بنك المغرب
BANK AL-MAGHRIB

ANNUAL REPORT

PRESENTED TO HIS MAJESTY THE KING

2017

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DIRECTOR GENERAL

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The Director General

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R E P O R T
ON THE FINANCIAL YEAR 2017

PRESENTED TO HIS MAJESTY THE KING

BY MR. ABDELLATIF JOUAHRI

GOVERNOR OF BANK AL-MAGHRIB

Your Majesty,

In application of Article 57 of Law No. 76-03 on the Statutes of Bank Al-Maghrib promulgated by Dahir No. 1-05-38 of Shawwal 20, 1426 (November 23, 2005), I have the honor to present to Your Majesty the report of the year 2017, the Fifty-ninth year of the central bank.

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Majesty,

The global economy improved significantly in 2017, supported by a rebound in trade and investment. Growth accelerated from 3.2 percent to 3.8 percent, driven mainly by advanced economies. In the United States, GDP grew by 2.3 percent, with continued strength in the labor market where unemployment stood at its lowest rate since 2000. Similarly, economic activity in the euro area, boosted by renewed confidence, recorded its fastest pace in the last decade, in parallel with a decline in unemployment, which, however, remains high in some countries in the zone.

This strengthening did benefit emerging and developing economies. Particularly, economic activity recovered in Brazil and Russia after two years of contraction, while China's growth accelerated slightly to 6.9 percent. However, India's economic growth slowed to 6.7 percent, mainly owing to the disturbances caused by the currency demonetization.

In commodity markets, after four years of decline, oil prices rose sharply, driven by both lower production and higher demand, while prices for agricultural commodities continued to trend downwards.

Against this backdrop, inflation accelerated in advanced economies, although it remained below the objective of major central banks, while it slowed in emerging and developing countries.

Taking account of these developments, monetary policies in developed countries were broadly skewed toward normalization, while remaining accommodative. The Fed raised the target range for its rate three times and initiated a balance sheet reduction. The ECB kept its rates unchanged, but reduced the amount of its asset purchase program, whose duration was extended until September 2018. The Bank of England, faced with the Brexit decision consequences leading particularly to the depreciation of the pound sterling, increased, for the first time in ten years, its key rate, while continuing its unconventional measures.

Thanks to this broadly favorable environment and good weather conditions, domestic growth accelerated significantly from 1.1 percent to 4.1 percent. After a sharp contraction, the agricultural value added rebounded by 15.4 percent, while nonagricultural activities continued to recover, albeit at a still slow pace. The latter stood at 2.7 percent, with a particularly strong performance of extractive industries and tourism as well as a relative improvement in manufacturing industries. In contrast, activity remained sluggish in the construction sector, which recorded its lowest growth rate in the last two decades.

On the demand side, the contribution of its domestic component, a traditional driver of growth, returned to 3.6 percentage points, with a significantly slow investment and robust pace of household consumption. Conversely, the contribution of net exports became positive at 0.5 point.

The rebound in growth affected employment, which posted a net increase of 86,000 jobs, almost half of which in agriculture. Industry, including crafts, generated only 7,000 jobs, thus totaling 30 thousand since 2015, the first year for implementing the Industrial Acceleration Plan. The total number of jobs created remained largely insufficient, considering a net entry into the market of 135 thousand job-seekers, a number that would have been higher without the further decline in the participation rate. As a result, the unemployment rate worsened to 10.2 percent overall and to 14.7 percent in urban areas, with particularly a marked increase among urban youth, of whom more than four out of ten are unemployed.

In terms of macroeconomic balances, the easing trend observed since 2013 resumed after a break in 2016. Regarding public finances, the deficit narrowed to 3.6 percent of GDP. The fiscal year was marked by a substantial increase in tax revenues as well as significant donations from GCC countries, which reached 9.5 billion dirhams. On the other hand, subsidy costs rose for the second consecutive year to 15.3 billion dirhams and the Treasury's investment effort was maintained, with spending moving up to 66.9 billion dirhams. Under these circumstances, the debt ratio continued its upward trend since 2009, to 65.1 percent of GDP for the Treasury debt and 82 percent of GDP for the overall public debt.

With regard to the external accounts, exports showed a good performance in all sectors, with particularly remarkable improvements in phosphate and derivative shipments and sales of Morocco's world crafts. At the same time, despite a higher energy bill, the pace of imports slowed sharply, reflecting mainly a slower growth of capital goods purchases and a decline in wheat supplies. Transfers from Moroccan expatriates kept their pace of the last two years, while travel receipts posted a rise of almost 12 percent, the largest since 2006, thus helping to ease the current account deficit from 4.2 percent to 3.6 percent of GDP.

Similarly, Morocco continues to be attractive for foreign investment. Net FDI flows grew to an amount equaling 2.4 percent of GDP, benefiting particularly the real estate and manufacturing sectors. Meanwhile, investment by Moroccans abroad reached 9.3 billion dirhams, intended largely for the African continent. Considering these developments and a strengthening of banks' foreign exchange position, net international reserves decreased by 3.3 percent to 240.9 billion, thus covering 5 months and 20 days of imports of goods and services.

This decline in reserves and a significant increase in currency in circulation enlarged banks' liquidity needs. In this context, interest rates in the various markets were slightly tilted on the upside and the growth of bank lending to the nonfinancial sector almost stabilized at 3.8 percent, albeit with a faster pace of equipment loans to both public and private corporations.

At the Casablanca Stock Exchange, prices rose for the second year in a row, prompted by the positive income of listed companies and low interest rates. However, despite a relative increase in the volume of transactions, the liquidity level remains structurally weak and well below those observed in the main stock exchanges of frontier and emerging markets. Regarding the real estate sector, it lacked momentum, with mainly lower sales, while prices rose across all asset categories.

Under these conditions, despite a marked increase in domestic fuel prices, inflation slowed sharply to 0.7 percent. This deceleration is solely attributable to the decline in volatile food prices, because of an improved supply.

Considering moderate inflation in the medium term and continued recovery of nonagricultural activities, Bank Al-Maghrib maintained the accommodative stance of its monetary policy. It thus kept its key rate unchanged at 2.25 percent and continued its program of supporting the financing of VSMEs.

The year was also marked by the completion of a long process of preparing Morocco's transition to a more flexible exchange rate regime. This focused on various aspects, mainly strategic and operational frameworks, communication and support for operators. This reform that began in early 2018 is being implemented under good conditions, with an ownership by the banking system and businesses. Its ultimate success, which is dependent on the preservation of macroeconomic balances and fiscal discipline, would support the competitiveness of the economy, enhance its ability to absorb shocks and serve as a lever for other macroeconomic policies.

Boosted by the diversification of its activities and its international development, the banking sector continued to show resilience in a context of risks. The participatory banks have started their activity gradually, but its development remains conditional on the implementation of the other essential components of the ecosystem, related especially to the takaful insurance, sukuk certificates and participatory guarantee.

Bank Al-Maghrib continued to strengthen its banking supervision framework with the adoption of new crisis management regulations and a reform of the criteria for classifying claims and provisioning. Regarding anti-money laundering and counter-terrorist financing, it raised the level of requirements for the banking institutions in line with FATF's international standards.

In addition, Bank Al-Maghrib continued to support the cross-border expansion of Moroccan banks. Indeed, it enhanced its cooperation by concluding three new conventions on the coordination of banking supervision.

In terms of macro-prudential supervision, in collaboration with the Ministry of Economy and Finance and the other financial regulators, the Bank completed the governance mechanisms of the Systemic Risk Coordination and Surveillance Committee. It continued to deploy instruments recommended by the Basel Committee and strengthen the analytical framework for financial stability, which it is seeking to improve on several aspects, including emerging risks and risks from financial conglomerates.

Regarding the systems and means of payment, Bank Al-Maghrib continued its efforts to enhance their credibility and the resilience of financial market infrastructures. In terms of regulation, texts implementing the banking law relating to payment institutions were adopted, which helped start procedures for granting licenses and the first five were delivered in January 2018.

In terms of financial inclusion, the Bank and the Ministry of Economy and Finance continued their efforts to develop, with stakeholders, the national financial inclusion strategy. This strategy should particularly identify the levers for reducing the shortcomings in terms of the use of financial services. As shown by the survey conducted in collaboration with the World Bank, these shortcomings remain particularly high in rural areas as well as among the youth and women.

Majesty,

Our country made some progress in 2017, with particularly a relative improvement in growth and macroeconomic balances. However, the pace of progress is still slow and achievements remain below expectations, fragile and dependent on a still high degree of exogenous factors.

Moreover, the external environment implies multiple risks. Indeed, the upward trend in oil prices and their volatility put pressure on fiscal and trade deficits, as well as on domestic output costs. At the same time, the stance towards the normalization of monetary policies do cause a gradual rise in the cost of external financing, whereas the GCC grant program comes to an end. In addition, the rise of populism, security fears in the region and geopolitical tensions may weigh on the attractiveness and trigger a sudden turnaround in some sectors which depend on foreign demand, at a time when protectionist tendencies are surging.

On the domestic front, in addition to its dependence on weather conditions, growth over the past five years posted a substantial deceleration of its nonagricultural component, as the pace of its value added fell back to 2.2 percent from 4.4 percent in the first decade of 2000. As a result, the nonagricultural employment momentum weakened, with the average annual job creation declining from nearly 130 thousand to 50 thousand jobs. After a downward trend since the beginning of the 2000s, unemployment has been worsening and is likely to continue as such, with the arrival of large cohorts of young people to the market, as a result of the demographic transition and the digital revolution, the impact of which has been already felt in several areas. What is more alarming is that access to employment is not a guarantee of a decent standard of living. Almost one in five employed persons is unpaid, eight out of ten have no medical coverage, and two-thirds of the employees work without a contract.

In addition, private investment remains low, despite the incentives granted and the public spending effort, supposed to serve as a lever for it. For lack of visibility, economic operators seem to be adopting a wait-and-see attitude, thus reducing the chances of a rapid recovery of growth.

Regarding the public administration, even though the margins of the State are dwindling with the upward trend in debt which reaches levels approaching the sustainability threshold and the level of wages relative to GDP per capita is among the highest in the world, wage pressures are growing and continuing to create a climate of tension and instability, which further weakens productivity and public service quality.

In addition, despite the efforts made as part of the National Human Development Initiative and various social programs, the vulnerability rate remains high, particularly in rural areas and inequalities withstand reduction, which does fuel the feeling of exclusion among large sections of the population.

After the remarkable performance during the first decade of 2000, such findings led His Majesty to bring up, on several occasions in his speeches, questions about the adequacy of our development model with the current context and its capacity to meet the legitimate aspirations of the population, thus calling for reviewing and rethinking this model.

While Morocco has exerted significant efforts in recent years, the level of achievements suggests that it needs not only to continue and expand such reforms, but also and above all to succeed in their implementation and complete them in due time. Indeed, many structural projects have been initiated, but many of them have yet to materialize and others yield results often well below the objectives.

Thus, regarding the education and training system reform, more than three years after the adoption of the 2030 strategic vision, its implementation has languished at a time when the Moroccan school continues to show poor performance and produce low-skilled youth for proper integration into the labor market. All stakeholders are nowadays called upon to overcome cleavages and mobilize to ensure the success of this structuring project. One of the priorities would be to complete as soon as possible the draft framework law, which should constitute a real pact involving all stakeholders.

As to employment, multiple fragmented programs and measures have been set up over the past few years without fruitful results. More recently, the authorities started to develop a national employment strategy, which led to an employment promotion plan with several objectives, but which appear not very realistic and require concrete measures to achieve them.

The reform of the subsidy system, considered as a successful experience in the region, is another illustration. Implemented in a favorable context marked by lower oil prices, the planned monitoring of fuel prices after their liberalization and the support measures have not been applied. Nearly five years after its launch, the upward trend in oil prices puts the reform under severe strain and brings the conditions of its deployment on the agenda. Nowadays, it should be finalized and generalized as part of a more comprehensive policy focusing on the establishment of real prices for better allocation of resources and on support for the poorest households.

In this respect, the reflection on implementing a population-targeting system that was launched several years ago is slow to materialize, even though it is a prerequisite for introducing more coherence and effectiveness into public action in the social field. This is all the more urgent as several social programs face severe financial constraints that threaten their viability.

Some progress has been made in the implementation of the advanced regionalization project, particularly on the legal level. However, ensuring success for such a project depends on the availability of the skills needed to manage the public affairs, effective coordination between the local and central authorities, as well as development of funding sources specific to local governments beyond the State’s transfers. The experience ongoing since the first communal and regional elections organized after this reform highlights another major challenge, namely the challenge of harnessing an elite giving greater consideration to the public interest and aware of its primacy over partisan considerations.

In the public administration, the project of a comprehensive reform, advocating an overhaul of the civil service statutes and payment system is slow to take shape, while it continues to suffer from weak governance and inadequate productivity as His Majesty emphasized in his speech of July 2017. Moreover, the recent direction towards the contracting system does not seem to be an adequate response to the challenge posed by this reform.

Regarding the retirement schemes of civil servants, the measures implemented in September 2016 are only a first step to offer a temporary respite. However, the increase in retirements is gradually accelerating the depletion of the Moroccan Pension Fund's resources, and thus recalls the urgent need to take the next steps to complete the overall process in such a way as to ensure the sustainability of all schemes.

Concerning the business environment, constitutional institutions that must play a crucial role in ensuring favorable conditions for investment and job creation are paralyzed by the long delays in the decision making.

These findings lead to the conclusion that there is a need to strengthen the practice of evaluation to ensure the proper implementation of reforms and to bring them to fruition in due time with a view to maximizing the results they produce. Admittedly, this evaluation exists, but remains sporadic and its coverage is still limited, which causes recurring polemics around the results of certain sector-based strategies.

Majesty,

Our country has achieved under your leadership significant progress in terms of consolidating its stability and regional position, as evidenced by its reintegration into the African Union, its accession to the Continental Free Trade Agreement and expressed will to join ECOWAS. In addition, it continues to be attractive for foreign investors and enjoys the confidence of international institutions and a positive assessment of rating agencies.

To consolidate and sustain these achievements, our country would benefit internally if it reviewed the public policy governance to ensure greater coherence, efficiency and performance in its reforms. It is required to enhance the transparency of the decision-making process at both the central and local levels and to further link responsibility to accountability, while conditioning individual freedom by respect for the freedom of others and laws. It will then give more visibility to the citizen and economic operators and will strengthen social cohesion and adherence to public action.

In view of the challenges it faces, Morocco needs nowadays a real leap and mobilization of all active forces to restore a climate of trust and social appeasement and put the economy on a higher path of growth and job creation. Our country will thus be able to ensure better living conditions for its population, be reconciled with its youth and give them hope for a better future.

Abdellatif JOUAHRI

Rabat, June 2018

PART 1

ECONOMIC, MONETARY AND FINANCIAL SITUATION

1.1 International environment

Despite uncertainties and political and geopolitical tensions in several regions, the global economy strengthened significantly in 2017. Driven by advanced economies, particularly the United States and the euro area, growth accelerated to 3.8 percent, the fastest pace since 2011. Thanks to this upturn and to rising commodity prices, economic activity in emerging and developing countries expanded, with a recovery from the recession in Brazil and Russia.

This performance was coupled with a further improvement of labor market conditions in the main advanced countries. In the United States, unemployment recorded the lowest rate since 2000, while in the euro area, it declined almost in all countries, though remaining high in some economies of the area.

After two years of sluggishness, world trade rebounded substantially, reflecting essentially a strong acceleration of exports from emerging and developing countries. Similarly, foreign direct investments grew towards developing and transition countries, while the volume of those intended for developed countries remained stable.

On the commodity markets, oil prices posted a significant rise, the first since 2013, following the quota cut agreement, the frequent output disruptions and the higher demand. Metal and mineral prices also appreciated, while prices for agricultural commodities declined further, due to the abundance of supply.

In this context, inflation accelerated in advanced economies, while remaining below the objectives of major central banks. However, it continued to decelerate in emerging and developing countries.

Taking account of these developments, monetary policies in the main developed countries remained accommodative with a stance towards normalization, especially in the United States. Boosted by the prospects for inflation convergence towards its 2-percent objective and the strength of the labor market, the Fed raised the target range for federal reserves rate three times and began to reduce its balance sheet. The ECB, while maintaining its rates unchanged, extended the period of its asset purchase program to September 2018, with a significant reduction in its volume.

In the financial markets, the year was characterized by a sharp rise in prices on the main stock markets, mainly driven by improved corporate earnings. Sovereign rates rose slightly for long-term maturities, due to monetary policy normalization processes in the major advanced economies. In foreign exchange markets, the euro appreciated thanks to the consolidated fundamentals in the euro area's main economies. Conversely, suffering from the uncertainties around the Brexit negotiations, the pound sterling continued to depreciate, although at a slower pace compared to

2016. The bank lending growth accelerated in the euro area, while it decelerated sharply in the United States, due to lower demand and tighter lending conditions for certain loan categories.

Lastly, the surge in crypto-asset prices during the year and the risks associated with their development raised concerns from international institutions and national regulatory authorities.

1.1.1 Economic growth

After slowing in 2016, global growth picked up significantly in 2017. It accelerated from 3.2 percent to 3.8 percent overall, from 1.7 percent to 2.3 percent in advanced economies and from 4.4 percent to 4.8 percent in emerging and developing economies.

Table 1.1.1 : Global growth (%)

	2013	2014	2015	2016	2017
World	**3.5**	**3.6**	**3.5**	**3.2**	**3.8**
Advanced economies	**1.3**	**2.1**	**2.3**	**1.7**	**2.3**
United states	1.7	2.6	2.9	1.5	2.3
Euro area	-0.2	1.3	2.1	1.8	2.3
Germany	0.6	1.9	1.5	1.9	2.5
France	0.6	0.9	1.1	1.2	1.8
Italy	-1.7	0.1	1.0	0.9	1.5
Spain	-1.7	1.4	3.4	3.3	3.1
United kingdom	2.1	3.1	2.3	1.9	1.8
Japan	2.0	0.4	1.4	0.9	1.7
Emerging and developing countries	**5.1**	**4.7**	**4.3**	**4.4**	**4.8**
Emerging and developing countries of Asia	**6.9**	**6.8**	**6.8**	**6.5**	**6.5**
China	7.8	7.3	6.9	6.7	6.9
India	6.4	7.4	8.2	7.1	6.7
Countries of Latin America and the Caribbean	**2.9**	**1.3**	**0.3**	**-0.6**	**1.3**
Brazil	3.0	0.5	-3.5	-3.5	1.0
Mexico	1.4	2.8	3.3	2.9	2.0
Commonwealth of Independent States	**2.5**	**1.0**	**-2.0**	**0.4**	**2.1**
Russia	1.8	0.7	-2.5	-0.2	1.5
Emerging and developing countries of Europe	**4.9**	**3.9**	**4.7**	**3.2**	**5.8**
Turkey	8.5	5.2	6.1	3.2	7.0
Sub-Saharan Africa	**5.3**	**5.1**	**3.4**	**1.4**	**2.8**
South Africa	2.5	1.8	1.3	0.6	1.3
Middle East and North Africa	**2.5**	**2.6**	**2.4**	**4.9**	**2.2**

Source: IMF.

In the United States, economic activity was supported by robust investment and favorable monetary conditions, despite the normalization of the Fed's policy. Indeed, growth moved up markedly from 1.5 percent in 2016 to 2.3 percent in 2017.

Similarly, driven by accommodative monetary conditions and renewed confidence, the euro area GDP recorded the highest growth rate in a decade, at 2.3 percent. In the main economies of the area, growth strengthened from 1.9 percent to 2.5 percent in Germany, owing to the consolidation of household consumption and investment. It accelerated from 1.2 percent to 1.8 percent in France and from 0.9 percent to 1.5 percent in Italy, driven partly by the rise in investment. In Spain, growth remained strong, despite a slight decline from 3.3 percent to 3.1 percent, due to a slower private consumption and low external demand, while the impact of the Catalan crisis was limited.

In the United Kingdom, in a climate of uncertainty over the outcome of the Brexit negotiations, growth slowed from 1.9 percent to 1.8 percent, as household consumption was affected by the weakening of the purchasing power, in conjunction with the depreciation of the pound sterling. In Japan, due to the rebound in private consumption and investment, growth accelerated sharply from 0.9 percent to 1.7 percent.

In key emerging countries, thanks to the strengthening of the world economy and the measures taken to boost domestic demand, growth in China moved up from 6.7 percent to 6.9 percent, in a context of the economy rebalancing and concerns about high indebtedness levels (Box 1.1.1). Conversely, growth in India slowed from 7.1 percent to 6.7 percent, reflecting a decline in household consumption, owing to the disruption caused by the demonetization and by the implementation of the goods and services tax reform[1].

After two years of recession, Brazil's economy grew 1 percent, supported by improved household consumption. Similarly, taking advantage of rising energy prices and easing financing conditions, Russia returned to growth by 1.5 percent, as against -0.2 percent in 2016.

The increase in commodity prices also benefited sub-Saharan Africa whose growth rebounded from 1.4 percent to 2.8 percent. In its main economies, GDP grew by 0.8 percent in Nigeria, after a contraction of 1.6 percent, and 1.3 percent from 0.6 percent in South Africa, where agricultural production rebounded substantially after a long period of drought.

In contrast, growth in the MENA region slowed significantly from 4.9 percent to 2.2 percent, mainly due to lower oil production in the major exporting countries and to geopolitical tensions. Particularly, growth decreased from 1.7 percent to -0.7 percent in Saudi Arabia, from 3 percent to 0.5 percent in the United Arab Emirates and from 3.3 percent to 2 percent in Algeria.

1 The Indian government launched a new tax system for goods and services on July 1, 2017. The reform provides for the merger of multiple indirect taxes into a single tax, which is a form of harmonized VAT across the country. Therefore, in advance of the introduction of this reform on July 1, 2017, companies drastically constrained their output and sold off their stocks with significant discounts.

Box 1.1.1: Concerns about the financial sector trends in China

The strong economic growth recorded in China after the global financial crisis was partly supported by a rapid rise in loans, which brought the indebtedness of the nonfinancial sector to a very high level. Given the systemic weight of China in the global economy, this development raises the concerns of markets and some international institutions.

Indeed, lending to the nonfinancial sector evolved at a rate well above that of growth. Its ratio to GDP increased from 142.8 percent in 2008 to 256.4 percent[1] in 2017, and the credit gap relative to its trend reached, according to the IMF, around 25 percent of GDP, a level well above the 10 percent threshold beyond which the BIS suggests the setting of counter-cyclical buffers. By institutional sector, the largest increase was registered for state-owned enterprises with a ratio to GDP rising from 40 percent in 2008 to 74 percent in 2016. This ratio rose from 35 percent to 54 percent for non-government companies and from 18 percent to 44 percent for households.

While such a level of indebtedness is recorded in other countries, such as Canada with 290.9 percent of GDP, Italy with 264.3 percent or even the United States with 250.2 percent, the pace of increase is exceptionally fast, as the ratio of credit to GDP grew by 114 percentage points in China between 2008 and 2017, as against an average of 43 points for the three countries mentioned above. However, according to a recent IMF study[2], international experience suggests that such rapid credit growth is unsustainable and generally leads to a financial crisis and/or a marked slowdown in growth. Indeed, out of 43 cases where the credit-to-GDP ratio grew by at least 30 percentage points over a five-year period, in 5 cases[3] only, such an evolution did not lead to a slowdown in economic growth or to a financial crisis.

Chart B1.1.1.1: Loans to the nonfinancial sector and economic growth (%)

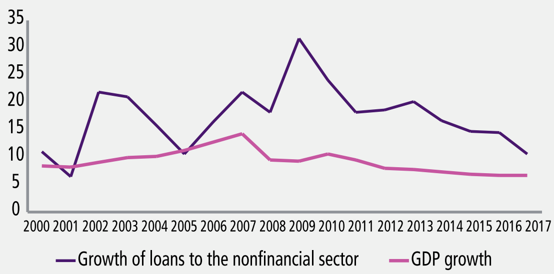
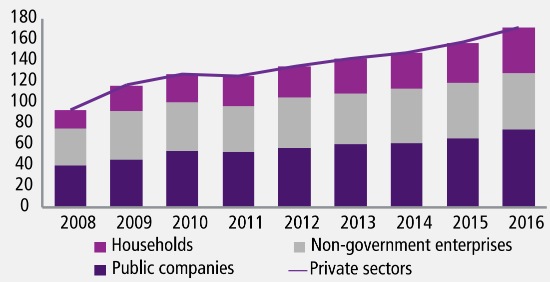


Chart B1.1.1.2: Breakdown of loans to the nonfinancial sector (% of GDP)



Sources : BIS and IMF.

In addition, the IMF noted that the new credit allocated in recent years in China has not been accompanied by an increase in value added in the same proportions as in the past. Indeed, to raise the GDP by 5 trillion RMB per year, 20 trillion RMB of new credits were needed in 2015-2016 compared with only 6.5 trillion in 2007-2008.

1 2017 statistics correspond to the average of the first 3 quarters.

2 Chen S. and Kang J.S (2018) "Credit booms: Is China different?", IMF working paper N° 18/2.

3 New Zealand in 1992, Hong Kong in 1983, Finland in 2003, Indonesia in1990 and Switzerland in 1985.

In addition, certain characteristics specific to the Chinese economy could increase the risk of triggering a crisis due to this high indebtedness level. These includes particularly the scale of shadow banking[4] since 2008, which represents, according to Moody's, 82.6 percent of GDP at end-June 2017, and the low profitability of the state-owned companies that capture almost half of the new credits.

On the other hand, several factors help to mitigate the risk of a short-term credit bubble bursting in China. These are: (i) the surplus position of its current account and its small external debt; (ii) the size of its savings and stability of its domestic deposits; (iii) the profitability of its private sector; (iv) the low level of its public debt, which amounts to 47.8 percent of GDP in 2017; and (v) the restrictions on its capital account.

To improve the financial sector position, the Chinese authorities took several measures to tighten the regulation of non-banking intermediation and to ensure recovery of public enterprises, based on consolidation, transfer of assets and liquidation.

The Fund recommends the adoption of several measures such as the careful elimination of implicit guarantees[5] granted to state-owned enterprises, the limitation of their budgetary expenditure in order to reduce their resort to credit, the reinforcement of their regulatory and supervisory framework. According to the IMF, the application of all its recommendations would stabilize credits to the nonfinancial sector at about 270 percent of GDP in 2022.

4 "Shadow Banking" refers to all the actors and activities contributing to non-bank financing of the economy.
5 The creditors of public enterprises often assume that the state would intervene in case of repayment difficulties.

1.1.2 Labor market

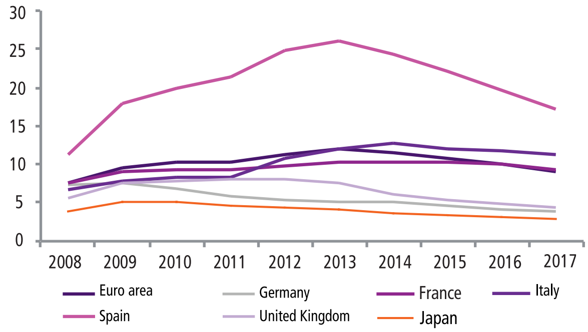
The strengthening of economic activity in the major advanced economies was coupled with a significant improvement in the labor market conditions. In the United States, strength persisted with the creation of 2.2 million new jobs, instead of 2.3 million in 2016, and unemployment rate fell by 0.5 point to 4.4 percent. However, wage trends remained moderate, with a growth of 1.6 percent from 0.7 percent in the previous year, compared with an average of 3.8 percent over the 2000-2009 period.

Table 1.1.2: Unemployment rate (%)

	2013	2014	2015	2016	2017
Advanced countries					
United States	7.4	6.2	5.3	4.9	4.4
Euro area	12.0	11.6	10.9	10.0	9.1
Germany	5.2	5.0	4.6	4.2	3.8
France	10.3	10.3	10.4	10.0	9.4
Italy	12.1	12.6	11.9	11.7	11.3
Spain	26.1	24.4	22.1	19.6	17.2
United Kingdom	7.6	6.2	5.4	4.9	4.4
Japan	4.0	3.6	3.4	3.1	2.9
Emerging and developing countries					
China	4.1	4.1	4.1	4.0	3.9
Russia	5.5	5.2	5.6	5.5	5.2
Brazil	7.2	6.8	8.3	11.3	12.8
Tunisia	15.3	15.3	15.4	15.5	15.3
Egypt	13.0	13.4	12.9	12.7	12.2
Algeria	9.8	10.6	11.2	10.5	11.7

Source: IMF.

Chart 1.1.1: Unemployment rate in advanced countries (%)



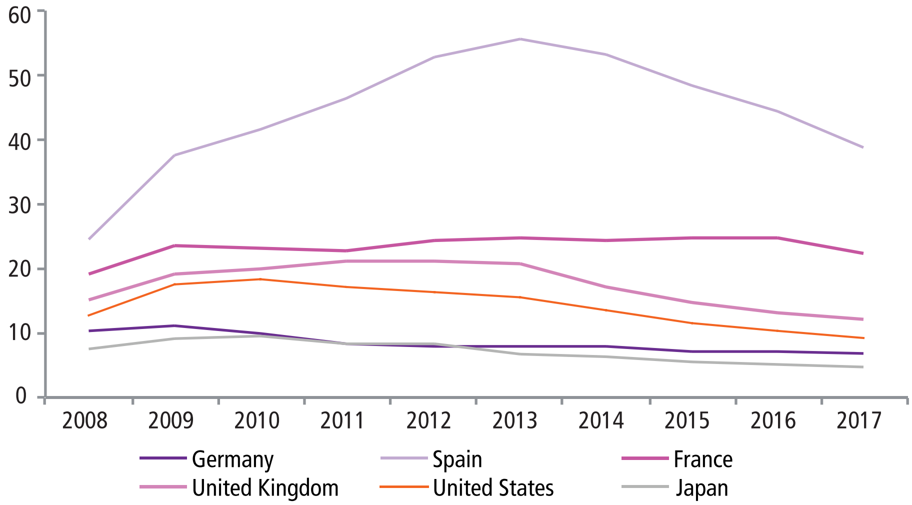
Similarly, in the euro area, unemployment continued to drop from 10 percent to 9.1 percent, its lowest rate since 2007. The decline was widespread, but the level remained high in several economies of the euro area, mainly Greece, Spain, Italy and, to a lesser extent, France. Conversely, Germany continues to record the lowest rate, at 3.8 percent. In addition, wage growth in the euro area remained limited at 1.5 percent in 2017, compared to an average of 2.9 percent in the pre-crisis decade. On the other hand, the unemployment rate continued to decrease in the United Kingdom and Japan, from 4.9 percent to 4.4 percent and from 3.1 percent to 2.9 percent, respectively.

In the major emerging and developing economies, unemployment rate fell to 3.9 percent in China and 5.2 percent in Russia, while it rose from 11.3 percent to 12.8 percent in Brazil. However, in North Africa, it continued its decline to 15.3 percent in Tunisia and 12.2 percent in Egypt, while it worsened from 10.5 percent to 11.7 percent in Algeria.

Regarding youth unemployment[1] in particular, the rate continued to drop in 2017 in most advanced countries, falling from 10.4 percent to 9.2 percent in the United States, from 13 percent to 12.1 percent in the United Kingdom and from 5.1 percent to 4.7 percent in Japan. In the euro area, with the exception of Germany where it is relatively contained at 6.8 percent, youth unemployment continues, despite its decline, to evolve to high levels reaching 22.3 percent in France, 38.6 percent in Spain and peaking at 43.7 percent in Greece.

1 People aged 15 to 24 years.

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



Source: Eurostat.

1.1.3 Commodity markets

After their downward trend in recent years, commodity prices recovered broadly in 2017, with a sharp increase of 23.6 percent in energy prices and a rise of 5.5 percent in non-energy ones.

Chart 1.1.3: Annual change in commodity price indexes

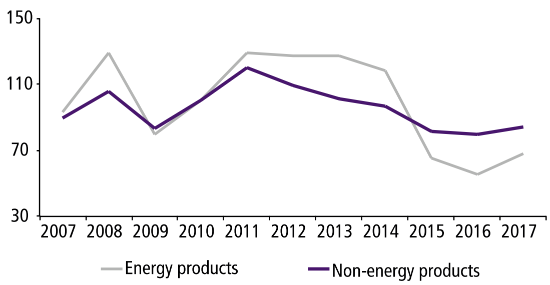
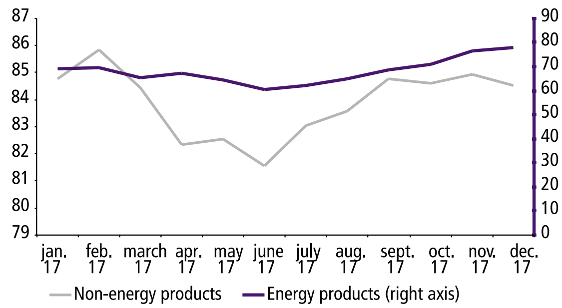


Chart 1.1.4: Monthly change in commodity price indexes in 2017



Source: World Bank.

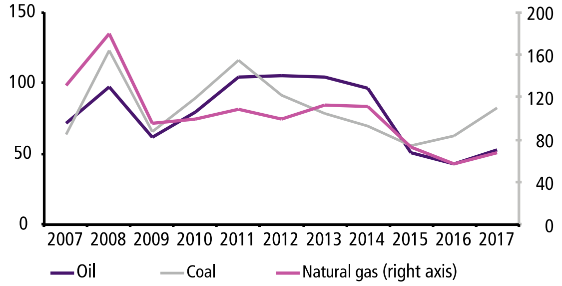
In the international oil market, the price[1] grew by 23.3 percent compared to 2016, standing at $52.81 per barrel on average, as against $42.81. This rebound is due to high demand and restrictions that weighed on supply, mainly the respect and extension of the agreement between OPEC member and other non-member countries, as well as the recurring output disruptions.

The sub-annual change in oil prices was characterized by a slight decline at the beginning of the year, due to the recovery of shale oil extraction activity in the United States and production in Libya and Nigeria, initially excluded from the OPEC Agreement. From July, prices rose to a peak of $63.8 at end-December 2017. For other products, the natural gas price rebounded by 20.5 percent, and

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

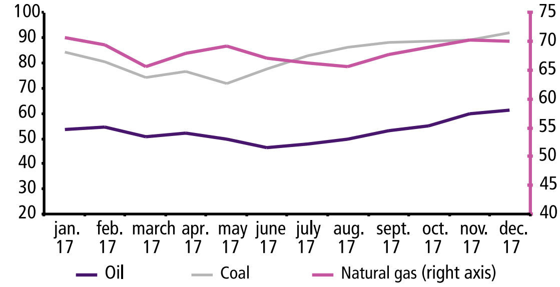
coal prices[1] by 32.3 percent, owing to a sustained demand and continued reduction in output capacity in some countries.

Chart 1.1.5: Annual change in energy price indexes



Source: World Bank

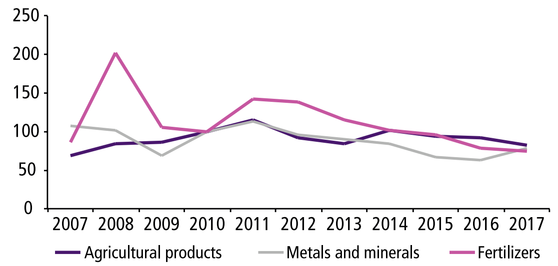
Chart 1.1.6: Monthly change in energy price indexes in 2017



Similarly, metal and mineral prices grew overall by 24.2 percent, with increases of 38.3 percent for zinc, 26.7 percent for copper and 24 percent for lead. These trends are attributed to a recovery in global demand, mainly from the Chinese manufacturing and infrastructure sectors, and a decrease in supply, owing to efforts to reduce overcapacity and disruption in the production of certain goods.

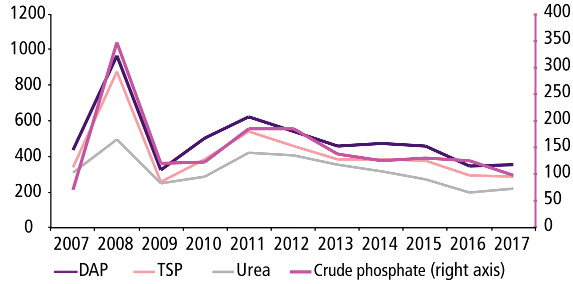
However, prices of agricultural commodities fell again by 0.5 percent, due to the abundant supply. Particularly, cereal prices edged down by 0.2 percent, covering declines of 6 percent for barley and 2.9 percent for maize and a 4.5 percent increase for durum wheat. Under these conditions, fertilizer prices dropped by 2.7 percent to $283.3 for triple superphosphate (TSP) and 19.9 percent to $212.1 for potassium chloride. In contrast, di-ammonium phosphate (DAP) prices rose by 1.4 percent to $354.8 and urea prices moved up 11.8 percent to $221.4. The crude phosphate price fell by 22.8 percent to $97.2 per tonne.

Chart 1.1.7: Non-energy price indexes



Source: World Bank.

Chart 1.1.8: Prices of phosphate and derivatives (dollar/tonne)



1 Average prices on the markets of Australia, Colombia and South Africa.

As for precious metals, prices rose slightly by 0.4 percent, driven by an appreciation of 0.7 percent in gold prices, in conjunction with the weakening of the dollar and geopolitical tensions. In contrast, silver and platinum prices fell by 0.5 percent and 3.9 percent, respectively.

1.1.4 Inflation

In a context of rising commodity prices and a strengthening economic activity, global inflation rose from 2.8 percent in 2016 to 3 percent in 2017, with a sharp acceleration from 0.8 percent to 1.7 percent in advanced economies and a decline from 4.3 percent to 4 percent in emerging and developing countries.

Table 1.1.3: Inflation in the world (%)

	2013	2014	2015	2016	2017
World	**3.7**	**3.2**	**2.8**	**2.8**	**3.0**
Advanced economies	**1.4**	**1.4**	**0.3**	**0.8**	**1.7**
United States	1.5	1.6	0.1	1.3	2.1
Euro area	1.3	0.4	0.0	0.2	1.5
Germany	1.6	0.8	0.1	0.4	1.7
France	1.0	0.6	0.1	0.3	1.2
Italy	1.2	0.2	0.1	-0.1	1.3
Spain	1.4	-0.1	-0.5	-0.2	2.0
United Kingdom	2.6	1.5	0.0	0.7	2.7
Japan	0.3	2.8	0.8	-0.1	0.5
Emerging and developing economies	**5.5**	**4.7**	**4.7**	**4.3**	**4.0**
Russia	6.8	7.8	15.5	7.1	3.7
China	2.6	2.0	1.4	2.0	1.6
India	9.4	5.8	4.9	4.5	3.6
Brazil	6.2	6.3	9.0	8.7	3.4
Middle-East and North Africa	**9.4**	**6.5**	**5.8**	**4.9**	**6.6**

Source : IMF.

In the United States, also impacted by the weak dollar, inflation rose from 1.3 percent to 2.1 percent. In the euro area, while remaining below the ECB's objective, it moved up substantially to 1.5 percent, after having evolved to levels close to zero over the past three years. By country, it rose from 0.4 percent to 1.7 percent in Germany, from 0.3 percent to 1.2 percent in France, from -0.1 percent to 1.3 percent in Italy and from -0.2 percent to 2 percent in Spain. On the other hand, it increased sharply from 0.7 percent to 2.7 percent in the United Kingdom, driven by the depreciation of the pound sterling, and stood at 0.5 percent in Japan, after being almost equal to zero in 2016.

Chart 1.1.9: Inflation in the world (%)

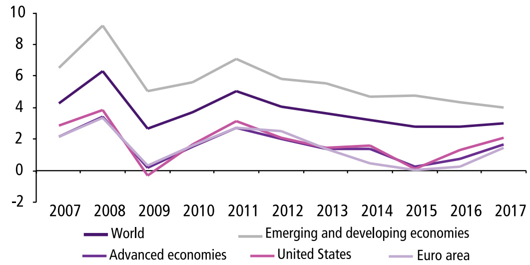
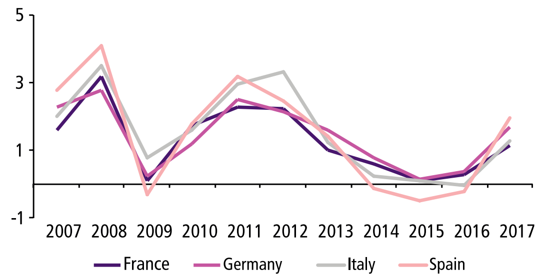


Chart 1.1.10: Inflation in the main economies of the Euro area (%)



Source: IMF.

In contrast, in the major emerging economies, inflation declined mainly due to lower food prices and to the appreciation of their currencies against the dollar. It dropped from 2 percent to 1.6 percent in China, from 4.5 percent to 3.6 percent in India, from 8.7 percent to 3.4 percent in Brazil and from 7.1 percent to 3.7 percent in Russia. In North Africa, the rate grew from 10.2 percent to 23.5 percent in Egypt[1] and from 3.7 percent to 5.3 percent in Tunisia, while it decreased from 6.4 percent to 5.6 percent in Algeria.

1.1.5 Public finance

Boosted by the improved economic environment and low interest rates, the public finance position continued to improve in the euro area, despite the persistently high level of indebtedness. The budget deficit decreased from 1.5 percent to 0.9 percent of GDP, reflecting particularly cuts from -4.5 percent to -3.1 percent in Spain and from -3.4 percent to -2.6 percent in France, while the surplus balance expanded from 0.8 percent to 1.1 percent of GDP in Germany. Similarly, apart from France, where it recorded a slight increase to 97 percent of GDP, the public debt ratio fell to 64.1 percent in Germany, 98.4 percent in Spain and 86.6 percent for the whole area. In the United Kingdom, because of a restrictive fiscal policy, the deficit eased from 3 percent of GDP to 2.3 percent and the debt ratio from 88.2 percent to 87 percent.

In contrast, the situation continued to deteriorate in the United States, as budget deficit worsened from 4.2 percent to 4.6 percent of GDP and public debt rose from 107.2 percent to 107.8 percent of GDP. In Japan, the budget deficit also widened from 3.7 percent to 4.2 percent and indebtedness increased from 235.6 percent to 236.4 percent.

1 The sharp rise in inflation in Egypt is largely attributed to the depreciation of the Egyptian pound, following the transition to a floating foreign exchange regime.

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

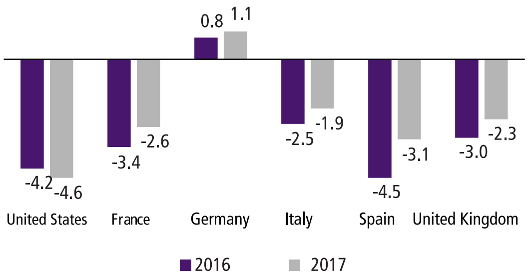
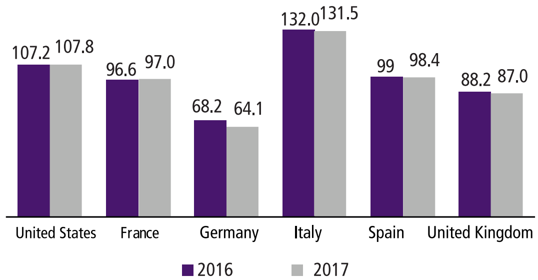


Chart 1.1.12: Public debt in the main advanced economies (% of GDP)



Source: IMF.

Concerning key emerging economies, the fall in tax revenues in China led to a widening of the deficit from 3.7 percent to 4 percent of GDP and an increase in debt from 44.3 percent to 47.8 percent of GDP. The budget deficit also increased in India from 6.7 percent to 6.9 percent, with the public debt worsening from 68.9 percent to 70.2 percent. Conversely, the restrictive fiscal policy pursued in Russia and the rising energy commodity prices made it possible to significantly reduce the deficit from 3.7 percent to 1.5 percent, and to maintain a low debt ratio, although increasing slightly. The same trend was observed in Brazil, where the deficit decreased from 9 percent to 7.8 percent of GDP and debt rose from 78.4 percent to 84 percent.

In the MENA region, after the sharp deterioration of recent years, the situation improved in 2017, thanks to fiscal consolidation efforts and rising oil prices. Particularly, significant reductions in the deficit were registered in Saudi Arabia from 17.2 percent to 9 percent of GDP and in Algeria from 13.1 percent to 6.4 percent, while in Kuwait, the surplus balance posted a marked increase from 0.6 percent to 4 percent.

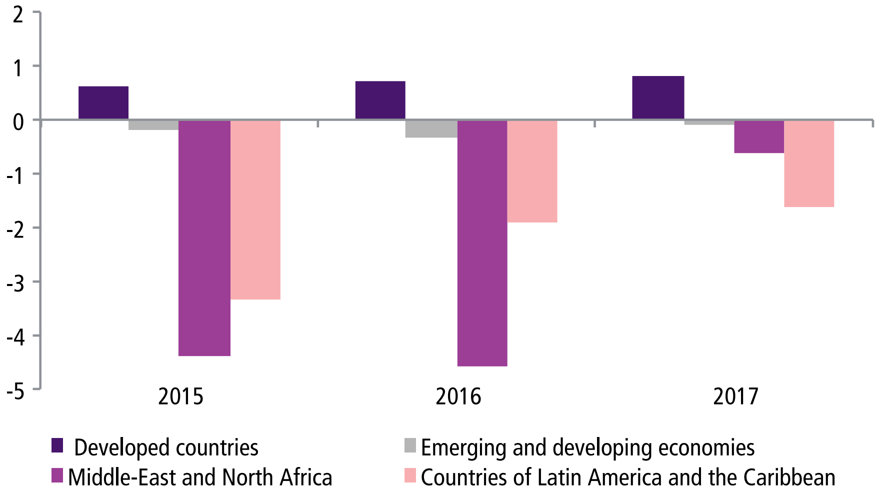
1.1.6 External accounts

After having evolved at a low pace of 3.1 percent on average over the last five years, world trade recovered considerably in 2017, recording a growth of 4.9 percent. This trend reflects a sharp acceleration of exports in emerging and developing countries from 2.6 percent to 6.4 percent and, to a lesser extent, in advanced economies from 2 percent to 4.2 percent.

Against this backdrop, the surplus balance of advanced countries strengthened slightly from 3.4 percent to 3.5 percent in the euro area and from 3.8 percent to 4 percent in Japan. At the same time, the current account deficit stabilized at 2.4 percent in the United States and eased from 5.8 percent to 4.1 percent in the United Kingdom.

In emerging and developing economies, the current account surplus declined to 1.4 percent of GDP in China and improved to 2.6 percent in Russia. On the other hand, the current account deficit worsened to 2 percent in India and eased to 0.5 percent in Brazil and 0.6 percent in the MENA region.

Chart 1.1.13: Current account balance in the world (in % of GDP)



Source : IMF.

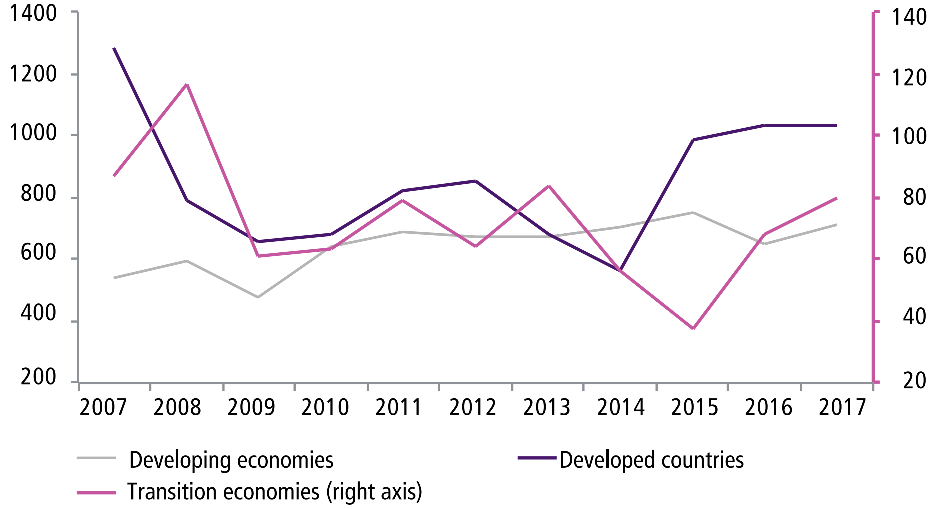
Table 1.1.4: Current account balance in the world (in % of GDP)

	2013	2014	2015	2016	2017
Advanced economies	**0.4**	**0.5**	**0.7**	**0.7**	**0.8**
United States	-2.1	-2.1	-2.4	-2.4	-2.4
Euro area	2.2	2.4	3.2	3.4	3.5
Germany	6.7	7.5	8.9	8.5	8.0
France	-0.9	-1.3	-0.4	-0.9	-1.4
Italy	1.0	1.9	1.5	2.7	2.9
Spain	1.5	1.1	1.1	1.9	1.7
United Kingdom	-5.5	-5.3	-5.2	-5.8	-4.1
Japan	0.9	0.8	3.1	3.8	4.0
Emerging and developing economies	**0.6**	**0.5**	**-0.2**	**-0.3**	**-0.1**
Emerging and developing countries of Asia	**0.7**	**1.5**	**2.0**	**1.4**	**0.9**
China	1.5	2.2	2.7	1.8	1.4
India	-1.7	-1.3	-1.1	-0.7	-2.0
Countries of Latin America and the Caribbean	**-2.7**	**-3.1**	**-3.4**	**-1.9**	**-1.6**
Brazil	-3.0	-4.2	-3.3	-1.3	-0.5
Mexico	-2.4	-1.8	-2.5	-2.1	-1.6
Commonwealth of Independent States	**0.6**	**2.1**	**2.8**	**0.0**	**1.3**
Russia	1.5	2.8	5.0	2.0	2.6
Emerging and developing countries of Europe	**-3.6**	**-2.9**	**-1.9**	**-1.8**	**-2.6**
Turkey	-6.7	-4.7	-3.7	-3.8	-5.5
Sub-Saharan Africa	**-2.2**	**-3.8**	**-6.0**	**-4.1**	**-2.6**
South Africa	-5.9	-5.3	-4.4	-3.3	-2.3
Middle-East and North Africa	**10.6**	**5.9**	**-4.4**	**-4.6**	**-0.6**

Source : IMF.

In 2017, FDIs recovered, after a decline in 2016. Driven by the positive economic conditions and improved corporate profits, flows grew by 5 percent to nearly $1,800 billion. This development benefited mainly developing countries, which drained a total of 710 billion dollars, up 10 percent. Flows to Asian countries increased by 16.3 percent to 515 billion and those intended for Africa by 10.2 percent to 65 billion. However, a further decline of 8.5 percent was recorded in Latin American and Caribbean countries. In transition economies[1], economic recovery and privatization programs helped to attract nearly $80 billion, up 17.6 per cent. Flows to advanced economies remained broadly stable at nearly $1,000 billion, with particularly a 5.1 percent increase in Europe to $560 billion and a 15.3 percent cut in North America to $360 billion.

Chart 1.1.14: FDI inflows (in billion dollars)



Source : UNCTAD.

1.1.7 Monetary policies

In the United States, the expansion of the economy, strength of the labor market and the expected inflation convergence towards the 2-percent objective prompted the FED to accelerate the normalization process of its monetary policy, by continuing to raise its rate and starting to reduce its balance sheet.

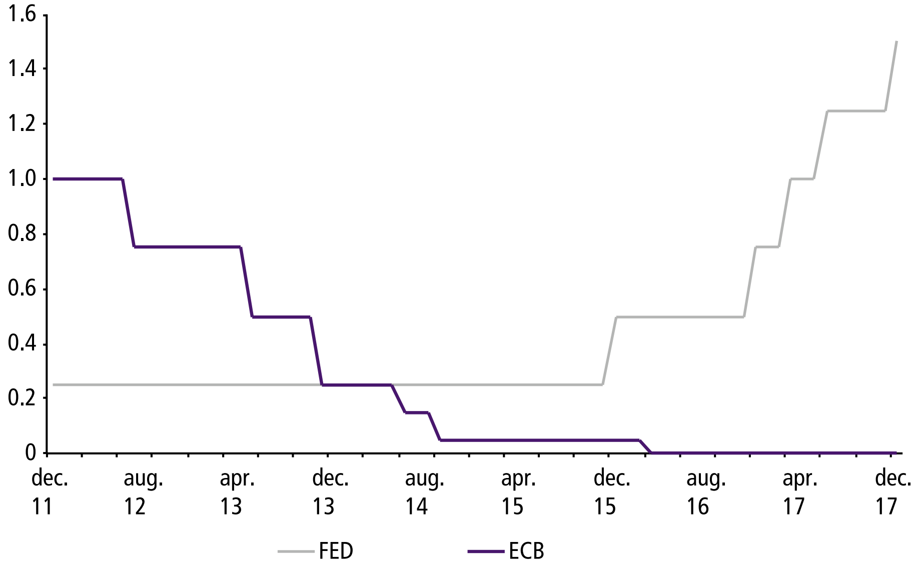
In fact, at three times in March, June and December, the FED raised by one quarter point the target range for the federal funds rate to [1.25 percent-1.50 percent]. In parallel, three years after ending its asset purchase program, the FED initiated in October a gradual balance sheet normalization process. Indeed, reinvestments have been reduced by $6 billion per month for principal payments received from treasury bills and $4 billion for other forms of securities. These caps should rise each quarter by $6 billion and $4 billion until they reach $30 billion and $20 billion, respectively.

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

Throughout the year, the Fed reiterated that its monetary policy remains accommodative and that economic conditions are evolving in a way that warrants only gradual increases in the federal funds rate.

The ECB continued its accommodative monetary policy, keeping its rates unchanged, and continuing, albeit at a slower pace, its asset purchase program (APP) in order to encourage a sustainable return of inflation to lower levels, but close to 2 percent. Thus, it maintained the rate for the main refinancing operations at 0 percent and the rates on marginal lending and deposit facilities at 0.25 percent and -0.40 percent, respectively. Regarding its APP, the ECB decided at the October meeting to extend it until September 2018 or beyond if necessary. Similarly, after reducing its monthly amount from 80 billion to 60 billion euros in April, it announced a further decrease to 30 billion euros from January 2018. Finally, it reiterated that it expects that its rates will remain at present levels and well past the horizon of the net asset purchases and will continue to reinvest the principal repayments from maturing securities well after the end of its APP for as long as necessary.

Chart 1.1.15: Key rates of the ECB and the FED (%)

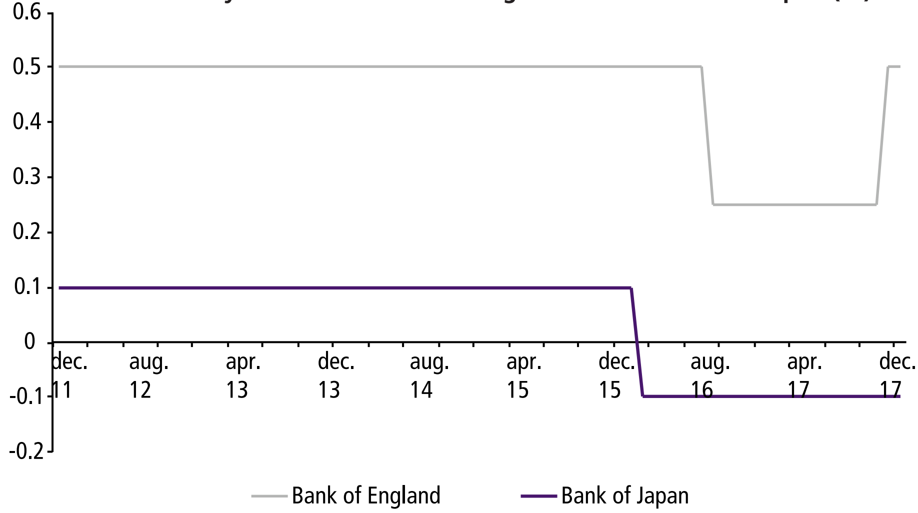


Source : Thomson Reuters.

Faced with the faster inflation which exceeded the target of 2 percent almost throughout the year, the Bank of England raised, for the first time in ten years, its key rate by 0.25 percentage point in November to 0.5 percent. Regarding its unconventional measures, it kept the stock of sterling nonfinancial investment-grade corporate bond purchases at £10 billion and UK government bond purchases at £435 billion. In view of the uncertainties surrounding the Brexit terms, it stressed that its monetary policy would be guided by a trade-off between the pace of inflation's sustainable convergence towards its target and the need to support employment and economic activity.

The Bank of Japan maintained its accommodative monetary policy, while indicating that this policy would continue until inflation reached the 2 percent objective in a sustainable manner. Thus, it kept its key rate at -0.1 percent and the annual pace of its purchases around 80 trillion yen for treasury bills, 6 trillion for exchange-traded funds and 90 billion for real estate investment funds.

Chart 1.1.16: Key rates of the Bank of England and the Bank of Japan (%)



Source : Thomson Reuters.

In the main emerging countries, the People's Bank of China adopted a broadly neutral monetary policy in 2017, keeping its policy rate unchanged at 4.35 percent. Nevertheless, for the first time in four years, it raised its short-term rates three times[1] by 25 basis points in total for each, bringing them to 2.5 percent for the 7-day maturity, to 2.6 percent for 14-day maturity and 2.8 percent for 28 days. The objective is to avoid capital outflows, with a view to preserving the stability of the yuan in a context of tightening US monetary policy, and to minimize the risk of bursting of asset bubbles, mainly real estate assets.

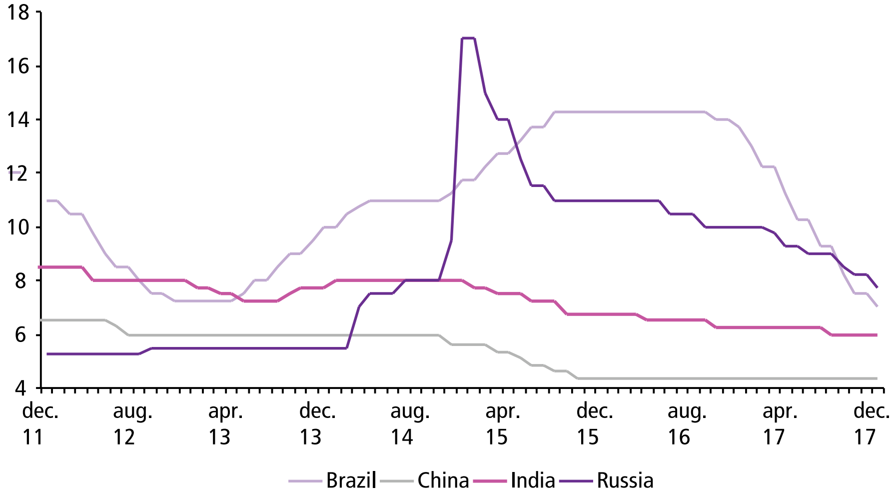
In addition, in light of slowing economic growth and lower inflation, the Reserve Bank of India lowered its policy rate in August by 25 basis points to 6 percent, its lowest level since September 2010. In its press releases, it reiterated throughout the year its commitment to achieve its inflation objective of 4 percent in the medium term with a range of fluctuation of plus or minus 2 percent.

In Brazil, in a context marked by a gradual economic recovery and easing inflationary pressures, the Central Bank accelerated the easing of its monetary policy, reducing its key rate eight times, bringing it down from 13 percent to 7 percent, a historically low level. Similarly, taking account of the larger-than-expected slowdown in inflation and continued improvement in economic activity, the Russian Central Bank lowered its policy rate six times from 10 percent to 7.75 percent.

1 These are reverse repo rates on the interbank market.

However, given persisting inflationary risks, it announced in October its intention to begin a gradual transition to a neutral monetary policy.

Chart 1.1.17: Key rates in major emerging countries (%)



Source : Thomson Reuters.

1.1.8 Financial markets

The upturn in global economic conditions in 2017 and good corporate financial results impacted the major equity markets, which performed well. Thus, the Dow Jones Industrials index rose by 21.3 percent, NIKKEI 225 by 19.4 percent, EUROSTOXX 50 by 16.2 percent and FTSE 100 by 14 percent. Likewise, the MSCI EM[1] was up 23.1 percent, particularly with increases of 30.6 percent in China and 18.9 percent in India. This rise in indexes was coupled with lower volatility, despite mounting uncertainties particularly due to the slow negotiations on Brexit, tensions between the United States and North Korea, and the stance of US fiscal policy.

Chart 1.1.18: The major stock market indexes in advanced countries

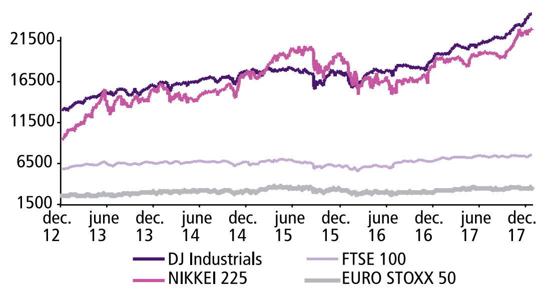
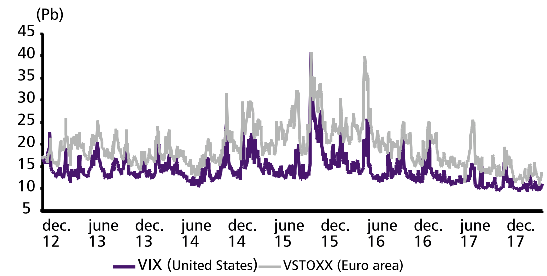


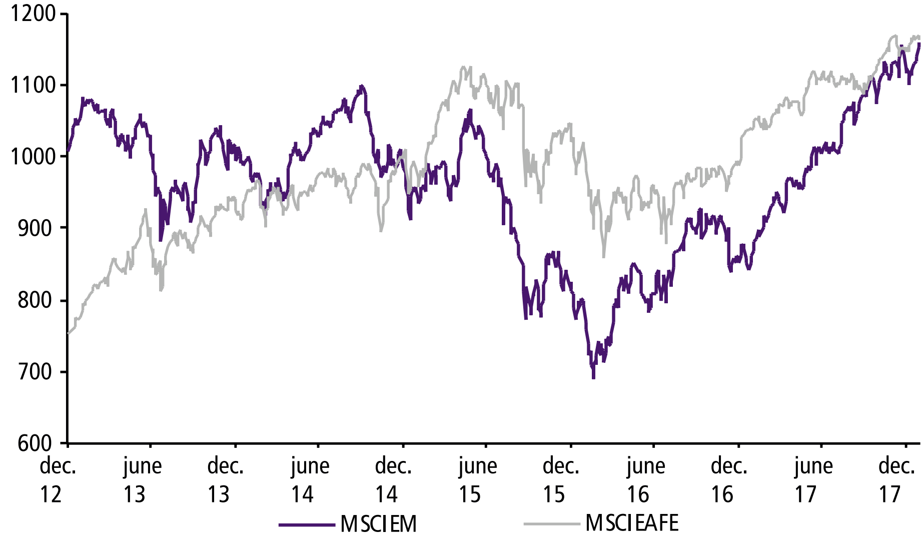
Chart 1.1.19: Stock markets volatility indexes[1]



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

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

Chart 1.1.20: MSCI EM and MSCI EAFE[1]

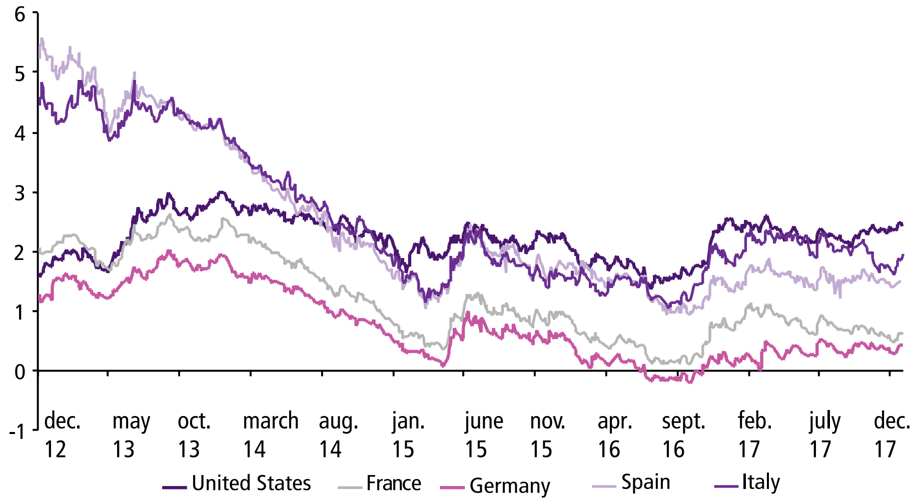


1 MSCI EAFE index is a composite index covering the stock markets of the following countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

Source : Thomson Reuters.

At the same time, the trend towards the monetary policy normalization in the major advanced economies led to higher yields on the bond markets. In the United States, the 10-year sovereign rate increased by 49 basis points to 2.3 percent, driven mainly by the announcement in September of the tax reform project. In the euro area, the rise was less marked, owing to the slow inflation convergence towards the ECB's objective. Particularly, the rate rose 24 basis points to 0.3 percent in Germany and 32 basis points to 0.8 percent in France. However, it decreased from 8.4 percent to 6 percent in Greece, reflecting a renewed confidence in the country's economy. After an absence of three years, Greece made in July its first release on the international bond market. In key emerging countries, this rate rose from 2.9 percent to 3.6 percent in China and fell from 12.9 percent to 10 percent in Brazil and from 7.2 percent to 6.7 percent in India.

Chart 1.1.21: Change in 10-year sovereign rates of the USA and of the main countries of the Euro area (%)



Source : Thomson Reuters.

In currency markets, the euro strengthened against the dollar due to renewed confidence in the European economy and to uncertainties caused by US fiscal and monetary policies. At the end of 2017, the euro stood at $1.18, up 12.2 percent from the end of 2016. Owing to the slow pace of Brexit negotiations, the pound sterling continued to depreciate, albeit at a slower pace compared to 2016, falling by 6.8 percent against the euro and by 5 percent against the dollar. Regarding the major emerging economies' currencies, the Chinese yuan depreciated by 1.7 percent versus the dollar, affected by the risks to the sustainability of growth. Conversely, driven by improved economic prospects and commodity prices, the Brazilian real, Russian ruble and Indian rupee appreciated respectively by 8.5 percent, 14.3 percent and 3.2 percent against the dollar.

Chart 1.1.22: Euro Vs Dollar

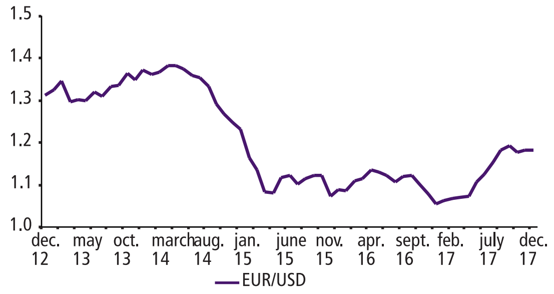
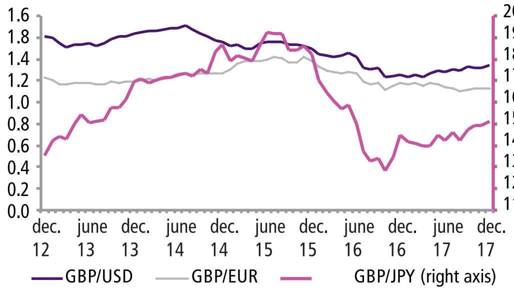
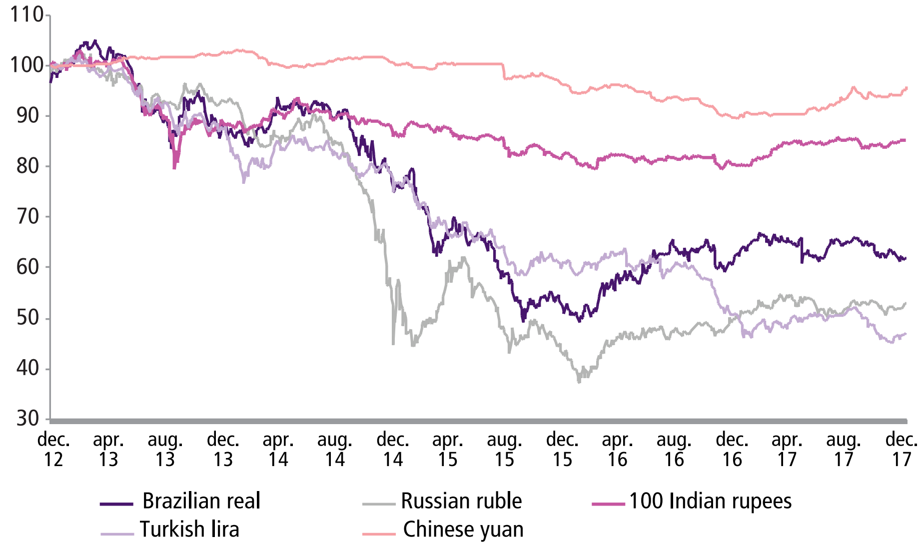


Chart 1.1.23: Exchange rate of the Sterling



Source : Thomson Reuters.

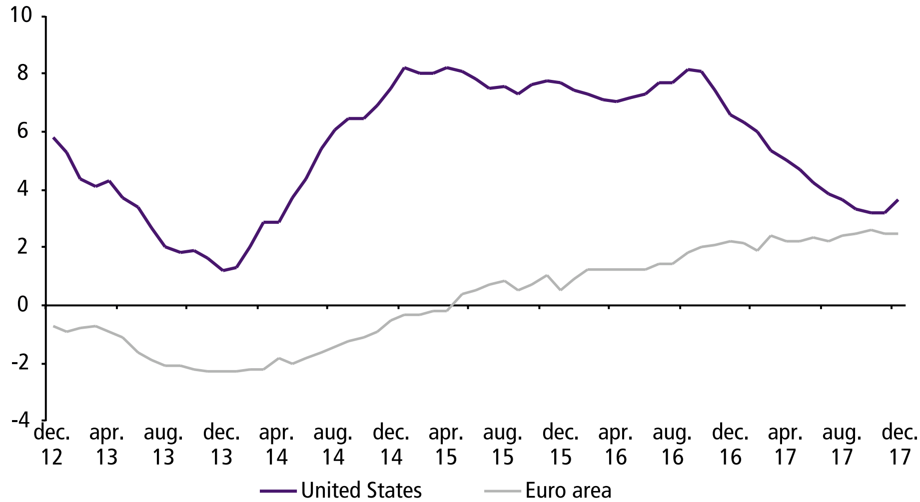
Chart 1.1.24: Change in the currencies of major emerging countries against the dollar (January 1, 2013 = 100)



Source: Thomson Reuters.

Bank lending continued to accelerate in the euro area, rising 2.3 percent as opposed to a year ago, driven by accommodative monetary conditions and increased confidence among agents. On the other hand, in the United States, credit growth slowed down considerably from 7.4 percent to 4.4 percent, mainly because of low demand for commercial and industrial loans, and tight supply conditions on certain categories of loans to individuals. In the main emerging countries, bank credit grew by 30.1 percent in China[1] from 28.2 percent and by 6.1 percent in Russia from 2.7 percent. Conversely, it contracted by 1.4 percent in Brazil after a slight rise of 0.2 percent in 2016.

Chart 1.1.25: Credit trends in the United States and the euro area (YoY, in %)



Source : Thomson Reuters.

1 Available data concern consumer loans.

Box 1.1.2: Development of crypto-assets

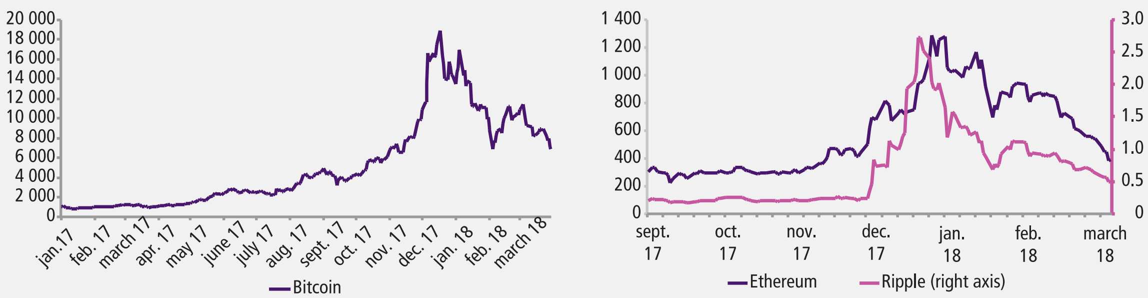
Crypto-assets emerged in 2009, further to collapse of confidence in some banking systems, at the height of the international financial crisis, and to the technological and digital advances. These are virtual assets used as instruments of exchange to achieve transactions between members of a network through a decentralized payment system, based on Distributed Ledger Technology (DLT)[1]. They are not issued by a legal authority and are not the liabilities of any natural or legal person. Their use is dependent upon users' trust and acceptance.

Crypto-assets cannot be considered as a currency in that they do not completely fulfill the three functions of the latter, namely a medium of exchange, store of value and unit of account. Indeed, they are accepted only by a limited number of businesses, have no intrinsic value and are subject to high volatility that reflects their speculative nature.

At end-January 2018, more than 1,300 crypto-assets were identified, the most important in terms of capitalization are the Bitcoin created in 2009, the Ripple in 2012 and the Ethereum in 2015. These three assets represent respectively 35 percent, 20 percent and 10 percent of the total capitalization of crypto-assets[2]. The latter, equaling approximately $410 billion, remains low compared to the stock of sovereign currencies in circulation. As an indication, in the United States alone, this stock, measured by the M1 aggregate, amounts to more than $3,500 billion[2].

After a slow change, prices of the main crypto-assets posted since 2017 an exponential increase with a high volatility. Thus, the price of Bitcoin rose from $959 at end-December 2016 to a high of $20,089 during the day of December 17, 2017, before returning to $6,850 on March 30, 2018. Meanwhile, the daily volume of transactions on this asset increased from $150 million in 2016 to more than $750 million in 2017[3]. The enthusiasm for these assets underpins the creation of investment instruments backed by them, such as the constitution of funds or the setting up of derivatives, like the Chicago Mercantile Exchange initiative in December 2017.

Chart B1.1.2.1: Change in the price of the main crypto assets (in US dollars)



Source : Thomson Reuters.

1 DLT is a technology that allows computers in various locations to offer transactions, validate them, and store them synchronously in a decentralized virtual ledger. Any update of transactions affects the entire network so that each user always has the latest version of these records without the intervention of a central authority.

2 Source: Banque de France, Focus N° 16, March 5, 2018.

3 Source: BIS, Quarterly Report, September 2017.

This tremendous development led several institutions and international bodies to examine and decide on its implications and consequences. Thus, while recognizing the potential of the technology that underpins crypto-assets to improve the efficiency of payment systems and strengthen financial inclusion, the IMF and G-20 highlight the challenges associated with these assets which do not come under any form of supervision and regulation. Their high volatility and the anonymity of transactions carry risks to consumer and investor protection, market integrity, tax evasion, money laundering, terrorist financing and financial stability.

Similarly, several national regulatory authorities have drawn public attention as to the risks associated with the use of such assets, including the European Central Bank, Banque de France and Bank Al-Maghrib, while some jurisdictions have gone so far as to ban them (Bangladesh, Bolivia and Ecuador).

According to international bodies, the elaboration of new regulations remains necessary, and the standard-setting bodies, especially the Financial Action Task Force (FATF) and the Financial Stability Board, are called upon to work in this direction. In this respect, and to meet this challenge, close international collaboration is essential.

1.2 Output and demand

Benefiting from the strengthening of the global economy and favorable weather conditions, growth at the national level improved from 1.1 percent in 2016 to 4.1 percent in 2017.

Agricultural value added rebounded 15.4 percent, after a sharp decline a year earlier, and nonagricultural activities continued to recover, albeit at a still slow pace. These showed an increase of 2.7 percent after 2.2 percent, with in particular good performance of extractive industries, tourism and transport services. On the other hand, sluggishness in the construction industry continued and the "education, health and social action" branch experienced a contraction, the first since 2003.

On the demand side, the contribution to growth in net exports has returned to 0.5 percentage point, while that of its domestic component retreated at 3.6 points. The latter was marked by a significant slowdown in investment, a consolidation of the pace of households' final consumption, government spending increased at the same rate as the previous year.

At current prices, GDP stood at 1,063.3 billion dirhams, up 4.9 percent. taking into account a 6.1 percent increase in net current transfers from abroad and a 22.5 percent of net outflows of property income, the GNDI increased by 4.7 percent to 1,124.8 billion dirhams.

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

	2011	2012	2013	2014	2015	2016	2017
Primary sector	**6.7**	**-7.8**	**17.8**	**-2.3**	**11.5**	**-12.5**	**13.2**
Agriculture, forest and services	5.7	-9.1	17.2	-2.2	11.9	-13.7	15.4
Fisheries	24.8	9.7	26.8	-4.0	7.3	1.1	-8.3
Secondary sector	**6.3**	**0.8**	**0.6**	**3.5**	**1.8**	**1.0**	**3.1**
Extraction industry	5.0	-2.1	-1.2	3.0	-2.1	0.1	16.5
Manufacturing industry	6.8	1.8	-0.7	4.1	2.3	0.7	2.2
Electricity and water	8.3	-6.7	14.9	1.3	6.2	2.5	3.3
Construction	4.9	2.2	1.6	2.6	0.7	1.6	0.7
Tertiary sector	**6.2**	**6.3**	**1.9**	**2.3**	**1.7**	**2.9**	**2.7**
Trade	7.4	4.1	-2.0	1.6	0.5	5.2	2.6
Hotels and restaurants	-1.1	2.6	4.7	2.2	-1.3	3.6	11.5
Transport	7.0	2.4	1.0	3.6	3.2	0.7	4.3
Post and telecommunication	9.5	29.5	2.9	5.2	2.8	6.9	0.7
Financial activities and insurance	8.6	4.2	0.2	2.5	2.6	0.2	3.6
Real-estate, renting and services to businesses	5.6	4.5	1.5	2.7	4.2	4.4	4.0
General government and social security	9.9	5.1	3.7	2.5	0.5	1.6	3.1
Education, health and social work	1.6	7.1	5.0	1.4	0.1	1.4	-2.1
Other nonfinancial services	2.1	3.0	2.9	0.2	3.4	3.0	1.0
Nonagricultural value added	**6.4**	**4.5**	**1.8**	**2.7**	**1.8**	**2.2**	**2.7**
Total value added	**6.3**	**2.7**	**3.7**	**2.0**	**3.0**	**0.1**	**4.3**
Taxes on products net of subsidies	**-3.8**	**6.8**	**14.6**	**9.7**	**18.1**	**8.8**	**2.8**
GDP	**5.2**	**3.0**	**4.5**	**2.7**	**4.5**	**1.1**	**4.1**

Source : HCP.

1.2.1 Output

After a contraction of 12.5 percent, the value added of the primary sector increased by 13.2 percent in 2017, as a result of a rebound of 15.4 percent in agriculture and a decrease of 8.3 percent at the level of fisheries.

Except for an early rainfall deficit, the agricultural crop year took place in good weather conditions with cumulative rainfall of 300 mm, up 48.9 percent. The planted area amounted to 5.4 million hectares and the cereal harvest[1] jumped from 33.5 million to 95.6 million quintals, a yield per hectare of 17.7 quintals instead of 9.3.

Concerning the other main crops, output increased by 16.1 percent for citrus fruits, 25.7 percent for rosacea and 13 percent for vegetable crops. Conversely, it fell 26.6 percent for olives and 7.6 percent for sugar crops.

Chart 1.2.1: Cereal output (in millions of quintals)

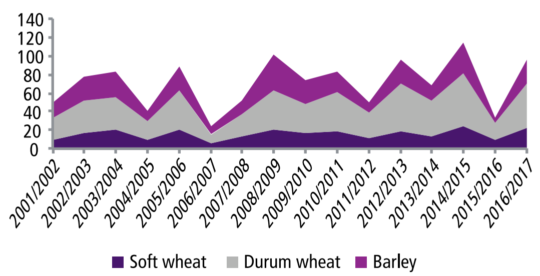
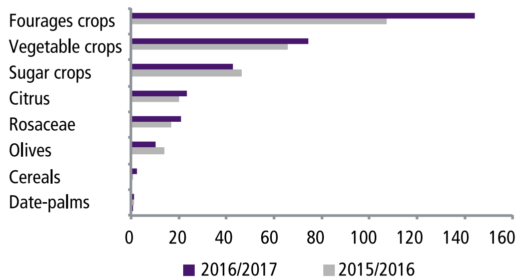


Chart 1.2.2 : Production of the main crops excluding cereals (in millions of quintals)



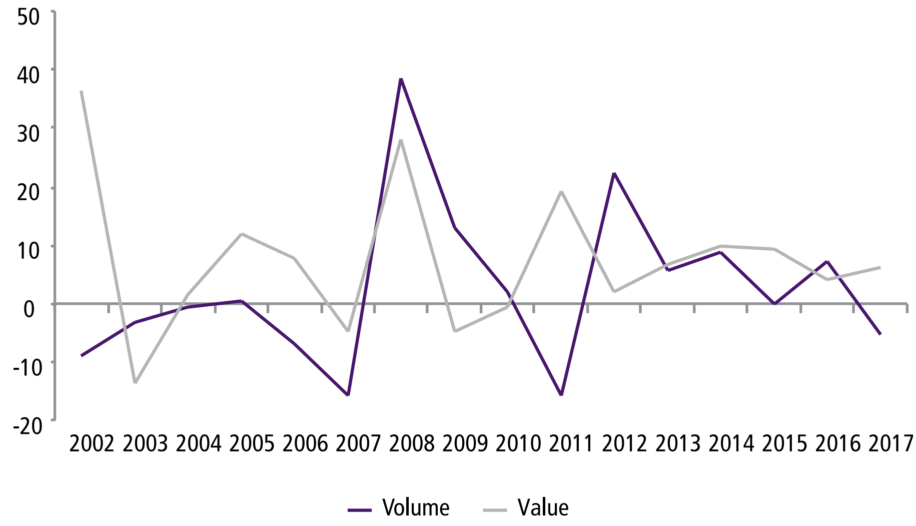
Source: Ministry of Agriculture, Maritime Fisheries, Rural Development, Waters and Forests.

For the fisheries sector, available data for its coastal and artisanal component[2] show a decline in marketed production from 5.3 percent in volume to 1.3 million tonnes and an increase of 6.4 percent in value to 7.3 billion dirhams. Half of the fish landings were intended for freezing, one-quarter for consumption and the remainder for the canning and manufacturing of flour and fish oil.

1 This is soft wheat, durum wheat and barley.

2 For deep-sea fishing, which represents 40 percent of national fish production on average between 2012 and 2016, 2017 data from the Fisheries Department are not yet available.

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



Source: National Fisheries Office.

At the secondary sector level, and after two years of slowdown, growth accelerated from 1 percent to 3.1 percent. The value added of the mining industries showed a significant increase of 16.5 percent, from 0.1 percent a year earlier, reflecting a rebound by 22 percent of the market production of crude phosphate in a context marked by an increase in foreign demand of this ore and its derivatives.

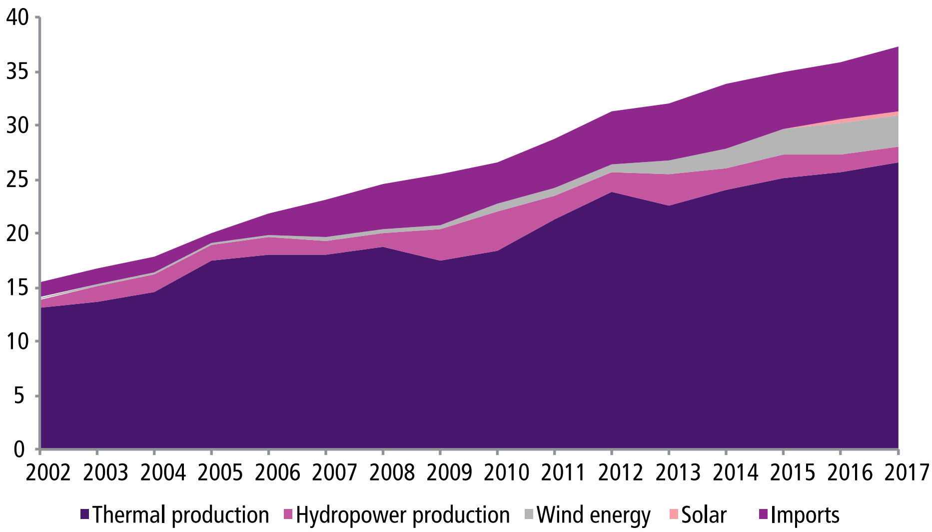
Chart 1.2.4: Production and exports of crude phosphates in volume (change in %)

Source: OCP.

Similarly, activity improved in the processing industries, whose value added increased by 2.2 percent from 0.7 percent. The change stood at 3.3 percent against 1.5 percent for agri-food sector, thanks to a good agricultural year, at 4.6 percent against a decline of 0.4 percent for chemical and para-chemical industries and at 3.5 percent instead of 1.8 percent for textiles and leather. The mechanical, metallurgical and electrical industries posted a slowdown in their growth rate from 2.3 percent to 1.2 percent, reflecting in particular a deceleration in the sub-branch "automotive products", whose production increased[1] by 4.4 percent from 14.1 percent in 2016.

For its part, the "electricity and water" branch saw acceleration in the growth of its value added from 2.5 percent to 3.3 percent. Electricity production grew by 3.6 percent overall, 3.8 percent for the thermal, which represents 84.5 percent, 1.4 percent for wind power and 1.3 percent for solar power, while it contracted by 5.9 percent for hydro power. At the same time, demand increased by 4.5 percent, due to a rise of 5 percent for the very high, high and medium voltage categories and 3 percent for low voltage. As a result, imports rose by 14.5 percent from 2.9 percent in 2016.

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

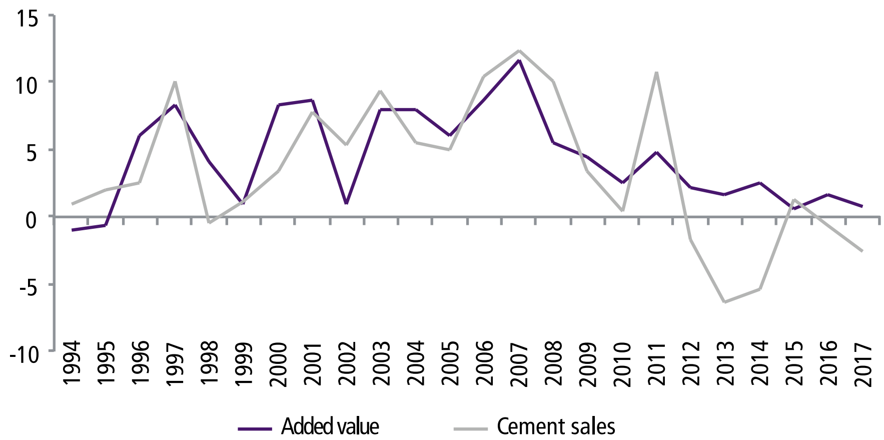


Source: ONEE-Electricity branch.

On the other hand, the sluggishness of the construction sector continued with a 0.7 percent increase in its value added and a further drop in cement sales of 2.5 percent, following the 2.6 percent recorded on average between 2011 and 2016. The slowing down of the sector partly reflects the poor dynamism of the real estate market, as the number of transactions fell by 7.6 percent in 2017 and real estate loans slowed to 3.1 percent.

1 Based on industrial production index data published by the HCP

Chart 1.2.6: Added value of the Construction sector and sales of cement (Change in %)



Source: HCP and APC.

For the tertiary sector, its activity slowed to 2.7 percent from 2.9 percent, contributing 1.4 percentage points to growth. In the tourism sector, the available indicators[1] show a clear improvement in activity, with an increase of 11.5 percent in the added value of the "hotels and restaurants" branch.

Benefiting from stronger activity in the main tourist-issuing countries, the number of arrivals at border posts reached 11.3 million, after standing at around 10 million over the last four years. This development is the result of a rebound of 14.9 percent for foreign tourists, after two consecutive declines, and acceleration to 4.9 percent for Moroccans living abroad. By nationality, notable increases were registered with rates standing at 27.3 percent for Germans, 15.4 percent for Spanish, 12.3 percent for Italians and 11.3 percent for the French. The increase also characterized the main emerging markets for the Morocco destination, with an increase of 150.8 percent for arrivals from China and 23.6 percent from North America. Conversely, declines were recorded for tourists from the Middle East at 1.7 percent, the Maghreb countries at 0.9 percent and Russia at 16.1 percent.

1 Data are issued by the HCP for the added value and by the Ministry of Tourism, air transport, handcrafts and Social Economy for the others.

Table 1.2.2: Arrivals at border posts

	In thousands				Change (in %)		
	2014	2015	2016	2017	2015/2014	2016/2015	2017/2016
Foreign tourists	**5,437**	**5,152**	**5,103**	**5,865**	**-5.2**	**-1.0**	**14.9**
European Union (EU)	4,115	3,826	3,622	4,105	-7.0	-5.3	13.3
France	1,798	1,564	1,450	1,614	-13.0	-7.3	11.3
Spain	684	627	616	711	-8.3	-1.8	15.4
Germany	255	286	260	331	12.2	-9.1	27.3
Italy	254	228	219	246	-10.3	-3.8	12.3
Europe (non EU)	325	297	308	373	-8.6	3.7	21.1
Russia	35	23	47	40	-32.3	102.4	-16.1
America	303	333	379	480	9.9	13.8	26.6
North America	187	209	251	311	11.8	20.5	23.6
Middle-East	391	393	418	411	0.5	6.4	-1.7
Maghreb	214	195	210	208	-8.6	7.5	-0.9
Rest of the world	303	302	376	495	-0.3	24.5	31.6
China	9	11	43	107	11.8	307.5	150.8
Moroccans living abroad	**4,845**	**5,025**	**5,229**	**5,484**	**3.7**	**4.1**	**4.9**
Total	**10,282**	**10,177**	**10,332**	**11,349**	**-1.0**	**1.5**	**9.8**

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

Similarly, overnight stays in classified accommodations rebounded 14.8 percent, with increases at 18.4 percent for non-residents and 7.7 percent for residents. Taking into account an increase in bed capacity from 3.5 percent to 251,206 beds, the occupancy rate rose from 40 percent to 43 percent at the national level. For the main tourist destinations, this rate stood at 55 percent in Agadir and Casablanca, 53 percent in Marrakech and 34 percent in Essaouira.

Table 1.2.3: overnight stays in classified accommodations

	In thousands				Change (%)		
	2014	2015	2016	2017	2015/2014	2016/2015	2017/2016
Foreign tourists	**14,299**	**12,504**	**12,703**	**15,046**	**-12.6**	**1.6**	**18.4**
Europe	10,847	9,324	9,239	10,815	-14.0	-0.9	17.1
France	4,742	3,732	3,622	4,172	-21.3	-2.9	15.2
Spain	754	630	606	725	-16.4	-3.8	19.6
Germany	1,188	1,343	1,270	1,745	13.0	-5.4	37.4
Italy	429	271	218	273	-36.9	-19.6	25.2
Russia	168	535	286	175	218	-46.6	-38.7
North America	457	438	469	599	-4.2	7.1	27.7
Middle-East	628	361	713	623	-42.5	97.4	-12.6
Maghreb	340	438	376	339	29.1	-14.2	-9.8
Autres pays	2,027	1,720	1,907	2,670	-15.1	10.9	40.0
National tourists	**5,270**	**5,892**	**6,551**	**7,055**	**11.8**	**11.2**	**7.7**
Total	**19,569**	**18,397**	**19,255**	**22,101**	**-6,0**	**4,7**	**14,8**

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

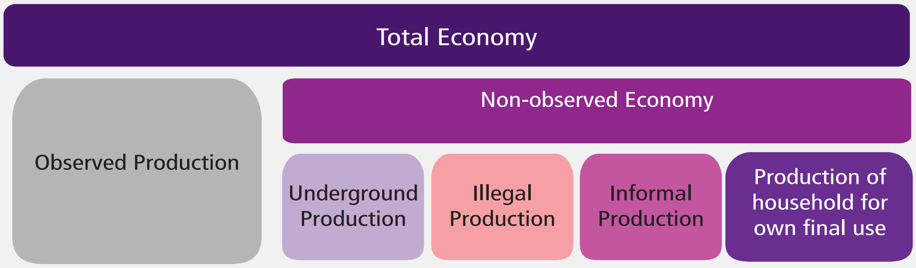
Regarding transport services, after two years of slowdown, their value added accelerated to 4.3 percent in 2017. Maritime freight traffic improved 10.6 percent overall, by 15 percent at the Tangier-Med port and by 8.1 percent for the other ports. At the same time, the number of passengers increased by 11.6 percent to 20.4 million persons for air travel and 5.5 percent to 5.2 million for maritime transport.

At the postal and telecommunications level, value added showed a sharp deceleration from 6.9 percent to 0.7 percent. Fixed-line telephony declined by 1.2 percent and average outgoing usage by 9.8 percent, while the number of subscribers to mobile telephony increased by 5.8 percent to 43.92 million, with a 4.4 percent decrease in average consumption. For its part, the Internet, which is dominated up to 93.9 percent by mobile services, saw a 30.1 percent increase in the number of users and a stagnation of the average bill by customer.

Box 1.2.1: Measuring the non-observed economy in Morocco

Gross domestic product (GDP) is the most used indicator for measuring the level of economic activity. However, it has several limitations including its partial nature in the sense that it does not often take into account certain activities commonly aggregated under the name of the non-observed economy (NOE). The 2008 National Accounts System and the OECD's NOE Measurement Handbook structure these activities into four groups:

- Underground production: these are productive and legal activities, but deliberately withdrawn from the eyes of public authorities to avoid paying taxes or complying with some regulations;
- Illegal production: these are activities relating to producing goods and services prohibited by law or carried out by unauthorized producers;
- Informal production: it is a market output produced by unincorporated businesses belonging to households, which are not registered and / or have a small size in terms of staff;
- Production of household for own final use: These are productive activities that result in the consumption or accumulation of goods and services by the households that produce them.



The fact that all these components are not taken into account in the calculation of GDP can be attributed to several reasons, including the unavailability of data, related sometimes to the sensitivity of the issues addressed, and the difficulty of conceptual and empirical delimitation of the activities concerned.

Several methods were developed to evaluate the weight of NOE. Some directly apprehend one or more parts of its components on the basis of statistical or investigatory surveys especially on fiscal areas. Other Indirect approaches try to identify the entire NOE perimeter through macro-modeling techniques using data from national accounts or monetary aggregates. The OECD Handbook distinguishes the monetary method, the latent variable or "Multiple Indicators Multiple Causes" and an electricity-consumption-based approach.

In the case of Morocco, informal activities[1] are integrated into GDP on the basis of household surveys conducted by the HCP. Their weight was thus evaluated by the latter at 11 percent in 2007 and 11.5 percent in 2014. The HCP also used the results of its national survey on the 2011/2012 timetable for a monetary valuation of domestic work. According to the hypothesis adopted for the remuneration of this work, the weight of domestic work in GDP varies between 34.5 percent and 62 percent in 2012.

To approximate the size of the NOE as a whole in Morocco, Bank Al-Maghrib used the monetary method, in particular because of the availability of the needed data. This method assumes that NOE transactions are settled in cash in order to avoid traceability by the authorities. This approach is carried out in two steps. The first estimates the demand for "total" money on the basis of a certain number of variables considered relevant such as the tax burden (TW), the urbanization rate (URB), income per capita (Y/N), interest rate (R) or the proportion of households salaries in the national income (WS / Y) through the following equation:

$$\mathrm{Ln}(C/M_1) = \beta_0 + \beta_1 \ln(1+Tw)_t + \beta_2 \ln(WS/Y)_t + \beta_3 \ln R_t + \beta_4 \ln(Y/N)_t + \beta_5 \ln(URB)_t + u_t$$

where: $\beta_1, \beta_2, \beta_4 > 0$; $\beta_3 < 0$; $\beta_5 > 0$ or < 0.

Then the demand for "legal" money, or the one that would have been registered if the economic units had no motivation to integrate the NOE, is evaluated through the equation thus obtained by considering a zero tax pressure. The difference between the two results then gives an approximation of the demand for "illegal" money.

The second step consists in the use of the Fisher[2] equation in order to convert the amount of money associated with the NOE into income. The latter is calculated by assuming the same velocity of circulation of money as for the observed economy.

The obtained results indicate that the ratio of NOE production to GDP stands on average over the period 2007-2016 at 31.3 percent, which is close to the estimates of several international studies having integrated Morocco within their scope of coverage (see Table below).

1 The HCP defines informal sector as all nonagricultural production units which do not have a general accounting system in line with the accounting regulations in force.

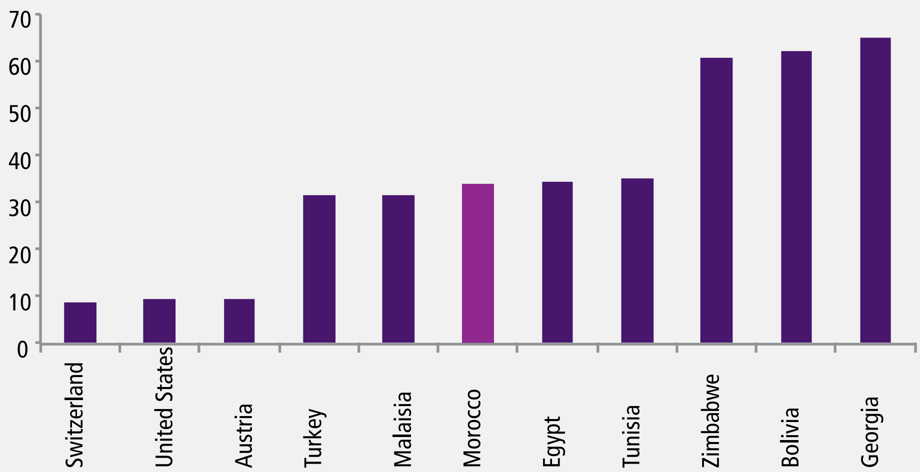
2 Money * velocity of circulation = Transactions price * number of transactions.

Table B 1.2.1 : Estimations of the NOE ratio to GDP for Morocco

Studies	Period	Ratio of NOE to GDP
Bank Al-Maghrib	2007-2016	31.3%
Friedrich Schneider & Leandro Medina. Shadow economies around the world: New results for 158 countries over 1991-to 2015, (2017).	1991-2015	34%
Friedrich Schneider& Andreas Buehn. Shadow Economy: Estimation methods, problems, results and open questions, (2017).	1996-2014	33.8%
Friedrich Schneider, Andreas Buehn and Claudio E.Montenegro. Shadow economies around the world: New estimation for 162 countries from 1999 to 2007, (2010).	1999-2007	Between 34.9% and 35.7%

At the international level, the F. Schneider[3] (2017) study that used the latent variable method evaluated the weight of NOE as a percentage of GDP for a sample of 158 countries over the 1991-2015 period. Switzerland stands out as the country with the lowest NOE (9 percent of GDP), followed by the United States (9.4 percent) and Austria (9.9 percent). The highest rates are found in Georgia (64.9 percent), Bolivia (62.3 percent) and Zimbabwe (60.6 percent). With a rate of 34 percent, Morocco is ranked 91st, ahead of countries like Egypt (34.2 percent) or Tunisia (35.3 percent), but behind economies like Malaysia (31.5 percent) or Turkey (31.3 percent).

Chart B 1.2.1: Size of the NOE for a sample of countries (in % of GDP)



Source : Friedrich Schneider (2017).

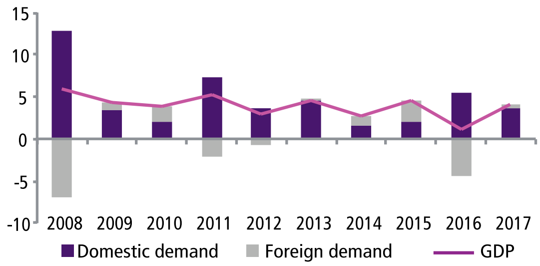
[3] Shadow Economies around the World: New Results for 158 Countries over 1991-2015.

1.2.2 Demand

The acceleration of growth from 1.1 percent to 4.1 percent in 2017 reflects an increase of 10.9 percent after 5.5 percent of exports by volume and a sharp deceleration from 14.7 percent to 7.4 percent of imports. Domestic demand grew 3.3 percent from 5.1 percent.

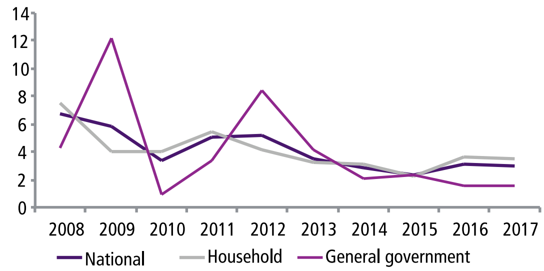
By component, national final consumption slowed down from 3.1 percent to 3 percent, reducing its participation by 2.4 percentage points to 2.3 points. Household consumption, which represents nearly 75 percent, rose by 3.5 percent compared to 3.7 percent. Its contribution to growth fell from 2.1 percentage points to 2 points. As to the final consumption of general government, its growth remained at 1.5 percent, with participation to growth of around 0.3 percentage point.

Chart 1.2.7: Contribution of the components of demand to growth (in percentage points)



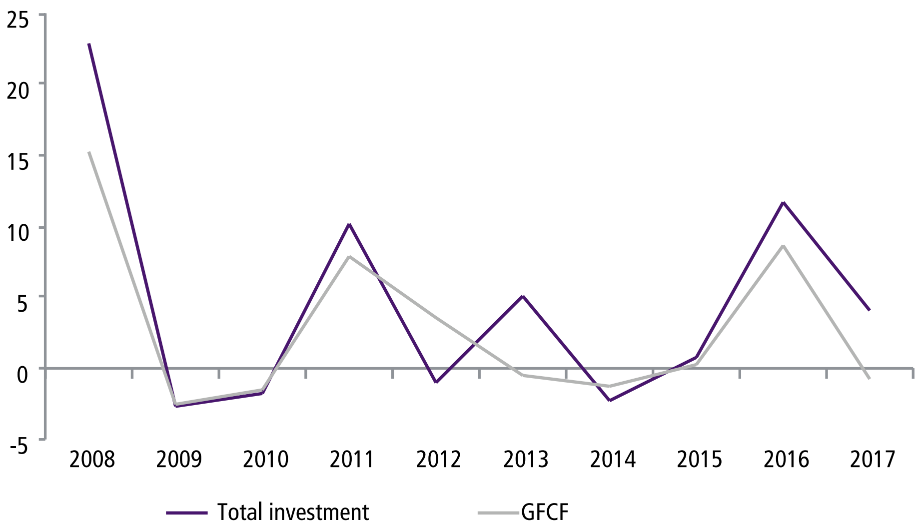
Source : HCP.

Chart 1.2.8: National final consumption (change in %)



Concerning investment, after an exceptional increase of 9.8 percent in 2016, it posted a 4 percent increase in 2017 and its contribution to growth fell from 3 percentage points to 1.3 points. This change is the result of a contraction of 0.8 percent in gross fixed capital formation and a 56.6 percent increase in inventory change.

Chart 1.2.9: Change in investment (change %)



Source : HCP.

As to external demand, its participation to growth turned positive at 0.5 percentage points against -4.3 points a year earlier. Exports of goods and services grew by 10.9 percent from 5.5 percent and imports by 7.4 percent from 14.7 percent.

1.2.3 Main aggregates in nominal terms

At current prices, GDP amounted to 1,063.3 billion dirhams, up 4.9 percent. Net outflows of property income reached 23 billion and net inflow transfers 84.5 billion, of which 65.4 billion from Moroccan expatriates and 9.5 billion as grants from GCC countries. As a result, the GNI stood at 1,124.8 billion, up 4.7 percent.

Chart 1.2.10: Gross national disposable income

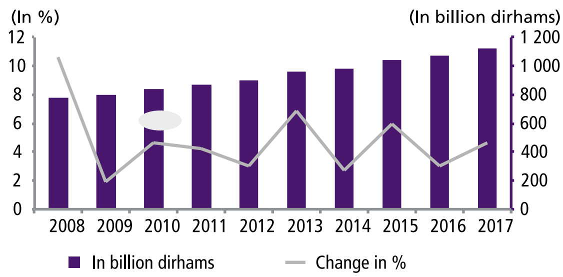
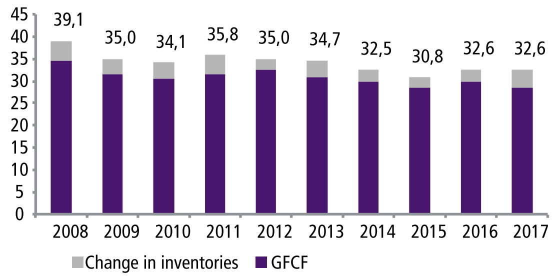


Chart 1.2.11: Investment rate (in % of GDP)



Source : HCP.

National final consumption stood at 817.9 billion dirhams in 2017, equalling 72.7 percent of GNDI. National saving is thus valued at 306.9 billion or the equivalent of 28.9 percent of GDP, up 0.5 percentage point from one year to the next. For its part, total investment reached 346.5 billion and its ratio to GDP remained at 32.6 percent. Under these conditions, the financing needs of the economy amounted to 39.6 billion or 3.7 percent of GDP.

Chart 1.2.12: National savings

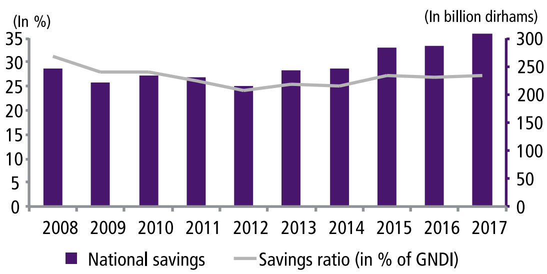
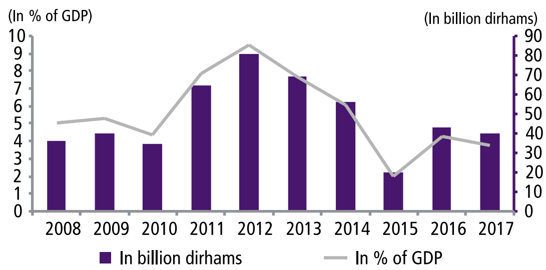


Chart 1.2.12: Financing requirements



Source : HCP.

1.3 Labor market[1]

After a significant deterioration in 2016, labor market conditions gave a mixed picture in 2017. Although the national economy generated 86 thousand jobs, this level remained insufficient compared to a net entry of 135 thousand jobseekers. As a result, the unemployment rate was up 0.3 percentage point to 10.2 percent overall, with a sharp rise among urban youth, of whom more than four out of ten are unemployed.

At the sectoral level, after a cumulative loss of 151 thousand jobs in the last two years, agriculture created 42 thousand posts thanks to a good crop year. However, employment in the nonagricultural sector continued to suffer from the sluggish recovery of activity with a creation limited to 44 thousand, as against 82 thousand in 2016. In services, the main job-provider sector, 26 thousand net jobs were created, as against an average of 37 thousand over the period 2014-2016 and 90 thousand between 2000 and 2013. Similarly, employment dynamics remained low in the industry, including handicrafts, with an increase of 7 thousand positions, bringing the total creations since 2015, when the Industrial Acceleration Plan was implemented, to 30 thousand. In construction, employment rose by 11 thousand jobs, as opposed to 36 thousand in 2016 and 18 thousand in 2015.

Against this backdrop, the apparent labor productivity[2] in nonagricultural activities improved by 2 percent and wages[3] grew in real terms by 1.6 percent after 0.4 percent in the private sector and decreased by 2.6 percent in the public service, as against 0.5 percent.

1.3.1 Labor force

In 2017, the labor force aged 15 and over grew by 1.1 percent to 11.9 million persons, representing a net market entry of 135 thousand jobseekers after an exit of 80 thousand a year ago. This increase involved both urban and rural areas with respective rates of 1.2 percent and 1.1 percent, and was more marked among women. The feminization rate thus improved by 0.2 point to 24.4 percent nationally, reaching 22.3 percent in the cities and 27.3 percent in rural areas. The labor force remains low skilled, with a proportion of those without diploma standing at 56.8 percent overall and 77.3 percent in rural areas.

1 After having reviewed its employment survey, the HCP published some of its results for the years 2016 and 2017. For the purposes of analysis in this chapter, the series have been connected where possible.

2 Measured as the ratio of value added to employment.

3 Average wages are calculated on the basis of CNSS data for the private sector and the Ministry of Economy and Finance for the civil service.

Chart 1.3.1: Labor force by place of residence (change in %)

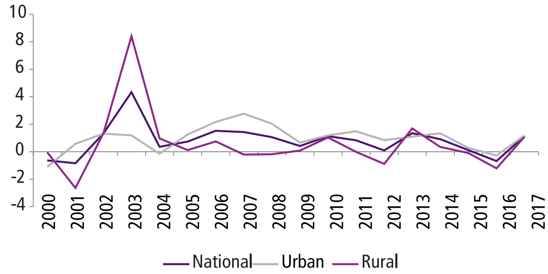
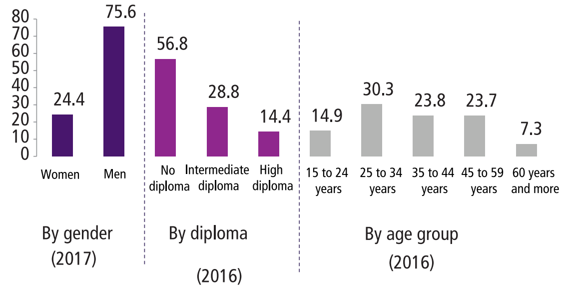


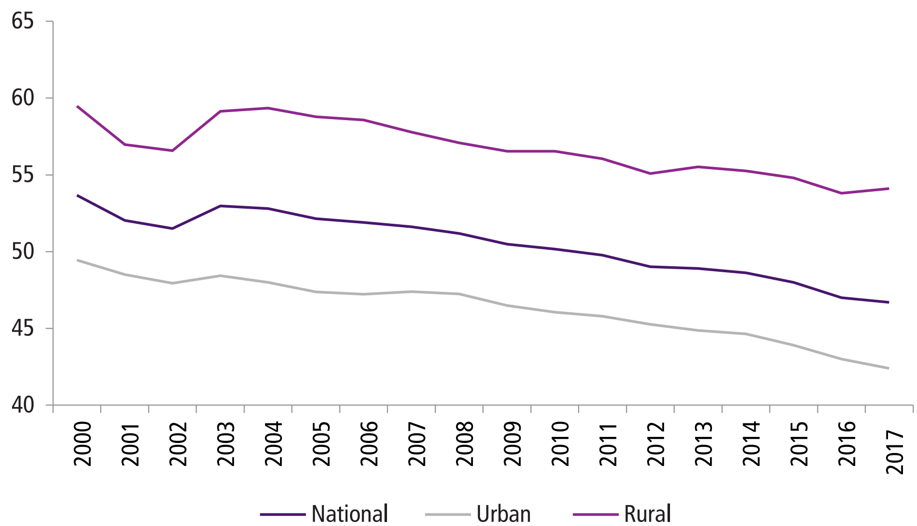
Chart 1.3.2: Structure of the labor force (%)



Source: HCP.

Considering a growth of 1.7 percent of the population aged 15 and over, the participation rate[1] continued to decline, albeit at a slower pace than in 2016, from 47 percent to 46.7 percent. This trend reflects a drop of 0.6 percentage point to 42.4 percent in urban areas, especially among men whose rate decreased significantly by 1.1 point to 67.6 percent. In rural areas, however, this rate rose from 53.8 percent to 54.1 percent, with increases of 0.3 point to 29.6 percent among women and 0.2 point to 78.4 percent among men.

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



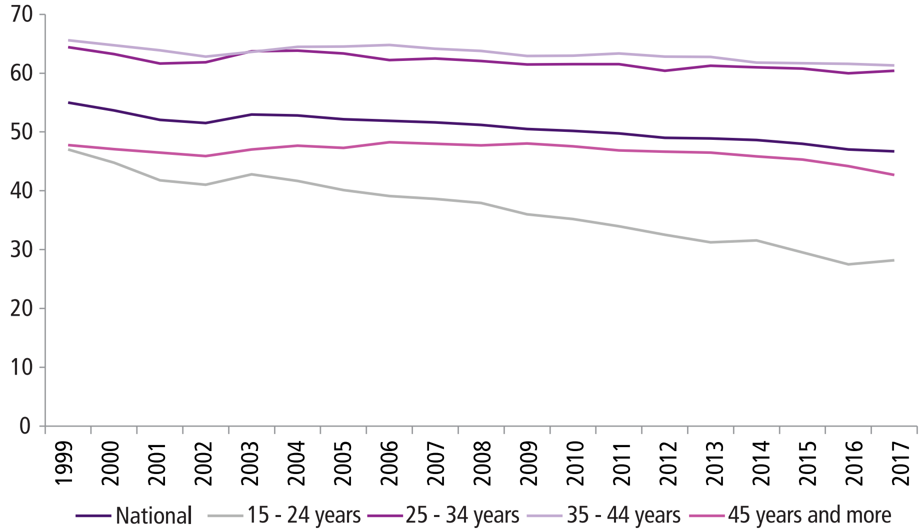
Source: HCP.

By age group, the participation rate continued to fall among people aged 35 years and over, with particularly a drop of 1.5 percentage point among those aged 45 years and over. Conversely, it increased by 0.4 point among people aged 25-34 years and by 0.7 point among young people

1 This rate corresponds to the number of active persons relative to the entire working-age population.

aged 15-24 years. Of these, almost three in ten are not in employment, education or training (NEET). For the reasons of school non-enrolment in particular, the factors cited in a report by the HCP and the World Bank[1], are the lack of interest in 26 percent of cases, the difficulty of accessing an educational institution for 20 percent, school failure or repetition for 14 percent and lack of financial resources for 13 percent.

Chart 1.3.4: Labor force participation rate by age group (%)



Source: HCP.

Box 1.3.1: Women's participation in the labor market: perceptions and realities

Like other countries in the MENA region, women's participation in Morocco's labor market remains one of the lowest in the world. Women's participation rate stood at 22.4 percent in 2017, as against an average of 50.8 percent in Europe and Central Asia, 51.5 percent in Latin America and the Caribbean and 59.2 percent in East Asia and the Pacific.

This finding raises concerns in many respects. In addition to the social and even psychological consequences that may result from the exclusion of women from the labor market, there would be very high economic cost. According to a report by the IMF[1], reducing the gap between male and female participation rate from triple to double the average for other emerging and developing markets would have doubled growth in the MENA region in the last decade. Therefore, this region would have gained one trillion dollars in cumulative output. For Morocco in particular, another report by the same institution[2] indicates that the cost compared to a situation where women have the same participation rate as men represents 46 percent of GDP per capita.

1 IMF Regional Economic Outlook, Middle East and Central Asia, November 2013.
2 IMF Country Report No. 17/65, Morocco selected issues, March 2017.

1 "Labor market in Morocco: Challenges and opportunities" HCP and the World Bank, November 2017

Regarding the causes of this low participation, several quantitative studies highlight many factors, such as educational level, family situation, age and social norms. Other studies sought to understand the reasons through perception surveys, the most recent of which was conducted by the ILO[3], in collaboration with Gallup, as part of the launch of its centennial initiative on women at work. In the case of Morocco, the survey shows that, in principle, family refusal does not seem to constitute an obstacle to women's work, with 69 percent of men believing that it is acceptable that they have a job outside the home. However, when asked about their preference, 45 percent of men want them to stay at home, 33 percent to reconcile work and home and 22 percent to have paid work.

Chart B1.3.1.1: Acceptability of work for women (%)

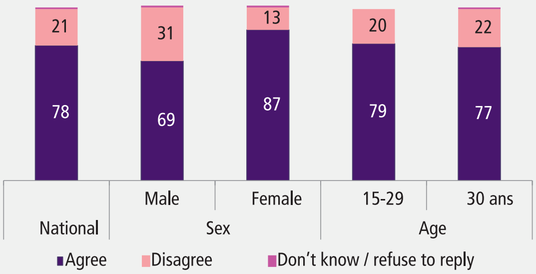
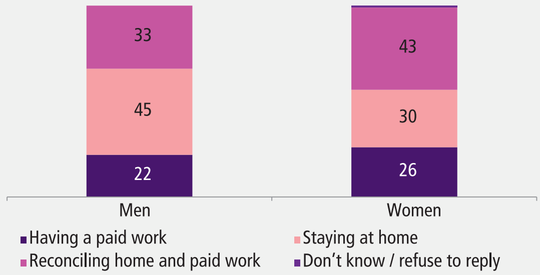


Chart B1.3.1.2: Preferences as to work for women (%)



Source: «Towards a better future for women and work: Voices of women and men», ILO and Gallup, 2017.

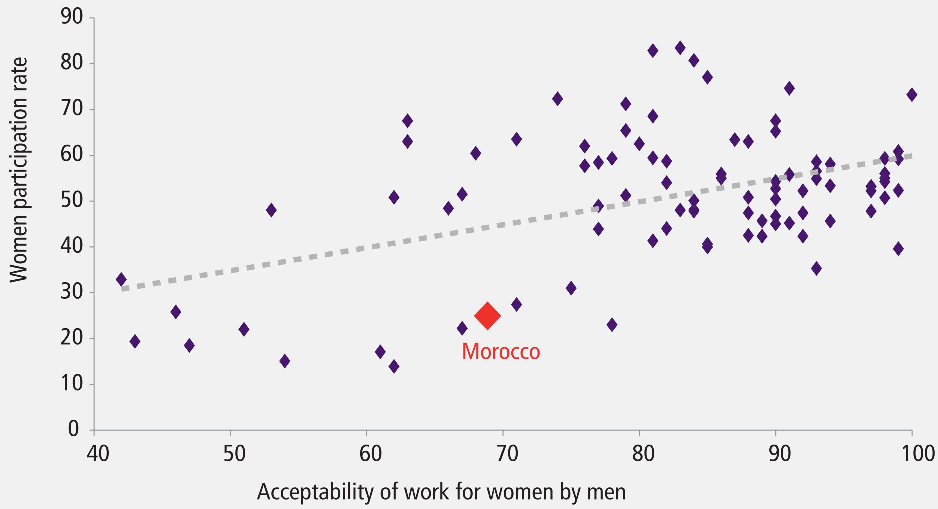
In the same vein, data from the 2011 edition of the World Values Survey[4] reveal that 74.7 percent of Moroccan men think they have priority when job offers are scarce and 63.8 percent of them feel that being a housewife is as rewarding as having paid work.

These findings are consistent with those of a survey conducted in Morocco by the World Bank[5] between December 2009 and March 2010. They indicate that the structural weakness of women's activity is attributable for the age group 15-29 years to marital or parental refusal in 53.8 percent of cases, the difficulty of reconciling work and home for 22.9 percent and social norms for 11.1 percent.

Overall, all of these data suggest that even though men are broadly in favor of women's work, they are partially reluctant when job opportunities are scarce or when it comes to arbitrating between working outside and taking care of the home. This suggests that important awareness actions are still needed, especially as international evidence shows a positive correlation between men's attitudes and women's participation.

3 «Towards a better future for women and work: Voices of women and men», ILO and Gallup, 2017.
4 Survey conducted in many countries by the World Values Survey Association, a non-profit institution based in Stockholm.
5 "Promoting youth opportunities and participation", World Bank, May 2012.

Chart B1.3.1.3: Acceptability of work for women by men and women participation rate (%)



Sources : Elaborated on the basis of WDI data (World bank) and ILO-Gallup report «Towards a better future for women and work: Voices of women and men», 2017.

1.3.2 Change in employment

After a net loss of 37 thousand jobs in 2016, the national economy created 86 thousand jobs, bringing the employed labor force to 10.7 million persons, up 0.8 percent. Considering an increase in the working-age population, the employment rate[1] continued its downward trend from 42.3 percent to 41.9 percent. By area of residence, it decreased by 0.8 point to 36.1 percent in cities, while it rose by 0.3 point to 52 percent in rural areas.

By sector of activity, after two consecutive years of loss, agricultural employment grew by 42 thousand jobs and its share in the overall volume rose to 38.1 percent. However, in nonagricultural activities, only 44 thousand jobs were created, from 82 thousand in 2016. Services generated only 26 thousand posts, as against 38 thousand, and their share dropped, for the first time since 2011, from 40.8 percent to 40.7 percent. In industry, including crafts, job creation was even weaker, not exceeding 7 thousand jobs, including 5 thousand in the food industry, while its proportion fell from 11.4 percent to 11.3 percent. Similarly, the construction branch created 11 thousand positions from 36 thousand, while its share remained at 9.8 percent.

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

Chart 1.3.5: Job creation by sector of activity (in thousands)

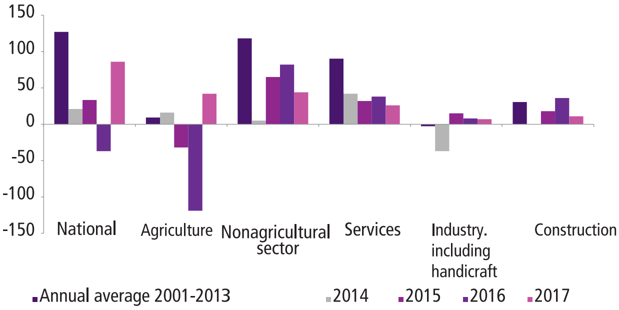
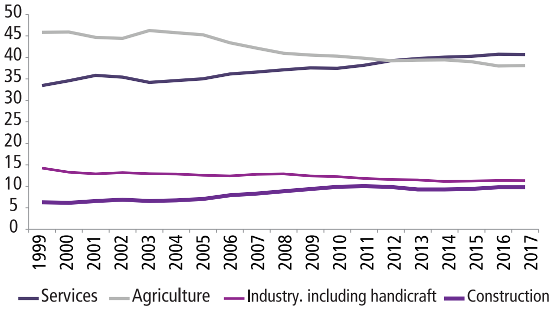


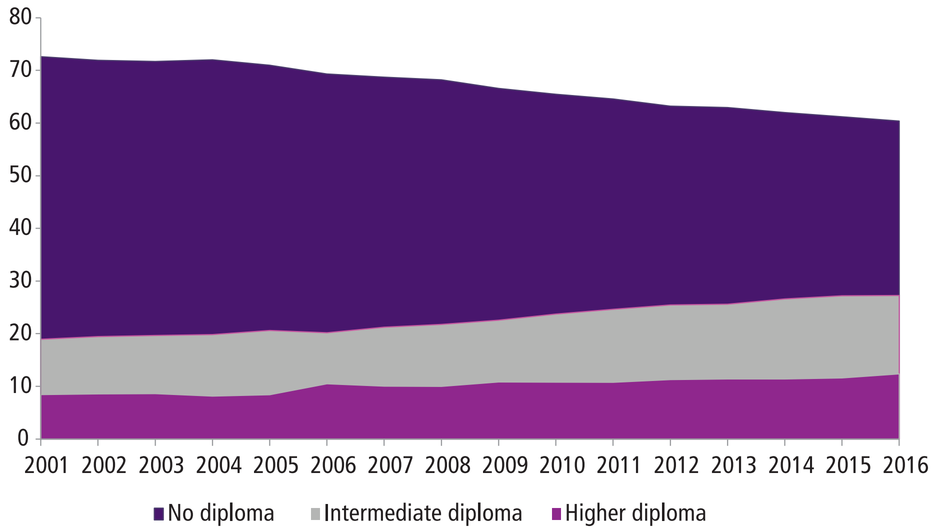
Chart 1.3.6: Structure of employment by sector (%)



Source : HCP.

The analysis of the characteristics of the employed labor force indicates that skills are structurally low with nearly 6 in 10 employed labor force without any diploma. By sector of activity, this proportion reaches 82.8 percent in agriculture, 61.1 percent in construction sector, 50.3 percent in industry including handicrafts and 40.5 percent in services. In addition to the absence of a diploma, in-service training is almost lacking, with 97.6 percent of employees stating that they have not received any training supported by the employer in the last twelve months.

Chart 1.3.7: Job structure based on the qualification level (%)

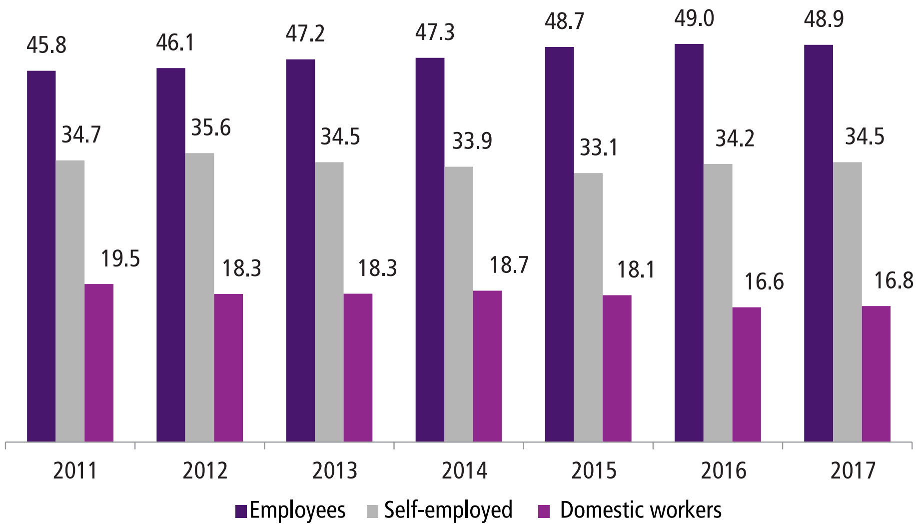


Source: HCP.

Employment is also precarious and of low quality for a large segment of the working population. Indeed, unpaid work remains relatively widespread, with a share of 16.8 percent, and employees represent less than 50 percent, two-thirds of whom have no employment contract. In addition, 77.5 percent of employed persons have no medical coverage and 79 percent are not affiliated to a pension system. In addition, the membership of employees in unions remains weak with a proportion not exceeding 3.3 percent.

This low quality would reflect the desire expressed by 18.5 percent of the employed to change jobs. The latter would be mainly looking for better remuneration and, to a lesser extent, more favorable working conditions, steady job or more adequate to the training they have received.

Chart 1.3.8: Structure of employment by professional status (%)



Source: HCP.

1.3.3 Unemployment and underemployment

The unemployed labor force increased by 4.2 percent in 2017 to 1.2 million persons. This trend reflects an increase of 5.1 percent in urban areas, with particularly a significant increase of 6.8 percent among women. In rural areas, the number of the unemployed remained stable, due to an increase of 0.1 percent among men and a decline of 0.5 percent among women.

Taking account of the change in the labor force, the unemployment rate moved up from 9.9 percent to 10.2 percent, with an increase from 14.2 percent to 14.7 percent in urban areas and stagnation at 4 percent in rural areas. The worsening of unemployment affected all age groups, particularly with increases by 0.7 point among young people aged 15-24 years to 26.5 percent nationally and one point to 42.8 percent in urban areas. In addition, unemployment continues to affect mainly the skilled population, with a rate of 23.3 percent among higher-level graduates, as against 3.8 percent for non-graduates, a finding contrary to what is observed in advanced economies.

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

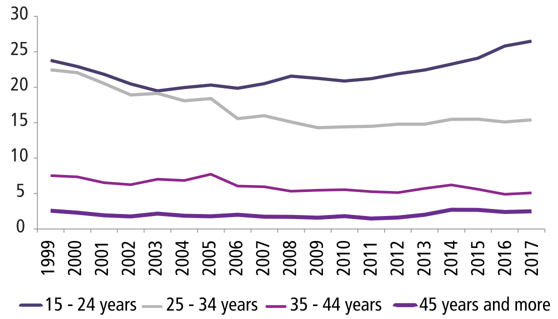
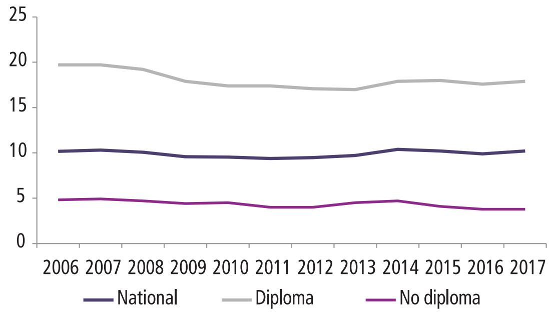


Chart 1.3.10: Rate of unemployment by qualification (%)



Source : HCP.

The unemployed population remains concentrated in cities at 83.5 percent and is dominated by young people aged 15 to 29 years, who account for 65.2 percent. The share of first-time jobseekers is 58.4 percent and that of the long-term unemployed[1] stands at 71.2 percent.

Box 1.3.2: First-time jobseekers in Morocco

First-time jobseekers, a workforce who have never worked before, make up the group of unemployed persons whose insertion is the most difficult. Indeed, corporations, especially in adverse circumstances, would prefer people who have already experience, thus worsening the situation of those who do not have one and extending the duration of their unemployment.

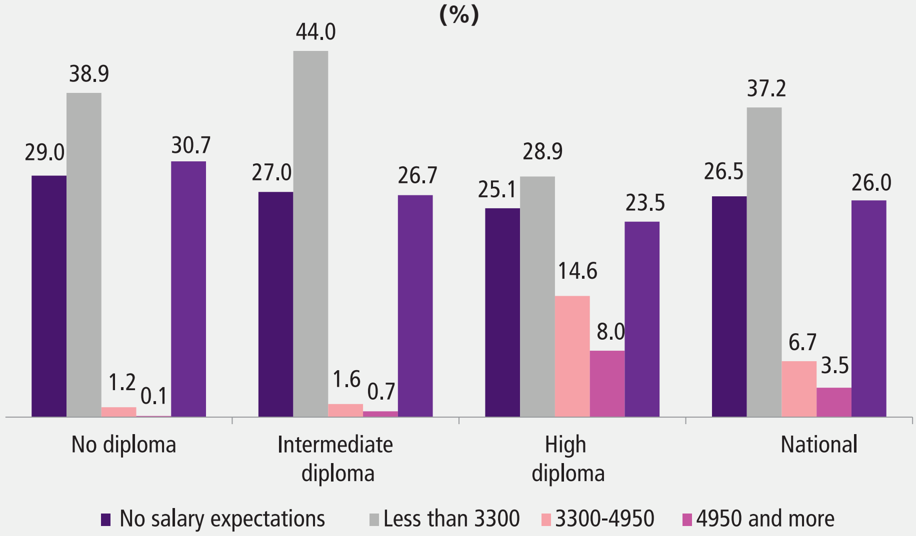
In 2017, the population of first-time jobseekers is composed of 710 thousand people, 85 percent of whom are city-dwellers and 35 percent are women. They are mostly young people, and those aged 15-34 years represent 93 percent of this category. They are also relatively skilled, as 39 percent have a higher-level diploma, 46 percent with average level and only 15 percent with no diploma.

Salary expectations do not seem to be a drag on the hiring of first-time jobseekers. According to 2013 HCP data[1], more than a quarter of them state that they do not have salary requirement. Only 3.5 percent overall and 8 percent among higher-level graduates require an average salary of more than 4,950 dirhams per month.

1 Report “Activity, lobor and unemployment, 2013, detailed results”, HCP.

1 More than one year.

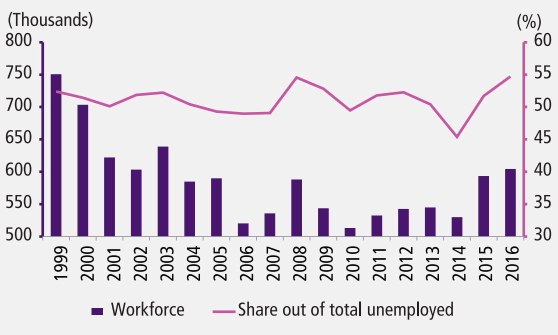
Chart B1.3.2.1: Monthly salary expectations, in dirhams, of first-time job-seekers (%)



Source: Activity, labour and unemployment, 2013, detailed results", HCP.

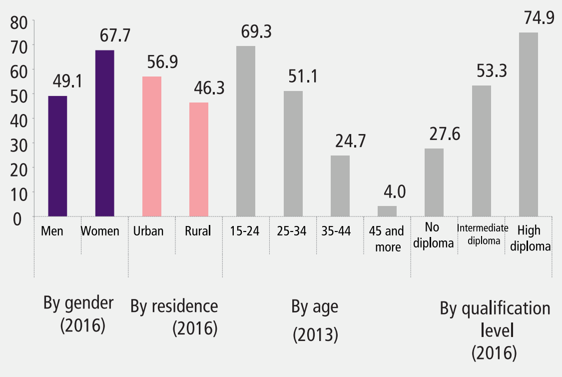
After a downward trend since 1999, the number of first-time jobseekers has been rising since 2011 in a context characterized by a slowdown in nonagricultural activities. Its growth has been faster than that of the unemployed population, bringing the share of this category up from 49.5 percent in 2010 to 58.4 percent in 2017. According to skill level, this proportion ranges from 27.6 percent for those without a degree to 74.9 percent for higher-level graduates, thus testifying to the difficulty of transition from training to working life.

Chart B1.3.2.2: Change in first-time job-seekers



Source: .Differents annual reports on labor, HCP.

Chart B1.3.2.3: Share of first-time job-seekers in unemployed population (in %)

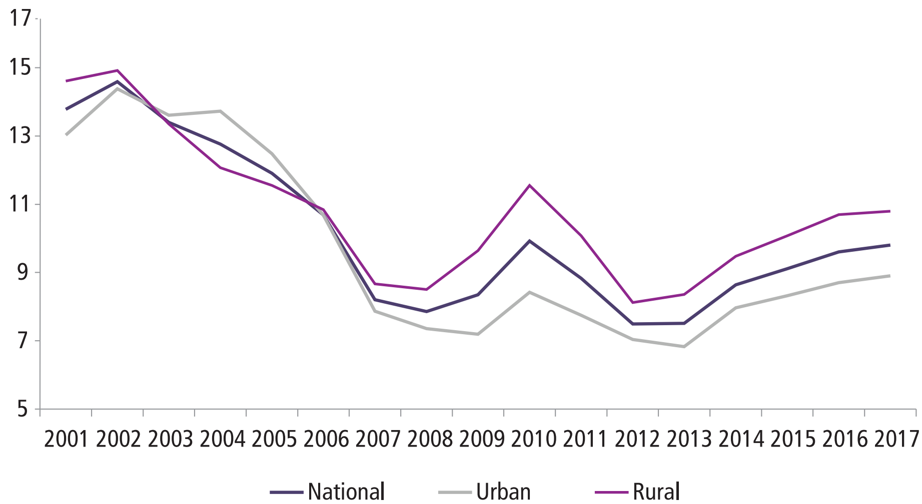


While unemployment worsened, the labor market showed a further increase in underemployment[1], a phenomenon affecting in 67.7 percent of cases employed persons who consider that their

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

skills are inadequate or their remuneration is insufficient. As a result, the proportion of the underemployed rose from 9.6 percent to 9.8 percent nationally, from 8.7 percent to 8.9 percent in the cities and from 10.7 percent to 10.8 percent in rural areas. This increase affected both women and men, whose rates stood at 5.4 percent and 11.1 percent, respectively.

Chart 1.3.11: Rate of underemployment by residence (%)



Source : HCP.

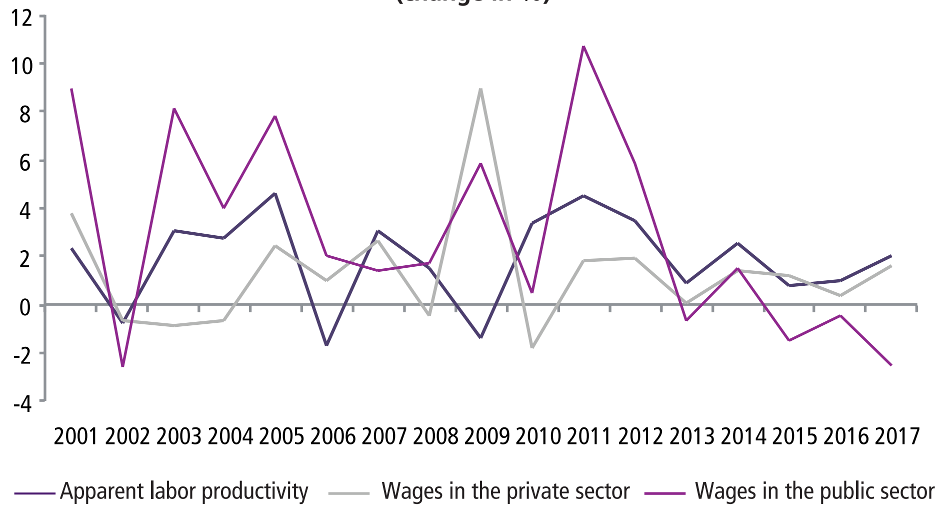
1.3.4 Productivity and labor cost

In 2017, the apparent labor productivity in the nonagricultural sector, measured as the ratio of value added to employment, rose by 2 percent, from 0.9 percent a year earlier. This growth reflects improvements of 2.1 percent in tertiary activities, as against 2 percent, and 2.3 percent in the secondary sector, as against a decrease of 1 percent.

Against this backdrop, the average wage increased in the private sector[1] by 2.4 percent, from 2 percent in 2016, in nominal terms and by 1.6 percent, from 0.4 percent in real terms. Conversely, in the civil service, it fell in nominal terms by 1.8 percent after a rise of 1.2 percent and declined in real terms by 2.6 percent, as against 0.5 percent.

1 Calculated on the basis of CNSS data.

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



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

Box 1.3.3: Salary trends in Morocco

Salary determination is a complex economic and social issue. Economically, the change in pay trends should reflect a change in productivity and inflation. However, it is often the result of negotiations that sometimes lead to levels that are out of step with the fundamental determinants.

These negotiations are in some cases governed by institutional or conventional frameworks prescribing the fixing and revision rules. In the absence of such frameworks, they are usually difficult processes whose final outcome is often determined by the balance of power and sometimes even political considerations.

In Morocco, there is no formal salary review framework in the civil service, while in the private sector, the labor code includes in its definition of the minimum wage a sort of indexation on the change in price levels (Article 358). However, in both cases, the general revisions are in practice resulted from irregular cycles of social dialogue.

During the period 2000-2017, the private sector's minimum wage was reviewed eight times, rising from 1,743 dirhams/month to 2,799.7[1] dirhams in industry, trade and liberal professions and from 1,129.2 dirhams to 1,813[2] dirhams in the agricultural sector. Thus, its average annual growth stood at 2.8 percent in nominal terms, a rate well above that of 1.6 percent in annual inflation recorded during the same period. For all formal sector employees, CNSS data show that the average gross wage[3] grew by 2.9 percent on an annual average, to 5.129 dirhams in 2017.

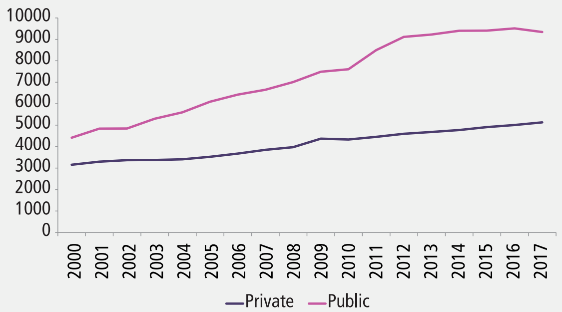
1 Hourly amount equal to 13.46 dirhams.
2 Daily amount equal to 69.73 dirhams.

In the public sector, the net minimum wage observed increased, according to data from the Ministry of Economy and Finance, by 5.7 percent on annual average since 2003 to 3,000 dirhams in 2017. The average gross salary[3] stood in the same year at 9,338 dirhams, representing an annual increase of 4.5 percent since 2000, a pace much higher than that observed in the private sector, disregarding the change in skills.

According to a recent comparison by the IMF[4], Morocco's public-private pay gap is among the highest in the Middle East and Central Asia region. It is close to the levels observed in the GCC countries and far exceeds those of Tunisia and Algeria, while in some countries such as Egypt and Jordan, it is rather the private sector workers who are the best paid.

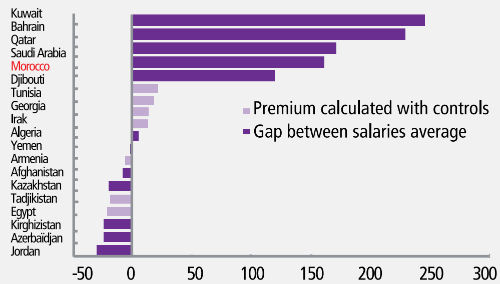
The pay level in the public service is also disproportionate to the level of development as measured by GDP per capita. In fact, the net average wage in Morocco represents 3.2 times the GDP per capita, as against an average of 2.5 times for the MENA region and 1.5 times in the world[5].

Chart B1.3.3.1: Gross average monthly salaries (in dirhams)



Sources : HCP, CNSS, Ministry of the Economy and Finance

Chart B1.3.3.2: Salary gap between public and private sectors (%)



Source : Public wage bills in the Middle East and Central Asia, FMI, january 2018.

3 Measured as the ratio of payroll to workforce.

4 Public Wage Bills in the Middle East and Central Asia", IMF, January 2018.

5 Report on human resources accompanying the 2018 Finance Bill.

Table 1.3.2 : Main indicators of labor market

		2016	2017
Indicators of activity			
Labor force (in thousands)		11,780	11,915
Urban		6,806	6,887
Rural		4,974	5,028
National participation rate (%)		47.0	46.7
Urban		43.0	42.4
Rural		53.8	54.1
Men		72.2	71.6
Women		22.4	22.4
Indicators of employment			
Total job creation (in thousands)		-37	86
By place of residence	Urban	26	31
	Rural	-63	55
By sector	Agriculture	-119	42
	Industry, including handicraft	8	7
	Construction	36	11
	Services	38	26
Active labor force (in thousands)		10,613	10,699
Urban		,5,840	5,872
Rural		4,773	4,827
National employment rate (%)		42.3	41.9
Urban		36.9	36.1
Rural		51.7	52.0
Indicators of employment and underemployment			
National underemployment rate (%)		9.9	10.2
Urban		14.2	14.7
Young people aged 15 to 24 years		41.8	42.8
Rural		4.0	4.0
Unemployment rate (%)		9.6	9.8
Urban		8.7	8.9
Rural		10.7	10.8
Productivity and wage costs (change in %)			
Apparent labor productivity in nonagricultural activities		0.9	2.0
Guaranteed minimum wage and Minimum agricultural wage	Nominal	2.3	0.0
	Real	0.7	-0.7
Private sector's wages	Nominal	2.0	2.4
	Real	0.4	1.6
Public sector's wages	Nominal	1.2	-1.8
	Real	-0.5	-2.6

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

1.4 Inflation

Inflation, as measured by the change in the consumer price index, slowed sharply in 2017 to 0.7 percent from 1.6 percent over the past two years.

This deceleration is attributed to a decline in volatile food prices which, under the effect of an improvement in supply, fell by 3.1 percent compared to a 7.5 percent increase a year earlier. However, after falling by 1.7 percent, fuel and lubricant prices rose by 8.8 percent, reflecting the reversal of the downward trend in international petroleum product prices. Prices for regulated products rose by 0.8 percent, almost unchanged from the previous year. Their trend was mainly impacted by the application of the last increase in electricity charges scheduled in January 2017 and the increase in the domestic consumption tax (DCT)on certain tobacco categories.

In a context of stronger domestic demand and of faster imported inflation, core inflation, which reflects the fundamental trend of prices, moved to a level close to its average observed in the last decade, standing at 1.3 percent, as against 0.8 percent in 2016.

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

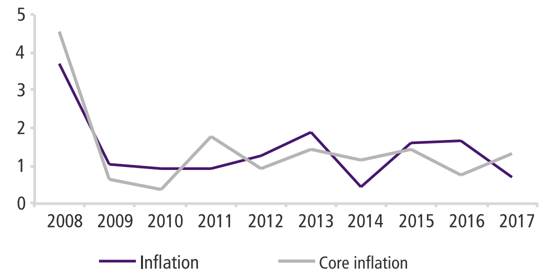
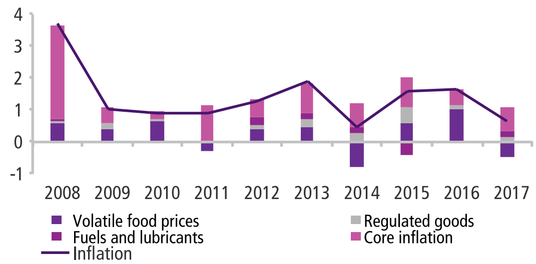


Chart 1.4.2: Contribution to inflation (in % point)



Sources: Data HCP, and BAM calculations.

Table 1.4.1: Consumer prices (change in %)

Groups of products	YoY change in %						
	2011	2012	2013	2014	2015	2016	2017
Consumer price index	**0.9**	**1.3**	**1.9**	**0.4**	**1.6**	**1.6**	**0.7**
Volatile food prices	**-2.0**	**3.0**	**3.3**	**-5.6**	**4.3**	**7.5**	**-3.1**
Fuels and lubricants	**0.0**	**9.9**	**8.0**	**7.0**	**-16.1**	**-1.7**	**8.8**
Price-regulated	**0.1**	**0.7**	**1.3**	**1.6**	**2.7**	**0.7**	**0.8**
Core Inflation	**1.8**	**0.9**	**1.5**	**1.2**	**1.4**	**0.8**	**1.3**
- Food products included in core inflation	3.3	2.2	1.6	1.0	1.8	0.6	1.6
- Clothing items and footwear	1.6	2.1	1.6	2.1	0.6	1.1	1.4
- Housing, water, gas, electricity and other fuels[1]	1.0	1.0	2.2	1.7	1.1	1.0	1.1
- Furniture, household appliances and routine household maintenance	0.8	0.1	0.2	0.8	0.3	0.6	0.5
- Health(1)	0.3	2.0	0.9	2.6	1.0	1.0	2.4
- Transport(2)	-0.4	0.8	1.2	1.1	0.3	0.2	-0.4
- Communications	-5.4	-19.6	-9.2	-4.6	0.2	-0.2	-0.2
- Entertainment and culture(1)	-0.7	0.4	0.5	-0.9	0.3	1.6	0.6
- Education	4.1	3.8	5.5	3.4	2.9	2.3	2.7
- Restaurants and hotels	1.7	2.0	3.2	2.5	2.3	2.5	3.2
- Miscellaneous goods and services(1)	2.6	1.7	1.6	1.5	0.7	0.3	0.9

(1) Excluding price regulated goods.

(2) excluding regulated products, and fuels and lubricants.

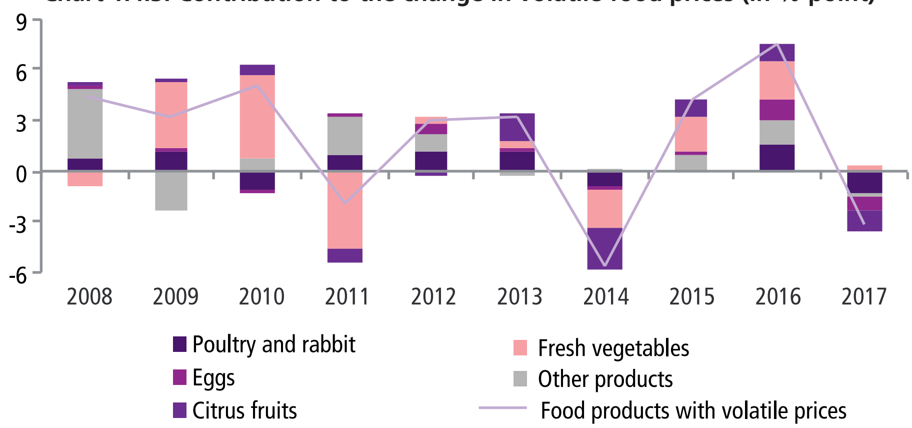
Sources: HCP, and BAM calculations.

1.4.1 Components of the consumer price index

1.4.1.1 Volatile food prices

After a significant increase in prices due to multiple supply shocks in 2016, volatile food prices fell by 3.1 percent in 2017, due to an improvement in the supply of certain products thanks to good weather conditions. With the exception of fresh vegetable prices, which rose by 1.3 percent, those of other products showed decreases ranging from 19.8 percent for citrus to 0.6 percent for fresh fish. Volatile food prices thus contributed 0.4 percentage point to inflation.

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

Fuel and lubricant prices rose 8.8 percent in 2017, after declines of 1.7 percent in 2016 and 16.1 percent in 2015. This increase is attributed to rising international oil prices, particularly following the implementation of the oil production reduction agreement between OPEC countries and some non-member countries, heightened geopolitical tensions and stronger global demand. Indeed, the Brent price stood at $54.4/bl on average in 2017 from $44/bl a year earlier, up 23.5 percent. The impact of this change was however mitigated by the 6.9 percent appreciation of the national currency against the US dollar. In total, fuel and lubricant prices contributed 0.2 percentage point to inflation in 2017.

Chart 1.4.4: Oil and lubricant prices (2006) and Brent prices ($ per barrel)

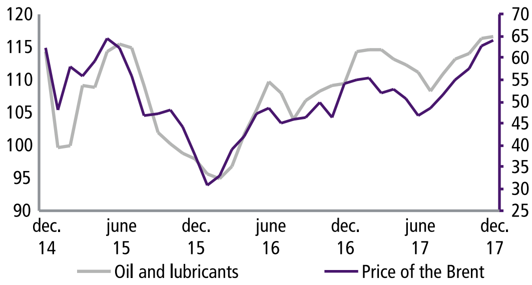
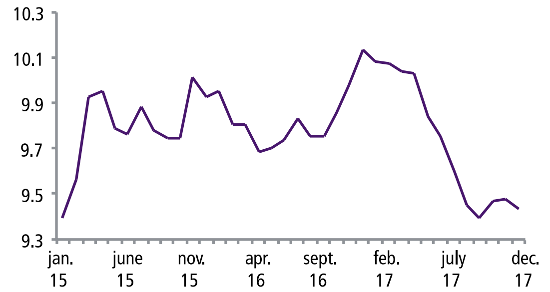


Chart 1.4.5: Exchange rate of the Dirham against the US dollar (dirham/dollar)



Sources: HCP, and World Bank.

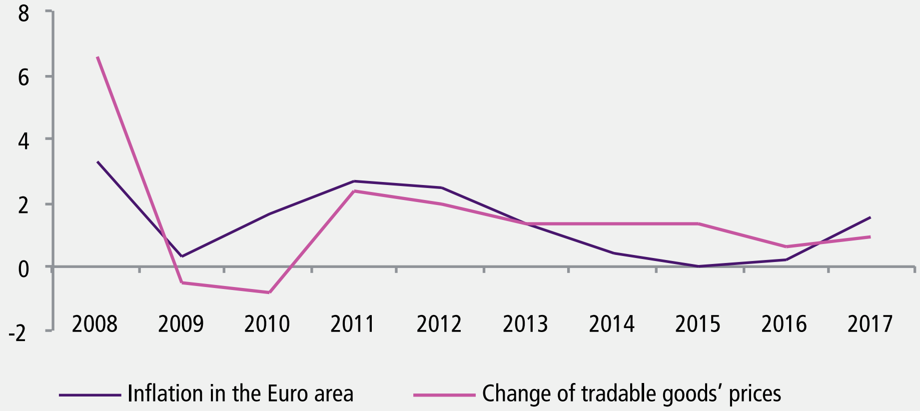
Box 1.4.1: Exchange rate and inflation in Morocco

Price trends are determined by several internal and external factors. With the globalization of the world economy, external determinants are becoming increasingly influential, as the exchange rate play a key role as a channel of transmission. In these circumstances, the choice of the exchange rate regime is of crucial importance.

In Morocco, the authorities have opted for a fixed exchange rate regime where the value of the dirham is defined by reference to a basket of currencies whose structure reflects that of external payments. Since April 2015, it is composed of 60 percent of the euro and 40 percent of the US dollar.

This regime has contributed to the moderation of inflation through its anchoring to that of the euro area, Morocco's main trading partner. Over the 2008-2017 period, the average national inflation rate stood at 1.4 percent overall and at 1.5 percent for tradable goods and services, levels close to the 1.4 percent average recorded in the euro area over the same period.

Chart B1.4.1.1: Change of the prices of tradable goods and inflation in the Euro area (%)



Sources: HCP, and CEB.

Although this fixity of the exchange rate regime combined with restrictions on the capital account could have helped to protect Morocco from the direct effects of the financial turmoil during the 2008 crisis, it was a source of vulnerability by depriving the Moroccan economy of a potential absorber of external shocks. Therefore, with a view to strengthening the capacity of the national economy to absorb external shocks and supporting its competitiveness, the Moroccan authorities decided to initiate a gradual flexibility process for the exchange rate regime. The first step in this transition, which began on January 15, 2018, was to widen the dirham fluctuation band from ± 0.3 percent to ± 2.5 percent.

Admittedly, this reform is not without risk for the national economy, particularly in terms of price evolution. However, it should remain contained in the medium term. Indeed, BAM's assessments show that the impact of this first step remains limited in the medium term, as the effect on inflation even in the extreme case of a depreciation of 2.5 percent of the dirham should not exceed 0.4 percentage point. In the longer term, the introduction of an inflation targeting framework, expected at an advanced stage of this transition, would make monetary policy more efficient.

1.4.1.3 Regulated goods

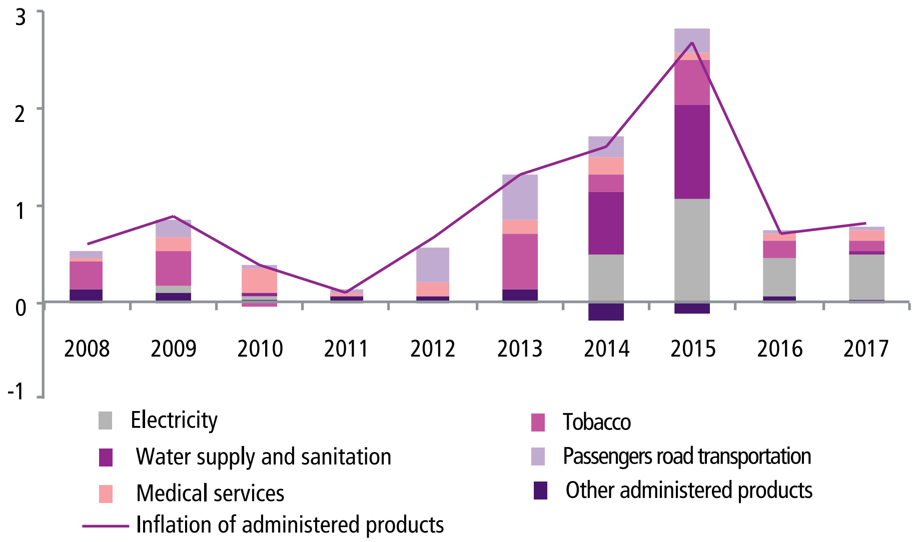
Prices for regulated goods show a further rise of 0.8 percent in 2017, as against 0.7 percent, due to higher prices for electricity, tobacco and medical services.

Following the application in January 2017 of the last increase provided as part of the program contract between the State and the ONEE, tariffs for electricity rose by 2.7 percent from 2.4 percent in 2016 and 6.6 percent in 2015. Their contribution to the growth of prices for regulated goods stood at 0.5 percentage point.

Similarly, following the increase in the DCT on brown cigarettes, introduced by the 2017 Finance Act and which came into force in June[1] , tobacco tariffs grew 1.1 percent overall, contributing 0.1 percentage point to the change in prices for regulated goods.

Although no regulatory decision has been taken concerning medical services tariffs, they rose by 2.2 percent, almost unchanged from the average observed since 2008.

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



Sources: HCP, and BAM calculations.

1.4.1.4 Core inflation

After a temporary decline to 0.8 percent in 2016, core inflation stood at 1.3 percent, close to its historical average[2]. This trend reflects a 1.6 percent increase as against 0.6 percent in the price of its food component, whose contribution moved up from 0.2 percentage point to 0.7 percentage point. The effect of this acceleration on core inflation was mitigated by the steepening decline in car prices from 0.4 percent to 1.4 percent. Prices of other categories evolved at a rate ranging from -0.2 percent for communication to 3.2 percent for "restaurants and hotels" but their contributions to the trend of core inflation remained barely significant.

1 The 2017 Finance Act provides for two further increases in January 2018 and January 2019.
2 Over the last nine years, the average core inflation stood at 1.4%.

Box 1.4.2: Change in education prices in Morocco

Over the past two decades, the share of education in Moroccan household consumption expenditure increased significantly. It rose from 1.6 percent in 2001 to 2.7 percent in 2007 and 3.7 percent in 2014. In urban areas, it grew from 1.9 percent to 4.4 percent over the same period.

Table B1.4.2.1: Budget coefficient of education (%)

	2001	2007	2014
Urban	1.9	3.3	4.4
Rural	0.8	1.2	1.7
National	**1.6**	**2.7**	**3.7**

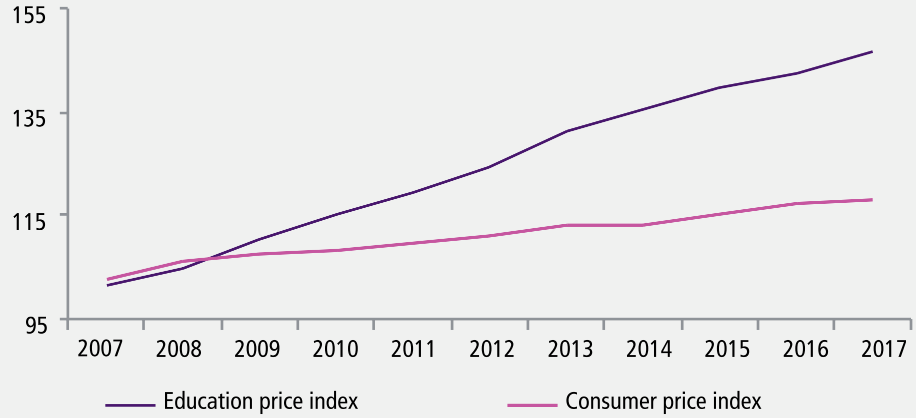
Source: HCP.

This trend is attributed to several factors, mainly households' increasing use of private education. The proportion of children enrolled in private institutions reached 86.6 percent in 2017 at the preschool level and 16.7 percent in the primary education cycle, as against 4.4 percent in 2001. The increase in the budgetary coefficient of education is also attributable to the generalization of schooling and the extension of its duration, as well as to the relatively rapid increase in education prices. On this last point, data from the national survey on prices make it possible to understand their trends by distinguishing the levels of schooling.

Thus, between 2007 and 2017, education fees grew by 44 percent, a rate three times faster than that of the consumer price index, which was 15 percent over the period.

By level of education, this increase was greater for pre-primary, primary and secondary education, whose fees increased nearly 53 percent, compared to almost 27 percent for post-secondary and higher education.

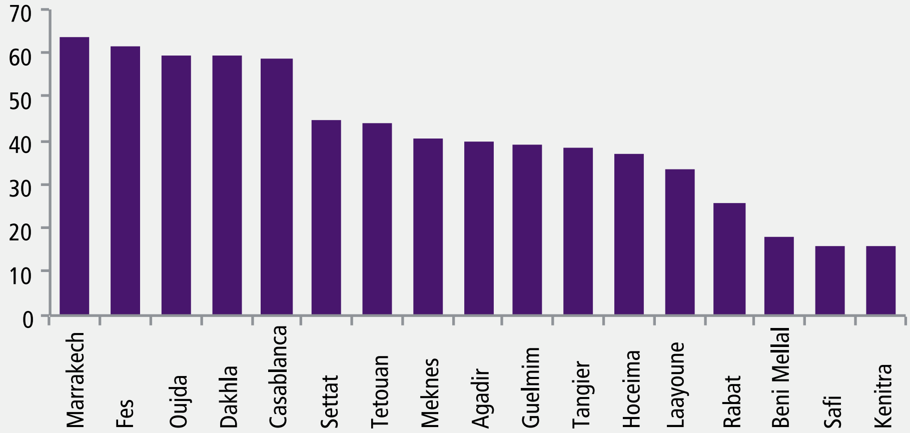
Chart B1.4.2.1: Change in the education price and in the Consumer price index (2006=100)



Source: HCP.

By city, the largest price increases over the period were registered in Marrakech with a growth of 63.7 percent followed by Fez with 61.9 percent. The cities with the lowest prices are Kenitra with 15.7 percent and Safi with 16.2 percent.

Chart B1.4.2.2: Change in the education price by city between 2007 and 2017 (%)



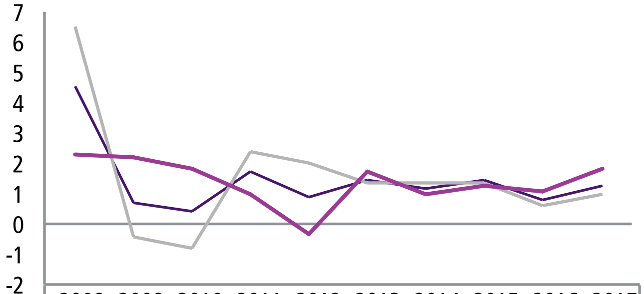
Source: HCP.

• Tradable goods and nontradable goods

Prices of tradable goods rose by 0.9 percent in 2017, from 0.6 percent in 2016, due to an 8.5 percent price increase for "oils", as against 0.2 percent, following particularly the sharp drop in yields of olive grinding. This acceleration is also due to a rise of 4.6 percent, as opposed to 0.1 percent in prices of "oils and fats" impacted by soaring international butter prices. Conversely, growth of prices of "dry legumes" slowed from 9.5 percent to 5.1 percent and the decline in car prices steepened from 0.4 percent to 1.4 percent.

Nontradable goods prices rose 1.8 percent, from 1.1 percent, driven mainly by a 1.7 percent growth of fresh meat prices, as against a 0.2 percent decline. Similarly, prices rose by 1.6 percent for rentals, as against 1.1 percent, by 3.1 percent for "restaurants, cafés and similar establishments", as opposed to 2.5 percent, and by 3 percent for secondary education, from 1.9 percent.

Chart 1.4.7: Core inflation, prices of tradable* and nontradable goods* (%)



	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Core inflation	4.5	0.7	0.4	1.8	0.9	1.5	1.2	1.4	0.8	1.3
Tradables	6.5	-0.5	-0.8	2.4	2.0	1.3	1.3	1.4	0.6	0.9
Nontradables	2.3	2.2	1.8	0.9	-0.4	1.7	1.0	1.3	1.1	1.8

* Included in the core inflation indicator.

Sources: HCP, and BAM calculations.

1.4.2 Goods and services

The breakdown of the CPI basket into goods and services[1] indicates that inflation was low in 2017 due to slower growth of prices of goods excluding fuel and lubricants, which more than offset the faster growth of services prices.

Indeed, growth of prices of goods excluding fuels and lubricants decelerated from 1.9 percent to 0.1 percent, reflecting a 1.2 percent decline in prices of unprocessed goods, after a 4.7 percent increase, while those of processed goods accelerated from 0.4 percent to 0.8 percent.

Services prices grew by 1.6 percent after 1.2 percent in 2016, with particularly an increase in the pace of growth for rentals and "restaurants, cafés and similar establishments" prices.

Chart 1.4.8: Prices of goods and services (%)

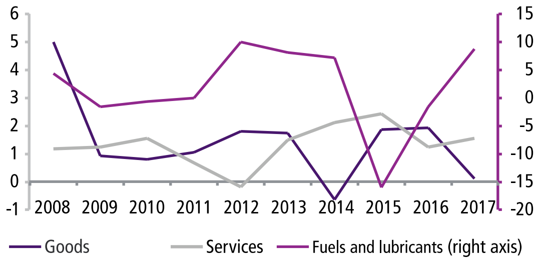
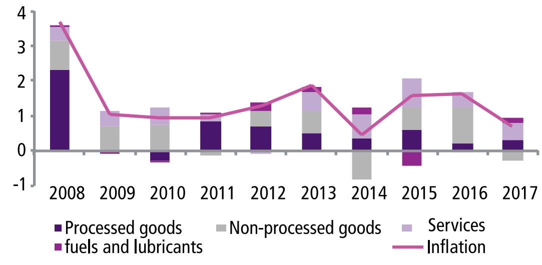


Chart 1.4.9: Contribution of prices of goods and services to inflation (% points)



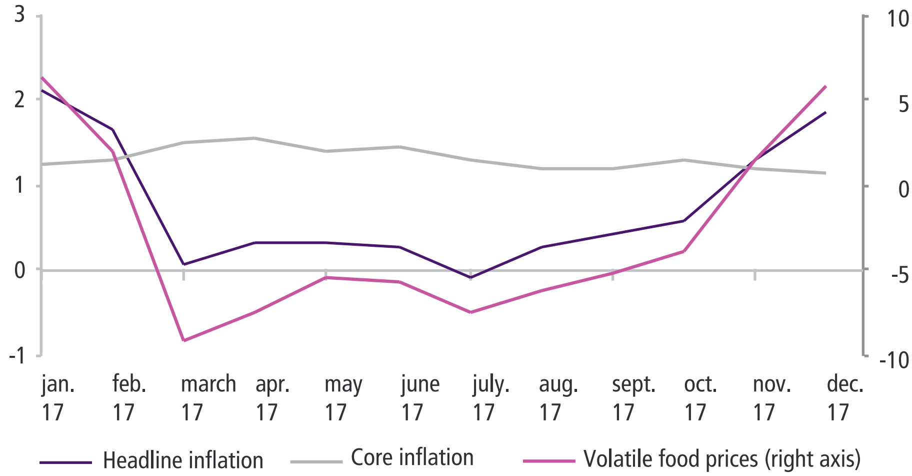
Sources: HCP, and BAM calculations.

1 Four categories are distinguished: processed goods excluding fuels and lubricants, unprocessed goods, fuels and lubricants and services.

1.4.3 Infra-annual inflation profile

The infra-annual analysis of inflation indicates that it changed significantly in line with volatile food prices. Indeed, after a sharp deceleration in the first two months of the year, inflation evolved to a very low level until October, before recording a sharp rise to reach 1.9 percent in December.

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



Sources: HCP, and BAM calculations

1.4.4 Consumer prices by city

The slow inflation recorded in 2017 affected 15 of the 17 cities covered by the price survey. The strongest decelerations were observed in Meknes, where inflation fell from 1.9 percent to -0.1 percent and Al-Hoceima, where it dropped from 2.3 percent to 0.4 percent. In contrast, the cities of Laayoune and Safi saw respective accelerations from 1.2 percent to 2.1 percent and from 1 percent to 1.1 percent.

In terms of disparity, the inflation rate was within a range from -0.1 percent in Meknes to 2.1 percent in Laayoune, which is a gap of 2.2 percentage points, as against 1.3 point in 2016.

Table 1.4.2 : Change in the CPI by city

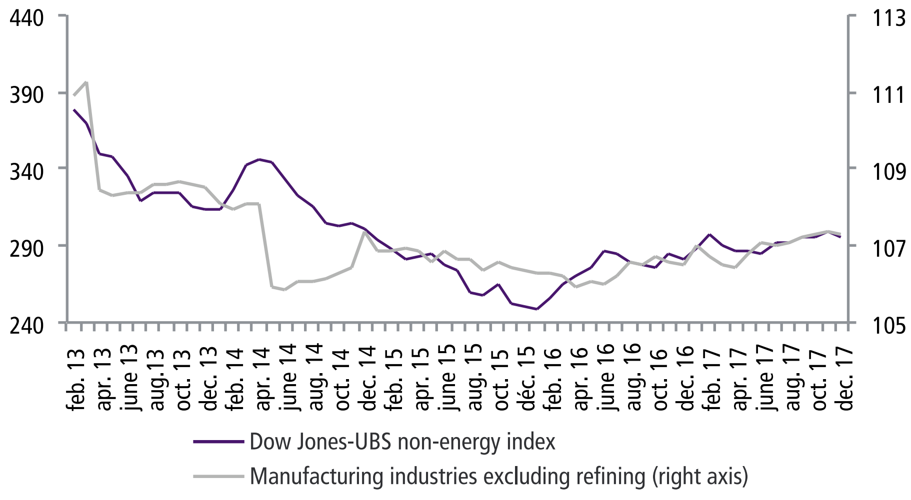
	Average indexes					Inflation (%)			
	2013	2014	2015	2016	2017	2014	2015	2016	2017
Agadir	112.1	112.1	113.2	115.4	115.8	0.0	1.0	1.9	0.3
Casablanca	114.9	115.5	117.8	119.5	120.6	0.5	2.0	1.4	0.9
Fes	113.2	114.4	115.3	117.1	118.3	1.1	0.8	1.6	1.0
Kenitra	112.3	112.9	114.6	116	116.5	0.5	1.5	1.2	0.4
Marrakech	112.9	113.8	115.0	117	118.3	0.8	1.1	1.7	1.1
Oujda	112.6	112.5	114.2	115.3	116.1	-0.1	1.5	1.0	0.7
Rabat	110.5	111.5	113.0	115.1	115.7	0.9	1.3	1.9	0.5
Tetouan	112.0	112.4	114.4	116.3	117.9	0.4	1.8	1.7	1.4
Meknes	114.9	115.1	117.9	120.1	120	0.2	2.4	1.9	-0.1
Tangier	114.7	115.1	117.0	119.1	120.2	0.3	1.7	1.8	0.9
Laayoune	112.6	112.8	115.1	116.5	118.9	0.2	2.0	1.2	2.1
Dakhla	111.8	112.6	115.2	117.4	118.3	0.7	2.3	1.9	0.8
Guelmim	112.5	112.3	114.5	116	116.8	-0.2	2.0	1.3	0.7
Settat	112.7	112.5	113.7	116.1	117	-0.2	1.1	2.1	0.8
Safi	108.2	108.9	110.5	111.6	112.8	0.6	1.5	1.0	1.1
Beni-Mellal	111.7	111.9	113.3	115.6	116.8	0.2	1.3	2.0	1.0
Al-Hoceima	114.0	113.8	115.3	117.9	118.4	-0.2	1.3	2.3	0.4
National	112.9	113.4	115.2	117.1	117.9	0.4	1.6	1.6	0.7
Range (% points)						1.3	1.6	1.3	2.2

Sources: HCP, and BAM calculations.

1.4.5 Industrial producer prices

In a context of a significant increase in international commodity prices, producer prices in non-refining manufacturing industries[1] posted an annual rise of 0.7 percent, the first since 2012.

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



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

Sources: HCP, Datastream, and World Bank.

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

By industry, prices rose by 2.1 percent for the "chemical industry", 0.3 percent for "food industries", 2.9 percent for "electrical equipment manufacturing" and 2.3 percent for "metal products manufacturing, excluding electrical machinery and equipment". These increases more than offset the 1.2 percent decline in producer prices in the "textile manufacturing" industry.

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

	2011	2012	2013	2014	2015	2016	2017
Non-refining producer price index	**8.2**	**1.8**	**-0.9**	**-2.0**	**-0.2**	**-0.4**	**0.7**
Including							
Food industries	4.5	3.2	1.5	-0.7	-0.7	-0.4	0.3
Tabacco products	0.0	0.0	6.4	2.1	5.2	2.4	0.0
Chemicals	36.7	2.1	-9.5	-11.7	-0.3	-0.2	2.1
Textile industry	2.1	0.8	-0.3	0.5	-2.8	0.1	-1.2
Clothing	0.6	0.8	0.7	1.1	2.8	0.8	0.0
Electrical equipment and supplies	7.6	1.7	-1.6	-2.4	0.1	-3.1	2.9
Paper and cardboard	-0.2	-2.0	1.8	1.0	-0.4	-2.3	0.2
Manufacture of metal products, except machinery and equipment	-0.2	2.1	1.4	-1.3	-2.9	-0.3	2.3

Sources: HCP data, and BAM calculations.

1.5 Public finance

Despite its interruption in 2016, the budget adjustment process resumed in 2017, as the non-privatization deficit fell from 4.5 percent to 3.6 percent of GDP, but outdid the Finance Law objective by 0.6 percentage point of GDP.

In a context characterized by a late adoption of the Finance act, the fiscal year was marked, on the revenue side, by a rebound in corporate tax and VAT receipts as well as by the significant donations from GCC countries, which reached 9.5 billion dirhams. On the expenditure side, the wage bill registered its first drop since 1994, and its ratio to GDP thus fell back to 9.8 percent. Reflecting rising world prices for oil products, subsidy costs increased for the second year in a row to 15.3 billion. At the same time, the Treasury's investment effort continued, as expenditure moved up by 5.1 percent, 36.1 percent of which were financed by budget savings, which have been growing steadily since 2014.

Considering an improvement of 1.6 billion in the positive balance of the Treasury special accounts and a reduction of 866 million in the stock of arrears, the borrowing requirement stood at 38.7 billion, of which 91.4 percent was financed by domestic resources. The Treasury's debt ratio thus grew by 0.2 point to 65.1 percent of GDP, with a decrease by 0.1 point in its domestic component to 50.7 percent of GDP and by 0.3 point in the external debt to 14.4 percent of GDP.

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

	2011	2012	2013	2014	2015	2016	2017
Current receipts	25.4	26.0	25.5	25.4	23.6	23.7	23.9
Tax receipts	22.6	23.4	21.9	21.4	20.7	20.9	21.2
GCC donations (in billion dirhams)	-	-	5.2	13.1	3.7	7.2	9.5
Current expenditure	26.3	28.1	25.9	25.0	22.6	22.3	21.6
Payroll	10.8	11.4	11.0	11.0	10.4	10.3	9.8
Subsidy costs	6.0	6.5	4.6	3.5	1.4	1.4	1.4
Subsidy costs (in billion dirhams)	48.8	54.9	41.6	32.6	14.0	14.1	15.3
Investment	6.1	6.1	5.4	5.9	5.9	6.3	6.3
Fiscal balance	-6.6	-7.2	-5.1	-4.9	-4.2	-4.5	-3.6
Direct public debt	52.5	58.2	61.7	63.4	63.7	64.9	65.1
Gross public debt	63.5	69.5	73.4	78.2	79.9	81.6	82.0

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

1.5.1 The 2017 Finance act

The Finance act of 2017 was drafted on the basis of a growth rate of 4.5 percent, average prices of $54 per barrel for oil and $350 per tonne for butane gas, an exchange rate of 9.8 dirhams per dollar and an inflation of 1.7 percent. It set a target deficit of 33 billion, or 3 percent of GDP.

Tax revenues were expected to grow by 4.8 percent compared to the 2016 Finance Act, reflecting increases of 5.8 percent to 50.5 billion for import VAT, 5.8 percent to 40.9 percent billion for income tax and 2.9 percent to 45.6 billion for corporate tax. On the other hand, non-tax receipts were expected to decline by 17.9 percent, mainly covering a 38.5 percent drop in donations from GCC countries to 8 billion dirhams and an increase of 8.8 percent to 9.1 billion in monopoly receipts. The OCP and ANCFCC were expected to contribute 2 billion each, while Maroc Telecom and Bank Al Maghrib were projected to contribute 1.4 billion and 620 million, respectively. In total, current revenues were expected to improve by 2.2 percent.

Table 1.5.2 : Budgetary planning (in millions of Dirhams)

	2016 Finance Act	2017 Finance Act	Change in %	Change in value
Current receipts	**245,945**	**251,408**	**2.2**	**5,463**
Tax receipts[1]	215,484	225,814	4.8	10,330
Including : VAT	79,298	82,835	4.5	3,537
CT	44,255	45,555	2.9	1,300
IT	38,614	40,855	5.8	2,241
Nontax receipts	27,161	22,293	-17.9	-4,867
Including : Grants from GCC countries	13,000	8,000	-38.5	-5,000
Receipts of some special Treasury accounts	3,300	3,300	0.0	0
Overall expenditure	**288,563**	**290,377**	**0.6**	**1,814**
Current expenditure	**235,433**	**234,799**	**-0.3**	**-634**
Wage bill	106,776	106,701	-0.1	-75
Other goods and services	61,033	61,124	0.1	91
Debt service	28,285	27,474	-2.9	-811
Subsidy costs	15,550	14,650	-5.8	-900
Transfers to local government	23,789	24,851	4.5	1 061
Current balance[2]	**10,512**	**16,608**	**58**	**6 096**
Capital spending[3]	53,130	55,578	4.6	2 448
Balance of other Treasury special accounts	6,000	6,000		
Primary balance[2]	**-8,334**	**-5,495**		
Overall fiscal balance[2]	**-36,618**	**-32,969**		
In percentage of GDP[4]	**-4.3**	**-3.5**		
Financing requirement	**-36,618**	**-32,969**		
Domestic financing	14,409	20,462		
External financing	22,209	12,507		

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

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

3 Forecast in terms of emissions

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

Source: Ministry of Economy and Finance (DTEF).

Reflecting the will to control expenses, current expenditure was scheduled to decrease slightly by 0.3 percent. Payroll and spending on other goods and services were to almost stagnate at 106.7 billion and 61.1 billion, respectively, and subsidy costs were forecast to decrease by 5.8 percent to 14.7 billion. However, investment issues would increase by 4.6 percent to 55.6 billion.

Box 1.5.1 : Key tax measures of the 2017 Finance Act

The 2017 Finance Act, as voted, made several changes to the tax legislation. These included the establishment of specific tax regimes, certain tax exemption modifications and clarification of some provisions of the general tax code. The main measures adopted are presented below:

(i) Regarding corporate taxes

- A specific tax regime is applied for real estate collective investment funds (OPCI) in order to promote and diversify instruments for mobilizing long-term savings. These organizations are thus exempted from the corporate tax on (i) profits earned on rental income from buildings for professional use; (ii) assets icome, shares and similar income; and (iii) gains from fixed-income investment.
- Newly-established industrial companies are fully exempted from corporate tax for a period of five years as of the start the operation.
- A permanent reduction of corporate taxes is applied in the first three fiscal years for companies that are listed on the stock market, with a cut of 50 percent in the event of a capital increase and 25 percent in case of sale of the existing shares. It should be noted that this measure was initially introduced by the 2001 Finance Act for a period of three years and extended until December 31, 2016.
- The corporate tax neutrality is introduced for the operations concerning (i) the loan of sovereign Sukuk certificates to harmonize their tax treatment with the Treasury bills one; (ii) sales concerning all assets eligible for securitization, instead of being limited to sales of previously fixed assets; and (iii) real estate sales and grant backs conducted between the companies under a repurchase agreement.
- The corporate tax surplus paid by the company in case of activity termination within a three-month period is automatically returned.

(ii) With respect to income tax

- The private sector internship grant[1] for graduates of higher education or vocational training is exempted. This discharge, capped at 6,000 dirhams for a period of 24 months, also benefits doctoral students as part of the research contracts with companies.

1 It is introduced on a permanent basis, whereas it only concerned the period from January 1, 2013 to December 31, 2016.

- The tax neutrality is established for the income tax on property profits for buy-back transactions of immovable property or rights in immovable property.
- The tax neutrality is granted in case of contributions to the company assets, by natural persons, of immovable property or rights in immovable property. In the case of contributions to OPCI, this neutrality applies to both the income tax and corporate tax, but for a transitional period of 3 years as of January 1, 2018.
- Export benefits are extended to indirect exporters[2].

(iii) Regarding the value-added tax

- Tax exemptions are extended to existing enterprises for capital goods of projects carried out under agreements with the State, amounting to 100 million dirhams or more.
- Transactions carried out within or between export processing zones are exempted from VAT, with the right to deduct.
- Vehicles purchased by car rental agencies are excluded from VAT exemption.
- Microcredit associations are permanently exempted from VAT.

The 2017 Finance Act also introduced other measures, including:

- The registration fee is standardized at 5 percent for land acquisitions, previously subject to a rate of 6 percent for common law and 4 percent for land intended for subdivision or construction within 7 years.
- A fixed duty of 200 dirhams is applied, instead of the proportional rate of 1.50 percent, on deeds achieved as part of off-plan sales.
- OPCIs ar eexempted from the registration fees on changes in capital and on amendments to the statutes or management regulations.
- Electric and hybrid vehicles are exempted from the annual special tax on vehicles.

2 These are industrial enterprises producing inputs to be used by direct exporters to manufacture exported products, as well as service providers engaged in foreign exchange transactions with companies established either abroad or in export free trade areas."

1.5.2 Budget execution

The budget was executed in a context marked by a late adoption of the Finance Act, which came into force on June 12, 2017, following the delay that required the formation of the new government coalition.

The fiscal year ended with a deficit of 37.8 billion dirhams, which is an overrun of 4.8 billion, compared to the finance act target. However, the deficit eased by 7.6 billion compared to 2016, reflecting a 5.7 percent improvement in current revenue[1] and increases of 2.7 percent in overall spending and 1.6 billion in Treasury special account balances.

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

Chart 1.5.1: Budget balance

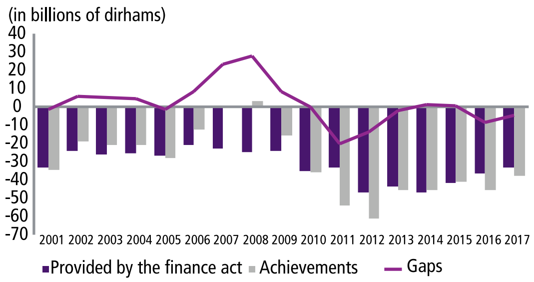
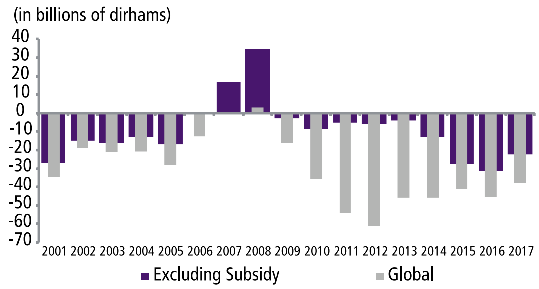


Chart 1.5.2: Budget balance excluding subsidy costs



Source: Ministry of Economy and Finance (DTEF).

Current revenues

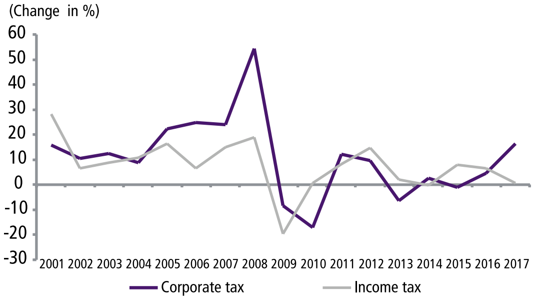
Current revenues grew faster to 5.7 percent in 2017 from 3 percent in 2016. This change is mainly attributable to an expansion of 6.3 percent in tax revenues, as against 3.4 percent in 2016. These receipts, executed at 99.6 percent, stood at 224.9 billion and their ratio to GDP moved up from 20.9 percent to 21.2 percent.

Direct taxes improved by 8.1 percent to 92 billion, mainly due to an increase of 16.3 percent to 50 billion in corporate tax, executed at 109.7 percent. Proceeds from income tax, executed at 96.2 percent, totaled 39.3 billion, up 0.7 percent, albeit with decreases in revenues by 5.6 percent to 4.1 billion for real estate profits and 6.9 percent to 8.3 billion for public wages[1].

Similarly, indirect taxes receipts moved up 6.9 percent to 108.6 billion. VAT revenues rose by 7.6 percent to 81.3 billion, reflecting an increase in import VAT of 7.4 percent to 51.4 billion, of which 8.5 billion coming from energy products, as against 7.1 billion a year ago. Domestic VAT, executed at 92.3 percent, generated 29.9 billion, improving by 8.1 percent. This change takes account of a refund of VAT credits of 7.2 billion, from 8.1 billion in 2016. In parallel, DCT drained 27.4 billion, up 4.8 percent, with increases of 6.3 percent for tobacco to 9.9 billion and 3.4 percent for energy products to 15.7 billion.

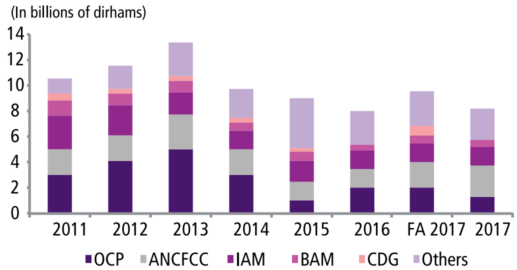
1 These are salaries paid by the Treasury's Personnel Expenditure Department, which represent more than 87 percent of the wagebill.

Chart 1.5.3: Corporate tax and income tax revenues



Source: Ministry of Economy and Finance (DTEF).

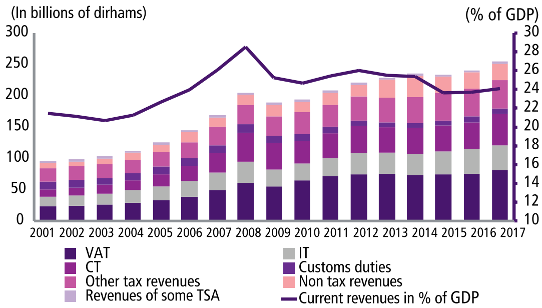
Chart 1.5.4: Receipts from monopolies and equity holdings



Regarding other headings, after a rebound of 17.6 percent in 2016, customs duties decreased by 5.1 percent to 8.6 billion, due to a decline of 54.4 percent in wheat import duties to 676.6 million dirhams. Similarly, registration and stamp duties decreased by 1 percent to 15.7 billion, despite a 6 percent increase to 2.4 billion in revenues from the annual special tax on motor vehicles.

Non-tax revenues increased by 1.9 percent to 25.8 billion, representing an execution rate of 115.8 percent. This trend is mainly due to a GCC grant of 9.5 billion, as against 7.2 billion a year earlier and 8 billion expected in the Finance Act. On the other hand, monopoly revenue almost stagnated at 8 billion, of which 2.4 billion came mainly from the ANCFCC, 1.4 billion from Maroc Telecom, 1.3 billion from OCP and 556 million from Bank Al-Maghrib.

Chart 1.5.5: Current receipts



Source: Ministry of Economy and Finance (DTEF).

Chart 1.5.6: Structure of current receipts

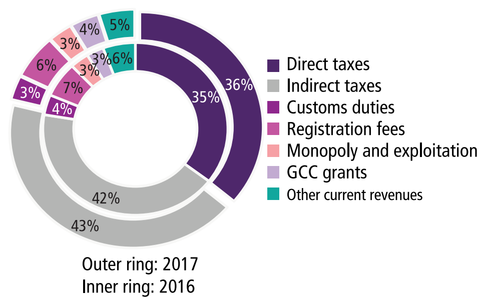


Table 1.5.3 : Treasury expenses and revenues (In millions of DHS)

	2016[1]	2017	Change in %	Implementation rate compared to the Finance Act 2017
Current receipts	**240,502**	**254,265**	**5.7**	**101.1**
Tax receipts[2]	**211,608**	**224,914**	**6.3**	**99.6**
- Direct taxes	85,075	91,989	8.1	102.9
Corporate tax	42,962	49,971	16.3	109.7
Income tax	39,036	39,307	0.7	96.2
- Indirect taxes	101,631	108,647	6.9	99.3
Value added tax [2]	75,497	81,264	7.6	98.1
Domestic consumer tax	26,134	27,383	4.8	102.9
- Customs duties	9,074	8,609	-5.1	96.4
- Registration and stamp duties	15,827	15,669	-1.0	86.8
Nontax receipts	**25,326**	**25,809**	**1.9**	**115.8**
- Monopolies	7,984	7,958	-0.3	87.8
- GCC donations	7,233	9,548	32.0	119.4
Receipts of some Treasury Special accounts	**3,568**	**3,542**	**-0.7**	**107.3**
Overall expenditure	**289,268**	**297,019**	**2.7**	**102.3**
Current expenditure	**225,617**	**230,140**	**2.0**	**98.0**
Goods and services	**161,773**	**163,353**	**1.0**	**97.3**
- Staff expenditure	104,859	104,598	-0.2	98.0
- Other goods and services	56,914	58,755	3.2	96.1
Public debt service	**27,098**	**27,078**	**-0.1**	**98.6**
- Domestic	23,316	23,305	0.0	98.1
- External	3,782	3,773	-0.2	101.7
Subsidy costs	**14,097**	**15,330**	**8.7**	**104.6**
Transfers to local governments	**22,649**	**24,379**	**7.6**	**98.1**
Current balance	**14,884**	**24,125**		
Capital spending	**63,651**	**66,879**	**5.1**	**120.3**
Balance of other the Treasury Special accounts	3,335	4,911		
Primary balance[3]	**-18,333**	**-10,765**		
Overall fiscal balance[3]	**-45,431**	**-37,843**		
Change in arrears	5,151	-866		
Financing requirement	**-40,280**	**-38,709**		
Domestic financing	35,937	35,363		
- Auction market	23,664	27,631		
- Other transactions	12,272	7,732		
External financing	2,809	3,346		
- Drawings	10,388	16,588		
- Depreciation	-7,579	-13,242		
Privatization	1,535	0		

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

Overall expenditure

Executed at 102.3 percent, overall expenditure amounted to 297 billion, up 2.7 percent, almost the same pace as in 2016. This trend reflects increases of 2 percent in current expenses to 230.1 billion and 5.1 percent in investment spending to 66.9 billion.

Chart 1.5.7: Overall expenditure

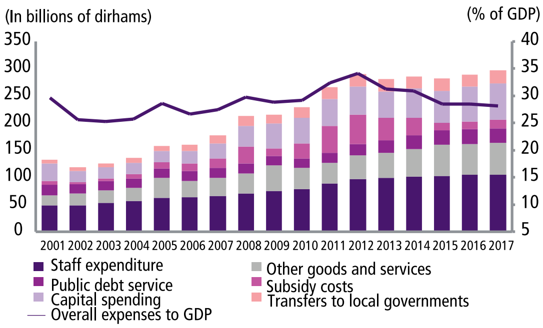
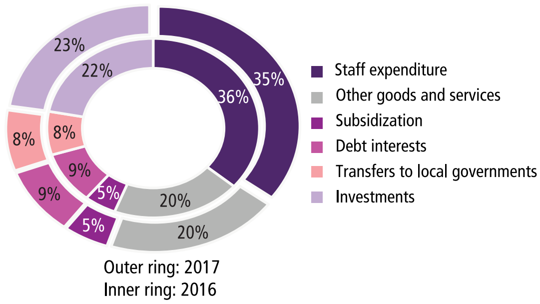


Chart 1.5.8: Structure of overall expenditure



Source: Ministry of Economy and Finance (DTEF).

Thus, spending on goods and services grew 1 percent to 163.4 billion, or 97.3 percent of the programmed amount. Particularly, the wage bill edged down 0.2 percent to 104.6 billion, owing to a 35.9 percent decline in back pays and a 1.1 percent increase in its structural component. The Ministry of National Education, Vocational Training, Higher Education and Scientific Research accounted for 40.3 percent of this expenditure, the National Defense Administration 22.1 percent, the Department of the interior 16.2 percent and that of the health 7.3 percent. Measured as a ratio to GDP, the wage bill was down 0.5 point to 9.8 percent, continuing the downward trend that began in 2013. Considering a 1.6 percent increase in the number of civil servants, the gross monthly average wage will have decreased by 1.8 percent to 9,363 dirhams[1].

Chart 1.5.9 : Wage bill

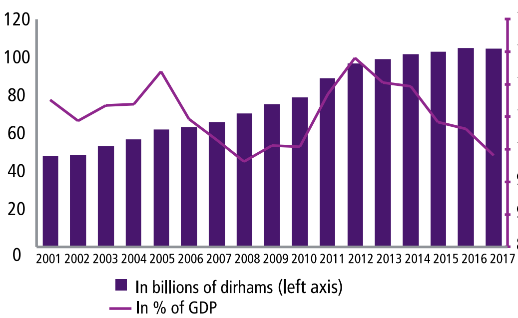
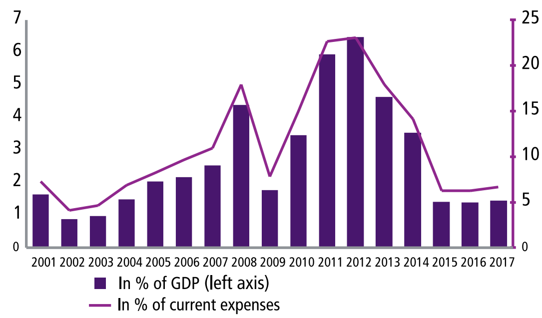


Chart 1.5.10 : Subsidy costs



Source: Ministry of Economy and Finance (DTEF).

Regarding other goods and services, expenditure rose by 3.2 percent, as against 0.6 percent a year earlier, to 58.8 billion dirhams, corresponding to an execution rate of 96.1 percent. This trend mainly reflects an increase of 8.9 percent to 19.6 billion in subsidies to institutions and public enterprises and 6 percent to 14.2 billion in transfers to the Moroccan Pension Fund, while payments to Treasury special accounts fell by 20 percent to 3.6 billion.

1 BAM's estimates.

After a significant contraction between 2013 and 2015 under the combined effect of the subsidy system reforms and the fall in world prices for petroleum products, subsidy costs increased by 0.9 percent in 2016 and 8.7 percent in 2017 to 15.3 billion. Support for the butane gas prices cost 10.3 billion, as against 3.7 billion for sugar and 1.2 billion for domestic wheat flour.

Finally, after having fallen by 0.7 percent in 2016, debt interest charges almost stabilized at 27.1 billion, including 23.3 billion for its domestic component and 3.8 billion for the external component.

Under these conditions, the surplus current balance continued to strengthen to 24.1 billion, from 14.9 billion a year earlier, contributing to the financing of investment spending by 36.1 percent, as against 23.4 percent. The latter continued to trend upwards, with a rise of 5.1 percent to 66.9 billion, thus keeping their execution rate around 120 percent and their ratio to GDP at 6.3 percent. By category, common expenses rose by 1.4 percent to 20.6 billion and expenditure of ministries by 12.1 percent to 46.4 billion. The latter are executed at 22.9 percent by the Ministry of Equipment, Transport, Logistics and Water and at 18.3 percent by the Ministry of Agriculture and Fisheries.

Chart 1.5.11 : Current balance

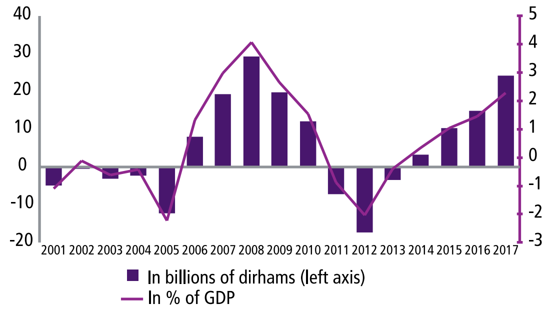
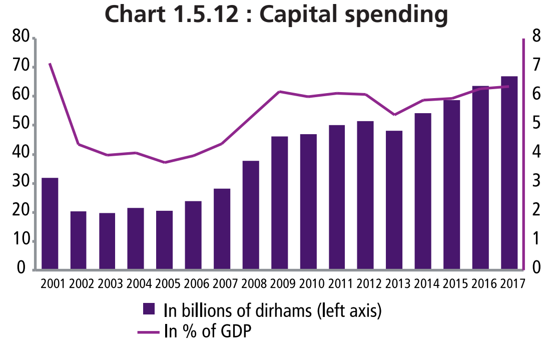


Chart 1.5.12 : Capital spending



Source: Ministry of Economy and Finance (DTEF).

With a positive balance of 4.9 billion of the Treasury special accounts, as opposed to 3.3 billion in 2016, the budget deficit eased by 16.7 percent to 37.8 billion dirhams, equaling 3.6 percent of GDP, as against 4.5 percent in 2016. With a reduction of 866 million in payment arrears, the cash deficit stood at 38.7 billion, easing by 3.9 percent.

Chart 1.5.13 : Stock of arrears

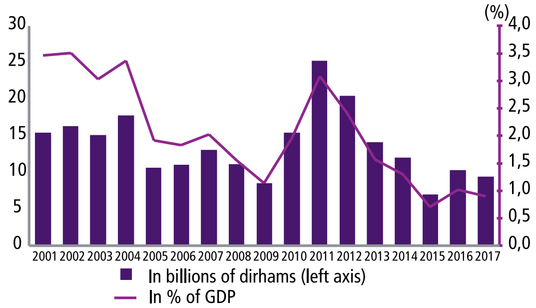
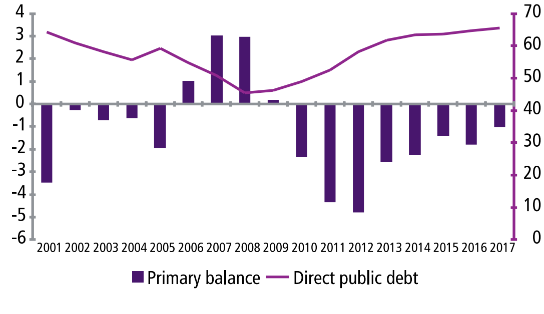


Chart 1.5.14 : Primary balance and direct public debt (in % of GDP)



Source: Ministry of Economy and Finance (DTEF).

Box 1.5.2: Digitization of public administration

The digital revolution is bringing about important changes in several areas, including in public services. Being aware of the opportunities it offers, the administration is gradually integrating new technologies into its operating and management modes, with a view to enhancing the efficiency and transparency of public management and the quality of services. In the fiscal and budgetary fields in particular, digitization has a considerable contribution, particularly in terms of improving revenue collection and simplifying procedures. According to several studies, the digitization of the public administration generates benefits in several ways, notably by:

- strengthening budget governance and transparency, thus limiting the possibilities of corruption;
- reducing the cost of procedures and transactions, and ensuring their traceability, thus minimizing tax evasion and the scope of informal activities;
- facilitating and simplifying administrative procedures;
- improving the quality and availability of data and thus contributing to better decision-making regarding public spending in particular;
- better targeting social transfers and improving financial inclusion, especially in developing countries.

According to 2015 IMF estimates[1], digitalizing government payments in developing countries could save between \$220 and \$320 billion, which represent between 0.8 percent and 1.1 percent of GDP, half of which would directly benefit the State budget. This gain would be much greater, if indirect effects were taken into account, notably in terms of improving public services, combating tax evasion and reducing the size of the informal sector.

I. International experiences

Given the opportunities offered by new technologies and the gains they generate, it is not surprising to see public authorities around the world mobilized and develop appropriate frameworks and strategies to make full use of them. In this sense, a 2013 World Bank study[2] shows that there are 176 platforms[3] used by 198 countries for the automatic registration and accounting of government transactions in a treasury single account. Similarly, the 11th edition of the "Paying Taxes 2016" report[4] noted that, globally, the most common feature of tax reforms in 2015 was the introduction or enhancement of electronic systems for filing and paying taxes.

Brazil, for example, has adopted, like almost all Latin American countries, regulations requiring electronic invoices to prevent tax evasion and facilitate collection. It has also set up a portal called "Transparency Portal" for the daily publication of budget data and dematerialized social transfers as part of its "Bolsa Familia" program, which allowed it to reduce their costs by 31 percent.

1 "Digital Revolution in Public Finance", IMF, 2017.

2 "Financial Management Information Systems and Open Budget Data", World Bank, 2013.

3 These are Financial Management Information Systems (FMIS).

4 Report published annually by the World Bank and PwC.

In **India**, the authorities established a digital structure that tracks all transactions and centralizes all taxpayer declarations, as part of a major reform in 2017 that introduced a single tax on goods and services throughout the country, advocating the concept of "One Nation, One Tax". It also has one of the most prominent social assistance targeting experiences, with the introduction of a large-scale biometric identification system called "Aadhaar" to address corruption and misappropriation issues.

Similarly, **Kenya** is often cited for its successful experience in using new information technologies. It has been able to strengthen financial inclusion and unlock the potential of the informal sector by developing mobile applications like M-Pesa. It also improved its resource mobilization capacity through the introduction of an electronic tax reporting system, I-Tax, managed by its tax administration, Kenya Revenue Authority.

II. Case of Morocco

Nationally, capitalizing on many previous initiatives, Morocco launched in 2016 "Maroc digital 2020" strategy which aims at (i) digitally transforming the economy, notably through the E-Gov initiative and reducing the digital divide for the benefit of citizens and businesses; (ii) repositioning the country as a regional digital hub; and (iii) developing a digital market called : "Place numérique Maroc".

In the tax and budget fields in particular, it should be noted that several years ago an automated base for networked customs (Base Automatisée des Douanes en Réseau , BADR) was established. It is a system that allows for the online conduct of all procedures for the clearance of goods. In 2007, an online tax service, called SIMPL, was introduced, allowing for the online filing and payment of taxes. The use of this system has been made mandatory in a progressive manner based on the turnover. From January 1, 2017, the requirement was generalized to all companies except those subject to the income tax under the lump-sum benefit scheme and the 2018 Finance Act extended it to tax on non-professional income of natural persons. The latter also imposed the use of electronic processes for the formalities of the notaries' registration and clearance of the related duties. Other measures were initiated in the same direction, including the dematerialization of the payment of the vehicle circulation tax, instituted by the 2016 Finance Act.

On the public expenditure side, two main platforms have been set up by the authorities. The first one is "e-budget", which aims to dematerialize budget programming by taking charge of the analysis and monitoring of operations for the ministerial departments. The second one is "Integrated Expense Management", (GID), which helps, via online services, to simplify the procedures related to the expenditure and accelerate its execution.

In conclusion, while it is difficult to identify all the implications and opportunities of the digital revolution for public administration, it is nevertheless important to underline that the use of these opportunities requires substantial resources and an effort for considerable investment in human capital. In addition, this revolution is not without risk either, as it puts the authorities before many challenges in particular with regard to cyber-security and personal data protection.

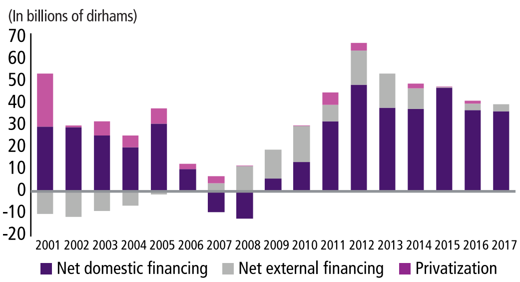
1.5.3 Treasury financing

The Treasury borrowing requirement in the fiscal year 2017 was secured by net domestic resources totaling 35.4 billion, while external assistance was limited to a net amount of 3.3 billion.

Regarding domestic financing, net issues on the auction market reached 26.7 billion, as against 19.9 billion a year ago. Banks raised their holdings of treasury bills by 17.6 billion, UCITS by 13.2 billion and CDG by 3.3 billion. At the same time, insurance and social welfare organizations reduced their stock by 8.3 billion. The Treasury mobilized through its own channels an amount of 7.7 billion, as against 12.3 billion a year ago.

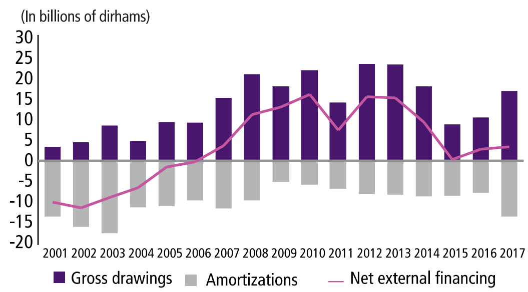
Concerning the external financing, the Treasury made gross drawings of 16.6 billion, up 6.2 billion from 2016. The World Bank contributed 5.5 billion, the Saudi Fund for Development 4.7 billion, the African Development Bank 3 billion, the Arab Monetary Fund 2.5 billion and Japan 711 million dirhams. Meanwhile, the Treasury reimbursed the loan of 5.5 billion (500 million euros) contracted on the international financial market in 2007, thus bringing the total amount of repayments on the external debt to 13.2 billion from 7.6 billion in 2016.

Chart 1.5.15 : Treasury's net financing



Source: Ministry of Economy and Finance (DTEF).

Chart 1.5.16 : Treasury's external financing



1.5.4 Public debt

The direct public debt continued its upward trend with a further increase of 0.2 point to 65.1 percent of GDP, knowing that it should be reduced to around 60 percent of GDP by 2021 in accordance with the Government's commitments under the PLL. The domestic component increased by 4.8 percent and the external component by 7.2 percent, thus accounting for 50.7 percent and 14.4 percent of GDP, respectively.

The analysis of the Treasury's domestic debt characteristics shows that its average maturity stood at 6 years and 5 months, down 2 months from 2016, and that its average cost[1] decreased by 25 basis points to 4.5 percent. For the external component, the average cost remained almost stable at 2.6 percent, and its structure per currency was marked by a 4.1 percentage point decrease to

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

66.9 percent in the euro share, following the repayment of the loan contracted in 2007 on the international financial market, while the dollar share increased to 27.2 percent of the total.

Similarly, the external debt of public institutions and enterprises continued to grow by 5.7 percent to 179.3 billion. Indeed, outstanding public external public debt amounted to 332.4 billion, equaling 31.3 percent of GDP from 30.8 percent in 2016. Its structure by creditors remains dominated by multilateral institutions, with a share of 47.3 percent, followed by bilateral creditors with 29.3 percent and international financial market and commercial banks with 23.4 percent.

In total, the outstanding public debt[1] will have risen by 5.4 percent to 871.5 billion and its ratio to GDP will have increased by 0.4 point to 82 percent.

Chart 1.5.17 : Treasury debt

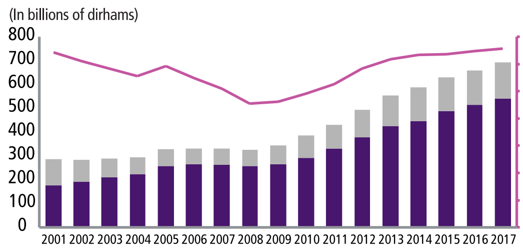
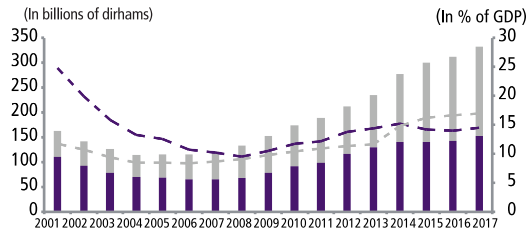


Chart 1.5.18 : Public debt



Source: Ministry of Economy and Finance (DTEF).

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
I- Domestic Treasury debt (1+2)	**257.5**	**266.4**	**292.3**	**331.3**	**376.8**	**424.5**	**445.5**	**488.4**	**514.7**	**539.3**
In % of GDP	35.9	35.6	37.2	40.4	44.4	47.3	48.1	49.4	50.8	50.7
1- Treasury bond auctions	**252.7**	**257.9**	**277.8**	**314.2**	**356.7**	**413.0**	**426.1**	**470.1**	**490.0**	**516.7**
In % of GDP	35.2	34.5	35.4	38.3	42.1	46.0	46.0	47.6	48.3	48.6
2- Other domestic debt instruments	**4.9**	**8.5**	**14.4**	**17.1**	**20.1**	**11.5**	**19.4**	**18.3**	**24.7**	**22.6**
In % of GDP	0.7	1.1	1.8	2.1	2.4	1.3	2.1	1.9	2.4	2.1
II- External Treasury debt	**68.3**	**78.7**	**92.4**	**99.6**	**116.9**	**129.8**	**141.1**	**140.8**	**142.8**	**153.1**
In % of GDP	9.5	10.5	11.8	12.1	13.8	14.5	15.2	14.3	14.1	14.4
III- Stock of direct debt (I+II)	**325.8**	**345.2**	**384.6**	**430.9**	**493.7**	**554.3**	**586.6**	**629.2**	**657.5**	**692.3**
In % of GDP	45.4	46.1	49.0	52.5	58.2	61.7	63.4	63.7	64.9	65.1
IV- Secured external debt of state-owned companies and institutions	**65.3**	**73.5**	**81.5**	**89.5**	**95.8**	**104.9**	**137.0**	**160.2**	**169.7**	**179.3**
In % of GDP	9.1	9.8	10.4	10.9	11.3	11.7	14.8	16.2	16.7	16.9
External public debt (II+IV)	**133.6**	**152.3**	**173.8**	**189.1**	**212.7**	**234.7**	**278.1**	**301.0**	**312.5**	**332.4**
In % of GDP	18.6	20.3	22.2	23.1	25.1	26.1	30.0	30.5	30.8	31.3
Stock of public debt (III+IV)	**391.1**	**418.7**	**466.1**	**520.5**	**589.5**	**659.2**	**723.6**	**789.4**	**827.1**	**871.6**
In % of GDP	54.6	55.9	59.4	63.5	69.5	73.4	78.2	79.9	81.6	82.0
GDP at current prices	**717.0**	**748.5**	**784.6**	**820.1**	**847.9**	**897.9**	**925.4**	**988.0**	**1 013.6**	**1 063.3**

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

1 These data include the direct public debt and external debt of public institutions and enterprises.

1.6 Balance of payments

In 2017, the external accounts situation was characterized by a marked and wide-ranging performance of exports of goods and services. Shipments of phosphates and derivatives rose sharply, Morocco's world trades gained further momentum and travel receipts rebounded sharply. At the same time, imports showed a deceleration, which covers mainly a slowdown in purchases of capital goods and an increase in energy imports after four years of decline.

These developments, coupled with the continued improvement in remittances from Moroccan expatriates and higher-than-expected grants from GCC partner countries, resulted in an easing of the current account deficit from 4.2 to 3.6 percent of GDP.

In addition, net FDI inflows increased by 21.5 percent to 25.7 billion dirhams, while Moroccan investments abroad reached 9.3 billion. Similarly, net loan flows were up to 22.5 billion dirhams, with a significant increase in those granted to the public sector.

Under these conditions, and taking into account in particular an expansion in banks' foreign currency holdings, Bank Al-Maghrib's net international reserves (NIR) decreased by 3.3 percent to 240.9 billion dirhams, providing coverage for 5 months and 20 days of goods and services' imports.

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

	2014	2015	2016	2017
Current account	**-6,0**	**-2,1**	**-4,2**	**-3,6**
Trade deficitl[1]	20,6	15,6	18,2	17,8
Travel receipts (change in %)	7,7	-1,4	5,0	11,9
Transfers of Moroccan expatriates (change in %)	-0,8	4,8	4,0	5,7
Donations	1,5	0,5	1,0	1,1
Financial account (net flow)	**5,1**	**1,5**	**3,5**	**2,5**
Foreign direct investments	2,8	2,6	1,5	1,5
Loans	1,4	1,5	1,7	2,1
Commercial loans	0,8	1,0	1,9	1,7
Net international reserves in months of imports	**5,4**	**6,0**	**6,2**	**5,7**

* According to the 6th edition of the IMF's Balance of Payments Manual.

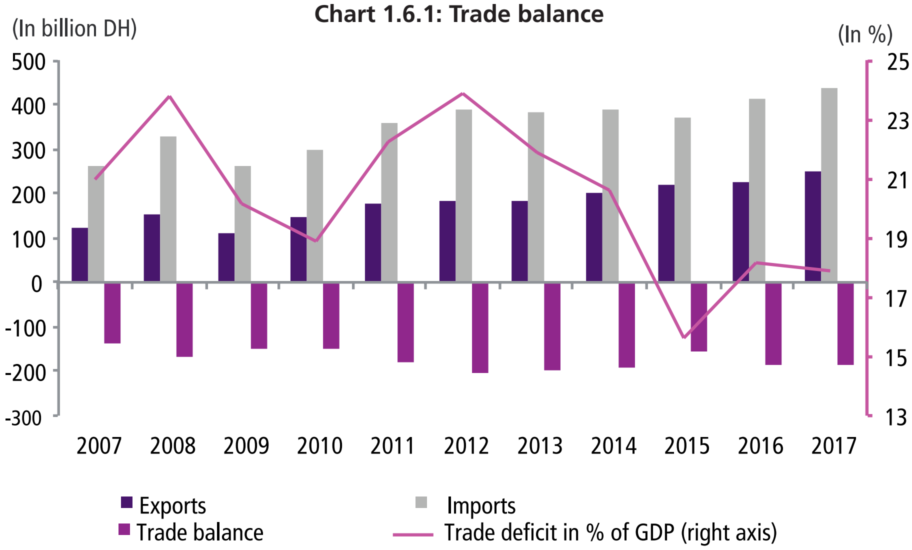
[1] FOB Exports -CIF Imports

Source: Foreign Exchange Office and HCP.

1.6.1 Trade balance

In 2017, the trade deficit increased slightly to 188.8 billion dirhams, as a result of a 6.5 percent growth to 437.3 billion of imports and a 10.1 percent rise to 248.5 billion of exports. Its ratio to GDP fell from 18.2 percent to 17.8 percent and the coverage rate went from 55 percent to 56.8 percent.

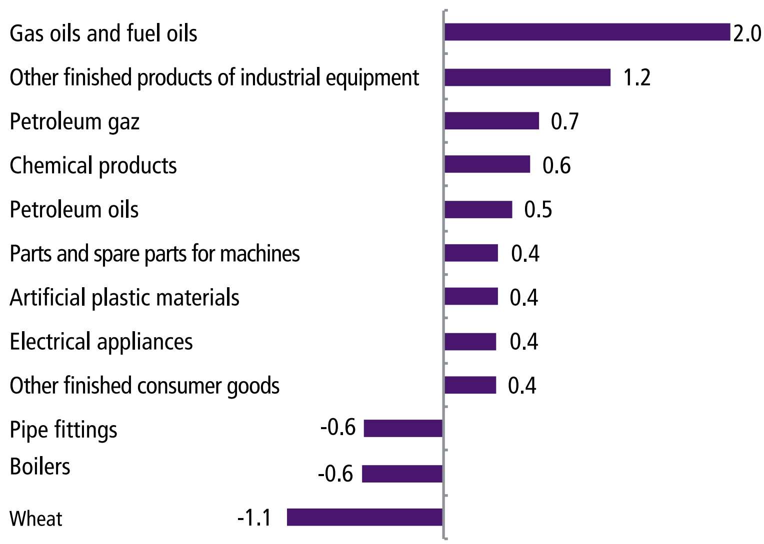
Chart 1.6.1: Trade balance



Source: Foreign Exchange Office.

The change in imports is largely attributable to the 27.4 percent increase in the energy bill. Indeed, in view of a rise in the price of oil products on the international market and an increase in the imported quantities, purchases of "gas oil and fuel oil" increased by 31.2 percent and those of "petroleum gas" by 24.2 percent. Similarly, after a rise of 27 percent in 2016, purchases of capital goods recorded a new increase by 4.8 percent to 108.6 billion. Conversely, food imports fell by 4.7 percent, with a 34.7 percent drop in wheat imports as a result of a good crop year at the national level.

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



Source: Foreign Exchange Office.

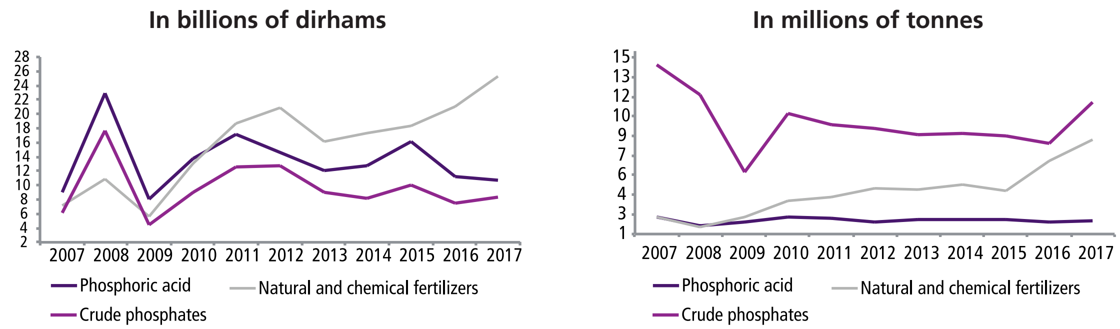
Table 1.6.2 : Main import products

	In millions of dirhams			Change in %	
	2015	2016	2017	2016/2015	2017/2016
Total imports	**372,225**	**410,584**	**437,277**	**10.3**	**6.5**
Energy and lubricants	**66,252**	**54,507**	**69,466**	**-17.7**	**27.4**
Gasoil and fuel oil	25,919	26,145	34,291	0.9	31.2
Oil gas and other hydrocarbons	13,169	11,102	13,789	-15.7	24.2
Capital goods	**81,646**	**103,672**	**108,644**	**27.0**	**4.8**
Electrical appliances for telephony and telegraphy	4,914	4,866	6,374	-1.0	31.0
Piston engines ; other engines and their spare parts	6,868	8,838	9,484	28.7	7.3
Boilers	474	3,255	936	-	-71.2
Consumer goods	**81,898**	**98,321**	**100,259**	**20.1**	**2.0**
Food products	**35,615**	**44,600**	**42,525**	**25.2**	**-4.7**
Wheat	8,555	12,783	8,341	49.4	-34.7
Semi-finished products	**85,988**	**91,565**	**95,552**	**6.5**	**4.4**
Raw products	**20,736**	**17,838**	**20,716**	**-14.0**	**16.1**
Raw vegetable oils	3,840	4,397	5,081	14.5	15.6
Crude and unrefined sulfur	6,671	4,393	5,002	-34.1	13.9

Source: Foreign Exchange Office.

In terms of exports, sales of phosphates and derivatives increased by 11.6 percent to 44.2 billion, driven by the strengthening of production capacities and improved demand from the main partners. Shipments of crude phosphate rose by 40 percent and fertilizers by 23.9 percent, while export prices fell by 19.3 percent and 3.4 percent respectively.

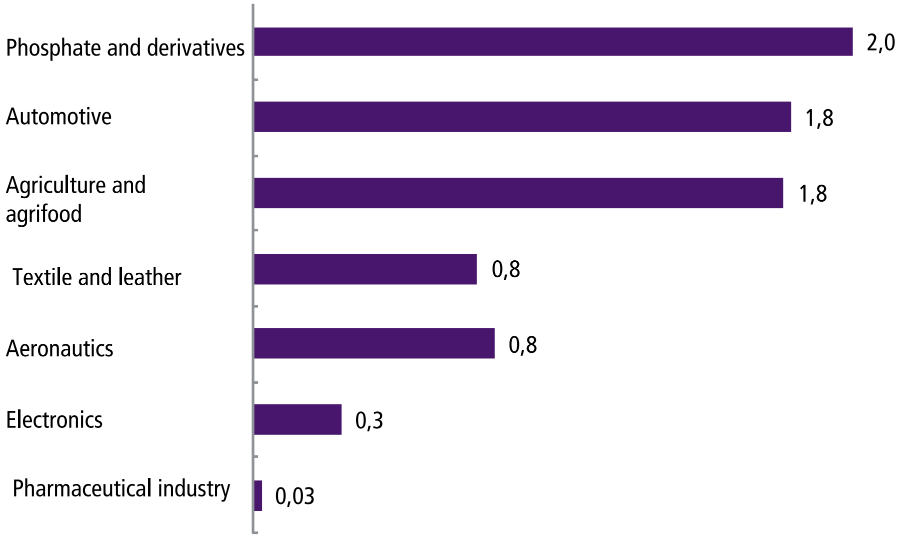
Chart 1.6.3: Exports of phosphates and derivatives



Source: Foreign Exchange Office.

The performance of the automotive sector continued with an increase in the number of shipped cars from 316 thousand units in 2016 to 332 thousand in 2017, to nearly 74 countries. Accordingly, the turnover improved by 7.6 percent to 58.8 billion dirhams. Sales rose 6 percent to 31.6 billion for car manufacturing and 7.9 percent to 21.3 billion for cabling. The sector's share in total exports thus consolidated to 24 percent and its contribution to growth stood at 1.8 percentage points.

Chart 1.6.4: Contribution to changes in exports (in percentage points)



Source: Foreign Exchange Office.

As for the "Agriculture and Agri-food[1]" sector, its exports remained dynamic with an increase of 8.1 percent to 54.2 billion dirhams. This trend reflects a 7.6 percent increase in sales in the food industry and 15.9 percent in agricultural products. Likewise, "Textile and Leather" exports increased by 4.9 percent to 37 billion, with a 6.1 percent improvement in the sales of ready-made clothes, which account for nearly two-thirds.

For the other sectors, aeronautics exports increased significantly by 20.1 percent to 11 billion and had therefore more than doubled since 2010. Similarly, sales rose by 8 percent to 9.1 billion for electronics and by 5.6 percent to 1.2 billion for the pharmaceutical industry.

Table 1.6.3: Main export sectors

	In millions of dirhams			Change in %	
	2015	2016	2017	2016/2015	2017/2016
Total exports	**218,040**	**225,651**	**248,493**	**3.5**	**10.1**
Automotive	**48,821,**	**54,630,**	**58,767,**	**11.9**	**7.6**
Construction	24,680,	29,783,	31,570,	20.7	6.0
Wiring	19,906,	19,783,	21,337,	-0.6	7.9
Phosphates and derivatives	**44,401,**	**39,598,**	**44,210,**	**-10.8**	**11.6**
Crude phosphates	9,979,	7,412,	8,370,	-25.7	12.9
Phosphates derivatives	34,421,	32,187,	35,840,	-6.5	11.3
Agriculture and agrifood	**45,942,**	**50,109,**	**54,191,**	**9.1**	**8.1**
Food industry	26,852,	29,474,	31,706,	9.8	7.6
Agriculture, forestry, hunting	16,291,	17,691,	20,505,	8.6	15.9

1 Including fishing

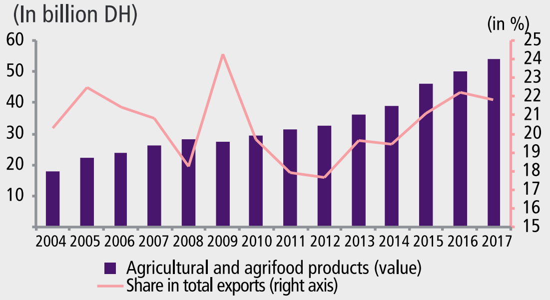
Textile and leather	**33,048,**	**35,300,**	**37,028,**	**6.8**	**4.9**
Ready-made clothing	20,201,	21,952,	23,297,	8.7	6.1
Hosiery items	7,019,	7,463,	7,553,	6.3	1.2
Shoes	2,928,	2,990,	2,999,	2.1	0.3
Electronics	**7,860,**	**8,434,**	**9,112,**	**7.3**	**8.0**
Electronic components	3,991,	4,182,	4,395,	4.8	5.1
Aeronautics	**8,223,**	**9,200,**	**11,052,**	**11.9**	**20.1**
Pharmaceutical industry	**1,048,**	**1,100,**	**1,162,**	**4.9**	**5.6**

Source: Foreign Exchange Office.

Box 1.6.1: Assessing the competitiveness of the agricultural and agri-food sector

Since the independence, the agricultural and agri-food sector occupies an important place in the Moroccan economy. In addition to its contribution to growth and employment, it is also one of the main export sectors. Between 2010 and 2017, its sales abroad posted an average annual growth of 7.9 percent as against 6.6 percent for all goods exports. Composed mainly of fishery products, vegetables and fresh fruit, these exports are mainly directed to the European market.

Chart B1.6.1.1 : Agricultural and agrifood exports



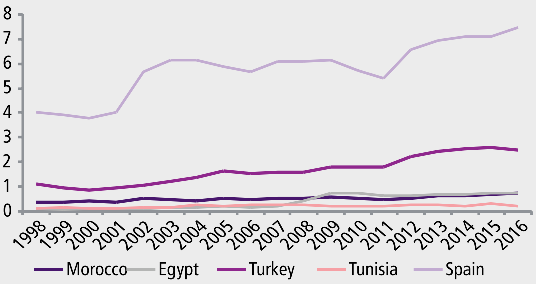
Source: Foreign Exchange Office.

The increasing liberalization of international trade of these goods, including the gradual lifting of tariff and non-tariff barriers and the proliferation of free trade agreements, has contributed to increased competition at the global level. In such a context, competitiveness becomes a key factor in preserving and strengthening the position on the international market.

In the economic literature, competitiveness is assessed through several indicators, ranging from market share to more elaborate indices. To evaluate the performance of the Moroccan agriculture and agri-food sector, three of these indicators were taken into consideration.

As regards Morocco's share in the global market, it improved significantly in recent years, from 0.4 percent in 1998 to 0.8 percent in 2016. In comparison with the main competitors[1], it remains well below Spain (7.4 percent) and Turkey (2.5 percent), but exceeds that of some countries in the region, such as Tunisia (0.2 percent) or Egypt (0.7 percent).

Chart B1.6.1.2 : Market share of Moroco compared to competitive countries (%)



Source : Comtrade and BAM calculations.

1 The choice of the competing countries concerned Tunisia, Spain, Egypt and Turkey because of the similarities in terms of exported products and the relatively close production conditions.

Market share remains a partial measure of competitiveness, as it does not include information on the size of the economy and the importance of imports of these same goods. To overcome this limitation, other indicators are used, including the Relative Revealed Comparative Trade Advantage (RRCA) and the Net Export Index (NEI).

1-Relative Revealed Comparative Trade Advantage: RRCA provides information on a country's ability to produce goods at an opportunity cost which is lower than other countries. It is calculated as follows:

$$RRCA = \left(\frac{\frac{x_{ij}}{x_{iw}/w \neq j}}{\frac{\sum_i x_{ij}}{\sum_i x_{iw}/w \neq j}} \right) - \left(\frac{\frac{M_{ij}}{M_{iw}/w \neq j}}{\frac{\sum_i M_{ij}}{\sum_i M_{iw}/w \neq j}} \right)$$

where: X (M), refers to exports (imports); i, the agriculture and agri-food sector; j, the country and W, the world.

The analysis of the results shows that Morocco benefits overall from a relative revealed comparative trade advantage compared to its main competitors, with however a reduction of the gap during the last years, as the RRCA of the sector moved from 1.7 in 2005 to 0.9 in 2016. This decline was observed particularly for fishery products, fruits and vegetable preparations. The change in the RRCA for the competing countries indicates mainly a significant improvement for Egypt during the same period.

- Net export index (NEI): it assesses the competitiveness of the products under review based on their trade balance relative to the size of trade for a given country. It is calculated as follows:

$$NEI = \left(\frac{X_i - M_i}{X_i + M_i} \right) * 100$$

The analysis of results enables to distinguish three periods. Between 1998 and 2006, the index shows positive values indicating a comparative advantage of Morocco. The phase between 2007 and 2011 was characterized by a negative NEI, particularly in relation with the surge in international prices of imported products which led to a deterioration of the country's food trade balance. Since 2012, while remaining negative, the index went upwards, reflecting in particular a good performance of exports. Based on this measure, Morocco remains more efficient than Egypt and Tunisia over the whole period, but less competitive than Spain and Turkey, which show structural surplus agricultural and agri-food trade balances.

Chart B1.6.1.3 : RRCA of Morocco and its competitors

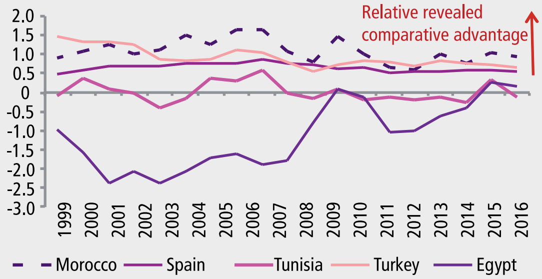
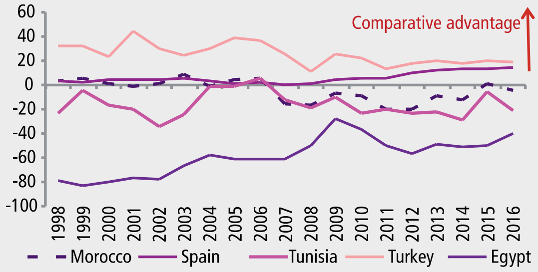


Chart E1.6.1.4: NIE in Morocco and its competitors



Source : Comtrade and BAM. calculations

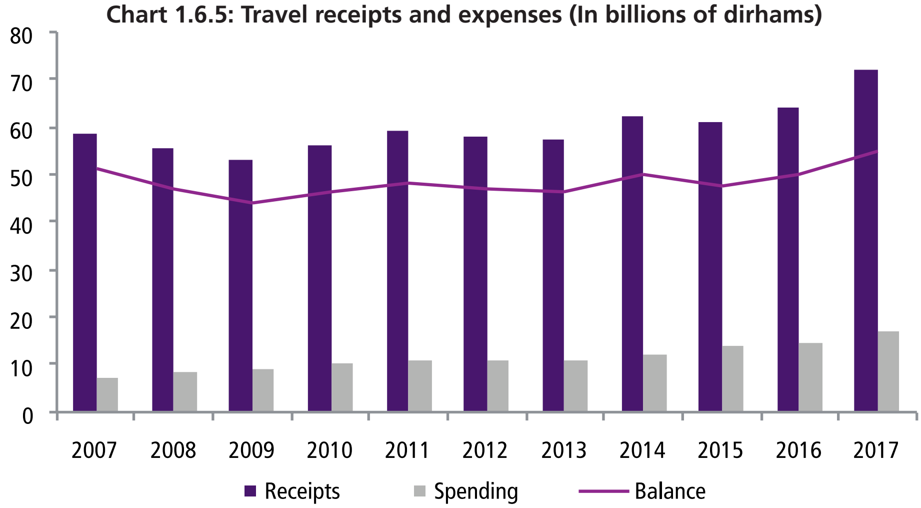
Overall, the change in the competitiveness indicators shows that the momentum in the exports of agricultural and agri-food products in recent years has been accompanied by an improvement in their relative competitiveness. This suggests that the sector has a growth potential that could be realized through further diversification of products and destination markets.

1.6.2 Services balance

The balance of services was marked in 2017 by a sharp improvement in travel receipts which reached 71.9 billion dirhams, up 11.9 percent, the highest rise since 2006. In parallel, travel expenses have recorded a significant increase of 18.9% to 17 billion. Over the last ten years, the latter rose 7.2% on average, compared to 2.6% for revenue.

For its part, re-exports under the temporary admission regime[1] increased slightly to 13.9 billion. Conversely, the deficit in transport services widened by 2.5 billion to 9 billion, reflecting an increase in the maritime transport deficit. Overall, the surplus in the services balance increased from 5.4 billion to 72 billion dirhams.

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



Source: Foreign Exchange Office.

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

1.6.3 Income balance

The income balance improved by 2.8 percent to 65.8 billion, driven by a 6 percent increase in the balance of current transfers[1], while investment income increased by 18.5 percent.

Remittances of Moroccans living abroad continued their upward trend that began in 2014, rising by 5.7 percent to 66.1 billion. Public transfer receipts, for their part, increased by 3 billion to 13 billion dirhams, of which 9.5 billion dirhams in the form of donations from GCC partners.

Meanwhile, FDI revenue outflows increased significantly by 24.7 percent to 17 billion, that is more than half the total income from these investments in 2017. As to inflows, they remained close to their level of the previous year at 3.1 billion.

1.6.4 Financial account

Net FDI inflows in 2017 amounted to 25.7 billion and their ratio to GDP increased from 2.1 percent to 2.4 percent. By activity, the real estate sector remains the main beneficiary with almost one-third of the flows, followed by manufacturing industries which rose 58 percent, bringing their share to 20 percent, then financial and insurance activities which draw 13 percent of these inflows.

By country, France, with 8 billion dirhams, remains the first source of FDI in Morocco. Flows from the United States more than tripled from one year to the next to reach 5.5 billion; those from the United Arab Emirates and Saudi Arabia stood respectively at 2.6 billion and 1.6 billion.

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

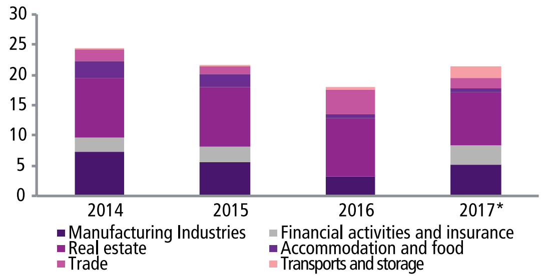
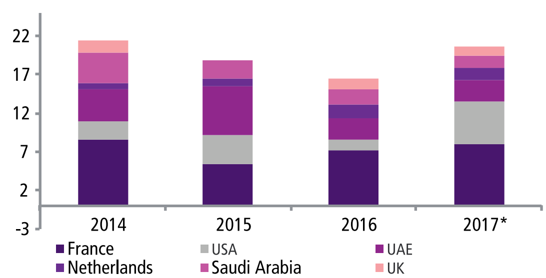


Chart 1.6.7: Net FDI flows to Morocco by major source countries (in billion dirhams)



* Provisional figures

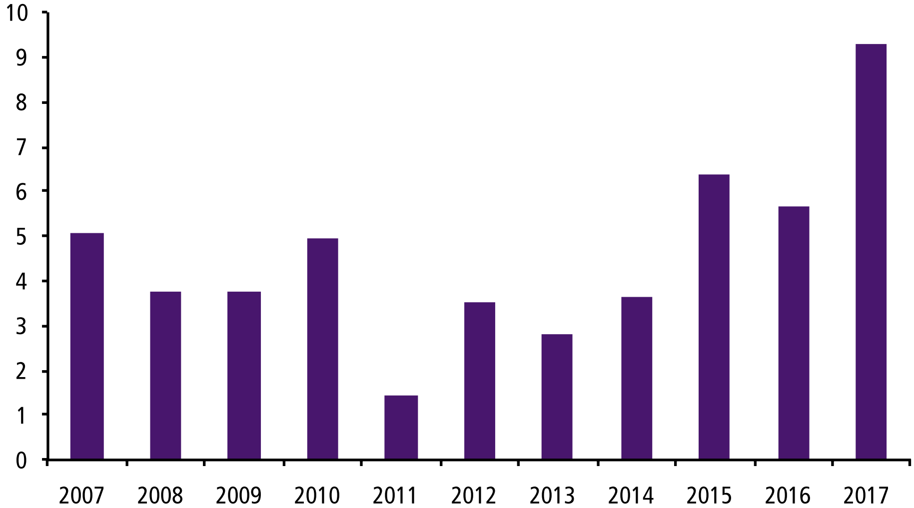
Source: Foreign Exchange Office.

At the same time, Moroccan direct investment abroad rose from 5.7 billion to 9.3 billion, out of which 5 billion came from an acquisition operation in the banking sector in Egypt.

1 Mainly comprised of transfers of MLA and donations.

As for portfolio investments, their balance was negative for the second year in a row to 1.2 billion, reflecting in particular the repayment of the isuance carried out in 2007 on the international market for an amount of 500 million euros.

Chart 1.6.8: Net Flows of resident Foreign Direct Investment (in billions of dirhams)



Source: Foreign Exchange Office

In terms of loans, they continued their upward movement that began in 2014 with an increase in net flows of 33.4 percent to 22.5 billion dirhams. This trend reflects a rise in public lending to 18 billion, while the balance of loans to the private sector declined to 4.5 billion. For their part, commercial loans, although down by 1.9 billion, remained at a relatively high level of 17.8 billion.

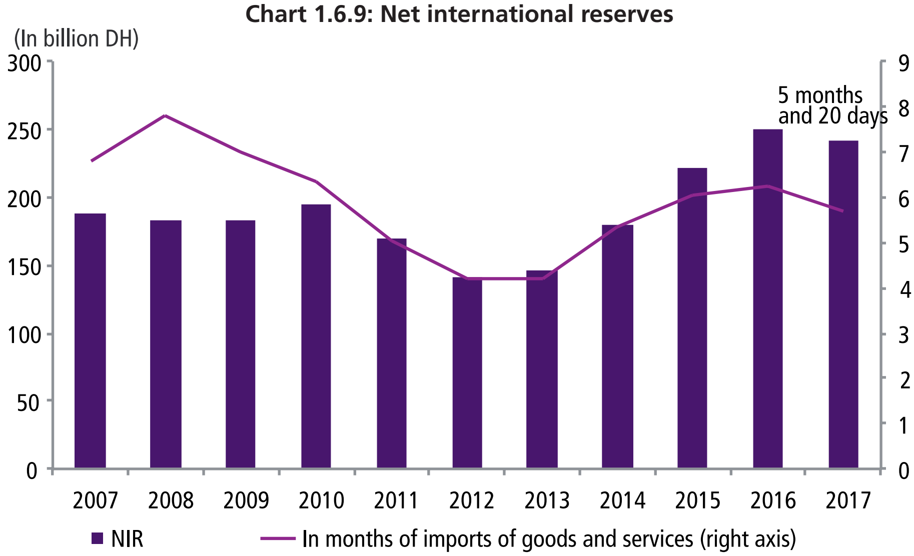
In addition, "currency and deposits[1]" transactions resulted in a significant decrease in commitments net flows of 16.6 billion dirhams and a significant increase in assets by 18 billion dirhams.

Also taking into account other items, the financial account[2] showed a surplus of 17.6 billion dirhams compared to 62.1 billion dirhams in 2016. In total, after four years of strengthening, the outstanding NIR decreased by 3.3 percent to 240.9 billion, the equivalent of 5 months and 20 days of imports of goods and services.

1 Consisting mainly of nonresident deposits and foreign banknotes excluding those held by Bank Al-Maghrib.

2 Excluding official reserve assets.

Chart 1.6.9: Net international reserves

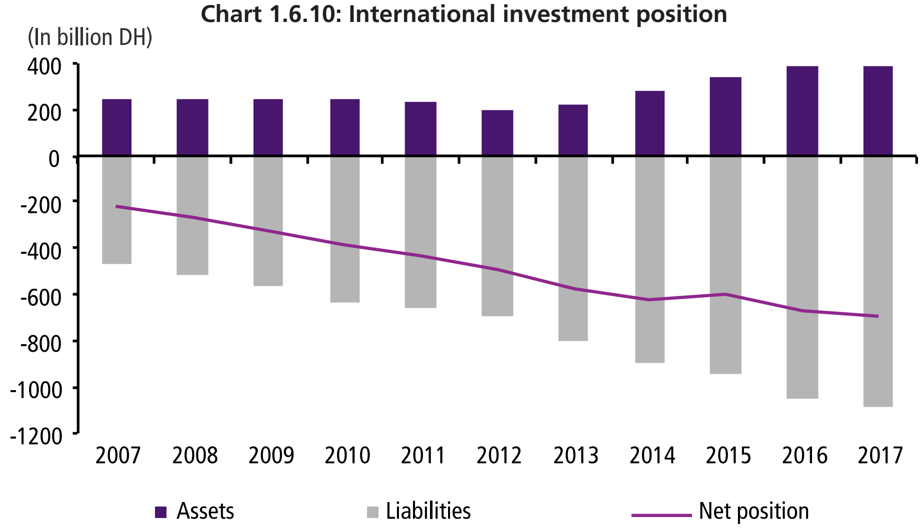


Sources: Foreign Exchange office and BAM calculations.

1.6.5 International investment position (IIP)[1]

The international investment position worsened in 2017 by 29.8 billion to 698.4 billion dirhams. This reflects an increase of 32.1 billion in commitments, while the increase in assets was limited to 2.3 billion.

Chart 1.6.10: International investment position



Source: Foreign Exchange Office.

The increase in Morocco's commitments vis-à-vis the rest of the world is attributable to the rise by 6.4 percent to 588.7 billion of the stock of direct investment and, to a lesser extent, by 8.5

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

percent increase to 286.5 billion of loans, out of which 38 percent were contracted by the general government. Conversely, "currency and deposits" decreased by 31.7 percent to 35.9 billion and commercial loans by 11.3 percent to 58.2 billion.

As to residents' assets, their evolution was marked by a decrease of 11.8 billion dirhams in reserves assets to 244.3 billion as well as a significant increase of 18.1 billion of "currency and deposits" to 49.5 billion. As for foreign direct investment, their outstanding amount increased by 5.4 percent to 55.3 billion, while that of portfolio investment fell from 17.8 billion to 10.8 billion.

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

	2016			2017		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance
Direct Investments	**52.5**	**553.1**	**-500.6**	**55.3**	**588.7**	**- 533.3**
Portfolio investments	**17.8**	**108.3**	**-90.5**	**10.8**	**110.2**	**- 99.4**
Financial derivatives (other than reserves) stock-options of employees	**1.1**	**1.1**	**0.1**	**0.2**	**0.3**	**- 0.1**
Other investments	**59.0**	**392.8**	**-333.7**	**78.2**	**388.1**	**- 309.9**
Currency and deposits	31.4	52.6	-21.2	49.5	35.9	13.6
Loans	0.4	264.0	-263.6	0.5	286.5	- 286.0
Commercial loans and advances	25.5	65.6	-40.1	26.2	58.2	-32.0
Foreign reserve assets	**256.1**	**-**	**256.1**	**244.3**	**-**	**244.3**
Total assets / liabilities	**386.6**	**1 055.2**	**-668.6**	**388.9**	**1 087.3**	**- 698.4**

Source: Foreign Exchange Office.

1.7 Monetary conditions

Monetary conditions in 2017 were marked by a depreciation in the real effective exchange rate, resulting from a relatively low domestic inflation, and slight increases in interest rates after a significant decline in 2016. In addition, banks' liquidity shortage heightened, reflecting a significant growth in currency in circulation and a drop in net international reserves.

In this context, and in parallel with the continued slow recovery of nonagricultural activities, the growth rate of bank credit to the nonfinancial sector virtually stabilized at 3.8 percent, in particular with a continued improvement of equipment loans to both public and private corporations.

Considering also an expansion in claims on the central government with a rebound in the volume of treasury bonds held by banks, M3 aggregate grew by 5.5 percent, up from 4.7 percent a year earlier.

Table 1.7.1: Key monetary indicators

	2015	2016	2017	
Monetary aggregates	Change (%)		Change (%)	Outstanding[1] amount (in billion DH)
M3	5.7	4.7	5.5	1 268.5
Net international reserves	23.7	12.2	-3.3	240.9
Bank loans	2.8	4.2	3.1	843.1
Loans to the nonfinancial sector	0.3	3.9	3.8	722.0
Net claims on central government	3.0	-3.8	17.8	167.8
Interest rate	Average rate (in %)			
Interbank rate	2.51	2.27	2.28	
Lending rates	5.70	5.24	5.52	
Taux des bons du Trésor à 52 semaines	2.62	2.26	2.34	
Effective exchange rate	Change[2] (in %)			
Nominal effective exchange rate	0.4	2.4	1.1	
Real effective exchange rate	0.1	2.4	-0.7	

1 End of december.

2 An increase indicates a rise of the national currency and vice-versa.

1.7.1 Bank credit

Bank credit to the nonfinancial sector increased by 3.8 percent, a rate almost similar to that observed a year earlier. This trend includes a sharp acceleration of loans to the private sector and a slowdown of those to public companies. Considering the decline by 1.3 percent in loans to financial companies, following a 6 percent increase, overall bank credit growth fell from 4.2 percent in 2016 to 3.1 percent and its ratio to GDP dropped slightly, from 80.7 percent to 79.3 percent.

According to Bank Al-Maghrib's survey on credit conditions, the improvement in loans to the private sector is probably due, in particular, to an easing by banks of credit conditions for companies and a higher household demand.

Chart 1.7.1: Bank credit (change%)

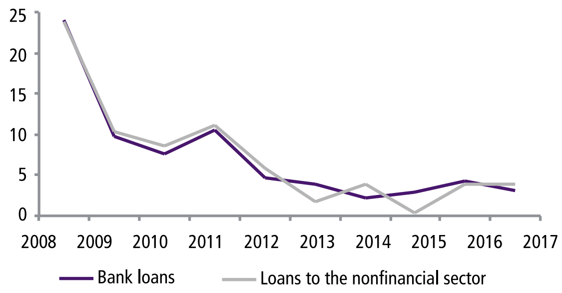
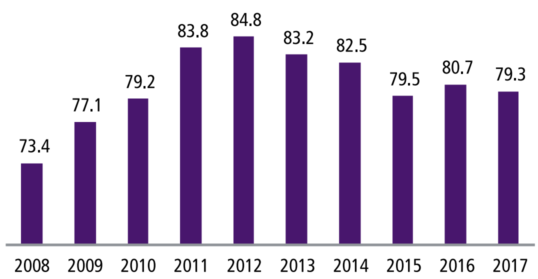


Chart 1.7.2: Bank credit-to-GDP ratio (%)



Thus, loans to private companies continued to grow, at 3 percent from 1.9 percent, reflecting in particular an increase of 10.4 percent, after a decline of 2.4 percent, in loans to property development and of 6 percent from 1.9 percent of equipment loans. On the other hand, reflecting a contraction in cash loans, loans to public companies slowed down from 22.1 percent to 4.8 percent, but accelerated from 19.4 percent to 29.6 percent for equipment loans.

Table 1.7.2: Bank credit

	2015	2016	2017	
	Change (%)		Change (%)	Outstanding amount (in billion DH)
Bank loans	**2.8**	**4.2**	**3.1**	**843.1**
Loans to the nonfinancial sector	**0.3**	**3.9**	**3.8**	**722.0**
Loans to businesses	**-3.4**	**1.9**	**3.0**	**341.2**
Cash facilities	-4.4	-1.5	-0.8	140.5
Equipment loans	-4.5	1.9	6.0	97.0
Loans to property developers	-9.4	-2.4	10.4	52.0
Loans to public firms	7.3	22.1	4.8	49.4
Cash advances	14.8	48.5	-53.9	5.9
Equipment loans	2.4	19.4	29.6	41.8
Loans to households	**3.5**	**3.6**	**4.0**	**313.1**
Loans to individuals	**5.0**	**4.0**	**5.1**	**253.7**
Consumer loans	5.4	4.8	5.3	49.7
Housing loans	4.7	4.8	4.5	176.4
Loans to individual entrepreneurs	**-7.9**	**3.1**	**0.3**	**39.2**
		Ratio to bank loans (in %)		
Non-performing loans	**7.3**	**7.5**	**7.5**	**63.6**
Households	8.0	7.4	7.8	24.5
Private firms	10.3	11.5	11.2	38.2

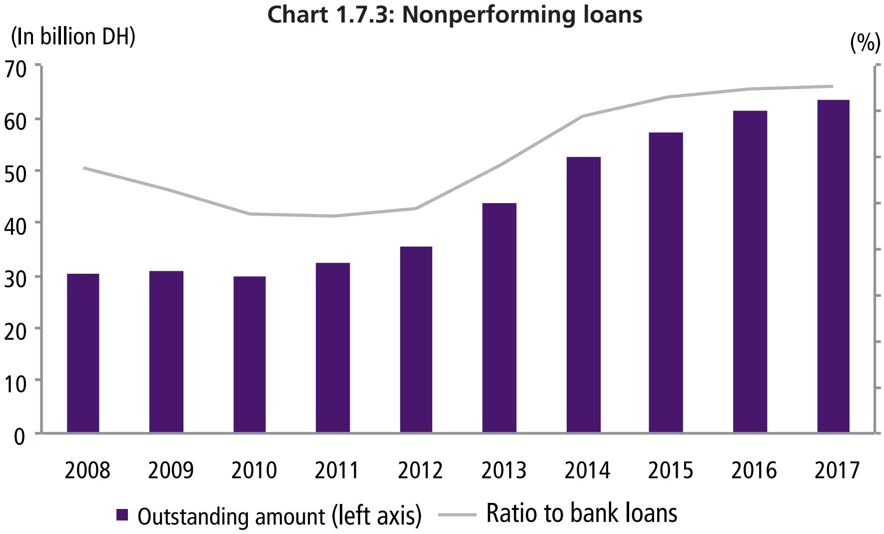
By sector of activity, credit granted to "Transport and Communications" markedly improved by 14.4 percent from 0.8 percent in 2016 and loans to "Agri-food industries and tobacco" and "Chemical and parachemical Industries" recorded respective increases of 9.7 percent and 2.7 percent after their 8.2 percent and 22.6 percent dereases recorded a year earlier. On the other hand, decreases by 7.4 percent and 5.1 percent were reported for the "Electricity, Gas and Water" sectors and "Metallurgical, mechanical, electrical and electronic industries" respectively after increases of 2.1 percent and 4.3 percent. As to loans to the "Construction sector", their growth fell from 3.7 percent to 2.2 percent.

As regards loans to individual entrepreneurs, they decelerated from 3.1 percent to 0.3 percent, with a limited increase by 3.8 percent in equipment loans and a slower drop in loans to real estate development.

Finally, loans to individuals rose by 5.1 percent from 4 percent, as a result of a rise from 4.8 percent to 5.3 percent for consumer loans and a slowdown from 4.8 percent to 4.5 percent in housing loans.

In parallel, after an upward trend since 2012, the ratio of nonperforming loans to bank credit stabilized at 7.5 percent in 2017, covering a drop from 11.5 percent to 11.2 percent for private corporations and an increase from 7.4 percent to 7.8 percent for households.

Chart 1.7.3: Nonperforming loans



In addition, loans granted by financial corporations[1] other than banks to the nonfinancial sector rose 6.5 percent to 141.4 billion dirhams. In particular, those distributed by finance companies grew by 5 percent to 106.5 billion, with increases of 1.7 percent to 53 billion for private corporations and 8.5 percent to 53.5 billion for households. Loans granted by off-shore banks decreased by

1 Finance companies, off-shore banks, microcredit associations and the CDG-.

4.8 percent to 13.4 billion and those given by micro-credit associations increased by 3.7 percent to 6.6 billion.

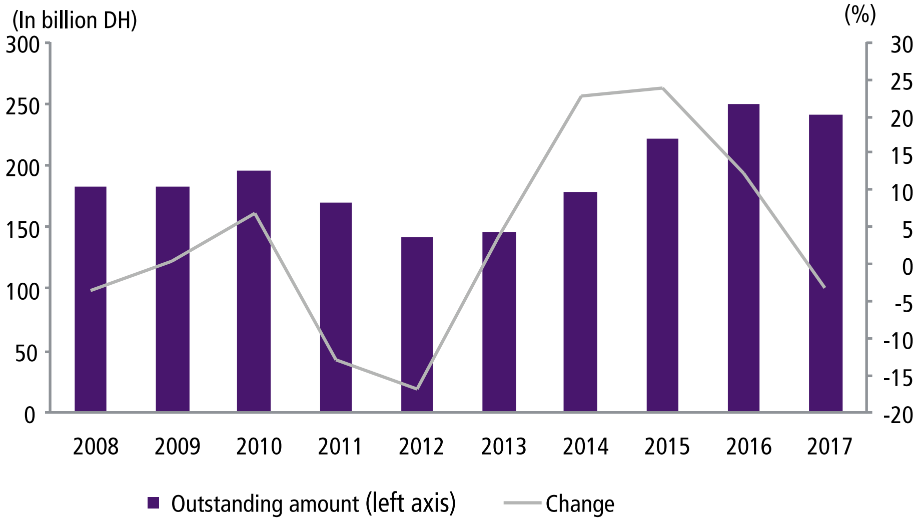
Table 1.7.3: Loans granted by major non-banking financial corporations

	2015	2016	2017	
	Change (%)		Change (%)	Outstanding amount (in billion DH)
Finance companies	**1.9**	**3.5**	**5.0**	**106.5**
Private firms	1.2	2.0	1.7	53.0
Households	2.7	5.1	8.5	53.5
Offshore banks	**-13.6**	**30.8**	**-4.8**	**13.4**
Mircro-credit associations	**8.6**	**7.7**	**3.7**	**6.6**

1.7.2 Other sources of money creation

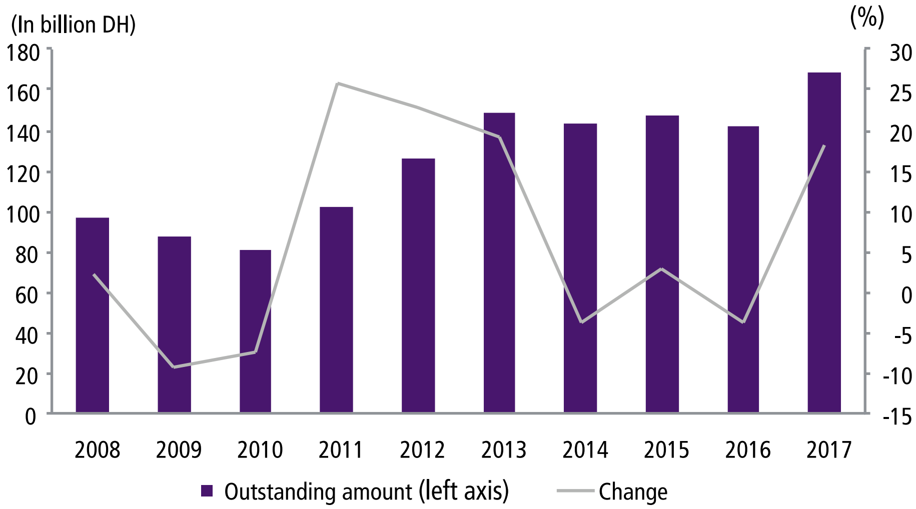
After an upward trend since 2013, net international reserves dropped by 3.3 percent in 2017 to 240.9 billion dirhams. This change resulted in particular from a sharp rise in currency purchases by banks to meet the long-term needs of their customers.

Chart 1.7.4: Net international reserves



Net claims on the central government increased by 17.8 percent instead of a 3.8 percent drop, mainly reflecting the 18.3 percent rise of bank holdings in Treasury bills, after their 7.6 percent decline. On the other hand, the holdings of money market UCITS contracted by 4.2 percent against an increase of 5.2 percent.

Chart 1.7.5: Net claims on the central government



1.7.3 Components of M3

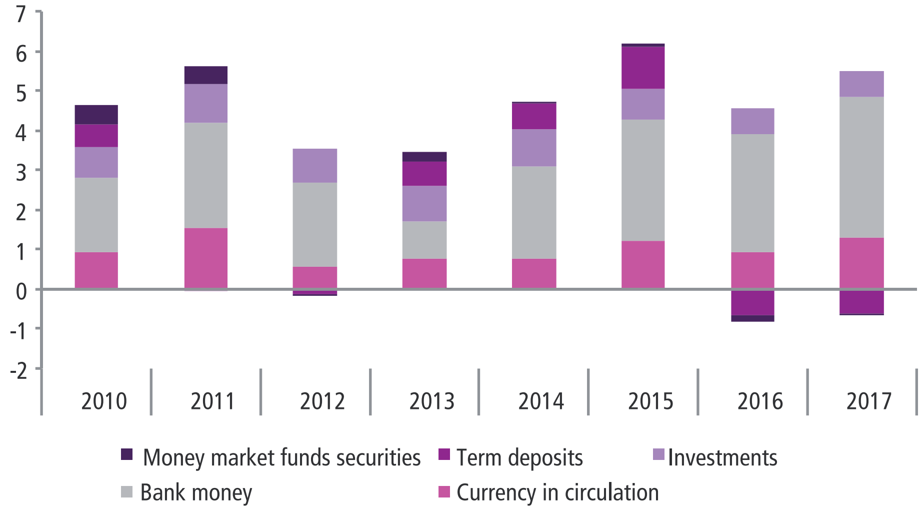
M3 aggregate recorded an acceleration of its growth rate to 5.5 percent in 2017, driven mainly by significant increases of 7.7 percent in currency in circulation, 7.5 percent of demand deposits with banks and 12.4 percent of those with the Treasury. Conversely, savings accounts fell from 5.6 percent to 5.2 percent and time deposits dropped further by 4.6 percent.

Table 1.7.4: Components of M3

	Currency in circulation	Bank money	Interest bearing Demand deposits	Other monetary assets	M3
Outstanding amount as at end-December (in billion DH)					
2015	192.6	514.4	138.4	302.6	1 148.0
2016	203.2	548.6	146.2	304.3	1 202.4
2017	218.8	591.6	153.9	304.2	1 268.5
Share in M3 (%)					
2015	16.8	44.8	12.1	26.4	100
2016	16.9	45.6	12.2	25.3	100
2017	17.3	46.6	12.1	24.0	100
Change (%)					
2015	7.4	6.9	6.4	2.4	5.7
2016	5.5	6.7	5.6	0.6	4.7
2017	7.7	7.8	5.2	0.1	5.5

By institutional sector, monetary assets[1] of individuals[2] increased by 5.9 percent to 651.7 billion dirhams. Demand deposits, which account for 57.4 percent, continued to grow at a relatively high rate of 8.3 percent, while interest-bearing investments increased by 2.6 percent, including a rise in savings accounts at 151.9 billion and a decrease in time deposits to 102.1 billion. Concerning monetary holdings of private nonfinancial corporations, impacted by demand deposits up to 60.6 percent, they rose by 1.8 percent to 170.3 billion.

Chart 1.7.6: Contribution to M3 growth (in points of %)



1.7.4 Liquid investment aggregates[3]

Total outstanding liquid investment aggregates rose by 9.3 percent in 2017, driven by increases in UCITS (mutual funds) securities of 18.1 percent for "bonds" and 35.4 percent for "shares and diversified". Conversely, Treasury bills, which account for more than 56 percent of this outstanding amount, posted a limited increase of 1.2 percent.

Taking into account these developments, the liquidity rate of the economy, calculated as the ratio of LI and M3 aggregates to GDP, continued to increase, standing at 179.7 percent from 176.6 percent a year earlier.

1 Deposits denominated in local currency (demand deposits, time deposits and savings accounts) and foreign currency-denominated deposits, certificates of deposit and money market funds assets.

2 Including Moroccans living abroad.

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

Table 1.7.5: Liquid Investment (LI) aggregates

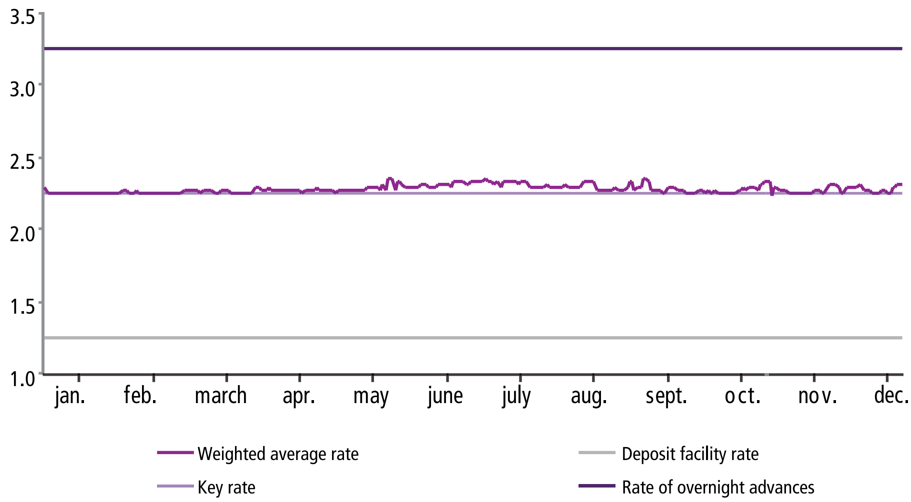
	2016		2017	
	Outstanding amount (in billion DH)	Change in %	Outstanding amount (in billion DH)	Change in %
LI1 aggregate	**363,0**	**5,3**	**370,7**	**2,1**
Negotiable Treasury bonds	355,5	6,2	359,9	1,2
Bonds of finance companies	5,0	-29,0	8,1	61,9
Commercial paper	0,9	-19,3	1,0	8,4
Securities issued by contractual mutual funds	1,6	-9,1	1,7	6,5
LI2 aggregate	**185,4**	**8,9**	**218,9**	**18,1**
Securities issued by bond mutual funds	185,4	8,9	218,9	18,1
LI3 aggregate	**38,7**	**27,7**	**52,4**	**35,4**
Securities issued by equity and diversified mutual funds	38,7	27,7	52,4	35,4
Total LI	**587,1**	**7,7**	**642,0**	**9,3**

1.7.5 Interest rates

In a context marked by keeping the key interest rate unchanged and an increase in banks' liquidity needs, interest rates slightly increased overall.

In the interbank market, the weighted average rate remained in line with the key rate throughout the year. Its volatility remained low with nonetheless a relative increase as of the month of May.

Chart 1.7.7: Weighted average rate on the interbank market in 2017 (%)



Regarding sovereign rates[1], they remained virtually unchanged for short-term maturities while for medium and long-term ones, they posted increases ranging from 15 basis points for 5-year maturities to 24 points for 15-year maturities.

1 Changes observed in the secondary market.

Chart 1.7.8: Yield curve in the secondary market (%)

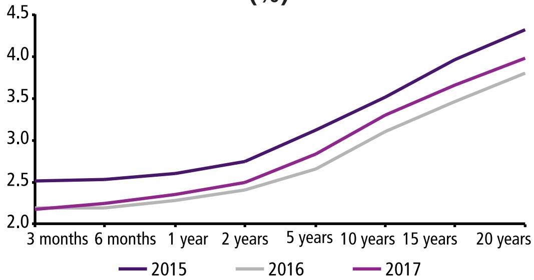
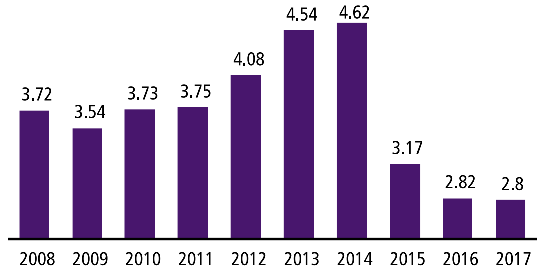


Chart 1.7.9: Weighted average rate of Treasury bonds (%)



As for deposit rates, they continued their downward trend, dropping 26 basis points for 6-month deposits to 2.82 percent and 34 points for 12-month deposits to 3.12 percent. As for the minimum rate applied to savings accounts, indexed to the 52-week treasury bill rates, it almost stabilized at 1.84 percent.

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

	2013	2014	2015	2016	2017
6-month deposits	3.56	3.65	3.57	3.08	2.82
12-month deposits	3.91	3.89	3.80	3.46	3.12
Passbook accounts with banks	3.51	3.32	2.28	1.89	1.84

After falling 46 basis points in 2016, lending rates rose by 28 points to 5.52 percent on average. This trend mirrors the change in interest rates on loan to corporations, which increased by 37 points for cash advances and 28 points for equipment loans. On the other hand, interest rates on personal loans fell by 7 points for consumer loans and by 13 points for those intended to finance the acquisition of real estate. As for individual entrepreneurs, the rates applied to them decreased by 104 points with regard to real estate loans while they increased by 83 points for cash advances and 48 points for equipment loans.

Table 1.7.7: Lending rates (%)

	2014	2015	2016	2017				
				Q1	Q2	Q3	Q4	Yearly average
Debtor accounts and cash advances	5.97	5.68	5.18	5.49	5.23	5.69	5.85	5.55
Equipment loans	5.62	5.08	4.79	4.78	4.89	5.14	5.31	5.05
Real estate loans	5.98	5.84	5.39	5.35	5.25	5.09	5.42	5.29
Consumer loans	7.33	7.17	6.70	6.71	6.67	6.60	6.56	6.64
Overall credit rate	**6.00**	**5.70**	**5.24**	**5.48**	**5.26**	**5.60**	**5.77**	**5.52**

Source: BAM quarterly survey among banks.

1.7.6 Foreign exchange market

Reflecting the rise of the euro against the dollar, the dirham depreciated by 0.75 percent against the euro and rose by 1.20 percent against the dollar. Compared to the currencies of the other main partner countries and competitors, the national currency appreciated in particular by 6.5 percent against the pound sterling, 4.5 percent against the Chinese Yuan, 22.3 percent against the Turkish lira and 80.7 percent against the Egyptian pound.

Against this background, the effective exchange rate[1] rose by 1.1 percent in nominal terms and, taking into account an inflation differential[2] in favor of Morocco, it resulted in a slight depreciation of 0.7 percent in real terms.

Chart 1.7.10: Exchange rates (monthly average)

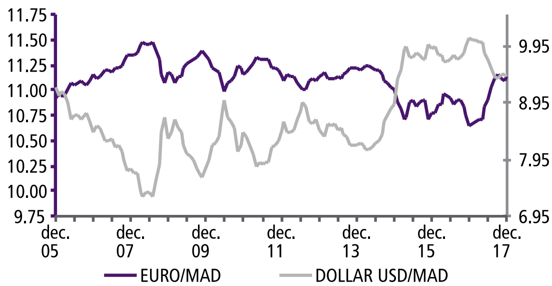
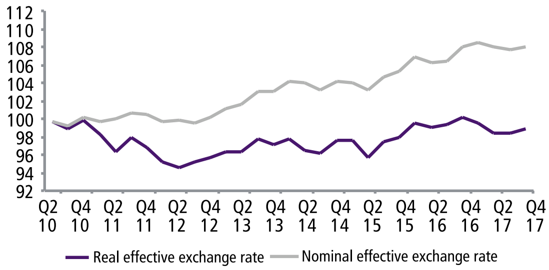


Chart 1.7.11: Effective exchange rate of the dirham (base 100 in 2010)



In terms of transactions, the year was marked by large purchases of foreign currency by banks from Bank Al-Maghrib, particularly during April-July, mainly to meet requests of average hedge of their customers. The total amount of these purchases[3] stood at 4.4 billion dirhams on a monthly average compared to 729 million in 2016. In parallel, the net sales by banks of foreign banknotes increased from 3.9 billion to 4.3 billion, of which 2.8 billion against dirhams and 1.5 billion against foreign currencies.

At the interbank level, currency exchanges against dirhams amounted to 12.9 billion dirhams as a monthly average, down 5.3 percent, and loans and borrowings in foreign currencies fell by 4.9 percent to 37.2 billion.

In terms of bank transactions with customers, their average monthly volume increased by 11.6 percent to 60.2 billion dirhams, including 46.7 billion in cash and 13.5 billion as forward transactions. Purchases totaled 34.3 billion, including 10.1 billion as forward operations and sales totaled 25.8 billion, mainly in cash.

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

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

3 Purchases through transfer.

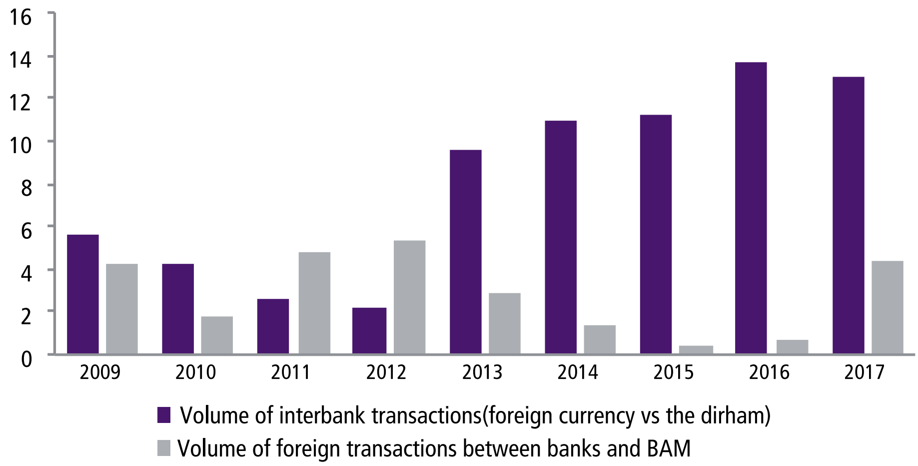
Meanwhile, banks' trading with foreign correspondents fell by 10.6 percent to 47.1 billion, and their investments abroad rose from 7.1 billion to 8.2 billion.

Table 1.7.8: Major foreign exchange market operations (in billions of dirhams, monthly average)

	2016	2017	Change in %
Purchases by banks of currencies against dirhams with BAM	0,7	4,4	505,6
Sales by banks of currencies against dirhams to BAM	0	0	-
Net sales of foreign banknotes by banks to BAM	3,9	4,3	10,3
Volume of interbank operations, currency against dirhams.	13,7	12,9	-5,3
Currency interbak loans and borrowings	39,1	37,2	-4,9
Currency transactions with foreign correspondents	52,7	47,1	-10,6
Currency forward transactions of banks' customers	9,4	13,5	44,1

Under these conditions, the net foreign exchange position[1] was negative at 707 million dirhams on average instead of a positive position at 1.3 billion in 2016. During the year, it went from an average of -5.5 billion in the first half to a positive position at 4.2 billion in the second.

Chart 1.7.12: Spot transactions on the foreign exchange market (in billions of dirhams, monthly average)



1 It is calculated as the difference between banks' loans and dues in foreign currency.

Box 1.7.1: Monetary and financial conditions indices

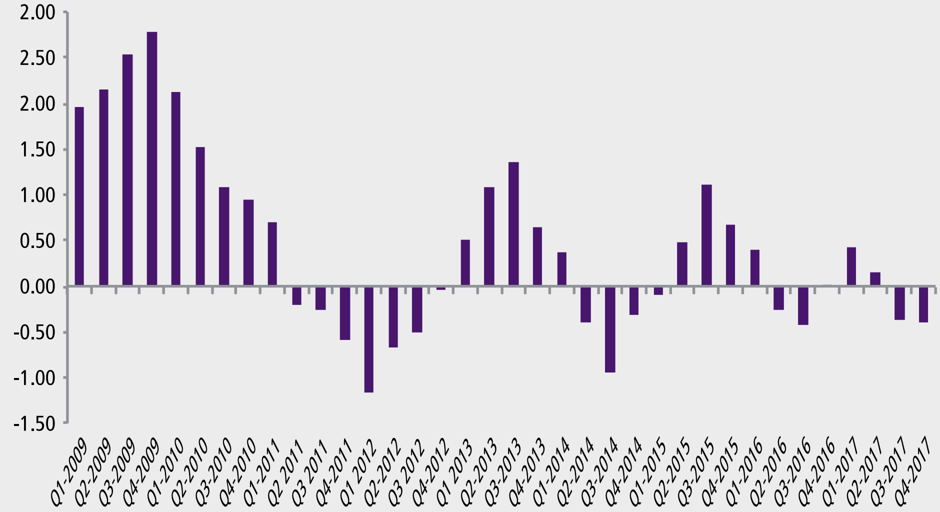
Central banks use a variety of indicators to assess the trend of monetary policy, the most prevalent of which are the monetary conditions indices (MCIs). The latter synthesize the information contained in several variables, forming transmission channels through which monetary policy decisions impact the target variables, mostly inflation or growth. The first such index was published in 1994 by the Central Bank of Canada and since then, the approaches used have undergone several adjustments.

Initially, the composition of these indices was limited to the interest rate and the effective exchange rate. Subsequently, it was extended to include, depending on the specificities of the economy, other variables, mainly financial variables, the ICM then giving way to the " Monetary and Financial Conditions indices" (ICMF). Among the added variables, there is notably the bank credit, to apprehend the credit channel, the stock market and real estate indices, in order to capture the prices of assets, the difference between the long and short-term interest rates, to take into account the expectations of economic units, or even monetary aggregates.

For the construction of these indices, the variables selected are integrated in the form of a gap and in real terms. Several approaches are used for their aggregation including DSGE type structural models, VAR models and principal component analysis.

In the case of Morocco, Bank Al-Maghrib uses a monetary and financial conditions Index constructed on the basis of three variables. These include bank credit to the nonfinancial sector, the average lending interest rate and the effective exchange rate. The calculation of the weights of these variables is based on the generalized impulse functions accumulated over 8 quarters - the forecast horizon of the monetary policy - extracted from a standard VAR model estimated over the period from 2005 to 2017 on a quarterly basis. The change in the index thus obtained is understood, in case of an increase, as a tightening of monetary and financial conditions and vice versa.

Chart B1.7.1.1: Monetary and financial conditions index



The analysis of the change of the index over the last ten years first indicates a period of restrictive conditions between 2009 and 2010, mainly related to the appreciation of the exchange rate and a significant slowdown in bank credit, following an exceptional growth phase. After a period of virtual neutrality, the index went since 2015 in a downward trend, reflecting a shift towards an easing of monetary policy.

1.8 Asset markets

In 2017, treasury borrowings on the domestic market almost stabilized at 110.7 billion dirhams in a context of a decrease of its financing needs. They mainly concerned medium-term maturities[1] at stagnant rates compared to 2016. On the other hand, private debt issuances rose significantly for both financial and nonfinancial companies, as their overall volume rebounded 48.3 percent.

At the Casablanca stock market, in view of an improvement in the results of listed companies including banks, stock prices rose once again by 6.4 percent. Trading volume in the central market continued to grow, but its liquidity level remains structurally weak.

In the real-estate market, prices rose significantly by 5 percent. This growth was observed in almost all major cities, with the exception of Rabat where they remained stable. At the same time, the number of transactions dropped by 7.6 percent, which affected the main cities, except for Casablanca, which reported an increase of 4.5 percent.

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

	2012	2013	2014	2015	2016	2017
Debt market						
Outstanding amount of Treasury bills	13.5	15.8	3.2	10.3	4.2	5.4
Outstanding amount of private debt	11.8	-2.0	1.8	-5.7	0.8	10.1
Stock market						
MASI	-15.1	-2.6	5.6	-7.2	30.5	6.4
Liquidity ratio (central market, in %)	6.2	6.1	5.8	5.9	6.4	6.5
Capitalization in % of GDP	53	50	52	46	58	59
Real estate market (change in %)						
Real Estate Price Index	1.8	1.7	-0.4	1.3	1.3	5.0
Number of transactions	11.2	-6.2	15.9	-1.3	8.4	-7.6

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

1.8.1 Debt securities

Treasury bills

After dropping 25 percent in 2016, Treasury borrowings decreased slightly by 0.6 percent in 2017 to stand at 110.7 billion dirhams. They concerned medium-term maturities up to 56 percent, while short and long term maturities accounted for 23 percent and 21 percent respectively.

As to rates applicable on these issues, after a downward trend since 2014, they overall stabilized at 2.8 percent on average. By maturity, rates increased by 10 basis points for 52-week bills, 4

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

points for 2-year bills and 15 points for 5-year bills. Conversely, a decline of 17 basis points was recorded for 30-year bills.

In addition, as part of its active debt management, the Treasury carried out securities exchange operations for an amount of 23.5 billion dirham as against 25.1 billion in 2016.

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

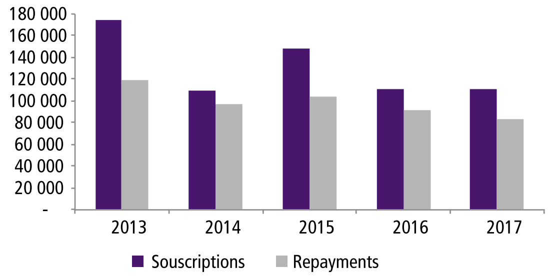
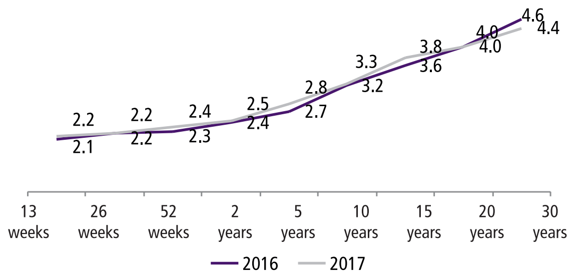


Chart 1.8.2: Average Treasury Bills rates on the primary market (%)



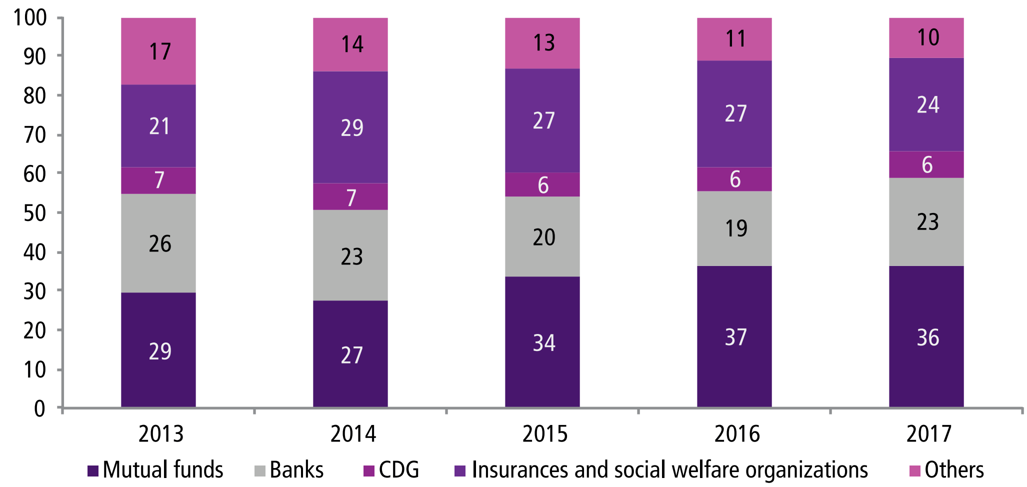
Taking into account the repayments of 84 billion dirhams, outstanding treasury bills stood at 516.7 billion dirhams at end-2017, up 5.4 percent. Its structure remains dominated by long-term maturities with a share of 58 percent as against 37 percent and 5 percent respectively for medium and short-term maturities.

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

	2013	2014	2015	2016		2017	
				Amount	Structure in %	Amount	Structure in %
Outstanding amount	**412,971**	**426,057**	**470,104**	**490,028**	**100,0**	**516,706**	**100,0**
Short term	33,854	14,871	27,483	19,051	3,9	26,276	5,1
Medium term	177,550	165,013	182,719	187,865	38,3	191,593	37,1
Long term	201,567	246,173	259,902	283,112	57,8	298,838	57,8
Subscriptions	**175,166**	**110,169**	**148,521**	**111,364**	**100,0**	**110,680**	**100,0**
Short term	83,851	14,000	36,570	27,367	24,6	25,350	22,9
Medium term	66,653	36,054	75,086	52,370	47,0	61,747	55,8
Long term	24,662	60,115	36,865	31,627	28,4	23,583	21,3
Repayments	**118,937**	**97,083**	**104,474**	**91,647**	**100,0**	**84,002**	**100,0**
Short term	65,689	32,983	23,958	35,798	39,1	18,126	21,6
Medium term	45,879	48,591	57,380	47,309	51,6	58,019	69,1
Long term	7,369	15,509	23,135	8,540	9,3	7,857	9,4

By holder, mutual fund shares/units account for a 36 percent share, almost stable from one year to the next, insurance companies and social welfare organizations hold 24 percent from 27 percent in 2016, while banks increased their share from 19 percent to 23 percent.

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



Private debt securities

After a decrease of 11.2 percent in 2016, issues of private debt securities marked a notable increase of 52 percent to 76.7 billion dirhams.

Financial corporations raised a total of 60.4 billion, of which 52 billion was mobilized by banks, up 41.5 percent, and 8.4 billion from 4.1 billion by other financial companies. By instrument, 39 billion dirhams was issued via certificates of deposits at rates that are overall higher than in 2016, ranging from 2.4 percent for 32 to 92-day maturities to 3.5 percent for maturities over 5 years old. Finance companies bills amounted to 7 billion from 3.9 billion in 2016, while bonds continued their upward trend that started in 2014 to reach 14.3 billion, of which 13 billion subscribed by banks.

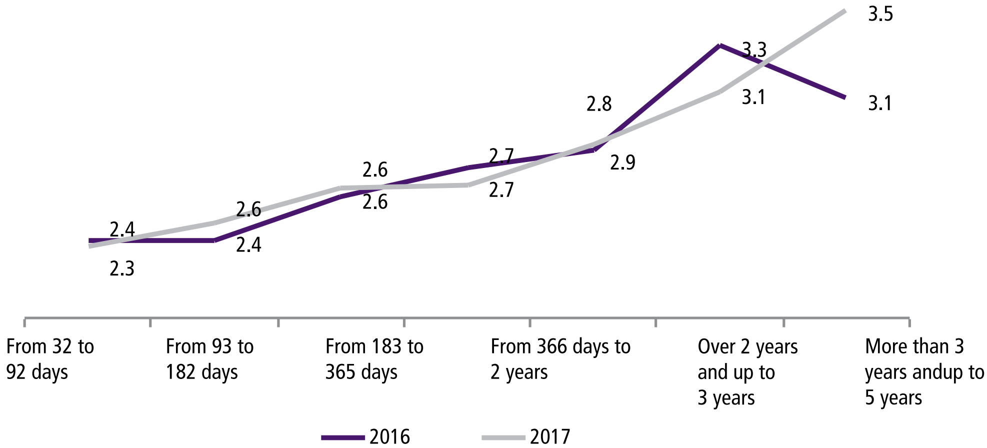
Table 1.8.3: Private debt issuances (in millions of dirhams)

	Issues					Change 2017/2016	
	2013	2014	2015	2016	2017	In millions	In %
Overall	**65,092**	**83,006**	**56,830**	**50,456**	**76,713**	**26,257**	**52.0**
Financial companies	**53,143**	**59,660**	**34,054**	**40,920**	**60,409**	**19,489**	**47.6**
Banks	**53,103**	**51,698**	**28,245**	**36,781**	**52,044**	**15,263**	**41.5**
Certificates of deposit	50,853	47,498	21,245	28,181	39,047	10,866	38.6
Bonds	2,250	4,200	7,000	8,600	12,997	4,397	51.1
Other financial companies	**40**	**7,962**	**5,809**	**4,139**	**8,365**	**4,226**	**102.1**
Finance companies bills	40	7,502	4,979	3,889	7,015	3,126	80.4
Bonds	0	460	830	250	1,350	1,100	440.0
Nonfinancial corporations	**11,950**	**23,346**	**22,776**	**9,535**	**16,304**	**6,768**	**71.0**
Commercial papers	9,700	11,322	15,464	4,385	5,749	1,363	31.1
Bonds	2,250	12,024	7,312	5,150	10,555	5,405	105.0

Sources : Bank Al-Maghrib and Maroclear.

For their part, nonfinancial corporations mobilized from the market for an amount of 16.3 billion from 9.5 billion in 2016. Bond issues rose from 5.2 billion to 10.6 billion and commercial paper from 4.4 billion to 5.7 billion dirhams.

Chart 1.8.4: Rates on certificates of deposit (%)



Taking into account repayments, the outstanding amount of private debt rose 10.5 percent to 177.7 billion dirhams. Its structure remains dominated by securities issued by banks up to 53 percent, followed by nonfinancial companies with 36.7 percent.

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

	2013	2014	2015	2016	2017	Change 2017/2016	
						In millions	In %
Overall	**166,254**	**169,173**	**159,606**	**160,912**	**177,733**	**16,821**	**10.5**
Financial corporations	**97,816**	**97,373**	**91,604**	**95,872**	**112,530**	**16,658**	**17.4**
Banks	**81,218**	**80,391**	**73,413**	**81,773**	**94,152**	**12,380**	**15.1**
Certificates of deposit	58,574	55,088	41,184	43,520	46,517	2,998	6.9
Bonds	22,644	25,303	32,229	38,253	47,635	9,382	24.5
Other financial companies	**16,598**	**16,982**	**18,191**	**14,100**	**18,378**	**4,278**	**30.3**
Finance companies bills	13,168	13,486	14,460	11,569	15,488	3,919	33.9
Bonds	3430	3496	3731	2531	2,890	359	14.2
Nonfinancial corporations	**68,439**	**71,800**	**68,002**	**65,040**	**65,203**	**163**	**0.2**
Commercial papers	3,422	4,836	2,271	1,549	2,052	503	32.4
Bonds	65,017	66,964	65,731	63,491	63,151	-340	-0.5

Sources : Bank Al-Maghrib and Maroclear.

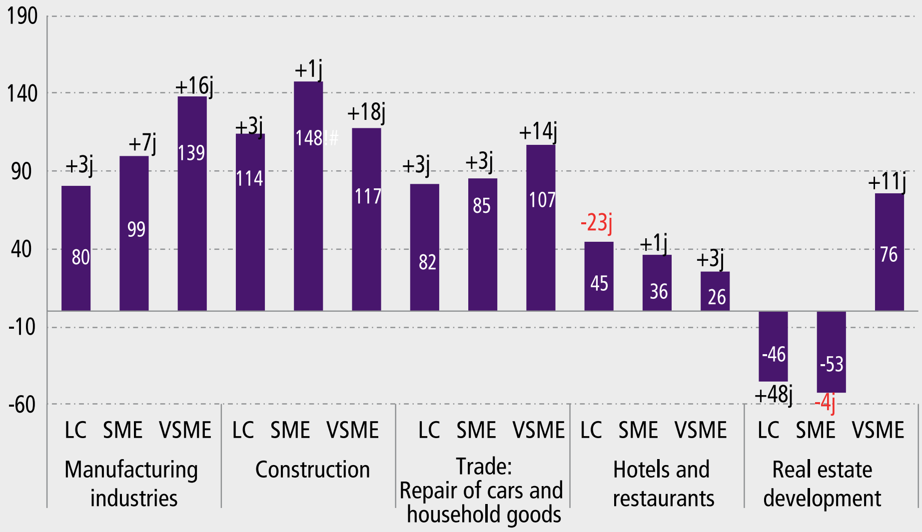
Box 1.8.1: Payment deadlines in 2016

The calculation of payment deadlines for the 2016 financial year, based on a population of 72,094 companies[1], shows an increase in customer deadlines and a reduction in supplier deadlines. These developments, which affected companies of different sizes in the majority of business sectors, put added pressure on their cash flow and increase their financing needs.

Thus, in comparison with 2015[2], very small enterprises (VSEs) saw their customer deadlines increase from 3 days of sales (DS) in "Hotels and restaurants" to 18 DS in the "Construction". For large companies (LC), they saw a slight increase of 3 DS with the exception of those operating in the "hotels and restaurants" sector, which posted a drop of 23 DS. Similarly, small and medium-sized enterprises (SMEs) posted a slight increase ranging from 1 to 7 DS.

In terms of level, the longest customer deadlines were observed in the “construction” sector, where they reached 148 DS for SMEs. On the other hand, in the "real estate development" sector, except for the very small enterprises, companies have rather benefited from payment advances, reaching the equivalent of 53 DS for SMEs.

Chart B.1.8.1.1 : Customer deadlines in days of sales

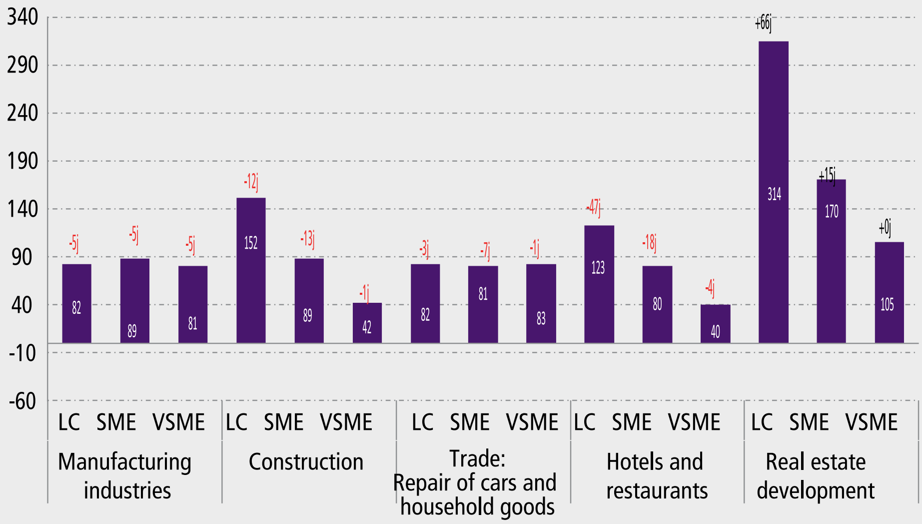


1 These calculations are based on the latest data provided by OMPIC on 2016, which met the control process put in place by the Bank

2 The 2015 figures were revised.

With regard to supplier deadlines, the largest decreases were observed in the "Hotels and Restaurants" sector with 47 days of purchases (DP) for LC and 18 DP for SMEs. Conversely, in the "real estate development", they stabilized for the VSEs and were extended by 66 DP for the LC and 15 DP for SMEs. In terms of levels, the "real estate development" shows the longest supplier deadlines, up to 314 DP for LC. In the other sectors, they range from 40 DP for VSEs in the "Hotels and Restaurants" to 170 DP for SMEs in the "real estate development".

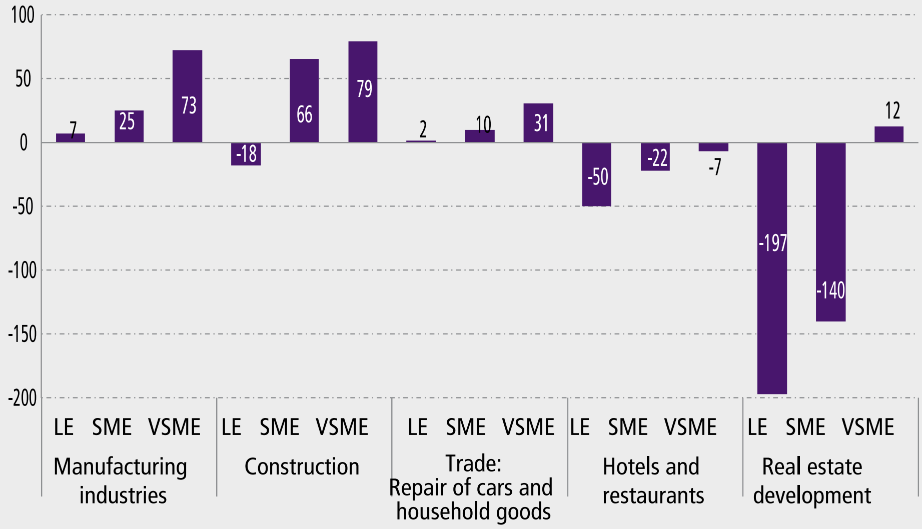
Chart B.1.8.1.2 : Supplier deadlines in days of purchase



Under these circumstances, the trade balance[3] which provides information on the net position of the company, whether lending or borrowing, vis-à-vis its trading partners, remains largely contrasted according to the sector and size of the company. In fact, LC and SMEs in the "real estate development" sector are the biggest borrowers with negative trade balances equivalent to 197 DS and 140 DS respectively. On the other hand, the VSEs operating in the "Manufacturing Industry" and in the "Construction " sector are the biggest lenders with positive balances of 73 and 79 DS respectively.

3 It is calculated by the difference between trade receivables and trade payables and is expressed in days of sales.

Chart B.1.8.1.3: Trade balance in days of sales



1.8.2 Mutual fund shares/units

In 2017, investments in mutual fund shares/units continued their growth in a context of low interest rates and good performance, for the second consecutive year, of the equity market. Their allocation was characterized by a strong reorientation towards risky products, particularly equity and diversified funds.

Thus, after a sharp increase of 14.3 percent in 2016, subscriptions to mutual fund shares/units posted a further rise of 5.6 percent to 767.4 billion dirhams. This trend affected all categories, with increases of 19.4 billion to 443.2 billion for money market funds and of 9.5 billion to 14 billion for share mutual funds. Conversely, short-term bond mutual funds fell by 2 billion to 128.3 billion.

Taking into account a repurchase amount of 738.7 billion, net mutual fund inflows amounted to 28.7 billion. It was especially important for share and diversified mutual funds with 6.4 billion and 6.7 billion dirhams, respectively.

Regarding the performance of mutual fund shares/units, yields remained high, standing overall at 9.3 percent from 12.6 percent in 2016. They stood at 10.5 percent as against 31.4 percent for share funds and at 5.5 percent as against 12.1 percent for diversified mutual funds. As to fixed-income products, yields fell from 4.6 percent to 2.3 percent for bond funds and virtually stabilized at 2.1 percent for money market funds.

Against this background, net assets of mutual fund shares/units rose by 10.7 percent to 416 billion dirhams. Excluding money market funds, which dropped by 5.8 percent, the increase concerned all categories, with in particular marked increases by 36.3 percent and 34.5 percent respectively for diversified and share mutual funds.

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

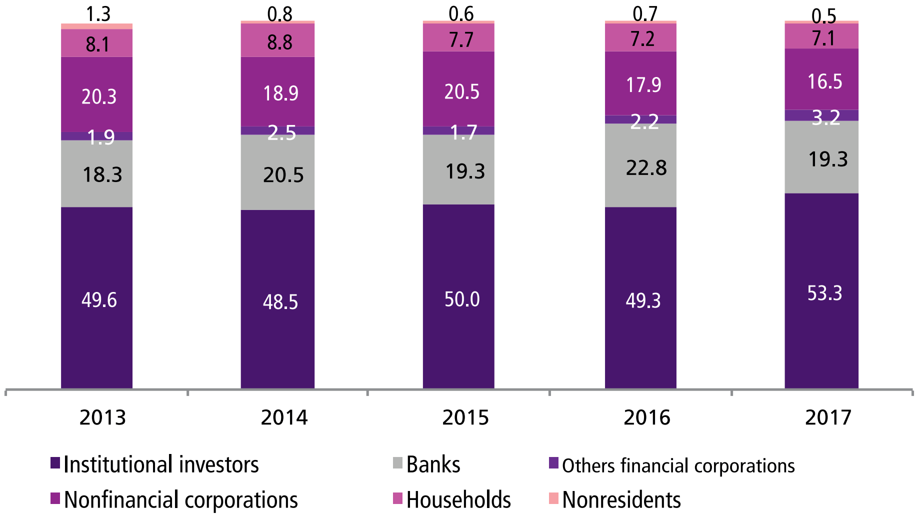
	2013	2014	2015	2016	2017
			Net asset		
Monetary	68.0	73.7	71.6	72.8	68.5
Short-term bonds	26.4	43.6	48.3	51.2	65.0
Medium and long term bonds	121.4	149.8	175.1	204.1	218.4
Shares	20.0	21.1	20.4	26.3	35.4
Composite	8.8	11.3	12.9	19.6	26.7
Contractual	0.9	1.0	1.8	1.6	1.9
Total	**245.5**	**300.5**	**330.1**	**375.6**	**416.0**
			Souscriptions		
Monetary	373.8	428.6	408.9	423.8	443.2
Short-term bonds	38.3	61.2	91.6	130.3	128.3
Medium and long term bonds	99.3	120.7	117.8	145.4	150.7
Shares	2.3	4.3	6.0	4.5	14.0
Diversified	2.2	4.9	5.5	10.8	15.6
Contractual	2.2	1.7	6.0	11.6	15.6
Total	**518.1**	**621.4**	**635.8**	**726.5**	**767.4**
			Repurchases		
Monetary	379.6	425.6	407.9	424.5	448.8
Short-term bonds	38.0	45.6	88.3	130.8	117.4
Medium and long term bonds	96.5	106.6	98.6	127.4	140.6
Shares	2.2	4.0	5.7	4.6	7.7
Diversified	2.2	3.5	4.4	6.3	8.9
Contractual	2.5	1.7	5.3	11.9	15.3
Total	**520.9**	**586.9**	**610.2**	**705.4**	**738.7**

Source : Moroccan Capital Market Authority.

The breakdown by holder of the net assets of mutual fund shares/units shows a significant increase in the share of welfare and pension funds, from 25.8 percent to 29.6 percent, bringing the share of institutional investors[1] from 49.3 percent to 53.3 percent. On the other hand, the share held by banks fell from 22.8 percent to 19.3 percent and that of nonfinancial companies slightly decreased from 17.9 percent to 16.5 percent. As to individuals, their share remained broadly unchanged at 7.1 percent. It rose from 9.8 percent to 11.9 percent for share mutual funds and from 17.2 percent to 18.8 percent for diversified mutual funds, while it fell from 5.9 percent to 4.9 percent for bond funds.

1 Institutional investors include the Deposit and management Fund, insurance and reinsurance companies, the welfare and pension funds and mutual funds.

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



Source : Moroccan Capital Market Authority.

1.8.3 Stock market

In a context marked by low interest rates, improved results of listed companies and a renewed interest from individual investors, stock prices were on an upward trend for the second year in a row. The benchmark rose by 6.4 percent, from 30.5 percent in 2016, driven mainly by the performance of the main banking stocks.

Chart 1.8.6 : Daily change of MASI in 2017

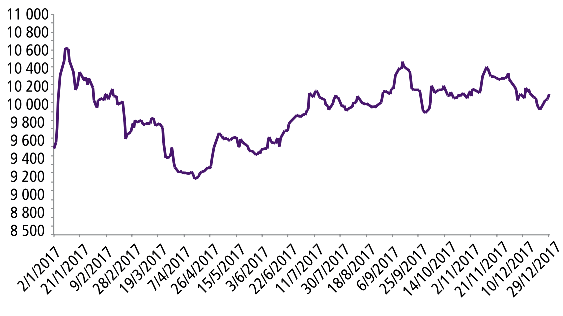
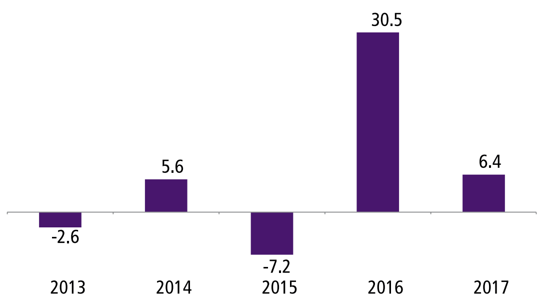


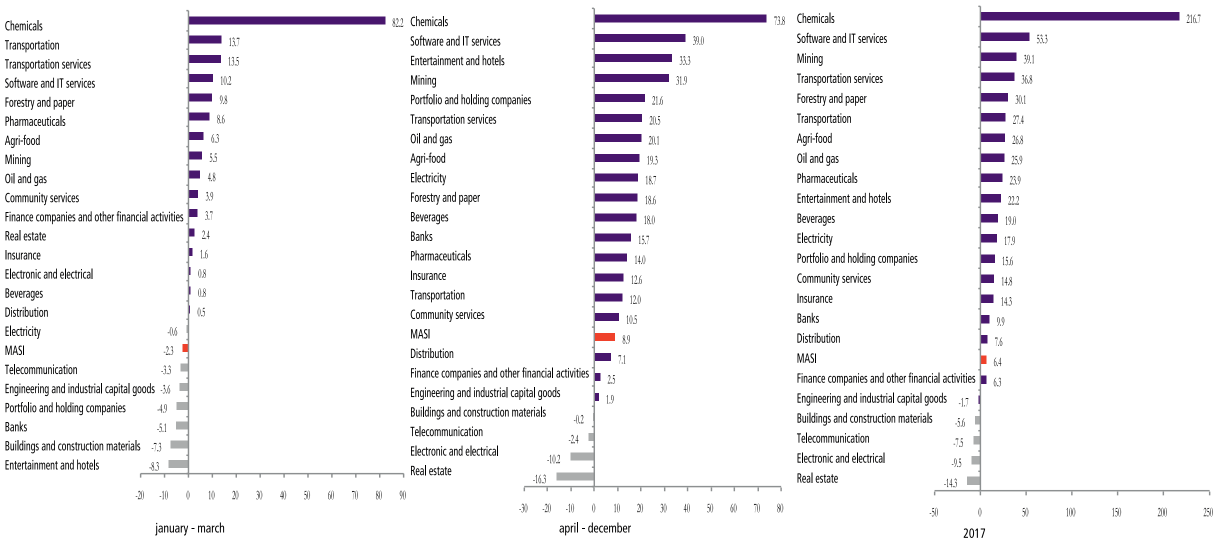
Chart 1.8.7: Annual change of MASI (%)



Source: Casablanca Stock Exchange.

The infra-annual analysis indicates that the MASI trended downward at the beginning of the year, ending the first quarter a drop in its performance by 2.3 percent, with in particular declines of 5.1 percent for "Banks", 7.3 percent for "construction" and 3.3 percent for "telecommunications". As from April, and following the publication of the results of listed companies, the stock market benchmark index went on a upward trend, driven in particular by the banking sector and to a lesser extent by the "agri-food" and "mining" sectors. On the other hand, the sectorial indices of "telecommunications" and "construction" continued to decline, albeit at a slower pace.

Chart 1.8.8: Annual change of sector indexes (%)



Source: Casablanca Stock Exchange

Under these conditions, the valuation level of the Casablanca Stock Exchange continued to increase, with the PER[1] rising from 20 to 20.4. Stock prices remain thus overvalued overall in comparison with the main stock exchanges of the "frontier markets". At the same time, the dividend yield[2] continued its decline, dropping from 3.9 percent to 3.4 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 (%)	
		2016	2017	2016	2017
Argentina	22.08	19.3	18.0	0.95	0.73
Kuwait	16.64	14.3	14.2	3.87	4.81
Vietnam	15.46	15.8	21.5	3.55	1.75
Morocco	**7.92**	**20.0**	**20.4**	**3.92**	**3.38**
Nigeria	7.3	11.1	11.0	4.87	3.39

1 Weight as at March 30, 2018.

Source : Datastream.

In terms of trading, the volume exchanged on the equity compartment continued to improve, standing at 39.5 billion for the central market and 24.1 billion for the block market. However, the

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

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

overall turnover of the stock market fell from 72.7 billion to 69.7 billion dirhams, due in particular to the decline in capital increases from 9.9 billion to 1.4 billion, the lack of new IPOs and the decline in the trading volume of bonds from 4.5 billion to 2.9 billion dirhams.

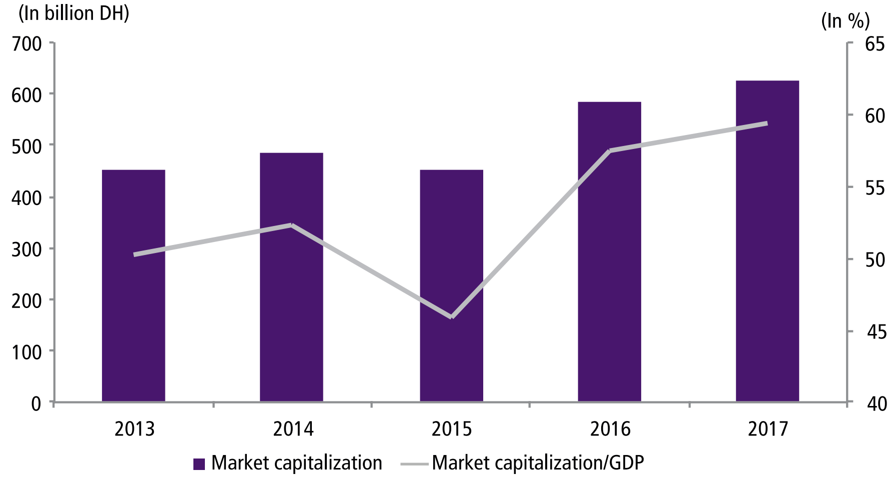
Table 1.8.7: Trading volume (in millions of dirhams)

	2013	2014	2015	2016	2017
I- Shares	**54,557.8**	**44,333.8**	**46,885.0**	**68,193.4**	**66,877.7**
1-Central market	26,449.5	27,594.6	28,758.0	32,082.2	39,489.0
2-OTC market	22,100.6	11,816.1	11,751.0	18,379.4	24,051.3
Total of the secondary market (1+2)	**48,550.1**	**39,410.7**	**40,509.0**	**50,461.6**	**63,540.3**
3- New listings	1,000.0	1,127.0	893.4	1,929.8	-
4- Securities contribution	644.1	2,493.1	923.0	4,797.9	1,213.1
5- Public offerings	45.1	671.9	2,407.9	440.4	67.1
6- Transfers	1,116.4	206.1	106.5	686.8	622.7
7- Capital increases	3,202.1	425.1	2,045.3	9,876.8	1,434.5
Total of other markets (3+4+5+6+7)	**6,007.7**	**4,923.1**	**6,376.0**	**17,731.8**	**3,337.4**
II- Bonds	**7,584.2**	**5,475.0**	**5,206.4**	**4,543.1**	**2,859.9**
8- Central market	2,170.8	3,355.4	2,689.7	2,120.9	307.8
9- OTC market	4,713.4	1,936.1	1,705.6	1,484.1	1,684.4
Total of secondary market (8+9)	**6,884.2**	**5,291.4**	**4,395.2**	**3,605.0**	**1,992.3**
10- New listings	700.0	183.6	809.7	938.1	657.9
11- Securities contributions	-	-	1.5	-	209.7
12- Transfers	0.03	-	0.01	-	-
Total of other markets (10+11+12)	**700.0**	**183.6**	**811.2**	**938.1**	**867.6**
Total (I+II)	**62,142.0**	**49,808.8**	**52,091.4**	**72,736.6**	**69,737.6**

Source: Casablanca Stock Exchange.

In total, market capitalization rose 7.5 percent to 627 billion dirhams and its ratio to GDP moved from 57.6 percent to 59 percent. In terms of its floating component, it appreciated by 7.8 percent to 143.6 billion, reflecting in addition to the appreciation of prices, the rise by one point of the free float factor to 23.8 percent.

Chart 1.8.9 : Change in market capitalization



Source: Casablanca Stock Exchange.

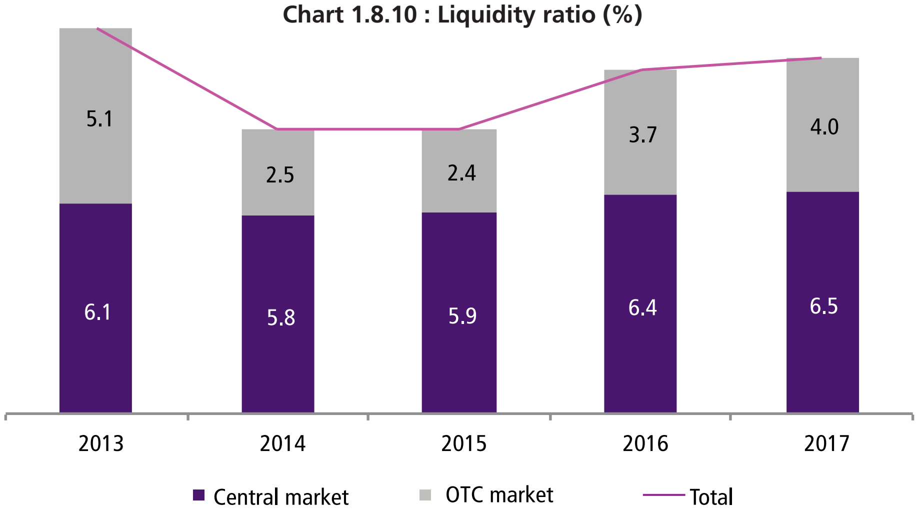
Table 1.8.8. : Capitalization and free float factor of the main sectors

Sectors	Market capitalization (in billion dirhams)	Free floating factor (%)
Banks	215.5	24.5
Telecommunication	117.8	20.0
Buildings and building materials	76.1	26.4
Food	33.3	27.7
Insurance	29.1	16.3
Oil and gas	27.9	9.1
Mining	24.3	18.8
Electricity	21.7	10.0
Real estate	17.4	34.4
Distributors	13.8	19.6
Transportation services	11.7	35.0
Beverages	11.1	20.9
Finance companies and other financial activities	7.0	13.1
Community services	5.0	20.0
Pharmaceutical industry	4.1	13.2
Holding companies	3.0	19.9
Software and computer services	2.9	39.7
Leisure and hotels	2.1	10.0
Chemistry	1.5	37.5
Transport	1.1	26.0
Electronic and electrical equipment	0.3	20.0
Engineering and industrial equipment	0.3	22.5
Forestry and paper	0.1	40.0

Source: Casablanca Stock Exchange.

Against this backdrop, the liquidity ratio [1] in the central equity market improved slightly, from 6.4 percent to 6.5 percent. However, it remains low in comparison with the main "frontier" and "emerging" market exchanges, where it stands in particular at 75.4 percent for Brazil, 51.2 percent for India, 43.7 percent for Vietnam and 8.5 percent for Argentina.

Chart 1.8.10 : Liquidity ratio (%)



Source: Casablanca Stock Exchange, and BAM calculations.

Box 1.8.2 : Investments of individuals on the stock market

The participation of individuals in the stock market has a positive impact in several respects. In addition to contributing to improved market depth and liquidity, it reinforces the legitimacy and perception of the relevance of stock market investment. Several studies[1], covering both emerging and developed markets, have highlighted the importance of this participation. Individual investors, especially during periods of instability, generally engage in frequent transactions and opt for strategies that are opposed to those of institutional investors who prefer long-term investments. In this way, they contribute to reducing the poor liquidity. Empirical evidence thus shows that stock exchanges with high participation levels of individuals have relatively high liquidity ratios (see Table below). In the case of Thailand, for example, the participation rate stands at 84 percent and the liquidity ratio at 81 percent.

Regarding the determinants of this participation, according to a study conducted on a panel of emerging countries by the "World Federation of Exchanges", in addition to structural factors of a cultural, institutional and regulatory nature, the rise in stock market returns and the fall in transactions' costs would enhance the attractiveness for individuals, while the rise in interest rates would negatively impact it. In addition, the promotion of financial education would contribute to strengthening the culture of stock market investment and thus promote this participation.

1 "Individual Investor Trading and Stock Returns", Ron Kaniel, Gideon Saar, and Sheridan Titman, The Journal of Finance, 2008
"Enhancing retail participation in emerging markets", World Federation of Exchanges, 2017 Exchanges, 2017.
"Are retail traders compensated for providing liquidity?" Jean-Noel Barrot, Ron Kaniel, David Sraeref, Journal of Financial Economics, 2016.

1 The liquidity ratio is calculated by relating the annual volume of trade to the average capitalization over the year.

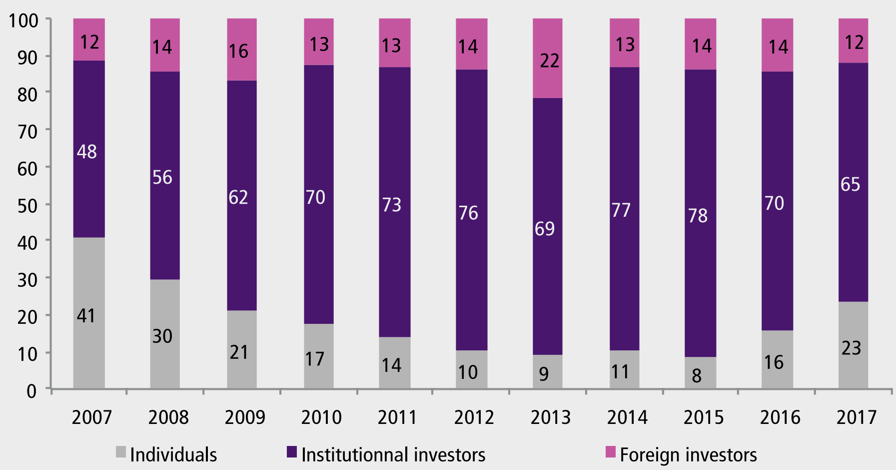
Table B.1.8.2.1: Participation levels of individuals and market liquidity (2016 average)

Market	Shares of the volume of transactions carried out by individuals (%)	Liquidity ratio (%)
Jordan	92	11
Taiwan	89	171
Thaïland	84	81
Egypt	81	39
UAE	77	41
Colombia	64	14
Indonesia	60	22
Malaisia	52	27
Morocco	16	6

Source : Enhancing retail participation in emerging markets. World Federation of Exchanges, 2017.

In the case of Morocco, with the launch of privatization programs in the early 1990s, the Casablanca stock market became very popular among both private individuals and institutional investors. However, as of 1998, the market entered a downward cycle that led to a loss of confidence and a gradual exit of individuals, very little aware at the time of the risks inherent to stock market investment. Their return to the market was only gradual and took a long period. Over the past decade, direct private participation has been in a downtrend with a share of transactions dropping from 40.8 percent in 2007 to 8.4 percent in 2015. Over the last two years, the rebound in stock market performance led to a return of individuals, their share increasing to 15.7 percent in 2016 and to 23.4 percent in 2017.

Chart B.1.8.2.1 : Breakdown of trading volume in the central market by economic unit



Source : Moroccan Capital Market Authority.

The analysis of the change in net assets of equity and diversified mutual funds held by individuals also indicates a similar trend, but shows that the return of these investors to mutual funds was faster than to the stock market. Indeed, as of 2014, when the MASI had registered its first rise after three years of consecutive drops, investment by individuals in equity and diversified mutual funds has significantly strengthened. Their share in the latter thus edged up from an average of 10 percent between 2008 and 2013 to 15 percent in 2017, the year which recorded the highest amount of net subscriptions since 2007, or 3.5 billion dirhams.

Chart B.1.8.2.2: Net subscriptions of individuals in equity and diversified mutual funds (in million dirhams)

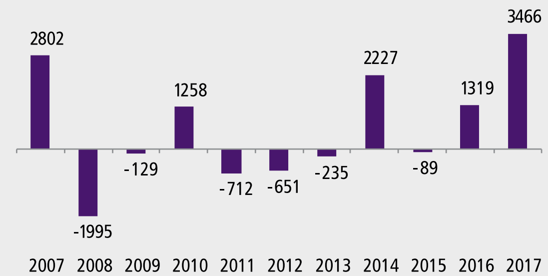
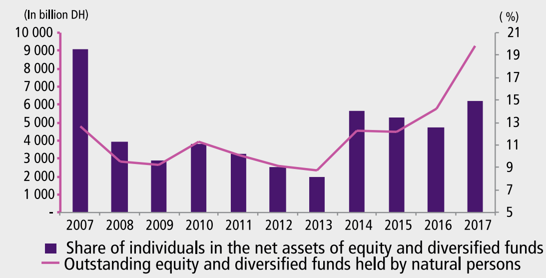


Chart B.1.8.2.3: Change in net assets of equity and diversified mutual funds held by natural persons and of their share in the total



Source: Moroccan Capital Market Authority

These developments were made possible by the persistence of low interest rates but also by the efforts made in financial education. Nevertheless, and albeit edging slightly up, the liquidity ratio of the Casablanca Stock Exchange stabilized in 2017 at 6.5 percent, a level close to the average recorded since 2011, which is 6.2 percent.

The improvement in this situation, which continues to hamper the Casablanca's stock exchange and weaken its contribution to the Casablanca Finance City ecosystem, is certainly dependent on the economic performance and quality of the country's business climate, but it also depends on other criteria on which the market can act in the medium and long term. This includes in particular the improvement of admission conditions and the continuation of efforts to promote and raise awareness as to the advantages offered by the financing via the stock market, as well as the development of new products such as alternative investment funds "ETF "and hedging instruments. Accordingly, the new stock market reform should, if implemented successfully, contribute to the improvement of its liquidity and depth, particularly in a context marked by a low level of interest rates.

1.8.4 Real estate assets

In 2017, the real estate market was marked by a significant increase in prices and a decline in the number of transactions.

Thus, the REPI registered an increase of 5 percent from 1.3 percent in 2016. This increase concerned all assets categories with increases of 4.9 percent for residential assets, 5.3 percent for urban land and 7 percent for commercial property.

The volume of transactions, meanwhile, dropped 7.6 percent after an 8.4 percent increase in 2016. It decreased 8.7 percent for residential property, 4.8 percent for land and 3.5 percent for commercial property.

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

	REPI				Transactions			
	2014	2015	2016	2017	2014	2015	2016	2017
Overall	**-0.4**	**1.3**	**1.3**	**5**	**15.9**	**-1.3**	**8.4**	**-7.6**
Residential	**-0.2**	**1.8**	**0.8**	**4.9**	**18.6**	**-1.9**	**8.3**	**-8.7**
Apartment	-0.2	1.9	0.9	6	20.8	-1.5	8.3	-8.1
Villa	0.1	1.3	0	0.9	-5.6	-4.7	8.3	-16.2
House	-1.5	1.1	4.4	2.5	12	-9.4	6.9	-16.4
Urban land	**-1**	**1.3**	**2.1**	**5.3**	**6.7**	**0.5**	**9.4**	**-4.8**
Business properties	**1.3**	**-1.7**	**4.9**	**7**	**14.6**	**0.6**	**7.8**	**-3.5**
Commercial premises	1.2	-1.6	6.2	6	14.6	-0.1	7.7	-4.6
Offices	3.7	-3.2	-0.6	12.2	14.9	5.6	8.5	4.6

Sources : ANCFCC data and BAM calculations.

The analysis of the infra-annual change of the REPI indicates significant rises during the first three quarters with an average quarterly increase of 6.5 percent. In the fourth quarter, the pace of increase in prices slowed to 0.9 percent, with residential property stagnating.

At the same time, the number of transactions virtually stabilized during the first two quarters, before falling by 17.4 percent in the third quarter and 11.2 percent in the fourth quarter, a drop which covered all asset classes.

Chart1.8.11 : Change in REPI by asset class (%)

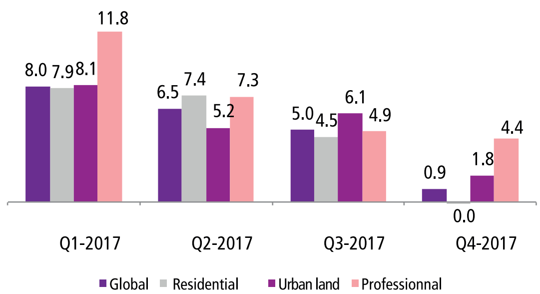
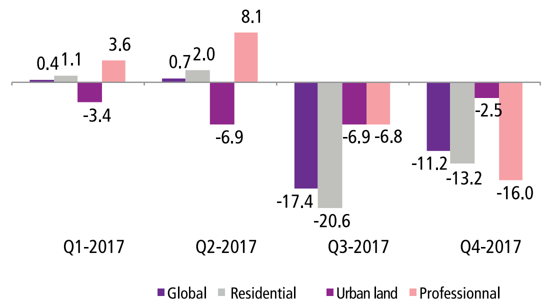


Chart 1.8.12: Change in the number of transactions (%)



Sources:ANCFCC and BAM calculations.

In the main cities, with the exception of Rabat, where the REPI remained stable from one year to the next, the rise in prices of real estate assets was almost observed in all other cities, with increases ranging from 4.5 percent in Kenitra to 7.5 percent in Fez. Similarly, apart from Casablanca where sales rose by 4.5 percent, the decline in the number of transactions affected all other major cities, with declines ranging from 2.9 percent in Oujda to 20.9 percent in Tangier.

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

	REPI				Transactions			
	2014	2015	2016	2017	2014	2015	2016	2017
Casablanca	0.3	4.8	-3.7	5.7	33.6	-4.3	4.4	4.5
Marrakech	1.8	-2.9	0.9	5.1	21.2	-5.6	-14.2	-12.8
Fes	0.6	0.9	2.6	7.5	12.8	-6.3	13.5	-10.6
Tangier	-0.3	1.1	2.3	6.7	6.8	-10.6	-5.5	-20.9
Meknes	1.2	1.6	2.8	6.9	30.6	11.2	23.2	-14.7
Oujda	-1.6	0.9	3.3	4.6	15.7	0.4	5.9	-2.9
Kenitra	-0.7	2.7	3.7	4.5	15.2	6.0	14.1	-15.5
El jadida	-4.1	-2.2	1.9	6.4	-1.5	36.0	14.4	-15.7
Sale	2.2	0.6	2.8	5.0	3.8	59.9	4.3	-24.4
Mohammedia	4.4	-4.9	3.3	5.9	54.4	-12.1	49.7	-32.5
Agadir	1.6	1.4	2.5	6.1	-10.3	-19.8	21.9	-4.9
Rabat	1.5	1.1	4.0	0.0	4.1	-10.1	27.7	-18.7
Global	**-0.4**	**1.3**	**1.3**	**5.0**	**15.9**	**-1.3**	**8.4**	**-7.6**

Sources: National Land Registry Office and BAM calculations.

In Casablanca, prices rose 5.7 percent in 2017 after falling 3.7 percent in 2016. This trend reflects increases of 6.9 percent for apartments and 9 percent for commercial property, while land prices fell by 4.4 percent. As to the number of transactions, it increased by 4.5 percent, covering rises of 8.4 percent for apartments and 6 percent for commercial property, as well as a drop of 24.7 percent for land purchases.

In Rabat, the stagnation of the price index covers an increase of 0.2 percent for apartments and 0.4 percent for commercial property, as well as a 1.6 percent decrease for land. As to transactions, after a significant increase of 27.7 percent in 2016, they decreased by 18.7 percent, reflecting contractions of 19.6 percent for apartments, 30.9 percent for land and 7.3 percent for commercial property.

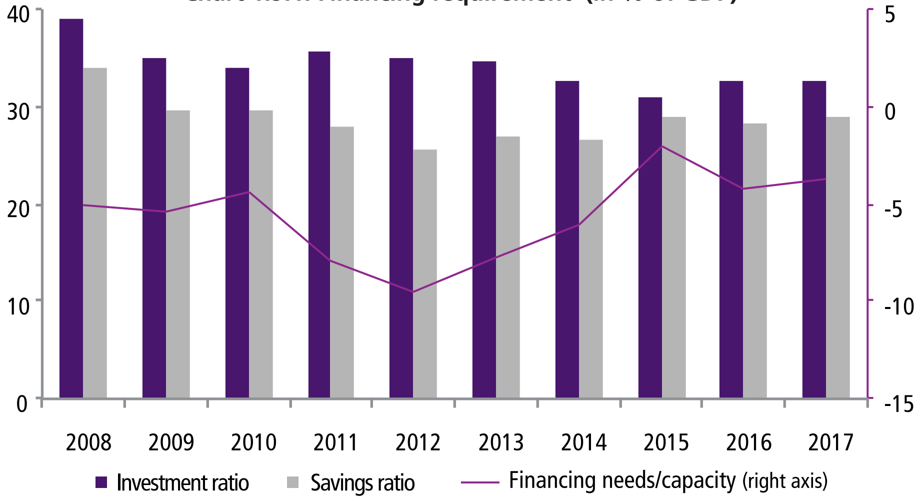
In Marrakech, prices rose by 5.1 percent, mainly driven by increases of 6 percent for apartments and 4 percent for land. The number of transactions decreased by 12.8 percent, mainly reflecting a 28.5 percent drop in apartment sales and a significant 44.4 percent improvement in land sales.

In Tangier, prices rose by 6.7 percent, with increases of 15.6 percent for apartments and 4 percent for land. In parallel, sales decreased by 20.9 percent, with significant drops by 22.2 percent for apartments and 17.1 percent for land.

1.9 Financing the economy

At current prices, gross national disposable income1 stood at 1124.8 billion dirhams in 2017, up 4.7 percent from 2016. Taking into account a national final consumption of 817.9 billion, national savings stood at 306.9 billion, equivalent to 28.9 percent of GDP. With investment spending totaling 346.5 billion, or 32.6 percent of GDP, the financing needs of the economy stood at 39.6 billion, or 3.7 percent of GDP.

Chart 1.9.1: Financing requirement (in % of GDP)



Source: HCP.

By institutional sector, nonfinancial corporations' requirements would have eased in 2017 and were covered up to 52.3 billion by external financing. On the other hand, the financial needs of public administrations[2] are set to have increased, with a 6.6 billion rise of their external commitments. Regarding households[3], their financing capacity would have strengthened, as reflected in particular in their deposits which went up 8.9 billion dirhams.

1.9.1 Financial flows with the rest of the world

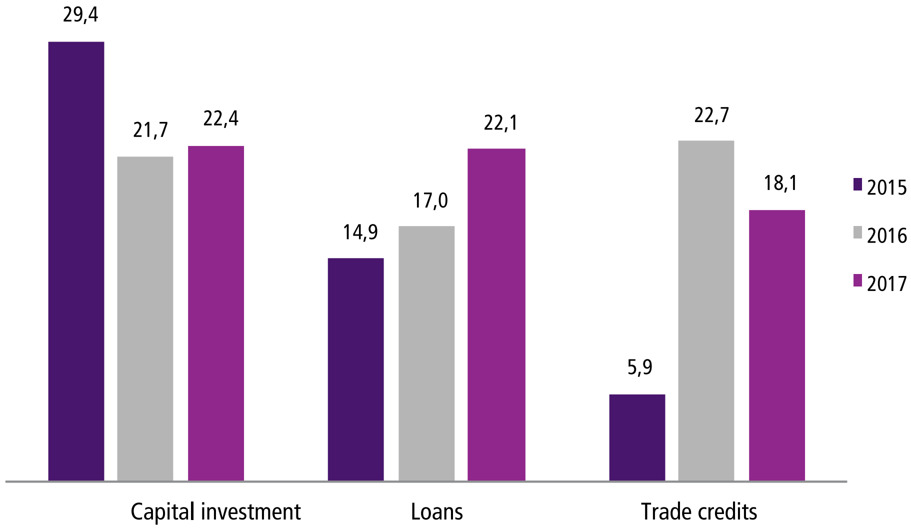
External financing in 2017 was mainly provided by loans amounting to 29.2 billion dirhams from 22.4 billion a year earlier. Equity holdings in resident businesses amounted to 18.3 billion, up 1.2 billion, and trade credit flows stood at 18.1 billion from 22.7 billion.

By institutional sector, outstanding loans to nonfinancial corporations increased by 20.6 billion compared to 19.7 billion in 2016 and trade credits increased by 18.1 billion from 22.7 billion

1 Gross National Disposable Income (GNDI) is the sum of GDP, current transfers and net income from abroad.
2 They include the central government, local authorities and compulsory pension schemes.
3 Households include individuals, individual entrepreneurs, and non-profit institutions.

a year earlier. In terms of equity holdings, net inflows remained virtually stable at 16.5 billion, bringing the stock of direct and portfolio investment in resident businesses to 698.9 billion.

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



Source: Foreign Exchange Office.

For general government, externally mobilized financing were mainly in the form of loans, whose flows reached 8.8 billion dirhams after 2.8 billion in 2016. In particular for the Treasury, drawings jumped from 6.1 billion to 16.6 billion, of which 5.5 billion from the World Bank, 4.7 billion from the Saudi Fund for Development and 3 billion from the African Development Bank. With respect to securities issued on the international market, the operation realized resulted in a net outflow of 2.2 billion, with in particular the repayment of a 500 million euros loan contracted by the Treasury in 2007.

With respect to residents' assets abroad, they increased by 16.8 billion instead of 33.9 billion in 2016. For financial companies, the official reserves of Bank Al-Maghrib declined by 9.1 billion, while assets of other financial companies increased by 17.5 billion. As to nonfinancial companies, their assets, consisting mainly of equity holdings, increased by 8.2 billion as against an 8 billion rise a year earlier.

Table 1.9.1: Financial flows of the domestic economy[1] with the rest of the world (in billions of dirhams)

	2016				2017			
	Total	GG	NFC	FC	Total	GG	NFC	FC
Funding Requirement[2]	**43.3**				**39.6**			
Residents' assets on rest of the world[3]	**33.9**	**0.3**	**8.0**	**25.6**	**16.8**	**0.2**	**8.2**	**8.4**
Gold and SDR	-0.1			-0.1	-0.2			-0.2
Cash and deposits	-2.6		-0.1	-2.4	51.1		-0.3	51.3
Securities other than shares	7.5	**0.3**	5.1	2.1	9.0	**0.2**	7.5	1.2
Shares and other equity	27.9	0.0	0.0	27.9	-42.3	0.0		-42.2
Loans	0.3	0.0	0.2	0.1	0.4	0.0	0.6	-0.2
Trade credits	2.9		2.9		0.3		0.3	
Other accounts payable								
Financial Derivatives	-2.0			-2.0	-1.4			-1.4
Residents' liabilities to the rest of the world[3]	**69.9**	**1.1**	**61.5**	**7.2**	**43.8**	**6.6**	**52.3**	**-15.1**
Deposits	8.4			8.4	-16.6			-16.6
Shares and other equity	-1.9	-1.7	-0.1		-0.7	-2.2	0.1	1.4
Securities other than shares	17.1		16.2	0.9	18.3	0.0	16.5	1.8
Loans	22.4	2.8	19.7	-0.2	29.2	8.8	20.6	-0.2
Financial Derivatives	-1.9			-1.9	-1.4			-1.4
Trade credits	22.7		22.7		18.1		18.1	
Other accounts payable	3.0		3.0		-3.0		-3.0	

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

[2] National accounts data.

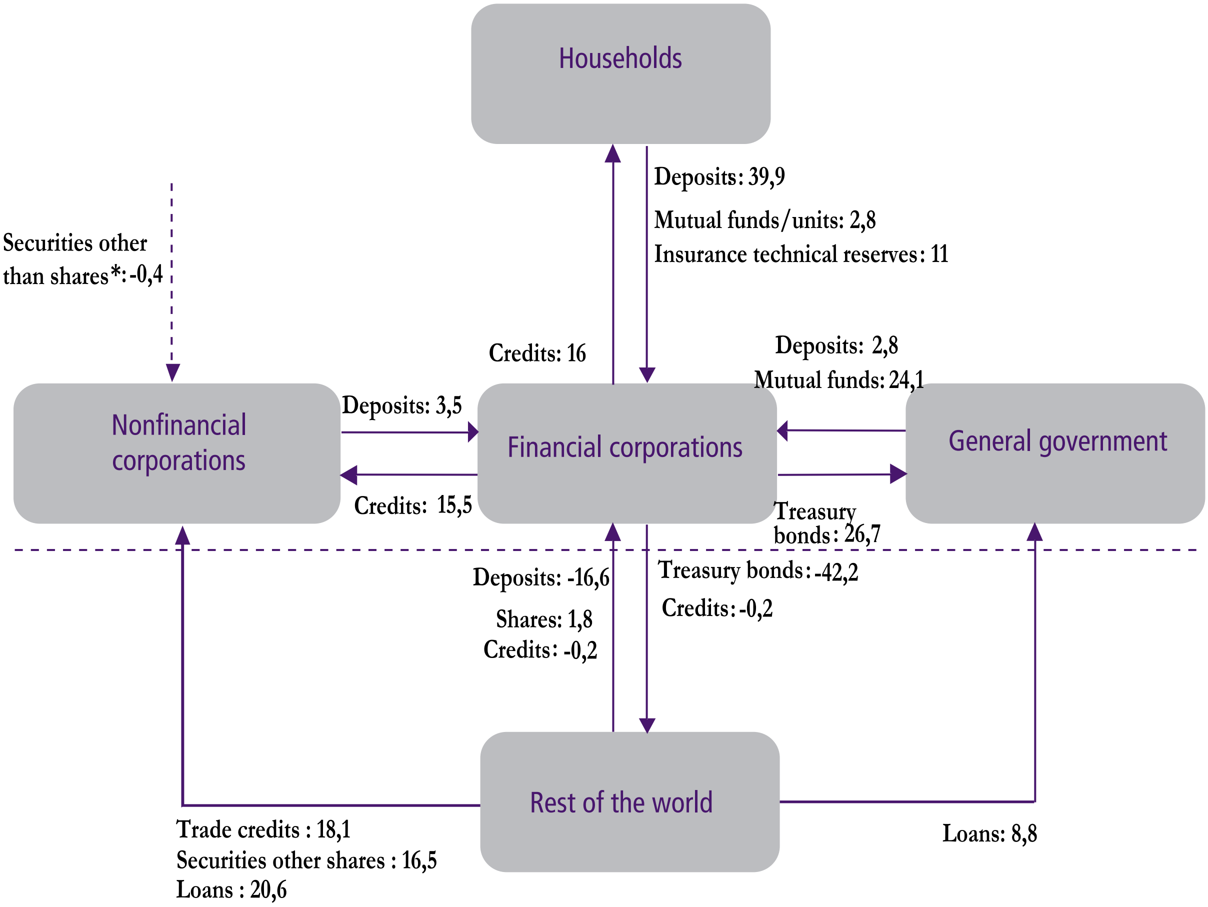
[3] Errors and omissions excluded.

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

1.9.2 Financial flows between resident sectors

Financial flows among resident sectors were characterized by a significant rise in investments of compulsory pension funds into mutual Funds securities at the expense of their Treasury bill purchases. In parallel, household deposits improved markedly and outstanding loans to nonfinancial companies increased once again, albeit at a slower pace than in 2016.

Figure 1.9.1: Main financial flows between institutional sectors in 2017 (in billions of dirhams)



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

1.9.2.1 Financial flows of the general government

The financial operations of the general government were characterized by an increase in net issues of treasury bills to 26.7 billion from 19.9 billion in 2016 and a rise in demand deposits with the Treasury of 7 billion, bringing their outstanding amount to 64.6 billion dirhams.

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

	2016	2017
Financing Requirement[1]	**-9.4**	**-13.7**
Net flows of financial assets acquisition	**16.1**	**16.9**
Deposits	9.8	2.8
Negotiable debt securities	0.1	-0.6
Treasury bonds	7.7	-9.4
Mutual funds shares/units	-1.4	24.1
Net flows of liabilities	**33.4**	**35.5**
Deposits with the Treasury	5.0	7.0
Treasury bonds	19.9	26.7
Loans	3.3	2.7
Other accounts payable/receivable	5.2	-0.9

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

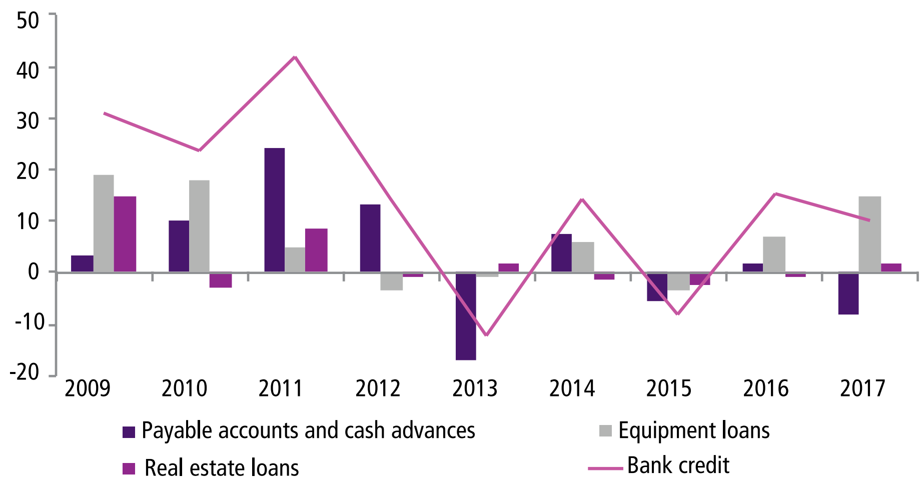
Regarding the financial assets of the general government, consisting mainly of the investments of compulsory- scheme social-welfare organizations, they increased by 16.9 billion dirhams from 16.1 billion a year earlier. As a result, holdings of mutual funds rose by 24.1 billion after a drop by 1.4 billion, while holdings of treasury bills declined by 9.4 billion after an increase of 7.7 billion.

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

The liabilities[1] of nonfinancial corporations increased in 2017 by 15.1 billion from 16.3 billion a year earlier, mainly as a result of an increase of 15.5 billion from 19.2 billion of the outstanding amount of loans given by financial companies. In particular, bank credit increased by 12.3 billion, covering in particular an improvement of 15 billion in equipment loans and a drop by 8.1 billion in cash facilities. As for debt securities, their outstanding amount decreased by 368 million dirhams after a decline by 3 billion in 2016.

1 Excluding trade credits and shares

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



Assets of nonfinancial corporation increased by 4.6 billion as against 5.7 billion in 2016. The outstanding amount of their deposits increased by 3.5 billion from 5 billion, with in particular a 4 billion increase in sight deposits with banks and a 2.6 billion drop in time deposits. As to their holdings of mutual Funds, they rose by 1.3 billion as against a decrease of 0.4 billion a year earlier.

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

	2016	2017
Funding Requirement[1]	**-54.2**	**-49.1**
Net flows of financial assets acquisition (excluding trade credits and actions)	**5.7**	**4.6**
Deposits	5.0	3.5
Securities other than shares	0.9	-0.7
Mutual funds shares/units	-0.4	1.3
Insurance technical reserves	0.2	0.4
Net flows of liabilities (excluding trade credits and actions)	**16.3**	**15.1**
Securities other than shares	-3.0	-0.4
Loans of financial institutions	19.2	15.5

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

Sources : Bank Al-Maghrib, MCMA and Maroclear.

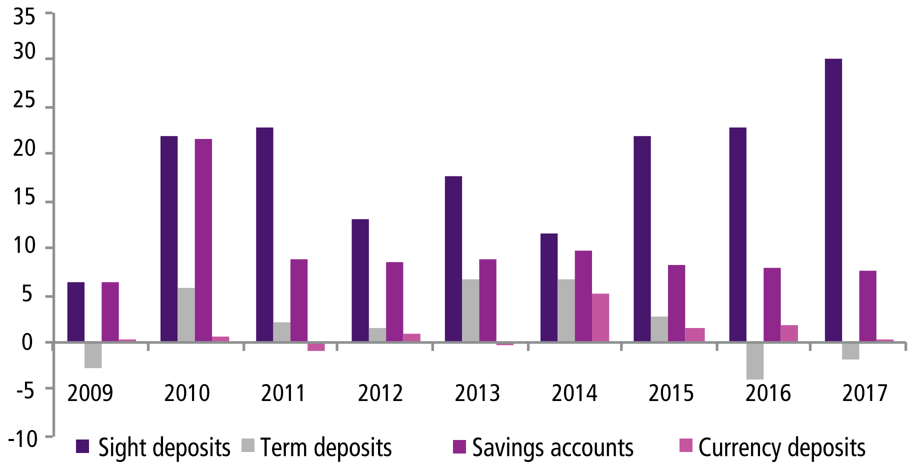
1.9.2.3 Household financial flows

Households' financial assets[1] increased sharply by 70.7 billion in 2017 after 55.7 billion in 2016. This is mainly due to an increase in their deposits by 39.9 billion after 30.9 billion, with in particular

1 Excluding trade credits and shares

an acceleration of the growth of sight deposits and a decline of time deposits. Similarly, holdings of mutual funds securities increased by 2.8 billion after their 1.7 billion rise in the preceding year.

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



Regarding their liabilities, loans from financial companies increased by 16 billion from 12.4 billion a year earlier. Bank credit increased by 11.9 billion from 10.4 billion, including a 7.1 billion increase, after 9.4 billion, in housing loans.

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

	2016	2017
Financing capacity[1]	**3.5**	**6.8**
Net flows of financial assets acquisition (excluding trade credits and shares)	**55.7**	**70.7**
Cash	10.6	15.5
Deposits	30.9	39.9
Negotiable debt securities	-0.2	1.5
Mutual fund shares/units	1.7	2.8
Insurance technical reserves	12.8	11.0
Net flows of liabilities (excluding trade credits and shares)	**12.4**	**16.0**
Loans	12.4	16.0

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

Sources : Bank Al-Maghrib, MCMA and Maroclear.

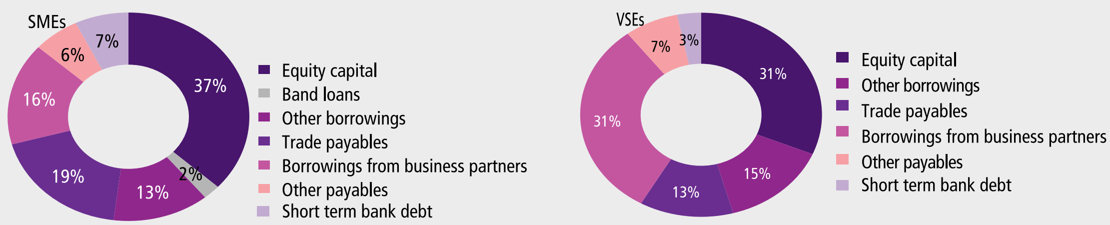
Box 1.9.1: The financing of very small, small and medium-sized enterprises in Morocco

The financing of very small, small and medium-sized enterprises (VSMEs) is a recurring problem in developed countries as well as in emerging and developing economies. On account of the importance of this category of businesses in the productive fabric and in job-creation, this issue often comes up in public and political debates and arouses the interest of international institutions.

In the case of Morocco, several studies and surveys have been conducted to understand this issue. Bank Al-Maghrib estimates, based on the balance sheet data of OMPIC (Moroccan Office of Industrial and Commecial Property), show a predominance of equity in the liabilities' structure of the VSMEs. For SMEs in particular, it accounted for 37 percent on average between 2012 and 2016, as against 20 percent for bank credit and 19 percent for trade payables. For VSEs, this structure remains almost similar, with however a greater weight for borrowing from partners.

In the same context, the results of a survey carried out by the European Investment Bank in some Southern Mediterranean countries[1] indicate that equity and retained earnings are the main source of financing for Moroccan SMEs, with a 60 percent share for investment and 70 percent for working capital requirements (WCR). As for bank credit, it contributes 20 percent each. This structure remains broadly similar to that observed in the other countries covered by the survey, where self-financing covers 60 percent of investment expenditure and 80 percent of the WCR and bank credit contributes 19 percent and 11 percent respectively.

Chart B1.9.1.1: Structure of liabilities of Moroccan VSEs and SMEs (2012-2016 average)



Sources: OMPIC data and BAM calculations.

The predominance of self-financing for SMEs is oftentimes associated, according to several studies, with the desire to maintain control over the company, the reluctance to increase financial transparency for tax or competition reasons, or still due to difficulties in having access to other modes of financing.

In this regard, the results of the World Bank's survey[2] on obstacles to the development of the private sector, conducted from May 2013 through December 2014, indicate that access to funding is mentioned in the fourth position. Corruption, the insufficiently trained workforce, and the informal sector are the main impediments affecting the business climate in Morocco.

1 Beneficiary countries of the Facility for Euro-Mediterranean Investment Partnership (FEMIP) are: Algeria, Egypt, Gaza-West Bank, Israel, Jordan, Lebanon, Morocco, Syria, and Tunisia.

2 Jointly carried out by the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and the World Bank (WB).

PART 2

ACHIEVEMENT OF BANK MISSIONS

HIGHLIGHTS OF THE YEAR

The year 2017 will be remembered for the completion of a thorough process of reflection and preparation for Morocco's gradual transition to a more flexible exchange rate regime. This major project has required an unprecedented mobilization of the staff of both the Ministry of Economy and Finance and Bank Al-Maghrib to ensure complete preparation at the strategic, operational, communication, awareness and support levels. The aim of this reform, whose implementation began in 2018, is to sustain the competitiveness of the economy and strengthen its ability to absorb external shocks. It should also serve as a lever for other macroeconomic policies and contribute to achieving the ambition of turning Casablanca Finance City into a regional financial hub.

Building on this reform, works pursued to set up a reference framework for inflation targeting in Morocco, which should be adopted once sufficient progress is made with regard to the transition to a more flexible exchange rate regime.

Concerning the achievement of its missions, Bank Al-Maghrib maintained the accommodative orientation of its monetary policy in 2017. As such, it kept its key rate at 2.25 percent in a context auguring, in the medium-term, moderate inflation levels and sustained improvement of economic growth. At the same time, the Bank continued adapting its liquidity injections to the needs of the banking system and implementing its VSMEs financing support program.

As a regulator of the banking sector, the Bank continued to support and strengthen the resilience of credit institutions in many areas related to the regulatory framework and the conditions for implementing participatory finance. While remaining particularly attentive to banking customers' protection, it has closely monitored the evolution of risks, especially cross-border ones, in coordination with the authorities of the host countries. In terms of financial stability, the Bank worked on finalizing the institutional framework, establishing an analytical system for assessing systemic risks and implementing macroprudential instruments.

With respect to the fiduciary activity, production has exceeded, for the second year running, the threshold of one billion banknotes, a part of which is export-oriented. As for the payment systems and means, Bank Al-Maghrib is set to launch mobile banking, in collaboration with the National Agency for the Regulation of Telecommunications, banks and telecom operators, with a view to encouraging the use of electronic payments. It has also coordinated intensively with the Ministry of Economy and Finance as well as with various stakeholders, to define a financial inclusion strategy whose implementation would improve access to financial services and reduce gaps in this area, especially for women and rural populations.

Aware of the importance of financial reporting for credit decision-making, the Bank has continued to develop the activity of information registries in line with best practices in this area. With regard to the Bank's network, and in order to ensure its repositioning and optimize its contribution to the implementation of advanced regionalization, a specialization plan for headquarters activities was developed during this year.

In the same vein, the Bank continued its active contribution to the various national projects and reflections, the latest of which was the call made by His Majesty the King to reconsider our development model in line with Morocco's evolution. Such dynamism is nothing but a reflection of Bank Al-Maghrib's ambition to be "a performing central bank and a force for change supporting the country's emergence".

At the regional and international levels, the Bank maintained close ties of cooperation with its peers and actively participated in the reflections and works carried out in different international bodies and institutions in various fields of intervention. More particularly, it has provided assistance and expertise to its partners, mainly in Africa and the Middle East, whenever sought.

Bank Al-Maghrib's openness is also reflected in its contribution to cultural life, with the sustained and diversified cultural actions held in its Museum, and has organized or participated in several national or international events. To consolidate this outreach, Bank Al-Maghrib has set up an adapted communication policy, with an increasingly strong presence in the social media.

To corroborate this dynamic of improvement, certification of the Integrated Management System (IMS) has been maintained for all the Bank's processes further to the first follow-up audit of the 2016-2018 triennial cycle. This audit has confirmed the Bank's compliance with the normative requirements of the new ISO 9001 and ISO 14001 versions and the OHSAS 18001 standard.

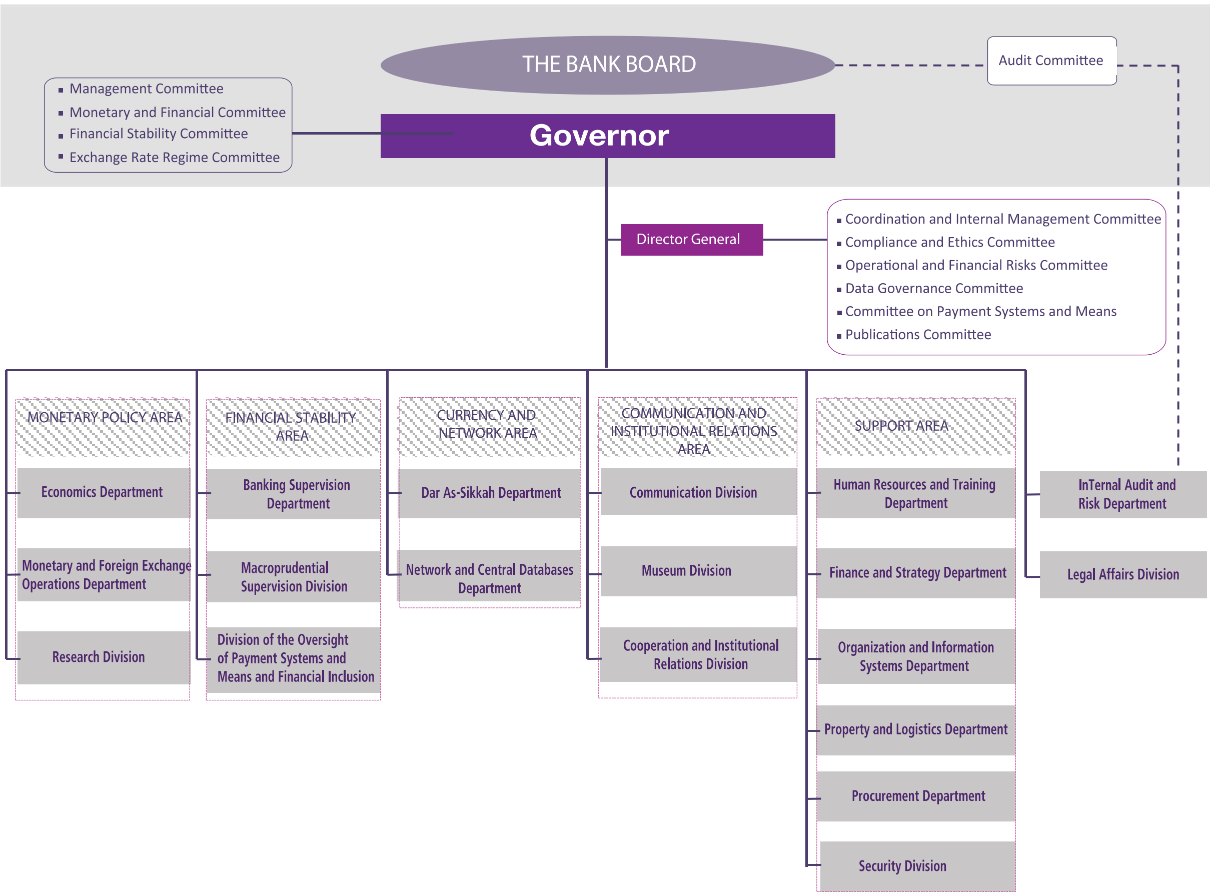
In order to get all these projects accomplished, Bank Al-Maghrib has put human capital at the core of its preoccupations. In fact, the Bank has always been mindful, in its human resources policy, of enhancing and developing the employees' skills, improving their working conditions and anchoring the spirit of cooperation and good managerial practices.

2.1 Governance and strategy

2.1.1 Organizational and governance structure

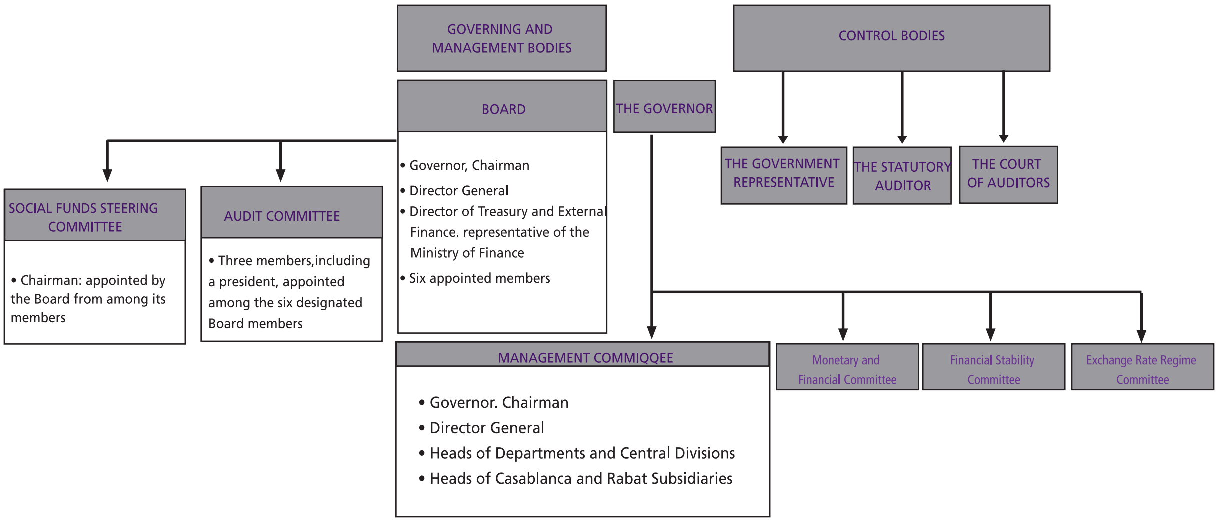
The Bank's organizational structure is based on 19 entities and 10 permanent governance bodies, each of which intervenes in one or more fields of activity.

Bank Al-Maghrib organization chart



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

Bank Al-Maghrib governance bodies



2.1.1.1 The Governing and management bodies

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

The Board, which meets quarterly following a predefined timetable made public at the beginning of the year, sets the quantitative objectives for monetary policy. It is also responsible for defining the characteristics of banknotes and coins issued by the Bank and taking decisions about their circulation or withdrawal.The Board also set out the general principles governing operations of foreign exchange reserves It is in charge of the Bank's management, particularly with regard to internal policies, financial management and accounting, as well as the Bank's organization.

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

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

- The Social Funds Steering Committee, responsible for managing the Bank's internal pension and health insurance plans and monitoring their technical and financial management. It is chaired by a member of the Board and is composed of the heads of entities 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 accordance with good governance practices, the Bank Board carries out a self-assessment of its functioning every two years.

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

The Management Committee assists the Governor in managing the Bank's business. It is composed of the Governor, the Director General, the heads of central departments and divisions and the heads of Rabat and Casablanca branches. It holds monthly meetings, with the rotational participation of the heads of the other branches, who can also follow the discussions through video-conferencing.

The Governor is also assisted by:

- The Monetary and Financial Committee in areas related to monetary policy, foreign exchange reserves management, banking supervision and systems and means of payment. It meets monthly according to a pre-established schedule. Its meetings are preceded by a preparatory meeting, meant to discuss and validate the macroeconomic projections drawn up by the Bank staff;
- the Exchange Rate Regime Committee, which is responsible for reviewing and implementing all aspects of the reform of the exchange rate regime;
- the Financial Stability Committee, which is tasked with assessing risks to financial stability and examining measures to mitigate them. It meets every six months.

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

- The Internal Coordination and Management Committee: it is responsible for discussing the Bank's coordination and management issues, mainly in relation to the following areas of activity: strategy, budget, organization, integrated management system, information systems, training, communication, cooperation, financial information, logistics, security and procurement ;
- The Compliance and Ethics Committee is responsible for reviewing and approving compliance and ethics policies and guidelines, as well as for assessing and monitoring the Bank's exposure to noncompliance risks;

- The Operational and Financial Risk Committee reviews the Bank's general risk management policy and validates risk mapping prior to its approval by the Governor and its review by the Board. It also monitors the proper functioning of information security and business continuity measures;
- The Data Governance Committee brings together the producers and users of the Bank's data in order to ensure better pooling and use of such data;
- The Payment Systems and Means Committee is responsible for examining and approving the strategic guidelines relating to systems and means of payment and advising on requests for authorization for the exercise of activities related to market infrastructures;
- The Publications Committee is in charge of advising on the strategy with regard to the working papers' publication strategy and proposing measures to promote the Bank's publications.

Reports of all these Committees are submitted to the Governor for validation.

2.1.1.2 Control bodies

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

The Bank's accounts are audited annually by an external statutory auditor. The latter certifies the Bank's financial statements, assesses its internal control system and submits his report to the Board. External audit in 2017 was provided by Mazars, appointed in 2015 for a non-renewable six-year term in accordance with the Bank's rules.

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

2.1.1.3 Audit committee

In 2017, the Audit Committee reviewed the annual accounts of the Bank as at December 31, 2016 and recommended the Board to approve them. It also reviewed the statutory auditor's action plan for 2017.

The Committee also examined the main conclusions of the 2016 report on the Bank's internal control system, mainly the assessment of its level of maturity and its different components.

Moreover, the Committee considered the results of operational, reputation, financial and strategic risk control arrangements for 2017 and gave its opinion on the internal audit program for 2018, prior to its approval by the Bank Board.

2.1.2 Strategy

As part of its 2016-2018 strategic plan, Bank Al-Maghrib aims to be: "A performing central bank and a force for change supporting the country's emergence". To this end, the Bank strove to implement two strategic priorities:

- Strengthening its capabilities in order to support the national economy evolution and enhance financial system resilience;
- Rationalizing the use of its resources in a modern working environment enabling collective performance".

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

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

At the end of the second year of its three-year plan deployment, the Bank has made significant progress with regard to these priorities.

Table 2.1.2.1: Main 2017 achievements as part of the Bank's 2016-2018 strategic plan

Monetary policy	Banking supervision anf financial stability
• Publication of circulars on the measures of implementing the new exchange rate regime, the terms of foreign exchange transactions and foreign exchange auctions; • Adaptation of the governance and strategic frameworks of monetary policy, including the setting up of new dedicated committees and reviewing the monetary policy decision-making process; • Strengthening the monetary policy forecast mechanism by refining satellite models of the macroeconomic projections system and improving the annual simulation model of the public policies impact; • Conducting several research projects on the effects of the transition to the new exchange rate regime, the opening of the capital account and the transmission mechanisms of monetary policy; • Deployment of several communication actions in connection with the transition to the new exchange rate regime: - Dissemination, on the Bank's website and Youtube channel, of two educational videos in four languages; - Animation of several meetings with journalists and organization of listening and awareness sessions for CGEM and chambers of commerce; - Presentation of the reform to academics at the International Macroeconomics and Finance Days, organized jointly with the Cadi Ayad University in May. • Release of the information system components that accompany the reform of the exchange rate regime, particularly the foreign exchange auction platform, the dirham rating solution and the bookkeeping system.	• Approval of five participatory banks, three participatory windows and five payment institutions; • Pursued adaptation of relevant regulatory, accounting, prudential and control frameworks; • Strengthening the regulatory and supervisory framework of credit institutions, namely with the ongoing reform of the receivables classification rules, the publication of the new circular on due diligence in the fight against money laundering and terrorist financing (AML / CFT) and the adoption of a directive on intrusion tests; • Adoption of the circular relating to the internal crisis recovery plan and continued actions for setting up the bank resolution function in coordination with the stakeholders; • Strengthening the supervision of cross-border activities, by signing new cooperation agreements with host country regulators, holding annual meetings of the colleges of supervisors of the three cross-border banking groups and following up the harmonization projects of internal control and AML/CFT risk management systems; • Enrichment of the risk assessment system on financial stability, particularly through analysis of risks arising from the establishments in Africa and from interconnections between banks and insurance companies, as well as by setting up an analytical framework on the interactions between monetary and macroprudential policies; • Set up of macroprudential instruments relating to the counter-cyclical capital buffer and the capital surcharge; • Evaluation of FMI's resilience, using the test of the smooth operation of the business continuity plan of Maroclear and the Casablanca Stock Exchange; • Continued actions to promote financial inclusion, including: - holding the "Search Conference" in May on the pre-formulation of the national strategy for financial inclusion and the dissemination of the related report; - completion of the study on financial inclusion of women and of the FINDEX survey; - contribution to the implementation of the national mobile payment solution.

Network, currency & secure documents	Governance
• Continued work on the establishment of the Bank Network in the cities of Dakhla, Errachidia and Goulmime. • Development of a headquarters specialization strategy taking into account the new regional division and the evolution of the Network's activities; • Implementation of the action plan aimed at transforming Dar As-Sikkah into a profit center mainly through: - developing a framework to measure the financial results and the performance of Dar As-Sikkah, while providing the latter with a certain level of autonomy in managing its resources; - reviewing the analytical and accounting standards concerned; - mapping the international banknote production market, in order to better position itself on this activity; - widening the portfolio of secure documents to new products, including the driver's license and registration.	• Elaboration of a normative framework of data governance, which particularly specifies the common principles in terms of collection, management and sharing of data, and its deployment on the basis of monetary, economic and financial series and on information registries; • Deployment of the cybersecurity governance framework, by: - identifying sensitive information systems of the Bank, in accordance with the recommendations of the General Directorate of Information Systems Security; - reviewing the level of compliance of the Bank's information security systems with the requirements of the General Information Systems Security Directive; - defining the Bank officers' awareness strategy with regard to information security and implementing the annual program related thereto. • Continued work under the Bank's new Master Plan on the Safety and Security Systems, focusing on the modernization of video surveillance, access control and intruder systems, the upgrade of fire safety and computer security systems and the redesign of the network architecture.

Resources
• Continuing works to develop succession management and promote inter and intra-entity cooperation: - Development of reference standards for good managerial practices in this area; - Development of succession plans for critical positions by 2021; - design of training actions dedicated to managers; - organizing several Coaching and Teambuilding actions for 90 managers, concerning the members of the Management Committee and the heads of services working in the areas of "monetary policy" and "financial stability". • Implementation of projects related to the Bank's digital transformation, related to the enhancement of the digital maturity of employees, the transformation of the information system and processes as well as the development of digital communication. • Development of the Bank's document management charter which defines the principles of organizing and managing documents, both physically and electronically, throughout their life cycle.

2.1.3 Internal control, audit, risk management and ethics

2.1.3.1 Internal control system

The Bank's internal control system (ICS) is based on the COSO[1] reference framework and is subject to an annual review for all of its components[2]. This review, whose main findings are presented to the Board, is developed based on the results of a self-assessment by the entities of their control arrangements, the overall operational risk map and the findings of internal and external audits.

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

2 Control environment, risk assessment, control activities, information and steeringt

ICS evaluation in 2017 focused on first level computer controls, in view of their importance in a context of growing computerization of the Bank's activities.

After having started the maturity range evaluated at Level 5 "Optimized", the ICS was consolidated by the review of its evaluation process to take into account the progress made and the evolution of the internal control benchmarks and standards (COSO 2013 entered into force in 2015). This new approach makes it possible to evaluate the effectiveness and the integrated functioning of the five components of internal control, based on the 17 performance principles recommended by this reference framework. The objective is to ensure the maintenance of the level of maturity 5 above, while adapting it to the evolution of the Bank's activities and its economic and regulatory environment as well as to the risks that it entails.

2.1.3.2 Internal audit

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

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

Table 2.1.3.1 : Major processes audited in 2017

Core business processes	Support processes
• Currency activities	• Information systems
• Banking supervision	• Physical security
• Foreign exchange and reserve management	• Infrastructure and work equipment
• Bank operations	• Communication
• Bank network activities	• Project management

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

2.1.3.3 Risk management

Governance of risk management

A comprehensive risk management policy, set out in the governance charter, consolidates the basic principles governing risk management within the Bank, be they strategic, operational or financial. This policy particularly specifies the objectives and scope of risk management as well as the roles and responsibilities of the various actors and governance bodies concerned.

As part of the drive for continuous improvement, maturity of the risk management system was self-assessed by the Bank's entities in 2017, and completed by an external evaluation by peer central banks, recognized by their progress in this area.

Strategic risks

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

As part of the strategic steering, the risks related to the three-year plan were reviewed in 2017 in light of the results of the key indicators developed to measure changes in their level of control and action plans for their mitigation.

Operational risks

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

For the year 2017, risk mapping was updated in continuation of the work carried out in 2016 with close monitoring of the strong risks and actions defined to control them. In addition, a focus has been placed on particular typologies of risks such as the risk of fraud or that of dependence on key suppliers.

Finally, a specific approach allowing a more detailed analysis of the Bank's exposure to reputational risk has been adopted. It relies mainly on the analysis of the "image" impact induced by primary risks (strategic, operational and financial) and the media spin-offs.

Financial risks

Financial risks cover the following categories:

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

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

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

In 2017, the momentum of back-up exercises, during which the most business-critical activities were performed from contingency locations, was maintained and reinforced by several grouped and simultaneous exercises on these sites.

In addition, the Bank organized in October its fourth crisis simulation exercise around a fire scenario affecting a central administrative site. The objective of this exercise is to test the interface of emergency management, crisis management and business continuity processes.

With regard to information security, work continued to maintain compliance, with the ISO 27001 standard, of the Bank's information security management system relative to the scope of the "Information system" and "Banking operations" processes. In 2017, uncertified processes have been aligned to this standard.

Besides, information security awareness strategy has been deployed in 2017, and broken down into several actions, including the distribution of guides aimed at targeted populations, the dissemination of several "news flashes" on security issues as well as the organization of an awareness campaign for all Bank staff.

2-1-3-5 Ethics

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

Starting from 2005, the Bank put in place an ethics system based on a participatory approach. This system includes a Code of ethics applicable to the Bank staff members, a Code of ethics applicable to the members of the Board, and other variations dedicated to some sensitive functions (persons involved in the procurement process, internal auditors, external service providers and suppliers). In addition, a whistleblowing system allows staff members to report, in a formalized and secure manner, any behavior that does not comply with the Bank's rules of good conduct.

In 2017, an explanatory guide to the ethics alert system was designed and distributed to all Bank staff. This year was also marked by the review of certain rules of the Bank's ethics framework and by the launch of amendments to the Code of Ethics, in accordance with Article 28 of the Code, which provides for an update of its provisions every two years.

2.1.4 Legal compliance

During 2017, the Bank carried out prior verification of all its digital transformation projects to control their compliance with the legal and regulatory requirements on personal data protection. Besides, to meet its obligations as an institution subject to Law no. 31-13, the Bank has continued implementing the actions set out as part of establishing an internal system of access to information.

The year also marked the launch of the National Money Laundering and Terrorism Financing Risk Assessment, under the second round of mutual evaluation of the Financial Action Task Force (FATF) for the Middle East and North Africa. To this end, an ad-hoc national commission in charge of coordinating and preparing this evaluation has been set up and managed by Bank Al-Maghrib.

As part of the "Anti-corruption of the southern region" project agreed between the Moroccan Government and the Council of Europe, the Bank organized, in collaboration with the Unit of Financial Intelligence and the National Instance of Probity, Prevention and Fight Against Corruption, a workshop on preventing laundering the proceeds of corruption. This action focused mainly on strengthening national capacities with regard to the financial investigation techniques in this area and analysis of related reports of suspicious transaction.

2.2 BANK MISSIONS

2.2.1 Monetary policy

In 2017, Bank Al-Maghrib maintained the accommodative stance of its monetary policy. In anticipation of the moderate levels of inflation in the medium term and of the continued recovery of non-agricultural activities, the Bank Board decided to keep the key rate unchanged at 2.25 percent. At the same time, the Bank continued to support and facilitate the financing of VSMEs, mainly through its dedicated program set up in 2013.

At the operational level, bank liquidity requirements widened during the year, due to the combined effect of higher currency circulation and lower foreign exchange reserves. Under these circumstances, the Bank increased the volume of its weekly injections to an average of 42.3 billion dirhams instead of 15.5 billion in 2016. As such, the interbank rate, the operational target of the monetary policy, was kept very close to the key rate.

2.2.1.1 Monetary policy decisions

According to the Bank's forecasts, presented to the Board at its first meeting, inflation would reach moderate levels over the forecast horizon, averaging 1.4 percent. Meanwhile, its core component, under the particular impact of improved domestic demand and higher imported inflation, was expected to go upwards, rising from 0.8 percent in 2016 to 1.9 percent in 2018.

The recovery of nonagricultural activities was projected to strengthen, as their value added was forecasted to rise by 2.9 percent in 2017 and 3.5 percent in 2018. Besides, the agricultural sector was expected to recover by 11.5 percent in 2017 under favorable weather conditions, then decelerate to 2.5 percent in 2018 assuming a normal agricultural crop. Overall growth would thus increase to 4.3 percent and then to 3.8 percent. On the demand side, this dynamic was to be driven by final household consumption and, to a lesser extent, investment. Under these conditions, bank loans intended for the nonfinancial sector were expected to accelerate to 4.5 percent in 2017 and 5 percent in 2018.

In terms of macroeconomic balances, fiscal adjustment was to continue with a deficit of 3.7 percent of GDP in 2017 and 3.4 percent in 2018. At the same time, further to improved foreign demand, especially from the euro area, the deficit balance of the current account would decrease to 3.3 percent of GDP and stand at 3.5 percent in 2018. Net international reserves were expected to strengthen to an equivalent of 6 months and 20 days of imports of goods and services at the end of the forecast horizon.

In light of all these elements, the Board considered that the key rate of 2.25 percent continued to provide favorable monetary conditions, and therefore decided to keep it unchanged.

Table 2.2.1: Inflation forecasts in 2017 (%)

		Board meetings			
		21 March	**20 June**	**26 September**	**19 December**
Average inflation over an 8-quarter horizon	**Horizon**	**Q1 2017-Q4 2018**	**Q2 2017-Q1 2019**	**Q3 2017-Q2 2019**	**Q4 2017-Q3 2019**
	Average	1.4	1.3	1.1	1.5
Average inflation in 2017		1.1	0.9	0.6	0.7
Average inflation in 2018		1.7	1.6	1.3	1.5
Average inflation in 2019		-	-	-	1.6

During the second and third meetings of the Board, changes in global oil and food price assumptions led to a downward adjustment in inflation forecasts, while remaining at moderate levels over the medium term.

Regarding growth, forecasts were kept unchanged for 2017 as the downward revision of domestic demand was offset by a lower negative contribution of net exports. On the other hand, it was reduced to 3.1 percent for 2018, mainly due to the adjustment in the expected pace of final household consumption.

The Bank projected a larger increase in capital goods purchases and, therefore a higher deficit in the current account. Considering also the high amounts of foreign currencies purchases by banks between April and July for future needs of their customers, net international reserves were adjusted downwards to 6 months of imports over the forecast horizon.

Under these conditions, the Board considered that the key rate is appropriate and decided to keep 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			• Extending the eligible collateral for monetary policy operations to certificates of deposit • Adjusting auction periods with monetary reserve periods • Removing savings accounts from the basis of calculating reserve requirements
September 20, 2011			Introducing longer term repurchase agreements
March 27, 2012	Decrease from 3.25% to 3%		Extending eligible collateral for monetary policy operations to securities credit representing securities claims on VSMEs
September 26, 2012		Decrease from 6% to 4%	
December 13, 2012			• Implementing the first operation of loans secured by securities destined to VSMEs • More flexible criteria of eligibility for certificates of deposit
December 11, 2013			New program to further encourage bank financing for VSMEs.
December 19, 2013			Decision not to pay interest on required reserves
March 25, 2014		Decrease from 4% to 2%	
September 23, 2014	Decrease from 3% to 2.75%		
December 16, 2014	Decrease from 2.75% to 2.50%		
July 1, 2015			New rule for the allocation of 7-day advances taking into account each bank's effort to grant loans to the real economy and the impact of the central bank's decisions to reduce the key rate.
March 22, 2016	Decrease from 2.50% to 2.25%		
June 21, 2016		Increase from 2% up to 5%	Paying interest on the required reserves of banks making greater efforts in lending

In its last meeting of the year, the Board noted a clear improvement in the external accounts; a trend that is set to continue, supported in particular by the prospects of a better growth in the euro area. The current account deficit would thus end the year at 3.6 percent of GDP and stay close to this level in the medium term.

Besides, national accounts data indicated a more rapid growth, driven mainly by the agricultural sector, as the growth of nonagricultural activities was rather slow. Hence, growth forecast was revised to 4.1 percent in 2017 and 3 percent in 2018 and was expected to increase to 3.6 percent in 2019.

Taking into account, in particular, the upward revision of oil price assumptions, inflation projections were slightly adjusted to an average of 1.5 percent over the forecast horizon.

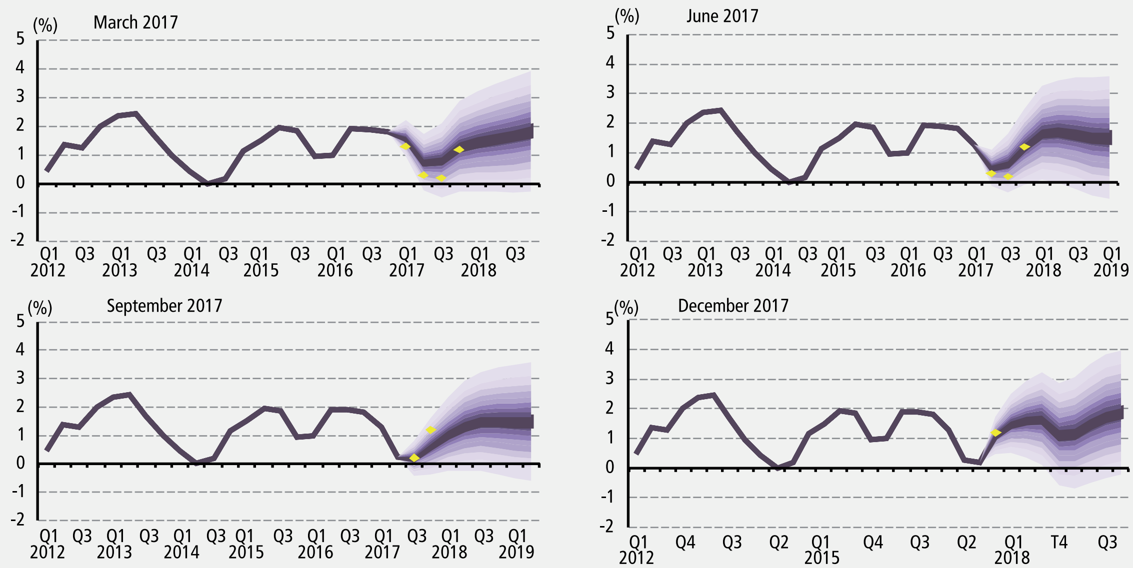
On the basis of these developments, the Council decided to keep the key rate unchanged at 2.25 percent.

Box 2.2.1: Assessment of inflation and growth forecasts for 2017

The Bank Board's monetary policy decisions are based on projections of the main macroeconomic aggregates over eight quarters. Assessment of the quality of these forecasts falls under the Bank's transparency policy and allows improving the forecasting mechanism. Regarding the projections prepared for the four Board meetings of the year under review, and given that only 2017 achievements are available, the assessment is limited to this year and will focus on inflation and growth.

Thus, with regard to inflation, review of the quarterly forecast fan charts[1] indicates that all achievements fall within the 90 percent confidence intervals.

Chart B2.2.1.1: Inflation fan charts* for the four quarters of 2017

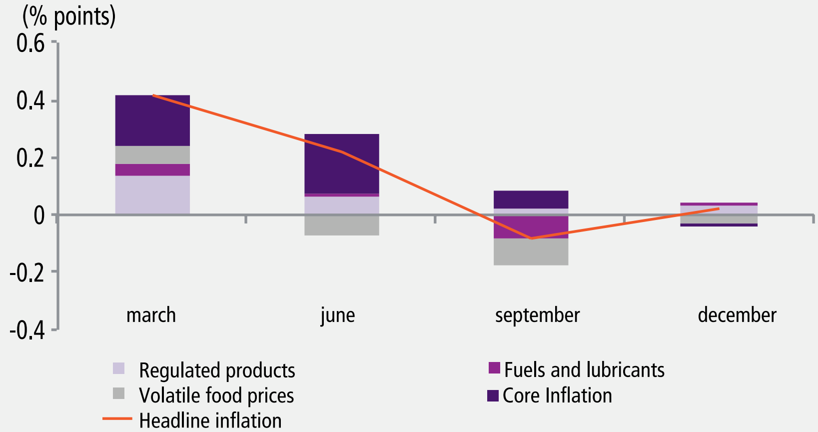


* The points on the fan charts represent observed inflation rates.

1 Fan chart is a method of visualizing the distribution of economic forecasts with confidence intervals ranging from 10 percent to 90 percent.

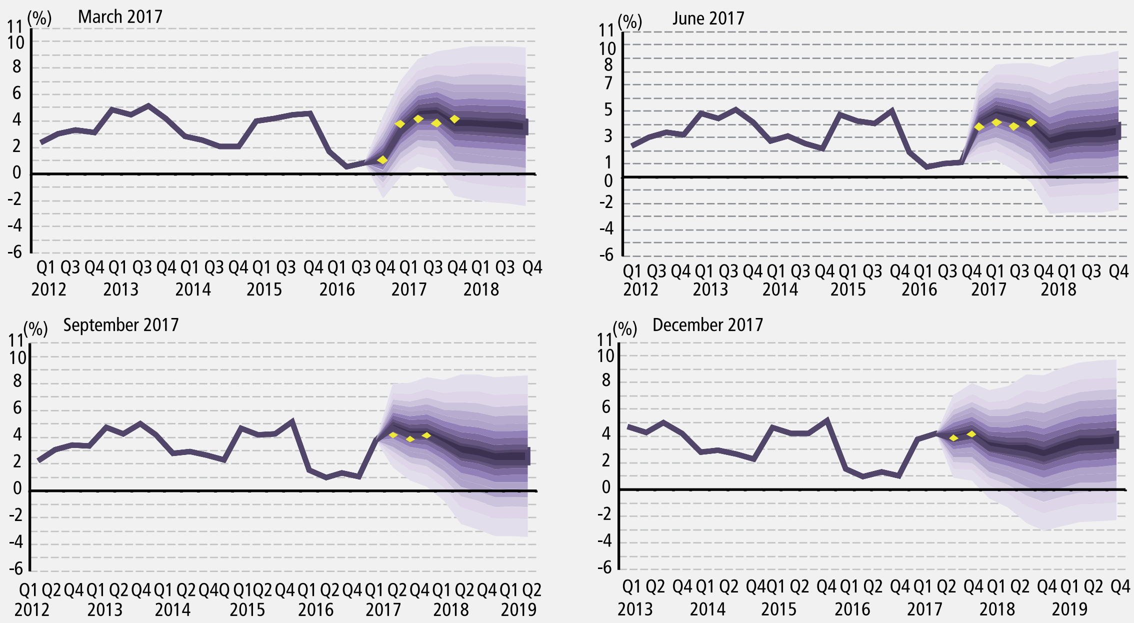
For the year 2017 as a whole, forecasts ranged from 0.6 percent for the September exercise to 1.1 percent for the March exercise. Taking into account an achievement of 0.7 percent, the highest gap equals 0.4 percentage points, particularly due to an overvaluation of both core inflation and regulated products' price rise.

Chart B2.2.1.2: Forecast gap by CPI component (Contributions in percentage points)



In terms of growth, achievements for the four quarters of the year reached levels close to the central forecast path.

Chart B2.2.1.3: Growth fan charts for the four quarters of 2017

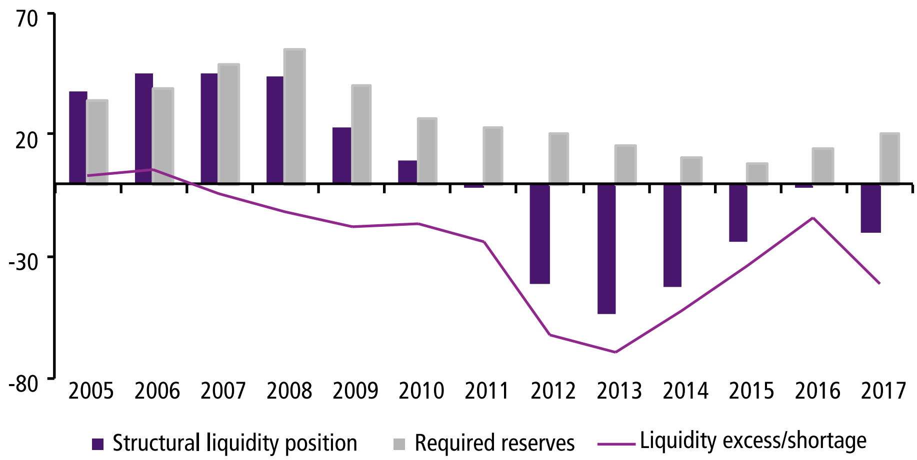


On an annual basis, growth forecast ranged from a low of 4.1 percent in December to a maximum of 4.4 percent in June, as against 4 percent. The differences recorded are largely owed to the overestimation of "taxes net of subsidies" increase. Growth forecasts of nonagricultural value added remained stable and close to completion at 2.7 percent, except for the second year, where a 2.4 percent rise was projected. As for agricultural value added, which depends on the crop year, the forecast has been subject to relatively important revisions, particularly in the second quarter following the publication of the first cereal production estimates by the Ministry of Agriculture, Maritime Fisheries, Rural Development and Waters and Forests.

2.2.1.2 Implementation of monetary policy

After their downward trend observed since 2014, banks liquidity requirements recorded a sharp increase in 2017 amounting to 41.4 billion dirhams on a weekly average against 14.7 billion a year earlier. This change is mainly due to the increase of currency in circulation by 13.1 billion and the decrease of net foreign exchange reserves by 11.4 billion.

Chart 2.2.1: Structural liquidity[1] position and required reserves amount (end-of-week average, in billion dirhams)



1 The structural liquidity position of banks equals the sum of Foreign exchange reserves, net position of the Treasury and other net factors, minus cash in circulation.

Under these conditions, Bank Al-Maghrib increased the volume of its 7-day advances by 9.1 billion to 37.4 billion. Besides, with a view to meeting the occasional liquidity requirements, the Bank proceeded to 13 operations of 24-hour advances, at the initiative of the banks, for an average volume of 3.1 billion per operation.

At the same time, the Bank continued implementing its program under the one-year secured loans granted as part of the VSMEs financing support with an average amount of 4.2 billion dirhams.

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

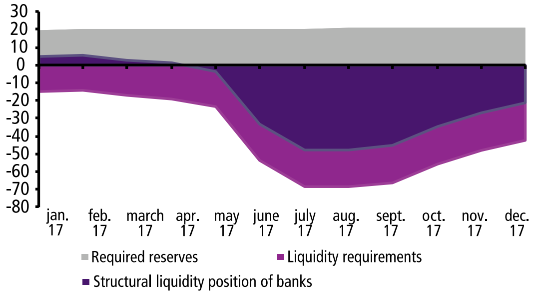
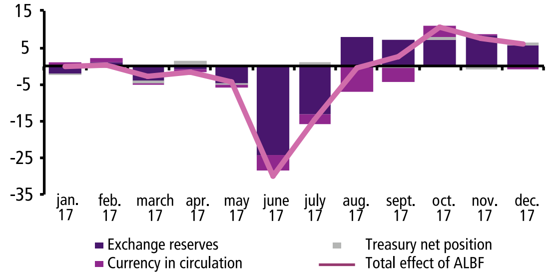


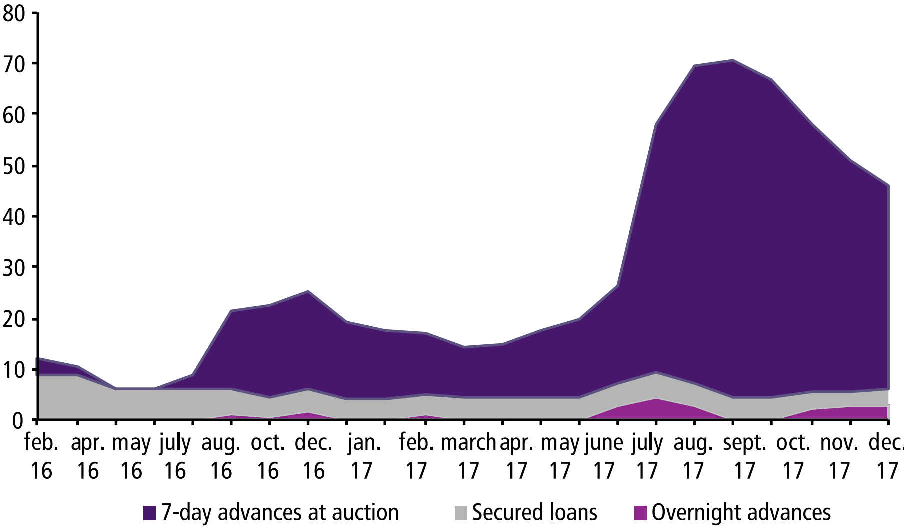
Chart 2.2.3: Contribution of autonomous factors to the change in liquidity requirements (end-of-week average, in billion dirhams)



Infra-annual analysis shows that banks' liquidity needs have almost stabilized over the first five months of the year around a weekly average of 18.4 billion dirhams. Between June and September, due to the seasonal increase of currency circulation and to foreign exchange reserves contraction, attributable to the important currency purchases by banks for the future needs of their customers, liquidity requirement rose significantly and reached 63.3 billion. As a result, the Bank increased the weekly average volume of its injections to 64.3 billion against 18.9 billion between January and May.

Over the remainder of the year, as foreign exchange reserves got higher, liquidity deficit gradually eased from 55.6 billion in October to 42.2 billion in December. Consequently, the Bank reduced its interventions from 56.8 billion to 44.4 billion.

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



By adapting Bank Al-Maghrib's interventions to the needs of the banking system throughout the year, it became possible to maintain the weighted average rate- the operational target of monetary policy- close to the key rate.

Besides, the volume of interbank exchanges recorded a sharp increase in 2017, amounting to 4.2 billion dirhams on a daily average, against 2.5 billion in 2016. The largest volumes were recorded in June and July, with daily averages of 5.4 billion and 6.6 billion respectively.

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

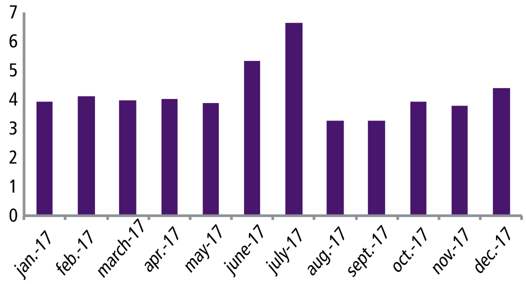
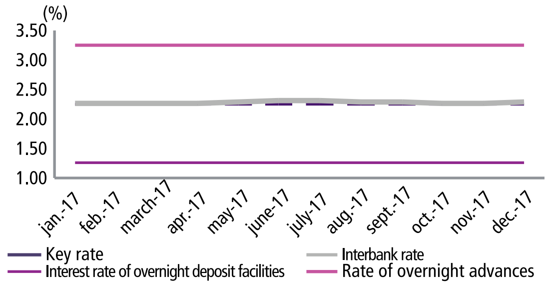


Chart 2.2.6 : Weighted average rate in the interbank market (daily averages)



Box 2.2.2: Transition to a more flexible exchange regime

Since the introduction of the dirham in 1959, Morocco has adopted the fixed exchange rate regime, and the national currency was attached to the French franc, given that trade transactions mainly occurred with France. However, as Morocco's partners became more diversified, the dirham started being attached to a basket of currencies in 1973. Reflecting the country's external regulations, this basket has been readjusted several times to take account of changes in the structure of its exchanges. In 2001, its composition was limited to the euro and the US dollar with respective weights of 80 percent and 20 percent. These were upgraded in April 2015 to 60 percent and 40 percent respectively.

1.Transition to a more flexible exchange regime

Relevance of maintaining the fixed exchange rate regime started being questioned in the early 2000s, as the economy became more and more open, mainly with the signature of several free-trade agreements, and the will expressed in 2010 to set up Casablanca as a regional financial hub, and on the other hand, as markets became more volatile and the trade balance deteriorated. In this context, the Central Bank initiated a first reflection to evaluate the opportunity and the conditions necessary for moving to a more flexible regime. This possible reform should therefore strengthen the resilience of the national economy in facing external shocks and support its competitiveness.

The advent of the 2008 crisis, combined with the soaring oil prices and their effects on macroeconomic balances, put the project on stand-by. However, in 2014, the work resumed and was expanded to cover the strategic, operational and communication aspects around a possible transition to a flexible exchange rate regime.

Consequently, monetary authorities conducted a thorough reassessment of the prerequisites for this transition, and carried out several studies of impact simulation and assessment of exchange rate alignment. In anticipation of this transition, the Bank redesigned the monetary policy analysis and forecasting system and its operational framework for intervention on the foreign exchange market. Besides, it has developed and deployed a communication strategy, focusing more specifically on preparing operators and raising awareness of the general public. A particular work of sensitization and consultation was also carried out with the banking system, called upon to play a central role in this reform.

On January 12, 2018, authorities announced the decision to switch to a new exchange rate regime starting from the 15th of the same month. Thus, while maintaining the current reference basket as the basis for calculating the exchange rate of the dirham, the fluctuation band was widened from ± 0.3 percent to ± 2.5 percent. This decision is the first step in a voluntary and gradual transition to a more flexible regime.

2.Operational framework of the new exchange regime

As part of implementating the new exchange rate regime, several adjustments have been made to Bank Al-Maghrib's intervention system.

Thus, in order to regulate liquidity in the foreign exchange market, the Bank set up an auction system[1] for the purchase or sale of the US dollar[2] against the dirham. It also continues, though occasionally, to conduct OTC transactions to purchase or sell currencies against dirhams, as well as loans and borrowings of foreign currencies or currency exchange swaps against dirham.

At the beginning of each day (session), the Bank determines the central price of the dirham against the US dollar, based on the Euro/Dollar parity, and the fluctuation band of ± 2.5 percent, within which the dirham exchange rate may vary depending on the supply and demand in the market. It also updates these data prior to each auction and when the Dollar records a significant change at the international level. For other currencies, banks fix their price against the dollar according to the international market and to the price of the dirham against dollar set by Bank Al-Maghrib.

1 Only banks with market holder status are admitted to currency auction sessions. Market holders are the banks that undertake to comply with the obligations set by Bank Al-Maghrib, namely for continuous firm listing on the purchase and sale of the USD/ MAD parity.

2 The Bank may possibly purchase or sell of other currencies against the dirham.

The Bank also calculates and publishes, on the basis of quotations from banks holding the status of a market holder, the reference exchange rates of all listed currencies which constitute a reference for traders.

3. Implications of the transition on monetary policy

The transition to a more flexible exchange rate regime should provide more autonomy for monetary policy. Once the flexibilization process reaches an advanced stage, the Bank will put in place an inflation targeting framework with the nominal anchor inflation instead of the current exchange rate. International experience shows that this framework has several advantages, including better anchoring of inflation expectations and improved transmission of monetary policy decisions. Bank Al-Maghrib is in the process of preparing the terms of reference for this new monetary policy regime.

2.2.2 Monetary statistics

After the monetary situation (M3 and its counterparts) was constructed in 2010 based on the IMF methodology, the Central Bank started widening, in a gradual manner, the scope of monetary statistics to cover all financial corporations, by including:

- offshore banks, finance companies and microcredit associations in 2012;
- non-money mutual funds and the Caisse de Dépôt et de Gestion in 2013;
- insurance and reinsurance companies in 2014;
- pension funds in 2016.

In 2017, works were launched to include Investment Funds (FPCT) in the institutional coverage of monetary statistics. In this regard, new declarative statements have been prepared, in accordance with the requirements of the IMF's Monetary and financial statistics manual, particularly in terms of sectoral division of institutional units and classification of financial assets.

Expanding the coverage of monetary statistics to these organizations, scheduled for the first half of 2018, will have no impact on M3 and its counterparts. Instead, it will enhance the financial position of nonfinancial agents towards financial companies and provide a credit indicator adjusted by securitization transactions, in line with the best standards of central banks.

2.2.3 Research

At the end of the second year of its triennial[1] research program, Bank Al Maghrib published three working papers entitled "Analysis of Banking Competition in Morocco", "Estimation of the Potential Growth of the Moroccan economy" and the" Macroprudential policy in a monetary union".

The Bank also organized, from May 15 to 16, in partnership with the Cadi Ayyad University and the University of Basel, the second edition of the International Days of Macroeconomics and Finance under the theme "Transition to a more flexible exchange rate regime, inflation targeting and liberalization of the capital account". Such event, to which a panel of speakers from both international institutions (IMF and central banks) and the academic sphere took part, reflects the desire to develop an exchange framework between researchers and policy makers and make relevant recommendations for economic policy decision-making.

The year was also marked by the publication, on the Bank's website, of the first research letter, which provides a view of the main research activities carried out by the Bank's economists.

2.2.4 Reserves management

Bank Al-Maghrib continued to optimize the yields on foreign exchange reserves while ranking security and liquidity requirements. To this end, reserves management was based on minimizing the impact of negative rates in the euro area and taking caution as to the upward trend of US rates.

Thus, despite the decline in foreign exchange reserves and the persistence of unfavourable investment conditions in the euro area, the result of foreign exchange reserves management registered a limited decrease in 2017, thanks to a favourable stock effect resulting from the investments made since 2015 and to the improved investment rates on dollar-denominated assets.

2.2.5 Banking supervision

2.2.5.1 Banking regulation

During 2017, Bank Al-Maghrib continued strengthening the resilience of the Moroccan banking system. As such, it adopted a circular on the internal crisis recovery plan that banks are called to draw in order to define ex-ante the solutions they intend to implement to restore their situation in the event of a crisis. In parallel, the Bank worked, in coordination with the Ministry of Economy and Finance, to reinforce its framework for dealing with the difficulties of credit institutions, in

1 This program, which defines the main orientations and medium-term priorities for research over the 2016-2018 period, is organized around five main axes: monetary policy, macroeconomic modeling and simulations, financial stability, public policies, currency and payment systems.

line with the international standards in terms of banking resolution. In addition, works continued on reforming the debt classification rules, with the aim of increasing banks' soundness in coping with credit risks.

As concerns accounts consolidation, the Bank assisted credit institutions in the work stream aiming for the adoption of the international accounting standard for financial instruments "IFRS 9", which entered into force in January 2018.

The year 2017 was also notable for the launch of participative banking, as approvals of 5 banks and 3 participatory windows were published in the Official Gazette, and as the Higher Board of religious Scholars (Conseil Supérieur des Oulémas) validated three circulars relating to financing, investment deposits and the conditions for opening participatory windows. At the same time, Bank Al-Maghrib has finalized the accounting framework for this new activity, which has been approved by the National Accounting Council.

2.2.5.2 Banking supervision activities

Following the approval of new actors in the field of participatory finance, Bank Al-Maghrib's field of control has expanded to cover 86 credit institutions and similar organizations, including 19 conventional banks, 3 of which have a participatory window, 5 participatory banks, 32 finance companies, 6 offshore banks, 13 microcredit associations, 9 payment institutions specialized in fund transfer, the Caisse de Dépôt et de Gestion and the Caisse Centrale de Garantie. Cross-border wise, Bank Al-Maghrib authorized a Moroccan bank, in 2017, to acquire a subsidiary in Egypt; as a result, the 3 Moroccan banking groups abroad totalled 43 subsidiaries and 17 branches in 33 countries, including 26 in Africa and 7 in Europe.

The Bank continued to monitor the changing risk profiles of reporting institutions, their governance and internal control systems, and their risk management frameworks. In this regard, it closely supervised the banks' assets quality and their exposure to concentration, interest rate and money laundering risks. As banking services are becoming more and more digitized, Bank Al-Maghrib has also included among its priorities the risk of cyber-attack and its management by banks designated as Infrastructure of Vital Importance.

With regard to cross-border risk monitoring, three new agreements on banking supervision, information exchange and cooperation have been concluded with the central banks of Tanzania, Rwanda and Jordan. For the fourth year in a row, the supervisory colleges of the three Moroccan banking groups abroad were required to examine the financial and prudential position of these groups, their strategies and their risk steering. Moreover, the Bank continued to carefully monitor consistency of the tools used for risk management, internal control, and the fight against money laundering and terrorist financing, through the network of bank groups subsidiaries in Africa. It also took part in two joint supervision missions conducted by the West African Monetary Union (WAMU) Banking Commission in two Moroccan bank subsidiaries operating in Côte d'Ivoire.

In 2017, the Bank conducted 27 on-site supervision missions, including five general ones. The thematic missions focused on the processes of credit granting, quality of regulatory and prudential reporting, the anti-money laundering and terrorist financing systems, information security systems, particularly the operational management of the business continuity plan (BCP) and the legal risk management system. In preparation for the transition to the flexible exchange rate regime, the Bank also supervised banks which are active in exchange and foreign currency transactions with regard to foreign currency exchange rate, interest rate and liquidity risk management systems.

Further to the various control operations conducted, corrective action plans were put in place by the institutions concerned to take into account the Bank's recommendations. Also, pecuniary and disciplinary sanctions were pronounced against establishments contravening the legal or regulatory provisions.

2.2.5.3 Banking consumer protection

To optimize the operating framework of processing claims made by customers of credit institutions, the Bank made sure that the latter comply with the provisions of the law on consumer protection relating to real estate and consumption loans. On-site control missions conducted for this purpose also covered the examination of credit institutions' systems of processing their customers' claims. In addition, they focused on controlling implementation of Article 503 of the Code of Commerce governing the closure of accounts and of the interest rate variability clause.

The Bank also remained vigilant as to the proliferation of some commercial companies which collect funds from the public outside any regulatory framework, by offering exceptional returns from the investment of these funds.

In 2017, the Bank received 590 claims from credit institutions customers as against 540 in 2016. Complaints about the operation of accounts, over the half of which concerned the closing of accounts, represented nearly 41 percent of these claims. On the other hand, claims relating to credit conditions constituted 26 percent. About 86 percent of the claims received were closed in favour of plaintiffs, instead of 78 percent in 2016.

For its part, the Centre de Médiation Bancaire – CMMB- (Banking Mediation Center) received 412 complete files, of which 228 files were successfully resolved.

2.2.6 Macro-prudential surveillance

As part of its duties as secretariat of the CCSRS (Systemic Risk Coordination and Surveillance Committee), Bank Al-Maghrib has completed in 2017, in collaboration with the Ministry of Economy and Finance and the insurance and capital markets supervisory authorities, the governance mechanisms allowing this committee to fully exercise its prerogatives. The decree establishing the composition and functioning of this Committee has been published in the Official Gazette and its rules of procedure have been drawn up and approved.

During this year, the CCSRS held its biannual meetings devoted to monitoring the implementation of the inter-authority roadmap with regard to financial stability for the 2016-2018 period and to assessing the systemic risks. The year was also marked by the draft and publication of the fourth Annual report on financial stability.

In line with the works carried out to strengthen the analytical framework for financial stability, a review of systemic risks mapping was conducted, based on six analysis pillars[1] broken down into around forty risk indicators.

In terms of macro-prudential regulation, further to the introduction of provisions governing the countercyclical capital buffer, the Bank established a methodological framework for adapting this buffer to the Basel standards, and urged work to set up a methodological and regulatory mechanism for the capital surcharge applicable to systemically important institutions.

In order to further strengthen the analytical framework, several projects have been launched, aiming in particular to better understand the interactions between monetary and macroprudential policies, institute a specific framework for real estate risks as well as for emerging ones, mainly those related to technological and financial innovations, and develop a surveillance and analysis system of risks stemming from financial conglomerates.

Finally, a second symposium on financial stability was organized in Rabat, in December 2017, with the participation of experts from the FSB[2], the World Bank and the IAIS[3], as well as officers from the African regulatory authorities and from the Moroccan financial sector.

1 The six pillars are: macroeconomic conditions, real estate, liquidity and the market, nonfinancial agents, soundness of financial institutions and financial market infrastructures.

2 Financial Stability Board.

3 International Association of Insurance Supervisors.

2.2.7 Systems and means of payment

2.2.7.1 Monitoring systems and means of payment

In order to encourage the use of electronic payments, Bank Al-Maghrib and the National Agency for the Regulation of Telecommunications, in consultation with banks and telecom operators, continued working on the establishment of a national broadly-disseminated and low-cost mobile payment solution.

Further to the publication in the Official Gazette, of the implementation circulars relating respectively to the procedures for exercising payment services by payment institutions, the conditions and procedures thereto and the minimum capital requirements, the Bank has prepared the standard file of accreditation. In accordance with the law, the Credit Institutions Committee examined the accreditation applications to start the activity in Morocco and issued a favourable opinion to five of the requests made.

As concerns payment means monitoring, the actions carried out focused on conducting missions of following up the recommendations relating to securing such means in the banks, assessing the conformity of cheques issued by the banks with the minimum security requirements enacted and launching the project of setting up a solution for managing on-site control missions of the payment means.

With regard to the supervision of Financial Markets Infrastructures (MFIs), an on-site evaluation mission was conducted with a local operator in order to assess the rules of good governance, transparency and security.

As for strengthening the resilience of MFIs, Bank Al-Maghrib continued to conduct the three-year business continuity exercise (2016-2018), taking into account the implementation prerequisites, to verify simultaneous operability of individual MFI business continuity plans in connection with the Moroccan Gross Settlement System.

2.2.7.2 Financial inclusion

In 2017, Bank Al-Maghrib continued its efforts to promote financial inclusion, in collaboration with the Ministry of Economy and Finance, mainly by performing a situation analysis in Morocco, organizing an international seminar on this theme, pursuing pedagogical visits for the young and launching the development of the National Strategy for Financial Inclusion (SNIF).

Concerning the progress made with regard to financial inclusion, the Ministry of Economy and Finance have conducted, with support from the World Bank, a Findex survey to collect demand-side data on the accessibility and use of formal and informal financial services and to appraise the financial behaviour of the population.

In addition, Bank Al-Maghrib organized an international seminar in collaboration with the Irving Fisher Committee (IFC) of the BIS to assess financial inclusion, during the Sixtieth World Congress of Statistics in Marrakech. This event focused on data issues, regulatory challenges and financial inclusion policies.

On the pedagogical side, the Bank held, from 19 to 25 April, its open days for the benefit of children and young people, who were welcomed in the different branches to get familiarized with the Bank's missions and be initiated to basic financial concepts. This event was organized to celebrate the Finance days held each year under the coordination of Moroccan Foundation of Financial Education.

As part of developing the SNIF, a Search Conference on the pre-formulation of this strategy was organized with the contribution of Moroccan stakeholders and international experts, to discuss best practices in this area and define the population segments that are likely to be prioritized, taking into account the current situation of financial inclusion in Morocco and the disparities that characterize it.

In recognition of the efforts made as concerns financial inclusion, the Alliance for Financial Inclusion awarded to Bank Al-Maghrib, during the World Forum on Financial Inclusion Policies held in Sharm El Sheikh in September, the prize of the best member in implementing commitments under the Maya Declaration.

2.2.8 Banknotes and coins

In 2017, Bank Al-Maghrib provided the national economy with cash and secured documents, in line with the world's best quality standards and the anti-counterfeiting provisions.

2.2.8.1 Currency circulation

In 2017, currency circulation increased by 7 percent in value and 5 percent in volume to reach 232 billion dirhams. Currency is of paramount importance in current transactions, accounting for nearly 30 percent of the M1 aggregate and 21 percent of GDP.

Banknotes circulation was up 7.5 percent to 229 billion dirhams. The share of the 200-dirham notes remained predominant, representing half of the total volume. By series, the 2012 banknotes continued to rise to 53 percent, while the 2002 and 1987 series accounted for 44 percent and 3 percent respectively.

Chart 2.2.8.1 : Structure of banknotes in circulation

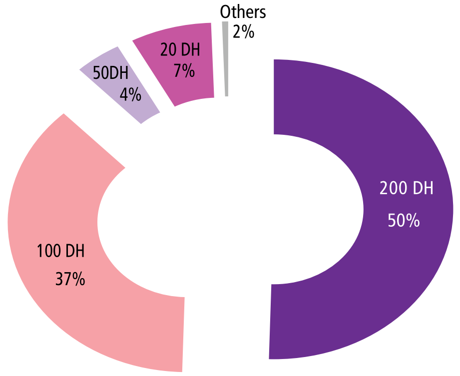
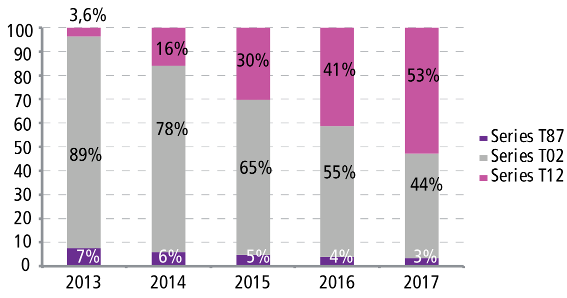


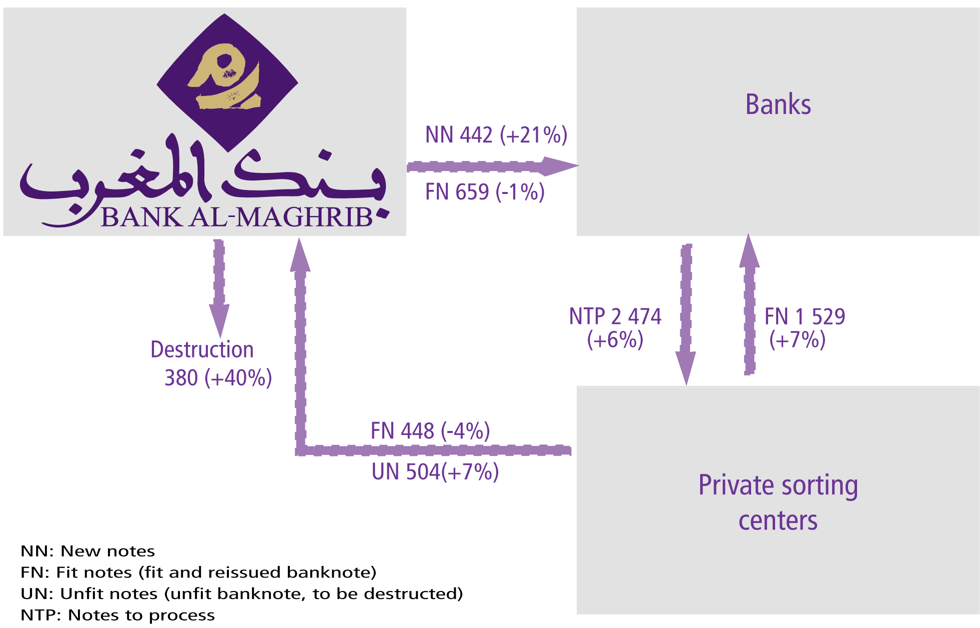
Chart 2.2.8.2 : Banknotes in circulation by series



As for coins, their circulation increased by 4 percent to 3.2 billion dirhams. Breakdown of coins in circulation indicates a predominance of 1 dirham and 10 centimes coins, with respective shares of 27 percent and 20 percent.

2.2.8.2 Supply of banknotes

Cash Cycle of banknotes in 2017 (in millions of denominations)



NN: New notes
FN: Fit notes (fit and reissued banknote)
UN: Unfit notes (unfit banknote, to be destructed)
NTP: Notes to process

In order to meet the growing needs in Moroccan banknotes, private sorting centers (PSCs) provide 75 percent of the overall supply, as against 25 percent for Bank Al-Maghrib.

Up by 7 percent, the global volume provided by Bank Al-Maghrib consists of 1.1 billion banknotes, including 442 million new ones, 457 million fit notes from PSCs and 202 million of valid notes generated by processing operations.

The structure of overall volumes provided is mainly dominated by 200 and 100 denominations, with a share of 85 percent. By series, the banknotes issued in 2012 represented 72 percent of this volume, up by 33 percent. Regions of Casablanca-Settat, Rabat-Salé-Kenitra and Marrakech-Safi monopolized 53 percent of the said volumes.

Chart 2.2.8.3 : Global outflows of Bank Al-Maghrib, by denomination

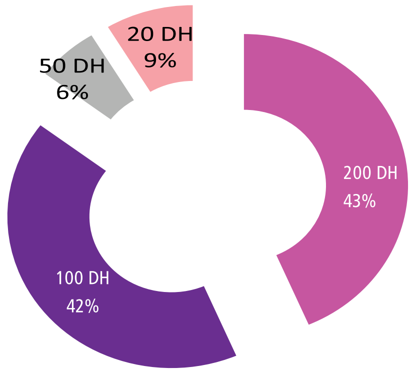
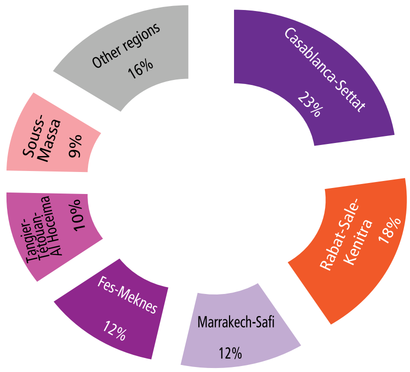


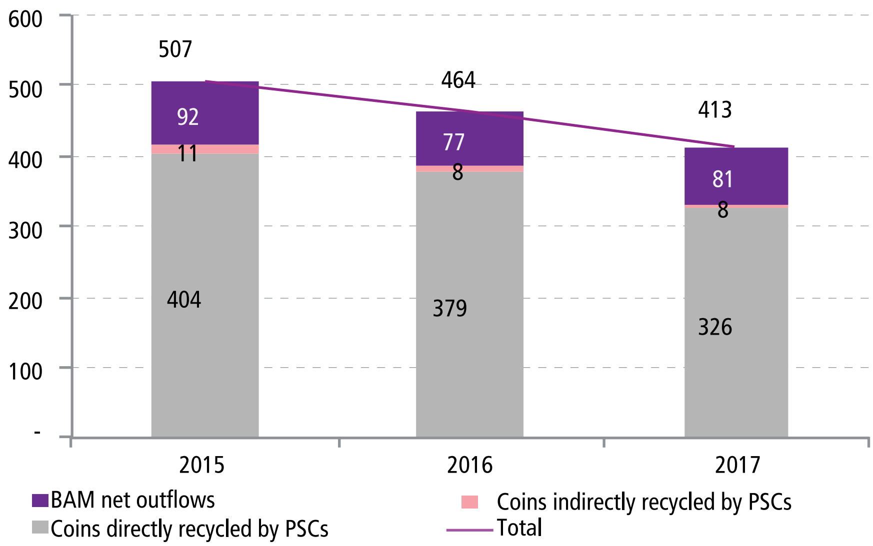
Chart 2.2.8.4 : Global outflows of Bank Al-Maghrib, by region



Deposits in Bank Al-Maghrib were made by PSCs further to their processing circuit. They are composed of fit and unfit notes. In 2017, banknotes deposited in the central bank grew by 2 percent to reach 981 million banknotes, equalling 448 million fit notes and 533 million unfit ones.

The national need for coins is met by the Central Bank and PSCs, which provided an overall supply of 413 million coins, down 11 percent compared to the previous year.

Chart 2.2.8.5 : Change in the structure of coins supply (in millions of coins)



2.2.8.3 Production

For the second year running, banknotes production exceeded one billion cuts. The volume of foreign printed notes reached 529 million ones, up 4 percent. As for coins, the volume produced increased from 73 to 79 million units.

Chart 2.2.8.6 : Production of new banknotes (in millions of denominations)

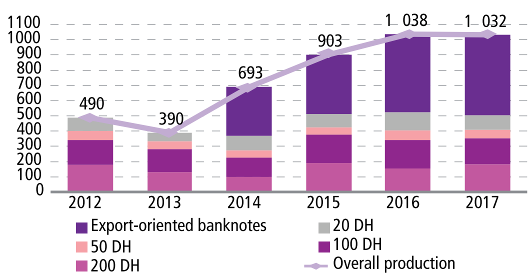
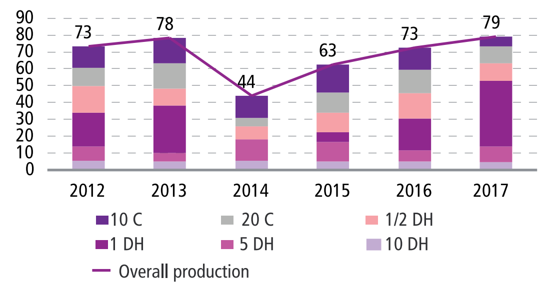


Chart 2.2.8.7 : Production of new coins (in millions of units)

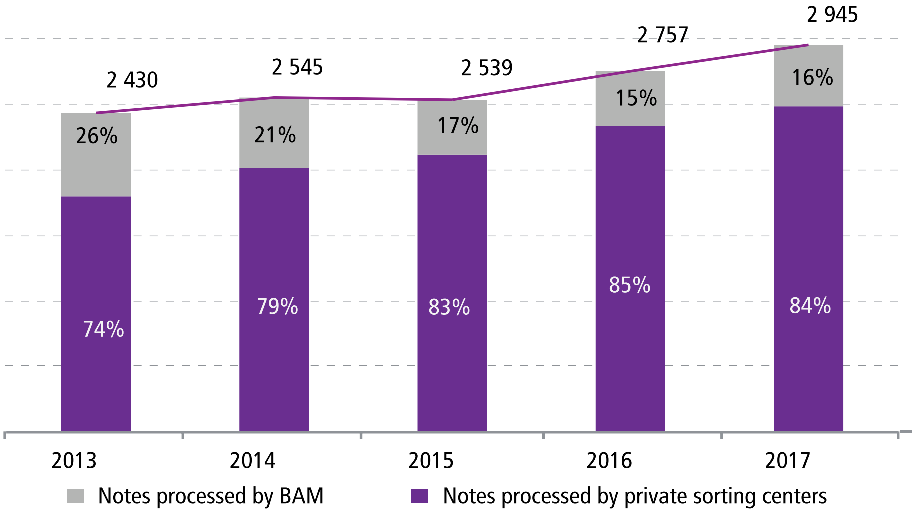


With regard to secure documents, the national demand for biometric passports grew 6 percent to reach 1.6 million passports, and was fully satisfied by Dar As-Sikkah.

To ensure the quality of banknotes in circulation, Bank Al-Maghrib conducts spontaneous control operations in banks and PSCs. In 2017, banks' controls involved 234 branches. The main findings show that 91 percent of the agencies controlled put back into circulation notes considered valid after a processing circuit or processed by their own means, and that nearly 80 percent are equipped to authenticate Moroccan banknotes. As for PSCs, their control missions totalled 46 in number and resulted in some remedial measures to correct the deficiencies detected.

Bank Al-Maghrib has also destroyed 380 million banknotes that no longer meet the quality requirements for their re-issuance.

Chart 2.2.8.8 : Change in the volume of processed banknotes (in millions)

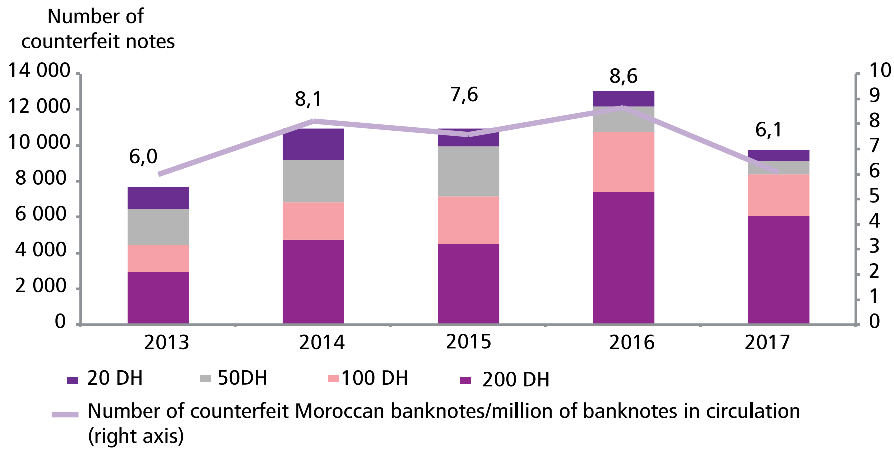


The volume processed by PSCs is mostly dominated by large-value denominations, with 48 percent for 200-dirham notes and 46 percent for 100-dirham denominations. Owing to the processing operations, PSCs directly recycled 1.5 billion FN from banks and deposited 448 million ones at Bank Al-Maghrib. The overall recycling rate thus reached 80 percent.

As for counterfeiting, the number of counterfeit notes detected in 2017 fell 25 percent to 9753 counterfeit ones, worth 1.5 billion dirhams. The number of counterfeit banknotes, per million of notes in circulation, decreased from 8.6 to 6.1, from one year to the next.

By denominations, the 200-dirham banknotes accounted for 62 percent of the total number of counterfeit notes, while by type of series, the 2002 series remain predominant with a share of 58 percent.

Chart 2.2.8.9 : Change in counterfeit Moroccan banknotes

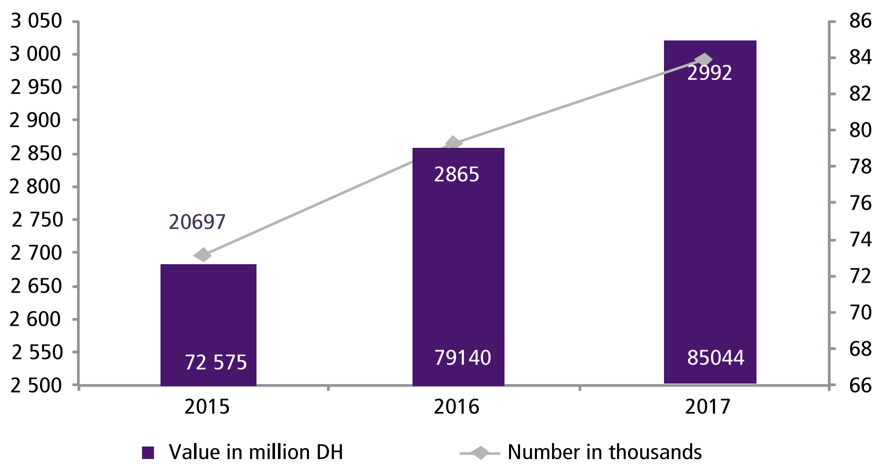


2.2.9 Activities of central information registries

In 2017, the Bank pursued its efforts to develop information centers, in line with the best practices, with a view to improving the quality of the information necessary to make credit decisions and to facilitate the credit granting.

In the cheque default registry, the cumulative number of unsettled payment incidents exceeded 2.9 million cases at end-2017, corresponding to an outstanding amount of 85 billion dirhams. Breakdown of this outstanding amount by customer category shows the predominance of natural persons, with 78 percent compared to 22 percent for legal entities. As for persons banned from issuing checks, their number rose 3.3 percent to 642,385, mostly dominated by natural persons with a share of 88.2 percent.

Chart 2.2.9.1 : Yearly change of the outstanding amount of unsettled payment defaults



With regard to standardized bills of exchange (SBE), data collected by the Central registry of payment defaults on SBEs indicate that cumulative unsettled payment incidents on SBEs totalled 1.2 million cases, corresponding to an outstanding amount of over 45 billion dirhams, dominated by natural persons (62 percent). The number of persons with default payment on SBEs rose by 35.5 percent to 96044, with a share of 64 percent for natural persons.

Chart 2.2.9.2 : Change of payment defaults (in thousands)

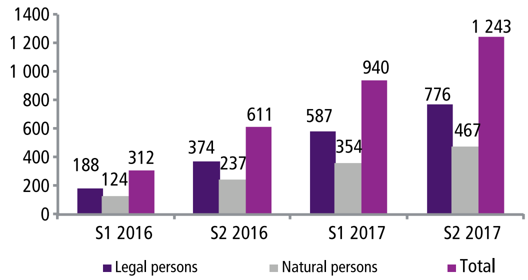
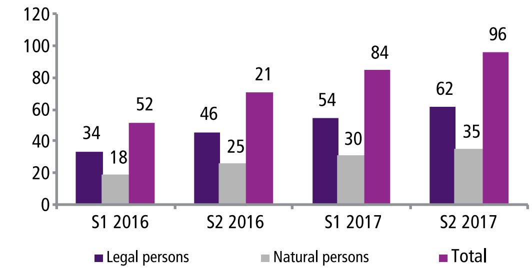
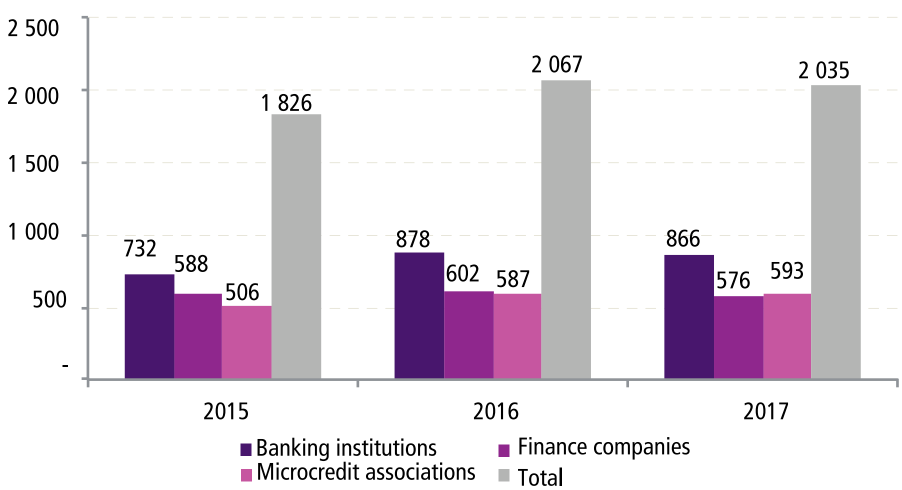


Chart 2.2.9.3 : Change in the number of persons with unpaid bills of exchange (in thousands)



Regarding the central risk registries, the number of active contracts reached 4.6 million contracts, up 2.3 percent and representing an outstanding amount of 812.1 billion. On the other hand, the number of consultations exceeded 2 million, totalling 11.1 million consultations since the Credit Bureau was first established in 2009.

Chart 2.2.9.4: Yearly consultations per type of institution (in thousands)



2.3 Communication and outreach

In preparation for the launch of the exchange regime reform, the Bank gave particular emphasis to communicating about this issue in 2017, with a view to explaining the underlying motivations and the sought objectives and to clarify ambiguities and confusions. Thus, in addition to the information and preparation activities carried out among operators of the banking sector, an information mechanism was set up, by holding meetings with the media representatives and producing educational video capsules for the general public. This educational material has been published on the Bank's social media accounts to ensure widespread dissemination.

In addition, the Bank extended its presence on social networks by creating a YouTube[1] channel to broadcast its press conferences and the educational capsules and videos made around the Bank Museum. In line with its policy of openness to these media, the Bank also integrated the LinkedIn[2] network to diversify its recruitment channels and establish an employer brand.

With regard to communication actions intended for its staff, Bank Al-Maghrib continued to use its internal communication media to keep its employees informed about the strategic decisions and the progress of the various projects and events underway, thus strengthening the sense of belonging and the corporate culture. Besides, the Bank's executives met on January 19, 2018, in their annual event- the Executives' Day- held on the theme of "The Bank in a Connected World", to which more than 900 employees took part.

On the numismatics and culture front, the Bank Museum undertook in 2017 to enrich its program to best meet the expectations of the public and increase its attendance. To this end, a real cultural policy was set up and the cultural and educational offer thus became wider. The program was organized around three artistic cycles, comprising two cycles dedicated to the Moroccan artists Aziz Abou Ali and Miloud Labied and a numismatic one highlighting the gold of Africa. In addition to the educational workshops organized for the benefit of schools and the children of the employees, other events also marked the year, such as the organization of an open day to celebrate the International Women's Day, the participation of the Museum in the twelfth edition of the "Night of the Galleries" organized by the Ministry of Culture, and the dissemination, on the side lines of the International Day of the Rights of the Child, of four performances on children's rights.

The Museum was invited many times to take part in national events such as the inaugural exhibition dedicated to the artist Jacques Majorelle at the Yves Saint Laurent Museum in Marrakech, the artistic exhibition held at the Fondation Forum d'Asilah, on the side lines of the thirty-ninth edition

1 YouTube : Bank Al-Maghrib
2 LinkedIn : Bank Al-Maghrib

of the International Cultural Festival of the city and the numismatic exhibition organized by the Ministry of Culture and Communication to trace the pathway of the national identity affirmation since the enthronement of late Hassan II until the creation of Dar As-Sikkah.

In 2017, the Bank also organized or took part in several national and international events. Hence, it contributed to several conferences and seminars, including:

- The high level conference on "Central Banks Facing Exogenous Shocks: Strategies for ending the crisis", Yaoundé, January 24-25;
- the workshop on Islamic Finance, held in Rabat from February 27 to March 3;
- the spring and annual Meetings of the IMF and the World Bank in Washington from April 19 to 24 and October 12 to 16 respectively;
- the meeting of the Governors of Central Banks and Arab Monetary Institutions in Abu Dhabi on September 17;
- the roundtable on monetary and financial decolonization in Africa in the 20th century in Lisbon on October 9 and 10.
- the conference on "Strengthening private sector development and investment in Morocco", organized at the training center "Madinat Al-Irfane" in Rabat on December 8.

Moreover, the Bank hosted five regional seminars[1] within its training center as part of its partnerships with national and international institutions (Banque de France, IMF/CEF, Bundesbank, AMF). Around 100 Bank executives and about 60 foreign participants from fifteen foreign central banks took part in these events.

Finally, with regard to international cooperation, in addition to the collaboration with the central banks of Madagascar and Mauritius, 31 actions were carried out as follows:

- 18 study visits for executives of several central banks and organizations;
- 8 study visits for executives of Bank Al-Maghrib;
- 3 technical assistance missions benefitting to our Institute;
- 2 experience-sharing missions carried out by Bank executives.

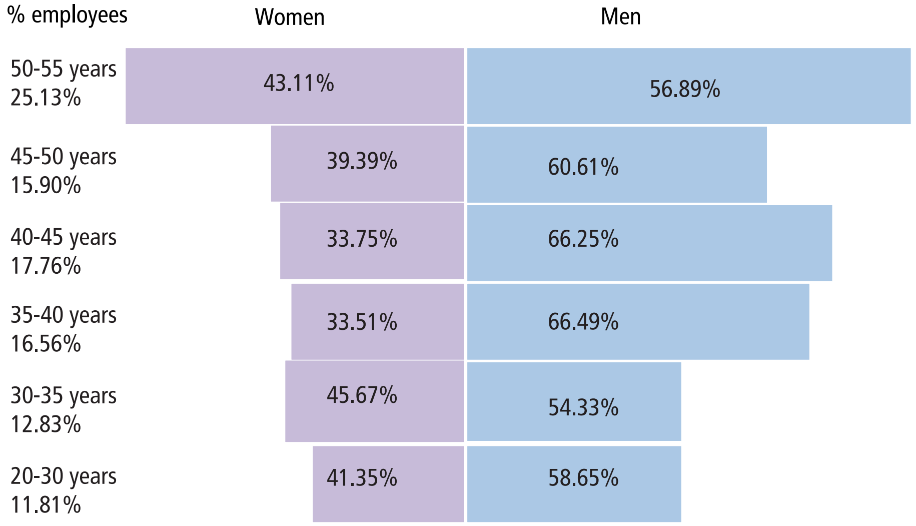
1 These seminars covered the following topics: "Systems and means of payment", "Transformation and modernization of the fiduciary chain", "Financial sector policy for stability", "Efficiency and growth", "Monetary policy", and "Internal control in central banks".

2.4 Resources and working conditions

2.4.1 Human resources

At the end of 2017, the number of Bank Al-Maghrib employees reached 2252, with a staff supervision rate of 22.2 percent. Women represented 38.5 percent of the global workforce and 37 percent among managers.

Chart 2.4.1.1 : Staff breakdown by age



As part of its continuous efforts to improve its employees' capacities, Bank Al-Maghrib deployed in 2017 a training plan that covered all professional categories. More than 2,952 participations were registered, benefiting 55 percent of the workforce with an average of 9.5 days of training per employee.

In order to strengthen the specialized skills clusters and the level of expertise among its staff, the Bank developed diploma courses delivered by specialized organizations in addition to specific cycles developed internally. The areas of expertise targeted in 2017 included cyber security, internal audit, project management, leadership and management control. Thus, 12 employees attended diploma courses while more than 400 benefited from specialized internal cycles.

In the same vein, Bank Al-Maghrib welcomed 120 new recruits from different horizons, mainly to support the teams of banking supervision, currency production and circulation, secured documents, and economic research. 60 percent of the new recruits graduated from engineering schools and high schools of commerce, while 40 percent come from universities and specialized technical schools. Besides, more than 130 employees diversified their career path and developed their skills portfolio through internal mobility.

Building on the actions aimed at anchoring the spirit of cooperation within the Bank, 2017 was marked by the setup of a benchmark of good cooperation practices. A support and training program has been hence developed and some teambuilding actions have been organized for 70 managers, who play a crucial role in stimulating this dynamic of cooperation among all employees.

In addition, a Hackathon was organized as part of an innovation program launched by the Bank. This event, which was attended by about fifty agents, aimed to develop the creative flexibility of employees and strengthen their ties in terms of interpersonal relationships and collective dynamics.

To provide employees with a stimulating working environment that combines well-being and performance, the Bank continued to strengthen its social policy focused on health and family budget support and recreation. In this context, various preventive medical campaigns benefited nearly 760 employees, and more than 5700 consultations were recorded under the medical and paramedical assistance system set up.

With regard to social fund management, the Bank's efforts have led to the implementation of measures to further strengthen the financial strength and sustainability of the Pension Fund and the Mutual Fund. These measures concerned the gradual adoption of the TV 88-90 mortality table and the upgrading of the financial management of the Mutual Fund's assets by defining a strategic allocation and outsourcing its financial management.

2.4.2 Information systems

The Bank continued developing the information systems to support the evolution of its activities and projects, face the new risks and challenges relating to physical security and cyber security and adapt to the transformations dictated by the digital revolution.

Actions carried out in this regard focused on upgrading the Bank's information system in line with the reform of the exchange rate regime; setting up a data governance program for a better control of the information heritage and improved data accessibility and exploitation; generalizing the solution of Electronic Management of Correspondence to reduce the use of paper and to optimize inter-entity mail flows, and deploying new tools to support collaboration and individual performance.

In addition to these actions, upgrade and modernization projects were set up to enhance the capacity of the IT technical infrastructure in terms of availability, performance and security.

To accompany the transition to a more flexible exchange rate regime, the Bank's accounting framework was adapted, particularly with respect to fiduciary and scriptural foreign exchange transactions. As such, the accounting schemes for these operations have been updated and new management rules adopted.

2.4.3 Working environment and conditions

In 2017, Bank Al Maghrib pursued its efforts to rationalize the use of its resources and to set up a modern framework favouring collective performance, in accordance with the orientations of the 2016-2018 strategic plan.

The Bank also pursued its outsourcing policy for technical maintenance and transport services and renewed agreements thereto, thus enabling the institute to raise the bar as regards reliability and responsiveness while controlling budgets despite the extension of perimeters.

In addition, the technical management of infrastructure and building equipment has been modernized thanks to the Building Management System (BMS), deployed to optimize the remote management of temperature and hygrometry, automation, follow up, consumption monitoring and reporting of equipment alarms. This solution, experimented in five sites of the Bank, will be extended to all sites as of 2018.

Several upgrading and modernization projects were also implemented with regard to buildings and technical equipment, involving central and network office buildings as well as social buildings.

In terms of security and safety, the Bank continued to roll out its modernization program, which mainly covers video surveillance, access control, anti-intrusion, fire safety, computer, and network architecture systems. In addition, steering and governance were consolidated by the entry into force of the instruction on the safety and security policy within the Bank and by the development and deployment of management rules concerning security zoning and access to security systems.

The risk prevention strategy was strengthened by the new insurance contracts implemented to protect the goods and means of production. Thus, it became possible to optimize the conditions in terms of coverage and pricing, to improve the management and to control the procedures and deadlines for compensation.

Regarding the procurement process, the new regulatory and procedural framework has been implemented, thus allowing greater relevance to the specificities of the Bank, and improving the processing deadlines, the roles and responsibilities demarcation, as well as the Bank's governance. Besides, new levers have been defined and put in place with a view to rationalizing expenses while ensuring the required quality of services, the conformity of procurement acts and the promotion of ethical values and good governance principles.

At the regional level, the Bank pursued its efforts to support the Network development, and has launched projects of acquiring lands, building new agencies in the uncovered regions (Dakhla, Er-Rachidia and Goulmime) and developing a strategy of branches specialization, taking into account the new regional division and the evolution of network, currency production, and branches activities.

2.4.4 Corporate responsibility

The Bank's commitment to sustainable and inclusive development was embodied in the social and societal areas through its achievements made with regard to promoting financial inclusion and education, public services, consumer protection, human capital development and governance.

Concerning the areas of health, safety at work and environment, the Bank pursued its work as part of the QSE (Quality, Safety and Environment) program to control significant risks and impacts and the energy efficiency program aimed at reducing its greenhouse emissions through measures comprising adaptation of technical equipment and use of clean energies.

The Bank's commitment was crowned by the renewal of the ISO 9001, ISO 14001 and OHSAS 18001 certifications, thus confirming its compliance with the new versions of these normative standards.

PART 3

FINANCIAL STATEMENTS OF THE BANK

3.1 Overview of the financial position of fiscal 2017[1]

3.1.1 Balance sheet

Table 3.1.1: Key figures

In thousand dirhams	2017	2016	Change (%)
Total balance sheet	295,374,535	284,346,407	4
Use of capital ratio	56%	59%	-5
Total revenues	5,538,620	5,340,854	4
Total expenses (Including corporate tax)	4,495,714	4,283,261	5
Net income	1,042,906	1,057,593	-1
Average outstanding amount of BAM's interventions	42,271,439	15,607,727	>100
Operating ratio	50%	60%	-16

Assets-liabilities

Total balance sheet of the Bank rose to 295,374,535 KDH on December 31, 2017, up by 4 percent compared to 2016.

Currency circulation grew 7 percent to 231,783,652 KDH.

Foreign transactions declined by 4 percent to 219,310,119 KDH, as a result of the lower foreign exchange reserves.

Transactions with the State ended the year down 27 percent compared to the previous year to 2,307,338 KDH, mainly due to the decrease in the current account assets held by the Treasury (-32 percent).

On the other hand, net position of credit institutions shows a balance of -18,428,107 KDH instead of 6,250,570 KDH the year before, as Bank Al-Maghrib enhanced its advances to banks. Conversely, banks' deposits with the Central Bank dropped by 6 percent to reach 23,781,564 KDH.

Asset operations increased by 7 percent to reach 2,432,864 KDH, due to the rise in the cumulative value of depreciation which resulted in lower net fixed assets.

1 Changes in the balance sheet and profit and loss account items are addressed in more details in the comments section of the financial statements. For purposes of analysis, the balance sheet and profit and loss account items were adjusted in this part of the report.

Table 3.1.2: Balance sheet by transaction

In thousand dirhams	2017	2016	Change (%)
(of which)			
Currency in circulation	231,783,652	215,746,812	7
Transactions with foreign countries	-219,310,119	-229,359,725	-4
Transactions with the State	2,307,338	3,161,581	-27
Net position of credit institutions	-18,428,107	6,250,570	<-100
Assets transactions	2,432,864	2,265,249	7

Chart 3.1.1: Change in holdings and investments in foreign currencies, in MDH (including FB)

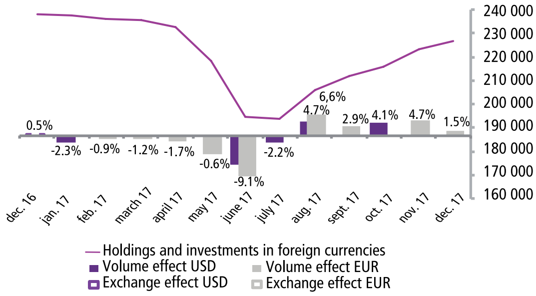
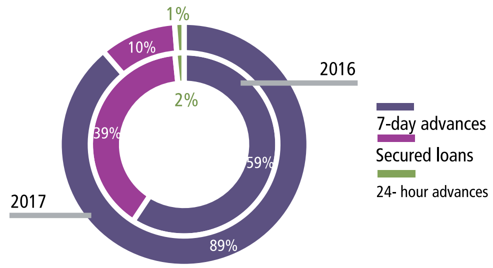


Chart 3.1.2: Average outstanding amount of claims on banks



3.1.2 Result

At the end of 2017, the net income of the Bank fell by 1 percent compared to 2016, to stand at 1,042,906 KDH. This change is generally due to the combined effect of the lower noncurrent income, reflecting a base effect, as a result of the extraordinary profit made in 2016, which reached 618,874 KDH and the improved result of the Bank, driven by the strong growth in revenues resulting from the monetary policy conduct.

Income of foreign exchange reserve management transactions shrunk by 16 percent to 1,426,049 KDH, mainly due to the lower exchange reserves and the still negative yield rates in the Euro area.

Monetary policy operations generated a profit of 918,284 KDH, up 563,019 KDH from 2016, in connection with the substantial increase in liquidities injected by the Bank.

As for the other operations, their result reached 916,170 KDH, up 28 percent, mainly due to the 33 percent rise in foreign exchange commissions.

General operating expenses stood at 1,641,333 KDH, down by 2 percent from 2016.

Table 3.1.3: Net income of the fiscal year

In thousand dirhams	2017	2016	Change (%)
Income from foreign exchange reserves management transactions	1,426,049	1,704,791	-16
Income of monetary policy transactions	918,284	355,265	>100
Income of other transactions	916,170	714,934	28
Income of activities	**3,260,503**	**2,774,989**	**17**
General operating expenses	-1,641,333	-1,667,779	-2
Gross operating income	**1,619,170**	**1,107,211**	**46**
Noncurrent income	72,786	634,132	-89
Income tax	-649,049	-683,750	-5
Net income	**1,042,906**	**1,057,593**	**-1**

Chart 3.1.3: Structure of revenues and expenses

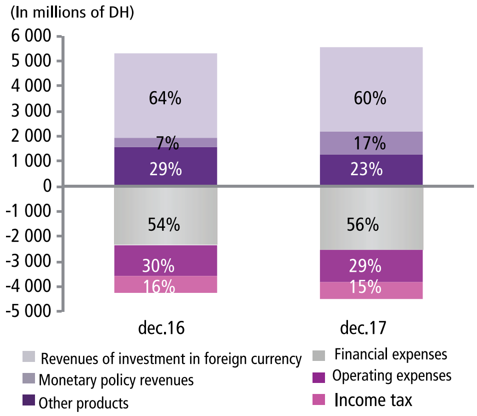
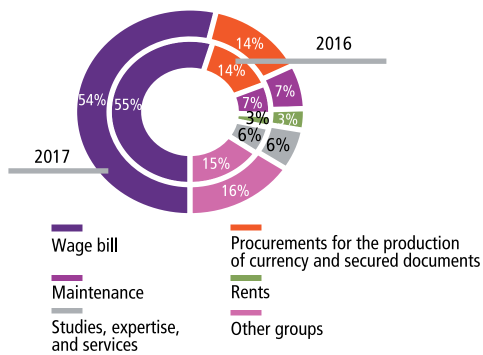


Chart 3.1.4: Structure of budget implementation by group of expenses



3.2 Balance, off-balance, and profit and loss account

Balance sheet (assets)

Table 3.2.1: Assets as at December 31, 2017

In thousand dirhams	Notes	2017	2016
Assets and investments in gold	1	**8,596,562**	**8,314,084**
Assets and investments in foreign currency	2	**226,510,350**	**238,033,323**
Holdings and investments held in foreign banks		44,722,540	12,103,752
Foreign Treasury bills and similar securities		178,239,660	219,909,914
Other holdings in foreign currency		3,548,150	6,019,656
Assets with international financial institutions	3	**9,846,591**	**10,104,122**
IMF subscription-Reserve tranche		2,152,611	2,195,742
Special Drawings Rights holdings		7,317,075	7,549,635
Subscription to the Arab Monetary Fund		376,905	358,744
Lending to the Government		**-**	**-**
Conventional advances		-	-
Overdraft facilities advances		-	-
Other facilities		-	-
Claims on Moroccan credit institutions and similar ones	4	**42,209,670**	**19,158,436**
Securities received under repurchase agreements		-	-
Advances to banks		42,152,864	19,102,446
Other claims		56,806	55,990
Treasury bills - open market operations		-	-
Other assets	5	**5,114,561**	**5,470,646**
Fixed assets	6	**3,096,800**	**3,265,796**
Total assets		**295,374,535**	**284,346,407**

Balance sheet (liabilities)

Table 3.2.2: Liabilities as at December 31, 2017

In thousand dirhams	Notes	2017	2016
Banknotes and coins in circulation	**7**	**231,783,652**	**215,746,812**
Banknotes in circulation		228,591,884	212,678,862
Coins in circulation		3,191,768	3,067,949
Liabilities in gold and foreign currency	**8**	**8,476,715**	**10,049,885**
Liabilities in gold		-	-
Liabilities in foreign currency		8,476,715	10,049,885
Liabilities in convertible dirhams	**9**	**230,932**	**213,277**
Liabilities to international financial institutions		222,578	206,858
Other liabilities		8,354	6,419
Deposits and liabilities in dirhams	**10**	**30,619,347**	**33,779,848**
Current account of the Treasury		1,888,850	2,782,845
Deposits and liabilities in dirhams to Moroccan banks		23,781,564	25,409,006
Current accounts		23,781,564	25,409,006
Liquidity-withdrawal accounts		-	-
Deposit facility accounts		-	-
Deposits of general government and public institutions		1,921,892	2,097,777
Other accounts		3,027,042	3,490,221
Other liabilities	**11**	**10,232,029**	**10,348,126**
Special Drawing Rights allocations	**3**	**7,459,290**	**7,619,820**
Equity capital and the like	**12**	**5,529,664**	**5,531,046**
Capital		500,000	500,000
Reserves		5,001,340	5,001,340
Retained earnings		26,140	25,547
Other equity capital		2,184	4,158
Net income of the fiscal year		**1,042,906**	**1,057,593**
Total liabilities		**295,374,535**	**284,346,407**

Off-balance sheet[1]

Table 3.2.3 : Off-balance sheet as at December 31, 2017

In thousand dirhams	Notes	2017	2016
Spot foreign exchange transactions			
Spot delivery of currencies		-	-
Spot purchase of dirhams		-	-
Forward foreign exchange transactions			
Foreign currencies receivable		-	-
Foreign currencies deliverable		-	-
Foreign exchange transactions- currency deposits	**13**	**1,679,310**	**1,064,500**
Foreign exchange transactions-arbitrage operations	**13**		
Foreign currencies receivable		505,629	1,677,200
Foreign currencies deliverable		504,553	1,668,994
Off-balance currency adjustment		**-**	**-**
Liabilities on derivatives		**-**	**-**
Liabilities on securities	**14**	**,**	
Securities received on advances granted		41,128,646	18,647,940
Securities received on advances to be granted		13,462,900	12,159,100
Other guarantees received on advances granted		3,656,100	1,584,898
Advances to be granted		12,789,755	-
Foreign securities receivable		363,851	716,804
Foreign securities deliverable		-	202,467
Other liabilities	**15**		
Received market guarantees		47,989	66,173
Guarantees liabilities received for staff loans		825,609	934,239
Financing liabilities granted to the staff		35,300	36,569
Other granted liabilities		1,000	1,000

1 The Bank keeps record of off-balance sheet liabilities, detailing both given and received commitments. The accounts on the off-balance sheet are registered to debit when the liabilities materialize on maturity or in case of realization by a debit on the balance sheet, and to credit side in the opposite case. The state of the off-balance sheet includes liabilities in foreign currency, liabilities on securities and other liabilities.

Profit and loss account

Table 3.2.4: Profit and loss account as at December 31, 2017

In thousand dirhams	Notes	2017	2016
Profit		**5,538,620**	**5,340,854**
Interests earned on holdings and investments in gold and in foreign currency	**16**	2,917,861	2,935,852
Interests earned on claims on credit institutions and similar bodies	**17**	956,308	361,654
Other interests earned	**18**	12,958	10,813
Commissions earned	**19**	844,960	1,272,479
Other financial revenues	**20**	120,499	153,418
Sales of produced goods and services	**21**	271,242	228,188
Miscellaneous revenues	**22**	27,477	26,195
Reversal of depreciation		-	-
Reversal of provisions	**23**	316,721	335,105
Noncurrent revenues	**24**	70,595	17,150
Expenses		**4,495,714**	**4,283,261**
Interests paid on liabilities in gold and in foreign currency	**25**	77,778	19,428
Interests paid on deposits and liabilities in dirhams	**26**	271,095	207,998
Commissions paid	**27**	16,609	18,800
Other financial expenses	**28**	1,645,436	1,340,239
Staff expenses	**29**	739,420	727,835
Purchases of materials and supplies	**30**	250,114	233,182
Other external expenses	**31**	321,385	307,197
Depreciations and provisions	**32**	522,696	738,480
Noncurrent expenses	**33**	2,132	6,352
Income tax	**34**	649,049	683,750
Net income		**1,042,906**	**1,057,593**

3.3 Review of the main accounting rules and evaluation methods and the financial risk management system

3.3.1 Main accounting rules and evaluation methods

3.3.1.1 Legal framework

The financial statements are developed and presented in conformity with the BAM Chart of Accounts, approved by the National Accounting Board in May 2007.

The Bank applies the accounting requirements specified in the General Accounting Standard for issues common to companies in terms of assessing stocks and its fixed and other assets, and applies particular assessments for all its specific operations.

The financial statements, as cited under Article 55 of Law No.76-03 bearing Statutes of Bank Al-Maghrib, include the balance sheet, off-balance sheet, profit and loss account (PLA) and additional information statement (AIS).

3.3.1.2 Evaluation methods

Foreign exchange operations

Foreign exchange operations include spot and forward purchases and sales of foreign currencies, whether for Bank Al-Maghrib's own account or as part of intermediation with banks. These transactions are entered in the corresponding off-balance sheet accounts on their commitment date. Then, they are recorded in the balance sheet accounts on the value date or on the date of liquidity delivery.

Assets and liabilities in gold and foreign currency

Assets and liabilities in gold and foreign currency are converted into dirhams based on the applied exchange rate of foreign currencies on the closing date of the fiscal year.

Profits and losses resulting from this operation are entered in the exchange reserves' revaluation account as liabilities on the Bank's balance sheet, in accordance with the agreement governing this account, concluded between Bank Al-Maghrib and the Government on December 29, 2006.

By virtue of this agreement, the "foreign exchange reserve evaluation account" shall maintain a minimum credit balance equal to 2.5 percent of Bank Al-Maghrib's net foreign assets. In the event that a foreign exchange loss causes to bring the balance of the "foreign exchange reserve evaluation account" to a level below the required minimum threshold, the amount of the deficit will be deducted from the income statement of Bank Al-Maghrib of the relevant fiscal year, without exceeding 10 percent of the net profit of the relevant financial year, and placed in a "foreign exchange loss reserve" account.

If the said deficit exceeds 10 percent of the net profit of the Bank, the "reserve for foreign exchange loss" account may be replenished over several years.

The balance of the "foreign exchange loss reserve" account is returned to the Treasury if the balance of the "foreign exchange reserve revaluation account" exceeds the required minimum threshold.

This reevaluation mechanism has no tax impact.

Securities

The securities acquired as part of the management of exchange reserves are classified according to the purpose for which they are held, in portfolio of transaction, of securities held for sale, or of investment.

Transaction portfolio consists of securities purchased with the intention, right from the start, to re-sell them within a short deadline They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of these securities at the market price are entered in the corresponding income accounts.

Investment portfolio consists of securities acquired with the intention of being held until maturity. They are entered according to the rules below:

- They are recorded at their purchase price, excluding costs and, if need be, accrued coupons;
- Gains on these securities are not recorded;
- Losses on these securities are recorded only when the Bank judges that the security, which suffers a loss, will be probably sold in the following fiscal year and in the case where there is a probable issuer's default risk;
- The differences (discounts or premiums) between securities' prices of purchase and redemption are amortized on a straight-line basis over the remaining life of the securities.

As at December 31, 2017, 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 market value. 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 deadlines retained according to the nature of each fixed asset are as follows:

Table 3.3.1: Fixed assets depreciation periods

Real properties	20 years
Fixtures, fittings and facilities	5 years
Dar As-Sikkah equipment	10 years
Office equipment, computing materials and software, vehicles and other materials	5 years
Office furniture	10 years

Financial fixed assets

Shareholdings in Moroccan and foreign financial institutions are entered in the assets side of the balance sheet for their net value representing their acquisition cost minus the provisions set up at the closing date. Regarding foreign holdings, their value is converted into dirhams at the historical rate of the currency.

The provisions for depreciation of these unlisted securities are evaluated at the end of the fiscal year following the net asset value method, based on the last financial statements available.

Inventories

Inventories are composed of:

- Consumable materials and supplies ;
- raw material for the manufacturing of banknotes and coins (paper, ink, and blanks);
- finished goods and in-process inventory (secured documents and foreign banknotes);
- and commemorative coins.

Consumable materials and supplies are recorded in the balance sheet at their purchase price, minus the provisions for their depreciation, if need be, at the closing date.

Raw materials are recorded in the balance sheet at their purchase price plus the handling costs, and minus the provisions for their depreciation, if need be.

Finished goods and in-process inventory are recorded in the balance sheet at their production cost, minus the provisions for their depreciation, if need be.

3.3.2 Financial risk management system

For the financial risk management system, see part II concerning the achievement of the Bank's missions.

3.4 Explanatory notes

Note 1: Assets and investments in gold

This item contains the dirham equivalent of gold assets deposited in Morocco and with foreign depositors, as well as investments in gold made with foreign counterparties. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the reevaluation account of foreign exchange reserves, in accordance with the agreement governing this account concluded in 2006 between Bank Al-Maghrib and the State.

Table 3.4.1: Assets and investments in gold

	2017	2016
Gold price per ounce in dirhams (1)	12,096	11,702
Quantity of gold ounces	710,712	710,467
Market value (2)	8,596,562	8,314,084
Gold stock (in tonnes)	22.11	22.10

(1) Price of Gold/USD/MAD
(2) In thousand dirhams

The value of assets and investments in gold grew by 3 percent at the end of 2017, as the price of gold rose by 12 percent to reach USD 1,296.5 per ounce at the end of December 2017. However, the effect of such increase was offset by the 8 percent decline in the price of the Dollar to 9.33 DH on the same date. The stock of gold held by the Bank remained virtually stable at 710,712 ounces (an equivalent of 22 tons). Foreign gold investments abroad moved from 100,000 to 680,000 ounces, from one year-end to the next.

Note 2: Assets and investments in foreign currency

Under Article 8 of its Statute, Bank Al-Maghrib holds and manages the foreign exchange reserves, which consist of assets in gold, SDRs and foreign currencies. This item presents the equivalent in dirhams of assets in convertible foreign currencies, held in the form of sight deposits, time deposits and foreign securities.

Table 3.4.2: Breakdown by type of investment

In thousand dirhams	2017	Share in %	2016	Share in %
Demand deposits	16,997,789,	8	554,835	1
Time deposits	23,527,587,	10	10,095,667	4
Securities held for sale [1]	31,476,987,	14	58,652,034	25
Investment securities	144,570,491,	64	161,257,880	67
Transaction securities	2,192,182,	1	-	-
Other [2]	7,745,313,	3	7,472,906	3
Total	226,510,350,	100	238,033,323	100

(1) Taking into account provisions for depreciation.

(2) Including accrued interests, management authorizations, and foreign banknotes.

After four years of consecutive rises, assets and investments in foreign currency ended the year 2017 with a 5-percent decrease to 226.510.350 KDH, reflecting a fall in the foreign exchange reserves. The share of this item in the balance sheet thus fell from 84 percent to 77 percent from one year to the next.

Table 3.4.3: Breakdown by remaining maturity [*]

	2017	2016
≤ 1year	48%	16%
> 1year	52%	84%
Total	100%	100%

(*) Internally managed portfolios.

In terms of distribution, bond investments remain dominant, accounting for nearly 79 percent of these assets instead of 92 percent in 2016. Within this category, portfolio of securities held for sale decreased by 46 percent to 31,476,987 KDH, mainly due to the sale of securities to finance the decline, observed during the first half of 2017, in foreign exchange reserves, and the investment portfolio declined by 10 percent to 144,570,491 KDH, further to the suspension of investments in excess reserves, as part of the strategy deployed and the reallocation of the losses to the benefit of the precautionary reserves.

The share of money market investments, which reached 23,527,587 KDH, rose from 4 percent to 10 percent from one year to the next, following the increase in the size of precautionary reserves.

Note 3: Assets with international financial institutions

This item, reflecting positions with the IMF and AMF, fell by 3 percent to 9,846,591 KDH, primarily due to the decrease observed in SDR equivalent of assets as a result of the lower exchange rate of the US dollar (-8 percent).

Position with the IMF

This includes on the assets side:

- IMF subscription - Reserve tranche, which composes the fraction (18.1 percent) subscribed by Bank Al-Maghrib as Morocco's quota in the capital of the IMF. It is composed of:
  - The available tranche: 147.02 million SDRs (1,953,372 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 our Institute. It should be reminded that the Bank had paid, in February 2016, an amount of 76.55 million SDRs, equivalent to its share (25 percent) in the increase of Morocco's quota in the IMF capital under the 14th General Quota Review of the IMF.

Table 3.4.4: Position with the IMF

In thousand dirhams	2017	2016	Change (%)
Assets			
IMF subscription-Reserve tranche	2,152,611	2,195,742	-2%
SDR holdings	7,317,075	7,549,635	-3%
Total	**9,469,687**	**9,745,378**	**-3%**
Liabilities			
SDR allocations	7,459,290	7,619,820	-2%
Accounts No.1 and 2	199,280	200,553	-1%
Total	**7,658,569**	**7,820,372**	**-2%**

  - The mobilized tranche: 14.69 million SDR (199,240 KDH) equal to Bank Al-Maghrib's subscription in national currency, deposited in the IMF "Account No.1" open in the books of our Institute.

- SDR holdings record the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDR purchase transactions by the Bank and the remunerations paid by the IMF, while in the credit side, it records payments of commissions on SDR allocations on a quarterly basis and reimbursement of Morocco's borrowings. These assets strengthened substantially in 2014, as the Bank purchased 320 million SDRs to restore a neutral position vis-à-vis the IMF. At end-2017, their equivalent in Dirham fell by 3 percent to reach 7,317,075 KDH. The bank settled, during this year, a commitment fee on the IMF Precautionary and Liquidity Line (PLL) of 5,969,160 SDRs (equivalent to 79,800 KDH).

The SDR allocations item is registered in the liabilities side. It corresponds to the value, in dirhams, of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams, representing Morocco's share in the general allocation and special allocation (475.8 million SDR) granted by the IMF to member countries. Quarterly commissions are paid by the Bank to the IMF on these allocations, which were kept unchanged compared to last year, at 561.42 million SDR, while their value in Dirhams dropped by 2 percent, due to the depreciation of the US dollar exchange rate .

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 39.95 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab Dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (6,108 KDH);
- 20.31 million Arab Dinars, subscribed in foreign currency, of which 9.46 million Arab dinars subscribed by the Bank (376,905 KDH), compared to 8.81 million Arab dinars, further to the settlement, in April 2017, of the fourth tranche (0.65 million Arab dinars) under its contribution to the AMF capital increase, whose release by member countries is scheduled over the five-year period 2014-2018;
- 19.44 million Arab dinars, of which 9.11 million are attributable to Bank Al-Maghrib for the AMF capital increase by incorporation of reserves, which took place in 2005 (5.88 million Arab dinars) and in 2013 (3.23 million Arab dinars).

Note 4: Claims on Moroccan credit institutions and similar ones

This item covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 6 of the Bank's Statute.

In 2017, the situation of the banking liquidity went through three phases, thus leading the Bank to adjust the volumes of its interventions in the money market:

- In the first quarter, liquidity deficit continued its easing observed in Q4-2016 to average 15.7 billion dirhams, mainly due to the decrease in currency circulation. In this context, the Bank maintained its pace of liquidity injection, observed since the beginning of 2017, which equalled 18,502,884 KDH at the end of the quarter.

- In the second quarter, the money market experienced a pressure on liquidity, as the deficit increased sharply to 34.9 billion dirhams on average, mainly due to the sharp decline in foreign exchange reserves. Under these conditions, Bank Al-Maghrib gradually increased the amount of claims on banks, which reached 68,483,441 KDH at the end of the quarter;
- In the second half of the year, and after its peak of 68.7 billion dirhams on average in August, mainly as a result of the seasonal increase of currency circulation (summer season, the start of the school year and Eid Al Adha festivities), the deficit has been gradually reduced and ended the year at 40.9 billion dirhams, thanks to the renewed increase in foreign exchange reserves, as of August. Consequently, refinancing fell to 42,152,864 KDH at the end of the year, divided as follows:
  - 39,002,864 KDH through 7-day advances at auction granted at the key rate; and
  - 3,150,000 KDH corresponding to four operations of one-year secured loans. These operations are part of the program of supporting the financing of VSME, set up in December 2013.

Table 3.4.5: Structure of claims on banks

In thousand dirhams	2017	2016	Change (%)
Repurchase agreements	**39,002,864**	**15,002,446**	**>100**
7-day advances	39,002,864	11,001,599	>100
24-hour advances	-	4,000,847	-
Repurchase agreements	-	-	-
Secured loans	**3,150,000**	**4,100,000**	**-23**
Total	**42,152,864**	**19,102,446**	**>100**

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 revenues due, and any other debtor amount pending equalization. This item decreased by 7 percent between 2016 and 2017 to stand at 5,114,561 KDH.

Note 6: Fixed assets

Table 3.4.6: Fixed assets

In thousand dirhams	2017	2016	Change (%)
Fixed loans	732,977	727,061	1
Equity securities and the like	439,685	439,755	-0.02
Tangible and intangible fixed assets	6,414,906	6,286,208	2
Gross fixed assets	**7,587,569**	**7,453,023**	**2**
Depreciation and provisions	-4,490,769	-4,187,227	7
Net fixed assets	**3,096,800**	**3,265,796**	**-5**

Net fixed assets of the Bank stood at 3,096,800 KDH, i.e. 5 percent less compared to the previous fiscal year, as depreciations of 2017 equalled 310,776 KDH.

Equity securities and the like

Table 3.4.7: Equity securities and the like

In thousand dirhams	2017 Gross book value	2016 Gross book value	Change (%)
Securities held in Moroccan institutions and the like (including)	**198 373**	**198 373**	-
Dar Ad-Damane	1,265	1,265	-
Maroclear	4,000	4,000	-
Casablanca Finance City Authority	50,000	50,000	-
Société marocaine de gestion des fonds de garantie des dépôts bancaires (Moroccan Company for the Management of Deposit Insurance Funds)	59	59	-
Receivables attached to equity	141,549	141,549	-
Securities held in foreign financial institutions	**241,313**	**241,382**	**-0.03**
Ubac Curaçao	23,228	23,228	-
Swift	519	519	-
Arab Monetary Fund	6,108	6,177	-1
Arab Trade Financing Program	16,856	16,856	-
Africa50-Project Finance	175,142	175,142	-
Africa50-Project Development	19,460	19,460	-
Gross total of equity securities and the like	**439,685**	**439,755**	**-0.02**

At the end of 2017, the gross value of Bank Al-Maghrib's equity securities portfolio remained virtually stable at 439,685 KDH after its significant increase in 2016 following the Bank's participation in the capital of the Africa50 Fund and the advances granted to the associate's current account to the CFCA.

Tangible and intangible fixed assets

Table 3.4.8: Tangible and intangible fixed assets

In thousand dirhams	2016 Gross amount	Increase	Decrease	2017 Gross amount
Operating properties	1,798,706	25,126	-	1,823,831
Operating furniture and equipment	2,331,758	43,911	13,855	2,361,813
Other operating tangible fixed assets	743,792	41,015	855	783,951
Non-operating tangible fixed assets	783,024	3,596	2,016	784,604
Intangible fixed assets	628,929	63,720	31,943	660,707
Total	**6,286,208**	**177,367**	**48,669**	**6,414,906**

At the end of 2017, the Bank's gross outstanding amount of investments in tangible and intangible fixed assets grew by 145,425 KDH to stand at 6,414,906 KDH, mainly divided as follows:

- 22 percent in investments made as part of the infrastructure and the information system project. They concern chiefly the purchase of computer software, the upgrade of BACETE further to the setup of the new exchange regime system and the update of the Centre de Personnalisation des Documents Identitaires -CPDI- (Identity Documents Customization Center).
- 17 percent corresponding to real estate investments related, on the one hand, to operating projects, particularly the development of the Bank's headquarters in Rabat and the branch of Tangier, the extension of Dar As-Sikkah buildings, as well as to other social projects, namely the construction of the Cabo Negro holiday center.
- 32 percent dedicated to the purchase of recurrent furniture and equipment, particularly the renewal of the IT equipment, the purchase of furniture and office supplies, and escort vehicles, and the modernization of cash and secured documents production and processing machines;
- 21 percent mainly dedicated to the reinforcement and upgrade of safety installations, upgrading electrical facilities, network wiring, carpentry, painting, and fixtures in various sites of the Bank.

Decreases amounting to 16,727 KDH mainly concern sales of scrap furniture and equipment in different branches of the Bank and in its holiday centres and summer camps.

Note 7: Banknotes and coins in circulation

In accordance with Article 5 of its Statute, Bank Al-Maghrib shall issue banknotes and coins. The amount of this item covers the difference between banknotes and coins issued by the Bank and those deposited with the Bank.

Currency in circulation, which remains the main component of liabilities with a share of 78 percent, was up 7 percent, to 231,783,652 KDH at the end of 2017.

Note 8: Liabilities in gold and foreign currency

These liabilities mainly comprise currency deposits of foreign banks and non-residents. They reached 8,476,715 KDH, recording an yearly decrease of 16 percent.

Note 9: Liabilities in convertible dirhams

This item includes the Bank's liabilities in convertible dirhams towards foreign banks, international financial institutions (IMF, IBRD) and non-residents.

Account No.1 of the IMF represents the major component of this entry. Its assets, as well as those of "Account No.2" of the IMF, which are readjusted annually to take into consideration the parity of the dirham against SDR, amounted to 199,280 KDH at end-2017.

Table 3.4.9: Liabilities in convertible dirhams

In thousand dirhams	2017	2016	Change (%)
Liabilities to international financial institutions	**222,578**	**206,858**	**8**
Liabilities to foreign banks	18,982	2,764	>100
Ordinary accounts of international financial institutions	203,596	204,094	-0.2
Other liabilities	**8,354**	**6,419**	**30**
Total	**230,932**	**213,277**	**8**

Note 10: Deposits and liabilities in dirhams

This item mainly includes:

- The current account of the Treasury, held by Bank Al-Maghrib by virtue of Article 12 of its Statute. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28, 2009:
  - The tranche lower or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points.
  - The tranche above 2 billion dirhams up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points.
  - The tranche higher than 3 billion dirhams is not remunerated.
- Current accounts of Moroccan banks, held mainly to honour their commitments regarding the required reserve, established by virtue of Article 25 of the above-mentioned Statute. The minimum amount required under this reserve equals 4 percent of banks' liabilities, as decided

by the Bank board during its meeting held in June 2016 and shall be respected on average over the period of observation;

- Deposits of general government and public institutions, including the account of Hassan II Fund for Economic and Social Development.

This item can also accommodate, in a context of excess liquidity:

- 7-day liquidity withdrawals as unsecured deposits by tenders, remunerated at the key rate minus fifty basis points;
- 24-hour deposit facilities allowing banks to place, on their own initiative, a cash surplus. The remuneration applied to these deposits is the key rate minus one hundred basis points.

Deposits and liabilities in dirhams dropped by 9 percent to 30,619,347 KDH, mainly due to the 1,627,442 KDH lower holdings of Moroccan banks.

Table 3-4-10: Deposits and liabilities in dirhams

In thousand dirhams	2017	2016	Change (%)
Public Treasury current account	1,888,850	2,782,845	-32
Moroccan banks' current account	23,781,564	25,409,006	-6
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	1,921,892	2,097,777	-8
Other accounts	3,027,042	3,490,221	-13
Total	**30,619,347**	**33,779,848**	**-9**

Note 11: Other liabilities

Table 3-4-11: Other liabilities

In thousand dirhams	2017	2016	Change (%)
Other securities transactions	361	361	-
Miscellaneous creditors	382,953	598,022	-36
Equalization accounts	178,281	209,654	-15
Amounts claimable after receipt of payment	6,213	142,834	-96
Provisions for risks and expenses	187,773	188,434	-0.4
Revaluation account of foreign exchange reserves	9,476,448	9,208,822	3
Total	**10,232,029**	**10,348,126**	**-1**

This entry includes in particular:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State and third parties, and pending contributions to provident funds and institutions for social security. At the end of 2017, they recorded a balance of 382,953 KDH.
- the equalization accounts, mainly composed of transactions between branches, expenses to be paid and revenues recognized in advance and any other debtor amount pending settlement;
- amounts claimable after receipt of payment, including accounts making up the counterpart of securities presented for payment;
- provisions for risks and expenses allowing to note the existing losses and expenses related to operations executed during the fiscal year and that are most likely realized. At end-2017, this item reached a level close to last year and recorded 187,773 KDH. It mainly covers 150,000 KDH, representing the provision constituted in 2014 to 2016 to cover pension liabilities.
- 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 signed between Bank Al-Maghrib and the Ministry of Economy and Finance.

This agreement sets the rules for implementing Article 24 of the Bank's Statute relating to the periodic evaluation of assets in gold and foreign currencies. This agreement also stipulates that in case of an insufficiency vis-à-vis the required minimum, a reserve for foreign exchange losses deducted from the net profit is constituted. The credit balance of this account can neither be posted in the revenues of the financial year, nor distributed or allocated to any other usage.

Note 12: Equity capital and the like

Under Article 2 of the Bank's Statute, the capital is set at 500,000 KDH, totally held by the State. It can be increased by decision of the Bank Board, after consulting the government representative, subject to approval by regulation.

The general reserve fund was established in accordance with Article 56 of the Statute of Bank Al-Maghrib, by deducing 10 percent from the net profit until it reaches the amount of the capital. Special reserve funds, which make the most part of equity capital, stood at 4,501,340 KDH at end-2017.

Table 3-4-12: Equity capital

In thousand dirhams	2017	2016
Capital	**500,000**	**500,000**
Reserves	**5,001,340**	**5,001,340**
General reserve funds	500,000	500,000
Special reserve funds	4,501,340	4,501,340
Other equity capital	**2,184**	**4,158**
Retained earnings	**26,140**	**25,547**
Total	**5,529,664**	**5,531,046**

Note 13 : Foreign exchange operations

Table 3-4-13: Foreign exchange operations

In thousand dirhams	2017	2016
Foreign exchange transactions- currency deposits	**1,679,310**	**1,064,500**
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	505,629	1,677,200
Foreign currencies deliverable	504,553	1,668,994

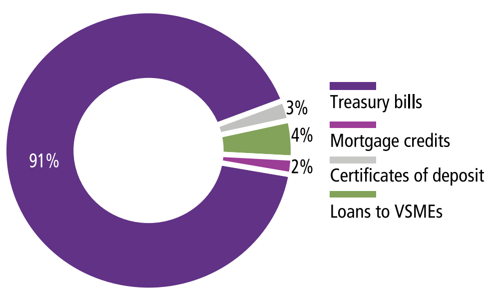
Note 14: Liabilities on securities

This heading records mainly securities pledged to Bank Al-Maghrib to secure various advances to banks.

Table 3.4.1.4: Liabilities on securities

In thousand dirhams	2017	2016
Securities received on advances granted	41,128,646	18,647,940
Securities received on advances to be granted	13,462,900	12,159,100
Other guarantees received on advances granted	3,656,100	1,584,898
Advances to be granted	12,789,755	-
Foreign securities receivable	363,851	716,804
Foreign securities deliverable	-	202,467

Chart 3.4.1: Structure of liabilities on securities received (*)



(*) Collateral received on the advances granted by the Bank as part of the monetary policy implementation.

Note 15: Other liabilities

Table 3-4-15: Other liabilities

In thousand dirhams	2017	2016
Received market guarantees	47,989	66,173
Guarantees liabilities received for staff loans	825,609	934,239
Financing liabilities granted to the staff	35,300	36,569
Other granted liabilities	1,000	1,000

Note 16: Interests earned on holdings and investments in gold and in foreign currency

It includes interests from the following transactions of investments in gold, SDR and foreign currency, made by the Bank as part of its mission of foreign exchange reserves management, conferred by its Statute:

- 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 reserve tranche available with the IMF;
- foreign securities and gold lending;

Table 3-4-16: Interests earned on holdings in gold and in foreign currency

In thousand dirhams	2017	2016	Change (%)
Investments in gold	9,168	18,556	-51
Bond investments	2,770,302	2,862,171	-3
Money market investments	79,155	39,025	>100
Claims on the IMF	46,366	7,451	>100
Other interests*	12,870	8,649	49
Total	**2,917,861**	**2,935,852**	**-1**

(*) Include interests on foreign securities loans and holdings.

After its strong increase in the last two years (56 percent and 48 percent respectively), interests generated from foreign currency investment operations recorded a slight decrease by 1 percent to 2,917,861 KDH. This change has resulted from the combined effect of lower outstanding investments and higher rates of investments in US Dollar and of SDR remunerations.

Interests from bond investments fell by 3 percent to 2,770,302 KDH. This decrease includes a 29 percent drop in interests on investment securities to 462,319 KDH and 4 percent higher interests on investment portfolios to 2,307,984 KDH.

On the contrary, interests from money market investments increased by 40,129 KDH to 79,155 KDH. This rise reflects the improved conditions of investment in the dollar compartment, which largely offset the loss in Euro investments, as well as the implementation by the Bank, in the first four months of 2017, of some deposit operations with Moroccan commercial banks in 2016 at rates higher than those offered by foreign banks.

Interests received on SDR loans rose from 7,451 KDH to 46,366 KDH, due to the 44 bps increase in the average SDR rate (0.52 percent).

Interest in gold loans fell from 18,556 KDH to 9,168 KDH, therefore recording an annual cut of 51 percent due to lower investments' outstanding amounts and rates.

Note 17: Interests earned on claims on credit institutions and similar bodies

These are interests received by the Bank on various advances to credit institutions as part of the monetary policy conduct (for remuneration conditions, see Note 4).

These interests recorded a substantial increase of 594,655 KDH, rising from 361,654 KDH to 956,308 KDH, thus breaking with their downward trend observed in the last three years. This change occurred as the Bank rose the volume of its interventions in the money market to satisfy the banks' sharper need in liquidity.

By main instrument:

- 7-day advances, whose outstanding amount was brought from 9,237,247 KDH to 37,536,643 KDH, generated interests of 844,574 KDH, up by 634,208 KDH.
- Secured loans transactions, whose outstanding amount fell by 31 percent to 4,215,417 KDH, resulting in a fall of related interests to 94,836 KDH (-34 percent).

Table 3.4.17 : Interests received on claims on credit institutions

In thousand dirhams	2017	2016	Change (%)
including:			
7-day advances	844,574	210,366	>100
Repurchase agreements	-	-	-
24-hour advances	16,880	8,022	>100
Secured loans	94,836	143,074	-34
Total	**956,308**	**361,654**	**>100**

Note 18: Other interests earned

This item covers mainly interests due to the Bank under loans granted to its staff. At the closing date, these interests reached 12,958 KDH, up 20 percent compared to 2016.

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.

The 34 percent drop of this item to 844,960 KDH has resulted from the exceptional profit recorded in 2016, which has reached 618,874 KDH further to the adjustment of the intermediation margin on foreign exchange transactions for the period of June 2012 - December 2014.

Table 3-4-18: Commissions earned

In thousand dirhams	2017	2016	Change (%)
Foreign exchange commission	775,072	1,201,612	-35
Management of Treasury bills	53,863	52,413	3
Other commissions	16,025	18,455	-13
Total	**844,960**	**1,272,479**	**-34**

The amount of foreign exchange commissions increased to 775,072 KDH in 2017, owing to the rise of the volume processed in foreign exchange transactions, particularly with authorized intermediaries.

Commissions deducted by the Bank for the centralization of the Treasury's auction operations increased slightly by 3 percent to 53,863 KDH.

Note 20: Other financial revenues

The "other financial revenues" item mainly cover gains generated from foreign currency transactions and deferral of discounts on investment securities.

Table 3-4-19: Other financial revenues

In thousand dirhams	2017	2016	Change (%)
Gains from investment securities sales	40,159	28,921	39
Deferral of discounts on foreign securities	63,691	61,168	4
Gains in management authorizations	-	43,254	-
Gains from securities available for sale	13,774	-	-
Other revenues	2,874	20,074	-86
Total	**120,499**	**153,418**	**-21**

At end-2017, they reached 120,499 KDH, i.e. 21 percent less compared to their 2016 level, which observed a net gain of 23,286 KDH under the management mandate, as against a loss of 30,353 KDH this year mainly due to the depreciation of the US dollar rate (see table 3.4.21 of Note 28).

Note 21: Sales of produced goods

This item includes revenues from sales of various goods produced by the Bank, which cover, for the main part, secured documents including the biometric passport, and export-oriented foreign banknotes. The selling price of these documents is fixed on the basis of data from the analytical system established by the Bank. This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

At end-2017, sales reached 271,242 KDH, up by 43,054 KDH compared to end-2016. This change has resulted, on the one hand, from the sale of secured documents and foreign banknotes which stood respectively at 186,687 KDH (+2 percent) and 56,955 KDH (+9 percent), and on the other hand, from the positive stock variations of 26,709 KDH, instead of the negative variations recorded at end-2016, which reached -8,653 KDH.

Note 22: Miscellaneous revenues

Miscellaneous revenues include, inter alia, the contribution of banks to the invoicing system of the Moroccan Gross Settlement System and the recovery of costs paid by Bank Al-Maghrib. This item rose by 1,282 KDH to reach 27,477 KDH, mainly due to the increase in banks' contribution to the SRBM, as participatory banks paid their fees of access to the system.

Note 23: Reversal of provisions

Provisions transferred in 2017 totalled 316,721 KDH, of which an amount of 293,145 KDH representing the reversals of the provisions constituted for the depreciation of foreign securities held for sale (see Table 3-4-26 of Note 32).

Note 24: Noncurrent revenues

This item includes exceptional noncurrent revenues, with a significant impact both in absolute and relative figures.

Noncurrent revenues rose from 17,150 KDH to 70,595 KDH, from one year to the next, further to the compensatory payment received by the Bank after a dispute with third parties was settled in its favour.

Note 25: Interests paid on liabilities in gold and in foreign currency

These interests reached 77,778 KDH, thus recording an annual increase of 58,351 KDH, including:

- 32,905 KDH covering the commissions paid by the Bank for SDR allocations which reached 39,267 KDH, due to the increase of the SDR rate.
- 25,446 KDH covering interests paid by the Bank on money deposits in Euro, which reached 38,512 KDH, further to the rise in the volume of investments in Euro at more negative rates than in 2016.

Note 26: Interests paid on deposits and liabilities in dirhams

This item covers particularly interests paid by the Bank, mainly on deposits at the account of Hassan II Fund for Economic and Social Development and the Treasury current account (for payment conditions, see Note 10 of the balance sheet). It also included the required reserve, whose remuneration was introduced by decision of the Bank Board in June 2016.

It can also include, in a context of excess liquidity, interests paid by the Bank under liquidity withdrawals, deposits facilities and swap of dirhams against currencies.

Table 3-4-20: Interests on liabilities in dirhams

In thousand dirhams	2017	2016	Change (%)
of which:			
Monetary reserves accounts	38,007	6,197	>100
Other accounts (including)	221,223	182,848	21
Treasury account	43,471	45,415	-4
Total	**271,095**	**207,998**	**30**

The remuneration for the monetary reserve stood at 38,007 KDH at end-2017, as against 6,197 KDH the year before. It was calculated based on a rate of 0.75 percent applied to the additional monetary reserve of banks (exceeding 2 percent of the ratio) whose growth in outstanding loans to nonfinancial enterprises is higher than the average for the whole market, in accordance with the provisions laid down by the Bank.

On the other hand, interest paid on the assets of the Treasury current account decreased by 4 percent to 43,471 KDH, mainly due to the decrease, by 3 percent, of the interest-bearing average outstanding amount.

Note 27: Commissions paid

These are commissions paid in exchange for financial services provided to the Bank. They stood at 16,609 KDH, down 12 percent compared to 2016, as a result of the 11 percent drop of foreign securities custody fees to 11,996 KDH, due to the decrease in the volume of the bond portfolio.

Note 28: Other financial expenses

This item covers losses on foreign currency transactions, including losses on the sales of investment securities (taking into account the nature of securities comprising the portfolio) and deferral of premiums on investment securities.

Table 3-4-21: Other financial expenses

In thousand dirhams	2017	2016	Change (%)
Losses in investment securities sales	523,467	369,123	42
Deferral of premiums on foreign securities	1,080,060	945,980	14
Capital losses in management mandates	30,353	19,969	52
Other expenses	11,556	5,167	>100
Total	**1,645,436**	**1,340,239**	**23**

In 2017, these expenses rose to 1,645.436 KDH, thus recording an annual increase of 305,198 KDH. This change has resulted from the rise of the losses generated by the high sales of foreign securities (+154,344 KDH) and the deferral of premiums on investment securities (+134,080 KDH), mainly due to the appreciation of the euro exchange rate during this year.

Note 29: Staff expenses

This item includes mainly the salaries and wages, allowances and bonuses paid to the Bank staff, employer basic and supplementary contributions to Bank Al-Maghrib Staff Pension Fund and contributions to the Mutual Fund, various staff insurance premiums and vocational training expenses.

Staff expenses rose by 2 percent from 2016 to stand at 739,420 KDH, mainly due to the controlled increase in the wagebill.

Table 3-4-22: Staff expenses

In thousand dirhams	2017	2016	Change (%)
Staff salaries and social security contributions	715,380	707,085	1
Training expenses	7,529	6,838	10
Other expenses	16,510	13,912	19
Total	**739,420**	**727,835**	**2**

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.

The 7 percent increase in this item to 250,114 KDH, is mainly attributed to:

- the combined effect of higher purchase costs, particularly currency blanks and electronic covers for the biometric passport, and lower spending on ink and paper;
- the completion in 2017 of new services of studies and expertise, including the strategic diagnosis of the information system used by the Management in charge of banking supervision and the reform of IFRS 9 standard; and
- a rise in the change in inventories of materials and supplies to 14,352 KDH, as against 6,838 KDH in 2016.

Table 3-4-23: Purchases of materials and supplies

In thousand dirhams	2017	2016	Change (%)
Purchase of raw materials	175,906	168,555	4
Purchase of consumable materials and supplies	34,255	29,105	18
Other purchases	39,953	35,522	12
Total	**250,114**	**233,182**	**7**

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.

These expenses totalled 321,385 KDH, thus recording a yearly rise of 5 percent, resulting mainly from the increase of costs relative to computer programs renting, subscription to information services and contributions to various organizations.

Table 3-4-24: Other external expenses

In thousand dirhams	2017	2016	Change (%)
Maintenance and repair of fixed assets	82,191	82,405	-0,3
Rents	43,707	35,772	22
Water, electricity and fuel purchases	28,772	26,554	8
Postal and telecommunication costs	29,746	27,142	10
Taxes and duties	18,954	16,901	12
Other expenses	118,015	118,424	-0,3
Total	**321,385**	**307,197**	**5**

Note32: Depreciations and provisions

Depreciations

Table 3-4-25: Depreciations

In thousand dirhams	2017	2016	Change (%)
Depreciations of tangible and intangible fixed assets	**310,776**	**334,658**	**-7**
Properties[1]	91,044	110,828	-18
Furniture and equipment	167,501	171,810	-3
Other tangible fixed assets	13	13	-
Intangible fixed assets	52,218	52,008	0,4
Depreciations of other costs to be spread out over many fiscal years	**4,386**	**5,742**	**-24**
Depreciations of previous fiscal years	**5,216**	**3,874**	**35**
Total	**320,379,[2]**	**344,275**	**-7**

[1] Including fixtures, fittings and facilities

Provisions

Table 3-4-26: Provisions

In thousand dirhams	Outstanding amount 31/12/2016	Expenses	Reversals	Other changes	Outstanding amount 31/12/2017
Provisions for depreciation					
Foreign Treasury bills and similar securities	428,966	170,356	293,145	-42	306,135
Miscellaneous stocks and values	6,333	12,238	6,333		12,238
Moroccan equity securities	8,300	3,900		4,400	8,300
Foreign equity securities	1,180	6,995			8,175
Other provisions	3,125	47			3,172
Provisions for risks and expenses posted under liabilities					
Provisions for risks and expenses (including)	188,045	12,682	13,343		187,384
- Provisions for pension liabilities	150,000,				150,000
Other provisions	389				389
Total		**202,317(1)**	**316,721**		

(1) Totalling 522,696 KDH, corresponding to the amount of the PLA heading "depreciations and provisions".

For the terms governing provisions constitution and reversal, see Section "Assessment Methods" and Note 11.

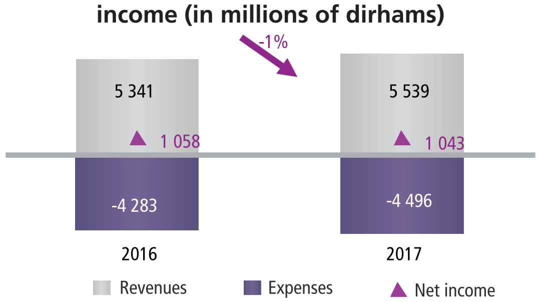
Note 33: Noncurrent expenses

Noncurrent expenses decreased from 6,352 KDH in 2016 to 2,132 KDH. This change has mainly resulted from lower expenses related to the reimbursement of demonetized notes and from the regularization of VAT following the change in the rate of the deductible proportion.

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 fell, between 2016 and 2017, from 683,750 KDH to 649,049 KDH.

Chart 3.4.2: Change in revenues, expenses and net income (in millions of dirhams)



3.5 Statutory Audit Report

BANK AL-MAGHRIB
STATUTORY AUDITOR'S REPORT
FISCAL YEAR ENDED DECEMBER 31st, 2017

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, 2017. Which include the balance sheet, the profit and loss account, and the attached disclosures. These statements present a net equity amounting to 5 529 664 thousands of Moroccan Dirhams, and a net profit of 1 042 906 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, 2017 in accordance with generally accepted accounting principles in Morocco.

Without disputing the above opinion, we would note that assets and liabilities in gold and currencies have been assessed according to the principles provided in the statement A1 of the attached disclosures.

Specific verifications and information

We have notably ensured the correspondence of the information provided in the management report with the bank's financial statements.

Casablanca, March 23th 2018

Mazars Audit et Conseil

MAZARS AUDIT ET CONSEIL
101, Bd Abdelmoumen
20 360 CASABLANCA
Tél. : 0522 423 423 (L.G)
Fax : 0522 423 400

Abdou SOULEYE DIOP
Managing Partner

3-6 Approval by the Bank Board

Pursuant to Article 55 of Law No. 76-03 bearing Statutes of Bank Al-Maghrib, the financial statements are hereby submitted by the Governor for approval by the Board.

At its meeting of March 20, 2018, 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 2017.

STATISTICAL APPENDICES

TABLE A1 KEY ECONOMIC INDICATORS

	2015	2016*	2017**
International Economy (1)			
Economic growth (in %)			
World	3.5	3.2	3.8
Euro area	2.1	1.8	2.3
United States	2.9	1.5	2.3
United Kingdom	2.3	1.9	1.8
Brazil	-3.5	-3.5	1.0
China	6.9	6.7	6.9
Inflation (in %)			
World	2.8	2.8	3.0
Euro area	0.0	0.2	1.5
United States	0.1	1.3	2.1
United Kingdom	0.0	0.7	2.7
Brazil	9.0	8.7	3.4
China	1.4	2.0	1.6
Unemployment			
World (2)	5.5	5.5	5.6
Euro area	10.9	10.0	9.1
United States	5.3	4.9	4.4
United Kingdom	5.4	4.9	4.4
Brazil	8.3	11.3	12.8
China	4.1	4.0	3.9
National Economy (3)			
National accounts			
At the price of the year before (change in %)			
Gross domestic product	4.5	1.1	4.1
Nonagricultural GDP	3.7	3.1	2.7
Nonagricultural value added	1.8	2.2	2.7
Taxes on products net of subsidies	18.1	8.8	2.8
Household final consumption	2.2	3.7	3.5
General government final consumption	2.4	1.5	1.5
Investment	0.9	9.8	4.0
At current prices (in billions of dirhams)			
Gross domestic product	988.0	1 013.6	1 063.3
Gross National Disposable Income	1 043.3	1 074.4	1 124.8
Gross national saving (% of GDP)	28.8	28.4	28.9
Investment rate (% of GDP)	30.8	32.6	32.6
Financing requirement or capacity	-19.7	-43.3	-39.6
Financing requirement or capacity (% of GDP)	-2.0	-4.3	-3.7

(*) Revised
(**) Provisional
(1) Source : World Economic Outlook, IMF.
(2) Source : International Labour Organization.
(3) Source : High Commission for Planning.

TABLE A1 KEY ECONOMIC INDICATORS

	2015	2016*	2017**
National Economy			
Employment and unemployment			
Activity rate in %	-	47.0	46.7
Net job creations	-	-37 000	86 000
Unemployment rate in %	-	9.9	10.2
Youth unemployment rate (15-24 years) in urban areas (%)	-	41.8	42.8
Prices			
Inflation (in %)	1.6	1.6	0.7
Core inflation (in %)	1.4	0.8	1.3
External accounts			
Total exports FOB (in billions of DH)	218.0	225.7	248.5
Total imports CAF (in billions of DH)	372.2	410.6	437.3
Trade balance in % of GDP	-15.6	-18.2	-17.8
Receipts of travel (variation in %)	-1.4	5.0	11.9
Receipts MRE (variation in %)	4.8	4.0	5.7
Current account balance (in % of GDP)	-2.1	-4.2	-3.6
Foreign direct investment receipts (in % of GDP)	4.0	3.5	3.2
Public finance (in % of GDP)			
Budget balance (1)	-4.2	-4.5	-3.6
Total treasury debt	63.7	64.9	65.1
Domestic treasury debt	49.4	50.8	50.7
Public external debt	30.5	30.8	31.3
Money and monetary conditions			
Banking liquidity (in millions of dirhams)	-33.2	-14.7	-41.4
Key rate (2) (in %)	2.50	2.25	2.25
Lending rate (3) (in %)	5.70	5.24	5.52
Interbank rate (3) (in %)	2.51	2.27	2.28
Net international reserves (in Billions of dirhams)	222.1	249.2	240.9
Net international reserves in months of imports	6.0	6.2	5.7
Bank loans (change in %)	2.8	4.2	3.1
Bank loans to the non financial sector (change in %)	0.3	3.9	3.8
Rate of non-performing loans (in %)	7.3	7.5	7.5
Money supply (M3) (in Billions of dirhams)	1 148.0	1 202.4	1 268.5
Real effective exchange rate (annual change)	0.1	2.4	-0.7

(*) Revised
(**) Provisional
(1) Excluding privatization receipts.
(2) At end-December.
(3) Weighted average rates.
Source : High Commission for Planning,Foreign Exchange control office, Ministry of Economy and Finance and Bank Al-Maghrib.

TABLE A2.1 GROSS DOMESTIC PRODUCT AT THE PRICE OF THE PREVIOUS YEAR (BASE 2007)

(Changes In percentage)

	2013	2014	2015	2016*	2017**
Gross domestic product	**4.5**	**2.7**	**4.5**	**1.1**	**4.1**
Primary sector	**17.8**	**-2.3**	**11.5**	**-12.5**	**13.2**
Agriculture, forest and ancillary services	17.2	-2.2	11.9	-13.7	15.4
Fishing	26.8	-4.0	7.3	1.1	-8.3
Secondary sector	**0.6**	**3.5**	**1.8**	**1.0**	**3.1**
Extraction Industry	-1.2	3.0	-2.1	0.1	16.5
Manyfactory Industry	-0.7	4.1	2.3	0.7	2.2
Elecricity and water	14.9	1.3	6.2	2.5	3.3
Building and public works	1.6	2.6	0.7	1.6	0.7
Tertiary sector	**1.9**	**2.3**	**1.7**	**2.9**	**2.7**
Trade	-2.0	1.6	0.5	5.2	2.6
Hotels and restaurants	4.7	2.2	-1.3	3.6	11.5
Transport	1.0	3.6	3.2	0.7	4.3
Postal and telecommunications services	2.9	5.2	2.8	6.9	0.7
Financial activities and insurance	0.2	2.5	2.6	0.2	3.6
Real estate, rents and services to companies	1.5	2.7	4.2	4.4	4.0
General government and social security	3.7	2.5	0.5	1.6	3.1
Education, health and social action	5.0	1.4	0.1	1.4	-2.1
Other nonfinancial services	2.9	0.2	3.4	3.0	1.0
Non agricultural added value	**1.8**	**2.7**	**1.8**	**2.2**	**2.7**
Global added value	**3.7**	**2.0**	**3.0**	**0.1**	**4.3**
Tax on products net of subsidies	**14.6**	**9.7**	**18.1**	**8.8**	**2.8**

(*) Revised
(**) Provisional
Source : High Commission for Planning

TABLE A2.2 GROSS DOMESTIC PRODUCT BY BRANCH OF ACTIVITY

(At current prices) (In millions of dirhams)

	2013	2014	2015	2016*	2017**
Gross domestic product	**897 923**	**925 376**	**987 950**	**1 013 559**	**1 063 297**
Primary sector	**120 228**	**107 905**	**124 759**	**121 556**	**131 623**
Agriculture, forest and ancillary services	112 195	99 167	114 841	110 550	120 297
Fishing	8 033	8 738	9 918	11 006	11 326
Secondary sector	**234 973**	**245 138**	**257 796**	**263 384**	**277 798**
Extraction Industry	30 027	22 691	22 692	20 639	24 324
Manyfactory Industry	139 296	152 599	159 425	159 864	167 330
Elecricity and water	15 269	16 272	21 095	24 988	27 014
Building and public works	50 381	53 576	54 584	57 893	59 130
Tertiary sector	**463 212**	**477 665**	**491 424**	**509 991**	**531 184**
Trade	75 832	77 157	76 968	81 735	84 268
Hotels and restaurants	19 728	20 998	21 175	22 489	26 656
Transport	30 524	32 679	36 290	37 762	40 863
Postal and telecommunications services	23 017	22 203	21 298	21 244	21 163
Financial activities and insurance	42 989	44 003	46 868	46 119	48 025
Real estate, rents and services to companies	95 063	98 513	102 832	109 473	115 250
General government and social security	84 200	88 038	90 630	93 491	98 069
Education, health and social action	79 318	81 053	81 816	83 603	82 565
Other nonfinancial services	12 541	13 021	13 547	14 075	14 325
Non agricultural added value	**706 218**	**731 541**	**759 138**	**784 381**	**820 308**
Global added value	**818 413**	**830 708**	**873 979**	**894 931**	**940 605**
Tax on products net of subsidies	**79 510**	**94 668**	**113 971**	**118 628**	**122 692**

(*) Revised
(**) Provisional
Source : High Commission for Planning (National accounting department)

TABLE A2.3 GOODS AND SERVICES ACCOUNT

(At current prices) (In millions of dirhams)

	2013	2014	2015	2016*	2017**	Percentage changes 2016*/2015	Percentage changes 2017**/2016
RESOURCES							
Gross domestic product	897 923	925 376	987 950	1 013 559	1 063 297	2.6	4.9
Imports of goods and services	424 205	436 221	418 871	460 613	495 717	10.0	7.6
EXPENDITURES							
Households final consumption	533 903	550 793	562 842	585 359	610 693	4.0	4.3
General government final consumption	178 309	184 303	190 450	195 644	201 198	2.7	2.8
Final national consumption of NPIs(1)	4 242	4 923	5 424	5 845	6 007	7.8	2.8
Gross fixed capital formation	276 496	276 237	280 271	303 237	302 226	8.2	-0.3
Changes in stocks	34 860	24 861	24 027	27 564	44 284	14.7	60.7
Exports of goods and services	294 318	320 480	343 807	356 523	394 606	3.7	10.7

(*) 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)

	2013	2014	2015	2016*	2017**	Percentage changes 2016*/2015	Percentage changes 2017**/2016
Gross national disposable income	**958 628**	**985 064**	**1 043 299**	**1 074 399**	**1 124 759**	**3.0**	**4.7**
Gross domestic product	897 923	925 376	987 950	1 013 559	1 063 297	2.6	4.9
Net income of property from outside	-12 243	-21 677	-18 895	-18 816	-23 042	-0.4	22.5
Gross national income	885 680	903 699	969 055	994 743	1 040 255	2.7	4.6
Net current transfers from outside	72 948	81 365	74 244	79 656	84 504	7.3	6.1
Gross national disposable income	**958 628**	**985 064**	**1 043 299**	**1 074 399**	**1 124 759**	**3.0**	**4.7**
Final national consumption	716 454	740 019	758 716	786 848	817 898	3.7	3.9
Households final consumption	533 903	550 793	562 842	585 359	610 693	4.0	4.3
General government final consumption	178 309	184 303	190 450	195 644	201 198	2.7	2.8
Final consumption NPIs(1)	4 242	4 923	5 424	5 845	6 007	7.8	2.8
Gross national saving	242 174	245 045	284 583	287 551	306 861	1.0	6.7

(*) Revised
(**) Provisional
(1) Non-profit institutions
Source : High Commission for Planning

TABLE A2.5 INVESTMENT AND SAVINGS

(At current prices) (In millions of dirhams)

	2013	2014	2015	2016*	2017**	Percentage changes 2016*/2015	Percentage changes 2017**/2016
RESOURCES							
Gross national saving	242 174	245 045	284 583	287 551	306 861	1.0	6.7
Net capital transfers received	-1	19	9	0	0	-	-
EXPENDITURES							
Gross fixed capital formation	276 496	276 237	280 271	303 237	302 226	8.2	-0.3
Changes in stocks	34 860	24 861	24 027	27 564	44 284	14.7	60.7
Financing requirement	-69 183	-56 034	-19 706	-43 250	-39 649	119.5	-8.3

(*) Revised

(**) Provisional

Source : High Commission for Planning

TABLE A2.6 AGRICULTURE

(Area in thousands of hectars / production in million quintals / yield in quintals/ha)

	Crop year 2015-2016			Crop year 2016-2017		
	Area	Production	Yield	Area	Production	Yield
Principal cereals	**3 621**	**33.5**	**9.3**	**5 385**	**95.6**	**17.7**
Soft wheat	1 576	18.6	11.8	2 296	48.9	21.3
Hard wheat	838	8.7	10.4	1 087	22.0	20.2
Barley	1 208	6.2	5.1	2 001	24.7	12.3
PULSE CROPS	**231.0**	**1.1**	**4.7**	**305.5**	**2.7**	**8.8**
Market garden crops	**218.5**	**65.7**	**300.9**	**253**	**74.3**	**293.2**

Source : Ministry of Agriculture and fisheries, rural development and water and forests

TABLE A2.7 SEA FISHERIES

(In thousands of tonnes)

	2016*	2017**
Coastal fishing	**1 383**	**1 311**
Consumpting of fresh products	**323**	**327**
Processing	**1 059**	**983**
Conned fish	232	234
Fish meal and fish oil	172	92
Frozen	656	657

(*) Revised
(**) Provisional
Source : Ministry of Agriculture and fisheries, rural development and water and forests

TABLE A2.8 ELECTRICITY PRODUCTION

(In GWH)

	2014	2015	2016*	2017**	Percentage changes % 2017/2016
Net local Production (1)	**27 647**	**604 29**	**395 30**	**31 482**	**3.6**
Thermal	23 988	25 048	25 652	26 616	3.8
Hydraulic	2 033	2 282	1 662	1 565	-5.9
Wind	1 774	2 380	2 858	2 898	1.4
Imports	6 138	5 138	5 289	6 058	14.5

(1) The difference between the local net production and the total by source of production results from a compensation effect between, on the one hand, the contribution of national third parties and, on the other hand, the electricity used for pump storage of energy and the ancillary of very high and high-voltage pumps.
(*) Revised
(**) Provisional
Sources : National Electricity Office.

TABLE A2.9 INDICES OF MANUFACTURING PRODUCTION

(Base 100 in 2010)

Sector and Branch	2016	2017	Percentage changes 2017 / 2016
Mines	**101.9**	**122.4**	**20.1**
Metal ores	105.6	106.7	1.0
Various products of extractive industries	101.7	124.7	22.6
Manufacturing industries excluding refining of oil products	**110.7**	**113.0**	**2.1**
Foodstuffs products	117.4	120.4	2.6
Manufactured tobacco	111.7	111.5	-0.2
Textile industry products	95.1	95.8	0.7
Clothing products and fur	108.6	114.9	5.8
Leather, travel goods, shoes	82.3	81.9	-0.5
Woodworking products	83.8	81.4	-2.9
Paper and cardboards	95.8	95.1	-0.7
Edition products, printed or reproduced products	124.7	127.9	2.6
Chemical products	121.7	129.6	6.5
Rubber and plastic products	106.9	106.6	-0.3
Other non metal ore products	94.0	92.8	-1.3
Metal products	99.7	92.4	-7.3
Metal-working products	111.9	110.7	-1.1
Machinery and equipement	98.0	101.5	3.6
Electrical machines and appliances	95.8	92.5	-3.4
Radio,television and communication equipment	114.7	116.8	1.8
Medical precision and optical instruments, watches and clocks	176.2	173.1	-1.8
Automotive industry Products	129.4	135.1	4.4
Other transport equipment	138.8	153.2	10.4
Furniture, other manufacturing	87.3	87.1	-0.2
Electricity	**132.8**	**136.5**	**2.8**

Source : High Commission for Planning`

TABLE A2.10 TOURISM

(In unit)

	2015	2016	2017	Percentage changes 2017/2016
Total of tourist arrivals	**10 176 762**	**10 331 731**	**11 349 347**	**9.8**
Foreign tourists	**5 151 704**	**5 103 204**	**5 864 920**	**14.9**
European Union countries	**3 825 869**	**3 621 872**	**4 104 559**	**13.3**
France	1 563 568	1 449 757	1 614 011	11.3
Spain	626 896	615 720	710 730	15.4
Germany	286 328	260 255	331 185	27.3
United Kingdom	504 475	458 561	486 262	6.0
Italy	227 961	219 334	246 313	12.3
Other European countries	**297 133**	**307 783**	**373 145**	**21.2**
America	**333 008**	**379 454**	**480 371**	**26.6**
United States	181 468	197 858	254 531	28.6
Canada	82 837	96 436	111 394	15.5
Brazil	25 684	32 447	44 736	37.9
Middle East (1)	**198 229**	**208 655**	**203 499**	**-2.5**
Maghreb	**195 214**	**209 823**	**207 885**	**-0.9**
Africa	**162 834**	**179 105**	**200 311**	**11.8**
Asia	**105 125**	**162 190**	**252 381**	**55.6**
Other countries	**34 292**	**34 322**	**42 769**	**24.6**
Moroccans resident abroad	**5 025 058**	**5 228 527**	**5 484 427**	**4.9**

(1) Including Egypt

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

TABLE A3.1 INDICATORS OF EMPLOYMENT AND UNEMPLOYMENT

(Population in thousands and rates in percentage)

	Urban areas			Rural areas			National		
	2016 (*)	2017	Changes in absolute value (2) 2017/2016	2016 (*)	2017	Changes in absolute value (2) 2017/2016	2016 (*)	2017	Changes in absolute value (2) 2017/2016
Population aged 15 years and over	**15 840**	**16 244**	**404.0**	**9 238**	**9 289**	**51.0**	**25 078**	**25 533**	**455.0**
Active population	**6 806**	**6 887**	**81.0**	**4 974**	**5 028**	**54.0**	**11 780**	**11 915**	**135.0**
Population Employed	5 840	5 872	32.0	4 773	4 827	54.0	10 613	10 699	86.0
Population Unemployed	966	1 015	49.0	201	201	0.0	1 167	1 216	49.0
Activity rate (1)	**43.0**	**42.4**	**-0.6**	**53.8**	**54.1**	**0.3**	**47.0**	**46.7**	**-0.3**
Unemployment rate	**14.2**	**14.7**	**0.5**	**4.0**	**4.0**	**0.0**	**9.9**	**10.2**	**0.3**
By gender									
Men	11.4	11.8	0.4	4.4	4.3	-0.1	8.6	8.8	0.2
Women	24.0	25.0	1.0	3.1	3.1	0.0	14.1	14.7	0.6
By age									
15 to 24 years	41.8	42.8	1.0	11.2	11.4	0.2	25.8	26.5	0.7
25 to 34 years	20.9	21.6	0.7	5.2	5.0	-0.2	15.1	15.4	0.3
35 to 44 years	6.7	7.0	0.3	2.0	1.9	-0.1	4.9	5.1	0.2
45 years and over	3.6	3.7	0.1	1.0	0.9	-0.1	2.4	2.5	0.1
By diploma									
Without any diploma	6.3	6.7	0.4	2.1	1.9	-0.2	3.8	3.8	0.0
With diploma	19.4	19.6	0.2	10.8	10.7	-0.1	17.6	17.9	0.3

(1) Labour force aged 15 and over as a percentage of the total population aged 15 and over.
(2) For rates, this is a pourcentage points change.
(*) Figures updated following the review of the employment survey methodology, at the publication of the 2017 results.
Source : High Commission for Planning.

TABLE A3.2 EMPLOYMENT BY BRANCH OF ECONOMIC ACTIVITY (1)

(thousands of persons)

	Year		Changes	
	2016	2017	in absolute value	In percentage
Total	**10 613**	**10 699**	**86**	**0.8**
Agriculture, forestry and fishing	4 036	4 078	42	1.0
Industry (including handicraft)	1 205	1 212	7	0.6
Construction and public works	1 037	1 048	11	1.1
Services	4 325	4 351	26	0.6

(1) This concerns the employment of persons aged 15 years and above.
Source : Primary annual results of activity, employment and unemployment, High Commission for Planning.

TABLE A 4.1 INFLATION

(annual change) (base 100 in 2006)

	Inflation	Food and soft drinks	Alcoholic beverages, tobacco and narcotics	Clothes and shoes	Housing, water, gas, electricity and other fuels	Furniture, household items and routine household mainte-nance	Health	Transport	Commu-nications	Leisure and culture	Educa-tion	Restaurants and hotels	Various goods and services
2013	1.9	2.2	5.4	1.6	1.1	0.2	0.9	3.2	- 9.2	0.4	5.5	3.2	1.3
2014	0.4	- 1.2	1.7	2.1	2.5	0.8	- 0.2	2.6	- 4.6	- 0.9	3.4	2.5	1.2
2015	1.6	2.6	4.0	0.6	3.3	0.3	- 0.3	- 3.2	0.2	0.3	2.9	2.3	0.6
2016	1.6	2.8	1.5	1.1	1.0	0.6	0.3	- 0.1	- 0.2	1.6	2.3	2.5	0.2
2017	0.7	0.0	1.1	1.4	1.2	0.5	0.7	1.7	- 0.2	0.5	2.7	3.2	0.8
2017 January	2.1	2.9	0.0	1.0	1.1	0.6	0.3	3.6	- 0.2	1.6	2.9	2.5	0.4
February	1.6	1.7	0.1	1.3	1.1	0.7	0.5	3.8	- 0.2	1.1	2.9	3.1	0.4
March	0.1	- 1.8	0.1	1.3	1.1	0.7	0.8	3.3	- 0.2	1.2	2.9	3.9	0.4
April	0.3	- 1.1	0.1	1.1	1.1	0.6	0.8	2.1	- 0.2	0.6	2.9	4.0	0.6
May	0.3	- 0.6	0.1	1.2	1.1	0.5	0.6	0.9	- 0.2	0.6	2.9	3.1	0.9
June	0.3	- 0.7	0.1	1.6	1.1	0.5	0.7	- 0.1	- 0.2	0.3	2.9	3.2	0.9
July	- 0.1	- 1.6	2.1	1.5	1.1	0.5	0.7	- 0.2	- 0.2	0.4	2.9	2.9	0.7
August	0.3	- 1.3	2.1	1.5	1.1	0.6	0.8	1.3	- 0.2	0.2	2.9	3.1	0.8
September	0.4	- 0.9	2.1	1.6	1.2	0.5	0.8	1.2	- 0.2	0.2	2.3	3.3	1.0
October	0.6	- 0.4	2.1	1.6	1.4	0.5	0.9	1.2	0.0	0.2	2.1	3.2	0.9
November	1.3	1.3	2.1	1.7	1.2	0.5	0.9	1.5	0.0	0.2	2.0	3.0	1.0
December	1.9	2.7	2.1	1.5	1.2	0.5	0.9	1.3	0.0	0.2	2.0	2.8	1.0

Source : High Commission for Planning

TABLE A4.2 CORE INFLATION

(annual change) (base 100 in 2006)

Years/Months	Food products exluded from core inflation	Fuels and lubricants	Products with regula-ted tariffs	Core Inflation											
				Global	Food products included in the core inflation	Clothing and footwear	Housing, water, gas, electricity and other fuels (1)	Furniture, household items and routine household maintenance	Health (2)	Transport (1)	Communica-tions	Leisure and culture (2)	Education	Restaurants and hotels	Various goods and services(2)
2013	3.3	8.0	1.3	1.5	1.6	1.6	2.2	0.2	0.9	1.2	-9.2	0.5	5.5	3.2	1.6
2014	-5.6	7.0	1.6	1.2	1.0	2.1	1.7	0.8	2.6	1.1	-4.6	-0.9	3.4	2.5	1.5
2015	4.3	-16.1	2.7	1.4	1.8	0.6	1.1	0.3	1.0	0.3	0.2	0.3	2.9	2.3	0.7
2016	7.5	-1.7	0.7	0.8	0.6	1.1	1.0	0.6	1.0	0.2	-0.2	1.6	2.3	2.5	0.3
2017	-3.1	8.8	0.8	1.3	1.6	1.4	1.1	0.5	2.4	-0.4	-0.2	0.6	2.7	3.2	0.9
2017 January	6.3	19.4	0.7	1.2	1.6	1.0	1.0	0.6	0.2	-0.3	-0.2	1.7	2.9	2.5	0.6
February	1.9	20.8	0.7	1.3	1.7	1.3	0.9	0.7	2.4	-0.4	-0.2	1.2	2.9	3.1	0.5
March	-9.1	18.5	0.8	1.5	1.9	1.3	0.9	0.7	2.6	-0.8	-0.2	1.3	2.9	3.9	0.6
April	-7.5	11.2	0.7	1.6	2.1	1.1	1.1	0.6	2.6	-0.5	-0.2	0.6	2.9	4.0	0.8
May	-5.3	6.5	0.6	1.4	1.9	1.2	1.1	0.5	2.6	-0.8	-0.2	0.6	2.9	3.1	1.0
June	-5.7	1.3	0.6	1.5	2.0	1.6	1.1	0.5	2.8	-0.8	-0.2	0.3	2.9	3.2	1.0
July	-7.5	0.4	0.9	1.3	1.5	1.5	1.1	0.5	2.6	-0.7	-0.2	0.4	2.9	2.9	0.8
August	-6.2	6.6	0.9	1.2	1.3	1.5	1.2	0.6	2.3	-0.5	-0.2	0.2	2.9	3.1	1.0
September	-5.1	5.8	0.9	1.2	1.5	1.6	1.2	0.5	2.3	-0.3	-0.2	0.2	2.3	3.3	1.3
October	-3.8	5.5	0.9	1.3	1.5	1.6	1.5	0.5	2.7	0.0	0.0	0.2	2.1	3.2	1.2
November	1.5	6.6	0.9	1.2	1.3	1.7	1.3	0.5	2.7	0.1	0.0	0.2	2.0	3.0	1.3
Décember	5.8	6.7	0.9	1.1	1.3	1.5	1.4	0.5	2.7	-0.4	0.0	0.2	2.0	2.8	1.2

(1) Excluding products and services and fuels and lubricants with regulated tariffs.
(2) Excluding products and services with regulated tariffs
Source : Calculated on the basis of data from High Commission for Planing.

TABLE A4.3 PRICE INDEX OF TRADABLES AND NON TRADABLE

(annual change)

Section	Price of tradable goods (CPIXT)	Price of non tradable goods (CPIXNT)
2013(*)	1.3	1.7
2014(*)	1.3	1.0
2015(*)	1.4	1.3
2016(*)	0.6	1.1
2017(*)	0.9	1.8
2017(*) January	1.1	1.3
February	1.2	1.6
March	1.0	2.0
April	1.1	2.1
May	0.8	2.0
June	0.9	2.0
July	0.9	1.7
August	0.8	1.7
September	0.8	1.9
October	0.9	1.8
November	0.9	1.6
December	0.8	1.6

Source : Calcullated on the basis of data from Foreign Exchange Office.

(*) Revised

TABLE A4.4 INDUSTRIAL PRODUCER PRICE INDEX

(base 100 in 2010)

	Average 2016	2017				Average 2017	Percentage changes	
		1st quarter	2nd quarter	3nd quarter	4th quarter		2016/2015	2017/2016
Textile manufacturing	100.3	99.1	99.0	99.2	99.2	99.1	0.1	-1.2
Furniture manufacturing	105.4	107.4	107.7	107.7	108.9	107.9	-0.2	2.4
Other manufacturing industries	101.9	102.3	102.7	102.7	102.7	102.6	0.0	0.7
Manufacturing of other transportation materiels	100.4	100.4	100.4	100.4	100.4	100.4	0.0	0.0
Automotive industry	99.7	99.1	99.0	99.0	99.0	99.0	-0.2	-0.7
Manufacturing of machinery and equipment	103.1	103.1	103.1	103.1	103.0	103.1	0.1	0.0
Manufacturing of Electric equipment	101.8	101.7	102.6	105.8	109.0	104.8	-3.1	2.9
Manufacturing of wood and products of wood and cork, exept furniture; manufacture of articles of straw and plaiting materials	114.9	114.3	114.3	114.6	114.9	114.5	0.7	-0.3
Manufacturing of computer, electronic and optical products	101.0	101.2	102.1	101.1	100.3	101.2	-0.1	0.2
Manufacturing of metal products,exept machinery and equipment	98.7	99.6	101.1	101.5	101.7	101.0	-0.3	2.3
Manufacturing of base metals	101.7	101.9	102.2	102.0	102.3	102.1	-2.2	0.4
Manufacturing of other non-metallic products	106.7	105.7	107.3	108.4	108.2	107.4	-0.7	0.7
Chemical industry	111.1	113.4	113.3	113.5	113.6	113.4	-0.2	2.1
Pharmaceutical industry	94.9	94.9	94.5	94.5	94.5	94.6	-0.7	-0.3
Manufacturing of wearing apparel	106.9	107.3	106.5	106.3	107.4	106.9	0.8	0.0
Printing and reproduction of recorded media	103.5	103.5	103.5	103.5	103.5	103.5	0.0	0.0
Manufacturing of paper and cardboard	97.9	98.0	98.1	98.2	98.2	98.1	-2.3	0.2
Manufacturing of rubber and plastic products	114.3	113.9	113.9	113.5	113.4	113.7	2.6	-0.5
Manufacturing of leather and related products exept leather clothing	108.1	110.8	111.1	111.2	111.1	111.0	0.1	2.7
Food industries	107.4	107.9	107.3	107.8	107.9	107.7	-0.4	0.3
Manufacturing of tabacco products	117.0	117.0	117.0	117.0	117.0	117.0	2.4	0.0
Beverages manufacturing	116.6	116.6	116.7	116.6	116.6	116.6	0.0	0.0
Overall	**106.3**	**106.7**	**106.8**	**107.1**	**107.3**	**107.0**	**-0.4**	**0.7**

Source : High commission for planning`

TABLE A5.1 IMPORTS BY MAIN PRODUCTS

(Weight in thousands of tonnes, Value in millions of dirhams)

	2016*		2017**		Changes				Structure 2017 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Total imports	**53 455**	**410 584**	**52 961**	**437 277**	**-493.8**	**-0.9**	**26 693.6**	**6.5**	**100**	**100**
Food, beverage and tobacco	**13 204**	**44 600**	**10 459**	**42 525**	**-2 745.5**	**-20.8**	**-2 074.5**	**-4.7**	**19.7**	**9.7**
Wheat	6 288	12 783	3 630	8 341	-2 658.1	-42.3	-4 442.0	-34.7	34.7	19.6
Raw or refined sugar	1 061	4 628	1 163	4 951	101.6	9.6	322.3	7.0	11.1	11.6
Corn	2 029	3 908	2 380	4 414	350.9	17.3	506.9	12.9	22.8	10.4
Oilcake and other food industry residues	1 870	4 519	1 827	4 274	-43.0	-2.3	-245.2	-5.4	17.5	10.0
Tea	68	1 958	73	2 142	5.0	7.4	183.8	9.4	0.7	5.0
Other food products	1 888	16 803	1 387	18 403	-501.8	-26.6	1 600.4	9.5	13.3	43.3
Energy and lubricants	**20 589**	**54 507**	**21 639**	**69 466**	**1 050.2**	**5.1**	**14 959.1**	**27.4**	**40.9**	**15.9**
Gas-oil and fuel-oil	7 048	26 145	7 566	34 291	517.8	7.3	8 146.1	31.2	35.0	49.4
Petroleum gas and other hydrocarbons	3 594	11 102	3 637	13 789	43.1	1.2	2 686.8	24.2	16.8	19.9
Petroleum oil and lubricants	912	5 360	1 036	6 781	124.2	13.6	1 421.1	26.5	4.8	9.8
Coal, coke and similar solid fuels	7 951	5 207	8 338	6 024	387.2	4.9	816.6	15.7	38.5	8.7
Electrical energy	0	2 312	0	3 526	0.0	-	1 213.8	52.5	0.0	5.1
Other energy products	1 084	4 380	1 062	5 055	-22.1	-2.0	674.6	15.4	4.9	7.3
RAW PRODUCTS OF ANIMAL AND VEGETABLE ORIGIN	**1 737**	**11 655**	**1 796**	**12 993**	**58.8**	**3.4**	**1 337.7**	**11.5**	**3.4**	**3.0**
Raw or refined soybean oil	452	3 472	502	3 928	49.4	10.9	456.5	13.1	27.9	30.2
Raw, sawn, or hewn wood	745	2 674	702	2 591	-42.5	-5.7	-82.9	-3.1	39.1	19.9
Seeds, spores and fruit used to plant	93	1 086	67	1 062	-26.2	-28.2	-24.4	-2.2	3.7	8.2
Inedible animal by-products	16	564	17	746	1.9	12.1	181.5	32.2	1.0	5.7
Cotton	10	154	9	175	-0.5	-4.9	20.9	13.6	0.5	1.3
Other raw products of animal and vegeTABLE origin	421	3 705	498	4 491	76.7	18.2	786.1	21.2	27.7	34.6
RAW PRODUCTS OF MINERAL ORIGIN	**5 626**	**6 183**	**6 360**	**7 724**	**734.2**	**13.0**	**1 541.1**	**24.9**	**12.0**	**1.8**
Crude and unrefined sulphur	4 975	4 393	5 467	5 002	491.9	9.9	609.0	13.9	85.9	64.8
Scrap metal, waste and scrap from copper, iron, steel and other ores	312	746	518	1 499	206.1	66.1	752.9	100.9	8.1	19.4
Synthetic textile fibres	36	508	34	510	-1.2	-3.3	1.7	0.3	0.5	6.6
Sand, quarter, Kaolin and other clays	150	157	150	155	-0.1	-0.1	-1.9	-1.2	2.4	2.0
Synthetic rubber	6	96	6	139	0.7	12.5	43.5	45.4	0.1	1.8
Other raw products of mineral origin	148	282	185	417	36.8	24.9	135.8	48.2	2.9	5.4

(*) Revised
(**) Provisional
(***) Represents the part of each product in its utilization grouping.
Source : Foreign Exchange Control Office

TABLE A5.1 IMPORTS BY MAIN PRODUCTS (continued)

(Weight in thousands of tonnes, Value in millions of dirhams)

	2016*		2017**		Changes				Structure 2017 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Semi-finished products	**9 833**	**91 565**	**10 221**	**95 552**	**388.4**	**3.9**	**3 987.3**	**4.4**	**19.3**	**21.9**
Plastic materials and different plastic articles	714	11 517	787	13 050	73.1	10.2	1 532.7	13.3	7.7	13.7
Chemical products	2 157	9 232	2 356	10 507	199.1	9.2	1 275.2	13.8	23.1	11.0
Paper and cardboard; different articles in paper and cardboard	561	5 801	568	5 900	7.1	1.3	99.0	1.7	5.6	6.2
Copper wires, rods and shapes	64	3 387	66	4 022	2.1	3.3	635.4	18.8	0.7	4.2
Ammonia	1 041	2 811	1 448	4 008	406.3	39.0	1 196.9	42.6	14.2	4.2
Iron and non-alloy steel wires, bars and shapes	639	3 678	576	3 429	-63.0	-9.9	-249.5	-6.8	5.6	3.6
Flat-rolled products of iron or non-alloy steel	431	3 359	376	3 317	-55.1	-12.8	-41.3	-1.2	3.7	3.5
Natural and chemical fertilizers	753	2 356	1 015	2 822	262.1	34.8	465.6	19.8	9.9	3.0
Semi-finished products of iron or non-alloy steel.	1 185	3 805	618	2 721	-567.9	-47.9	-1 084.7	-28.5	6.0	2.8
Piping accessories and metal construction	141	4 836	91	2 519	-50.3	-35.7	-2 316.9	-47.9	0.9	2.6
Electronic components (transistors)	1	1 942	1	1 995	0.0	3.6	52.6	2.7	0.0	2.1
Other semi-finished products	2 145	38 841	2 320	41 264	175.0	8.2	2 422.4	6.2	22.7	43.2
Agricultural finished capital goods	**34**	**1 750**	**40**	**2 100**	**6.3**	**18.4**	**349.5**	**20.0**	**0.1**	**0.5**
Cultivators and agricultural tractors	12	788	14	962	2.2	18.5	173.8	22.1	35.3	45.8
Agricultural tools and machines	22	954	26	1 126	3.9	17.7	172.7	18.1	64.2	53.6
Other finished products of agricultural equipment	0	8	0	11	0.2	350.8	3.0	35.4	0.5	0.5
Industrial finished capital goods	**910**	**101 922**	**892**	**106 544**	**-17.8**	**-2.0**	**4 622.8**	**4.5**	**1.7**	**24.4**
Wires, cables and other insulated conductors for electricity	55	8 728	56	9 356	1.4	2.6	628.0	7.2	6.3	8.8
Miscellaneous machines and appliances	72	7 019	88	8 958	16.2	22.6	1 939.4	27.6	9.9	8.4
Apparatus for cutting or connecting electrical circuits and resistances	29	8 492	25	8 635	-3.6	-12.6	142.6	1.7	2.8	8.1
Piston engines; other engines and parts thereof (industrial equipment)	81	8 100	83	8 295	1.4	1.7	195.5	2.4	9.3	7.8
Parts of aircraft and other air or space vehicles	2	3 316	3	5 438	0.8	35.4	2 121.7	64.0	0.4	5.1
Utility cars	63	4 721	68	5 249	5.1	8.0	528.1	11.2	7.7	4.9

(*) Revised.
(**) Provisional
(***) Represents the part of each product in its utilization grouping..
Source : Foreign Exchange Control Office

TABLE A5.1 IMPORTS BY MAIN PRODUCTS (continued)

(Wheight in thousands of tonnes, Value in millions of dirhams)

	2016*		2017**		Changes				Structure 2017 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Pumps and compressors	22	2 632	45	3 925	23.0	103.6	1 292.7	49.1	5.1	3.7
Bandages and tires	58	2 786	64	3 030	6.2	10.8	244.3	8.8	7.2	2.8
Automatic data-processing machines and parts thereof	3	2 580	3	2 207	-0.2	-7.2	-373.3	-14.5	0.3	2.1
Sorting, crushing, grinding or agglomerating machines	20	1 048	18	836	-1.6	-7.8	-212.4	-20.3	2.1	0.8
Parts and spare parts for industrial vehicles	9	430	8	430	-0.8	-9.5	-0.2	0.0	0.9	0.4
Other finished industrial equipment products	495	52 071	430	50 188	-65.8	-13.3	-1 883.6	-3.6	48.2	47.1
Finished consumer products	**1 522**	**98 321**	**1 553**	**100 259**	**31.6**	**2.1**	**1 937.9**	**2.0**	**2.9**	**22.9**
Tourist vehicles	201	21 030	200	21 140	-1.2	-0.6	110.0	0.5	12.8	21.1
Parts and spare parts for cars and tourist vehicles	265	16 307	240	14 544	-24.6	-9.3	-1 763.2	-10.8	15.5	14.5
Fabrics and yarn of man-made filaments	60	6 589	64	7 113	3.3	5.5	524.3	8.0	4.1	7.1
Drugs and other pharmaceuticals	9	5 873	8	6 141	-0.3	-4.0	267.8	4.6	0.5	6.1
Miscellaneous plastic works	76	4 058	85	4 426	8.6	11.3	367.7	9.1	5.4	4.4
Knitted fabrics	53	4 037	60	4 333	7.3	13.8	295.8	7.3	3.9	4.3
Seats, furniture, mattresses and lighting items (consumption)	96	3 172	103	3 453	6.8	7.1	281.5	8.9	6.6	3.4
Cotton fabrics and threads	29	3 060	29	3 082	0.2	0.6	21.9	0.7	1.9	3.1
Radio and television receivers	12	2 641	15	2 741	3.1	26.4	99.4	3.8	1.0	2.7
Other consumption finished products	721	31 553	750	33 286	28.4	3.9	1 732.8	5.5	48.3	33.2
Industrial gold	**0**	**81**	**0**	**114**	**0.1**	**86.9**	**32.6**	**40.3**	**0.0**	**0.0**

(*) Revised.
(**) Provisional
(***) Represents the part of each product in its utilization grouping..
Source : Foreign Exchange Control Office

TABLE A5.2 EXPORTS BY MAIN PRODUCTS

(Weight in thousands of tonnes, Value in millions of dirhams)

	2016*		2017**		Changes				Structure 2017 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Total exports	**26 111**	**225 651**	**31 940**	**248 493**	**5 829.2**	**22.3**	**22 842.1**	**10.1**	**100.0**	**100.0**
Food products, beverages and tobacco	**3 190**	**45 591**	**3 444**	**49 128**	**254.1**	**8.0**	**3 536.7**	**7.8**	**10.8**	**19.8**
Crustaceans, mollusc and shellfish	131	8 890	114	9 209	-16.6	-12.7	318.9	3.6	3.3	18.7
Canned fish	170	6 430	185	6 770	14.2	8.4	339.3	5.3	5.4	13.8
Fresh tomatoes	527	5 032	528	5 630	0.4	0.1	597.9	11.9	15.3	11.5
Fresh, frozen or in brine	402	5 064	380	5 081	-22.8	-5.7	16.9	0.3	11.0	10.3
Citrus fruits	608	3 559	682	3 730	74.0	12.2	170.7	4.8	19.8	7.6
Other products	1 352	16 616	1 557	18 709	204.8	15.2	2 092.9	12.6	45.2	38.1
Energy products and lubricants	**619**	**1 878**	**411**	**2 275**	**-208.1**	**-33.6**	**397.4**	**21.2**	**1.3**	**0.9**
Petroleum oil and lubricants	601	1 743	406	2 247	-194.7	-32.4	504.0	28.9	98.9	98.8
Other energy products	18	135	4	28	-13.4	-75.6	-106.7	-79.0	0.9	1.0
Raw products of animal and vegeTABLE origin	**248**	**4 724**	**266**	**5 279**	**18.6**	**7.5**	**554.5**	**11.7**	**0.8**	**2.1**
Inedible animal by-products	14	476	13	834	-1.5	-10.8	357.8	75.2	4.8	15.8
Fish fats and oils	35	813	35	713	-0.9	-2.6	-100.4	-12.3	13.0	13.5
Other crude or refined vegeTABLE oils	25	618	23	570	-1.9	-7.7	-47.1	-7.6	8.7	10.8
Crude and refined olive oil	26	641	22	544	-4.1	-15.5	-97.2	-15.2	8.3	10.3
Agar-agar	1	260	1	298	0.1	8.5	38.4	14.8	0.4	5.6
Live plants and floriculture products	7	173	7	203	0.5	7.2	30.1	17.4	2.7	3.8
Other products	139	1 744	166	2 117	26.5	19.0	372.9	21.4	62.2	40.1
Raw products of mineral origin	**10 567**	**12 503**	**14 091**	**15 218**	**3 524.5**	**33.4**	**2 714.8**	**21.7**	**44.1**	**6.1**
Phosphates	7 903	7 412	11 061	8 370	3 157.9	40.0	958.3	12.9	78.5	55.0
Scrap metal, waste and scrap from copper, iron, steel and other ores	115	1 474	91	1 905	-24.1	-21.0	431.0	29.2	0.6	12.5
Copper ores	115	879	166	1 592	51.4	44.9	712.6	81.1	1.2	10.5
Barium sulphate	556	583	932	818	376.0	67.7	235.0	40.3	6.6	5.4
Lead Ore	53	662	59	805	6.3	11.9	142.6	21.5	0.4	5.3
Other raw products of mineral origin	1 825	1 494	1 782	1 729	-42.9	-2.4	235.3	15.8	12.6	11.4

(*) Revised.
(**) Provisional
(***) Represents the part of each product in its utilization grouping.
Source : Foreign Exchange Control Office

TABLE A5.2 EXPORTS BY MAIN PRODUCTS (continued)

Weight in million of tonnes / Value in millions dirhams)

	2016*		2017**		Changes				Structure 2017 in %	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
SEMI FINISHED PRODUCTS	**10 569**	**46 678**	**12 725**	**52 317**	**2 156.0**	**20.4**	**5 639.6**	**12.1**	**39.8**	**21.1**
Natural and chemical fertilizers	6 605	21 025	8 182	25 203	1 577.0	23.9	4 178.3	19.9	64.7	48.2
Phosphoric acid	1 900	11 162	2 001	10 637	100.6	5.3	-525.4	-4.7	15.7	20.3
Electronic components (transistors)	3	4 047	2	4 272	-0.9	-34.4	224.8	5.6	0.0	8.2
Raw silver and semi-finished silver articles	0	1 215	0	1 129	0.0	-6.9	-85.4	-7.0	0.0	2.2
Flat-rolled products of iron or non-alloy steel	98	687	135	938	37.2	37.9	250.2	36.4	1.1	1.8
Other products	1 963	8 542	2 405	10 139	442.2	22.5	1 597.1	18.7	18.5	19.4
FINISHED PRODUCTS OF AGRICULTURAL EQUIPMENT	**0**	**112**	**0**	**135**	**0.1**	**11.9**	**23.4**	**21.0**	**0.0**	**0.1**
Agricultural tools and machines	0	7	0	8	0.0	30.5	1.0	14.2	29.5	6.2
Cultivators and agricultural tractors	0	2	0	7	0.0	35.1	5.4	319.6	30.9	5.2
Other finished products of agricultural equipment	0	103	0	120	0.0	-9.7	17.0	16.6	39.6	88.6
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	**220**	**39 496**	**239**	**45 144**	**18.3**	**8.3**	**5 648.0**	**14.3**	**0.7**	**18.2**
Wires, cables and other insulated conductors for electricity	152	23 538	163	26 321	11.4	7.5	2 783.1	11.8	68.3	58.3
Apparatus for cutting or connecting electrical circuits and resistances	13	5 772	15	6 498	1.8	13.9	726.1	12.6	6.2	14.4
Parts of aircraft and other air or space vehicles	2	4 261	3	5 531	0.7	34.1	1 270.5	29.8	1.1	12.3
Turbojets and turboprop engines and parts thereof	0	31	0	279	0.0	10.9	248.7	812.3	0.0	0.6
Utility cars	5	359	3	263	-1.5	-31.0	-96.5	-26.9	1.4	0.6
Other finished industrial equipment products	49	5 536	**55**	**6 252**	6.0	12.2	716.2	12.9	23.0	13.8
Finished consumer products	**698**	**73 523**	**764**	**78 403**	**65.7**	**9.4**	**4 880.0**	**6.6**	**2.4**	**31.6**
Tourist vehicles	343	28 875	384	30 974	40.5	11.8	2 099.5	7.3	50.2	39.5
Ready-made clothing	68	21 953	75	23 297	6.4	9.3	1 344.2	6.1	9.8	29.7
Hosiery items	43	7 462	46	7 553	2.5	5.8	90.9	1.2	6.0	9.6
Covers, linen and other made-up textile articles	12	3 188	11	2 874	-0.9	-7.3	-313.8	-9.8	1.5	3.7
Shoes	12	2 299	11	2 255	-0.1	-1.0	-44.2	-1.9	1.5	2.9
Other products	220	9 747	237	11 450	17.3	7.9	1 703.5	17.5	31.1	14.6
Industrial gold	**0**	**1 147**	**0**	**595**	**0.0**	**-49.0**	**-552.3**	**-48.2**	**0.0**	**0.2**

(*) Revised.
(**) Provisional
(***) Represents the part of each product in its utilization grouping..
Source : Foreign Exchange Control Office

TABLE A5.3 GEOGRAPHICAL DISTRIBUTION OF FOREIGN TRADE

(In millions of dirhams)

	Imports CIF		Exports FOB		Balance	
	2016*	2016**	2016*	2017**	2016*	2017**
Total	**410 584**	**437 277**	**225 651**	**248 493**	**-184 933**	**-188 784**
EUROPE	**264 665**	**285 543**	**158 395**	**176 539**	**-106 270**	**-109 005**
Spain	64 246	73 787	52 925	58 835	-11 320	-14 952
France	54 463	51 941	48 152	56 789	-6 312	4 848
Germany	25 005	26 440	6 177	7 001	-18 828	-19 439
Italy	22 289	25 397	10 372	11 452	-11 917	-13 946
Turkey	18 143	19 251	7 431	6 876	-10 713	-12 375
Netherlands	7 905	7 228	4 939	5 388	-2 966	-1 840
United Kingdom	7 823	9 910	6 573	5 875	-1 251	-4 034
Other	64 790	71 589	21 827	24 323	-42 964	-47 266
ASIE	**82 834**	**81 308**	**23 246**	**24 285**	**-59 588**	**-57 023**
China	37 324	39 560	2 239	2 975	-35 085	-36 585
India	6 216	5 988	7 433	6 426	1 217	438
Japan	5 017	4 435	1 851	1 931	-3 166	-2 504
Other	34 277	31 325	11 723	12 953	-22 554	-18 373
AMERICA	**45 012**	**52 576**	**18 016**	**22 205**	**-26 996**	**-30 371**
United States	26 012	29 932	7 794	9 781	-18 218	-20 151
Brazil	6 410	6 951	5 784	7 339	-626	388
Canada	4 009	4 116	1 623	1 637	-2 386	-2 479
Mexico	830	1 935	592	1 236	-239	-698
Other	7 750	9 642	2 223	2 211	-5 528	-7 431
AFRICA	**15 817**	**15 100**	**22 484**	**22 094**	**6 667**	**6 994**
Algeria	6 156	5 277	2 317	1 927	-3 839	-3 350
Tunisia	1 881	2 074	964	891	-917	-1 183
Libya	108	197	879	726	771	529
Mauritania	2	3	1 704	1 788	1 702	1 784
Other	7 669	7 549	16 619	16 762	8 950	9 213
OCEANIA AND OTHER	**2 257**	**2 750**	**3 510**	**3 370**	**1 254**	**621**

(*) Revised
(**) Preliminary
Source : Foreign Exchange Control Office.

TABLE A5.4 BALANCE OF PAYMENT

(In millions of dirhams)

	2017*		
	Credit	Debit	Balance
CURRENT TRANSACTIONS ACCOUNT			
GOODS AND SERVICES	**374 817.4**	**478 651.3**	**-103 833.9**
GOODS	**208 151.8**	**383 939.5**	**-175 787.7**
General goods	207 356.0	383 831.7	-176 475.7
Net exports of goods under merchanting	655.8	-	+655.8
Non-monetary gold	140.0	107.8	+32.2
SERVICES	**166 665.6**	**94 711.8**	**+71 953.8**
Manufacturing services performed on physical inputs detained by third parties	13 895.0	39.0	+13 856.0
Maintenance and repairing services not included elsewhere	2 279.2	874.0	+1 405.2
Transportation	29 804.2	38 781.2	-8 977.0
Sea transportation	10 133.0	24 698.9	-14 565.9
Air transportation	15 462.8	10 164.0	+5 298.8
Other transportation	4 107.2	3 911.7	+195.5
Postal and mail services	101.2	6.6	+94.6
Travel	71 883.8	17 009.5	+54 874.3
Business travels	3 234.8	1 500.4	+1 734.4
Personal travels	68 649.0	15 509.1	+53 139.9
Construction	7 084.0	8 161.9	-1 077.9
Insurance and pension services	1 225.7	733.4	+492.3
Financial services	587.1	1 203.6	-616.5
Fees for intellectual property usage, not included elsewhere	58.3	1 276.9	-1 218.6
Telecommunication, computer and information services	14 441.6	2 245.4	+12 196.2
Other services to businesses	17 306.6	13 445.6	+3 861.0
Personal, cultural and leisure services	959.3	230.5	+728.8
Goods and services of the general government, not included elsewhere	7 140.8	10 710.8	-3 570.0
PRIMARY INCOME	**7 469.2**	**26 898.8**	**-19 429.6**
Investment income	6 738.1	26 859.5	-20 121.4
Direct investments	3 147.6	17 036.4	-13 888.8
Portfolio investments	-	3 646.4	-3 646.4
Other investments	258.7	6 176.7	-5 918.0
Reserve assets	3 331.8	-	+3 331.8
Other primary income	731.1	39.3	+691.8
SECONDARY INCOME	**90 944.9**	**5 689.0**	**+85 255.9**
Public	12 980.6	1 204.1	+11 776.5
Private	77 964.3	4 484.9	+73 479.4
CURRENT ACCOUNT	**473 231.5**	**511 239.1**	**-38 007.6**
Financing capacity (+) / need(-)	**-**	**-**	**-38 007.6**

(*) Preliminary
Source : Foreign Exchange Office

TABLE A5.4 BALANCE OF PAYMENT (continued)

(In millions of dirhams)

	2017*		
	Net asset purchases	Liability net increase	Balance
FINANCIAL ACCOUNT			
DIRECT INVESTMENTS	**9 308.0**	**25 697.0**	**-16 389.0**
Equity and investment funds shares	8 597.0	18 664.0	-10 067.0
Debt instruments	711.0	7 033.0	-6 322.0
PORTFOLIO INVESTMENTS	**97.0**	**-1 119.7**	**+1 216.7**
FINANCIAL DERIVATIVES	**-1 415.6**	**-1 407.7**	**-7.9**
OTHER INVESTMENTS	**18 238.4**	**20 622.6**	**-2 384.2**
Other equity	211.8	-	+211.8
Currency and deposits	18 041.4	-16 631.1	+34 672.5
Loans	-328.0	22 148.3	-22 476.3
Trade credits and other advances	313.2	18 133.4	-17 820.2
Autres comptes à recevoir/à payer	**-**	**-3 028.0**	**+3 028.0**
RESERVE ASSETS	**-9 059.6**	**-**	**-9 059.6**
TOTAL CHANGE IN ASSETS/LIABILITIES	**17 168.2**	**43 792.2**	**-26 624.0**
Financing capacity (+) / need (–)	**-**	**-**	**-26 624.0**
Net errors and omissions	-	-	+11 383.6

(*) Preliminary
Source : Foreign Exchange Office.

TABLE A5.5 INTERNATIONAL INVESTMENT POSITION

(In millions of dirhams)

	2016*			2017**		
	Asset	Liability	Balance	Asset	Liability	Balance
Direct investments	**52 533**	**553 102**	**-500 569**	**55 346**	**588 670**	**-533 324**
Equity and investment funds shares	**47 845**	**509 356**	**-461 511**	**49 243**	**537 871**	**-488 627**
Direct investor in direct investment firms	47 845	509 356	-461 511	49 243	537 871	-488 627
Debt instruments	**4 688**	**43 746**	**-39 057**	**6 103**	**50 799**	**-44 697**
Direct investor's claims on direct investment firms	4 688	43 746	-39 057	6 103	50 799	-44 697
Portfolio investments	**17 785**	**108 251**	**-90 466**	**10 804**	**110 188**	**-99 384**
Equity and investment funds shares	**15 712**	**32 064**	**-16 351**	**10 021**	**33 139**	**-23 118**
Deposit-taking institutions other than central bank	933	12 354	-11 420	1 054	13 335	-12 281
Other sectors	14 779	19 710	-4 931	8 967	19 804	-10 837
Other financial corporations	8 952	990	7 962	3 220	1 171	2 049
Nonfinancial corporations, households and NPISH	5 827	18 720	-12 893	5 747	18 633	-12 886
Debt securities	**2 072**	**76 187**	**-74 115**	**782**	**77 049**	**-76 266**
Deposit-taking institutions other than the central bank	1 229	2 067	-838	637	3 345	-2 708
General government	0	45 530	-45 530	0	45 570	-45 570
Other sectors	843	28 590	-27 747	145	28 134	-27 989
Other financial corporations	817	0	817	145	0	145
Nonfinancial corporations, households and NPISH	27	28 590	-28 563	0	28 134	-28 134
Financial derivatives (other than reserves) and employees stock-options	**1 129**	**1 076**	**53**	**245**	**320**	**-75**
Other investments	**59 044**	**392 774**	**-333 731**	**78 188**	**388 091**	**-309 903**
Other equity	**1 791**	**0**	**1 791**	**2 016**	**0**	**2 016**
Currency and deposits	**31 378**	**52 614**	**-21 236**	**49 519**	**35 934**	**13 585**
Central bank	1 029	4 276	-3 247	609	3 449	-2 840
Deposit-taking institutions other than the central bank	27 420	48 338	-20 918	46 357	32 485	13 872
Other sectors	2 930	0	2 930	2 553	0	2 553
Other financial corporations	1 010	0	1 010	938	0	938
Nonfinancial corporations, households and NPISH	1 920	0	1 920	1 615	0	1 615
Loans	**403**	**263 978**	**-263 575**	**470**	**286 514**	**-286 044**
Deposit-taking institutions other than the central bank	403	4 513	-4 110	470	3 517	-3 047
General government	0	97 595	-97 595	0	107 785	-107 785
Other sectors	0	161 870	-161 870	0	175 212	-175 212
Other financial corporations	0	1 077	-1 077	0	868	-868
Nonfinancial corporations, households and NPISH	0	160 792	-160 792	0	174 344	-174 344
Commercial credits and advances	**25 471**	**65 566**	**-40 095**	**26 183**	**58 184**	**-32 001**
Other sectors	25 471	65 566	-40 095	26 183	58 184	-32 001
Nonfinancial corporations, households and NPISH	25 471	65 566	-40 095	26 183	58 184	-32 001
Special drawing rights (allocations)	0	7 620	-7 620	0	7 459	-7 459
Reserve assets	**256 081**	**0**	**256 081**	**244 286**	**0**	**244 286**
Monetary gold	8 314		8 314	8 597		8 597
Special drawing rights	7 444		7 444	7 213		7 213
IMF reserve position	1 995		1 995	1 953		1 953
Other reserve assets	238 328		238 328	226 523		226 523
Total assets/liabilities	**386 570**	**1 055 202**	**-668 632**	**388 869**	**1 087 269**	**-698 400**

(*) Revised.
(**) Provisional
Source : Foreign Exchange Office.

TABLE A6.1 TREASURY REVENUE AND EXPENDITURE

(In millions of dirhams)

	January - December 2016			January - December 2017			Changes in % Realization
	Realization(*)	FL	Implementation rate of finance bill	Realization(**)	FL	Implemantation rate of finance bill	
Current revenue (1)	**240 502**	**245 945**	**97.8**	**254 265**	**251 408**	**101.1**	**5.7**
Tax revenues	**211 608**	**215 484**	**98.2**	**224 914**	**225 814**	**99.6**	**6.3**
Direct taxes	85 075	85 505	99.5	91 989	89 382	102.9	8.1
Corporate tax	42 962	44 255	97.1	49 971	45 555	109.7	16.3
Income tax	39 036	38 614	101.1	39 307	40 855	96.2	0.7
Other direct taxes	3 077	2 636	116.7	2 711	2 972	91.2	-11.9
Indirect taxes (2)	101 631	104 798	97.0	108 647	109 442	99.3	6.9
VAT	75 497	79 298	95.2	81 264	82 835	98.1	7.6
(Domestic)	27 626	31 603	87.4	29 867	32 364	92.3	8.1
(Import)	47 872	47 695	100.4	51 397	50 471	101.8	7.4
CDT	26 134	25 500	102.5	27 383	26 607	102.9	4.8
(Tobacco)	9 328	9 050	103.1	9 920	9 150	108.4	6.3
(Energy products)	15 222	14 850	102.5	15 732	15 912	98.9	3.4
(Other)	1 585	1 600	99.0	1 731	1 545	112.0	9.2
Customs duties	9 074	7 902	114.8	8 609	8 931	96.4	-5.1
Registration Fees and stamp duties	15 827	17 280	91.6	15 669	18 059	86.8	-1.0
Non-tax revenues (2)	**25 326**	**27 161**	**93.2**	**25 809**	**22 293**	**115.8**	**1.9**
State monopolies	7 984	8 330	95.8	7 958	9 067	87.8	-0.3
Other revenues	17 342	18 830	92.1	17 851	13 226	135.0	2.9
Including the Central Guarantee Fund	7 233	13 000	55.6	9 548	8 000	119.4	32.0
Revenues of Certain Special Treasury accounts	**3 568**	**3 300**	**108.1**	**3 542**	**3 300**	**107.3**	**-0.7**
Expenditure	**289 268**	**288 563**	**100.2**	**297 019**	**290 377**	**102.3**	**2.7**
Current expenditure	**225 617**	**235 433**	**95.8**	**230 140**	**234 799**	**98.0**	**2.0**
Administrative expenses	161 773	167 809	96.4	163 353	167 825	97.3	1.0
Personnel expenses	104 859	106 776	98.2	104 598	106 701	98.0	-0.2
Other goods and services	56 914	61 033	93.3	58 755	61 124	96.1	3.2
Interest on the Public debt	27 098	28 285	95.8	27 078	27 474	98.6	-0.1
Domestic	23 316	24 299	96.0	23 305	23 764	98.1	0.0
Foreign	3 782	3 985	94.9	3 773	3 710	101.7	-0.2
Subsidization	14 097	15 550	90.7	15 330	14 650	104.6	8.7
Transfers to local authorities	22 649	23 789	95.2	24 379	24 851	98.1	7.6
Current balance	**14 884**	**10 512**	**-**	**24 125**	**16 608**	**-**	
Capital expenditure	**63 651**	**53 130**	**119.8**	**66 879**	**55 578**	**120.3**	**5.1**
Special Treasury accounts Balance	**3 335**	**6 000**	**-**	**4 911**	**6 000**	**-**	**47.3**
Budget deficit	**- 45 431**	**- 36 618**	**-**	**- 37 843**	**- 32 969**	**-**	**-16.7**
Change in arrears	**5 151**			**- 866**			
Financing requirements or surplus	**- 40 280**			**- 38 709**			
Net financing	**40 280**			**38 709**			
Foreign financing	**2 809**			**3 346**			
Foreign borrowing	10 388			16 588			
Amortization	- 7 579			- 13 242			
Domestic financing	**35 937**			**35 363**			
Privatization	**1 535**			**0**			

(*) Revised
(**) Preliminary
(1) Excluding privatization revenues
(2) Including the share of the VAT receipts paid to local authorities .
Source : Ministry of Economy and Finance

TABLE A6.2 ESTIMATED GENERAL BUDGET

(In millions of dirhams)

	Finance Act 2015	Finance Act 2016	Finance Act 2017
CURRENT REVENUE (1)	**240 197**	**245 945**	**251 408**
Tax revenue	**208 819**	**215 484**	**225 814**
Indirect taxes (2)	104 927	104 798	109 442
Direct taxes	81 750	85 505	89 382
Customs duties	7 272	7 902	8 931
Registration fees and stamp duties	14 870	17 280	18 059
Non-tax revenue	**28 378**	**27 161**	**22 293**
State monopolies	9 517	8 330	9 067
Miscellaneous revenues	18 861	18 830	13 226
Receipts of certain special Treasury accounts	**3 000**	**3 300**	**3 300**
EXPENDITURE	**287 154**	**288 563**	**290 377**
Current expenditure	**237 919**	**235 433**	**234 799**
Administrative expenses	164 374	167 809	167 825
Personnel expenses	105 509	106 776	106 701
Interest on the public debt	26 560	28 285	27 474
Domestic	22 776	24 299	23 764
Foreign	3 784	3 985	3 710
Subsidization	22 900	15 550	14 650
Transfers to local authorities	24 084	23 789	24 851
CURRENT ACCOUNT BALANCE	**2 279**	**10 512**	**16 608**
Capital expenditure	**49 235**	**53 130**	**55 578**
Special Treasury accounts balance	5 000	6 000	6 000
BUDGET BALANCE	**-41 957**	**- 36 618**	**- 32 969**
CHANGE IN ARREARS	**0**	**0**	**0**
FINANCING REQUIREMENT	**-41 957**	**- 36 618**	**- 32 969**
NET FINANCING	**41 957**	**36 618**	**32 969**
Foreign financing	**21 589**	**22 209**	**12 507**
Foreign borrowing	25 989	26 796	23 000
Amortization	-4 400	- 4 587	- 10 493
Domestic financing	**20 368**	**14 409**	**20 462**

(1) Excluding privatization revenues
(2) Including the share of the VAT receipts paid to local authorities
Source : Ministry of Economy and Finance

TABLE A7.1 MAIN FOREIGN EXCHANGE RATES QUOTED BY THE BANK AL-MAGHRIB AND EFFECTIVE EXCHANGE RATE(EER)

End of period		2016		2017												
		Annual average	Dec.	Janv.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	Annual average
1 EURO - EUR (1)	Buying rate	10.850	10.613	10.643	10.652	10.670	10.680	10.815	10.879	10.986	11.090	11.127	11.072	11.068	11.098	10.9310
	Selling rate		10.677	10.706	10.716	10.735	10.745	10.880	10.944	11.052	11.156	11.194	11.138	11.134	11.165	
1 DOLLAR - USD (1)	Buying rate	9.805	10.066	10.024	10.011	9.984	9.970	9.780	9.690	9.539	9.392	9.338	9.417	9.422	9.380	9.6914
	Selling rate		10.126	10.084	10.071	10.044	10.030	9.839	9.749	9.596	9.448	9.395	9.474	9.479	9.436	
REER(*)		99.510	100.150			99.560			98.418			98.340			98.840	98.790
NEER(*)		106.860	108.010			108.427			107.955			107.674			108.073	108.032

(*) Quarterly data
(1) Transfer exchange rate.
Source: Bank Al-Maghrib

TABLE A7.2 DEVELOPMENT OF THE EXCHANGE MARKET ACTIVITY

(In millions of dirhams)

	Annual average 2016	2017												Annual average 2017
		Janv.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	
Spot operations														
Currency-againt-currency sale/purchase operations with foreign correspondants	52 720	46 349	43 453	38 309	40 058	65 456	52 702	44 306	49 334	36 833	49 357	57 594	41 918	47 139
Interbank sale/purchase operations againts the dirham	13 655	13 814	12 498	10 258	9 639	10 660	8 264	19 181	16 324	10 640	10 572	14 853	18 459	12 930
Currency investments abroad	7 122	8 422	7 429	5 274	7 722	4 628	9 523	11 894	11 189	6 135	10 425	9 389	6 585	8 218
Currency sale by BAM to the banks	729	289	2 512	2 611	3 697	18 965	22 150	1 665	0.8685	-	-	-	1 117	4 417
Forward operations														
Forward purchase of currency by banks customers (import coverage)	5 922	7 396	6 196	7 264	9 947	12 226	16 906	12 557	8 748	7 842	9 551	11 495	11 317	10 120
Forward sale of currency by banks customers (export cover)	3 432	6 056	2 337	3 321	6 280	4 816	2 309	1 809	2 805	1 815	2 794	2 764	2 877	3 332

TABLE A7.3 BANK LIQUIDITY FACTORS AND BAM INTERVENTIONS(1)

(In millions of dirhams)

	Dec-16	Jan-17	Feb-17	March-17	April-17	May-17	June-17	July-17	Aug-17	Sept-17	Oct-17	Nov-17	Dec-17
Notes and coins	216 000	215 075	214 015	214 072	214 911	216 535	219 738	222 269	229 249	234 644	230 179	229 679	230 536
Treasury's net position (2)	-3 580	-4 051	-4 349	-5 071	-4 262	-4 272	-4 475	-3 638	-3 587	-4 219	-3 200	-4 217	-3 368
Bank Al-Maghrib net foreign exchange holdings	244 401	242 529	243 624	239 671	238 322	231 144	209 913	196 795	204 799	215 006	219 134	227 318	232 942
Other net factors	-20 220	-18 485	-19 796	-17 839	-17 986	-17 207	-19 064	-18 638	-19 798	-19 879	-20 152	-20 258	-19 983
Bank's structural liquidity position(3)	4 602	4 918	5 464	2 689	1 163	-6 871	-33 364	-47 750	-47 835	-43 737	-34 396	-26 836	-20 945
Reserve requirement	19 310	19 657	20 023	20 021	19 972	19 984	20 106	20 439	20 864	21 183	21 214	21 204	21 209
Surplus or liquidity requirement	-14 708	-14 739	-14 559	-17 332	-18 809	-26 855	-53 470	-68 189	-68 699	-64 920	-55 610	-48 040	-42 154
Bank Al-Maghrib money market interventions	**16 414**	**14 250**	**15 000**	**17 500**	**19 250**	**28 678**	**55 954**	**68 075**	**70 378**	**64 890**	**56 828**	**48 795**	**44 350**
7-days advance on call for tenders	11 800	9 750	10 500	13 000	14 750	22 250	48 704	62 250	65 928	60 440	52 500	45 000	40 000
Facilities on bank's initiative	1 100	0	0	0	0	2 570	4 583	2 750	0	0	2 355	2 580	3 000
Prêts garantis	4 100	4 500	4 500	4 500	4 500	4 500	4 500	4 450	4 450	4 450	3 150	3 150	3 150

(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 2017

(in %)

	Bank Al-Maghrib's intervention rate		Interbank market rate	
	7-days advances	24-hours advances	Monthly average	Month end
January	2.25	3.25	2.25	2.26
February	2.25	3.25	2.26	2.26
March	2.25	3.25	2.27	2.28
April	2.25	3.25	2.27	2.27
May	2.25	3.25	2.29	2.32
June	2.25	3.25	2.31	2.33
July	2.25	3.25	2.32	2.30
August	2.25	3.25	2.30	2.28
September	2.25	3.25	2.29	2.26
October	2.25	3.25	2.27	2.28
November	2.25	3.25	2.27	2.31
December	2.25	3.25	2.28	2.32

Source: Bank Al-Maghrib

TABLE A7.5 INTEREST RATES OF DEPOSITS WITH BANKS

(in %)

	2016		2017	
	January -June	July- December	January -June	July- December
Deposits with banks				
Current account	Unremunerate	Unremunerate	Unremunerate	Unremunerate
Savings accounts[1]	2.11	1.66	1.81	1.86

(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 2017

(in %)

	6-month deposits weighted average interest rate	12- month deposits weighted average interest rates
January	2.93	3.35
February	2.85	3.20
March	2.79	3.05
April	2.77	3.02
May	2.74	3.14
June	2.90	3.13
July	2.81	3.10
August	2.83	3.08
September	2.78	3.09
October	2.74	3.11
November	2.79	3.09
December	2.87	3.11

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
2016	January	2.49	2.54	2.57	2.69	3.07	3.60	3.98	4.37	4.92
	February	2.48	2.51	2.56	2.63	2.88	3.35	3.72	4.20	4.70
	March	2.29	-	-	2.58	2.82	-	3.62	-	-
	April	1.90	-	2.00	2.06	2.32	2.99	3.23	3.71	4.41
	May	1.84	1.86	1.92	-	2.28	2.74	3.20	3.49	4.31
	June	1.65	1.71	1.86	2.04	-	-	-	-	-
	July	2.00	2.12	2.24	2.36	2.60	-	-	-	-
	August	2.18	2.25	2.38	2.52	-	-	-	-	-
	September	2.18	2.26	2.37	2.57	2.82	3.22	-	-	-
	October	2.10	2.15	2.30	2.48	2.67	3.08	-	-	-
	November	-	2.15	2.27	2.40	2.65	3.08	-	3.86	-
	Décember	2.10	-	2.34	2.43	2.74	-	-	-	-
2017	January	2.19	-	2.37	2.53	2.89	-	-	-	-
	February	2.15	2.29	2.35	2.59	2.84	3.28	3.87	-	-
	March	2.09	2.15	2.27	2.46	2.77	3.26	-	4.02	-
	April	-	-	-	2.41	2.76	-	-	-	4.45
	May	2.09	-	2.26	2.43	2.79	3.27	3.87	4.06	-
	June	-	-	-	2.40	2.80	3.27	-	-	-
	July	-	-	-	2.50	2.84	-	3.88	-	-
	August	2.18	-	2.37	2.48	2.85	-	3.87	-	-
	September	-	2.23	2.35	2.48	2.81	3.32	3.85	-	-
	October	2.14	-	2.28	2.42	2.77	3.27	3.76	3.98	4.41
	November	2.14	2.19	2.27	2.42	-	3.28	3.68	-	-
	December	2.17	2.19	2.32	2.48	-	3.28	3.69	-	-

TABLE A7.8 INTEREST RATES OFFERED ON NEGOTIABLE DEBT SECURITIES

(in %)

	2016	2017
Certificates of deposit		
Under 32 days	2.25	-
32 days to 92 days	2.25 - 2.70	2.25 - 2.55
93 days to 182 days	2.30 - 2.55	2.25 - 2.63
183 days to 365 days	2.35- 3.60	2.30 - 3.70
366 days to 2 years	2.35 - 3.25	2.40 - 2.90
More than 2 years up to 3 years	2.50 - 3.31	2.62 - 3.0
More than 3 years up to 5 years	2.81 - 3.58	2.61 - 3.30
More than 5 years up to 7 years	3.08	3.33 - 3.71
Financing companies bonds		
2 years	2.98 - 3.40	2.85 - 3.80
More than 2 years up to 3 years	2.78 - 2.80	2.92 - 3.40
More than 3 years up to 5 years	2.81 - 3.72	2.88 - 3.60
More than 5 years up to 7 years	3.51	-
Commercial papers		
Under 32 days	4.50 - 5.30	3.70 - 3.75
32 days to 92 days	2.35 - 5.30	3.70 - 5.30
93 days to 182 days	2.30 - 5.30	2.65 - 5.30
183 days to 365 days	3.62 - 5.75	2.65 - 5.75

(-) No emission.

TABLE A7.9 INTEREST RATES (1) OFFERED ON NOTES AND BONDS ISSUED ON THE BOND MARKET

(in %)

	2016	2017
≤ 4 years	4.20-5.75	3.37-5.05
≥ 5 years	2.81-3.16	2.91-5.00
≥ 7 years	2.66-3.44	2.79-3.83
≥ 10 years	2.77-4.43	2.18-4.22
≥ 15 years	3.25-3.92	2.97-4.18
≥ 20 years	-	4.35-4.42
≥ 25 years	-	4.10-4.90

(1) Min and Max
(-) No emission
Source : Maroclear

TABLE A7.10 LENDING RATES

(in %)

Periods / rates	March-16	June-16	Sept-16	Dec-16	March-17	June-17	Sept-17	Dec-17
Global	**5.55**	**5.25**	**5.08**	**5.17**	**5.48**	**5.26**	**5.60**	**5.77**
By economic purpose								
Overdraft facilities	5.44	5.16	4.98	5.24	5.49	5.23	5.69	5.85
Equipment loans	5.54	4.98	4.95	4.43	4.78	4.89	5.14	5.31
Real-estate loans	5.59	5.44	5.34	5.15	5.35	5.25	5.09	5.42
Consumer loans	6.91	6.63	6.64	6.64	6.71	6.67	6.60	6.56
By agent								
Business	7.93	7.54	6.89	7.44	8.08	7.82	8.14	5.57
Individuals	6.02	5.72	5.78	5.71	5.88	5.76	5.69	5.92
Individual entrepreneurs	5.44	5.15	4.98	5.08	5.41	5.17	5.56	5.76

Source: Bank Al-Maghrib.

TABLE A7.11 MAXIMUM AGREED INTEREST RATE OF CREDIT INSTITUTIONS(1)

(Annual rates in %)

Periods / rates	April 2014 - March-2015	April 2015- March 2016	April 2016 - March 2017	April 2017 - March 2018
Maximum interest rate agreed (MIRA)	14.38	14.30	13.90	13.60

(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 MAIN MONETARY INDICATORS

(In billions of dirhams)

	2016	2017												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2015	2016	2017
M1	751.9	744.8	746.2	753.2	754.5	751.3	769.4	769.3	781.3	790.6	781.5	785.2	810.5	7.0	6.3	7.8
M2	898.1	891.7	893.6	900.9	902.5	899.4	918.7	918.9	931.7	942.5	934.2	938.4	964.3	6.9	6.2	7.4
M3	**1 202.4**	**1 194.1**	**1 191.0**	**1 197.3**	**1 202.2**	**1 203.1**	**1 219.8**	**1 223.7**	**1 237.7**	**1 243.4**	**1 241.4**	**1 254.4**	**1 268.5**	**5.7**	**4.7**	**5.5**
LI	**587.1**	**582.0**	**588.0**	**600.9**	**596.8**	**604.6**	**600.8**	**601.3**	**601.7**	**609.9**	**624.0**	**632.1**	**642.0**	**13.7**	**7.7**	**9.3**
Currency in circulation	203.2	202.7	202.0	202.7	204.4	205.1	208.7	211.7	224.9	219.3	217.0	218.1	218.8	7.4	5.5	7.7
Banking depositsof monetary nature(1)																
Demand deposits wih banks	496.6	487.6	489.4	489.3	492.7	489.5	506.4	504.6	502.5	516.8	507.7	510.1	533.8	7.0	6.7	7.5
Time accounts and fixed-term bills	163.3	158.7	153.8	154.3	154.3	154.4	156.2	155.5	152.8	149.5	151.8	152.4	155.8	7.4	-4.5	-4.6
Money market UCITS	60.7	61.3	61.1	61.3	58.7	63.4	55.7	56.8	59.7	60.3	63.3	67.0	60.6	1.5	-2.9	0.0
Net international reserves(*)	**249.2**	**247.4**	**248.1**	**243.7**	**241.6**	**229.7**	**205.7**	**204.1**	**217.3**	**223.3**	**227.9**	**238.4**	**240.9**	**23.7**	**12.2**	**-3.3**
Net claims on CG (2)	**142.4**	**161.5**	**156.7**	**148.0**	**153.4**	**147.7**	**156.5**	**160.6**	**165.0**	**164.2**	**159.7**	**162.0**	**167.8**	**3.0**	**-3.8**	**17.8**
Claims on the economy	**957.6**	**943.8**	**939.4**	**957.3**	**958.2**	**962.1**	**991.1**	**982.3**	**977.0**	**984.3**	**984.2**	**988.9**	**989.4**	**1.6**	**5.9**	**3.3**
Loans of ODC(3)	**825.8**	**809.6**	**806.6**	**818.1**	**815.8**	**819.9**	**848.7**	**839.8**	**836.3**	**839.7**	**840.1**	**844.6**	**850.4**	**2.0**	**4.4**	**3.0**
Banks loans	818.1	799.3	793.6	804.3	808.5	811.5	842.2	831.2	827.1	830.2	832.1	834.1	843.1	2.8	4.2	3.1
By economic purpose																
Real-estate loans	246.9	250.0	250.0	251.5	251.4	252.4	254.3	255.1	255.2	255.2	257.7	257.5	257.7	1.7	2.5	4.4
Overdraft facilities (4)	172.7	160.3	161.5	164.6	170.3	170.8	182.5	176.5	170.6	171.4	169.7	166.9	167.4	-4.9	0.5	-3.1
Equipment loans	152.9	152.5	152.9	151.9	152.2	151.4	157.5	158.6	162.5	165.2	166.4	170.9	170.6	-0.7	8.1	11.6
Consumer loans	48.7	49.0	49.2	49.4	49.6	50.0	50.2	50.5	50.9	50.8	50.9	51.0	51.0	4.9	5.4	4.6
Miscellaneous claims	135.5	125.4	117.8	124.9	121.9	123.9	135.4	127.5	124.1	124.2	123.4	124.4	132.9	19.0	6.6	-1.9
Nonperforming loans	61.4	62.2	62.2	62.0	63.2	63.0	62.3	63.0	63.8	63.4	64.2	63.5	63.6	9.3	6.8	3.7
By economic sector																
Other financial corporations	122.7	113.0	106.0	113.1	113.0	114.8	127.4	116.0	111.7	111.9	111.2	111.4	121.2	20.4	6.0	-1.3
Public sector (5)	62.2	58.4	58.5	56.0	58.2	56.5	58.0	61.0	60.7	63.8	65.5	68.8	66.6	7.1	18.0	7.2
Private sector	633.2	627.9	629.1	635.2	637.3	640.2	656.8	654.2	654.7	654.5	655.4	653.9	655.3	-0.2	2.7	3.5

(1) All deposits opened by money-holding sectors with the banking system except regulated deposits and guarantee deposits
(2) Central government.
(3) ODC: Other depository corporations
(4) Including Accounts receivable.
(5) Excluding central government.
(*) Figures Revised in 2016.
Source: Bank Al-Maghrib.

TABLE A 8.2 MONETARY AGGREGATES

(In billions of dirhams)

	2016	2017												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2015	2016	2017
Currency in circulation(1)	**203.2**	**202.7**	**202.0**	**202.7**	**204.4**	**205.1**	**208.7**	**211.7**	**224.9**	**219.3**	**217.0**	**218.1**	**218.8**	**7.4**	**5.5**	**7.7**
Bank notes and coins in circulation	215.7	214.8	213.7	214.7	215.6	217.4	222.8	224.4	239.5	232.0	229.9	231.3	231.8	7.5	4.8	7.4
Banks' cash holdings	12.5	12.2	11.7	12.0	11.2	12.3	14.1	12.7	14.6	12.7	12.9	13.1	12.9	10.0	-5.6	3.5
Bank money	**548.6**	**542.1**	**544.2**	**550.5**	**550.2**	**546.2**	**560.8**	**557.6**	**556.4**	**571.3**	**564.5**	**567.1**	**591.6**	**6.9**	**6.7**	**7.8**
Demand deposits with BAM	2.2	4.3	4.4	4.0	3.4	2.9	2.4	2.7	2.3	2.4	2.3	2.1	1.9	48.6	-16.5	-16.5
Demand deposits with banks	496.6	487.6	489.4	489.3	492.7	489.5	506.4	504.6	502.5	516.8	507.7	510.1	533.8	7.0	6.7	7.5
Demand deposits with the Treasury	49.8	50.2	50.5	57.2	54.0	53.8	51.9	50.4	51.6	52.1	54.5	54.9	56.0	4.3	7.7	12.4
M1	**751.9**	**744.8**	**746.2**	**753.2**	**754.5**	**751.3**	**769.4**	**769.3**	**781.3**	**790.6**	**781.5**	**785.2**	**810.5**	**7.0**	**6.3**	**7.8**
Demand deposits	146.2	146.9	147.4	147.7	147.9	148.1	149.2	149.7	150.4	151.9	152.7	153.2	153.9	6.4	5.6	5.2
Comptes d'épargne auprès des banques	146.2	146.9	147.4	147.7	147.9	148.1	149.2	149.7	150.4	151.9	152.7	153.2	153.9	6.4	5.6	5.2
M2	**898.1**	**891.7**	**893.6**	**900.9**	**902.5**	**899.4**	**918.7**	**918.9**	**931.7**	**942.5**	**934.2**	**938.4**	**964.3**	**6.9**	**6.2**	**7.4**
Other monetary assets	304.3	302.4	297.4	296.4	299.7	303.7	301.2	304.8	306.0	300.9	307.3	315.9	304.2	2.4	0.6	0.0
Time accounts and fixed-term bills with banks	163.3	158.7	153.8	154.3	154.3	154.4	156.2	155.5	152.8	149.5	151.8	152.4	155.8	7.4	-4.5	-4.6
Money market UCITS	60.7	61.3	61.1	61.3	58.7	63.4	55.7	56.8	59.7	60.3	63.3	67.0	60.6	1.5	-2.9	0.0
Deposits in foreign currencies (2)	43.2	42.0	41.9	41.2	40.9	41.0	40.1	39.3	38.3	38.5	39.3	40.9	41.1	12.3	10.0	-5.0
Securities sold under repurchase agreements	5.6	9.5	11.6	9.4	13.9	11.5	12.0	13.6	15.8	14.3	14.7	16.0	9.9	-41.1	97.3	76.0
Certificates of deposit of a residual maturity of 2 years or less	20.0	19.3	18.2	18.8	19.1	20.8	24.3	24.3	24.8	25.6	24.8	24.6	22.5	-20.3	8.3	12.5
Time accounts with the treasury	7.7	7.7	7.7	7.9	7.9	7.6	7.2	8.5	8.5	8.5	8.1	8.4	8.6	10.0	28.3	11.5
Other deposits(3)	3.8	3.9	3.1	3.5	4.8	5.1	5.8	6.7	6.0	4.2	5.3	6.7	5.7	-61.4	56.4	50.6
M3	**1 202.4**	**1 194.1**	**1 191.0**	**1 197.3**	**1 202.2**	**1 203.1**	**1 219.8**	**1 223.7**	**1 237.7**	**1 243.4**	**1 241.4**	**1 254.4**	**1 268.5**	**5.7**	**4.7**	**5.5**

(1) Currency in circulation = banknotes and coins in circulation - banks' cash holdings
(2) Demand and time deposits in foreign currencies with banks
(3) Loans made by banks from financial corporations
Source: Bank Al-Maghrib.

TABLE A 8.3 LIQUID INVESTMENT AGGREGATES

(In billions of dirhams)

	2016	2017												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2015	2016	2017
LI 1	**363.0**	**357.1**	**359.9**	**368.3**	**362.5**	**368.0**	**357.6**	**353.2**	**354.5**	**355.9**	**364.3**	**363.1**	**370.7**	**13.0**	**5.3**	**2.1**
Negotiable Treasury bonds	**355.5**	**348.4**	**350.8**	**359.1**	**353.3**	**357.2**	**347.6**	**342.4**	**343.3**	**345.9**	**353.7**	**352.3**	**359.9**	**13.0**	**6.2**	**1.2**
Other financial corporations	351.6	346.0	348.7	357.0	351.0	354.9	344.9	340.2	341.6	343.1	351.3	349.7	356.6	12.3	6.0	1.4
Nonfinancial corporations	3.9	2.4	2.1	2.1	2.3	2.3	2.7	2.2	1.7	2.7	2.4	2.6	3.2	248.7	26.0	-17.0
Bonds of finance companies	**5.0**	**5.2**	**5.0**	**5.7**	**5.6**	**5.6**	**6.7**	**6.9**	**8.0**	**7.0**	**7.6**	**8.0**	**8.1**	**35.6**	**-29.0**	**61.9**
Other financial corporations	5.0	5.2	5.0	5.7	5.6	5.6	6.7	6.9	8.0	7.0	7.6	8.0	8.0	35.6	-29.0	61.2
Commercial paper	**0.9**	**1.0**	**1.2**	**1.3**	**1.3**	**1.3**	**1.2**	**1.2**	**1.2**	**1.3**	**1.3**	**1.0**	**1.0**	**-58.3**	**-19.3**	**8.4**
Other financial corporations	0.9	1.0	1.2	1.2	1.2	1.3	1.2	1.2	1.2	1.3	1.3	1.0	1.0	-61.5	-14.7	12.5
Contractual UCITS	**1.6**	**2.5**	**2.8**	**2.1**	**2.4**	**3.8**	**2.0**	**2.7**	**2.1**	**1.7**	**1.6**	**1.8**	**1.7**	**82.6**	**-9.1**	**6.5**
Other financial corporations	0.2	0.3	0.3	0.2	0.1	0.3	0.3	0.3	0.3	0.2	0.2	0.3	0.4	-41.3	18.1	124.0
Nonfinancial corporations	1.3	2.0	2.2	1.9	2.2	3.3	1.6	2.2	1.7	1.4	1.3	1.4	1.2	232.0	-12.2	-5.4
Individuals and Moroccans living abroad	0.1	0.2	0.2	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-42.0	-6.9	-39.3
LI 2	**185.4**	**179.5**	**184.4**	**190.9**	**191.7**	**193.4**	**194.2**	**198.1**	**197.2**	**202.1**	**206.9**	**213.8**	**218.9**	**17.8**	**8.9**	**18.1**
Bond UCITS	**185.4**	**179.5**	**184.4**	**190.9**	**191.7**	**193.4**	**194.2**	**198.1**	**197.2**	**202.1**	**206.9**	**213.8**	**218.9**	**17.8**	**8.9**	**18.1**
Other financial corporations	138.4	132.8	136.4	144.5	143.2	144.4	144.8	146.1	145.5	156.3	159.0	164.3	171.8	17.7	13.3	24.1
Nonfinancial corporations	31.4	31.2	32.1	32.7	34.3	34.6	38.6	40.4	40.2	34.7	36.1	37.3	32.6	31.7	-3.9	3.8
Individuals and Moroccans living abroad	15.5	15.5	15.9	13.6	14.2	14.4	10.8	11.6	11.5	11.1	11.8	12.2	14.5	-2.8	0.8	-6.9
LI 3	**38.7**	**45.4**	**43.7**	**41.8**	**42.5**	**43.2**	**49.1**	**50.0**	**50.0**	**51.9**	**52.8**	**55.2**	**52.4**	**1.3**	**27.7**	**35.4**
Equity UCITS and diversified UCITS	**38.7**	**45.4**	**43.7**	**41.8**	**42.5**	**43.2**	**49.1**	**50.0**	**50.0**	**51.9**	**52.8**	**55.2**	**52.4**	**1.3**	**27.7**	**35.4**
Other financial corporations	30.9	36.2	34.8	31.5	32.0	32.6	37.1	37.8	37.7	38.9	39.6	41.4	39.4	0.7	30.3	27.5
Nonfinancial corporations	0.8	0.9	0.9	1.1	1.1	1.1	1.9	1.9	1.9	2.0	2.0	2.1	2.3	24.7	-33.1	200.2
Individuals and Moroccans living abroad	7.0	8.4	8.1	9.3	9.4	9.6	10.1	10.3	10.3	10.9	11.1	11.7	10.7	-0.4	29.0	51.8
LI	**587.1**	**582.0**	**588.0**	**600.9**	**596.8**	**604.6**	**600.8**	**601.3**	**601.7**	**609.9**	**624.0**	**632.1**	**642.0**	**13.7**	**7.7**	**9.3**

Source: Bank Al-Maghrib

TABLE A 8.4 M3 COUNTERPARTS

(In billions of dirhams)

	2016	2017												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2015	2016	2017
Claims on the economy	**957.6**	**943.8**	**939.4**	**957.3**	**958.2**	**962.1**	**991.1**	**982.3**	**977.0**	**984.3**	**984.2**	**988.9**	**989.4**	**1.6**	**5.9**	**3.3**
Claims of BAM	1.1	1.1	1.1	1.1	1.2	1.2	1.3	1.3	1.5	1.6	1.7	1.6	1.2	16.7	16.1	7.8
Claims of ODC	956.6	942.8	938.3	956.2	957.0	960.8	989.9	981.0	975.6	982.7	982.5	987.3	988.2	1.6	5.9	3.3
Net claims on central government	**142.4**	**161.5**	**156.7**	**148.0**	**153.4**	**147.7**	**156.5**	**160.6**	**165.0**	**164.2**	**159.7**	**162.0**	**167.8**	**3.0**	**-3.8**	**17.8**
Net claims of BAM	-0.3	-1.0	-1.8	-4.1	-1.5	-1.2	-1.2	-1.2	-2.2	0.0	0.2	0.1	0.2	974.2	-78.1	-165.2
Net claims of ODC	142.6	162.5	158.5	152.2	155.0	149.0	157.7	161.8	167.3	164.2	159.6	161.9	167.6	3.7	-4.4	17.5
Net international reserves(*)	**249.2**	**247.4**	**248.1**	**243.7**	**241.6**	**229.7**	**205.7**	**204.1**	**217.3**	**223.3**	**227.9**	**238.4**	**240.9**	**23.7**	**12.2**	**-3.3**
Non-monetary liabilities	**185.8**	**189.4**	**185.6**	**187.3**	**189.8**	**189.3**	**188.3**	**190.6**	**190.6**	**193.5**	**197.3**	**195.7**	**201.6**	**2.3**	**9.8**	**8.5**
DC(1) capital and reserves	**133.7**	**139.0**	**136.0**	**134.5**	**136.5**	**136.4**	**133.4**	**136.3**	**136.7**	**138.1**	**140.2**	**140.5**	**137.9**	**2.9**	**4.7**	**3.2**
BAM	15.8	16.0	16.6	15.5	15.7	15.7	15.7	16.0	16.6	16.8	17.0	17.2	16.1	-4.2	3.6	1.6
ODC	117.9	122.9	119.3	119.0	120.8	120.7	117.7	120.3	120.1	121.4	123.2	123.4	121.8	4.0	4.8	3.4
DC non-monetary liabilities	**52.1**	**50.5**	**49.6**	**52.8**	**53.3**	**53.0**	**55.0**	**54.3**	**53.9**	**55.4**	**57.0**	**55.2**	**63.7**	**0.2**	**25.6**	**22.3**
Deposits excluded from M3	9.2	7.1	6.7	7.0	6.9	7.4	7.1	7.2	7.5	7.1	7.9	7.9	8.2	-12.0	37.2	-10.8
Loans	10.2	10.1	10.1	10.3	9.4	10.2	12.6	12.4	11.7	12.5	12.5	11.4	15.6	-22.0	40.8	53.5
Securities other than equity exclud from M3	32.5	32.9	32.5	35.2	36.3	34.5	34.4	33.9	34.1	35.0	36.0	35.3	39.2	12.7	18.7	20.9
Others liabilities	0.3	0.3	0.3	0.4	0.7	0.9	0.8	0.7	0.7	0.7	0.7	0.7	0.7	-17.2	21.9	115.8
Others counterparts of M3(*)	**38.9**	**30.8**	**32.4**	**35.5**	**38.8**	**53.0**	**54.8**	**67.2**	**69.0**	**65.0**	**66.9**	**60.8**	**72.0**	**12.8**	**-9.6**	**85.1**
Counterparts of deposits with the Treasury	57.5	57.9	58.2	65.1	62.0	61.4	59.1	58.9	60.1	60.7	62.6	63.4	64.6	4.9	10.1	12.3
Others nets items(2)(*)	-10.8	-19.8	-17.7	-23.0	-19.7	-18.2	-22.6	-16.1	-15.6	-17.0	-16.8	-23.8	-13.9	85.5	-1.9	29.5
ODC net claims on nonresidents	-1.8	-1.1	-2.5	-0.9	2.3	15.6	24.5	30.3	30.4	27.4	27.3	27.5	27.7	-	-121.8	-
SDR allocations and other liabilities	7.7	7.7	7.8	7.8	7.8	7.6	7.6	7.5	7.6	7.6	7.6	7.5	7.5	4.8	-1.1	-2.0
Other external assets BAM (3)	1.6	1.4	2.2	2.2	2.0	1.8	1.5	1.7	1.6	1.5	1.3	1.2	1.2	-26.4	40.7	-25.1
Total counterparts (4)	**1 202.4**	**1 194.1**	**1 191.0**	**1 197.3**	**1 202.2**	**1 203.1**	**1 219.8**	**1 223.7**	**1 237.7**	**1 243.4**	**1 241.4**	**1 254.4**	**1 268.5**	**5.7**	**4.7**	**5.5**

(1) Depository corporations
(2) Composed of consolidation adjustments and the net balance of various elements.
(3) BAM's foreign assets and liabilities excluded from the NIR.
(4) Total of counterparts=Net international reserves+net claims on central government+claims on the economy- non-monetary resources+other M3 counterpart
(*)Figures Revised in 2016
Source: Bank Al-Maghrib.

TABLE A 8.5 NET CLAIMS OF ODCS ON NON-RESIDENTS

	2016	2017												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2015	2017	2017
Net international reserves(1)(*)	**249.2**	**247.4**	**248.1**	**243.7**	**241.6**	**229.7**	**205.7**	**204.1**	**217.3**	**223.3**	**227.9**	**238.4**	**240.9**	**23.7**	**12.2**	**-3.3**
Official reserve assets(2)(*)	**253.5**	**251.9**	**252.1**	**250.3**	**248.3**	**236.1**	**212.1**	**211.3**	**223.8**	**229.8**	**234.2**	**241.3**	**244.3**	**23.0**	**12.5**	**-3.6**
Monetary gold	8.3	8.5	9.0	8.8	8.9	8.7	8.5	8.5	8.7	8.6	8.6	8.6	8.6	-2.8	11.2	3.4
Foreign curencies	2.6	2.7	2.7	2.7	2.3	3.1	2.3	6.5	10.5	8.0	4.1	3.1	3.7	54.7	-34.0	40.6
Deposits and securities included in official3)(*)	233.1	231.3	231.0	229.2	227.6	214.9	192.1	187.0	195.3	204.1	212.3	220.5	222.9	24.7	13.5	-4.4
Reserve position in the IMF	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	4.8	-	-2.1
SDR holdings	7.4	7.4	7.5	7.6	7.4	7.4	7.3	7.3	7.3	7.2	7.2	7.2	7.2	3.3	-1.5	-3.1
Short term foreign liabilities in foreign currencies(B)	**4.2**	**4.5**	**4.1**	**6.6**	**6.7**	**6.4**	**6.5**	**7.2**	**6.5**	**6.5**	**6.3**	**2.9**	**3.4**	**-10.4**	**27.8**	**-19.7**
Other foreign assets	**1.6**	**1.4**	**2.2**	**2.2**	**2.0**	**1.8**	**1.5**	**1.7**	**1.6**	**1.5**	**1.3**	**1.2**	**1.2**	**-26.4**	**40.7**	**-25.1**
Other external liabilities	**7.7**	**7.7**	**7.8**	**7.8**	**7.8**	**7.6**	**7.6**	**7.5**	**7.6**	**7.6**	**7.6**	**7.5**	**7.5**	**4.8**	**-1.1**	**-2.0**
Allocations of SDRs	7.6	7.6	7.7	7.6	7.6	7.6	7.5	7.5	7.5	7.5	7.5	7.5	7.5	4.8	-1.1	-2.1
Net claims of other depositary corporations on non residents	**-1.8**	**-1.1**	**-2.5**	**-0.9**	**2.3**	**15.6**	**24.5**	**30.3**	**30.4**	**27.4**	**27.3**	**27.5**	**27.7**	**-**	**-**	**-**
Claims on non residents	**34.6**	**36.1**	**34.9**	**35.1**	**40.1**	**47.9**	**52.7**	**58.0**	**56.8**	**51.2**	**51.5**	**53.2**	**54.1**	**21.7**	**-9.2**	**56.2**
Assets in foreign currencies	0.5	0.5	0.5	0.5	0.7	0.6	0.6	1.9	1.8	0.6	0.5	0.5	0.8	-22.6	1.6	51.1
Deposits	8.7	9.7	8.4	10.8	10.7	17.6	16.1	22.2	16.2	13.8	14.4	14.2	17.2	49.2	-38.1	98.0
Loans	8.1	8.1	8.3	8.3	9.7	10.5	16.9	14.6	14.7	12.9	13.3	14.5	13.4	5.8	27.6	66.0
Securities other than equities	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.5	5.2	5.2	4.6	5.2	3.5	14.9	-4.8	-
Shares and other equity	**16.9**	**17.4**	**17.3**	15.1	**18.6**	**18.7**	**18.6**	**18.7**	**18.7**	**18.6**	**18.5**	**18.6**	19.1	12.9	**0.5**	**12.9**
Other claims	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**0.2**	**0.1**	**0.1**	**0.1**	**0.1**	**7.3**	**9.6**	**-39.4**
Liabilities to non residents	**36.4**	**37.2**	**37.4**	**36.1**	**37.8**	**32.3**	**28.2**	**27.7**	**26.4**	**23.9**	**24.2**	**25.7**	**26.4**	**-4.6**	**22.2**	**-27.5**
Deposits (*)	29.0	29.9	30.2	28.9	30.7	25.5	20.5	19.9	18.6	17.7	16.5	17.9	18.8	-2.4	30.7	-35.1
Loans (4) (*)	4.0	4.0	3.8	3.8	3.6	3.6	4.6	4.8	4.8	3.1	4.6	4.7	4.4	-5.2	-3.2	9.8
Money market UCITS	0.3	0.3	0.3	0.2	0.2	0.3	0.2	0.2	0.2	0.2	0.2	0.2	0.1	71.9	-11.0	-62.1
Other liabilities	3.1	3.1	3.1	3.0	3.2	2.9	2.9	2.9	2.9	2.9	2.9	2.8	3.0	-20.9	-0.4	-1.7

(1) Official reserve assets excluding BAM's short term liabilities towards non-residents.
(2) Foreign assets made at BAM's immediate disposal and under its effective control.
(3) As of May 2012, BAM carried out foreign currency investments in resident banks; their amounts was excluded from the official reserve assets.
(4) Financial and subordinated loans.
(*)Figures Revised in 2016
Source: Bank Al-Maghrib.

TABLE A 8.6 NET CLAIMS ON CENTRAL GOVERNMENT

(In billions of dirhams)

	2016	2017												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2015	2016	2017
DC net claims on central government	**142.4**	**161.5**	**156.7**	**148.0**	**153.4**	**147.7**	**156.5**	**160.6**	**165.0**	**164.2**	**159.7**	**162.0**	**167.8**	**3.0**	**-3.8**	**17.8**
Net claims of BAM	**-0.3**	**-1.0**	**-1.8**	**-4.1**	**-1.5**	**-1.2**	**-1.2**	**-1.2**	**-2.2**	**0.0**	**0.2**	**0.1**	**0.2**	**-**	**-78.1**	**-**
Claims	**4.7**	**4.7**	**4.7**	**4.5**	**4.5**	**4.5**	**4.4**	**4.4**	**4.4**	**4.5**	**4.5**	**4.5**	**4.1**	**5.2**	**-1.8**	**-13.4**
Loans	4.0	4.0	4.0	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	3.6	0.0	0.0	-10.0
Other (1)	0.7	0.7	0.7	0.8	0.9	0.9	0.7	0.8	0.8	0.9	0.9	0.9	0.5	44.8	-11.2	-33.2
Liabilities	**4.9**	**5.7**	**6.4**	**8.6**	**6.0**	**5.7**	**5.5**	**5.6**	**6.6**	**4.5**	**4.4**	**4.4**	**3.9**	**28.4**	**-17.0**	**-21.4**
Account of Hassan II Fund for Economic and Social Development	0.4	0.4	1.5	0.4	1.0	1.0	0.3	0.3	1.5	0.5	0.2	0.4	0.4	-18.2	-29.1	10.6
Treasury current account	2.8	2.6	2.8	6.1	3.1	2.8	3.3	3.5	3.4	2.2	2.5	2.4	1.9	54.7	-15.1	-32.1
Net claims of ODC	**142.6**	**162.5**	**158.5**	**152.2**	**155.0**	**149.0**	**157.7**	**161.8**	**167.3**	**164.2**	**159.6**	**161.9**	**167.6**	**3.7**	**-4.4**	**17.5**
Claims	**157.8**	**176.4**	**175.2**	**169.3**	**168.3**	**164.5**	**173.7**	**175.3**	**177.8**	**176.4**	**174.3**	**175.2**	**177.6**	**5.4**	**-4.6**	**12.5**
Loans	23.7	23.6	23.4	24.0	24.7	24.4	24.7	23.8	24.2	23.2	22.6	21.4	24.7	-2.7	8.8	4.4
Portfolio of treasury Bills	129.9	146.2	147.7	141.2	139.6	136.0	143.8	146.8	148.8	147.8	146.0	148.0	148.6	7.6	-5.7	14.4
Banks	107.5	122.7	125.0	121.4	120.0	116.4	126.5	128.6	130.3	128.6	125.8	126.8	127.2	0.7	-7.6	18.3
Money market funds	22.4	23.5	22.6	19.8	19.6	19.6	17.4	18.2	18.5	19.2	20.2	21.2	21.5	72.6	5.2	-4.2
Other (1)	4.3	6.6	4.1	4.1	4.0	4.1	5.2	4.7	4.7	5.4	5.7	5.8	4.2	-10.9	-28.2	-1.1
Liabilities (2)	**15.2**	**13.9**	**16.7**	**17.1**	**13.3**	**15.5**	**16.0**	**13.5**	**10.6**	**12.2**	**14.7**	**13.3**	**9.9**	**23.8**	**-6.3**	**-34.4**
Conterparts of deposits with Treasury	**57.5**	**57.9**	**58.2**	**65.1**	**62.0**	**61.4**	**59.1**	**58.9**	**60.1**	**60.7**	**62.6**	**63.4**	**64.6**	**4.9**	**10.1**	**12.3**

(1) Sums owed to the State, under down payments on income taxes and recoverable VAT.
(2)Composed mainly of sums owed to the state as well as special guarantee funds to secure granted loans , whose balance can only be repaid after termination of covered loans.
Source: Bank Al-Maghrib.

TABLE A 8.7 CLAIMS ON THE ECONOMY

(In billions of dirhams)

	2016	2017												Annual change (%)		
		Janv.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2015	2016	2017
Claims of DC	**957.6**	**943.8**	**939.4**	**957.3**	**958.2**	**962.1**	**991.1**	**982.3**	**977.0**	**984.3**	**984.2**	**988.9**	**989.4**	**1.6**	**5.9**	**3.3**
Claims of ODC	**956.6**	**942.8**	**938.3**	**956.2**	**957.0**	**960.8**	**989.9**	**981.0**	**975.6**	**982.7**	**982.5**	**987.3**	**988.2**	**1.6**	**5.9**	**3.3**
Loans of ODC	**825.8**	**809.6**	**806.6**	**818.1**	**815.8**	**819.9**	**848.7**	**839.8**	**836.3**	**839.7**	**840.1**	**844.6**	**850.4**	**2.0**	**4.4**	**3.0**
Bank loans(*)	**818.1**	**799.3**	**793.6**	**804.3**	**808.5**	**811.5**	**842.2**	**831.2**	**827.1**	**830.2**	**832.1**	**834.1**	**843.1**	**2.8**	**4.2**	**3.1**
By economic purpose																
Cash advances (1)	172.7	160.3	161.5	164.6	170.3	170.8	182.5	176.5	170.6	171.4	169.7	166.9	167.4	-4.9	0.5	-3.1
Equipment loans	152.9	152.5	152.9	151.9	152.2	151.4	157.5	158.6	162.5	165.2	166.4	170.9	170.6	-0.7	8.1	11.6
Real-estate loans	246.9	250.0	250.0	251.5	251.4	252.4	254.3	255.1	255.2	255.2	257.7	257.5	257.7	1.7	2.5	4.4
Home loanst(*)	188.7	189.3	190.0	191.2	191.7	192.9	193.5	194.1	194.5	195.0	195.7	195.3	195.8	5.5	5.2	3.8
Loans to real-estate developers	55.5	57.6	57.3	57.6	57.2	57.3	58.4	58.9	58.7	58.5	59.7	59.7	60.1	-10.2	-4.6	8.3
Consumer loans	48.7	49.0	49.2	49.4	49.6	50.0	50.2	50.5	50.9	50.8	50.9	51.0	51.0	4.9	5.4	4.6
Various claims on customers	135.5	125.4	117.8	124.9	121.9	123.9	135.4	127.5	124.1	124.2	123.4	124.4	132.9	19.0	6.6	-1.9
Non performing loans	61.4	62.2	62.2	62.0	63.2	63.0	62.3	63.0	63.8	63.4	64.2	63.5	63.6	9.3	6.8	3.7
By economic sector																
Other financial corporations	122.7	113.0	106.0	113.1	113.0	114.8	127.4	116.0	111.7	111.9	111.2	111.4	121.2	20.4	6.0	-1.3
Public sector	**62.2**	**58.4**	**58.5**	**56.0**	**58.2**	**56.5**	**58.0**	**61.0**	**60.7**	**63.8**	**65.5**	**68.8**	**66.6**	**7.1**	**18.0**	**7.2**
Local governments	15.1	15.2	15.4	15.2	14.6	14.9	14.5	15.3	14.9	15.5	16.0	17.2	17.3	6.6	6.7	14.7
Public nonfinancial corporation	47.1	43.3	43.1	40.8	43.7	41.6	43.5	45.7	45.8	48.3	49.5	51.6	49.3	7.3	22.1	4.8
Private sector	**633.2**	**627.9**	**629.1**	**635.2**	**637.3**	**640.2**	**656.8**	**654.2**	**654.7**	**654.5**	**655.4**	**653.9**	**655.3**	**-0.2**	**2.7**	**3.5**
Private nonfinancial corporation	331.2	325.2	327.5	331.7	331.4	331.6	346.5	343.9	342.5	341.3	341.6	340.1	341.2	-3.4	1.9	3.0
Other resident sectors	302.0	302.7	301.6	303.5	305.8	308.6	310.4	310.3	312.2	313.2	313.8	313.8	314.1	3.6	3.6	4.0
Securities	**102.1**	**104.3**	**103.5**	**109.9**	**113.3**	**113.0**	**112.0**	**112.1**	**110.5**	**112.0**	**113.4**	**113.4**	**108.1**	**-4.7**	**20.6**	**5.8**
Securities other than shares	18.3	18.0	18.0	18.4	19.0	19.8	20.2	19.5	17.9	18.4	18.1	18.4	18.1	-8.7	-2.7	-1.2
Banks	8.4	8.9	8.9	9.5	9.7	10.2	10.7	10.6	9.4	9.3	9.4	9.9	8.5	-6.5	-3.3	1.4
Money UCITS	9.9	9.0	9.2	8.9	9.3	9.6	9.5	8.9	8.5	9.1	8.6	8.5	9.5	-10.6	-2.1	-3.4
Shares and other equity	83.8	86.4	85.5	91.6	94.3	93.3	91.8	92.6	92.6	93.7	95.3	95.0	90.0	-3.5	27.2	7.4
Banks	83.5	85.9	85.0	91.1	93.7	92.8	91.3	92.3	92.2	93.4	94.6	94.4	89.4	-3.9	27.8	7.0
Other (2)	**28.7**	**28.8**	**28.2**	**28.1**	**27.9**	**27.9**	**29.2**	**29.0**	**28.8**	**30.9**	**29.0**	**29.3**	**29.8**	**9.8**	**5.1**	**3.7**
Claims of BAM	**1.1**	**1.1**	**1.1**	**1.1**	**1.2**	**1.2**	**1.3**	**1.3**	**1.5**	**1.6**	**1.7**	**1.6**	**1.2**	**16.7**	**16.1**	**7.8**
Loans	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	0.7	7.9	2.0	0.8

(1) Including Accounts receivable.
(2) Composed mainly by the counterpart of deposits with Al Barid-Bank.
(*) Figures Revised in 2016
Source: Bank Al-Maghrib.

TABLE A 8.8 CROSS CLASSIFICATION OF BANK LOANS BY ECONOMIC PURPOSE AND BY INSTITUTIONAL SECTOR (1)

(In billions of dirhams)

	2016	2017												Annual change (%)		
		Jan.	Feb.	Mar	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	2015	2016	2017
Bank loans	**818.1**	**799.3**	**793.6**	**804.3**	**808.5**	**811.5**	**842.2**	**831.2**	**827.1**	**830.2**	**832.1**	**834.1**	**843.1**	**2.8**	**4.2**	**3.1**
Accounts receivable and cash advances	**172.7**	**160.3**	**161.5**	**164.6**	**170.3**	**170.8**	**182.5**	**176.5**	**170.6**	**171.4**	**169.7**	**166.9**	**167.4**	**-4.9**	**0.5**	**-3.1**
Other financial corporations	2.5	2.4	2.6	2.4	5.8	5.7	7.9	3.9	3.2	3.5	3.4	3.0	4.0	-4.0	-14.3	60.5
Public nonfinancial corporations	12.9	7.7	7.2	6.8	8.0	6.8	7.4	8.2	4.8	5.1	6.7	6.8	5.9	14.8	48.5	-53.9
Private nonfinancial corporations	141.6	134.7	136.4	140.1	140.8	141.4	150.8	148.6	146.4	146.6	143.9	140.9	140.5	-4.4	-1.5	-0.8
Households	15.2	15.2	14.8	14.7	15.2	16.4	16.1	15.4	15.6	15.7	15.2	15.6	16.3	-16.5	-5.4	6.9
Equipmentloans	**152.9**	**152.5**	**152.9**	**151.9**	**152.2**	**151.4**	**157.5**	**158.6**	**162.5**	**165.2**	**166.4**	**170.9**	**170.6**	**-0.7**	**8.1**	11.6
Local governments	15.1	15.2	15.4	15.2	14.6	14.9	14.5	15.3	14.9	15.5	16.0	17.2	17.3	6.6	6.7	14.7
Public nonfinancial corporations	32.3	33.7	33.8	31.8	32.9	32.4	33.9	36.2	39.0	41.7	41.7	44.2	41.8	2.4	19.4	29.6
Private nonfinancial corporations	91.6	90.3	90.3	91.1	90.9	90.1	94.8	93.1	94.4	93.9	94.3	95.4	97.0	-4.5	1.9	6.0
Real estate loans (2)	**246.9**	**250.0**	**250.0**	**251.5**	**251.4**	**252.4**	**254.3**	**255.1**	**255.2**	**255.2**	**257.7**	**257.5**	**257.7**	**1.7**	**2.5**	**4.4**
Private nonfinancial corporations	49.7	51.4	52.3	52.2	51.5	51.0	52.3	52.4	51.8	51.3	52.7	52.9	52.9	-6.3	-3.0	6.5
Households	197.3	198.2	197.2	198.6	199.2	200.5	201.4	202.3	203.0	203.5	204.6	204.1	203.9	4.1	4.0	3.4
Housing loans (*)	188.7	189.2	189.9	191.1	191.6	192.8	193.4	194.0	194.5	194.9	195.7	195.3	195.8	5.5	5.2	3.8
Loans to real estate developers	8.2	8.4	6.7	7.1	7.1	7.3	7.3	7.6	7.7	7.5	7.9	7.8	7.3	-13.6	-15.8	-11.6
Consumer loans	**48.7**	**49.0**	**49.2**	**49.4**	**49.6**	**50.0**	**50.2**	**50.5**	**50.9**	**50.8**	**50.9**	**51.0**	**51.0**	**4.9**	**5.4**	**4.6**
Sundry claims on customers	**135.5**	**125.4**	**117.8**	**124.9**	**121.9**	**123.9**	**135.4**	**127.5**	**124.1**	**124.2**	**123.4**	**124.4**	**132.9**	**19.0**	**6.6**	**-1.9**
Other financial corporations	119.4	109.6	102.5	109.6	106.2	108.1	118.6	111.3	107.6	107.6	106.9	107.5	116.3	21.3	6.5	-2.6
Public nonfinancial corporations	2.0	1.6	1.7	1.6	1.7	1.6	1.6	1.5	1.6	1.3	1.0	0.9	0.8	43.9	-32.8	-62.6
Private nonfinancial corporations	9.7	10.2	9.7	10.0	10.0	10.3	11.3	10.9	11.1	11.6	11.6	12.0	12.1	-18.4	60.4	25.5
Pending claims	**61.4**	**62.2**	**62.2**	**62.0**	**63.2**	**63.0**	**62.3**	**63.0**	**63.8**	**63.4**	**64.2**	**63.5**	**63.6**	**9.3**	**6.8**	**3.7**
Other financial corporations	0.8	1.0	1.0	1.0	1.0	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9	-1.3	18.3	8.7
Private nonfinancial corporations	38.2	38.2	38.4	37.9	37.9	38.2	37.0	38.5	38.4	37.4	38.8	38.5	38.2	14.6	13.8	-0.1
Households	22.3	22.9	22.7	23.1	23.8	23.7	24.4	24.1	24.4	25.0	24.7	24.7	24.5	2.8	-3.6	9.7

(1) Some gaps may occur between the sum of certain loan categories and their breakdown by institutional sector. These gaps are due to the lack of detailed-enough information on loans granted by banks to public nonfinancial corporations and to central governments bodies.

(2) Since 2007, the growth in real estate development loans has been partly amplified by the reclassifications carried out by banks,at the request of Bank Al-Maghrib,whereby advances granted to real estate developers were included in real estate development loans,after they were originally included in cash advances.

(*) Figures Revised in 2016.

Source: Bank Al-Maghrib.

TABLE A 8.9 POSITION OF OFCS TOWARDS CENTRAL GOVERNMENT

(In billions of dirhams)

	2014	2015	2016(*)				2017				Annual change (%)		
	Dec.	Dec.	Mar	June	Sept.	Dec.	Mar	June	Sept.	Dec.	2015	2016	2017
OFCs claims on central government	**177.3**	**205.5**	**228.7**	**233.7**	**228.7**	**243.1**	**252.1**	**242.4**	**247.1**	**259.6**	**15.9**	**18.3**	**6.8**
Securities issued by central government and held by OFCs	**172.0**	**200.6**	**223.6**	**228.6**	**222.8**	**236.6**	**245.6**	**236.1**	**240.5**	**252.8**	**16.6**	**17.9**	**6.8**
Caisse de Dépôts et de Gestion	29.6	30.3	30.9	29.9	28.7	28.7	28.5	28.7	28.6	33.8	2.3	-5.2	17.6
Non-monetary mutuals funds	111.0	137.5	159.8	164.7	159.9	172.5	182.6	172.7	177.1	185.1	23.9	25.5	7.3
Bond funds	105.6	130.8	152.9	156.6	152.2	164.0	173.3	163.9	166.6	173.7	23.8	25.4	5.9
Diversified funds	4.2	5.2	6.0	6.9	6.9	7.7	8.2	7.9	8.7	9.5	23.7	47.1	23.9
Insurance and reinsurance companies	18.7	18.9	18.9	18.9	19.3	20.2	19.3	19.3	19.4	19.4	1.1	6.9	-3.7
Pension fund (1)	11.4	12.6	12.6	13.2	13.2	13.2	13.2	13.6	13.6	13.6	10.6	5.3	3.0
Other claims(2)	**5.3**	**4.9**	**5.1**	**5.1**	**5.9**	**6.5**	**6.4**	**6.3**	**6.6**	**6.8**	**-8.4**	**33.9**	**4.2**
Insurance and reinsurance companies	2.0	1.9	1.8	1.6	1.8	1.9	1.8	1.6	1.8	1.8	-1.9	-1.2	-4.8
Caisse de Dépôts et de Gestion	1.4	1.0	1.3	1.3	1.6	1.7	1.8	1.8	1.8	1.9	-28.6	73.1	8.5
Finance companies	1.9	1.8	1.9	2.1	2.4	2.7	2.7	2.7	2.8	2.8	-1.2	46.9	3.7
Off-shore banks	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.2	0.2	0.3	39.6	104.6	80.6
OFCs liabilities towards central government	**7.4**	**8.9**	**8.7**	**9.3**	**9.1**	**8.8**	**9.4**	**10.4**	**9.8**	**10.4**	**19.1**	**-1.0**	**19.0**
Dépôts auprès de la Caisse de Dépôts et de Gestion	2.5	2.4	2.4	2.4	2.5	2.3	2.3	2.4	2.4	2.5	-4.2	-5.3	7.5
Other liabilities (3)	4.9	6.4	6.4	7.0	6.6	6.5	7.1	8.0	7.4	8.0	31.1	0.5	23.1
Caisse de Dépôts et de Gestion	2.2	3.7	4.2	4.7	4.1	3.6	4.6	5.7	4.8	4.8	66.6	-1.3	31.5
Finance companies	2.0	2.0	2.1	2.2	2.4	2.5	2.3	2.1	2.4	2.2	-0.1	22.4	-10.9
Off-shore banks	0.6	0.6	0.0	0.0	0.0	0.3	0.0	0.1	0.0	0.8	6.2	-56.6	174.7

(1) Those belonging to the financial sector,namely Caisse Interprofessionnelle Marocaine de retraite and Caisse Nationale de Retraites et d 'Assurance.

(2) Amounts due by the state as deposits for income taxes and recoverable value added tax.

(3) Amounts due to the state and to the insurance solidarity fund.

(*) Figures Revised in 2016.

Source: Bank Al-Maghrib.

TABLE A 8.10 POSITION OF OTHER FINANCIAL CORPORATIONS TOWARDS HOUSEHOLDS

(In billions of dirhams)

	2014	2015	2016(*)				2017				Annual change (%)		
	Dec	Dec	Mar	June	Sept.	Dec	Mar	June	Sept.	Dec	2015	2016	2017
OFCs claims on households	**58.5**	**59.4**	**59.6**	**61.6**	**61.7**	**61.5**	**64.2**	**65.6**	**66.2**	**67.7**	**1.6**	**3.5**	**9.9**
Loans granted by finance companies	**45.7**	**46.9**	**46.7**	**48.1**	**48.6**	**49.3**	**51.2**	**52.4**	**53.0**	**53.5**	**2.7**	**5.1**	**8.5**
Consumer loans	26.6	26.9	26.8	26.7	26.6	26.7	26.7	26.9	27.1	27.1	1.2	-0.5	1.5
Leasing	10.1	10.6	10.9	11.8	12.6	13.2	14.4	14.8	15.2	15.6	5.0	24.4	18.1
Loans granted by microcredits associations	**5.5**	**5.9**	**6.1**	**6.4**	**6.6**	**6.4**	**6.5**	**6.6**	**6.5**	**6.6**	**8.6**	**7.7**	**3.7**
Loans to micro bisiness	4.9	5.3	5.4	5.7	5.8	5.8	5.8	5.8	5.7	5.9	8.7	8.1	2.1
Housing loans	0.3	0.3	0.3	0.4	0.4	0.4	0.4	0.4	0.4	0.5	4.8	20.3	18.1
Securitized loans	**2.5**	**2.1**	**2.0**	**1.9**	**1.8**	**1.8**	**2.2**	**2.1**	**2.0**	**2.8**	**-15.9**	**-17.5**	**59.8**
Housing loans	2.5	2.1	2.0	1.9	1.8	1.8	1.7	1.6	1.5	2.4	-15.9	-17.5	37.6
Consumer loans	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.5	0.4	0.4	-	-	-
Advances and settlement accounts of insurance companies(1)	**4.6**	**4.2**	**4.5**	**4.7**	**4.3**	**3.8**	**4.1**	**4.3**	**4.5**	**4.5**	**-7.9**	**-8.5**	**16.1**
Advances and settlement accounts of pension funds(2)	**0.1**	**0.1**	**0.1**	**0.3**	**0.3**	**0.1**	**0.1**	**0.1**	**0.1**	**0.1**	**-15.1**	**-26.6**	**10.4**
OFCs liabilities to households	**210.3**	**221.3**	**226.5**	**232.2**	**234.6**	**237.3**	**241.8**	**246.1**	**250.0**	**253.6**	**5.3**	**7.2**	**6.9**
Insurance technical provisions	**111.9**	**117.5**	**120.3**	**123.1**	**123.8**	**124.5**	**127.5**	**130.6**	**132.6**	**132.6**	**5.0**	**6.0**	**6.6**
Life insurance	59.1	63.8	65.4	67.1	68.2	69.4	71.4	73.5	73.6	73.6	7.8	8.8	6.2
Non-life insurance	52.7	53.7	54.9	56.1	55.6	55.1	56.1	57.1	59.0	59.0	1.9	2.6	7.0
Technical provisions of pension funds (2)	**50.0**	**54.8**	**54.8**	**56.8**	**56.8**	**60.5**	**60.5**	**63.2**	**63.2**	**63.2**	**9.5**	**10.5**	**4.3**
pension	48.1	52.6	52.6	54.4	54.4	57.8	57.8	60.4	60.4	60.4	9.3	10.0	4.4
Annuities	1.9	2.2	2.2	2.5	2.5	2.7	2.7	2.8	2.8	2.8	15.7	22.4	2.4
Securities issued by non-money market funds	**21.6**	**21.0**	**22.9**	**23.3**	**24.2**	**22.7**	**23.0**	**21.0**	**22.1**	**25.3**	**-2.7**	**8.1**	**11.1**
Bond funds	15.9	15.4	17.0	17.7	18.4	15.5	13.6	10.8	11.1	14.5	-2.8	0.8	-6.9
Equity funds	3.5	3.0	3.1	2.9	3.0	3.8	4.4	5.0	5.3	5.6	-13.8	26.1	49.1
Diversified funds	2.0	2.5	2.6	2.6	2.7	3.3	5.0	5.1	5.6	5.1	22.6	32.5	55.0
Contractual funds	0.3	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	-42.0	-6.9	-39.3
Other liabilities	**26.8**	**28.0**	**28.5**	**29.0**	**29.7**	**29.5**	**30.7**	**31.3**	**32.1**	**32.5**	**4.7**	**5.4**	**10.1**
Guarantee deposits with finance companies	5.3	5.9	5.5	5.8	6.4	6.8	7.6	7.9	8.3	8.5	10.6	15.1	24.9
Regulated deposits with the Deposit and management fund(3)	19.5	20.1	20.9	20.8	20.9	20.4	20.6	20.8	21.2	21.6	3.2	1.7	5.9

(1) Mainly composed of receivable, unpaid, or pre-doubtful premiums and returned receipts
(2) those belonging to the financial sector,namely Caisse Interprofessionnelle Marocaine de retraite and Caisse Nationale de Retraites et d 'Assurances.
(3) Composed mainly of third-party funds of notaries and bar associations as well as consignment deposits
(*) Figures Revised.
Source: Bank Al-Maghrib.

TABLE A 8.11 POSITION OF OTHER FINANCIAL CORPORATIONS TOWARDS NONFINANCIAL CORPORATIONS

(In billions of dirhams)

	2015	2016(*)				2017				Annual change (%)		
	Dec.	Mar	June	Sept.	Dec.	Mar	June	Sept.	Dec.	2014	2015	2016
OFCs claims on private nonfinancial corporations	**154.9**	**155.3**	**161.6**	**164.4**	**167.4**	**175.8**	**178.4**	**181.3**	**186.9**	**6.6**	**8.0**	**11.7**
Loans	**70.7**	**69.4**	**71.6**	**72.4**	**75.2**	**73.0**	**74.4**	**73.4**	**78.3**	**3.0**	**6.3**	**4.2**
Finance companies	**51.1**	**49.6**	**50.7**	**50.0**	**52.1**	**51.2**	**51.5**	**51.1**	**53.0**	**1.2**	**2.0**	**1.7**
Factoring loans	5.6	4.6	5.8	4.5	5.1	4.2	4.0	3.7	4.1	-6.2	-8.6	-20.5
Leasing	41.6	41.3	41.2	41.4	42.8	43.4	43.6	43.4	45.0	2.2	2.9	5.2
Offshore banks	**10.7**	**10.5**	**11.9**	**13.1**	**14.0**	**12.7**	**13.1**	**11.9**	**13.4**	**-13.6**	**30.8**	**-4.8**
Cash advances	7.7	7.4	9.0	8.7	9.1	7.6	8.0	7.0	8.5	-11.5	18.8	-6.9
Equipment loans	2.8	2.8	2.7	4.3	4.8	4.6	4.6	4.7	4.7	-16.7	70.4	-1.1
Caisse de Dépôts et de Gestion	**8.2**	**8.7**	**8.2**	**8.5**	**8.4**	**8.5**	**9.1**	**9.7**	**11.2**	**64.8**	**2.3**	**33.2**
Cash advances	4.6	4.8	4.8	5.1	4.9	4.9	5.6	5.9	6.0	79.4	7.2	21.0
Equipment loans	3.6	3.9	3.4	3.3	3.3	3.5	3.5	3.6	4.9	49.4	-8.8	47.2
Securities held by OFCs	**78.9**	**79.8**	**83.2**	**85.9**	**86.5**	**96.7**	**97.4**	**101.2**	**101.9**	**10.4**	**9.7**	**17.8**
Securities other than shares	**23.7**	**22.7**	**22.0**	**21.5**	**19.5**	**24.4**	**21.3**	**21.7**	**21.4**	**5.9**	**-17.8**	**9.5**
Non-money market UCITS	13.9	13.3	12.7	12.0	10.0	14.0	10.4	10.5	10.0	6.3	-28.4	0.5
Bond funds	12.5	12.0	11.5	10.7	8.8	12.6	9.3	9.3	8.8	4.7	-29.4	0.4
Insurance and reinsurance companies	7.8	7.7	7.7	7.9	7.9	8.8	9.3	9.7	9.7	28.0	2.0	22.2
Caisse de Dépôts et de Gestion	1.5	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	-5.9	-20.4	-3.6
Pension fund(1)	0.5	0.5	0.4	0.4	0.4	0.4	0.4	0.4	0.4	-70.1	-20.3	0.0
Shares	**55.2**	**57.1**	**61.2**	**64.5**	**67.0**	**72.3**	**76.1**	**79.5**	**80.5**	**12.4**	**21.4**	**20.2**
Insurance and reinsurance companies	22.0	24.1	26.1	27.7	26.0	30.8	32.5	34.7	34.7	7.9	18.0	33.6
Non-money market UCITS	11.4	12.4	12.5	13.8	16.7	17.6	20.3	21.4	22.8	-8.4	47.3	36.3
Equity funds	9.2	10.0	9.9	10.6	12.9	13.2	15.4	16.2	17.0	-8.7	39.5	31.4
Diversified funds	1.7	1.8	2.0	2.5	3.0	3.5	3.9	4.2	4.6	-4.4	79.4	53.9
Pension fund(1)	13.7	13.7	14.7	14.7	16.1	16.1	16.2	16.2	16.2	48.1	18.0	0.2
Caisse de Dépôts et de Gestion	7.5	6.5	7.6	7.6	7.9	7.5	6.8	6.9	6.4	17.3	5.5	-19.0
Other claims	**5.3**	**6.1**	**6.8**	**6.1**	**5.6**	**6.0**	**6.6**	**6.7**	**6.7**	**1.7**	**7.0**	**18.5**
Inssurance companie's settlement accounts(2)	3.8	4.6	5.4	4.7	4.1	4.5	4.9	5.0	5.0	3.0	7.9	21.4
Settlement accounts of pension funds	1.5	1.5	1.4	1.4	1.5	1.5	1.7	1.7	1.7	-1.5	4.7	10.6
Claims of OFCs on public nonfinancial corporations	**15.3**	**15.7**	**15.4**	**16.1**	**19.2**	**17.9**	**17.4**	**18.5**	**19.4**	**-15.9**	**24.8**	**1.3**
Securities other than shares	**13.8**	**14.5**	**14.1**	**14.6**	**15.7**	**16.2**	**15.4**	**16.6**	**15.4**	**-11.3**	**13.6**	**-2.1**
Non-money market UCITS	10.2	10.9	10.5	11.0	11.4	11.6	10.6	11.8	10.5	4.9	12.1	-7.8
Bond funds	9.4	10.0	9.4	10.1	10.2	10.5	9.4	10.5	9.6	3.7	8.7	-6.3
Insurance and reinsurance companies	2.1	2.1	2.1	2.0	2.0	2.2	2.3	2.4	2.4	-52.1	-5.5	21.8
Securitized commercial claims	**0.6**	**0.0**	**0.0**	**0.0**	**2.0**	**0.0**	**0.0**	**0.0**	**2.0**	**-8.4**	**253.6**	**3.6**
Liabilities of OFCs to private non financial corporations	**43.6**	**46.0**	**41.7**	**42.4**	**44.0**	**45.4**	**52.9**	**48.8**	**47.6**	**25.0**	**0.8**	**8.3**
Securities issued by non-money market funds	**35.3**	**38.7**	**32.3**	**33.0**	**33.5**	**35.7**	**42.1**	**38.1**	**36.2**	**34.8**	**-5.2**	**8.1**
Bond funds	32.7	36.0	29.4	30.5	31.4	32.7	38.6	34.7	32.6	31.7	-3.9	3.8
Equity UCITS	0.6	0.6	0.4	0.4	0.5	0.5	1.4	1.5	1.4	22.2	-11.1	192.6
Diversified UCITS	0.6	0.7	0.2	0.2	0.3	0.5	0.5	0.5	0.9	27.2	-52.9	213.2
Contractual UCITS	1.5	1.5	2.4	1.8	1.3	1.9	1.6	1.4	1.2	232.0	-12.2	-5.4
Insurance technical provisions	**3.2**	**3.3**	**3.3**	**3.3**	**3.3**	**3.4**	**3.4**	**3.5**	**3.5**	**0.7**	**3.5**	**6.6**
Deposits	**5.1**	**4.0**	**6.0**	**6.0**	**7.2**	**6.4**	**7.1**	**7.0**	**7.7**	**-6.6**	**41.4**	**6.5**
Factoring accounts with finance companies	1.2	0.7	1.7	1.4	1.5	1.3	1.3	1.4	1.3	0.9	27.0	-19.2
Guarantee deposits with finance companies	0.6	0.3	0.4	0.5	0.6	0.4	0.5	0.5	0.7	71.0	0.6	17.8
Foreign-currency-denomited with off-shore banks	2.6	2.4	2.9	3.1	3.6	3.6	4.1	3.8	4.3	-17.5	38.2	21.7
Liabilities of OFCs to public nonfinancial corporations	**3.7**	**3.9**	**4.0**	**3.9**	**3.9**	**4.0**	**4.1**	**4.2**	**4.2**	**1.9**	**4.3**	**7.6**
Insurance technical provisions	3.2	3.3	3.3	3.3	3.3	3.4	3.4	3.5	3.5	0.7	3.5	6.6

(1) Those belonging to the financial sector,namely the Caisse Interprofessionnelle Marocaine de retraite and the Caisse Nationale de Retraites et d 'Assurances.
(2) Mainly composed of receivable, unpaid, or pre-doubtful premiums and returned receipts.
(*) Figures Revised in 2016.
Source: Bank Al-Maghrib.

TABLE A 8.12 BALANCE SHEET OF OTHER FINANCIAL CORPORATIONS

(In billions of dirhams)

	2015	2016				2017				Annual change (%)		
	Dec	Mar	June	Sept.	Dec	Mar	June	Sept.	Dec	2015	2016	2017
Finance companies												
Assets	**110.2**	**107.9**	**110.7**	**111.0**	**113.5**	**114.2**	**115.5**	**116.2**	**121.0**	**3.2**	**3.0**	**6.6**
Claims on depository corporations	2.6	2.5	2.5	2.0	2.6	2.3	2.2	2.5	2.7	92.4	0.4	3.0
Loans	101.1	99.1	101.6	102.0	104.1	105.1	106.7	106.8	110.6	1.8	3.0	6.3
Securities	1.2	1.0	0.9	1.1	0.7	0.6	0.4	0.5	0.6	50.3	-42.3	-6.7
Claims on nonresidents	0.1	0.1	0.0	0.1	0.1	0.1	0.1	0.1	0.2	-31.4	9.9	89.7
Fixed assets	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	3.3	-0.6	-1.9
Other assets	3.9	3.8	4.1	4.4	4.6	4.8	4.7	4.9	5.5	1.7	18.3	19.2
Liabilities	**110.2**	**107.9**	**110.7**	**111.0**	**113.5**	**114.2**	**115.5**	**116.2**	**121.0**	**3.2**	**3.0**	**6.6**
Loans from depository corporations	57.8	54.5	53.9	56.0	61.1	60.1	58.2	57.8	58.4	7.2	5.6	-4.4
Deposits	8.3	7.1	8.5	8.8	9.5	9.9	10.3	10.7	11.0	9.9	14.5	15.4
Securities other than shares	17.2	16.9	16.5	14.2	12.9	13.5	15.9	16.4	18.7	2.7	-25.1	44.9
Liabilities to the central government	2.0	2.1	2.2	2.4	2.5	2.3	2.1	2.4	2.2	-0.1	22.4	-10.9
Liabilities to nonresidents	0.4	0.4	0.5	0.5	0.4	0.4	0.4	0.5	0.5	8.2	17.9	9.4
Shares and other equity securities	11.7	12.0	11.3	11.6	12.0	12.3	11.5	11.9	12.4	5.9	3.2	3.0
Other liabilities	12.9	15.0	17.9	17.4	15.1	15.7	17.0	16.4	18.0	-15.3	17.4	18.7
Microcredit associations												
Assets	**7.1**	**7.3**	**7.6**	**7.6**	**7.6**	**7.7**	**7.8**	**7.9**	**7.8**	**7.1**	**6.1**	**2.7**
Cash and deposits	0.8	0.9	0.8	0.7	0.8	0.8	0.7	1.0	0.7	-0.9	-4.8	-17.4
loans	5.9	6.1	6.4	6.6	6.4	6.5	6.6	6.5	6.6	8.6	7.7	3.7
Fixed assets	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.3	-9.5	3.7	25.9
Other assets	0.2	0.1	0.2	0.2	0.2	0.2	0.2	0.2	0.2	18.4	4.0	28.4
Liabilities	**7.1**	**7.3**	**7.6**	**7.6**	**7.6**	**7.7**	**7.8**	**7.9**	**7.8**	**7.1**	**6.1**	**2.7**
Loans from nonresidents	1.0	0.9	1.0	0.9	0.9	0.8	0.8	0.6	0.7	31.9	-9.2	-26.0
Loans from residents	2.9	3.0	3.1	3.0	3.1	3.2	3.2	3.6	3.3	-5.1	6.9	6.4
Shares and other equity securities	2.3	2.4	2.4	2.5	2.6	2.7	2.8	2.7	2.8	11.2	10.8	8.9
Other liabilities	0.9	1.0	1.1	1.2	1.0	1.0	1.1	1.1	1.0	19.8	7.7	0.7
Offshores banks												
Assets	**41.0**	**42.5**	**44.1**	**45.0**	**48.1**	**46.9**	**45.8**	**41.4**	**42.4**	**-0.9**	**17.3**	**-11.8**
Claims on nonresidents	9.3	12.0	12.0	11.3	11.1	12.1	14.0	13.3	13.6	1.9	19.4	22.5
Claims on depository corporations	17.5	16.5	16.2	16.3	18.1	17.4	14.7	12.2	11.0	5.5	3.3	-39.3
Loans	10.8	10.7	11.9	13.6	14.7	13.2	13.1	11.9	14.1	-19.0	36.0	-4.2
Securities	3.2	3.2	3.7	3.6	3.9	4.0	3.7	3.6	2.9	60.5	22.5	-26.5
Other assets	0.1	0.1	0.2	0.2	0.2	0.2	0.3	0.4	0.8	-51.3	61.7	238.9
Liabilities	**41.0**	**42.5**	**44.1**	**45.0**	**48.1**	**46.9**	**45.8**	**41.4**	**42.4**	**-0.9**	**17.3**	**-11.8**
Liabilities to nonresidents	17.1	16.5	18.4	17.0	18.3	18.1	14.7	12.2	12.4	-12.1	6.6	-32.0
Liabilities to depository corporations	19.9	21.7	21.4	22.9	24.9	23.4	25.7	23.8	22.2	14.2	25.2	-10.6
Foreign-currency-denominated deposits by residents	2.6	2.4	2.9	3.1	3.6	3.6	4.1	3.8	4.3	-18.5	38.2	21.6
Shares and other equity securities	1.1	1.2	0.9	1.1	1.2	1.3	1.0	1.2	1.3	22.4	6.6	4.3
Other liabilities	0.3	0.6	0.5	0.9	0.2	0.4	0.4	0.4	2.2	-25.6	-28.2	826.3

TABLE A 8.13 CHANGE IN THE INTERBANK MARKET

(In millions of dirhams)

	2016	2017												
	Average	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	Average
Averge outstanding amounts	4 536	7 477	6 893	7 059	7 621	9 432	11 657	9 822	8 654	7 508	8 112	8 646	10 731	8 634
Average exchanged volume	2 472	3 945	4 128	3 976	4 022	3 898	5 351	6 641	3 255	3 258	3 911	3 769	4 383	4 211

TABLE A 8.14 SUBSCRIPTIONS TO TREASURY BILLS BY TENDER

(In millions of dirhams)

Maturités	TOTAL 2016	2017												
		Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec	TOTAL
Total subscriptions	**111 364**	**14 260**	**17 988**	**6 754**	**1 138**	**15 938**	**6 819**	**6 549**	**14 948**	**11 670**	**7 372**	**2 920**	**4 326**	**110 680**
Short-term	**27 367**	**9 331**	**3 083**	**1 235**	**0**	**822**	**0**	**0**	**5 279**	**2 002**	**888**	**503**	**2 207**	**25 350**
13 Weeks	5 658	800	544	204	0	672	0	0	898	0	208	100	110	3 535
26 Weeks	7 859	0	516	400	0	0	0	0	0	765	0	300	100	2 081
52 Weeks	13 850	8 531	2 023	631	0	150	0	0	4 381	1 237	681	103	1 997	19 734
Moyen term	**52 370**	**4 930**	**14 452**	**2 736**	**623**	**11 244**	**6 519**	**6 220**	**7 339**	**5 030**	**2 104**	**150**	**400**	**61 747**
2 Years	24 614	816	4 864	1 087	102	4 517	3 780	4 465	2 227	3 284	710	150	400	26 402
5 Years	27 757	4 114	9 588	1 649	521	6 726	2 739	1 756	5 113	1 747	1 394	0	0	35 346
Long term	**31 627**	**0**	**452**	**2 784**	**515**	**3 872**	**300**	**329**	**2 329**	**4 638**	**4 379**	**2 267**	**1 718**	**23 583**
10 Years	11 433	0	341	2 682	0	2 376	300	0	0	944	1 466	563	201	8 872
15 Years	7 289	0	111	0	0	996	0	329	2 329	3 694	2 278	1 704	1 518	12 959
20 Years	7 272	0	0	101	0	501	0	0	0	0	137	0	0	739
30 Years	5 633	0	0	0	515	0	0	0	0	0	498	0	0	1 013

TABLE A9.1 OUTSTANDING AMOUNT OF TREASURY BILLS BY TENDER

((In millions of dirhams)

Maturity	2016(*)						2017(**)					
	Banks	C.D.G.(1)	Insurance companies and pension institutions	UCITS	Other	TOTAL	Banks	C.D.G.(1)	Insurance companies and pension institutions	UCITS	Other	TOTAL
Total	**104 588**	**29 841**	**133 685**	**169 568**	**52 346**	**490 028**	**122 166**	**33 151**	**125 336**	**182 818**	**53 235**	**516 706**
Short-term	**6 660**	**0**	**261**	**10 828**	**1 301**	**19 051**	**10 196**	**0**	**160**	**12 889**	**3 031**	**26 276**
45 days	0	0	0	0	0	0	0	0	0	0	0	0
13 weeks	0	0	0	408	0	408	54	0	110	254	0	418
26 weeks	1 370	0	111	4 852	328	6 662	536	0	0	597	32	1 165
52 weeks	5 290	0	150	5 568	973	11 982	9 606	0	50	12 038	2 999	24 693
Moyen term	**55 890**	**1 974**	**33 356**	**76 480**	**20 165**	**187 865**	**62 750**	**822**	**32 332**	**75 805**	**19 884**	**191 593**
2 years	17 675	47	8 690	22 154	8 719	57 284	17 652	47	6 388	17 223	9 703	51 012
5 years	38 215	1 927	24 667	54 326	11 446	130 581	45 098	775	25 944	58 582	10 181	140 581
Long-term	**42 037**	**27 868**	**100 067**	**82 260**	**30 880**	**283 112**	**49 220**	**32 329**	**92 845**	**94 124**	**30 321**	**298 838**
10 years	16 101	3 392	20 132	37 358	13 565	90 549	18 581	3 792	15 630	47 748	12 489	98 240
15 years	16 039	22 535	39 667	28 242	10 899	117 381	18 110	22 471	40 090	30 397	12 596	123 665
20 years	8 343	1 330	27 440	13 473	5 652	56 238	10 505	1 624	26 607	13 406	4 835	56 977
30 years	1 554	611	12 828	3 188	764	18 945	2 023	4 443	10 518	2 573	401	19 958

(1) Excluding adjustment operations related to transfers of securities under repos .

(2) Excluding the outstanding amount of provident funds treasury bills by the C.D.G.

Source: Bank Al-Maghrib.

(*) Revised.

(**) Provisional

TABLE A9.2 OUTSTANDING AMOUNTS OF NEGOTIABLE DEBT SECURITIES

(by category of initial subcribers) (In millions of dirhams)

Securities types	2016					2017				
	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total
Total	**12 454**	**1 521**	**40 396**	**2 267**	**56 637**	**17 307**	**1 218**	**41 736**	**3 796**	**64 057**
Certificates of deposit	9 535	1 109	30 669	2 207	43 520	12 762	874	29 151	3 730	46 517
Bills of financing companies	2 864	332	8 373	0	11 569	4 415	244	10 794	36	15 488
Commercial paper	55	80	1 354	60	1 549	130	100	1 792	30	2 052
Total	**8 893**	**628**	**25 152**	**1 783**	**36 456**	**9 506**	**8 067**	**29 793**	**1 777**	**51 811**
Certificates of deposit	7 414	384	18 675	1 708	28 181	7 300	6 319	20 471	1 708	39 047
Bills of financing companies	1 344	139	2 406	0	3 889	1 578	838	4 749	50	7 015
Commercial paper	135	105	4 070	75	4 385	628	910	4 573	20	5 749

Source: Bank Al-Maghrib.

TABLE A9.3 BOND MARKET

(In millions of dirhams)

	2016	2017				2017
		T1	T2	T3	T4	
Outstanding	**104 275**	**107 233**	**110 220**	**107 855**	**113 676**	**113 676**
Public sector	**43 055**	**46 480**	**48 582**	**48 582**	**53 693**	**53 693**
Banks	33 002	36 427	36 467	36 467	36 208	36 208
Non-financial corporations	10 053	10 053	12 115	12 115	17 485	17 485
Private sector	**61 220**	**60 753**	**61 639**	**59 273**	**59 983**	**59 983**
Banks	28 200	28 200	29 500	29 500	30 150	30 150
Other financial corporations	30 489	30 023	29 299	26 683	26 943	26 943
Non-financial corporations	2 531	2 531	2 840	3 090	2 890	2 890
Bonds issued	**14 000**	**5 775**	**9 577**	**250**	**9 300**	**24 902**
Public sector	**7 600**	**3 425**	**5 977**	**0**	**7 070**	**16 472**
Financial corporations	2 600	0	3 477	0	5 370	8 847
Non-financial corporations	5 000	3 425	2 500	0	1 700	7 625
Private sector	**6 400**	**2 350**	**3 600**	**250**	**2 230**	**8 430**
Financial corporations	6 000	0	2 500	0	1 650	4 150
Other Financial corporations	150	2 350	300	0	280	2 930
Non-financial corporations	250	0	800	250	300	1 350

Source: Bank Al-Maghrib.

TABLE A9.4 STOCK EXCHANGES INDICATORS (1)

Period	Turnover (in millions of dirhams)	Market capitalisation (in millions of dirhams)	MASI	MADEX
2005 December	48 041.3	252 326.0	5 539.1	4 358.9
2006 December	36 528.1	417 092.0	9 479.5	7 743.8
2007 December	137 479.4	586 328.4	12 695.0	10 464.3
2008 December	59 360.1	531 749.9	10 984.3	9 061.0
2009 December	36 791.2	508 892.7	10 443.8	8 464.5
2010 December	29 615.7	579 019.8	12 655.2	10 335.3
2011 December	18 885.8	516 222.3	11 027.7	9 011.6
2012 December	16 213.8	445 268.0	9 359.2	7 614.0
2013 December	18 278.6	451 112.9	9 114.1	7 418.1
2014 December	49 808.8	484 447.5	9 620.1	7 842.8
2015 December	20 286.6	453 316.3	8 925.7	7 255.2
2016 January	1 421.1	451 369.3	8 899.0	7 257.0
February	2 202.5	450 121.8	8 908.4	7 269.7
March	3 997.2	470 393.5	9 328.0	7 610.5
April	2 954.5	502 746.0	9 975.7	8 159.8
May	3 668.3	490 603.1	9 757.9	7 966.2
June	5 468.6	477 163.9	9 506.0	7 765.8
July	21 179.5	512 962.4	9 882.2	8 090.7
August	1 341.9	499 699.4	9 860.8	8 077.4
September	1 296.3	507 495.3	10 039.1	8 214.6
October	2 628.4	531 753.3	10 564.6	8 653.2
November	4 462.7	536 675.8	10 672.5	8 739.4
December	22 115.5	583 380.3	11 644.2	9 547.3
2017 January	7 934.8	616 449.2	12 228.9	10 020.8
February	3 100.2	599 445.3	11 926.5	9 764.2
March	3 213.0	574 530.5	11 379.7	9 264.3
April	2 182.3	586 609.0	11 637.9	9 489.9
May	3 630.9	582 954.2	11 578.0	9 441.7
June	9 016.2	605 443.3	12 015.8	9 831.0
July	4 039.0	606 679.9	12 201.3	9 953.8
August	3 904.5	624 085.2	12 397.1	10 134.0
September	3 954.5	615 697.9	12 140.5	9 877.2
October	3 186.8	626 304.2	12 373.0	10 088.7
November	4 527.7	636 794.4	12 568.4	10 260.9
December	21 047.7	626 965.4	12 388.8	10 100.3

(1) As of January 3, 2011, and to comply with the international standards, the Casablanca Stock Exchange has modified the transaction volumes disclosure. The latter are communicated based on only one side of the transaction (buying) instead of two-way (buying and selling)

Source : Casablanca Stock Exchange.

TABLE A9.5 INDEX OF REAL ESTATE ASSETS PRICES

	Index of real estate assets prices		
	2016	2017	Changes (%) 2017/2016
Overall	**112.3**	**117.9**	**5.0**
Residential	**111.7**	**117.1**	**4.9**
Apartments	108.6	115.1	6.0
Houses	125.7	126.8	0.9
Villas	127.4	130.6	2.5
Urban Land	**116.2**	**122.3**	**5.3**
Commercial property	**114.1**	**122.2**	**7.0**
Commercial local	117.7	124.7	6.0
Offices	100.0	112.2	12.2

Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

TABLE A9.6 ANNUAL CHANGE IN THE NUMBER OF TRANSACTIONS BY CATEGORY

	Changes (%)	
	2016/2015	2017/2016
Overall	**8.4**	**-7.6**
Residential	**8.3**	**-8.7**
Apartments	8.3	-8.1
Houses	8.3	-16.2
Villas	6.9	-16.4
Urban Land	**9.4**	**-4.8**
Commercial property	**7.8**	**-3.5**
Commercial local	7.7	-4.6
Offices	8.5	4.6

Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

TABLE A9.7 ANNUAL CHANGE IN THE REPI AND IN THE NUMBER OF TRANSACTIONS IN THE MAJOR CITIES

CITIES	Changes (%) 2017/2016	
	REPI	NUMBER OF TRANSACTIONS
Agadir	6.1	-4.9
Casablanca	5.7	4.5
El jadida	6.4	-15.7
Fés	7.5	-10.6
Kénitra	4.5	-15.5
Marrakech	5.1	-12.8
Meknès	6.9	-14.7
Oujda	4.6	-2.9
Rabat	0.0	-18.7
Tanger	6.7	-20.9

Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

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LIST OF ABBREVIATIONS

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

CCSRS : Comité de Coordination et de Surveillance des Risques Systémiques (Systemic Risk Coordination and Surveillance Committee)

CFCA : Casablanca Finance City Authority

CDG : Caisse de Dépôt et de Gestion (Deposit and Management Fund)

CNSS : Caisse Nationale de Sécurité Sociale (National Social Security Fund)

CPI : Consumer Price Index

DH : Moroccan dirham

DTEF : Direction du Trésor et des Finances Extérieures (Department of Treasury and External Finance)

ECB : European Central Bank

ECOWAS : Economic Community of West African States

Euribor : Euro Interbank Offered Rate

FDI : Foreign direct investment

FED : U.S. Federal Reserve

FSAP : Financial Sector Assessment Program

FTSE : Financial Times Stock Exchanges

GCC	: Golf Cooperation Council
GDP	: Gross domestic product
HCP	: Haut commissariat au plan (High Commission for Planning)
IAM	: Itissalat Al-Maghrib
IFS	: International Financial Statistics
IMF	: International Monetary Fund
ISO	: International Organization for Standardization
LI	: Liquid investments
Libor	: London Interbank Offered Rate
MASI	: Moroccan All Shares Index
MSCI	: Morgan Stanley Capital International
MSCI EAFE	: Morgan Stanley Capital International, Europe, Australasia and the Far East.
MSCI EM	: Morgan Stanley Capital International, Emerging Markets
MSCI FM	: Morgan Stanley Capital International, Frontier Markets
NIR	: Net international reserves
NPI	: Non-profit institutions
OCP	: Office Chérifien des Phosphates (National Phosphates Office)
OHSAS	: Occupational Health and Safety Advisory Services
OMPIC	: Office Marocain de la Propriété Industrielle et Commerciale (Moroccan Office of Industrial and Commecial Property)
ONEE	: Office National de l'Electricité et de l'Eau Potable (National Office for Electricity and Drinking Water)
OPEC	: Organization of the Petroleum Exporting Countries
PER	: Price Earnings Ratio
REPI	: Real Estate Price Index
QSE	: Quality, Security, Environment
SDR	: Special drawing rights
SPBL	: Structural position of banking liquidity
SRBM	: Système des Règlements Bruts du Maroc (Moroccan Real-Time Gross Settlement System)
VAT	: Value added tax
VSMEs	: Very small, small and medium-sized enterprises
UNCTAD	: United Nations Conference on Trade and Development
WDI	: World Development Indicators

Dépôt légal : 2018 PE0075
I S S N : 2028-5418