ANNUAL REPORT

PRESENTED TO HIS MAJESTY THE KING

2020

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Mr. Abdellatif JOUAHRI

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REPORT
ON THE FINANCIAL YEAR 2020

PRESENTED TO HIS MAJESTY THE KING

BY MR. ABDELLATIF JOUAHRI

GOVERNOR OF BANK AL-MAGHRIB

Your Majesty,

In application of Article 50 of Law No. 40-17 on the Statutes of Bank Al-Maghrib promulgated by Dahir No. 1-19-82 of Shawwal 17, 1440 (June 21, 2019), I have the honor to present to Your Majesty the report of the year 2020, the sixty-two year of the central bank.

SUMMARY

Majesty,

It has been more than a year since the Covid-19 pandemic plunged the world into a health, social and economic crisis of an exceptional scale. Although slowing down, its human toll has reached an already high level with more than 80 million infections and nearly 2 million deaths by the end of 2020.

On the economic front, the restrictions put in place to contain the spread of the virus brought entire sectors of activity to a sudden halt and caused major disruptions in supply chains. Consequently, the global economy suffered in 2020 its most severe recession since World War II, with a 3.3 percent contraction in real GDP, a sharp decline in trade and direct investment flows, and massive job losses. As a result, the downward trend in poverty, which began in the 1980s, was reversed and over 100 million more people fell into extreme poverty.

To address this situation, governments around the world adopted fiscal measures of unprecedented scale, including direct cash transfers to households, job retention schemes and guaranteed loans to businesses. In turn, central banks introduced unparalleled monetary stimulus, thus reinforcing the accommodative stance of their monetary policy and expanding quantitative easing programs, while temporarily relaxing some prudential rules. Measures of national authorities were supported by a strong mobilization of international financial institutions, which facilitated access to their resources, especially for the poorest countries.

Although the response of the public authorities managed to mitigate the economic and social impact of the pandemic, it did affect public finances, which witnessed a significant increase in budget deficits and a worrying rise in public debt. Similarly, abundant liquidity and low interest rates have kept stock markets attractive, leading to valuations significantly inconsistent with economic fundamentals in some advanced economies.

In Morocco, the crisis prompted an unprecedented mobilization at all levels. The public authorities' reaction, in implementation of the instructions of His Majesty the King, was of an exemplary celerity. The measures taken to restrict activities and mobility, as well as the early launch of the anti-Covid vaccination campaign, one of the first in the world, allowed to preserve thousands of lives.

With the establishment of the Special Fund for the Management of the Pandemic and owing to the solidarity of businesses and the population, substantial resources were collected to support households and businesses and minimize job losses. Thanks to these funds, more than 5.5 million households have received direct cash transfers and over 66 thousand businesses benefited from guaranteed loans that had exceeded 55 billion dirhams by the end of 2020, 72 percent of which went to very small, small and medium sized enterprises.

On the other hand, Bank Al-Maghrib used conventional and unconventional instruments in all its areas of intervention, namely monetary policy, micro and macro-prudential supervision, management of foreign exchange reserves, as well as cash supply and access to financial services. Owing to these measures, companies particularly benefitted, at very favourable conditions, from the needed funding to address the crisis and ensure the continuity of their activities.

The efforts made by the authorities have mitigated the human impact of the health crisis on our country, which by the end of 2020, had recorded nearly 440 thousand infections and 7400 deaths. On the economic level, the shock of the pandemic, combined with the adverse climatic conditions for the second year in a row, led to a 6.3 percent contraction of real GDP, the sharpest since the beginning of the national accounts' compilation. The impact was largely differentiated across sectors, with "hotels and restaurants", transport and trade showing record under-performance rates, while mining, food, as well as chemical and para-chemical industries maintained positive growth rates.

On the labour market, the situation deteriorated sharply, with 432 thousand jobs lost, mainly in the agricultural and service sectors. Over 110 thousand workers have resigned themselves to leave the market, leading to a significant decline in the participation rate to 44.8 percent. As a result, unemployment rate worsened significantly, reaching 11.9 percent at the national level and 15.8 percent in urban areas. The most disadvantaged categories remain youth, with 28.5 percent not working, studying or training, and women, more than eight out of ten of whom are excluded from the market.

The downturn in economic activity has also had a considerable impact on public finances. Against the background of this crisis, the government was compelled to elaborate an amended finance law, the first since 1990. Although grants mobilized through the Special Fund for the Management of the Pandemic financed a large part of the support measures for businesses and households, the fiscal deficit widened to 7.6 percent of GDP, as against 4.1 percent in 2019. This change essentially reflects, on the revenue side, a drop in tax receipts and specific Treasury financing and, on the expenditure side, a significant increase in investment, while the subsidy cost declined significantly.

Faced with the sharp rise in its financing requirements, the Treasury not only increased its borrowing on the domestic market, but also resorted massively to external resources for a record amount of 62.9 billion dirhams. Under these conditions, the direct public debt increased significantly in both its domestic and external components, amounting overall to the equivalent of 76.4 percent of GDP as against 64.8 percent in 2019.

With regard to consumer prices, the decline in demand and the major disruptions in the supply of certain goods and services resulted in contrasting developments, with an overall low inflation rate albeit its year-on-year acceleration from 0.2 percent to 0.7 percent.

Suffering also from the measures put in place to contain the spread of the virus both at the national level and among Morocco's economic partners, foreign trade has declined sharply. Thus, for exports, except for phosphates and derivatives and agri-food, the main sectors have shown declines, especially pronounced for textiles and leather as well as aeronautics. At the same time, the decrease was more significant in imports, driven by the lower energy bill and the drop in the purchases of capital and consumer goods.

The year also witnessed a 53.7 percent drop in travel receipts, to 36.5 billion dirhams, following the restrictions on international travel and concerns about the risk of contamination. Conversely, remittances from Moroccans living abroad showed notable resilience with a 4.9 percent increase to 68.2 billion dirhams. As a result, the current account deficit improved significantly by the end of 2020, returning to 1.5 percent of GDP after 3.7 percent in 2019.

With respect to the financial account, receipts from foreign direct investment fell to the equivalent of 2.5 percent of GDP, their lowest level since 2004. Moreover, since the beginning of the crisis and as a preventive measure, the authorities drew on the IMF's precautionary and liquidity line for nearly 3 billion dollars. Taking into account the external funding of the Treasury, the official reserve assets of Bank Al-Maghrib increased to 320.6 billion dirhams, covering 7.4 months of imports of goods and services. As a result, our country was able to count on a comfortable stock of foreign exchange reserves in the midst of the health and economic crisis, allowing it to face any external shock on the balance of payments.

In the same vein, the new phase of the transition to a more flexible exchange rate regime, which began on March 9, 2020, has allowed for further deepening of the exchange rate market, with an increasing ownership of the reform by economic operators and a growing use of hedging instruments. The transition continues under favourable conditions, particularly with the evolution of the dirham's exchange rate within the fluctuation band without any intervention from the central bank, thus indicating that it remains broadly in line with the economy's fundamentals. However, the long-term success of this transition, which contributes to the reinforcement of competitiveness, remains dependent on restoring and preserving macroeconomic balances as well as on improving productivity.

In terms of monetary policy, Bank Al-Maghrib lowered its key rate twice by 75 basis points in total, bringing it to 1.5 percent, its historical lowest level, and fully released the mandatory reserve account. On the liquidity management side, it extended the list of eligible collateral for its refinancing operations, tripling their potential to 450 billion dirhams, while meeting all the banks' requests. In addition, the Bank has set up new refinancing lines for participatory banks and microcredit associations and has expanded its program dedicated to very small, small and medium sized enterprises.

Under these circumstances, interest rates fell and bank loans maintained a steady pace, boosted by the measures adopted by the Economic Watch Committee and by the benefits granted under the Intelaka program. Despite the crisis, the implementation of the latter continued, although at a slower pace than initially planned. The data available at the end of December 2020 reveals a total loans amount of 2.8 billion dirhams granted across all regions of the Kingdom. The monetary authorities and the banking system have been working to strengthen the support and supervision of potential beneficiaries in order to re-launch this program in the context of the gradual recovery of economic activity.

In addition, the crisis highlighted the importance of deploying the National Strategy for Financial Inclusion. More specifically, the significant increase in the demand for cash has reminded us the need to develop mobile payment, which is one of the key pillars of this strategy. Several measures were taken in this regard, notably to encourage merchant’s membership and to digitalize the transfer of social benefits.

With regard to banking supervision, Bank Al-Maghrib monitored the continuity of the banks' activity and the implementation of public support decisions involving the banking system. It assessed the risks induced by the crisis, especially regarding the quality of their credit portfolios. As a preventive measure, Bank Al-Maghrib also urged banks to strengthen their risk coverage by making up general provisions and suspending the distribution of dividends. At the same time, the Bank introduced temporary prudential easing measures to facilitate economy financing, while ensuring the resilience of the sector. On this last point, the Bank conducted several macro stress tests, which revealed that banks' solvency is overall well preserved.

On the Casablanca stock exchange, prices dropped at the beginning of the pandemic, prompting the regulatory authority to reduce the price variation thresholds to limit their volatility. This decline was then gradually reduced, to end-up at 7.3 percent by the end of December 2020. In the real estate market, sales declined sharply during the lockdown period, followed by a rebound that brought the contraction for the whole year to 14.3 percent. As for prices, they fell by 0.8 percent overall and by 1 percent for residential property.

On a different matter, significant progress was made in improving the national system for fighting money laundering and terrorism financing. However, our country's removal from the enhanced monitoring process of the Financial Action Task Force, to which it has been subject since February 2021, still rests on the effective implementation of the adopted action plan within the set deadlines.

With regard to the fight against tax fraud and evasion, Morocco has been delisted from the European Union's "grey list of tax havens", but it is called upon to hasten the adoption of due diligence requirements by financial institutions. Concrete actions should be taken in this regard, particularly with respect to the identification of "beneficial owners" and the strengthening of the repressive mechanism in this area.

Majesty,

With the progress made in vaccination so far, the health situation is still improving and the activity is gradually returning to normal in many countries, including Morocco. However, significant risks persist with regard to the emergence of new variants of the virus and the large disparities observed in the rate of vaccination, and the turnarounds observed in the past remind us the necessity of caution and vigilance. The stakes are high: there can be no sustainable economic recovery unless the pandemic is controlled.

That being said, it is already obvious that the aftermath of the crisis will shape the post-Covid world for several years to come, given the deep paradigm shifts that it will have induced or intensified. The pandemic broke out in a global context marked by a rise in protectionism, a questioning of the rules of global trade and multilateralism, and these became even more pronounced during the crisis, with, in particular, an unethical competition for access to pharmaceutical products and vaccines, and an increasing emphasis on economic sovereignty.

Moreover, the digital transformation accelerates sharply, with expected long-lasting consequences far beyond the areas where it mainly operated before the outbreak of the virus, such as financial services. It radically changed working patterns, enabled the pursuit of education and speeded up the digitization of commerce and payments, without concealing the risks linked in particular to cybercrime. Such developments recall once again the need for a comprehensive national digital strategy, ensuring the coherence of the different components of this transformation and the complementarity of the actions of all parties involved.

On another front, the crisis proved that significant progress could be made in the fight against climate change. This sparked a certain amount of enthusiasm, and thereby encouraged efforts in this area and accelerated the observed trend in recent years towards greening and integrating ecological considerations into the criteria for regulating and evaluating policies. These tighter standards will affect many of our sectoral development strategies, particularly in industry, as compliance with these new standards will require a revision of certain choices made. Such requirements will certainly affect our export competitiveness, as some of our main trading partners are already preparing to put in place carbon pricing mechanisms for their imports.

Under the guidance and the close monitoring of His Majesty, the country managed to address the crisis and showed an exceptional response and mobilization capacity. It was thus able to support the population, guarantee its safety and achieve significant progress in the vaccination campaign, despite stiff international competition to access to vaccines.

However, the crisis has provided valuable lessons and has highlighted the structural vulnerabilities of our country. Indeed, it revealed the size of the persistent deficit in human development and the precariousness of some segments of the population, who rely on informal activities as source of income. It also highlighted the relatively fragile situation of the productive fabric and its limited resilience in difficult economic conditions.

While even in the richest countries, health care systems were put to the test, our, suffering from multiple deficiencies, ended up at some points on the verge of saturation, despite efforts to alleviate the pressure it faced. The health policy, besides its human and social implications, turned out to be a determining factor for economic activity. The crisis has also reminded us of the shortcomings of our educational system, as the learning experience has suffered enormously due to the closure of schools and the lack of infrastructure necessary for efficient alternative teaching methods.

All in all, the pandemic has been a real challenge to our country's resilience and an opportunity to assess the relevance of our choices and policies. As with any large-scale crisis, it was an opportunity to implement the necessary reforms, no matter how difficult they may have seemed before.

Today, the short-term priority should be to strengthen and accelerate the economic recovery that started in recent months. However, efforts should have a medium- and long-term perspective to increase the resilience of the economy, improve its competitiveness and prepare it for the post-Covid era. This includes enhancing economic inclusiveness by strengthening social safety nets in particular while restoring and safeguarding macroeconomic balances.

Thus, following the fiscal and monetary support measures that helped mitigate the impact of the pandemic, the implementation of the 120 billion dirhams stimulus plan launched by His Majesty, combined with the easing of restrictions, raise hopes for a rebound in activity and a recovery in income and job losses caused by the crisis. Achieving this objective also depends, to a large extent, on strengthening the confidence of operators and reviving private investment. In this regard, a real boost is expected from the operationalization of the Mohammed VI Fund for Investment and an increased recourse to public-private partnerships.

In the longer term, the numerous projects and structural reforms, several of which were launched following Royal directives, already constitute the main axes of a global growth and development policy. In addition, some of the recommendations of the Special Commission on the Development Model, confirming the diagnoses already established by several national and international institutions, provide additional insight into making the necessary adjustments to public action. The major challenge today is to ensure the successful, smooth and timely implementation of these recommendations.

One of the most important reforms undertaken in recent years concerns our education system. After the adoption of the education charter in 2015 and the framework law in 2019, their slow implementation raises many questions. The significant delay in drafting the texts of application of this law, added to the recurrent social conflicts surrounding the education sector, indicate a discontent that undoubtedly affects the overall performance of education. At a time when all national and international reviews point to the weaknesses of our education system, and as the labour market requirements are becoming more stringent, preparing the qualified workforce and the elite of tomorrow should be an absolute priority.

Meanwhile, the advanced regionalization project has made significant progress as the charter for administrative deconcentration was adopted and master plans for deconcentrating the various government sectors were drawn up. Nevertheless, the smooth implementation of the latter represents a delicate stage that relies on the availability of highly qualified human resources.

The overall reform of the public sector that Your Majesty has repeatedly called for would, once completed, enhance the economic efficiency of public institutions and enterprises, improve the effectiveness of the administration, and increase the quality of public services. Some of the projects initiated within this framework, such as simplifying administrative procedures, are progressing satisfactorily, while other major ones, such as the reforms of the civil service and public institutions and enterprises, will require greater attention to ensure their success. Most importantly, their governance, management, and relevance of their choices must be subject to more stringent performance and accountability criteria than in the past.

As concerns the fragility of our productive fabric, significant efforts have been made in recent years to alleviate some of the barriers hindering business development, mainly in terms of improving the business climate. However, improving this fabric requires fighting a number of practices that hamper the sound process of creative destruction, with negative effects on the competitiveness of the domestic economy. These are mainly unfair competition, tax evasion, lack of transparency and economically and socially unprofitable subsidies often transformed into real rent niches. Several projects have been launched to make progress in this regard and deserve particular attention. Among other things, it is necessary to ensure the rigorous application of the law relating to the National Authority for Probity, Prevention and the Fight against Corruption, which was recently adopted, and to ensure the mobilization of institutional actors, the private sector and civil society in order to breakdown the objectives of the National Strategy in this area.

Similarly, successful completion of the process of adopting the new investment charter would bring greater efficiency to public subsidies and strengthen the role of the regions as economic hubs. In addition, the labour market situation requires, beyond the recovery strategies, whose results remain so far unconvincing, a real overhaul of the laws and regulations governing it, including the labour act and the law on the freedom to strike, reforms that have been planned for several years now.

Lastly, one of the most decisive projects for the social and economic performance of our country in the post-Covid era is, without a doubt, the generalization of social protection that His Majesty announced in his Throne Speech in 2020. Because of its scope and expected effects mainly on the living standards, social cohesion and the integration of informal activities, this will enable Morocco to achieve a major breakthrough in terms of human development, but also in terms of competitiveness and growth.

However, the success of this project represents a major challenge for the public authorities and all stakeholders. Considering the social deficit that Your Majesty has already highlighted well before the advent of the pandemic and the inadequacy of health infrastructures, it will require unprecedented financial and human resources and mobilization. Moreover, this project proves to be complex to implement in view of its implications and its overlap with all aspects of public policy. The experiences of much smaller projects such as the implementation of the RAMED, the Unified Social Register or the largely unfinished reform of the public pension funds confirm the complexity to be expected. Moreover, it is clear from the state of public finances that the resources of the State would be largely insufficient to ensure the financing of this project, especially as the public debt has already reached a worrying level.

Majesty,

With so many projects launched, Morocco will need to mobilize all its resources and capacities to face, in the most efficient way, the obstacles impeding its development, far from partial solutions, procrastination and reluctance in front of problems.

However, beyond the substantial financial resources that it requires, implementing all these projects faces another major challenge that our country must overcome. This involves the emergence of an elite capable of leading so many large-scale projects simultaneously and endowed with the necessary leadership to ensure the coherence and coordination of the projects underway. As Your Majesty stated in the 2019 Throne Speech, this new phase "will require qualified elites in all managerial and executive positions. Furthermore, new life will have to be injected into institutions and political, economic and administrative bodies, including the Government."

The trust placed in the supreme authority of the State and the impetus it gives to the various reform projects are certainly a guarantee of their progress, but their implementation calls for the effective contribution of all stakeholders under a transparent governance system that enshrines the principles of meritocracy and accountability.

As such, our country will have met the conditions required to transform the crisis into a real opportunity to start over on a healthier and more solid basis, thus initiating a new momentum and place the national economy on a path towards a strong, sustainable and inclusive growth.

Abdellatif JOUAHRI

Rabat, June 2021

PART 1

ECONOMIC, MONETARY AND FINANCIAL SITUATION

1.1 International environment

The year 2020 witnessed an exceptional health crisis triggered by the outbreak of the Covid-19 virus. The restrictions on travel and economic and social activities by most countries to limit its spread have resulted in an unprecedented recession, the worst one since the Second World War. With the notable exception of the Chinese economy, which managed to make a rapid recovery, with a 2.3 percent increase in GDP over the year, all the major advanced and emerging economies contracted, with global growth coming out at -3.3 percent.

Dampened by the weakening demand and disruptions in production and supply chains, world trade fell by 8.5 percent. Similarly, foreign direct investment flows contracted sharply, particularly towards advanced economies.

These trends were also echoed in labour markets, which experienced in several countries massive job losses and a sharp rise in unemployment. However, in some advanced economies, especially the euro area, employment support policies helped to mitigate the impact.

On the commodity markets, prices evolved differently, with a sharp fall in energy prices, a significant rise in agricultural prices, and a marked increase in the price of precious metals, particularly gold.

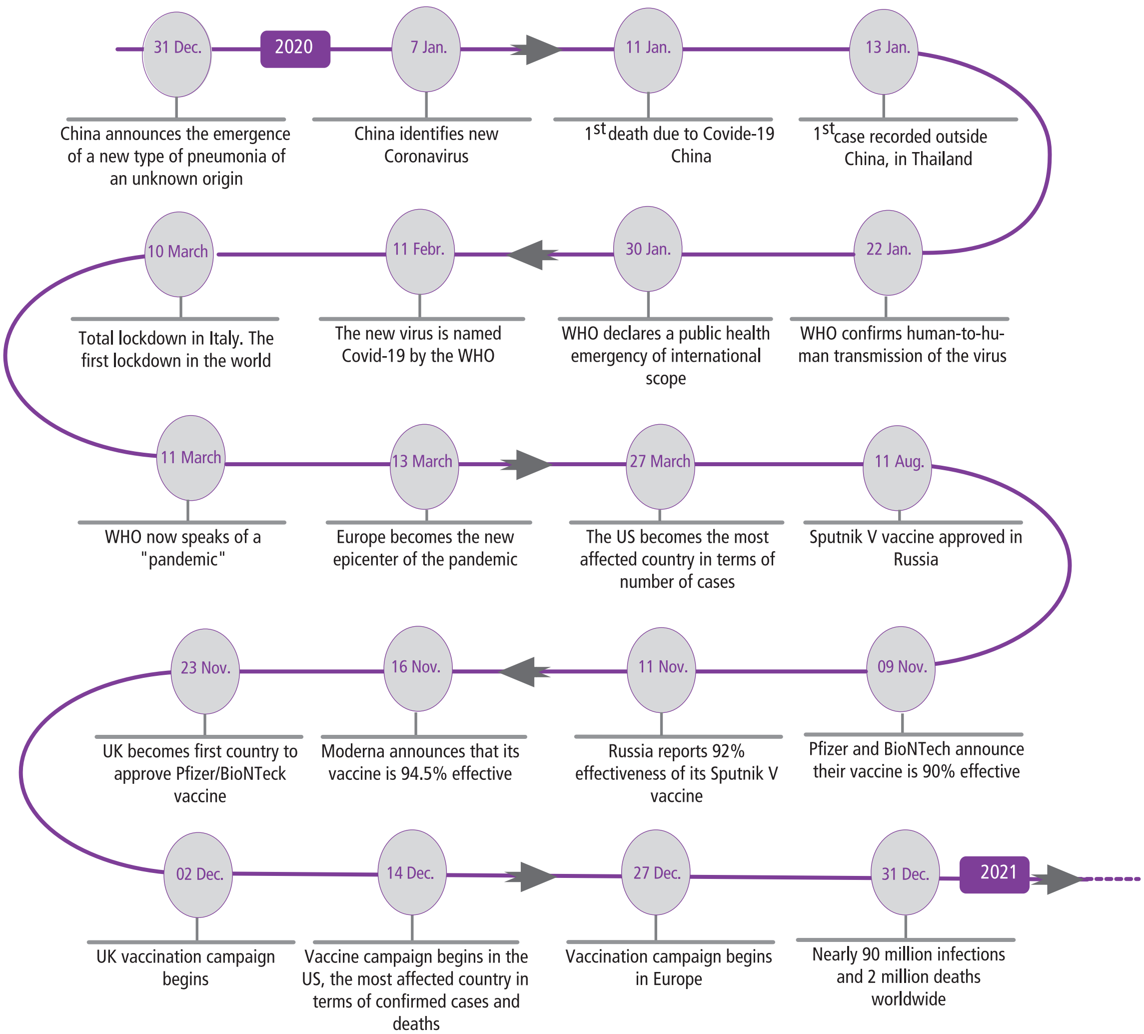
Under these conditions, inflation decelerated sharply in the advanced economies, evolving at levels well below central bank targets, while it remained broadly almost stable in the emerging and developing countries.

To mitigate the economic and social impact of the pandemic, governments around the world introduced large-scale fiscal measures, particularly through direct transfers to households, employment support and secured loans to businesses. Yet such support has had consequences for public finances, which saw a significant increase in fiscal deficits and a rise in public indebtedness. Similarly, central banks have provided exceptional monetary stimulus with a highly accommodative monetary policy stance, unprecedented quantitative easing programs, and an easing of prudential regulations. National efforts were complemented by the mobilization of international financial institutions (IFIs) to help member countries, especially the poorest, access their resources.

Despite an exceptionally high level of uncertainty, the large-scale response to the crisis eased fears in the financial markets. The main stock markets experienced divergent developments among economies and sectors, with a strong appreciation of technology and healthcare stocks in particular.

On the foreign exchange market, the euro depreciated against the dollar, which benefited from its status as a safe haven at the start of the pandemic, before appreciating over the rest of the year, buoyed by renewed optimism due to a rapid and consistent European response to the crisis. Bank loans accelerated significantly, particularly those intended for businesses, aided by monetary measures and government support schemes.

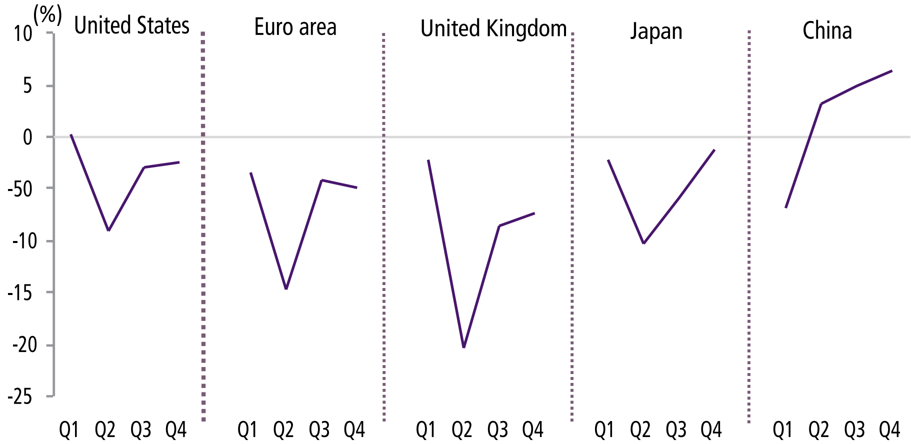
Diagram 1.1.1: Timeline of the Covid-19 pandemic



1.1.1 Economic growth

Weakened by the drastic restrictions put in place to contain the spread of the virus, the world economy contracted by 3.3 percent after its 2.8 percent growth in 2019. This reflects a drop in GDP of 4.7 percent in advanced countries and 2.2 percent in emerging and developing economies. The downturn in activity reached record highs in the second quarter, when restrictions were at their most severe overall, and the recovery over the remaining part of the year was gradual, albeit at a differentiated pace across countries and sectors.

Chart 1.1.1: Quarterly Profile of Growth in 2020



Source : Thomson Reuters.

In the United States, most hit country in the world by the pandemic, growth stood at -3.5 percent in 2020 after 2.2 percent in 2019, with significant decreases in household consumption, investment and exports. This decline would have been greater without the exceptional fiscal support, which amounted to nearly 20 percent of GDP, far above the level provided during the 2008 financial crisis.

Meanwhile, and despite the launch of a massive relief program, the euro area economy contracted by 6.6 percent after a growth of 1.3 percent in 2019. By country, the GDP decline reached 11 percent in Spain, 8.9 percent in Italy, 8.2 percent in France and 4.9 percent in Germany.

On top of the health crisis, the UK economy continued to suffer throughout the year from the uncertainties over the Brexit deal (Box 1.1.1), as its GDP fell by 9.9 percent, with a -21.4 percent dip in the second quarter. In Japan, after two years of near stagnation, with average growth below 0.5 percent, GDP fell by 4.8 percent in 2020.

Table 1.1.1: World economic growth (percent)

	2017	2018	2019	2020
World	**3.8**	**3.6**	**2.8**	**-3.3**
Advanced economies	**2.5**	**2.3**	**1.6**	**-4.7**
United states	2.3	3.0	2.2	-3.5
Euro area	2.6	1.9	1.3	-6.6
Germany	2.6	1.3	0.6	-4.9
France	2.3	1.9	1.5	-8.2
Italy	1.7	0.9	0.3	-8.9
Spain	3.0	2.4	2.0	-11.0
United kingdom	1.7	1.3	1.4	-9.9
Japan	1.7	0.6	0.3	-4.8
Emerging and developing countries	**4.8**	**4.5**	**3.6**	**-2.2**
Emerging and developing countries of Asia	**6.6**	**6.4**	**5.3**	**-1.0**
China	6.9	6.7	5.8	2.3
India	6.8	6.5	4.0	-8.0
Countries of Latin America and the Caribbean	**1.3**	**1.2**	**0.2**	**-7.0**
Brazil	1.3	1.8	1.4	-4.1
Mexico	2.1	2.2	-0.1	-8.2
Emerging and developing countries of Europe	**4.1**	**3.4**	**2.4**	**-2.0**
Russia	1.8	2.8	2.0	-3.1
Turkey	7.5	3.0	0.9	1.8
Sub-Saharan Africa	**3.1**	**3.2**	**3.2**	**-1.9**
South Africa	1.4	0.8	0.2	-7.0
Middle East and North Africa	**1.9**	**1.2**	**0.8**	**-3.4**

Source: IMF.

As for emerging economies, China, the first country to be affected by the pandemic, stood out as the only one among the major economies worldwide to record a positive development in 2020. After a contraction of 6.8 percent in the first quarter, its economy began a rapid recovery to end the year with an average growth of 2.3 percent, against 5.8 percent in 2019, driven by a rise in investment and external demand, particularly for medical goods and technological equipment.

Among the other main emerging countries, India was hit by a particularly rapid spread of the virus at the beginning, leading the authorities to impose strict lockdowns between March and May. Its economy contracted by 22.4 percent in the second quarter, followed by a gradual easing driven by rising rural demand and a slight recovery in urban consumption. For the year as a whole, its GDP fell by 8 percent, compared with a 4 percent increase in 2019. Similarly, Brazil's economy posted a 4.1 percent drop in GDP and Russia recorded a 3.1 percent decline, further impacted by the fall in international energy prices.

In sub-Saharan Africa, growth stood at -1.9 percent after 3.2 percent in 2019, as the health crisis particularly impacted economies that rely on tourism and commodity exports. In the major economies of the continent, GDP fell by 7 percent in South Africa, which struggled most in Africa to contain the pandemic, while the Nigerian economy contracted by 1.8 percent, also suffering from the decline in oil revenues.

As in other regions, the Middle East and North Africa were severely hit by the health crisis, with GDP declining by 3.4 percent in 2020 after increasing by 0.8 percent, mirroring both the impact of lockdown measures and weak foreign demand. Affected by the sharp decline in demand and energy prices, oil-exporting countries have seen their GDP fall by 4.5 percent in 2020, after a 0.3 percent decline. For importing countries, the decline was less pronounced overall, standing at -0.8 percent in 2020 compared with 3.3 percent in 2019, despite the severe repercussions of restrictions on international travel for countries that depend on tourist activity.

Box 1.1.1: Brexit process unwinding, EU-UK Trade and Cooperation Agreement

Four years after the Brexit process was triggered, including a period of 11 months of intense negotiations, the European Union (EU) and the United Kingdom (UK) reached a partnership agreement on December 24, 2020, to govern their future relationship, known as the "Trade and Cooperation Agreement" (TCA). The UK, which officially ceased to be part of the EU on January 31, 2020[1], has thus recorded its final and orderly exit from the customs union and the European single market after 47 years.

The TCA, which entered into force on January 1, 2021 for a transitional period pending its final adoption on April 28, 2021 by the European Parliament, complements the Withdrawal Agreement, signed on October 17, 2019. The latter is mainly devoted to the rights of European and British citizens, mutual financial commitments and the stability of Ireland.

Beyond the trade in goods, the agreement covers a wide range of other areas such as investment, competition, transport, energy, environment, fisheries, dispute settlement as well as a framework for police and judicial cooperation. It focuses on three main areas :

(i) a free trade agreement as the basis for the new economic and social partnership, including new rules for trade relations;

(ii) a close partnership on citizen security, setting up a new framework for police and judicial cooperation in criminal and civil matters, including in the fight against cross-border crime and terrorism; and

(iii) a comprehensive governance framework, providing maximum legal protection for business, consumers and citizens, and clarifying the Agreement’s implementation and monitoring. This framework also provides for the establishment of a "Partnership Council" to ensure the implementation of the TCA.

[1] However, the U.K. was granted a transition period to remain in the EU's single market and customs union until December 31, 2020. It should be noted that the negotiations leading up to the TCA ended a week before that deadline.

Practically speaking, the various clauses of the TCA imply that as of January 1, 2021, the EU and the UK will have to fulfil the following main commitments:

- On the commercial side, trade in all goods and services, in accordance with the rules of origin, will be carried out free of customs duties and quotas. However, this will not preserve the full fluidity of trade in goods and services, since companies on both sides will have to undergo several administrative formalities as well as health controls.
- Ensure fair competition by maintaining high standards in several areas, such as labor rights, fiscal transparency, transportation, climate, energy, and government aids.
- Concerning the management of fish stocks, which has been one of the main points of disagreement between the two parties during the negotiations, it was agreed to maintain access to British waters for a transitional period of five and a half years, during which the EU will have to progressively renounce 25 percent of the value of its catches in British waters. Thereafter, this clause will be renegotiated on a yearly basis.
- The UK will be able to continue participating in a number of EU flagship programs, provided that it contributes financially to them.
- Regarding the movement of citizens, full migration controls will be restored between the UK and the EU. Thus, with the exception of short stays under 3 months, EU nationals wishing to settle in the UK will have to apply for a visa and vice versa.

Although it addressed most aspects of the EU's future relationship with the UK, the TCA does not include provisions relating to:

(i) finance and all financial services. The UK will no longer benefit from the principles of freedom to provide financial services and freedom of establishment; and

(ii) foreign policy, external security and defence cooperation. Thus, as of January 1, 2021, no framework now exists for the UK and the EU to develop and coordinate common responses in these areas.

Diagram B1.1.1.1 : Key dates of the Brexit process since the 2016 referendum

Sources: European Commission and TCA report.

1.1.2 Labor market

The sharp downturn in economic activity, travel restrictions, and heightened uncertainty have resulted in deteriorating conditions and profound changes in labor markets. But the impact has been mitigated in several countries, particularly in Europe, through job retention schemes and support measures (box 1.1.2).

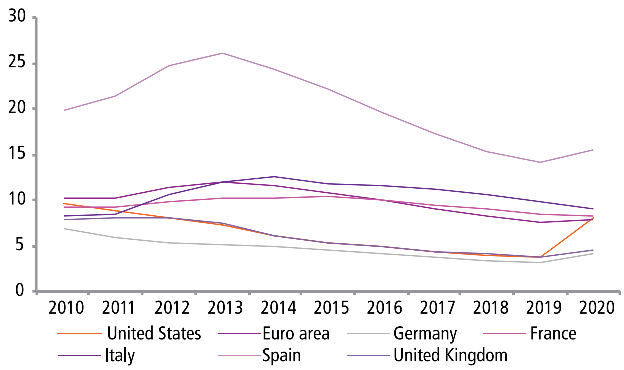
In the U.S, the positive momentum seen in employment for nearly a decade came to an abrupt halt in 2020. The unemployment rate rose from 3.7 percent in 2019, its lowest in nearly half a century, to a nearly 10-year high of 8.1 percent in 2020, with a peak of 14.8 percent in April.

Table 1.1.2: Unemployment rate (percent)

	2016	2017	2018	2019	2020
Advanced countries					
United States	4.9	4.4	3.9	3.7	8.1
Euro area	10.0	9.1	8.2	7.6	7.9
Germany	4.1	3.8	3.4	3.2	4.2
France	10.0	9.4	9.0	8.5	8.2
Italy	11.7	11.3	10.6	9.9	9.1
Spain	19.6	17.2	15.3	14.1	15.5
United Kingdom	4.9	4.4	4.1	3.8	4.5
Japan	3.1	2.8	2.4	2.4	2.8
Emerging countries					
China	4.0	3.9	3.8	3.6	3.8
Russia	5.5	5.2	4.8	4.6	5.8
Brazil	11.3	12.8	12.3	11.9	13.2

Source: IMF.

Chart 1.1.2: Unemployment rate in advanced countries (percent)



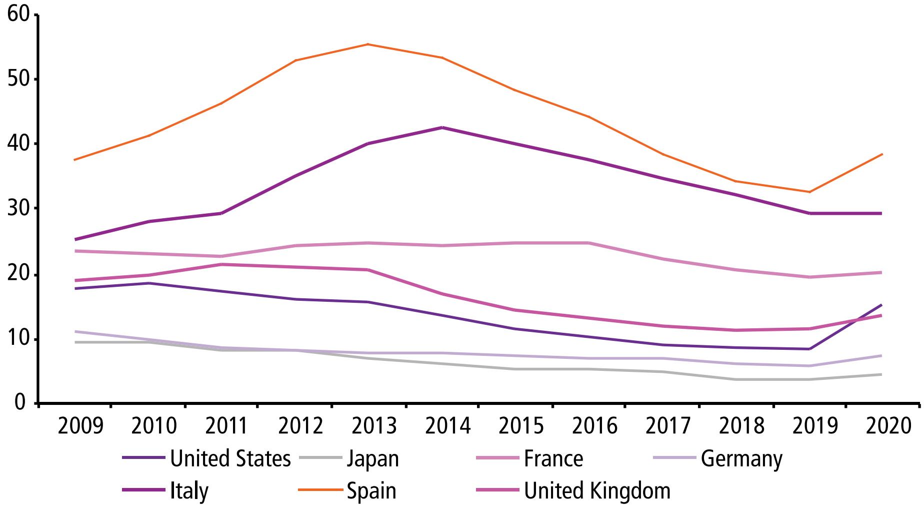
In the euro area, unemployment rate scored a slight increase to 7.9 percent in 2020, as against 7.6 percent in 2019. By country, it increased from 3.2 percent to 4.2 percent in Germany and from 14.1 percent to 15.5 percent in Spain, while falling from 8.5 percent to 8.2 percent in France and from 9.9 percent to 9.1 percent in Italy.

In the United Kingdom, the impact of the pandemic was also mitigated by employment protection measures, as unemployment rose from 3.8 percent in 2019, its lowest level since 1974, to 4.5 percent in 2020. Similarly, in Japan, it increased slightly from 2.4 percent to 2.8 percent.

In emerging and developing countries, unemployment rates showed relatively limited increases from 3.6 percent to 3.8 percent in China, from 11.9 percent to 13.2 percent in Brazil, and from 4.6 percent to 5.8 percent in Russia, while in South Africa these rates rose slightly yet remained high at 29.2 percent. In North Africa, the developments were divergent, with a particular increase from 11.4 percent to 14.2 percent in Algeria and a decline from 8.6 percent to 8.3 percent in Egypt.

Youth unemployment[1], which was already at high levels before the pandemic, increased significantly in 2020 in most advanced countries, especially in Europe. It rose from 32.5 percent to 38.3 percent in Spain, from 19.5 percent to 20.2 percent in France, from 29.2 percent to 29.4 percent in Italy, and from 5.8 percent to 7.5 percent in Germany. In the United States, the rate rose from 8.4 percent to 15.1 percent, in the United Kingdom from 11.4 percent to 13.5 percent and in Japan from 3.8 percent to 4.5 percent.

Chart 1.1.3: Youth unemployment rate in advanced countries (percent)



Source: Eurostat.

Box 1.1.2: Job retention schemes in response to the pandemic in European countries

To limit the economic and social consequences of the health crisis, several European countries have strengthened and expanded their job retention schemes. The latter allow companies suffering from economic difficulties to temporarily reduce the number of working hours, while maintaining a certain level of income for employees via public support[1]. The purpose of this incentive is to preserve contracts with the employer even if work is suspended, so as to avoid costly layoffs, rehiring and training when economic conditions improve. This support can either be in the form of social transfers (Spain and Germany) or wage subsidies provided to employers to finance their payments to employees (France and Italy).

[1] Workers earning less than the minimum wage (SMIC) will continue to receive an allowance equal to their previous pay.

1 Persons aged 15 to 24 years

In **France**, when an employee is placed on partial employment, he or she receives an allowance amounting to 70 percent of the previous gross salary, limited to 4.5 times the minimum inter-professional growth salary (SMIC) paid by the employer. The employer, in turn, receives a government allowance equivalent to 60 percent of this salary, reaching 70 percent for the most affected sectors, such as tourism and air transport. For companies facing a sustained decline in activity, the government has set up a long-term partial activity scheme (APLD). Under this scheme, eligible employers must conclude a collective agreement[2] in which employment commitments are specified.

In **Germany**, the short-time working scheme (Kurzarbeit) allows a compensation of 60 percent of the net salary for the hours lost in the event of a temporary reduction in working hours, and 67 percent for those with dependent children. In **Italy**, the amount of compensation for short-time work is 80 percent of the gross reference salary up to a maximum of 40 hours per week, with a ceiling of 939.9 euros per month for salaries below 2159.5 euros and 1129.7 euros per month for those above 2159.5 euros. In **Spain**, the ERTE scheme provides for compensation of 70 percent of the gross reference salary for hours lost, with a ceiling of 1098 euros per month for households without children, 1254 euros for those with one child and 1411 euros for those with several dependent children. In the **United Kingdom**, the Coronavirus Job Retention Scheme caps compensation at 80 percent of gross reference earnings for hours lost from March to August 2020, 70 percent in September, 60 percent in October and 80 percent from November onwards, with a cap of 2,500 pounds per month.

Considering the evolution of the unemployment rate in Europe in particular, these measures have contributed significantly to mitigating the impact of the crisis on employment. Nevertheless, these measures have not been without consequences for public finances. To support its member countries, the **European Commission** has set up a new temporary instrument called "SURE"[3] as part of the emergency programs launched to address the crisis. This instrument, with a financing capacity of up to 100 billion euros, consists of loans under favourable conditions.

2 Collective agreements are negotiated between the employer or a group of employers and one or more trade union organizations with the purpose of determining the conditions of employment.

3 Support to mitigate Unemployment Risks in an Emergency.

1.1.3 Commodity markets

The health crisis has had a significant negative impact on demand for commodities. During the first four months of 2020, prices fell by 60.6 percent for energy products and 9.8 percent for non-energy products. Over the rest of the year, they followed an upward trend, driven mainly by the rebound in Chinese demand and renewed optimism linked to the progress made in the development of vaccines. On average, energy prices fell by 31.7 percent in 2020, while non-energy prices increased by 3 percent and precious metals rose by 26.6 percent.

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

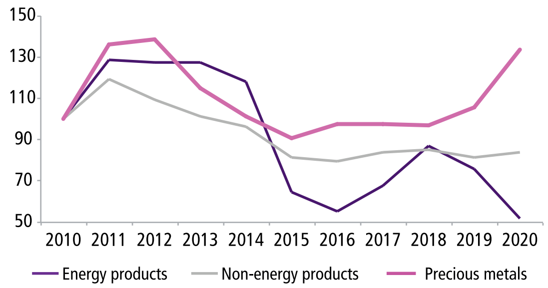
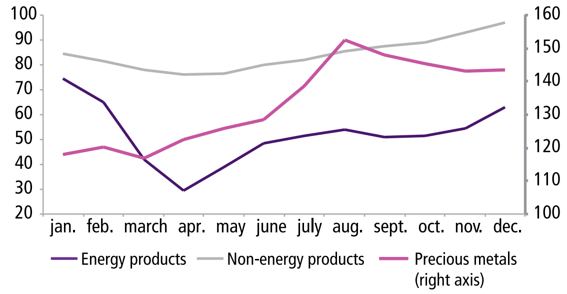


Chart 1.1.5: Monthly change in commodity price indexes in 2020 (2010=100)



Source: World Bank.

On the oil market, prices[1] fell by 32.8 percent to an average of 41.3 dollars per barrel, their lowest level in 16 years. This development is attributable, on the demand side, to the sharp contraction in economic activity and to restrictions on domestic and international travel[2]. These factors, combined with the saturated storage capacity of major U.S. facilities[3], led to a sharp decline in oil demand from 9.6 mb/d in 2020 to 90.4 mb/d. On the supply side, oil prices were mainly impacted by the decisions of the OPEC+ countries on production levels. Indeed, after the failure of negotiations at the March 6 meeting, which exacerbated the fall in prices, the group reached an agreement in mid-April to reduce production by 9.7 mb/d from May 1 over two months, then a second of 7.7 mb/d until the end of December 2020.

As regards other energy products, the price of natural gas fell by 25.7 percent, with decreases of 21.6 percent in the US market and 32.5 percent in Europe. These declines were mainly attributable to the fall in world consumption due to lockdown measures and a relatively mild winter in the northern hemisphere. The price of coal[4] fell by 15.6 percent, adversely affected by the crisis and by continuing efforts to reduce greenhouse gas emissions.

1 The average price in the Australian and South African markets.

2 According to the World Bank (April 2020 Commodity Price Outlook), transportation and travel account for nearly two-thirds of global oil consumption.

3 In April 2020, this saturation, coupled with the impending expiration of WTI futures contracts, caused investors to sell their contracts, leading to an unprecedented decline in prices to negative $37 per barrel on the 20th of the same month

4 The average price in the Australian and South African markets

Chart 1.1.6: Annual change in energy price

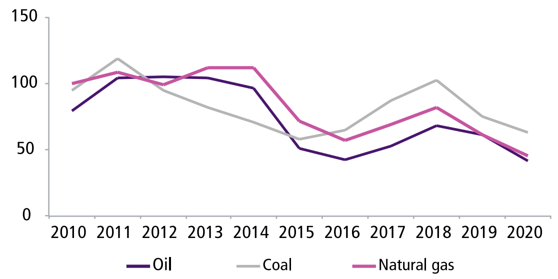
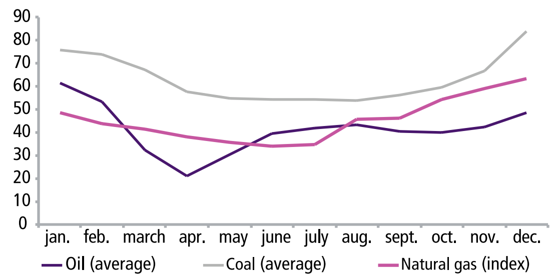


Chart 1.1.7: Monthly change in energy price in 2020



Source: World Bank

For metals and ores, prices rose by 1 percent year-on-year as a result of interruptions in production due to lockdown measures and an upturn in demand, particularly from China, as of the second quarter. By commodity, prices rose by 16.1 percent for iron and 2.7 percent for copper but fell by 11.1 percent for zinc and 5 percent for aluminium.

Stimulated by sustained demand from China, prices of agricultural products rose by 4.6 percent, with increases of 15.7 percent for oils and flours, 5.6 percent for beverages, 1.1 percent for sugar and 4.6 percent for cereals. The prices of the latter have evolved in contrasting ways with a 7.8 percent increase for soft wheat and 5.1 percent for durum wheat on the one hand and a 23.8 percent decrease for barley and 2.7 percent for corn on the other.

As for fertilizers, the evolution of their prices reflects, among other things, production disruptions in China, strong demand from the main crop-producing regions, rising input prices and petitions filed by the American company Mosaic against U.S. phosphate imports from Morocco and Russia, which it accuses of subsidizing their production. Thus, the price of DAP rose by 2 percent to 312.4 dollars per ton. On the other hand, raw phosphate and urea fell by 13.5 percent to 76.1 dollars and 6.6 percent to 229.1 dollars respectively.

Chart 1.1.8: Non-energy price indexes (2010=100)

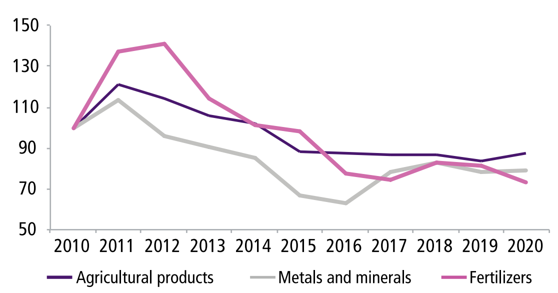
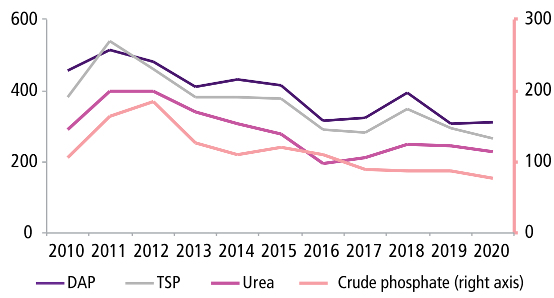


Chart 1.1.9: Prices of phosphate and fertilizers (dollar/tone)



Source: World Bank.

With regard to precious metals, the surge in uncertainty in 2020 has reinforced their status as safe havens, leading to an increase in their prices, which reached 27.1 percent for gold at $1770 per ounce, 26.6 percent for silver and 2.2 percent for platinum.

1.1.4 Inflation

In 2020, consumer prices were impacted by three main factors. On the one hand, declines in demand and energy prices induced disinflationary pressures, and on the other, disruptions in production and supply chains exerted upward pressure on prices. Under such conditions, inflation decelerated from 3.5 percent to 3.2 percent overall, weakened from 1.4 percent to 0.7 percent in advanced economies and stagnated at 5.1 percent in emerging and developing countries.

Table 1.1.3: Inflation in the world (percent)

	2016	2017	2018	2019	2020
World	**2.7**	**3.2**	**3.6**	**3.5**	**3.2**
Advanced economies	**0.7**	**1.7**	**2.0**	**1.4**	**0.7**
United States	1.3	2.1	2.4	1.8	1.2
Euro area	0.2	1.5	1.8	1.2	0.3
Germany	0.4	1.7	1.9	1.4	0.4
France	0.3	1.2	2.1	1.3	0.5
Italy	-0.1	1.3	1.2	0.6	-0.1
Spain	-0.2	2.0	1.7	0.7	-0.3
United Kingdom	0.7	2.7	2.5	1.8	0.9
Japan	-0.1	0.5	1.0	0.5	0.0
Emerging and developing countries	**4.3**	**4.4**	**4.9**	**5.1**	**5.1**
China	2.0	1.6	2.1	2.9	2.4
India	4.5	3.6	3.4	4.8	6.2
Brazil	8.7	3.4	3.7	3.7	3.2
Russia	7.0	3.7	2.9	4.5	3.4
Middle East and North Africa	**5.5**	**7.0**	**10.7**	**7.6**	**10.6**

Source : IMF.

Inflation showed a marked slowdown in the euro zone, falling below zero in August and averaging 0.3 percent for the year as a whole, compared with 1.2 percent in 2019. By country, it fell from 1.4 percent to 0.4 percent in Germany, from 1.3 percent to 0.5 percent in France, from 0.7 percent to -0.3 percent in Spain and from 0.6 percent to -0.1 percent in Italy. Similarly, it declined from 1.8 percent to 1.2 percent in the US, from 1.8 percent to 0.9 percent in the UK and from 0.5 percent to 0 percent in Japan.

Chart 1.1.10: Inflation in the world (percent)

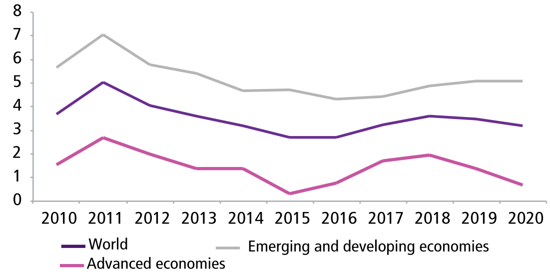
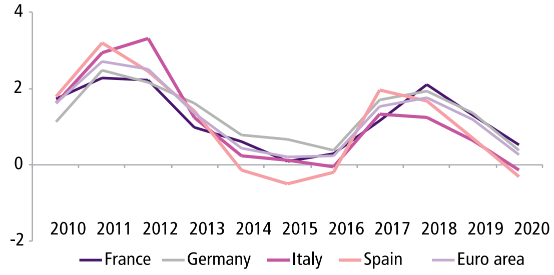


Chart 1.1.11: Inflation in the main economies of the Euro area (percent)



Source: IMF.

In the main emerging countries, apart from India where it accelerated from 4.8 percent to 6.2 percent, driven by rising food prices, inflation dropped from 2.9 percent to 2.4 percent in China, from 3.7 percent to 3.2 percent in Brazil and from 4.5 percent to 3.4 percent in Russia. It also slowed in Turkey but remained high, falling from 15.2 percent to 12.3 percent. In North African countries, inflation continued to decelerate, from 13.9 percent to 5.7 percent in Egypt and from 6.7 percent to 5.7 percent in Tunisia, while in Algeria it picked up from 2 percent to 2.4 percent. In the Middle East, Lebanon, a country in the grip of a severe economic and social crisis, registered a soaring inflation from 2.9 percent to 88.2 percent, with a peak of 145.8 percent in December.

1.1.5 Public finance

In 2020, the pandemic took a heavy toll on public finances in advanced economies as well as in emerging and developing ones. The contraction in economic activity, the resulting fall in tax revenues, and the fiscal measures intended to mitigate the impact of the crisis (Box 1.1.3) resulted in a sharp increase in fiscal deficits and exceptionally high levels of public debt.

In the euro area, the fiscal deficit increased by 0.6 percent to 7.6 percent of GDP, and public debt rose by almost 13 percentage points of GDP to 96.9 percent. Anticipating this deterioration, the European Commission and Council activated the "general escape clause" of the Stability and Growth Pact in March 2020, allowing member states to deviate temporarily from the fiscal requirements of the Pact. By country, the budget surplus observed since 2014 in Germany gave way to a 4.2 percent deficit, and public debt, which had been falling continuously since 2013, rose significantly by 9.3 points to 68.9 percent of GDP. Similarly, Spain and Italy recorded sharp deteriorations in their public finances, with fiscal deficits widening to 11.5 percent and 9.5 percent of GDP and debt ratios worsening to 117.1 percent and 155.6 percent of GDP respectively. In France, the deficit worsened from 3 percent to 9.9 percent and public debt reached a record 113.5 percent of GDP.

In the United States, the fiscal deficit has almost tripled, reaching 15.8 percent of GDP in 2020, a level never seen before, leading to a worsening of its public debt by 18.9 points of GDP to 127.1 percent.

Chart 1.1.12: Budget balance in the main advanced economies (percent of GDP)

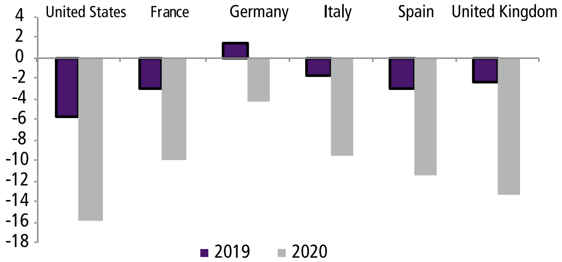
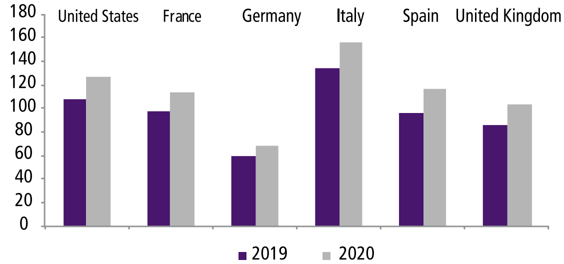


Chart 1.1.13: Public debt in the main advanced economies (percent of GDP)



Source: IMF.

In the UK, the fiscal deficit reached an all-time high of 13.4 percent of GDP in 2020 up from 2.3 percent in 2019 with public debt rose from 85.2 percent to 103.7 percent of GDP. Likewise, Japan suffered a sharp deterioration in its public finances, posting a record increase in the deficit from 3.1 percent a year earlier to 12.6 percent. In addition, its public debt, one of the highest in the world, rose sharply from 234.9 percent of GDP in 2019 to 256.2 percent.

Similarly, the repercussions of the crisis weighed heavily on public finances in the main emerging and developing countries, several of which suffered a downgrading of their sovereign debt.

Thus, fiscal deficits soared to 11.4 percent of GDP in China, 12.3 percent in India and 13.4 percent in Brazil, while in Russia, which also suffered from declining oil prices, the fiscal balance went from a surplus of 1.9 percent to a deficit of 4.1 percent of GDP. As a result of these developments, public debt rose to 66.8 percent of GDP in China, 89.6 percent in India and 98.9 percent in Brazil, while it remained limited to 19.3 percent of GDP in Russia.

In the MENA region, affected by the double shock of the pandemic and the slump in oil prices, many exporting countries witnessed a sharp decline in their fiscal balance surplus. This was particularly the case in Qatar, where the surplus fell from 4.9 percent to 1.3 percent of GDP, and in Kuwait, where it moved from 4.4 percent to a deficit of 9.4 percent of GDP. In the same vein, the fiscal deficit increased from 4.5 percent to 11.1 percent in Saudi Arabia and from 5.6 percent to 7.7 percent in Algeria. Despite these deteriorations, the level of indebtedness is still contained in several of these countries, standing at 11.5 percent of GDP in Kuwait, 32.4 percent in Saudi Arabia, 53.1 percent in Algeria and 71.8 percent in Qatar.

Among importing countries, the deficit worsened from 3.8 percent to 10.5 percent of GDP in Tunisia and stabilized at 7.9 percent in Egypt, with their debt ratios reaching 87.6 percent and 90.2 percent respectively.

Box 1.1.3: Response of governments of major advanced countries and international financial institutions to the pandemic

In view of the severe economic and social consequences of the Covid-19 crisis, public authorities introduced extraordinary monetary and fiscal support programs. On the fiscal side, the IMF estimates that the overall cost of the measures taken worldwide by the end of 2020 will be around 14,000 billion dollars, i.e. almost 17 percent of GDP, of which 7,800 billion in the form of additional expenditure or loss of revenue and 6,000 billion in the form of capital injections, loans and guarantees. The effort made varied widely from one country to another, depending primarily on the impact of the crisis, fiscal margins and the capacity to mobilize resources. The action of national authorities has been complemented by important initiatives taken by international financial institutions to assist their members in this health crisis.

In the **United States,** authorities adopted a broad fiscal package of more than 4 trillion dollars by the end of December 2020, including the "CARES" law enacted on March 27, which allocated 437 billion for unemployment insurance and nearly 700 billion for grants, emergency loans and other financing for small businesses. The program also includes tax rebates and tax credits for employers affected by the crisis to sustain their employees at an estimated cost of 288 billion. It also includes 56 billion in loans to distressed businesses (airlines, postal services, etc.), as well as 454 billion to support some of the facilities in the FED's asset purchase program. The government has launched other initiatives, such as providing loans under the wage maintenance program, at a cost of 176 billion, and reallocating 44 billion from the Disaster Relief Fund to provide additional unemployment benefits. In December, it allowed 329 billion in allocations to support households, 347 billion to support businesses and 92 billion to support the education sector.

In addition to the efforts made by individual member countries, the **European Union** mobilized a total envelope of around 1,200 billion euros. In April, the Eurogroup put in place safety nets for workers, companies and member states totalling 340 billion euros. In the same month, the scope of the EU Solidarity Fund was extended to include the effects of the health crisis, with a view to mobilizing it if necessary for the benefit of the most affected members.

In December, the European Council adopted the "Next Generation EU" recovery plan, which consists of 390 billion euros in grants, including 312.5 billion programmed for the period 2021-2023 under the "Recovery and Resilience Facility", the key instrument of the plan. This recovery plan breaks down into 47.5 billion for the "React-EU" cohesion fund, 15 billion to support the ecological transition and research and development, and 13.1 billion to promote investment and rural development. The plan also comprises an allocation of 360 billion in the form of loans to finance part of the post-crisis recovery plans. Regarding credit guarantees, the Council created a pan-European guarantee fund of 25 billion, mainly for the benefit of hard-hit SMEs.

In the **U.K**, the government allocated around 690 billion pounds, partly dedicated to its "Coronavirus Job Retention Scheme" to subsidize the wages of employees who are out of work and to pay social security contributions. The budget was also used to support the incomes of the self-employed, increase housing benefit and provide support for small businesses in the retail and hospitality sectors. In terms of tax relief, the government introduced reductions in stamp duty on property tax and in the VAT rate for hotels, accommodation and leisure activities and deferred collection of VAT and income tax on self-employed activities. In addition, several credit guarantee schemes have been put in place with a total value of 340 billion pounds sterling.

The international financial institutions also took action to support their member countries. In this regard, the **IMF** undertook several measures including:

(i) Doubling its emergency financing capacity (mainly under the Rapid Credit Facility and the Rapid Financing Instrument), which has enabled 86 countries to receive financing totalling approximately 110 billion dollars;

(ii) Providing the debt service relief for 29 low-income countries amounting to 727 million dollars through the Catastrophe Containment and Relief Trust; and

(iii) Creating a new financing line, namely the short-term liquidity line, aimed at supporting countries with very strong fundamentals and moderate short-term needs to finance their balance of payments.

The **World Bank Group** planned to disburse up to 160 billion dollars by the end of June 2021 to support the countries' Covid-19 policies, and approved a new fast-track financing facility at the outset of the pandemic to help countries meet their immediate health needs and support economic recovery.

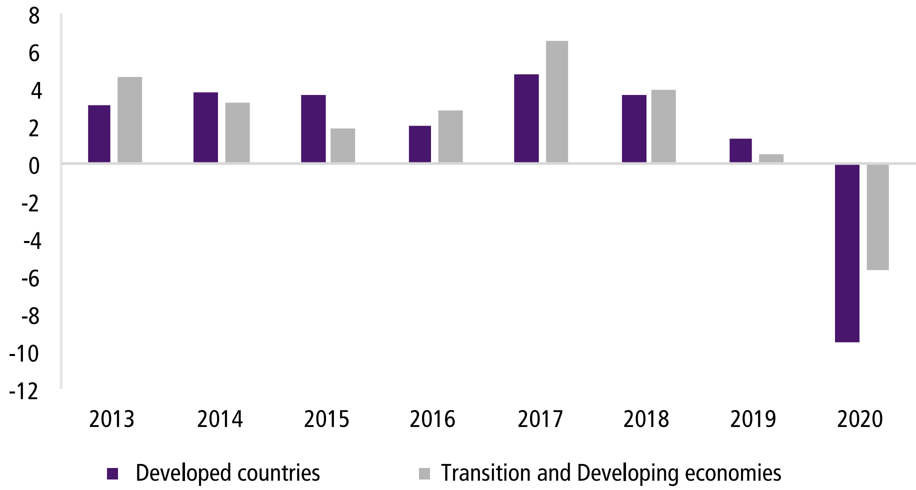
For its part, the **G20** adopted on April 15, 2020 an action plan to minimize short-term disruptions associated with the lockdown and to sustain international efforts to support vulnerable countries. In this respect, the G20 Finance Ministers and Central Bank Governors approved, with the agreement of the Paris Club, the Debt Service Suspension Initiative (DSSI) for low-income countries, while urging private donors to contribute. The loans' payment suspension period, scheduled to end on December 31, 2020, was extended twice until the end of 2021. Since its implementation on May 1 through the end of 2020, the DSSI provided relief of $5.7 billion to 43 countries, out of 73 eligible countries.

1.1.6 External accounts

Already facing a rising protectionism before the health crisis, world trade suffered in 2020 from weakening global demand, disruptions in production and logistics chains. Thus, after a sharp deceleration to 0.9 percent in 2019, it declined significantly by 8.5 percent in 2020, the first since 2009. This trend reflects a sharp decline of 9.5 percent in exports of advanced countries and 5.7 percent in those of emerging and developing economies.

Despite the crisis backdrop, remittances to low- and middle-income countries displayed notable resilience with a limited decline of 1.6 percent to 540 billion dollars. This performance was mainly due to fiscal stimulus measures that resulted in better-than-expected economic conditions in host countries. By region, this change includes a decrease in remittances of 7.9 percent for East Asia and the Pacific and 12.5 percent for sub-Saharan Africa compared with an increase in remittances of 6.5 percent for Latin America and the Caribbean and 2.3 percent for the MENA region. In contrast, restrictions on international travel resulted in a 74.3 percent drop in travel revenues, with the largest declines in Asia Pacific and the Middle East.

Chart 1.1.14: Exports of goods and services (percent change)



Source: IMF.

Under these conditions, the current account surplus in the advanced economies fell from 0.7 percent of GDP to 0.3 percent. It declined from 3.7 percent to 3.3 percent in Japan and stabilized at 2.3 percent in the euro area. By member countries, it remained unchanged at 7.1 percent in Germany and fell to 0.7 percent in Spain, while the current account deficit in France widened to 2.3 percent. Furthermore, the deficit widened to 3.1 percent in the United States and 3.9 percent in the United Kingdom.

In emerging and developing economies, the current account emerged in surplus at 0.6 percent of GDP in 2020, following a virtual break-even a year earlier. The surplus balance strengthened in

China to 2 percent, and eased in Russia to 2.2 percent, while in India the balance moved from a deficit of 0.9 percent to a surplus of 1 percent.

In the MENA region, oil price declines, coupled with production cuts following the OPEC+ agreement, have weighed on the external accounts of exporting countries. The surplus balance fell from 16.4 percent to 0.8 percent in Kuwait and turned into a deficit in Saudi Arabia and Qatar, standing at 2.1 percent and 3.4 percent respectively. For importing countries, the deficit narrowed from 3.6 percent to 3.1 percent in Egypt and from 8.4 percent to 6.8 percent in Tunisia.

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

	2016	2017	2018	2019	2020
Advanced economies	**0.8**	**1.0**	**0.8**	**0.7**	**0.3**
United States	-2.1	-1.9	-2.2	-2.2	-3.1
Euro area	3.0	3.1	2.9	2.3	2.3
Germany	8.5	7.8	7.4	7.1	7.1
France	-0.5	-0.8	-0.6	-0.7	-2.3
Italy	2.6	2.6	2.5	3.0	3.6
Spain	3.2	2.8	1.9	2.1	0.7
United Kingdom	-5.4	-3.8	-3.7	-3.1	-3.9
Japan	4.0	4.1	3.5	3.7	3.3
Emerging and developing economies	**-0.3**	**0.0**	**-0.2**	**0.1**	**0.6**
Emerging and developing countries of Asia	**1.4**	**1.0**	**-0.3**	**0.6**	**1.7**
China	1.8	1.6	0.2	1.0	2.0
India	-0.6	-1.8	-2.1	-0.9	1.0
Countries of Latin America and the Caribbean	**-2.0**	**-1.6**	**-2.5**	**-1.7**	**0.2**
Brazil	-1.3	-0.7	-2.2	-2.7	-0.9
Mexico	-2.3	-1.8	-2.1	-0.3	2.5
Emerging and developing countries of Europe	**-0.2**	**-0.5**	**1.7**	**1.3**	**0.0**
Russia	1.9	2.0	7.0	3.8	2.2
Turkey	-3.1	-4.8	-2.8	0.9	-5.1
Sub-Saharan Africa	**-3.8**	**-2.3**	**-2.6**	**-3.7**	**-3.7**
South Africa	-2.9	-2.5	-3.5	-3.0	2.2
Middle East and North Africa	**-4.3**	**-0.7**	**3.8**	**1.2**	**-3.2**

Source : IMF.

As for foreign direct investment flows, after a near stagnation in 2019, they fell by 42 percent to 859 billion dollars. This reflects a 69 percent decline in flows to advanced economies to 229 billion dollars, the result of a 46 percent decrease to 166 billion in those to North America, as well as a near zero flow following a total of 344 billion to Europe. As for developing economies, they were able to attract a volume of 616 billion, down 12 percent, reflecting declines of 37 percent to 101 billion for Latin America and the Caribbean, 17.4 percent to 38 billion for Africa and 4 percent to 476 billion for Asia. Similarly, after having attracted flows of nearly 50 billion on average over the past five years, transition economies[1] received only 13 billion in 2020, down 77.6 percent from 2019.

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

Chart 1.1.15: FDI inflows (in billion dollars)

Source : UNCTAD.

Despite this unfavourable context, some emerging countries have managed to strengthen their foreign exchange reserves. Thus, at the end of 2020, outstanding foreign exchange reserves rose by 4.2 percent to 3357 billion dollars in China, mainly due to an improved trade surplus and increased FDI. In India, it rose by 27.3 percent to 590 billion and in Russia by 7.5 percent to 597 billion. Conversely, the stock of reserves fell by 11.5 percent to 94 billion in Turkey and remained almost stable at 356 billion in Brazil.

1.1.7 Monetary policies

At the onset of the crisis, several central banks, particularly in advanced economies, had relatively little room for manoeuvre, with interest rates close to zero in several cases. In anticipation of the magnitude of the health crisis's impact, they reacted promptly, resorting to both conventional instruments, for those with room to manoeuvre, and more importantly, non-conventional instruments, which some emerging and developing countries experimented for the first time during this crisis.

In advanced countries, as soon as the crisis began, the U.S. Federal Reserve (FED) held two special meetings in early March, during which it reduced the target range for the federal funds rate by a total of 150 basis points (bps), bringing it down to 0 percent - 0.25 percent. At the same time, it announced an increase in its holdings of at least 500 billion in treasury bills and 200 billion in mortgage-backed securities, and then decided, in the same month, to expand them as much as necessary to further support the smooth functioning of the market and the transmission of monetary policy.

In addition, the FED put in place broad measures to support the financing of the economy in a more direct way and prevent tighter financial conditions by launching several new facilities and reactivating others[1]. All these actions allowed to unlock nearly $2000 billion in funding as of April to support small and large businesses, non-profit organizations, federal States and local governments.

The FED also adjusted its forward guidance, indicating that it plans to hold rates at their levels until it is confident that the economy is on track to achieve its goals of full employment and price stability. In addition, to improve the supply of U.S. dollar liquidity, the FED, in consultation with several central banks, expanded and strengthened its permanent swap arrangements. Finally, the FED announced in August the results of its monetary policy review (Box 1.1.4).

Box 1.1.4: Review of the FED's monetary policy framework

At the 44th Jackson Hole Symposium, held August 27-28, 2020, the Fed Chairman unveiled the results of its first public monetary policy review that explicitly considers the challenges posed by interest rates near the effective lower bound.

The new framework points out that maximum employment will now be a broad and inclusive objective. Thus, the policy decision will be justified by "assessments of the shortfalls of employment from its maximum level" rather than by "deviations from its maximum level." The shift to "employment deficits" states that employment will now be allowed to reach or exceed its maximum level without raising concerns unless there are signs of unwelcome increases in inflation or the emergence of other risks that could impede the achievement of the goals.

Concerning the inflation objective, the new strategy states that the Committee will seek to achieve an average of 2 percent inflation over time. After periods of inflation rates below 2 percentfor some time. In seeking to achieve inflation rates slightly above 2 percent for some time.

In seeking to achieve an average inflation rate of 2 percent over time, the Committee does not focus on a particular mathematical formula that defines the average. The new approach could be viewed as a flexible form of average inflation targeting. Last, the new framework calls for a review of monetary policy strategy, tools, and communication practices approximately every 5 years.

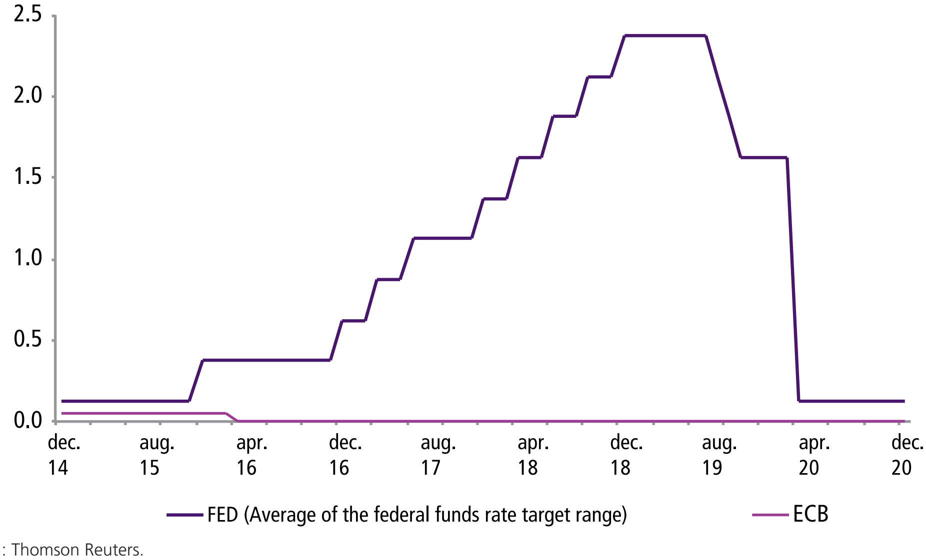
1 This includes nine facilities, some of which were reactivated and others newly created: Commercial Paper Funding Facility; Money Market Mutual Fund Liquidity Facility; Primary Dealer Credit Facility; Term Asset-Backed Securities Loan Facility; Primary Market Corporate Credit Facility; Secondary Market Corporate Credit Facility; Paycheck Protection Program Liquidity Facility; Main Street Lending Program; Municipal Lending Facility.

Compelled by key interest rates close to zero, the European Central Bank (ECB) took several measures in March to strengthen its quantitative easing policy. It announced a temporary additional envelope of 120 billion euros to supplement the 20 billion euros of monthly purchases planned under its asset purchase program (APP). It also launched a temporary pandemic emergency purchase program (PEPP) that provides a large degree of flexibility over time, across asset classes and across countries. Initially endowed with an envelope of 750 billion, this program was then increased by 600 billion in June and 500 billion in December to reach 1,850 billion euros, with an extended horizon until at least the end of March 2022.

In addition, the ECB eased, and gradually recalibrated, the conditions set for the third round of targeted longer-term refinancing operations (TLTRO III). The maximum total amount that banks will now be able to borrow has been increased to 50 percent and then to 55 percent of their stock of eligible loans, as opposed to 30 percent in the initial setting. Also, during the period from June 2020 to June 2021, the rate applied to the TLTRO III would be 50 bps below the average interest rate of most key refinancing operations (i.e., -0.5 percent) and 50 bps below the deposit facility rate (i.e., -1 percent) for banks exceeding the lending performance thresholds. In December, the ECB decided to extend by 12 months the period of implementing significantly more favourable conditions, to June 2022.

To cover the period prior to the start of the TLTRO III in June, the ECB set up a series of weekly LTROs (bridge LTROs). As an alternative, it introduced a new type of non-targeted LTRO (PELTRO) to provide an effective liquidity safety net. Finally, in June the ECB introduced a Eurosystem repo facility (EUREP) to provide non-euro area central banks with precautionary euro denominated repo lines in addition to bilateral and swap repo lines.

Chart 1.1.16: Key rates of the ECB and the FED (percent)

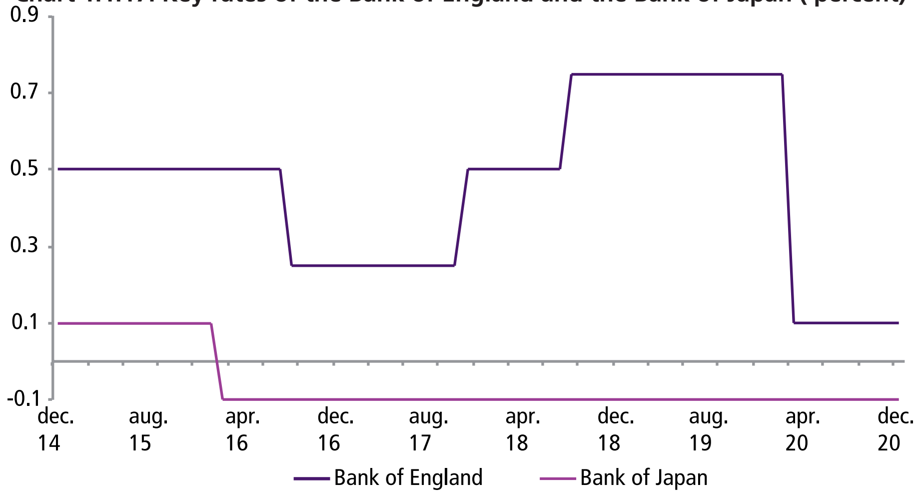


Source : Thomson Reuters.

For its part, the **Bank of England (BoE)** cut its key rate by 65 bp to 0.1 percent in March and launched a new Term Funding Scheme (TFS) with additional incentives for lending to SMEs. It also raised its bond-buying program three times during the year by a cumulative 450 billion pounds, bringing the target stock from 435 billion pounds to 875 billion pounds for sovereign bonds and from 10 billion pounds to 20 billion pounds for non-financial corporate bonds. Together with the Treasury, the BoE introduced a Covid Corporate Financing Facility (CCFF) in March, which was designed to bolster the liquidity of large companies during the disruption caused by the pandemic.

For its part, the **Bank of Japan (BoJ)**, while maintaining its short-term interest rate at -0.1 percent, decided to purchase the necessary amounts of Japanese Treasury bonds without a ceiling in order to keep the 10-year sovereign yield curve around 0 percent. At the same time, it introduced a dedicated financing support program in response to Covid-19, aimed primarily at companies. The latter includes, on the one hand, purchases of securities (commercial papers and bonds) with a ceiling of 20 trillion yen, and on the other hand, a special fund (Special Funds-Supplying Operations to Facilitate Financing in Response to the Novel Coronavirus). In addition, in order to reduce risk premiums in the asset markets, the Bank doubled its purchases of securities of exchange-traded funds (ETFs) to 12 trillion and of real estate mutual funds (J-REITs) to 180 billion yen.

Chart 1.1.17: Key rates of the Bank of England and the Bank of Japan (percent)



Source : Thomson Reuters.

In emerging economies, the response of central banks was also characterized by an unprecedented use of unconventional measures, mainly quantitative easing programs. Indeed, 27 central banks 1made asset purchases, either to improve the functioning of bond markets or because of the limited room for manoeuvre in terms of conventional tools (e.g. Hungary, Poland and Chile).

In the main countries of this category, the Central Bank of China introduced several measures to ease monetary and credit conditions. As such, it lowered the prime lending rate by 30 bp to

1 IMF, April 2021 World Economic Outlook, Analytical Chapter 3.

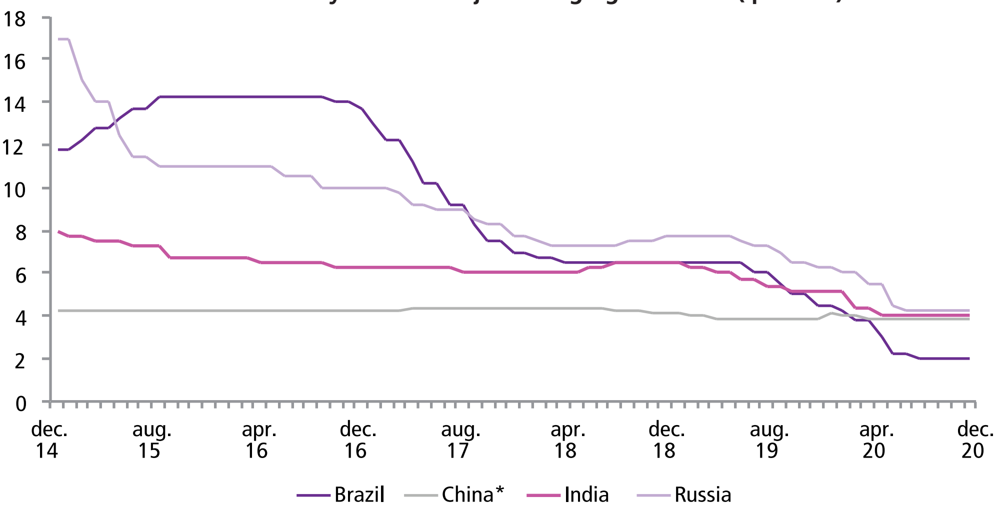
3.85 percent for one-year loans and by 15 bp to 4.65 percent for five-year loans. It also reduced the reserve requirement by a total of 150 bp to 9.5 percent for small financial institutions and 50 bp to 12.5 percent for large ones. In addition, it launched special programs dedicated to companies directly affected by the pandemic.

Similarly, the **Reserve Bank of India** lowered its main rate in March and May by a total of 115 bps to 4 percent and then maintained it at that level for the remainder of the year in order to boost growth while ensuring that inflation remained within the target. To increase liquidity in the system, it reduced its reserve requirement by 100 bps to 3 percent and conducted long-term refinancing operations (LTROs) and targeted refinancing operations (TLTROs) coupled with other measures that injected the equivalent of 6.3 percent of GDP[1] into the economy.

Meanwhile, the **Central Bank of Brazil** lowered its main rate (Selic) five times by a total of 250 bp to 2 percent and implemented several measures to ensure financial stability and the smooth functioning of the foreign exchange market. The Bank has been authorized, by constitutional amendment, to conduct quantitative easing but has announced that it will not do so until conventional measures are exhausted. In addition, for the first time, in a forward-looking communication, the Bank announced in September that it does not plan to reduce monetary stimulus unless inflation expectations and its own projections are sufficiently close to the inflation target.

In addition, the **Central Bank of Russia** reduced its key rate by 200 basis points to 4.25 percent. It also adopted measures to encourage restructuring and support lending to households and businesses. For SMEs in particular, it introduced a new facility in July with a capacity of 500 billion rubles at a preferential rate of 2.25 percent.

Chart 1.1.18: Key rates in major emerging countries (percent)



Source : Thomson Reuters.

1 Of the 2019-2020 fiscal year beginning April 1, 2019 and ending March 31, 2020

1.1.8 Financial markets

Apart from a period of turbulence at the beginning of the crisis, financial markets performed well throughout 2020, despite the economic downturn and the exceptionally high level of uncertainty.

Amid low interest rates and abundant liquidity, most major stock markets ended 2020 on a high note, some at record valuations, driven by surging technology and healthcare stocks.

The Nasdaq 100 rose by 34.4 percent, the Dow Jones Industrials by 2 percent and the Nikkei 225 by 4.5 percent. In contrast, the Eurostoxx 50 fell by 4.7 percent and the FTSE 100 by 13.8 percent. These developments came with a sharp increase in volatility in both the US and European markets. The VIX and the VSTOXX[1] rose from an average of 15 to 29, with peaks of over 80 reached in mid-March.

Among the major emerging markets, the MSCI EM[2] index rose by 2.2 percent, with a notable performance by the China index, which gained 16.9 percent, and underperformance by India (6.1 percent), Brazil (3.9 percent) and Turkey (16.2 percent).

Chart 1.1.19: The major stock market indexes in advanced countries

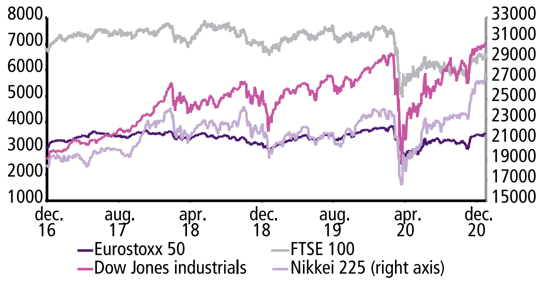
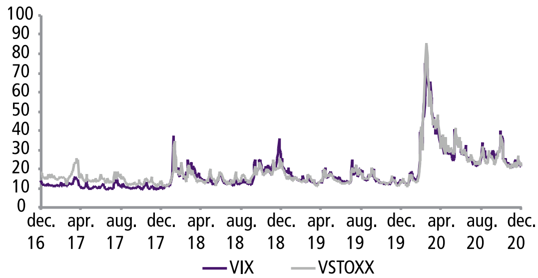


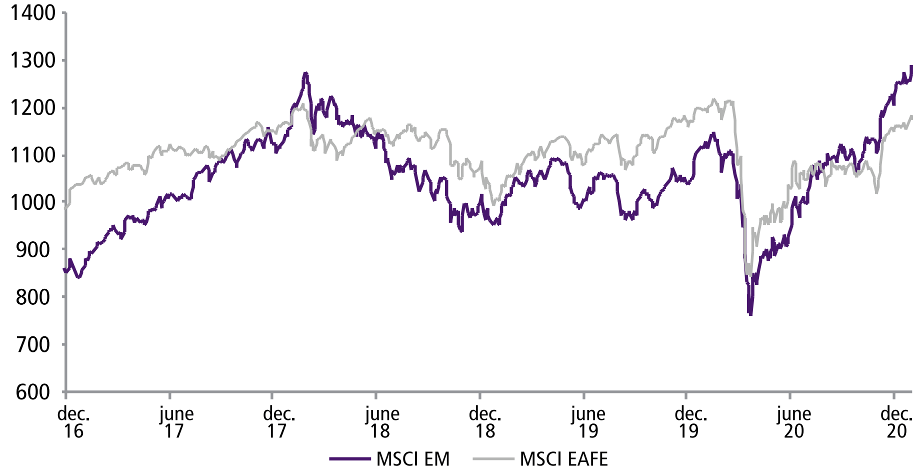
Chart 1.1.20: Stock markets volatility indexes



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

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

Chart 1.1.21: MSCI EM and MSCI EAFE[1]

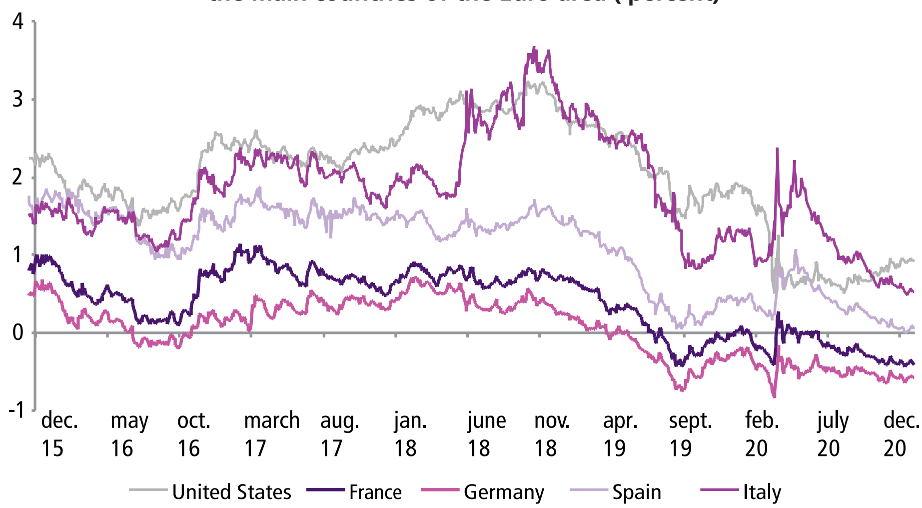


1 The MSCI EAFE is a composite index that covers the stock markets of the following countries: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the United Kingdom.

Source : Thomson Reuters.

In the sovereign bond markets, rates contracted sharply overall in 2020 for both advanced and emerging economies. Thus, the yield on 10-year US Treasury bonds fell by 125 bp to 0.89 percent on average. It bottomed out below 0.5 percent in early March, before trending slightly higher to end the year at 0.91 percent. In the euro zone countries, yields on same maturity bonds decreased by 26 bp to -0.49 percent for Germany, by 30 bp to -0.19 percent for France, by 28 bp to 0.38 percent for Spain and by 78 bp to 1.11 percent for Italy. This easing also affected emerging countries, with decreases from 3.2 percent to 3 percent for China, from 7.8 percent to 7.1 percent for Brazil, from 7 percent to 6.1 percent for India and from 15.3 percent to 12.4 percent for Turkey.

Chart 1.1.22: Change in 10-year sovereign rates of the USA and of the main countries of the Euro area (percent)

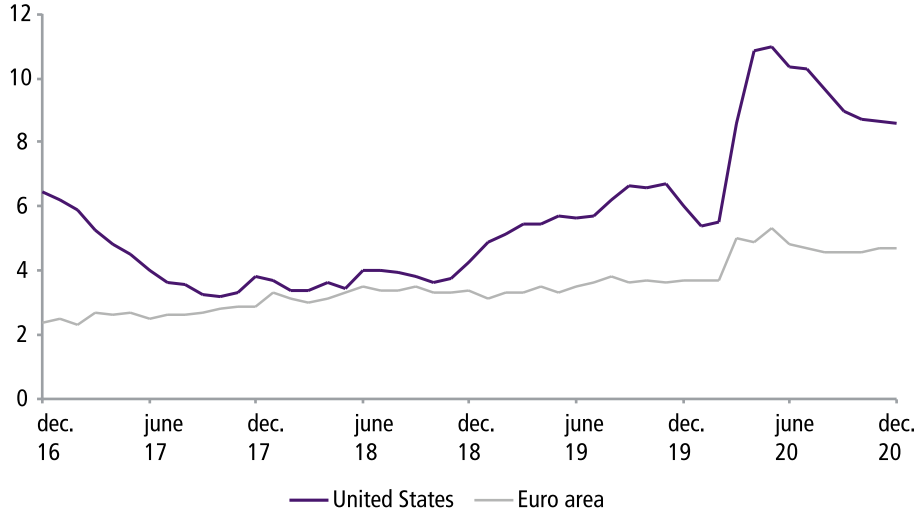


Source : Thomson Reuters.

Bank lending, benefiting from the measures put in place by the monetary and fiscal authorities, grew strongly at the start of the crisis, reaching 11 percent year-on-year in May in the US and 5.3 percent in the euro area, before slowing slightly over the rest of the year.

In the main emerging economies, it accelerated from 6.9 percent in 2019 to 11.4 percent 2020 in Brazil, while it slowed slightly in China[1] and Russia, albeit maintaining a high pace, with growth of 13.8 percent and 11.2 percent respectively.

Chart 1.1.23: Credit trends in the United States and the euro area (YoY, in percent)



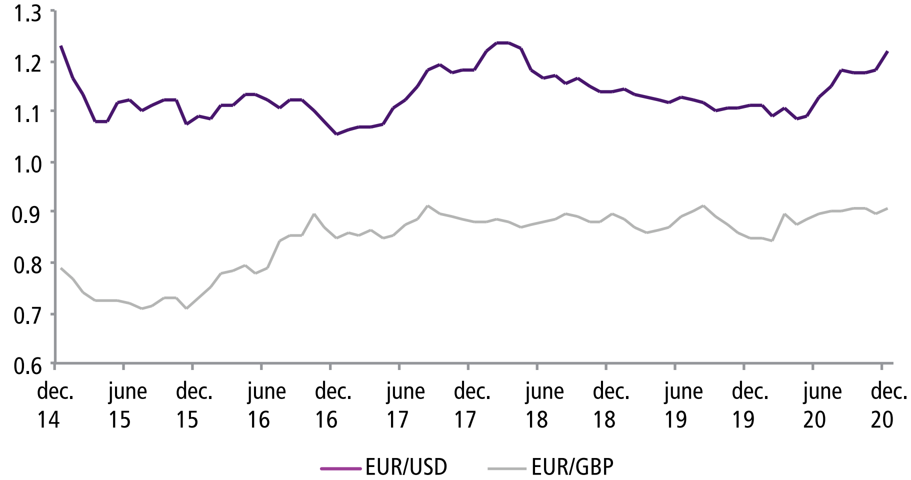
Source : Thomson Reuters.

On the foreign exchange markets, while the trend towards safe havens early in the pandemic led to an appreciation of the dollar, the euro strengthened over the rest of the year owing in particular to renewed confidence gained further to the creation of the European recovery fund and to the good health crisis management, compared to the United States. The European currency thus appreciated by 1.9 percent against the US dollar to an average of 1.141 dollars over the year. It also rose by 1.4 percent against the pound sterling, while it depreciated slightly vis-à-vis the Japanese yen by 0.2 percent.

For emerging currencies, reflecting the resilience of the Chinese economy in the face of the pandemic, the renminbi was steady against the dollar with a slight gain of 0.1 percent. On the other hand, countries hard hit by the health crisis or with a vulnerable external and/or fiscal position saw their currencies depreciate. Thus, in relation to the dollar, the Indian rupee lost 5.3 percent of its value, the Brazilian real 30.7 percent and the Turkish lira 23.7 percent.

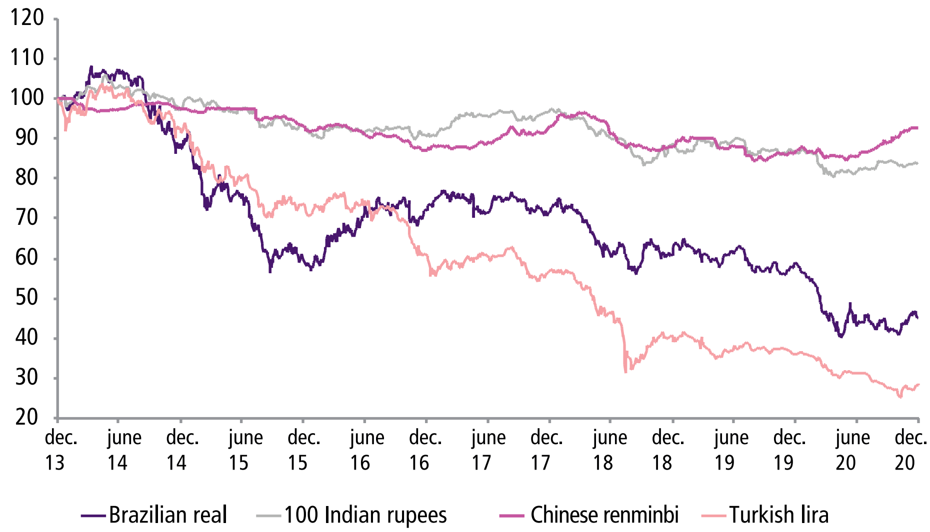
1 The evolution covers only loans to households.

Chart 1.1.24: Euro exchange rate



Source: Thomson Reuters.

Chart 1.1.25: Change in the currencies of major emerging countries against the dollar (December 31, 2013 = 100)



Source: Thomson Reuters.

1.2 Production and demand

As a result of the double whammy of the Covid-19 pandemic and adverse weather conditions, the domestic economy contracted by 6.3 percent in 2020, the most severe contraction ever recorded since the compilation of the national accounts began.

Subsequently to the restrictions put in place to contain the spread of the virus both nationally and internationally, non-agricultural activities posted a 5.8 percent decline in their value added, with record-breaking drops in certain service sectors such as "Hotels and restaurants", "Transport" and "Trade". In the secondary sector, the crisis impacted all activities with the major exception of the extractive, food, chemical and para-chemical industries. The agricultural sector reported a further 8.6 percent drop in value added, due to a drought that severely affected almost all crops.

In sub-annual frequency, after a virtual stagnation in the first quarter, GDP fell by 15.1 percent[1] in the second quarter, when the population was under strict lockdown, before gradually easing over the rest of the year with the progressive alleviation of restrictive measures.

On the demand side, driven by a sharp decline in household consumption and investment, the domestic component fell by 6 percent, thus negatively contributing to growth by 6.5 percentage points. On the other hand, net exports made a positive contribution of 0.2 percentage points.

At current prices, GDP amounted to 1,089.5 billion dirhams in 2020, down 5.5 percent from 2019. Considering a 28.4 percent decline in net property income outflows and an 8.1 percent increase in net current transfers from abroad, gross national disposable income (GNDI) stood at 1,153.3 billion dirhams, down 4.2 percent.

Chart 1.2.1: GDP contractions in Morocco between 1980 and 2020 (percent)

Source: HCP.

1 According to the quarterly national accounts data published by the HCP on March 31, 2021

1.2.1 Production

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

	2014	2015	2016	2017	2018	2019	2020
Primary sector	**-2.3**	**11.5**	**-12.5**	**13.1**	**2.4**	**-4.6**	**-6.9**
Agriculture, forest and services	-2.2	11.9	-13.7	15.2	3.7	-5.8	-8.6
Fisheries	-4.0	7.3	1.1	-8.3	-11.0	8.3	12.7
Secondary sector	**3.5**	**1.8**	**0.6**	**3.6**	**3.0**	**3.6**	**-3.8**
Extraction industry	3.0	-2.1	0.1	17.1	4.4	2.4	5.0
Manufacturing industry	4.1	2.3	0.1	2.5	3.5	2.8	-5.3
Electricity and water	1.3	6.2	2.5	3.3	5.3	13.2	-3.1
Construction	2.6	0.7	1.6	1.8	0.1	1.9	-3.8
Tertiary sector	**2.4**	**1.7**	**2.9**	**2.8**	**3.1**	**4.0**	**-7.1**
Trade	1.6	0.5	5.3	3.2	2.3	2.4	-10.7
Hotels and restaurants	2.2	-1.3	3.6	11.5	6.0	3.7	-55.9
Transport	3.6	3.2	1.4	3.7	3.7	6.6	-32.0
Post and telecommunication	5.2	2.8	6.9	0.8	2.8	2.4	-1.9
Financial activities and insurance	2.5	2.6	0.2	3.8	3.4	4.0	-0.6
Real-estate, renting and services to businesses	2.7	4.2	4.4	3.6	5.3	5.1	-0.9
General government and social security	2.6	0.5	1.6	2.4	2.2	5.0	2.3
Education, health and social work	1.4	0.1	1.4	-0.9	0.7	2.4	1.2
Other nonfinancial services	0.2	3.4	3.0	1.0	1.6	2.9	-7.1
Nonagricultural value added	**2.7**	**1.8**	**2.1**	**2.9**	**2.9**	**3.9**	**-5.8**
Total value added	**2.0**	**3.0**	**0.1**	**4.4**	**3.0**	**2.7**	**-6.1**
Taxes on products net of subsidies	**9.7**	**18.1**	**8.8**	**3.1**	**4.6**	**1.9**	**-7.6**
GDP	**2.7**	**4.5**	**1.1**	**4.2**	**3.1**	**2.6**	**-6.3**

Source : HCP.

After a 4.6 percent decline in 2019, the value added of the primary sector contracted further by 6.9 percent, covering a sharpening decline from 5.8 percent to 8.6 percent for agriculture and an accelerated growth in fishing activity from 8.3 percent to 12.7 percent.

The 2019/2020 agricultural crop year started with rainfall favourable for soil sowing. However, a long period of almost generalized drought ensued during the cereal development phase, with a rainfall deficit amounting to 31 percent at the end of May compared to the average of the last thirty years.

Although the area sown to the three main cereals increased by 22 percent from the previous season to 4.3 million hectares, the average yield was almost halved to 7.4 quintals per hectare, the lowest level since 2008. Overall, the crop fell by 38.2 percent to 32.1 million quintals (MQx), including 17.7 MQx of soft wheat, 7.9 MQx of durum wheat and 6.5 MQx of barley.

Similarly, production fell by 32.2 percent for citrus fruits, 26.3 percent for olives, 4.8 percent for forage crops and 2.2 percent for market gardening. Conversely, it increased by 41 percent for dates and 5 percent for sugar crops.

Chart 1.2.2: Output of the three main grains (in millions of quintals)

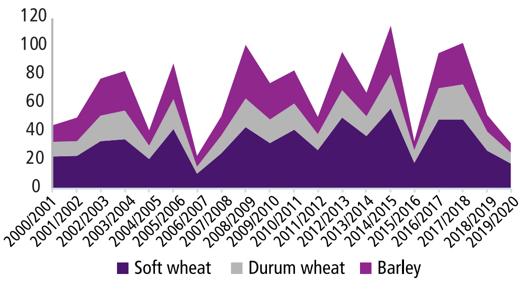
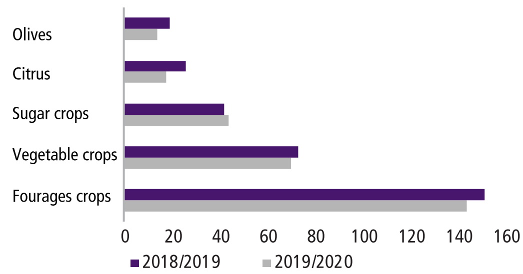


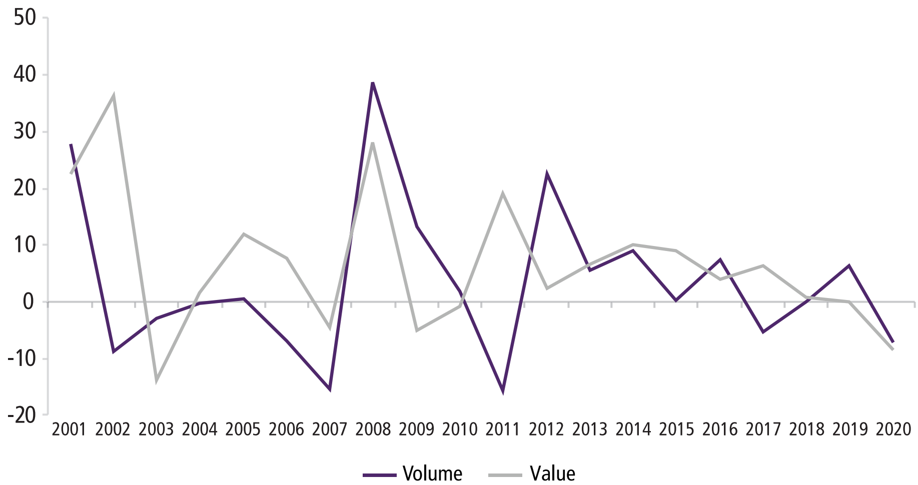
Chart 1.2.3: Production of the main crops excluding cereals (in millions of quintals)



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

In the sector of coastal and traditional fishing[1], the volume of products marketed fell by 7.1 percent to 1.3 million tons, resulting from decreases of 9.2 percent for pelagic fish, which account for 88 percent of the total, and 11.1 percent for crustaceans, as well as increases of 8.8 percent for white fish and 11.3 percent for cephalopods. In terms of value, production has decreased by 8.5 percent to 6.7 billion dirhams.

Chart 1.2.4: Inshore and artisanal fisheries production (change in percent)

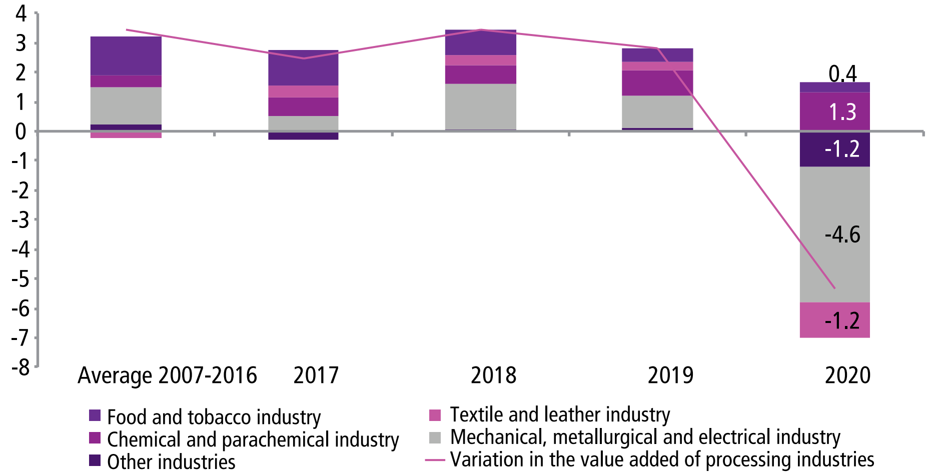


Source: National Fisheries Office.

After a 3.6 percent increase in 2019, value added in the secondary sector fell by 3.8 percent, negatively contributing one percentage point to growth. Among the processing industries, suffering in particular from the weakness of foreign demand and the disruption of value chains, the "mechanical, metallurgical and electrical industries" contracted by 18.2 percent and the "textile and leather industries" by 10.6 percent. On the other hand, the "chemical and para-chemical industries" grew by 8.8 percent and the "food and tobacco industries" by 1.1 percent. The value added of the branch thus emerged in 5.3 percent decrease after a 2.8 percent increase one year earlier.

1 For the offshore fishery, available data dating back to 2019 indicate a 12 percent increase in production by volume.

Chart 1.2.5: Contributions to the change in the value added of the processing industries (in percentage points)



Sources: HCP and BAM calculations.

For the "Electricity and water" branch, the value added fell by 3.1 percent after expanding by 13.2 percent in 2019, particularly due to a 4.3 percent decrease in electricity production. By source, the decline amounted to 3.5 percent for thermal power, which accounts for 80 percent of the total, 2.8 percent for wind power, 3.9 percent for solar power and 22 percent for hydropower, which suffered from the rainfall deficit. In comparison, consumption only fell by 1.5 percent and, as a result, the balance of external electricity exchanges became negative again at 232 GWh after a surplus of 928 GWh.

Chart 1.2.6 : Electricity generation (in thousands of GWh)

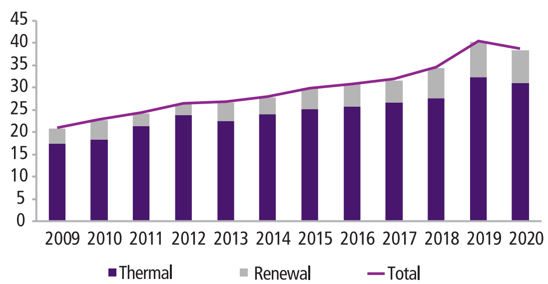
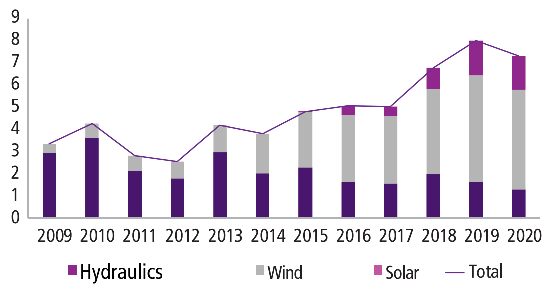


Chart 1.2.7 : Renewable electricity generation (in thousands of GWh)

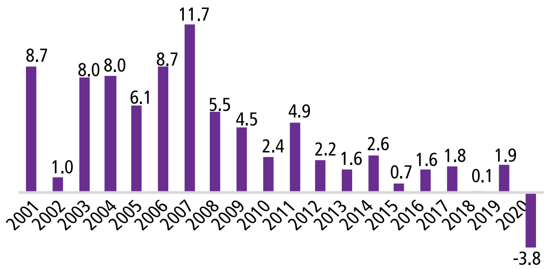


Source : ONEE.

In the construction industry, with the closure of many sites, especially during the lockdown period, cement sales decreased by 10 percent, real estate development loans by 0.7 percent, while those for housing decelerated from 3.8 percent to 3.4 percent.

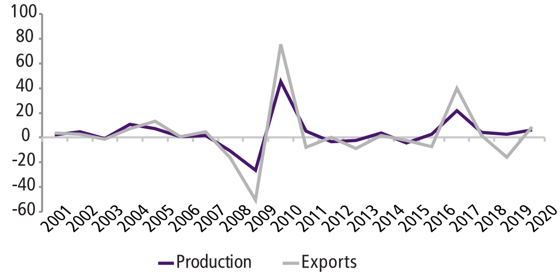
Data from the sector also indicate that real estate transactions contracted by 15.2 percent over the year as a whole and by 43.7 percent from one half-year to the next in the first half of 2020. This trend has prompted the Government to introduce, within the framework of the corrective finance law, incentive measures consisting in particular of a temporary reduction of 50 percent in registration duties for transactions involving dwellings or residential property whose price does not exceed 2.5 million dirhams. However, the value added of the sector dropped by 3.8 percent after having risen by 1.9 percent.

Chart 1.2.8 : Value added in the construction industry (change in percent)



Source : HCP.

Chart 1.2.9 : Production and exports of raw phosphate in volume (change in percent)



Source : OCP.

In contrast, “extractive industries” have been more resilient, with their value added growth rate accelerating from 2.4 percent in 2019 to 5 percent. This evolution reflects a 6.1 percent increase, against 2.8 percent, in the market production of phosphates, due to an improved foreign demand of 9 percent for rock and 27.1 percent for phosphate fertilizers.

Meanwhile, the value added of the tertiary sector fell by 7.1 percent, after increasing by 4 percent a year earlier, thus negatively contributing to growth by 3.6 percentage points. The "Hotels and restaurants" branch, whose value added decreased by 55.9 percent, is still the most severely hit by the restrictive measures taken to curb the spread of the virus. More particularly, it suffered a sharp decline in tourist arrivals at border crossings, which reached 78.5 percent overall, 76.7 percent for the number of Moroccans living abroad and 80 percent for foreign tourists.

Table 1.2.2: Tourist arrivals and overnight stays

	Arrivals at border crossings			Overnight stays ine classified accommodation establishments		
	In thousands		Change (in percent)	In thousands		Change (in percent)
	2019	2020	2020/2019	2019	2020	2020/2019
Foreign tourists	**7 043**	**1 408**	**-80.0**	**17 406**	**3 470**	**-80.1**
Europe	5 471	1 097	-80.0	12 353	2 372	-80.8
France	1 991	412	-79.3	4 853	1 046	-78.4
Spain	881	200	-77.3	877	154	-82.4
Germany	413	79	-80.9	1 746	332	-81.0
United Kingdom	551	113	-79.5	2 224	383	-82.8
Russia	40	9	-76.7	110	17	-84.2
North America	478	75	-84.2	849	161	-81.1
Arab countries	426	97	-77.3	953	236	-75.3
Maghreb	227	49	-78.3	336	75	-77.7
Rest of the world	668	139	-79.1	3 251	701	-78.4
Moroccans living abroad	**5 889**	**1 370**	**-76.7**	**-**	**-**	**-**
Domestic tourists	**-**	**-**	**-**	**7 838**	**3 499**	**-55.4**
Total	**12 932**	**2 778**	**-78.5**	**25 244**	**6 968**	**-72.4**

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

Similarly, overnight stays in classified establishments fell by 72.4 percent to 7 million, with a decline of 80.1 percent for non-residents and 55.4 percent for nationals. By main tourist destination, the fall has amounted to 78.5 percent in Marrakech, 71.9 percent in Agadir, 71.1 percent in Casablanca and Tangier, and 73 percent in Chefchaouen.

Taking into account the evolution of the bedding capacity, the occupancy rate fell from 48 percent to 26 percent nationally. It thus declined by 32 points to 32 percent in Marrakech, 28 points to 22 percent in Casablanca and 27 percent in Rabat and 22 points to 36 percent in Agadir. Conversely, this rate increased by 9 points to 28 percent in Benslimane and one point to 20 percent in Al Hoceima.

Table 1.2.3: Occupancy Rates by major City

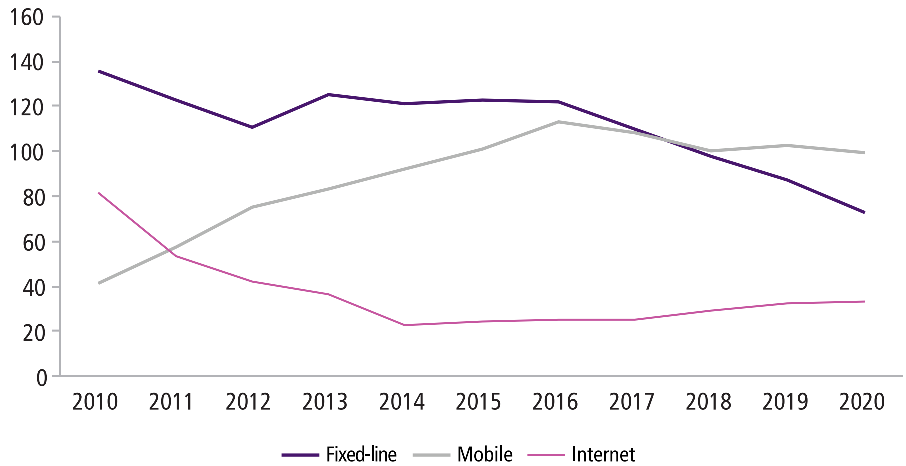
	In percent				Change (in pp)		
	2017	2018	2019	2020	2018/2017	2019/2018	2020/2019
Marrakech	54	61	64	32	7	3	-32
Agadir	55	60	58	36	5	-2	-22
Casablanca	53	54	50	22	1	-4	-28
Tangier	46	52	55	25	6	3	-30
Rabat	54	54	55	27	0	1	-28
Fez	34	38	42	24	4	4	-18
Essaouira	34	36	41	22	2	5	-19
Tetouan	34	33	40	17	-1	7	-23
Ouarzazate	26	28	31	18	2	3	-13
Meknes	24	26	27	14	2	1	-13
Benslimane	21	19	19	28	-2	0	9
Al Hoceima	16	19	19	20	3	0	1
Total	**43**	**46**	**48**	**26**	**3**	**2**	**-22**

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

With regard to transport services, and under the particular effect of restrictions on national and international travel, their value added fell by 32 percent, following a 6.6 percent increase in 2019. Thus, passenger traffic plummeted by 80.4 percent for maritime transport, 71.5 percent for air transport and 44.8 percent for rail transport. On the other hand, the transport of goods has evolved favourably, with a particular expansion of the volume of maritime traffic of 12.4 percent overall, 22.2 percent for the port of Tanger-Med and 5.1 percent for those managed by the ANP. In contrast, the railway benefited from the dynamics of phosphate production, thus registering a reduced decline from 7.9 percent to 2.4 percent.

The value added of the post and telecommunications sector declined by 1.9 percent in 2020, as against a 2.4 percent increase in 2019, despite the growth in the number of subscribers in all segments. Average outgoing usage[1] fell by 16.1 percent for landlines and 3.9 percent for mobiles, while internet usage improved by 2.7 percent thanks to an exceptional increase in the use of remote working and distance learning.

Chart 1.2.10: Average Outgoing Usage*



* These are the average outgoing usage in minutes for the fixed-line and mobile, and for the internet, the average monthly bill per subscriber in dirhams.

Source : ANRT.

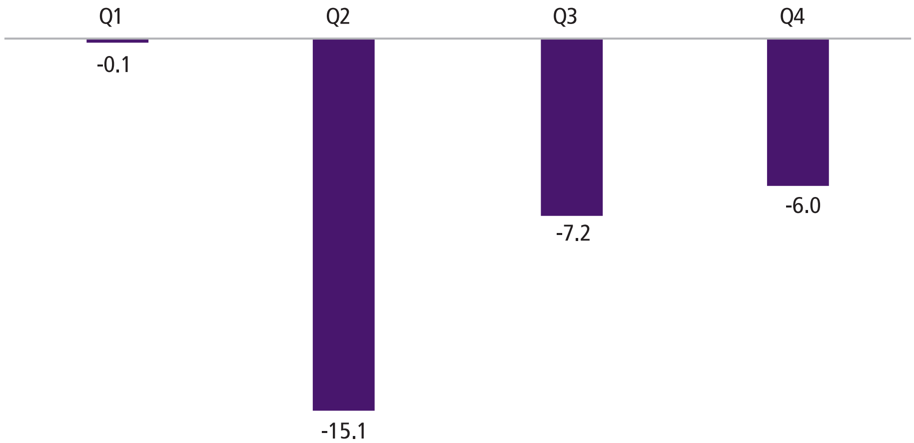
Economic activity over the year[2]

Analysis of economic activity evolution over the year revealed the negative effects of the pandemic in the first quarter, even though restrictions only began to be put in place in March, mainly as of the 20th of the month, when lockdown began.

1 For the offshore fishery, available data dating back to 2019 indicate a 12 percent increase in production by volume.

2 Analyses are based on quarterly national accounts data published by the HCP on March 31, 2021.

Chart 1.2.11 : Quarterly Growth Profile in 2020 (percent)



Source : HCP.

Quarterly data from the national accounts indicate that activity contraction peaked in the second quarter, a period marked by strict lockdown, with a 15.1 percent drop in GDP. Data from a HCP[1] survey, conducted from April 1 to 3rd on the impact of Covid-19, indicate that 57 percent of companies have permanently or temporarily stopped their activities. In addition, half of those who continued to operate may have lowered production to adapt to the situation and 81 percent of them may have reduced it by more than 50 percent. These findings are further corroborated by the results of BAM's industry business survey, which show that the sector's capacity utilization rate reached its lowest level in the second quarter since its revision in 2006, averaging 55.6 percent, with a low of 47 percent in April[2].

In the second half of the year, with the gradual easing of domestic and international restrictions, the GDP decline gradually eased to 7.2 percent in the third quarter and 6 percent in the last.

The downturn in activity affected most economic sectors, though with varying degrees of impact and pace of recovery. Thus, the "processing industry" recovered relatively quickly, with the decline easing from 22 percent in the second quarter to 2.6 percent and then to 1.6 percent in the last two quarters respectively. Conversely, hotels and restaurants and transport were marked by a sharp fall that persisted throughout the year.

Furthermore, some sectors have shown notable resilience to the crisis. These include the "extraction industry" which, after a near stagnation in the first quarter, recorded faster growth in its value added at an average of 7 percent over the last three quarters of the year.

1 This survey was conducted to assess the immediate impact of the health crisis and containment on business activity. It covered a sample of 4,000 organized businesses operating in the manufacturing, construction, energy, mining, fishing, trade and non-financial market services sectors.

2 The average capacity utilization rate over the 2007-2019 period is 71.5 percent.

Box 1.2.1: Extending social security coverage in Morocco

The Covid-19 pandemic crisis has highlighted the need to strengthen and expand social protection systems. The International Labour Organization (ILO) has warned that current gaps in social protection in developing countries could undermine post-Covid recovery plans and expose millions of people to poverty. Recovery in these countries will only be sustainable if governments succeed in embedding and consolidating ad hoc measures put in place in response to the crisis, within a policy framework aimed at developing and strengthening the social protection system.

In Morocco, social policy is still marked by a multiplicity of stakeholders, overlapping programs, and limited coverage. According to data from the HCP's national employment survey for the year 2020, less than a quarter of the employed population has job-related medical coverage and only 24.1 percent are affiliated to a pension scheme. In addition, the State's efforts to generalize medical coverage by setting up the Medical Assistance Scheme (RAMED) have been inconclusive, due to a problem of slippage, given that the number of beneficiaries is much higher than expected and that resources to meet the demand are desperately lacking.

In view of these observations, His Majesty the King in his 2018 Speech from the Throne called for a comprehensive and profound restructuring of national social support and protection programs and policies. However, the situation has grown worse with the advent of the Covid-19 pandemic, which has highlighted, among other things, the fragility of large segments of the population and the resulting deficit in health infrastructure and resources. In July 2020, His Majesty launched a large-scale project to gradually extend social coverage to all Moroccans over a five-year period. The main lines of this project and its schedule were then detailed in his speech during the opening of the legislative session in October 2020.

In order to carry out this project, the Government developed a reference framework covered by Law no. 09.21 adopted by Parliament in February 2021. This law sets out the fundamental principles and objectives of the reform, its financing and governance mechanisms, and a timetable for its implementation, as follows:

-2021 - 2022: extending compulsory basic health insurance to the entire population, thus covering an additional 22 million people, notably among non-wage workers and RAMED beneficiaries.

-2023 - 2024: generalizing family allowances to non-beneficiary households in compliance with current legislation.

-2025: (i) broadening the membership base of pension schemes to include 5 million employed persons not receiving a pension; and (ii) extending the job loss benefit to all persons in stable employment.

Reform of health coverage

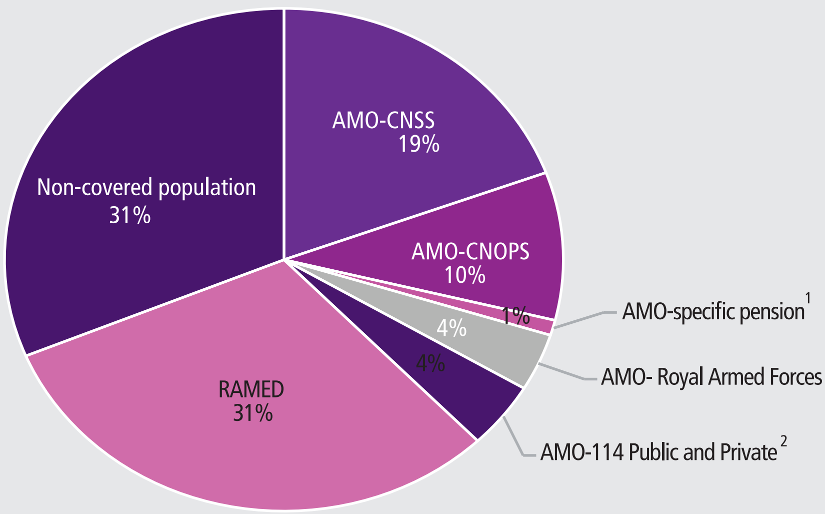
In Morocco, basic medical coverage is governed by Law No. 65-00, which distinguishes between:

- A basic compulsory health insurance (AMO), based on the principle of contribution and risk pooling, which gives the insured the right to reimbursement or direct payment of health care costs. This insurance benefits employees in the public and private sectors and students. In 2017, the Government adopted Organic Law No. 98-15 to extend the insurance to self-employed workers and non-salaried persons engaged in a liberal activity[1].

- A Medical Assistance Scheme (RAMED) based on the principles of social assistance and national solidarity benefiting the disadvantaged population not covered by another basic compulsory health insurance scheme for the payment of health care costs.

In 2019, the AMO covered 13.3 million people, 51 percent of whom were included in the National Social Security Fund (CNSS), 25 percent in the National Fund for Social Welfare Organizations (CNOPS) and the rest in other schemes. RAMED covered 10.9 million people, with the remaining 11 million not covered at all.

Chart B1.2.1.1 : Distribution of the Moroccan population by type of basic health care at the end of 2019



[1] Particularly for former resistance fighters and members of the liberation army, Chioukhs and Muqqadamins, religious clerics and victims of human rights violations.

[2] Public or private organizations that provide their employees with optional medical coverage, either through group contracts with insurance companies, mutual insurance companies or internal funds.

Source : Based on data from ANAM, ACAPS and HCP.

According to framework law 09.21, the reform of the basic health coverage system will focus on integrating RAMED beneficiaries into the AMO, ensuring full functioning of the AMO for self-employed and non-wage earners and upgrading the national health system.

[1] Specific decrees for five categories of self-employed workers have been published in the Bulletin Officiel in 2019 and 2020: adouls, physiotherapists, midwives, tour guides and bailiffs.

Generalization of family allowances

Generalization of family allowances aims to provide direct assistance to vulnerable households by granting allowances to protect them from the dangers of childhood, particularly school dropout, support for purchasing power and the fight against insecurity. In this regard, it is projected:

- to reform existing child protection aid programmes (Tayssir, one million school bags, etc.), mainly by grouping and generalising them in line with specific eligibility criteria;
- to set up a gradual reform of the subsidy fund to generate budgetary margins to finance family allowances; and
- to adopt the unique social registry as a means of targeting the beneficiaries of social support programmes.

Financing the extension of social security coverage

The generalization of social coverage shall be financed through two main mechanisms:

- a first one based on the contribution, through contributions of insured persons, according to the regulations in force, and supplementary rights for professionals subject to the CPU[2]; and
- a second one based on solidarity through the State's contribution to those who do not have the capacity to pay the affiliation fees. This will be ensured by subsidies from the State budget, tax revenues dedicated to financing social protection such as the solidarity tax, financial resources from the optimisation of support programmes and the reform of the compensation system, as well as any other resource that may be mobilised by virtue of legislative or regulatory texts.

[2] The 2021 Finance Act introduced a professional contribution for individuals whose income is determined according to the flat-rate profit system, for new taxpayers and for those with a turnover of less than 2 million dirhams for two successive years. The aim is to pay a single tax, which includes, on the one hand, professional taxes and duties and, on the other hand, an additional fee for basic compulsory medical coverage set on the basis of the level of annual tax paid.

1.2.2 Demand

In 2020, as a result of health restrictions and unfavourable weather conditions that reduced household income, domestic demand contracted by 6 percent over the year as a whole. Its contribution to growth came out negative by 6.5 percentage points instead of 1.8 percentage points a year earlier.

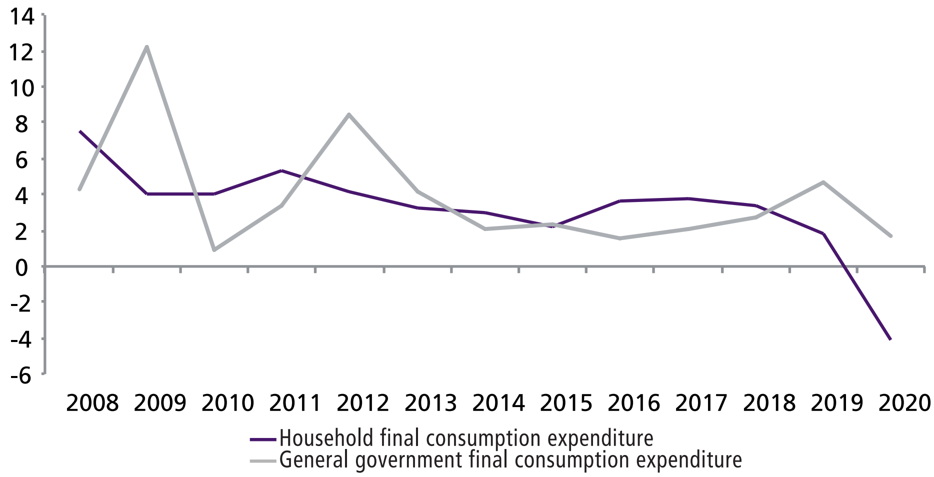
Table 1.2.4: Components of demand at prices of the previous year (percent change, unless otherwise stated)

	2014	2015	2016	2017	2018	2019	2020
Domestic demand (contribution in pts of percent)	**1.5**	**2.1**	**5.1**	**3.9**	**4.4**	**1.8**	**-6.5**
Household final consumption	3.1	2.2	3.7	3.8	3.4	1.9	-4.1
General government consumption	2.0	2.4	1.5	2.1	2.7	4.7	1.7
Investment	-2.2	0.9	8.7	4.1	5.8	-0.4	-14.2
Net exports (contribution in pts of percent)	**1.1**	**2.4**	**-4.1**	**0.3**	**-1.2**	**0.8**	**0.2**
Exports of goods and services	9.0	5.5	6.0	11.1	6.0	6.2	-14.3
Imports of goods and services	3.8	-1.1	14.5	7.9	7.4	3.4	-12.2

Source : HCP.

Despite the financial aid granted to households to alleviate the repercussions of the crisis (Box 1.2.2) and the application of the second tranche of wage increases following the agreement reached as part of the 2019 social dialogue, household consumption fell by 4.1 percent. Thus, its contribution to growth stood at -2.3 points. As for general government consumption, it increased by 1.7 percent, after 4.7 percent in 2019, and its contribution to growth fell from 0.9 points to 0.3 points.

Chart 1.2.12: National final consumption (change in percent)

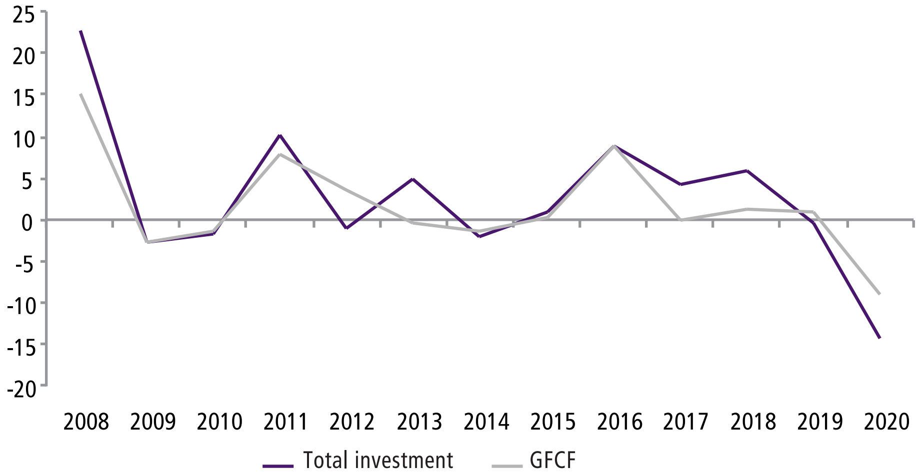


Source : HCP.

Similarly, investment contracted by 14.2 percent, the most since 1984[1], and its contribution to growth was negative by 4.6 percentage points. This development stems from decreases of 48.1 percent in the change in inventories and 9 percent in gross fixed capital formation.

1 The decline in investment was 16 percent in 1983, a year marked by a severe drought and the implementation of the structural adjustment program.

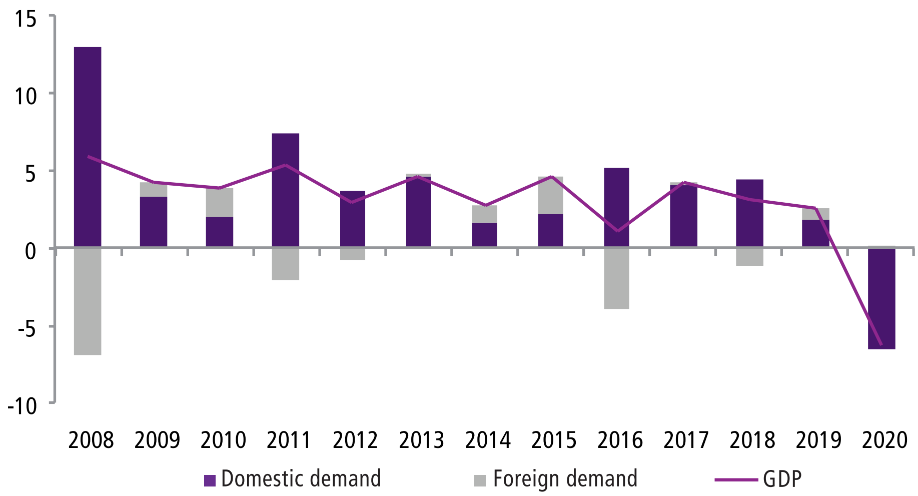
Chart 1.2.13: Investment (change in percent)



Source : HCP.

As for net exports in volume, their participation returned to positive territory by 0.2 percentage points after 0.8 percentage points a year earlier, reflecting decreases of 14.3 percent in exports and 12.2 percent in imports after respective rises of 6.2 percent and 3.4 percent.

Chart 1.2.14: Contribution of the components of demand to growth (in percentage points)



Source : HCP.

Box 1.2.2: Measures taken by the Economic Monitoring Committee (EMC) to mitigate the impact of the Covid-19 crisis

Following the outbreak of the Covid-19 crisis, Moroccan authorities took several measures to prevent the spread of the virus on the national territory. Thus, as of the end of January 2020, they decided to stop many flights, before extending the suspension to all passenger flights on 15 March. At the same time, several restrictions were put in place, including the closure of schools and universities, cafés, restaurants, cinemas and theatres as well as mosques starting on 16 March, along with the suspension of inter-city connections. On March 20, a national health emergency was declared and the population was placed under lockdown throughout the country.

It was not until 11 June that the authorities began to gradually ease the restrictions, based on the evolution of the epidemiological situation in each region. However, with a new upward trend in infections from July onwards, the authorities were prompted to reinstate or introduce new restrictions, albeit within the framework of a local and sectoral approach.

On the economic front, and upon royal instructions, a special fund dedicated to the management of the Coronavirus pandemic was created on 19 March 2020. This fund was intended to cover the costs of upgrading the medical system and supporting the national economy and the population. With an initial budget of 10 billion dirhams, it has mobilised, thanks to a surge of solidarity from companies and households, a budget amounting to 34.6 billion dirhams by the end of the year.

In parallel, an Economic Monitoring Committee was set up on 11 March to monitor the evolution of the situation and decide on appropriate responses. In addition to the Ministry of Economy, Finance and Administration Reform, which ensures its coordination, the Committee consists of several ministerial departments, Bank Al-Maghrib and representatives of companies and the banking system.

It held about ten meetings in 2020 during which several decisions were taken for the benefit of households and businesses, the main ones being to:

- Postpone, if necessary, the deadlines for tax obligations from 31 March to 30 June 2020 for companies with a turnover of less than 20 million dirhams;
- Suspend payment of social contributions until 30 June 2020;
- Postpone deadlines for the payment of bank and leasing loans to companies affected by the crisis as well as to liberal professionals in difficulty, without incurring any fees or penalties;
- Launch a new guarantee product "Damane Oxygen" intended mainly for SMEs and intermediate-sized companies impacted by the crisis;
- Implement a zero interest loan for self-employed entrepreneurs impacted by the Covid-19 crisis, up to 15 thousand dirhams;
- Introduce a guarantee system by the State to finance the post-crisis recovery phase. Two new guarantee products have been launched: "Relance TPE" for companies with a turnover of less than 10 million dirhams and "Damane Relance" for small, medium and large companies;

- Conclude a "Pact for economic recovery and employment" between the State and the private sector, represented by the CGEM and the GPBM. Pursuant to royal instructions, the State undertakes to mobilize 120 billion dirhams for economic recovery, including 75 billion dirhams of secured credits and 45 billion dirhams through the newly created Mohammed VI Fund for Investment. The task of the latter is to encourage structuring investment projects, to increase the capital of companies and to support productive activities, in line with sectoral strategies and public policies;
- Conclude, at sectoral level, eight programme contracts in favour of certain activities particularly affected by the health crisis. These are tourism, catering, caterers and event providers, amusement parks and games, nurseries, private sports halls, the press and cultural and creative industries.

Socially, several measures were put in place to help workers and households affected by the crisis. These include in particular:

- Suspending the payment of social security contributions due to the CNSS for affiliates and granting an ex gratia remission of late payment surcharges;
- Granting a net monthly lump-sum allowance of 2,000 dirhams and maintaining AMO benefits and family allowances for employees affiliated to the CNSS who are declared to be on partial or total leave from work;
- Paying allowances under the "Tadamon" operation to workers in the informal sector ranging, depending on the size of the household, from 800 dirhams to 1,200 dirhams per month;
- Exonerating tenants of Habous premises intended for commerce, trades, services and housing, from lease fees, upon instruction of His Majesty the King;
- Postponing tax return deadlines for individuals who so wish, from the end of April to 30 June 2020;
- Setting up exemption from income tax of any additional compensation paid to employees by their employers, up to a limit of 50 percent of the average net monthly salary; and
- Postponing consumer, car and property loan payments for individuals whose income has been affected by the crisis.

In terms of results, 49,489 credit operations were carried out at the end of 2020 within the framework of the "Damane Oxygen" guarantee for a total disbursement of 17.7 billion dirhams. Meanwhile, disbursed credits relating to the "Relance" guarantees totalled 35.3 billion dirhams. These two lines have benefited to the extent of 54 percent to SMEs, 18 percent to VSEs and 28 percent to intermediate size companies (ETI) and large enterprises (LE). By sector of activity, 29 percent of the volume of credits was destined to trade and distribution, 28.5 percent to industry, 15 percent to construction and 5 percent to services.

As for credit deferrals, they concerned more than 500 thousand files, of which 93.5 percent benefited individuals and 6.5 percent companies, with an outstanding loan amounting to 116.6 billion dirhams at the end of December 2020. The number of deferred payments for companies has benefited SMEs up to 84.8 percent, followed by LEs (15.2 percent). By sector of activity, the deferrals in terms of amounts concerned the branches of industry and hotels and restaurants up to 13 percent each, followed by transport and communications (11 percent), trade (10 percent) and construction (9 percent).

Transfers under the "Tadamon" operation benefited 5.5 million households for an amount of nearly 11 billion dirhams. On the other hand, the overall budget allocated to subsidies granted by the CNSS to employees in sectors severely hit by the health crisis reached 5.9 billion dirhams by the end of 2020.

1.2.3 Main aggregates in nominal terms

At current prices, the GDP amounted to 1,089.5 billion dirhams, down by 5.5 percent after a 4 percent progression in 2019. Taking into account a 28.4 percent drop to 16.1 billion in net property income outflows and an 8.1 percent increase to 79.9 billion in net current transfers from abroad, gross national disposable income (GNDI) stood at 1 153.3 billion, down by 4.2 percent instead of a 3.7 percent rise in 2019.

Chart 1.2.15: Gross national disposable income

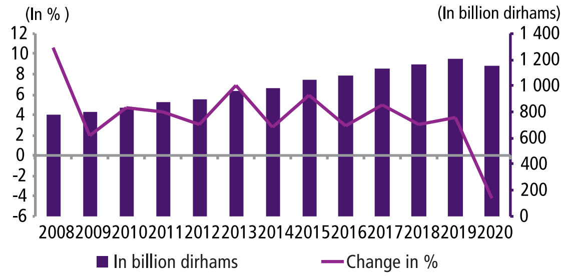
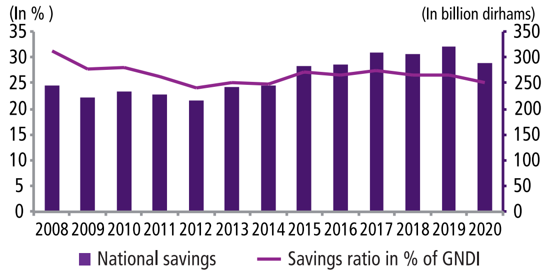
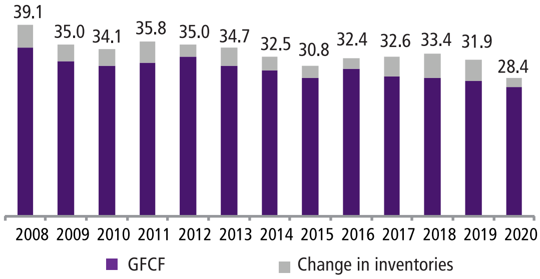


Chart 1.2.16: National savings



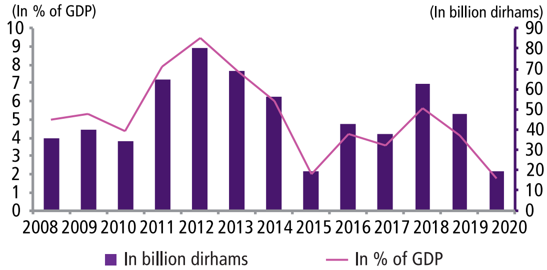
National final consumption contracted by 2.4 percent to 862.7 billion dirhams and national savings fell by 9.3 percent to 290.6 billion, equivalent to 25.2 percent of GNDI. As for investment, it stood at 310 billion dirhams or 28.4 percent of GDP against 31.9 percent in 2019. Under these conditions, the financing requirement has eased from one year to another, standing at 19.3 billion dirhams or 1.8 percent of GDP against 47.7 billion or 4.1 percent of GDP a year earlier.

Chart 1.2.17: Investment rate (in percent of GDP)



Source : HCP.

Chart 1.2.18: Financing requirements



1.3 Labor market[1]

In a context shaped by numerous restrictions imposed on economic and social activities to limit the spread of the Covid-19 virus, as well as by a poor agricultural campaign, the labour market deteriorated significantly in 2020. Indeed, the domestic economy suffered a considerable net loss of 432 thousand jobs[2], concentrated mainly in the agriculture and services sectors, while the number of working hours fell by 20 percent.

In addition, 111 thousand people left the labour market, resulting in a significant drop in the participation rate to 44.8 percent overall and to 19.9 percent among women. As a result, the unemployment rate recorded a sharp increase, reaching 11.9 percent at the national level, 15.8 percent in urban areas and 45.3 percent among young urban dwellers aged 15 to 24.

These developments, combined with the GDP contraction, resulted in a 4.7 percent decline in apparent labour productivity in the non-agricultural sectors[3]. In contrast, wage costs[4] rose in real terms by 2.4 percent in the private sector and by 1.1 percent in the civil service.

1.3.1 Active population

In 2020, the active population[5] dropped by 0.9 percent to almost 12 million. This decline concerned only women, at a rate of 5.9 percent at national level and 12.3 percent in rural areas, while it was 0.6 percent among men. This evolution has resulted in a significant drop in the proportion of women within the active population, which has fallen from 23.8 percent to 22.6 percent. This population remains poorly qualified, with 50.6 percent having no diploma.

1 Following the overhaul of its employment survey, the HCP published the results for the years 2016 to 2020. For the purpose of analysis, BAM connected the series since 1999, wherever possible.

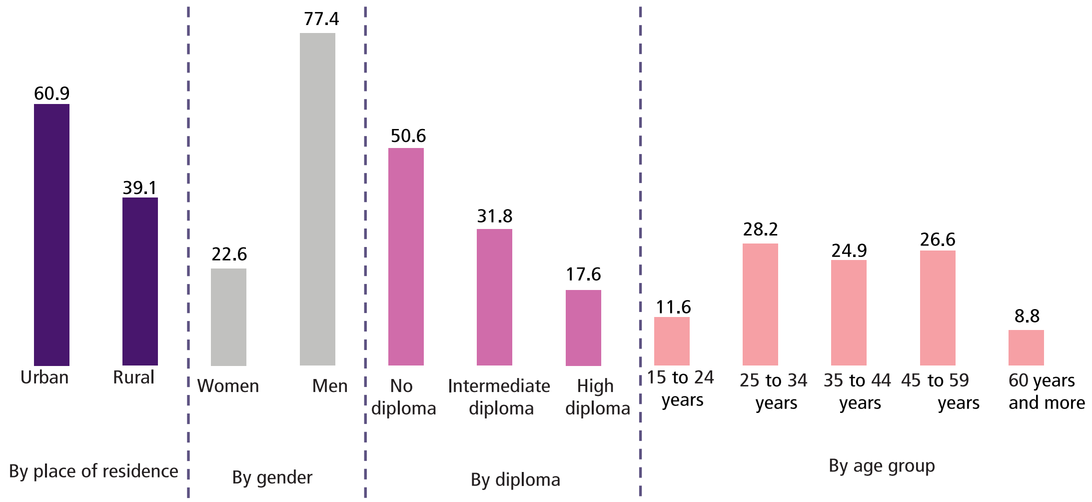
2 This figure is the largest ever recorded since the extension of the coverage of the national employment survey in 1999.

3 Measured by the ratio of value added to the number of employees.

4 This indicator corresponds in the private sector to the average salary calculated on the basis of CNSS data, and in the civil service to the average net monthly salary as published by MEFRA in the report on human resources accompanying the 2021 FA draft. These figures were deflated using the consumer price index.

5 This is the labor force available for the production of goods and services, engaged in productive work in an industry or in search of employment.

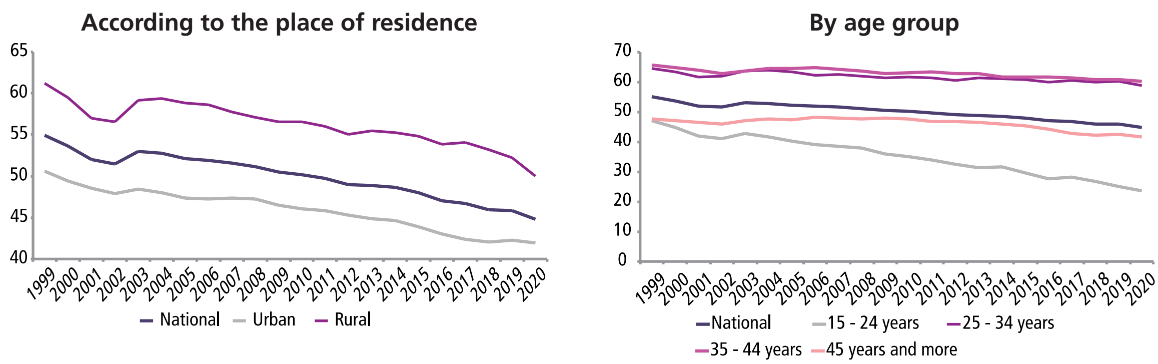
Chart 1.3.1: Structure of the labor force in 2020 (percent)



Source: HCP.

Thus, the participation rate[1] continued its downward trend at a steep pace, falling from 45.8 percent to 44.8 percent. In rural areas, it was down by 2.2 points to 50 percent, with a significant drop of 3.4 points to 23.7 percent among women. In cities, it declined by 0.4 points to 41.9 percent, by 0.2 points to 67.4 percent for men and by 0.6 points to 17.9 percent for women. Women thus continue to experience a decline in their level of participation in the labour market observed since the early 2000s.

Chart 1.3.2: Participation rate (percent)

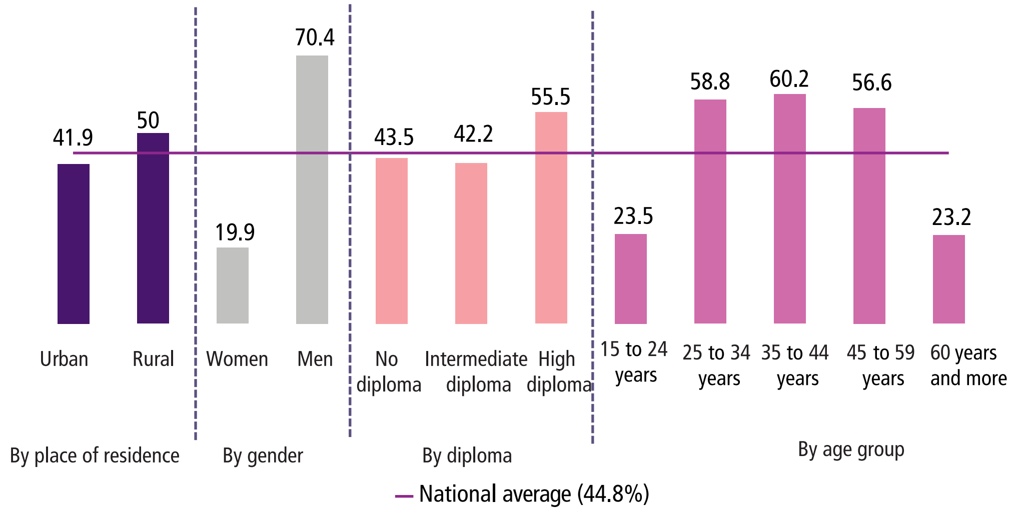


Source : HCP.

By age, the participation rate declined across all age groups and particularly among 15-24 year olds, where the rate fell from 25.1 percent to 23.5 percent. Among the latter, 28.5 percent are not working and are not in education or training[2].

1 The activity or participation rate is the ratio of the number of economically active people (employed or unemployed) to the working age population.
2 "The situation of young NEETs in Morocco", ONDH and UNICEF, January 2021.

Chart 1.3.3: Participation rate in 2020 (percent)



Source: HCP.

At the regional level, with the exception of Tangier-Tetouan-Al Hoceima where participation rate increased, the other regions showed regressions, with 2.2 points in Casablanca-Settat, 1.6 points in Béni Mellal-Khénifra and 1.4 points in Souss-Massa.

Table 1.3.1: Activity rate by region (percent)

	2019	2020	Change (in pp)
Tangier-Tetouan-Al Hoceima	45.8	46.6	0.8
Eastern region	43.0	42.4	-0.6
Fez-Meknes	43.0	42.4	-0.6
Rabat-Salé-Kenitra	45.5	44.2	-1.3
Beni Mellal-Khenifra	45.1	43.5	-1.6
Casablanca-Settat	50.0	47.8	-2.2
Marrakech-Safi	47.4	46.6	-0.8
Drâa-Tafilalet	41.6	40.9	-0.7
Souss-Massa	42.9	41.5	-1.4
Southern regions	46.0	44.1	-1.9

Source : HCP.

1.3.2 Evolution of employment

After a creation of 76 thousand jobs in the first quarter of 2020, compared to the same period a year earlier, the labour market has experienced from the second quarter an unprecedented deterioration in connection with the restrictions put in place to contain the spread of the Covid-19 virus. Thus, the introduction of lockdowns and the cessation of several activities resulted in a year-on-year loss of 589 thousand jobs and a 53 percent drop in the weekly labour volume. This deterioration continued over the rest of the year with declines of 581 thousand and 451 thousand respectively in the last two quarters of 2020. In the end, the year ended with a drop in the volume of employment of 432 thousand jobs to 10.5 million, divided between 295 thousand in rural areas and 137 thousand in cities.

By sector of activity, suffering from unfavourable weather conditions for the second consecutive year, agriculture has suffered a destruction of 273 thousand jobs against 146 thousand in 2019. The services sector, after a creation of 267 thousand jobs, showed the first drop since 2000 with 107 thousand jobs. In "industry including handicrafts" and construction, the decrease was relatively limited with 37 thousand and 9 thousand job losses, against increases of 17 thousand and 24 thousand respectively.

Chart 1.3.4: Job creation in 2020 (in thousands)

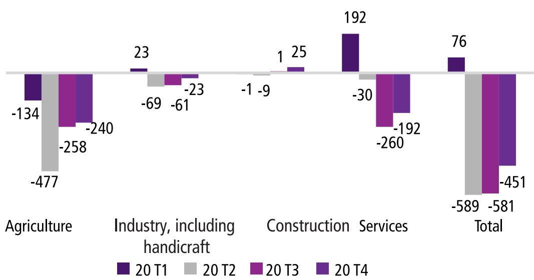
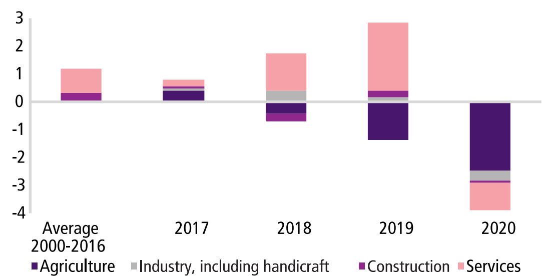


Chart 1.3.5: Sectoral contributions to job creation (in pp)



Source : HCP.

In addition to job losses, the volume of weekly hours worked fell by 20 percent on average over the year as a whole. This decline affected women more than men, with respective rates of 24.4 percent and 19.4 percent. It amounted to 25.4 percent in construction, 22.3 percent in industry including handicrafts, 20.4 percent in services and 17 percent in agriculture.

These developments have accelerated the structural trends observed in recent years, as the weight of agriculture fell by 1.2 percentage points to 31.3 percent, while that of services rose by 0.8 percentage points to 45.7 percent. The part of Industry, including handicrafts, remained almost stable at 12.1 percent, while that of the construction increased slightly from 10.5 percent to 10.8 percent.

The job losses incurred caused a further decline in the employment rate[1], which fell to 39.4 percent compared with 41.6 percent in 2019 and 47.1 percent in 1999. The drop amounted to 3.3 points to 47 percent in rural areas and 1.6 points to 35.3 percent in urban areas. By gender, it decreased by 1.9 points to 16.7 percent for women and by 2.6 points to 62.9 percent for men.

1 The ratio of the active population employed aged 15 years and over to the total population aged 15 years and over. It measures the capacity of an economy to use its labour resources.

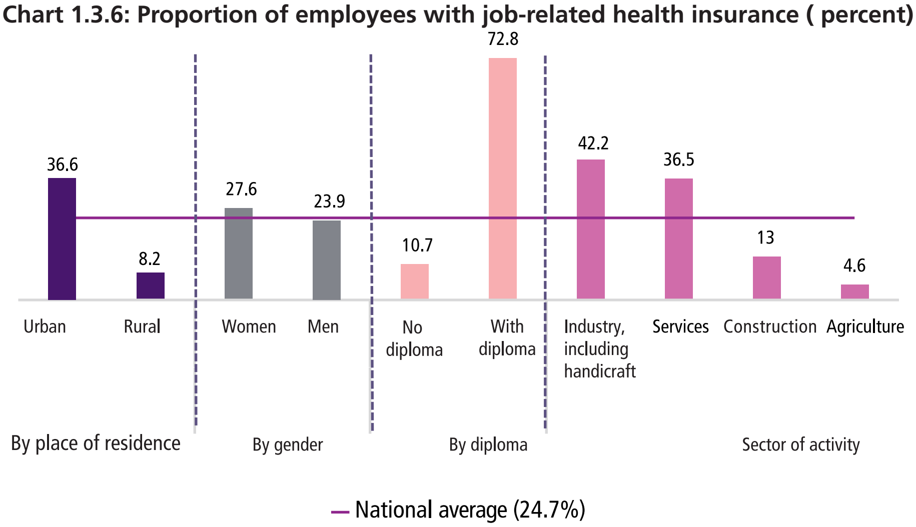
Analysis of the features of the employed population reveals a low level of qualification, with more than half (54.3 percent) not having any diploma. This proportion varies from 39.1 percent among urban dwellers to 75.4 percent among rural dwellers and, depending on the sector of activity, stands at 37.4 percent in services, 45.2 percent in industry including crafts, 59.2 percent in construction and 80.8 percent in agriculture.

By occupational status, employees account for slightly more than half of the workforce, of which 55.2 percent work without contract and only 12.2 percent have a fixed-term contract. Self-employment accounted for 35.1 percent and unpaid employment, consisting mainly of family helpers in rural areas, for 14.2 percent.

The active population employed continues to work in generally precarious conditions. Less than a quarter of employees overall and 46.1 percent of wage earners in particular benefit from health care provided by their job. This proportion stood at 27.6 percent for women compared to 23.9 percent for men and rises according to the level of qualification, from 10.7 percent for those without any degree to 72.8 percent for those with a graduate degree. At sectoral level, it varies from 4.6 percent in agriculture, to 13 percent in construction, to 36.5 percent in services and 42.2 percent in industry, including crafts.

Furthermore, only 24.1 percent of the employed workforce is covered by a pension system, 36.3 percent in urban areas and 7.1 percent in rural areas. This proportion amounts to 27.5 percent for women against 23.1 percent for men, and improves with the level of qualification, varying from 9.9 percent among those without degree to 72.4 percent for holders of a high-level degree.

Chart 1.3.6: Proportion of employees with job-related health insurance (percent)

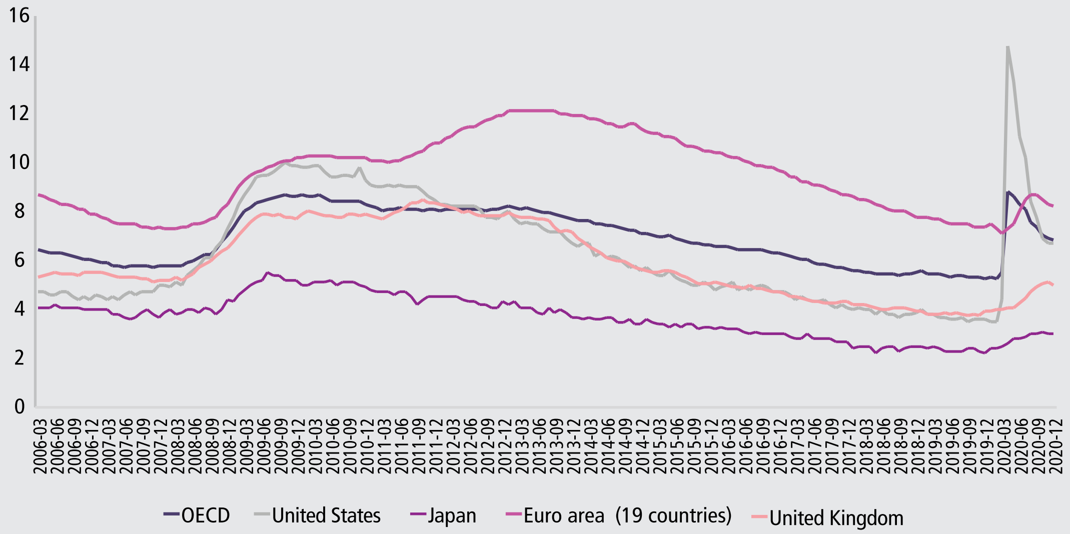


Source : HCP.

Box 1.3.1: Impact of the Covid-19 on employment

The restrictions put in place by the governments to counter the spread of the Covid-19 pandemic and the total or partial shutdown of economic activity led to sharply lower employment and higher unemployment. In the United States, the unemployment rate, which reached 3.7 percent in 2019, its lowest level in 50 years, rose sharply to 14.8 percent in April 2020. In the euro area, this rate's growth was relatively contained, owing in particular to the recourse to job retention schemes adopted in several countries.

Chart B1.3.1.1: Unemployment rates in advanced economies (percent)



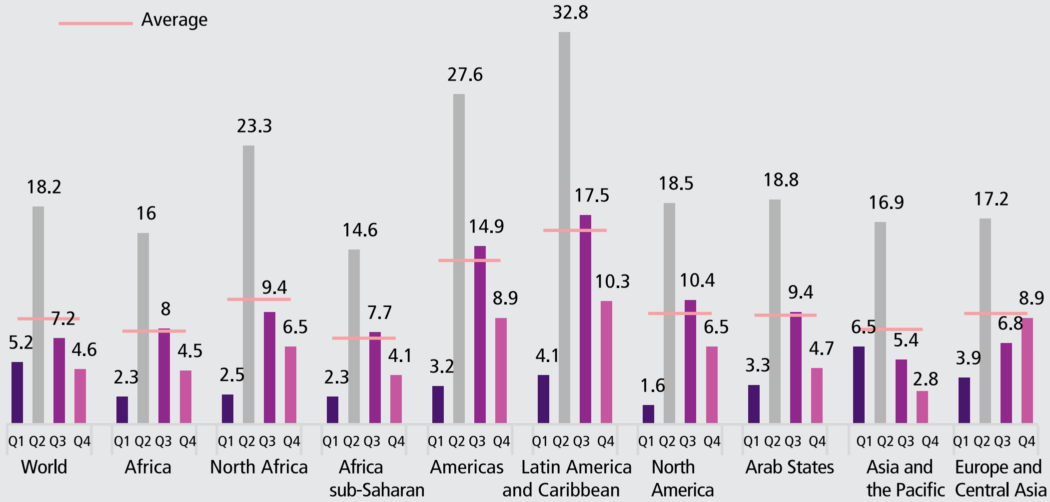
Source : OECD.

According to the International Labour Organisation (ILO), 114 million people lost their jobs in 2020, 33 million became unemployed and 81 million withdrew from the labour market, thereby becoming inactive. In addition, some of those whose jobs were preserved had to reduce the number of their working hours. In total, the volume of hours worked worldwide fell by 8.8 percent in 2020 compared to the fourth quarter of 2019, equivalent to 255 million lost full-time jobs[1].This decline, which was four times higher than the one recorded during the 2008 financial crisis, stood at 13.7 percent in the Americas, 9.2 percent in Europe and Central Asia, 9 percent in the Arab States, 7.9 percent in Asia and the Pacific and 7.7 percent in Africa.

If not for public support measures, labour income would have fallen by 8.3 percent, equivalent to 3700 billion US dollars or 4.4 percent of world GDP.

1 On the basis of a weekly volume of 48 hours.

Chart B1.3.1.2: Estimated loss of hours worked (compared to Q4 2019, in percent)



Source: ILO, "COVID-19 and the world of work. Seventh edition", January 2021.

In Morocco, in addition to the national employment survey, several operations to collect timely data from companies and households were carried out, both by the HCP and by other national and international institutions such as the World Bank, to assess the impact of the crisis on the labour market in 2020.

Thus, the HCP carried out three surveys among enterprises[2] and two among households[3] The overall result suggests that during the lockdown period, organised companies lost nearly 726 thousand jobs, i.e. 20 percent of their workforce. These findings are in line with those of the CNSS, which reported a year-on-year drop of 33.9 percent in the number of declared employees in April, corresponding to more than 850 thousand job lost. In the same vein, the World Bank's business survey[4] reveals that between December 2019 and July 2020, 50.1 percent of companies reduced the weekly working volume while 14.4 percent reduced the number of full-time workers. Similarly, during the second half of the year and in comparison with the same period a year earlier, the HCP indicates that 38 percent of companies were forced to lay off a portion of their workforce, which reached 56 percent in the construction sector and 64 percent in the accommodation and catering sector.

2 The first survey, conducted from 1 to 3 April 2020, targeted a sample of 4000 organised businesses operating in the manufacturing, construction, energy, mining, fishing, trade and non-financial market services sectors. The objective was to measure the immediate impact of the health crisis and lockdown on businesses. The second, conducted from 3 to 15 July, among 4400 organised businesses, aimed to assess the activity recovery pace after the lockdown was lifted and to identify the constraints which disrupted the return to normal activity. The third survey, conducted from 22 to 30 December 2020 among a sample of 3600 organised businesses, sought to assess the evolution of business activity over the period from July to December 2020.

3 The first survey, conducted from 14 to 23 April 2020, targeted a sample of 2350 households and aimed to grasp the degree of effectiveness of lockdown, the state of domestic supply, sources of income in lockdown situations and access to public services. The second panel, conducted by the HCP from 15 to 24 June among a sample of 2169 households, aimed to assess changes in socio-economic and preventive behaviour in the face of this pandemic and to evaluate its impact on the various strata of the Moroccan population in terms of having access to basic products, education, health services, employment and income.

4 Conducted on a sample of 1 096 Moroccan companies in the formal sector in December 2019 and again in July/August 2020.

In turn, household surveys conducted by the HCP indicate that 58 percent of households reported that at least one member had to temporarily stop working as a result of the lockdown. Their income dropped by half on average, while in 34 percent of cases, the household was left without income. According to the socio-professional category of the household head, the latter proportion reached 46 percent for agricultural workers and labourers, 47 percent for shopkeepers and 54 percent for craftsmen and skilled workers.

The impact of the crisis on the labour market would certainly have been more severe without the fiscal and monetary support provided by the authorities. In Morocco, these included mainly monthly allowances to private sector employees affiliated to the CNSS and transfers to households whose income came from informal activities as part of an operation called Tadamon. To help businesses maintain their activities and encourage recovery, several guaranteed lines of credit have been set up and numerous facilities have been granted for tax and credit repayments. In the same vein, a pact for economic recovery and employment was signed with the following objectives: (i) reviving the economic momentum; (ii) safeguarding and promoting employment and preserving workers' health; (iii) speeding up the economy's formalisation process; and (iv) promoting good governance. In this respect, the government has essentially pledged to raise 120 billion dirhams and the CGEM has undertaken to preserve at least 80 percent of jobs. In addition to this pact, other programme contracts have been signed for the most severely hit sectors, notably tourism, events and amusement parks and games. Meanwhile, the central bank deployed exceptional measures on several fronts to ease the conditions of financing and facilitate access to it for both households and companies, as well as on the prudential level.

In a more global vision, and in order to resolve the structural problems of vulnerability and deficit with regard to social issues, His Majesty the King, in his Throne Speech, launched a large-scale project, which consists of generalising social protection over a five-year period. This is based on four axes, namely :

- extending, by the end of 2022, compulsory medical coverage to 22 million additional beneficiaries;
- generalising, over the period 2023-2024, family allowances for three million households;
- expanding, by 2025, the membership base of the pension system by incorporating about five million Moroccans among the active population not entitled to a pension; and
- generalising by 2025 access to the compensation for job loss for Moroccans in regular employment.

1.3.3 Unemployment and underemployment

After having decreased by 4.6 percent on average over the last two years, the unemployed population in 2020 expanded by 29.1 percent, or 322 thousand people, to 1.43 million. This development mainly reflects the significant job losses recorded in 2020, while the number of new entries into the market remained relatively limited. Under these conditions, the proportion of first-time jobseekers among the unemployed population fell by 13.4 percentage points to 43.8 percent. In addition, the average duration of unemployment fell from 36 months to 28 months in one year and the share of long-term unemployed[1] fell by 12 percentage points to 56.3 percent.

The rise in unemployed population reached 54.7 percent in rural areas, where it particularly affected men, up 62.2 percent. In urban areas, it was 24.1 percent overall, 31.6 percent for men and 12.1 percent for women.

The unemployed population remains predominantly urban with a share of 80.6 percent and male at 69.3 percent. It is largely more qualified than the employed population, with more than 76.3 percent holding a diploma, against 45.7 percent for the employed active population.

All in all, these developments combined with the decline in the active population resulted in a sharp rise in the unemployment rate from 9.2 percent to 11.9 percent at national level, from 12.9 percent to 15.8 percent in the cities and from 3.7 percent to 5.9 percent in the countryside. The unemployment rate increased among all age groups and was particularly high among young people aged 15 to 24, at 31.2 percent nationally and 45.3 percent in the cities. The rate was also high among women, at 16.2 percent compared to 10.7 percent for their male counterparts. By level of qualification, the rate increased from 21.6 percent to 23.9 percent among those with higher education and from 3.1 percent to 5.6 percent for those without degree.

Chart 1.3.7: Structure of the unemployed population in 2020 (percent)

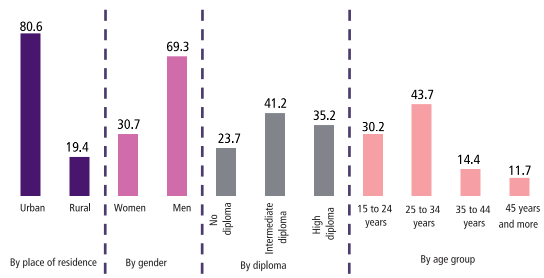
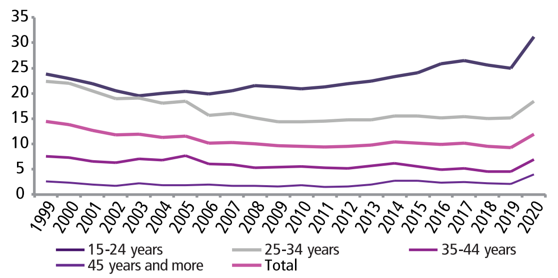


Chart 1.3.8: Rate of unemployment by age group (percent)



Source : HCP.

Analysing the evolution of the unemployment rate by region reveals a generalized increase albeit with differentiated rhythms. The most important increase was recorded in the Eastern region with 6.9 points to 20.7 percent and the lowest was observed in Marrakech-Safi with 1.2 points to 6.9 percent.

1 Unemployed for over one year.

Table 1.3.2: Unemployment rate by region (percent)

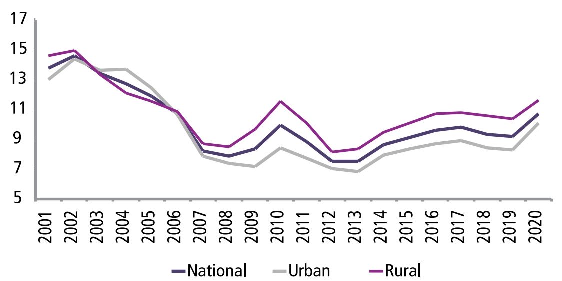
	2019	2020	Change (in pp)
Tangier-Tetouan-Al Hoceima	8.6	10.4	1.8
Oriental	13.8	20.7	6.9
Fes-Meknes	8.7	12.5	3.8
Rabat-Sale-Kenitra	10.7	12.7	2.0
Beni Mellal-Khenifra	5.4	7.4	2.0
Casablanca-Settat	10.0	13.4	3.4
Marrakech-Safi	5.7	6.9	1.2
Drâa-Tafilalet	5.6	8.9	3.3
Souss-Massa	10.3	11.8	1.5
Southern regions	16.3	19.8	3.5

Source : HCP.

Driven mainly by the lower number of working hours, the rate of underemployment[1] rose significantly from 9.2 percent to 10.7 percent at national level, from 8.3 percent to 10.1 percent in the cities and from 10.4 percent to 11.6 percent in the countryside. By gender, the rate increased by 1.6 percentage points to 11.9 percent for men, compared with 0.9 percentage points to 6.4 percent for women, and by age group, it reached 7.9 percent among 45-59 year olds, an increase of 2.3 percentage points.

By sector of activity, the construction sector continues to show the highest rate, standing at 19.6 percent against 10.4 percent for agriculture, 9.4 percent for services and 8.7 percent in industry including crafts.

Chart 1.3.9: Rate of underemployment by residence (percent)



Source : HCP.

Chart 1.3.10 :Underemployment rate according to the characteristics of the employed population in 2020 (percent)

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

Box 1.3.2: Employment dynamics in Morocco between 1999 and 2019

Beyond the income it provides, employment contributes to the fight against poverty and vulnerability, and it is also a driver of social cohesion. It is often listed among the priority objectives of public policies in both advanced countries and emerging and developing ones. However, while employment can be promoted through specific policies, it is fundamentally linked to performance in terms of economic dynamics and growth.

In Morocco, the structural analysis of employment trends over the last twenty years[1] (1999-2019) highlights three phases. The first, from 1999 to 2006, was marked by strong volatility with no clear trend in growth and employment. The second, from 2006 to 2016, saw a downward trend in both aggregates, while the third, from 2016 to 2019, recorded accelerated job creation in parallel with a further deceleration in growth.

Chart B1.3.2.1: Economic growth and job creation

Source : HCP.

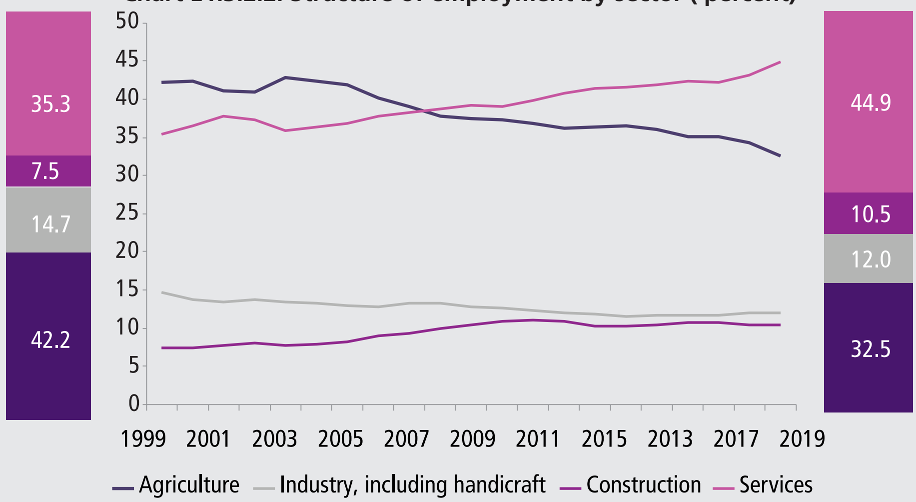
During the first period, national economy recorded an annual average growth of 4.8 percent and created 154.6 thousand jobs. Nearly six out of ten of these jobs were generated by services, which brought their weight in the overall volume of employment to 37.8 percent. The construction sector, benefiting from numerous infrastructure projects and the expansion of the real estate sector, generated 32.8 thousand jobs and increased its share in overall employment from 7.5 percent to 9 percent. On the other hand, those of the agricultural and industrial sectors, including handicrafts, showed respective decreases from 42.2 percent to 40.2 percent and from 14.7 percent to 12.9 percent, reflecting an average annual creation of 36.4 thousand jobs for the former and a loss of 3.8 thousand jobs for the latter.

[1] The choice of 1999 as the beginning of the analysis period is justified by the fact that this is the year in which the national employment survey carried out by the HCP was extended to the rural environment. On the other hand, the year 2020 was excluded because of the exceptional shock suffered by the economy in general and employment in particular. It is also worth noting that the years 2006 and 2017 saw an update of the HCP survey sample, which led to breaks in certain labour market variables.

During the period 2006-2016, as growth decelerated to 3.8 percent on average, job creation was limited to 71.4 thousand jobs, with a loss of 37 thousand in 2016. Services generated 74.6 thousand jobs on average, of which more than half were in the two branches "trade" and "domestic and personal services". Their share rose to 42.3 percent in 2016, but since 2008 they have become the largest employer ahead of agriculture, which has historically played this role. The latter, with a loss of 26 thousand jobs annually, has seen its weight return to 35 percent. For the rest, employment in the construction industry has increased by 25.3 thousand jobs annually, while industry, including handicrafts, has suffered a total loss over the period of more than 25 thousand jobs.

Between 2016 and 2019, despite the slowdown in economic growth to around 3.3 percent, job creation accelerated with a continued resort to the tertiary sector, with services creating an average of 145 thousand jobs. In addition, the number of employees increased by 22.9 thousand jobs on average per year in industry, including handicrafts, and decelerated sharply in construction with a gain of 1500 jobs. For its part, agricultural employment continued its decline at an annual rate of 50.2 thousand, and in total, the domestic economy will have generated 120.6 thousand jobs per year.

Chart E1.3.2.2: Structure of employment by sector (percent)



Source : HCP.

Under these conditions, employment share in growth[2] weakened significantly between the first and second periods, reflecting essentially a decline in agricultural employment. Thus, each point of GDP growth resulted in the creation of 32 thousand jobs during the 1999-2006 period and 18.5 thousand jobs between 2006 and 2016.

[2] It shows how much one percentage point of economic growth results in job creation.

In contrast, between 2016 and 2019, the number of jobs created for each GDP point has almost doubled compared to the period 2006-2016, mainly due to the significant rise in the intensity of employment growth in services and, to a lesser extent, in industry including handicrafts.

Table B1.3.2.1: Job content of growth

	1999-2006	2006-2016	2016-2019	1999-2019
Agriculture	6 382	-9 443	-14 853	-2 009
Industry, including handicraft[1]	-1 163	-839	5 955	262
Construction	4 724	6 763	1 309	5 465
Services	17 535	19 000	45 201	21 363
Total	**31 976**	**18 549**	**36 659**	**26 261**

1 In order to calculate the employment content of growth in industry, including handicrafts, it has been hypothesized that the value added of this sector is the sum of the value added of the processing industry, mining and electricity and water.

Sources : HCP and BAM calculations.

total, over the entire period studied, national economy generated 108 thousand jobs annually, a rate largely insufficient to bring about a significant reduction in unemployment. In fact, the active population increased annually by 89 thousand and, consequently, the number of unemployed fell only slightly from 1.5 million to 1.1 million over the two decades. This development takes into account a clear decrease in the activity rate over the period, from 55 percent to 45.8 percent. With a constant activity rate, the market would have witnessed a gain in the active population of 4.2 million people, i.e. 210 thousand annually, and the number of unemployed[3] would have increased by 102 thousand, i.e. 2.04 million additional unemployed people over the period.

These developments raise questions about the performance of economic growth, but also about labour market policies. During the period under review, Morocco has made considerable efforts to reform and strengthen economic and social infrastructure. It has also launched several sectoral development strategies and employment promotion plans. The most recent of these, the National Employment Promotion Plan, was implemented in 2017 with the goal of creating 1.2 million jobs over a five-year period, a very ambitious target compared to what has been achieved.

While it is clear that efforts must be pursued to improve productivity, accelerate growth and increase employment, there is a need to question policies in terms of their effectiveness and efficiency in the light of the results achieved. Today, this has become essential in view of the aftermath of the Covid-19 crisis and the profound changes it has brought about, particularly in the labour market.

[3] Assuming the same number of jobs created.

1.3.4 Productivity and wages

The declines of 6.7 percent in value added and 2.1 percent in the volume of employment in the non-agricultural sectors resulted in a sharp decrease in apparent labour productivity by 4.7 percent, after the 0.6 percent decline a year earlier. By sector, the decline was 3.8 percent, instead of a 1.8 percent increase, in the secondary sector and 5.3 percent, after a decline of 1.8 percent, in the tertiary sector.

In this context and taking into account the continued application of the provisions of the agreement[1] concluded on 25 April 2019 within the framework of social dialogue, the average wage in the private sector rose by 3.1 percent in nominal terms, after 1 percent in 2019, and by 2.4 percent in real terms, compared with 0.8 percent. In the public sector, it rose by 1.8 percent in nominal terms and by 1.1 percent in real terms.

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

Sources : HCP, and CNSS.

1 This agreement stipulates (i) in the civil service, a general increase in three tranches (in May 2019, January 2020 and January 2021) of salaries, with total amounts of 400 and 500 dirhams per month depending on the range; and (ii) in the private sector, a 10 percent revaluation of the SMIG and SMAG in two stages, i.e. 5 percent in July 2019 and 5 percent in July 2020.

Table 1.3.3 : Main indicators of labor market

		2018	2019	2020
Indicators of activity				
Labor force (in thousands)		11 947	12 082	11 971
By place of residence	Urban	6 987	7 204	7 291
	Rural	4 960	4 878	4 680
National participation rate (percent)		46.0	45.8	44.8
By place of residence	Urban	42.0	42.3	41.9
	Rural	53.2	52.2	50.0
By gender	Men	71.0	71.0	70.4
	Women	21.8	21.5	19.9
Indicators of employment				
Job creation (in thousands)		111	165	-432
By place of residence	Urban	154	250	-137
	Rural	-44	-85	-295
By sector	Agriculture	-46	-146	-273
	Industry. including handicraft	44	17	-37
	Construction	-30	24	-9
	Services	142	267	-107
Employed population (in thousands)		10 810	10 975	10 542
By place of residence	Urban	6 026	6 277	6 140
	Rural	4 784	4 698	4 403
Employment rate (percent)		41.7	41.6	39.4
By place of residence	Urban	36.2	36.9	35.3
	Rural	51.3	50.3	47.0
Indicators of employment and underemployment				
Unemployment rate (percent)		9.5	9.2	11.9
By place of residence	Urban	13.8	12.9	15.8
	Young people aged 15 to 24 years	41.8	39.2	45.3
	Rural	3.6	3.7	5.9
Underemployment rate (percent)		9.3	9.2	10.7
By place of residence	Urban	8.4	8.3	10.1
	Rural	10.6	10.4	11.6
Productivity and wages (change in percent)				
Apparent labor productivity in nonagricultural activities		0.6	-0.6	-4.7
Guaranteed minimum wage and Minimum agricultural wage	Nominal	0.0	2.5	4.9
	Real	-1.6	2.3	4.2
Average salaries in the private sector	Nominal	1.5	1.0	3.1
	Real	-0.1	0.8	2.4

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

1.4 Inflation

The Covid-19 health crisis and the restrictions put in place to contain its spread led to a significant weakening of demand and major disruptions in the supply of certain goods and services. As a result of this double shock, the components of consumer prices showed contrasting evolutions, with inflation being low overall but accelerating slightly from the prevision year. It rose from 0.2 percent in 2019, its lowest level since 1968, to 0.7 percent in 2020.

Volatile food prices rose by 2 percent as opposed to a 1.5 percent decline in 2019, due to an exceptional increase in demand on the eve and at the beginning of the lockdown period and lower supply of some products during the year.

Regulated tariffs rose by 1.2 percent, almost unchanged from the previous year, due to increases in road passenger transport, medical services and tobacco. On the other hand, and consistent with the fall in international oil prices, the decline in fuels and lubricants prices accentuated from 2.7 percent to 12.4 percent.

Core inflation, which reflects the underlying price trend, stabilised at a low level[1] of 0.5 percent in a context marked by intensified disinflationary pressures stemming from lower aggregate demand and imported inflation.

Chart 1.4.1: Evolution of inflation (percent)

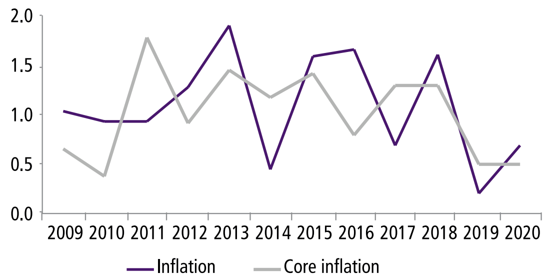
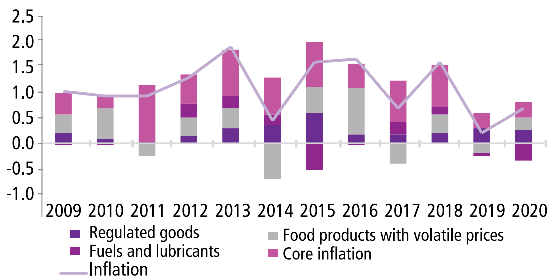


Chart 1.4.2: Contribution to inflation (in percentage point)



Sources: HCP data, and BAM calculations.

1 In addition to the demand-side effect of the health crisis, several structural factors contribute to the low level of inflation (see Box 1.4.1 on the "Global disinflationary movement and long-term inflation trends in Morocco" published in Bank Al-Maghrib's Annual Report 2019).

Table 1.4.1: Consumer prices (change in percent)*

Groups of products	2015	2016	2017	2018	2019	2020
Consumer price index	**1.6**	**1.6**	**0.7**	**1.6**	**0.2**	**0.7**
Volatile food prices	**4.3**	**7.5**	**-3.1**	**3.0**	**-1.5**	**2.0**
Fuels and lubricants	**2.7**	**0.7**	**0.8**	**0.9**	**1.3**	**1.2**
Tariff-Regulated Products	**-16.1**	**-1.7**	**8.8**	**5.5**	**-2.7**	**-12.4**
Core inflation indicator	**1.4**	**0.8**	**1.3**	**1.3**	**0.5**	**0.5**
- Food products	1.8	0.6	1.6	1.4	-1.1	0.0
- Clothing items and footwear	0.6	1.1	1.4	1.2	1.2	0.3
- Housing, water, gas, electricity and other fuels(1)	1.1	1.0	1.1	1.0	1.5	1.3
- Furniture, household appliances and routine household maintenance	0.3	0.6	0.5	0.2	0.4	0.2
- Health(1)	1.0	1.0	2.4	1.0	0.0	0.5
- Transport(2)	0.3	0.2	-0.4	0.3	0.7	0.7
- Communications	0.2	-0.2	-0.2	1.0	3.3	-0.4
- Entertainment and culture(1)	0.2	1.7	0.6	0.1	0.3	-1.4
- Education	2.9	2.3	2.7	2.6	3.5	2.7
- Restaurants and hotels	2.3	2.5	3.2	1.1	1.4	1.1
- Miscellaneous goods and services(1)	0.7	0.3	0.9	1.8	0.8	1.4

* Changes are based on official CPI base 2017 data from 2018 to 2020 and on CPI base 2006 before that year.

(1) Excluding regulated goods, (2) excluding regulated products, and fuels and lubricants.
Sources: HCP, and BAM calculations.

Box 1.4.1: New consumer price index (base year = 2017)

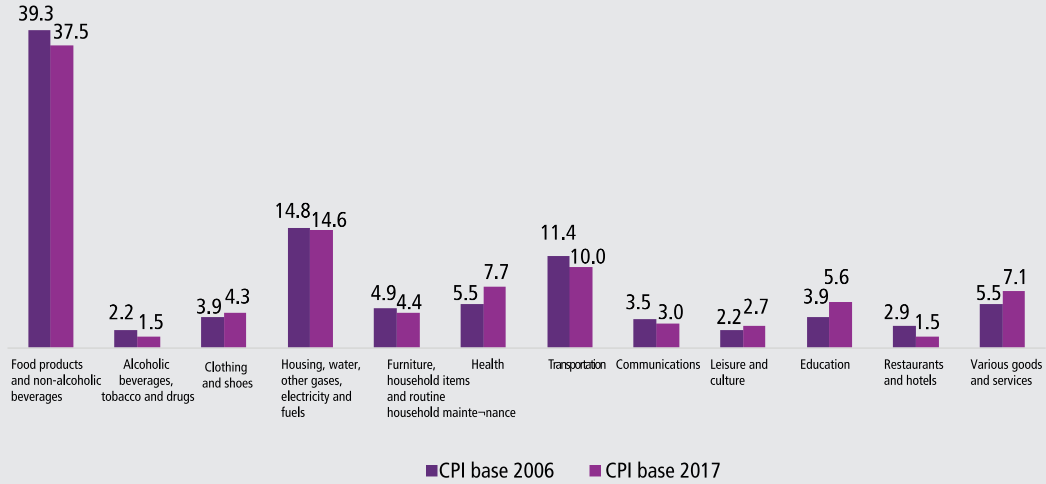
The Consumer Price Index (CPI) was introduced by the HCP in 2009, replacing the cost-of-living index previously used to calculate inflation. The CPI was based on the year 2006 and its reference basket was developed mainly from the data of the 2001 National Household Consumption and Expenditure Survey.

After a new edition of this survey conducted in 2013/2014, the HCP updated the structure of the CPI basket in 2018 and set December 2017 as the intermediate base, while maintaining 2006 as the base year. As of 20 May 2020, the HCP started disseminating a new index with 2017 as the new base year instead of 2006 before. The decree fixing its composition was previously published in the official bulletin n° 6880 dated May 7th, 2020 after it was adopted by the Government Board on January 2nd of the same year.

This reform introduced two main improvements to the consumer price index. On the one hand, its geographical coverage has been extended to 18 cities instead of 17 previously. Thus, to ensure the representation of the new region of Drâa-Tafilalet stemming from the last regional breakdown of the Kingdom, Errachidia has been integrated into the permanent price survey. On the other hand, taking into account the changes in the consumption habits of Moroccan households, the reference basket of the index has been extended from 478 items and 1067 varieties to 546 items and 1391 varieties. Their classification has undergone a slight change, with four new sections being added, bringing their number to 116.

As regards the structure of this basket, the share of 'food and non-alcoholic beverages' fell from 39.3 percent to 37.5 percent, while that of 'non-food products' increased. This change was mainly driven by the rise in the share of "health" from 5.5 percent to 7.7 percent, "education" from 3.9 percent to 5.6 percent and "miscellaneous goods and services" from 5.5 percent to 7.1 percent.

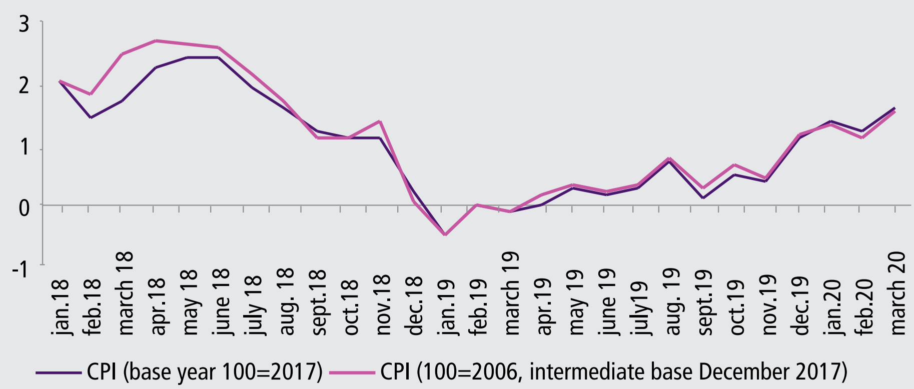
Chart B1.4.1.1 : Structure of the CPI eeference basket (In percent)



Source : HCP.

On a level basis, these adjustments resulted in a downward revision of inflation for 2018 by 0.3 percentage point on average over the whole year with a maximum of 0.8 point in March. Thus, it comes out for this year at 1.6 percent as opposed to the 1.9 percent announced previously by the HCP. For 2019, the difference is marginal with a monthly maximum of 0.2 percentage point.

Chart B1.4.1.2 : Change of inflation (percent)



Source : HCP.

In view of these developments, Bank Al-Maghrib updated the analytical component of inflation by integrating the four new sections and by reclassifying others according to the changes observed in the prices or in the market structure. Accordingly, on the basis of the pre-established classification criteria[1], particularly concerning the observed volatility of the new series, some food products have been integrated into the list of food products with volatile prices, while others have been reclassified within food products included in the core inflation indicator. As regards the new sections, their allocations have been operated as follows:

Table B1.4.1.1: Assignment of the four new CPI sections

Section heading	Weight in CPI (percent)	Assignment at the level of analytical items
Collecting household waste	0.26	Regulated
Miscellaneous services related to housing n.e.c	0.17	Core inflation
Musical instruments and durable goods for indoor entertainment	0.01	Core inflation
Cost of financial intermediation services	0.11	Core inflation

As a result of this process, the weight of " food products with volatile prices " has increased from 12.1 percent in the 2006 CPI to 12.3 percent in the new index whilst that of " products with regulated tariffs " has increased from 20.4 percent to 22 percent. Similarly, fuels and lubricants now account for 2.8 percent instead of 2.4 percent previously.

As regards the underlying inflation indicator (CPIX), its share fell from 65.2 percent to 62.9 percent, with a drop from 26.1 percent to 24.3 percent for the food products included in it. Its breakdown into tradable and non-tradable goods shows that the weight of the former stood at 35.5 percent instead of 34.9 percent and that of the latter at 27.4 percent instead of 30.3 percent.

Table B1.4.1.2 : Structure of the CPI reference basket by analytical component (percent)

	Base year 2006=100	2006=100, intermediate base year December 2017	Base year 2007=100
Volatile food products	12.1	11.3	12.3
Regulated goods	20.4	22.9	22.0
fuel and lubricants	2.4	2.7	2.8
Core inflation	**65.2**	**63.1**	**62.9**
Tradable goods	34.9	32.3	35.5
Nontradable goods	30.3	30.8	27.4

Sources : HCP data and BAM elaboration.

1 For further details on the methodology relating to the compilation of the core inflation indicator, refer to the document on the "Construction of the core inflation indicator" on the BAM website and to Box 5.2 of the June 2010 Monetary Policy Report.

1.4.1 Components of the consumer price index

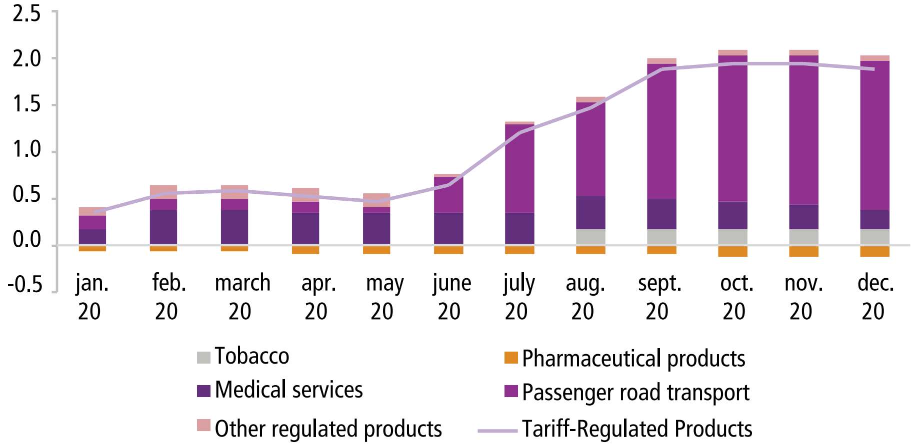
1.4.1.1 Volatile food prices

After a 1.5 percent decline in 2019, volatile food prices increased by 2 percent in 2020. This change reflects, on the one hand, an exceptional increase in demand on the eve and at the beginning of the lockdown period, as well as with the approach of the month of Ramadan and, on the other hand, supply shocks on certain products during the year.

The restrictions introduced as of March to limit the spread of the Covid-19 virus resulted in temporary pressure on the prices of these products. Prices rose by 9 percent in March and 6.8 percent in April, bringing the average increase in prices over the first four months of the year to 6 percent. Between May and July, the regular supply of markets and the abundant supply of 'fresh vegetables' and 'poultry and rabbit' contributed to mitigating these pressures, resulting in an average price decline of 4.1 percent. Subsequently, as a result of reduced production of 'citrus fruits'[1] and sustained foreign demand for these vitamin C-rich products in the context of the pandemic, as well as higher prices for 'poultry and rabbit', volatile food prices rose by an average of 5.6 percent between August and October. In November, the pace of change decelerated to 0.8 percent, with a further decline of 4 percent in December.

Over the year as a whole, prices rose by 67.1 percent for 'citrus fruit', 2.1 percent for 'fresh vegetables' and 3.1 percent for 'fresh fruit'. On the other hand, they fell by 6.5 percent for 'poultry and rabbit' and by 3 percent for 'fresh fish'. Overall, the contribution of volatile food prices to inflation stands at 0.2 percentage point instead of -0.2 point in 2019.

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



Sources: HCP data, and BAM calculations.

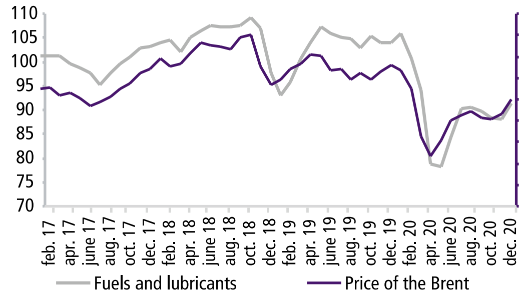
1 Press release of the Ministry of Agriculture, Marine Fisheries, Rural Development and Water and Forests on the " Positive balance of the 2019-2020 season for the export of agricultural food products and promising prospects for the 2020-2021 season", Thursday September 17th 2020..

1.4.1.2 Fuels and lubricants

Restrictions on economic activity and travel sitting up around the world to contain the spread of the Covid-19 virus have resulted in a significant decline in global oil demand in 2020. As a result, oil prices fell sharply, hitting in April the lowest levels recorded since 2003 for some oil products. Subsequently, while remaining relatively low, prices have been on an upward trend, supported by the easing of sanitary measures and promising announcements regarding the development of vaccines. Over the whole year, prices fell significantly, with Brent crude oil in particular dropping by 33.9 percent.

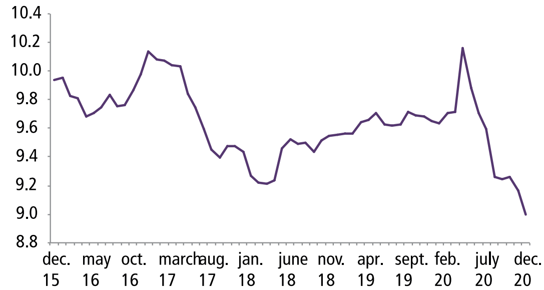
With this development and the appreciation of the national currency against the US dollar by an average of 1.2 percent, the decline in prices of fuels and lubricants increased from 2.7 percent in 2019 to 12.4 percent in 2020. Their contribution to inflation thus stood at -0.3 percentage point in 2020 as against -0.1 percentage point a year earlier.

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



Sources: HCP and World Bank.

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



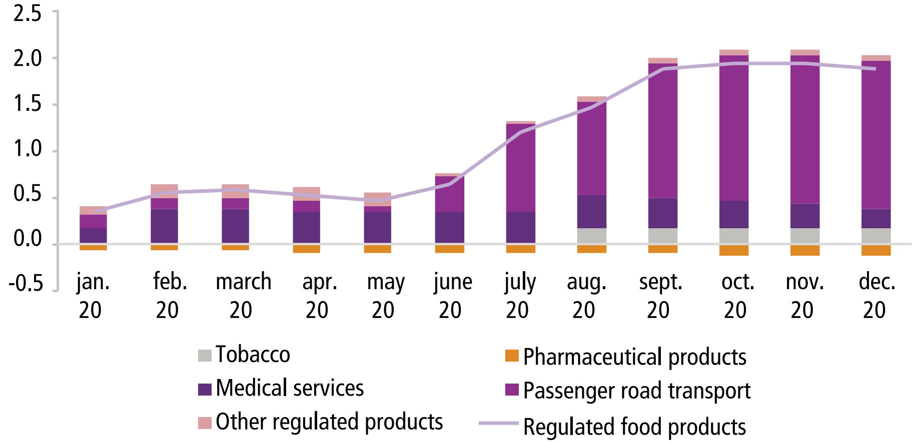
Source: BAM.

1.4.1.3 Tariff-Regulated Products

Regulated tariffs increased by 1.2 percent in 2020 after 1.3 percent a year earlier. Their evolution was mainly marked by the 6.6 percent increase in prices for "road passenger transport" following the health standards imposed by the authorities. It also reflects the 0.9 percent increase in tobacco prices, which resulted from the hike in import duties from 30 percent to 40 percent introduced by the Corrective Finance Act and which led to a 2.1 percent increase in their prices from August onwards. In addition, despite the absence of regulatory decisions, the prices of medical services rose by 5.4 percent. On the other hand, following downward revisions by the Ministry of Health on the prices of several drugs, the prices of pharmaceutical products fell by 0.7 percent.

All in all, the contribution of regulated tariffs to inflation amounts to 0.3 percentage point, the same level as in 2019.

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



Sources: HCP data and BAM calculations.

Box 1.4.2: Impact of the Covid-19 pandemic on inflation measurement

Inflation is measured by the change in the cost of a basket of goods and services reflecting the consumption patterns of households, captured in particular through periodic expenditure surveys. Given the slow evolution of these habits, the basket composition is kept unchanged for a certain period of time, ranging from one year to several years, depending on the country. However, this period should not exceed five years based on international recommendations. Once the basket is fixed, its cost over time is monitored through regular collection of the prices of its different components.

The advent of the Covid-19 pandemic and the restrictions put in place to contain its spread have raised several challenges regarding the production of statistics in general and price statistics in particular. These include:

1. difficulties in collecting data on the prices of goods and services due to the closure or unavailability of physical outlets; and
2. the sudden change in household consumption patterns due mainly to restrictions on their economic and social activities, the decline in their income and the disruption in the supply of certain products. Under these conditions, the composition of the CPI reference basket could have deviated significantly from the actual structure of household consumption during this period, which might lead to biases in measuring inflation.

1- Collection of data on consumer prices during the health crisis

To overcome the difficulties faced in collecting data on prices during the crisis, statistical institutes have used different alternative approaches to ensure continuity in the measurement of inflation. Overall, the approach adopted[1] consists in:

1 For more technical details, please refer to the document: "Guidance on the compilation of the HICP in the context of the covid-19 crisis", available on the Eurostat website (https://ec.europa.eu/eurostat/documents/10186/10693286/HICP_guidance.pdf).

- continuing data collection regarding prices of goods and services that are still available on the market;
- where possible, collecting prices by telephone or online; and
- using other information that is not usually exploited, such as prices of certain products at checkout level (clothing, durable goods in supermarkets).

These solutions helped, to some extent, to fill the data gap, but were sometimes insufficient or inappropriate, in which case the imputation technique is often used. The latter essentially consists in applying to products for which price data are not available, the same evolution as that observed for products of the same category. Nevertheless, when used extensively, it can significantly affect the quality of the compiled indicators.

For the sake of transparency, statistical institutes have been communicating regularly since the beginning of the pandemic on the adjustments made to their price collection systems and their consequences on inflation measurement.

In the case of Morocco, the HCP communicated the conditions under which its permanent survey on consumer prices was carried out during the month of April 2020. Thus, for about 98 percent of the products whose prices are monitored on a weekly basis (meat, fruit, vegetables and fish) and 55 percent of those surveyed monthly (household cleaning products, pharmaceutical products, clothing, etc.), it was possible to collect prices. For products whose prices could not be collected, the HCP used the imputation technique, proceeding in particular, and according to the case, to:

- Carrying forward the last price observed, as was the case for water, electricity, school fees and doctors' fees, etc;
- Carrying forward the change observed a year earlier in the divisions for which the number of price surveys is deemed insufficient. This concerns clothing and footwear as well as household equipment; and
- The implementation of price changes for similar products.

In total, the average imputation rate for the month of April ranged from 5.2 percent for "food and non-alcoholic beverages" to 95 percent for products and services falling under the heading "restaurants and hotels".

Table B1.4.2.1 : Imputation rates by CPI divisions during the month of April

CPI divisions	Imputation rate (percent)
01 - Food products and non-alcoholic beverages	5.2
02 - Alcoholic beverages and tobacco	20.8
03 - Clothing and footwear products	90.2
04 - Housing, water, gas, electricity and other fuels	39.1
05 - Furniture, household appliances and routine household Maintenance	56.4
06 - Health	40.6
07 - Transport	51.8
08 - Communication	24.3
09 - Entertainment and culture	74.2
10 - Education	74.8
11 - Restaurants and hotels	94.5
12 - Miscellaneous goods and services	51.0
Overall	**45.3**

Source : HCP.

By international comparison, data published by Eurostat for the month of April reveal that the share of the reference basket of consumer products whose prices have been imputed stands at 32 percent overall for the European Union. This rate varies widely from one country to another, from 3 percent in Sweden, one of the few countries not to have locked down its population, to 47 percent in France and 48 percent in Slovakia.

Table B1.4.2.2 : Imputation rates in the HICP in the European Union for the month of April 2020 (in percent)

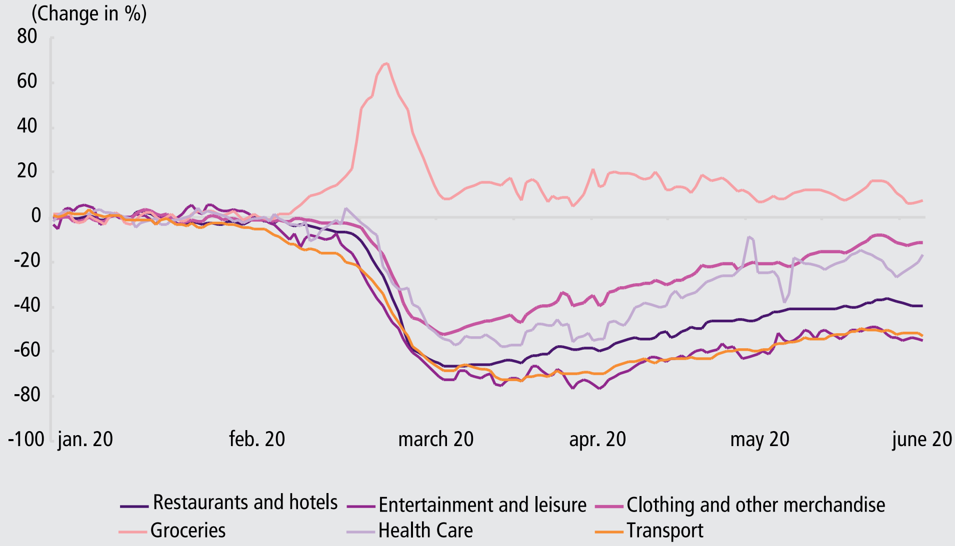
Country	imputation rate	Country	imputation rate
Belgium	24	Luxembourg	19
Germany	27	Netherlands	13
Ireland	28	Portugal	43
Greece	32	Slovenia	23
Spain	37	Slovakia	48
France	47	Finland	7
Italy	40	Sweden	3
Euro aera	32	European Union	29

Source : Eurostat (https://ec.europa.eu/eurostat/fr/web/hicp/methodology).

2-Changes in household consumption patterns

Although it is clear that the crisis has had an impact on the structure of household consumption, statistical offices, in general, have not updated it in the reference basket used to calculate inflation. This choice is motivated by the likely transitory nature of the shock and the relatively long time required to collect the necessary data. However, several studies have tried to assess the extent of this impact by using data collected from credit and debit transactions. In the case of the United States, for example, these data show a pronounced increase in expenditure on food, cleaning and personal care products at the expense of certain services such as transport, restaurants and hotels or entertainment and leisure.

Chart B1.4.2.1 : Daily evolution of US household consumption expenditure by product category (percent)



Source : Opportunity insights (https://opportunityinsights.org/).

Using this information, a study carried out by the National Bureau of Economic Research in the United States[2] built a new consumer price index, " Covid-19 CPI ". A comparison between the latter and the official index used by the Bureau of Labour Statistics (BLS), the agency responsible for producing inflation data in the United States, reveals significant differences in terms of structure and variation. For April, the weight of transport expenditure fell from 15.7 percent to 6.3 percent, and that of leisure to 2.2 percent from 5.8 percent. On the other hand, the share of home food reached 11.3 percent in the Covid-19 CPI compared to 7.6 percent in the official CPI. These differences have since gradually diminished with the trend towards spending normalisation.

2 Alberto Cavallo: Inflation With Covid Consumption Baskets, NBER, working paper n°27352, July 2020.

On the basis of the Covid-19 CPI, the inflation rate for April was 1.05 percent instead of the 0.35 percent calculated and published by the BLS. The underestimation of inflation during the pandemic would be linked on the one hand to the reinforcement of the share of products experiencing a more marked increase in prices, in particular "food at home", and on the other hand to the decrease in the weight of categories of goods and services whose prices show declines, in particular "transport".

Table B1.4.2.3 : Measurement of inflation in the United States at the beginning of the Covid-19 pandemic

	Monthly change (percent)		Annual change (percent)	
	CPI	Covid-19 CPI	CPI	Covid-19 CPI
January 2020	0.39	0.39	2.50	2.50
February 2020	0.27	0.28	2.35	2.35
March 2020	-0.22	-0.12	1.56	1.67
April 2020	-0.69	-0.09	0.35	1.05
May 2020	-0.02	0.11	0.13	0.95

Source : Alberto Cavallo : Inflation With Covid Consumption Baskets, NBER, Working Paper No. 27352, July 2020.

Applying these same expenditure changes to 17 other countries, both advanced and emerging, the study reveals comparable results to those obtained for the US in 12 of the 17 countries. In contrast, inflation is slightly overestimated in the other five countries.

Table B1.4.2.4 : Measurement of inflation in a sample of countries during May 2020

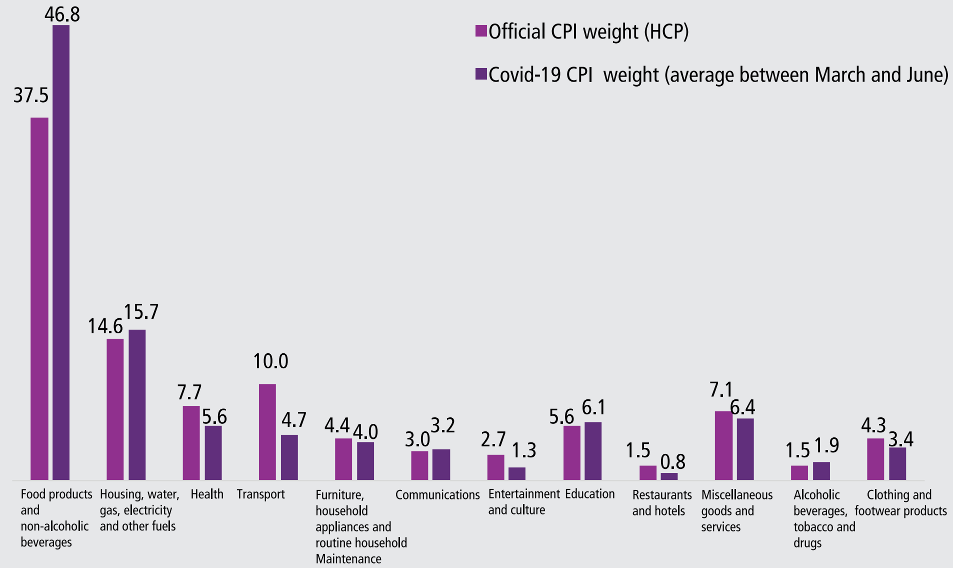
Countries	Inflation on the basis of		Countries	Inflation on the basis of	
	CPI	Covid-19 CPI		CPI	Covid-19 CPI
Brazil	1.65	2.53	Japan	0.07	0.22
Uruguay	10.99	11.81	Spain	-0.18	-0.09
United States	0.13	0.95	United Kingdom	0.59	0.67
Korea	-0.45	0.04	Argentina	43.38	43.45
Chilie	2.68	3.05	Germany	0.57	0.53
France	0.55	0.88	Irland	-0.85	-0.91
Colombia	2.72	2.97	Netherlands	1.2	1.13
Canada	-0.34	0.12	Italy	0.86	0.52
Turkey	11.56	11.73	Greece	0.25	-0.1

Source : Alberto Cavallo : Inflation With Covid Consumption Baskets, NBER, Working Paper No. 27352, July 2020.

Impact on the measurement of inflation in Morocco

Based on the same approach developed in the above-mentioned study, the impact of the crisis on consumption patterns in Morocco can be assessed roughly by using, in the absence of detailed data on bank transactions, the same pattern of expenditure variations as observed in the United States for the period from March to June, coinciding with the population lockdown. Thus, BAM re-estimated the weights of the 12 CPI segments for each month by applying the average change in the corresponding expenditure category during the month in question to the official CPI basket weights and adjusting for the decline in overall spending. These new weights are then used to calculate the Covid-19 CPI series.

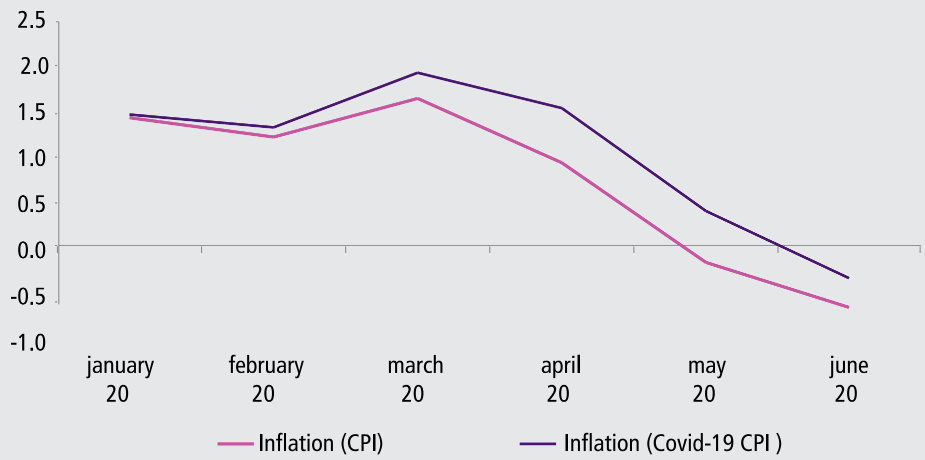
Chart B1.4.2.2 : Structure of the consumption basket of Moroccan households during the lockdown period (percent)



Sources : HCP, Opportunity insights data and BAM calculations.

It emerges that the weight of 'food and non-alcoholic beverages' in household expenditure increased significantly, from 37.5 percent before the pandemic to 46.8 percent on average between March and June. On the other hand, the share of 'transport' fell from 10 percent to 4.7 percent.

Chart B1.4.2.3 : Inflation dynamics at the beginning of the lockdown period (percent)



Overall, the inflation rate taking into account the changes in consumption habits stands at 0.8 percent as against 0.4 percent published by the HCP on average between March and June. This gap is estimated to have peaked at 0.6 percentage points in April and May, but to have gradually narrowed from June onwards with the easing of restrictions.

This underestimation of inflation appears to have been more significant for the least well-off social strata, given the preponderance of food products in their expenditure. For instance, the 2013/2014 national survey on household consumption and expenditure indicates that the share of food in the expenditure of the 20 percent of the least well-off households stands at 49.6 percent, compared to 29.1 percent for the 20 percent most well-off. Applying these weights, inflation for these two classes of households would have averaged 1 percent and 0.8 percent respectively between March and June.

Table B1.4.2.5 : Inflation rates by expenditure class during the lockdown period

	Monthly change (percent)		Annual change (percent)			
				Covid-19 CPI		
	CPI	Covid-19 CPI	CPI	Total	20 percent of the least affluent	20 percent most affluent
March 2020	0.39	0.6	1.59	1.87	2.08	1.56
April 2020	-0.10	0.23	0.89	1.51	1.83	1.24
May 2020	-0.20	-0.24	-0.20	0.37	0.49	0.37
June 2020	-0.29	-0.53	-0.68	-0.36	-0.43	-0.11
average between March and June	**-0.05**	**0.02**	**0.4**	**0.85**	**0.99**	**0.77**

Sources : HCP and Opportunity insights data and BAM calculations.

While the various studies carried out generally agree on an underestimation of inflation during the crisis period, the question is whether these changes in consumption habits will persist in the post-Covid-19 period. In this sense, and as soon as the health situation returns to normal, it would be appropriate for the statistical institutes to conduct an official update of the reference baskets used to calculate inflation.

1.4.1.4 Core inflation

After an upward trend started in November 2019, core inflation fell from May 2020, driven by the weakening of demand due to the Covid-19 health crisis, which largely offset the effect of disruptions in the supply chains of certain products. It averaged 0.7 percent between January and April before gradually decelerating to 0.3 percent in December. However, for the year 2020 as a whole, core inflation was stable compared to the previous year at 0.5 percent.

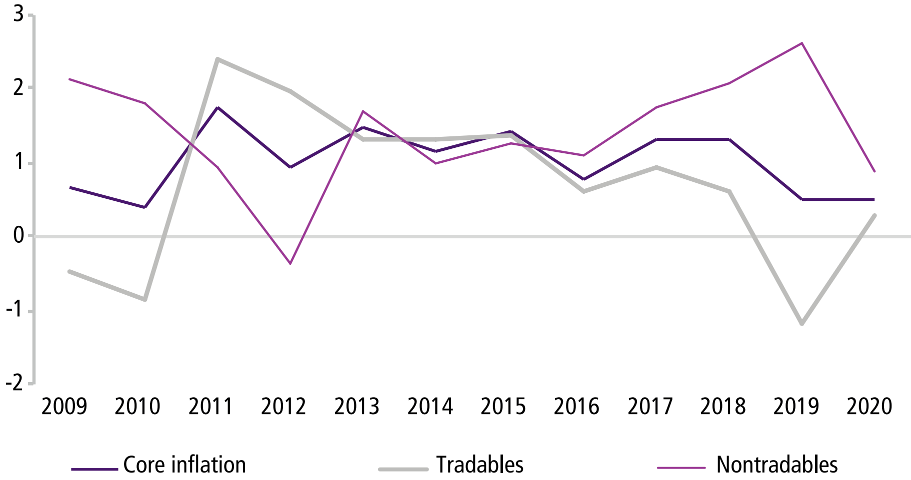
By component, the average price change over the year fell from 3.3 percent to -0.4 percent for "communications", from 3.5 percent to 2.7 percent for "education" and from 1.2 percent to 0.3 percent for "clothing and footwear". On the other hand, after a 1.1 percent decline in 2019, the prices of food products included in this component were almost stagnant, covering an increase of 1.8 percent, after a 12.2 percent decline, in the prices of "oils" and a 2.6 percent decline, after a 4.6 percent increase, in those of "fresh meat".

In the end, core inflation contributed 0.3 percentage point to the evolution of consumer prices, the same level as a year earlier.

Tradables and non-tradables

Core inflation dynamics in 2020 cover contrasting developments based on the nature of the goods and services. Thus, the prices of tradable products increased by 0.3 percent after a fall of 1.2 percent. In fact, the rise in international prices of certain food products, particularly oils and cereals, more than offset the combined effect of the 2.5 percent appreciation of the nominal effective exchange rate and the deceleration from 1.2 percent to 0.3 percent of inflation in the Euro zone, Morocco's main trading partner. On the other hand, the growth rate of prices of non-tradable goods and services has decelerated significantly, from 2.6 percent to 0.9 percent in 2020. This slowdown would be linked to disinflationary pressures emanating notably from weak domestic demand due to the negative repercussions of Covid-19.

Chart 1.4.7: Evolution of core inflation (percent)



Sources: HCP and BAM calculations.

1.4.2 Goods and services

The breakdown of the CPI basket into goods and services[1] indicates that the slight increase in inflation in 2020 concerns exclusively goods. Indeed, the prices of processed goods rose by 0.2 percent, after a 0.7 percent decline in 2019, and those of unprocessed goods rose by 1 percent instead of 0.2 percent. In contrast, the growth rate in prices for services slowed from 1.8 percent to 1.6 percent, as a result of a slower prices for "telephony and fax services" from 4 percent to 0 percent and more rapid prices of "passenger road transport" from 2.5 percent to 6.6 percent.

1 On the basis of detailed data from the HCP, BAM distinguishes four categories: processed goods excluding fuels and lubricants, unprocessed goods, fuels and lubricants and services.

Chart 1.4.8: Prices of goods and services (percent)

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

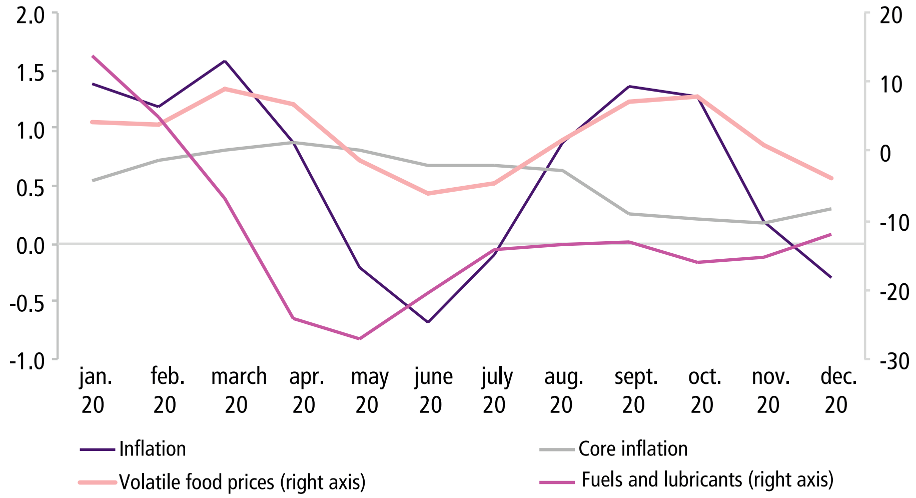
Sources: HCP and BAM calculations.

1.4.3 Infra-annual inflation profile

Analysis of the infra-annual evolution of prices in 2020 allows us to distinguish three periods. During the first half of the year, inflation followed a downward trend, falling from 1.4 percent in January to -0.7 percent in June. This decline mainly reflects a sharp deceleration in the prices of fuels and lubricants, combined with lower prices for volatile food products from April onwards.

Starting from July, inflation gradually accelerated to reach 1.4 percent in September, driven by the moderate decline in fuel and lubricant prices as well as the gradual increase in the prices of volatile food products and some regulated tariffs, particularly road passenger transport. In the last quarter of the year, inflation started to decelerate further, ending the year at -0.3 percent in December.

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



Sources: HCP and BAM calculations.

1.4.4 Consumer prices by city

Analysis of the evolution of consumer prices by city in 2020 suggests that out of the 18 cities covered by the permanent price survey, four have slowed down. These are Fez, Kenitra, Dakhla and Safi. For the rest, prices have accelerated, the fastest in Al-Hoceima, from -0.5 percent to 0.8 percent, and in Tangier, from -0.2 percent to 1 percent.

In terms of disparity, the inflation rate ranged from 0 percent in Fez and Kenitra to 2.1 percent in Guelmim, representing a range of 2.1 percentage points.

Table 1.4.2: Consumer prices by city (percent in change)

	Index (2017=100)			Inflation (In percent)				Index (2017=100)			Inflation (In percent)		
	2018	2019	2020	2018	2019	2020		2018	2019	2020	2018	2019	2020
Agadir	101.7	101.8	102.7	1.7	0.1	0.9	Tangier	101.6	101.4	102.4	1.6	-0.2	1.0
Casablanca	101.7	102.1	102.5	1.7	0.4	0.4	Laayoune	102.4	102.8	103.8	2.4	0.4	1.0
Fes	102.1	102.9	102.9	2.1	0.8	0.0	Dakhla	102.6	103.1	103.4	2.6	0.5	0.3
Kenitra	101.1	101.6	101.6	1.1	0.5	0.0	Guelmim	102.0	103.0	105.2	2.0	1.0	2.1
Marrakech	101.5	101.5	102.3	1.5	0.0	0.8	Settat	100.7	101.0	101.8	0.7	0.3	0.8
Oujda	101.9	101.6	101.7	1.9	-0.3	0.1	Safi	102.8	104.5	104.8	2.8	1.7	0.3
Rabat	101.2	101.6	102.5	1.2	0.4	0.9	Beni-Mellal	100.8	101.2	102.5	0.8	0.4	1.3
Tetouan	101.6	101.1	101.7	1.6	-0.5	0.6	Al-Hoceima	101.9	101.4	102.2	1.9	-0.5	0.8
Meknes	101	101.3	102.2	1.0	0.3	0.9	Errachidia	101.2	100.8	101.5	1.2	-0.4	0.7
National	101.6	101.8	102.5	1.6	0.2	0.7							
Range (percent points)				**2.1**	**2.2**	**2.1**							

Source : HCP.

1.4.5 Industrial producer prices

After an average increase of 0.6 percent in 2019, producer prices in the manufacturing industries excluding refining fell by 1.2 percent. This development mainly reflects a 9.1 percent decline, after a 3 percent increase, in producer prices in the "chemical industry" and a further decline from 2.3 percent to 6.3 percent in prices in the "metal industry". In contrast, prices in the "Food industry" rose by 2.9 percent after falling by 0.1 percent in 2019 and those in "Textile manufacturing" rose by 0.8 percent instead of 0.2 percent.

Table 1.4.3: Industrial producer prices* (change percent)

	2015	2016	2017	2018	2019	2020
Producer price index excluding refining	**-0,2**	**-0,4**	**0,7**	**2,6**	**0,6**	**-1,2**
Including						
Food industry	-0.7	-0.4	0.3	0.2	-0.1	2.9
Textile manufacturing	-2.8	0.1	-1.2	1.8	0.2	0.8
Clothing industry	2.8	0.8	0.0	0.7	2.2	0.9
Manufacturing of electrical equipment	0.1	-3.1	2.9	6.2	-0.6	2.1
Chemical industry	-0.3	-0.2	2.1	12.1	3.0	-9.1
Metallurgy	-1.6	-2.2	0.4	-0.2	-2.3	-6.3
Metal product manufacturing	-2.9	-0.3	2.3	1.3	-0.5	-1.7
Woodworking and wood products manufacturing	0.0	0.7	-0.3	1.5	4.6	-2.7
Paper and cardboard industry	-0.4	-2.3	0.2	0.8	4.7	-1.8

* Changes are calculated on the basis of the Producer Price Index base 2018=100 from 2019 and refer to the index base 2010=100 before this year.

Source: HCP.

1.5 Public finance

The economic crisis triggered by the Covid-19 virus weighed heavily on public finances in 2020. The budget deficit increased sharply to 7.6 percent of GDP, as against 4.1 percent in 2019, and the Treasury's debt ratio worsened by 11.6 points to 76.4 percent of GDP. This change reflects a drastic fall in tax resources following the contraction in economic activity and an upsurge in spending, mainly on investment.

The impact on the budget has been greatly mitigated by the creation, upon Royal Instructions, of a special fund for the management of the pandemic, which has raised 34.6 billion dirhams, two thirds[1] of which were collected through a wave of solidarity from businesses and households.

To cope with the sharp increase in its financing needs, the Treasury has, in addition to increasing its fundraising on the domestic market, resorted massively to external resources, for a record amount of 62.9 billion dirhams, including 37.5 billion through two bond issues on the international financial market IFM). Such operations have required removing the ceiling of external financing initially set by the 2020 Finance Law at 31 billion dirhams. In addition, in order to strengthen foreign currency assets, and as a preventive measure, the authorities drew on the IMF's precautionary and liquidity line for around 3 billion dollars put at the disposal of the central bank.

In view of this crisis, the government was prompted to draft an Amending Finance Law (AFL) in July, the first since 1990. This law marked a sharp downward revision of the growth outlook, adjusted resources, re-prioritised certain expenditures and revised the budget deficit target from 3.7 percent to 7.5 percent of GDP.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020
Current receipts	26.0	25.5	25.4	23.6	23.7	24.0	23.4	23.8	23.2
Tax receipts	23.4	21.9	21.4	20.7	20.9	21.2	21.2	20.7	20.4
GCC donations (in billion DH)	-	5.2	13.1	3.7	7.2	9.5	2.8	1.6	0.3
Overall expenditure	34.1	31.2	30.9	28.5	28.5	28.0	27.5	28.1	31.4
Current expenditure	28.1	25.9	25.0	22.6	22.3	21.7	21.5	21.8	23.5
Payroll	11.4	11.0	11.0	10.4	10.3	9.9	9.6	11.1	12.3
Subsidy costs	6.5	4.6	3.5	1.4	1.4	1.4	1.6	1.4	1.2
Investment	6.1	5.4	5.9	5.9	6.3	6.3	5.9	6.3	7.9
Fiscal balance (excluding privatisation)	-7.2	-5.1	-4.9	-4.2	-4.5	-3.5	-3.8	-4.1	-7.6
Direct public debt	58.2	61.7	63.4	63.7	64.9	65.1	65.2	64.8	76.4

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

1 The rest is made up of an initial allocation from the Treasury of 10 billion dirhams and a contribution from the Regions of 1.5 billion.

1.5.1 2020 Finance law and Amending Finance Law

The 2020 Finance Law was drafted based on a growth rate of 3.7 percent, average prices of 67 dollars per barrel for oil and 350 dollars per tonne for butane gas as well as an average exchange rate of 9.69 dirhams per dollar. It has set a target of a budget deficit, excluding privatisation, of 45.3 billion dirhams or 3.7 percent of GDP, with a 7.4 percent increase in overall expenditure and an 8 percent improvement in ordinary revenue.

Tax revenues were expected to rise by 3.8 percent, with an increase in all taxes and duties except registration and stamp duties. Non-tax revenues, excluding privatisation, would improve by 65.5 percent to 29.8 billion, benefiting from receipts of 12.2 billion from monopolies, 12 billion from specific financing mechanisms[1] and 1.8 billion from GCC grants.

At the same time, current expenditure should increase by 4.1 percent, mainly due to a 23.1 percent increase in the wage bill, taking into account the creation of 23 312 budgetary posts instead of 25 572 in the 2019 FL, and the impact of social dialogue estimated at 6.1 billion, as well as the integration in 2020 of social security charges under the employer's share, previously classified under other goods and services. This latter heading should experience a reduction of 18.6 percent. In addition, the subsidy fees should decrease by 20.3 percent, while investment issues were forecast to increase by 22.1 percent to 70.4 billion.

With the advent of the Covid-19 pandemic and the deterioration of the economic situation, the government resorted to an amending finance law to update the macroeconomic framework and adapted budget management to the context of the crisis. It thus showed a deficit widening to 7.5 percent of GDP, or 82.8 billion. In addition to domestic resources, this deficit was to be financed by gross external borrowings of 60 billion dirhams, while privatisation operations, expected to generate 3 billion dirhams, were cancelled due to the unfavourable economic situation.

As for assumptions, the 2020 revised budget has mainly been drawn up on the basis of a 5 percent fall in real GDP, with a 4.8 percent decline in agricultural value added incorporating an estimated cereal production of 30 million quintals instead of the 70 million quintals adopted in the 2020 FL, and an average butane gas price of 290 dollars per tonne.

As compared to the 2020 Finance Law, current revenue, excluding privatisation, was forecasted to fall by 15.4 percent, reflecting an 18.8 percent decrease in tax revenue and a 12.9 percent increase in non-tax one. Conversely, current expenditure was revised downwards by 10.3 billion, with 2.2 billion saved on the wage bill following the deferral of promotion and recruitment operations[2]. On the other hand, investment should increase slightly by 0.5 billion in terms of issuance to 70.8 billion, corresponding to payment credits of 85.7 billion instead of 78.2 billion in the 2020

1 hese mecanisms mainly concern the State's disposal transactions of non-financial assets combined with the State's assets lease contract.

2 Excluding staff working for safety and health administrations.

Finance law. This evolution covers a 8.9 billion decrease in the investment of ministerial departments and a 16.4 billion increase in common investment charges, of which 15 billion is to be reallocated to the economic recovery programme through the Mohammed VI Fund[1] for investment.

Furthermore, the AFL ratified the decree creating the special fund for managing the Covid-19 pandemic, set up on 16 March 2020 upon instructions from His Majesty the King. This fund raised 34.6 billion by 31 December, of which 29.3 billion was spent in the same year. An amount of 23 billion was transferred to households within the framework of the Tadamon[2] operation, 3 billion was devoted to upgrading the health system, while the same amount was allocated to the Central Guarantee Fund, leaving a positive balance of 5.3 billion.

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

	2019 Finance Law	2020 Finance Law	2020 Amended Finance Law	Change in percent AFL 2020/FL2020	Change in percent AFL2020/FL2019
Current receipts	**266 982**	**288 336**	**243 993**	**-15.4**	**-8.6**
Tax receipts[1]	245 971	255 218	207 320	-18.8	-15.7
Including : VAT	86 728	92 738	71 594	-22.8	-17.5
CT	51 961	53 036	42 914	-19.1	-17.4
IT	44 602	46 181	40 047	-13.3	-10.2
Nontax receipts	17 711	29 818	33 674	12.9	90.1
Including : Grants from GCC countries	2 000	1 800	1 800	0.0	-10.0
Receipts of some innovative mechanisms	-	12 000	14 000	16.7	-
Revenue from specific financing mechanisms	3 300	3 300	3 000	-9.1	-9.1
Overall expenditure	**316 366**	**339 622**	**329 785**	**-2.9**	**4.2**
Current expenditure	**258 761**	**269 264**	**258 972**	**-3.8**	**0.1**
Goods and services	186 715	198 787	197 295	-0.8	5.7
Wage bill[2]	112 159	138 084	135 933	-1.6	21.2
Other goods and services	74 555	60 703	61 362	1.1	-17.7
Debt expense	27 658	28 016	28 339	1.2	2.5
Subsidy costs	18 370	14 640	11 860	-19.0	-35.4
Transfers to territorial authorities	26 018	27 821	21 478	-22.8	-17.5
Current balance[3]	**8 221**	**19 072**	**-14 979**	**-178.5**	**-282.2**
Capital spending[4]	57 606	70 358	70 813	0.6	22.9
Balance of other Treasury special accounts	6 000	6 000	3 000		
Primary balance[3]	**-15 727**	**-17 270**	**-54 453**		
Overall fiscal balance[3]	**-43 384**	**-45 286**	**-82 792**		
In percentage of GDP[5]	**-3.7**	**-3.7**	**-7.5**		

1 This fund was set up on Royal Instructions with a view to contributing to funding major structuring investment projects, strengthening the capital of companies and supporting productive activities, in accordance with sectoral strategies and public policies. The Fund may conclude any financing or partnership agreement with any national, foreign or international financial institution.

2 This operation consisted of direct transfers to "Ramedist" and "non-Ramedist" households of allowances ranging from 800 dirhams to 1,200 dirhams, depending on their size. The purpose is to mitigate the impact of the restrictions put in place to curb the spread of the Covid-19 virus. It has benefited nearly 5.5 million households, 45 percent of which are in rural areas.

Financing requirement	**-43 384**	**-45 286**	**-82 792**		
Domestic financing	19 871	27 667	39 163		
External financing	18 514	14 619	43 629		
Privatization	5 000	3 000	0		

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

2 Personnel expenses in FL 2020 and AFL 2020 include social charges for the employer's share. which were previously classified under the heading "other goods and services".

3 Ordinary balance refers to the difference between ordinary revenues and ordinary expenditure. 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.

4 Forecast in terms of emissions

5 Ratios calculated on the basis of nominal GDP as forecasted by the Ministry of Economy and Finance.

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

Box 1.5.1 : Main tax measures of the 2020 FL and the 2020 AFL

The taking into account the creation of 23 312 budgetary posts 2020 taking into account the creation of 23 312 budgetary posts has been particularly rich in tax measures. The objectives are to (i) continue tax harmonisation, especially with respect to corporate income tax and VAT; (ii) strengthen the alignment of the national tax system with international standards; and (iii) promote sports activities and support the conversion of sports associations into companies. The law also provides several derogatory provisions allowing taxpayers to regularise their situation vis-à-vis the tax authorities.

Corporate income tax

- Revision of the tax regime applicable to companies granted CFC status as from 1st January 2020: the total exemption from corporate income tax benefiting these companies during the first five consecutive financial years has been extended to their local and export sales, and the specific rate applied beyond this period has been increased from 8.75 percent to 15 percent. In addition, dividends and other equity income paid by these companies are exempt from tax withheld at source. The FL has also repealed the tax regime applicable to regional or international headquarters and representative offices of non-resident companies holding CFC status.
- Progressive convergence towards a single rate of corporate income tax on industrial companies for their local and export sales: the 2020 FL reduced the marginal rate of corporate income tax from 31 percent to 28 percent for local sales and increased the rate of the maximum scale from 17.5 percent to 20 percent for their export sales. The legislator has also raised the intermediate rate of the common law corporate income tax scale from 17.5 percent to 20 percent.
- Total exemption from corporate tax for sports companies during the first five consecutive financial years and implementation of a maximum rate of 20 percent beyond this period. The FL also provided for tax neutrality to be applied to transfers made by a sports association of some or all of its assets and liabilities to a sports company.

- In line with international standards, the tax regime for companies carrying out outsourcing activities within or outside integrated industrial platforms has been unified irrespective of their products and services destination (local or export). These companies are completely exempt from corporate income tax for the first five years of operation and are subject to a tax rate capped at 20 percent after this period.
- Extending the scope of the tax incentive scheme dedicated to restructuring groups of companies to transfers of intangible and financial assets, instead of only tangible assets previously.

Income tax

- Introduction of a 25 percent deduction applicable to the taxable base corresponding to the mobile payment turnover of natural persons with professional income, determined in accordance with the simplified net income regime or the flat-rate profit regime.
- Increase of the annual turnover limits for the application of the flat-rate profit regime, (i) from one million to 2 million dirhams for commercial, industrial, craft and fishing activities; and (ii) from 250 thousand to 500 thousand dirhams for service providers and liberal professions.
- Limiting the deduction from net taxable pay of premiums paid under supplementary pension insurance contracts to 50 percent for those concluded before January 2015. Previously, this limitation was only applied to contracts concluded after this date.
- Extending the benefit of the internship allowance exemption to holders of a high school diploma instead of only higher education or vocational training graduates. This exemption is granted for a period of 24 months for gross monthly allowances capped at 6 thousand dirhams.
- Raising the rate of the flat-rate of the deduction from 55 percent to 60 percent for pensions and life annuities whose gross annual amount does not exceed 168 thousand dirhams.
- Revising the rate of the deduction applicable to the gross salary paid to professional athletes from 40 percent to 50 percent.
- Exemption of transfers of real estate properties of a value not exceeding 4 million dirhams, used as a main residence for a period of less than 6 years, provided that the proceeds of the sale are invested in the acquisition of a building intended as a main residence within a period not exceeding six months.
- Exemption from the income tax on the profit from property on the transfer by natural persons of real estate or real property rights free of charge to associations recognised as being of public interest.

- Increase of the upper limit of the sums invested within the framework of the plans of saving in shares and the plans of saving company from 600 thousand dirhams to 2 million dirhams.

Value added tax

- VAT exemption without right of deduction for sports companies for the first five financial years.
- Increase of the rate to 20 percent for certain agricultural equipment that may be used for non-agricultural purposes.
- Harmonising the tax treatment of participatory finance products with conventional banking products. Thus, the 2020 FL has provided an exemption for investment goods acquired exempting investment goods acquired within the framework of the "Murabaha" operation and clarified the tax regime applicable in terms of VAT to "SALAM" and "ISTISNA'A" products.
- Reducing from 20 percent to 10 percent the rates applied to services provided by cafe operators, to the sale of museum, cinema and theatre tickets, as well as to imported engines for fishing boats.
- Harmonising the rate applied to palm oil with other vegetable fats, bringing it from 10 percent to 20 percent.
- Repealing the specific rates applicable to wines and alcoholic beverages, gold, platinum and silver, by incorporating them into the domestic consumption tax.
- Taxing the proceeds of securitisation transactions under common law conditions and thereby restoring VAT neutrality. Previously, the Collective Investment Funds for Securitization was subject to VAT by way of a withholding tax and could not benefit from any deduction of this tax.
- Abolishing the VAT exemption on imports of meat and fish intended for catering facilities, thus aligning it with the domestic VAT regime.
- Exempting water pumps powered by renewable energy used in the agricultural sector from VAT on imports. This brings it into line with the domestic VAT treatment.

Registration and stamp duties

- Exemption of deeds bearing acquisition of buildings within the framework of the programmes "Cities without slums" or "Buildings threatening ruin".
- Extending the benefit of the exemption to deeds for the acquisition of lands comprising buildings intended to be demolished and reserved for the construction of hotel establishments. This exemption was granted only to bare land intended for this category of investment.
- Exemption of deeds relating to the contribution of assets and liabilities of sports associations to sports companies.
- Exemption for the acquisition of land intended for the construction of social housing under a Murabaha contract.
- Exemption of acts of acquisition of real estate by political parties to carry out their activities.

Common CT and IT measures

- Abolishing the five-year exemption for export turnover under the IT and the CT, and increasing the rate of the latter from 17.5 percent to 20 percent.
- Reviewing the tax regime of the "industrial acceleration zones" by applying, after an exemption during the first five years, a specific rate of 15 percent in terms of CT or 20 percent in terms of IT with no distinction between local and export turnover. This new regime is applicable to companies set up in these zones as from 1st January 2021.
- Reviewing the rate of the minimum CT and IT contribution from 0.75 percent to 0.5 percent. This rate is increased to 0.6 percent when the company declares, beyond the 36-month exemption period, a negative current result excluding depreciation for two consecutive financial years.
- For taxable agricultural farms, reviewing the capped IT rate from 17.5 percent to 20 percent and maintenance of the capped CT rate at 20 percent.
- Reviewing the maximum amount of equity investment in young innovative companies in new technologies, entitling to tax reduction, from 200 thousand dirhams to 500 thousand dirhams per company.

Other tax measures

- Aligning the tax regime for new Takaful insurance products with the one applied to traditional insurance products.
- Introducing mandatory reporting of the worldwide distribution of profits of multinational groups, known as "country-by-country reporting". This provision is in line with Morocco's commitments in the framework of the BEPS project (Base Erosion and Profit Transfer).
- Bringing the legislative framework governing the information exchange for tax purposes into line with international standards, particularly those of the OECD.

Tax and exchange rate relief measures

- Reintroducing incentives for newly identified taxpayers who were engaged in informal sector activities, as adopted in the 2011, 2013 and 2015 Finance Laws. Thus, (i) natural persons carrying out an activity liable to IT and who register as of 1st January 2020, are only taxable on the basis of income earned and operations carried out as of the date of their identification; (ii) for taxpayers whose professional income is determined according to the real net regime or according to the simplified net result regime, their stocks are valued in such a way as to generate, at the time of their sale or withdrawal, gross margins higher than or equal to 20 percent; (iii) in the case of VAT liability, the gross margin realised on the sale of stocks which have been valued shall be subject to VAT with no right of deduction, until the stock is exhausted.

- Introducing the possibility of adjusting taxpayers' situations by filing a spontaneous corrective tax return. This procedure concerns the tax situation for the years 2016, 2017 and 2018 and allows the taxpayer to benefit from the cancellation of penalties and the exemption from tax inspection, under certain conditions.
- Adjusting the tax situation of taxpayers who have not filed their annual return relating to property income for previous years that are not time-barred. The taxpayer will be exempted from paying the IT on property income relating to the return and the related increases and penalties but will have to pay a contribution equal to 10 percent of the gross amount of property income for 2018.
- Voluntary regularisation of the tax situation of individual taxpayers with regard to the acquisition of movable or immovable property not intended for professional use, to advances in partners' current accounts or in the account of the operator and to loans granted to third parties, provided that they pay a contribution equivalent to 5 percent of the value of the amounts declared.
- Voluntary regularisation of taxpayers' tax situation as regards liquid assets relating to the exercise of a professional or agricultural activity which has not been declared, provided that they pay a contribution fixed at 5 percent of the amount of the said assets. The taxpayer concerned is thus exempted from paying the IT and any related fines and penalties.
- Spontaneous regularisation of assets and cash held abroad. This measure, which takes up the provisions of the 2014 Finance Law, introduces a contribution in full discharge of liabilities, applied to assets held abroad before 30 September 2019, equivalent to: (i) 10 percent of the acquisition value of real estate, financial assets and securities; (ii) 5 percent of the amount of liquid assets in foreign currencies repatriated to Morocco and deposited in foreign currency accounts or convertible dirhams; and (iii) 2 percent of liquid assets in foreign currencies that are transferred to Morocco and traded on the foreign exchange market against dirhams.

Measures taken in the framework of the AFL

The AFL has introduced measures befitting certain sectors and taxpayers in facing the crisis. These mainly concern revising some customs tariffs in order to encourage local production, extending the deduction (CT and IT) of donations paid to the Covid-19 fund over a period of five years, extending deadlines for taxpayers to settle their situation spontaneously and the one-year period of the 36-month VAT exemption for investment agreements signed with the state. It has also introduced incentives in terms of CT and VAT to promote the use of mobile payments. With regard to the registration fees, a total discharge has been granted for the acquisition of social housing or low-value real estate, as well as a 50 percent reduction for other categories, subject to a maximum acquisition value of 2.5 million dirhams.

1.5.2 Budget implementation

The fiscal year closed with a deficit, excluding privatisation, of 82.4 billion, or 7.6 percent of GDP, compared with 46.9 billion or 4.1 percent of GDP a year earlier. This result, which takes into account the positive balance of 5.3 billion from the Special Fund for the management of the Covid-19 pandemic, reflects a 7.6 percent fall in current revenue and a 5.8 percent increase in overall expenditure.

Chart 1.5.1: Overall budget balance and primary balance

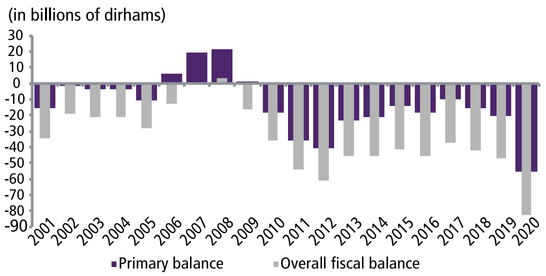
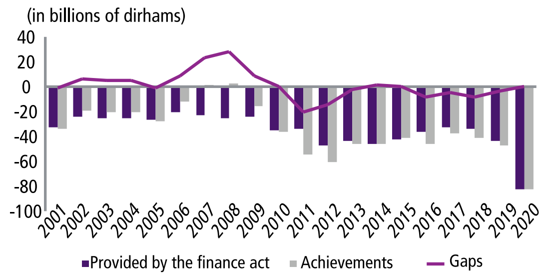


Chart 1.5.2: Overall budget balance



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

Current revenues

Current revenue fell by 7.6 percent to 253.1 billion, reflecting declines of 6.8 percent in tax revenue due to the pandemic-related economic downturn and of 12.4 percent in non-tax revenue due to a reduction in both specific funding and grants from GCC countries.

Revenues from direct taxes totalled 92.7 billion dirhams, down by 4 percent compared to 2019, accounting for 105.9 percent of the AFL. By category, income tax fell by 6.5 percent to 40.2 billion, with a 24.2 percent decrease to 2.7 billion in income tax on real estate profits and a 0.5 percent increase to 8.9 billion in income tax on civil servants salaries[1]. Meanwhile, corporate tax revenue, mainly based on corporate profits made in 2019, fell slightly by 0.2 percent to 48.8 billion, while revenue from the solidarity contribution improved by 11 percent to 2.2 billion.

On the other hand, indirect taxes fell by 8.8 percent to 107.4 billion, as a result of the 8.9 percent drop in VAT to 80 billion and the 8.4 percent drop in DCT to 27.4 billion. The change in the latter is mainly explained by the 13.2 percent contraction to 14.4 billion for DCT on energy products, due to the 12.8 percent drop in the volume of fuels sold for consumption, and the 2.7 percent contraction to 11 billion for DCT on tobacco. With regard to VAT revenue, its decrease reflects those of 12.6 percent to 49 billion for import VAT and 2.5 percent to 31 billion for domestic VAT. Refunds for the latter reached 10.4 billion against 9.8 billion in 2019.

1 This refers to the portion served by the Directorate of Personnel Expenses.

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

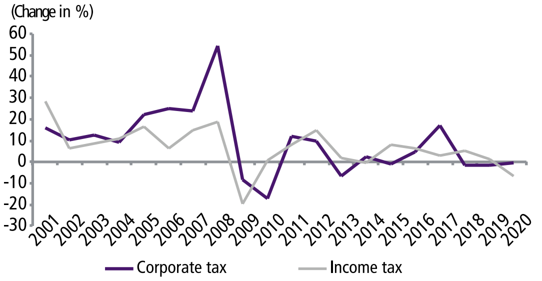
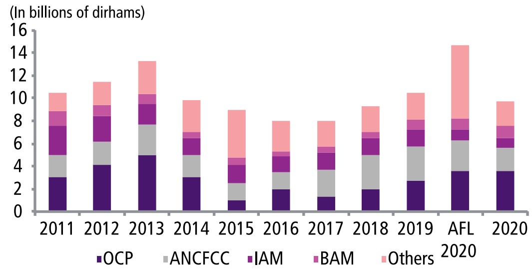


Chart 1.5.4: Revenues of monopolies and shareholdings



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

Alongside this, customs duties generated 9.5 billion in revenue, down by 2.9 percent from 2019, but their implementation rate compared to the 2020 AFL reached 119.6 percent. This evolution is largely attributable to the 12 percent drop in taxable consumer goods under the import duty, further impacted by the measures[1] introduced to suspend the import tax during the year. Similarly, revenues from registration and stamp duties fell by 11.4 percent, reaching 13.3 billion, and their implementation rate stood at 104.7 percent.

Chart 1.5.5: Current revenues

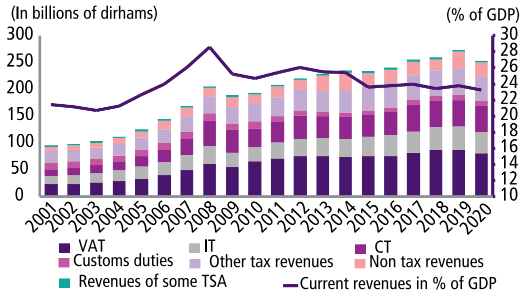
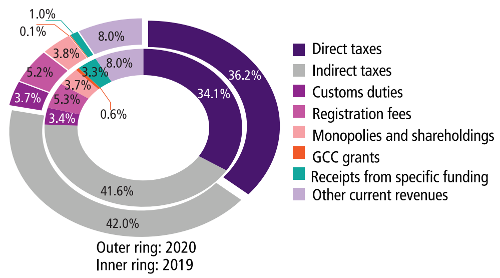


Chart 1.5.6: Structure of current revenues



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

Non-tax revenues fell by 12.4 percent to 27.2 billion, well below the AFL forecast of 33.7 billion. This result is mainly attributable to the drop in revenue from specific financing to 2.6 billion as against 9.4 billion in 2019 and 14 billion programmed in the 2020 AFL. It also reflects the decline in income from monopolies and shareholdings by 7.4 percent to 9.7 billion, of which 3.6 billion were received from OCP, 2 billion from ANCFCC, 1.1 billion from BAM and 911 million from Maroc Telecom. As for donations from GCC countries, they were limited to 278 million dirhams, instead of 1.6 billion in 2019. On the other hand, aid funds have increased significantly, from 2 billion to 7.1 billion dirhams at the end of 2020, including 4.7 billion from the European Union.

1 The suspension measures were introduced from 1 April on durum wheat, lentils, common beans, chickpeas and broad beans, and throughout 2020 on soft wheat and its derivatives.

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

	2019[1]	2020	Change in percent	Implementation rate compared to the Amended Finance Law 2020
Current receipts	**273 856**	**253 129**	**-7.6**	**103.7**
Tax receipts[2]	**238 999**	**222 799**	**-6.8**	**107.5**
- Direct taxes	96 514	92 651	-4.0	105.9
Corporate tax	48 864	48 778	-0.2	113.7
Income tax	42 941	40 165	-6.5	100.3
- Indirect taxes	117 769	107 410	-8.8	108.3
Value added tax [2]	87 869	80 020	-8.9	111.8
Domestic consumer tax	29 900	27 390	-8.4	99.2
- Customs duties	9 768	9 488	-2.9	119.6
- Registration and stamp duties	14 948	13 250	-11.4	104.7
Nontax receipts	**31 061**	**27 218**	**-12.4**	**80.8**
- Monopolies and shareholdings	10 494	9 716	-7.4	66.2
- Other revenues	20 567	17 502	-14.9	92.2
Including : Grants from GCC countries	1 637	278	-83.0	15.4
Revenue from specific financing mechanisms	9 400	2 550	-72.9	18.2
Receipts of some Treasury Special accounts	**3 796**	**3 112**	**-18.0**	**103.7**
Overall expenditure	**323 005**	**341 822**	**5.8**	**103.6**
Current expenditure	**250 739**	**255 940**	**2.1**	**98.8**
Goods and services	**181 888**	**191 143**	**5.1**	**96.9**
- wage bill	127 719	133 529	4.5	98.2
- Other goods and services	54 169	57 614	6.4	93.9
Public debt expense	**26 419**	**27 259**	**3.2**	**96.2**
- Domestic	22 578	23 147	2.5	98.8
- External	3 841	4 112	7.0	83.6
Subsidy costs	**16 072**	**13 532**	**-15.8**	**114.1**
Transfers to territorial authorities	**26 361**	**24 006**	**-8.9**	**111.8**
Current balance[3]	**23 116**	**-2 811**		
Capital spending	**72 265**	**85 883**	**18.8**	**121.3**
Balance of other the Treasury Special accounts	2 288	6 326		
Primary balance[3]	**-20 442**	**-55 110**		
Overall fiscal balance[3]	**-46 861**	**-82 368**		
Change in pending operations	-4 498	14 747		
Financing requirement/surplus	**-51 359**	**-67 621**		
Domestic financing	28 794	24 678		
- Domestic debt	9 967	43 974		
- Other transactions	18 827	-19 296		
External financing	17 222	42 943		
- Drawings	25 448	62 864		
- Depreciation	-8 226	-19 921		
Privatization	5 344	0		

1 Revised figures

2 Tax receipts are expressed in net figures. including 30 percent of VAT receipts transferred to local governments.

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

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

Overall expenditure

Executed at 103.6 percent compared to the AFL, overall expenditure increased by 5.8 percent to 341.8 billion, showing increases of 2.1 percent to 255.9 billion in current expenditure and 18.8 percent to 85.9 billion in capital expenditure.

Chart 1.5.7: Overall expenditure

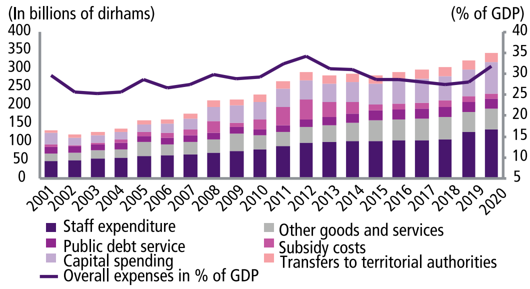
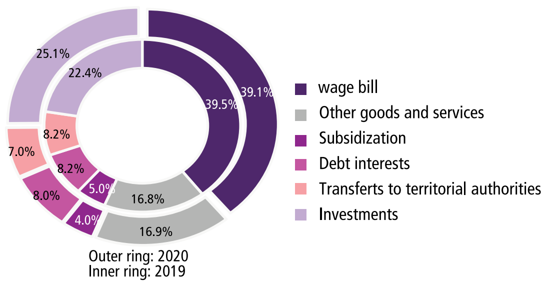


Chart 1.5.8: Structure of overall expenditure



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

Regarding current expenditure, the wage bill[1] increased by 4.5 percent to 133.5 billion, representing 12.3 percent of GDP instead of 11.1 percent in 2019. The structural component of the wage bill, managed by the Directorate of Personnel Expenses, which accounts for 86.7 percent of the total, increased by 4.4 percent, while arrears fell by 38.1 percent to 3.2 billion. This evolution mainly reflects the impact of salary increases decided in 2019 as part of the social dialogue. By ministerial department, Personnel Expenses amounted to 46.6 billion for National Education and Vocational Training, Higher Education and Scientific Research, 24.4 billion for the Ministry of the Interior and 10.4 billion for the Health Ministry.

Expenditures on other goods and services increased by 6.4 percent to 57.6 billion, reflecting higher payments from 25.3 billion to 26 billion to state-owned campanies and institutions (SOCI) and from 4 billion to 8.2 billion for special Treasury accounts.

The subsidy cost fell by 15.8 percent, after a 9.3 percent decline a year earlier, to 13.5 billion or 1.2 percent of GDP, with an implementation rate of 114.1 percent compared to the forecasts of the AFL. Subsidies for butane gas fell by 7.3 percent to 9.2 billion, due to the 10.6 percent drop in international prices to an average of 378.8 dollars per tonne. On the other hand, sugar subsidy fell by 4.5 percent to 3.3 billion, due to a 4.7 percent drop in the subsidised quantity to 1.1 million tonnes and a 4.3 percent increase in the price of sugar to an average of 307.8 dollars per tonne.

1 Including social expenses for the employer's share, previously classified under the heading of other goods and services.

Chart 1.5.9: Wage bill

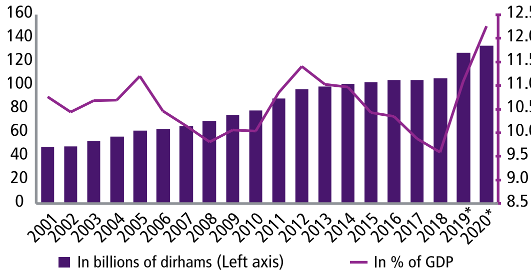
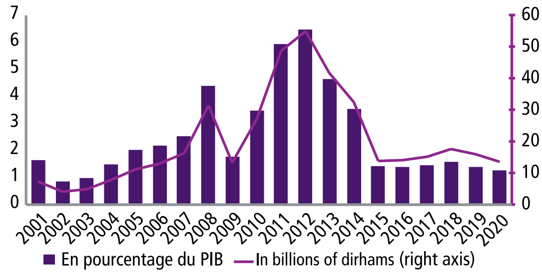


Chart 1.5.10: Subsidy costs



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

As for debt interest charges, they increased by 3.2 percent to 27.3 billion, comprising increases of 2.5 percent to 23.1 billion in interest on domestic debt and 7 percent to 4.1 billion in interest on foreign debt.

Taking into account all these developments, the ordinary balance showed a deficit of 2.8 billion, after a surplus of 23.1 billion a year earlier. At the same time, investment expenditure increased by 18.8 percent to 85.9 billion, representing an implementation rate of 121.3 percent compared to the AFL, including an allocation of 15 billion allocated to the Mohammed VI Fund for Investment. As a percentage of GDP, they stood at 7.9 percent, up 1.6 points from one year to the next. According to data from the General Treasury of the Kingdom, the share of common expenses in total investment expenditure amounted to 50.6 percent, with an implementation rate of 114.8 percent. For the rest, the investment expenditure of the Ministry of Agriculture and Maritime Fishing totalled 10.8 billion while that of the Ministry of Equipment and Transport amounted to 8.9 billion. For the departments of Education and Health, they reached 4.1 billion and 2.8 billion, representing limited implementation rates of 68.9 percent and 84.6 percent, respectively.

Chart 1.5.11: Current balance

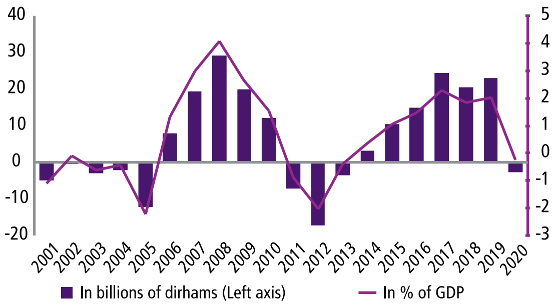
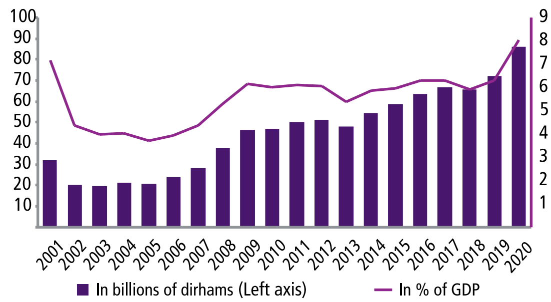


Chart 1.5.12: Investment expenditure



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

The balance of the Treasury's special accounts rose from 2.3 billion to 6.3 billion, including 5.3 billion from the Special Fund for the management of the Covid-19 pandemic. Under these conditions, the budget deficit, excluding privatisation, increased by 35.5 billion to 82.4 billion, and taking into account a replenishment of the stock of pending operations of 14.7 billion, the cash deficit, excluding privatisation, increased by 16.3 billion to 67.6 billion.

Chart 1.5.13: Stock of pending transactions*

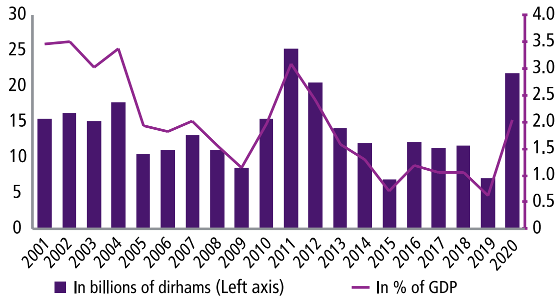
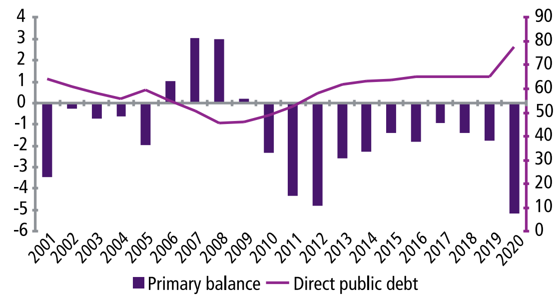


Chart 1.5.14: Primary balance and direct public debt as percent of GDP



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

1.5.3 Treasury financing

Faced with the significant increase in its financing needs, the Treasury resorted massively to external financing, whose net flow rose from 17.2 billion to 42.9 billion dirhams. On the domestic market, the Treasury raised by 46.2 percent to 152.6 billion, reducing the net flow of domestic financing to 24.7 billion, down by 4.1 billion.

Considering redemptions, net issuance on the auction market amounted to 43.6 billion, compared with 11 billion a year earlier. They were subscribed in particular by mutual funds for 39 billion and by banks for 12.4 billion. On the other hand, holdings by non-financial companies fell by 4 billion to 19.3 billion, those of insurance and social security institutions by 1.6 billion to 129.5 billion and those of the CDG by 1.5 billion to 44.4 billion.

With regard to external financing, the Treasury mobilised 62.9 billion in gross resources, up 37.4 billion on the previous year. These resources came from two sovereign bond issues on the international financial market in September and December, for 37.5 billion, 10.7 billion from the World Bank, 3.9 billion from the AMF and 3.6 billion from the African Development Bank. On the other hand, repayments amounted to 19.9 billion, including 10.9 billion from a Treasury bond issue on the IFM in 2010.

Chart 1.5.15: Treasury's net financing

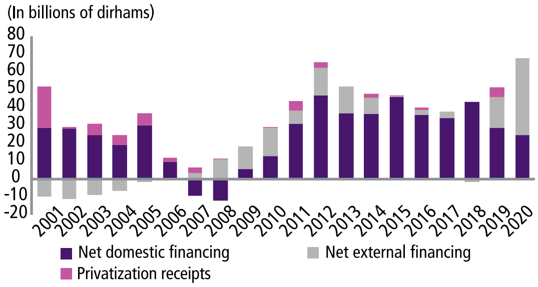
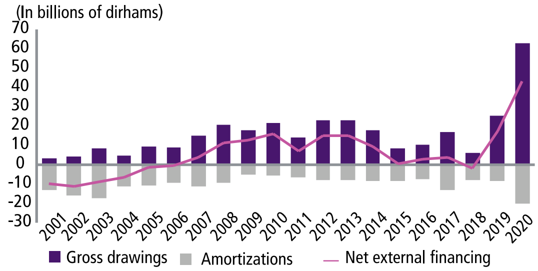


Chart 1.5.16: Treasury's external financing



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

Box 1.5.2 : Treasury's domestic financing conditions in 2020

Despite the significant increase in its financing needs due to the Covid-19 health and economic crisis, the Treasury benefited in 2020 from favourable financing conditions on the domestic financial market. This can be explained mainly by the easing of monetary conditions following Bank Al-Maghrib's decisions in this respect.

The Treasury's new issues on the domestic debt market totalled 152.6 billion dirhams against 104.4 billion in 2019 and an average of 112.4 billion between 2016 and 2018. After remaining almost stable since 2016, the weighted average rate for these issues fell by 0.7 percentage point year-on-year to 2.3 percent. This decline reflects lower rates for all maturities, but also reflects the Treasury's trend towards short maturities in 2020. In fact, the latter accounted for 58.1 percent compared with 24 percent a year earlier.

The infra-annual analysis shows a significant fall in rates between March and June with a 40 bp drop for the 2-year maturity, 35 bp for the 52-week maturity, 33 bp for 20-year bills and 14 bp for 5-year bills. Between July and December, rates varied according to maturity, with increases ranging from 4 bp to 41 bp for the 13-week, 26-week, 20-year, 10-year and 2-year maturities, while for the other maturities, decreases ranging from 5 bp to 15 bp were recorded.

These developments were reflected in the secondary market, which witnessed a downward shift in the yield curve, particularly as from the end of March.

Chart B1.5.2.1: Structure of new Treasury issues by maturity

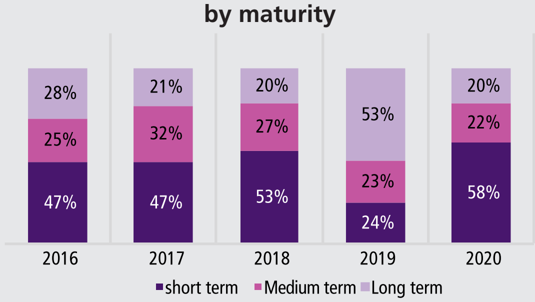
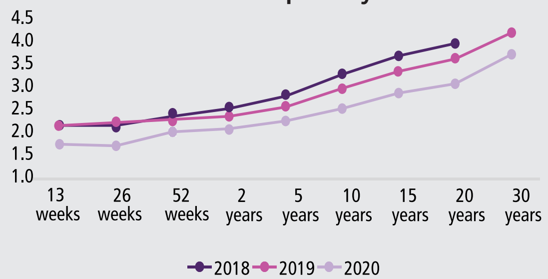


Chart B1.5.2.2: Change in weighted average rates for issues on the primary market



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

1.5.4 Public debt

At the end of December 2020, the outstanding direct public debt jumped by 11.4 percent to 832.4 billion, reflecting increases of 8.1 percent to 632.9 billion in its domestic component and 23.5 percent to 199.5 billion in its external component. Taking into account the 5.5 percent contraction of nominal GDP, the Treasury's debt ratio rose by 11.6 percentage points to 76.4 percent of GDP overall, by 7.3 points to 58.1 percent of GDP for domestic debt and by 4.3 points to 18.3 percent of GDP for external debt.

As for the characteristics of this debt, the maturity of its domestic component has stabilised at 6.6 years, with a quasi-stagnation of its average cost[1] at 4 percent, against 2.5 percent for the external debt. The latter remains dominated by the euro, which represents 60.7 percent. However, this share fell sharply from one year to the next in favour of the dollar, which rose from 26.4 percent to 33.5 percent, in connection with the Treasury's issue of 3 billion dollars in December.

The external debt of SOCIs fell by 2 percent to 174.8 billion, representing 16 percent of GDP, against 15.5 percent in 2019. Overall, the outstanding public external debt[2] stood at 374.3 billion, equivalent to 34.4 percent of GDP instead of 29.5 percent in 2019. Multilateral creditors hold 48.9 percent of the debt, up from 49.4 percent in 2019, while the international financial market and commercial banks hold 28.1 percent, up from 25 percent, and bilateral creditors hold 23 percent, up from 25.6 percent.

Chart 1.5.17: Treasury debt

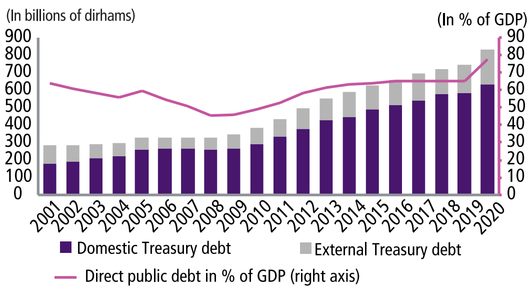
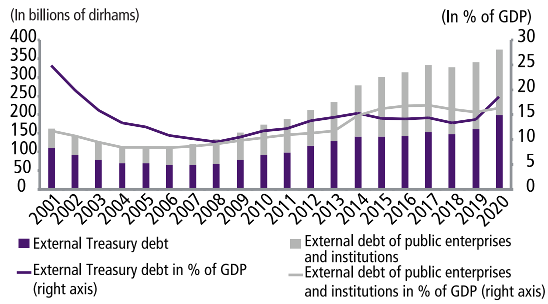


Chart 1.5.18: External public debt



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

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

2 External debt of the Treasury and external debt of SOCIs.

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

	2012	2013	2014	2015	2016	2017	2018	2019	2020
I- Domestic Treasury debt (1+2)	**376.8**	**424.5**	**445.5**	**488.4**	**514.7**	**539.1**	**574.6**	**585.7**	**632.9**
In percent of GDP	44.4	47.3	48.1	49.4	50.8	50.7	51.8	50.8	58.1
1- Treasury bond auctions	356.7	413.0	426.1	470.1	490.0	516.7	546.2	557.2	600.7
In percent of GDP	42.1	46.0	46.0	47.6	48.4	48.6	49.3	48.3	55.1
2- Other domestic debt instruments	20.1	11.5	19.4	18.3	24.7	22.4	28.4	28.5	32.2
In percent of GDP	2.4	1.3	2.1	1.9	2.4	2.1	2.6	2.5	3.0
II- External Treasury debt	**116.9**	**129.8**	**141.1**	**140.8**	**142.8**	**153.2**	**148.0**	**161.5**	**199.5**
In percent of GDP	13.8	14.5	15.2	14.3	14.1	14.4	13.4	14.0	18.3
III- Stock of direct debt (I+II)	**493.7**	**554.3**	**586.6**	**629.2**	**657.5**	**692.3**	**722.6**	**747.2**	**832.4**
In percent of GDP	58.2	61.7	63.4	63.7	64.9	65.1	65.2	64.8	76.4
IV- Secured external debt of state-owned companies and institutions	**95.8**	**104.9**	**137.0**	**160.2**	**169.7**	**179.4**	**178.6**	**178.4**	**174.8**
In percent of GDP	11.3	11.7	14.8	16.2	16.7	16.9	16.1	15.5	16.0
External public debt (II+IV)	**212.7**	**234.7**	**278.1**	**301.0**	**312.5**	**332.6**	**326.6**	**339.9**	**374.3**
In percent of GDP	25.1	26.1	30.0	30.5	30.8	31.3	29.5	29.5	34.4
GDP at current prices	**847.9**	**897.9**	**925.4**	**988.0**	**1 013.2**	**1 063.0**	**1 108.5**	**1 152.8**	**1 089.5**

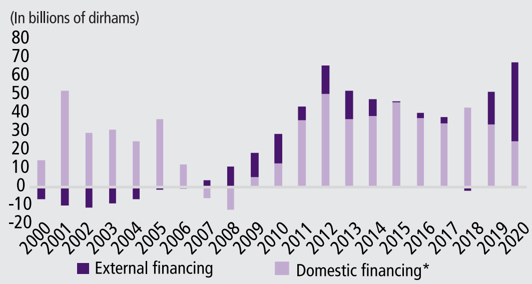
Sources: Ministry of Economy, Finance and Administration Reform (DTEF) and HCP.

Box 1.5.3: Treasury issues on the international financial market (IFM) (2000-2020)

After a turbulent period in the 80s characterised by the adoption of the structural adjustment programme and the rescheduling of the external debt, Morocco witnessed a decade of structural reforms to improve the management and performance of the national economy. Thus, at the beginning of the 2000s, the economic situation of the country improved considerably, with a relative mastery of macroeconomic balances and an improved profile and growth rate. As a result, it was able to strengthen its position vis-à-vis international investors and markets as a credible partner, and in 2007 it was upgraded to investment grade in the ratings of the Fitch[1] and Standard & Poor's rating agencies.

Since then, the country managed to ensure a continuous presence on the IFM, with several bond issues whose timing and volume are mainly determined by: (i) the Treasury's financing needs; (ii) trade-off between external and internal debt; (iii) trade-off between bilateral and multilateral debt and IFM issues; (iv) reduction of costs in the context of active debt management; and (v) management of exchange rate risk linked to debt repayment.

Chart B.1.5.3.1: Financing of the Treasury Requirement



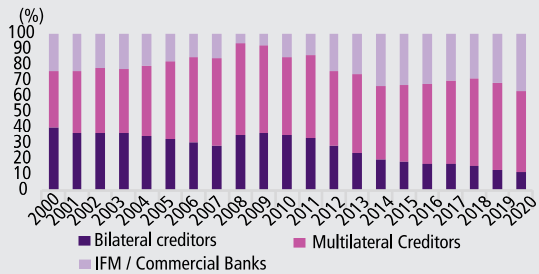
*Including privatization receipts.

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

[1] In October 2020, in the context of the Covid-19 crisis, Fitch downgraded Morocco's sovereign rating by one notch, placing it in the speculative category

The Treasury's financing requirement, which went through a period of no obvious trend between 2000 and 2007, with an annual average of 19.3 billion, underwent three cycles of evolution. It first worsened from a surplus of 1.1 billion in 2008 to a deficit of 65.6 billion in 2012. Thereafter, the need has gradually decreased to reach 38 billion dirhams in 2017, before resuming its trend to peak in 2020 at 67.6 billion in a context marked by the impact of the crisis of the Covid-19. Except for the year 2020, this need was mainly covered by recourse to domestic resources, favoured by the development of the Treasury bill auction market. The trade-off between external and internal debt is generally implemented in such a way that the structure remains in line with the objectives of the Treasury's benchmark portfolio, targeting a share of external debt between 20 percent and 30 percent.

Chart B.1.5.3.2: Structure of the Treasury's external debt outstanding by creditor



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

Under these conditions, the Treasury's debt evolved in two main phases. First, it followed a downward trend, falling from 64.9 percent of GDP in 2000 to 45.4 percent of GDP in 2008, before rising again, reaching 64.8 percent in 2019 and peaking at 76.4 percent of GDP in 2020.

To mobilise external financing, the Treasury resorts to its bilateral and multilateral partners and occasionally to bond issues on the IFM.

Over the past two decades, nine issues have been made in total. The first was in 2003 for 400 million euros (4.3 billion dirhams), with the purpose of reimbursing in advance the expensive debts contracted with the African Development Bank and the Islamic Development Bank. The Treasury re-entered IFMs in 2007 with a new issue of 500 million euros (5.6 billion dirhams), which was used to prepay the rescheduled debt to the London Club.

A third issue was carried out in 2010 under better conditions than the two previous ones, despite the difficult economic context marked by the aftermath of the 2008 financial crisis. It amounted 1 billion euro (11.2 billion dirhams), with a rate of 4.5 percent, and subscribed 2.4 times by a wide range of investors, including fund managers, banks, hedge funds, insurance and pension funds. It improved the liquidity of Moroccan debt on the IFM and tripled its weight in the EMBI[2] index.

[2] Emerging Market Bond Index, measuring yields on marketable external debt securities, i.e. bonds denominated in foreign currencies.

In 2012, in order to ease pressure on the domestic market in view of a significant deterioration in fiscal and external balances, Morocco addressed the IFM while trying to further diversify and broaden the investor base[3]. It launched, for the first time, a dollar issue in two tranches. The first one amounted to 1 billion US dollars with a maturity of 10 years and a coupon of 4.25 percent, and the second one amounted to 500 million US dollars, with a maturity of 30 years and a rate of 5.5 percent. In order to reduce the exposure of the Treasury's external debt portfolio to the risk of volatility in exchange rates, the first tranche of this loan was the subject of a currency swap from the dollar to the euro carried out with the World Bank. This issue helped establish a new benchmark in the dollar compartment, thus facilitating access to IMF for domestic public and private issuers.

In order to benefit from a more favourable evaluation of the country risk by the market, Morocco proceeded, on May 22, 2013, to reopen the line of the loan mobilized in 2012, by issuing new securities with the same characteristics as the first. Thus, the volumes of the two initial instalments of 10 years and 30 years were increased by 500 and 250 million dollars respectively, with rates of 4.25 percent and 5.5 percent. These borrowings were supported by the conclusion of the first PLL agreement with the IMF in 2012, which helped consolidate the confidence of foreign partners and investors and contributed to preserving the country's sovereign rating.

In 2014, the Treasury re-entered IFM in a context marked of continuing pressure from oil prices on foreign exchange reserves and less favourable financing conditions on the domestic market. Thus, it carried out a bond issue of one billion euros with a maturity of 10 years at a rate of 3.5 percent.

After a five-year break, Morocco returned to IFM in November 2019 with a 1billion euro bond maturing in 12 years and offering favourable financing conditions, including a historically low interest rate of 1.5 percent.

In 2020, in view of the magnitude of the Covid-19 crisis and the worsening financing needs, Morocco increased its sources of external financing, intensifying its drawings from multilateral and bilateral partners, drew down the entire PLL, i.e. the equivalent of 3 billion dollars, and made two issues on the IFMs. The first was issued in two tranches of 500 million euros each, with maturities of 5 years and 10 years and rates of 1.38 percent and 2 percent respectively. The second bond issue, which highlighted Morocco's return to the dollar compartment after an absence of 7 years, was carried out in three tranches of 750 million, one billion and 1.25 billion dollars, with maturities of 7 years, 12 years and 30 years, and at rates of 2.38 percent, 3 percent and 4 percent respectively.

[3] Morocco has also signed a memorandum of understanding with the GCC countries for a grant totaling 5 billion dollars to be disbursed over a period of 5 years.

Table B1.5.3.1 : Treasury bond issues on the IFM (2000-2020)

Year	Amount in currency	Amount in dirham	Interest rate	Maturity	Risk premium	Objectives
2003	400 million euros	4 300	5.24 percent	5 years	215 bp	Early repayment of costly debts.
2007	500 million euros	5 580	5.38 percent	10 years	55 bp	Early repayment of the rescheduled debt to the London Club.
2010	1 billion euros	11 186	4.50 percent	10 years	200 bp	Improvement of the liquidity of the Moroccan debt on the international market.
2012	1 billion dollars	12 839	4.25 percent	10 years	275 bp	Establishment of a new borrowing benchmark in the dollar segment and diversification of the investor base
	500 million dollars		5.50 percent	30 years	290 bp	
2013	500 million dollars	6 422	4.25 percent	10 years	220 bp	
	250 million dollars		5.50 percent	30 years	237.5 bp	
2014	1 billion euros	11 167	3.50 percent	10 years	215 bp	
2019	1 billion euros	10 587	1.50 percent	12 years	139.7 bp	
24-sept-20	500 million euros	10 692	1.38 percent	5 years	190 bp	Repayment of debt contracted in 2010.
	500 million euros		2.00 percent	10 years	240 bp	
09-déc-20	750 million dollars	26 577	2.38 percent	7 years	175 bp	
	1 billion dollars		3.00 percent	12 years	200 bp	
	1.25 billion dollars		4.00 percent	30 years	261 bp	

1.6 Balance of payments

The restrictions imposed on economic activities and travel, both nationally and in the main economic partners, to limit the spread of the virus resulted in a sharp contraction in Morocco's foreign trade. Thus, imports of goods fell by 14%, driven by significantly lower energy bill and reduced purchases of capital and consumer goods. In the same way, exports fell by 7.5%, mainly as a result of the weaker demand addressed to certain world crafts of Morocco, essentially the automobile, textile and leather and aeronautics industries. These developments led to a significant reduction in the trade deficit, from 17.9% to 14.6% of GDP, and an improvement in the coverage ratio by 4.3 percentage points to 62.2%.

At the same time, with a 78.5% drop in tourist arrivals, travel receipts were limited to 36.5 billion dirhams, down from the previous year by 53.7%. On the other hand, remittances from Moroccans living abroad showed a notable resilience, with an increase by 4.9% to 68.2 billion. Taking into account the mitigation of the deficit of investment income and grants of 5 billion dirhams, the current account deficit shrinked to settle at 1.5% of GDP after 3.7% in 2019.

As regards the main financial operations, foreign direct investment receipts fell by 20.2% to 27.5 billion, equivalent to 2.5% of GDP, the lowest ratio since 2005. The year was also marked by a record mobilisation of external financing. Net loan liabilities reached 47.2 billion dirhams, of which nearly 30 billion were related to the drawing on the IMF's precautionary and liquidity line (PLL), and those related to portfolio investments[1] amounted to 22.7 billion, in conjunction with two Treasury bond issues on the international financial market.

Overall, the official reserve assets (ORA) of Bank Al-Maghrib improved by 26.5% to 320.6 billion dirhams, thus covering 7 months and 13 days of imports of goods and services.

1 According to the 6th edition of the Balance of Payments Manual, transactions on bond issues in the international financial market are recorded under the portfolio investment

Table 1.6.1: Main items of the balance of payments* (in billions of dirhams, unless otherwise indicated)

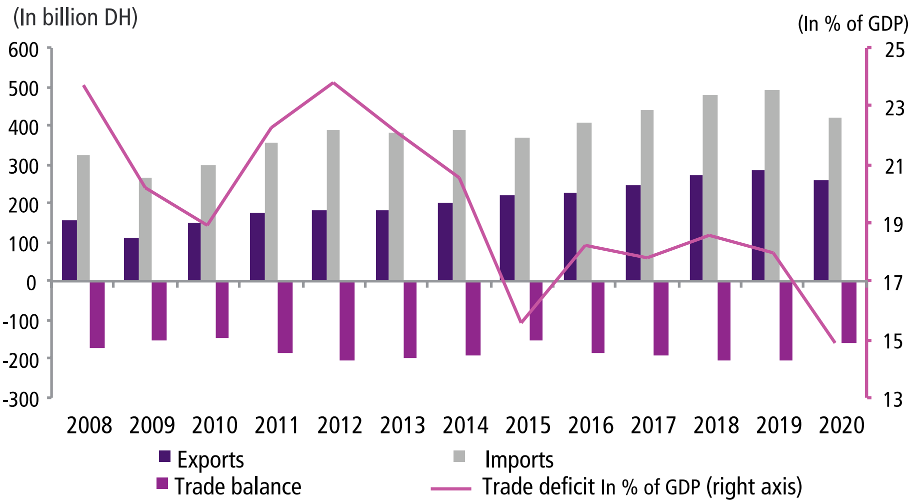
	2015	2016	2017	2018	2019	2020
Current account	**-2.1**	**-4.1**	**-3.4**	**-5.3**	**-3.7**	**-1.5**
Trade deficit (FOB-CIF, in % of GDP)	15.6	18.3	17.8	18.6	17.9	14.6
Travel receipts (change in %)	-1.4	5.0	12.3	1.2	7.8	-53.7
Transfers of Moroccan expatriates (change in %)	4.8	4.0	5.3	-1.5	0.1	4.9
investments income	-18.9	-16.7	-19.5	-19.7	-20.4	-15.3
Donations	5.0	9.7	11.4	4.9	3.3	5.0
Financial account (net flow)	**-14.4**	**-35.4**	**-28.2**	**-46.2**	**-32.0**	**-0.4**
Foreign direct investments receipts (in % of GDP)	4.0	3.5	3.2	4.2	3.0	2.5
Loans	-14.9	-16.8	-22.8	-3.2	-11.2	-47.6
Trade credits	-9.5	-19.8	-17.7	-8.4	-10.1	-10.8
Currency and deposits	6.1	-10.9	33.0	-6.5	-10.1	19.9
ORAs in months of imports	**6.0**	**6.4**	**5.6**	**5.4**	**6.9**	**7.4**

*According to 6th edition of the IMF manual of the balance of payments.
Sources: Foreign Exchange Office and HCP.

1.6.1 Trade balance

In 2020, exchange of goods fell by 90.4 billion dirhams, the largest drop since the economic and financial crisis. Imports fell by 68.7 billion dirhams, compared to 21.7 billion dirhams for exports. As a result, the trade deficit narrowed by 47 billion to 159.5 billion dirhams.

Chart 1.6.1: Trade balance



Sources: Foreign Exchange Office, and HCP.

As regards imports, the energy bill decreased by 34.6% to 50 billion dirhams. The contraction reached 40% for "gas-oils and fuel-oils" and 14.3% for "petroleum gas", as a result of declines of 33.3% and 13% of import prices and of 9.7% and 1.5% of quantities, respectively. Purchases of finished consumer goods fell by 15.9% overall to 95 billion, by 38% for "passenger cars" and by 16.4% for "parts and pieces for cars and passenger vehicles". Similarly, mainly reflecting a virtual absence of purchases of "aircraft and other aircraft or spacecraft", imports of capital goods fell by 13.7% to 109.5 billion. Also, purchases of semi-finished goods fell by 10.9% to 93.1 billion and those of raw materials by 11.9% to 19.5 billion.

On the contrary, against the background of the poor agricultural season, food products imports increased by 15.6% to 55.3 billion, mainly due to higher imports of wheat and barley.

Table 1.6.2: Main export sectors (In billion of dirhams)

	2017	2018	2019	2020	Change 2020/2019	
					In value	In %
Total imports	**438.1**	**481.4**	**491.0**	**422.3**	**-68.7**	**-14.0**
Energy and lubricants	**69.5**	**82.3**	**76.3**	**50.0**	**-26.4**	**-34.6**
Gas and fuel oils	34.3	41.5	38.8	23.3	-15.4	-39.8
Petroleum gases and lubricants	6.8	8.3	8.4	3.3	-5.1	-61.0
Petroleum gases and other hydrocarbons	13.8	15.6	14.1	12.0	-2.0	-14.3
Coals, cokes and similar solid fuels	6.0	8.7	9.1	7.2	-1.9	-20.8
Consumer goods	**100.3**	**108.5**	**113.0**	**95.0**	**-18.0**	**-15.9**
Passenger cars	21.1	22.0	20.3	12.6	-7.7	-38.0
Parts and pieces for cars and passenger vehicles	14.5	17.6	18.8	15.7	-3.1	-16.4
Fabrics and yarns of synthetic and artificial fibers	7.1	7.6	8.2	6.5	-1.6	-20.1
Knitted fabrics	4.3	5.3	5.7	5.0	-0.7	-12.9
Capital goods	**109.4**	**120.2**	**126.8**	**109.5**	**-17.4**	**-13.7**
Aircraft and other air or space vehicles	2.0	4.8	8.0	0.6	-7.3	-91.9
Wire, cable and other insulated conductors for electricity	9.4	9.1	9.1	6.9	-2.2	-24.0
Turbojets and turboprop engines and their parts	1.9	2.8	3.5	1.6	-1.9	-53.6
Appliances for breaking or connecting electrical circuits and resistors	8.6	9.3	9.9	8.5	-1.4	-14.5
Miscellaneous machines and appliances	9.0	10.2	12.2	10.9	-1.4	-11.1
Semi-finished products	**95.6**	**99.9**	**104.5**	**93.1**	**-11.4**	**-10.9**
Plastic materials and miscellaneous plastic articles	13.0	13.8	14.4	12.9	-1.5	-10.3
Electrical wires and cables	3.0	3.5	3.6	2.5	-1.1	-31.4
Iron or non-alloy steel wires and bars	3.4	3.5	4.4	3.3	-1.0	-23.3
Copper wires and bars	4.0	5.0	5.3	4.4	-0.9	-16.2
Raw products	**20.7**	**24.6**	**22.1**	**19.5**	**-2.6**	**-11.9**
Raw and unrefined sulphur	5.0	8.0	6.9	4.9	-2.0	-29.3
Rough, squared or sawn wood	2.6	2.9	2.8	2.2	-0.5	-19.4
Food products	**42.5**	**45.8**	**47.8**	**55.3**	**7.4**	**15.6**
Wheat	8.3	9.1	9.2	13.5	4.3	46.3
Barley	0.8	0.5	0.8	2.3	1.6	-
Fresh or dried fruit, frozen or in brine	0.8	1.1	1.4	2.1	0.7	48.9
Raw or refined sugar	5.0	3.5	4.0	4.4	0.5	12.4

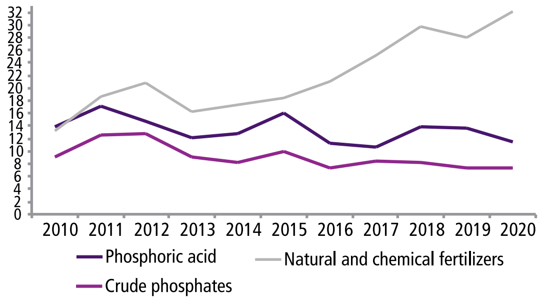
Source: Foreign Exchange Office.

At the same time, the slump in demand, particularly from European partners, the disruption of supply chains and, to a lesser extent, the stoppage of activity due to the outbreak of contamination in certain industrial companies, had a strong impact on exports. For the automotive industry, the number of vehicles shipped fell from 367 thousand to 303 thousand for a value of 29.2 billion, down 13.8%. Sales of the "wiring" and "vehicle interiors and seats" segments also contracted, with rates of 20% and 5.8% respectively, thus bringing those of the automotive sector as a whole to 72.2 billion, down 9.9% year-on-year. Similarly, the textile and aeronautics sectors recorded decreases of 18.9% and 28.3% respectively, while the "agriculture and agri-food[1]" and electronics sectors were almost stable at 62.3 billion and 10.4 billion respectively.

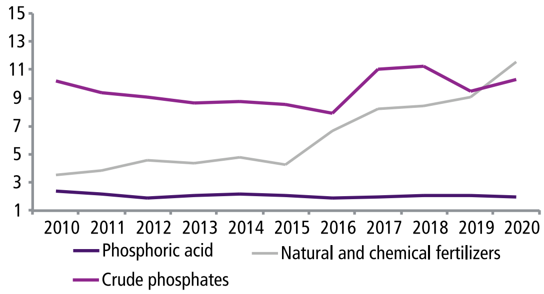
In contrast, the phosphate sector showed notable resilience to the crisis. Indeed, sales ended the year up by 3.9% to 50.8 billion, driven mainly by a 27.4% increase in shipped fertiliser volumes, particularly to Brazil and India. Conversely, phosphoric acid exports fell by 16.2%, the result of a 9.3% drop in prices and a 7.7% drop in quantities.

Chart 1.6.2: Exports of phosphates and derivatives

(In billion of dirhams)



(In millions of tons)



Source: Foreign Exchange Office.

Table 1.6.3: Main export sectors (In billion of dirhams)

	2017	2018	2019	2020	Change 2020/2019	
					In value	In %
Total exports	**248.8**	**275.4**	**284.5**	**262.8**	**-21.7**	**-7.6**
Automotive	**67.0**	**75.8**	**80.2**	**72.2**	**-8.0**	**-9.9**
Construction	31.6	34.3	33.9	29.2	-4.7	-13.8
Wiring	26.1	29.4	31.9	25.5	-6.4	-20.0
Vehicle interiors and seats	6.2	7.7	7.8	7.4	-0.5	-5.8
Textile and Leather	**37.0**	**37.9**	**36.9**	**30.0**	**-7.0**	**-18.9**
Made-up clothing	23.3	23.8	23.3	18.1	-5.2	-22.2
Hosiery items	7.6	7.8	7.5	5.8	-1.7	-22.5
Shoes	3.0	3.1	2.9	2.4	-0.5	-15.9
Aeronautics	**11.6**	**14.7**	**17.5**	**12.5**	**-5.0**	**-28.3**
Assembly	5.9	8.3	10.3	7.8	-2.5	-24.3
Electrical Wiring Interconnection System (EWIS)	5.7	6.4	7.2	4.7	-2.5	-34.3
Other extractive industries	**4.8**	**4.5**	**4.2**	**3.4**	**-0.8**	**-18.0**
Electronics and Electricity	**8.3**	**9.2**	**10.4**	**10.4**	**0.0**	**0.3**
Electronic components	4.3	4.4	4.3	2.8	-1.5	-34.2
Wire, cable and other conductors for electricity	2.0	2.2	2.4	4.1	1.7	71.8
Agriculture and agri-food industry	**54.4**	**58.4**	**62.1**	**62.3**	**0.2**	**0.3**
Food industry	31.7	32.4	32.4	32.8	0.4	1.3
Agriculture, forestry, hunting	20.8	23.9	27.3	27.7	0.4	1.4
Phosphates and derivatives	**44.2**	**52.0**	**48.9**	**50.9**	**1.9**	**3.9**
Crude phosphates	8.4	8.3	7.3	7.3	0.0	0.4
Phosphate derivatives	35.8	43.7	41.6	43.5	1.9	4.6
Other industries	**21.4**	**22.9**	**24.3**	**21.1**	**-3.2**	**-13.1**

* Electrical Wiring Interconnection System (EWIS).

Source: Foreign Exchange Office.

1 Including fisheries.

Box 1.6.1: Export trends in the automotive and textile sectors in 2020: international comparisons

Following the outbreak of the pandemic in China in December 2019 and its propagation to the rest of the world, global demand for goods and services has contracted and supply chains have been severely disrupted. These developments occurred against the backdrop of an already slow trade recovery from the 2008 global financial crisis.

As early as the first quarter, trade in goods fell by 5.8% in value, rising to 21% in the second quarter, a period of severe restrictions on economic activity and travel in many countries. This trend gradually eased, bringing the decline for the year as a whole to 7.6%. Trade trends varied widely across sectors. While some products, particularly medical and technological ones, experienced significant growth in the context of the pandemic, others suffered markedly. This is particularly the case of the automobile and textile industries, two of Morocco's main global trades.

1. Export trends in the automotive sector

Given China's position as the world's largest supplier of automotive inputs, the first disruptions in supply chains began with the closure of plants there. Due to the prevailing "just-in-time" production and low inventory levels in the industry, shortages affected the pace of production. These difficulties, combined with the downturn in demand, led to a 15.9% decline in the number of cars sold worldwide, which reached 21.1% in the European market. These developments have accentuated the trend observed over the last two years, particularly as a result of the tighter production standards imposed to combat climate change.

In Morocco, the automotive industry, the leading export sector since 2014, has also suffered from this unfavourable situation. After an average growth of 8.8%[1] between 2015 and 2019, exports of passenger cars[2] fell by 12.8% in 2020. Compared to a sample of similar countries[3], Morocco's underperformance remains one of the least significant. Indeed, out of the 7 countries selected, only the Czech Republic experienced a smaller decline, i.e. 8%, while for the others, the fall varied between 15% in Slovenia and 31% in Poland.

Also, Morocco stands out with a relatively different infra-annual profile. Indeed, the impact of the crisis was felt in the first quarter, particularly in March with a 95% drop in exports. For the other countries, the bottoms were recorded in the second quarter, reaching over 70% in the case of Mexico and South Africa. In the third quarter, reflecting essentially a base effect linked to the launch of production at the PSA plant in Kenitra, the rebound was stronger in Morocco, with a year-on-year increase of 41%.

1 According to the Harmonized System, passenger cars were identified under code 8703 "Passenger cars and other motor vehicles primarily designed to transport less than 10 persons, including station wagons and racing cars (excluding vehicles of heading 8702)".

2 According to data from the Foreign exchange office, the average growth is 12% between 2015 and 2019 while the decrease rate in 2020 stands at 14.7%. For comparison purposes, these data have been converted into US dollars, using the average USD/MAD exchange rate.

3 he countries were selected according to two criteria, the share of foreign value added in total exports and the vehicle segment produced. The countries selected were the Czech Republic, the Netherlands, Poland, Slovenia, Mexico, South Africa and Thailand.

Chart B 1.6.1.1: Quarterly exports of passenger cars (year-on-year change, %)

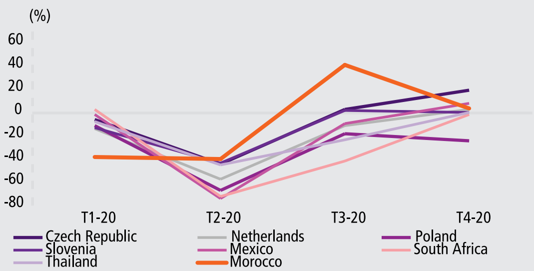
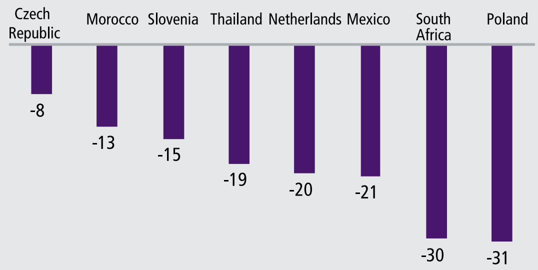


Chart B 1.6.1.2: Passenger car exports in 2020 (% change)



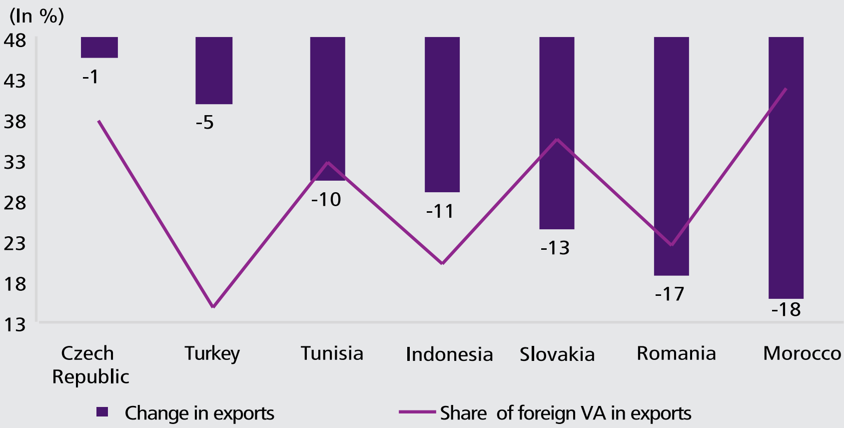
Source : Comtrade, Ministry of Commerce of Thailand, Office of Foreign Exchange and BAM calculations.

2. Exports trend in the textile industry

In 2020, textiles[4] was one of the sectors most hit by the health crisis. Restrictions put in place to contain the spread of the virus, reduced employment and incomes, on the demand side, as well as disruptions in the supply of inputs, on the supply side, resulted in a significant decrease in production and sales.

In Morocco, this sector, already weakened by international competition and informal production, suffered a drop in exports by 18.2%[5]. This counter-performance is the most pronounced when compared with an international benchmark composed essentially of competitor countries[6]. Indeed, the decline was limited to 1% in the Czech Republic and 5% in Turkey and varied for the other countries between 17% in Romania and 10% in Tunisia. This finding would be partly linked to the low local integration of the production process in Morocco, as the share of foreign value added in the sector's exports is the highest among the countries in the sample.

Chart B1.6.1.3: Changes in textile exports and share of foreign value added in total exports value added in total exports (year-on-year, %)



Sources : TiVA, Comtrade and BAM calculations.

4 These products have been identified under the Harmonized System under codes 50-64.

5 This rate is -20% according to the data of the foreign exchange office. For comparison purposes, these data have been converted into US dollars, using the average USD/MAD exchange rate.

6 Czech Republic, Romania, Slovakia, Indonesia, Egypt, Tunisia and Turkey

The infra-annual analysis indicates that Morocco experienced the most significant dip in the second quarter, with a 56% decline compared to decreases ranging from 15% in the Czech Republic to 45% in Egypt. Moreover, the recovery of national exports in the third quarter was short-lived, followed by a 12% contraction in the last quarter of the year, while it continued for the other economies.

Chart B 1.6.1.4: Quarterly exports of the textile sector (year-on-year changes, %)

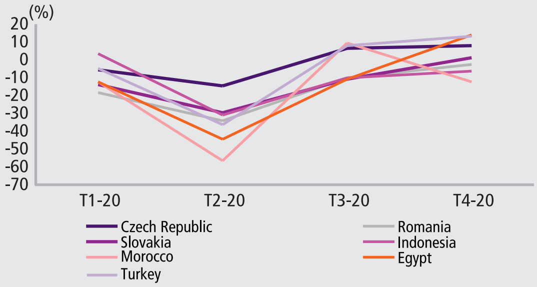
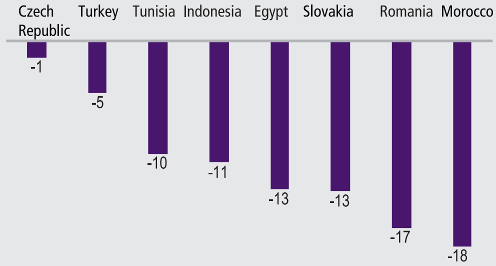


Chart B 1.6.1.5: Textile sector exports in 2020 (% change)



Sources : Comtrade, Office of Foreign Exchange, Institut de Statistics Turkey, Statistics Tunisia, Statistics Indonesia et BAM calculations.

1.6.2 Balance of services

In 2020, the surplus balance on trade in services decreased by 31.6% to 64 billion dirhams, mainly due to the travel balance. In fact, after having recorded an increase of 4.5% in the first quarter, travel receipts suffered from the closure of borders to limit the spread of the COVID-19 virus, falling by 53.7% over the whole year to 36.5 billion. This decline affected all issuing countries, with particularly pronounced contractions in France, with a drop of 13.6 billion, as well as in Spain, the United Kingdom and the United States, with declines of nearly 3 billion.

Expenditure fell by 49.7% to 10.5 billion dirhams, due to a 70% drop in tourism expenditure to 3.5 billion dirhams, a 55.9% drop in business travel and the suspension of pilgrimage and Omra operations. On the other hand, the expenditure relating to schooling increased by 7.7% to 5.7 billion.

Chart 1.6.3: Travel receipts and expenses (In billions of dirhams)

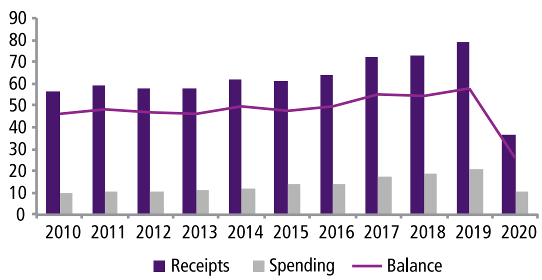
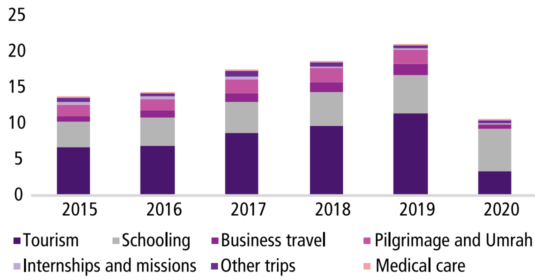


Chart 1.6.4: Travel expenditure by type of operation (in billions of dirhams)



Source: Foreign Exchange Office.

With regard to transport services, mainly mirroring the restrictions on passenger air transport, revenues contracted by 11.8 billion and expenditures by 10.1 billion, and the deficit consequently increased to 4.1 billion dirhams.

Conversely, the surplus balances of "other business services" and "telecommunications, computing and information" increased to 20.1 billion and 13 billion respectively

1.6.3 Income balance

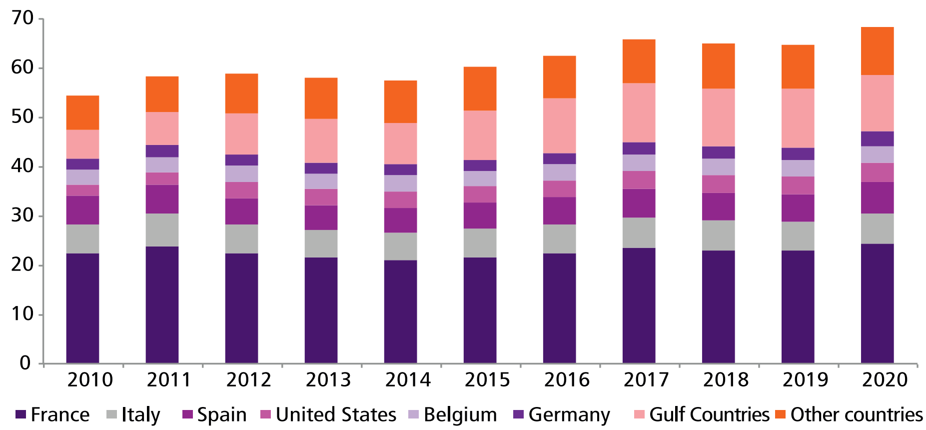
After two consecutive years of decline, the income surplus balance in 2020 increased by 23.9% to 67.2 billion dirhams, driven mainly by a 10.8% increase in the balance of current transfers[1] , while that of investment income, which is structurally in deficit, increased by 24.7%.

In terms of direct investment income, inflows increased by 943 million to 4.1 billion and outflows decreased by 3.9 billion to 12.8 billion, leading to a narrowing deficit of 8.8 billion. In contrast, the deficit on portfolio investment increased slightly to 3.5 billion. At the same time, income from reserve assets increased by 28.3% to 2.5 billion dirhams.

Remittancies from Moroccans living abroad (MLA) showed a strong resilience, ending the year with a 4.9% improvement to 68.2 billion. This increase concerned most major host countries, with increases of 6.6% for France, 11.2% for Spain, 24.6% for Germany and 21.2% for the Netherlands. Inflows from the Gulf countries decreased by 3.9% to 11.4 billion and their share fell from 18.3% in 2019 to 16.7%.

At the same time, revenue from public transfers increased by 2.1 billion to 5.6 billion dirhams, including 4.7 billion in the form of grants from the European Union, aimed in particular to support the country in coping with the pandemic. Conversely, donations from GCC partners were limited to 278 million, after 1.6 billion in 2019.

Chart 1.6.5 : Structure of Moroccans living abroad remittancies by main host country (%)



Source : Office des Changes.

1 Mainly consisting of remittancies from Moroccans living abroad and donations.

1.6.4 Financial account

Also affected by the crisis, foreign direct investment receipts fell by 20.2% to 27.5 billion, equivalent to 2.5% of GDP, as against an average of 3.6% over the past five years. Taking into account a 40% decrease in expenditure under the same heading to 10.8 billion, the net flow of FDI increased by 1.2% to 16.7 billion.

By sector, manufacturing attracted 9.1 billion, down 28% on 2019, and real estate activities drained 6 billion after 7.1 billion a year earlier. In contrast, investment receipts for "retail and wholesale trade" and "financial and insurance activities" increased to 2.9 billion and 2.6 billion respectively.

By country of origin, inflows from France and the United Arab Emirates contracted by 9.5 billion and 2.3 billion respectively. On the other hand, flows from the United Kingdom and Spain increased slightly by about 350 million to reach around 2 billion dirhams.

Chart 1.6.6: FDI receipts by country of origin (in billion dirhams)

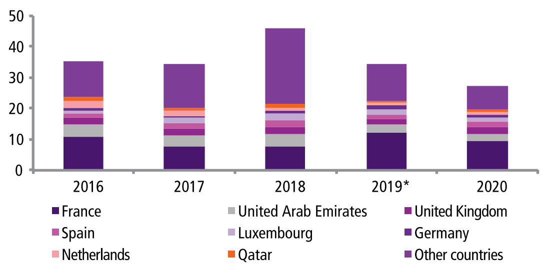
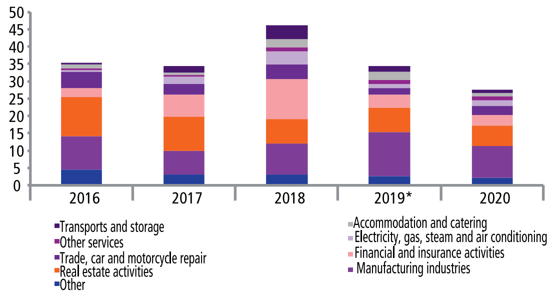


Chart 1.6.7: FDI receipts by activity sector (in billion dirhams)



Source: Foreign Exchange Office.

Meanwhile, direct investments abroad made by residents fell by 29.3% to 7.8 billion. With disposals improving by 29.3% to 3.1 billion, the net flow thus amounted to 4.7 billion dirhams, down 45.6% compared to 2019.

These investments were mainly targeted towards financial activities, with a share of 43%, followed by extractive industries with 18% and manufacturing industries with a proportion of 13.4%. By country, investments are mostly destined to Africa with a share of 67.4% against 16.4% for the United Arab Emirates, 5.7% for France and 5.1% for Luxembourg.

Chart 1.6.8: Moroccan direct investment overseas by country of destination (in billions of dirhams)

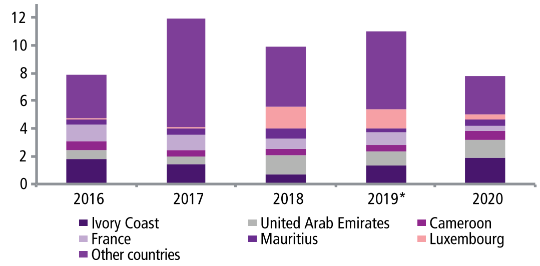
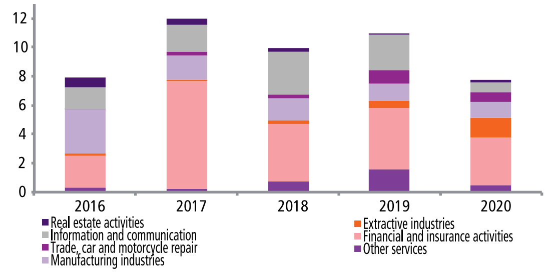


Chart 1.6.9: Moroccan direct investment overseas by sector (in billions of dirhams)



Source: Foreign Exchange Office.

As for portfolio investments, their balance increased to -21.2 billion after -11.4 billion a year earlier, mainly reflecting an increase in liabilities to 22.7 billion, following the bond issues made by the Treasury on the international financial market.

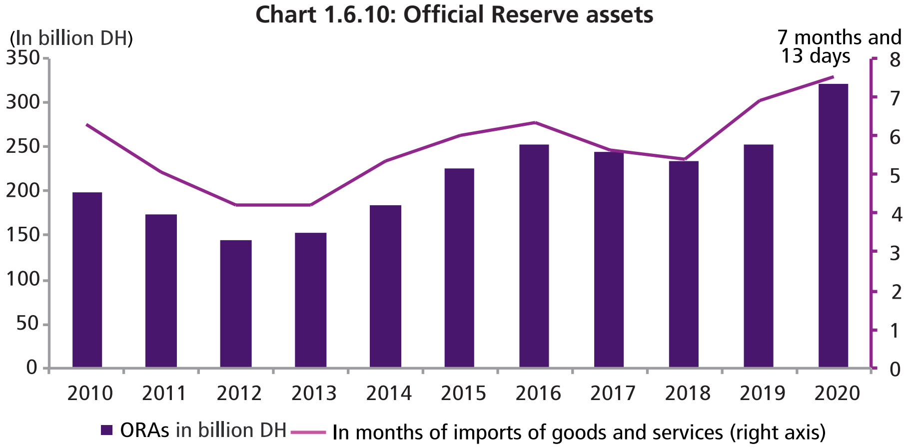
With regard to loans, the year witnessed a significant expansion of 34.8 billion in commitments, which reached a record 47.2 billion, including, in addition to the drawdown on the PLL, exceptional amounts of bilateral and multilateral borrowing.

In addition, residents' assets in " currency and deposits " increased to 13.5 billion dirhams, mainly due to the 11.2 billion increase in deposits of Moroccan banks abroad. As for commitments under the same heading, they fell by 16.9 billion dirhams, mainly due to the decrease in borrowings by non-residents from offshore banks.

In parallel, the balance of trade credits stood at -10.8 billion after -10.1 billion, resulting from a 2.9 billion drop in payment facilities granted to Moroccan importers and a 3.6 billion drop in those granted by national exporters to their foreign clients.

Taking into account all these developments, the balance of the financial account, excluding reserves, declined to -70.1 billion dirhams after -50.7 billion in 2019. In total, the outstanding of Official Reserve assets increased by 26.5% to reach 320.6 billion, equivalent to 7 months and 13 days of imports of goods and services.

Chart 1.6.10: Official Reserve assets

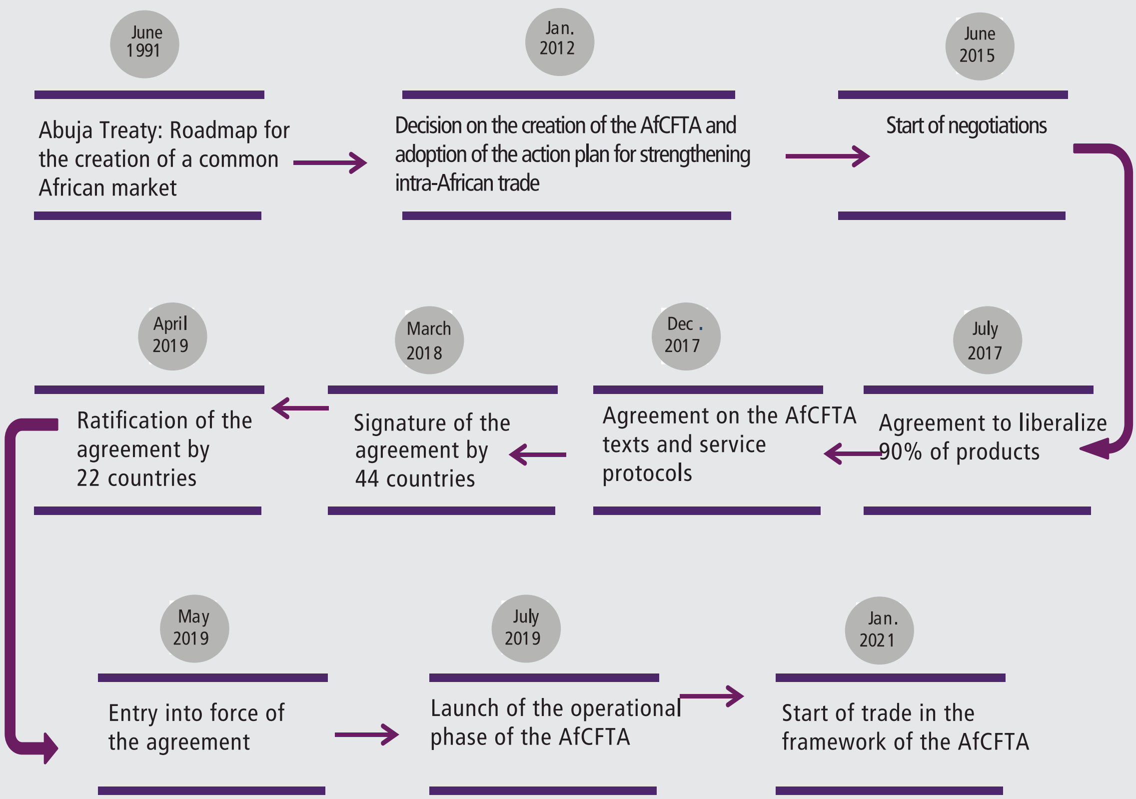


Sources: Foreign Exchange office and BAM calculations.

Box 1.6.2: African Continental Free Trade Area

The African Continental Free Trade Area (AfCFTA) is a flagship project of the African Union's (AU) Agenda 2063 aimed at speeding up the economic integration of the continent. After several rounds of negotiations that started in June 2015, the agreement to create the zone was signed by 44 countries on 21 March 2018 in Kigali. Almost three years later, trade in this framework has started as of 1 January 2021.

Diagram B1.6.2.1 : Key Dates in the Implementation of the AfCFTA



1.Goals and implementation of the AfCFTA

As laid down in its founding Article 3, the main objectives of the AfCFTA are to create a single market for goods and services, facilitated by the free movement of people and investment, and, subsequently, a continental customs union. This free trade area is expected to increase intra-African trade, foster industrialisation and business competitiveness, contribute to job creation and improve Africa's investment attractiveness.

With protocols on trade in goods and services, investment, intellectual property rights and competition policy, the agreement provides for the gradual abolition of at least 90% of tariff lines over a 10-year period. It also aims at gradually eliminating non-tariff barriers, simplifying customs procedures and facilitating trade and transit.

Despite the restrictions linked to the pandemic, significant progress was made, notably in the negotiations of the first phase relating to establishing schedules of concessions for goods, to rules of origin and to specific commitments for services trade. Thus, by the end of March 2021, negotiations have been completed for 81% of tariff lines, 41 countries have submitted their schedules of concessions, 10 of which have also submitted ratification texts to allow goods trade to begin.

For services, the deadline for submitting specific commitment schedules was set at June 2021 for 5 priority sectors[1] and 31 December 2021 for the rest. By the end of November 2020, only 12 countries had submitted their offers in this framework.

2. Socio-economic impact of the AfCFTA

Despite the difficulty to assess the impact of the AfCFTA on the African economy at this stage, several studies have attempted to capture the potential gains in terms of growth, trade and employment. For example, World Bank[2] (WB) estimates based on three scenarios, as opposed to a baseline scenario assuming there is no AfCFTA, indicate that :

- First scenario (abolition of tariffs on intra-African trade[3]): the impact on economic growth would be limited, with a 0.1% acceleration by 2035. In terms of trade, exports from the continent would increase by 1.8% and imports by 2.3%, while intra-African trade would jump by 22%.
- Second scenario (abolition of tariffs and reduction of non-tariff barriers): additional growth would be 2.2%, exports would increase by 19%, imports by 20%, and intra-African trade by 52%.
- Third scenario (abolition of tariffs, 50% reduction in non-tariff barriers and implementation of the Trade Facilitation Agreement[4]): significant gains are expected, with improvements of 4% for growth, 81% for intra-continental trade, 41% for Africa's imports and 29% for its exports. The latter, in particular, should be driven by a 62% increase in manufacturing. From a social perspective, the WB estimates that by 2035, the FTAA agreement would help lift an additional 30 million people out of extreme poverty and 68 million out of moderate poverty[5]. In addition, wages are expected to jump by 10.3% for unskilled workers and 9.8% for skilled ones.

Estimates from other institutions such as the IMF and the Economic Commission for Africa (ECA) confirm the potential gains of the AfCFTA, although they differ relatively in terms of impact level. For example, tariff abolition and the reduction of non-tariff barriers would, according to the IMF[6], lead to

1 These are financial, business, communication, tourism and transport services.

2 The African Continental Free Trade Area, Economic and Distributional Effects, World Bank, 2020.

3 Gradual elimination of 97% of intra-African trade tariffs.

4 The Trade Facilitation Agreement (TFA) under the World Trade Organization includes provisions to speed up the movement, release and clearance of goods. These include improving cross-border infrastructure and reducing the cost of administrative procedures.

5 In terms of purchasing power parity, the WB poverty lines are set at 1.90 USD for extreme poverty and 5.50 USD for moderate poverty.

6 In terms of purchasing power parity, the WB poverty lines are set at 1.90 USD for extreme poverty and 5.50 USD for moderate poverty.

an accelerated growth rate ranging from 1% to 5% as well as an improvement in intra-African trade of over 80%. The ECA[7] estimates that by 2040, liberalisation of trade in goods would have a positive impact of 1% on growth and 3% on Africa's exports. Depending on the degree of liberalisation, the increase in the value of intra-African trade would vary between 15% and 25%.

3. Potential impact on Morocco

Trade between Morocco and African countries has more than tripled over the last twenty years, rising from 10.2 billion in 2001 to an average of 38.5 billion dirhams between 2018 and 2020. Exports amounted to 21.6 billion instead of 3.5 billion, but their share in the total, although improving, remains low at around 8%. In parallel, imports doubled over the same period to reach 17 billion, representing a share of 4% of the total.

Moreover, these exchanges remain concentrated in a limited number of countries. Indeed, between 2018 and 2020, Egypt, Algeria and Tunisia provide 79% of Moroccan imports from the continent while 63% of national exports are destined for 10 countries.

Direct investments from Moroccans in Africa have gained significant momentum in recent years, accounting for more than half of the total flow, although they remain concentrated in financial and banking activities. In contrast, investment from Africa has accounted for only 3% on average between 2018 and 2020 of inflows to Morocco.

Chart B1.6.2.1 : Structure of Morocco's imports from Africa (average 2018-2020)

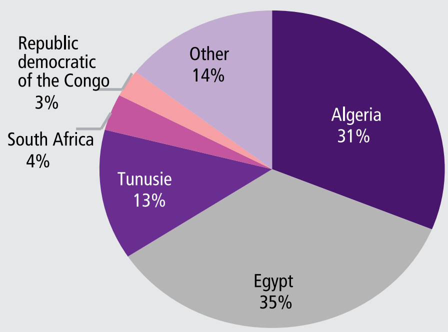
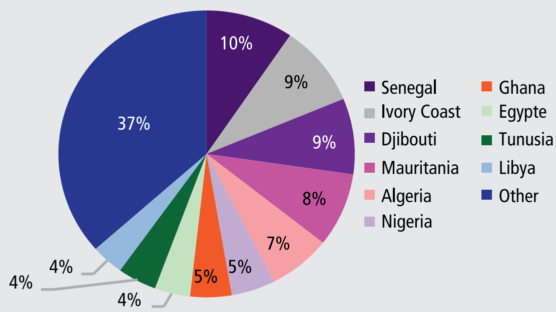


Chart B1.6.2.2 : Structure of Morocco's exports to Africa (average 2018-2020)



Source: Foreign Exchange Office.

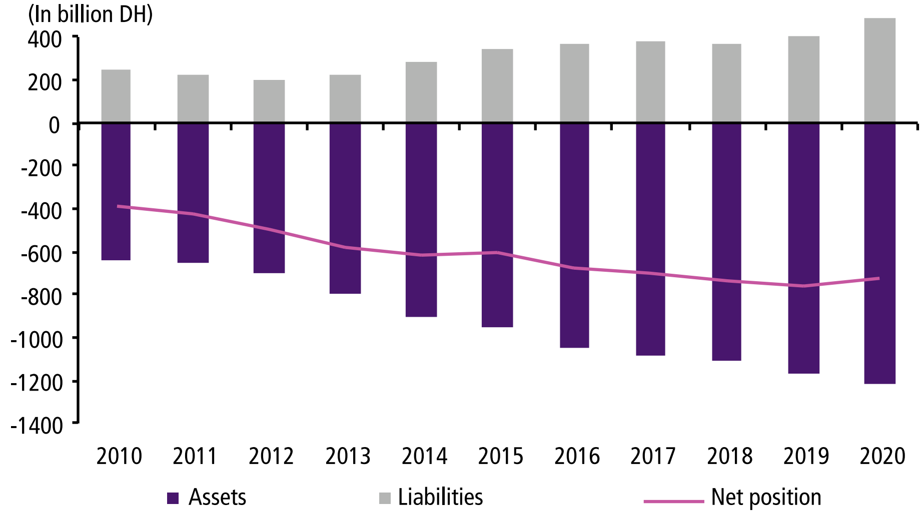
In view of these developments, the potential gain from Morocco's entry into the AfCFTA should be significant. The study carried out by the WB concludes, in fact, that it would be among the first beneficiaries, as the share of Africa in its trade should increase from 7% in 2020 to 26% in 2035 for exports and from 6% to 12% for imports. In terms of real income, the gain is expected to be between 1.7% and 8.1%, depending on the degree of liberalisation, compared to an average of 0.22% to 2.4% for the continent as a whole.

[7] The Futures Report: Making the AfCFTA work for women and youth, ECA, December 2020.

1.6.5 International investment position (IIP)[1]

Analysis of the international investment position indicates a reduction of the debit balance by 33.8 billion dirhams in 2020 to 726.6 billion dirhams, resulting from increases of 85.8 billion dirhams in assets and 52 billion in liabilities.

Chart 1.6.11: International investment position



Source: Foreign Exchange Office.

Morocco's liabilities towards the rest of the world increased by 4.5%, driven in particular by a 14% increase in loans to 336 billion, of which 27.7 billion came from the drawing on the PLL. The stock of loans granted to "public administrations" increased by 14.9 billion to reach 128.1 billion, while that of loans granted to " non-financial corporations, households, and NPISHs[2] " fell by 2.2% to 172.4 billion. As for " trade credit and advances ", they decreased by 9.2% to 58.3 billion dirhams.

Similarly, the stock of "currency and deposits", consisting mainly of deposits of non-residents with Moroccan banks - including offshore banks - contracted by 16.7% to 39.9 billion. As for direct investments, they improved by 5.1 billion to 643.6 billion, representing more than half of the stock of commitments. Securities held by non-residents rebounded by 16.5% to 131.5 billion, mainly due to the 23.3 billion increase in holdings of debt securities on public administrations which amounted to 73.4 billion dirhams.

Meanwhile, residents' assets increased by 21.1% to 492.7 billion, mainly as a result of the 26.5% increase in official reserve assets. Similarly, the stock of direct investment rose by 9.9% to

[1] The international investment position captures the stock of financial assets and liabilities vis-à-vis the rest of the world at a given date.
2 Non-profit institutions serving households.

67.9 billion and the portfolio of foreign securities increased by 11.9% to 12.7 billion. Assets under "currency and deposits" held by deposit institutions (other than the central bank) improved by 29.6% to 56.6 billion dirhams. On the other hand, " trade credit and advances" granted by Moroccan exporters to their customers fell by 3.9 billion to 22.5 billion.

Table 1.6.4: International investment position (in billions of dirhams)

	2019			2020		
	Assets	**Liabilities**	**Balance**	**Assets**	**Liabilities**	**Balance**
Direct Investments	61.8	638.4	-576.6	67.9	643.6	-575.6
Portfolio investments	11.4	112.8	-101.5	12.7	131.5	-118.8
Financial derivatives (other than reserves)	0.2	0.1	0.1	0.3	0.4	- 0.0
Other investments, including	80.1	415.9	-335.8	91.1	443.9	-352.8
Currency and deposits	48.0	47.9	0.1	60.9	39.9	21.0
Loans	0.6	294.7	-294.1	0.8	336.0	-335.3
Commercial loans and advances	26.4	64.2	- 37.8	22.5	58.3	- 35.8
Reserve assets	253.4	-	253.4	320.6	-	320.6
Total assets / liabilities	**406.9**	**1 167.3**	**-760.4**	**492.7**	**1 219.3**	**-726.6**

Source: Foreign Exchange Office.

1.7 Monetary conditions

In 2020, monetary conditions were subject to an unprecedented easing as a result of numerous far-reaching actions taken by the Central Bank to mitigate the impact of the Covid-19 crisis on the economy. These includ a 75 basis point cut in the policy rate, releasing the reserve requirement and massive liquidity injections. These measures resulted in lower rates across all markets, with a particular reduction in lending rates that benefited both households and companies, especially very small, small and medium-sized enterprises (VSMEs).

Also encouraged by the decisions adopted within the framework of the Economic Monitoring Committee (CVE), bank credit maintained a sustained growth rate, increasing by 4.4 percent, despite the difficult economic context. Similarly, the growth of net claims on the central administration accelerated to 13.4 percent, despite a significant mobilisation of external financing.

Besides, the year was marked by a strong expansion of cash circulation, due in particularly to the lockdown measures and the transfer of cash to households within the Tadamon[1] operation. This evolution led to a significant increase in banks' liquidity needs, which were partially mitigated by the rise in the foreign exchange reserves of Bank Al-Maghrib.

Monetary conditions also witnessed a slight appreciation of the real effective exchange rate, mainly as a result of the increase in the nominal parity of the dirham against the currencies of some emerging economies.

Table 1.7.1: Key Indicators of Monetary Conditions

	2018	2019	2020	
Interest rate	**Average rate (in %)**			**Outstanding* amount (in billion DH)**
Interbank rate	2.28	2.28	1.79	-
Weighted lending average rate	5.15	5.00	4.55	-
Deposits rate to one year	3.09	3.01	2.87	-
Treasury bills rate 52 weeks	2.39	2.31	2.01	-
Effective exchange rate	**Change (in %)**			
Nominal effective exchange rate	2.1	2.6	2.4	-
Real effective exchange rate	1.2	0.4	1.3	-
Monetary aggregates	**Change (in %)**			
Bank loans	3.2	5.3	4.4	957.4
Loans to the nonfinancial sector	3.1	5.5	3.8	815.5
Net international reserves	-4.3	8.4	26.5	320.6
Net claims on central government	21.0	4.6	13.4	241.0
M3	4.1	3.8	8.4	1 485.1

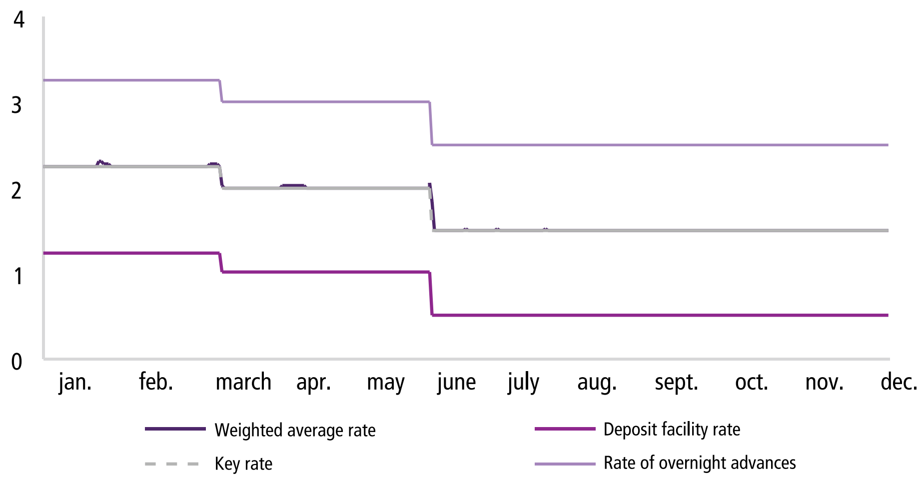
* End of december.

1 This operation consisted of making direct transfers to "Ramedist" and "non-Ramedist" households of allowances ranging from 800 dirhams to 1,200 dirhams, depending on their size. The purpose of the programme is to mitigate the impact of the restrictions put in place to curb the spread of the Covid-19 virus. It has benefited nearly 5.5 million households, 45 percent of which are in rural areas.

1.7.1 Interest rates

Bank Al-Maghrib's cuts in the key rate in March and June 2020 led to a reduction in interest rates on all markets. Besides these reductions, BAM decided to fully cover the refinancing requests submitted by the banks, which made it possible to preserve very favourable conditions on the interbank market. The weighted average rate on this market remained in line with the key rate throughout the year, falling from an average of 2.26 percent in the first two months of the year to 1.98 percent between March and June[1] and then to 1.5 percent between July and December.

Chart 1.7.1: Weighted average rate on the interbank market in 2020 (%)



Lending rates for the non-financial sector declined, despite a significant rise in the cost of risk, from an average of 4.91 percent in the fourth quarter of 2019 to 4.42 percent in the same quarter of 2020. The rates applied to individuals fell by 57 points to 4.98 percent and those to companies by 49 points to 4.28 percent overall and by 119 points to 4.49 percent for VSMEs in particular. Furthermore, also favoured by the preferential conditions granted under the Intelaka programme, individual entrepreneurs benefited from the most significant decreases, which reached an average of 135 basis points for cash facilities and 341 points for equipment loans.

1 The average interbank rate over this period covers the time frame of the March and June key rate cuts.

Table 1.7.2: Lending rates (%)

	Q4-2019	Q1-2020	Q2-2020	Q3-2020	Q4-2020
Average lending rates	**4.91**	**4.89**	**4.55**	**4.34**	**4.42**
Loans to individuals	**5.55**	**5.51**	**5.14**	**5.15**	**4.98**
Housing	4.48	4.43	4.66	4.31	4.33
Consumption	6.66	6.55	6.56	6.46	6.40
Loans to corporations	**4.77**	**4.76**	**4.46**	**4.16**	**4.28**
By economic purpose					
Cash advances	4.65	4.67	4.43	3.96	4.09
Equipment	4.58	4.53	4.18	4.51	4.23
Property development	6.12	6.15	6.12	5.85	5.84
By size of the company					
VSME	5.68	5.82	5.17	4.46	4.49
Large companies	4.47	4.46	4.14	3.96	4.13
Loans to individual entrepreneurs	**6.31**	**5.95**	**5.41**	**5.01**	**4.74**
Cash advances	6.60	6.39	5.34	4.87	5.25
Equipment	7.32	5.89	5.48	4.19	3.91
Loans to property developers	5.52	5.08	6.25	7.65	7.38

As regards deposit rates, their downward trend continued in 2020, but to a lesser extent as compared to the key rate and lending rates. They fell by 16 basis points to 2.56 percent on average for 6-month deposits and by 14 points to 2.87 percent for 12-month deposits. The minimum rate applied to passbook accounts, which is indexed to the 52-week Treasury bill rate, fell by 12 points to 1.77 percent.

Table 1.7.3: Rates on term deposits and passbook accounts (%)

	2016	2017	2018	2019	2020
6-month deposits	3.08	2.82	2.77	2.72	2.56
12-month deposits	3.46	3.12	3.09	3.01	2.87
Passbook accounts with banks	1.89	1.84	1.86	1.89	1.77

Despite an exceptional increase in its financing requirement in 2020 in the context of the Covid-19 pandemic, the Treasury benefited from favourable conditions on the domestic sovereign debt market, resulting in a 68 basis point drop in rates on its borrowings to an average of 2.29 percent. This significant fall in sovereign rates is attributable, in addition to the key rate reduction, to the Treasury's massive recourse to external financing, which relieved the pressure on the domestic market. These developments resulted in a clear downward shift of the yield curve in the secondary market.

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

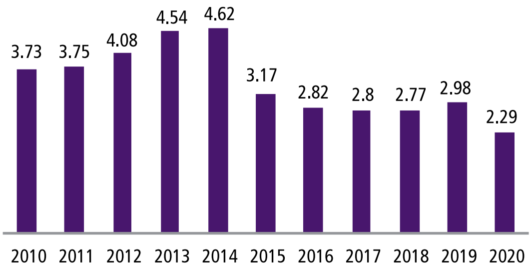
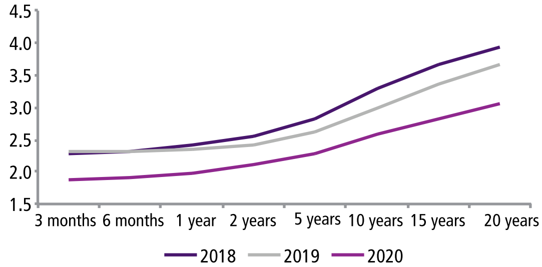


Chart 1.7.3: Secondary market yield curve (%)



Box 1.7.1: New overnight benchmark monetary index, MONIA (Moroccan Overnight Index Average)

Reference interest rates play a central role in financial market operations, especially by allowing the valuation of a wide range of products. Among the most widely used are interbank offered rates[1] (IBORs), which are calculated on the basis of declarations made by banks concerning the rates that they would be charged on the interbank market. The financial products derived from these rates reached in 2020 almost 550 trillion dollars[2], more than 6 times the world GDP.

Since the international financial crisis of 2008, reduced trading volumes on interbank markets combined with the many cases of reported manipulation by banks of these reference rates have led regulators around the world to launch far-reaching reforms. These reforms are based on the principles laid down in 2013 by the International Organization of Securities Commissions[3] (IOSCO), which recommend in particular that reference rates should be based on actual transactions in dynamic markets and that their production should be governed by transparent and credible governance.

Thus, in recent years, several new benchmarks have emerged in the financial markets of the major advanced economies, namely in the United Kingdom, the United States and the euro area. Most of these indices are based on real, secured, short-dated, mainly overnight transactions in the most liquid segments of the money markets. They are increasingly used for indexing financial products, as the adoption rate of these indices[4] reached 12.3 percent at the end of 2020. The table below summarises the characteristics of the six main new benchmark rates according to the International Swaps and Derivatives Association (ISDA).

1 The interbank offered rate is an average of the interbank rates charged and offered for unsecured transactions by the main banks in a financial center, for a defined currency and maturity.

2 Source: International Swaps and Derivatives Association (ISDA).

3 IOSCO is an international organization created in 1983, bringing together the regulators of the world's major stock exchanges, as well as financial institutions.4 Calculated by ISDA as the share of global trading on OTC markets and derivatives exchanges that refers to these rates.

Table B1.7.1.1 : Caractéristiques des nouveaux taux de référence des principaux pays avancés

Economy	US	UK	Euro Area	Switzerland	Australia	Japan
Benchmark Rate	**SOFR** (Secured overnight financing rate)	**SONIA** (Sterling Overnight Index Average)	**ESTER** (Euro Short-term Rate)	**SARON** (Swiss Average Rate Overnight)	**AONIA** (AUD Overnight Index Average	**TONA** (Tokyo Overnight Average Rate)
Implementation date	April 2018	April 2018	October 2019	October 2017	May 2018	June 2016
Administrator	FED	Bank of England	ECB	SIX Swiss Exchange	Reserve Bank of Australia	Bank of Japan
Garanteed Rate	Yes	No	No	Yes	No	No
overnight rate	Yes	Yes	Yes	Yes	Yes	Yes

Source: "Beyond LIBOR: A primer on the new benchmark rates," BIS Quarterly Review, March 2019. Authors : Andreas Schrimpf and Vladyslav Sushko.

In line with these orientations at the global level, and inspired by the best practices in the field, Bank Al-Maghrib launched a project to reform the reference rate of the Repo market, essentially with a view to strengthening the depth of the money market. This project was carried out within the framework of a concerted approach between all market participants, notably the Ministry of Economy, Finance and Reform of the Administration, the Moroccan Capital Markets Authority, the Association of Moroccan Management Companies and Investment Funds, as well as the main Moroccan banks. This resulted in the publication of a new overnight monetary reference index, the Moroccan Overnight Index Average (MONIA), as of January 2nd, 2020.

This rate is calculated as the weighted average of the interest rates of repo transactions with a maturity of one day, having as collateral Treasury bills. For each business day, the transactions retained are those settled the day before by Maroclear, excluding the 15 percent with the highest rates and the same proportion with the lowest rates.

However, when Repo market activity is low, BAM makes an estimate based on the sum of the key rate and its average spread with the MONIA index observed over the last five days. This method is applied when the transactions recorded: i) total a daily volume of less than 1 billion dirhams; or ii) their total number is less than 10; or iii) the number of counterparties involved is lower than 5.

The development of the MONIA index is the starting point of a more global project, which consists in implementing the reference currency curve. The latter should contribute significantly to the development of traditional hedging instruments and derivatives, which will lead to the evolution of a money market focused mainly on the management of liquidity in dirham to a broader market of interest rate risk management.

1.7.2 Bank loans

Despite the sharp contraction in economic activity, bank lending maintained a sustained pace, partly owing to a very accommodating monetary policy stance. This development was also favoured by the support and stimulus measures put in place by the CVE, as well as by the advantages granted under the Intelaka programme. Its growth stood at 4.4 percent, instead of 5.3 percent in 2019, with an acceleration from 4.4 percent to 7.8 percent in the growth rate of loans to financial companies and a consolidation from 5.5 percent to 3.8 percent in that of loans to the non-financial sector. Its ratio to GDP increased by 8.3 percentage points to 87.9 percent.

Chart 1.7.4: Bank Credit (%)

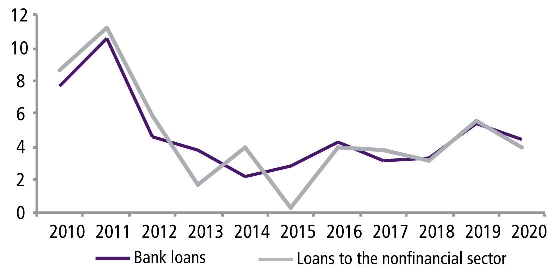
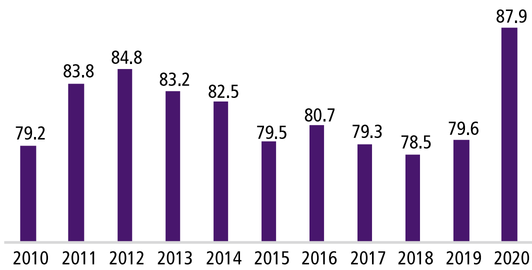


Chart 1.7.5: Ratio of bank credit to GDP (in %)



By institutional sector, bank credit to private non-financial enterprises rose by 4.7 percent, covering a strong expansion of cash facilities by 11.0 percent, a slower increase in real estate loans at 0.4 percent and a 5.1 percent decline in equipment loans. By contrast, loans to public enterprises fell by 2.5 percent after a 0.8 percent decrease a year earlier, reflecting a further decline from 0.5 percent to 3.9 percent for equipment loans and from 0.2 percent to 17.7 percent for cash facilities.

Similarly, loans to individuals increased by 3.4 percent, after 5.1 percent, as a result of a 4.4 percent increase in housing loans and a 4.3 percent decrease in consumer loans. For their part, loans to individual entrepreneurs increased by 8.9 percent, driven by the 29.9 percent expansion of debtor accounts and cash facilities, mainly due to the Intelaka programme and the guaranteed zero rate credit lines1 set up to support this category in the face of the crisis.

By activity branch, significant credit increases were recorded for "Hotels and restaurants" and " Extractive industries" with respective rises of 21.8 percent and 11.5 percent. Similarly, loans to the "Food and tobacco industries" improved by 4.6 percent, while those to "Trade, car repairs and household goods" rose by 3.4 percent and those to "Construction and public works" by 1.1 percent. On the other hand, loans granted to the "Electricity, gas and water" and "Agriculture and fisheries" sectors fell by 12.9 percent and 5.1 percent respectively.

1 The "Covid-19 Self-Entrepreneurs' Guarantee" was launched by the Central Guarantee Fund, as part of the measures decided by the CVE on April 20, 2020. It covers 85 percent of the principal of loans granted by banks to eligible self-employed entrepreneurs, to pay necessary expenses that cannot be deferred. The amount of the loan must be equivalent to 3 months of turnover, calculated on the basis of the last tax return, with a ceiling of 15 000 dirhams. The loan is at a zero interest rate, over three years, with a one-year grace period.

Box 1.7.2: Public guarantee programmes for corporate loans during the Covid -19 crisis

Faced with the Covid-19 crisis, and in order to mitigate its economic and social impact, public authorities around the world were required to activate several instruments, both fiscal and monetary. Specifically, in order to support businesses and foster the recovery of activity, large-scale credit guarantee programmes were set up to maintain access to financing, particularly for VSMEs, which are particularly fragile in difficult economic conditions. According to the IMF, by the end of 2020, public credit guarantees had reached almost USD 4 trillion, or 30 percent of the total amount of public support provided in the context of the crisis.

Chart B1.7.2.1: Public guarantee program for loans granted to enterprises set up in response to the Covid-19 crisis (size in % of GDP)

Source: IMF.

In Morocco, several credit guarantee lines have been set up by the Economic Monitoring Committee as part of the authorities' response to the crisis. Thus, on March 26th, less than a month after the first case of Covid-19 was identified at the national level, a guarantee mechanism called "Damane Oxygène" was set up with the Central Guarantee Fund. The purpose of this mechanism is to facilitate access to financing for companies whose cash flow has deteriorated due to the drop in activity, by providing a guarantee that covers 95 percent of the operating loans contracted. At the end of 2020, 49,489 "Damane Oxygen" credits were granted for a total disbursed amount of 17.7 billion dirhams.

At the end of the lockdown and with the gradual recovery of activity, two new guarantee mechanisms, "Relance TPE" and "Damane Relance", were launched on June 15th, 2020 to promote the financing of working capital requirements and support economic recovery. The loans covered are for a period of 7 years, with a 2-year grace period and rates capped at the key rate plus 200 basis points. The product "Relance TPE" targets VSEs with a turnover of less than 10 million dirhams, by providing a guarantee for 95 percent of the loans capped at 10 percent of the turnover.

The "Damane Relance" product is intended for companies with a turnover of over 10 million dirhams. It provides a guarantee of 80 percent to 90 percent of the loans, the ceiling of which is fixed at 1.5 months of turnover for companies in the industrial sector and at 1 month of turnover for companies in other sectors. These guarantees were subsequently extended, with two specific products for the tourism sector "Damane Relance Hôtellerie" and for the construction sector "Damane Relance Promotion Immobilière" to take into account their specificities.

At the end of 2020, the disbursed credits covered by these "Relance" guarantees totalled 35.3 billion dirhams. The maturity of the Relance programmes, initially set at the end of 2020 has been extended to March 31st, 2021, then to June 30, 2021. Besides, some easing measures were introduced, namely increasing the amount of credit, easing the conditions of guarantee for certain sectors, as well as extending the coverage to insurance brokers, foreign exchange offices and money transfer companies.

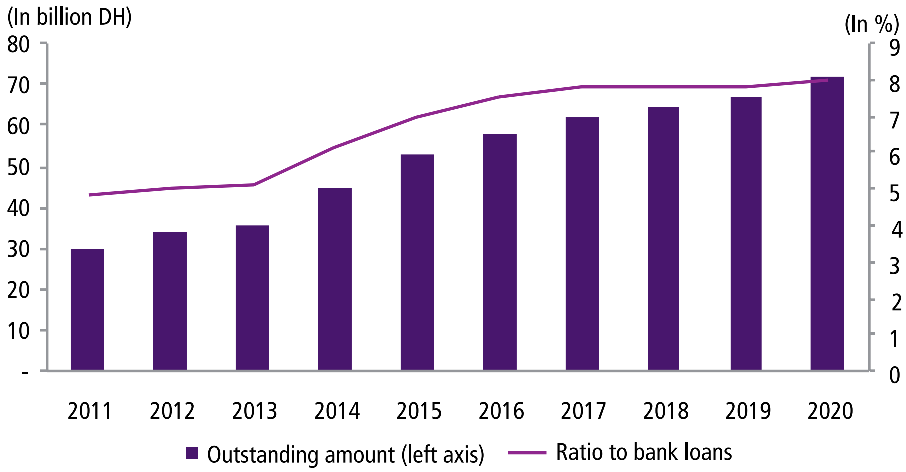
The "Oxygène" and "Relance" guarantee schemes benefited 54 percent of SMEs, 18 percent of VSEs and 28 percent of intermediate-sized companies and large enterprises. By sector of activity, 29 percent of the volume of loans went to the trade and distribution sector, 28.5 percent to industry, 15 percent to construction and 8 percent to services.

While credit guarantee programmes have been an important instrument in mitigating the economic impact of the pandemic, exiting from these policies is a major challenge, especially as the survival of many businesses relies on them. These programmes can continue to contribute to the post-Covid recovery provided they are adjusted for greater efficiency in the use of public resources and better performance. In this respect, the World Bank suggests three possible orientations:

1. addressing payment defaults by maximising funds recovered from companies that have proved unviable and, for viable companies, converting guaranteed loans into equity instruments and transferring these exposures to other public institutions (such as development banks) or to a specialised investment entity;
2. targeting of enterprises by revising the eligibility criteria to limit the benefit to specific target groups (such as viable enterprises with low debts) and reducing the guarantee thresholds to the usual levels.
3. supporting a green recovery by redirecting financial flows to low-carbon activities.

In addition, the strong contraction of economic activity in 2020 was reflected in the quality of the banks' credit portfolio, with nonperforming loans rising significantly by 14.7 percent to 80.2 billion dirhams. Their ratio to bank credit rose from 7.6 percent to 8.4 percent, with increases from 10.8 percent to 11.6 percent for private companies and from 8.6 percent to 9.8 percent for households.

Chart 1.7.6: Non-performing loans



This deterioration would have been more serious without the moratorium for the repayment of credit maturities[1] set up by the CVE and which benefited 500 thousand loans, accumulating an outstanding amount of 116.6 billion dirhams. Two-thirds of this amount was regularised before the end of the year, 12.2 percent remained in moratorium and 4.5 percent were classified as overdue.

Table 1.7.4: Bank loans

	2018	2019	2020	
	Change (%)		Change (%)	Outstanding amount (in billion DH)
Bank loans	**3.2**	**5.3**	**4.4**	**957.4**
Loans to the nonfinancial sector	**3.1**	**5.5**	**3.8**	**815.5**
Loans to businesses	**0.9**	**7.2**	**4.7**	**389.3**
Cash advances	2.4	9.7	11.0	175.2
Equipment	0.8	5.6	-5.1	100.6
Loans to property developers	-6.4	7.5	0.4	52.6
Loans to public firms	**4.2**	**-0.8**	**-2.5**	**49.7**
Cash advances	14.7	-0.2	-17.7	5.6
Equipment	3.3	-0.5	-3.9	41.3
Loans to households	**4.8**	**4.0**	**3.6**	**350.6**
Loans to individuals	**6.0**	**5.1**	**3.4**	**292.8**
Consumer	6.4	4.9	-4.3	53.1
Housing	6.3	4.2	4.4	204.3
Loans to individual entrepreneurs	**-0.8**	**-2.1**	**8.9**	**38.8**
	Ratio to bank loans (%)			
Non-performing loans	**7.5**	**7.6**	**8.4**	
Households	7.7	8.6	9.8	
Private firms	11.3	10.8	11.6	

1 Loans granted by both banks and other financial companies.

On the other hand, loans granted to the non-financial sector by financial companies other than banks[1] decreased by 2.4 percent to 148.1 billion dirhams. However, loans distributed by finance companies fell by 0.9 percent to 118.1 billion dirhams, including a 4.8 percent drop to 54.7 billion dirhams in loans to private companies and a 2.6 percent increase to 63.4 billion dirhams in loans to households. At the same time, loans granted by offshore banks dropped by 11.4 percent to 10.6 billion dirhams, while those granted by micro-credit associations increased by 9.9 percent to 8.1 billion.

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

	2018	2019	2020	
	Change (%)		Change (%)	Outstanding amount (in billion DH)
Finance companies	**5.9**	**5.7**	**-0.9**	**118.1**
Private firms	4.1	4.1	-4.8	54.7
Households	7.6	7.2	2.6	63.4
Offshore banks	**3.2**	**-13.4**	**-11.4**	**10.6**
Mircro-credit associations	**2.5**	**9.0**	**9.9**	**8.1**

Box 1.7.3: Review of the "Intelaka" Programme at the end of December 2020

The "Integrated Business Support and Financing Programme" or "Intelaka Programme" was launched in February 2020 by BAM and the Government in collaboration with the banking system following the speech of His Majesty the King on October 11th, 2019. It aims to promote the financing of self-entrepreneurs, young project holders, young innovative companies and exporting VSEs.

This programme is based on a support fund dedicated to financing entrepreneurship with an initial budget of 6 billion dirhams over a period of 3 years, equally funded by the State and the banking sector. The resources of this fund have been reinforced by an additional 2 billion granted by the Hassan II Fund for Economic and Social Development, reserved to support entrepreneurship projects in the rural world. In addition, two guarantee products and one financing product have been set up with preferential conditions, namely Damane Intelak, Damane Intelak Al Moustatmir Al Qaraoui, and Start-TPE.

In order to support this programme, BAM set up a specific unlimited refinancing facility at a subsidised rate of 1.25 percent for bank loans, both operating and investment, granted to all the categories targeted by His Majesty's speech. It also eased the regulatory capital requirements applied to banks for the credits granted to VSEs within the framework of this programme. Bank Al-Maghrib has also set up, in consultation with the Ministry of Economy, Finance and Reform of the Administration, the Central Guarantee Fund and the banking system, a mechanism for monitoring the financing granted.

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

Despite restrictions on travel and economic activities from March 2020 due to the Covid-19 pandemic, the implementation of the programme continued, though at a slower pace than initially planned. Indeed, after a remarkable increase in Intelaka loans between February and March, the pace of lending slowed down sharply before gradually picking up again from September.

According to the data of the Central Guarantee Fund, the balance sheet at the end of December 2020 reveals that the amount of loans granted reached 2.7 billion dirhams and benefited 15,085 beneficiaries. The analysis of these beneficiaries indicates that men represent 84 percent against 16 percent for women, and city dwellers 82 percent against 18 percent for rural people. By number of beneficiaries, 59 percent of the financing granted is for an amount less than or equal to 100 thousand dirhams, 27 percent between 100 thousand and 300 thousand dirhams and the rest of the loans exceed 300 thousand dirhams.

Individual entrepreneurs received 45 percent of the loans granted and VSEs 55 percent. By purpose, investment loans represent 90 percent of the financing granted and operating loans 10 percent. By sector of activity, 25 percent of the loans went to the trade sector, 14 percent to agriculture, 13 percent to industry and services, 10 percent to tourism and 8 percent to construction.

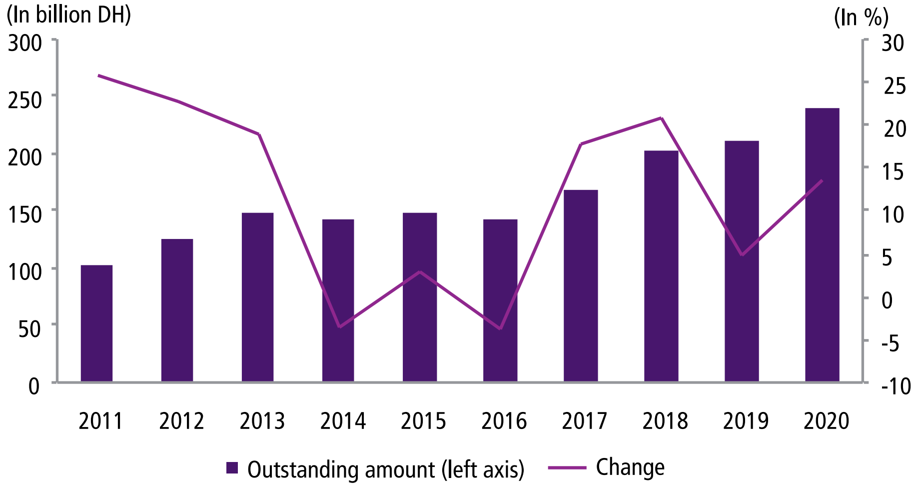
The programme covered all the regions of the Kingdom, but benefited most to: Casablanca-Settat with a share of 27 percent of the credits granted, Rabat-Salé-Kénitra with 17 percent, Tangier-Tetouan-Al Hoceima with 12 percent and Fez-Meknes with 10 percent.

With the gradual recovery of economic activity and as the authorities and the banking system proved to be willing to strengthen the support and supervision of beneficiaries at the local level, the potential of this programme in terms of financing the categories targeted by the royal speech remains significant.

1.7.3 Other sources of money creation

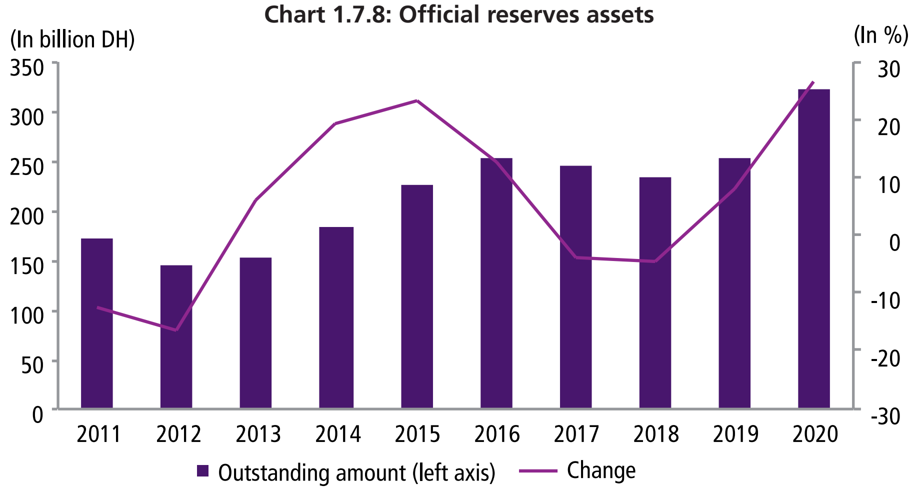
After a 4.6 percent increase in 2019, net claims on the central government grew by 13.4 percent in 2020, in a context of significant widening of the budget deficit. The Treasury's fundraising thus rose from 104.4 billion dirhams to 152.6 billion, bringing the total amount outstanding to 600.7 billion. Banks' holdings of Treasury bills increased by 15.8 percent to 168.7 billion dirhams, representing 11 percent of their assets, while those of money market funds increased by 85.9 percent to 27.1 billion dirhams.

Chart 1.7.7: Net claims on the Central Administration



Official reserve assets increased by 26.5 percent in 2020, reaching 320.6 billion dirhams, equivalent to 7 months and 16 days of imports of goods and services. This strong expansion reflects an exceptional mobilization by the Treasury of external financing which reached 62.9 billion, including 37.5 billion through two bond issues on the international financial market, as well as the drawing operation on the IMF Precautionary and Liquidity Line (PLL). The latter provided an amount equivalent to 2.15 billion SDRs, equivalent to almost 3 billion dollars, in the midst of the health and economic crisis. As for the net external assets[1] of banks, they experienced an expansion of 57.3 percent to reach 33.1 billion dirhams in relation to the strong mitigation of the current account deficit.

Chart 1.7.8: Official reserves assets



1 The total claims of banks on non-residents net of their external liabilities.

1.7.4 M3 Components

In a context marked by an exceptionally high level of uncertainty and under the particular effect of the lockdown and the Tadamon operation, currency grew by 20.1 percent or 50.4 billion dirhams against an average of 14.2 billion over the last five years. In the same vein, sight deposits increased by 10.6 percent or 62.1 billion dirhams, i.e. double the average rate observed since 2015, and after a 3.4 percent decline in 2019, money market fund shares/units grew by 17.1 percent or 9.3 billion dirhams. Meanwhile, time deposits continued to decline, falling by 9.5 percent after 7 percent and savings accounts saw their growth decelerate from 4.6 percent to 1.7 percent. In total, the M3 aggregate increased by 8.4 percent, its fastest pace since 2009.

Analysis of deposits by institutional sector indicates that those of private non-financial companies grew by 5.4 percent to 157.4 billion dirhams, covering an increase of 10.9 percent of sight deposits and a 17.6 percent decline of term deposits. At the same time, the deposits of individuals[1] increased by 5.4 percent to 724.9 billion dirhams, resulting from a 9.7 percent increase in sight deposits and a 1.8 percent rise in savings accounts as well as a 6.9 percent fall in term deposits. As for the assets of public enterprises, they increased by 14.3 percent to 32.3 billion dirhams.

Table 1.7.6: major M3 components

	Currency in circulation	Demand deposits	Interest bearing Demand deposits	Time deposits	Money market fund shares	M3
Outstanding amount as at end-December (in billion DH)						
2018	233.6	560.7	159.2	161.1	56.5	1 320.6
2019	250.2	587.2	166.5	149.9	54.6	1 370.5
2020	300.6	649.3	169.4	135.6	63.9	1 485.1
Share in M3 (%)						
2018	17.7	42.5	12.1	12.2	4.3	100
2019	18.3	42.8	12.2	10.9	4.0	100
2020	20.2	43.7	11.4	9.1	4.3	100
Change (%)						
2018	6.7	4.9	3.5	3.4	-6.8	4.1
2019	7.1	4.7	4.6	-7.0	-3.4	3.8
2020	20.1	10.6	1.7	-9.5	17.1	8.4

1.7.5 Liquid investment aggregates[2]

Outstanding liquid investments increased by 7.4 percent in 2020 after 5.9 percent the previous year, with Treasury bills growing by 6.4 percent after 1.6 percent and bond fund shares/units by 8.3 percent after 8 percent. Conversely, equity and balanced fund shares/units rose by 2.3 percent after 19.8 percent.

1 Including Moroccans living abroad.

2 Liquid investment aggregates include financial assets held by agents other than deposit-taking institutions. These assets represent a reserve of purchasing power but are not sufficiently liquid to be included in the M3 aggregate.

Taking into account all these developments, the liquidity ratio of the economy, as measured by the ratio of total PL and M3 to GDP, was 209.4 percent, compared with 183.2 percent in 2019.

Table 1.7.5: Liquid Investment (LI) aggregates

	2019		2020	
	Outstanding amount (in billion DH)	Change in %	Outstanding amount (in billion DH)	Change in %
LI1 aggregate	**409.2**	**2.8**	**440.1**	**7.5**
Negotiable Treasury bonds	391.4	1.6	416.6	6.4
Bonds of finance companies	14.9	53.6	19.0	27.6
Commercial paper	1.0	50.0	1.1	15.4
Securities issued by contractual mutual funds	2.0	-20.2	3.3	70.8
LI2 aggregate	**272.5**	**8.0**	**295.2**	**8.3**
Securities issued by bond mutual funds	272.5	8.0	295.2	8.3
LI3 aggregate	**59.8**	**19.8**	**61.2**	**2.3**
Securities issued by equity and diversified mutual funds	59.8	19.8	61.2	2.3
Total	**741.5**	**5.9**	**796.5**	**7.4**

1.7.6 Exchange market

On the front of exchange rate policy, the transition to a more flexible exchange rate regime has reached a new stage, as the monetary authorities have decided to widen the fluctuation band of the dirham from ±2.5 percent to ±5 percent as from March 9, 2020.

Under these conditions, and despite the strong concerns related to the impact of the health crisis on the economy, the exchange rate continued to evolve within the fluctuation band without intervention by the Bank. The infra-annual analysis particularly shows a relative depreciation against the reference basket during the first days of April, which nevertheless quickly dissipated, particularly after the drawing on the PLL.

Over the year as a whole, the dirham appreciated by 1.2 percent on average against the US dollar, as a result of market[1] effect of 0.1 percent and basket effect of 1.1 percent. Against the euro it depreciated by 0.5 percent.

1 The basket effect results from the change in the euro/dollar exchange rate, with the difference between this and the change in the reference rate representing the market effect.

Chart 1.7.9: EURO/USD exchange rates

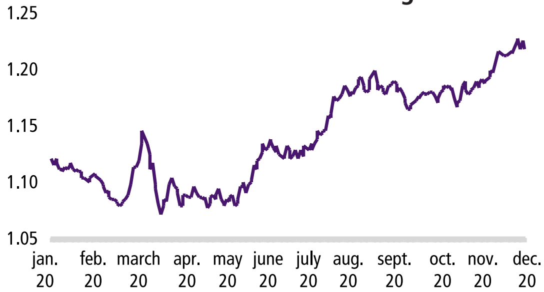
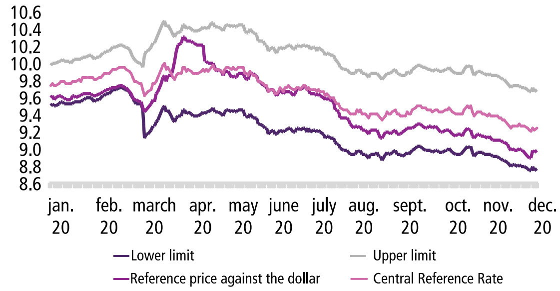


Chart 1.7.10: Reference price of the dirham



Compared to the currencies of the other main partner and competitor countries, the dirham appreciated overall, with in particular increases of 25.8 percent against the Turkish pound, 6.7 percent against the Indian rupee and 1.2 percent against the Chinese yuan. Under these conditions, the effective exchange rate rose by 2.4 percent in nominal terms and 1.3 percent in real terms, taking into account domestic inflation which was lower than that of partner and competitor countries.

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

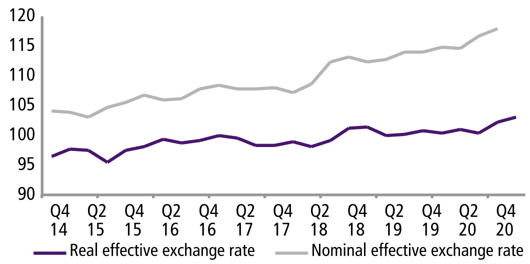
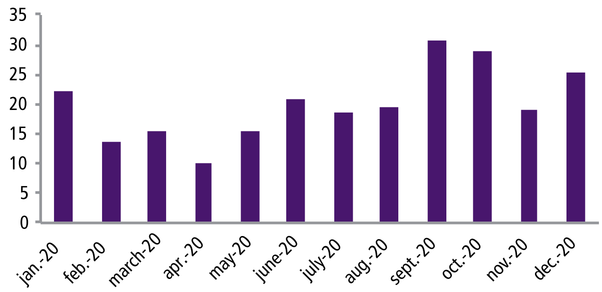


Chart 1.7.12: Volume of interbank transactions[1] on the foreign exchange market (in billions of dirhams)



1 Including local and foreign banks.

On the interbank market, the average volume of monthly exchanges of currencies against dirhams decreased by 5.2 percent to 19.9 billion. As regards banks' operations with customers, the volume of spot exchanges of currencies against dirhams dropped from 23.1 billion dirhams to 21.8 billion for purchases and from 23.6 billion to 22.9 billion for sales. As for forward transactions, purchases stabilised at an average of 11.3 billion, while sales amounted to 3.4 billion dirhams after 2.2 billion.

Chart 1.7.13: Banks' cash operations with customers (in billions of dirhams)

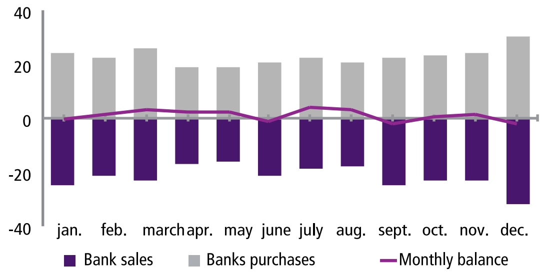
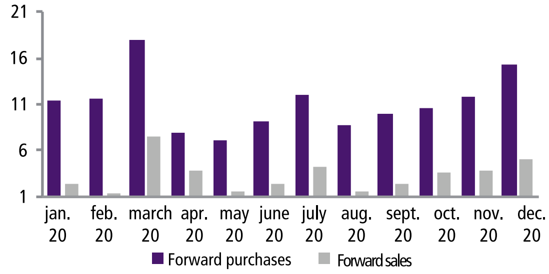


Chart 1.7.14: Banks' hedging operations with customers (in billions of dirhams)



Concerning banks' external operations, exchanges with their foreign correspondents amounted to 55.7 billion dirhams in monthly average, up by 35.5 percent, and their deposits amounted to 9.5 billion dirhams, up by 39.4 percent.

Under these conditions, the foreign exchange position of banks rose from an average of 1.5 billion dirhams to 3.9 billion. It evolved in negative territory during the first three months of the year before following an upward trend, rising from 3.3 billion dirhams in April to 8.2 billion in December.

Chart 1.7.15: Banks' foreign exchange position in 2020 (in billions of dirhams)

1.8 Asset markets

As the Treasury's financing needs widened in 2020, due to the repercussions of the Covid-19 pandemic, the use of domestic resources increased significantly by 46.2 percent, bringing new Treasury bill issues to 152.6 billion dirhams. The volume of funds raised would have been much higher without the gross external drawdowns, which reached an exceptional level of 62.9 billion dirhams against 25.4 billion in 2019 for a threshold initially set in the finance law at 31 billion.

As regards private debt, banks reduced their issues by 32.6 percent to 38.9 billion dirhams, amidst the easing of refinancing conditions by Bank-Al-Maghrib. On the other hand, non-financial companies, mainly private, increased their issues on the market by 55.5 percent to 26.3 billion.

The Casablanca stock market experienced a sharp fall at the beginning of the pandemic, with an increase in volatility, which urged the regulatory authority to reduce the thresholds for daily price variations. However, this decline was subsequently mitigated and the underperformance at year-end stood at 7.3 percent, with pronounced declines in most hit sectors, notably real estate, leisure and hotels, transport and banking. This evolution was accompanied by an increase in the volume of transactions on the central market of 5.8 percent after a decrease of 16.1 percent a year earlier.

In the property market, the year witnessed a sharp decline in sales in the first half of the year in connection with the lock-up period. Thereafter, transactions rebounded, bringing the decline for the year as a whole to 14.3 percent. Prices fell by 0.8 percent overall and by 1 percent for residential properties.

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

	2016	2017	2018	2019	2020
Debt market					
Outstanding amount of Treasury bills	4.2	5.4	5.7	2.0	7.8
Outstanding amount of private debt	0.8	10.5	11.2	15.8	5.4
Stock market					
MASI	30.5	6.4	-8.3	7.1	-7.3
Liquidity ratio[1] in the central market equity (in %)	6.4	6.5	6.0	5.3	6.0
Capitalization (in % of GDP)	57.6	59.0	52.5	54.4	53.7
Real estate market					
Real Estate Price Index	1.3	5.4	0.0	-0.2	-0.8
Number of transactions	8.7	-6.8	4.8	-3.6	-14.3

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

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

1.8.1 Debt securities

Treasury bills

After a downward trend since 2016, Treasury issues on the auction market jumped by 46.2 percent to 152.6 billion in 2020, against a backdrop of a deteriorating budgetary situation linked to the health and economic crisis in Covid-19. This intensive financing on the domestic market was carried out under conditions marked by a reduction in rates and an orientation towards short and medium maturities[1]. Indeed, the volume subscribed in short maturities almost quintupled to 47.3 billion, representing 31 percent of total issues as against 9 percent in 2019. The volume of medium maturities increased by 87.6 percent to 74.7 billion, i.e. 49 percent of total issues, compared with 38 percent a year earlier. In contrast, long-dated issues fell by 44.4 percent to 30.7 billion. The rates attached to these issues were down for all maturities, in particular from 2.3 percent to 2.1 percent for 52-week bills, from 2.4 percent to 2.1 percent for 2-year bills and from 2.6 percent to 2.3 percent for 5-year bills.

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

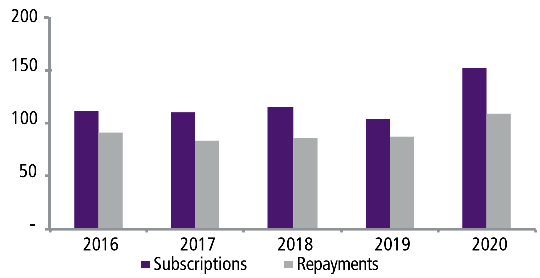
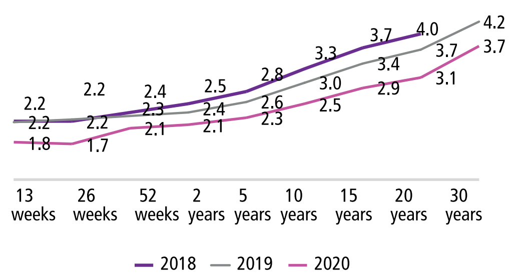


Chart 1.8.2: Average Treasury Bills rates on the primary market (%)



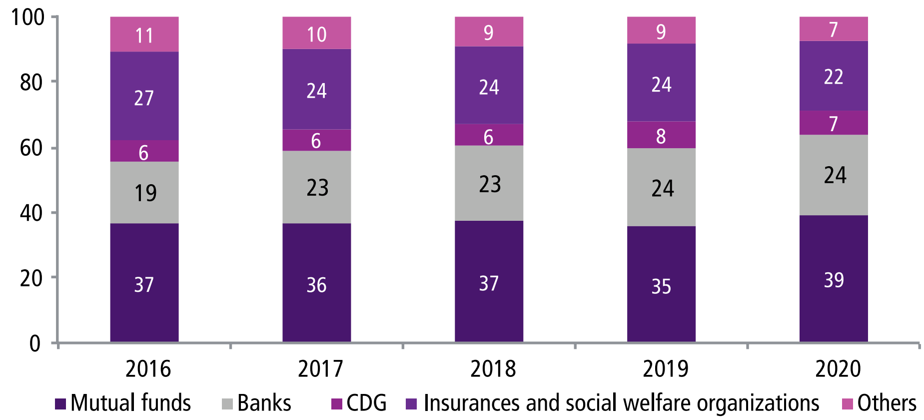
Taking into account reimbursements amounting to 109.1 billion dirhams, the outstanding Treasury bills increased by 7.8 percent to 600.7 billion. Its structure remains dominated by long maturities with a share of 59 percent, against 36 percent for medium and 5 percent for short term. By holder, the share of mutual funds increased from 35.5 percent to 39.4 percent to the detriment of that of insurance and social welfare organisations, which declined from 23.5 percent to 21.6 percent and CDG from 8.2 percent to 7.4 percent, while that of banks stagnated at around 24 percent.

1 Short maturities are defined as those less than or equal to one year, medium maturities as those between 2 and 5 years and long maturities as those greater than 5 years.

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

	2016	2017	2018	2019		2020	
				Amount	Structure in %	Amount	Structure in %
Subscriptions	**111 364**	**110 680**	**115 052**	**104 393**	**100**	**152 647**	**100**
Short term	27 367	25 350	18 227	9 427	9	47 286	31
Medium term	52 370	61 747	73 982	39 796	38	74 669	49
Long term	31 627	23 583	22 843	55 170	53	30 692	20
Repayments	**91 440**	**84 002**	**85 554**	**87 097**	**100**	**109 067**	**100**
Short term	35 798	18 126	24 405	17 679	20	25 032	23
Medium term	47 225	58 019	57 718	52 329	60	51 450	47
Long term	8 417	7 857	3 430	17 089	20	32 585	30
Outstanding amount	**490 028**	**516 706**	**546 205**	**557 160**	**100**	**600 741**	**100**
Short term	19 051	26 276	20 097	10 571	2	32 825	5
Medium term	187 865	191 593	207 857	193 101	35	216 320	36
Long term	283 112	298 838	318 251	353 489	63	351 596	59

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



Private debt securities

After reaching 86.3 billion in 2019, private debt issuance fell by 13 percent to 75.1 billion. This evolution mainly reflects a 32.6 percent contraction to 38.9 billion of the banks' issues. The latter have substantially increased their recourse to Bank Al-Maghrib, which has opted for a policy of full satisfaction of their requests, bringing the total volume of its weekly average injections to 96.3 billion dirhams against 77.6 billion a year earlier.

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

						Change 2020/2019	
	2016	2017	2018	2019	2020	In millions	In %
Overall	**50535**	**76713**	**68874**	**86289**	**75063**	**-11225**	**-13.0**
Financial companies	**40999**	**60409**	**54052**	**69345**	**48720**	**-20625**	**-29.7**
Banks	**36860**	**52044**	**47100**	**57684**	**38902**	**-18782**	**-32.6**
Certificates of deposit	28181	39047	36550	48884	32702	-16182	-33.1
Bonds	8679	12997	10550	8800	6200	-2600	-29.5
Other financial companies	**4139**	**8365**	**6952**	**11661**	**9818**	**-1843**	**-15.8**
Finance companies bills	3889	7015	5327	9741	7950	-1791	-18.4
Bonds	250	1350	1625	1920	1868	-52	-2.7
Nonfinancial corporations	**9535**	**16304**	**14822**	**16943**	**26343**	**9 400**	**55.5**
Private	**4 535**	**8 679**	**6 822**	**6793**	**17843**	**11050**	**162.7**
Commercial papers	4385	5749	2612	3313	3941	628	18.9
Bonds	150	2930	4210	3480	13902	10422	299.5
Public	**5 000**	**7 625**	**8 000**	**10150**	**8500**	**-1650**	**-16.3**
Commercial papers	-	-	-	-	-	-	-
Bonds	5000	7625	8000	10150	8500	-1650	-16.3

Source : Maroclear.

Certificates of deposit issued by banks totalled 32.7 billion dirhams, down 33.1 percent from one year to the next. They concerned 57 percent on short maturities with rates falling from 2.7 percent to 2.3 percent, and 39 percent on medium maturities with rates falling from 2.9 percent to 2.6 percent. In addition, bond issues by banks fell by 29.5 percent to 6.2 billion and those issued by other financial companies fell by 2.7 percent to 1.9 billion. The issuance of bonds by finance companies totalled 8 billion, down by 18.4 percent.

Non-financial companies raised 55.5 percent to 26.3 billion, including 22.4 billion in bonds and 3.9 billion in commercial paper. This evolution essentially covers an increase in private companies' bond issues from 10.4 billion to 13.9 billion and a decrease in public issues from 1.7 billion to 8.5 billion.

Taking into account repayments, the outstanding amount of private debt securities reached 241.5 billion dirhams, up by 5.4 percent compared to 2019. Its structure by issuer remains dominated by banks which represent 50.1 percent, non-financial companies with a share of 35.9 percent, and other financial companies with 14.1 percent.

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

	2016	2017	2018	2019	2020	Change 2020/2019	
						In millions	In %
Overall	**160 912**	**177 733**	**197 724**	**228 993**	**241 458**	**12 465**	**5.4**
Financial corporations	**95 872**	**112 530**	**127 772**	**153 092**	**154 875**	**1 783**	**1.2**
Banks	**81 773**	**94 152**	**103 463**	**121 833**	**120 859**	**-974**	**-0.8**
Certificates of deposit	43 520	46 517	52 778	64 348	57 174	-7 174	-11.1
Bonds	38 253	47 635	50 685	57 485	63 685	6 200	10.8
Other financial companies	**14 100**	**18 378**	**24 309**	**31 259**	**34 016**	**2 757**	**8.8**
Finance companies bills	11 569	15 488	19 769	25 414	26 884	1470	5.8
Bonds	2531	2890	4540	5845	7132	1287	22.0
Nonfinancial corporations	**65040**	**65203**	**69952**	**75901**	**86583**	**10 682**	**14.1**
Private	**32 038**	**28 995**	**28 223**	**26852**	**32109**	**5257**	**19.6**
Commercial papers	1 549	2 052	1 296	1 934	2 312	378	19.5
Bonds	30 489	26 943	26 927	24 918	29 797	4 879	19.6
Public	**33002**	**36208**	**41729**	**49049**	**54474**	**5425**	**11.1**
Commercial papers	-	-	-	-	-	-	-
Bonds	33002	36208	41729	49049	54474	5 425	11.1

Source : Maroclear.

Box 1.8.1: Evolution of inter-company payment delays

The various restrictions put in place by the authorities to counter the spread of the Covid-19 pandemic have had a strong impact on economic activity, which has resulted in the worsening of companies[1] cash flow. While waiting for the balance sheet data for 2020, which would allow a more detailed analysis of the impact of the crisis on payment behaviour, the figures available for the 2019 financial year give an indication of business-to-business payments on the eve of the crisis that began in 2020.

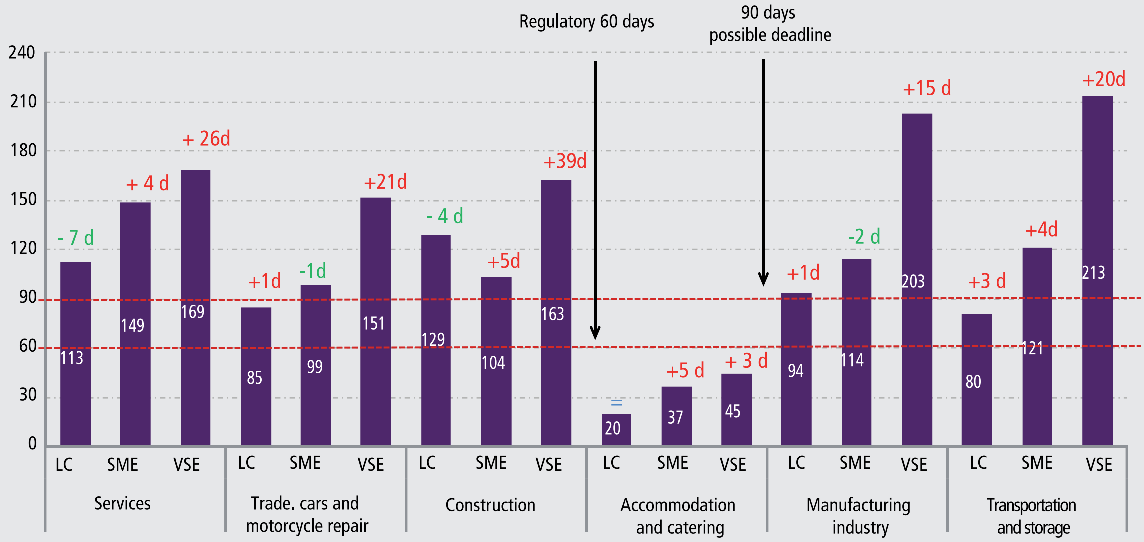
Thus, the calculations of Bank Al-Maghrib on the basis of a population of 67,176 private non-financial companies , retained at the end of a process of data reliability, show that the inter-company payment periods continue to exceed the regulatory periods. More than half of the companies are paid beyond the regulatory period of 60 days and 35 percent in periods exceeding 120 days. On the supplier side, almost 40 percent of companies pay their invoices after 60 days and 60 percent of them after 120 days.

By company size, customer payment times[2] are problematic for small companies in all sectors. Payment delays in VSEs in the "transport and storage" and "manufacturing" sectors exceeded payment 200 days of turnover (DD). Companies operating in the "accommodation and food services" sector, whose activity is oriented towards private customers, stand out with relatively short payment periods, of 20 days for large companies, 37 days for SMEs and 45 days for VSEs.

[1] These are companies that have been retained following the various checks and data reliability processes received from OMPIC.

[2] The time taken to pay customers equals the ratio of trade receivables net of customer advances to turnover, expressed in days of sales.

Chart B.1.8.1.1: Customer deadlines in days of sales in 2020 (in DS)



Sources: OMPIC data and BAM processing and calculations.

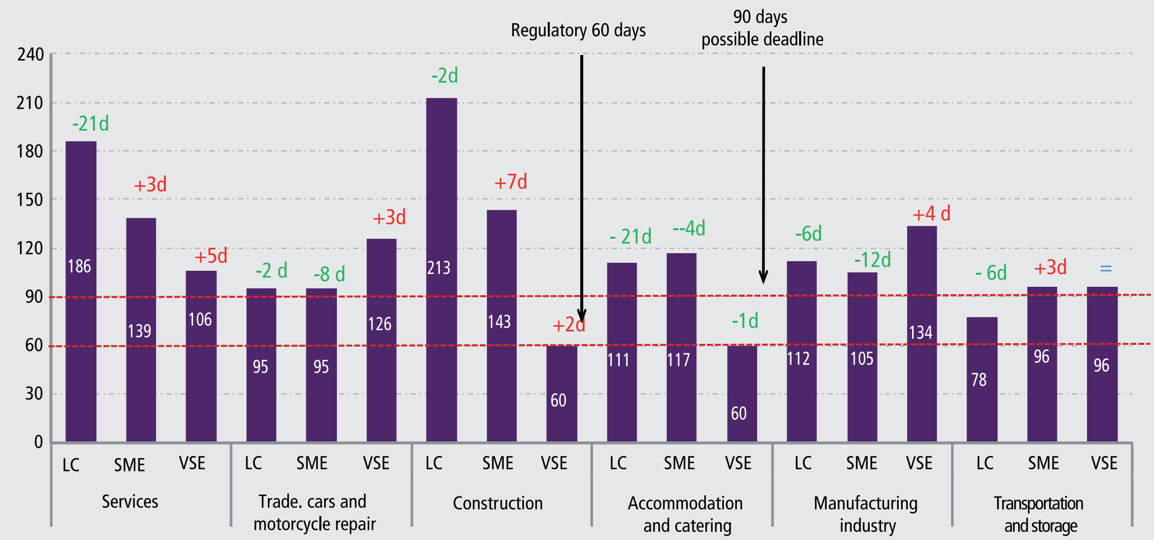
In terms of trends[3], the most significant increases in payment delays were observed in the "construction" sector, where the collection times of VSEs increased by 39 days compared to 2018. On the other hand, customer payment delays decreased, mainly for LEs in the "construction" and "service activities" sectors and for SMEs in the "trade, repair of motor vehicles and motorbikes" and "manufacturing industry" sectors.

Supplier payment times[4] have stabilised overall, but their evolution remains largely differentiated by sector and by company size. For example, all companies operating in the "accommodation and catering" sector have been able to improve their payment times, with average reductions of 21 days of purchases (DP) among large companies, 4 DP among SMEs and 1 DP among very small companies. For the other sectors, it was mainly the large companies that made efforts in 2019 to improve their payment deadlines, particularly those operating in "service activities" with an average reduction of 21 days, or in "transport and storage" and in "manufacturing industry" with reductions of 6 days.

[3] The annual increases in payment delays are calculated on the basis of the common population for 2018 and 2019, i.e. 31,065 businesses.

[4] The supplier payment delay is defined as the ratio of supplier debts net of supplier advances to the amount of purchases, expressed in days.

Chart B.1.8.1.2: Supplier deadlines in days of purchase in 2020 (in DP)



Sources: OMPIC data and BAM processing and calculations.

In terms of levels, data show that the longest payment periods were observed among LEs, particularly in "construction" at 213 days and in the "service" sector at 186 days. Indeed, while the nature of the customer base helps to explain the heterogeneity by sector, the unequal balance of power at the expense of their suppliers and the lengthy payment processes (invoicing method, verification of products delivered, etc....) may explain the differences observed by company size, which remain significant and are increasing over the years.

As regards VSEs, which represent the bulk of the national fabric, their payment practices vary significantly across sectors. By way of illustration, they recorded an average of 60 days in the "construction" and "accommodation and catering" sectors, while in the rest of the sectors, the average was over 90 days, with 126 days in "trade, car and motorbike repairs" and 106 days in the services sector.

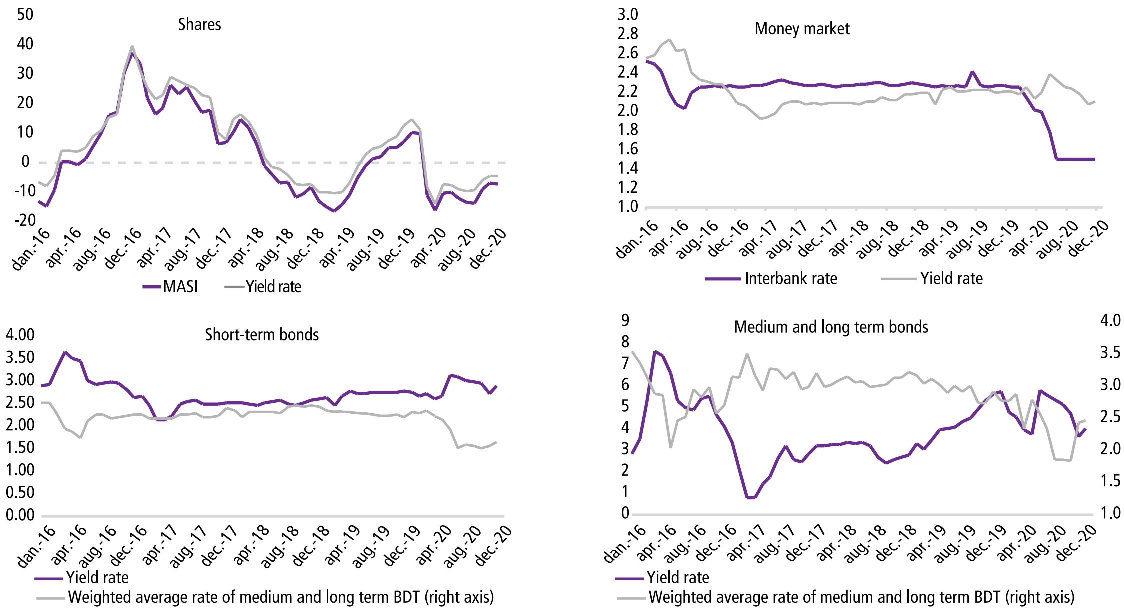
1.8.2 Mutual funds securities

Subscriptions to mutual funds reached 939.7 billion dirhams, up 11.6 percent compared to 2019. This evolution mainly results from increases of 33.9 percent to 357.2 billion for medium and long-term bond funds, 1.1 percent to 357.8 billion for money market funds and 0.4 percent to 186.2 billion for short term bond funds. On the other hand, against a backdrop of falling stock market prices, equity funds saw their subscriptions fall by 1.8 percent to 7.2 billion.

Taking into account repurchases of 899.5 billion dirhams, net inflows rose sharply to 40.2 billion against 13 billion in 2019. This evolution covers increases for money market, short-term bond, diversified and contractual mutual funds as well as decreases for equity and medium and long-term bond mutual funds. More specifically, after four years of net outflows, net subscriptions to money market fund amounted to 11.4 billion in a context of declining term deposits with banks.

In terms of performance, except for equity funds, which fell by 4.4 percent, the returns of the other categories of UCITS were up by 1 percent for diversified funds, 2.1 percent for money market funds, 2.9 percent for short-term bonds and 4.1 percent for medium and long-term bonds.

Chart 1.8.4 : Returns on mutual funds (in %)



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

In total, the net assets of mutual funds increased by 11.2 percent compared to 2019, to reach 523.2 billion dirhams. With the exception of equity funds, which recorded a 0.9 percent year-on-year decline, the increase concerned all other fund categories with rates of 21.4 percent for money market funds, 11.5 percent for short-term bond funds and 10.6 percent for medium and long-term bond funds.

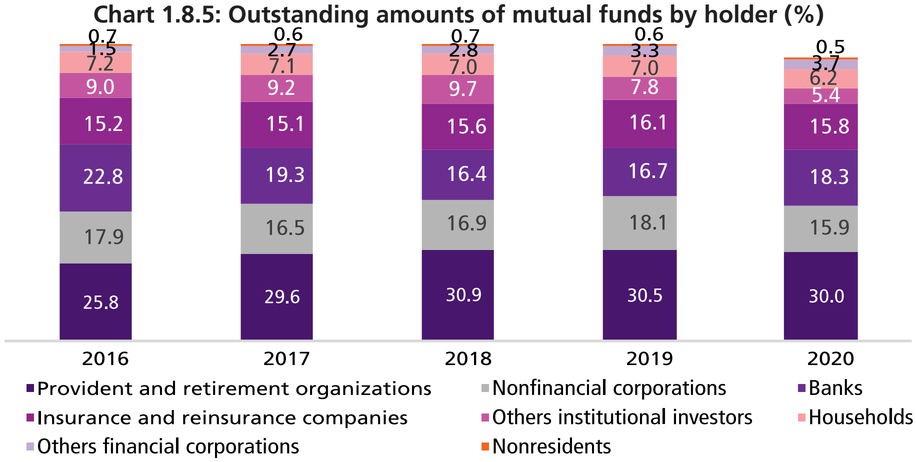
Table 1.8.5: Net assets of mutual fund (in billion dirhams)

	2016	2017	2018	2019	2020
			Souscriptions		
Shares	4.5	14.0	6.5	7.3	7.2
Contractual	11.6	15.6	20.9	19.8	21.0
Diversified	10.8	15.6	14.7	9.2	10.4
Money-market	423.8	443.2	361.7	353.8	357.8
Short-term bonds	130.3	128.3	165.1	185.5	186.2
Medium and long term bonds	145.4	150.7	204.8	266.7	357.2
Total	**726.5**	**767.4**	**773.6**	**842.3**	**939.7**
			Repurchases		
Shares	4.6	7.7	7.0	5.4	5.3
Contractual	11.9	15.3	20.1	20.4	19.6
Diversified	6.3	8.9	13.4	10.3	8.7
Money-market	424.5	448.8	370.7	356.5	346.3
Short-term bonds	130.8	117.4	164.2	190.3	180.5
Medium and long term bonds	127.4	140.6	184.6	246.4	339.0
Total	**705.4**	**738.7**	**760.1**	**829.2**	**899.5**
			Net asset		
Shares	26.3	35.4	31.7	37.4	37.1
Contractual	1.6	1.9	2.8	2.2	3.6
Diversified	19.6	26.7	27.8	28.9	30.8
Money-market	72.8	68.5	60.9	59.5	72.2
Short-term bonds	51.2	65.0	67.5	64.6	72.1
Medium and long term bonds	204.1	218.4	244.1	277.9	307.4
Total	**375.6**	**416.0**	**434.8**	**470.6**	**523.2**

Source : Moroccan Capital Market Authority.

Looking at the evolution of the structure of net assets of mutual funds by holder reveals slight changes, with a decrease in the shares of pension funds from 30.5 percent to 30 percent, non-financial companies from 18.1 percent to 15.9 percent and insurance and reinsurance companies from 16.1 percent to 15.8 percent. On the other hand, the shares of banks and other financial institutions increased from 16.7 percent to 18.3 percent and from 3.3 percent to 3.7 percent respectively.

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

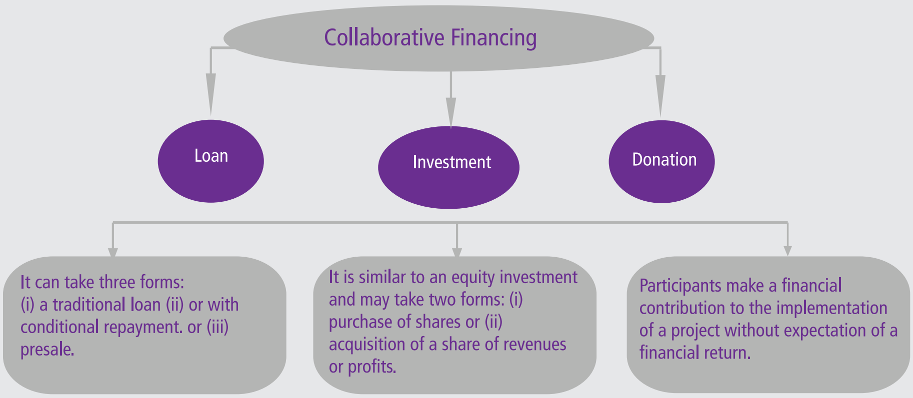


Source : Moroccan Capital Market Authority.

Box 1.8.2 : Collaborative funding trends

Collaborative financing or Crowdfunding is a mode of financing which allows to collect funds, generally small amounts, from a large public in order to finance entrepreneurship and to support social or cultural projects. It operates through internet platforms, allowing direct contact between project owners and contributors. This is an alternative to traditional methods such as bank credit and contributes to financial inclusion and the channelling of collective savings. It can take three forms: loans, capital investments and donations.

Diagram B1.8.2.1: Collaborative Financing



I- Crowdfunding around the world

Although the principle of collaborative financing has been in place for a long time, the first online crowdfunding platform dates back to 2001 and the real expansion of this mode of financing only began in 2009 in the wake of the international financial crisis. The Cambridge Centre for Alternative Finance[1] comprised 1,493 active platforms for 2018, which raised 305 billion dollars compared to 530 million in 2009. Almost all of this financing is in the form of loans, two-thirds of which is for consumption.

By country, China alone accounts for 71 percent of the overall volume of such financing, followed by the US with 20 percent and the UK with 3.4 percent. However, China has recently been urged to tighten the regulations governing this activity in order to deal with incidents of large-scale fraud, which has resulted in a significant drop in the volume generated by this financing. Indeed, between 2017 and 2018, the volume of crowdfunding fell from 358.3 billion dollars to 215.4 billion. In Africa, crowdfunding remains marginal with assets limited to 209.1 million dollars in 2018, managed mainly by platforms based outside the continent.

1 The Cambridge Center for Alternative Finance is a research institute established in 2015 within the University of Cambridge in the UK.

Chart B1.8.2.1 : Evolution of crowdfunding in the world (in billions of dollars)

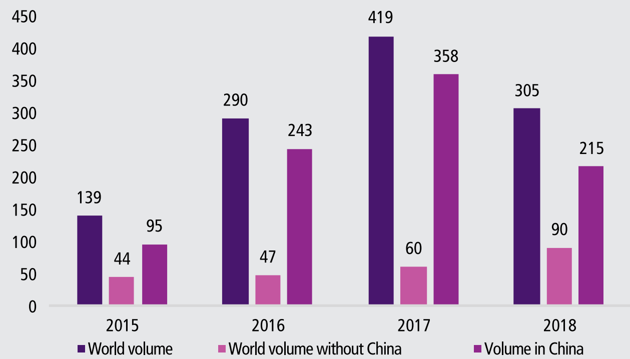


Table B1.8.2.1 : Evolution of crowdfunding by country (In billion of dollars)

Cuntries	2017	2018	Change in %
china	358.3	215.4	-39.9
USA	42.8	61.1	42.9
United Kingdom	8.0	10.4	29.5
Netherlands	0.3	1.8	471.1
Indonesia	0.1	1.5	1711.7
Germany	0.7	1.3	89.7
Australia	1.1	1.2	1.6
Japan	0.3	1.1	208.2
Canada	0.9	0.9	4.8
France	0.7	0.9	24.9
Rest of the world	**5.8**	**9.5**	**64.5**
world	**419.0**	**305.0**	**-27.2**

Source : Cambridge Center for Alternative Finance.

II-Crowdfunding in Morocco

In Morocco, given the lack of a legal framework, crowdfunding is at an embryonic stage with less than a dozen identified platforms, mainly based abroad and specialised in collecting donations. However, crowdfunding is expected to reach a turning point with the adoption in 2021 of the law 15-18 on collaborative financing. Published on 8 March in the Official Bulletin, this law provides for a new statute governing collaborative financing companies (SFCs), whose activity is dedicated to managing collaborative financing platforms (CFPs), though they cannot participate as contributors or project leaders. In order to ensure a better framework for the activity, the law provides for the creation of a professional association of SFCs and requires them to join it. The law also defines limits in terms of amounts to be collected per project, exposure of individuals and duration of collection.

As regards supervision and control of the activity, Law 15-18 appoints the Moroccan Capital Market Authority for equity operations and Bank Al-Maghrib for interest-bearing or free loans or donations.

Crowdfunding would contribute to financing project holders and SMEs. It would make access to financial services easier for people excluded from traditional financing, thus strengthening financial inclusion and promoting the creation of income-generating activities for disadvantaged populations. The large Moroccan diaspora abroad, strongly involved in the social life of the country and the high level of internet penetration constitute in this sense important assets for the development of this activity in Morocco.

1.8.3 Stock market

In a context of health and economic crisis, the Casablanca Stock Exchange posted a significant underperformance in 2020, with a decline in its reference index of 7.3 percent after a 7.1 percent rise in 2019. The trend was, however, widely divergent across sectors, with those most impacted by the crisis experiencing pronounced depreciations. This is the case in particular for "real estate promotion and holdings", where the index fell by 44.1 percent, "leisure and hotels" with a fall of 32.9 percent, and "transport" with 20.3 percent. On the other hand, some sectors where activity boomed during the crisis recorded remarkable performances, such as " software and computer services" whose index jumped by 52.3 percent and "pharmaceutical industries" where it rose by 17.5 percent.

Chart 1.8.6 : Annual change of MASI (%)

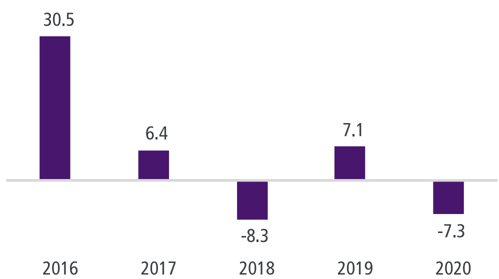
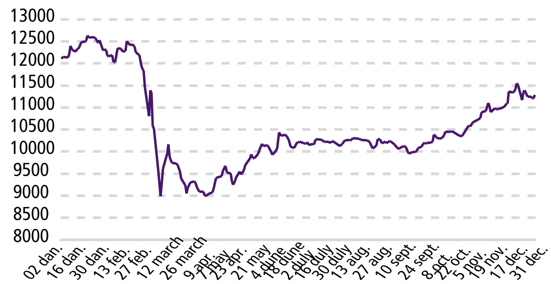
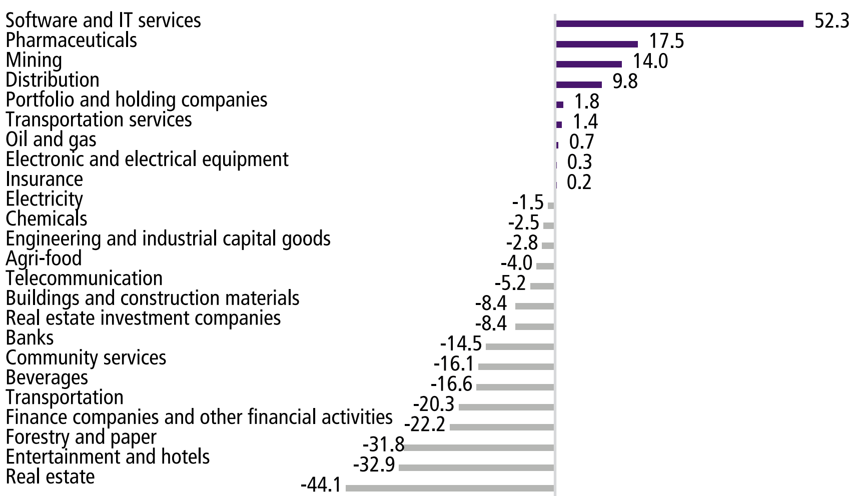


Chart 1.8.7: Daily change of MASI in 2019



Source: Casablanca Stock Exchange.

Chart 1.8.8:Sectorial equity indices in 2020 (In %)



Source: Casablanca Stock Exchange.

The infra-annual analysis shows that after minor changes during the first two months of the year, the stock market experienced a brutal downward movement after the first case of Covid-19 contamination in Morocco on 2 March. The cumulative fall reached 26.2 percent on 18 March and was widespread across all sectors, with in particular falls of 27.7 percent for banks and 29.7 percent for buildings and construction materials. As a result, market capitalisation fell by 159.4 billion dirhams to 467.3 billion as of 18 March. These developments led the market regulator, the AMMC, to cut the daily price variation thresholds from 10 percent to 4 percent for shares listed in continuous mode and from 6 percent to 2 percent for those listed in fixing mode as of 17 March 2020.

From May onwards, with the improvement in the health situation, the gradual withdrawal of lockdown measures, and the progressive resumption of economic activity, the stock market began an upward trend, which was also favoured by the lower yield on interest rate products, further to the reduction in the Central Bank's key rate.

Under these conditions and taking into account an anticipated decline in earnings that is more significant than that of share prices, the valuation of the Casablanca stock market appreciated significantly in 2020. Thus, the P/E[1] rose from 20.4 to 30.6 and the dividend yield fell to 2.88 percent, after 3.52 percent in 2019, similar developments to those observed for the main "frontier market" places.

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

	Weight in the MSCI[1]		PER		Dividend yield (%)	
	Category	Weight	2019	2020	2019	2020
Vietnam	FM	29.61	15.60	18.40	2.09	1.98
Morocco	FM	**13.79**	**20.40**	**30.60**	**3.52**	**2.88**
Romania	FM	8.16	8.20	13.10	6.45	4.69
Bahrain	FM	7.74	12.50	18.80	4.02	4.34
India	EM	8.86	22.60	31.70	1.30	1.28
Brazil	EM	4.61	16.30	23.90	3.37	2.34

1 Weight as at january 29, 2021.

Source : Eikon.

The trading volume decreased by 26 percent to 55.8 billion dirhams. By compartment, it decreased by 40.6 percent to 15.8 billion on the block market and increased by 5.8 percent to 33 billion on the central equity market. In the latter, daily turnover rose from 126.8 million in 2019 to 132 million in 2020. As regards capital increases, six operations were recorded, totalling 2.4 billion instead of 9.8 billion in 2019. In addition, the year 2020 witnessed the listing of the company "ARADEI CAPITAL", specialised in real estate investment, by sale and capital increase for a total of DH 600 million. This operation, the only one in the last two years, brought the number of companies listed on the Casablanca Stock Exchange to 76.

1 The P/E is the ratio of share price to earnings per share and the dividend yield is the ratio of the dividend paid to the share price. The figures are estimates provided by Thomson Eikon Reuters

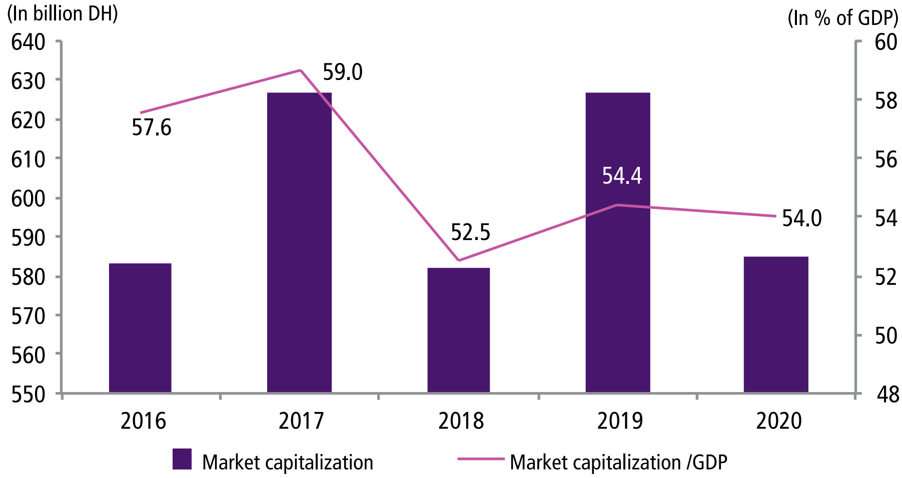
Table 1.8.7: Volume of transactions (in millions of dirhams)

	2016	2017	2018	2019	2020
I- Shares	**68 193.4**	**66 877.7**	**50 915.2**	**74 863.9**	**55 308.5**
1-Central market	32 082.2	39 489.0	37 121.8	31 199.5	33 001.4
2-OTC market	18 379.4	24 051.3	8 791.4	26 676.1	15 836.9
Total of the secondary market (1+2)	**50 461.6**	**63 540.3**	**45 913.2**	**57 875.6**	**48 838.4**
3- New listings	1 929.8	-	798.6	-	600.0
4- Securities contributions	4 797.9	1 213.1	251.3	4 135.4	2 096.3
5- Public offerings	440.4	67.1	25.2	2 382.9	0.0
6- Transfers	686.8	622.7	429.7	622.1	1 367.9
7- Capital increases	9 876.8	1 434.5	3 497.3	9 847.8	2 406.0
Total of other markets (3+4+5+6+7)	**17 731.8**	**3 337.4**	**5 002.1**	**16 988.3**	**6 470.1**
II- Bonds	**4 543.1**	**2 859.9**	**1 772.6**	**530.7**	**468.1**
8- Central market	2 120.9	307.8	55.1	3.3	-
9- OTC market	1 484.1	1 684.4	950.1	527.4	186.9
Total of secondary market (8+9)	**3 605.0**	**1 992.3**	**1 005.2**	**530.7**	**186.9**
10- New listings	938.1	657.9	767.4	-	-
11- Securities contributions	-	209.7	-	-	281.2
12- Transfers	-	-	-	-	-
Total of other markets (10+11+12)	**938.1**	**867.6**	**767.4**	**-**	**281.2**
Total (I+II)	**72 736.6**	**69 737.6**	**52 687.8**	**75 394.6**	**55 776.6**

Source: Casablanca Stock Exchange.

By category of investors, 37 percent of exchanges were carried out by mutual funds, 36 percent by Moroccan legal entities and 24 percent in equal parts by Moroccan individuals and foreign legal entities.

Chart 1.8.9 : Change in market capitalization



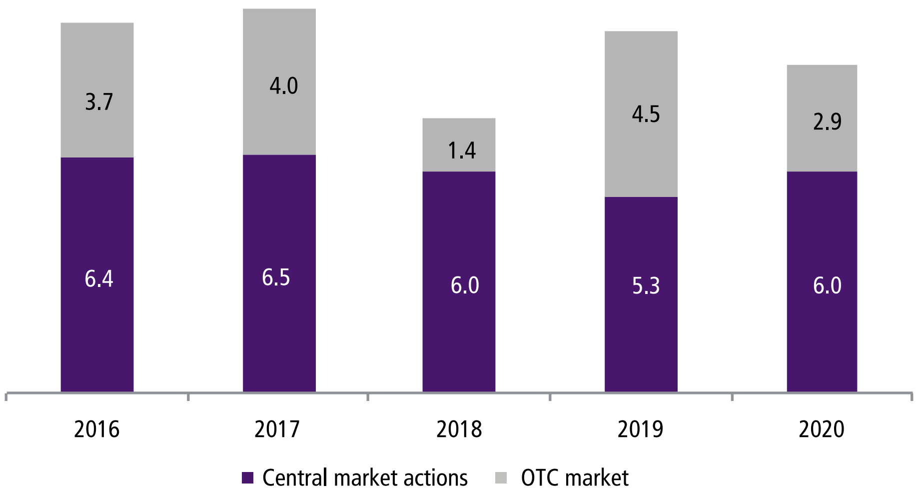
Source: Casablanca Stock Exchange.

In total, market capitalization lost 41.7 billion dirhams, standing at 585 billion at the end of 2020 and its ratio to GDP fell from 54.4 percent to 53.7 percent. Its floating component declined by

0.5 percent to 149 billion, covering the effect of the depreciation of prices and an increase in the floating factor from 24.3 percent to 25.2 percent.

Under these conditions, liquidity ratio on the central equity market improved from 5.3 percent to 6 percent. It is still well below the levels observed on the main stock exchanges of the "frontier" and "emerging" markets, where it reached1 in particular 177 percent for Brazil, 91 percent for India, 64.3 percent for Malaysia, 39.9 percent for Vietnam and 13.2 percent for Argentina.

Chart 1.8.10: Liquidity ratio (%)



Sources: Casablanca Stock Exchange, and BAM calculations.

1.8.4 Real estate assets

In 2020, the real estate market was strongly impacted by the Covid-19 crisis, recording the largest decline in transactions since 2010, the year in which BAM and the National Agency for Land Conservation, Cadastre and Cartography (ANCFCC) set up their market monitoring system.

During the first half of the year, affected by the lockdown period, sales fell sharply by 43.7 percent compared to the previous six months, accompanied by a 2.5 percent fall in prices. These unfavourable developments led the Government to introduce, within the framework of the corrective finance law of 2020, incentive measures consisting in particular of a temporary reduction of 50 percent in registration fees. However, this provision was limited to transactions involving housing or land for residential use, the price of which does not exceed 2.5 million dirhams[2].

1 Data from the World Federation of Stock Exchanges.

2 This provision was extended under the 2021 Finance Act in June of the same year, with an increase in the ceiling to 4 million dirhams.

Chart1.8.11 : Quarterly changes in the REPI and number of transactions by asset class (%)

Sources : BAM et ANCFCC.

The second half of the year witnessed a rebound with sales up by 97.2 percent and prices up by 2.8 percent, thus mitigating the declines over the whole of 2020 to 14.3 percent and 0.8 percent respectively. This evolution concerned all categories of goods with respective decreases in sales and prices of 17.3 percent and 1 percent for residential, 6.9 percent and 0.4 percent for real estate and 3.9 percent and 0.3 percent for goods for professional use.

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

	REPI					Transactions				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Overall	**1.3**	**5.4**	**0.0**	**-0.2**	**-0.8**	**8.7**	**-6.8**	**4.8**	**-3.6**	**-14.3**
Residential	**1.0**	**5.0**	**0.3**	**0.1**	**-1.0**	**8.2**	**-7.8**	**3.3**	**-1.7**	**-17.3**
Apartment	1.0	6.0	0.2	0.2	-0.9	8.2	-7.2	2.5	-1.4	-16.8
House	0.4	1.4	0.1	-0.7	-2.1	8.3	-15.5	14.4	-2.0	-28.2
Villa	2.9	3.7	0.4	-0.9	-0.4	6.9	-16.1	11.0	-12.8	-10.5
Urban land	**1.9**	**6.3**	**-0.3**	**-0.9**	**-0.4**	**9.7**	**-4.3**	**8.7**	**-10.1**	**-6.9**
Business properties	**3.4**	**6.6**	**0.5**	**0.0**	**-0.3**	**7.9**	**-2.6**	**9.6**	**-4.4**	**-3.9**
Commercial premises	4.3	5.8	1.3	-0.5	-0.4	7.6	-3.7	9.7	-6.1	-3.3
Offices	-0.2	9.5	-2.6	1.5	1.1	8.9	5.5	8.2	7.0	-7.5

Sources : ANCFCC data and BAM calculations.

In the main cities, price decreases ranged from 0.5 percent in Casablanca to 3.1 percent in Kenitra and increases were between 0.2 percent in Oujda and 1.6 percent in El Jadida. At the same time, the decline in sales was generalized, with rates ranging from 8.3 percent in Fez to 33.6 percent in El Jadida.

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

	REPI					Transactions				
	2016	2017	2018	2019	2020	2016	2017	2018	2019	2020
Agadir	2.5	6.1	1.4	-0.7	0.4	22.6	-4.3	25.2	-12.6	-10.3
Casablanca	-2.2	4.8	1.6	-0.7	-0.5	4.4	5.1	-3.5	0.1	-9.2
El jadida	1.5	6.9	-0.5	0.1	1.6	15.0	-14.4	9.2	-4.6	-33.6
Fes	2.3	9.0	-1.6	-0.6	-1.2	13.6	-10.5	10.3	-8.9	-8.3
Kenitra	2.9	5.5	1.0	1.2	-3.1	14.6	-14.6	19.5	-8.2	-15.2
Marrakech	1.2	8.4	-4.2	-1.9	-1.4	-14.3	-12.6	-15.7	-14.6	-9.8
Meknes	1.4	7.3	0.6	0.7	-1.8	23.3	-14.1	8.5	-6.6	-18.2
Oujda	2.3	3.5	2.1	0.3	0.2	7.1	-2.6	-5.6	-13.4	-17.4
Rabat	4.2	-0.5	2.9	-1.5	1.1	28.4	-18.8	23.1	-13.1	-16.9
Tangier	1.7	6.7	1.5	0.2	-2.1	-5.5	-16.4	20.4	-1.5	-24.5
Global	**1.3**	**5.4**	**0.0**	**-0.2**	**-0.8**	**8.7**	**-6.8**	**4.8**	**-3.6**	**-14.3**

Sources : BAM et ANCFCC.

In Casablanca, prices dropped by 0.5 percent, covering decreases of 0.6 percent for residential and 1 percent for professional goods, as well as an increase of 1.2 percent for land. Similarly, transactions fell by 9.2 percent, with decreases of 9.6 percent for residential, 19.1 percent for land and 0.3 percent for goods for professional use.

In Tangier, the price index fell by 2.1 percent, as a result of depreciations of 3.5 percent in the residential sector and 0.6 percent in the land sector, while the prices of goods for professional use rose by 2.5 percent. In terms of sales, a contraction of 24.5 percent was recorded, reflecting declines of 27.8 percent for residential and 25.4 percent for goods for professional use, while land acquisitions rose by 1.9 percent.

In Rabat, prices increased by 0.4 percent for land and by 17.9 percent for property for professional use, in parallel with a stagnation for residential property. As regards transactions, their number has decreased by 16.9 percent overall, by 14.8 percent for residential and by 6.9 percent for land.

In Marrakech, the real estate market has continued to decline as observed in recent years, with new contractions of 9.8 percent in sales and 1.4 percent in prices. This trend has concerned all the categories of goods with respective decreases in prices and transactions of 2 percent and 12.4 percent for the residential, 0.5 percent and 5 percent for the land and 0.2 percent and 3.6 percent for the goods for professional use.

1.9 Financing the economy

This chapter aims to trace the financial flows between economic agents (households, public administration, financial corporations, non-financial corporations and the rest of the world) by analysing the financing their needs and investing their surplus.

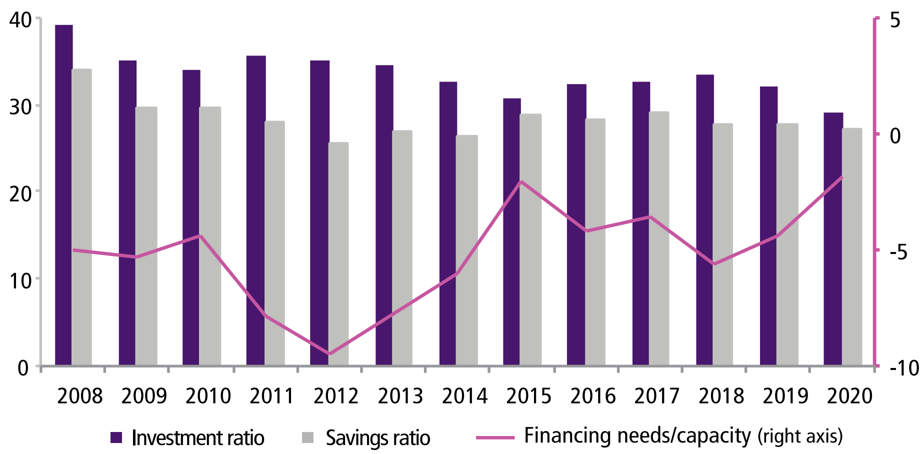
It is elaborated on the basis of several data sources, including monetary statistics from Bank Al-Maghrib, the balance of payments published by the foreign exchange office and the national accounts of institutional sectors. Given that the latter will only be available in December 2021, estimates are established based on the agent structure of the previous year, which may lead to significant differences with respect to realization

Despite these data availability limits, this chapter is still a part of BAM's annual report as one of the few references dealing with the issue of financing the economy. Once the data are available, the Bank carries out a thorough assessment of these estimates in order to draw the necessary lessons for the next year's report.

In 2020, the gross national disposable income (GNDI) amounted to 1153.3 billion dirhams, down by 4.2 percent after a rise of 3.7 percent in 2019. Taking into account a 2.4 percent drop in final consumption to 862.7 billion dirhams, national savings contracted by 9.3 percent to 290.6 billion, or 25.2 percent of GDI.

At the same time, investment stood at 310 billion dirhams or 28.4 percent of GDP against 31.9 percent in 2019. Under these conditions, the financing requirement has lightened to 19.3 billion dirhams and its ratio to GDP has fallen from 4.1 percent to 1.8 percent.

Chart 1.9.1: Financing requirement (in % of GDP)



Source: HCP.

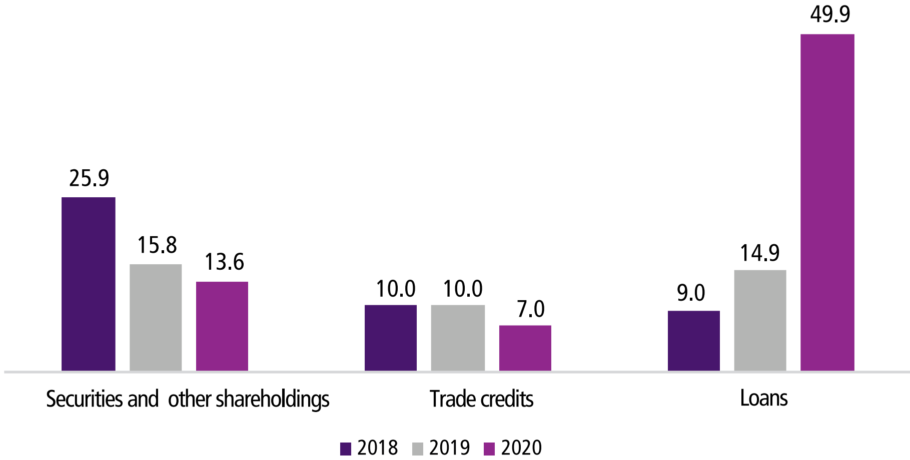
By institutional sector[1], requirements of non-financial companies are likely to have declined in 2020 and their financing need to be ensured up to 20.5 billion dirhams by external resources. Yet, needs of public administrations[2] are thought to have increased to 30.1 billion, mainly reflecting the significant increase in their commitments to residents to 51.8 billion. Concerning households[3], their financing capacity would have increased from 13.8 billion in 2019 to 25.8 billion this year.

1.9.1 Financial flows with the rest of the world

The need for financing the economy was mainly covered by external loans, allocated mainly to public administrations and financial companies, for an amount of 49.9 billion dirhams, as well as by the acquisition of bonds issued by the public administrations for a net total of 23.3 billion dirhams. As regards other flows, they decreased to 13.6 billion for equity investments in resident companies and to 7 billion dirhams for commercial credits.

By economic agent, the net liabilities[4] of non-financial corporations fell to 20.5 billion dirhams, reflecting declines of 0.8 billion in the flow of loans and 12.2 billion in that of equity holdings.

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



Source: Foreign Exchange Office and treatments BAM.

Regarding the public administrations, their net external liabilities increased by 39.9 billion dirhams, as a result of the 23.3 billion increase in their issues of securities other than shares and 16.6 billion in their loans. In particular, the Treasury's gross drawings rose from 25 billion dirhams to 62.6 billion, of which 37.5 billion were contracted on the international financial market, 10.7 billion with the World Bank, 3.9 billion granted by the Arab Monetary Fund and 3.6 billion by the African Development Bank.

1 Data for 2020 are estimated by BAM based on information from the integrated economic accounts table published by the HCP.

2 They include central government, local authorities and compulsory welfare institutions.

3 Households include individuals, individual entrepreneurs and non-profit institutions serving households.

4 Liabilities inflows and outflows' balance

As for residents' external assets, they increased by 80.6 billion dirhams after 25 billion. More specifically, the official reserve assets of Bank Al-Maghrib increased by 67.2 billion dirhams and the financial assets of other financial companies by 14.3 billion. As for the assets of non-financial companies, they decreased by 2 billion, mainly as a result of a 3.8 billion decrease in commercial advances and a 1.8 billion increase in shares and other equity securities.

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

	2019				2020			
	Total	GG[1]	NFC[1]	FC[1]	Total	GG[1]	NFC[1]	FC[1]
Funding Requirement[2]	**-47.7**				**-19.3**			
Residents' assets in the rest of the world[3]	**25.0**	**0.3**	**0.7**	**24.0**	**80.6**	**1.8**	**-2.0**	**80.9**
Gold and SDR	-0.1			-0.1	-0.5			-0.5
Cash and deposits	-13.4		-4.0	-9.5	62.7		-0.3	63.0
Securities and other shareholdings	8.3	0.3	4.5	3.5	7.1	1.8	1.8	3.6
Securities other than shares	31.9	0.0	0.0	31.9	16.9	-0.0	0.0	16.9
Credits	0.9		0.4	0.5	0.4		0.2	0.2
Trade credits	-0.1		-0.1	0.0	-3.8		-3.8	0.0
Other accounts payable	0.0		0.0	0.0	0.0		0.0	0.0
Financial Derivatives	-2.4		0.0	-2.4	-2.2		0.0	-2.2
Residents' liabilities to the rest of the world[3]	**57.5**	**15.8**	**29.9**	**11.7**	**84.9**	**39.9**	**20.5**	**24.6**
Deposits	10.5			10.5	-6.4			-6.4
Securities other than shares	8.9	9.1	0.0	-0.1	23.1	23.3	0.0	-0.2
Securities and other shareholdings	15.8		13.9	1.9	13.6		12.2	1.4
Loans	14.9	6.8	6.1	2.0	49.9	16.6	0.8	32.6
Financial Derivatives	-2.6			-2.6	-2.8			-2.8
Trade credits	10.0		10.0	0.0	7.0		7.0	0.0
Other accounts payable	0.0		0.0	0.0	0.4		0.4	0.0

[1] GG: General government; NFC: Nonfinancial corporations; FC: Financial corporations.
[2] National accounts data.
[3] Errors and omissions excluded.
Sources: Foreign Exchange Office data, HCP and BAM estimates.

1.9.2 Financial flows between resident sectors

Financial flows between resident sectors were shaped in 2020 by a deceleration in loans taken out by non-financial agents and in their holdings of mutual fund shares.

1.9.2.1 Financial flows of public administrations

Financial operations of the public administrations with residents were characterised by a higher flow of their liabilities and a slower flow of their claims. Indeed, net issuance of Treasury bills stood at 43.6 billion after 10.9 billion in 2019, while deposits with the Treasury contracted by 6.9 billion instead of improving by 7.6 billion a year earlier.

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

	2019	2020
Financing Requirement[1]	**-23.9**	**-30.1**
Main net flows of financial assets acquisition	**12.4**	**5.4**
Deposits	13.3	2.8
Negotiable debt securities	0.5	1.5
Treasury bonds	-6.8	-11.9
Mutual funds shares/units	5.4	13.0
Main net flows of liabilities	**19.2**	**51.8**
Deposits with the Treasury	7.6	-6.9
Treasury bonds	10.9	43.6
Loans	5.1	0.4
Other accounts payable/receivable	-4.5	14.7

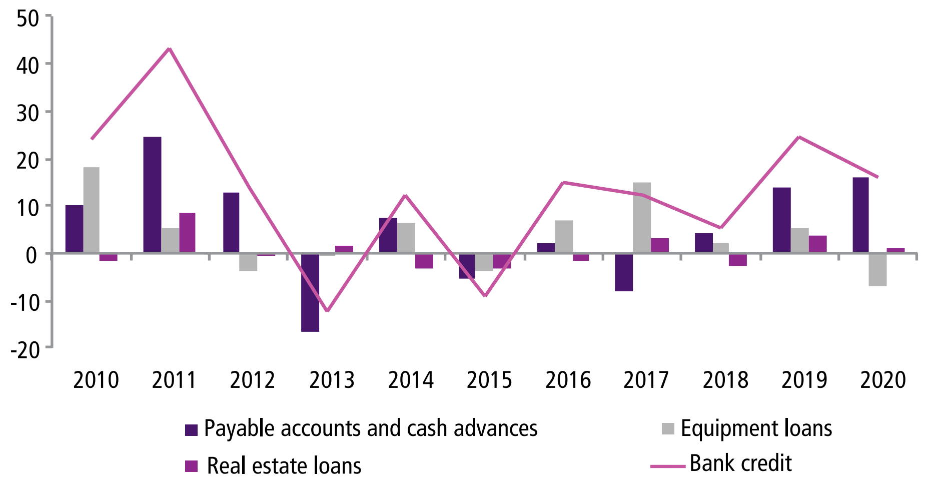
1 BAM estimates based on the table of integrated economic accounts published by HCP.
Sources : Bank Al-Maghrib, MCMA and Maroclear.

Concerning the financial assets of public administrations, mainly made up of the investments of the provident and retirement institutions under compulsory regime, they increased by 5.4 billion dirhams. Their holdings in mutual fund securities increased by 13 billion and their deposits totalled an additional 2.8 billion, while their holdings in Treasury bills fell by 11.9 billion.

1.9.2.2 Financial flows of non-financial companies

The liabilities[1] of non-financial companies increased by 21.3 billion dirhams, mainly due to a 10.7 billion growth in net issuance of debt securities. On the other hand, the flow of credits granted to financial companies fell to 10.6 billion. Bank equipment loans to private non-financial companies fell by 5.4 billion after having risen by 5.6 billion in 2019.

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



Source : BAM.

1 Excluding trade credits and shares for which data is not available.

Assets of non-financial companies increased by 2.2 billion dirhams in 2020, mainly as a result of increases of 10.1 billion in their demand deposits and 2.9 billion in their Treasury bills holdings, as well as decreases of 6.3 billion in their term deposits and 2.1 billion in their mutual funds shares/ units portfolio.

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

	2019	2020
Funding Requirement[1]	**-56.1**	**-22.6**
Net flows of financial assets acquisition (excluding trade credits and shares)	**15.6**	**2.2**
Deposits	1.3	1.0
Including: Sight deposit	5.6	10.1
Term deposit	-9.2	-6.3
Negotiable Treasury bonds	2.2	2.9
Mutual fund shares/units	11.6	-2.1
Insurance technical reserves	0.2	0.4
Net flows of liabilities (excluding trade credits and shares)	**29.0**	**21.3**
Securities other than shares	5.9	10.7
Loans of financial institutions	23.1	10.6

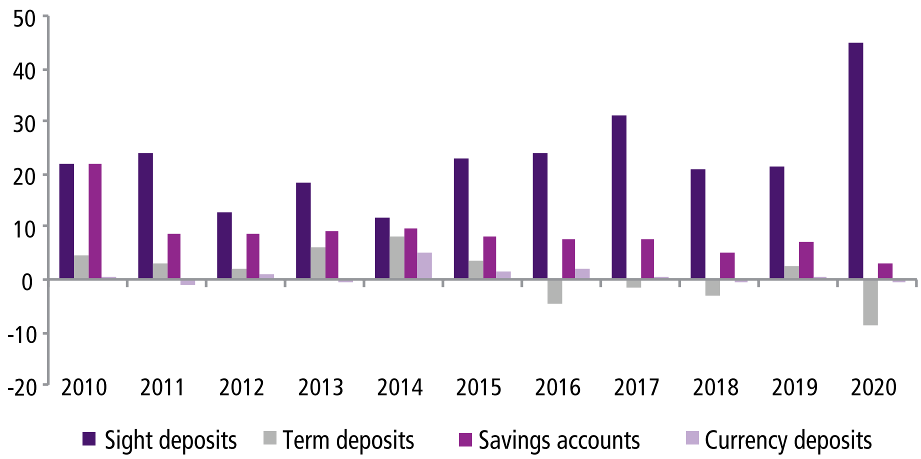
1 BAM estimates based on the table of integrated economic accounts publisged by HCP.

Sources : Bank Al-Maghrib, MCMA and Maroclear.

1.9.2.3 Household financial flows

Households' financial assets[1] improved by 104.1 billion dirhams in 2020. This evolution mainly reflects a 50.4 billion increase in their cash holdings[2], as well as a 42.8 billion increase in their deposits, particularly with a 45.1 billion rebound in sight deposits. Holdings of mutual fund shares/ units remained stable after improving by 1.2 billion a year earlier.

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



Source : BAM.

1 Excluding trade credits and shares.

2 Corresponding to the evolution of total cash in circulation, under the assumption of zero cash holdings by non-financial corporations.

With regard to the liabilities of households, the flow of loans contracted from financial companies fell from 20.5 billion dirhams in 2019 to 13.9 billion. More specifically, consumer loans fell by 2.6 billion after having risen by 6.8 billion, while those for housing rose by 7.4 billion against 7.9 billion in 2019.

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

	2019	2020
Financing capacity[1]	**13.8**	**25.8**
Net flows of financial assets acquisition (excluding trade credits and shares)	**68.3**	**104.1**
Cash	16.4	50.4
Deposits	32.3	42.8
Negotiable debt securities	0.1	-0.1
Mutual fund shares/units	1.2	-0.0
Insurance technical reserves	18.2	11.0
Net flows of liabilities (excluding trade credits and shares)	**20.5**	**13.9**
Loans	20.5	13.9

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

Sources : Bank Al-Maghrib, MCMA and Maroclear.

PART 2

ACHIEVEMENT OF BANK MISSIONS

"The health crisis was one of our main concerns during the year 2020 and required a considerable effort from all of us. We have acted in all areas under our responsibility... All these achievements would never have been possible without the mobilization of each agent of the Bank, in a collective and well-coordinated work... This is what has enabled the Bank to rise to the challenges and provide a decisive response to the crisis."

Extract from the Governor's speech on the occasion of the Executive's Day 2021

HIGHLIGHTS OF THE YEAR: BANK AL-MAGHRIB FACING THE CRISIS

The year 2020 was shaped by a global health crisis that turned into an exceptional economic crisis. In Morocco, as soon as the first case of contamination appeared on March 2, the authorities responded quickly, as instructed by the highest authority of the State. In this context, Bank Al-Maghrib made a significant contribution to the national response to the crisis. As such, it intervened in all the areas under its responsibility and contributed to several actions taken by the governmental authorities, notably in the framework of the Economic monitoring Committee (CVE) set up at the level of the Ministry of Economy, Finance and Administration Reform.

Thus, in terms of monetary policy, Bank Al-Maghrib activated a range of both conventional and unconventional instruments. The Bank thus lowered twice the key rate by a total of 75 basis points, bringing it to 1.50 percent, its lowest level ever. To provide banks with the liquidity they need, the Bank freed up the required reserve account in full and extended the list of assets eligible for its refinancing operations, tripling their potential to 450 billion dirhams, while meeting all their demand. In the same vein, the Bank set up specific refinancing lines for micro-credit associations and participatory banks. It also expanded the specific refinancing mechanism for the benefit of SMEs, by including, in addition to investment loans, operating loans and at the same time, increasing the frequency of injections.

At the prudential level, the Bank decided a temporary easing of prudential rules on capital and loan provisioning in order to strengthen banks' ability to support businesses and households in these exceptional circumstances. At the same time, the Bank sought to enhance customer protection by calling on banks to be more transparent in the application of the CVE measures relating to credit and the reasons for rejecting credit applications, by supporting the missions of the banking mediation office and by strengthening banking competition.

Regarding macro prudential supervision, and from the very beginning of the crisis, Bank Al-Maghrib, chairing the Systemic Risk Coordination and Supervision Committee, has set up a committee composed of regulatory authorities and the Ministry of Finance, with a view to closely monitoring the potential risks of the crisis on financial stability. In the same vein, the Bank conducted two macro stress tests to assess the impact of the crisis on the solvency of banks.

Faced with an exceptional increase in cash withdrawals due in particular to the lockdown and the "Tadamoun" operation, the Bank set up an appropriate supply plan. As such, it coordinated and supervised this operation in collaboration with the banking system, the payment institutions and the microcredit associations. Concurrently, the Bank has adapted the work organization at Dar

As-Sikkah to address the constraints related to health measures in order to ensure the continued production of new banknotes and coins as well as identity and security documents.

As a preventive measure, Bank Al-Maghrib, in consultation with the Ministry of economy, drew upon the IMF's precautionary and liquidity line (PLL) on April 7, thereby providing an additional 3 billion dollars in foreign exchange reserves in the midst of the economic crisis.

Meanwhile, the Bank continued all year long achieving its missions and implementing its projects, particularly those contained in its strategic plan.

On the foreign exchange market, the monetary authorities decided, on March 9, 2020, to move to the second phase of the transition to a more flexible exchange rate regime. This was achieved by further widening the fluctuation band of the dirham from ±2.5 percent to ±5 percent while keeping the reference basket unchanged. By implementing this new phase of the reform, the real challenge of the Covid-19 crisis has been overcome without difficulty, allowing for a deeper interbank foreign exchange market and for more effective integration of foreign exchange risk by market participants.

Bank Al-Maghrib continued to work with the Ministry of economy Finance and administration Reform to implement the National Financial Inclusion Strategy launched in 2019. Several measures were adopted, including the enactment of a regulatory framework governing the remote opening of accounts and the simplification of procedures related to small accounts. Regarding mobile payment launched by BAM in cooperation with the ANRT in 2017, efforts were pursued through the licensing of 16 payment institutions, the operationalization of 19 "m-wallet" offers in the market and the establishment of interoperability through the Switch Mobile. To speed up the development of the mobile payment ecosystem, several measures have been adopted, including tax exemption on all mobile payments and the implementation of a pilot experiment to enrol merchants and M-wallet holders using the Tayssir program.

Despite the disruptions caused by the health crisis, the Bank did not interrupt any of its institutional and analytical publications and issued them within the planned deadlines. Besides, it continued to ensure its internal and external communication actions, while adhering to the dynamics of digital transformation. The Bank Al-Maghrib Museum, forced to close its doors for more than four months, also had to adapt by reviewing its priorities and proposing new and innovative experiences for visitors in order to keep a close relationship with the public. As far as the international cooperation is concerned, Bank Al-Maghrib activated its membership in the Bank for International Settlements, implemented its partnership program with the Bank of England and held many virtual cooperation events.

The year also witnessed the return to the Bank's historic headquarters. The entities discovered new working spaces designed in line with the best international standards, while preserving the historical character of the building and respecting quality, safety and sustainable development standards.

The Bank accomplished all these achievements during this marked by health crisis while ensuring safety of all its employees. As soon as the crisis broke out, a crisis management and business continuity committee was set up. The Bank thus reinforced hygiene measures, carried out several awareness-raising actions to ensure compliance with barrier measures and adopted a targeted approach to monitoring the risk of contamination. In order to ensure the continuity of activity during the lockdown period while guaranteeing the safety of its staff, a remote working platform has been set up and specific measures have been taken for staff whose activities can only be carried out in person.

In line with its strategic ambitions to develop its human capital, the Bank continued its staff training initiatives, which included diversifying its learning methods and making extensive use of digital technology. It also strengthened its policy of professional equality, notably by adopting the gender equality charter, which enshrines the inclusive nature of work and gender diversity in the various business lines and promotes work-life balance.

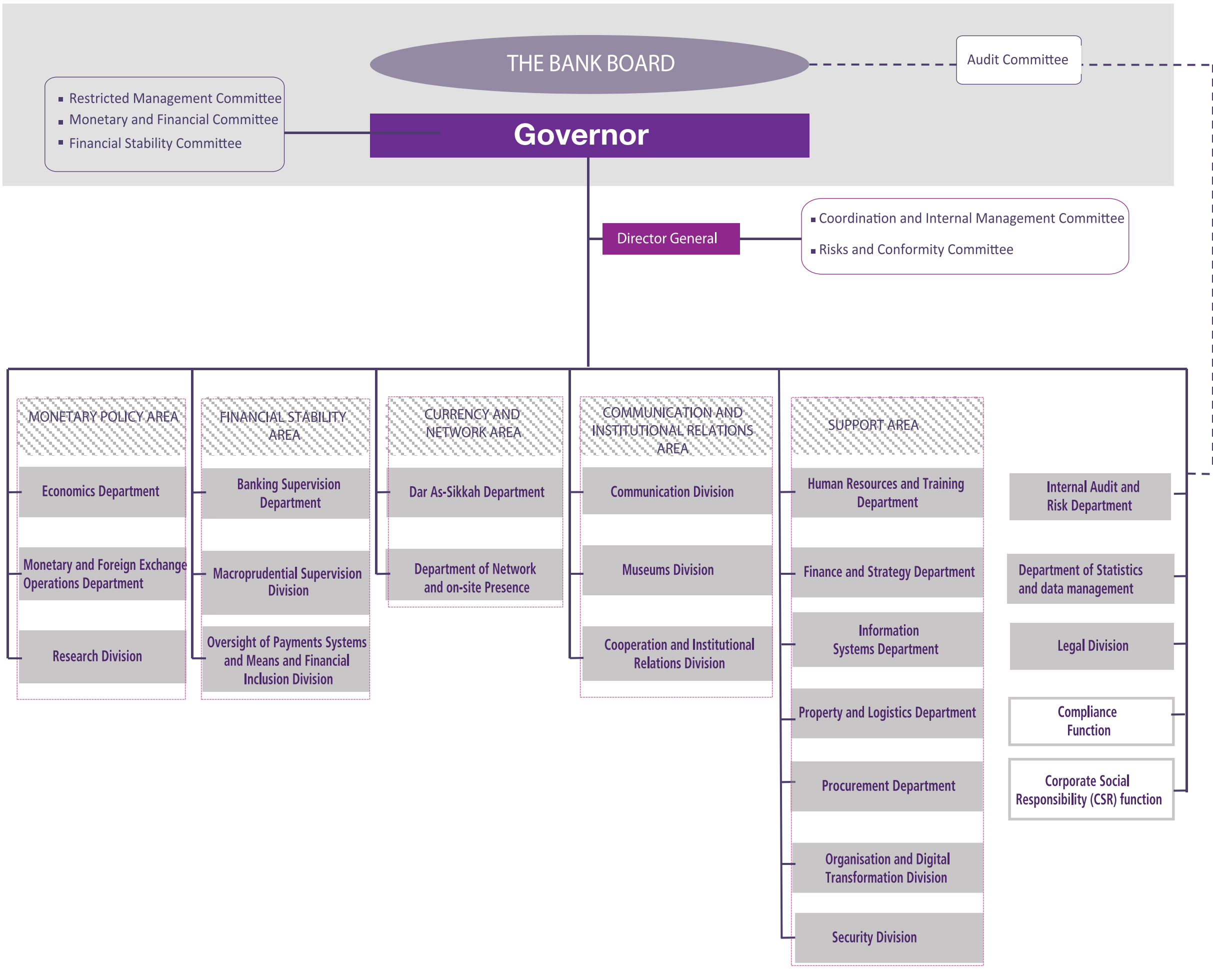
The relevance and scope of the response to the crisis, as well as the continued actualization of its missions in a context as difficult as that which prevailed in 2020, have demonstrated once again that the Bank is "a successful, innovative Central Bank and a force for change at the service of the country”.

2.1 Governance and strategy

2.2.1 Organizational and Governance Structures

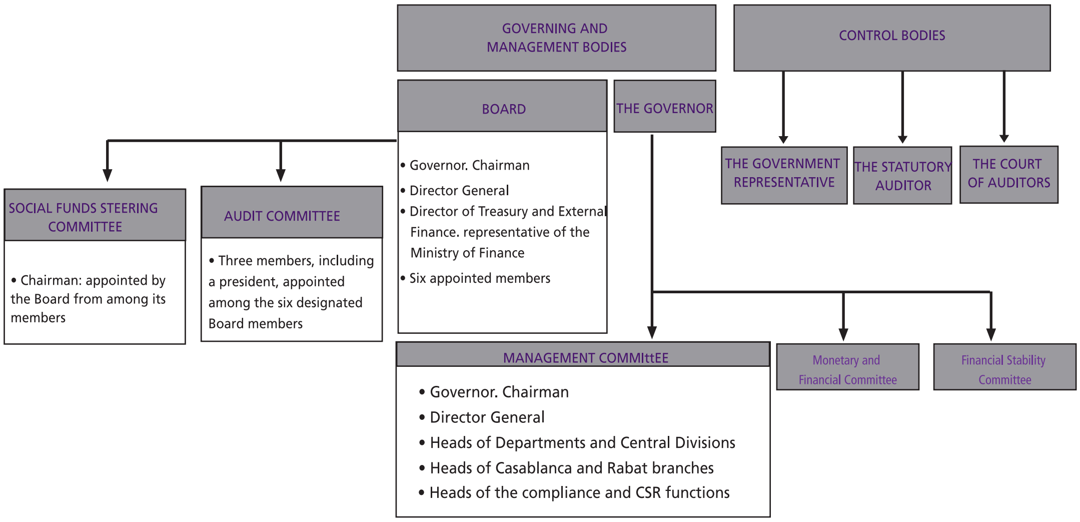
The Bank's organization structure, following the implementation of its 2019-2023 strategic plan, is based on 21 entities, a compliance function and a CSR (Corporate Social Responsibility) function, as well as 5 permanent governance bodies, each of which is involved in one or more areas of activity.

Diagram 2.1.1: 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.

Diagram 2.1.2: Bank Al-Maghrib governance bodies



Administrative and management bodies

The Bank's Board is composed of the Governor, as Chairman, the Director General and six members appointed by the Head of Government, from among persons known for their integrity and competence in monetary, financial or economic matters. These members hold no public elective office and who do not hold any position of responsibility in public or private companies or in the public administration. Three of these members are proposed by the Governor, while the other three are suggested by the Minister of Finance. At the occasion of the Board renewal in 2020, the appointment criteria, as provided for by the law on the Bank's statute, were further specified, particularly with regard to the individual and collective competences of the said members, the diversity of their profiles and the parity between men and women. The biographies of the members appointed in 2020 were published on the Bank's website.

These members are appointed for a non-renewable period of six years. The Director of the Treasury and External Finance, within the Ministry in charge of Finance, sits on the Board as an ex-officio member, but does not have the right to vote on decisions relating to monetary policy.

The Board, which meets at least once a quarter, according to a pre-established and publicly announced schedule, defines the monetary policy stance on the basis of analyses and projections prepared by the Bank's staff. At the end of each of its meetings, a press release is immediately made public, explaining the decisions of the Council and their foundations, and a live press conference is held by the Governor.

The Board decides the general rules governing foreign exchange reserves management and monitors the results of this management. It also determines the characteristics of the banknotes and coins issued by the Bank and decides on their circulation and withdrawal in accordance with the relevant regulations. The Board is also responsible for the administration of the Bank, particularly for aspects relating to general policy, financial management and accounting as well as organization. It also decides the measures to be taken in exceptional and emergency situations and determine any other instrument of intervention in the money or foreign exchange market other than those provided for by law.

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

- The Audit Committee, which is responsible for examining and advising on matters relating to accounting information, internal and external audit, internal control and risk control. It is composed of three members, chosen from among the six designated members of the Board and meets four times a year, 10 days before the Board meetings. A charter, approved by the Board, defines the roles, responsibilities and operating procedures of the Audit Committee. These are set out in internal regulations. The new members appointed in 2020 are Mr Mustapha Moussaoui, as Chairman, Ms Mouna Cherkaoui and Mr Fathallah Oualalou. The secretariat of the Committee is ensured by the head of the Department of internal audit and risk management;

- 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. The Committee has been chaired since 2020 by Ms Najat El Mekkaoui. The secretariat of the Committee is ensured by the Head of the Department in charge of Finance and Strategy.

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

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

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

The Governor is also assisted by:

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

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

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

Control bodies

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

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

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

Finally, the Governor be heard by the Parliament Standing Committees in charge of Finance, on their own initiative, regarding the Bank's tasks, in accordance with the principle of accountability enshrined in the Constitution. In this regard, the Governor held in 2020 meeting with each of the following:

- the Parliament's Committee on Finance and Economic Development, notably on the Bank's response to the Covid-19 crisis;
- the temporary fact-finding mission on the sector of credit institutions and similar bodies.

Audit Committee

Following the appointment of its new members in 2020, the Audit Committee examined the Bank's annual accounts as at 31 December 2019 and recommended their approval to the Bank's Board. It reviewed, in advance, the statutory auditor’s action plan for the 2020 financial year. It also took note of the main provisions and actions carried out as part of managing the health crisis linked to Covid-19.

Besides, the committees reviewed the main conclusions of the report on the Bank's internal control system for 2019, particular with regard to assessing the maturity of the system and of its various components.

It also reviewed the results of the operational, reputational, financial and strategic risk management systems for 2020 and gave its opinion on the annual internal audit program for 2021, prior to its approval by the Bank Board.

Around fifteen improvement actions were recommended to strengthen risk management and control systems, while taking into account the Covid-19 crisis context. The Committee examines their implementation at every meeting, with nearly two-thirds of the recommendations having been implemented by the end of December 2020.

Social Funds Steering Committee

Following the appointment in 2020 of a member of the Bank's new Board as its Chairman, the Steering Committee met, in compliance with the social funds steering charter, with the external asset managers. The purpose of this meeting is to review the achievements of the funds in 2020, validated the actuarial balance sheet of the two schemes for this financial year and submitted the conclusions of the annual social funds report and the proposed decisions to the Bank Board for validation.

2.1.2 Strategy

As part of its 6th strategic plan, the 2019-2023 one, the Bank has set out the vision of "Being an efficient and innovative Central Bank and a force for change in the service of the country". It aims to achieve this vision through two major orientations:

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

Regarding the achievements made, the second year of implementation of this plan, significant progress has been made in the areas related to all the strategic domains of the Bank.

Table 2.1.2.1: Second progress report on the implementation of the 2019-2023 Strategic Plan

Monetary policy	
Reform of the exchange rate regime	**Monetary Policy Analysis and Forecasting Frameworks**
• Transition to the second phase of the reform of the exchange rate regime; • Continued efforts to deepen the foreign exchange market and strengthen the associated monitoring and analysis framework; • Continued efforts to raise awareness and support operators and stakeholders.	• Adapting the monetary policy analytical and forecasting frameworks to the specificities of the second phase of the exchange rate regime reform; • Continued work on refining the inflation targeting framework; • Conducting studies on the impact of the health crisis on the national economy; • Publication of three new research papers.
Data & statistics	
• Launching the definition and implementation of the Bank's Data and Statistics strategy; • Continued implementation of the MyCreditInfo application and the Irregular Cheque Centralisation Service; • Ongoing review of the legal and regulatory framework of the Credit Bureau.	

Banking supervision, financial stability and financial inclusion

Banking supervision

- Monitoring the impact of the health crisis on credit institutions and assisting them in implementing measures to support the financing of the economy and safeguard their resilience;
- Continuing work on the development of participatory finance;
- Completing the implementing texts for the law on crowd funding and reviewing the microfinance regulatory framework;
- Adopting the directive on banking mobility and strengthening transparency in pricing;
- Accompanying the digitalisation of financial services;
- Strengthening customer protection measures with regard to the challenges of the digitalisation of financial services.

Macro prudential policy

- Setting up a consultation framework with other regulators;
- Deploying the mechanism for assessing the effects of activating macro prudential instruments;
- Improving the framework for analysing and assessing systemic risks and the stress test mechanism;
- Implementation of the roadmap for monitoring cyber risk in the financial system and assessing risks related to technological innovations and green finance;
- Continued work on the implementation of macro prudential instruments for the real estate sector, households and the capital buffer for systemic banks.

Systems and means of payment

- Contributing to the implementation of the Central Counterparty Clearing House and the instant transfer;
- Supporting financial market infrastructures in simulating stress test scenarios and self-assessing the maturity of their cyber resilience;
- Improving the operational framework for the oversight of payment systems;
- Implementing the strategy for the development of means of payment;
- Introducing incentives to promote the use of mobile payment;
- Accelerate, in coordination with stakeholders, the dematerialisation of flows between the State and users.

Financial inclusion

- Contribution to the steering and coordination of the deployment of the National Strategy for Financial Inclusion and preparation, in consultation with the Ministry in charge of the Economy, of the first related annual report;
- Implementation, by the Moroccan Foundation for Financial Education, of a digital awareness campaign for entrepreneurs and households;
- Strengthening the support of the Fintech ecosystem.

Network, currency & secure documents

- Printing the first secure documents "electronic driving licence" and "electronic vehicle registration document";
- Completed studies to provide Dar As-Sikkah with special industry certifications;
- Improved control of risks related to the integrity of securities;
- Strengthening Dar As-Sikkah's knowledge management and industry expertise mechanisms;
- Continued transformation and modernisation programme of the fiduciary sector.

Governance

- Implementation of the Bank's business continuity plan and activation of the Crisis Management Committee to address the impacts of the Covid-19 pandemic;
- Consolidation of the Bank's ethical system;
- Implementation of the delegation of powers system;
- Continued work on simplifying management systems and strengthening control, audit and risk management mechanisms;
- Strengthening national and international cooperation relations;
- Launching work on the implementation of the Bank's CSR and Compliance policies;
- Development of new communication and awareness-raising tools better adapted to the crisis context and remote working.

Resources	
HR, training and well-being	**information and digital system and process reengineering**
• Implementation of a new digital recruitment platform; • Increasing the number of digital and advanced training courses and certifications; • Nurturing the Bank's document base; • Adopting a digital inclusion program; • Adopting the charter of gender equality in the workplace.	• Consolidation of the Bank's IT infrastructure and reinforcing its security system; • Deploying a new secure platform dedicated to remote working, new mobile work equipment and collaborative tools; • Designing a website dedicated to digital transformation; • Continuing work on the reengineering of support processes; • Carrying out several experiments based on Blockchain, Machine Learning and Artificial Intelligence technologies.

2.1.3 Internal control, audit, risk management and ethics

Internal control system

The Bank's Internal Control System (ICS), built on the basis of the COSO[1] framework, is subject to an annual review for all its components[2]. This review, which is presented to the Board, is prepared on the basis of the results of the entities' self-assessment of their control systems, the overall mapping of operational risks and the conclusions and recommendations resulting from internal and external audit assignments as well as those of the Audit Committee.

In addition to the overall assessment of the ICS functioning, the results of the diagnosis of this system, for the 2019 financial year, highlighted the impact of major projects on risk management and permanent control systems (first and second level).

In 2020, a project was launched as part of the strategic plan to structure and strengthen the effectiveness of permanent control systems. This project mainly aims to strengthen the methodological frameworks and improve the standardization of control techniques, deliverables and reporting, in line with the best practices developed in this area. A club of internal controllers has also been set up to strengthen experience sharing and synergies between the various associated functions.

Internal audit

Bank Al-Maghrib's internal audit is an independent activity entrusted with the mission of providing assurance to the main stakeholders (Board, Audit Committee and Governor office of the Bank) on the control of risks to which the Bank is exposed. It aims to help the Bank achieve its objectives

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

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

by assessing, through a systematic and methodical approach, its risk control, internal control and corporate governance processes.

As such, using a risk-based approach, it plans and carries out its assignments covering an audit operation that include all of the Bank's entities, processes and activities. In addition to risk analysis, the annual planning of engagements takes into account strategic issues, the complementary nature of the work with that of the Statutory Auditor, the cyclical nature of the work and the expectations of the aforementioned stakeholders. Audit assignments particularly aim at assessing the compliance of the Bank's activities with the laws, regulations and procedures in force, their effectiveness and efficiency with regard to the objectives assigned to them, as well as the reliability and security of information.

In 2020, in view of the Covid-19 health crisis, the audit program was adapted to take into account the new risks arising from the crisis, by adopting a more agile approach and remote audits. The Audit Committee reviewed its updated audit program, and the Board validated it at its June 2020 meeting.

Major processes audited in 2020

Management Processes	Core "Business" processes	"Support" processes
- Risks and internal control	- Monetary policy	- Information system
- Strategy	- Fiduciary activities	- Human resources
- Information Security	- Banking and market supervision	- Financial information
		- Infrastructures and working materials
		- Covid-19 measures

Risk Management

Strategic Risks

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

These risks are monitored through a system based on key risk indicators, equipped with alert thresholds, which enable to anticipate the occurrence of such risks and the implementation of appropriate control measures.

In 2020, a review of the main risk families likely to hinder the achievement of strategic objectives, as well as the key risk indicators used to monitor them, was carried out and validated by the Bank's various divisions within the framework of the strategic plan's steering bodies.

Operational risks

Operational risks are managed according to an organized methodological approach that is subject to an overall review at least every two years, with, however, constant updating of highly critical risks to take account of changes in the Bank's internal and external environment.

To ensure that the risk culture is firmly rooted in its various structures, the Bank appointed a risk manager in each division to assess the risks relating to the processes and activities of the entity concerned and to ensure that actions are taken to control them. A central risk management unit monitors methodology, provides support and consolidates risk reporting.

In 2020, an agile approach was used to draw up a specific map of the operational risks inherent in the Bank's activities during the health crisis, particularly in relation to staff health and safety, the continuity of the Bank's activities and cybersecurity.

Financial Risks

Financial risks cover the following categories:

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

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

Reputational risk

During the year under review, characterized by the health crisis, reputational risk was closely monitored in accordance with the approach adopted in 2017. The latter is particularly based on monitoring the monthly evolution of an internally developed barometer measuring the Bank's image score in the media, monitoring the reputational risk that may arise from the operational risks inherent in the Bank's statutory missions, and analysing the "customer" feedback mechanisms implemented as part of the quality management system.

Business Continuity and Information Security

In response to the Covid-19 pandemic, the Bank has adopted a proactive, collaborative and flexible approach, based on its business continuity plan, to ensure the ongoing protection of its employees and the performance of its core missions.

From an operational point of view, as soon as the pandemic broke out and the authorities made their first announcements, the Bank immediately reviewed its business continuity plan to adapt it to the new pandemic context and activated its Crisis Management Committee to closely monitor the situation internally and take the necessary preventive and corrective measures. The measures adopted were in line with the decisions of the competent authorities and were inspired by benchmarks set by international institutions (IMF, World Bank) and central banks, particularly members of the International Operational Risk Management Group (IORWG).

In addition, periodic exchanges were held with Moroccan banks as part of the business continuity coordination group of the market. A continuous communication system was set up with all staff, adapted to the evolution of the pandemic, notably through "flash info" or posters on the preventive measures to be observed. The Bank's management and administrative bodies closely monitored the crisis through regular reporting.

With regard to information security and as part of the ongoing process of strengthening of the Information Security Management System (ISMS), several internal and follow-up audits were carried out in 2020. In addition, and in relation to the context of the pandemic crisis and the launch of remote working, analysis of the cyber risks led to the identification of specific areas for improvement in order to strengthen the Bank's information security.

Meanwhile, an e-learning awareness campaign was launched for all users of the Bank's information system, with a view to deepening their knowledge and testing their mastery of the key aspects of information security. The topics selected were reviewed to take into account the context of the pandemic crisis. The campaign was further complemented by vigilance tests to assess the staff's reaction to cyber-risk situations and thereby evaluate the campaign's effectiveness.

Ethics

The Bank's ethics system consists of two codes of conduct (one applicable to Board members, the other to the Governor and to all staff), as well as specific versions for certain highly ethical functions (in particular, those involved in the procurement process, internal auditors, external service providers and suppliers). In addition, an ethics alert system enables the Bank's employees and external partners to report, within a formal and secure framework, any behaviour that does not comply with the rules of good conduct adopted by the Bank. The Bank's ethics system has been reviewed and updated to ensure compliance with the rules of good conduct. The Bank's ethics system was strengthened in 2019 by the implementation of an anti-corruption management system, certified to the ISO 37001 standard.

In 2020, the two aforementioned codes were updated[1] to take into account the evolution of the national and international context and good practices, particularly within the most advanced central banks in terms of ethics. The main amendments concerned reinforcing the requirements related to conflict of interest management and information protection, as well as the principles of ethical exemplarity and professional excellence in line with the orientations of the Bank's strategic plan and the new provisions of the law bearing Bank Al-Maghrib's statutes.

The Board members, the Governor's office and all the staff signed commitments to respect the provisions of the new version of the two codes. Similarly, the commitment to respect the Bank's Anti-Corruption Policy was also renewed.

With regard to the Bank's anti-corruption management system, internal and external audits were conducted in 2020 to ensure effective implementation of the system. In addition, the financial sector authorities (BAM, AMMC, ACAPS) in partnership with the INPPLC, held their first annual high-level meeting to follow up on the anti-corruption cooperation agreement in the financial sector[2], to assess the achievements of the year 2020 and to agree on the roadmap for the coming year.

Management systems

As part of the strategic objective of strengthening the efficiency and agility of its organization and processes, the Bank pursued the integration and optimization of its management systems through a common "HLS - High Level Structure", while ensuring their synergy and complementarity, namely with the risk management and permanent control activities.

1 The codes of ethics are updated every two years as part of the improvement dynamic.

2 Agreement signed in November 2019 between the three financial sector regulators (Bank Al-Maghrib-BAM, the Moroccan Capital Market Authority-AMMC, the Insurance and Social Security Supervisory Authority-ACAPS) and the National Authority for Probity, Prevention and the Fight against Corruption-INPPLC.

As a reminder, the Bank has progressively adopted, since 2009, the standards related to Quality (ISO 9001) and Anti-corruption (37001) management systems for all its processes, as well as Environment (ISO 14001) and Occupational Health and Safety (OHSAS 18001/ISO 45001) standards for the activities of Dar As-Sikkah. It has also adopted the Information Security (ISO 27001) standard for processes related to the information system and to banking operations.

2.1.4. Compliance

As part of implementing the commitments of the Kingdom regarding convergence with the standards of good tax governance, and following the re-evaluation in October 2020 by the OECD Technical Committee of the tax regime of CFC, the EU Foreign Affairs Council withdrew, dated February 22, 2021, Morocco from the Annex II relating to countries and territories that do not comply with all international tax standards, known as "grey list of tax havens". This withdrawal was achieved after our country adopted Law No. 74-19 approving the Multilateral Convention on the Implementation of Measures Relating to Tax Treaties to Prevent the Erosion of the Tax Base and the Transfer of Profits. Nonetheless, Morocco is urged to accelerate the process of adopting the modalities for applying the due diligence obligations and procedures incumbent particularly on financial institutions, in accordance with the relevant standards adopted by the Global Forum and the OECD in order to combat fraud and tax evasion.

Within the framework of the national AML/CFT system, and following the presentation of its first enhanced monitoring report and its request for an upward revision of the rating of 13 technical recommendations, during the 31st plenary meeting of MENAFATF, held in November 2020, our country was granted an upgrade of the rating of such recommendations, in view of the progress made, particularly in terms of normative measures. In turn, based on the results of the mutual evaluation report, the Moroccan authorities developed and implemented a roadmap for the institutional, normative, and operational pillars, which was broken down into sectoral action plans.

As regards the completion of the normative revision, 2020 witnessed the submission and general discussion, within the Permanent Parliamentary Committee on Justice, Legislation and Human Rights at the House of Representatives, of the draft law No.12-18 amending and supplementing law No.43-05 relating to the fight against money laundering as well as the Penal Code. It is important to note that adoption of this law and its implementation texts, particularly those relating to the national mechanism for implementing targeted financial sanctions and the national register of beneficial owners of legal entities, will ensure the effectiveness of important pillars of the national AML/CFT system.

With regard to the internal AML/CFT system, and as part of a continuous improvement process driven by changes in offshore regulations and the opening up of new financial markets, the Bank has aligned its internal AML/CFT system with the legislative requirements of this new ecosystem and the contractual stipulations agreed with the new foreign counterparties.

In addition, the Bank pursued its efforts to strengthen its internal personal data protection system by enhancing its compliance and efficiency. In this respect, several processing operations carried out by its delegated agents responsible for managing services of common interest (central risk management and centralization of irregular cheques) have been subject to prior examination for compliance and notification to the CNDP.

In accordance with the relevant standards, the Bank has audited its personal data protection system to ensure its efficiency and compliance with legal requirements and good practices in this area.

At the organizational level, the Bank adopted a compliance policy in 2020 to enshrine its desire to anticipate regulatory changes. In order to implement this policy, several actions have been defined, including the development of a compliance reference framework and of its updating process.

2.1.5. Corporate responsibility

For several years, Bank Al-Maghrib has been involved in large-scale projects aimed at tackling economic, environmental, social and good governance issues. Building on the progress made, the Bank launched in 2020 the project of setting up a CSR approach in order to better structure its social commitment around a relevant and credible CSR policy, based on a roadmap and adequate steering and reporting mechanisms.

Within the framework of this approach, the key areas of the Bank's corporate responsibility, known as CSR issues, were identified, evaluated and prioritized. At the end of a participatory process involving the Bank's staff, the banking sector, professional groups, the academic sphere, civil society organizations and suppliers, Bank Al-Maghrib's CSR policy was defined through five axes comprising twelve commitments. The operational implementation of these commitments gave rise to a program comprising more than a hundred projects/actions for the period 2021-2023.

Box 2.1.1: Axes and commitments of Bank Al-Maghrib's CSR policy

Legal & Ethical: Implementing and promoting ethical and transparent governance, reflecting our mission and ensuring an agile and responsible daily management

1. Implement an ethical and transparent governance system that allows us to integrate the principles of corporate social responsibility into our daily activities.
2. Ensure compliance and manage risks while promoting the Bank's agile transformation.
3. Promote ethical and transparent governance at the financial sector level, in order to integrate the principles of corporate social responsibility.

Economic: strive to develop an inclusive, innovative and sustainable financial system and maximize the economic and social impact of our missions

4. Promote financial inclusion and foster the development of the fintech ecosystem.
5. Develop and support economics and financial research and education.
6. Carry out our missions in such a way as to maximize our socio-economic impact, both locally and nationally.

Social: Promote skills development, diversity and inclusion and ensure the protection and welfare of our employees at work

7. Develop human capital and ensure diversity and equal opportunities.
8. Guarantee healthy and safe working conditions and ensure the protection and welfare of our employees.

Environmental: Integrate climate change into our missions and reduce our environmental footprint

9. Integrate climate change into our missions to strengthen risk management and promote green finance.
10. Reduce the environmental footprint of our activities.

Corporate: Contribute, within the framework of partnerships, to developing the territories, supporting culture and promoting solidarity

11. Supporting territorial and national initiatives aimed at creating jobs and income-generating activities and improving access to essential services.
12. Preserving and promoting the numismatic heritage and supporting artistic and cultural activities.

2.2 Bank missions

2.2.1 Monetary policy

Confronted to the exceptional shock that the national economy suffered with the outbreak of the Covid-19 pandemic, the Central Bank developed a comprehensive response, using all conventional and non-conventional instruments appertaining to its areas of intervention.

Regarding the monetary policy, the Bank has acted on several fronts. It has lowered the key interest rate twice, adding up to 75 basis points, landing at 1.5 percent, the lowest level ever. In addition, it fully liberalized the bank reserve requirement, reducing the rate to 0 percent at its June meeting.

Regarding bank liquidity management, BAM has extended the list of collateral eligible for its refinancing operations, tripling their potential to 450 billion dirhams, while meeting all the banks' requests. In the same vein, it has set up new refinancing lines to the benefit of participatory banks and microcredit associations. In addition, to foster credit supply for VSMEs, the Bank has expanded its program to include operating loans; and increased the program's frequency from quarterly to monthly.

In addition, in order to allow banks greater visibility and facilitate their cash management, a significant portion of refinancing was carried out via longer-term instruments, bringing the average duration of all BAM's operations to 33 days, as opposed to 10 days in 2019.

Monetary policy decisions

The Bank held its first Board meeting of the year on March 17, seven days before the government declared a state of health emergency. The Bank's projections for this meeting were finalized before the world health organization declared Covid-19 a pandemic on March 11. The underlying assumption was that the spread of the pandemic will be contained, and its economic impact will be limited.

Thus, projections expected the national economy to grow by 2.3 percent in 2020, mainly due to unfavourable weather conditions. Agricultural value added was expected to decline by 2.7 percent, with a cereal harvest estimated at 40 million quintals, and the pace of non-agricultural activities was expected to slow to 2.9 percent. In 2021, growth was forecasted to accelerate to 3.8 percent, driven by an 8.1 percent rebound in agricultural value added, assuming a return to an average cereal harvest, and an improvement in non-agricultural growth to 3.3 percent.

After having reached 0.2 percent in 2019, the lowest level since 1968, inflation was expected to remain low at around 0.7 percent on average throughout 2020, before picking up slightly in 2021 to 1.2 percent with a gradual increase in its underlying component.

Regarding macroeconomic balances, the process of fiscal consolidation was expected to continue, with the non-privatization deficit narrowing to 4 percent of GDP in 2020 and then to 3.9 percent in 2021. The current account deficit was expected to narrow to 3.5 percent of GDP and then to 2.5 percent, and net international reserves were expected to strengthen and continue to cover more than five months of imports of goods and services.

Based on these forecasts, as well as the expected effect of the "Intelaka" program put in place following to the Royal Speech of October 11, 2019, bank loans to the non-financial sector were expected to grow by 4.5 percent in 2020 and by 5.3 percent in 2021.

Nevertheless, this outlook was considered uncertain and was surrounded by significant downside risks given the rapid international spread of the virus in the days preceding the Board meeting and the lack of visibility as to the availability of a medical solution. Under these conditions, and with the aim to support economic activity, the Board has decided to reduce the policy rate by 25 basis points to 2 percent, while requiring close monitoring and frequent updating of macroeconomic forecasts.

Table 2.2.1: Inflation forecasts in 2020 (%)

	Board meetings			
Average rate	**17 March**	**16 June**	**22 September**	**15 December**
Over an 8-quarter horizon	1.0	1.0	0.8	0.8
2020	0.7	1.0	0.4	0.7
2021	1.2	1.0	1.0	0.6
2022	-	-	-	1.3

Box 2.2.2: Assessment of the effective lower bound for interest rates in Morocco

Since the global financial crisis of 2008, Central Banks, especially in advanced countries, have eased their monetary policies significantly, particularly reducing their key rates to near zero in some cases. This situation has led many of them to resort to unconventional measures, such as quantitative easing programs and forward guidance. The issue emerged as to how much room there was for monetary policy in the event of a downturn in the economy.

One approach used to address this issue is to assess what is commonly referred to as the "effective lower bound". This is defined as the level at which a key rate cut becomes ineffective or has undesirable consequences for financial stability or the economy. In general, when interest rates are very low, cash holdings increase, which weakens the transmission of monetary policy decisions, particularly through the interest rate channel.

In Morocco, as economic growth has slowed down from 2013 onwards, and as inflation remained moderate, the Central Bank has embarked on a process of easing its monetary policy, notably through reductions in its key rate. The latter was thus reduced from 3.25 percent in 2012 to 2.25 percent in March 2016 and has been maintained at this level until the end of 2019. With the advent of the Covid-19 crisis in early 2020, it was necessary to assess the monetary policy leeway and options in order to develop an appropriate response. Thus, several studies were carried out, one of which focused on the assessment of the effective lower bound. For this purpose, a vector autoregressive error correction model (VECM) was developed, in which the demand for cash (currency in circulation as a percentage of GDP) is explained by the deposit rate (approximated by the 12-month deposit rate) and financial depth (demand deposits in local currency as a percentage of GDP). The estimates are based on quarterly data from Q1-2006 to Q4-2019.

Given the opportunity cost of holding cash, the deposit rate should be negatively correlated with the demand for currency in circulation, while the latter should be positively correlated with financial depth, assuming a constant ratio of currency in circulation to deposits. The following equation illustrates the results of estimating the long-run relationship between currency and its determinants.

$$Mf=0.43-0.06\times Tc+0.3\times Dv$$

$$[4.63]^{*} \quad [-15,4]^{*}$$

* t of Student

Where

Mf=Currency in circulation/Nominal GDP

TC: Deposit rate over 12 months

Dv: Demand deposits/nominal GDP

The estimation results show that currency is indeed negatively affected by the deposit rate and positively affected by financial depth, but the correlations appear to be weak. They suggest that monetary policy was still left with room to cut the policy rate. Indeed, Bank Al-Maghrib made two cuts in 2020 for a total of 75 basis points, bringing it down to 1.5 percent, its lowest historical level. As a result, and despite a significant increase in the cost of risk, lending rates fell by 49 basis points, indicating a relatively high level of transmission of monetary policy decisions through the rates channel. Similarly, and favoured also by the measures implemented by the Economic Monitoring Committee, bank credit to the non-financial sector maintained a sustained pace in a context of increasing non-performing loans.

Finally, it should be noted that the structural preponderance of cash in the national economy explains the low elasticity between currency in circulation and the deposit rate. However, the significant efforts and mobilization for the development of electronic means of payment as well as the strengthening of financial inclusion and education should help to mitigate this prevalence of cash.

By the end of the first quarter, worries over the spread of the virus had become a reality, prompting public authorities around the world to implement drastic restrictions on the movement of people and on economic and social activities. The global economy was facing what is set to be its worst recession since the Great Depression.

Against this backdrop, the Bank has conducted two innovative updates of its forecasts, based on a sectoral approach taking into account mainly the restrictions put in place by the authorities to contain the spread of the virus. These restrictions indicated a deterioration in the national economic situation, but with a very high level of uncertainty, which has led the Board members to postpone the decision to the June regular meeting in order to better assess the situation and thus provide the most appropriate response.

At the operational level, Bank Al-Maghrib undertook several easing measures, including expanding the collateral eligible for its refinancing operations to debt securities issued by public institutions and enterprises (EEP) or by Funds for Collective Investment in Securitization; and bills representing claims on the State or on EEP. As a result, the refinancing potential of banks has been tripled to 450 billion dirhams, i.e. nearly 42 percent of GDP. The Bank has also extended its program dedicated to VSMEs to include operating loans and increased the program’s frequency from quarterly to monthly.

In addition, to cope with the expected impact of the crisis on the external balance, the Bank, in consultation with the Ministry of Finance, drew from the IMF's precautionary and liquidity line (PLL) on April 7 for an amount equivalent to SDR 2.15 billion, i.e. nearly 3 billion dollars.

During the meeting of June 16th, the Board decided to lower the key interest rate by 50 basis points to 1.5 percent and to fully release the reserve requirements. On the same occasion, Bank Al-Maghrib announced the establishment of two new refinancing lines, for the benefit of new loans and rescheduled loans granted by banks to microcredit associations, as well as the "Wakala Bil Istitmar", concluded with conventional banks in favour of participatory banks.

The Bank's projections underpinning all of these decisions assumed a sharp GDP contraction of 5.2 per cent for 2020 followed by a 4.2 per cent rebound in 2021. Inflation, reflecting weakening demand and low energy prices on the one hand, and supply disruptions for some products on the other, was expected to be around 1 percent in 2020 and 2021.

Regarding the external accounts, trade, exports in particular, was expected to contract sharply in 2020. This, combined with the decline in travel receipts and transfers from Moroccans living abroad, was projected to widen the current account deficit to 10.3 percent of GDP. Taking into account the drawdown on the PLL and the strong mobilization of external resources by the Treasury following, in particular, the removal of the ceiling set by the 2020 Finance Law, official reserve assets were expected to be around 220 billion dirhams in 2020 and 2021, which is equivalent to five months of imports of goods and services.

As for public finances, the budget deficit, excluding privatization, was forecasted to worsen to 7.6 percent in 2020 before easing to 5 percent in 2021, leading to a rise in the debt ratio of more than 10 percentage points to over 75 percent of GDP in 2020 and 2021.

Table 2.2.2 : Monetary policy decisions since 2011

Date	Key rate	Monetary reserve ratio	Other decisions
April 13, 2011			- Extension of the eligible collateral for monetary policy operations to Deposit certificates. - Adjustment of bidding periods with those of the monetary reserve. - Deletion of savings accounts from the calculation base of the monetary reserve
September 20, 2011			Introduction of longer-term repo operations
March 27, 2012	Decrease from 3.25% to 3%		Decision to extend the collateral eligible for monetary policy operations to securities representing credit claims on VSMEs.
September 26, 2012		Decrease from 6% to 4%	
December 13, 2012			- Implementation of the first loan operation secured by private securities intended for VSMEs. - Easing of eligibility criteria for deposit certificates.
December 11, 2013			New program to further encourage bank funding of VSMEs.
December 19, 2013			Deleted remuneration of the monetary reserve.
March 25, 2014		Decrease from 4% to 2%	
September 23, 2014	Decrease from 3% to 2.75%		
December 16, 2014	Decrease from 2.75% to 2.50%		

July 1, 2015			New rules for allocating 7-day advances, taking into account each bank's effort in granting loans to the real economy and the pass-through of the Bank's decisions.
March 22, 2016	Decrease from 2.50% to 2.25%		
June 21, 2016		Increase from 2% up to 5%	Launching remuneration for reserves, benefiting banks having made further efforts in granting loans.
September 24, 2019		Decrease from 4% to 2%	
December 17, 2019			- Set-up of an unlimited refinancing mechanism for bank loans granted to the groups targeted by the Integrated Business Support and Financing Program. - Application of a preferential interest rate of 1.25 percent to refinance loans granted under this program.
March, 17 2020	Decrease from 2.25% to 2%		
April, 15 2020			- Expansion of the list of assets eligible as collateral for refinancing operations to include debt securities issued by public institutions and businesses or Fund for Collective Investment in Securitization and bills representing claims on the State or on public institutions and businesses. - Easing of the conditions for refinancing banks under the program to support the financing of SMEs set up in 2013 by (i) extending refinancing to operating loans in addition to investment loans and (ii) increasing its frequency from quarterly to monthly.
16 juin 2020	Decrease from 2% to 1,5%	Decrease from 2% to 0%	- Establishment of a refinancing line for new and rescheduled loans that are granted by banks to microcredits associations during the period from the 2nd quarter of 2020 to the last quarter of 2021. - Establishment of a refinancing line of "Wakala Bil Istitmar" agreed with conventional banks during the period from the 2nd quarter of 2020 to the last quarter of 2021 for the benefit of participatory banks. - Extension of the list of assets eligible as collateral for refinancing operations to bills representing claims on microcredits associations and "Wakala Bil Istitmar" agreed with participatory banks.

At the September meeting, based on the new data available, developments in the health situation, and the authorities' response, the growth forecast was adjusted downward for 2020 to -6.3 percent, the largest contraction since the start of the national accounts' compilation. In 2021, growth was expected to reach 4.7 percent, driven by a 3.7 percent improvement in the value added of non-agricultural activities and a 12.6 percent rebound in the agricultural sector. Inflation was expected to be low at 0.4 percent in 2020 and reach 1 percent in 2021.

On the other hand, the current account deficit projection was revised downward to 6 percent of GDP for 2020 and 5.2 percent of GDP for 2021. Considering, in particular, the exceptional mobilization of external financing, the outstanding official reserve assets were projected to be around 290 billion dirhams in 2020 and 2021, which covers around 6 months and 20 days of imports of goods and services.

On the basis of this outlook, as well as the assessment of the transmission of monetary policy decisions taken since the beginning of the pandemic and taking stock of the various measures put in place by the Economic Monitoring Committee, the Board judged that the financing conditions for the economy remained adequate and kept the key rate unchanged at 1.5 percent.

At the last Board meeting of the year, the growth forecast was lowered to -6.6 percent for 2020, due to worse-than-expected performance in the second quarter and was left unchanged at 4.7 percent for 2021. The 2022 projection, prepared for the first time, assumed a consolidation to 3.5 percent. Inflation forecasts continued to indicate low levels with a relative acceleration to 1.3 percent in 2022.

On the external accounts, the performance pointed to a current account deficit almost stable at 4.2 percent of GDP in 2020. This deficit was projected to narrow to 3.3 percent of GDP in 2021 and drop to 3.9 percent in 2022. Official reserve assets were forecasted to continue to grow at a comfortable level, covering more than seven months of goods and services imports.

Regarding public finances, the budget deficit excluding privatization was forecasted to reach 7.7 percent of GDP in 2020. Integrating the data from the 2021 budget law, fiscal consolidation was expected to resume gradually, with the deficit excluding privatization falling to 6.5 percent of GDP in 2021 and then to 6.4 percent in 2022. On the other hand, the Treasury's debt was expected to continue increasing, and reach 79.3 percent of GDP by the end of 2022.

Monetary conditions were marked by a further decline in lending rates following the key rate cuts in March and June. The overall average lending rate showed a quarterly decline of 28 basis points to 4.30 percent in the third quarter, benefiting both households and businesses, especially VSMEs. As for bank credit to the non-financial sector, despite the sharp contraction in economic activity, it maintained a steady pace, helped by fiscal and monetary measures, and its growth was expected to be around 4.5 percent over the forecast horizon.

In these circumstances, the Board considered that the monetary policy stance remained broadly accommodative, ensuring adequate financing for the economy, and specifically deemed that the level of the policy rate remained appropriate, and decided to keep it unchanged at 1.5 percent.

Box 2.2.3: Assessing inflation and growth forecasts

As part of its ongoing efforts to improve its analysis and forecasting system, Bank Al-Maghrib conducts a detailed annual review of all its macroeconomic projections. In line with its transparency policy, this box summarizes the results of this review for the year 2020 for the inflation and growth variables.

In a context marked by an exceptionally high level of uncertainty, the scope of conventional forecasting models becomes limited. This situation led some central banks in 2020 to temporarily suspend[1] the publication of their projections or to present several likely scenarios for future developments[2]. In contrast, BAM decided to continue publishing its macroeconomic projections, while highlighting the significant uncertainties surrounding them.

With respect to growth, the information available during the preparation of the March 2020 projections suggested a limited and temporary economic impact of Covid-19. However, the restrictions on social and economic activities put in place, mainly from the end of the first quarter, to contain the spread of the virus have resulted in a sharp deterioration of the outlook. Thus, the Bank's forecast for non-agricultural value added, which assumed in March a moderate increase of 2.9 percent, was adjusted downward to -5.3 percent in the June forecast, to -6.3 percent in September, and to -6.6 percent at the December Board meeting, as opposed to an actual rate of -5.8 percent.

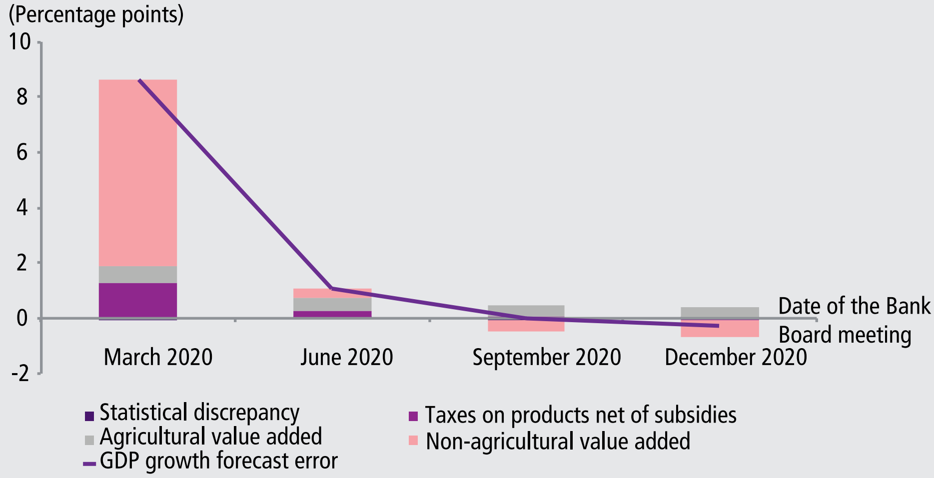
The decline in agricultural value added was underestimated by an average of 4.1 percentage points over the four forecasting exercises of the year under review. For the March forecast in particular, the discrepancy is explained by an overestimation of cereal production, as BAM assumed 40 million quintals as opposed to the 32 million quintals announced by the Ministry of Agriculture.

In total, and after a significant error in March, the GDP forecasts were closer to the actual rate, which was -6.3 percent. The forecasts pointed to contractions of 5.2 percent in June, 6.3 percent in September and 6.6 percent in December.

1 Including the FED and the Banque de France.

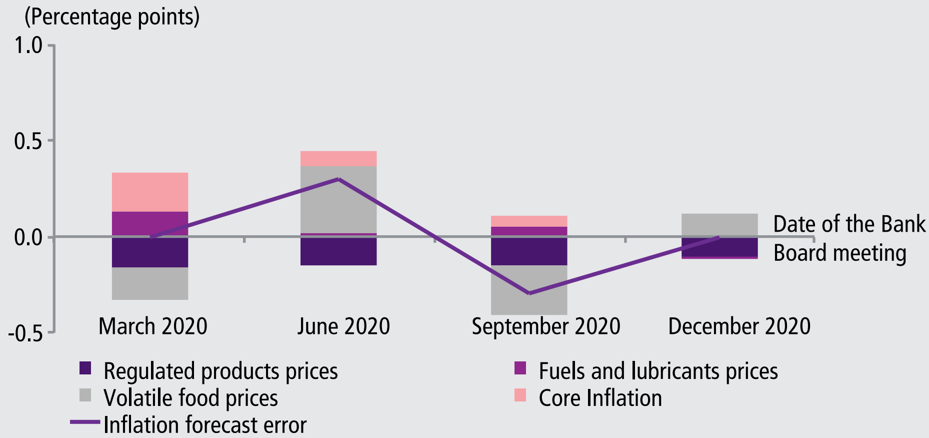
2 Including the Bank of England, the Swedish Central Bank and the Reserve Bank of Australia.

Chart B 2.2.3.1: Forecast error by GDP growth components for the year 2020



As for inflation rate, BAM's projections are broadly in line with the actuals. The latter indicate an increase in inflation from 0.2 percent in 2019 to 0.7 percent in 2020, the same rate as projected in March and December. Over the year, forecast errors amounted to 0.3 percentage point in absolute terms in June and September. These were mainly due to shocks to the volatile food prices and, to a lesser extent, to price increases applied by passenger road transporters following the health restrictions imposed on them by the authorities. After an overestimation in March linked to the one of demand forecast, the underlying inflation forecast was gradually adjusted, with the forecast error coming out at 0 point in December and 0.2 point on average for the year.

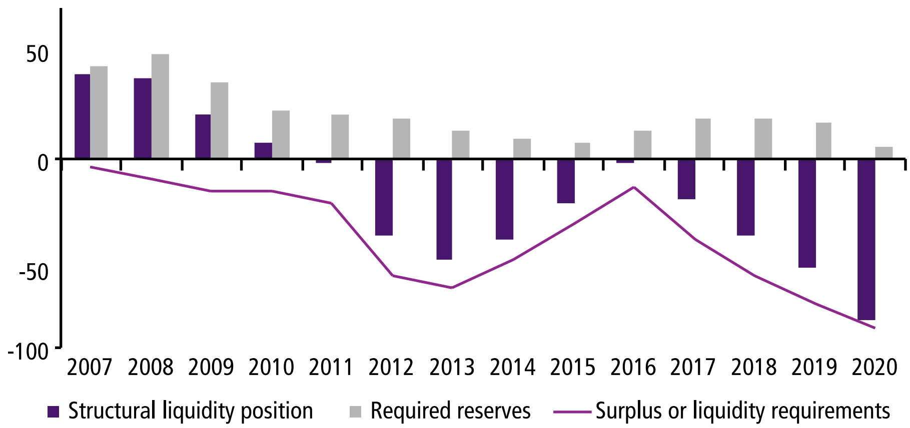
Chart B 2.2.3.2: Forecast error by inflation components for 2020



Monetary policy implementation

The year 2020 witnessed a sharp increase in bank liquidity requirements which reached an average of 90.2 billion dirhams per week, as against 76.6 billion in 2019. This increase is mainly due to the exceptional expansion of currency in circulation, mainly due to the lockdown and the cash transfers to households within the Tadamon operation[1]. On a weekly average and in comparison with 2019, this increase amounted to 44 billion dirhams this year against 18.5 billion a year earlier. The impact of this development was partially offset by the increase in official reserve assets of 29.2 billion on average compared to 2.9 billion in 2019.

Chart 2.2.1: Structural liquidity position[1] and amount of monetary reserve (weekend averages, in billion dirhams)



1 Bank's structural liquidity positions equals the total of the central Bank's foreign exchange reserves, plus the Treasury's net position and other net factors, minus currency in circulation.

Faced with this situation, the Bank has increased the overall volume of its injections from a weekly average of 77.6 billion in 2019 to 96.3 billion in 2020. These were carried out mainly through the use, for the first time since 2014, of one- and three-month repurchase agreements for an average amount of 29.6 billion, while 7-day advances averaged 42.5 billion against 73.8 billion in 2019. The average outstanding amount of guaranteed loans, granted under the program to support the financing of VSMEs, stood at 20 billion dirhams against 2.4 billion in 2019 and that of foreign exchange swaps at 4.3 billion instead of 1.2 billion.

1 This operation consisted of making direct transfers to "Ramedist" and "non-Ramedist" households of allowances ranging from 800 dirhams to 1,200 dirhams, depending on their size. The goal is to mitigate the impact of restrictions put in place to contain the spread of the Covid-19 virus. The program has benefited nearly 5.5 million households, 45 percent of which are in rural areas.

Chart 2.2.2: Banks liquidity situation (weekend averages in billions of dirhams)

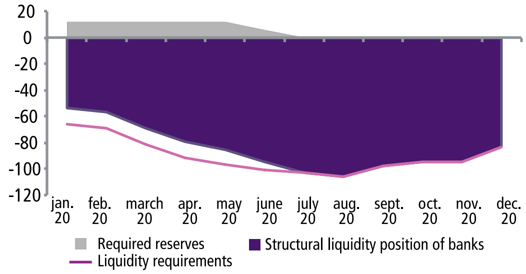
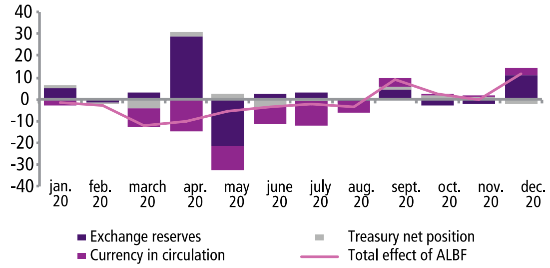
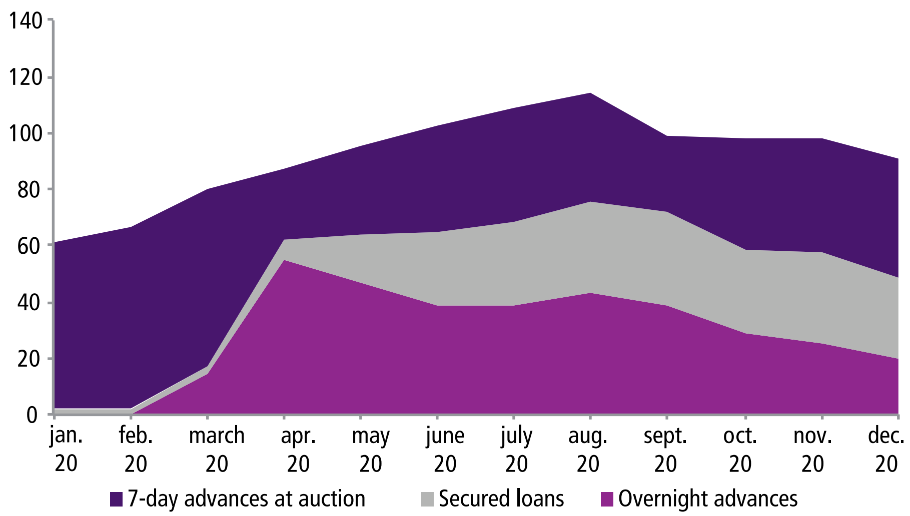


Chart 2.2.3: Contribution of autonomous factors to the liquidity requirement change (weekend averages in billions of dirhams)



The infra-annual analysis shows that the need for bank liquidity increased sharply between March and August with a peak of 112 billion dirhams at the end of July. Over the rest of the year, it has gradually decreased to 83.4 billion dirhams, as a result of both the decline in currency in circulation and the improvement in the Bank's foreign exchange reserves.

Chart 2.2.4: Bank Al-Maghrib's interventions (weekend averages, in billion dirhams)



Under these circumstances, in the interbank market, the weighted average rate, which is the operational target of monetary policy, remained in line with the key rate throughout the year, averaging 1.79 percent. The transaction volume increased from an average of 3.6 billion in 2019 to 4.8 billion in 2020.

Chart 2.2.5: Average volume of exchange on the interbank market (in billions of dirhams)

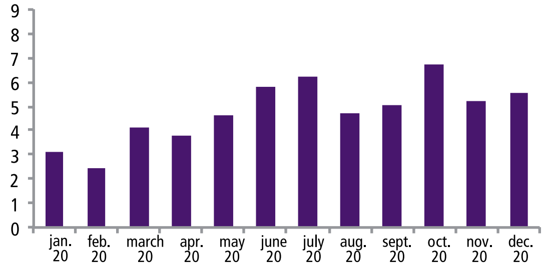
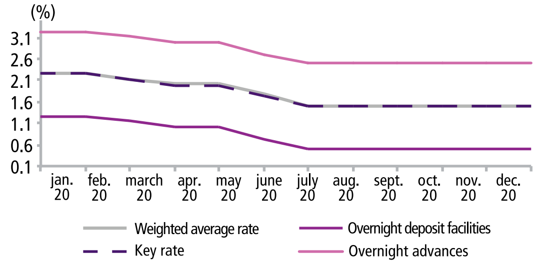
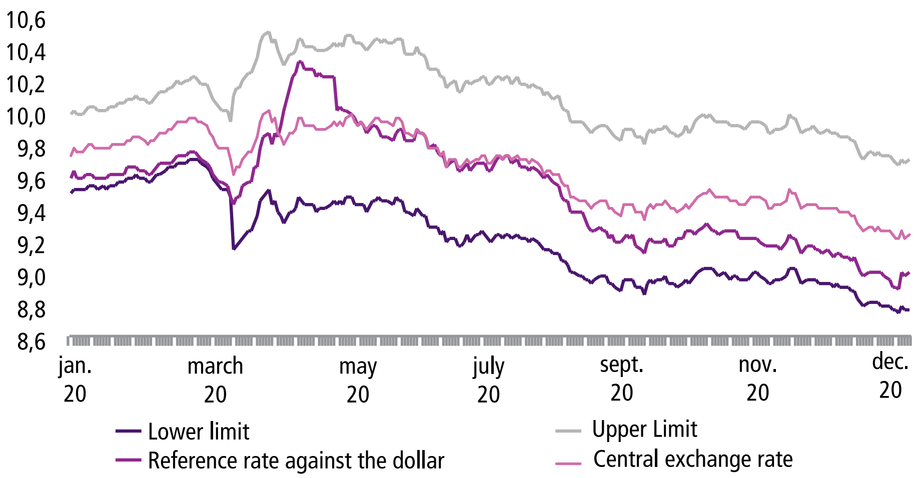


Chart 2.2.6: Weighted Average Interbank Market Rate (daily averages)



On the foreign exchange market, the year 2020 saw the start of a new phase in the transition to a more flexible exchange rate regime, with the widening of the dirham's fluctuation band from ±2.5 percent to ±5 percent in March 9th. This decision was taken on account of the exogenous shocks that were beginning to materialize and the good conditions under which the first phase started on January 15, 2018 was carried out. Since its launch, this reform has been characterized by an increasing ownership by operators, a deepening of the exchange market and an evolution of the exchange rate within the fluctuation band without intervention by the Bank since April 2018. This momentum has continued throughout 2020 despite strong concerns about the impact of the health crisis on the economy. These were reflected in a depreciation of the national currency compared to the reference basket during the first days of April, but which quickly dissipated, especially after the drawdown of the PLL, with the dirham ending the year with an appreciation of 2.8 percent.

Chart 2.2.7: Reference rate of the dirham against the US dollar



2.2.2 Research

The year 2020 saw the publication of the fourth issue of the Bank's research letter and three working papers. The latter covered "Tax Revenue Mobilization Capacity in Morocco", the development of an "Aggregate Financial Stability Index in Morocco" in collaboration with an IMF researcher, and the "Weight of the Informal Sector in Morocco" in collaboration with a researcher from Johannes Kepler University in Linz, in Austria.

In the framework of the analysis and strategic monitoring activities, several works have been updated concerning the impact of the health crisis as much as relevant themes for the Institution. The notes prepared within this framework concerned notably the analysis of the impact of Covid-19 on the Moroccan economy, the vulnerability of non-financial enterprises during the Covid-19 crisis and the impact of support measures, the budgetary effort in response to Covid-19, the impact of an increase in public investment on the Moroccan economy and the inflation targeting strategy.

In addition, and with the aim of strengthening collaboration with central banks and academia, the Bank hosted two visiting researchers this year: Ms. Igan Deniz, Deputy Director of the Macro-Financial Division of the IMF's Research Department, and Mr. Friedrich Schneider, Professor at Johannes Kepler University in Linz. These visitors supported BAM researchers on issues related to the real estate market and the informal sector, respectively.

2.2.3 Statistical activities and data management

Aware of the importance of having good quality statistics for realizing its missions, and with a view to constantly improving its own system of data production and management, the Bank undertook, in line with the aims set out in its strategic plan, to overhaul its system. The purpose of such a step is to make this system richer, more reliable and more accessible to its business lines and its ecosystem.

Thus, the year 2020 witnessed the establishment of the new Department of Statistics and Data Management. This department has been assigned the task of centralizing activities related to data and statistics management and reorganizing them based on a harmonized process covering the entire life cycle of data, namely collection, statistical production, analysis and dissemination.

In the wake of the health crisis and in order to measure the impact of the crisis and assess the effectiveness of the measures taken, the Bank has notably enriched its business survey with modules related to the Covid-19 crisis. It has also ensured the integration of several actions at the level of the Credit Bureau in order not to penalize economic agents for the effects of the crisis ensuring a "Fair Credit Reporting".

Besides, the mechanism for monitoring and calculating payment periods has been strengthened, further to the creation of the Observatory on payment deadlines of which Bank Al-Maghrib is a member. In fact, the Bank participated in the various works of this Observatory and contributed to the first edition of the report on payment deadlines, with an in-depth analysis of the payment practices of private non financial companies.

2.2.4 Reserves management

In an international context marked by consolidated monetary accommodation in response to the Covid-19 crisis and by the sharp decline in monetary and bond rates, the Bank continued to optimize the return on foreign exchange reserves while ensuring compliance with security and liquidity requirements. This was achieved through a management strategy aimed at minimizing the impact of negative rates of return in the euro zone and strengthening investments in eligible assets that offer an additional return compared to sovereign assets.

Thus, despite unfavourable investment conditions linked to the general decline in yield rates, the management result of foreign exchange reserves recorded an increase of 4 percent for the year 2020.

2.2.5 Banking supervision

Banking regulation activity

The health crisis led Bank Al-Maghrib to readjust its banking supervision activity, while focusing on monitoring its impact on credit institutions and accompanying them in the enforcement of the measures put in place by the public authorities in this regard.

Aiming at the double goal of supporting the financing of the economics while preserving the resilience of the banking sector, BAM introduced temporary prudential relaxations, mainly by allowing banks to exceed the liquidity ratio in the first half of 2020 and by relaxing the capital buffer by 50 basis points over 12 months. This measure has been extended until June 2022. In addition, Bank Al-Maghrib has issued guidelines in line with the recommendations of the Basel Committee for handling the credit risk related to moratorium loans.

With regard to IFRS 9 and in view of the difficulties encountered by banks in the context of the crisis, the Bank urged these institutions to take advantage of the flexibility offered by this standard in terms of calculating impairments, in accordance with the guidelines in this area of the Basel Committee and the International Accounting Standard Board (IASB).

Taking into account the vulnerability of the micro-credit sector's clientele, the Bank has also temporarily eased, until the end of June 2021, the rules for provisioning outstanding loans. In addition, it also set up, with the Ministry of the Economy, Finance and Reform of the Administration, a public guarantee fund to cover restructured loans and additional loans for income-generating activities.

Regarding participatory finance, new products have been introduced after the High Council of Ulema has certified the contractual documentation "Salam" and "Ijara Mountahiya Bittamlik", as well as the participatory window of the Central Guarantee Fund "Sanad Tamwil".

In terms of legislative reforms, the Bank has been involved, alongside the MEFRA, in work relating to the crowd funding law, the revision of the microfinance law, the revision of the anti-money laundering law, the law on the transformation of the Central guarantee fund and the law on covered bonds, among others.

Banking supervision activities

Since the advent of the crisis, Bank Al-Maghrib urged banks to update their internal crisis recovery plan by integrating, in their stress elements, an assessment of the impacts induced by the current crisis as well as the implications of each measure suggested. It also asked them to monitor the indicators defined in this plan on a more frequent basis. Furthermore, as a preventive measure, the Bank called on credit institutions to suspend the distribution of dividends for the 2019 result and invited them to constitute preventive provisions of a general nature to protect themselves against the expected increase in credit risks. At the same time, it coordinated with the banking sector in conducting two studies to assess the impact of the crisis on their activity, profitability and solvency.

In view of the health restrictions, the Bank had to suspend on-site inspections of credit institutions. It decided to invest in close monitoring of the new risk sources created by the crisis and to implement the various support measures decided by the public authorities and involving the banking sector. In this context, at the beginning of the crisis, it prioritized the day-to-day monitoring of cash withdrawals from banks and their cash positions. It also paid particular attention to the measures taken by the banks to ensure the continuity of their activity during the period of confinement, as well as to manage the operational risks induced by the health situation and the shift to remote working. Efforts were also focused on monitoring the effects of the crisis on the quality of the credit portfolio.

Concerning the fight against money laundering and terrorist financing, the Bank continued implementing the actions included in the roadmap adopted to implement the recommendations of the MENAFATF mission.

In terms of cross-border supervision, Bank Al-Maghrib has expanded cooperation with its foreign counterparts by signing three new agreements with the central banks of Burundi, Kenya and Bahrain. It also pursued its annual meetings with the colleges of supervisors of the three Moroccan banking groups to discuss the impact of the crisis on the activity, risks and profitability of these groups. In December 2020, the Bank, which holds the presidency of the Group of French-speaking

Banking Supervisors, organized the annual meeting of this Group to discuss the challenges of the crisis for banking supervisors.

In terms of sustainable finance, the Bank has been striving to strengthen coordination with national stakeholders and cooperation with regional and international bodies to enhance the resilience of the financial sector to the impacts of climate change. In this context, the Bank has strengthened its dialogue with insurance and capital market regulators on the challenges and opportunities of climate finance and environmental sustainability.

The Bank has actively supported the Network of Central Banks and Supervisors for the Greening of the Financial System (NGFS) and the Alliance for Financial Inclusion (AFI) working group on inclusive green finance, which the Bank now co-chairs. It has also been involved in the discussions on the risks associated with climate change and the environment with a view to sharing its experience and its future actions for the supervision of these risks.

With regard to the Intelaka program, after a slowdown during the period April-August 2020, following the outbreak of the crisis, the Bank worked, in coordination with banking actors and various stakeholders to revitalize the program. It has also set up a mechanism for monitoring the financing granted under this program, in consultation with the Ministry of Economy, Finance and the Reform of the Administration, the Central Guarantee Fund and the banking sector.

Protection of the customers of credit institutions and similar bodies

As regards customer protection, Bank Al-Maghrib required banks to be more transparent and responsive in this crisis context. It thus requested them to provide customers with all the information on the measure necessary for postponing due dates both in terms of applicable conditions and related costs. It also urged them to provide advice on the possible options and to respond to the complaints concerning these delays as well as the Damane Oxygen and Relance products within 72 hours, while making sure to communicate the reasons behind the rejection to the credit applicants.

In 2020, the Bank received 826 complaints from customers of credit institutions, 54 percent of which were transferred to the Moroccan Center for Banking Mediation (CMMB). In this respect, the Bank strove to revitalize the latter by facilitating the use of its services and by providing them free of charge. It has also continued to strengthen the dematerialization process for complaint filing and exchanges with stakeholders.

As part of the strengthening of the public's right to information, banks have been invited to integrate certain information, such as the pricing guides and the summary of fees charged, into their mobile applications and to translate into Arabic any foreign language document intended for customers.

Further to its actions aimed at strengthening banking competition, following the implementation of the Banking Mobility Directive in November 2019, the Bank urged the banking profession to adopt a practical mobility guide for customers and developed a regulatory reporting system to monitor this service. At the same time, the bank launched a project with the GPBM to set up a comparator of bank rates and value dates, the terms of reference of which have reached their final phase.

2.2.6 Macro-prudential supervision

As Chair of the Systemic Risk Coordination and Monitoring Committee (SCCSR), Bank Al-Maghrib has since the outbreak of the crisis set up a sub-committee to ensure a close monitoring of potential risks that could affect financial stability. Comprising representatives of Bank Al-Maghrib, ACAPS, AMMC and the Ministry of economy, this sub-committee examined risk indicators by financial sector (banking, insurance and capital market) and the measures to be taken to mitigate them.

At the analytical level, the Bank, with the technical assistance of the IMF, has updated the methodological framework for conducting macro stress tests of the banking sector, taking into account the specificities of the health crisis. In 2020, it conducted two simulations to assess the impact of the Covid-19 crisis on the solvency of banks. In parallel, the Bank enhanced its risk mapping by including risks arising from technological innovations and continued to implement the roadmap for monitoring cyber risk in the financial system.

Concerning macroprudential instruments, the Bank has implemented mechanisms to monitor risks related to the real estate and household sectors, mainly through analysing the quarterly reports received from the banks and allowing to follow the evolution of the ratios "loan to value" and "debt service compared to household income". At the same time, Bank Al-Maghrib has continued developing the regulatory framework for the implementation of specific instruments for systemically important banks and financial conglomerates, while taking into consideration the evolving situation induced by the health crisis.

In terms of communication, the seventh issue of the Financial Stability Report, published in 2020, featured a specific supplement devoted to a preliminary analysis of the risks posed by the Covid-19 crisis to the national financial sector, as well as the main measures undertaken by the financial authorities to mitigate the effects of this crisis on financial stability.

2.2.7 Systems and means of payment

In the context of the health crisis, Bank Al-Maghrib strengthened its monitoring of payment systems and means of payment and assisted the Financial Market Infrastructures (FMIs) in implementing the measures required for their business continuity. It also pursued its remote monitoring missions and carried out an on-site audit of an MFI, covering governance, risk management, as well as physical and information security. In addition, it carried out a stress test for one of the systemically important MFIs.

As far as risk management is concerned, cyber risk has been closely monitored by Bank Al-Maghrib, which conducted the first self-assessment of the maturity of MFIs' cyber resilience at the national level. The conclusions drawn from this assessment reveal a broadly satisfactory level of risk management.

Similarly, within the framework of operationalizing payment institutions, Bank Al-Maghrib assessed the compliance of M-Wallets issued by authorized actors with the regulatory requirements for domestic mobile payment.

As regards the development of payment methods, the Bank pursued its efforts to promote digital financial services, namely mobile payment, by creating an Economic Interest Grouping (EIG) composed of representatives of all the banks and payment institutions issuing or acquiring M-Wallet. This group is entrusted with the task of further implementing the institutional communication strategy for mobile payments under the brand name "MarocPay", developing the technical and functional rules of the market and representing the actors in dematerialization projects, especially governmental ones. Similarly, and as part of its mission to monitor payment methods, Bank Al-Maghrib has assessed the compliance of M-Wallets, issued by authorized actors, with the regulatory requirements for domestic mobile payments.

Similarly, and with a view to developing this instrument, several measures were put in place, including tax exemption for local traders on sales made by cell phone, the easing of regulatory requirements for opening payment accounts and the adoption of electronic payment for social benefits. In this respect, a pilot experiment is being implemented for the disbursement of school aid under the Tayssir program.

2.2.8 Financial inclusion

As part of the implementation of the National Strategy for Financial Inclusion (SNIF), the Ministry of economy and the Bank pursued their efforts, in coordination with the stakeholders of the ecosystem. In 2020, they drafted the first report related to this strategy for the 2019 fiscal year.

This report recalls the findings of the diagnosis and the rationale for the strategy on the one hand, and highlights the major updates in the process of drafting the strategy on the other hand. It also set up an assessment of the of the main roadmap projects and will serve as a reference for future editions of the report.

In the same vein, the Bank strengthened the mechanism for steering and assessing the implementation of this strategy, particularly through setting up quarterly monitoring tools and assisting stakeholders in the implementation of the roadmap. At the same time, further work has been undertaken to improve the monitoring and evaluation of access, usage and quality indicators in line with international standards. These latter have evolved significantly, reflecting the substantial progress made in terms of geographic coverage and use of formal financial services.

At the national level, the Covid-19 crisis has led the Bank to initiate discussions with ecosystem stakeholders regarding the factors to be quickly activated in order to boost the implementation of the SNIF, especially through continuing the development of mobile payments in order to make them a central vector of financial inclusion. This will be achieved by speeding up the commitment of merchants and local agents, deploying institutional communication and reinforcing the financial education of the populations concerned.

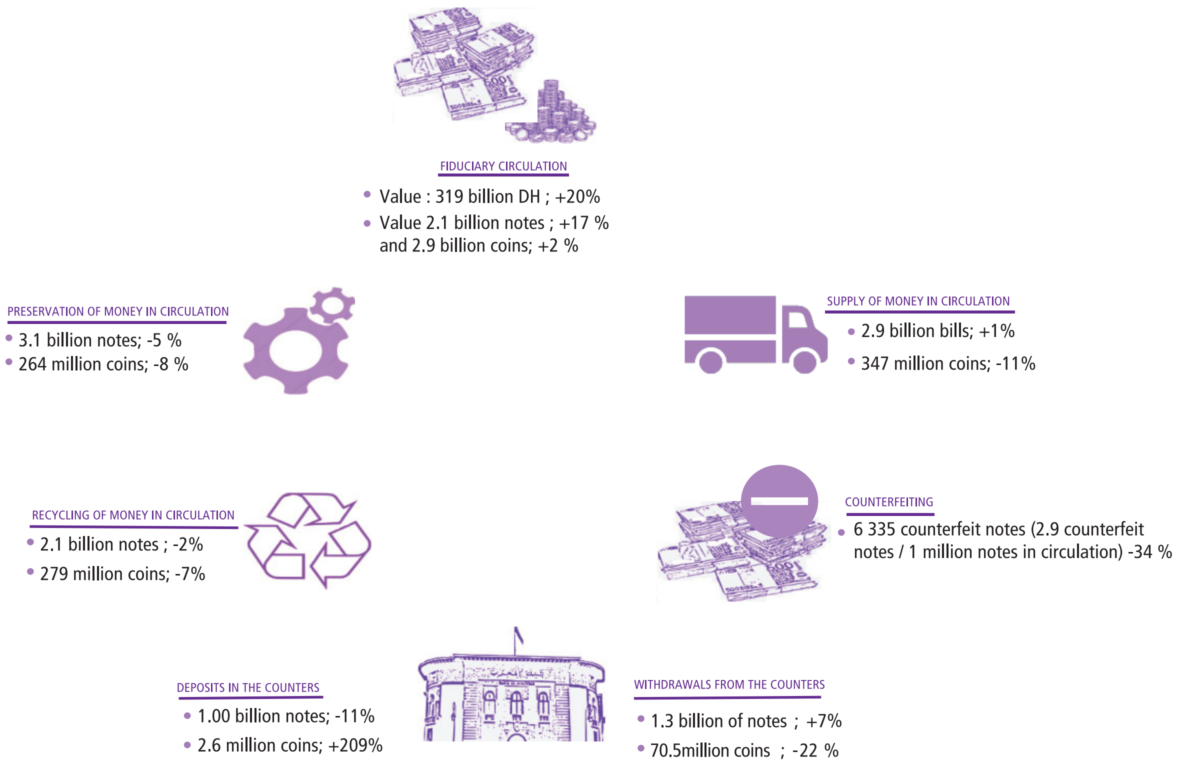
In this line, the Bank undertook several initiatives in order to grant the beneficiaries of the Tadamon operation an easier access to financial assistance. These initiatives consisted in issuing the regulatory framework governing the remote opening of accounts in order to ensure the equivalence to the physical presence of the customers and to verify their identification documents, and in simplifying the procedures for accounts with balances capped at 5,000 dirhams.

In addition, in pursuing its special efforts in favor of the rural population, Bank Al-Maghrib set up a specific action plan in collaboration with the Ministry of Agriculture, Maritime Fishing, Rural Development, Water and Forests. Its main lines of action focus on reinforcing the geographical coverage of rural areas through providing them with low-cost access points and supporting the rural population by granting them access to technical expertise and capacity building.

At the same time, the year 2020 witnessed the launch, in collaboration with the Sanad Fund, of a project on digital education to promote financial inclusion. The first phase focused on conducting bilateral stakeholder interviews, analysing financial inclusion data, and reviewing international practices.

2.2.9 Currency in circulation

Diagram 2.2.1: Key figures for the fiduciary business in 2020



Given the health crisis, the demand for cash recorded an exceptional increase. Currency in circulation posted a 20.1 percent increase in value to 319 billion dirhams, i.e. nearly 30 percent of GDP. In terms of volume, the number of banknotes rose by 17 percent to 2.1 billion and the number of metal coins increased by 2 percent to 2.9 billion units. Banknotes circulation is still dominated by the 200 dirham denomination, at 54 percent while coins circulation is dominated by the 1 dirham denomination with a 30 percent share.

Chart 2.2.9.1 : Structure of banknotes in circulation (In % volume)

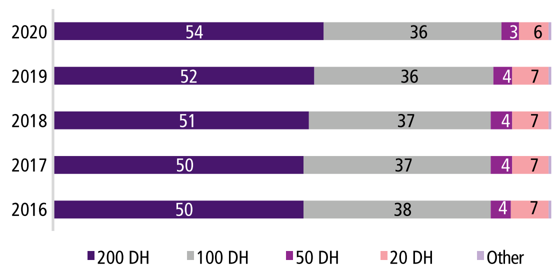
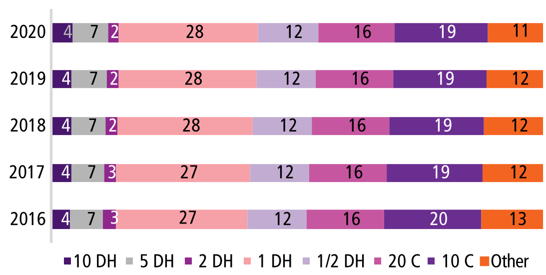


Chart 2.2.9.2 : Structure of coins in circulation (In % volume)



Box 2.2.4: The impact of the Covid-19 crisis on global cash demand

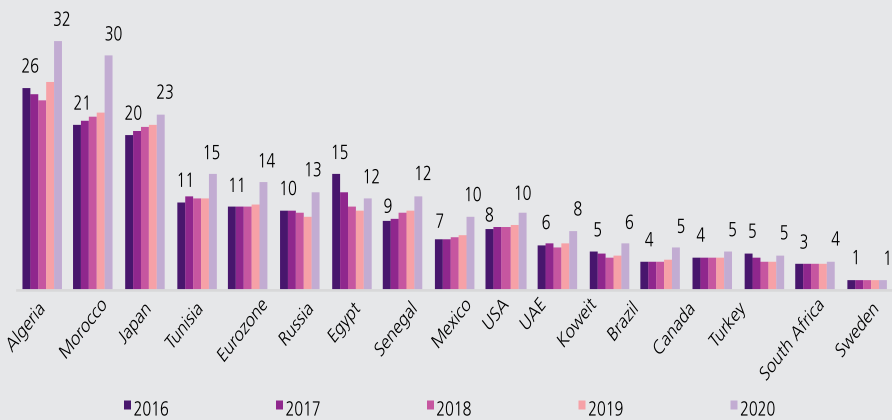
A review of the evolution of currency in circulation in many countries in 2020 confirms the strong preference for cash in times of crisis, no matter how developed the country is or how widespread is the use of other means of payment.

In the United States, currency in circulation during the week of March 23 2020 marked the largest increase since the one posted on the eve of the year 2000, caused by fears of a possible failure of the computer system migration. In the same vein, the euro zone experienced the largest increase in demand for banknotes in the week of March 16, after the one in December 2008, due to the onset of the financial crisis. In Canada, the annual increase in currency in circulation accelerated from 3 percent in February to 10 percent in June, posting the second largest increase in history after that of October 2008. Similarly, in Russia and Brazil, the annual rate of increase in the stock of banknotes rose from 6.5 percent in February to 17 percent in April and from 8 percent to 24 percent respectively.

The exceptional surge in cash demand during the crisis came with rising fears about the transmission of the virus. Several central banks have had to initiate discussions on the issue, sometimes using external expertise, as in the case of the ECB and the BoE. They concluded that the risk of transmission of the virus via banknotes is very low compared to other objects and materials traded, but have not completely ruled it out.

Lastly, this crisis has also been an opportunity to intensify the reflection on the opportunity to set up digital currencies for central banks. In their communication on the subject, the central banks emphasize that these initiatives do not undermine their desire to provide citizens with a diversified choice of accessible, secure and efficient means of payment.

Chart B 2.2.4.1: Evolution of the ratio of money in circulation to GDP (in %)



Sources : BIS, World Bank, IMF.

To ensure the supply of the economy in the context of crisis, Bank Al-Maghrib had to adapt its production and delivery schedules. As a matter of fact, from the very first days of the lockdown, the Bank set up a flexible organizational mode for the production to ensure the continuity of the activity while respecting the sanitary measures. As a result, the Bank produced 584 million new banknotes and 93 million new coins.

Chart 2.2.9.3: Production of new banknotes (in millions)

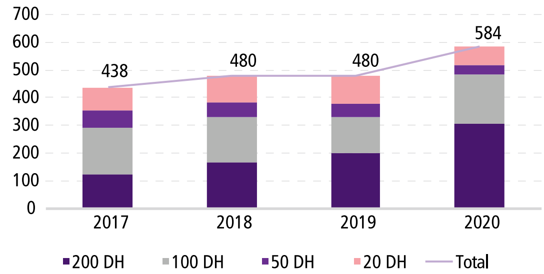
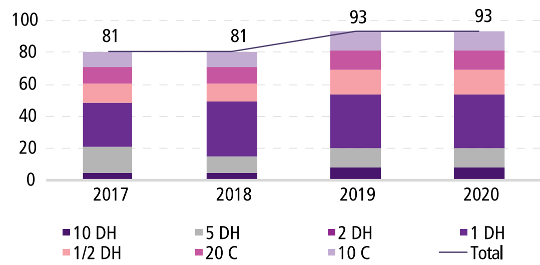


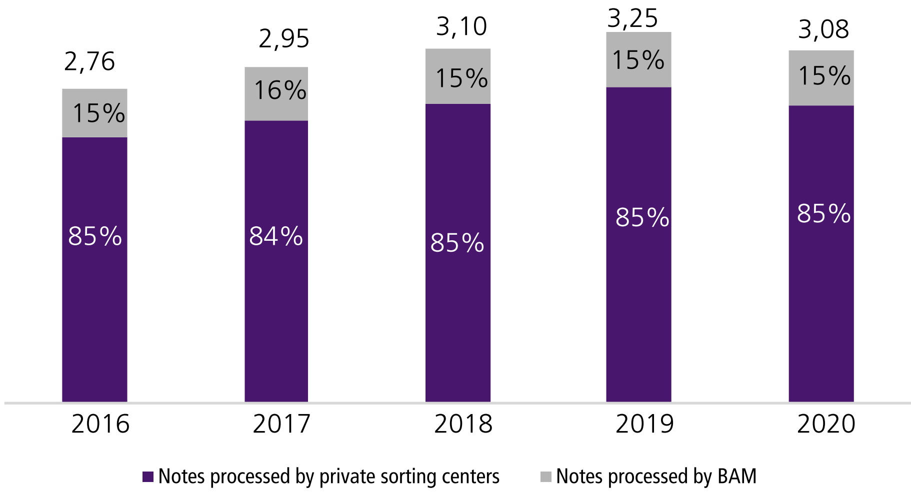
Chart 2.2.9.4: Production of coins (in millions)



Meanwhile, the Bank pursued its efforts to improve the quality of the currency in circulation. Banknotes processing in 2020 covered 3.1 billion units, of which 2.6 billion were handled by the Private Sorting Centers and 472 million by Bank Al-Maghrib.

In order to ensure the required quality level, the Bank continuously monitors activities of the PSCs. In 2020, despite the constraints caused by the health crisis, the Bank maintained 76 percent of its PSC control program and updated 15 specific missions to ensure compliance with the health measures issued by the authorities.

Chart 2.2.9.5: Change in the volume of processed banknotes (in billions)



Regarding counterfeiting, the number of counterfeit banknotes has declined by 34 percent to 6,335 denominations worth one million dirhams. Among the counterfeit banknotes detected, the

200 denomination remained predominant with a share of 69 percent. The ratio of counterfeits thus stands at 2.9 banknotes for each million banknotes in circulation against 5.2 in 2019.

As for secure documents, the Bank's commitments towards its partners have been entirely fulfilled. In this regard, the Bank was able to produce and deliver more than one million biometric passports, 1.2 million personalized Secure Identity Cards and nearly 41 million different types of secure documents[1].

Box 2.2.5: Issuing commemorative coins to mark the 21st anniversary of the enthronement of His Majesty King Mohammed VI and the 45th anniversary of the Green March

To celebrate the 21st anniversary of the enthronement of His Majesty King Mohammed VI, Bank Al-Maghrib issued a silver commemorative coin with a face value of 250 dirhams. This commemorative coin presents on the obverse side the effigy of His Majesty King Mohammed VI in addition to the mentions «محمد السادس» and «المملكة المغربية» with dates 2020-1441 at the bottom. On the reverse side, the coin features the following inscription at the top «الذكرى الواحد والعشرون لتربع جلالة الملك على العرش», and its French translation at the bottom "21ème anniversaire de l'intronisation de Sa Majesté le Roi Mohammed VI ».

On the reverse side of the coin, the center features the Kingdom's coat of arms surrounded by a stylized representation of the throne and decorated with 21 stars symbolizing the 21st anniversary of the enthronement of His Majesty King Mohammed VI. In addition, the center of the coin features its face value: «250 مائتان وخمسون درهما».

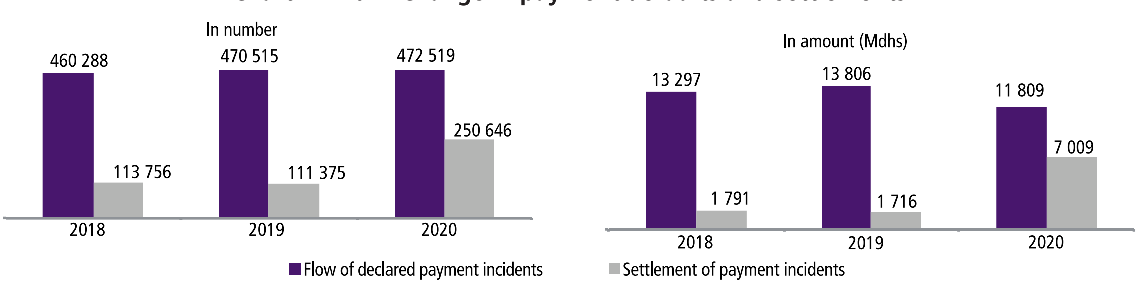
1 SNTL Vignettes & Vouchers, ONEE Vignettes, High School Diplomas, College Certificates and Transcripts, Stamps of the Royal Moroccan Hunting Federation, Certificates of Royal Distinction, SEGMA Vignettes, train transportation cards of the Hassan II Foundation.

On the occasion of the 45th anniversary of the Green March, Bank Al-Maghrib issued a silver commemorative coin with a face value of 250 DH. On the obverse, the coin features the effigy of His Majesty King Mohammed VI in addition to the inscriptions "محمد السادس" and " المملكة المغربية ", with the year 1442-2020 on the bottom. On the reverse, the coin features the inscription " الذكرى الخامسة والأربعون للمسيرة الخضراء " at the top and its French translation "45ème anniversaire de la Marche Verte " at the bottom.

2.2.10 Activities of central information registries

In 2020, the Central Cheque Payment Incidents Office recorded 472,519 incidents, up 0.4 percent compared to the previous year, representing an amount of 11.8 billion dirhams. As for the settlements, they more than doubled from 111,375 to 250,646, mainly due to the launch, in January 2020, of the tax exemption operation relating to the contribution in full discharge of fines pertaining to payment incidents on cheques. Thus, the number of people banned from issuing cheques fell by 0.6 percent to 684,630, including 87 percent of individuals.

Chart 2.2.10.1: Change in payment defaults and settlements



The number of outstanding payments on normalized bills of exchange amounted to 3.1 million for an amount exceeding 115 billion dirhams[1]. The number of people with unpaid bills on NBE increased by 13.4 percent to 155,228, with a proportion of 62.3 percent of individuals. Meanwhile, the Central Risk Registry posted 5 million active credit contracts, virtually unchanged compared to 2019.

2.3 Communication and overreach

Despite the disruptions caused by the health crisis, Bank Al-Maghrib continued its communication activities aimed at both internal and external audiences, while specifically relying this year on the dynamics of digital transformation. Thus, the press conference usually organized in person with journalists at the end of the Board meeting has been reviewed by setting up a videoconference that allows live interaction with journalists. The Bank also continued to communicate on its various projects, such as the Intelaka program, mobile payments and its fundamental missions, through its website and social networks. In terms of internal communication, in addition to continuing to raise awareness about good health and safety practices, the Bank has carried out a number of actions to keep in touch with its staff during periods of lockdown, deploying new tools such as the weekly newsletter " restons vigilants " (let's be vigilant) and the web TV dedicated to the Bank's news.

Forced to close its doors at the onset of the health crisis, the Bank Al-Maghrib Museum needed to adapt its cultural programming and reinvent its approach to digital technology in order to maintain proximity with its public. Thus, the Museum has taken the campaign to offer a new online museum experience through the initiative "Stay connected, the Museum comes to your home". Drawing tutorials as well as interviews with Moroccan artists have also been posted on social networks. In addition, virtual tours of the permanent spaces dedicated to money and art were updated and broadcast via the Internet. The exhibition "Aghmat: the radiant past of a Moroccan city", inaugurated the day before the announcement of the lockdown, was continued via video clips and a virtual tour broadcast on the Bank's social networks. Finally, the Museum redesigned the educational workshops it organizes annually for young people by offering virtual art workshops for the first time.

In terms of its international relations, the Bank strengthened its position by activating its membership in the Bank for International Settlements and implementing the partnership program with the Bank of England. As for cooperation actions, they mainly continued in virtual mode and included the signing of a Memorandum of Understanding with the Swiss Economic

1 It should be pointed out that the number and amount of unpaid loans include LCN unpaid loans as many times as they have been presented for payment

Secretariat within the framework of the technical assistance and capacity-building program for Central Banks. In addition, 22 cooperation actions were implemented, including 2 study visits and 6 videoconferences for the benefit of several Central Banks. On the other hand, the Bank benefited from one study visit and 13 videoconferences.

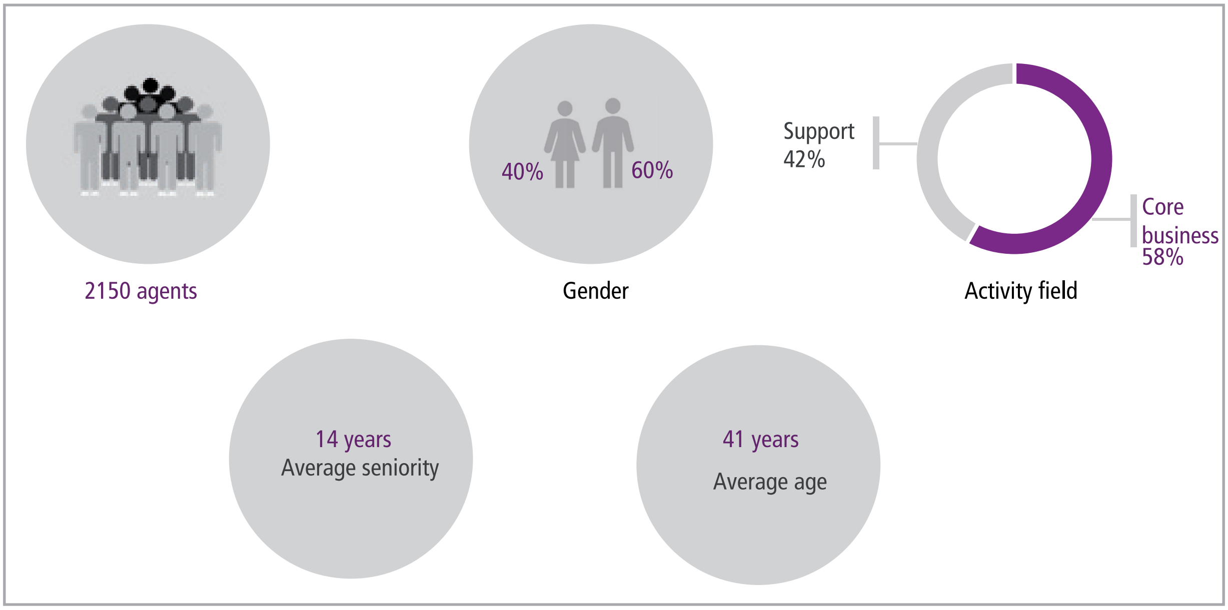
The Bank continued its activity and its participation in discussions on regional and international issues. It has thus taken part in several meetings and events, including

- The Spring Meetings and Annual Meetings of the IMF and the World Bank, exceptionally held in virtual mode;
- The Governors' meetings, the Global Economy Meeting and the Annual General Meeting of the Bank for International Settlements;
- The forty-fourth ordinary session of the Board of Governors of Arab Central Banks and Monetary Institutions;
- The round table of the Governors of African Central Banks on the theme "Economic and financial repercussions of Covid-19 in Africa and response plan".

2.4 Resources

2.4.1 Human resources

Diagram 3.4.1 : The Bank's human capital in a few figures (at the end of 2020)



In the context of an unprecedented health crisis, the Bank took all the measures necessary to ensure the protection of its employees in line with best practices and the various protocols issued by the health and government authorities in this area. Thus, it provided its staff with adequate protective equipment (protective masks, disinfectants, appropriate premises, etc.) and has adopted a targeted approach to monitoring the risk of contamination by accompanying affected staff and contact cases. Besides, the Bank provided close support to its staff in order to answer various questions by organizing and facilitating screening operation as well as supporting contaminated agents. To ensure the continuity of its activities, the Bank resorted to remote working for the majority of its staff during the lockdown period. As for the staff who continued operating in person, the Bank adapted the work schedules, and set up rotation systems with an appropriate reassignment of premises.

Despite the crisis, the Bank continued its training initiatives by intensifying online sessions to enhance its staff's expertise and skills. Accordingly, 160 sessions were held for 2,000 participants, using teaching formats adapted to the remote method. In terms of leadership development, the Bank made a particular focus on remote management, stress management and developing resilience in the face of the changing environment. The Bank also initiated a training program focusing on intergenerational management, with a view to making intergenerational diversity a performance driver.

In order to support the specialization and increased expertise of its business lines, the Bank set up a "talent sourcing" platform, starting in July 2020. The purpose of such platform is to take advantage of professional social networks to increase its ability to find the best candidates on the job market, continuously develop an attractive employer brand, and to make the candidate experience more user-friendly, accessible and instantaneous. Despite the slower pace of recruitment during the year 2020 due to the health crisis (about 30 agents hired), the Bank continued to promote its professions and activities to potential candidates, and resorted in this regard, to designing and publishing new capsules featuring employees who share their experience and career path within the Institution.

In a forward-looking approach, the Bank, as in previous years, implemented its succession management system to identify potential pools of candidates, with a turnover of nearly 3.5 percent in 2020, dominated by retirements.

As part of its gender policy, the Bank adopted a gender equality charter on the occasion of International Women's Day. In line with Article 19 of the Moroccan Constitution, this charter sets out the principles that must prevail in all areas to ensure effective equality between the two genders and promote an inclusive and discrimination-free work environment.

2.4.2 Information systems and digital strategy

In the exceptional context of the health crisis, 2020 witnessed the implementation of a remote working platform enabling the Bank's staff to continue their activities from home, the implementation of measures to guarantee a high level of security in the face of the risk of cyberattack, and the widespread use of remote collaboration solutions. The year also saw the implementation of the "PIAFE" collection and reporting solution enabling the Bank to accompany and monitor the national "Intelaka" program and its contribution to the deployment of a secure exchange platform as a hub for the various stakeholders concerning RAMED subsidies within the framework of the "Tadamoun".

In terms of IS development, the Bank continued to update its structuring and innovative projects, and particularly developed 13 PoCs (Proof Of Concept) based on new paradigms and cutting-edge technologies (Cloud, API, RPA, IoT, Machine Learning and DataLake).

As part of its digital transformation strategy, and considering the particular circumstances of this year, the Bank chose to prioritize change management actions favoring the digital inclusion of its employees. Thus, several actions have been implemented in order to promote best practices in remote work and to facilitate the deployment of the digital culture. At the same time, the Bank registered for the new " Startup d'Etat " (State start up) program supported by the Agence du Développement du Digital " (ADD) and set up, in this respect, several information and awareness-raising actions in order to accompany its candidates in their proposals for solutions to public problems.

Lastly, process reengineering has been pursued with the aim of improving efficiency and agility through, on the one hand, deploying the actions stemming from the procurement process study and, on the other hand, launching new studies on other processes.

2.4.3 Moving back Bank Al-Maghrib historic headquarters

The main event of 2020 was the completion of the rehabilitation project of the Central Administration. Restoration of this almost century-old building reflects the Bank's choice to maintain its central presence in the heart of the capital's administrative center. The rehabilitation of the façade of the building, classified as a World Heritage Site by UNESCO, was updated using the same technique used for the restoration of the Hassan Tower in order to preserve the stone of the former Bank's headquarters, known as Salé stone.

Concurrently, the interior spaces were restructured to reflect a new corporate design. The working spaces have been redesigned in line with the strategy of openness, which embodies a new way of working in harmony with the Bank's governance based on transparency, communication, modernity and openness. The design of these new spaces meets the best architectural, environmental, technical, acoustic, accessibility and security standards.

The partitions were replaced by open and shared spaces favouring exchange, group synergy and innovation. The circulation in the whole building, initially composed of three sections built side by side, respectively in the 1920s, 1950s and 1970s, were made more fluid and the sections have been connected.

The Governor arrives at the headquarters of the Central Administration after its refurbishment

PART 3

FINANCIAL STATEMENTS OF THE BANK

In this part of the report, figures are rounded to the nearest thousand dirhams. Therefore, totals and sub-totals do not always correspond to the sum of the relevant rounded off figures.

3.1 Overview of the financial situation for fiscal year 2020(1)

3.1.1 Balance sheet

The Bank's total balance sheet stood at 412,800,465 KDH on December 31, 2020, up 25 percent as against 6 percent in 2019, mainly reflecting an increase in foreign currency assets and investments on the assets side and, on the liabilities side, in currency circulation as well as in liabilities towards international financial institutions.

Table 3.1.1: Balance sheet by transaction

In thousand dirhams	2020	2019	Change (%)
(of which)			
Currency in circulation	319 282 169	266 771 075	20
Transactions with foreign countries	-270 000 683	-228 115 295	18
Transactions with the State	6 022 680	2 075 556	>100
Net position of credit institutions	-59 537 133	-45 666 911	-30
Patrimonial transactions	688 718	2 404 801	-71

Liabilities -Assets

In 2020, currency in circulation recorded an exceptional increase of 20 percent to 319,282,169 KDH, compared to an average of 7 percent over the last five years, mainly due to the massive cash outflow resulting from the health crisis. Meanwhile, operations with foreign countries reached 270,000,683 KDH, up 18 percent compared to the end of 2019, mirroring the consolidation of foreign exchange reserves. Regarding operations with the State, their balance rose sharply to 6,022,680 KDH, explained mainly by the higher current account holdings of the Treasury. The net position of credit institutions fell or went from -45,666,911 KDH to -59,537,133 KDH, due to the increase in the liquidity deficit. The balance of patrimonial transactions decreased significantly by 71 percent to 688,718 KDH, following the subscription to the capital of the Bank for International Settlements in February 2020 for an amount of 1.6 billion dirhams[2].

3.1.2 Income

The Bank's net income amounted to 1,684,169 KDH at the end of 2020, up slightly by 1 percent, following the 69 percent increase in 2019. This change was mainly due to a deceleration in the growth rate of income from activities from 26 percent to 5 percent, an increase in the general operating expenses by 6 percent, against a decline of 1 percent a year earlier and a decrease in non-current result.

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 analysis purposes, the balance sheet and profit and loss account items were adjusted in this part of the report.

2 See box of Note 6 in the balance sheet.

Table 3.1.2: Net income of the fiscal year

In thousand dirhams	2020	2019	Change (%)
Income from foreign exchange reserves management operations	2 393 510	2 310 854	4
Income from monetary policy operations	1 726 349	1 758 933	-2
Income from other operations	650 350	489 402	33
Income of activities	**4 770 209**	**4 559 188**	**5**
General operating expenses	-1 890 677	-1 776 210	6
Gross operating income	**2 879 532**	**2 782 979**	**3**
Noncurrent income	-64 862	-28 874	<-100
Income tax	-1 130 502	-1 085 978	4
Net income	**1 684 169**	**1 668 127**	**1**

Income from foreign exchange reserve management operations improved by 4 percent to 2,393,510 KDH at end-2020, mainly due to the increase in net income from the bond portfolio to 2,422,913 KDH (+14 percent). This evolution resulted from the rise of net capital gains on securities held for sale to 592,210 KDH, in a context marked by a significant drop in the dollar yields, and of interests generated by the investment portfolio to 1,692,836 KDH (+7 percent), following the faster acquisitions in this tranche, mainly after the PLL drawdown, whereas the net interests from money market investments decreased to -73,772 KDH.

After an upward trend since 2017, the result of monetary policy operations posted a decrease by 2 percent to 1,726,349 KDH, mainly due to the reduction of the key rate by 75 bps[1] to 1.50 percent, the impact of which was mitigated by the strengthening of the Bank's injections, with a view to satisfying the increased liquidity needs of banks.

On the other hand, the other operations yielded a 33 percent increase in income to 650,350 KDH, showing a decrease in expenses related to the remuneration of certain private customers' accounts.

General operating expenses rose by 6 percent to 1,890,677 KDH, mainly due to increased operating expenses (+4 percent).

The decline recorded in non-current income to -64,862 KDH resulted from the rise of the amount of the social solidarity contribution on profits for the year 2020, which reached 73,393 KDH, as against 39,440 KDH in 2019.

1 Cut of 25 bps decided by the Bank's Board in March 2020, followed by a 50 bps cut in June 2020.

3.2 Summary statements and related notes

3.2.1 Balance sheet (assets)

Table 3.2.1: Assets as at December 31, 2020

In thousand dirhams	Notes	2020	2019
Assets and investments in gold	**1**	**11 989 425**	**10 386 758**
Assets and investments in foreign currency	**2**	**297 853 278**	**233 532 384**
- Holdings and investments held in foreign banks		88 485 179	38 555 629
- Foreign Treasury bills and similar securities		205 947 284	191 386 500
- Other holdings in foreign currency		3 420 815	3 590 255
Assets with international financial institutions	**3**	**9 188 280**	**9 785 191**
- IMF subscription-Reserve tranche		2 084 098	2 146 798
- Special Drawings Rights holdings		6 715 532	7 236 397
- Subscription to the Arab Monetary Fund		388 650	401 997
Lending to the Government		**243 839**	**-**
Claims on Moroccan credit institutions and similar bodies	**4**	**84 356 146**	**67 383 292**
- Securities received under repurchase agreements		15 280 279	-
- Advances to banks		68 955 288	67 303 319
- Other facilities		120 579	79 973
Treasury bills - Open market operations		-	-
Other assets	**5**	**4 329 415**	**6 976 082**
Fixed assets	**6**	**4 840 082**	**3 123 873**
Total assets		**412 800 465**	**331 187 580**

3.2.2 Balance sheet (liabilities)

Table 3.2.2: Liabilities as at December 31, 2020

In thousand dirhams	Notes	2020	2019
Banknotes and coins in circulation	**7**	**319 282 169**	**266 771 075**
Banknotes in circulation		315 640 803	263 254 622
Coins in circulation		3 641 365	3 516 453
Commitments in gold and foreign currency	**8**	**8 387 871**	**9 340 911**
Commitments in gold		-	-
Commitments in foreign currency		8 387 871	9 340 911
Commitments in convertible dirhams	**9**	**29 434 460**	**210 500**
Commitments to international financial institutions		29 421 299	201 537
Other liabilities		13 161	8 963
Deposits and commitments in dirhams	**10**	**35 974 495**	**29 789 757**
- Current account of the Treasury		6 242 051	2 057 416
- Deposits and commitments in dirhams to Moroccan banks		24 819 013	21 716 369
- Current accounts		24 819 013	21 716 369
- Liquidity-withdrawal accounts		-	-
- Deposit facility accounts		-	-
- Deposits of general government and public institutions		973 357	1 159 281
- Other accounts		3 940 073	4 856 691
Other liabilities	**11**	**5 308 085**	**10 430 843**
Special Drawing Rights allocations	**3**	**7 200 415**	**7 447 693**
Equity capital and the like	**12**	**5 528 801**	**5 528 673**
- Capital		500 000	500 000
- Reserves		5 001 340	5 001 340
- Retained earnings		27 460	27 333
- Other equity capital		-	-
Net income of the fiscal year		**1 684 169**	**1 668 127**
Total liabilities		**412 800 465**	**331 187 580**

3.2.3 Off-balance sheet

Table 3.2.3: Off-balance sheet as at December 31, 2020

In thousand dirhams	Notes	2020	2019
Spot foreign exchange transactions			
- Spot delivery of currencies		-	-
- Spot purchase of dirhams		-	-
Forward foreign exchange transactions	**13**		
- Foreign currencies receivable		28 749 736	8 525 178
- Foreign currencies deliverable		28 856 663	8 568 575
Foreign exchange transactions- currency deposits	**13**	**2 137 152**	**-**
Foreign exchange transactions-arbitrage operations	**13**		
Foreign currencies receivable		1 529 663	158 563
Foreign currencies deliverable		1 530 914	158 583
Off-balance currency adjustment		**-**	**-**
Commitments on derivatives		**-**	**-**
Commitments on securities	**14**		
Securities received on advances granted		63 257 199	68 533 178
Securities received on advances to be granted		6 792 000	12 918 700
Other guarantees received on advances granted		29 740 812	2 556 954
Advances to be granted		6 452 400	13 172 765
Foreign securities receivable		3 549 354	1 662 271
Foreign securities deliverable		1 414 877	549 571
Other liabilities	**15**		
Received market guarantees		120 463	105 237
Guarantees commitments received for staff loans		879 661	871 976
Financing commitments granted to the staff		21 480	18 439
Other granted commitments		1 000	1 000

3.2.4 Profit and loss account

Table 3.2.4: Profit and loss account as at December 31, 2020

In thousand dirhams	Notes	2020	2019
Profit		**5 961 582**	**6 138 883**
Interests earned on holdings and investments in gold and in foreign currency	16	2 623 873	2 785 084
Interests earned on claims on credit institutions and similar bodies	17	1 627 045	1 744 558
Other interests earned	18	13 384	12 591
Commissions earned	19	611 277	664 105
Other financial revenues	20	813 906	535 274
Sales of produced goods and services	21	204 829	131 409
Miscellaneous revenues	22	15 786	19 045
Reversal of depreciation		-	-
Reversal of provisions	23	50 359	243 576
Noncurrent revenues	24	1 123	3 243
Expenses		**4 277 414**	**4 470 756**
Interests paid on commitments in gold and in foreign currency	25	132 119	179 768
Interests paid on deposits and commitments in dirhams	26	174 404	340 159
Commissions paid	27	15 667	16 386
Other financial expenses	28	754 764	986 330
Staff expenses	29	878 935	863 391
Purchases of materials and supplies	30	285 073	236 625
Other external expenses	31	354 619	356 045
Depreciation and provision endowments	32	474 870	364 132
Noncurrent expenses	33	76 461	41 941
Income tax	34	1 130 502	1 085 978
Net income		**1 684 169**	**1 668 127**

3.2.5 Cash flow statement

Tableau 3.2.5 : Cash flow as at December 31, 2020

In thousand dirhams	2020	2019
Cash and foreign currency deposits at the beginning of the year	**41 303 899**	**55 055 218**
Cash flow from operating activities	**29 699 757**	**-40 294 787**
Interests received	4 320 361	4 568 820
Commissions on banking transactions received	611 277	664 105
Other products received	369 390	214 035
Interests and commissions paid	-336 390	-556 180
Staff expenses paid	-874 254	-844 120
Taxes paid	-1 717 512	-570 780
Other expenses paid	-658 894	-603 638
+/- Change in Treasury deposits in Dirhams	4 184 636	841 017
+/- Change in deposits with Moroccan banks in Dirhams	3 086 294	-3 777 272
+/- Change in other customer deposits in Dirhams and in foreign currencies	28 370 305	2 079 362
+/- Change in foreign-currency-denominated investment securities	10 019 846	-42 027 300
+/- Change in foreign currency trading securities	-1 167 133	-66 292
+/- Change in advances to banks	-16 932 249	1 998 938
+/- Change in other liabilities	-1 597 733	-716 946
+/- Change in other assets	2 021 815	-1 498 537
Cash flow from investment activities	**-31 160 396**	**8 747 087**
+/- Change in foreign investment securities in foreign currencies	-29 554 643	9 046 827
+/- Change in IMF subscription-Reserve branch	-	-178
+/- Change in SDR holdings	291 779	51 089
+/- Change in gold assets and investments	-	-
+/- Change in deposits with the IMF	-	-
+/- Change in FMA subscription	-	-
+/- Change in SDR allocations	-	72
Acquisition of fixed assets	-1 897 944	-353 622
Proceeds from sale of fixed assets	412	2 897
Cash flows from financing activities	**52 511 094**	**18 293 233**
+/- change in banknotes and currency in circulation	52 511 094	18 293 233
Revaluation of cash and foreign currency deposits	**-1 245 543**	**-496 852**
Cash and foreign currency deposits at end of year	**91 108 812**	**41 303 899**

3.2.6 Statement of change in shareholders' equity

Table 3.2.6 : Change in shareholders' equity at December 31, 2020

In thousands of Dirhams	2020 opening balance	Appropriation of 2019 income	Distribution of dividends*	2020 Income	Capital transactions (+incr. / -decr.)	2020 closing balance
Equity	500 000					500 000
Carry forward	27 333	127				27 460
Reserves	5 001 340	1 668 000	-1 668 000			5 001 340
Income for the year				1 684 169		1 684 169
Income pending allocation	1 668 127	-1 668 127				0
Total	**7 196 801**	**0**	**-1 668 000**	**1 684 169**	**0**	**7 212 969**

* In accordance with statutory provisions

3.2.7 Main accounting rules and evaluation methods

3.2.7.1 Legal framework

The financial statements are developed and presented in conformity with the BAM Chart of Accounts, approved by the National Accounting Board in May 2007.

The Bank applies the accounting requirements specified in the General Accounting Standard for issues common to companies in terms of assessing stocks and its fixed and other assets and applies particular assessments the evaluation of its financial operations.

The financial statements, as cited under Article 47 of Law No.40-17 bearing Statutes of Bank Al-Maghrib, include the balance sheet, off-balance sheet, profit and loss account (PLA) and additional information statement (AIS).

Concurrently, the Bank prepares an annual off-balance sheet statement, and as of fiscal 2019, it has integrated into its financial statements the cash-flow statement and the statement of changes in shareholders' equity.

3.2.7.2 Evaluation methods

Assets and commitments 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 State 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 case the balance of the "foreign exchange reserve evaluation account" reaches a level below the required minimum threshold due to a foreign exchange loss, the deficit amount will be deducted from the income statement of Bank Al-Maghrib of the relevant fiscal year, without exceeding 10 percent of the net profit, 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 re-evaluation mechanism has no tax impact.

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 or delivery date.

Securities

The securities acquired as part of the management of exchange reserves are classified according to the purpose for which they are held (in portfolio of transaction, of securities held for sale, or of investment).

Transaction portfolio consists of securities purchased with the intention, right from the start, to resell them within a short deadline. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of these securities at the market price are entered in the corresponding income accounts.

Investment portfolio consists of securities acquired with the intention of being held until maturity. They are entered according to the rules below:

- They are recorded at their purchase price, excluding costs and, if need be, accrued coupons;
- Gains on these securities are not recorded;
- Losses on these securities are recorded only when the Bank judges that the security, which suffers a loss, will be probably sold in the following fiscal year and in the case where there is a probable issuer's default risk;
- The differences (discounts or premiums) between securities' prices of purchase and redemption are amortized in a actuarial manner over the remaining life of the securities.

  As of January 1, 2020, the Bank switched from the straight-line method to the actuarial method for spreading discounts/surcharges on investment securities to comply with international best practice. This method is also accepted by the accounting plan of Bank Al-Maghrib as validated by the National Accounting Board. This new method has improved the pre-tax result for the year 2020 by 8.7 MDH.

As at December 31, 2020, no provision has been 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 taken into account.

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 entered 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 3.2.7: Fixed assets depreciation periods

Real properties	20 years
Fixtures, fittings and facilities	5 years
Dar As-Sikkah equipment	10 years
Office equipment, computing materials and software, vehicles and other materials	5 years
Office furniture	10 years

Financial fixed assets

Shareholdings in Moroccan and foreign financial institutions are entered in the assets side of the balance sheet for their net value representing their acquisition cost minus the provisions set up at the closing date. Regarding foreign holdings, their value is converted into dirhams at the historical rate of the currency.

In respect of securities that are not fully paid up, they are recorded as assets at their total value, including the remainder to be paid up. The share not yet paid up is recorded as a counterpart to a debt account on the liabilities side of the balance sheet.

The provisions for depreciation of these unlisted securities are evaluated at the end of the fiscal year following the net asset value method, based on the last financial statements available.

Inventories

Inventories are composed of:

- consumable materials and supplies;
- raw material for the manufacturing of banknotes and coins (paper, ink, and blanks);
- finished goods and in-process inventory (secured documents and foreign banknotes);
- and commemorative coins.

Consumable materials and supplies are recorded in the balance sheet at their purchase price, minus the provisions for their depreciation, if need be, at the closing date.

Raw materials are recorded in the balance sheet at their purchase price plus the handling costs, and minus the provisions for their depreciation, if need be.

Finished goods and in-process inventory are recorded in the balance sheet at their production cost, minus the provisions for their depreciation, if need be.

3.2.8 Financial risk management system

Definition of financial risks

The financial risks to which the Bank is exposed while managing foreign exchange reserves are:

- The **credit risk**, defined as:
  - On the one hand, the payment default risk (counterparty risk) which corresponds to a risk of economic loss due to the inability of a counterparty to fulfil its obligations;
  - On the other hand, the credit rating reduction risk, relating to the risk of lowering credit rating by one or more rating agencies.
- The **market risk**, which is the risk of loss arising from adverse changes in market factors. It concerns, inter alia, risks related to movements in interest or foreign exchange rates.
- The **liquidity risk**, which represents the possibility of not being able to meet the country's immediate commitments, through the sale of assets, without significant impact on their prices.

Governance framework

As part of its mission relating to foreign exchange reserve management, the Bank has set up a financial risk management system. This system identifies, monitors, and mitigates the risks inherent in the investment of the foreign reserves, namely credit, market, and liquidity risks.

To achieve this objective, risk management at Bank Al-Maghrib is based on a clear and well-structured governance framework.

The **Bank Board** validates, each year, the foreign exchange reserve investment policy and risk tolerances. It also approves the investment sphere and the strategic asset allocation. The **Monetary and Financial Committee (MFC)** carries out a monthly and as needed supervision of the strategic allocation implementation and validates the management strategy. It also examines changes in reserve management financial risk indicators. Finally, the **Audit Committee** examines the annual changes in the Bank's financial and operational risks.

Reserve holding and management purposes, investment principles, asset class limits, and issuer and counterparty eligibility and concentration rules are set out in an investment directive, while portfolio benchmarks and their management method are defined in the strategic allocation decided by the Bank's Board.

From an operational point of view, all the Bank's foreign currency exposures are controlled and monitored on a daily basis to ensure compliance with strategic allocation guidelines approved by the Bank's Board.

In this context, these exposures are analysed in detail in regular reports.

All deviations to the rules are reported for validation purposes to the Monetary and Financial Committee which is called upon to validate them.

Financial risk management

Credit risk

Bank Al-Maghrib ensures that investments made made within the framework of it's the foreign exchange reserve management comply with its two main objectives, namely security and liquidity. Thus, in addition to the eligibility criteria for issuers and counterparties, the Bank uses many tools to grasp the credit risk. These are exposure limits helping to avoid excessive risk taking and concentration. The different categories of limits applied and monitored are credit rating, asset category, country risk, issuer risk and counterparty risk.

In addition to this arrangement, the Bank calculates an average rating with a view to ensuring a better assessment of overall exposure to credit risk.

Chart 3.2.1 : Breakdown of portfolio exposures by region

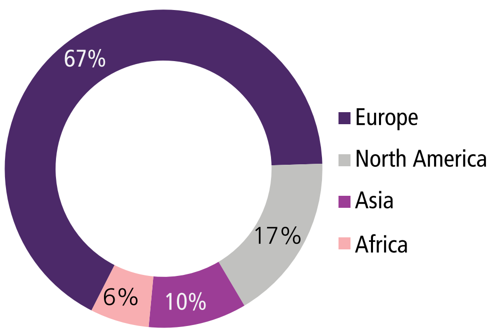
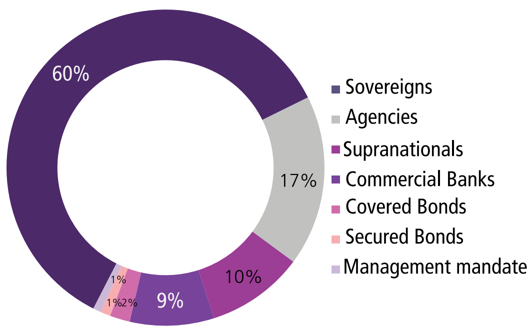


Chart 3.2.2 : Breakdown of portfolio exposures by asset class



On December 31, 2020, assets under management amounted to $30.7 billion with an average rating of "AA-" thus indicating a very good credit quality of the assets held.

Market risk

The market risk associated with foreign exchange reserves management mainly arises from interest rate risk and foreign exchange risk.

- Interest rate risk

The Bank manages interest rate risk through the strategic allocation exercise, which defines benchmark portfolios reflecting the tolerated risk level. Also, management of this risk consists in ensuring that the relative exposures of the management portfolios, compared to the benchmarks, remain within the authorized range in terms of duration.

In addition, exposure to market risk is measured through the maximum potential loss (VaR).

At December 31, 2020, the overall duration of the foreign exchange reserves managed by the Bank amounted to 1.89 year, as against 1.5 year in 2019.

- Foreign exchange risk

The foreign exchange risk is generated by the impact of fluctuations in the exchange rate of foreign currencies against the Moroccan dirham. This risk is measured by the deviation between the composition of foreign exchange reserves and the weighting of the Moroccan dirham basket, which is 60 percent euro and 40 percent dollar. Such exposure is managed through a maximum deviation limit.

Besides, as foreign exchange reserves are mainly composed of euros and US dollars, exposure arising from holding other currencies is very low.

Liquidity risk

Managing the liquidity risk of foreign exchange reserves aims to meet the financing needs of the country's balance of payments and to maintain liquidity reserves at a level sufficient to absorb shocks in times of crisis or restricted access to external financing.

The Bank manages liquidity risk through the strategic allocation that defines the minimum sizes of the reserves' liquid tranches:

- **Precautionary reserves**: composed of available and liquid assets, which allows financing needs estimated in the balance of payments over a one-year horizon. At the end of 2020, precautionary reserves reached 93.7 billion dirhams;

- **Excess reserve portfolios recorded at market value**: made up of liquid assets that can be mobilised in the event of exhaustion of the "precautionary reserves" tranche following an extreme shock to foreign exchange reserves. The value of these portfolios reached 48.1 billion dirhams at end-2020.

3.2.9 Comments on the balance sheet items

Assets

Note 1: Assets and investments in gold

By virtue of Article 12 of its Statutes, Bank Al-Maghrib holds and manages foreign exchange reserves, which consist of gold, foreign currency and SDRs assets. This item contains the dirham equivalent of gold assets deposited in Morocco and with foreign depositors, as well as investments in gold made with foreign counterparties. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the re-evaluation account of foreign exchange reserves[1], in accordance with the agreement governing this account concluded in 2006 between Bank Al-Maghrib and the State.

At end-2020, the value of gold assets amounted to 11,989,425 KDH, posting an increase of 15 percent, solely due to the rising gold price per ounce, which reached 16,862 DH (+ 15 percent) on December 31, 2020.

The quantity of gold ounces, from one year to the next, remained stable at 711,032 ounces (equal to 22 tons).

Besides, similarly to the previous year, the Bank carried no gold lending operations in 2020, given the negative investment rates prevailing on the market.

Table 3.2.8: Assets and investments in gold

	2020	2019
Gold price per ounce in dirhams (1)	16 862	14 608
Quantity of gold ounces	711 032	711 032
Market value (2)	**11 989 425**	**10 386 758**
Gold stock (in tons)	**22,12**	**22,12**

(1) Price of Gold/MAD
(2) In thousand of dirhams

Note 2: Assets and investments in foreign currency

Under the aforementioned Article of the Bank's Statutes, this item presents the equivalent in dirhams of assets in convertible foreign currencies, held in the form of money deposits (current and term accounts) and foreign bond securities.

1 The credit balance in this account may not be credited to the income for the year, nor distributed or used for any purpose.

At the end of the 2020 fiscal year, foreign currency assets and investments increased by 28 percent to reach 297 853 278 KDH, mainly attributable to the PLL drawdown made in April 2020 for about 3 billion dollars and to the Treasury's international market issues in September and December 2020, for a global amount equivalent to the counter value of 37.5 billion dirhams.

Table 3.2.9: Breakdown by type of investment

In thousand dirhams	2020	Share		2019	Share	
Current accounts	21 283 856	7%		9 926 287	4%	
Term accounts	40 400 865	14%		21 627 617	9%	
Securities held for sale [1]	81 404 380	27%	69%	93 492 604	40%	82%
Investment securities	123 419 518	41%		97 893 896	42%	
Trading securities	1 123 387	0,4%		-	-	
Other [2]	30 221 273	10%		10 591 980	5%	
Total	**297 853 278**	**100%**		**233 532 384**	**100%**	

[1] Taking into account provisions for depreciation. The market price valuation of securities held for sale at December 31, 2020 amounts to 82 540 639 KDH.
[2] Including accrued interests, management mandates and foreign banknotes.

These assets represent 72 percent (as against 71 percent in 2019) of the Bank's assets, 69 percent (82 percent in 2019) of which are invested in bonds. Within this category, the investment portfolio increased by 26 percent to 123,419,518 KDH, further to the accelerated acquisitions, particularly after the PLL drawdown. At the end of the year, deposits and money market investments rose sharply to 61,684,721 KDH, due to the redemption of the Treasury's international loan.

Table 3.2.10 : Breakdown by currency

In thousand dirhams	2020	2019	change (%)
EUR	189 171 557	146 058 650	30
USD	105 251 512	86 157 241	22
Other currencies	3 430 210	1 316 493	>100
Total	**297 853 278**	**233 532 384**	**28**

Table 3.2.11 : Breakdown by remaining maturity[(*)]

	2020	2019
≤ 1an	24%	40%
> 1an	76%	60%
Total	**100%**	**100%**

(*) Securities held in internally-managed portfolios, including certificates of deposit.

Note 3: Assets with international financial institutions

This item, reflecting positions with the IMF and the AMF, fell by 6 percent to 9,188,280 KDH, mainly as a result of the decline in SDR holdings.

Position with the IMF

On the assets side:

- IMF subscription - Reserve tranche, which composes the fraction (18.1 percent) supported by Bank Al-Maghrib as Morocco's quota in the capital of the IMF. It is composed of:

  - **The available tranche:** 147.35 million SDRs (1,889,836 KDH), representing Bank Al-Maghrib's contribution to the IMF in foreign currency. This tranche, which could be used by our country when needed, is included in the foreign exchange reserves of the Bank. In 2016, an amount of 76.55 million SDRs, equivalent to its share (25 percent) in Morocco's quota in the IMF capital under the 14th General Quota Review of the IMF;

  - **The mobilized tranche** 14.36 million SDR (194,262 KDH) equal to Bank Al-Maghrib's subscription in national currency, deposited in the IMF "Account No.1" open in the books of the Bank.

Table 3.2.12: Position with the IMF

In thousand dirhams	2020	2019	Change (%)
ASSETS			
IMF subscription - Reserve tranche	2 084 098	2 146 798	-3
SDR holdings	6 715 532	7 236 397	-7
Total	**8 799 630**	**9 383 195**	**-6**
LIABILITIES			
SDR allocations	7 200 415	7 447 693	-3
Accounts n°1 et 2*	29 401 935	193 060	>100
Total	**36 602 350**	**7 640 753**	**>100**

* Also includes the equivalent value in dirhams (28,764,740 KDH) of the PLL drawing proceeds (see Note 9 of the balance sheet).

- SDR holdings record the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDR purchase transactions by the Bank and the remunerations paid by the IMF, while in the credit side, it records payments of commissions on SDR allocations on a quarterly basis and reimbursement of Morocco's borrowings. These assets strengthened substantially in 2014, as the Bank purchased 320 million SDRs to restore a neutral position vis-à-vis the IMF. At the end of 2020, the equivalent value of SDR holdings declined to 6,715,532 KDH, thus recording a 7 percent drop compared to 2019, as a result of the 3 percent fall in the SDR price to 12.83 DH. At a lesser extent, this decline is explained by the withdrawal of 243,839 KDH, under the financial costs of the PLL, from the SDR assets in accordance with the IMF schedule.

The liabilities side include the « SDR allocations item », which corresponds to the equivalent value, in dirhams, of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams, representing Morocco's share in the general allocation and special allocation (475.8 million SDRs)[1] granted by the IMF to member countries. In 2020, the value of these allocations in dirhams fell by 3 percent to 7,200,415 KDH, as a result of the above mentioned depreciation in the SDRs value.

AMF subscription

This account represents the fraction paid by the Bank for the paid-in subscription in the capital of the AMF. Morocco's participation in this institution amounts to 41.33 million Arab dinars, divided between Bank Al-Maghrib and the Treasury as follows:

- 200,000 Arab dinars paid in national currency and deposited in the AMF account open in Bank Al-Maghrib books. The share paid by BAM amounts to 150,000 Arab dinars (5,970 KDH);
- 21.69 million Arab dinars, subscribed in foreign currency, of which 10.10 million Arab dinars subscribed by the Bank (388,650 KDH), similar to the previous year, following the Bank's settlement in 2018 of the last tranche of the Bank's participation in the AMF capital increase, scheduled for member countries over the five-year period 2014-2018 ;
- 19.44 million Arab dinars, of which 9.10 million are attributable to Bank Al-Maghrib under the AMF capital increase by incorporation of reserves, which took place in 2005 (5.88 million Arab dinars) and in 2013 (3.23 million Arab dinars).

Note 4: Claims on Moroccan credit institutions and similar bodies

This item covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 7 of the Bank's Statutes.

The Bank's liquidity injections reached very high levels during the first eight months of 2020, posting a peak of 124.5 billion dirhams on August 6, 2020, before falling sharply from September onwards, reflecting both the improvement in foreign exchange reserves and the decline in currency in circulation. To meet the increased liquidity needs of banks, Bank Al-Maghrib has activated all available instruments this year, in the wake of the measures taken to mitigate the impact of the Covid-19 crisis. Thus, these injections have been carried out more through long-term operations (repurchase agreements and guaranteed loans) in addition to the main operations (7-day advances), thus leading to a prolonged duration of these interventions.

1 Of which 436 million SDRs under the general allocation corresponding to 74.13 percent of Morocco's quota in 2009 (588.2 million SDRs) and 39.7 million SDRs relating to the special allocation granted in accordance with the IMF's fourth amendment.

At December 31, 2020, the bank refinancing totalled 84,235,567 KDH including:

- 44,673,288 KDH through 7-day advances at auction granted at the key rate (1.50 percent since June 2020);
- 24,282,000 KDH corresponding to secured loans notably granted within the framework of the programme designed in 2013 to support the financing of VSME, granted at the average of the key rate during the period under consideration and, since February 2020, under the integrated programme of business support and financing (PIAFE) over 1 year at a preferential rate of 1.25 percent;
- 15,280,279 KDH for long-term repurchase agreements (1 and 3 months), activated since March 2020 and granted at the average of the key rate during the period under review.

Table 3.2.13: Structure of claims on banks

In thousand dirhams	2020	2019	Change (%)
Repo type operations	**59 953 567**	**65 003 319**	**-8**
7-day advances	44 673 288	65 003 319	-31
Repurchase agreements	15 280 279	-	-
Secured loans	**24 282 000**	**2 300 000**	**>100**
Total	**84 235 567**	**67 303 319**	**25**

Note 5: Other assets

This item includes, inter alia, cash accounts and equalization accounts, which are mainly composed of expenses to be spread out over many fiscal years, prepaid expenses, and accrued revenues, and any other debtor amount pending equalization.

It fell, from one year to the next, from 6,976,082 KDH to 4,329,415 KDH, down by 38 percent on an annual basis.

Note 6: Fixed assets

This item reached 4,840,082 KDH at end-2020, up by more than a half, as a result of increased financial fixed assets.

Table 3.2.14: Fixed assets

In thousand dirhams	2020	2019	Change (%)
(including)			
Fixed loans	768 945	768 867	0,01
Equity securities and the like	2 107 417	439 564	>100
Tangible and intangible fixed assets	7 355 197	6 986 886	5
Gross fixed assets	**10 231 690**	**8 195 380**	**25**
Depreciation and provision endowments	-5 391 608	-5 071 508	6
Net fixed assets	**4 840 082**	**3 123 873**	**55**

Equity securities and the like

The gross value of Bank Al-Maghrib's equity securities portfolio moved from 2,107,417 KDH in 2020, representing a substantial increase of 1 667 852 KDH, which is mainly explained by the subscription to the capital of the BIS, carried out during this year.

Table 3.2.15: Equity securities and the like

In thousand dirhams	2020					2019 Gross book value	change (%) (3)
	Type of activity	Net book value	Gross book value (1)	Net situation(2)	Quote-part (%)		
Securities held in Moroccan institutions and the like (including)		**221 709**	**218 944**			**198 373**	**12**
Dar Ad-Damane	Financial	1 265	0	140 618	1,69	1 265	-
Maroclear	Financial	4 000	4 000	305 769	20,00	4 000	-
Casablanca Finance City Authority	Financial	50 000	50 000	507 998	10,00	50 000	-
The Moroccan Deposit Insurance corporation (SGFG)	Financial	59	59	4 719	5,92	59	-
Receivables attached to equity		164 885	164 885	-		141 549	16
Securities held in foreign financial institutions		**1 885 708**	**1 860 419**			**241 192**	**>100**
Ubac Curaçao	Financial	23 228	23 228	81 578 USD	6,85	23 228	-
Swift	Financial	519	519	442 948 EUR	0,02	519	-
Arab Monetary Fund	Financial	5 970	5 970	1 367 615 DA(4)	0,02	5 987	-0,3
Arab Trade Financing Program	Financial	16 856	16 856	1 177 881 USD	0,28	16 856	-
Africa50-Project Finance	Financial	175 142	157 443	359 922 USD	4,91	175 142	-
Africa50-Project Development	Financial	19 460	11 870	26 969 USD	4,94	19 460	-
Bank for International Settlements	Financial	1 644 533	1 644 533	21 639 900 SDR	0,53	-	-
Gross total of equity securities and the like		**2 107 417**	**2 079 363**			**439 564**	**>100**

(1) Minus of provisions made for the impairment of the Bank's holdings

(2) Net position of the organizations in which the Bank holds investments, based on the financial statements of 2019.

(3) Change in the gross accounting value between 2019 et 2020.

(4) Arab Dinars.

Box 3.2.1: Bank for International settlements (BIS)

Following the decision Board in December 2019 and the BIS Board to appoint the Bank as a member, the Bank subscribed, in February 2020, to the capital of this institution up to 3,000 shares of the third tranche of its capital with a nominal value of 5,000 SDRs. One quarter of this subscription was paid up while the remainder may be called up later in accordance with Article 7 of its Statutes.

This subscription is recorded as an asset on the balance sheet for a total value of 123.5 million SDR (equivalent to 1,644,533 KDH) of which 112.3 million SDRs are paid up (1,494,747 KDH) and 11.2 million SDRs represent the unreleased portion (149,786 KDH) recorded in the "foreign currency liabilities" item of the liabilities side of the balance sheet.

Tangible and intangible fixed assets

Table 3.2.16: Tangible and intangible fixed assets

In thousand dirhams	2019 Gross amount	Increase	Decrease	2020 Gross amount
Operating real estate properties	1 969 643	107 815		2 077 457
Operating furniture and equipment	2 562 899	165 998	7 284	2 721 612
Other operating tangible fixed assets	919 878	87 405	1 428	1 005 854
Non-operating tangible fixed assets	787 051	4 076	1 020	790 106
Intangible fixed assets	747 416	12 751		760 167
Total	**6 986 886**	**378 043**	**9 733**	**7 355 197**

At end-2020, the gross value of tangible and intangible fixed assets reached 7,355,197 KDH, up 368,311 KDH compared to 2019. Investments made this year are broken down as follows:

- 26 percent in real estate investments for the redevelopment and extension projects at the operating sites, particularly concerning the upgrade of the central administration, the extension of Dar As-Sikkah, with the construction of a building dedicated to the production of secure identity cards;
- 45 percent for the acquisition of machinery and components of equipment for computer security infrastructure personalisation and production and for the purchase of new furniture and equipment for the Central Administration and for the premises housing the Bank's units in the "Casablanca Finance City". This share also covers the renewal and the modernization of the computer and phone equipment of the Bank;
- 22 percent mainly for upgrading security and electrical installations, carpentry, air conditioning, plumbing, painting and fittings of various sites of the Bank (operational and social) as well as the development of a museum at the former Fez branch.

Decreases mostly concerned sales and donations of old furniture and equipment.

Liabilities

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.

Remaining the most important item of the Bank's liabilities (77 percent), the currency in circulation increased significantly from one year-end to the other from 266,771,075 KDH to 319,282,169 KDH, i.e. +20 percent against +7 percent on average during the last five-year period. 319,282,169 KDH. On a monthly basis, it increased significantly between March and June 2020, due to significant cash withdrawals in connection with the health crisis. It continued to increase until the end of July 2020, with the celebration of Eid Al-Adha, when it reached its highest historical level at 332,644,554 KDH before declining starting from August of this year.

Note 8: Commitments in gold and foreign currency

These liabilities mainly comprise currency deposits of foreign banks and non-residents. They fell by 10 percent compared to the previous year to reach 8,387,871 KDH.

Note 9: Commitments in convertible dirhams

This item includes the Bank’s commitments in convertible dirhams towards foreign banks, international financial institutions (IMF, IBRD) and non-residents.

Account No.1 of the IMF represents the major component of this entry. Its assets, as well as those of “Account No.2” of the IMF, are readjusted each year to take into consideration the parity of the dirham against SDRs. These liabilities increased, at the end of 2020, to 29,434,460 KDH, following the recognition, in the IMF's account n°1, of the equivalent value in dirhams (28,764,740 KDH) of the PLL proceeds posted on the assets side of the balance sheet as foreign currency assets.

Table 3.2.17: Commitments in convertible dirhams

In thousand dirhams	2020	2019	Change (%)
Commitments to international financial institutions	**29 421 299**	**201 537**	**>100**
Commitments to foreign banks	17 867	7 620	>100
Current accounts of international financial institutions	29 403 432	193 917	>100
Other commitments	**13 161**	**8 963**	**47%**
Total	**29 434 460**	**210 500**	**>100**

Note 10: Deposits and liabilities in dirhams

This item mainly includes:

- The current account of the Treasury, held by Bank Al-Maghrib by virtue of Article 16 of its Statute. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28, 2009:

  - The tranche lower than or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points, or 1,00 percent ;

  -The tranche above 2 billion dirhams up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points, or 0.50 percent ;

  -The tranche higher than 3 billion dirhams is not remunerated.

- Accounts of Moroccan banks, held mainly to meet their commitments regarding the reserve requirement, established by virtue of Article 25 and 66 of the above-mentioned Statutes, which was totally paid up to the benefit of banks by decision of the Bank's Board on June 16, 2020;
- Deposits of general government and public institutions, including the account of Hassan II Fund for Economic and Social Development.

This item can also include, in a context of excess liquidity:

- 7-day liquidity withdrawals as unsecured deposits by tenders, remunerated at the key rate minus fifty basis points, or 1.00 percent;
- 24-hour deposit facilities allowing banks to place, on their own initiative, a cash surplus. The remuneration applied to these deposits equals the key rate minus one-hundred basis points, or 0.50 percent

At end -2020, this item amounted to 35,974,495 KDH, up by 6,184,738 KDH from 2019, mainly reflecting the increase in both the Treasury account (+4,184,636 KDH) and the current account balances of Moroccan banks (+3,102,644 KDH).

Table 3.2.18: Deposits and liabilities in dirhams

In thousand dirhams	2019	2018	Change (%)
Public Treasury current account	6 242 051	2 057 416	>100
Moroccan banks' current account	24 819 013	21 716 369	14
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	973 357	1 159 281	-16
Other accounts	3 940 073	4 856 691	-19
Total	**35 974 495**	**29 789 757**	**21**

Note 11: Other liabilities

Other liabilities particularly include:

- Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State and third parties, and pending contributions to provident funds and institutions for social security.

  They presented, at the end of 2020, a balance of 675,030 KDH of which 393,463 KDH as debts to suppliers. The breakdown of these debts by due date, pursuant to the provisions of Law n°32-10 relating to payment deadlines which came into force in 2013, is presented at December 31, 2020 as follows:

Table 3.2.19: Breakdown by maturity of suppliers' debt balance

In thousand of dirhams	Amount of suppliers' debt at the end of the FY	Amount of unmatured debts	Amount of debts due			
Closing dates			**Less than 30 days**	**Between 31 and 60 days**	**between 61 and 90 days**	**More than 90 days**
Fiscal Year 2019	344 160	343 297	69	158	-	636
Fiscal Year 2020	393 463	393 013	57	9	236	147

- The equalization accounts, mainly composed of transactions between branches, expenses to be paid and revenues recognized in advance and any other debtor amount pending settlement. At the end of the year, they reached 294,335 KDH against 322,104 KDH one year earlier.
- Amounts claimable after receipt of payment, whose accounts make up the counterpart of securities presented for payment, fell from 197,494 KDH in 2019 to 170,603 KDH in 2020;
- Provisions for risks and expenses allowing to note the existing losses and expenses related to operations executed during the fiscal year and that are most likely realized. They reached

160,202 KDH instead of 119,631 KDH, following the recognition in 2020 of a provision of 60,000 KDH intended to partially cover the net commitment of social funds. The provision for penalties relating to payments to suppliers exceeding the regulatory time limit, set up in accordance with the aforementioned Law n°32-10, amounted to 164 KDH (see Table 3.2.35 of Note 32 of the profit and loss account);

- The foreign exchange reserves re-evaluation account, which includes the exchange variations resulting from the assessment of assets and liabilities in gold and in foreign currency, based on the year-end exchange rates, in accordance with the provisions of the agreement governing this account concluded between Bank Al-Maghrib and the Ministry of Economy and Finance (See the section relating to the main accounting rules and evaluation methods).

  This agreement stipulates that in case of an insufficiency vis-à-vis the required minimum, a reserve for foreign exchange losses deducted from the net profit is built up. 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.

  As at December 31, 2020, the foreign exchange reserve revaluation account posted a balance of 4,007,554 KDH, down by more than half compared to the previous year. This evolution is mainly explained by the depreciation of the US dollar (-7 percent), whose impact was mitigated by the appreciation of the EUR (+2 percent) and gold (+15 percent).

Table 3.2.20: Other liabilities

In thousand dirhams	2020	2019	Change (%)
Other securities transactions	361	361	-
Miscallaneous creditors	675 030	1 201 319	-44
Equalization accounts	294 335	322 104	-9
Amounts claimable after receipt of payment	170 603	197 494	-14
Provisions for risks and expenses	160 202	119 631	34
Revaluation account of foreign exchange reserves	4 007 554	8 589 934	-53
Total	**5 308 085**	**10 430 843**	**-49**

Note 12: Equity capital and the like

Under Article 2 of the Bank’s Statute, the capital is set at 500,000 KDH, totally released and held by the State. It can be increased by decision of the Bank's Board, after consulting the government representative, subject to the conditions set out in that article.

The general reserve fund was established in accordance with Article 48 of the above-mentioned Statute, by deducing 10 percent from the net profit until it reaches the amount of the capital.

Special reserve funds were built up, pursuant to Article 48 above, by allocating part of the profits. They have been standing at 4,501,340 KDH since 2004, and make the most part of equity capital.

Table 3.2.21: Equity capital and the like

In thousand dirhams	2020	2019	Change (%)
Equity	**500 000**	**500 000**	**-**
Reserves	**5 001 340**	**5 001 340**	-
General reserve funds	500 000	500 000	-
Special reserve funds	4 501 340	4 501 340	-
Retained earnings	**27 460**	**27 333**	**0.5**
Total	**5 528 801**	**5 528 673**	**0.002**

3.2.10 Comments on off-balance sheet items

The Bank keeps record of off-balance sheet commitments, both given and received. The accounts on the off-balance sheet are registered to debit when the liabilities materialize on maturity or in case of realization by a debit on the balance sheet, and to credit side in the opposite case.

They include commitments in foreign currency, commitments on securities and other liabilities.

Note 13 : Foreign exchange transactions

This item records foreign exchange swap transactions in foreign currencies carried out, in particular, in the context of monetary regulation, as well as currency transitional arbitrage operations initiated on the first day pending their unwinding on D+2.

Table 3.2.22: Foreign exchange transactions

In thousand dirhams	2020	2019
Forward foreign exchange transactions		
Forward currencies receivable	28 749 736	8 525 178
Forward currencies to be delivered	28 856 663	8 568 575
Foreign exchange transactions- currency deposits	**2 137 152**	
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	1 529 663	158 563
Foreign currencies deliverable	1 530 914	158 583

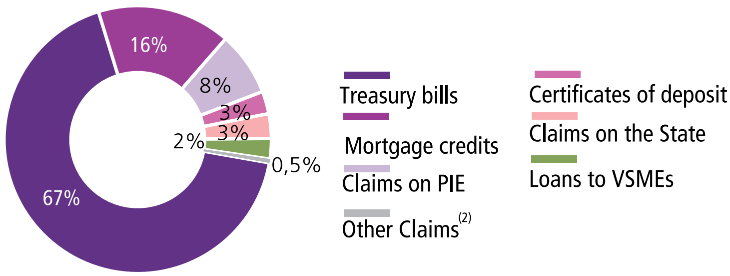
Note 14: Commitments on securities

This heading records mainly securities pledged to Bank Al-Maghrib to secure various advances to banks (debt securities issued or guaranteed by the State, negotiable debt securities, private claims, etc.) and advance facilities[1]. As part of the easing measures introduced in 2020 in response to the Covid-19 crisis, the Bank expanded the list of assets eligible as collateral to include banks' refinancing operations.

Table 3.2.23: Commitments on securities

In thousand dirhams	2020	2019
Securities received on advances granted	63 257 199	68 533 178
Securities received on advances to be granted	6 792 000	12 918 700
Other guarantees received on advances granted	29 740 812	2 556 954
Advances to be granted	6 452 400	13 172 765
Foreign securities receivable	3 549 354	1 662 271
Foreign securities deliverable	1 414 877	549 571

Chart 3.2.3: Structure of commitments on securities[(1)]



(1) Collateral received on the advances granted by the Bank as part of the monetary policy implementation.

(2) Receivables for the benefit of VSME and microcredit associations.

Note 15: Other committments

Table 3.2.24: Other committments

In thousand dirhams	2020	2019
Received market guarantees	120 463	105 237
Guarantees liabilities received for staff loans	879 661	871 976
Financing liabilities granted to the staff	21 480	18 439
Other granted liabilities	1 000	1 000

[1] Possible advances to the participants in the Moroccan Gross Settlement System (SRBM) to avoid systemic bottlenecks.

3.2.11 Comments on profit and loss account items

Note 16: Interests earned on holdings and investments in gold and in foreign currency

This item is highly correlated with levels of foreign exchange reserves and interest rates. It includes interests from the transactions of investments in gold, SDRs and foreign currencies, made by the Bank as part of its statutory mission of foreign exchange reserves management:

- Bond market investments (investment portfolio and portfolio of securities held for sale);
- Investments in the international money market and in other Moroccan commercial banks (Treasury portfolio);
- SDR holdings and the reserve tranche available with the IMF;
- Foreign securities lending;
- Gold loans.

Table 3.2.25: Interests earned on holdings in gold and in foreign currency

In thousand dirhams	2020	2019	Change (%)
Investments in gold	-	100	-
Bond investments	2 551 938	2 533 467	1
Money market investments	43 343	156 365	-72
Claims on the IMF	17 291	87 434	-80
Other interests(*)	11 301	7 717	46
Total	**2 623 873**	**2 785 084**	**-6**

(*) Mainly include interests on foreign securities loans and holdings.

The 6 percent drop in these interests to KDH 2,623,873 is mainly explained by the decline in yield rates. Thus, the interests on the monetary segment contracted by 72 percent to KDH 43 343, primarily reflecting the lower yield levels of investments on the dollar compartment. On the other hand, bond interests increased slightly by 1 percent to 2,551,938 KDH, in connection with the strengthening of investments on the investment tranche whose interests increased by 7 percent to 1,692,836 KDH, while those induced by the investment portfolio decreased by 9 percent to 859,102 KDH, as a result of the lowering of both reinvestment rates and the outstanding amount of the Securities held for sale portfolio in dollars.

Interest earned on SDR receivables showed a sharp decline of 80 percent to 17,291 KDH, illustrating the 79 basis point drop to 0.20 percent of the average yield rate of the SDR (0.99 percent in 2019) and to a lesser extent the decline in SDR holdings.

Note 17: Interests earned on claims on credit institutions and similar bodies

This item records interests received by the Bank on various advances to credit institutions as part of the monetary policy conduct (for payment conditions, see Note 4 of the balance sheet).

These interests totalled an amount of 1,627,045 KDH, i.e. 7 percent less compared to 2019, despite the higher injections made, mainly due to the 75 bps cut in the key rate. They are composed of:

- 793,567 KDH for interests from 7-day advances, whose decrease by more than half is explained by the aforementioned rate effect and by the 42 percent reduction in the average outstanding amount of this instrument to 43,253,429 KDH;
- 508,430 KDH resulting from repurchase agreements activated since March 2020, involving an outstanding amount of 29,867,372 KDH;
- 323,051 KDH relating to secured loans operations whose outstanding amount posted a significant increase to 20,323,089 KDH, following the new measures taken by the Bank to address the effects of the health crisis.

Table 3.2.26: Interests received on claims on credit institutions

In thousand dirhams	2020	2019	Change (%)
(Including)			
7-day advances	793 567	1 683 109	-53
24-hour advances	1 556	4 603	-66
Repurchase agreements	508 430	-	-
Secured loans	323 051	55 794	>100
Total	**1 627 045**	**1 744 558**	**-7**

Note 18: Other interests earned

This item covers mainly interests due to the Bank under loans granted to its staff for the purchase and construction of housing. These interests reached 13,384 KDH at the end of this fiscal year, up 6 percent compared to 2019.

Note 19: Commissions earned

Commissions are deducted by the Bank in payment of banking transactions for customers, which cover, mainly, foreign exchange operations and the centralization of the Treasury's auction operations.

In 2020, these commissions decreased by 8 percent, mainly due to the 12 percent drop in foreign exchange fees, following the decrease in the sales volume of foreign banknotes. The auctions centralisation fee increased by 37 percent, in line with the Treasury's sustained presence on the primary market to finance its deficit.

Table 3.2.27: Commissions earned

In thousand dirhams	2020	2019	Change (%)
Foreign exchange commissions	521 661	593 765	-12
Intermediation margin	1 822	1 919	-5
Management of Treasury bonds	71 018	51 885	37
Other commissions	16 776	16 535	1
Total	**611 277**	**664 105**	**-8**

Note 20: Other financial revenues

The other financial revenues item mainly covers gains generated from foreign currency transactions, deferral of discounts on investment securities and gains from foreign exchange swap operations.

At the end of this year, these revenues rose substantially by 813,906 KDH, up by 278,632 KDH, mainly due to the strong increase of capital gains realized against a background of significant fall in yield rates of assets in dollars.

Foreign exchange swap operations with Moroccan banks, resumed as of the last quarter of 2019 within the framework of the monetary policy, generated gains of 99,745 KDH, up by 71,958 KDH following the increasing use of this monetary policy instrument to satisfy part of their liquidity needs induced by the health crisis.

The -63,865 KDH variation in capital gains realised on the management mandate was the result of the 7 percent depreciation of the US dollar to 8.90 DH.

Table 3.2.28: Other financial revenues

In thousand dirhams	2020	2019	Change (%)
Capital gains on sales of marketable securities	602 294	335 679	79
Spreading of discounts on foreign securities	52 838	37 466	41
Capital gains on management mandates	28 302	92 166	-69
Capital gains on trading securities	1 044	1 152	-9
Gains on foreign exchange swap transactions (monetary policy)	99 745	27 787	>100
Gains on foreign exchange swap transactions (premium/discount)	24 593	37 111	-34
Other revenues	5 091	3 912	30
Total	**813 906**	**535 274**	**52**

Note 21: Sales of produced goods

This item includes revenues from sales of various goods produced by the Bank, which mainly cover secured documents including the biometric passport, and export-oriented foreign banknotes. Their sale price is particularly set on the basis of the costs derived from the Bank's analytical system. This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

At the end of the 2020 fiscal year, revenues from these various sales amounted to 204 829 KDH, i.e. 73 420 KDH higher compared to their level in 2019. This evolution is mainly due to the 3 percent increase in sales of secure documents to 198 278 KDH, under the combined effect of revenues from sales of secure identity cards[1] newly produced in 2020 (72 151 KDH) and the decrease in sales of biometric passports to 112 645 KDH (-37 percent). For their part, inventories improved, showing a positive variation of 5 261 KDH at the end of 2020 against -63 481 KDH in 2019.

Note 22: Miscellaneous revenues

Miscellaneous revenues include the contribution of banks to the invoicing system of the Moroccan Gross Settlement System (SRBM) and the recovery of costs paid by Bank Al-Maghrib. These revenues amounted to 15,786 KDH, of which 12,266 KDH were revenues from the SRBM billing system.

Note 23: Reversal of provisions

At end-2020, these reversals amounted to 50,359 KDH. They particularly covered the provisions set up for the depreciation of foreign investment securities recovered up to 11,881 KDH, as well as those intended to cover the pension commitment as part of implementing the financing plan of the gradual transition to the TV 88-90 mortality table, the reversed amount of which totals 20,000 KDH (see Table 3-2-35 of note 32 of the PLA).

Note 24: Noncurrent revenues

This item includes exceptional noncurrent revenues. At the end of 2020, it posted a balance of 1,123 KDH, as against 3,243 KDH one year before.

1 The driving licence and the electronic registration certificate.

Note 25: Interests paid on commitments in gold and in foreign currency

These interests dropped by 27 percent to 132 119 KDH, mainly due to the decrease by 80 percent to 15 004 KDH of the commissions paid by the Bank on SDR allocations, due to the depreciation of the SDR remuneration rate.

Note 26: Interests paid on deposits and commitments in dirhams

This item includes interests paid by the Bank, mainly for cash in the Treasury's current account and for remuneration of the monetary reserve (for conditions of remuneration of the above-mentioned accounts, see Note 10 of the balance sheet). It can also include, in a context of excess liquidity, interests paid by the Bank under 7-day liquidity withdrawals, overnight deposits facilities and swap of dirhams against currencies.

In 2020, these interests fell by almost the half to reach 174,404 KDH. This change mainly resulted from the lower charges relating to the interests on customer accounts and on the monetary reserve, which was suspended on September 26, 2019 following the 2 percent cut in the rate applied on this reserve, before its release, further to the decision of the Bank Board on June 16, 2020, to the benefit of the banks.

Table 3.2.29: Interests on committments in dirhams

In thousand dirhams	2020	2019	Change (%)
(of which)			
Monetary reserve accounts	-	12 360	-
Other accounts (including)	172 691	316 691	-45
Treasury account	31 805	43 655	-27
Total	**174 404**	**340 159**	**-49**

Note 27: Commissions paid

These are commissions paid in exchange for financial services provided to the Bank as well as negative intermediation margins on foreign exchange transactions carried out with authorised intermediaries. At end-2020, these commissions fell by 4 percent to 15,667 KDH, mainly as a result of the 22 percent decline of the above mentioned intermediation margin to 3,054 KDH.

Note 28: Other financial expenses

This item covers losses on foreign currency transactions, including capital losses on the sales of investment securities and deferral of premiums on investment securities.

They fell to 754,764 KDH, i.e. -231,566 KDH from 2019, mainly resulting from the strong drop (96 percent) in losses generated by the sales of foreign securities.

Table 3.2.30: Other financial expenses

In thousand dirhams	2020	2019	Change (%)
Losses in investment securities held for sale (*)	10 084	228 713	-96
Deferral of premiums on foreign securities	574 735	648 079	-11
Negative interest rates paid on investment securities	163 098	102 323	59
Losses on foreign exchange swap transactions	2 481	-	-
Other expenses	4 365	7 216	-40
Total	**754 764**	**986 330**	**-23**

* Result of the difference between the book value and the sale price.

Note 29: Staff expenses

This item includes mainly the salaries and wages, allowances and bonuses paid to the Bank staff, employer contributions to Bank Al-Maghrib Staff Pension Fund and contributions to the Mutual Fund, various staff insurance premiums and vocational training expenses.

The significant decrease in training expenses is due to the non-implementation in 2020 of the training actions programmed, due to the COVID-19 health crisis.

Table 3.2.31: Staff expenses

In thousand dirhams	2020	2019	Change (%)
Staff salaries	672 012	644 351	4
Social expenses	191 761	191 060	0,4
Training expenses	2 337	10 991	-77
Other expenses	12 827	16 988	-24
Total	**878 935**	**863 391**	**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 20 percent rise recorded under this heading, to 285,073 KDH, is mainly explained by the higher cost of purchasing materials and supplies for the production of new identity documents.

Table 3.2.32: Purchases of materials and supplies

In thousand dirhams	2020	2019	Change (%)
Purchase of raw materials	188 097	168 012	12
Purchase of consumable materials and supplies	59 667	31 122	92
Other purchases	37 309	37 491	-0,5
Total	**285 073**	**236 625**	**20**

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.

Other external expenses decreased slightly by 0.4 percent to 354,619 KDH, reflecting the combined effect of lower travel costs and expenses related to holiday and socio-sport centres as well as the conclusion of new maintenance contracts in 2020.

Table 3.2.33: Other external expenses

In thousand dirhams	2020	2019	Change (%)
Maintenance and repair of fixed assets	125 730	113 888	10
Rents	43 477	45 338	-4
Water, electricity and fuel costs	25 233	26 694	-5
Transportation, travel, mission and reception expenses	8 859	23 947	-63
Postal and telecommunication costs	31 631	32 116	-2
Taxes and duties	20 464	18 775	9
Other expenses	99 225	95 286	4
Total	**354 619**	**356 045**	**-0,4**

Note 32: Depreciation and provision endowments

Depreciation charges

Table 3.2.34: Depreciations

In thousand dirhams	2020	2019	Change (%)
Depreciations of tangible and intangible fixed assets	**309 269**	**293 235**	**5**
Properties[1]	101 576	82 192	24
Furniture and equipment	171 171	174 967	-2
Other tangible fixed assets	4	13	-67
Intangible fixed assets	36 518	36 063	1
Depreciations of other costs to be spread out over many fiscal years	**5 380**	**3 787**	**42**
Depreciations of previous fiscal years	**6 375**	**4 359**	**46**
Total	**321 024**	**301 381**	**7**

(1) Including fixtures, fittings and facilities.

Allocations to provisions

Table 3.2.35: Provisions

In thousand dirhams	Outstanding amount December 31, 2019	Expenses	Reversals	Other changes	Outstanding amount December 31, 2020
Provisions for depreciation					
Foreign T-bonds and similar securities	11 883	59 153	11 881	39	59 193
Miscellaneous stocks and values	5 654	6 536	5 654		6 536
Moroccan equity securities	2 765			2 765	
Foreign equity securities	11 575	13 714			25 289
Other provisions[3]	3 773	1 063	15		4 821
Provisions for risks and expenses posted under liabilities					
Provisions for risks and expenses (including)	119 242	73 380	32 808		159 814
Pension commitment	60 000	60 000	20 000		100 000
Provisions for risks	47 646	3 850	1 212		50 284
Late penalty fees	133	164	133		164
Other provisions	389				389
Total		**153 846 [2]**	**50 359 [4]**		

(2) Totalling 474,870 KDH equivalent to the amount of the heading "Depreciation and provision endowments" of the PLA.

(3) Includes, in particular, provisions for receivables from customers presenting a high default risk.

(4) Corresponds to the amount of the PLA item "reversals of provisions".

For the terms governing provisions constitution and reversal, see Section 3-2-7-2 "Evaluation methods" and Note 11 of the balance sheet.

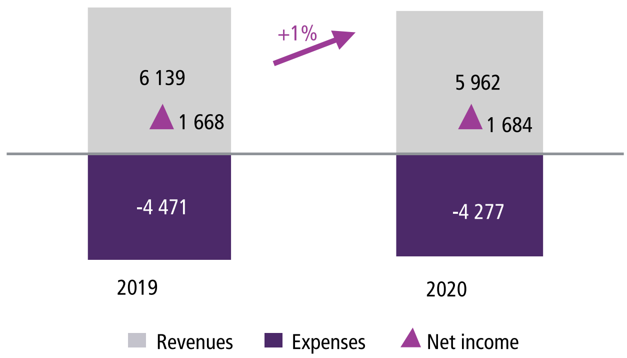
Note 33: Non-current expenses

Non-current expenses totalled 76,461 KDH, up 34,520 KDH compared to 2019. They primarily include the social solidarity contribution on profits, calculated on the basis of a rate of 2.5 percent of the previous fiscal year (73,393 KDH in 2020 as against 39,440 KDH in 2019).

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. Between 2019 and 2020, the income tax rose from 1,085,978 KDH to 1,130,502 KDH.

Chart 3.2.4: Change in revenues, expenses and net income (in millions of dirhams)



3.3 Commitments to social funds

The Bank's staff is covered by two internal pension and medical insurance schemes called, respectively, "Caisse de Retraite du Personnel de Bank Al-Maghrib- CRP-BAM (Bank Al-Maghrib's staff pension fund)" and the "Fonds Mutuel-FM (Mutual Fund)".

The CRP-BAM provides the staff members of the Bank or their dependants with a retirement pension, an invalidity pension, a dependants' pension and a mixed capital-pension allowance. The FM reimburses medical and pharmaceutical expenses for the benefit of Bank staff and eligible members of their families.

These two schemes have individual accounts but do not have legal personality.

Table 3.3.1 : Social funds' committments and financing

En milliers de dirhams	Pension Fund of BAM staff		Mutual Fund	
	2020	2019	2020	2019
Gross Commitment	3 409 224	3 267 833	567 424	541 463
Hedging assets	3 393 290	3 320 742	463 158	440 663
Net Commitment (1)	-15 934	52 909	-104 266	-100 800

* Net liability of social funds partially provisioned in 2020 for an amount of 60,000 KDH (see Note 11 of the balance sheet).

Retirement and health committments are calculated in accordance with actuarial standards, using the projected unit credit method, which takes into account changes in salaries, pension revaluations and the benefit entitlement.

An independent actuary validates the data and assumptions used in the actuarial valuations, as well as the pension and health liabilities.

Social funds' assets are managed within the framework of a strategic allocation, defining an optimal allocation by asset class, taking into account the objectives of the pension and medical coverage schemes, in terms of return and risk.

By virtue of the Charter for the social funds steering, an annual report is drafted in this regard. Its purpose is to present, on the one hand, the conclusions of the actuarial balance sheet drawn up internally, duly validated and certified by the independent actuary and, on the other, the achievements of the financial management of the hedging assets. The drafted report is then forwarded to the Social Funds Steering Committee for review and validation and the ensuing decisions are submitted to the Bank Board for approval.

3.4 Statutory Audit Report

BANK AL-MAGHRIB
FISCAL YEAR ENDED DECEMBER 31st, 2020

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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, 2020. Which include the balance sheet, the profit and loss account, and the attached disclosures. These statements present a net equity amounting to 5 528 801 thousands of Moroccan Dirhams, and a net profit of 1 884 189 thousands of Moroccan Dirhams. These financial statements were adopted by the Bank's Board on March 23, 2021 in an evolving context of the health crisis of the Covid-19 epidemic, on the basis of the elements available at that date.

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, 2020 in accordance with generally accepted accounting principles in Morocco.

Basis for Opinion

We conducted our audit in accordance with professional standards applicable in Morocco. Our responsibilities under those standards are further described in the Statutory Auditors' responsibilities for the audit of the annual financial statements section of our report. We are independent of the Bank as required by laws and regulations accepted in Morocco, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the annual financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Moroccan generally accepted accounting principles. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of financial statements that are free from material misstatement, and making accounting estimates that are reasonable in the circumstances.

In preparing the annual financial statements, management is responsible for assessing the bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting principle unless it is expected to liquidate the bank or to cease operations or if no other realistic solution is available to it.

Those charged with governance are responsible for overseeing the bank's financial reporting process.

Statutory Auditors' responsibilities for the audit of the annual financial statements

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with professional standards applicable in Morocco.

Our objective is to obtain reasonable assurance about whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report containing our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with professional standards applicable in Morocco will always detect a

Statutory Auditor exercises professional judgment throughout the audit and furthermore:

- Identifies and assesses the risks of material misstatement of the annual financial statements, whether due to fraud or error, designs and performs audit procedures responsive to those risks, and obtains audit evidence considered to be sufficient and appropriate to provide a basis for his opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtains an understanding of internal control relevant to the audit 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 internal control.

- Evaluates the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management in the annual financial statements.

- Assesses the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If the Statutory Auditor concludes that a material uncertainty exists, there is a requirement to draw attention in the audit report to the related disclosures in the annual financial statements or, if such disclosures are not provided or are inadequate, to modify the opinion expressed therein. This assessment is based on the audit evidence obtained up to the date of this audit report. However, future events or conditions may cause the bank to cease to continue as a going concern.

- Evaluates the overall presentation of the annual financial statements and assesses whether these statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Bank's Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 24th 2021

Mazars Audit et Conseil

Abdou SOULEYE DIOP
Managing Partner

3.5 Approval by the Bank Board

Pursuant to Article 47 of Law No. 40-17, bearing Statutes of Bank Al-Maghrib, the Governor submits the management report and the financial statements to the Bank Board for approval.

At its meeting of March 23, 2021, 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 2020.

STATISTICAL APPENDICES

TABLE A1 MAIN INDICATORS OF THE ECONOMY

	2018*	2019*	2020**
International Economy (1)			
Economic growth (in %)			
World	3.6	2.8	-3.3
Euro area	1.9	1.3	-6.6
United States	3.0	2.2	-3.5
United Kingdom	1.3	1.4	-9.9
Brazil	1.8	1.4	-4.1
China	6.7	5.8	2.3
Inflation (in %)			
World	3.6	3.5	3.2
Euro area	1.8	1.2	0.3
United States	2.4	1.8	1.2
United Kingdom	2.5	1.8	0.9
Brazil	3.7	3.7	3.2
China	2.1	2.9	2.4
Unemployment (in %)			
Euro area	8.2	7.6	7.9
United States	3.9	3.7	8.1
United Kingdom	4.1	3.8	4.5
Brazil	12.3	11.9	13.2
China	3.8	3.6	3.8
National Economy (2)			
National accounts			
At the price of the year before (change in %)			
Gross domestic product	3.1	2.6	-6.3
Non-agricultural GDP	3.1	3.7	-6.0
Non-agricultural value added	2.9	3.9	-5.8
Taxes on products net of subsidies	4.6	1.9	-7.6
Agricultural value added	3.7	-5.8	-8.6
Household final consumption	3.4	1.9	-4.1
General government final consumption	2.7	4.7	1.7
Investment	5.8	-0.4	-14.2
At current prices (in billions of dirhams)			
Gross domestic product	1 108.5	1 152.8	1 089.5
Gross National Disposable Income	1 161.5	1 204.2	1 153.3
Gross national saving (in % of GDP)	27.8	27.8	26.7
Investment rate (in % of GDP)	33.4	31.9	28.4
Financing requirement or capacity	62.5	47.7	19.3
Financing requirement (in % of GDP)	5.6	4.1	1.8

(*) Revised.
(**) Provisional.
(1) Source: Global economic perspectives. IMF April 2021.
(2) Source : High Commission for Planning.

TABLE A1 MAIN INDICATORS OF THE ECONOMY (CONTINUED)

	2018*	2019*	2020**
National Economy			
Employment and unemployment			
Activity rate (in %)	46.0	45.8	44.8
Employment rate (in %)	41.7	41.6	39.4
Net job creations (in thousands)	111	165	- 432
Unemployment rate (in %)	9.5	9.2	11.9
Productivity and wage costs (change in %)			
Apparent labour productivity in nonagricultural activities	0.6	-0.4	-3.8
Interprofessional Guaranteed Minimum Wage and Agriculture Guaranteed Minimum Wage			
In nominal terms	0.0	2.5	4.9
In real terms	-1.6	2.3	4.2
Prices (change in %)			
Inflation	1.6	0.2	0.7
Core inflation	1.3	0.5	0.5
External accounts			
Total exports FOB (in Billions of DH)	275.4	284.5	262.8
Total imports CIF (in Billions of DH)	481.4	491.0	422.3
Trade balance (in % of GDP)	18.6	17.9	14.6
Receipts of travel (variation in %)	1.2	7.8	-53.7
Receipts Moroccan expatriates (variation in %)	-1.5	0.1	4.9
Current account balance (in % of GDP)	-5.3	-3.7	-1.5
Foreign direct investment receipts (in % of GDP)	4.2	3.0	2.5
Public finance (in % of GDP)			
Overall budget balance (1)	-3.8	-4.1	-7.6
Total treasury debt	65.2	64.8	76.4
Domestic treasury debt	51.8	50.8	58.1
External treasury debt	13.4	14.0	18.3
Public external debt	29.5	29.5	34.4
Money and monetary conditions			
Banking liquidity (in Billions of dirhams)	-62.4	-76.6	-90.2
Key rate (2) (in %)	2.25	2.25	1.50
Lending rate (3) (in %)	5.15	5.00	4.55
Interbank rate (3) (in %)	2.28	2.28	1.79
Official reserve assets (in Billions of dirhams) (2)	233.74	253.38	320.57
Official reserve assets in months of imports (2)	5.4	6.9	7.4
Bank loans (change in %)	3.2	5.3	4.4
Bank loans to the non financial sector (change in %)	3.1	5.5	3.8
Rate of non-performing loans (in %)	7.5	7.6	8.4
Money supply (M3) (in Billions of dirhams)	1 320.6	1 370.5	1 485.1
Real effective exchange rate (annual change)	1.2	0.4	1.3

(*) Revised.
(**) Provisional.
(1) Excluding privatization receipts.
(2) At end of December.
(3) Weighted average rates.
Sources : High Commission for Planning. Foreign Exchange control office. Ministry of Economy and Finance and Administration reform and Bank Al-Maghrib.

TABLE A2.1 GROSS DOMESTIC PRODUCT AT THE PRICES OF THE PREVIOUS YEAR (BASE 2007)

(Changes In %)

	2016	2017	2018	2019*	2020**
Gross domestic product	**1.1**	**4.2**	**3.1**	**2.6**	**-6.3**
Primary sector	**-12.5**	**13.1**	**2.4**	**-4.6**	**-6.9**
Agriculture, forest and related services	-13.7	15.2	3.7	-5.8	-8.6
Fishing, aquaculture	1.1	-8.3	-11.0	8.3	12.7
Secondary sector	**0.6**	**3.6**	**3.0**	**3.6**	**-3.8**
Extraction Industry	0.1	17.1	4.4	2.4	5.0
Manufacturing Industry	0.1	2.5	3.5	2.8	-5.3
Electricity and water	2.5	3.3	5.3	13.2	-3.1
Building and public works	1.6	1.8	0.1	1.9	-3.8
Tertiary sector	**2.9**	**2.8**	**3.1**	**4.0**	**-7.1**
Trade	5.3	3.2	2.3	2.4	-10.7
Hotels and restaurants	3.6	11.5	6.0	3.7	-55.9
Transport	1.4	3.7	3.7	6.6	-32.0
Postal and telecommunications services	6.9	0.8	2.8	2.4	-1.9
Financial activities and insurance	0.2	3.8	3.4	4.0	-0.6
Real estate, rents and services to companies	4.4	3.6	5.3	5.1	-0.9
General government and social security	1.6	2.4	2.2	5.0	2.3
Education, health and social action	1.4	-0.9	0.7	2.4	1.2
Other nonfinancial services	3.0	1.0	1.6	2.9	-7.1
Non-agricultural added value	**2.1**	**2.9**	**2.9**	**3.9**	**-5.8**
Global added value	**0.1**	**4.4**	**3.0**	**2.7**	**-6.1**
Tax on products net of subsidies	**8.8**	**3.1**	**4.6**	**1.9**	**-7.6**

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

TABLE A2.2 GROSS DOMESTIC PRODUCT AT CURRENT PRICES BY BRANCH OF ACTIVITY

(In millions of dirhams)

	2016	2017	2018	2019*	2020**
Gross domestic product	**1 013 229**	**1 063 045**	**1 108 463**	**1 152 806**	**1 089 521**
Primary sector	**121 554**	**131 419**	**135 418**	**140 019**	**127 281**
Agriculture, forest and related services	110 549	120 092	124 083	128 643	116 317
Fishing, aquaculture	11 005	11 327	11 335	11 376	10 964
Secondary sector	**262 348**	**278 087**	**286 801**	**291 938**	**284 716**
Extraction Industry	20 638	24 483	25 455	26 337	24 721
Manufacturing Industry	158 855	166 888	173 754	171 735	166 382
Electricity and water	24 980	27 021	27 906	32 081	32 946
Building and public works	57 875	59 695	59 686	61 785	60 667
Tertiary sector	**510 699**	**531 382**	**555 797**	**587 701**	**553 714**
Trade	81 775	84 011	87 812	91 201	81 261
Hotels and restaurants	22 485	26 659	28 808	30 338	13 418
Transport	37 997	40 898	42 837	47 818	34 732
Postal and telecommunications services	21 239	21 175	21 615	22 351	21 855
Financial activities and insurance	46 602	48 529	50 872	53 115	53 558
Real estate, rents and services to companies	109 432	114 878	123 237	132 015	132 164
General government and social security	93 491	97 356	101 225	107 896	112 649
Education, health and social action	83 603	83 555	84 900	87 813	89 870
Other nonfinancial services	14 075	14 321	14 491	15 154	14 207
Non-agricultural added value	**784 052**	**820 796**	**853 933**	**891 015**	**849 394**
Global added value	**894 601**	**940 888**	**978 016**	**1 019 658**	**965 711**
Tax on products net of subsidies	**118 628**	**122 157**	**130 447**	**133 148**	**123 810**

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

TABLE A2.3 GOODS AND SERVICES ACCOUNT AT CURRENT PRICES

(In millions of dirhams)

	2016	2017	2018	2019*	2020**	Changes in % 2019*/2018	Changes in % 2020**/2019
RESOURCES							
Gross domestic product	1 013 229	1 063 045	1 108 463	1 152 806	1 089 521	4.0	-5.5
Imports of goods and services	461 111	497 243	545 345	552 293	463 649	1.3	-16.1
EXPENDITURES							
Households final consumption	586 461	609 560	636 799	654 114	628 081	2.7	-4.0
General government final consumption	195 644	202 208	210 758	222 967	227 440	5.8	2.0
Final national consumption of NPIs(1)	5 845	6 007	6 175	6 538	7 153	5.9	9.4
Gross fixed capital formation	304 286	304 200	314 734	318 680	288 162	1.3	-9.6
Changes in stocks	23 912	42 607	55 508	49 552	21 800	-10.7	-56.0
Exports of goods and services	358 192	395 706	429 834	453 248	380 534	5.4	-16.0

(*) Revised.
(**) Provisional.
(1) Non-profit institutions.
Source : High Commission for Planning.

TABLE A2.4 GROSS NATIONAL DISPOSABLE INCOME AT CURRENT PRICES AND ITS ALLOCATION

(In millions of dirhams)

	2016	2017	2018	2019*	2020**	Changes in % 2019*/2018	Changes in % 2020**/2019
Gross domestic product	1 013 229	1 063 045	1 108 463	1 152 806	1 089 521	4.0	-5.5
Net income of property from outside	-19 479	-20 838	-21 603	-22 530	-16 124	4.3	-28.4
Gross national income	993 750	1 042 207	1 086 860	1 130 276	1 073 397	4.0	-5.0
Net current transfers from outside	79 672	84 685	74 650	73 902	79 922	-1.0	8.1
Gross national disposable income	1 073 422	1 126 892	1 161 510	1 204 178	1 153 319	3.7	-4.2
Final national consumption	787 950	817 775	853 732	883 619	862 674	3.5	-2.4
Serving households	586 461	609 560	636 799	654 114	628 081	2.7	-4.0
General government final consumption	195 644	202 208	210 758	222 967	227 440	5.8	2.0
NPIs(1)	5 845	6 007	6 175	6 538	7 153	5.9	9.4
Gross national saving	285 472	309 117	307 778	320 559	290 645	4.2	-9.3

(*) Revised.
(**) Provisional.
(1) Non-profit institutions.
Source : High Commission for Planning.

TABLE A2.5 INVESTMENT AND SAVINGS AT CURRENT PRICES

(In millions of dirhams)

	2016	2017	2018	2019*	2020**	Changes in % 2019*/2018	Changes in % 2020**/2019
RESOURCES							
Gross national saving	285 472	309 117	307 778	320 559	290 645	4.2	-9.3
Net capital transfers received	0	0	0	-3	3	-	-
EXPENDITURES							
Gross fixed capital formation	304 286	304 200	314 734	318 680	288 162	1.3	-9.6
Changes in stocks	23 912	42 607	55 508	49 552	21 800	-10.7	-56.0
Financing requirement or capacity	-42 726	-37 690	-62 464	-47 676	-19 314	-23.7	-59.5

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

TABLE A2.6 AGRICULTURE

(Area in thousands of hectars / production in millions of quintals / yield in quintals/ha)

	Agricultural campaign 2018-2019			Agricultural campaign 2019-2020		
	Area	Production	Yield	Area	Production	Yield
Principal cereals	**3 556**	**52**	**15**	**4 340**	**32**	**7**
Soft wheat	1 687	27	16	1 852	18	10
Hard wheat	819	13	16	993	8	8
Barley	1 050	12	11	1 495	6	4
Pulse crops	**310**	**2**	**7**	**272**	**1**	**5**
Market garden crops	**240**	**73**	**306**	**258**	**72**	**279**

Source : Ministry of Agriculture . Fisheries Rural Development. Water and Forests.

TABLE A2.7 ELECTRICITY PRODUCTION

(In GWH)

	2016	2017	2018	2019*	2020**	Changes in % 2020/2019
Net local production (1)	**30 840**	**31 890**	**34 519**	**40 491**	**38 754**	**-4**
Thermal	25 652	26 616	27 653	32 214	31 070	-4
Hydraulic	1 662	1 565	1 998	1 654	1 290	-22
Wind	3 000	3 035	3 841	4 723	4 592	-3
Solar	402	415	950	1 581	1 520	-4
Electricity exchange balance (***)	**5 154**	**5 896**	**3 374**	**-928**	**232**	**-**

(1) The difference between net local production and the total by the source of production, represents the contribution of national third parties.
(*) Revised.
(**) Provisional.
(***) The difference between imports and exports.
Source : National Electricity and Drinking Water Office.

TABLE A2.8 INDUSTRIAL, ENERGY AND MINING PRODUCTION INDEX

(Base 100 in 2015)

Sector and Branch	2019	2020	Changes in % 2020/2019
Extractive Industries	**132.1**	**138.7**	**5.0**
Extraction of metal ores	105.0	98.0	-6.7
Other extractive industries	133.5	140.8	5.5
Manufacturing industries excluding oil refining	**113.2**	**106.1**	**-6.3**
Food Industries	116.6	117.6	0.9
Beverage manufacturing	94.8	91.9	-3.1
Manufacture of tobacco products	97.6	95.5	-2.2
Manufacture of textiles	93.8	81.0	-13.6
Clothing industry	100.3	87.1	-13.2
Manufacture of leather and footwear (except leather clothing)	78.2	58.4	-25.3
Woodworking and manufacture of articles of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	84.4	71.3	-15.5
Paper and cardboard industry	113.3	115.7	2.1
Printing and reproduction of recordings	116.3	99.9	-14.1
Chemical industry	135.9	147.6	8.6
Pharmaceutical industry	106.1	109.2	2.9
Manufacture of rubber and plastic products	115.3	99.3	-13.9
Other non-metallic mineral product manufacturing	100.9	90.6	-10.2
Metallurgy	88.8	78.3	-11.8
Manufacture of fabricated metal products, except machinery and equipment	94.4	77.8	-17.6
Manufacture of computer, electronic and optical products	114.5	92.0	-19.7
Manufacture of electrical equipment	109.5	90.3	-17.5
Manufacture of machinery and equipment N.C.E.	112.1	99.9	-10.9
Automotive Industry	135.0	101.3	-25.0
Manufacture of other transport equipment	192.2	111.2	-42.1
Furniture manufacturing	88.3	85.8	-2.8
Other manufacturing industries	103.4	90.9	-12.1
Repair and installation of machinery and equipment	105.8	93.7	-11.4
Electricity production and distribution	**128.6**	**123.4**	**-4.0**

Source : High Commission for Planning.

TABLE A2.9 TOURISM

	2017	2018	2019	2020	Changes in % 2020/2019
Total of tourist arrivals	**11 349 347**	**12 288 708**	**12 932 260**	**2 777 802**	**-78.5**
Foreign tourists	**5 864 920**	**6 679 101**	**7 043 006**	**1 407 994**	**-80.0**
European Union countries	**4 104 559**	**4 672 843**	**5 004 616**	**1 002 807**	**-80.0**
France	1 614 011	1 844 397	1 990 813	412 179	-79.3
Spain	710 730	814 069	880 818	200 136	-77.3
Germany	331 185	394 328	413 384	79 077	-80.9
United Kingdom	486 262	510 516	551 499	113 258	-79.5
Italy	246 313	305 505	351 916	57 105	-83.8
Other European countries	**373 145**	**468 789**	**466 595**	**93 912**	**-79.9**
America	**480 371**	**563 435**	**603 885**	**99 063**	**-83.6**
United States	254 531	304 960	346 702	54 103	-84.4
Canada	111 394	130 579	131 497	21 305	-83.8
Brazil	44 736	50 681	47 113	9 596	-79.6
Middle East (1)	**203 499**	**199 303**	**198 454**	**47 311**	**-76.2**
Maghreb	**207 885**	**214 295**	**227 281**	**49 240**	**-78.3**
Africa	**200 311**	**226 525**	**188 792**	**53 779**	**-71.5**
Asia	**252 381**	**284 917**	**307 871**	**55 974**	**-81.8**
Other countries	**42 769**	**48 994**	**45 512**	**5 908**	**-87.0**
Moroccans resident abroad	**5 484 427**	**5 609 607**	**5 889 254**	**1 369 808**	**-76.7**

(1) Including Egypt.
Source : Ministry of Tourism, Handicrafts, Air Transport and Social Economy.

TABLE A3.1 EMPLOYMENT AND UNEMPLOYMENT

(Population in thousands and rates in percentage)

	2018	2019	2020
Working age population	**25 950**	**26 359**	**26 750**
Labour force	**11 947**	**12 082**	**11 971**
Urban	6 987	7 204	7 291
Rural	4 960	4 878	4 680
Labor force participation rate	**46.0**	**45.8**	**44.8**
Urban	42.0	42.3	41.9
Rural	53.2	52.2	50.0
Employment rate	**41.7**	**41.6**	**39.4**
Urban	36.2	36.9	35.3
Rural	51.3	50.3	47.0
Unemployment rate	**9.5**	**9.2**	**11.9**
By area of residence			
Urban	13.8	12.9	15.8
Rural	3.6	3.7	5.9
By gender			
Men	8.1	7.8	10.7
Women	14.1	13.5	16.2
Group of age			
15 to 24 years	25.6	24.9	31.2
25 to 34 years	15.0	15.1	18.5
35 to 44 years	4.5	4.5	6.9
45 years and over	2.2	2.1	4.0
By diploma			
Without any diploma	3.3	3.1	5.6
With diploma	16.7	15.7	18.5

Source : High Commission for Planning.

TABLE A3.2 SECTORAL STRUCTURE OF EMPLOYMENT [1]

	Structure in %		Changes In percentage point	Creation of employment (in thousands)
	2019	2020		
Total (in thousands)	**10 975**	**10 542**	**-**	**-432**
Agriculture. forestry and fishing	32.5	31.3	-1.2	-273
Industry (including handicraft)	12.0	12.1	0.1	-37
Construction and public works	10.5	10.8	0.3	-9
Services	44.9	45.7	0.8	-107

(1) This concerns the employment of persons aged 15 years and above.
Source : High Commission for Planning.

TABLE A3.3 EMPLOYMENT AND UNEMPLOYMENT BY REGION

(in %)

Region	Year	Labor force participation rate			Employment rate			Unemployment rate		
		Urban	Rural	National	Urban	Rural	National	Urban	Rural	National
Tangier-Tetouan-Al Hoceima	2019	43.4	49.9	45.8	38.3	48.1	41.9	11.9	3.6	8.6
	2020	44.6	50.1	46.6	38.3	47.7	41.7	14.1	4.7	10.4
Oriental	2019	41.1	47.7	43.0	34.5	43.3	37.0	16.0	9.2	13.8
	2020	40.8	46.4	42.4	31.5	39.0	33.6	22.8	15.9	20.7
Fez-Meknes	2019	38.7	50.9	43.0	33.7	49.4	39.2	12.9	3.0	8.7
	2020	38.7	49.3	42.4	32.3	46.1	37.1	16.6	6.5	12.5
Rabat-Sale-Kenitra	2019	42.3	54.2	45.5	36.5	52.1	40.6	13.7	3.9	10.7
	2020	42.0	50.5	44.2	35.5	47.3	38.6	15.5	6.3	12.7
Beni Mellal-Khenifra	2019	36.9	54.3	45.1	33.2	53.2	42.7	9.9	1.9	5.4
	2020	36.1	51.9	43.5	31.7	49.9	40.2	12.0	3.8	7.4
Casablanca-Settat	2019	46.1	63.8	50.0	40.1	62.1	45.0	13.0	2.7	10.0
	2020	44.8	58.6	47.8	37.3	56.0	41.4	16.6	4.5	13.4
Marrakech-Safi	2019	42.1	51.9	47.4	38.0	50.5	44.7	9.8	2.9	5.7
	2020	41.8	50.7	46.6	37.4	48.5	43.4	10.5	4.3	6.9
Draa-Tafilalet	2019	35.6	45.0	41.6	32.2	43.3	39.2	9.6	3.8	5.6
	2020	35.8	43.9	40.9	31.2	40.8	37.3	12.9	7.0	8.9
Souss-Massa	2019	42.6	43.5	42.9	37.2	40.7	38.5	12.7	6.5	10.3
	2020	41.5	41.6	41.5	35.5	38.5	36.6	14.4	7.5	11.8
South regions	2019	42.1	60.6	46.0	33.8	56.3	38.5	19.7	7.1	16.3
	2020	42.1	51.9	44.1	32.5	46.7	35.4	22.8	10.0	19.8
Total	**2019**	**42.3**	**52.2**	**45.8**	**36.9**	**50.3**	**41.6**	**12.9**	**3.7**	**9.2**
	2020	**41.9**	**50.0**	**44.8**	**35.3**	**47.0**	**39.4**	**15.8**	**5.9**	**11.9**

Source : High Commission for Planning.

TABLE A4.1 INFLATION

(In percentage. in annual change)

(Base 100 = 2017)

Period	Inflation															
					Core inflation (CPIX)											
	Global	Volatile food prices	Fuels and lubricants	Regulated goods	Global	Food products included in the core inflation	Clothing and footwear	Housing, water, gas, electricity and other fuels (1)	Furniture, household items and routine household maintenance	Health (1)	Transport (2)	Communications	Leisure and culture (1)	Education	Restaurants and hotels	Various goods and services(1)
2019	0.2	-1.5	-2.7	1.3	0.5	-1.1	1.2	1.5	0.4	0.0	0.7	3.3	0.3	3.5	1.4	0.8
January	-0.5	-7.1	-10.8	1.3	0.9	-0.3	1.6	1.2	0.4	0.4	0.9	4.6	0.4	3.8	1.3	1.0
February	0.0	-4.0	-8.2	1.2	0.8	-0.7	2.1	1.5	0.6	0.0	0.9	4.5	0.7	3.8	1.3	1.1
March	-0.1	-6.4	-1.4	1.2	0.8	-0.8	1.6	1.2	0.7	-0.3	0.9	4.5	0.8	3.8	1.4	1.0
April	0.0	-4.9	-1.1	1.2	0.7	-0.9	1.6	1.5	0.4	-0.3	1.2	4.5	0.2	3.8	1.3	0.7
May	0.3	-1.9	0.8	1.3	0.5	-1.0	1.7	1.3	0.4	-0.6	0.8	4.5	0.2	3.8	1.1	0.7
June	0.2	-1.0	-1.5	1.3	0.3	-1.5	0.5	1.3	0.5	0.0	0.7	4.5	0.4	3.4	1.2	0.6
July	0.3	-0.4	-2.1	1.3	0.4	-1.4	0.7	1.5	0.4	0.2	0.9	4.5	0.5	3.4	1.1	0.7
August	0.7	1.8	-2.4	1.4	0.5	-1.2	0.6	1.7	0.6	0.4	1.4	4.6	0.3	3.4	1.5	0.7
September	0.1	-0.7	-4.4	1.3	0.3	-1.5	1.0	1.5	0.4	0.1	0.7	4.5	0.3	3.5	1.6	0.7
October	0.5	3.1	-3.6	1.3	0.1	-1.4	1.2	1.3	0.1	-0.2	0.7	-0.4	0.4	3.2	1.7	0.6
November	0.4	0.7	-2.7	1.2	0.2	-1.1	1.2	1.5	0.1	-0.1	0.3	-0.5	0.1	3.0	1.8	0.7
December	1.1	3.5	6.5	1.3	0.3	-0.8	1.0	1.3	0.1	0.0	-0.2	-0.5	0.0	3.1	1.8	0.7
2020	0.7	2.0	-12.4	1.2	0.5	0.0	0.3	1.3	0.2	0.5	0.7	-0.4	-1.4	2.7	1.1	1.4
January	1.4	4.2	13.9	0.3	0.5	-0.3	1.0	1.3	0.0	0.2	0.0	-0.6	-0.5	3.1	1.7	1.5
February	1.2	3.7	4.9	0.6	0.7	0.1	0.8	1.3	-0.1	0.2	0.7	-0.5	-1.2	3.1	1.5	1.4
March	1.6	9.0	-6.7	0.6	0.8	0.4	0.7	1.3	0.0	0.6	1.0	-0.5	-1.4	3.2	1.5	1.2
April	0.9	6.8	-24.2	0.5	0.9	0.7	0.9	1.1	0.1	0.6	0.5	-0.5	-1.3	3.2	1.3	1.2
May	-0.2	-1.3	-27.2	0.5	0.8	0.3	0.5	1.5	0.2	0.9	1.1	-0.4	-1.6	3.2	1.2	1.2
June	-0.7	-6.2	-20.4	0.6	0.7	0.1	0.4	1.7	0.1	0.3	0.7	-0.4	-1.4	3.1	1.0	1.3
July	-0.1	-4.7	-14.1	1.2	0.7	0.1	0.3	1.5	0.1	0.3	0.8	-0.4	-1.6	3.1	0.7	1.4
August	0.9	1.7	-13.5	1.5	0.6	0.1	0.0	1.1	0.1	0.0	0.9	-0.3	-1.6	3.1	0.6	1.4
September	1.4	7.3	-12.9	1.9	0.3	-0.3	-0.3	1.1	0.2	0.3	0.6	-0.2	-1.6	1.5	0.6	1.3
October	1.3	7.8	-16.0	1.9	0.2	-0.5	-0.6	1.3	0.5	0.6	0.4	-0.1	-1.7	1.8	0.8	1.3
November	0.2	0.8	-15.3	1.9	0.2	-0.7	-0.3	1.1	0.5	0.6	0.5	-0.1	-1.3	1.8	0.8	1.5
December	-0.3	-4.0	-12.1	1.9	0.3	-0.5	0.3	1.3	0.4	1.6	0.7	-0.1	-1.3	1.7	0.7	1.3

(1) Excluding regulated goods.
(2) Excluding regulated goods and fuels and lubricants.
Source : Data calculated on the basis of data from High Commission for Planning.

TABLE A4.2 PRICE INDEX OF TRADABLES AND NON TRADABLES
(In percentage, in annual change)

Period	Price of tradable goods	Price of non tradable goods	Core inflation
2019	-1.2	2.6	0.5
January	-0.9	3.2	0.9
February	-1.1	3.4	0.8
March	-1.2	3.4	0.8
April	-1.2	3.1	0.7
May	-1.4	3.0	0.5
June	-1.6	2.7	0.3
July	-1.5	2.8	0.4
August	-1.3	2.8	0.5
September	-1.2	2.3	0.3
October	-1.1	1.7	0.1
November	-0.9	1.6	0.2
December	-0.7	1.5	0.3
2020	0.3	0.9	0.5
January	-0.3	1.6	0.5
February	0.1	1.4	0.7
March	0.5	1.2	0.8
April	0.6	1.2	0.9
May	0.6	1.0	0.8
June	0.5	0.9	0.7
July	0.6	0.8	0.7
August	0.4	0.9	0.6
September	0.2	0.4	0.3
October	0.1	0.4	0.2
November	0.0	0.4	0.2
December	0.2	0.5	0.3

Source : Calculated on the basis of data from High Commission for Planing.

TABLE A4.3 INDUSTRIAL PRODUCER PRICE INDEX

(In percentage. in annual change)

(base 100 = 2018)

	2020												Changes in % 2020/2019
	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	
Mining industries	**-0.1**	**-0.1**	**-0.3**	**-0.3**	**-0.5**	**-0.5**	**-0.5**	**-0.3**	**-0.3**	**0.1**	**0.1**	**0.1**	-0.2
Mining hydrocarbons	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mining metallic ores	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other extractive industries	-0.2	-0.2	-0.4	-0.4	-0.6	-0.6	-0.6	-0.4	-0.4	0.2	0.2	0.2	-0.3
Manufacturing industries excluding refining	**-0.9**	**-1.2**	**-1.3**	**-1.2**	**-0.8**	**-2.6**	**-2.4**	**-1.6**	**-0.7**	**-0.5**	**-0.6**	**-0.5**	**-1.2**
Food industries	1.8	2.3	2.2	2.4	2.8	1.7	3.0	3.1	3.4	3.9	3.9	3.3	2.9
Beverages manufacturing	0.0	0.0	0.0	-0.5	-0.5	-1.5	-1.2	-1.2	-1.2	-1.3	-1.3	-0.3	-0.7
Manufacturing of tabacco products	0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Textile manufacturing	0.6	-0.1	-0.1	1.7	1.7	2.0	2.0	1.3	-0.6	0.3	0.3	0.3	0.8
Manufacturing of wearing apparel	2.6	2.0	1.7	2.3	1.4	2.2	0.7	0.0	-0.5	-0.5	-0.5	-0.4	0.9
Manufacturing of leather and related products exept leather clothing	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Manufacturing of wood and products of wood and cork, exept furniture; manufacture of articles of straw and plaiting materials	0.3	-1.1	-2.4	-2.1	-2.9	-2.9	-2.9	-3.5	-4.3	-4.3	-2.5	-3.1	-2.7
Manufacturing of paper and cardboards	2.7	-0.3	-2.3	-2.3	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-2.4	-1.8
Printing and reproduction of recorded media	-0.2	-0.2	-0.2	-0.2	0.0	0.0	-0.7	-0.7	-0.7	-0.7	-0.7	-0.7	-0.4
Chemical industry	-6.7	-8.5	-8.3	-8.3	-8.3	-15.1	-15.1	-11.4	-7.1	-7.0	-6.8	-6.8	-9.1
Pharmaceutical industry	0.0	0.0	0.0	-0.2	-0.2	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing of rubber and plastic products	-0.4	-0.3	-0.4	-0.4	-1.0	-0.7	-0.7	-0.8	-0.6	-0.5	-0.5	-0.4	-0.6
Manufacturing of other non-metallicproducts	-0.3	-0.2	-0.6	-0.5	0.5	0.6	0.1	0.1	0.0	0.1	0.0	0.3	0.0
Manufacturing of base metals	-6.0	-6.6	-7.3	-7.9	-3.8	-6.3	-6.4	-6.7	-8.0	-4.9	-6.8	-4.6	-6.3
Manufacturing of metal products, exept machinery and equipment	-2.2	-1.8	-2.1	-2.1	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-1.8	-0.2	-1.7
Computer, electronic and optics products	0.2	0.2	0.3	0.1	0.1	0.2	0.2	0.3	0.1	0.1	0.0	0.0	0.2
Manufacturing of Electric equipment	0.9	1.8	2.1	2.0	2.9	2.0	2.0	2.4	2.4	2.3	2.2	2.2	2.1
Manufacturing of machinery and equipment N.E.C	0.4	0.3	0.2	0.2	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.1
Automotive industry	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Manufacture of other transport equipment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacture of furniture	-0.8	-0.8	-0.8	-1.0	-0.8	-0.1	-0.3	-0.3	-0.3	-0.3	-0.3	-0.3	-0.5
Other manufactured industries	4.2	5.6	5.3	8.8	10.0	10.7	14.9	19.7	17.9	17.0	15.7	15.5	12.1
Production and distribution of electricity	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Production and distribution of water	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Source : High commission for planning.

TABLE A5.1 IMPORTS BY MAIN PRODUCTS

(Weight in thousands of tonnes / Value in millions of dirhams)

	2019*		2020**		Changes				Structure2020 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
TOTAL IMPORT	**59 470**	**490 953**	**61 203**	**422 278**	**1 733**	**2.9**	**-68 675**	**-14.0**	**100.0**	**100.0**
FOOD, BEVERAGE AND TOBACCO	**11 562**	**47 825**	**14 416**	**55 266**	**2 855**	**24.7**	**7 440**	**15.6**	**23.6**	**13.1**
Wheat	3 845	9 233	5 522	13 505	1 677	43.6	4 272	46.3	38.3	24.4
Corn	2 731	5 235	2 867	5 388	135	5.0	153	2.9	19.9	9.7
Oilcake and other food industry residues	2 061	5 241	2 128	5 307	67	3.3	66	1.3	14.8	9.6
Raw or refined sugar	1 207	3 957	1 293	4 448	86	7.1	491	12.4	9.0	8.0
Barley	382	753	1 126	2 304	744	194.8	1 551	205.9	7.8	4.2
Fresh or dried fruit, frozen or in brine	111	1 390	115	2 070	4	3.3	680	48.9	0.8	3.7
Tea	83	2 231	72	1 919	-12	-14.2	-312	-14.0	0.5	3.5
Tobacco	16	1 914	13	1 298	-3	-19.7	-616	-32.2	0.1	2.3
Other food products	1 126	17 872	1 283	19 026	156	13.9	1 155	6.5	8.9	34.4
ENERGY AND LUBRICANTS	**24 286**	**76 342**	**22 674**	**49 965**	**-1 612**	**-6.6**	**-26 377**	**-34.6**	**37.0**	**11.8**
Gas-oil and fuel-oil	6 892	38 776	6 220	23 331	-672	-9.7	-15 445	-39.8	27.4	46.7
Petroleum gas and other hydrocarbons	3 675	14 055	3 619	12 049	-56	-1.5	-2 007	-14.3	16.0	24.1
Coal; coke and similar solid fuels	11 422	9 088	11 274	7 195	-148	-1.3	-1 893	-20.8	49.7	14.4
Other energy products	2 297	14 423	1 561	7 391	-736	-32.1	-7 032	-48.8	6.9	14.8
RAW PRODUCTS OF ANIMAL AND VEGETABLE ORIGIN	**1 869**	**12 497**	**1 839**	**12 277**	**-30**	**-1.6**	**-220**	**-1.8**	**3.0**	**2.9**
Raw or refined soybean oil	547	3 678	547	3 905	0	-0.1	227	6.2	29.7	31.8
Raw, sawn, or hewn wood	760	2 752	610	2 218	-150	-19.7	-534	-19.4	33.2	18.1
Seeds, spores and fruit used to plant	28	947	92	1 288	64	225.9	341	36.0	5.0	10.5
Inedible animal sub-products	17	736	19	740	1	8.5	4	0.6	1.0	6.0
Live plants and floriculture products	20	855	18	720	-2	-9.0	-135	-15.7	1.0	5.9
Other raw products of animal and vegetable origin	497	3 529	554	3 406	57	11.4	-124	-3.5	30.1	27.7
RAW PRODUCTS OF MINERAL ORIGIN	**7 487**	**9 602**	**7 984**	**7 183**	**496**	**6.6**	**-2 419**	**-25.2**	**13.0**	**1.7**
Crude and unrefined sulphur	6 672	6 913	7 231	4 885	559	8.4	-2 029	-29.3	90.6	68.0
Scrap metal, waste and scrap from copper, iron, steel and other ores	468	1 330	432	1 152	-36	-7.7	-178	-13.4	5.4	16.0
Other raw products of mineral origin	347	1 360	321	1 147	-26	-7.6	-213	-15.6	4.0	16.0

(*) Revised
(**) Provisional
(***) Represents the share of each product within its usage group and the share of each usage group within the total
Source : Foreign Exchange Office

TABLE A5.1 IMPORTS BY MAIN PRODUCTS (continued)

(Weight in thousands of tonnes / Value in millions of dirhams)

	2019*		2020**		Changes				Structure 2020 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
SEMI-FINISHED PRODUCTS	**11 499**	**104 507**	**11 888**	**93 093**	**388**	**3.4**	**-11 414**	**-10.9**	**19.4**	**22.0**
Plastic materials and different plastic articles	907	14 396	880	12 913	-27	-3.0	-1 483	-10.3	7.4	13.9
Chemical products	2 439	10 339	2 817	9 668	379	15.5	-671	-6.5	23.7	10.4
Paper and cardboard; different articles in paper and cardboard	601	6 308	592	6 049	-9	-1.5	-258	-4.1	5.0	6.5
Copper wires rods and shapes	87	5 301	73	4 439	-14	-16.5	-861	-16.2	0.6	4.8
Ammonia	1 588	3 763	1 899	3 991	311	19.6	228	6.1	16.0	4.3
Semi-finished products of iron or non-alloy steel	944	4 079	868	3 584	-76	-8.1	-495	-12.1	7.3	3.9
Iron and non-alloy steel wires bars and shapes	702	4 350	566	3 338	-136	-19.4	-1 012	-23.3	4.8	3.6
Flat-rolled products of iron or non-alloy steel	437	3 956	374	3 216	-63	-14.4	-740	-18.7	3.1	3.5
Natural and chemical fertilizers	950	2 791	1 107	2 758	156	16.5	-33	-1.2	9.3	3.0
Electrical wires and cables	42	3 610	35	2 475	-7	-16.8	-1 135	-31.4	0.3	2.7
Piping accessories and metal construction	98	2 397	94	2 110	-4	-4.5	-287	-12.0	0.8	2.3
Electronic components (transistors)	1	2 175	1	1 778	0	-0.8	-397	-18.3	0.0	1.9
Yarn of man-made fibres for weaving	83	2 018	64	1 496	-18	-22.3	-522	-25.9	0.5	1.6
Other semi-finished products	2 620	39 025	2 518	35 277	-102	-3.9	-3 748	-9.6	21.2	37.9
FINISHED PRODUCTS OF AGRICULTRAL EQUIPMENT	**36**	**1 789**	**30**	**1 365**	**-6**	**-17.4**	**-425**	**-23.7**	**0.0**	**0.3**
Agricultural tools and machines	27	1 248	25	1 064	-3	-10.1	-184	-14.8	81.8	78.0
Cultivators and agricultural tractors	9	531	5	290	-4	-40.6	-241	-45.4	17.7	21.2
Other finished products of agricultural equipment	0	10	0	11	0	54.2	1	9.1	0.5	0.8
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	**929**	**125 047**	**842**	**108 101**	**-88**	**-9.4**	**-16 947**	**-13.6**	**1.4**	**25.6**
Miscellaneous machines and appliances	103	12 202	85	10 851	-19	-18.0	-1 351	-11.1	10.1	10.0
Apparatus for cutting or connecting electrical circuits and resistances	32	9 921	28	8 485	-4	-12.2	-1 435	-14.5	3.3	7.8
Piston engines; other engines and parts thereof	80	8 930	70	8 392	-11	-13.4	-538	-6.0	8.3	7.8
Parts of aircraft and other air or space vehicles	4	8 187	3	7 360	-1	-34.9	-826	-10.1	0.3	6.8
Electrical devices for line telephony or telegraphy	4	6 126	4	7 039	1	14.8	914	14.9	0.5	6.5
Wires cables and other insulated conductors for electricity	50	9 052	42	6 883	-8	-15.8	-2 169	-24.0	5.0	6.4

(*) Revised
(**) Provisional
(***) Represents the share of each product within its usage group and the share of each usage group within the total
Source : Foreign Exchange Office

TABLE A5.1 IMPORTS BY MAIN PRODUCTS (end)

(Wheight in thousands of tonnes / Value in millions of dirhams)

	2019*		2020**		Changes				Structure 2020 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
Utility cars	80	6 726	70	5 827	-10	-12.0	-899	-13.4	8.4	5.4
Pumps and compressors	42	3 753	40	3 680	-2	-4.4	-74	-2.0	4.8	3.4
Medical and surgical instruments and apparatus	7	2 635	7	2 987	0	1.0	352	13.3	0.8	2.8
Automatic data-processing machines and parts thereof	4	2 766	4	2 837	0	3.8	71	2.6	0.4	2.6
Bandages and tires	65	2 945	57	2 598	-8	-12.6	-347	-11.8	6.8	2.4
Measuring, checking or precision instruments	6	2 477	5	2 475	-1	-12.8	-2	-0.1	0.6	2.3
Lifting or handling machinery	47	2 693	37	2 013	-11	-22.4	-680	-25.2	4.3	1.9
Turbo-jets and turbo-propellers and parts thereof	0	3 544	0	1 643	0	-63.4	-1 900	-53.6	0.0	1.5
Other finished industrial equipment products	405	43 091	391	35 029	-15	-3.6	-8 062	-18.7	46.4	32.4
FINISHED CONSUMER PRODUCTS	**1 801**	**113 024**	**1 531**	**95 028**	**-271**	**-15.0**	**-17 996**	**-15.9**	**2.5**	**22.5**
Parts and spare parts for cars and tourist vehicles	302	18 769	236	15 683	-65	-21.7	-3 086	-16.4	15.4	16.5
Tourist vehicles	185	20 323	116	12 601	-69	-37.3	-7 721	-38.0	7.6	13.3
Drugs and other pharmaceuticals	9	6 901	10	7 709	1	6.3	809	11.7	0.6	8.1
Fabrics and yarn of man-made filaments	82	8 169	69	6 529	-14	-16.7	-1 640	-20.1	4.5	6.9
Miscellaneous plastic works	129	5 983	119	5 569	-10	-7.8	-414	-6.9	7.8	5.9
Knitted fabrics	97	5 747	88	5 006	-9	-9.0	-741	-12.9	5.7	5.3
Seats, furniture, mattresses and lighting items consumption	111	3 562	96	3 038	-15	-13.1	-524	-14.7	6.3	3.2
Perfumery or toiletries and cosmetic preparations	47	2 687	51	2 625	4	8.2	-62	-2.3	3.3	2.8
Cotton fabrics and threads	33	2 972	30	2 587	-4	-11.0	-386	-13.0	1.9	2.7
Refrigerators, dishwashers and other household items	61	2 664	58	2 576	-3	-5.1	-88	-3.3	3.8	2.7
footwear	26	2 150	20	1 764	-6	-22.2	-386	-17.9	1.3	1.9
Other consumption finished products	720	33 097	639	29 340	-81	-11.3	-3 757	-11.4	41.8	30.9
INDUSTRIAL GOLD	**0**	**317**	**0**	**0**	**0**	**-99.9**	**-317**	**-99.9**	**0.0**	**0.0**

(*) Revised
(**) Provisional
(***) Represents the share of each product within its usage group and the share of each usage group within the total
Source : Foreign Exchange Office

TABLE A5.2 EXPORTS BY MAIN PRODUCTS

(Wheight in thousands of tonne / Value in millions of dirhams)

	2019*		2020**		Changes				Structure 2020 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
TOTAL EXPORTS	**31 735**	**284 496**	**33 753**	**262 795**	**2 018**	**6.4**	**-21 701**	**-7.6**	**100.0**	**100.0**
FOOD PRODUCTS, BEVERAGES AND TOBACCO	**3 909**	**56 338**	**4 048**	**56 450**	**139**	**3.6**	**112**	**0.2**	**12.0**	**21.5**
Crustaceans, mollusks and shellfish	107	7 934	131	8 017	24	22.5	84	1.1	3.2	14.2
Preparations and preserves of fish and shellfish	210	7 862	216	7 910	5	2.6	48	0.6	5.3	14.0
Fresh tomatoes	605	7 542	597	7 276	-8	-1.4	-266	-3.5	14.7	12.9
Fresh, frozen or in brine vegetables	482	5 557	492	5 091	10	2.1	-467	-8.4	12.2	9.0
Citrus fruits	652	4 895	575	4 974	-77	-11.8	78	1.6	14.2	8.8
Fresh, salted, dried or smocked fish	271	3 709	292	3 813	21	7.6	105	2.8	7.2	6.8
Strawberries and raspberries	133	3 959	136	3 806	3	2.4	-153	-3.9	3.4	6.7
Fresh or dried fruit, frozen or in brine	69	2 602	93	3 366	25	35.6	764	29.3	2.3	6.0
Other products	1 380	12 278	1 516	12 197	136	9.9	-81	-0.7	37.5	21.6
ENERGY PRODUCTS AND LUBRICANTS	**469**	**4 295**	**152**	**1 321**	**-317**	**-67.5**	**-2 974**	**-69.3**	**0.5**	**0.5**
Petroleum oil and lubricants	465	3 680	151	1 238	-314	-67.5	-2 442	-66.4	99.1	93.7
Other energy products	4	615	1	83	-3	-64.8	-533	-86.6	0.9	6.3
RAW PRODUCTS OF ANIMAL AND VEGETABLE ORIGIN	**243**	**5 951**	**241**	**6 001**	**-1**	**-0.6**	**49**	**0.8**	**0.7**	**2.3**
Plants and plant parts	52	1 570	42	1 564	-10	-18.7	-6	-0.4	17.6	26.1
Inedible animal sub-products	13	871	14	931	1	8.8	60	6.9	5.8	15.5
Fish fats and oils	36	618	46	827	10	28.6	209	33.8	19.1	13.8
Crude and refined olive oil	40	768	20	416	-20	-49.9	-352	-45.8	8.3	6.9
Gums, resins and other plant juices and extracts	0	297	1	403	0	21.8	106	35.6	0.2	6.7
Other crude or refined vegetable oils	14	463	5	362	-8	-61.1	-100	-21.7	2.2	6.0
Crude or refined sunflower oil	22	215	27	277	5	22.9	62	29.1	11.2	4.6
Other products	66	1 150	86	1 219	20	30.8	69	6.0	35.6	20.3
RAW PRODUCTS OF MINERAL ORIGIN	**13 218**	**13 291**	**13 056**	**12 176**	**-161**	**-1.2**	**-1 115**	**-8.4**	**38.7**	**4.6**
Phosphates	9 495	7 311	10 343	7 338	848	8.9	27	0.4	79.2	60.3
Scrap metal, waste and scrap from copper, iron, steel and other ore	71	1 608	62	1 201	-10	-13.9	-407	-25.3	0.5	9.9
Copper ore	117	922	123	1 111	6	4.8	189	20.5	0.9	9.1
Lead Ore	61	731	57	663	-4	-6.3	-68	-9.3	0.4	5.4
Other products	3 473	2 720	2 472	1 864	-1 001	-28.8	-855	-31.5	18.9	15.3

(*) Revised
(**) Provisional
(***) Represents the part of each product in its usage group and the share of each usage group within the total
Source : Foreign Exchange Office

TABLE A5.2 EXPORTS BY MAIN PRODUCTS (CONTINUED AND END)

(Weight in thousands of tonnes / Value in millions dirhams)

	2019*		2020**		Changes				Structure 2020 in %(***)	
					Weight		Value			
	Weight	Value	Weight	Value	Absolute	%	Absolute	%	Weight	Value
SEMI FINISHED PRODUCTS	**12 749**	**58 139**	**15 172**	**58 520**	**2 423**	**19.0**	**381**	**0.7**	**45.0**	**22.3**
Natural and chemical fertilizers	9 058	28 050	11 544	32 148	2 486	27.4	4 097	14.6	76.1	54.9
Phosphoric acid	2 092	13 584	1 931	11 383	-160	-7.7	-2 202	-16.2	12.7	19.5
Electronic components (transistors)	3	4 270	1	2 807	-2	-65.1	-1 463	-34.3	0.0	4.8
Other base metals and works articles thereof	4	1 297	3	1 092	-1	-14.8	-205	-15.8	0.0	1.9
Raw silver and semi-finished silver products	0	899	0	981	0	-15.1	82	9.1	0.0	1.7
Other products	1 593	10 038	1 693	10 111	100	6.3	72	0.7	11.2	17.3
FINISHED PRODUCTS OF AGRICULTURAL EQUIPMENT	**0**	**135**	**0**	**127**	**0**	**4.1**	**-8**	**-6.1**	**0.0**	**0.0**
Farm machinery and tools	0	8	0	11	0	34.8	2	29.0	40.5	8.4
Tillers and farm tractors	0	1	0	2	0	110.8	1	69.8	10.7	1.6
Other products	0	125	0	114	0	-19.8	-11	-9.1	48.9	90.0
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	**292**	**60 561**	**282**	**52 765**	**-10**	**-3.5**	**-7 795**	**-12.9**	**0.8**	**20.1**
Wires, cables and other insulated conductors for electricity	196	33 356	177	27 970	-19	-9.9	-5 386	-16.1	62.6	53.0
Parts of aircraft and other air or space vehicles	3	9 493	2	7 940	-1	-40.7	-1 553	-16.4	0.7	15.0
Devices for cutting or connecting electrical circuits and resistors	19	7 420	27	7 068	8	43.3	-353	-4.8	9.6	13.4
Piston engines; other engines and parts thereof	12	2 067	9	1 790	-2	-20.7	-277	-13.4	3.3	3.4
Electrical devices for wire telephony or telegraphy	0	1 553	0	1 130	0	-21.2	-423	-27.2	0.1	2.1
Other products	62	6 671	67	6 867	5	7.6	196	2.9	23.7	13.0
FINISHED CONSUMER PRODUCTS	**855**	**85 175**	**800**	**75 006**	**-54**	**-6.3**	**-10 169**	**-11.9**	**2.4**	**28.5**
Passenger cars	422	33 086	350	28 214	-72	-17.0	-4 872	-14.7	43.8	37.6
Confected clothing	78	23 305	63	18 135	-15	-19.3	-5 170	-22.2	7.9	24.2
Hosiery items	46	7 498	35	5 810	-12	-25.4	-1 688	-22.5	4.3	7.7
Parts and pieces for cars and passenger vehicles	41	3 297	83	5 677	41	98.9	2 380	72.2	10.3	7.6
Covers, linen and other made-up textile articles	11	2 371	12	2 719	0	2.1	348	14.7	1.5	3.6
Other products	255	15 617	258	14 450	3	1.2	-1 167	-7.5	32.2	19.3
INDUSTRIAL GOLD	**0**	**612**	**0**	**430**	**0**	**-41.3**	**-181**	**-29.6**	**0.0**	**0.2**

(*) Revised
(**) Provisional
(***) Represents the share of each product within its usage group and the share of each usage group within the total
Source : Foreign Exchange Office

TABLE A5.3 GEOGRAPHICAL DISTRIBUTION OF FOREIGN TRADE

(In millions of dirhams)

	Exports FOB		Imports CIF		Balance	
	2019*	2020**	2019*	2020**	2019*	2020**
Total	**284 496**	**262 795**	**490 953**	**422 278**	**- 206 456**	**- 159 483**
EUROPE	**202 444**	**183 824**	**308 066**	**267 513**	**- 105 622**	**- 83 689**
Spain	68 594	62 723	76 411	64 344	- 7 817	- 1 621
France	62 065	57 206	59 944	50 637	2 121	6 569
Italy	13 145	11 580	26 345	21 909	- 13 200	- 10 329
Germany	9 013	8 572	24 261	22 369	- 15 248	- 13 798
Netherlands	7 556	8 290	7 730	6 295	- 174	1 995
Turkey	6 275	5 711	25 629	23 079	- 19 354	- 17 368
United Kingdom	6 996	5 375	8 312	5 358	- 1 316	17
Other	28 799	24 368	79 434	73 521	- 50 635	- 49 154
ASIA	**27 728**	**26 918**	**103 879**	**90 407**	**- 76 151**	**- 63 489**
India	8 224	11 299	11 143	6 412	- 2 919	4 887
Arab countries of the Middle East (1)	5 040	4 211	22 936	15 861	- 17 896	- 11 651
Pakistan	3 552	2 993	348	350	3 204	2 643
China	2 725	2 479	49 816	51 495	- 47 091	- 49 016
Singapore	2 690	1 729	1 522	945	1 168	783
Japan	2 469	1 598	3 402	2 761	- 932	- 1 163
Other	3 027	2 609	14 712	12 582	- 11 685	- 9 973
AMERICA	**26 784**	**27 420**	**58 647**	**49 179**	**- 31 863**	**- 21 758**
Brazil	8 638	10 842	5 547	7 292	3 092	3 550
United States	11 183	9 366	36 252	26 527	- 25 069	- 17 160
Argentina	1 827	2 229	7 102	5 782	- 5 275	- 3 553
Canada	2 807	1 930	3 873	5 014	- 1 066	- 3 084
Mexico	1 516	1 671	2 509	954	- 994	718
Other	813	1 382	3 364	3 611	- 2 551	- 2 229
AFRICA	**21 620**	**21 462**	**17 925**	**14 119**	**3 694**	**7 343**
Ivory Cost	1 748	2 373	150	128	1 598	2 245
Senegal	2 111	2 021	106	105	2 006	1 916
Mauritania	1 869	1 747	24	14	1 845	1 733
Algeria	1 529	1 270	4 955	4 112	- 3 426	- 2 842
Nigeria	821	994	84	261	738	734
Egypt	872	854	6 485	5 531	- 5 613	- 4 677
Tunisia	819	844	2 367	1 940	- 1 548	- 1 097
Libye	847	645	194	130	652	515
Other	11 004	10 715	3 561	1 898	7 443	8 818
OCEANIA AND OTHER	**5 920**	**3 171**	**2 436**	**1 061**	**3 485**	**2 110**

(*) Revised.
(**) Provisional.
(1) Occupied Palestinian territories, Qatar, Jordan, United Arab Emirates, Oman, Kuwait, Syrian Arab Republic, Iraq, Saudi Arabia, Bahrain, Yemen and Lebanon.
Source : Foreign Exchange Office.

TABLE A5.4 BALANCE OF PAYMENT

(In millions of dirhams)

	2020*		
	Credit	Debit	Balance
CURRENT ACCOUNT			
GOODS AND SERVICES	**355 121.5**	**438 320.3**	**-83 198.8**
GOODS	**223 925.2**	**371 110.0**	**-147 184.8**
General marchandise on a balance of payments basis	223 016.7	371 110.0	-148 093.3
Net exports of goods under merchanting	770.5	-	+770.5
Non-monetary gold	138.0	-	+138.0
SERVICES	**131 196.3**	**67 210.3**	**+63 986.0**
Manufacturing services on physical inputs owned	12 370.0	17.0	+12 353.0
Maintenance and repairing services n.i.e (1)	2 269.2	547.0	+1 722.2
Transport	22 649.1	26 718.5	-4 069.4
Sea transport	11 285.3	18 262.1	-6 976.8
Air transport	6 941.6	4 827.1	+2 114.5
Other modes of transport	4 330.6	3 296.7	+1 033.9
Postal and courier services	91.6	332.6	-241.0
Travel	36 458.0	10 537.6	+25 920.4
Business	1 640.6	840.5	+800.1
Personal	34 817.4	9 697.1	+25 120.3
Construction	2 654.7	2 741.2	-86.5
Insurance and pension services	1 644.9	1 899.7	-254.8
Financial services	704.6	959.9	-255.3
Charges for the use of intellectual property n.i.e (1)	99.7	1 447.5	-1 347.8
Telecommunications, computer and information services	17 169.0	4 124.4	+13 044.6
Other business services	28 916.2	8 823.0	+20 093.2
Personal, cultural and recreational services	667.8	299.2	+368.6
Government goods and services n.i.e (1)	5 593.1	9 095.3	-3 502.2
PRIMARY INCOME	**7 511.8**	**22 072.7**	**-14 560.9**
Investment income	6 697.7	22 037.7	-15 340.0
Direct investment	4 068.2	12 822.7	-8 754.5
Portfolio investment	83.9	3 566.1	-3 482.2
Other investment	20.7	5 648.9	-5 628.2
Reserve assets	2 524.9	-	+2 524.9
Other primary income	814.1	35.0	+779.1
SECONDARY INCOME	**87 106.6**	**5 333.8**	**+81 772.8**
Public	5 624.8	907.0	+4 717.8
Private	81 481.8	4 426.8	+77 055.0
CURRENT ACCOUNT BALANCE	**449 739.9**	**465 726.8**	**-15 986.9**
CAPITAL ACCOUNT	2.9	-	+2.9
Net lending (+) / net borrowing (-)			**-15 984.0**

(*) Provisional.
(1) Not included elsewhere.
Source : Foreign Exchange Office.

TABLE A5.4 BALANCE OF PAYMENT (CONTINUED)

(In millions of dirhams)

	2020*		
	Net acquisition of financial assets	Net incurrence of liabilities	Balance
FINANCIAL ACCOUNT			
DIRECT INVESTMENTS	**4 670.0**	**16 744.0**	**-12 074.0**
Equity and investment funds shares	3 917.0	14 059.0	-10 142.0
Debt instruments	753.0	2 685.0	-1 932.0
PORTFOLIO INVESTMENTS	**1 450.1**	**22 665.4**	**-21 215.3**
Equity and investment fund shares	1 450.1	-443.4	+1 893.5
Debt securities	-	23 108.8	-23 108.8
FINANCIAL DERIVATIVES	**-2 200.3**	**-2 819.9**	**+619.6**
OTHER INVESTMENTS	**11 276.5**	**48 715.5**	**-37 439.0**
Other equity	1 753.2	-	+1 753.2
Currency and deposits	13 456.9	-6 414.7	+19 871.6
Loans	-346.0	47 247.9	-47 593.9
Insurance, pension and standardized guarantee schemes	190.2	392.5	-202.3
Trade credits and advances	-3 777.8	7 042.2	-10 820.0
Other accounts receivable / payable	-	447.6	-447.6
RESERVE ASSETS	**69 709.4**	**-**	**+69 709.4**
TOTAL ASSETS/LIABILITIES	**84 905.7**	**85 305.0**	**-399.3**
Net lending (+) / net borrowing (-)			**-399.3**
Net errors and omissions			+15 584.7

(*) Provisional
Source : Foreign Exchange Office

TABLE A5.5 INTERNATIONAL INVESTMENT POSITION

(In millions of dirhams)

	2019*			2020**		
	Asset	Liability	Balance	Asset	Liability	Balance
Direct investment	**61 845**	**638 438**	**-576 594**	**67 944**	**643 577**	**-575 634**
Equity and investment fund shares	**56 860**	**576 732**	**-519 872**	**62 219**	**579 116**	**-516 897**
Direct investor in direct investment entreprises	56 860	576 732	-519 872	62 219	579 116	-516 897
Debt instruments	**4 985**	**61 706**	**-56 722**	**5 724**	**64 461**	**-58 737**
Direct investor in direct investment entreprises	4 985	61 706	-56 722	5 724	64 461	-58 737
Portfolio investment	**11 367**	**112 835**	**-101 468**	**12 718**	**131 468**	**-118 750**
Equity and investment funds shares	**10 470**	**34 598**	**-24 128**	**11 854**	**32 081**	**-20 226**
Deposit-taking corporations, except the central bank	1 041	14 623	-13 583	1 037	11 744	-10 707
Other sectors	9 429	19 975	-10 546	10 817	20 337	-9 520
Other financial corporations	1 819	1 055	764	3 057	1 810	1 247
Nonfinancial corporations, households and NPISHs	7 610	18 920	-11 310	7 760	18 527	-10 767
Debt securities	**898**	**78 237**	**-77 340**	**864**	**99 388**	**-98 524**
Deposit-taking corporations, except the central bank	553	1 088	-536	544	960	-416
General government	-	50 112	-50 112	-	73 368	-73 368
Other sectors	345	27 037	-26 692	320	25 060	-24 740
Other financial corporations	345	-	345	320	-	320
Nonfinancial corporations, households and NPISHs	-	27 037	-27 037	-	25 060	-25 060
Financial derivatives (other than reserves) and employee stock-options	**201**	**128**	**73**	**314**	**356**	**-42**
Other investment	**80 116.80**	**415 905.30**	**-335 788.50**	**91 149**	**443 901**	**-352 752**
Other equity	**2 618.30**	**-**	**2 618.30**	**4 342**	**-**	**4 342**
Currency and deposits	**47 976.20**	**47 882.50**	**94**	**60 865**	**39 868**	**20 997**
Central bank	791	3 566.90	-2 776.00	785	2 846	-2 061
Deposit-taking corporations, except the central bank	43 721.10	44 315.60	-595	56 650	37 022	19 628
Other sectors	3 464.20	-	3 464.20	3 430	-	3 430
Other financial corporations	1 037.50	-	1 037.50	992	-	992
Nonfinancial corporations, households and NPISHs	2 426.70	-	2 426.70	2 438	-	2 438
Loans	**628**	**294 700.00**	**-294 072.00**	**776**	**336 028**	**-335 252**
Central bank	-	-	-	-	27 680	-27 680
Deposit-taking corporations, except the central bank	628	4 528.90	-3 900.90	776	7 239	-6 463
General government	-	113 220.00	-113 220.00	352 752	128 111	-128 111
Other sectors	-	176 951.10	-176 951.10	-	172 998	-172 998
Other financial corporations	-	680	-680	-	561	-561
Nonfinancial corporations, households and NPISHs	-	176 271.10	-176 271.10	-	172 437	-172 437
Insurance, pension and standardized guarantee schemes	**2 479.30**	**1 666.10**	**813**	**2 670**	**2 059**	**611**
Trade credit and advances	**26 415.00**	**64 209.00**	**-37 794.00**	**22 496**	**58 298**	**-35 802**
Other sectors	26 415.00	64 209.00	-37 794.00	22 496	58 298	-35 802
Nonfinancial corporations, households and NPISH	26 415.00	64 209.00	-37 794.00	22 496	58 298	-35 802
Other accounts receivable / payable	**-**	**-**	**-**	**-**	**448**	**-448**
Special drawing rights	**-**	**7 447.70**	**-7 447.70**	**-**	**7 200**	**-7 200**
Reserve assets	**253 381.20**	**-**	**253 381.20**	**320 567**	**-**	**320 567**
Monetary gold	10 386.80	-	10 386.80	11 989	-	11 989
Special drawing rights	7 132.70	-	7 132.70	6 615	-	6 615
Reserve position in the IMF	1 954.70	-	1 954.70	1 890	-	1 890
Other reserve assets	233 907.00	-	233 907.00	300 073	-	300 073
TOTAL ASSETS/LIABILITIES	**406 911.20**	**1 167 307.30**	**-760 396.10**	**492 692**	**1 219 303**	**-726 611**

(*) Revised.
(**) Provisional.
Source : Foreign Exchange Office.

TABLE A6.1 TREASURY REVENUE AND EXPENDITURE

(In millions of dirhams)

	2019			2020			Changes in % of realiza-tion
	Realization(*)	FL	Implemen-tation rate of finance bill (%)	Realization(**)	RFL	Impleman-tation rate of finance bill (%)	
CURRENT REVENUE	**273 856**	**266 982**	**102.6**	**253 129**	**243 993**	**103.7**	**-7.6**
Tax revenues	**238 999**	**245 971**	**97.2**	**222 799**	**207 320**	**107.5**	**-6.8**
Direct taxes	96 514	102 674	94.0	92 651	87 515	105.9	-4.0
Corporate tax	48 864	51 961	94.0	48 778	42 914	113.7	-0.2
Income tax	42 941	44 602	96.3	40 165	40 047	100.3	-6.5
Other direct taxes	4 709	6 111	77.1	3 708	4 553	81.4	-21.3
Indirect taxes (1)	117 769	115 847	101.7	107 410	99 213	108.3	-8.8
VAT	87 869	86 728	101.3	80 020	71 594	111.8	-8.9
Domestic	31 790	28 618	111.1	30 994	27 093	114.4	-2.5
Import	56 079	58 110	96.5	49 025	44 501	110.2	-12.6
CDT	29 900	29 119	102.7	27 390	27 620	99.2	-8.4
Tobacco	11 335	11 000	103.0	11 024	10 565	104.3	-2.7
Energy products	16 616	16 319	101.8	14 417	15 483	93.1	-13.2
Other	1 949	1 800	108.3	1 950	1 572	124.1	0.1
Customs duties	9 768	9 424	103.6	9 488	7 930	119.6	-2.9
Registration fees and stamp duties	14 948	18 026	82.9	13 250	12 661	104.7	-11.4
Non-tax revenues (2)	**31 061**	**17 711**	**175.4**	**27 218**	**33 674**	**80.8**	**-12.4**
Monopolies and participations	10 494	11 450	91.7	9 716	14 686	66.2	-7.4
Other revenues	20 567	6 261	328.5	17 502	18 988	92.2	-14.9
Including the Central Guarantee Fund	1 637	2 000	81.9	278	1 800	15.4	-83.0
Revenues of Certain Special Treasury accounts	**3 796**	**3 300**	**115.0**	**3 112**	**3 000**	**103.7**	**-18.0**
EXPENDITURE	**323 005**	**316 366**	**102.1**	**341 822**	**329 785**	**103.6**	**5.8**
Current expenditure	**250 739**	**258 761**	**96.9**	**255 940**	**258 972**	**98.8**	**2.1**
Goods and services	181 888	186 715	97.4	191 143	197 295	96.9	5.1
Personnal	127 719	112 159	113.9	133 529	135 933	98.2	4.5
Other goods and services	54 169	74 555	72.7	57 614	61 362	93.9	6.4
Public debt	26 419	27 658	95.5	27 259	28 339	96.2	3.2
Domestic	22 578	23 703	95.3	23 147	23 421	98.8	2.5
Foreign	3 841	3 955	97.1	4 112	4 918	83.6	7.0
Subsidization	16 072	18 370	87.5	13 532	11 860	114.1	-15.8
Transfers to local authorities	26 361	26 018	101.3	24 006	21 478	111.8	-8.9
CURRENT BALANCE	**23 116**	**8 221**	**-**	**-2 811**	**-14 979**	**-**	**-**
Capital expenditure	**72 265**	**57 606**	**125.4**	**85 883**	**70 813**	**121.3**	**18.8**
Special Treasury accounts Balance	**2 288**	**6 000**	**-**	**6 326**	**3 000**	**-**	**-**
Funds of Covid-19	0	0	-	5 322	0	-	-
BUDGET DEFICIT	**-46 861**	**-43 384**	**-**	**-82 368**	**-82 792**	**-**	**75.8**
CHANGE IN PENDING TRANSACTIONS	**-4 498**	**0**	**-**	**14 747**	**0**	**-**	**-**
FINANCING REQUIREMENTS OR SURPLUS	**-51 359**	**-43 384**	**-**	**-67 621**	**-82 792**	**-**	**31.7**
NET FINANCING	**51 359**	**43 384**	**-**	**67 621**	**82 792**	**-**	**-**
Foreign financing	**17 222**	**18 514**	**-**	**42 943**	**43 629**	**-**	**-**
Draws	25 448	27 000	-	62 864	60 000	-	-
Amortization	-8 226	-8 486	-	-19 921	-16 371	-	-
Domestic financing	**28 794**	**19 871**	**-**	**24 678**	**39 163**	**-**	**-**
Privatizations	**5 344**	**5 000**	**-**	**0**	**0**	**-**	**-**

(*) Revised
(**) Preliminary
(1) Including the share of the VAT receipts paid to local authorities
(2) Excluding privatization revenue
Source : Ministry of Economy. Finance and Administration Reform

TABLE A7.1 MAIN FOREIGN EXCHANGE RATES QUOTED BY BANK AL-MAGHRIB AND EFFECTIVE EXCHANGE RATE (EER)

End of period	2019		2020												
	Annual average	Dec.	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	Annual average
1 EURO - EUR (1)	10.766	10.691	10.666	10.560	10.710	11.010	10.741	10.893	10.929	10.925	10.871	10.841	10.814	10.911	10.823
1 DOLLAR - USD (1)	9.617	9.624	9.610	9.681	9.683	10.130	9.853	9.681	9.562	9.234	9.218	9.206	9.138	8.968	9.502
REAL EFFECTIVE EXCHANGE RATE(*)	100.306	100.389			101.049			100.284			102.313			102.968	101.380
NOMINAL EFFECTIVE EXCHANGE RATE(*)	113.261	114.047			114.844			114.575			116.660			117.902	115.711

(*) Quarterly data
(1) Monthly average reference exchange rate.
Source: Bank Al-Maghrib

TABLE A7.2 DEVELOPMENT OF THE EXCHANGE MARKET ACTIVITY

(In millions of dirhams)

	Annual average 2019	2020												Annual average 2020
		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Spot operations														
Currency-againt-currency sale/purchase operations with foreign correspondants	41 084	81 919	71 593	77 685	53 680	40 493	54 454	57 668	48 025	53 035	38 618	37 685	53 357	55 684
Interbank sale/purchase operations againts the dirham(*)	21 043	22 070	13 616	15 484	9 984	15 525	20 927	18 593	19 453	30 861	28 729	18 981	25 173	19 950
Currency investments abroad	6 837	11 066	11 195	10 779	10 479	7 369	9033	11 851	7 222	4 726	10 200	9 602	10 350	9 489
Currency sale by BAM to the banks	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Forward operations														
Forward purchase of currency by banks customers (import coverage)	11 530	11 491	11 665	18 009	7 828	7 021	9 219	12 005	8 705	10 051	10 527	11 722	15 346	11 132
Forward sale of currency by banks customers (export cover)	2 153	2 504	1 438	7 449	3 903	1 679	2 402	4 161	1 588	2 440	3 698	3 926	5 041	3 352

(*) The series of the volume processed on the interbank foreign exchange market now includes purchase or sale transactions against the Moroccan Dirham on the local interbank market (one-way), plus the transactions carried out between local and foreign banks

Source : Bank Al-Maghrib

TABLE A7.3 BANK LIQUIDITY FACTORS AND BAM INTERVENTIONS(1)

(In millions of dirhams)

	Dec-19	Jan-20	Feb-20	March-20	April-20	May-20	June-20	July-20	Aug-20	Sept-20	Oct-20	Nov-20	Dec-20
Notes and coins	264 769	267 644	267 061	275 597	289 996	300 703	308 852	320 461	325 447	321 245	320 192	320 182	317 136
Treasury's net position (2)	-4 907	-3 438	-4 391	-8 561	-6 411	-3 883	-7 337	-8 000	-8 157	-7 170	-5 635	-4 304	-6 537
Bank Al-Maghrib net foreign assets	237 155	242 250	240 856	244 120	272 864	251 256	253 476	256 803	256 117	260 733	257 754	255 886	266 946
Other net factors	-20 160	-25 327	-26 456	-29 474	-56 098	-31 666	-31 647	-31 087	-28 690	-29 754	-27 069	-26 590	-26 648
Bank's structural liquidity position(3)	-52 681	-54 159	-57 052	-69 512	-79 641	-84 996	-94 360	-102 744	-106 176	-97 437	-95 142	-95 190	-83 375
Reserve requirement	11 437	11 583	11 743	11 686	11 724	11 947	6 017	-	-	-	-	-	-
Surplus or liquidity requirement	-64 118	-65 742	-68 795	-81 197	-91 365	-96 943	-100 377	-102 744	-106 176	-97 437	-95 142	-95 190	-83 375
Bank Al-Maghrib money market interventions	**66 065**	**65 740**	**70 497**	**84 340**	**92 294**	**97 853**	**105 385**	**111 845**	**116 564**	**105 116**	**103 616**	**104 458**	**97 298**
7-days advance on call for tenders	59 695	59 392	64 687	63 590	24 243	30 886	38 065	40 428	37 003	27 840	39 352	40 675	42 398
Repo	0	0	0	14 655	58 255	47 299	38 984	38 381	43 479	39 004	28 950	25 189	19 565
Advances at 24 hours	0	0	0	0	0	0	0	0	0	0	1 500	0	0
Guaranteed loans	2 300	2 300	2 300	2 300	4 908	16 845	25 432	30 047	32 334	32 561	29 826	32 017	28 908

(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 acquired through open market transactions held by Bank Al-Maghrib, and on the other hand, the total of the treasury accounts and 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 2020

(in %)

Month	Bank Al-Maghrib's intervention rate		Interbank market rate	
	7-days advances	24-hours advances	Monthly average	Month end
January	2.25	3.25	2.26	2.25
February	2.25	3.25	2.25	2.25
March	2.14	3.14	2.14	2.00
April	2.00	3.00	2.01	2.00
May	2.00	3.00	2.00	2.00
June	1.72	2.72	1.78	1.50
July	1.50	2.50	1.50	1.50
August	1.50	2.50	1.50	1.50
September	1.50	2.50	1.50	1.50
October	1.50	2.50	1.50	1.50
November	1.50	2.50	1.50	1.50
December	1.50	2.50	1.50	1.50

Source: Bank Al-Maghrib.

TABLE A7.5 INTEREST RATES OF SAVING ACCOUNTS

(in %)

	2019		2020	
	January -June	July- December	January -June	July- December
Savings accounts(1)	1.94	1.83	1.80	1.74

(1) The minimum rate on savings accounts is equal to the weighted 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 2020

(in %)

Month	6-month deposits	12- month deposits
January	2.83	3.12
February	2.68	2.99
March	2.69	3.06
April	2.64	2.99
May	2.62	3.03
June	2.67	3.05
July	2.59	2.77
August	2.40	2.69
September	2.52	2.66
October	2.31	2.48
November	2.26	2.75
December	2.51	2.80

Source: Bank Al-Maghrib.

TABLE A7.7 WEIGHTED AVERAGE RATES OF TREASURY BILLS ISSUED BY TENDER

(in %)

Months		Maturities								
		13-weeks	26-weeks	52-weeks	2-years	5-years	10-years	15-years	20-years	30-years
2019	January	-	-	2.44	2.58	2.85	-	3.72	-	-
	February	-	-	2.35	-	2.75	3.25	3.62	3.89	-
	March	-	-	2.32	2.44	2.70	3.12	3.57	3.82	-
	April	-	-	2.33	2.41	2.65	3.06	3.49	3.77	4.43
	May	-	-	2.31	2.39	2.57	-	3.38	3.76	-
	June	-	-	2.29	2.37	2.57	2.97	3.38	3.68	-
	July	-	-	2.28	2.36	2.57	2.96	3.38	-	4.31
	August	2.20	-	2.33	2.38	2.60	2.97	3.40	3.62	-
	September	2.19	2.23	2.31	2.39	2.58	2.97	3.37	3.61	4.17
	October	2.17	-	2.28	2.35	2.51	2.89	3.20	-	-
	November	-	-	2.27	2.33	2.45	2.74	3.10	3.45	-
	December	2.15	-	2.26	2.29	2.41	-	3.02	3.35	4.05
2020	January	-	-	2.32	2.36	-	2.65	2.94	3.30	3.92
	February	2.20	-	2.35	2.41	-	2.64	2.94	3.19	3.81
	March	-	-	2.35	2.41	2.50	-	2.95	3.19	3.80
	April	2.15	-	2.29	2.35	-	-	-	-	-
	May	2.08	2.16	2.20	2.32	2.48	-	-	3.20	-
	June	1.79	1.98	2.00	2.01	2.36	2.40	2.90	2.86	3.73
	July	1.47	1.55	-	1.77	-	2.39	-	2.86	3.47
	August	1.56	1.62	-	1.85	2.10	-	-	-	-
	September	1.53	1.59	1.68	1.86	2.10	-	-	-	-
	October	1.47	1.55	1.64	1.84	2.10	-	-	-	-
	November	1.51	1.62	1.81	2.01	2.18	2.62	2.85	3.06	-
	December	-	1.65	1.93	2.18	2.31	-	2.75	-	-

Source: Bank Al-Maghrib

TABLE A7.8 INTEREST RATES (1) OFFERED ON NEGOTIABLE DEBT SECURITIES

(in %)

	2019	2020
Certificates of deposit		
Under 32 days	-	-
32 days to 92 days	2.44 - 2.53	1.72 - 2.85
93 days to 182 days	2.40 - 2.80	1.70 - 2.70
183 days to 365 days	2.45 - 3.00	1.80 - 3.00
366 days to 2 years	2.55 - 3.05	2.00 - 2.90
More than 2 years up to 3 years	2.71 - 3.08	2.72 - 3.15
More than 3 years up to 5 years	2.78 - 3.40	2.25 - 3.00
More than 5 years	2.92 - 3.31	2.53 - 3.40
Financing companies bonds		
2 years	2.66 - 2.85	2.15 - 2.90
More than 2 years up to 3 years	2.73 - 3.09	2.52 - 2.99
More than 3 years up to 5 years	2.82 - 3.50	2.53 - 3.13
More than 5 years	3.15 - 3.35	2.90
Commercial papers		
Under 32 days	4.15 - 4.53	3.70 - 5.00
32 days to 92 days	2.90 - 5.00	3.70 - 5.00
93 days to 182 days	2.85 - 5.00	2.15 - 5.00
183 days to 365 days	2.95 - 5.00	2.54 - 4.95

(1) Minimum and maximum observed.
(-) No emission.
Source: Bank Al-Maghrib

TABLE A7.9 RATE (1) OF PRIVATE BONDS

(in %)

	2019	2020
Less than 4 years	2.72 - 4.37	2.76 - 5.05
More than 4 years to 5 years	3.39 - 3.65	2.63 - 3.45
More than 5 years to 7 years	2.91 - 4.75	2.37 - 4.13
More than 7 years to 10 years	2.86 - 4.10	2.17 - 4.14
More than 10 years to 15 years	2.97 - 3.91	2.25 - 3.91
More than 15 years to 20 years	3.64	3.75
More than 20 years to 25 years	4.16	-
More than 25 years to 30 years	4.02 - 4.33	3.46 - 3.98
Over 30 years	4.60* - 5.78*	4.12* - 5.44*

(1) Minimum and maximum observed.
(-) No issue of securities.
(*) These are the perpetual bonds.
Source : Maroclear.

TABLE A7.10 LENDING RATES

(in %)

Periods / Agent and economic object	Q1-20	Q2-20	Q3-20	Q4-20
Average lending rate (in %)	**4.89**	**4.55**	**4.34**	**4.42**
Loans to individuals	**5.51**	**5.14**	**5.15**	**4.98**
Housing loans	4.43	4.66	4.31	4.33
Consumer loans	6.55	6.56	6.46	6.40
Loans to sole proprietors	**5.95**	**5.41**	**5.01**	**4.74**
Accounts receivable and cash advances	6.39	5.34	4.87	5.25
Equipment loans	5.89	5.48	4.19	3.91
Loans to property development	5.08	6.25	7.65	7.38
Loans to enterprises	**4.76**	**4.46**	**4.16**	**4.28**
By economic purpose				
Accounts receivable and cash advances	4.67	4.43	3.96	4.09
Equipment loans	4.53	4.18	4.51	4.23
Loans to property development	6.15	6.12	5.85	5.84
By size of the enterprise				
VSME	5.82	5.17	4.46	4.49
Large companies	4.46	4.14	3.96	4.13

Source: Bank Al-Maghrib.

TABLE A7.11 MAXIMUM CONVENTIONAL INTEREST RATE OF CREDIT INSTITUTIONS(1)

(Annual rates in %)

Periods / rates	April 2018- March 2019	April 2019 - March 2020	April 2020 - March 2021	April 2021 - March 2022
Maximum conventional interest rate (MCIR)	13.60	13.57	13.52	13.36

(1) The maximum conventional interest rate (MCIR) is calculated annually on April 1 of each year, depending on the variation recorded during the previous calendar year in the deposit rate on 6-month and 1-year deposits.

Source: Bank Al-Maghrib.

TABLE A 8.1 MONETARY AND LIQUID INVESTMENTS AGGREGATES

(In billions of dirhams)

	2018	2019	2020												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2018	2019	2020
Currency in circulation	**233.6**	**250.2**	**253.0**	**253.4**	**266.6**	**278.5**	**289.6**	**295.3**	**312.2**	**305.6**	**302.7**	**304.8**	**301.8**	**300.6**	**6.7**	**7.1**	**20.1**
Bank notes and coins in circulation	248.5	266.8	268.9	267.1	282.7	294.7	305.3	311.7	332.6	322.3	318.8	321.6	318.1	319.3	7.2	7.4	19.7
Banks cash holdings (to deduct)	14.9	16.5	15.9	13.7	16.1	16.2	15.7	16.4	20.5	16.7	16.2	16.8	16.3	18.7	14.9	11.2	12.8
Bank money	**625.1**	**661.6**	**649.0**	**647.1**	**660.6**	**652.1**	**660.6**	**682.7**	**676.6**	**675.9**	**689.9**	**685.6**	**693.3**	**718.8**	**5.6**	**5.8**	**8.6**
Demand deposits with BAM	2.1	2.3	3.8	4.8	5.2	5.0	5.1	4.8	4.6	4.0	3.9	3.8	3.3	2.8	10.4	10.6	24.4
Demand deposits with banks	560.7	587.2	575.6	574.1	585.9	583.2	592.3	613.4	608.2	607.6	619.7	618.3	624.2	649.3	4.9	4.7	10.6
Demand deposits with the Treasury	62.3	72.1	69.6	68.3	69.5	63.8	63.2	64.5	63.9	64.2	66.3	63.5	65.8	66.6	11.3	15.8	-7.6
M1	**858.7**	**911.8**	**902.0**	**900.6**	**927.2**	**930.5**	**950.2**	**978.1**	**988.8**	**981.5**	**992.5**	**990.4**	**995.1**	**1 019.4**	**5.9**	**6.2**	**11.8**
Demand deposits	**159.2**	**166.5**	**167.6**	**168.0**	**166.4**	**167.2**	**168.5**	**166.3**	**166.9**	**167.8**	**168.4**	**168.8**	**169.0**	**169.4**	**3.5**	**4.6**	**1.7**
Savings accounts in banks	159.2	166.5	167.6	168.0	166.4	167.2	168.5	166.3	166.9	167.8	168.4	168.8	169.0	169.4	3.5	4.6	1.7
M2	**1 017.9**	**1 078.3**	**1 069.6**	**1 068.6**	**1 093.6**	**1 097.7**	**1 118.7**	**1 144.4**	**1 155.7**	**1 149.3**	**1 160.9**	**1 159.2**	**1 164.1**	**1 188.8**	**5.5**	**5.9**	**10.2**
Other monetary assets	**302.7**	**292.2**	**280.9**	**282.1**	**288.0**	**292.9**	**290.9**	**290.7**	**286.1**	**281.9**	**284.0**	**282.9**	**284.3**	**296.4**	**-0.5**	**-3.5**	**1.4**
Time accounts and fixed-term bills with banks	161.1	149.9	146.3	145.3	142.7	143.2	142.1	142.5	139.2	138.2	134.1	134.6	133.2	135.6	3.4	-7.0	-9.5
Money market UCITS	56.5	54.6	52.7	54.3	57.6	59.8	59.1	55.2	54.5	55.3	57.8	56.7	59.5	63.9	-6.8	-3.4	17.1
Deposits in foreign currencies (1)	37.4	42.0	41.2	40.8	44.7	45.2	44.1	45.1	42.1	41.3	41.5	40.7	41.0	39.8	-8.9	12.4	-5.4
Securities sold under repurchase agreements	7.0	5.6	2.9	3.9	5.1	7.6	7.3	7.6	7.3	6.4	6.5	7.6	6.7	12.8	-29.9	-19.4	128.7
Certificates of deposit of a residual maturity of 2 years or less	27.8	28.6	28.3	27.5	27.4	27.0	27.4	28.2	30.2	29.4	30.1	30.5	30.5	29.6	23.4	3.0	3.5
Time accounts with the treasury	9.9	8.3	6.5	6.8	6.9	6.4	6.4	6.4	6.3	6.2	6.5	6.6	6.7	6.9	14.6	-16.4	-16.6
Other deposits(2)	3.1	3.1	3.0	3.6	3.5	3.8	4.4	5.7	6.5	5.1	7.4	6.3	6.7	7.7	-45.4	1.4	145.7
M3	**1 320.6**	**1 370.5**	**1 350.6**	**1 350.8**	**1 381.6**	**1 390.6**	**1 409.6**	**1 435.1**	**1 441.7**	**1 431.2**	**1 444.9**	**1 442.1**	**1 448.3**	**1 485.1**	**4.1**	**3.8**	**8.4**
LI	**700.1**	**741.5**	**747.5**	**748.3**	**728.1**	**713.0**	**716.6**	**770.5**	**769.7**	**774.1**	**774.9**	**779.7**	**782.0**	**796.5**	**9.1**	**5.9**	**7.4**
LI 1	397.9	409.2	413.3	411.2	393.4	392.7	396.0	417.7	422.9	424.4	422.0	424.0	430.6	440.1	7.4	2.8	7.5
LI 2	252.3	272.5	271.4	273.3	281.1	269.4	267.0	297.3	290.3	293.2	296.6	297.8	291.9	295.2	15.2	8.0	8.3
LI 3	49.9	59.8	62.7	63.8	53.7	50.9	53.6	55.5	56.4	56.5	56.4	57.9	59.5	61.2	-4.8	19.8	2.3

(1) Demand and time deposits in foreign currencies with banks.
(2) Loans made by banks from financial corporations.
Source: Bank Al-Maghrib.

TABLE A 8.2 BREAKDOWN OF MONETARY ASSETS BY INSTITUTIONAL SECTOR

(In billions of dirhams)

	2018	2019	2020												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2018	2019	2020
Households	**706.2**	**734.7**	**734.6**	**736.2**	**734.3**	**739.6**	**749.3**	**753.7**	**757.4**	**757.7**	**759.3**	**760.6**	**762.3**	**773.5**	**3.5**	**4.0**	**5.3**
Demand deposits	422.8	443.5	444.9	446.2	446.9	453.1	461.3	468.6	473.4	474.0	476.9	477.8	478.9	486.8	4.9	4.9	9.8
Savings accounts with banks	159.2	166.5	167.6	168.0	166.4	167.2	168.5	166.3	166.9	167.8	168.4	168.8	169.0	169.4	3.5	4.6	1.7
Time accounts and fixed-term bills with banks	100.5	102.3	99.8	99.8	98.1	97.5	97.5	96.6	96.1	94.9	93.3	93.2	93.3	95.4	-3.2	1.8	-6.7
Deposits in foreign currencies	12.0	12.2	12.2	11.9	12.5	12.1	12.0	12.4	11.5	11.3	11.3	11.3	11.6	11.9	-1.0	1.0	-2.1
Certificates of deposits of a residual maturity of 2 years or less	3.8	3.4	3.5	3.3	3.7	3.4	3.6	3.3	3.4	3.4	3.3	3.3	3.3	3.4	20.6	-9.4	-1.2
Money market UCITS	7.9	6.8	6.5	6.8	6.6	6.5	6.5	6.4	6.3	6.4	6.2	6.3	6.3	6.6	25.1	-13.7	-2.8
Private nonfinancial corporations	**176.7**	**178.4**	**168.1**	**167.9**	**173.9**	**170.7**	**168.5**	**168.3**	**163.3**	**163.7**	**168.4**	**167.5**	**172.0**	**182.9**	**3.8**	**0.9**	**2.5**
Demand deposits	109.9	115.0	107.5	106.7	111.7	107.0	106.8	111.6	108.5	107.7	113.1	113.7	117.1	127.5	6.6	4.7	10.8
Time accounts and fixed-term bills with banks	24.3	21.5	20.8	20.7	19.3	19.8	19.8	20.6	19.2	19.8	18.9	18.4	17.5	17.7	7.9	-11.4	-17.6
Deposits in foreign currencies	11.1	11.7	11.9	11.6	13.1	12.6	12.9	11.7	11.9	12.3	12.1	12.1	12.6	12.1	-6.4	5.6	3.3
Money market UCITS	31.2	28.7	27.6	28.6	29.2	30.9	28.7	23.4	22.9	23.3	24.1	23.0	24.4	25.2	-3.4	-8.0	-12.3
Public sector	**33.3**	**28.3**	**23.5**	**23.2**	**25.2**	**23.3**	**27.2**	**28.8**	**27.2**	**26.0**	**27.7**	**27.6**	**29.5**	**32.3**	**7.5**	**-15.2**	**14.3**
Demand deposits	12.9	13.3	10.8	10.6	10.2	8.1	8.8	11.5	11.5	10.5	11.7	11.5	12.6	12.9	2.9	2.8	-2.9
Time accounts and fixed-term bills with banks	12.6	6.2	5.0	5.0	6.0	6.6	6.7	6.1	5.1	4.7	3.4	3.6	3.6	3.7	62.6	-51.1	-40.1
Money market UCITS	6.9	6.8	6.5	6.7	6.9	7.5	10.4	9.7	9.5	9.7	10.5	10.8	11.1	13.9	-17.3	-2.5	105.5
Other financial corporations	**84.5**	**83.4**	**81.2**	**80.6**	**90.1**	**93.0**	**90.3**	**103.7**	**97.3**	**93.3**	**99.6**	**97.4**	**96.2**	**107.2**	**-5.6**	**-1.4**	**28.5**
Demand deposits	7.6	7.8	7.3	6.4	12.1	9.8	10.5	17.1	10.0	9.9	12.5	9.6	9.0	13.0	-17.3	2.8	67.1
Time accounts and fixed-term bills with banks	19.9	15.5	16.2	15.3	14.8	14.7	13.7	14.9	14.6	14.6	14.2	15.6	15.2	16.1	10.4	-22.0	3.8
Other deposits	2.9	2.6	2.6	3.2	3.4	3.6	4.2	5.5	6.3	4.9	7.1	5.9	6.4	7.4	-48.5	-10.1	184.9
Deposits in foreign currencies	12.9	15.7	15.5	15.9	16.6	19.2	17.6	19.0	17.3	16.3	15.5	15.1	14.4	13.7	-9.6	21.6	-13.2
Certificats of deposits of a residual maturity of 2 years or less	23.8	24.9	24.6	23.9	23.5	23.3	23.6	24.7	26.6	25.8	26.6	26.9	26.9	25.9	22.7	4.6	4.1
Money market UCITS	10.5	12.3	12.1	12.2	14.9	14.8	13.5	15.7	15.8	15.9	17.0	16.7	17.7	18.2	-23.3	17.6	48.2
Values given in pension	7.0	4.5	2.9	3.9	4.9	7.6	7.3	6.7	6.8	6.0	6.5	7.6	6.6	12.8	-26.1	-35.0	183.6

Source: Bank Al-Maghrib.

TABLE A 8.3 M3 COUNTERPARTS

(In billions of dirhams)

	2018	2019	2020												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2018	2019	2020
Claims on the economy	**1 022.9**	**1 079.9**	**1 066.0**	**1 065.5**	**1 092.6**	**1 098.4**	**1 104.9**	**1 116.9**	**1 123.1**	**1 113.0**	**1 115.3**	**1 112.4**	**1 108.8**	**1 130.1**	**3.4**	**5.6**	**4.6**
Nets claims of ODC	1 021.8	1 078.5	1 064.7	1 064.2	1 091.3	1 097.0	1 103.5	1 115.5	1 121.6	1 111.3	1 113.9	1 111.1	1 107.3	1 128.5	3.4	5.5	4.6
Banks loans	870.6	917.2	896.7	895.1	918.5	921.7	926.1	951.3	946.1	936.0	945.2	936.7	938.7	957.4	3.2	5.3	4.4
Dont finanacement participatif	4.6	9.1	9.5	9.7	9.8	10.1	10.3	10.7	11.1	11.3	11.8	12.3	12.9	13.5	2 785.4	99.0	48.1
Net claims on central government	**203.0**	**212.4**	**219.2**	**222.7**	**213.2**	**216.4**	**238.5**	**244.9**	**247.1**	**246.9**	**253.0**	**249.8**	**258.8**	**241.0**	**21.0**	**4.6**	**13.4**
Nets claims of ODC	202.2	211.9	217.2	223.0	219.8	220.3	239.5	247.5	249.1	248.0	253.1	249.2	259.2	245.2	20.6	4.8	15.7
Loans	56.5	58.6	58.3	58.7	56.9	57.5	57.4	57.0	55.8	56.1	56.9	58.2	56.8	56.8	128.3	3.8	-3.1
Treasury bills portfolio	154.4	160.3	169.0	171.9	179.2	176.7	188.4	196.7	198.4	199.2	204.4	197.0	209.6	195.8	3.9	3.8	22.2
Banks	136.6	145.7	152.1	151.5	160.5	158.5	168.3	177.4	178.1	175.5	177.5	170.9	181.3	168.7	7.4	6.7	15.8
Money market funds	17.8	14.6	16.8	20.4	18.7	18.3	20.0	19.3	20.3	23.7	26.9	26.1	28.3	27.1	-17.2	-18.0	85.9
Net claims of depository institutions on non residents	**250.2**	**263.9**	**259.1**	**258.8**	**277.0**	**273.1**	**270.3**	**273.0**	**279.3**	**281.3**	**291.6**	**281.4**	**281.7**	**316.5**	**-4.6**	**5.5**	**20.0**
Official reserve assets	233.7	253.4	251.0	247.8	261.2	286.1	289.1	292.3	292.5	295.5	306.4	292.7	291.8	320.6	-4.3	8.4	26.5
Monetary Gold	8.7	10.4	10.8	11.1	11.5	12.1	12.0	12.2	13.0	12.8	12.4	12.4	11.4	12.0	1.6	19.0	15.4
Foreign currency	3.4	6.3	7.9	9.2	11.7	14.1	15.1	16.7	18.7	21.5	23.1	23.1	24.1	26.1	-7.2	85.0	314.5
Securities deposits included in the official reserves	212.4	227.6	223.2	218.4	228.5	251.1	252.8	254.2	251.8	252.4	262.0	248.4	247.4	274.0	-4.7	7.1	20.4
Reserve position in the IMF	2.0	2.0	2.0	1.9	2.0	2.0	2.0	2.0	1.9	1.9	1.9	1.9	1.9	1.9	0.4	-0.3	-3.3
SDR holdings	7.2	7.1	7.1	7.1	7.4	7.3	7.2	7.2	7.1	7.0	7.0	6.9	6.9	6.6	-0.1	-1.0	-7.3
Counterparts of deposits with the Treasury	**72.2**	**80.4**	**76.0**	**75.1**	**76.4**	**70.2**	**69.7**	**70.9**	**70.2**	**70.5**	**72.8**	**70.1**	**72.5**	**73.5**	**11.8**	**11.4**	**-8.5**
Non-monetary liabilities	**218.8**	**242.2**	**242.9**	**242.0**	**251.7**	**242.8**	**244.6**	**247.9**	**249.7**	**243.3**	**244.6**	**242.4**	**241.0**	**243.2**	**8.5**	**10.7**	**0.4**
DC capital and reserves	149.1	160.7	161.2	161.6	170.2	164.9	166.4	165.4	167.2	162.5	163.1	162.0	161.4	160.9	8.1	7.8	0.1
DC Non-monetary liabilities	69.7	81.5	81.7	80.4	81.5	78.0	78.2	82.5	82.5	80.7	81.5	80.5	79.6	82.4	9.5	16.8	1.1
Others nets items	**8.9**	**23.9**	**26.9**	**29.4**	**26.0**	**24.7**	**29.1**	**22.7**	**28.3**	**37.2**	**43.2**	**29.1**	**32.6**	**32.8**	**-34.5**	**169.4**	**37.4**
Total counterparts(*)	**1 320.6**	**1 370.5**	**1 350.6**	**1 350.8**	**1 381.6**	**1 390.6**	**1 409.6**	**1 435.1**	**1 441.7**	**1 431.2**	**1 444.9**	**1 442.1**	**1 448.3**	**1 485.1**	**4.1**	**3.8**	**8.4**

(*) Total of counterparts= Net claims of depository institutions on non residents + Net claims on central government + Claims on the economy+ Counterparts of deposits with the Treasury - Non-monetary liabilities - Other net items.
Source: Bank Al-Maghrib.

TABLE A 8.4 BREAKDOWN OF LOANS BY ECONOMIC PURPOSE AND BYINSTITUTIONAL SECTOR (*)

(In billions of dirhams)

	2018	2019	2020												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2018	2019	2020
Bank loans(*)	**870.6**	**917.2**	**896.7**	**895.1**	**918.5**	**921.7**	**926.1**	**951.3**	**946.1**	**936.0**	**945.2**	**936.7**	**938.7**	**957.4**	**3.2**	**5.3**	**4.4**
By economic purpose																	
Accounts receivable and cash advances	177.7	189.7	183.7	184.6	194.4	201.2	204.6	206.6	210.6	207.4	209.4	207.8	203.5	206.0	6.2	6.8	8.5
Equipment loans	174.0	184.0	182.4	183.2	189.4	187.6	187.7	182.9	185.0	183.5	180.2	179.2	180.4	178.5	2.0	5.7	-3.0
Real-estate loans	267.3	276.7	276.4	277.1	277.9	276.4	276.1	277.7	278.4	278.3	279.3	280.4	281.7	284.2	3.7	3.5	2.7
Home loans	207.1	215.0	215.3	216.5	216.6	214.6	214.4	215.5	216.1	216.7	217.8	219.5	220.6	222.4	5.7	3.8	3.4
Including: Participatory financing for housing	4.1	7.8	8.1	8.3	8.2	8.5	8.7	9.0	9.2	9.4	9.8	10.2	10.7	11.3	2 468.7	90.9	45.3
Loans to real-estate developers	58.0	59.4	55.6	55.6	55.9	56.6	58.1	59.9	60.1	59.0	58.7	56.7	56.6	59.0	-3.5	2.4	-0.7
Consumer loans	54.1	56.6	56.4	56.7	56.6	55.8	55.0	54.5	55.1	54.9	55.0	54.8	54.6	54.2	6.1	4.6	-4.1
Various claims on customers	132.3	140.2	127.2	122.1	128.2	127.7	129.0	153.7	140.0	134.5	142.4	134.7	138.3	154.3	-0.5	6.0	10.1
Financial loans (1)	117.3	124.3	111.7	106.3	113.3	112.9	113.6	138.5	124.1	118.5	126.3	119.3	122.2	138.6	0.8	6.0	11.5
Other loans (2)	15.0	15.8	15.5	15.8	14.9	14.8	15.4	15.2	15.8	16.1	16.1	15.4	16.1	15.7	-10.0	5.8	-0.8
Non performing loans	65.2	69.9	70.6	71.5	72.0	73.0	73.7	75.7	77.2	77.4	79.0	79.7	80.2	80.2	2.5	7.2	14.7
By institutional sector																	
Loans to the nonfinancial sector	**744.5**	**785.5**	**776.6**	**780.8**	**796.6**	**802.4**	**805.9**	**808.9**	**816.3**	**813.7**	**814.6**	**813.0**	**812.4**	**815.5**	**3.1**	**5.5**	**3.8**
Public sector excluding the central government	70.9	73.6	72.9	72.7	73.6	74.3	74.6	75.2	76.7	75.2	75.5	74.6	75.2	74.1	6.4	3.7	0.7
Local governments	19.5	22.6	22.4	23.0	22.8	22.4	22.5	22.5	22.8	22.6	23.1	23.4	23.8	24.4	12.9	15.7	8.0
Public nonfinancial corporations	51.4	51.0	50.5	49.8	50.9	51.9	52.1	52.7	53.9	52.6	52.4	51.3	51.4	49.7	4.2	-0.8	-2.5
Private sector	673.6	711.9	703.8	708.1	723.0	728.2	731.4	733.7	739.6	738.5	739.1	738.4	737.3	741.4	2.8	5.7	4.1
Private nonfinancial corporations	347.0(**)	372.0(**)	361.8	365.1	379.4	385.6	390.0	390.4	395.0	392.9	391.0	389.0	386.9	389.3	0.9	7.2	4.7
Other resident sectors	326.6(**)	339.9(**)	342.0	343.0	343.6	342.6	341.4	343.3	344.6	345.6	348.1	349.4	350.4	352.1	4.8	4.1	3.6
Households	325.6(**)	338.5(**)	340.8	341.6	342.1	341.1	339.9	341.8	343.1	344.1	346.8	347.7	348.6	350.6	4.8	4.0	3.6
Private individuals and Moroccans living abroad	289.2	302.9	303.5	305.3	305.4	304.0	303.4	303.1	304.0	305.0	306.2	307.9	309.5	311.8	5.5	4.7	2.9
Sole proprietors	36.4(**)	35.6(**)	37.3	36.3	36.7	37.1	36.5	38.7	39.1	39.1	40.5	39.8	39.1	38.8	-0.8	-2.1	8.9
NPISH	1.0	1.4	1.2	1.4	1.4	1.5	1.5	1.6	1.5	1.5	1.4	1.7	1.8	1.5	1.6	39.8	7.9
Other financial corporations	**126.1**	**131.7**	**120.0**	**114.3**	**121.8**	**119.3**	**120.2**	**142.4**	**129.8**	**122.4**	**130.6**	**123.6**	**126.3**	**141.9**	**4.0**	**4.4**	**7.8**
Finance companies	56.6	52.4	52.2	52.2	53.0	52.5	51.8	53.2	52.6	51.6	50.8	51.0	51.4	51.5	0.7	-7.5	-1.7
Credit institutions and similar bodies(1)	23.9	26.4	25.1	24.1	29.4	28.7	30.5	29.8	27.3	27.1	28.0	26.3	27.4	24.0	-1.4	10.6	-9.0
Non-money market funds	13.6	18.4	13.1	10.0	12.1	10.8	11.4	24.9	18.7	15.0	20.7	16.1	18.3	28.2	-16.5	35.6	53.3
Other (3)	32.0	34.5	29.7	28.1	27.4	27.3	26.4	34.4	31.2	28.7	31.1	30.2	29.1	38.2	30.7	7.7	10.9

(1) Consisting of loans granted to financial and non financial customers as part of a financial operation .
(2) Composed mainly of factoring receivables.
(3) Mutual fund management companies. brokerage firms. insurance and reinsurance companies. provident and pension funds. and mutual securitization investment funds.
(*) Loans granted by conventional banks and participants banks.
(**) Revised.
Source: Bank Al-Maghrib.

TABLE A 8.5 QUARTER BREAKDOWN OF LOANS BY TERM AND BY ACTIVITY SECTOR

(In billions of dirhams)

	2018	2019	2020				Annual change (%)		
			March	June	Sept	Dec	2018	2019	2020
Bank loans(1)	**870.6**	**917.2**	**918.5**	**951.3**	**945.2**	**957.4**	**3.2**	**5.3**	**4.4**
Breakdown by term (2)									
Short term	285.8	274.7	275.4	303.3	289.3	302.6	3.4	-3.9	10.1
Nonperforming maturities	7.7	9.1	13.2	10.5	10.9	10.2	23.6	17.4	12.2
Medium term	180.1	210.2	212.6	215.2	213.1	210.9	-9.9	16.7	0.3
Long term	339.5	362.3	358.6	357.0	363.9	363.7	11.9	6.7	0.4
Non-performing loans;	65.2	69.9	72.0	75.7	79.0	80.2	2.5	7.2	14.7
By activity sector									
Primary sector	**35.9**	**38.3**	**36.4**	**35.5**	**39.8**	**36.4**	**17.6**	**6.7**	**-5.1**
Agriculture and fishing	35.9	38.3	36.4	35.5	39.8	36.4	17.6	6.7	-5.1
Secondary sector	**243.3**	**245.6**	**245.7**	**250.2**	**251.3**	**249.5**	**2.1**	**1.0**	**1.6**
Extractive industries	17.0	21.4	26.4	25.1	24.8	23.8	8.8	25.8	11.5
Manufacturing Industries	87.5	85.6	83.4	87.2	89.2	91.4	6.5	-2.1	6.8
Food and tobacco industries	32.1	32.0	29.3	32.1	34.1	33.5	14.3	-0.4	4.6
Textile, clothing, and leather industries	6.0	6.3	6.2	6.6	7.1	7.2	-2.6	5.8	14.5
Chemical and Para chemical industries	11.2	11.3	11.4	11.3	10.9	11.1	19.2	0.5	-1.4
Mechanical, electrical, electronic and metal-working industries	18.7	19.5	19.7	20.0	19.1	19.0	3.4	4.2	-2.4
Other manufacturing industries	19.5	16.6	16.8	17.3	18.0	20.6	-4.5	-15.0	24.3
Electricity, gas and water	43.9	42.5	43.1	45.5	39.4	37.0	-6.0	-3.3	-12.9
Construction and public works	94.9	96.1	92.9	92.4	97.9	97.2	1.2	1.3	1.1
Tertiary sector	**591.4**	**633.2**	**636.4**	**665.6**	**654.2**	**671.6**	**2.9**	**7.1**	**6.1**
Trade, automotive and household goods repairs	55.9	59.9	66.1	64.2	63.4	62.0	-1.4	7.3	3.4
Hotels and restaurants	14.4	14.0	14.1	15.8	17.4	17.1	-5.3	-2.8	21.8
Transport and Communications	36.3	39.8	38.5	40.1	43.0	40.2	-4.6	9.8	0.9
Financial activities	135.7	144.8	135.7	155.0	143.9	154.6	5.8	6.7	6.7
Individuals and Moroccan living abroad	289.2	302.9	305.4	303.1	306.2	311.8	5.5	4.7	2.9
Local governments	19.5	22.6	22.8	22.5	23.1	24.4	12.9	15.7	8.0
Other sections (3)	40.4	49.1	53.9	64.8	57.1	61.6	-10.3	21.4	25.5

(1) Loans granted by conventional banks and participants banks.
(2) Short term: period < 2 years. medium term: between 2 and 7 years and long term: > 7 years.
(3) Excluding personal and domestic services.
Source: Bank Al-Maghrib.

TABLE A 8.6 CLAIMS OF OTHER FINANCIAL CORPORATIONS ON NONFINANCIAL UNITS, BY ECONOMIC PURPOSE (1)

(In billions of dirhams)

	2018	2019	2020				Annual change (%)		
			March	June	Sept.	Dec.	2018	2019	2020
Claims on nonfinancial units	**270.7**	**304.8***	**302.9**	**308.6**	**312.9**	**315.5**	**0.7**	**12.6**	**3.5**
Loans granted by other financial corporations	**146.0**	**151.7***	**150.9**	**150.4**	**149.8**	**148.1**	**3.3**	**3.9**	**-2.4**
Finance companies	**112.8**	**119.2**	**117.7**	**116.4**	**116.9**	**118.1**	**5.9**	**5.7**	**-0.9**
Consumer loans	27.6	30.1	30.4	29.2	29.5	30.0	1.9	8.9	-0.2
Leasing	64.7	67.4	66.4	65.2	64.6	65.1	6.7	4.1	-3.4
Non performing loans	11.2	11.8	12.3	13.4	14.2	14.0	11.5	5.2	18.8
Offshore banks	**13.8**	**12.0**	**12.9**	**13.7**	**12.5**	**10.6**	**3.2**	**-13.4**	**-11.4**
Cash advances	8.9	6.0	6.8	7.5	5.3	3.2	4.7	-32.1	-46.6
Equipment loans	4.7	5.7	5.7	5.7	6.7	6.9	-1.0	20.9	22.3
Caisse de Dépôts et de Gestion	**7.6**	**6.0**	**5.8**	**6.0**	**5.7**	**4.6**	**-32.8**	**-20.6**	**-22.8**
Cash advances	3.6	3.1	2.8	2.8	2.7	1.9	-39.9	-14.4	-38.0
Equipment loans	3.3	2.1	2.1	2.1	2.1	2.1	-32.7	-36.0	-0.2
Microcredit associations	**6.8**	**7.4**	**7.5**	**7.5**	**7.9**	**8.1**	**2.5**	**9.0**	**9.9**
Securitization funds	**4.4**	**6.8**	**6.6**	**6.5**	**6.4**	**6.2**	**56.5**	**56.2**	**-8.8**
Securities issued by non financial corporations and held by other financial corporations	**115.3**	**144.4***	**142.4**	**147.5**	**152.4**	**156.7**	**-1.4**	**25.2**	**8.6**
Non-money market UCITS	43.8	59.3	56.2	58.7	61.2	64.5	-0.6	35.2	8.8
Insurance and reinsurance companies	47.4	53.7*	54.7	55.6	55.8	55.8	7.1	13.4	3.9
Caisse de Dépôts et de Gestion	7.8	8.9	9.1	9.1	11.4	12.4	-16.9	14.4	38.4
Pension funds (2)	16.0	22.1*	22.1	23.6	23.6	23.6	-13.8	38.1	7.0
Other claims	**9.4**	**8.7***	**9.6**	**10.7**	**10.7**	**10.7**	**-11.9**	**-7.2**	**23.0**

(*) Revised.
(1) Excluding claims on other financial corporations and the Central Government.
(2)Relating to the financial sector. namely CIMR and CNRA.
Source: Bank Al-Maghrib.

TABLE A 8.7 CHANGE IN THE INTERBANK MARKET

(In millions of dirhams)

	2019	2020												
	Average	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Average
Averge outstanding amounts	7 613	6 148	4 864	5 967	4 913	5 682	7 125	8 622	8 320	8 498	10 216	8 802	9 567	7 408
Average exchanged volume	3 564	3 139	2 458	4 120	3 757	4 611	5 805	6 215	4 716	5 072	6 693	5 239	5 582	4 783

Source : Bank Al-Maghrib.

TABLE A 8.8 SUBSCRIPTIONS TO TREASURY BILLS BY TENDER

(In millions of dirhams)

Maturities	TOTAL 2019	2020												
		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL
Total subscriptions	**104 393**	**19 318**	**9 673**	**6 660**	**4 591**	**17 102**	**28 427**	**9 329**	**5 744**	**14 576**	**3 571**	**24 111**	**9 547**	**152 647**
Short-term	**9 427**	**3 076**	**1 021**	**532**	**2 073**	**4 078**	**2 752**	**4 800**	**2 982**	**6 907**	**2 240**	**13 755**	**3 071**	**47 286**
13 Weeks	950	-	200	-	304	534	893	700	1 653	1 596	450	2 162	-	8 492
26 Weeks	132	-	-	-	-	582	328	4 100	1 329	863	100	4 994	108	12 405
52 Weeks	8 345	3 076	821	532	1 769	2 962	1 531	-	-	4 447	1 690	6 599	2 962	26 389
Moyen term	**39 796**	**3 639**	**2 005**	**3 108**	**2 518**	**12 470**	**23 106**	**1 320**	**2 762**	**7 669**	**1 331**	**8 366**	**6 375**	**74 669**
2 Years	15 317	3 639	2 005	2 830	2 518	8 318	5 709	1 320	1 400	3 328	1 001	5 787	3 481	41 336
5 Years	24 479	-	-	278	-	4 152	17 397	-	1 362	4 342	330	2 579	2 894	33 333
Long term	**55 170**	**12 603**	**6 647**	**3 020**	**-**	**554**	**2 568**	**3 209**	**-**	**-**	**-**	**1 990**	**102**	**30 692**
10 Years	16 707	1 142	350	-	-	-	58	813	-	-	-	1 780	-	4 143
15 Years	26 703	8 021	1 488	289	-	-	797	-	-	-	-	150	102	10 846
20 Years	9 141	1 722	2 549	1 047	-	554	153	100	-	-	-	60	-	6 185
30 Years	2 620	1 719	2 260	1 684	-	-	1 560	2 296	-	-	-	-	-	9 518

Source : Bank Al-Maghrib.

TABLE A9.1 OUTSTANDING AMOUNT OF TREASURY BILLS BY TENDER

(By category of initial subcribers)

(In millions of dirhams)

	2016	2017	2018	2019	2020	Changes in %		Share in %	
						2019/2018	2020/2019	2019	2020
UCITS	178 947	187 877	203 962	197 575	236 533	-3.1	19.7	35.5	39.4
Insurance companies and pension institutions	134 510	125 394	131 910	131 179	129 539	-0.6	-1.3	23.5	21.6
Banks	93 515	117 541	125 184	134 237	146 651	7.2	9.2	24.1	24.4
Deposit and management fund(1)	29 841	33 151	35 021	45 964	44 423	31.2	-3.4	8.2	7.4
Other financial enterprises	29 644	30 322	27 187	24 374	23 918	-10.3	-1.9	4.4	4.0
Non-financial enterprises	23 272	21 996	22 269	23 325	19 282	4.7	-17.3	4.2	3.2
Finance companies	291	425	672	497	395	-26.1	-20.5	0.1	0.1
Non-resident enterprises	9	-	-	10	-	-	-	0	-
Total treasury bill auctions	**490 028**	**516 706**	**546 205**	**557 161**	**600 741**	**2.0**	**7.8**	**-**	**-**

(1) Excluding the outstanding amount of provident funds treasury bills by the CDG.
Source: Bank Al-Maghrib.

TABLE A9.2 OUTSTANDING AMOUNTS OF NEGOTIABLE DEBT SECURITIES

(By category of initial subcribers)

(In millions of dirhams)

Securities types	2019					2020				
	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total	Credit institutions and CDG	Insurance companies and pension institutions	UCITS	Other	Total
Outstanding	**19 999**	**790**	**65 458**	**5 448**	**91 696**	**12 743**	**2 281**	**66 021**	**5 325**	**86 370**
Certificates of deposit	14 679	555	44 065	5 049	64 348	9 192	1 685	41 351	4 946	57 174
Bills of financing companies	5 320	235	19 460	400	25 414	3 551	596	22 359	379	26 885
Commercial paper	0	0	1 934	0	1 934	0	0	2 312	0	2 312
Issues	**12 090**	**565**	**45 090**	**4 193**	**61 938**	**3 856**	**1 661**	**34 938**	**4 138**	**44 593**
Certificates of deposit	11 345	438	33 008	4 093	48 884	3 386	1 230	23 963	4 123	32 702
Bills of financing companies	680	97	8 864	100	9 741	470	376	7 089	15	7 950
Commercial paper	65	30	3 218	0	3 313	0	55	3 886	0	3 941

Source: Bank Al-Maghrib.

TABLE A9.3 BOND MARKET

(In millions of dirhams)

	2019	2020				2020
		Q1	Q2	Q3	Q4	
Outstanding	**137 296**	**136 707**	**143 595**	**147 560**	**155 088**	**155 088**
Public sector	**77 584**	**78 509**	**80 009**	**83 009**	**86 709**	**86 709**
Non-financial corporations	49 049	49 974	51 474	54 474	54 474	54 474
Banks	28 535	28 535	28 535	28 535	32 235	32 235
Private sector	**59 713**	**58 198**	**63 587**	**64 552**	**68 379**	**68 379**
Banks	28 950	28 950	30 450	30 450	31 450	31 450
Non-financial corporations	24 918	23 773	27 662	28 027	29 797	29 797
Other financial corporations	5 845	5 475	5 475	6 075	7 132	7 132
Bonds issued	**24 350**	**3 628**	**7 489**	**9 365**	**9 989**	**30 471**
Public sector	**15 450**	**2 000**	**1 500**	**3 000**	**5 700**	**12 200**
Banks	5 300	-	-	-	3 700	3 700
Non-financial corporations	10 150	2 000	1 500	3 000	2 000	8 500
Private sector	**8 900**	**1 628**	**5 989**	**6 365**	**4 289**	**18 271**
Banks	3 500	-	1 500	-	1 000	2 500
Non-financial corporations	3 480	1 628	4 489	5 765	2 021	13 903
Other Financial corporations	1 920	-	-	600	1 268	1 868

Sources : Data from Maroclear and BAM calculations.

TABLE A9.4 STOCK EXCHANGES INDICATORS

Period	Turnover (in millions of dirhams)	MASI	MADEX	Market capitalisation (in millions of dirhams)
2012 December	16 213.8	9 359.2	7 614.0	445 268
2013 December	18 278.6	9 114.1	7 418.1	451 113
2014 December	13 429.6	9 620.1	7 842.8	484 448
2015 December	20 286.6	8 925.7	7 255.2	453 316
2016 December	22 115.5	11 644.2	9 547.3	583 380
2017 December	21 047.7	12 388.8	10 100.3	626 965
2018 December	18 220.2	11 364.3	9 233.0	582 155
2019 December	17 253.4	12 171.9	9 919.3	626 693
2020 December	16 970.9	11 287.4	9 189.9	584 976
2019 January	3 951.8	11 350.7	9 221.7	585 614
February	5 446.6	11 136.6	9 037.2	574 954
March	2 408.3	10 912.2	8 850.1	561 737
April	1 800.9	11 192.1	9 091.1	572 653
May	2 079.8	10 999.9	8 941.2	559 616
June	20 301.9	11 287.0	9 183.4	583 092
July	6 105.5	11 616.5	9 463.6	596 062
August	5 231.9	11 710.9	9 542.2	601 887
September	2 199.4	11 561.7	9 415.8	594 364
October	3 374.6	11 484.3	9 358.7	590 475
November	5 240.6	11 822.3	9 640.1	608 914
December	17 253.4	12 171.9	9 919.3	626 693
2020 January	4 910.8	12 531.9	10 227.6	645 161
February	4 229.6	12 260.9	10 003.8	630 153
March	6 709.2	9 704.9	7 876.8	503 024
April	2 564.9	9 400.7	7 622.3	488 273
May	5 110.2	9 852.8	7 997.2	509 161
June	5 100.8	10 169.2	8 256.6	523 868
July	1 458.9	10 228.3	8 310.2	529 635
August	1 090.1	10 134.8	8 237.1	524 676
September	2 107.6	9 987.8	8 116.7	517 860
October	3 559.7	10 460.7	8 508.4	542 277
November	1 964.0	10 990.9	8 949.9	566 269
December	16 970.9	11 287.4	9 189.9	584 976

Source : Casablanca Stock Exchange.

TABLE A9.5 INDEX OF REAL ESTATE ASSETS PRICES

	REPI		
	2019*	2020**	Changes (%)
Overall	**115.3**	**114.4**	**-0.8**
Residential	**115.3**	**114.2**	**-1.0**
Apartments	113.5	112.5	-0.9
Houses	123.2	120.6	-2.1
Villas	126.8	126.3	-0.4
Urban Land	**118.3**	**117.8**	**-0.4**
Professional	**117.9**	**117.6**	**-0.3**
Business premises	120.0	119.5	-0.4
Offices	108.2	109.4	1.1

(*) Revised.
(**) Provisional
Sources: Data drawn from the National Agency for Land Conservation. Cadastre and Cartography and BAM computing.

TABLE A9.6 NUMBER OF TRANSACTIONS BY CATEGORY

	Changes (%)	
	2019/2018	2020/2019
Overall	**-3.6**	**-14.3**
Residential	**-1.7**	**-17.3**
Apartments	-1.4	-16.8
Houses	-2.0	-28.2
Villas	-12.8	-10.5
Urban Land	**-10.1**	**-6.9**
Professional	**-4.4**	**-3.9**
Business premises	-6.1	-3.3
Offices	7.0	-7.5

Source: Data drawn from the National Agency for Land Conservation. Cadastre and Cartography and BAM computing.

TABLE A9.7 NUMBER OF TRANSACTIONS IN THE MAJOR CITIES

CITIES	Changes (%) 2020/2019	
	REPI	NUMBER OF TRANSACTIONS
Agadir	0.4	-10.3
Casablanca	-0.5	-9.2
El jadida	1.6	-33.6
Fez	-1.2	-8.3
Kenitra	-3.1	-15.2
Marrakech	-1.4	-9.8
Meknes	-1.8	-18.2
Oujda	0.2	-17.4
Rabat	1.1	-16.9
Tangier	-2.1	-24.5

Sources: Data drawn from the National Agency for Land Conservation. Cadastre and Cartography and BAM computing.

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ACAPS	: Autorité de Contrôle des Assurances et de la Prévoyance Sociale (Insurance and social security supervisory authority)
ADD	: Agence du Développement du Digital
AfCFTA	: African Continental Free Trade Area
AFI	: Alliance for Financial Inclusion
AFL	: Amending Finance Law (loi de finances rectificative
AIS	: Additional information statement
AMF	: Arab monetary fund
AML	: Anti-money laundering
AMMC	: Auotiré Marocaine du marché des capitaux (Moroccan capital market authority)
AMO	: Assurance maladie obligatoire (Mandatory Health Insurance)
ANCFCC	: Agence Marocaine de la Conservation Foncière, du Cadastre et de la Cartographie (Land registry office)
ANRT	: Agence Nationale de Réglementation des Télécommunications (National telecommunication regulatory agency)
BAM	: Bank Al-Maghrib
BIS	: Bank for international Settlments
BLS	: Bureau of Labour Statistics
CBDC	: Central Bank digital currency
CCG	: Caisse centrale de Guarantie (Central guarantee fund)
CCSRS	: Comité de Coordination et de Surveillance des Risques Systémiques (Systemic risk coordination and surveillance committee)
CDG	: Caisse de Dépôt et de Gestion (Deposit and management fund)
CFC	: Casablanca finance city
CFPs	: Collaborative financing platforms
CFT	: Combating the financing of terrorism
CGEM	: Confédération Générale des entreprises du Maroc (The General confederation of Moroccan companies)
CIF	: Cost insurance and freight
CMMB	: Moroccan Center for Banking Mediation (Centre marocain de médiation bancaire)
CNDP	: Commission Nationale de contrôle de la protection des Données à Caractère Personnel
CNSS	: Caisse Nationale de Sécurité Sociale (National social security fund)
COP	: Conference of Parties
COSO	: Committee of sponsoring organizations of the treadway commission
CPI	: Consumer price index
CPIX	: Underlying inflation indicator
CRP	: Caisse de retraite du personnel (Staff pension fund)
CSR	: Corporate social responsibility
CT	: Consumer tax
CVE	: Economic monitoring Committee
DAP	: Diammonium phosphate

DCT	: Domestic consumption tax
DH	: Moroccan dirham
DIMA	: Direct investments by Moroccans abroad
DP	: Days of purchase
DPT	: Deposit
DS	: Days of sales
DTEF	: Direction du Trésor et des Finances Extérieures (Department of treasury and external finance)
Dv	: On-sight deposits
ECB	: European central bank
EIG	: Economic interest grouping
EMBI	: Emerging Markets Bond Index
EMC	: Economic Monitoring Committee (Comité de veille économique)
EMDP	: Emerging and developing countries
EPI	: Enterprises and public institutions
EPRA	: European public real estate association
ETI	: intermediate size companies (entreprises de taille intermédiaire)
EU	: European union
Euribor	: Euro interbank offered rate
FA	: Finance Act
FAO	: Food and agriculture organization
FATF	: Financial action task force
FC	: Financing cost
FDI	: Foreign direct investment
FED	: U.S. federal reserve
FM	: Fonds Mutuel-FM (Mutual Fund)
FMI	: Financial market infrastructure
FNE	: Fonds National de l'Environnement (National fund for the protection and development of the environment)
FOB	: Free on board
FODEP	: Fonds de Dépollution industrielle (Industrial depollution fund)
FTSE	: Financial times stock exchanges
FY	: Fiscal year
GCC	: Gulf cooperation council
GDP	: Gross domestic product
GG	: General government
GNDI	: Gross national disposable income
GNI	: Gross national income
GPBM	: Groupement Professionnel des Banques du Maroc (Professional grouping of moroccan banks)
GWH	: Gigawatt per hour
HCP	: Haut commissariat au plan (High commission for planning)
HLS	: High Level Structure
IASB	: International Accounting Standard Board
IBORs	: Interbank offered rates
IBRD	: International bank for reconstruction and development

ICRG	: International cooperation review group
ICS	: Internal control system
IIA	: Institute of internal auditors
IIP	: International investment position
ILO	: International labour organisation
IMF	: International monetary fund
INPPLC	: Instance Nationale de la Probité de la Prévention et de la Lutte contre la Corruption
IORWG	: Operational Risk Management Group
IOSCO	: International Organization of Securities Commissions
IS	: Information systems
ISDA	: International Swaps and Derivatives Association
ISMS	Information Security Management System
ISO	: International organization for standardization
IT	: Income tax
JPY	: Japanese Yen
KDh	: Thousands of Dirhams
LC	: Large companies
LE	: Large enterprises (Grandes Entreprises)
LG	: Local governments
LI	: Liquid investments
Libor	: London interbank offered rate
PLL	: Precautionary and liquidity line
MAD	: Moroccan Dirham
MASI	: Moroccan all shares index
MCMA	: Mutuelle Centrale Marocaine d'Assurances (Moroccan central insurance fund)
MEFRA	: Ministry of Economy, Finance and Reform of Administration
MENA	: Middle East and North Africa
MENAFATF	: Middle east and north africa financial action task force
Mf	: Currency in circulation
MFC	: Monetary and financial committee
MONIA	: Moroccan overnight index average
MSCI	: Morgan Stanley capital international
MSCI EAFE	: Morgan Stanley capital international, Europe, Australia and the Far East
MSCI EM	: Morgan Stanley capital international, Emerging Markets.
MSCI FM	: Morgan Stanley capital international, Frontier Markets.
MW	: Megawatt
NBE	: Normalized bill of exchange
NGFS	: Network of Central Banks and supervisors for Greening the Financial System
NIR	: Net international reserves
OCP	: Office Chérifien des Phosphates (National Phosphates Office)
OECD	: Organisation for economic co-operation and development
OFRC	: Operational and financial risk committee
OMPIC	: Office Marocain de la Propriété Industrielle et Commerciale (Moroccan office of industrial

and commercial property)

ONEE	: Office National de l'Electricité et de l'Eau Potable (National office for electricity and drinking water)
OPCI	: Organisme de placement collectif en immobilier (Real estate investment trusts)
OPEC	: Organization of the petroleum exporting countries
ORA	: Official reserves assets
OTC	: Over the counter
PAS	: Structural adjustment program
PEI	: Public enterprises and institutions
PER	: Price earnings ratio
PIAFE	: Programme of business support and financing (programme intégré d'appui et de financement de l'entrepreneuriat)
PLA	: Profit and loss account
PLL	: Precautionary and liquidity line
PNRC	: Plan National de Lutte Contre le Réchauffement Climatique (National plan against global warming)
PoCs	: Proof Of Concept
PPP	: Public-private partnerships
REIT	: Real estate investment trusts
REPI	: Real estate price index
SDR	: Special drawing rights
SFCs	: Collaborative financing companies
SGFG	: Société Marocaine de Gestion des Fonds de Garantie des Dépôts Bancaires (The Moroccan deposit insurance corporation)
SMAC	: Système de Management anti-corruption (Anti-corruption management system)
SMEs	: Small and medium sized entreprises
SNIF	: National Strategy for Financial Inclusion
SRBM	: Système des Règlements Bruts du Maroc (Moroccan real-time gross settlement system)
TCA	: Trade and Cooperation Agreement
TLTRO	: Targeted longer-term refinancing operations
TSAV	: Taxe Spéciale Annuelle sur les Véhicules (Special annual vehicle tax)
TSP	: Triple superphosphate
UNCTAD	: United Nations conference on trade and development
UNESCO :	: Organisation des Nations unies pour l'éducation, la science et la culture (United Nations Educational, ... Scientific and Cultural Organization)
UK	: United Kingdom
VAT	: Value added tax
VECM	: Vector autoregressive error correction model
VSEs	: Very small entreprises
VSMEs	: Very small, small and medium-sized enterprises
WB	: World Bank
WHO	: World health organisation
WP	: Working paper

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