ANNUAL REPORT

PRESENTED TO HIS MAJESTY THE KING

2019

GOVERNOR

Mr. Abdellatif JOUAHRI

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REPORT
ON THE FINANCIAL YEAR 2019

PRESENTED TO HIS MAJESTY THE KING

BY MR. ABDELLATIF JOUAHRI

GOVERNOR OF BANK AL-MAGHRIB

Your Majesty,

In application of Article 50 of Law No. 40-17 on the Statutes of Bank Al-Maghrib promulgated by Dahir No. 1-19-82 of Shawwal 17, 1440 (June 21, 2019), I have the honor to present to Your Majesty the report of the year 2019, the sixty-first year of the central bank.

SUMMARY

Majesty,

In 2019, global economy evolved in a highly uncertain environment, which severely impacted its performance. Trade disputes, geopolitical tensions, Brexit-related uncertainties and the intrinsic difficulties of several countries weighed on investment, trade and growth. The latter hit its lowest since the 2008 financial and economic crisis and fell from 3.6 percent to 2.9 percent year-on-year. Paradoxically, employment situation in advanced countries remained particularly favourable, with unemployment recording exceptionally low levels in the United States and declining in the euro area.

On the commodity markets, after two years of increase, energy prices decreased as a particular result of the global demand slump. This decline also affected the prices of agricultural products and of metals and minerals. Against this background, inflation rose slightly in emerging and developing countries, but declined in the major advanced economies, falling below their central banks' targets.

Confronted with concerns about the evolution of growth and inflation, central banks suspended their monetary policy normalisation process and started a new cycle of easing. More particularly, the ECB relaunched its asset purchase programme, while the FED lowered the target range for the federal funds rate three times and slowed the pace of its balance sheet reduction.

These orientations contributed to easing sovereign interest rates, thus prompting yield-seeking investors to turn to equity markets, which, despite considerable uncertainty surrounding the economic outlook, have performed exceptionally well, especially in the advanced countries.

Finally, while the year 2020 was expected to bring recovery after a decade of coping with the aftermath of the crisis, the Covid-19 pandemic, whose economic and social impact was largely underestimated in its early stages, is dragging the world economy into what is increasingly becoming an unparalleled recession since the Great Depression of the 1930s.

Domestically, 2019 was an economically challenging year. Adversely affected by this generally unfavourable external environment and poor weather conditions, which impacted agricultural production, growth continued to evolve at low levels, dropping from 3.1 percent in 2018 to 2.5 percent, one of the lowest rates in the last twenty years. Nevertheless, growth of non-agricultural activities accelerated, mainly driven by higher value added in the "General public administration and social security" branch, due to wage increases, and by an exceptional surge in electricity production. In contrast, processing industries decelerated sharply and the construction industry remained sluggish, despite a slight improvement from year-on-year. At the same time, domestic demand, the traditional engine of growth, weakened somewhat, as household consumption fell from 3.4 percent to 1.8 percent.

In the labour market, a significant job creation was observed in urban areas, and the participation rate recorded its first rise since 2008. Rural areas saw a further loss of jobs, while national economy gained a total of 165 thousand new jobs, mainly in the services sector. Under these conditions, unemployment fell by 0.3 points to 9.2 percent, while remaining high among some categories of the population, particularly youth, as one in four overall, and four out of ten in urban areas, are unemployed. Besides, major territorial disparities still persist, with unemployment rates varying from 5.4 percent to 16.3 percent between regions.

On the public finance side, consolidation efforts continued in a challenging environment characterised by slower growth and revalued wages and family allowances. Moreover, in order to support economic activity, the government maintained a high pace of investment and pursued its policy of clearing VAT arrears to ease companies' cash flow. Although the Treasury resorted to specific financing mechanisms that mobilized revenues of 9.4 billion dirhams, the budget deficit widened to 4.1 percent of GDP after 3.8 percent in 2018. Taking into account privatization revenues of 5.3 billion dirhams, the Treasury's indebtedness decreased by 0.2 point to 65 percent of GDP.

With regard to the external accounts, trade decelerated markedly in 2019, reflecting, on the one hand, an almost general slackening in exports, as sales declined for phosphates and derivatives and slowed down in the automotive sector. On the import side, this deceleration covers a significant drop in the energy bill, boosted by lower international prices and higher domestic production of electricity. Moreover, travel receipts rebounded by 7.8 percent, while transfers from Moroccans living abroad almost stabilised after a slight decline in 2018. As a result, the current account deficit narrowed by 1.2 percentage points year-on-year to 4.1 percent of GDP. Besides, FDI inflows declined to 33.5 billion dirhams, while borrowings increased significantly, further to the Treasury's issuance on the international market. Official reserve assets of Bank Al-Maghrib increased by 8.4 percent to 253.4 billion dirhams, the equivalent of 6 months and 8 days of imports of goods and services.

Turning to inflation, increase of the consumer price index decelerated sharply from 1.6 percent to 0.2 percent, its bottom rate since 1968, mainly due to lower food and fuel prices. Against this background, and expecting a medium-term moderate rise in prices and a gradual resumption of growth, Bank Al-Maghrib continued its accommodative monetary policy in 2019, and maintained the key rate at 2.25 percent while expanding its unconventional measures in favour of very small, small and medium enterprises. In addition, faced with the persistently high level of bank liquidity needs, attributable to the expansion of currency circulation, the Bank reduced the monetary reserve rate from 4 percent to 2 percent, and significantly increased the volume of its interventions.

Against this background, bank lending improved markedly, with a notable increase in loans to private non-financial enterprises by 7.3 percent, after 0.5 percent a year earlier.

The year was particularly marked by the momentum generated by the call made by His Majesty the King, in his speech of October 11, 2019, to further support and facilitate access to credit, especially for young project initiators and small and medium enterprises. To that end, the Government and Bank Al-Maghrib, in collaboration with the banking system, drew up an ambitious multifaceted programme, with, in particular, the creation of new guarantee funds. To endorse this programme, the Bank has, in addition to easing prudential rules, set up an unlimited refinancing mechanism at a preferential interest rate of 1.25 percent benefiting the categories targeted by the Royal speech.

These categories, particularly women, youth and rural populations, are actually the priority targets of the National Strategy for Financial Inclusion, whose implementation began in early 2019. Operationalization of this strategy is based on greater use of new technologies, especially mobile payment, which constitutes one of its main pillars. To accelerate deployment of the latter, the Bank, together with the other stakeholders, set up an Economic Interest Grouping bringing together all banks and payment institutions, whose number now stands at 18 after Bank Al-Maghrib granted four new licenses in 2019.

On the foreign exchange market, the first phase of the exchange rate flexibilization process launched in January 2018 progressed smoothly, in line with its objectives. Owing to the awareness-raising efforts and to the close support, economic operators were able to adapt gradually, and to make increasing use of hedging operations. In addition, in line with the economic fundamentals, the exchange rate of the dirham fluctuated within the regulatory band without intervention by the Central Bank.

These developments helped easing fears, particularly with regard to the impact on prices and purchasing power, and thus boosted uptake of the reform. The latter was widely welcomed by international institutions and rating agencies, thereby helping improve our country's financing conditions on international financial markets.

Bolstered by the outcome of this first phase, the monetary authorities decided to launch the second stage of this process as of March 9, 2020. This involved a further widening of the fluctuation band from ±2.5 percent to ±5 percent, while maintaining the same reference basket. However, the success of this reform requires the fulfilment of certain prerequisites, namely restoring macroeconomic balances and its mid- and long-term contribution remains dependent upon the implementation of other structural reforms aimed at improving productivity and the development of a consistent, competitive and higher value-added exportable supply.

Turning to the banking sector, it consolidated its capital base by strengthening its solvency and maintaining its profitability. Bank Al-Maghrib continued its efforts to preserve the soundness of this sector and enhance good governance and risk management practices, in line with the international standards. In compliance with the new GAFIMOAN standards, the Bank raised its AML requirements within credit institutions, while ensuring their support. In addition, it pursued its customer protection efforts, enacting new rules aimed at facilitating banking mobility and the release of guarantees.

At the macro-prudential level, the Systemic Risk Coordination and Monitoring Committee widened its surveillance system to include emerging risks induced by technological innovations. In the same vein, the Bank continued to refine its analytical framework, particularly by extending it to cover macroprudential and fiscal policy interactions.

In the Casablanca Stock Exchange, after an 8.3 percent decline in 2018, prices posted an increase, as the reference index appreciated by 7.1 percent. Trading volume rose by 43.1 percent, partly driven by the sale of 8 percent of the State’s shares in Maroc Telecom. The liquidity ratio remained low compared with the "frontier" and "emerging" markets and its valuation continued to be high overall.

On another level, following the adoption of the mutual evaluation report and in response to our country's submission to the enhanced follow-up process of the MENA FATF, the authorities embarked on an action plan to address the AML/CFT deficiencies identified. In this respect, efforts and mobilisation, must continue to bring the planned legislative and regulatory reforms to fruition and ensure their effectiveness to avoid citing our country in the FATF's public statement. With regard to the fight against tax fraud and evasion, as well as practices relating to the tax base erosion, Morocco is called upon to finalize implementation of the mechanism for exchanging data on financial accounts, in accordance with the standards of the Global Forum and the OECD.

Finally, the year witnessed the adoption of a new statutes of Bank Al-Maghrib which enshrine the principles of independence, transparency and good governance in line with the best international standards. The statutes also broaden the Bank's scope of intervention to include its contribution to financial stability and financial inclusion. Such a major legislative breakthrough strengthens Morocco's position, particularly vis-à-vis international institutions and economic partners.

Majesty,

With this 2019 review, we draw up an assessment of the decade that followed the shock of the global financial and economic crisis, which provides sufficient hindsight to highlight, beyond cyclical fluctuations, the structural patterns of our country in the economic, monetary and financial spheres.

Over the past decade, the external environment witnessed heightened uncertainties and challenged paradigms prevailing in international relations. This has resulted in a rise in protectionism, a questioning of multilateralism, persistent geopolitical conflicts and higher social tensions in many countries, both advanced and emerging. Moreover, the issues of social, regional and gender inequalities, climate change and the digital revolution have risen to the top of the global and national agendas.

Despite this challenging context, Morocco has succeeded to strengthen its international positioning owing to its stability, its choice to open up and diversify its partnerships mainly with countries of the South, and especially in the African continent, as well as to its reform efforts. It has managed to integrate itself into global value chains and to stand among the top players in challenging sectors such as the automotive, aeronautics and renewable energies. Today, Morocco is one of the few countries on the continent to continue benefiting from an "investment grade" sovereign rating, which makes it one of the most attractive countries for foreign investment.

However, on the domestic side, analysis of the data on the decade reveals mixed results. While significant progress has been made in several areas such as poverty alleviation and the generalization of schooling, overall performance remains insufficient to bring about a tangible and large-scale improvement in living standards.

With an average annual increase in GDP per capita of 2.3 percent over the decade, as against 3.4 percent in the previous one, Morocco continued to stand in the lower middle-income category, while several countries with the same level were able over the last twenty years to move up to higher categories.

As a result of the scarce decent work opportunities, thousands of active people, especially the young, tend to move into informal and precarious jobs. As revealed by the strong demand for financial support from the State to mitigate the impact of the Covid-19 pandemic, more than five million households, i.e. more than half of the population, live on informal activities, and a significant part of them are excluded from the social welfare system.

Prompted by such findings, Your Majesty repeatedly inquired about the reasons behind these shortcomings and decided to set up the Special Commission on the Development Model. This Commission, supported by the diversity of its members and by the approach adopted, which favours listening and consultation, is prone to grasp the expectations of the various components of society and the economy.

In addition, the Commission is now called upon to take into consideration the shock of the pandemic and its repercussions, insofar as it is not just a temporary phenomenon, but rather a crisis that is likely to bring about deep-seated changes in the economy and society.

Owing to Your Majesty's guidance, our country has been able to manage this crisis and mitigate its impact on households and the economy. It has once again proved its ability to bring appropriate timely responses to exceptionally violent shocks. The primary concern has been to preserve health, while implementing targeted measures to support the population and economic structures, especially the most affected categories.

While such actions, aimed at safeguarding and boosting the economy, should be the top priority of the public authorities over the short, medium and long terms, a genuine policy of investment in social and economic resilience has to be put in place, taking into account all the changes to be induced by this pandemic both internationally and nationally.

For Morocco, the first pillar of this resilience must concern one of the major challenges facing our country, namely social protection and human capital development. The current situation underscores not only the importance of developing an adequate healthcare supply, but also of ensuring its accessibility to citizens, particularly the most disadvantaged ones. Achieving this twofold objective requires substantial investment in the infrastructure and resources of the health care system, while at the same time speeding up the overhaul of social policy. However, successful completion of the latter still depends on setting up a single social register, which the authorities are now more than ever called upon to implement promptly. This will further improve beneficiaries' targeting and tackle the inconsistency generated by the multiplicity of social programmes. As such, significant margins could be saved and mobilised for the benefit of economic and social investment.

In the area of education and training, the adoption of the framework law on the strategic vision 2015-2030 was an important step forward. However, the timely achievement of the various ambitious goals set in this law continues to be a major challenge which requires substantial human and financial resources. Considerable efforts are also needed to bring together and mobilize all stakeholders, in order to ensure that they fulfil their commitments. Under these conditions, although a high-level commission was set up to monitor the implementation of the reform, a real awareness should be raised as to the stakes that this reform represents for the future of our country in order to ensure its success and thus maintain the hope that in the near future Moroccan schools will be able to become genuine schools of equity, quality and promotion.

The second pillar of this resilience lies in enhancing the competitiveness of the economy and accelerating its growth, while strengthening its inclusiveness. In recent years, Morocco has been able to develop an exportable offer focused on its World Crafts. However, this offer lacks importance and relies much on imports, thus reducing its knock-on effects on the economy and employment. As a result, the trade deficit continues to widen, aggravating the vulnerability of the country's external balance.

The recent controversies arising from the implementation of certain free trade agreements and the attempts to introduce protectionist measures are likely to compromise Morocco's image and its attractiveness in an international context marked by strong competition to continue to attract investment flows. On the other hand, these challenges call into question the decision-making process for the conclusion of such agreements, which should be based more on anticipation and long-term cost/benefit analysis.

These findings, at a time when the sectoral strategies are coming to an end, once again remind us of the need to assess them objectively in order to draw lessons from them and maximize the chances of success of the new generation of these plans, which His Majesty called for in his Speech of the Throne in July 2019. In line with His Majesty's request, their preparation should be consistent, convergent and efficient, to make them one of the cornerstones of the new development model.

At the same time, economic resilience requires sound public finances and a balanced budget. While efforts have been made in this respect in recent years, fiscal consolidation is proving to be more difficult and more time-consuming than expected. Despite the fact that financing the measures put in place to cushion the impact of the pandemic is likely to worsen the deficit, the authorities are still called upon to restore the fiscal balance and ensure its medium-term sustainability. The current circumstances provide now more than ever the opportunity to really optimise public expenditure by capitalising on the spending already taking place in response to the crisis. In the same vein, recommendations of the latest National Tax Forum, which highlight significant margins for broadening the tax base and rationalising tax expenditure, should lead the authorities to speed up the adoption of the framework law planned to implement them.

Improving competitiveness and accelerating growth also requires continuing several cross-cutting reforms. In terms of improving the business climate, where considerable progress has been made, several projects are struggling to be completed, including the new investment charter. The latter should give a new impetus to private investment, which has remained somewhat sluggish in recent years. It should also support the process of advanced regionalisation, through the divergent levels of support provided to the regions, combined with the new framework for public-private partnerships, now extended to local and regional authorities.

On this latter point, the Charter on administrative deconcentration, adopted at the end of 2018, was an important step. However, mobilization around its implementation is likely to weaken if the transfer of competences to the local level gets longer, especially as the 2021 elections draw near. As stated earlier, the emergence of a local elite holding the qualifications required for administrative and financial management, as well as for the design of pertinent development policies, constitutes a major challenge facing our country.

On the same vein, reform of the public service has been underway for many years, whereas its completion would make a major contribution to improving the efficiency of the administration and the quality of public services. The reform of the pension schemes should also be completed as soon as possible, as the measures undertaken in 2016 for the CMR have provided a mere temporary respite, while the balance of this scheme continues to deteriorate.

Building resilience also requires taking climate change into account and mitigating its impact. This issue is becoming increasingly evident and threatens the planet, people and economies. Morocco, considering its geographical position, is not spared, as some studies indicate that it will face extreme water scarcity by 2050, and the consequences are already being felt in some regions. Aware of the challenge, our country is well engaged in the fight against this scourge at the international and national levels. It has launched an ambitious energy transition project, often cited as an example, and has developed medium- and long-term plans to deal with water stress.

These efforts need to be supported by a more comprehensive approach that integrates the environmental dimension in a systematic and cross-cutting way into both central and local public policy-making. In this respect, it would be advisable to speed up establishment of the legal and regulatory framework to implement the guidelines laid down in the Environment Charter, mainly with regard to the adoption of the law on environmental assessment and its implementing texts. In addition, the real challenge consists, through awareness raising and training, in ensuring the effectiveness of the legal texts and in promoting a general awareness about the stakes of environmental protection for a greater implication of the population, the economic operators and the civil society.

Finally, the current crisis has provided an opportunity to weigh up the advantages offered by new technologies. These have played a key role in ensuring business continuity, maintaining essential public services such as education, and facilitating the execution of support measures decided by the authorities. Our country has set up a dedicated agency, dematerialized several public administration processes, and made significant progress in several areas, particularly in the financial sector. However, recent developments have revealed the need for a more rapid implementation of a global digital strategy incorporating the coherence and complementarity of the various aspects of this transformation, in order to enhance stakeholders’ engagement.

Majesty,

Today, the world is experiencing a health, humanitarian and economic crisis of unprecedented proportions and largely uncertain implications and repercussions. Your Majesty's clear-sightedness, which made it possible, in 2011, to overcome a social and political shock that struck the Arab world and whose consequences are still being felt in several countries, has enabled Morocco to contain the pandemic and mitigate its impact on the population and the economy.

Nevertheless, the new post-crisis environment requires a new medium- and long-term vision that takes into account the changes and paradigm shifts already unfolding at the national and international levels.

The findings of the Commission on the Development Model that Your Majesty has put in place should contribute to shaping this vision. In view of the current situation and the upcoming 2021 elections, it is now more than ever necessary for the active forces to place the general interest of the country above any political or partisan campaigning and to rally behind Your Majesty. The ultimate goal is to preserve and strengthen our country's assets in order for it to emerge from this crisis more resilient and more willing to continue its long-term endeavour towards an accelerated, sustainable and inclusive development.

Abdellatif JOUAHRI

Rabat, June 2020

PART 1

ECONOMIC, MONETARY AND FINANCIAL SITUATION

1.1 International environment

Buffeted by the persisting trade disputes, particularly between the United States and China, and by the geopolitical tensions and the uncertainties surrounding the Brexit, the world economy slowed sharply in 2019. Its growth fell from 3.6 percent to 2.9 percent, its lowest level since the financial and economic crisis of 2008.

This unfavourable environment affected world trade too, which recorded its weakest growth in the last ten years, reaching 0.9 percent as against 3.8 percent in 2018. Similarly, foreign direct investment flows continued to decline, especially towards developed economies.

Despite these developments, labor market conditions remained favourable in advanced economies, with exceptionally low levels of unemployment in the United States and declining unemployment in the euro area.

As regards commodities, energy prices declined after two years of increases, mainly due to slower global demand. The decline also affected prices of agricultural products and of metals and minerals.

Against this background, inflation decelerated markedly in the major advanced economies and stood below central bank targets, while it accelerated slightly in emerging and developing countries.

Concerned about the outlook for growth and inflation, many central banks decided to suspend their monetary policy normalisation process and start a new round of easing. As a result, the Fed lowered the target range for the federal funds rate three times and slowed the process of reducing its balance sheet. For its part, the ECB maintained its accommodative stance by slightly reducing its deposit facility rate and resuming its asset purchase program.

As a result of such trends, sovereign rates eased and prompted yield-seeking investors to turn to equity markets. Despite the high level of uncertainty and the slower economic activity, equity markets performed exceptionally well, particularly in advanced countries. Such favourable monetary conditions also benefited bank lending, leading to its speeding up in the euro area and the United States, where it was mainly driven by consumer loans. On the foreign exchange markets, in addition to the appreciation of the dollar, which often serves as a safe haven in uncertain times, foreign exchange markets were also marked by the rise of the pound sterling as the prospect of a no-deal Brexit dissipated in the fourth quarter.

Alongside the above-mentioned economic and political developments, two major issues, namely the digital revolution and climate change, have risen to the top of the agenda of public authorities and private actors. In the financial sector in particular, while offering enormous opportunities, Fintech expansion raises complex challenges in terms of security and regulation, while its impact on the environment is increasingly becoming one of the major concerns of decision-makers.

1.1.1 Economic growth

After declining to 3.6 percent in 2018, global growth decelerated markedly to 2.9 percent in 2019, mirroring a slowdown from 2.2 percent to 1.7 percent in advanced countries and from 4.5 percent to 3.7 percent in emerging and developing economies.

Table 1.1.1: Global growth (%)

	2015	2016	2017	2018	2019
World	**3,4**	**3,4**	**3,9**	**3,6**	**2,9**
Advanced economies	**2,3**	**1,7**	**2,5**	**2,2**	**1,7**
United states	2,9	1,6	2,4	2,9	2,3
Euro area	2,1	1,9	2,5	1,9	1,2
Germany	1,5	2,2	2,5	1,5	0,6
France	1,1	1,2	2,2	1,7	1,3
Italy	0,9	1,1	1,6	0,8	0,3
Spain	3,6	3,2	3,0	2,4	2,0
United kingdom	2,3	1,8	1,9	1,3	1,4
Japan	1,2	0,5	2,2	0,3	0,7
Emerging and developing countries	**4,3**	**4,6**	**4,8**	**4,5**	**3,7**
Emerging and developing countries of Asia	**6,8**	**6,8**	**6,7**	**6,3**	**5,5**
China	6,9	6,8	6,9	6,7	6,1
India	8,0	8,3	7,0	6,1	4,2
Countries of Latin America and the Caribbean	**0,3**	**-0,6**	**1,3**	**1,1**	**0,1**
Brazil	-3,6	-3,3	1,3	1,3	1,1
Mexico	3,3	2,9	2,1	2,1	-0,1
Emerging and developing countries of Europe	**0,9**	**1,8**	**4,0**	**3,2**	**2,1**
Russia	-2,0	0,3	1,8	2,5	1,3
Turkey	6,1	3,2	7,5	2,8	0,9
Sub-Saharan Africa	**3,2**	**1,4**	**3,0**	**3,3**	**3,1**
South Africa	1,2	0,4	1,4	0,8	0,2
Middle East and Central Asia	**2,6**	**5,0**	**2,3**	**1,8**	**1,2**

Source: IMF.

In the United States, after two years of strengthening, economic activity slowed from 2.9 percent to 2.3 percent, mainly as a result of the heightened trade disputes with China and the dissipating effect of the expansionary fiscal policy conducted by the federal administration in 2018.

Similarly, growth declined from 1.9 percent to 1.2 percent in the euro area, mainly impacted by the strong deceleration of the German economy. The latter, under the impact of weaker external demand and the hardships of the automotive industry, experienced a limited increase in GDP of 0.6 percent, after 1.5 percent. Similarly, activity slowed from 1.7 percent to 1.3 percent in France, mainly reflecting lower exports. Owing among other things to political instability, which weighed on investment, growth fell from 2.4 percent to 2 percent in Spain and from 0.8 percent to 0.3 percent in Italy.

On the other hand, the buoyancy of domestic demand enabled growth to accelerate from 1.3 percent to 1.4 percent in the United Kingdom, despite the uncertainties associated with the Brexit, and from 0.3 percent to 0.7 percent in Japan, in spite of exports weakness.

In the main emerging countries, the Chinese economy slowed further, with a 6.1 percent rise in GDP after 6.7 percent, particularly due to trade tensions with the United States and to tighter financial regulation. In India, the uncertainties regarding business and environmental regulation, added to concerns about the soundness of non-bank financial institutions, resulted in a sharp slowdown of activity from 6.1 percent to 4.2 percent. Similarly, reflecting amongst other things weaker exports, growth decelerated from 1.3 percent to 1.1 percent in Brazil and from 2.5 percent to 1.3 percent in Russia.

In sub-Saharan Africa, growth declined slightly from 3.3 percent to 3.1 percent, with a marked slowdown from 0.8 percent to 0.2 percent in South Africa in particular, mainly due to power cuts that strongly affected business activity.

In the Middle East and Central Asia, economy is still wedged by geopolitical tensions, military conflicts as well as by the slower pace of activity among major trading partners, namely Europe and China. In fact, overall growth declined from 1.8 percent to 1.2 percent, mainly held back by a further 7.6 percent contraction in GDP, after 5.4 percent, in Iran and a sharp deceleration from 2.4 percent to 0.3 percent in Saudi Arabia.

1.1.2 Labor market

Despite the slowdown in economic activity and heightened global uncertainties, labor market conditions continued to improve in the major advanced countries. Conversely, developments in the major emerging economies diverged across countries.

In the United States, job creation remained strong in 2019, expanding by 2.1 million, after 2.7 million jobs a year earlier, while unemployment rate continued to decline from 3.9 percent in 2018 to 3.7 percent in 2019, its lowest level in nearly half a century. Under these conditions, wages rose sharply by 2.9 percent after 1.1 percent in 2018.

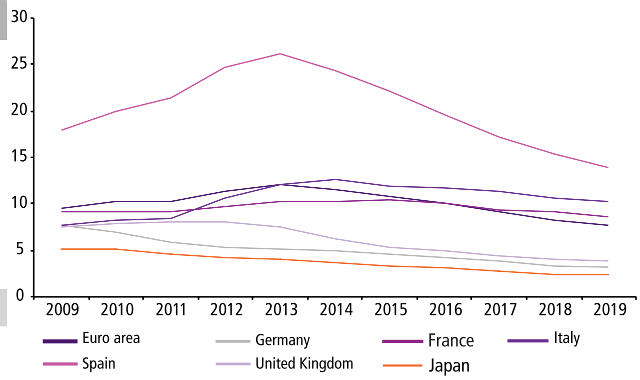
Similarly, unemployment in the euro area continued to decline for the sixth year running, with its rate falling year-on-year from 8.2 percent to 7.6 percent, its lowest level since 2008. This decline was accompanied by a 2.5 percent rise in wages, after 2.3 percent a year earlier. Employment improved in all major countries in the region, as unemployment rates fell from 9.0 percent to 8.5 percent in France, from 10.6 percent to 9.9 percent in Italy, from 15.3 percent to 14.1 percent in Spain and from 3.4 percent to 3.2 percent in Germany.

Table 1.1.2: Unemployment rate (%)

	2015	2016	2017	2018	2019
Advanced countries					
United States	5,3	4,9	4,3	3,9	3,7
Euro area	10,9	10,0	9,1	8,2	7,6
Germany	4,6	4,2	3,8	3,4	3,2
France	10,4	10,1	9,4	9,0	8,5
Italy	11,9	11,7	11,3	10,6	9,9
Spain	22,1	19,6	17,2	15,3	14,1
United Kingdom	5,4	4,9	4,4	4,1	3,8
Japan	3,4	3,1	2,8	2,4	2,4
Emerging countries					
Russia	5,6	5,5	5,2	4,8	4,6
China	4,1	4,1	3,9	3,8	3,6
Brazil	8,3	11,2	12,8	12,3	11,9

Source: IMF.

Chart 1.1.1: Unemployment rate in advanced countries (%)



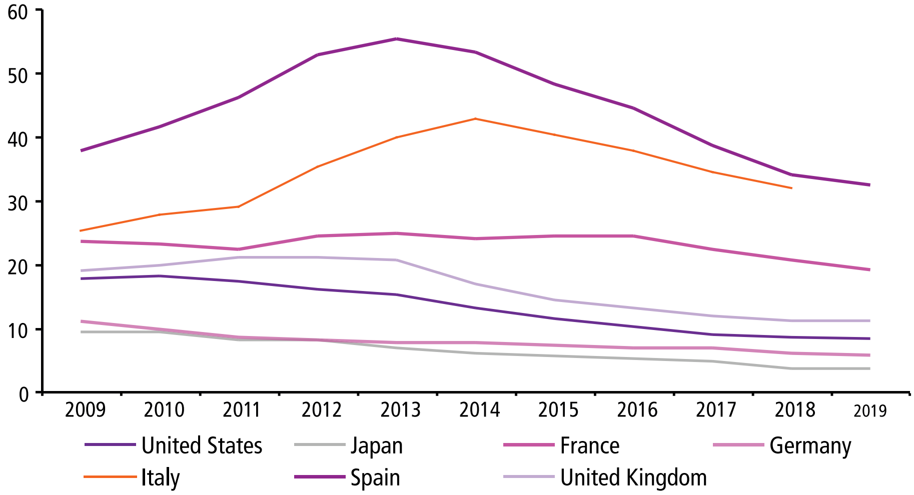
In the United Kingdom, the labor market remained buoyant with the unemployment rate falling from 4.1 percent to 3.8 percent, the lowest since 1974. Similarly, it stabilised at 2.4 percent in Japan, its lowest level since 1992.

In the major emerging economies, unemployment fell from 3.8 percent to 3.6 percent in China, from 12.3 percent to 11.9 percent in Brazil and from 4.8 percent to 4.6 percent in Russia. Likewise, it declined in North Africa from 10.9 percent to 8.6 percent in Egypt, from 15.4 percent to 14.9 percent in Tunisia and from 11.7 percent to 11.4 percent in Algeria. On the other hand, in South Africa, the rate reached 28.7 percent after 27.1 percent a year earlier.

As regards youth unemployment[1] in particular, available data for the advanced countries reveals its persisting downward trend, while remaining high in some euro area economies. Its rate thus fell from 20.8 percent to 19.6 percent in France, from 32.2 percent to 29.2 percent in Italy, from 34.3 percent to 32.5 percent in Spain, from 39.9 percent to 35.5 percent in Greece and from 6.2 percent to 5.8 percent in Germany. It also fell in the United States from 8.6 percent to 8.4 percent, and in the United Kingdom from 11.3 percent to 11.2 percent, while in Japan it remained almost stable at 3.8 percent.

1 People aged less than 25.

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



Source: Eurostat.

1.1.3 Commodity markets

Against a backdrop of slowing global demand, commodity prices plummeted overall in 2019, except for precious metals whose prices rose by 8.5 percent. After two consecutive years of rising, energy prices fell by 12.7 percent while non-energy ones fell by 4.2 percent.

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

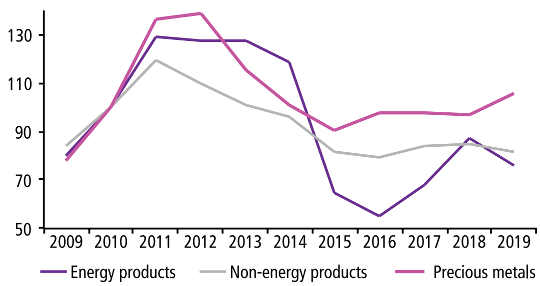
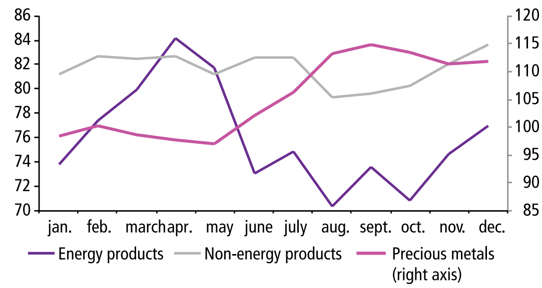


Chart 1.1.4: Monthly change in commodity price indexes in 2019 (2010=100)



Source: World Bank.

On the oil market, prices[1] dropped by 10.2 percent to average $61.4 per barrel. This change was mainly due to slower world demand, which increased year-on-year by merely 0.83 mb/d compared to an average of 1.57 mb/d over the previous two years. Meanwhile, despite the OPEC+[2] reduction agreement and U.S. sanctions against Iran and Venezuela, production increased, albeit at a slower pace than in the previous year, by 2.02 mb/d compared to 3.09 mb/d.

1 Average prices on the Australian and South African markets

2 OPEC+ refers to OPEC member countries as well as other partners including Russia.

Following the same trend, the price of natural gas fell by 25.5 percent, with a significant drop of 37.5 percent on the European market, mostly owing to abundant supply. This decrease, combined with ongoing efforts to reduce greenhouse gas emissions, weighed on the price of coal[1], which fell by 26.8 percent.

Chart 1.1.5: Annual change in energy price

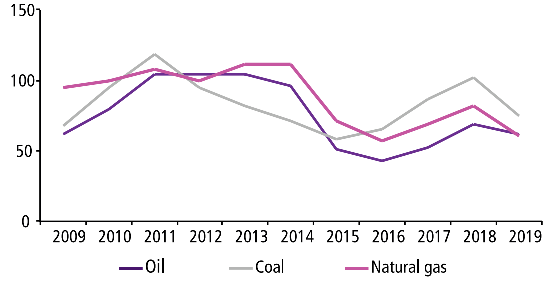
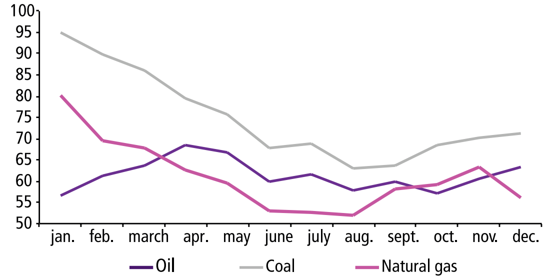


Chart 1.1.6: Monthly change in energy price in 2019



Source: World Bank

For their part, metal and mineral prices fell by 4.1 percent, particularly in view of the worldwide slowdown in manufacturing activity and of the difficulties encountered in reaching a trade agreement between the United States and China. More specifically, prices fell by 14.9 percent for aluminium, 8 percent for copper and 12.7 percent for zinc. On the other hand, prices rose by 34.5 percent for iron, mainly due to supply disruptions in Brazil and Australia, and by 6.1 percent for nickel, linked to higher demand for electric batteries and the announcement by Indonesia, the world's leading producer of this metal, to suspend its exports in 2020.

For their part, prices of agricultural products continued to fall, with a rate of 3.9 percent. More particularly, cereals showed contrasting trends, posting price increases of 3.4 percent for maize, 1.7 percent for barley and 3.6 percent for soft wheat, and decreases of durum wheat in particular, which fell by 3.9 percent. Under these conditions, and after an 11.1 percent increase in 2018, fertilizer prices fell by 1.4 percent overall, with declines of 22.1 percent to $306.4 per tonne on average for DAP, 15 percent to $294.6 for TSP and 1.7 percent to $245.3 for urea. Conversely, the price of rock phosphate remained almost stable at $88 per ton while that of potassium progressed by 18.6 percent to $255.5 per ton.

1 Average prices on Australia ans south Africca

Chart 1.1.7: Non-energy price indexes

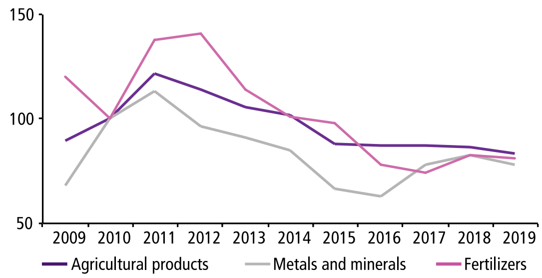
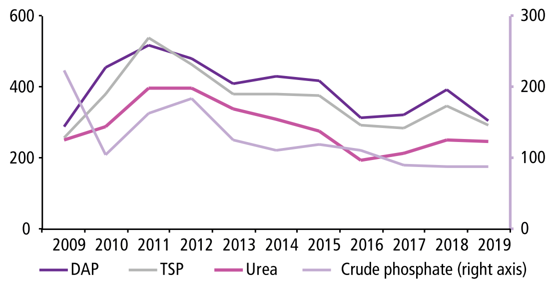


Chart 1.1.8: Prices of phosphate and fertilizers (dollar/tone)



Source: World Bank.

As regards precious metals, gold price increased by 9.7 percent to 1,392.5$ per ounce, mainly driven by strong demand, lower bond yields and mounting uncertainties. The price of silver also rose by 3.2 percent, while the price of platinum fell by 1.8 percent.

1.1.4 Inflation

Weak economic activity and declining commodity prices have had a significant impact on global inflation, which, after two years of rising prices, remained stable at 3.6 percent. This stagnation covers a slowdown from 2 percent to 1.4 percent in advanced economies and a pick-up from 4.8 percent to 5 percent in emerging and developing countries.

Table 1.1.3: Inflation in the world (%)

	2015	2016	2017	2018	2019
World	**2,8**	**2,8**	**3,2**	**3,6**	**3,6**
Advanced economies	**0,3**	**0,8**	**1,7**	**2,0**	**1,4**
United States	0,1	1,3	2,1	2,4	1,8
Euro area	0,2	0,2	1,5	1,8	1,2
Germany	0,7	0,4	1,7	2,0	1,3
France	0,1	0,3	1,2	2,1	1,3
Italy	0,1	-0,1	1,3	1,2	0,6
Spain	-0,5	-0,2	2,0	1,7	0,7
United Kingdom	0,0	0,7	2,7	2,5	1,8
Japan	0,8	-0,1	0,5	1,0	0,5
Emerging and developing countries	**4,7**	**4,3**	**4,3**	**4,8**	**5,0**
China	1,4	2,0	1,6	2,1	2,9
India	4,9	4,5	3,6	3,4	4,5
Brazil	9,0	8,7	3,4	3,7	3,7
Russia	15,5	7,0	3,7	2,9	4,5
Middle East and Central Asia	**6,9**	**10,7**	**10,7**	**8,3**	**8,4**

Source : IMF.

In the euro area, inflation moved away from the target set by the ECB[1], standing at 1.2 percent, as against 1.8 percent a year earlier. By main country, it fell from 2 percent to 1.3 percent in Germany, from 2.1 percent to 1.3 percent in France, from 1.2 percent to 0.6 percent in Italy and from 1.7 percent to 0.7 percent in Spain. It similarly slowed from 2.4 percent to 1.8 percent in the United States, from 1 percent to 0.5 percent in Japan and from 2.5 percent to 1.8 percent in the United Kingdom, where it was also affected by the fading effects of the pound sterling's depreciation.

Chart 1.1.9: Inflation in the world (%)

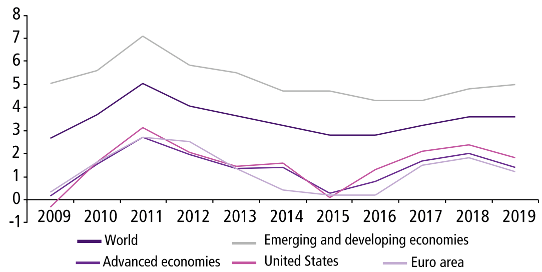
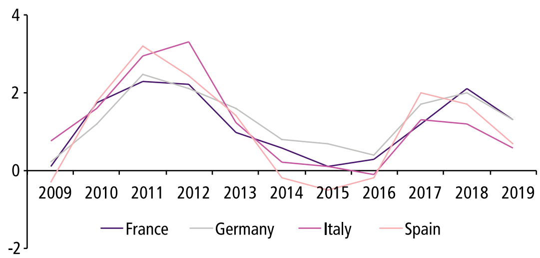


Chart 1.1.10: Inflation in the main economies of the Euro area (%)



Source: IMF.

On the other hand, inflation in emerging and developing countries speeded up overall from 4.8 percent to 5 percent, with very high levels in some countries due to widening macroeconomic imbalances, such as Argentina and Iran, where rates reached of 53.5 percent and 41.1 percent respectively. In the main economies, inflation rose from 2.1 percent to 2.9 percent in China, from 3.4 percent to 4.5 percent in India and from 2.9 percent to 4.5 percent in Russia, particularly affected by higher VAT. In North Africa, it continued to decelerate in Egypt while remaining high at 13.9 percent after 20.9 percent in 2018 and a peak of 23.5 percent in 2017. Similarly, it slowed from 7.3 percent to 6.7 percent in Tunisia and from 4.3 percent to 2 percent in Algeria.

1.1.5 Public finance

In the major advanced countries, the fiscal policy stance remained broadly neutral except in the United States where it remained relatively expansionary, albeit to a lesser extent compared to 2018, with a slightly wider budget deficit, from 5.7 percent to 5.8 percent of GDP. In the euro area, after eight years of uninterrupted consolidation, budget deficit widened from 2.3 percent to 3 percent in France, due to the measures taken by the authorities in response to the social tensions prevailing in the country in 2019, and also widened from 2.5 percent to 2.6 percent in Spain. In Italy, the Government's efforts to comply with the European Union's budgetary rules brought about a marked reduction in the deficit, which fell to 1.6 percent after 2.2 percent of GDP. In Germany, the surplus fell from 1.9 percent to 1.4 percent of GDP. For the United Kingdom, despite

1 The ECB's objective is to achieve an inflation rate "close to, but below, 2 percent".

the uncertainties associated with the Brexit, the deficit fell from 2.2 percent to 2.1 percent, while in Japan it widened from 2.4 percent to 2.8 percent of GDP.

Public debt increased from 106.9 percent to 109 percent of GDP in the United States while it declined from 85.9 percent to 83.7 percent of GDP in the euro area. In the main countries of the euro area, public debt fell to 59.8 percent of GDP in Germany and 95.5 percent in Spain, while it stagnated at 134.8 percent in Italy and rose slightly in France to 98.5 percent of GDP. On the other hand, the ratio declined to 85.4 percent in the United Kingdom and continued to evolve at high levels in Japan, reaching 237.4 percent of GDP.

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

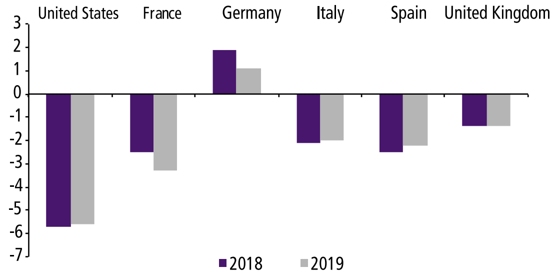
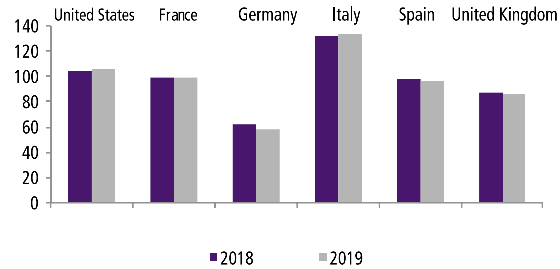


Chart 1.1.12: Public debt in the main advanced economies (% of GDP)



Source: IMF.

In the main emerging countries, public finances deteriorated overall in 2019. In fact, budget deficit widened to 6.4 percent of GDP in China and 7.4 percent in India, while it narrowed to 6 percent in Brazil. In Russia, the budget surplus fell from 2.9 percent to 1.9 percent of GDP, particularly due to lower energy prices. Public debt increased to 89.5 percent of GDP in Brazil, 71.9 percent in India, 54.4 percent in China and 14 percent in Russia.

Oil price decline also affected public finance in the main MENA exporting countries, particularly with a lower surplus budget balance in Qatar, Kuwait and the United Arab Emirates, and a higher deficit in Algeria. Meanwhile, debt ratios rose to 52.3 percent of GDP in Qatar, 46.3 percent in Algeria and 22.8 percent in Saudi Arabia.

1.1.6 External accounts

Buffeted by escalating trade tensions and by difficulties in certain industrial sectors, particularly the automotive industry, growth of world trade slowed significantly to 0.9 percent in 2019, after 3.8 percent in 2018. This trend is explained by slower exports, whose pace fell from 3.3 percent to 1.2 percent for advanced countries and from 4.1 percent to 0.8 percent for emerging and developing economies.

Thus, Germany, one of the main exporting countries, recorded a decline in its current account surplus from 7.4 percent to 7.1 percent of GDP, while it consolidated at 3.6 percent in Japan. At the same time, the current account deficit eased slightly in the United States and the United Kingdom, to 2.3 percent and 3.8 percent of GDP respectively.

In the main emerging economies, China's surplus balance strengthened from 0.4 percent to 1 percent of GDP, while India's deficit decreased from 2.1 percent to 1.1 percent. Oil-exporting countries were for the most part severely impacted by the price decline. Hence, surplus balance shrank from 6.8 percent to 3.8 percent of GDP in Russia, from 9 percent to 6.3 percent of GDP in Saudi Arabia, from 14.5 percent to 8.9 percent in Kuwait and from 8.7 percent to 2.4 percent in Qatar. In Iran, also suffering the effects of US sanctions, the current account balance went from a surplus of 2.1 percent to a deficit of 0.1 percent of GDP.

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

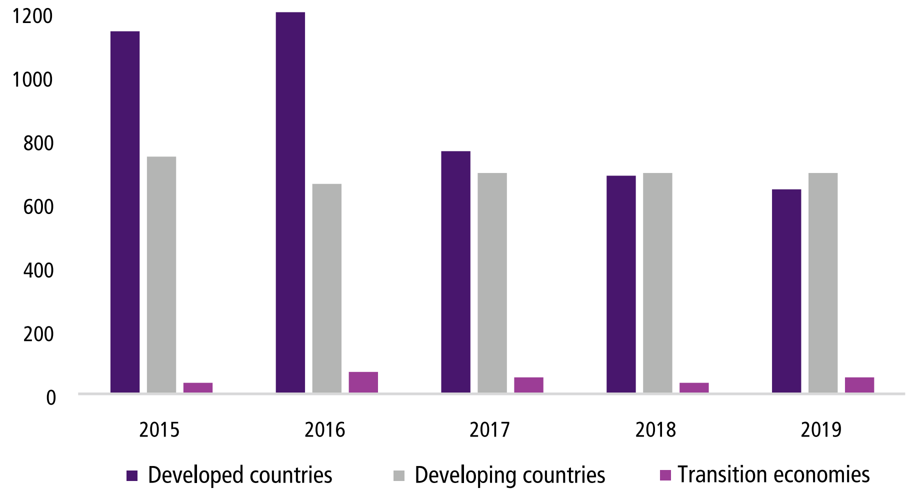
	2015	2016	2017	2018	2019
Advanced economies	**0,7**	**0,8**	**0,8**	**0,7**	**0,7**
United States	-2,2	-2,3	-2,3	-2,4	-2,3
Euro area	2,8	3,3	3,1	3,1	2,7
Germany	8,6	8,5	7,8	7,4	7,1
France	-0,4	-0,5	-0,7	-0,6	-0,8
Italy	1,4	2,6	2,6	2,5	3,0
Spain	2,0	3,2	2,7	1,9	2,0
United Kingdom	-4,9	-5,2	-3,5	-3,9	-3,8
Japan	3,1	4,0	4,1	3,5	3,6
Emerging and developing economies	**-0,2**	**-0,3**	**0,0**	**-0,1**	**0,1**
Emerging and developing countries of Asia	**2,0**	**1,4**	**0,9**	**-0,1**	**0,6**
China	2,7	1,8	1,6	0,4	1,0
India	-1,0	-0,6	-1,8	-2,1	-1,1
Countries of Latin America and the Caribbean	**-3,3**	**-2,0**	**-1,6**	**-2,4**	**-1,7**
Brazil	-3,0	-1,3	-0,7	-2,2	-2,7
Mexico	-2,6	-2,3	-1,8	-1,9	-0,2
Emerging and developing countries of Europe	**1,1**	**-0,2**	**-0,4**	**1,7**	**1,4**
Russia	5,0	1,9	2,1	6,8	3,8
Turkey	-3,2	-3,1	-4,8	-2,7	1,1
Sub-Saharan Africa	**-5,8**	**-3,8**	**-2,2**	**-2,5**	**-4,0**
South Africa	-4,6	-2,9	-2,5	-3,5	-3,0
Middle East and Central Asia	**-3,9**	**-4,1**	**-0,7**	**2,5**	**0,4**

Source : IMF.

Direct foreign investment, which contracted by 5.6 percent in 2018, fell again by 1 percent to USD 1,394 billion. This trend mainly reflects a 6 percent decline in inflows to developed economies to $643 billion, with a 15 percent drop to $305 billion in flows to the European Union and virtually stable flows to North America at $298 billion. For developing economies, the volume of inflows investment remained almost stable at 695 billion, reflecting a 6 percent decline to 473 billion in inflows to Asian developing countries and 16 percent increases in inflows to Latin America and the

Caribbean to 170 billion while those to Africa rose by 3 percent to 49 billion. On the other hand, FDI inflows to the economies in transition[1], which had remained low over the previous two years, increased by 65 percent to $57 billion, supported in particular by expectations of stronger growth.

Chart 1.1.13: FDI inflows (in billion dollars)



Source : UNCTAD.

Against this background, the main emerging countries increased their holdings of foreign exchange reserves. Thus, at the end of 2019, China's stock of reserves increased to USD 3,222.9 billion, equivalent to 15.6 months of imports of goods and services. Likewise, the stock increased to USD 460.2 billion in India, covering 9 months of imports, to USD 554.3 billion in Russia equivalent to 18.8 months of imports, and to USD 105.6 billion in Turkey, covering 5.6 months of imports. Conversely, it contracted in Brazil to $356.9 billion, covering 16.9 months of imports.

1.1.7 Monetary policies

In the United States, despite the sustained pace of economic activity and the favourable evolution of the labor market, the Fed reversed its monetary policy normalisation process which started in 2015, due to heightened downside risks stemming from the international environment and to fears of weaker inflationary pressures. Thus, it reduced the target range for the federal funds rate three times[2] by 25 basis points on each occasion, bringing it to [1.50 percent-1.75 percent] at the end of the year. At its March meeting, it also took steps to reduce the size of its balance sheet. These mainly consisted in slowing the monthly reduction in its Treasury bill holdings from USD 30 billion to USD 15 billion, as of May 2019, and then ending the process of reducing its total securities holdings by the end of September 2019.

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

2 During its meetings held in July, September, and October.

The change in the monetary policy stance was also reflected in its forward guidance communication. Indeed, during the first five months of the year, the FED stated that it will be patient as it determines what future adjustments to the target range for the federal funds rate may be appropriate. Subsequently, its communication suggested future rate cuts to support economic expansion, a strong labor market and an inflation rate close to its target. It should be noted that, at its last two meetings in 2019, the Bank adopted new wording[1] which, combined with the absence of any expected further increase in 2020, suggested a sustainable status quo in its policy stance[2].

In the euro area, against the background of persistently low inflation and slowing growth, the ECB implemented a set of measures to achieve a sustainable convergence of inflation towards its medium-term objective. These included : (i) reducing the interest rate on the deposit facility in September by 10 basis points to -0.50 percent[3] ; (ii) resuming net purchases under its asset purchase programme as of November 1, 2019 at a monthly rate of EUR 20 billion ; (iii) launching a third series of Targeted Longer-Term Refinancing Operations (TLTRO III), each with a maturity of three years, to be conducted between September 2019 and March 2021[4], with the primary aim of preserving favourable bank lending conditions and a smooth transmission of monetary policy; and (iv) introducing, at the end of October 2019, a two-tier system for reserve remuneration, which exempts part of the reserves held by euro area banks with the ECB from negative remuneration.

In terms of its forward guidance stance, the ECB stressed throughout the year the need for a very accommodative monetary policy for an extended period of time and expressed its readiness to provide further easing, using all the instruments at its disposal, in order to ensure that inflation continues to move in a sustainable manner towards its objective.

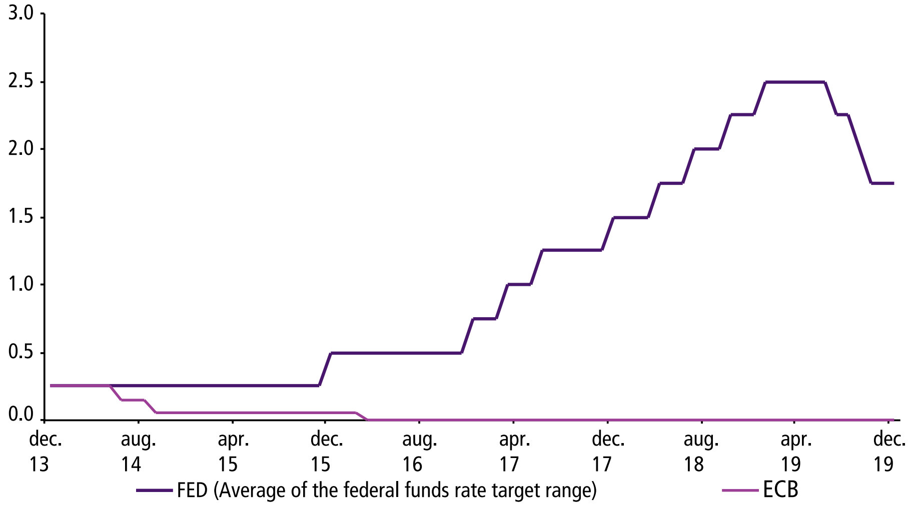
1 As of October 2019, the FED stated that it "will continue to monitor the implications of incoming information for the economic outlook, including global developments and muted inflation pressures, as it assesses the appropriate path of the target range for the federal funds rate". This wording replaces replaced the usual wording "act as appropriate to sustain economic expansion".

2 It should be noted here that President Trump has, throughout the year, put pressure on the Fed (often by way of comments just before or after Fed Committee meetings) to lower the target range for the federal funds rate. By way of illustration, on 26 August 2019, he estimated that: "as usual, the FED did nothing", and that "the US has a very strong dollar and a very weak FED". Even after the two rate cuts in July and September, he wrote on October 24 that " The Federal Reserve is derelict in its duties if it doesn't lower the Rate and even, ideally, stimulate. Take a look around the World at our competitors. Germany and others are actually getting paid to borrow money ". He criticised it for having " raised rates too fast and lowered them too slowly ".

3 As regards its other key interest rates, it kept them unchanged throughout the year, i.e. 0 percent for the rate on the main refinancing operations and 0.25 percent for the rate on the marginal lending facility.

4 As in previous operations, the maximum cumulative amount that each counterparty may borrow under TLTRO III depends on the outstanding amount of credit it has granted to non-financial corporations and households (excluding housing loans). The drawing limit for each operation is calculated by deducting from this amount the residual amount outstanding under TLTRO II and is capped at 10 percent of the outstanding amount of eligible loans.

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



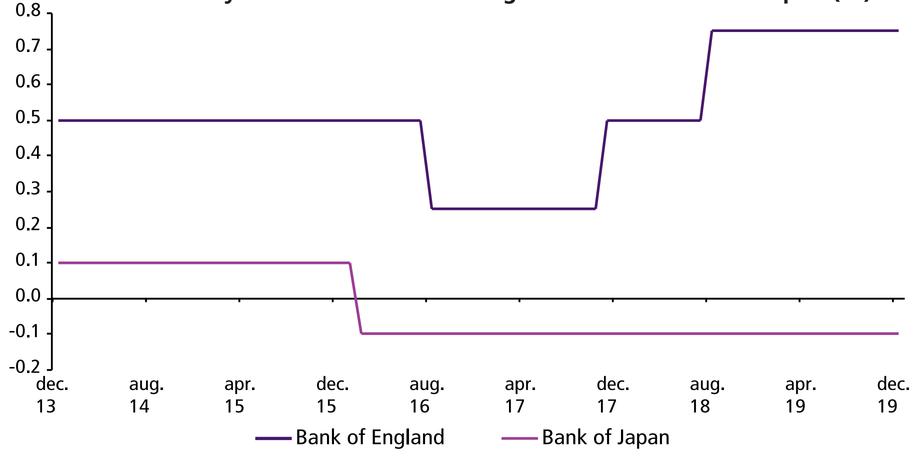
Source : Thomson Reuters.

Considering that inflation persists at levels close to its 2 percent target and that the outcome of Brexit is uncertain, the Bank of England has not changed its monetary policy. It thus kept its key rate unchanged at 0.75 percent and the stock of its bond purchases at £10 billion for non-financial corporate bonds and £435 billion for sovereign bonds. In addition, it reiterated throughout the year that, in choosing the appropriate path for its monetary policy, it considered the possible impact of businesses and households' reactions to Brexit-related developments as well as of the prospects of global growth rebound on the balance between demand, supply and the exchange rate.

Meanwhile, with inflation well below its 2 percent target, the Bank of Japan (BoJ) continued its ultra-accommodative policy. Thus, it kept its short-term interest rate unchanged at -0.1 percent and the yield on the 10-year government bond at around 0 percent. Regarding its asset purchases, the Bank maintained its annual pace at JPY 80,000 billion for Treasury bills, JPY 6,000 billion for securities of listed funds and JPY 90 billion for those of real estate mutual funds[1]. In terms of forward-looking communication, the BoJ reiterated throughout the year its intention to keep rates at or below current levels, maintain its asset purchases and, if necessary, implement further easing measures until inflation reaches and sustainably evolves above its target.

1 Based on the Reuters mid-day exchange rate of YEN/USD as of April 21, 2020, these amounts represent the equivalent of $7,448 billion, $55 billion and $860 million and $837.9 million respectively.

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



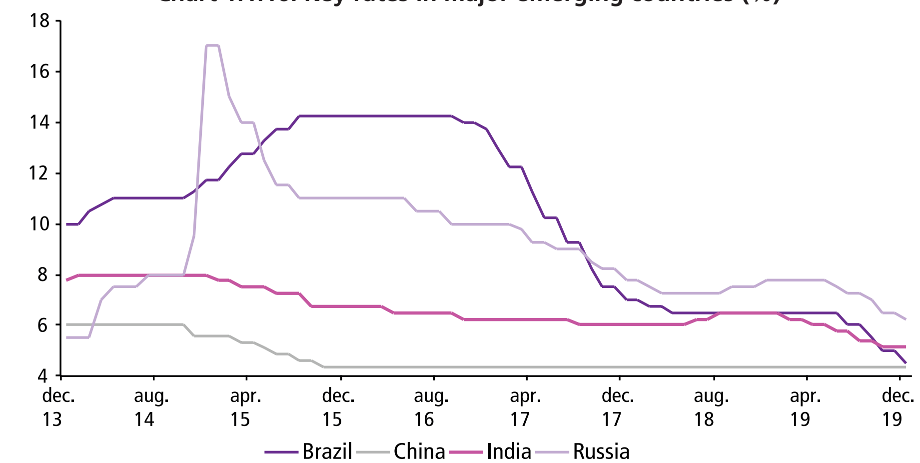
Source : Thomson Reuters.

Turning to the major emerging economies, the Central Bank of China kept its key rate unchanged at 4.35 percent. Also, in order to support the economy and reduce financing costs for the private sector, especially SMEs, it lowered the reserve requirement rate three times, from 14.5 percent to 13 percent for large banks and from 12.5 percent to 11 percent for small banks.

In India, against the backdrop of slowing growth and in view of the evolution of inflation around the median target of 4 percent, the Central Bank decided, as of February 2019, to change the stance of its monetary policy from neutral to accommodative. It reduced its key rate five times for a total of 135 basis points, bringing it to 5.15 percent at the end of the year.

Besides, the Central Bank of Brazil continued to support the gradual recovery of the economy by lowering its key rate four times totalling 200 basis points to 4.5 percent. Similarly, the Central Bank of Russia also reduced its key rate five times from 7.75 percent to 6.25 percent, mainly due to the continued deceleration of inflation and to lower-than-expected economic performance.

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



Source : Thomson Reuters.

1.1.8 Financial markets

Despite a generally unfavourable context marked by the escalating trade dispute between the United States and China, the uncertainties surrounding Brexit and the heightened geopolitical tensions, particularly in the Middle East, stock markets performed exceptionally well (see Box E1.1.8.1). Significant increases were recorded, reaching 22.3 percent for the Dow Jones Industrials, 24.8 percent for the EUROSTOXX 50, 18.2 percent for the NIKKEI 225 and 12.1 percent for the FTSE 100. These developments were accompanied by a sharp decline in volatility[1] in both the US and European markets, with the VIX halving to 13.8 at the end of 2019 and the VSTOXX falling from 23.9 to 14. For the main emerging markets, the MSCI EM[2] rose by 15.4 percent, with increases of 20.9 percent for China, 6.1 percent for India and 7.3 percent for Turkey.

Chart 1.1.17: The major stock market indexes in advanced countries

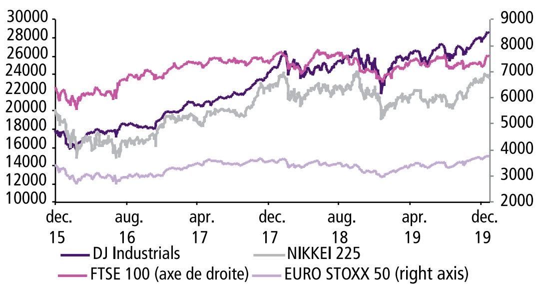


Chart 1.1.18: Stock markets volatility indexes

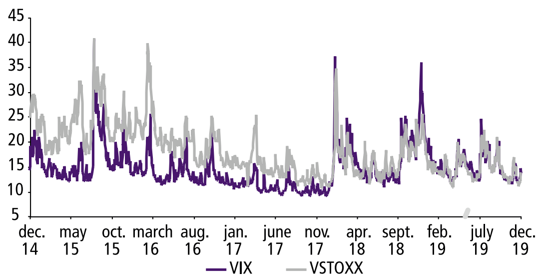
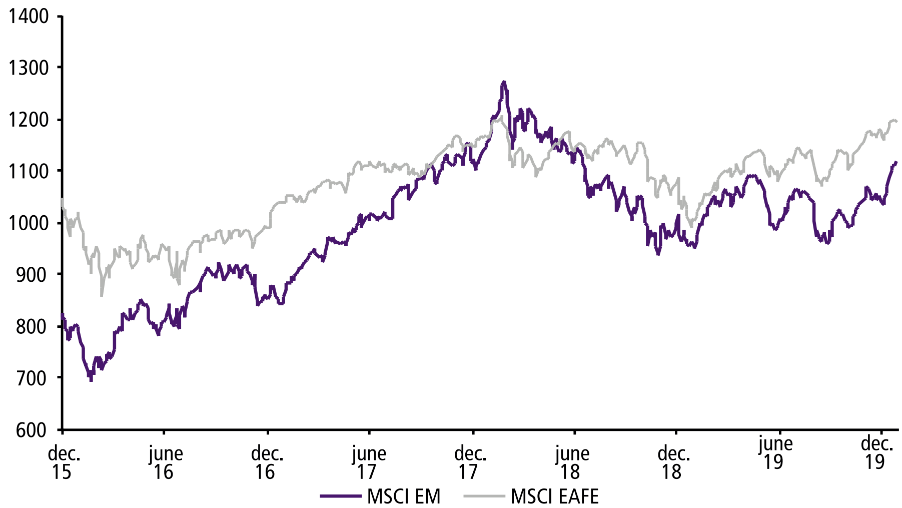


Chart 1.1.19: MSCI EM and MSCI EAFE[1]



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

Source : Thomson Reuters.

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

2 The MSCI EM is a composite index covering the stock markets of several emerging economies.

Box 1.1.1: Liquidity Abundance, Causes and Consequences

In response to the financial and economic crisis of 2008, central banks in the major advanced countries had to resort to unconventional instruments and pursue very accommodative monetary policies. As a result, they reduced their key interest rates to levels close to zero and carried out massive asset purchases under quantitative easing programmes. Such purchases resulted in an inflated size of their balance sheets and an overabundant liquidity at the global level.

Combined with the renewed appetite for risk in a context of easing sovereign bond yields, this situation led yield-seeking investors to turn to equity markets. The latter experienced exceptional euphoria despite a climate of heightened uncertainty arising from the trade war between the United States and China, geopolitical tensions in the Middle East, the exit of the United Kingdom from the European Union and the political crisis in Hong Kong. Thus, the S&P 500 index recorded its best performance since 1997, with a 28.9 percent increase, whilst the EUROSTOXX 50 jumped by 24.8 percent, its strongest rise since 1999. This increase in risk appetite was accompanied by a lower volatility, with a significant decrease in the VIX and the VSTOXX.

Alongside this euphoria on the stock markets, the low interest rate and excess-liquidity environment led to higher unprecedented debt levels and at an unparalleled pace over the past 50 years. According to the IMF, the debt of the world economy, all sectors combined, would have increased by 14.6 percent in 2018, reaching a record level of around USD 188 trillion, or 230 percent of world GDP. In the advanced economies, it has reached its highest level since World War II, while in the emerging markets, it reached levels close to those recorded during the debt crisis of the 1980s. The United States and China alone account for around 60 percent of the increase in debt. As regards low-income countries, their debt has risen sharply over the last five years and, according to the IMF, 43 percent of them are already in distress or at high risk of over-indebtedness.

In this context, the IMF stressed that this expansion, two-thirds of which is driven by the private sector, does not follow the real economic cycle and poses a risk to financial stability and growth in the global economy.

In the sovereign bond market, yields were impacted downwards by the accommodative stance of monetary policies, particularly in the advanced countries, as well as by the growing concerns about a slowdown in the global economy. In the United States, the year was marked by a shift in the yield curve[1] in the second half of August. Even if short-lived, this event aroused fears insofar as it was interpreted as a sign of a deterioration in the economic outlook, or even a recession. Overall, over the year, yields fell back, with 10-year yields in particular falling by 78.1 basis points to 1.9 percent at the end of 2019.

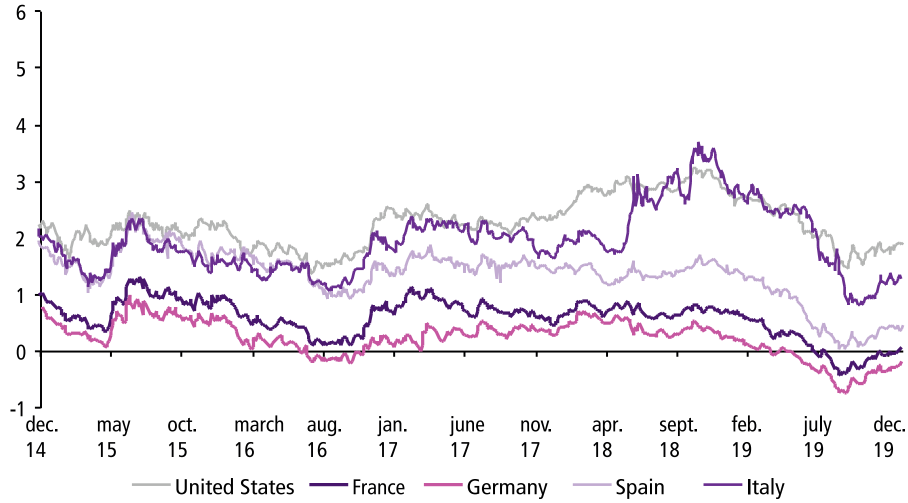
1 The 10-year T-bill rate has moved below the 2-year rate.

In the euro area, investors' search for less risky assets made German sovereign bonds even more attractive, with yields falling further to exceptionally low levels. As a result, the 10-year bond rate started to move into negative territory from May onwards, reaching an all-time low of -0.7 percent in mid-August and ending the year down 43.3 basis points to -0.2 percent. In Italy, the rate rose temporarily in August following the implosion of the government coalition, which was in power for 14 months, but from one end of the year to the next it fell by 145.9 basis points to 1.3 percent.

In the other economies of the euro area, 10-year rates also fell, reaching 62.6 basis points to 0.7 percent in France, 95.2 basis points to 1.4 percent in Spain, 127.5 basis points to 0.8 percent in Portugal and 308.8 basis points to 1.9 percent in Greece.

The same downward trend was observed in the major emerging economies with declines from 8.5 percent to 6.4 percent for Brazil, from 3.3 percent to 3.2 percent for China, from 7.4 percent to 6.6 percent for India and from 15.8 percent to 12 percent for Turkey.

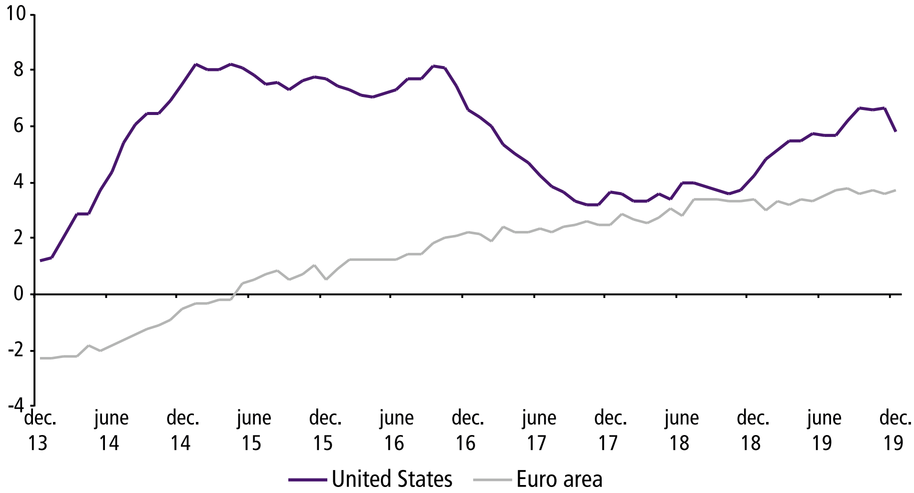
Chart 1.1.20: Change in 10-year sovereign rates of the USA and of the main countries of the Euro area (%)



Source : Thomson Reuters.

Bank lending in the major advanced countries continued to benefit from the accommodative stance of monetary policy. It thus grew by 3.5 percent, as against 3.1 percent in 2018 in the euro area, and by 5.8 percent, after 3.7 percent in the United States. In the latter, developments included a significant increase in consumer credit and a slowdown in housing and commercial real estate loans. The main emerging economies showed contrasting trends, with an acceleration from 2.6 percent to 7.3 percent in Brazil and slowdowns from 21.6 percent to 17.9 percent in China and from 15 percent to 14.9 percent in Russia.

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



Source : Thomson Reuters.

Chart 1.1.22: Euro Vs Dollar

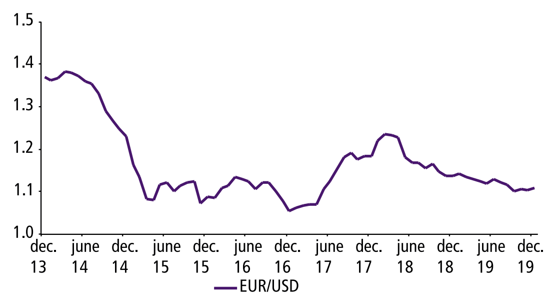
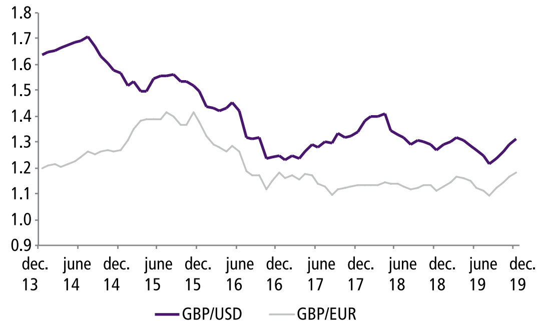


Chart 1.1.23: Exchange rate of the Sterling



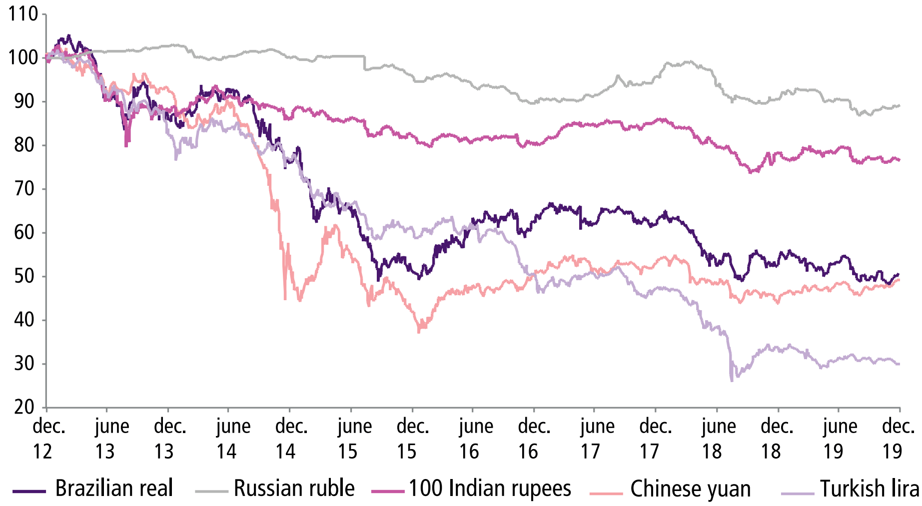
Source : Thomson Reuters.

On the foreign exchange markets, the year was marked by a further depreciation of the euro against the dollar, mainly impacted by interest rate differentials and the sluggish growth in the euro area. At the end of the year, it stood at USD 1.11, representing a 2.4 percent loss in value compared to the end of 2018. As for the pound sterling, it developed unevenly and ended the year up by 3.5 percent against the dollar and 5.9 percent against the euro, supported in particular by the dissipation, as of October, of the prospect of a no-deal Brexit[1].

With regard to the currencies of the main emerging economies, their evolution was mainly affected by the persistent high uncertainty and the economic slowdown observed in some of them. Thus, with the exception of the Russian rouble, which appreciated by 12.6 percent against the dollar, the other currencies posted depreciations of 1.2 percent for the Chinese yuan, 2.5 percent for the Indian rupee, 3.4 percent for the Brazilian real and 11.1 percent for the Turkish lira.

1 In October 2019, the EU and the UK Government reached agreement on the modalities of Brexit, and the European Council agreed to extend the exit date to January 31, 2020 instead of October 31, 2019. In December, early elections resulted in a landslide victory for the Conservative Party, allowing the Prime Minister to have the agreement ratified by the UK parliament in early January 2020.

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



Source: Thomson Reuters.

Box 1.1.2: Development of Central Banks' digital currencies: challenges and opportunities

Crypto-assets market development: Reminder

Among the multiple implications of the recent digital revolution is the emergence, as of 2009, of virtual exchange instruments commonly referred to as "crypto-assets". Their expansion is partly explained by the collapsing confidence in some banking systems at the peak of the international financial crisis. These instruments mostly originate from private initiatives, which makes their use limited by the lack of legal guarantees. These virtual assets are exchange instruments for conducting transactions between a network's members through a decentralised payment system, based on Distributed Ledger Technology (DLT). Crypto-assets cannot be considered as currency as they do not fully fulfil the three related functions, that is a medium of exchange, a unit of account, and a store of value. Indeed, they are only accepted by a limited number of traders, have no intrinsic value and experience high volatility that reflects their speculative nature.

Despite these constraints, some of these crypto-assets continued to expand considerably. According to a recent study conducted by the European Parliament[1], more than 5100 crypto-assets were listed at the beginning of 2020 (compared to 1300 early 2018), with a total capitalisation of more than 250 billion dollars, after a peak of more than 800 billion dollars in January 2018[2], dominated by the Bitcoin up to 63 percent (159 billion dollars). More recently, this market witnessed the emergence of a new generation called " stablecoins"[3] designed to be less volatile than their predecessors as they are essentially fully backed by a single currency or basket of currencies. As indicated in a study by the Banque de France[4], their purpose is to reconcile the features of crypto-assets - notably decentralisation - with the features of legal tender - notably the stability of purchasing power. However, owing to their volatility, limited number and high market concentration, these assets are having little success. Indeed, still according to the Banque de France study, only about sixty stablecoins are in circulation today, and their total capitalization reached 4.3 billion dollars in July 2019, dominated by the Tether, a stable coin backed by the dollar at 81 percent. However, the emergence of global actors - notably the Facebook LIBRA initiative announced in June 2019 - wishing to issue stablecoins that could be used by a wide audience, could give them a global dimension and systemic reach.

While recognising the opportunities that such initiatives offer for improving payments and meeting market and consumer expectations, international regulators and authorities are highlighting the challenges involved in the areas of consumer protection, taxation, cyber security, money laundering and the financing of terrorism. Global Stablecoins would not only amplify these challenges, but also entail risks for the monetary sovereignty of central banks and countries, for monetary policy, for payment system security and for financial stability. Based on a G7 report, the European Council and Commission stated in December that no global stablecoin project should be implemented in the European Union until the legal, regulatory and supervisory challenges and risks have been properly identified and addressed.

Against this background, some Central Banks have launched reflections on the opportunity to issue their own digital currency (CBDC). It is defined by the Bank for International Settlements (BIS) as a new digital form of central bank money, which is distinct from the account holdings (settlement and reserve accounts) of commercial banks held on the books of the central bank, and which could be aimed both at financial institutions and the general public. Two types of CBDCs are possible: (i) retail CBDCs, which would be accessible to the general public either in the form of an account with the Central Bank or as a digital token that could be used directly for retail payments; and (ii) wholesale CBDCs, which would be accessible only to financial institutions for interbank or securities settlement.

1 Study conducted by the Directorate General for Internal Policies, European Parliament, Crypto-assets Key developments, regulatory concerns and responses (April 2020), authors: Prof. Dr. Robby HOUBEN & Alexander SNYERS.

2 Based on data from https://coinmarketcap.com/ used in the above-mentioned study.

3 According to a Financial Stability Board paper entitled "Regulatory issues of stablecoins" (December 2019), a stablecoin can be defined as a crypto-asset designed to maintain a stable value relative to another asset (typically a currency or commodity unit) or a basket of assets.

4 Banque de France Working Paper, Stablecoins: A brave new world? (March 2020).

Benefits and Risks of a CBDC

Issuing a CBDC would allow Central Banks in particular : (i) preserve their monetary sovereignty in the face of private initiatives to develop "stablecoins"; (ii) guarantee access for all to central bank money in economies experiencing a slowdown in the use of banknotes and coins; (iii) strengthen financial inclusion in countries with low levels of banking; and (iv) take advantage of technological innovations, including distributed ledger technology, with a view to increasing the efficiency of payment systems in terms of cost and timeliness.

In addition, some research studies[5] suggests that a retail CBDC with an interest rate could improve the monetary policy transmission mechanism. For example, if the central bank were to raise its key rate, to which the CBDC remuneration would be aligned, commercial banks would be forced to pass the increase on to deposit rates in order to maintain this source of funding. However, this conclusion is not unanimous, as deposit remuneration rates do not necessarily react sensitively to the key rates, and small depositors tend to be less sensitive to those rates than large investors."

In addition, commercial banks take several factors into account in determining their remuneration rates, including long-term rates which depend on credit risk premiums and liquidity. Overall, as highlighted by the BIS Committee on Payments and Market Infrastructure[6], it is not well established that the CBDC improves monetary policy transmission.

In terms of banking intermediation, preferring CBDC could lead to unstable bank deposits, which constitute a steady and lower-cost source of funding for commercial banks. Commercial banks would thus have to resort to other more expensive sources and, in order to preserve their profitability, raise their lending rates and/or fees for their services.

Turning to financial stability, in the event of systemic stress, banking panics could spread more quickly if economic agents are given the opportunity to convert their deposits in commercial banks into risk-free digital liabilities with the Central Bank. In the case of a non-resident CBDC used in cross-border transactions, instability risks would be amplified."

On the other hand, issuing an CBDC increases the cyber-security risk to which central banks are exposed, especially in the case of a retail currency. It could also be a source of reputational risk, as the anonymity of transactions could make it difficult to comply with anti-money laundering and anti-terrorist financing requirements.

5 Committee on Payments and Market Infrastructures, Central Bank Digital Currencies (March 2018) and the Banque de France, (January 2020).

6 Committee on Payments and Market Infrastructures, Central Bank Digital Currencies (March 2018)

Experiments conducted by Central Banks

According to a BIS survey of 66 central banks carried out at the end of 2019[7], 80 percent of them have begun to reflect on the CBDC. Among them, 40 percent have moved from a stage of conceptual development to a phase of piloting or feasibility studies, and 10 percent have already launched pilot projects. One out of 10 Central Banks surveyed consider the issuance of a CBDC likely within the next three years. Central banks in emerging and developing economies would be most interested in developing this new currency with the aim of improving financial inclusion and the efficiency of means of payment.

The Swedish Central Bank has one of the most advanced experiences in this field, having launched a project to deploy a retail CBDC, called "e-krona", at the end of 2018. The aim is to offset the decline in cash payments, which fell between 2010 and 2018 by almost two-thirds[8]. In the same vein, the Central Bank of China announced in August 2019, though without communicating a timetable, the upcoming launch of an CBDC called "Digital Currency Electronic Payment" which would serve in particular as an alternative to the payment solutions offered by large Chinese companies and facilitate the settlement of interbank transactions.

In this context, cooperation between Central Banks in the field of CBDC is being enhanced, in particularly with the creation in January 2020 of a group composed of six Central Banks (Bank of England, Bank of Canada, ECB, Bank of Japan, the Central Bank of Sweden and Swiss National Bank) and the BIS to foster experience sharing in terms of development and technologies employed.

For its part, the IMF, while calling on each country to assess the advantages and disadvantages according to its specificities, advocates a public-private partnership that would enable the Central Bank to achieve the objectives of issuing CBDC and, by exploiting the innovative capacities of private companies, reduce its costs and operational risks. This solution, called "synthetic CDBC", would be based on a model where private firms would issue to the public a digital currency backed by the Central Bank's reserves and subject to its supervision[9].

Regarding Bank Al-Maghrib, the development of CBDCs is regularly monitored through studies and experiences. However, a possible initiative in this area would only be possible after further improvement in financial inclusion and reduced cash circulation, which implies a certain change in the habits of the use of payment means.

7 BIS (Bank for International Settlements), Impending arrival – a sequel to the survey on central bank digital currency (January 2020).

8 Sveriges Riksbank, The Riksbank's e-krona project - Report 2 (October 2018)..

9 IMF Blog, Central Bank Digital Currencies: 4 questions and Answers (December 2019).

1.2 Production and demand

In 2019, national economy decelerated anew to 2.5 percent after 3.1 percent a year earlier. This evolution is mainly explained by the 5.8 percent contraction of agricultural value added, due to unfavourable climatic conditions, while non-agricultural VA accelerated from 2.9 percent to 3.8 percent. Activity strengthened significantly in the "electricity and water", "transport" and "general public administration and social security" branches, while it particularly slowed down in the "processing industries" and "hotels and restaurants" branches, and continued to evolve weakly in the construction sector, albeit its improvement from one year to the next.

On the demand side, its domestic component weakened as household consumption decelerated and investment slowed markedly. Its contribution to growth thus fell from 4.4 percentage points to 2 points. The participation to growth of the net exports in volume turned positive again to 0.5 percentage point, after having been negative by 1.2 percentage points in 2018.

At current prices, gross domestic product (GDP) amounted to 1,151.2 billion DH, up 3.9 percent. Taking into account the 3.9 percent increase in the net outflow of property income and the 0.1 percent increase in net current transfers from abroad, the gross national disposable income (GNDI) amounted to 1,203.4 billion DH, up by 3.6 percent.

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

	2013	2014	2015	2016	2017	2018	2019
Primary sector	**17.8**	**-2.3**	**11.5**	**-12.5**	**13.1**	**2.4**	**-4.6**
Agriculture, forest and services	17.2	-2.2	11.9	-13.7	15.2	3.7	-5.8
Fisheries, aquaculture	26.8	-4.0	7.3	1.1	-8.3	-11.0	8.3
Secondary sector	**0.6**	**3.5**	**1.8**	**0.6**	**3.6**	**3.0**	**3.5**
Extraction industry	-1.2	3.0	-2.1	0.1	17.1	4.4	2.4
Manufacturing industry	-0.7	4.1	2.3	0.1	2.5	3.5	2.8
Electricity and water	14.9	1.3	6.2	2.5	3.3	5.3	13.2
Construction	1.6	2.6	0.7	1.6	1.8	0.1	1.7
Tertiary sector	**1.9**	**2.3**	**1.7**	**2.9**	**2.8**	**3.1**	**3.8**
Trade	-2.0	1.6	0.5	5.3	3.2	2.3	2.4
Hotels and restaurants	4.7	2.2	-1.3	3.6	11.5	6.0	3.7
Transport	1.0	3.6	3.2	1.4	3.7	3.7	6.6
Post and telecommunication	2.9	5.2	2.8	6.9	0.8	2.8	0.3
Financial activities and insurance	0.2	2.5	2.6	0.2	3.8	3.4	4.6
Real-estate, renting and services to businesses	1.5	2.7	4.2	4.4	3.6	5.3	4.1
General government and social security	3.7	2.5	0.5	1.6	2.4	2.2	5.0
Education, health and social work	5.0	1.4	0.1	1.4	-0.9	0.7	2.4
Other nonfinancial services	2.9	0.2	3.4	3.0	1.0	1.6	2.9
Nonagricultural value added	**1.8**	**2.7**	**1.8**	**2.1**	**2.9**	**2.9**	**3.8**
Total value added	**3.7**	**2.0**	**3.0**	**0.1**	**4.4**	**3.0**	**2.5**
Taxes on products net of subsidies	**14.6**	**9.7**	**18.1**	**8.8**	**3.1**	**4.6**	**2.0**
GDP	**4.5**	**2.7**	**4.5**	**1.1**	**4.2**	**3.1**	**2.5**

Source : HCP.

1.2.1 Production

After a sharp deceleration to 2.4 percent in 2018, the value added of the primary sector contracted by 4.6 percent, covering a 5.8 percent decrease, as against a 3.7 percent increase, in agricultural value added and an 8.3 percent improvement, instead of an 11 percent decline, in that of fisheries.

Climatic conditions of the 2018/2019 crop year recorded, on 22 April, a rainfall deficit of 27.3 percent compared to the previous year and a poor temporal distribution, with nearly three-quarters of the cumulative rainfall recorded between October and December. The area sown fell by 20.7 percent to 3.6 million hectares and the average cereal yield dropped by more than a third to 14.6 quintals per hectare. As a result, the harvest of the three main cereals decreased by almost half to 51.9 million quintals, of which 26.8 million quintals of soft wheat, 13.4 million quintals of durum wheat and 11.6 million quintals of barley.

For other crops, production fell by 7.1 percent for market gardening and by 2.7 percent for sugar crops. Conversely, it improved by 9.8 percent for forage crops, 15.1 percent for citrus fruit and 22.5 percent for olives, which reached a record level of 1.9 million tonnes.

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

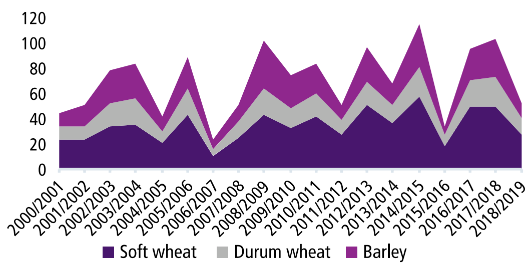
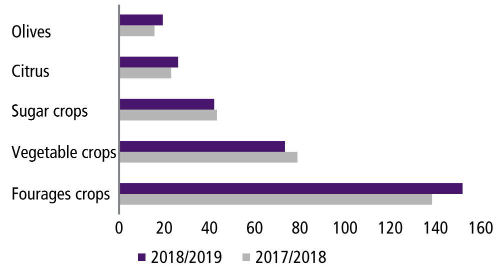


Chart 1.2.2: Production of the main crops excluding cereals (in millions of quintals)

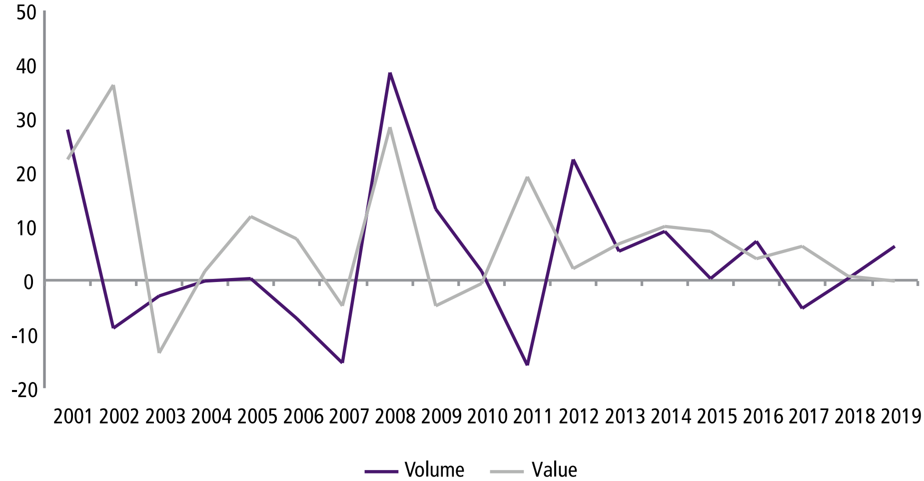


Source: Ministry of Agriculture, Maritime Fisheries, Rural Development, Waters and Forests.

Regarding coastal and artisanal fishing[1], the volume of marketed products increased by 6.3 percent to nearly 1.4 million tons, while their value, on the other hand, almost stabilized at 7.3 billion DH. By species, production increased by 5.4 percent for pelagic fish, which account for 90 percent of the total, by 8.6 percent for white fish and by 25.9 percent for cephalopods. Conversely, it fell by 3.9 percent for crustaceans.

1 For deep sea fisheries, data for the year 2019 are not yet available.

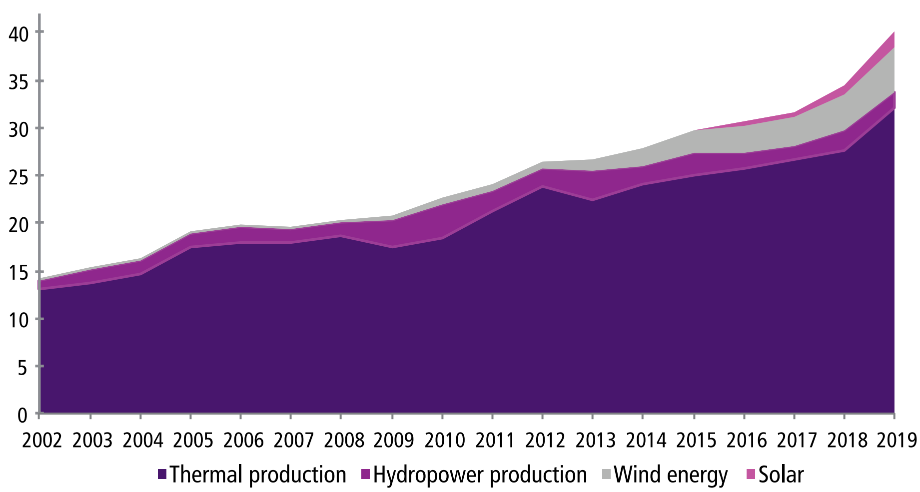
Chart 1.2.3: Marketed production of small-scale and artisanal fishing (in millions of quintals)



Source: National Fisheries Office.

In the secondary sector, the pace of activity accelerated from 3 percent to 3.5 percent and its contribution to growth amounted to 0.9 percentage point. VA of the "Electricity and Water" branch expanded by 13.2 percent, after 5.3 percent a year earlier, reflecting a 16.9 percent rebound in electricity production, after 8.2 percent. Thermal electricity, representing 80 percent of the total, marked a significant increase by 16.5 percent following the start-up of the Safi power plant at end-2018. As regards renewable sources, production increased by 22.4 percent for wind power and by 66.4 percent for solar power, while it decreased by 17.2 percent for hydropower, which suffered from low rainfall. Conversely, consumption almost stagnated, as imports dropped by 85.9 percent while exports have more than quadrupled. In 2019, Morocco was thus a net electricity exporter with a positive balance of nearly 928 GWh.

Chart 1.2.4: Production of electricity by source (in thousands of GWH)



Source: ONEE.

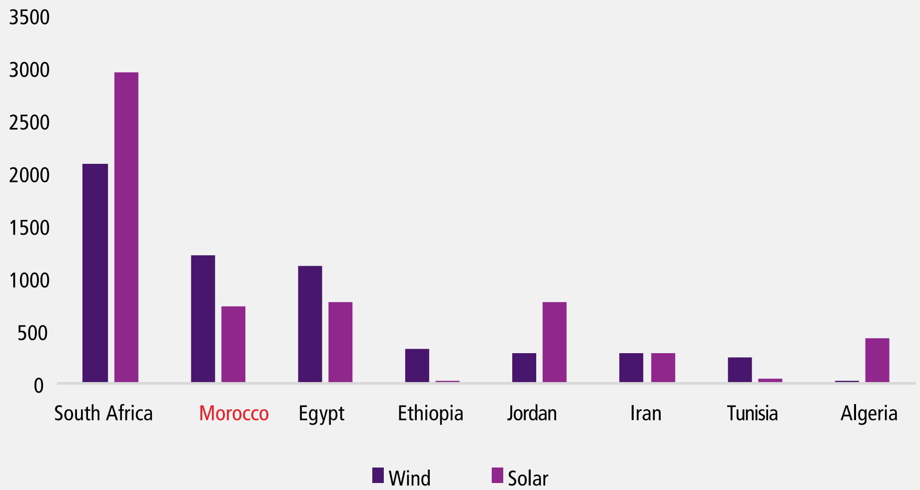
Box 1.2.1: Energy Transition in Morocco

In order to cope with the sustained increase in national demand for energy and to reduce its energy dependence, Morocco launched, in 2009, a strategy focused on diversifying supply, particularly by developing capacity from renewable sources. In view of the country's potential, the plan aims to increase the weight of the latter in the electricity mix to 42 percent by 2020, with a 14 percent share for each of the hydro, wind and solar sources, and to 52 percent by 2030.

At the end of 2019, the total installed capacity reached 10,946.1 MW, up 78.3 percent compared to 2009, with 64 percent of the additional capacity being thermal, 21 percent wind and 15 percent solar. Its structure is dominated by thermal energy with a share of 66.3 percent against 68 percent in 2009, while that of renewable sources increased by 1.6 points to 33.7 percent overall. This proportion increased by 7.5 points to 11.1 percent for wind power, by 6.4 points to 6.4 percent for solar energy, whereas it decreased by 12.3 points to 16.2 percent for hydropower.

These achievements emerge from a major investment effort. According to the United Nations Environment Programme[1], Morocco was ranked 17th in 2018 among the most efficient countries in terms of investment in renewable energies. Similarly, statistics from the International Renewable Energy Agency show that the Kingdom is currently the second country in Africa and the first in the MENA region in terms of installed capacity of non-hydroelectric renewable sources.

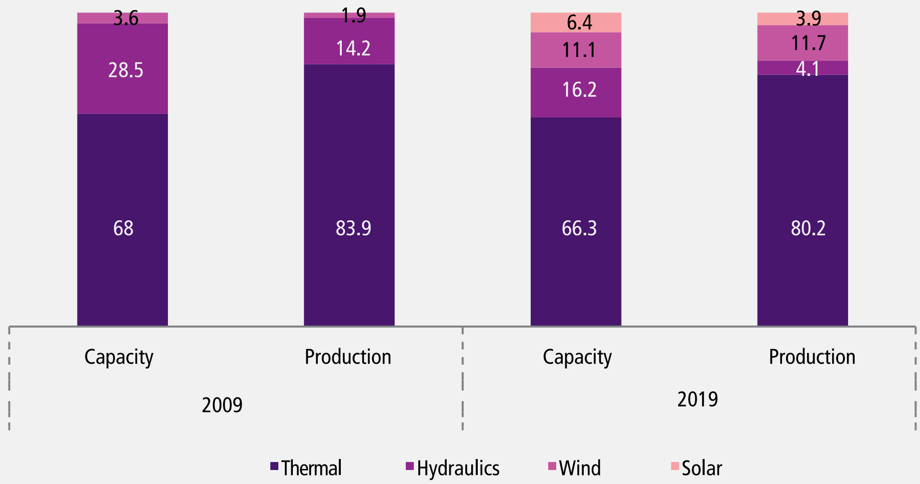
Chart B1.2.1.1: installed capacities of solar and wind sources (in MW)



Source: Renewable Capacity Statistics 2019 - International Renewable Energy Agency.

However, the significant increase in renewable energy capacity was only partially reflected in the change of the production structure. In 2019, thermal energy accounted for 80.2 percent of the energy mix, as against 83.9 percent in 2009, as the share of green production rose slightly to 19.8 percent. By source, the share of wind power rose from 1.9 percent to 11.7 percent, becoming the leading renewable source since 2015 to the detriment of hydropower, whose proportion fell from 14.2 percent to 4.1 percent, with solar power reaching 3.9 percent in 2019.

Chart B1.2.1.2: Structures of installed capacity and electricity generation by source (in %)



Sources: ONEE and MASEN.

Total electricity production increased by an annual average of 5.9 percent since 2009. In the last two years in particular, it has far outstripped consumption, thus leading to higher exports, which resulted in a positive balance of almost 928 GWh in 2019.

In view of these developments, energy transition is facing some challenges that are not specific to Morocco, but which are particularly related to the instability of green electricity production due its intermittency, which is influenced by rainfall for hydroelectric production, wind speed for wind power and sunshine for solar power, which poses difficulties in terms of supply control and integration into the power grid.

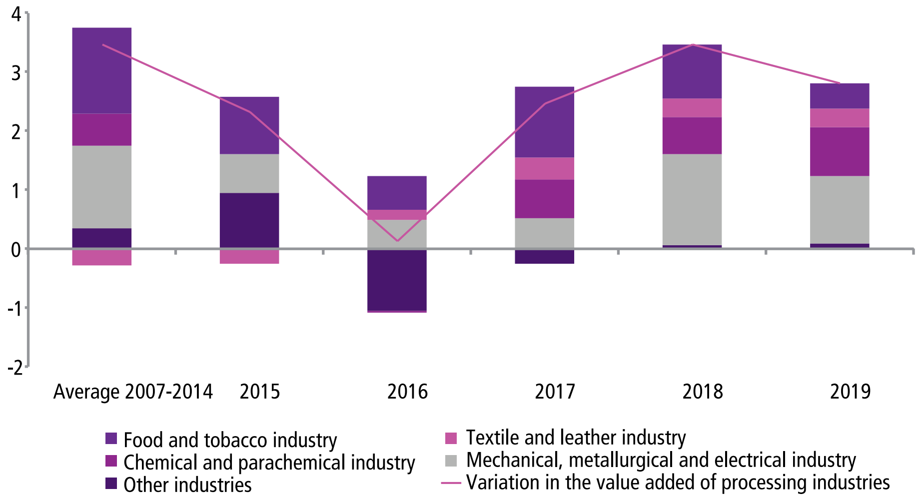
Thus, increasing the share of renewables requires the parallel development of other means of ensuring security of supply through improved storage capacity, interconnection and demand management. In addition, the implementation of a green electricity certification system would enable the Kingdom to strengthen its attractiveness and its opening on the international market.

1 Global Trends in Renewable Energy Investment", United Nations Environment Program, September 2019..

Concerning "processing industries", their value added slowed down from 3.5 percent to 2.8 percent. By branch, growth fell from 6.7 percent to 4.7 percent in "mechanical, metallurgical and electrical industries" and from 2.4 percent to 1.1 percent in "food and tobacco industries".

It remained stable at 3.1 percent for "textile and leather industries", while it accelerated from 4.5 percent to 5.6 percent for "chemical and para-chemical industries".

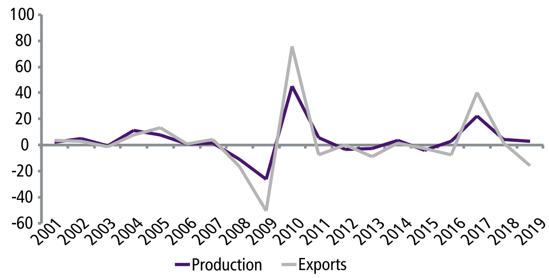
Chart 1.2.5: Contribution to changes in the value added of processing industries (in percentage points)



Sources : HCP and BAM calculations.

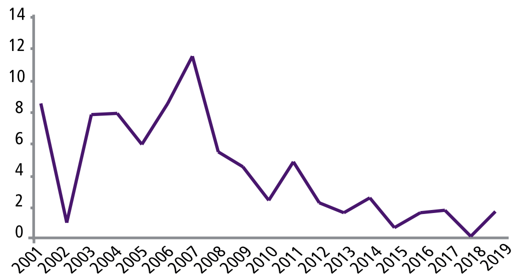
Likewise, growth rate of the mining branch VA dropped from 4.4 percent to 2.4 percent, as a result of a limited increase by 2.8 percent, after 4.5 percent, in the market production of phosphates, essentially due to lower foreign demand. In the construction sector, although slightly improving, activity remains sluggish with growth of 1.7 percent, after virtually stagnating in 2018. Sector data show moderate increases of 2.5 percent for cement sales, instead of a 3.6 percent decrease, and of 2.7 percent for real estate development loans, after a 3.5 percent decline.

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



Source: OCP.

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



Source : HCP.

As regards the tertiary sector, growth rose from 3.1 percent to 3.8 percent, mainly driven by the acceleration from 2.2 percent to 5 percent of the value added of the branch "General Public

Administration and Social Security", further to the revaluation of salaries and family allowances, and from 3.7 percent to 6.6 percent for that of transport services.

For hotels and restaurants, value added grew by 3.7 percent instead of 6 percent. Arrivals at border posts rose by 5.2 percent overall to 12.9 million, with 5.9 million for Moroccan expatriates and 7 million for foreign tourists, up by 5 percent and 5.4 percent respectively. By nationality, the number increased by 8 percent for the French tourists, 8.2 percent for the Spanish and 4.9 percent for the German. Arrivals also increased by 9.7 percent from North America, 6.9 percent from China and 2.8 percent from Arab countries.

Table 1.2.2: Arrivals at border posts

	In thousands				Change (in %)		
	2016	2017	2018	2019	2017/2016	2018/2017	2019/2018
Foreign tourists	**5 103**	**5 865**	**6 679**	**7 043**	**14.9**	**13.9**	**5.4**
Europe	3 930	4 478	5 142	5 471	13.9	14.8	6.4
France	1 450	1 614	1 844	1 991	11.3	14.3	8.0
Spain	616	711	814	881	15.4	14.5	8.2
Germany	260	331	394	413	27.3	19.0	4.9
United Kingdom	459	486	511	551	5.9	5.1	7.9
Russia	47	40	37	40	-14.9	-7.5	8.2
North America	294	366	436	478	24.5	19.1	9.7
Arabic countries	418	411	414	426	-1.7	0.7	2.8
Maghreb	210	208	214	227	-1.0	2.9	6.2
Rest of the world	461	610	688	668	32.3	12.8	-2.9
China	43	107	132	141	148.8	23.4	6.9
Moroccans living abroad	**5 229**	**5 484**	**5 610**	**5 889**	**4.9**	**2.3**	**5.0**
Total	**10 332**	**11 349**	**12 289**	**12 932**	**9.8**	**8.3**	**5.2**

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

Nights spent in classified establishments rose by 5 percent to 25.2 million, with an increase of 3.2 percent for non-residents and 9.4 percent for nationals. By main tourist destination, overnight stays increased by 5.2 percent in Tangier, 19.1 percent in Saidia and 84.7 percent in Chefchaouen and, conversely, decreased by 2.8 percent in Casablanca, 2.7 percent in Agadir and 2 percent in Marrakech.

Table 1.2.3: Overnight stays in classified accommodations by major city

	In thousands				Change (%)		
	2016	2017	2018	2019	2017/2016	2018/2017	2019/2018
Marrakech	6 638	7 737	8 514	8 343	16.5	10.1	-2.0
Agadir	4 910	5 451	5 907	5 748	11.0	8.4	-2.7
Casablanca	1 941	2 156	2 217	2 156	11.1	2.9	-2.8
Tangier	990	1 240	1 360	1 431	25.3	9.7	5.2
Fez	682	948	1 099	1 118	38.9	15.9	1.7
Rabat	626	715	777	785	14.3	8.7	1.1

Essaouira	358	400	437	484	11.5	9.4	10.9
Tetouan	357	442	429	169	23.7	-3.0	-60.5
Ouarzazate	287	394	411	380	36.9	4.5	-7.6
Saïdia	294	352	388	462	19.7	10.4	19.1
Meknes	199	227	243	253	14.2	6.8	4.1
Chefchaouen	53	64	74	137	19.9	15.7	84.7
Others	1 920	1 977	2 175	3777	3.0	10.0	73.7
Total	**19 255**	**22 101**	**24 031**	**25 244**	**14.8**	**8.7**	**5.0**

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

Under these conditions and taking into account the evolution of the bed capacity, the occupancy rate improved from 46 percent to 48 percent, with however contrasting evolutions per city. In particular, it was 42 percent in Fez, 50 percent in Casablanca, 55 percent in Tangiers, 58 percent in Agadir and 64 percent in Marrakech.

Table 1.2.4: Occupancy rate by major cities

	In %				Change (in pp)		
	2016	**2017**	**2018**	**2019**	**2017/2016**	**2018/2017**	**2019/2018**
Marrakech	48	54	61	64	6	7	3
Agadir	50	55	60	58	5	5	-2
Casablanca	53	53	54	50	0	1	-4
Tangier	40	46	52	55	6	6	3
Rabat	54	54	54	55	0	0	1
Fes	30	34	38	42	4	4	4
Essaouira	30	34	36	41	4	2	5
Tetouan	29	34	33	40	5	-1	7
Ouarzazate	21	26	28	31	5	2	3
Meknes	23	24	26	27	1	2	1
Total	**40**	**43**	**46**	**48**	**3**	**3**	**2**

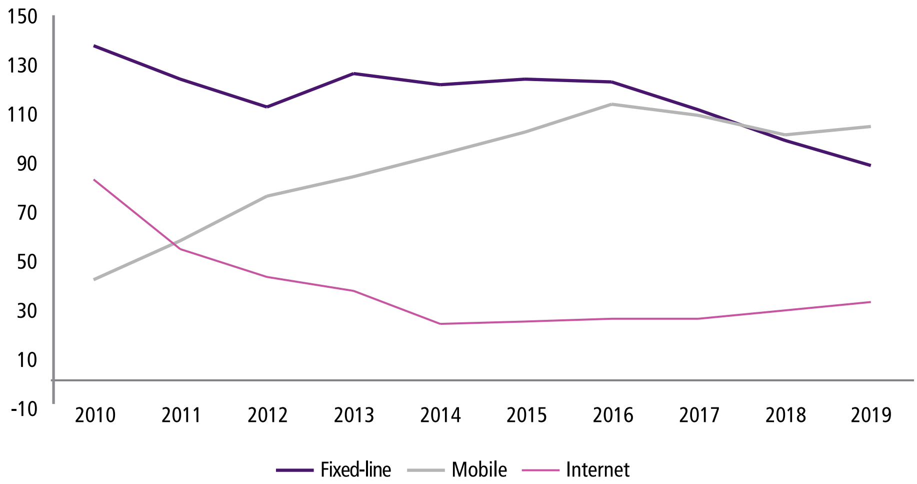
Source: Ministry of Tourism, air transport,handicrafts and social economy.

Concerning transport services, their value added increased by 6.6 percent after 3.7 percent in 2018. Goods traffic increased by 11.3 percent for maritime traffic, following the start-up of the Tangier-Med 2 port, by 8.9 percent for air freight, and decreased by 6.7 percent for rail. At the same time, passenger traffic increased by 11.2 percent for air, 8 percent for rail and contracted by 1.1 percent for maritime traffic.

As concerns the posts and telecommunications branch, their VA grew by merely 0.3 percent after 2.8 percent. Activity indicators show a 6.6 percent decrease in the fixed-line customer base to 2.1 million and a 4.3 percent increase to 46.7 million for mobile. For the internet segment, subscriptions rebounded by 11.4 percent to 25.4 million, 93 percent of which were via mobile access. In terms of usage, average outgoing usage[1] decreased by 11.2 percent for fixed-line and increased by 3 percent and 10.3 percent for mobile and internet respectively.

1 Defined as the ratio of outbound traffic in minutes to the average monthly subscriber base.

Chart 1.2.8: Average Outgoing Usage* (in minutes)



* For the Internet, this is the average monthly bill per subscriber.

Source : ANRT.

1.2.2 Demand

In 2019, domestic demand decelerated from 4 percent to 1.8 percent, reducing its contribution to growth from 4.4 to 2 percentage points. By component, growth of household consumption slowed from 3.4 percent to 1.8 percent, and its contribution stood at 1 percentage point after 2 percentage points a year earlier. This change reflects the combined effects of the lower agricultural income and the near stagnation of transfers by Moroccans residing abroad, on the one hand, and the application from May onwards of the first phase of the wage increase following the social dialogue agreement, on the other. However, general government consumption accelerated from 2.7 percent to 4.7 percent.

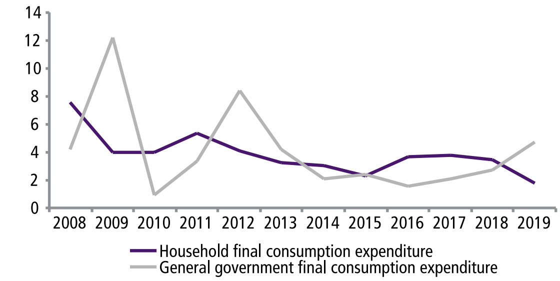
Table 1.2.5: Components of demand at prices of the previous year (% change)

	2013	2014	2015	2016	2017	2018	2019
Domestic demand (contribution in pts of %)	**4.5**	**1.5**	**2.1**	**5.1**	**3.9**	**4.4**	**2.0**
Household final consumption	3.2	3.1	2.2	3.7	3.8	3.4	1.8
General government consumption	4.2	2.0	2.4	1.5	2.1	2.7	4.7
Investment	5.0	-2.2	0.9	8.7	4.1	5.8	0.1
Net exports (contribution in pts of %)	**0.0**	**1.1**	**2.4**	**-4.1**	**0.3**	**-1.2**	**0.5**
Exports of goods and services	0.0	9.0	5.5	6.0	11.1	6.0	5.5
Imports of goods and services	-0.1	3.8	-1.1	14.5	7.9	7.4	3.3

Source : HCP.

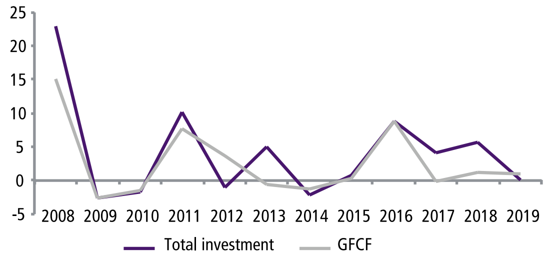
With regard to investment, its pace decelerated markedly by 0.1 percent and its contribution to growth became zero. This evolution has resulted from a 4.7 percent decrease, after a 38.5 percent increase, in the change in inventories and a 1 percent rise, instead of 1.2 percent, in gross fixed capital formation.

Chart 1.2.9: National final consumption (change in %)



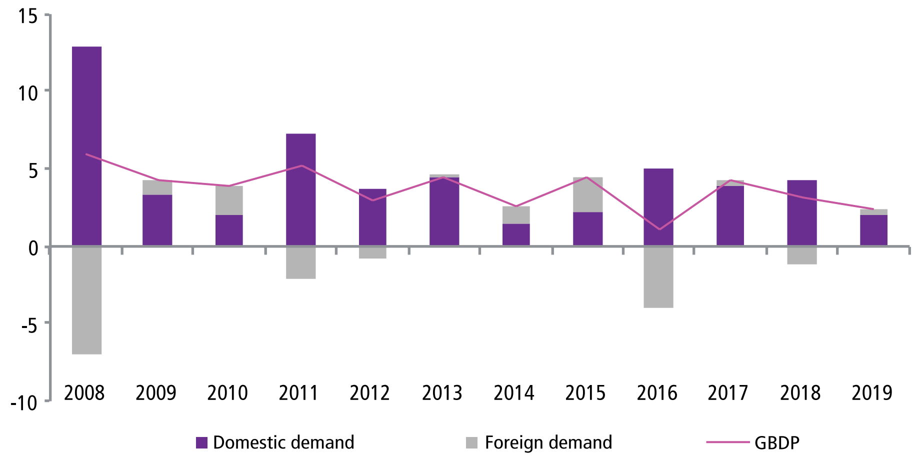
Source : HCP.

Chart 1.2.10: Change in investment (change %)



At the same time, the contribution of external demand reached 0.5 point, after a negative contribution in 2018, as the slowdown of exports in volume, from 6 percent to 5.5 percent, was offset by the deceleration of imports from 7.4 percent to 3.3 percent.

Chart 1.2.11: Contribution of the components of demand to growth (in percentage points)



Source : HCP.

1.2.3 Main aggregates in nominal terms

At current prices, GDP grew by 3.9 percent to 1,151.2 billion DH. Concurrently, the net outflow of property income from abroad increased by 3.9 percent to 22.4 billion and net current transfers increased by 0.1 per cent to 74.7 billion, particularly reflecting lower grants from the GCC countries, which fell from 2.8 billion DH to 1.6 billion DH, while transfers from MREs were almost stable from one year to the next. The gross national disposable income thus stood at 1,203.4 billion DH, up 3.6 per cent against 3.1 per cent a year earlier.

Chart 1.2.12: Gross national disposable income

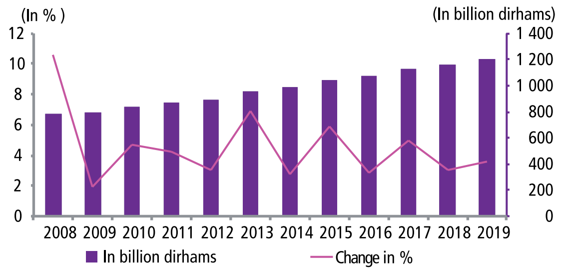
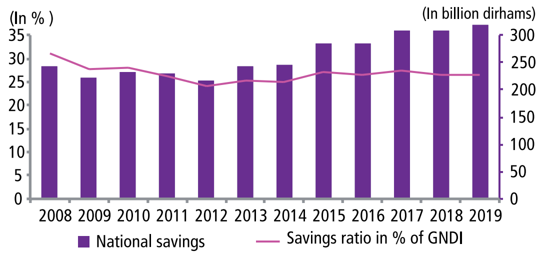


Chart 1.2.13: National savings



National final consumption reached 883.3 billion DH, up by 3.5 percent. Domestic savings thus amounted to 320.1 billion, up 4 percent and its ratio to GNDI stood at 26.6 percent. Investment, on the other hand, amounted to 370.6 billion DH, i.e. 32.2 percent of GDP against 33.4 percent in 2018. Under these conditions, the financing requirement decreased from one year to the other, standing at 50.5 billion DH or 4.4 percent of GDP against 62.5 billion DH or 5.6 percent of GDP one year earlier.

Chart 1.2.14: Investment rate (in % of GDP)

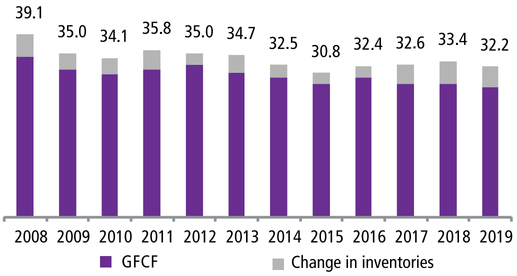
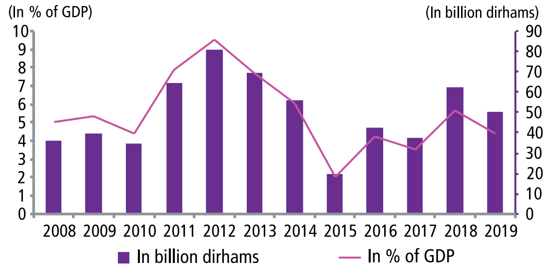


Chart 1.2.15: Financing requirements



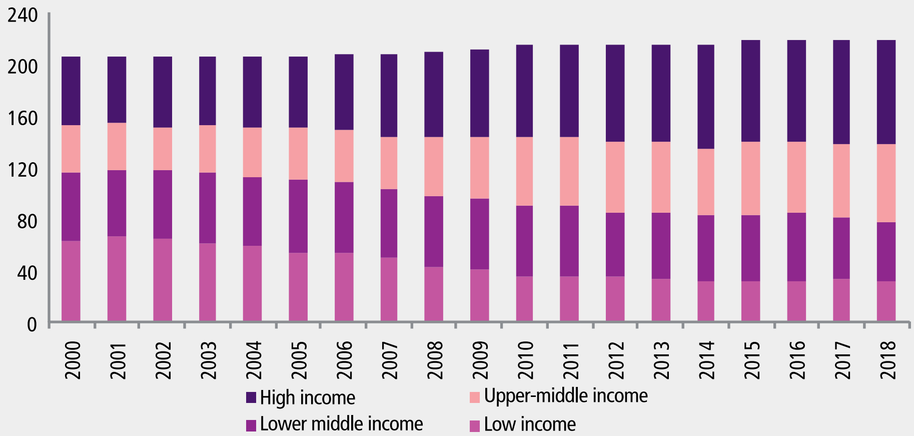
Source : HCP.

Box 1.2.2: International comparison of Morocco's ranking according to per capita income

Gross National Income (GNI) per capita is one of the most widely used indicators to assess the economic performance and standard of living of a country's population. The World Bank, in particular, classifies economies according to this criterion into four categories: (i) high income; (ii) upper-middle income; (iii) lower-middle income; and (iv) low income. The thresholds for these different categories are adjusted annually to take account of changes in inflation and exchange rates.

Hence, these thresholds increased from $755 per capita in 2000 to $995 per capita in 2018 for the lower middle-income category, from $2,995 to $3,895 per capita for the upper middle-income group and from $9,265 to $12,055 per capita for the high-income category. Morocco, with per capita income rising from $1,390 in 2000 to $3,090 in 2018, is ranked among lower middle-income countries.

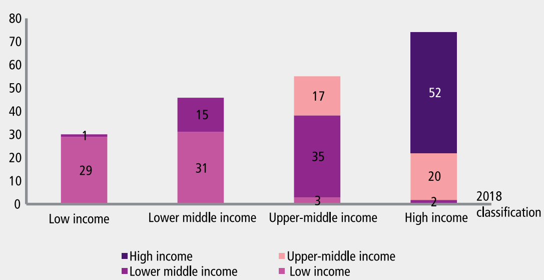
Chart B1.2.2.1: Evolution of the number of countries by class of income



Source : Banque Mondiale.

By analysing the change in the distribution of countries by income between 2000 and 2018, it emerges that 91 out of 205 economies were able to move up to a higher category. For example, of the 63 countries that were in the low-income group, 31 moved to the lower end of the range while 3 moved to the upper end of the middle range. Similarly, among the 53 countries in the lower bracket, 35 are now in the upper bracket, 2 have managed to reach the high-income group, while 15, including Morocco, have remained in the same category.

Chart B1.2.2.2: Breakdown of countries by income class in 2018 based on their classification in 2000



Source : World Bank.

Out of the 37 countries that were in the upper end of the range, 20 migrated to the high-income class.

Analysis of the characteristics of lower middle-income economies in 2000 shows that, in addition to rapid growth of the GNI per capita, countries that were able to improve their classification also performed well in terms of governance and human development, particularly in the areas of education and health.

Indeed, countries of this category, which moved up to a higher class between 2000 and 2018, recorded in 2017 an average infant mortality rate of 15.5 per thousand and a maternal death ratio of 59.9 per 100,000 live births. On the contrary, for economies that remained in the same class, these rates were much higher, at 26.4 per thousand and 113.6 respectively.

With regard to education, the average number of years of schooling in 2018 was 9.6 for the former countries against 6.8 for the latter, while the rate of the population aged 25 years and over having reached secondary education stood at 71.4 percent against 43.3 percent.

On the governance side, data of the World Bank indicate, for example, that the government effectiveness indicator, which measures, among other things, perceptions of the quality of public services, stood in 2018 on a scale of -2.5 to 2.5, with -0.2 for those countries that made progress versus -0.4 for the others.

All these findings suggest that the different aspects of development are interrelated, and that growth cannot be accelerated in the long term without investing in human capital and governance and improving them. This is the challenge facing many countries which aspire to emergence, such as Morocco.

Table B1.2.3.1: Socio-economic indicators by income class for the sampled countries

	Years*	Average of countries which remained in the lower middle-income bracket	Average of countries that moved up to the upper classes	Morocco
Average number of school years (for the population aged 25 and over)	2018	6.8	9.6	5.5
Share of population with secondary education (as % of population aged 25 and over)	2018	43.3	71.4	32.2
Infant mortality rate (per 1000 births)	2017	26.4	15.5	20.0
Death ratio (per 100,000 live births)	2017	113.6	59.9	70.0
Effectiveness of public authorities**	2018	-0.4	-0.2	-0.2

* Latest available data

** Indicator varying between -2.5 and 2.5. The higher the value, the better the quality of governance.

Source: World Bank and United Nations.

1.3 Labor market[1]

Amid a relatively rapid growth of non-agricultural activities, urban labor market improved somewhat in 2019. Net job creations amounted to 250 thousand posts after 154 thousand in 2018 and the participation rate marked its first increase since 2008. In rural areas, a further loss of 85 thousand posts was recorded after 43 thousand a year earlier, due to a below-average agricultural crop. In total, the national economy will have created 165 thousand jobs, and taking into account a net inflow of 135 thousand active workers, unemployment rate has dropped by 0.3 percentage points to 9.2 percent.

By sector of activity, employment increased by 267 thousand posts after 142 thousand in 2018 in the services sector, by 24 thousand against a loss of 30 thousand in the construction sector, and by 17 thousand instead of 44 thousand in industry, including handicrafts. On the contrary, it recorded a loss of 146 thousand jobs in agriculture, after 46 thousand a year earlier.

In this context, apparent labor productivity in non-agricultural activities, as measured by the ratio of value added to the number of persons employed, declined by 0.6 percent after increasing by 0.6 percent in 2018. Conversely, wage costs rose in both the private and public sectors.

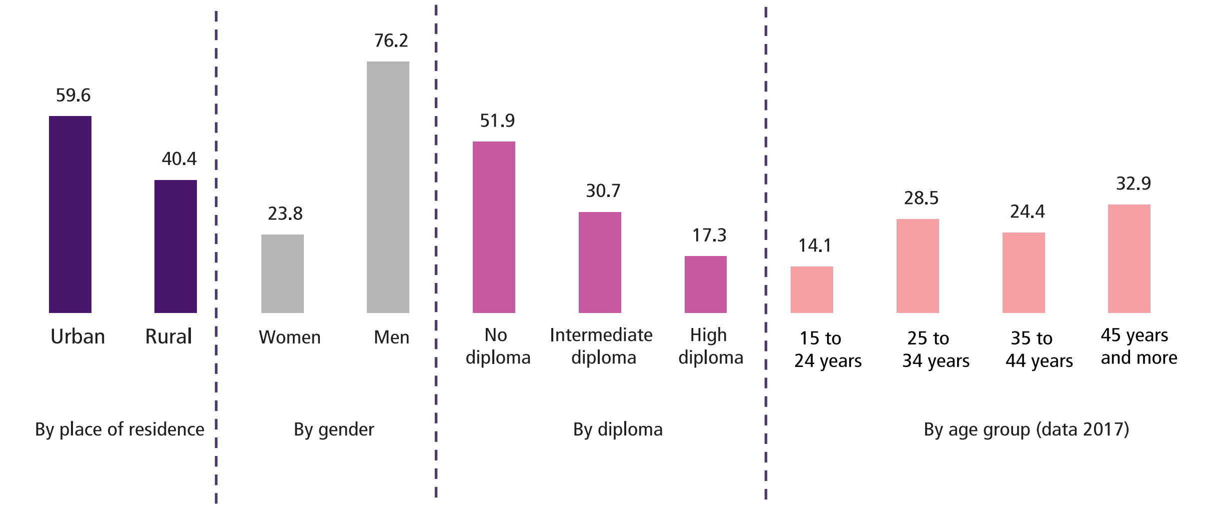
1.3.1 Labor force

In 2019, the labor force[2] aged 15 years and over grew by 3.1 percent in urban areas, the highest since 2000. The growth rate stood at 5 percent for women and 2.6 percent for men. Conversely, in rural areas, the number of working population fell by 1.7 percent overall, 5.3 percent for women and 0.3 percent for men. Overall, the working population grew by 1.1 percent, after 0.3 percent in 2018, reaching 12.1 million people. Labor force is weakly feminised, as women account for less than a quarter, and low-skilled, as 51.9 percent of the working population have no qualifications.

1 Following the review of its employment survey in 2017, the HCP published part of the results for the years 2016 to 2019. For the purposes of analysis, a connection of the series since 1999 has been made when possible. For the year 2018, the HCP revised the data after issuing a press release on August 7, 2019 informing of its decision to temporarily suspend the publication of regional employment indicators.

2 This refers to the labor force available for the production of goods and services, a population performing productive work in an industry, or a job-seeking population.

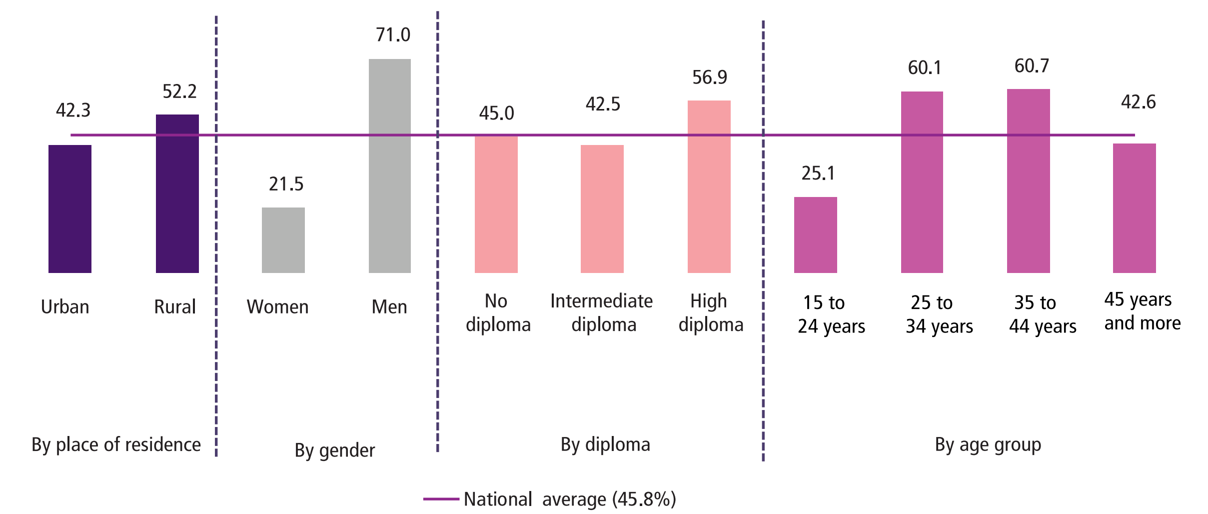
Chart 1.3.1: Structure of the labor force in 2019 (%)



Sources: HCP and BAM calculations.

Taking into account a 1.6 percent increase in the population aged 15 and over, the activity rate[1] continued to decline, albeit at a slower pace than in 2018, from 46 percent to 45.8 percent. In rural areas, it declined by one percentage point to 52.2 percent, with a 1.5-point drop to 27.1 percent for women and a 0.5-point drop to 77 percent for men. In urban areas, on the other hand, it improved slightly for the first time since 2008, rising from 42 percent to 42.3 percent, with an increase of 0.4 points to 18.5 percent for women and 0.3 points to 67.6 percent for men.

Chart 1.3.2: Activity rate in 2019 (%)



Source: HCP.

1 The participation rate corresponds to the number of active persons relative to the working-age population.

The analysis of the evolution of the activity rate by region indicates that the most important decreases were recorded in the Eastern region, Tangier-Tetouan-Al Hoceima, Rabat-Salé-Kénitra and Marrakech- Safi. On the other hand, four regions showed increases, the most pronounced of which were observed in Béni Mellal-Khénifra and Drâa-Tafilalet.

Table 1.3.1: Activity rate by region (%)

	2018	2019	Change (in pp)
Tangier-Tetouan-Al Hoceima	46.7	45.8	-0.9
Eastern region	44.0	43.0	-1.0
Fez-Meknes	42.7	43.0	0.3
Rabat-Salé-Kenitra	46.3	45.5	-0.8
Beni Mellal-Khenifra	44.1	45.1	1.0
Casablanca-Settat	49.8	50.0	0.2
Marrakech-Safi	48.1	47.4	-0.7
Drâa-Tafilalet	40.6	41.6	1.0
Souss-Massa	42.9	42.9	0.0
Southern regions	46.4	46.0	-0.4

Source : HCP.

1.3.2 Employed population

In 2019, the national economy created 165 thousand jobs, as against 111 thousand in 2018, reflecting a rise by 250 thousand in the cities and a loss of 85 thousand jobs in rural areas. Thus, the number of employed workers grew by 1.5 percent to 11 million and, taking into account a 1.6 percent increase in the population aged 15 years and more, the employment rate[1] decreased slightly from 41.7 percent to 41.6 percent. This includes a 1-percentage point decline to 50.3 percent in rural areas, covering a significant drop of 1.6 point to 26.3 percent among women, and a 0.7 point rise to 36.9 percent in urban areas.

At the sectoral level, due to unfavourable weather conditions, agriculture suffered a further loss of 146 thousand jobs after 46 thousand in 2018 and its share in overall employment fell from 34.4 percent to 32.5 percent.

In non-agricultural activities, 308 thousand jobs were created after 156 thousand a year earlier. Services generated 267 thousand after 142 thousand, of which more than half in the two branches “trade and repair” and “social services provided to the community”,thus bringing their share in total employment from 43.1 percent to 44.9 percent. As for the construction sector, it increased by 24 thousand,after a loss of 30 thousand, and its weight increased from 10.4 percent to 10.5 percent. As for the industrial sector, including handicrafts, job creations were 17 thousand after 44 thousand, and its share stabilized at 12 percent.

1 Ratio of employed labor force 15 years and over to population 15 years and over. It measures the ability of an economy to use its labor resources.

Chart 1.3.3: Contribution to employment evolution (in percentage point)

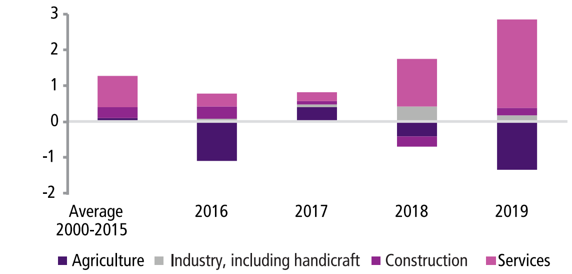
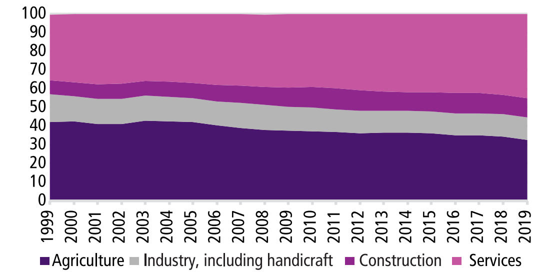


Chart 1.3.4: Structure of employment by sector of activity (%)



Source : HCP.

Analysis of the characteristics of the employed labor force1 indicates a low level of qualification among the employed population, with 55.4 percent having no qualifications. According to occupational status, this proportion rises from 42.4 percent among employees to 70.5 percent among the self-employed. By sector of activity, it amounts to 81.4 percent in agriculture, 59.8 percent in construction and public works, 46.2 percent in industry including handicrafts and 38.1 percent in services.

Working conditions remain precarious for a large part of the population. Thus, 75.9 percent of the working population at the national level do not benefit from medical coverage in their works. This share reaches 92.2 per cent in rural areas against 63.6 per cent in the cities. It amounts to 54.7 percent for salaried workers and varies from 27.9 percent among higher-diploma workers to 89.2 percent for those without a diploma. Moreover, only 22.4 percent of the employed are affiliated to a pension scheme, a rate that grows with the level of qualification, rising from 8.9 percent for those without diplomas to 70.7 percent for those with a higher-level diploma.

Only 50.1 percent of the employed population is wage-earning, more than half of them work without a contract. Unpaid employment, albeit in decline, accounts for 15.3 percent at the national level and 31.4 percent in rural areas. Moreover, affiliation in a trade union or professional organisation is very weak, with merely 4.7 percent.

1 The employed labor force comprises all persons engaged in the production of goods and services during a specified reference period and all persons normally employed but absent from work due to a temporary impediment.

Chart 1.3.5: Structure of employment by professional status (%)

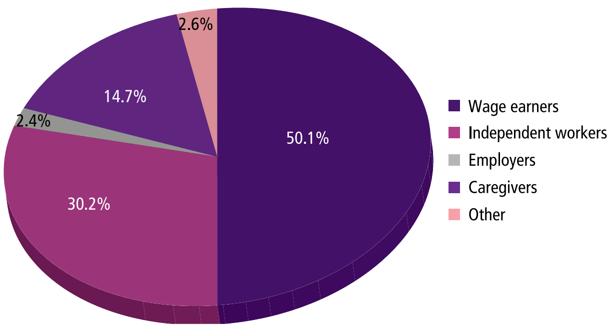
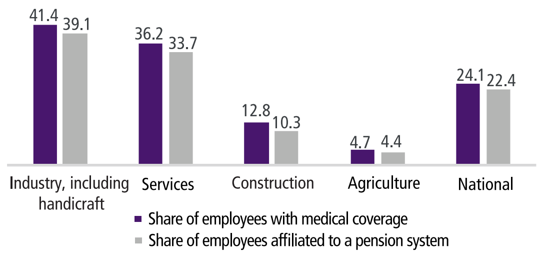


Chart 1.3.6: Protection of employees benefiting from social protection by sector of activity, in 2019 (%)



Source : HCP.

1.3.3 Unemployment and underemployment

In 2019, unemployed population fell again, albeit at a slower pace than a year earlier, from 6.5 percent to 2.6 percent, to stand at 1.1 million people. This trend covers a 3.4 percent decrease in urban areas, which particularly benefited women, with a 4.2 percent drop compared to 3 percent for their male counterparts. In rural areas, on the other hand, the number of unemployed people increased by 1.7 percent with an increase of 2.2 percent for men and a decrease of 0.4 percent for women.

Unemployed population remains predominantly young, eight out of ten persons being aged between 15 and 34, and dominated by the long-term unemployed[1] and first-time job-seekers, accounting for 67.8 percent and 57.2 percent respectively. This population is far more highly qualified than the employed population, with 40.8 percent, as against 14.9 percent for highly educated persons.

Considering evolution of the active population, unemployment rate fell from 9.5 percent to 9.2 percent at the national level. It regressed from 13.8 percent to 12.9 percent in urban areas and slightly increased from 3.6 percent to 3.7 percent in rural areas. The decline particulary benefited urban women and graduates with decreases of 2.1 points to 21.8 percent and 1.3 points to 17.3 percent respectively. Apart from the working population aged 25 to 44, the decline affected all age groups and was particularly marked among young people aged 15 to 24, whose rate decreased from 25.6 percent to 24.9 percent at the national level and from 41.8 percent to 39.2 percent in urban areas.

1 Unemployed for over a year.

Chart 1.3.7: Rate of unemployment by age group (%)

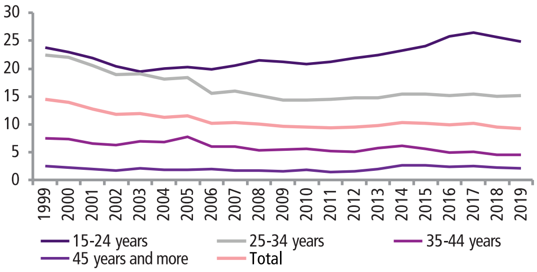
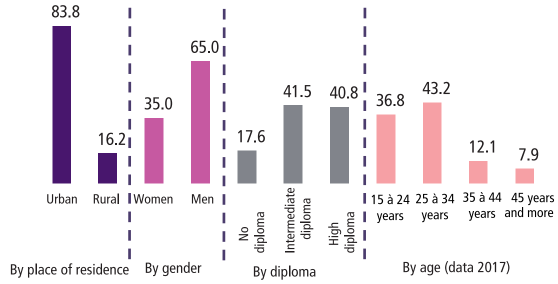


Chart 1.3.8: Structure of the unemployed population in 2019 (%)



Source : HCP.

Analysis by region indicates that the fall in the unemployment rate was most pronounced in the Eastern region and Marrakech-Safi with drops by 1.8 and 1.2 points respectively. Rises were also observed, mainly in the southern regions which recorded the largest increase, by 1.6 points.

Table 1.3.2: Unemployment rate by region (%)

	2018	2019	Change (in pp)
Tangier-Tetouan-Al Hoceima	7.5	8.6	1.1
Oriental	15.6	13.8	-1.8
Fes-Meknes	9.3	8.7	-0.6
Rabat-Sale-Kenitra	11.4	10.7	-0.7
Beni Mellal-Khenifra	5.8	5.4	-0.4
Casablanca-Settat	10.2	10.0	-0.2
Marrakech-Safi	6.9	5.7	-1.2
Drâa-Tafilalet	5.3	5.6	0.3
Souss-Massa	10.1	10.3	0.2
Southern regions	14.7	16.3	1.6

Source : HCP.

In parallel with the fall in unemployment, the labor market was marked by a slight decline in underemployment rate[1]. The latter fell from 9.3 percent to 9.2 percent at the national level, from 8.4 percent to 8.3 percent in the cities and from 10.6 percent to 10.4 percent in the countryside. In 61.5 percent of cases, under-employment concerned people looking for another job for reasons of inadequacy with their qualifications. It particularly affected those employed in the construction sector, with 15.9 percent overall, 15.7 percent for young people aged 15 to 24 and 9.8 percent for graduates.

1 Underemployed population consists of persons who have worked: (i) during the reference week less than 48 hours and are available to work overtime; or (ii) more than the set threshold and are looking for another job or are willing to change jobs because of a mismatch with their training or qualifications or because of insufficient pay.

Chart 1.3.9: Rate of underemployment by residence (%)

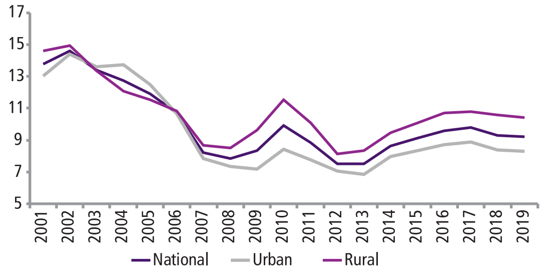
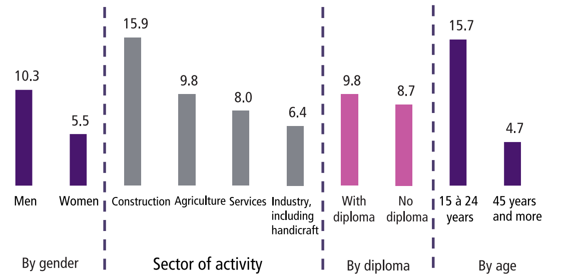


Chart 1.3.10 :Underemployment rate according to the characteristics of the employed population (%)



Source : HCP.

Box 1.3.1: Employment of Seniors in Morocco

The issue of ageing is gradually emerging as one of the main concerns of social and economic policies. This phenomenon mainly affects advanced economies but also, and increasingly, emerging and developing countries which, like Morocco, are experiencing a more rapid demographic transition.

Besides its impact on the health system, this development is leading to a deceleration, if not a decline, in the working-age population in the labor market, thus affecting economic growth and the viability of pension schemes. Hence, among the policies adopted by more and more countries is to delay the retirement age, leading to increasing employment of seniors[1], therefore mitigating the effect on the economy. As an illustration, a 2018[2] study of OECD countries shows that the rise in employment rate of people aged 55 and over to reach that of New Zealand[3] would increase the long-term GDP of these countries by more than $3.5 trillion.

Senior employment is dependent on the prevailing labor market situation, as countries close to full employment are generally those which record the highest levels. It is generally favoured by flexible regulations and working conditions adapted to the needs of seniors, including (i) retirement at a late age; (ii) the possibility of partial retirement; and iii) guidance in using digital technology".

1 In the labor market, seniors are the people who are at the end of their professional careers.

2 « Golden age index ", PricewaterhouseCoopers, June 2018.

3 New Zealand was chosen as a benchmark among OECD countries because it has the second highest employment rate after Iceland.

Table B1.3.1.1 : Some indicators of the labor market

	Employment rate 55 to 64 years*	Unemployment rate*	Retirement age*		Labor freedom [4]
			Men	Women	
Iceand	80.7	2.7	67.0	67.0	63.5
Sweden	78.0	6.4	65.0	65.0	53.8
New Zealand	78.0	4.3	65.0	65.0	86.7
Japan	75.3	2.4	65.0	64.0	78.7
Norway	72.1	3.8	67.0	67.0	57.4
Corea	66.8	3.8	61.0	61.0	-
Finland	65.4	7.4	65.0	65.0	50.3
United States	63.1	3.9	66.0	66.0	87.9
France	52.3	9.0	63.3	63.3	46.1
South Africa	40.9	27.1	-	-	58.8
Greece	41.1	19.3	62.0	62.0	52.0
Luxembourg	40.5	5.6	62.0	62.0	45.3
Turkey	35.3	10.9	51.0	48.0	49.2

Sources: OECD, Heritage Foundation (economic freedom index, 2020).
*2018 data.

In the case **of Morocco**, analysis of the available data shows a certain activity dynamism for the "60+" age group. The employment of this category of the population has, in fact, recorded an average annual increase of 3.2 percent over the period 2011-2016 against 1.5 percent between 2000 and 2010, and its share in overall employment thus increased from 6.7 percent in 2010 to 7.9 percent in 2016. This acceleration concerned exclusively the urban areas, with an annual average rise of 6.9 percent instead of 0.2 percent, while the countryside observed a slowdown between the two periods from 2 percent to 1.7 percent.

By sector of activity, this trend particularly reflects the 6.8 percent annual average rise between 2011 and 2016 in the number of senior persons employed in services, after 0.9 percent between 2000 and 2010. For employed persons aged between 15 and 59, their number decelerated from 2.7 percent to 1.5 percent between the two periods. This trend is also observed in the construction and industry sectors, while in agriculture, employment of seniors, mostly made up of rural women working as family helpers, has relatively slowed down.

By occupational status, the number of employees aged 60 and over increased by an annual average of 10.4 percent between 2011 and 2016, as against 1.7 percent between 2000 and 2010, while the number of self-employed persons decelerated slightly from 1.3 percent to 1.1 percent.

4 This indicator, calculated by the American think thank "Heritage Foundation", takes into account various aspects of the legal and regulatory framework of the labor market, especially regulations concerning minimum wage, dismissals, severance pay and measurable restrictions on recruitment and on hours worked. The score ranges from 0 (rigid regulations) to 100 (very flexible regulations).

Table B1.3.1.2: Caractéristiques de la population occupée âgée de 60 ans et plus

		Share in 2016 (%)	Growth (%) 2000-2010	Growth (%) 2011-2016
National			1.5	3.2
By place of residence	Urban	33.7	0.2	6.9
	Rural	66.3	2.0	1.7
Professional status	Wage earners	20.4	1.7	10.4
	Independent workers	58.1	1.3	1.1
	Employers	4.4	-0.8	4.6
	Caregivers	15.5	2.9	3.4
Sector of activity	Agriculture	61.1	1.8	1.2
	Industry, including handicraft	3.9	-1.9	6.5
	Construction	4.5	5.4	10.1
	Services	30.5	0.9	6.8

Source : HCP.

With regard to public policy, and in response to pressure on the balance of pension funds, namely the CMR, the Government raised the retirement age for civil servants from 60 to 63 in 2016, progressively over a period of six years. Apart from the fact that it gives only a limited break for a few years, this measure has a limited impact on the labor market, since civil servants make up less than 10 percent of the employed labor force.

1.3.4 Productivity and wages

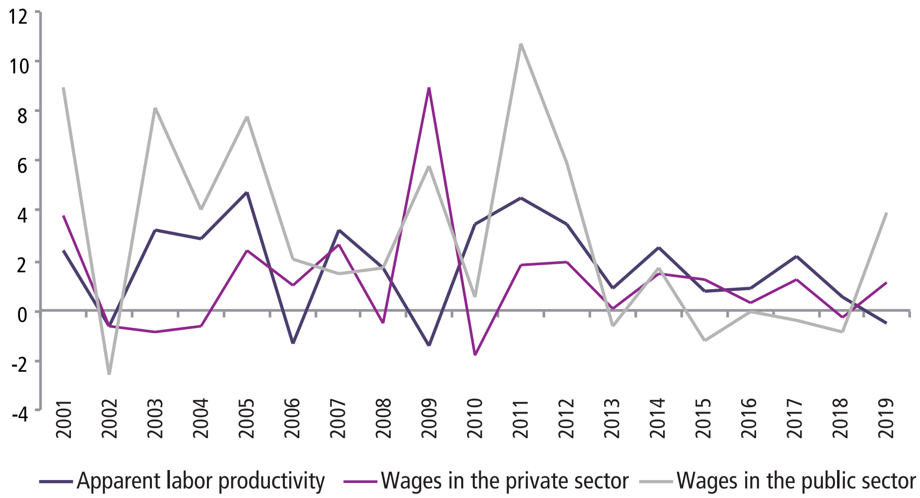
Apparent labor productivity[1] in the non-agricultural sectors fell by 0.6 percent in 2019, following a 0.6 percent increase a year earlier. This reflects increases of 4.3 percent instead of 2.3 percent in the number of persons employed and 3.8 percent instead of 2.9 percent in value added. By sector of activity, it declined again by 1.8 percent after 0.1 percent in the tertiary sector and slowed down from 2.4 percent to 1.8 percent in the secondary sector.

At the same time, wages in the private sector grew further,by 1.5 percent on average in nominal terms, and by 1.1 percent in real terms,after its 0.3 percent drop. In the public sector, wages rose overall[2] by 4.3 percent, after they increased by 0.9 percent in nominal terms, and by 4 percent after a 0.9 percent decline in real terms.

1 This indicator is captured by the ratio of value added to the number of employed persons.

2 BAM estimate.

Chart 1.3.11: Apparent labor productivity in nonagricultural activities and average real terms wages (change in %)



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

Box 1.3.2: Informal employment in Morocco

According to the International Labor Organization (ILO), employees are considered to have informal jobs if their employment relationship is not subject to national labor legislation,income taxation, social protection or entitlement to certain employment benefits, such as the advance notice of dismissal, severance pay, paid annual or sick leave, etc. It can be found in both formal and informal enterprises as well as in households. Its strong presence in some countries constitutes a major challenge for development as well as for economic and social inclusion.

According to a recent ILO report[1], the weight of informal employment amounts to 61.2 percent at the global level. This share reaches 25.1 percent on average in "Europe and Central Asia", 40 percent in the Americas, 68.2 percent in Asia and the Pacific and 85.8 percent in Africa.

In Morocco, this proportion is estimated[2] by the ILO at 79.9 percent, an estimate that is broadly in line with the results of the HCP employment surveys. The latter indicate that more than three out of four employed workers do not benefit from medical coverage in the context of their work and that 77.6 percent are not affiliated to a pension system. In the same vein, nearly half of jobs are vulnerable[3], a share that rises to 70.7 percent[4] in rural areas. During the 2016-2019 period, a good part of the jobs created would have been in branches of activity where informality is relatively widespread, in particular "non-store retail trade" and "personal and domestic services", which accounted for 63.4 percent of the jobs created in the services sector.

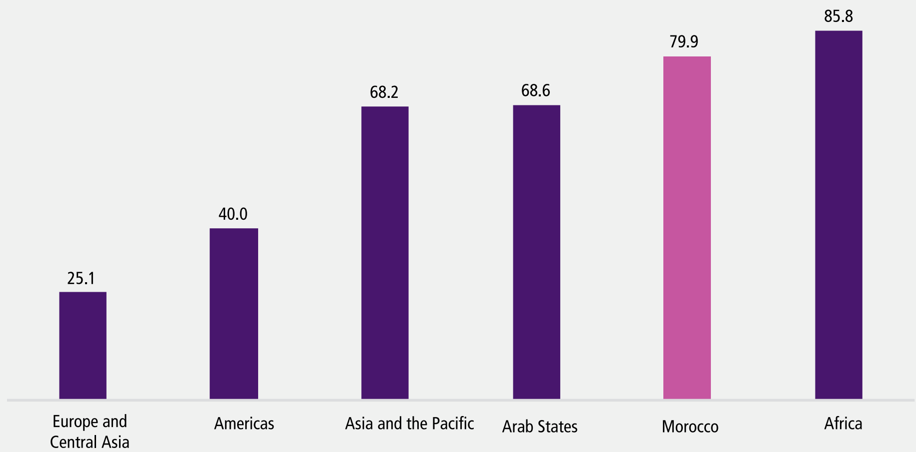
1 Women and men in the informal economy, a statistical picture", ILO, 2019

2 It should be noted that the ILO estimates for Morocco are based on the 2009/2010 household and youth survey conducted by the World Bank.

3 Vulnerable employment includes both unpaid family workers and self-employed persons.

4 Data for 2016

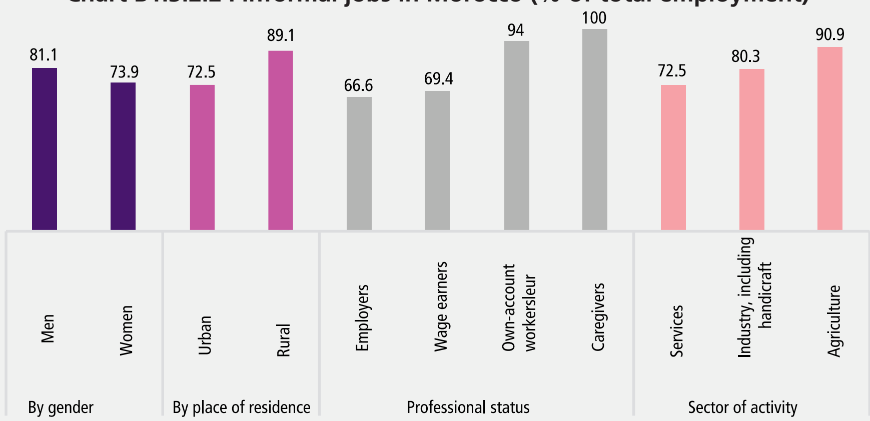
Chart B1.3.2.1 : Share of informal jobs in total employment, by region (%)



Source : "Women and men in the informal economy, a statistical overview", ILO, 2019.

Informal employment concerns men more than women and is particularly widespread in the agricultural sector, where it represents 90.9 percent, against 80.3 percent in services and 72.5 percent in industry, including handicrafts. Apart from family workers, own-account workers are the most affected by informality, at 94 percent, followed by employees (69.4 percent) and employers (66.6 percent).

Chart B1.3.2.2 : Informal jobs in Morocco (% of total employment)



Source : "Women and men in the informal economy, a statistical picture", ILO, 2019.

All of these findings suggest that major actions are still needed to integrate the informal into formal activities in order to ensure decent work for all and accelerate inclusive development. Morocco has taken several measures to ensure this integration, including tax incentives, attempts to reduce cash payments, and the establishment, in 2015, of the status of self-entrepreneur, namely with a simplified legal form and taxation. However, informality is a complex issue that requires more comprehensive solutions which go beyond the tax dimension. As shown by some

IMF studies on the subject as well as some successful international experiences (see Table B1.3.2.1), other solutions can be explored, based in particular on social protection, greater flexibility in the contracting modalities of employees, the fight against corruption and greater exploitation of the opportunities offered by digital technology, particularly in terms of means of payment.

Table B1.3.2.1: Some measures adopted to limit the development of informal production units

	IMF	• A recent study on Morocco noted that the implementation of reforms that reduce hiring costs could lead to higher employment in the medium term (Report 19/231, July 2019). • Another working paper on India showed that more flexible labor market regulation leads to lower informality and long-term unemployment rates (WP 16/47, March 2016).
Experiences	Chile	• Simplification of the legal status and tax regime for micro-enterprises. • Alleviating the tax burden on employment and introducing special schemes to reduce VAT and an anti-corruption plan in the public administration. • Development of financial offers to assist the transition towards the formal sector.
	Turkey	• Simplification of administrative and fiscal procedures for VSEs / SMEs. • Reduction of employers' social security contributions and payment of wage earners on a compulsory account. • VAT reduction in several sectors. • An anti-corruption plan.
	Slovakia	• Flexibility of the work contract. • A social protection system that strengthens incentives to work.
	Estonia	• Introduction of alert notifications for companies declaring a turnover significantly below the regional sectoral average.

Sources : IMF and Roland Berger.

Table 1.3.3 : Main indicators of labor market

		2017	2018	2019
Indicators of activity				
Labor force (in thousands)		11 915	11 947	12 082
By place of residence	Urban	6 887	6 987	7 204
	Rural	5 028	4 960	4 878
National participation rate (%)		46.7	46.0	45.8
By place of residence	Urban	42.4	42.0	42.3
	Rural	54.1	53.2	52.2
By gender	Men	71.6	71.0	71.0
	Women	22.4	21.8	21.5
Indicators of employment				
Job creation (in thousands)		86	111	165
By place of residence	Urban	31	154	250
	Rural	55	-43	-85
By sector	Agriculture	42	-46	-146
	Industry. including handicraft	7	44	17
	Construction	11	-30	24
	Services	26	142	267
Employed population (in thousands)		10 699	10 810	10 975
By place of residence	Urban	5 872	6 026	6 277
	Rural	4 827	4 784	4 698
Employment rate (%)		41.9	41.7	41.6
By place of residence	Urban	36.1	36.2	36.9
	Rural	52.0	51.3	50.3
Indicators of employment and underemployment				
Unemployment rate (%)		10.2	9.5	9.2
By place of residence	Urban	14.7	13.8	12.9
	Young people aged 15 to 24 years	42.8	41.8	39.2
	Rural	4.0	3.6	3.7
Underemployment rate (%)		9.8	9.3	9.2
By place of residence	Urban	8.9	8.4	8.3
	Rural	10.8	10.6	10.4
Productivity and wages (change in %)				
Apparent labor productivity in nonagricultural activities		2.2	0.6	-0.6
Private sector's wages	Nominal	2.0	1.5	1.5
	Real	1.3	-0.3	1.1
Public sector's wages	Nominal	0.3	0.9	4.3
	Real	-0.4	-0.9	4.0

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

1.4 Inflation

After reaching 1.6 percent in 2018, inflation, measured by the change in the consumer price index, weakened markedly in 2019 to 0.2 percent, its lowest level since 1968[1].

This sharp deceleration was mainly due to a 1.5 percent decline in volatile food prices, following a 3 percent increase a year earlier, and a significant decline in core inflation. The latter fell from 1.3 percent to 0.5 percent, mainly due to a 1.1 percent decline, as against a 1.4 percent rise, in the prices of its food component, particularly oils. In addition, higher tobacco prices led to an acceleration from 0.9 percent to 1.3 percent in the growth rate of tariffs for regulated products. The prices of fuels and lubricants, for their part, decreased by 2.7 percent instead of a 5.5 percent increase, as a result of the lower international prices of oil products.

All these developments are based on the data of the consumer price index, base 100 in 2017, provided by the HCP in May 2020, following the reform of the base 100 index in 2006.

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

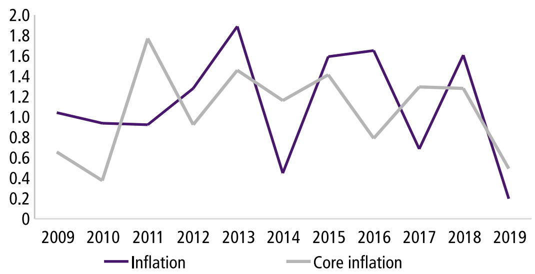
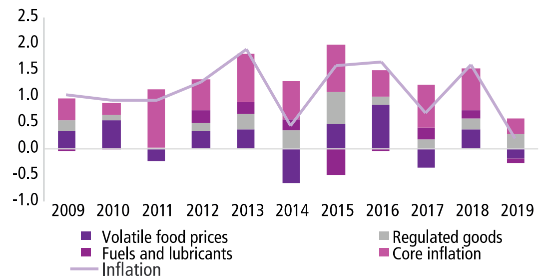


Chart 1.4.2: Contribution to inflation (in % point)



Sources: HCP data, and BAM calculations.

Table 1.4.1: Consumer prices (change in %)*

Groups of products	2013	2014	2015	2016	2017	2018	2019
Consumer price index	**1.9**	**0.4**	**1.6**	**1.6**	**0.7**	**1.6**	**0.2**
Volatile food prices	**3.3**	**-5.6**	**4.3**	**7.5**	**-3.1**	**3.0**	**-1.5**
Fuels and lubricants	**8.0**	**7.0**	**-16.1**	**-1.7**	**8.8**	**5.5**	**-2.7**
Regulated goods	**1.3**	**1.6**	**2.7**	**0.7**	**0.8**	**0.9**	**1.3**
Core inflation indicator	**1.5**	**1.2**	**1.4**	**0.8**	**1.3**	**1.3**	**0.5**
- Food products	1.6	1.0	1.8	0.6	1.6	1.4	-1.1
- Clothing items and footwear	1.6	2.1	0.6	1.1	1.4	1.2	1.2
- Housing, water, gas, electricity and other fuels(1)	2.2	1.7	1.1	1.0	1.1	1.0	1.5
- Furniture, household appliances and routine household maintenance	0.2	0.8	0.3	0.6	0.5	0.2	0.4
- Health(1)	0.9	2.6	1.0	1.0	2.4	1.0	0.0
- Transport(2)	1.2	1.1	0.3	0.2	-0.4	0.3	0.7
- Communications	-9.2	-4.6	0.2	-0.2	-0.2	1.0	3.3
- Entertainment and culture(1)	0.5	-0.9	0.2	1.7	0.6	0.1	0.3
- Education	5.5	3.4	2.9	2.3	2.7	2.6	3.5
- Restaurants and hotels	3.2	2.5	2.3	2.5	3.2	1.1	1.4
- Miscellaneous goods and services(1)	1.6	1.5	0.7	0.3	0.9	1.8	0.8

* Changes are based on official CPI base 2017 data from 2018 and on CPI base 2006 before that year.
(1) Excluding regulated goods, (2) excluding regulated products, and fuels and lubricants.
Sources: HCP, and BAM calculations.

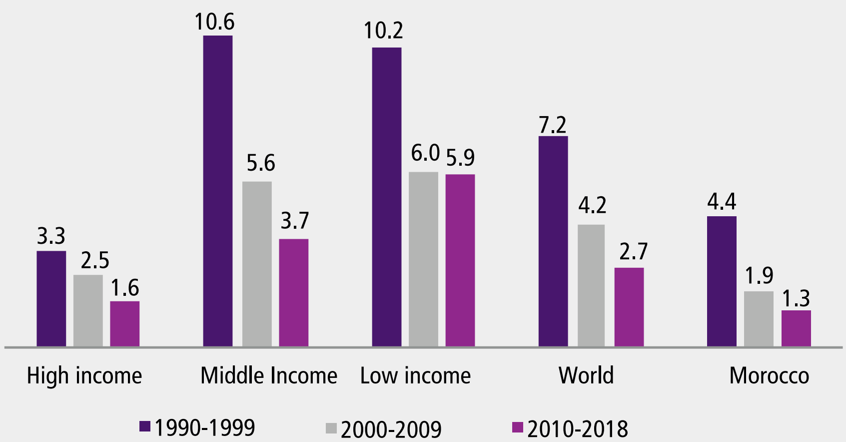
1 The consumer price index fell by 0.8 percent in 1967 and 1 percent in 1966.

Box 1.4.1: Global disinflationary movement and long-term evolution of inflation in Morocco

Over the past four decades, global inflation has been on a downward trend. Thus, after peaking at 16.6 percent in 1974[1], it fell back to an average of 8 percent in the 1980s then to 7.2 percent in the 1990s. Since 2000, it first hovered around an average of 4.2 percent; however, after the financial and economic crisis of 2009, the disinflation phenomenon continued with inflation levels close to 0 percent in several advanced economies. This situation has recently led some central banks, including the FED and the ECB, to reflect on how to adapt the monetary policy framework and conduct to this new context of low inflation.

Inflation decline affected all categories of countries regardless of their income level but was more pronounced in middle-income economies. In the group of "lower middle-income" countries to which Morocco belongs, the inflation rate particularly averaged 4.5 percent over the last nine years, compared to 5.7 percent between 2000 and 2009 and 9.7 percent between 1990 and 1999.

Chart B1.4.1.1 : Average inflation by income category (%)

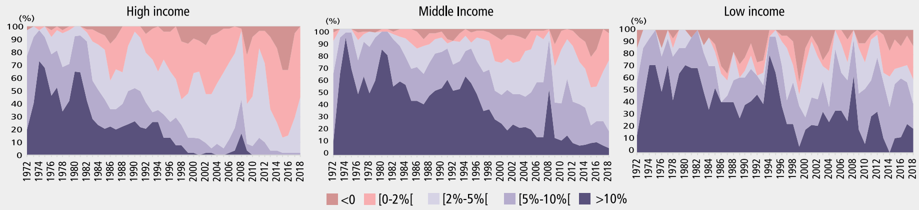


Source : World Bank.

By analyzing the distribution of inflation rates over the last five years, i.e. between 2014 and 2018, compared to the 2000 decade, it emerges that the share of countries with inflation rates below 2 percent increased from 37 percent to 74 percent for high-income economies, from 18 percent to 36 percent for middle-income countries and from 17 percent to 34 percent for low-income countries.

[1] « Inflation in Emerging and Developing Economies: Evolution, Drivers, and Policies" , World Bank 2018.

Chart B1.4.1.2 : Distribution of inflation rates by group of countries



Sources : IMF, World Bank and BAM calculations.

This disinflationary movement was most likely favored by several factors. These would include trade integration, with the development of global value chains, the more rapid technological progress, and the adoption of more effective monetary policy frameworks to better control inflation developments.

Over the last twenty years, the share of trade in GDP strengthened at the global level, particularly in advanced countries, from 71 percent in 2000 to 86 percent in 2017[2]. This growing trade openness has been fostered by the expansion of value chains around the world, which has led to a growing importance of intermediate goods among imports[3] as well as by the emergence of countries with low labor costs on the world market. As a result, producer prices fell and evolved in a more and more synchronized way between countries, competition on the labor markets was up in advanced countries, and pressure on wage dynamics fell downward.

In addition, with the development of online sales platforms further to technological developments, a significant change has been observed in producers' behavior with regard to margin setting, which exerted a downward pressure on inflation.

For their part, the higher number of countries adopting an inflation targeting regime, 41 countries in 2018 instead of 14 in 2000, and the strengthened independence of central banks may have contributed to the reducing inflation and its volatility. This framework, which was initially adopted by some advanced countries, gave satisfactory results with regard to anchoring inflation expectations and macroeconomic stability, and thus encouraged many emerging economies since the early 2000s to move to flexible exchange rate regimes and inflation targeting frameworks.

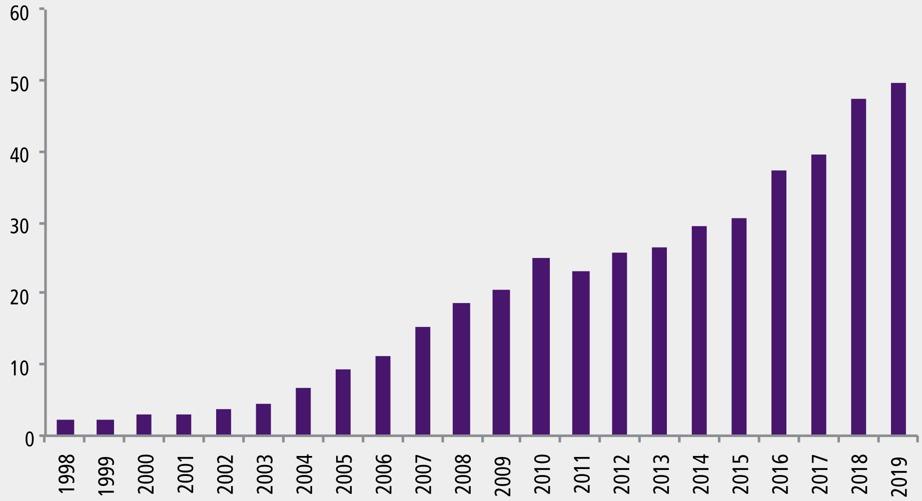
This global disinflationary movement has not spared Morocco. After it reached 3.1 percent on average from 1991 to 2008, inflation was limited to 1.1 percent over the last ten years. This persisting low inflation is attributable to several internal and external factors. The fixed exchange rate regime has contributed to moderating price developments, pegged to the euro zone, the Kingdom's main economic partner, where inflation hovered around 1.3 percent over the last decade. This decline is also explained by the increasing openness of the national economy, with a progressive integration into global value chains, tariffs dismantling, the liberalization of the prices of certain products and the development of large-scale distribution.

[2] "Inflation in Emerging and Developing Economies: Evolution, Drivers, and Policies", World Bank, 2018.

[3] "Globalisation and Inflation", speech by the Governor of the Bank of England on 18 September 2017.

The change observed in the geographical structure of imports, with an increasing share of those from low-cost emerging countries, would also have favored this development. More particularly, imports from China experienced a strong expansion, rising from 3 billion DH in 2000 to 50.2 billion DH in 2019. This country has become Morocco's third largest supplier as of 2010, after it occupied the tenth position ten years earlier.

Chart B1.4.1.3 : Morocco's imports from China (in billions of dirhams)



Source : Foreign exchange office.

In addition, the subsidization of liquid oil products helped moderate the rise in pump prices during periods of high international oil prices. As an illustration, between 2009 and 2012, the prices of fuels and lubricants increased by 9.1 percent while the price of a barrel of oil rose by 81 percent during the same period.

In this context, and except for a few episodes of inflationary pressures where it was rather careful, monetary policy remained generally accommodating with an orientation towards supporting the economy, particularly since 2013. The key rate was thus reduced from 3 percent in 2013 to 2.25 percent from March 2016 and the rate of the reserve requirement was reduced from 4 percent to 2 percent between 2013 and 2019. In addition, the Bank put in place several non-conventional instruments with a view to strengthening access to financing, particularly for SMEs.

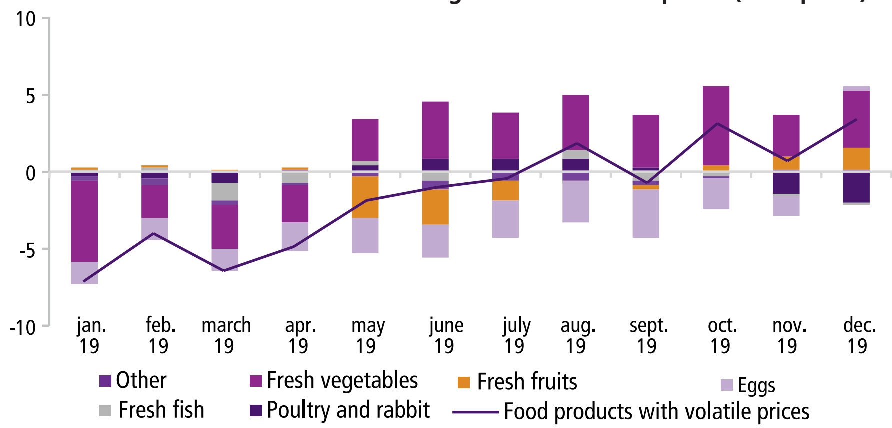
1.4.1 Components of the consumer price index

1.4.1.1 Volatile food prices

Volatile food prices fell by 1.5 percent in 2019, after their 3 percent increase in 2018. In the first three months, prices of these products fell by 5.8 percent on average due to improved production in certain sectors, particularly citrus fruit. Between April and June, the decline in the supply of fresh vegetables, particularly onions and tomatoes, combined with the rebound in demand during the month of Ramadan helped mitigate the decline to 2.5 percent. On the other hand, due to higher external demand for some fresh fruits and to the rainfall deficit recorded in most vegetable-producing agricultural regions, food products with volatile prices were up by 2.5 percent during the last quarter.

Over the year as a whole, the decline affected almost all these products, except for "fresh vegetables" and "frozen or deep-frozen fish" which rose 4.5 percent and 1.7 percent respectively. Prices of other commodities fell at rates ranging from 24.5 percent for "citrus fruits" to 0.5 percent for "poultry and rabbit". Their contribution to inflation stood at -0.2 percentage point, compared with 0.4 point in 2018.

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

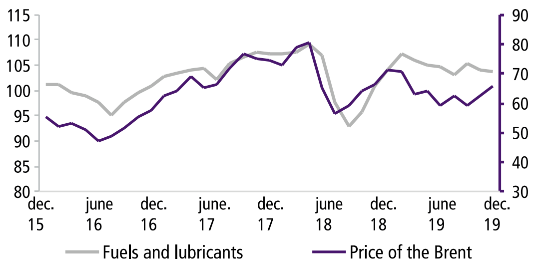


Sources: HCP and BAM calculations.

1.4.1.2 Fuels and lubricants

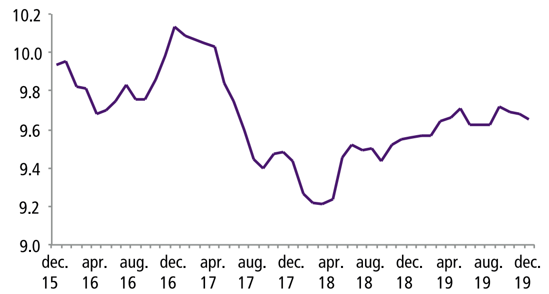
After an average increase of 7.2 percent in the last two years, prices of fuels and lubricants fell by 2.7 percent in 2019. This decline is partly attributable to the lower international oil prices in a context marked, on the one hand, by slower global activity and, on the other, by production disruptions caused by geopolitical tensions. More specifically, the price of Brent crude oil averaged $64/bl, as against $71.1/bl a year earlier, down by nearly 10 percent. The impact of this decline on pump prices was mitigated by the 2.4 percent average depreciation of the national currency against the US dollar, with the exchange rate falling from 9.41 DH to 9.65 DH on average. Overall, prices of fuels and lubricants contributed by -0.1 percentage point to inflation in 2019 against 0.2 point one year earlier.

Chart 1.4.4: Fuels and lubricants prices (base 100 = 2017) and Brent prices ($ per barrel)



Sources: HCP and World Bank.

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



Source: BAM.

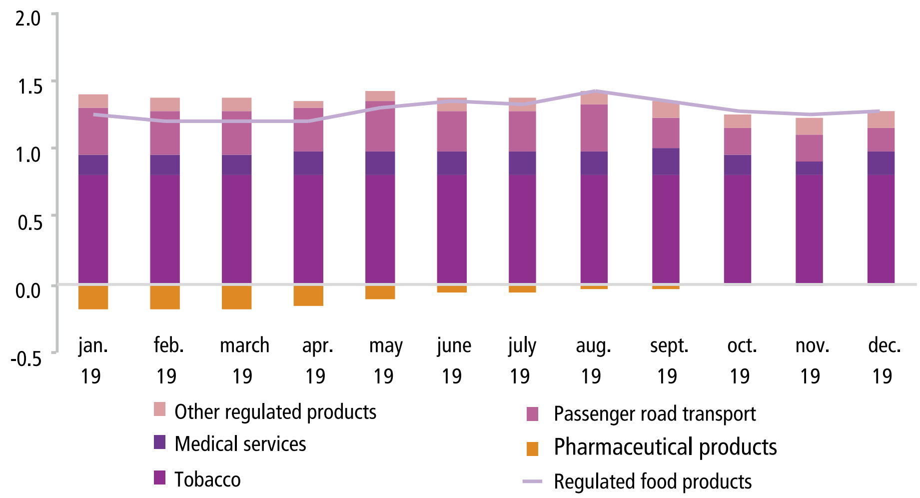
1.4.1.3 Tariff-Regulated Products

The increase in tariffs of regulated products rose from 0.9 percent a year earlier to 1.3 percent in 2019, in line with the 11.4 percent increase, after 8.7 percent, in the price of "tobacco". The latter contributed to the rise in prices of regulated products by 0.8 percentage point compared with 0.5 point in 2018 (see Box 1.4.2).

At the same time, the year 2019 recorded increases of 2.9 percent for medical services and 2.5 percent for road passenger transport, despite the absence of regulatory decisions in this regard[1]. These two categories of services accounted for 0.4 percentage point of prices rise, compared with 0.3 point in 2018.

Overall, tariffs for regulated products contributed 0.3 percentage points to inflation in 2019, as against 0.2 point in the previous year.

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



Sources: HCP data and BAM calculations.

1 See Box 1.4.1 of Bank Al Maghrib's Annual Report for fiscal year 2018.

Box 1.4.2: Tobacco tax reform in Morocco and impact on inflation

In Morocco, the tobacco industry has long been subject to public monopoly in terms of tobacco farming, manufacturing and marketing. Starting in 2003, this sector was gradually liberalized, with the sale of 80 percent of the capital of the Régie des Tabacs and the implementation of a new tax regime. The latter consisted in introducing a VAT of 20 percent in parallel with a reduction in the DCT rate from 65 percent to 52 percent[1].

This liberalization continued until 2011, notably by dismantling monopoly on tobacco manufacturing and ensuring wholesale import and distribution of manufactured tobacco. However, the sector remained regulated. In particular, the selling price of manufactured tobacco continued to be subject to the minimum price rule, calculated as the simple average of the selling prices of similar tobacco, which prevented the development of competition in the sector.

Starting from 2013, the regulation of the tobacco market underwent several changes, including removal of the minimum price constraint and replacing it by a price certification system. To this end, an ad hoc commission was set up with the task of deciding on all proposals relating to the setting and/or modification of tobacco sales prices.

The 2013 Finance Act also initiated a gradual reform of the taxation system for manufactured tobacco. Besides strengthening budget revenue[2], this reform aims at aligning the system with the recommendations of the World Health Organization (WHO), which considers that increasing prices through tax rises is a simple and effective tool for combating tobacco use. It also considers[3] that in low and middle-income countries such as Morocco, raising the price of cigarettes by 10 percent would lead to 4 percent to 8 percent lower demand.

This tax reform, which extended over three years, consisted in introducing specific taxation, in addition to maintaining part of the taxation in proportion to the public sale price, i.e. ad valorem, and setting a minimum collection rate. It first concerned blond cigarettes with (i) reducing by half of the ad valorem tax from 50 percent in 2013 to 40 percent in 2014 and then to 25 percent in 2015; (ii) raising the specific portion from 214 DH per thousand cigarettes in 2013 to 462 DH in 2015; and (iii) increasing the minimum collection rate from 500 DH per thousand cigarettes to 567 DH during the same period.

Between 2017 and 2019, taxation of dark cigarettes was gradually aligned with blond cigarettes'. Indeed, due to the growing recourse of market operators to homologation of this category of products, the authorities limited homologation to cigarettes containing at least 80 percent dark

[1] In contrast to the traditional ICT quotas which were specific and calculated on the basis of quantity (per packet or per gram), this duty is ad-valorem and is based on the public selling price of tobacco.

[2] Cf. presentation note for the draft 2013 Finance Act.

[3] WHO Portal: Taxation of Tobacco Products (https://www.who.int/tobacco/economics/taxation/fr/).

tobacco while gradually raising the specific quota and the minimum collection rate (Cf. Table B1.4.2.1). Since January 1, 2019, the distinction between the two types of cigarettes has been abolished and the minimum collection rate was raised to 630 dirhams per 1,000 cigarettes.

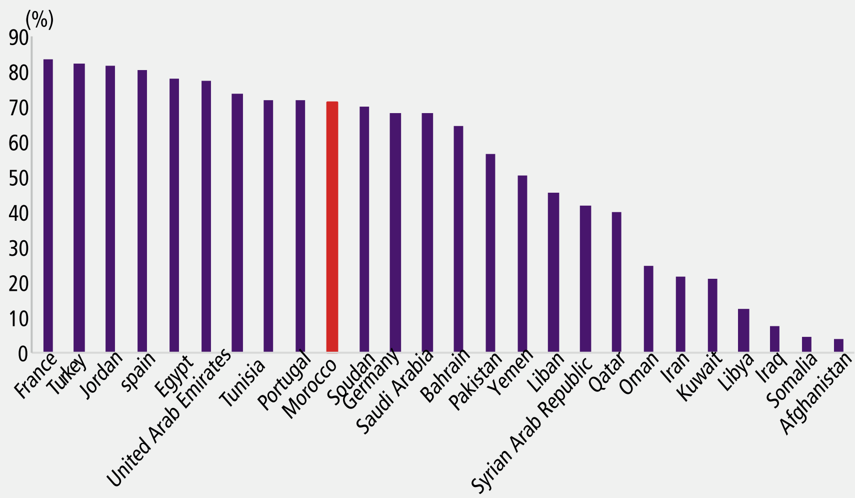
Table B1.4.2.1 : Revisions of domestic consumption taxes on manufactured tobacco from 2013 onwards

Dhs/1000 cigarettes or grams	FA 2013									FA 2016			FA 2017									FA 2019		
	2013			2014			2015			2016			2017			2018			2019			2019		
	Specific quota	Ad valorem tax	Minimum perception	Specific quota	Ad valorem tax	Minimum perception	Specific quota	Ad valorem tax	Minimum perception	Specific quota	Ad valorem tax	Minimum perception	Specific quota	Ad valorem tax	Minimum perception	Specific quota	Ad valorem tax	Minimum perception	Specific quota	Ad valorem tax	Minimum perception	Specific quota	Ad valorem tax	Minimum perception
Cigarettes																						462	25%	630
With dark tobacco	217	25%	265										315	25%	386	388	25%	476	462	25%	567	**	**	**
With other tobaccos	214	50%	500	332	40%	533	462	25%	567				462	25%	567							**	**	**
Cigars and cigarillos	500	35%	1000																					
Other manufactured tobacco	158	25%	220																					
Fine-cut tobacco for rolling cigarettes										750	25%	950												
Water pipe tobacco										280	25%	350										280	25%	450
Others										158	25%	220												

** As of this year the distinction between these two categories of tobacco has been abolished.
Source: Ministry of the Economy, Finance and Administrative Reform.

Despite all these measures, the share of taxes in the retail selling price of the most popular cigarette brands in Morocco increased slightly from 68 percent in 2012 to 71 percent in 2016 and 71.2 percent[4] in 2018, remaining below the minimum threshold of 75 percent recommended by the WHO.

Chart B1.4.2.1: Tax share in the retail price of top-selling cigarette brands in 2018



Source: WHO report "Global Tobacco Epidemic 2019".

[4] WHO Report: "Global Tobacco Epidemic of 2013, 2017 and 2019".

What is the impact on inflation?

Considering its pricing method, tobacco is classified as a tariff-regulated product. Its weight in the CPI base 2006 reference basket, then equaling 2.1 percent, was updated by the HCP in the CPI base 2017, based on data from the 2013/2014 household consumption and expenditure survey, at 1.4 percent.

Between 2007 and 2012, the impact of tobacco price changes on inflation was negligible, in the order of 0.03 percentage point. On the other hand, between 2012 and 2019, the implementation of the above-mentioned measures resulted in a price increase of almost 38 percent, i.e. the equivalent of 4.7 percent annually, compared to an average inflation of 1.2 percent over the same period. The largest increases were recorded in 2018 with 8.7 percent and in 2019 with 11.3 percent, i.e. contributions to inflation of 0.1 and 0.2 point respectively.

1.4.1.4 Core inflation

Mainly driven by its food component, core inflation declined significantly in 2019, down to 0.5 percent after 1.3 percent a year earlier. Prices of “oils" fell by 12.2 percent in connection with, on the one hand, the lower international prices, as the FAO price index of vegetable oils decreased by 6.2 percent, and on the other hand, the national fall of olive oil prices following a record olive production. Besides, prices fell by 0.9 percent, as against a 9.5 percent increase for "oils and fats"[1], while the price of "fresh meats" experienced a 4.6 percent rise for the second consecutive year.

At the same time, prices rose by 0.8 percent after 1.8 percent for "miscellaneous goods and services". Such deceleration was offset by the more rapid increase of prices of the other components, particularly "education", which posted a further rise by 3.5 percent after 2.6 percent, and "communications", whose prices grew by 3.3 percent instead of 1 percent.

Overall, the contribution of core inflation to the change in the consumer price index declined from 0.8 percentage point to 0.3 percentage point in 2019.

Tradable goods and nontradable goods

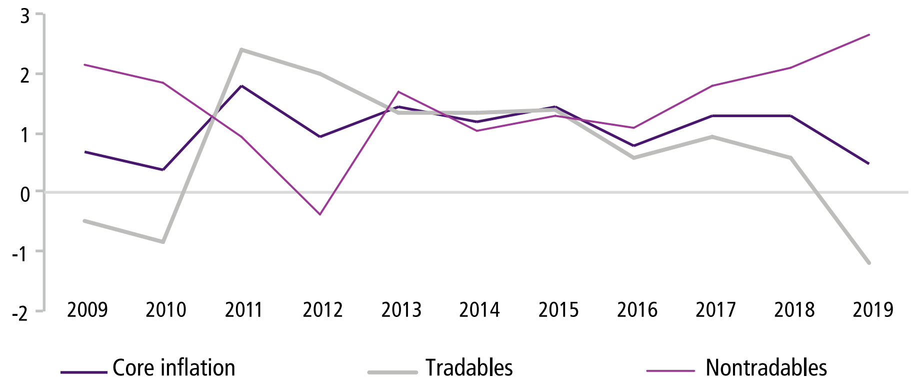
The slowdown in core inflation reflects the slower prices of tradeable goods. In fact, the latter declined by 1.2 percent after rising by 0.6 percent in 2018 against a background of weakening inflationary pressures from external sources. Indeed, inflation in Morocco's main trading partners[2] fell from 1.9 percent to 1.4 percent and the nominal effective exchange rate recorded a more

[1] According to the classification adopted by the HCP, this heading includes "butter" and "margarine".

[2] Calculated on the basis of a price index of the 7 main trading partners of Morocco (France, Spain, Germany, Italy, United Kingdom, United States and China) with as a weighting the share of imports from these countries in the total imports of the Kingdom.

significant rise by 2.6 percent against 2.1 percent. On the other hand, prices of non-tradable goods and services accelerated from 2.1 percent to 2.6 percent, mainly reflecting the rise in "telephony and fax services".

Chart 1.4.7: Evolution of core inflation (%)



Sources: HCP and BAM calculations.

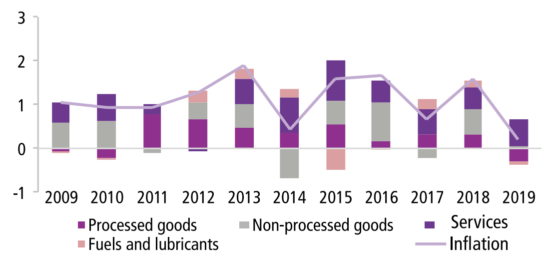
1.4.2 Goods and services

By breaking down the CPI basket into goods and services[1], it emerges that inflation deceleration in 2019 is due to slower prices of goods. Thus, excluding fuels and lubricants, prices fell by 0.7 percent, after they recorded a similar increase in 2018, for processed products, while they rose by 0.2 percent after 3.4 percent for unprocessed products.

Concerning services, their prices' rise grew from 1.3 percent to 1.8 percent, mainly due to the 4 percent higher price of "telephone and fax services", after 1.4 percent a year earlier, and "rents actually paid by tenants" by 1.1 percent after 0.3 percent.

Chart 1.4.8: Prices of goods and services (%)

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



Sources: HCP and BAM calculations.

1 BAM distinguishes four categories: processed goods excluding fuels and lubricants, unprocessed goods, fuels and lubricants and services.

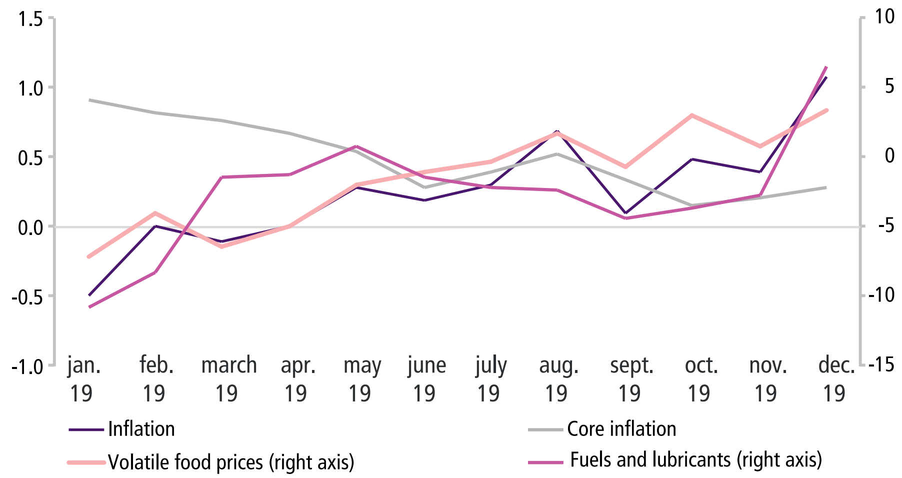
1.4.3 Infra-annual inflation profile

Continuing its downward trend of the second half of 2018, inflation was exceptionally low in the first quarter of 2019 before reversing from April onwards. The annual change in consumer prices stood negative, averaging -0.2 percent between January and March, before hovering around 0.3 percent over the next eight months and reaching 1.1 percent in December.

This infra-annual dynamic was largely driven by volatile food prices, whose decline gradually eased over the first two quarters, leading to an average increase of 0.3 percent between July and September and 2.5 percent in the last three months.

Core inflation gradually decelerated and, together with the decline in fuel and lubricant prices, resulted in low inflation throughout the year.

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



Sources: HCP and BAM calculations.

1.4.4 Consumer prices by city

Analysis of consumer price trends by city indicates that the decline in inflation in 2019 was rather widespread. Inflation decreased at rates between 0.4 percentage point in Beni Mellal and Settat and 2.4 points in Al-Hoceima. It ranged from -0.5 percent in Al-Hoceima and Tetouan to 1.7 percent in Safi, i.e.by 2.2 percentage points compared to 2.1 points in 2018.

Table 1.4.2: CPI by city (Change in %)

	Indexes (Base 100 =2017)		Inflation (en %)	
	2018	2019	2018	2019
Agadir	101.7	101.8	1.7	0.1
Casablanca	101.7	102.1	1.7	0.4
Fes	102.1	102.9	2.1	0.8
Kenitra	101.1	101.6	1.1	0.5
Marrakech	101.5	101.5	1.5	0.0
Oujda	101.9	101.6	1.9	-0.3
Rabat	101.2	101.6	1.2	0.4
Tetouan	101.6	101.1	1.6	-0.5
Meknes	101.0	101.3	1.0	0.3
Tangier	101.6	101.4	1.6	-0.2
Laayoune	102.4	102.8	2.4	0.4
Dakhla	102.6	103.1	2.6	0.5
Guelmim	102.0	103.0	2.0	1.0
Settat	100.7	101.0	0.7	0.3
Safi	102.8	104.5	2.8	1.7
Beni-Mellal	100.8	101.2	0.8	0.4
Al-Hoceima	101.9	101.4	1.9	-0.5
Errachidia	101.2	100.8	1.2	-0.4
National	**101.6**	**101.8**	**1.6**	**0.2**
Range (% points)			**2.1**	**2.2**

Source: HCP.

1.4.5 Industrial producer prices

The year 2019 recorded an overall easing of inflationary pressures generated by production costs. Excluding refining, manufacturing producer prices increased only marginally by 0.5 percent, compared with 2.6 percent a year earlier.

By sector, this deceleration was mainly due to slower price increases from 12.1 percent to 3.5 percent for "chemical industry", from 0.2 percent to -0.6 percent for "food industries", from 2.6 percent to -0.2 percent for "manufacturing of other non-metallic mineral products" and from 1.8 percent to 0.2 percent for "textile manufacturing".

On the other hand, products of the "clothing industry" and of "paper and cardboard industry" rose again by 2 percent and 4.6 percent after 0.7 percent and 0.8 percent respectively in 2018.

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

	2013	2014	2015	2016	2017	2018	2019
Non-refining producer price index	**-0,9**	**-2,0**	**-0,2**	**-0,4**	**0,7**	**2,6**	**0,5**
Including							
Food industries	1.5	-0.7	-0.7	-0.4	0.3	0.2	-0.6
Other mineral non-metallic products	4.0	1.5	0.2	-0.7	0.7	2.6	-0.2
Chemicals	-9.5	-11.7	-0.3	-0.2	2.1	12.1	3.5
Textile industry	-0.3	0.5	-2.8	0.1	-1.2	1.8	0.2
Clothing	0.7	1.1	2.8	0.8	0.0	0.7	2.0
Electrical equipment and supplies	-1.6	-2.4	0.1	-3.1	2.9	6.2	-0.8
Paper and cardboard	1.8	1.0	-0.4	-2.3	0.2	0.8	4.6
Manufacture of metal products. except machinery and equipment	1.4	-1.3	-2.9	-0.3	2.3	1.3	-0.6

Sources: HCP.

1.5 Public finance

In 2019, fiscal policy was conducted under restrictive conditions, particularly due to the continued slowdown of economic growth. The Government maintained a high rate of investment expenditure and continued its policy of clearing VAT arrears. In addition, it decided, as part of the social dialogue, to increase salaries and family allowances over a three-year period.

Facing this situation, the Treasury resorted to privatization operations enshrined in the Finance Act, which generated 5.3 billion DH, as well as to specific financing mechanisms[1] that enabled it to mobilize a revenue of 9.4 billion DH.

Budget execution on the revenue side was also marked by slower tax revenues, with lower income from corporate and income taxes, and declining grants from GCC countries. On the expenditure side, apart from the subsidy fees, down by 9.3 percent, the other headings increased by 11.3 percent for other goods and services, 7.3 percent in capital expenditure and 5 percent in the wage bill.

Under these circumstances, the budget deficit, excluding privatization, widened again to 4.1 percent of GDP, after 3.8 percent in 2018 and 3.5 percent in 2017. Taking into account the decline in the stock of pending operations and the surplus of the Treasury's special accounts, the financing requirement widened to 51.5 billion DH. The latter was covered, in addition to privatization receipts, by net domestic resources of 29.2 billion DH and by external financing for a net amount of 17 billion DH, including a bond issue of one billion euros.

As a result, the Treasury's debt ratio fell by 0.2 point to 65 percent of GDP, resulting from a 0.9-point reduction in its domestic component to 50.9 percent of GDP and a 0.7 point increase in its external component to 14 percent of GDP.

Table 1.5.1: Main public finance indicators (% of GDP, unless otherwise stated)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
Current receipts	25,4	26,0	25,5	25,4	23,6	23,7	24,0	23,4	23,5
Tax receipts	22,6	23,4	21,9	21,4	20,7	20,9	21,2	21,2	20,7
GCC donations	-	-	5,2	13,1	3,7	7,2	9,5	2,8	1,6
Overall expenditure	32,4	34,1	31,2	30,9	28,5	28,5	28,0	27,5	27,8
Current expenditure	26,3	28,1	25,9	25,0	22,6	22,3	21,7	21,5	21,7
Payroll	10,8	11,4	11,0	11,0	10,4	10,3	9,9	9,6	9,7
Subsidy costs	6,0	6,5	4,6	3,5	1,4	1,4	1,4	1,6	1,4
Investment	6,1	6,1	5,4	5,9	5,9	6,3	6,3	5,9	6,1
Fiscal balance	-6,6	-7,2	-5,1	-4,9	-4,2	-4,5	-3,5	-3,8	-4,1
Direct public debt	52,5	58,2	61,7	63,4	63,7	64,9	65,1	65,2	65,0
Gross public debt	63,5	69,5	73,4	78,2	79,9	81,6	82,0	81,3	80,5

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

1 These are mainly sales of the State's non-financial assets and leases by the State of the assets sold.

1.5.1 The 2019 Finance Act

The 2019 finance act was drawn up on the basis of a growth rate of 3.2 percent, average oil prices of $72 per barrel and $560 per ton for butane, as well as an average exchange rate against the dollar equaling 9.45 DH. It targeted a budget deficit, excluding privatization, of 3.7 percent of GDP instead of 3 percent in the 2018 finance act.

Compared to the previous edition, the budget program provided for a 4.9 percent increase in overall expenditure, covering a 7.2 percent increase in ordinary expenses and a 4.4 percent decline in investment. Expenditure on goods and services was forecasted to rise by 6.7 percent, following a 12.7 percent increase in other goods and services and a 3 percent growth in the wage bill, taking into account in particular the creation of 25,572 new budget items, compared to 19,315 in 2018. As for the subsidy fees, it was projected to rise by 33.9 percent to 18.4 billion DH.

At the same time, current revenues were expected to improve by 1.7 percent, driven by a 3.8 percent increase in tax revenues. Revenues from income tax were expected to increase by 6.8 percent, as against 1.5 percent, for corporate tax and 1.5 percent for VAT revenues. The latter include a 5.9 percent increase in import VAT and a 6.3 percent decrease in domestic VAT. As for non-tax revenues, they were expected to decline by 20 percent, mainly due to a 5 billion DH decline in grants from GCC countries, while monopoly revenues were expected to increase by 1.6 billion DH.

Table 1.5.2: Budget programming (in millions of dirhams, unless otherwise stated)

	2018 Finance Act	2019 Finance Act	Change in %	Change in value
Current receipts	**262 448**	**266 982**	**1,7**	**4 534**
Tax receipts[1]	237 010	245 971	3,8	8 961
Including : VAT	85 451	86 728	1,5	1 277
CT	51 169	51 961	1,5	792
IT	41 748	44 602	6,8	2 854
Nontax receipts	22 138	17 711	-20,0	-4 427
Including : Grants from GCC countries	7 000	2 000	-71,4	-5 000
Receipts of some special Treasury accounts	3 300	3 300	0,0	0
Overall expenditure	**301 722**	**316 366**	**4,9**	**14 644**
Current expenditure	**241 461**	**258 761**	**7,2**	**17 299**
Wage bill	108 854	112 159	3,0	3 305
Other goods and services	66 141	74 555	12,7	8 414
Debt service	27 112	27 658	2,0	546
Subsidy costs	13 719	18 370	33,9	4 651
Transfers to local government	25 635	26 018	1,5	383
Current balance[2]	**20 987**	**8 221**	**-60,8**	**-12 766**
Capital spending[3]	60 261	57 606	-4,4	-2 655
Balance of other Treasury special accounts	6 000	6 000		

Primary balance[2]	**-6 162**	**-15 727**
Overall fiscal balance[2]	**-33 274**	**-43 384**
In percentage of GDP[4]	**-3,0**	**-3,7**
Financing requirement	**-33 274**	**-43 384**
Domestic financing	13 507	19 871
External financing	19 767	18 514
Privatization	0	5 000

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

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

3 Forecast in terms of emissions

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

Source: Ministry of Economy, Finance and Reform of Administration (DTEF).

Box 1.5.1 : Main Fiscal Measures of the 2019 Finance Act[1]

The 2019 Finance Act has been particularly rich in fiscal measures. Nearly all categories of taxes were affected either through simple clarifications or through changes to the rules governing bases, control and collection.

Corporate taxes

- Redesigning the tax scale as follows in order to enhance tax progressivity and ensure tax equity while taking into account the specificities of SMEs.

Table B 1.5.1.1: Corporate tax escalation

Net income amount	Previous rates	New rates
Less than or equal to 300,000 DH	10%	10%
Between 300,001 and 1 000 000 DH	20%	17,5%
More than 1 000 000 dh	31%	31%

- Instituting a social solidarity contribution, with a proportional rate of 2.5 percent of the profit, payable for 2019 and 2020, for companies that are subject to corporate income tax and whose net fiscal profit exceed 40 million DH.
- Abolishing the tax regime governing non-resident companies' coordination centers. The latter are now subject to ordinary law, whereas previously, their taxable base was determined by applying a rate of 10 percent of their operating expenses added, if necessary, to the result of their non-current operations.

[1] Circular Note No. 729 of the General Tax Department presenting and explaining the tax provisions of the 2019 Finance Act.

- Introducing, following the example of the tax treatment reserved for income from foreign sources earned by individuals, of the possibility of deducting the corporate income tax paid abroad from the tax paid in Morocco in accordance with the tax conventions of non-double taxation.
- Applying a 60 percent allowance to dividends paid by real estate investment trusts (OPCI) to corporate shareholders. This measure aims to encourage the creation of OPCI, boost the real estate rental market, particularly professional real estate, and to promote mobilization of long-term savings.

Income tax

- Strengthening the tax audit of taxpayers by extending the list of expenses taken into account in assessing the tax situation to cover other personal expenses categories borne by the taxpayer on his/her own account or on behalf of his/her dependents.
- Exempting payments and allowances granted to conscripts for military service.
- Reducing the rates of income tax applicable to the turnover of self-employed persons from 1 percent to 0.5 percent for commercial, industrial and craft activities, and from 2 percent to 1 percent for service providers. The 2019 Finance Act also revised downwards the minimum amount of penalties applicable to this category of taxpayer from 500 DH to 100 DH (i) in the form of an increase in case of failure or delay in filing the turnover declaration and (ii) in the form of a fine in the event of an incomplete or insufficient declaration with no impact on the tax base or its collection.
- Exempting retirees who receive several retirement pensions from the obligation to declare their overall income. The total net taxable amount of such retirees shall not exceed the exemption threshold of 30,000 DH annually.
- Setting up a minimum tax of 3 percent on the fraction of the transfer price exceeding 4,000,000 DH for transfer operations relating to a building or part of a building, occupied as a main dwelling and whose profit is exempt.
- Changing the way property revenues are taxed and collected to simplify and streamline the management of their related or underlying taxes. Thus, instead of an ordinary law scale after a 40 percent allowance, a new proportional scale was instituted whereby gross annual land incomes not exceeding 30,000 DH are exempted and a rate of (1) 10 percent to those below 120,000 DH, and (2) 15 percent for incomes equal to or above this amount, shall be applied. Several other changes have been introduced in the declaration, payment and sanction procedures.

Value added tax

- Exemption of water pumps running on solar energy or any other renewable energy used in the agricultural sector.
- Exemption of medicines used in the treatment of meningitis and those whose manufacturing price, exclusive of tax,is higher than 588 DH, to ensurea better access by the population to expensive medicines.
- Clarification of the conditions governing VAT exemption of social housing acquired within the framework of the "Ijara Mountahia Bitamlik" contracts, following publication of the circular of the Governor of Bank Al-Maghrib relating to the technical specificities of participatory products.

Registration and stamp duties

- Establishment of clear rules to determine territoriality with regard to registration fees for acts and agreements established abroad and relating to property, rights or operations whose assessment basis of is located in Morocco, as well as acts and agreements concluded abroad and having their legal effects on the national territory. In order of priority, these rules are determined based on (1) the place where the agreement was drawn; (2) location of the property subject of the agreement; (3) the tax domicile of the agreements' parties; and (4) the place of implementation of the legal effects of the agreement.
- Modification and harmonization of the tax treatment applicable to public procurement and other state acts and agreements. These include (1) introducing the obligation to carry out registration free of charge for contracts and agreements to carry outworks, supplies or services on behalf of the State, public institutions or local authorities, and (2) repealing the 1 percent rate provided for State contracts.
- Compulsory submission of some operations to registration formalities regardless of their form (written or verbal) and of their author or legal value (authentic or under private signature). These are (1) deeds recording the renunciation of the right to "chefaâ" or withdrawal in the event of a "sefqa" sale; (2) withdrawals of repurchase agreements; (3) waivers of opposition in real estate matters; (4) obligations, acknowledgements of debt and assignments of receivables; (5) powers of attorney; and (6) receipts for the purchase of real estate.
- Exemption from registration fees for acts of the European Bank for Reconstruction and Development, where the latter is solely and ultimately responsible for the tax burden.

- Imposition of a fixed registration fee of 200 DH on deeds of promise to sell or purchase, whether or not recording the payment of sums, drawn up by notaries, Aduls (Islamic notaries) or lawyers approved by the Court of Cassation. Previously, the fixed registration fee of 200 DH was required only when there were no payments of sums, a proportional rate of 1.5 percent being applied otherwise.
- Excluding the value of the deceased's main dwelling from the taxable base withheld for registration duties, at the proportional rate of 1 percent, applicable to inventories after death.

Special annual vehicle tax (TSAV)

- Exemption of duly authorized vehicles intended for mixed transport and whose total gross weight is less than 3,000 kilos.
- Facilitating the payment of the TSAV for vehicles weighing more than 9,000 kilograms by splitting it into two equal installments.
- Clarifying the application of the TSAV to four-wheel drive (4WD) vehicles. Those intended for non-professional use, whatever their weight, remain subject to the TSAV at the rates set according to fiscal power, while those for professional use, whose weight is over 3,000 kilos, remain subject to the rate set according to weight.

Shared measures among several taxes

- Deductibility, as regards the corporate tax and professional income tax, up to two per thousand (2‰) of the turnover, of donations granted to certain associations that have concluded a partnership agreement with the State for the implementation of projects of general interest.
- Raising the minimum contribution rate from 0.50 percent to 0.75 percent of turnover. For sales of medicines, this rate was reduced by half to 0.25 percent.
- Abolition of the preferential tax regime for offshore banks and offshore holding companies in order torationalize tax expenditure and comply with international commitments. However, offshore holding companies existing before the entry into force of the 2019 Finance Act, will continue to benefit from tax benefits until the expiry of their application deadlines.
- Strengthening the legislative framework governing transfer pricing, by instituting the obligation for resident companies with non-arm's length relationships with companies located outside Morocco to provide the tax authorities with documentation to justify their transfer pricing policy.
- Extension of the tax regime applicable to social housing construction programs in rural areas, through easing conditions. Projects to be carried out within the framework of agreements with the State must relate to at least 100 housing units instead of 500 for developers in urban areas.

1.5.2 Budget execution

Budgetary execution for the year 2019 resulted in a deficit, excluding privatization, of 47 billion dirhams, up 12.9 percent from one year to the next and exceeding the target of the budget law by 3.6 billion dirhams. This trend is due to the 4.6 percent increase in current revenues and a 5.2 percent rise in overall expenditure, as well as a 1.3 billion DH decline in the positive balance of special Treasury accounts.

Chart 1.5.1: Overall budget balance and primary balance

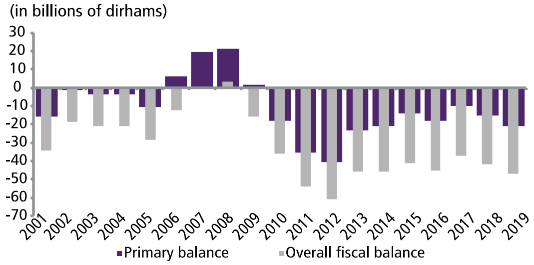
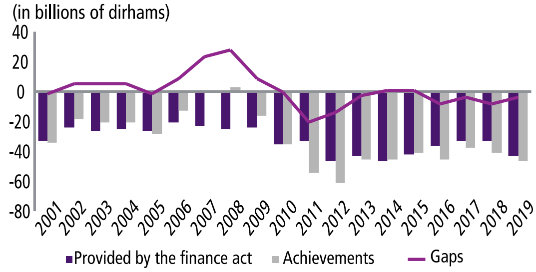


Chart 1.5.2: Overall budget balance



Source: Ministry of Economy, Finance and Administration Reform (DTEF).

Current revenues

Up by 1.6 percent in 2018, current revenues rose by 4.6 percent to 270.9 billion DH. This acceleration essentially reflects stronger non-tax revenues, partly mobilized through specific financing mechanisms. As for tax revenue, it recorded a limited increase of 1.3 percent, after 4.3 percent in 2018, reaching 238.2 billion DH, or 20.7 percent of GDP, i.e. a realization rate of 96.9 percent.

Thus, in terms of direct taxes, corporate tax revenue fell for the second consecutive year by 1.6 percent to 48.9 billion. Likewise, income tax revenues decreased by 0.5 percent to 42.1 billion, particularly with a 17.1 percent drop in revenues from real estate profits to 3.5 billion and a 4 percent increase in revenues from public wages and salaries to 8.9 billion[1]. Despite these developments, resources drained by direct taxes increased by 0.3 percent to 95.8 billion, driven by a 2.1 billion receipt for the social solidarity contribution on profits instituted by the 2019 Finance Law.

Indirect tax revenues, which accounted for 101.5 percent of the Financial Act, improved by 2.4 percent to 117.6 billion. VAT receipts rose by 1.3 percent to 87.7 billion, with import VAT receipts increasing by 2.6 percent to 56.1 billion and domestic VAT receipts falling by 0.9 percent to 31.6 billion. The evolution of the latter is mainly explained by the higher reimbursements which reached 9.8 billion after 7.3 billion in 2018. On the other hand, DCTs drained an amount of

1 These are the salaries served by the Personnel Expenditure Directorate of the Kingdom's Treasury.

29.9 billion, up by 5.6 percent, driven by the 5.6 percent increase to 16.6 billion of energy products revenues and 4.8 percent to 11.3 billion of those on tobacco.

Chart 1.5.3: Change in revenues of corporate Tax and Income tax

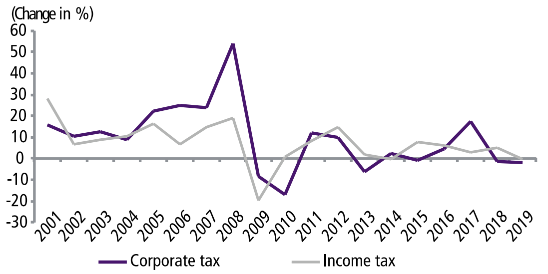
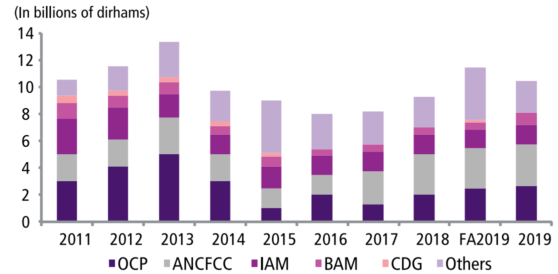


Chart 1.5.4: Revenues of monopoles and shareholdings



Source: Ministry of Economy, Finance and Administration Reform (DTEF).

For other tax revenues, after a significant increase of 12.6 percent in 2018, customs duties increased by 0.8 percent to 9.8 billion, i.e. and implementation rate of 103.6 percent. Similarly, registration and stamp duties rose by 0.5 percent to 15.1 billion DH, an amount well below the forecasts of the finance law which had expected 18 billion DH.

Chart 1.5.5: Current revenues

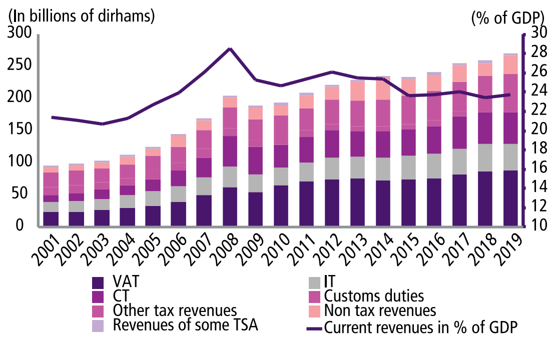
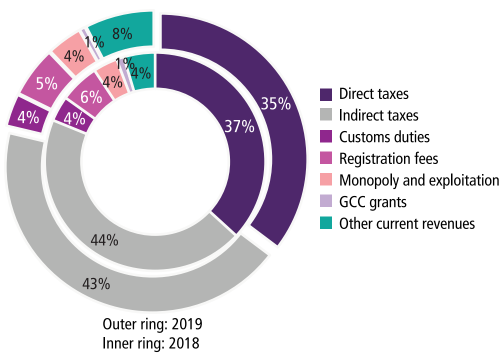


Chart 1.5.6: Structure of current revenues



Source: Ministry of Economy, Finance and Administration Reform (DTEF).

Non-tax revenues excluding privatization improved by 43.1 percent to 28.9 billion, after a decline of 22.2 percent in 2018, a realized rate of 163.1 percent. This strong increase was mainly driven by the receipt of revenue of 9.4 billion under specific financing mechanisms. Similarly, resources from monopolies and holdings increased by 12.9 percent to 10.5 billion, of which 3 billion came from the National Agency for Land Conservation, Cadastre and Cartography (ANCFCC), 2.7 billion from the OCP Group, 1.5 billion from Maroc Télécom and 855 million from Bank Al-Maghrib. On the other hand, donations from the GCC countries were limited to 1.6 billion DH instead of the 2 billion DH provided for in the finance law and the 2.8 billion DH received one year before.

Table 1.5.3: Treasury expenses and resources (in millions of dirhams, unless otherwise indicated)

	2018[1]	2019	Change in %	Implementation rate compared to the Finance Act 2018
Current receipts	**259 116**	**270 942**	**4,6**	**101,5**
Tax receipts[2]	**235 145**	**238 245**	**1,3**	**96,9**
- Direct taxes	95 523	95 763	0,3	93,3
Corporate tax	49 664	48 853	-1,6	94,0
Income tax	42 297	42 095	-0,5	94,4
- Indirect taxes	114 890	117 599	2,4	101,5
Value added tax [2]	86 572	87 699	1,3	101,1
Domestic consumer tax	28 318	29 900	5,6	102,7
- Customs duties	9 693	9 768	0,8	103,6
- Registration and stamp duties	15 039	15 115	0,5	83,8
Nontax receipts	**20 194**	**28 888**	**43,1**	**163,1**
- Monopolies and Participation	9 294	10 494	12,9	91,7
- Other revenues	10 900	18 394	68,8	293,8
Including : Grants from GCC countries	2 793	1 637	-41,4	81,9
Revenue from innovative mechanisms	0	9 369		
Receipts of some Treasury Special accounts	**3 777**	**3 809**	**0,8**	**115,4**
Overall expenditure	**304 339**	**320 212**	**5,2**	**101,2**
Current expenditure	**238 738**	**249 800**	**4,6**	**96,5**
Goods and services	**168 726**	**181 109**	**7,3**	**97,0**
- Staff expenditure	106 232	111 526	5,0	99,4
- Other goods and services	62 494	69 583	11,3	93,3
Public debt service	**26 322**	**26 310**	**0,0**	**95,1**
- Domestic	22 589	22 577	-0,1	95,3
- External	3 733	3 733	0,0	94,4
Subsidy costs	**17 718**	**16 072**	**-9,3**	**87,5**
Transfers to local governments	**25 972**	**26 310**	**1,3**	**101,1**
Current balance[3]	**20 378**	**21 141**		
Capital spending	**65 601**	**70 412**	**7,3**	**122,2**
Balance of other the Treasury Special accounts	3 565	2 255		
Primary balance[3]	**-15 336**	**-20 706**		
Overall fiscal balance[3]	**-41 658**	**-47 016**		
Change in arrears	358	-4 498		
Financing requirement	**-41 301**	**-51 514**		
Domestic financing	43 138	29 171		
- Auction market	34 546	9 967		
- Other transactions	8 592	19 204		
External financing	-1 838	16 999		
- Drawings	6 247	25 084		
- Depreciation	-8 085	-8 085		
Privatization	0	5 344		

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

Box 1.5.2 : 3rd National Forum on Taxation

After the 1999 and 2013 forums, the Ministry of the Economy, Finance and Administrative Reform organized the 3rd National forum on Taxation on May 3 and 4, 2019, under the theme of "tax equity". This meeting was an opportunity to provide answers concerning the shortcomings of the national tax system, characterized in particular by the narrow tax base and the multiple derogatory regimes that lead to a concentration of the tax burden. The forum took place in a national context marked by the launching of a reflection on the development model and on the choices to make it more efficient and more inclusive. At the international level, the context was marked by the fight against the erosion of tax bases and the orientation towards the uniform tax treatment of cross-border investments.

The methodological approach adopted for their organization was based on two fundamental principles, the first of which is to consult all stakeholders. Thus, public and private actors, constitutional bodies, professional associations, political parties, trade unions and civil society were invited to contribute to the reflection and participate in the debates, which resulted in 170 contributions. The second principle concernsdrafting the recommendations in a framework law with a five-year horizon for their implementation.

Topics of discussion focused on (1) taxation, a pillar of the development model; (2) taxation and competitiveness; (3) tax incentives; (4) the convergence of state and local taxation: equity and simplicity; and (5) the outlines of a new model of tax governance.

These discussions highlighted the objectives of the target tax system. The latter should promote growth, productive investment and employment, and contribute to reducing social disparities and fighting against the windfall economy. To this end, the system should be drawn up based on a set of principles, mainly including VAT neutrality, the fight against fraud and proportionality to tax-paying ability.

In the end, the main recommendations resulting from this conference are based on the following ten axes:

1. Rearrange the IT scale as the tax base is broadened and improve the share of professional IT;

2. Definitively enshrine VAT neutrality by eliminating the bumper effect;

3. Increase the marginal rate of protected economic activities;

4. Standardize the preferential regimes applied to exports, export processing zones and CFC;

5. Simplify and compile the IT and the business tax into a unified professional contribution to low-income activities, i.e. for small traders, professionals and craftsmen;

6. Abandon the minimum contribution for chronic loss-makers, provided that compliance is restored;

7. Simplify local taxation and harmonize its tax bases and procedures with State taxation, especially for the professional tax to remove any obstacle to investment, and integrate State taxation, local taxation and para-fiscality into a single general tax code;

8. Strengthen the rights of taxpayers to ensure balance between rights and obligations;

9. Consolidate the effort to modernize tax administration by completing the dematerialization, professionalization of trades and consolidation of the values of ethics and transparency;

10. Lowering the CT marginal rate for certain sectors in order to boost job creation and foster innovation.

Overall expenditure

Executed at 101.2 percent of the Finance Act's programming, overall expenditure rose by 5.2 percent to 320.2 billion, reflecting increases of 4.6 percent to 249.8 billion in ordinary expenditure and 7.3 percent to 70.4 billion in investment.

Chart 1.5.7: Overall expenditure

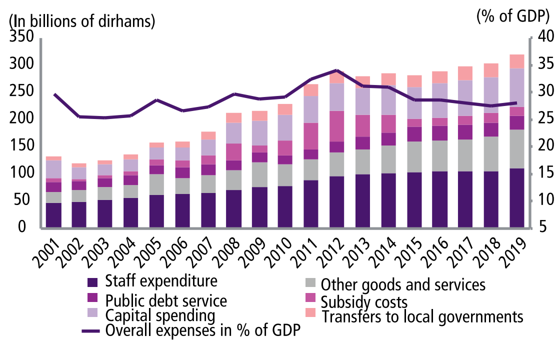
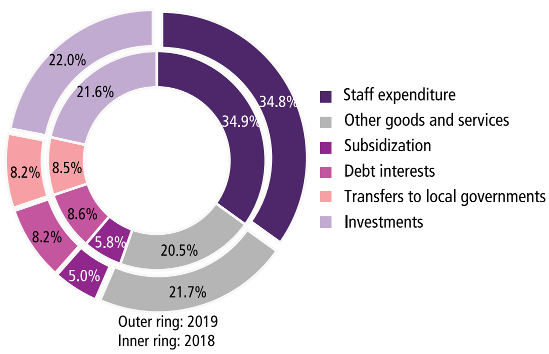


Chart 1.5.8: Structure of overall expenditure



Source: Ministry of Economy, Finance and Administration Reform (DTEF).

For current expenditure, the wage bill increased by 5 percent to 111.5 billion, after 1.3 percent in 2018. This increase was driven mainly by a net creation[1] of 5,683 jobs and by entry into force, as of May, of the first instalment of revaluating civil servants' salaries following the agreement reached as part of the social dialogue. As a percentage of GDP, the wage bill rose for the first time since 2013 by 0.1 point to 9.7 percent.

Expenditure on other goods and services increased by 11.3 percent to 69.6 billion, instead of 6 percent a year earlier. This development particularlyincludes increases by 7.7 percent to 18.2 billion in transfers to the Moroccan Pension Fund, 11 percent to 25.3 billion in transfers to enterprises and public institutions (EPI) and 42.9 percent to 4 billion in payments to special Treasury accounts.

1 Difference between creation of 15,114 posts and deletion of 9,431 posts.

As for the subsidyfee, which grew by 15.6 percent in 2018, it decreased by 9.3 percent to 16.1 billion, equivalent to 1.4 percent of GDP, representing an implementation rate of 87.5 percentcompared to the Finance law. Butane gas subsidy fell by 17.8 percent to 9.9 billion DH, owing to the decline of its price on the international market by 18.4 percent to 423.6 dollars per ton[1] on average. For the rest, most of the money was allocated to sugar for 3.5 billion DH and to domestic soft wheat flour for 1.4 billion DH.

Chart 1.5.9: Wage bill

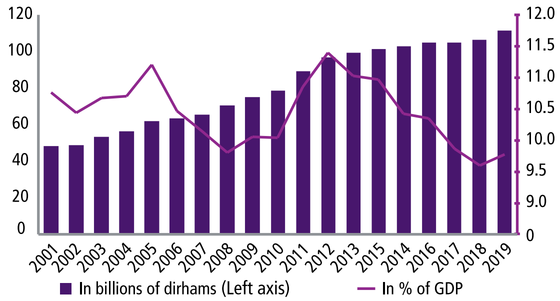
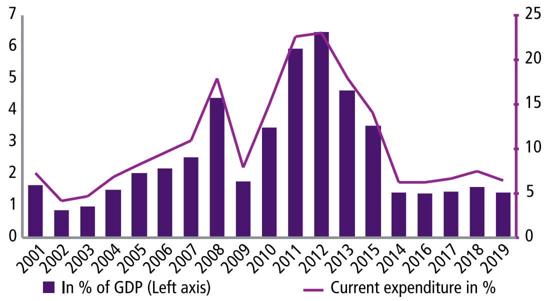


Chart 1.5.10: Subsidy costs



Source: Ministry of Economy, Finance and Administration Reform (DTEF).

After a relief of 2.8 percent in 2018, debt interest charges almost stabilized at 26.3 billion DH, with a slight decrease of 0.1 percent to 22.6 billion DH in interest on domestic debt and stagnation at 3.7 billion DH in interest on external debt.

Taking into account the evolution of current revenues and expenditures, budget savings amounted to 21.1 billion DH against 20.4 billion DH in 2018, thus allowing coverage of investment expenditures up to 30 percent, against 31.1 percent in 2018. The latter, after falling by 2.1 percent, increased by 7.3 percent to 70.4 billion, and recorded an implementation rate of 122.2 percent instead of 109 percent. As a percentage of GDP, they amounted to 6.1 percent, up 0.2 points year-on-year.

Chart 1.5.11: Current balance

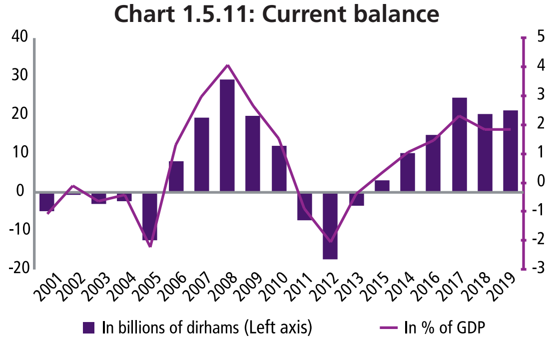
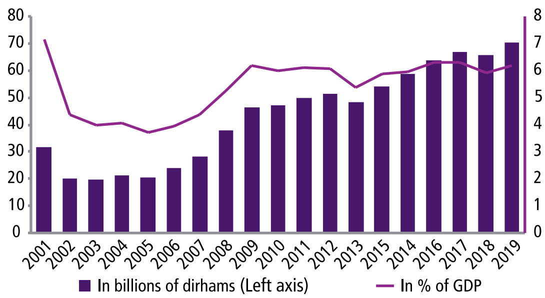


Chart 1.5.12: Investment expenditure



Source: Ministry of Economy, Finance and Administration Reform (DTEF).

Overall, taking into account the lower surplus of the Treasury's special accounts from 3.6 billion dirhams to 2.3 billion DH, the budget deficit, excluding privatization, worsened by 5.4 billion

1 Newsletter of the Subsidy Fund.

dirhams to 47 billion dirhams. Besides, considering a reduced stock of pending operations, amounting to 4.5 billion, the cash deficit, excluding privatization, widened by 10.2 billion to reach 51.5 billion DH.

Chart 1.5.13: Stock of pending transactions*

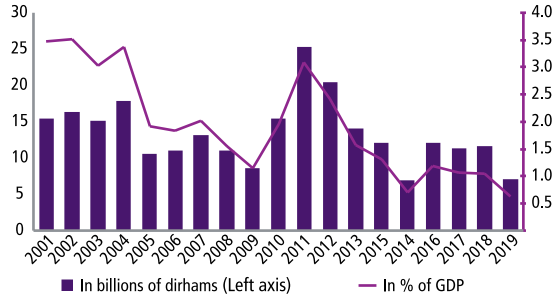
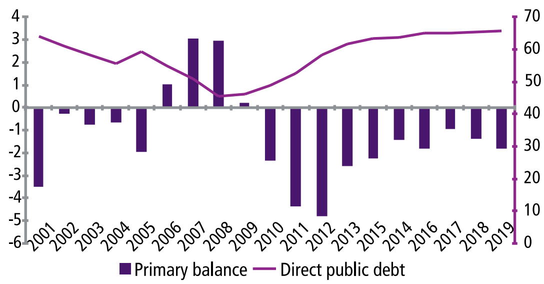


Chart 1.5.14: Primary balance and direct public debt as % of GDP



* Estimates of the inventory of pending transactions by BAM based on annual flows."
Source: Ministry of Economy, Finance and Administration Reform (DTEF).

1.5.3 Treasury financing

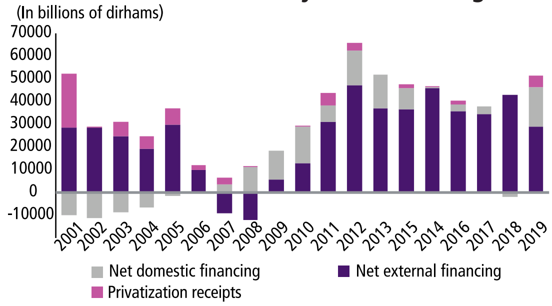
The Treasury financing requirement was covered by net domestic resources amounting to 29.2 billion DH, net external loans of 17 billion DH and privatization receipts of 5.3 billion DH[1].

In addition to a total of 19.2 billion mobilized through its own means[2], instead of 8.6 billion DH one year earlier, the Treasury raised a net amount of 11 billion DH on the auction market, as against 29.5 billion DH one year earlier, as the CDG rose its T-bills holdings by 10.9 billion DH, banks by 16.5 billion DH and non-financial companies by 0.8 billion DH, and as mutual funds reduced their holdings by10.9 billion, insurance and social security funds by 3.4 billion and other financial institutions by 2.8 billion.

With regard to external financing, gross drawdowns totaled 25.1 billionDH, up 18.8 billion DH compared to the previous year. 10.6 billion DH of these resources come from a sovereign debt issue on the international financial market[3], 9.7 billion DH from the World Bank and 3.8 billion DH from the African Development Bank. At the same time, principal repayments amounted to 8.1 billion DH, a stable amount from one year to the next.

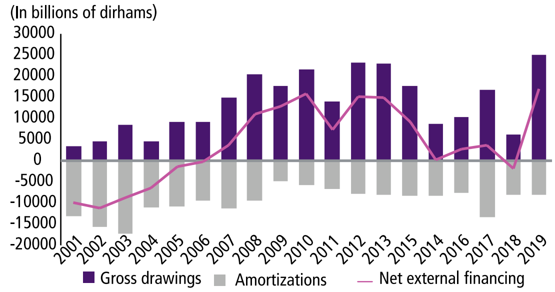
1 4.4 billion of which represents the share of the general budget in the sale of part of Maroc Telecom's capital held by the State
2 These include deposits with the Treasury.
3 1 billion 12-year-maturity Eurobond and an interest rate of 1.5 percent, the lowest in history.

Chart 1.5.15: Treasury's net financing



Source: Ministry of Economy, Finance and Administration Reform (DTEF).

Chart 1.5.16: Treasury's external financing



1.5.4 Public debt

After its 4.4 percent increase in 2018, direct public debt rose further by 3.5 percent to 748 billion in 2019, representing 65 percent of GDP against 65.2 percent of GDP in 2018. This evolution reflects growths of 2.1 percent to 586.5 billion or 50.9 percent of GDP of its domestic component and 9.1 percent to 161.5 billion or 14 percent of GDP of its external component.

As regards the characteristics of this debt, the maturity of its domestic component increased from 6 years to 6.6 years, reflecting the Treasury's move towards longer maturities[1], which accounted for 52.8 percent of gross subscriptions on the auction market, after 19.9 percent in 2018, and the average cost of this debt[2] fell by 26 basis points to 3.9 percent. On the other hand, foreign currency structure of external debtcontinued to be dominated by the euro, with a 66.7 percent share, up 3.5 percentage points, while the dollar's share fell by 2.1 percentage points to 26.4 percent. As for its average cost, it increased slightly from 2.4 percent to 2.5 percent.

As regards Enterprises and Public institutions, their external debt fell slightly by 0.2 percent to 178.3 billion, equivalent to 15.5 percent of GDP. Public external debt[3] thus amounted to 339.8 billion DH, or 29.5 percent of GDP, the same ratio as the previous year. 49.4 percent of this debt is held by international institutions, 25.6 percent by bilateral creditors and 25 percent by the international financial market and commercial banks.

Overall, the total outstanding public debt[4] increased by 2.8 percent to 926.3 billion, instead of 3.4 percent in 2018, and its ratio to GDP fell from 81.3 percent to 80.5 percent.

1 Maturities of 10 years and more.
2 Calculated as the ratio of interest on debt paid in the current year to the stock of debt from the previous year.
3 External debt of the Treasury and external debt of EPEs.
4 Calculated as the sum of the direct public debt and the external debt of EPEs. This terminology does not take into account the consolidation of public sector accounts.

Chart 1.5.17: Treasury debt

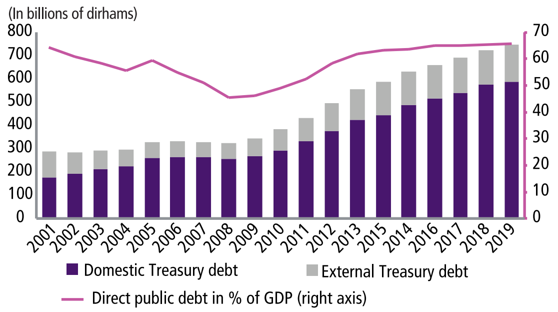
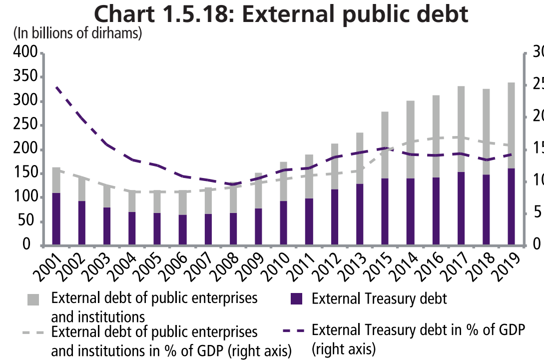


Chart 1.5.18: External public debt



Source: Ministry of Economy, Finance and Administration Reform (DTEF).

Table 1.5.4: Public debt position (in billions of dirhams, unless otherwise stated)

	2011	2012	2013	2014	2015	2016	2017	2018	2019
I- Domestic Treasury debt (1+2)	**331,3**	**376,8**	**424,5**	**445,5**	**488,4**	**514,7**	**539,1**	**574,6**	**586,5**
In % of GDP	40,4	44,4	47,3	48,1	49,4	50,8	50,7	51,8	50,9
1- Treasury bond auctions	**314,2**	**356,7**	**413,0**	**426,1**	**470,1**	**490,0**	**516,7**	**546,2**	**557,2**
In % of GDP	38,3	42,1	46,0	46,0	47,6	48,4	48,6	49,3	48,4
2- Other domestic debt instruments	**17,1**	**20,1**	**11,5**	**19,4**	**18,3**	**24,7**	**22,4**	**28,4**	**29,3**
In % of GDP	2,1	2,4	1,3	2,1	1,9	2,4	2,1	2,6	2,5
II- External Treasury debt	**99,6**	**116,9**	**129,8**	**141,1**	**140,8**	**142,8**	**153,2**	**148,0**	**161,5**
In % of GDP	12,1	13,8	14,5	15,2	14,3	14,1	14,4	13,4	14,0
III- Stock of direct debt (I+II)	**430,9**	**493,7**	**554,3**	**586,6**	**629,2**	**657,5**	**692,3**	**722,6**	**748,0**
In % of GDP	52,5	58,2	61,7	63,4	63,7	64,9	65,1	65,2	65,0
IV- Secured external debt of state-owned companies and institutions	**89,5**	**95,8**	**104,9**	**137,0**	**160,2**	**169,7**	**179,4**	**178,6**	**178,3**
In % of GDP	10,9	11,3	11,7	14,8	16,2	16,7	16,9	16,1	15,5
External public debt (II+IV)	**189,1**	**212,7**	**234,7**	**278,1**	**301,0**	**312,5**	**332,6**	**326,6**	**339,8**
In % of GDP	23,1	25,1	26,1	30,0	30,5	30,8	31,3	29,5	29,5
Stock of public debt (III+IV)	**520,5**	**589,5**	**659,2**	**723,6**	**789,4**	**827,1**	**871,7**	**901,3**	**926,3**
In % of GDP	63,5	69,5	73,4	78,2	79,9	81,6	82,0	81,3	80,5
GDP at current prices	**820,1**	**847,9**	**897,9**	**925,4**	**988,0**	**1 013,2**	**1 063,0**	**1 108,5**	**1 151,2**

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

Box 1.5.3: Fiscal policy and the fight against climate change

In recent years, climate change has become a major challenge which rose to the top of the agendas of international institutions and many countries, both advanced and developing. Efforts to fight this phenomenon have intensified, particularly as 154 countries signed the United Nations Framework Convention on Climate Change in 1992. Since then, the signatory states have been meeting annually in conferences of the parties with the aim of monitoring developments and identifying the necessary measures to be taken. In 2015, this conference (COP 21) was held in Paris and resulted in a universal agreement ratified by 195 participating countries. The latter committed themselves to keeping the rise in temperatures compared to the pre-industrial era (1850) below 2°C by 2100.

In this wake, various environmental protection measures were put in place, including fiscal policy. Environmental taxation is generally based on the "polluter pays" principle and can take several forms. The most favored is the carbon tax, which is levied on fossil fuels according to the quantity of greenhouse gases, such as carbon dioxide emitted during their use. Other measures aim to tax certain negative externalities on the environment, such as urban tolls, taxation on the purchase of vehicles according to their level of emissions, or the pricing of solid waste disposal services in proportion to the weight of waste produced. Some countries have also introduced a recycling tax payable on the purchase of household appliances or certain household equipment.

The IMF estimated in the October 2019 edition of the Public Finance Monitor that in order to limit global warming to a maximum of 2°C, a universal carbon tax of $75 per ton should be instituted by 2030. He also suggested other instruments such as a carbon trading system for electricity generation and large industries, and emission standards for vehicles and power generators.

With regard to the allocation of revenues generated by green taxes, the IMF recommends redistributing them to help low-income households, reduce other taxes or finance investment in clean energy infrastructure. In this respect, among the measures observed at the country level, it is worth noting that Germany resorted to allocation of these taxes revenues to renewable energy projects, that Japan opted for financing energy security, while Spain chose to finance basin agencies that manage water resources.

About the amount of revenue[1] generated by eco-taxes, the data available for the European Union show that they increased by an average annual 2.6 percent over the period 2013-2018 to reach 2.4 percent of GDP. In the main EU countries, this ratio stands at 1.9 percentfor Germany and Spain, 2.2 percentfor France and 3.4 percent for Italy.

[1] Source : Eurostat

In Morocco, environmental protection and sustainable development are major thrusts of public policy. In 2009, the country drew up a National Plan against Global Warming (PNRC), aiming to reduce greenhouse gas emissions in 2030 by 42 percent compared to the trend scenario, and achieve a 42 percent share of renewable energy capacities in the energy mix by 2020, and 52 percent by 2030. The PNRC also includes an adaptation program with a sectoral breakdown and significant budgetary implications.

Regarding the tax system, several taxes and duties have more or less strong environmental orientations, including in particular (i) the domestic consumption tax on energy products; (ii) the tax on the extraction of quarry products; (iii) the tax on the use of some public services (water supply, sanitation, waste collection and treatment); and (iv) the ecological tax on the plastics industry.

Similarly, the authorities introduced certain measures in the form of green tax exemptions or reductions. These include (i) the application of a 10 percent VAT rate for solar water heaters; (ii) the exemption for vehicles with electric or hybrid motors from TSAVas well as from the proportional stamp duty on first registration; and (iii) VAT exemption of water pumps running on solar energy or any other renewable energy used in the agricultural sector.

On the expenditure side, the country put in place several green subsidies to encourage environmental conservation. These subsidies, considered as financial aid for pollution reduction and environmental protection, are financed by funds, particularly the National Fund for the Protection and Development of the Environment (FNE) and the Industrial Depollution Fund (FODEP).

Morocco has made considerable progress in environmental protection and renewable energies development, which allowed it to rank among the reference regional and continental countries in this field. The analysis of international best practices and the recommendations of certain institutions such as the IMF, the OECD or the World Bank in terms of fiscal policy reveals some potential improvements. These particularly include (i) developing a Mid-term expenditure framework on climate expenditure, in order to improve the efficiency of climate expenditure management and the intersectoral allocation of climate resources; (ii) financing research and development of environmental technologies, expertise and monitoring in the field of climate change; (iii) optimizing institutional governance of climate policy; (iv) strengthening subsidies for emission-reducing technologies; (v) introducing an environmental tourism contribution in the form of a lump-sum tax for the preservation of natural sites; and (vi) strengthening training and raising public awareness of climate change issues.

1.6 Balance of payments

The year 2019 was marked by a sharp deceleration in foreign trade. Exports growth weakened from 10.7 percent to 2.4 percent, covering all sectors, particularly those of phosphates and derivatives and the automotive industry. Similarly, import growth was limited to 2 percent, as against 9.9 percent a year earlier, mainly due to lower international commodity prices, especially energy, and the rebounding production of local electricity. As a result, trade deficit widened slightly, although its ratio to GDP fell from 18.6 percent to 18.2 percent.

At the same time, travel receipts rebounded by 7.8 percent, while remittances from Moroccans living abroad almost stabilized after a slight decline in 2018. Against this backdrop, the current account deficit narrowed from 5.3 percent of GDP to 4.1 percent.

Regarding the financial account, which recorded an exceptional increase in 2018, impacted by the transfer operation in the insurance sector, FDI inflows, decreased from 47.4 billion DH to 33.5 billion DH, their lowest level since 2012. On the other hand, net inflows of loans showed a significant increase, due to the Treasury's issuance of 10.6 billion DH on the international market. Overall, Bank Al-Maghrib's Official Reserve Assets grew by 8.4 percent to 253.4 billion DH, i.e. the equivalent of 6 months and 8 days of imports of goods and services.

Table 1.6.1: Main items of the balance of payments (in % of GDP)

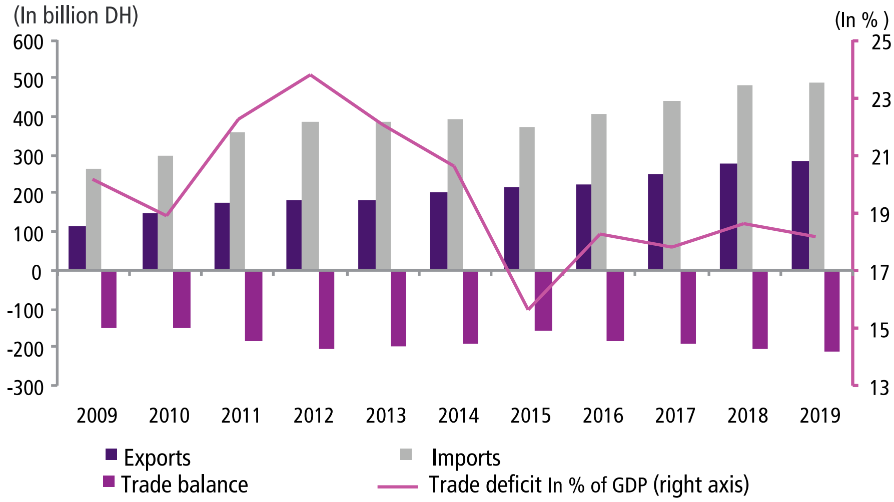
	2014	2015	2016	2017	2018	2019
Current account	**-6.0**	**-2.1**	**-4.1**	**-3.4**	**-5.3**	**-4.1**
Trade deficit (FOB-CIF)	20.6	15.6	18.3	17.8	18.6	18.2
Travel receipts (change in %)	7.7	-1.4	5.0	12.3	1.2	7.8
Transfers of Moroccan expatriates (change in %)	-0.8	4.8	4.0	5.3	-1.5	-0.2
Donations	1.5	0.5	1.0	1.1	0.4	0.2
Financial account (net flow)	**5.1**	**1.5**	**3.5**	**2.7**	**4.2**	**2.9**
Foreign direct investments receipts	3.9	4.0	3.5	3.2	4.3	2.9
Investments abroad by residents	0.4	0.6	0.6	0.9	0.7	0.9
Loans	1.4	1.5	1.7	2.1	0.3	1.1
Commercial loans	0.8	1.0	2.0	1.7	0.8	1.0
ORAs in months of imports	**5.5**	**6.1**	**6.4**	**5.6**	**5.3**	**6.3**

Sources: Foreign Exchange Office and HCP.

1.6.1 Commercial balance

In 2019, the trade deficit worsened by 3.2 billion dirhams to 209.2 billion dirhams, with imports increasing by 9.8 billion dirhams against 6.6 billion dirhams for exports. As a result, the coverage rate improved by 0.2 percentage point to 57.4 percent.

Chart 1.6.1: Trade balance

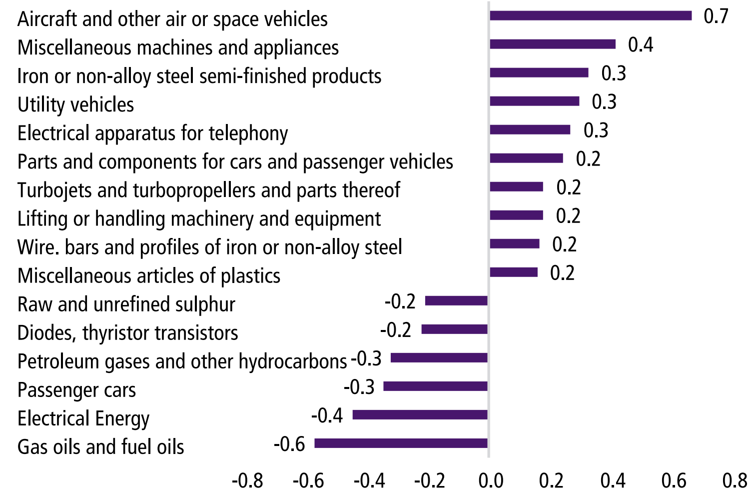


Source: Foreign Exchange Office.

Concerning imports, acquisitions of capital goods rose by 5.6 percent to 127 billion DH, mainly driven by the increase of 66.4 percent to 8 billion DH of "aircrafts and other air or space vehicles". Similarly, purchases of semi-finished products increased by 4.7 percent to 104.5 billion, with growth rates of 63 percent to 4.1 billion DH for "semi-finished products made of iron or non-alloy steel", of 4.5 percent to 14.4 billion DH for "plastic materials" and of 22.6 percent to 4.4 billion DH for "wires, bars and profiles made of iron or steel".

Imports of finished consumer goods increased by 4.2 percent to 113.1 billion, driven in particular by the 6.7 percent rise in purchases of " parts and components for cars and passenger vehicles " to 18.8 billion. For food products, supplies reached 47.8 billion dirhams, against 45.8 billion dirhams, mainly as a result of higher wheat prices and the expanded imported quantities of sugar and animal feed.

Chart 1.6.2: Contribution of the main products to the change of imports in 2019 (in points of %)



Sources: Foreign Exchange Office and BAM calculations.

On the other hand, the energy bill fell by 7.2 percent to 76.3 billion DH. This evolution has resulted from the strong decrease in electricity imports which fell, one year to another, by 2.3 billion DH to 149 million DH, due to stronger national production capacities. It also reflects a 6.6 percent decline in purchases of "gas oils and fuel oils" and a 9.9 percent decline in purchases of "petroleum gas and other hydrocarbons", due to the decline in prices on international markets. At the same time, the increase in the production of the coal-fired power station of Safi resulted in an growth by 5 percent to 9.1 billion DH in the purchases of "raw coal, agglomerated coal and coke", despite the 8.4 percent drop in their import price.

Table 1.6.2: Main import products

	In millions of dirhams				Change in %		
	2016	2017	2018	2019	2017/2016	2018/2017	2019/2018
Total imports	**410 584**	**438 080**	**481 442**	**491 230**	**6.7**	**9.9**	**2.0**
Energy and lubricants	**54 507**	**69 542**	**82 301**	**76 343**	**27.6**	**18.3**	**-7.2**
Gasoil and fuel oil	26 145	34 291	41 537	38 776	31.2	21.1	-6.6
Petroleum oil	11 102	13 789	15 601	14 055	24.2	13.1	-9.9
Electrical energy	2 312	3 602	2 302	149	55.8	-36.1	-93.5
Raw and agglomerated coal and cokes	5 207	6 024	8 655	9 088	15.7	43.7	5.0
Capital goods	**103 672**	**109 352**	**120 233**	**127 009**	**5.5**	**10.0**	**5.6**
Machines and miscellaneous equipment	7 019	8 958	10 233	12 231	27.6	14.2	19.5
Piston engines and other engines	8 100	8 295	9 060	8 925	2.4	9.2	-1.5
Parts of planes	3 316	5 438	7 728	8 183	64.0	42.1	5.9
Utility vehicles	4 721	5 249	5 309	6 735	11.2	1.1	26.9
Planes and other air or space vehicules	4 168	2 000	4 804	7 996	-52.0	140.2	66.4
Consumer goods	**98 321**	**100 259**	**108 491**	**113 059**	**2.0**	**8.2**	**4.2**
Utility vehicles	21 030	21 140	21 975	20 319	0.5	3.9	-7.5
Parts and spare parts of cars and passenger cars	16 307	14 544	17 593	18 768	-10.8	21.0	6.7
Food products	**44 600**	**42 526**	**45 776**	**47 825**	**-4.7**	**7.6**	**4.5**
Wheat	12 783	8 341	9 124	9 233	-34.8	9.4	1.2
Oilcakes and other residues	4 519	4 274	4 911	5 241	-5.4	14.9	6.7
Raw or refined sugar	4 628	4 951	3 505	3 957	7.0	-29.2	12.9
Dates	944	1 136	1 602	1 623	20.3	41.1	1.3

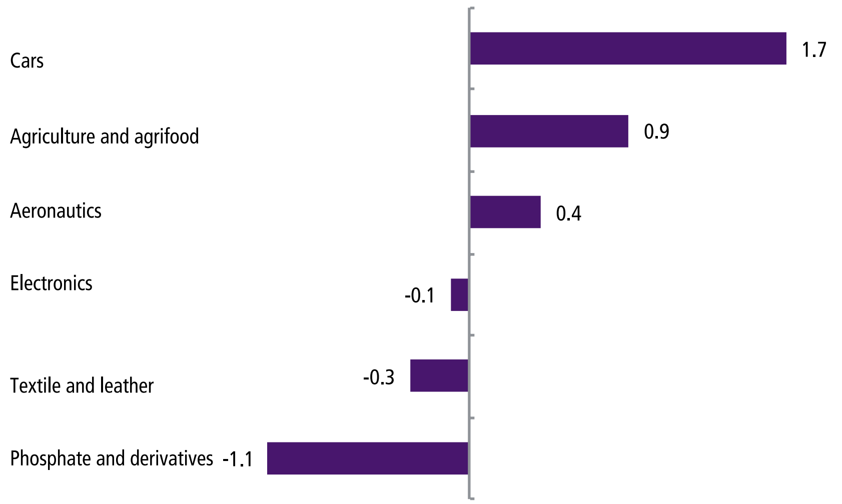
Semi-finished products	**91 565**	**95 571**	**99 859**	**104 528**	**4.4**	**4.5**	**4.7**
Plastic materials	11 517	13 050	13 763	14 385	13.3	5.5	4.5
Chemical products	9 232	10 507	10 216	10 340	13.8	-2.8	1.2
Paper and cardboard	5 801	5 900	6 567	6 308	1.7	11.3	-4.0
Copper wire, rods and section bars	3 387	4 022	5 031	5 301	18.8	25.1	5.4
Raw products	**17 838**	**20 716**	**24 604**	**22 148**	**16.1**	**18.8**	**-10.0**
Raw and unrefined sulphur	4 393	5 002	7 967	6 961	13.9	59.3	-12.6
Rough, squard or sawn wood	2 674	2 591	2 927	2 752	-3.1	12.9	-6.0
Live plants and floricultural products	528	728	900	855	37.8	23.7	-5.0
Minera of cobalt	0	100	689	288	-	-	-58.2

Source: Foreign Exchange Office.

Besides, the automotive sector, which constitutes the leading export sector, continued to perform well in the segments of wiring and "vehicle interiors and seats" with growth rates of 8.9 percent to 32 billion DH and 14.2 percent to 4.8 billion DH respectively. On the other hand, and for the first time since the Renault Tangier plant started producing in 2012, car manufacturing shipments fell by 1.3 percent to 33.8 billion DH, despite a 3 percent improvement in the number of vehicles exported to 367 thousand and a widening of the market to 82 countries against 77 in 2018.

At the same time, exports of the agricultural and food-processing sector[1] rose by 4.1 percent to 60.8 billion DH, mainly driven by the 9.1 percent increase of agricultural products to 26 billion DH. In the same vein, the dynamism of the aeronautics export sector continued, up by 7.3 percent to 15.8 billion DH.

Chart 1.6.3: Contribution of the main sectors to changes in exports in 2019 (in percentage points)



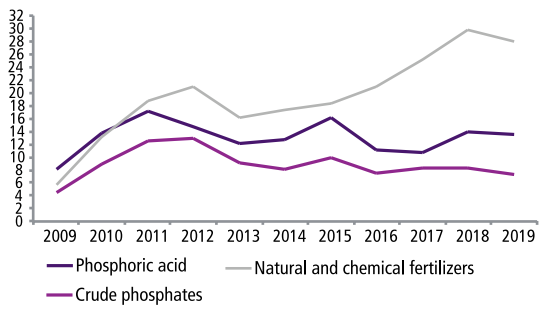
Sources: Foreign Exchange Office and BAM calculations.

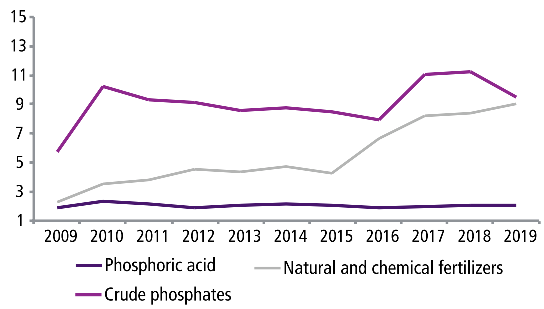
On the other hand, exports in the electronics sector fell by 3.1 percent to 8.7 billion and those in "Textiles and Leather" fell by 2.3 percent to 37 billion, mainly with declines of 2.1 percent in "made-up garments", 2.4 percent in "hosiery items" and 7.1 percent in "footwear".

1 Including fishing

Concerning phosphates and derivatives, the decline in international prices led to a 6 percent drop in sales to 28.1 billion for fertilizers and a 2 percent drop to 13.6 billion for phosphoric acid. Those of raw phosphates, for their part, dropped by 15.6 percent in volume and 11.9 percent in value to 7.3 billion DH. In total, the sector's exports declined by 5.9 percent to 48.9 billion DH.

Chart 1.6.4: Exports of phosphates and derivatives





Source: Foreign Exchange Office.

Table 1.6.3: Main export sectors

	In millions of dirhams				Change in %		
	2016	2017	2018	2019	2017/2016	2018/2017	2019/2018
Total exports	**225 651**	**248 841**	**275 441**	**282 057**	**10.3**	**10.7**	**2.4**
Automotive	**58 415**	**64 111**	**72 367**	**77 132**	**9.8**	**12.9**	**6.6**
Construction	29 783	31 565	34 272	33 829	6.0	8.6	-1.3
Wiring	23 278	26 059	29 366	31 982	11.9	12.7	8.9
Vehicule interriors and seats	2 633	3 256	4 230	4 831	23.7	29.9	14.2
Agriculture and Agrifood	**50 109**	**54 437**	**58 447**	**60 849**	**8.6**	**7.4**	**4.1**
Food industry	29 474	31 689	32 361	32 390	7.5	2.1	0.1
Agriculture, forestry, hunting	17 690	20 769	23 869	26 049	17.4	14.9	9.1
Aeronautics	**9 976**	**11 633**	**14 744**	**15 821**	**16.6**	**26.7**	**7.3**
Assembly	4 641	5 866	8 314	8 614	26.4	41.7	3.6
Electrical Wiring Integrated System	5 275	5 702	6 363	7 129	8.1	11.6	12.0
Pharmaceutical industry	**1 100**	**1 161**	**1 257**	**1 276**	**5.6**	**8.3**	**1.5**
Electronics	**7 371**	**8 160**	**8 940**	**8 659**	**10.7**	**9.6**	**-3.1**
Electronic components	4 181	4 397	4 624	4 591	5.2	5.2	-0.7
Textile and leather	**35 291**	**36 968**	**37 915**	**37 036**	**4.8**	**2.6**	**-2.3**
made-up garments	21 952	23 317	23 773	23 273	6.2	2.0	-2.1
Hosiery items	7 463	7 553	7 801	7 612	1.2	3.3	-2.4
Shoes	2 992	2 999	3 081	2 861	0.2	2.7	-7.1
Phosphates and derivatives	**39 598**	**44 210**	**51 989**	**48 945**	**11.6**	**17.6**	**-5.9**
Crude phosphates	7 412	8 370	8 298	7 311	12.9	-0.9	-11.9
Phosphates derivatives	32 187	35 839	43 691	41 635	11.3	21.9	-4.7

Source: Foreign Exchange Office.

Box 1.6.1: Moroccan-Chinese commercial exchanges

In recent decades, China gradually established itself as the world's leading trading nation. Taking advantage of globalization and the increasing international integration of value chains, it greatly strengthened and diversified its exports both in terms of products and markets, and has become one of the leading importing countries, particularly for raw materials. In this box, trade data included in this box, both gross and value-added, are used to analyze the evolution of trade links between Morocco and China.

1.Commercial exchange trends

From 2009 to 2019, trade[1] between Morocco and China recorded a significant increase, with a volume rising from 21.8 billion DH to 52.6 billion DH i.e. an average annual growth rate of 9.2 percent. Their exchanges are characterized by a structural deficit at the expense of Morocco, which reached 47.1 billion DH in 2019, i.e. 4.1 percent of GDP. Moroccan imports from China more than doubled, from 20.6 billion DH to 49.9 million DH, making it the country's third largest supplier after France and Spain. The analysis of Morocco's Chinese imports in 2019 shows that they are composed of 41 percent of finished industrial equipment products, 37 percent of finished consumer products and 16 percent of semi-finished products.

Chart B1.6.1.1: Evolution of Sino-Moroccan trade volume

The first three imported products are "electrical appliances for telephony or telegraphy" with a share of 7.6 percent, "hosiery fabrics" with 5.6 percent and tea with 4.4 percent.

At the same time, Moroccan exports to China are limited to 2.7 billion DH. The latter is thus positioned as the 17th customer of Morocco, with purchases composed mainly of raw products of mineral origin (with a share of 67 percent) and food products (with 11 percent) consisting mostly of seafood products. The main exported products are "scrap, waste, copper scrap, iron, steel and other ores" with a share of 15.4 percent, raw phosphate with 15 percent and zinc ore with 14.8 percent. Domestic exports to China thus remain little diversified compared to imports from the same country, with the top ten exported products accounting for 83.9 percent of the total against 38.7 percent for imports.

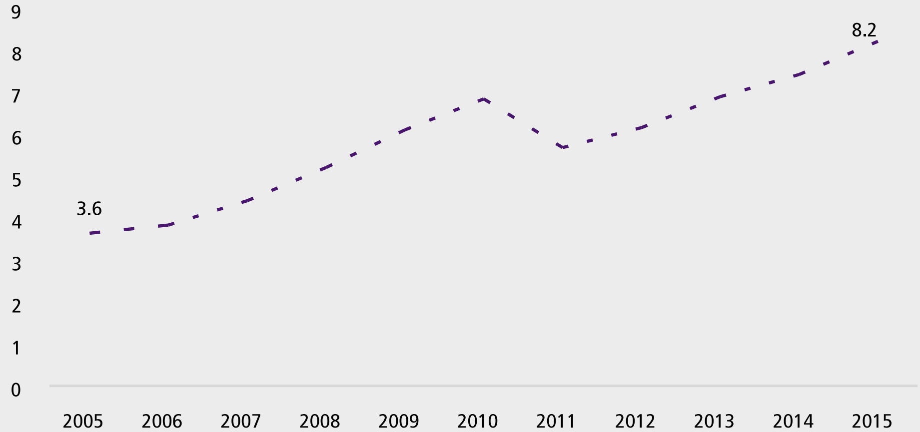
[1] Sum of imports and exports.

2. Evolution of trade in value added

The dependence of the national economy on China proves to be much greater if we consider the contribution of the latter in the value chain of products imported by Morocco. Measuring international trade in value added make it possible to apprehend this contribution, in particular through "the foreign value-added content of domestic final demand".

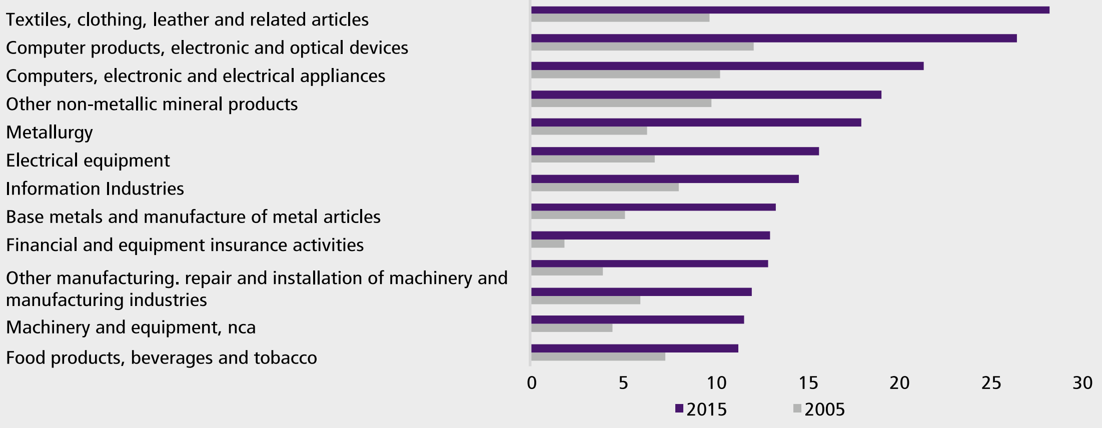
OECD data, which cover the years 2005 to 2015, show that the Chinese value-added content in Morocco's final domestic demand more than doubled over the period, rising from 3.6 percent to 8.2 percent. China thus stands out, along with Turkey to a lesser extent, as the only countries to have increased this contribution over the said period.

Chart B1.6.1.2: Share of Chinese value added content of final domestic demand in Morocco (in %)



This dependence on Chinese exports is almost generalized, according to the same indicator calculated by branch. In particular, final domestic demand for "IT products, electronic and optical devices" includes Chinese value added of 26.6 percent in 2015, compared with 12.2 percent in 2005. This share rose from 9.8 percent to 28.4 percent for textile products, from 6.4 percent to 18.4 percent for metal industry products and from 4.5 percent to 11.7 percent for "machinery and equipment".

Chart B1.6.1.3: Share of the Chinese value added content of Morocco's final domestic demand by main sectors (in %)



Moreover, strengthening commercial exchanges with China would induce an increasingly important influence of the evolution of production factor costs in China on inflation in Morocco. More generally, according to a study by the BIS[2], the expansion of global value chains constitutes an important channel through which the global economic cycle impacts domestic inflation. This conclusion is supported by another recent study by the world Bank[3] based on gross trade and value-added flow data for 127 countries, which shows that higher production linkages are associated with a higher inflation correlation at the international level.

[2] The Globalisation of Inflation: The Growing Importance of Global Value Chains; BIS 2017.

[3] Inflation Dynamics and Global Value Chains; World Bank; December 2019.

1.6.2 Balance of services

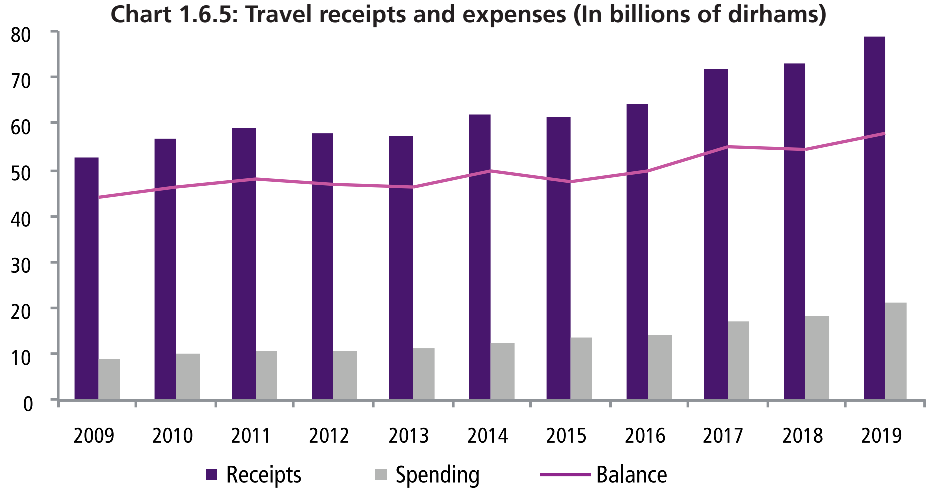
The balance of services improved by 15.9 percent to 88.3 billion DH, as a result of a 6.5 percent increase in income to 186.3 billion DH and a 0.7 percent decrease in expenditure to 98 billion DH.

Travel revenues amounted to 78.8 billion DH, up by 7.8 percent, after 1.2 percent in 2018. On the other hand, the upward trend of travel expenses of Moroccans abroad increased further by 12.7 percent to 20.9 billion DH. This evolution reflects more particularly rise by 19.5 percent to 11.5 billion DH in tourism expenditure and by 11.6 percent to 5.3 billion DH in schooling expenditure.

With regard to transport services, their deficit decreased by 2.4 billion DH to 6.3 billion DH, mainly due to improved maritime transport revenues by 8.6 percent to 11.8 billion DH and higher air transport revenues by 5.3 percent to 18.1 billion DH. In the same vein, the surplus balance of other business services increased by 4.7 billion DH to 10.7 billion DH.

On the other hand, the surplus of "telecommunications, computer and information services" declined by 8.9 percent to 11.8 billion DH, as a result of a 2.3 percent decrease in revenues and a 29.9 percent rise in expenditures. At the same time, the balance of insurance and pension services fell by 34 percent to 458 million DH, with revenues falling by 22 percent and similar expenses falling by 4.3 percent.

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



Source: Foreign Exchange Office.

1.6.3 Balance of revenues

After a significant decline of 10.6 billion DH in 2018, the surplus income balance rose by 2.1 percent to 56.8 billion DH, as a result of a 3.5 percent reduction in the investment income deficit and a virtual stagnation in the current transfers balance[1].

Inflows of direct investment income grew by 20.6 percent to 4.6 billion DH and outflows of the same nature fell by 0.6 percent to 17 billion DH, as the deficit narrowed from 0.9 billion to 12.4 billion DH.

Similarly, the deficit balance of portfolio investment income declined by 156 million DH to 3.3 billion DH, mainly due to the 3.7 percent decrease in outflows. On the other hand, inflows of reserve assets decreased further to 2 billion DH.

On the other hand, transfers of moroccan expatriates almost stabilized at 64.8 billion DH after a 1.5 percent decrease in 2018. Also, public transfer receipts continued to decline with a 25 percent drop to 3.6 billion DH against 4.8 billion DH in 2018 and 13 billion DH in 2017. More particularly, grants from GCC partners were limited to 1.6 billion DH instead of 2.8 billion DH in 2018 and 9.5 billion DH in 2017, while those from the European Union dropped by 0.4 billion DH to 1.2 billion DH.

1.6.4 Financial account

In 2019, net FDI inflows contracted sharply by 46.8 percent to 18.2 billion DH. This decline reflects a base effect compared to 2018, a year that saw an exceptional transfer operation in the insurance sector. Revenues reached 33.5 billion DH or the equivalent of 2.9 percent of GDP, compared

1 Consisting mainly of transfers of expatriates and donations.

to 4.3 percent of GDP one year earlier, while similar expenses increased by 15.8 percent to 15.3 billion DH. Evolution of net inflows by sector shows slowdowns by 10.4 billion DH in financial and insurance activities, of 2.6 billion DH in transport and warehousing, of 2.2 billion DH in electricity, gas and air conditioning and of 1.3 billion DH in construction, while manufacturing industries stagnated at their average level of the last five years, i.e. 5.1 billion DH.

By country of origin, net flows notably decreased by 11.5 percent for France to 2.7 billion DH and by 70.3 percent for the United States to 0.6 billion DH, thus reducing their share in 2019 to 17.5 percent and 4.2 percent respectively. On the other hand, increases were recorded for some countries, particularly Luxembourg by 43.9 percent to 1.9 billion DH and Saudi Arabia with a net flow rising from 0.5 billion DH to 1 billion DH.

Chart 1.6.6: Net FDI flows to Morocco by main sectors (in billion dirhams)

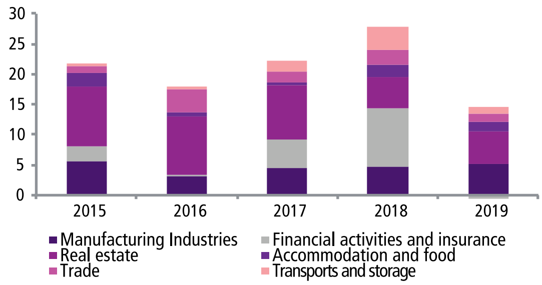
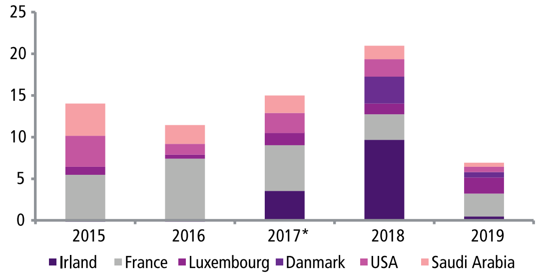


Chart 1.6.7: Net FDI flows to Morocco by major source countries (in billion dirhams)

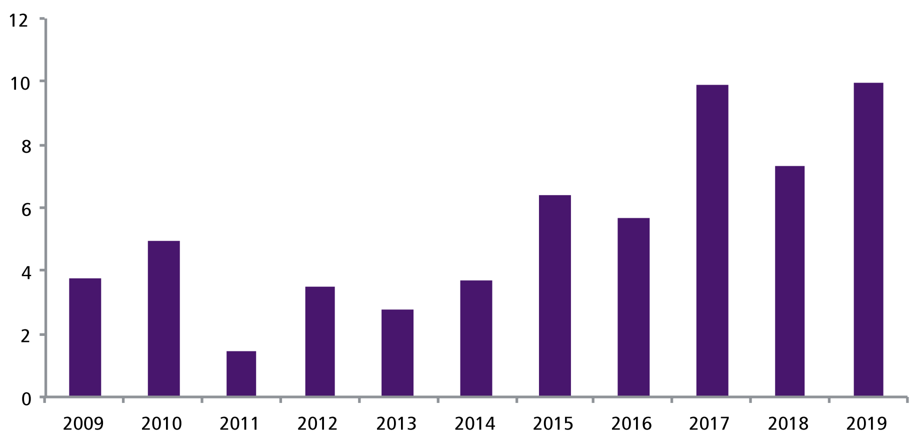


Source: Foreign Exchange Office.

The net flow of residents' direct investments abroad increased from 7.3 billion DH to 9.9 billion DH, mainly reflecting the continued expansion of Moroccan operators in Africa, particularly in the telecommunications and real estate sectors.

By country of destination, these investments particularly reached 1.3 billion DH for Chad and Luxembourg and 1.2 billion DH for Côte d'Ivoire.

Chart 1.6.8: Net Flows of resident's Direct Investments abroad (in billions of dirhams)



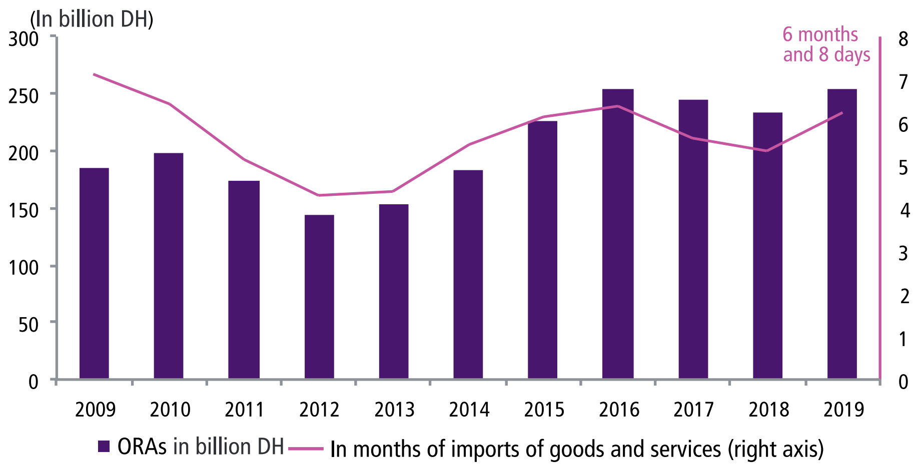
Source: Foreign Exchange Office

With regard to loans, the year was marked by higher net flows from 9 billion DH to 12.2 billion DH. This evolution is due to increases by 10.3 billion DH in gross public drawdowns and 0.7 billion DH in private loans. In addition, commitments under "cash and deposits" rose by 11.4 billion DH, mainly due to higher deposits by non-residents. Assets, for their part, showed a decline of 0.9 billion DH, reflecting in particular that of deposits abroad by Moroccan banks.

As for portfolio investments, those of non-residents made in Morocco recorded a net inflow of 11.6 billion DH after a net outflow of 4.9 billion DH, while the net acquisitions of residents fell to 0.1 billion DH against 2.4 billion DH in 2018. In the same vein, trade credits increased by 33.2 percent to 11.2 billion DH.

Under this backdrop, the financial account1 posted a surplus of 52.1 billion DH compared to 36.7 billion DH in 2018. Overall, the outstanding Official reserve assets (ORA) increased by 8.4 percent to DH 253.4 billion, equivalent to 6 months and 8 days of imports of goods and services

Chart 1.6.9: Development of Official Reserve assets



Sources: Foreign Exchange office and BAM calculations.

Box 1.6.2: Moroccan Direct Investment Abroad

Direct investments by Moroccans Abroad (DIMA) rose significantly over the last few years, and their outflow grew from 3.8 billion DH in 2009 to more than 10.9 billion DH in 2019. In view of this evolution, the question arises as to their yield and economic impact.

Institutional framework of DIMA

Reflecting its choice of economic openness, Morocco concluded until the end of january 2020 76 bilateral investment treaties, 52 of which have already entered into force. Similarly, the free trade agreements it has concluded include provisions on mutual investments, generally prohibiting restrictions on the movement of FDI and its products.

1 Excluding reserves.

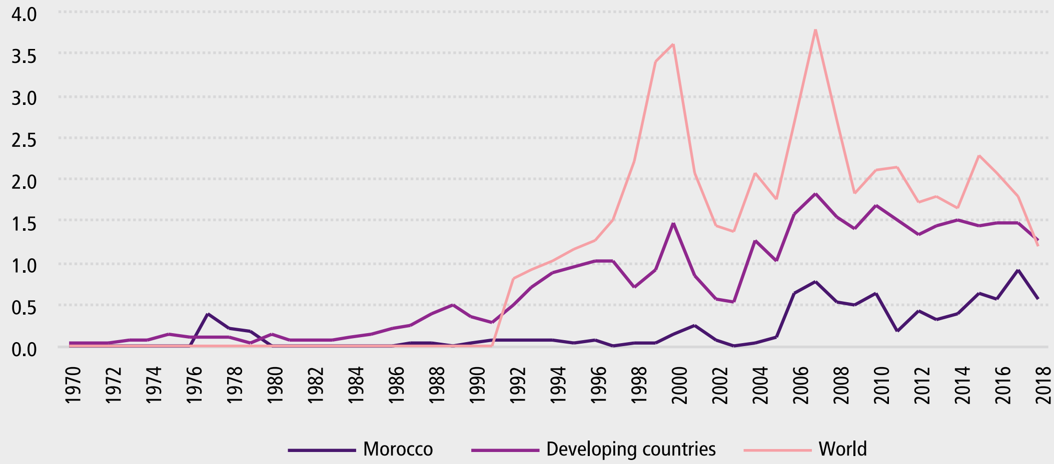
At the regulatory level, the General Instruction on Foreign Exchange Operations sets the maximum amount authorized for foreign investment operations by legal entities, other than financial institutions, at 100 million DH for those carried out in Africa and 50 million DH elsewhere. Concerning financial institutions, upper limits for banks are determined by Bank Al-Maghrib, while those of insurance and reinsurance companies as well as pension funds are set, for the last financial year, at 5 percent of their net assets and reserves, respectively.

Evolution of DIMA

Since the early 2000s, there has been a significant increase in DIMA, with their average annual volume increasing, according to UNCTAD data, from 232.3 million dollars between 2000 and 2009 to 540.2 million dollars in the following decade. In a regional comparison, Morocco ranks, over the last ten years, as the 5th largest African investor abroad. However, as a percentage of GDP, the volume of DIMA represents only 0.5 percent, a low proportion compared to the average for emerging and developing countries (EMDP), which is 1.5 percent.

Moreover, no Moroccan company has managed to make it among the 100 most active multinationals in the EMDP in terms of foreign investment.

Chart B1.6.2.1: Foreign direct investment (in % of GDP)



Source: UNCTAD.

By sector of activity, banks and financial activities are the first investor abroad with a share of 30 percent of the global stock and a regular outgoing flow of DH 2 billion on annual average during the last ten years. Similarly, insurance companies made significant investments with an average annual volume of 515 million DH. On the other hand, telecommunications account for 11 percent of this stock, the industrial sector for 13.2 percent, dominated by cement factories and OCP, while investments in the real estate sector experienced a strong increase between 2011 and 2015, followed by a marked decline.

By destination, African countries attract most of the DIMA, with Côte d'Ivoire being the leading investment country, with 13.3 percent of the stock at the end of 2017, followed by Mauritius with 6 percent and Egypt with 3.5 percent. Outside Africa, the main countries are Luxembourg, France and Great Britain with shares of 6.9 percent, 6.2 percent and 3.3 percent respectively.

DIMAs are dominated by equity investments, while reinvested earnings and debt instruments[1] remain relatively low. These three forms have accounted for 75 percent, 17 percent and 8 percent respectively of DIMAs net flows in the last ten years. Compared internationally, the shares of reinvested earnings and debt instruments of the EMDP are much higher, reaching 39 percent and 17 percent respectively. This would reflect the fact that the expansion of DIMA is still in its early phase, and that they do not yet produce enough profits for their self-development.

By breaking DIMA into Merger and acquisition and new "Greenfield" facilities, it emerges that the latter remain dominant with a 91.4 percent share over the last ten years, reflecting the long-term commitment of Moroccan investors abroad, but also their exposure to higher risk.

DIMA performance and opportunities

Over the last decade, DIMA revenues totaled 2.2 billion dollars, 64 percent of which was made up of dividends and 36 percent of which was reinvested profits. This structure is similar to the world average, whereas the EMDP observe an inverse configuration with a 58 percent share of reinvestment. In relation to their stock, the profits of the DIMAs represent a return of 6.2 percent, a level higher than the average of 4 percent achieved by the EMDP and close to the 6 percent recorded at the global level.

Finally, the development of foreign direct investment may raise concerns about the mobilization of part of national savings towards other countries. This issue is particularly relevant for developing countries with high infrastructure investment needs and relatively low national savings. Analysis of the ratio of foreign direct investment to domestic investment which indicates a possible crowding out effect, shows that it remains low, averaging around 1.7 per cent between 2008 and 2017. Moreover, it remains well below the levels observed for the EMDPs (4.8 percent on average) and 11 percent for the advanced economies.

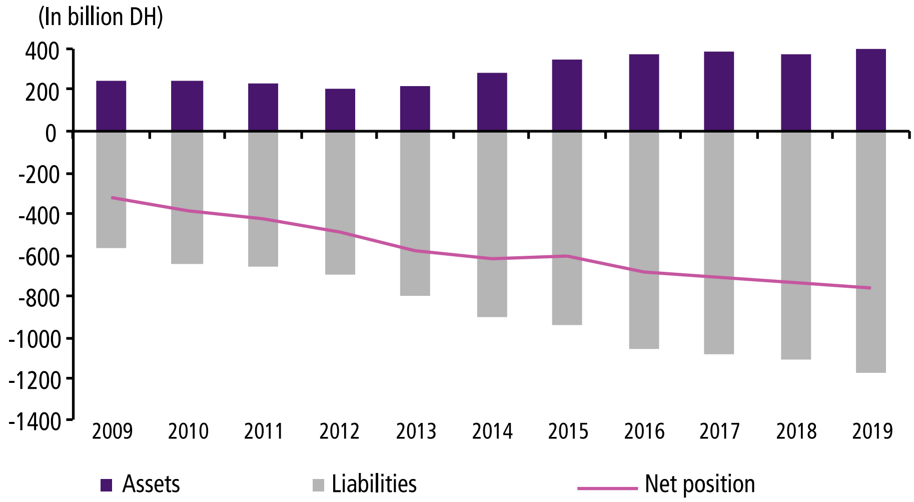
[1] Credit between affiliated enterprises, i.e. enterprises linked by a direct investment relationship.

1.6.5 International investment position (IIP)[1]

In 2019, the overall financial position widened by 31.4 billion DH to 765.1 billion DH, as a result of the rise by 64.7 billion DH in commitments and 33.3 billion DH in assets.

[1] The international investment position shows the stock of financial assets and liabilities vis-à-vis the rest of the world at a given date.

Chart 1.6.10: International investment position



Source: Foreign Exchange Office.

Morocco's commitments towards the rest of the world increased by 5.9 percent, mainly due to a 4 percent improvement to 638.2 billion DH in the stock of direct investments, of which 90.8 percent came as shareholdings and shares in investment funds. Similarly, portfolio investments recorded a 14.3 percent increase to 115.5 billion DH, in line with the 17.9 percent increase in general government debt securities and the 46 percent increase in equity securities and mutual funds shares issued by deposit institutions other than the Central Bank. Other investments rose by 6.6 percent to 415.8 billion, mainly reflecting improvements of 11 billion in the currency and deposits of depository institutions other than the Central Bank, and 6.6 billion in loans taken out by "general government". As for trade credits and advances, granted to "Non-financial corporations, households and NPISHs", they increased by 11 percent to 64.2 billion DH.

The 9 percent increase of residents' financial assets to 404.5 billion DH in is mainly due to the 8.4 percent rise in official reserve assets to 253.4 billion DH. Similarly, the outstanding amount of direct investments rose by 19.6 percent to 62 billion DH, in line with the 19.5 percent increase in "equity securities and mutual funds shares" to 56.5 billion DH, while "cash and deposits" held by depository institutions[1] grew by 10.8 percent to 43.9 billion DH.

1 Other than the central bank.

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

	2018			2019		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance
Direct Investments	51.8	613.5	-561.7	62.0	638.2	-576.2
Portfolio investments	11.1	101.0	-89.9	11.2	115.5	-104.3
Financial derivatives (other than reserves) stock-options of employees	0.3	0.3	0.1	0.2	0.1	0.1
Other investments	74.1	390.1	-316.0	77.7	415.8	-338.1
Currency and deposits	44.7	37.1	7.6	48.1	48.6	-0.5
Loans	0.4	287.7	-287.4	0.6	295.6	-295.0
Commercial loans and advances	26.7	57.8	-31.1	26.4	64.2	-37.8
Official reserve assets	233.7	-	233.7	253.4	-	253.4
Total assets / liabilities	**371.2**	**1 104.9**	**-733.7**	**404.5**	**1 169.6**	**-765.1**

Source: Foreign Exchange Office.

1.7 Monetary conditions

In 2019, monetary conditions were marked by declining lending rates which benefited both individuals and businesses. Also, a slight increase was observed in the real effective exchange rate, as a result of higher nominal parity of the dirham against the euro and of the currencies of some emerging economies.

In addition, banks' liquidity deficit widened significantly as a result of higher cash circulation, which was only partially mitigated by the increase in Bank Al-Maghrib's foreign exchange reserves.

Bank lending[1] improved significantly, with the pace of lending to the non-financial sector accelerating from 3.1 percent to 5.5 percent, driven by a significant increase in lending to private companies. On the other hand, growth rate of net claims on central government fell from 21 percent to 4.6 percent, with the dissipation of the impact of the VAT credit factoring operation and reduced recourse to domestic indebtedness. Under these conditions, M3 aggregate annual growth decelerated further, from 4.1 percent to 3.8 percent.

Table 1.7.1: Key Indicators of Monetary Conditions

	2017	2018	2019	
Interest rate	**Average rate (in %)**			**Outstanding* amount (in billion DH)**
Interbank rate	2.28	2.28	2.28	-
Weighted lending average rate[1]	5.52	5.15	5.00	-
Deposits rate to one year	3.12	3.09	3.01	-
Treasury bills rate 52 weeks	2.31	2.39	2.31	-
Effective exchange rate	**Change (in %)**			
Nominal effective exchange rate	1.1	2.1	2.6	-
Real effective exchange rate	-0.7	1.2	0.4	-
Monetary aggregates	**Change (in %)**			
Bank loans	3.1	3.2	5.3	916.5
Loans to the nonfinancial sector	3.8	3.1	5.5	784.2
Net international reserves	-3.6	-4.3	8.3	253.4
Net claims on central government	17.8	21	4.6	212.4
M3	5.5	4.1	3.8	1 370.5

* End of december.

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

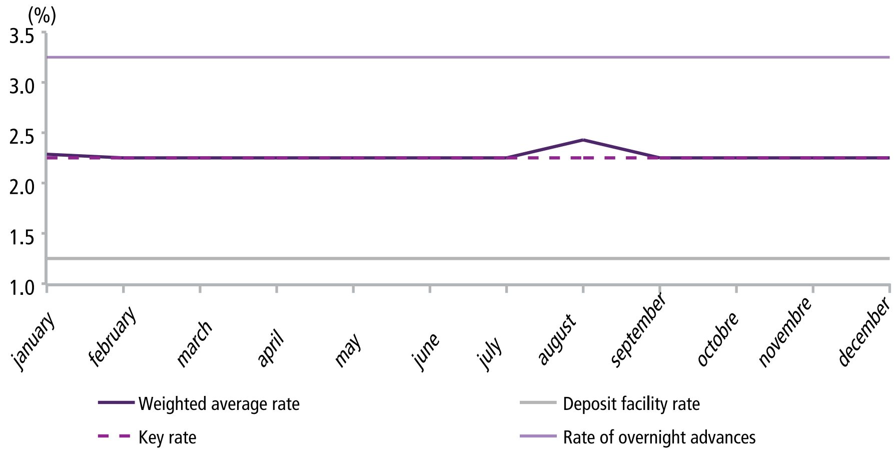
1.7.1 Interest rates

In an environment of unchanged key rate, interest rates were down overall, except for those on deposit accounts.

1 The lending rate survey was redesigned in 2017. This would not have had any impact on the change in rates, but would, on the other hand, have slightly affected their levels for certain categories of credit (see Box "Redesign of the lending rate survey").

On the interbank market, the weighted average rate remained in line with the key rate throughout the year, with low volatility. However, a small gap was observed in August, reflecting a significant increase in banks' liquidity needs in connection with the rise in currency circulation.

Chart 1.7.1: Weighted average rate on the interbank market in 2019 (%)



In the sovereign debt market, Treasury bill issuance rates were down across all maturities. However, the weighted average rate rose by 21 basis points to 2.98 percent, as a result of a significant increase in the share of long maturities. On the secondary compartment, yields did not vary significantly for short maturities and fell for medium- and long-term maturities.

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

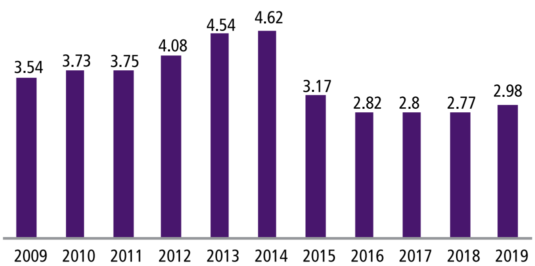
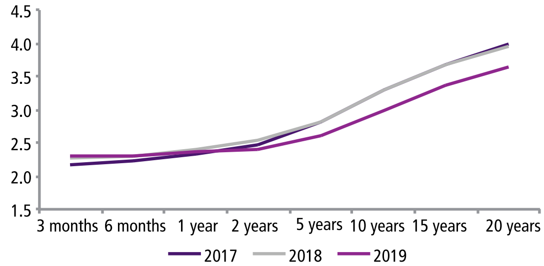


Chart 1.7.3: Secondary market yield curve (%)



Deposit rates continued their downward trend, falling by 5 basis points for 6-month deposits to 2.72 percent and by 8 basis points for 12-month deposits to 3.01 percent. As for the minimum rate applied to passbook accounts, indexed to the 52-week Treasury bill rate, it rose slightly to 1.89 percent.

Table 1.7.2: Rates on term deposits and passbook accounts (%)

	2015	2016	2017	2018	2019
6-month deposits	3.57	3.08	2.82	2.77	2.72
12-month deposits	3.80	3.46	3.12	3.09	3.01
Passbook accounts with banks	2.28	1.89	1.84	1.86	1.89

Lending rates on loans to the non-financial sector declined. They fell from an average of 5.09 percent in the Q4-2018 to 4.91 percent in the same quarter of 2019, with decreases of 28 basis points to 5.55 percent for personal loans and 13 basis points to 4.77 percent for business loans. By size, the decline stood at 11 points for large enterprises and 34 points for very small, small and medium-sized ones.

Table 1.7.3: Lending rates (%)

	Q4-2018	Q1-2019	Q2-2019	Q3-2019	Q4-2019
Average lending rates	**5.09**	**5.02**	**4.98**	**5.09**	**4.91**
Loans to individuals	**5.83**	**5.78**	**5.34**	**5.69**	**5.55**
Housing loans	4.89	4.70	4.18	4.51	4.48
Consumption loans	6.84	6.74	6.71	6.72	6.66
Loans to corporations	**4.90**	**4.78**	**4.85**	**4.92**	**4.77**
By economic purpose					
Cash advances	4.81	4.72	4.70	4.74	4.65
Equipment loans	4.86	4.48	5.07	5.20	4.58
Property development loans	5.91	5.59	5.46	6.07	6.12
By size of the company					
VSME	6.02	6.08	5.75	5.87	5.68
Large companies	4.59	4.56	4.41	4.50	4.47
Loans to individual entrepreneurs	**6.39**	**6.28**	**6.64**	**6.87**	**6.31**
Property development loans	5.75	5.34	5.42	5.68	5.52
Cash advances	6.61	6.58	7.50	7.37	6.60

Source: BAM quarterly survey on banks lendinbg rates.

1.7.2 Foreign exchange market

In 2019, national currency depreciated by 2.4 percent against the US dollar, covering a bull market effect of 0.8 percent and a bear market basket effect of 3.2 percent, following the euro's depreciation of 5.2 percent against the dollar. Compared to the euro, the Dirham recorded a 3 percent rise.

Chart 1.7.4: EURO/USD exchange rates

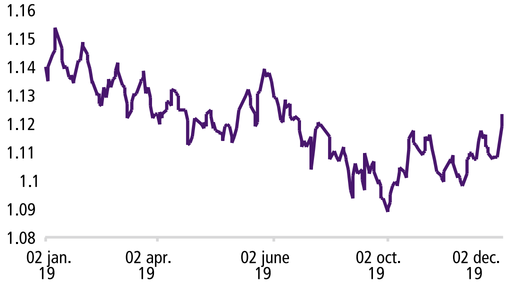
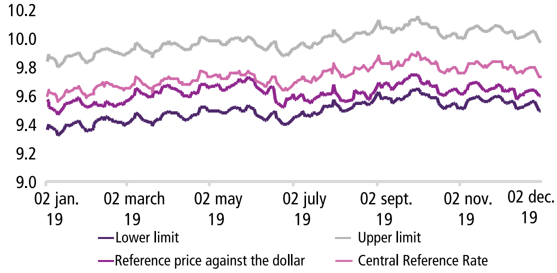


Chart 1.7.5: Reference price of the dirham



Compared to the currencies of the other main partner and competitor countries, the dirham observed an overall rise, at rates of 14.9 percent against the Turkish lira, 8.5 percent against the Tunisian dinar and 1.9 percent against the Chinese yuan. Consequently, the effective exchange rate increased by 2.6 percent in nominal terms while it amounted, taking into account a domestic inflation lower than that of partner and competitor countries, to 0.4 percent in real terms.

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

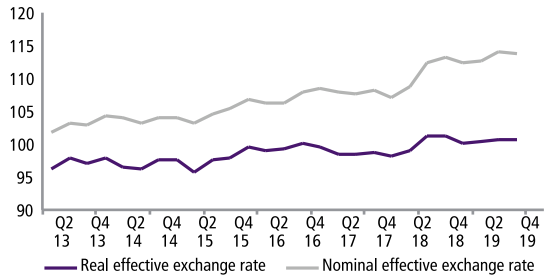
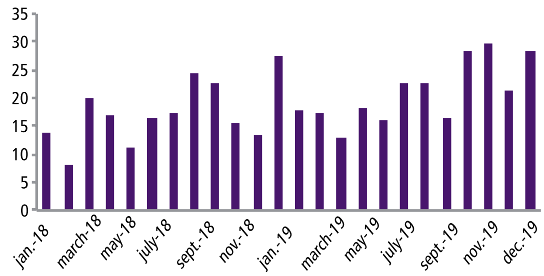


Chart 1.7.7: Volume of interbank transactions[1] on the foreign exchange market (in billions of dirhams)



1 Including local and foreign banks.

The interbank foreign exchange market continued its momentum with a 21.2 percent increase in the average volume of monthly foreign exchange transactions against the dirhams to 21 billion. On the other hand, considering Bank Al-Maghrib's interventions, no auction operations took place in 2019.

Concerning banks' operations with customers, the volume of spot foreign exchanges against the Dirham increased from 21.7 billion to 23.1 billion for purchases and from 21.1 billion to 23.6 billion for sale operations. As a result, the balance of these operations stood negative at 525 million DH after being positive at 536 million DH in 2018. As for forward transactions, purchases increased by 3.3 percent to 11.5 billion DH on average while sales fell by 44.6 percent to 2.2 billion DH.

Chart 1.7.8: Banks' cash operations with customers (in billions of dirhams)

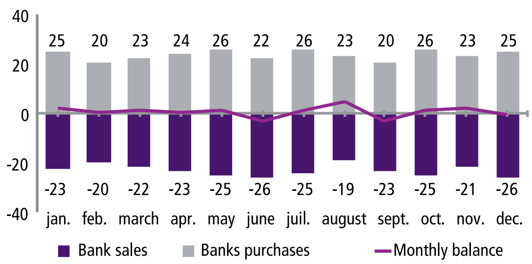
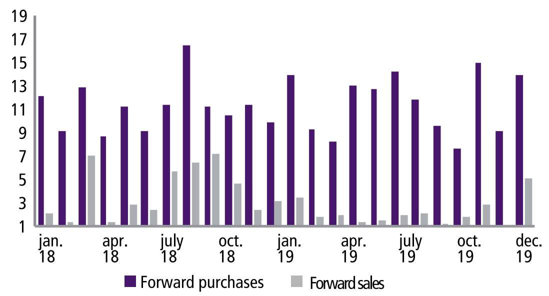


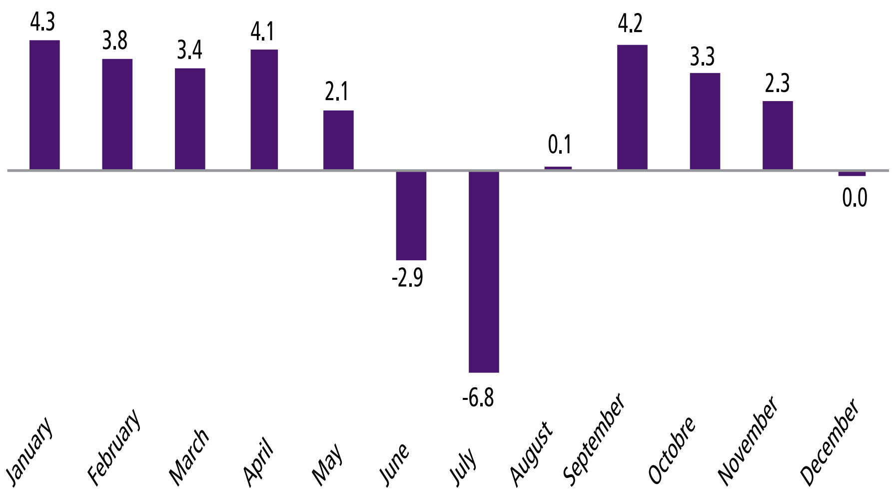
Chart 1.7.9: Banks' hedging operations with customers (in billions of dirhams)



The volume of banks' exchanges with their foreign correspondents, it reached a monthly average of 41.1 billion DH, up 11 percent compared to 2018, while banks' foreign currency deposits abroad fell by 19.4 percent to 6.8 billion DH.

Under these conditions, banks'foreign exchange position[1] fell from 6 billion DH on average to 1.5 billion DH, and remained positive throughout the year, except for the months of June, July and December.

Chart 1.7.10: Banks' foreign exchange position in 2019 (in billions of dirhams)



1.7.3 Bank credit

Bank lending accelerated sharply in 2019, from 3.2 percent to 5.3 percent, raising its ratio to GDP from 78.5 percent to 79.7 percent. This increase reflects an improved growth of lending to the non-financial sector from 3.1 percent to 5.5 percent and, to a lesser extent, in lending to financial corporations from 4 percent to 4.4 percent.

1 The foreign exchange position of banks is the value of their foreign currency assets net of liabilities, including those recorded as off-balance-sheet items. It provides information on the banking system's actual foreign currency holdings.

Chart 1.7.11: Bank Credit (%)

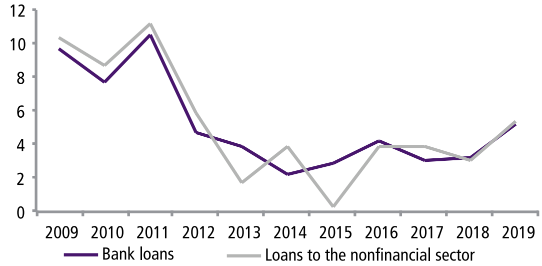
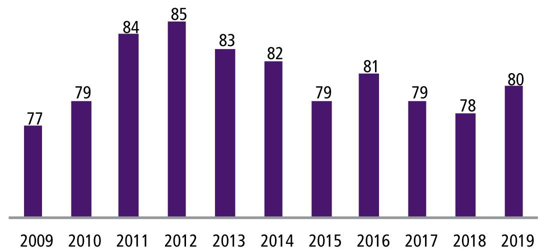


Chart 1.7.12: Ratio of bank credit to GDP (in %)



The growth of bank loans to the nonfinancial sector in 2019 mainly resulted from a significant increase in loans to private enterprises. The latter rose by 7.3 percent after 0.5 percent a year earlier, with expansions of 9.7 percent, after 2.4 percent, of cash advances, 6 percent of equipment loans and 7.5 percent of real estate development loans, after declines of 0.9 percent and 6.4 percent respectively.

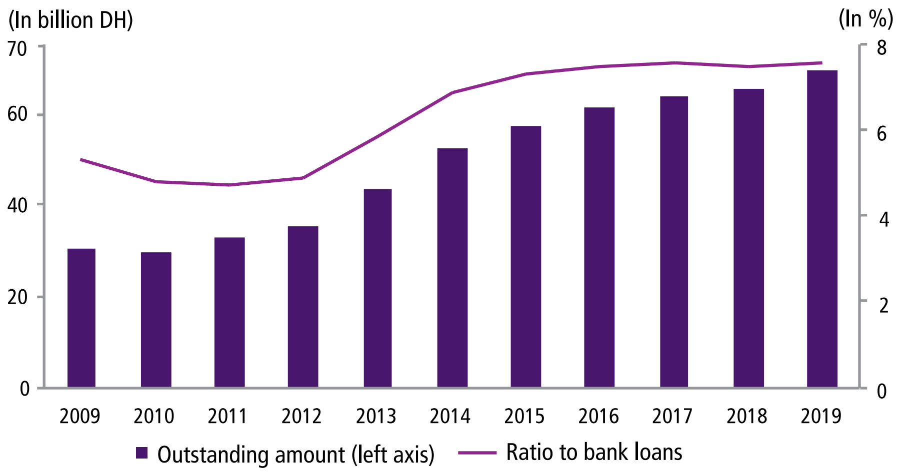
On the other hand, loans to public enterprises fell by 0.8 percent, after their 4.2 percent improvement, with declines of 0.5 percent for equipment loans and 0.2 percent for cash advances, against increases of 3.3 percent and 14.7 percent respectively in 2018.

Similarly, loans granted to individual entrepreneurs declined by 2.1 percent after their 3.4 percent rise, as a result of the 25.3 percent decrease in real estate development loans and the 5.4 percent drop in cash advances, after expansions of 15.9 percent and 18.6 percent respectively. Conversely, equipment loans grew by 4.6 percent after 0.8 percent.

Personal loans increased by 5.1 percent after 6 percent, covering decelerations from 6.3 percent to 4.2 percent for housing loans and from 6.4 percent to 4.9 percent for consumer loans.

The ratio of non-performing loans to bank lending virtually stabilized for the third consecutive year at 7.6 percent, with a decline from 11.4 percent to 10.9 percent for private enterprises and an increase from 7.6 percent to 8.5 percent for households.

Chart 1.7.13: Non-performing loans



By sector of activity, loans granted to companies in the sectors of "Transport and communications" and "Trade, repair of motor vehicles and personal and household goods" recovered by 9.8 percent and 7.3 percent respectively after declines of 4.6 percent and 1.4 percent in 2018. Similarly, accelerations were recorded for "Extractive industries" from 8.8 percent to 25.8 percent and to a lesser extent for "Building and public works" from 1.2 percent to 1.3 percent, while for "Electricity, gas and water supply", the decline eased from 6 percent to 3.3 percent. On the other hand, loans declined by 0.4 percent in "Food and Tobacco Industries" after their 14.3 percent expansion.

Table 1.7.4: Bank loans

	2017	2018	2019	
	Change (%)		Change (%)	Outstanding amount (in billion DH)
Bank loans	**3.1**	**3.2**	**5.3**	**917.2**
Loans to the nonfinancial sector	**3.8**	**3.1**	**5.5**	**785.5**
Loans to businesses	**3.0**	**0.5**	**7.3**	**367.9**
Cash facilities	-0.8	2.4	9.7	157.8
Equipment loans	6	-0.9	6.0	102.0
Loans to property developers	10.4	-6.4	7.5	52.4
Loans to public firms	**4.8**	**4.2**	**-0.8**	**51.0**
Cash advances	-53.9	14.7	-0.2	6.8
Equipment loans	29.6	3.3	-0.5	43.0
Loans to households	**4.0**	**5.3**	**3.9**	**342.6**
Loans to individuals	**5.1**	**6.0**	**5.1**	**283.1**
Consumer loans	5.3	6.4	4.9	55.5
Housing loans	4.5	6.3	4.2	195.6
Loans to individual entrepreneurs	**0.3**	**3.4**	**-2.1**	**39.7**
	Ratio to bank loans (%)			
Non-performing loans	**7.5**	**7.5**	**7.6**	**69.9**
Households	7.8	7.6	8.5	29.2
Private firms	11.2	11.4	10.9	40.1

On the other hand, loans granted to the non-financial sector by financial companies other than banks[1] increased by 4 percent to 151.9 billion DH. More particularly, those distributed by financing companies increased by 5.7 percent to 119.2 billion DH overall, by 7.2 percent to 61.7 DH billion for households and by 4.1 percent to 57.5 billion DH for private companies. At the same time, loans granted by micro-credit associations rose by 9 percent to 7.4 billion DH, while those of off-shore banks decreased by 13.4 percent to 12 billion DH.

Table 1.7.5: Loans granted by major financial companies other than banks

	2017	2018	2019	
	Change (%)		Change (%)	Outstanding amount (in billion DH)
Finance companies	**5.0**	**5.9**	**5.7**	**119.2**
Private firms	1.7	4.1	4.1	57.5
Households	8.5	7.6	7.2	61.7
Offshore banks	**-4.8**	**3.2**	**-13.4**	**12.0**
Mircro-credit associations	**3.7**	**2.5**	**9.0**	**7.4**

Box 1.7.1: Trends in nonperforming loans in Morocco and impact on credit supply

Throughout their lending activity, banks face the default risk, which particularly depends on the profile of borrowers, the projects financed or on the changes in economic conditions. A significant increase in these defaults affects the profitability of these institutions and their lending capacity and could thus have consequences for financial stability and the conduct of monetary policy. According to an IMF study[1] covering 78 countries, crises facing banks are often associated with large increases in non-performing loans to levels exceeding 7 percent of total lending. Overall, non-performing loans increase rapidly at the onset of crises and peak a few years later, before stabilizing and starting to decline. This box presents the evolution of non-performing loans in Morocco and assesses their impact on the bank credit supply.

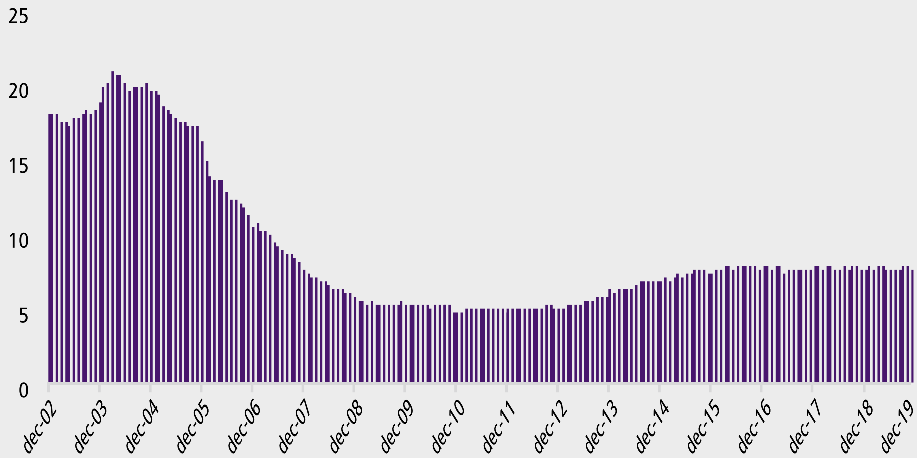
1- Trends in outstanding loans in Morocco

According to Bank Al-Maghrib's circular n°19/G/2002, are considered as nonperforming loans, those which present a risk of total or partial non-recovery, in view of the deterioration of the immediate and/or future repayment capacity of the counterparty. They particularly include outstanding amortizable loans one maturity of which is not settled 90 days after its term and those for which recovery is likely to be called into question considering the debtor's repayment capacity, the difficulties in the business sector, etc.

[1] The dynamics of non-performing loans during Banking Crises: A New Database" Anil Ari, Sophia Chen, Lev Ratnovski, IMF WP/19/272, December 2019.

[1] Finance companies, off-shore banks, microcredit associations, Deposit and Management Fund, and securitization collective investment funds.

Chart B1.7.1.1: Ratio of non-performing loans (in%)



By analyzing the evolution of nonperforming loans over the last two decades, we can distinguish five phases:

1- Between the end of 2002 and March 2004, nonperforming loans increased sharply with an average annual rate of 11.2 percent compared to 5.9 percent for bank credit. As a result, their ratio rose to an average of 18.3 percent. This change was mainly due to the entry into force of new classification and provisioning rules.

2- During the second phase up to 2009, nonperforming loans recorded an average annual decline of 5 percent, while bank credits increased by 17.2 percent, bringing the average ratio to 11.6 percent. This decline occurred a long with the revision of the classification rules at end-2004[2], which introduced a new category of loans, called irregular. The latter have the same characteristics as non-performing ones but are fully covered by guarantees.

3- Between 2010 and 2012, the past due ratio fell sharply to stabilize at around 5 percent, mainly as a result of the efforts to clean up bank balance sheets, improve collection and ensure a better control risk.

4- Over the next two years, this ratio increased slightly to an average of 6 percent, driven by an 18 percent increase in past due receivables and a slowdown in the pace of bank lending to 3.5 percent. This increase particularly reflects the difficulty that companies face in meeting their maturities in a difficult environment marked by a sharp deceleration in growth.

5- Since 2015, the ratio has stabilized at around 7.5 percent, a level that the IMF[3] considers relatively high but with a contained risk given the high levels of provisioning (around 70 percent).

[2] Amendment to Circular No. 19/G/2002 relating to claims classification and their coverage by provisions.

[3] Article IV Consultation Report, IMF Country Report No. 19/230, July 2019.

2- Assessing the impact of nonperforming loans on bank credit supply

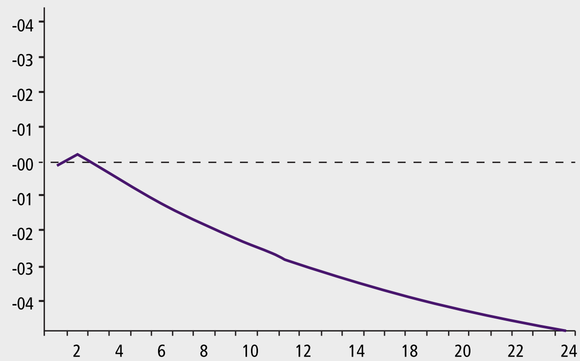
In the economic literature analyzing credit supply, nonperforming loans are often identified among its main determinants. In order to assess this link in the case of Morocco, a VECM[4] type modeling was carried out on the basis of quarterly data covering the period from Q1-2002 to Q4-2019. In addition to nonperforming loans (NPLs), the model includes,amid the explanatory variables for loans to the non-financial sector, non-agricultural value added (NAVA), deposits with banks (DPT) and the cost of bank financing[5] (FC).

Results of this assessment reveal significant long-run coefficients overall and with intuitive signs. They show that credit supply is negatively impacted by nonperforming loans and the cost of financing, and positively by non-agricultural value added and deposits with banks. They also indicate that the impact of a positive shock of past due receivables on the credit supply is fairly small over the next two quarters but becomes more and more significant in the medium term. Indeed, a 1 percent increase in the volume of nonperforming loans should not affect the supply of short-term credit but could induce a decline of up to 4 percent over a two-year period.

Table B1.7.1.1: Long-term coefficients of the VECM

Variable	Coefficient[6]
LOG(NPL)	**0.45**
	(6.87)
LOG(NAVA)	**-1.36**
	(-4.77)
LOG(DPT)	**-0.63**
	(-4.95)
FC	**0.15**
	(2.26)
Constant	**6.50**

Chart B.1.7.1.2: Response of credit to the non-financial sector to a positive shock on delinquencies



[4] Error-correction vector model.

[5] Estimated on the basis of the interbank rate, lending rates and certificate of deposit rates.

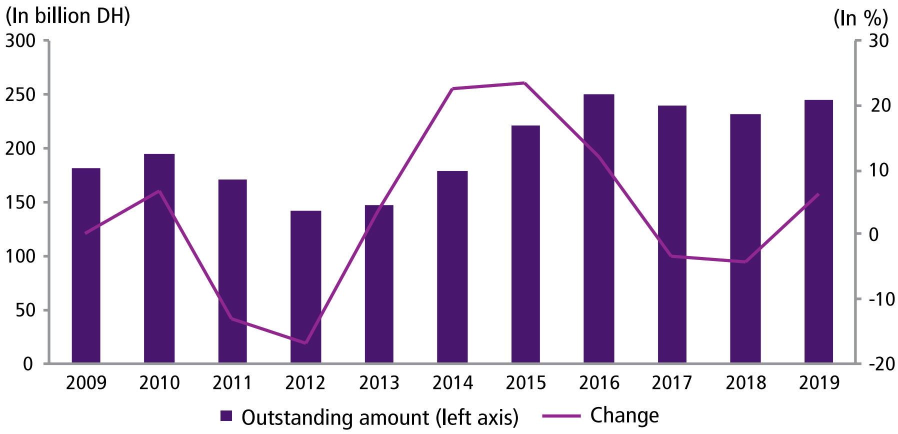
[6] Long term relationship of credit supply.

1.7.4 Other sources of money creation

Official reserve assets, which fell by 4.3 percent in 2018, strengthened by 8.4 percent in 2019, to reach 253.4 billion DH, equivalent to 6 months and 8 days of imports of goods and services. Their evolution was particularly marked by a Treasury bond issue on the international market for an amount of 10.6 billion DH, while grants from GCC countries were limited to 1.6 billion DH. As for the banks' net foreign assets[1] , despite their 24 percent fall from one year to the other, their outstanding amount was maintained at a high level of 19.4 billion DH.

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

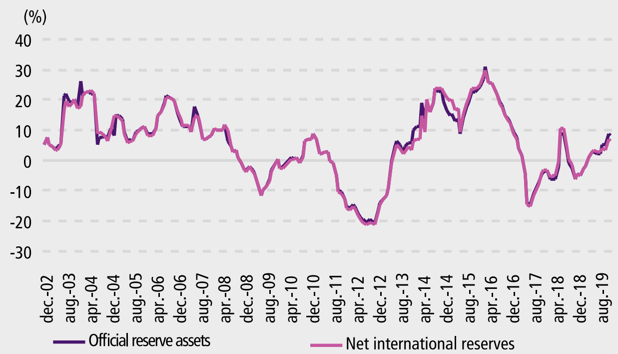
Chart 1.7.14: Official reserves assets



Box 1.7.2: Adoption of official reserve assets as a reference indicator for foreign exchange reserves

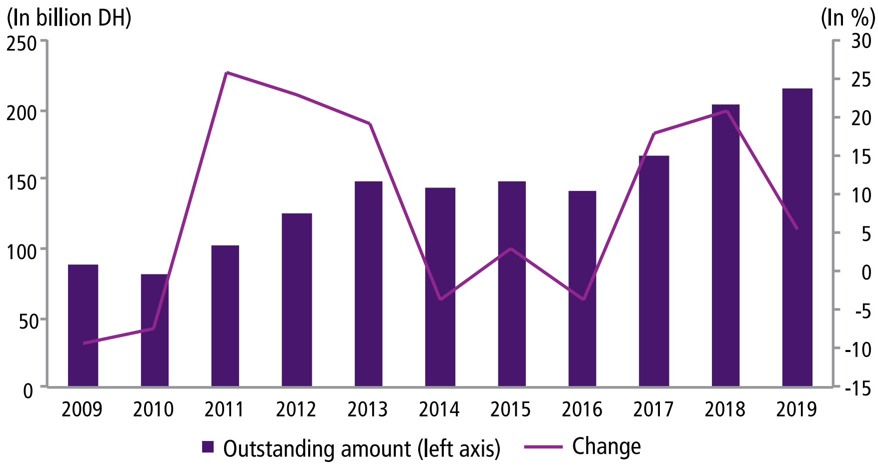
In order to better monitor foreign exchange reserves' evolution, Bank Al-Maghrib adopted, as of May 22, 2020, Official Reserve Assets (ORA) as a reference indicator of foreign exchange reserves, in line with the best international practices in this field. Previously, the Bank published, in addition to the ORAs, the Net International Reserves (NIR). The latter were used since 2012 as a measure defined with the IMF under the LPL-supported program, while the ORA indicator is a standard that is based on a methodological framework defined in the 6th Edition of the IMF Balance of Payments Manual and allows for international comparability. As a reminder, ORAs are defined as "those external assets that are readily available to and controlled by the monetary authorities for meeting balance of payments' financing needs, for intervention in exchange markets to affect the currency exchange rate, and for other related purposes". They are made up of monetary gold (4.1 percent at end-2019) and SDR holdings (2.8 percent), the central bank's convertible foreign currency holdings (92.3 percent) and Morocco's reserve position with the IMF (0.8 percent).

Chart B1.7.2.1: Annual change in ORA and NIRs



As regards net claims on central government, after their 21 percent expansion one year earlier linked to factoring operations launched by the State to clear the stock of VAT credits, they rose by 4.6 percent in 2019. This trend was mainly the result of a slowdown in the increase in banks' holdings of Treasury bills from 7.4 percent to 6.7 percent and an accentuated contraction in holdings of money market funds from 17.2 percent to 18 percent.

Chart 1.7.15: Net claims on the Central Administration



1.7.5 M3 Components

In 2019, the M3 aggregate grew by 3.8 percent instead of 4.1 percent a year earlier. This trend essentially covers a slight deceleration from 4.9 percent to 4.8 percent in overnight deposits and a 7 percent decrease after a 3.4 percent increase in time deposits. The decline in money market fund shares/units slowed down from 6.8 percent to 3.4 percent, while currency continued to grow at a high pace, i.e. 7.1 percent compared to 6.7 percent in 2018, reaching 250.2 billion DH.

The analysis of deposits' evolution by institutional sector shows that those made by private non-financial companies experienced a limited growth of 0.9 percent to 178.4 billion DH, covering a 4.5 percent increase in their demand deposits and a 11.4 percent decline in time deposits. At the same time, deposits of individuals[1] increased by 4.2 percent to 708.9 billion DH, reflecting rises by 2.2 percent for time deposits, 4.7 percent for savings accounts and 4.9 percent for demand deposits. As for assets of public enterprises, they fell by 15.2 percent to 28.3 billion DH.

1 Including Moroccans residing abroad.

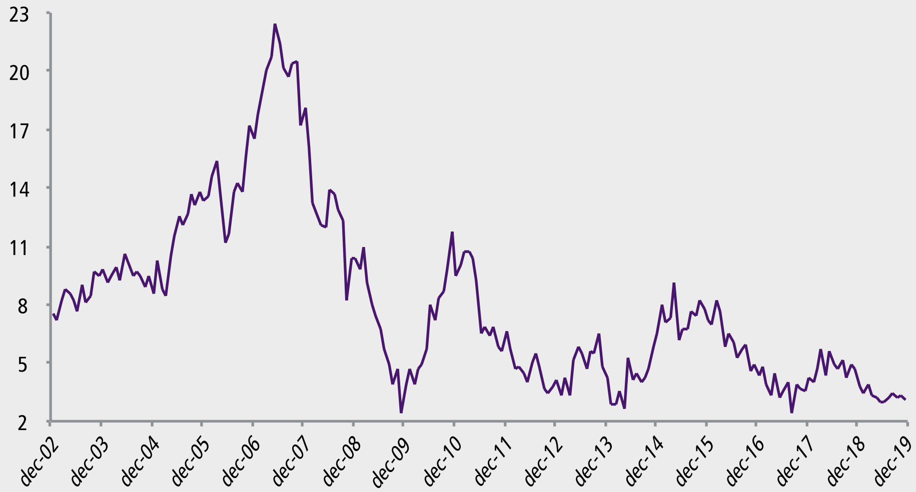
Table 1.7.6: major M3 components

	Currency in circulation	Demand deposits	Interest bearing Demand deposits	Time deposits	Money market fund shares	M3
	Outstanding amount as at end-December (in billion DH)					
2017	218.8	534.3	153.9	155.8	60.6	1 269.10
2018	233.6	560.5	159.2	161.1	56.5	1 320.60
2019	250.2	587.7	166.5	149.9	54.6	1 370.5
	Share in M3 (%)					
2017	17.2	42.1	12.1	12.3	4.8	100
2018	17.7	42.5	12.1	12.2	4.3	100
2019	18.3	42.9	12.2	10.9	4.0	100
	Change (%)					
2017	7.7	7.6	5.2	-4.6	0.0	5.5
2018	6.7	4.9	3.5	3.4	-6.8	4.1
2019	7.1	4.8	4.6	-7.0	-3.4	3.8

Box 1.7.3: Recent slowdown of bank deposits in Morocco

In recent years, the growth of deposits with banks[1] recorded a slowdown in Morocco, which became particularly pronounced in 2019. By examining the evolution of bank deposits, it emerges that since 2008, deposits' annual increase stood at a moderate level of 6.1 percent on average, compared to 12.8 percent between 2003 and 2007. Starting from the end of 2015, their deceleration became more pronounced, with the growth rate dropping to 2.4 percent in August 2017. Thereafter, a weak, but short-lived, recovery was recorded followed by a new slowdown trend.

Chart B.1.7.3.1: Year-on-year growth in deposits with banks (%)



1 This is the sum of savings accounts, sight deposits, time deposits and foreign currency deposits.

By component, deposits' evolution has historically been driven by a non-remunerated resource for banks, namely demand deposits. In 2019, it represented the equivalent of 62 percent of deposits, followed by savings accounts and time deposits with weights of 17 percent and 16 percent respectively. By economic agent, household assets, which constitute most deposits, at 80 percent in 2019, contributed significantly to this deceleration trend. They are composed at 70 percent of individuals' deposits, 27 percent of those of Moroccans living abroad whose growth rates have returned between 2008 and 2019 respectively from 12 percent to 4.4 percent and from 8.7 percent to 0.4 percent. As for the private non-financial companies, their deposits represent about 16 percent of total deposits, their growth stood at 2.8 percent instead of 12.9 percent in 2008.

Chart B1.7.3.2: Contributions by component to bank deposit growth (%)

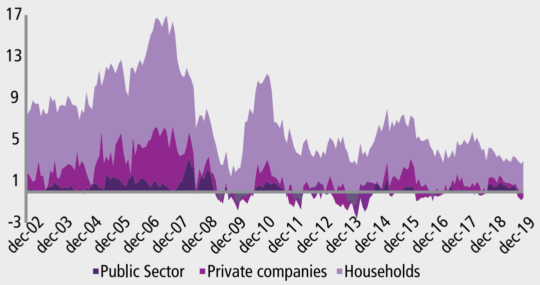
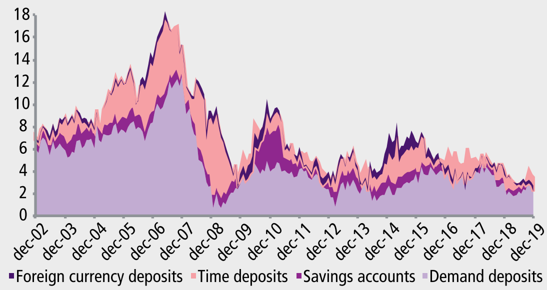


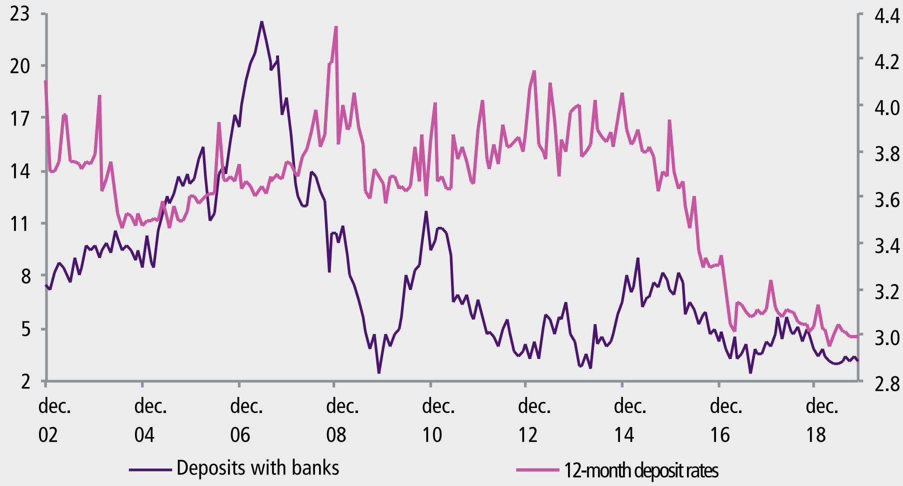
Chart B1.7.3.3: Contributions by component to the growth of bank deposit (%)



The recent deceleration in deposits can be explained by several factors, the main one being the slower economic activity. Indeed, historical analysis shows a strong long-term correlation between the evolution of deposits and of non-agricultural activities, the pace of which has decelerated significantly since 2013. This has negatively impacted the income of economic agents and consequently their capacity to save, as the share of gross national savings in national disposable income fell from 31.2 percent in 2008 to 26.6 percent in 2019.

This slowdown can also be explained by the decreasing deposit rates charged by banks in recent years, following the repeated cuts in the key rate. The weighted average rates applied to term deposits fell between 2015 and 2019 from 3.57 percent to 2.70 percent for six-month deposits and from 3.80 percent to 3.01 percent for one-year deposits. Likewise, the interest rate on passbook accounts dropped from 2.28 percent to 1.89 percent. This unattractive interest rate could also push economic agents to further keep most liquid money holdings, mainly currency money. The recent expansion of currency in circulation to the detriment of deposits could be attributable to several factors such as the higher in cheque payment incidents, the importance of informal activities, tax control and collection efforts, and would also reflect the persistence of the habit of using cash among Moroccan consumers.

Chart B1.7.3.4: Change in deposits and the 12-month lending rate (%)



1.7.6 Liquid investment aggregates[1]

As regards liquid investment aggregates (PL), their total outstanding amount increased by 5.9 percent in 2019 after 9.1 percent one year earlier. This trend reflects slowdowns from 7 percent to 1.6 percent in the growth of Treasury bills and from 15.2 percent to 8 percent in the growth of bond mutual fund shares/units. Conversely, equity and diversified funds expanded by 19.8 percent as against a 4.8 percent decline.

Taking these trends into account, liquidity ratio of the economy, as measured by the ratio of LI and of M3 to GDP, stood at 183.5 percent after 182.3 percent in 2018.

Table 1.7.5: Liquid Investment (LI) aggregates

	2018		2019	
	Outstanding amount (in billion DH)	Change in %	Outstanding amount (in billion DH)	Change in %
LI1 aggregate	**397,9**	**7,4**	**409,2**	**2,8**
Negotiable Treasury bonds	385.1	7.0	391.4	1.6
Bonds of finance companies	9.7	20.0	14.9	53.6
Commercial paper	0.6	-35.5	1.0	50.0
Securities issued by contractual mutual funds	2.4	43.6	2.0	-20.2
LI2 aggregate	**252.3**	**15.2**	**272.5**	**8.0**
Securities issued by bond mutual funds	252.3	15.2	272.5	8.0
LI3 aggregate	**49.9**	**-4.8**	**59.8**	**19.8**
Securities issued by equity and diversified mutual funds	49.9	-4.8	59.8	19.8
Total	**700.1**	**9.1**	**741.5**	**5.9**

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

1.8 Asset markets

In 2019, the Treasury was financed in a context of easing interest rates on the international markets. Thus, recourse to external financing experienced a rebound with gross drawings of 25.1 billion DH, instead of 6.2 billion DH in 2018, while new issues on the auction market fell by 9.3 percent to 104.4 billion DH. In addition, the raising of private debt increased by 25.3 percent to 86.3 billion DH and was mainly carried out by banks and, to a lesser extent, by non-financial companies.

In the Casablanca Stock Exchange, the benchmark index, which depreciated by 8.3 percent in 2018, rose by 7.1 percent. This performance concerned the main sectors, notably "agribusiness", "telecommunications" and "banks". On the other hand, trading volume increased by 43.1 percent to 75.3 billion DH, partly driven by the sale of 8 percent of shares held by the government in Maroc Telecom.

On the real estate market, asset prices were virtually stagnant for the second consecutive year, and the number of transactions fell in all the main cities, particularly Marrakech, where the decline has been continuing since 2015.

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

	2015	2016	2017	2018	2019
Debt market					
Outstanding amount of Treasury bills	10.3	4.2	5.4	5.7	2.0
Outstanding amount of private debt	-5.7	0.8	10.5	11.2	15.8
Stock market					
MASI	-7.2	30.5	6.4	-8.3	7.1
Liquidity ratio[1] in the central market equity (in %)	5.9	6.4	6.5	6.0	5.3
Capitalization (in % of GDP)	45.9	57.6	59.0	52.5	54.4
Real estate market					
Real Estate Price Index	0.7	1.3	5.3	0.0	0.0
Number of transactions	-1.1	8.7	-6.8	4.8	-3.6

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

Sources: Bank Al-Maghrib, Ministry of Economy, Finance and Administration Reform, Casablanca Stock exchange market, Maroclear and ANCFCC.

1.8.1 Debt securities

Treasury bills

Treasury issues on the auction market decreased by 9.3 percent to 104.4 billion DH in 2019. They mainly concerned long maturities with a share of 52.8 percent, after 19.9 percent in 2018, while those of medium and short-term bills fell respectively from 64.3 percent to 38.1 percent and from

15.8 percent to 9 percent. These issues were made under favorable conditions, with declines ranging from 8 basis points to 2.3 percent for 52-week rates to 30 basis points to 3 percent for 10-year rates.

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

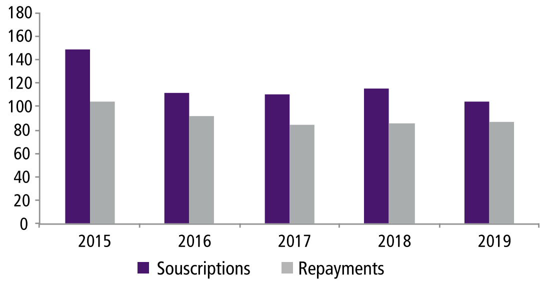
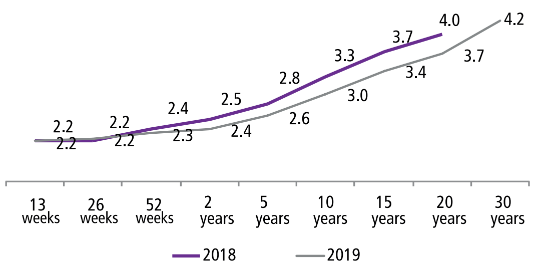


Chart 1.8.2: Average Treasury Bills rates on the primary market (%)

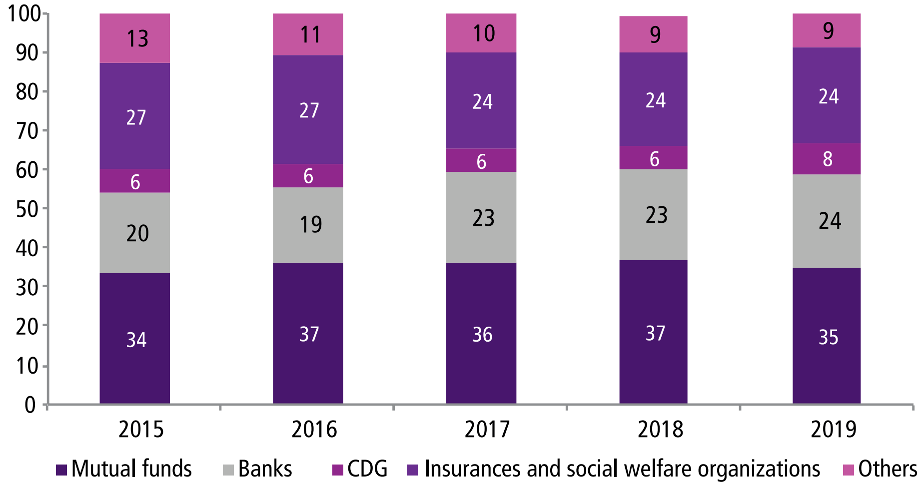


Considering repayments, outstanding Treasury bills reached 557.2 billion DH, up 2 percent compared to 2018. It remains dominated by long maturities at 63.2 percent, while average-term ones represent 34.7 percent, as against 2.1 percent for short-term ones. The breakdown of this outstanding amount by holder shows a share of 35.4 percent for mutual funds, 24.1 percent for banks, 23.5 percent for insurance and social security organizations and 8.2 percent for the Deposit and management fund.

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

	2015	2016	2017	2018		2019	
				Amount	Structure in %	Amount	Structure in %
Outstanding amount	**470 104**	**490 028**	**516 706**	**546 205**	**100**	**557 160**	**100**
Short term	27 483	19 051	26 276	20 097	4	10 571	2
Medium term	182 719	187 865	191 593	207 857	38	193 101	35
Long term	259 902	283 112	298 838	318 251	58	353 489	63
Subscriptions	**148 521**	**111 364**	**110 680**	**115 052**	**100**	**104 393**	**100**
Short term	36 570	27 367	25 350	18 227	16	9 427	9
Medium term	75 086	52 370	61 747	73 982	64	39 796	38
Long term	36 865	31 627	23 583	22 843	20	55 170	53
Repayments	**104 474**	**91 440**	**84 002**	**85 554**	**100**	**87 097**	**100**
Short term	23 958	35 798	18 126	24 405	29	17 679	20
Medium term	57 380	47 225	58 019	57 718	67	52 329	60
Long term	23 135	8 417	7 857	3 430	4	17 089	20

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



Private debt securities

Issuance of private debt securities increased by 25.3 percent to 86.3 billion DH and mainly concerned certificates of deposit with an amount of 48.9 billion DH against 36.6 billion DH in 2018. The interest rates associated with these issues remained almost stable from one year to the next for maturities ranging from six months to one year, which vary from 2.63 percent to 2.89 percent, and rising for those from one to two years, ranging from 2.69 percent to 2.90 percent.

Issues of finance company bonds and commercial paper grew by 82.9 percent to 9.7 billion DH and 26.8 percent to 3.3 billion DH respectively. As for bonds, their issues totaled 24.4 billion DH, of which 13.6 billion DH were issued by non-financial companies, 8.8 billion DH by banks and 1.9 billion DH by other financial companies.

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

	Issues					Change 2019/2018	
	2015	2016	2017	2018	2019	In millions	In %
Overall	**56 830**	**50 455**	**76 713**	**68 874**	**86 288**	**17 414**	**25.3**
Financial companies	**34 054**	**40 920**	**60 409**	**54 052**	**69 345**	**15 293**	**28.3**
Banks	**28 245**	**36 781**	**52 044**	**47 100**	**57 684**	**10 584**	**22.5**
Certificates of deposit	21 245	28 181	39 047	36 550	48 884	12 334	33.7
Bonds	7 000	8 600	12 997	10 550	8 800	-1 750	-16.6
Other financial companies	**5 809**	**4 139**	**8 365**	**6 952**	**11 661**	**4 709**	**67.7**
Finance companies bills	4 979	3 889	7 015	5 327	9 741	4 414	82.9
Bonds	830	250	1350	1625	1920	295	18.2
Nonfinancial corporations	**22 776**	**9 535**	**16 304**	**14 822**	**16 943**	**2 121**	**14.3**
Commercial papers	15 464	4 385	5 749	2 612	3 313	701	26.8
Bonds	7 312	5 150	10 555	12 210	13 630	1 420	11.6

Source : Maroclear.

Taking into account repayments, outstanding private debt amounted to 229 billion DH, up 15.8 percent. Its structure by issuer remains dominated by banks with 53.2 percent, followed by non-financial companies with 33.1 percent.

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

	2015	2016	2017	2018	2019	Change 2019/2018	
						In millions	In %
Overall	**159 606**	**160 912**	**177 733**	**197 723**	**228 993**	**31 270**	**15.8**
Financial corporations	**91 604**	**95 872**	**112 530**	**127 772**	**153 092**	**25 320**	**19.8**
Banks	**73 413**	**81 773**	**94 152**	**103 463**	**121 833**	**18 370**	**17.8**
Certificates of deposit	41 184	43 520	46 517	52 778	64 348	11 570	21.9
Bonds	32 229	38 253	47 635	50 685	57 485	6 800	13.4
Other financial companies	**18 191**	**14 100**	**18 378**	**24 309**	**31 259**	**6 950**	**28.6**
Finance companies bills	14 460	11 569	15 488	19 769	25 414	5 645	28.6
Bonds	3731	2531	2 890	4 540	5 845	1 305	28.7
Nonfinancial corporations	**68 002**	**65 040**	**65 203**	**69 951**	**75 901**	**5 950**	**8.5**
Commercial papers	2 271	1 549	2 052	1 296	1 934	638	49.2
Bonds	65 731	63 491	63 151	68 655	73 967	5 312	7.7

Source : Maroclear.

Box 1.8.1: Evolution of payment deadlines

Despite the measures taken by the authorities and the efforts to raise the awareness among public and private economic operators, the issue of payment deadlines remains acute and continues to weigh on companies' cash flow, thus threatening the viability of the most vulnerable categories, particularly very small businesses.

Bank Al-Maghrib's calculations, based on the latest available data for the year 2018, indicate little progress in reducing these delays. The results obtained from a sample of 70.797 private non-financial companies[1] show that the payment deadlines applied are still generally longer than the regulatory ones.

Indeed, 40 percent of companies are paid within more than 90 days and one third within 120 days. As far as payment to suppliers is concerned, 62 percent honor their commitments without exceeding the statutory 60-day period, but one third pay their invoices within more than 90 days.

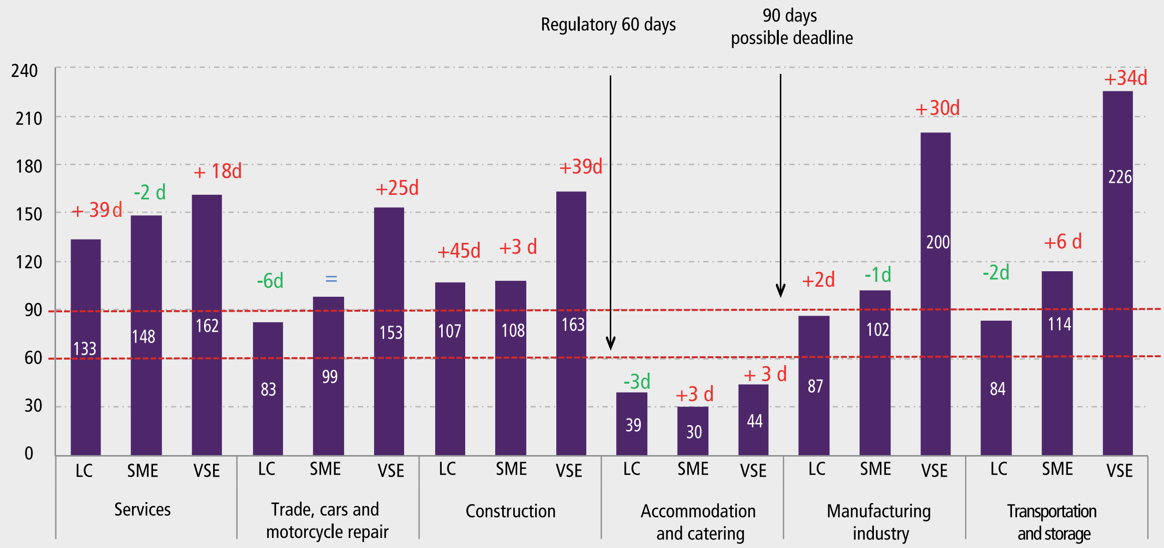
In terms of trends, the results show an overall increase in customer payment times compared to 2017[2], particularly in sectors of activity where they are already high, such as "construction", where they increased by 39 days for VSEs, 3 days for SMEs and 45 days for large companies.

[1] Provisional data provided by OMPIC and subject to reliability and control processing at the Bank level.

[2] Calculated on the basis of the common population for the two financial years 2017 and 2018, i.e. 46,554 enterprises.

Cross-analysis by sector of activity and by company size reveals long customer deadlines in most sectors, particularly among small companies. In fact, VSEs' deadlines reached 226 days of sales in the "transportation and warehousing" sector, 200 days of sale in "manufacturing industries" and 163 days of sale in "construction" and "service activities". On the other hand, those operating in the "accommodation and food services" sector, whose activity is mainly oriented towards private individuals, have shorter customer deadlines by 44 days of turnover.

Chart B.1.8.1.1: Customer deadlines in days of sales in 2019 (in DS)



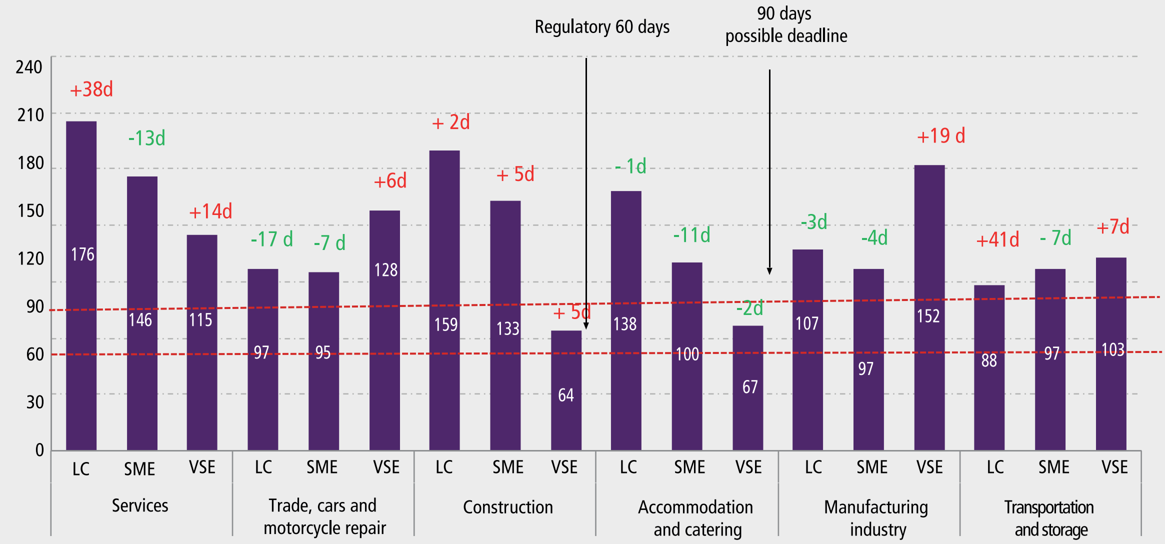
Sources: OMPIC data and BAM processing and calculations.

With regard to supplier deadlines, the results show differentiated trends by sector of activity and company size. Decreases were observed for SMEs and LEs operating in "manufacturing industries" and "distributive trades, repair of motor vehicles and motorcycles", as well as for firms of all sizes in "accommodation and food services". In contrast, significant increases were found for LEs operating in "transport and storage" and "service activities".

In terms of length, the longest supplier deadlines were recorded for LEs operating in "transport and warehousing" and "service activities" with 176 days of purchases (DP), "construction" with 159 DP and "accommodation and catering" with 138 DP. Equally high levels were found in small structures, mainly "manufacturing industries" with 152 DP and in "accommodation and food services" and in the "trade, repair of motor vehicles and motorcycles" sector with 128 DP.

These payment deadlines often reflect the cash flow difficulties faced by companies but could also be the consequence of the internal management model (invoice validation, payment system, etc.), the commercial policy or even the negotiating power between commercial partners.

Chart B.1.8.1.2: Supplier deadlines in days of purchase in 2019 (in DP)



Sources: OMPIC data and BAM processing and calculations.

1.8.2 Mutual fund shares/units

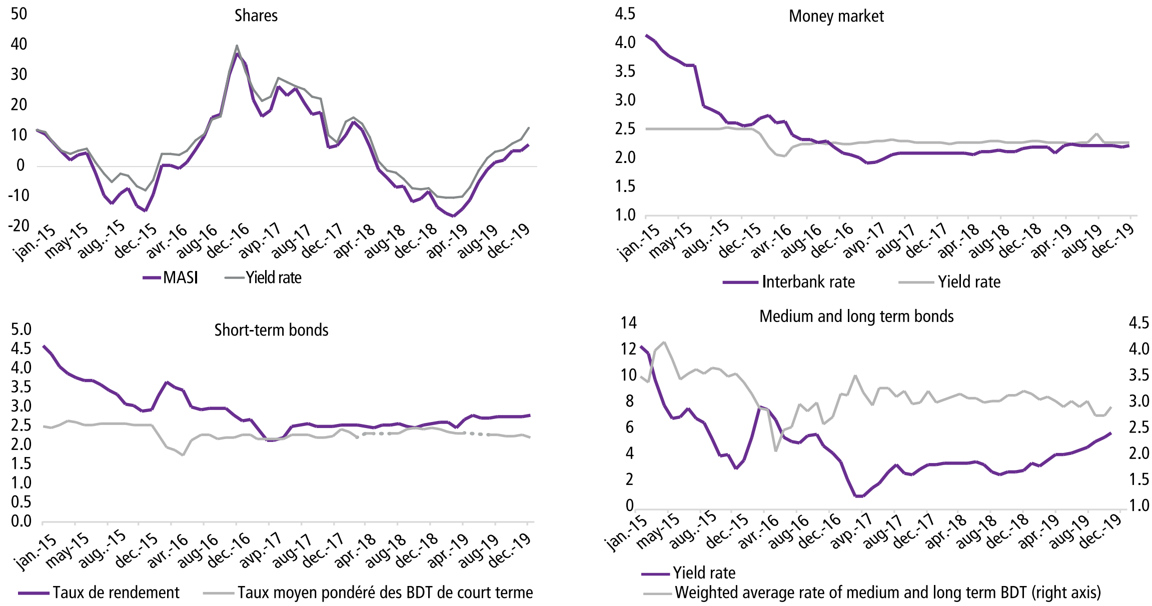
Despite the reduced rates of Treasury bill, subscriptions to bond mutual funds rose 22.3 percent to 452.2 billion DH, driven by a 30.3 percent expansion in medium- and long-term rates. Similarly, the good performance of the stock market led to renewed interest in equity mutual funds, which attracted investments of 7.3 billion DH, up 11.7 percent.

For the other categories, subscriptions fell by 2.2 percent to 353.8 billion DH for money market funds, by 5.4 percent to 19.8 billion DH for contractual funds and by 37.5 percent to 9.2 billion DH for diversified funds.

Under these conditions, subscriptions amounted to 842.3 billion DH, up 8.9 percent. Taking into account a 9.1 percent increase in repurchase operations to 829.2 billion DH, net inflows amounted to 13 billion DH. It reached 20.3 billion DH for medium and long-term bond funds and 1.9 billion DH for equity mutual funds. On the other hand, outflows were recorded for other funds, with amounts of 4.8 billion DH for short-term bonds, 2.8 billion DH for money market funds and 1.1 billion DH for diversified funds.

In terms of performance, all fund categories posted positive returns, with gains ranging from 2.2 percent for money market funds to 12.8 percent for equity funds.

Chart 1.8.4 : Returns on mutual funds (in %)



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

In total, the net assets of mutual funds reached 470.6 billion DH, up 8.2 percent compared to 2018. This change includes increases of 13.8 percent to 277.9 billion DH for medium and long-term bond funds and by 18.2 percent to 37.4 billion DH for equity funds, as well as decreases of 4.2 percent to 64.6 billion DH for short-term bond funds and 2.4 percent to 59.5 billion DH for money market funds.

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

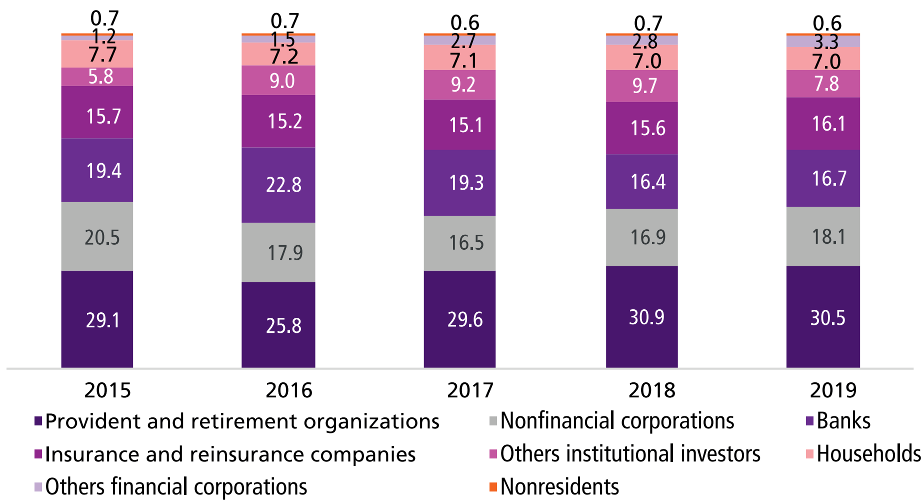
	2015	2016	2017	2018	2019
			Net asset		
Shares	20.4	26.3	35.4	31.7	37.4
Contractual	1.8	1.6	1.9	2.8	2.2
Diversified	12.9	19.6	26.7	27.8	28.9
Money-market	71.6	72.8	68.5	60.9	59.5
Short-term bonds	48.3	51.2	65	67.5	64.6
Medium and long term bonds	175.1	204.1	218.4	244.1	277.9
Total	**330.1**	**375.6**	**416**	**434.8**	**470.6**
			Souscriptions		
Shares	6.0	4.5	14.0	6.5	7.3
Contractual	6.0	11.6	15.6	20.9	19.8
Diversified	5.5	10.8	15.6	14.7	9.2
Money-market	408.9	423.8	443.2	361.7	353.8
Short-term bonds	91.6	130.3	128.3	165.1	185.5
Medium and long term bonds	117.8	145.4	150.7	204.8	266.7
Total	**635.8**	**726.5**	**767.4**	**773.6**	**842.3**

	Repurchases				
Shares	5.7	4.6	7.7	7.0	5.4
Contractual	5.3	11.9	15.3	20.1	20.4
Diversified	4.4	6.3	8.9	13.4	10.3
Money-market	407.9	424.5	448.8	370.7	356.5
Short-term bonds	88.3	130.8	117.4	164.2	190.3
Medium and long term bonds	98.6	127.4	140.6	184.6	246.4
Total	**610.2**	**705.4**	**738.7**	**760.1**	**829.2**

Source : Moroccan Capital Market Authority.

By analyzing changes in the structure of outstanding amounts per holder, it emerges that no significant change occurred from one year to the next. Provident and pension funds hold 30.5 percent, as against 18.1 percent for non-financial enterprises, 16.7 percent for banks and 16.1 percent for insurance and reinsurance companies.

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



Source : Moroccan Capital Market Authority.

Box 1.8.2 : REITs, a new financing and investment instrument

As part of the strategy aiming to develop new financial instruments in order to diversify funding sources and offer new investment opportunities for investors and savers, the activity of Real Estate Investment Trusts (REIT) was launched in 2019 with the granting of the first license on 23 July.

The regulatory framework for this activity, based on Law 70-14 adopted in August 2016, provides for two legal statuses for REITs. They can either take the form of an open-ended joint stock company called a Real estate investment company (Société de placement immobilier-SPI) or a co-ownership of assets giving rise to a Real estate investment Fund (Fonds de placement immobilier-FPI). The law also distinguishes between two categories of REITs, those open to the general public and those limited to qualified investors benefiting, where operating rules are rather simplified.

REITs are governed by specific rules on asset composition as well as on the distribution of rental income and capital gains on disposals. At least 60 percent of the assets of these undertakings must be made up of real estate properties intended exclusively for rental purposes, securities of other REITs or securities giving direct or indirect access to the capital of companies with mostly real estate assets. More particularly, SPIs are further required to hold a minimum of 10 percent of their assets in the form of cash and/or liquid financial instruments, and the share in their real estate assets of undeveloped land intended for construction and buildings under construction must not exceed 20 percent. In addition, REITs must reallocate to their holders at least 85 percent of the results of the rental activity, 60 percent of the capital gains from the sale of transferable securities as well as all dividends, shares and fixed-income investment income received.

To encourage the development of REITs, authorities have introduced a tax incentive framework, including exemptions from (i) corporate income tax; (ii) capital gains tax on real estate assets at the time of contribution; (iii) registration fees on contributions in cash or in kind; as well as the application of tax rebates of 50 percent on the partial or total sale of securities, 60 percent on dividends distributed to companies and 85 percent for those granted to individuals.

Evolution of the REIT activity in the world

In 2019, according to data from the European public real estate association (EPRA)[1] , 38 countries around the world have established frameworks for the activity of Real Estate Investment Funds, including REITs, with 862 units managing an estimated USD 2,044 billion DH in assets. The first forms of REITs were created in the United States in 1960, as with the introduction of «Real Estate Investment Trusts" system in a view to give investors, especially smaller ones, access to income-generating real estate. They have undergone significant development, reaching a capitalization of real estate. They have undergone significant development, reaching a capitalization of USD 1,266 billion DH by the end of 2019. Publicly traded equity REITs, the main type of US REITs[2], offer returns that have averaged 10.9 percent annually between 2010 and 2019, thus rendering them attractive to 87 million Americans up to now.

In Europe, REITs began operating in the Netherlands in 1969, but have only really developed in recent years. At the end of 2007, only 7 countries had set up this type of instrument. As for emerging countries, the development of this type of instrument is still at an embryonic stage, as the capitalization of listed equity REITs does not exceed 8 percent of the estimated value of commercial real estate.

[1] The European Public Real Estate Association is a non-profit association representing listed European real estate companies.

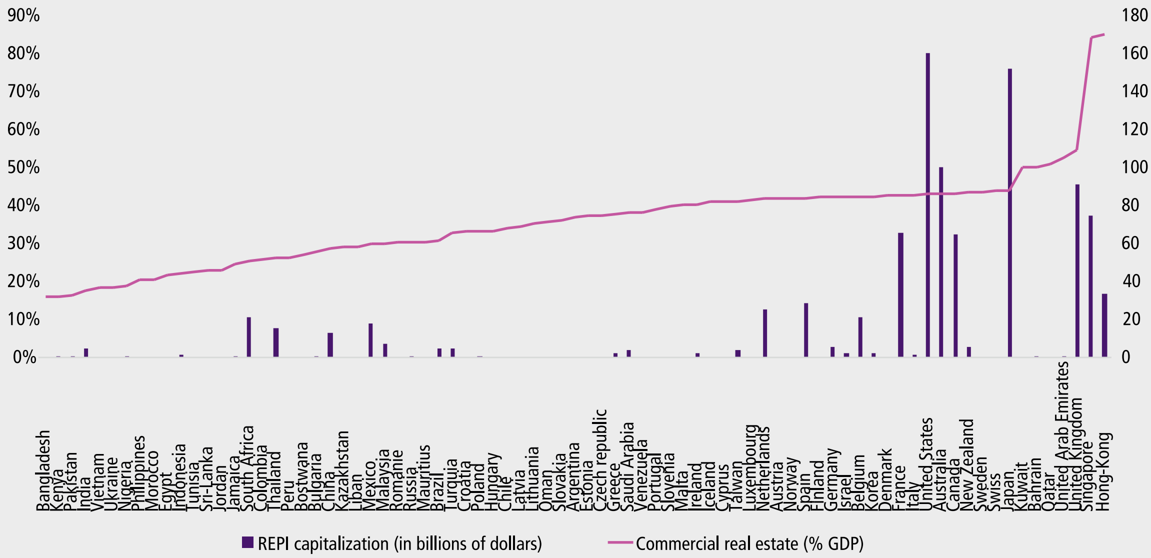
[2] In addition to equity REITs, there are also mortgage REITs and diversified REITs.

Table B1.8.2.1 : Size of the commercial real estate market and shares of listed REPI equity

Region / group of countries	Commercial real estate value (estimated in billions of dollars)	Shares of listed commercial real estate (%)	Shares held by REPIs (%)
Europe (developed countries)	8155	6,9	54
North America (developed countries)	9583	14,4	99
Asia and the Pacific (developed countries)	4238	18,6	55
Emerging countries	8130	13,4	8

Source : European public real estate association(EPRA).

Chart B1.8.2.1 : Capitalization and commercial real estate market size



Source : EPRA.

Development potential in Morocco

Morocco is today the 4th country in Africa, after South Africa, Kenya and Nigeria to put in place a framework for real estate investment units. This new instrument could help boost the rental real estate sector and direct long-term savings towards investment financing. It represents a means of diversification for investors as investment opportunities are expanded to "paper stone" and allows companies to ease their balance sheets and release new financial resources.

The development of this new activity still depends on demand and on the size of the professional real estate stock, estimated by EPRA at 21 percent of GDP. It also rests on the real estate market cycle, the sensitivity of the return on these instruments to economic conditions and the long-term visibility of the fiscal framework. The availability of detailed information on the evolution of the real estate market (prices, transactions, construction, profitability, etc.) is also necessary to assess REITs and set up their development plan. Finally, REIT must be presented and popularized as a medium and long-term investment to avoid creating irrational expectations in terms of return.

1.8.3 Stock market

After a counter-performance of 8.3 percent in 2018, the benchmark index of the Casablanca Stock Exchange, the MASI, rose to 7.1 percent at the end of 2019. This evolution concerned most major sectors, with notably performances of 20.6 percent for "agri-food", 8.1 percent for "telecommunications" and 5.6 percent for "banks".

By contrast, property development companies continue to underperform for the third consecutive year, with the sector's index falling by 36.2 percent in 2019 and by 71.4 percent since the end of 2016.

Chart 1.8.6 : Annual change of MASI (%)

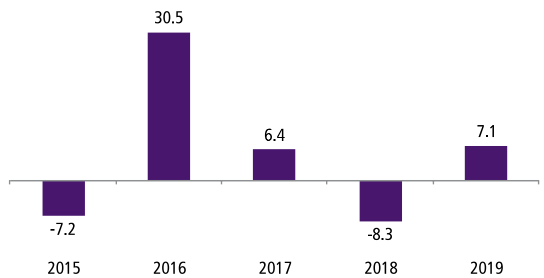
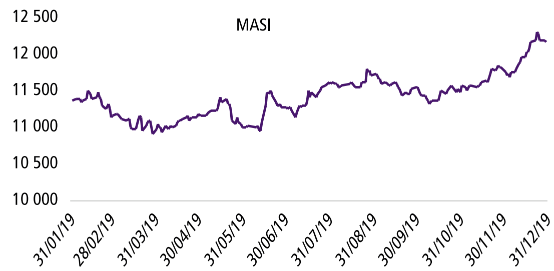


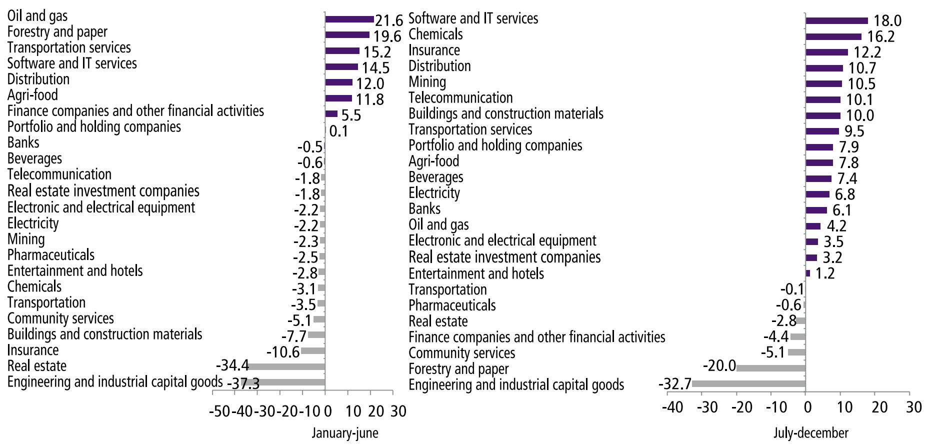
Chart 1.8.7: Daily change of MASI in 2019



Source: Casablanca Stock Exchange.

Infra-annual analysis indicates that the performance of the benchmark remained negative in the first six months, mainly as a result of the declines in the "real estate", "insurance", "buildings and building materials" and "telecommunications" sectors. From July onwards, the MASI went up, closing the year with a 7.1 percent rise, particularly driven by higher prices in "banking", "telecommunications", "insurance" and "agri-food" sectors.

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



Source: Casablanca Stock Exchange.

Under these conditions, valuation of the Casablanca Stock Exchange increased, as the PER[1] rose from 17.1 to 20.4, thus remaining above those of the main "frontier markets". At the same time, the dividend yield[2] fell from 4.01 percent to 3.51 percent.

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

	Weight in the MSCI FM[1] index	PER		Dividend yield (%)	
		2018	2019	2018	2019
Kuwait	38.15	14.2	16.3	3.68	3.32
Vietnam	15.09	14.2	16.3	1.85	2.08
Morocco	**9.69**	**17.1**	**20.3**	**4.01**	**3.51**
Nigeria	5.2	9.2	6.8	5.39	6.25

1 Weight as at february 28, 2020.

Source : Thomson Reuters Eikon.

The trade overall volume increased sharply from 50.9 billion DH to 75.4 billion DH. This change reflects higher trading on the equity block market, driven by the sale in June of 6 percent of Maroc Telecom's shares held by the State at 6.7 billion DH. Conversely, transactions on the equity central market fell from 37.2 billion DH to 31.2 billion DH, representing an average daily volume of 126.8 million, as against 150.5 million DH in 2018. In addition, capital increases totaled 9.8 billion DH, mainly carried out by the banking sector, and public offers of sale totaled 2.4 billion DH, including 2.2 billion DH from the sale by the government of a second 2 percent stake in Maroc Telecom.

Table 1.8.7: Volume of transactions (in millions of dirhams)

	2015	2016	2017	2018	2019
I- Shares	**46 885.0**	**68 193.4**	**66 877.7**	**50 915.2**	**74 863.9**
1-Central market	28 758.0	32 082.2	39 489.0	37 121.8	31 199.5
2-OTC market	11 751.0	18 379.4	24 051.3	8 791.4	26 676.1
Total of the secondary market (1+2)	**40 509.0**	**50 461.6**	**63 540.3**	**45 913.2**	**57 875.6**
3- New listings	893.4	1 929.8	-	798.6	-
4- Securities contributions	923.0	4 797.9	1 213.1	251.3	4 135.4
5- Public offerings	2 407.9	440.4	67.1	25.2	2 382.9
6- Transfers	106.5	686.8	622.7	429.7	622.1
7- Capital increases	2 045.3	9 876.8	1 434.5	3 497.3	9 847.8
Total of other markets (3+4+5+6+7)	**6 376.0**	**17 731.8**	**3 337.4**	**5 002.1**	**16 988.3**
II- Bonds	**5 206.4**	**4 543.1**	**2 859.9**	**1 772.6**	**530.7**
8- Central market	2 689.7	2 120.9	307.8	55.1	3.3
9- OTC market	1 705.6	1 484.1	1 684.4	950.1	527.4
Total of secondary market (8+9)	**4 395.2**	**3 605.0**	**1 992.3**	**1 005.2**	**530.7**
10- New listings	809.7	938.1	657.9	767.4	-
11- Securities contributions	1.5	-	209.7	-	-
12- Transfers	0.01	-	-	-	-
Total of other markets (10+11+12)	**811.2**	**938.1**	**867.6**	**767.4**	**-**
Total (I+II)	**52 091.4**	**72 736.6**	**69 737.6**	**52 687.8**	**75 394.6**

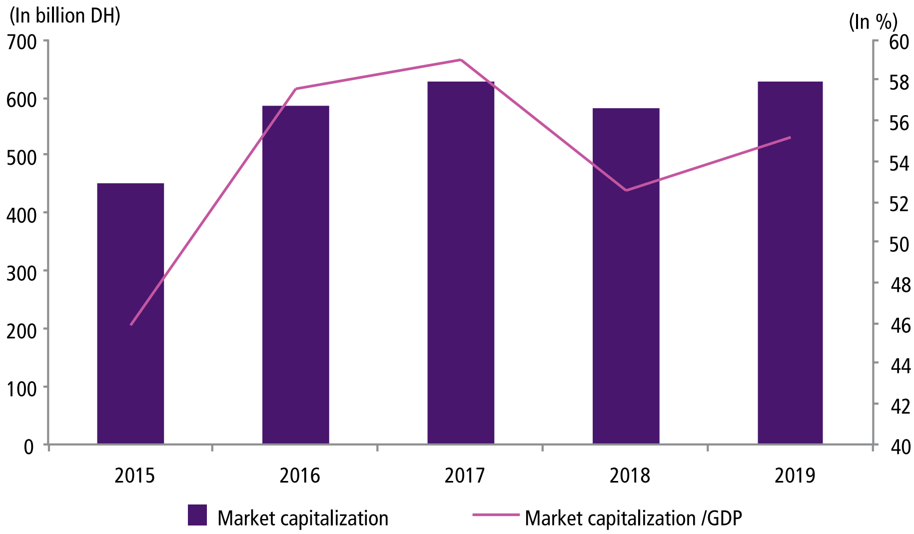
Source: Casablanca Stock Exchange.

1 The PER represents the ratio between the share price and earnings per share.

2 The dividend yield is the ratio between the dividend paid and the share price.

The market capitalization thus increased by 44.5 billion DH to 626.7 billion DH at the end of 2019 and its ratio to GDP rose from 52.5 percent to 54.4 percent. Its floating component[1] stood at 149.7 billion DH, up 10.1 percent and the floating factor[2] remained almost stable at 24.2 percent.

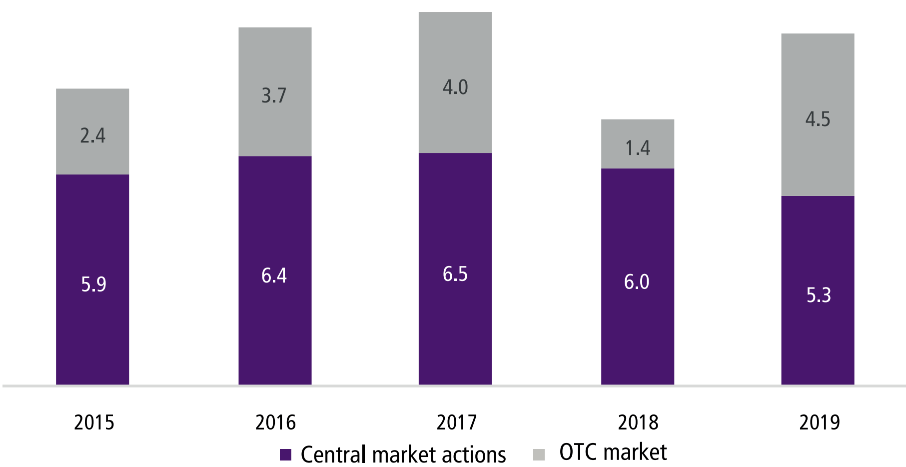
Chart 1.8.9 : Change in market capitalization



Source: Casablanca Stock Exchange.

Under these conditions, the liquidity ratio in the central equity market continued to evolve at low levels, falling to 5.3 percent. It thus remains well below the ratios observed on the main "frontier" and "emerging" stock exchanges, where it particularly reached 56.6 percent in India, 49.4 percent in Kuwait, 22.5 percent in Vietnam and 11.2 percent in Argentina.

Chart 1.8.10: Liquidity ratio (%)



Sources: Casablanca Stock Exchange, and BAM calculations.

1 Free float is the share of a company's capital that may be traded on the market. It excludes treasury shares held by the listed company, holdings held by the State, shares held by the founders, controlling interests, shares bound by a shareholders' agreement and holdings of at least 5 percent that have been stable for at least 3 years.

2 Ratio of the number of shares in the free float to the total number of shares.

1.8.4 Real estate assets

On the real estate market, asset prices remained virtually stable in 2019 for all asset categories. At the same time, the number of transactions fell by 3.6 percent, with decreases of 10.1 percent for land, 4.4 percent for business properties and 1.7 percent for residential.

Table 1.8.8: Change in REPI and in number of transactions (change in %)

	REPI					Transactions				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Overall	**0.7**	**1.3**	**5.3**	**0.0**	**0.0**	**-1.1**	**8.7**	**-6.8**	**4.8**	**-3.6**
Residential	**0.9**	**0.9**	**5.1**	**0.2**	**0.1**	**-1.9**	**8.2**	**-7.8**	**3.3**	**-1.7**
Apartment	0.8	0.9	6.0	0.1	0.2	-1.5	8.2	-7.2	2.5	-1.4
House	1.1	0.3	1.3	0.1	-0.8	-4.6	8.3	-15.5	14.4	-2.0
Villa	0.8	3.1	3.6	0.7	-1.0	-9.5	6.9	-16.1	11.0	-12.8
Urban land	**1.3**	**2.0**	**6.0**	**-0.3**	**-0.2**	**0.5**	**9.7**	**-4.3**	**8.7**	**-10.1**
Business properties	**-1.2**	**4.0**	**6.6**	**0.4**	**0.0**	**0.5**	**7.9**	**-2.6**	**9.6**	**-4.4**
Commercial premises	-1.0	4.9	5.7	1.2	-0.4	0.0	7.6	-3.7	9.7	-6.1
Offices	-2.4	0.0	10.2	-2.7	0.5	5.1	8.9	5.5	8.2	7.0

Sources : ANCFCC data and BAM calculations.

In the main cities, apart from Oujda, Meknes, El Jadida and Kenitra which recorded price increases and Tangier whose prices stagnated, the other cities recorded price decreases ranging from 0.4 percent in Marrakech to 1.3 percent in Rabat. At the same time, transactions declined in almost all cities and was particularly pronounced in Marrakech.

Table 1.8.9: Change in prices and number of transactions by city (change in%)

	REPI					Transactions				
	2015	2016	2017	2018	2019	2015	2016	2017	2018	2019
Casablanca	4.1	-2.5	4.8	1.6	-0.5	-4.2	4.4	5.1	-3.5	0.1
Marrakech	-2.0	1.1	7.8	-4.8	-0.4	-5.8	-14.3	-12.6	-15.7	-14.6
Fes	0.6	2.5	8.8	-1.4	-0.9	-6.3	13.6	-10.5	10.3	-8.9
Meknes	1.0	1.9	7.1	0.8	0.7	11.6	23.3	-14.1	8.5	-6.6
Oujda	0.6	2.4	3.7	2.5	1.2	0.7	7.1	-2.6	-5.6	-13.4
Tangier	1.0	1.7	6.9	1.7	0.0	-10.5	-5.5	-16.4	20.4	-1.5
Kenitra	2.0	3.1	5.4	1.2	0.8	6.0	14.6	-14.6	19.5	-8.2
Agadir	0.9	2.6	6.3	1.8	-0.9	-20.4	22.6	-4.3	25.2	-12.6
El jadida	-2.7	1.7	6.9	-0.6	0.1	37.0	15.0	-14.4	9.2	-4.6
Rabat	0.8	4.8	-1.3	3.5	-1.3	-10.0	28.4	-18.8	23.1	-13.1
Global	**0.7**	**1.3**	**5.3**	**0.0**	**0.0**	**-1.1**	**8.7**	**-6.8**	**4.8**	**-3.6**

Sources : ANCFCC data and BAM calculations.

In Casablanca, after an increase of 1.6 percent in 2018, prices fell overall by 0.5 percent, with declines of 0.6 percent for residential and 1.2 percent for land, while those of professional properties grew by 1 percent. At the same time, transactions were virtually stagnant, with a 6 percent increase for land, and decreases of 0.1 percent for residential and 2.1 percent for professional properties.

In Tangiers, prices remained stable while the number of transactions fell by 1.5 percent after their 20.4 percent increase a year earlier. This decline concerned sales of urban lands and professional properties with rates of 11.3 percent and 4.7 percent, as against rises by 51.4 percent and 29.7 percent respectively, while those for residential use remained almost stagnant from one year to the next.

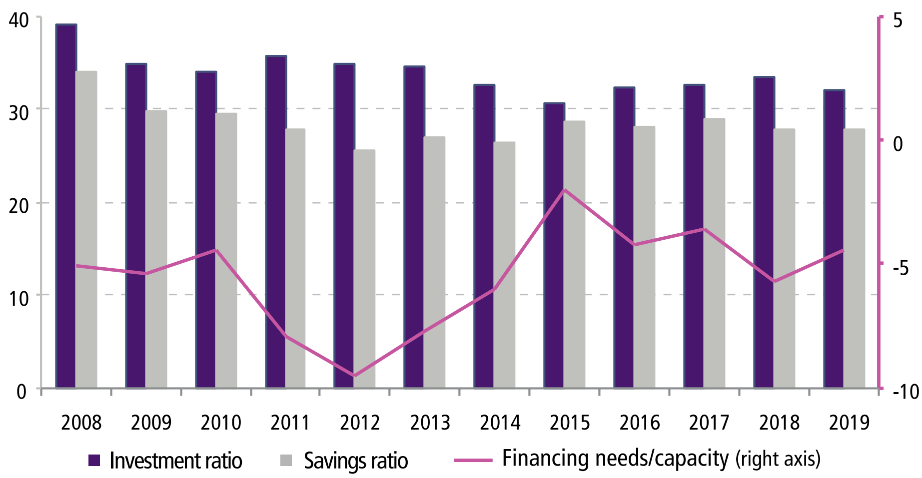
In Rabat, after a relative momentum in 2018, the real estate market was marked by a 13.1 percent contraction in transactions and a 1.3 percent decline in prices. Such trends affected all categories of property.

In Marrakech, transactions continued declining for the fifth consecutive year with a rate of 14.6 percent in 2019, covering decreases by 29.2 percent for land, 7.5 percent for residential property and 4.3 percent for professional property. As for prices, they fell by 0.4 percent, reflecting a decline of 3.2 percent for land and increases of 1.5 percent for residential and 1.1 percent for professional properties.

1.9 Financing the economy

In 2019, the gross national disposable income[1] reached 1,203.4 billion DH, up 3.6 percent compared to 2018. Considering a 3.5 percent increase in national final consumption to 883.3 billion, national savings amounted to 320.1 billion, i.e. 27.8 percent of GDP. At the same time, investment expenditure increased slightly to 370.6 billion or 32.2 percent of GDP. Under these conditions, the financing requirement of the economy stood at 50.5 billion, the equivalent of 4.4 percent of GDP against 5.6 percent a year earlier.

Chart 1.9.1: Financing requirement (in % of GDP)



Source: HCP.

By institutional sector[2], non-financial companies' need may have decreased in 2019 and its financing was ensured up to 32.3 billion DH by external resources. Similarly, Financing requirement of public administrations[3] would have eased, mainly reflecting their lower commitments towards residents to 19.2 billion DH. Concerning households[4], their financing capacity would have eroded from 4.9 billion to 3.9 billion.

1.9.1 Financial flows with the rest of the world

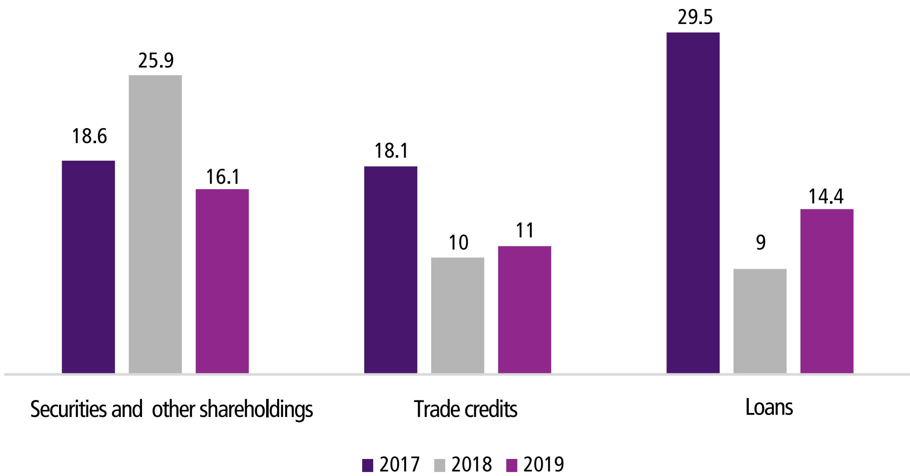
The economy's financing requirement was covered mainly by equity investments in resident companies at 16.1 billion DH compared to 25.9 billion DH a year earlier, and by credits granted mainly to non-financial companies and public administrations for 14.4 billion after 9 billion. For

1 Gross National Disposable Income (GNDI) is the sum of GDP, current transfers and net income from abroad.
2 Data for 2019 are estimated by BAM on the basis of information from the table of integrated economic accounts published by HCP.
3 They include the central government, local authorities and statutory pension funds.
4 Households include individuals, sole proprietorships and non-profit institutions serving households.

the remainder, the flow of transferable deposits[1] stood at 11.4 billion compared with 1.4 billion, while that of trade credits reached 11 billion instead of 10 billion.

By economic unit, the flow of net liabilities[2] of non-financial corporations amounted to 32.3 billion after 38.9 billion. Flows of loans fell from 9.2 billion to 6 billion and those of equity investments from 19.8 billion to 15.3 billion.

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



Source: Foreign Exchange Office.

As regards public administrations, their net foreign liabilities increased by 15.8 billion DH, after a decline of 1.9 billion DH in 2018, resulting from a 9.1 billion progression of their securities other than shares issued and 6.8 billion DH of their loans. In particular, gross drawings by the Treasury rose from 7 billion DH to 25 billion DH, contracted mainly with the World Bank for 9.4 billion DH and the African Development Bank for 3.8 billion DH.

As for residents' external assets, they grew by 25.2 billion DH, after their 6.2 billion DH drop. In fact, official reserve assets of Bank Al-Maghrib strengthened by 14.9 billion DH and the financial assets of other financial companies by 9 billion. As for non-financial companies, their assets improved by one billion as against 5.2 billion in 2018, mainly as a result of a 6.1 billion increase in shares and other equity securities held and a 5.3 billion fall in their transferable deposits with non-residents.

1 Transferable deposits include all deposits that are drawable on demand at par without charge or restriction of any kind, directly usable to make payments by cheque, draft, transfer, direct credit/debit or other direct payment means.

2 Balance of inflows and outflows in respect of commitments.

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

	2018				2019			
	Total	GG[1]	NFC[1]	FC[1]	Total	GG[1]	NFC[1]	FC[1]
Funding Requirement[2]	**-62.5**				**-50.5**			
Residents' assets in the rest of the world[3]	**-6.2**	**0.3**	**5.2**	**-11.7**	**25.2**	**0.3**	**1.0**	**23.9**
Gold and SDR	0.0			0.0	-0.1			-0.1
Cash and deposits	2.4		-0.1	2.5	-14.7		-5.3	-9.4
Securities and other shareholdings	10.2	**0.3**	3.8	6.0	9.7	**0.3**	6.1	3.4
Securities other than shares	-18.1	0.0	0.0	-18.1	31.9	0.0	0.0	31.9
Credits	-0.1	0.0	-0.1	-0.1	0.9	0.0	0.4	0.5
Trade credits	1.6		1.6		-0.1		-0.1	0.0
Other accounts payable	0.0		0.0	0.0	0.0		0.0	0.0
Financial Derivatives	-2.0			-2.0	-2.4			-2.4
Residents' liabilities to the rest of the world[3]	**41.3**	**-1.9**	**38.9**	**4.3**	**59.3**	**15.8**	**32.3**	**11.1**
Deposits	1.4			1.4	11.4			11.4
Securities and other shareholdings	-3.2	-1.0	-0.1	-2.1	8.9	9.1	0.0	-0.1
Securities other than shares	25.9		19.8	6.0	16.1		15.3	0.7
Loans	9.0	-0.9	9.2	0.7	14.4	6.8	6.0	1.7
Financial Derivatives	-1.8			-1.8	-2.6			-2.6
Trade credits	10.0		10.0		11.0		11.0	
Other accounts payable	0.0		0.0		0.0		0.0	

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

[2] National accounts data.

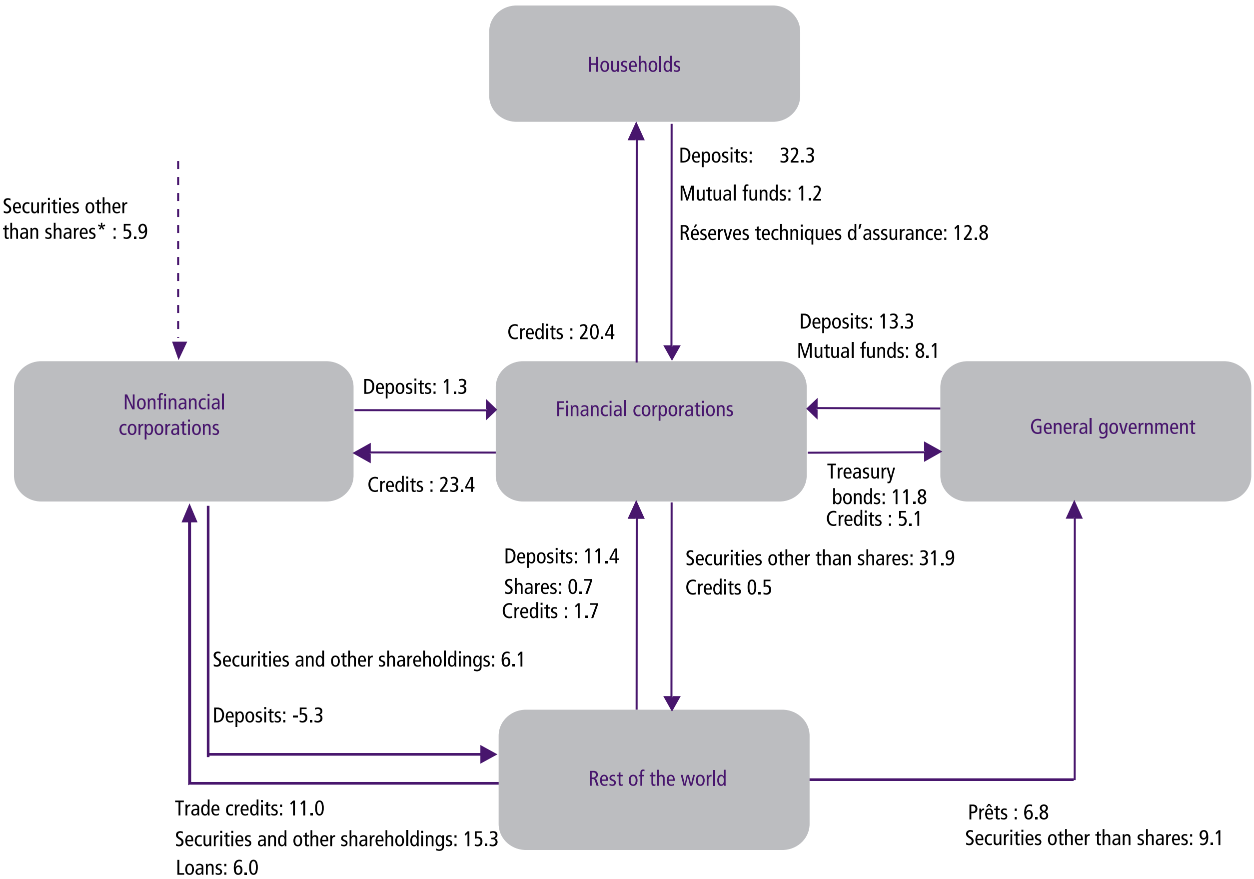
[3] Errors and omissions excluded.

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

1.9.2 Financial flows between resident sectors

In 2019, financial flows between resident sectors recorded a deceleration in the loans granted by the financial sector to non-financial agents and in deposits made by non-financial corporations, as well as an increase in subscriptions to mutual fund shares/units.

Figure 1.9.1: Main financial flows between institutional sectors in 2019 (in billion dirhams)



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

1.9.2.1 Financial flows between resident sectors

Financial transactions made by the general government with residents were characterized by a slowdown in both their liabilities and claims flows. Net issuance of Treasury bills stood at 10.9 billion DH, after 29.5 billion DH in 2018, while deposits with the Treasury increased by 7.6 billion DH instead of 8.2 billion DH.

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

	2018	2019
Financing Requirement[1]	**-11.8**	**-9.5**
Main net flows of financial assets acquisition	**29.2**	**18.8**
Deposits	15.5	13.3
Negotiable debt securities	-0.8	0.4
Treasury bonds	6.0	-3.1
Mutual funds shares/units	8.5	8.1
Main net flows of liabilities	**71.7**	**19.2**
Deposits with the Treasury	8.2	7.6
Treasury bonds	29.5	10.9
Loans	33.6	5.1
Other accounts payable/receivable	0.4	-4.5

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

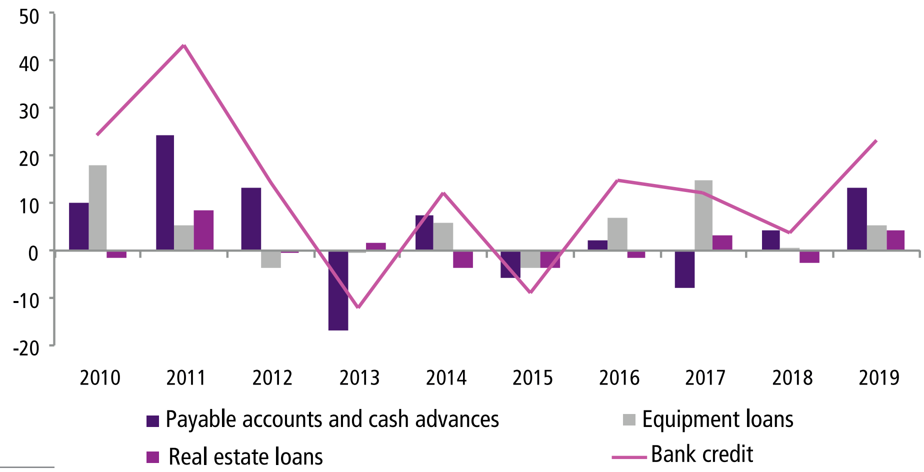
Sources : Bank Al-Maghrib, MCMA and Maroclear.

As regards general government financial assets, which mainly comprise the investments of provident and pension funds with compulsory pension schemes, they increased by 18.8 billion DH after 29.2 billion DH one year earlier. Holdings of mutual funds securities rose by 8.1 billion instead of 8.5 billion and deposits increased by 13.3 billion against 15.5 billion. On the other hand, holdings of Treasury bills and notes fell by 3.1 billion DH after their increase of 6 billion.

1.9.2.2 Financial flows of nonfinancial corporations

The commitments[1] of non-financial companies increased by 29.3 billion DH after 7.3 billion DH in 2018, mainly driven by an increase of 24.5 billion, compared to 1.6 billion, in credits contracted with banks by private companies. At the same time, net issues of debt securities amounted to 5.9 billion after 4.7 billion.

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



1 Excluding trade credits and shares.

Concerning the assets of non-financial companies, their flows amounted to 15.9 billion DH in 2019 against 18.2 billion DH in 2018, mainly covering a decline by 9.3 billion DH after an increase of 6.9 billion DH in their time deposits, as well as increases of 5.8 billion DH in their sight deposits with banks and 11.6 billion DH in their portfolio of mutual funds' securities instead of 7 billion DH and 5 billion DH respectively one year earlier.

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

	2018	2019
Funding Requirement[1]	**-71.3**	**-57.6**
Net flows of financial assets acquisition (excluding trade credits and shares)	**18.2**	**15.9**
Deposits	12.7	1.3
Securities other than shares	0.2	2.5
Mutual funds shares/units	5.0	11.6
Insurance technical reserves	0.3	0.4
Net flows of liabilities (excluding trade credits and shares)	**7.3**	**29.3**
Securities other than shares	4.7	5.9
Loans of financial institutions	2.5	23.4

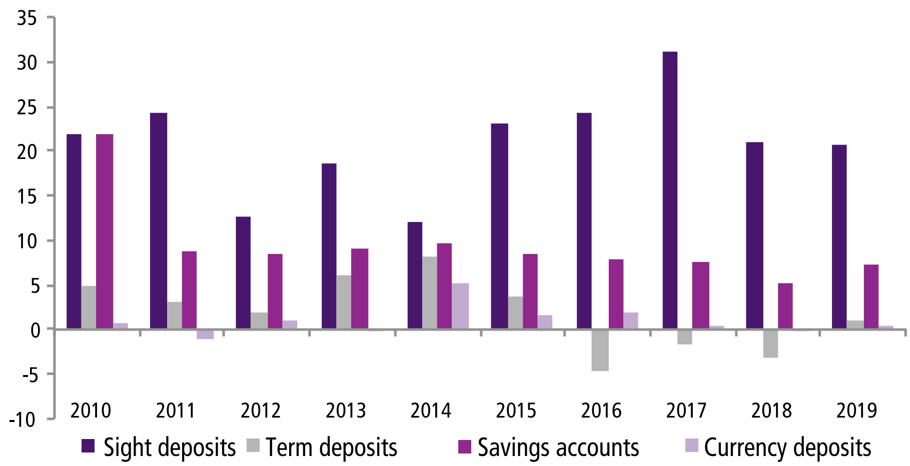
1 BAM estimates based on the table of integrated economic accounts publisged by HCP.

Sources : Bank Al-Maghrib, MCMA and Maroclear.

1.9.2.3 Household financial flows

Households' financial assets[1] improved by 62.9 billion in 2019 after 59.4 billion. This change mainly reflects a 32.3 billion DH rise in their deposits against 25.9 billion in 2018, with a particular rebound in fixed term deposits. Holdings of mutual fund shares/units rose by same rate as the previous year, namely 1.2 billion.

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



1 Excluding trade credits and shares.

With regard to household commitments, loans contracted with financial companies increased by 20.4 billion DH, compared to 22.3 billion DH the previous year. More particularly, housing loans increased by 8.6 billion after 10.8 billion, while consumer loans increased by 6.7 billion against 5.6 billion in 2018.

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

	2018	2019
Financing capacity[1]	**4.9**	**3.9**
Net flows of financial assets acquisition (excluding trade credits and shares)	**59.4**	**62.9**
Cash	14.8	16.4
Deposits	25.9	32.3
Negotiable debt securities	1.0	0.1
Mutual fund shares/units	1.2	1.2
Insurance technical reserves	16.5	12.8
Net flows of liabilities (excluding trade credits and shares)	**22.3**	**20.4**
Loans	22.3	20.4

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

Sources : Bank Al-Maghrib, MCMA and Maroclear.

PART 2

ACHIEVEMENT OF BANK MISSIONS

HIGHLIGHTS OF THE YEAR

For Bank Al-Maghrib, the year 2019 was exceptional in many ways. First, it coincided with the 60th anniversary of its creation, which was celebrated through a rich program of national and international activities. Also, the new Statutes of the Bank were promulgated, setting highest international sandards among its missions and governance as the main axis of reform. Furthermore, 2019 witnessed the launching of its 2019-2023 plan, its first five-year strategic plan, the length of which is meant to involve extended projects, including the Bank's digital transformation. Finally, the progress made in all areas earned Bank Al-Maghrib highest national and international recognition.

In 2019, the Bank has organized a series of major meetings. The first one, held jointly with the IMF, is a regional seminar on the implementation of the Bali Fintech agenda. This event recorded a great success and a new edition is already scheduled as part of the IMF and WB annual meetings to be held in Marrakech in 2021. The Bank hosted the prestigious African meeting of the Econometric Society, with the participation of eminent researchers from several internationally renowned universities. The conference reinforced the Bank's positioning in research development and enshrined its central role at the national level. Equally important, the Bank held the third edition of the High-Level Regional Symposium on Financial Stability in collaboration with other regulatory authorities as well as the Africa Blockchain Summit in partnership with Paris Europlace.

On the legal side, the adoption of Law No. 40-17 bearing Statutes of Bank Al-Maghrib strengthens the independence of the Central Bank, particularly as regards monetary policy definition and conduct, and broadens its scope of intervention to include financial stability and financial inclusion. It also enshrines the highest standards of governance and transparency, strengthening in particular the regime of incompatibilities for Board members by explicitly prohibiting conflicts of interest. This new governance framework has been further strengthened by an anti-corruption management system that the Bank developed and deployed and for which it earned certification.

In the same vein, the Bank's organization was adapted to facilitate and accelerate implementation of the sixth strategic plan. Thus, a digital transformation division was set up, as well as compliance function and a CSR function whose roadmaps were designed in line with international best practices in this area. In addition, a Department in charge of Statistics and Data Management was set up to take charge of the development and dissemination of all monetary and financial statistics and the implementation of the Bank's Data and Statistics Strategy.

Concerning the conduct of its missions, Bank Al-Maghrib continued the accommodating stance of its monetary policy, maintaining its key rate at 2.25%. Faced with the persisting high level of bank liquidity need, the Bank reduced the rate of the monetary reserve from 4% to 2%, thus allowing a permanent injection of a little more than 11 billion DH, while continuing to adapt the volume of its interventions.

As part of pursuing implementation of the exchange rate reform initiated in 2018, the Bank continued supporting operators and deepening the foreign exchange market, with a close monitoring mechanism. Encouraged by the results of this first phase, and in an overall favorable macroeconomic and economic context, the authorities decided to launch the second phase of this first stage as from 9 March 2020, proceeding with a further widening of the dirham's fluctuation band from ±2.5% to ±5%, while maintaining the same reference basket.

With regard to banking supervision, in addition to strengthening the regulatory framework and the activities pertaining to the control of credit institutions, the Bank consolidated the participatory finance mechanism and strived to protect consumers. At the macro-prudential level, Bank Al-Maghrib continued strengthening its analytical framework for assessing systemic risks and ensuring the implementation of macro-prudential instruments, while continuing to manage the work of the Systemic Risk Coordination and Monitoring Committee in partnership with other regulators. In the area of financial inclusion, the Bank started deploying the national financial inclusion strategy, which was finalized in early 2019 jointly with the Ministry of Finance and stakeholders. It thus particularly established a governance framework and continued setting up the ecosystem with a view to develop mobile payment.

In Dar As-Sikkah, at the request of several national institutions, the Bank stepped up its production of secure documents, along with its banknote and coin production activities. It was thus able to produce more than 62.2 million secure documents and is heading towards a significant expansion of its production as of January 2020.

Open to its internal and external environment, the Bank continued to strengthen its relations with national institutions, mainly by signing several agreements and organizing conferences in academic institutions. It also strengthened its ties with other central banks by organizing dozens of study visits, particulraly for African central banks Africa. In addition the Bank was active among regional, continental and international bodies and took part in several meetings on different themes. In the area of communication, the Bank increased its presence on social networks and deployed a rich program of numismatic, artistic and cultural events.

Human capital development has always been a fundamental pillar of the strategic priorities. Hence, the Bank continued improving the services offered to the Bank's staff, attract talents and strengthen the "Bank Al Maghrib" employer brand. It pursued its gender equality policy by drafting a dedicated charter, to be adopted on the International Women's Day on March 8, 2020 to further strengthen such equality. It also organized a new edition of the Gender Exchange Seminar with the Bank of Spain.

All these achievements have earned Bank Al-Maghrib to be recognized anew by the highest authority of the State. In his speech of 11 October 2019 on the opening of the first session of the fourth legislative year, His Majesty the King, while calling Bank Al-Maghrib to contribute to establishing a special program to support and finance young graduates and self-employment projects, praised the efforts made by the Bank, stressing in particular that "the Moroccan financial system is subject to rigorous control by independent, highly qualified national institutions".

Finally, the Bank's efforts were also recognized and praised internationally, as it was co-opted by the Bank for International Settlements to join its Board. Membership of this prestigious and selective club is a great consecration for our country and its Central Bank.

2.1 Governance and strategy

2.1.1 Adoption of the law bearing new Statutes of Bank Al-Maghrib

In 2019, the Bank's core text was amended. The law n° 40-17 bearing Statutes of Bank Al-Maghrib thus came into force, after its publication in the official bulletin on July 15. Modifications mainly concerned reinforcing the Bank's independence for a greater efficiency, and clearer responsibilities, widening its field of intervention in line with the missions now entrusted to it and further enshrining the standards of good governance.

2.1.1.1 Enshrining the Bank's full independence

By virtue of its new Statutes, Bank Al-Maghrib is given greater autonomy in monetary policy conduct. Henceforth, the Bank defines and conducts monetary policy with complete independence. It also transparently conducts its mission of setting price stability as its primary objective, in line with the Government's economic and financial policy.

Bank Al-Maghrib's independence is particularly enshrined through, the prohibition to receive or seek instructions from the Government or any third party. Additionally, the law tightens the incompatibility regime to eliminate any influence and expressly prohibits the Governor, the General Manager, the Government Commissioner and the rest of the Board members, as well as the Bank's staff from falling into situations of conflict of interest.

In addition, the new Statutes limit the Governor's term of office to a period of 6 years, renewable once only. Appointed in accordance with the conditions laid down in article 49 of the Constitution, the Governor is chosen from among personalities recognized for their competence, integrity and impartiality. He takes the oath before His Majesty the King and his remuneration is fixed by decree.

2.1.1.2 Strengthening and expanding the Bank's missions

In addition to strengthening its powers with regard to defining monetary policy, the Central Bank is entrusted with implementing exchange rate policy within the framework of the exchange rate regime. It also acts upstream and gives its opinion on the guidelines set by the Government in this area.

As part of its mission to hold and manage the country's foreign exchange reserves, Bank Al-Maghrib was empowered, for the first time, to mobilize them in order to reinforce the value of the dirham.

The Central Bank is adapting monetary policy instruments to the specificities of the new actors, namely participatory banks. Moreover, it can request and receive from any person or body all the information and statistical data necessary for its analytical work.

In addition to its core tasks (issuing banknotes and coins, monetary policy definition and conduct, management of foreign exchange reserves, supervision of the banking system, etc.), the Bank is entrusted with new tasks.

The Bank is thus explicitly entrusted with the role of contributing to the country's financial stability. Accordingly, it may take any measure in this area, such as providing emergency liquidity and holding equity in credit institutions as part of managing systemic risks and resolving banking crises. The Bank may also propose any other measures aimed at maintaining financial stability. Besides, the new provisions of the law guarantee efficiency in the crisis management decision-making process. In addition, the Bank chairs the Systemic Risk Coordination and Supervision Committee established by the Law on Credit Institutions and Similar Bodies. This Committee is composed of the Director of the Treasury and External Finance, the President of the Moroccan Capital Market Authority and the President of the Insurance and Social Security Supervisory Authority.

The Central Bank has also been set up as an authority in charge of licensing private operators to process (sorting and recycling) banknotes and coins. It is entrusted with the task of controlling the entire chain.

Finally, the Bank is now contributing to developing and implementing the National Strategy for Financial Inclusion. This marks the culmination of all its efforts and initiatives deployed so far to promote an inclusive financial system.

2.1.1.3 Improved foundation of the Bank's financial soundness

The new law includes provisions strengthening the financial soundness of the Institution. Thus, the Bank may increase its capital through reserves incorporation up to fifty per cent of its capital, upon decision of its Board and after obtaining the opinion of the Government Commissioner. In the event of a shortfall in the Bank's capital, the Government shall be obliged to make a cash contribution to make up the shortfall, by virtue of the same terms and conditions, subject to regulatory approval.

These provisions complement those relating to the general reserve fund, which is constituted by allocating at least ten per cent of the Bank's net profit, plus or minus, as the case may be, the profit brought forward from the previous financial year, until the said fund reaches an amount equal to that of the Bank's capital.

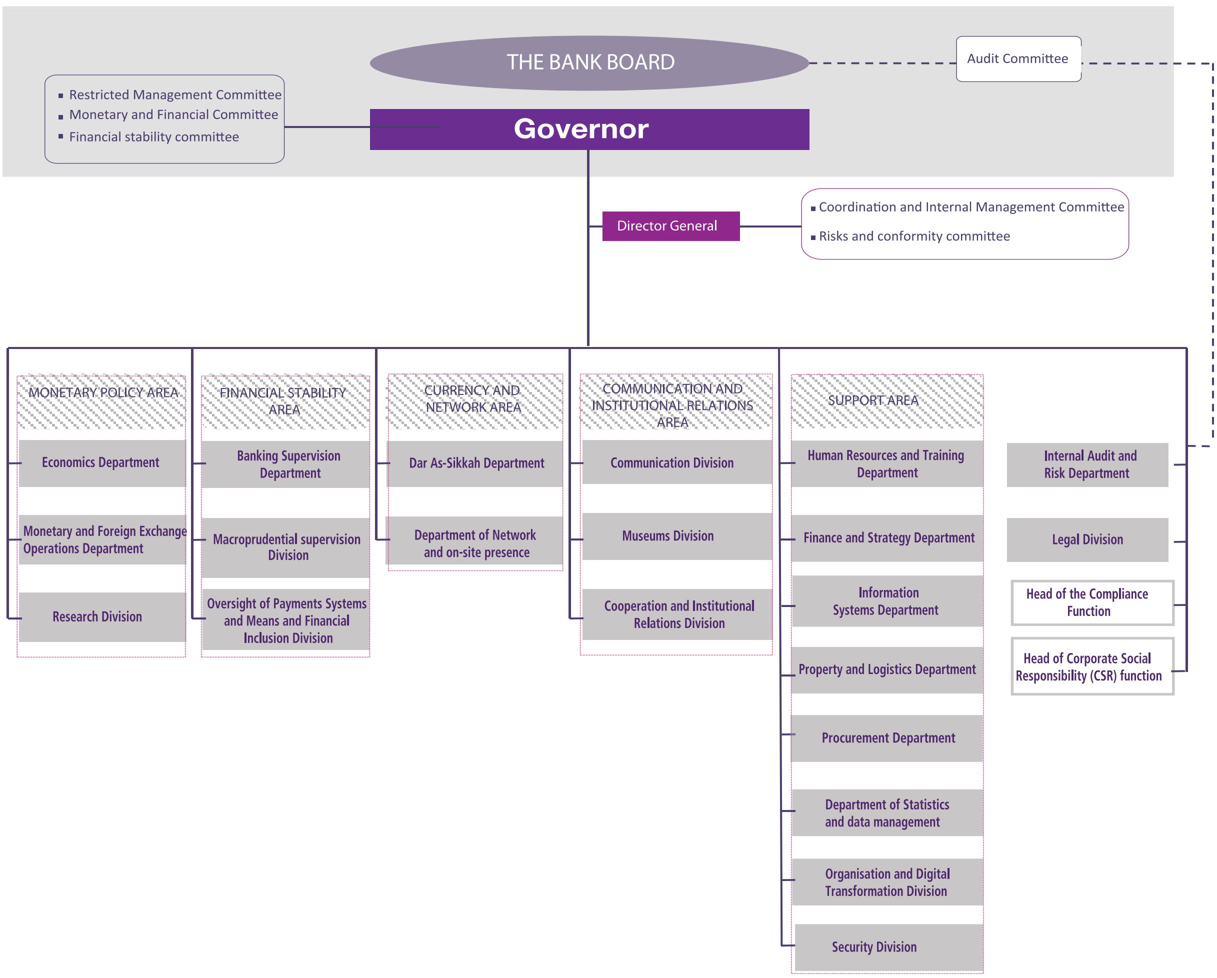
Bank Al-Maghrib may also, upon proposal of the Governor and decision of the Board, with the agreement of the governmental authority in charge of finance, allocate part of its profits to the constitution of special reserve funds.

The new Statutes also introduce the obligation for persons subject to the supervision, control and monitoring of Bank Al-Maghrib to contribute to the costs of on-site control. Finally, the Bank now holds a general privilege for collecting its debts due from credit institutions.

2.1.2 Organizational and Governance Structures

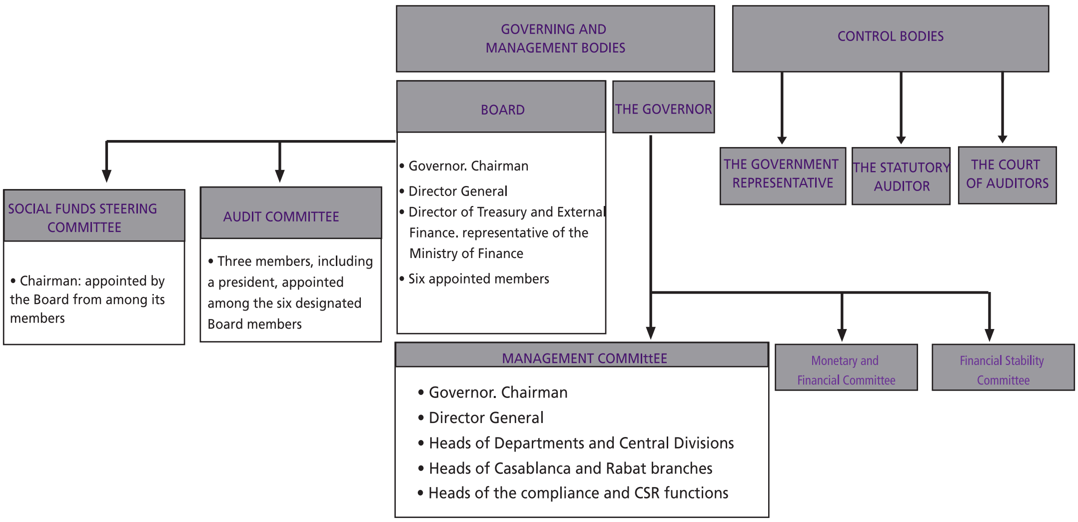
The Bank's organization structure, following the implementation of its 2019-2023 strategic plan, is based on 21 entities, a compliance function and a CSR (Corporate Social Responsibility) function, as well as 4 permanent governance bodies, each of which is involved in one or more areas of activity.

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



2.1.2.1 Administrative and management bodies

The Bank's Board is composed of the Governor, as Chairman, the Director General and six members appointed by the Head of Government, from among persons known for their integrity and competence in monetary, financial or economic matters, who do not hold any public elective office nor any position of responsibility in public or private companies or in the public administration. Three of these members are proposed by the Governor and the other three by the Minister of Finance. These members are appointed for a non-renewable period of six years. The Director of the Treasury and External Finance, within the Ministry in charge of Finance, sits on the Board as an ex-officio member, but does not have the right to vote on decisions relating to monetary policy.

The Board, which meets at least once a quarter, according to a pre-established and publicly announced schedule, defines the monetary policy stance on the basis of analyses and projections prepared by the Bank's staff. It decides on the strategic allocation of foreign exchange reserves and monitors the results of this management. It also determines the characteristics of the banknotes and coins issued by the Bank and decides on their circulation and withdrawal in accordance with the relevant regulations.

The Board is also responsible for the administration of the Bank, particularly for aspects relating to general policy, financial management and accounting as well as organization. Under the Bank's new Statutes, the powers of the Board have been strengthened to include, in particular, the possibility to:

- decide on any measures that may be implemented in exceptional or emergency situations;
- determine any other instrument of intervention in the money or foreign exchange market other than those provided for by law.

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

- The Audit Committee, which is responsible for examining and advising on matters relating to accounting information, internal and external audit, internal control and risk control. It is composed of three members, chosen from among the six designated members of the Board and meets four times a year, 10 days before the Board meetings. A charter, approved by the Board, defines the roles, responsibilities and operating procedures of the Audit Committee. These are set out in internal regulations;
- The Social Funds Steering Committee, responsible for managing the Bank's internal pension and health insurance plans and monitoring their technical and financial management. It is chaired by a member of the Board and is composed of the heads of entities in charge of financial management, human resources and monetary and foreign exchange operations, as well as of two staff representatives. Its operating procedures are laid down in a charter approved by the Board.

In compliance with the good governance practices, the Bank Board carries out a self-assessment of its functioning every two years.

The Governor manages and runs the Bank. He is particularly responsible for ensuring compliance with the statutory provisions and regulations, and for implementing the Board's decisions. He is assisted by a Director General. The latter performs all the tasks assigned to him by the Governor and under his authority. The Director General also represents the Governor in the event of his absence or impediment.

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

The Governor is also assisted by:

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

In addition, the Bank holds two committees chaired by the Director General, which intervene in specific areas of activity and whose decisions are submitted to the Governor for approval:

- The Internal Coordination and Management Committee: in charge of discussing the Bank's, mainly those related to strategy, various policies, projects portfolio, data governance and management, budget and resources;
- The Risk and Compliance Committee: in charge of reviewing and validating risk management policies as well as information security, cybersecurity, business continuity, crisis management, ethics and compliance systems. Besides, the Committee establishes the following bodies from among its members:
    - an Ethics Committee, in charge of giving its opinion on individual ethical issues,
    - an advisory committee on procurement compliance,
    - a committee for the prevention of money laundering,
    - a tax committee.

2.1.2.2 Control bodies

The Government Commissioner shall, on behalf of the State and in the name of the Minister in charge of Finance, control the regularity of the Bank's financial operations with regard to the legal and regulatory provisions applicable to them. He attends Board meetings in an advisory capacity and makes any proposals he deems useful.

The Bank's accounts are subject to an annual audit carried out under the responsibility of the statutory auditor. The latter certifies the summary statements, assesses its internal control system and presents its report to the Board. In 2019, the audit mission was carried out by Mazars, appointed in 2015 for a non-renewable six-year term in accordance with the regulations adopted by the Bank for the selection of statutory auditors.

The Bank is subject to the control of the Court of Auditors. Each year, it sends the Court of Auditors its accounting documents and those of the social security organizations for its staff, in accordance with the legislation in force. It also forwards to the Court extracts from the minutes of the Board meetings relating to its budget and assets, together with copies of the external auditors' reports.

Finally, the law stipulated, for the first time, that the Governor be heard by the Standing Committee(s) in charge of Finance of the Parliament, on its own initiative, regarding the Bank's tasks, in accordance with the principle of accountability enshrined in the Constitution.

2.1.1.3 Audit Committee

In 2019, the Audit Committee reviewed the annual accounts of the Bank as at 31 December 2018 and recommended their approval to the Bank's Board. It reviewed, in advance, the statutory auditor’s action plan for the 2019 financial year.

The Committee also reviewed the main conclusions of the report on the Bank's internal control system for 2018, particular with regard to assessing the maturity of the system and its various components.

It also reviewed the results of the operational, reputational, financial and strategic risk management systems for 2019 and gave its opinion on the annual internal audit program for 2020, prior to its approval by the Bank Board.

2.1.3 Strategy

As part of its 2019-2023 strategic plan, the Bank has set out the vision of "Being an efficient and innovative Central Bank and a force for change in the service of the country". It aims to achieve this vision through two major orientations:

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

At the end of the first year of implementation of this plan, significant progress has been made in the areas related to the two strategic orientations adopted.

Table 2.1.3.1: First progress report on the implementation of the 2019-2023 strategic plan

Monetary policy	
Reform of the exchange rate regime	**Monetary Policy Analysis and Forecasting Frameworks**
• Completed assessment of the first phase of the exchange rate regime reform and update of the impact studies on the national economy of the next phases; • Continued actions of awareness raising and support for operators and stakeholders; • Deepened foreign exchange market and strengthened transparency, through the implementation of a new monetary reference index called "MONIA" (Moroccan Overnight Index Average). »	• Continued work on the design of the inflation-targeting framework ; • Refined set up of the annual policy simulation model and of selected components of the quarterly macroeconomic projection model ; • Conduct of studies related to the reform of the exchange rate regime and publishing four research papers; • Strengthened academic partnerships and expansion of the Bank's research program to external researchers.
Financial stability and banking supervision	
Banking supervision	**Financial stability**
• Further development of participatory finance and support for payment institutions ; • Establishment of a regulatory monitoring function and enhancement of the Bank's capacity to issue regulatory texts; • Continued transposition of Basel III standards; • Finalization of reforms of classification and provisioning of receivables and payments; • Continued implementation of the actions included in the roadmap adopted following the MENAFATF 2018 mission; • Enhancement of the cooperation framework in terms of cross-border oversight, notably through the signing of two new agreements with the central banks of Egypt and Mauritius; • Conducting surveys among banks on digital transformation and the use of the Cloud, in order, in particular, to understand the regulatory challenges arising from the use of technological innovations.	• Strengthening coordination with other regulators and the Ministry of Finance, particularly to ensure consistency of macro-prudential policy with other macroeconomic policies ; • Improvement of the stress test system by using advanced techniques in designing extreme macroeconomic scenarios and refining analysis and forecasting models; • Completion of the draft circular on the supervision of financial conglomerates and preparation of a first version of the related systemic risk mapping; • Launching work on the implementation of macro-prudential instruments relating to the real estate and household sectors.
Payment means and systems	**Financial inclusion and financing of the economy**
• Improvement of the operational framework for monitoring payment means and systems, in particular through the automation of reporting; • Contributing to the establishment of the Central Counterparty Clearing House and the instantaneous transfer; • Implementation of a governance structure and strengthening of communication actions concerning the deployment of the national mobile payment solution; • Contribution to the work relating to the dematerialization of flows between the user and the State, namely the payment of social benefits; • Launching of work on designing a strategy for the development of cashless means of payment..	• Contributing to the design and implementation of the National Strategy for Financial Inclusion; • Promoting competition in the banking and payments market by publishing a new directive on banking mobility, capping the electronic money interchange fee and signing a cooperation agreement with the French Competition Council; • Enhancing consumer protection, by implementing the directive on the delivery of holds, drawing up a code of ethics for debt collection, as well as communication on measures to protect personal data and the adoption of a framework governing the transfer of complaints received by the Bank to the Moroccan Center for Banking Mediation; • Establishment of an internal structure called "One Stop Shop Fintech" to support the development of the Fintech ecosystem; • Launching a national study on climate risks and encouraging banks to take into account these risks in their strategy and governance.

Network, currency & secure documents

- Launch of two appealing products: the "augmented reality banknote" commemorating the 60th anniversary of BAM and the "polymer banknote" to celebrate the 20th anniversary of the enthronement of His Majesty King Mohammed VI;
- Setting-up two new industrial units, one dedicated to the personalization of PVC cards and the other to the personalization of polycarbonate cards;
- Printing of a first panel of products with digital security features such as baccalaureate diplomas, licenses to carry visible weapons and hunting licenses;
- Organization and participation of Dar As-Sikkah in international conferences gathering the cash manufacturers;
- Publication in specialized magazines and development of several communication kits relating to Dar As-Sikkah products;
- Ongoing transformation and modernization of Cash Cycle Management through the optimization of cash flows, improvement of working conditions and implementation of a dedicated information system.
- Reinforcing the monitoring and analysis of the international market trends in the subcontracting of foreign banknotes and drafting the reference document of Dar As-Sikkah's positioning strategy on this market.

Governance

- Review of the Bank's organizational structure and adaptation of its strategic and operational steering mechanisms, taking into account the five-year periodicity of its plan;
- Launching work to simplify the Bank's management systems and processes and improving its control, audit and risk management systems;
- Clarification and implementation of the Bank's delegation of powers to ensure greater accountability, fluidity and transparency in the decision-making process;
- Development of the Bank's cooperation relations both at the national and international levels, by signing new agreements with the Ministry of Education, Vocational Training, Higher Education and Scientific Research, the National Authority for Probity, Prevention and Fight against Corruption, as well as with the Central Banks of Egypt and Mauritius;
- Internal adoption of a new more user-friendly and enriched digital communication medium;
- Publication of several educational videos for the benefit of the general public in connection with the Bank's missions;
- Sharing the foundations of Bank Al-Maghrib's decisions through a special focus group dedicated to the correspondents of the audiovisual press;
- Ongoing development of the Bank's compliance and CSR policies.

Resources

HR, training and well-being

- Strengthening the Bank's employer brand, mainly through:
  - Setting up a new recruitment platform;
  - integrating powerful search engines linked to social networks and participating in new specialized forums,
  - broadcasting several capsules aimed at promoting its professions;
  - Initiation of an exchange framework with renowned schools.
- Development of advanced training offers and partnerships in this field with several international institutions;
- Development of a digital inclusion program;
- Improving well-being in the workplace, through the development and provision of multifunctional business cards and affiliation cards for pensioners and the establishment of a support unit for active employees, pensioners and dependents;
- Establishment of a charter for professional gender equality.

information and digital system and process reengineering

- Consolidation of the Bank's IT infrastructure to support the automation of processes and promote the integration of new technologies;
- Drafting the roadmap for the development of the "Innovation Lab" and conducting experiments;
- Implementation of the Bank's Cloud policy;
- Obtaining CERT (Computer Emergency Response Team) accreditation in May 2019, enabling the Bank's Operational and Security Center to be recognized by its peers, and joining the "Operational Security Situational Awareness Teleconference" group in September, which brings together the community of international experts in the field of cybersecurity;
- Completion of a study on re-engineering the procurement process and redesigning the data collection and management process;
- Deployment of solutions aimed at re-engineering Dar-As-Sikkah's industrial processes relating to computer-aided maintenance management and banknotes traceability and quality control.

2.1.4 Internal control, audit, risk management and ethics

2.1.4.1 Internal control system

The Bank's Internal Control System (ICS), built on the basis of the COSO[1] framework, is subject to an annual review for all its components[2]. This review, which is presented to the Board, is prepared on the basis of the results of the entities' self-assessment of their control systems, the overall mapping of operational risks and the conclusions and recommendations resulting from internal and external audit assignments as well as those of the Audit Committee.

In addition to the overall assessment of the ICS functioning, the results of the diagnosis of this system, for the 2018 financial year, have included organization and functioning of the 2nd level permanent control systems deployed within the Bank.

2.1.4.2 Internal audit

Bank Al-Maghrib's internal audit is an independent activity entrusted with the mission of providing assurance to the main stakeholders (Board, Audit Committee and Governor office of the Bank) on the control of risks to which the Bank is exposed. It aims to help the Bank achieve its objectives by assessing, through a systematic and methodical approach, its risk control, internal control and corporate governance processes.

As such, using a risk-based approach, it plans and carries out its assignments covering an audit operation that include all of the Bank's entities, processes and activities. In addition to risk analysis, the annual planning of engagements takes into account strategic issues, the complementary nature of the work with that of the Statutory Auditor, the cyclical nature of the work and the expectations of the aforementioned stakeholders. Audit assignments are aimed in particular at assessing the compliance of the Bank's activities with the laws, regulations and procedures in force, their effectiveness and efficiency with regard to the objectives assigned to them, as well as the reliability and security of information.

Major processes audited in 2019

Management	Core missions	Support missions
- Integrated Management System	- Banking supervision	- Human Resources
- The Bank's relations with external organizations	- Exchange rate regime	- Accounting and Financial Reporting
	- Fiduciary activities	- Information systems
	- Activities of the branch network	- Physical Security
		- Procurement and Public Contracts

Since 2009, internal audit has been subject to a quality assurance and improvement programme based on internal and external assessments in line with the Bank's strategic plans. External assessments are carried out by specialised firms selected through calls for tender or by peer central

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

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

banks. Five assessments have been carried out since 2009 and have confirmed the compliance of internal audit with the International Standards for Professional Practice set by the Institute of Internal Auditors (IIA). The next external evaluation is scheduled for 2021.

2.1.4.3 Risk Management

Strategic Risks

Strategic risks correspond to the risks that may hamper the achievement of the strategic objectives set out in the Bank’s strategic plans, due to exogenous factors, major operational risks or an inadequate implementation of these objectives.

In 2019, the Bank reviewed its strategic risk analysis framework, and broadened its definition to cover both risks that could hinder the achievement of strategic objectives and those that could be induced by their implementation, and developed the strategic risk mapping for the 2019-2023 five-year plan.

Operational risks

Operational risks are managed according to an organized methodological approach that is subject to an overall review at least every two years, with, however, constant updating of highly critical risks to take account of changes in the Bank's internal and external environment.

In 2019, the risk mapping was updated, capitalizing on information from previous deployments, with a focus on a set of specific themes (particular risks related to outsourced activities or the impact on operational risks of non-compliance with the Quality Management System).

Financial Risks

Financial risks cover the following categories:

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

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

Reputational risk

During this year, in line with the approach adopted in 2017, reputation risk was closely monitored through, in particular, (i) monitoring the monthly evolution of the indicator measuring the Bank's image score in the media, (ii) monitoring the reputation risk that may arise from the operational risks inherent to the Bank's statutory missions and (iii) analysing the "customer" listening mechanisms already implemented in the Bank as part of quality management.

2.1.4.4 Business Continuity and Information Security

The year under review was characterized by the development and updating of Business Continuity Plans (BCPs) describing the needs and resources required for business continuity in the event of major operational disruptions. In addition, the dynamic of conducting back-up exercises, consisting of carrying out the most critical activities from alternative work sites, was continued and further strengthened by the organization of several grouped and simultaneous exercises.

In addition, stress-testing exercise were prepared to test the Bank's ability to respond to a major cyber-attack, one of the major risks to the banking ecosystem, were completed during the year. A specialized external service provider was selected to assist the Bank in carrying out this exercise, scheduled for the end of 2020.

With respect to information security, the Bank renewed its ISO 27001 certification for the "Information System" and "Banking Operations" processes and completed aligning all its other processes with this standard.

In addition, second-level controls relating to the Bank's compliance with the legal and regulatory framework enacted by the SWIFT company and the General Directorate for Information System Security, in terms of information system security, have been strengthened in light of the new requirements in this area.

2.1.4.5 Ethics

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

As from 2005, the Bank set up an ethical system structured according to a collaborative approach. It is composed of a Code of Ethics applicable to the Bank's Governor office and to all staff, a Code specific to Board members as well as variations specific to some functions with a high ethical sensitivity (especially persons involved in the "procurement" process, internal auditors, external service providers and suppliers)). In addition, an ethics whistleblowing system allows employees to report, in a formalized and secure manner, any behavior that does not comply with the rules of good conduct adopted by the Bank. In 2019, this system was reinforced by granting the anonymity option to the author of the alert. This system is now also opened up to the Bank partners, namely commercial ones (suppliers and customers).

During the same year, and in order to complete and strengthen its ethical system, the Bank implemented an anti-corruption management system. This system, which has been certified to the ISO 37001 standard by an accredited firm, mainly aims at preserving and strengthening the Bank's reputational capital through better control of the risk of corruption, and at encouraging its partners to adopt preventive programmes against corruption.

Box 2.1.1: Bank Al-Maghrib's Anti-Corruption Management System: a structured framework consolidating the Bank's ethical system

A federating project

Further to Morocco's adoption in May 2017 of the ISO 37001 standard, Bank Al-Maghrib launched in April 2018 a project to set up an anti-corruption management system (SMAC). Supported by senior management, this project has mobilized all the Bank's structures and staff in a participatory and progressive approach with a view to winning the support of all. Certification to the said standard was obtained in October 2019, following an independent audit carried out by a specialized firm.

Five key components

- A transparent anti-corruption policy: Approved by the Bank's Board, the Anti-Corruption Policy constitutes the backbone of the system. It calls for "zero tolerance" for any form of corruption while clarifying roles and responsibilities entrusted in this regard. This policy, which is binding on the Board members, the Governor office and all staff, is published on the Bank's internet portal.

- A structured risk assessment mechanism: A specific corruption risk assessment mechanism has been put in place to enable the Bank to assess its overall exposure to such risks, taking into account, in particular, corruption patterns in connection with its activities, the exposure of functions carried out and the impact of its relations with its partners (especially customers, suppliers and organizations under its control).

- Control resources adapted to risk management: In order to strengthen control of the risk of corruption, financial and non-financial controls are deployed within all processes. Similarly, a set of due-diligences are applied to the above-mentioned functions and partners. These systems are based on a procedural foundation that establishes the roles and responsibilities of all actors involved.

- Training, awareness-raising and communication: With a view to anchoring a permanent anti-corruption culture within the Bank, the SMAC includes a major training and awareness-raising component, which is broken down into a three-year programme, with face-to-face or e-learning activities targeting all staff members. This programme takes into account the particular characteristics of each function and its exposure to the risk of corruption. In addition, an annual multi-channel communication plan, both internal and external, mobilizes the Bank's internal players and its ecosystem around its anti-corruption approach.

- The monitoring and steering mechanism: The Bank has defined a structured monitoring and steering mechanism to ensure the effective and efficient implementation of all the components of the system. It is based on management charts adapted to the expectations of the various parties involved in steering (operational management, anti-corruption adviser, the Bank's Governor office, the Board). Finally, the system is subject to annual reviews and audits in order to assess its performance and to ensure that it is part of a continuous improvement process.

SMAC: a lever to boost the Bank's ecosystem

In line with the ISO 37001 standard, the SMAC provides a framework for stimulating the Bank's ecosystem in preventing and fighting corruption. Thus, a cooperation agreement was signed between the National Authority for Integrity, Prevention and Fight against Corruption (INPPLC) and the three other regulators: Bank Al-Maghrib, the Moroccan Capital Market Authority (AMMC) and the Insurance and Social Security Supervisory Authority (ACAPS). The main objectives of this agreement are to share expertise and experience and to strengthen skills in the prevention and fight against corruption. It is set out in an annual roadmap that provides for several actions, particularly in terms of awareness raising, training and monitoring.

2.1.5 Compliance

Relating to the fight against money laundering and terrorist financing, the evaluation of the Moroccan system by The Middle East and North Africa Financial Action Task Force (MENAFATF) revealed strategic deficiencies, both in terms of the compliance of the national legal and regulatory frameworks with the international standards of the Financial Action Task Force (FATF), as well as in terms of the effectiveness of the system. As a result, our country was subjected to the monitoring process reinforced by the MENAFATF and the risks of inclusion on the negative lists by the FATF International Cooperation Review Group (ICRG) and the European Board.

This situation has called for normative reforms, in particular, the amendment of Law No. 43-05 on the fight against money laundering and of certain provisions of the Criminal Code and Law 22-01 on criminal procedure. The same applies to the Circulars on the duty of vigilance adopted by the supervisory and control authorities. In this respect, the Bank has ensured the coordination mission of the financial pole at the request of the ad hoc National Commission in charge of preparing the contribution of the Moroccan delegation to the proceedings of the 29th Plenary Meeting of GAFIMOAN, held in Jordan in April 2019, during which Morocco's mutual evaluation report was discussed.

In addition, the Bank supported the Government in ratifying the various legislative and regulatory reforms undertaken since 2018 relating to AML/CFT, the design of a national AML/CFT strategic framework and the finalization of the draft national AML/CFT risk assessment and its summary.

With regard to the protection of individuals with regard to the processing of personal data, the Bank continued its efforts to upgrade its internal system, particularly by taking prior responsibility for the compliance requirements of digital transformation projects and the risks arising from the use of information and communication technologies.

The year 2019 was also marked by regular consultations with the National Commission for the Control of Personal Data Protection and the General Directorate for Information System Security on the prerequisites necessary for the management of risks inherent in the use of Cloud Computing by both the Bank and the banking sector.

2.2 Bank missions

2.2.1 Monetary policy

In 2019, monetary policy was conducted in a particular context of a sharp drop in inflation from 1.6 percent to 0.2 percent, its lowest level since 1968, combined with His Majesty's speech of 11 October 2019 in which he called for easier access to credit for self-entrepreneurs and small and medium-sized enterprises.

In these circumstances, Bank Al-Maghrib reinforced the accommodative stance of its monetary policy. Taking into account expectations of moderate consumer price inflation in the medium term and improved non-agricultural activities, the Bank Board maintained the key rate at its historically low level of 2.25 percent throughout the year and substantially expanded its unconventional measures. At its last 2019 meeting, the Board decided to refinance, without limit and at a preferential key rate of 1.25 percent, the loans granted to the categories mentioned in His Majesty's speech. Likewise, the Bank extended its program of financing VSMEs, put in place since 2012, to include operating loans.

In addition, in view of the continuously high need for bank liquidity, essentially linked to the expansion of currency circulation, the Board decided, during its September meeting, to reduce the monetary reserve ratio from 4 percent to 2 percent, thus allowing for a permanent injection of a little over 11 billion DH. In addition, the Bank raised throughout the year the volume of its interventions, which averaged 77.6 billion DH per week against 62.8 billion in 2018, which made it possible to maintain the interbank rate close to the key rate.

2.2.1.1 Monetary policy decisions

In its first meeting of the year, the Bank Board projected that inflation would decelerate to 0.6 percent in 2019, then accelerate to 1.1 percent in 2020, driven by the rise in its underlying component. The latter, after its forecasted decline to 0.8 percent in 2019, was expected to reach 1.4 percent in 2020, in line with the projected improvement in domestic demand.

Non-agricultural activities were expected to continue their recovery, with an increase in their added value by 3.4 percent in 2019 and 3.8 percent in 2020. At the same time, impacted by unfavourable weather conditions, agricultural value added was expected to decline by 3.8 percent, before rebounding by 6 percent in 2020, assuming an average crop year. Overall, growth was forecasted to slow to 2.7 percent in 2019, then speed up to 3.9 percent the following year.

With regard to macroeconomic balances, fiscal consolidation was expected to slow down in 2019, as non- privatization deficit was projected to reach 4.1 percent of GDP before falling to 3.5 percent in 2020. For its part, the current account deficit was forecasted to narrow to 4.1 percent of GDP in 2019 and 3.4 percent in 2020, mainly as a result of the lower energy bill and the slower growth of capital goods purchases. Taking into account the expected developments of the other components of the balance of payments, especially international issues of the Treasury amounting to 15 billion DH in 2019 and 11.1 billion DH in 2020, net international reserves were expected to remain at a level equivalent to more than 5 months of imports of goods and services. As for credit to the non-financial sector, its growth was to be around 3.1 percent and 4.4 percent respectively in 2019 and 2020.

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

Table 2.2.1: Inflation forecasts in 2019 (%)

	Board meetings			
Average rate	**19 March**	**18 June**	**24 September**	**17 December**
Over an 8-quarter horizon	0.8	1.1	1.2	1.2
In 2019	0.6	0.6	0.4	0.3
In 2020	1.1	1.2	1.2	1.1
In 2021	-	-	-	1.4

In its June meeting, the Bank adjusted its forecasts, mainly following the government's decision to raise salaries and family allowances as part of the social dialogue. As a result, fiscal consolidation was expected to slow further, with a projected deficit of 3.8 percent of GDP in 2020, while higher household consumption was expected to induce a slight improvement in growth over the forecast horizon.

In addition, the current account deficit was revised downwards to 4.5 percent of GDP in 2019, mainly as a result of improved foreign demand in Morocco. Besides, bank credit to the non-financial sector was expected to increase by 3.5 percent in 2019 and 4.3 percent in 2020.

In light of these developments, the Board considered that the key interest rate continued to ensure appropriate monetary conditions and decided to leave it unchanged.

Table 2.2.2 : Monetary policy decisions since 2010

Date	Key rate	Monetary reserve ratio	Other decisions
April 1, 2010		Decrease from 8% to 6%	
April 13, 2011			- Extension of the eligible collateral for monetary policy Operations to Deposit certificates. - Adjustment of bidding periods with those of the monetary reserve. - Deletion of savings accounts from the calculation base of the monetary reserve
September 20, 2011			Introduction of longer-term repo operations
March 27, 2012	Decrease from 3.25% to 3%		Decision to extend the collateral eligible for monetary policy operations to securities representing credit claims on VSMEs.
September 26, 2012		Decrease from 6% to 4%	
December 13, 2012			- Implementation of the first loan operation secured by private securities intended for VSMEs. - Easing of eligibility criteria for deposit certificates.
December 11, 2013			New program to further encourage bank funding of VSMEs.
December 19, 2013			Deleted remuneration of the monetary reserve.
March 25, 2014		Decrease from 4% to 2%	
September 23, 2014	Decrease from 3% to 2.75%		
December 16, 2014	Decrease from 2.75% to 2.50%		

July 1, 2015			New rules for allocating 7-day advances, taking into account each bank's effort in granting loans to the real economy and the pass-through of the Bank's decisions.
March 22, 2016	Decrease from 2.50% to 2.25%		
June 21, 2016		Increase from 2% up to 5%	Launching remuneration for reserves, benefiting banks having made further efforts in granting loans.
September 24, 2019		Decrease from 4% to 2%	
December 17, 2019			- Set-up of an unlimited refinancing mechanism for bank loans granted to the groups targeted by the Integrated Business Support and Financing Program. - Application of a preferential interest rate of 1.25 percent to refinance loans granted under this program.

In September, considering significantly worse-than-expected outcomes and a downward adjustment of the oil price forecast, inflation projection for 2019 was lowered to 0.4 percent. For 2020, it was kept up to 1.2 percent, driven by its core component, which was forecasted to rise from 0.7 percent to 1.6 percent.

Growth has been adjusted downwards by 0.1 percentage points in 2019, as the Ministry of Agriculture updated its cereal harvest estimate for the 2018-2019 crop year, and by 0.2 percentage points for 2020, mainly reflecting less promising prospects for foreign demand. As regards the current account balance, it was expected, considering the performance of the first half of the year, to fall back to 5.1 percent in 2019 before easing significantly to 3.6 percent in 2020.

Based on these assessments, the Board considered the key rate appropriate and left it unchanged. In addition, in view of the persistence of high banking liquidity needs, essentially linked to the evolution of currency circulation, it decided to reduce the monetary reserve ratio from 4 percent to 2 percent, thus allowing a permanent injection of a little more than 11 billion DH.

At its last meeting of the year, inflation and growth projections were kept almost unchanged for 2019 and 2020. Those for 2021, drawn up for the first time, indicated an increase in inflation to 1.4 percent and a virtually stable pace of activity from one year to the next.

As regards the external accounts, the actual data pointed to a larger-than-expected easing of the current account deficit in 2019, which was projected to continue in the medium term. On the public finance side, there was no change in the fiscal deficit forecast, with a further mitigation to 3.5 percent of GDP in 2021.

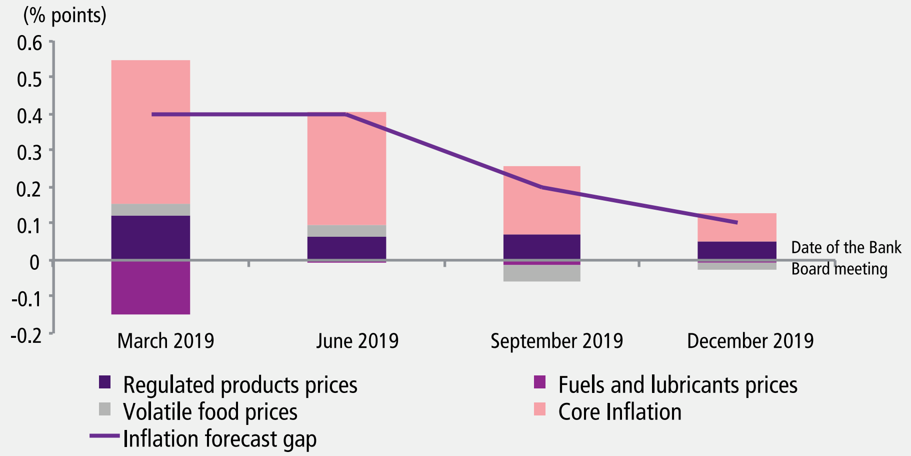
In this context, the Board considered that a key rate of 2.25 percent is still appropriate and decided to leave it unchanged. It also approved specific measures to be implemented by the Bank within the framework of the "Integrated Business Support and Financing Program" (see Box 2.2.2).

Box 2.2.1: Assessing inflation and growth forecasts

In accordance with its transparency policy and with a view to constantly improving its analysis and forecasting system, the Bank annually assesses the quality of its projections, prepared on a quarterly basis during its Board meetings. This box summarizes the results obtained for the 2019 forecasts of inflation and growth.

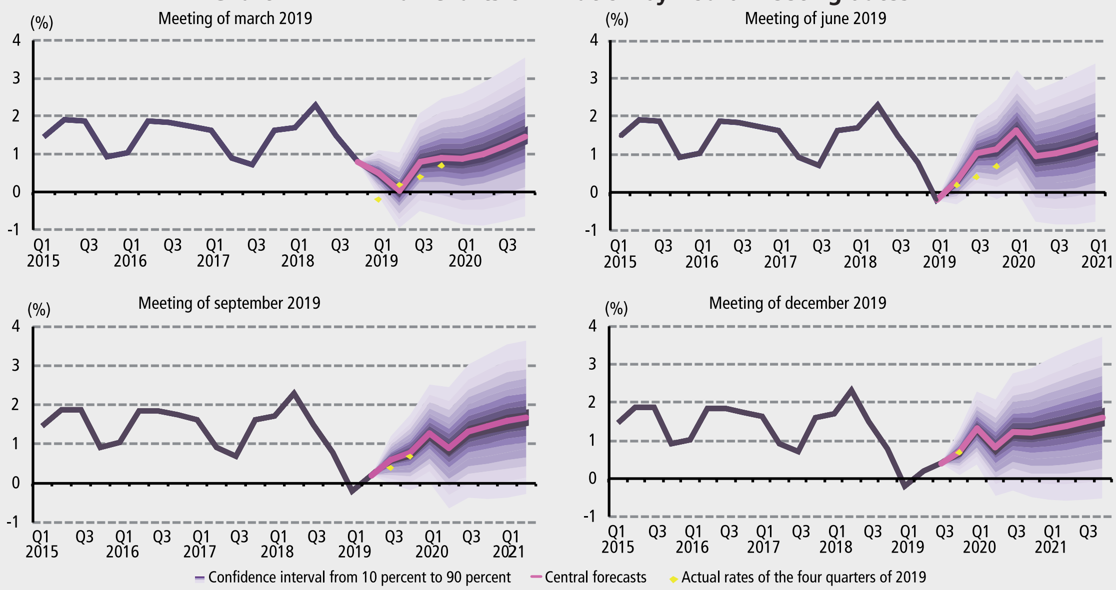
Inflation, after reaching 1.6 percent in 2018, declined sharply in 2019 to 0.2 percent. Though to a lesser extent, this deceleration was forecasted by the Bank, which projected, in March and June, a rate of 0.6 percent. Deviation from the actual rate essentially reflects an overestimation of core inflation by 0.3 percentage points and by an average of 0.2 percentage points in the rise in regulated products prices. For the last two Board meetings, the forecast was gradually adjusted to 0.4 percent and then 0.3 percent, thus a 0.1-point gap from the actual rate of the year.

Chart B 2.2.1.1: Forecast gap by inflation component for 2019



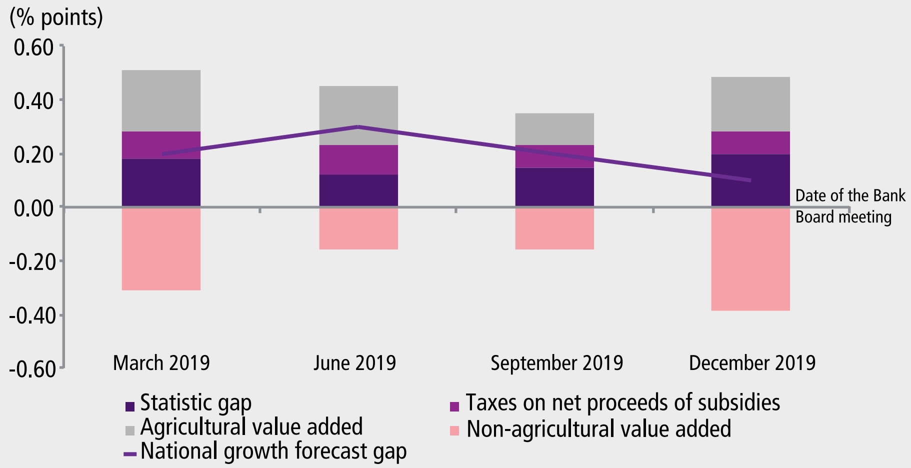
The fan charts, which represent the uncertainties surrounding the central projections through confidence intervals, support this assessment. Quarterly inflation actual data for the year under review stood within the 90 percent confidence interval, except for the first quarter, which was rather negative, mainly due to a larger than expected decline in volatile food prices.

Chart B 2.2.1.2: Fan charts of inflation by Board meeting dates



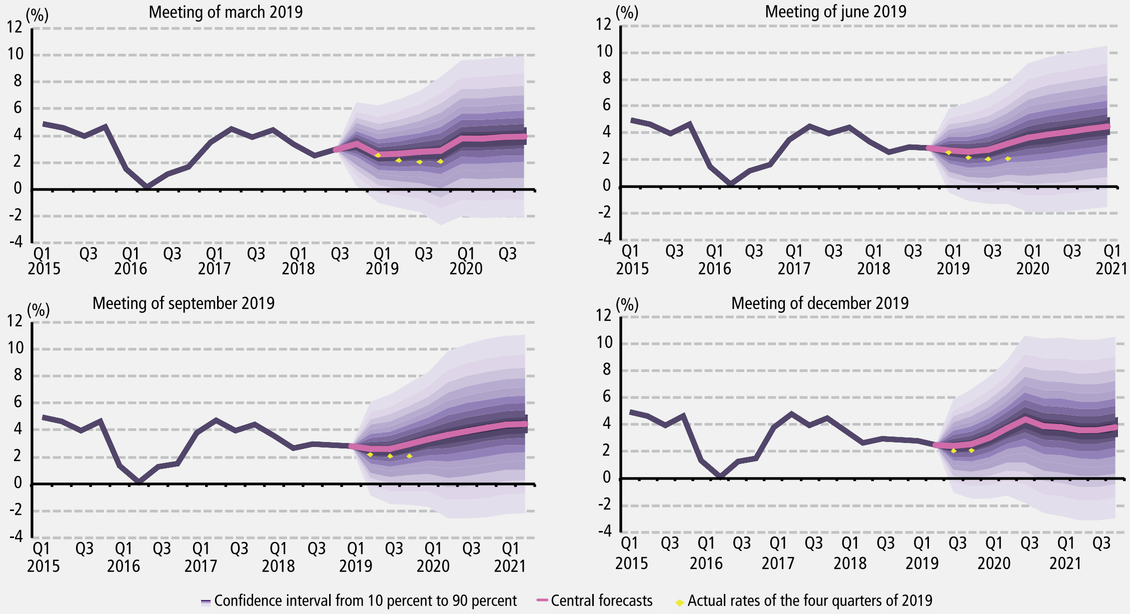
Growth stood at 2.5 percent, while forecasts ranged from 2.6 percent in December to 2.8 percent in June. The overestimation mainly concerned the agricultural sector. The forecast of its VA was lowered between March and September, following the announcement by the Department of Agriculture that cereal harvest would stand below Bank Al-Maghrib's[1] expectations. It was then revised upwards in December considering the good performance of non-cereal production. Conversely, non-agricultural growth was underestimated.

Chart B 2.2.1.3: Difference in growth forecasts for the year 2019



A review of the fan charts indicates that the achievements for the four quarters of 2019 stood within the 90 percent confidence interval, but below the central projections.

Chart B 2.2.1.4: Fan charts of growth by Board meeting date



[1] In March 2019, BAM was expecting cereal production to be around 60 million quintals (MQx) for the 2018-2019 period. The Ministy of Agriculture announced a crop of 61 MQx in April and then revised it downwards in August to 52 MQx.

Box 2.2.2: Integrated Business Support and Financing Program

Very small, small and medium-sized enterprises (VSMEs) are an important component of the Moroccan economic fabric and contribute significantly to the country's economic and social development, particularly through job creation. However, their expansion often faces many obstacles, mainly related to unfair competition, especially informal activities and access to financing. The latter is more pronounced for VSEs as well as for self-entrepreneurs and young project initiators.

Despite the continuous efforts made by the public authorities to mitigate this difficulty, it is still recurrent and is often mentioned by companies as a hindering factor. According to a survey[1] published by the HCP in 2019, nearly 7 out of 10 VSMEs refer to access to finance as one of the obstacles to their development.

This issue has been placed by the highest authorities among the priority areas of public policy for the coming years. In his speech of 11 October 2019 on the opening of the first session of the fourth

1 National Business Survey: first results 2019, HCP.

legislative year of the 10th legislature, His Majesty the King called on banks to "simplify and facilitate procedures for access to credit, open up more to self-entrepreneurs, and finance small and medium-sized enterprises". In this regard, He asked "the Government and the Moroccan Central Bank to coordinate with the Professional Group of Moroccan Banks in order to develop a special program to provide financial support to young graduates and fund small self-employment projects".

Further to the Royal directives, Bank Al-Maghrib and the Ministry of Finance and Reform of Administration set up, in coordination with the GPBM and all stakeholders, an "Integrated Business Support and Financing Program[2]" articulated around several axes.

Thus, a dedicated account named "Support Fund for entrepreneurship financing" was created within the framework of the 2020 Finance Act. Initially endowed with an envelope of 6 billion DH over three years, financed in equal parts by the State and the banking sector, the resources of this fund were reinforced by an additional 2 billion DH granted by the Hassan II Fund for Economic and Social Development and dedicated to the rural world. Apart from the share allocated to provide direct financing to projects, the bulk of these resources will serve as a guarantee for loans to the targeted categories. Three new products have been created for this purpose in the Central Guarantee Fund (CCG):

- Damane Intelak: it offers a credit guarantee up to 80 percent, capped at 1.2 million DH for very small and small enterprises, young project initiators, young innovative companies and self-entrepreneurs, provided that they fulfil certain conditions. The financing, which may be an investment or an operating loan, is granted at a fixed rate of 2 percent.
- Damane Intelak Al Moustatmir Al Qaraoui: dedicated to the rural world, this product provides a guarantee of 80 percent of the credit capped at 1.2 million DH for the benefit of the same population targeted by the former in addition to small farms meeting certain conditions. The financing is granted at a fixed rate of 1.75 percent.
- Start-TPE (Start-VSEs): this is an honorary loan of up to 50,000 DH, granted without interest or guarantee requirements, repayable in a single instalment after a maximum five-year grace period. It is intended to finance working capital requirements linked to medium and long-term bank loans of up to 300,000 DH, secured by one of the first two products.

To support this program, Bank Al-Maghrib took a set of unconventional measures, namely:

- Establishing an unlimited refinancing mechanism for bank loans allocated to the groups targeted by the program;
- Applying a preferential interest rate of 1.25 percent to refinance loans granted under this program; and
- Allowing banks to reduce the capital requirements for credits granted in this framework.

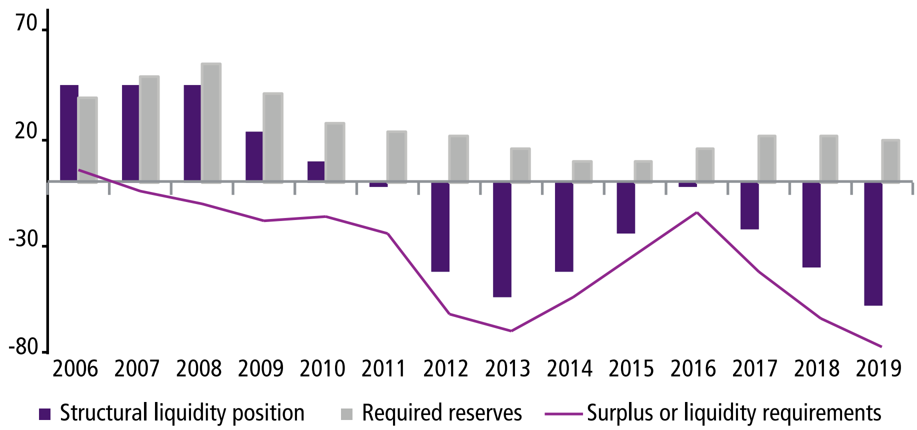
2 Under this program, the definition of VSEs has been extended to enterprises with a turnover not exceeding 10 million DH and that of SMEs to enterprises with a turnover of between 10 million DH and 175 million DH.

Finally, in order to maximize the return on the efforts made, a close monitoring system has been set up by Bank Al-Maghrib in collaboration with the Ministry in charge of Finance, the CGC and the GPBM. It consists of a reporting system that essentially includes information on the different categories of loans, their geographical and sectoral breakdown and the reasons for loans rejection, where applicable. In addition, periodic meetings are scheduled with banks to ascertain the conditions under which the program is being implemented and to identify appropriate solutions to any difficulties encountered.

2.2.1.2 Monetary policy implementation

In 2019, the continued expansion of currency circulation had a restrictive effect on bank liquidity which amounted to 18.5 billion DH on average per week, after 17.4 billion DH in 2018. At the same time, after their decline one year earlier, Bank Al-Maghrib's foreign exchange reserves increased, inducing an expansive impact on liquidity by 2.9 billion DH on average. All in all, these developments resulted in a deterioration of the situation of bank treasuries, as their liquidity deficit widened to 76.6 billion DH as a weekly average, as against 62.4 billion

Chart 2.2.1: Structural liquidity position[1] and amount of monetary reserve (weekend averages, in billion dirhams)



1 Bank's structural liquidity positions equals the total of the central Bank's foreign exchange reserves, plus the Treasury's net position and other net factors, minus currency in circulation.

Faced with this situation, Bank Al-Maghrib increased the volume of its interventions from an average of 62.8 billion in 2018 to 77.6 billion. These injections were mainly carried out in the form of 7-day advances for an average amount of 73.8 billion, while the 24-hour injections, numbered seven, averaged 2.3 billion per operation. In addition, the Bank resorted, for the first time since 2008, to foreign exchange swaps, as four operations were carried out for a period of one month with an average volume of 4.3 billion DH. At the same time, the Bank continued implementing its program of one-year secured loans granted within the framework of supporting VSMEs financing with an average outstanding amount of 2.4 billion DH.

Chart 2.2.2: Banks liquidity situation (weekend averages in billions of dirhams)

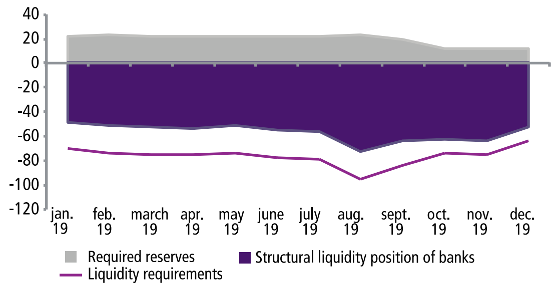
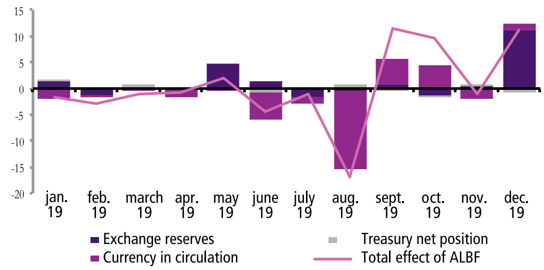


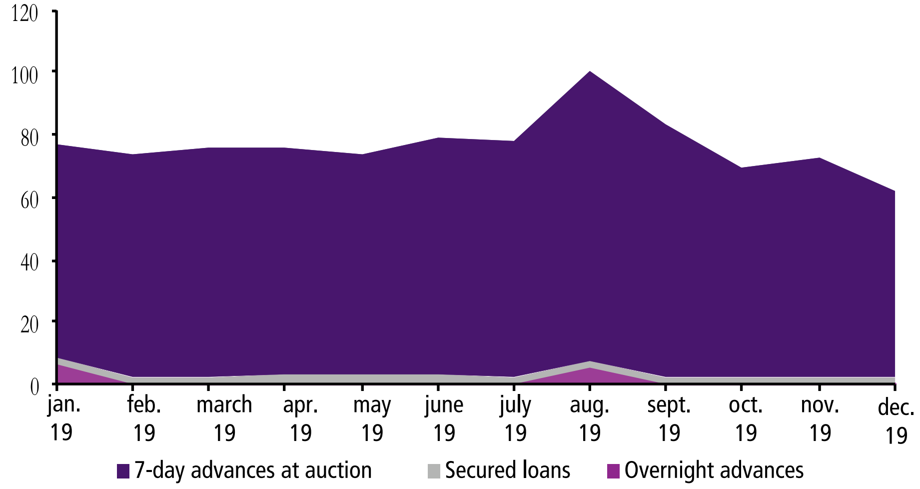
Chart 2.2.3: Contribution of autonomous factors to the liquidity requirement change (weekend averages in billions of dirhams)



The infra-annual analysis shows that the need for liquidity almost stabilized during the first five months of the year around a weekly average of 73.4 billion DH. Between June and September, the seasonal increase of currency circulation resulted in a significant widening of the liquidity deficit which reached 84.6 billion DH on average. Against this background, the Bank increased its total intervention to a weekly average of 85.5 billion.

Over the remainder of the year, the deficit in bank treasuries gradually contracted to 64.1 billion DH in December, impacted by the reduced monetary reserve ratio, from 4 percent to 2 percent, the lower currency in circulation and the improved foreign exchange reserves of the Bank.

Chart 2.2.4: Bank Al-Maghrib's interventions (weekend averages, in billion dirhams)



Under these circumstances, the weighted average rate on the interbank market, which is the operational target of monetary policy, remained close to the key rate, at 2.28 percent. As regards the volume of transactions, it fell on a daily average from 4 billion in 2018 to 3.6 billion in 2019.

Chart 2.2.5: Average volume of exchange on the interbank market (in billions of dirhams)

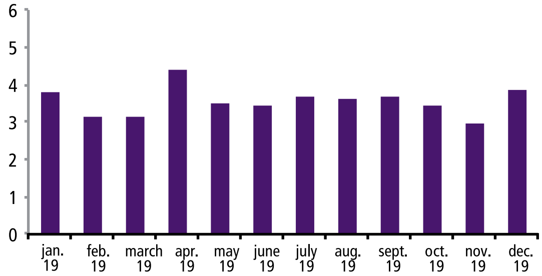
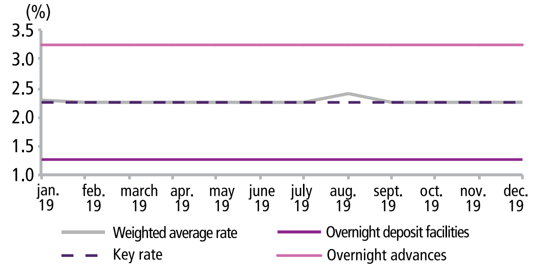


Chart 2.2.6: Weighted Average Interbank Market Rate (daily averages)



On the foreign exchange market, the price of the Dirham continued to evolve within the fluctuation band (±2.5 percent) without any intervention from the Bank. Throughout the year, it showed a slight appreciation against the Dollar reference rate, which reached 1.21 percent on average.

Chart 2.2.7: Net foreign exchange sales by BAM (in billion dirhams)

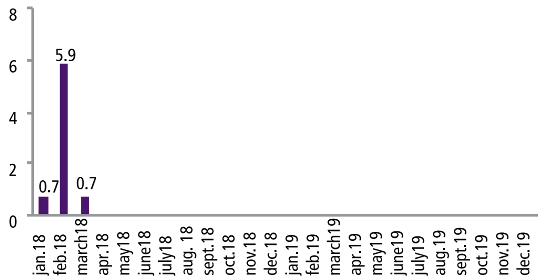
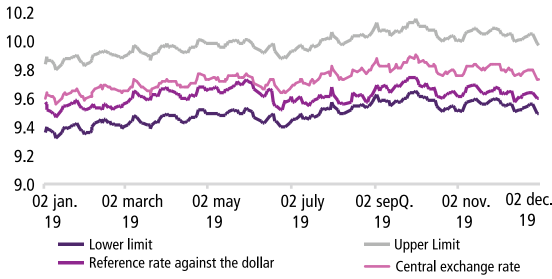


Chart 2.2.8: Reference rate of the dirham against the US dollar



Box 2.2.3: Change of the foreign exchange market during the first phase of transition into a flexible exchange rate regime

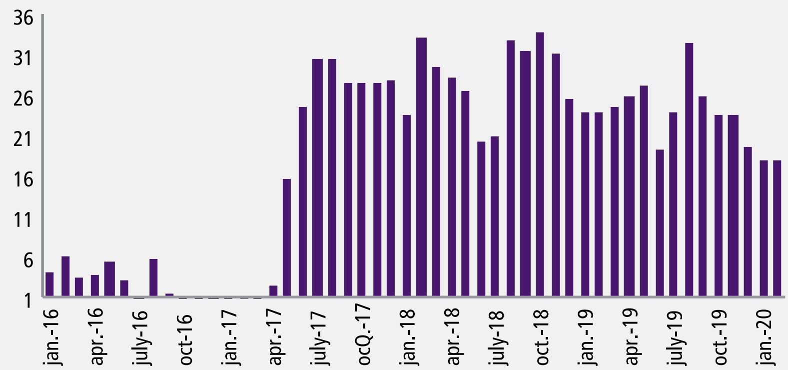
To ensure further resilience of the domestic economy in facing external shocks and support its competitiveness, the Moroccan authorities initiated in January 2018 a process of gradual flexibilization of its exchange rate regime. The first phase of this major reform consisted in widening the fluctuation band of the dirham from ±0.3 percent to ±2.5 percent against a central rate fixed on the basis of the reference basket, composed of the euro and the US dollar at 60 percent and 40 percent respectively. After two years, several foreign exchange market indicators now suggest that this first phase of the reform has taken place under good conditions and in line with the objectives assigned to it.

Thus, thanks to close support and awareness-raising efforts, economic operators have gradually adapted to the new context marked by a rise in the exchange rate risk with increasing recourse to hedging operations, particularly by major import-oriented operators. Outstanding forward sales of foreign currencies by banks to their customers amounted to 33.6 billion DH at the end of 2019, against 20.2 billion DH at the end of 2016.

To satisfy these hedging needs, banks began, in 2017, to significantly raise their purchases of foreign currency from Bank Al-Maghrib and to build up long positions, encouraged by major inflows of foreign currency, mainly owing to FDIs and exports, and encouraged by the Central Bank's decision to limit its purchases of foreign banknotes only against foreign currency. Under these conditions, the foreign exchange reserves held by banks went from a negative balance of 1.8 billion DH at end-2016 to a positive balance of 19.4 billion DH at the end of 2019, with a peak of 33.7 billion DH in October 2018.

Against this backdrop, BAM made no intervention on the foreign exchange market since March 2018, and its international reserves remained adequate, reaching 245.6 billion DH at the end of 2019, i.e. the equivalent of 112 percent of the IMF's adjusted ARA[1] metric.

Chart B 2.2.3.1: Banks' foreign exchange reserves (in billions of dirhams)



Similarly, the foreign exchange interbank market has gradually grown deeper, with a sharp increase in the average volume of trade, fostered in particular by the new market organization that determines pricing. The latter is based on the introduction of a new electronic platform and on the status of "market maker" which gives banks exclusive access to foreign exchange auctions in return for their commitments to quote on the interbank foreign exchange market.

In addition, reflecting its alignment with the fundamentals of the economy, the exchange rate of the dirham moved within the band without intervention by the Central Bank. Since the launch of the first phase, in January 15, 2018, to December 31, 2019, the dirham rose by 5 percent against the euro and fell by 3.91 percent against the dollar, as a result of a 5.10 percent downward basket effect and a 1.19 percent upward market impact.

1 ARA (Assessing Reserve Adequacy) measures a country's level of foreign exchange reserves, calculated on the basis of its foreign exchange requirements. The level of foreign exchange reserves is considered adequate when it is between 100 percent and 150 percent of the adjusted ARA. More details on the definition of these measures are available on BAM's website.

Chart B 2.2.3.2: Volume of interbank trade (in billion dirhams)

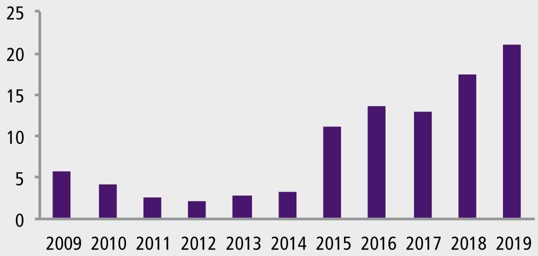
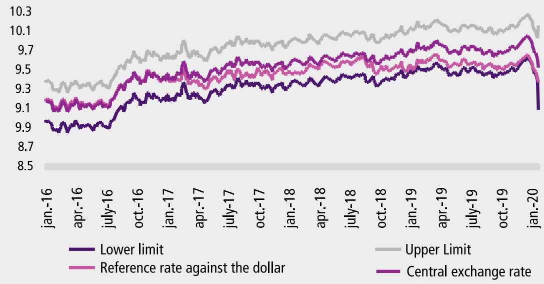


Chart B 2.2.3.3: Reference exchange rates (dollars/dirham)



These developments allowed to ease fears, especially regarding the impact of the reform on inflation and on the purchasing power of citizens. Moreover, they point to a gradual assimilation and a learning and adaptation process among economic operators and all actors involved in the foreign exchange market. In addition, the reform and its implementation conditions were widely welcomed by international institutions and rating agencies, thus strengthening our country's position on international financial markets.

Encouraged by the results of this first phase, and considering a generally favorable macroeconomic context, the authorities decided to launch the second stage of this transition as of 9 March 2020. Hence, the fluctuation band of the Dirham was further widened from ±2.5 percent to ±5 percent, while maintaining the same reference basket.

With regard to monetary policy conduct, the Bank set itself the strategic objective of establishing an inflation targeting framework at an advanced stage of this transition. This framework should strengthen the Bank's autonomy, promote the anchoring of expectations, and ultimately improve the transmission of monetary policy decisions.

2.2.2 Monetary statistics

2019 was marked by the inclusion of participatory banks and windows within monetary statistics. This broadening enabled deposit-taking institutions to enhance their position with regard to economic units, particularly households. Indeed, the money supply has been revised upwards to take into account deposits collected in the framework of participatory finance, and housing loans now include funding in the form of real estate Murabahah.

Similarly, to continue aligning these statistics with international standards, several works were initiated to bring real estate investment trusts (REIT) and payment institutions within the scope of these statistics.

2.2.3 Research

In line with its new 2009-2023 strategic plan, the Bank developed and published its research agenda for the next five years. This program sets out the broad research orientations and priorities at the Bank's monetary policy, financial stability, modeling, and public policy analysis. The first year of the program was marked by the publication of four research papers in BAM working-paper series. The issues addressed are related to foreign exchange reserves and the functioning of the Moroccan economy, the process of capital account liberalization, the minimum wage in Morocco and the transmission of monetary policy to the indebtedness of non-financial companies in Morocco.

In addition, several research seminars were organized, including the African meeting of the econometric society, attended by global eminent researchers, and the fourth edition of the International Days of Macroeconomics and Finance, held under the theme "Inclusive Growth: A New Development Paradigm".

On the other hand, under the visiting researchers' program, as part of the actions aimed at boosting research activities and developing cooperation with external experts recognized in their field, the Bank invited several researchers and professors from central banks, international financial institutions or the academic world to accompany its research teams.

2.2.4 Reserves management

In an international context marked by continued accommodative monetary policies and persistently negative yield rates in the euro area, the Bank continued optimizing investment of its foreign exchange reserves while ensuring compliance with safety and liquidity requirements. This achievement was ensured through a management that targets a minimized impact of negative rates in the euro area and taking advantage of the yields offered on dollar-denominated assets.

Thus, despite unfavorable investment conditions in the euro area, foreign exchange reserve management income increased by 37 percent in 2019, mainly due to the cumulative investments in dollar-denominated assets since 2018.

2.2.5 Banking supervision

With regard to the AML/CFT mechanism, Bank Al-Maghrib undertook several actions in 2019 as part of implementing a strengthening program that was set up further to the remarks raised by the MENAFATF mission. It thus contributed to drafting the national roadmap, particularly with regard to reforming Law 43-05 and conducting a national risk assessment, strengthened the AML/CFT regulatory framework for banking activity, while increasing training and awareness raising actions. It also ensured intersectoral coordination with other regulators and contributed to preparing Morocco's response report.

In participatory finance, the Bank continued finalizing the regulatory and contractual framework, mainly through adopting the circular governing the functioning of participatory banks' deposit guarantee fund, labeling and launching investment deposits as well as introducing amendments to the General Tax Code. The Bank also worked on drafting a code of ethics governing participatory banks. Moreover, indicators measuring the activity of this new industry, at end-December 2019, revealed that the outstanding demand deposits amounted to 2.5 billion DH while the outstanding Murabahah financing, excluding margin, reached 6.5 billion DH.

The Bank pursued its efforts to strengthen the protection of credit institutions' customers, namely by providing a regulatory framework for banking mobility and the conditions under which releases thereof are issued.

As regards the measures taken to promote green finance, the Bank began drafting a regulatory directive on the management of financial risks linked to climate and the environment. It contributed to the work of the Network of Central Banks and Regulators for the Greening of the Financial System (NGFS) and provided regional outreach. Finally, it launched a national study on climate risks in partnership with the World Bank and the French Development Agency.

As far as digital transformation is concerned, the Bank pursued its efforts to support credit institutions. These included a study of digital transformation in the banking sector, a survey on Cloud computing practices, monitoring banks' intrusion tests, several studies on the implications of virtual assets, and national and international monitoring of the implications of technological innovations on financial services.

In terms of strengthening the prudential framework and consolidating the soundness of credit institutions, Bank Al-Maghrib continued works on reforming the management of risks inherent to real estate assets acquired through payments in kind. It kept on leading reflections with credit institutions and other actors around the outstanding debts remediation and debt collection. Besides, the Bank reinforces its cross-border supervision by signing new agreements with the central banks of Egypt and Mauritius, taking part in the work of the College of Supervisors and conducting joint control missions.

As regards the financing of the VSMEs, the year was marked by the second tripartite meeting (BAM/GPBM/CGEM) held under the theme "Corporate financing: assessment and prospects" to review the developments that have characterized the business environment as well as the actions undertaken by the stakeholders in favor of corporate financing.

2.2.6 Macro-prudential supervision

In 2019, within the framework of the Systemic Risk Coordination and Surveillance Committee (CCSRS), the Bank pursued its mission of contributing to financial stability and strengthening macroprudential supervision.

From an analytical point of view, the Bank introduced, with the technical support of the IMF, a new approach for conducting macro stress tests in the banking sector based on the latest modelling practices. Besides, it continued working, in collaboration with the Ministry of Finance, on developing a framework for analyzing the interactions between macroprudential and fiscal policies. As regards the new risks associated with technological innovations, the Bank, along with other regulators, drew up a roadmap for cyber-risk supervision and launched a project with the Digital Development Agency, concerning digital regulation, the emergence of FinTech, the digital lab, linkage with the national digital strategy and collaboration on training and awareness raising in the ecosystem.

In addition, Bank Al-Maghrib, with the technical assistance of the IMF, reviewed the financial soundness indicators used in macro-prudential analyses and, in conjunction with other regulators, prepared a draft joint circular on the supervision of financial conglomerates and associated risks. At the governance level, the CCSRS held its biannual meetings and reviewed systemic risks mapping as well as the progress made in the new Financial Stability Roadmap 2019-2021. In the area of communication, 2019 was marked by the publication of the sixth issue of the annual financial stability report.

With regard to macroprudential instruments, the Bank, with the IMF technical support, defined the measures and mechanisms for calibrating instruments related to the housing and household sectors and began their implementation.

2.2.7 Systems and means of payment

2.2.7.1 Surveillance of systems and means of payment

As part of opening the payments market, Bank Al Maghrib granted four new licenses in 2019, bringing to 18 the number of licensed institutions, 15 of which are authorized to open payment accounts and offer relevant services.

Concerning the supervision of Financial Market Infrastructures (FMIs), the Bank continued its off-site supervision and carried out a control mission to examine the aspects related to governance, financial risk management and physical and information security. In addition, Bank Al-Maghrib, in collaboration with the World Bank, organized a simulation exercise, attended by various stakeholders, to evaluate the Principles for Financial Market Infrastructure (PIMF) as issued by the Bank for International Settlements (BIS).

As to the oversight of the payment means, the Bank continued monitoring implementation of recommendations issued on the security of payment means among banks and payment institutions. Similarly, it assessed the compliance of M-Wallets, issued by authorized units, with the regulatory requirements relating to domestic mobile payment.

With regard to the development of payment means, the Bank pursued its efforts to promote digital financial services, particularly mobile payment. As part of this framework, the Bank, in coordination with all the actors, set up an Economic Interest Grouping (EIG) made up of all the banks and payment institutions issuing M-Wallets, in order to strengthen synergies and identify actions to accelerate mobile payment development. The main mission entrusted to this group is to promote such means of payment by developing technical and functional market rules, implementing the institutional communication strategy and conducting discussions on technical and pricing conditions with third parties.

2.2.7.2 Financial inclusion

Once the National Strategy for Financial Inclusion was finalised, the Ministry of Economy, Finance and Reform of administration and Bank Al-Maghrib begun its implementation, namely by setting up its governance bodies and technical working groups. Within this framework, the detailed roadmap of the strategy was drawn up and submitted for approval to the Strategic Committee at its second meeting held in November under the chairmanship of the Governor of Bank Al-Maghrib.

Considering the role of financial education as one of the pillars of financial inclusion, the Moroccan Foundation for Financial Education established its second strategic plan whose orientations and targets are derived from the National Strategy for Financial Inclusion. It thus reframed its vision as follows: "Accompanying economic and social development and significantly contributing to the well-being of citizens by ensuring that the entire population masters financial skills". In addition, the Foundation, in collaboration with its partners, held the eighth edition of the Finance Week for Children and Youth in March 2019. To this end, educational visits were organized for the benefit of students to the branches and Museum of Bank Al-Maghrib, Dar As-Sikkah, the Casablanca Stock Exchange, bank branches and insurance companies.

Similarly, financial institutions celebrated the 2019 edition of the Arab Financial Inclusion Day under the theme "Financial inclusion as a lever for social and economic development". Coordinated by

Bank Al-Maghrib, this edition witnessed mobilization of the Bank's network to hold educational meetings for students in three regions of the Kingdom.

Similarly, and in order to encourage the development of financial innovations brought by "FINTECHS", Bank Al-Maghrib set up the fundamentals for creating a one-stop shop Fintech in the Bank, to advice and accompany such structures on the legal and regulatory aspects.

In addition, the Bank started setting up a computerized solution for monitoring financial inclusion, enabling the collection and automated processing of data received from reporting institutions.

2.2.8 Currency

2.2.8.1 Currency circulation

At the end of 2019, currency circulation increased by 7.1 percent to 250.2 billion DH in value, equivalent to 21.7 percent of GDP. In terms of volume, the number of banknotes rose by 6.3 percent to reach 1.8 billion, dominated by 200 DH denominations with a 52 percent share. By series of issue, 74 percent of the banknotes in circulation are composed of the 2012 series', while the 2002 series represent 23 percent. As for coins, their number increased by 3.2 percent to 2.8 billion units, of which 1-dirham and 10-centime coins represent 28 percent and 19 percent, respectively.

Chart 2.2.8.1: Structure of banknotes in circulation

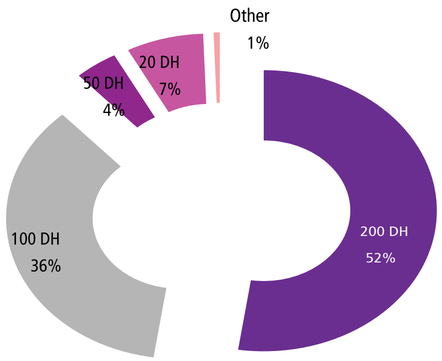
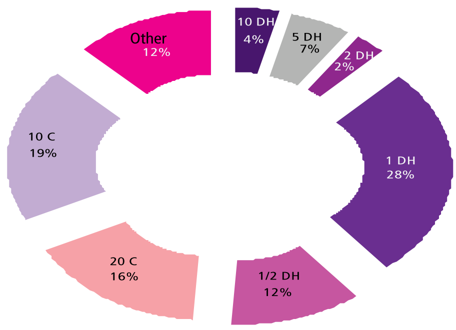


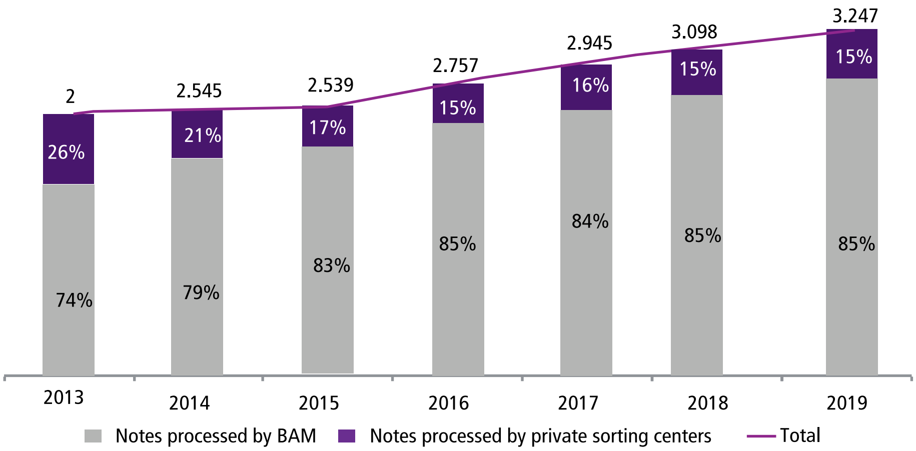
Chart 2.2.8.2: Structure of coins in circulation



2.2.8.2 Quality maintenance

Quality maintenance covered a volume of 3.2 billion banknotes, up 5 percent, 85 percent of which was carried out by private sorting centers, while BAM processed the remaining share. Operations made by PSCs resulted in 1.7 billion valid banknotes recycled directly to banks and 474 million valid banknotes delivered to Bank Al-Maghrib, i.e. an overall recycling rate of 79 percent.

Chart 2.2.8.3: Change in the volume of processed banknotes (in millions)



Bank Al-Maghrib processing operations were carried out to verify the quality of the maintenance carried out by PSCs. The Bank also carried out random control operations to ensure compliance with regulations. These included several missions, of which 249 were carried out at bank branches and about sixty at PSCs. Control operations carried out by PSCs revealed that many improvements needed to be made, primarily to enhance the quality of the banknote processing and recycling operations. Almost all the measures agreed upon were implemented during the same year.

With regard to counterfeiting, the number of counterfeit banknotes increased by 6 per cent in 2019 to 9,575 banknotes worth 1.5 million DH. Counterfeits particularly targeted the 200 DH banknote, by 69 percent. In terms of series, the 2012 series take precedence with 46 percent. As for the counterfeit ratio, only 5.2 banknotes out of one million ones in circulation are counterfeit: a rather low level by international comparison.

2.2.8.3 Production

During 2019, Bank Al-Maghrib produced 484 million Moroccan banknotes, slightly down compared to 2018. This production covers 200 DH banknotes (44 percent) and 100 DH banknotes (20 percent). As for coins, 97.7 million were produced, up by 21 percent. Their structure remains dominated by the 1 DH denomination, with a 41 percent share.

Chart 2.2.8.4: Production of new banknotes (millions of denominations)

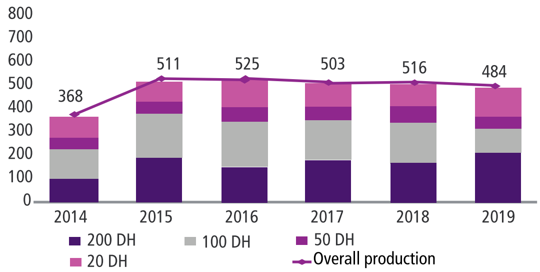
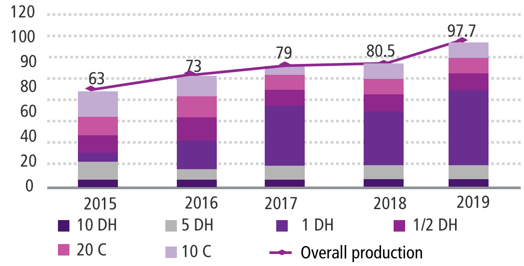


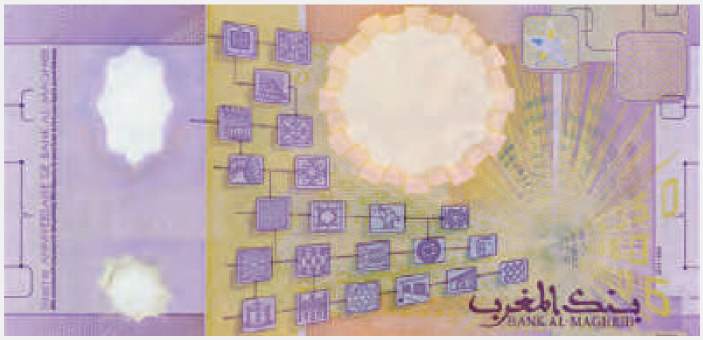
Chart 2.2.8.5: Production of coins (in millions of units)



Box 2.2.4: Commemorative Coins

Bank Al-Maghrib issued in 2019 the first Moroccan polymer banknote to celebrate the twentieth anniversary of the enthronement of His Majesty King Mohammed VI. With a face value of 20 dirhams, the new banknote is distinguished by the vertical orientation of its front, which features a portrait of His Majesty. The reverse side features stylized representations of some of the major projects carried out during the reign of His Majesty King, namely the "Mohammed VI" Bridge, the "NOOR 3" Solar Power Plant, the "Mohammed VI" Satellite and the "Al Boraq" high-speed line. This new commemorative 20-dirham banknote, having a legal tender and liberatory power, was issued in a limited number in September 2019.

The Bank also produced a demonstration bank note in the same year to commemorate the sixtieth anniversary of its creation. This banknote is not intended for circulation, has no face value, and is neither legal tender nor has the liberatory power. It is distinguished for its several new security features, which were developed "in house" and used for the first time in a Moroccan banknote. The banknote was printed on a composite substrate, similar to that used for the 25-dirham commemorative banknote, consisting of a layer of polymer inserted between two layers of cotton paper. This demonstration banknote is also an illustration of the Bank's way ahead in its digital transformation. In fact, in addition to its central theme relating to architectural heritage and digital transformation, a dedicated smartphone application using "augmented reality" technology has been developed to provide an educational presentation of the main technical, artistic and security features of the banknote.

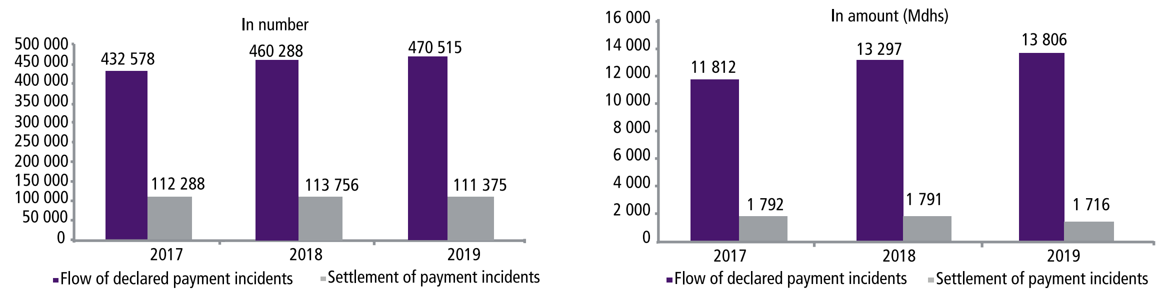


With regard to the production of secure documents, the Bank issued more than 62.2 million secure documents in 2019. In addition, following the partnership agreement signed with the Ministry of Equipment and Transport, Logistics and Water in 2018, on the design, printing and personalization of a new generation of electronic driver's licenses and vehicle registration cards, to be put into circulation as of January 2020, Bank Al- Maghrib continued to implement the basics necessary to start this activity. In addition, Bank Al-Maghrib and the Ministry of National Education, Vocational Training, Higher Education and Scientific Research signed a partnership agreement on March 29, 2019 concerning the design, production and security of all national diplomas issued by this Ministry.

2.2.9 Activities of central information registries

As regards the Checks default registry, the number of recorded incidents increased by 2.2 percent in 2019 to 470,515 incidents, for an amount of 13.8 billion DH. At the same time, regularization operations concerned 111,375 checks for an amount of 1.7 billion DH against respectively 113,756 and 1.8 billion in 2018. The number of people prohibited from issuing checks increased by 3 percent to 689,045, of which 87.2 percent are individuals.

Chart 2.2.9.1: Change in payment defaults and settlements



The number of unpaid bills of exchange remained virtually stable at 666,812, amounting to 25.1 billion. The stock of unpaid bills stood at 2.5 million cases for an amount of 93.2 billion DH, with a proportion of 62.7 percent of individuals.

Chart 2.2.9.2: Change of payment defaults (in thousands)

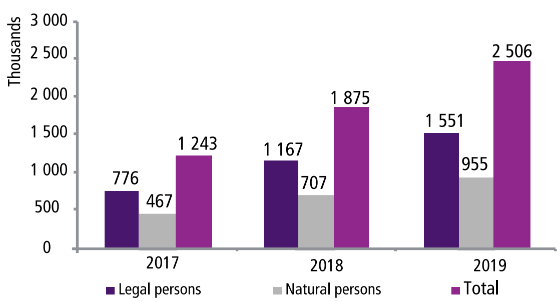
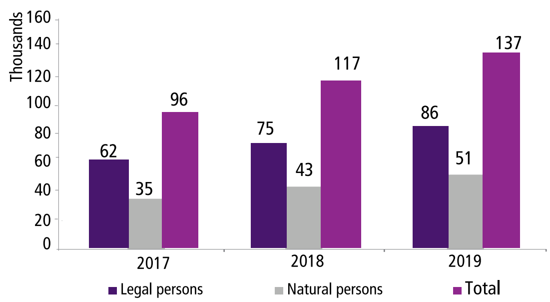
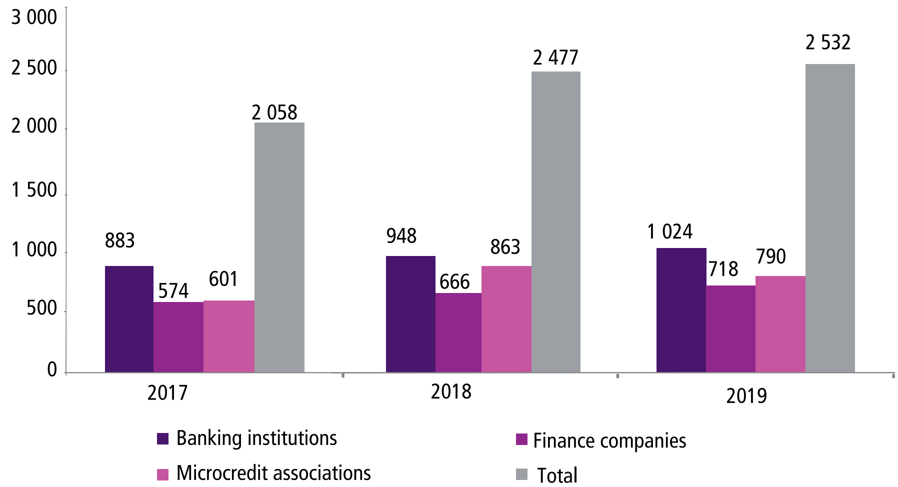


Chart 2.2.9.3: Change in the number of persons with unpaid bills of exchange (in thousands)



The number of active contracts handled by central risk units rose to 5.1 million, up 5.4 percent to reach an outstanding amount of 856.1 billion DH. As for the consultations, their number reached more than 2.5 million, thus cumulating a total of 16.1 million consultations since the establishment of the 1st Credit Bureau in 2009.

Chart 2.2.9.4: Yearly consultations per type of institution (in thousands)



2.3 Communication and Openness

In 2019, the digital transformation initiated by the strategic plan gradually evolved into the Bank's communication actions. Institutional communication now uses audio-visual content to accompany the major projects, and the Bank's presence is getting increasingly strong on social networks. The latter particularly serve as a medium to disseminate new audio-visual, educational and informational tools. The live transmission on social networks of the press conferences organized at the end of each meeting of the Bank Board paves the way for sharing information with the public. This dynamic also concerned internal communication, as several media tools were developed to promote access to information, including a monthly newsletter disseminated among all staff members to keep them informed of the Bank's major projects.

Culturally, the 2019 program of the Bank museum was marked by the organization of three major exhibitions: "Arabic calligraphy: between artistic gesture and monetary textuality", "Collective mirror: how to explore our links in difference" in partnership with the Comptoir des Mines and "Creations from beyond the prison, walls or when art liberates" in partnership with the General Delegation to the Penitentiary Administration and Reinsertion and the National Council for Human Rights. As in previous years, the Museum also took part in numerous events such as the International Women's Rights Day, the World Storytelling Day and the International Museum Day.

Owing to a loans policy that enabled it to support large-scale projects in Morocco and abroad, BAM museum has become a permanent part of the museum landscape. These projects include the retrospective exhibition dedicated to the artist Jacques Azéma organized by the Yves Saint

Laurent Museum in Marrakech, the exhibition "Treasures of Islam in Africa: from Timbuktu to Zanzibar" organized by the Institut du Monde Arabe at the Mohamed VI Museum of Modern art and the "Creativity for creation" project held at the Museum of Contemporary Art in Jordan.

In addition, pursuing its efforts to preserve the architectural heritage of the Bank's buildings, Tangiers agency was refurbished and expanded while conserving the beauty and the singularity of the Art Deco style of architect Edmond Brion. After 36 months of work, the agency was brought back into operation on 14 December. To celebrate its reopening, an exhibition of historical archives was organized to enable the public to discover the history of our Institute and the evolution of its activities since its creation.

At the international level, the Bank took part in several events, including the Spring Meetings and Annual Meetings of the IMF and the World Bank, the Annual Meetings of the Association of African Central Banks, the twenty-fifth meeting of Francophone Governors and the forty-third meeting of the Board of Governors of Arab Central Banks and Monetary Institutions.

The year was also marked by the organization of several national and international events commemorating the sixtieth anniversary of Bank Al-Maghrib. These included the African conference of the Econometric Society, the meeting organized in collaboration with the IMF as part of the implementation of the Bali agenda and the Africa Blockchain Summit associated with the Africa Blockchain Challenge competition. In addition, the Bank co-organized with the Bank of Spain, on April 25 and 26 in Marrakech, the second edition of the thematic meeting on gender to promote gender parity in the workplace.

In addition, as a regional training platform, the Bank's training centre organized four regional seminars in partnership with international institutions, such as the International Monetary Fund and the Banque de France. These seminars were attended by 125 participants, including 32 executives from the Bank, and covered a variety of topics of common interest such as modelled monetary policy analysis and forecasting, AML/CFT compliance and macroeconomic analysis and forecasting.

With regard to international cooperation, Bank Al-Maghrib signed a general cooperation agreement with the Bank of Mauritius in 2019, carried out 34 cooperation actions, including 23 study visits which benefitted managers and executives from 18 central banks and 4 technical assistance missions. It also benefited from 4 study visits and a technical assistance mission.

Owing to the Bank's dynamism at the continental, regional and international levels, the Bank for International Settlements (BIS) co-opted BAM to join its members.

2.4 Resources

2.4.1 Human resources

At the end of 2019, the Bank relied on the services of 2,227 staff members, 56 percent of whom work in the business lines and 44 percent in the support areas. Women's share in this workforce stood at 40 percent and the average age was 41 with an average seniority of 14 years.

The Bank continued to develop the skills of its employees and strengthen its areas of expertise, with the 2019 training offer covering all the Bank's areas of activity and benefiting all professional categories. Thus, more than 3,422 training participants were recorded, benefiting 63 percent of the Bank's workforce, with an average of 10.6 days of training per beneficiary. Specialized training courses focusing on the development of specific skills were also deployed for 411 employees. These include the banking supervision, project management, management control, social responsibility and internal control cycles. In addition, several employees received specific certificate and diploma training courses from renowned organizations.

In order to strengthen its workforce and skills, 159 new employees were recruited in various areas of activity, including portfolio management and market research, on-site and prudential supervision, and financial risks. Internally, mobility has allowed to meet several of the Bank's needs, as more than 120 employees were able to diversify their career paths and enrich their skill portfolios.

Several actions aiming at promoting the image of the Bank as a reference employer and improve its "candidate experience" were carried out during 2019. A new recruitment platform was set up to offer candidates a personalized, interactive and innovative experience. The sourcing activity has also been enriched, notably through developing its capacities for searching and analyzing job applications made via social networks as well as for taking part in new specialized forums. Several capsules aimed at promoting some business lines of the Bank were designed and widely disseminated.

Concerned about improving quality of life at work, the Bank undertook numerous actions in 2019 to promote a positive "Collaborative Experience" and to strengthen the assistance services offered to active and retired staff members. As such, it set up a system for designing and distributing professional cards and pension scheme affiliation ones. These new-generation cards represent an innovative channel that gives agents access to various services through integrated and scalable functionalities. The Bank also strengthened its assistance to active staff, retirees and beneficiaries by providing them with a helpdesk for a 24/7 support, guidance and information. This unit offers several services such as assistance during family events at health institutions or in the event of a work accident.

With regard to gender equality in the workplace, the analysis conducted in 2019 on all aspects of gender comparison revealed significant progress in this area. To strengthen its commitment in this regard, the Bank chose to establish gender equality in the workplace as a key orientation of its 2019-2023 strategic plan. The year 2019 was thus marked by drafting a charter for gender equality in the workplace with a view to fostering a user-friendly and inclusive working environment that respects the rights of all. The charter was adopted by the Bank on the occasion of International Women's Day on 8 March 2020.

2.4.2 Information systems and digital strategy

In terms of information systems (IS), the Bank developed in 2019 a portfolio of programs, projects and IS projects in line with the strategic orientations of the 2019-2023 plan, particularly in terms of transforming its processes. The Bank's strategy in this area promotes innovation, alignment of IS with its digital ambition and strengthening its resilience while reducing dependence on IS solution providers.

Thus, as part implementing its strategic orientation "Continuing the Bank's transformation to foster creativity and a culture of innovation in the digital era", the main actions carried out concerned defining the strategic orientations in terms of the Cloud use, setting up their implementing tools, strengthening cyber-resilience mechanisms and testing innovative technologies.

The year 2019 was marked by the completion of several structural projects. These include the implementation of a Decision Support Information System for central registeries of bank accounts, deployment of the Data Governance Framework, implementation of the money market monitoring solution overhaul and implementation of a talent sourcing solution to better improve sourcing channels in the labor market and dematerialize the recruitment process.

2.4.3 Social responsibility

For many years, the Bank has been involved in major structural projects that reveal its strong commitment to society. Several projects reflect this commitment, including the development and implementation of a national financial inclusion strategy, the roadmap for aligning the financial sector with sustainable development issues, the development of innovative and secure means of payment, actions to promote consumer protection, studies and research on subjects at the heart of Morocco's societal and economic challenges, as well as the improvement of VSMEs financing mechanisms. Internally, numerous actions have also been carried out or are underway, such as the implementation of an ethics and anti-corruption management system, the Quality, Health & Safety at Work/Environment certification of Dar As Sikkah, the energy efficiency program, the development of responsible procurement and the strengthening of the Bank's social policy. Finally, on an organizational level, this approach was further embodied in 2019 by the creation of a dedicated CSR function.

In this context, a methodology was put in place to consolidate the progress made and to better structure the Bank's commitment to society. The proposed approach will make it possible to identify the most relevant CSR issues for the Bank, build a coherent and credible CSR policy for its stakeholders, deploy it all over the organization, define adequate communication and reporting methods and monitor the progress made.

PART 3

FINANCIAL STATEMENTS OF THE BANK

In this part of the report, figures are rounded to the nearest thousand dirhams. Therefore, totals and sub-totals do not always correspond to the sum of the relevant rounded off figures.

3.1 Overview of the financial position of the 2019 fiscal year[1]

3.1.1 Balance sheet

The Bank's total balance sheet increased by 6 percent to 331,187,580 KDH as at December 31, 2019 compared to 312,725,033 KDH one year earlier.

Table 3.1.1: Balance sheet by transaction

In thousand dirhams	2019	2018	Change (%)
(of which)			
Currency in circulation	266 771 075	248 477 842	7
Transactions with foreign countries	-228 115 295	-209 796 689	9
Transactions with the State	2 075 568	1 576 337	32
Net position of credit institutions	-45 666 922	-43 857 909	-4
Patrimonial transactions	2 404 801	2 442 930	-2

Liabilities -Assets

By main operation, currency circulation was up 7 percent to 266,771,075 KDH. Transactions with foreign countries increased by 9 percent to 228,115,295 KDH after two years of decline (-4 percent on average). As for operations with the State, their balance increased by 32 percent to 2,075,568 KDH, mainly due to higher holdings in the Treasury's current account (+841,017 KDH). The credit institutions' net position fell from -43,857,909 KDH to -45,666,922 KDH, as a consequence of the reduction of the monetary reserve ratio from 4 percent to 2 percent[2] on both bank refinancing and Moroccan banks' current account assets.

3.1.2 Income

At the end of the 2019 fiscal year, the Bank's net income stood at 1,668,127 KDH, as against 985,287 KDH a year earlier, up 69 percent, mainly due to the improved income of the Bank's activities.

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 first part of the report.

2 Decided by the Bank Board in its quarterly meeting of september 2019.

Table 3.1.2: Net income of the fiscal year

In thousand dirhams	2019	2018	Change (%)
Income from foreign exchange reserves management operations	2 310 854	1 682 268	37
Income of monetary policy operations	1 758 933	1 389 378	27
Income of other operations	489 402	548 165	-11
Income of activities	**4 559 188**	**3 619 811**	**26**
General operating expenses	-1 776 210	-1 802 101	-1
Gross operating income	**2 782 979**	**1 817 711**	**53**
Noncurrent income	-28 874	-252 332	-89
Income tax	-1 085 978	-580 092	87
Net income	**1 668 127**	**985 287**	**69**

Income of foreign exchange reserves management operations increased by 37 percent to 2,310,854 KDH including 2,116,713 KDH corresponding to the net income generated by bond investments which increased by 42 percent as compared to 2018. This change is essentially related to a higher realized capital gains (+324,652,KDH) on the sales of investment securities in dollars amidst a downward trend in rates and bond yields (+182,012 KDH), consecutive to the increase in the size of the investment portfolio in dollars. As for the result of monetary policy operations, the pace of its progression slowed down to 27 percent to reach 1,758,933 KDH, in connection with the easing of bank liquidity deficit during the last quarter of the year, mainly due to the monetary reserve ratio cut. Conversely, the result of other operations fell by 11 percent to 489,402 KDH, particularly due to the lower sales of banknotes intended for export (-58,015 KDH).

3.2 Summary statements and related notes

3.2.1 Balance sheet (assets)

Table 3.2.1: Assets as at December 31, 2019

In thousand dirhams	Notes	2019	2018
Assets and investments in gold	**1**	**10 386 758**	**8 731 475**
Assets and investments in foreign currency	**2**	**233 532 384**	**216 223 579**
- Holdings and investments held in foreign banks		38 555 629	52 394 684
- Foreign Treasury bills and similar securities		191 386 500	160 298 056
- Other holdings in foreign currency		3 590 255	3 530 840
Assets with international financial institutions	**3**	**9 785 191**	**9 863 989**
- IMF subscription-Reserve tranche		2 146 798	2 152 196
- Special Drawings Rights holdings		7 236 397	7 308 650
- Subscription to the Arab Monetary Fund		401 997	403 143
Lending to the Government		**-**	**-**
Claims on Moroccan credit institutions and similar bodies	**4**	**67 383 292**	**69 367 897**
- Securities received under repurchase agreements		-	-
- Advances to banks		67 303 319	69 302 257
- Other facilities		79 973	65 640
Treasury bills - Open market operations		-	-
Other assets	**5**	**6 976 082**	**5 452 636**
Fixed assets	**6**	**3 123 873**	**3 085 457**
Total assets		**331 187 580**	**312 725 033**

3.2.2 Balance sheet (liabilities)

Table 3.2.2: Liabilities as at December 31, 2019

In thousand dirhams	Notes	2019	2018
Banknotes and coins in circulation	**7**	**266 771 075**	**248 477 842**
Banknotes in circulation		263 254 622	245 135 550
Coins in circulation		3 516 453	3 342 291
Commitments in gold and foreign currency	**8**	**9 340 911**	**8 492 088**
Commitments in gold		-	-
Commitments in foreign currency		9 340 911	8 492 088
Commitments in convertible dirhams	**9**	**210 500**	**223 686**
Commitments to international financial institutions		201 537	213 543
Other liabilities		8 963	10 143
Deposits and commitments in dirhams	**10**	**29 789 757**	**31 659 471**
- Current account of the Treasury		2 057 416	1 216 398
- Deposits and commitments in dirhams to Moroccan banks		21 716 369	25 509 987
- Current accounts		21 716 369	25 509 987
- Liquidity-withdrawal accounts		-	-
- Deposit facility accounts		-	-
- Deposits of general government and public institutions		1 159 281	1 598 074
- Other accounts		4 856 691	3 335 011
Other liabilities	**11**	**10 430 843**	**9 889 337**
Special Drawing Rights allocations	**3**	**7 447 693**	**7 468 935**
Equity capital and the like	**12**	**5 528 673**	**5 528 387**
- Capital		500 000	500 000
- Reserves		5 001 340	5 001 340
- Retained earnings		27 333	27 046
- Other equity capital		0	0
Net income of the fiscal year		**1 668 127**	**985 287**
Total liabilities		**331 187 580**	**312 725 033**

3.2.3 Off-balance sheet

Table 3.2.3: Off-balance sheet as at December 31, 2019

In thousand dirhams	Notes	2019	2018
Spot foreign exchange transactions			
- Spot delivery of currencies			
- Spot purchase of dirhams			
Forward foreign exchange transactions	**13**		
- Foreign currencies receivable		8 525 178	
- Foreign currencies deliverable		8 568 575	
Foreign exchange transactions- currency deposits	**13**		**6 428 495**
Foreign exchange transactions-arbitrage operations	**13**		
Foreign currencies receivable		158 563	-
Foreign currencies deliverable		158 583	-
Off-balance currency adjustment			**-**
Commitments on derivatives			**-**
Commitments on securities	**14**		
Securities received on advances granted		68 533 178	70 599 743
Securities received on advances to be granted		12 918 700	10 025 700
Other guarantees received on advances granted		2 556 954	2 753 697
Advances to be granted		13 172 765	9 524 415
Foreign securities receivable		1 662 271	5 458 712
Foreign securities deliverable		549 571	2 102 925
Other liabilities	**15**		
Received market guarantees		105 237	58 583
Guarantees commitments received for staff loans		871 976	846 161
Financing commitments granted to the staff		18 439	32 165
Other granted commitments		1 000	1 000

3.2.4 Profit and loss account

Table 3.2.4: Profit and loss account as at December 31, 2019

In thousand dirhams	Notes	2019	2018
Profit		**6 138 883**	**5 431 819**
Interests earned on holdings and investments in gold and in foreign currency	16	2 785 084	2 681 949
Interests earned on claims on credit institutions and similar bodies	17	1 744 558	1 422 337
Other interests earned	18	12 591	13 374
Commissions earned	19	664 105	608 351
Other financial revenues	20	535 274	156 006
Sales of produced goods and services	21	131 409	225 852
Miscellaneous revenues	22	19 045	17 826
Reversal of depreciation		-	-
Reversal of provisions	23	243 576	297 623
Noncurrent revenues	24	3 243	8 501
Expenses		**4 470 756**	**4 446 532**
Interests paid on commitments in gold and in foreign currency	25	179 768	184 384
Interests paid on deposits and commitments in dirhams	26	340 159	326 354
Commissions paid	27	16 386	32 471
Other financial expenses	28	986 330	1 063 238
Staff expenses	29	863 391	988 860
Purchases of materials and supplies	30	236 625	243 702
Other external expenses	31	356 045	352 911
Depreciation and provision endowments	32	364 132	419 450
Noncurrent expenses	33	41 941	255 072
Income tax	34	1 085 978	580 092
Net income		**1 668 127**	**985 287**

3.2.5 Cash flow statement

Tableau 3.2.5 : Cash flow as at December 31, 2019

In thousand dirhams	2019	2018
Cash and foreign currency deposits at the beginning of the year	**55 055 218**	**47 279 501**
Cash flow from operating activities	**-40 294 787**	**-42 560 778**
Interests received	4 568 820	4 225 973
Commissions on banking transactions received	664 105	608 351
Other products received	213 565	432 574
Dividends received	471	312
Interests and commissions paid	-556 180	-548 570
Dividends paid	-985 000	-642 000
Staff expenses paid	-844 120	-955 021
Taxes paid	-570 780	-605 818
Other expenses paid	-603 638	-732 146
+/- Change in Treasury deposits in Dirhams	841 017	-672 452
+/- Change in deposits with Moroccan banks in Dirhams	-3 777 272	1 728 424
+/- Change in other customer deposits in Dirhams and in foreign currencies	2 079 362	-166 471
+/- Change in foreign-currency-denominated investment securities	-42 027 300	-19 667 231
+/- Change in foreign currency trading securities	-66 292	2 164 911
+/- Change in advances to banks	1 998 938	-27 149 393
+/- Change in other liabilities	268 054	11 325
+/- Change in other assets	-1 498 537	-593 547
Cash flow from investment activities	**8 747 087**	**33 722 659**
+/- Change in foreign investment securities in foreign currencies	9 046 827	34 024 745
+/- Change in IMF subscription-Reserve branch	-178	2 857
+/- Change in SDR holdings	51 089	17 914
+/- Change in gold assets and investments	-	-3 916
+/- Change in deposits with the IMF	-	-
+/- Change in FMA subscription	-	-25 893
+/- Change in SDR allocations	72	0
Acquisition of fixed assets	-353 622	-299 255
Proceeds from sale of fixed assets	2 897	6 206
Cash flows from financing activities	**18 293 233**	**16 694 190**
+/- change in banknotes and currency in circulation	18 293 233	16 694 190
Revaluation of cash and foreign currency deposits	**-496 852**	**-80 354**
Cash and foreign currency deposits at end of year	**41 303 899**	**55 055 218**

3.2.6 Statement of change in shareholders' equity

Table 3.2.6 : Change in shareholders' equity at December 31, 2019

In thousands of Dirhams	2018 opening balance	Appropriation of 2018 income	Distribution of dividends	2019 Income	Capital transactions (+incr. / -decr.)	2019 closing balance
Equity	500 000					500 000
Carry forward	27 046	287				27 333
Reserves	5 001 340	985 000	-985 000			5 001 340
Income for the year				1 668 127		1 668 127
Income pending allocation	985 287	-985 287				0
Total	**6 513 673**	**0**	**-985 000**	**1 668 127**	**0**	**7 196 801**

3.2.7 Main accounting rules and evaluation methods

3.2.7.1 Legal framework

The financial statements are developed and presented in conformity with the BAM Chart of Accounts, approved by the National Accounting Board in May 2007.

The Bank applies the accounting requirements specified in the General Accounting Standard for issues common to companies in terms of assessing stocks and fixed and other assets and applies particular provisions for the evaluation of its financial transactions.

The summary statements, as cited under Article 47 of Law No.40-17 bearing Statutes of Bank Al-Maghrib, include the balance sheet, the profit and loss account (PLA) and additional information statement (AIS).

Concurrently, the Bank prepares an annual off-balance sheet statement, and as of fiscal 2019 it has integrated into its financial statements the cash-flow statement and the statement of changes in shareholders' equity.

3.2.7.2 Evaluation methods

Foreign exchange operations

Foreign exchange operations include spot and forward purchases and sales of foreign currencies, whether for Bank Al-Maghrib's own account or as part of intermediation with banks. These transactions are entered in the corresponding off-balance sheet accounts on their commitment date. Then, they are recorded in the balance sheet accounts on the value date or on the date of liquidity delivery.

Assets and commitments in gold and foreign currency

Assets and commitments in gold and foreign currency are converted into dirhams based on the applied exchange rate of foreign currencies on the closing date of the fiscal year.

Profits and losses resulting from this operation are entered in the exchange reserves' revaluation account as liabilities on the Bank's balance sheet, in accordance with the agreement governing this account, concluded between Bank Al-Maghrib and the Government on December 29, 2006

By virtue of this agreement, the annual balance of the "foreign exchange reserves valuation account" should be kept positive at a minimum threshold of 2.5 percent of Bank Al-Maghrib's net foreign assets. In the event that a foreign exchange loss causes to bring this balance below this threshold, the amount of the deficit is deducted from the income of Bank Al-Maghrib of the relevant fiscal year, without exceeding 10 percent of the net profit of the relevant financial year and placed in a "foreign exchange loss reserve" account. If the said deficit exceeds 10 percent of the net profit of the Bank, the "reserve for foreign exchange loss" account may be replenished over several years.

The balance of the "foreign exchange loss reserve" account is returned to the Treasury if the balance of the "foreign exchange reserve revaluation account" exceeds the required minimum threshold.

This reevaluation mechanism has no tax impact.

Securities

The securities acquired as part of the management of exchange reserves are classified according to the purpose for which they are held, either in portfolio of transaction, of securities held for sale, or of investment.

Transaction portfolio consists of securities purchased with the intention, from the outset, to resell them within a short deadline. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of these securities at the market price are entered in the corresponding income accounts.

Investment portfolio consists of securities acquired with the intention of being held until maturity. They are entered according to the rules below:

- they are recorded at their purchase price, excluding costs and, if need be, accrued coupons;
- gains on these securities are not recorded;
- losses on these securities are recorded only when the bank considers that the security, which suffers a loss, will be probably sold in the following fiscal year and in the case where there is a probable issuer's default risk;
- the differences (discounts or premiums) between securities' prices of purchase and redemption are amortized on a straight-line basis over the remaining life of the securities.

As at December 31, 2019, no provision is recorded for this portfolio.

Portfolio of securities held for sale consists of securities other than those classified as transaction or investment securities. Their recording comes as follows:

- Entries into the portfolio are recorded in the balance sheet at their purchase price, excluding costs and, if need be, accrued coupons;

- The differences (discounts or premiums) between securities' purchase price and redemption price are not amortized over the duration for these securities holding;
- The unrealized losses resulting from the difference between the book value and the market value of these securities are recorded as depreciation provisions on a daily basis. However, unrealized gains are not counted.

It is worth reminding that as of October 2008, the Bank came up with a sub-category in its securities held-for-sale to include discount securities. These securities are recorded at their redemption price. Discount securities are spread over the life of the securities and entered in the revenue or expense accounts on a daily basis.

Other foreign assets

The Bank holds a portfolio of securities denominated in US dollars. The management of this portfolio is delegated to the World Bank by virtue of delegation contracts.

These securities are initially recorded at their purchase price. The gains or losses are entered in the appropriate profit and loss accounts, on the basis of the market values duly audited and reported by authorized agents and controlled by the Bank's staff.

Tangible and intangible fixed assets

Tangible and intangible fixed assets are recorded at their purchase cost. They are posted on the assets side of the balance sheet at a net value representing their acquisition cost minus accumulated depreciations.

Fixed assets, including incidental expenses, are amortized according to the straight-line method, depending on the estimated duration of use of the goods, and by applying the depreciation rate in force.

The depreciation periods retained according to the nature of each fixed asset are as follows:

Table 3.2.7: Fixed assets depreciation periods

Real properties	20 years
Fixtures, fittings and facilities	5 years
Dar As-Sikkah equipment	10 years
Office equipment, computing materials and software, vehicles and other materials	5 years
Office furniture	10 years

Financial fixed assets

Shareholdings in Moroccan and foreign financial institutions are entered in the assets side of the balance sheet for their net value representing their acquisition cost minus the provisions set up at the closing date. Regarding foreign holdings, their value is converted into dirhams at the historical rate of the currency.

The provisions for depreciation of these unlisted securities are evaluated at the end of the fiscal year following the net asset value method, based on the last financial statements available.

Inventories

Inventories are composed of:

- consumable materials and supplies;
- raw material for the manufacturing of banknotes and coins (paper, ink, and blanks);
- finished goods and in-process inventory (secured documents and foreign banknotes);
- 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.

3.2.8 Financial risk management system

Definition of financial risks

The financial risks to which the Bank is exposed while managing foreign exchange reserves are:

- The **credit risk**, defined as:
  - On the one hand, the payment default risk (counterparty risk) which corresponds to the inability of a counterparty to fulfil its obligations;
  - On the other hand, 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.

Governance framework

As part of its mission relating to foreign exchange reserve management, the Bank has set up a financial risk management system. This system identifies, monitors, and mitigates the risks inherent in the investment of the foreign reserves, namely credit, market, and liquidity risks. It is based on a clear, top-down governance framework that addresses safety, liquidity and return.

The **Bank Board** validates the foreign exchange reserve investment policy and risk tolerances. It also approves the investment sphere and the strategic asset allocation. The **Monetary and Financial Committee (MFC)** supervises implementation of the strategic allocation, validates the management strategy and approves counterparty limits. It also examines changes in reserve management financial risk indicators. Finally, the **Audit Committee** examines the annual changes in the Bank's financial and operational risks.

In addition, the strategic allocation decided by the Bank's Board sets the objectives for holding and managing reserves, the investment principles, the investment scope, the limits per asset class, the rules on the eligibility and concentration of issuers and counterparties as well as the authorised investment terms.

From an operational point of view, all the Bank's foreign currency exposures are controlled and monitored on a daily basis to ensure compliance with strategic allocation guidelines.

In this context, reports are prepared to continuously capture the Bank's exposures in international financial markets.

All deviations to the rules are reported to the Monetary and Financial Committee at each of its meetings.

Financial risk management

Credit risk

Bank Al-Maghrib ensures that investments made as part of the foreign exchange reserve management comply with its two main objectives, namely security and liquidity. Thus, in addition to the eligibility criteria for issuers and counterparties, the Bank uses more specific tools for credit risk management. These are exposure limits helping to avoid excessive risk taking and concentration. The different categories of limits applied and monitored are credit rating, asset category, country risk, issuer risk and counterparty risk

In addition to this arrangement, the Bank calculates an average rating with a view to ensuring a better assessment of overall exposure to credit risk.

Chart 3.2.1 : Breakdown of portfolio exposures by region

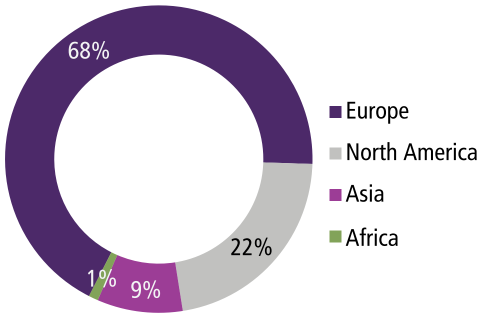
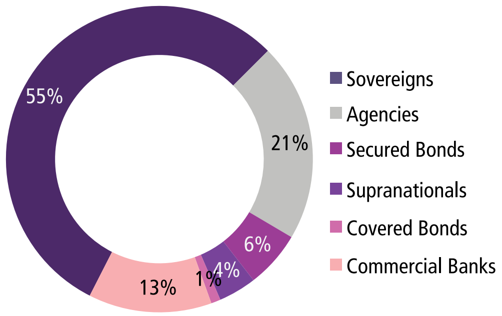


Chart 3.2.2 : Breakdown of portfolio exposures by asset class



At end-2019, assets under management amounted to $25.1 billion with an average rating of "AA-" indicating very good credit quality of the assets held.

Market risk

The market risk associated with foreign exchange reserves management mainly arises from interest rate risk and foreign exchange risk.

- Interest rate risk

The Bank manages interest rate risk through the strategic allocation exercise, which defines benchmark portfolios reflecting the tolerated risk level. Also, management of this risk consists in ensuring that the relative exposures of the management portfolios, compared to the benchmarks, remain within the authorized range in terms of duration.

In addition, exposure to market risk is measured through the maximum potential loss (VaR).

At 31 December 2019, the overall duration of the foreign exchange reserves managed by the Bank amounted to 1.5 years.

- Foreign exchange risk

The foreign exchange risk is generated by the impact of fluctuations in the exchange rate of foreign currencies against the Moroccan dirham. This risk is measured by the deviation between the composition of foreign exchange reserves and the weighting of the Moroccan dirham basket, which is 60 percent euro and 40 percent dollar. Such exposure is managed through a maximum deviation limit.

Besides, as foreign exchange reserves are mainly composed of euros and US dollars, exposure arising from holding other currencies is very low.

Liquidity risk:

Managing the liquidity risk of foreign exchange reserves aims to meet the financing needs of the country's balance of payments and to maintain liquidity reserves at a level sufficient to absorb shocks in times of crisis or restricted access to external financing.

The Bank manages liquidity risk through the strategic allocation that defines the minimum sizes of the reserve's liquid tranches:

-**precautionary reserves**: this tranche is intended to finance needs estimated in the balance of payments over a one-year horizon. At the end of 2019, the level of precautionary reserves reached 64.4 billion DH;

- **excess reserve portfolios recorded at market value**: made up of liquid assets that can be mobilised in the event of exhaustion of the "precautionary reserves" tranche following an extreme shock to foreign exchange reserves. The value of these portfolios reached 59.4 billion DH at end-2019.

3.2.9 Comments on the balance sheet items

Note 1: Assets and investments in gold

By virtue of article 12 of its Statutes, Bank Al-Maghrib holds and manages foreign exchange reserves which consist of gold, foreign currency and SDRs assets. This item contains the dirham equivalent of gold assets deposited in Morocco and with foreign depositors, as well as investments in gold made with foreign counterparties. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the reevaluation account1 of foreign exchange reserves[1], in accordance with the agreement governing this account concluded in 2006 between Bank Al-Maghrib and the State.

As at December 31, 2019, the value of gold assets amounted to 10,386,758 KDH, posting an increase of 19 percent (+2 percent on average for the last two years), due to the rising gold price per ounce which reached 14,608 DH at the end of the year, its highest level for several years. The quantity of gold ounces remained stable at 711,032 ounces (equal to 22 tons). Furthermore, it should be noted that the Bank carried no gold lending operations in 2019, given the negative investment rates prevailing on the market.

1 The credit balance in this account may not be credited to the income for the year nor distributed or used for any purpose.

Table 3.2.8: Assets and investments in gold

	2019	2018
Gold price per ounce in dirhams (1)	14 608	12 280
Quantity of gold ounces	711 032	711 032
Market value (2)	**10 386 758**	**8 731 475**
Gold stock (in tonnes)	**22,12**	**22,12**

(1) Price of Gold/MAD

(2) In thousand dirhams

Note 2: Assets and investments in foreign currency

Under the aforementioned article of the Bank's Statutes, this item presents the equivalent in dirhams of convertible assets in foreign currencies, held in the form of money deposits (time and demand deposits) and foreign bond securities. After two consecutive years of decline, foreign currency assets and investments increased by 8 percent to 233,532,384 KDH against 216,223,579 KDH, along with the consolidated foreign exchange reserves. Its weight in the total assets thus increased from 69 percent to 71 percent.

Table 3.2.9: Breakdown by type of investment

In thousand dirhams	2019	Share		2018	Share	
Demand deposits	9 926 287	4%		17 190 648	8%	
Time deposits	21 627 617	9%		31 018 797	14%	
Securities held for sale (1)	93 492 604	40%	82%	51 287 243	24%	74%
Investment securities	97 893 896	42%		109 010 813	50%	
Other (2)	10 591 980	5%		7 716 078	4%	
Total	**233 532 384**	**100%**		**216 223 579**	**100%**	

(1) Taking into account provisions for depreciation. The market price valuation of investment securities at 31 December 2019 amounts to 94 264 411 KDH.

(2) Including accrued interests, management authorizations and foreign banknotes.

82 percent (as against 74 percent in 2018) of these assets are invested in bonds. In this portfolio, securities held for sale increased by 82 percent while investment securities decreased by 10 percent as against 25 percent at the end of 2018, reflecting strengthened investments in dollars.

As for deposits and investments on the monetary segment, they increased from 48,209,445 KDH to 31,553,904 KDH, representing 14 percent of foreign currency assets and investments against 22 percent one year earlier.

Tableau 3.2.10 : Breakdown by currency

In thousand dirhams	2019	2018	change (%)
EUR	146 058 650	130 198 846	12
USD	86 157 241	84 815 369	2
Other currencies	1 316 493	**1 209 365**	9
Total	**233 532 384**	**216 223 579**	**8**

Tableau 3.2.11 : Breakdown by remaining maturity(*)

	2019	2018
≤ 1an	40%	38%
> 1an	60%	62%
Total	**100%**	**100%**

(*) Securities held in internally-managed portfolios, including certificates of deposit.

Note 3: Assets with international financial institutions

This item, reflecting positions with the IMF and the AMF, fell by 1 percent to 9,785,191 KDH, mainly as a result of lower SDR holdings.

Position with the IMF

On the assets side:

- IMF subscription - Reserve tranche, which composes the fraction (18.1 percent) subscribed by Bank Al-Maghrib as Morocco's quota in the capital of the IMF. It is composed of:

- **The available tranche**: 147.35 million SDRs (1,954,737 KDH), representing Bank Al-Maghrib's contribution to the IMF in foreign currency. This tranche, which could be used by our country when needed, is included in the foreign exchange reserves of the Bank. It should be reminded that the Bank had paid, in 2016, an amount of 76.55 million SDRs, equivalent to its share (25 percent) in Morocco's quota in the IMF capital under the 14th General Quota Review of the IMF.

Table 3.2.12: Position with the IMF

In thousand dirhams	2019	2018	Change (%)
ASSETS			
MF subscription - Reserve tranche	2 146 798	2 152 196	-0,3
SDR holdings	7 236 397	7 308 650	-1
Total	**9 383 195**	**9 460 846**	**-1**
LIABILITIES			
SDR allocations	7 447 693	7 468 935	-0,3
Accounts n°1 et 2	193 060	192 942	0,1
Total	**7 640 753**	**7 661 878**	**-0,3**

- **The mobilized tranche:** 14.36 million SDR (192,061 KDH) equal to Bank Al-Maghrib's subscription in national currency, deposited in the IMF "Account No.1" open in the books of the Bank.

- SDR holdings represent the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDR purchase transactions by the Bank and the remunerations paid by the IMF, while in the credit side, it covers payments of commissions on SDR allocations on a quarterly basis and reimbursement of Morocco's borrowings. These assets strengthened substantially in 2014, as the Bank purchased 320 million SDRs to restore a neutral position vis-à-vis the IMF.

At the end of 2019, the equivalent value of SDR holdings declined to 7,236,397 KDH, thus recording a yearly drop of 72,253 KDH. This change mainly reflects the settlement of the commitment fee relating to the IMF precautionary and liquidity line (PLL) for an amount of 4,909,560 SDRs (65,260 KDH) against 2,209,140 SDRs (29,394 KDH) one year earlier.

The liabilities side include the « SDR allocations» item, which corresponds to the value, in dirhams, of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams, representing Morocco's share in the general allocation and special allocation (475.8 million SDRs) granted by the IMF to member countries. In 2019, the value of these allocations in dirhams fell to 7,447,693 KDH, down by 21,243 KDH, as a result of the 0.3 percent depreciation in the SDRs value to 13.27 DH.

AMF subscription

This account represents the fraction paid by the Bank for the paid-in subscription in the capital of the AMF.

Morocco's participation in this institution amounts to 41.33 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (5,987KDH);
- 21.69 million Arab dinars, subscribed in foreign currency, of which 10.10 million Arab dinars subscribed by the Bank (401,997 KDH), similar to 2018, following the Bank's settlement of the last tranche of the Bank's participation in the AMF capital increase. Release by member countries is scheduled over the five-year period 2014-2018;
- 19.44 million Arab dinars, of which 9.10 million are attributable to Bank Al-Maghrib under 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 covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 7 of the Bank's Statutes.

In 2019, the Bank's intervention in the money market reached high levels before declining in the last quarter. This evolution reflects the change in the bank liquidity deficit, which was characterised by the following two phases in the course of the year:

- an increase during the first eight months, recording a historical peak of 95.5 billion dirhams, on weekly average, at end-August 2019, following the growth of currency in circulation and, to a lesser extent, the decline in foreign exchange reserves.
- A decrease as from the last quarter, ending the year at 64,1 billion dirhams on a weekly average, as a result of the monetary reserve ratio cut which led to an 11-billion-dirham injection in the money market and to an increase in the foreign exchange reserves. Hence, the Bank gradually reduced its liquidity injections which, by the end of 2019, amounted to 67,303,319 KDH, distributed as follows:

- 65,003,319 KDH through 7-day advances at auction granted at the key rate (2.25 percent since March 2016);

- 2,300,000 KDH corresponding to three operations of one-year secured loans, granted at the average key rate of the period under study. These operations are part of the program of supporting the financing of VSMEs, set up in December 2013.

Table 3.2.13: Structure of claims on banks

In thousand dirhams	2019	2018	Change (%)
Repurchase agreements	**65 003 319**	**67 002 257**	**-3**
7-day advances	65 003 319	67 002 257	-3
24-hour advances	-	-	-
Secured loans	**2 300 000**	**2 300 000**	**-**
Total	**67 303 319**	**69 302 257**	**-3**

Note 5: Other assets

This item includes, inter alia, cash accounts and equalization accounts, which are mainly composed of expenses to be spread out over many fiscal years, prepaid expenses, and accrued revenues, and any other debtor amount pending equalization. This item increased, from one year to the next, from 5,452,636 KDH to 6,976,082 KDH.

Note 6: Fixed assets

Net fixed assets of the Bank reached 3,123,873 KDH, up 38,416 KDH, covering an increase by 322,388 KDH in the gross fixed assets and 283,972 KDH in depreciation and provisions.

Table 3.2.14: Fixed assets

In thousand dirhams	2019	2018	Change (%)
(including)			
Fixed loans	768 867	747 806	3
Equity securities and the like	439 564	439 557	0.002
Tangible and intangible fixed assets	6 986 886	6 685 630	5
Gross fixed assets	**8 195 380**	**7 872 992**	**4**
Depreciation and provision endowments	-5 071 508	-4 787 536	6
Net fixed assets	**3 123 873**	**3 085 457**	**1**

Equity securities and the like

The gross value of Bank Al-Maghrib's equity securities portfolio remained virtually stable, from one year to the next, standing at 439,564 KDH.

Table 3.2.15: Equity securities and the like

In thousand dirhams	2019					2018 Gross book value	change (%) [3]
	Type of activity	Net book value [1]	Gross book value [2]	Net situation	Quote-part (%)		
Securities held in Moroccan institutions and the like (including)		**198 373**	**195 608**			**198 373**	**-**
Dar Ad-Damane	Financial	1 265	0	152 232	1.69	1 265	-
Maroclear	Financial	4 000	4 000	303 530	20.00	4 000	-
Casablanca Finance City Authority	Financial	50 000	50 000	505 969	10.00	50 000	-
The Moroccan Deposit Insurance corporation (SGFG)	Financial	59	59	3 515	5.92	59	-
Receivables attached to equity		141 549	141 549			141 549	-
Securities held in foreign financial institutions		**241 192**	**229 617**			**241 184**	**0.003**
Ubac Curaçao	Financial	23 228	23 228	86 629 USD	6.85	23 228	-
Swift	Financial	519	519	407 529 EUR	0.02	519	-
Arab Monetary Fund	Financial	5 987	5 987	1 313 080 DA[4]	0.02	5 979	0.1
Arab Trade Financing Program	Financial	16 856	16 856	1 158 629 USD	0.28	16 856	-
Africa50-Project Finance	Financial	175 142	167 162	205 421 USD	8.48	175 142	-
Africa50-Project Development	Financial	19 460	15 865	20 229 USD	8.18	19 460	-
Gross total of equity securities and the like		**439 564**	**425 225**			**439 557**	**0.002**

(1) Minus of provisions made for the impairment of the Bank's holdings

(2) Net position of the organizations in which the Bank holds investments, based on the financial statements of 2018.

(3) Change in the gross accounting value between 2018 et 2019.

(4) Arab Dinars.

Tangible and intangible fixed assets

Table 3.2.16: Tangible and intangible fixed assets

In thousand dirhams	2018 Gross amount	Increase	Decrease	2019 Gross amount
Operating real estate properties	1 860 647	162 187	53 191	1 969 643
Operating furniture and equipment	2 486 034	93 968	17 103	2 562 899
Other operating tangible fixed assets	835 778	85 079	980	919 878
Non-operating tangible fixed assets	785 007	2 044		787 051
Intangible fixed assets	718 163	62 509	33 257	747 416
Total	**6 685 630**	**405 788**	**104 532**	**6 986 886**

At end-2019, the gross value of tangible and intangible fixed assets reached 6,986,886 KDH, up 301,256 KDH compared to 2018. Investments made this year are broken down as follows:

- 40 percent in real estate investments for the redevelopment and extension projects at the operating sites, particularly concerning the upgrade of the central administration, the extension of Dar As-Sikkah, with the construction of a building dedicated to the production of secure identity cards and the completion of the Tangier agency's refurbishment;
- 24 percent for upgrading the production machinery of Dar As-Sikkah, acquiring recurrent furniture and equipment, reinforcing the computer security infrastructure and renewing the computer equipment (computers, servers, etc.);
- 19 percent mainly for reinforcement and upgrading of electrical and physical security facilities, network cabling, carpentry, air-conditioning, painting and fixtures and fittings at the Bank's various sites (operational and social);
- 15 percent relating to investments for the acquisition of IT and physical security solutions as part of the Bank's project to modernise its security systems. It also involves upgrading the information systems such as the various modules of the INDIMAJ integrated system and the data retrieval system.

Decreases mostly concerned sales and donations of transport and computing equipment.

Note 7: Banknotes and coins in circulation

In accordance with Article 5 of its Statutes, 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.

In 2019, currency circulation continued its growth and reached 266,771,075 KDH, i.e. 7 percent more than in 2018, thus representing 81 percent of the balance sheet total instead of 79 percent one year earlier. In line with its seasonal profile, circulation peaked during the months of July and August, which experienced a concentration of cash-consuming events (summer period, celebration of Eid Al-Adha and preparation for the beginning of the school year).

Note 8: Commitments in gold and foreign currency

These liabilities mainly comprise currency deposits of foreign banks and non-residents. They stood at 9,340,911 KDH, up by 10 percent compared to the previous year.

Note 9: Commitments in convertible dirhams

This item includes the Bank's commitments in convertible dirhams towards foreign banks, international financial institutions (IMF, IBRD) and non-residents.

"Account No.1" of the IMF represents the major component of this entry. Its assets, as well as those of "Account No.2" of the IMF, which are readjusted annually to take into consideration the parity of the dirham against SDRS, amounted to 193,060 KDH at end-2019.

The annual decrease, amounting to 13,186 KDH, in the Bank's commitments in dirhams, mainly reflects lower commitments towards foreign banks (-12,591 KDH).

Table 3.2.17: Commitments in convertible dirhams

In thousand dirhams	2019	2018	Change (%)
Commitments to international financial institutions	**201 537**	**213 543**	**-6**
Commitments to foreign banks	7 620	20 211	-62
Current accounts of international financial institutions	193 917	193 332	0,3
Other commitments	**8 963**	**10 143**	**-12**
Total	**210 500**	**223 686**	**-6**

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 16 of its Statutes. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28, 2009:
  - The tranche lower than or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points, or 1.75 percent;

– The tranche above 2 billion dirhams up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points, or 1.25 percent;

– The tranche higher than 3 billion dirhams is not remunerated.

Table 3.2.18: Deposits and liabilities in dirhams

In thousand dirhams	2019	2018	Change (%)
Public Treasury current account	2 057 416	1 216 398	69
Moroccan banks' current account	21 716 369	25 509 987	-15
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	1 159 281	1 598 074	-27
Other accounts	4 856 691	3 335 011	46
Total	**29 789 757**	**31 659 471**	**-6**

- Accounts of Moroccan banks, held mainly to meet their commitments regarding the reserve requirement, established by virtue of Articles 25 and 66 of the above-mentioned Statutes. The minimum amount required under this reserve, as decided by the Bank board during its meeting held in September 24, 2019, equals 2 percent of the banks' liabilities (as against 4 percent before), and shall be respected on average over the period under study. The remuneration of this reserve, calculated on the basis of an additional reserve rate of 0.75 percent (in excess of 2 percent) for banks whose growth in outstanding loans to non-financial companies is higher than the average for the financial market as a whole, has been suspended as of September 26, 2019;
- Deposits of general government and public institutions, including the account of Hassan II Fund for Economic and Social Development.

This item can also include, in a context of excess liquidity:

- 7-day liquidity withdrawals as unsecured deposits by tenders, remunerated at the key rate minus fifty basis points, or 1.75 percent;
- 24-hour deposit facilities allowing banks to place, on their own initiative, a cash surplus. The remuneration applied to these deposits equals the key rate minus one-hundred basis points, or 1.25 percent.

At the end of the 2019 financial year, this item amounted to 29,789,757 KDH, down by 1,869,714 KDH from 2018, mainly due to the 3,793,618 KDH decrease in current account assets of Moroccan banks, following the monetary reserve rate cut.

Note 11: Other liabilities

Other liabilities particularly include:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State and third parties, and pending contributions to provident funds and institutions for social security.

They presented, at the end of 2019, a balance of 1,201,319 KDH of which 344,160 KDH as debts to suppliers. The breakdown of these debts by due date, pursuant to the provisions of Law No.32-10 relating to payment deadlines which came into force in 2013, is presented at December 31, 2019 as follows:

Table 3.2.19: Breakdown by maturity of suppliers' debt balance

In thousand of dirhams	Amount of suppliers' debt at the end of the FY	Amount of unmatured debts	Amount of debts due			
Closing dates			**Less than 30 days**	**Between 31 and 60 days**	**between 61 and 90 days**	**More than 90 days**
Fiscal Year 2018	309 968	308 580	664	-	536	188
Fiscal Year 2019	344 160	343 297	69	158	-	636

(*) Based on the regulatory deadline.

- 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; At the end of the year, they reached 322,104 KDH against 200,007 KDH one year earlier.
- Amounts claimable after receipt of payment, whose accounts make up the counterpart of securities presented for payment, fell from 22,218 KDH in 2018 to 197,494 KDH in 2019;
- 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. They particularly include an amount of 60,000 KDH representing the balance of the provision set aside (150,000 KDH) to cover the pension commitment. The latter was partially reversed in 2018 and 2019 for 70,000 KDH and 20,000 KDH respectively as part of the implementation, in 2018, of the financing plan for the gradual transition to the TV 88-90 mortality table. They also include the provision for penalty relating to payments from suppliers exceeding the regulatory deadline, in accordance with the aforementioned law No. 32-10 for an amount of 133 KDH (see Table 3.2.33, note 32 of the profit and loss account);

- The foreign exchange reserves re-evaluation account, which includes the exchange variations resulting from the assessment of assets and liabilities in gold and in foreign currency, based on the year-end average exchange rates, in accordance with the provisions of the agreement governing this account concluded between Bank Al-Maghrib and the Ministry of Economy and Finance (See Section 3-2-7 relating to the main accounting rules and evaluation methods).

  This agreement stipulates that in case of an insufficiency vis-à-vis the required minimum, a reserve for foreign exchange losses deducted from the net profit is constituted. The credit balance of this account can neither be posted in the revenues of the financial year, nor distributed or allocated to any other usage.

Table 3.2.20: Other liabilities

In thousand dirhams	2019	2018	Change (%)
Other securities transactions	361	361	-
Miscellaneous creditors	1 201 319	719 838	67
Equalization accounts	322 104	200 007	61
Amounts claimable after receipt of payment	197 494	22 218	>100
Provisions for risks and expenses	119 631	109 270	9
Revaluation account of foreign exchange reserves	8 589 934	8 837 645	-3
Total	**10 430 843**	**9 889 337**	**6**

Note 12: Equity capital and the like

Under Article 2 of the Bank's Statutes, the capital is set at 500,000 KDH, totally released and held by the State. It can be increased by decision of the Bank Board, after consulting the government representative, subject to the conditions set out in that article.

The general reserve fund was established in accordance with Article 48 of the above-mentioned Statutes, by deducing 10 percent from the net profit until it reaches the amount of the capital

Special reserve funds were constituted, pursuant to Article 48 above, by allocating part of the profits. They stood at 4,501,340 KDH since 2004 and make the most part of equity capital.

Table 3.2.21: Equity capital and the like

In thousand dirhams	2019	2018	Change (%)
Equity	**500 000**	**500 000**	**-**
Reserves	**5 001 340**	**5 001 340**	-
General reserve funds	500 000	500 000	-
Special reserve funds	4 501 340	4 501 340	-
Retained earnings	**27 333**	**27 046**	**1**
Total	**5 528 673**	**5 528 387**	**0,01**

3.2.10 Comments on off-balance sheet items

The Bank keeps record of off-balance sheet commitments, both given and received. The accounts on the off-balance sheet are registered to debit when the liabilities materialize on maturity or in case of realization by a debit on the balance sheet, and to credit side in the opposite case.

They include commitments in foreign currency, commitments on securities and other liabilities.

Note 13 : Foreign exchange transactions

This item records foreign exchange swap transactions in foreign currencies carried out, in particular, in the context of monetary regulation, as well as currency transitional arbitrage operations initiated on the first day pending their unwinding on d+2.

Table 3.2.22: Foreign exchange transactions

In thousand dirhams	2019	2018
Forward foreign exchange transactions		
Forward currencies receivable	8 525 178	
Forward currencies to be delivered	8 568 575	
Foreign exchange transactions- currency deposits		**6 428 495**
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	158 563	-
Foreign currencies deliverable	158 583	-

Note 14: Commitments on securities

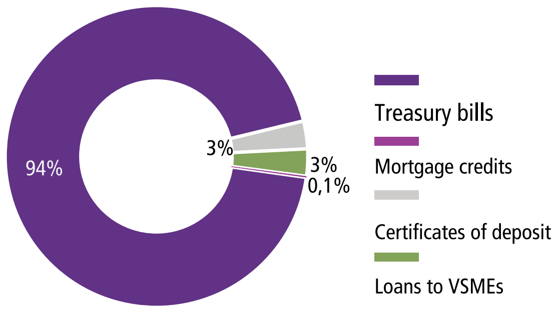
This heading records mainly securities pledged to Bank Al-Maghrib to secure various advances to banks (debt securities issued or guaranteed by the State, negotiable debt securities, private claims, etc.) and advance facilities[1].

Table 3.2.23: Commitments on securities

In thousand dirhams	2019	2018
Securities received on advances granted	68 533 178	70 599 743
Securities received on advances to be granted	12 918 700	10 025 700
Other guarantees received on advances granted	2 556 954	2 753 697
Advances to be granted	13 172 765	9 524 415
Foreign securities receivable	1 662 271	5 458 712
Foreign securities deliverable	549 571	2 102 925

1 Possible advances to the participants in the Moroccan Gross Settlement System (SRBM) to avoid systemic bottlenecks.

Chart 3.2.2: Structure of commitments on securities(*)



(*) Collateral received on the advances granted by the Bank as part of the monetary policy implementation.

Note 15: Other committments

Table 3.2.24: Other committments

In thousand dirhams	2019	2018
Received market guarantees	105 237	58 583
Guarantees liabilities received for staff loans	871 976	846 161
Financing liabilities granted to the staff	18 439	32 165
Other granted liabilities	1 000	1 000

3.2.11 Comments on profit and loss account items

Note 16: Interests earned on holdings and investments in gold and in foreign currency

This item is highly correlated with levels of foreign exchange reserves and interest rates. It includes interests from the transactions of investments in gold, SDRs and foreign currency, made by the Bank as part of its statutory mission of foreign exchange reserves management:

- Bond market investments (investment portfolio and portfolio of securities held for sale);
- Investments in the international money market and in other Moroccan commercial banks (treasury portfolio);
- SDR holdings and the reserve tranche available with the IMF;
- Foreign securities lending;
- Gold loans.

Table 3.2.25: Interests earned on holdings in gold and in foreign currency

In thousand dirhams	2019	2018	Change (%)
Investments in gold	100	6 228	-98
Bond investments	2 533 467	2 351 455	8
Money market investments	156 365	229 316	-32
Claims on the IMF	87 434	82 007	7
Other interests*	7 717	12 943	-40
Total	**2 785 084**	**2 681 949**	**4**

(*) Mainly include interests on foreign securities loans and holdings.

These interests increased by 4 percent to 2,785,084 KDH, against a 5 percent decrease on average over the last two fiscal years, reflecting higher outstandings in foreign currency investments. The main part of this evolution comes from bond interests which reached 2,533,467 KDH, i.e. +182,012 KDH compared to the previous financial year. Within this segment, interests of the investment portfolio more than doubled (+101 percent) to 948,060 KDH, following the enhancement of investments in dollars. On the contrary, those generated by the investment portfolio decreased by 16 percent to 1,585,407 KDH, mainly due to the maturity of euro securities acquired at positive rates and which were not reinvested on this tranche considering the negative rates.

The interests of monetary investments were down from 229,316 KDH in 2018 to 156,365 KDH, mainly due to the decline of the outstanding treasury portfolio in dollar coupled with a drop of interest rates. Moreover, revenues from investments in dollars totally offset the negative interests from monetary investments in euros (105,925 KDH).

Interest on gold investments fell sharply (-98 percent), due to the absence of gold lending operations in 2019 in view of negative deposit rates. The 100 KDH proceeds raised corresponded to two operations that matured at the beginning of this year.

Interest earned on SDR-denominated receivables increased from 82,007 KDH to KDH 87,434 KDH from one year-end to the next, reflecting the 6 basis points increase to 0.99 percent in the average interest rate on SDRs in 2019.

Note 17: Interests earned on claims on credit institutions and similar bodies

This item records interests received by the Bank on various advances to credit institutions as part of the monetary policy conduct (for payment conditions, see Note 4 of the balance sheet).

These interests continued their upward trend observed since 2017, reaching 1 744 558 KDH at the end of 2019, albeit with a slower progression to 23 percent against +107 percent for the last two fiscal years, owing to the decrease in banks' liquidity needs from the last quarter of this year, itself linked to the cut in the monetary reserve rate and the increase in foreign exchange reserves.

By main instrument:

- 7-day advances, whose outstanding average amount stood at 74,804,862 KDH, generated interests of 1,683,109 KDH, up 329,935 KDH;
- Secured loans transactions, whose outstanding amount was 2,479,722 KDH, generated interests of 55,794 KDH, down 10,091 KDH

Table 3.2.26: Interests received on claims on credit institutions

In thousand dirhams	2019	2018	Change (%)
(Including)			
Secured loans	55 794	65 884	-15
7-day advances	1 683 109	1 353 175	24
24-hour advances	4 603	3 063	50
Total	**1 744 558**	**1 422 337**	**23**

Note 18: Other interests earned

This item covers mainly interests due to the Bank under loans granted to its staff for the purchase and construction of housing. These interests reached 12,591 KDH at the end of this fiscal year, down 6 percent compared to 2018.

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 2019, the amount of these commissions increased by 9 percent, mainly due to the 14 percent increase in foreign exchange commissions to 593,765 KDH. The decline of the intermediation margin to 1,919 KDH is mainly due to the fact that the Bank did not intervene on the foreign exchange market in 2019. In addition, the auction centralization commission decreased by 9 percent to 51,885 KDH, due to a less sustained presence of the Treasury on the primary market.

Table 3.2.27: Commissions earned

In thousand dirhams	2019	2018	Change (%)
Foreign exchange commissions	593 765	523 051	14
Intermediation margin	1 919	11 409	-83
Management of Treasury bonds	51 885	57 263	-9
Other commissions	16 535	16 628	-1
Total	**664 105**	**608 351**	**9**

Note 20: Other financial revenues

This item mainly covers gains generated from foreign currency transactions, deferral of discounts on investment securities and gains from foreign exchange swap operations.

At the end of this year, these revenues rose substantially by 379,268 KDH, mainly due to the strong increase by 324,652 KDH of capital gains which were mostly realized from the sale of foreign investment securities, against a background of falling yield rates of assets in dollars.

Foreign exchange swap operations with Moroccan banks, resumed as of the last quarter of 2019 within the framework of the monetary policy, generated gains of 27,787 KDH.

Meanwhile, and in order to improve the yield of monetary investments in dollars, the Bank initiated in 2019 foreign exchange swap operations with foreign counterparties, whose gains at the end of the year amounted to 37,111 KDH.

Table 3.2.28: Other financial revenues

In thousand dirhams	2019	2018	Change (%)
Capital gains on sales of marketable securities	335 679	11 028	>100
Spreading of discounts on foreign securities	37 466	49 140	-24
Capital gains on management mandates	92 166	57 069	61
Capital gains on trading securities	1 152	31 246	-96
Gains on foreign exchange swap transactions (monetary policy)	27 787	-	-
Gains on foreign exchange swap transactions (premium/discount)	37 111	-	-
Other revenues	3 912	7 522	-48
Total	**535 274**	**156 006**	**>100**

Note 21: Sales of produced goods

This item includes revenues from sales of various goods produced by the Bank, which mainly cover secured documents including the biometric passport, and export-oriented foreign banknotes. Their sale price is particularly set on the basis of the costs derived from the Bank's analytical system.

This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

At end-2019, the sales of produced goods dropped to 131,409 KDH, down 94,443 KDH compared to their 2018 level. This evolution covers a decrease by 58,015 KDH in sales of products intended for export, an increase by 14,362 KDH in sales of secured documents including the biometric passport and the new documents[1] produced this year as well as a decline in inventories, leading to a negative variation of -63,481 KDH.

Note 22: Miscellaneous revenues

Miscellaneous revenues include the contribution of banks to the invoicing system of the Moroccan Gross Settlement System (SRBM) and the recovery of costs paid by Bank Al-Maghrib. This item rose to 19,045 KDH, up 1,219 KDH, particularly due to the VAT settlement income of 1,077 KDH in 2019, following the increase in the deductible rate.

Note 23: Reversal of provisions

At the end of this year, this item amounted to 243,576 KDH covering, in particular, the reversal of provisions set up for the depreciation of foreign investment securities, for an amount of 201,528 KDH and those covering the retirement commitment for 20,000 KDH (70,000 KDH in 2018), in conformity with the financing plan of the gradual transition to the TV 88-90 mortality table (see Table 3-2-35 of Note 32 of the profit and loss account).

Note 24: Noncurrent revenues

This item includes exceptional noncurrent revenues. At December 31, 2019; it stood at 3,243 KDH, as against 8,501 KDH in 2018, when 6,000 KDH was collected for the sale of a land owned by the Bank.

Note 25: Interests paid on commitments in gold and in foreign currency

These interests fell to 179,768 KDH, down 4,615 KDH, as a result of the combined effect of:

- The 8,868 KDH lower negative interests on euro monetary deposits which amounted to 105,925 KDH at end-2019, due to the reduction of the size of the treasury portfolio in euro. These interests were fully offset by the income from deposits in dollar (see Note 16 of the profit and loss account);

1 Gold and silver medals, baccalaureate diplomas, transcripts, and weapons and hunting licences.

- and the 4,253 KDH increase in commissions on SDR allocations granted by the IMF to Morocco as a member country, which stood at 73,843 KDH, as a result of the higher SDR rate.

Note 26: Interests paid on deposits and commitments in dirhams

This item includes interests paid by the Bank, mainly for cash in the Treasury's current account and for remuneration of the monetary reserve (for conditions of remuneration of the above-mentioned accounts, see Note 10 of the balance sheet). It can also include, in a context of excess liquidity, interests paid by the Bank under 7-day liquidity withdrawals, overnight deposits facilities and swap of dirhams against currencies

In 2019, monetary reserve remuneration declined from 32,744 KDH at end-2018 to 12,360 KDH in 2019. It was suspended as of September 26 this year, further to the monetary reserve cut to 2 percent. Interests paid to the Treasury on its current account rose by 3 percent to 43,655 KDH, due to the increase in the interest-bearing average outstanding amount (+1 percent).

Table 3.2.29: Interests on committments in dirhams

In thousand dirhams	2019	2018	Change (%)
(of which)			
Monetary reserve accounts	12 360	32 744	-62
Other accounts (including)	316 691	280 455	13
Treasury account	43 655	42 254	3
Total	**340 159**	**326 354**	**4**

Note 27: Commissions paid

These are commissions paid in exchange for financial services provided to the Bank as well as negative intermediation margins on foreign exchange transactions carried out with authorised intermediaries. At end-2019, these commissions fell by half to 16,386 KDH, as this margin decreased from 21,746 KDH to 3,939 KDH between 2018 and 2019.

Note 28: Other financial expenses

This item covers losses on foreign currency transactions, including losses on the sales of investment securities and deferral of premiums on investment securities

These expenses fell to 986,330 KDH in 2019, representing an annual decline of 76,908 KDH, mainly due to the decrease in the deferral of premiums on investment securities

(-141,023 KDH), and by the increase in negative interests on euro denominated investment securities (+74,102 KDH), along with the strengthened size of the investment portfolio in euro.

Table 3.2.30: Other financial expenses

In thousand dirhams	2019	2018	Change (%)
Losses in investment securities held for sale (*)	228 713	239 009	-4
Deferral of premiums on foreign securities	648 079	789 101	-18
Negative interest rates paid on investment securities	102 323	28 221	>100
Other expenses	7 216	6 906	4
Total	**986 330**	**1 063 238**	**-7**

* Result of the difference between the book value and the market value.

Note 29: Staff expenses

This item includes mainly the salaries and wages, allowances and bonuses paid to the Bank staff, employer contributions to Bank Al-Maghrib Staff Pension Fund and contributions to the Mutual Fund, various staff insurance premiums and vocational training expenses.

These expenses amounted to 863,391 KDH in 2019, down 13 percent compared to 2018, mainly due to the difference observed between 2018 and 2019 in the amount of the employer's special contribution paid by the Bank to the CRP (60,000 KDH against 210,000 KDH).

Table 3.2.31: Staff expenses

In thousand dirhams	2019	2018	Change (%)
Staff salaries	644 351	621 624	4
Social expenses	191 060	335 326	-43
Training expenses	10 991	9 376	17
Other expenses	16 988	22 534	-25
Total	**863 391**	**988 860**	**-13**

Note 30: Purchases of materials and supplies

This entry includes fees of raw materials (paper, ink, coin blanks, electronic chips and precious metals) used in the manufacturing of coins and banknotes, secured documents and commemorative coins. It also includes changes in inventories of raw materials and supplies as well as rebates, discounts and payment deductions obtained on purchases, and granted to the Bank by its suppliers.

These purchases decreased by 3 percent in 2019 to 236,625 KDH, under the combined effect of:

- higher purchases of supplies for the manufacturing of banknotes and secured documents and electronic covers for the biometric passport, coin blanks, and inks;
- Higher stocks of raw materials and supplies, causing changes of -43,773KDH at end-2019 as against 7,198 KDH at end-2018.

Table 3.2.32: Purchases of materials and supplies

In thousand dirhams	2019	2018	Change (%)
Purchase of raw materials	168 012	168 378	-0,2
Purchase of consumable materials and supplies	31 122	33 221	-6
Other purchases	37 491	42 102	-11
Total	**236 625**	**243 702**	**-3**

Note 31: Other external expenses

They include Bank overheads and current expenditure covering, inter alia, computer maintenance, building upkeep, rental, water and electricity consumption, donations and grants as well as various taxes and duties.

In 2019, these expenses amounted to 356,045 KDH, up 3,134 KDH compared to 2018. This evolution mainly stems from higher expenses related to software and IT equipment maintenance contracts, as some contracts were extended, and new contracts were signed in 2019, the rental of IT software and the organization of events to celebrate the 60th anniversary of the Bank.

Table 3.2.33: Other external expenses

In thousand dirhams	2019	2018	Change (%)
Maintenance and repair of fixed assets	113 888	110 030	4
Rents	45 338	41 854	8
Water, electricity and fuel costs	26 694	26 617	0,3
Transportation, travel, mission and reception expenses	23 947	17 469	37
Postal and telecommunication costs	32 116	29 840	8
Taxes and duties	18 775	18 700	0.4
Other expenses	95 286	108 400	-12
Total	**356 045**	**352 911**	**1**

Note 32: Depreciation and provision endowments

Depreciations

Table 3.2.34: Depreciations

In thousand dirhams	2019	2018	Change (%)
Depreciations of tangible and intangible fixed assets	**293 235**	**300 414**	**-2**
Properties[1]	82 192	82 280	-0.1
Furniture and equipment	174 967	171 868	2
Other tangible fixed assets	13	13	-
Intangible fixed assets	36 063	46 253	-22
Depreciations of other costs to be spread out over many fiscal years	**3 787**	**3 335**	**14**
Depreciations of previous fiscal years	**4 359**	**3 820**	**14**
Total	**301 381[2]**	**307 569**	**-2**

[1] Including fixtures, fittings and facilities.

Provisions

Table 3.2.35: Provisions

In thousand dirhams	Outstanding amount 31/12/2018	Expenses	Reversals	Other changes	Outstanding amount 31/12/2019
Provisions for depreciation					
Foreign T-bonds and similar securities	204 290	9 159	201 528	-38	11 883
Miscellaneous stocks and values	8 050	5 654	8 050		5 654
Moroccan equity securities	3 565		800		2 765
Foreign equity securities	8 175	3 400			11 575
Other provisions[3]	2 794	2 135	1 157		3 773
Provisions for risks and expenses posted under liabilities					
Provisions for risks and expenses (including)	108 881	42 402	32 041		119 242
Pension commitment	80 000		20 000		60 000
Provisions for risks	17 981	30 066	401		47 646
Late penalty fees	54	133	54		133
Other provisions	389				389
Total		**62 751[2]**	**243 576[4]**		

[2] Totalling 364,132 KDH equivalent to the amount of the heading "depreciation and provisions" of the PLA.

[3] Includes, in particular, provisions for receivables from customers presenting a high default risk.

[4] Corresponds to the amount of the PLA item "reversals of provisions".

For the terms governing provisions constitution and reversal, see Section 3-2-7-2 "Evaluation methods" and Note 11 of the balance sheet.

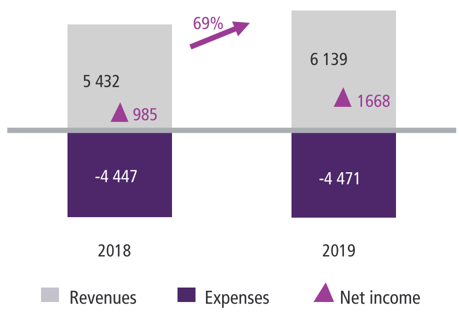
Note 33: Non-current expenses

Non-current expenses totalled 41,941 KDH, of which 39,440 KDH corresponded to the social solidarity contribution on the profits of the 2018 financial year, established by the draft finance law No. 80-18 for the 2019 financial year.

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, between 2018 and 2019, from 580,092 KDH to 1,085,978 KDH.

Chart 3.2.4: Change in revenues, expenses and net income (in millions of dirhams)



3.3 Commitments to social funds

The Bank's staff is covered by an internal pension scheme named "Caisse de Retraite du Personnel de Bank Al-Maghrib- CRP-BAM (Bank Al-Maghrib's staff pension fund)" and a medical insurance scheme called the "Fonds Mutuel-FM (Mutual Fund)".

The CRP-BAM provides the staff members of the Bank or their dependants with a retirement pension, an invalidity pension, a dependants' pension and a mixed capital-pension allowance. The FM reimburses medical and pharmaceutical expenses for the benefit of Bank staff and eligible members of their families.

These two schemes have individual accounts but do not have legal personality.

Table 3.2.36 : Social funds' committments and financing

En milliers de dirhams	Pension Fund of BAM staff		Mutual Fund	
	2019	2018	2019	2018
Gross Commitment	3 267 833	3 091 864	541 463	485 219
Hedging assets	3 320 742	2 970 002	440 663	409 866
Net Commitment	52 909	-121 862	-100 800	-75 353

Pension and health committments are calculated in accordance with actuarial standards, using the projected unit credit method, which considers changes in salaries, pension revaluations and the benefit entitlement.

The data and assumptions used in the actuarial valuations as well as the pension and health liabilities are validated by the independent actuary.

Social funds' assets are managed within the framework of a strategic allocation, defining an optimal allocation by asset class, considering the objectives of the pension and medical coverage schemes, in terms of return and risk.

3.4 Statutory Audit Report

BANK AL-MAGHRIB
STATUTORY AUDITOR'S REPORT
FISCAL YEAR ENDED DECEMBER 31st, 2019

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, 2019. Which include the balance sheet, the profit and loss account, and the attached disclosures. These statements present a net equity amounting to 5 528 673 thousands of Moroccan Dirhams, and a net profit of 1 668 127 thousands of Moroccan Dirhams.

Management's Responsibility

Management is responsible for the preparation and fair presentation of these financial statements, in accordance with generally accepted accounting principles and standards in Morocco. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of the financial statements that are free from material misstatements, and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the professional standards applicable in Morocco. These standards require that we comply with ethical requirements, plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment as well as the assessment of the risk that financial statements may include material misstatements. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the financial statements

We certify that the financial statements mentioned in the first paragraph show, in all material respects, a fair view of the results of the operations for the year ended as well as of the financial situation and assets of Bank Al-Maghrib on December 31st, 2018 in accordance with generally accepted accounting principles in Morocco.

Specific verifications and information

We have notably ensured the correspondence of the information provided in the management report with the bank's financial statements.

Casablanca, March 18th 2020

Abdou SOULEYE DIOP
Managing Partner

3.5 Approval by the Bank Board

Pursuant to Article 47 of Law No. 40-17 bearing Statutes of Bank Al-Maghrib, the management report and the financial statements are hereby submitted by the Governor to the Board for approval.

At its meeting of March 17, 2020, after having taken cognizance of the statutory auditor's opinion on the sincerity of the financial statements and their conformity with the information provided in the Bank's management report, the Board approved the financial statements and net income distribution for the fiscal year 2019.

STATISTICAL APPENDICES

TABLE A1 MAIN INDICATORS OF THE ECONOMY

	2017*	2018*	2019**
International Economy (1)			
Economic growth (in %)			
World	3.9	3.6	2.9
Euro area	2.5	1.9	1.2
United States	2.4	2.9	2.3
United Kingdom	1.9	1.3	1.4
Brazil	1.3	1.3	1.1
China	6.9	6.7	6.1
Inflation (in %)			
World	3.2	3.6	3.6
Euro area	1.5	1.8	1.2
United States	2.1	2.4	1.8
United Kingdom	2.7	2.5	1.8
Brazil	3.4	3.7	3.7
China	1.6	2.1	2.9
Unemployment (in %)			
World (2)	5.6	5.4	5.4
Euro area	9.1	8.2	7.6
United States	4.3	3.9	3.7
United Kingdom	4.4	4.1	3.8
Brazil	12.8	12.3	11.9
China	3.9	3.8	3.6
National Economy (3)			
National accounts			
At the price of the year before (change in %)			
Gross domestic product	4.2	3.1	2.5
Non-agricultural GDP	2.9	3.1	3.5
Non-agricultural value added	2.9	2.9	3.8
Taxes on products net of subsidies	3.1	4.6	2.0
Agricultural value added	15.2	3.7	-5.8
Household final consumption	3.8	3.4	1.8
General government final consumption	2.1	2.7	4.7
Investment	4.1	5.8	0.1
At current prices (in billions of dirhams)			
Gross domestic product	1 063.0	1 108.5	1 151.2
Gross National Disposable Income	1 126.9	1 161.5	1 203.4
Gross national saving (% of GDP)	29.1	27.8	27.8
Investment rate (% of GDP)	32.6	33.4	32.2
Financing requirement or capacity	37.7	62.5	50.5
Financing requirement or capacity (% of GDP)	3.5	5.6	4.4

(*) Revised
(**) Provisional
(1) Source: Global economic perspectives, IMF April 2020.
(2) Source: International Labour Organization .
(3) Source : High Commission for Planning.

TABLE A1 MAIN INDICATORS OF THE ECONOMY(continued)

	2017*	2018*	2019**
National Economy			
Employment and unemployment			
Activity rate (in %)	46.7	46.0	45.8
Employment rate (in %)	41.9	41.7	41.6
Net job creations	86 000	111 000	165 000
Unemployment rate (in %)	10.2	9.5	9.2
Youth unemployment rate (15-24 years) in urban areas (in %)	42.8	41.8	39.2
Productivity and wage costs (change in %)			
Apparent labour productivity in nonagricultural activities	2.2	0.6	-0.6
Interprofessional Guaranteed Minimum Wage and Agriculture Guaranteed Minimum Wage			
In nominal terms	0.0	0.0	2.5
In real terms	-0.8	-1.8	2.2
Prices (change in %)			
Inflation	0.7	1.6	0.2
Core inflation	1.3	1.3	0.5
External accounts			
Total exports FOB (in billions of DH)	248.8	275.4	282.1
Total imports CIF (in billions of DH)	438.1	481.4	491.2
Trade balance (in % of GDP)	17.8	18.6	18.2
Receipts of travel (variation in %)	12.3	1.2	7.8
Receipts Moroccan expatriates (variation in %)	5.3	-1.5	-0.2
Current account balance (in % of GDP)	-3.4	-5.3	-4.1
Foreign direct investment receipts (in % of GDP)	3.2	4.3	2.9
Public finance (in % of GDP)			
Budget deficit (1)	-3.5	-3.8	-4.1
Total treasury debt	65.1	65.2	65.0
Domestic treasury debt	50.7	51.8	50.9
External treasury debt	14.4	13.4	14.0
Public external debt	31.3	29.5	29.5
Money and monetary conditions			
Banking liquidity (in millions of dirhams)	-41.7	-62.4	-76.6
Key rate (2) (in %)	2.25	2.25	2.25
Lending rate (3) (in %)	5.52	5.15	5.00
Interbank rate (3) (in %)	2.28	2.28	2.28
Official reserve assets (in Billions of dirhams)	244.34	233.74	253.38
Official reserve assets in months of imports	5.6	5.3	6.3
Bank loans (change in %)	3.1	3.2	5.3
Bank loans to the non financial sector (change in %)	3.8	3.1	5.5
Rate of non-performing loans (in %)	7.5	7.5	7.6
Money supply (M3) (in Billions of dirhams)	1 269.1	1 320.6	1 370.5
Real effective exchange rate (annual change)	-0.7	1.2	0.4

(*) Revised
(**) Provisional
(1) Excluding privatization receipts .
(2) At end-December.
(3) Weighted average rates.
Sources : High Commission for Planning,Foreign Exchange control office,Ministry of Economy and Finance and Administration reform and Bank Al-Maghrib.

TABLE A2.1 GROSS DOMESTIC PRODUCT AT THE PRICE OF THE PREVIOUS YEAR (BASE 2007)

(Changes In percentage)

	2015	2016	2017*	2018*	2019**
Gross domestic product	**4.5**	**1.1**	**4.2**	**3.1**	**2.5**
Primary sector	**11.5**	**-12.5**	**13.1**	**2.4**	**-4.6**
Agriculture, forest and related services	11.9	-13.7	15.2	3.7	-5.8
Fishing, aquaculture	7.3	1.1	-8.3	-11.0	8.3
Secondary sector	**1.8**	**0.6**	**3.6**	**3.0**	**3.5**
Extraction Industry	-2.1	0.1	17.1	4.4	2.4
Manufacturing Industry	2.3	0.1	2.5	3.5	2.8
Elecricity and water	6.2	2.5	3.3	5.3	13.2
Building and public works	0.7	1.6	1.8	0.1	1.7
Tertiary sector	**1.7**	**2.9**	**2.8**	**3.1**	**3.8**
Trade	0.5	5.3	3.2	2.3	2.4
Hotels and restaurants	-1.3	3.6	11.5	6.0	3.7
Transport	3.2	1.4	3.7	3.7	6.6
Postal and telecommunications services	2.8	6.9	0.8	2.8	0.3
Financial activities and insurance	2.6	0.2	3.8	3.4	4.6
Real estate, rents and services to companies	4.2	4.4	3.6	5.3	4.1
General government and social security	0.5	1.6	2.4	2.2	5.0
Education, health and social action	0.1	1.4	-0.9	0.7	2.4
Other nonfinancial services	3.4	3.0	1.0	1.6	2.9
Non-agricultural added value	**1.8**	**2.1**	**2.9**	**2.9**	**3.8**
Global added value	**3.0**	**0.1**	**4.4**	**3.0**	**2.5**
Tax on products net of subsidies	**18.1**	**8.8**	**3.1**	**4.6**	**2.0**

(*) Revised
(**) Provisional
Source : High Commission for Planning

TABLE A2.2 GROSS DOMESTIC PRODUCT BY BRANCH OF ACTIVITY

(At current prices) (In millions of dirhams)

	2015	2016	2017*	2018*	2019**
Gross domestic product	**987 950**	**1 013 229**	**1 063 045**	**1 108 463**	**1 151 170**
Primary sector	**124 759**	**121 554**	**131 419**	**135 418**	**140 019**
Agriculture, forest and related services	114 841	110 549	120 092	124 083	128 643
Fishing, aquaculture	9 918	11 005	11 327	11 335	11 376
Secondary sector	**257 796**	**262 348**	**278 087**	**286 801**	**291 760**
Extraction Industry	22 692	20 638	24 483	25 455	26 337
Manufacturing Industry	159 425	158 855	166 888	173 754	171 735
Elecricity and water	21 095	24 980	27 021	27 906	32 081
Building and public works	54 584	57 875	59 695	59 686	61 607
Tertiary sector	**491 424**	**510 699**	**531 382**	**555 797**	**586 243**
Trade	76 968	81 775	84 011	87 812	91 208
Hotels and restaurants	21 175	22 485	26 659	28 808	30 338
Transport	36 290	37 997	40 898	42 837	47 818
Postal and telecommunications services	21 298	21 239	21 175	21 615	21 925
Financial activities and insurance	46 868	46 602	48 529	50 872	53 320
Real estate, rents and services to companies	102 832	109 432	114 878	123 237	130 771
General government and social security	90 630	93 491	97 356	101 225	107 896
Education, health and social action	81 816	83 603	83 555	84 900	87 813
Other nonfinancial services	13 547	14 075	14 321	14 491	15 154
Non-agricultural added value	**759 138**	**784 052**	**820 796**	**853 933**	**889 379**
Global added value	**873 979**	**894 601**	**940 888**	**978 016**	**1 018 022**
Tax on products net of subsidies	**113 971**	**118 628**	**122 157**	**130 447**	**133 148**

(*) Revised
(**) Provisional
Source : High Commission for Planning

TABLE A2.3 GOODS AND SERVICES ACCOUNT

(At current prices) (In millions of dirhams)

	2015	2016	2017*	2018*	2019**	Changes in % 2018*/2017	Changes in % 2019**/2018
RESOURCES							
Gross domestic product	987 950	1 013 229	1 063 045	1 108 463	1 151 170	4.3	3.9
Imports of goods and services	418 871	461 111	497 243	545 345	552 934	9.7	1.4
EXPENDITURES							
Households final consumption	562 842	586 461	609 560	636 799	653 804	4.5	2.7
General government final consumption	190 450	195 644	202 208	210 758	222 967	4.2	5.8
Final national consumption of NPIs(1)	5 424	5 845	6 007	6 175	6 538	2.8	5.9
Gross fixed capital formation	280 271	304 286	304 200	314 734	318 567	3.5	1.2
Changes in stocks	24 027	23 912	42 607	55 508	52 014	30.3	-6.3
Exports of goods and services	343 807	358 192	395 706	429 834	450 214	8.6	4.7

(*) Revised
(**) Provisional
(1) Non-profit institutions
Source : High Commission for Planning

TABLE A2.4 GROSS NATIONAL DISPOSABLE INCOME AND ITS APPROPRIATION

(At current prices) (In millions of dirhams)

	2015	2016	2017*	2018*	2019**	Changes in % 2018*/2017	Changes in % 2019**/2018
Gross national disposable income	**1 043 299**	**1 073 422**	**1 126 892**	**1 161 510**	**1 203 443**	**3.1**	**3.6**
Gross domestic product	987 950	1 013 229	1 063 045	1 108 463	1 151 170	4.3	3.9
Net income of property from outside	-18 895	-19 479	-20 838	-21 603	-22 448	3.7	3.9
Gross national income	969 055	993 750	1 042 207	1 086 860	1 128 722	4.3	3.9
Net current transfers from outside	74 244	79 672	84 685	74 650	74 721	-11.8	0.1
Gross national disposable income	**1 043 299**	**1 073 422**	**1 126 892**	**1 161 510**	**1 203 443**	**3.1**	**3.6**
Final national consumption	758 716	787 950	817 775	853 732	883 309	4.4	3.5
Households final consumption	562 842	586 461	609 560	636 799	653 804	4.5	2.7
General government final consumption	190 450	195 644	202 208	210 758	222 967	4.2	5.8
Final consumption NPIs(1)	5 424	5 845	6 007	6 175	6 538	2.8	5.9
Gross national saving	284 583	285 472	309 117	307 778	320 134	-0.4	4.0

(*) Revised
(**) Provisional
(1) Non-profit institutions
Source : High Commission for Planning

TABLE A2.5 INVESTMENT AND SAVINGS

(At current prices) (In millions of dirhams)

	2015	2016	2017*	2018*	2019**	Changes in % 2018*/2017	Changes in % 2019**/2018
RESOURCES							
Gross national saving	284 583	285 472	309 117	307 778	320 134	-0.4	4.0
Net capital transfers received	9	0	0	0	-3	-	-
EXPENDITURES							
Gross fixed capital formation	280 271	304 286	304 200	314 734	318 567	3.5	1.2
Changes in stocks	24 027	23 912	42 607	55 508	52 014	30.3	-6.3
Financing requirement or capacity	-19 706	-42 726	-37 690	-62 464	-50 450	65.7	-19.2

(*) Revised
(**) Provisional
Source : High Commission for Planning

TABLE A2 6 AGRICULTURE

(Area in thousands of hectars / production in millions of quintals / yield in quintals/ha)

	Crop year 2017-2018			Crop year 2018-2019		
	Area	Production	Yield	Area	Production	Yield
Principal cereals	**4 487**	**103**	**23**	**3 556**	**52**	**15**
Soft wheat	1 891	49	26	1 687	27	16
Hard wheat	997	24	24	819	13	16
Barley	1 599	29	18	1 050	12	11
PULSE CROPS	**330**	**3**	**9**	**310**	**2**	**7**
Market garden crops	**262**	**79**	**302**	**240**	**73**	**306**

Source : Ministry of Agriculture , Fisheries Rural Development, Water and Forests.

TABLE A2.7 ELECTRICITY PRODUCTION

(In GWH)

	2015	2016	2017	2018*	2019**	Changes in % 2019/2018
Net local Production (1)	**29 914**	**30 840**	**31 890**	**34 519**	**40 348**	**17**
Thermal	25 048	25 652	26 616	27 653	32 214	16
Hydraulic	2 282	1 662	1 565	1 998	1 654	-17
Wind	2 519	3 000	3 035	3 841	4 699	22
Solar	6	402	415	950	1 581	66
Electricity exchange balance (***)	4 974	5 154	5 896	3 374	-928	-127

(1) The difference between net local production and the total by the source of production, represents the contribution of national third parties .

(*) Revised
(**) Provisional
(***) The difference between imports and exports.
Source : National Electricity Office.

TABLE A2.8 INDUSTRIAL, ENERGY AND MINING PRODUCTION INDEX

(Base 100 in 2015)

Sector and Branch	2018	2019	Percentage changes 2019/2018
Extractive Industries	**128.4**	**132.1**	**2.9**
Extraction of metal ores	104.0	105.0	1.0
Other extractive industries	129.6	133.5	3.0
Manufacturing industries excluding oil refining	**110.6**	**113.2**	**2.4**
Food Industries	115.4	116.6	1.0
Beverage Manufacturing	95.7	94.8	-0.9
Manufacture of tobacco products	99.1	97.6	-1.5
Manufacture of textiles	96.7	93.8	-3.0
Clothing industry	96.9	100.3	3.5
Manufacture of leather and footwear (except leather clothing)	85.7	78.2	-8.8
Woodworking and manufacture of articles of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	81.1	84.4	4.1
Paper and cardboard industry	114.7	113.3	-1.2
Printing and reproduction of recordings	114.3	116.3	1.7
Chemical industry	129.8	135.9	4.7
Pharmaceutical industry	103.1	106.1	2.9
Manufacture of rubber and plastic products	110.0	115.3	4.8
Other Non-Metallic Mineral Product Manufacturing	100.0	100.9	0.9
Metallurgy	81.5	88.8	9.0
Manufacture of fabricated metal products, except machinery and equipment	97.7	94.4	-3.4
Manufacture of computer, electronic and optical products	107.1	114.5	6.9
Manufacture of electrical equipment	102.9	109.5	6.4
Manufacture of machinery and equipment N.C.E.	117.0	112.1	-4.2
Automotive Industry	127.0	135.0	6.3
Manufacture of other transport equipment	191.1	192.2	0.6
Furniture manufacturing	87.8	88.3	0.6
Other manufacturing industries	112.1	103.4	-7.8
Repair and installation of machinery and equipment	103.2	105.8	2.5
Electricity production and distribution	**111.7**	**128.6**	**15.1**

Source : High Commission for Planning`.

TABLE A2.9 TOURISM

(In unit)

	2016	2017	2018	2019	Percentage changes 2019/2018
Total of tourist arrivals	**10 331 731**	**11 349 347**	**12 288 708**	**12 932 260**	**5.2**
Foreign tourists	**5 103 204**	**5 864 920**	**6 679 101**	**7 043 006**	**5.4**
European Union countries	**3 621 872**	**4 104 559**	**4 672 843**	**5 004 616**	**7.1**
France	1 449 757	1 614 011	1 844 397	1 990 813	7.9
Spain	615 720	710 730	814 069	880 818	8.2
Germany	260 255	331 185	394 328	413 384	4.8
United Kingdom	458 561	486 262	510 516	551 499	8.0
Italy	219 334	246 313	305 505	351 916	15.2
Other European countries	**307 783**	**373 145**	**468 789**	**466 595**	**-0.5**
America	**379 454**	**480 371**	**563 435**	**603 885**	**7.2**
United States	197 858	254 531	304 960	346 702	13.7
Canada	96 436	111 394	130 579	131 497	0.7
Brazil	32 447	44 736	50 681	47 113	-7.0
Middle East (1)	**208 655**	**203 499**	**199 303**	**198 454**	**-0.4**
Maghreb	**209 823**	**207 885**	**214 295**	**227 281**	**6.1**
sub-saharan africa	**179 105**	**200 311**	**226 525**	**188 792**	**-16.7**
Asia	**162 190**	**252 381**	**284 917**	**307 871**	**8.1**
Other countries	**34 322**	**42 769**	**48 994**	**45 512**	**-7.1**
Moroccans resident abroad	**5 228 527**	**5 484 427**	**5 609 607**	**5 889 254**	**5.0**

(1) Including Egypt

Source : Ministry of Tourism, Air Transport, Handicrafts, and Social Economy.

TABLE A3 1 EMPLOYMENT AND UNEMPLOYMENT

(Population in thousands and rates in percentage)

	2017	2018*	2019
Working age population	**25 533**	**25 944**	**26 359**
Labour force	**11 915**	**11 947**	**12 082**
Urban	6 887	6 987	7 204
Rural	5 028	4 960	4 878
Labor force participation rate	**46.7**	**46.0**	**45.8**
Urban	42.4	42.0	42.3
Rural	54.1	53.2	52.2
Employment rate	**41.9**	**41.7**	**41.6**
Urban	36.1	36.2	36.9
Rural	52.0	51.3	50.3
Unemployment rate	**10.2**	**9.5**	**9.2**
By area of residence			
Urban	14.7	13.8	12.9
Rural	4.0	3.6	3.7
By gender			
Men	8.8	8.1	7.8
Women	14.7	14.1	13.5
Group of age			
15 to 24 years	26.5	25.6	24.9
25 to 34 years	15.4	15.0	15.1
35 to 44 years	5.1	4.5	4.5
45 years and over	2.5	2.2	2.1
By diploma			
Without any diploma	3.8	3.3	3.1
With diploma	17.9	16.7	15.7

(*) Revised.
Source : High Commission for Planning.

TABLE A3.2 EMPLOYMENT BY BRANCH OF ECONOMIC ACTIVITY (1)

(thousands of persons)

Employment	Year		Changes	
	2018(*)	2019	in absolute value	In percentage
Total	**10 810**	**10 975**	**165**	**1.5**
Agriculture, forestry and fishing	3 714	3 568	-146	-3.9
Industry (including handicraft)	1 300	1 317	17	1.3
Construction and public works	1 125	1 148	24	2.1
Services	4 660	4 927	267	5.7

(1) This concerns the employment of persons aged 15 years and above.

(*) Revised.

Source : High Commission for Planning.

TABLE A3.3 EMPLOYMENT AND UNEMPLOYMENT BY REGION

(in %)

Region	Year	Labor force participation rate (15 years and over)			Employment rate (15 years and over)			Unemployment rate (15 years and over)		
		Urban	Rural	National	Urban	Rural	National	Urban	Rural	National
Tangier-Tetouan-Al Hoceima	2019	43.4	49.9	45.8	38.3	48.1	41.9	11.9	3.6	8.6
	2018	42.8	53.2	46.7	38.2	51.3	43.2	10.6	3.6	7.5
Oriental	2019	41.1	47.7	43.0	34.5	43.3	37.0	16.0	9.2	13.8
	2018	41.7	49.4	44.0	33.9	44.6	37.1	18.6	9.7	15.6
Fez-Meknes	2019	38.7	50.9	43.0	33.7	49.4	39.2	12.9	3.0	8.7
	2018	37.7	51.7	42.7	32.2	50.2	38.7	14.4	2.8	9.3
Rabat-Sale-Kenitra	2019	42.3	54.2	45.5	36.5	52.1	40.6	13.7	3.9	10.7
	2018	42.5	56.9	46.3	36.2	54.5	41.0	14.7	4.3	11.4
Beni Mellal-Khenifra	2019	36.9	54.3	45.1	33.2	53.2	42.7	9.9	1.9	5.4
	2018	35.7	53.4	44.1	31.7	52.4	41.5	11.2	1.8	5.8
Casablanca-Settat	2019	46.1	63.8	50.0	40.1	62.1	45.0	13.0	2.7	10.0
	2018	45.2	65.4	49.8	39.1	64.1	44.7	13.6	2.0	10.2
Marrakech-Safi	2019	42.1	51.9	47.4	38.0	50.5	44.7	9.8	2.9	5.7
	2018	43.5	52.1	48.1	38.0	50.6	44.8	12.5	2.9	6.9
Draa-Tafilalet	2019	35.6	45.0	41.6	32.2	43.3	39.2	9.6	3.8	5.6
	2018	35.1	43.7	40.6	31.2	42.5	38.4	11.0	2.7	5.3
Souss-Massa	2019	42.6	43.5	42.9	37.2	40.7	38.5	12.7	6.5	10.3
	2018	41.6	45.0	42.9	36.2	42.2	38.6	12.9	6.3	10.1
South regions	2019	42.1	60.6	46.0	33.8	56.3	38.5	19.7	7.1	16.3
	2018	42.9	58.7	46.4	35.3	54.8	39.6	17.8	6.7	14.7
Total	**2019**	**42.3**	**52.2**	**45.8**	**36.9**	**50.3**	**41.6**	**12.9**	**3.7**	**9.2**
	2018	**42.0**	**53.2**	**46.0**	**36.2**	**51.3**	**41.7**	**13.8**	**3.6**	**9.5**

Source : High Commission for Planning.

TABLE A4.1 HEADLINE INFLATION AND CORE INFLATION

(annual change)

(Base 100 in 2017)

Years/Months	Inflation															
					CPIX											
	Global	Food products exluded from core inflation	Fuels and lubricants	Products with regulated tariffs	Global	Food products included in the core inflation	Clothing and footwear	Housing, water, gas, electricity and other fuels (1)	Furniture, household items and routine household maintenance	Health (1)	Transport (2)	Communications	Leisure and culture (1)	Education	Restaurants and hotels	Various goods and services(1)
2018	1.6	3.0	5.5	0.9	1.3	1.4	1.2	1.0	0.2	1.0	0.3	1.0	0.1	2.6	1.1	1.8
January	2.0	7.1	2.9	0.9	1.2	2.0	0.9	0.7	0.1	0.3	-0.1	-0.2	0.1	1.6	0.7	1.3
February	1.4	4.0	3.2	1.0	0.9	1.4	0.2	0.7	0.0	0.6	-0.2	-0.2	0.0	1.5	0.6	1.1
March	1.7	7.8	0.9	0.9	0.9	1.4	0.5	0.9	0.0	0.6	-0.6	-0.2	0.0	1.5	0.5	1.4
April	2.2	9.5	5.6	0.8	1.1	1.5	0.3	0.8	0.3	1.1	-0.4	-0.1	0.1	1.9	0.9	1.8
May	2.4	9.3	7.7	0.8	1.2	1.6	0.9	1.1	0.3	1.7	-0.2	-0.2	0.1	1.8	1.1	2.0
June	2.4	8.0	10.0	0.8	1.3	1.6	1.7	1.1	0.3	1.6	0.5	-0.2	-0.1	2.1	1.2	2.0
July	1.9	4.0	12.7	0.9	1.3	1.5	1.4	1.2	0.4	1.4	0.1	-0.2	-0.1	2.1	1.7	2.0
August	1.6	2.2	9.7	0.8	1.4	1.7	1.8	1.2	0.0	1.5	0.2	-0.3	0.0	2.1	1.5	2.1
September	1.2	-2.4	8.0	0.9	1.6	1.6	1.5	1.2	0.3	1.6	1.2	-0.2	0.1	3.9	1.3	2.1
October	1.1	-3.4	8.2	1.0	1.5	1.1	1.7	1.2	0.3	0.7	0.5	4.6	0.1	4.1	1.2	2.1
November	1.1	-1.7	4.0	1.1	1.5	0.7	1.5	1.2	0.4	0.6	1.0	4.6	0.2	4.3	1.2	2.1
December	0.2	-6.4	-5.5	1.0	1.4	0.6	1.6	1.2	0.3	0.6	1.2	4.6	0.0	4.3	1.3	2.1
2019	0.2	-1.5	-2.7	1.3	0.5	-1.1	1.2	1.5	0.4	0.0	0.7	3.3	0.3	3.5	1.4	0.8
January	-0.5	-7.1	-10.8	1.3	0.9	-0.3	1.6	1.2	0.4	0.4	0.9	4.6	0.4	3.8	1.3	1.0
February	0.0	-4.0	-8.2	1.2	0.8	-0.7	2.1	1.5	0.6	0.0	0.9	4.5	0.7	3.8	1.3	1.1
March	-0.1	-6.4	-1.4	1.2	0.8	-0.8	1.6	1.2	0.7	-0.3	0.9	4.5	0.8	3.8	1.4	1.0
April	0.0	-4.9	-1.1	1.2	0.7	-0.9	1.6	1.5	0.4	-0.3	1.2	4.5	0.2	3.8	1.3	0.7
May	0.3	-1.9	0.8	1.3	0.5	-1.0	1.7	1.3	0.4	-0.6	0.8	4.5	0.2	3.8	1.1	0.7
June	0.2	-1.0	-1.5	1.3	0.3	-1.5	0.5	1.3	0.5	0.0	0.7	4.5	0.4	3.4	1.2	0.6
July	0.3	-0.4	-2.1	1.3	0.4	-1.4	0.7	1.5	0.4	0.2	0.9	4.5	0.5	3.4	1.1	0.7
August	0.7	1.8	-2.4	1.4	0.5	-1.2	0.6	1.7	0.6	0.4	1.4	4.6	0.3	3.4	1.5	0.7
September	0.1	-0.7	-4.4	1.3	0.3	-1.5	1.0	1.5	0.4	0.1	0.7	4.5	0.3	3.5	1.6	0.7
October	0.5	3.1	-3.6	1.3	0.1	-1.4	1.2	1.3	0.1	-0.2	0.7	-0.4	0.4	3.2	1.7	0.6
November	0.4	0.7	-2.7	1.2	0.2	-1.1	1.2	1.5	0.1	-0.1	0.3	-0.5	0.1	3.0	1.8	0.7
December	1.1	3.5	6.5	1.3	0.3	-0.8	1.0	1.3	0.1	0.0	-0.2	-0.5	0.0	3.1	1.8	0.7

(1) Excluding products and services with regulated tariffs.
(2) Excluding products and services with regulated tariffs and fuels and lubricants.
Source : Calculated on the basis of data from High Commission for Planing.

TABLE A4.2 PRICE INDEX OF TRADABLES AND NON TRADABLES

(annual change)

Years/months	Price of tradable goods	Price of non tradable goods	CPIX
2018	0.6	2.1	1.3
January	1.1	1.3	1.2
February	0.8	1.0	0.9
March	0.7	1.1	0.9
April	0.7	1.5	1.1
May	0.9	1.7	1.2
June	0.9	1.9	1.3
July	0.8	1.9	1.3
August	0.7	2.2	1.4
September	0.8	2.6	1.6
October	0.3	3.2	1.5
November	-0.1	3.5	1.5
December	-0.3	3.7	1.4
2019	-1.2	2.6	0.5
January	-0.9	3.2	0.9
February	-1.1	3.4	0.8
March	-1.2	3.4	0.8
April	-1.2	3.1	0.7
May	-1.4	3.0	0.5
June	-1.6	2.7	0.3
July	-1.5	2.8	0.4
August	-1.3	2.8	0.5
September	-1.2	2.3	0.3
October	-1.1	1.7	0.1
November	-0.9	1.6	0.2
December	-0.7	1.5	0.3

Source : Calculated on the basis of data from High Commission for Planing.

TABLE A4.3 INDUSTRIAL PRODUCER PRICE INDEX

(annual change)

(base 100 in 2010)

	2013	2014	2015	2016	2017	2018	2019
Mining industries	**0.1**	**0.3**	**-0.2**	**-0.3**	**0.0**	**0.0**	**0.2**
Mining hydrocarbons	1.6	0.1	0.0	0.0	0.0	0.0	0.0
Mining metallic ores	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other extractive industries	0.2	0.3	-0.2	-0.4	0.0	0.1	0.1
Manufacturing industries excluding refining (*)	**-0.9**	**-2.0**	**-0.2**	**-0.4**	**0.7**	**2.6**	**0.5**
Food industries	1.5	-0.7	-0.7	-0.4	0.3	0.2	-0.6
Beverages manufacturing	1.5	1.0	0.1	0.0	0.0	0.3	0.2
Manufacturing of tabacco products	6.4	2.1	5.2	2.4	0.0	0.0	0.3
Textile manufacturing	-0.3	0.5	-2.8	0.1	-1.2	1.8	0.2
Manufacturing of wearing apparel	0.7	1.1	2.8	0.8	0.0	0.7	2.0
Manufacturing of leather and related products exept leather clothing	5.2	0.9	0.0	0.1	2.7	0.9	0.0
Manufacturing of wood and products of wood and cork, exept furniture; manufacture of articles of straw and plaiting materials	0.8	2.5	0.0	0.7	-0.3	1.5	4.1
Manufacturing of paper and cardboards	1.8	1.0	-0.4	-2.3	0.2	0.8	4.6
Printing and reproduction of recorded media	0.6	0.3	0.0	0.0	0.0	0.0	-0.1
Chemical industry	-9.5	-11.7	-0.3	-0.2	2.1	12.1	3.5
Pharmaceutical industry	-1.2	-1.6	-2.8	-0.7	-0.3	-0.2	-0.1
Manufacturing of rubber and plastic products	0.1	2.4	2.4	2.6	-0.5	-0.5	-0.5
Manufacturing of other non-metallicproducts	4.0	1.5	0.2	-0.7	0.7	2.6	-0.2
Manufacturing of base metals	-1.2	-0.2	-1.6	-2.2	0.4	-0.2	-2.6
Manufacturing of metal products, exept machinery and equipment	1.4	-1.3	-2.9	-0.3	2.3	1.3	-0.6
Computer, electronic and optics products	-0.1	0.9	0.3	-0.1	0.2	-1.1	0.2
Manufacturing of Electric equipment	-1.6	-2.4	0.1	-3.1	2.9	6.2	-0.8
Manufacturing of machinery and equipment N.E.C	0.8	1.3	0.0	0.1	0.0	0.0	-0.1
Automotive industry	-0.3	-0.3	1.3	-0.2	-0.7	0.2	0.2
Manufacture of other transport equipment	0.0	-0.2	0.0	0.0	0.0	0.0	0.0
Manufacture of furniture	0.6	1.4	1.8	-0.2	2.4	2.7	0.3
Other manufactured industries	-2.9	-5.2	-5.3	0.0	0.7	-0.5	0.6
Production and distribution of electricity	**0.0**	**1.5**	**5.2**	**3.9**	**3.9**	**0.0**	**0.0**
Production and distribution of water	**0.0**	**2.5**	**9.6**	**6.0**	**0.0**	**0.0**	**0.0**

Source : High commission for planning`

(*) In the absence of official data on producer prices excluding refining for the period before May 2016, this index is calculated by including the weight of the refining industry as estimated by Bank Al-Maghrib.

TABLE A5.1 IMPORTS BY MAIN PRODUCTS

(Weight in thousands of tonnes, Value in millions of dirhams)

	2018*		2019**		Changes				Structure 2019 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Total imports	**55 112**	**481 442**	**59 477**	**491 230**	**4 364**	**7.9**	**9 788**	**2.0**	**100.0**	**100.0**
Food, beverage and tobacco	**10 675**	**45 776**	**11 562**	**47 825**	**888**	**8.3**	**2 049**	**4.5**	**19.4**	**9.7**
Wheat	3 987	9 124	3 845	9 233	-142	-3.6	109	1.2	33.3	19.3
Oilcake and other food industry residues	1 779	4 911	2 061	5 241	282	15.9	330	6.7	17.8	11.0
Corn	2 360	4 647	2 731	5 235	372	15.7	588	12.7	23.6	10.9
Raw or refined sugar	1 057	3 505	1 207	3 957	150	14.1	452	12.9	10.4	8.3
Tea	76	2 069	83	2 231	8	10.2	162	7.9	0.7	4.7
Other food products	1 417	21 522	1 636	21 929	219	15.4	407	1.9	14.1	45.9
Energy and lubricants	**22 838**	**82 301**	**24 290**	**76 343**	**1 452**	**6.4**	**-5 958**	**-7.2**	**40.8**	**15.5**
Gas-oil and fuel-oil	7 124	41 537	6 892	38 776	-233	-3.3	-2 760	-6.6	28.4	50.8
Petroleum gas and other hydrocarbons	3 612	15 601	3 679	14 055	67	1.9	-1 546	-9.9	15.1	18.4
Coal, coke and similar solid fuels	9 964	8 655	11 422	9 088	1 458	14.6	433	5.0	47.0	11.9
Petroleum oil and lubricants	1 106	8 315	1 171	8 428	65	5.9	113	1.4	4.8	11.0
Electrical energy	0	2 302	0	149	0	-	-2 154	-93.5	0.0	0.2
Other energy products	1 032	5 891	1 127	5 847	95	9.2	-45	-0.8	4.6	7.7
RAW PRODUCTS OF ANIMAL AND VEGETABLE ORIGIN	**1 799**	**13 276**	**1 869**	**12 497**	**70**	**3.9**	**-779**	**-5.9**	**3.1**	**2.5**
Raw or refined soybean oil	526	3 777	547	3 678	21	4.1	-99	-2.6	29.3	29.4
Raw, sawn, or hewn wood	722	2 927	760	2 752	38	5.2	-175	-6.0	40.7	22.0
Seeds, spores and fruit used to plant	38	997	28	947	-10	-26.2	-50	-5.0	1.5	7.6
Inedible animal sub-products	17	819	17	736	0	-0.4	-83	-10.2	0.9	5.9
Cotton	8	164	6	115	-2	-25.0	-49	-30.0	0.3	0.9
Other raw products of animal and vegetable origin	488	4 593	511	4 270	23	4.7	-323	-7.0	27.3	34.2
RAW PRODUCTS OF MINERAL ORIGIN	**6 652**	**11 327**	**7 488**	**9 651**	**836**	**12.6**	**-1 676**	**-14.8**	**12.6**	**2.0**
Crude and unrefined sulphur	5 835	7 967	6 673	6 961	838	14.4	-1 006	-12.6	89.1	72.1
Scrap metal, waste and scrap from copper, iron, steel and other ores	463	1 505	468	1 330	5	1.0	-175	-11.6	6.2	13.8
Synthetic textile fibres	35	566	30	468	-5	-14.0	-97	-17.2	0.4	4.9
Synthetic rubber	7	146	7	170	1	7.5	24	16.3	0.1	1.8
Sand, quartz, Kaolin and other clays	155	153	149	159	-6	-4.1	6	3.8	2.0	1.6
Other raw products of mineral origin	158	990	161	562	3	2.2	-428	-43.2	2.2	5.8

(*) Revised
(**) Provisional
(***) Represents the share of each product within its usage group, and the share of each usage group within the total.
Source : Foreign Exchange Control Office

TABLE A5 1 IMPORTS BY MAIN PRODUCTS (continued)

(Weight in thousands of tonnes Value in millions of dirhams)

	2018*		2019**		Changes				Structure 2019 in %(***)	
	Weight	Value	Weight	Value	Weight		Value		Weight	Value
					Absolute	%	Absolute	%		
Semi-finished products	**10 537**	**99 859**	**11 500**	**104 528**	**963**	**9.1**	**4 669**	**4.7**	**19.3**	**21.3**
Plastic materials and different plastic articles	822	13 763	907	14 385	84	10.2	621	4.5	7.9	13.8
Chemical products	2 468	10 216	2 439	10 340	-29	-1.2	124	1.2	21.2	9.9
Paper and cardboard; different articles in paper and cardboard	622	6 567	601	6 308	-20	-3.3	-260	-4.0	5.2	6.0
Copper wires rods and shapes	77	5 031	87	5 301	10	13.0	270	5.4	0.8	5.1
Iron and non-alloy steel wires bars and shapes	548	3 549	702	4 350	154	28.1	801	22.6	6.1	4.2
Semi-finished products of iron or non-alloy steel	503	2 503	944	4 079	441	87.7	1 576	63.0	8.2	3.9
Flat-rolled products of iron or non-alloy steel	411	3 782	437	3 957	26	6.4	175	4.6	3.8	3.8
Ammonia	1 446	3 983	1 588	3 763	142	9.8	-220	-5.5	13.8	3.6
Natural and chemical fertilizers	1 160	3 175	950	2 792	-210	-18.1	-383	-12.1	8.3	2.7
Piping accessories and metal construction	78	1 986	99	2 419	20	26.1	434	21.8	0.9	2.3
Electronic components (transistors)	1	2 085	1	2 175	0	-21.8	90	4.3	0.0	2.1
Other semi-finished products	2 401	43 219	2 745	44 660	344	14.3	1 441	3.3	23.9	42.7
Finished products of agricultral equipment	**44**	**2 372**	**36**	**1 789**	**-8**	**-17.7**	**-583**	**-24.6**	**0.1**	**0.4**
Agricultural tools and machines	30	1 405	27	1 248	-3	-8.4	-156	-11.1	75.2	69.8
Cultivators and agricultural tractors	14	959	9	531	-5	-37.2	-428	-44.6	24.6	29.7
Other finished products of agricultural equipment	0	9	0	10	0	-10.2	1	14.6	0.3	0.6
Finished industrial equipment products	**885**	**117 861**	**929**	**125 219**	**44**	**5.0**	**7 358**	**6.2**	**1.6**	**25.5**
Miscellaneous machines and appliances	89	10 233	103	12 231	14	15.7	1 998	19.5	11.1	9.8
Apparatus for cutting or connecting electrical circuits and resistances	28	9 275	32	9 921	4	14.7	645	7.0	3.4	7.9
Wires cables and other insulated conductors for electricity	53	9 070	50	9 052	-4	-7.2	-18	-0.2	5.3	7.2
Piston engines; other engines and parts thereof (industrial equipment)	81	9 060	80	8 925	-1	-0.9	-135	-1.5	8.6	7.1
Parts of aircraft and other air or space vehicles	4	7 728	4	8 183	0	10.3	456	5.9	0.4	6.5
Utility cars	65	5 309	80	6 735	15	23.6	1 426	26.9	8.6	5.4

(*) Revised
(**) Provisional
(***) Represents the share of each product within its usage group and the share of each usage group within the total
Source : Foreign Exchange Office

TABLE A5.1 IMPORTS BY MAIN PRODUCTS (continued)

(Wheight in thousands of tonnes, Value in millions of dirhams)

	2018*		2019**		Changes				Structure 2019 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Pumps and compressors	44	3 590	42	3 753	-1	-3.2	163	4.5	4.5	3.0
Bandages and tires	69	3 139	65	2 945	-3	-4.7	-194	-6.2	7.0	2.4
Automatic data-processing machines and parts thereof	3	2 448	4	2 766	0	9.1	317	13.0	0.4	2.2
Sorting, crushing, grinding or agglomerating machines	20	1 255	25	1 184	5	24.2	-70	-5.6	2.7	0.9
Parts and spare parts for industrial vehicles	8	449	8	361	-1	-9.5	-88	-19.5	0.8	0.3
Other finished industrial equipment products	422	56 305	436	59 163	15	3.5	2 858	5.1	47.0	47.2
Finished consumer products	**1 681**	**108 491**	**1 802**	**113 059**	**120**	**7.1**	**4 568**	**4.2**	**3.0**	**23.0**
Tourist vehicles	201	21 975	185	20 319	-16	-8.1	-1 656	-7.5	10.2	18.0
Parts and spare parts for cars and tourist vehicles	280	17 593	302	18 768	22	7.8	1 175	6.7	16.7	16.6
Fabrics and yarn of man-made filaments	68	7 551	82	8 170	14	20.9	619	8.2	4.6	7.2
Knitted fabrics	9	6 370	9	6 926	1	7.9	556	8.7	0.5	6.1
Drugs and other pharmaceuticals	109	5 215	129	5 982	20	18.1	767	14.7	7.2	5.3
Miscellaneous plastic works	82	5 275	97	5 747	15	17.9	472	8.9	5.4	5.1
Seats, furniture, mattresses and lighting items consumption	107	3 493	111	3 561	4	3.8	67	1.9	6.1	3.1
Cotton fabrics and threads	28	2 828	33	2 974	5	18.6	146	5.2	1.9	2.6
Radio and television receivers	17	2 831	16	2 693	-1	-5.3	-138	-4.9	0.9	2.4
Other consumption finished products	782	35 360	839	37 919	57	7.3	2 560	7.2	46.5	33.5
Industrial gold	**0**	**177**	**0**	**317**	**0**	**-**	**140**	**79.4**	**0.0**	**0.1**

(*) Revised.
(**) Provisional
(***) Represents the share of each product within its usage group, and the share of each usage group within the total.
Source : Foreign Exchange Office

TABLE A5 2 EXPORTS BY MAIN PRODUCTS

(Wheight in thousands of tonnes, Value in millions of dirhams)

	2018*		2019**		Changes				Structure 2019 in %(***)	
	Weight	Value	Weight	Value	Weight		Value		Weight	Value
					Absolute	%	Absolute	%		
Total exports	**32 672**	**275 441**	**31 690**	**282 057**	**-982**	**-3.0**	**6 617**	**2.4**	**100.0**	**100.0**
Food products, beverages and tobacco	**3 765**	**53 146**	**3 857**	**55 794**	**92**	**2.4**	**2 648**	**5.0**	**12.2**	**19.8**
Crustaceans, mollusc and shellfish	89	8 691	107	7 938	18	20.6	-753	-8.7	2.8	14.2
Canned fish and crustaceans	197	7 451	210	7 861	13	6.7	410	5.5	5.4	14.1
Fresh tomatoes	561	6 365	588	7 356	27	4.7	991	15.6	15.2	13.2
Fresh, frozen or in brine vegetables	538	5 535	462	5 320	-76	-14.1	-215	-3.9	12.0	9.5
Citrus fruits	739	4 292	639	4 773	-100	-13.5	481	11.2	16.6	8.6
Other products	1 641	20 812	1 851	22 545	210	12.8	1 733	8.3	48.0	40.4
Energy products and lubricants	**382**	**3 209**	**469**	**4 292**	**87**	**22.7**	**1 083**	**33.8**	**1.5**	**1.5**
Petroleum oil and lubricants	379	3 103	465	3 679	86	22.7	577	18.6	99.2	85.7
Other energy products	3	106	4	613	1	19.9	507	476.6	0.8	14.3
Raw products of animal and vegetable origin	**233**	**5 475**	**243**	**5 927**	**10**	**4.3**	**452**	**8.3**	**0.8**	**2.1**
Inedible animal sub-products	12	650	13	840	1	4.1	190	29.3	5.3	14.2
Crude and refined olive oil	35	732	40	770	5	15.1	38	5.2	16.5	13.0
Fish fats and oils	31	629	36	618	5	16.4	-10	-1.7	14.7	10.4
Other crude or refined vegetable oils	22	521	14	465	-8	-37.9	-56	-10.7	5.7	7.8
Live plants and floriculture products	8	250	9	301	1	16.5	52	20.7	3.9	5.1
Agar-agar	1	319	1	281	0	-11.5	-38	-12.0	0.4	4.7
Other products	124	2 375	130	2 651	6	5.2	276	11.6	53.5	44.7
Raw products of mineral origin	**14 729**	**14 687**	**13 219**	**13 295**	**-1 510**	**-10.3**	**-1 392**	**-9.5**	**41.7**	**4.7**
Phosphates	11 251	8 298	9 495	7 311	-1 755	-15.6	-987	-11.9	71.8	55.0
Scrap metal, waste and scrap from copper, iron, steel and other ores	75	1 663	71	1 607	-4	-4.8	-55	-3.3	0.5	12.1
Barium sulphate	965	840	1 074	948	109	11.3	108	12.8	8.1	7.1
Copper ores	133	1 170	117	922	-16	-11.8	-247	-21.1	0.9	6.9
Lead Ore	72	816	61	732	-11	-15.2	-84	-10.3	0.5	5.5
Other raw products of mineral origin	2 234	1 901	2 400	1 775	167	7.5	-126	-6.6	18.2	13.4

(*) Revised
(**) Provisional
(***) Represents the part of each product in its usage group, and the share of each usage group within the total .
Source : Foreign Exchange Office

TABLE A5.2 EXPORTS BY MAIN PRODUCTS (continued)

Weight in million of tonnes / Value in millions dirhams)

	2018*		2019**		Changes				Structure 2019 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
SEMI FINISHED PRODUCTS	**12 493**	**60 629**	**12 755**	**58 156**	**262**	**2.1**	**-2 472**	**-4.1**	**40.2**	**20.6**
Natural and chemical fertilizers	8 386	29 828	9 058	28 050	672	8.0	-1 778	-6.0	71.0	48.2
Phosphoric acid	2 065	13 863	2 092	13 584	27	1.3	-278	-2.0	16.4	23.4
Electronic components (transistors)	2	4 411	3	4 270	1	69.0	-140	-3.2	0.0	7.3
Raw silver and semi-finished silver articles	0	662	0	899	0	30.6	236	35.7	0.0	1.5
Flat-rolled products of iron or non-alloy steel	85	650	64	463	-21	-25.1	-187	-28.8	0.5	0.8
Other products	1 955	11 215	1 538	10 889	-417	-21.3	-325	-2.9	12.1	18.7
FINISHED PRODUCTS OF AGRICULTURAL EQUIPMENT	**0**	**151**	**0**	**136**	**0**	**-22.3**	**-16**	**-10.3**	**0.0**	**0.0**
Agricultural tools and machines	0	8	0	9	0	22.4	2	21.8	33.6	6.9
Cultivators and agricultural tractors	0	11	0	1	0	-90.6	-10	-88.9	5.1	0.9
Other finished products of agricultural equipment	0	133	0	125	0	31.0	-8	-5.7	61.3	92.2
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	**265**	**53 875**	**293**	**58 696**	**27**	**10.3**	**4 821**	**8.9**	**0.9**	**20.8**
Wires, cables and other insulated conductors for electricity	176	30 204	196	33 357	20	11.4	3 153	10.4	67.0	56.8
Parts of aircraft and other air or space vehicles	3	7 446	3	7 626	0	4.4	180	2.4	1.1	13.0
Apparatus for cutting or connecting electrical circuits and resistances	19	7 412	19	7 422	0	1.0	10	0.1	6.5	12.6
Turbojets and turboprop engines and parts thereof	0	631	0	622	0	22.9	-9	-1.4	0.1	1.1
Utility cars	6	609	4	410	-1	-22.5	-199	-32.6	1.5	0.7
Other finished industrial equipment products	62	7 574	70	9 259	8	13.1	1 686	22.3	23.9	15.8
Finished consumer products	**804**	**83 890**	**855**	**85 145**	**51**	**6.3**	**1 254**	**1.5**	**2.7**	**30.2**
Tourist vehicles	406	33 533	422	33 087	16	3.9	-446	-1.3	49.3	38.9
Ready-made clothing	77	23 774	78	23 307	1	1.8	-467	-2.0	9.2	27.4
Hosiery items	48	7 800	46	7 499	-1	-2.6	-301	-3.9	5.4	8.8
Covers, linen and other made-up textile articles	10	2 530	11	2 365	1	12.0	-165	-6.5	1.3	2.8
Shoes	11	2 372	10	2 194	0	-4.1	-178	-7.5	1.2	2.6
Other products	253	13 882	286	16 693	34	13.4	2 811	20.3	33.5	19.6
Industrial gold	**0**	**377**	**0**	**615**	**0**	**49.7**	**239**	**63.3**	**0.0**	**0.2**

(*) Revised.
(**) Provisional
(***) Represents the share of each product within its usage group, and the share of each usage group within the total.
Source : Foreign Exchange Office

TABLE A5.3 GEOGRAPHICAL DISTRIBUTION OF FOREIGN TRADE

(In millions of dirhams)

	Exports F O B		Imports C I F		Balance	
	2018*	2019**	2018*	2019**	2018*	2019**
Total	**275 441**	**282 057**	**481 442**	**491 230**	**-206 001**	**-209 173**
EUROPE	**193 224**	**200 386**	**309 240**	**308 171**	**-116 016**	**-107 785**
Spain	65 069	67 956	76 111	76 412	-11 042	-8 456
France	59 825	60 855	57 266	60 029	2 559	826
Italy	11 780	13 135	26 888	26 347	-15 108	-13 212
Germany	8 732	9 053	23 465	24 284	-14 733	-15 231
Netherlands	6 237	7 529	8 745	7 729	-2 508	-200
United Kingdom	7 801	6 998	10 615	8 308	-2 814	-1 310
Turkey	5 550	6 142	21 536	25 629	-15 987	-19 487
Other	28 230	28 717	84 614	79 433	-56 384	-50 716
ASIE	**28 252**	**27 732**	**94 229**	**103 978**	**-65 978**	**-76 247**
India	10 341	8 226	6 598	11 143	3 743	-2 917
Arab countries of the Middle East (1)	4 172	5 043	21 501	22 988	-17 329	-17 944
China	2 540	2 724	47 285	49 857	-44 745	-47 134
Japan	1 987	2 471	3 591	3 402	-1 604	-931
Other	9 212	9 268	15 254	16 589	-6 042	-7 320
AMERICA	**27 487**	**26 367**	**56 316**	**58 718**	**-28 829**	**-32 350**
United States	12 941	11 154	38 221	36 323	-25 280	-25 169
Brazil	7 204	8 232	5 808	5 547	1 396	2 685
Canada	2 941	2 811	4 581	3 873	-1 641	-1 062
Mexico	2 014	1 516	1 307	2 509	707	-994
Other	2 387	2 656	6 399	10 466	-4 011	-7 810
AFRICA	**21 594**	**21 649**	**18 919**	**17 928**	**2 675**	**3 722**
Mauritania	1 775	1 873	22	24	1 753	1 849
Algeria	1 630	1 529	6 960	4 955	-5 331	-3 426
Libya	805	848	521	194	284	653
Tunisia	1 093	819	2 434	2 368	-1 341	-1 549
Other	16 290	16 580	8 982	10 386	7 308	6 194
OCEANIA AND OTHER	**4 884**	**5 923**	**2 737**	**2 436**	**2 147**	**3 487**

(*) Revised
(**) Provisional
(1) Occupied Palestinian territories, Qatar, Jordan, United Arab Emirates, Oman, Kuwait, Islamic Republic of Iran, Syrian Arab Republic, Afghanistan, Iraq, Saudi Arabia, Bahrain, Yemen and Lebanon.
Source : Foreign Exchange Office.

TABLE A5.4 BALANCE OF PAYMENT

(In millions of dirhams)

	2019*		
	Credit	Debit	Balance
CURRENT TRANSACTIONS ACCOUNT			
GOODS AND SERVICES	**423 440.4**	**527 509.9**	**-104 069.5**
GOODS	**237 136.3**	**429 550.5**	**-192 414.2**
General goods	236 446.0	429 261.9	-192 815.9
Net exports of goods under merchanting	550.3	-	+550.3
Non-monetary gold	140.0	288.6	-148.6
SERVICES	**186 304.1**	**97 959.4**	**+88 344.7**
Manufacturing services performed on physical inputs detained by third parties	15 572.0	27.0	+15 545.0
Maintenance and repairing services not included elsewhere	3 269.3	793.0	+2 476.3
Transportation	35 295.8	41 567.1	-6 271.3
Sea transportation	11 795.0	26 800.1	-15 005.1
Air transportation	18 112.9	10 548.3	+7 564.6
Other transportation	5 337.5	4 038.0	+1 299.5
Postal and mail services	50.4	180.7	-130.3
Travel	78 751.9	20 926.8	+57 825.1
Business travels	3 543.8	1 782.9	+1 760.9
Personal travels	75 208.1	19 143.9	+56 064.2
Construction	3 577.4	3 932.6	-355.2
Insurance and pension services	910.2	452.3	+457.9
Financial services	907.5	1 271.5	-364.0
Fees for intellectual property usage, not included elsewhere	116.7	1 420.3	-1 303.6
Telecommunication, computer and information services	15 265.9	3 422.4	+11 843.5
Other services to businesses	25 224.5	14 488.4	+10 736.1
Personal, cultural and leisure services	1 090.1	308.3	+781.8
Goods and services of the general government, not included elsewhere	6 322.8	9 349.7	-3 026.9
PRIMARY INCOME	**7 414.7**	**25 838.4**	**-18 423.7**
Investment income	6 761.9	25 802.7	-19 040.8
Direct investments	4 609.5	16 960.7	-12 351.2
Portfolio investments	43.4	3 330.4	-3 287.0
Other investments	140.7	5 511.6	-5 370.9
Reserve assets	1 968.3	-	+1 968.3
Other primary income	652.8	35.7	+617.1
SECONDARY INCOME	**81 982.8**	**6 806.1**	**+75 176.7**
Public	3 575.0	1 009.7	+2 565.3
Private	78 407.8	5 796.4	+72 611.4
CURRENT ACCOUNT	**512 837.9**	**560 154.4**	**-47 316.5**
Financing capacity (+) / need(-)			**-47 316.5**

(*) Provisional
Source : Foreign Exchange Office

TABLE A5.4 BALANCE OF PAYMENT (continued)

(In millions of dirhams)

	2019*		
	Net asset purchases	Liability net increase	Balance
FINANCIAL ACCOUNT			
DIRECT INVESTMENTS	**9 933.0**	**15 379.0**	**-5 446.0**
Equity and investment funds shares	9 322.0	13 380.0	-4 058.0
Debt instruments	611.0	1 999.0	-1 388.0
PORTFOLIO INVESTMENTS	**145.9**	**11 575.9**	**-11 430.0**
Shares and investment fund units	136.2	2 686.8	-2 550.6
Debt securities	9.7	8 889.1	-8 879.4
FINANCIAL DERIVATIVES	**-2 405.3**	**-2 588.6**	**+183.3**
OTHER INVESTMENTS	**-485.7**	**34 902.3**	**-35 388.0**
Other equity	287.8	-	+287.8
Currency and deposits	-898.6	11 443.1	-12 341.7
Loans	269.0	12 437.9	-12 168.9
Trade credits and other advances	-143.9	11 021.3	-11 165.2
RESERVE ASSETS	**18 707.7**	**-**	**+18 707.7**
TOTAL CHANGE IN ASSETS/LIABILITIES	**25 895.6**	**59 268.6**	**-33 373.0**
Financing capacity (+) / need (–)			**-33 373.0**
Net errors and omissions			+13 943.5

(*) Provisional
Source : Foreign Exchange Office.

TABLE A5.5 INTERNATIONAL INVESTMENT POSITION

(In millions of dirhams)

	2018*			2019**		
	Asset	Liability	Balance	Asset	Liability	Balance
Direct investments	**51 828**	**613 486**	**-561 658**	**61 970**	**638 173**	**-576 204**
Equity and investment funds shares	**47 276**	**556 835**	**-509 559**	**56 491**	**579 455**	**-522 965**
Direct investor in direct investment firms	47 276	556 835	-509 559	56 491	579 455	-522 965
Debt instruments	**4 552**	**56 651**	**-52 100**	**5 479**	**58 718**	**-53 239**
Direct investor's claims on direct investment firms	4 552	56 651	-52 100	5 479	58 718	-53 239
Portfolio investments	**11 114**	**101 024**	**-89 911**	**11 214**	**115 505**	**-104 291**
Equity and investment funds shares	**10 003**	**30 027**	**-20 023**	**10 100**	**37 268**	**-27 168**
Deposit-taking institutions other than central bank	963	11 339	-10 377	958	16 557	-15 598
Other sectors	9 040	18 687	-9 647	9 142	20 711	-11 569
Other financial corporations	2 949	962	1 987	2 993	962	2 030
Nonfinancial corporations, households and NPISH	6 092	17 725	-11 634	6 149	19 749	-13 600
Debt securities	**1 110**	**70 998**	**-69 888**	**1 114**	**78 237**	**-77 124**
Deposit-taking institutions other than the central bank	1 053	1 257	-204	1 047	1 088	-42
General government	-	42 512	-42 512	-	50 112	-50 112
Other sectors	58	27 229	-27 171	67	27 037	-26 970
Other financial corporations	58	-	58	67	-	67
Nonfinancial corporations, households and NPISH	-	27 229	-27 229	-	27 037	-27 037
Financial derivatives (other than reserves) and employees stock-options	**349**	**290**	**59**	**201**	**128**	**73**
Other investments	**74 135**	**390 115**	**-315 980**	**77 723**	**415 786**	**-338 063**
Other equity	**2 335**	**-**	**2 335**	**2 618**	**-**	**2 618**
Currency and deposits	**44 704**	**37 120**	**7 584**	**48 093**	**48 562**	**-469**
Central bank	826	3 129	-2 303	791	3 567	-2 776
Deposit-taking institutions other than the central bank	39 628	33 991	5 637	43 925	44 996	-1 071
Other sectors	4 250	-	4 250	3 377	-	3 377
Other financial corporations	938	-	938	935	-	935
Nonfinancial corporations, households and NPISH	3 312	-	3 312	2 443	-	2 443
Loans	**358**	**287 718**	**-287 360**	**631**	**295 619**	**-294 988**
Deposit-taking institutions other than the central bank	358	2 539	-2 181	631	4 397	-3 766
General government	-	106 607	-106 607	-	113 219	-113 219
Other sectors	-	178 572	-178 572	-	178 003	-178 003
Other financial corporations	-	641	-641	-	680	-680
Nonfinancial corporations, households and NPISH	-	177 931	-177 931	-	177 323	-177 323
Commercial credits and advances	**26 738**	**57 808**	**-31 070**	**26 381**	**64 157**	**-37 776**
Other sectors	26 738	57 808	-31 070	26 381	64 157	-37 776
Nonfinancial corporations, households and NPISH	26 738	57 808	-31 070	26 381	64 157	-37 776
Special drawing rights (allocations)	**-**	**7 469**	**-7 469**	**-**	**7 448**	**-7 448**
Reserve assets	**233 744**	**-**	**233 744**	**253 381**	**-**	**253 381**
Monetary gold	8 732	-	8 732	10 387	-	10 387
Special drawing rights	7 205	-	7 205	7 133	-	7 133
IMF reserve position	1 960	-	1 960	1 955	-	1 955
Other reserve assets	215 848	-	215 848	233 907	-	233 907
Total assets/liabilities	**371 170**	**1 104 915**	**-733 745**	**404 489**	**1 169 593**	**-765 104**

(*) Revised.
(**) Provisional
Source : Foreign Exchange Office.

TABLE A6.1 TREASURY REVENUE AND EXPENDITURE

(In millions of dirhams)

	2018			2019			Changes in % Realization
	Realization(*)	FL	Implementation rate of finance bill	Realization(**)	FL	Implementation rate of finance bill	
Current revenue	**259 116**	**262 448**	**98.7**	**270 942**	**266 982**	**101.5**	**4.6**
Tax revenues	**235 145**	**237 010**	**99.2**	**238 245**	**245 971**	**96.9**	**1.3**
Direct taxes	95 523	97 059	98.4	95 763	102 674	93.3	0.3
Corporate tax	49 664	51 169	97.1	48 853	51 961	94.0	-1.6
Income tax	42 297	41 748	101.3	42 095	44 602	94.4	-0.5
Other direct taxes	3 562	4 142	86.0	4 815	6 111	78.8	35.2
Indirect taxes (1)	114 890	112 742	101.9	117 599	115 847	101.5	2.4
VAT	86 572	85 451	101.3	87 699	86 728	101.1	1.3
(Domestic)	31 919	30 554	104.5	31 620	28 618	110.5	-0.9
(Import)	54 654	54 897	99.6	56 079	58 110	96.5	2.6
CDT	28 318	27 291	103.8	29 900	29 119	102.7	5.6
(Tobacco)	10 820	9 550	113.3	11 335	11 000	103.0	4.8
(Energy products)	15 736	15 990	98.4	16 616	16 319	101.8	5.6
(Other)	1 763	1 751	100.7	1 949	1 800	108.3	10.6
Customs duties	9 693	9 688	100.0	9 768	9 424	103.6	0.8
Registration Fees and stamp duties	15 039	17 521	85.8	15 115	18 026	83.8	0.5
Non-tax revenues (2)	**20 194**	**22 138**	**91.2**	**28 888**	**17 711**	**163.1**	**43.1**
State monopolies	9 294	9 821	94.6	10 494	11 450	91.7	12.9
Other revenues	10 900	12 317	88.5	18 394	6 261	293.8	68.8
Including the Central Guarantee Fund	2 793	7 000	39.9	1 637	2 000	81.9	-41.4
Revenues of Certain Special Treasury accounts	**3 777**	**3 300**	**114.5**	**3 809**	**3 300**	**115.4**	**0.8**
Expenditure	**304 339**	**301 722**	**100.9**	**320 212**	**316 366**	**101.2**	**5.2**
Current expenditure	**238 738**	**241 461**	**98.9**	**249 800**	**258 761**	**96.5**	**4.6**
Administrative expenses	168 726	174 995	96.4	181 109	186 715	97.0	7.3
Personnel expenses	106 232	108 854	97.6	111 526	112 159	99.4	5.0
Other goods and services	62 494	66 141	94.5	69 583	74 555	93.3	11.3
Interest on the Public debt	26 322	27 112	97.1	26 310	27 658	95.1	0.0
Domestic	22 589	23 470	96.2	22 577	23 703	95.3	-0.1
Foreign	3 733	3 642	102.5	3 733	3 955	94.4	0.0
Subsidization	17 718	13 719	129.1	16 072	18 370	87.5	-9.3
Transfers to local authorities	25 972	25 635	101.3	26 310	26 018	101.1	1.3
Current balance	**20 378**	**20 987**	**-**	**21 141**	**8 221**	**-**	**-**
Capital expenditure	**65 601**	**60 261**	**108.9**	**70 412**	**57 606**	**122.2**	**7.3**
Special Treasury accounts Balance	**3 565**	**6 000**	**-**	**2 255**	**6 000**	**-**	**-36.7**
Budget deficit	**-41 658**	**-33 274**	**-**	**-47 016**	**-43 384**	**-**	**12.9**
Change in pending transactions	**358**	**0**	**-**	**-4 498**	**0**	**-**	**-**
Financing requirements or surplus	**-41 301**	**-33 274**	**-**	**-51 514**	**-43 384**	**-**	**24.7**
Net financing	**41 301**	**33 274**	**-**	**51 514**	**43 384**	**-**	**-**
Foreign financing	**-1 838**	**19 767**	**-**	**16 999**	**18 514**	**-**	**-**
Foreign borrowing	6 247	25 000	-	25 084	27 000	-	-
Amortization	-8 085	-5 233	-	-8 085	-8 486	-	-
Domestic financing	**43 138**	**13 507**	**-**	**29 171**	**19 871**	**-**	**-**
Privatizations	**-**	**-**	**-**	**5 344**	**5 000**	**-**	**-**

(*) Revised
(**) Preliminary
(1) Including the share of the VAT receipts paid to local authorities .
(2) Excluding privatization revenue.
Source : Ministry of Economy and Finance and Administration reform.

TABLE A7.1 MAIN FOREIGN EXCHANGE RATES QUOTED BY BANK AL-MAGHRIB AND EFFECTIVE EXCHANGE RATE (EER)

End of period	2018		2019												
	Annual average	Dec.	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	Annual average
1 EURO - EUR (1)	11.086	10.853	10.883	10.822	10.867	10.827	10.826	10.845	10.763	10.671	10.665	10.676	10.665	10.691	10.766
1 DOLLAR - USD (1)	9.386	9.529	9.536	9.537	9.610	9.632	9.679	9.600	9.590	9.599	9.689	9.658	9.651	9.624	9.617
REAL EFFECTIVE EXCHANGE RATE(*)	99.969	101.366			100.002			100.280			100.689			100.651	100.405
NOMINAL EFFECTIVE EXCHANGE RATE(*)	110.331	113.201			112.259			112.749			113.995			113.830	113.208

(*) Quarterly data
(1) Monthly average reference exchange rate.
Source: Bank Al-Maghrib

TABLE A7.2 DEVELOPMENT OF THE EXCHANGE MARKET ACTIVITY

(In millions of dirhams)

	Annual average 2018	2019												Annual average 2019
		Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	
Spot operations														
Currency-againt-currency sale/purchase operations with foreign correspondants	37 019	38 741	36 826	32 923	42 638	35 678	44 727	38 657	32 789	36 368	49 104	47 537	57 016	41 084
Interbank sale/purchase operations againts the dirham(*)	17 366	17 845	17 354	12 958	18 313	16 150	22 572	22 491	16 628	28 461	29 890	21 404	28 446	21 043
Currency investments abroad	8 485	8 296	8 895	6 467	8 496	1 272	3 172	7 358	5 836	5 481	9 028	7 225	10 519	6 837
Currency sale by BAM to the banks	607	0	0	0	0	0	0	0	0	0	0	0	0	0
Forward operations														
Forward purchase of currency by banks customers (import coverage)	11 166	13 948	9 251	8 269	13 021	12 680	14 184	11 891	9 588	7 693	14 899	9 091	13 848	11 530
Forward sale of currency by banks customers (export cover)	3 887	3 404	1 767	2 019	1 371	1 490	1 972	2 074	1 136	1 758	2 787	967	5 085	2 153

(*) The series of the volume processed on the interbank foreign exchange market now includes purchase or sale transactions against the Moroccan Dirham on the local interbank market (one-way), plus the transactions carried out between local and foreign banks.
Source : Bank Al-Maghrib.

TABLE A7.3 BANK LIQUIDITY FACTORS AND BAM INTERVENTIONS(1)

(In millions of dirhams)

	Dec-18	Jan-19	Feb-19	March-19	April-19	May-19	June-19	July-19	Aug-19	Sept-19	Oct-19	Nov-19	Dec-19
Notes and coins	246 693	248 756	249 073	249 605	251 343	251 663	256 798	258 101	273 145	268 370	264 069	265 987	264 769
Treasury's net position (2)	-4 440	-4 181	-4 009	-3 591	-3 626	-3 774	-4 621	-4 489	-3 761	-3 851	-4 196	-4 097	-4 907
Bank Al-Maghrib net foreign exchange holdings	221 480	222 932	221 530	221 775	222 081	226 800	228 106	226 437	226 104	226 990	225 571	226 005	237 155
Other net factors	-17 270	-18 405	-19 342	-20 761	-20 215	-22 389	-21 747	-19 906	-21 857	-18 720	-20 244	-19 959	-20 160
Bank's structural liquidity position(3)	-46 923	-48 410	-50 893	-52 182	-53 102	-51 026	-55 060	-56 059	-72 659	-63 951	-62 938	-64 038	-52 681
Reserve requirement	22 032	22 182	22 608	22 305	22 109	22 175	22 419	22 517	22 819	19 979	11 446	11 391	11 437
Surplus or liquidity requirement	-68 956	-70 592	-73 501	-74 487	-75 211	-73 201	-77 479	-78 576	-95 477	-83 930	-74 385	-75 430	-64 118
Bank Al-Maghrib money market interventions	**69 428**	**72 085**	**73 500**	**75 700**	**76 198**	**73 452**	**79 118**	**77 680**	**97 142**	**84 898**	**74 468**	**77 320**	**66 065**
7-days advance on call for tenders	66 000	68 000	71 000	73 200	73 548	70 752	76 418	75 380	93 882	81 465	67 615	70 688	59 695
Advances at 24 hours	4 510	6 340	0	0	0	0	0	0	4 800	0	0	0	0
Guaranteed loans	2 300	2 500	2 500	2 500	2 650	2 700	2 700	2 300	2 300	2 300	2 300	2 300	2 300

(1) Monthly oustanding amounts calculated on the basis of end-of-week averages .

(2) The Treasury's net position is the difference between, on the one hand, the total of advances granted to the Treasury and the treasury bonds - open market transactions held by Bank Al-Maghrib, and on the` other hand, the total of accounts of the Treasury and Hassan II Fund for economic and social development . As the new statutes of Bank Al-Maghrib restrictes financial assistance to the state to cash facilities, the TNP is particularity influenced by movements at the level of the Treasury's account and that of Hassan II fund for economic and social development

(3) Bank's structural liquidity position is the net effect of autonomous factors on bank treasuries It is calculated as follows : BSLP = Net foreign assets of Bank Al-Maghrib + Treasury's net position + Other net factors - Notes and coins in circulation

Source: Bank Al-Maghrib.

TABLE A7.4 MONEY MARKET RATES IN 2019

(in %)

Month	Bank Al-Maghrib's intervention rate		Interbank market rate	
	7-days advances	24-hours advances	Monthly average	Month end
January	2.25	3.25	2.29	2.30
February	2.25	3.25	2.26	2.26
March	2.25	3.25	2.26	2.28
April	2.25	3.25	2.27	2.28
May	2.25	3.25	2.26	2.27
June	2.25	3.25	2.27	2.29
July	2.25	3.25	2.26	2.30
August	2.25	3.25	2.42	2.29
September	2.25	3.25	2.26	2.30
October	2.25	3.25	2.26	2.29
November	2.25	3.25	2.27	2.28
December	2.25	3.25	2.27	2.26

Source: Bank Al-Maghrib

TABLE A7.5 INTEREST RATES OF DEPOSITS WITH BANKS

(in %)

	2018		2019	
	January -June	July- December	January -June	July- December
Savings accounts(1)	1.84	1.88	1.94	1.83

(1) The minimum rate on savings books is equal to the weithed average rate of 52 weeks treasury bills issued by tender during previous semester minus 50 basis points.

Source: Bank Al-Maghrib

TABLE A7.6 DEPOSIT RATES IN 2019

(in %)

Month	6-month deposits weighted average interest rate	12- month deposits weighted average interest rates
January	2.87	3.13
February	2.70	3.03
March	2.76	3.03
April	2.65	2.95
May	2.69	3.00
June	2.70	3.05
July	2.87	3.01
August	2.65	3.02
September	2.74	2.99
October	2.63	2.99
November	2.69	2.94
December	2.71	3.00

Source: Bank Al-Maghrib

TABLE A7.7 WEIGHTED AVERAGE RATES OF TREASURY BILLS ISSUED BY TENDER

(in %)

Months		Maturities								
		13-weeks bills	26-weeks bills	52-weeks bills	2-years bills	5-years bills	10-years bills	15-years bills	20-years bills	30-years bills
2018	January	-	-	2.42	2.58	2.85	-	3.70	-	-
	February	-	-	2.35	2.55	2.81	3.29	-	-	-
	March	2.16	2.19	2.28	2.45	2.76	3.26	3.67	-	-
	April	-	-	2.31	2.45	2.75	3.22	-	3.98	-
	May	-	-	-	2.50	2.76	-	3.67	-	-
	June	-	-	-	2.54	2.78	3.25	3.68	-	-
	July	-	-	-	2.57	2.79	3.27	3.70	-	-
	August	2.20	-	2.40	2.58	2.82	3.28	-	-	-
	September	-	-	2.43	2.59	2.84	3.30	-	-	-
	October	-	-	2.45	2.60	2.86	3.31	-	-	-
	November	-	-	2.44	2.59	2.87	3.33	3.74	-	-
	December	-	-	2.45	2.60	2.86	3.37	3.74	-	-
2019	January	-	-	2.44	2.58	2.85	-	3.72	-	-
	February	-	-	2.35	-	2.75	3.25	3.62	3.89	-
	March	-	-	2.32	2.44	2.70	3.12	3.57	3.82	-
	April	-	-	2.33	2.41	2.65	3.06	3.49	3.77	4.43
	May	-	-	2.31	2.39	2.57	-	3.38	3.76	-
	June	-	-	2.29	2.37	2.57	2.97	3.38	3.68	-
	July	-	-	2.28	2.36	2.57	2.96	3.38	-	4.31
	August	2.20	-	2.33	2.38	2.60	2.97	3.40	3.62	-
	September	2.19	2.23	2.31	2.39	2.58	2.97	3.37	3.61	4.17
	October	2.17	-	2.28	2.35	2.51	2.89	3.20	-	-
	November	-	-	2.27	2.33	2.45	2.74	3.10	3.45	-
	December	2.15	-	2.26	2.29	2.41	-	3.02	3.35	4.05

TABLE A7.8 INTEREST RATES (1) OFFERED ON NEGOTIABLE DEBT SECURITIES

(in %)

	2018	2019
Certificates of deposit		
Under 32 days	-	-
32 days to 92 days	2.35-2.55	2.44-2.53
93 days to 182 days	2.40-2.90	2.40-2.80
183 days to 365 days	2.45-3.00	2.45-3.00
366 days to 2 years	2.64-3.15	2.55-3.05
More than 2 years up to 3 years	2.83-3.10	2.71-3.08
More than 3 years up to 5 years	2.98-3.95	2.78-3.40
More than 5 years	-	2.92-3.31
Financing companies bonds		
2 years	2.85-3.12	2.66-2.85
More than 2 years up to 3 years	3.11-3.29	2.73-3.09
More than 3 years up to 5 years	3.23-3.50	2.82-3.50
More than 5 years	-	3.15-3.35
Commercial papers		
Under 32 days	4.00 - 5.00	4.15-4.53
32 days to 92 days	3.70-5.00	2.90-5.00
93 days to 182 days	2.74-5.30	2.85-5.00
183 days to 365 days	2.56-5.75	2.95-5.00

(1) Min and Max.
(-) No emission.
Source: Bank Al-Maghrib

TABLE A7.9 RATE (1) OF PRIVATE BONDS

(in %)

	2018	2019
Less than 4 years	-	2.72-4.37
More than 4 years to 5 years	3.50 - 5.69	3.39-3.65
More than 5 years to 7 years	3.32 - 4.46	2.91-4.75
More than 7 years to 10 years	2.94 - 4.16	2.86-4.10
More than 10 years to 15 years	3.84 - 5.00	2.97-3.91
More than 15 years to 20 years	-	3.64
More than 20 years to 25 years	-	4.16
More than 25 years to 30 years	4.50	4.02 - 4.33
Over 30 years	3.00* - 6.23*	4.60* - 5.78*

(1) Minimum and maximum observed.
(-) No issue of securities.
(*) These are the perpetual bonds.
Source : Maroclear.

TABLE A7.10 LENDING RATES

(in %)

Periods / Agent and economic object	Q1-19	Q2-19	Q3-19	Q4-19
Average lending rate (in %)	**5.02**	**4.98**	**5.09**	**4.91**
Loans to individuals	**5.78**	**5.34**	**5.69**	**5.55**
Housing loans	4.70	4.18	4.51	4.48
Consumer loans	6.74	6.71	6.72	6.66
Loans to sole proprietors	**6.28**	**6.64**	**6.87**	6.31
Accounts receivable and cash advances	6.58	7.50	7.37	6.60
Equipment loans	8.10	7.68	7.72	7.32
Loans to property development	5.34	5.42	5.68	5.52
Loans to enterprises	**4.78**	**4.85**	**4.92**	**4.77**
By economic purpose				
Accounts receivable and cash advances	4.72	4.70	4.74	4.65
Equipment loans	4.48	5.07	5.20	4.58
Loans to property development	5.59	5.46	6.07	6.12
By size of the enterprise				
VSME	6.08	5.75	5.87	5.68
Large companies	4.56	4.41	4.50	4.47

Source: Bank Al-Maghrib.

TABLE A7.11 MAXIMUM AGREED INTEREST RATE OF CREDIT INSTITUTIONS(1)

(Annual rates in %)

Periods / rates	April 2017 - March-2018	April 2018- March 2019	April 2019 - March 2020	April 2020 - March 2021
Maximum interest rate agreed (MIRA)	13.90	13.60	13.57	13.52

(1) The maximum conventional interest rate (TMIC) is calculated annually on April 1 of each year, depending on variation recorded during the previous calendar year in the deposit rate on 6-month and 1-year deposits.

Source: Bank Al-Maghrib.

TABLE A 8.1 MONETARY AND LIQUID INVESTMENTS AGGREGATES

(In billions of dirhams)

	2017	2018	2019												Annual change (%)		
			Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2017	2018	2019
Currency in circulation	**218.8**	**233.6**	**234.5**	**234.5**	**236.9**	**237.0**	**240.5**	**241.4**	**247.4**	**254.5**	**249.7**	**248.6**	**250.2**	**250.2**	**7.7**	**6.7**	**7.1**
Bank notes and coins in circulation	231.8	248.5	248.7	248.2	249.6	251.6	254.4	255.1	262.7	270.0	264.3	263.4	264.5	266.8	7.4	7.2	7.4
Banks cash holdings	12.9	14.9	14.2	13.8	12.7	14.6	13.9	13.7	15.3	15.5	14.6	14.8	14.3	16.5	3.5	14.9	11.2
Bank money	**592.2**	**625.1**	**603.5**	**604.8**	**612.8**	**608.5**	**611.1**	**626.2**	**620.9**	**625.3**	**629.9**	**629.2**	**630.6**	**661.6**	**7.9**	**5.6**	**5.8**
Demand deposits with BAM	1.9	2.1	3.9	3.6	4.4	4.6	4.2	3.8	3.8	5.4	2.9	2.8	2.7	2.3	-16.5	10.4	10.6
Demand deposits with banks	534.3	560.7	538.9	541.4	547.6	542.7	545.6	562.0	555.5	557.3	561.4	562.9	564.5	587.2	7.6	4.9	4.7
Demand deposits with the Treasury	56.0	62.3	60.7	59.9	60.7	61.1	61.2	60.5	61.7	62.7	65.6	63.5	63.3	72.1	12.4	11.3	15.8
M1	**811.0**	**858.7**	**838.0**	**839.3**	**849.6**	**845.5**	**851.6**	**867.6**	**868.3**	**879.8**	**879.6**	**877.9**	**880.8**	**911.8**	**7.9**	**5.9**	**6.2**
Demand deposits	**153.9**	**159.2**	**160.2**	**160.4**	**160.9**	**161.2**	**161.9**	**162.4**	**162.5**	**163.8**	**164.5**	**165.2**	**165.6**	**166.5**	**5.2**	**3.5**	**4.6**
Savings accounts in banks	153.9	159.2	160.2	160.4	160.9	161.2	161.9	162.4	162.5	163.8	164.5	165.2	165.6	166.5	5.2	3.5	4.6
M2	**964.9**	**1 017.9**	**998.1**	**999.7**	**1 010.5**	**1 006.7**	**1 013.5**	**1 030.1**	**1 030.9**	**1 043.5**	**1 044.1**	**1 043.1**	**1 046.4**	**1 078.3**	**7.4**	**5.5**	**5.9**
Other monetary assets	**304.2**	**302.7**	**307.8**	**309.3**	**304.0**	**304.2**	**303.2**	**304.5**	**309.1**	**305.8**	**298.4**	**301.0**	**297.9**	**292.2**	**0.0**	**-0.5**	**-3.5**
Time accounts and fixed-term bills with banks	155.8	161.1	161.3	161.1	158.7	154.8	154.7	152.9	154.6	153.0	151.4	153.0	152.9	149.9	-4.6	3.4	-7.0
Money market UCITS	60.6	56.5	60.0	56.8	54.6	55.1	51.7	51.6	54.2	54.5	54.3	53.1	54.6	54.6	0.0	-6.8	-3.4
Deposits in foreign currencies (1)	41.1	37.4	38.5	41.9	42.4	41.4	43.9	43.1	44.3	44.1	44.1	43.3	42.1	42.0	-5.0	-8.9	12.4
Securities sold under repurchase agreements	9.9	7.0	6.1	7.4	5.8	11.0	10.1	9.1	10.2	8.7	2.9	5.9	5.8	5.6	76.0	-29.9	-19.4
Certificates of deposit of a residual maturity of 2 years or less	22.5	27.8	28.1	29.0	30.0	30.6	30.2	31.5	30.3	29.2	29.5	29.2	27.9	28.6	12.5	23.4	3.0
Time accounts with the treasury	8.6	9.9	9.9	9.8	9.7	8.6	9.0	12.7	12.9	12.8	12.8	12.5	12.3	8.3	11.5	14.6	-16.4
Other deposits(2)	5.7	3.1	3.9	3.3	2.8	2.7	3.6	3.6	2.6	3.4	3.5	4.0	2.4	3.1	50.6	-45.4	1.4
M3	**1 269.1**	**1 320.6**	**1 305.9**	**1 309.0**	**1 314.5**	**1 310.9**	**1 316.7**	**1 334.6**	**1 339.9**	**1 349.3**	**1 342.5**	**1 344.0**	**1 344.4**	**1 370.5**	**5.5**	**4.1**	**3.8**
LI	**642.0**	**700.1**	**696.9**	**716.0**	**714.3**	**713.7**	**717.0**	**723.8**	**725.7**	**725.0**	**729.9**	**738.7**	**732.6**	**741.5**	**9.3**	**9.1**	**5.9**
LI 1	370.7	397.9	393.7	396.7	403.4	398.4	402.1	407.2	402.8	407.2	410.8	415.1	408.2	409.2	2.1	7.4	2.8
LI 2	218.9	252.3	253.4	268.6	261.3	266.4	266.3	264.3	267.8	262.1	263.7	268.2	267.9	272.5	18.1	15.2	8.0
LI 3	52.4	49.9	49.8	50.7	49.6	48.9	48.6	52.3	55.1	55.7	55.4	55.4	56.5	59.8	35.4	-4.8	19.8

(1) Demand and time deposits in foreign currencies with banks.
(2) Loans made by banks from financial corporations.
Source: Bank Al-Maghrib.

TABLE A 8.2 BREAKDOWN OF MONETARY ASSETS BY INSTITUTIONAL SECTOR

(In billions of dirhams)

	2017	2018	2019												Annual change (%)		
			Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2017	2018	2019
Households	**682.3**	**706.2**	**703.2**	**705.1**	**707.8**	**707.4**	**713.1**	**717.7**	**718.5**	**721.4**	**721.7**	**722.6**	**724.5**	**734.7**	**5.9**	**3.5**	**4.0**
Demand deposits	402.9	422.8	416.9	419.6	423.3	422.0	426.8	432.3	431.1	434.8	434.4	433.0	434.9	443.5	8.1	4.9	4.9
Savings accounts with banks	153.9	159.2	160.1	160.4	160.9	161.2	161.9	162.4	162.5	163.8	164.5	165.2	165.6	166.5	5.3	3.5	4.6
Time accounts and fixed-term bills with banks	103.9	100.5	101.7	102.0	101.2	101.7	101.9	100.3	101.8	100.4	100.1	101.6	101.3	102.3	-1.8	-3.2	1.8
Deposits in foreign currencies	12.2	12.0	12.3	11.4	11.5	11.4	11.6	11.6	11.7	11.7	11.8	12.0	11.7	12.2	1.9	-1.0	1.0
Certificates of deposits of a residual maturity of 2 years or less	3.1	3.8	3.9	3.8	3.9	4.0	4.1	4.2	4.1	3.5	3.5	3.5	3.4	3.4	80.5	20.6	-9.4
Money market UCITS	6.3	7.9	8.4	8.0	7.1	7.2	6.8	6.9	7.2	7.2	7.4	7.2	7.4	6.8	4.2	25.1	-13.7
Private nonfinancial corporations	**170.3**	**176.7**	**167.6**	**168.2**	**165.9**	**165.4**	**161.2**	**163.1**	**159.8**	**161.0**	**162.0**	**162.9**	**165.8**	**178.4**	**1.8**	**3.8**	**0.9**
Demand deposits	103.1	109.9	99.2	98.0	99.3	99.0	96.2	102.4	98.0	99.5	101.0	102.8	105.3	115.0	4.1	6.6	4.7
Time accounts and fixed-term bills with banks	22.5	24.3	23.4	23.8	22.1	21.5	21.5	21.4	21.2	20.5	20.8	20.8	21.3	21.5	-10.4	7.9	-11.4
Deposits in foreign currencies	11.9	11.1	11.7	14.7	14.1	14.0	14.0	13.6	13.6	13.5	13.6	12.7	12.4	11.7	26.7	-6.4	5.6
Money market UCITS	32.3	31.2	33.1	31.5	30.3	30.7	28.9	25.3	26.5	26.6	26.3	25.8	26.3	28.7	-4.0	-3.4	-8.0
Public sector	**31.0**	**33.3**	**31.8**	**32.3**	**34.0**	**27.9**	**28.9**	**28.7**	**29.1**	**29.3**	**30.9**	**30.9**	**27.5**	**28.3**	**-2.8**	**7.5**	**-15.2**
Demand deposits	12.5	12.9	11.2	11.1	13.1	11.6	12.2	11.6	11.8	10.8	12.3	13.2	10.4	13.3	15.3	2.9	2.8
Time accounts and fixed-term bills with banks	7.8	12.6	12.4	11.8	11.7	7.3	7.3	6.7	6.7	7.3	6.8	6.8	6.8	6.2	-19.2	62.6	-51.1
Money market UCITS	8.4	6.9	7.3	7.0	6.7	6.8	6.4	7.3	7.6	7.6	7.8	7.7	7.8	6.8	-10.7	-17.3	-2.5
Other financial corporations .	**89.6**	**84.5**	**85.4**	**86.2**	**86.3**	**90.2**	**89.7**	**96.4**	**97.2**	**94.2**	**86.2**	**89.2**	**86.7**	**83.4**	**3.4**	**-5.6**	**-1.4**
Demand deposits	9.1	7.6	7.1	7.8	7.5	6.1	6.1	9.7	9.8	9.1	7.5	7.7	7.6	7.8	7.4	-17.3	2.8
Time accounts and fixed-term bills with banks	18.0	19.9	20.0	19.8	20.1	20.6	20.2	20.8	20.6	20.5	19.8	19.4	19.1	15.5	-7.1	10.4	-22.0
Other deposits	5.6	2.9	3.7	3.0	2.6	2.5	3.4	3.3	2.4	3.1	3.2	3.7	2.2	2.6	49.6	-48.5	-10.1
Deposits in foreign currencies	14.3	12.9	13.3	12.9	14.0	13.3	14.8	14.4	15.5	14.9	14.3	15.3	15.2	15.7	-26.6	-9.6	21.6
Certificats of deposits of a residual maturity of 2 years or less	19.4	23.8	24.0	25.0	25.9	26.4	25.7	26.9	25.8	25.3	25.7	25.3	24.1	24.9	6.1	22.7	4.6
Money market UCITS	13.7	10.5	11.2	10.3	10.4	10.4	9.6	12.2	12.9	13.1	12.8	12.3	13.0	12.3	17.9	-23.3	17.6
Pensions	9.4	7.0	6.1	7.4	5.8	10.9	9.9	9.0	10.2	8.2	2.9	5.5	5.5	4.5	67.9	-26.1	-35.0

Source: Bank Al-Maghrib.

TABLE A 8 3 M3 COUNTERPARTS

(In billions of dirhams)

	2017	2018	2019												Annual change (%)		
			Janv	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2017	2018	2019
Claims on the economy	**989.5**	**1 022.9**	**1 014.8**	**1 024.1**	**1 030.6**	**1 027.1**	**1 032.6**	**1 056.0**	**1 059.4**	**1 053.1**	**1 057.5**	**1 061.8**	**1 058.2**	**1 079.9**	**3.3**	**3.4**	**5.6**
Nets claims of ODC	988.4	1 021.8	1 013.7	1 023.0	1 029.5	1 026.0	1 031.5	1 054.9	1 058.2	1 051.9	1 056.2	1 060.5	1 056.9	1 078.5	3.3	3.4	5.5
Banks loans	843.3	870.6	852.8	858.9	872.2	863.7	869.7	900.4	894.0	892.2	898.4	898.4	892.1	917.2	3.1	3.2	5.3
Dont finanacement participatif	0.2	4.6	4.9	5.3	5.7	6.1	6.5	6.8	7.2	7.5	7.9	8.3	8.6	9.1	-	2 785.4	99.0
Net claims on central government	**167.8**	**203.0**	**203.1**	**199.5**	**203.7**	**199.0**	**198.9**	**201.2**	**200.5**	**205.9**	**204.5**	**210.5**	**205.9**	**212.4**	**17.8**	**21.0**	**4.6**
Nets claims of ODC	167.6	202.2	203.4	200.6	204.5	199.7	199.6	201.3	201.1	206.4	205.5	208.6	209.8	211.9	17.5	20.6	4.8
Loans	24.7	56.5	55.9	56.7	56.1	56.2	56.9	56.4	54.6	54.4	55.1	55.0	56.0	58.6	4.4	128.3	3.8
Treasury bills portfolio	148.6	154.4	155.2	150.1	156.5	152.1	151.9	156.4	156.5	157.9	157.4	158.9	162.2	160.3	14.4	3.9	3.8
Banks	127.2	136.6	137.2	132.9	137.6	134.2	134.8	140.4	139.2	139.5	139.3	141.5	145.8	145.7	18.3	7.4	6.7
Money market funds	21.5	17.8	18.0	17.2	18.8	18.0	17.1	16.0	17.3	18.5	18.0	17.4	16.4	14.6	-4.2	-17.2	-18.0
Net claims of depository institutions on non residents	**262.3**	**250.2**	**246.5**	**245.5**	**246.5**	**252.0**	**256.0**	**247.9**	**249.8**	**258.6**	**257.8**	**253.4**	**260.8**	**263.9**	**8.7**	**-4.6**	**5.5**
Official reserve assets	244.3	233.7	231.8	230.0	230.6	235.3	237.9	237.7	235.5	235.2	240.2	239.0	246.8	253.4	-3.6	-4.3	8.4
Monetary Gold	8.6	8.7	9.0	9.0	8.9	8.8	9.0	9.6	9.8	10.4	10.3	10.3	10.0	10.4	3.4	1.6	19.0
Foreign currency	3.7	3.4	4.0	3.1	4.4	3.9	4.6	4.7	5.5	10.1	6.8	3.8	4.8	6.3	40.6	-7.2	85.0
Securities deposits included in the official reserves	222.9	212.4	209.6	208.7	208.1	213.4	215.1	214.3	211.1	205.6	214.0	215.8	222.9	227.6	-4.4	-4.7	7.1
Reserve position in the IMF	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	1.9	1.9	2.0	2.0	2.0	2.0	-2.1	0.4	-0.3
SDR holdings	7.2	7.2	7.2	7.2	7.3	7.2	7.3	7.2	7.1	7.1	7.2	7.2	7.2	7.1	-3.1	-0.1	-1.0
Counterparts of deposits with the Treasury	**64.6**	**72.2**	**70.6**	**69.7**	**70.5**	**69.7**	**70.2**	**73.1**	**74.6**	**75.5**	**78.3**	**76.0**	**75.6**	**80.4**	**12.3**	**11.8**	**11.4**
Non-monetary liabilities	**201.6**	**218.8**	**217.0**	**216.9**	**216.8**	**218.4**	**217.2**	**222.3**	**223.9**	**226.2**	**229.4**	**234.8**	**236.1**	**242.2**	**8.5**	**8.5**	**10.7**
DC capital and reserves	137.9	149.1	148.4	148.7	148.7	149.0	148.3	151.5	150.7	153.6	156.3	160.3	161.0	160.7	3.2	8.1	7.8
DC Non-monetary liabilities	63.7	69.7	68.6	68.2	68.0	69.4	68.9	70.8	73.2	72.6	73.1	74.5	75.1	81.5	22.3	9.5	16.8
Others nets items	**13.5**	**8.9**	**12.0**	**12.8**	**20.0**	**18.5**	**23.9**	**21.4**	**20.4**	**17.7**	**26.1**	**22.7**	**20.1**	**23.9**	**25.7**	**-34.5**	**169.4**
Total counterparts(*)	**1 269.1**	**1 320.6**	**1 305.9**	**1 309.0**	**1 314.5**	**1 310.9**	**1 316.7**	**1 334.6**	**1 339.9**	**1 349.3**	**1 342.5**	**1 344.0**	**1 344.4**	**1 370.5**	**5.5**	**4.1**	**3.8**

(*) Total of counterparts= Net claims of depository institutions on non residents + Net claims on central government + Claims on the economy+ Counterparts of deposits with the Treasury - Non-monetary liabilities - Other net items.
Source: Bank Al-Maghrib

TABLE A 8.4 BREAKDOWN OF LOANS BY ECONOMIC PURPOSE AND BY INSTITUTIONAL SECTOR (*)

(In billions of dirhams)

	2017	2018	2019												Annual change (%)		
			Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2017	2018	2019
Bank loans(*)	**843.3**	**870.6**	**852.8**	**858.9**	**872.2**	**863.7**	**869.7**	**900.4**	**894.0**	**892.2**	**898.4**	**898.4**	**892.1**	**917.2**	**3.1**	**3.2**	**5.3**
By economic purpose																	
Accounts receivable and cash advances	167.4	177.7	172.8	175.7	180.0	176.2	176.3	186.5	186.8	184.6	188.7	186.1	185.6	189.7	-3.1	6.2	6.8
Equipment loans	170.6	174.0	172.5	172.8	175.0	174.6	175.7	176.9	177.4	178.8	177.6	178.4	179.8	184.0	11.6	2.0	5.7
Real-estate loans	257.8	267.3	267.3	268.1	269.3	271.1	273.4	273.4	273.5	273.7	274.7	275.3	275.8	276.7	4.4	3.7	3.5
Home loans	196.0	207.1	207.8	207.8	209.3	209.9	211.9	211.7	211.7	212.1	213.1	214.0	214.8	215.0	3.8	5.7	3.8
Including: Participatory financing for housing	0.2	4.1	4.3	4.7	5.2	5.5	5.9	6.1	6.4	6.6	6.9	7.1	7.4	7.8	-	2 468.7	90.9
Loans to real-estate developers	60.1	58.0	55.3	56.1	57.4	58.2	58.0	59.7	59.4	59.3	58.6	56.9	56.9	59.4	8.3	-3.5	2.4
Consumer loans	51.0	54.1	54.0	54.4	54.8	54.9	55.4	55.4	56.1	56.1	56.2	56.4	56.5	56.6	4.6	6.1	4.6
Various claims on customers	132.9	132.3	121.2	121.1	125.7	118.7	121.1	140.5	132.7	130.5	132.3	132.5	124.4	140.2	-1.9	-0.5	6.0
Financial loans (1)	116.3	117.3	106.3	105.6	111.5	105.2	106.8	126.1	118.2	116.1	118.0	118.0	109.7	124.3	-3.6	0.8	6.0
Other loans (2)	16.6	15.0	14.9	15.5	14.2	13.4	14.3	14.4	14.6	14.4	14.3	14.5	14.8	15.8	12.4	-10.0	5.8
Non performing loans	63.6	65.2	64.8	66.9	67.3	68.1	67.7	67.7	67.6	68.6	68.9	69.7	69.9	69.9	3.7	2.5	7.2
By institutional sector																	
Loans to the nonfinancial sector	**722.1**	**744.5**	**737.3**	**744.5**	**749.0**	**749.2**	**757.7**	**769.1**	**770.4**	**770.0**	**773.7**	**774.8**	**776.2**	**785.5**	**3.8**	**3.1**	**5.5**
Public sector excluding the central government	66.6	70.9	69.8	71.2	72.1	70.6	71.3	70.5	71.3	70.9	71.0	70.0	70.1	73.6	7.2	6.4	3.7
Local governments	17.3	19.5	19.5	19.7	19.3	19.3	19.3	19.2	20.4	20.7	20.7	20.7	20.9	22.6	14.7	12.9	15.7
Public nonfinancial corporations	49.3	51.4	50.3	51.6	52.7	51.3	52.0	51.3	50.8	50.2	50.4	49.3	49.2	51.0	4.8	4.2	-0.8
Private sector	655.5	673.6	667.5	673.3	676.9	678.5	686.4	698.6	699.1	699.1	702.7	704.9	706.1	711.9	3.5	2.8	5.7
Private nonfinancial corporations	341.2	342.9	336.6	341.2	342.4	342.4	346.6	358.8	358.1	358.2	359.5	360.1	361.3	367.9	3.0	0.5	7.3
Other resident sectors	314.3	330.8	330.8	332.1	334.6	336.1	339.8	339.8	341.0	341.0	343.1	344.7	344.7	344.0	4.0	5.3	4.0
Households	313.3	329.8	329.9	331.2	333.5	335.3	338.8	338.8	339.9	339.9	342.1	343.7	343.3	342.6	4.0	5.3	3.9
Private individuals and Moroccans living abroad	274.1	289.2	289.8	291.1	293.2	295.2	297.0	297.1	298.3	298.4	299.9	301.8	302.5	302.9	4.6	5.5	4.7
Sole proprietors	39.2	40.5	40.0	40.0	40.3	40.1	41.8	41.6	41.7	41.5	42.2	41.9	40.8	39.7	0.3	3.4	-2.1
NPISH	1.0	1.0	1.0	1.0	1.0	0.8	1.0	1.0	1.0	1.0	1.0	1.1	1.4	1.4	14.3	1.6	39.8
Other financial corporations	**121.2**	**126.1**	**115.5**	**114.4**	**123.2**	**114.5**	**112.0**	**131.3**	**123.7**	**122.2**	**124.7**	**123.6**	**115.9**	**131.7**	**-1.3**	**4.0**	**4.4**
Finance companies	56.2	56.6	55.7	55.4	54.9	54.1	53.9	55.0	54.8	54.3	53.9	53.7	52.5	52.4	-5.0	0.7	-7.5
Credit institutions and similar bodies(1)	24.2	23.9	23.9	24.0	23.6	22.7	23.9	27.9	26.2	25.9	24.8	26.1	25.1	26.4	-8.9	-1.4	10.6
Non-money market funds	16.2	13.6	10.6	10.2	16.8	12.3	9.7	19.8	15.9	14.7	16.2	15.4	11.3	18.4	-0.8	-16.5	35.6
Other (3)	24.5	32.0	25.3	24.9	27.9	25.4	24.6	28.7	26.8	27.3	29.7	28.4	27.0	34.5	18.9	30.7	7.7

(1) Consisting of loans granted to financial and non financial customers as part of a financial operation.
(2) Composed mainly of factoring receivables.
(3) Mutual fund management companies, brokerage firms, insurance and reinsurance companies, provident and pension funds, and mutual securitization investment funds .
(*) Loans granted by conventional banks and participants banks.
Source: Bank Al-Maghrib.

TABLE A 8.5 QUARTER BREAKDOWN OF LOANS BY TERM AND BY ACTIVITY SECTOR

(In billions of dirhams)

	2017	2018(*)	2019				Annual change (%)		
			March	June	Sept.	Dec.	2017	2018	2019
Bank loans(1)	**843.3**	**870.6**	**872.2**	**900.4**	**898.4**	**917.2**	**3.1**	**3.2**	**5.3**
Breakdown by term (2)									
Short term	276.4	285.8	268.5	272.5	268.3	274.7	-2.2	3.4	-3.9
Nonperforming maturities	6.3	7.7	8.5	8.2	9.8	9.1	-8.8	23.6	17.4
medium term	199.9	180.1	192.2	204.5	204.7	210.2	6.5	-9.9	16.7
long term	303.4	339.5	344.1	355.8	356.5	362.3	6.0	11.9	6.7
Non-performing loans;	63.6	65.2	67.3	67.7	68.9	69.9	3.7	2.5	7.2
By activity sector									
Primary sector	**30.5**	**35.9**	**34.6**	**35.1**	**36.7**	**38.3**	**-3.5**	**17.6**	**6.7**
Agriculture and fishing	30.5	35.9	34.6	35.1	36.7	38.3	-3.5	17.6	6.7
Secondary sector	**238.2**	**243.3**	**233.6**	**237.7**	**240.2**	**245.6**	**0.4**	**2.1**	**1.0**
Extractive industries	15.6	17.0	16.2	15.6	15.2	21.4	16.3	8.8	25.8
Manufacturing Industries	82.1	87.5	82.3	83.8	88.5	85.6	0.6	6.5	-2.1
Food and tobacco industries	28.1	32.1	30.6	30.6	34.3	32.0	9.7	14.3	-0.4
Textile, clothing, and leather industries	6.1	6.0	6.0	6.4	6.3	6.3	-1.2	-2.6	5.8
Chemical and Para chemical industries	9.4	11.2	9.5	10.9	11.9	11.3	2.7	19.2	0.5
Mechanical, electrical, electronic and metal-working industries	18.1	18.7	19.2	19.7	19.8	19.5	-5.1	3.4	4.2
Other manufacturing industries	20.4	19.5	17.1	16.2	16.3	16.6	-5.4	-4.5	-15.0
Electricity, gas and water	46.7	43.9	40.7	42.6	40.6	42.5	-7.4	-6.0	-3.3
Construction and public works	93.7	94.9	94.4	95.7	95.9	96.1	2.2	1.2	1.3
Tertiary sector	**574.6**	**591.4**	**604.0**	**627.6**	**621.5**	**633.2**	**4.6**	**2.9**	**7.1**
Trade, automotive and household goods repairs	56.7	55.9	57.4	61.3	61.8	59.9	8.5	-1.4	7.3
Hotels and restaurants	15.2	14.4	14.1	14.3	14.3	14.0	-4.1	-5.3	-2.8
Transport and Communications	38.0	36.3	37.6	41.9	41.8	39.8	14.4	-4.6	9.8
Financial activities	128.3	135.7	133.8	139.5	134.7	144.8	-3.9	5.8	6.7
Individuals and Moroccan living abroad	274.1	289.2	293.2	297.1	299.9	302.9	4.6	5.5	4.7
Local governments	17.3	19.5	19.3	19.2	20.7	22.6	14.7	12.9	15.7
Other sections (3)	45.0	40.4	48.5	54.2	48.5	49.1	20.8	-10.3	21.4

(1) Loans granted by conventional banks and participants banks.
(2) Short term: period < 2 years, medium term: between 2 and 7 years and long term: > 7 years.
(3) Excluding personal and domestic services.
(*) Revised.
Source: Bank Al-Maghrib.

TABLE A 8.6 Claims on nonfinancial units, by economic purpose [1]

(In billions of dirhams)

	2017	2018	2019				Annual change (%)		
			March	June	Sept.	Dec.	2017	2018	2019
Claims on nonfinancial units	**268.9**	**270.7**	**274.0**	**287.4**	**287.7**	**303.7**	**8.3**	**0.7**	**12.2**
Loans granted by other financial corporations	**141.3**	**146.0**	**144.5**	**146.2**	**146.1**	**151.9**	**6.4**	**3.3**	**4.0**
Finance companies	**106.5**	**112.8**	**113.3**	**114.4**	**114.9**	**119.2**	**5.0**	**5.9**	**5.7**
Consumer loans	27.1	27.6	27.6	28.6	29.3	30.1	1.5	1.9	8.9
Leasing	60.6	64.7	65.3	65.7	65.6	67.4	8.2	6.7	4.1
Non performing loans	10.0	11.2	11.3	11.3	11.7	11.8	6.0	11.5	5.2
Offshore banks	**13.4**	**13.8**	**11.4**	**11.0**	**11.0**	**12.0**	**-4.8**	**3.2**	**-13.4**
Cash advances	8.5	8.9	6.0	5.4	5.2	6.0	-6.9	4.7	-32.1
Equipment loans	4.7	4.7	5.1	5.2	5.5	5.7	-1.1	-1.0	20.9
Caisse de Dépôts et de Gestion	**11.3**	**7.6**	**7.8**	**6.9**	**6.3**	**6.0**	**32.8**	**-32.8**	**-20.6**
Cash advances	6.0	3.6	3.7	3.3	3.1	3.1	21.0	-39.9	-14.4
Equipment loans	4.9	3.3	3.3	2.7	2.1	2.1	47.2	-32.7	-36.0
Microcredit associations	**6.6**	**6.8**	**7.0**	**7.3**	**7.4**	**7.4**	**3.7**	**2.5**	**9.0**
Securitization funds	**2.8**	**4.4**	**4.2**	**6.2**	**6.0**	**6.8**	**59.8**	**56.5**	**56.2**
Securities issued by non financial corporations and held by other financial corporations	**116.9**	**115.3**	**118.9**	**129.3**	**129.4**	**139.7**	**13.5**	**-1.4**	**21.1**
Non-money market UCITS	44.1	43.8	46.7	48.4	49.6	59.3	14.4	-0.6	35.2
Insurance and reinsurance companies	44.2	47.4	48.2	49.1	50.2	50.2	22.5	7.1	6.1
Caisse de Dépôts et de Gestion	9.4	7.8	7.8	10.7	8.0	8.9	-14.2	-16.9	14.4
Pension funds [2]	18.6	16.0	16.0	20.8	20.8	20.8	8.4	-13.8	30.3
Other claims	**10.6**	**9.4**	**10.6**	**11.8**	**12.2**	**12.2**	**-14.3**	**-11.9**	**29.8**

(1) Excluding claims on other financial corporations and the Central Government.
(2)Relating to the financial sector, namely CIMR and CNRA.
Source: Bank Al-Maghrib.

TABLE A 8.7 CHANGE IN THE INTERBANK MARKET

(In millions of dirhams)

	2018	2019												
	Average	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	Average
Averge outstanding amounts	8 139	9 053	8 147	7 708	7 504	6 363	7 235	6 522	7 607	7 922	7 657	7 652	8 036	7 617
Average exchanged volume	4 006	3 784	3 135	3 126	4 388	3 477	3 414	3 695	3 603	3 682	3 445	2 963	3 885	3 550

Source : Bank Al-Maghrib

TABLE A 8.8 SUBSCRIPTIONS TO TREASURY BILLS BY TENDER

(In millions of dirhams)

Maturities	TOTAL 2018	2019												
		Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	TOTAL
Total subscriptions	**115 052**	**9 357**	**13 567**	**8 029**	**19 465**	**5 053**	**8 138**	**4 765**	**6 241**	**7 523**	**9 927**	**8 756**	**3 573**	**104 393**
Short-term	**18 227**	**414**	**1 168**	**414**	**548**	**1 029**	**522**	**300**	**1 428**	**1 229**	**1 650**	**525**	**200**	**9 427**
13 Weeks	811	0	0	0	0	0	0	0	200	100	550	0	100	950
26 Weeks	100	0	0	0	0	0	0	0	0	132	0	0	0	132
52 Weeks	17 316	414	1 168	414	548	1 029	522	300	1 228	997	1 100	525	100	8 345
Moyen term	**73 982**	**5 557**	**2 046**	**4 223**	**7 992**	**1 658**	**2 175**	**1 645**	**3 472**	**4 201**	**5 111**	**1 517**	**200**	**39 796**
2 Years	42 923	3 313	0	600	913	516	883	200	1 822	2 029	3 991	950	100	15 317
5 Years	31 060	2 244	2 046	3 623	7 078	1 142	1 292	1 445	1 650	2 172	1 121	567	100	24 479
Long term	**22 843**	**3 386**	**10 353**	**3 392**	**10 925**	**2 366**	**5 441**	**2 820**	**1 341**	**2 094**	**3 166**	**6 715**	**3 173**	**55 170**
10 Years	17 885	0	3 588	2 103	3 378	0	2 142	1 148	267	243	2 051	1 788	0	16 707
15 Years	4 853	3 386	5 487	649	5 975	1 818	2 255	1 118	560	1 110	1 115	1 134	2 096	26 703
20 Years	105	0	1 278	640	1 052	548	1 044	0	514	170	0	3 793	102	9 141
30 Years	0	0	0	0	520	0	0	554	0	571	0	0	975	2 620

Source : Bank Al-Maghrib

TABLE A9.1 OUTSTANDING AMOUNT OF TREASURY BILLS BY TENDER

(by category of initial subcribers) (In millions of dirhams)

	2015	2016	2017	2018	2019	Changes in %		Share in %	
						2018/2017	2019/2018	2018	2019
UCITS	157 887	178 947	187 877	203 962	197 575	8.6	-3.1	37.3	35.5
Insurance companies and pension institutions	126 113	134 510	125 394	131 910	131 179	5.2	-0.6	24.2	23.5
Banks	96 027	93 515	117 541	125 184	134 237	6.5	7.2	22.9	24.1
Deposit and management fund(1)	29 068	29 841	33 151	35 021	45 964	5.6	31.2	6.4	8.2
Other financial enterprises	39 427	29 644	30 322	27 187	24 374	-10.3	-10.3	5.0	4.4
Non-financial enterprises	21 234	23 272	21 996	22 269	23 325	1.2	4.7	4.1	4.2
Finance companies	340	291	425	672	497	58.1	-26.1	0.1	0.1
Non-resident enterprises	9	9	-	-	10	-	-	-	0
Total treasury bill auctions	**470 104**	**490 028**	**516 706**	**546 205**	**557 161**	**5.7**	**2.0**	**-**	**-**

(1) Excluding the outstanding amount of provident funds treasury bills by the C.D.G.
Source: Bank Al-Maghrib.

TABLE A9.2 OUTSTANDING AMOUNTS OF NEGOTIABLE DEBT SECURITIES

(by category of initial subcribers)

(In millions of dirhams)

Securities types	2018					2019				
	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total
Outstanding	**16 058**	**455**	**52 287**	**5 043**	**73 843**	**19 999**	**790**	**65 458**	**5 448**	**91 696**
Certificates of deposit	9 822	217	37 995	4 743	52 778	14 679	555	44 065	5 049	64 348
Bills of financing companies	6 227	158	13 085	300	19 769	5 320	235	19 460	400	25 414
Commercial paper	9	80	1 207	0	1 296	0	0	1 934	0	1934
Issues	**8 387**	**160**	**31 886**	**4 057**	**44 489**	**12 090**	**565**	**45 090**	**4 193**	**61 939**
Certificates of deposit	6 515	80	26 187	3 768	36 550	11 345	438	33 008	4 093	48 884
Bills of financing companies	1 854	0	3 209	264	5 327	680	97	8 864	100	9 741
Commercial paper	18	80	2 489	25	2 612	65	30	3 218	0	3 313

Source: Bank Al-Maghrib.

TABLE A9.3 BOND MARKET

(In millions of dirhams)

	2018	2019				2019
		Q1	Q2	Q3	Q4	
Outstanding	**123 880**	**121 005**	**123 720**	**123 160**	**137 296**	**137 296**
Public sector	**65 064**	**64 978**	**67 714**	**68 813**	**77 584**	**77 584**
Non-financial corporations	41 729	41 643	44 479	43 578	49 049	49 049
Banks	23 335	23 335	23 235	25 235	28 535	28 535
Private sector	**58 816**	**56 026**	**56 006**	**54 347**	**59 713**	**59 713**
Banks	27 350	25 450	25 495	26 450	28 950	28 950
Non-financial corporations	26 927	26 437	26 137	23 403	24 918	24 918
Other financial corporations	4 540	4 140	4 375	4 495	5 845	5 845
Bonds issued	**24 385**	**0**	**4 250**	**3 470**	**16 630**	**24 350**
Public sector	**14 000**	**0**	**3 000**	**2 750**	**9 700**	**15 450**
Banks	6 000	0	0	2 000	3 300	5 300
Non-financial corporations	8 000	0	3 000	750	6 400	10 150
Private sector	**10 385**	**0**	**1 250**	**720**	**6 930**	**8 900**
Banks	4 550	0	1 000	0	2 500	3 500
Non-financial corporations	4 210	0	0	600	2 880	3 480
Other Financial corporations	1 625	0	250	120	1 550	1 920

Sources : Data from Maroclear and BAM calculations.

TABLE A9.4 STOCK EXCHANGES INDICATORS

Period		Turnover (in millions of dirhams)	MASI	MADEX	Market capitalisation (in millions of dirhams)
2011 December		18 885.8	11 027.7	9 011.6	516 222
2012 December		16 213.8	9 359.2	7 614.0	445 268
2013 December		18 278.6	9 114.1	7 418.1	451 113
2014 December		13 429.6	9 620.1	7 842.8	484 448
2015 December		20 286.6	8 925.7	7 255.2	453 316
2016 December		22 115.5	11 644.2	9 547.3	583 380
2017 December		21 047.7	12 388.8	10 100.3	626 965
2018 December		18 220.2	11 364.3	9 233.0	582 155
2019 December		17 253.4	12 171.9	9 919.3	626 693
2018	January	5 176.8	13 075.5	10 653.8	663 170
	February	3 243.4	13 142.7	10 710.6	665 598
	March	3 438.0	13 062.4	10 611.8	660 642
	April	2 061.8	13 028.0	10 598.6	662 293
	May	4 332.3	12 335.4	10 005.8	628 542
	June	6 623.8	11 878.7	9 617.2	605 706
	July	2 035.1	11 746.1	9 555.0	597 619
	August	1 300.3	11 546.5	9 381.4	588 887
	September	2 141.2	11 335.6	9 214.8	578 698
	October	2 650.8	10 919.7	8 873.4	557 648
	November	1 463.7	11 229.3	9 129.7	572 543
	December	18 220.2	11 364.3	9 233.0	582 155
2019	January	3 951.8	11 350.7	9 221.7	585 614
	February	5 446.6	11 136.6	9 037.2	574 954
	March	2 408.3	10 912.2	8 850.1	561 737
	April	1 800.9	11 192.1	9 091.1	572 653
	May	2 079.8	10 999.9	8 941.2	559 616
	June	20 301.9	11 287.0	9 183.4	583 092
	July	6 105.5	11 616.5	9 463.6	596 062
	August	5 231.9	11 710.9	9 542.2	601 887
	September	2 199.4	11 561.7	9 415.8	594 364
	October	3 374.6	11 484.3	9 358.7	590 475
	November	5 240.6	11 822.3	9 640.1	608 914
	December	17 253.4	12 171.9	9 919.3	626 693

Source : Casablanca Stock Exchange.

TABLE A9.5 INDEX OF REAL ESTATE ASSETS PRICES

	Index of real estate assets prices (REPI)		
	2018*	2019**	Changes (%) 2019/2018
Overall	**116.3**	**116.3**	**0.0**
Residential	**115.9**	**116.0**	**0.1**
Apartments	114.0	114.2	0.2
Houses	125.0	124.0	-0.8
Villas	129.5	128.2	-1.0
Urban Land	**120.2**	**119.9**	**-0.2**
Commercial property	**119.0**	**119.1**	**0.0**
Commercial local	122.0	121.5	-0.4
Offices	106.9	107.4	0.5

(*) Revised.
(**) Provisional
Sources: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

TABLE A9.6 NUMBER OF TRANSACTIONS BY CATEGORY

	Changes (%)	
	2018/2017	2019/2018
Overall	**4.8**	**-3.6**
Residential	**3.3**	**-1.7**
Apartments	2.5	-1.4
Houses	14.4	-2.0
Villas	11.0	-12.8
Urban Land	**8.7**	**-10.1**
Commercial property	**9.6**	**-4.4**
Commercial local	9.7	-6.1
Offices	8.2	7.0

Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

TABLE A9.7 NUMBER OF TRANSACTIONS IN THE MAJOR CITIES

CITIES	Changes (%) 2019/2018	
	REPI	NUMBER OF TRANSACTIONS
Agadir	-0.9	-12.6
Casablanca	-0.5	0.1
El jadida	0.1	-4.6
Fez	-0.9	-8.9
Kenitra	0.8	-8.2
Marrakech	-0.4	-14.6
Meknes	0.7	-6.6
Oujda	1.2	-13.4
Rabat	-1.3	-13.1
Tangier	0.0	-1.5

Sources: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

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LIST OF ABBREVIATIONS

ACAPS : Autorité de Contrôle des Assurances et de la Prévoyance Sociale (Insurance and social security supervisory authority)

AIS : Additional information statement

AMF : Arab monetary fund

AML : Anti-money laundering

AMMC : Auotiré Marocaine du marché des capitaux (Moroccan capital market authority)

ANCFCC : Agence Marocaine de la Conservation Foncière, du Cadastre et de la Cartographie (Land registry office)

ANRT	: Agence Nationale de Réglementation des Télécommunications (National telecommunication regulatory agency)
BAM	: Bank Al-Maghrib
BIS	: Bank for international Settlments
CBDC	: Central Bank digital currency
CCG	: Caisse centrale de Guarantie (Central guarantee fund)
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)
CFC	: Casablanca finance city
CFT	: Combating the financing of terrorism
CGEM	: Confédération Générale des entreprises du Maroc (The General confederation of Moroccan companies)
CIF	: Cost insurance and freight
CNSS	: Caisse Nationale de Sécurité Sociale (National social security fund)
COP	: Conference of Parties
COSO	: Committee of sponsoring organizations of the treadway commission
CPI	: Consumer price index
CRP	: Caisse de retraite du personnel (Staff pension fund)
CSR	: Corporate social responsibility
CT	: Consumer tax
DAP	: Diammonium phosphate
DH	: Moroccan dirham
DIMA	: Direct investments by Moroccans abroad
DP	: Days of purchase
DPT	: Deposit
DS	: Days of sales
DTEF	: Direction du Trésor et des Finances Extérieures (Department of treasury and external finance)
ECB	: European central bank
EIG	: Economic interest grouping
EMDP	: Emerging and developing countries
EPI	: Enterprises and public institutions
EPRA	: European public real estate association
EU	: European union
Euribor	: Euro interbank offered rate
FAO	: Food and agriculture organization
FATF	: Financial action task force
FC	: Financing cost
FDI	: Foreign direct investment
FED	: U.S. federal reserve
FMI	: Financial market infrastructure
FNE	: Fonds National de l'Environnement (National fund for the protection and development of the environment)
FOB	: Free on board
FODEP	: Fonds de Dépollution industrielle (Industrial depollution fund)
FTSE	: Financial times stock exchanges

FY	: Fiscal year
GCC	: Gulf cooperation council
GDP	: Gross domestic product
GG	: General government
GNDI	: Gross national disposable income
GNI	: Gross national income
GPBM	: Groupement Professionnel des Banques du Maroc (Professional grouping of moroccan banks)
GWH	: Gigawatt per hour
HCP	: Haut commissariat au plan (High commission for planning)
IBRD	: International bank for reconstruction and development
ICRG	: International cooperation review group
ICS	: Internal control system
DCT	: Domestic consumption tax
IIA	: Institute of internal auditors
IIP	: International investment position
ILO	: International labour organisation
IMF	: International monetary fund
ISO	: International organization for standardization
IS	: Information systems
IT	: Income tax
JPY	: Japanese Yen
KDh	: Thousands of Dirhams
LC	: Large companies
LG	: Local governments
LI	: Liquid investments
Libor	: London interbank offered rate
PLL	: Precautionary and liquidity line
MAD	: Moroccan Dirham
MASI	: Moroccan all shares index
MCMA	: Mutuelle Centrale Marocaine d'Assurances (Moroccan central insurance fund)
MENA	: Middle East and North Africa
MENAFATF	: Middle east and north africa financial action task force
MFC	: Monetary and financial committee
MONIA	: Moroccan overnight index average
MSCI	: Morgan Stanley capital international
MSCI EAFE	: Morgan Stanley capital international, Europe, Australia and the Far East
MSCI EM	: Morgan Stanley capital international, Emerging Markets.
MSCI FM	: Morgan Stanley capital international, Frontier Markets.
MW	: Megawatt
NIR	: Net international reserves
OCP	: Office Chérifien des Phosphates (National Phosphates Office)
OECD	: Organisation for economic co-operation and development
OFRC	: Operational and financial risk committee

OMPIC	: Office Marocain de la Propriété Industrielle et Commerciale (Moroccan office of industrial and commercial property)
ONEE	: Office National de l'Electricité et de l'Eau Potable (National office for electricity and drinking water)
OPCI	: Organisme de placement collectif en immobilier (Real estate investment trusts)
OPEC	: Organization of the petroleum exporting countries
ORA	: Official reserves assets
OTC	: Over the counter
PAS	: Structural adjustment program
PEI	: Public enterprises and institutions
PER	: Price earnings ratio
PLA	: Profit and loss account
PNRC	: Plan National de Lutte Contre le Réchauffement Climatique (National plan against global warming)
PPP	: Public-private partnerships
REIT	: Real estate investment trusts
REPI	: Real estate price index
SDR	: Special drawing rights
SGFG	: Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires (The Moroccan deposit insurance corporation)
SMAC	: Système de Management anti-corruption (Anti-corruption management system)
SRBM	: Système des Règlements Bruts du Maroc (Moroccan real-time gross settlement system)
TLTRO	: Targeted longer-term refinancing operations
TSAV	: Taxe Spéciale Annuelle sur les Véhicules (Special annual vehicle tax)
TSP	: Triple superphosphate
UNCTAD	: United Nations conference on trade and development
VAT	: Value added tax
VSMEs	: Very small, small and medium-sized enterprises
WB	: World Bank
WHO	: World health organisation
WP	: Working paper

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