1: T-bills repayments and subscriptions (in billion DH)

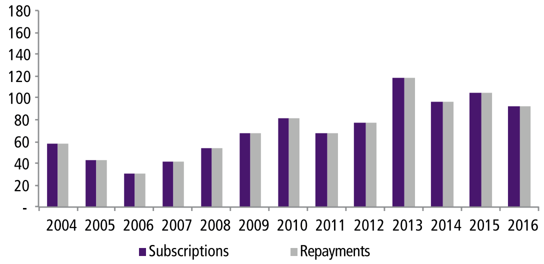
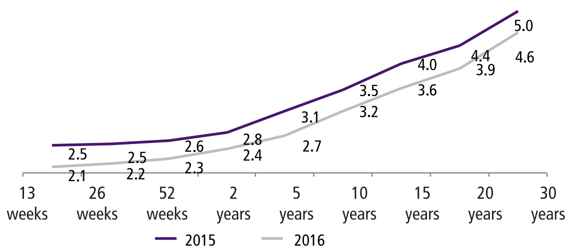


Chart 1.8.2: Average rates of T-bills in the primary market (%)



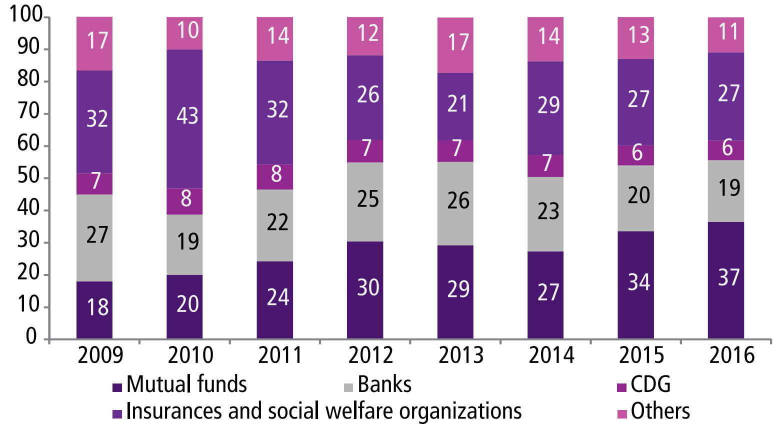
Taking into account repayments totaling 91.6 billion dirhams, outstanding Treasury bonds amounted to 490 billion dirhams, up 4.2 percent. Their structure remained dominated by long-term maturities with a 58 percent share as against 38 percent for medium-term bonds and 3.9 percent for short-term ones.

Table 1.8.2: T-bills transactions, by maturity (in billion DH)

	2010	2011	2012	2013	2014	2015		2016	
						Amount	Structure in %	Amount	Structure in %
Outstanding amount	**277.4**	**314.2**	**356.7**	**412.97**	**426.1**	**470.1**	**100**	**490.1**	**100**
Short term	33.8	16.4	15.7	33.9	14.9	27.5	5.8	19.1	3.9
Medium term	81.9	122.4	156.8	177.6	165	182.7	38.9	187.9	38.3
Long term	161.6	175.5	184.3	201.6	246.2	259.9	55.3	283.1	57.8
Subscriptions	**101.1**	**103.5**	**120.3**	**175.2**	**110.2**	**148.6**	**100**	**111.4**	**100**
Short term	42.3	25.4	42.1	83.9	14	36.6	24.6	27.4	24.6
Medium term	47.2	60.3	57	66.7	36.1	75.1	50.5	52.4	47
Long term	11.7	17.8	21.2	24.7	60.1	36.9	24.8	31.6	28.4
Repayments	**81.6**	**67.1**	**77.8**	**118.9**	**97.1**	**104.6**	**100**	**91.6**	**100**
Short term	67.4	43.3	42.7	65.7	32.9	23.9	22.9	35.8	39.1
Medium term	6.6	19.8	22.6	45.9	48.6	57.4	55	47.3	51.6
Long term	7.6	3.9	12.4	7.4	15.5	23.1	22.1	8.5	9.3

The breakdown of the outstanding amount by holder indicates a further increase in the share of mutual fund shares/units from 34 percent to 37 percent, and stagnation in the share of insurance companies and social welfare organizations at 27 percent. On the other hand, the share of banks continued to decline from 26 percent in 2013 to 19 percent in 2016.

Chart 1.8.3: T-Bills outstanding amount by holder (%)



Private debt securities

Issues of private debt securities fell again by 11.6 percent, as opposed to 31.5 percent in the previous year. This trend reflects a sharp decline in issuances of nonfinancial companies to 9.4 billion, as against 22.8 billion in 2015 and 23.3 billion in 2014. The amount of subscriptions decreased from 15.5 billion to 4.4 billion for treasury bills and from 7.3 billion to 5 billion for bonds.

Table 1.8.3: Change in private debt issuance (in million dirhams)

	Issues						Change 2016/2015	
	2011	2012	2013	2014	2015	2016	In millions	In %
Overall	**69 973**	**78 763**	**65 092**	**83 006**	**56 830**	**50 252**	**-6 579**	**-11.6**
Financial companies	**53 172**	**57 486**	**53 143**	**59 660**	**34 054**	**40 820**	**6 766**	**19.9**
Banks	**45 463**	**47 776**	**53 103**	**51 698**	**28 245**	**36 781**	**8 536**	**30.2**
Certificates of deposit	43 963	44 526	50 853	47 498	21 245	28 181	6 936	32.6
Bonds	1 500	3 250	2 250	4 200	7 000	8 600	1 600	22.9
Other financial companies	**7 709**	**9 711**	**40**	**7 962**	**5 809**	**4 039**	**-1 770**	**-30.5**
Finance companies bills	7 649	5 585	40	7 502	4 979	3 889	-1 090	-21.9
Bonds	60	4 126	-	460	830	150	-680	-81.9
Nonfinancial corporations	**16 802**	**21 277**	**11 950**	**23 346**	**22 776**	**9 431**	**-13 345**	**-58.6**
Treasury bills	5 952	9 027	9 700	11 322	15 464	4 385	-11 079	-71.6
Bonds	10 850	12 250	2 250	12 024	7 312	5 046	-2 266	-31.0

Issues of financial companies grew by 20 percent, due to a substantial increase of 30.2 percent in those of banks, after a 45.5 percent decline. By instrument, issuances of certificates of deposit amounted to 28.2 billion dirhams, which is certainly higher than in 2015, but much lower than the amounts registered in 2011 and 2014. They matched lower rates compared to 2015, with mainly declines of 49 basis points on average for maturities of 183 to 365 days and 58 points for maturities of 366 days to 2 years. Conversely, subscriptions in bonds issued by finance companies declined further by 21.9 percent to 3.9 billion. In terms of bonds, subscriptions of banks continued their upward trend to 8.6 billion, while those of finance companies were limited to 150 million, as against 830 million a year earlier.

Chart 1.8.4: Rates of certificates of deposit (In %)

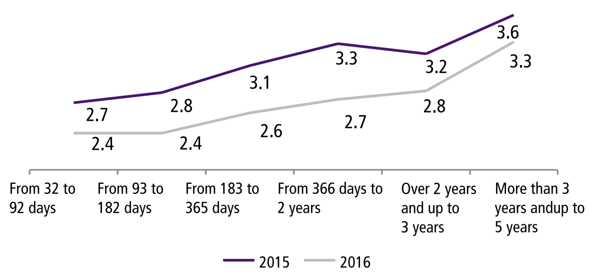
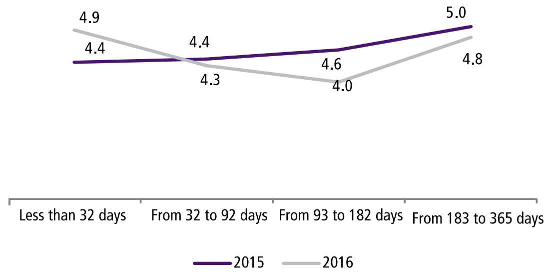


Chart 1.8.5: Rates of commercial papers (in %)



Taking into account repayments, the outstanding amount of private debt was down 4.9% to 151.7 billion. Its structure remains dominated by securities issued by banks, whose share rose from 46 percent to 54 percent, to the detriment of nonfinancial enterprises in particular, whose share fell back from 43 percent to 40 percent.

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

	Issues						Change 2016/2015	
	2011	2012	2013	2014	2015	2016	In millions	In %
Global	**151 738**	**169 718**	**166 254**	**169 173**	**159 606**	**151 738**	**-7 869**	**-4.9**
Financial corporations	**95 477**	**104 025**	**97 816**	**97 373**	**91 604**	**95 872**	**4 268**	**4.7**
Banks	76 788	81 140	81 218	80 391	73 413	81 773	8 359	11.4
Certificates of deposit	57 798	59 068	58 574	55 088	41 184	43 520	2 335	5.7
Bonds	**18 990**	**22 072**	**22 644**	**25 303**	**32 229**	**38 253**	**6 024**	**18.7**
Other financial companies	18 689	22 886	16 598	16 982	18 191	14 100	-4 091	-22.5
Finance companies bills	16 889	18 763	13 168	13 486	14 460	11 569	-2 891	-20.0
Bonds	**1 800**	**4 123**	**3 430**	**3 496**	**3 731**	**2 531**	**-1 200**	**-32.2**
Nonfinancial corporations	56 261	65 693	68 439	71 800	68 002	60 040	-7 962	-11.7
Treasury bills	2 897	3 467	3 422	4 836	2 271	1 549	-722	-31.8
Bonds	53 364	62 226	65 017	66 964	65 731	58 491	-7 240	-11.0

Box 1.8.1 : Payment deadlines

The payment deadlines correspond to the period between the receipt of the goods or the provision of services and the effective settlement date. They are a widely monitored indicator for assessing the financial situation of companies. When lengthened significantly, they can create cash flow difficulties and may even constitute an obstacle to the continuity of business activity.

As part of their financial stability mission, central banks use this indicator to assess risks of business failure. These risks can, by contagion effect, have significant impacts on the productive fabric and be transmitted to the financial system. In this regard, Bank Al-Maghrib set up in 2013 an arrangement for calculating payment deadlines for nonfinancial enterprises in Morocco.

In terms of regulations, payment deadlines between private companies are currently regulated in Morocco by Law 32-10, which will be supplemented and amended by the new Law No. 49-15, due to enter into force in January 2018. The latter shall fix the time limits to a maximum of 60 days when they are not agreed between the two parties and cannot, in any circumstances, exceed 90 days. In case of delays, the new law provides for indemnities applied on the principal on the debt at a rate that cannot be lower than the policy rate plus seven percentage points.

For calculating payment deadlines, Bank Al-Maghrib relies on balance sheet statements of nonfinancial enterprises mainly from the Moroccan Office for Industrial and Commercial Property (OMPIC). Prior to their use, the Bank carries out a consistency checking and a likelihood analysis using a system developed in this respect.

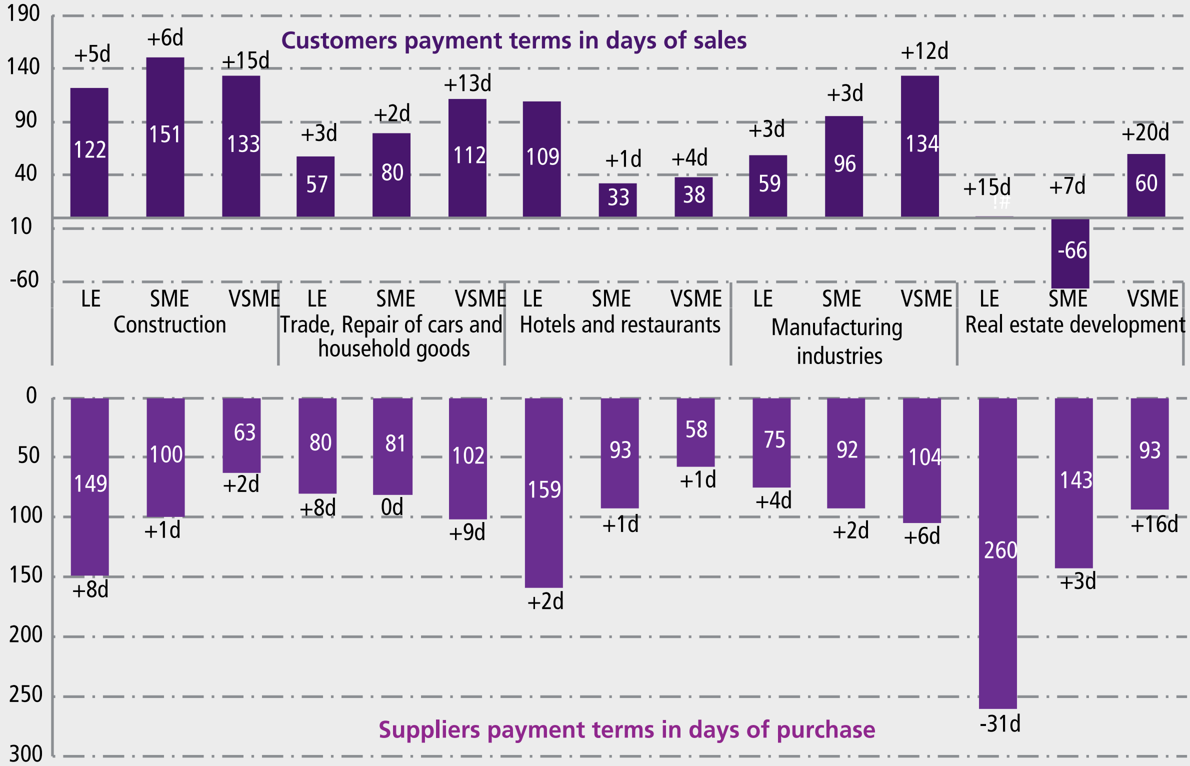
The calculation formulas used are as follows:

$$\textbf{Customers payment terms} = \frac{\text{Accounts receivables- customers' advances}}{\text{Gross turnover}} * 360$$

$$\textbf{Suppliers payment terms} = \frac{\text{Payables- suppliers' advances}}{\text{Gross purchases}} * 360$$

The calculation of payment deadlines for 2015, carried out based on a sample of 73,953 companies, shows that the longest customer deadlines are experienced by construction companies ranging from 122 days of sales for large companies to 151 days of sales for small and medium-sized enterprises (SMEs). For very small enterprises (VSE), the longest deadlines are observed in the “manufacturing industry”, i.e. 134 days of sales. On the other hand, the shortest periods are recorded in the “real estate development” sector, all sizes included, and in the “hotels and restaurants” sector for VSEs and SMEs.

Compared to 2014, customer deadlines were extended across all industries and categories of businesses. The biggest extensions were recorded, mainly for very small businesses and especially for those operating in "real estate development" and "construction". For large companies, their payment deadlines were extended markedly in the "hotels and restaurants" and "real estate development"



Regarding supplier deadlines, the most significant levels are observed for large companies working in the "real estate development", "hotels and restaurants" and "construction" sectors. These companies pay their suppliers after 260, 159 and 149 days of purchase, respectively. For the other categories of companies, these periods vary between 58 and 104 days, with the exception of SMEs for "real estate development" who pay their bills with an average delay of 143 days.

Compared to 2014, payment deadlines were slightly extended overall in all sectors of activity and concerned all categories of companies, with the exception of large companies of "real estate development" that paid their suppliers 31 days earlier than in 2014.

1.8.2 Mutual fund shares/units

Despite low yields on the debt markets and a large increase in stock prices, subscriptions to bond mutual fund shares/units rose substantially by 38.8 percent to 290.7 billion, with particularly a 59 percent expansion in short-term bonds. Concerning other categories, subscriptions stabilized at 408.9 billion for money market mutual funds and decreased by 20 percent to 4.8 billion for equity funds.

In total, subscriptions amounted to 729.1 billion, up 14.7 percent. Taking into account a 15.2 percent increase in redemptions, net inflows totaled 26.4 billion, including 19.8 billion for bond funds and 3.5 billion for money market ones.

Yields of UCITS rose markedly to 8.8 percent, driven mainly by the strong performance of equity and diversified funds. Under these conditions, net assets grew by 13.8 percent to 375.6 billion dirhams, with increases of 16.6 percent for medium and long-term bond funds and 5.9 percent for short-term ones.

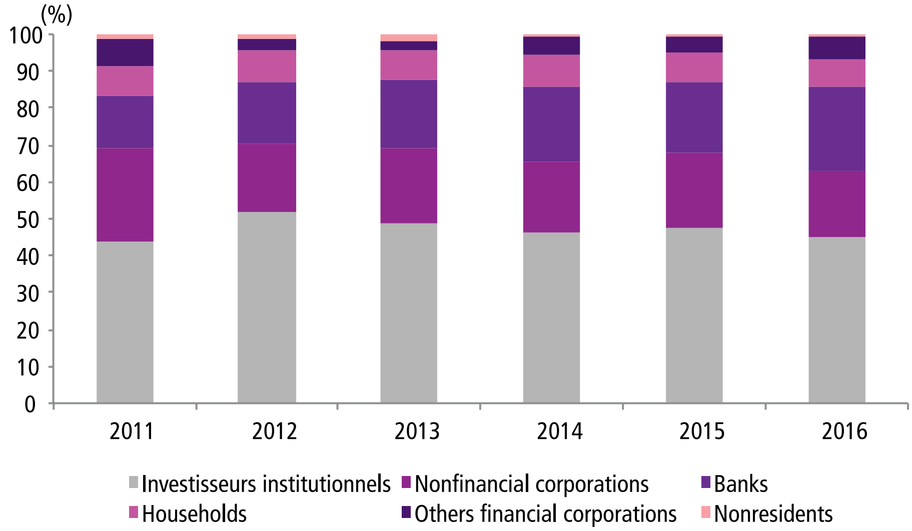
Table 1.8.5: Net assets of UCITS (In millions of dirhams)

	2012	2013	2014	2015	2016
			Net asset		
Monetary	71.4	68.0	73.7	71.6	72.8
Short-term bonds	25.2	26.4	43.6	48.3	51.2
Medium and long term bonds	115.5	121.4	149.8	175.1	204.1
Shares	20.7	20.0	21.1	20.4	26.3
Composite	7.7	8.8	11.3	12.9	19.6
Contractual	1.2	0.9	1.0	1.8	1.6
Total	**241.9**	**245.5**	**300.5**	**330.1**	**375.6**
			Souscriptions		
Monetary	405.3	373.8	428.6	408.9	408.9
Short-term bonds	49.3	38.3	61.2	91.6	145.3
Medium and long term bonds	93.9	99.3	120.7	117.8	145.4
Shares	3.9	2.3	4.3	6.0	4.8
Composite	2.6	2.2	4.9	5.5	10.9
Contractual	2.9	2.2	1.7	6.0	13.8
Total	**558.0**	**518.1**	**621.4**	**635.8**	**729.1**
			Repurchases		
Monetary	396.5	379.6	425.6	407.9	405.4
Short-term bonds	48.6	38.0	45.6	88.3	141.8
Medium and long term bonds	92.2	96.5	106.6	98.6	129.1
Shares	2.7	2.2	4.0	5.7	4.3
Composite	3.9	2.2	3.5	4.4	6.6
Contractual	3.2	2.5	1.7	5.3	15.4
Total	**547.1**	**520.9**	**586.9**	**610.2**	**702.7**

Source: Transferable Securities Board.

The breakdown of outstanding UCITS by holder shows a rise in the share of banks from 19 percent to 23 percent, with a preponderance of two-thirds of the medium and long-term bond securities. However, the share of institutional investors fell from 48 percent to 45 percent and that of nonfinancial corporations moved down from 20 percent to 18 percent.

Chart 1.8.6: Amount of mutual funds' net assets by holder (in %)



Source : Transferable Securities Board.

1.8.3 Stock market

After a decline of 7.2 percent in 2015, the Casablanca benchmark index showed an increase of 30.5 percent, the largest since 2007. This change involved almost all sectors, covering mainly increases in the sectors of "construction and building materials" with 44.1 percent, "banks" with 18.5 percent and "telecommunications" with 27.2 percent.

Chart 1.8.7 : Monthly performance of MASI (in points %)

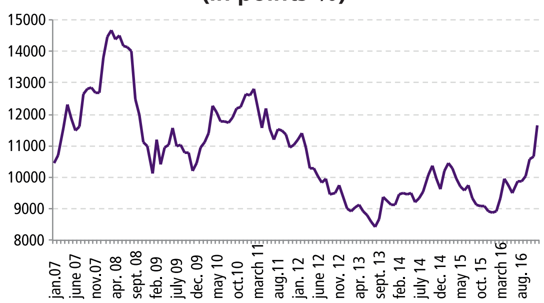
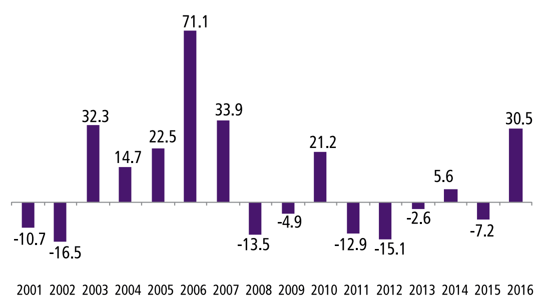


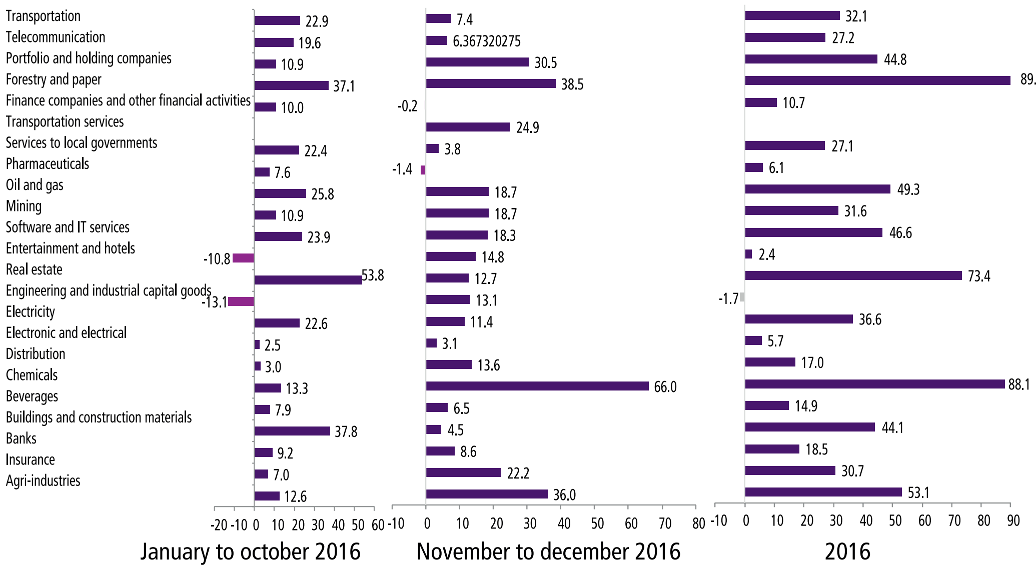
Chart 1.8.8: Annual performance of MASI (%)



Source: Casablanca Stock Exchange.

The infra-annual analysis indicates that after an average monthly increase of 1.7 percent in the first ten months of the year, MASI accelerated in the last two months, with an average increase of 5 percent, due to the publication of better-than-expected half-year results.

Chart 1.8.9: Annual change of sectoral indexes (in %)



Source: Casablanca Stock Exchange.

Against this backdrop, after a decline of 1.7 percentage point in 2015, the PER[1] was up one point to 18.3. This level remains higher than that of the most represented markets in the "frontier markets" category[2] . The Casablanca Stock Exchange also continues to offer a significant dividend yield[3] , which stood at 4.3 percent from 4.5 percent a year earlier.

Table 1.8.6: PER and dividend yield of most represented countries in the MSCI "frontier market" category

	weight in %			Dividend Yield	
		2015	2016	2015	2016
Kuwait	22.2	15	13.8	3.9	3.99
Nigeria	19.9	15	18.9	0.7	0.98
Argentina	10.9	9.7	12.4	5.5	4.61
Pakistan	7.7	12.1	16.3	3.5	3.29
Morocco	**6.5**	**17.3**	**18.3**	**4.5**	**4.28**

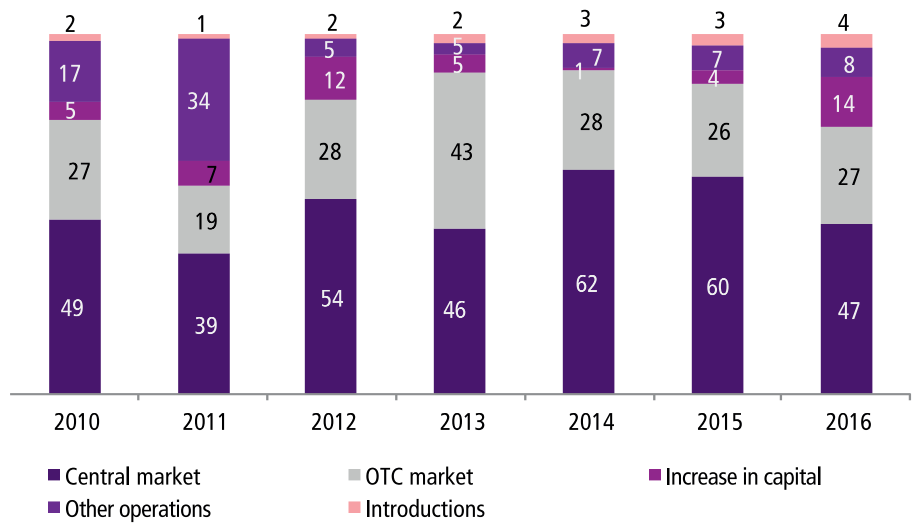
Source : Datastream.

1 The PER represents the ratio of the share price relative to per-share earnings
2 Kuwait, Nigeria, Argentina and Pakistan
3 The dividend yield is the ratio of the dividend distributed and the share

The trading volume improved significantly to 72.7 billion dirhams from 52.1 billion dirhams in 2015 and an average of 57.7 billion between 2012 and 2014. Transactions involving shares grew by 45.5 percent to 68.2 billion, of which 32.1 billion were performed on the central market and 18.4 billion on the OTC market.

Regarding other compartments, the year was marked by the listing by sale of the securities of SODEP-MARSA MAROC, for an amount of 1.9 billion dirhams, corresponding to 40 percent of its capital. Similarly, the market saw a major merger-takeover operation, the first since 2013. LAFARGE CIMENTS merged with HOLCIM MAROC with a contribution in kind of 9.1 billion dirhams.

Chart 1.8.10 :Trade structure (in%)

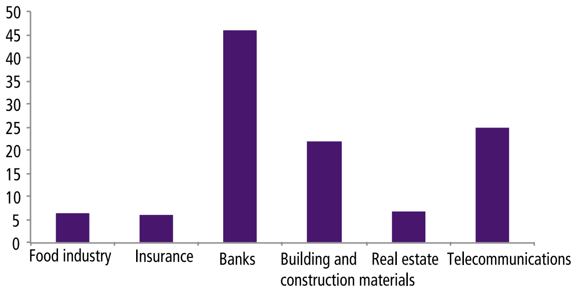


Source: Casablanca Stock Exchange.

Under these conditions, market capitalization increased by 28.7 percent to 583.4 billion dirhams, driven mainly by growth in the banking, construction and building materials and telecommunication sectors. The ratio of capitalization to GDP thus broke with its downward trend since 2007, rising from 46 percent to 58 percent.

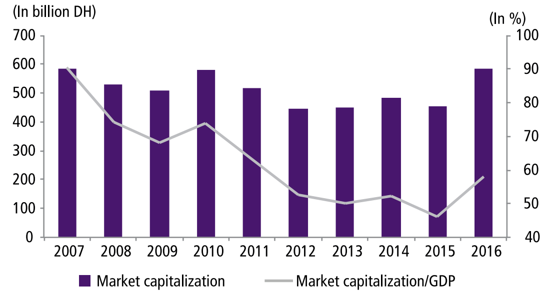
Similarly, floating capitalization grew by 31 percent to 133.2 billion, mainly due to increases of 52 percent for “construction and building materials” and 19 percent for “banks”

Chart 1.8.11 : Capitalization and float factor of key sectors



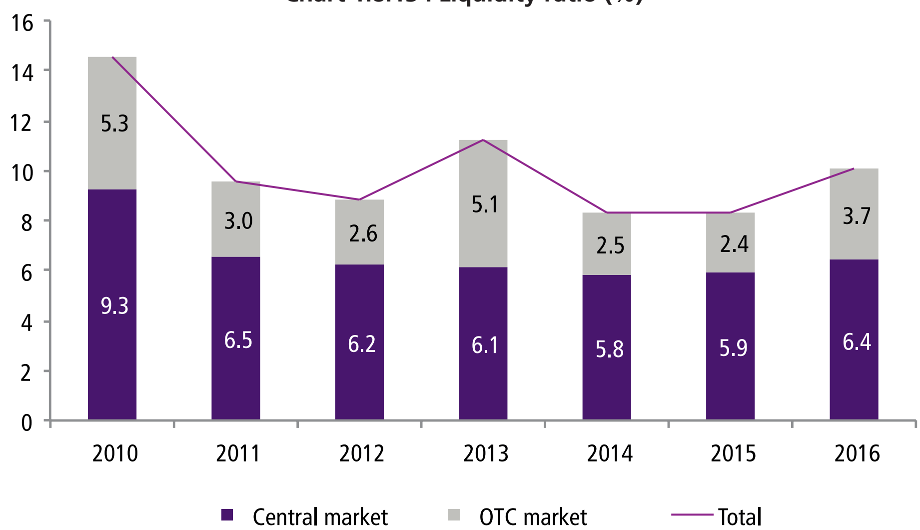
Source: Casablanca Stock Exchange.

Chart 1.8.12: Market capitalization



Overall, the liquidity ratio stood at 6.4 percent, as against 5.9 percent in 2015. Despite this improvement, it remains low when compared to certain countries in the "frontier markets" category, particularly Kuwait (10.7 percent) and Vietnam (39.1 percent), or the main countries in the "emerging countries" category which post an average of 127 percent.

Chart 1.8.13 : Liquidity ratio (%)



Source: Casablanca Stock Exchange, and BAM calculations.

Table 1.8.6: Trading volume (in million DH)

	2012	2013	2014	2015	2016
I- Shares	**52 551.6**	**54 557.8**	**44 333.8**	**46 885.0**	**68 193.4**
1-Central market	29 728.7	26 449.5	27 594.6	28 758.0	32 082.2
2-OTC market	12 469.8	22 100.6	11 816.1	11 751.0	18 379.4
Total of the secondary market (1+2)	**42 198.5**	**48 550.1**	**39 410.7**	**40 509.0**	**50 461.6**
3- New listings	26.6	1 000.0	1 127.0	893.4	1 929.8
4- Securities contribution	2 062.7	644.1	2 493.1	923.0	4 797.9
5- Public offerings*	177.5	45.1	671.9	2 407.9	440.4
6- Transfers	617.4	1 116.4	206.1	106.5	686.8
7- Capital increases	7 468.9	3 202.1	425.1	2 045.3	9 876.8
Total of other markets (3+4+5+6+7)	**10 353.1**	**6 007.7**	**4 923.1**	**6 376.0**	**17 731.8**
II- Bonds	**8 482.8**	**7 584.2**	**5 475.0**	**5 206.4**	**4 543.1**
8- Central market	3 204.9	2 170.8	3 355.4	2 689.7	2 120.9
9- OTC market	4 367.6	4 713.4	1 936.1	1 705.6	1 484.1
Total of secondary market (8+9)	**7 572.5**	**6 884.2**	**5 291.4**	**4 395.2**	**3 605.0**
10- New listings	910.3	700.0	183.6	809.7	938.1
11- Securities contributions	-	-	-	1.5	-
12- Transfers	0.1	0.03	-	0.01	-
Total of other markets (10+11+12)	**910.4**	**700.0**	**183.6**	**811.2**	**938.1**
Total (I+II)	**61 034.5**	**62 142.0**	**49 808.8**	**52 091.4**	**72 736.6**

Source: Casablanca Stock Exchange.

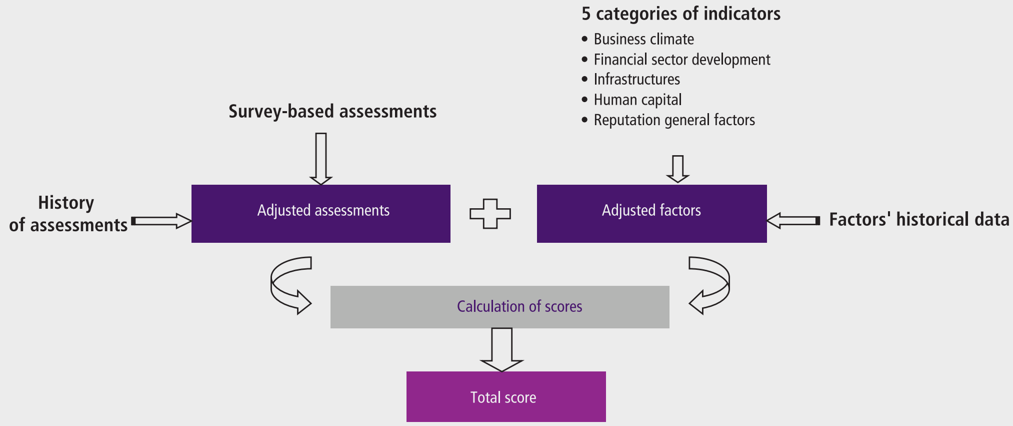
Box 1.8.2 : Positioning of the Casa Finance City

The Global Financial Centers Index (GFCI) is an index of world financial centers published semi-annually by Z/Yen[1], which establishes a ranking of these centers. The data[2] used relate to the business climate, infrastructure, human capital, development of the financial sector and other general and reputation aspects. They also include the results of the survey conducted with a sample of financial professionals from around the world. These professionals are invited to give their perception of the competitiveness of the centers and to indicate the emerging markets with the best prospects. All this information is integrated into a model that calculates a score for each financial center.

1 Based in London, Z/Yen is a Think Tank set up in 1994 to contribute to debates on public policy.

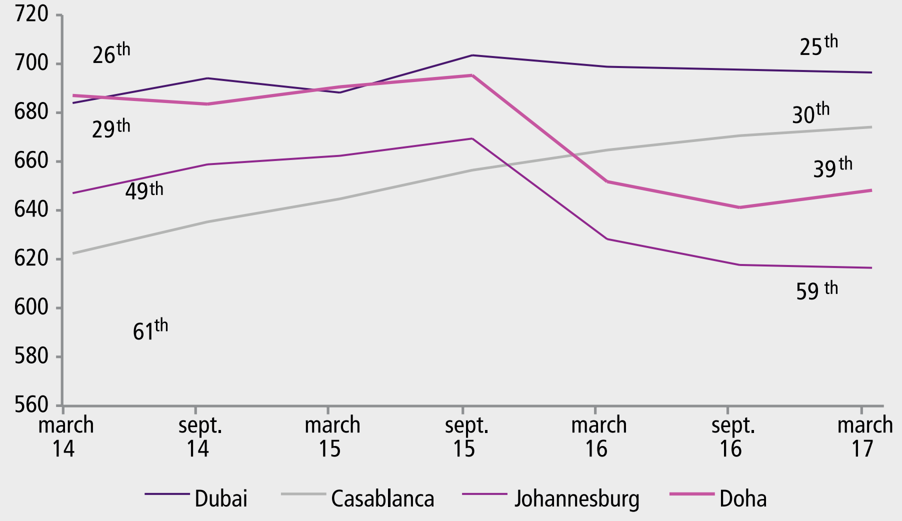
2 Data compiled by the World Bank, Economic Intelligence Center, WEF, UN and OECD.

Chart 1.8.1.2.1 : GFCI Development Process



Casa Finance City (CFC) joined the ranking in March 2014 and was 61st out of 83 centers. Since then, its position gradually improved, ranking 30th out of 88 countries according to the March 2017 edition, or number one on the African continent and three in Africa and Middle East, behind Dubai and Abu Dhabi. In addition, Casablanca financial center ranks now seventh as a center with strong potential, after being the first center in the two editions of 2014.

Chart 1.8.1.2.2 : Evolution of financial centers rating and ranking



Source : Z/YEN.

Seven years after its creation, CFC is an ecosystem bringing together over 117 establishments[1], nearly half of which are professional service providers, one third of the regional headquarters of multinationals, while the remainder are financial enterprises. In addition, CFC has entered into several strategic partnerships to strengthen its connectivity with the world's leading financial centers and to facilitate the exchange of expertise

1 List of companies with CFC status as of January 25, 2017 (Casablanca Finance City Authority)..

The comparison of CFC's performance with that of certain financial centers in the Africa and Middle East region, namely Dubai, Doha and Johannesburg, on the basis of the main underlying indicators for calculating the GFCI index, highlights in particular that:

- The business environment in Morocco is one of the factors influencing the development of the Casablanca financial center. Indeed, while the country is relatively well-rated in terms of respect for laws and openness of the Government, corruption, economic freedom and the effectiveness of the Government represent areas in which Morocco performs less well than the countries of the benchmark.
- In the financial sector, Morocco's scores are relatively high, particularly in terms of the importance of credit in financing the economy. Nevertheless, the country remains affected by the narrowness of the stock market and the structural weakness of its liquidity.
- In terms of infrastructure, Morocco scores well in terms of environmental performance. However, it has shortcomings in terms of road infrastructure, logistics and the use of new information and communication technologies.
- In other areas, Morocco is experiencing significant delays in terms of competitiveness, innovation and human resources, particularly in health services.

Overall, CFC has several strengths and has made significant progress, but is still influenced by some structural factors related to its economic and institutional environment. In addition to the efforts made by the authorities to remedy these constraints, its development could be accelerated by strengthening its legal status and reinforcing human and financial resources.

1.8.4 Real estate assets

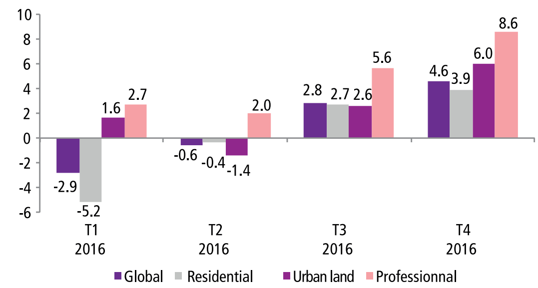
On the real estate market, after a 1.2 percent increase in 2015, prices were up 0.9 percent. This change reflects essentially price increases of 2.1 percent for urban land and 4.7 percent for commercial property, while prices for residential assets did not change significantly.

Table 1.8.8: Change in REPI by category of assets (in %)

	2012	2013	2014	2015	2016
Overall	**2.0**	**1.7**	**-0.4**	**1.2**	**0.9**
Residential	**1.4**	**0.9**	**-0.2**	**1.7**	**0.2**
Apartment	1.4	0.7	-0.2	1.8	0.2
Villa	1.5	1.9	0.2	1.3	-0.4
House	1.2	-1.0	-1.2	1.2	4.4
Urban land	**4.0**	**4.3**	**-1.0**	**1.2**	**2.1**
Business properties	**0.8**	**0.3**	**1.7**	**-2.0**	**4.7**
Commercial premises	0.7	0.4	1.4	-1.6	5.6
Offices	0.7	-0.4	5.3	-4.5	0.6

Sources: National Land Registry Office and BAM calculations.

Chart1.8.14 : Quarterly change of the REPI by category of assets (in%)



Transactions grew by 8.1 percent, after falling 1.3 percent a year earlier. They moved up 7.9 percent for residential properties, with mainly increases of 8 percent for apartments and 7.8 percent for houses. For urban land and commercial property, sales registered their third consecutive increase, with respective rates of 9.1 percent and 7.4 percent.

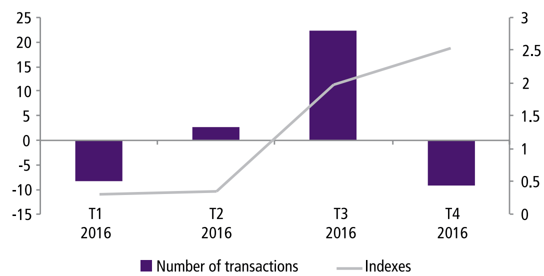
The analysis of the infra-annual change shows a noticeable increase in the number of transactions in the third quarter preceding the entry into force of the new prices of land registry services[1] . This increase was coupled with markedly higher prices, notably those of residential properties.

Table 1.8.9: Change in the number of transactions by asset type (in %)

	2012	2013	2014	2015	2016
Overall	**11.2**	**-6.2**	**15.9**	**-1.3**	**8.1**
Residential	**11.2**	**-4.0**	**18.6**	**-1.9**	**7.9**
Apartment	12.0	-3.0	20.8	-1.5	8.0
Villa	1.2	-15.3	-5.6	-4.7	7.8
House	21.0	-2.5	12.0	-9.4	6.7
Urban land	**10.3**	**-14.4**	**6.7**	**0.5**	**9.1**
Business properties	**13.6**	**-2.1**	**14.6**	**0.6**	**7.4**
Commercial premises	14.1	-2.9	14.6	-0.1	7.3
Offices	9.1	5.1	14.9	5.6	7.9

Sources: National Land Registry Office and BAM calculations.

Chart 1.8.15 : REPI and number of transactions (Quarter to quarter)



1 Since November 1, 2016, prices applied by the land registry agency (ANCFCC) showed an increase involving almost all services. Thus, registration fees are now set at 1.5 percent of the property value from 1 percent fixed previously and mortgage warranty costs are set at 1.5 percent. Other fees, in particular those for the division of inheritance after death, rose from 525 dirhams to 750 dirhams and complementary demarcation from 300 to 500 dirhams. Obtaining a copy of the land plan currently costs 100 dirhams from 60 and the building merger fees that were 150 dirhams per property plus 75 dirhams of fixed fees increased to 1,000 dirhams per property to be merged.

In the main cities, apart from the declines observed in Casablanca and Tetouan, price increases range from 0.7 percent in Marrakech to 3.5 percent in Meknes. The increase in real estate transactions was also almost universal, except for Marrakech, where a sharp contraction in land sales was recorded and in Tangier, where apartment purchases declined for the second consecutive year

Table 1.8.8: Change in REPI and in the number of transactions in major cities (in %)

	REPI				Transactions			
	2013	2014	2015	2016	2013	2014	2015	2016
Casablanca	1.2	0.5	3.9	-3.8	1.1	33.6	-4.3	4.0
Marrakech	2.9	1.9	-3.3	0.7	-21.3	21.2	-5.6	-14.5
Fes	0.1	0.8	0.9	2.1	-7.4	12.8	-6.3	13.4
Tangier	2.3	0.1	1.1	2.3	16.1	6.8	-10.6	-5.6
Meknes	-0.8	1.5	1.7	3.5	-31.8	30.6	11.2	22.5
Berrechid	12.7	-14.6	3.0	0.6	29.6	-8.5	6.0	34.1
Oujda	8.2	-1.8	0.9	3.8	-6.9	15.7	0.4	5.9
Kenitra	0.9	-0.6	2.8	3.4	-3.3	15.2	6.0	13.6
El jadida	0.5	-4.4	-1.8	1.0	2.7	-1.5	36.0	13.9
Sale	-0.8	2.8	0.5	2.6	-40.5	3.8	59.9	3.8
Temara	-7.5	-1.2	2.2	2.9	-24.1	26.8	-0.3	6.0
Mohammedia	0.4	2.4	-2.9	2.7	1.1	54.4	-12.1	49.4
Agadir	1.2	2.2	1.5	2.0	-2.6	-10.3	-19.8	21.4
Rabat	-0.3	1.4	1.4	2.1	-10.5	4.1	-10.1	27.4
Tétouan	3.7	5.8	-6.3	-1.7	9.5	13.2	-0.2	52.5
Global	1.7	-0.4	1.2	0.9	**-6.2**	**15.9**	**-1.3**	**8.1**

Sources: National Land Registry Office and BAM calculations.

In Casablanca, prices fell 3.8 percent after a 3.9 percent increase in 2015, reflecting a 5.5 percent decrease in apartment prices, the first since 2011. However, land prices progressed again by 2.6 percent and prices of business premises grew by 0.8 percent. At the same time, sales were up 31.6 percent for land, 1.4 percent for apartments and 12.2 percent for commercial premises.

In Rabat, prices continued to grow at a moderate pace, posting a further 2.1 percent increase, as against 1.4 percent a year earlier. Increases were 6.2 percent for land, 4.8 percent for business properties and 1.8 percent for residential assets. However, transactions moved up 27.4 percent, driven by an increase of 40 percent for apartments.

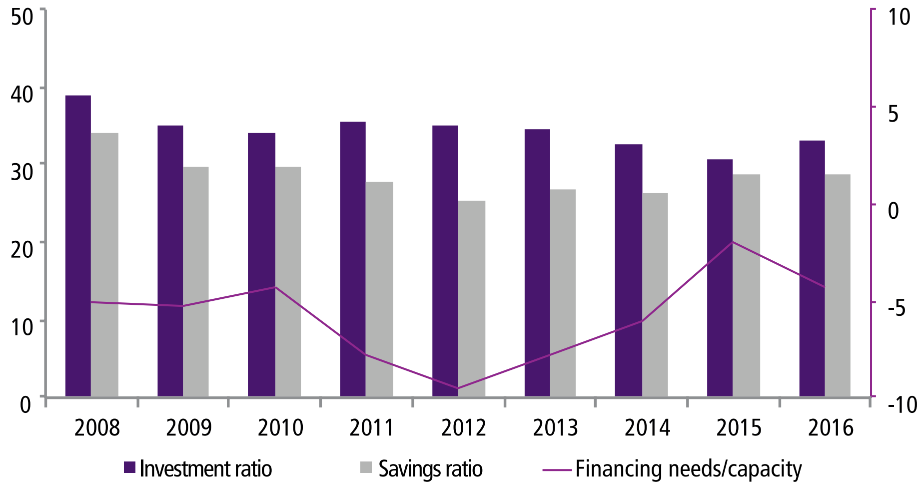
In Marrakesh, after a 3.3 percent decline, prices rose by 0.7 percent, with increases of 2.2 percent for apartments and 9.3 percent for business properties, while prices for urban land declined by 1.9 percent. On the other hand, transactions contracted again with rates of 9 percent for apartments, 22 percent for commercial property and 31 percent for urban land.

In Tangier, prices rose by 2.3 percent, as against 1.1 percent a year earlier. Prices were up 5.7 percent for apartments, 1.4 percent for urban land and 10.4 percent for commercial premises. At the same time, transactions declined again by 6 percent, with decreases of 7 percent for apartments and 1 percent for commercial property, while urban land sales increased by 1 percent.

1.9 Financing the economy

At current prices[1], gross national disposable income (GNDI) stood in 2016 at 1,077 billion dirhams, up 3.2 percent. Taking into account a 3.4 percent improvement in national final consumption to 784.2 billion, national savings recorded an increase of only 2.8 percent to 292.7 billion, equaling 28.8 percent of GDP. Meanwhile, investment expenditure rose by 10.4 percent to 335.9 billion, or 33.1 percent of GDP. As a result, the borrowing requirement of the economy reached 43.2 billion, bringing its ratio to GDP to 4.3 percent from 2 percent in 2015.

Chart 1.9.1: Fincing requirement, in % of GDP



Source: HCP.

By institutional sector, nonfinancial corporations' borrowing requirement would have risen significantly. It was covered to the tune of 50.2 billion by external resources and 12.1 billion by liabilities[2] to resident sectors. However, the borrowing requirement of the general government[3] would have eased, reflecting mainly an easing of the Treasury's borrowing requirement. For the latter, domestic net issuances decreased from 44.1 billion to 19.9 billion, while borrowings mobilized abroad amounted to 10.4 billion from 8.7 billion. The financing capacity of households[4] would have dropped, which resulted mainly in a decrease in the net flow of their deposits to 28.9 billion dirhams from 40.4 billion.

1 For 2016, estimates are made by BAM on the basis of quarterly data published by the HCP.
2 Excluding shares and trade credits.
3 General government includes the central government, local communities and mandatory-scheme social welfare organizations.
4 Households include individuals, individual entrepreneurs and nonprofit institutions.

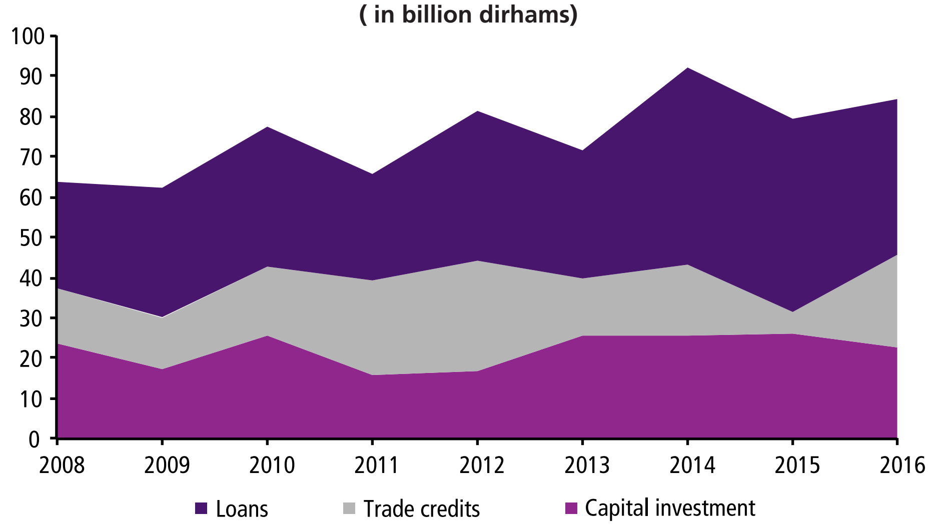
1.9.1 Financial flows with the rest of the world

External financing was mainly covered by trade credits amounting to 22.7 billion dirhams and borrowings totaling 22.4 billion, as against 5.9 billion and 25.2 billion, respectively, a year earlier. Equity investments in resident companies declined from 23.9 billion to 15.2 billion.

By institutional sector, nonfinancial corporations' net liabilities fell by 14.4 billion to 50.2 billion dirhams, with a greater use of commercial credits. The net flows of shares and other equity securities moved down back to 15.1 billion, of which 26.4 percent from France, 12.2 percent from the United Arab Emirates and 8.4 percent from Saudi Arabia. However, their net borrowings were limited to 9.5 billion from 26.8 billion in 2015 and net issues of debt securities were at zero levels after a positive net flow of 10 billion dirhams.

The general government's net commitments rose from 0.3 billion to 11.7 billion, due particularly to higher Treasury loans mobilized abroad. The external drawings of the latter totaled 10.4 billion dirhams, including receipts of 5.5 billion from the World Bank.

Chart 1.9.2: Main financial flows between institutional sectors in 2016 (in billion dirhams)



Sources: Foreign Exchange Office.

Financial assets held by residents abroad grew by 32.5 billion, as against 44.5 billion in 2015. This change mainly reflects an increase of 29 billion, as opposed to 39.4 billion in holdings of resident financial companies in debt securities, consisting mainly of BAM's assets. At the same time, equity investments were virtually stable at 6.1 billion, and 44.4 percent of them were carried out in Africa.

Table 1.9.1: Main financial flows of the national economy* with the rest of the world, in billion DH

	2015				2016			
	Total	GG	NFC	FC	Total	GG	NFC	FC
Funding Requirement[1]	**19.7**				**43.2**			
Residents' assets on rest of the world[1]	**44.5**	**-2.0**	**-2.8**	**49.2**	**32.5**	**-2.3**	**11.8**	**23.0**
Gold and SDR	0.2			0.2	-0.1			-0.1
Cash and deposits	5		-1.4	6.4	-3.7		2.8	-6.5
Securities other than shares	6.3		4.1	2.2	6.1		5.8	0.3
Shares and other equity	39.4	0.1	0.1	39.2	29	0.6	0.6	27.8
Loans	-0.4	-2.1		1.7	0.4	-2.9		3.3
Trade credits	-3.2		-3.2		2.9		2.9	
Other accounts payable	-0.5			-0.5			-0.3	0.3
Financial Derivatives	-2.4		-2.4		-2			-2.0
Residents' liabilities to the rest of the world[1]	**58.4**	**0.3**	**64.6**	**-6.5**	**69.9**	**11.7**	**50.2**	**7.9**
Shares and other equity	-3.7			-3.7	8.4			8.4
Cash and deposits	9.2	0	10	-0.8	-0.1			-0.1
Securities other than shares	23.9		23.9		15.2		15.1	0.1
Other UCITS	-0.3			-0.3	0.2			0.2
Loans	25.2	0.3	26.8	-1.9	22.4	11.7	9.5	1.2
Financial Derivatives	-1.9		-1.9		-1.9			-1.9
Trade credits	5.9		5.9		22.7		22.7	0.0
Other accounts payable					3.1		3.0	0.1

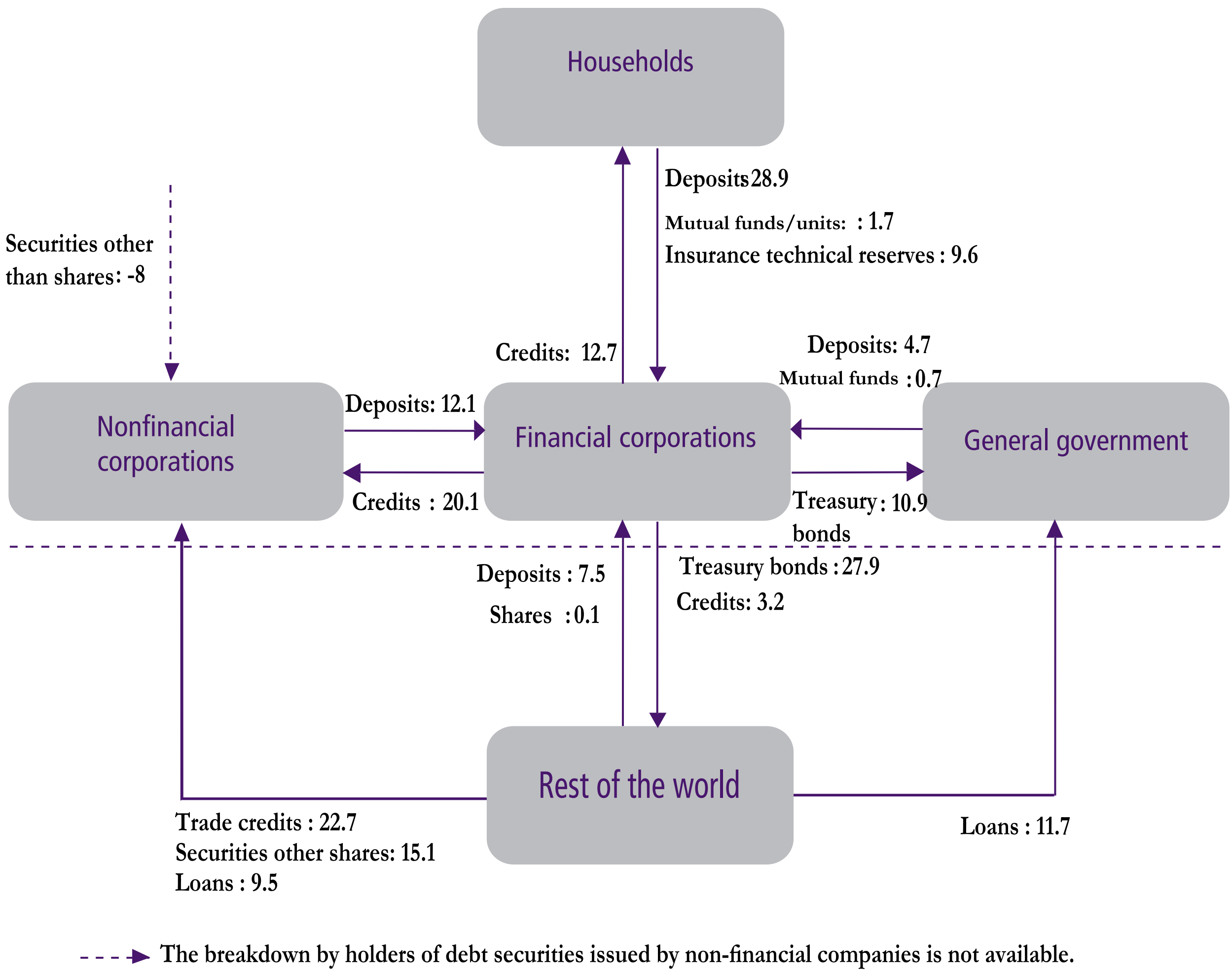
* GG: General government; NFC: Nonfinancial corporations; FC: Financial corporations.

1 : Errors and omissions excluded.

1.9.2 Financial flows between resident sectors

Financial flows between resident sectors were marked in 2016 by a slowdown in household deposits and a significant increase in net flows of loans to nonfinancial corporations. The Treasury's net issuances fell significantly, reflecting an easing in its borrowing requirement and a greater use of external financing.

Figure 1.9.1: Structure of external financing of non-financial companies (in billion dirhams)



1.9.2.1 Capital flows of the general government

The analysis of the main capital flows of the general government shows a decline in their financing on the domestic market, as net flows of liabilities contracted by 15 billion to 26.5 billion. This decline mainly reflects a sharp decrease of 24 billion in net issues of Treasury bills, which dropped to 19.9 billion. Conversely, deposits with the Treasury rose by 5 billion to 57.6 billion, with increases of 10.1 percent for businesses and 3.9 percent for households.

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

	2015	2016
Funding Requirement[1]	**15.0**	**7.6**
Net flows of financial assets acquisition	**26.3**	**17.4**
Deposits	8.9	4.7
Negotiable debt securities	-0.8	-0.2
Treasury bonds	-0.2	9.0
Mutual funds shares/units	18.3	0.8
Net flows of liabilities	**41.4**	**26.5**
Deposits with the Treasury	2.6	5.0
Treasury bonds	44.1	19.9
Loans	-0.2	3.3
Other accounts payable/receivable	-5.1	5.2

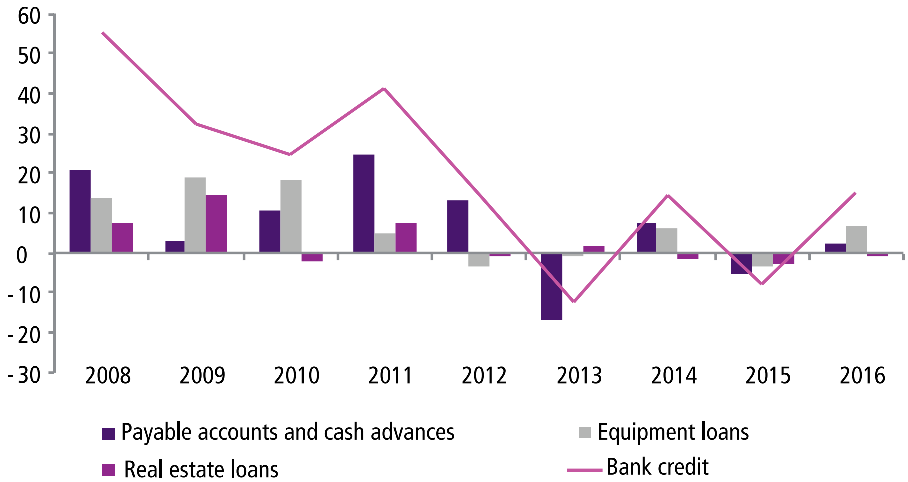
1 BAM estimates based on the table of integrated economic accounts published by the HCP.

Concerning the general government's financial assets, consisting mainly of investments of mandatory-scheme social welfare organizations, net flows moved down from 26.3 billion to 17.4 billion. In particular, their outstanding deposits progressed by 4.7 billion, as against 8.9 billion and the increase in their holdings in mutual fund shares/units was limited to 0.8 billion as against 18.3 billion a year earlier. However, their portfolio of Treasury bills grew by 9 billion, after a slight decrease of 0.2 billion in 2015.

1.9.2.2 Financial flows of nonfinancial corporations (excluding trade credits and shares)

Financing of nonfinancial corporations by credit increased sharply in 2016. Indeed, after a decline of 7.8 billion dirhams, outstanding bank loans grew by 15.4 billion, of which 7 billion allocated to equipment. Similarly, the net flow of loans distributed by other financial corporations rose by 4.6 billion, mainly reflecting an increase of 3.3 billion in that of loans from offshore banks. Securities issues fell for the second consecutive year, as their outstanding amount dropped again by 8 billion, as against 3.8 billion in 2015.

Chart 1.9.3: Net flows of bank credits to nonfinancial corporations



Net flows of assets of nonfinancial corporations fell from 29.3 billion to 13.1 billion. This trend mainly reflects a 0.4 billion decrease in holdings in mutual fund shares/units after an increase of 10.6 billion, and a rise of 12.1 billion in deposits as opposed to 16.6 billion. Similarly, outstanding securities other than shares recorded an increase of only 0.9 billion from 2.1 billion.

Table 1.9.3: Main financial flows of nonfinancial corporations (in billion DH)

	2015	2016
Funding Requirement[1]	**31.8**	**62.4**
Net flows of financial assets acquisition (excluding trade credits and actions)	**29.3**	**13.1**
Deposits	16.6	12.1
Securities other than shares	2.1	0.9
Mutual funds shares/units	10.6	-0.4
Insurance technical reserves	0	0.5
Net flows of liabilities (excluding trade credits and actions)	**-9.7**	**12.1**
Securities other than shares	-3.8	-8.0
Loans of financial institutions	-5.9	20

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

1.9.2.3 Household financial flows (excluding trade credits and shares)

Net flows of the acquisition of households' financial assets[1] decreased by 7.1 billion to 39.9 billion. This development is mainly attributed to an increase of 28.9 billion in the outstanding amount of their deposits, as against 40.4 billion, with particularly a sharp slowdown in time deposits.

1 Excluding trade credits and shares.

Similarly, the net flow of household subscriptions in insurance products fell to 9.6 billion from 10.3 billion in 2015, while their outstanding holdings in mutual fund shares/units progressed by 1.7 billion after a decrease of 0.8 billion a year earlier.

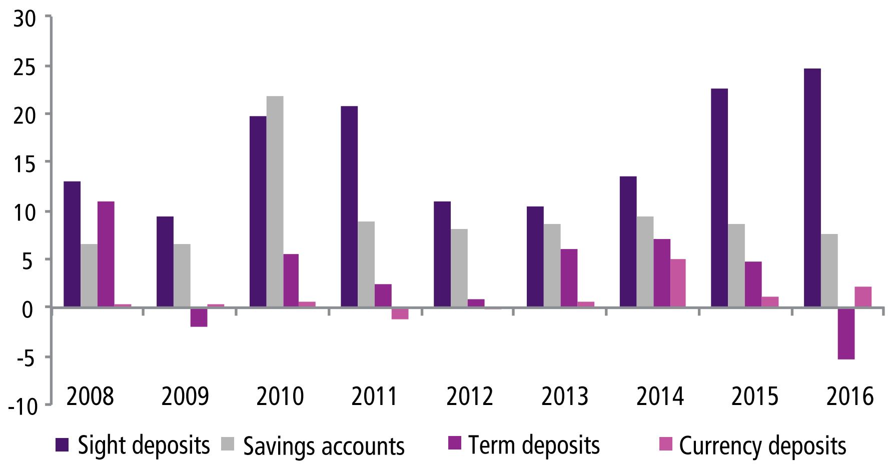
Table 1.9.4: Main financial flows of households, in billion DH

	2015	2016
Financing capacity[1]	**13.3**	**11.4**
Net flows of financial assets acquisition (excluding trade credits and shares)	**47.1**	**39.9**
Deposits	40.4	28.9
Negotiable debt securities	-2.8	-0.2
Mutual fund shares/units	-0.8	1.7
Insurance technical reserves	10.3	9.6
Net flows of liabilities (excluding trade credits and shares)	**10.4**	**12.7**
Loans	10.4	12.7

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

Regarding liabilities, the net flow of loans was up from 10.4 billion in 2015 to 12.7 billion, with an increase of 9.3 billion in the outstanding amount of bank credit granted to individuals after an increase of 13.2 billion in 2015.

Chart 1.9.4: Net flows of household deposits with banks (In billion dirhams)



PART 2

ACHIEVEMENT OF BANK MISSIONS

HIGHLIGHTS OF THE YEAR

Amid tough economic conditions, both nationally and internationally, Bank Al-Maghrib continued in 2016 to carry out its missions and structuring projects, while adapting its organization and processes for greater efficiency and optimization. At the regulatory level, it finalized the draft new Statute of Bank Al-Maghrib, which strengthens its independence and enshrines its new responsibilities, in particular with regard to financial stability and financial inclusion. In terms of organization, three new departments were established. The first is in charge of macro-prudential surveillance, the second is responsible for licensing payment institutions, overseeing financial market infrastructures and means of payment and monitoring financial inclusion strategy, and the third manages international cooperation and relations with national institutions. The reorganization also involved transferring Dar As-Sikkah's cash management activity to the Network and Central Registries Department, so that it can focus on banknote manufacturing activity and its project to become a profit center. Moreover, the number of governance committees was reduced and their responsibilities were reviewed. In particular, a new Coordination and Internal Management Committee was created, tasked with discussing all issues relating to the Bank's organization and functioning. Furthermore, in order to adapt to the Kingdom's new administrative structure, the Bank decided to create three new branches.

In terms of structuring projects, a major highlight of the year was the decision to begin the transition to a more flexible exchange rate regime and an inflation targeting framework. Although the Bank had been preparing for this move for a few years already, a general mobilization was decreed to define, in consultation with the Ministry of Economy and Finance and with the support of the International Monetary Fund, a clear and appropriate roadmap setting the different steps of the transition, the operational arrangements of its implementation and an appropriate communication strategy.

At the same time, the implementation of the new banking law continued, particularly with regard to its component relating to participative banking. The appraisal of the first applications for authorization led to the licensing of five participative banks and three participative windows.

As part of the organization of the COP22 in Marrakech, which marks our country's direction to play a leading role in the global efforts to combat climate change, the Bank initiated and coordinated with the financial sector the development of a roadmap on the financial aspects of climate change.

Concerning its core missions, Bank Al-Maghrib maintained in 2016 an accommodative monetary policy. In March, it reduced its key rate by 25 basis points to 2.25 percent, an all-time record low, and continued its efforts to stimulate the supply of bank lending, in particular through the implementation of its program to support the financing of VSMEs. In terms of banking supervision, it remained attentive to the impact of economic conditions on banks' balance sheets and continued to closely monitor credit, concentration and cross-border risks. It carried on with its efforts to promote financial inclusion and strengthened its surveillance of systems and means of payment. In cash management activity, for the first time in its history, production exceeded the threshold of one billion banknotes. The Bank also strengthened its position on the international banknote production market and extended the portfolio of national secure documents it produces.

The Bank further improved the transparency of its operations and decision-making process. In particular, it redesigned its corporate website and increased its presence in social media. Similarly, it continued to strengthen its international outreach by enhancing cooperation with its traditional partners, notably African and Arab central banks, and extending it to other countries such as China and Spain.

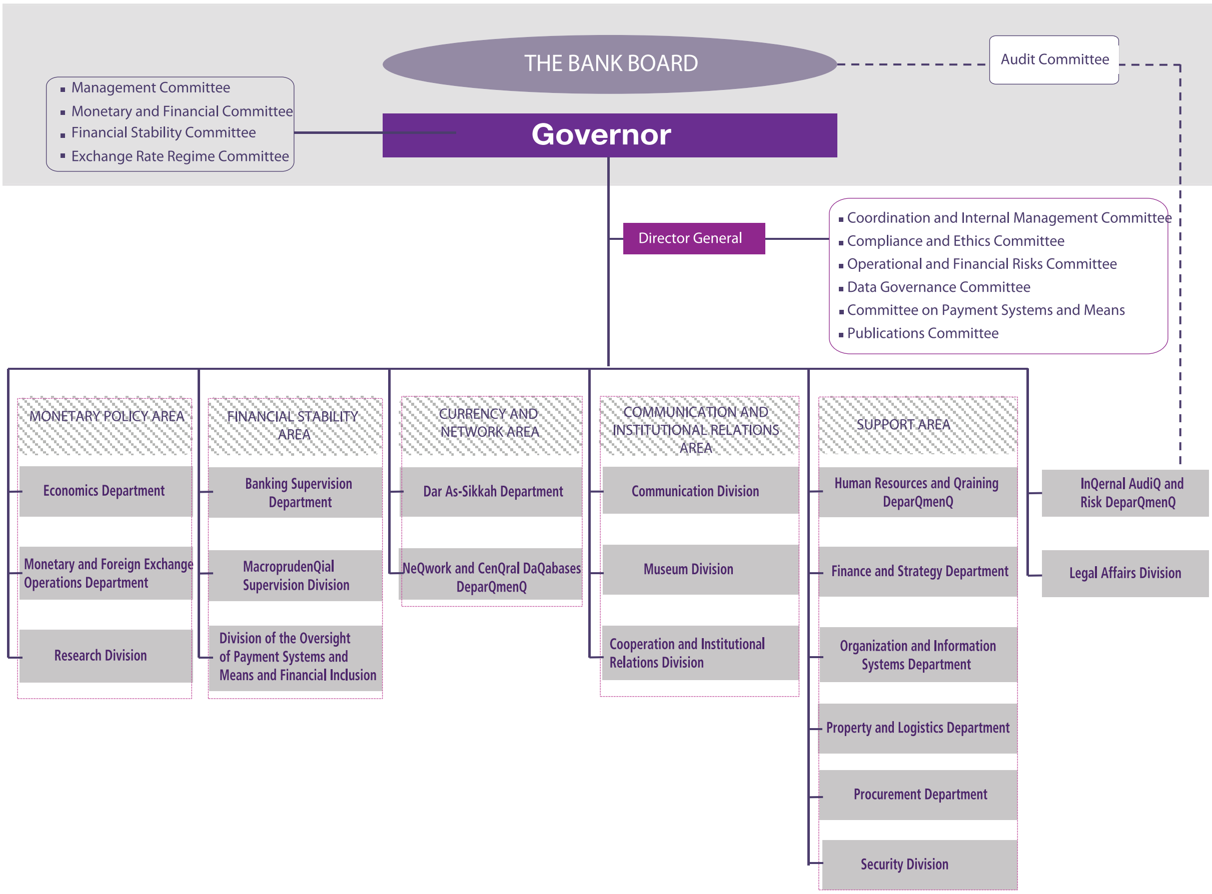
As part of its contributions to national cross-cutting projects, the Bank continued to actively participate in the work of the Economic, Social and Environmental Council and the Higher Council for Education, in particular on aspects related to the governance and financing of education.

2.1 Governance and strategy

2.1.1 Organizational structure

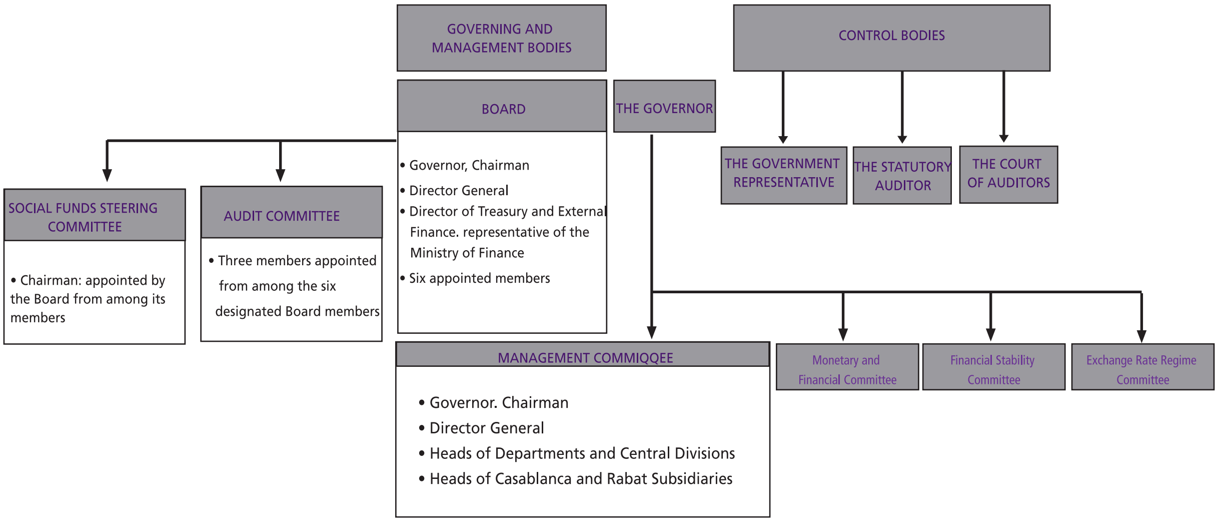
The Bank's organizational structure is based on 19 entities and 10 permanent governance bodies, each of which intervenes in one or more fields of activity.

Bank Al-Maghrib organization chart



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.

Bank Al-Maghrib governance bodies



2.1.1.1 The Governing 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 Finance Ministry's 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 quantitative objectives for monetary policy. It is also responsible for defining the characteristics of banknotes and coins issued by the Bank and taking decisions about their circulation or withdrawal. It is in charge of the Bank's management, particularly with regard to internal policies, 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 giving advice 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 responsible for 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 Council.

In accordance with good governance practices, the Bank Board carries out a self-assessment of its functioning every two years. After the first evaluation carried out in 2014, a second self-assessment was carried out in November 2016. The functioning of the Council was considered satisfactory, but some areas for improvement were identified and redressed.

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. It is composed of the Governor, the Director General, the heads of central departments and divisions and the heads of Rabat and Casablanca branches. It holds monthly meetings, to which the heads of the other branches are invited on a rotational basis.

The Governor is also assisted by:

- the Monetary and Financial Committee in areas related to monetary policy, foreign exchange reserves' management, banking supervision and systems and means of payment. It meets monthly according to a pre-established schedule. Its meetings are preceded by a preparatory meeting, the purpose of which is to discuss and validate the macroeconomic projections drawn up by the Bank staff;
- the Financial Stability Committee, which is tasked with assessing risks to financial stability and examining measures to mitigate them. It meets every six months;
- the Exchange Rate Regime Committee, which is responsible for reviewing the overall strategy for the reform of the exchange rate regime, examining the work on the operational and regulatory framework and the communication strategy for the reform, and monitoring the implementation of decisions taken.

In addition to that, the Bank's organization includes six committees chaired by the Director General, which are involved in specific areas of activity:

- The Internal Coordination and Management Committee: it is responsible for discussing the Bank's coordination and management issues, in particular in relation to the following areas of activity: strategy, budget, organization, integrated management system, information systems, training, communication, cooperation, financial information, logistics, security and procurement;

- The Compliance and Ethics Committee: its role is to provide a comprehensive view of the Bank's ethics and compliance framework and the associated risks;
- The Operational and Financial Risk Committee: its role is to assess the overall reality of risks and to inform decisions on the assessment and acceptance of these risks;
- The Data Governance Committee: it brings together the producers and users of the Bank's data in order to ensure better pooling and use of data;
- The Payment Systems and Means Committee: it is responsible for examining and approving the strategic guidelines relating to systems and means of payment and advising on applications for authorization for the exercise of activities related to market infrastructures;
- The Publications Committee: Its role is to advise on the strategy for the publication of working papers and to propose measures to promote the Bank's publications.

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 those relating to monetary policy. He ascertains compliance with the legal provisions governing these activities, particularly the statutory provisions.

The Bank's accounts are audited annually by an external statutory auditor. He certifies the Bank's financial statements, assesses its internal control system and submits his report to the Board. External audit in 2016 was provided by Mazars, appointed in 2015 for a non-renewable six-year term in accordance with the Bank's selection rules.

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

2.1.1.3 The Audit committee

In 2016, the Audit Committee reviewed the annual accounts of the Bank as at December 31, 2015 and recommended the Board to approve them. It also reviewed the statutory auditor's action plan for 2016.

It examined the main conclusions of the 2014 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, strategic and financial risk control arrangements for 2016 and gave its opinion on the internal audit program for 2017.

All its opinions are subject to the approval of the Bank Board.

2.1.2 Strategy

The Bank's action is guided by three-year strategic plans that set out the Bank's vision in its areas of activity for the period under review. The strategic plan 2016-2018 aims to make Bank Al-Maghrib "A performing central bank and a force for change supporting the country's emergence". Two strategic priorities flow from this vision: to "strengthen our capabilities in order to adapt to changes in the national economy and enhance financial system resilience" and to "rationalize the use of our resources in a modern working environment enabling collective performance".

Within the framework of these priorities, the Bank is working to reform the exchange rate regime and adapt the monetary policy framework, as well as to maintain financial stability and promote financial inclusion. It also intends to ensure an optimal positioning of its network of branches on a regional scale, as part of the administrative regionalization, and to transform Dar As-Sikkah into a profit center, given the development of its export-oriented activities and the extension of its secure document production. Internally, the Bank plans to consolidate its governance framework and support functions by adapting its organization, developing its human capital capacities, taking into account the gender perspective, modernizing its information system and strengthening its security. Similarly, it will continue its commitment to the economy of resources through better control of its expenditure, increased prioritization of its investments and the development of new sources of revenue.

2.1.2.1 Monitoring strategy implementation

In order to ensure the effective implementation of its strategic plan, the Bank has redesigned the methods and tools used to monitor projects in order to assess their progress, identify the obstacles in due course and find solutions to overcome them. In addition to the strategic management review by the Internal Coordination and Management Committee, it has set up preparatory reviews of strategic areas of activity and improved management tools.

2.1.2.2 Evaluation of the objectives at the end of 2016

The interim evaluation of the strategic objectives of the plan 2016-2018 as at end 2016 indicates that the structuring projects, carried out in both the core business and support areas, do not indicate any major warning. Although some goals have an orange light, because of some difficulties encountered, their achievement is not compromised.

Vision: "A performing central bank and a force for change supporting the country's emergence"

Strategic priority 1 Strengthen our capabilities in order to adapt to changes in the national economy and enhance financial system resilience	**Strategic priority 2** Rationalize the use of our resources in a modern working environment enabling collective performance
🟢 Develop an analytical and operational monetary policy framework consistent with a more flexible exchange rate regime and inflation targeting	🟠 Strengthen physical security and cyber security arrangements to cope with new risks and challenges
🟢 Strengthen the governance and instruments of macro-prudential policy and the resilience of financial market infrastructures	🟢 Adapt to the changes imposed by the digital revolution in the Bank and the banking sector
🟠 Build up the capacities necessary for ensuring the supervision of new subjected institutions. services and risks and establish the banking resolution function	🟢 Improve accessibility and use of the Bank's data within a best practice governance framework
🟠 Work towards a comprehensive financial inclusion strategy. while reinforcing the protection of banking services' consumers	🟠 Establish Dar As-Sikkah as a profit center with enhanced security. quality and performance
🟠 Reposition the Network's role in light of the new advanced regionalization policy	🟢 Entrench the culture of cooperation inside the Bank and good management practices as a performance improvement factor
	🟠 Maintain control of the Bank's expenditure at around 4 percent over the next three years and develop new sources of revenue

🟢 No particular difficulties 🟠 Some difficulties 🔴 Major difficulties

The main achievements in the first year of implementation of the strategic plan 2016-2018 are set out in the table below:

Table 2.1.2.1 : Main achievements 2016

Monetary policy	Banking supervision anf financial stability
• forcing the analytical framework of monetary policy, mainly by putting in place the new integrated forecasting and policy simulation system. • Carrying out several research projects on the reform of the exchange rate regime and the monetary policy strategy. • Establishing a governance framework for the reform of the exchange rate regime, including: - externally, a coordination committee between the stakeholders, chaired jointly by the Ministry of Economy and Finance and Bank Al-Maghrib; - internally, an Exchange Rate Regime Committee, responsible in particular for examining the actions included in the reform roadmap. • Establishing a reference framework for the functioning of the foreign exchange market, which specifies, in particular, the new quoting system, the methods of fixing the reference rates and the system for the auctioning of foreign currencies. • Developing a communication strategy on the reform of the exchange rate regime, which specifies the target population and the appropriate messages and communication channels for each phase of the reform. • Further adapting monetary policy communication tools to inflation targeting.	• Issuing participatory banking licenses to five banks and three windows. • Finalizing the implementing circulars of the Banking Act relating to payment institutions. • Strengthening the legal and regulatory framework enabling the central bank to perform the resolution function. • Strengthening the regulation and control of credit institutions' commercial practices. • Preparing a draft decree defining the composition and operating procedures of the Coordination and Systemic Risk Monitoring Committee. • Strengthening the framework of systemic risk identification and evaluation by integrating risks arising from cross-border exposures and interconnections between banks and insurance companies. • Conducting a diagnosis by the IFC prior to the establishment of the Bank's internal risk registry. • Assessing the business continuity plans (BCPs) of the Group for a Moroccan Interbank Clearing System and Maroclear, with a view to developing a BCP of the banking system. • Developing an action plan for financial inclusion which includes: -the establishment of a national governance and coordination structure; -a diagnosis of the current supply and demand situation; -the formulation of the strategy on a consultative basis; -strategy implementation, monitoring, and impact assessment. • Launching, in consultation with the National Telecommunications Regulatory Agency, a project to develop a national mobile payment solution.

Network, currency & secure documents	Governance
• Launching the preparatory work for the establishment of new regional branches in the cities of Dakhla, Errachidia and Goulmime. • Preparing a study for the restructuring of branches by field of activity: "sorting", "cash activities", "organization" and "related and banking activity". • Participation of the Bank's branches in regional activities aimed at promoting financial inclusion and financial education. • Launching work to improve the profitability of Dar As-Sikkah's commercial activities. • Establishing a framework to measure Dar As-Sikkah's financial results and performance, while giving it a certain degree of autonomy in the management of its resources.	• Establishing the Data Governance Committee, responsible for formalizing the roles and responsibilities of stakeholders, specifying common standards for the collection, processing and dissemination of data, and managing access rights. • Developing a normative framework setting rules and procedures for data quality control, data life cycle management, and data exchange, accessibility and security. • Defining a cyber-security framework, which formalizes the responsibilities of stakeholders, the monitoring process and the principles of 1st, 2nd and 3rd level control. • Developing a draft Safety/Security policy, which sets out the course of action for the protection of persons and property. • Setting a new master plan for safety and security systems following a study and consulting mission, and preparing calls for tender for the planned projects.

Resources
• Developing managerial practices focusing on succession management and strengthening cross-disciplinarity and inter-and intra-entity cooperation. • Adopting the Cross-disciplinarity Charter and formalizing commitments enshrined therein. • Organizing behavioral training sessions focused on team cohesion and active listening. • Organizing team building actions for about 100 top and middle management staff members. • Rolling out the Bank's digital transformation program and organizing an international symposium on this issue for a better sharing of experiences. • Improving the Bank's communication tools using its Twitter account and the Museum Facebook page. • Continuing efforts to optimize and rationalize expenditures, while exploring new sources of income to improve the Bank's financial results.

2.1.3 Internal control, audit, risk management and ethics

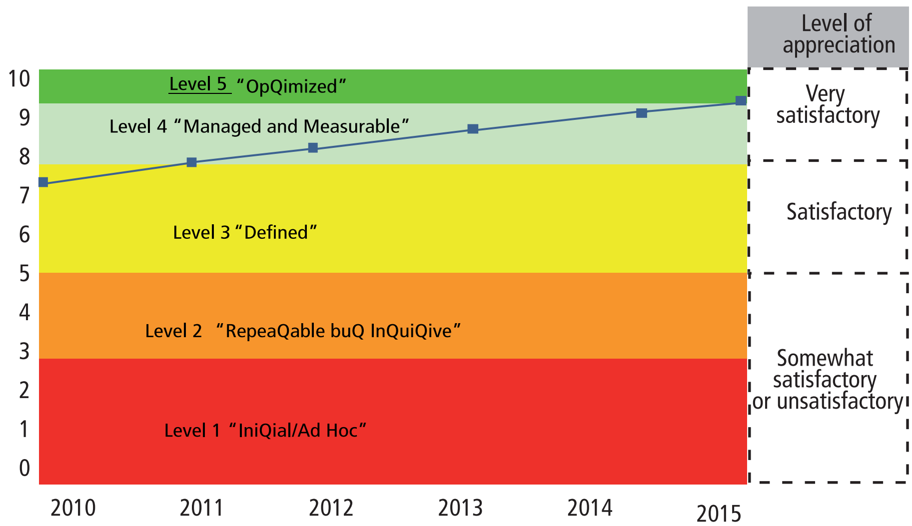
2.1.3.1 Internal control system

The Bank's internal control system (ICS) is based on the COSO[1] reference framework and is subject to an annual review for all of its components (control environment, risk assessment, control activities, information and management). This review, whose main findings are presented to the Board, is developed based on the results of a self-assessment by the entities of their control arrangements, the overall operational risk map and the findings of internal and external audits.

ICS evaluation in 2016 focused on the Bank's arrangements for controlling outsourced services, particularly in view of the importance given to these controls by the 2013 COSO Framework.

ICS maturity, assessed on the basis of a 1-5 rating scale and inspired from the COBIT[2] reference framework, has reached the beginning of maturity level 5 (Optimized), owing to the various advances made by the Bank, particularly in strengthening the control environment and risk management, control and steering arrangements.

Assessment of internal control system maturity



1 Committee of Sponsoring Organizations of the Treadway Commission (COSO).

2 The Control Objectives for Information and related Technology (COBIT) define the five levels of internal control system maturity as follows: Level 1: Initial/Ad Hoc (No control available / Management aware of the need to design and implement internal control frameworks); Level 2: Repeatable but Intuitive (Non-standardized controls / Informal execution of controls, strongly dependent on persons / Lack of training); Level 3: Defined Process (Standardized controls / Existing traceability / Need to increase control automation and efficiency); Level 4: Managed and Measurable (standardized, documented, traceable and highly automated controls / Regularly checked and constantly improved efficiency); Level 5: Optimized (permanent state-of-the-art controls).

2.1.3.2 Internal audit

The internal audit of Bank Al-Maghrib is an independent and neutral function that aims to provide assurance to the main stakeholders (the Board, the Audit Committee and the Governor) as to the control of risks to which the Bank is exposed. It aims to assist the Bank in attaining its objectives by using a systemic and methodical approach to evaluate its processes relating to risk control, internal control and corporate governance.

In this regard, it plans and carries out its tasks according to a risk-based approach, involving an audit universe that includes all entities, processes and activities of the Bank. The annual planning of audit mission takes into account risk analysis, strategic challenges, complementarity with external audit, cyclicality and the expectations of the aforesaid stakeholders. Audit missions aim in particular to assess the compliance of the Bank's activities with the laws, regulations and procedures in force, their effectiveness and efficiency in relation to their assigned objectives, as well as the reliability and security of information.

Table 2.1.3.2 : Major processes audited in 2016

Core business processes	Support processes
•Currency activities: Qualitative banknote sorting / Demonetizing currency in circulation **•Banknotes and coins:** Traceability system for currency in circulation **•Foreign exchange and reserve management:** Management of foreign banknotes / Manageme	**•Information systems:** Backup computer system / Project for redesigning the information system of foreign exchange reserves management / Software application for the management of on-site banking supervision missions **•Human resources:** Payroll process / Training management **•Procurement:** Procurement compliance / Procurement process **•Infrastructure and work equipment:** Redevelopment of the Bank's headquarters **•Communication:** Internal control system

Since 2009, internal audit has been subject to an insurance and quality improvement program based on three-year external assessments in line with the Bank's strategic cycle. These are carried out by specialized firms, selected through international tenders. The external evaluations carried out in 2009 and 2013 confirmed the compliance of internal audit with international standards for the professional practice defined by the Institute of Internal Auditors (IIA).

2.1.3.3 Risk management

Governance of risk management

In 2016, Bank Al-Maghrib adopted a comprehensive risk management policy, as part of implementing the Bank's governance charter. It gathers together the basic principles governing the management of strategic, operational and financial risks. In particular, it specifies the objectives and scope of risk management and the roles and responsibilities of the various stakeholders and governance bodies.

In addition, the mandate of the Operational Risk Committee, set up in 2005, was extended to include the examination of key financial risk indicators in addition to operational risks. Its new name, the Operational and Financial Risk Committee, reflects this new mission. The Committee, chaired by the Director General, meets at least four times a year. It examines the Bank's overall risk management policy and validates the mapping of operational risks prior to its approval by the Governor and its review by the Board. It also monitors the implementation of actions designed to control these risks.

Strategic risks

Strategic risks are risks that can obstruct the attainment of the strategic objectives outlined in the three-year action plans, mainly due to external factors, significant operational risks or inadequate breakdown of these objectives.

The strategic risks linked to the three-year Strategic Plan 2016-2018 were identified in 2016. Related key indicators were developed to measure the change in these risks and the action plans aimed at mitigating them, throughput the implementation of the Plan. The aggregate mapping of strategic risks was examined by the Internal Coordination and Management Committee in the framework of the strategic management reviews, and was then approved by the Governor and submitted to the Board.

Operational risks

Operational risks are managed according to a methodological approach covering risks of a human, organizational and operational nature as well as those related to information systems or external factors.

To entrench the risk culture among its various entities, the Bank has appointed in each department a Risk Manager to assess the risks surrounding the entity's processes and ensure the implementation of actions to control them. A central risk management structure keeps a methodological watch and provides assistance, support and consolidated risk reporting.

In 2016, the twelfth operational risk mapping was prepared based on the update of existing risks (derived from the 2015 mapping), taking into account finalized action plans, strengthened monitoring and analysis of critical incidents during the year. This mapping was also populated with the new risks identified following the Bank's latest organizational changes and work to ensure consistency with risks arising from other cross-cutting projects (project to increase ICS effectiveness and efficiency, insurance management, occupational health/ safety and environment management system, information security management).

At the same time, the project to improve ICS effectiveness and efficiency, launched in 2015 to better control the operational risks identified in all the Bank's procedures, was finalized in 2016.

Financial risks

In the area of financial risks, the Bank launched in 2016 a project to strengthen the monitoring of these risks. This project defines the scope of the activities exposed to these risks, the actors concerned and the monitoring indicators selected. The risks involved are:

- credit, market and liquidity risks related to operations carried out as part of managing foreign exchange reserves;
- credit risks related to monetary policy operations;
- market risks related to the change in the exchange rate for the Bank's cash export activity and foreign currency buying and selling operations;
- risks related to the management of social security schemes and the use of the Bank's capital.

With respect to the financial risks related to the management of foreign exchange reserves, the Bank has put in place an appropriate governance framework to ensure that its investments comply with its main security and liquidity objectives. To this end, guidelines on asset investment and strategic allocations are set by the Monetary and Financial Committee before they are presented to the Board. A Risk Committee, established within the Monetary and Foreign Exchange Operations Department, ensures compliance with these guidelines and reviews changes in risks and performance prior to their submission to the Operational and Financial Risk Committee and the Monetary and Financial Committee.

2-1-3-4 Business continuity and information security

The strategic monitoring of the Bank's business continuity is performed by the Operational and Financial Risk Committee. Its day-to-day management is handled by a central unit, reporting to the Internal Audit and Risk Department. The Bank's entities are responsible for the management of risks to their own business continuity and for taking prevention actions, if necessary.

In 2016, the Bank continued to conduct back-up exercises, during which their most business-critical activities were performed from contingency locations. Also, an inter-branch back-up exercise was carried out with the participation of external actors involved in the Bank's cash activity, including private sorting centers, public accountants and local banking institutions.

With regard to information security, work continued to maintain the compliance of the Bank's information security management system with the ISO 27001 standard, following its certification in December 2015. In addition, there was increased support for entities in the field of information security, in particular on structuring projects. Training and awareness-raising activities on cyber-attack threats and risks and on how to prevent them were also reinforced through the dissemination of a thematic news flash and training activities.

Furthermore, coordination and cooperation with the Directorate General for Information Systems Security (DGSSI), reporting to the National Defense Administration, started during this year.

2-1-3-5 Ethics

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

In 2005, the Bank put in place a code of conduct framework developed on a participatory basis. It is composed of a Code of ethics applicable to the Bank staff members, including the Governor and the Director General, a Code of ethics applicable to the members of the Board, and other variations specific to certain sensitive functions (persons involved in the procurement process, internal auditors, external service providers and suppliers). In addition, a whistleblowing system allows staff members to report, in a formalized and secure manner, any behavior that does not comply with the Bank's rules of good conduct. In 2016, the instruction on whistleblowing was revised to take account of domestic regulation on personal data protection, in particular those issued by the National Commission for the Control of Personal Data Protection (CNDP).

Permanent awareness-raising actions are organized to ensure the adherence of all staff to the ethical values of the Bank. In 2016, training activities were organized on the subject of "ethics and protection of information", in addition to a communication and awareness campaign on the amendments introduced to the Code of Ethics in 2015, particularly on aspects related to the management of conflicts of interest.

With regard to the procurement process, awareness-raising actions for staff members involved in the awarding and performance of contracts are regularly carried out as "reminders" of the specific ethical standards applicable to this category of staff. These standards derive from the general principles enshrined in the Code of Conduct and their main objective is to ensure respect for the principles of fair competition, equal treatment and transparency in accordance with the regulations in force. In addition, the mapping of risks associated with the various phases of the procurement process is updated annually, while integrating the control mechanisms that allow controlling these risks.

Finally, Bank Al-Maghrib carries out regular compliance checks using a risk-based approach in order to ascertain the effective implementation of its ethical framework in all its components and to ensure its efficiency.

2.1.4 Legal compliance

During the year 2016, the Bank continued to carry out prior verification of the compliance of all IT solutions it acquires with the legal and regulatory requirements on personal data protection.

In preparation for the expected implementation of the Law on the Right of Access to Information, a list of regulatory, organizational and technical measures has been identified to ensure compliance with the requirements of the said Law.

The year was also marked by the launch of the National Money Laundering and Terrorism Financing Risk Assessment, under the technical assistance program agreed between the Moroccan Government and the World Bank. This process is taking place following the national money laundering and terrorist financing risk assessment conducted by the Financial Action Task Force (FATF) for the Middle East and North Africa on the basis of FATF revised recommendations and the new methodology.

The results of this process should lead to the development of a national strategy in this area. In this regard, a National Coordination Commission[1] was established, chaired by the Financial Information Processing Unit (UTRF). Four thematic working groups have been set up, addressing threats and vulnerabilities related to money laundering, threats and vulnerabilities related to terrorist financing, vulnerabilities of the nonfinancial and financial sectors, and financial inclusion.

Box 2.1.1: Customer due diligence

As part of strengthening the capacity of persons subject to the AML/FT law and falling under its control, the Bank organized in 2016, in partnership with the Professional Association of Finance Companies and law enforcement agencies, a workshop on "Customer due diligence (CDD)", for the benefit of compliance officers and customer relationship officers of finance companies and money transfer firms.

The main themes addressed at this event included:

- the practical arrangements for detecting any fraudulent use of identity documents (national identity cards, registration and residence cards for resident foreigners, and passports for non-resident foreigners);
- the due diligence to be taken in the case of detecting forgery or use of forged identity documents;
- developments in FATF standards and the national normative framework relating to CCD;
- the practical arrangements for identifying banking customers.

1 The Coordination Commission for the National Money Laundering and Terrorist Financing Risk Assessment is composed of representatives of the following governmental bodies and agencies: Ministry of Justice, Ministry of the Interior (including the Directorate General of National Security), Royal Gendarmerie Staff, Ministry of Foreign Affairs and Cooperation, Ministry of Economy and Finance (General Directorate of Taxes, Administration of Customs and Indirect Taxes, Foreign Exchange Office, and Supervisory Authority of Insurance and Social Security), Ministry of Industry, Trade, Investment and Digital Economy, Ministry of Housing and Urban Policy, Ministry of Handicraft and Social and Solidarity Economy, Ministry of General Affairs and Governance, Financial Information Processing Unit, Bank Al-Maghrib, Moroccan Capital Market Authority, National Authority for Probity, Prevention and Fight against Corruption, and National Agency for Real Estate Registration, Cadaster and Cartography.

2.2 Monetary policy

In a context marked by the absence of inflationary pressures, Bank Al-Maghrib maintained an accommodative monetary policy to support economic activity. In addition to its efforts to stimulate credit supply, in particular through the continued implementation of its program to support the financing of VSMEs, it reduced its key rate by 25 basis points to 2.25 percent in March.

In view of the significant improvement in bank liquidity, the Bank raised the reserve requirement ratio from 2 percent to a maximum of 5 percent[1] in order to regulate the liquidity in the interbank market in a structural manner. Nevertheless, in order to preserve the accommodative monetary policy stance, it started paying interest on the required reserve balances of banks making greater efforts in lending.

At the same time, the Bank continued to adjust the volume of its injections to changes in bank liquidity. Indeed, it gradually reduced the amount of its interventions from 17.4 billion on weekly average in January to 6 billion in the first three weeks of June, before raising it to 20.3 billion for the remainder of the year, thus making it possible to align the interbank rate, the operational target of monetary policy, with the key rate.

2.2.1 Monetary policy decisions

The forecasts prepared for the first Bank Board meeting of the year suggested that inflation would be low on average over the forecast horizon[2], but would rise gradually to reach 1.7 percent in the fourth quarter of 2017. GDP growth was expected to slow down to 1 percent in 2016 because of the contraction in the agricultural value added and the continued weakness in nonagricultural activities. Beginning from 2017, assuming an average crop year, growth should rebound, with an improvement in nonagricultural activities.

Bank lending, despite the downward trend in lending rates, was expected to grow at a slow pace of around 2.5 percent in 2016 and 4 percent in 2017. Macroeconomic balances were projected to continue to improve. The current account deficit was predicted to narrow, notably due to low oil prices, continued export momentum and large inflows of grants from GCC partners. Net international reserves were thus expected to strengthen further over the forecast horizon. Bank Al-Maghrib's projections also showed continued fiscal adjustment, and budget deficit was expected at 3.1 percent of GDP in 2017.

In light of these elements, the Board decided to reduce the key rate by 25 basis points to 2.25 percent in order to support economic activity.

1 As of 23 June 2016, the reserve requirement rate has been increased to 4%.

2 The forecast horizon is eight quarters.

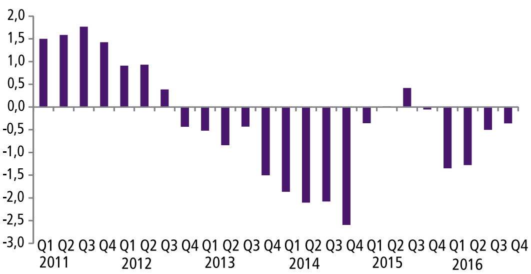
Table 2.2.1: Inflation forecasts (in %)

	Board meetings			
	22 March	21 June	27 September	20 December
Average inflation over a 6-quarter horizon	0.9	1.4	1.3	1.3
Inflation at the end of the forecast horizon	1.7	1.8	1.4	1.6
Average inflation in 2016	0.5	1.6	1.6	1.6

At the second meeting of the Board, the inflation forecast was substantially revised upward for 2016. This adjustment is mainly due to a persistent shock on volatile food prices. Over the forecast horizon, inflation was expected to remain subdued at 1.4 percent on average. Medium-term projections for the other variables were unlikely to change significantly compared with March, but with a greater improvement in the current account balance leading to a significant revision of banks' liquidity levels.

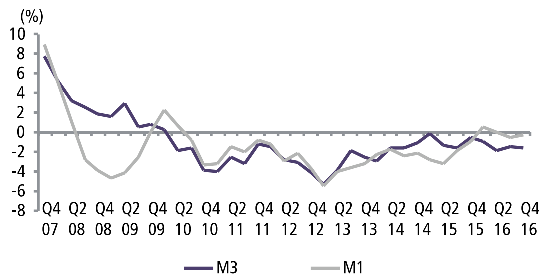
On the basis of these factors, the Board considered that the level of 2.25 percent for the key rate remained appropriate and maintained it unchanged. It also decided to increase the reserve requirement ratio from 2 percent to a maximum of 5 percent in order to regulate liquidity in the interbank market in a structural manner, while introducing the payment of interest on the required reserve balances of banks making greater efforts in lending.

Chart 2.2.1 : Nonagricultural output gap (in %)



Sources: HCP and BAM calculations

Chart 2.2.2 : Money gap* in real terms (in %)



* Money gap is the difference between the actual level of the stock of money and its equilibrium level. The latter is determined based on the quantitative equation of money and corresponds to the growth rate of potential economic activity in real terms, less the average rate of decline in the velocity of currency circulation.

Sources: HCP and BAM calculations

For the last two meetings of the Board, Bank Al-Maghrib's projections were prepared in a context of strong uncertainties related to the terms of the Brexit, the outcome of elections in certain partner countries and the future direction of U.S. policy. In addition, oil prices had risen significantly after the November agreement to cut production, although their trend remained dependent on the degree of applying the terms of the agreement.

The Bank had thus slightly adjusted its growth forecast for 2016 and continued to expect an upturn in activity from 2017 onwards, although with a downward balance of risk. The inflation forecast was kept almost unchanged at 1.6 percent for 2016 and 1 percent for 2017.

Taking also into account the revision of oil prices, the large increase in capital goods' imports and the sharp decline in phosphate sales, current account deficit was expected to be much larger than expected at the first two meetings of the Board. Net international reserves were thus projected to continue to improve, but at a slower pace, and their coverage of goods and services' imports in 2017 was revised downward from 8 months and 6 days in June to 7 months and 20 days in September and then to 7 months in December.

Concerning monetary conditions, the decision to increase the reserve requirement ratio in June caused the interbank rate to come closer to the policy rate after a slight and temporary deviation. Lending rates fell again by 17 basis points in the third quarter, posting a year-to-date decline of 47 basis points. Under these conditions, credit to the nonfinancial sector continued to improve, with an acceleration in loans to businesses. It was expected to accelerate further in the medium term, supported by the expected recovery in nonagricultural growth and accommodative monetary conditions.

On the basis of all of these factors, the Board considered at its meetings in September and December that the level of 2.25 percent for the key rate continued to ensure appropriate monetary conditions and decided to keep it unchanged.

Table 2.2.2 : Monetary policy decisions since 2010

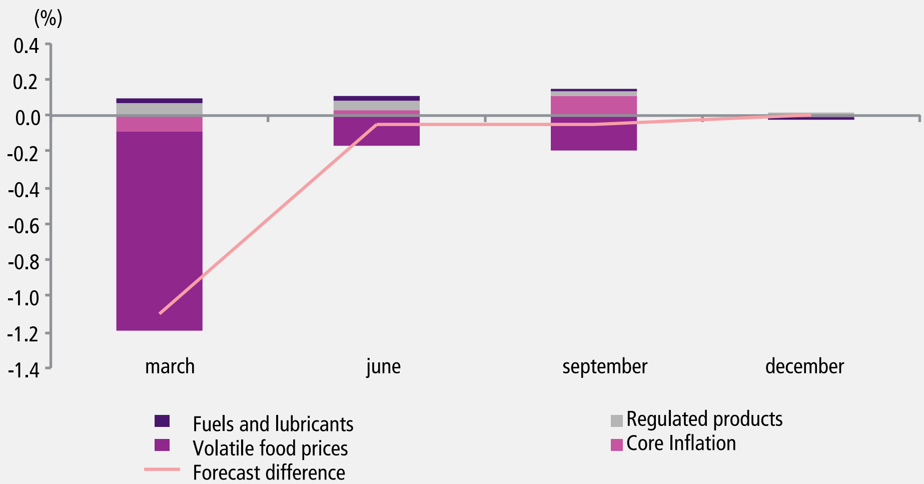
Date	Policy rate	Monetary reserve ratio	Other decisions
April 1, 2010		Decrease from 8% from 6%	
April 13, 2011			- Extending of the eligible collateral for monetary policy operations to certificates of deposit - Adjusting auction periods with monetary reserve periods - Deleting savings accounts from the calculation base of required reserves
September 20, 2011			Introducing of longer term repurchase agreements
March 27, 2012	Decrease from 3.25% to 3%		Extending eligible collateral for monetary policy operations to securities credit representing securities claims on VSMEs
September 26, 2012		Decrease from 6% to 4%	
December 13, 2012			Implementing the first operation of loans secured by securities - Eligibility criteria of certificates of deposit
December 11, 2013			New program to further encourage bank financing for VSMEs.
December 19, 2013			Decision not to pay interest on required reserves
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 2015			New rule for the allocation of 7-day advances taking into account each bank's effort to grant loans to the real economy and its degree of implementation of the central bank's decisions to reduce the key rate
March 2016	Decrease from 2.50% to 2.25%		
June 2016		Increase from 2% up to 5%	Paying interest on the required reserves of banks making greater efforts in lending

Box 2.2.1: Assessment of Bank Al-Maghrib's macroeconomic projections for 2016

In 2016 the Bank established a new medium-term analysis and forecasting framework. The latter is based on a central monetary policy model[1] that is built up and supplemented by satellite models to produce integrated projections of the main macroeconomic aggregates. The assessment concerns inflation and growth forecasts. For this first year of implementing the new framework, it is based on the projections published at each quarterly Monetary Policy Report.

The assessment shows that the forecasts were broadly in line with actual values, with the exception of a large difference in inflation in the March edition linked to a supply shock. Indeed, the average of inflation forecasts for 2016 over the four quarters was 1.3 percent as against an actual value of 1.6 percent. This difference is attributable exclusively to the March forecast, which projected a rate of 0.5 percent. This was due to shocks on volatile food products, which rose by 6.2 percent in the second quarter, the highest increase since the fourth quarter of 2011.

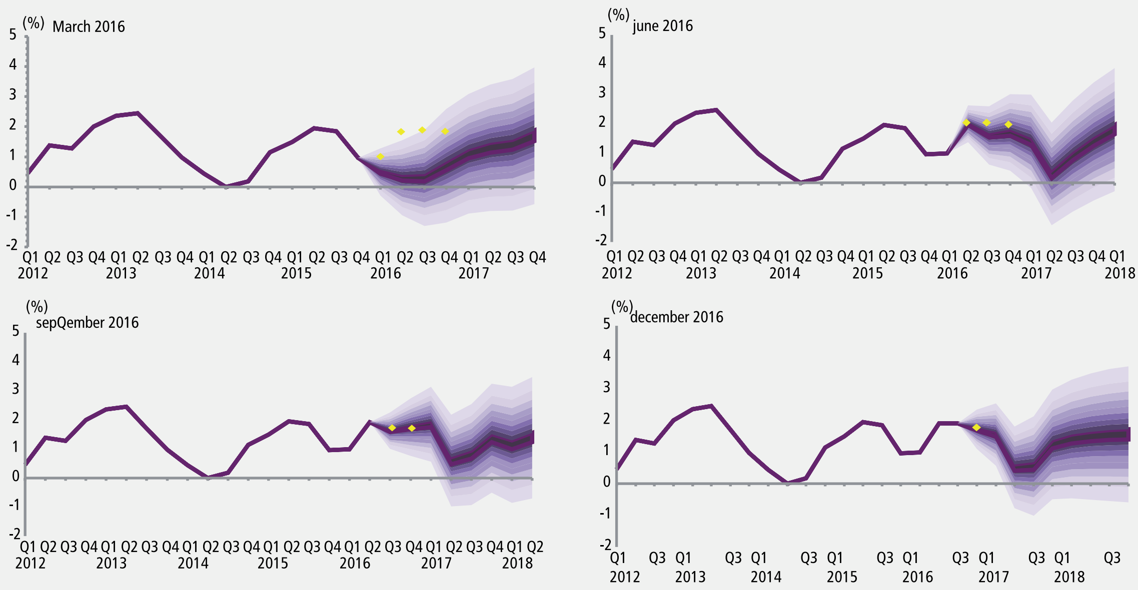
Chart B2.2.2.1: Contribution of the CPI components to the forecast difference (in percentage points)



1 Moroccan Quarterly Projection Model (MQPM).

The quality of forecasts can also be assessed by considering quarterly inflation projections. The review of the frequency of occurrences within the fan charts shows that, apart from the actual rate recorded in the second quarter which occurred outside the forecast interval developed in March, all other actual values came inside the fan charts.

Chart B2.2.1.2: Inflation fan charts* for the four quarters of 2016

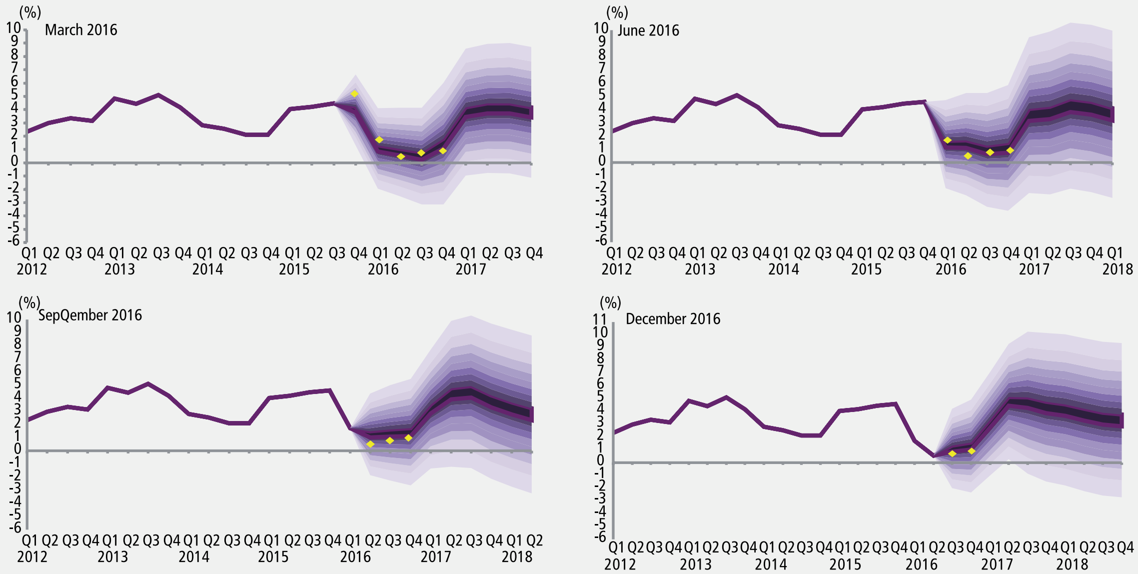


* The points on the fan charts represent observed inflation rates.

With regard to core inflation, which reflects the underlying trend in prices, the forecasts drawn up at each quarter are close to actual values. Indeed, its forecast for 2016 averaged 0.8 percent, the same level as the actual rate, with a range from a minimum of 0.6 percent expected in June to a maximum of 0.9 percent in September.

Concerning growth, the average forecast for 2016 was 1.2 percent, same as the actual value, with a minimum of 1 percent in March and a maximum of 1.4 percent in September. These revisions are mainly due to the sub-annual volatility of growth. As for the quarterly forecasts, the actual rates were all within the fan charts.

Chart B2.2.1.3: Growth fan charts for the four quarters of 2016



By component, nonagricultural growth was slightly underestimated in the four editions of 2016. Projections expected an average of 2.8 percent while it actually reached 3.1 percent. The forecast was not adjusted significantly from one quarter to the next, with a minimum of 2.6 percent in December and a maximum of 2.9 percent in March and September. For agricultural growth, as the results of the crop year are not known with relative accuracy until the end of April, the most important adjustments are generally made between March and June. For 2016, the forecast was revised from -13.8 percent in March to -9.2 percent on average over the last three quarters of the year. The average of the four projections was -10.4 percent compared with an actual rate of -12.8 percent.

2.2.2 Monetary policy operations

The trend in banks' liquidity was reversed during the year. Over the first six months, the liquidity shortage was significantly reduced due to higher foreign exchange reserves. Bank Al-Maghrib reduced the total amount of its interventions from an average of 17.4 billion dirhams per week in January to 6 billion in the first three weeks of June, all of which in the form of one-year secured loans under the program to support the financing of VSMEs.

Chart 2.2.3 : Liquidity position and required reserves amount (end-of-week average, in billion dirhams)

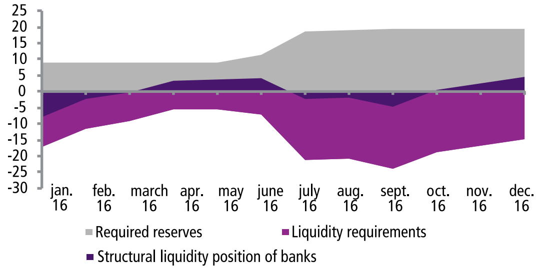
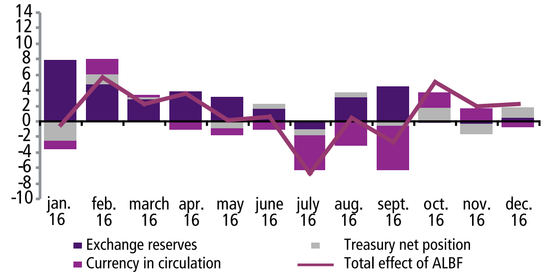


Chart 2.2.4: Contribution of autonomous factors to the monthly change in SPBL* (end-of-week average, in billion dirhams)



From the fourth week of June, the impact of the decision to raise the reserve requirement ratio, coupled with the increase in currency in circulation, was far greater than the expansive effect caused by the increase in foreign exchange reserves, leading to the enlargement of liquidity shortage within the banking system to a weekly average of 19.3 billion. As a result, the Bank increased the volume of its injections to 20.3 billion, including 15.3 billion through 7-day advances, 4.3 billion through secured loans and 776 million through overnight advances.

Over the year as a whole, banks' liquidity shortage[1] eased to an average of 14.4 billion dirhams per week, compared to 33.2 billion in 2015 and 52.8 billion in 2014.

Chart 2.2.5 : Structural liquidity position and required reserves amount (end-of-week average, in billion dirhams)

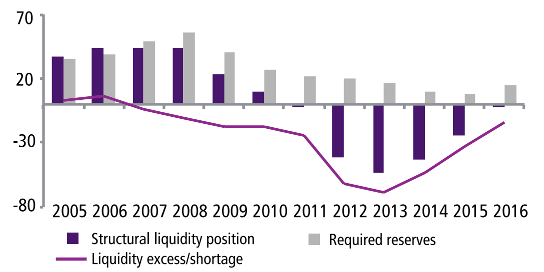
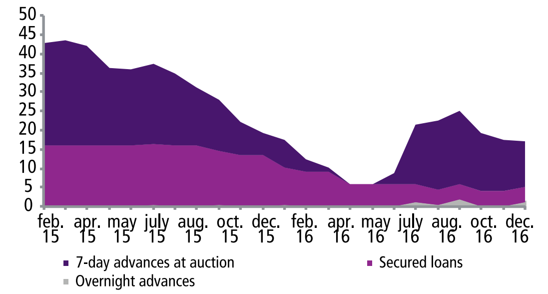


Chart 2.2.6 : Bank Al-Maghrib interventions (end-of-week average, in billion dirhams)



The improvement in the banking sector's liquidity was accompanied by a significant decrease in the volume traded on the interbank market, particularly during May and June. The amount traded fell on average from 4.7 billion dirhams in 2015 to 2.5 billion in 2016.

Under these conditions, the interbank rate remained in line with the policy rate throughout the year, with the exception of the period from the beginning of April to mid-July, when it deviated slightly. On average, it stood at 2.27 percent as against 2.31 percent for the key rate.

1 Bank liquidity requirement = Bank Al-Maghrib foreign exchange reserves + net position of the Treasury – cash in circulation + other factors - monetary reserve.

Chart 2.2.7 : Change in the average volume of interbank transactions (in billions of dirhams)

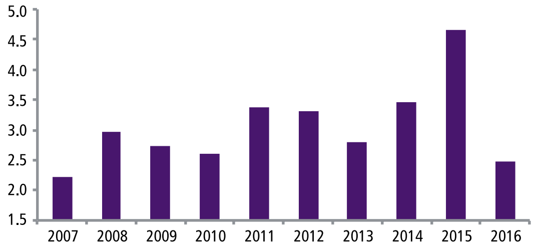
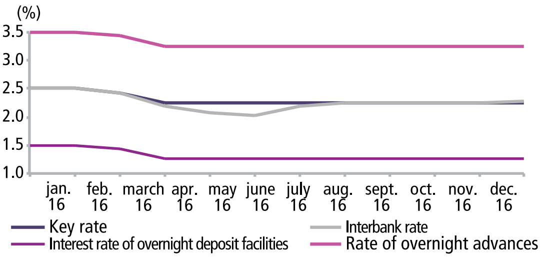


Chart 2.2.8 : Change in the interbank weighted average rate (monthly data)



Box 2.2.2: Natural interest rate in Morocco

Natural or equilibrium interest rate is defined as the real interest rate consistent with real GDP close to its potential level and with price stability. It helps to evaluate the stance of monetary policy, which is considered restrictive when the interest rate is higher than the natural rate and expansive in the opposite case.

Because of its abstract nature, there is no unanimity as to the method to be adopted for estimating it. In empirical work, several approaches are used and are generally based on structural models of DSGE[1] type, semi-structural ones[2] or structural VAR[3].

In the case of Morocco, a study was carried out by Bank Al-Maghrib on the basis of a semi-structural model used by several central banks. The latter is based on aggregate supply and demand equations and adopts the maximum likelihood method and the multivariate Kalman filter technique to estimate unobservable parameters and variables, namely the natural interest rate and potential GDP.

The supply equation is based on the Phillips curve and links core inflation to the output gap and to inflation in the euro area as an exogenous factor:

$$\pi_t = B_\pi (L)\, \pi_{t-1} + B_y (L)\, \tilde{y}_{t-1} + B_\chi (L)\, \pi_{\chi t} + e_{\pi,t} \quad (1)$$

Where $\tilde{y}_t$ represents the difference between nonagricultural GDP, y_t and its potential level $y_t{*}$, π_t core inflation, π_{xt} inflation in the euro area and L is the delay operator.

1 "The Zero Bound on Interest Rates and Optimal Monetary Policy", Eggertsson, Gauti, and Michael Woodford, Brookings Papers on Economic Activity 1, 139-211, 2003.

2 "Measuring the Natural Rate of Interest", Thomas Laubach and John C. Williams, Federal Reserve, November 2001.

3 "The Dynamic Effects of Aggregate Demand and Supply Disturbances", Olivier Blanchard and Danny Quah, Working Paper No. 2737, National Bureau of Economic Research, October 1988.

As for the demand equation, it is introduced into the model through the reduced form of the IS curve (investment and saving). It defines the relationship between the nonagricultural output gap and the difference between the real interest rate r_t and its equilibrium level r_{t*}:

$$y_t = A_y(L)\, y_{t-1} + A_r(L)\, (r(t-1) - \bar{r}_{t-1}) + e_{\tilde{y},t} \quad (2)$$

$$\bar{r}_t = g_t + z_t \quad (3)$$

$$z_t = z_{t-1} + e_{z,t} \quad (4)$$

where g_t is the trend nonagricultural GDP growth rate and z_t represents household time preferences

$$\bar{y}_t = y^*_{t-1} + g_{t-1} + e_{y-,t} \quad (5)$$

$$g_t = g_{t-1} + e_{g,t} \quad (6)$$

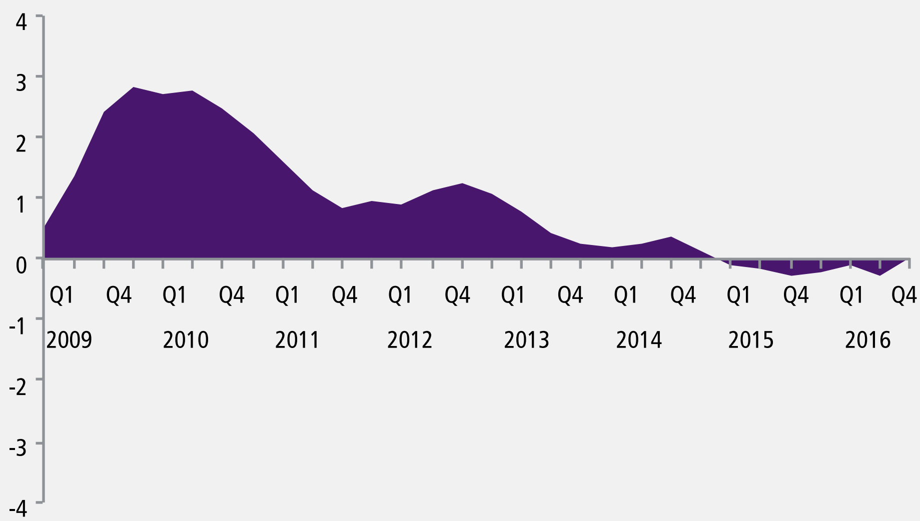
Errors $e_{z,t}$, $e_{y-,t}$ and $e_{g,t}$ are assumed to be normally distributed and uncorrelated.

The data used to estimate the model cover the period from the first quarter of 2005 to the third quarter of 2016[4]. The estimated parameters are broadly significant and their signs are consistent with economic theory.

The results obtained suggest that in recent years the real interest rate has remained slightly below its equilibrium level. This reflects the accommodative stance of Bank Al Maghrib's monetary policy, as the Board has reduced the key rate on several times, from 3 percent in September 2014 to 2.25 percent in March 2016, to support economic activity in the absence of inflationary pressures.

Between 2009 and 2013, the interest rate was above equilibrium, but monetary conditions were generally accommodative in conjunction with a negative real exchange rate differential.

Chart B 2.2.2.1:Difference between real and natural interest rate in percentage points



4 The period was selected in relation to the availability of quarterly data..

2.2.3 Completing and strengthening the informational content of monetary statistics

The year 2016 was marked by the integration of pension funds (the Moroccan Inter-professional Pension Fund -CIMR- and the National Pension and Insurance Fund -CNRA-) into the scope of monetary statistics, thus enabling the latter to cover almost all financial corporations in Morocco. This integration did not have any impact on the level of money supply (M3) and its counterparts. It allowed to enrich the financial position of nonfinancial economic units, in particular that of households vis-à-vis financial corporations.

At the same time, the Bank continued to broaden the coverage of monetary statistics, with the integration of securitization mutual funds and collective investment undertakings.

In addition, a system for calculating and monitoring customer and supplier payment periods was set up on the basis of firms' accounting statements. The calculation methodology was developed in accordance with international practice and was discussed with experts from other central banks, notably France and Portugal. The interim results were presented to and discussed by the Data Governance Committee.

2.3 Research

During the year 2016, the research activity focused on two main areas: strengthening the system for simulating public policy impact and publishing working papers.

Research focused on strengthening the analytical framework of the Bank's monetary policy through the implementation of a medium- and long-term impact simulation framework developed jointly with the IMF. In this respect, an operational version of the Policy Analysis Model (PAM) was finalized taking into account the specificities of the Moroccan economy. The ultimate objective of this model is to respond to various problems related to the analysis of monetary policy, particularly in the context of the reform of the exchange rate regime. Thus, several monetary regimes were simulated in order to evaluate their potential effects on the Moroccan economy (exchange rate anchor and inflation targeting with and without capital account restrictions). This simulation system also provides insight into the potential impact of fiscal reforms and was used in particular to assess the impact of pension reform on macroeconomic aggregates.

The strategy for the publication of working papers is part of the policy of strengthening and developing research and enhancing the Bank's openness to the academic world. In this context, a research program consistent with the Bank's strategic objectives was established, covering themes crucial for the conduct of the Bank's core functions, such as the challenges of transition to a more flexible exchange rate regime and the adoption of a monetary policy strategy focusing on inflation targeting, approaches to analyzing market imbalances, interactions between macro-prudential policy and monetary policy, and the challenges of the education system and the labor market in Morocco.

In the same vein, the Bank published two working[1] papers on its website in 2016. The first presents an analysis of the transmission channels of monetary policy in Morocco. The second provides a synthesis of reflections on the new responsibilities of central banks in the field of financial stability and focuses on macro-prudential policy, its objectives, its instruments and its institutional organization.

2.4 Reserves management

In an international context characterized by continued accommodative monetary policies and persistent negative yield rates in the euro area, the management of foreign exchange reserves continued to be based on minimizing the impact of negative rates, prudence about the change in U.S. yield rates and security and liquidity requirements. Moreover, given the context, the Bank continued to optimize the yield of foreign exchange reserves.

Income from the management of foreign exchange reserves continued to trend upward in 2016, benefiting from a favorable stock effect in relation to the investments made since 2015 and the continued increase in foreign exchange reserves and in yield rates of investments in dollar-denominated assets.

2.5 Banking supervision

One year after the Banking Act came into force, Bank Al-Maghrib set about the task of preparing the implementing legislation, in particular the regulation governing participative finance. As in previous years, it remained attentive to the impact of economic conditions on banks' balance sheets and maintained close monitoring of credit, concentration and cross-border risks. In terms of protecting credit institutions' customers, the Bank continued to strengthen its regulatory and operational framework.

1 These working papers are prepared by the executive staff of the Research Division and were subject to peer review.

2.5.1 Banking regulation

During the course of 2016, a number of implementing texts of the Banking Act were adopted by the Credit Institutions Committee (CIC) covering the areas of participative finance, payment institutions, prudential regulation and consumer protection.

In the area of participative finance, the Bank stepped up efforts to move forward with the project of launching this new industry. The applications for authorization received from the applicant institutions were examined and the CIC, meeting on November 29 in its restricted composition, gave a favorable opinion to the licensing of five participative banks and three windows selling participative finance products.

Efforts were also focused on finalizing circulars relating to the function of compliance with the opinions of the Higher Council of Ulemas, the technical characteristics of participative finance products, investment deposits and the exercise of participative banking activities by conventional banks through windows.

Building on these actions, the accounting plan for credit institutions was adapted to the activities of participative banks and windows and was the subject of a broad consultation with the banking profession and the statutory auditors. After being reviewed by the CIC, this plan would be referred to the National Accounting Council to issue its opinion on it during the first half of 2017. At the same time, the work on setting up a specific prudential framework for participative banks is being finalized.

The Bank continued to work, together with other stakeholders, to fulfill the other prerequisites to foster the emergence of participative finance, including taxation, the issuance of Sukuk certificates and the development of a Sharia-compliant guarantee scheme.

As regards prudential regulation, the Bank introduced provisions governing the countercyclical capital buffer, amended the treatment applicable to securitization positions according to the level of risk, and revised the rules for equity participation by credit institutions in existing or new companies, in line with Basel standards.

As a continuation of the work carried out to control risks within the banking sector, the Bank enacted a directive reinforcing the financial transparency of large groups of companies towards lending institutions. This Directive lays down the information to be collected by credit institutions as part of appraising credit applications of counterparties belonging to groups failing which an additional capital requirement will be required to hedge exposures to these counterparties.

The Bank also initiated a reform of the Circular on the classification of loans, which covers the definition of uniform criteria for the identification of sensitive claims to be closely monitored by credit institutions, the rules on the processing of restructured claims and the widening of default criteria in line with international standards. The Bank is currently conducting a consultation with the profession about the draft circular and carrying out impact studies.

To enable electronic payment services to be launched by payment institutions, the Bank enacted the regulatory provisions governing minimum capital, conditions for the exercise of these institutions and the terms for the presentation of these services.

Faced with the emergence of cybercrime risk, Bank Al-Maghrib issued a directive laying down minimum rules to be followed by credit institutions to carry out intrusion testing of their information systems. In addition, a draft protocol for exchange of information and cooperation between Bank Al-Maghrib and the General Directorate for Information Systems Security, was prepared to promote the security of IT infrastructure identified as vital to the banking sector.

In addition, the Bank continued to address the difficulties of credit institutions, particularly systemically important ones. A legal study is being launched with the International Monetary Fund and the World Bank to identify the legal reforms needed to implement a resolution regime that is consistent with international standards. In the same vein, the Bank finalized a draft circular to guide the preparation by systemic banks of an internal crisis recovery plan. These plans are designed to define, in the event of default, the solutions that these banks intend to implement to restore their situation so as to limit the impact on the financial system and avoid an additional cost for the State and the taxpayer.

2.5.2 Banking supervision activities

In 2016, the scope of the control exercised by Bank Al-Maghrib covered 83 credit institutions and similar bodies, including 19 banks, 33 finance companies, 6 offshore banks, 13 microcredit associations, 10 payment institutions specializing in money transfer, Caisse de Dépôt et de Gestion (Deposit and Management Fund) and Caisse Centrale de Garantie (Central Deposit Insurance Fund). Supervision carried out onsite and offsite.

With regard to offsite inspection, a new division was created in 2016 within the Banking Supervision Department to oversee systemically important banks. It includes a unit tasked with monitoring cross-border risk in order to closely supervise these banks.

Concerning onsite control, the Bank conducted 6 general missions, 21 thematic missions and a mission to verify and follow up the recommendations of an earlier mission. The thematic inspections of 7 banks dealt with the quality of regulatory and prudential reporting, the quality of the loan portfolio, risk governance, and the assessment of the market risk management system and foreign currency asset-liability management, in view of the transition to a flexible exchange rate regime. They also assessed anti-money laundering and terrorist financing arrangements and banks' compliance with the legal framework governing consumer protection and the closing of customer accounts. The Bank also participated in a joint supervision mission led by the Banking Commission of the West African Economic and Monetary Union to a Moroccan bank operating in Senegal.

Following these inspections, corrective action plans were drawn up by the institutions to implement the Bank's recommendations. Financial and disciplinary penalties were imposed against certain institutions which are in breach of the legal or regulatory provisions.

Amid a still challenging economic environment, the Bank called upon credit institutions to closely monitor the quality of their loan portfolio and required them to hedge it with appropriate provisions, while mitigating the concentration risk within the banking system. In this context, and in the face of some significant risk-taking, the Bank alerted to the need to ensure strict adherence to the core principles of sound risk management that should underpin the granting and treatment of loans to large business groups, with particular emphasis on the upstream involvement of bank governance bodies and the role to be played by the risk management function. It therefore invited the banks to adopt, by conventional means, rules for the syndication of loans to undertakings exceeding a certain threshold.

In a low interest rate environment, the Bank made credit institutions aware of the increasing exposure of bank balance sheets to interest rate risk and its adverse effects on bank income and the economic value of banks in the medium and long term.

As regards cross-border risk, the Bank's control system of pan-African banking groups was strengthened through the introduction of a formal risk-based cross-border surveillance policy. In this context, the Bank scored the establishments of these groups in Africa in order to streamline the process of monitoring and programming onsite inspections with local regulators in charge of direct supervision of these establishments.

At the same time, the Bank enhanced its cooperation with foreign supervisors by concluding two new cooperation agreements, one with the Central Bank of Madagascar and the other with China Banking Regulatory Commission. Two other agreements, already concluded with the supervisory authorities of the West African and Central African monetary zones, were revised and extended to cover the difficulties of credit institutions under their control. For the third consecutive year, the supervisory colleges of the three Moroccan banking groups operating abroad were held to examine the financial and prudential situation of these groups, their strategies and their risk management.

To monitor macro-financial developments in the host countries and to review the presence of Moroccan banking groups at the continent level, the Africa Committee, composed of Bank Al-Maghrib and the three Moroccan pan-African groups, held its third meeting since its creation in 2014. This Committee, set up pursuant to the code of conduct and cooperation on offshore establishments, adopted by these groups on the initiative of Bank Al-Maghrib, aims mainly to promote a healthy and coordinated development on the African continent.

2.5.3 Banking consumer protection

Over the course of 2016, the Bank undertook a number of actions to strengthen its regulatory and supervisory framework relating to the commercial practices of credit institutions. In addition to the enactment of circulars on handling claims within credit institutions, the mediation scheme and the standard form of current account agreement, it worked alongside the Ministry of Industry, Commerce, Investment and the Digital Economy to harmonize the application of the provisions of the law No. 31-08 on consumer protection.

On the operational level, the Bank created the function of head of onsite control mission in charge of verifying compliance with the legal and regulatory framework for customer protection. In addition, it devoted particular importance to this issue in the planning of onsite inspections. It also continued to work to better structure its activity of handling credit institutions' customer complaints and processing requests for account reporting, by launching a project to automate the management process and ensure better communication with the public.

In the field of banking competition and customer protection, the Groupement Professionnel des Banques du Maroc (GPBM), under the impetus of Bank Al-Maghrib, signed a code of ethics on banking mobility on 14 July 2016, which would enter into force in 2017.

2.5.4 The Bank's contribution to promoting sustainable finance

On the occasion of the Moroccan presidency of the twenty-second session of the Conference of the Parties (COP 22), Bank Al-Maghrib was tasked with coordinating the development of the Moroccan financial sector roadmap for climate, to which regulators and the industry contributed. This roadmap aims to develop a sustainable finance capable of supporting the Kingdom in its transition to a low-carbon economy.

The roadmap features five main axes to enable the financial sector to support Morocco's contribution to global efforts to combat climate change, which are as follows:

- Extending governance to socio-environmental risks;
- Developing sustainable financial instruments and products;

- Promoting financial inclusion as a vehicle for sustainable development;
- Capacity building in the field of sustainable finance;
- Transparency and market discipline.

The Bank is committed to providing decisive support for this paradigm shift. In this respect, it called on banks to integrate sustainability factors into their governance and risk management system so that environmental and social risks are taken into account ahead of any financing and/or investment decision.

At the African level, and as part of Morocco's efforts to promote regional South-South cooperation, the Bank is working with the entire Moroccan financial community towards the emergence of a continent-wide green finance.

2.5.5 Macro-prudential surveillance

As part of its duties as secretariat of the Comité de Coordination et de Surveillance des Risques Systémiques -CCSRS- (Systemic Risk Coordination and Surveillance Committee), established by Law No. 103-12 on Credit Institutions and Similar Institutions, Bank Al-Maghrib, jointly with the finance ministry's Treasury and External Finance Department, prepared a draft decree on the composition and functioning of this committee. In close collaboration with the Ministry of Economy and Finance and the insurance and capital market supervisory authorities, this draft was finalized and introduced into the adoption channels. The committee's rules of procedure were also drawn up, defining the practical arrangements for its proper functioning. These accomplishments provide the necessary governance mechanisms for the CCSRS to exercise its prerogatives.

The CCSRS held two meetings in 2016 to validate the inter-authority roadmap, discuss actions and reforms aimed to strengthen financial stability for the period 2016-2018, assess risks to the financial system and approve the third annual Financial Stability Report. The report analyzes domestic and international macroeconomic developments, nonfinancial sector's debt, financial institutions' soundness, and developments in capital markets and market infrastructures.

In addition, the Bank continued its efforts to strengthen the macro-prudential monitoring system, which included analyzing interactions with monetary policy, reviewing and consolidating macro-stress testing tools, developing models and analyzes to calibrate macro-prudential instruments, enhancing the framework of analyzing linkages at the financial sector level, and refining the framework for assessing the risk of cross-border contagion from subsidiaries of Moroccan banks operating in Africa.

As regards disclosure, in addition to the publication of the annual Financial Stability Report for

2015, the Bank, in coordination with other members of the CCSRS, defined the communication policy on financial stability. In this sense, and for the first time, press releases on the main topics discussed by the committee were published at each of its meetings. In the same context, the Bank organized an information and awareness seminar on financial stability for senior staff of the member authorities of the CCSRS and the Ministry of Economy and Finance.

The Financial Stability Committee, established within Bank Al-Maghrib, held its semi-annual meetings in preparation for those of the CCSRS. They focused on monitoring the implementation of previous recommendations, taking stock of the progress of the financial stability roadmap, and reviewing systemic risk indicators and vulnerabilities within the financial system.

2.6 Systems and means of payment

2.6.1 Monitoring systems and means of payment

In 2016, the actions relating to the oversight of payment means included inspection missions to banks, assessing the compliance of checkbooks with the minimum security requirements and putting into production the solution for monitoring payment means. Today, this solution is a regional benchmark in terms of “Reg Tech”.

Concerning the supervision of financial market infrastructures (FMIs), two onsite evaluation missions were carried out, to the GSIMT and Maroclear. The objective of these missions is to assess the rules of good governance, transparency, security, risk control, operational reliability and business continuity, particularly with regard to the new principles for FMIs issued by the BIS.

Similarly, as part of operationalizing electronic money switches, Bank Al-Maghrib continued the implementation of the scheme to guarantee the interoperability of payment transactions. Following a technical assistance mission of the World Bank and consultation with the various operators, it was decided to adopt the switch interconnection scheme, which ensures the competitiveness of both acquisition and issuance activities.

In addition, a project to implement a tool to help rating FMIs was initiated, including a new monitoring methodology to design a system for measuring and monitoring the various risks. This system, based on the U.S. benchmark, notably the Risk-Based Planning Tool of the Federal Reserve, aims to adapt surveillance to the risks incurred while allowing a better understanding of the risk profile of each infrastructure.

At the same time, Bank Al-Maghrib started the drafting of a specific bill on the surveillance of FMIs and issuers of payment means. This project aims to strengthen and clarify the terms of monitoring systems and means of payment, in line with relevant international standards.

As part of strengthening the resilience of FMIs, a three-year business continuity plan (BCP) for the period 2016-2018 is being implemented. Its objective is to carry out a "business continuity exercise" to verify the simultaneous operability of MFIs' individual BCPs in connection with the SRBM (Moroccan Gross Settlements System).

2.6.2 Financial inclusion

In 2016, Bank Al-Maghrib continued its efforts to promote financial inclusion in Morocco, in particular by preparing the implementation of a National Financial Inclusion Strategy (NFIS), developing a roadmap for alignment of the Moroccan financial sector on sustainable development objectives (SDGs) and strengthening the financial capacities of the population.

The initiatives undertaken by Bank Al-Maghrib for several years with the involvement of banks continue to produce notable results, as the banking penetration rate reached 69 percent at the end of 2016 as against 63 percent in 2014. Among the main achievements made in this framework, six new free services were made available to the population, including access to digital banking.

As regards sustainable development, Bank Al-Maghrib reaffirmed its commitment to foster the emergence of inclusive and sustainable finance by developing digital financial inclusion, reducing gender gaps and promoting financial inclusion of women, and preparing the NFIS.

In the framework of the SNIF project, the year 2016 was marked by the creation of a working group composed of the Ministry of Economy and Finance and Bank Al-Maghrib to define the governance structure model and the priority axes of the strategy. To this end, the Bank initiated a new project with the banks to refine its data and plans to conduct, in collaboration with the World Bank, a new FINDEX survey in 2017, which will provide information on the demand for financial services. These will serve as a basis for a thorough diagnosis and the definition of the National Financial Inclusion Strategy 2017-2019.

In March 2016, the Moroccan Foundation for Financial Education, in collaboration with its partners, held the fifth edition of the Child and Youth Finance Week. It organized educational visits to Bank Al-Maghrib branches and Museum, Dar As-Sikkah, the Casablanca Stock Exchange, banks' branches and insurance companies for the benefit of nearly 150,000 pupils, 30 percent of whom in the rural world.

In the same vein, in October 2016, the Bank organized, in collaboration with the Arab Monetary Fund, a high-level conference on "Financial Education in the Arab World: Strategies, Implementation and Impact". The conference was attended by senior government officials from the MENA region, central bankers, financial market regulators, researchers and experts.

Similarly, the Council of Arab Central Banks Governors, meeting on 22 September 2016, adopted April 27th as an Arab Day of Financial Inclusion. The objective of the day is to raise financial sector awareness of the importance of financial inclusion, contribute to the achievement of sustainable development objectives by 2030 and improve public access to financial services.

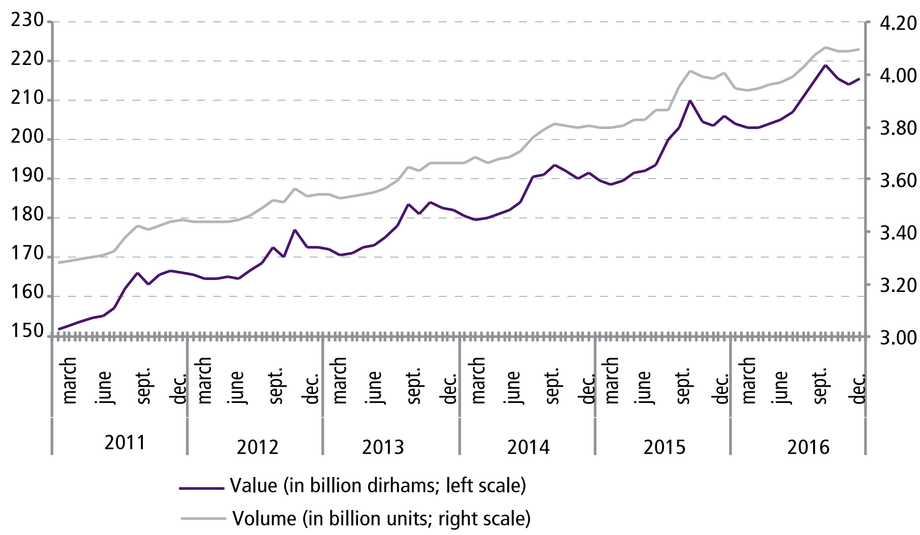
In order to develop the use of electronic payments and promote financial inclusion, the Bank, in collaboration with the National Telecommunications Regulatory Agency, banks and telecom operators, launched a reflection to develop a National low-cost mobile payment solution capable of competing with cash and reducing its use.

At this stage, six important transaction flows have been identified as a priority target. These include the payment of low amount social benefits, small-scale domestic transfers between individuals, purchases by individuals in the retail trade, network payment of service bills, purchase of telephone recharges and payment of suppliers by retail traders.

2.7 Banknotes and coins

At the end of 2016, demand for banknotes and coins in circulation stood at 216 billion dirhams, equaling 1.5 billion banknotes and 2.6 billion coins. The growth in demand decelerated from 7.4 percent to 4.8 percent in value and from 5.3 percent to 2.2 percent in volume amid slowing economic activity.

Chart 2.7.1: Change in currency in circulation, in volume and value



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2.7.1 Currency in circulation

In 2016, the value of banknotes in circulation stood at 216 billion dirhams, down 4.8 percent in value and 4.5 percent in volume. Despite this decline, the average circulation of banknotes, both in number and value, grew 6 percent, a rate similar to that of 2015.

The breakdown by number of banknotes in circulation remained the same as in 2015, with a predominance of the 200-dirham denomination, which is half the volume. This share confirms the preference given to this denomination, both as a means of payment and a store of value.

The circulation share of the 2012 series notes rose from 4 percent to 41 percent between 2013 and 2016, while that of the 1987 and 2002 series notes showed progressive cuts to 4 percent and 55 percent, respectively, at the end of 2016.

Chart 2.7.2: Breakdown of banknotes by denomination

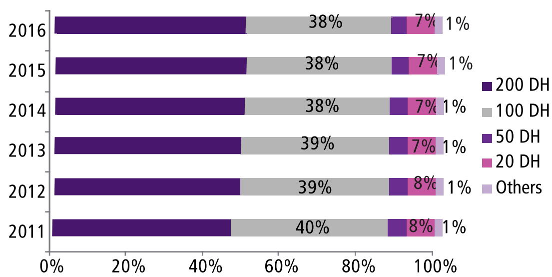
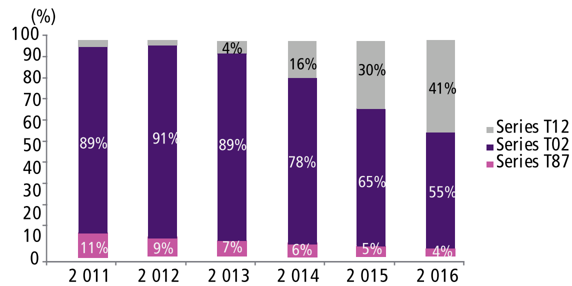


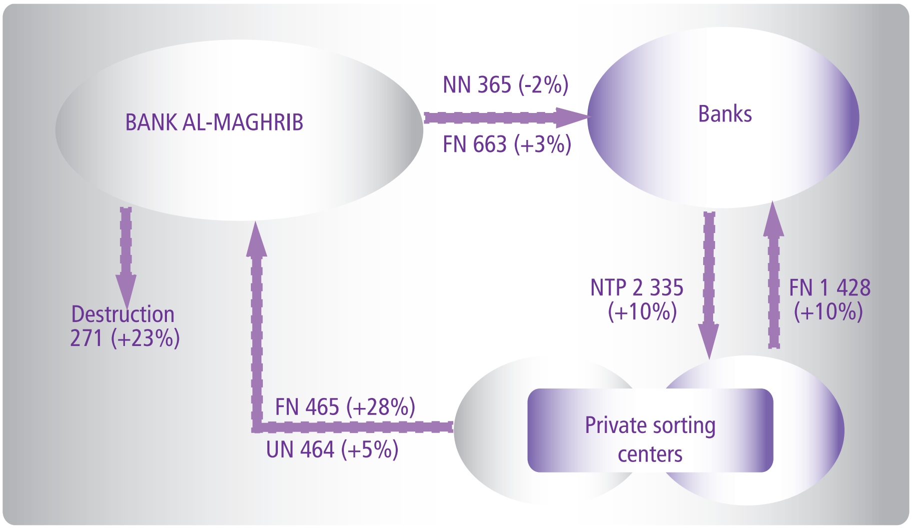
Chart 2.7.3: Change in the structure of banknotes by series



Coins in circulation, estimated at around 3 billion dirhams, grew by 5.2 percent in value and 1 percent in volume. The structure of coins in circulation is still predominantly made up of 1-dirham coins, whose share rose from 24 percent to 27 percent, and 10-centime coins with a 20 percent share, as against 19 percent. The volumes of ½-dirham and 5-dirham coins fell from 15 percent to 12 percent and from 6 percent to 5 percent, respectively, while the shares of 10-dirham and 20-centime coins remained unchanged at 4 percent and 16 percent, respectively.

2.7.2 Supply of banknotes

Cash cycle of Moroccan banknotes in millions of denominations in 2016



NTP: Notes to process

NN: New notes

FN: Fit notes (fit and reissued banknote)

UN: Unfit notes (unfit banknote, to be destructed)

In order to meet the needs of the national economy, the overall supply of Moroccan banknotes totaled 2.5 billion notes, up 6.4 percent compared to 2015. Bank Al-Maghrib provided 42 percent of the overall supply thanks to the outflows in its branches, which stood at 1 billion denominations. The volume provided consists of 36 percent of new banknotes, 20 percent of fit notes from Bank Al-Maghrib's automatic sorting and 44 percent of fit banknotes provided by the private sorting centers (PSCs) to the central bank as surplus of commercial banks. Consequently, the Bank's direct contribution to supplying the national economy with banknotes declined from 50 percent to 23 percent between 2011 and 2016.

The remainder of supplies, amounting to 1.4 billion denominations, was provided directly by the PSCs as part of the delegation granted to them by Bank Al-Maghrib. As a result, their contribution has been steadily increasing from 50 percent to 77 percent between 2011 and 2016.

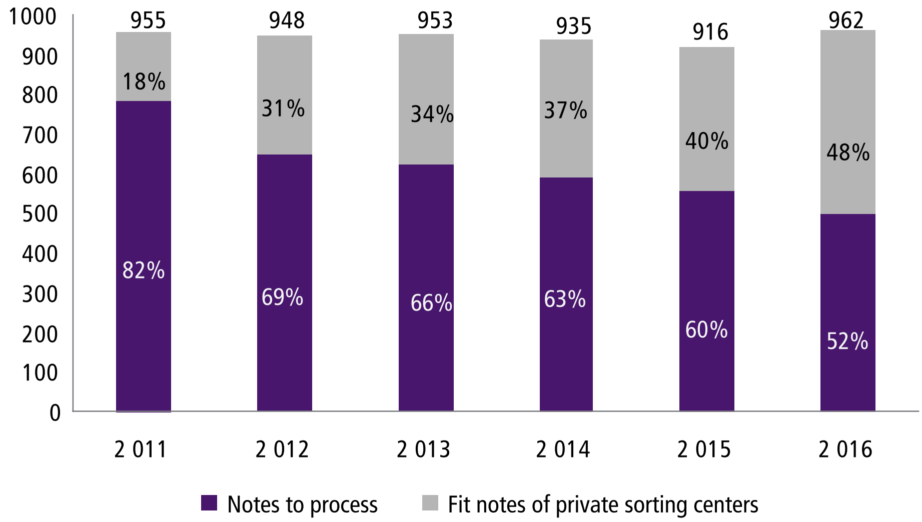
Table 2.7.1: Change in the structure of overall demand for banknotes, in millions of denominations

Contribution (in all denominations)		2011	2012	2013	2014	2015	2016
Contribution of Private sorting Centers	Fit notes directly recycled by private sorting centers	671	925	944	1 105	1 294	1 428
	Fit notes indirectly recycled by private sorting centers (BAM branches)	186	336	335	336	362	453
Contribution of BAM	New banknotes provided by BAM	423	358	384	365	372	365
	Fit notes produced and provided by BAM	434	283	297	311	280	210
Overall demand		**1714**	**1902**	**1960**	**2117**	**2308**	**2456**

The development of the role of PSCs in the fiduciary sector has contributed to stabilizing the flows of banknotes to Bank Al-Maghrib. Indeed, the volume of banknotes deposits and withdrawals stood at a nearly one billion banknotes per year.

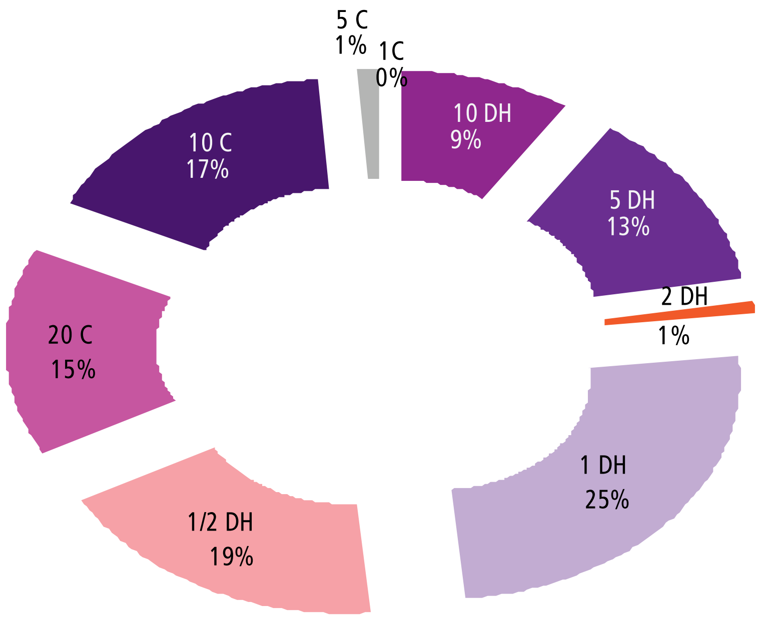
Deposits in Bank Al-Maghrib were up 5 percent to 962 million notes in 2016, including 465 million fit notes of PSCs. The share of the latter has been constantly increasing and moved from 18 percent to 48 percent between 2011 and 2016.

Chart 2.7.4: Change in overall banknote inflows to BAM branches (in millions of denominations)



In 2016, the overall supply of coins totaled 537 million units, down 3 percent from 2015. A share of 84 percent of this supply was provided by PSCs thanks to direct recycling operations. The remainder, produced by Bank Al-Maghrib, represented a volume of 85 million new coins, down 18 percent. Deposits in Bank Al-Maghrib stood at 8 million coins, down 28 percent.

Chart 2.7.5: Structure of coin outflows from BAM branches



2.7.3 Activities of Dar As-Sikkah Department

In 2016, Dar As-Sikkah Department was reorganized with a view to refocusing on production activities, particularly banknotes, coins and secured documents. Management of fiduciary activities was entrusted to the Department for Network and Central Information Registers. This reorganization allows greater accountability and better supervision of Dar-Si-Sikkah Department's industrial activities in view of its position in the international banknote production market and expansion of its portfolio of secured products nationwide.

In operational terms, banknote production activities crossed the threshold of one billion notes for the first time in its history, up 15 percent from 2015. This increase reflects higher production of export-oriented banknotes, which stood at 513 million units, up 31 percent compared to the previous year.

At the same time, the overall demand for biometric passports, which totaled nearly 1.5 million units, was met, representing an increase of 12.7 percent.

Concerning new coins, the volume produced in 2016 progressed by 15 percent from 2015 to 72.5 million units.

Chart 2.7.6: Banknote production (in millions of denominations)

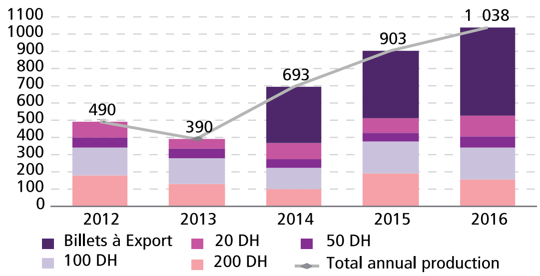
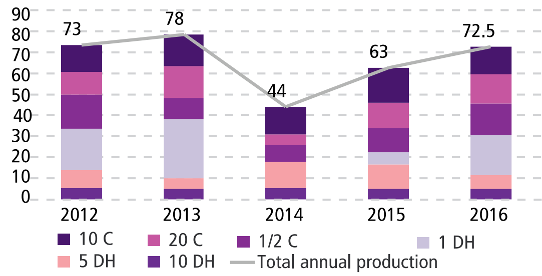


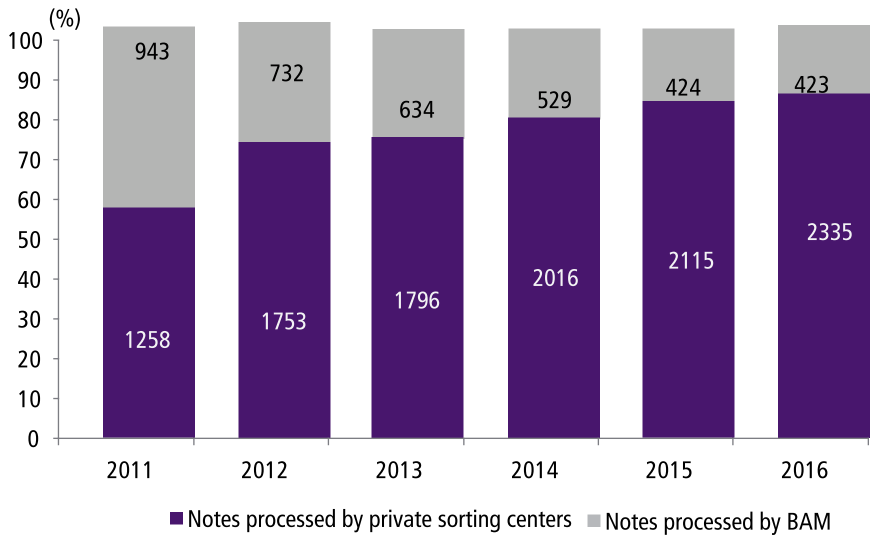
Chart 2.7.7: Coin production (in millions of units)



2.7.4 Quality of banknotes in circulation

Thanks to the delegation granted by Bank Al-Maghrib, PSCs play a key role and are a major actor in processing and recycling currency in circulation.

Chart 2.7.8: Change in total volumes of processed banknotes (in millions of denominations)

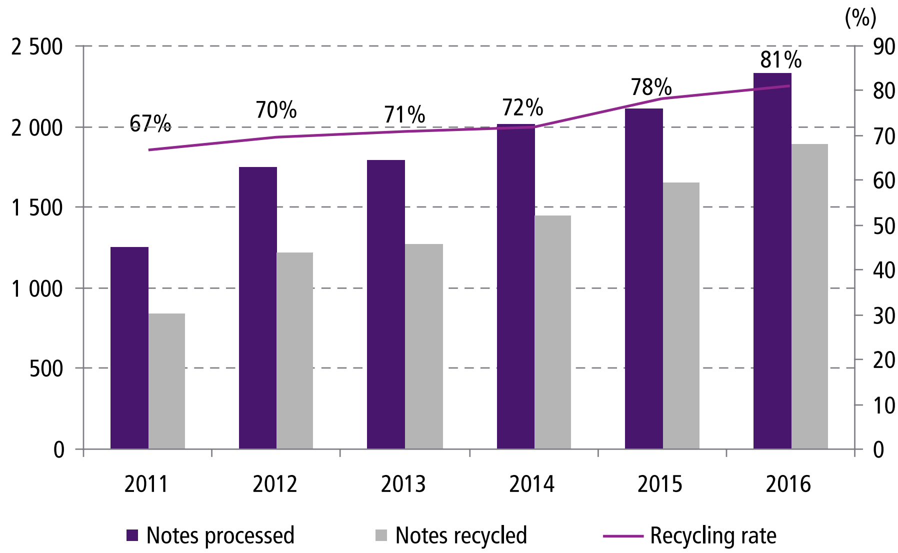


The overall processing of Moroccan banknotes by Bank Al-Maghrib and PSCs grew by 9 percent to a volume of 2.8 billion banknotes. In addition, BAM destroyed 271 million banknotes, up 23 percent from 2015.

In 2016, the volume processed by Bank Al-Maghrib stood at 423 million banknotes. Mostly realized by 200-dirham and 100-dirham denominations, it allowed the total absorption of stocks and deposits of notes to be sorted into these denominations. Production of fit notes amounted to 204 million, up 2 percent compared to 2015.

PSCs processed 85 percent of the overall volume, totaling 2.3 billion banknotes, up 10 percent. They mainly processed large-value denominations with a 93 percent share. Thanks to the processing operations, PSCs recycled directly to banks 1.4 billion fit banknotes, as against 1.3 million in 2015 and deposited at Bank Al-Maghrib 465 million fit banknotes as opposed to 362 a year earlier. The recycling rate rose from 67 percent in 2011 to 81 percent in 2016.

Chart 2.7.9: Change in the volume of banknotes processed and recycled by private sorting centers (in millions of denominations)

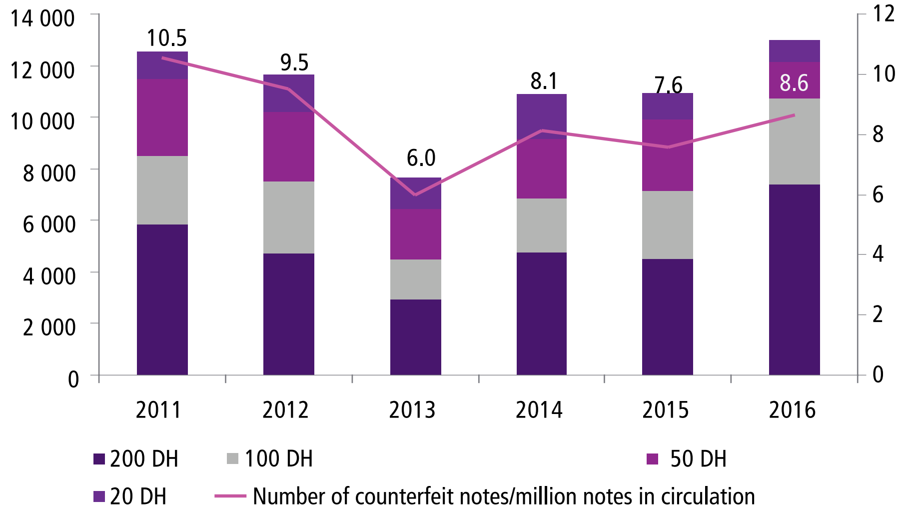


As part of its mission to supervise the recycling of currency in circulation, the Bank carried out 47 missions at 12 PSCs. The rate for correcting deviations observed at PSCs is close to 83 percent. On-site control operations of banks involved 231 branches, as against 215 a year earlier. The main results of these operations reveal that 96 percent of the branches are provided with equipment that satisfies the aptitude tests carried out by Bank Al-Maghrib.

2.7.5 Trends in counterfeit currency and fight against counterfeiting

The number of counterfeit Moroccan banknotes stood at 12,992 banknotes worth 1.9 million dirhams, representing respective increases of 19 percent and 43 percent. Banknotes of 200 dirhams and 100 dirhams are the most affected denominations with respective shares of 57 percent and 26 percent. This number remained limited, given the number of banknotes in circulation. The counterfeit rate is 8.6 counterfeit notes per million banknotes in circulation.

Chart 2.7.10: Change in counterfeit Moroccan banknotes



2.7.6 Activities of the central information registers

In 2016, Bank Al-Maghrib continued its activity of monitoring and collecting data on payment incidents through its various central information registers.

Regarding check payment incidents, the data collected indicate that the cumulative number of unsettled payment incidents amounted to 2.9 million cases at the end of 2016, corresponding to an outstanding amount of more than 79 billion dirhams. The breakdown of the outstanding amount by customer category shows the predominance of natural persons, with a 79 percent share compared to 21 percent for legal entities.

On the other hand, the number of persons banned from issuing checks rose to 621,990 people, up 3.9 percent. This number is still dominated by natural persons with a share of 88.8 percent.

Chart 2.7.11: Annual change in unsettled payment defaults (in volume and value)

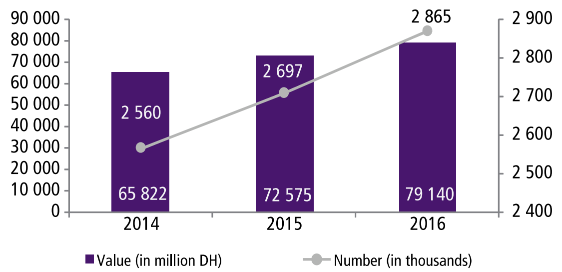
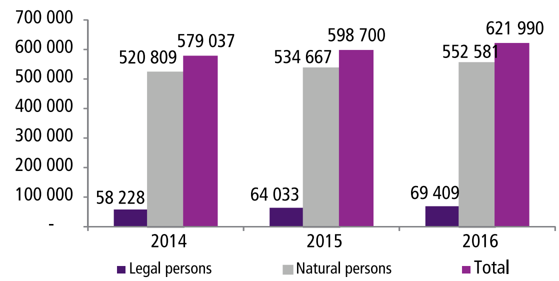


Chart 2.7.12: Breakdown of the number of persons banned from issuing checks



As to payment incidents on standardized bills of exchange (SBE), at the end of 2016, the first full year of the activity of this central register, the cumulative unsettled payment incidents on SBE totaled 610,863 cases, corresponding to an outstanding amount of more than 23 billion dirhams. The breakdown of this outstanding amount by customer category indicates a preponderance of natural persons, with a share of 61 percent as against 39 percent for legal entities.

Chart 2.7.13: Monthly change in unsettled bills of exchange (in volume and value)

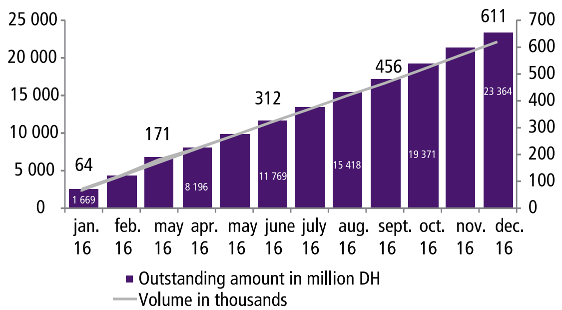
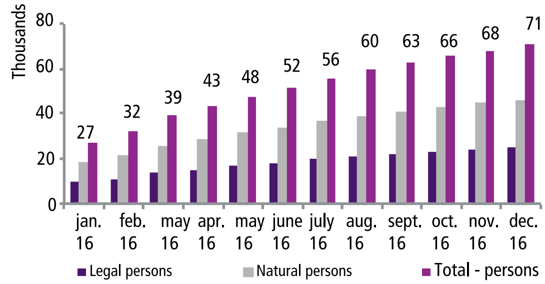


Chart 2.7.14: Change in the number of persons with unpaid bills of exchange



At the same time, the Credit Bureau activity continued its upward trend in 2016, reflecting an increase in both the number of contracts uploaded into the database and the consultations of credit reports. Thus, the cumulative number of uploaded contracts totaled 15.1 million, with an outstanding amount of 845.3 billion dirhams, up 12.2 percent. The number of consultations reached 2.1 million units, up 13.3 percent, bringing the total to 9.1 million consultations since the establishment of the Credit Bureau in 2009.

Chart 2.7.15: Annual cumulative volume of Credit Bueau consultations

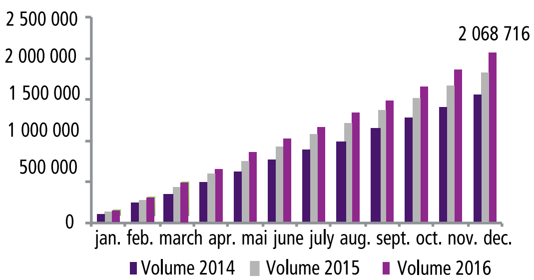
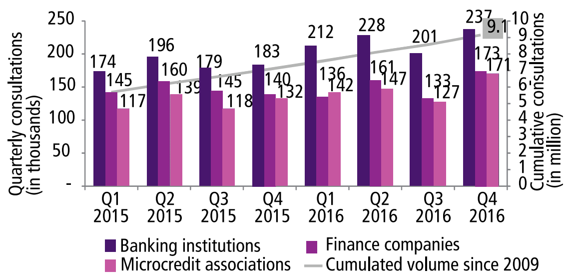


Chart 2.7.16: Quarterly number of consultations by type of credit institution



In the past year, the Bank supported the second international operator "Dun & Bradstreet Maroc" in the start-up of its activities in Morocco. The first Credit Bureau "CreditInfo Maroc", an international operator that acquired the shares of Experian in Morocco, also finalized the transition operation and began commercializing its services under the new label

Thanks to the "score credit bureau" commissioning, Morocco obtained a rating of 7 out of 8 based on the depth of credit information index in the 2017 edition of the Doing Business report, published by the World Bank in October 2016. This rating places the Moroccan economy among the most advanced in terms of credit information-sharing systems, thus contributing to improving the overall ranking against the criterion of "lending".

2.8 Communication and outreach

2.8.1 Communication

In 2016, the Bank began to improve and diversify its communication channels with the general public in order to enhance its transparency.

As in previous years, efforts converged towards the press, the Bank's true partners in the transmission of its messages, particularly its monetary policy decisions. This partnership was marked by more openness to the electronic press, given its growing importance in the media landscape. In addition to the Governor's four press briefings following the Board meetings, the Bank organized, for the first time, a press conference dedicated to the participatory finance project. The media were also involved in the Bank's events, including the annual meeting of the Council of Arab Central Bank Governors and the high-level seminar on financial education organized in partnership with the AMF.

2.8.1.1 Communication on monetary policy decisions

The cycle of communication around monetary policy decisions is now a well-established process. Following the Bank's Board meeting, the press release incorporating the monetary policy decisions is disseminated in three languages to the news agencies and is placed on the Bank's Internet portal. Information is simultaneously relayed on social networks. At 4 pm, the Governor's press conference begins and the highlights are "live-tweeted" in the three languages. The Bank also releases the Monetary Policy Report at the end of this meeting.

Nevertheless, it remains important that this process is steadily improving. The year 2016 saw a revamp of the monetary policy communication tools in order to achieve transparency and clarity. The press release on monetary policy decisions taken by the Bank Board was restructured in such a manner as to highlight the most strategic information. Similarly, the Monetary Policy Report was overhauled in terms of content and structure, and a new chapter, dedicated to macroeconomic forecasts, was included.

2.8.1.2 Redesign of the website

In a bid to achieve greater openness and transparency, the Bank's Internet portal has been completely overhauled. The redesign was based on a user-friendly navigation, clear ergonomics and fast access to information. In addition to a section layout that allows better visibility of published news, the site is rich in information concerning the Bank's business lines through headings dedicated to monetary policy, banking supervision, monitoring systems and means of payment, financial stability, monetary and bond markets as well as to issuance of banknotes and coins.

Social media has become an essential tool of the Bank's communication. This is evidenced by the steady increase in followers of the Bank's Twitter account, which reached 4,146 subscribers at the end of 2016. This account was certified on March 31, 2016 by an authentication granted by the network to the most credible accounts.

2.8.1.3 Pedagogical communication

In 2016, a mini educational website accessible from the Bank's new portal was also launched with the main objective of explaining the missions of the Central Bank through a range of educational materials. The space contains resources tailored to teachers, both on the Bank's missions and on other subjects on current affairs. A section dedicated to children also addresses, in a simpler way, the role of a central bank, some basic notions of finance such as the origin of currency, income and savings, means of payment and the process of manufacturing banknotes and coins. In addition, a general public-oriented section explains the role and tasks of a central bank through illustrated pages and videos. This site will be gradually enriched to offer the general public a wide range of educational products enabling them to improve their understanding of the role of the Central Bank in the economy and its impact on the citizen.

What is price stability?
Video available on the educational website of the Bank
http://www.bkam.ma/pedagogic

2.8.1.4 Communication on reforming the exchange rate regime and monetary policy framework

The year 2016 was marked by preparations for the reform of the exchange rate regime. In this context, the Bank, in collaboration with the Ministry of Economy and Finance, has attached great importance to communication around this project, given its impact on the national economy and the population. Indeed, Bank Al-Maghrib started to develop a communication strategy that identifies, for each of the different phases of transition, target populations, appropriate messages and channels of communication. A series of information and awareness-raising meetings with the banking system and economic operators, both public and private, were initiated in this regard.

2.8.1.5 Internal communication

The Bank has continued to pursue a policy of close communication with its staff around its actions. The central vehicle for this internal communication system is the press release, posted on the intranet after the monthly meetings of the Management Committee. This release, published in

Arabic and French and disseminated to the Bank's network, informs all staff on the progress of the Bank's strategic projects as well as the work of its governing and monitoring bodies. The internal audience is even more informed thanks to the presence of the Bank in the media. This section reviews the most covered topics involving the Bank in traditional and social media.

As usual, the Bank's executive staff met during the Executives' Day on January 20, 2017 and 900 executives from the central administration and the network took part on two topical current themes namely "corporate social responsibility" and "participatory finance".

2.8.2 Bank Al-Maghrib Museum

In 2016, the opening-up and synergy actions undertaken by Bank Al-Maghrib Museum were based both on a dense and accessible cultural momentum and on a policy of regionally and nationally shared programming. This includes the co-production of exhibitions, the setting up of outdoor exhibitions, as well as achieving accessibility of the Central Bank's collections.

Thus, two artistic and numismatic cycles were organized: The first one was dedicated to a renowned master of the Moroccan contemporary painting, Meki Megara, while the second was devoted to "currency, prices and wages in Morocco: from ancient times to the Protectorate".

Meanwhile, as in previous years, the Museum organized several open days on the margin of now essential events, such as the Financial Literacy Week, International Museum Day, Heritage Days in Rabat-Salé or Night of Galleries.

In addition to its annual program, the Museum expanded its cultural offer this year by co-producing exhibits in partnership with other renowned institutions. In March 2016, the Museum hosted an artistic exhibition entitled "thresholds of the body, thresholds of the spirit ... pluralistic artistic horizons", organized in partnership with the Regional Human Rights Commission of Rabat-Kénitra. It also organized in Marrakech, in partnership with the Ministry of Culture, an exhibition on the coinage issued during the reign of His Majesty late Hassan II. It also participated in the Ninth Meeting of the Child of Al Madina under the theme "The Child and the Bank" in Casablanca and took part in the International Fair of Cultures organized by Madrid City Council.

With a view to increasing the assertion of Bank Al-Maghrib's museographic signature, the Museum has adopted a new visual identity and opened itself to outdoor experiences. A regional animation program included projects for mounting two permanent exhibits on local coinage in the branches of Fes and Marrakech.

2.8.3 International cooperation and institutional relations

In 2016, the Bank contributed to organizing several events, including:

- The fortieth ordinary session of the Board of Governors of Arab Central Banks and monetary institutions, held on September 22 in Rabat. This session was marked by a Royal message addressed to the participants and by the Bank's Governor;
- The Regional Conference on Financial Education, held on October 21 in Skhirat in collaboration with the Arab Monetary Fund, the Ministry of Economy and Finance, the World Bank, the OECD, the Moroccan Foundation for Financial Literacy (FMEF) and the GIZ;
- The bilateral high-level meetings held in November in Rabat with the delegations of the Central Bank of West African States, the Bank of Central African States and the Central Bank of Qatar.

Besides, the Bank continued taking part to the monetary and financial events organized by various regional and international bodies, namely:

- The Spring Meetings and the Annual Meetings of the IMF and the World Bank;
- The 23rd Annual Meeting of Governors of Central Banks of French-speaking Countries, organized by the Bank of Central African States, from May 11 to 13 in Equatorial Guinea on the theme "Central banks facing external shocks". During this event, the Bank intervened on "the role of central banks in setting up programs with the IMF";
- The United Nations Conference on Climate Change (COP22), from November 14 and 15, in Marrakech.

In terms of international cooperation, actions intensified and extended to other countries during the year under review, namely China, Spain, Portugal, Madagascar and Sri Lanka. 34 cooperation actions were also organized as follows:

- 18 study visits for 40 executives from 10 central banks and bodies and 8 other visits for 15 executives of the Bank;
- 6 technical assistance missions for Bank Al-Maghrib's entities on topics such as cybersecurity, intrusion testing and business continuity;
- 2 experience-sharing missions, carried out by the Bank's executives at the Banking Commission of Central Africa (COBAC) on the popularization of the regulations of The Central African Economic and Monetary Community (CEMAC) and Central Bank of West African States (BCEAO) on the issue of auditing the "monetary policy" process.

2.9 Resources and working conditions

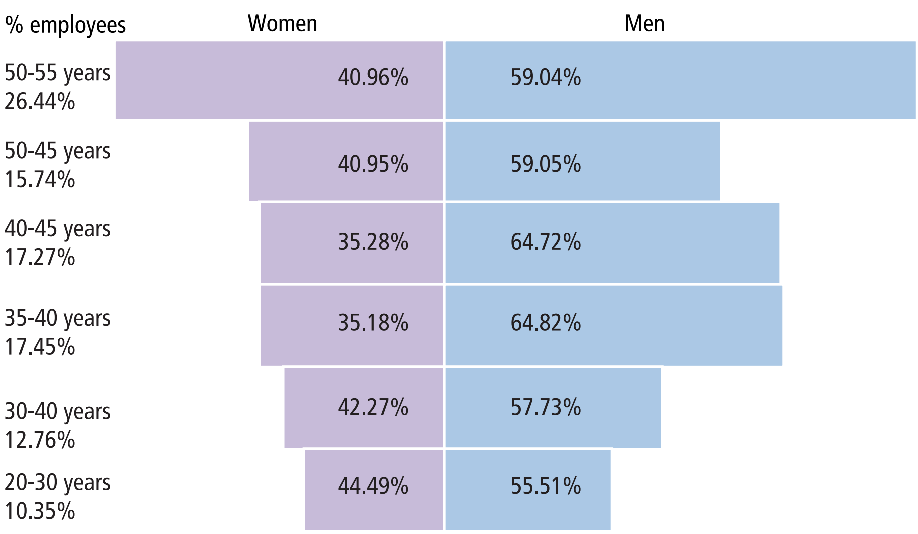
2.9.1 Human resources

Bank Al-Maghrib continued to place high priority to the development of its human capital. In 2016, the Bank's efforts focused particularly on ensuring professional development of employees, improving their working conditions, anchoring the spirit of cooperation and raising managerial requirements.

After its decrease since 2005, the total number of Bank staff stabilized slightly in 2016, as a result of the optimization and specialization policies pursued in support of the development of the Bank's core businesses. In 2016, the Bank staff stood at 2281 members, 60 percent of which in core activities, with a team supervision rate of 21 percent. In addition, the Bank continued its efforts to ensure gender equality, as women represent 39.5 percent of the total staff and 37 percent of the management.

Anxious to have the necessary skills and expertise to support the development and the expansion of its businesses, the Bank made, over the past year, 336 internal and external recruitments. Like the previous years, mobility helped to fill 60 percent of these recruitments, of which 80 percent was dedicated to the newly-established entities, reorganization of certain activities and support for new Bank projects. The internal recruitment made it possible to offer rewarding career opportunities to nearly 90 employees.

Chart 2.9.1: Staff breakdown by sex and age



Considering its importance in enriching the Bank's human resources and achieving its operational and strategic objectives, training continued to play a key role in professional development. In 2016, the training plan covered all processes and occupational categories. More than 2,250 participations were registered, benefiting 46 percent of the Bank's workforce. The training offer also helped to meet specific requirements in terms of skills development, through several specialized courses benefiting to over 200 executives. At the same time, the Bank continued to strengthen its position as a regional and international training platform, by organizing 4 seminars for Moroccan and foreign executives, in partnership with Banque de France, the IMF and the AMF.

In line with the progress made to develop managerial practices and reinforce the cross-cutting nature, several levers of action were carried out in 2016. Thus, a cross-cutting charter, setting out the principles and values adopted by the Bank in the field, was disseminated to all employees, who signed to commit to it. Training activities with a strong behavioral dimension, mainly focused on team cohesion and active listening, benefited nearly 140 staff members. Similarly, the Bank organized teambuilding actions for around one hundred top and middle managers. The aim of these initiatives is to enhance appropriation of fundamental behaviors that foster inter and intra-entity cooperation.

In terms of the development of good managerial practices, several actions have been conducted for the Bank's managers. They benefited from intra-entity awareness-raising workshops, an in-service training course as well as specific training actions relating to the most persistent appropriation gaps. Having achieved a rate of appropriation of good managerial practices close to 90 percent, the Bank started in 2016 to extend its evaluation perimeter to new managerial practices.

The Bank also continued to strengthen and improve its social policy, structured around four areas: health, retirement, budget support and leisure. Indeed, the Bank stepped up its efforts in the field of health care, and organized vaccination campaigns for more than 1,500 employees. Nearly 6,300 consultations were recorded as part of the medical and paramedical care system set up. Regarding work accidents, a significant 31 percent decrease was recorded between 2013 and 2016.

2.9.2 Working environment

In order to assess the effectiveness of the outsourcing policy which it has been pursuing for several years, the Bank carried out in 2016 several post-implementation reviews of the projects set up in this field. In the same vein, it reviewed its maintenance policy with a view to optimizing the related contracts.

With regard to real estate projects, the Bank continued to implement the projects initiated, particularly those relating to the redevelopment of its central administration and of the Tangier branch. It also started new real estate projects to meet the functional requirements, and launched the construction of a distinct building at Dar As-Sikkah dedicated to the production of the Electronic National Identity Card at site.

Regarding the procurement process, a project was launched in 2016 to overhaul the regulatory and procedural framework, with a view to equipping the Bank with a simplified regulatory system tailored to the specificities of the Bank, while respecting the fundamental principles of public procurement.

Security wise, and to address the new risks and challenges, the key actions were consolidated by developing a security and safety policy for Bank Al-Maghrib, implementing the cooperation plan with The Civil Protection Department (DGPC) and adopting several measures to strengthen the Bank's technical security infrastructure.

2.9.3 Information systems

In line with its strategic guidelines, the Bank continued to enhance its information systems. Key achievements in 2016 included:

- The implementation of a digital transformation program for the Bank;
- The development of a normative data governance framework to ensure better management of the Bank's information heritage;
- The deployment of the central information register for bank accounts.

Regarding the strengthening of the physical security and cybersecurity system, the Bank defined a reference framework, set up a new safeguarding platform as part of computer security and launched a study for redesigning its current data centers.

2.9.4 Financial information and management control

In terms of accounting, the Bank continued in 2016 to modernize its accounting information system. Indeed, it redesigned the trading room operations management solution and the monetary policy operations solution.

Regarding the management of foreign exchange reserves, Bank Al-Maghrib opted for a dedicated and integrated solution for Front-to-Account Portfolio Management (MUREX) that ensures better control of operational risks, with the automation of accounting treatment.

Concerning monetary policy operations, an accounting interface was developed to switch to a daily, rather than a monthly, accounting of operations and a better functional coverage of the monetary policy instruments used by the Bank.

As for the management control system, the Bank started to review its budgetary process charter based on a participatory approach. In light of good practices in this area, the new charter had the effect of updating the governance structure of this process, refining the related management rules and clarifying the roles and responsibilities of stakeholders.

Furthermore, in view of the provisions of its new draft statute on the billing of certain services and benefits, the Bank began to review pricing terms and conditions, in force since 2012, for all the banking operations.

To consolidate the gains achieved in terms of governance and technical and financial monitoring of its social funds, the Bank drew up in 2016 the actuarial balance sheet of its pension plan and the first actuarial balance sheet of its health insurance plan which confirmed their long-term viability.

PART 3

FINANCIAL STATEMENTS OF THE BANK

In this 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 for the fiscal year[1]

Table 3-1-1: Key figures

In thousands of dirhams	2016	2015	Change in %
Total balance sheet	284 346 407	259 700 786	9%
Use of capital ratio	59%	57%	4%
Total revenues	5 340 854	4 141 195	29%
Total expenses (Including corporate tax)	4 283 261	3 590 715	19%
Net income	1 057 593	550 481	92%
Average outstanding amount of BAM's interventions	15 607 727	35 164 514	-56%
Operating ratio	60%	63%	-5%

HIGHLIGHTS OF THE YEAR

- *March 22, 2016: Decision of Bank Al-Maghrib Board to reduce the key rate by 25 bps to 2.25 percent.*
- *June 21, 2016: Decision of the Board to raise the monetary reserve ratio from 2 to 5 percent and to establish related remuneration for banks making greater lending efforts.*
- *Continued growth in net foreign reserves[2], which reached 251.9 billion dirhams.*
- *The bank liquidity deficit eased from 16.5 to 14.7 billion dirhams on weekly average between 2015 and 2016.*
- *The ECB extended its monetary easing cycle, reflecting both the reduction in its key rate and deposit facility rate in March 2016 to 0 percent and -0.4 percent, respectively, and the strengthening of its asset purchase program.*
- *The continued gradual normalization of the FED's monetary policy, by raising the target band of its rates by 25 bps.*
- *Divergent trends in rates between the US and the Euro area:*
  - *An increase in US rates as of the second half of the year after their decline in the first half;*
  - *A widespread decline in rates and negative levels until maturity of 8 years for countries with good credit quality.*

3-1-1 Balance sheet

Table 3-1-2: Balance sheet by transaction

In thousands of dirhams	2016	2015	Change in %
Including			
Currency in circulation	**215 746 812**	**205 884 204**	**5%**
Transactions with foreign countries (Including)	**-229 359 725**	**-203 000 047**	**13%**
Holdings and investments in gold	8 314 084	7 473 485	11%
Holdings and investment in foreign currencies	238 033 323	210 208 009	13%
SDR holdings	7 549 635	7 663 483	-1%
Reevaluation account of foreign exchange reserves	9 208 822	9 158 425	1%
Transactions with the State (Including)	**3 161 581**	**3 809 894**	**-17%**
Treasury account	2 782 845	3 276 541	-15%
Net position of credit institutions	**6 250 570**	**-9 685 821**	**>100%**
Claims on Moroccan credit institutions	19 158 436	23 261 213	-18%
Deposits and liabilities to Moroccan banks	25 409 006	13 575 392	87%

Assets-liabilities

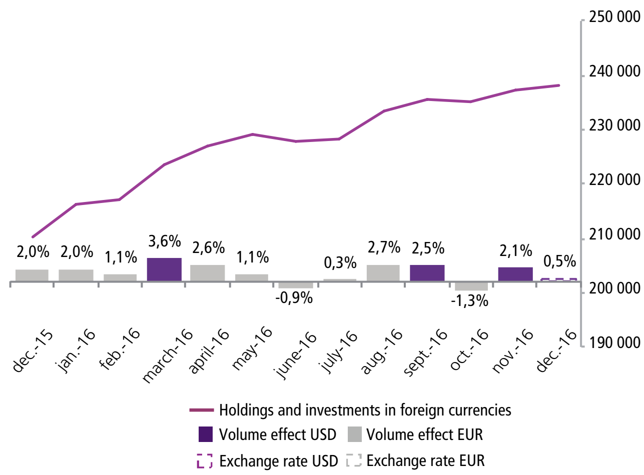
[1] Changes in the balance sheet and profit and loss account items are addressed in more details in the comments section of the financial statements. For purposes of analysis, the balance sheet and profit and loss account items were adjusted in this part of the report.

At the end of 2016, the **total balance** sheet reached **284,346,407 KDH**, up 9 percent compared to 2015. In the assets side, this change was mainly due to an increase in foreign currency holdings and investments, combined with a decline in loans granted to banks as part of the conduct of monetary policy. In the liabilities side, this trend was attributed to an increase in both notes and coins in circulation and Moroccan banks' current account holdings.

In a macroeconomic context, where national economic growth has deteriorated, **currency in circulation** stood at **215,746,812 KDH, up 5 percent, as against 8 percent in 2015**. Its weight in the balance sheet fell from 79 percent to 76 percent, year on year.

Transaction with foreign countries pursued their upward trend, for the fourth year running, up 13 percent, to **229,359,725 KDH**, owing to a continued consolidation of net foreign reserves. The latter grew by 12.1 percent, after a yearly average of 23 percent in 2014 and 2015. This change is mainly due to a deterioration in the trade deficit, reflecting a more marked increase in imports compared to exports, but whose impact was mitigated by higher transfers from Moroccan expatriates (4.0percent) and travel receipts (+5.0 percent) as well as by foreign exchange inflows, mainly under FDI inflows (33 billion dirhams), trade credits with a record balance of 19.8 billion and donations from Gulf countries (7.2 billion dirhams).

Chart 3-1-1: Change in holdings and investments in foreign currencies in MDH (including FB)

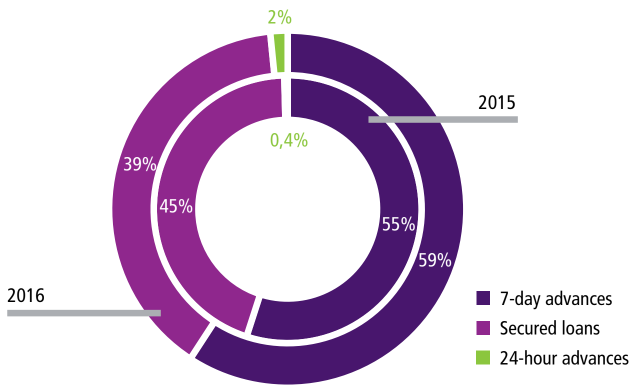


Foreign currency holdings and investments, the main component of foreign transactions with foreign countries, amounted to **238,033,323 KDH** (+13 percent). Holdings and investments in gold grew by 11 percent to **8,314,084 KDH**, driven by the appreciation of the gold price, which earned 9 percent to $1,159.1 per ounce at end-December 2016.

The balance of **Transactions with the State** stood at **3,161,581 KDH,** down 17 percent compared to 2015, mainly due to a decrease in Treasury current account holdings (-15 percent).

The easing of the bank liquidity deficit, combined with a 4 percent increase in the monetary reserve ratio as of June 23, 2016, equaling a liquidity drain of 9.3 billion dirhams, impacted the **net position of credit institutions**. At the end of 2016, this position amounted to **6,250,570 KDH**, as against **-9,685,821 KDH** a year earlier, reflecting- for the first time in several years- higher liabilities to Moroccan banks compared to claims against them, due to:

Chart 3-1-2: Average outstanding amount of claims on banks



- The reduced volume of liquidity granted to banks to 19,102,446 KDH (-17 percent), following the improvement in banks' liquidity;
- The strong growth (+ 87 percent) of bank deposits in Bank Al-Maghrib to 25,409,006 KDH, following an increase in the monetary reserve requirement.

3-1-2 Income

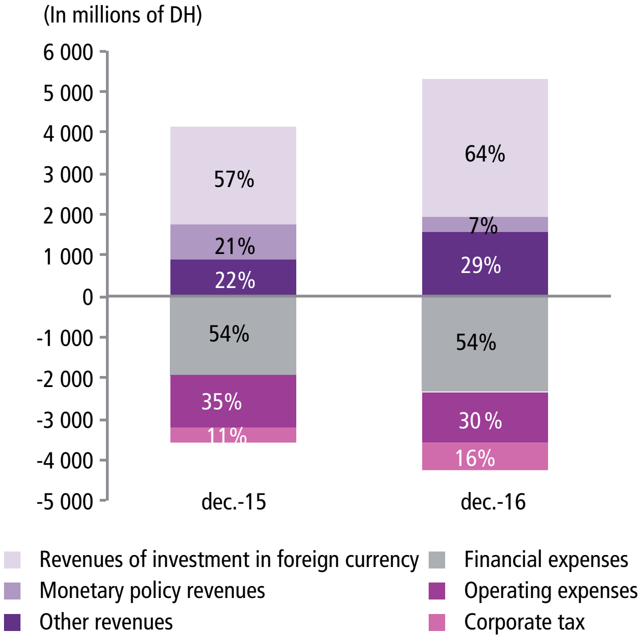
Table 3-1-3: Net income of the fiscal year

In thousands of dirhams	2016	2015	Change in %
Income of foreign exchange reserve management transactions	1 704 791	1 044 607	63%
Income of monetary policy transactions	355 265	880 414	-60%
Income of other transactions	714 934	691 814	3%
Income of activities	**2 774 989**	**2 616 835**	**6%**
General operating income	-1 667 779	-1 658 233	1%
Gross operating income	**1 107 211**	**958 601**	**16%**
Noncurrent income	634 132	-13 786	>100%
Corporate taxes	-683 750	-394 335	73%
Net income	**1 057 593**	**550 481**	**92%**

In a context marked by robust foreign currency assets, improved investment conditions in the dollar compartment and easing tensions on bank liquidity, **the Bank's net income** rose by 92 percent **to stand at 1,057,593 KDH** in 2016, as against 550,481 KDH in 2015.

This income includes, over revenues of previous fiscal years, adjustment of the intermediation margin on foreign exchange transactions, amounting to 618,874 KDH for the period from June 2012 to December 2014.

Chart 3-1-3: Structure of revenues and expenses



When reprocessing the 2016 net income of the amount of this adjustment, its increase moved back to **21 percent** and is due to the combination of the rising income of foreign currency investment operations and the declining income of the conduct of monetary policy.

The income of **foreign exchange reserve management transactions** continued to trend upward in 2016, showing a marked increase of **63 percent to 1,704,791 KDH**. Such a performance benefited from a favorable stock owing to the investments made since 2015 as well as from the further consolidation of foreign exchange reserves and the improved investment rates on dollar-denominated assets.

Against this backdrop, foreign currency investment income reached 3,400,815 KDH at end-2016, with an annual increase of 1,031,091 KDH, of which 929,307 KDH in bond interests. In addition to the Bank's strengthening of investments on the "investment" tranche, prompted by consolidated foreign exchange reserves, this change is attributed to the improvement in the average remuneration of the securities portfolio resulting from the favorable conditions in the dollar exchange rate compartment.

The average yields of holdings in gold and foreign currency thus rose by 19 bps to 0.71 percent in 2016 from 0.52 percent in 2015.

Expenses of foreign exchange reserve management totaled 1,696,024 KDH. Their growth by 370,907 KDH was mainly due to the increase in the deferral of premiums on investment securities by 399,025 KDH, in connection with the acquisition in 2016 of stocks with higher coupon rates compared to their market yield, in addition to those acquired in 2015, whose deferral expenses covered one full year.

The year 2016 would have been marked by two monetary policy decisions: (i) the decision issued on March 23, 2016 to reduce the key rate by 25 bps (ii) and the decision to raise the monetary reserve ratio from 2 to 4 percent with the introduction of its remuneration as of June 23, 2016. Following these decisions and the improvement in the liquidity position, the income from **monetary policy operations** fell further to 60 percent instead of 46 percent in 2015 and 19 percent in 2014, to **355,265 KDH**.

Interest from banking refinancing fell by more than half (-59 percent) to 361,462 KDH, reflecting a decline in cash injections whose outstanding average was reduced from 35,164,514 KDH to 15,607,727 KDH (- 56 percent). Indeed, following the substantial easing in the liquidity deficit during the first half of the year, the Bank progressively reduced the amount of its 7-day advances, which were postponed between late March and late June then resumed following an increase in the monetary reserve ratio.

Similarly, the introduction of the monetary reserve remuneration resulted in an expense of 6,197 KDH.

Income from **other operations** covers particularly commissions paid to the Bank for services provided to customers and sales of Dar As-Sikkah. It stood at **714,934 KDH**, up 3 percent from 2015. Foreign exchange commissions amounted to 582,738 KDH, up 59,083 KDH compared to 2015, in conjunction with the higher volume of transactions. Sales of secured documents and export-oriented foreign banknotes progressed by 9 percent and 12 percent, respectively, totaling revenues of 235,939 KDH.

General operating expenses, consisting of personnel expenses, purchases of materials and supplies, overheads and net depreciations and provisions, stood at **1,667,779 KDH**, slightly up **1 percent** compared to 2015.

Chart 3-1-4: Operating ratio

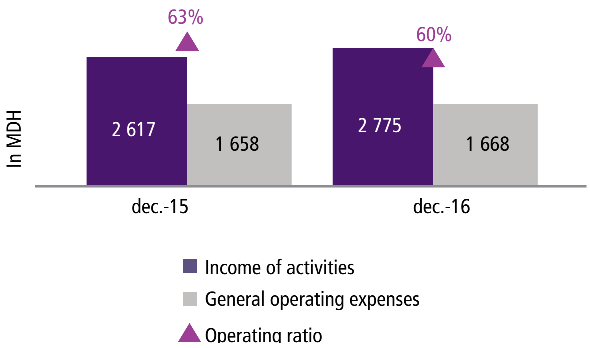
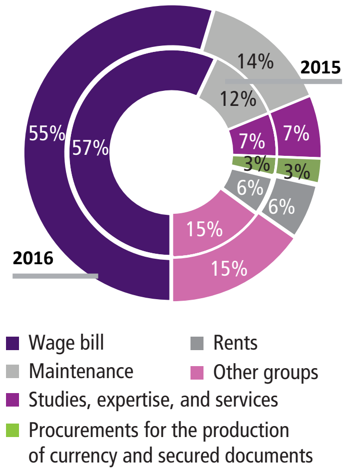


Chart 3-1-5: Structure of budget implementation by group of expenses



3-2 Financial statements and explanatory notes

3-2-1 Balance sheet (assets)

Table 3-2-1: Assets as at December 31, 2016

In thousands of dirhams	Notes	2016	2015
Holdings and investments in gold	**1**	**8 314 084**	**7 473 485**
Holdings and investments in foreign currency	**2**	**238 033 323**	**210 208 009**
- Holdings and investments held in foreign banks		12 103 752	13 386 160
- Foreign Treasury bills and similar securities		219 909 914	193 157 881
- Other holdings in foreign currency		6 019 656	3 663 968
Holdings in international financial institutions	**3**	**10 104 122**	**9 168 578**
- IMF subscription-Reserve tranche		2 195 742	1 168 843
- Special Drawings Rights holdings		7 549 635	7 663 483
- Subscription to the Arab Monetary Fund		358 744	336 252
Lending to the Government		**-**	**-**
- Conventional advances		-	-
- Overdraft facilities advances		-	-
- Other facilities		-	-
Claims on Moroccan credit institutions and similar bodies	**4**	**19 158 436**	**23 261 213**
- Securities received under repurchase agreements		-	-
- Advances to banks		19 102 446	23 016 982
- Other claims		55 990	244 231
Treasury bills - Open market operations		-	-
Other assets	**5**	**5 470 646**	**6 453 419**
Fixed assets	**6**	**3 265 796**	**3 136 081**
Total assets		**284 346 407**	**259 700 786**

3-2-2 Balance sheet (liabilities)

Table 3-2-2: Liabilities as at December 31, 2016

In thousands of dirhams	Notes	2016	2015
Banknotes and coins in circulation	**7**	**215 746 812**	**205 884 204**
- Banknotes in circulation		212 678 862	202 940 760
- Coins in circulation		3 067 949	2 943 444
Liabilities in gold and in foreign currency	**8**	**10 049 885**	**6 767 584**
- Liabilities in gold		-	-
- Liabilities in foreign currency		10 049 885	6 767 584
Liabilities in convertible dirhams	**9**	**213 277**	**217 586**
- Liabilities to international financial institutions		206 858	208 220
- Other liabilities		6 419	9 366
Deposits and liabilities in dirhams	**10**	**33 779 848**	**23 165 311**
Current account of the Treasury		2 782 845	3 276 541
Deposits and liabilities in dirhams to Moroccan banks		25 409 006	13 575 392
- Current accounts		25 409 006	13 575 392
- Liquidity-withdrawal accounts		-	-
- Deposit facility accounts		-	-
Deposits of general government and public institutions		2 097 777	2 571 885
Other accounts		3 490 221	3 741 493
Other liabilities	**11**	**10 348 126**	**9 876 385**
Special Drawings Rights Allocations	**3**	**7 619 820**	**7 706 430**
Equity capital and the like (including)	**12**	**5 531 046**	**5 532 805**
- Equity capital		500 000	500 000
- Reserves		5 001 340	5 001 340
- Retained earnings		25 547	25 066
- Other equity capital		4 158	6 398
Net income of the fiscal year		**1 057 593**	**550 481**
Total liabilities		**284 346 407**	**259 700 786**

3-2-3 Off balance sheet (liabilities)

Table 3-2-3: Off balance sheet as at December 31, 2016

In thousands of dirhams	Notes	2016	2015
Spot foreign exchange transactions			
Spot delivery of currencies		-	-
Spot purchase of dirhams		-	-
Forward foreign exchange transactions			
Foreign currencies receivable		-	-
Foreign currencies payable		-	-
Currency exchange-deposit transactions	**13**	**1 064 500**	**5 820 953**
Foreign exchange transaction-arbitrage operations	**13**		
Foreign currencies receivable		1 677 200	80 714
Foreign currencies payable		1 668 994	80 669
Off-balance currency adjustment		**-**	**-**
Liabilities on derivatives		**-**	**-**
Liabilities on securities	**14**		
Securities received on advances granted		18 647 940	17 604 798
Securities received on advances to be granted		12 159 100	15 425 600
Other guarantees received on advances granted		1 584 898	6 633 500
Advances to be granted		-	-
Foreign securities receivable		716 804	12 868 068
Securities deliverable		202 467	8 460 222
Other liabilities	**15**		
Received market guarantees		66 173	53 158
Liabilities of guarantees received for staff loans		934 239	736 090
Financing liabilities granted to the staff		36 569	39 673
Other granted liabilities		1 000	1 000

3-2-4 Profit and loss account

Table 3-2-4: Profit and loss account as at December 31, 2016

In thousands of dirhams	Notes	2016	2015
Revenues		**5 340 854**	**4 141 195**
Interests earned on holdings and investments in gold and foreign currency	**16**	2 935 852	1 981 270
Interests earned on claims on credit institutions and similar bodies	**17**	361 654	880 708
Other interests earned	**18**	10 813	9 977
Commissions earned	**19**	1 272 479	613 598
Other financial revenues	**20**	153 418	115 263
Sales of produced goods and services	**21**	228 188	205 819
Miscellaneous revenues	**22**	26 195	37 326
Reversal of depreciation		-	-
Reversal of provisions	**23**	335 105	293 809
Noncurrent revenues	**24**	17 150	3 426
Expenses		**4 283 261**	**3 590 715**
Interests paid on liabilities in gold and foreign currency	**25**	19 428	5 316
Interests paid on deposits and liabilities in dirham	**26**	207 998	166 054
Commissions paid	**27**	18 800	17 104
Other financial expenses	**28**	1 340 239	958 008
Staff expenses	**29**	727 835	726 640
Purchase of materials and supplies	**30**	233 182	208 112
Other external expenses	**31**	307 197	307 245
Depreciation and provisions expenses	**32**	738 480	795 989
Noncurrent expenses	**33**	6 352	11 911
Corporate taxes	**34**	683 750	394 335
Net income		**1 057 593**	**550 481**

3-2-5 Main accounting rules and evaluation methods

3-2-5-1 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 its fixed and other assets, and applies particular assessments for all its specific operations.

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).

3-2-5-2 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 liabilities in gold and foreign currency

Assets and liabilities 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 account of exchange reserves reassessment in the liabilities side of 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. This agreement sets the minimum threshold of 2.5 percent of BAM's net foreign assets, at which the balance of this account shall be maintained, and provides for a mechanism for allocation of provision to, or withdrawal from this account, in cases of deficit or surplus compared to the required minimum. This reassessment mechanism has no fiscal impact.

Revenues and expenses in foreign currencies are converted at the exchange rate on the date of the transaction.

Securities

The securities acquired as part of the exchange reserve management are classified by purpose: portfolio of transaction, portfolio of securities held for sale or investment portfolio.

Transaction portfolio consists of securities purchased with the intention, right from the start, to re-sell them within a deadline not exceeding six months. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the monthly evaluation of such securities at the market price are entered in the corresponding profit and loss accounts.

At end - 2016, Bank Al-Maghrib holds no transaction security in its portfolio.

Portfolio of securities held for sale consists of securities other than those classified under transaction or investment securities. They are purchased with the intention of holding them for more than six months, with no intention from the Bank to hold them to maturity. Their recording shall respect the following rules:

- Entries into the portfolio are recorded in the balance sheet at their purchase price, excluding purchase costs and accrued coupons, if need be;
- The differences (discounts or premiums) between securities' purchase price and redemption price are not amortized over the duration of these securities holding period;
- The unrealized losses resulting from the difference between the book value and the market value of these securities are subjected to depreciation provisioning 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 purchase price, including interests. Discount securities are spread over the life of the securities and entered in the revenue or expense accounts on a daily basis.

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, when applicable, 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 the securities' purchase price and redemption price are amortized on a straight-line basis over the remaining life of the securities.

As at December 31, 2016, no provision is recorded for this portfolio.

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 recorded at their market value. In fact, they are initially recorded at their purchase price. The capital gains or losses incurred at the end of each month are then entered in the appropriate profit and loss accounts, on the basis of the month-end market values, duly audited and reported by authorized agents.

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 adopted, 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 export-oriented notes);
- 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

Risk description

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.

In this context, the investment policy general guidelines set out the framework for managing risks, to which the Bank is exposed, and define its rules. Thus, the objectives of the holding and management of reserves, investment principles, allocation of foreign exchange reserves and foreign currency investments as well as investment universe are formalized in the reserves management directive. In addition, the risk management framework defines the eligibility criteria for issuers and counterparties, concentration rules, appropriate limits to comply with and authorized investment terms.

Governance framework

The implementation of the risk management governance system is based on a governance framework composed of the following committees:

- **The Monetary and Financial Committee (MFC)**, chaired by the Bank's governor, approves the reserves management strategy, investment guidelines and the strategic allocation of assets;
- **The Operational and Financial Risk Committee**, chaired by the Director General, reviews on a quarterly basis the key indicators of performance and risks related to the foreign exchange reserves management;
- **Two committees managed internally** by the foreign exchange reserves management unit:

  - The Investment Committee is mainly tasked with implementing the investment policy set by the Bank Board, proposing to the Bank's MFC the management strategy and following up on its implementation.

  - The Risk Committee is mandated to propose the strategic allocation of assets and benchmarks as well as investment guidelines, to approve the list of issuers and counterparties and relevant limits, to examine the deviations from management rules and to propose measures and actions to be taken.

From an operational perspective, all Bank's foreign currency exposures are controlled and monitored on a daily basis, in order to comply with the investment directive provisions. Monitoring is conducted through the Bank's information systems, which centralize all positions and check their compliance with the rules in place.

In this context, analyses and reports are prepared and submitted to the parties concerned in order to give continuous account of the Bank's exposures to international financial market.

Any deviation from the rules should be notified to decide on actions to be taken. It is also recorded in the report addressed to the MFC.

The Bank monitors risks and controls through:

- **The monthly risk and performance report,** addressed to the MFC, provides an overview of exposures in terms of market and credit risk;

- **The risk and performance report**, developed on a daily basis, presents a summary of exposures by reserve tranche and issuer as well as risk and performance indicators (duration, credit ratings, foreign exchange exposure and value at risk) ;
- **The investment directive follow-up report** helps monitor on a daily basis compliance with the limits defined by the investment directive. It also includes the monitoring of compliance with the adopted strategic allocation and duration limits by reserve tranches;
- **The management mandate follow-up report**, produced on a weekly basis, brings together the key risk and performance indicators and the monitoring of management rules, which authorized agents should comply with.

Financial risk management

Credit risk

Credit risk is managed on the basis of the setting of exposure limits in the investment directive and concerns, in particular:

- concentration limits by credit rating divided up by reserve tranche;
- country limits divided up by tranche based on the country's credit rating;
- concentration limits by asset class;
- limits per issuer based on credit rating;
- minimum rating limits;
- maximum maturity limits; and
- bank counterparty limits.

The aforementioned credit limits are monitored and supervised on a daily basis.

In addition to the previous arrangements and with a view to ensuring a better assessment of overall exposure to credit risk of foreign exchange reserves, a synthetic risk measurement 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.

Market risks

The Bank's exposure to the market risk is measured through a set of indicators in place, such as the effective duration of portfolios, sensitivity to the risk of changes in rates and management constraints in terms of exposure.

3-2-7 Comments on the balance sheet items

Note 1: Assets and investments in gold

This item contains the equivalent value in 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 of foreign exchange reserves, in accordance with the agreement governing this account concluded between Bank Al-Maghrib and the State.

Table 3-2-6: Assets and investments in gold

	2016	2015
Gold price per ounce in dirhams [1]	11 702	10 522
Quantity of gold ounces	710 467	710 250
Market value [2]	8 314 084	7 473 485
Gold stock (in tonnes)	22	22

[1] Gold price USD/DH
[2] In millions of dirhams

The 11 percent-increase in the equivalent value of holdings and investments in gold was mainly due to an appreciation of 9 percent in the gold price per ounce, which reached $1,159.1 at end-December 2016. The stock of gold held by the Bank remained virtually sTable at 710,467 ounces (an equivalent of 22 tons).

In 2016, the Bank continued its gold lending operations on the basis of the level of remuneration relative to that of monetary deposits. At the end of this year, the amount of gold held stood at 100,000 ounces, as against 680,000 at the end of 2015.

Note 2: Assets and investments in foreign currency

Under Article 8 of its Statute, Bank Al-Maghrib holds and manages the foreign exchange reserves, which consist of assets in gold, SDRs and foreign currencies. This item represents the equivalent in dirhams of assets in convertible foreign currencies, which are held mainly in the form of demand deposits, time deposits and foreign securities.

Table 3-2-7: Breakdown by type of investment

In thousands of dirhams	2016	Part		2015	Part	
Demand deposits	554 835	1%		976 853	1%	
Time deposits	10 095 667	4%		7 745 835	4%	
Securities held for sale [1]	58 652 034	25%	92%	72 760 557	34%	91%
Investment securities	161 257 880	67%		120 397 324	57%	
Miscellaneous [2]	7 472 906	3%		8 327 440	4%	
Total	**238 033 323**	**100%**		**210 208 009**	**100%**	

[1] Taking into account provisions for depreciation of securities.
[2] Including accrued interest and management authorizations.

Foreign currency assets and investments rose, for the fourth year running, by 13 percent. Thus, their share in the balance sheet rose from 81% to 84%, from one year to the next.

Table 3-2-8: Breakdown by remaining life (*)

	2016	2015
≤ 1year	16%	23%
> 1year	84%	77%
Total	**100%**	**100%**

(*) Internally managed portfolios.

In terms of the breakdown of these assets, bond investments remain preponderant, accounting for 92 percent of this item. These investments are dominated by investment securities, which account for almost three-quarters at the end of 2016, compared with 62 percent in 2015. This evolution reflects the foreign exchange reserves strategy which aims to strengthen the "investment" tranche by reducing the portfolio of "securities held for sale", which posts a decline of 19 percent, in particular its "euro" component, which fell from 48,407,661 KDH to 36,324,883 KDH.

In order to reduce the impact of negative rates in the euro area, the Bank continued its monetary deposits, particularly in euros, with the Moroccan commercial banks, with largely positive rates.

Note 3: Assets with international financial institutions

This item, reflecting positions with the IMF and AMF, increased by 10 percent to 10,104,122 KDH, primarily in conjunction with an increase in the reserve tranche with the IMF.

Position with the IMF

This includes on the assets side:

- IMF subscription - Reserve tranche, which compose the fraction (18.1 percent) of Morocco's quota in the capital of the IMF, paid by Bank Al-Maghrib. It is composed of:

- **The available tranche** represents the contribution paid by Bank Al-Maghrib 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 our Institute;

  The amount of this tranche rose from 70.46 million SDR to 147.01 million SDR (KDH 1,995,310) between 2015 and 2016, as the Bank settled 76.55 million SDR in February 2016, representing its share (25%) in Morocco's quota increase under the 14th General Quota Review of the IMF.

Table 3-2-9: Position with the IMF

In thousands of dirhams	2016	2015	Change in %
Assets			
IMF subscription - Reserve tranche	2 195 742	1 168 843	88%
SDR assets	7 549 635	7 663 483	-1%
Total	**9 745 378**	**8 832 326**	**10%**
Liabilities			
SDR allocations	7 619 820	7 706 430	-1%
Accounts No.1 and 2	200 553	201 747	-1%
Total	**7 820 372**	**7 908 177**	**-1%**

- **The mobilized tranche:** 14.70 million SDR (200,433 KDH) equaling Bank Al-Maghrib's subscription in national currency, deposited in the IMF "Account No.1" open in the books of our Institute.

• SDR holdings: This account records the equivalent of Bank Al-Maghrib's assets with the IMF. It 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 SDR to restore a neutral position vis-à-vis the IMF. They fell from 7,663,483 KDH in 2015 to 7,549,635 KDH in 2016. The bank settled, during this fiscal year, an amount of 2,213,160 SDR (equivalent value of 30,245 KDH), under the commitment fee on the IMF Precautionary and Liquidity Line (PLL).

The SDR allocations item is registered in the liabilities side. It corresponds to the value in dirhams of the amounts 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 SDR) granted by the IMF to member countries.

Quarterly commissions are paid by the Bank to the IMF on these allocations. Between 2015 and 2016, these allocations remained unchanged at 561.42 million SDR, while their value in dirhams dropped by 1 percent, due to the depreciation of 3 percent in the SDR rate.

It should be noted that, as part of the IMF's review of the SDR basket every five years, the latter has been broadened to include the Chinese currency (renminbi) as a fifth currency as of October 1, 2016, alongside the US dollar, the euro, the yen and the pound sterling. Thus, the new method of calculating the SDR interest rate reflects this new basket and includes a representative interest rate for the renminbi.

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 38.57 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 (6,177 KDH);
- 18.93 million Arab dinars subscribed in foreign currency, of which 8.81 million Arab dinars subscribed by the Bank (358,744 KDH).

  It should be noted that Bank Al-Maghrib began, in March 2016, settling the third 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 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 bodies

This item comprises refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 6 of the Bank's Statute.

In 2016, the liquidity deficit recorded an overall contraction by 11 percent compared to 2015, with different evolutions throughout the year:

- The first half of the year was marked by a substantial reduction in banks' liquidity need compared to the fourth quarter of 2015, reflecting the continued expansion of foreign exchange reserves. During this period, the Bank gradually reduced the amount of its 7-day advances, which fell sharply in the first quarter (1,000,238 KDH on March 23, 2016, as against 7,000,831 KDH at end-December 2015), before suspending them until June 23, when the increase in the monetary reserve ratio from 2 to 4 percent became effective. Thus, at end-June 2016, the amount of 7-day advances stood at 12,000,900 KDH;

- Based on this decision, which led to a drain of 9.3 billion dirhams and the seasonal increase in the currency in circulation, which peaked in September (the start of the school year and Eid Al Adha festivities), the liquidity deficit deteriorated in the third quarter and therefore 7-day advances rose to 18,002,602 KDH at the end of this quarter;
- Finally, in the last quarter of the year, banks' cash improved considerably thanks to the fall in currency in circulation and the expansive effect of Treasury operations, leading the Bank to adjust its refinancing through 7-day advances.

The banks' liquidity needs were covered through:

- Main operations through 7-day advances at auction at the key rate, the main instrument for implementing the monetary policy. These advances stood at 11,001,599 KDH at the end of 2016;

Table 3-2-10: Structure of claims on banks

In thousands of dirhams	2016	2015	Change in %
Repurchase agreements	**15 002 446**	**9 516 982**	**58%**
7-day advances	11 001 599	7 000 831	57%
24-hour advances	4 000 847	2 516 151	59%
Three-month repos	-	-	-
Secured loans	**4 100 000**	**13 500 000**	**-70%**
Total	**19 102 446**	**23 016 982**	**-17%**

- Four secured loans totaling 4,100,000 KHD, corresponding to the partial renewal of transactions initiated in 2015 and matured in 2016. These operations are part of the program of supporting the financing of VSME, set up in December 2013 and renewed for a minimum period of two years, starting from December 2015. They are granted at the average key rate during the period under review;
- On an ad hoc basis, 24-hour advances, which are accorded at a key rate plus 100 basis points and whose amount stood at 4,000,847 KDH at year-end.

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, expenses recognized in advance, and revenues due, and any other debtor amount pending equalization. This item posted a decline of 15 percent from 6,453,419 KDH to 5,470,646 KDH, year on year.

Note 6: Fixed assets

Table 3-2-11: Fixed assets

In thousands of dirhams	2016	2015	Change in %
Fixed loans	727 061	712 422	2%
Equity securities	439 755	103 322	>100%
Tangible and intangible fixed assets	6 286 208	6 181 211	2%
Gross fixed assets	**7 453 023**	**6 996 955**	**7%**
Depreciation and provisions	4 187 227	3 860 874	8%
Net fixed assets	**3 265 796**	**3 136 081**	**4%**

The Bank's net fixed assets rose by 4 percent to 3,265,796 KDH. This change is due to the increase in financial fixed assets, combined with the decrease in the net value of tangible and intangible fixed assets, particularly owing to higher accumulated depreciation value, following the recognition of depreciations for the fiscal year 2016, amounting to 334,658 KDH.

Equity securities and the like

Based on an authorization from the Board at its meeting of December 22, 2015, the Bank was brought in, in August 2015, as a major investor in two companies working under Africa50 Fund: Africa50 - Project Financing (AF50 - PF) and Africa50 - Project Development (AF50 - PD). The total amount of its subscription to the capital increase of this Fund stands at 20 million USD, 90 percent of which is for AF50 - PF and 10 percent for AF50 - PD (see box).

In addition, Bank Al-Maghrib granted to the Casablanca Finance City Authority, in August 2016, an advance credited to the associates' current accounts amounting to 141,549 KDH, as decided by its Board at its session in June 2016.

Table 3-2-12: Equity securities and the like

In thousands of dirhams	2016	2015	Change in %
Securities held in Moroccan institutions and the like (including)	**198 373**	**56 824**	**>100%**
Dar Ad-Damane	1 265	1 265	-
Maroclear	4 000	4 000	-
Casablanca Finance City Authority	50 000	50 000	-
Société marocaine de gestion des fonds de garantie des dépôts bancaires (Moroccan Company for the Management of Deposit Insurance Funds)	59	59	-
Receivables attached to holdings	141 549	-	-
Securities held in foreign financial institutions	**241 382**	**46 499**	**>100%**
Ubac Curaçao	23 228	23 228	-
Swift	519	519	-
Arab Monetary Fund	6 177	5 895	5%
Arab Trade Financing Program	16 856	16 856	-
Africa50-Project financing	175 142	-	-
Africa50-Project development	19 460	-	-
Gross total of equity securities and the like	**439 755**	**103 322**	**>100%**

Box 3-2-1: Africa50 Fund

Africa50 is a new infrastructure investment platform designed and sponsored by the African Development Bank (AfDB) to address the challenge of infrastructure development in Africa and thereby contribute to the economic, social and human development of the continent.

This Fund was set up on Moroccan territory in September 2014 as a limited company with a capital of 300,000 DH, subscribed in equal shares by the AfDB and the Kingdom of Morocco.

Following the Constitutive General Assembly held on July 29, 2015, Africa50 Fund was legally structured into two entities: AF50 - PF and AF50 - PD. In addition to the AfDB, twenty African countries, including the Kingdom of Morocco, subscribed to the capital increase of these two companies decided by this Assembly.

In accordance with the strategy established by Africa50 Fund, a second capital increase of AF50 - PF and AF50 - PD was approved by the Ordinary and Extraordinary General Meeting of July 21, 2016 for other African countries and institutions (including Bank Al-Maghrib). Following this transaction, the subscribed capital of AF50 - FP and AF50 - DP amounted to 712 million USD and 83 million USD, respectively.

Tangible and intangible fixed assets

Table 3-2-13 : Tangible and intangible fixed assets

In thousands of dirhams	Gross amount 2015	Increase	Decrease	Gross amount 2016
Operating properties	1 795 027	3 678	-	1 798 706
Operating furniture and equipment	2 317 511	26 618	12 372	2 331 758
Other operating tangible fixed assets	716 755	32 186	5 150	743 792
Non-operating tangible fixed assets	758 911	24 243	130	783 024
Intangible fixed assets	593 006	35 923	-	628 929
Total	**6 181 211**	**122 649**	**17 652**	**6 286 208**

At the end of 2016, the Bank's gross outstanding amount of investments in tangible and intangible fixed assets stood at 6,286,208 KDH, up 104,997 KDH compared to 2015.

The investments involved an amount of 122,649 KDH, broken down, mainly, as follows:

- 29 percent corresponding to investments as part of the infrastructure and the information system project and concern mainly the overhaul of the "front to back" trading room solution, the establishment of a new Internet portal of the Bank and the purchase of the computer software;
- 33 percent corresponding to real-estate investment related to operating and non-operating projects and concern basically the acquisition of real estate, the development of the Bank's headquarters and of Tangiers branch;
- 23 percent corresponding to the purchase of recurrent furniture and equipment, particularly the renewal of the IT equipment and cash processing machines;
- 13 percent dedicated mainly to the reinforcement of safety installations, upgrading electrical facilities and fixtures in various sites of the Bank.

Decreases amounting to 17,652 KDH consist mainly of sale of real estate, furniture and equipment as well as donations.

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, which remains the main component of liabilities, with a share of 76 percent, was up 5 percent, to 215,746,812 KDH at the end of 2016. Month on month, it recorded- in line with its seasonal pattern- peaks particularly in the third quarter of this year following summertime, the month of Ramadan and the celebration of the two main religious festivities.

Note 8: Liabilities in gold and foreign currency

These liabilities mainly comprise currency deposits of foreign banks. They rose by almost the half to 10,049,885 KDH, due to an increase in Bank's liabilities in foreign currencies.

Note 9: Liabilities in convertible dirhams

This item includes the Bank's liabilities in convertible dirhams towards foreign banks, international financial institutions (IMF, IBRD) and nonresidents.

The IMF "Account No.1" constitutes the major component of this entry. The assets of this account 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 at end-2016 to 200,553 KDH.

Table 3-2-14: Liabilities in convertible dirhams

In thousands of dirhams	2016	2015	Change in %
Liabilities to international financial institutions	**206 858**	**208 220**	**-1%**
Liabilities to foreign banks	2 764	2 723	2%
Ordinary accounts of international financial institutions	204 094	205 497	-1%
Other liabilities	**6 419**	**9 366**	**-31%**
Total	**213 277**	**217 586**	**-2%**

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 or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points;
  - The tranche above 2 billion dirhams and up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points;
  - The tranche higher than 3 billion dirhams is not remunerated.
- Current accounts of Moroccan banks, held mainly to honor their commitments regarding the required reserve, established by virtue of Article 25 of the abovementioned Statute. The rate of this reserve was raised from 2 percent to 4 percent following the Bank Board's decision taken

Table 3-2-15: Deposits and liabilities in dirhams

In thousands of dirhams	2016	2015	Change in %
Current account of the Treasury	2 782 845	3 276 541	-15%
Current account of Moroccan banks	25 409 006	13 575 392	87%
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	2 097 777	2 571 885	-18%
Other accounts	3 490 221	3 741 493	-7%
Total	**33 779 848**	**23 165 311**	**46%**

in June 2016, in view of the structural improvement in bank liquidity. The minimum amount required under this reserve must be respected on average over the period of observation.

- 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;
- 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.

Deposits and commitments in dirhams rose by 87 percent to 33,779,848 KDH, particularly due to the marked growth of 11,833,613 KDH in the accounts of Moroccan banks, following the increase in the monetary reserve ratio.

Note 11: Other liabilities

This entry includes, mainly:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State, and third parties, and contributions to provident funds and institutions for social security pending settlement. At the end of 2016, they had a balance of 598,022 KDH.
- 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;

Table 3-2-16: Other liabilities

In thousands of dirhams	2016	2015	Change in %
Other securities transactions	361	1 086	-67%
Miscellaneous creditors	598 022	384 904	55%
Equalization accounts	209 654	178 917	17%
Amounts claimable after receipt of payment	142 834	19 128	>100%
Provisions for risks and expenses	188 434	133 926	41%
Foreign exchange reevaluation account	9 208 822	9 158 425	1%
Total	**10 348 126**	**9 876 385**	**5%**

- 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. The amount of these provisions increased to 188,434 KDH, following the recognition of an additional allocation of 50,000 KDH for the third consecutive year to cover liabilities of social funds, as part of the gradual provisioning of the uncovered fraction of these liabilities, which moved up from -166 MDH in 2015 to -23 MDH in 2016.

- Foreign exchange reevaluation 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, in accordance with the provisions of the agreement signed between Bank Al-Maghrib and the Ministry of Economy and Finance.

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 fiscal year, nor distributed or allocated to any other usage.

Note 12: Equity capital and the like

Under Article 2 of the Bank's Statute, the capital is set at 500,000 KDH. It is wholly held by the State. It can be increased by decision of the Bank Board, after having heard the government representative and 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 net profit until it reaches the amount of the capital.

Table 3-2-17: Equity capital

In thousands of dirhams	2016	2015
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
Other equity capital	**4 158**	**6 398**
Retained earnings	**25 547**	**25 066**
Total	**5 531 046**	**5 532 805**

3-2-8 Comments on off-balance sheet items

The Bank keeps record of off-balance sheet liabilities, detailing both given and received commitments. Off-balance sheet accounts 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.

The off-balance sheet liabilities include liabilities in foreign currency, liabilities on securities and other liabilities.

Note 13: Foreign exchange transactions

Table 3-2-18: Foreign exchange transactions

In thousands of dirhams	2016	2015
Foreign exchange transactions- currency deposits	**1 064 500**	**5 820 953**
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	1 677 200	80 714
Foreign currencies payable	1 668 994	80 669

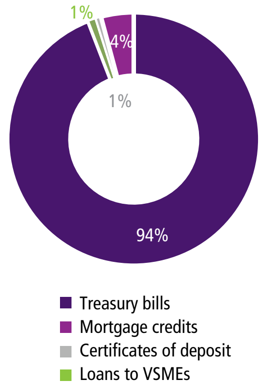
Note 14: Liabilities on securities

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.).

Table 3-2-19: Liabilities on securities

In thousands of dirhams	2016	2015
Securities received on advances granted	18 647 940	17 604 798
Securities received on advances to be granted	12 159 100	15 425 600
Other guarantees received on advances granted	1 584 898	6 633 500
Advances to be granted	-	-
Foreign securities receivable	716 804	12 868 068
Foreign securities deliverable	202 467	8 460 222

Chart 3-2-1: Structure of liabilities on securities(*)



(*) Collateral received on advances granted by the Bank as part of its monetary policy.

Note 15: Other liabilities

Table 3-2-20: Other liabilities

In thousands of dirhams	2016	2015
Received market guarantees	66 173	53 158
Guarantees liabilities received for staff loans	934 239	736 090
Financing liabilities granted to the staff	36 569	39 673
Other granted liabilities	1 000	1 000

3-2-9 Comments on profit and loss account items

Note 16: Interests earned on investments in gold and in foreign currency

This item is strongly correlated with levels of foreign exchange reserves and interest rates. It includes interests from the following transactions of investments in gold, SDR and foreign currency, made by the Bank as part of its mission of foreign exchange reserves management, entrusted under its Statute:

- Bond market investments (investment portfolio and portfolio of securities held for sale);
- International money market investments (Treasury portfolio);
- SDR holdings reserve tranche available with the IMF;
- Foreign securities lending;
- Gold loans.

Table 3-2-21: Interests earned on holdings in gold and in foreign currency

In thousands of dirhams	2016	2015	Change in %
Investments in gold	18 556	23 560	-21%
Foreign Treasury bills and similar securities	2 862 171	1 932 865	48%
Holdings and investments in foreign banks (*)	39 025	14 610	>100%
Claims on the IMF	7 451	4 079	83%
Other interests	8 649	6 156	40%
Total	**2 935 852**	**1 981 270**	**48%**

(*) Includes interest on loans of foreign securities and on assets.

Investment income from foreign exchange reserves amounted to 2,935,852 KDH, markedly increasing for the second year in a row, by 954,582 KDH (+48 percent) in 2016. Interest generated by the bond portfolio, representing 97 percent, amounted to 2,862,171 KDH, reflecting the continued expansion of investments in bond securities, supported by the consolidation of foreign currency assets and the improvement of their average remuneration caused by the slight rise in US rates.

Interest from the monetary segment also increased from 14,610 KDH to 39,025 KDH from one year to the next. This robust rise was attributed to an increase in the average remuneration ratio, which benefited from an increase in the Fed's key rate and the Bank's implementation of some deposit operations with Moroccan commercial banks in 2016 at rates higher than those offered by foreign banks.

The amount of interest on gold loans fell by 21 percent, as the Bank reduced the outstanding amount of this type of investment.

Note 17: Interests received on claims on Moroccan credit institutions and similar bodies

These are interests received by the Bank on various advances to credit institutions as part of the monetary policy conduct (for remuneration conditions, see Note 4 of the balance sheet).

These interests continued their downward trend, falling by 59 percent in 2016, as the Bank reduced the volume of its liquidity injections, in conjunction with the improved liquidity of banks, as in the last two years.

In more detail, and by main instrument:

- 7-day advances generated interest of 210,366 KDH, down sharply from 2015 (-56 percent), following a 52 percent decline in their average outstanding amount to 9,237,247 KDH;
- and secured lending transactions, whose outstanding amount was reduced from 15,687,361 KDH to 6,125,278 KDH (-61 percent), resulting in a decrease by 248,962 KDH (-64 percent) in related interest.

Table 3-2-22: Interests received on claims on Moroccan credit institutions and similar bodies

In thousands of dirhams	2016	2015	Change in %
Interest received			
7-day advances	210 366	483 306	-56%
Repurchase agreements	-	-	-
24-hour advances	8 022	5 072	58%
Secured loans	143 074	392 036	-64%
Total	**361 654**	**880 708**	**-59%**

Note 18: Other interests earned

This item covers mainly interests due to the Bank under loans granted to its staff. This interest amounted at the end of the year to 10,813 KDH, up 8 percent compared to 2015.

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.

In 2016, the amount of these commissions registered a significant growth of 658,881 KDH, essentially attribuTable to the settlement of an amount of 618,874 KDH, representing the intermediation margin on the foreign exchange operations of foreign banks' banknotes during the period from June 2012 to December 2014.

Table 3-2-23: Commissions earned

In thousands of dirhams	2016	2015	Change in %
Foreign exchange commission	1 201 612	523 655	>100%
Management of Treasury bills	52 413	70 386	-26%
Other commissions	18 455	19 558	-6%
Total	**1 272 479**	**613 598**	**>100%**

Commissions deducted by the Bank on the centralization of the Treasury's auction operations decreased by 26 percent to 52,413 KDH, reflecting the Treasury's weak resort to the primary market to finance its deficit in 2016. These gross amounts raised by the Treasury equaled 86 billion dirhams this year, as against 126 billion dirhams in 2015.

Note 20: Other financial revenues

The segment of "other financial revenues" mainly covers gains generated from foreign currency transactions and deferral of discounts on investment securities. At the end of 2016, they increased to 153,418 KDH, up 38,155 (+33 percent), due to higher deferral of discounts compared to 2015 (+27,249 KDH), taking into account the nature of investment securities comprising the portfolio.

Table 3-2-24: Other financial revenues

In thousands of dirhams	2016	2015	Change in %
Gains from investment securities sales	28 921	43 709	-34%
Deferral of discounts on foreign securities	61 168	33 918	80%
Gains in management authorizations	43 254	31 219	39%
Other revenues	20 074	6 417	>100%
Total	**153 418**	**115 263**	**33%**

Gains from investment securities sales dropped by 34 percent in 2016, following a sharp increase (+84 percent) in 2015, in conjunction with the sale during this year of securities in euro as part of implementing the weights of the dirham-trading basket, which came into force in April 2015.

Note 21: Sales of produced goods and services

This item includes revenues from sales of various goods produced by the Bank, which cover mainly 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 the end of the year under review, this item increased to 228,188 KDH, or +22,369 KDH compared to 2015, in conjunction with higher sales of:

- Secured documents rising to 183,723 KDH, of which 163,987 KDH for biometric passports; and
- export-oriented foreign banknotes, which totaled 52,216 KDH.

Note 22: Miscellaneous income

Miscellaneous revenues include, inter alia, the contribution of banks to the Moroccan Gross Settlement Systems and the recovery of fees paid by Bank Al-Maghrib. This item decreased to 26,195 KDH, representing an annual decline of 11,132 KDH.

Note 23: Reversals of provisions

This item reached this year 335,105 KDH, of which 314,608 KDH representing the reversals of the provisions constituted under the depreciation of foreign investment securities (see Table 3-2-31 of Note 32 of the PLA).

Notes 24: Noncurrent revenues

This item includes exceptional noncurrent revenues, with a significant impact both in absolute and relative figures.

Noncurrent revenues increased from 3,426 KDH to 17,150 KDH between 2015 and 2016. This change was mainly attributed to the recognition of a sale proceeds amounting to 14,600 KDH, which resulted from a transaction involving one real estate of the Bank, authorized by the Bank's Board in March 2016.

Note 25: Interests paid on liabilities in gold and in foreign currency

The year-on-year increase in this item from 5,316 KDH to 19,428 KDH reflects rising interest paid on money deposits in euro made on negative rates (+11,009 KDH), which is attributed to an increase in outstanding investments and more negative rates compared to 2015. The latter was impacted by the decision taken by the ECB in March 2016 to reduce its deposit facility rate by 10 bps to -0.40 percent.

Note 26: Interests paid on deposits and liabilities in dirhams

This item covers particularly interests paid by the Bank, mainly on deposits at the account of Hassan II Fund for Economic and Social Development and the Treasury current account (for payment conditions, see Note 10 of the balance sheet). It also included the required reserve, whose remuneration was introduced by decision of the Bank Board in June 2016.

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.

The remuneration for the monetary reserve stood at 6,197 KDH in 2016. It was calculated on the basis of a rate of 0.75 percent applied to the additional monetary reserve of banks whose growth in outstanding loans to nonfinancial enterprises in the second half of 2016 is higher than the average for the whole of the market, in accordance with the provisions laid down by the Bank.

Table 3-2-25: Interests on liabilities in Dirhams

In thousands of dirhams	2016	2015	Change in %
Interest paid			
Required reserve account	6 197	-	-
Other accounts (including)	182 848	151 625	21%
Treasury account	45 415	52 003	-13%
Total	**207 998**	**166 054**	**25%**

Interest paid on the assets of the Treasury current account decreased by 13 percent to 45,415 KDH, due to a decrease in the average remuneration rate, following the Bank's decision to reduce its key rate.

Note 27: Commissions paid

These are commissions paid in exchange for financial services provided to the Bank. In 2016, they amounted to 18,800 KDH, up 10 percent from 2015, following higher investments in bond securities, whose custody fees progressed by 36 percent to 13,490 KDH.

Note 28: Other financial expenses

This item covers losses on foreign currency transactions, including losses on investment securities sales (taking into account the nature of securities comprising the portfolio) and deferral of premiums on investment securities.

These expenses posted an annual increase of 382,231 KDH (+ 40 percent) to 1,340,239 KDH at the end of 2016. They were significantly impacted by higher deferral of premiums on investment securities (+399,025 KDH), due to the acquisition in 2016 of securities with higher coupon rates compared to their market yields, in addition to those acquired in 2015 whose deferral of premiums involved one full year.

Table 3-2-26: Other financial expenses

In thousands of dirhams	2016	2015	Change in %
Losses in investment securities sales	369 123	381 256	-3%
Deferral of premiums on foreign securities	945 980	546 955	73%
Capital losses in management mandates	19 969	18 186	10%
Other expenses	5 167	11 612	-56%
Total	**1 340 239**	**958 008**	**40%**

Note 29: Staff expenses

This item includes mainly the salaries and wages, allowances and bonuses paid to the Bank staff, employer basic and supplementary contributions to Bank Al-Maghrib Staff Pension Fund and contributions to the Mutual Fund, various staff insurance premiums and vocational training expenses.

Staff expenses remained virtually sTable from one year to the next, at 727,835 KDH, mainly due to the controlled increase in the payroll.

Table 3-2-27: Staff expenses

In thousands of dirhams	2016	2015	Change in %
Staff salaries and social security contributions	707 085	705 680	0,2%
Training expenses	6 838	6 046	13%
Other expenses	13 912	14 914	-7%
Total	**727 835**	**726 640**	**0,2%**

Note 30: Purchases of materials and supplies

Raw materials (paper, ink, coin blanks, electronic chips and precious metals) are used in the manufacturing of coins and banknotes, secured documents and commemorative coins. This item 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.

The 12 percent increase in this item to 233,182 KDH, is mainly attributed to:

- an increase of 53,013 KDH in costs of purchases of raw materials and supplies for manufacturing banknotes and secured documents, following the postponement to 2016 of contracts planned in 2015. However, mention should be made of the reduced expenditure on ink and supply needed for production, particularly due to the downward revision of quantities, as well as to the measures aiming to optimize consumption and to the smoothing of existing stocks;
- a decrease to 6,838 KDH in the change in inventories of materials and supplies, as against 34,781 KDH in 2015.

Table 3-2-28: Purchases of materials and supplies

In thousands of dirhams	2016	2015	Change in %
Purchase of raw materials	168 555	157 924	7%
Purchase of consumable materials and supplies	29 105	26 684	9%
Other purchases	35 522	23 503	51%
Total	**233 182**	**208 112**	**12%**

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. Other external expenses stood at the same level as in 2015, amounting to 307,197 KDH, covering particularly higher electricity consumption costs owing to the increase in the overall production of Dar As-Sikkah and in the pricing of KWh.

Table 3-2-29: Other external expenses

In thousands of dirhams	2016	2015	Change in %
Maintenance and repair of fixed assets	82 405	94 740	-13%
Rents	35 772	36 617	-2%
Water, electricity and fuel purchases	26 554	19 862	34%
Postal and telecommunication costs	27 142	27 897	-3%
Taxes and duties	16 901	15 853	7%
Other expenses	118 424	112 275	5%
Total	**307 197**	**307 245**	**-0,02%**

Note 32: Depreciations and provisions

Depreciations

Table 3-2-30: Depreciations

In thousands of dirhams	2016	2015	Change in %
Depreciations of tangible and intangible fixed assets	**334 658**	**354 611**	**-6%**
Real properties [1]	110 828	115 255	-4%
Furniture and equipment	171 810	173 630	-1%
Other tangible fixed assets	13	48	-74%
Intangible fixed assets	52 008	65 678	-21%
Amortization expenses of other costs to be spread out over many fiscal years	**5 742**	**5 490**	**5%**
Amortization expenses of previous fiscal years	**3 874**	**10 844**	**-64%**
Total	**344 275 [2]**	**370 944**	**-7%**

[1] Including fixtures, fittings and facilities

Provisions

Table 3-2-31: Provisions

In thousands of dirhams	Outstanding amount 31/12/2015	Expenses	Reversals	Other changes	Outstanding amount 31/12/2016
Provisions for depreciation					
Foreign Treasury bills and similar securities	421 711	321 715	314 608	148	428 966
Miscellaneous stocks and values	8 915	6 333	8 915		6 333
Moroccan equity securities	9 300		1 000		8 300
Foreign equity securities		1 180			1 180
Other provisions	3 238	569	682		3 125
Provisions for risks and expenses posted under liabilities					
Provisions for risks and expenses	133 538	64 408	9 900		188 045
Other provisions	389				389
Total		**394 205[2]**	**335 105**		

[2] Totaling 738,480 KDH corresponding to the amount of the PLA heading "depreciations and provisions".

For the terms of the constitution and reversal of provisions, see Section "Assessment Methods" and Note 11 of the balance sheet.

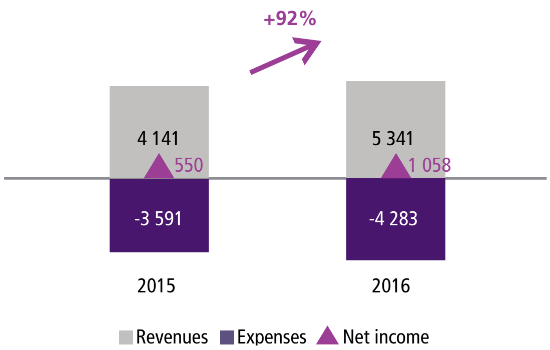
Note 33: Noncurrent expenses

Noncurrent expenses decreased by 47 percent from 11,911 KDH to 6,352 KDH, in conjunction with the non-renewal of the social solidarity contribution on profits in 2016 (11,234 KDH in 2015).

Note 34: 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 rose from 394,335 KDH to 683,750 KDH, from one year to the next.

Chart 3-2-1: 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, 2016

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, 2016. Which include the balance sheet, the profit and loss account, and the attached disclosures. These statements present a net equity amounting to 5 531 046 thousands of Moroccan Dirhams, and a net profit of 1 057 593 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.

MAZARS Audit et Conseil
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Sarl au capital de 6.441.500 DH - RC : 89453 - Patente : 34773084 - IF: 1086314 - CNSS : 2733295 ICE : 001546303000074

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, 2016 in accordance with generally accepted accounting principles in Morocco.

Without disputing the above opinion, we would note that assets and liabilities in gold and currencies have been assessed according to the principles provided in the statement A1 of the attached disclosures.

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 21 st 2017

Mazars Audit et Conseil

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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 21, 2017, 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 financial year 2016.

STATISTICAL APPENDICES

Table A1 MAIN INDICATORS OF THE ECONOMY

(Amounts in billions of dirhams)

	2014	2015	2016*
Economy International			
Economic growth (in %)			
World	3.5	3.4	3.1
Euro area	1.2	2.0	1.7
United States	2.4	2.6	1.6
United Kingdom	3.1	2.2	1.8
Brasil	0.5	-3.8	-3.6
China	7.3	6.9	6.7
Inflation (in %)			
World	3.2	2.8	2.8
Euro area	0.4	0.0	0.2
United States	1.6	0.1	1.3
United Kingdom	1.5	0.1	0.6
Brasil	6.3	9.0	8.7
China	2.0	1.4	2.0
Unemployment			
Euro area	11.6	10.9	10.0
United States	6.2	5.3	4.9
United Kingdom	6.2	5.4	4.9
Brasil	6.8	8.3	11.3
China	4.1	4.1	4.0
Economy National			
National accounts			
GDP growth at chained prices (% change)	2.7	4.5	1.2
GDP at current prices	925.4	988.0	1.016.1
Nonagricultural GDP (at chained prices)	753.2	780.8	804.7
Non-agricultural Added value	656.4	668.2	683.2
Taxes on income net of subsidies	100.8	119.1	129.2
Gross national disposable income	985.1	1.043.4	1.077.0
Gross domestic savings (% of GDP)	26.5	28.8	28.8
Investment rate (% of GDP)	32.5	30.8	33.1
Funding requirement / capacity (in billion dirhams) (**)	-56.0	-19.7	-43.2
Funding requirement / capacity (% of GDP) (**)	-6.1	-2.0	-4.3

(*) Provisional

(**) Based on figures of the Foreign Exchange Office, this ratio stood at 4.4 in 2016, 2.1 percent in 2015 and 5.7 in 2014

Table A1 MAIN INDICATORS OF THE ECONOMY

(Amounts in billions of dirhams)

	2014	2015	2016*
Economy National			
Activity rate in %	**48.0**	**47.4**	**46.4**
Unemployment rate in %	**9.9**	**9.7**	**9.4**
Prices			
Food prices indicator	0.4	1.6	1.6
Core inflation indicator	1.2	1.3	0.8
External accounts			
Total exports FOB	200.8	218.0	224.0
Total imports CAF	388.1	372.2	408.7
Trade balance in % of GDP	-20.2	-15.6	-18.2
Balance of travel (△ en %)	3.0	3.1	5.0
Balance MRE (△ en %)	-0.8	4.8	4.0
Current account balancet in % of GDP	-5.7	-2.1	-4.4
Balance of the capital account in % of GDP	5.01	1.5	3.6
FDI proceeds	36.6	39.91	33.01
Public finance(1)			
Budget balance as % of GDP	-4.90	-4.17	-4.10
Outstanding domestic treasury debt in % of GDP	63.40	63.70	64.70
Outstanding amount of the domestic debt as % of GDP	48.1	49.40	50.60
Outstanding public external debt	30.0	30.46	30.74
Money and monetary conditions			
Banking Liquidity	-52.8	-33.2	-14.4
Net Foreign Reserves	181.9	224.6	251.9
Bank loans	763.4	785.0	818.1
Bank loans to nonfinancial agents	667.2	669.2	695.4
Outstanding claims	52.53	57.43	61.36
Lending rates	6.00	5.73	5.26
Key rates	2.50	2.25	2.25
Iinterbank rates (2)	2.95	2.51	2.27
Money supply (M3)	1 086.22	1 148.00	1 202.40

(*) Provisional

(1) Excluding privatization receipts.

TABLE A2.1 GROSS DOMESTIC PRODUCT CHANGES (BASE 2007)

(At last year prices) (In percentage)

	2012	2013	2014	2015*	2016**
Gross domestic product	**3.0**	**4.5**	**2.7**	**4.5**	**1.2**
Primary sector	**-7.8**	**17.8**	**-2.3**	**11.6**	**-11.3**
Agriculture	-9.1	17.2	-2.2	11.9	-12.8
Fishing	9.7	26.8	-4.0	8.3	5.4
Secondary sector	**0.8**	**0.6**	**3.5**	**1.8**	**1.2**
Mining	-2.1	-1.2	3.0	-2.1	2.2
Industry (excluding oil refining)	1.8	-0.7	4.1	2.3	0.8
Elecricity and water	-6.7	14.9	1.3	6.2	2.5
Building and public works	2.2	1.6	2.6	0.7	1.7
Tertiary sector (1)	**6.3**	**1.9**	**2.3**	**1.7**	**2.7**
Trade	4.1	-2.0	1.6	0.5	4.2
Hotels and restaurants	2.6	4.7	2.2	-1.3	3.6
Transportation	2.4	1.0	3.6	3.2	2.2
Postal and telecommunications services	29.5	2.9	5.2	2.8	4.9
General government and social security	5.2	2.5	2.1	2.5	2.7
Other services (1)	5.1	3.7	2.5	0.5	0.9
Added value to the base prices	**2.7**	**3.7**	**2.0**	**3.0**	**0.3**
Tax on products net of subsidies	6.8	14.6	9.7	18.1	8.5

(1) Financial Services and Insurance, Real Estate, Renting and Services to businesses, Education, Health and Social Work, Other Nonfinancial services

(*) revised

(**) Provisional

Source : High Commission for Planning

TABLE A2.2 GROSS DOMESTIC PRODUCT BY BRANCH OF ACTIVITY

(At current prices) (In millions of dirhams)

	2012	2013	2014	2015*	2016**
Gross domestic product	**847 881**	**897 923**	**925 376**	**988 021**	**1 016 119**
Primary sector	**104 540**	**120 228**	**107 905**	**124 799**	**122 187**
Agriculture	97 582	112 195	99 167	114 841	110 741
Fishing	6 958	8 033	8 738	9 958	11 446
Secondary sector	**223 903**	**234 973**	**245 138**	**257 795**	**264 729**
Mining	33 420	30 027	22 691	22 692	21 145
Industry (excluding oil refining)	129 146	139 296	152 599	159 424	160 428
Elecricity and water	12 657	15 269	16 272	21 095	24 908
Building and public works	48 680	50 381	53 576	54 584	58 248
Tertiary sector	**453 370**	**463 212**	**477 665**	**491 456**	**509 078**
Trade	77 133	75 832	77 157	76 996	80 561
Hotels and restaurants	18 326	19 728	20 998	21 175	22 471
Transportation	29 453	30 524	32 679	36 294	37 836
Postal and telecommunications services	26 373	23 017	22 203	21 298	20 511
Other services (1)	222 654	229 911	236 590	245 063	254 788
General government and social security	79 431	84 200	88 038	90 630	92 911
Added value to the base prices	**781 813**	**818 413**	**830 708**	**874 050**	**895 994**
Impôts sur les produits nets des subventions	**66 068**	**79 510**	**94 668**	**113 971**	**120 125**

(1) Financial Services and Insurance, Real Estate, Renting and Services to businesses, Education, Health and Social Work, Other Nonfinancial services.

(*) revised

(**) Provisional

Source : High Commission for Planning (National accounting department)

TABLE A2.3 GOODS AND SERVICES ACCOUNT

(At current prices) (In millions of dirhams)

	2012	2013	2014	2015*	2016**	Percentage changes 2015/2014	Percentage changes 2016/2015
RESOURCES							
Gross domestic product	847 881	897 923	925 376	988 021	1 016 119	6.8	2.8
Imports of goods and services	425 597	424 205	436 221	418 871	460 613	-4.0	10.0
Expenditure							
Final national consumption households	508 124	533 903	550 793	562 868	582 809	2.2	3.5
Final national consumption General government	168 190	178 309	184 303	190 450	195 598	3.3	2.7
FC NPIs	4 083	4 242	4 923	5 424	5 842	10.2	7.7
Gross fixed capital formation	276 390	276 496	276 237	280 271	306 910	1.5	9.5
Changes in stocks	20 530	34 860	24 861	24 072	29 014	-3.2	20.5

(*) revised
(**) Provisional
Source : High Commission for Planning

TABLE A2.4 GROSS NATIONAL DISPOSABLE INCOME AND ITS APPROPRIATION

(At current prices) (In millions of dirhams)

	2012	2013	2014	2015*	2016**	Percentage changes 2015/2014	Percentage changes 2016/2015
	896 669	**958 628**	**985 064**	**1 043 370**	**1 076 975**	**5.9**	**3.2**
Gross domestic product	847 881	897 923	925 376	988 021	1 016 119	6.8	2.8
Net income of property from outside	-17 119	-12 243	-21 677	-18 895	-18 516	-12.8	-2.0
Gross national income	830 762	885 680	903 699	969 126	997 603	7.2	2.9
Net current transfers from outside	65 907	72 948	81 365	74 244	79 372	-8.8	6.9
Gross national disposable income	**896 669**	**958 628**	**985 064**	**1 043 370**	**1 076 975**	**5.9**	**3.2**
Final national consumption	680 397	716 454	740 019	758 742	784 249	2.5	3.4
households	508 124	533 903	550 793	562 868	582 809	2.2	3.5
General government	168 190	178 309	184 303	190 450	195 598	3.3	2.7
FC NPIs	4 083	4 242	4 923	5 424	5 842	10.2	7.7
Gross national savings	216 272	242 174	245 045	284 628	292 726	16.2	2.8

(*) revised
(**) Provisional
Source : High Commission for Planning

TABLE A2.5 INVESTMENT AND SAVINGS

(At current prices) (In millions of dirhams)

	2012	2013	2014	2015*	2016**	Percentage changes 2015/2014	Percentage changes 2016/2015
RESOURCES							
Gross national savings	216 272	242 174	245 045	284 628	292 726	16.2	2.8
Net capital transfers received	1	-1	19	9	9	-52.6	0.0
EXPENDITURE							
Gross fixed capital formation	276 390	276 496	276 237	280 271	306 910	1.5	9.5
Changes in stocks	20 530	34 860	24 861	24 072	29 014	-3.2	20.5
Financing requirement	-80 647	-69 183	-56 034	-19 706	-43 189	-64.8	119.2

(*) revised
(**) Provisional
Source : High Commission for Planning

TABLE A2 6 AGRICULTURE

(area in thousands of hectars / production million quintals)

	Crop year 2014-2015			Crop year 2015-2016		
	Area	Production	Yield	Area	Production	Yield
Principal cereals	**5 274.0**	**114.7**	**21.8**	3 621.2	**33.5**	**9.3**
Soft wheat	2 275.3	56.7	24.9	1 576.8	18.6	11.8
Hard wheat	999.0	24.1	24.1	838.0	8.7	10.4
Barley	2 000.2	33.9	16.9	1 208.0	6.2	5.1
PULSE CROPS	**366.8**	**2.7**	**7.4**	**210.0**	**1.0**	**4.8**
Market garden crops	**264.3**	**77.9**	**294.7**	**218.5**	**65.7**	**300.7**

Source : Ministry of Agriculture and fisheries, rural development and water and forests
NA : not available

TABLE A2.7 SEA FISHERIES

(In thousands of tonnes)

	2015*	2016**
Coastal fishing	**1 289**	**1 383**
Consumpting of fresh products	**380**	**323**
Processing	**908**	**1 059**
Conned fish	193	232
Fish meal and fish oil	147	172
Frozen	568	656

(*) revised
(**) Provisional
Source : Ministry of Agriculture and fisheries, rural development and water and forests

TABLE A2.8 ENERGY PRODUCTION

	2013	2014	2015*	2016**	Percentage changes % 2016/2015
Net local generation (1)	**26 485**	**519 27**	**275 29**	**30 126**	**2.9**
Thermal power	22 483	23 988	25 048	25 652	2.4
Hydraulic power	2 990	2 033	2 282	1 662	-27.1
Wind power	1 215	1 774	2 380	2 858	20.1
Imports	5 400	6 010	5 138	5 289	2.9

1) The difference between net local generation and total generation by energy source is the result of an offsetting effect between the contribution of domestic third parties and the electrical energy used by pumped-storage electricity and ancillary pumped-storage plants of the VHV-HV network.

(*) revised
(**) Provisional
Sources : Ministry of Energy and Mining Water and Environment and National Electricity Office.

TABLE A2.9 INDICES OF MANUFACTURING PRODUCTION

(Base 100 in 2010)

	2015	2016	2016/2015
Mines	**99,5**	**101,9**	**2,4**
Metal ores	104,4	105,6	1,1
Various products of extractive industries	99,3	101,7	2,4
Manufacturing industries excluding refining of oil products	**109,2**	**110,7**	**1,4**
Foodstuffs products	116,0	117,4	1,2
Manufactured tobacco	111,5	111,7	0,2
Textile industry products	96,9	95,1	-1,9
Clothing products and fur	104,4	108,6	4,0
Leather, travel goods, shoes	91,0	82,3	-9,6
Woodworking products	87,4	83,8	-4,1
Paper and cardboards	96,6	95,8	-0,8
Edition products, printed or reproduced products	125,0	124,7	-0,2
Chemical products	115,9	121,7	5,0
Rubber and plastic products	107,0	106,9	-0,1
Other non metal ore products	96,7	94,0	-2,8
Metal products	100,2	99,7	-0,5
Metal-working products	115,1	111,9	-2,8
Machinery and equipement	96,1	98,0	2,0
Electrical machines and appliances	97,3	95,8	-1,5
Radio,television and communication equipment	114,2	114,7	0,4
Medical precision and optical instruments, watches and clocks	172,5	176,2	2,1
Automotive industry goods	113,4	129,4	14,1
Other transport equipment	129,6	138,8	7,1
Furniture, other manufacturing	88,8	87,3	-1,7
Electricity	**130,2**	**132,8**	**2,0**

Source : High commission for planning`

TABLE A2.10 TOURISM

	2014	2015	2016	Percentage changes 2016/2015
Total of tourist arrivals	**10 282 944**	**10 176 762**	**10 331 731**	**1.5**
Residence tourism	**5 437 453**	**5 151 704**	**5 103 204**	**-5.3**
European Union countries	**4 115 396**	**3 825 869**	**3 621 872**	**-7.0**
France	1 798 190	1 563 568	1 449 757	-13.0
Spain	683 761	626 896	615 720	-8.3
Germany	255 124	286 328	260 255	12.2
United Kingdom	476 550	504 475	458 561	5.9
Italy	254 209	227 961	219 334	-10.3
Other European countries	**324 605**	**297 133**	**307 783**	**-8.5**
America	**303 550**	**333 008**	**379 454**	**9.7**
United States	167 267	181 468	197 858	8.5
Canada	73 251	82 837	96 436	13.1
Brazil	22 157	25 684	32 447	15.9
Middle East (1)	**177 233**	**198 229**	**208 655**	**11.8**
Maghreb	**213 675**	**195 214**	**209 823**	**-8.6**
Other African countries	**157 289**	**162 834**	**179 105**	**3.5**
Asia	**111 479**	**105 125**	**162 190**	**-5.7**
Other countries	**34 226**	**34 292**	**34 322**	**0.2**
Moroccans resident abroad	**4 845 491**	**5 025 058**	**5 228 527**	**3.7**

(1) Including Egypt

Source : Ministry of Tourism,

TABLE A3.1 INDICATORS OF EMPLOYMENT AND UNEMPLOYMENT

(Population in thousands and rates in percentage)

	Urban areas			Rural areas			National		
	2015	2015	Changes in absolute value (2) 2016/2015	2015	2016	Changes in absolute value (2) 2015/2014	2015	2016	Changes in absolute value (2) 2016/2015
Population aged 15 years and over	**15 263**	**15 559**	**296.0**	**9 702**	**9 772**	**70.0**	**24 965**	**25 331**	**366.0**
Population aged 15 years and over	**6 326**	**6 307**	**-19.0**	**5 501**	**5 440**	**-61**	**11 827**	**11 747**	**-80.0**
Employed	5 402	5 428	26.0	5 277	5 214	-63	10 679	10 642	-37.0
Unemployed	924	879	-45.0	224	226	2.0	1 148	1 105	-43.0
Activity rate (1)	**41.4**	**40.5**	**-0.9**	**56.7**	**55.7**	**-1.0**	**47.4**	**46.4**	**-1.0**
Unemployment rate	**14.6**	**13.9**	**-0.7**	**4.1**	**4.2**	**0.1**	**9.7**	**9.4**	**-0.3**
By gender									
Men	12.6	11.7	-0.9	5.1	5	-0.1	9.4	8.9	-0.5
Women	21.7	22.1	0.4	2.1	2.4	0.3	10.5	10.9	0.4
By age									
15 to 24 years	39.0	41.0	2.0	9.3	10.3	1.0	20.8	22.5	1.7
25 to 34 years	21.1	20.1	-1.0	4.6	5	0.4	13.9	13.5	-0.4
35 to 44 years	7.6	6.7	-0.9	2.3	2	-0.3	5.5	4.8	-0.7
45 years and over	4.5	4.1	-0.4	1.3	1.1	-0.2	3.0	2.7	-0.3
By diploma									
Without any diploma	7.3	6.5	-0.8	2.3	2.2	-0.1	4.1	3.8	-0.3
With diploma	19.5	18.8	-0.7	10.5	10.9	0.4	17.3	16.9	-0.4

(1) Labour force aged 15 and over as a percentage of the total population aged 15 and over
(2) For rates this is a change in percentage points
Source : High Commission for Planning

TABLE A3.2 EMPLOYMENT BY BRANCH OF ECONOMIC ACTIVITY (1)

(thousands of persons)

	Year		Changes	
	2015	2016	in absolute value	In percentage
Total	**10 679**	**10 642**	**- 37**	**- 0.3**
Agriculture, forestry and fishing	4 162	4 043	- 119	-2.9
Industry (including handicraft)	1 191	1 199	8	0.7
Construction and public works	1 006	1 042	36	3.6
Other services	4 307	4 345	38	0.9
Other activities	13	13	0	0.0

(1) This concerns the employment of persons aged 15 years and above.
Source : High Commission for Planning

TABLE A 4.1 INFLATION

(base 100 in 2006)

	Inflation	Food and soft drinks	Alcoholic beverages, tobacco and narcotics	Clothes and shoes	Housing, water, gas, electricity and other fuels	Furniture, household items and routine household maintenance	Health	Transport	Communications	Leisure and culture	Education	Restaurants and hotels	Various goods and services
2011	0.9	1.4	0.0	1.6	0.5	0.8	0.3	- 0.1	- 5.4	- 0.7	4.1	1.7	2.1
2012	1.3	2.4	0.2	2.1	0.5	0.1	0.7	3.2	- 19.6	0.5	3.8	2.0	1.4
2013	1.9	2.2	5.4	1.6	1.1	0.2	0.9	3.2	- 9.2	0.4	5.5	3.2	1.3
2014	0.4	- 1.2	1.7	2.1	2.5	0.8	- 0.2	2.6	- 4.6	- 0.9	3.4	2.5	1.2
2015	1.6	2.6	4.0	0.6	3.3	0.3	- 0.3	- 3.2	0.2	0.3	2.9	2.3	0.6
2016	1.6	2.8	1.5	1.1	1.0	0.6	0.3	- 0.1	- 0.2	1.6	2.3	2.5	0.2
2016 January	0.3	- 0.4	3.9	1.1	1.1	0.4	0.3	- 0.4	0.0	0.6	2.1	2.3	0.4
February	0.9	1.1	3.7	1.1	1.0	0.4	0.2	- 0.7	0.0	1.1	2.1	2.4	0.3
March	1.8	3.7	3.7	1.3	1.1	0.4	0.3	- 2.1	0.0	1.2	2.1	2.2	0.2
April	1.6	2.9	3.7	1.4	1.0	0.4	0.2	- 1.1	0.0	1.9	2.1	2.1	0.2
May	1.9	3.6	3.7	1.2	1.1	0.6	0.5	- 1.3	0.0	1.4	2.1	2.8	0.0
June	2.3	4.7	0.0	1.3	1.0	0.6	0.2	- 0.6	- 0.2	1.7	2.1	2.4	0.1
July	1.6	3.0	0.0	1.0	1.1	0.6	0.2	- 1.1	- 0.2	1.7	2.1	2.6	0.2
August	1.6	3.1	0.0	0.6	1.0	0.6	0.2	- 0.9	- 0.2	1.9	2.1	2.6	0.2
September	2.3	4.3	0.0	0.7	0.9	0.6	0.3	1.1	- 0.2	1.8	2.8	2.8	0.3
October	1.6	2.3	0.0	1.0	0.9	0.6	0.3	1.6	- 0.3	1.9	2.8	2.7	0.4
November	1.9	2.8	0.0	0.8	1.0	0.6	0.4	2.0	- 0.3	1.9	2.9	2.6	0.4
December	1.8	2.6	0.0	0.8	1.0	0.6	0.3	2.3	- 0.2	1.9	2.9	2.5	0.4

Source : High Commission for Planning

TABLE A4.2 CORE INFLATION

(bese 100 in 2006)

	Core Inflation	Food products in-clued in core inflation	Clothes and shoes	Housing, water, gas, electricity and other fuels (1)	Furniture, household items and routine household mainte-nance	Health (1)	Transport (1)	Communica-tions	Leisure and culture	Education	Restaurants and hotels	Various goods and services
2011	1,8	3,3	1,6	1,0	0,8	0,3	-0,3	-5,4	-0,7	4,1	1,7	2,1
2012	0,8	2,2	2,1	1,0	0,1	2,0	0,9	-19,6	0,5	3,8	2,0	1,4
2013	1,5	1,6	1,6	2,2	0,2	0,9	1,2	-9,2	0,4	5,5	3,2	1,3
2014	1,2	1,0	2,1	1,7	0,8	2,6	0,9	-4,6	-0,9	3,4	2,5	1,2
2015	1,3	1,8	0,6	1,1	0,3	1,0	0,3	0,2	0,3	2,9	2,3	0,6
2016	0,8	0,6	1,1	1,0	0,6	1,0	0,3	-0,2	1,6	2,3	2,5	0,2
2016 January	0,8	0,7	1,1	1,1	0,4	1,2	0,5	0,0	0,6	2,1	2,3	0,4
February	0,8	0,6	1,1	1,1	0,4	1,3	0,3	0,0	1,1	2,1	2,4	0,3
March	0,6	0,2	1,3	1,1	0,4	1,2	0,5	0,0	1,2	2,1	2,2	0,2
April	0,6	0,0	1,4	0,9	0,4	1,1	0,5	0,0	1,9	2,1	2,1	0,2
May	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
June	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
July	0,8	0,4	1,0	1,1	0,6	1,3	0,5	-0,2	1,7	2,1	2,6	0,2
August	0,7	0,6	0,6	0,9	0,6	1,5	0,2	-0,2	1,9	2,1	2,6	0,2
September	0,9	0,7	0,7	0,8	0,6	1,0	0,2	-0,2	1,8	2,8	2,8	0,3
October	1,0	0,8	1,0	0,8	0,6	0,9	-0,1	-0,3	1,9	2,8	2,7	0,4
November	1,0	1,1	0,8	0,9	0,6	0,5	0,2	-0,3	1,9	2,9	2,6	0,4
Décember	1,1	1,1	0,8	0,9	0,6	0,0	0,2	-0,2	1,9	2,9	2,5	0,4

(1) Not regulated products and services regulated
Source : Calculated on the basis of data from High Commission for Planing products and services.

TABLE A4.3 PRICE INDEX OF TRADABLES AND NON TRADABLE
(ANNUAL CHANGE)

Section	Price of tradable goods (CPIXT)	Price of non tradable goods (CPIXNT)
2011	2,5	1,0
2012	2,0	- 0,5
2013	1,2	1,7
2014	1,4	0,9
2015	1,4	1,3
2016	0,6	1,0
2015 January	0,5	1,2
February	0,5	1,1
March	0,4	0,8
April	0,4	0,7
May	0,3	0,8
June	0,4	0,9
July	0,5	1,0
August	0,5	1,1
September	0,5	1,3
October	0,8	1,1
November	0,9	1,2
December	1,0	1,2

Source : Calcullated on the basis of data from Foreign Exchange Office.

TABLE A4.4 INDUSTRIAL PRODUCER PRICE INDEX

(base 100 in 2010)

	Average 2015	2016				Average 2015	Percentage changes	
		1st quarter	2nd quarter	3nd quarter	4th quarter		2015/2014	2016/2015
Textile manufacturing	100.2	100.1	100.6	100.4	100.0	100.3	-2.8	0.1
Furniture manufacturing	105.6	106.2	104.3	105.1	105.9	105.4	1.8	-0.2
Other manufacturing industries	101.9	101.9	101.9	101.9	101.9	101.9	-5.3	0.0
Manufacturing of other transportation materiels	100.4	100.4	100.4	100.4	100.4	100.4	0.0	0.0
Automotive industry	99.9	99.7	99.7	99.7	99.7	99.7	1.3	-0.2
Manufacturing of machinery and equipment	103.0	103.0	103.1	103.1	103.1	103.1	0.0	0.1
Electric equipment manufacturing	105.1	103.0	101.4	101.4	101.4	101.8	0.1	-3.1
Manufacturing of wood and products of wood and cork, exept furniture; manufacture of articles of straw and plaiting materials	114.1	114.6	114.8	114.7	115.6	114.9	0.0	0.7
Manufacturing of computer, electronic and optical products	101.1	101.2	101.0	100.9	100.9	101.0	0.3	-0.1
Manufacturing of metal products,exept machinery and equipment	99.0	98.6	98.7	98.7	98.7	98.7	-2.9	-0.3
Manufacturing of base metals	104.0	101.7	101.7	101.9	101.7	101.7	-1.6	-2.2
Manufacturing of other non-metallic products	107.5	106.7	106.7	107.1	106.2	105.7	0.2	-0.7
Chemical industry	111.3	110.0	109.9	101.1	113.5	111.1	-0.2	-4.8
Pharmaceutical industry	95.6	94.9	94.9	95.0	94.6	94.9	-2.8	5.9
Coking and manufacturing of refined petroleum products	78.3	65.7	95.2	73.8	0.0	58.7	-35.9	-25.0
Manufacturing of wearing apparel	106.1	106.6	106.4	106.8	107.7	106.9	2.8	0.8
Printing and reproduction of recorded media	103.5	103.5	103.5	103.5	103.5	103.5	0.0	0.0
Manufacturing of paper and cardboard	100.2	98.5	97.8	97.7	97.7	97.9	-0.4	-2.3
Manufacturing of rubber and plastic products	111.4	114.7	114.7	114.1	114.0	114.3	2.3	0.4
Manufacturing of leather and related products exept leather clothing	108.0	108.0	108.1	108.1	108.1	108.1	0.0	0.1
Food industries	107.8	107.5	107.1	107.8	107.2	107.4	-0.8	-0.3
Manufacturing of tabacco products	114.3	117.0	117.0	117.0	117.0	117.0	5.2	2.4
Beverages manufacturing	116.6	116.6	116.6	116.6	116.6	116.6	0.1	0.0
Overall	**100.5**	**100.2**	**100.2**	**100.2**	**100.2**	**100.2**	**-0.2**	**-0.3**

Source : High commission for planning`

Table A5.1 IMPORTS BY MAIN PRODUCTS

(Weight in thousands of tonnes, Value in millions of dirhams)

	2015*		2016**		Changes				Structure 2016 in %	
	Weight	Value	Weight	Value	Weight		Value		Weight	Value
					Absolute	%	Absolute	%		
TOTAL IMPORTS	**47 669**	**372 225**	**53 426**	**408 659**	**5 757.4**	**12.1**	**36 434.3**	**9.8**	**100**	**100**
Foodstuffs, beverages and tobacco	**8 715**	**35 615**	**13 199**	**44 573**	**4 483.9**	**51.4**	**8 958.1**	**25.2**	**18.4**	**9.7**
Wheat	3 213	8 555	6 288	12 784	3 075.8	95.7	4 228.8	49.4	6.8	2.3
Cake and other residues from the food industry	923	3 362	1 061	4 628	137.8	14.9	1 266.1	37.7	2.8	1.0
Mays	1 321	3 622	1 866	4 511	544.7	41.2	889.8	24.6	4.4	1.1
Raw or refined sugar	2 081	4 174	2 029	3 908	-52.1	-2.5	-265.4	-6.4	1.9	0.9
Tea	64	1 920	67	1 954	3.0	4.7	33.9	1.8	0.1	0.5
Other	1 113	13 982	1 887	16 787	774.6	69.6	2 804.9	20.1	2.3	3.8
Energy and lubricants	**20 901**	**66 251**	**20 594**	**54 416**	**-306.7**	**-1.5**	**-11 834.7**	**-17.9**	**44.0**	**18.1**
Crude oil	2 690	10 937	0	0	-2 689.8	-100.0	-10 936.9	-100.0	5.7	3.0
Gas oils and fuel oils	5 706	25 919	7 054	26 171	1 347.5	23.6	252.2	1.0	12.0	7.1
Oil gas and other hydrocarbons	3 433	13 169	3 594	11 103	161.0	4.7	-2 065.9	-15.7	7.2	3.6
Coal, coke ans similar solid fuels	7 814	6 017	7 951	5 207	136.3	1.7	-809.3	-13.5	16.5	1.6
Electrical energy	0	2 993	0	2 179	0.0	-	-813.9	-27.2	0.0	0.8
Other	1 257	7 217	1 995	9 756	738.3	58.7	2 539.0	35.2	2.7	2.0
Raw animal and vegeTable products	**1 827**	**11 405**	**1 737**	**11 653**	**-90.7**	**-5.0**	**248.4**	**2.2**	**3.8**	**3.1**
Crude soybean oil or unrefined	448	3 260	452	3 471	4.0	0.9	211.6	6.5	0.9	0.9
wood in the rough,squard or saws	746	2 766	745	2 673	-1.2	-0.2	-92.3	-3.3	1.6	0.8
Seeds, spores, and fruits ensemener	132	1 224	93	1 087	-39.1	-29.6	-137.4	-11.2	0.3	0.3
Inedible animal byproducts	15	621	15	562	0.7	4.5	-58.9	-9.5	0.0	0.2
Cotton	56	391	10	154	-46.1	-82.7	-236.8	-60.6	0.1	0.1
Other	431	3 143	422	3 706	-9.0	-2.1	562.2	17.9	0.9	0.9
Raw mineral products	**5 542**	**9 331**	**5 626**	**6 182**	**83.9**	**1.5**	**-3 149.2**	**-33.8**	**11.7**	**2.5**
Sulfur	4 526	6 671	4 975	4 393	449.1	9.9	-2 278.0	-34.1	9.5	1.8
Scrap, waste,scrao copper,iron, steel, and other minerals	582	1 510	312	746	-270.1	-46.4	-763.8	-50.6	1.2	0.4
Synthetic textile fibers	35	567	36	508	0.1	0.3	-59.4	-10.5	0.1	0.2
Sand,quartz, kaolin, and other clay	165	165	150	157	-14.9	-9.0	-8.1	-4.9	0.4	0.0
Synthetic rubber	5	106	6	96	0.7	13.3	-9.9	-9.4	0.0	0.0
Other raw products of mineral origin	229	312	148	282	-80.9	-35.4	-30.0	-9.6	0.5	0.1

Table A5.1 IMPORTS BY MAIN PRODUCTS (continued)

(Weight in thousands of tonnes, Value in millions of dirhams)

	2015*		2016**		Changes				Structure 2016 in %	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Semi-finished products	**8 657**	**85 988**	**9 828**	**91 506**	**1 170,8**	**13,5**	**5 517,5**	**6.4**	**18.1**	**23.5**
Plastic materials	754	12 153	713	11 515	-41,2	-5,5	-637,9	-5.2	1.6	3.3
Chemical products	1 589	9 041	2 158	9 239	569,0	35,8	110,9	1.2	3.3	2.5
Fiber and cotton yarns	522	5 422	561	5 796	39,0	7,5	373,8	6.9	1.1	1.5
Wire, rods, and sections of iron or non-alloy steel	570	3 564	639	3 675	68,8	12,1	111,0	3.1	1.2	1.0
Semi-finished products of iron or non-alloy steel	954	3 581	1 185	3 805	231,0	24,2	224,6	6.3	2.0	1.0
Wire, rods and sections of copper	58	3 452	63	3 387	4,5	7,7	-64,9	-1.9	0.1	0.9
Ammonia	824	3 457	1 041	2 811	217,0	26,3	-646,3	-18.7	1.7	1.0
Flat rolled products of iron or non-alloy steel	409	3 391	431	3 356	22,1	5,4	-34,5	-1.0	0.9	0.9
Electronic devices (transistors)	1	2 182	1	1 942	-0,1	-11,6	-239,7	-11.0	0.0	0.6
Pipe fittings and metallic construction	102	2 608	141	4 833	38,8	38,0	2 225,0	85.3	0.2	0.7
Natural and chemical fertilizers	738	2 626	752	2 341	14,1	1,9	-285,0	-10.9	1.6	0.7
Other	2 136	34 511	2 144	38 805	8,0	0,4	4 380,4	12.7	4.4	9.4
Agricultural finished capital goods	**38**	**2 163**	**34**	**1 750**	**-3,7**	**-9,7**	**-412,8**	**-19.1**	**0.1**	**0.6**
Cultivators and africultural tractors	18	1 170	12	788	-5,5	-31,6	-381,2	-32.6	0.0	0.3
Agricultural machines and tools	20	990	22	953	1,9	9,2	-37,1	-3.7	0.0	0.3
Other agricultural finished capital goods	0	3	0	9	0,0	98,6	5,5	165.3	0.0	0.0
Industrial finished capital goods	**880**	**91 447**	**1 138**	**117 685**	**258,4**	**29,4**	**26 238,4**	**28.7**	**1.6**	**23.2**
Industrial vehicles	103	8 942	124	10 097	21,2	20,6	1 155,0	12.9	0.2	2.4
Machines and miscellaneous equipment	63	6 031	71	7 013	8,6	13,7	982,3	16.3	0.1	1.6
Electrical switch gear	46	7 113	28	8 491	-18,5	-39,7	1 378,1	19.4	0.1	1.9
Wires and cables for electricity	49	8 064	56	8 728	7,1	14,7	664,3	8.2	0.1	2.2
Piston engines, other engines and their parts	57	6 246	81	8 097	24,0	41,8	1 851,3	29.6	0.1	1.2
Parts and spare parts of industrial vehicules	124	7 705	178	10 997	54,3	43,9	3 292,1	42.7	0.1	0.8

Table A5.1 IMPORTS BY MAIN PRODUCTS (continued)

(Wheight in thousands of tonnes, Value in millions of dirhams)

	2015*		2016**		Changes				Structure 2016 in %	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Information processing automatic machines and their parts	4	2 507	3	2 580	-0.6	-16.0	72.9	2.9	0.0	0.7
Pumps and compressors	16	1 738	22	2 631	6.0	37.1	893.2	51.4	0.0	0.5
Cushion and pneumatic tires	54	2 622	58	2 738	3.5	6.4	115.7	4.4	0.1	0.7
Sorting,crushing, grinding or agglomerating machines	16	814	20	1 046	4.3	27.9	231.7	28.4	0.0	0.2
Parts of planes and other air or space vehicules	2	3 181	2	3 316	0.2	11.2	134.9	4.2	0.0	0.9
Other	346	36 485	494	51 951	148.2	42.8	15 466.8	42.4	0.7	10.0
Finished consumer goods	**1 108**	**69 934**	**1 269**	**80 813**	**161.4**	**14.6**	**10 878.5**	**15.6**	**2.3**	**19.2**
Passenger cars	92	10 809	117	13 998	25.6	27.9	3 189.3	29.5	0.2	2.9
Spare parts	68	4 409	97	5 903	28.5	41.7	1 494.4	33.9	0.1	1.2
Pharmaceutical products	8	5 471	9	5 873	0.7	8.2	401.1	7.3	0.0	1.5
Textile fibers	47	5 823	60	6 580	13.2	28.1	757.4	13.0	0.1	1.6
Hosiery	50	3 869	53	4 031	3.5	7.0	161.7	4.2	0.1	1.1
Plastic articles	84	3 969	77	4 058	-7.2	-8.6	88.5	2.2	0.2	1.1
Textile fibers and cotton	25	2 630	29	3 058	4.1	16.6	427.7	16.3	0.1	0.7
Telecommunications receivers	12	2 469	12	2 636	-0.2	-2.0	167.1	6.8	0.0	0.7
Seats, furniture, mattresses and li ghting articles(consumption)	85	2 775	95	3 170	10.6	12.5	394.9	14.2	0.2	0.8
Other	637	27 710	720	31 507	82.7	13.0	3 796.5	13.7	1.3	7.6
Industrial gold	**0**	**90**	**0**	**81**	**0.0**	**-11.3**	**-9.3**	**-10.3**	**0.0**	**0.0**

(*) Revised
(**) Preliminary
Source : Foreign Exchange Control Office

Table A5.2 EXPORTS BY MAIN PRODUCTS

(Wheight in thousands of tonnes, Value in millions of dirhams)

	2015*		2016**		Changes				Structure 2016 in %	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
TOTAL	**24 751**	**218 040**	**26 054**	**224 019**	**1 303.5**	**5.3**	**5 978.6**	**2.7**	**100.0**	**100.0**
Foodstuffs beverages and tobacco	**2 942**	**41 389**	**3 183**	**44 009**	**240.4**	**8.2**	**2 620.4**	**6.3**	**11.4**	**18.5**
Canned fish	169	6 349	170	6 430	1.3	0.8	81.3	1.3	0.7	3.0
Crustaceans molluscs and shellfish	123	7 548	130	8 882	7.3	6.0	1 334.2	17.7	0.5	3.5
Fresh tomato	515	5 296	525	5 018	9.7	1.9	-278.0	-5.2	1.7	2.0
Citrus fruits	584	3 813	607	3 547	23.3	4.0	-266.0	-7.0	2.3	1.6
Canned fruits and vegeTables	387	3 541	398	3 507	10.4	2.7	-34.2	-1.0	1.5	1.6
Other	1 165	14 843	1 353	16 626	188.4	16.2	1 783.0	12.0	4.7	6.9
Energy and lubricants	**525**	**3 078**	**621**	**1 908**	**95.3**	**18.1**	**-1 170.2**	**-38.0**	**2.2**	**1.5**
Petrleum oil and lubricants	470	2 920	603	1 772	133.2	28.4	-1 147.6	-39.3	1.9	1.4
Diesel oil and fuel oil	17	62	13	83	-4.2	-23.8	20.8	33.6	0.1	0.1
Paraffin and other oil derivates	31	91	1	22	-29.5	-96.1	-68.8	-75.6	0.1	0.0
Gasoline	0	0	3	30	3.2		29.9		0.0	0.0
Other energy products	7	5	0	1	-7.5		-4.5	-87.3	0.0	0.0
Raw animal and vegeTable products	**264**	**4 777**	**248**	**4 721**	**-16.2**	**-6.1**	**-56.4**	**-1.2**	**1.1**	**2.2**
Plants and their parts	2	69	6	164	4.9	325.9	95.6	139.1	0.2	0.3
Bowels and fish oil	53	989	35	813	-17.2	-32.7	-175.3	-17.7	0.2	0.5
crude or refined olive oil	34	855	26	641	-7.8	-22.9	-214.1	-25.0	0.1	0.4
Agar-agar	1	237	1	260	0.0	4.0	22.6	9.5	0.0	0.1
Inedible animal sub-products	26	491	14	475	-11.6	-45.0	-16.0	-3.3	0.1	0.2
Other crude or refined vegeTable oils	10	375	25	618	15.1	151.5	243.2	64.9	0.0	0.2
Other	139	1 762	139	1 750	0.3	0.2	-12.3	-0.7	0.4	0.5
Raw mineral products	**11 399**	**15 935**	**10 566**	**12 503**	**-832.6**	**-7.3**	**-3 432.3**	**-21.5**	**46.3**	**7.4**
Phosphates	8 525	9 979	7 903	7 412	-622.4	-7.3	-2 567.4	-25.7	34.6	4.6
Zinc ore	87	1 743	115	1 473	27.8	31.8	-269.5	-15.5	0.4	0.8
Barium sulfate	1 067	1 189	556	583	-511.6	-47.9	-605.7	-51.0	4.3	0.6
Copper ore	123	1 041	115	879	-8.1	-6.6	-162.3	-15.6	0.5	0.5
Lead ore	49	573	53	662	4.0	8.3	89.1	15.6	0.2	0.3
Other	1 547	1 411	1 824	1 495	277.8	18.0	83.5	5.9	6.3	0.7

Table A5.2 EXPORTS BY MAIN PRODUCTS (continued)

Weight in million of tonnes / Value in millions dirhams)

	2015*		2016**		Changes				Structure 2016 in %	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Semi-finished	**8 795**	**49 664**	**10 520**	**46 661**	**1 724.3**	**19.6**	**-3 003.2**	**-6.0**	**35.7**	**23.1**
Phosphate derivatives	6 387	34 325	8 505	32 074	2 118.0	33.2	-2 250.9	-6.6	25.9	16.0
Electronic devices (transistors)	2	3 895	3	4 047	0.8	43.3	151.9	3.9	0.0	1.8
Oil residual products and ralated materials	227	1 133	0	0	-226.9	-100.0	-1 133.1	-100.0	0.9	0.5
Raw silver and semi-manufactured silver products	0	1 015	0	1 215	0.0	7.7	200.2	19.7	0.0	0.5
Flat-rolled products of iron or non-alloy steel	60	471	98	687	38.2	63.9	216.2	45.9	0.2	0.2
Other semi-finished	2 119	8 825	1 914	8 638	-205.8	-9.7	-187.6	-2.1	8.6	4.1
Agricultural finished capital goods	**1**	**63**	**0**	**112**	**-0.3**	**-40.3**	**48.2**	**76.0**	**0.0**	**0.0**
Other agricultural finished capital goods	0	8	0	7	0.0	7.0	-0.7	-8.7	0.0	0.0
agricultural machines and tools	0	3	0	2	-0.3	-75.8	-1.4	-45.2	0.0	0.0
Motor cultivators and agricultural tractors	0	52	0	103	0.0	28.6	50.3	96.0	0.0	0.0
Industrial finished capital goods	**236**	**38 821**	**255**	**41 746**	**19.7**	**8.4**	**2 926.0**	**7.5**	**1.0**	**17.5**
Wires and cables for electricity	138	22 229	151	23 508	13.4	9.8	1 278.9	5.8	0.6	10.3
Electronic under-systems	13	5 465	13	5 768	-0.4	-3.1	303.5	5.6	0.1	2.2
Parts of aircrafts and other aerial or space vehicles	2	3 888	2	4 276	0.3	19.8	387.9	10.0	0.0	1.7
Industrial vehicls	19	1 510	29	2 239	10.9	58.9	728.5	48.2	0.1	0.7
Turbo-jets and turboprop aircraft parts thereof	0	31	**0**	**31**	0.0	13.6	0.0	-0.1	0.0	0.0
Other	65	5 698	60	5 925	-4.6	-7.1	227.1	4.0	0.3	2.6
Finished consumer goods	**589**	**63 384**	**662**	**71 212**	**72.9**	**12.4**	**7 828.6**	**12.4**	**2.4**	**29.3**
Clothing	61	20 200	68	21 942	6.8	11.0	1 741.3	8.6	0.2	9.3
Passenger cars	267	22 593	318	26 995	51.7	19.4	4 402.4	19.5	1.1	10.5
Hosiery	44	7 018	43	7 457	-0.7	-1.6	439.0	6.3	0.2	3.2
Shoes	12	2 228	12	2 299	-0.2	-1.4	71.8	3.2	0.0	1.0
Blankets,linen and other made-up textile articles	11	2 478	12	3 188	0.9	8.4	710.0	28.7	0.0	1.2
Other consumer finished goods	194	8 867	209	9 331	14.4	7.4	464.0	5.2	0.8	4.0
Industrial gold	**0**	**929**	**0**	**1 147**	**0.0**	**7.9**	**217.9**	**23.5**	**0.0**	**0.4**

(*) Revised
(**) Preliminary
Source : Foreign Exchange Office

Table A5.3 GEOGRAPHICAL DISTRIBUTION OF FOREIGN TRADE

(In millions of dirhams)

	Imports CIF		Exports FOB		Balance	
	2015*	2016**	2015*	2016**	2015*	2016**
Total	**372 225**	**408 659**	**218 040**	**224 019**	**-154 185**	**-184 640**
EUROPE	**238 946**	**262 906**	**149 968**	**156 782**	**-88 978**	**-106 124**
European Union	**198 829**	**227 098**	**138 940**	**145 218**	**-59 889**	**-81 880**
Spain	53 652	64 228	49 086	52 298	-4 566	-11 930
France	46 137	54 025	44 690	47 203	-1 447	-6 822
Italy	20 120	22 190	9 524	10 412	-10 596	-11 778
Germany	21 584	24 036	5 572	6 168	-16 012	-17 868
Great Britain	7 964	7 818	6 015	6 567	-1 949	-1 251
Netherlands	6 768	7 816	6 679	4 928	-89	-2 888
Belgium-Luxembourg Economic Union	6 016	6 292	3 631	3 442	-2 385	-2 850
Other European countries	**40117**	**35808**	**11028**	**11564**	**-29 089**	**-24 244**
Russia	15942	10006	1735	1815	-14 207	-8 191
Turkey	15814	18125	6659	7431	-9 155	-10 694
ASIE	**71 192**	**82 787**	**24 916**	**23 214**	**-46 276**	**-59 573**
Middle East countries	**24 990**	**20 496**	**6 272**	**6 328**	**-18 718**	**-14 168**
Saudi Arabia	9 686	7 835	1 194	884	-8 492	-6 951
Other Asian coutries	**46 202**	**62 291**	**18 644**	**16 886**	**-27 558**	**-45 405**
China	30 682	37 282	2 375	2 238	-28 307	-35 044
Iraq	3 641	6	110	160	-3 531	154
Japan	2 780	5 013	1 605	1 851	-1 175	-3 162
India	3 892	6 213	8 558	7 433	4 666	1 220
AMERICA	**41 490**	**45 007**	**18 238**	**18 029**	**-23 252**	**-26 978**
United States	23 725	26 010	7 691	7 795	-16 034	-18 215
Canada	3 875	4 008	2 011	1 636	-1 864	-2 372
Brazil	6 089	6 410	6 491	5 784	402	-626
Other	7 801	8 579	2 045	2 814	-5 756	-5 765
AFRICA	**18 488**	**15 700**	**24 101**	**24 684**	**5 613**	**8 984**
Maghreb-Arab Union countries	**9 542**	**8 029**	**5 244**	**5 851**	**-4 298**	**-2 178**
Algeria	7 655	6 041	1 922	2 313	-5 733	-3 728
Tunisia	1 846	1 877	1 070	965	-776	-912
Libya	35	108	667	878	632	770
Mauritania	6	2	1 585	1 695	1 579	1 693
Other	**8 946**	**7 671**	**18 857**	**18 833**	**9 911**	**11 162**
OCEANIA AND OTHER	**2 109**	**2 259**	**817**	**1 310**	**-1 292**	**-949**

(*) Revised
(**) Preliminary
Source : Foreign Exchange Control Office

TABLE A5.4 BALANCE OF PAYMENT

(In millions of dirhams)

	2016		
	Credit	Debit	Balance
CURRENT TRANSACTIONS ACCOUNT			
GOODS AND SERVICES	**335 979.5**	**443 263.6**	**-107 284.1**
GOODS	**185 239.8**	**358 890.6**	**-173 650.8**
General goods	184 913.0	358 813.8	-173 900.8
Net trade exports	168.8	-	168.8
Non-monetary gold	158.0	76.8	81.2
SERVICES	**150 739.7**	**84 373.0**	**66 366.7**
Manufacturing services performed on physical inputs detained by third parties	13 402.0	48.0	13 354.0
Maintenance and repairing services not included elsewhere	2 737.1	1 274.0	1 463.1
Transportation	25 300.2	31 754.1	-6 453.9
Sea transportation	8 216.1	20 214.1	-11 998.0
Air transportation	13 607.2	8 885.9	4 721.3
Other transportation	3 401.4	2 550.5	850.9
Postal and mail services	75.5	103.6	-28.1
Travel	**64 216.8**	**14 280.5**	**49 936.3**
Business travels	2 889.8	1 308.7	1 581.1
Personal travels	61 327.0	12 971.8	48 355.2
Construction	5 237.2	6 089.4	-852.2
Insurance and pension services	975.3	541.2	434.1
Financial services	624.3	1 086.8	-462.5
Fees for intellectual property usage, not included elsewhere	45.1	1 023.1	-978.0
Telecommunication, computer and information services	14 142.2	2 095.6	12 046.6
Other services to businesses	16 534.1	13 678.2	2 855.9
Personal, cultural and leisure services	679.3	248.5	430.8
Goods and services of the general government, not included elsewhere	6 846.1	12 253.6	-5 407.5
PRIMARY INCOME	**7 336.4**	**24 987.6**	**-17 651.2**
Investment income	6 725.1	24 950.7	-18 225.6
Direct investments	3 277.3	15 101.2	-11 823.9
Portfolio investments	-	4 011.1	-4 011.1
Other investments	276.1	5 838.4	-5 562.3
Reserve assets	3 171.7	-	3 171.7
Other primary income	611.3	36.9	574.4
SECONDARY INCOME	**85 157.3**	**4 717.7**	**80 439.6**
Public	10 015.4	713.1	9 302.3
Private	75 141.9	4 004.6	71 137.3
CAPITAL ACCOUNT	**-**	**-**	**-**
Financing capacity (+) / need(-)			**-44 495.7**

Source : Foreign Exchange Office

TABLE A5.4 BALANCE OF PAYMENT (continued)

(In millions of dirhams)

	2016		
	Net asset purchases	Liability net increase	Balance
FINANCIAL ACCOUNT			
DIRECT INVESTMENTS	**6 268.0**	**22 771.0**	**-16 503.0**
Shares of investment funds	6 062.0	17 375.0	-11 313.0
Debt instruments	206.0	5 396.0	-5 190.0
PORTFOLIO INVESTMENTS	**1 149.0**	**-2 101.2**	**3 250.2**
FINANCIAL DERIVATIVES	**-1 990.5**	**-1 873.8**	**-116.7**
OTHER INVESTMENTS	**1 019.5**	**51 108.2**	**-50 088.7**
Other equity	288.6	-	+288.6
Currency and other deposits	-2 273.9	8 385.9	-10 659.8
Loans	112.4	17 037.7	-16 925.3
Trade credits and other advances	2 892.4	22 656.6	-19 764.2
RESERVE ASSETS	**27 112.6**	**-**	**27 112.6**
TOTAL CHANGE IN ASSETS/LIABILITIES	**33 558.6**	**69 904.2**	**-36 345.6**
Financing capacity (+) / need (–)			**-36 345.6**
Net errors and omissions			8 150.1

Source : Foreign Exchange Office.

TABLE A5.5 INTERNATIONAL INVESTMENT POSITION

(In millions of dirhams)

	2015			2016*		
	Asset	Liability	Balance	Asset	Liability	Balance
Direct investments	**45 143**	**492 021**	**-446 878**	**54 102**	**553 102**	**-498 999**
Equity and shares of investment funds	39 618	453 712	-414 094	47 845	509 356	-461 511
Direct investor in direct investment firms	39 618	453 712	-414 094	47 845	509 356	-461 511
Debt instruments	5 525	38 309	-32 785	6 258	43 746	-37 488
Direct investor's claims on direct investment firms	5 525	38 309	-32 785	6 258	43 746	-37 488
Portfolio investments	**14 487**	**102 755**	**-88 268**	**17 785**	**108 251**	**-90 466**
Equity and shares of investment funds	13 339	25 699	-12 360	15 712	32 064	-16 351
Deposit-taking institutions other than central bank	5 865	10 780	-4 915	933	12 354	-11 420
Other sectors	7 474	14 919	-7 445	14 779	19 710	-4 931
Other financial corporations	7 421	1 393	6 028	8 952	990	7 962
Nonfinancial corporations, households and NPISH	53	13 526	-13 473	5 827	18 720	-12 893
Debt securities	1 148	77 055	-75 908	2 072	76 187	-74 115
Deposit-taking institutions other than the central bank	1 119	2 971	-1 853	1 229	2 067	-838
General government	0	46 188	-46 188	0	45 530	-45 530
Other sectors	29	27 896	-27 867	843	28 590	-27 747
Other financial corporations	0	0	0	817	0	817
Nonfinancial corporations, households and NPISH	29	27 896	-27 867	27	28 590	-28 563
Financial derivatives (other than reserves) and employees stock-options	**1 148**	**502**	**645**	**1 129**	**1 076**	**53**
Other investments	**55 509**	**351 209**	**-295 700**	**58 859**	**394 419**	**-335 560**
Other equity	1 285	0	1 285	1 791	0	1 791
Currency and other deposits	31 972	44 180	-12 209	30 987	52 591	-21 604
Central bank	773	3 360	-2 586	1 029	4 275	-3 246
Deposit-taking institutions other than the central bank	29 178	40 820	-11 643	27 134	48 316	-21 183
Other sectors	2 020	0	2 020	2 825	0	2 825
Other financial corporations	991	0	991	1 010	0	1 010
Nonfinancial corporations, households and NPISH	1 030	0	1 030	1 815	0	1 815
Loans	374	247 643	-247 269	408	263 884	-263 476
Deposit-taking institutions other than the central bank	374	4 672	-4 297	408	4 513	-4 105
General government	0	94 977	-94 977	0	97 590	-97 590
Other sectors	0	147 994	-147 994	0	161 781	-161 781
Other financial corporations	0	1 153	-1 153	0	1 077	-1 077
Nonfinancial corporations, households and NPISH	0	146 842	-146 842	0	160 703	-160 703
Trade credits and advances	21 878	51 680	-29 802	25 673	67 328	-41 655
Other sectors	21 878	51 680	-29 802	25 673	67 328	-41 655
Other financial corporations						
Nonfinancial corporations, households and NPISH	21 878	51 680	-29 802	0	67 328	- 67 328
Special drawing rights (allocations)	0	7 706	-7 706	0	7 620	- 7 620
Reserve assets	**227 914**	**0**	**227 914**	**256 091**	**0**	**256 091**
Monetary gold	7 474	0	7 474	8 314	0	8 314
Special drawing rights	7 556	0	7 556	7 443	0	7 443
IMF reserve position	967	0	967	1 995	0	1 995
Other reserve assets	211 917	0	211 917	238 338	0	238 338
Total assets/liabilities	**344 200**	**946 488**	**-602 288**	**387 966**	**1 056 847**	**-668 882**

(*) Preliminary
Source : Foreign Exchange Office.

Table A6.1 TREASURY REVENUE AND EXPENDITURE

(In millions of dirhams)

	January - December 2015*		January - December 2016**		Changes in % Realization
	Realization	Implementa-tion rate of finance bill	Realization	Implemanta-tion rate of finance bill	
CURRENT REVENUE(1)	**233 510**	**97.2**	**241 087**	**98.0**	**3.2**
Fiscal revenue	**204 645**	**98.0**	**212 373**	**98.6**	**3.8**
Direct taxes	80 835	98.9	84 795	99.2	4.9
Customs duties	7 715	106.1	9 074	114.8	17.6
Indirect taxes(2)	100 003	95.3	101 914	97.2	1.9
Registration fees and stamp duties	16 092	108.2	16 590	96.0	3.1
Non-fiscal revenue	**25 493**	**89.8**	**25 391**	**93.5**	**-0.4**
State monopolies	8 956	94.1	8 185	98.3	-8.6
Miscellaneous revenues	16 537	87.7	17 206	91.4	4.0
Receipts of certain special Treasury accounts	**3 372**	**112.4**	**3 322**	**100.7**	**-1.5**
EXPENDITURE	**281 902**	**98.2**	**286 557**	**99.3**	**1.7**
Current expenditure	**223 211**	**93.8**	**223 315**	**94.9**	**0.0**
Administrative expenses	159 552	97.1	159 384	95.0	-0.1
Personnel expenses	102 959	97.6	104 320	97.7	1.3
Other goods and services	56 593	96.1	55 064	90.2	-2.7
Interest on the public debt	27 291	102.8	27 100	95.8	-0.7
Domestic	23 305	102.3	23 318	96.0	0.1
Foreign	3 986	105.3	3 782	94.9	-5.1
Subsidization	13 977	61.0	14 097	90.7	0.9
Transfers to local authorities	22 391	93.0	22 734	95.6	1.5
CURRENT BALANCE	**10 299**		**17 771**		**72.6**
Capital expenditure	**58 691**	**119.2**	**63 242**	**119.0**	**7.8**
Special Treasury accounts balance	**7 181**	**143.6**	**3 373**	**56.2**	**-53.0**
Budget deficit	**- 41 211**	**98.2**	**- 42 097**	**115.0**	
CHANGE IN ARREARS	**- 5 073**		**5 151**		
FINANCING REQUIREMENT	**- 46 284**		**- 36 946**		
NET FINANCING	**46 284**		**36 946**		
Foreign financing	**318**		**2 794**		
Foreign borrowing	8 687		10 373		
Amortization	- 8 369		- 7 579		
Domestic financing	**45 923**		**32 618**		
Privatization	**43**		**1 535**		

(*) Revised
(**) Preliminary
(1) Excluding privatization revenues
(2) Including the share of the VAT receipts paid to local authorities
Source : Ministry of Economy and Finance

Table A6.2 TREASURY CURRENT REVENUE

(In millions of dirhams)

	January - December 2015*	January - December 2016**	Percentage change
FISCAL REVENUE	**204 645**	**212 373**	**3.8**
Direct taxes	**80 835**	**84 795**	**4.9**
Corporation tax	41 091	43 242	5.2
Income tax	36 685	38 660	5.4
Other direct taxes	3 059	2 893	-5.4
Customs duties	**7 715**	**9 074**	**17.6**
Indirect taxes	**100 003**	**101 914**	**1.9**
Value added tax (V.A.T)	74 637	75 780	1.5
Domestic	28 867	27 909	-3.3
Imports	45 770	47 872	4.6
Domestic taxes on consumption	25 366	26 134	3.0
Petroleum products	15 312	15 222	-0.6
Tobacco products	8 587	9 328	8.6
Other domestic taxes	1 467	1 585	8.0
Registration fees and stamp duties	**16 092**	**16 590**	**3.1**
NON-FISCAL REVENUE(1)	**25 493**	**25 391**	**-0.4**
Monopolies	8 956	8 185	-8.6
Miscellaneous revenues	16 537	17 206	4.0
RECEIPTS OF CERTAIN SPECIAL TREASURY ACCOUNTS	**3 372**	**3 322**	**-1.5**
TOTAL CURRENT REVENUE	**233 510**	**241 087**	**3.2**

(*) Revised
(**) Preliminary
(1) excluding privatization
Source : Ministry of Economy and Finance

TABLE A6.3 ESTIMATED GENERAL BUDGET

(In millions of dirhams)

	Finance Act 2014	Finance Act 2015	Finance Act 2016
CURRENT REVENUE (1)	**232 231**	**240 197**	**245 945**
Tax revenue	**204 686**	**208 819**	**215 484**
Direct taxes	77 167	81 750	85 505
Customs duties	7 721	7 272	7 902
Indirect taxes (2)	105 142	104 927	104 798
Registration fees and stamp duties	14 655	14 870	17 280
Non-tax revenue	**24 545**	**28 378**	**27 161**
State monopolies	10 841	9 517	8 330
Miscellaneous revenues	13 704	18 861	18 830
Receipts of certain special Treasury accounts	**3 000**	**3 000**	**3 300**
EXPENDITURE	**283 891**	**287 154**	**288 563**
Current expenditure	**240 150**	**237 919**	**235 433**
Administrative expenses	156 703	164 374	167 809
Personnel expenses	103 700	105 509	106 776
Interest on the public debt	23 935	26 560	28 285
Domestic	20 587	22 776	24 299
Foreign	3 347	3 784	3 985
Subsidization	35 000	22 900	15 550
Transfers to local authorities	24 512	24 084	23 789
CURRENT ACCOUNT BALANCE	**-7 919**	**2 279**	**10 512**
Capital expenditure	**43 741**	**49 235**	**53 130**
Special Treasury accounts balance	5 100	5 000	6 000
BUDGET BALANCE	**-46 561**	**-41 957**	**-36 618**
CHANGE IN ARREARS	**-7 984**	**0**	**0**
FINANCING REQUIREMENT	**-54 545**	**-41 957**	**-36 618**
NET FINANCING	**54 545**	**41 957**	**36 618**
Foreign financing	**21 794**	**21 589**	**22 209**
Foreign borrowing	26 112	25 982	26 796
Amortization	-4 318	-4 393	-4 587
Domestic financing	**32 751**	**20 368**	**14 409**
Privatization	**0**	**0**	**0**

(1) Excluding privatization revenues
(2) 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

- Transfer exchange rate -

End of period		2015		2016												
		Annual average	Dec.	Janv.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	Annual average
1 euro - EUR	Buying rate	10.821	10.747	10.739	10.747	10.939	10.949	10.851	10.832	10.853	10.843	10.858	10.772	10.647	10.613	10.836
	Selling rate		10.812	10.804	10.812	11.005	11.014	10.917	10.898	10.918	10.908	10.923	10.836	10.711	10.677	
1 dollar - USD	Buying rate	9.796	9.876	9.887	9.876	9.605	9.591	9.729	9.755	9.726	9.741	9.719	9.842	10.017	10.066	9.826
	Selling rate		9.935	9.947	9.935	9.663	9.649	9.787	9.814	9.784	9.800	9.778	9.901	10.077	10.126	
REER(*)		97.168	97.861		99.522			98.980			99.353			100.120		99.494
NEER(*)		104.291	105.333		106.846			106.206			106.322			107.986		106.840

(*) Quarterly data

Source: Bank Al-Maghrib

Table A7.2 DEVELOPMENT OF THE EXCHANGE MARKET ACTIVITY

(In millions of dirhams)

Monthly totals	Annual average 2015	2016												Annual average 2016
		Janv.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	
Spot operations														
Currency-againt-currency sale/purchase operations with foreign correspondants	104 708.0	84 948.5	84 689.7	68 866.7	51 834.4	59 638.5	42 032.9	36 063.0	37 050.0	39 322.4	41 173.0	39 980.2	47 035.2	52 719.5
Interbank sale/purchase operations againts the dirham	11 181.4	16 807.0	11 451.8	11 888.4	10 565.1	16 799.2	13 554.0	13 301.4	12 282.3	12 966.9	12 188.3	18 400.0	13 657.5	13 655.2
Currency investments abroad	8 867.3	7 651.2	7 930.8	8 915.9	6 386.4	4 953.2	10 299.3	10 192.1	6 461.0	5 578.1	2 626.4	6 296.9	8 167.6	7 121.6
Currency sale by BAM to the banks	238.3	0.9	545.5	17.8	0.0	176.3	4 647.5	1 047.7	54.7	0.0	0.4	694.0	1 568.9	729.5
Forward operations														
Forward purchase of currency by banks customers (import coverage)	5 671.1	4 604.3	6 683.1	5 832.4	2 929.5	7 070.5	7 709.6	5 267.8	5 354.6	5 190.1	6 635.0	7 539.8	6 248.7	5 922.1
Forward sale of currency by banks customers (export cover)	2 734.3	3 162.6	3 078.2	3 801.7	1 664.1	3 566.1	3 827.1	2 281.3	1 843.4	3 173.1	2 635.9	4 084.9	8 062.8	3 431.8

Table A7.3 BANK LIQUIDITY DEVELOPMENTS

(In millions of dirhams)

Monthly totals	Dec. 2015 Change	Monthly Outstanding amounts 2016 (1)											
		Jan	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.
Notes and coins	-66	-66	1 068	-1 956	-385	1 042	933	1 116	4 497	3 093	5 672	-1 995	-1 661
Treasury's net position (2)	16	-2 574	1 296	249	33	-847	642	-672	506	-641	1 721	-1 326	1 370
Bank Al-Maghrib net foreign exchange holdings	2 191	7 889	4 761	2 849	3 852	3 178	1 626	-1 128	3 187	4 386	-227	-288	417
Other net factors	1 771	-4 647	-2 368	-1 247	747	-1 246	-516	-363	-156	-743	1 589	1 863	1 235
Bank's structural liquidity position(3)	4 045	-399	5 645	2 235	3 589	152	636	-6 660	444	-2 670	5 079	1 910	2 258
Reserve requirement	-36	102	146	-64	27	53	2 371	7 114	287	379	51	-55	34
Surplus or liquidity requirement	4 081	-501	5 499	2 298	3 562	100	-1 735	-13 774	157	-3 050	5 027	1 966	2 224
Bank Al-Maghrib money market interventions	**-2 750**	**503**	**-878**	**-125**	**-1 125**	**-1 625**	**-1 250**	**-168**	**-1 307**	**717**	**-2 242**	**-500**	**850**
Facilities on Bank Al-Maghrib's initiative	-2 750	0	-375	-125	-1 125	-1 625	-1 250	-1 250	-750	-500	-500	-500	-250
7-days advance on call for tenders	-2 750	1 250	-3 750	-2 000	-1 250	0	2 750	12 650	2 350	1 450	-3 950	-2 000	-1 450
Facilities on bank's initiative	0	503	-503	0	0	0	0	1 082	-557	1 217	-1 742	0	1 100

(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

TABLE A7.4 MONEY MARKET RATES IN 2016

(Percent per annum, monthly average)

	Bank Al-Maghrib's intervention rate				Interbank market rate	
	7-days advances	Liquidity withdrawals	24-hours advances	Deposit facility	Monthly average	Month end
January	2.50	2.50	3.50	2.00	2.52	2.50
February	2.50	2.50	3.50	2.00	2.50	2.50
March	2.25	2.50	3.25	2.00	2.42	2.25
April	2.25	2.50	3.25	2.00	2.19	2.16
May	2.25	2.50	3.25	2.00	2.07	2.04
June	2.25	2.50	3.25	2.00	2.03	2.05
July	2.25	2.50	3.25	2.00	2.20	2.27
August	2.25	2.50	3.25	2.00	2.26	2.26
September	2.25	2.50	3.25	2.00	2.25	2.29
October	2.25	2.50	3.25	2.00	2.26	2.26
November	2.25	2.50	3.25	2.00	2.25	2.25
December	2.25	2.50	3.25	2.00	2.27	2.26

Source: Bank Al-Maghrib

TABLE A7.5 INTEREST RATES OF DEPOSITS WITH BANKS

(Percent per annum)

	2015		2016	
	January -June	July- December	January -June	July- December
Deposits with banks				
Current account	Unremunerate	Unremunerate	Unremunerate	Unremunerate
Savings accounts[1]	2.43	2.12	2.11	1.66
Other accounts	Free rate	Free rate	Free rate	Free rate
National Savings Fund books [2]	1.7	1.48	1.48	-

(1) Since january 2005,the minimum rate on savings books has been equal to the 52-week Treasury bills issued by tender during the previous half year minus 50 basis points.weight average rate on the 52-week tresury bills issued.
(2) The deposit rate on savings accounts of the National Savings Fund books is equal to the rate of 52-week Treasury bonds issued by auction, decreased by 50 basis points and multiplied by 0.7.

Source: Bank Al-Maghrib

TABLE A7.6 DEPOSIT RATES IN 2015

(Percent per annum, monthly average)

	6-month deposits weighted average interest rate	12- month deposits weighted average interest rates
January	3.35	3.71
February	3.26	3.64
March	3.31	3.67
April	3.33	3.56
May	3.22	3.47
June	2.98	3.61
July	3.08	3.37
August	2.94	3.29
September	2.81	3.34
October	2.94	3.29
November	2.85	3.30
December	2.90	3.30

Source: Bank Al-Maghrib

Table A7.7 WEIGHTED AVERAGE RATES OF TREASURY BILLS ISSUED BY TENDER

(Percent per annum, monthly average)

Years		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
2015	January	2.49	2.49	2.55	2.61	3.00	3.39	3.95	4.35	5.00
	February	2.43	0.00	2.49	2.57	2.94	3.21	3.83	4.05	4.94
	March	2.53	2.50	2.54	0.00	3.00	0.00	0.00	0.00	5.00
	April	2.60	0.00	2.70	0.00	3.29	0.00	0.00	0.00	5.00
	May	2.53	2.60	2.70	2.91	3.27	0.00	4.08	0.00	5.01
	June	2.48	2.51	2.60	2.81	3.17	3.66	4.05	0.00	0.00
	July	2.50	0.00	2.56	2.67	3.14	3.17	4.05	4.45	5.00
	August	2.53	0.00	2.60	2.76	3.17	3.60	4.05	4.43	5.01
	September	2.51	0.00	2.63	2.80	3.20	4.07	4.07	0.00	0.00
	October	2.50	0.00	2.61	2.81	3.16	3.61	0.00	4.42	4.99
	November	2.5	2.55	2.61	2.79	3.15	3.61	4.06	4.41	5.00
	Décember	2.51	0.00	2.57	2.80	3.12	0.00	4.03	0.00	0.00
2016	January	2.49	2.54	2.57	2.69	3.07	3.60	3.98	4.37	4.92
	February	2.48	2.51	2.56	2.63	2.88	3.35	3.72	4.20	4.70
	March	2.29	0.00	0.00	2.58	2.82	0.00	3.62	0.00	0.00
	April	1.90	0.00	2.00	2.06	2.32	2.99	3.23	3.71	4.41
	May	1.84	1.86	1.92	0.00	2.28	2.74	3.20	3.49	4.31
	June	1.65	1.71	1.86	2.04	0.00	0.00	0.00	0.00	0.00
	July	2.00	2.12	2.24	2.36	2.6	0.00	0.00	0.00	0.00
	August	2.18	2.25	2.38	2.52	0.00	0.00	0.00	0.00	0.00
	September	2.18	2.26	2.37	2.57	2.82	3.22	0.00	0.00	0.00
	October	2.10	2.15	2.30	2.48	2.67	3.08	0.00	0.00	0.00
	November	0.00	2.15	2.27	2.4	2.65	3.08	0.00	3.86	0.00
	December	2.10	0.00	2.34	2.43	2.74	0.00	0.00	0.00	0.00

TABLE A7.8 INTEREST RATES OFFERED ON NEGOTIABLE INSTRUMENTS OF INDEBTEDNESS

(Percent per annum)

	2015	2016
Certificates of deposit		
Month of 32 days	-	-
32 days to 92 days	2.52 à 2.84	2.25 à 2.7
93 days to 182 days	2.6 à 2.75	2.3 à 2.45
183 days to 365 days	2.7 à 3	2.35 à 2.56
366 days to 2 years	2.95 à 3.75	2.35 à 2.9
More than 2 years up to 3 years	3.1 à 3.28	2.5 à 3.29
More than 3 years up to 5 years	3.48 à 3.8	2.81 à 3.58
More than 5 years up to 10 years	3.02 à 3.5	3.08
Financing companies bonds		
More than 2 years up to 3 years	3.31 à 3.57	2.78 à 2.8
More than 3 years up to 5 years	3.44 à 4	2.81 à 4.25
More than 5 years up to 10 years	-	3.51
Commercial paper		
Month of 32 days	3 à 4.8	2.25 à 5.3
32 days to 92 days	2.52 à 5.75	2.25 à 5.3
93 days to 182 days	2.65 à 5.75	2.3 à 5.3
183 days to 365 days	2.75 à 5.75	2.44 à 5.75
366 days to 2 years	3.1 à 3.75	2.35 à 3.25
More than2 years up to 3 years	3.15 à 3.57	2.5 à 3.31
More than 3 years up to 5 years	3.48 à 4.89	2.81 à 4.25
More than 5 years up to 10 years	3.02 à 3.5	3.08 à 3.51

(-) No emission.

TABLE A7.9 INTEREST RATES OF NOTES AND BONDS ISSUED ON THE BOND MARKET[1]

(Percent per annum)

	2014	2015
less than 3 years	5.0	4.20-5.75
5 years	3.97 - 5.67	2.81-3.16
7 years	3.40 - 4.42	2.66-3.44
8 years	3.23 - 5.30	2.77-4.43
10 years	4.45 - 4.97	3.25-3.92
15 years	4.80 - 5.34	-
20 years	4.89-4.99	-
25 years	-	4.89-4.99

(1) Min and Max

(-) No emission

Source : Maroclear

TABLE A7.10 LENDING RATES

(in percentage, monthly average)

Periods / rates	March-15	June-15	Sept-15	Dec-15	March-16	June-16	Sept-16	Dec-16
Global	**5.81**	**5.93**	**5.67**	**5.49**	**5.55**	**5.25**	**5.08**	**5.17**
By economic purpose								
Overdraft facilities	5.77	5.95	5.65	5.48	5.44	5.16	4.98	5.24
Equipment loans	5.11	5.04	5.35	4.76	5.54	4.98	4.95	4.43
Real-estate loans	5.98	5.92	5.68	5.76	5.59	5.44	5.34	5.15
Consumer loans	7.42	6.02	6.78	5.75	5.75	6.64	6.64	6.71
By agent								
Business	5.72	5.83	5.6	5.42	5.44	5.15	4.98	5.08
Individuals	6.28	6.14	6.11	6.14	6.02	5.72	5.78	5.71
Individual entrepreneurs	8.42	8.43	8.33	8.45	7.93	7.54	6.89	7.44

Source: Bank Al-Maghrib.

TABLE A7.11 MAXIMUM AGREED INTEREST RATE OF CREDIT INSTITUTIONS(1)

(in percentage)

Periods / rates	April 2013 - March-14	April 2014- March 2015	April 2015 - March 2016	April 2016 - March 2017
Maximum interest rate agreed	14.30	14.39	14.38	14.3

(1) The maximum conventional interest rate (TMIC) is calculated for the period from October 2006 to March 2007, based on interest rates for consumer loans in 2005, plus 200 basis points. Starting from 2007, it is revised 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 MAIN MONETARY INDICATORS

(In billions of dirhams)

	2015	2016												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2014	2015	2016
M1	707.1	687.3	698.0	702.2	703.1	704.2	724.2	724.8	724.8	730.7	729.6	730.1	751.9	5.0	7.0	6.3
M2	845.5	826.9	838.2	843.3	844.3	845.5	866.1	867.4	868.2	875.3	874.7	875.7	898.1	5.5	6.9	6.2
M3	**1 148.0**	**1 115.3**	**1 130.0**	**1 133.3**	**1 136.6**	**1 139.3**	**1 165.3**	**1 161.8**	**1 178.6**	**1 180.1**	**1 176.8**	**1 180.9**	**1 202.4**	**6.2**	**5.7**	**4.7**
LI	**545.2**	**541.2**	**556.8**	**567.6**	**578.1**	**576.8**	**577.4**	**571.1**	**575.4**	**568.6**	**575.2**	**584.6**	**587.1**	**17.5**	**13.7**	**7.7**
Currency in circulation	192.6	192.5	191.4	190.9	192.7	193.1	194.8	199.8	202.3	205.7	203.8	202.4	203.2	4.7	7.4	5.5
Banking depositsof monetary nature(1)																
Demand deposits wih banks	465.5	446.9	453.4	455.2	451.4	456.5	475.2	472.3	471.0	472.6	472.9	475.2	496.6	4.4	7.0	6.7
Time accounts and fixed-term bills	171.0	171.7	170.1	171.6	168.7	167.9	164.7	161.0	168.0	167.7	165.8	165.4	163.3	4.4	7.4	-4.5
Money market UCITS	62.5	48.8	56.3	52.7	55.1	54.6	64.1	58.2	63.4	62.9	59.0	62.8	60.7	0.4	1.5	-2.9
Net international reserves	**224.6**	**229.5**	**233.8**	**236.6**	**240.4**	**243.3**	**243.6**	**243.2**	**248.8**	**251.7**	**250.5**	**249.8**	**251.9**	**22.4**	**23.5**	**12.1**
Net claims on central government (2)	**148.0**	**148.1**	**139.4**	**134.9**	**135.8**	**137.7**	**141.8**	**144.5**	**149.3**	**147.8**	**147.6**	**145.5**	**142.4**	**-3.7**	**3.0**	**-3.8**
Claims on the economy	**904.2**	**891.2**	**898.5**	**901.2**	**902.9**	**904.4**	**931.6**	**928.7**	**930.8**	**934.4**	**933.5**	**943.1**	**957.6**	**3.7**	**1.6**	**5.9**
Loans of other depository corprations	**791.3**	**769.8**	**776.9**	**779.0**	**780.5**	**783.7**	**807.7**	**799.2**	**800.4**	**807.0**	**801.1**	**809.3**	**825.8**	**2.5**	**2.0**	**4.4**
Banks loans	785.0	765.3	765.5	769.5	769.2	772.1	792.5	785.8	787.2	794.7	790.7	795.7	818.1	2.2	2.8	4.2
By economic purpose																
Real-estate loans	240.9	240.9	240.8	241.3	241.8	243.5	245.1	245.6	246.0	246.5	247.6	247.0	246.9	2.7	1.7	2.5
Overdraft facilities (3)	171.8	168.8	166.7	170.1	169.2	168.3	179.6	177.8	176.5	177.1	173.0	169.9	172.7	3.1	-4.9	0.5
Equipment loans	141.5	142.1	143.5	143.0	143.9	143.0	144.0	142.6	143.2	147.4	146.4	149.1	152.9	2.3	-0.7	8.1
Consumer loans	46.3	46.4	46.8	47.3	47.3	47.7	48.0	48.3	48.7	48.7	48.7	48.8	48.7	9.2	4.9	5.4
Miscellaneous claims	127.1	110.0	109.9	108.4	106.5	108.3	115.5	110.3	111.8	113.0	112.9	118.1	135.5	-9.3	19.0	6.6
Nonperforming loans	57.4	57.1	57.8	59.4	60.6	61.3	60.3	61.3	61.0	62.0	62.1	62.8	61.4	20.2	9.3	6.8
By economic sector																
Other financial corporations	115.8	98.9	98.6	97.7	95.3	98.1	106.0	99.8	102.0	105.7	105.7	110.1	122.7	-8.3	20.4	6.0
Public sector (4)	52.7	51.8	52.5	53.3	55.5	55.9	55.1	54.1	55.0	53.7	55.0	57.4	62.2	11.0	7.1	18.0
Private sector	616.5	614.6	614.4	618.5	618.4	618.1	631.3	631.9	630.2	635.3	630.0	628.2	633.2	3.4	-0.2	2.7

(1) All deposits opened by money-holding sectors with the banking system except regulated deposits and guarantee deposits
(2) Central government
(3) Including debtor accounts
(4) Excluding the central government
Source: Bank Al-Maghrib.

Table A 8.2 MONETARY AGGREGATES

(In billions of dirhams)

	2015	2016												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2014	2015	2016
Currency in circulation(1)	**192.6**	**192.5**	**191.4**	**190.9**	**192.7**	**193.1**	**194.8**	**199.8**	**202.3**	**205.7**	**203.8**	**202.4**	**203.2**	**4.7**	**7.4**	**5.5**
Bank notes and coins in circulation	205.9	204.0	203.1	202.9	204.2	205.2	207.1	211.1	214.9	219.2	216.1	214.2	215.7	5.2	7.5	4.8
Banks' cash holdings	13.2	11.5	11.7	12.0	11.5	12.1	12.3	11.3	12.6	13.5	12.2	11.9	12.5	12.6	10.0	-5.6
Bank money	**514.4**	**494.7**	**506.7**	**511.3**	**510.4**	**511.2**	**529.4**	**525.0**	**522.6**	**525.0**	**525.7**	**527.7**	**548.6**	**5.2**	**6.9**	**6.7**
Demand deposits with BAM	2.7	3.1	4.2	4.9	4.8	4.4	3.9	4.0	3.5	3.5	3.1	2.6	2.2	-0.9	48.6	-16.5
Demand deposits with banks	465.5	446.9	453.4	455.2	451.4	456.5	475.2	472.3	471.0	472.6	472.9	475.2	496.6	4.4	7.0	6.7
Demand deposits with the Treasury	46.2	44.7	49.1	51.3	54.2	50.2	50.3	48.7	48.1	49.0	49.7	49.8	49.8	13.2	4.3	7.7
M1	**707.1**	**687.3**	**698.0**	**702.2**	**703.1**	**704.2**	**724.2**	**724.8**	**724.8**	**730.7**	**729.6**	**730.1**	**751.9**	**5.0**	**7.0**	**6.3**
Demand deposits	138.4	139.6	140.2	141.1	141.2	141.3	141.9	142.6	143.3	144.6	145.2	145.7	146.2	8.1	6.4	5.6
Comptes d'épargne auprès des banques	138.4	139.6	140.2	141.1	141.2	141.3	141.9	142.6	143.3	144.6	145.2	145.7	146.2	8.1	6.4	5.6
M2	**845.5**	**826.9**	**838.2**	**843.3**	**844.3**	**845.5**	**866.1**	**867.4**	**868.2**	**875.3**	**874.7**	**875.7**	**898.1**	**5.5**	**6.9**	**6.2**
Other monetary assets	302.6	288.4	291.7	290.0	292.4	293.8	299.2	294.4	310.4	304.8	302.0	305.2	304.3	8.1	2.4	0.6
Time accounts and fixed-term bills with banks	171.0	171.7	170.1	171.6	168.7	167.9	164.7	161.0	168.0	167.7	165.8	165.4	163.3	4.4	7.4	-4.5
Money market UCITS	62.5	48.8	56.3	52.7	55.1	54.6	64.1	58.2	63.4	62.9	59.0	62.8	60.7	0.4	1.5	-2.9
Deposits in foreign currencies (2)	39.3	38.7	37.7	37.9	38.6	41.3	40.6	40.0	42.2	40.0	38.2	41.3	43.2	51.5	12.3	10.0
Securities sold under repurchase agreements	2.9	2.5	2.3	3.9	4.7	3.6	2.6	5.6	5.2	3.7	8.6	6.6	5.6	104.5	-41.1	97.3
Certificates of deposit of a residual maturity of 2 years or less	18.5	18.2	16.9	14.7	15.8	16.3	15.6	18.5	20.6	19.4	18.8	17.9	20.0	-20.8	-20.3	8.3
Time accounts with the treasury	6.0	6.0	6.2	7.2	7.3	8.0	8.2	8.1	8.1	7.9	7.6	8.0	7.7	58.8	10.0	28.3
Other deposits(3)	2.4	2.4	2.2	2.0	2.1	2.1	3.2	3.1	3.0	3.2	4.1	3.1	3.8	352.2	-61.4	56.4
M3	**1 148.0**	**1 115.3**	**1 130.0**	**1 133.3**	**1 136.6**	**1 139.3**	**1 165.3**	**1 161.8**	**1 178.6**	**1 180.1**	**1 176.8**	**1 180.9**	**1 202.4**	**6.2**	**5.7**	**4.7**

(1) Currency in circulation = banknotes and coins in circulation - banks' cash holdings
(2) Demand and time deposits in foreign currencies with banks
(3) Loans made by banks from financial corporations
Source: Bank Al-Maghrib.

Table A 8.3 LIQUID INVESTMENT AGGREGATES

(In billions of dirhams)

	2015	2016												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2014	2015	2016
LI 1	**344.6**	**337.6**	**345.9**	**349.0**	**353.3**	**350.8**	**354.2**	**347.6**	**352.1**	**349.5**	**352.5**	**358.8**	**363.0**	**12.3**	**13.0**	**5.3**
Negotiable Treasury bonds	**334.6**	**328.4**	**336.9**	**340.0**	**343.3**	**340.0**	**343.1**	**336.4**	**342.2**	**340.4**	**344.0**	**350.0**	**355.5**	**11.0**	**13.0**	**6.2**
Other financial corporations	331.5	327.3	334.8	338.2	341.6	338.2	340.6	334.4	340.0	338.1	341.0	346.8	351.6	11.8	12.3	6.0
Nonfinancial corporations	3.1	1.1	2.1	1.8	1.6	1.8	2.5	2.0	2.3	2.3	3.0	3.1	3.9	-67.4	248.7	26.0
Bonds of finance companies	**7.0**	**6.2**	**5.9**	**6.1**	**7.2**	**7.2**	**7.6**	**7.5**	**6.4**	**6.1**	**5.5**	**5.7**	**5.0**	**111.5**	**35.6**	**-29.0**
Other financial corporations	7.0	6.2	5.9	6.1	7.2	7.2	7.6	7.5	6.4	6.1	5.5	5.7	5.0	111.5	35.6	-29.0
Commercial paper	**1.2**	**1.2**	**1.2**	**1.1**	**1.1**	**1.0**	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**	**0.9**	**66.8**	**-58.3**	**-19.3**
Other financial corporations	1.0	1.1	1.1	1.0	1.1	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.9	65.3	-61.5	-14.7
Contractual UCITS	**1.8**	**1.8**	**1.8**	**1.9**	**1.8**	**2.5**	**2.6**	**2.8**	**2.6**	**2.0**	**2.0**	**2.2**	**1.6**	**28.7**	**82.6**	**-9.1**
Other financial corporations	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.2	7.1	-41.3	18.1
Nonfinancial corporations	1.5	1.5	1.5	1.5	1.4	2.2	2.4	2.5	2.3	1.8	1.8	2.0	1.3	94.8	232.0	-12.2
Individuals and Moroccans living abroad	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-5.6	-42.0	-6.9
LI 2	**170.3**	**173.2**	**180.0**	**186.7**	**190.8**	**192.2**	**190.2**	**188.8**	**189.5**	**185.0**	**186.7**	**189.2**	**185.4**	**31.2**	**17.8**	**8.9**
Bond UCITS	**170.3**	**173.2**	**180.0**	**186.7**	**190.8**	**192.2**	**190.2**	**188.8**	**189.5**	**185.0**	**186.7**	**189.2**	**185.4**	**31.2**	**17.8**	**8.9**
Other financial corporations	122.1	124.1	129.0	133.8	136.7	137.7	143.1	138.8	139.3	136.1	137.3	139.1	138.4	36.2	17.7	13.3
Nonfinancial corporations	32.7	33.4	34.7	36.0	36.7	37.0	29.4	31.1	31.3	30.5	30.8	31.2	31.4	23.9	31.7	-3.9
Individuals and Moroccans living abroad	15.4	15.8	16.4	17.0	17.4	17.5	17.7	18.8	18.9	18.4	18.6	18.9	15.5	14.6	-2.8	0.8
LI 3	**30.3**	**30.4**	**30.9**	**31.8**	**33.9**	**33.8**	**33.0**	**34.7**	**33.9**	**34.1**	**36.0**	**36.6**	**38.7**	**13.1**	**1.3**	**27.7**
Equity UCITS and diversified UCITS	**30.3**	**30.4**	**30.9**	**31.8**	**33.9**	**33.8**	**33.0**	**34.7**	**33.9**	**34.1**	**36.0**	**36.6**	**38.7**	**13.1**	**1.3**	**27.7**
Other financial corporations	23.7	23.7	24.1	24.8	26.3	26.2	26.9	28.3	27.7	27.8	29.3	29.8	30.9	4.2	0.7	30.3
Nonfinancial corporations	1.2	1.2	1.2	1.2	1.3	1.3	0.6	0.6	0.6	0.6	0.6	0.6	0.8	50.6	24.7	-33.1
Individuals and Moroccans living abroad	5.5	5.5	5.6	5.8	6.2	6.2	5.5	5.8	5.6	5.7	6.0	6.1	7.0	67.7	-0.4	29.0
LI	**545.2**	**541.2**	**556.8**	**567.6**	**578.1**	**576.8**	**577.4**	**571.1**	**575.4**	**568.6**	**575.2**	**584.6**	**587.1**	**17.5**	**13.7**	**7.7**

Table A 8.4 M3 COUNTERPARTS

(In billions of dirhams)

	2015	2016												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2014	2015	2016
Claims on the economy	**904.2**	**891.2**	**898.5**	**901.2**	**902.9**	**904.4**	**931.6**	**928.7**	**930.8**	**934.4**	**933.5**	**943.1**	**957.6**	**3.7**	**1.6**	**5.9**
Claims of BAM	0.9	0.9	1.0	1.1	1.1	1.2	1.3	1.6	1.5	1.7	1.7	1.8	1.1	-9.8	16.7	16.1
Claims of ODC	903.2	890.3	897.5	900.1	901.8	903.2	930.3	927.1	929.3	932.7	931.8	941.3	956.6	3.7	1.6	5.9
Net claims on central government	**148.0**	**148.1**	**139.4**	**134.9**	**135.8**	**137.7**	**141.8**	**144.5**	**149.3**	**147.8**	**147.6**	**145.5**	**142.4**	**-3.7**	**3.0**	**-3.8**
Net claims of BAM	-1.2	-0.7	-0.6	-5.2	-1.8	-1.4	-1.1	-1.3	-2.2	-2.5	-2.4	-0.7	-0.3	-113.7	974.2	-78.1
Net claims of ODC	149.2	148.8	140.0	140.2	137.6	139.0	142.9	145.8	151.5	150.3	150.0	146.1	142.6	-3.1	3.7	-4.4
NIR	**224.6**	**229.5**	**233.8**	**236.6**	**240.4**	**243.3**	**243.6**	**243.2**	**248.8**	**251.7**	**250.5**	**249.8**	**251.9**	**22.4**	**23.5**	**12.1**
Non-monetary liabilities	**169.2**	**176.9**	**174.5**	**174.3**	**175.3**	**173.6**	**178.1**	**177.7**	**178.4**	**180.6**	**182.3**	**189.3**	**185.8**	**5.1**	**2.3**	**9.8**
DC capital and reserves	**127.7**	**132.1**	**130.1**	**129.2**	**131.2**	**127.4**	**128.4**	**129.0**	**129.6**	**131.8**	**133.1**	**134.4**	**133.7**	**2.7**	**2.9**	**4.7**
BAM	15.2	15.8	16.8	16.1	16.5	16.3	17.2	17.4	17.5	17.8	17.6	17.2	15.8	-2.3	-4.2	3.6
ODC	112.4	116.3	113.3	113.1	114.6	111.1	111.2	111.6	112.2	114.0	115.5	117.2	117.9	3.5	4.0	4.8
DC non-monetary liabilities	**41.5**	**44.9**	**44.4**	**45.1**	**44.1**	**46.3**	**49.7**	**48.7**	**48.7**	**48.9**	**49.2**	**54.9**	**52.1**	**12.9**	**0.2**	**25.6**
Deposits excluded from M3	6.7	6.9	6.3	6.3	6.3	6.9	7.1	6.9	7.1	7.1	7.4	13.5	9.2	7.0	-12.0	37.2
Loans	7.2	7.5	8.2	7.4	5.2	5.9	9.2	9.6	9.2	9.5	9.5	9.2	10.2	11.8	-22.0	40.8
Securities other than equity exclud from M3	27.3	30.2	29.5	31.1	32.3	33.2	33.1	31.9	32.1	32.0	32.0	31.9	32.5	15.5	12.7	18.7
Others liabilities	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	7.6	-17.2	21.9
Others counterparts of M3	**40.5**	**23.4**	**32.8**	**34.9**	**32.8**	**27.6**	**26.4**	**23.1**	**28.1**	**26.9**	**27.5**	**31.9**	**36.3**	**49.5**	**12.9**	**-10.3**
Counterparts of deposits with the Treasury	52.3	50.7	55.4	58.5	61.5	58.2	58.5	56.8	56.1	56.9	57.2	57.8	57.5	16.9	4.9	10.1
Others nets items	-13.5	-25.8	-22.9	-21.5	-26.7	-29.9	-28.9	-28.6	-28.2	-25.6	-22.7	-20.1	-13.4	-42.9	64.4	-1.0
ODC net claims on nonresidents	8.3	4.1	6.0	3.5	3.8	5.5	2.9	0.8	5.8	1.3	-1.0	0.4	-1.8	-104.1	-	-
SDR allocations and other liabilities	7.8	7.7	7.8	7.8	7.8	7.7	7.7	7.7	7.8	7.8	7.7	7.7	7.7	4.5	4.8	-1.1
Other external assets BAM (2)	1.2	2.1	2.0	2.2	2.1	1.6	1.5	1.8	2.2	2.1	1.6	1.6	1.6	-64.0	-26.4	40.7
Total counterparts3)	**1 148.0**	**1 115.3**	**1 130.0**	**1 133.3**	**1 136.6**	**1 139.3**	**1 165.3**	**1 161.8**	**1 178.6**	**1 180.1**	**1 176.8**	**1 180.9**	**1 202.4**	**6.2**	**5.7**	**4.7**

(1) Composed of consolidation adjustments and the net balance of various elements
(2) BAM's 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 8.5 net international reserves

(In billions of dirhams)

	2015	2016												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2014	2015	2016
Net international reserves(1)	**224.6**	**229.5**	**233.8**	**236.6**	**240.4**	**243.3**	**243.6**	**243.2**	**248.8**	**251.7**	**250.5**	**249.8**	**251.9**	**22.4**	**23.5**	**12.1**
Official reserve assets(2)	**227.9**	**233.2**	**237.0**	**242.8**	**246.5**	**249.2**	**249.3**	**249.8**	**254.7**	**257.4**	**256.1**	**255.6**	**256.1**	**19.5**	**22.8**	**12.4**
Monetary gold	7.5	7.8	8.7	8.4	8.7	8.4	9.2	9.2	9.1	9.2	8.9	8.5	8.3	10.8	-2.8	11.2
Foreign curencies	4.0	2.2	3.0	2.9	3.5	2.3	2.8	4.6	8.2	4.2	2.5	2.2	2.6	60.1	54.7	-34.0
Deposits and securities included in official(3)	208.0	214.6	215.8	222.0	224.8	228.9	227.8	226.5	227.8	234.5	235.2	235.5	235.7	17.0	24.5	13.3
Reserve position in the IMF	1.0	1.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.4	4.8	106.3
SDR holdings	7.6	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.4	7.5	7.4	137.5	3.3	-1.5
Short term foreign liabilities in foreign currencies(B)	**3.3**	**3.7**	**3.3**	**6.2**	**6.1**	**5.9**	**5.7**	**6.6**	**5.9**	**5.7**	**5.6**	**5.8**	**4.2**	**-44.6**	**-10.4**	**27.8**
Other foreign assets	**1.2**	**2.1**	**2.0**	**2.2**	**2.1**	**1.6**	**1.5**	**1.8**	**2.2**	**2.1**	**1.6**	**1.6**	**1.6**	**-64.0**	**-26.4**	**40.7**
Other external liabilities	**7.8**	**7.7**	**7.8**	**7.8**	**7.8**	**7.7**	**7.7**	**7.7**	**7.8**	**7.8**	**7.7**	**7.7**	**7.7**	**4.5**	**4.8**	**-1.1**
Allocations of SDRs	7.7	7.7	7.7	7.6	7.7	7.7	7.7	7.6	7.6	7.6	7.6	7.6	7.6	4.4	4.8	-1.1
Net claims of other depositary corporations on non residents	**8.3**	**4.1**	**6.0**	**3.5**	**3.8**	**5.5**	**2.9**	**0.8**	**5.8**	**1.3**	**-1.0**	**0.4**	**-1.8**	**-104.1**	**-**	**-**
Claims on non residents	**38.1**	**34.1**	**36.1**	**35.2**	**34.1**	**35.1**	**33.3**	**35.8**	**38.3**	**34.8**	**32.1**	**34.4**	**34.6**	**11.6**	**21.7**	**-9.2**
Assets in foreign currencies	0.5	0.4	0.5	0.6	0.5	0.5	0.5	1.6	1.2	0.9	0.6	0.4	0.5	-14.4	-22.6	1.6
Deposits	14.0	9.4	10.7	11.0	9.0	9.7	8.6	10.0	12.4	9.2	6.9	8.7	8.7	3.5	49.2	-38.1
Loans	6.3	6.8	7.3	5.8	7.0	7.0	6.6	6.6	7.0	7.3	6.8	7.3	8.1	48.8	5.8	27.6
Securities other than equities	0.3	0.5	0.5	0.4	0.4	0.5	0.5	0.5	0.5	0.1	0.3	0.3	0.3	-38.8	14.9	-4.8
Shares and other equity	**16.8**	**17.0**	**17.0**	**17.1**	**17.2**	**17.2**	**16.9**	**17.0**	**16.9**	**17.2**	**17.4**	**17.5**	**16.9**	**9.5**	**12.9**	**0.5**
Other claims	**0.1**	**0.1**	**0.1**	**0.3**	**0.2**	**0.2**	**0.2**	**0.2**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**-14.3**	**7.3**	**9.6**
Liabilities to non residents	**29.8**	**30.0**	**30.0**	**31.7**	**30.4**	**29.6**	**30.4**	**35.0**	**32.4**	**33.5**	**33.0**	**34.1**	**36.4**	**5.6**	**-4.6**	**22.2**
Deposits	22.8	22.3	22.5	24.1	23.0	22.2	22.6	27.7	25.5	27.0	26.6	27.4	29.2	-0.4	-2.3	27.9
Loans (4)	3.5	4.3	4.1	4.0	4.0	4.0	4.4	4.0	3.7	3.1	3.1	3.3	3.8	160.4	-6.1	8.4
Money market UCITS	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	-78.0	71.9	-11.0
Other liabilities	3.1	3.2	3.2	3.3	3.0	3.0	3.2	3.0	3.0	3.1	3.1	3.0	3.1	4.1	-20.9	-0.4

(1) Official reserve assets excluding BAM's short term liabilities towards non-residents.
(2) Foreign assets made at BAM's immediate disposal and under its effective control.
(3) As of May 2012, BAM carried out foreign currency investments in resident banks; their amounts was excluded from the official reserve assets.
(4) Financial and subordinated loans.
Source: Bank Al-Maghrib.

Table A 8.6 NET CLAIMS ON CENTRAL GOVERNMENT

(In billions of dirhams)

	2014	2015												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2013	2014	2015
DC net claims on central government	**148.0**	**148.1**	**139.4**	**134.9**	**135.8**	**137.7**	**141.8**	**144.5**	**149.3**	**147.8**	**147.6**	**145.5**	**142.4**	**-3.7**	**3.0**	**-3.8**
Net claims of BAM	**-1.2**	**-0.7**	**-0.6**	**-5.2**	**-1.8**	**-1.4**	**-1.1**	**-1.3**	**-2.2**	**-2.5**	**-2.4**	**-0.7**	**-0.3**	**-113.7**	**974.2**	**-78.1**
Claims	**4.8**	**4.8**	**4.8**	**4.8**	**4.8**	**4.9**	**4.9**	**4.9**	**4.9**	**5.0**	**5.0**	**5.0**	**4.7**	**-16.1**	**5.2**	**-1.8**
Loans	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	4.0	-9.7	0.0	0.0
Other (1)	0.8	0.8	0.8	0.8	0.8	0.9	0.9	0.9	0.9	1.0	1.0	1.0	0.7	-45.5	44.8	-11.2
Liabilities	**6.0**	**5.5**	**5.3**	**10.0**	**6.6**	**6.2**	**6.0**	**6.2**	**7.1**	**7.5**	**7.4**	**5.6**	**4.9**	**1.1**	**28.4**	**-17.0**
Account of Hassan II Fund for Economic and Social Development	0.5	0.7	0.5	1.0	0.5	0.5	0.6	0.7	2.2	1.5	3.1	0.6	0.4	134.3	-18.2	-29.1
Treasury current account	3.3	2.6	2.3	6.8	3.9	3.7	3.4	3.5	2.8	4.1	2.4	3.2	2.8	-4.3	54.7	-15.1
Net claims of ODC	**149.2**	**148.8**	**140.0**	**140.2**	**137.6**	**139.0**	**142.9**	**145.8**	**151.5**	**150.3**	**150.0**	**146.1**	**142.6**	**-3.1**	**3.7**	**-4.4**
Claims	**165.3**	**171.1**	**162.6**	**160.7**	**153.5**	**155.9**	**158.6**	**158.9**	**162.2**	**163.9**	**163.9**	**158.1**	**157.8**	**-4.4**	**5.4**	**-4.6**
Loans	21.8	21.6	21.5	22.7	22.7	23.2	24.7	24.8	25.0	22.1	22.6	21.9	23.7	-11.8	-2.7	8.8
Portfolio of treasury Bills	137.6	142.6	137.0	133.9	126.8	128.7	129.3	129.2	132.4	136.3	135.6	130.2	129.9	-4.3	7.6	-5.7
Banks	116.3	122.2	118.8	117.3	108.1	110.4	108.1	111.5	112.7	114.4	113.6	110.4	107.5	-0.2	0.7	-7.6
Money market funds	21.3	20.4	18.2	16.6	18.7	18.3	21.2	17.8	19.7	21.9	22.0	19.8	22.4	-30.8	72.6	5.2
Other (1)	5.9	6.9	4.2	4.1	3.9	3.9	4.5	4.9	4.8	5.5	5.8	5.9	4.3	28.0	-10.9	-28.2
Liabilities (2)	**16.2**	**22.2**	**22.6**	**20.6**	**15.9**	**16.8**	**15.7**	**13.1**	**10.7**	**13.6**	**14.0**	**12.0**	**15.2**	**-16.4**	**23.8**	**-6.3**
Conterparts of deposits with Treasury	**52.3**	**50.7**	**55.4**	**58.5**	**61.5**	**58.2**	**58.5**	**56.8**	**56.1**	**56.9**	**57.2**	**57.8**	**57.5**	**16.9**	**4.9**	**10.1**

((1) Sums owed to the State. including down payments on income taxes and VAT recoverable
(2) Composed mainly of sums owed to the state as wellas pecial guarantee funds for guaranteeing loans granted.
Source: Bank Al-Maghrib.

Table A 8.7 CLAIMS ON THE ECONOMY

(In billions of dirhams)

	2015	2016												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2014	2015	2016
Claims of DC	**904.2**	**891.2**	**898.5**	**901.2**	**902.9**	**904.4**	**931.6**	**928.7**	**930.8**	**934.4**	**933.5**	**943.1**	**957.6**	**3.7**	**1.6**	**5.9**
Claims of ODC	**903.2**	**890.3**	**897.5**	**900.1**	**901.8**	**903.2**	**930.3**	**927.1**	**929.3**	**932.7**	**931.8**	**941.3**	**956.6**	**3.7**	**1.6**	**5.9**
Loans of ODC	**791.3**	**769.8**	**776.9**	**779.0**	**780.5**	**783.7**	**807.7**	**799.2**	**800.4**	**807.0**	**801.1**	**809.3**	**825.8**	**2.5**	**2.0**	**4.4**
Bank loans	**785.0**	**765.3**	**765.5**	**769.5**	**769.2**	**772.1**	**792.5**	**785.8**	**787.2**	**794.7**	**790.7**	**795.7**	**818.1**	**2.2**	**2.8**	**4.2**
By economic purpose																
Cash advances (1)	171.8	168.8	166.7	170.1	169.2	168.3	179.6	177.8	176.5	177.1	173.0	169.9	172.7	3.1	-4.9	0.5
Equipment loans	141.5	142.1	143.5	143.0	143.9	143.0	144.0	142.6	143.2	147.4	146.4	149.1	152.9	2.3	-0.7	8.1
Real-estate loans	**240.9**	**240.9**	**240.8**	**241.3**	**241.8**	**243.5**	**245.1**	**245.6**	**246.0**	**246.5**	**247.6**	**247.0**	**246.9**	**2.7**	**1.7**	**2.5**
Home loans	179.5	179.9	181.2	182.5	183.0	184.0	185.0	185.0	185.8	186.1	187.2	188.0	188.4	6.2	5.5	5.0
Loans to real-estate developers	58.2	58.2	57.4	56.3	56.5	57.0	57.1	57.9	57.9	58.0	58.0	56.4	55.5	-5.6	-10.2	-4.6
Consumer loans	**46.3**	**46.4**	**46.8**	**47.3**	**47.3**	**47.7**	**48.0**	**48.3**	**48.7**	**48.7**	**48.7**	**48.8**	**48.7**	**9.2**	**4.9**	**5.4**
Various claims on customers	**127.1**	**110.0**	**109.9**	**108.4**	**106.5**	**108.3**	**115.5**	**110.3**	**111.8**	**113.0**	**112.9**	**118.1**	**135.5**	**-9.3**	**19.0**	**6.6**
Non performing loans	**57.4**	**57.1**	**57.8**	**59.4**	**60.6**	**61.3**	**60.3**	**61.3**	**61.0**	**62.0**	**62.1**	**62.8**	**61.4**	**20.2**	**9.3**	**6.8**
By economic sector																
Other financial corpotayions	115.8	98.9	98.6	97.7	95.3	98.1	106.0	99.8	102.0	105.7	105.7	110.1	122.7	-8.3	20.4	6.0
Public sector	**52.7**	**51.8**	**52.5**	**53.3**	**55.5**	**55.9**	**55.1**	**54.1**	**55.0**	**53.7**	**55.0**	**57.4**	**62.2**	**11.0**	**7.1**	**18.0**
Local governments	14.1	14.1	14.1	14.1	13.9	13.8	14.1	14.1	14.0	14.1	13.8	14.2	15.1	7.7	6.6	6.7
Public nonfinancial corporation	38.6	37.7	38.4	39.2	41.6	42.1	41.0	40.0	41.0	39.6	41.1	43.2	47.1	12.4	7.3	22.1
Private sector	**616.5**	**614.6**	**614.4**	**618.5**	**618.4**	**618.1**	**631.3**	**631.9**	**630.2**	**635.3**	**630.0**	**628.2**	**633.2**	**3.4**	**-0.2**	**2.7**
Private nonfinancial corporation	316.8	315.3	316.5	316.1	316.2	314.7	323.4	323.5	321.6	326.5	319.7	317.3	323.7	3.3	-3.2	2.2
Other resident sectors	299.7	299.3	298.0	302.4	302.2	303.4	307.9	308.4	308.6	308.8	310.3	310.9	309.5	3.5	3.1	3.3
Securities	**84.7**	**92.7**	**93.4**	**93.8**	**93.5**	**91.3**	**93.8**	**99.4**	**100.0**	**96.7**	**101.6**	**103.5**	**102.1**	**13.2**	**-4.7**	**20.6**
Securities other than shares	18.8	19.9	20.1	19.5	18.7	18.4	17.9	17.4	17.3	18.0	17.0	16.9	18.3	-2.3	-8.7	-2.7
Banks	8.7	9.7	9.6	8.8	8.7	8.6	8.6	8.5	8.5	9.4	8.5	8.4	8.4	-9.5	-6.5	-3.3
Money UCITS	10.1	10.2	10.5	10.7	10.1	9.8	9.2	9.0	8.8	8.7	8.5	8.5	9.9	4.5	-10.6	-2.1
Shares and other equity	65.9	72.9	73.3	74.4	74.7	72.8	75.9	81.9	82.7	78.7	84.6	86.6	83.8	19.0	-3.5	27.2
Banks	65.4	72.5	73.0	74.2	74.5	72.5	75.6	81.9	82.7	78.2	84.4	86.3	83.5	18.9	-3.9	27.8
Other (2)	**27.3**	**27.7**	**27.2**	**27.3**	**27.8**	**28.2**	**28.8**	**28.5**	**28.9**	**29.0**	**29.1**	**28.5**	**28.7**	**10.4**	**9.8**	**5.1**
Claims of BAM	**0.9**	**0.9**	**1.0**	**1.1**	**1.1**	**1.2**	**1.3**	**1.6**	**1.5**	**1.7**	**1.7**	**1.8**	**1.1**	**-9.8**	**16.7**	**16.1**
Loans	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	1.4	7.9	2.0

(1) Incliding debtor accounts
(2) Composed mainly by the counterparty of deposits with AL Barid-Bank
Source: Bank Al-Maghrib.

TABLE A 8.8 CROSS CLASSIFICATION OF BANK LOANS BY ECONOMIC PURPOSE AND BY INSTITUTIONAL SECTOR (1)

(In billions of dirhams)

	2015	2016												Annual change (%)		
		Jan.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2014	2015	2016
Bank loans	**785.0**	**765.3**	**765.5**	**769.5**	**769.2**	**772.1**	**792.5**	**785.8**	**787.2**	**794.7**	**790.7**	**795.7**	**818.1**	**2.2**	**2.8**	**4.2**
Accounts receivable and cash advances	**171.8**	**168.8**	**166.7**	**170.1**	**169.2**	**168.3**	**179.6**	**177.8**	**176.5**	**177.1**	**173.0**	**169.9**	**172.7**	**3.1**	**-4.9**	**0.5**
Other financial corporations	2.9	3.6	3.0	3.3	2.0	3.1	3.3	2.2	2.6	4.1	3.8	3.1	2.5	-22.5	-4.0	-14.3
Public nonfinancial corporations	8.7	6.5	6.6	8.9	9.6	9.9	9.1	9.9	10.6	8.5	10.1	10.6	12.9	-3.6	14.8	48.5
Private nonfinancial corporations	143.8	142.4	141.6	140.3	140.3	137.8	148.2	147.9	146.4	148.2	142.5	140.5	141.6	5.5	-4.4	-1.5
Households	16.1	16.1	15.4	17.2	16.9	17.2	18.6	17.4	16.5	16.0	16.2	15.4	15.2	-6.4	-16.5	-5.4
Equipmentloans	**141.5**	**142.1**	**143.5**	**143.0**	**143.9**	**143.0**	**144.0**	**142.6**	**143.2**	**147.4**	**146.4**	**149.1**	**152.9**	**2.3**	**-0.7**	8.1
Local governments	14.1	14.1	14.1	14.1	13.9	13.8	14.1	14.1	14.0	14.1	13.8	14.2	15.1	7.7	6.6	6.7
Public nonfinancial corporations	27.0	29.3	30.2	28.6	30.0	30.2	30.2	28.8	28.5	29.8	29.1	30.9	32.3	40.7	2.4	19.4
Private nonfinancial corporations	89.9	89.2	90.1	90.2	89.9	88.8	87.6	87.6	88.5	91.2	91.2	91.6	91.6	-1.6	-4.5	1.9
Real estate loans (2)	**240.9**	**240.9**	**240.8**	**241.3**	**241.8**	**243.5**	**245.1**	**245.6**	**246.0**	**246.5**	**247.6**	**247.0**	**246.9**	**2.7**	**1.7**	**2.5**
Private nonfinancial corporations	43.1	42.8	41.4	40.8	40.8	42.2	42.8	42.4	42.4	42.3	41.6	40.7	42.2	-2.5	-5.5	-2.0
Households	197.9	198.2	199.5	200.6	201.0	201.2	202.2	203.1	203.6	204.3	206.1	206.4	204.8	4.1	3.4	3.5
Housing loans	179.3	179.7	181.0	182.4	182.8	183.5	184.5	184.4	185.3	186.1	187.1	188.0	188.3	6.2	5.5	5.0
Loans to real estate developers	17.9	17.9	18.0	17.6	17.6	17.1	16.9	17.8	17.6	17.6	18.3	17.9	15.7	-11.2	-12.2	-12.4
Consumer loans	**46.3**	**46.4**	**46.8**	**47.3**	**47.3**	**47.7**	**48.0**	**48.3**	**48.7**	**48.7**	**48.7**	**48.8**	**48.7**	**9.2**	**4.9**	**5.4**
Sundry claims on customers	**127.1**	**110.0**	**109.9**	**108.4**	**106.5**	**108.3**	**115.5**	**110.3**	**111.8**	**113.0**	**112.9**	**118.1**	**135.5**	**-9.3**	**19.0**	**6.6**
Other financial corporations	112.2	94.7	94.9	93.8	92.6	94.4	101.8	96.7	98.6	100.7	101.1	106.1	119.4	-8.0	21.3	6.5
Public nonfinancial corporations	3.0	2.2	2.0	1.9	2.0	1.8	1.8	1.5	1.8	1.4	1.6	1.5	2.0	-61.4	43.9	-32.8
Private nonfinancial corporations	6.0	7.1	7.2	6.7	6.3	6.8	6.3	6.7	6.3	5.8	5.3	5.2	9.7	-7.6	-18.4	60.4
Pending claims	**57.4**	**57.1**	**57.8**	**59.4**	**60.6**	**61.3**	**60.3**	**61.3**	**61.0**	**62.0**	**62.1**	**62.8**	**61.4**	**20.2**	**9.3**	**6.8**
Other financial corporations	0.7	0.7	0.7	0.7	0.7	0.7	0.9	0.9	0.9	0.9	0.8	0.8	0.8	41.5	-1.3	18.3
Private nonfinancial corporations	33.6	33.3	35.8	37.7	38.4	38.6	38.1	38.5	37.6	38.5	38.7	39.0	38.2	25.1	14.6	13.8
Households	23.2	23.0	21.3	21.0	21.4	21.8	21.3	21.9	22.2	22.5	22.2	22.6	22.3	13.6	2.8	-3.6

(1) Some gaps may be observed between the total of certain loan categories and their breakdown by institutional sector.These gaps are due to the lack of detailed-enough information on loans granted by banks to public nonfinancial corporations and to central governments bodies.

(2) Since 2007, the growth in real estate development loans has been partly amplified by the reclassifications carried out by banks,at the request of Bank Al-Maghrib,wherebyadvances granted to real estate developers were included in real estate development loans,after they were originally included in cash advances.

Source: Bank Al-Maghrib.

Table A 8.9 POSITION OF OFCS TOWARDS CENTRAL GOVERNMENT

(In billions of dirhams)

	2013	2014		2015				2016				Annual change (%)		
	Dec.	June	Dec.	Mar	June	Sept.	Dec.	Mar	June	Sept.	Dec.	2014	2015	2016
OFCs claims on central government	**147.7**	**177.3**	**186.6**	**183.5**	**192.3**	**205.4**	**228.6**	**233.6**	**228.4**	**241.7**	**20.0**	**15.9**	**17.6**	**16.0**
Securities issued by central government and held by OFCs	**142.8**	**172.0**	**181.8**	**179.3**	**187.7**	**200.6**	**223.5**	**228.5**	**222.3**	**235.2**	**20.4**	**16.6**	**17.3**	**16.7**
Caisse de Dépôts et de Gestion	30.9	29.6	28.4	29.5	30.0	30.3	30.9	29.9	28.7	28.7	-4.1	2.3	-5.3	2.3
Non-monetary mutuals funds	83.4	111.0	123.0	118.0	125.6	137.5	159.8	164.7	159.9	172.5	33.1	23.9	25.5	23.9
Bond funds	78.9	105.6	116.9	111.4	118.8	130.8	152.9	156.6	152.2	164.0	33.8	23.8	25.4	23.8
Diversified funds	3.1	4.2	4.9	5.2	5.4	5.2	6.0	6.9	6.9	7.7	34.1	23.7	47.1	23.7
Insurance and reinsurance companies	15.5	18.7	18.4	18.2	18.5	18.9	18.9	18.9	18.9	18.9	20.8	1.1	0.0	2.9
Pension fund (1)	11.9	11.4	11.4	12.4	12.4	12.6	12.6	13.2	13.2	13.2	-4.5	10.6	4.9	9.5
Other claims(2)	**4.9**	**5.3**	**4.8**	**4.2**	**4.6**	**4.9**	**5.1**	**5.1**	**6.0**	**6.5**	**7.6**	**-8.4**	**33.5**	**-9.7**
Insurance and reinsurance companies	1.9	2.0	1.8	1.6	1.8	1.9	1.8	1.6	1.9	1.9	2.9	-1.9	-2.2	-5.4
Caisse de Dépôts et de Gestion	1.1	1.4	1.3	0.7	0.9	1.0	1.3	1.3	1.6	1.7	24.8	-28.6	73.1	-28.6
Finance companies	1.8	1.9	1.7	1.8	1.9	1.8	1.9	2.1	2.4	2.7	3.0	-1.2	46.9	-1.2
Off-shore banks	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-23.4	39.6	104.6	39.6
OFCs liabilities towards central government	**8.4**	**7.4**	**6.6**	**6.7**	**7.6**	**8.9**	**8.7**	**9.3**	**8.7**	**8.9**	**-11.3**	**19.0**	**0.4**	**0.3**
Deposits with the Deposit and management fund	3.0	2.5	2.3	2.4	2.3	2.4	2.4	2.4	2.5	2.3	-15.5	-4.2	-5.3	-4.2
Other liabilities (3)	**5.4**	**4.9**	**4.2**	**4.3**	**5.3**	**6.4**	**6.4**	**7.0**	**6.3**	**6.6**	**-8.9**	**31.0**	**2.6**	2.6
Caisse de Dépôts et de Gestion	2.2	2.2	2.2	2.2	2.9	3.7	4.2	4.7	3.8	3.8	-0.9	66.6	1.6	3.4
Finance companies	1.9	2.0	2.0	2.0	2.2	2.0	2.1	2.2	2.4	2.5	4.1	-0.1	22.4	-0.1
Off-shore banks	1.2	0.6	0.0	0.0	0.0	0.6	0.0	0.0	0.0	0.3	-47.5	6.2	-56.6	6.2

(1) Those belonging to the financial sector,namely caisse Interprofessionnelle Marocaine de retraite and cassie Nationale de Retraittes et d 'Assurance.

(2) Amounts due by the state as deposits for income taxes and recoverable value added.

(3) Amounts due to the state and to the insurance solidarity fund.
Source: Bank Al-Maghrib.

Table A 8.10 POSITION OF OTHER FINANCIAL CORPORATIONS TOWARDS HOUSEHOLDS

(In billions of dirhams)

	2013	2014		2015				2016				Annual change (%)		
	Dec	June	Dec	Mar	June	Sept.	Dec	Mar	June	Sept.	Dec	2014	2015	2016
OFCs claims on households	**58.0**	**56.0**	**57.3**	**56.7**	**56.4**	**57.3**	**57.5**	**59.7**	**60.4**	**60.9**	**-3.5**	**2.4**	**6.3**	**4.8**
Loans granted by finance companies	**48.8**	**45.7**	**45.4**	**45.6**	**45.5**	**46.9**	**46.7**	**48.1**	**48.6**	**49.3**	**-6.4**	**2.7**	**5.1**	**2.7**
Consumer loans	30.8	26.6	26.2	26.4	26.6	26.9	26.8	26.7	26.6	26.7	-13.7	1.2	-0.5	1.2
Leasing	9.6	10.1	10.0	10.0	10.3	10.6	10.9	11.8	12.6	13.2	5.5	5.0	24.4	5.0
Loans granted by microcredits associations	**4.9**	**5.5**	**5.6**	**5.8**	**6.0**	**5.9**	**6.1**	**6.4**	**6.6**	**6.4**	**11.1**	**8.6**	**7.7**	**8.6**
Loans to micro bisiness	4.4	4.9	5.0	5.2	5.2	5.3	5.4	5.7	5.8	5.8	12.5	8.7	8.1	8.7
Housing loans	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.4	0.4	0.4	7.7	4.8	20.3	4.8
Advances and settlement accounts of insurance companies(1)	**4.1**	**4.6**	**4.7**	**4.9**	**4.5**	**4.2**	**4.5**	**4.7**	**4.8**	**4.8**	**12.7**	**-7.9**	**13.9**	**8.2**
Advances and settlement accounts of pension funds(2)	**0.1**	**0.1**	**1.5**	**0.2**	**0.2**	**0.1**	**0.1**	**0.3**	**0.3**	**0.3**	**9.5**	**-15.1**	**123.6**	**-**
OFCs liabilities to households	**186.7**	**210.3**	**214.0**	**216.6**	**217.7**	**221.3**	**226.5**	**232.2**	**235.8**	**234.2**	**12.6**	**5.3**	**5.8**	**4.8**
Insurance technical provisions	**105.8**	**111.9**	**114.2**	**116.6**	**117.0**	**117.5**	**120.3**	**123.1**	**125.0**	**125.0**	**5.8**	**5.0**	**6.4**	**7.0**
Life insurance	54.8	59.1	60.2	61.4	62.6	63.8	65.4	67.1	67.3	67.3	7.8	7.8	5.6	6.6
Non-life insurance	50.9	52.7	54.0	55.2	54.5	53.7	54.9	56.1	57.7	57.7	3.5	1.9	7.4	7.5
Technical provisions of pension funds	**44.7**	**50.0**	**50.0**	**51.6**	**51.6**	**54.8**	**54.8**	**56.8**	**56.8**	**56.8**	**12.0**	**9.5**	**3.7**	**3.1**
pension	42.8	48.1	48.1	51.5	51.5	52.6	52.6	54.4	54.4	54.4	12.3	9.3	3.4	7.0
Annuities	1.8	1.9	1.9	0.1	0.1	2.2	2.2	2.5	2.5	2.5	4.2	15.7	11.5	-95.9
Securities issued by non-money market funds	**17.4**	**21.6**	**23.0**	**21.6**	**21.3**	**21.0**	**22.9**	**23.3**	**24.2**	**22.7**	**24.2**	**-2.7**	**8.1**	**-2.7**
Bond funds	13.9	15.9	16.6	15.7	15.5	15.4	17.0	17.7	18.4	15.5	14.6	-2.8	0.8	-2.8
Equity funds	2.4	3.5	3.8	3.3	3.2	3.0	3.1	2.9	3.0	3.8	45.1	-13.8	26.1	-13.8
Diversified funds	0.9	2.0	2.3	2.3	2.3	2.5	2.6	2.6	2.7	3.3	128.9	22.6	32.5	22.6
Contractual funds	0.3	0.3	0.3	0.3	0.3	0.2	0.2	0.1	0.1	0.1	-5.6	-42.0	-6.9	-42.0
Other liabilities	**18.9**	**26.8**	**26.8**	**26.9**	**27.8**	**28.0**	**28.5**	**29.0**	**29.7**	**29.5**	**41.7**	**4.7**	**5.4**	**4.8**
Guarantee deposits with finance companies	**4.6**	**5.3**	**5.2**	**5.2**	**5.5**	**5.9**	**5.5**	**5.8**	**6.4**	**6.8**	**15.8**	**10.6**	**15.1**	**10.6**
Regulated deposits with the Deposit and management fund(3)	**12.5**	**19.5**	**19.5**	**19.7**	**20.4**	**20.1**	**20.9**	**20.8**	**20.9**	**20.4**	**56.1**	**3.2**	**1.7**	**3.2**

(1) Composed mainly of third-party funds of notaries and bar associations as well as consignment deposits
(2) those belonging to the financial sector,namely caisse Interprofessionnelle Marocaine de retraite and cassie Nationale de Retraittes et d 'Assurance.
(3) Composed mainly of third-party funds of notaries and bar associations as well as consignment deposits
Source: Bank Al-Maghrib.

Table A 8.11 POSITION OF OTHER FINANCIAL CORPORATIONS TOWARDS NONFINANCIAL CORPORATIONS

(In billions of dirhams)

	2014	2015				2016				Annual change (%)		
	Dec.	Mar	June	Sept.	Dec.	Mar	June	Sept.	Dec.	2014	2015	2016
OFCs claims on private nonfinancial corporations	**145.3**	**150.8**	**149.0**	**145.8**	**154.9**	**155.3**	**161.6**	**165.2**	**168.9**	**3.6**	**6.6**	**9.1**
Loans	**68.7**	**67.8**	**68.0**	**66.1**	**70.7**	**69.4**	**71.6**	**72.4**	**75.3**	**3.1**	**3.0**	**6.5**
Finance companies	**50.5**	**49.6**	**50.4**	**49.7**	**51.1**	**49.6**	**50.7**	**50.0**	**52.1**	**4.3**	**1.2**	**2.0**
Factoring loans	6.0	5.6	6.0	5.5	5.6	4.6	5.8	4.5	5.1	30.5	-6.2	-8.6
Leasing	40.7	40.3	40.6	40.5	41.6	41.3	41.2	41.4	42.8	0.3	2.2	2.9
Offshore banks	**12.4**	**11.7**	**10.5**	**9.0**	**10.7**	**10.5**	**11.9**	**13.1**	**14.0**	**-6.5**	**-13.6**	**30.8**
Cash advances	8.7	8.2	7.2	5.9	7.7	7.4	9.0	8.7	9.1	6.8	-11.5	18.8
Equipment loans	3.4	3.1	2.9	2.9	2.8	2.8	2.7	4.3	4.8	-14.5	-16.7	70.4
Caisse de Dépôts et de Gestion	**5.0**	**5.7**	**6.3**	**6.7**	**8.2**	**8.7**	**8.2**	**8.5**	**8.4**	**20.0**	**64.8**	**2.3**
Cash advances	2.6	2.4	2.9	3.1	4.6	4.8	4.8	5.1	4.9	-3.5	79.4	7.2
Equipment loans	2.4	3.3	3.5	3.5	3.6	3.9	3.4	3.3	3.3	62.1	49.4	-8.8
Securities held by OFCs	**71.5**	**77.5**	**75.0**	**73.9**	**78.9**	**79.8**	**83.2**	**86.7**	**87.5**	**3.7**	**10.3**	**10.9**
Securities other than shares	**22.4**	**26.2**	**22.4**	**22.6**	**23.7**	**22.7**	**22.0**	**22.1**	**20.1**	**-5.4**	**5.9**	**-15.1**
Non-money market UCITS	13.1	16.9	14.3	14.2	13.9	13.3	12.7	12.0	10.0	-4.6	6.3	-28.4
Bond funds	11.9	15.6	12.8	12.8	12.5	12.0	11.5	10.7	8.8	-7.9	4.7	-29.4
Insurance and reinsurance companies	6.1	6.0	6.0	6.3	7.8	7.7	7.7	8.6	8.6	-12.3	28.0	10.0
Caisse de Dépôts et de Gestion	1.6	1.6	1.6	1.6	1.5	1.2	1.2	1.2	1.2	-7.3	-5.9	-20.5
Pension fund(1)	1.6	1.6	0.6	0.6	0.5	0.5	0.4	0.4	0.4	39.4	-70.1	-20.2
Shares	**49.1**	**51.3**	**52.6**	**51.3**	**55.2**	**57.0**	**61.2**	**64.6**	**67.3**	**8.4**	**12.4**	**22.1**
Insurance and reinsurance companies	20.4	21.6	22.8	22.5	22.0	24.0	26.0	27.8	27.8	1.9	7.8	26.4
Non-money market UCITS	12.4	13.4	12.8	11.9	11.4	12.4	12.5	13.8	16.7	17.7	-8.4	47.3
Equity funds	10.1	10.9	10.3	9.6	9.2	10.0	9.9	10.6	12.9	16.3	-8.7	39.5
Diversified funds	1.7	1.9	1.8	1.8	1.7	1.8	2.0	2.5	3.0	28.9	-4.4	79.4
Pension fund(1)	9.2	9.2	9.2	9.2	13.7	13.7	14.7	14.7	14.7	5.8	48.1	7.2
Caisse de Dépôts et de Gestion	6.4	6.8	6.9	6.8	7.5	6.5	7.6	7.6	7.9	11.7	17.3	5.5
Other claims	**5.2**	**5.5**	**6.0**	**5.7**	**5.3**	**6.1**	**6.8**	**6.1**	**6.1**	**8.3**	**1.7**	**15.6**
Inssurance companie's settlement accounts(2)	3.7	4.1	4.4	4.1	3.8	4.6	5.4	4.7	4.7	6.4	3.0	23.2
Pension fund	1.5	1.5	1.6	1.6	1.5	1.5	1.4	1.4	1.4	13.4	-1.5	-4.3
Claims of OFCs on public nonfinancial corporations	**17.7**	**18.3**	**18.2**	**18.5**	**14.8**	**15.7**	**15.4**	**16.4**	**17.6**	**13.4**	**-16.3**	**19.0**
Securities other than shares	**15.6**	**16.1**	**15.9**	**16.4**	**13.8**	**14.5**	**14.1**	**14.9**	**16.0**	**7.9**	**-11.3**	**15.5**
Non-money market UCITS	9.7	10.1	9.8	10.2	10.2	10.9	10.5	11.0	11.4	23.5	4.9	12.1
Bond funds	9.1	9.5	9.1	9.5	9.4	10.0	9.4	10.1	10.2	25.4	3.7	8.7
Insurance and reinsurance companies	4.4	4.5	4.5	4.6	2.1	2.1	2.1	2.3	2.3	-8.5	-52.1	8.9
Liabilities of OFCs to private non financial corporations	**34.9**	**35.4**	**49.9**	**51.4**	**43.6**	**46.0**	**41.7**	**42.5**	**44.2**	**26.2**	**25.0**	**1.2**
Securities issued by non-money market funds	**26.2**	**27.5**	**42.2**	**42.1**	**35.3**	**38.7**	**32.3**	**33.0**	**33.5**	**25.5**	**34.8**	**-5.2**
Bond funds	24.8	26.0	40.6	40.4	32.7	36.0	29.4	30.5	31.4	23.9	31.7	-3.9
Equity UCITS	0.5	0.5	0.6	0.6	0.6	0.6	0.4	0.4	0.5	26.6	22.2	-11.1
Diversified UCITS	0.5	0.5	0.5	0.5	0.6	0.7	0.2	0.2	0.3	82.9	27.2	-52.9
Contractual UCITS	0.4	0.5	0.6	0.6	1.5	1.5	2.4	1.8	1.3	94.8	232.0	-12.2
Insurance technical provisions	**3.2**	**3.2**	**3.3**	**3.2**	**3.2**	**3.3**	**3.3**	**3.4**	**3.4**	**3.6**	**0.7**	**7.5**
Deposits	**5.4**	**4.6**	**4.2**	**5.9**	**5.1**	**4.0**	**6.0**	**6.0**	**7.2**	**49.3**	**-6.6**	**41.5**
Factoring accounts with finance companies	**1.2**	**1.0**	**1.2**	**1.4**	**1.2**	**0.7**	**1.7**	**1.4**	**1.5**	**38.1**	**0.9**	**27.0**
Guarantee deposits with finance companies	**0.4**	**0.3**	**0.4**	**0.4**	**0.6**	**0.3**	**0.4**	**0.5**	**0.6**	**-11.3**	**71.0**	**0.6**
Foreign-currency-denomited with off-shore banks	**3.1**	**2.7**	**2.2**	**3.6**	**2.6**	**2.4**	**2.9**	**3.1**	**3.6**	**74.6**	**-17.5**	**38.2**
Liabilities of OFCs to public nonfinancial corporations	**3.7**	**3.8**	**3.9**	**3.8**	**3.7**	**3.9**	**4.0**	**4.0**	**4.0**	**2.4**	**1.9**	**8.4**
Insurance technical provisions	3.2	3.2	3.3	3.2	3.2	3.3	3.3	3.4	3.4	3.6	0.7	7.5

(1) Those belonging to the financial sector,namely caisse Interprofessionnelle Marocaine de retraite and cassie Nationale de Retraittes et d 'Assurance.
(2) Composed primarily of receivable, unpaid or pre-doubtful premiums and returned receipts

Table A 8.12 BALANCE SHEET OF OTHER FINANCIAL CORPORATIONS

(In billions of dirhams)

	2014	2015				2016				Annual change (%)		
	Dec	Mar	June	Sept.	Dec	Mar	June	Sept.	Dec	2014	2015	2016
Finance companies												
Assets	**106.8**	**106.0**	**107.3**	**108.2**	**110.2**	**107.9**	**110.7**	**111.0**	**113.5**	**1.5**	**3.2**	**3.0**
Claims on depository corporations	1.3	1.2	1.7	3.0	2.6	2.5	2.5	2.0	2.6	-24.4	92.4	0.4
Loans	99.3	98.2	99.2	98.6	101.1	99.1	101.6	102.0	104.1	1.8	1.8	3.0
Securities	0.8	1.2	1.1	1.1	1.2	1.0	0.9	1.1	0.7	3.8	50.3	-42.3
Claims on nonresidents	0.1	0.1	0.1	0.1	0.1	0.1	0.0	0.1	0.1	-29.5	-31.4	9.9
Fixed assets	1.4	1.4	1.4	1.3	1.4	1.4	1.4	1.4	1.4	-1.4	3.3	-0.6
Other assets	3.8	3.9	3.8	4.0	3.9	3.8	4.1	4.4	4.6	7.2	1.7	18.3
Liabilities	**106.8**	**106.0**	**107.3**	**108.2**	**110.2**	**107.9**	**110.7**	**111.0**	**113.5**	**1.5**	**3.2**	**3.0**
Loans from depository corporations	53.9	53.6	53.4	53.4	57.8	54.5	53.9	56.0	61.1	-5.3	7.2	5.6
Deposits	7.5	7.3	7.3	7.8	8.3	7.1	8.5	8.8	9.5	16.4	9.9	14.5
Securities other than shares	16.8	17.1	17.0	17.0	17.2	16.9	16.5	14.2	12.9	-4.1	2.7	-25.1
Liabilities to the central government (1)	2.0	2.0	2.0	2.2	2.0	2.1	2.2	2.4	2.5	4.1	-0.1	22.4
Liabilities to nonresidents	0.3	0.3	0.3	0.4	0.4	0.4	0.5	0.5	0.4	390.3	8.2	17.9
Shares and other equity securities	11.0	11.3	11.0	11.3	11.7	12.0	11.3	11.6	12.0	2.8	5.9	3.2
Other liabilities	15.2	14.3	16.1	16.1	12.9	15.0	17.9	17.4	15.1	30.3	-15.3	17.4
Microcredit associations												
Assets	**6.7**	**6.7**	**7.0**	**7.2**	**7.1**	**7.3**	**7.6**	**7.6**	**7.6**	**12.3**	**7.1**	**6.1**
Cash and deposits	0.8	0.8	0.8	0.9	0.8	0.9	0.8	0.7	0.8	28.0	-0.9	-4.8
loans	5.5	5.6	5.8	6.0	5.9	6.1	6.4	6.6	6.4	11.1	8.6	7.7
Fixed assets	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	-6.1	-9.5	3.7
Other assets	0.1	0.2	0.2	0.2	0.2	0.1	0.2	0.2	0.2	8.4	18.4	4.0
Liabilities	**6.7**	**6.7**	**7.0**	**7.2**	**7.1**	**7.3**	**7.6**	**7.6**	**7.6**	**12.3**	**7.1**	**6.1**
Loans from nonresidents	0.7	0.7	0.8	1.0	1.0	0.9	1.0	0.9	0.9	63.4	31.9	-9.2
Loans from residents	3.1	3.0	3.0	2.9	2.9	3.0	3.1	3.0	3.1	5.2	-5.1	6.9
Shares and other equity securities	2.1	2.1	2.2	2.3	2.3	2.4	2.4	2.5	2.6	8.6	11.2	10.8
Other liabilities	0.8	0.9	0.9	1.0	0.9	1.0	1.1	1.2	1.0	18.9	19.8	7.7
Offshores banks												
Assets	**41.4**	**42.4**	**40.1**	**37.9**	**41.0**	**42.5**	**44.1**	**45.0**	**48.1**	**9.1**	**-0.9**	**17.3**
Claims on nonresidents	9.1	10.3	9.9	9.9	9.3	12.0	12.0	11.3	11.1	27.6	1.9	19.4
Claims on depository corporations	16.6	17.2	15.9	15.0	17.5	16.5	16.2	16.3	18.1	10.6	5.5	3.3
Loans	13.4	11.7	10.5	9.4	10.8	10.7	11.9	13.6	14.7	-6.5	-19.0	36.0
Securities	2.0	2.8	3.6	3.5	3.2	3.2	3.7	3.6	3.9	53.1	60.5	22.5
Fixed assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-3.0	28.2	8.5
Other assets	0.3	0.3	0.2	0.2	0.1	0.1	0.2	0.2	0.2	59.8	-51.3	61.7
Liabilities	**41.4**	**42.4**	**40.1**	**37.9**	**41.0**	**42.5**	**44.1**	**45.0**	**48.1**	**9.1**	**-0.9**	**17.3**
Liabilities to nonresidents	19.5	19.0	15.5	12.3	17.1	16.5	18.4	17.0	18.3	7.5	-12.1	6.6
Liabilities to depository corporations	17.4	19.1	21.2	19.8	19.9	21.7	21.4	22.9	24.9	2.5	14.2	25.2
Foreign-currency-denominated deposits by residents	3.2	2.7	2.2	3.6	2.6	2.4	2.9	3.1	3.6	76.7	-18.5	38.2
Shares and other equity securities	0.9	1.2	1.0	1.1	1.1	1.2	0.9	1.1	1.2	29.8	22.4	6.6
Other liabilities	0.4	0.4	0.2	1.2	0.3	0.6	0.5	0.9	0.2	26.3	-25.6	-28.2

Table A 8.13 CHANGE IN THE INTERBANK MARKET

(In millions of dirhams)

	2015	2016												Average
	Average	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	
Averge outstanding amounts	9 613	8 751	4 412	3 577	3 530	1 985	2 476	4 577	3 873	3 078	5 556	5 634	6 984	4 536
Average exchanged volume	4 658	4 516	2 617	1 963	1 875	684	933	2 244	1 806	1 879	3 484	3 635	4 025	2 472

Table A 8.14 SUBSCRIPTIONS TO TREASURY BILLS BY TENDER

Maturités	TOTAL 2015	2016												
		Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	TOTAL
Total subscriptions	**148 521**	**10 153**	**22 051**	**2 816**	**8 368**	**8 432**	**4 453**	**7 254**	**10 237**	**8 487**	**9 385**	**15 572**	**4 156**	**111 364**
Short-term	**36 570**	**9 331**	**1 151**	**615**	**206**	**2 580**	**2 222**	**1 500**	**7 687**	**3 398**	**824**	**4 462**	**1 188**	**35 161**
13 Weeks	9 907	800	260	615	103	527	739	250	2 245	412	308	0	100	6 358
26 Weeks	4 514	0	358	0	0	402	337	550	4 439	1 470	100	103	0	7 759
52 Weeks	22 149	8 531	532	0	103	1 651	1 146	700	1 003	1 516	416	4 359	1 088	21 044
Moyen term	**75 086**	**4 930**	**5 743**	**1 879**	**1 898**	**3 074**	**2 232**	**5 754**	**2 550**	**4 488**	**7 262**	**10 377**	**2 968**	**53 155**
2 Years	31 902	816	1 702	562	105	0	2 232	3 004	2 550	3 576	3 672	4 064	1 919	24 202
5 Years	43 184	4 114	4 041	1 316	1 793	3 074	0	2 750	0	912	3 590	6 313	1 049	28 952
Long term	**36 865**	**0**	**15 157**	**323**	**6 264**	**2 778**	**0**	**0**	**0**	**600**	**1 300**	**734**	**0**	**27 155**
10 Years	12 871	0	5 281	0	1 823	1 002	0	0	0	600	1 300	269	0	10 274
15 Years	9 536	0	3 148	323	1 748	300	0	0	0	0	0	0	0	5 518
20 Years	4 421	0	4 860	0	491	1 087	0	0	0	0	0	465	0	6 903
30 Years	10 037	0	1 868	0	2 203	389	0	0	0	0	0	0	0	4 461

Table A9.1 OUTSTANDING AMOUNT OF TREASURY BILLS BY TENDER

((In millions of dirhams)

Maturity	2015						2016					
	Banks	C.D.G.(1)	Insurance companies and pension institutions	UCITS	Other	TOTAL	Banks	C.D.G.(1)	Insurance companies and pension institutions	UCITS	Other	TOTAL
Total	**115 605**	**29 068**	**124 530**	**140 042**	**60 859**	**470 104**	**104 588**	**29 841**	**133 685**	**169 568**	**52 055**	**490 028**
Short-term	**10 121**	**636**	**2 889**	**11 492**	**2 345**	**27 483**	**6 660**	**0**	**261**	**10 828**	**1 291**	**19 051**
45 days	0	0	0	0	0	0	0	0	0	0	0	0
13 weeks	400	0	0	650	0	1 050	0	0	0	408	0	408
26 weeks	844	0	0	140	0	984	1 370	0	111	4 852	328	6 662
52 weeks	8 877	636	2 889	10 702	2 345	25 449	5 290	0	150	5 568	963	11 982
Moyen term	**66 200**	**620**	**29 387**	**62 744**	**23 768**	**182 719**	**55 890**	**1 974**	**33 356**	**76 480**	**19 889**	**187 865**
2 years	24 569	92	5 225	19 787	9 366	59 040	17 675	47	8 690	22 154	8 622	57 284
5 years	41 631	528	24 162	42 957	14 402	123 679	38 215	1 927	24 667	54 326	11 267	130 581
Long-term	**39 284**	**27 811**	**92 255**	**65 806**	**34 747**	**259 902**	**42 037**	**27 868**	**100 067**	**82 260**	**30 874**	**283 112**
10 years	13 688	4 306	21 104	33 194	15 241	87 533	16 101	3 392	20 132	37 358	13 565	90 549
15 years	17 152	22 135	37 479	21 595	11 730	110 092	16 039	22 535	39 667	28 242	10 893	117 381
20 years	7 529	1 330	23 448	9 538	7 121	48 966	8 343	1 330	27 440	13 473	5 652	56 238
30 years	914	40	10 224	1 479	655	13 312	1 554	611	12 828	3 188	764	18 945

(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)

Securities types	2015					2016				
	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	**9 621**	**1 755**	**44 083**	**2 456**	**57 915**	**12 454**	**2 795**	**39 122**	**2 267**	**56 637**
Certificates of deposit	6 685	1 026	31 150	2 324	41 184	9 535	1 109	30 669	2 207	43 520
Bills of financing companies	2 817	704	10 939		14 460	2 864	332	8 373	0	11 569
Commercial paper	120	25	1 994	133	2 271	55	1 354	80	60	1 549
Total	**8 322**	**701**	**30 217**	**2 449**	**41 688**	**6 719**	**603**	**23 330**	**1 450**	**36 456**
Certificates of deposit	3 624	470	14 971	2 180	21 245	5 240	384	17 090	1 375	28 181
Bills of financing companies	1 120	106	3 753	0	4 979	1 344	139	2 406	0	3 889
Commercial paper	3 578	125	11 492	270	15 464	135	80	3 834	75	4 385

Source: Bank Al-Maghrib.

Table A9.3 BOND MARKET

	2015	2016				2016
		Q1	Q2	Q3	Q4	
Outstanding	**101 690**	**97 243**	**95 825**	**96 075**	**104 275**	**104 275**
Public sector	**38 875**	**36 955**	**35 455**	**35 455**	**43 055**	**43 055**
Banks	9 029	28 002	28 002	28 002	33 002	33 002
Non-financial corporations	29 847	61 459	59 341	59 491	63 491	63 491
Private sector	**62 815**	**60 288**	**60 370**	**60 620**	**61 220**	**61 220**
Banks	23 200	23 200	26 200	26 200	28 200	28 200
Other financial corpora-tions	3 731	3 631	2 831	2 931	2 531	2 531
Non-financial corporations	35 884	33 457	31 339	31 489	30 489	30 489
Bonds issued	**15 142**	**250**	**3 000**	**150**	**10 600**	**14 000**
Public sector	**6 600**	**0**	**0**	**0**	**7 600**	**7 600**
Financial corporations	3 200	0	0	0	5 000	5 000
Non-financial corporations	3 400	0	0	150	5 000	5 150
Private sector	**8 542**	**250**	**3 000**	**150**	**3 000**	**6 400**
Financial corporations	4 630	0	3 000	0	3 000	6 000
Other Financial corpora-tions	830	250	0	0	0	250
Non-financial corporations	3 912	0	0	150	0	150

Source: Bank Al-Maghrib.

Table A9.4 STOCK EXCHANGES INDICATORS (1)

Period		Turnover	Market capitalisation	MASI (*)	MADEX (**)
2005 December		48 041.3	252 326	5 539.13	4 358.87
2006 December		36 528.1	417 092	9 479.61	7 743.81
2007 December		137 479.4	586 328	12 694.97	10 464.34
2008 December		59 360.1	531 750	10 984.29	9 061.02
2009 December		36 791.2	508 893	10 443.81	8 464.47
2010 December		29 615.7	579 020	12 655.20	10 335.25
2011 December		18 885.8	516 222	11 027.65	9 011.57
2012 December		16 213.8	445 268	9 359.19	7 614.04
2013 December		18 278.6	451 113	9 114.14	7 418.05
2014 December		49 808.8	453 316	8 926	7 255
2015	January	3 062.2	514 140	10 222.56	8 379.11
	February	3 674.0	527 097	10 460.62	8 577.13
	March	4 826.8	517 947	10 269.75	8 428.42
	April	2 028.7	501 327	9 937.38	8 145.46
	May	2 376.7	493 199	9 711.36	7 947.39
	June	3 622.3	486 715	9 578.34	7 837.34
	July	5 398.8	496 267	9 740.01	7 983.10
	August	1 288.6	476 594	9 345.70	7 642.40
	September	1 048.9	458 429	9 114.29	7 445.70
	October	1 496.9	457 646	9 081.80	7 399.12
	November	2 980.8	458 357	9 093.21	7 421.15
	December	20 286.6	453 316	8 925.71	7 255.21
2016	January	1 421.1	451 369	8 898.99	7 256.97
	February	2 202.5	450 122	8 908.44	7269.71
	March	3 997.2	470 393	9 327.98	7 610.53
	April	2 954.5	502 746	9 975.72	8 159.75
	May	3 668.3	490 603	9 757.92	7 966.20
	June	5 468.6	477 164	9 505.98	7 765.84
	July	21 179.5	512 962	9 882.20	8 090.68
	August	1 341.9	499 699	9 860.77	8 077.36
	September	1 296.3	507 495	10 039.14	8 214.61
	October	2 628.4	531 753	10 564.64	8 653.21
	November	4 462.7	536 676	10 672.53	8 739.36
	December	22 115.5	583 380	11 644.22	9 547.25

(1) As of January 3, 2011, and to comply with the international standards, the Casablanca Stock Exchange has modified the transaction volumes disclosure. The latter are communicated based on only one side of the transaction (buying) instead of two-way (buying and selling)
Source : Casablanca Stock Exchange.

Table A9 5 INDEX OF REAL ESTATE ASSETS PRICES

	Index of real estate assets prices			Number of transactions		
	2015	2016	Changes (%) 2016/2016	2015	2016	Changes (%) 2016/2015
Overall	**111.6**	**112.6**	**0.9**	**128.300**	**138.699**	**8.1**
Residential	**111.3**	**111.5**	**0.2**	**94.257**	**101.718**	**7.9**
Apartments	107.8	108.0	0.2	86.874	93.781	8.0
Houses	127.3	126.8	-0.4	5.392	5.813	7.8
Villas	124.9	130.4	4.4	1.991	2.124	6.7
Urban Land	**115.1**	**117.5**	**2.1**	**24.106**	**26.310**	**9.1**
Commercial property	**110.5**	**115.7**	**4.7**	**9.937**	**10.671**	**7.4**
Commercial local	102.9	103.5	0.6	1.205	1.300	7.9
Offices	112.3	118.6	5.6	8.732	9.371	7.3

Source: Bank Al-Maghrib.

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بنك المغرب

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LIST OF ABBREVIATIONS

ABLF	: Autonomous banking liquidity factors
ANRT	: Agence Nationale de Réglementation des Télécommunications (National Telecommunication Regulatory Agency)
BAM	: Bank Al-Maghrib
BEAC	: Banque des Etats de l’Afrique Centrale (Bank of Central African States)
BMCI	: Banque Marocaine pour le Commerce et l'Industrie
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)
CPI	: Consumer Price Index
DH	: Moroccan dirham
DTEF	: Direction du Trésor et des Finances Extérieures (Department of Treasury and External Finance)
ECB	: European Central Bank
Euribor	: Euro Interbank Offered Rate
FDI	: Foreign direct investment
FED	: U.S. Federal Reserve
FSAP	: Financial Sector Asse,ssment Program
FTSE	: Financial Times Stock Exchanges
GCC	: Golf Cooperation Council
GDP	: Gross domestic product
GG	: General government
HCP	: Haut commissariat au plan (High Commission for Planning)
HP	: Hodrick Prescott
IAM	: Itissalat Al-Maghrib
IFS	: International Financial Statistics
IMF	: International Monetary Fund

ISO	: International Organization for Standardization
JLEC	: Jorf Lasfar Energy Compagny
LI	: Liquid investments
Libor	: London Interbank Offered Rate
MASI	: Moroccan All Shares Index
Mb/d	: Million barrels per day
MSCI	: Morgan Stanley Capital International
MSCI ACWI	: Morgan Stanley Capital International, All Country World Index
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
NIR	: Net international reserves
NPI	: Non-profit institutions
OCP	: Office chérifien des phosphates (National Phosphates Office)
OHSAS	: Occupational Health and Safety Advisory Services
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
PER	: Price Earnings Ratio
REPI	: Real Estate Price Index
QE	: Quantitative easing
QSE	: Quality, Security, Environment
SAMIR	: Société Anonyme Marocaine de l'Industrie du Raffinage
SDR	: Special drawing rights
SPBL	: Structural position of banking liquidity
SRBM	: Système des Règlements Bruts du Maroc (Moroccan Real-Time Gross Settlement System)
VAT	: Value added tax
VSMEs	: Very small, small and medium-sized enterprises
UE	: European Union
UNCTAD	: United Nations Conference on Trade and Development
VECM	: Vector Error Correction Model
WDI	: World Development Indicators

Dépôt légal : 2017 PE0075
I S S N : 2028-5418