Annual report
presented to his Majesty the King

2022

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Mr. Abdellatif JOUAHRI

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Mr. Mohamed Manchoud

REPORT
ON THE FINANCIAL YEAR 2022

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 2022, the Sixty-four year of the central bank.

Summary

Majesty,

After a 2021-year of optimism and hope, fostered by the pandemic receding and the normalization of economic and social activity, the world suffered a brutal shock in 2022 with the outbreak of the conflict in Ukraine. This gave rise to an energy and food crisis, supply chain disruptions flare-up and, therefore, a sharp acceleration of inflation to levels unseen for decades. In response to this situation, central banks initiated a rapid and largely synchronized monetary tightening, thereby leading to a significant rise in interest rates.

Against this backdrop, the global economic growth experienced a sharp slowdown, falling on average from 6.3 percent in 2021 to 3.4 percent in 2022, with decelerations from 5.4 percent to 2.7 percent in advanced economies and from 6.9 percent to 4.0 percent in emerging and developing countries. This weakening, combined with the steepening geopolitical fragmentation and the ascent of economic sovereignty, inevitably affected world trade's growth pace, which dropped from 10.6 percent to 5.1 percent. Paradoxically, the labor markets situation continued to improve in major advanced economies, with unemployment falling back to below pre-pandemic levels.

On commodity markets, supply-related constraints, particularly for energy and food, resulted in soaring prices. As per energy products, the Brent price rose by 41.7 percent, while natural gas and coal prices more than doubled. Similarly, prices of agricultural products and fertilizers increased by 14.3 percent and 54.8 percent respectively.

Under these conditions, and after a long period of moderate levels, global inflation sharply accelerated to stand at 8.7 percent after 4.7 percent in 2021. It peaked at 8 percent in the United States, its highest since 1982, and at 8.4 percent in the Euro area, a level never seen since its creation.

In the financial markets, stock markets suffered significantly from rising interest rates, a weakening economic outlook, and considerable uncertainty surrounding it. Stock markets sharply underperformed for emerging markets, with a drop in the MSCI EM Index by 21.4 percent, whereas sovereign yields rose sharply.

Regarding exchange markets, the year featured a significant appreciation of the US dollar, benefitting from its safe-haven status and the relatively faster US monetary tightening. This change contributed to accelerating inflation, namely in emerging and developing countries.

At the domestic level, the economy was affected by this challenging and uncertain global context, further to one of the most severe droughts over the past four decades. Thus, after the exceptional rebound of 8 percent in 2021, growth was limited to 1.3 percent. The agricultural added value contracted by 12.9 percent, and growth of that of non-agricultural sectors decelerated to 3 percent. Activity particularly dropped in construction and public works and extractive industries and considerably slowed in the processing sector. On the other hand, the removal of health restrictions was mostly favorable to some services, such as tourism, which improved significantly, though remained below pre-crisis levels.

These changes were mirrored in the labor market, which suffered a loss of 24,000 jobs, after creating 230,000 jobs a year earlier and contracting by 432,000 in 2020. The labor volume stood at 10.7 million, 2.1 percent lower than in 2019. At the sectorial level, agriculture lost 215,000 jobs from one year to another, bringing its share, for the first time, to less than 30 percent, whereas industry and construction and public works showed a quasi-stagnation. Conversely, "accommodation and catering" branch recorded an exceptional creation of 46,000 jobs. Under these conditions, the participation rate posted a significant and general drop to 44.3 percent overall and to 19.8 percent among women. Consequently, the unemployment rate dropped to stand at 11.8 percent at the national level and at 15.8 percent in urban areas.

Despite this adverse economic context and the important effort made by the State to ease the impact of the prices hike on households and businesses, the public finance situation continued to recover. This outcome is due to an outstanding performance of tax revenues, but also to an exceptional mobilization of resources under specific financing mechanisms which reached 25.1 billion dirhams. Thus, the fiscal deficit, excluding proceeds from sale of State holdings, fell from 7.1 percent of GDP in 2020 to 5.9 percent in 2021, then to 5.2 percent in 2022, well below the Finance Law target of 5.9 percent of GDP.

Notwithstanding this upturn, the Treasury's financing conditions were particularly difficult, prompting it to draw on the remainder of the IMF's precautionary and liquidity line for an amount of 20.9 billion dirhams. On the domestic market, and in response to the increased demands of investors, it turned to short- and medium-term maturities and issued, for the first time, bonds at adjustable rates. Against this backdrop, direct public debt rose by 2.1 points of GDP to 71.6 percent, reflecting increases to 17.2 percent of GDP in the external component and to 54.3 percent in the domestic one.

Regarding foreign trade, the momentum observed in 2021 continued with a 30.1 percent increase in exports, driven by a noticeable performance of the world crafts of Morocco and the phosphate and derivatives sector. In parallel, imports of goods rose by 39.5 percent, driven by higher energy bill and purchases of semi-finished products. As a result, trade deficit widened significantly reaching 23.2 percent of GDP and the coverage rate dropped, from one year to another, from 62.3 percent to 58.1 percent.

Moreover, with the recovery of international tourism, travel receipts reached a record of 93.6 billion dirhams against 78.7 billion in 2019. As for remittances, the exceptional momentum observed since 2020 has continued, with further improvement by 16 percent to 110.7 billion dirhams in 2022. These changes helped contain the current account deficit at 3.5 percent of GDP against 2.3 percent in 2021. Furthermore, despite an uncertain and generally adverse international context, foreign direct investment flows totaled the equivalent of 3 percent of GDP.

Under these conditions, Bank Al-Maghrib's official reserve assets increased by 2.1 percent to 337.6 billion dirhams, covering 5 months and 13 days of goods and services' imports.

As in most countries in the world, Morocco has not been spared the rising inflation phenomenon. Initially of external origin, inflationary pressures gradually spread and internalized, then accentuated by exclusively internal supply shocks on certain food products, mainly due to drought. All in all, after averaging 1.5 percent over the past 20 years, inflation reached 6.6 percent in 2022, its highest level since 1992.

Another matter of concern was that, from the second half of the year onwards, the Bank's projections pointed to persistently high inflation over the medium term, with a risk of self-sustaining inflationary spirals. In response to this situation, and despite the slowdown in activity, Bank Al-Maghrib initiated a tightening of its monetary policy, to prevent any de-anchoring of expectations and thus favor inflation return to levels in line with the price stability objective. To this end, Bank Al-Maghrib raised its key rate by 50 basis points twice in September and December.

Alongside these increases, and to ensure appropriate financing of the economy, Bank Al-Maghrib continued to meet all the liquidity requests expressed by banks during its weekly auctions and pursued the implementation of its VSMEs dedicated programs.

Furthermore, Bank Al-Maghrib did not refrain from raising the banking system's awareness about the importance of a gradual and rational approach for the transmission of monetary policy decisions, in order to limit their short-term impact on the economic activity.

Thus, the rise in lending rates between the fourth quarter of 2021 and the first quarter of 2023 was limited to 59 basis points, whereas bank credit to the non-financial sector rose by 7.9 percent in 2022, against 2.9 percent a year earlier.

On the foreign exchange market, the Central Bank's regular monitoring shows that the transition initiated in January 2018 is unfolding in appropriate conditions, with a marked deepening of the market and an increased use of foreign exchange risk hedging instruments. The dirham's exchange rate remained within the fluctuation band and Bank Al-Maghrib's quarterly assessments confirmed that the national currency value remains in line with the economy's fundamentals.

At the same time, Bank Al-Maghrib continued to work with stakeholders to raise awareness and support economic operators, particularly VSMEs, to help them better prepare for and adapt to the gradual environment change brought about by this reform.

While refining the draft inflation-targeting framework, Bank Al-Maghrib considers that the subsequent phases cannot be envisaged in the current situation, and that it would be wiser to wait for the uncertainty surrounding the global and domestic economic outlook to dissipate.

Moreover, three years after the launch of the National Strategy for Financial Inclusion, significant progress has been made. World Bank data shows an increase in the proportion of adults holding an account at a financial institution from 29 percent in 2017 to 44 percent in 2021. However, the gaps between men/women, urban/rural dwellers, as well as youth/ adults remain significant. To this end, the assessment of this strategy's first phase would help identify the adjustments to be taken into account when drafting the next five years' roadmap. Regarding the implementation of mobile payment, in addition to communication and awareness-raising campaigns, efforts have continued, in collaboration with stakeholders, to promote the dematerialization of the State's social transfers, with "Tayssir" program as a pilot operation.

The banking sector remains well-capitalized and liquid, thanks to its sound fundamentals and a diversified business profile, despite a slight decline in profitability in 2022. On the regulatory level, Bank Al-Maghrib has continued to adapt its prudential mechanism to align it with international standards, and to strengthen its resilience to the growing risks induced by the economic downturn, cyber-attacks, climate shocks, exchange rate volatility, money laundering and terrorism financing. In this respect, the Bank and the various stakeholders concerned rallied to ensure Morocco's removal from the Financial Action Task Force's (FATF) grey list. In terms of customer protection, Bank Al-Maghrib stepped up its efforts to promote greater transparency, the right to information, and a better access to banking products and services.

At the macro-prudential level, the close monitoring carried out by Bank Al-Maghrib, alongside other regulators as part of the Systemic Risk Coordination and Monitoring Committee, did not reveal any particular threat to the financial sector's stability. At the same time, the Bank has strengthened its framework in this area, reviewing its financial soundness indicators and its liquidity stress management mechanism.

Suffering from the adverse economic conditions and rising interest rates, Casablanca Stock market ended the year with a record underperformance, as the MASI Index declined by 19.7 percent. The market remains hampered by its liquidity shortage and low attractiveness, with a limited number of listed companies and a market capitalization down to 42.2 percent of GDP. On the real-estate market, despite virtual stable mortgage rates, the number of transactions decreased by 12.3 percent, after the 33.7 percent rebound recorded in 2021, while the downturn in prices eased from 3.7 percent to 0.7 percent.

Majesty,

The outbreak of the war in Ukraine have severely altered the global geo-economic landscape in 2022. In addition to weakening growth and accelerating inflation, its interweaving with the mutations and paradigm shifts already at play, including geopolitical fragmentation and economic sovereignty ascent, has led to a sharp increase in uncertainty.

Furthermore, the recurrence of extreme climate phenomena, particularly drought, shows that in a region like ours where water stress is reaching alarming levels, the implementation of large-scale measures to mitigate their impact is becoming a vital emergency. Today, water must be considered a critical resource, requiring diligent treatment in all its aspects.

Moreover, while digitalization, artificial intelligence and other new technologies offer tremendous opportunities, they also bring increasingly complex risks, such as cybersecurity and personal data breaches _ which have become major concerns. And even if the consequences are seemingly contained so far, the medium-term implications of the recent turmoil in the banking systems in the USA and some European countries remain unknown. In any event, they are a reminder, if need be, that vigilance should always remain the watchword.

Addressing so many challenges requires substantial resources at a time when public debt is at exceptionally high levels, particularly following the efforts made during the Covid-19 crisis. The authorities' room for maneuver to mitigate the impact of rising prices and hamper the erosion of purchasing power is therefore limited, while populations' expectations in this regard remain high.

During the past three years, one of the key learnings is that economic conditions can shift rapidly and drastically. As was the case during the 2008 crisis, almost all institutions and experts around the world couldn't foresee the sudden turn of events. Within a few months, the global economy switched from an environment of "low-for-long interest rates" to a new reality where one of the major concerns is persistently high inflation.

Taken together, these developments reinforce a long-term global trend, in which the key drivers of economic activity have been losing impetus since the 1990s. According to the World Bank, the slowdown in growth over the last thirty years has affected 80 percent of advanced economies and 75 percent of emerging and developing economies. For the latter, these findings, if they persist, portend a real development crisis in the years to come.

Majesty,

It is in this unfavorable and uncertain external environment that the national economy will have to evolve. Recent exogenous shocks have revealed both its fragility and resilience. Overall, its achievements remain in line with the trend observed in recent years, which was characterized in particular by the deceleration of non-agricultural activity, whose average growth has dropped from 4.2 percent between the beginning of the millennium and 2014 to 2.2 percent since 2015. As for the agricultural sector, and despite the efforts made, it is still dependent on climate conditions and increasingly threatened by water stress worsening.

This slowdown actually reflects the decline in potential growth, defined as the fastest pace that can be maintained over the long term with full capacity utilization without generating inflationary pressures. While the reasons are multiple and generally similar to those observed elsewhere, the decline in the participation rate, in particular, would have contributed to this trend and is, at the same time, a reflection of it. Since the start of the millennium, this rate has fallen by 10.7 percentage points, which, given the size of today's working-age population, represents a loss of almost 2 million persons of the working population, and a significant under-exploitation of the dividend generated by our country's demographic transition.

And yet, for many years running, Morocco has been deploying one of the most ambitious reform agendas with one of the most substantial portfolios of economic and social infrastructure projects in comparison with similar-income level countries. In view of this, the reform effort should be pursued and speeded up, albeit with closer monitoring, regular assessment, and clear communication to reinforce the adherence of the population and economic operators. The main purpose is to enhance the adaptability, agility, and credibility of the public policy, and ultimately the economy's resilience in a highly uncertain international environment and a national context characterized by recurrent climate shocks.

To this end, human capital development should remain top priority. Two decisive projects offer the prospect of a qualitative leap forward, provided they are successfully implemented. The first is the generalization of social protection initiated by Your Majesty, with a clear roadmap by 2025. Significant progress has been made, but mobilization is still required to bring it to completion on schedule. In addition to the substantial resources needed, the sequencing of its various components calls for rigorous planning to factor in particular the time needed to appropriately upgrade the health system. This would help reduce the gap between supply and demand for services resulting from the expansion of the population eligible for health coverage.

The second project is the overhaul of the education system, for which important efforts have been made over the past years. Thus, after a long-term vision was outlined and implemented in the framework Law adopted in 2019, the reform was widely debated within the Special Commission on the New Development Model and more recently, a new 2022-2026 roadmap was drawn up with redefined priorities and ambitious objectives. Unfortunately, to date, citizens continue to perceive the quality and external yield of the education service as poor. This perception is corroborated by national and international assessments, all converging toward the same conclusion.

In terms of economic reforms, the overhaul of the public sector called for by Your Majesty in 2020 would allow adjusting the structural dysfunctions of State-owned institutions and enterprises and ensure greater complementarity between their activities and those of private operators. However, apart from the creation of the agency in charge of the strategic management of State shareholdings, its outlines still need to be defined.

On the other hand, the large mobilization to boost private investment further to Your Majesty's speech, offers hope for a new impetus for growth and employment. The amendment of the law on public-private partnerships, the adoption of the new charter and its enforcement provisions, the operationalization of the Mohammed VI Fund for Investment, as well as the reform of the Regional Investment Centers, would foster the long-awaited momentum for private investment in our country.

The major challenge in this respect remains the fragility and fragmentation of the economic fabric, a structural feature that was likely accentuated by the difficult economic conditions prevailing since the pandemic. In this respect, the development of the ecosystems of world crafts of Morocco, over the past few years, is a promising approach worth extending to other sectors.

Similarly, the authorities should continue working to improve business climate, in which our country has certainly made significant progress on several aspects, especially in terms of simplifying investment procedures and completing the legal framework governing market competition. However, progress remains sluggish in other areas, particularly in the fight against corruption. Notwithstanding the determination avowed, Morocco continues to underperform significantly when compared internationally. This calls for reconsidering the approaches adopted so far, and above all, for stronger and more decisive action, which the recent completion of the institutional framework dedicated to this purpose gives reason to hope for.

All these reforms, notably those with a social dimension, and many others, will put increasing pressure on the State's finances. The rationalization of public resources thus becomes an imperative and requires the acceleration of several projects that would free up buffers necessary in particular for strengthening social safety nets.

In this vein, it is increasingly urgent to complete the subsidy reform initiated in 2013, which still relies on the deployment of the population targeting mechanism currently under finalization. This targeting issue does not only concern commodities, but the government aid in general. Tax expenditure still represents around 2.5 percent of GDP, whereas the 2021 framework law on taxation clearly stipulates that the socio-economic impact of incentives should be subject to a regular assessment, in order to maintain, revise, or withdraw them as appropriate.

Likewise, the delay in finalizing the pension reform only adds to its cost, accentuating thereby the reluctance of social partners and enhancing social dialogue complications. Postponed from year to year, this reform has become an imperative in a less favorable context, given the purchasing power crisis and the generalization of health coverage scheduled for 2025 to almost 5 million additional active workers, most of them in informal, low-paid jobs.

In terms of public finance management, despite limited resources and shocks, fiscal discipline remained a constant guiding principle for the Government. This enabled our country to maintain markets' confidence and benefit from favorable financing conditions compared with its peers. However, the heavy pressures of recent years have prompted the Government to resort to new innovative financing mechanisms, which have now become an important source of revenue. Under these conditions, the principles of good governance require rigorous assessment and appropriate monitoring of these mechanisms.

In the same regard, eight years after the start of its gradual implementation, the organic law related to the Finance Law has made a major contribution, tangibly enriching the information and the monitoring of public finance. However, the fulfillment of all its objectives still depends on certain prerequisites, namely the introduction of general accounting, the certification of accounts, and the enshrinement of performance-based management. Today, we believe it would be appropriate to carry out an assessment that takes into account the lessons learned from the crises of the last three years.

Majesty,

The successive systemic external shocks since 2020 shed light on the structural fragility of the economic fabric and the vulnerability of large proportions of the population. However, this should not overshadow the resilience developed thanks to the economic diversification strategy and the reforms undertaken over the past two decades.

Internationally, under Your Majesty's leadership, Morocco has asserted itself as a credible partner and a country of peace and stability. The benefits were significant with, over the past few months, the country's removal from the FATF and European Union grey lists, the Flexible Credit Line granted by the IMF, the success of the Treasury's latest international bond issue, and the hosting of the IMF and World Bank Annual Meetings in October 2023.

The challenge today is to further consolidate this credibility internally. This requires not only a speeding up of reforms, but also a regular assessment and clear communication specifying priorities and distinguishing between what is achievable in the short term and what can be hoped for in the medium and long terms. Under these conditions, citizens' support for public action could be strengthened, and the effectiveness of reforms enhanced. The fulfillment of our country's ambition for economic and social emergence, a way to ensure a better future for our youth, would then no longer be out of reach.

Abdellatif JOUAHRI

Rabat, June 2023

Economic, monetary and financial situation

Part 1

1.1 International environment

After a start of the year that was in line with the post-Covid reopening, the global economy suffered in February 2022 a brutal and far-reaching shock with the outbreak of the conflict in Ukraine. Combined with the after-effects of the pandemic, this led to an energy and food crisis, with prices going exceptionally higher, supply chains being further disrupted and, as a result, inflation rising to levels not seen for decades. Faced with such a situation, central banks initiated a rapid and largely synchronized monetary tightening, which resulted in a significant rise in interest rates and a tightening of financing conditions.

Against this backdrop, after rebounding by 6.3 percent in 2021, global economic growth slowed sharply to 3.4 percent in 2022, with declines from 5.4 percent to 2.7 percent in the advanced economies and from 6.9 percent to 4 percent in emerging and developing countries.

This weakening in economic activity, combined with major disruptions in supply chains and increased geopolitical and geo-economic fragmentation, has considerably dampened world trade, which has grown in volume terms by 5.1 percent compared to 10.6 percent in 2021.

Despite these unfavorable conditions, the labor markets in the main advanced economies remained resilient in 2022, with unemployment rates continuing the decline seen a year earlier to levels below those recorded before the pandemic in most countries.

On the commodity markets, the year was marked by fears about energy supplies, particularly in Europe, and by a sharp surge in prices. For energy products, the price of Brent crude rose by 41.7 percent, while gas and coal prices more than doubled. In addition, prices of agricultural products rose by 13.3 percent, rock phosphate by 116 percent and its main derivatives by almost 30 percent.

Under these conditions, and after a long period of moderate growth, global inflation has accelerated sharply, reaching 8.7 percent overall in 2022 after 4.7 percent in 2021. In particular, it peaked at 8 percent in the United States, its highest level since 1982, and at 8.4 percent in the euro area, the highest level since its creation.

On the financial markets, the stock markets suffered significantly from the rise in interest rates, the weakening economic outlook and the uncertainty surrounding it. As a result, particularly significant underperformances were registered in emerging markets, with the MSCI EM Index falling by 21.4 percent. By contrast, sovereign yields rose sharply in both advanced and emerging economies, with the notable exception of China.

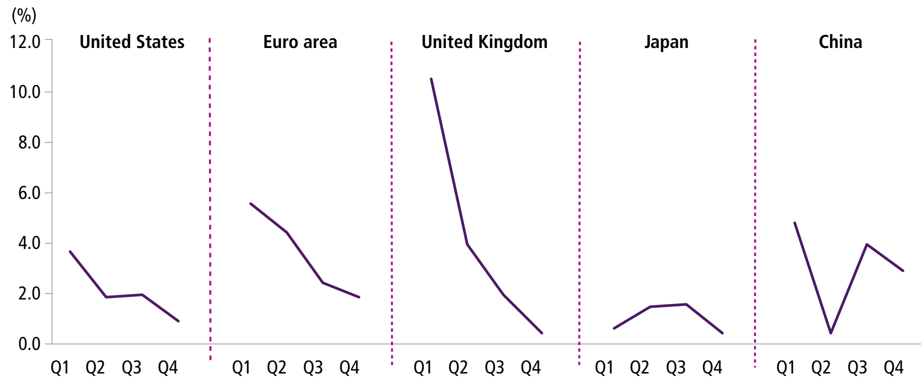
Finally, on the foreign exchange markets, the year was characterized by a marked appreciation of the US dollar, which benefited from its status as a safe-haven currency against the backdrop of the crisis and faster monetary policy tightening in the United States.

1.1.1 Economic growth

After contracting by 2.8 percent in 2020 and rebounding by 6.3 percent in 2021, global economic growth has slowed sharply to 3.4 percent in 2022. This trend has affected both the advanced economies, where the year-on-year growth rate fell from 5.4 percent to 2.7 percent, and the emerging and developing economies, where real GDP grew by 4 percent instead of 6.9 percent.

The economic downturn began mainly with the start of the conflict in Ukraine, which brought the post-Covid recovery to a halt. However, the deceleration was subsequently mitigated by the gradual dissipation of fears about energy supplies in Europe, the resilience of labor markets in advanced economies, measures to support the purchasing power, particularly in advanced countries and, later in the year, the lifting of health restrictions in China.

Chart 1.1.1: Quarterly Profile of Growth in 2022 in the main emerging and developing economies



Source: Thomson Reuters Eikon.

In the United States, growth fell back from 5.9 percent to 2.1 percent in 2022, with the relative resilience of consumer spending and the rise in exports partly offset by the fall in public consumption and private investment.

Similarly, growth in the euro area, which is more exposed to the conflict in Ukraine due to its geographical proximity and heavy dependence on Russian energy imports, has fallen sharply to 3.5 percent in 2022 from 5.4 percent a year earlier. In the main member countries, growth was limited to 1.8 percent in Germany, 2.6 percent in France and 3.7 percent in Italy. By contrast, the Spanish economy was considerably resilient, with growth stabilising at 5.5 percent, thanks in particular to a rebound in tourism.

In the United Kingdom, the pace of economic activity has slowed markedly, falling from 7.6 percent in 2021 to 4 percent in 2022. In addition to rising energy costs, the country has suffered from the fallout from Brexit[1] and the rise in risks linked in particular to fiscal sustainability. In Japan, GDP growth stood at 1.1 percent after 2.1 percent, with the increase in private consumption offset by the contraction in private investment and the surge in the cost of imports, particularly energy imports, accentuated by the depreciation of the yen against the dollar.

Table 1.1.1: World economic growth (in percent)

	2019	2020	2021	2022
World	**2.8**	**-2.8**	**6.3**	**3.4**
Advanced economies	**1.7**	**-4.2**	**5.4**	**2.7**
United states	2.3	-2.8	5.9	2.1
Euro area	1.6	-6.1	5.4	3.5
Germany	1.1	-3.7	2.6	1.8
France	1.9	-7.9	6.8	2.6
Italy	0.5	-9.0	7.0	3.7
Spain	2.0	-11.3	5.5	5.5
United kingdom	1.6	-11.0	7.6	4.0
Japan	-0.4	-4.3	2.1	1.1
Emerging and developing countries	**3.6**	**-1.8**	**6.9**	**4.0**
Emerging and developing countries of Asia	**5.2**	**-0.5**	**7.5**	**4.4**
China	6.0	2.2	8.4	3.0
India[2]	3.9	-5.8	9.1	6.8
Latin America and the Caribbean	**0.2**	**-6.8**	**7.0**	**4.0**
Brazil	1.2	-3.3	5.0	2.9
Mexico	-0.2	-8.0	4.7	3.1
Emerging and developing countries of Europe	**2.5**	**-1.6**	**7.3**	**0.8**
Russia	2.2	-2.7	5.6	-2.1
Türkiye	0.8	1.9	11.4	5.6
Sub-Saharan Africa	**3.3**	**-1.7**	**4.8**	**3.9**
South Africa	0.3	-6.3	4.9	2.0
Middle East and North Africa	**1.0**	**-3.1**	**4.3**	**5.3**

Source: IMF.

[1] Nearly six years on, the negative effects of the Brexit vote are still affecting several areas of the UK economy.
According to the October 2022 edition of the Global Projection Model Network (GPMN), since 2017 they have resulted in (i) a fall of around 30 percent in foreign direct investment (FDI); (ii) a 6 percent fall in trade in goods and services; and (iii) a loss of productivity compared with the other G7 countries.

[2] For India, the data is presented by financial year and the 2022/23 financial year (starting April 2022) appears in the 2022 column.

As regards emerging countries, growth in China slowed sharply to 3 percent in 2022 from 8.4 percent a year earlier. Economic activity was heavily affected by the strict lockdown in several major cities and production units, and by the persistent difficulties in the real estate sector. According to the IMF[1], these difficulties are reflected in a contraction in investment, the inability of real-estate developers to meet their orders for pre-sold homes, and downward pressure on property prices.

As for the other main emerging economies, they have been impacted by the deteriorating external environment and by the global tightening of monetary policy. The growth rate fell to 6.8 percent from 9.1 percent in India and to 2.9 percent from 5 percent in Brazil.

On the other hand, the Russian economy contracted by 2.1 percent after rising by 5.6 percent as a result of the conflict in Ukraine and the sanctions imposed by Western countries. However, the contraction was much less strong than initially forecast for a number of reasons. These include measures taken by the Central Bank to support the ruble and preserve financial and price stability, fiscal easing to support economic activity and the diversification of outlets for energy exports.

In sub-Saharan Africa, several countries in the region have suffered from rising food and energy prices, which have led to a sharp increase in the cost of living and pushed large sections of the population into food insecurity and poverty[2]. The pace of activity has slowed overall to 3.9 percent in 2022 compared with 4.8 percent in 2021, with in particular a slowdown from 3.6 percent to 3.3 percent in Nigeria, where oil production has suffered from recurrent technical problems, insecurity, and under-investment. Similarly, in South Africa, growth fell from 4.9 percent to 2 percent due to persistent power supply disruptions and lower mining revenues, especially those from iron and platinum.

Unlike the other regions, the Middle East and North Africa posted GDP growth of 5.3 percent in 2022. This performance is essentially attributable to the impact of soaring international oil and gas prices, which enabled exporting countries to achieve growth of 6.1 percent instead of 3.3 percent a year earlier. On the other hand, in oil-importing countries, despite the continuing post-Covid recovery in the services sector, particularly tourism, growth was limited to 4.1 percent after 5.4 percent, as a result of the economic slowdown in European countries, the main trading partners, and by the rising cost of imports, particularly energy ones.

[1] World Economic Outlook, IMF January 2023.
[2] According to the World Bank, the estimated number of people suffering from acute food insecurity or worse will exceed 140 million in 2022, an increase of almost 24 million compared to 2021.

1.1.2 Labor market

Despite the slowdown in economic activity, labor markets have shown remarkable resilience in most advanced countries. In fact, the global downtrend observed a year earlier has continued into 2022, with unemployment rates in most countries returning to their pre-pandemic levels.

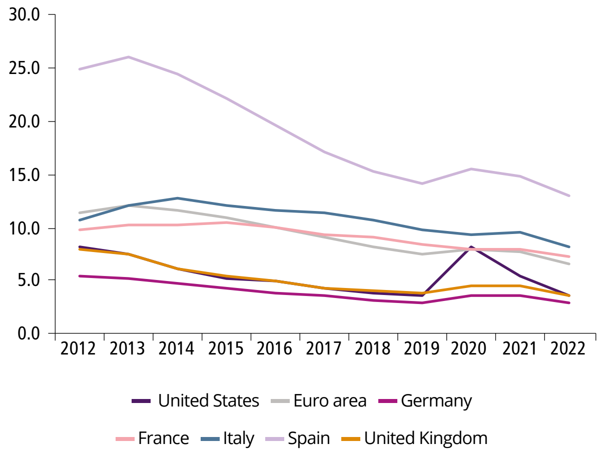
In the United States, the unemployment rate dropped from 8.1 percent in 2020 to 5.4 percent in 2021 and then to 3.6 percent in 2022. Similarly, in the euro area, it fell from 7.8 percent to an all-time low of 6.8 percent in 2022. The downturn has affected all the major economies in the zone, with declines from 7.9 percent to 7.3 percent in France, from 3.6 percent to 3.1 percent in Germany, from 9.5 percent to 8.1 percent in Italy and from 14.8 percent to 12.9 percent in Spain. In the other advanced countries, the rate fell from 4.5 percent to 3.7 percent in the United Kingdom and from 2.8 percent to 2.6 percent in Japan.

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

	2018	2019	2020	2021	2022
Advanced countries					
United States	3.9	3.7	8.1	5.4	3.6
Euro area	8.2	7.6	8.0	7.8	6.8
Germany	3.2	3.0	3.6	3.6	3.1
France	9.0	8.4	8.0	7.9	7.3
Italy	10.6	9.9	9.3	9.5	8.1
Spain	15.3	14.1	15.5	14.8	12.9
United Kingdom	4.1	3.8	4.6	4.5	3.7
Japan	2.4	2.4	2.8	2.8	2.6
Emerging countries					
Russia	4.8	4.6	5.8	4.8	3.9
China	3.8	3.6	4.2	4.0	4.2
Brazil	12.4	11.1	14.2	11.1	7.9

Source: IMF.

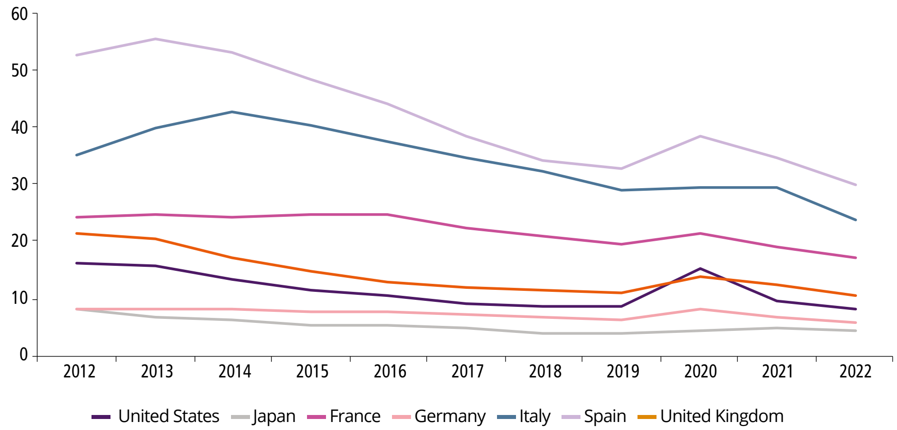
Chart 1.1.2: Change in unemployment rate in advanced countries (in percent)



Emerging and developing economies showed divergent trends. The unemployment rate fell from 4.8 percent to 3.9 percent in Russia, despite the economic contraction, from 11.1 percent to 7.9 percent in Brazil and from 34.3 percent to 33.5 percent in South Africa. In contrast, it rose from 4 percent to 4.2 percent in China, year on year.

After rising sharply in 2020, youth unemployment[1] continued in 2022 the downward trend that began in 2021, with notable declines in most advanced countries. The unemployment rate for this category of the population has fallen from 16.8 percent to 14.5 percent in the euro area, with in particular decreases from 6.9 percent to 5.9 percent in Germany, from 18.9 percent to 17.3 percent in France, from 34.8 percent to 29.8 percent in Spain and from 29.7 percent to 23.7 percent in Italy. In the other advanced countries, it fell from 9.7 percent to 8.1 percent in the United States, from 12.3 percent to 10.5 percent in the United Kingdom and from 4.6 percent to 4.3 percent in Japan.

Chart 1.1.3: Change in the youth unemployment rate in advanced countries (in percent)



Sources: Eurostat and OECD.

1.1.3 Commodity markets

In 2022, commodity prices posted an exceptional rise, mainly as a result of the outbreak of the conflict in Ukraine and its implications. Pressures on prices eased relatively following the agreements allowing the resumption of the Ukrainian exports of some agricultural products, as well as weaker demand from China due in particular to its «zero Covid» policy. Over the year as a whole, prices rose by 60 percent for energy products and 10.6 percent for non-energy products.

[1] People aged 15 to 24.

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

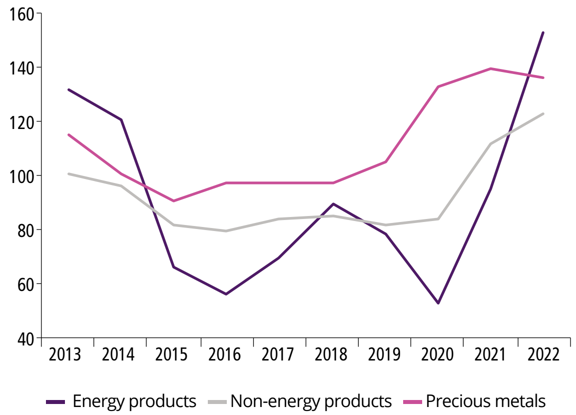
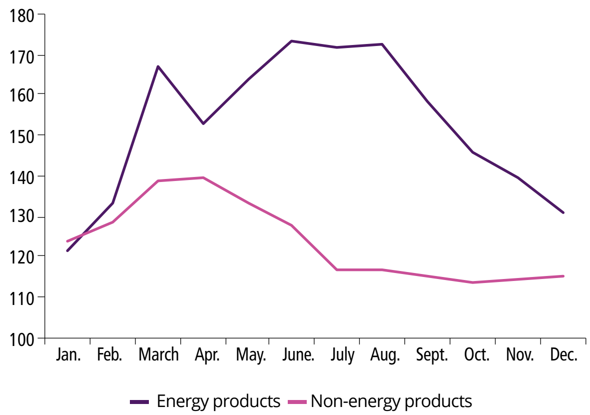


Chart 1.1.5: Monthly change in commodity price indexes in 2022 (2010=100)



Source: World Bank.

On the crude oil market, prices[1] rose by 40.6 percent to an average of $97.1 per barrel, the highest level since 2014. During the first half of the year, prices rose, averaging $103.4, with a peak of $116.8 in June, due to concerns about geopolitical tensions, the announcement of the European embargo on Russian oil, the reluctance of OPEC+ member countries to increase their production, and the use of oil products as a substitute for natural gas to generate electricity. From July onwards, prices began to fall, although they remained at much higher levels compared to pre-pandemic ones. The main reasons for this decline were the slowdown in activity in the main advanced and emerging economies, and the continued high level of Russian oil production, which was redirected to countries such as China, India, and Türkiye.

Following the same trend, natural gas prices in 2022 recorded surges of 150.3 percent on the European market and 65.4 percent on the US market. This trend was mainly due to the suspension of deliveries by Russia's Gazprom and increased demand from European countries seeking to replenish their strategic stocks. From September onwards, prices on the European market began to trend downwards, falling from a peak of $70/MMBtu in August to $36 in December. This decline mainly reflects high stock levels and lower energy consumption due in part to a milder-than-usual winter.

Coal prices rose sharply, by about 150 percent for Australian coal and twice as much for South African coal. This surge mainly reflects the fall in Australian exports due to bad weather, as well as increased demand for coal used in electricity generation as a substitute for natural gas or hydroelectric power, mainly in China.

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

Chart 1.1.6: Annual change in energy prices

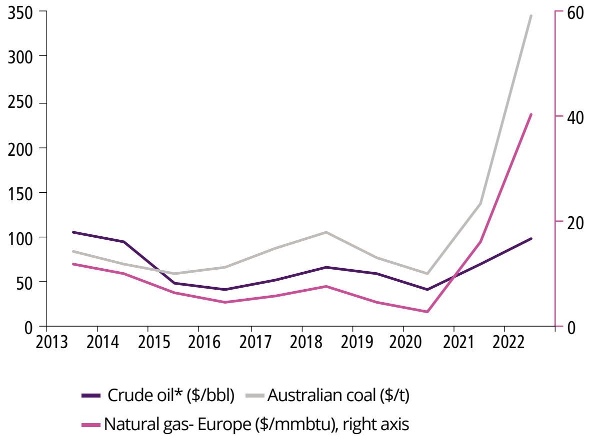
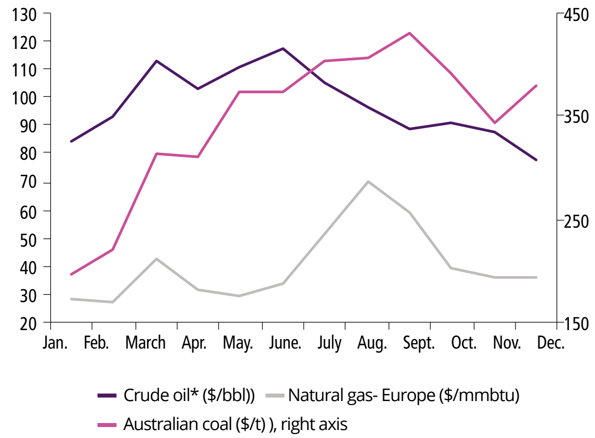


Chart 1.1.7: Monthly change in energy prices in 2022



(*) The average of Brent, WTI and Dubai Fateh prices.
Source: World Bank.

Concerning non-energy products, prices for metals and ores fell slightly by 1.2 percent, after rising by 47.1 percent in 2021, mainly as a result of the slowdown in global industrial and construction activity. By product, prices fell by 25 percent for iron, mainly due to the decline in steel production in China amid the pandemic and difficulties in the real estate sector, and by 5.3 percent for copper. On the other hand, Aluminum rose by 9.4 percent, reflecting in particular the fall of production in Europe as a result of higher energy prices.

Phosphate and derivatives prices continued their upward trend, supported by the reduction in supply following the outbreak of the conflict in Ukraine, strong demand from Brazil and India in particular, and higher input costs. The price of DAP rose by 28.5 percent to an average of 772.2/ton, TSP by a third to $716.1 and raw phosphate by 116 percent to $266.2. At the same time, prices for agricultural products rose by 13.3 percent overall, reflecting increases of 21.4 percent for cereals, 14.2 percent for oils and flours and 13.7 percent for beverages.

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

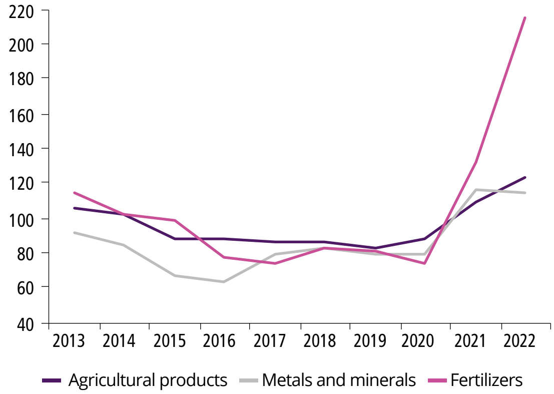
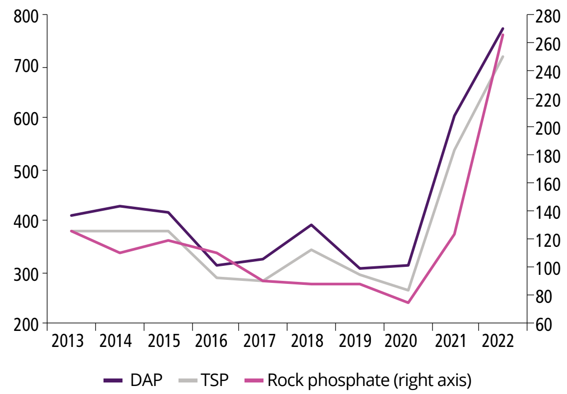


Chart 1.1.9: Prices of phosphate and fertilizers (dollar/tonne)



Source: World Bank.

Precious metals prices fell by 2.4 percent, reflecting in particular decreases of 13.4 percent in the price of silver and 11.9 percent in the price of platinum, against a backdrop of a significant decline in global production of electronic products. The price of gold almost stagnated at $1,800 an ounce, reflecting the combined effect of rising geopolitical concerns on the one hand, and higher interest rates and a stronger US dollar on the other.

Box 1.1.1: Measures introduced by the European Union to tackle the energy crisis

Following the outbreak of the conflict in Ukraine, the European Union (EU) decided to halt all purchases of Russian coal and oil as part of an extensive sanctions package[1]. At the same time, Russia - one of Europe's main suppliers of fossil fuels, accounting in particular for 45 percent of its gas imports in 2021 - has gradually reduced gas flows to Europe via pipelines, mainly the Nord Stream pipeline, bringing these flows down by almost 80 percent[2] by year-end. As a result, Europe faced an unprecedented energy crisis, with major disruptions to its supply.

This situation has raised concerns about the EU's ability to find alternatives to Russian gas, which is essential for electricity generation, industrial activity and residential heating[3], particularly as the winter season approaches. It has also led to increased pressure on gas prices on the European market[4], which have risen by 179.4 percent in 2022. As a result, electricity prices have risen by 35 percent[5]. Against this backdrop, the EU has adopted a package of measures focusing on a number of areas:

[1] These sanctions were decided on 8 April and 3 June 2022 respectively, and consisted of an instant ban on coal imports from Russia. The ban on imports of crude oil and refined petroleum products was implemented gradually, over a period of 6 months for crude oil and 8 months for other refined petroleum products.

[2] Jeromin Zettelmeyer, Simone Tagliapietra, Georg Zachmann, Conall Heussaf: «Beating the European energy crisis», IMF, Finance and Development, December 2022.

[3] In 2021, more than 30 percent of EU households used gas to heat their homes. Source Council of the EU: «Where does the EU's gas come from?», 7 February 2023.

[4] The Title Transfer Facility is a platform based in the Netherlands that brings together national and international buyers and producers, storage companies, distributors and network operators from the gas industry. It is considered the reference point for monitoring and understanding the price of natural gas futures on the European market.

[5] Council of the EU, data updated on 14 December 2022.

- To reduce energy consumption in the short term and support the most vulnerable households and businesses, through a scheme based[6] on: (i) reducing electricity consumption by 10 percent overall and by 5 percent during peak hours, over the period from 1 December 2022 to 31 March 2023; (ii) capping electricity producers' revenues at 180 euros per MWh and reallocating the additional revenues to support vulnerable citizens and businesses; and (iii) introducing a temporary «solidarity contribution» on the excess profits[7] of companies operating in the fossil fuel sector.
- Guaranteeing the supply of natural gas at reasonable prices, in particular through the «market correction mechanism». This capping mechanism, adopted on 19 December 2022 and due to become effective on 15 February 2023, is automatically triggered when the price of one-month gas contracts (TTF) exceeds €180 per MWh and exceeds the average world price for liquefied natural gas by €35 for three days in a row.
- Making energy savings, diversifying supplies and speeding up the transition to clean energy by implementing the REPowerEU plan. The plan was presented by the European Commission on 11 March 2022, but the financing arrangements were not agreed upon until 14 December 2022. All of its measures should be implemented before 2030.

In the short term, these include (i) filling gasholders to 80 percent of their capacity by 1st November 2022, then to 90 percent in subsequent years[8]; (ii) implementing photovoltaic, wind and renewable hydrogen projects and increasing biomethane production in order to reduce gas imports by a total of 67 billion m^3; (iii) concluding new energy partnerships. To this end, the European Commission has increased its supplies from countries such as Qatar, Azerbaijan, Norway and the United States; and (iv) setting up an «EU energy platform» to pool joint purchases of natural gas and hydrogen. This consists of a coordination mechanism that will support these purchases at affordable prices, drawing on the EU's collective political and commercial weight.

In the medium term, the measures consist of (i) increasing the share of renewable energies in the EU's total electricity consumption to 45 percent and (ii) increasing the production of renewable hydrogen by setting up the «Hydrogen Accelerator» initiative, which aims to increase domestic annual production to 10 million tons, and by creating a «European Hydrogen Bank», endowed with almost €3 billion, which will launch the first auctions to finance green hydrogen production projects in autumn 2023.

[6] Council of the EU: «Energy crisis: Three EU-coordinated measures to cut down bills», 23 March 2023.
[7] Compared with average profits over the previous four years.
[8] As at 31 December 2022, strategic gas storage levels at EU level stood at 83.3 percent overall. Data taken from «Aggregated Gas Storage Inventory» website.

In terms of financing, REPowerEU will require €210 billion in additional investment by 2027. The Commission is counting in part on the savings generated by the reduction in Russian fossil fuel imports and on unused loans from the European «Next Generation EU» recovery plan. It has also decided to grant additional subsidies of €20 billion to EU countries, based on criteria linked to population size and the degree of dependence on energy imports from Russia.

Finally, the European Commission has stressed that solidarity remains the cornerstone and underpins the effectiveness of all its action. Five years after the adoption of the Regulation on the security of gas supply[9], only 6 bilateral agreements between Member States out of a total of 40 have been signed. To remedy the slowness of this mechanism, it has proposed a number of rules that will ensure that a country facing an emergency situation receives gas from the others in exchange for fair compensation.

[9] Regulation approved on 12 September 2017 by the European Parliament, which mainly aims to prevent gas supply crises and introduces the principle of solidarity. It thus allows Member States facing serious shortages to rely on help from neighboring countries under new solidarity rules.

1.1.4 Inflation

One of the major developments recorded in 2022 was the exceptional rise in inflation. The upward trend which began the day after the opening of the post-Covid period, linked in particular to disruptions in production and supply chains, accelerated sharply as a result of the rise in energy and food prices following the outbreak of the conflict in Ukraine. Moreover, in many countries, the rise in prices was exacerbated by the depreciation of their currencies against the dollar. In addition to the reaction of central banks, this surge has prompted the governments of several countries to introduce measures aiming to mitigate the impact on household purchasing power and to support business activity (Box 1.1.2).

As a result, global Inflation has risen from 4.7 percent in 2021 to 8.7 percent in 2022, accelerating from 3.1 percent to 7.3 percent in advanced countries and from 5.9 percent to 9.8 percent in emerging and developing economies.

Table 1.1.3: Inflation in the world (in percent)

	2017	2018	2019	2020	2021	2022
World	**3.2**	**3.6**	**3.5**	**3.2**	**4.7**	**8.7**
Advanced economies	**1.7**	**2.0**	**1.4**	**0.7**	**3.1**	**7.3**
United states	2.1	2.4	1.8	1.3	4.7	8.0
Euro area	1.5	1.8	1.2	0.3	2.6	8.4
Germany	1.7	1.9	1.4	0.4	3.2	8.7
France	1.2	2.1	1.3	0.5	2.1	5.9
Italy	1.3	1.2	0.6	-0.1	1.9	8.7
Spain	2.0	1.7	0.8	-0.3	3.0	8.3
United kingdom	2.7	2.5	1.8	0.9	2.6	9.1
Japan	0.5	1.0	0.5	0.0	-0.2	2.5
Emerging and developing countries	**4.5**	**4.9**	**5.1**	**5.2**	**5.9**	**9.8**
China	1.5	1.9	2.9	2.5	0.9	1.9
India	3.6	3.4	4.8	6.2	5.5	6.7
Brazil	3.4	3.7	3.7	3.2	8.3	9.3
Russia	3.7	2.9	4.5	3.4	6.7	13.8
Middle East and North Africa	**7.2**	**11.3**	**8.0**	**10.9**	**13.9**	**14.8**

Source: IMF.

After reaching 4.7 percent in 2021, Inflation peaked at 8 percent in the United States, its highest level since 1982, and reached 8.4 percent after 2.6 percent in the Euro area. In the main member countries of this zone, it stood at 8.7 percent in Germany, 5.9 percent in France, 8.3 percent in Spain and 8.7 percent in Italy. Elsewhere, it accelerated from 2.6 percent to 9.1 percent in the United Kingdom, and from -0.2 percent to 2.5 percent in Japan.

Chart 1.1.10: Inflation in the world (in percent)

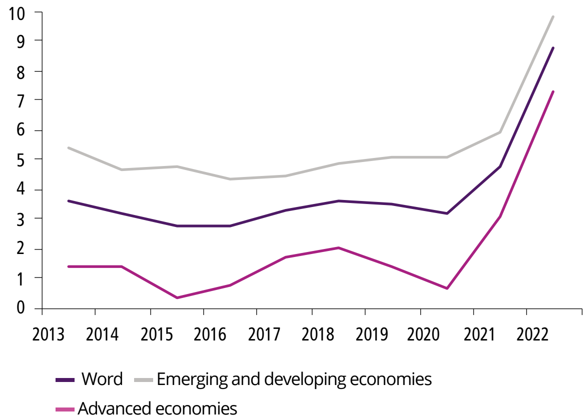
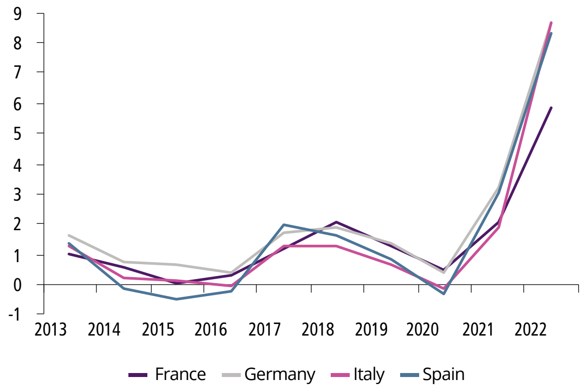


Chart 1.1.11: Inflation in the main economies of the Euro area (in percent)



Source: IMF.

In the main emerging economies, China was a notable exception, with inflation limited to 1.9 percent after 0.9 percent, largely as a result of its «zero Covid» strategy. On the other hand, consumer prices rose by 6.7 percent after 5.5 percent in India, by 9.3 percent instead of 8.3 percent in Brazil, and by 13.8 percent against 6.7 percent in Russia. Among the countries in this group that posted the highest levels were Türkiye, where inflation reached 72.3 percent, and Argentina, where it stood at 72.4 percent. In North Africa in particular, inflation accelerated from 4.5 percent to 8.5 percent in Egypt, from 7.2 percent to 9.3 percent in Algeria and from 5.7 percent to 8.3 percent in Tunisia.

Box 1.1.2: Government response to rising Inflation

Following the post-Covid reopening of the economies, inflation has trended upwards, mainly driven by a faster pace of demand recovery than supply. This trend accelerated sharply in 2022 following the outbreak of war in Ukraine, which led to a marked rise in energy and food prices. Inflation thus reached exceptional levels, both in the advanced economies, with monthly peaks of 9.1 percent in the United States, 10.7 percent in the Euro area and 11.1 percent in the United Kingdom, and in the emerging countries, with peaks of 7.8 percent in India, 12.1 percent in Brazil, 17.8 percent in Russia and 85.5 percent in Türkiye.

In addition to the swift reaction of central banks to these developments, government authorities also took action to mitigate the impact on household purchasing power and business production costs.

- In **the US**, in August 2022, the government passed the «Inflation Reduction Act», a $430 billion government spending programme over 10 years. In addition to mitigating the effects of rising prices, it aims to invest in green industry and reduce carbon emissions. The measures introduced include, in particular, the allocation of tax credits to households to offset rising energy bills and the continuation of the Affordable Care Act subsidy until 2025, as well as the reform of prescription drug prices. To finance the programme, the Act is introducing a minimum tax rate of 15 percent on all companies with profits in excess of one billion dollars.
- In **the UK**, the government has introduced a range of measures with a total amount equivalent to 1.1 percent of GDP, designed to stimulate growth and support households in the face of rising prices, especially for energy. The first package, worth £9.1 billion, includes a £200 cut in energy bills, a 12-month reduction in fuel taxes and a £150 reduction in housing tax. In addition, the social security threshold for low-income households has been raised from £9,880 to £12,570 from July. A second £15 billion support package was announced at end-May 2022, comprising a £650 transfer to low-income households plus two other transfers of £300 for pensioners and £150 for people on disability benefits. In addition, the rebate on energy bills has been doubled to £400. To finance these measures, the government has in particular planned a 25 percent levy on the profits of oil and gas companies.

- With the same objectives in mind, in March 2022 the **German** government decided to increase welfare benefits by €100 per person and to grant a €300 allowance to households, with a €100 bonus for each dependent child. One month later, fuel tax was reduced by 0.30 euros/liter for gasoline and 0.14 euros for diesel, and the price of public transport tickets was lowered to 9 euros per month. In July, the tax on renewable energy was abolished, and in October, VAT on gas was reduced from 19 percent to 7 percent. In the same vein, on 4 September the government approved a €65 billion plan that includes the payment of an energy voucher worth €200 to students and €300 to pensioners. To finance this plan, it has called electricity companies to make a contribution.
- In **France**, a set of direct support measures has been adopted from October 2021, consisting of financial support for low-income households, allocated in the form of an «inflation allowance» of 100 euros per person and an «energy cheque». In 2022, the government has decided, among other things, to cap the increase in regulated electricity tariffs at 4 percent, freeze those for gas, reduce fuel at the pump prices by 0.18 euros/liter, increase civil servants' salaries and pensions by 3 percent and distribute a food voucher to the most modest households. It has also allocated special aid to companies whose energy costs represent more than 3 percent of turnover and whose gas or electricity bills have risen by more than 40 percent since the start of the conflict in Ukraine.
- In emerging countries, the **Brazilian** government has earmarked a budget of 7.9 billion dollars (0.5 percent of GDP) to combat the effects of inflation. It has decided to increase transfers to low-income households from 400 to 600 Brazilian reals[1], to distribute a monthly grant of 1,000 reals to truck drivers, to increase the value of vouchers given to poor families for the purchase of gas for domestic use, and to provide subsidies to ensure free public transport for the elderly. The government has also enabled almost 1.6 million more people to access aid under the «Auxilio Brasil» programme[2]. It has also planned to cap state-level taxes on essential services and to subsidize reductions in the price of fuel produced by Petrobras, Brazil's leading oil company.
- Elsewhere, in the face of rising inflation, the **Turkish** government has reduced the value-added tax on electricity used in residential buildings and for agricultural irrigation, granted subsidies to 4 million households and decreed a salary increase. In **India**, among the measures introduced are lower taxes on fuel and duties on imports of edible oils and coal, in addition to restrictions on the export of certain agricultural products.

[1] US dollar = 5.16 Brazilian reals (2022).

[2] This is a social cash transfer programme launched in November 2021, aimed at reducing poverty and extreme poverty among families and promoting the development of children and adolescents.

1.1.5 Public finances

Despite a generally unfavorable economic climate, the recovery in public finances which began in 2021 after the sharp deterioration recorded during the pandemic has continued, with, in particular, a reduction in deficits and debt levels in most advanced countries.

Thus, in the United States, for example, the gradual withdrawal of the large-scale support measures put in place during the pandemic has resulted in a steep drop in the budget deficit, from 14 percent of GDP in 2020 to 11.6 percent in 2021 and 5.5 percent in 2022. This development has also been accompanied by a slight decrease in public debt, which nevertheless remains high at 121.7 percent of GDP.

Similarly, in the Euro area, the situation has improved, with the budget deficit easing to 3.8 percent of GDP from 5.4 percent a year earlier, and public debt declining to 90.9 percent of GDP. In the zone's main economies, the budget deficit decreased to 4.9 percent in France, 2.6 percent in Germany, 4.5 percent in Spain and 8 percent in Italy. At the same time, public debt also eased to levels ranging from 66.5 percent of GDP in Germany to 144.7 percent in Italy.

In the United Kingdom, the situation continued to recover, with a reduction in the public deficit to 6.3 percent of GDP from 8.3 percent a year earlier, and a drop in the debt ratio to 102.6 percent of GDP from 108.1 percent. Japan, on the other hand, recorded a significant deterioration in its deficit to 7.8 percent of GDP, while its debt rose to an all-time high of 261.3 percent of GDP.

There were contrasting trends in the main emerging countries. In China, against a backdrop of a sharp economic slowdown and continuing health restrictions in the face of the risk of a resurgence of the pandemic, the budget deficit widened from 6.1 percent to 9.4 percent of GDP, and public debt rose from 71.8 percent to 77.1 percent of GDP. In India, the deficit remained unchanged at 9.6 percent of GDP, while debt dropped to 83.1 percent of GDP. In Brazil, the evolution was mixed, with the deficit widening to 4.6 percent and the debt decreasing to 85.9 percent of GDP. On the other hand, in Russia, despite the conflict and sanctions, public finances showed considerable resilience, with the deficit remaining limited to 2.2 percent of GDP and public debt standing at 19.6 percent of GDP, thanks to the surge in energy prices. Rising energy prices also benefited oil-exporting countries in the MENA region, such as Saudi Arabia, Qatar, Kuwait, and Algeria, all of which recorded budget surpluses and declines in public debt.

Chart 1.1.12: Change in the budget balance (in percent of GDP)

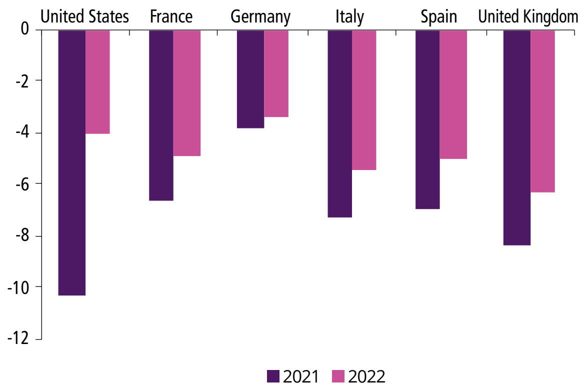
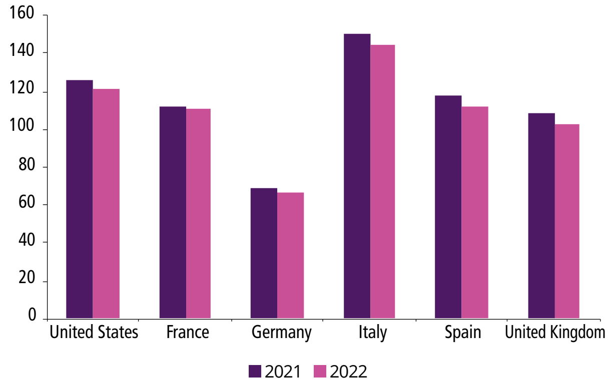


Chart 1.1.13: Change in public debt (in percent of GDP)

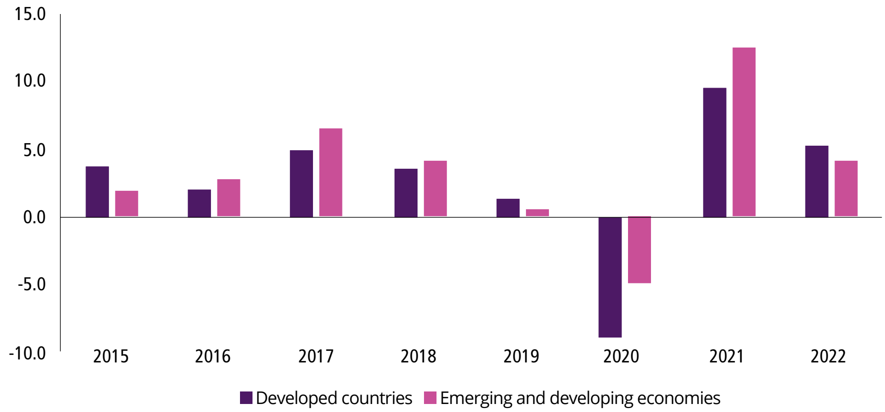


Source: IMF.

1.1.6 External accounts

World trade slowed significantly in 2022, amid geopolitical and economic fragmentation, the downturn in global economic activity, disruptions to commodity supply chains caused by the conflict in Ukraine and, to a lesser extent, the appreciation of the dollar. As a result, after the strong rebound of 10.6 percent recorded in 2021, growth in volume terms decelerated to 5.1 percent, reflecting increases of 5.2 percent in exports from advanced countries and 4.1 percent from emerging and developing economies.

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



Source: IMF.

Migrants' remittances to low- and middle-income countries reached 626 billion dollars in 2022, with an increase of 4.9 percent compared with 10.2 percent in 2021. This development has resulted from a combination of factors: on the one hand, the continued reopening of host countries, which has encouraged the employment of migrants, and on the other, the fall in real incomes caused by the acceleration of inflation and exchange rate fluctuations, particularly the depreciation of the euro against the dollar, which has particularly affected transfers to North Africa. Remittances to Latin America and the Caribbean rose by 9.3 percent, to Europe and Central Asia by 10.3 percent, to the Middle East and North Africa by 2.5 percent, to South Asia by 3.5 percent, to Sub-Saharan Africa by 5.2 percent and to East Asia and the Pacific by 0.7 percent.

Under these conditions, the current account balance of the advanced economies moved from an overall surplus of 0.8 percent of GDP in 2021 to a deficit of 0.4 percent in 2022. This trend includes a widening of the deficit from 1.5 percent to 5.6 percent in the United Kingdom, stagnation at 3.6 percent in the United States, a fall in the surplus in Japan from 3.9 percent to 2.1 percent. A deterioration in the current account balance is reported in the Euro area, from a surplus of 2.3 percent to a deficit of 0.7 percent of GDP. By main member countries, the surplus narrowed from 7.7 percent to 4.2 percent in Germany, stagnated at 1.1 percent in Spain and turned into a deficit of 1.7 percent in France and 0.7 percent in Italy.

In emerging and developing countries, the surplus widened to 1.4 percent of GDP from 0.8 percent, with in particular an increase from 6.7 percent to 10.3 percent in Russia and from 1.8 percent to 2.3 percent in China. On the other hand, the current account deficit widened in India from 1.2 percent to 2.6 percent and was almost stable in Brazil at 2.9 percent.

In the MENA region, the rise in energy prices led to a significant increase in the surplus balances of oil-exporting countries, which rose from 5.1 percent of GDP to 13.8 percent in Saudi Arabia, from 23.7 percent to 28.5 percent in Kuwait, from 14.7 percent to 26 percent in Qatar and from 11.6 percent to 11.7 percent in the United Arab Emirates. For the importing countries, the trends were disparate, with the current account deficit worsening to 8.5 percent in Tunisia and easing to 3.5 percent in Egypt and 7.4 percent in Jordan, two economies that benefited in particular from the improvement in migrant remittances and the recovery of tourism activity.

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

	2018	2019	2020	2021	2022
Advanced economies	**0.7**	**0.7**	**0.2**	**0.8**	**-0.4**
United states	-2.1	-2.1	-2.9	-3.6	-3.6
Euro area	2.8	2.3	1.6	2.3	-0.7
Germany	8.0	7.6	7.0	7.7	4.2
France	-0.8	0.5	-1.8	0.4	-1.7
Italy	2.6	3.3	3.9	3.0	-0.7
Spain	1.9	2.1	0.6	1.0	1.1
United kingdom	-4.1	-2.8	-3.2	-1.5	-5.6
Japan	3.5	3.4	2.9	3.9	2.1
Emerging and developing countries	**-0.2**	**0.0**	**0.5**	**0.8**	**1.4**
Emerging and developing countries of Asia	**-0.3**	**0.5**	**1.5**	**1.0**	**1.1**
China	0.2	0.7	1.7	1.8	2.3
India	-2.1	-0.9	0.9	-1.2	-2.6
Latin America and the Caribbean	-2.7	-2.2	-0.4	-2.0	-2.5
Brazil	-2.9	-3.6	-1.9	-2.8	-2.9
Mexico	-2.1	-0.4	2.1	-0.6	-0.9
Emerging and developing countries of Europe	**1.6**	**1.3**	**0.1**	**1.5**	**2.4**
Russia	7.0	3.9	2.4	6.7	10.3
Türkiye	-2.6	1.4	-4.4	-0.9	-5.4
Sub-Saharan Africa	**-2.1**	**-3.0**	**-2.8**	**-1.1**	**-2.0**
South Africa	-2.9	-2.6	2.0	3.7	-0.5
Middle East and North Africa	**4.3**	**1.2**	**-3.3**	**4.2**	**9.0**

Source: IMF.

Following the upward trend recorded in 2021 and which continued into the first quarter of 2022, FDI[1] flows dropped in the second quarter to $357 billion, down 7 percent compared to the quarterly average observed in 2021. This mainly reflects a decline in investor confidence due to the conflict in Ukraine, accelerating inflation and interest rates, as well as the risks of recession in the major economies.

Against this backdrop, flows to developed economies fell by 22 percent to $137 billion. In particular, flows to Europe dropped by 23 percent to $31 billion and to North America by 22 percent to $87 billion, as cross-border mergers and acquisitions targeting US companies fell by more than half.

[1] UNCTAD data for the second quarter of 2022. The final annual data will be published in the World Investment Report in June 2023.

Conversely, FDI flows to developing economies showed some resilience, rising by 6 percent to $221 billion. They have thus increased by 7 percent to $165 billion towards Asia, driven in particular by 'green' investment projects in India and high-tech industries in China. Similarly, flows to Latin America and the Caribbean rose by 61 percent to $55 billion, largely reflecting an increase in reinvested earnings in Brazil. Capital inflows to Africa, on the other hand, virtually dried up, falling by 96 percent to $1 billion, with an 80 percent contraction in flows to South Africa.

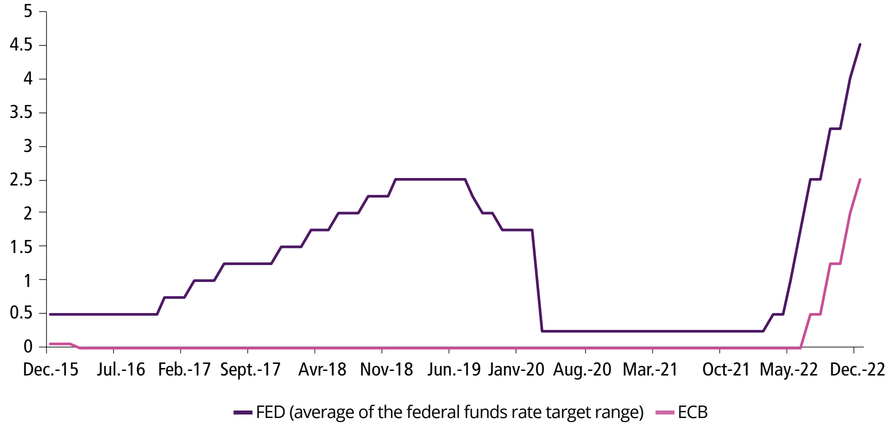
Against this backdrop, the foreign exchange reserves of the main emerging countries dropped to $3,306.8 billion in China, $567.2 billion in India and $324.7 billion in Brazil.

1.1.7 Monetary policies

Faced with inflation that has proved stronger and more persistent than expected, central banks around the world have started a rapid and largely synchronized tightening cycle. In the advanced countries, the FED raised rates in March 2022 by an initial 25 basis points (bp), followed by six more consecutive hikes at accelerated rates, bringing its target range for the federal funds rate to [4.25 percent - 4.50 percent] by the end of the year, with a total rise of 425 bp over a 9-month period. At the same time, it began reducing its holdings of Treasury securities and mortgage-backed securities by $47.5 billion per month from June, then by $95 billion per month from September.

For its part, the ECB began its monetary tightening cycle at its July meeting with a 50 bp raise, ending the year with a total rise of 250 bp, bringing the interest rate on the main refinancing operations to 2.5 percent, that on the marginal lending facility to 2.75 percent and that on the deposit facility to 2 percent. With regard to the asset purchase program (APP), the ECB indicated at its December meeting that it would be reduced at a measured and predictable pace, with an average reduction of €15 billion per month until end-June 2023. With regard to the Pandemic Emergency Purchasing Program (PEPP), the bank plans to reinvest principal repayments on maturing securities until at least the end of 2024.

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

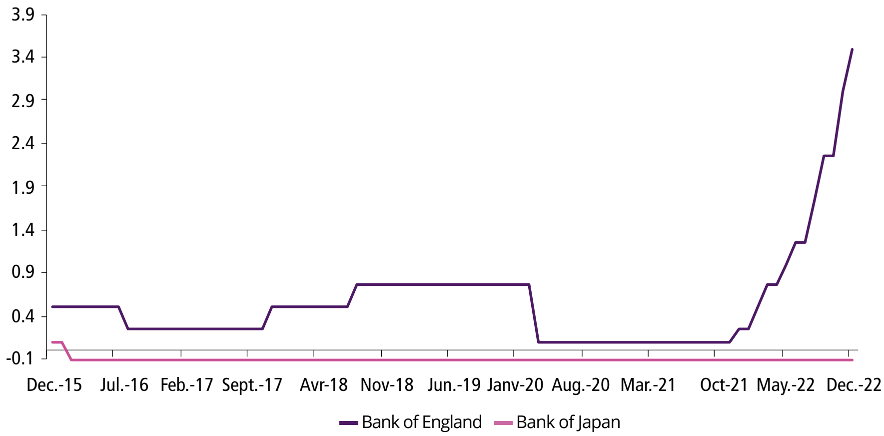


Source: Thomson Reuters Eikon.

The Bank of England began its monetary tightening cycle in December 2021. Fighting a sharply accelerating Inflation, it raised its rate by a total of 325 bp over the course of 2022, to 3.5 percent, its highest level since the end of 2008. At the same time, in March, it stopped reinvesting maturing assets and decided in September to reduce its stock of government bonds by £80 billion over the next twelve months. However, it was forced to postpone the start of government bond sales until the following month, citing potential risks to the stability of the financial system.

In Japan, where inflation remained moderate, the central bank decided to maintain its short-term interest rate at -0.1 percent and the yield on the 10-year government bond at around 0 percent, while at the same time widening of the fluctuation band from +/- 0.25 percent to +/- 0.5 percent.

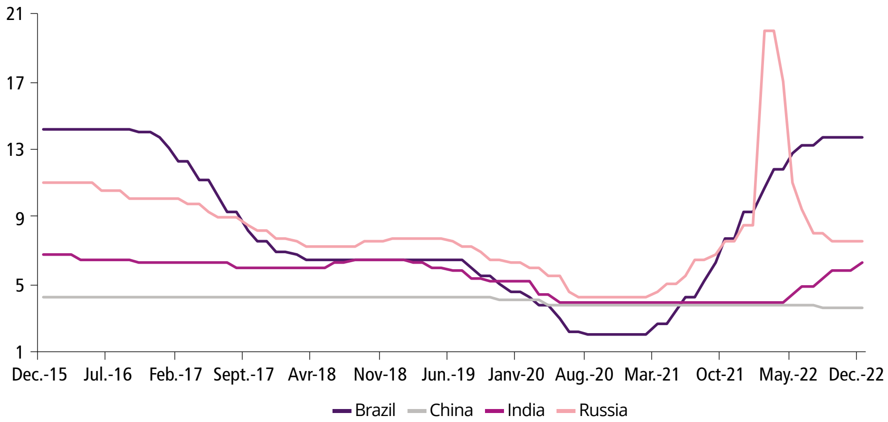
Chart 1.1.16: Key rates of the Bank of England and the Bank of Japan



Source: Thomson Reuters Eikon.

Central banks in emerging countries were also forced to tighten their monetary policies in order to combat rising prices, with the notable exceptions of China, Russia and Türkiye. In India, the central bank raised its rate by a total of 225 bp for the year as a whole, to 6.25 percent, and in Brazil, the key rate was raised five times in a row, bringing it up to 13.75 percent. In contrast, the People's Bank of China maintained its prime lending rate for one-year loans at 3.7 percent for the first seven months of the year before cutting it by 5 bp in August to support economic activity, which was suffering from the property crisis and health restrictions. In Russia, after an emergency rate hike following the outbreak of conflict in Ukraine, the central bank cut its rate six times to contain risks to financial stability. In December, the rate was 7.5 percent, compared with 8.5 percent a year earlier. For its part, despite soaring inflation, the Turkish central bank cut its rate four times to 9 percent at its November meeting, at which it also decided to end the cycle of monetary easing started in August.

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



Source: Thomson Reuters Eikon.

Box 1.1.3: Monetary policy challenges

The rise in Inflation, caused by the Covid-19 pandemic and the war in Ukraine, has triggered a cycle of monetary tightening characterised by a degree of synchronisation never seen in the last five decades. By August 2022, more than 95 percent of central banks had raised their key rates[1]. By way of comparison, this proportion has rarely exceeded 50 percent, and only reached 90 percent during the oil crises of the 1970s. Moreover, the overall rate hike was twice as fast as its historical pace.

This synchronization is mainly due to the overall nature of the factors shaping inflation. The degree to which inflation is transmitted between countries has risen sharply since the start of the pandemic, although it is still lower than it was before the 2000s. Moreover, the global economy is facing deep structural changes which have an impact on inflation.

- Reducing carbon intensity: accelerating the transition to a greener economy through appropriate carbon pricing could influence consumer prices either directly, through higher energy prices, or indirectly through higher production costs for businesses. It could also lead to additional political uncertainty, which would then weigh on investment. In the case of the Euro area, simulations carried out by the Network of Central Banks and Supervisors for the Greening of the Financial System[2] indicate that, even in the event of an orderly transition[3], it could experience until 2030 annual inflation rates 0.3 to 1.1 percentage points higher than in a scenario without climate policy.
- Digitalization: digital transformation is impacting the economy through a number of channels, including productivity, employment, competition, and prices. An ECB study[4] has shown that the growing use of e-commerce in the European Union has reduced inflation in non-energy industrial goods by an average of 0.1 percentage points a year since 2003. On the other hand, the rise of «superstar» companies could reduce competition and lead to higher margins in the long term[5]. In the United States, for example, the general increase in corporate margins pushed up the inflation rate by around one percentage point a year between 1980 and 2014.
- Fragmentation: since the start of the Covid-19 pandemic, there has been a strong rise in economic sovereignty, with many countries seeking to limit their dependence on global supply chains, particularly for pharmaceutical products and semi-conductors. In addition, geopolitical fragmentation is prompting companies to geographically reconfigure their supply and production systems. A study[6] by McKinsey points out that almost 90 percent of global companies plan to regionalise their production over the next three years. The authors believe that these developments could lead to a loss of efficiency and an increase in costs, which could generate Inflationary pressures.

[1] Paolo Cavallino, Giulio Cornelli, Peter Hördahl et Egon Zakrajsek: «Front-loading» monetary tightening: pros and cons. BIS Bulletins 63, December 2022.

[2] Network for greening the financial system: «NGFS Climate Scenarios for central banks and supervisors», June 2021.

[3] A tryearsition where the public policies implemented and technological developments reduce carbon emissions according to the objectives set by the Paris Agreement, while minimizing macroeconomic damage.

[4] Central European Bank: «Low Inflation in the euro area causes and consequences, ECB Occasional Papers, no 181, Box 3, 2017.

[5] D Autor, D Dorn, L Katz, C Patterson et J Van Reenen: « The fall of the labor share and the rise of superstar firms «, Quarterly Journal of Economics, vol 135, no 2, 2020, pp 645-709. De Loecker, J. et J. Eeckhout: « The rise of market power and the macroeconomic implications «, NBER Working Paper No 23687, 2017

[6] McKinsey: « How COVID-19 is reshaping supply chains «, 23 November 2021.

- Demographic change: the impact of demographics on inflation remains uncertain. On the one hand, it could be inflationary, due in particular to the rise in spending on health and care for the elderly, as well as the decline in the labor force and the resulting rise in wages. On the other hand, falling birth rates could lead to reductions not only in the working population, but also in the consumer population, which could have a negative impact on demand and consequently on prices. This phenomenon has more often been considered deflationary, particularly in Japan.
- Uncertainty about the path of inflation: when inflation crosses a certain threshold and becomes a matter of concern and a subject of public debate, expectations can react more strongly to shocks and quickly become unanchored[7].

[7] C. Carvalho, S. Eusepi, E. Moench et B. Preston: «Anchored Inflation Expectations», American Economic Journal: Macroeconomics, 15 (1): 1-47, 2023.

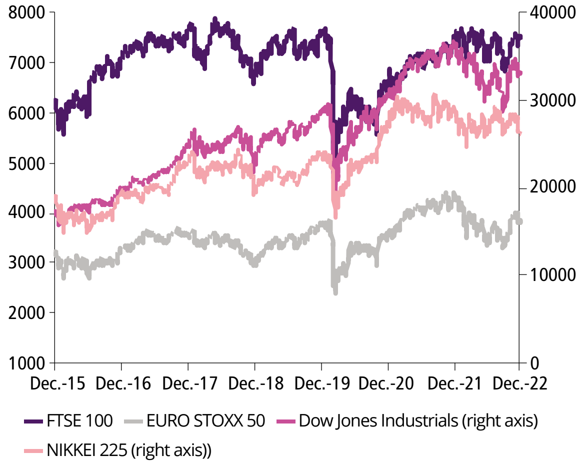
1.1.8 Financial markets

Against a backdrop of rapidly rising interest rates, a gloomy economic outlook and high uncertainties linked to the conflict in Ukraine, the stock markets fell, with emerging countries particularly heavily impacted. With the exception of the London Stock Exchange, where the FTSE 100 index rose by 5.1 percent, the other stock markets in the main advanced countries underperformed, with the Dow Jones Industrials falling by 3.3 percent, the Nikkei 225 by 5.5 percent and the Eurostoxx 50 by 6.5 percent. These developments have been accompanied by a marked increase in volatility on both US and European markets, with the VIX rising from 19.6 in 2021 to 25.6 in 2022 and the VSTOXX from 20 to 27.

Among the emerging countries, the MSCI index fell by 33.2 percent for China[1] and 12.8 percent for Brazil, while India's index rose by 8.3 percent.

[1] The Chinese index posted a strong performance in December following the abandonment of the zero-Covid strategy.

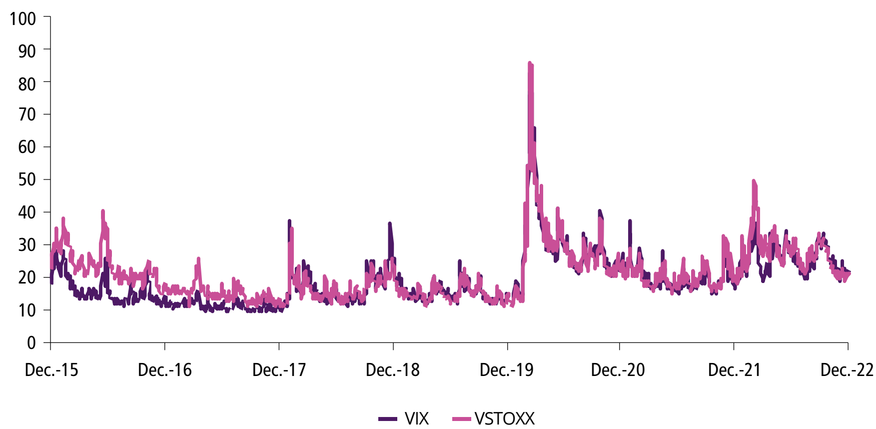
Chart 1.1.18: The major stock market indexes in advanced economies



Source: Thomson Reuters Eikon.

Chart 1.1.19: MSCI EM

Chart 1.1.20: Stock markets volatility indexes

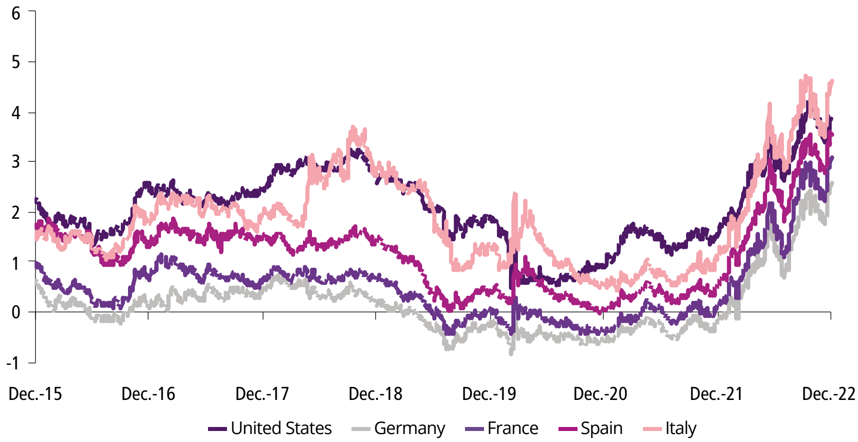


Source: Thomson Reuters Eikon.

At the same time, the tightening of monetary policies has led to a marked increase in bond market yields. In the Euro area, 10-year sovereign rates rose by 150 bp to 1.2 percent in 2022 for Germany, 166 bp to 1.6 percent for France, 186 bp to 2.2 percent for Spain and 230 bp to 3.1 percent for Italy. In the United States, the increase for the same rate reached 152 bp to 3 percent.

For the main emerging economies, with the exception of China, which fell by 3 percent to 2.8 percent, the rate rose by 101 bp to 7.2 percent for India, 260 bp to 12.3 percent for Brazil, 278 bp to 10 percent for Russia and 60 bp to 17.6 percent for Türkiye.

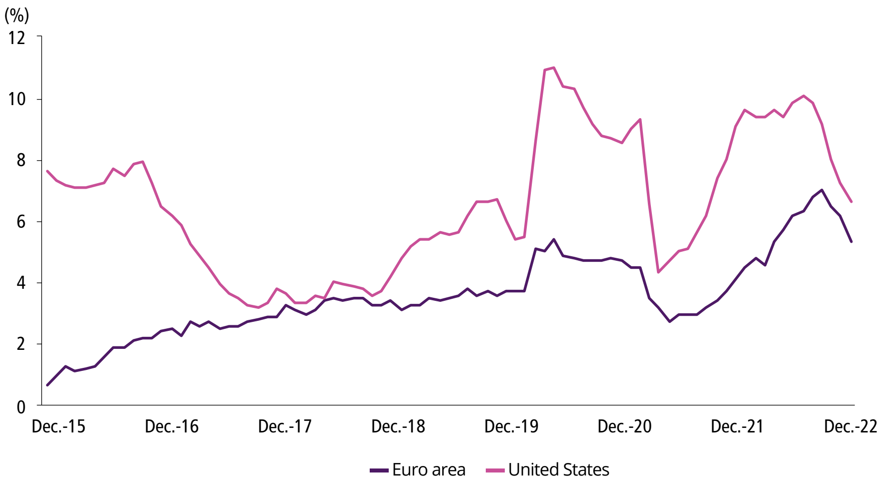
Chart 1.1.21: 10-year sovereign rates of the USA and of the main countries of the Euro area (in percent)



Source: Thomson Reuters Eikon.

With regard to bank loans and considering the time needed to transmit the decisions of monetary policy tightening, its growth rate continued to accelerate in the first three quarters of 2022 before slowing in the fourth. On average over the year, growth reached 9 percent after 6.7 percent in 2021 in the United States and 5.8 percent after 3.5 percent in the Euro area. In the main emerging economies, growth slowed from 12.6 percent to 6 percent in China[1] and has almost stabilized at around 17 percent in Brazil.

Chart 1.1.22: Credit trends in the United States and the Euro area (YoY)

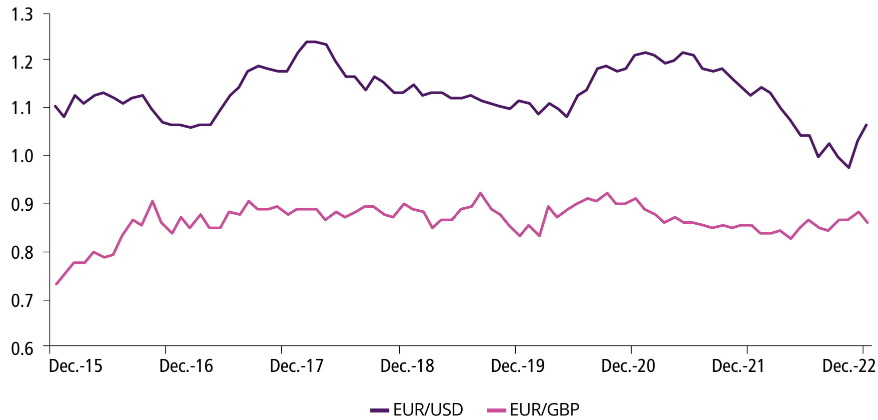


Source: Thomson Reuters Eikon.

[1] The available data is related to consumer credit.

In foreign exchange markets, the year was marked by a sharp rise in the dollar, which reached historic levels against the European currency. The value of the dollar rose from 0.88 euros in January to a peak of 1.02 in October, before starting to decline and ending the year at a monthly average of 0.94. Over the year 2022 as a whole, it averaged 0.95 euros, up 12.5 percent year on year. The US currency also gained 11.6 percent against the pound sterling and 19.7 percent against the Japanese yen.

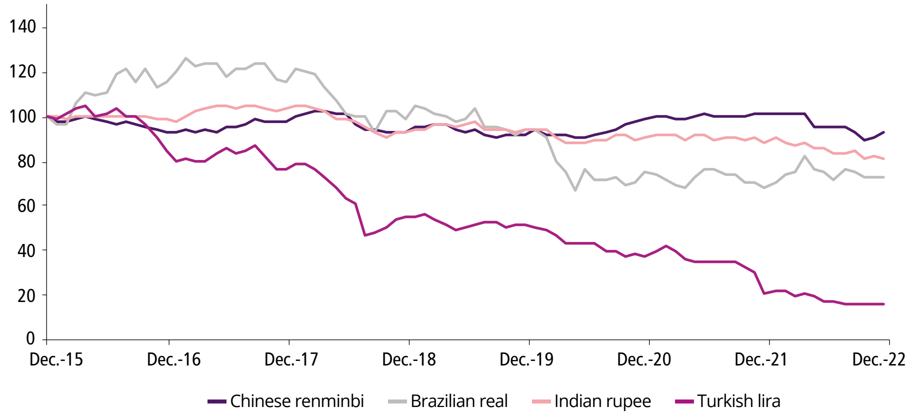
Chart 1.1.23: Euro exchange rate



Source: Thomson Reuters Eikon.

As for the currencies of the emerging economies, the Brazilian real appreciated by 4.6 percent against the dollar year on year, supported by a favorable interest rate differential and rising commodity prices. By contrast, the Chinese renminbi depreciated by 4 percent against the dollar, the Indian rupee by 5.9 percent and the Turkish lira by 47.2 percent. As for the Russian ruble, after a sharp drop following the outbreak of the conflict, it strengthened by 9.5 percent against the dollar, boosted by capital controls and the decision by the Russian authorities to impose payment in rubles for gas exports.

Chart 1.1.24: Change in the currencies of major emerging countries against the dollar (index base 100 on 31 December 2016)



Source: Thomson Reuters Eikon.

Box 1.1.4: Marrakech Declaration of the 2022 African Caucus «Towards a Resilient Africa»

Under the High Patronage of His Majesty King Mohammed VI, the 2022 meeting of African Governors of the IMF and the World Bank (African Caucus) took place from 4 to 6 July in Marrakech, under the theme «Towards a Resilient Africa».

Created in 1963 to strengthen the voice of African countries within the Bretton Woods institutions, this Caucus meets every year ahead of the IMF and WB Annual Meetings, to enable the Governors of the 54 African member countries to discuss development issues concerning the continent, with a view to harmonizing their positions and transcribing them into a memorandum addressed to the heads of the IMF and WB.

Under the chairmanship of Morocco, the 2022 meeting concluded with the adoption of the «Marrakech Declaration», in which the African Governors called on the two Bretton Woods institutions to support the Continent in its efforts to build resilience to future shocks, with an emphasis on (i) debt repositioning; (ii) regional integration focusing on energy, digitalization and youth entrepreneurship; and (iii) climate transition.

To this end, the Governors called for facilitating a rapid and substantial debt relief, but also ensuring the implementation of the G-20 Common Framework for debt treatment, while speeding up work on the global debt architecture. In particular, the participants proposed exploring the possibility of converting debt into catalytic investment programs enabling countries to gain access to additional financing mechanisms without increasing their debt levels. They also called on the IMF to put in place SDR reallocation mechanisms tailored to the specific needs of African economies.

The African Governors also called for the WB Group to adopt a regional approach to financing projects in the energy sector in order to guarantee the continent's energy security and universal access to electricity. They also asked for its support in developing a secure digital single market in Africa, and in supporting youth entrepreneurship and SME financing. The IMF, for its part, has been asked to provide support on issues of cyber security, cross-border payments, and the use of digital currencies by central banks.

With regard to the climate crisis, they emphasized the insufficient level of mobilization of the international community in relation to the Paris Agreement's objectives and called for greater access to financing for climate action, with particular attention to the most vulnerable countries. In particular, the Governors encouraged the IMF and the WB to foster deeper collaboration in their respective areas to support African countries in managing the climate transition. They also asked the WB to facilitate access to green and affordable climate financing so that Africa, the world's least polluting continent, does not suffer disproportionately from the costs of climate change.

1.2 Production and demand

Owing to a particularly severe drought and an overall difficult external environment, the national economy slowed significantly in 2022. Thus, after rebounding by 8 percent in 2021, its growth fell back to 1.3 percent, with a 12.9 percent decline in agricultural value added and a slowdown to 3 percent in the growth of non-agricultural sectors. Activity mainly dropped in the «construction and public works» sector, «extractive industries» and the «electricity, gas, water, sewerage and waste» branch, and decelerated sharply in the processing industries. In contrast, in the tertiary sector, there was a notable improvement in the «accommodation and catering» activities, whose contribution to growth reached an all-time high of 1.1 percentage points.

On the demand side, the year was marked by a fall in household consumption, which suffered from the deterioration of purchasing power caused by rising inflation and falling incomes, particularly in agriculture. It dropped by 0.7 percent after rising by 6.9 percent, and its contribution to growth was negative by 0.4 percentage points instead of a positive contribution of 4 points in 2021. At the same time, general government consumption slowed to 3.3 percent, while investment shrunk by 6.5 percent. All in all, domestic demand made a negative contribution to growth by 1.7 percentage points, compared to a positive contribution of 2.9 percentage points from the external component.

At current prices, GDP gained 4.3 percent to 1,330.2 billion dirhams in 2022. Taking into account increases of 7.5 percent to 18.9 billion dirhams in property income outflows and 18.1 percent to 124.9 billion dirhams in current transfers from abroad, gross national disposable income (GNDI) reached 1,436.1 billion dirhams, up 5.4 percent year-on-year.

Table 1.2.1: Value added at last year's prices (change in percent)

	2016	2017	2018	2019	2020	2021	2022
Primary sector	**-18.6**	**19.5**	**4.5**	**-3.9**	**-7.1**	**19.0**	**-12.7**
Agriculture and forestry	-19.7	21.5	5.6	-5.0	-8.1	19.5	-12.9
Fisheries and aquaculture	3.6	-9.3	-12.5	13.8	12.2	9.9	-9.7
Secondary sector	**1.9**	**3.4**	**3.1**	**4.1**	**-5.2**	**7.1**	**-1.7**
Extraction industry	3.3	11.0	-0.8	2.3	2.6	7.3	-9.4
Manufacturing industries	0.7	3.4	3.2	3.4	-7.4	7.8	0.3
Electricity and gas supply - Water supply, sewage system, waste treatment	1.8	2.9	8.8	14.7	-1.3	7.5	-3.2
Construction and public works	4.7	1.3	1.3	0.5	-4.1	4.7	-3.6
Tertiary sector	**3.3**	**3.3**	**2.9**	**3.9**	**-7.9**	**5.8**	**5.4**
Wholesale and retail trade; repair of motor vehicles and motorcycles	2.5	4.6	-0.2	2.1	-6.6	8.2	0.4
Transport and storage	1.1	1.3	-0.5	5.5	-28.5	10.5	3.8
Accommodation and catering	3.1	10.4	6.2	3.6	-54.6	15.4	53.7
Information and communication	5.4	-2.0	3.5	2.5	5.1	-1.5	2.6
Financial activities and insurance	6.0	3.8	1.9	5.3	0.6	4.8	7.0
Real estate activities	2.7	1.5	3.2	1.8	-0.8	2.9	1.4
Research and development and services to businesses	6.4	4.7	6.1	8.3	-13.4	9.6	5.4
General government, compulsory social security	3.9	3.9	3.9	6.6	5.3	5.1	4.2
Education, health and social work	1.0	1.1	4.1	2.0	0.8	3.6	5.5
Other services	3.2	1.9	1.5	0.2	-23.2	5.0	2.7
Non-agricultural value added	**2.8**	**3.2**	**2.8**	**4.0**	**-6.9**	**6.3**	**3.0**
Total value added	**0.0**	**5.2**	**3.1**	**3.0**	**-7.0**	**7.8**	**1.0**
Taxes on products net of subsidies	**5.1**	**4.0**	**2.4**	**2.3**	**-8.3**	**10.3**	**3.9**
GDP	**0.5**	**5.1**	**3.1**	**2.9**	**-7.2**	**8.0**	**1.3**

Source: HCP.

1.2.1 Production

After an increase of 19 percent in 2021, the value added in the primary sector declined by 12.7 percent, with contractions of 12.9 percent, compared to an increase of 19.5 percent, for agriculture and 9.7 percent, instead of a rise of 9.9 percent, for fishing.

The 2021/2022 agricultural compaign was characterized by unfavorable weather conditions. Rainfall level was one of the lowest in the last thirty years, with an almost prevalent deficit in all regions. Moreover, the distribution of rainfall over time was largely unbalanced, with the months of January and February, which are crucial periods for crop development, being particularly dry.

Under these conditions, the area sown with the three main cereals[1] contracted by 17.9 percent to 3.6 million hectares, and yields reached 9.5 quintals per hectare, down 60 percent year-on-year. As a result, the harvest fell by 67 percent to 34 million quintals (MQx).

For other plant crops, production decreased by 34.4 percent for fodder crops, 22.5 percent for the sugar industry and 0.1 percent for market gardening. By contrast, production of olives and citrus fruits rose by 21.3 percent and 14.1 percent, respectively.

Chart 1.2.1: Production of the three main cereals (in MQx)

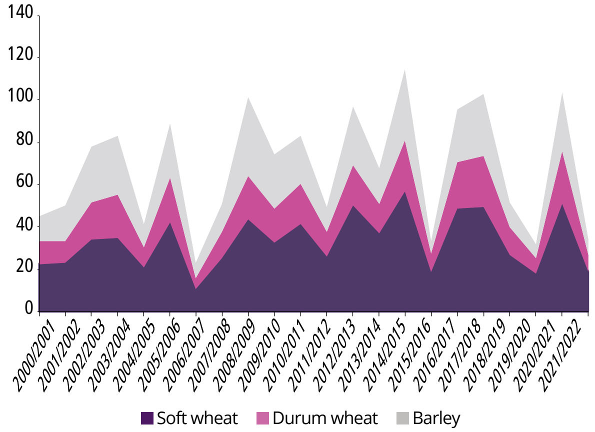
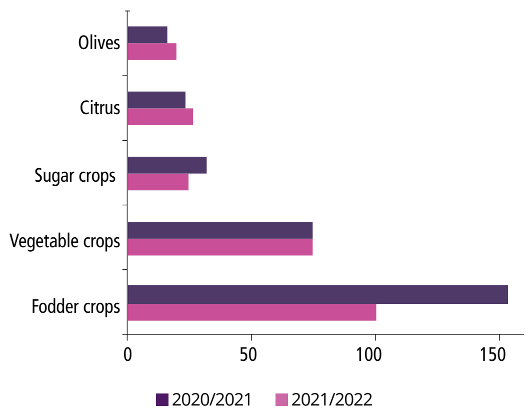


Chart 1.2.2: Production of the main crops excluding cereals (in MQx)



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

In the livestock sector, the combination of several shocks, notably the drought, the Covid-19 crisis, and the rising costs of compound feed, resulting from the conflict in Ukraine, led to an 11 percent decline in milk production and a 2.9 percent drop in red meat production[2], while egg and white meat production stabilized.

In the fisheries sector, data available for the coastal and artisanal component show a 13.4 percent improvement in the volume of products marketed to 1.5 million tons. This change includes increases of 17.3 percent for pelagic fish, which represent 89.2 percent of the total, and 1.1 percent for crustaceans, as well as decreases of 12.3 percent for cephalopods and 3.6 percent for white fish. In value terms, production rose by 6.5 percent to 9.7 billion dirhams. In the case of deep-sea fishing, the latest data available are for 2021, showing a 1.8 percent fall in volume and a 36.7 percent increase in value.

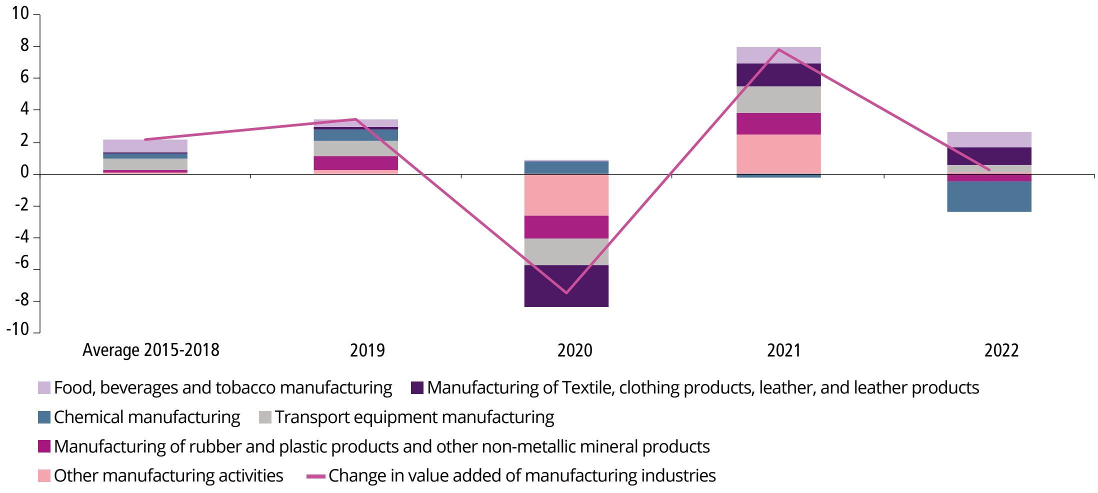
[1] These are soft wheat, durum wheat and barley.
[2] These are beef meat, goat meat and sheep meat.

Chart 1.2.3: Marketed production of coastal and artisanal fisheries (change in percent)

Source: National Fisheries Office.

As for the secondary sector, after increasing by 7.1 percent in 2021, its value added fell by 1.7 percent, and its contribution to growth was negative at 0.4 percentage points. Thus, growth in the manufacturing industries was limited to 0.3 percent after 7.8 percent in 2021, with, in particular, contractions of 8.3 percent, after 1.4 percent, in «Chemical manufacturing», and of 4.4 percent, against a 10.9 percent increase, in the «Manufacturing of rubber and plastic products and other non-metallic mineral products». On the other hand, the pace of activity slowed from 19.9 percent to 8.7 percent in «Transport equipment manufacturing» and from 11.6 percent to 9 percent in the «Manufacturing of textiles, clothing products, leather, and leather products». In the «Food, beverages and tobacco manufacturing» industry, the value added rose by 3.7 percent, the same rate as in 2021.

Chart 1.2.4: Contribution to the change in the value added of the manufacturing industries (in percentage points)



Sources: HCP data and Bank Al-Maghrib calculations.

The value added of the "Electricity, gas, water, sewerage and waste" branch fell by 3.2 percent after increasing by 7.5 percent in 2021, reflecting a sharp deceleration from 6.5 percent to 0.4 percent in the growth of electricity production. By source, the increase reached 2.4 percent for thermal generation, which accounts for around 81 percent of the total. In this respect, it should be noted that production activity has resumed[1] at a sustained pace for the «Ain Beni Mathar» thermal power plant and partially for the «Tahaddart» plant, following the resumption of natural gas supplies in July 2022 from Spain[2] using the Maghreb-Europe Gas Pipeline in the opposite direction. As regards wind power, with the commissioning of the first phase of the Taza wind farm with a capacity of 87 MW, production rose by 5.3 percent. Conversely, hydroelectric generation contracted by 44 percent, owing to the dams' low filling levels, and solar generation dropped by 21 percent, mainly due to the temporary shutdown of the Noor Ouarzazate III[3] power plant.

Against this backdrop, and amid a sustained rise in demand, electricity imports surged by 171.4 percent, and the balance of foreign trade in electricity showed a deficit of 1397 GWh, or the equivalent of 3.4 billion dirhams, after a surplus of 163 GWh, or the equivalent of 130.7 million dirhams in 2021.

Chart 1.2.5: Electricity generation by source (in thousands of GWh)

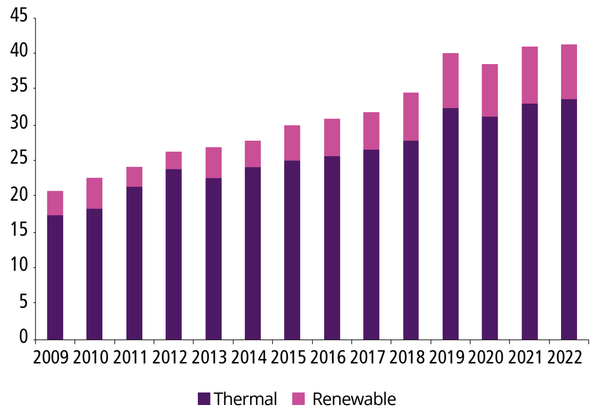


Chart 1.2.6: Renewable electricity generation (in thousands of GWh)

Source : National Electricity and Drinking Water Office.

Similarly, the value added of the «extraction industry» declined by 9.4 percent, after rising by 7.3 percent in 2021. This is mainly the result of a 20.1 percent decrease, after a 1.8 percent increase, in the market production of phosphates, against a backdrop of a fall in international demand for fertilizers of around 5 percent[4].

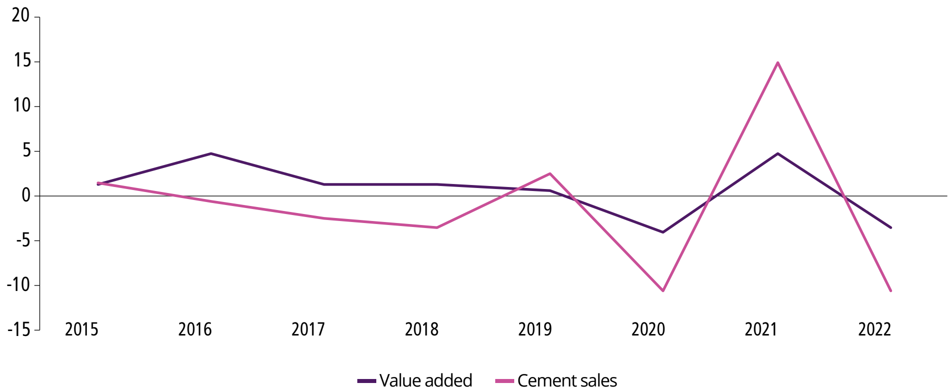
[1] Production at the «Ain Beni Mathar» and «Tahaddart» power plants had ceased on November 1, 2021, when the contract for the Maghreb-Europe gas pipeline between Morocco and Algeria expired.
[2] Natural gas is procured in its liquid state on the international market, then regasified in Spain before being transported to Morocco.
[3] The Noor Ouarzazate III power plant was shut down from 18 September 2021 until 12 December 2022 for maintenance.
[4] According to the International Fertilizer Association report published in June 2023.

Chart 1.2.7: Production and exports of raw phosphate in volume (change in percent)

Source: OCP.

The «construction» branch was also marked by underperformance, suffering badly from soaring prices of building materials and equipment. This change was reflected in cement sales, which fell by 10.6 percent instead of a 14.8 percent increase in 2021, as well as in the real estate market, which reported a 12.3 percent decline in the number of transactions and a slowdown in the growth rate in housing loans from 4.7 percent to 2.8 percent. Overall, the sector's value added dropped by 3.6 percent, after rising by 4.7 percent.

Chart 1.2.8: Value Added in construction and cement sales (change in percent)

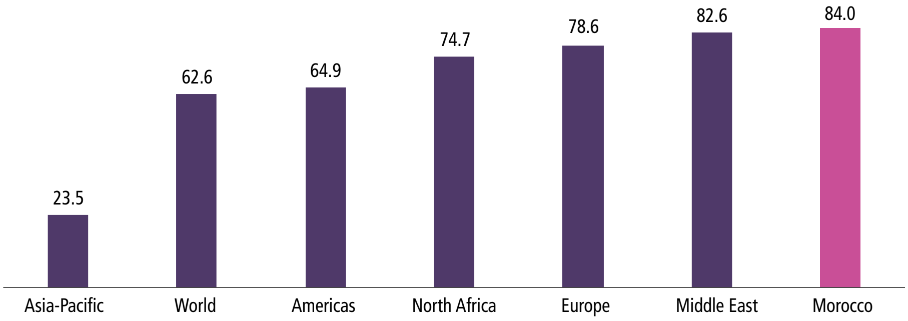


Sources: HCP and Professional Association of Cement Companies (APC).

In the tertiary sector, the increase of the value added fell from 5.8 percent in 2021 to 5.4 percent, and its contribution to growth from 3.1 percentage points to 2.8 points.

The activity in the "Accommodation and catering" branch continued to recover, with a rebound of 53.7 percent, after 15.4 percent, benefiting in particular from the lifting of health restrictions, the reopening of borders[1] and the smooth running of the Marhaba operation. Arrivals at border crossings almost tripled to 10.9 million, following a 34 percent rise a year earlier, with a recovery rate of 84 percent compared to 2019, against a world average of almost 63 percent[2]. This includes increases of 2.4 million to 5.8 million for Moroccans living abroad and 1.3 million to 5.1 million for foreign tourists.

Chart 1.2.9: Ratio of arrivals at border crossings in 2022 compared with 2019 (in percent)



Sources: WTO and Ministry of Tourism, Handicrafts and Social and Solidarity Economy

The improvement was widespread across all issuing countries, with in particular a notable increase in arrivals from Spain, which exceeded the 2019 level by 2.4 percent. For the other main markets, the recovery rate ranged from 19.9 percent for China to 87.5 percent for the United Kingdom.

[1] The authorities have decided to open the borders on 7 February 2022 after closing them on 29 November 2021.
[2] According to the World Tourism Organisation.

Table 1.2.2: Arrivals at border crossings

	In thousands				Change (In percent)		
	2019	2020	2021	2022	2021/2020	2022/2021	2022/2019
Foreign tourists	**7 043**	**1 408**	**1 284**	**5 065**	**-8.8**	**294.3**	**-28.1**
Europe	5 471	1 097	959	4 126	-12.6	330.2	-24.6
France	1 991	412	494	1 505	19.8	204.8	-24.4
Spain	881	200	99	902	-50.3	806.2	2.4
Germany	413	79	39	171	-50.8	340.2	-58.6
United Kingdom	551	113	56	482	-50.2	753.9	-12.5
Russia	40	9	12	18	29.7	52.3	-55.0
North America	478	75	86	303	14.7	250	-36.6
Arab countries	426	97	122	279	26.1	129.3	-34.5
Maghreb	227	49	46	118	-6.0	154.3	-48.0
Rest of the world	668	139	117	357	-15.9	205.1	-46.6
China	141	21	5	28	-76.8	487.5	-80.1
Moroccans living abroad	**5 889**	**1 370**	**2 437**	**5 804**	**78.0**	**138.0**	**-1.4**
Total	**12 932**	**2 778**	**3 722**	**10 869**	**34.0**	**192.0**	**-16.0**

Source: Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

Overnight stays in classified establishments doubled to almost 19 million, with increases of 293 percent for non-residents and 24.5 percent for national tourists. By city, overnight stays rose by 215.1 percent in Agadir, 159.9 percent in Marrakech, 103 percent in Tangier and 85.8 percent in Casablanca.

Table 1.2.3: Overnight stays in classified hotels

	In thousands				Change (In percent)		
	2019	2020	2021	2022	2021/2020	2022/2021	2022/2019
Foreign tourists	**17 406**	**3 470**	**2 818**	**11 071**	**-18.8**	**292.9**	**-36.4**
Europe	12 353	2 372	1 751	7 557	-26.2	331.5	-38.8
France	4 853	1 046	985	3 412	-5.8	246.3	-29.7
Spain	877	154	114	530	-26.5	366.7	-39.6
Germany	1 746	332	69	429	-79.1	518.9	-75.4
United Kingdom	2 224	383	240	1690	-37.4	604.7	-24.0
Russia	110	17	29	41	69.5	38.5	-62.7
North America	849	161	201	680	25.5	237.4	-19.9
Arab countries	953	236	248	673	5.2	171.7	-29.4
Maghreb	336	75	53	129	-29.5	144.1	-61.6
Rest of the world	3251	701	617	2160	-12	250	-33.6
National tourists	**7 838**	**3 499**	**6 376**	**7 939**	**82.2**	**24.5**	**1.3**
Total	**25 244**	**6 968**	**9 194**	**19 010**	**31.9**	**106.8**	**-24.7**

Source: Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

Under these conditions, and considering the change in bed capacity, the occupancy rate rose from 25 percent to 41 percent from one year to the next. With the exception of «Assilah», which posted a drop of one percentage point, the other main destinations recorded increases, the most significant ones were observed in Marrakech with 27 points to 55 percent, Agadir with 23 points to 52 percent and Rabat with 19 points to 46 percent.

Table 1.2.4: Occupancy rates by major city

	In percent				Change (in pp)	
	2019	2020	2021	2022	2022/2021	2022/2019
Marrakech	64	32	28	55	27	-9
Agadir	58	36	29	52	23	-6
Casablanca	50	22	23	37	14	-13
Tangier	55	25	33	48	15	-7
Rabat	55	27	27	46	19	-9
Fez	42	24	37	42	5	0
Essaouira	41	22	22	35	13	-6
Tetouan	40	17	21	34	13	-6
Ouarzazate	31	18	13	19	6	-12
Meknes	27	14	17	22	5	-5
Benslimane	19	28	28	39	11	20
Al Hoceima	19	20	20	21	1	2
Assilah	13	5	17	16	-1	3
Total	**48**	**26**	**25**	**41**	**16**	**-7**

Source: Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

Box 1.2.1: Dynamics of domestic tourism in Morocco over the period 2000-2022

Domestic tourism, which is defined by the World Tourism Organization as all the activities of a visitor residing within the country of reference, is an important component of the sector as a whole, particularly in the advanced countries. It accounts for a high proportion of tourism spending, reaching 39 percent in Spain, 56.1 percent in Italy, 61 percent in France, 75 percent in South Africa, 84 percent in Germany and 86 percent in the United States. In Morocco, the data available from the tourism satellite account drawn up by the HCP for 2019 indicate that residents account for 33 percent[1] of all tourism spending in Morocco.

Chart B1.2.1.1: Contribution of domestic tourism to tourism spending in 2019 (in percent)

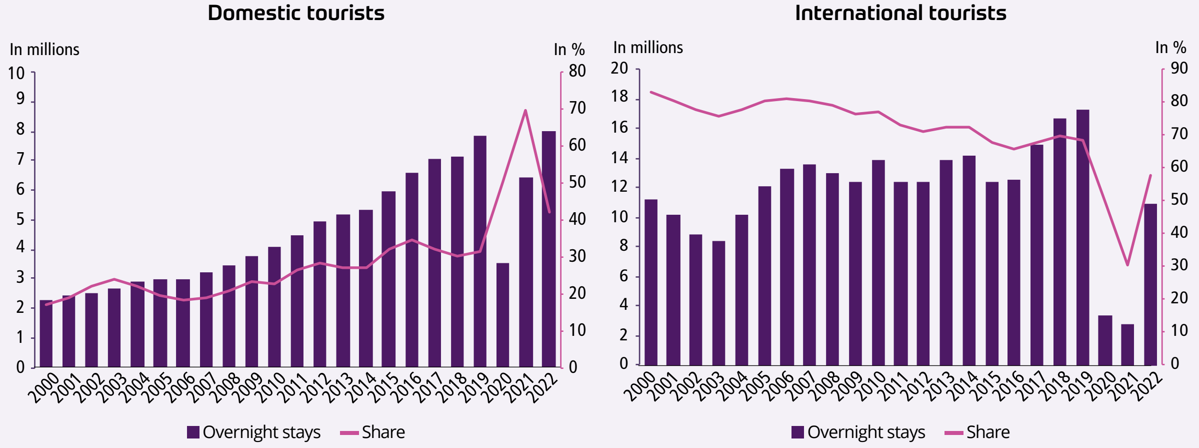
Sources: OECD and HCP.

Due to data unavailability, the analysis of the dynamics of domestic tourism in Morocco over the 2000-2022 period, which is the subject of this box, is limited to stays in classified tourist hotel units (CTHU)[2]. Two phases have been identified, namely the pre-crisis phase from 2000 to 2019 and the post-crisis phase (2021-2022). The first was marked by a significant rise in domestic tourism, with an annual average increase of 6.5 percent in arrivals by Moroccan residents in classified establishments, compared to 2.7 percent for non-residents, raising their share from 24.2 percent to 38.8 percent. In terms of overnight stays, the annual increase reached 6.7 percent compared to 2.3 percent, with the share of residents rising from 16.8 percent to 31 percent.

[1] This figure includes expenditure on internal tourism and on tourism abroad but made in Morocco (reservation services, etc.).

[2] It should be noted that domestic tourism in Morocco is essentially based on modes of accommodation other than hotels. According to the results of the survey on domestic tourism carried out in January 2015 by the Ministry of Tourism, 59 percent stay with "family and friends" and 20 percent opt to rent accommodation.

Chart B1.2.1.2: Overnight stays in CTHUs



Source: Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

During the second phase, characterised by the persistence of concerns about the resurgence of the pandemic in parallel to a partial lifting of health restrictions, particularly on international travel, domestic tourism has played a crucial role in the resilience of the tourism sector.

The number of domestic tourists in classified units has risen sharply, by an average of 56.1 percent over the last two years, to reach 3.5 million in 2022, representing a recovery rate of 99 percent compared with 2019, against 61 percent for non-residents. A similar trend was observed for overnight stays, which rose by 50.6 percent on average to almost 8 million in 2022, exceeding their pre-crisis levels by 1.3 percent, while the number of non-residents remained 36.4 percent lower than in 2019. As a result, the share of residents has peaked at 50.6 percent in 2022 in terms of arrivals and at almost 42 percent in terms of overnight stays.

This significant rise in domestic tourism has not, however, been accompanied by any tangible geographical diversification, with Marrakech and Agadir still being the main tourist hubs, as their share in overnight stays increased to 26.5 percent and 18.6 percent respectively in 2022. These figures do, however, overshadow the emergence of the coastal segment in the north, where accommodation is still mainly provided on a rental basis.

Table B1.2.1.1: Nights spent by residents in CTHUs by main tourist destination (2007-2022[3], in percent)

	Share		Average growth 2007-2022
	2007	2022	
Casablanca	8.8	6.6	4.3
Fez	6.0	4.0	3.4
Marrakech	21.0	26.5	7.9
Rabat	5.5	4.0	4.0
Agadir	17.0	18.6	6.9
Tangier	11.8	9.3	4.6

Source: Ministry of Tourism, Handicrafts and Social and Solidarity Economy.

[3] Period for which data are available.

All in all, domestic tourism is an increasingly important component of the sector, with economic spin-offs estimated by the Moroccan Tourism Observatory at almost 40 billion dirhams in 2014. It also contributes to the resilience of the tourism sector in the face of external crises and shocks.

Based on these observations, its development deserves to be raised on the agenda of the public authorities' priorities. Morocco is certainly making significant efforts in this direction, mainly through promotional campaigns, but the major challenge remains the development of a range of products tailored to the habits and purchasing power of the Moroccan population. On this last point in particular, an analysis of international experience shows that several measures can be considered, after being adapted to the national context. These could include, on the demand side, issuing holiday vouchers, exempting residents from certain taxes on accommodation and tourist services, and introducing travel discounts and rebate coupons for access to cultural and historical sites.

Table B1.2.1.2: Some examples of incentive measures recently adopted at international level

Italy	Distribution of «bonus vacanze» to households with an annual income of less than 40,000 euros in the form of checks amounting to 500 euros to be spent in national tourist accommodation establishment.
Malaysia	Allocation of travel discounts and tax reductions for domestic tourism expenditure.
Thailand	Subsidy of almost 6 million overnight stays in hotel units at 40 percent of the normal rate. The subsidy was capped at $100 per night for up to five nights.
Zimbabwe	Exemption for nationals from VAT on accommodation and tourist services.
Poland	Allocation of 220 travel vouchers to seven million Polish workers earning less than the average income. These vouchers were 90 percent funded by the State, with the employer paying the remaining 10 percent.
Czech Republic	Allocation of holiday vouchers to employees and self-employed workers, which can be used for accommodation services within the country.

Sources: WTO and International Organization of Social Tourism.

Similarly, the transport and storage sector continued its recovery, with value added up by 3.8 percent, after 10.5 percent in 2021. Passenger traffic has seen a clear upturn for the sea and air segments, with respective rebounds of 377 percent and 107 percent, without however recovering their pre-crisis levels, while rail traffic has exceeded its 2019 volume, with the number of passengers reaching almost 46 million, compared with 34.5 million in 2021 and 38.3 million in 2019. In terms of traffic in goods, there was a limited increase of 1.5 percent for maritime traffic overall, covering a decline of 4.2 percent for the ports managed by the National Ports Agency and an increase of 6 percent for the port of Tangier-Med. On the other hand, rail freight fell by 18.5 percent, suffering in particular from the drop in the volume of production of phosphates and derivatives, and air freight was down by 0.4 percent.

The value added of the «Information and Communication» sector rose by 2.6 percent, after falling by 1.5 percent a year earlier, reflecting an increase in the subscriber base by 3.2 percent for mobile, 5.3 percent for landline and 8.3 percent for the internet.

1.2.2 Demand

After the 8.9 percent jump in 2021, domestic demand contracted by 1.5 percent and its contribution to growth fell from 9.5 percentage points to -1.7 point.

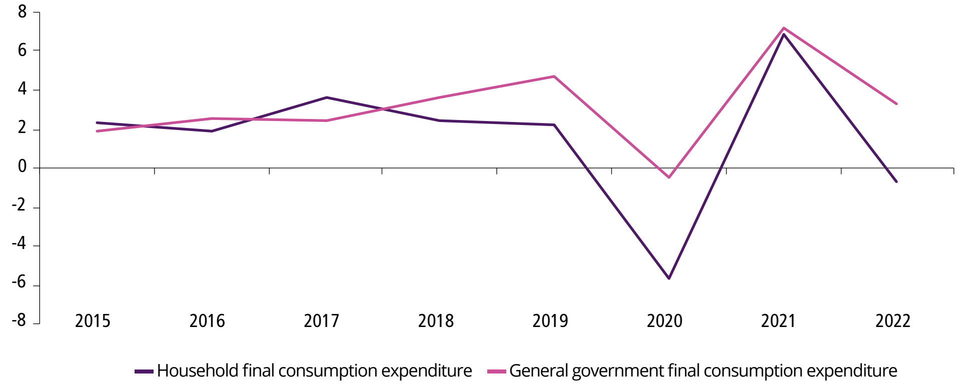
Table 1.2.5: Demand components at last year's prices (change in percent, unless otherwise indicated)

	2016	2017	2018	2019	2020	2021	2022
Domestic demand (contribution in percentage pts)	**4.0**	**3.6**	**3.8**	**2.1**	**-7.0**	**9.5**	**-1.7**
Household final consumption	1.9	3.7	2.4	2.2	-5.6	6.9	-0.7
General government final consumption	2.5	2.4	3.7	4.8	-0.6	7.2	3.3
Investment	8.1	3.0	5.3	-0.2	-11.9	13.8	-6.5
Net exports (contribution in percentage pts)	**-3.5**	**1.5**	**-0.8**	**0.8**	**-0.1**	**-1.5**	**2.9**
Exports of goods and services	6.8	10.8	3.8	5.1	-15.0	7.9	20.4
Imports of goods and services	14.8	4.6	4.8	2.1	-11.9	10.4	9.0

Sources: HCP data and Bank Al-Maghrib calculations.

By component, the pace of household consumption fell by 0.7 percent after a rise of 6.9 percent, despite the record level of remittances from Moroccans living abroad, impacted by a significant decline in the purchasing power due to the drop in agricultural incomes and the rise in inflation. As a result, its contribution to growth decreased from 4 percentage points to -0.4 points.

Chart 1.2.10: National final consumption (change in percent)



Source: HCP.

Box 1.2.2: Change in purchasing power in Morocco

With the sharp rise in inflation in 2022, the issue of household purchasing power was at the heart of political and economic debate, with questions being raised about its level and the measures that could be adopted to strengthen it.

Incorporating provisional data for 2022, this box presents the change in purchasing power since 2015 and its breakdown according to its main determinants.

Changes in household purchasing power are generally understood as the difference between changes in household gross disposable income (HGDI) and changes in consumer prices. The latter is measured through the inflation rate, while HGDI is calculated as the income, plus monetary transfers, that remains available to households for consumption and savings after social security contributions and tax deductions.

Data from the 2014-based national accounts show that the HGDI recorded an average annual increase in nominal terms of 3.2 percent between 2015 and 2021[1]. This includes increases of 7.9 percent in net current transfers, 3.7 percent in mixed income, 2.2 percent in compensation of employees and 1 percent in net property income. With the exception of 2016 and 2020, when it stagnated and then contracted by 3.7 percent respectively, the change has always been positive.

In 2022, the estimate based on available data[2] shows that this aggregate would have risen by 5.5 percent.

Chart B1.2.2.1: Contribution to growth in HGDI (in pp) between 2015 and 2021*

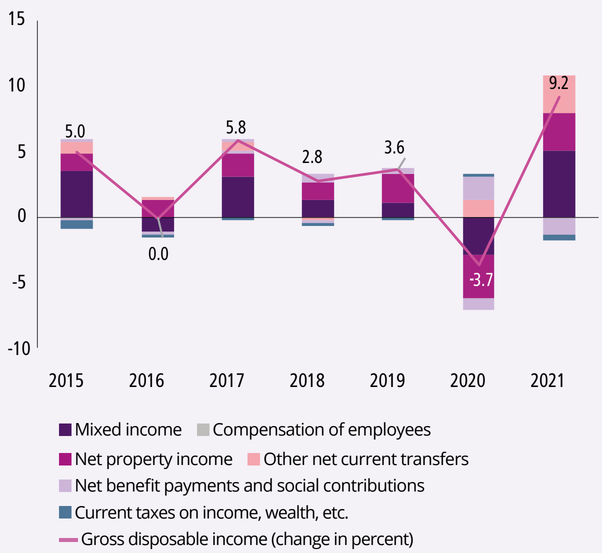
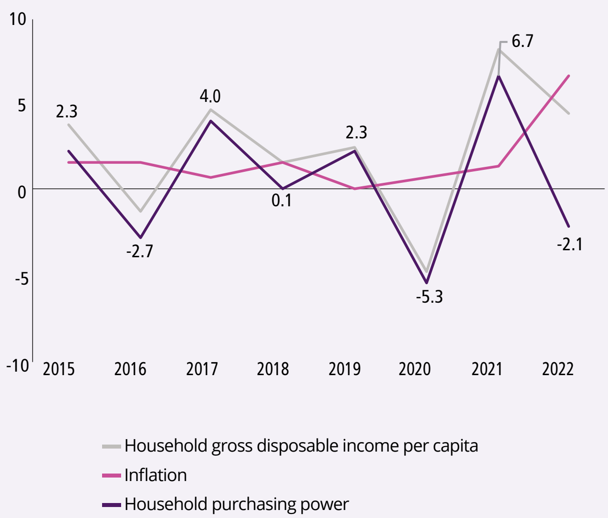


Chart B1.2.2.2: Household purchasing power and its components (change in percent)



* Data for 2022 are not yet available.

Sources: HCP data and Bank Al-Maghrib calculations.

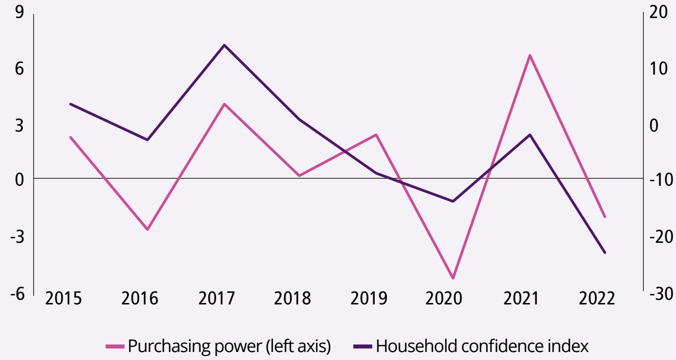
[1] The choice of period is justified by the absence of data prior to 2014 compiled with reference to the base year 2014..

[2] Forecast economic budget, HCP, January 2023.

At the same time, with the exception of 2022, when it reached 6.6 percent, inflation moved at a slow pace between 2015 and 2021, with an annual average of 1.1 percent. Under these conditions, the purchasing power would have improved by an average of 0.7 percent between 2015 and 2022, but with significant decreases of 2.7 percent in 2016 and 5.3 percent in 2020, due to a fall in income, and of 2.1 percent in 2022 due to rising prices.

This trend has been reflected in household morale, as measured by the household confidence index[3] (HCI) published by the HCP. This index shows a positive and fairly significant correlation with the purchasing power, and in 2022 experienced the biggest fall since it was introduced in 2008.

Chart B1.2.2.3: Purchasing power and household confidence index (change in percent)



Sources: HCP data and Bank Al-Maghrib calculations.

Accounting breakdown[4] of the purchasing power of per capita income

Changes in purchasing power can be broken down into three factors. These are: (i) apparent labor productivity; (ii) the employment rate, measured by the rate of employment volume to the total population; and (iii) a third factor that provides information on the distribution of income between households and other economic agents.

$$\frac{\text{(HGDI/ resident)}}{\text{CPI}} = \frac{\text{GDP in volume}}{\text{Employment volume}} \times \frac{\text{Employment volume}}{\text{Total population}} \times \frac{\text{(HGDI/ CPI)}}{\text{GDP in volume}}$$

Applying this breakdown shows that the overall improvement in purchasing power over the entire 2015-2022 period is driven exclusively by apparent labor productivity, which increased by 2 percent on average. On the other hand, the employment effect was negative, with the exception of 2019 and 2021, when it contributed positively, reflecting net job creations of 165,000 and 230,000 respectively, levels well above the historical average. The distribution effect was negative between 2015 and 2018, improved from 2019 onwards, but became negative again in 2021 and 2022.

[3] The household confidence index (HCI) captures household assessment of changes in their financial situation, their standard of living and their level of savings, as well as their perception of food price trends.

[4] The purchasing power since the crisis, INSEE References, 2016 edition.

Table B1.2.2.1: Breakdown of changes in purchasing power per capita (change in percent)

	2015	2016	2017	2018	2019	2020	2021	2022	Average 2015-2019	Average 2020-2022	Average 2015-2022
Per capita productivity effect: GDP in volume / employment volume	4.0	0.8	4.2	2.0	1.3	-3.4	5.8	1.4	2.5	1.3	2.0
Employment effect: Employment volume / total population	-0.7	-1.4	-0.2	0.0	0.5	-4.9	1.2	-1.2	-0.4	-1.6	-0.8
Distribution effect: (HGDI /CPI)/GDP in volume	-1.0	-2.1	0.0	-1.8	0.5	3.0	-0.3	-2.3	-0.9	0.1	-0.5
Purchasing power per capita	**2.3**	**-2.7**	**4.0**	**0.1**	**2.3**	**-5.3**	**6.7**	**-2.1**	**1.2**	**-0.2**	**0.7**

Sources: HCP data and Bank Al-Maghrib calculations.

In order to gain a better understanding of this last factor, its evolution has been broken down into three new factors. The first, which provides information on the internal distribution effect in value terms, measures the share of household income in the total income of the national economy. The second captures the external distribution effect in value terms, or transfers between the national economy and the rest of the world, while the last corresponds to the relative price effect.

$$\frac{\text{(HGDI/CPI)}}{\text{GDP in volume}} = \frac{\text{HGDI}}{\text{Gross national disposable income}} \times \frac{\text{Gross national disposable income}}{\text{Nominal GDP}} \times \frac{\text{GDP Deflator}}{\text{CPI}}$$

Table B1.2.2.2: Breakdown of changes in household purchasing power on real GDP in volume (change in percent)

	2015	2016	2017	2018	2019	2020	2021	2022	Average 2015-2019	Average 2020-2022	Average 2015-2022
Internal distribution effect : HGDI/GNDI	-1.8	-2.0	0.9	-0.2	0.2	2.0	-2.1	0.1	-0.6	0.0	-0.4
External distribution effect : GNDI/(current GDP)	-0.7	0.5	-0.1	-1.0	-0.3	1.5	0.8	1.0	-0.3	1.1	0.2
Relative price effect : GDP Deflator/ CPI	1.5	-0.6	-0.8	-0.7	0.6	-0.5	1.0	-3.4	0.0	-1.0	-0.3
Distribution effect : (HGDI/CPI)/GDP in volume	**-1.0**	**-2.1**	**0.0**	**-1.8**	**0.5**	**3.0**	**-0.3**	**-2.3**	**-0.9**	**0.1**	**-0.5**

Sources: HCP data and Bank Al-Maghrib calculations.

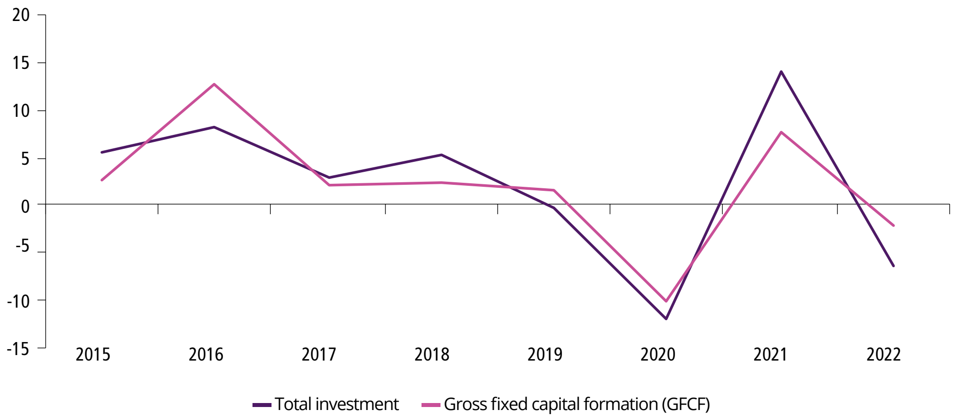
Analysis of the results of this second breakdown shows that the negative contribution of the distribution effect over the whole of the period 2015-2022 is due to the internal dimension of this distribution as well as to the relative price effect, whereas the contribution of the external one was positive in connection with the notable improvement in transfers from Moroccans living abroad, particularly from 2020 onwards.

Finally, it should be pointed out that the calculated changes in the purchasing power are overall averages for all household categories combined. However, the inflation recorded in 2022 concerned more food products, which account for a larger share of the budgets of the most disadvantaged households. As a result, it would have been higher for the latter than for well-off people, as Bank Al-Maghrib estimates (see Box E1.4.2) indicates that the gap between the first and last quintiles would have been 1 percentage point. Under these conditions, and all other things being equal, the fall in purchasing power in 2022 would have been greater for the least well-off categories.

The rate of growth of general government consumption decelerated markedly, falling to 3.3 percent from 7.2 percent a year earlier. As a result, its contribution to growth dropped from 1.4 percentage points to 0.6 percentage points.

For its part, investment decreased by 6.5 percent, instead of rising by 13.8 percent in 2021, and its contribution to growth was negative, standing at -2 percentage points. This trend is the result of a 2.2 percent fall in gross fixed capital formation, a 35.4 percent drop in the change in inventories and a 10.8 percent rise in net acquisitions of valuables.

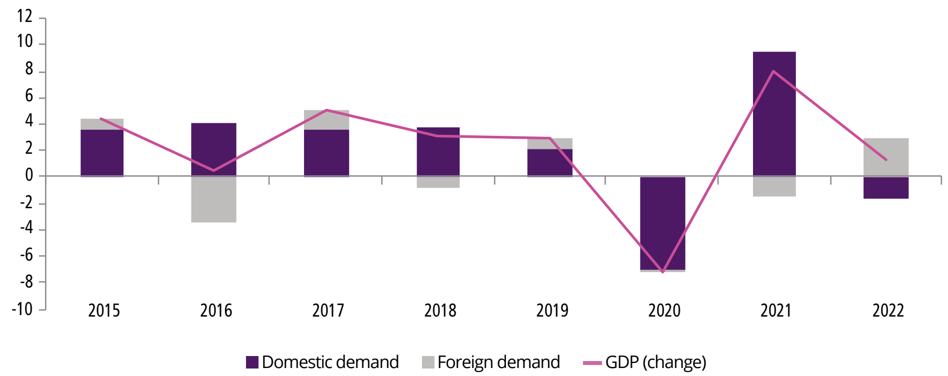
Chart 1.2.11: Investment (change in percent)



Source: HCP.

Net exports in volume terms made a positive contribution to growth of around 2.9 percentage points, reflecting increases of 20.4 percent in exports and 9 percent in imports, following rises of 7.9 percent and 10.4 percent, respectively.

Chart 1.2.12: Contribution of demand components to growth (in percentage points)



Source: HCP.

1.2.3 Main aggregates in nominal terms

After a rebound of 10.6 percent, GDP at current prices improved by 4.3 percent to 1,330.2 billion dirhams in 2022. Taking into account increases in property income outflows of 7.5 percent to 18.9 billion and current transfers from abroad of 18.1 percent to 124.9 billion, the gross national disposable income (GNDI) rose to 1,436.1 billion, up 5.4 percent instead of 11.5 percent in 2021.

Chart 1.2.13: Gross national disposable income

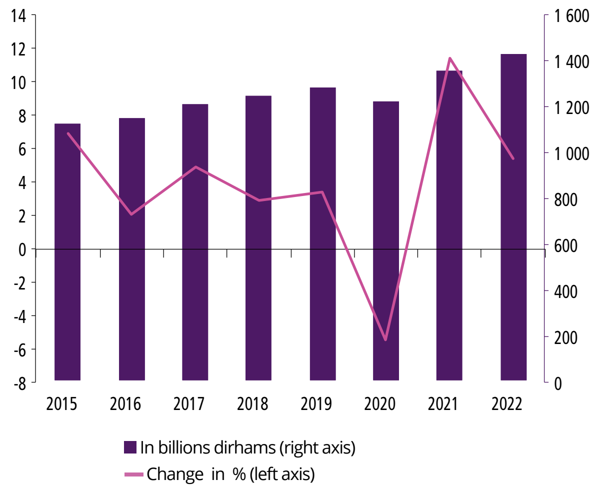
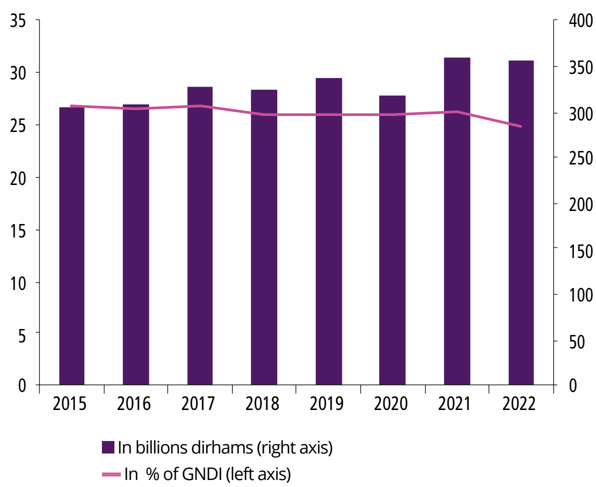


Chart 1.2.14: National savings



Source: HCP.

National final consumption rose by 7.6 percent to 1,080 billion dirhams, while national savings fell by 0.9 percent to 356.1 billion dirhams, equivalent to 24.8 percent of GNDI. Investment stood at 403.1 billion dirhams, or 30.3 percent of GDP, compared with 30.5 percent in 2021. Under these conditions, the financing requirement increased from one year to the next, rising from 29.9 billion dirhams or 2.3 percent of GDP, to 47 billion dirhams, or 3.5 percent of GDP.

Chart 1.2.15: Investment rate (in percent of GDP)

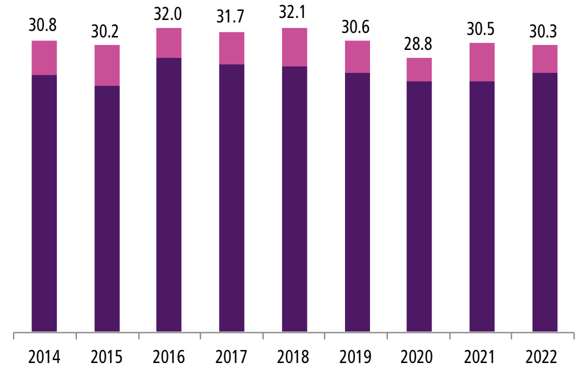
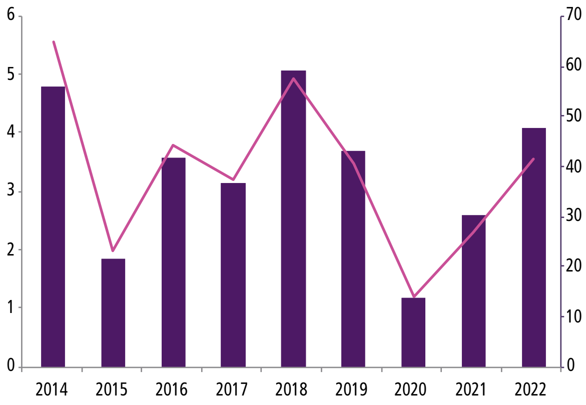


Chart 1.2.16: Financing requirement



Source: HCP.

Box 1.2.3: Main measures adopted under the social dialogue agreement of 30 April 2022

As part of the social dialogue, an agreement was signed on 30 April 2022 between the Government, the General Confederation of Moroccan Companies (CGEM) and the most representative trade union federations, covering the period 2022-2024. It includes a set of measures relating mainly to:

- **For the public sector:**
  - Raising the minimum wage from 3,362 dirhams to 3,500 dirhams net per month for civil servants working for the State and public administrative entities;
  - abolishing scale 7 for civil servants in the administrative assistant and technical assistant categories;
  - raising the promotion quota within the grade from 33 percent to 36 percent;
  - increasing the paid paternity leave from 3 days to 15 days;
  - increasing monthly family allowances by 100 dirhams per child for the fourth, fifth and sixth children;
  - upgrading the teaching profession through the introduction of a new unified system for the promotion of human resources;
  - improving the situation of doctors by adjusting their pay scale to give them index 509 at the start of their career and spreading the corresponding increase in allowances over two years from January 2023;

- accelerating the promotion rate for nurses from January 2023, with retroactive effect from 26 October 2017; and
- increasing the allowance for professional risks for professional and technical staff to 1,400 dirhams per month, as for nurses and health technicians.

- **For the private sector:**
  - Raising the minimum wage (SMIG) by 10 percent over two years in the industry, trade and services sectors;
  - gradually aligning, by 2028, the minimum wage in agriculture (SMAG) with the SMIG in industry, trade and the liberal professions; and
  - reducing the qualifying period for old-age pensions for the National Social Security Fund (CNSS) members. This has been reduced from a minimum of 3,240 days of affiliation to 1,320 days.

Simulations carried out by Bank Al-Maghrib show that the macroeconomic impact of the main measures provided for in this agreement should be limited in 2023, with effects of 0.1 percentage points on growth and 0.2 points on the budget deficit.

1.3 Labor market[1]

In 2022, the labor market was hindered by a particularly unfavorable crop year, which accentuated the downward trend in agricultural employment, reducing its share of the overall volume to less than 30 percent, for the very first time.

In non-agricultural sectors, the lifting of health restrictions led to an exceptional improvement in employment in certain branches of the services sector, such as «accommodation and catering», which generated 46,000 new jobs. On the other hand, employment in industry and construction and public works remained virtually unchanged.

All in all, the national economy lost 24,000 positions, after creating 230,000 during the previous year and shrinking by 432,000 in 2020, thus bringing the volume of employment down to 10.7 million, 2.1 percent lower than its 2019 level.

All things considered, 89,000 labor force participants withdrew from the labor market, which resulted in a significant and widespread decline in the participation rate to 44.3 percent overall, 19.8 percent among women and 69.6 percent among men. The unemployment rate thus fell by 0.5 percentage point to 11.8 percent nationwide, with a decrease to 15.8 percent in urban areas and a rise to 5.2 percent in rural ones.

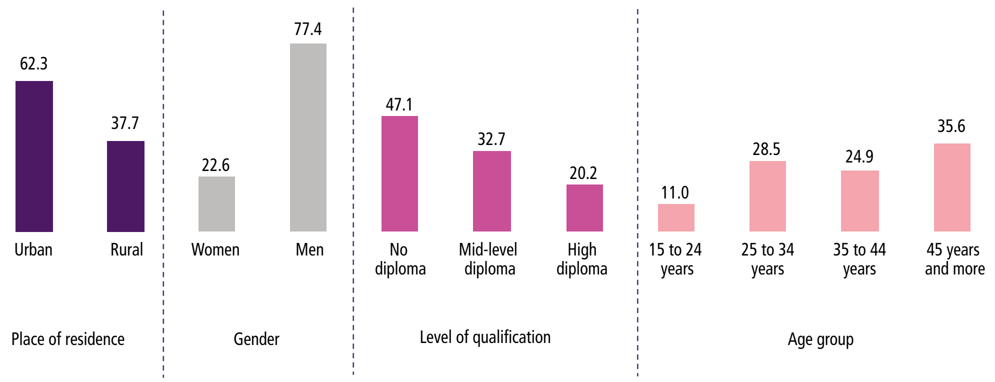
Against such a backdrop, nominal wages increased up by 2.1 percent in the private sector[2], and by 3.7 percent in the public sector[3]. Considering the evolution of inflation, real wages fell by 4.3 percent and 2.8 percent respectively. Apparent labor productivity[4] in non-agricultural activities thus rose by 0.4 percent, after 3.9 percent in 2021.

1.3.1 Active population

In 2022, the active population[5] declined by 0.7 percent to 12.2 million. This drop concerned women exclusively, with a decline by 4.2 percent overall, 9.7 percent in rural areas and 0.4 percent in urban areas, leading to a drop in the feminization rate from 23.5 percent to 22.6 percent. Such population also remains poorly qualified, with a proportion of 47.1 percent having no diploma.

1 Following the overhaul of its survey on employment, the HCP has published the results for the years 2016 to 2022. For the purposes of the analysis, the series have been connected back since 1999 where possible.
2 Calculated on the basis of CNSS data.
3 Salaries in the public sector are estimated by Bank Al-Maghrib based on data relating, on the one hand, to job creations and redundancies, as published in the human resources report accompanying the draft finance bill, for the civil servants and, on the other hand, to personnel expenditure, as recorded in the Treasury's statement of expenses and resources.
4 Measured by the ratio of value added to the number of employees.
5 According to the HCP, this is the labor force available for goods and services production, whether employed or looking for work.

Chart 1.3.1: Structure of the active population in 2022 (in percent)

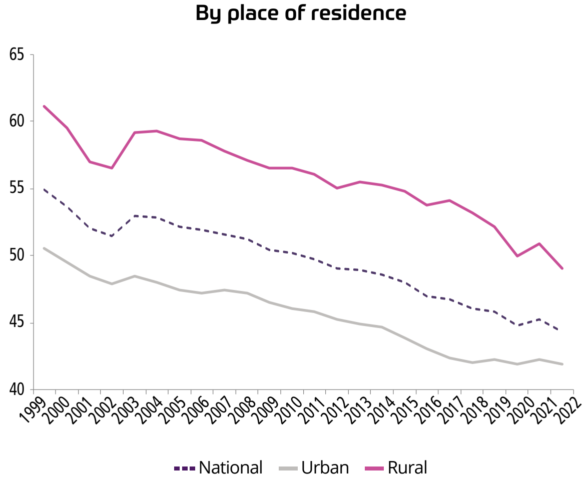


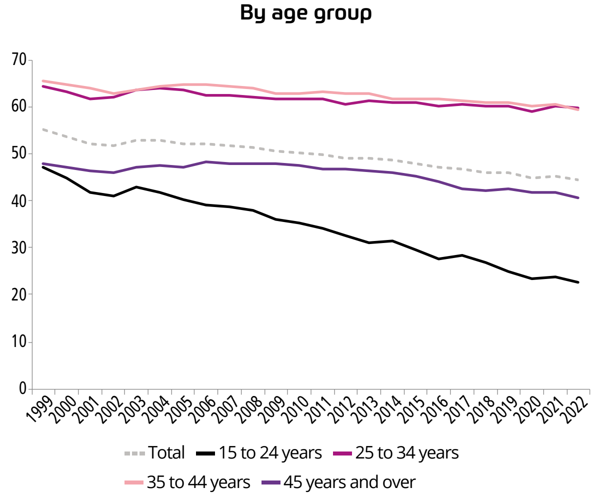
Source: HCP.

Considering a 1.4 percent increase in the population aged 15 and over, and after the one-off rise in 2021, the participation rate[1] registered a resumption of its downward trend, declining by one percentage point to 44.3 percent. In rural areas, it fell by 1.8 points to 49.1 percent, with declines of 2.4 points to 22.8 percent among women and 1.6 points to 74.4 percent for men. In urban areas, the contraction averaged 0.4 points, to 41.9 percent overall, 67 percent for men and 18.3 percent for women.

The fall in the participation rate affected all age groups, with, in particular, a 1.1 percentage point drop to 22.8 percent for young people aged 15 to 24. Among the latter, 25.2 percent are not in education, employment, or training (NEET).

Chart 1.3.2: Participation rate (in percent)





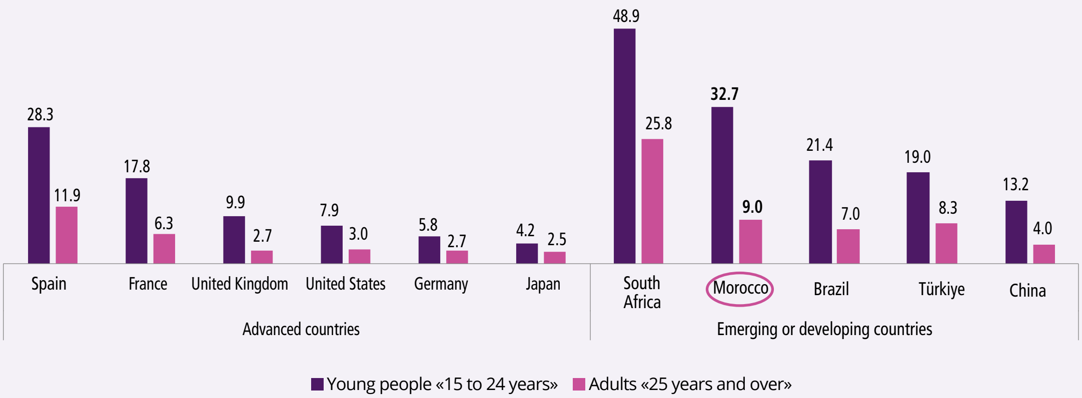
Source: HCP.

[1] This is the ratio of the number of active labor force (employed or unemployed) to the working-age population.

Box 1.3.1: Youth participation in the Moroccan labor market

The insertion of young people in the labor market is a global challenge that concerns advanced, emerging and developing countries alike. It is often associated with problems arising upstream, from premature school abandonment; and downstream, from the particularly acute difficulties encountered by this category of the population in gaining access to employment.

Chart B1.3.1.1: Youth unemployment rate in 2022 (rate in percent)



Sources: ILOSTAT, OIT and HCP.

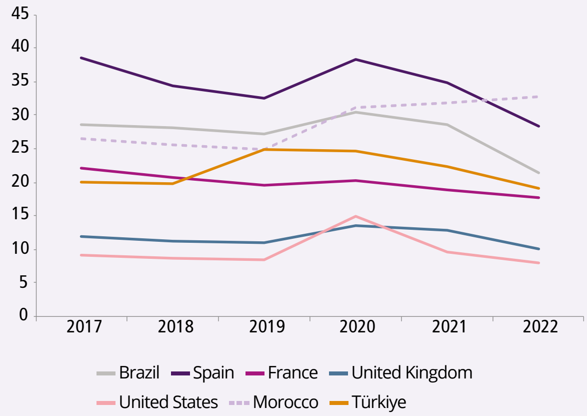
In Morocco, as in other countries undergoing an accelerated demographic transition, this issue is of particular importance in view of the weight of young people aged between 15 and 24, as they account for 16.3 percent of the total population, i.e., 6 million people. Although a large proportion of this age group (57.3 percent)[1] is expected to be still in school, the fact remains that almost 1.5 million young people are not in education, employment, or training, and are commonly referred to as NEETs.

Even when they do enter the labor market, young people generally find it more difficult to find work, particularly in urban areas, with an unemployment rate three times higher compared to the other age groups. These difficulties increase with the level of education, with the unemployment rate peaking at 61.2 percent[1] for higher education graduates.

In 2020, with the outbreak of the Covid-19 pandemic, young people around the world experienced the biggest impact on the job market. In Morocco, this finding was amplified by the combined effect of the health crisis and the severe drought that hit the country that year, causing the unemployment rate to rise by 6.3 points to 31.2 percent nationwide, and by 6.1 points to 45.3 percent in the cities. The magnitude of this increase is attributable to the fact that young people work mainly in agriculture and in the activities that are most affected by the crisis, namely trade and construction.

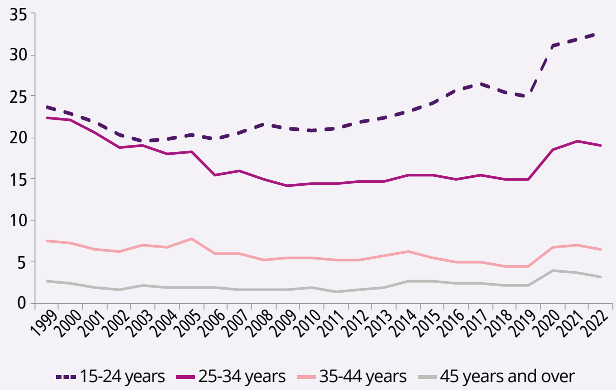
[1] HCP information note on the occasion of International Youth Day, August 12, 2022.

Chart B1.3.1.2 : Post-pandemic evolution of youth unemployment (in percent)



Sources: ILOSTAT, OIT, and HCP.

Chart B1.3.1.3 : Unemployment rate by age group (in percent)



Source: HCP.

Whereas, in many countries, the youth unemployment rate returned to its 2019 levels, it continued to climb in Morocco, according to the HCP, reaching 31.8 percent in 2021 and 32.7 percent in 2022, driven in particular by an average annual loss of nearly 74,000 jobs in «agriculture, forestry and fishing», alongside a feeble recovery in certain branches, notably «trade».

In sum, when they leave school, young people find it difficult to find their way into the workplace, and when they do, the jobs they obtain are generally of low quality, and concentrated in activities dominated by informality.

With such a predicament, many are tempted by emigration. According to the results of the 2018-2019 survey[2] on international migration carried out by the HCP, 40.3 percent of people aged between 15 and 29 intend to emigrate, a finding corroborated by data from the «Arab Barometer[3]», which indicates that 7 out of 10 young[4] Moroccans contemplate emigration, the highest rate in the MENA region.

By way of conclusion, over and above its economic cost, youth unemployment is a form of exclusion that further strains social cohesion and stability. In our country, the priority would be to focus on an education policy that improves school retention among young people and the external performance of the system.

It should be remembered in this respect that despite the efforts that have been deployed, particularly in terms of budget, school drop-out levels remain high, with an average of over 300,000 pupils[5] abandoning school prematurely each year.

For young people who find themselves on the labor market, our country has put in place numerous plans and strategies dedicated to youth employment, but in view of the results, the question arises as to their effectiveness and efficiency, and highlights the need for their evaluation.

[2] This survey targeted a sample of 15,076 households, including 8,144 current migrant households, 4,072 returning migrant households and 2,860 non-migrant households.

[3] Arab Barometer report issued in 2019.

[4] Young people aged 18 to 29.

[5] Reports on education indicators published by the Ministry of National Education, Preschool and Sports.

The analysis of participation rate trends by region shows that, aside from Tangier-Tetouan-Al Hoceima and Rabat-Salé-Kenitra, which recorded modest improvements, and the Southern Regions, which stagnated, the remaining regions reported declines, ranging from 0.1 points in Fez-Meknes to 3 points in Souss-Massa.

Table 1.3.1: Participation rate by region (in percent)

	2021	2022	Variation (in pp)
Tangier-Tetouan-Al Hoceima	49.8	50.1	0.3
Oriental	42.5	42.0	-0.5
Fez-Meknes	42.3	42.2	-0.1
Rabat-Salé-Kenitra	44.2	44.3	0.1
Beni Mellal-Khenifra	44.4	42.2	-2.2
Casablanca-Settat	47.7	46.7	-1.0
Marrakech-Safi	46.8	45.0	-1.8
Drâa-Tafilalet	43.6	41.0	-2.6
Souss-Massa	41.3	38.3	-3.0
Southern Regions	44.5	44.5	0.0

Source: HCP.

1.3.2 Evolution of employment

After a creation of 230,000 jobs in 2021, the national economy lost 24,000 jobs in 2022, due to a 174,000 decline in rural areas and a 150,000 increase in urban areas. The employed population thus fell by 0.2 percent to 10.7 million and, considering the increase in the population aged 15 and over, the employment rate[1] fell by 0.6 percentage points to 39.1 percent. This evolution encompasses a decline of 1.9 percentage points to 46.5 percent in rural areas, with a significant drop of 2.4 percentage points to 21.9 percent among women, and an increase of 0.2 percentage points to 35.3 percent in the cities.

Chart 1.3.3: Job creation (in thousands)

Source: HCP.

[1] Ratio of employed population aged 15 and over to the total population aged 15 and over.

At the sectoral level, due to a severe drought, agriculture saw a loss of 215,000 jobs, compared with the creation of 68,000 in 2021. Similarly, and in line with the sluggishness of activity, the volume of jobs in the construction and public works sector fell by a thousand, instead of creating 71,000. In the service sector, where several branches benefited from the lifting of sanitary restrictions, 164,000 jobs were created, up from 115,000 in 2021, of which 46,000 in «accommodation and catering», 36,000 in «trade», 34,000 in «administrative and support services» and 25,000 in «transport and storage». For its part, and after two consecutive years of decline, «industry including crafts» generated 28,000 jobs, almost all of which were in crafts.

In the light of these developments, the sectoral structure of employment was further marked by a decline in the share of agriculture, which fell from 31.2 percent to 29.3 percent, mainly to the benefit of the services sector, which increased its share from 45.8 percent to 47.4 percent. The share of industry, including crafts rose from 11.7 percent to 12 percent, while that of construction and public works remained stable at 11.2 percent.

Chart 1.3.4: Contributions to employment growth (in pp)

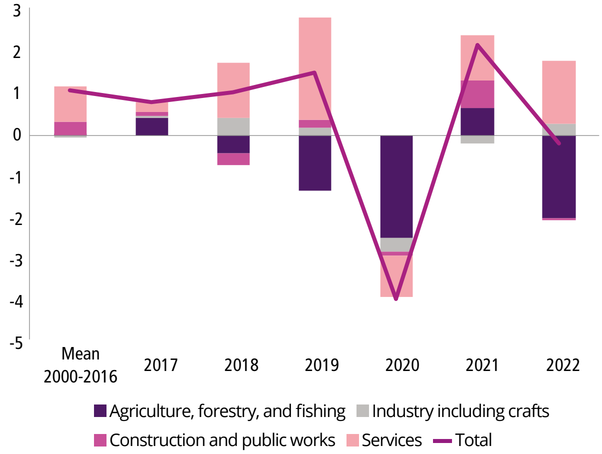
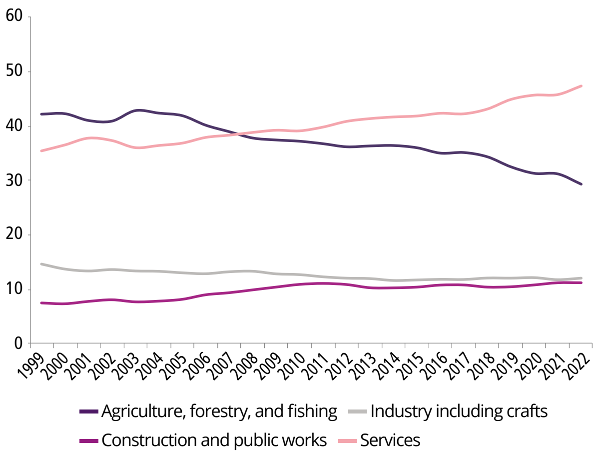


Chart 1.3.5: Structure of employment by sector of activity (in percent)



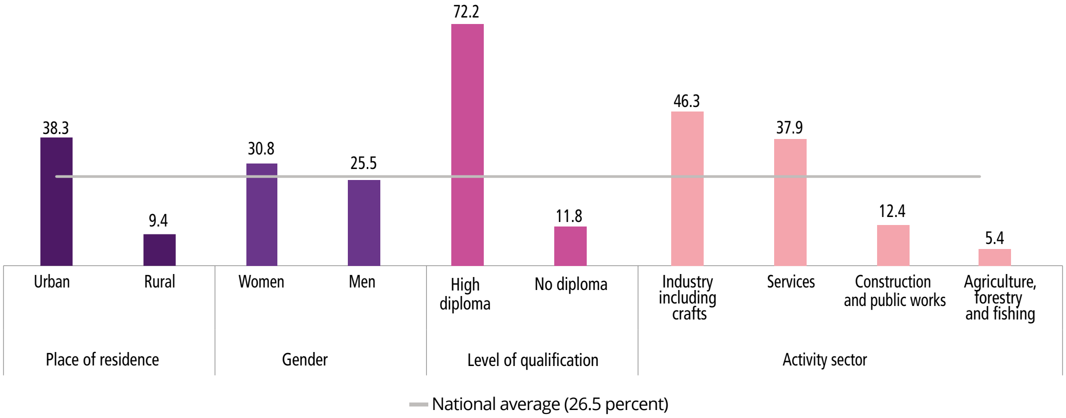
Sources: HCP data and Bank Al-Maghrib calculations.

An analysis of the characteristics of the employed labor force, included in HCP reports, shows that its level of qualification remains structurally low, with more than one half having no diploma. This proportion stands at 35.6 percent in the services sector, 42 percent in industry including crafts, 56 percent in construction and public works, and peaks at 78.3 percent in agriculture.

Employment also remains precarious and of low quality for a large fringe of the population. Indeed, 12.8 percent of the employed labor force work on an unpaid basis, almost all of them as family helpers in rural areas, and more than half of salaried employees have no contract. Likewise, 10.7 percent of jobs overall, 14.4 percent in rural areas and 8.2 percent in towns, are seasonal in nature.

In terms of social benefits, nationwide, only 26.5 percent of employees benefit from occupational health coverage[1], 38.3 percent in urban areas and 9.4 percent in rural areas. This proportion improves with qualification level, rising from 11.8 percent for those with no diploma to 72.2 percent for those with higher diploma. By branch of activity, it varies from 5.4 percent in «agriculture, forestry and fishing» to 46.3 percent in «industry including crafts». Furthermore, the proportion of the employed labor force who declare to be affiliated to a pension system is limited to 25.8 percent on a national scale; 37.9 percent in urban areas and 8.1 percent in rural areas.

Chart 1.3.6: Proportion of employees benefiting from occupational health coverage in 2022 (in percent)



Source: HCP.

Box 1.3.2: Regional employment dynamic

Over the last two decades, Morocco has deployed important efforts to develop its regions and ensure a certain territorial balance in terms of economic development. Thus, several hubs have emerged, notably «Tangier-Tetouan», with the construction of the Tangier Med port and the installation of the Renault factory, and Ouarzazate, which currently hosts one of the world's largest CSP[1] solar farms. A similar expansion is taking shape in other cities, such as Nador and Dakhla, with projects to build new ports and develop urban and tourist areas, and in Kenitra, with the creation of an ecosystem around the Stellantis factory and the construction of a new «Kenitra Atlantique» port.

This territorial development policy is underpinned by an institutional framework that has been significantly strengthened in recent years, with, notably, the 2011 Constitution enshrining the region as a political and economic decision-making center and a vector for development and social cohesion. An important stage in this edification process was completed with the promulgation of the organic law relating to the regions in 2015. This has been followed by several actions, including, in particular, the adoption of the national charter for administrative deconcentration, the launch of the reform of regional investment centers and the inclusion of the regional dimension in several legal texts, as was recently the case with the new investment charter.

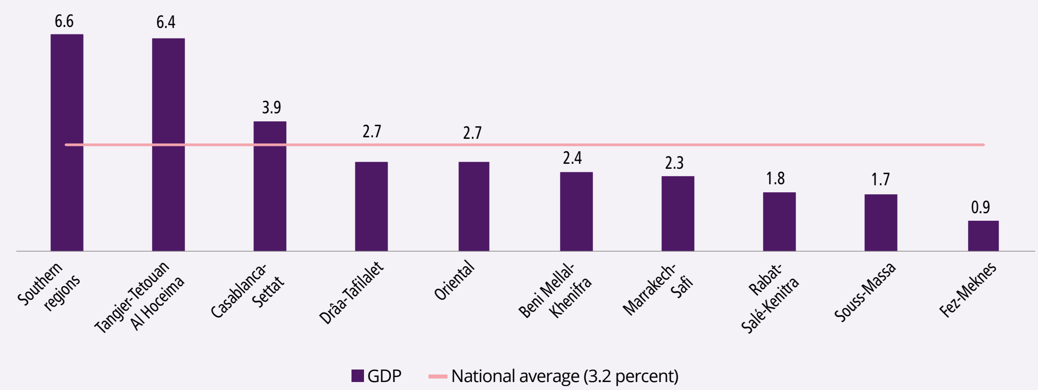
[1] A technology that converts solar radiation into heat or electricity. It also includes a storage system enabling electricity generation in the evening or on cloudy days.

[1] It should be noted that these proportions are calculated based on the declarations of respondents to the National Employment Survey carried out by the HCP.

While the full impact of these efforts is not expected to materialize until after a considerable timeframe, the available data show the first signs that a new regional dynamic is taking shape, particularly in terms of economic growth and job creation.

An analysis of regional GDP evolution between 2014 and 2019[2] shows that «Tangier-Tetouan-Al Hoceima» and the «Southern regions» recorded the fastest growth, at around 6.5 percent per year, compared with a national average of 3.2 percent and a rate of 3.9 percent for «Casablanca-Settat», which has traditionally been the country's economic hub. As for the «Oriental» and «Drâa-Tafilalt» regions, there is as yet no tangible sign of a take-off, with growth limited to 2.7 percent each. These trends are reflected in a mild shift in the structure of GDP, with, in particular, weights rising from 9.2 percent to 11 percent for «Tanger-Tetouan-Al Hoceima» and from 3.6 percent to 4.3 percent for «Southern regions».

Chart B1.3.2.1: Average annual regional economic growth over the 2014-2019 period (in percent)



Source: HCP.

As regards the labor market, an examination of data for the 2017-2022[3] period highlights that the «Tangier-Tetouan-Al Hoceima» region experienced the highest job creation, with 33,000 positions annually, a growth rate of 2.7 percent compared with 0.1 percent at national level. The increase was 0.7 percent in «Drâa-Tafilalt» and 0.6 percent in «Rabat-Salé-Kenitra» annually. By contrast, «Casablanca-Settat», Morocco's largest employment pool, saw a decline of 8,000 jobs per year, or 0.4 percent. In terms of the regional structure of employment, a strengthening of the weight of the «Tangier-Tetouan-Al Hoceima» region is already perceptible, with its share rising from 10.8 percent to 12.3 percent.

The dynamic observed in this region is also reflected in the number of new entries to the labor market, which recorded an annual increase of 41,000, raising the participation rate from 46.7 percent to 50.1 percent, thus standing out as the only region to have seen an increase in this indicator over the period under review.

[2] Data are only available from 2014 onwards. The year 2020 has not been included in the analysis, as it corresponds to a crisis year.

[3] The data are only available from 2017 onwards.

Under such circumstances, the unemployment rate rose by 1.5 percentage points – on a par with that recorded for the country as a whole – to 9.7 percent but remains well below the national average (11.8 percent). For the other emerging regions, the data do not yet show any noteworthy developments, except for a drop in the rate for the «Rabat-Salé-Kenitra» region, which is likely to be due to low market entry, i.e., an annual average of 3,000 people.

Table B1.3.2.1: Evolution of main labor market indicators by region over the 2017-2022 period (in percent)

	Annual employment growth	Participation rate			Unemployment rate		
		2017	2022	Var (in pp)	2017	2022	Var (in pp)
Tangier-Tetouan-Al Hoceima	2.7	46.7	50.1	3.4	8.2	9.7	1.5
Oriental	0.1	45.0	42.0	-3.0	17.1	17.4	0.3
Fez-Meknès	-0.4	43.6	42.2	-1.4	9.5	13.5	4.0
Rabat-Salé-Kenitra	0.6	47.3	44.3	-3.0	12.9	11.0	-1.9
Beni Mellal-Khénifra	-1.4	45.7	42.2	-3.5	6.1	10.5	4.4
Casablanca-Settat	-0.4	50.5	46.7	-3.8	11.3	13.8	2.5
Marrakech-Safi	0.0	48.4	45.0	-3.4	7.2	6.9	-0.3
Drâa-Tafilalet	0.7	40.2	41.0	0.8	6.0	9.7	3.7
Souss-Massa	-1.0	43.4	38.3	-5.1	9.8	11.4	1.6
Southern regions	-1.0	46.8	44.5	-2.3	13.1	20.1	7.0
National	**0.1**	**46.7**	**44.3**	**-2.4**	**10.2**	**11.8**	**1.6**

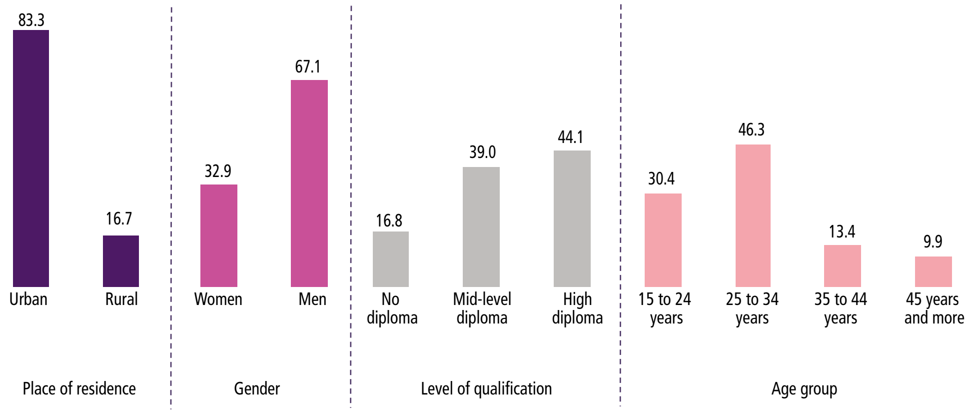
Sources: HCP and Bank Al-Maghrib calculations.

1.3.3 Unemployment and underemployment

After two consecutive years of sharp rises, the unemployed population fell by 4.4 percent to 1.4 million in 2022, with a 1.7 percent increase in rural areas and a 5.5 percent drop in urban areas, mainly among men. Most of the unemployed workforce remains young, with over three-quarters being aged 15 to 34 and dominated by the long-term unemployed[1] and first-time jobseekers, who account for 68.5 percent and 53.3 percent respectively. It also remains relatively skilled, with graduates accounting for 83.1 percent compared with 48.8 percent among the employed workforce.

[1] Unemployed for over a year.

Chart 1.3.7: Structure of unemployed population in 2022 (in percent)



Source: HCP.

Considering the change of the active population, the unemployment rate fell from 12.3 percent to 11.8 percent nationwide, with a drop from 16.9 percent to 15.8 percent in urban areas and a slight increase from 5 percent to 5.2 percent in rural areas. This rate fell by 0.6 percentage points to 10.3 percent for men, while it rose by 0.4 percentage points to 17.2 percent for women. By age group, only young people aged 15 to 24 saw an increase of 0.9 percentage points to 32.7 percent at national level, a rate that stabilized at 46.7 percent in towns and rose by 0.6 percentage points to 16.5 percent in rural areas.

Chart 1.3.8: Unemployment rate by gender (in percent)

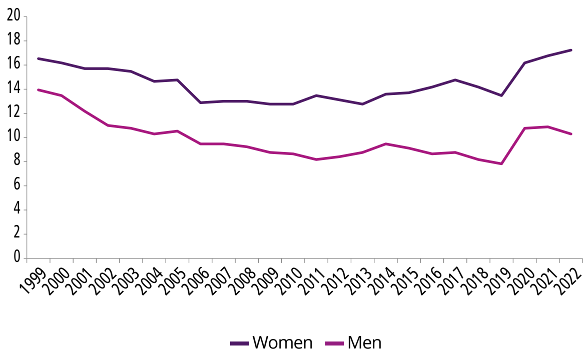
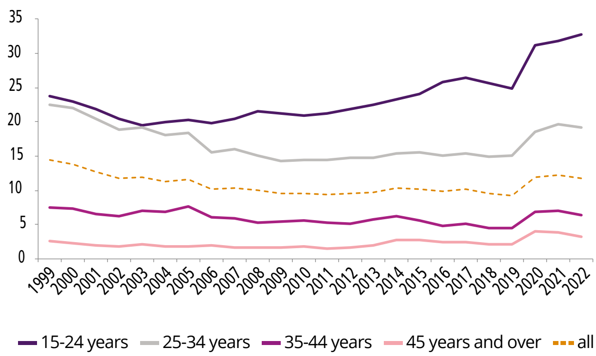


Chart 1.3.9: Unemployment rate by age group (in percent)



Source: HCP.

Analysis of the unemployment rate by region shows contrasting trends. Five of the twelve regions recorded decreases, the largest of which was in «Rabat-Salé-Kenitra» with 1.2 percentage points. Conversely, except for the «southern regions», where the rate stagnated at 20.1 percent, the other regions showed an increase, particularly «Beni-Mellal-Khenifra» with 0.9 percentage points.

Table 1.3.2: Unemployment rate by region (in percent)

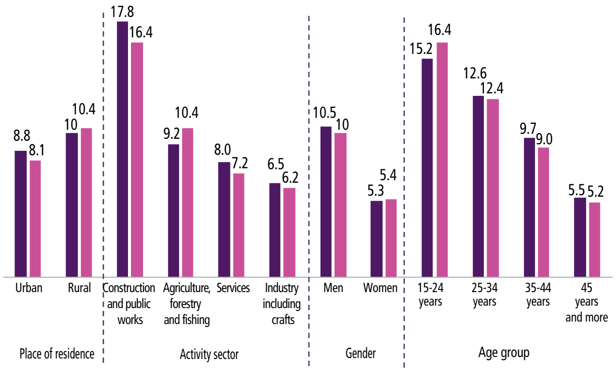
	2021	2022	Variation (in pp)
Tangier-Tetouan-Al Hoceima	10.4	9.7	-0.7
Oriental	18.1	17.4	-0.7
Fez-Meknes	13.4	13.5	0.1
Rabat-Salé-Kenitra	12.2	11.0	-1.2
Beni-Mellal-Khenifra	9.6	10.5	0.9
Casablanca-Settat	14.6	13.8	-0.8
Marrakech-Safi	7.6	6.9	-0.7
Drâa-Tafilalet	9.6	9.7	0.1
Souss-Massa	11.3	11.4	0.1
Southern regions	20.1	20.1	0.0

Source: HCP.

In parallel with the fall in unemployment, the situation on the labor market was characterized by a decline in underemployment[1], a phenomenon affecting 55.1 percent of employed labor force who consider their qualification inadequate or their remuneration insufficient. The proportion of underemployed workers decreased from 9.3 percent to 9 percent nationally and from 8.8 percent to 8.1 percent in urban areas, while it rose from 10 percent to 10.4 percent in rural areas. This change reflects a drop of 0.5 points to 10 percent for men, and a slight rise of 0.1 points to 5.4 percent for women. By sector of activity, this rate varies from 6.2 percent in «industry including crafts» to 16.4 percent in construction and public works.

Chart 1.3.10: Underemployment rate by place of residence (in percent)

Chart 1.3.11: Underemployment rate by characteristics of the employed population (in percent)



Source: HCP.

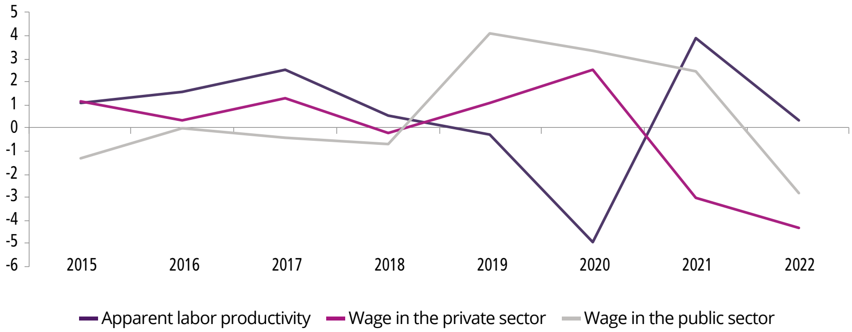
[1] The underemployed population is made up of people who worked: i) during the reference week, less than 48 hours and were available to work overtime, or ii) more than the set threshold and are looking for another job or are willing to change jobs because of a mismatch with their training or diploma, or because of inadequate pay.

1.3.4 Productivity and wages

Following an increase of 3.9 percent in 2021, apparent labor productivity in non-agricultural sectors recorded a new rise, limited to 0.4 percent, with growth in added value slowing from 6.3 percent to 3 percent, while the number of employees rose by 2.6 percent instead of 2.3 percent. This trend reflects an improvement of 2 percent, following a rise of 3.4 percent, in the tertiary sector, and a fall of 2.8 percent, compared to an increase of 4.8 percent, in the secondary sector.

In nominal terms, wages rose by 2.1 percent in the private sector, following a 1.7 percent decrease in 2021; while they rose by 3.7 percent, in the public sector, following a 3.9 percent increase. Adjusted for inflation, i.e., in real terms, wages decreased by 4.3 percent in the private sector, following a 3 percent decline; while they dropped by 2.8 percent in the public sector, following a 2.5 percent increase in 2021.

Chart 1.3.12: Apparent labor productivity in non-agricultural sectors and average wages in real terms (in percent)



Sources: HCP, CNSS, MEF and Bank Al-Maghrib calculations.

Table 1.3.3: Main labor market indicators

		2020	2021	2022
Activity indicators				
Labor force (in thousands)		11 971	12 280	12 191
By place of residence	Urban	7 291	7 511	7 591
	Rural	4 680	4 770	4 599
Participation rate (in percent)		44.8	45.3	44.3
By place of residence	Urban	41.9	42.3	41.9
	Rural	50.0	50.9	49.1
By gender	Male	70.4	70.4	69.6
	Female	19.9	20.9	19.8
Employment indicators				
Job creation (in thousands)		-432	230	-24
By place of residence	Urban	-137	100	150
	Rural	-295	130	-174
By sector	Agriculture, forestry, and fishing	-273	68	-215
	Industry including crafts	-37	-19	28
	Construction and public works	-9	71	-1
	Services	-107	115	164
Employed population (in thousands)		10 542	10 772	10 749
By place of residence	Urban	6 140	6 239	6 390
	Rural	4 403	4 533	4 359
Employment rate (in percent)		39.4	39.7	39.1
By place of residence	Urban	35.3	35.1	35.3
	Rural	47.0	48.4	46.5
Unemployment and underemployment indicators (in percent)				
Unemployment rate		11.9	12.3	11.8
By place of residence	Urban	15.8	16.9	15.8
	Young people aged 15 to 24	45.3	46.7	46.7
	Rural	5.9	5	5.2
Underemployment rate		10.7	9.3	9
By place of residence	Urban	10.1	8.8	8.1
	Rural	11.6	10	10.4
Productivity and wages (change in percent)				
Apparent labor productivity in non-agricultural activities		-4.9	3.9	0.4
Average wages in the private sector	In nominal terms	3.3	-1.7	2.1
	In real terms	2.6	-3	-4.3
Average wages in the public sector	In nominal terms	4.1	3.9	3.7
	In real terms	3.4	2.5	-2.8

Sources: HCP, CNSS, MEF and Bank Al-Maghrib calculations.

1.4 Inflation

After several years of evolution at generally moderate rates, global inflation sharply rose in 2022, reaching, in many advanced and emerging economies, levels not recorded in decades. This hike is due to several factors, namely persistent supply chain disruptions and the repercussions of the conflict in Ukraine, which has particularly exacerbated the surge in food and energy prices.

Driven by these external pressures, which have gradually spread and been internalized, and by internal supply shocks on some food products, inflation in Morocco demonstrated in 2022 a sharp acceleration of its upward trend that started at the end of 2021. Faced with this surge, the government had to introduce numerous measures to mitigate its impact on purchasing power and production costs, and the Central Bank tightened its monetary policy twice, raising its key rate by a total of 100 basis points. Under these conditions, and after standing at 0.7 percent in 2020 and 1.4 percent in 2021, inflation reached 6.6 percent on average in 2022, its highest level since 1992.

By component, core inflation stood at 6.6 percent against 1.7 percent in 2021. In the same direction, prices for fuels and lubricants jumped by 42.3 percent after 12.9 percent, and prices of volatile food products rose by 11.1 percent after dropping by 1.3 percent. On the other hand, regulated tariffs decreased by 0.1 percent, compared with an increase of 1.2 percent a year earlier.

Regarding producer prices in the non-refining manufacturing industries, they registered a further rise by 12.7 percent in 2022, after a 4.3 percent increase in 2021, with particularly pronounced rises in the chemical and food industries.

Chart 1.4.1: Change in inflation (in percent)

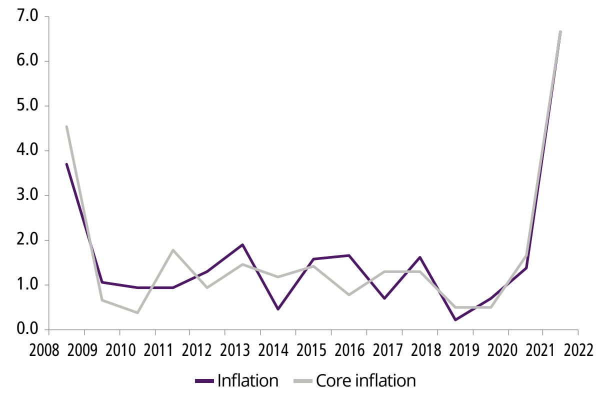


Chart 1.4.2: Contributions to inflation (in percentage points)

Sources: HCP data and Bank Al-Maghrib calculations.

Table 1.4.1: Consumer prices (change in percent)

Groups of products	2016	2017	2018	2019	2020	2021	2022
Consumer price index	**1.6**	**0.7**	**1.6**	**0.2**	**0.7**	**1.4**	**6.6**
Volatile food prices	**7.5**	**-3.1**	**3.0**	**-1.5**	**2.0**	**-1.3**	**11.1**
Tariff-regulated products	**0.7**	**0.8**	**0.9**	**1.3**	**1.2**	**1.2**	**-0.1**
Fuels and lubricants	**-1.7**	**8.8**	**5.5**	**-2.7**	**-12.4**	**12.9**	**42.3**
Core inflation indicator	**0.8**	**1.3**	**1.3**	**0.5**	**0.5**	**1.7**	**6.6**
- Food products	0.6	1.6	1.4	-1.1	0.0	1.8	11.9
- Clothing items and footwear	1.1	1.4	1.2	1.2	0.3	1.9	4.8
- Housing, water, gas, electricity and other fuels	1.0	1.1	1.0	1.5	1.3	1.6	2.3
- Furniture, household appliances and routine household maintenance	0.6	0.5	0.2	0.4	0.2	1.1	5.1
- Health(1)	1.0	2.4	1.0	0.0	0.5	2.2	2.1
- Transport (2)	0.2	-0.4	0.3	0.7	0.7	1.7	4.4
- Communications	-0.2	-0.2	1.0	3.3	-0.4	-0.2	0.3
- Entertainment and culture (1)	1.7	0.6	0.1	0.3	-1.4	1.1	5.7
- Education	2.3	2.7	2.6	3.5	2.7	1.6	2.2
- Restaurants and hotels	2.5	3.2	1.1	1.4	1.1	1.0	2.8
- Miscellaneous goods and services (1)	0.3	0.9	1.8	0.8	1.4	2.4	3.5

*Changes are based on official CPI base 2017 data from 2018 to 2022 and on CPI base 2006 before that year.

(1) Excluding regulated products,

(2) Excluding regulated products, fuels and lubricants.

Sources: HCP data and Bank Al-Maghrib calculations.

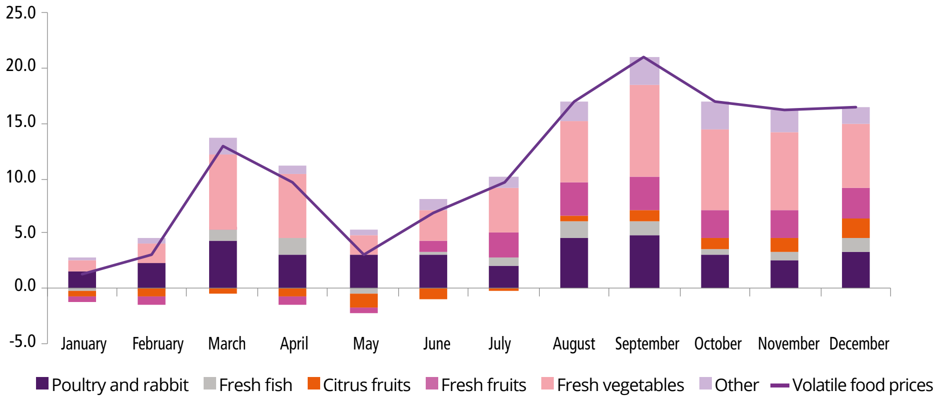
1.4.1. Components of the consumer price index

1.4.1.1 Volatile food prices

After a 1.3 percent decline in 2021, volatile food prices increased by 11.1 percent, as their supply suffered from unfavorable weather conditions and higher prices for agricultural inputs such as energy, fertilizers and compounded poultry feeds. Their contribution to inflation therefore stood at 1.3 percentage points, against -0.2 percentage points in 2021.

Excluding «citrus fruits», whose prices fell by 0.8 percent, all other products recorded increases, ranging from 2.2 percent for «frozen or deep-frozen fish» to 17.2 percent for «fresh vegetables». Particularly, «poultry and rabbit» rose by 12.9 percent and «fresh fruits» by 7.9 percent.

Chart 1.4.3: Contribution to the change in volatile food prices in 2022 (in percentage points)



Sources: HCP data and Bank Al-Maghrib calculations.

1.4.1.2 Fuels and lubricants

Fuels and lubricants prices jumped by 42.3 percent in 2022, following a 12.9 percent increase in 2021, raising their contribution to inflation from 0.3 to 1.2 percentage point. This is due to the upsurge of oil products prices, in connection with stronger global demand, dropping inventories and supply disruptions caused by the war in Ukraine. Thus, the price of Brent in particular rose by 41.8 percent to an average of $ 99.8 /bbl in 2022, compared with $ 70.4/bbl a year earlier. The impact of this increase on pump prices was further amplified by an average depreciation of 11.5 percent of the national currency against the US dollar, and by a surge in the gross refining margin at international level[1]. The latter has amounted an average of $13.98/bbl in 2022, instead of $ 2.19 /bbl in 2021.

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

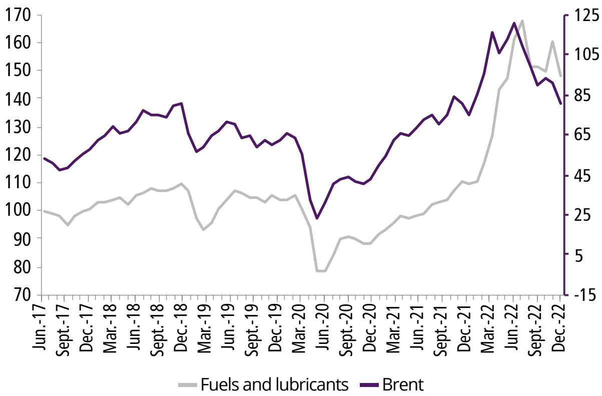
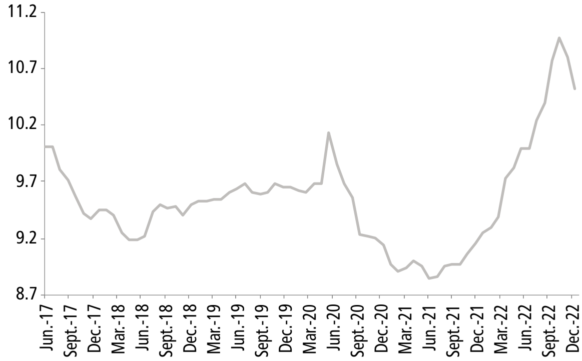


Chart 1.4.5: Exchange rate of the Dirham against the US dollar (dirham/dollar)



Sources : HCP and The World Bank.

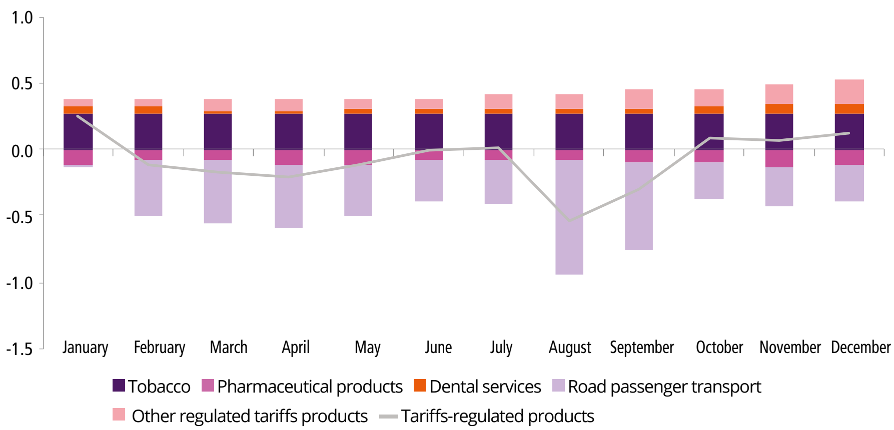
[1] Calculated by the French Ministry of Ecological Transition, https://www.ecologie.gouv.fr/en/node/508.

1.4.1.3 Tariff-Regulated Products

After a 1.2 percent rise in 2021, regulated tariffs slightly dropped by 0.1 percent in 2022 mainly reflecting a fall of 3.1 percent in «road passenger transport» tariffs, instead of a 7.2 percent rise. The impact of the sharp rise in pump prices has been mitigated by aids exceptionally granted by the State to transporters and by the removal of restrictions on passenger numbers introduced during the pandemic period. On the other hand, and further the revisions of tobacco taxation enacted by the Finance Act 2022[1], «tobacco» prices increased by 3.5 percent.

Overall, the contribution of regulated tariffs to inflation was almost zero, after a contribution to inflation by 0.3 percentage point.

Chart 1.4.6: Contribution to monthly change in tariffs-regulated products in 2022 (in percentage points)



Sources: HCP data and Bank Al-Maghrib calculations.

1.4.1.4 Core inflation

Continuing the upward trend initiated at the end of 2020, core inflation picked up over 2022 from 3.9 percent in January to 8.3 percent in December, with an annual average of 6.6 percent. This change is due to the escalation of external pressures generated by the conflict in Ukraine, with in particular a surge in international food and energy prices and a sharp acceleration in consumer prices among Morocco's main commercial partners.

[1] For 2022, this measure involves raising the ad valorem portion of the public selling price excluding VAT and specific DCT for cigarettes from 25 to 67 percent, the minimum collection rate for TIC from 630 to 710.2 dirhams per thousand cigarettes, and the specific portion from 462 to 100 dirhams per thousand cigarettes.

Despite a relative easing of these pressures in the second half of the year, their gradual spread to domestic prices, combined with the downturn in the domestic supply of some foodstuffs in last months, helped to maintain the upward trend of fundamental price trend throughout the year.

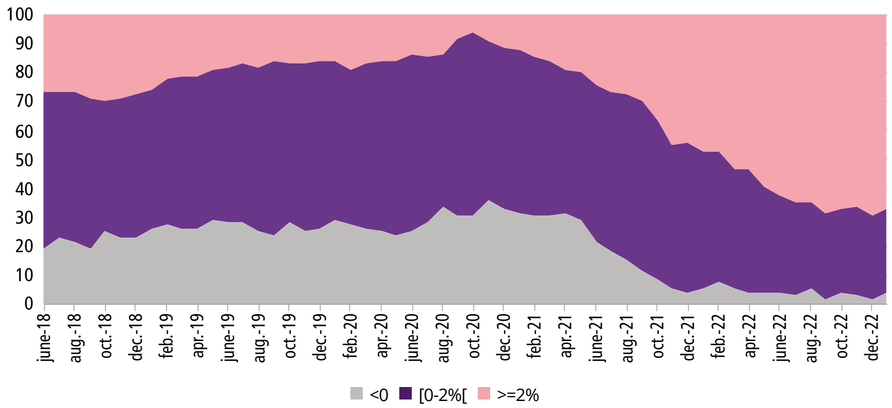
As a result, almost 80 percent of the increase in core inflation is due to the rise in food prices, that are included in the price index, which rose by 11.9 percent instead of 1.8 percent in 2021. The increases were in particular 13.4 percent after 2 percent for «cereal-based products», and 27.8 percent instead of 10 percent for «oils», 6.3 percent for «milk» after a stagnation, and 4.8 percent against a 0.1 percent drop for «fresh meat».

Excluding food products, the acceleration concerned all categories[1], with increases of 5.1 percent instead of 1.1 percent for «furniture, household appliances and routine household maintenance», 4.8 percent after 1.9 percent for «clothing and footwear», and 4.4 percent against 1.7 percent for «transport».

The rise in core inflation reflects a gradual spread of pressure to its various components. Thus, the proportion of products[2] included in the core inflation indicator basket (CPIX) whose prices increased by more than 2 percent rose from an average of 26 percent in 2021 to 47.3 percent in January 2022, before reaching 69.2 percent in December of the same year.

Overall, the contribution of core inflation to headline inflation reached at 4.2 percentage points in 2022, against one point a year earlier.

Chart 1.4.7: Distribution of core inflation components according to the level of variation (in percent)



Sources: HCP data and Bank Al-Maghrib calculations.

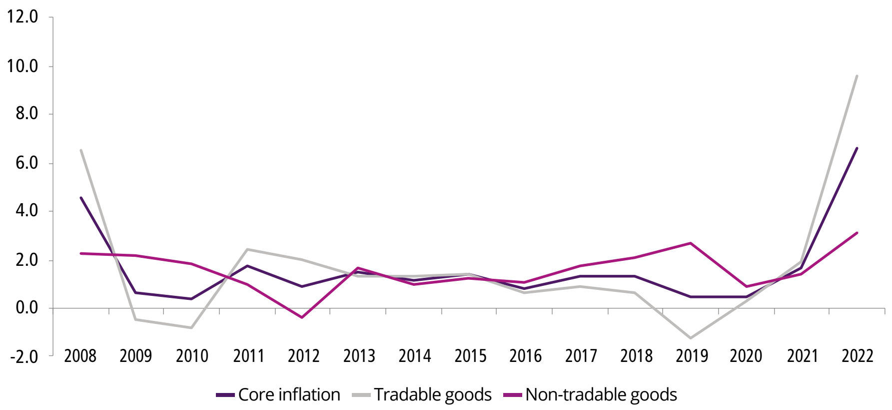
[1] This concerns the ten non-food categories making up the Core inflation basket (Cf. Table 1.4.1).
[2] This concerns the 91 sections making up the core Inflation basket.

Tradable and non-tradable goods

Prices of tradable goods rose by 9.5 percent in 2022, instead of 1.9 percent in 2021, driven by high international food prices, with the FAO food price index increase by 14.3 percent, by rising Inflation among our main trading partners, particularly in the euro area, where it reached 8.4 percent, and by the 0.77 percent depreciation in the nominal effective exchange rate of the dirham.

At the same time, prices of non-tradable goods rose by 3.1 percent after a 1.4 percent rise reflecting national supply shocks, namely in relation to «tourist packages» with 14.8 percent, «maintenance and repair of individual's vehicles» with 5.1 percent, «secondary education» with 2.6 percent and «hairdressing salons and beauty salons» with 6,4 percent.

Chart 1.4.8: Change of core inflation and its tradable and non-tradable components (in percent)

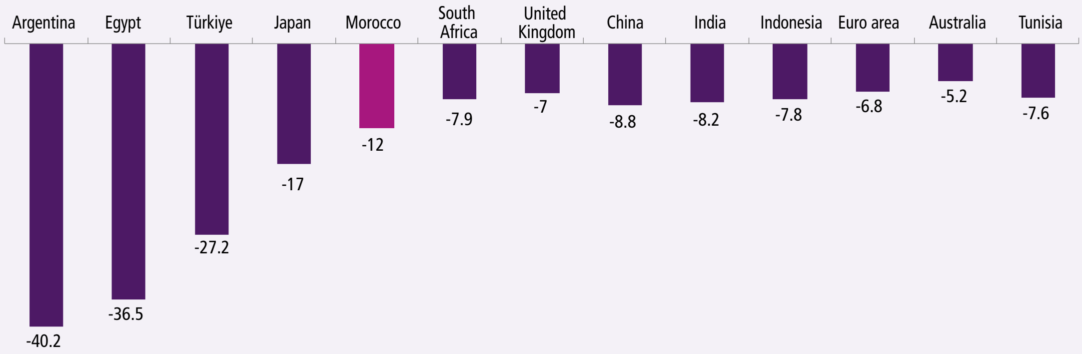


Sources: HCP and Bank Al-Maghrib calculations.

Box 1.4.1: Impact of exchange rate fluctuations on inflation in Morocco

In 2022, the US dollar significantly appreciated against the currencies of the main advanced countries, as well as those of emerging and developing economies. This trend can be explained by several factors, namely the relatively rapid tightening of the Federal Reserve's monetary policy, the solid fundamentals of the US economy and the dollar's status serving as a safe haven currency in a context marked by uncertainty and risk of recession.

Chart B1.4.1.1: Bilateral exchange rates of some currencies against the dollar (Change between December 2021 and December 2022, in %)



Source: Datastream.

Because of the dollar's predominance in world trade settlements, its appreciation contributed significantly to the rise in inflation, with a 40 percent share[1]. According to an IMF[1] estimate, for a sample[2] of 55 economies, a 10 percent appreciation of the dollar induces an average rise in inflation of one percentage point. This impact is greater for emerging economies than for advanced countries, due to their higher dependence on imports invoiced in US dollars.

For MENA countries in particular, a World Bank study[3] covering the period between March and July 2022, estimates this impact at 8.9 percentage points for Egypt, 2.7 points for Tunisia, 2.2 points for Algeria and 3 points for Morocco.

For a better understanding of the transmission of fluctuations in the value of the national currency to domestic prices, a more holistic analysis was carried out using the nominal effective exchange rate of the dirham (NEER). The latter is calculated not on the basis of a single currency, but on a basket comprising the currencies of the main trading partners and competitors[4].

In this respect, the results of simulations[5] carried out using Bank Al-Maghrib's central forecasting model (MQPM) demonstrate that the transmission of a NEER shock is spread over a period of around 2 years, namely through import prices, marginal costs and consumer prices.

Thus, according to the model, the 4.2 percent[6] depreciation of the NEER recorded in 2022 would have been translated into a rise in inflation of around 2 percentage points on average.

[1] IMF: «How Countries should respond to the strong dollar?», October 2022.

[2] The sample used for this estimation includes 31 advanced and 24 emerging economies. For Africa in particular, the countries selected are Algeria, Egypt and South Africa.

[3] World Bank : MENA Economic Update « New state of mind : Greater Transparency and Accountability in the Middle East and North Africa », October 2022.

[4] See Box B1.7.3. Bank Al-Maghrib's annual report of 2021.

[5] In this simulation, the dirham's depreciation in effective terms is assimilated to its depreciation against the basket.

[6] This is the depreciation between the fourth quarter of 2021 and the same quarter of 2022.

1.4.2 Goods and services

A breakdown of the CPI basket by category of goods and services[1] shows that the acceleration in inflation in 2022 is due to the acceleration in goods Inflation, which more than offset the deceleration in services prices.

As a result, excluding fuels and lubricants, goods prices rose by 8.3 percent against 0.9 percent in 2021, reflecting faster price increases for both processed and unprocessed goods, at 7.6 percent after 1.7, and 9.8 percent instead of a decline of 1 percent.

On the other hand, the service prices hike slowed from 1.6 percent to 1.4 percent, reflecting exclusively the 3.1 percent drop in road passenger transport tariffs, instead of a 7.2 percent increase. Excluding these and other rate regulated services, the increase would have been 2.6 percent in 2022, after 1.6 percent a year earlier.

Chart 1.4.9: Price of goods and services (change in percent)

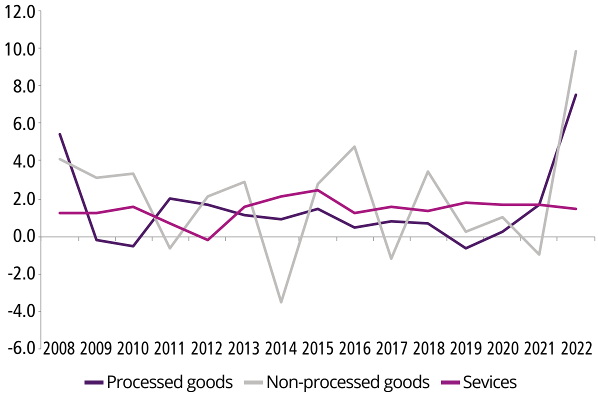


Chart 1.4.10: Contribution of prices of goods and services in inflation (in percentage points)

Sources: HCP and Bank Al-Maghrib calculations.

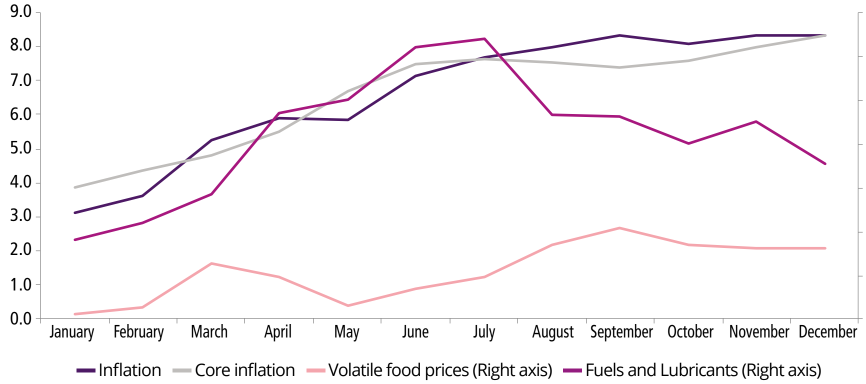
1.4.3 Infra-annual inflation profile

Continuing the upward trend started in September 2021, Inflation significantly accelerated during 2022, rising from 3.1 percent year-on-year in January to 8 percent in August, before hovering around 8.3 percent in the last four months of the year.

[1] Based on HCP data, Bank Al-Maghrib distinguishes four categories: fuels and lubricants, processed goods excluding fuels and lubricants, unprocessed goods and services.

Its momentum essentially reflects that of its underlying component, and in particular prices of food products included in it. Fuels and lubricants, for their part, saw a gradual acceleration in their prices, reaching a peak of 64 percent in July, before decelerating and ending the year with a 35.5 percent rise in December. Volatile food prices rose at rates ranging from 1.3 percent in January to 20.9 percent in September.

Chart 1.4.11: Infra-annual change of inflation (in percent)



Sources: HCP data and Bank Al-Maghrib calculations.

1.4.4 Consumer prices by city

The analysis of consumer price trends by city shows that the acceleration of inflation in 2022 concerned all the cities covered by the HCP survey. The biggest increases were observed in Al-Hoceima, where prices rose by 8.4 percent, compared with 1.3 percent in 2021, followed by Kenitra and Beni-Mellal with 8 percent after 1.3 percent and 2 percent respectively. The lowest rate was recorded in Agadir, at 5.3 percent instead of 1.1 percent.

In terms of inter-city disparity, the gap widened to 3.1 percentage points from 1.6 percentage point in 2021.

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

	Indexes (Base 100 = 2017)			Inflation (in %)				Indexes (Base 100 = 2017)			Inflation (in %)		
	2020	2021	2022	2020	2021	2022		2020	2021	2022	2020	2021	2022
Agadir	102.7	103.8	109.3	0.9	1.1	5.3	**Tangier**	102.4	103.7	110.6	1.0	1.3	6.7
Casablanca	102.5	104.4	111.2	0.4	1.9	6.5	**Laayoune**	103.8	104.2	109.8	1.0	0.4	5.4
Fez	102.9	104.0	111.2	0.0	1.1	6.9	**Dakhla**	103.4	104.0	109.5	0.3	0.6	5.3
Kenitra	101.6	102.9	111.1	0.0	1.3	8.0	**Guelmim**	105.2	105.9	112.0	2.1	0.7	5.8
Marrakech	102.3	103.9	111.5	0.8	1.6	7.3	**Settat**	101.8	103.5	110.3	0.8	1.7	6.6
Oujda	101.7	102.8	109.9	0.1	1.1	6.9	**Safi**	104.8	106.5	114.0	0.3	1.6	7.0
Rabat	102.5	103.8	110.0	0.9	1.3	6.0	**Beni-Mellal**	102.5	104.5	112.9	1.3	2.0	8.0
Tetouan	101.7	102.5	109.5	0.6	0.8	6.8	**Al-Hoceima**	102.2	103.5	112.2	0.8	1.3	8.4
Meknes	102.2	103.6	110.6	0.9	1.4	6.8	**Errachidia**	101.5	103.0	110.8	0.7	1.5	7.6
National	**102.5**	**103.9**	**110.8**	**0.7**	**1.4**	**6.6**							
Range (in % points)				**2.1**	**1.6**	**3.1**							

Source: HCP.

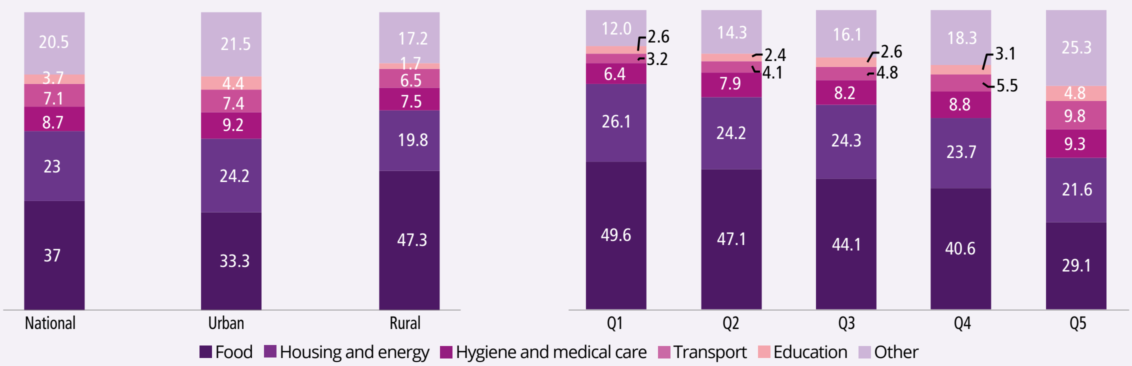
Box 1.4.2: Impact of the recent rise in inflation on different household categories

Inflation is generally measured by reference to a basket of goods and services that is supposed to reflect households' consumption patterns. This basket represents the average structure of consumer spending, and therefore does not provide information on the heterogeneity between different socio-economic categories.

In Morocco, the current consumer price index reference basket is drawn up based on the National Household Consumption and Expenditure Survey carried out by the HCP between July 2013 and June 2014. It is calculated as the average of household consumption structures in 18 cities covering the Kingdom's 12 regions. However, consumption patterns differ widely according to the residence area as well as the socio-economic category. For example, the share of food products, which stands at 37 percent nationally, varies from 33.3 percent in urban areas to 47.3 percent in rural ones. It also rises from 29.1 percent for the most well-off 20 percent of households (Q5) to 49.6 percent for the most disadvantaged ones 20 percent (Q1).

Chart B1.4.2.1: Structure of households expenditure by area of residence

Chart B1.4.2.2: Structure of households expenditure by quintiles



Source: HCP National Household Consumption and Expenditure Survey of 2013/2014.

These disparities are reflected in different inflation rates for each category. For example, if the cost of the basket is revalued according to consumption structure, the inflation rate would rise in 2022 from 5.6 percent in cities to 6.8 percent in rural areas, where estimates are particularly approximate due to the fact that prices are only collected in urban areas.

By expenditure level, inflation would have been 6.5 percent for the first quintile against 5.5 percent for the fifth. This gap widened gradually over the course of the year, from 0.1 percentage point in January to 1.9 point in December, representing inflation of 8.7 percent against 6.8 percent in the latter month. This would have been mitigated by the equally pronounced increase in «transport» and «education » prices, whose shares are more significant for higher-income households' budget.

Carrying out the same exercise for previous years shows that the inflation gap to the detriment of the poorest households estimated for 2022 was the widest since 2013. In contrast, over the period 2019-2021, inflation has been higher for most well-off households, with a rate of 1.5 percent compared with 1.1 percent for the least well-off households particularly in 2021.

Chart B1.4.2.3: Change of the inflation gap between 1st and 5th quintiles since 2013 (in pp)

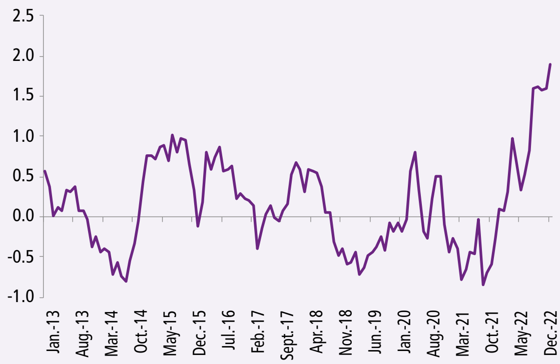
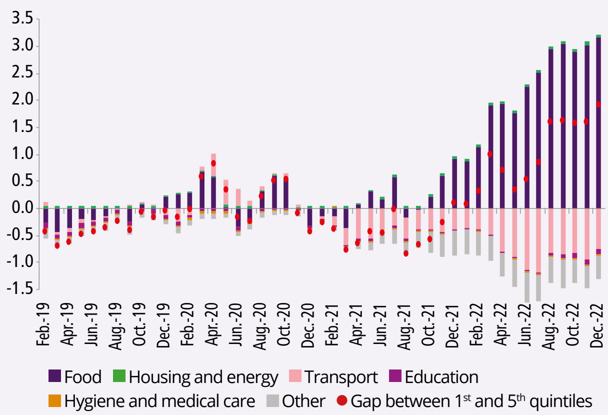


Chart B1.4.2.4: Contribution of different expenditure items to the Inflation gap between the 1st and 5th quintiles (in pp)



Source: HCP National Household Consumption and Expenditure Survey of 2013/2014.

The impact of the sharp rise in Inflation in 2022 would have been greater for the most disadvantaged segment of the population in the absence of government subsidies for gas, sugar and national soft wheat flour, whose international prices have risen sharply. Indeed, almost 7 percent of the average annual expenditure of low-income households is allocated to these products, compared with 3 percent for the population as a whole. On the other hand, in terms of quantities consumed, the most well-off households take up to the largest proportion, making them the main beneficiaries of the current subsidy system.

Chart B1.4.2.5: Budget weight of subsidized products by household expenditure quintile

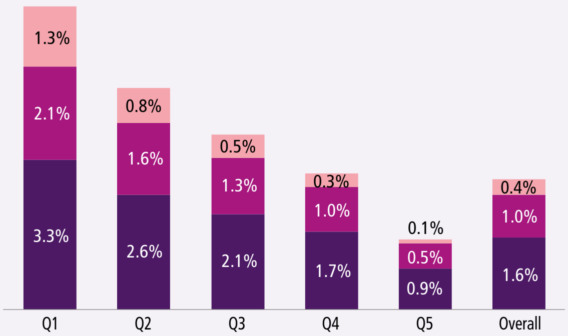
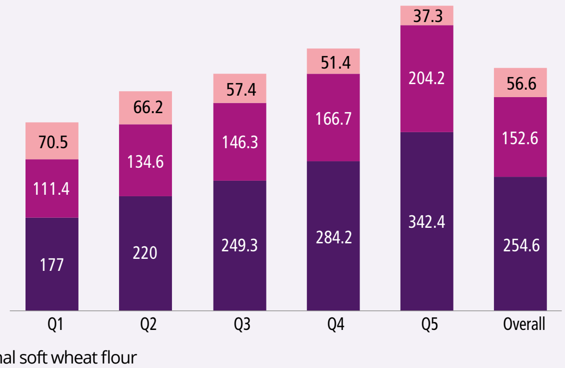


Chart B1.4.2.6: Average annual budget in subsidized products by household expenditure quintile (in dirhams)



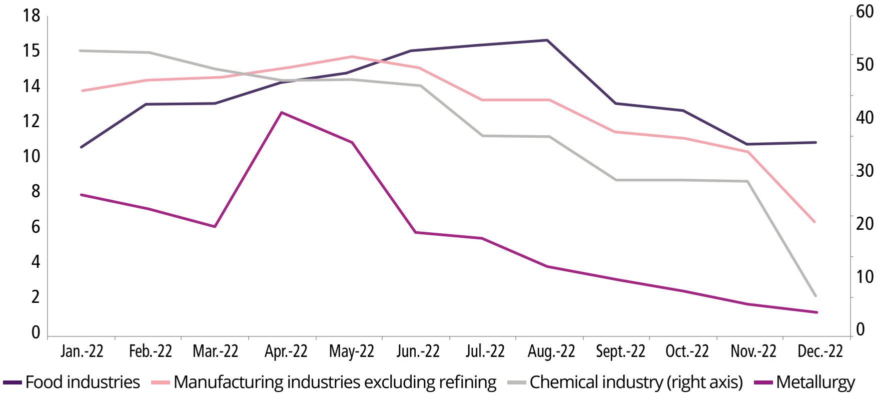
Source: HCP National Household Consumption and Expenditure Survey of 2013/2014.

Finally, it should also be pointed out that, in addition to their exposure to higher Inflation, lower-income households have relatively few opportunities to cushion its impact, as is the case for wealthier households, who can substitute a commonly consumed product with a cheaper one.

1.4.5 Industrial producer prices

After an average increase of 4.3 percent in 2021, producer prices in manufacturing industries excluding refining rose by 12.7 percent. There were two phases in their evolution over the year. The first was marked by a gradual acceleration, with Inflation rising from 13.8 percent in January to 15.7 percent in May. The second, from June onwards, recorded a reversal of this trend, against a backdrop of slower rises in international commodity prices and continued normalization of conditions in global supply chains. The rate of increase in these prices thus decelerated to 6.3 percent in December.

Chart 1.4.12: Change in Industrial producer prices excluding refining (in percent)



Sources: HCP data and Bank Al-Maghrib calculations

By branch of activity, prices increased by 13.5 percent instead of 5.4 percent for the « food industries», by 37.3 percent after 10.1 percent for the «chemical industry», and by 6.8 percent against 4.4 percent for the «textile manufacturing» branch.

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

	2016	2017	2018	2019	2020	2021	2022
Producer price index excluding refining	**-0.4**	**0.7**	**2.6**	**0.6**	**-1.2**	**4.3**	**12.7**
Including :							
Food industries	-0.4	0.3	0.2	-0.1	2.9	5.4	13.5
Textile manufacturing	0.1	-1.2	1.8	0.2	0.8	4.4	6.8
Clothing industry	0.8	0.0	0.7	2.2	0.9	0.2	2.6
Electrical equipment	-3.1	2.9	6.2	-0.6	2.1	4.7	6.7
Chemical industry	-0.2	2.1	12.1	3.0	-9.1	10.1	37.3
Metallurgy	-2.2	0.4	-0.2	-2.3	-6.3	17.9	17.9
Metallic products	-0.3	2.3	1.3	-0.5	-1.7	1.2	3.5
Woodworking and manufacture of wood products	0.7	-0.3	1.5	4.6	-2.7	1.7	11.5
Paper and cardboard Manufacturing	-2.3	0.2	0.8	4.7	-1.8	-0.2	3.2

* Variations are calculated based on the Producer Price Index base 100=2018 from 2019 and refer to base 100=2010 before this year.

Source: HCP.

Box 1.4.3: Recent price dynamics and the contribution of supply and demand factors

Understanding the factors behind inflation is a major challenge for public authorities and central banks in particular. It enables them to better formulate and calibrate economic policies, especially monetary policies. While inflation is usually driven mainly by demand dynamics, a multiplication of both demand and supply shocks, is witnessed since 2020 and whose respective contributions are difficult to identify.

The Covid-19 crisis led, on the one hand, to supply shocks linked to bottlenecks in global production and supply chains and to energy prices hike, and, on the other, to a faster recovery in demand following health restrictions removal. The advent of war in Ukraine subsequently exacerbated supply difficulties and the steep rise of food and energy prices.

Against this backdrop, numerous empirical studies have attempted to distinguish between Inflationary pressures emanating from demand and those triggered by supply shocks. Various approaches have been developed in this respect, but one of the most widely used remains San Francisco Federal Reserve's approach[1].

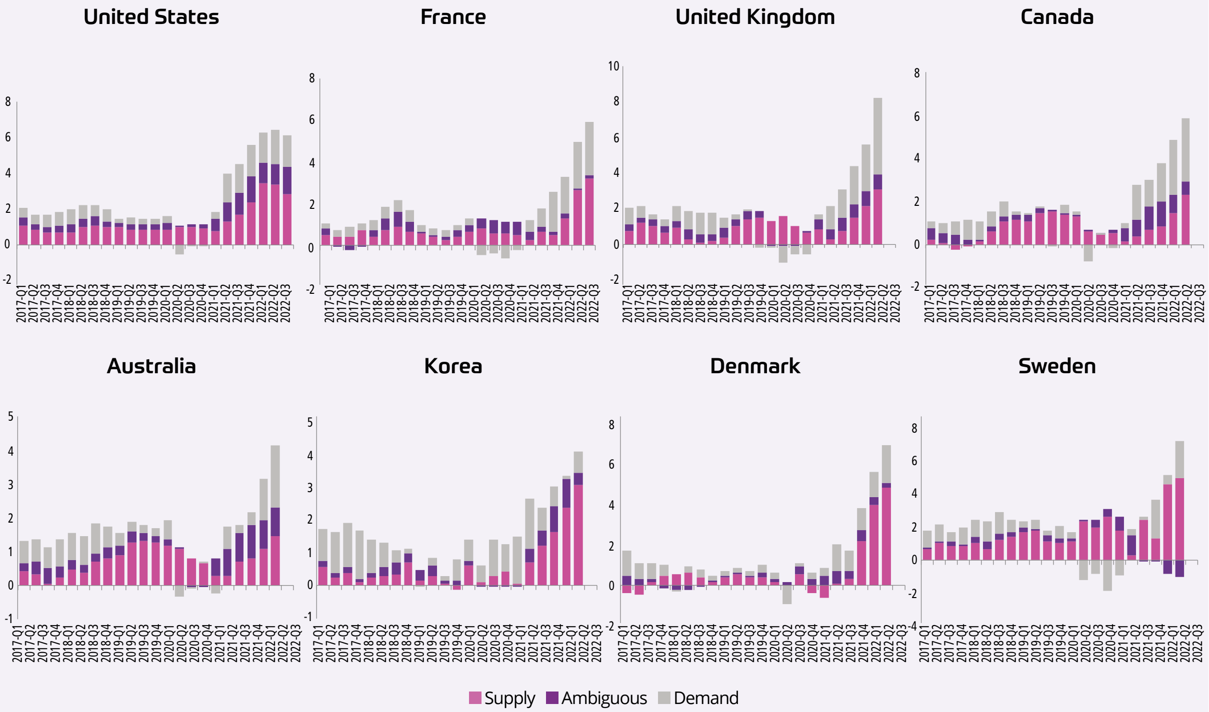
It is based on microeconomic theory, which stipulates that variations in demand for a product should cause both activity and Inflation to move in the same direction, while those in supply should drive them in opposite directions. More precisely, the price of a product is considered to be determined mainly by demand factors if the price and activity errors derived from a model linking these two variables have the same sign, and by supply factors otherwise. When these errors are not significant, the origin of shocks is referred to be ambiguous.

Applied to US monthly data on prices and volumes of personal consumption expenditure (PCE), this approach reveals the predominance of supply factors in US price trends over the past three years. On average, they explain 56 percent of observed inflation, compared with 34 percent in 2019, a result that suggests an increased risk of stagflation, given that supply shocks generally lead to higher prices and weaker economic activity.

Similar results were achieved by other studies carried out by the OECD[2] for 8 of its member countries, and by the ECB for the euro area[3]. Other studies[4] have focused on assessing the impact of supply and demand shocks based on industrial producer price data, using approaches similar to those presented above.

[1] Shapiro, Adam Hale: «Decomposing Supply and Demand Driven Inflation». Federal Reserve Bank of San Francisco, WP 2022-18.
[2] OECD: «OECD Economic Outlook, Volume 2022 Issue 2», November 2022.
[3] ECB: «The role of demand and supply in underlying Inflation - decomposing HICPX Inflation into components». ECB Economic Bulletin, Issue 7/2022.
[4] IMF: «Supply Bottlenecks- Where, Why, How Much, and What Next», February 2022.

Chart B1.4.3.1: Contributions of supply and demand factors to inflation (in percentage points)

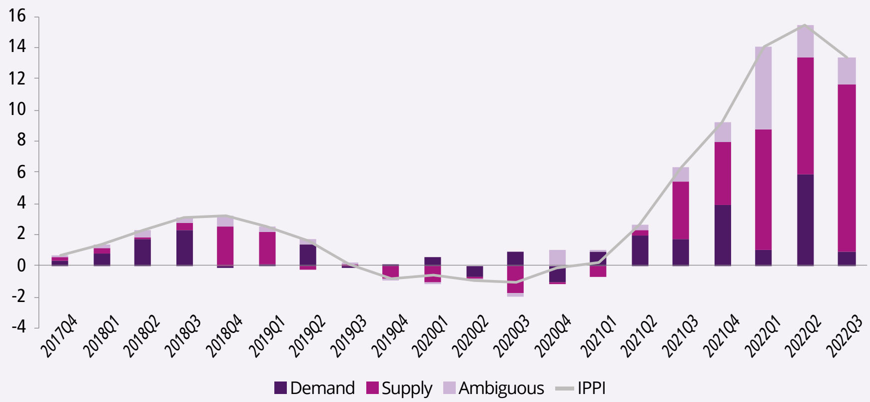


Source: « OECD Economic Outlook, Volume 2022, Issue 2 », November 2022.

To address this issue in Morocco, the same approach has been adopted. Due to the unavailability of granular, high-frequency household consumption data, the contributions of supply and demand factors are distinguished by reference to the Industrial Production Index (IPI) and the Industrial Producer Price Index (IPPI) published by the HCP. Accordingly, calculations were based on quarterly data[5] covering the period 2011-2022, applying some slight methodological adjustments to rectify the shallow historical depth of the statistical series. As for the weightings of the various production branches, the structure related to the IPPI base 2010 has been retained for the entire period, due to the unavailability of its official update used to compile the IPPI base 100 index in 2018.

[5] For the IPI, series going back to 2011 have been linked with the 2015 base index, available for the period 2016-2022. For the IPPI, series going back to 2010 have been connected with those of the base 100 index in 2018.

Chart B1.4.3.2: IPPI Inflation decomposition (percentage points)



Sources: HCP data and Bank Al-Maghrib calculations.

The examination of this exercise's results reveals that the upward trend taken by producer prices over the last five quarters, i.e. between Q3 2021 and Q3 2022, was driven by supply factors up 57 percent on average, in a context marked by the continuing surge in commodity prices. The contribution of demand factors gradually increased yet remained limited to around 24 percent on average over the period, with shocks from ambiguous sources standing at 19 percent.

In conclusion, the predominance of supply shocks in recent inflation change urges the use of other supply-promoting measures and policies in addition to monetary policy. However, the role of the latter remains central in terms of diffusion of pressures and the risk of inflation expectations de-anchoring, thereby triggering self-fulfilled inflationary spirals.

1.5 Public finance

Fiscal policy in 2022 was conducted in a generally restrictive environment marked by a notable slowdown in economic activity, a sharp rise in energy and food prices, and tighter financing conditions.

On the expenditure side, the surge in international prices of subsidized products and the support given to professionals in the transport sector led to a rise in subsidy costs, which almost doubled from one year to the next. Capital expenditure rebounded to 93.8 billion dirhams, while the budgetary impact of the agreement reached on April 30 as part of the social dialogue was limited. To meet these additional requirements, the government issued decrees providing for a further 16 billion dirhams as subsidization and another 12 billion dirhams mainly allocated to some State-Owned Enterprises (SOEs).

At the same time, tax revenues showed an outstanding growth, across almost all tax categories, with the exception of domestic VAT and ICT on energy products. The year also saw a record mobilization of resources under specific financing mechanisms, which totaled 25.1 billion dirhams, as well as a 22.7 percent increase in revenues from SOEs.

Against this background, the fiscal deficit, excluding proceeds from the sale of State shareholdings, continued to narrow, falling from 7.1 percent of GDP in 2020 to 5.9 percent in 2021 and 5.2 percent in 2022, below the target of 5.9 percent of GDP set in the Finance Act.

Overall, and taking into account a reduction of 1.6 billion dirhams in the stock of pending operations, the financing requirement stood at 71.1 billion dirhams, down 11.6 percent on 2021. Faced with tighter financing conditions, both domestically and externally, the Treasury had recourse to the remainder of the drawdown on the IMF's precautionary and liquidity line (PLL) for an amount of 20.9 billion dirhams, the rest having been raised essentially on the domestic market and through the Treasury's own channels.

Taking account of these developments, direct public debt rose by 2.1 points of GDP to 71.6 percent, reflecting increases to 54.3 percent of GDP in the domestic component and to 17.2 percent of GDP in the external component.

Table 1.5.1: Main public finance indicators (in percentage of GDP base year 2014, unless otherwise indicated)

	2015	2016	2017	2018	2019	2020	2021	2022
Current receipts	21.7	22.0	22.2	21.7	22.1	22.0	21.9	25.3
Tax receipts	19.0	19.3	19.6	19.7	19.3	19.3	19.0	21.4
Specific mechanisms (in billion dirhams)	-	-	-	-	9.4	2.6	11.9	25.1
Overall expenditure	26.1	26.4	25.9	25.5	26.1	29.7	28.1	31.2
Current expenditure	20.7	20.6	20.1	20.0	20.2	22.2	22.0	24.1
Payroll	9.5	9.6	9.1	8.9	10.3	11.6	11.0	11.1
Subsidy costs (in billion dirhams)	14.0	14.1	15.3	17.7	16.1	13.5	21.8	42.1
Investment	5.4	5.8	5.8	5.5	5.8	7.5	6.1	7.1
Fiscal balance (excluding sale of State's holdings)	-3.8	-4.2	-3.2	-3.5	-3.8	-7.1	-5.9	-5.2
Direct public debt	58.4	60.1	60.3	60.5	60.3	72.2	69.5	71.6

Sources: MEF (DTEF) and HCP for nominal GDP.

1.5.1 The 2022 Finance Act

The main assumptions of the 2022 Finance Act included a growth rate at 3.2 percent, average crude oil prices at $68 per barrel and butane gas prices at $450 per ton, an average exchange rate of 9.26 dirhams per dollar and an inflation rate at 1.2 percent. It targeted a fiscal deficit, excluding proceeds from the sale of State shareholdings, at 77.6 billion or 5.9 percent of GDP, with an 8.2 percent increase in overall expenditure and a 10.7 percent improvement in current revenues compared with the 2021 Finance Act.

Tax revenues were projected to grow by 13.6 percent, driven by a 34.6 percent increase in corporate tax and a 19.1 percent rise in VAT on imports, while domestic VAT was expected to decline by 1.5 percent. Non-tax revenues were expected to decline by 9.1 percent, mainly as a result of an 18.3 percent drop in revenues from SOEs and a 14.3 percent decrease in revenues from specific financing mechanisms.

On the other hand, current expenditure was set to rise by 6.6 percent, with a 5.5 percent increase in spending on goods and services. The wage bill was expected to rise by 5.5 percent, mainly due to the planned creation of 26,860 new budgetary posts, compared with 21,256 in the 2021 Finance Act. Similarly, expenditure on other goods and services was due to rise by 5.4 percent, reflecting in particular a 13.1 percent increase in subsidies allocated to Autonomously Managed State Services (SEGMA) and to SOEs, and a 47.6 percent drop in unexpected expenditure and provisional allocations. In turn, subsidy costs were set to rebound by 25.6 percent to 17 billion and capital expenditure by 14.5 percent to 78 billion.

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

	2021 FA	2022 FA	Change in %	Change in value
Current receipts	**259 010**	**286 812**	**10.7**	**27 801**
Tax receipts[1]	221 681	251 768	13.6	30 087
Including: VAT	87 009	96 352	10.7	9 342
CT	38 236	51 447	34.6	13 211
IT	39 797	43 041	8.2	3 244
Nontax receipts	34 029	30 944	-9.1	-3 086
Including: Revenue from specific financing mechanisms	14 000	12 000	-14.3	-2 000
Receipts from other Treasury's special accounts[2]	3 300	4 100	24.2	800
Overall expenditure	**341 141**	**368 959**	**8.2**	**27 818**
Current expenditure	**273 041**	**290 967**	**6.6**	**17 926**
Goods and services	205 710	216 967	5.5	11 257
Wage bill[3]	139 860	147 537	5.5	7 677
Other goods and services	65 850	69 430	5.4	3 580
Debt expense	27 678	28 075	1.4	396
Subsidy costs	13 550	17 020	25.6	3 470
Transfers to territorial authorities	26 103	28 905	10.7	2 803
Current balance[4]	**-14 031**	**-4 155**		
Capital spending[5]	68 100	77 993	14.5	9 893
Balance of other Treasury special accounts	7 000	4 500		
Primary balance[4]	**-47 453**	**-49 573**		
Overall fiscal balance[4]	**-75 131**	**-77 648**		
In percentage of GDP[6]	-6.5	-5.9		
Financing requirement	**-75 131**	**-77 648**		
Domestic financing	36 780	51 976		
External financing	34 351	20 672		
Sale of the State's holdings	4 000	5 000		

[1] Tax revenues are expressed net of tax refunds, rebates and refunds, and include the 30 percent of VAT revenues transferred to local authorities.

[2] Treasury special accounts.

[3] Personnel expenses include social security contributions for the employer's share.

[4] Current balance refers to the difference between current revenues and current expenditure. The fiscal balance represents the difference between current revenues and overall expenditure including the balance of the Treasury's special accounts. The primary balance excludes debt interest payments.

[5] Forecast in terms of emissions.

[6] Ratios calculated on the basis of nominal GDP as stipulated by the Ministry of Economy and Finance, with 2014 as the base year for the 2022 FA and 2007 as the base for 2021 FA.

Source: MEF (DTFE).

Box 1.5.1: Main tax and customs measures in the 2022 Finance Act [1]

The tax measures introduced by the Finance Act 2022 are basically part of the ongoing implementation of the provisions of the framework law on tax reform. They concern corporate tax (CT), income tax (IT), value-added tax (VAT), registration duties, domestic consumption tax and customs tariffs.

Corporate tax

- Introducing proportional rates for corporate tax instead of the previous progressive rates. This change is guided by two considerations: (i) the gradual convergence towards a unified proportional rate for corporate tax, as specified in the framework law on tax reform; and (ii) the alignment of the national tax system with international best practices.
- Reducing from 28 percent to 26 percent of the corporate tax rate applicable to industrial companies under 100 million dirhams of net profit.
- Introduction of an incentive scheme granting deferred payment of the corporate tax corresponding to the net capital gain realized on operations relating to the contribution of assets and liabilities of microfinance associations to a public limited company.

Income tax

- Adapting and improving the Single Professional Contribution (SPC) system, by (i) revising the margin coefficients applied to declared turnover, by grouping together activities of the same nature, and (ii) clarifying the taxation method when the taxpayer carries out several professions or activities.
- Extending until December 31, 2022 the incentive measures for individuals carrying out a business subject to income tax who are registering with the tax authorities for the first time. These individuals will only be taxed on the basis of earned income and the transactions carried out as from the date of their registration.
- Revising the flat-rate reduction applied to salary income paid to professional sportsmen as follows:

Old schedule	New schedule (FA 2022)
• 90 percent for 2021 ; • 80 percent for 2022 ; • 70 percent for 2023 ; • 60 percent for 2024 ; • 50 percent from 2025	• 90 percent for the years 2021 to 2023 ; • 80 percent for 2024 ; • 70 percent for 2025 ; • 60 percent for 2026 ; • 50 percent from 2027

- Extending until December 31, 2022 the exemption for salaries paid to first-time recruits below the age of 35 under open-ended employment contracts.

[1] Circular note No.732 from the Direction Générale des Impôts (Tax General Directorate) on the tax provisions of the 2022 Finance Act and circular note NO.6255/210 from the Administration des Douanes et Impôts Indirects (Customs and Indirect Tax Department) on the customs provisions of the 2022 Finance Act.

Value-added tax

- Exempting of scrap metals from VAT without right of deduction instead of the previous common law.
- Aligning VAT processing of Takaful insurance and reinsurance operations with that of conventional insurance, by granting them the benefit of VAT exemption without the right to deduct.
- Extending interest exemption on loans granted by banks to students in private education to those in the public sector to finance their studies in Morocco or abroad.
- Reducing from 100 million dirhams to 50 million dirhams the threshold set for investment agreements concluded with the State in order to be eligible for VAT exemption for a 36-month period.
- Establishing the principle of VAT neutrality for sales transactions involving photovoltaic panels and solar water heaters. Previously exempt from domestic VAT and subject to a 20 percent import VAT rate, these products are now subject to a reduced domestic and import VAT rate of 10 percent. In addition, the 2022 FA has exempted products and materials used in the manufacturing of photovoltaic panels from domestic and import VAT.

Registration duties

- Applying, as in the case of conventional banks, of the 10 percent tax rate on insurance contracts to temporary insurance operations in the event of death underwritten for the benefit of participatory banks, notably those carried out within the framework of Takaful insurance.

Common measures

- Reducing from 0.50 percent to 0.40 percent the rate of the minimum contribution applicable to corporate and income tax for companies declaring a positive current result before depreciation.
- Reinforcing taxpayers’ guarantees with regard to tax audits, through the introduction of two measures. The first makes effective the system of oral and contradictory exchange before the end of the audit. The second establishes the «Administration» as the interlocutor in tax audits, rather than the «inspector», thereby promoting the collegiality of tax audit procedures.
- Improving measures to combat tax fraud and evasion, by (i) reinforcing the procedure for examining taxpayers’ entire tax situation, and (ii) making the Tax Offences Commission operational.
- Consolidation of the rights of taxpayers and the Administration through the establishment of Regional Tax Appeal Commissions (RTAC), and the strengthening of Local Tax Commissions (LTC) and the National Tax Appeal Commission (NTAC).
- Introduction of tax neutrality for transfers of ownership of real estate from former local authorities to newly-created ones, following their break-up or grouping. These transfers are thus exempt from taxes, duties and levies provided for in tax legislation.

- Adoption of a transitional measure designed to encourage reinvestment of the total proceeds from the sale of fixed assets realized in 2022. Under certain conditions, a 70 percent reduction will be applied to the net capital gain realized on the disposal of these items, with the exception of land and buildings.
- Cancellation of penalties, markups and collection costs relating to tourist transport operations, which have been the subject of collection, during the period from January 1, 2020 to December 31, 2021, on condition of spontaneous payment of the principal of taxes, duties and fees before January 1, 2023.
- Reinstatement of the social solidarity contribution on profits and income for 2022 for companies subject to corporate tax and individuals subject to income tax based on actual net income. It is calculated according to the following proportional rates:

Amount of profit or income (in dirhams)	Contribution rate (in percent)
From one million to less than 5 million	1.5
From 5 million to less than 10 million	2.5
From 10 million to less than 40 million	3.5
From 40 million and over	5

Measures relating to customs duties and ICT

- Adjustment of import duty rates for the following products:

Products	Previous rates (in percent)	New rates (in percent)
- Chicken meat preparations in the form of patties or portions, breaded, pre-cooked, frozen, weighting not more than 100 grams and packed in plastic bag	10	40
- Incandescent lamps and tubes, excluding those with ultraviolet or infrared rays	2.5	17.5
- Preparations used in the manufacturing of drugs for the treatment of diabetes	40	2.5
- Preparations based on sodium sulphate and sodium carbonate or sodium chloride, in the form of granules colored with pigments	40	10
- Poly waste (ethylene terephthalate)	17.5	2.5
- Sharp or serrated knife blades - Lithium cells	40	17.5

- Introducing an ICT on household items, appliances and equipment according to their energy class, as well as on electronic appliances and vehicle batteries, and allocation of its proceeds to the Social Protection and Social Cohesion Support Fund.
- Increasing ICT quotas on liquids for charging or recharging electronic cigarettes and similar devices.

- Reforming the ICT applicable to cigarettes through the abolition of the minimum tax pressure threshold and the gradual increase in quotas over a five-year term according to the following schedule:

Implementation date	Specific quota (for 1000 cigarettes) in dirhams	Ad valorem quota of the retail price (excluding taxes) in %	Minimum charge (for 1000 cigarettes) in dirhams
As of January 1, 2022	100	67	710.2
As of January 1, 2023	175	66	782.1
As of January 1, 2024	275	64	826.7
As of January 1, 2025	400	61	900.9
As of January 1, 2026	550	56.5	953

1.5.2 Budget implementation

Budget execution for the year 2022 was characterized by a 20.8 percent rise in current revenues, the highest since 2008, parallel to a 15.8 percent rise in overall expenditure. Taking into account an increase of 5 billion in the positive balance of the Treasury's Special Accounts (TSA) to 8.6 billion, the deficit, excluding proceeds from the sale of State holdings, stood at 69.5 billion dirhams, down by 8.2 billion compared with the Finance Act and by 6.2 billion compared with budget implementation in 2021.

Chart 1.5.1: Overall fiscal balance and primary balance

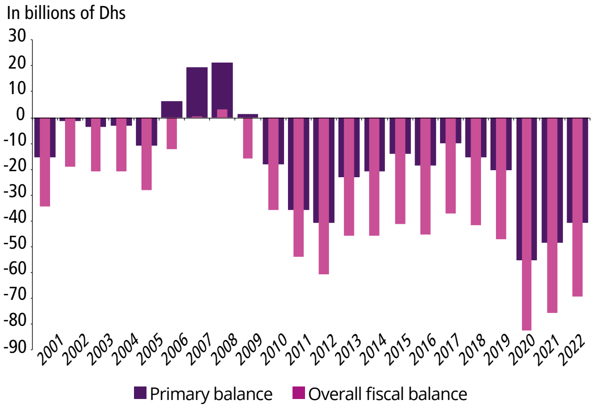
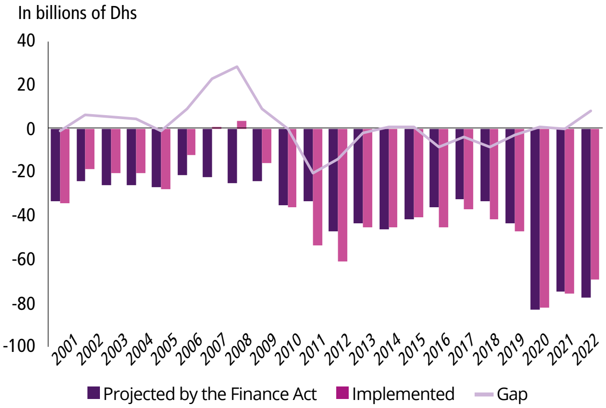


Chart 1.5.2: Overall fiscal balance



Source: MEF (DTFE).

Box 1.5.2: Cyclicality of fiscal policy in Morocco

Fiscal policy is one of the short-term economic policies whose main objective is to mitigate cyclical fluctuations in the economy through a counter-cyclical stance. In particular, it is used as a support and stimulus instrument during economic downturns.

To assess its trend with respect to the economic cycle, the most widely applied method is based on breaking down the fiscal balance into its cyclical and structural components. The latter corresponds to the balance adjusted by cyclical variations linked to economic conditions and one-off events. Such a distinction enables authorities to identify and redress any persistent structural fiscal imbalances, and to assess the long-term sustainability of public finances.

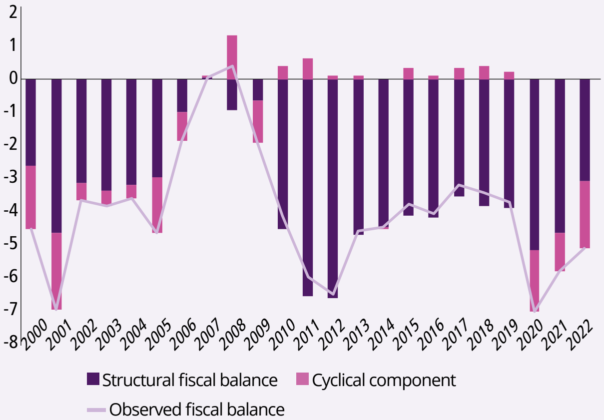
This box presents an analysis of the cyclicality of fiscal policy in Morocco over the period 2000-2022. To measure the structural fiscal balance, the approach adopted is the one developed by the IMF and the OECD. It comprises two stages, namely (i) estimating potential output[1] and deducting the output gap[2]; and (ii) determining the structural fiscal balance. The latter is based on estimating the structural components of revenues and expenditures by correcting observed data for the effects of the business cycle, using their estimated elasticities.

It should be highlighted that this type of assessment is subject to a degree of uncertainty, insofar as calculations of the structural fiscal balance and potential growth, which are unobservable variables, are approximate in nature.

Breakdown of the fiscal balance

The breakdown of the fiscal balance over the period under review shows that its structural component was largely dominant and negative. Conversely, the cyclical component was largely weak and positive over the 2007-2019 period (with the exception of 2009). It was negative over the first years of the millennium, and especially from 2020 onwards, the period coinciding with the pandemic and during which the authorities had to grant budgetary support to households and businesses.

Chart B.1.5.2.1: Breakdown of the fiscal balance as a percentage of GDP (2000-2022)



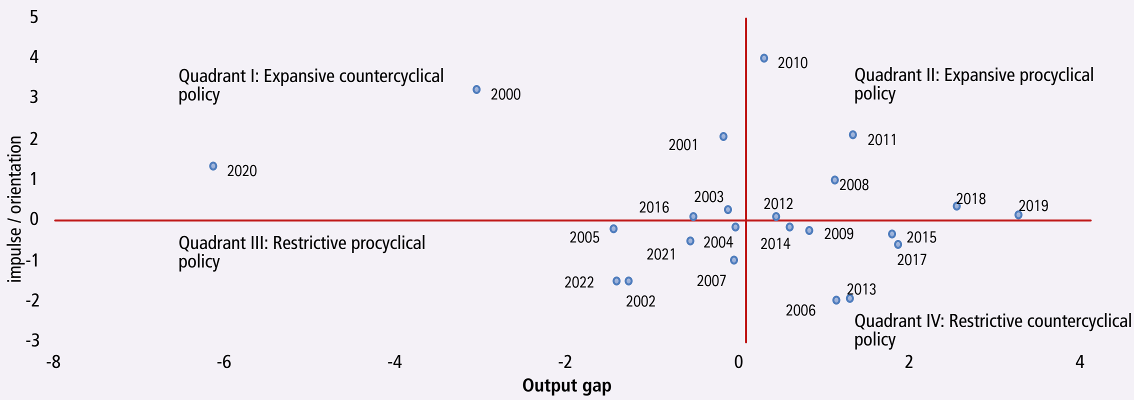
[1] It represents the production level that the economy can sustainably support without straining the factors of production, i.e. capital and labor. It is generally approximated by the trend value of GDP.

[2] The gap between observed and potential GDP.

Fiscal policy impulse and orientation

The assessment of fiscal policy behavior (expansive or restrictive, procyclical or countercyclical) is based on an analysis of the fiscal impulse, measured by the variation in the structural balance from one year to the next. Thus, an expansive fiscal policy leads to a positive fiscal impulse in favor of economic activity, and vice versa.

Chart B.1.5.2.2: Fiscal orientation (Vertical axis) and output gap (Horizontal axis)

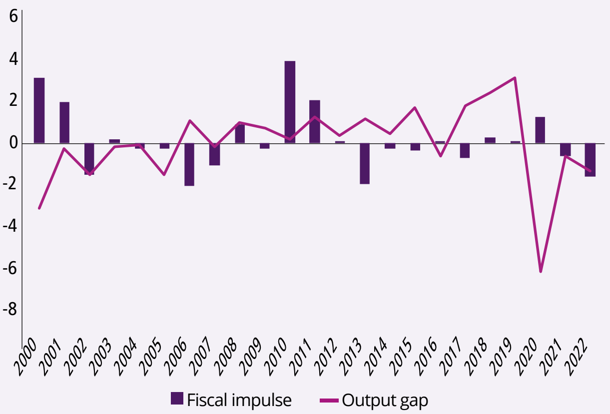


Years in quadrants I and IV are those in which fiscal policy was countercyclical, i.e., the output gap was negative and the fiscal stimulus positive, or vice versa. Years in quadrants II and III are those in which fiscal policy was procyclical, i.e. the output gap and fiscal stimulus were of the same sign.

Over the first two years of the 2000s, the government pursued an expansive countercyclical fiscal policy, with an average structural deficit of 3.7 percent of potential GDP and an average fiscal stimulus of 2.6 points of GDP. These years saw the adoption of a number of tax measures aimed at stimulating private investment and easing the tax burden on certain sectors. On the expenditure side, the State granted substantial subsidies to mitigate the effects of the drought and soaring world oil prices, and regularized the situation of certain categories of civil servants as part of the social dialogue.

Between 2002 and 2007, the structural fiscal balance grew from a deficit of 3.2 percent of potential GDP to a balanced position, while the fiscal impulse remained negative over this period. The change of public finances was characterized by a phase of consolidation of tax revenues, in particular corporate tax and VAT. At the same time, expenditure continued its upward trend, driven by growth in the wage bill[3] and subsidy costs.

Chart B.1.5.2.3: Fiscal impulse and output gap



The fiscal position improved somewhat in 2008, with a cyclical surplus and a structural deficit at 1 percent of potential GDP. The year was marked by a 23.7 percent increase in tax revenues, coupled with a sharp rise in the subsidy costs, which almost doubled year-on-year, resulting in a positive fiscal impulse. The following year, the structural deficit eased to 0.7 percent, and the fiscal impulse turned negative by 0.3 points of potential GDP, mainly due to a contraction in subsidy costs.

Over the 2010-2012 period, the fiscal impulse was positive, with a deterioration in the structural deficit to 6 percent of GDP on average, following the slowdown in tax revenues due in particular to the deceleration in economic activity, the continued dismantling of tariffs and the contraction in imports, as well as the adjustments made to income tax rates and brackets introduced in 2009 and 2010. At the same time, this trend was accompanied by higher expenditure in a context affected by the rise in energy prices and the fallouts of the economic and financial crisis that began in 2008. Personnel costs also continued to rise, with an average increase of 8.6 percent over the period, largely attributable to salary rises for civil servants in 2011 and 2012.

Between 2013 and 2019, the fiscal stance was restrictive overall, with a reduction in subsidy costs[4] and capital[5] spending in particular, as well as an increase in revenues thanks in particular to the mobilization of grants from GCC countries for a total amount of 43.2 billion dirhams. The structural fiscal deficit fell from 4.8 percent of potential GDP in 2013 to 4 percent in 2019, and the fiscal impulse was negative by an average of 0.4 points of GDP.

[3] The wage bill remained relatively high, although its weight was reduced from 10.3 percent in 2005 to 9.1 percent of GDP in 2008, taking into account the voluntary retirement operation carried out in 2005.

[4] In 2013, the Government introduced a system of partial indexation of oil product prices, and in early 2014 it decided to gradually reduce the diesel subsidy and to fully lift all subsidies to some oil products.

[5] One of the measures taken involved cutting 15 billion from the 2013 FA appropriations.

In 2020, the strong contraction in economic activity due to the double shock of the Covid-19 pandemic and unfavorable weather conditions resulted in a widening of the output gap to -6.2 percent. The health restrictions put in place by the authorities to contain the pandemic led to a significant drop in tax revenues, and in substantial assistance to households and businesses, financed largely by voluntary contributions collected within the framework of the Covid-19 Crisis Management Fund. The fiscal stance was therefore expansive and counter-cyclical, with a positive fiscal impulse of 1.3 points of GDP.

In 2021, the fiscal impulse was negative at 0.6 points of GDP, against the backdrop of a rebound in economic growth to 8 percent. The year 2022 was characterized by a marked deceleration in growth alongside a strengthening of both tax and non-tax revenues, which eased pressure on the State budget following measures taken to support household purchasing power in a context of inflationary pressures. The assessment highlights a restrictive and procyclical fiscal policy, with a negative fiscal impulse of 1.6 points of GDP.

Over the entire period, the fiscal stance was countercyclical in 11 out of 23 years, and clearly pro-cyclical in 2010 and 2011. However, beyond figures, the main lesson to be drawn from the series of shocks recently experienced by the domestic economy is the imperative need to rebuild and strengthen fiscal space, especially as the international economic environment remains marked by strong and persistent uncertainties.

Current revenues

Following a 10.1 percent increase in 2021, current revenues rose by 20.8 percent to 336.5 billion dirhams, reflecting primarily a 17.1 percent rise in tax receipts to 284 billion dirhams, representing a 112.8 percent achievement rate. Similarly, as a result of an exceptional recourse to specific financing mechanisms, non-tax revenues rose by 50.5 percent to 48.7 billion, or the equivalent of 157.3 percent of the amount projected in the Finance Act.

Direct taxes, achieved up to 116 percent of forecasts, totaled 113.3 billion, up 24.8 percent. By tax category, corporate tax receipts jumped by 40 percent to 62.4 billion, after an 8.6 percent decrease in 2021, due to improved receipts of 6.3 billion as part of the regularization supplement and 10.5 billion for advance payments. Revenues from income tax rose by 8.1 percent, compared with 10.6 percent in 2021, thanks in particular to a 2.5 billion increase in revenue from income tax on salaries and a 292 million increase in revenue from income tax on professionals.

Revenues from indirect taxes, achieved up to 109.1 percent of the Finance Act, rose by 11.9 percent to 138.7 billion. VAT revenues rose by 15.2 percent to 107.1 billion overall, and by 28.1 percent to 78.2 billion for import VAT, while domestic VAT revenues fell by 9.4 percent to 28.9 billion. The latter trend was mainly due to a 31.4 percent rise in refunds to 19.7 billion. ICT revenues reached 31.6 billion, compared with 31 billion in 2021, driven by a 3.7 percent increase in tobacco revenues to 12.7 billion, and a 15.5 percent rise in ICT revenues from other products, excluding tobacco and energy products, to 2.7 billion, although the latter fell by 1.1 percent to 16.2 billion.

Chart 1.5.3: Corporate tax and Income tax revenues

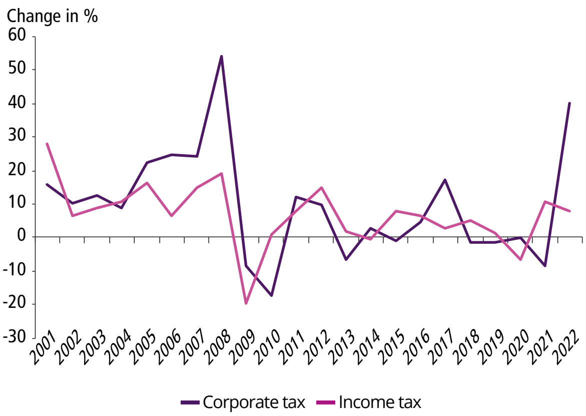
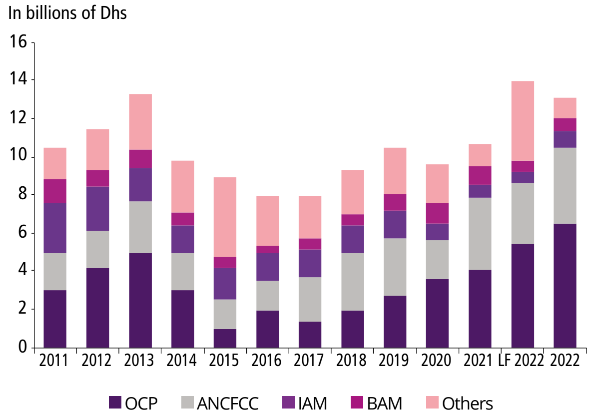


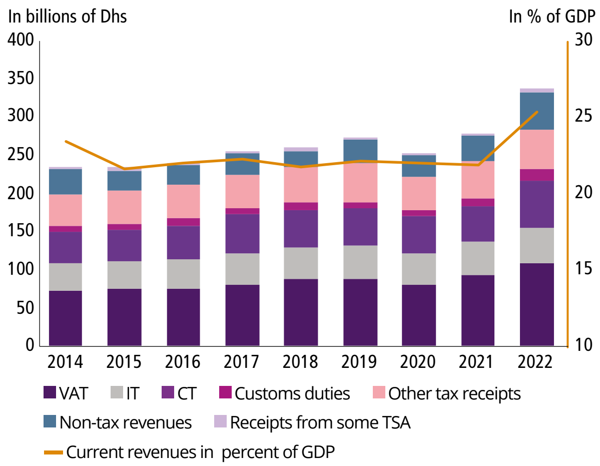
Chart 1.5.4: Monopolies and shareholdings revenues



Source: MEF (DTFE).

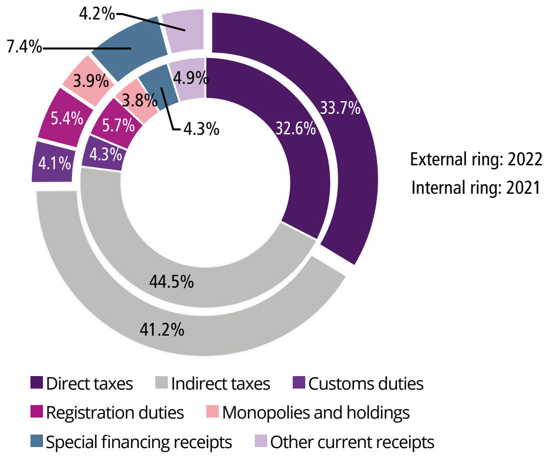
After a 25.3 percent rebound in 2021, customs duties increased by 16.9 percent to 13.9 billion, in line with the rise in imports. In turn, income from registration and stamp duties, accounting for 121.6 percent of the Finance Act projections, rose by 14.5 percent to 18.1 billion from 19.5 percent in 2021.

Chart 1.5.5: Current revenues



Source: MEF (DTFE).

Chart 1.5.6: Breakdown of current revenues



Non-tax revenues, excluding proceeds from the sale of State holdings, jumped by 50.5 percent to 48.7 billion, after 19 percent in 2021, driven mainly by the receipt of a total of 25.1 billion from specific financing mechanisms. Similarly, revenues from SOEs improved by 22.7 percent to 13.1 billion, including 6.5 billion from the OCP, 4 billion from the National Agency for Land Registry, Cadastre and Cartography, 786 million from Maroc Telecom and 738 million from Bank Al-Maghrib. Donations from GCC countries were limited to 380 million dirhams, instead of the 700 million projected in the Finance Act and 222 million a year earlier.

Table 1.5.3: Situation of the Treasury's expenses and resources (In millions of dirhams, unless otherwise indicated)

	2021[1]	2022	Change in %	Implementation rate compared to the 2022 FA
Current receipts	**278 664**	**336 501**	**20.8**	**117.3**
Tax receipts[2]	**242 466**	**284 035**	**17.1**	**112.8**
Direct taxes	90 790	113 285	24.8	116.0
Corporate tax	44 592	62 434	40.0	121.4
Income tax	44 430	48 024	8.1	111.6
Indirect taxes	123 961	138 734	11.9	109.1
VAT	93 001	107 129	15.2	111.2
Internal consumption tax	30 960	31 605	2.1	102.6
Customs duties	11 885	13 895	16.9	115.5
Registration and stamp duties	15 829	18 121	14.5	121.6
Nontax receipts	**32 327**	**48 666**	**50.5**	**157.3**
Monopolies and shareholdings	10 711	13 146	22.7	94.0
Other revenues	21 616	35 520	64.3	209.4
Including Receipts from specific mechanisms	11 900	25 066	110.6	208.9
Receipts of some Treasury's Special accounts	**3 872**	**3 800**	**-1.9**	**92.7**
Overall expenditure	**357 872**	**414 579**	**15.8**	**112.4**
Current expenditure	**280 101**	**320 770**	**14.5**	**110.2**
Goods and services	**203 254**	**217 916**	**7.2**	**100.4**
Wage bill	140 456	147 755	5.2	100.1
Other goods and services	62 798	70 161	11.7	101.1
Public debt expense	**27 106**	**28 600**	**5.5**	**101.9**
Domestic	22 409	23 628	5.4	101.0
External	4 697	4 972	5.8	106.1
Subsidy costs	21 840	42 115	92.8	247.4
Transfers to territorial authorities	27 900	32 139	15.2	111.2
Current balance[3]	**-1 437**	**15 731**		
Capital spending	**77 771**	**93 809**	**20.6**	**120.3**
Balance of other the Treasury's Special accounts	3 579	8 626		
Primary balance[3]	**-48 522**	**-40 852**		
Overall fiscal balance[3]	**-75 628**	**-69 452**		
Change in pending operations	-4 758	-1 637		
Financing requirement/surplus	**-80 387**	**-71 088**		
Domestic financing	66 770	65 019		
Domestic debt	46 515	42 640		
Other transactions	20 255	22 379		
External financing	8 201	6 070		
Drawings	18 442	29 644		
Depreciation	-10 241	-23 574		
Proceeds from the sale of State's holdings	5 416	0		

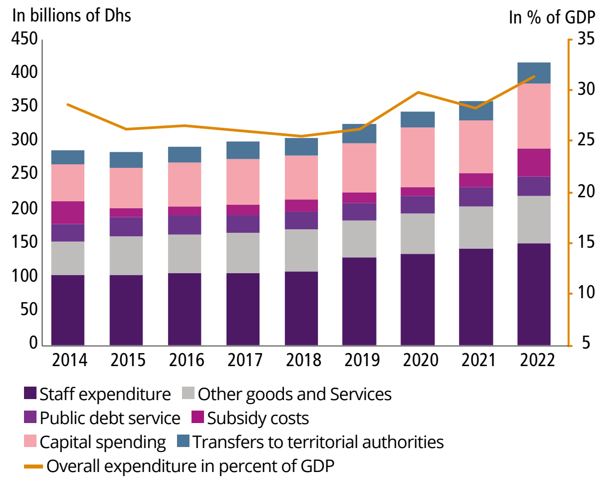
[1] Revised figures.
[2] Tax revenues are expressed net of tax refunds, rebates and refunds, and include the 30 percent of VAT revenues transferred to local authorities.
[3] Current balance refers to the difference between current revenues and current expenditure. The fiscal balance represents the difference between current revenue and overall expenditure, including the balance of the Treasury's special accounts. The primary balance excludes debt interest payments.

Source: MEF (DTEF).

Overall expenditure

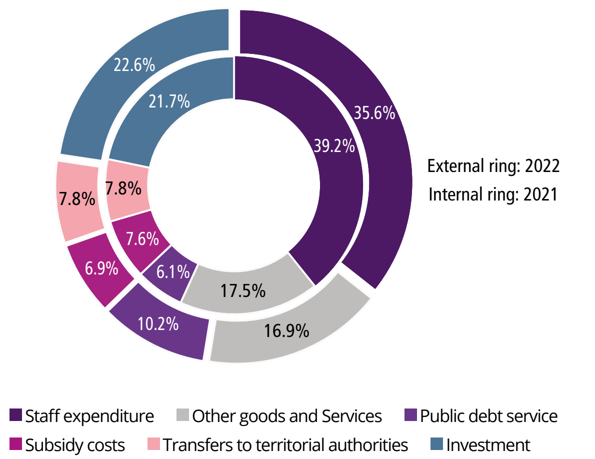
Exceeding the Finance Act's programming by 12.4 percent, overall Treasury expenditure rose by 15.8 percent, after 4.7 percent in 2021, to 414.6 billion. This was due to increases of 14.5 percent to 320.8 billion in current expenditure and 20.6 percent to 93.8 billion in capital expenditure.

Chart 1.5.7: Overall expenditure



Source: MEF (DTFE).

Chart 1.5.8: Structure of the overall expenditure



In line with the Finance Act projections, spending on goods and services rose by 7.2 percent to 217.9 billion. The wage bill[1] grew by the same rate as in 2021, i.e. by 5.2 percent, to 147.8 billion, reflecting in particular the net creation of 7,905 jobs[2], the budgetary impact of the implementation of the social dialogue provisions on the civil service[3] during 2022 having been limited. The part served by the Personnel Expenses Department (DDP), which accounts for 86.4 percent, saw increases of 2.1 percent in its structural component and 50.7 percent in payroll adjustments to 9.3 billion. As a percentage of GDP, the wage bill edged up 0.1 points to 11.1 percent. By ministerial department, more than half of this expenditure was allocated to three of them: National Education, Preschool and Sport (27.8 percent), the Interior (19 percent) and Health and Social Protection (7.9 percent).

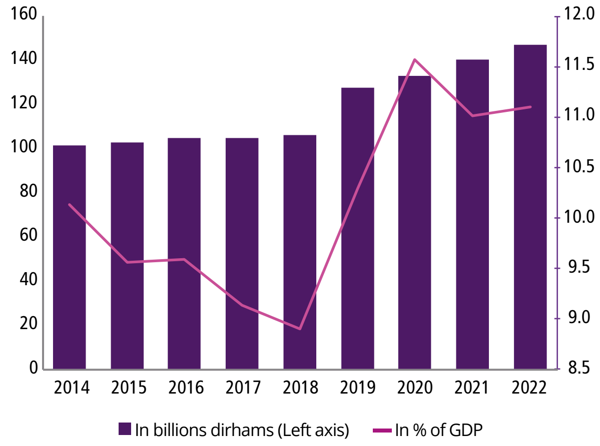
Spending on other goods and services jumped by 11.7 percent, compared with 8.9 percent a year earlier, to 70.2 billion, almost in line with the Finance Act programming. This includes, in particular, a 16.7 percent rise to 35 billion in transfers to SOEs and a 4.7 percent drop to 6.1 billion in payments to the Treasury's special accounts.

[1] Including social security costs relating to the employer's share.
[2] Difference between the creation of 26,860 jobs and the suppression of 18,955 jobs.
[3] This mainly concerns the increase in the minimum net monthly wage for civil servants working for the State and SOEs from 3,362 dirhams to 3,500 dirhams, and the regularization of the situation of certain categories of civil servants in the education sector.

For its part, the subsidy cost reached 42.1 billion instead of 21.8 billion in 2021, due in particular to the rise in the price of energy and food products on the international market. Subsidies on butane gas amounted to 22.1 billion dirhams, compared with 9.3 billion dirhams for imported wheat and 4.7 billion dirhams for sugar. In addition, to limit the impact on transport prices, the government granted 4.4 billion dirhams to professionals in the sector.

As the 2022 Finance Act had allocated only 17 billion dirhams for price subsidies, the Government opened in June additional appropriations of 16 billion dirhams, bringing the total to 33 billion dirhams, a figure that was overrun by 27.5 percent in terms of execution.

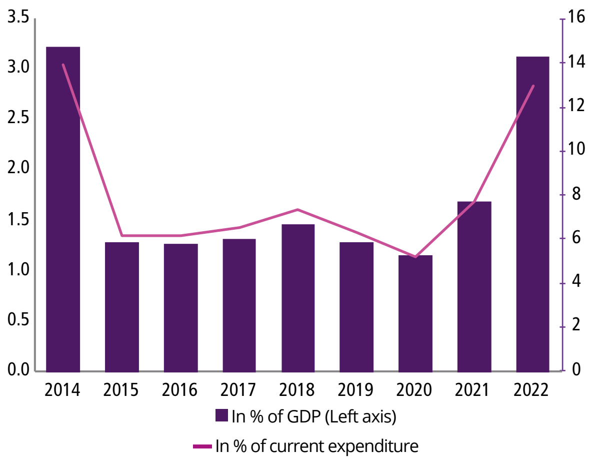
Chart 1.5.9: Wage bill*



* Starting from 2019, the Personnel Expenses Department include social security contributions relating to the employer's share, classified under other goods and services.

Sources: MEF (DTFE).

Chart 1.5.10: Subsidy costs



Against a backdrop of rising interest rates, the interest burden on debt rose by 5.5 percent to 28.6 billion, after falling by 0.6 percent a year earlier. The increase was 5.4 percent to 23.6 billion for domestic debt and 5.8 percent to 5 billion for external debt.

Under these conditions, and after two years of deficit, the current balance showed a surplus of 15.7 billion, contributing thereby to financing 16.8 percent of capital expenditure. The latter increased by 20.6 percent to 93.8 billion, representing an implementation rate of 120.3 percent and a GDP ratio of 7.1 percent. By ministerial department, this expenditure amounted to 10.6 billion for Agriculture, Sea Fishing, Rural Development and Water and Forests, 10.2 billion for Equipment and Water, 6.2 billion for National Education, Preschool and Sports, and 5.5 billion for Health and Social Protection.

Chart 1.5.11: Current balance

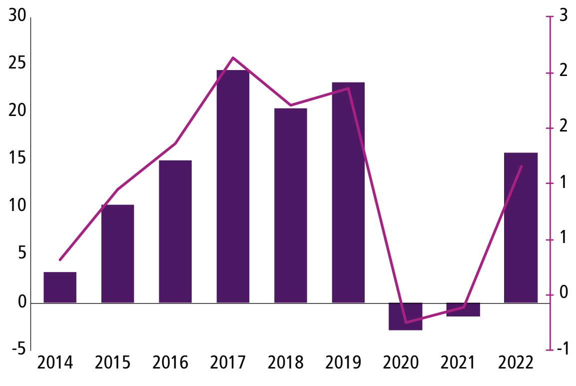
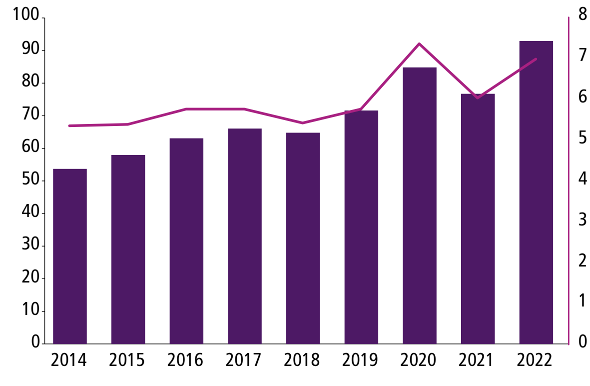


Chart 1.5.12: Investment expenditure



Sources: MEF (DTFE).

Taking into account a positive balance on the Treasury's special accounts of 8.6 billion dirhams, compared with 3.6 billion dirhams in 2021, the fiscal deficit narrowed by 6.2 billion to 69.5 billion dirhams, equivalent to 5.2 percent of GDP instead of 5.9 percent. With a reduction of 1.6 billion in the stock of pending transactions, the cash deficit fell by 9.3 billion to 71.1 billion.

Chart 1.5.13: Stock of pending transactions

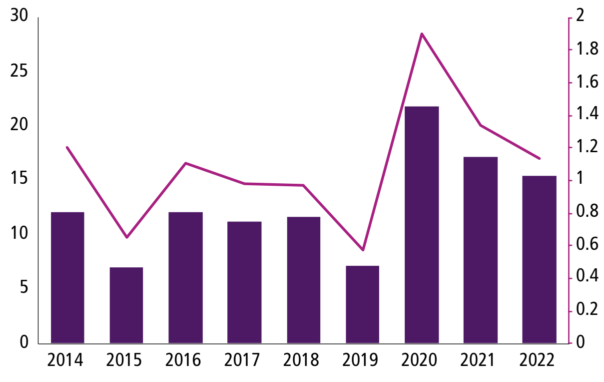
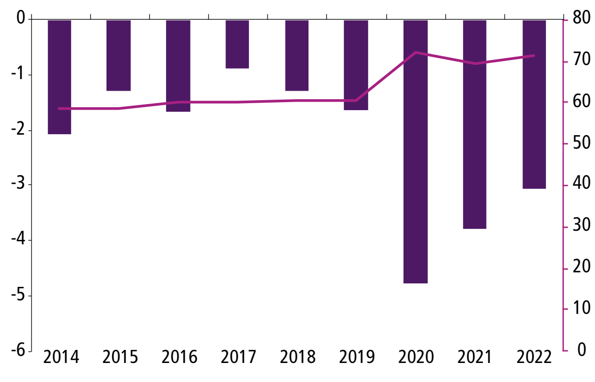


Chart 1.5.14: Primary balance and direct public debt as percent of GDP



Sources: MEF (DTFE) data and estimations of Bank Al-Maghrib on the basis of annual flows for the stock of pending transactions.

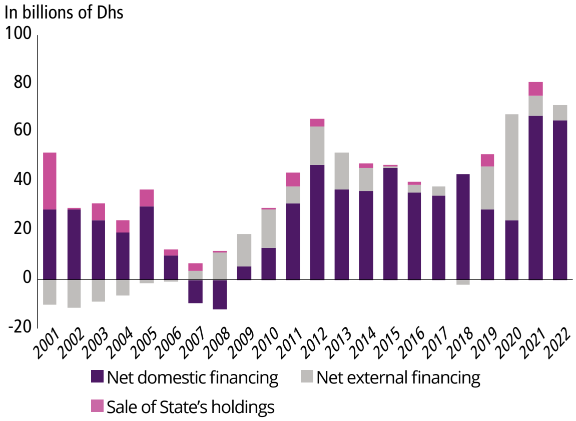
1.5.3 Treasury's financing

The financing of the Treasury's requirements for the 2022 fiscal year was mainly carried out by domestic resources, for a net amount of 65 billion, including 20.9 billion from using the remaining drawdown on the IMF's PLL, with external borrowings limited to a net amount of 6.1 billion dirhams.

With regard to domestic financing, in addition to the remainder from the PLL and the raising of 22.4 billion through its own channels[1], the Treasury had recourse to the auction market for a net amount of 19.1 billion instead of 45.9 billion in 2021. Banks increased their holdings of Treasury securities by 55.3 billion, other financial institutions by 5.6 billion and finance companies by 3.8 billion. Conversely, mutual funds reduced their holdings by 34.4 billion, insurance and social security institutions by 6.2 billion, CDG by 3.6 billion and non-financial companies by 1.3 billion.

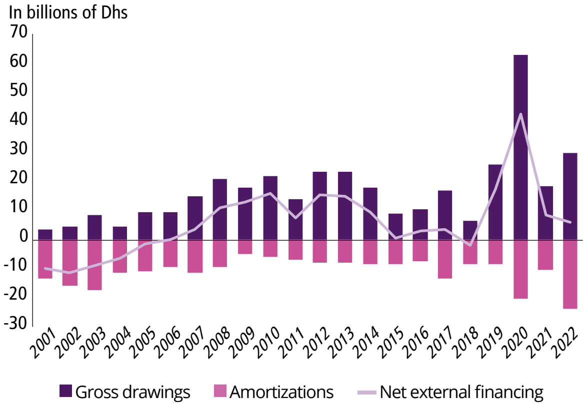
As to external financing, the Treasury raised gross amounts totaling 29.6 billion dirhams, compared with 18.4 billion dirhams a year earlier, of which 9.3 billion dirhams from the World Bank, 4.2 billion dirhams from the African Development Bank and 1.6 billion dirhams from the French Development Agency. Conversely, repayments rose from 10.2 billion to 23.6 billion, including 13.7 billion dirhams in respect of two Treasury bond issues on the International Financial Market (IFM) carried out on the same line in 2012 and 2013.

Chart 1.5.15: Treasury's net financing



Sources: MEF (DTFE).

Chart 1.5.16: Treasury's external financing



[1] These include deposits with the Treasury.

Box 1.5.3: Treasury financing conditions in 2022

The Treasury's financing in 2022 was carried out in a particularly difficult national and international context, marked especially by a steep rise in interest rates induced by the tightening of monetary policies in response to rising inflation. Under these conditions, the Treasury did not seek to borrow from the international financial market and limited its external financing to raising funds from bilateral and multilateral partners, which increased from 18.4 billion in 2021 to 29.6 billion in 2022.

On the domestic front, expectations of a tightening of monetary policy and the increase in the key interest rate from September onwards, coupled with the Treasury's extensive use of specific financing mechanisms with relatively high profitability, led to an increase in investors' yield requirements on the auction market.

Over the last few months of the year, worsening financing difficulties prompted the Treasury to draw on the remainder of the LPL and to launch issuances of adjustable-rate notes and very short-term securities. For the first time, in November and December 2022, the Treasury issued 5-year notes with rates indexed to 52-week secondary market rates plus a fixed margin of 15 bps, raising a total of 9 billion dirhams[1]. Very short maturities of 32 days and 45 days were also issued, for a total of 18.6 billion dirhams, the last time the Treasury issued such very short term bills (35 days) goes back to 2013.

Over the whole year of 2022, new subscriptions totaled 128.8 billion, compared with 144.5 billion in 2021, of which 68.2 percent, versus 48.4 percent, were in the form of short maturities, while long maturities saw their weighting drop from one year to the next from 25.2 percent to 9.6 percent. As a result, at end-2022, the average maturity of domestic debt stood at 5 years and 9 months, down 8 months compared to end-2021.

Interest rates on these issues went up 63 basis points (bps) to 1.99 percent for 13-week maturities, by 53 bps to 1.94 percent for 26-week maturities, by 32 bps to 2.04 percent for 2-year bills and by 30 bps to 1.84 percent for 52-week bills. Similarly, for medium and long term maturities, rates rose by 34 bps to 2.68 percent for 10-year bills and by 28 bps to 2.27 percent for 5-year bills. Similar trends were observed on the secondary market.

[1] These borrowings took place following the auction sessions of November 22 and 29 and December 06, 2022.

Chart B.1.5.3.1: Treasury's issuances structure by maturity(*)

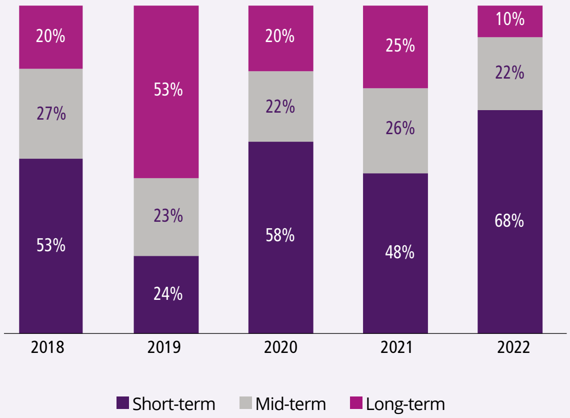
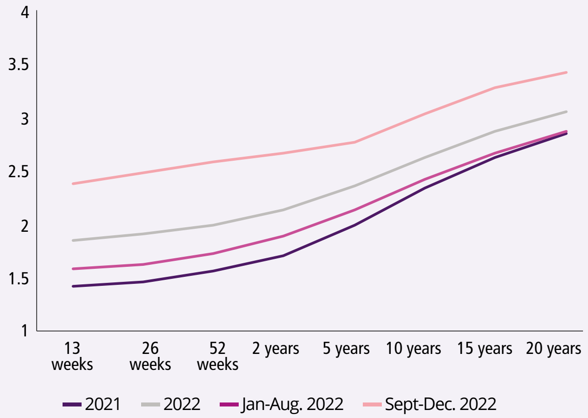


Chart B.1.5.3.2: Change in weighted average rates on the secondary market



(*) Short-term corresponds to maturities below or equal to 2 years, mid-term to those equal to 5 years and long-term to maturities above or equal to 10 years.

Sources: MEF (DTFE).

1.5.4 Public debt

At end-December 2022, outstanding direct public debt rose by 7.5 percent to 951.8 billion dirhams, with a 6.1 percent expansion to 722.9 billion dirhams for the domestic component and a 12.3 percent increase to 228.9 billion dirhams for the external component. Taking into account nominal GDP growth of 4.3 percent, the Treasury's debt-to-GDP ratio rose by 2.1 percentage points to 71.6 percent of GDP, reflecting increases of 0.9 percentage points to 54.3 percent of GDP for domestic debt and 1.2 percentage points to 17.2 percent of GDP for external debt.

Despite the rise in interest rates, the average cost[1] of its domestic component remained stable at 3.5 percent, due to a shift in Treasury borrowings towards shorter maturities, resulting in a reduction in the average maturity of this debt by 8 months compared with 2021, to 5 years and 9 months. The cost of the Treasury's external debt also remained unchanged at 2.4 percent. Its currency structure is dominated by the euro, whose share appreciated from 63.1 percent to 63.8 percent, while that of the dollar fell from 31.9 percent to 31.5 percent.

The external debt of Other Public Borrowers (OPB) rose by 10.1 percent to 193.7 billion, representing 14.6 percent of GDP instead of 13.8 percent in 2021. Overall, outstanding public external debt[2] stood at 422.6 billion, equivalent to 31.8 percent of GDP instead of 29.8 percent. Multilateral creditors hold 52.6 percent of this debt, up from 49.3 percent in 2021, IFM and commercial banks hold 24.8 percent, up from 28.4 percent, and bilateral creditors hold 22.6 percent, up from 22.3 percent.

[1] Calculated as the ratio of debt interest paid in the current year to debt stock of the previous year.
[2] External debt of the Treasury and other public borrowers (SOEs, Public financial institutions, local authorities and non-profit public institutions).

Chart 1.5.17: Treasury debt

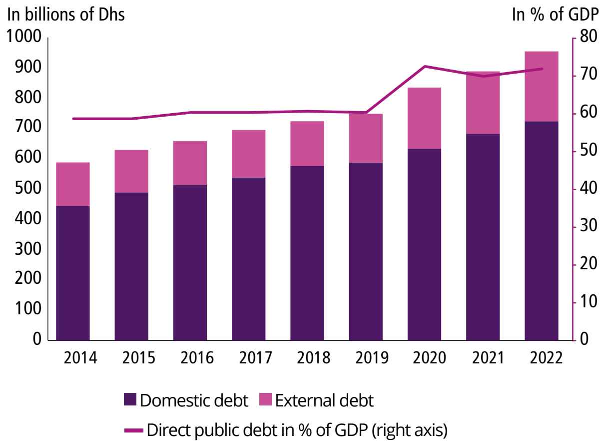
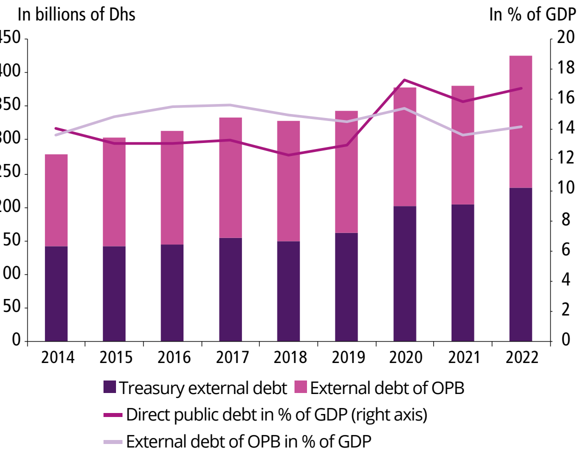


Chart 1.5.18: Public external debt



Source: MEF (DTFE).

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

	2015	2016	2017	2018	2019	2020	2021	2022
I- Domestic Treasury debt (1+2)	**488.4**	**514.7**	**539.1**	**574.6**	**585.7**	**632.9**	**681.5**	**722.9**
In percent of GDP	45.3	47.0	46.9	48.1	47.2	54.9	53.5	54.3
1- Treasury bond auctions	**470.1**	**490.0**	**516.7**	**546.2**	**557.2**	**600.7**	**646.6**	**665.8**
In percent of GDP	43.6	44.8	45.0	45.7	44.9	52.1	50.7	50.1
2- Other domestic debt instruments	**18.3**	**24.7**	**22.4**	**28.4**	**28.5**	**32.2**	**34.9**	**57.2**
In percent of GDP	1.7	2.3	2.0	2.4	2.3	2.8	2.7	4.3
II- External Treasury debt	**140.8**	**142.8**	**153.2**	**148.0**	**161.6**	**199.7**	**203.8**	**228.9**
In percent of GDP	13.1	13.0	13.3	12.4	13.0	17.3	16.0	17.2
III- Stock of direct debt (I+II)	**629.2**	**657.5**	**692.3**	**722.6**	**747.3**	**832.6**	**885.3**	**951.8**
In percent of GDP	58.4	60.1	60.3	60.5	60.3	72.2	69.5	71.6
IV- External debt of Other Public Borrowers	**160.2**	**169.7**	**179.7**	**179.1**	**179.9**	**177.5**	**176.0**	**193.7**
In percent of GDP	14.9	15.5	15.6	15.0	14.5	15.4	13.8	14.6
External public debt (II+IV)	**301.0**	**312.5**	**332.9**	**327.1**	**341.5**	**377.2**	**379.7**	**422.6**
In percent of GDP	27.9	28.6	29.0	27.4	27.5	32.7	29.8	31.8
GDP at current prices, base 2014	**1 078.1**	**1 094.2**	**1 148.9**	**1 195.2**	**1 239.8**	**1 152.5**	**1 274.7**	**1 330.2**

Sources : MEF (DTFE) and HCP for nominal GDP.

Box 1.5.4: Estimating the sustainability threshold for direct public debt in Morocco

According to the IMF, a country's public debt is considered sustainable if the government is able to meet all its current and future payment obligations without exceptional financial assistance or going into default. Debt sustainability is to a large extent linked to other macroeconomic variables, notably economic growth and inflation, which condition the threshold at which sustainability becomes at risk.

The problem of defining a sustainability threshold was widely studied in the economic literature, but no consensus has yet been reached either on its level or on the methodology for its estimation. Indeed, after several attempts to identify a threshold common to all countries or categories of countries (Reinhart and Rogoff 2010[1] and Reinhart, Reinhart and Rogoff 2012[2], IMF 2011[3], World Bank 2013[4]), the most recent studies (IMF[5], 2014) conclude that there is no single threshold and emphasize the need to take into account the specific characteristics of each country. Accordingly, the IMF and the World Bank do not propose a specific threshold but have developed dedicated analytical frameworks.

Debt sustainability threshold in Morocco

To estimate the critical threshold of Morocco's direct public debt sustainability, we applied the Reinhart and Rogoff (2010) approach. This involves analyzing growth and inflation trends together with debt trends. The data used covers the period from 1990 to 2022, during which the debt-to-GDP level was classified into four intervals: below 50 percent, between 50 percent and 60 percent, from 60 percent to 70 percent and above 70 percent.

Table B1.5.4.1: Summary of results

	Direct public debt as a percentage of GDP			
	Below 50%	Between 50% and 60%	Between 60% and 70%	Above 70%
Average growth	4.7%	4.5%	4.3%	-0.6%
Change in Average growth*	-	-0.2%	-0.2%	-4.8%
Median inflation	1%	1.3%	1.7%	4.9%
Number of years	3	9	15	6

* Between a given interval and the preceding one.

[1] Reinhart et Rogoff (May 2010), « Growth in a Time of Debt », Volume 100, Issue 2, pages 573-78, American Economic Review.

[2] Reinhart, Reinhart et Rogoff (Summer 2012), « Public Debt Overhangs: Advanced-Economy Episodes since 1800 », Volume 26, Issue 3, pages 69-86, Journal of Economic Perspectives.

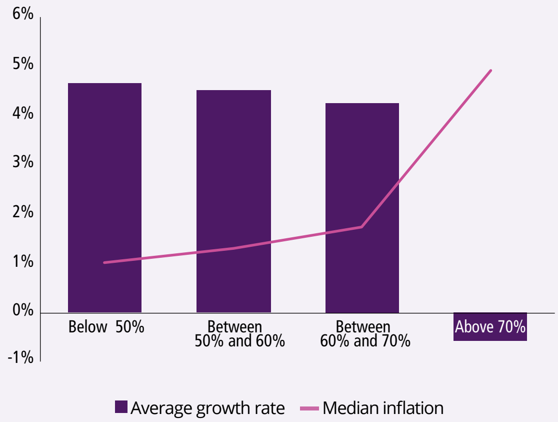
[3] IMF (August 2011), « Modernizing the Framework for Fiscal Policy and Public Debt Sustainability Analysis », Fiscal Affairs Department and the Strategy, Policy, and Review Department, Volume 2011, Issue 34.

[4] World Bank (July 2013), « Finding The Tipping Point - When Sovereign Debt Turns Bad », Policy research working papers, Issue 5391.

[5] IMF (June 2014), « No magic threshold», Finance & Developpement.

Analyzing the relationship between public debt, average growth and median inflation suggests a marked drop in the growth rate and a significant rise in the inflation rate when the debt-to-GDP ratio exceeds the 70 percent threshold. Indeed, in years when the debt ratio exceeded this threshold, average growth fell by 4.8 percentage points, compared with the lower interval, from 4.3 percent to -0.6 percent, and median inflation jumped from 1.7 percent to 4.9 percent. This method therefore shows that the sustainability threshold in Morocco stands around 70 percent of GDP.

Chart B.1.5.4.1: Direct public debt (in % of GDP), growth and inflation 1990-2022



This means that, overall, the country has maintained its public debt at a sustainable level throughout the period. The sustainability threshold was crossed on six occasions, between 1992 and 1995, when the debt ratio averaged 71.9 percent, and more recently in 2020 and 2022, when it reached 72.2 percent and 71.6 percent respectively.

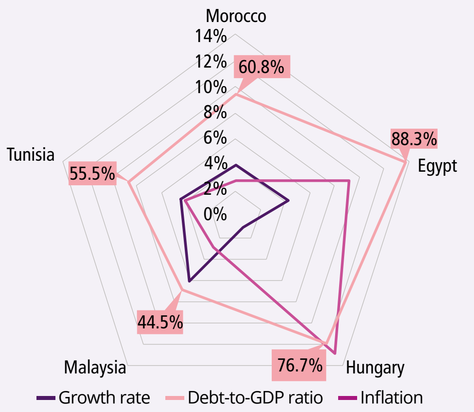
Benchmark

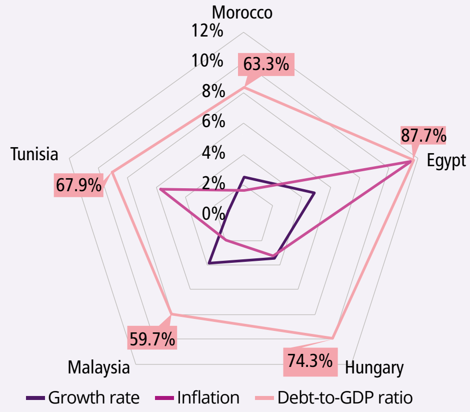
To assess Morocco's situation with respect to an international benchmark, a sample of both emerging and advanced countries was selected, and the same methodology applied over the same period, based on IMF data. The sample includes Egypt, France, Hungary, Malaysia, Spain, Tunisia and Türkiye.

The results show that the sustainability threshold stands at 70 percent for Tunisia, 60 percent for Malaysia and Türkiye, and 100 percent for Egypt, Hungary, France and Spain (charts B.1.5.4.2 and B.1.5.4.3). Over the period from 1990 to 2012, average public debt ratios remained below their sustainability thresholds for all the countries in the sample. However, between 2013 and 2022, they have been on an upward trend, exceeding the sustainability threshold in the case of France and Spain, with ratios reached 101.4 percent and 106.4 percent of GDP respectively (charts B.1.5.4.4). This increase is largely due to the fallout from the 2008 financial crisis and the European debt crisis of 2010-2012.

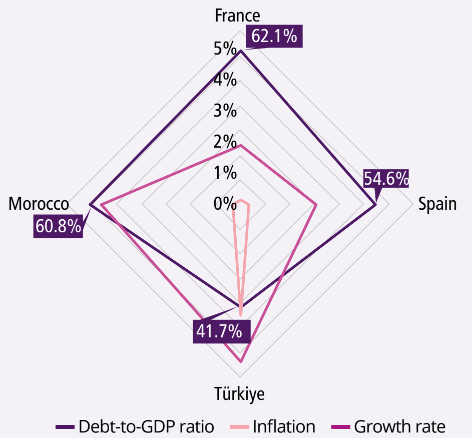
1990-2012 Average	2013-2022 Average

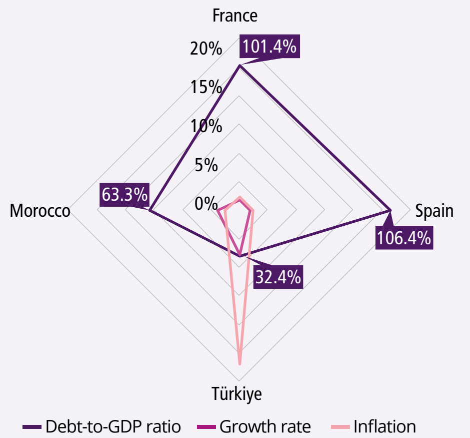
Charts B.1.5.4.2: Sample of Emerging and Developing countries



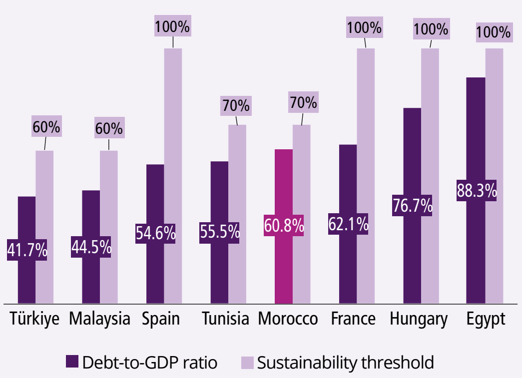


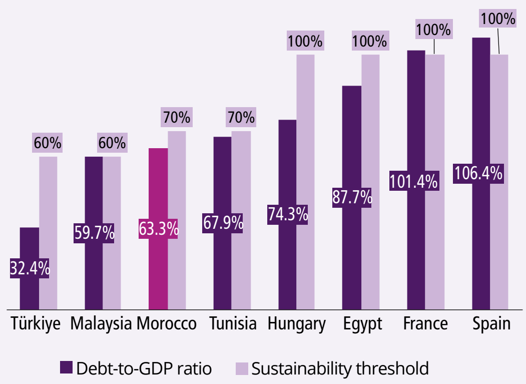
Charts B.1.5.4.3: Sample of advanced countries





Charts B.1.5.4.4: Debt-to-GDP ratio and sustainability threshold





1.6 Balance of payments

After the post-pandemic rebound in 2021, foreign trade grew strongly in 2022, against a backdrop of soaring prices and easing pressure on global supply chains.

Imports of goods rose by 39.5 percent, driven by a rise in the energy bill and an increase in purchases of semi-finished products. In the meantime, driven mainly by both sales of phosphates and derivatives and the automotive sector exports rose by 30.1 percent. As a result, the trade deficit widened significantly to 23.2 percent of GDP, and the coverage ratio fell from 62.3 percent to 58.1 percent year-on-year.

At the same time, the upturn in tourism activity, following the lifting of health restrictions, resulted in a record flow of travel receipts of 93.6 billion dirhams, compared with 78.7 billion dirhams in 2019. As for transfers from Moroccans living abroad, the exceptional performance recorded since 2020 was confirmed in 2022 with a further increase of 16 percent to 110.7 billion dirhams. These developments helped contain the current account deficit, which stood at 3.5 percent of GDP after 2.3 percent in 2021.

As for financial operations, despite an uncertain and generally unfavourable international context, the recovery in foreign direct investment flows continued, with receipts totalling the equivalent of 3 percent of GDP, after 2.6 percent a year earlier. Portfolio investments were marked by a significant outflow, mainly linked to the repayment of the 13.7 billion dirham Treasury bond issue. For other investments, the year was characterized by a 20.7 billion dirham increase in external borrowings, mainly from the Treasury.

Under these conditions, Bank Al-Maghrib's official reserve assets (AOR) increased by 2.1 percent to 337.6 billion dirhams, the equivalent of 5 months and 13 days of imports of goods and services.

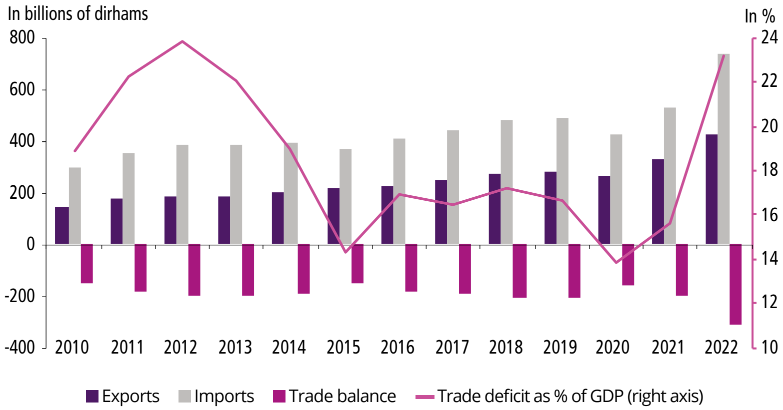
Table 1.6.1: Main balance of payments items* (as a % of GDP, unless otherwise indicated)

	2017	2018	2019	2020	2021	2022
Current account	**-3.2**	**-4.9**	**-3.4**	**-1.2**	**-2.3**	**-3.5**
Exports (FOB, % change)	10.3	10.7	3.3	-7.5	25.2	30.1
Imports (CIF, % change)	6.7	9.9	2.0	-13.9	25.0	39.5
Trade deficit (FOB-CIF)	16.5	17.2	16.7	13.9	15.6	23.2
Travel receipts (% change)	12.3	1.2	7.8	-53.7	-5.1	170.8
Remittances (% change)	5.3	-1.5	0.1	4.8	40.1	16.0
Financial account (net flows)	**-2.5**	**-3.9**	**-2.6**	**0.3**	**-1.7**	**-1.9**
FDI receipts	3.0	3.9	2.8	2.3	2.6	3.0
Loans	-2.0	-0.3	-0.9	-4.1	0.7	-1.6
Commercial loans	-1.5	-0.7	-0.8	-0.9	-0.4	-0.1
Cash and deposits[1]	2.9	-0.5	-0.8	1.8	-1.3	0.2
Official reserve assets (in billions of dirhams)	**244.3**	**233.7**	**253.4**	**320.6**	**330.8**	**337.6**
Official reserve assets in month's imports	**5.6**	**5.4**	**6.9**	**7.1**	**5.3**	**5.4**

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

1.6.1 Trade balance

Chart 1.6.1: Trade balance



Source: Foreign Exchange Office.

[1] Consisting mainly of foreign banknotes, excluding those held by Bank Al-Maghrib, and claims on and liabilities to non-residents in the form of bank deposits, including offshore banks.

In 2022, the trade deficit widened by a record 109.7 billion dirhams to 308.8 billion dirhams, or the equivalent of 23.2 percent of GDP, compared with 15.6 percent a year earlier. This is the result of a 39.5 percent increase in imports to 737.4 billion and a 30.1 percent rise in exports to 428.6 billion. The upward trend in the coverage ratio seen in recent years has thus come to a halt, with a year-on-year decline from 62.3 percent to 58.1 percent.

Table 1.6.2: Imports by main products (in billion dirhams)

					Change (%)	
	2019	2020	2021	2022*	2021/2020	2022/2021
Total imports	**491.0**	**422.9**	**528.6**	**737.4**	**25.0**	**39.5**
Energy and lubricants	**76.3**	**49.9**	**75.8**	**153.2**	**52.0**	**102.1**
Gas and fuel oils	38.8	23.3	36.0	76.4	54.3	112.3
Coal; coke and similar solid fuels Petroleum	9.1	7.2	10.6	24.2	47.4	128.3
Gases and other hydrocarbons	14.1	11.9	17.4	26.3	46.0	50.9
Petroleum oils and lubricants	8.4	3.3	4.9	12.9	47.8	163.5
Semifinished products	**104.5**	**93.2**	**115.9**	**169.7**	**24.3**	**46.5**
Ammonia	3.8	4.0	6.9	21.4	73.3	209.3
Plastic and miscellaneous plastic articles	14.4	12.9	16.1	21.7	24.6	34.4
Chemical products	10.3	9.7	12.5	16.9	29.3	35.0
Paper and cardboard; miscellaneous works of paper and cardboard	6.3	6.1	6.7	10.0	10.7	48.7
Foodstuffs	**47.8**	**55.2**	**59.9**	**86.7**	**8.4**	**44.9**
Wheat	9.2	13.5	14.3	25.9	5.8	81.2
Barley	0.8	2.3	0.7	3.2	-67.8	330.8
Raw or refined sugar	4.0	4.4	5.9	7.9	33.2	33.7
corn	5.2	5.4	6.1	7.7	12.7	27.5
Capital goods	**124.8**	**108.3**	**118.5**	**141.3**	**9.4**	**19.3**
Parts of aircraft and other aerial or space vehicle	8.2	7.4	9.5	15.0	29.3	57.4
Piston engines; other engines and parts thereof	8.9	8.4	10.1	13.2	20.1	31.2
Wires, cables and other insulated electrical conductors	9.1	7.0	8.0	11.2	14.7	39.0
Raw products	**22.1**	**19.5**	**29.5**	**44.3**	**51.8**	**49.9**
Raw and unrefined soufres	6.9	4.9	10.7	18.8	119.8	74.8
Crude or refined soya oil	3.7	3.9	5.8	8.1	47.9	40.6
Scrap metal, waste, scrap copper, cast iron, iron, steel and other ores	1.3	1.2	2.0	3.6	77.6	76.2
Consumer goods	**115.0**	**96.8**	**128.9**	**142.0**	**33.2**	**10.2**
Parts and components for cars and passenger vehicles	18.8	15.8	19.7	24.1	24.8	22.4
Synthetic and artificial fibre fabrics and yarns	8.2	6.5	9.0	11.4	37.4	26.7
Miscellaneous plastic articles	6.0	5.6	6.1	7.6	9.2	24.9

*Provisional figures;
Source: Foreign Exchange Office.

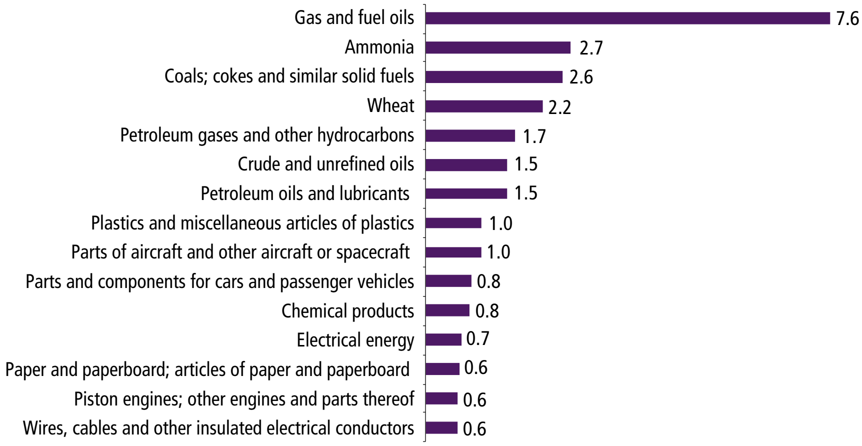
Imports rose across all product categories, largely reflecting higher prices for food and energy products. Purchases of the latter more than doubled to 153.2 billion dirhams, mainly as a result of a 112.3 percent rise to 76.4 billion dirhams in purchases of “gas oils and fuel oils” and a 128.3 percent rise to 24.2 billion dirhams in purchases of “coal, cokes and similar solid fuels”. Similarly, supplies of “petroleum gas and other hydrocarbons” rose by 50.9 percent to 26.3 billion and supplies of “petroleum oils and lubricants” by 163.5 percent to 12.9 billion.

Imports of semi-finished products rose by a record 46.5 percent to 169.7 billion, with ammonia purchases tripling to 21.4 billion. The latter, one of the main inputs in the production of phosphate fertilizers, rose by 171.4 percent owing to the rise in the price of natural gas. For the other main semi-finished products, increases were 34.4 percent for “Plastics and miscellaneous articles of plastic”, 35 percent for “Chemicals” and 48.7 percent for “Paper, cardboard, miscellaneous articles of paper and cardboard”.

At the same time, food imports reached 86.7 billion, compared with 59.9 billion in 2021. They were mainly driven by wheat supplies, which reached an exceptional level of 25.9 billion, under the combined effect of a 40.8 percent rise in import prices and low local production. In addition, barley purchases rose to 3.2 billion dirhams, up from 700 million dirhams a year earlier, while purchases of “raw or refined sugar” rose by 33.7 percent to 7.9 billion dirhams, and corn by 27.5 percent to 7.7 billion dirhams.

Imports of capital goods totalled 141.3 billion dirhams, compared with 118.5 billion in 2021, reflecting increases of 57.4 percent for “parts of aircraft and other aerial vehicles”, 31.2 percent for “piston engines” and 39 percent for “wires, cables and other insulated electric conductors”. Similarly, purchases of raw materials rose from 29.5 billion to 44.3 billion, of which 18.8 billion for the «crude and unrefined sulphur» another main input for the phosphate fertilizer industry, and 8.1 billion for “crude or refined soya oil”. Imports of finished consumer goods rose by 10.2 percent to 142 billion, driven mainly by a 22.4 percent increase in “parts and components for passenger cars”, a 26.7 percent rise in “synthetic and artificial fabrics and yarns” and a 24.9 percent increase in “miscellaneous plastic articles”. Similarly, purchases of “passenger cars” reached 19.2 billion, instead of 18.5 billion in 2021.

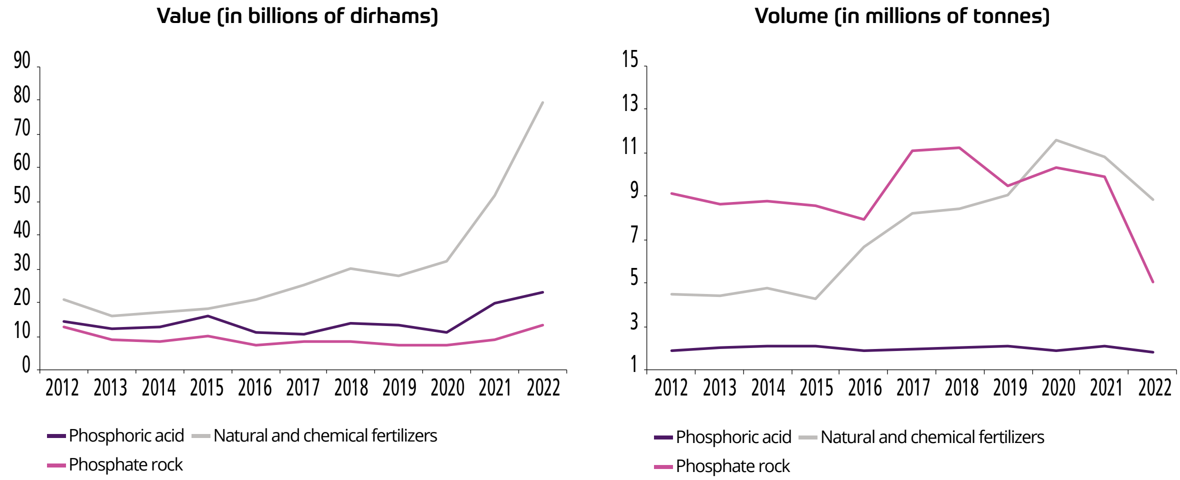
Chart 1.6.2: Contributions of the main products to import trends in 2022 (in percentage points)



Sources: Foreign Exchange Office and Bank Al-Maghrib's calculations.

The rise in exports was also widespread. Benefiting from soaring prices on the international market, sales of phosphates and derivatives continued the upward trend observed since 2020. They marked a notable performance of 43.9 percent to 115.5 billion dirhams, once again positioning themselves as the leading export sector for the first time since 2014. Increases were 53.9 percent to 79.3 billion for natural and chemical fertilizers, 15.2 percent to 22.8 billion for phosphoric acid and 49.7 percent to 13.4 billion for phosphate rock. By destination, shipments of natural and chemical fertilizers to India have more than doubled, taking this market's share from 12.4 percent to 22 percent between 2021 and 2022, while that of Brazil has fallen from 29.1 percent to 18 percent. The other main markets are Bangladesh (10.8 percent), Djibouti (7 percent) and Argentina (5.4 percent). Shipments to the United States, which accounted for over 20 percent in 2019, continue to be penalized by the countervailing duties imposed on Moroccan fertilizers since 2021, with their share not exceeding 5 percent in 2022.

Chart 1.6.3: Exports of phosphates and derivatives



Source: Foreign Exchange Office.

Despite the difficulties facing the automotive industry internationally, exports in the construction segment rose by a remarkable 40 percent to 55.1 billion. This development reflects the strengthening of production capacity at the Stellantis plant in Kenitra and the continued recovery of Renault Group production. The number of passenger cars exported rose by 22.7 percent to 440 thousand while the average unit price increased by 14.2 percent to 120.7 thousand dirhams. Europe remains the main market, absorbing over 90 percent of exports, with 35.9 percent going to France, 13.8 percent to Italy and 10.2 percent to Spain. Africa accounted for 5.3 percent of the total, compared with 2.6 percent a year earlier, with Libya (3 percent), Tunisia (0.5 percent) and Egypt (0.3 percent) as destination countries.

At the same time, sales in the wiring sector posted a marked recovery after two consecutive years of decline. They improved by 28.9 percent to 32.6 billion, exceeding their pre-crisis level. By contrast, exports in the "vehicle interiors and seating" segment recorded a limited increase of 3.7 percent to 7.3 billion. Overall, export sales in the automotive sector reached 111.3 billion dirhams, up 33 percent year-on-year and 38.8 percent compared with 2019.

Table 1.6.3: Exports by sector (in billions of dirhams)

	2019	2020	2021	2022*	Change (%) 2021/2020	Change (%) 2022/2021
Total exports	**284.5**	**263.1**	**329.4**	**428.6**	**25.2**	**30.1**
Phosphates and derivatives	**48.9**	**50.9**	**80.3**	**115.5**	**57.8**	**43.9**
Natural and chemical fertilizer	28.1	32.1	51.5	79.3	60.2	53.9
Fertilizers phosphate rock	7.3	7.3	8.9	13.4	21.9	49.7
Phosphoric acid	13.6	11.4	19.8	22.8	74.1	15.2
Automotive	**80.2**	**72.3**	**83.7**	**111.3**	**15.8**	**33.0**
Construction	33.9	29.2	39.4	55.1	34.9	40.0
Wiring	31.9	25.7	25.3	32.6	-1.6	28.9
Vehicle and seat interiors	7.8	7.4	7.0	7.3	-5.4	3.7
Agriculture and agri-food industry	**62.1**	**62.6**	**69.9**	**83.2**	**11.6**	**19.1**
Food industry	32.4	32.8	36.6	43.8	11.6	19.8
Agriculture, forestry, hunting	27.3	28.1	31.4	37.0	11.7	17.9
Textiles and leather	**36.9**	**29.9**	**36.4**	**44.0**	**21.7**	**20.7**
Made-up clothing	23.3	18.1	22.6	27.6	24.9	21.9
Hosiery items	7.5	5.8	7.5	8.5	29.7	12.6
Footwear	2.2	2.4	2.7	3.5	11.2	32.0
Aeronautics	**17.5**	**12.7**	**15.8**	**21.3**	**25.0**	**34.9**
Assembling	10.3	7.9	10.7	14.5	35.1	36.4
Electrical wiring interconnection systems	7.2	4.7	5.1	6.7	8.2	31.9
Electronics and Electrical	**10.4**	**10.3**	**13.4**	**18.6**	**30.2**	**38.4**
Electronic parts	4.3	2.8	4.1	6.7	46.9	62.5
Wires, cables and other electrical conductors	2.4	4.0	5.3	7.2	32.1	36.0
Other industries	**24.3**	**21.0**	**24.9**	**29.1**	**18.6**	**16.7**
Other mining	**4.2**	**3.4**	**5.0**	**5.6**	**44.2**	**13.4**

* Provisional figures.
Source: Foreign Exchange Office.

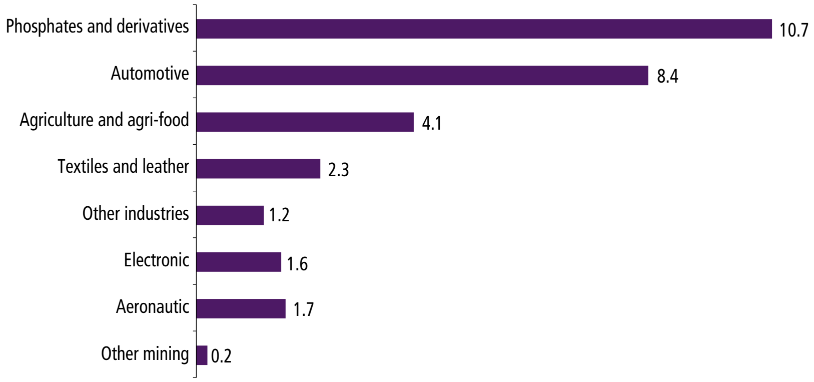
Sales in the «agriculture and agri-food» sector continued to perform well, increasing by 19.1 percent to 83.2 billion. Food industry exports rose by 19.8 percent to 43.8 billion, driven in particular by a 50.6 percent increase in shipments of «raw or refined sugar». Similarly, despite the country's severe drought, sales of agricultural products rose by 17.9 percent to 37 billion overall, and by 35 percent for fresh tomatoes to 10.4 billion, under the combined effect of a 17.3 percent increase in quantities and a 15.1 percent rise in average prices.

Exports from the "textiles and leather" industry rose from 36.4 billion to 44 billion, mainly as a result of a 21.9 percent increase in "Made-to-measure garments" branch sales, which accounts for

62.8 percent. Other products also posted significant increases, with "hosiery" up 12.6 percent and "footwear" up 32 percent.

Similarly, sales in the aerospace sector rose by 34.9 percent to 21.3 billion, a higher level than before the crisis. This development reflects improvements of 36.4 percent in the assembly segment and 31.9 percent in the "Electrical Wiring Interconnection Systems (EWIS)" segment. In the "electronics and electricity" branch, exports rose by 62.5 percent for electronic components, 36 percent for "wires, cables and other conductors for electricity" and 38.4 percent overall to 18.6 billion dirhams.

Chart 1.6.4: Contributions of the main sectors to export growth in 2022 (in percentage points)



Sources: Foreign Exchange Office and Bank Al-Maghrib's calculations.

Box 1.6.1: Development of the electric car industry

Road transport is one of the main sectors responsible for greenhouse gas emissions, with a worldwide share of 10 percent[1] in 2019. Boosted by a number of international and national initiatives, including the COP-21 agreement and the Accelerating to Zero (A2Z)[2] initiative, the automotive industry is increasingly shifting towards electric vehicles (EV).

Regarding its environmental policy, its commitments in the context of the efforts to combat climate change and its relations with advanced countries namely the European ones, Morocco is compelled to be in line with this orientation. This choice is now an imperative, given the importance of the automotive industry to its exports and the introduction by the European Commission, its main export market, of the border Carbon Border Adjustment Mechanism from January 2023, as well as the decision to ban the sale on the European market of new cars emitting CO2 by 2035.

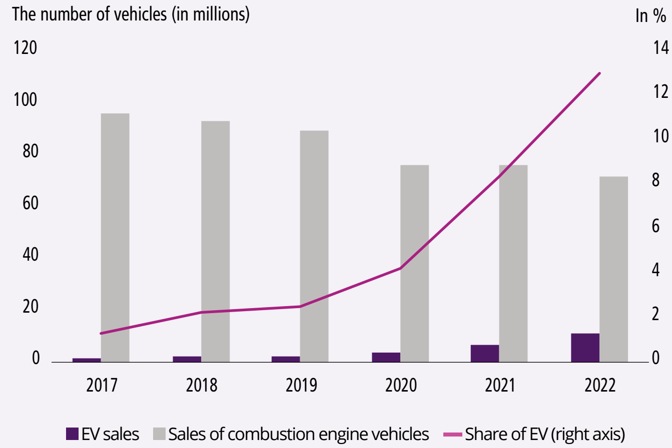
[1] According to the International Energy Agency.

[2] Accelerating to Zero (A2Z) is the world's largest transportation coalition, launched at COP27 in Sharm El-Sheikh. It has over 200 signatories, including Morocco, and its main objective is to ensure that all new vehicle sales are emission-free by 2035 in major markets, and by 2040 worldwide.

1. Overview of the global EV[3] market

According to the Global Electric Vehicle Outlook 2022, published by the International Energy Agency (IEA), after doubling by 2021, global sales of EVs rose by 55 percent to 10.5 million, while those of combustion engine vehicles fell by 0.5 percent. By 2022, more than one out of every 10 vehicles sold worldwide will be electric compared with less than 2 in 100 in 2017. The number of EVs in circulation reached 16.5 million units by the end of 2021, representing 1.2 percent of the global car fleet.

Chart B.1.6.1.1: Worldwide EV sales and combustion engine vehicles in 2022



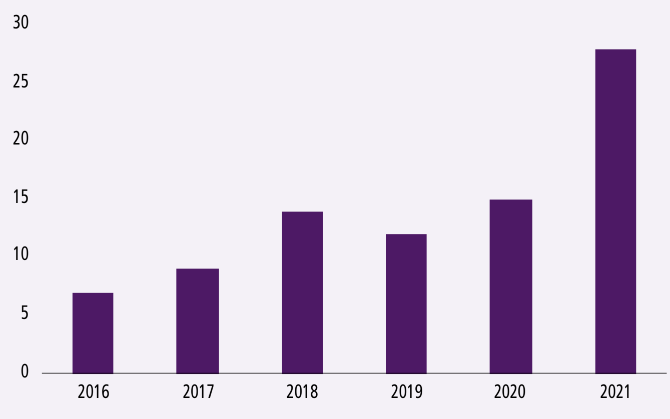
Source : AIE & « The Electric Vehicle World Sales Database ».

China remains the world leader in this segment, with 6.2 million sales in 2022, representing a market share of 59 percent. Europe ranks second with 2.7 million, followed by North America with 1.1 million. In Africa, EV sales remain lower, but with a significant increase driven by South Africa, the continent's main market.

In terms of production capacity, car manufacturers with targets for phasing out combustion engine vehicles by 2035 account for 23 percent of the market in 2022. China holds over 50 percent of these capacities, followed by Europe with almost 25 percent.

The growth in EV sales in recent years is linked, in addition to the growing awareness of climate change, to the supply diversification, with more than 450 models available on the international market, supported by public incentive policies. Indeed, more countries are introducing measures to encourage the use and production of EVs, with public spending on this support, in the form of purchase subsidies or tax exemptions, totalled 30 billion in 2021.

Chart B.1.6.1.2: Public spending on EV support worldwide (in billions of dollars)



Source: International Energy Agency.

[3] The electric vehicle market is segmented on the basis of vehicle type, category, top speed and transmission type. By type, it is divided into battery electric vehicle, plug-in hybrid electric vehicle (PHEV) and fuel cell electric vehicle.

Among other measures taken to support the sector include:

- The introduction of regulations to promote the adoption of EVs, including restrictive rules on the mobility of combustion-powered vehicles, the requirement for CO2 emission penalties and the introduction of production quotas for car manufacturers.
- Assistance in setting up recharging infrastructures through tax breaks and financing facilities. The number of public charging points around the world is growing rapidly, with a 37 percent increase to 1.8 million by 2021.
- Promoting the development of an ecosystem for the electric automotive industry, especially for EV batteries.

Furthermore, the expected growth of EVs has implications for the electricity generation and distribution system. The IEA considers that the increase in the EV fleet predicted in its scenario based on «stated policies[4] » should result in an increase in electricity consumption in the transport sector from 55 TWh in 2020 to 780 TWh in 2030. In its optimistic scenario, which incorporates longer-term net zero emission commitments, this level should reach 1,100 TWh. Such additional demand for electricity is likely to challenge current electricity pricing and subsidy systems. In the same vein, the distribution of such large quantities of electricity and the necessary expansion of the electrical grid coverage would represent another major technical and financial challenge.

2. National automotive market

In Morocco, the automotive industry, one of the country's main global economic sectors, is booming, with export sales reaching 111.3 billion dirhams. Nonetheless, the electric cars market is in a stage of its infancy, with only 687 vehicles[5] sold in 2022, which is 0.42 percent. Transport sector, the leading energy consumer with 38 percent of final energy use, remains 99 percent dependent on fossil fuels and is responsible for 23 percent of CO2 emissions.

This situation is set to evolve rapidly in the years ahead, as Morocco has made the development of renewable energies one of its strategic choices. This is reflected in particular in its commitment to promoting sustainable mobility, which combined with the necessity of reorienting the national automotive industry towards the electric sector, has led to a number of measures and initiatives in recent years.

The 2011 Finance Act reduced import duties on hybrid and electric cars from 17.5 percent to 2.5 percent. Similarly, exemptions in terms of annual tax and proportional stamp duty relating to first-time registration were introduced in the 2017 and 2018 Finance Acts.

[4] They include the energy and climate measures actually put in place by governments to date, as well as their committed political ambitions.

[5] It should be noted that sales of hybrid vehicles are higher, amounting to 5027 vehicles in 2022. However, these vehicles are not included in the definition of EVs adopted worldwide.

At the same time, the authorities are working to boost the country's attractiveness to global automakers, which has led to the launch of production of the Citroën Ami in 2019 and the electric version of the Opel in 2021 by the Stellantis group, as well as the electric Mobilize DUO model by the Renault Maroc group.

In terms of infrastructure, a program, Green Miles, was initiated in 2017 by the Solar Energy and New Energies Research Institute, in partnership with the private sector, and has resulted in the installation of almost 60 charging stations. Similarly, the recently-created Professional Intersectoral Association for Electric Mobility has announced a target of deploying 2 500 new charging stations for electric vehicles in Morocco by the end of 2026.

From an institutional point of view, this orientation is supported by a number of stakeholders, a multiplication which, in the absence of strong coordination, risks slowing down the implementation and operationalization of this strategy.

1.6.2 Balance of services

As regards trade of services, the surplus balance improved by 88.1 percent to 115.8 billion, as a result of increases of 62.4 percent to 225.1 billion in exports and 41.8 percent to 109.4 billion in imports.

After suffering heavily from health restrictions, travel revenues ended 2022 at a record level of 93.6 billion dirhams, well above the 78.7 billion recorded in 2019. Expenditure under the same heading also jumped to 19.3 billion dirhams, after 10.8 billion in 2021 and 20.9 billion in 2019. Overall, the surplus on travel services amounted to 74.4 billion euros, compared with 23.7 billion euros a year earlier.

Chart 1.6.5: Travel receipts

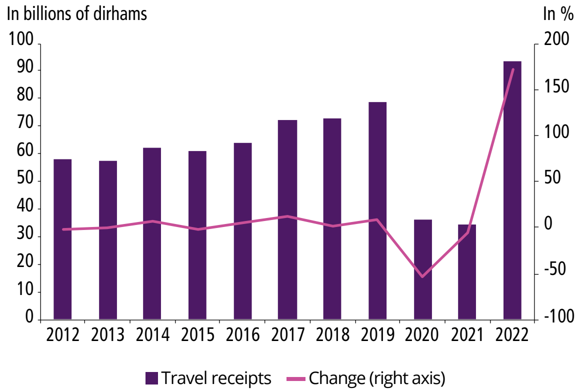
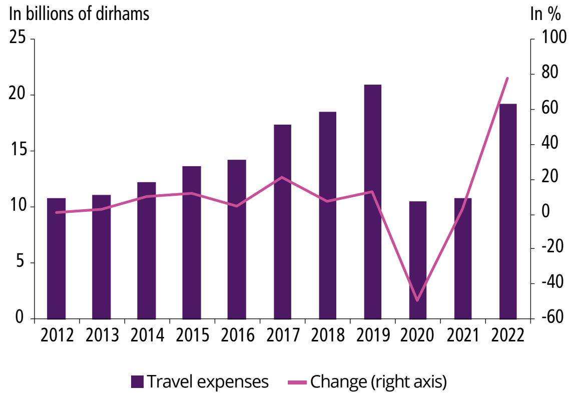


Chart 1.6.6: Travel expenses



Source: Foreign Exchange Office.

In the same vein, revenues from manufacturing services provided on physical inputs held by third parties[1] grew by 30.2 percent to 19.1 billion. At the same time, revenues from «other business services» rose by 27.2 percent to 41.4 billion, of which 38 percent from offshoring activities, while expenses rose from 10 billion to 12.9 billion.

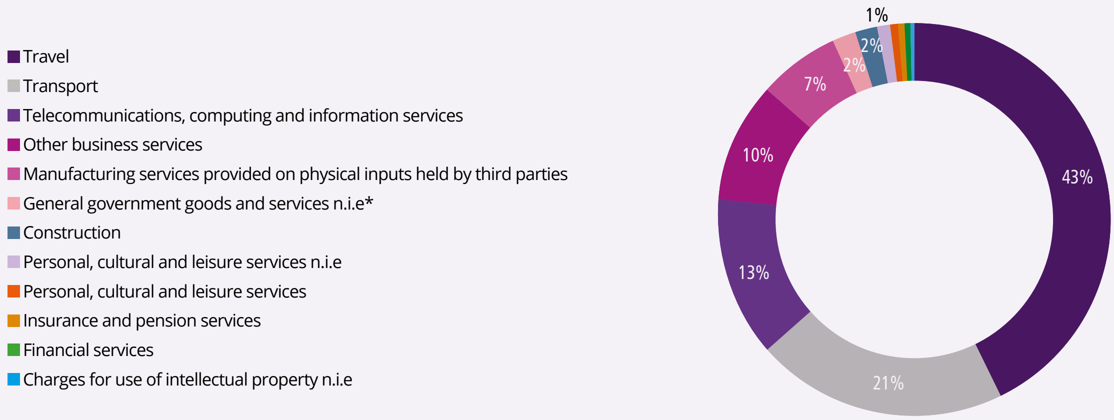
Conversely, the deficit on transport services widened by 10.4 billion dirhams to 17.7 billion dirhams, as a result of increases of 20.3 billion dirhams in expenditure, including 16.5 billion dirhams for maritime transport, and 10 billion dirhams in reven. The development of the latter reflects increases by 37.3 percent to 19.2 billion in maritime transport services and 79.2 percent to 13.2 billion in air transport services.

Box 1.6.2: Comparative advantages of Moroccan services exports

Services account for a growing share of the economy, employment and trade in both advanced and developing countries. They are an essential component of international value chains, generating over 50 percent of the added value of goods exports and over 30 percent of that of manufactured goods[1].

In Morocco, tertiary activities account for 53.5 percent of GDP, 44.9 percent of employment and 44 percent of total exports in 2019, with a structural surplus. Travel remains the main export service, accounting for 41.6 percent in 2022, but several new categories of activity have emerged in recent years, notably business services. In particular, the weight of the «Other business services» category rose[2] from 7.6 percent in 2014 to 18.4 percent in 2022.

Chart B.1.6.2.1: Structure of Morocco's exports of services (2014-2019 average)



*Not included elsewhere

Source: Balanced Trade in Services (BaTIS) - OECD-WTO.

[1] Trade in Value Added (TIVA), OECD.

[2] Comparison over a longer period is difficult because of the major changes operated in 2014 to the definition of activities included in trade in services. In particular, the costs of processing goods under temporary admission for processing are now included in trade in services instead of goods.

[1] They include processing services essentially of raw materials, assembly, labelling and packaging provided by resident companies on goods belonging to non-residents and vice versa without there being any transfer of ownership of the goods in question.

For the comparative analysis of the structure of Moroccan exports of services, the approach used is that based on revealed comparative advantages (RCA), initially introduced by Balassa in 1965, and which has been the subject of several subsequent studies. In particular, Laursen (1998)[3] proposed an index of normalised revealed comparative advantages (NRCA) calculated, for a given service, on the basis of the ratio of its share in the country's exports of services to its share in the exports of a set of countries chosen for comparison purposes. It is as follows:

$$ACRN_{ik} = \frac{ACR_{ik} - 1}{ACR_{ik} + 1} \quad where\ ACR_{ik} = \frac{X_{ik} / X_{iT}}{X_{Mk} / X_{MT}}$$

With X_{ik} representing the exports of country i in service k, X_{Mk} designating the same aggregate for the countries in the benchmark, X_{iT} and X_{MT} are respectively the total exports of services from country i and all the countries in the benchmark.

The ACRN takes values between (-1) and (+1). A positive value means that the country has a revealed comparative advantage in this service compared with the reference group of countries, and vice versa.

This analysis compares the structure of Morocco's services exports with those of the MENA[4] region as a whole. The data used covers the 12 main categories of services identified by the 2010 EBOPS[5] classification and relate to the 2014-2019 period.

The results show that Morocco has a significant revealed comparative advantage in «manufacturing services provided on physical inputs held by third parties» with an index value of 0.8, a level that has hardly changed between 2014 and 2019. Similarly, the value of the index is positive at 0.37 in 2019 for «telecommunications, computer and information services», but it has been on a downward trend since 2014, when it reached 0.49.

The main services where Morocco does not have a comparative advantage over the MENA region are transport and «other business services», which essentially cover offshoring.

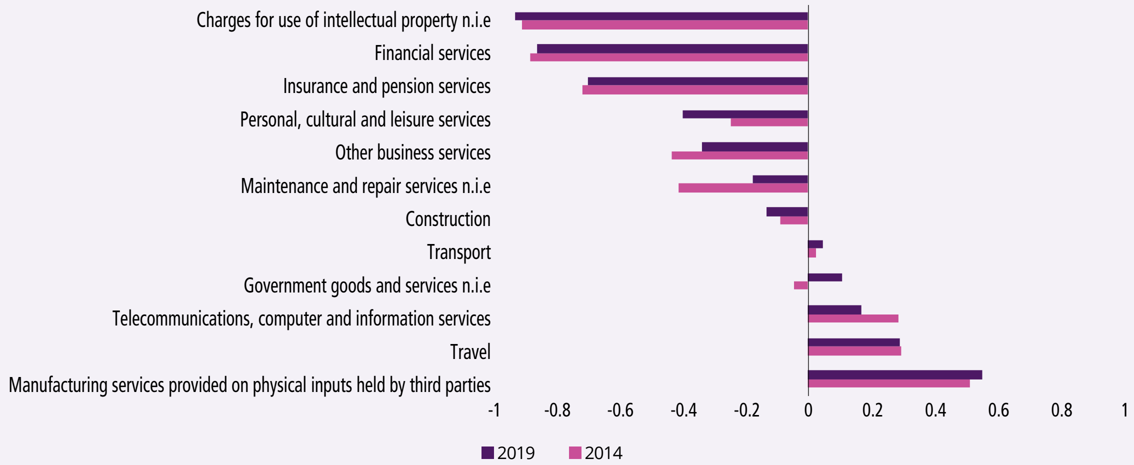
As far as travel is concerned, its share of services exports is virtually identical to that of the MENA region average, with the value of the index coming out at virtually zero. This result conceals a wide disparity between the countries in the region, with the share of travel in services exports in 2019 ranging from 8 percent in Kuwait to 58 percent in Jordan and reaching 63 percent in Lebanon.

[3] Keld Laursen (1998): Revealed Comparative Advantage and the Alternatives as Measures of International Specialisation, No 98-30, DRUID Working Papers, Copenhagen Business School.

[4] According to OECD classification.

[5] Extended balance of payment services.

Chart B.1.6.2.2: Normalised Revealed Comparative Advantage Index of Moroccan services exports compared to the MENA region



Source: Balanced Trade in Services (BaTIS) - OECD-WTO.

Overall, over the period 2014 to 2019, travels, transport and "telecommunications, computer and information services" account for three quarters of Moroccan services exports. This finding can be interpreted positively in the sense that it may reflect a revealed comparative advantage, as in the case of travel and telecommunications. It may also reflect a difficulty for the national economy in diversifying its services exports. Moreover, in its report on economic developments in Africa in 2022, UNCTAD indicates that Moroccan exports of services are poorly diversified, despite the increase in the share of services technology-intensive over the period 2015-2019.

1.6.3 Balance of income

In 2022, the income surplus grew by a further 21.1 percent to 106.4 billion dirhams, driven by an 18 percent increase in the current transfers balance[1] to 125.3 billion dirhams, while the primary income balance, which is structurally in deficit, increased slightly to 18.9 billion dirhams.

Current transfers continued to grow, with remittances up 16 percent to 110.7 billion, following a 40.1percent leap in 2021. Public transfers amounted to 2 billion dirhams, including 1.1 billion in grants from the European Union and 380 million from partners in the Gulf Cooperation Council.

[1] Mainly constituted of remittances and donations

The deficit on direct investment income was virtually unchanged at 12.4 billion dirhams, reflecting falls of 766 million dirhams to 16.9 billion dirhams in outflows, consisting mainly of dividends, and of 637 million dirhams to 4.6 billion dirhams in inflows. In addition, outflows from portfolio investment income rose from 4 billion to 4.5 billion dirhams, while reserve assets generated income of 2.7 billion dirhams, compared with 2.4 billion dirhams in 2021.

1.6.4 Financial account

Despite the difficult and uncertain international environment that characterized 2022, foreign direct investment (FDI) receipts continued their recovery, expanding by 21.6 percent to 39.6 billion, or the equivalent of 3 percent of GDP. Nevertheless, this level remains below the 3.3 percent average recorded over the 5 years preceding the covid-19 crisis. Concomitantly, divestments under the same heading reached 17.8 billion instead of 12.2 billion in 2021, mainly in connection with a transaction in the banking sector. Net FDI inflows thus rose by 1.4 billion to 21.8 billion.

The improvement in inflows was beneficial to several sectors, including manufacturing with an inflow of 14.7 billion, real estate with 7.8 billion, transportation with 2.8 billion and energy and mining with 1.7 billion. Conversely, tourism posted a decline to 2.1 billion dirhams, trade to 1.8 billion dirhams and «financial and insurance activities» to 1.5 billion dirhams.

By country of origin, inflows from the USA jumped to 7.8 billion dirhams, versus 982 million in 2021 and 2.6 billion on average between 2014 and 2019, linked to the acquisition by Koch Ag & Energy Solutions of 50 percent of Jorf Fertilizers Company III, an OCP subsidiary. In parallel, almost half the receipts came from three countries, namely: France (11.6 billion), the United Arab Emirates (4.1 billion) and the United Kingdom (3.5 billion).

Chart 1.6.7: FDI receipts by business sector (in billions of dirhams)

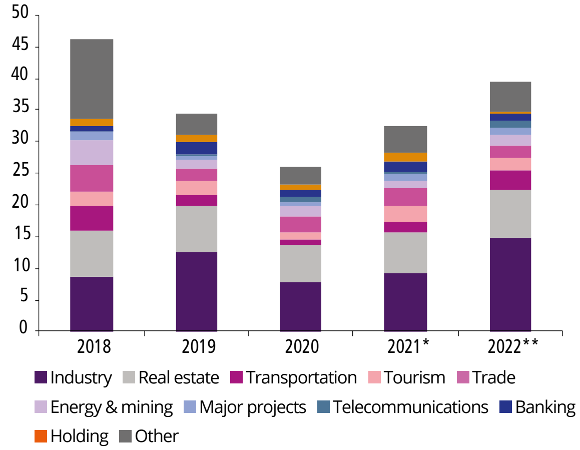
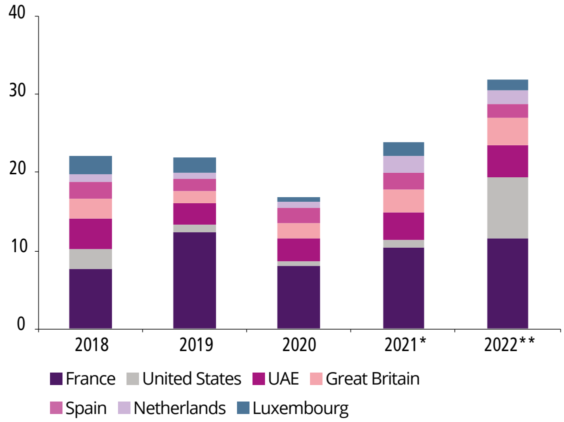


Chart 1.6.8: FDI receipts by main countries of origin (in billions of dirhams)



* Updated figures.

** Provisional figures.

Source: Foreign Exchange Office.

As for Moroccan direct investments abroad, they rose slightly by 1.3 percent to 19.5 billion dirhams, driven by a 50 percent increase in debt[1] instruments to 13.1 billion. The share of the latter increased significantly since the pandemic crisis, reaching 67.3 percent in 2022, after an average of 37.5 percent between 2020 and 2021, and of 8.8 percent between 2016 and 2019. On the other hand, equity securities fell sharply, reaching 3.2 billion. Considering a slight decline in disposals to 13.3 billion, the net outflow of these investments was up by 7.9 percent to 6.3 billion, a level still lower than the average of 7.6 billion for the five years preceding the health crisis.

By sector, 70 percent of these investments were directed towards manufacturing and 8.6 percent to banking activities. By destination, 60 percent headed towards France and 24.3 percent to Africa compared with 43.6 percent a year earlier.

[1] Advances on partners' current accounts and private loans contracted by Moroccan companies with their parent companies.

Chart 1.6.9: Moroccan direct investments abroad by sector (in billions of dirhams)

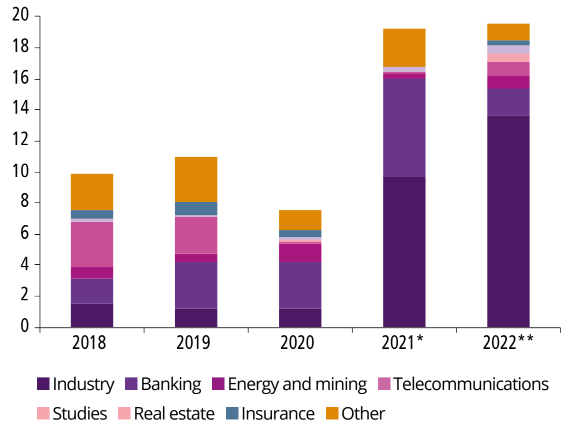
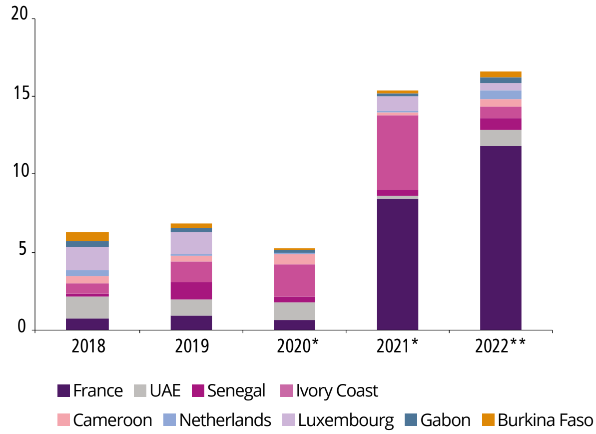


Chart 1.6.10: Moroccan direct investments abroad by main destination countries (in billions of dirhams)



* Updated figures.

** Provisional figures.

Source: Foreign Exchange Office.

Net outflows from portfolio investments amounted to 11.1 billion dirhams in 2022, compared with 2.6 billion dirhams in the previous year, mainly due to the repayment of the Treasury's 13.7 billion bond issue.

Loan commitments increased by 20.7 billion dirhams, after dropping by 8.9 billion in the previous year. This trend mainly reflects greater recourse by the public sector to external financing, with Treasury drawings up by 11.3 billion dirhams to 29.7 billion dirhams, and those of State-owned institutions and enterprises up by 7.8 billion dirhams to 17.4 billion dirhams. On the other hand, net commitments under private external debt fell by 2.2 billion, following a 4 billion decline in 2021.

On the other hand, residents' holdings of «cash and deposits» improved by 769 million, while their liabilities fell by 1.3 billion, with the balance of this item showing, therefore, a surplus of 2 billion.

Concurrently, the deficit on trade credits eased by 4 billion, due to a 9.4 billion decrease in advances and trade credits granted to Moroccan importers, and a 5.5 billion decline in payment facilities granted by domestic exporters to their foreign customers. Taking all these factors into account, the deficit on the financial account, excluding reserves, fell by 23.8 billion dirhams instead of 35.2 billion dirhams a year earlier.

Overall, outstanding official reserve assets increased by 2.1 percent to 337.6 billion dirhams, equivalent to 5 months and 13 days' imports of goods and services.

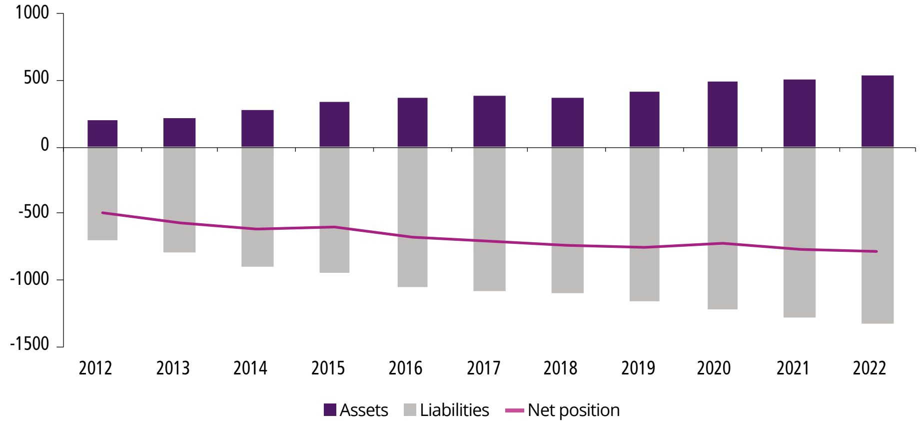
Chart 1.6.11: Official reserve assets

Sources: Foreign Exchange Office and Bank Al-Maghrib calculations.

1.6.5 International Investment position (IIP)[1]

The analysis of the global International Investment position at end-2022 shows a worsening of the net debit position by 15.2 billion dirhams to 791.5 billion dirhams, due to increases of 46.4 billion in liabilities and 31.2 billion in assets.

Chart 1.6.12: International investment position (in billions of dirhams)



Source: Foreign Exchange Office.

Morocco's liabilities to the rest of the world worsened by 3.6 percent, driven mainly by a 46.5 billion dirhams expansion in borrowings. In fact, outstanding loans to «general government» increased by 30.4 billion to 165.2 billion, and those to «non-financial companies, households and non-profit institutions serving households» by 13.2 billion to 177 billion. «Trade credits and advances» recorded a further improvement by 22.3 percent to 83.8 billion, while «cash and deposits»

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

increased by 9.8 percent to 53.4 billion, of which 36 billion as deposits by non-residents with Moroccan banks. Conversely, the stock of direct investments fell by 2.4 percent to 661.1 billion, while portfolio investments dropped by 4.1 percent to 129.8 billion.

The strengthening of residents' financial assets affected all headings. Moroccan direct investments abroad rose by 12.4 percent to 76.4 billion. Cash and deposits held by deposit-taking institutions, excluding the Central Bank, rose by 14.4 percent to 59.4 billion dirhams, including 25.6 billion as loans granted by Moroccan banks to non-residents and 16.9 billion in deposits of residents abroad. Similarly, outstanding trade credits and advances granted by Moroccan exporters stood at 33.1 billion, up 22.7 percent on 2021, while residents' holdings of foreign securities improved by 1.6 billion to 13.8 billion. Finally, official reserve assets strengthened by 6.8 billion to 337.6 billion.

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

	2021			2022		
	Assets	Liabilities	Balance	Assets	Liabilities	Balance
Direct investments	68.0	677.4	- 609.4	76.4	661.1	-584.7
Portfolio investments	12.2	135.4	- 123.2	13.8	129.8	-116.0
Financial derivatives (other than reserves)	0.7	0.1	0.5	0.7	0.3	0.3
Other investments, of which	90.0	465.1	- 375.1	104.4	533.1	-428.7
Cash and deposits	54.5	48.6	5.9	62.6	53.4	9.2
Loans	0.7	326.5	- 325.8	0.7	373.0	-372.4
Trade credits and advances	26.9	68.5	-41.6	33.1	83.8	- 50.7
Reserve assets	330.8	-	330.8	337.6	-	337.6
Total assets/liabilities	**501.7**	**1 278.0**	**- 776.3**	**532.8**	**1 324.4**	**-791.5**

Source: Foreign Exchange Office.

1.7 Monetary conditions

In response to the exceptional surge in Inflation in 2022, Bank Al-Maghrib raised its key rate twice, in September and December, by a total of 100 basis points, while maintaining all the other support measures implemented in 2020 to tackle the Covid-19 crisis.

However, interest rates did not show significant variations, except for those related to Treasury issuance. The steady increase in the latter accelerated from August onwards, in line with the expected rise in the key rate and the anticipated pressure on domestic resources resulting from the tightening of external financing conditions. This led the Treasury to postpone its issuance on international financial markets.

In the same vein, the Treasury benefited, in November 2022, from the remainder of the drawings on the IMF's Precautionary Liquidity Line (PLL), resulting in a 22.3 percent increase in net claims on the Central Government over the year. At the same time, bank loans to the non-financial sector rose by 7.9 percent, following a 2.9 percent increase, reflecting mainly the growing cash requirements of private businesses.

Monetary conditions were also marked by an average annual depreciation of the real effective exchange rate by 4 percent, due to a 0.8 percent decrease in nominal terms and a domestic Inflation lower on average than that of partner and competitor countries.

Table 1.7.1: Main indicators of monetary conditions

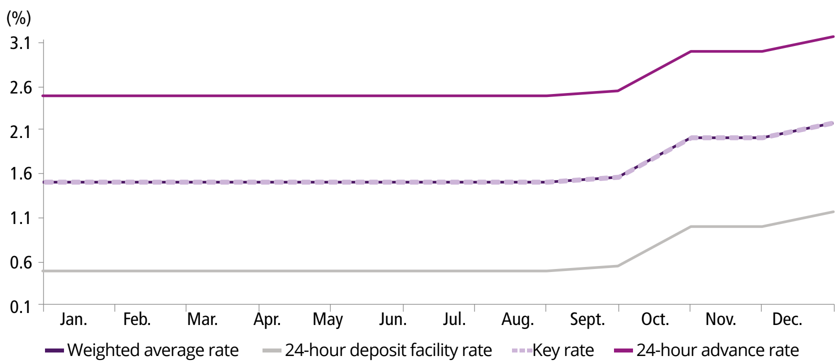
	2020	2021	2022	
Interest rates		**Yearly average (%)**		**Outstanding amounts* (in billion DHs)**
Interbank rate	1.79	1.50	1.65	-
Weighted average lending rate	4.55	4.39	4.33	-
12-month deposit rate	2.87	2.60	2.48	-
52-week Treasury bill rate	1.99	1.56	2.00	-
Effective exchange rate		**Change (%)**		
In nominal terms	2.26	3.61	-0.77	-
In real terms	1.28	1.31	-3.96	-
Monetary aggregates		**Change (%)**		**Change (%)**
Bank loans	4.7	2.6	7.5	1 059.0
Loans to the non-financial sector	4.2	2.9	7.9	908.2
Official reserve assets	26.5	3.2	2.1	337.6
Net claims on Central Government	12.2	14.3	22.3	333.1
M3	8.4	5.1	8.0	1 685.1

* End of December.

1.7.1 Interest rates

Bank Al-Maghrib tightened its monetary policy in 2022, raising its key rate to 2.50 percent in September and December. At the same time, it maintained the easing measures introduced in 2020 in response to the pandemic. In this respect, the weighted average interbank rate, which is the monetary policy operational target, remained aligned with the key rate throughout the year.

Chart 1.7.1: Weighted average interbank rate in 2022 (in percent)



The increase in the key rate was partially transmitted to lending rates, which rose by 26 basis points in the fourth quarter. Over the whole year, lending rates were practically unchanged, increasing from 4.18 percent to 4.09 percent for loans to businesses and from 5.19 percent to 5.36 percent for loans to individuals.

Table 1.7.2: Lending rates (in percent)

	Q4- 2021	Q1-2022	Q2-2022	Q3-2022	Q4-2022	Yearly Average	
						2021	2022
Average lending rates	**4.44**	**4.28**	**4.29**	**4.24**	**4.50**	**4.39**	**4.33**
Loans to individuals	**5.16**	**5.23**	**5.14**	**5.33**	**5.72**	**5.19**	**5.36**
Housing	4.24	4.21	4.19	4.19	4.32	4.27	4.23
Consumption	6.47	6.50	6.32	6.39	6.40	6.53	6.40
Account receivables	6.61	8.67	6.53	8.23	10.42	6.92	8.46
Loans to businesses	**4.26**	**4.00**	**4.03**	**4.04**	**4.30**	**4.18**	**4.09**
By economic purpose							
Cash advances	4.06	3.83	3.84	3.93	4.19	4.00	3.95
Equipment	4.58	4.31	4.60	4.14	4.38	4.51	4.36
Property development	5.78	5.53	5.83	5.41	5.61	5.72	5.60
By business size							
VSMEs	4.88	4.85	4.82	4.94	5.04	4.90	4.91
Large businesses	4.01	3.65	3.79	3.87	4.19	3.86	3.88
Loans to individual entrepreneurs	**5.17**	**4.91**	**5.19**	**5.21**	**7.49**	**4.84**	**5.70**
Cash advances	5.56	5.29	5.39	5.88	8.44	5.32	6.25
Equipment	4.14	4.12	3.79	3.75	5.56	3.89	4.31
Property development	5.51	5.64	8.31	5.44	5.70	5.29	6.27

Deposit rates were relatively higher in the last quarter of 2022, but they declined on average over the whole year by 17 basis points to 2.12 percent for 6-month deposits and by 12 basis points to 2.48 percent for 12-month deposits. As per the minimum rate applied to passbook savings accounts, indexed to the 52-week Treasury bill rate with a half-yearly revision, it remained stable at 1.15 percent on average.

Table 1.7.3: Deposit rates* (in percent)

	2018	2019	2020	2021	2022
6-month deposits	2.77	2.72	2.56	2.29	2.12
12-month deposits	3.09	3.01	2.87	2.60	2.48
Passbook savings accounts with banks	1.86	1.89	1.77	1.15	1.15

*Annual arithmetic averages of monthly observations for term deposits and half-yearly observations for passbook savings accounts.

Regarding the Treasury bill market, in addition to the monetary policy stance, the change in yields was affected by several factors, including the expected key rate hikes and the pressure on domestic resources due to tighter conditions in international financial markets.

Thus, Treasury bill issuance rates rose in line with a Treasury stance that moved towards short-maturity and floating-rate issuance in the last few months of the year. Rates on 13-week issues rose from 1.35 percent in December 2021 to 2.70 percent in December 2022, and those on 26-week bills from 1.40 percent to 3.07 percent. The share of issuance on these two maturities in total increased from 2.9 percent to 16.3 percent and from 3.1 percent to 8.3 percent respectively.

On the secondary segment, the yield curve showed a clear upward shift and a flattening trend, with increases of 44 points for short maturities, 40 points for medium-term bonds, and 24 points for long-term bonds.

Chart 1.7.2: Weighted average rate of short-term Treasury issuance (in percent)

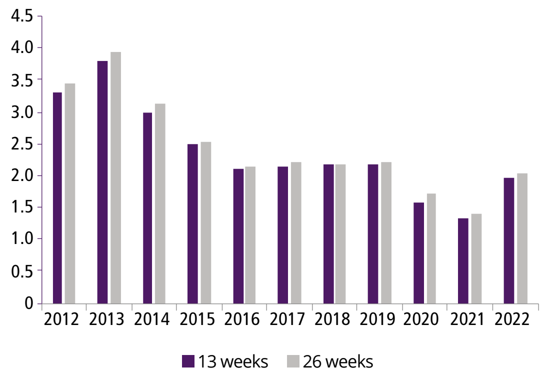
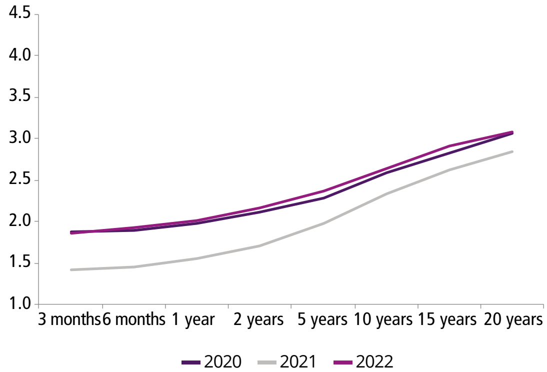


Chart 1.7.3: Secondary market yield curve (in percent)



1.7.2 Bank loans

In 2022, bank loans increased by 7.5 percent compared to 2.6 percent a year earlier. This was a result of the accelerating growth pace of loans to the non-financial sector, from 2.9 percent to 7.9 percent, and to financial companies from 0.7 percent to 5.6 percent. Regarding its ratio to GDP, bank loans stood at 79.6 percent.

Chart 1.7.4: Bank loans (year-on-year change, in percent)

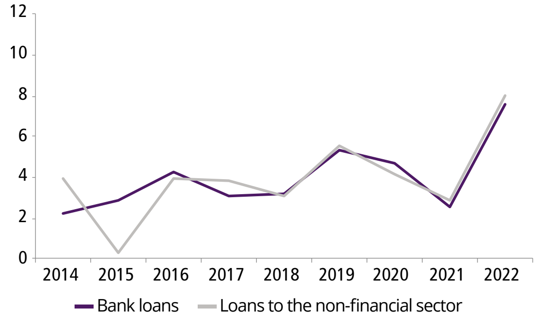
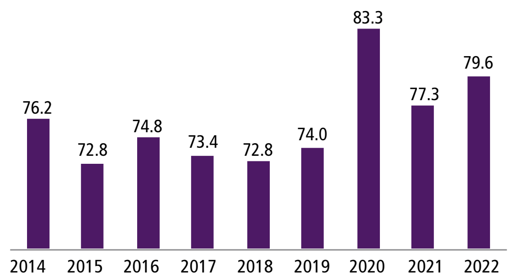


Chart 1.7.5: Ratio of bank loans to GDP (in percent)



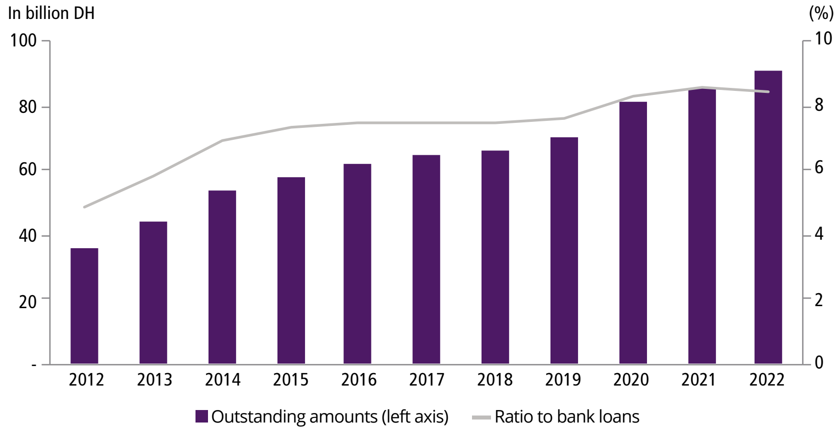
Lending to private non-financial companies increased by 10.3 percent after 4.1 percent, reflecting increases of 14.2 percent in cash facilities and 6.3 percent in equipment loans. Loans to public companies rose by 23.7 percent, reflecting the expansion of cash facilities and equipment loans. Loans to individuals rose, overall, by 3 percent, with 3.1 percent for housing loans and 3.5 percent for consumer loans. Loans to individual entrepreneurs increased by 9.8 percent, with increases of 34.4 percent for property development and 3.3 percent for equipment.

Table 1.7.4: Bank loans

	2020	2021	2022	
	Change (%)		Change (%)	Outstanding amounts (in billion DHs)
Bank loans	**4.7**	**2.6**	**7.5**	**1059.0**
Loans to the non-financial sector	**4.2**	**2.9**	**7.9**	**908.2**
Loans to private businesses	**4.7**	**4.1**	**10.3**	**446.9**
Cash facilities	11.0	8.7	14.2	217.4
Equipment	-5.8	0.8	6.3	106.6
Property development	1.7	-6.6	-7.5	46.4
Loans to public firms	**2.7**	**-14.9**	**23.7**	**55.2**
Cash facilities	-15.7	3.4	185.7	16.9
Equipment	1.8	-30.6	11.5	33.9
Loans to households	**3.6**	**4.1**	**3.6**	**378.2**
Loans to individuals	**3.4**	**4.7**	**3.0**	**315.8**
Consumption	-4.3	2.9	3.5	56.6
Housing	4.4	4.5	3.1	220.0
Loans to individual entrepreneurs	**8.9**	**-0.6**	**9.8**	**42.3**
	Ratio to bank loans (%)			
Non-performing loans	**8.4**	**8.6**	**8.4**	
Households	9.8	9.9	9.7	
Private businesses	11.6	11.9	11.6	

The increase in bank loans was associated with a 4.7% increase in non-performing loans, reaching 88.8 billion dirhams. However, their ratio to bank loans slightly declined from 8.6 percent in 2021 to 8.4 percent overall, from 9.9 percent to 9.7 percent for households and from 11.9 percent to 11.6 percent for private businesses.

Chart 1.7.6: Non-performing loans



By sector of activity, the most important increases were reported in the secondary sector, with hikes ranging from 8.7 percent in «Food industries and tobacco» to 36.1 percent in «Electricity, gas and water». «Textile, clothing, and leather industries», on the other hand, recorded a 0.6% decline. In the tertiary sector which accounted for 71.4 percent of total outstanding bank loans, with the exception of «Transport and communications» which decreased by 5.7 percent, the other branches posted increases ranging from 0.3 percent in «Hotels and restaurants» to 21.8 percent in «Trade, car repairs, and household goods». Concerning agriculture, loans rose by 7.5 percent to 41.6 billion, accounting for a 3.9 percent share.

Moreover, loans granted to the non-financial sector by financial companies other than banks[1] rose by 6.8 percent to 163 billion dirhams. In particular, loans granted by finance companies grew by 6.4 percent to 130.2 billion, due to increases of 6.8 percent to 58.3 billion in loans to private businesses and 6.1 percent to 71.9 billion in loans to households. Meanwhile, loans granted by offshore banks rose by 17.5 percent to 13.7 billion dirhams, and those granted by micro-credit associations increased by 4 percent to 8.6 billion dirhams.

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

	2020	2021	2022	
	Change (%)		Change (%)	Outstanding amounts (in billion DHs)
Finance companies	**-0.9**	**3.7**	**6.4**	**130.2**
Private businesses	-4.8	-0.2	6.8	58.3
Households	2.6	7.0	6.1	71.9
Offshore banks	**-11.4**	**9.9**	**17.5**	**13.7**
Mircro-credit associations	**9.9**	**2.2**	**4.4**	**8.7**

[1] Finance companies, offshore banks, micro-credit associations, the Deposit and Management Fund (CDG) and securitization collective investment funds.

Box 1.7.1: Funding for lending programs

In recent years, and as part of the response to the Covid-19 crisis, several central banks have implemented unconventional instruments to facilitate the credit flow to the economy by giving banks access to additional financing, generally at low cost. Known as Funding for Lending (FFL) programs, they enable loans to be channeled to specific sectors and/or agents and vary considerably in their design depending on the pursued objectives. In terms of monetary policy, FFLs can improve the decision transmission and promote economic recovery. They can also contribute to financial stability by providing liquidity to banks during periods of market failure. FFLs are also used to support government lending programs by providing the necessary funding or contributing to their operation.

Extended research[1] identified 43 programs launched since 2020 by 26 central banks. 13 of which belong to high-income economies, 11 to middle-income countries, and 2 to low-income countries. According to their targets, 56 percent of the identified programs are aimed at small and medium-sized businesses, 30 percent at specific sectors, and 14 percent at businesses and households. In terms of objectives, 63 percent are intended to improve the transmission of monetary policy and financial stability, while 37 percent to support government programs.

These results are broadly similar to those of a survey carried out by the Bank for International Settlements[2] in 2022 on a sample of 14 central banks that had implemented FFLs. The latter survey showed that 60 percent of their programs were meant to improve monetary policy transmission and financial stability, and 40 percent to support government programs in response to the pandemic. Other objectives were also mentioned, such as responding to natural disasters (Malaysia) or combating climate change (Japan).

Since 2012, in order to facilitate the access of VSMEs to financing in Morocco, Bank Al-Maghrib has extended the list of the collateral eligible for its refinancing operations to include bills representing claims on VSMEs. In 2013, this measure was replaced by a broader mechanism enabling banks to access additional funds equal to the volume of loans granted to VSMEs for a one-year period, through quarterly refinancing operations. In 2015, in order to promote investment loans, this program was adjusted by limiting its coverage to medium- and long-term loans. In 2020, as part of the Covid-19 crisis response, Bank Al-Maghrib extended the program to operating loans, while increasing the frequency of refinancing operations from quarterly to monthly.

In 2019, in response to the call of His Majesty the King in his speech on 11 October, Bank Al-Maghrib set up, in collaboration with the Government and the banking system, an Integrated Business Support and Financing Program (PIAFE) targeting VSEs, self-entrepreneurs, and exporting SMEs. Bank Al-Maghrib refinanced bank loans granted under this program at a rate of 1.25 percent, without setting a limit on the amount.

[1] Based on the Policy Trackers of the World Bank, the International Monetary Fund, the OECD and Yale University, as well as on central banks' websites.
[2] «Funding for Lending Programmes», BRI, January 2023.

Since 2012, the monthly refinancing volume granted as part of these programs has averaged 7.6 billion dirhams a year, with a peak of 22.8 billion reached in June 2021, accounting for 17.2 percent of the total liquidity provided by the Bank. Combined with the other measures implemented in favor of VSMEs, these programs have made it possible to significantly improve access to loans for this business category, with their share of overall outstanding loans to private non-financial businesses has risen from 34 percent in 2013 to 51 percent in 2021, before returning to 47 percent in 2022.

Chart B.1.7.1.1: Bank Al-Maghrib advances as part of guaranteed loan programs

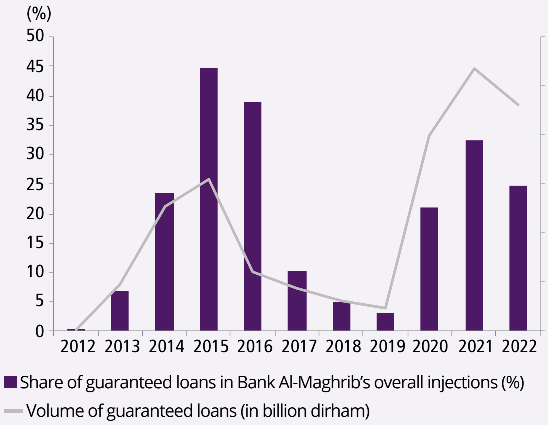
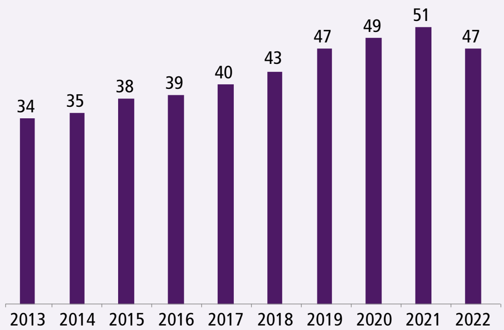


Chart B.1.7.1.2: Share of loans to VSMEs in overall outstanding loans to private non-financial companies (in percent)



Since 2020 in particular, new cash loans granted to VSMEs have reached an annual average of 54.8 billion dirhams, compared to 35.7 billion in 2019, and the interest rates on these loans have dropped between the fourth quarter of 2019 and the second quarter[3] of 2022 by 96 basis points (bp) to 4.65 percent, compared to a 77 bp drop to 3.59 percent for large businesses.

Chart B.1.7.1.3: Production of cash loans granted to VSMEs (in billion dirham)

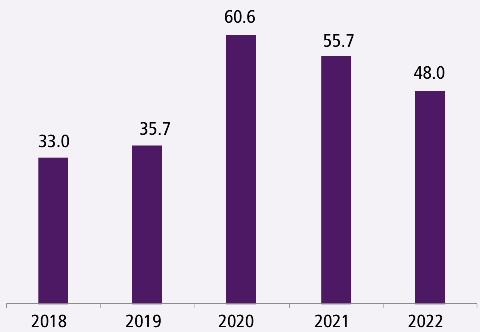
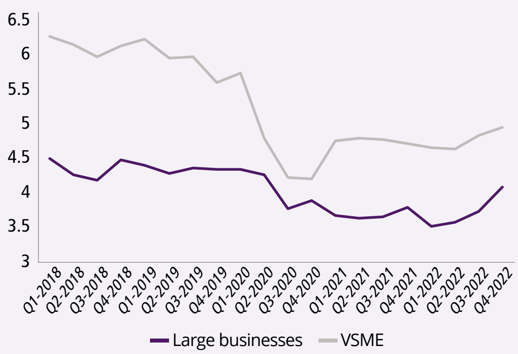


Chart B.1.7.1.4: Lending rates on cash facilities (in percent)

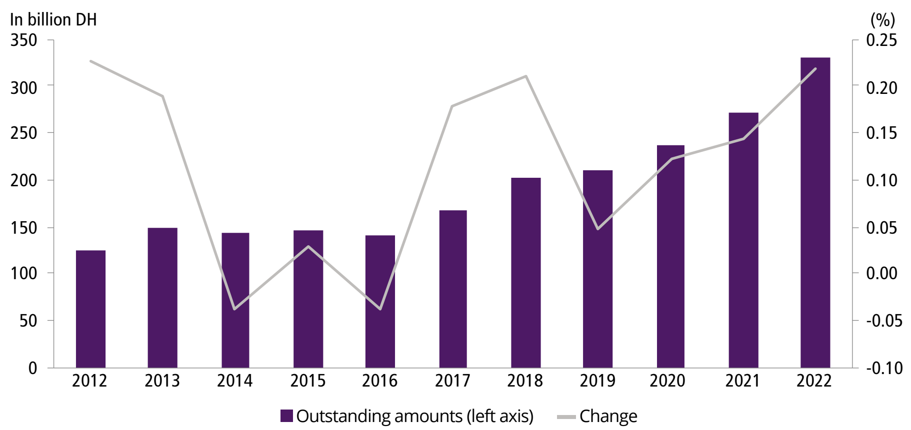


[3] As of September 2022, Bank Al-Maghrib initiated a tightening of its monetary policy to deal with rising Inflationary pressures. The key rate had increased twice by 50 bps in September 2022, and then in December 2022.

1.7.3 Other sources of money creation

Net claims on the Central Government grew by 22.3 percent in 2022 to 333.1 billion dirhams, mainly reflecting the fact that the Central Bank provided to the Treasury an amount of 21 billion dirhams, which is the remainder of the drawing on the IMF's PLL. At the same time, Treasury bills held by banks rose by 20.4 percent to 232.6 billion, accounting for 13.4 percent of their assets, while those of money-market funds increased by 5.4 percent to 31.8 billion.

Chart 1.7.7: Net claims on Central Government



Official reserve assets continued to improve, rising by 2.1 percent to 337.6 billion dirhams, equivalent to 5 months and 13 days of imports of goods and services. This development is mainly due to the Treasury's net external financing, which stood at 29.6 billion, while banks' net foreign assets[1] dropped again by 17 percent to 19.7 billion.

Chart 1.7.8: Official reserve assets

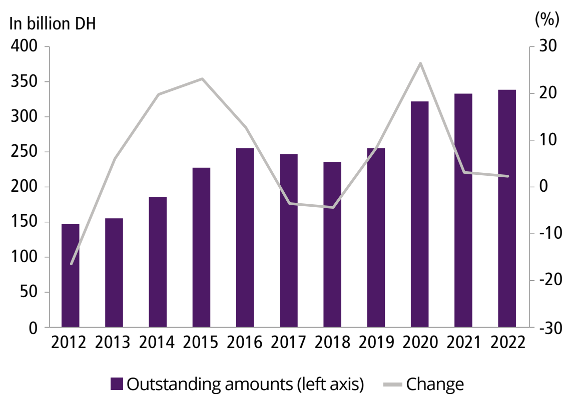
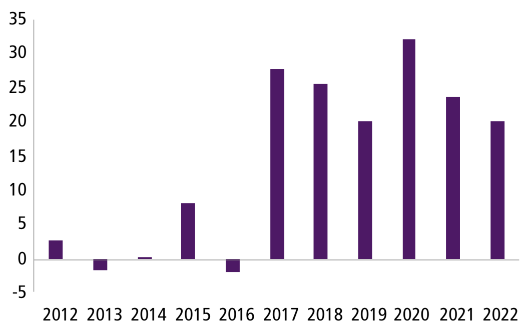


Chart 1.7.9: Banks' net foreign assets (in billion DHs)



[1] The entire claims of banks on non-residents, net of their external liabilities.

Box 1.7.2: Drawing on the IMF's Precautionary and Liquidity Line

In the wake of the global financial crisis, and to meet the needs of its member countries in the face of external liquidity shocks, the IMF introduced new financing instruments, including the Flexible Credit Line in 2009 and the Precautionary Liquidity Line (PLL) in 2011.

In 2012, against a backdrop of rising oil and commodity prices, Morocco signed a 24-month PLL agreement with the IMF for SDR 4.12 billion, i.e., 6.2 billion dollars. This agreement was subsequently renewed three times, with a gradual downward revision of its amount, to reflect the steady improvement in the country's external position. Thus, for the agreement covering 2018-2020, the amount was SDR 2,1508 billion, i.e., 2.97 billion dollars.

In addition to the positive signal that access to this instrument conveys to investors and financial markets, in terms of strengthening the national economy's position, Morocco was able to draw down the full amount of the agreement in April 2020, following the Covid-19 shock. This gave rise to a credit repayable over a 5-year period with a 3-year grace period. This amount has been deposited as an asset on the Central Bank's balance sheet, as a counterpart to the credit of the IMF's «Account No. 1».

With the improvement in foreign exchange reserves, boosted by the Treasury's increased mobilization of external resources, Morocco prepaid, on 21 December 2020, SDR 651 million, equivalent to 936 million US dollars or 8.4 billion dirhams.

In 2022, with the significant tightening of financing conditions on international markets, the Treasury requested the Central Bank for access to the remaining drawing on the PLL, i.e., 21 billion dirhams. This operation was carried out in November 2022 as part of the agreement between Bank Al-Maghrib and the Ministry of Economy and Finance, in compliance with the initial arrangement with the IMF concerning the use of its resources for budgetary purposes and in accordance with Bank Al-Maghrib's statutory provisions.

This operation resulted in an increase of an amount equivalent in net claims on the Central Government, without impacting neither the official reserve assets of Bank Al-Maghrib nor the level of the Treasury's external indebtedness.

1.7.4 M3 components

In 2022, fiat money grew by 10.8 percent to 354.7 billion dirhams, compared to 6.5 percent a year earlier and 20.1 percent in 2020. Similarly, bank deposits rose by 6.7 percent, reflecting an 8.8 percent improvement in sight deposits and a 4.9 percent decline in term deposits. Money market fund shares and savings accounts increased by 14.9 percent and 2.9 percent respectively. Overall, the M3 aggregate increased by 8 percent to 1,685.1 billion dirhams.

The analysis of deposits' evolution by the institutional sector shows that those of private non-financial businesses grew by 8.4 percent to 189 billion dirhams, reflecting increases of 8.8 percent in sight deposits and 16.1 percent in term deposits. Concerning individuals, deposits rose overall by 6.5 percent to 802.4 billion dirhams, including 198 billion from Moroccans living abroad. This development covers a 9.7 percent increase in sight deposits and 3 percent in savings accounts, as well as a 3.7 percent decline in term deposits. Deposits held by public businesses increased by 53.9 percent to 36.4 billion dirhams.

Table 1.7.6: Main components of M3

	Fiat Money	Sight deposits with banks	Passbook savings accounts	Term deposits with banks	Money market fund shares	M3
Outstanding amounts at end-December (in billion DHs)						
2020	300.6	649.3	169.4	135.6	63.9	1 485.1
2021	320.1	698.7	174.2	136.5	71.9	1 560.8
2022	354.7	760.9	179.3	129.8	82.6	1 685.1
Share in M3 (%)						
2020	20.2	43.7	11.4	9.1	4.3	100
2021	20.5	44.8	11.2	8.7	4.6	100
2022	21.1	45.1	10.6	7.7	4.9	100
Change (%)						
2020	20.1	10.6	1.7	-9.5	17.1	8.4
2021	6.5	7.6	2.8	0.6	12.5	5.1
2022	10.8	8.8	2.9	-4.9	14.9	8.0

1.7.5 Liquid investment Aggregates[1]

Liquid investment (LI) aggregates' outstanding amounts declined by 12.7 percent, reflecting mainly a 22.2 percent decrease in securities of bond mutual funds, a 13.8 percent in equity and diversified funds, and a 8 percent in Treasury bills.

Given these developments, the economy's liquidity ratio, measured as the ratio of overall LI and M3 to GDP, decreased year-on-year from 191.8 percent to 184.7 percent.

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

Table 1.7.7: Liquid investment aggregates

	2021		2022	
	Outstanding amounts (In billion DHs)	Change (%)	Outstanding amounts (In billion DHs)	Change (%)
LI1 aggregate	**478.7**	**8.8**	**447.8**	**-6.5**
Treasury bonds	455.1	9.2	418.8	-8.0
Bonds of finance companies	22.0	15.9	17.0	-22.6
Commercial paper	0.0	-99.4	0.1	1 928.4
Securities issued by contractual mutual funds	1.6	-52.7	11.8	645.0
LI2 aggregate	**303.0**	**2.6**	**235.9**	**-22.2**
Securities of bond mutual funds	303.0	2.6	235.9	-22.2
LI3 aggregate	**101.9**	**66.5**	**87.8**	**-13.8**
Securities of equity and diversified mutual funds	101.9	66.5	87.8	-13.8
Total	**883.6**	**10.9**	**771.4**	**-12.7**

1.7.6 Foreign exchange market

2022 was marked by a strong appreciation of the dollar in the first nine months, due to the rapid pace of the US Federal Reserve's monetary tightening. The euro/dollar parity dropped from 1.14 USD/euro at the beginning of 2022 to 0.96 at the end of September, marking its lowest level in two decades, before reaching 1.07 to end the year.

In addition to this change in the euro/dollar parity, the value of the national currency was driven throughout the year by the balance of import/export flows. Thus, while continuing to evolve within the ±5 percent fluctuation band, the MAD/USD reference rate remained below the rate induced by basket during the first seven months of the year, before moving towards the upper limit as a result of a greater predominance of import flows. However, the Bank's quarterly assessments indicated that these deviations were cyclical, and that the value of the dirham continued to be broadly in line with the fundamentals of the national economy.

Over the year, the dirham depreciated against the US dollar by an average of 11.5 percent, reflecting a market effect[1] of 5 percent and a basket effect of 6.6 percent. Against the European currency, the dirham depreciated by 0.5 percent.

[1] The basket effect is that resulting a change in the euro/dollar parity, the difference with the change in the reference rate representing the market effect.

Chart 1.7.10: Euro/dollar exchange rate in 2022

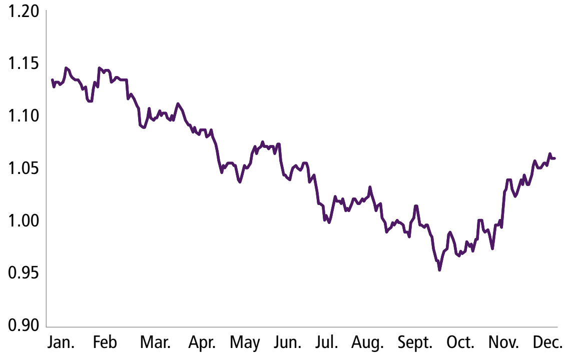
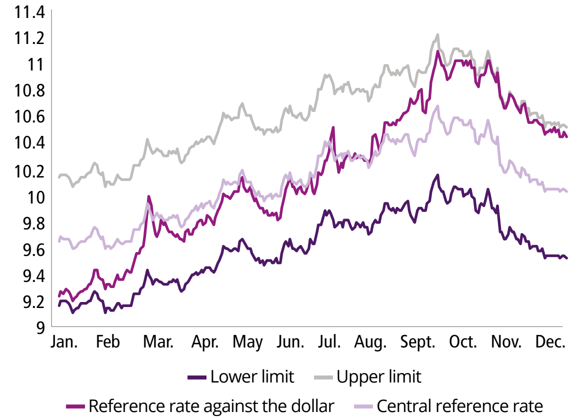


Chart 1.7.11: Reference rate of the dirham in 2022



In the same vein, the dirham depreciated by 1.3 percent against the pound sterling, 7.6 percent against the Chinese yuan and 15.5 percent against the Brazilian real. Conversely, it appreciated by 68.3 percent against the Turkish lira.

Considering these developments, the effective exchange rate[1] dropped by 0.8 percent in nominal terms and 4 percent in real terms, as domestic Inflation was generally lower than that of partner and competitor countries.

Chart 1.7.12: Effective exchange rate of the dirham (base 100 in 2010)

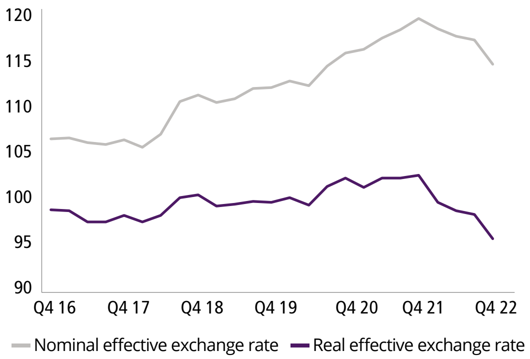
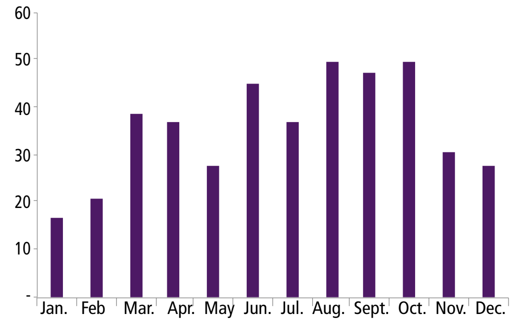


Chart 1.7.13: Interbank foreign exchange trading volume in 2022 (in billion DHs)



The year was also marked by the ongoing deepening of the interbank foreign exchange market and an increase in the use of hedging instruments by economic actors. The average monthly volume of foreign currency traded against the dirham on the interbank market increased by 140 percent to 36 billion dirhams. In terms of banks' operations with customers, spot currency trading against

[1] See Bank Al-Maghrib Annual Report, Fiscal year 2021, page 127 for the updated methodology for calculating effective exchange rates.

the dirham rose by 24.1 percent to 31.9 billion for purchases and by 23.8 percent to 31.4 billion for sales. Regarding forward transactions, bank purchases rose by 123 percent to 4.7 billion on a monthly basis, while sales amounted to 19.1 billion dirhams, compared to 11.8 billion in 2021.

Chart 1.7.14: Banks' cash transactions with customers in 2022 (in billion DHs)

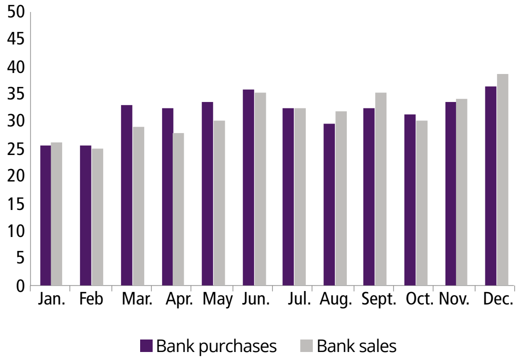
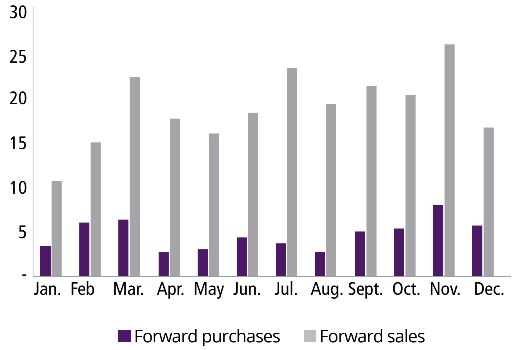


Chart 1.7.15: Hedging operations with customers in 2022 (in billion DHs)



1.8 Asset markets

Asset valuation in 2022 was marked by interest rate hikes which were driven by the monetary tightening initiated in response to growing inflationary pressures, and which impacted asset markets to varying degrees.

Regarding the domestic debt markets, this context led to a wait-and-see attitude and higher yield requirements. Consequently, the Treasury leaned towards short and medium maturities and issued floating-rate bills for the first time, while proceeding with increased recourse to specific financing and the use of the remainder of the drawing on the PLL. Regarding the issuances of private debt securities, those of non-financial companies declined by 5.2 percent, but the total amount of issuances were up 4.4 percent, driven by an increase in those of financial companies.

As for funds' management, rising interest rates led to a decline in the net asset of mutual funds, particularly bond and equity funds. For the latter category, yields declined significantly.

Owing to this adverse context, the Casablanca Stock Exchange ended the year with a historical underperformance, reporting a 19.7 percent drop in the MASI Index. The decrease affected most sectors, mainly those of buildings and construction materials, telecommunications, as well as banking. The volume of trade declined in both central and OTC segments, whereas market capitalization slid from 54.2 percent to 42.2 percent of GDP.

Concerning the real estate market, in spite of practically unchanged mortgage rates, the number of transactions decreased by 12.3 percent after the 33.7 percent rebound reported in 2021. At the same time, the decline in prices eased from 3.7 percent to 0.7 percent.

Table 1.8.1: Key indicators of asset markets (changes in percent, unless otherwise stated)

	2018	2019	2020	2021	2022
Debt market					
Treasury bill issuances	4.0	-9.3	46.2	-5.4	-10.9
Private debt issuances	-10.2	25.3	-13.0	-18.7	4.4
Stock market					
MASI	-8.3	7.1	-7.3	18.3	-19.7
Liquidity ratio[1] (central market equity in %)	6	5.3	6	6.4	5.1
Capitalization in % of GDP	48.7	50.5	50.8	54.2	42.2
Real estate market					
Real Estate Price Index	0.0	-0.5	-0.4	-3.7	-0.7
Number of transactions	2.8	-2.4	-5.3	33.7	-12.3

Sources: Bank Al-Maghrib, Ministry of Economy and Finance, Casablanca Stock Exchange Market, Maroclear and the National Agency of Land Conservation, Cadaster and Cartography (ANCFCC).

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

1.8.1 Debt securities

Treasury bills

Thanks to the exceptional specific financing receipts of 25.1 billion dirhams, the Treasury's need decreased by 3.9 billion to 71.1 billion in 2022. Nearly 30 percent of this need was met by using the remainder of the drawing on the PLL, which was deposited with the Central Bank. At the same time, against a backdrop of tighter financing conditions, the heavy reliance on external resources declined to 6.1 billion, reached solely through bilateral and multilateral loans.

In terms of the domestic T-bill market, the rate increase driven by the monetary policy tightening led to a lack of visibility among investors and thus prompted them to adopt a wait-and-see attitude and to have increased yield requirements. Therefore, subscriptions declined by 10.9 percent to 128.7 billion, compared to 17 percent a year earlier, half of which were in short-term maturities. The share of long-term bonds stood at 10 percent, instead of 25 percent, and that of medium-term securities[1] decreased from 58 percent to 40 percent.

Investors' significant needs and yield requirements led the Treasury to issue bills with maturities of less than 13 weeks for the first time since 2013, and to introduce floating-rate securities at the end of the year. On the other hand, no issuance of 15 years or more was made from February 2022 onwards.

Yields increased steadily throughout the year, up from 1.35 percent at the end of 2021 to 2.70 percent at the end of 2022 for 13-week bills, and from 1.73 percent to 2.44 percent for 2-year bonds.

Chart 1.8.1: Issuances and repayments of T-bills (in billions dirhams)

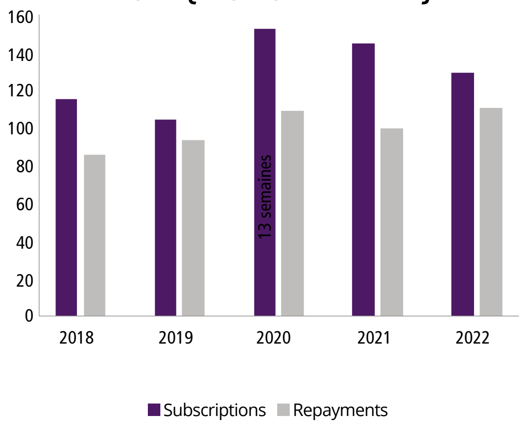
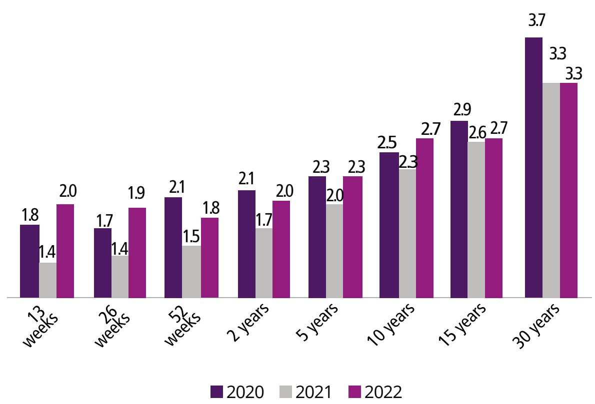


Chart 1.8.2: Weighted average T-bill rates on the primary market (in percent)



[1] Short maturities are those of one year or less, medium maturities are those of 2-5 years, and long maturities are those of over 5 years.

Taking into account the repayments of 109.6 billion dirhams, the outstanding amount of Treasury bills reached 665.8 billion, up 3 percent compared to 2021. There was a slight shift in its structure in favor of short maturities, whose share increased from 4 percent to 7 percent, but long-term bonds continued to prevail, with 56 percent against 58 percent a year earlier. In terms of holder, the share of banks grew by 7.6 points to 31.2 percent, to the detriment mainly of those of mutual funds and «insurance and social welfare organizations», which declined to 36.2 percent and 17.9 percent respectively.

Chart 1.8.3: Structure of T-bills by holder (in percent)

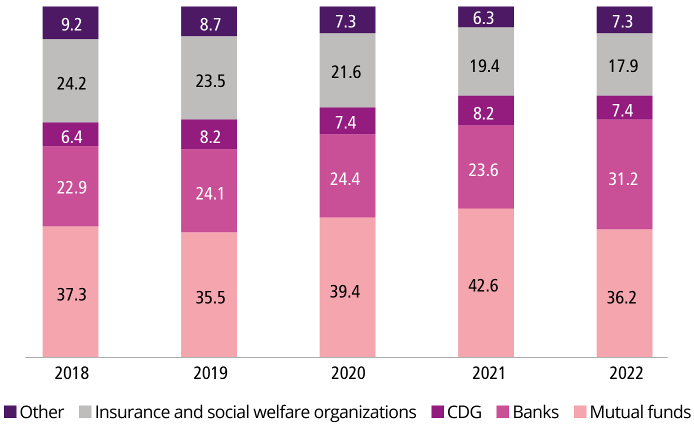


Table 1.8.2: T-bill transactions by maturity (in millions of dirhams)

	2018	2019	2020	2021		2022	
				Amount	Structure (in %)	Amount	Structure (in %)
Subscriptions	**115 052**	**104 393**	**152 647**	**144 471**	**100**	**128 694**	**100**
Short term	18 227	9 427	47 286	24 579	17	64 358	50
Medium term	73 982	39 796	74 669	83 495	58	52 035	40
Long term	22 843	55 170	30 692	36 396	25	12 301	10
Repayments	**85 554**	**93 437**	**109 067**	**98 580**	**100**	**109 563**	**100**
Short term	24 405	22 084	25 032	31 734	32	48 087	44
Medium term	57 718	52 662	51 450	50 991	52	49 362	45
Long term	3 430	18 691	32 585	15 854	16	12 114	11
Outstanding amounts	**546 205**	**557 160**	**600 741**	**646 633**	**100**	**665 764**	**100**
Short term	20 097	10 571	32 825	25 670	4	47 474	7
Medium term	207 857	193 101	216 320	248 825	38	245 965	37
Long term	318 251	353 489	351 596	372 138	58	372 325	56

Private debt securities

After an 18.7 percent decline in 2021, the issuances of private debt securities grew by 4.4 percent to 63.7 billion dirhams, due to a 27.3 percent increase in bank issuances to 42.3 billion dirhams. This growth concerned bonds, with an increase to 8.1 billion, and certificates of deposit, which increased to 34.2 billion. Interest rates related to the latter rose, over the last three months of the year, to a 2.2 percent annual average for the short-term, a 2.4 percent for the medium-term, and a 1.5 percent for the long-term. Regarding other financial companies, the issuances of financial companies' bills fell by 41 percent to 5.1 billion, and bond issues by 2 billion to 1.4 billion.

The issuances of non-financial companies declined by 5.2 percent to 14.9 billion, reflecting a 6 percent decrease to 11.1 billion in private companies, and a 2.5 percent to 3.9 billion in public companies.

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

	2018	2019	2020	2021	2022	Change 2022/2021	
						In millions	In %
Overall	**68 874**	**86 289**	**75 063**	**61 042**	**63 742**	**2 700**	**4.4**
Financial companies	**54 052**	**69 345**	**48 720**	**45 333**	**48 842**	**3 509**	**7.7**
Banks	**47 100**	**57 684**	**38 902**	**33 223**	**42 299**	**9 076**	**27.3**
Certificates of deposit	36 550	48 884	32 702	31 523	34 199	2 676	8.5
Bonds	10 550	8 800	6 200	1 700	8 100	6 400	376.5
Other financial companies	**6 952**	**11 661**	**9 818**	**12 110**	**6 543**	**-5 567**	**-46.0**
Finance companies' bills	5 327	9 741	7 950	8 710	5 143	-3 567	-41.0
Bonds	1 625	1 920	1 868	3 400	1 400	-2 000	-58.8
Non-financial companies	**14 822**	**16 943**	**26 343**	**15 710**	**14 900**	**-810**	**-5.2**
Private	**6 822**	**6 793**	**17 843**	**11 760**	**11 050**	**-710**	**-6.0**
Commercial papers	2 612	3 313	3 941	2 388	2 455	68	2.8
Bonds	4 210	3 480	13 902	9 372	8 595	-777	-8.3
Public	**8 000**	**10 150**	**8 500**	**3 950**	**3 850**	**-100**	**-2.5**
Commercial papers	-	-	-	-	1 500	1 500	-
Bonds	8 000	10 150	8 500	3 950	2 350	-1 600	-40.5

Source: Maroclear.

Taking into account repayments, the outstanding amount of private debt increased by 4.2 percent to 262.7 billion dirhams, almost half of which was issued by banks. The outstanding amount of non-financial companies was up to 104.5 billion, including 59.2 billion of public company securities.

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

	2018	2019	2020	2021	2022	Change 2022/2021	
						In millions	In %
Overall	**197 724**	**228 993**	**241 458**	**252 037**	**262 690**	**10 653**	**4.2**
Financial companies	**127 772**	**153 092**	**154 875**	**158 288**	**158 214**	**-74**	**0.0**
Banks	**103 463**	**121 833**	**120 859**	**120 548**	**123 635**	**3 088**	**2.6**
Certificates of deposit	52 778	64 348	57 174	56 163	53 310	-2 852	-5.1
Bonds	50 685	57 485	63 685	64 385	70 325	5 940	9.2
Other financial companies	**24 309**	**31 259**	**34 016**	**37 740**	**34 579**	**-3 161**	**-8.4**
Financial companies' bills	19 769	25 414	26 884	29 608	26 391	-3 217	-10.9
Bonds	4 540	5 845	7 132	8 132	8 188	56	0.7
Non-financial companies	**69 952**	**75 901**	**86 583**	**93 749**	**104 476**	**10 727**	**11.4**
Private	**28 223**	**26 852**	**32 109**	**36 592**	**45 319**	**8 727**	**23.8**
Commercial papers	1 296	1 934	2 312	1 356	1 798	442	32.6
Bonds	26 927	24 918	29 797	35 236	43 521	8 285	23.5
Public	**41 729**	**49 049**	**54 474**	**57 157**	**59 157**	**2 000**	**3.5**
Commercial papers	-	-	-	-	-	-	-
Bonds	41 729	49 049	54 474	57 157	59 157	2 000	3.5

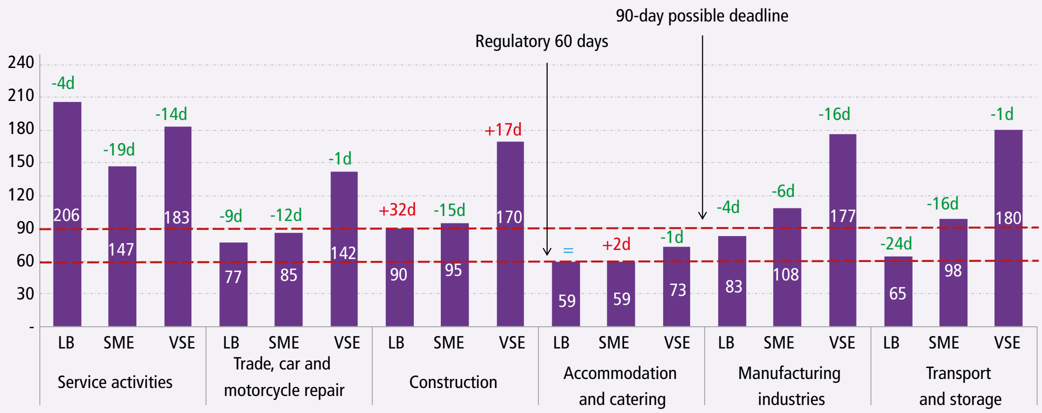
Source: Maroclear.

Box 1.8.1: Change in payment deadlines

After a sharp deterioration in 2020 during the pandemic crisis, inter-company payment deadlines improved significantly in 2021, boosted by the economic activity rebound. Calculations carried out by Bank Al-Maghrib, based on data from a sample of 69 thousand private non-financial businesses, show an almost general decline, although levels largely have remained above regulatory payment deadlines.

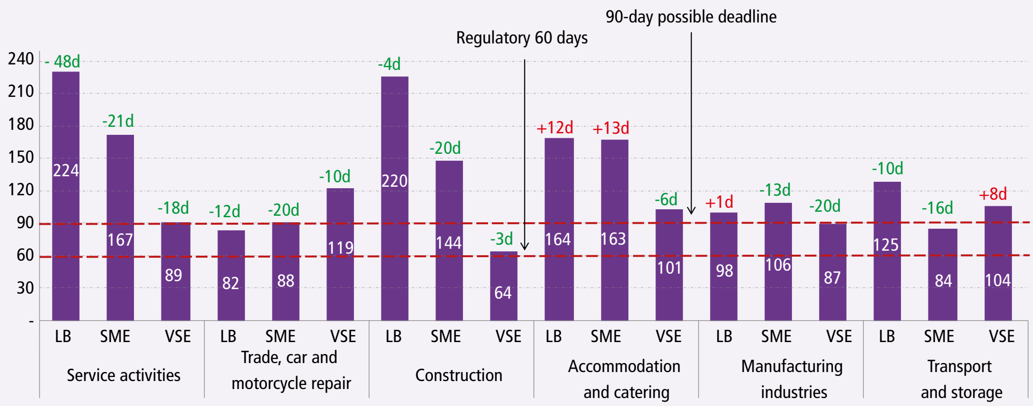
As a result, 55 percent of businesses, against 51 percent in 2020, were paid within the regulatory 60-day period. The biggest improvements were seen in the transport and storage sector, where average payment deadline dropped by 24 days for large businesses (LB) and 16 days for SMEs. In the construction sector, conversely, payment deadlines extended by 32 days for LBs and 17 days for VSEs.

Chart B1.8.1.1: Change in customer payment deadlines in 2021 (in days of sales)



With regards to supplier payment deadlines, 62 percent of businesses, compared to 59 percent in 2020, paid their invoices within the regulatory deadlines. However, the year was marked by a lengthening of payment deadlines in the accommodation and catering sector, which continued to be affected by health restrictions. Average deadlines increased by 12 days for LBs in this sector, and 13 days for SMEs. Conversely, the biggest decreases were seen in service activities, where the average deadline was shortened by 48 days for LBs, 21 days for SMEs and 18 days for VSEs.

Chart B1.8.1.2: Change in supplier payment deadlines in 2021 (in days of purchases)



On the regulatory level, the year was marked by the adoption of draft Law No. 69.21 by the Government Council on September 29, 2022. The main input of this Law includes the extension of the maximum possible payment deadline from 90 days to 120 days, and the substitution of the indemnity paid for late payments to the creditor by a 3 percent fine payable to the Treasury for the first month of delay, with a 1% surcharge for each additional month. In this respect, it also provides for spontaneous declaration and fine payment, as well as taking the invoice issue date, instead of the date of service performance or delivery of goods, as the reference for calculating the payment deadline of amounts due.

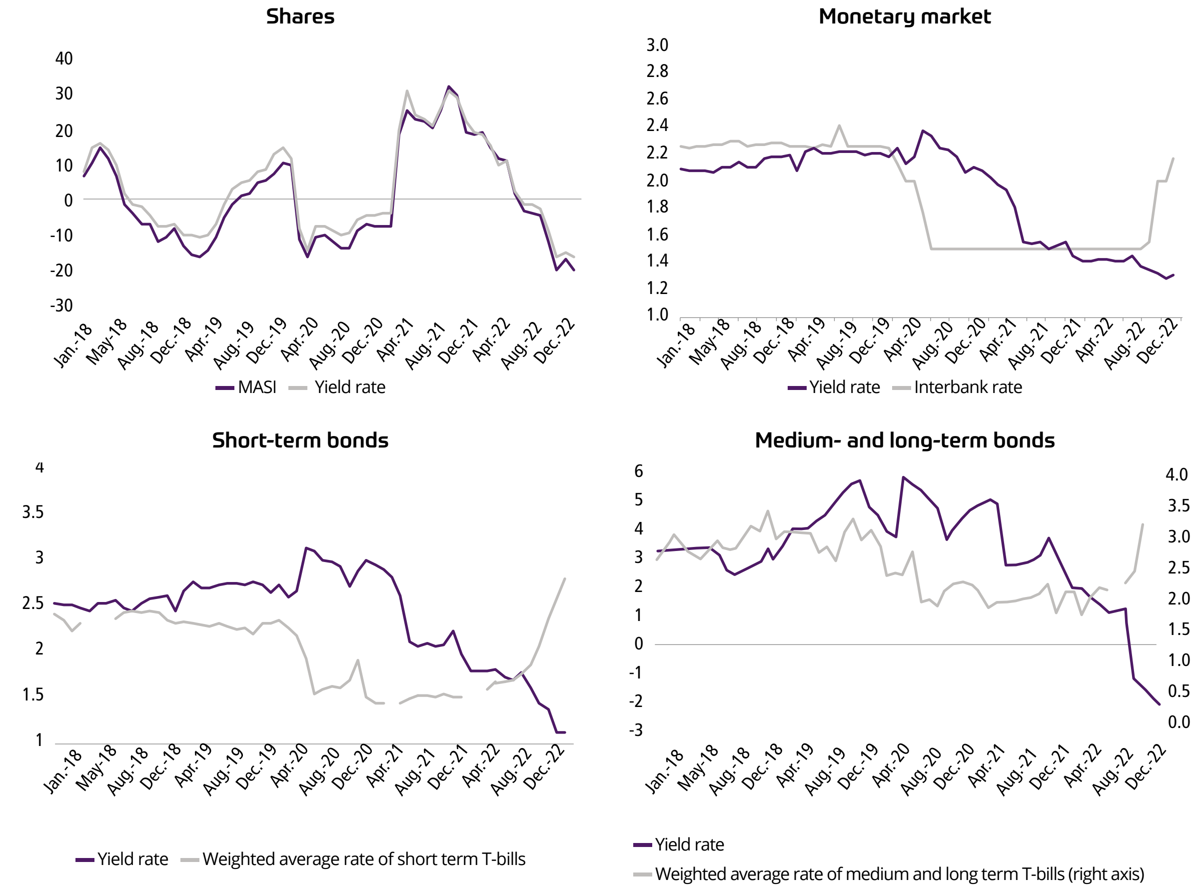
1.8.2 Mutual fund securities

Funds' management was impacted in 2022 by rising interest rates and falling stock market prices. This context was particularly favorable for money market mutual funds, whose subscriptions grew by 17.8 percent to 506.1 billion, and for contractual funds which more than doubled compared to 2021, reporting an increase to 44.5 billion. Conversely, the other categories showed a 13.8 percent decline to 506.8 billion in mutual fund bonds, a 48.4 percent to 22 billion in diversified funds, and a 3.5 percent to 9 billion in equity mutual funds.

These developments, combined with a general increase in redemptions, resulted in net outflows of 91.9 billion for bond funds and 1.2 billion for equity mutual funds, against net inflows of 10.3 billion and 2.9 billion respectively in 2021. Meanwhile, net inflows of contractual mutual funds stood at 10.1 billion, money market funds at 7.1 billion, and diversified funds at 2.2 billion.

In terms of performance, with the exception of money market funds and short-term bond mutual funds, which recorded positive yields of 1.3 percent and 1.1 percent respectively, the other categories underperformed, ranging from 2.3 percent for medium- and long-term bonds to 16.2 percent for equity funds.

Chart 1.8.4: Mutual fund yields (in percent)



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

Against this background, the net asset of mutual funds declined by 15.5 percent to 500.9 billion dirhams. Bond funds were down by 24 percent to 304 billion, equity funds by 19.5 percent to 37.9 billion and diversified funds by 8 percent to 58 billion. However, the net outstanding amount increased by 10.2 percent to 89.2 billion for money market funds and grew from 1.7 billion to 11.8 billion for contractual funds.

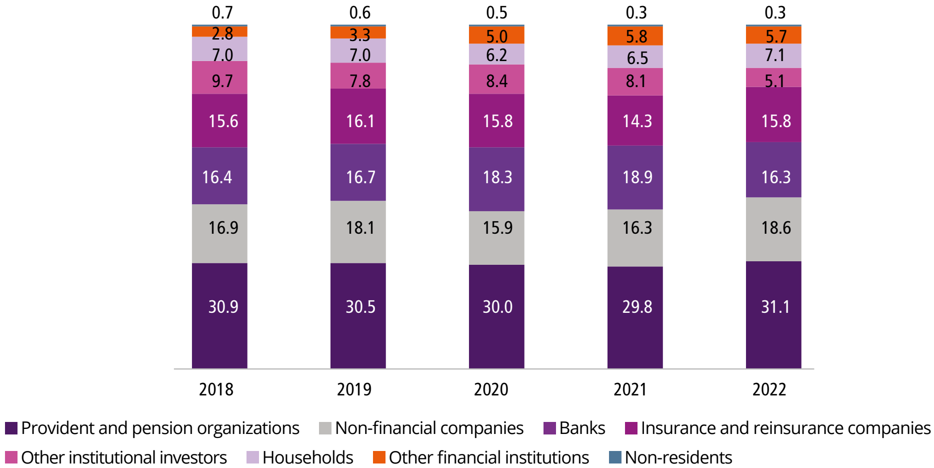
Table 1.8.5: Net asset of mutual funds (in billions dirhams)

	2018	2019	2020	2021	2022
Categories			**Subscriptions**		
Shares	6.5	7.3	7.2	9.3	9.0
Contractual	20.9	19.8	21.0	16.2	44.5
Diversified	14.7	9.2	10.4	42.7	22.0
Money-market	361.7	353.8	357.8	429.5	506.1
Short-term bonds	165.1	185.5	186.2	246.7	226.9
Medium and long-term bonds	204.8	266.7	357.2	341.2	279.9
Total	**773.6**	**842.3**	**939.7**	**1 085.6**	**1 088.5**
			Repurchases		
Shares	7.0	5.4	5.3	6.4	10.2
Contractual	20.1	20.4	19.6	18.2	34.5
Diversified	13.4	10.3	8.7	13.4	19.8
Money-market	370.7	356.5	346.3	421.9	499.0
Short-term bills	164.2	190.3	180.5	245.1	256.3
Medium and long-term bonds	184.6	246.4	339.0	332.5	342.4
Total	**760.1**	**829.2**	**899.5**	**1 037.5**	**1 162.3**
			Net asset		
Shares	31.7	37.4	37.1	47.1	37.9
Contractual	2.8	2.2	3.6	1.7	11.8
Diversified	27.8	28.9	30.8	63.1	58.0
Money-market	60.9	59.5	72.2	81.0	89.2
Short-term bills	67.5	64.6	72.1	75.3	46.8
Medium and long-term bonds	244.1	277.9	307.4	324.8	257.2
Total	**434.8**	**470.6**	**523.2**	**592.9**	**500.9**

Source: Moroccan Capital Market Authority.

There were slight changes in the structure of this asset by holders. The shares of provident and pension organizations increased to 31.1 percent, those of non-financial companies to 18.6 percent, and those of insurance and reinsurance companies to 15.8 percent. Conversely, the shares of banks and other financial institutions declined to 16.3 percent and 5.7 percent respectively.

Chart 1.8.5: Structure of Mutual funds' net asset by holder (in percent)



Source: Moroccan Capital Market Authority.

1.8.3. Stock market

At the beginning of 2022, stock market activity was on an upward trend, in line with favorable prospects regarding sustained economic recovery following the 2021 rebound. However, this trend was quickly reversed with the escalation in geopolitical tensions linked to the conflict in Ukraine, and concerns about their implications on the national economy. The downtrend then became more pronounced as expectations of rate hikes increased against a backdrop of accelerating inflationary pressures. All in all, the market ended the year on an all-time low, with a 19.7 percent slide for MASI, its biggest decline since its inception in 2002.

Chart 1.8.6: Annual changes of MASI (in percent)

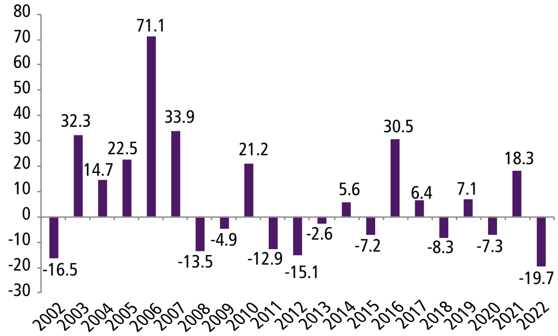
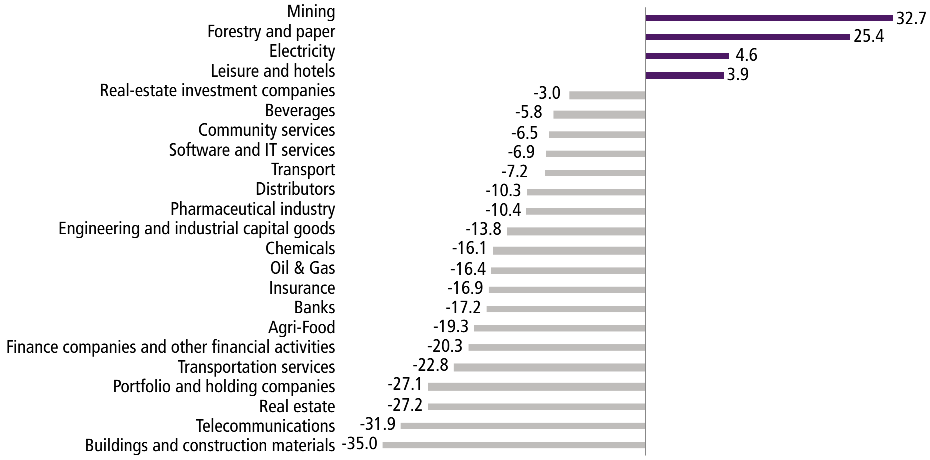


Chart 1.8.7: Daily change of MASI

Source: Casablanca Stock Exchange.

The downturn affected most sectors, with a 35 percent underperformance in buildings and construction materials, a 31.9 percent in telecommunications and a 17.2 percent in banks. Conversely, only 4 out of 23 sectors reported positive changes, with a 32.7 appreciation in the share prices of mining companies.

Chart 1.8.8: Changes in sectoral indices in 2022 (in percent)



Source: Casablanca Stock Exchange.

Taking price changes into account, the Casablanca Stock Exchange's PER[1] declined sharply from 23.8 to 18.5, a level still high compared to the main «frontier markets». On the other hand, the decline in prices combined with a relatively generous distribution policy compared to 2021, with an 8.3 percent increase in distributed dividends to 20.9 billion dirhams, resulted in an improvement in the dividend yield from 2.59 percent to 3.76 percent.

Table 1.8.6: PER and dividend yield of major emerging markets (EM) and frontier markets (FM)

Countries	Weight in MSCI Index[1]		PER		Dividend yield (%)	
	Category	Weight	2021	2022	2021	2022
Vietnam	FM	27.56	18.00	11.30	1.22	2.16
Morocco	FM	**9.94**	**23.80**	**18.50**	**2.59**	**3.76**
Romania	FM	7.30	0.30	4.30	3.57	5.90
China	EM	32.31	8.80	8.70	2.68	3.94
India	EM	14.44	24.4	24.3	1.14	1.44
Brazil	EM	5.27	8.3	8	6.62	9.31

[1] On December 30, 2022.

Source: Thomson Eikon Reuters.

[1] The Price-to-Earnings Ratio (PER) is the ratio of share price to earnings per share. The dividend yield is calculated by dividing the distributed dividend by the share price.

The volume of trade fell by 22.8% to 57.7 billion dirhams. This was mainly due to a decline in share trading, with an 8.5 billion decrease on the central market and 2.6 billion on the OTC market. Capital increases totaled 1.4 billion, compared to 2.4 billion a year earlier.

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

	2018	2019	2020	2021	2022
I- Shares	**50 915**	**74 864**	**55 309**	**74 557**	**57 354**
1-Central market	37 122	31 199	33 001	40 781	32 275
2-OTC market	8 791	26 676	15 837	23 474	20 821
Total of the secondary market (1+2)	**45 913**	**57 876**	**48 838**	**64 255**	**53 096**
3- New listings	799	-	600	600	1 372
4- Securities contributions	251	4 135	2 096	6 778	64
5- Public offerings	25	2 383	0	28	1 056
6- Transfers	430	622	1 368	503	391
7- Capital increases	3 497	9 848	2 406	2 393	1 376
Total of other markets (3+4+5+6+7)	5 002	16 988	6 470	10 302	4 258
II- Bonds	**1 773**	**531**	**468**	**186**	**325**
8- Central market	55	3	-	36	149
9- OTC market	950	527	187	130	175
Total of secondary market (8+9)	**1 005**	**531**	**187**	**166**	**325**
10- New listings	767	-	-	20	-
11- Securities contributions	-	-	281	-	-
12- Transfers	-	-	-	-	-
Total of other markets (10+11+12)	**767**	**-**	**281**	**20**	**-**
Overall Total (I+II)	**52 688**	**75 395**	**55 777**	**74 743**	**57 679**

Source: Casablanca Stock Exchange.

The year recorded two IPOs and two delisting operations, maintaining the number of listed companies at 74. Disty Technologies, which imports and distributes new technology products and solutions, was listed on July 20. It was the first SME to join the new alternative market. The transaction amounted to 171.7 million dirhams through a capital increase of 62 million dirhams and a sale of 109.7 million dirhams worth of shares. Introduced at a price of 284 dirhams, the share had lost 26.1 percent of its value by the end of December.

The second IPO took place on December 14 and concerned Akdital, a company operating in the healthcare sector. The transaction was worth 1.2 billion dirhams, 800 million of which came from a capital increase and 400 million from the sale of shares. At the end of December, the share price had depreciated by 8 percent.

Centrale Danone, whose public buy-out offer was filed on December 6, 2021, by Gervais Danone invoking low stock liquidity, was delisted on June 27, 2022. Similarly, Lydec shares were delisted on December 30, following the public buy-out offer filed by Veolia Environnement acting in concert with VIGIE 50 AS[1].

Under these circumstances, market capitalization fell by 129.6 billion dirhams to stand at 561.1 billion, and its ratio to GDP decreased from 54.2 percent to 42.2 percent year-on-year. Similarly, free-floating capitalization declined by 18.6 percent, and after two years of improvement, the liquidity ratio of the central equity market decreased to 5.1 percent.

Chart 1.8.9: Change in market capitalization

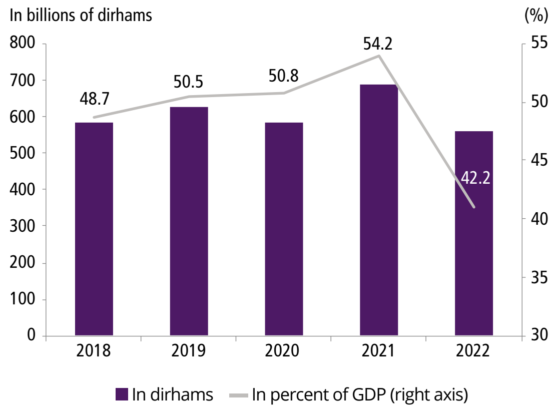
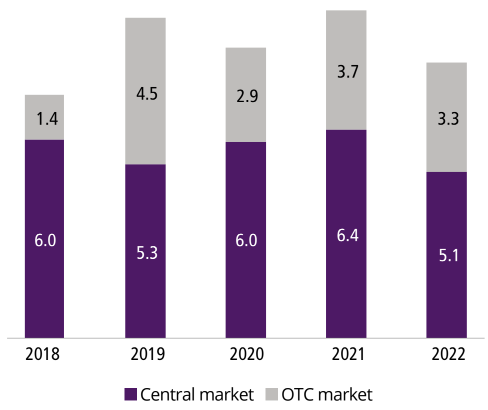


Chart 1.8.10: Equity market liquidity ratio (in percent)



Sources: Casablanca Stock Market Data and calculations of Bank Al-Maghrib.

Box 1.8.2: Covered bonds, a new financing source for Moroccan banks

Covered bonds are[1] debt instruments issued by banks and backed by a portfolio of mortgages or public debt securities, giving investors priority rights in the event of default. The collateral dimension is a common feature of these securities, but its modalities of implementation depend on the issue's specific framework and context.

Covered bonds first appeared in the 18th century[2]. However, the first legislative and regulatory frameworks governing them were not set up until much later, first in Switzerland (1931), then in Denmark (1951), Spain (1981) and Germany (1990). In 2021, the worldwide outstanding value of these securities reached[1] almost 2,940 billion euros, issued by 334 institutions in 34 countries, mainly in Europe.

[1] European Mortgage Federation - European Covered Bond Council: «European Cover Bond Fact Book 2022», September 2022.
[2] Toni Ahnert: Covered bonds as a Source of Funding for banks' mortgage portfolios», Financial System Review, Bank of Canada, June 2018.

[1] French investment fund.

In Morocco, the consideration of the introduction of a legal framework governing covered bonds was initiated over a decade ago. It is part of the development of the financial sector through (i) the mobilization of long-term, low-cost resources for financing housing in particular and local authorities; (ii) the provision of new means for banks to refinance their long-term lending and asset/liability management activities; and (iii) the diversification of long-term investment offerings for institutional investors.

With the adoption in 2022 of Law 94.21 on covered bonds, Morocco becomes the first African country to implement such a framework. The Law entrusts Bank Al-Maghrib with the task of controlling and overseeing the activity of these bonds, stipulates that their outstanding amounts be covered by receivables with well-defined criteria, and limits their outstanding amounts to 20 percent of the issuing bank's total assets. It also sets up a register for the assets making up the cover pool for these bonds, which must be allocated on a priority basis to guaranteeing the repayment of the capital and the payment of the interests they generate.

The implementation of this legal framework should contribute to the development of the private debt market, which until now has been characterized by a low-level activity. It also gives banks access to a new source of refinancing capable of boosting their lending capacity. However, as the experience of several advanced countries has shown, the implementation of such a framework does not necessarily mean market expansion. In addition, the complexity of these securities, the levels of security required and the low relative yield for investors are all factors that could undermine the attractiveness of this form of financing.

1.8.4 Real-estate assets

After a 3.7 percent decline, the Real Estate Price Index fell by 0.7 percent, with a 1.2 percent decrease in residential property, a 2 percent decline in property for professional use, as well as an 0.7 percent increase in land. At the same time, after the 33.7 percent rebound in 2021, the number of transactions declined by 12.3 percent, affecting all real-estate categories, with a 16.5 percent decrease in land, a 12 percent in residential property and a 6.5 percent in property for professional use.

Table 1.8.8: Real Estate Price Index (REPI) and number of transactions (Changes in percent)

	REPI					Transactions				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Overall	**0.0**	**-0.5**	**-0.4**	**-3.7**	**-0.7**	**2.8**	**-2.4**	**-5.3**	**33.7**	**-12.3**
Residential	**0.1**	**-0.1**	**-0.5**	**-4.3**	**-1.2**	**1.0**	**-0.4**	**-7.1**	**28.9**	**-12.0**
Apartment	0.1	0.0	-0.4	-5.2	-1.6	0.3	0.0	-6.2	28.1	-12.8
House	0.3	-0.8	-2.1	0.0	0.1	12.6	-3.1	-22.6	49.1	-1.0
Villa	0.3	0.1	2.6	-6.5	0.0	10.8	-13.6	-6.9	23.3	2.1
Land	**-0.3**	**-1.3**	**-0.1**	**-2.4**	**0.7**	**7.3**	**-10.2**	**-1.6**	**50.6**	**-16.5**
Professional use	**0.7**	**0.0**	**-0.6**	**-4.5**	**-2.0**	**10.2**	**-3.5**	**3.7**	**42.4**	**-6.5**
Commercial premises	1.5	-0.5	-0.6	-4.0	-1.6	9.9	-5.5	5.0	39.7	-6.1
Offices	-2.1	1.7	-0.2	-6.9	-2.4	12.0	9.7	-3.6	58.7	-8.6

Sources: Bank Al-Maghrib and ANCFCC.

In major cities, prices fell in 7 out of the 10 cities covered by the index, with declines ranging from 0.5 percent in Rabat to 3.8 percent in El jadida. On the other hand, Marrakech recorded an 0.5 percent increase, while Agadir and Oujda reported a 0.6 percent and 1.4 percent respectively. Concerning sales, with the exception of Agadir, where they rose by 17 percent, the other cities posted declines ranging from 0.9 percent in Tangier to 23.7 percent in Rabat.

Table 1.8.9: Real Estate Price Index and number of transactions by major cities (Changes in percent)

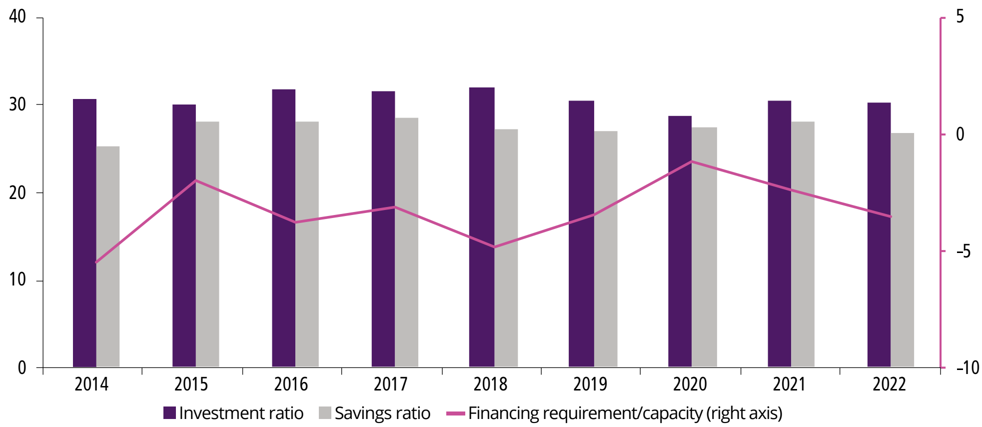
	REPI					Transactions				
	2018	2019	2020	2021	2022	2018	2019	2020	2021	2022
Agadir	1.1	-0.8	0.0	-4.6	0.6	15.8	-11.4	0.4	43.0	17.0
Casablanca	1.2	-0.8	-0.6	-4.1	-1.7	-7.5	3.1	-4.2	17.5	-14.7
El jadida	-0.4	-0.1	1.2	-6.1	-3.8	0.5	-11.5	-21.5	62.4	-16.1
Fez	-2.0	-0.4	-1.4	-4.6	-2.5	6.6	-5.7	-0.9	22.6	-11.5
Kenitra	0.7	1.0	-2.9	-2.6	-0.7	0.7	-2.7	-0.3	37.0	-8.1
Marrakech	-3.2	-2.8	0.2	-4.7	0.5	14.1	-13.6	5.4	26.5	-14.4
Meknes	0.6	0.6	-1.7	-4.2	-1.2	3.1	-5.3	-9.2	46.7	-9.9
Oujda	1.0	-0.7	-0.6	-1.9	1.4	-10.0	-13.8	-16.0	37.5	-8.2
Rabat	2.4	-1.1	0.6	-3.8	-0.5	20.1	-11.5	-10.2	40.8	-23.7
Tangier	1.3	0.2	0.4	-5.1	-1.4	17.6	-5.6	-17.3	35.7	-0.9
Overall	**0.0**	**-0.5**	**-0.4**	**-3.7**	**-0.7**	**2.8**	**-2.4**	**-5.3**	**33.7**	**-12.3**

Sources: Bank Al-Maghrib and ANCFCC.

1.9 Financing the economy[1]

In 2022, gross national disposable income (GNDI) amounted to 1,436.1 billion dirhams, up 5.4 percent year-on-year. Domestic final consumption rose by 7.6 percent to 1,080 billion dirhams, while national savings contracted by 0.9 percent to 356.1 billion dirhams, equivalent to 24.8 percent of GNDI. In view of 3.6 percent increase in investment to 403.1 billion or 30.3 percent of GDP, the financing requirement rose from 29.9 billion to 47 billion, corresponding to 3.5 percent of GDP.

Chart 1.9.1: Borrowing requirement (in percent of GDP)



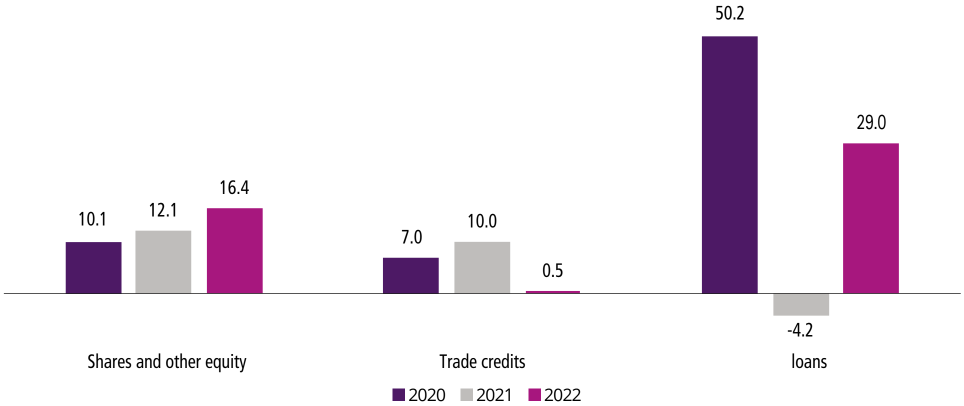
Source: HCP.

1.9.1 Financial flows with the rest of the world

The economy's financing requirement was mainly covered by external loans amounting to 29 billion dirhams and by equity investments in resident companies in the amount of 16.4 billion dirhams. Other flows were negative at 12.9 billion for securities other than equities, 4.1 billion for financial derivatives and 1.3 billion for deposits.

[1] This chapter is compiled based on several data sources, including monetary statistics issued by Bank Al-Maghrib, the balance of payments and international investment position published by the Foreign Exchange Office, as well as the national accounts of institutional sectors prepared by the HCP. As the latter are not available at the time of drafting this chapter for 2022, estimates are drawn up by adopting the structure by agent relative to 2019, as those for 2020 (crisis) and 2021 (recovery) are considered as atypical. Once the data are available, the Bank will evaluate these estimates to draw the necessary conclusions for the subsequent year's report.

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



Sources: Foreign Exchange Office data and Bank Al-Maghrib processing.

By economic unit, net external liabilities[1] of non-financial companies rose by 26.3 billion dirhams, primarily reflecting increases of 16.9 billion dirhams in equity investments and 10.1 billion in loans.

For general government[2], net external liabilities rose by 8 billion dirhams, reflecting a 19.6 billion dirhams increase in borrowings and a 11.7 billion dirhams decline in the issuance of securities other than shares. More specifically, the Treasury raised gross amounts totalling 29.6 billion dirhams, compared with 18.4 billion dirhams a year earlier, of which 9.3 billion dirhams from the World Bank, 4.2 billion dirhams from the African Development Bank and 1.6 billion dirhams from the French Development Agency.

Residents' foreign assets increased by 9.2 billion dirhams instead of 12.6 billion dirhams in 2021. In particular, the official reserve assets of Bank Al-Maghrib increased by 6.8 billion dirhams, while the reserves of other deposit-taking institutions fell by 4 billion, in line with the predominance of import flows. In turn, the assets of non-financial companies rose by 3.6 billion dirhams, mainly due to a 2.7 billion dirhams increase in their holdings of shares and other equity securities, and a 1.9 billion dirhams in their borrowings.

[1] Balance of inflows and outflows in respect of liabilities.
[2] Including central government, territorial communities, and compulsory pension funds.

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

	2021				2022			
	Total	GG[1]	NFC[1]	FC[1]	Total	GG	NFC	FC
Residents' assets with the rest of the world[2]	**12.6**	**0.1**	**6.8**	**5.7**	**9.2**	**0.1**	**3.6**	**5.5**
Gold and SDR	12.4			12.4	1.0			1.0
Cash and deposits	-43.4		-1.2	-42.3	2.0		-0.3	2.3
Shares and other shareholdings	4.9	0.1	2.5	2.3	4.8	0.1	2.7	2.1
Securities other than shares	34.9			34.9	3.1			3.1
Credits	1.4		0.7	0.6	2.6		1.9	0.7
Trade credits	4.8		4.8		-0.7		-0.7	
Financial derivatives	-2.3			-2.3	-3.7			-3.7
Residents' liabilities to the rest of the world[2]	**26.7**	**6.4**	**20.0**	**0.3**	**27.6**	**8.0**	**26.3**	**-6.7**
Deposits	10.0			10.0	-1.3			-1.3
Securities other than shares	1.3	-2.2	4.4	-0.9	-12.9	-11.7	-1.3	
Shares and other shareholdings	12.1		10.6	1.4	16.4		16.9	-0.5
Loans	-4.2	8.6	-4.6	-8.2	29.0	19.6	10.1	-0.8
Financial derivatives	-2.0			-2.0	-4.1			-4.1
Trade credits	10.0		10.0		0.5		0.5	
Other accounts payable	-0.4		-0.4					

[1] GG: General government; NFC: Non-financial corporations; FC: Financial corporations.
[2] Errors and omissions excluded.
Sources: Foreign Exchange Office data and Bank Al-Maghrib estimates.

1.9.2 Financial flows between resident sectors

In 2022, financial flows between resident sectors were characterized by a rise in the liabilities of non-financial companies and an improvement in household[1] deposits.

1.9.2.1 Financial flows of general government

In 2022, general government financial transactions with residents were marked by an increase in borrowings by 19.3 billion dirhams, compared with 5.4 billion dirhams a year earlier, reflecting the Treasury's recourse to the remainder of the drawdown on the IMF's precautionary and liquidity line.

At the same time, net issues of Treasury bills were limited to 19.1 billion instead of 45.9 billion in 2021, and deposits with the Treasury stood at 10.3 billion dirhams after 14.5 billion dirhams.

[1] Households include individuals, sole proprietors and non-profit institutions serving households.

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

	2021	2022
Net acquisitions of financial assets	**9.9**	**-14.2**
Deposits	1.1	11.6
Negotiable debt securities	-0.1	1.6
Treasury bills	-8.7	-8.9
Mutual funds	17.6	-18.5
Net liabilities	**65.8**	**48.7**
Deposits with the Treasury	14.5	10.3
Treasury bills	45.9	19.1
Loans	5.4	19.3

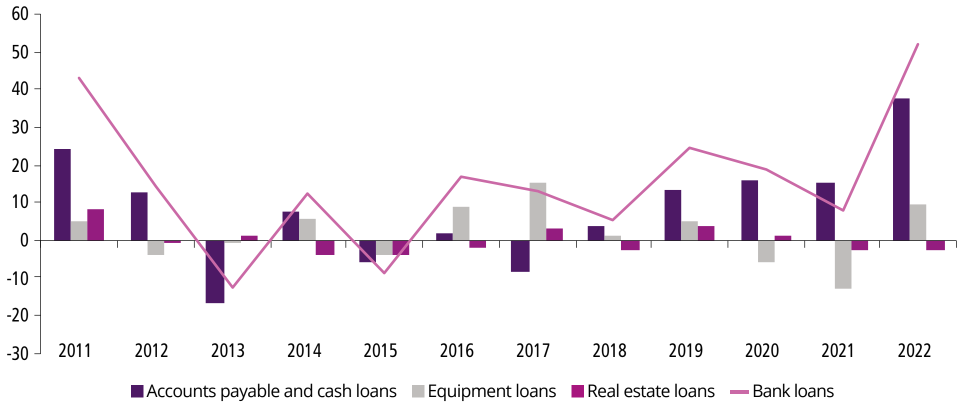
Sources: Bank Al-Maghrib, MCMA and Maroclear.

As regards their financial assets, consisting mainly of investments by the compulsory pension and provident funds, they shrank by 14.2 billion dirhams. Their holdings of mutual fund securities in particular fell by 18.5 billion dirhams, and their holdings of Treasury bills declined by 8.9 billion dirhams, while their deposits rose by 11.6 billion dirhams.

1.9.2.2 Financial flows of non-financial companies

The liabilities[1] of non-financial companies increased by 69.4 billion dirhams, due to a 10.7 billion increase in net issuance of debt securities and a 58.6 billion rise in borrowings from financial companies. In particular, cash loans contracted by private companies rose to 27 billion dirhams from 15.2 billion dirhams a year earlier.

Chart 1.9.3: Flow of bank loans to non-financial companies (in billion dirhams)



[1] Excluding trade credits and equities for which data are not available.

Assets of non-financial companies grew by 25.9 billion dirhams, due to an increase by 29.8 billion dirhams in their deposits and by 0.4 billion dirhams in their insurance technical reserves, as well as a drop by 3.3 billion dirhams in their portfolio of mutual funds and by 0.4 billion dirhams in their holdings of Treasury bills.

Table 1.9.3: Main financial flows of non-financial companies (in billion dirhams)

	2021	2022
Net financial assets acquisitions (excluding trade credits and shares)	**33.2**	**25.9**
Deposits	19.9	29.8
Treasury bills	-1.1	-0.4
Mutual funds	13.4	-3.3
Insurance technical reserves	0.5	0.4
Net liabilities (excluding trade credits and shares)	**12.7**	**69.4**
Securities other than shares	6.7	10.7
Loans from financial institutions	6.1	58.6

Sources: Bank Al-Maghrib, MCMA and Maroclear.

Box 1.9.1: Margin rate trends of non-financial corporations (NFCs)

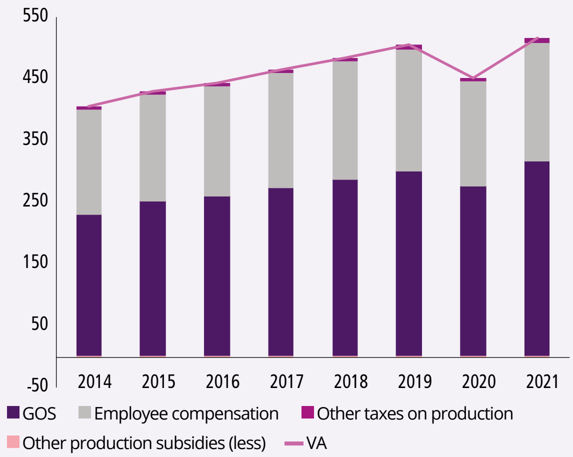
The margin rate of non-financial corporations (NFCs[1]) is defined in the national accounts, as the ratio of their gross operating surplus (GOS[2]) to their value added (VA). It is an indicator of companies' capacity to invest, and is determined by several factors, including the size of the wage bill, the competitive situation of the market, government policies and economic conditions.

In Morocco, national accounts data published by the HCP show that since 2014[3], GOS of NFCs has grown by an annual average of 4.3 percent, reaching 309.8 billion dirhams in 2021. Considering the growth of their VA, their margin rate followed a slightly upward trend, rising from 57.1 percent in 2014 to 60.8 percent in 2020 and 61.9 percent in 2021.

The increase in the margin rate in 2020 is taking place against a backdrop of recession, prompting companies to reduce their costs, particularly wages, which fell by 14.4 percent. In addition, the easing of financing conditions, with falling interest rates and the introduction of credit guarantee lines are believed to have contributed to this trend.

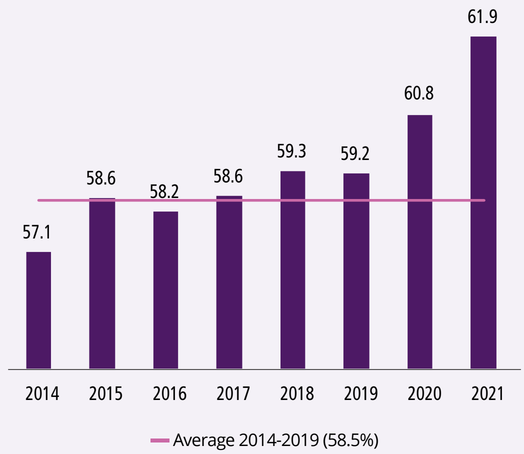
In parallel with this slight increase in the margin rate, the investment rate[4] of NFCs trended downward from 37.3 percent in 2016 to 34.6 percent in 2019 and 32.5 percent in 2020, before rising again to reach 34 percent in 2021.

Chart B1.9.1.1: NFCs operting income account trends (in billion dirhams)



Source: HCP.

Chart B1.9.1.2: Margin rate of NFCs (as percentage of VA)



[1] Non-financial companies are those whose main activity is the production of non-financial goods or services.
[2] It is equal to value added, minus compensation of employees, other taxes on production and plus operating subsidies.
[3] The HCP has changed the base year of the national accounts from 2007 to 2014.
[4] It is the ratio of the gross fixed capital formation (GFCF) of Non-financial companies (NFCs) to their gross value added.

Margin rate by branch of activity

Sectoral analysis[5] shows that the highest margin rates are observed in real estate activities, with an average of 98.3 percent between 2014 and 2019, followed by agriculture and forestry with 90.8 percent. On the other hand, due to their predominantly non-market nature, the "General Government and compulsory social security" and "Education, human health and social work activities" branches recorded the lowest rates, at 17.9 percent and 11.1 percent respectively. In 2020, despite the health crisis, ten out of sixteen industries saw an improvement in their margin rate.

Table B1.9.1.1: Margin rates by branch of activity for the total economy (in percent, unless otherwise indicated)

Branches	Average 2014-2019	2019	2020	2021	Spread in pp 2020/2019
Real estate activities	98.3	98.2	98.8	98.7	0.6
Agriculture and forestry	90.8	90.8	91.7	92.6	0.9
Accommodation and food service activities	73.8	75.3	76.2	76.1	0.9
Manufacturing industries	72.7	73.4	75.1	76.0	1.7
Electricity and gas supply- Water supply, sewerage system, waste treatment	72.4	74.1	75.7	74.6	1.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	72.4	72.5	72.6	74.3	0.1
Extraction industry	69.4	65.6	64.5	72.9	-1.1
Information and communication	68.5	66.0	67.7	66.6	1.7
Financial and insurance activities	64.2	63.2	63.1	64.9	-0.1
Transport and storage	61.4	62.0	60.1	61.2	-1.9
Other services	56.0	59.4	57.9	53.6	-1.5
Construction	48.2	48.0	54.8	54.6	6.7
Fisheries and aquaculture	44.9	40.8	35.5	49.4	-5.4
Research and development and business services	42.4	44.5	45.1	46.2	0.6
General Government; compulsory social security	17.9	19.5	18.7	20.4	-0.9
Education, human health and social work activities	11.1	12.1	12.6	11.3	0.5
Total	**55.6**	**55.8**	**56.0**	**57.2**	**0.1**

Source: HCP.

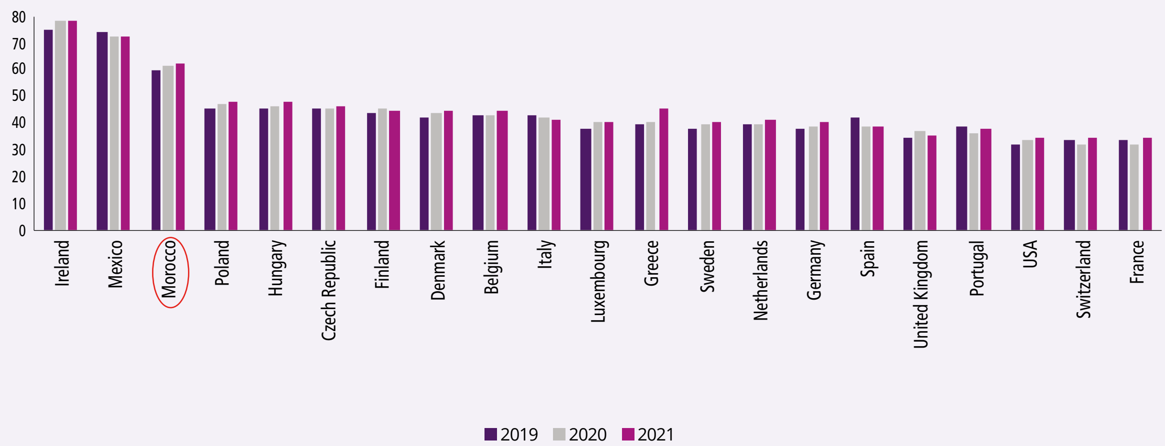
International comparison

The increase in the NFC margin rate in the post-Covid period was observed in many economies. Indeed, data from a sample of 20 OECD[6] member countries show that 16 of them posted an increase between 2019 and 2021. The biggest increases were reported in Greece (5.3 pp), Ireland (4.1 pp) and Poland (2.9 pp). In the remaining four economies, declines were recorded, ranging from 1.5 pp in Portugal to 3.3 pp in Spain. Morocco posted an increase of 2.7 pp, compared with an average of 1.3 pp for the countries in the sample.

[5] Sectoral analysis is carried out for all economic units, due to the unavailability of data by institutional sector.

[6] This choice was made for reasons of data availability.

Chart B1.9.1.3: NFC margin rates by international comparison (in percent of VA)



Sources: OECD and HCP.

In addition, almost half of the countries in the benchmark that recorded an increase in their margin rate also saw an improvement in the investment rate.

In conclusion, while national accounts data provide an insight into the change in corporate profit at the macroeconomic level, they do not provide precise information on the reasons for the observed trends. Accordingly, the availability of microeconomic data at company level would have enabled a better understanding of their behavior and the drawing-up of appropriate policies in this regard.

Table B1.9.1.2: Investment rate of NFCs (as percent of VA)

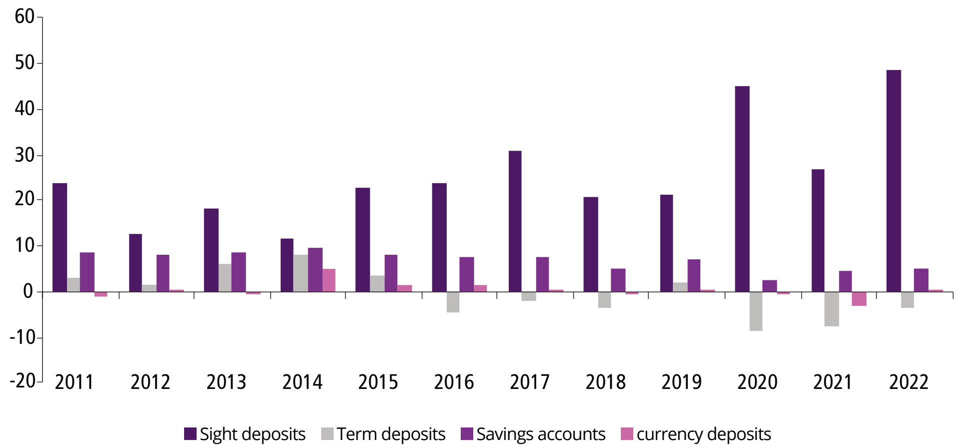
	2019	2020	2021
Ireland	69.2	51.7	25.8
Morocco	34.6	32.5	34.0
Mexico	32.3	32.3	37.0
Hungary	32.0	29.6	31.9
Switzerland	29.1	28.9	29.1
Czech Republic	29.7	28.2	27.7
Belgium	27.3	27.6	26.9
Spain	27.2	27.0	24.7
Sweden	26.0	26.5	27.1
Portugal	25.0	25.9	26.9
France	24.2	24.7	25.6
Denmark	23.2	24.6	24.7
Finland	22.5	22.6	22.6
Poland	23.2	22.0	18.3
Italy	21.6	21.6	23.1
Germany	21.3	20.7	20.6
Greece	19.0	19.5	20.5
United States	19.8	19.3	18.5
Netherlands	18.5	18.4	18.1
United Kingdom	18.6	18.0	17.9
Luxembourg	19.0	16.8	17.0

Sources: OECD and HCP.

1.9.2.3 Household financial flows

Household financial assets[1] rose by 104.5 billion dirhams in 2022, after 65.5 billion in 2021. This mainly reflects increases of 54.8 billion in deposits and 34.5 billion in cash holdings, while holdings of mutual fund securities fell by 3 billion dirhams.

Chart 1.9.4: Flow of household deposits at banks (in billion dirhams)



Regarding household liabilities, the flow of loans contracted with financial companies increased by 17.4 billion dirhams in 2022, from 21.2 billion dirhams in 2021. In particular, consumer loans rose by 1.9 billion dirhams upturn, after 1.4 billion dirhams, while housing loans rose by 6.6 billion dirhams, against 10.5 billion dirhams in 2021.

Table 1.9.4: Main household financial flows (in billion dirhams)

	2021	2022
Net acquisitions of financial assets (excluding equities and trade credits)	**65.5**	**104.5**
Cash	19.4	34.5
Deposits	22.7	54.8
Negotiable debt securities	-0.6	1.7
Mutual funds	5.9	-3.0
Insurance technical reserves	18.1	16.6
Net liabilities (excluding commercial loans)	**21.2**	**17.4**
Loans	21.2	17.4

Sources: Bank Al-Maghrib, MCMA and Maroclear.

[1] Excluding trade credits and equities.

Box 1.9.2: Change in household savings

Household savings, defined as the unconsumed portion of their disposable income, play an important role in financing investment. Their change is essentially linked to households' behavior in terms of intertemporal choice, i.e. the trade-off between immediate and deferred consumption, and the degree of risk aversion. In certain exceptional situations, it can assume a forced character, as was the case following the introduction of health restrictions during the Covid-19 pandemic.

In Morocco, after an average growth of 3.6 percent between 2014 and 2019, it surged by 19.5 percent in 2020, reaching a peak of 123.9 billion dirhams, before declining slightly by 4.6 percent to 118.2 billion dirhams in 2021. Household savings rate[1] rose from an average of 12.9 percent between 2014 and 2019 to 15.6 percent in 2020, before slowing down to 13.7 percent in 2021.

Chart B1.9.2.1: Household savings (in billion dirhams)

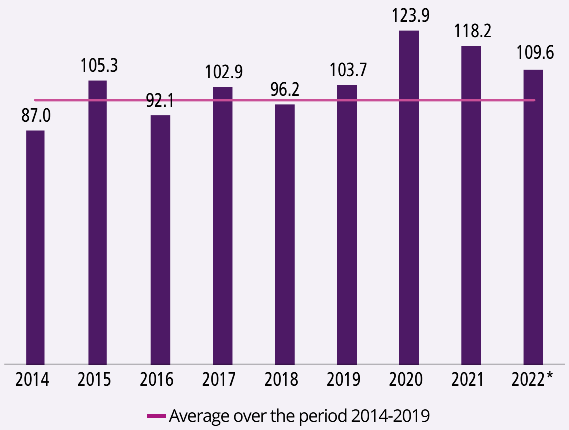
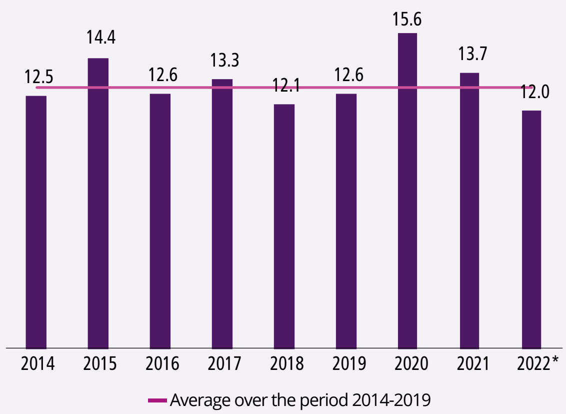


Chart B1.9.2.2: Household savings rate (as percent of GDI)



* This is a provisional estimate.

Source: HCP.

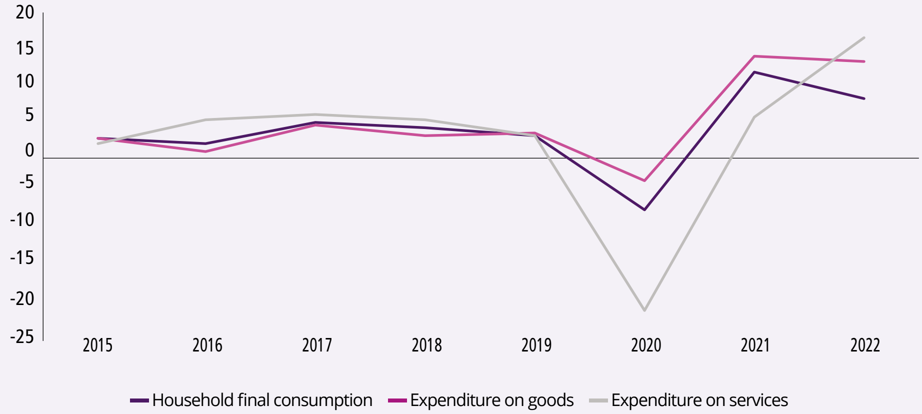
The rise in savings in 2020 is likely to be related to the health restrictions put in place to curb the outbreak of the pandemic. This finding is further corroborated by the decline in household consumption, which stood at 7 percent overall and 20.9 percent for services[2], versus 3 percent for goods[3]. This decline was particularly pronounced in the second quarter, when the population was strictly confined, and reached 18.7 percent year-on-year.

[1] Ratio of household savings to gross disposable income (GDI).

[2] Household spending on services corresponds to the sum of the products of the tertiary sector branches shown in the liabilities-assets table.

[3] Household spending on goods corresponds to the sum of the primary and secondary sector products shown in the liabilities-assets table.

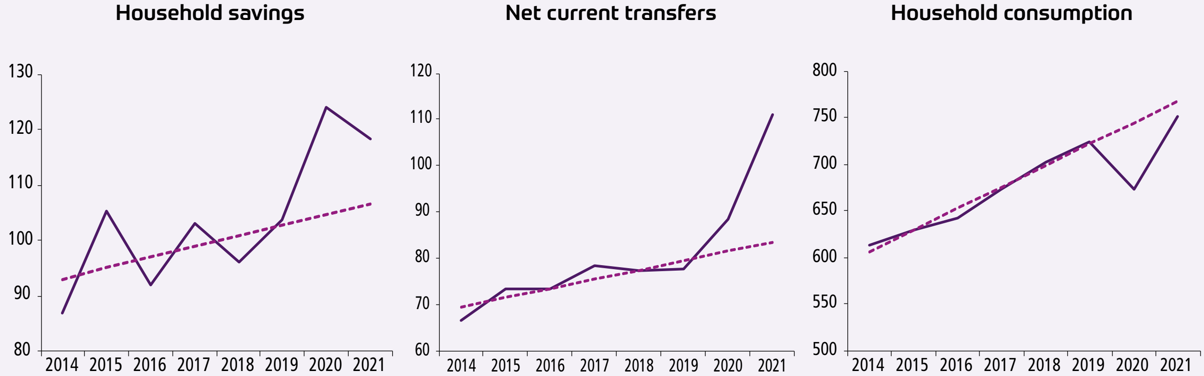
Chart B1.9.2.3: Change in household final consumption expenditure on goods and services (in percent)



Source: HCP.

Compared with its long-term trend, the cumulative excess savings[4] over the years 2020 and 2021 is estimated to have reached 31 billion dirhams, despite the decline in income. This surplus is mainly attributable to an overall drop of 87.1 billion in final household consumption compared with its trend, and increases of 34.3 billion in net current transfers, mainly from Moroccans living abroad, and 20.9 billion in net social benefits. It should be remembered that during the pandemic, households benefited from direct cash transfers under the «Tadamon» operation for a total amount of 23 billion dirhams.

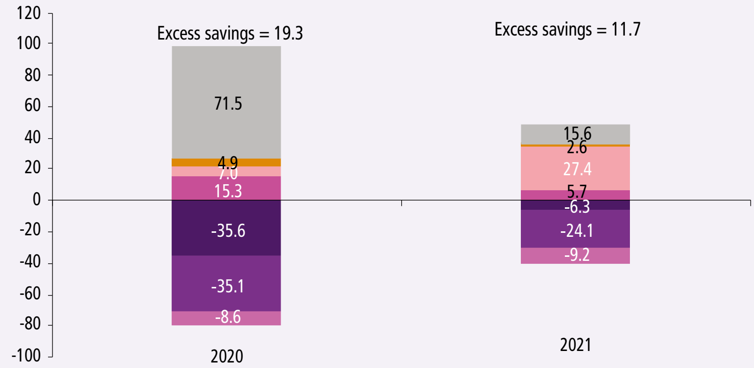
Chart B1.9.2.4: Deviation from pre-pandemic trend (in billion dirhams)



Sources: HCP data and Bank Al-Maghrib calculations.

[4] Excess savings are calculated as the difference between the current value of savings and their pre-pandemic trend.

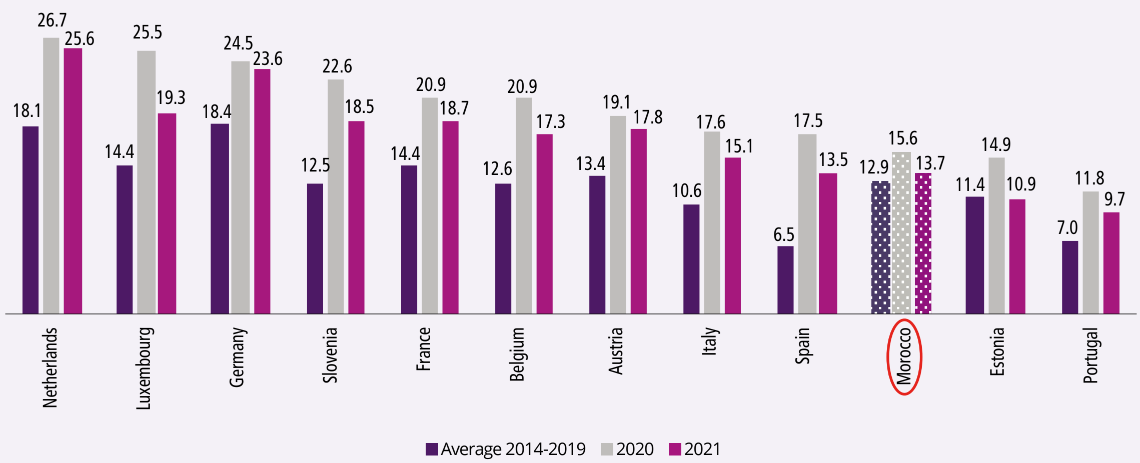
Chart B1.9.2.5: Breakdown of household excess savings (ES) (in billion dirhams)



Sources: HCP data and Bank Al-Maghrib calculations.

The comparison to a sample of OECD[5] countries shows that the rise in the household savings rate in 2020 is a global phenomenon that eased slightly in 2021. Among the selected countries, the Netherlands posted the highest rate in 2020 at 26.7 percent, followed by Luxembourg (25.5 percent) and Germany (24.5 percent). In terms of growth, Luxembourg showed the greatest change in 2020 with 11.2 percentage points (pp) compared to the 2014-2019 average, followed by Spain with 10.9 pp and Slovenia with 10.1 pp.

Chart B1.9.2.6: Household savings rate for a sample of countries (as percentage of GDI)



Sources: HCP and OECD.

[5] The choice of the sample is motivated by data availability.

Governance and carrying of Bank’s missions

Partie 2

HIGHLIGHTS OF THE YEAR

In 2022, the economic conditions were particularly difficult and uncertain, with both a downturn in economic activity and a steep acceleration in inflation, which reached its highest level since 1992.

In response to the persisting strong inflationary pressures, and to prevent the unanchoring of inflation expectations and to ensure a rapid return to levels in line with the objective of price stability, Bank Al-Maghrib decided to tighten its monetary policy stance. It thus raised its key rate twice, by 50 basis points each time, to bring it to 2.5 percent, while keeping the other monetary easing measures introduced to counter the effects of the pandemic. In terms of liquidity management, the Bank continued throughout the year to fulfil all banks' requests as part of its weekly calls for tenders, while injecting funds under its longer-term refinancing mechanisms.

As regards the implementation of its structural projects, and in view of the current context, the Bank deemed it inappropriate to move on to the subsequent phases of the exchange rate regime reform. Nevertheless, it proceeded with supporting economic players in their preparations, to work towards deepening the foreign exchange market, and to finalize the inflation-targeting framework. These measures aimed at ensuring the Bank's readiness for future steps, should inflation drop and the uncertainties surrounding the national and international economic outlook dissipate.

Regarding banking supervision, the Bank lifted the prudential easing measures introduced in the Covid-19 context and pursued its policy of strengthening Banks' resilience and monitoring their exposure to various risks. At the regulatory level, the Bank set out the framework governing the collaborative financing and undertook several initiatives to support the development of digital banking. In terms of customer protection, it has striven to increase the comparability of banking costs and services and strengthened communication with the public offering useful guides and information on these services as well as on banking rights and obligations.

As part of the work of the Systemic Risk Coordination and Monitoring Committee, Bank Al-Maghrib continued monitoring risk indicators weighing on the stability of the Moroccan financial sector in its different components. It conducted a review of financial soundness indicators, stepped up supervision of risks stemming from the real estate and household markets, and carried out macro-stress tests to assess the banking sector's resilience to macro-economic shocks.

In the currency activity, and with the health crisis coming to an end, the Bank maintained its efforts to meet the economy's growing demand for banknotes and coins. In addition, faced with strong demand for secure, identity and utility documents, the Bank rolled out the necessary resources to meet this demand, while complying with the highest standards of quality and security in accordance with agreed deadlines.

As regards the monitoring and development of payment systems and means of payment, the year was particularly marked by ongoing work to strengthen the interoperability between mobile payment stakeholders and efforts to promote digital financial services. Meanwhile, the implementation of the national strategy for financial inclusion continued, notably with a national roadmap developed to promote the economic empowerment of rural women, as well as several City Tours organized across the Kingdom.

On an equally important level, Bank Al-Maghrib actively contributed, together with all stakeholders, to the implementation of measures that resulted in the FATF's decision, issued at its February 2023 plenary meeting, to remove Morocco from the list of countries subject to enhanced monitoring, commonly referred to as the "grey list". On April 3, 2023, boosted by this breakthrough and its solid economic fundamentals, Morocco was granted a two-year IMF Flexible Credit Line (FCL) arrangement worth around 5 billion dollars.

Finally, throughout the year, the Bank has been actively involved in preparing the Annual Meetings of the IMF and the World Bank, scheduled to take place in Marrakech in October 2023. Alongside its contribution to the various aspects of the organization of these events, the Governor of Bank Al-Maghrib chairs the Scientific Committee entrusted with drawing up the program of scientific events to be held as part of these preparations.

As an institution, Bank Al Maghrib pursued its efforts towards strengthening its governance framework and made significant strides in this regard. An external assessment of its internal audit process confirmed its compliance with international standards. The Bank also continued its efforts to strengthen the information security and comply with the law on cyber security. It amended its ethics framework and anti-corruption policy to reflect changes in the national and international context and to take account of the best practices in this area. Regarding the CSR policy, the Bank developed a program to reduce greenhouse gas emissions, outlined a roadmap on responsible procurement, and drafted a charter on sustainable water management. In the light of all these achievements, an IMF review mission concluded that the transparency practices of Bank Al-Maghrib's governance framework are "broad and comprehensive» and underlined the soundness of such practices.

At the same time, the Bank pursued its efforts to adapt and set up the appropriate tools to enhance its outreach and openness towards the outside world. It boosted its communication strategy by developing new media, enriching content on social networks, and improving its welcome services. The year was also marked by the rich and diversified program offered throughout the year to celebrate the twentieth anniversary of Bank Al Maghrib Museum. To further highlight this openness policy, efforts were made to diversify partners and to strengthen the institutional relations the Bank holds with central banks, regulatory authorities, and national and international institutions.

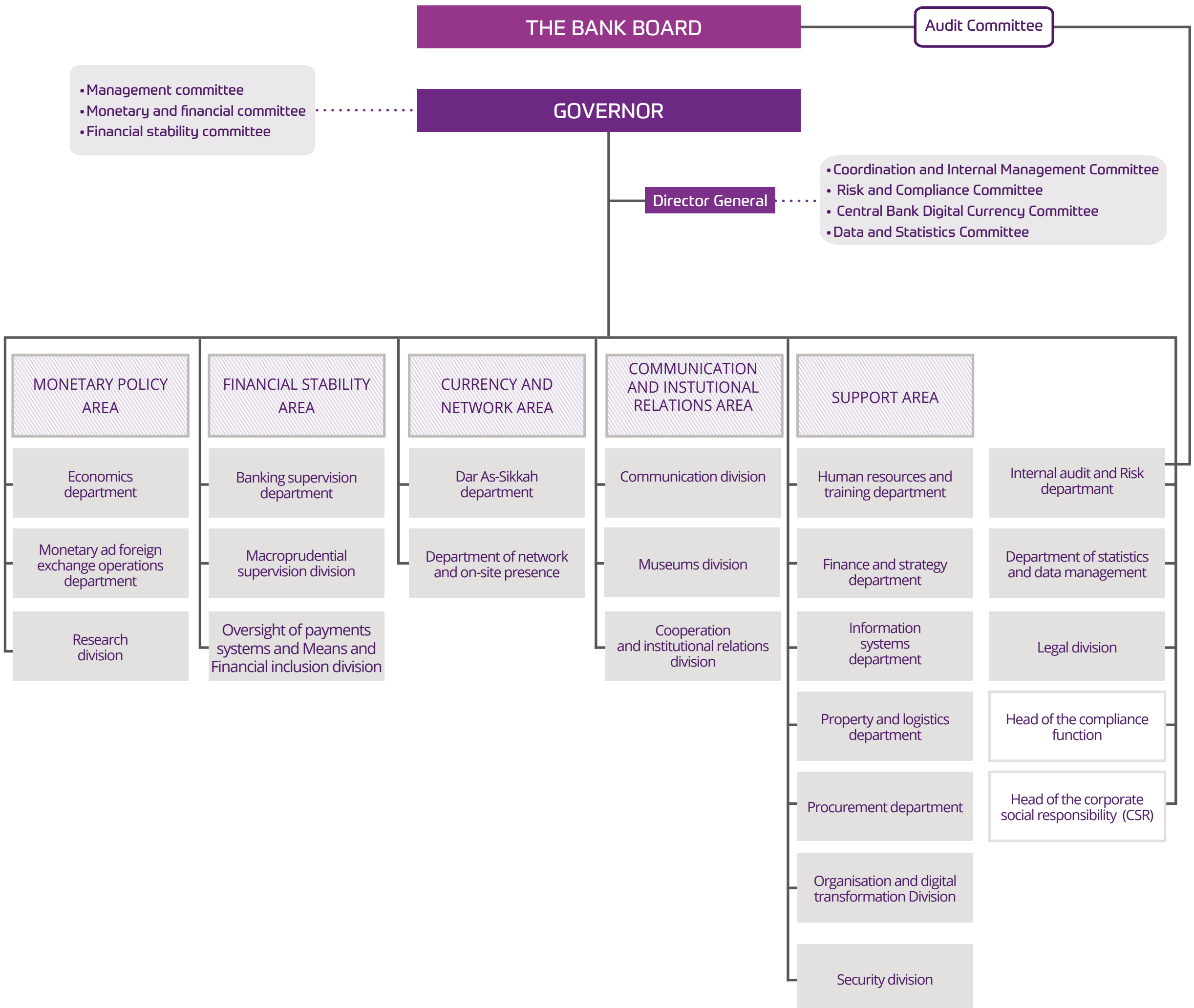
All these achievements are the fruit of the dedication and exemplary commitment of the Bank's staff. Mindful of this asset, the Bank is constantly placing its human capital among its top priorities. Efforts were sustained to enhance the value of its workforce, develop its skills, and safeguard its health and well-being in the workplace. To this end, the Bank carried out several initiatives, such as enhancing its training programs, providing support for parenthood, promoting gender equality, and combating gender stereotypes.

2.1 Governance and strategy

2.1.1 Organizational and Governance Structures

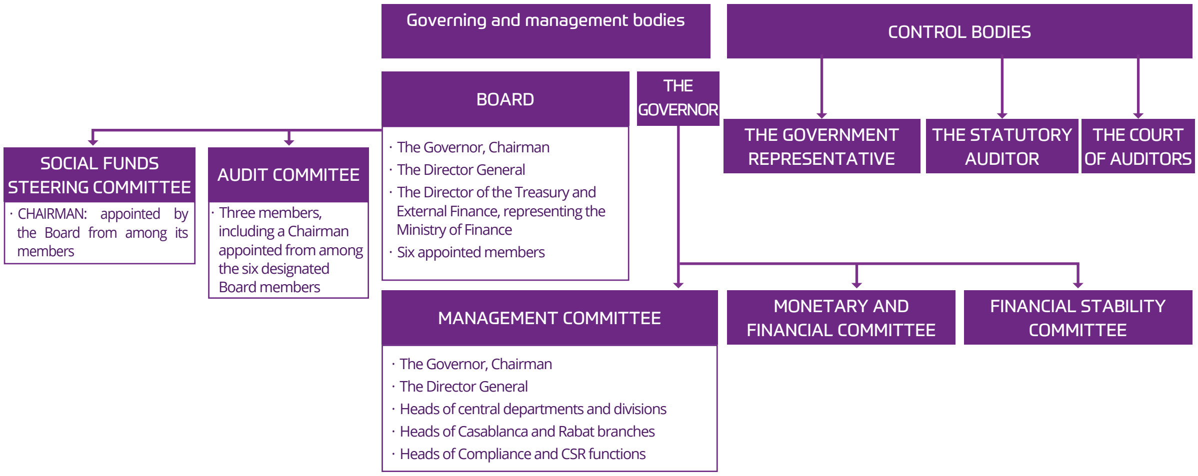
The organizational structure of Bank Al-Maghrib, set up following the implementation of its 2019-2023 strategic plan, is based on 21 entities, a compliance function, and a CSR (Corporate Social Responsibility) function, as well as 7 permanent governance bodies, each of which is involved in one or more 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. Supervision of the Bank is entrusted to 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 Board is composed of the Governor, as Chairman, the Director General and 6 members appointed by the Head of Government, from among persons known for their integrity and competence in monetary, financial or economic matters, who do not hold any public elective office nor any position of responsibility in public or private companies or in the public administration. The Governor and the Minister of Finance propose each three of these members, respectively. Upon the renewal of the Board in 2020, the appointment criteria, as provided for by the law establishing the Bank's statutes, were further specified, particularly with regard to the individual and collective competencies of the said members, the diversity of their profiles and the gender balance. The biographies of the appointed members are 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, reporting to 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 based on analyses and projections prepared by the Bank's staff. At the end of each of its meetings, a press release is immediately issued, explaining the Board's decisions and their rationale. In addition, the Governor holds a press conference, broadcast live. The Internal Rules of Procedure of the Board specify the modalities according to which monetary policy decisions are made public. They are published on the Bank's website.

The Board decides on the strategic allocation of foreign exchange reserves and monitors the results of this management. It also determines the characteristics of the banknotes and coins issued by the Bank and decides on their circulation and withdrawal in accordance with the relevant regulations. The Board is also responsible for the administration of the Bank, particularly for aspects relating to general policy, financial management and accounting as well as organization. The Board can also decide on all measures to be implemented in exceptional or 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 were set up from among the Board members:

- The Audit Committee, which examines and advises on matters relating to accounting information, internal and external audit, internal control and risk control. This committee 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 Board-approved charter defines the roles, responsibilities and operating procedures of the Audit Committee. These are set out in internal regulations. The members appointed in 2020 are Mr. Mustapha Moussaoui, Chairman, Mrs. Mouna Cherkaoui and Mr. Fathallah Oualalou. The Internal Audit and Risk Management Department provides the secretariat for the Committee;
- The Social Funds Steering Committee, responsible for managing the Bank's internal pension and health insurance plans and monitoring their technical and financial management. It is chaired by a member of the Board and is composed of the heads of entities in charge of financial management, human resources and monetary and foreign exchange operations, as well as of two staff representatives. Its operating procedures are laid down in a charter approved by the Board. Mrs. Najat El Mekkaoui has been chairing the Committee since 2020, while the head of the Finance and Strategy Department serves as the Committee's secretary.

In compliance with the good governance practices, the Bank Board carries out a self-assessment of its operations every two years, as stipulated in its internal regulations adopted in 2015 and amended in 2021.

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

The Management Committee helps the Governor manage 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 as per a pre-established schedule. It meets once a quarter, in restricted composition, to monitor the implementation of the digital strategy, the major projects included in the strategic plan, and cyber security aspects.

The Governor is also assisted by:

- The Monetary and Financial Committee (MFC) in areas related to monetary policy, foreign exchange policy, reserves management, banking supervision, financial stability, systems and means of payment, financial inclusion, and research. The MFC meets once a month according to a pre-established schedule after its preparatory meeting headed by the Director General, which convenes not only to prepare for the MFC meetings, but also to conduct an initial assessment of the Bank's macro-economic projections. 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 (FSC) meets twice a year, based on a pre-established schedule. This committee's remit is to assess the risks and threats to financial stability, and to study measures to mitigate them. The FSC holds its meetings prior to those of the Systemic Risk Coordination and Monitoring Committee, set up by virtue of Law no. 103-12 on credit institutions and similar bodies.

The Bank has also set up four committees, chaired by the Director General, to address specific areas of activity. Their decisions are submitted to the Governor for approval:

- The Internal Management and Coordination Committee (IMCC) is tasked with reviewing policies, projects, and internal management issues that require inter-entity coordination, mainly with regard to strategy, area-specific policies, projects portfolio, budget and resources;
- The Risk and Compliance Committee (RCC) is in charge of reviewing and validating risk management policies as well as the information security, cyber security, business continuity, crisis management, ethics and compliance systems. Moreover, the Committee establishes the following bodies 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.

- The Central Bank Digital Currency Committee (CBDC) is mandated to examine issues related to Central Bank Digital Currency and other digital assets with a view to exploring the issue further;
- The Data and Statistics Committee (DSC) is in charge of reviewing and approving decisions related to the Data and Statistics strategy of the Bank and monitoring the implementation of the related roadmap. It is also tasked with examining and approving opportunities relating to new data projects, data collection and production requirements, as well as data mining and Data Analytics projects.

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, in accordance with article 43 of Law 40-17 establishing its Statutes, 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 latter appoints the external auditor following a review by the Audit Committee of the selection process and sets the auditor's term of office. The statutory audit is carried out pursuant to the standards of the profession in Morocco, which are largely based on the International Standards on Auditing (ISA).

The external audit is regulated by an internal instruction, which defines the following selection criteria: (i) the auditor must not be in a situation of self-audit, in compliance with the regulations of the accounting profession (OEC[1] Morocco and IFAC[2] 2009); (ii) the auditor must belong to a renowned international financial audit network; (iii) must have carried out auditing missions within central banks either directly or through its international network; (iv) must be financially stable; and (v) must be independent from Bank Al-Maghrib. Moreover, the external auditor's team must be multi-disciplinary, have the required qualifications and demonstrate a convincing experience in the banking and financial fields.

Additionally, the said instruction lays down the following criteria to ensure the auditor's independence: (i) the auditor is prohibited from providing consultancy services on behalf of the Bank; (ii) the size of the auditor's fees as compared to its total turnover; (iii) the auditor has no subordination or interest of any kind with Bank Al-Maghrib or any kinship or alliance relationship with the members of its Board of Directors and its executives.

[1] Order of certified accountants (Ordre des experts comptables).
[2] International Federation of Accountants.

Deloitte has been the statutory auditor of the Bank since 2021, for a non-renewable six-year term.

The Bank is subject to the control of the Court of Auditors. Each year, it submits to 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.

Lastly, the Governor may be interviewed by the parliamentary standing committees responsible for finance, at their initiative, on the Bank's missions, in accordance with the principle of accountability enshrined in the Constitution.

Audit Committee

During 2022, the Audit Committee held four meetings. It examined the Bank's annual accounts to December 31, 2021, and recommended them for approval by the Bank Board. It also ascertained the independence of the statutory auditor, in accordance with the regulatory provisions in force, and reviewed the latter's intervention plan for the 2022 financial year. In this regard, the Committee enquired about the statutory auditor's control approach, the scope of his work and his ability to grasp the challenges related to the Bank's activities, as well as the coordination arrangements with the internal audit function.

The Committee also examined the main conclusions of the report on the Bank's Internal Control System (ICS) for 2021, particularly the assessment of its level of maturity and of its various components. It also examined the anti-corruption guide for the financial sector, drawn up within the framework of the agreement signed by the financial market authorities (BAM, AMMC[1], ACAPS[2]) and the INPPLC[3].

The Committee also reviewed the results of the operational, reputational, financial and strategic risk management systems for the year 2022 and issued its opinion on the annual internal audit program for 2023, prior to its approval by the Bank Board. Furthermore, it examined the progress made of its recommendations, which mainly concerned the risk management systems, the annual accounts, the report on the internal control system and the internal audit. Thus, out of 12 recommendations, 8 were implemented under 2022 while four other actions are being finalized.

1 Moroccan Capital Market Authority.
2 Supervisory Authority of Insurance and Social Welfare.
3 National Authority for Probity, Prevention and Fight against Corruption (INPPLC).

The Social Funds Steering Committee

In accordance with the social funds steering charter, the Steering Committee, chaired by a member of the Bank Board, convened with the external asset managers. The purpose of this meeting was to review the performance of the funds dedicated to the Staff Retirement Fund and the Mutual Fund for the 2022 financial year. The steering committee also approved the actuarial balance sheet for these two schemes, and submitted to the Bank Board for approval, during its March 2023 meeting, the conclusions of the social funds annual report and the proposed decisions.

The Bank's transparency framework

Mindful that the transparency requirement is one of the key components of accountability and good governance, Bank Al-Maghrib has launched, in line with its strategic orientations, a project to adjust its transparency framework to the changing national and international context, as well as to the objectives set for its "Business Lines" and "Support" activities. A self-assessment of the Bank's transparency level was thus carried out in 2021, based on the IMF's Central Bank Transparency (CBT) Code.

In 2022, the Bank asked the latter to conduct a mission aimed at reviewing this framework, which consisted of a documentary review and consultations with members of the Bank Board and management, as well as with representatives of its main stakeholders[1]. The report of the mission, published on the Bank Al-Maghrib and IMF web portals, concluded that Bank Al-Maghrib's transparency practices, particularly with regard to monetary policy and financial stability, are "expanded and comprehensive", and that this has enabled it "to gain the noteworthy trust of the stakeholders met". In addition, the mission underlined the robustness of transparency practices relating to the Bank's governance structure.

The recommendations fall within the framework of the Bank's progress dynamic and build on the results of the self-assessment exercise carried out by the Bank. They call for the publication of additional pedagogical information to improve understanding of the information available on the Bank's Internet portal, especially concerning its legal status, foreign exchange policy and management of foreign exchange reserves. To this end, a roadmap for the implementation of these recommendations has been deployed. In addition, Bank Al-Maghrib has decided to carry out a periodic review of its transparency framework, with reference to the CBT, in line with its strategic cycle.

[1] Parliament, Court of Auditors, Ministry of the Economy and Finance, Financial Sector Authorities, Right to Access Information Commission, banks, academia, and the media.

Box 2.1.1: Central bank transparency code

Adopted by the IMF in July 2020, the Central Bank Transparency Code (CBT), which supersedes the 1999 Transparency Code for Monetary and Financial Policies, provides a framework for central banks to better assess the maturity of their transparency systems and define areas for improvement, in line with their strategic objectives and the expectations of their stakeholders. By the end of March 2023, seven central banks (Canada, Chile, Seychelles, Northern Macedonia, Morocco, Uganda and Uruguay) had implemented the CBT.

Conducted on a voluntary basis, the CBT enables central banks to measure their degree of transparency against five areas known as "pillars", using best practices categorized into three levels (core, expanded, comprehensive):

- Pillar I - Governance, which covers aspects relating to the central bank's legal structure, mandate, autonomy, decision-making process, risk management mechanisms, internal audit, accounting and financial transparency, ethics and human capital management, as well as its communication and confidentiality policies;
- Pillar II - Policies related to the central bank's "core business" activities, including monetary policy, foreign exchange policy, foreign exchange reserve management, macroprudential policy, financial integrity and protection of banking customers;
- Pillar III - Operations which deal with how policy decisions (Pillar II) are implemented;
- Pillar IV - Outcomes which deal with how central bank policy decisions are communicated to stakeholders;
- Pillar V - Institutional Relations, which covers the central bank's interactions with the government and with the national and international bodies.

2.1.2 Strategy

Against a difficult backdrop marked by significant uncertainty, Bank Al-Maghrib pursued the implementation of its five-year roadmap in 2022. As such, overall noteworthy progress was made in adapting and refining monetary and macroprudential policies, financial system resilience and financial inclusion, as well as in corporate social responsibility, institutional cooperation, HR systems and cyber security. Nevertheless, some projects experienced a slowdown in their progress due to their dependence on external factors, including the finalization of legal reforms.

Table 2.1.1: Fourth implementation progress report of the 2019-2023 strategic plan

<table>
<tr><th colspan="2">Monetary policy domain</th></tr>
<tr><th>Reform of the exchange rate regime</th><th>Policy Analysis and Forecasting Frameworks</th></tr>
<tr><td>• Continued efforts to deepen the foreign exchange market, and the launch of discussions on new measures to revitalize it;
• Preparation of the prerequisites for setting up an interbank forward foreign exchange market;
• Set up initiatives to support operators in addressing the challenges associated with the transition to dirham flexibility and the currency hedging products.</td><td>• Continued work on refining the inflation targeting reference framework;
• Adaptation of the analysis, macroeconomic forecasting and forecasting and policy simulation system.</td></tr>
<tr><th>Research activities</th><th>Data and statistics</th></tr>
<tr><td>• Publication of four new working papers;
• Launch of Bank Al-Maghrib's first Prize for Economic and Financial Research;
• Strengthening the Bank's openness to the academic and research community.</td><td>• Phased roll-out of the Data and Statistics strategy.</td></tr>
<tr><th colspan="2">Financial stability, banking supervision and financial inclusion domain</th></tr>
<tr><th colspan="2">Banking supervision</th></tr>
<tr><td colspan="2">• Lifting of prudential easing measures introduced in the context of the Covid pandemic;
• Pursuing the policy of consolidating prudential standards;
• Assessment of climate-related financial risks;
• Fostering the digitalization of financial services;
• Further strengthening of customer protection;
• Issuing a directive on banks' management of corruption risks.</td></tr>
<tr><th>Payment systems and means</th><th>Financial stability</th></tr>
<tr><td>• Continued communication campaigns to promote the national mobile payment solution;
• Enhanced monitoring of cashless payment instruments;
• Support for financial market infrastructures as part of the instant transfer and the implementation of the central counterparty clearing house for the futures market;
• Enhancing measures to promote the emergence of Fintech;
• Handling the results of the study on the acceptance of electronic payments, and completion of the regulatory diagnostic as part of the program of the Groupe Consultatif pour l'Assistance aux Plus Défavorisés (Consultative Group for Assistance to the Disadvantaged).</td><td>• Regular assessment of the impact of the health crisis and the war in Ukraine on the domestic financial sector;
• Formalization and publication of the macroprudential policy strategic framework;
• Update of the circular on the supervision of financial conglomerates;
• Continued roll-out of macroprudential instruments.</td></tr>
</table>

Financing the economy and Financial inclusion

- Coordination with other stakeholders on the implementation of the Intelaka entrepreneurship assistance program;
- Continued work on structuring the role of banks in the financial inclusion of the rural population and of VSEs;
- Finalization of the study on the socio-economic status of rural women and launch of the national initiative for the development of a policy in favor of their economic empowerment.

Bank network, fiduciary and secure documents domain

- Adoption of new methods of packaging Moroccan banknotes, strengthening the cash cycle logistics infrastructure and modernizing the associated information system;
- Strengthening of the cash control system;
- Ramp-up of the production unit for secure identity cards, vehicle registration documents and electronic driving licenses;
- Start-up of stamp printing in line with the agreement concluded with Barid Al-Maghrib;
- Stamping of a commemorative coin to mark the 20th anniversary of Bank Al-Maghrib Museum;
- Conclusion of an agreement for the integration and use of CDS (Counterfeit Detection System) technology in Moroccan banknotes;
- Strengthening the knowledge management and industrial expertise of Dar As-Sikkah.

Governance domain

- Self-assessment of governance bodies;
- IMF-assisted review of the Bank's transparency framework;
- Deployment of the agreement on ethics and the fight against corruption between Bank Al-Maghrib, the National Authority for Probity, Prevention and the Fight against Corruption, the Moroccan Capital Market Authority and the Insurance and Social Security Supervisory Authority;
- Compliance with law 05-20 on cybersecurity;
- Implementation of law 31-13 on the «Right of access to information»;
- Completion of an external evaluation of the internal audit process;
- Implementation of the management systems integration and simplification process;
- Reinforcement of the communication strategy;
- Implementation of CSR policy;
- Deployment of the compliance policy;
- Strengthening the Bank's institutional relations.

Resources domain	
HR, training and well-being	**Information system & digital transformation**
• Continued efforts to strengthen the Bank's employer brand; • Enhancement of the training offering; • Implementation of actions planned to reinforce knowledge and expertise transfer; • Adoption of new measures to support parenthood and launch of an awareness-raising campaign on gender stereotypes; • Raising employee awareness of health and well-being preventive measures.	• Strengthening IS infrastructure and enhancing security; • Deployment of the charter regulating the use of Public Cloud and National Hosting; • Production of new IS products based on disruptive technologies and Artificial Intelligence; • Enhanced cooperation and coordination in preventing cybersecurity incidents; • Continued reengineering of support processes; • Implementation of projects falling within the Digital Workplace programs; • Development of the use of Advanced Analytics.

2.1.3 Internal control, audit, risk management and ethics

Internal control system

The Bank's Internal Control System (ICS), derived from the COSO[1] framework, is subject to an annual review for all its components[2]. This review is prepared based on 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.

Against a background of persisting health crisis, all components of the ICS maintained a similar level of maturity as the previous year. This mainly resulted from the various measures implemented, which contributed to its smooth operation, namely the conduct of a fifth crisis simulation exercise, the improvement of the project risk management approach, and the continued deployment of the management system integration and optimization project adopted by the Bank.

At the same time, the Bank pursued its efforts to restructure and enhance the effectiveness of its permanent control systems by implementing several measures, particularly improving steering and reporting tools, reinforcing cross-functional controls and introducing a certification program for the Bank's internal controllers.

1 Committee of Sponsoring Organizations of the Treadway Commission (COSO).
2 Control environment, risk assessment, control activities, financial and non-financial information, and steering.

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's office) as regards controlling the risks to which the Bank is exposed. It aims to help the Bank achieve its objectives by assessing, through a systematic and methodical approach, its risk control, internal control and corporate governance processes.

As such, it plans and carries out its assignments according to a risk-based approach, focusing on an audit scope that encompasses all the Bank's entities, processes and activities. In addition to risk analysis, the annual planning of assignments takes into account strategic issues, the complementarity of the work with that of the statutory auditor, the criterion of cyclicality and the expectations of the aforementioned stakeholders. The audit missions particularly aim to assess 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 the information.

Major processes audited in 2022

Management	Core missions	Support
• Risks and internal control • Information security and soundness of activities	• Fiduciary activities • Financial inclusion • Treasury account transactions	• Information Systems • Human resources • Procurement • Financial information • Infrastructure and work equipment

In addition, and in accordance with the International Standards for the Professional Practice of Internal Auditing defined by the Institute of Internal Auditors (IIA), internal and external assessments of the internal audit are scheduled in line with the Bank's strategic cycle. These are carried out by specialized firms selected through international tenders or through peer central banks. Their purpose is to assess the compliance of Bank Al-Maghrib's internal audit with IIA standards and to evaluate the effectiveness of its operations. Since 2009, six assessments were conducted, including the one carried out in 2022 by a joint team from the Banque de France and the Bank of Canada, and have all confirmed the compliance of the internal audit with these standards.

Furthermore, the internal audit team continued implementing its structuring projects to enhance its agility and efficiency. The projects mainly involve the automation of audit tests, with the introduction of a data analysis system, and the partial outsourcing of contract compliance audits in line with the good practices in this area.

Risk management

Strategic Risks

Over the past year, we have updated the risks likely to compromise the achievement of the strategic objectives set out in the 2019-2023 plan, as well as the key indicators used to monitor them. These mainly concern the coordination or endorsement of stakeholders involved in on-site projects, delays in the legal and regulatory reforms required to implement several strategic projects, or resistance to change related mainly to digitalization projects. Accordingly, the Bank defined around thirty priority preventive and corrective measures to ensure control of these risks.

Operational risks

Operational risks are managed through a structured methodological approach that differentiates between human, organizational and operational risks, as well as those related to the information system or to external factors. In terms of organization, a Risk Manager is designated at each entity to assess the risks inherent in the processes and activities of their entity and ensuring the implementation of measures aimed at controlling them. A central risk management structure provides methodological monitoring, support and consolidated reporting on risks.

The year was marked by a comprehensive review of operational risk mapping for all the Bank's processes. Following this review, certain risks, that were identified as high at the Bank level, due to (i) the macroeconomic context, characterized by strong uncertainties arising from the consequences of the Russian-Ukrainian conflict on the global economy and the persistent repercussions of the health crisis, and (ii) the proliferation and sophistication of cyber-attacks at international level, have been closely monitored. This particularly concerns risks linked to cyber security and, to a lesser extent, macroeconomic forecasts. The Bank has undertaken several initiatives to control these risks, namely further improving its monetary policy analytical and forecasting frameworks, as well as implementing a series of projects aimed at strengthening cyber security.

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[1];
- Credit risk relating to the implementation of monetary policy operations;

[1] Financial risks inherent in managing foreign exchange reserves are detailed in section "3.2.8 Financial risk management system".

- 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.

A Committee, reporting to the Monetary and Financial Committee, regularly reviews the indicators defined for monitoring these risks, and oversees the actions taken to control them.

Reputational risk

Reputation risk arises from a negative opinion or perception held by external or internal stakeholders as to the Bank's effectiveness in carrying out its missions.

During 2022, efforts to control reputational risk included close monitoring of medium-criticality risks with a high image impact, linked to the Bank's core business activities; providing monthly coverage of the Bank's image score in the media; and raising awareness of the Bank's ethics and anti-corruption measures.

Business Continuity and Information Security

In a context shaped by the sporadic resurgence of the Covid-19 pandemic, the Bank pursued its endeavors to develop its business resilience system, protect its staff and restore its operations to normal. To this end, the Bank overhauled its entities' Business Continuity Plans (BCP), capitalizing on the lessons learned from the health crisis and integrating solutions linked in particular to remote working and its business continuity system. Accordingly, new business continuity exercises were carried out in 2022.

As regards information security, the year brought an upsurge in cyber-attacks at international level, exacerbated by geopolitical crises and tensions. Against this background, the Bank continued its resolution to strengthen its information security system by accelerating the implementation of its cyber-attack risk management plan, upgrading its information security policies and rolling out an e-learning awareness campaign for Bank staff. In addition, audits covered priority cyber-risk issues, especially those relating to vulnerability and incident management.

Other highlights of the year included the continued roll-out of measures to comply with Act 05-20 on cyber security and its enforcement decree no. 2-21-406. These mainly concern reviewing the list of the Bank's sensitive information systems and completing the related reporting formalities, reviewing the information and data classification system, and setting up an audit program for said systems in line with the relevant regulatory requirements.

Ethics

The Bank's ethics mechanism consists of two codes of ethics (one applicable to the Board members, the other to Governor's office and the staff), along with specific variations applicable to some highly ethically sensitive functions (especially those involved in the procurement process, internal auditors, external service providers and suppliers). In addition, an ethics alert mechanism is in place to provide employees and external partners of the Bank with a formal and secure framework for reporting any behavior that are not aligned with the Bank's rules of good behavior. In 2019, the Bank enhanced its ethics mechanism by implementing an anti-corruption management system certified to the ISO 37001 standard.

The aforementioned codes[1] were updated in 2022 to reflect changes in the national and international context and in the best practices of ethics. Similarly, the Bank's anti-corruption policy (PAC) was reviewed to ensure its alignment with the evolving national legal framework, in particular law 46-19 governing the National Authority for Probity, Prevention and the Fight against Corruption.

On this occasion, members of the Bank Board and the governor's office, as well as the entire Bank's staff, renewed their commitment to comply with the codes. The latter had previously benefited from awareness-raising campaigns to ensure that they fully understood the amendments made to the three codes.

Management systems

In 2022, Bank Al-Maghrib completed the roll-out of its project to integrate its Management Systems and their synergy with cross-functional activities[2]. At the end of this project, an audit-consulting mission was launched to assess the integration of the Management Systems' provisions and to identify any additional areas for improvement. At the same time, actions to maintain the effectiveness and conformity of these systems were conducted to prepare for the renewed of their recertification[3]. As for the Anti-Corruption Management System («SMAC»), the methodological framework for managing the risk of corruption was upgraded, and the Bank launched an awareness-raising campaign targeting staff performing the most exposed functions.

[1] The codes of conduct are updated every two years as part of an improvement process.
[2] The cross-functional systems concern risk management, permanent control and archive management.
[3] The relevant standards are the following: ISO 9001, ISO 14001, ISO 27001, ISO 37001 and ISO 45001.

At the sectoral level, the Bank continued implementing the Anti-Corruption Cooperation Agreement in the Financial Sector[1] as part of a dedicated roadmap that was rolled out through an awareness-raising campaign targeting sector players and some exchange and experience-sharing workshops. The regulatory framework has also been strengthened by a directive that was enacted on the prevention and management of corruption risk by credit institutions.

2.1.4 Compliance

To ensure compliance with the anti-money laundering and combating the financing of terrorism (AML/CFT) framework, national authorities stepped up reform initiatives aimed at fully endorsing the national action plan agreed with the FATF, thereby enabling the withdrawal of Morocco from the grey list.

The Bank took part in the general design of the national register of beneficial owners of Moroccan companies and legal entities, to be updated with relevant declaratory data alongside that already extracted from the Trade Register. It also revised the internal procedural framework following the deployment of the mechanisms introduced by Law n°12-18 to amend and supplement the Criminal Code and Law n°43-05 on the fight against money laundering. In addition, the Bank upgraded the rules governing the identification of the beneficial owners of legal entities established in Morocco.

In order to strengthen its internal system of personal data protection (PDP) system, Bank Al-Maghrib continued its efforts by incorporating the privacy by-design[2] and privacy by-default[3] dimensions into its activities, operations and missions, as well as into its digitalization projects.

To ensure the efficient deployment of this system, the Bank initiated a training and awareness-raising program for its staff and the various parties involved in processing information access requests, both at central and network level. It also undertook several initiatives aimed at ensuring upstream compliance (Privacy by design) of its personal data processing projects, for the needs of its missions, activities and operations, with the legal and regulatory provisions in force. In addition, the Bank introduced an internal access-to-information system to comply with legal and regulatory requirements governing the right of access to information. Laslty, it conducted various actions in connection with the right of access to information, proactive publication and other actions to facilitate access to information.

[1] Agreement signed in 2019 by the three regulators (Bank Al-Maghrib (BAM), the Moroccan Capital Market Authority (AMMC) and Insurance and Social Security Supervisory Authority (ACAPS) and The National Authority of Probity, Prevention and Fight against Corruption (INPPLC).

[2] This principle implies protecting personal data from the very outset. The Bank's entities are now obliged to integrate this principle as early as the implementation stage of projects involving data processing, in order to limit the risks of a possible failure to comply with legal and regulatory requirements in this area.

[3] A corollary of "Privacy by design", which implies that the highest level of privacy protection be implemented and applicable by default, i.e. without any intervention on the part of the user, all available measures to protect personal data and limit its collection must be activated.

In another perspective, the Bank issued an instruction formalizing the framework for drafting its regulatory acts. This framework is intended to constitute a reference tool for establishing the aforementioned acts, the principles of which relate to the drafting, coordination and consultation, consolidation and publication of the acts.

2.1.5 Social responsibility

In 2022, Bank Al-Maghrib continued implementation of its CSR program. On the legal and ethical side of its CSR policy, It has launched several initiatives with its ecosystem partners to improve access to banking services, strengthen control over the risk of corruption within the financial sector, and create a framework of reflection and exchange on issues relating to cyber security and the fight against ML-TF.

As part of its economic responsibility, the Bank continued to roll out the roadmap of the financial inclusion strategy. It also launched the first edition of the «Bank Al-Maghrib Award for Economic and Financial Research», aimed at promoting economic research. With regard to economic and financial education, the Bank carried out several initiatives targeting the academic world, entrepreneurs, young people and children.

Regarding social responsibility, initiatives of the Bank aimed at promoting gender equality and enhancing well-being in the workplace. These included awareness-raising campaigns to encourage the development of an inclusive and supportive work environment, the adoption of new measures to support parenthood, and training programs focused on the development of behavioral skills.

In terms of its environmental responsibility, Bank Al-Maghrib pushed ahead with the implementation of projects designed to preserve the banking sector's solidity in the face of climate risks, and contributed to several national projects aimed at accelerating the financing of Morocco's transition to a green economy. In addition, as part of the national effort to rationalize water resources, it adopted a charter of commitments for responsible and sustainable water management.

As for the societal aspect of its CSR policy, the Bank issued an instruction laying down the organization and implementation procedures for its skills sponsorship scheme, with a view to offering its employees the opportunity to mobilize their skills and expertise in support of public-interest projects.

2.1.6 Budget rules

At the budgetary level, Bank Al-Maghrib adopted an integrated approach that involves strategic planning, providing the operational basis for drawing up budgets and establishing reports to monitor the objectives and implement corrective action to be taken in the event of any deviation.

The budget preparation and execution is governed by a charter defining the roles and responsibilities of the various actors involved in this process and setting out the principles and rules, such as alignment with strategy, sound financial management, failure to clear expenses and income, annuality, specialization of financial years and fungibility. When preparing its budget, the Bank ensures compliance with the following rules: (i) financing the resources needed to achieve its objectives and carry out its missions; (ii) optimizing expenses, adapting resources to strategic priorities and meeting efficiency and compliance requirements; and (iii) identifying its investments with a view to rationalizing and improving efficiency.

In accordance with the budgetary schedule, activities begin in June with the scoping phase, which sets the projected rate of change for the Bank's operating budget. During October, the Internal Management and Coordination Committee (IMCC) validates the timeliness of operating expenses. With regard to the investment budget, the Ad Hoc Committees prioritize projects and examine the suitability of all new investments before submitting them to the IMCC. In November, the Investment Committee validates the budgets for new investments and their annual allocations. At the end of this process, the Bank Board approves the Bank's annual budget and any in-year changes thereto at its December meeting, in accordance with the Bank's statutes.

The financial year 2022 brought the implementation of the new budget forecasting solution called «Mizaniya», which allows for paperless exchanges with the Bank's entities, shorter lead times and the storage of data in a central, and secure database. The cost-accounting system was completed by an instruction governing the cost-accounting charter, which sets out the main milestones of the process and defines the roles and responsibilities of the players involved.

2.2 Bank's missions

2.2.1 Monetary policy

In 2022, monetary policy was conducted amidst an exceptional surge in inflationary pressures. These pressures, which stemmed mainly from external sources, gradually became internalized and spread, proving to be persistent and stronger than expected.

To prevent inflation expectations from becoming unanchored and to ensure the conditions for a rapid return to levels in line with the price stability objective, Bank Al-Maghrib tightened its monetary policy stance. It raised its key rate twice by 50 basis points, in September and December, to 2.5 percent, while maintaining the easing measures implemented in response to the pandemic.

In terms of liquidity management, the Bank continued throughout the year to meet all banks' requests through its weekly calls for tenders, while injecting funds as part of its longer-term refinancing mechanisms. Thus, in response to the banks' growing need for liquidity, due mainly to the expansion of currency in circulation, the Bank increased the total volume of its interventions to a weekly average of 93.5 billion dirhams, compared to 82.9 billion dirhams a year earlier.

On the foreign exchange market, the value of the dirham continued to evolve within the fluctuation band, but starting from September onwards, there was an upward movement towards the upper limit[1] due to prevailing import flows. Over the year, this development, combined with that of the euro/dollar parity, resulted in an 11.2 percent depreciation of the dirham against the dollar and a 5.8 percent decline against the euro. Nonetheless, Bank Al-Maghrib's quarterly assessments showed that the value of the national currency remained aligned with economic fundamentals. Against a backdrop of growing uncertainty, the market also showed an intensified use of hedging instruments by operators.

Monetary policy decisions

After the optimism fueled by the continuing post-Covid recovery as health restrictions were lifted and economies opened up, the global economic situation took a sudden downturn with the start of the war in Ukraine in February 2022 and the sanctions imposed on Russia. These events exacerbated supply chain disruptions and led to a sharp rise in the price of energy, food, and agricultural products, thereby contributing to an exceptional increase in inflation to levels not seen for decades in several countries.

[1] The upper (lower) limit of the fluctuation band reflects a depreciation (appreciation) of 5 percent against the central rate of the dirham. The latter is calculated with reference to a basket made up of 60 percent euros and 40 percent US dollars.

Against this backdrop, central banks initiated a rapid and largely synchronized monetary policy tightening, resulting in tighter financing conditions and weaker economic activity and its prospects.

Owing to this unfavorable external environment and severe drought, the national economy was expected to undergo a significant slowdown, combined with a sharp rise in inflation. Thus, after a rate of 1.4 percent in 2021, Bank Al-Maghrib projected, in its March forecast exercise, that inflation would accelerate to 4.7 percent in 2022, and updated this rate in June up to 5.3 percent. For 2023, projections indicated a return to around 2 percent.

Regarding the economic activity, after the remarkable rebound recorded in 2021, growth[1] was expected to decelerate to 0.7 percent in 2022 and then improve to 4.6 percent in 2023, based on the March forecasts. These figures were updated in the June forecast exercise to 1 percent and 4 percent respectively. In March, Bank Al-Maghrib predicted a decline in the agricultural value added of 19.8 percent, which was adjusted to 15 percent in June after the publication of the cereal production estimate by the supervisory department. Growth in non-agricultural activities was expected to consolidate as sanitary restrictions were eased, before returning to the trend rate in 2023.

Concerning macroeconomic balances, despite the heavier subsidy cost, the fiscal deficit was projected to widen slightly in 2022 thanks to the exceptional mobilization of resources, notably through specific financing mechanisms, monopoly proceeds and State participation. This easing is set to continue in 2023, mainly as a result of the expected upturn in tax revenues.

At the same time, the sharp growth in trade, combined with the recovery in travel receipts and the steady flow of remittances from Moroccans living abroad, should result in the widening of the current account deficit to around 5 percent in 2022, followed by an easing in 2023 with the expected fall in energy prices. With regard to FDI, receipts were projected to stand at around the equivalent of 3 percent of GDP over the forecast horizon and, taking into account expected trends in the other components of the balance of payments, official reserve assets should reach more than 6 months of imports of goods and services. As for monetary conditions, the slight downward trend in interest rates, particularly lending rates, continued, and bank credit to the non-financial sector was expected to maintain a moderate growth rate of approximately 4 percent both in 2022 and 2023.

Considering the extremely high level of uncertainty surrounding these projections, and the expected return of inflation in 2023 to levels consistent with the price stability objective, Bank Al-Maghrib's Board decided, at its first two meetings of the year, to maintain the key rate unchanged, while continuing to closely monitor economic and financial developments.

[1] It is worth noting that, on April 19, 2022, the HCP published national accounts data with the new 2014 base instead of that of 2007. This change has led to an average increase in GDP value of 7.7 percent between 2014 and 2020.

Table 2.2.1: Inflation forecasts in 2022 (in percent)

	Bank Board meeting			
	March 22	June 21	September 27	December 20
Average over an 8-quarter horizon	3.3	3.2	3.2	4.5
2022	4.7	5.3	6.3	6.6
2023	1.9	2.0	2.4	3.9
2024	-	-	-	4.2

Box 2.2.1: Inflation expectations

Inflation expectations, which reflect the anticipations of economic agents regarding price trends, play an important role in the conduct of monetary policy and the transmission of its decisions. Given their impact on price and wage-setting, and on the behavior of economic agents in general, these expectations can contribute to inflationary dynamics and trigger self-sustaining inflationary spirals. This is why central banks monitor closely the expectations' evolution and alignment level with their inflation targets and forecasts.

Two main approaches are used to understand inflation expectations. The first is based on gathering information directly from economic agents, by conducting surveys of three types of participants: households, companies, and professional forecasters (market participants or financial experts). The latter are approached on a regular basis through a questionnaire about their inflation expectations, generally over a horizon of 1 to 5 years. In addition to their level of expectations, divergence among participants provides also relevant information on the degree of uncertainty surrounding inflation.

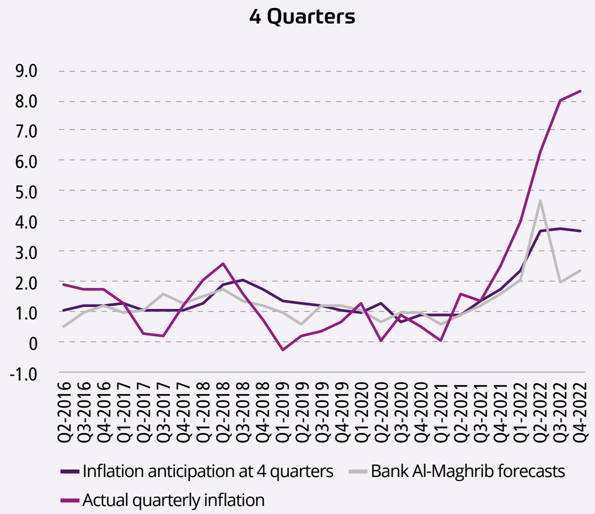
The second approach tackles inflation expectations indirectly, based on financial market data relating to instruments whose yield depends on inflation development (inflation-indexed bonds, inflation derivatives such as swaps, options, etc.). By comparing these yields with those of non-indexed securities, an estimate of the expected inflation can be derived, which is implicitly integrated therein. Key advantages of these measures are the availability of financial market data at high frequency and the relevance of their information content compared to surveys, as they are based on actual transactions.

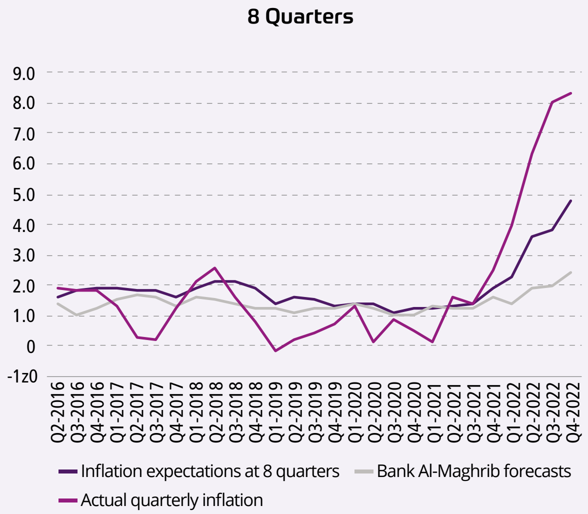
In Morocco, since no financial products are indexed to inflation, the only source of expectations is direct surveys of economic agents. The most important of these is the survey of financial sector experts carried out quarterly by Bank Al-Maghrib since 2012. This survey covers a sample of decision-makers and executives in the financial sector who, in the course of their duties, make explicit or implicit use of assumptions about future inflation development. Since 2013, the target population has been extended to include academia through an additional sample of research professors in economics. Information is collected based on a questionnaire that not only forecasts economic activity, but also covers inflation expectations at various horizons in addition to their determinants.

Information on inflation expectations is also collected through other regular surveys, but these remain essentially qualitative in nature. They include, in particular, Bank Al-Maghrib's monthly business survey for the industrial sector and the HCP's quarterly business surveys for various economic sectors.

The historical analysis of the results of Bank Al-Maghrib's inflation expectations survey suggests that inflation expectations are strongly correlated with the Bank's forecasts, particularly for the 8-quarter horizon, and react weakly to actual developments. In 2022 specifically, inflation has accelerated sharply, and this is largely reflected in Bank Al-Maghrib's projections. From the first to the last quarter of the year, these were gradually adjusted from 4.7 percent to 6.6 percent for the current year, and from 3.3 percent to 4.5 percent for the 8-quarter horizon. Meanwhile, inflation expectations were sensitive to these developments, with short-term inflation expectations (4 quarters) rising from 2.4 percent to 3.7 percent, and 8-quarter expectations from 2.3 percent to 4.8 percent. The only tangible divergence occurred in the third quarter of 2022, when expectations for the 4-quarter horizon pointed to inflation persisting at high levels, while Bank Al-Maghrib predicted a return to around 2 percent in 2023.

Chart B 2.2.1.1: Inflation expectations and forecasts[1] (in percent)





[1] Public information available on Bank Al-Maghrib forecasts at the time of the survey.

As expectations climbed, so did the uncertainties surrounding them, with the average amplitude of the most likely interval for inflation[2] at 8 quarters rising from 0.77 percentage points to 1.34 pp between the first and third quarters of 2022. In contrast, long-term expectations (12 quarters) remained anchored at levels in line with the Bank's price stability objective, showing some confidence in its ability to achieve this goal.

Chart B 2.2.1.2: Inflation expectations at 12 quarters (in percent)

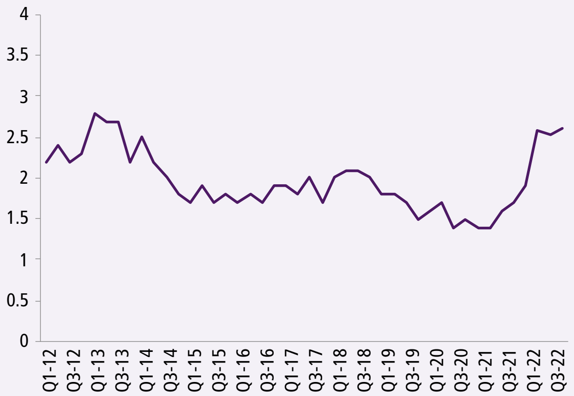
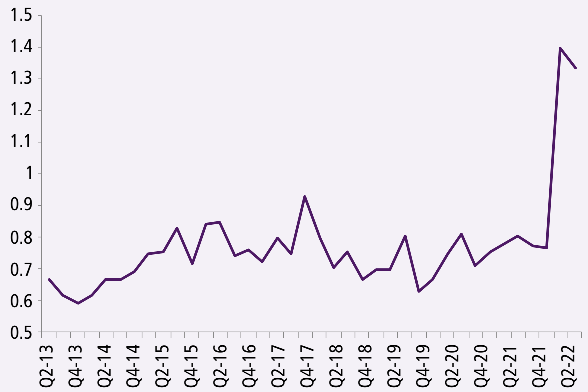


Chart B 2.2.1.3: Degree of uncertainty surrounding inflation expectations (in percent)



These developments were considered in making monetary policy decisions, as the main purpose behind the key rate increases carried out in the last two quarters of 2022 was to prevent long-term expectations from becoming unanchored.

[2] The question is: «In your opinion, what is the most likely range (in percentage points) within which inflation will be included over the next 8 quarters?

During the third quarter, the international economy continued to be seriously affected by the after-effects of the pandemic and the implications of the war in Ukraine. As a result, inflation accelerated to the highest levels seen in decades in several countries, particularly in advanced ones. Emphasizing the heavy long-term cost of triggering self-sustaining inflationary spirals for growth, central banks have tightened their monetary policies.

Against this backdrop, the available national data suggested an increasingly high level of inflation, spreading widely to non-tradable goods. In view of these developments, Bank Al-Maghrib updated its inflation forecasts at its September meeting to 6.3 percent for 2022 and 2.4 percent for 2023. As for economic activity, it lowered its growth projections to 0.8 percent for 2022 and 3.6 percent for 2023.

Given this outlook and the associated risks, and in order to prevent inflation expectations from becoming unanchored and to ensure the conditions for a rapid return to levels in line with the price stability objective, the Board decided to raise the key rate by 50 basis points to 2 percent at its September meeting. This increase, the first since 2008, was intended to curb the trajectory of inflation while preserving the recovery of economic activity.

However, updated international and domestic data for the December exercise suggested that inflation would be higher for a much longer period than predicted a quarter earlier. This was due in particular to external pressures spreading to non-tradable goods and services, and to the implementation of the subsidy system reform from 2024 onwards, as planned in the three-year budget program, published for the first time in November 2022. Thus, the 2024 inflation forecast, drawn up for the first time during this exercise, expected a rate of 4.2 percent, after 6.6 percent in 2022 and 3.9 percent in 2023.

Meanwhile, incorporating national accounts data for the second quarter, growth forecast was adjusted upwards to 1.1 percent for 2022 and downwards to 3 percent for 2023. For 2024, growth was projected at 3.2 percent, with non-agricultural activities expected to improve to 3.5 percent and agricultural value added to rise by 1.8 percent under the assumption of having a good crop year.

In view of these developments, and with the same objective of preventing inflation expectations from becoming unanchored, and in order to encourage a return to inflation rates in line with the price stability objective, the Board decided at its December meeting to raise the key rate once again by 50 basis points to 2.50 percent.

Table 2.2.2: Monetary policy decisions since 2013*

DATE	KEY RATE	MONETRAY RESERVE RATE	OTHER DECISIONS
December 11, 2013			New program to further encourage bank financing for VSMEs.
December 19, 2013			Monetary reserve remuneration cancelled.
March 25, 2014		Decrease from 4 percent to 2 percent	
September 23, 2014	Decrease from 3 percent to 2.75 percent		
December 16, 2014	Decrease from 2.75 percent to 2.50 percent		
July 1st, 2015			Setting out a new rule for allocating 7-day advances taking into account the efforts made by each bank in terms of lending the real economy and at the level of the Bank's decision pass-through.

* With respect to the key interest rate and the monetary reserve, this table only presents the decisions taken to change their levels.

March 22, 2016	Decrease from 2.50 percent to 2.25 percent		
Jun 21, 2016		Rise from 2 percent to 5 percent	Introduction of reserve remuneration for banks making a greater effort in lending.
September 24,2019		Decrease from 4 percent to 2 percent	
December 17, 2019			• Introduction of an unlimited refinancing mechanism for bank loans granted to groups targeted by the Integrated Business Support and Financing Program. • Application of a preferential interest rate of 1.25 percent for refinancing loans granted under this program.
March 17, 2020	Decrease from 2.25 percent to 2 percent		
April 15, 2020			• Expanding the list of assets eligible as collateral for refinancing operations to include debt securities issued by EPIs or collective securitization investment funds and instruments representing claims on the State or EPIs. • Easing the refinancing conditions for banks under the SME financing support program introduced in 2013 (i) by extending refinancing to operating loans in addition to investment loans, and (ii) by increasing its frequency from quarterly to monthly.
June 16, 2020	Decrease from 2 percent to 1.5 percent	Decrease from 2 percent to 0 percent	• Setting up a refinancing line for new loans and rescheduled loans granted by banks to micro-credit associations over the period running from Q2 2020 to Q4 2021. • Setting up a refinancing line for «Wakala Bil Istithmar» concluded with conventional banks during the period running from Q2 2020 to Q4 2021 in favor of participative banks. • Expanding the list of assets eligible as collateral for refinancing operations to include bills representing claims on microcredit associations and «Wakala Bil Istithmar» contracts concluded with participative banks.
September 27, 2022	Rise from 1.5 percent to 2 percent		
December 20, 2022	Rise from 2 percent to 2.5 percent		

Box 2.2.2: Assessment of inflation and growth forecasts

In a constant effort to improve its analysis and forecasting tools, Bank Al-Maghrib carries out an annual assessment to gauge the relevance of its projections, prepared quarterly during Board meetings. In line with its policy of transparency, this annual published box presents a summary of the results of this review for the year 2022 on the inflation and growth variables.

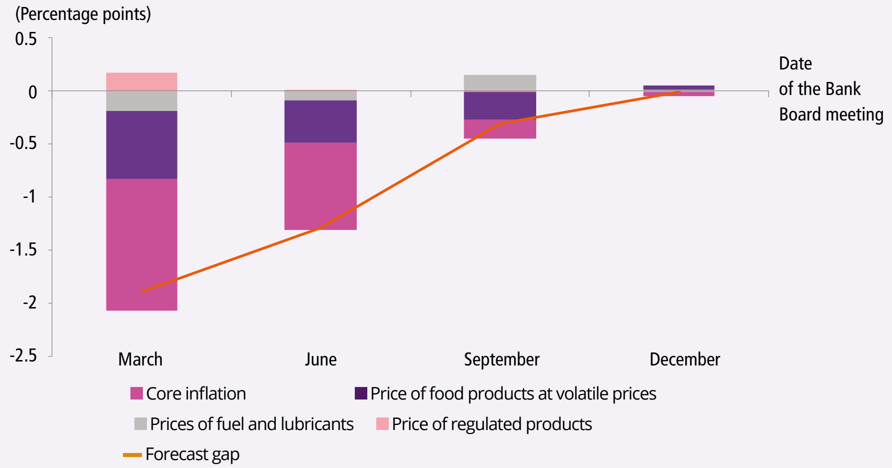
First and foremost, it should be emphasized that the year was characterized by uncertainty and witnessed an exceptional rise in inflationary pressures. These were sharply exacerbated by the implications of the conflict in Ukraine, which notably led to a sharp rise in the price of raw materials, particularly energy and food, and further disrupted supply chains. In addition to these external shocks, the national economy suffered from the repercussions of a severe drought in 2022.

At the level of Bank Al-Maghrib's forecasting system, a slight recalibration of its central MQPM model was carried out after the HCP published national accounts data in June 2022, using the new 2014 base rather than 2007.

As a result, inflation reached 6.6 percent in 2022, its highest level since 1992. In the March exercise, Bank Al-Maghrib projected a rate of 4.7 percent, which was gradually adjusted upwards to 6.6 percent in December 2022, as the monthly data published by the HCP highlighted the increasingly widespread internalization of inflationary pressures.

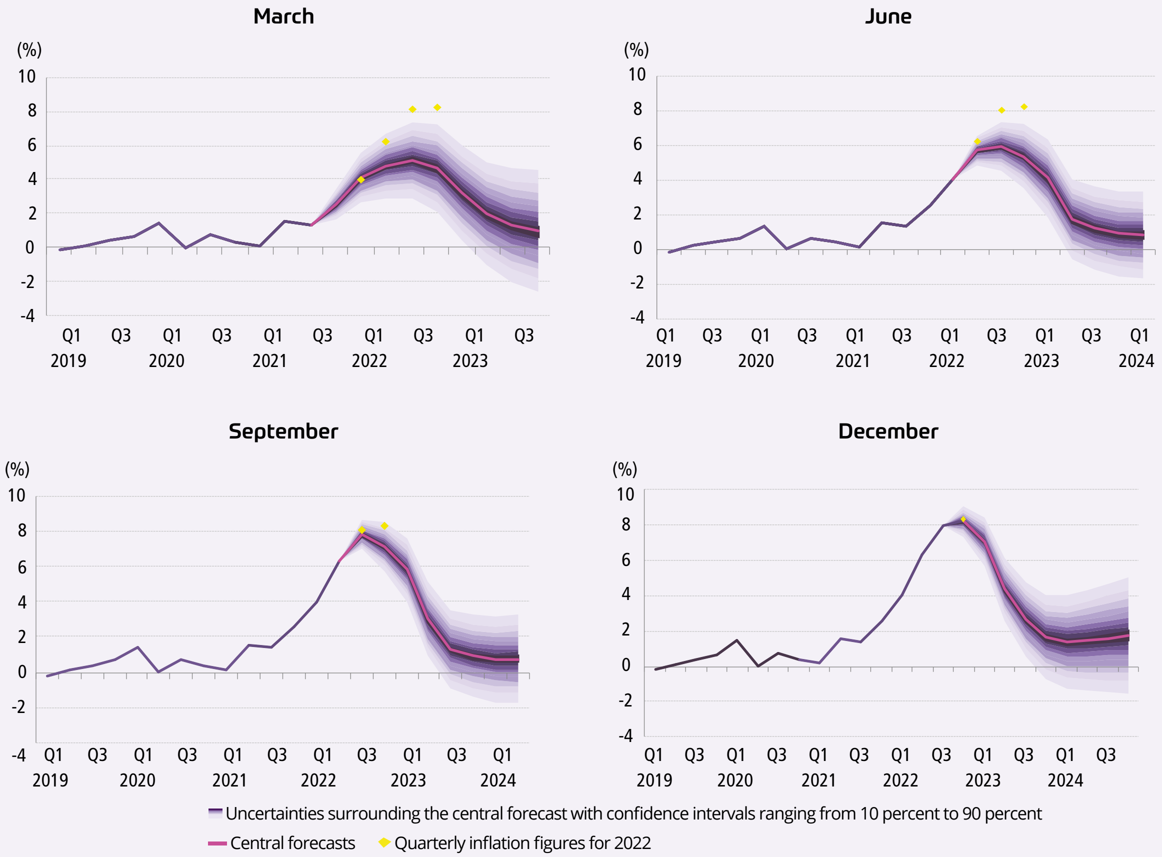
The average absolute forecast deviation amounted to 0.9 points for inflation. For its components, it stood at 0.9 points for core inflation, 2.8 points for food products at volatile prices, 0.2 points for products at regulated prices, and 3.9 points for fuels and lubricants. However, the latter only accounted for 2.8 percent of the CPI reference basket.

Chart B 2.2.2.1: 2022 inflation forecast gap



The review of the quarterly forecast fan charts, which capture the uncertainties surrounding the projections, shows that inflation figures were higher than the forecast, and those for the second half of the year fell outside the 90 percent confidence interval in the March and June exercises.

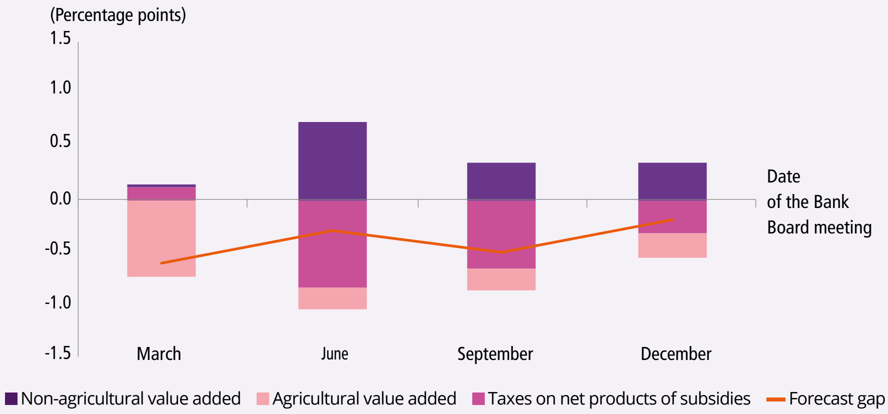
Chart B 2.2.2.2: Inflation fan charts by date of Bank Board meeting in 2022



After the post-Covid rebound, economic growth slowed significantly to 1.3 percent. Forecasts prepared for the Board meetings held in 2022 ranged from 0.7 percent in March to 1.1 percent in December. The underestimation mainly reflects that of «net taxes of subsidies on products», and to a lesser extent that of agricultural value added. In fact, the gap between the forecast and actual figures for the latter stood at 6.9 percentage points in March, and around 2 points thereafter once data on cereal production[1] became available. For its part, growth in non-agricultural value added was overestimated between June and December.

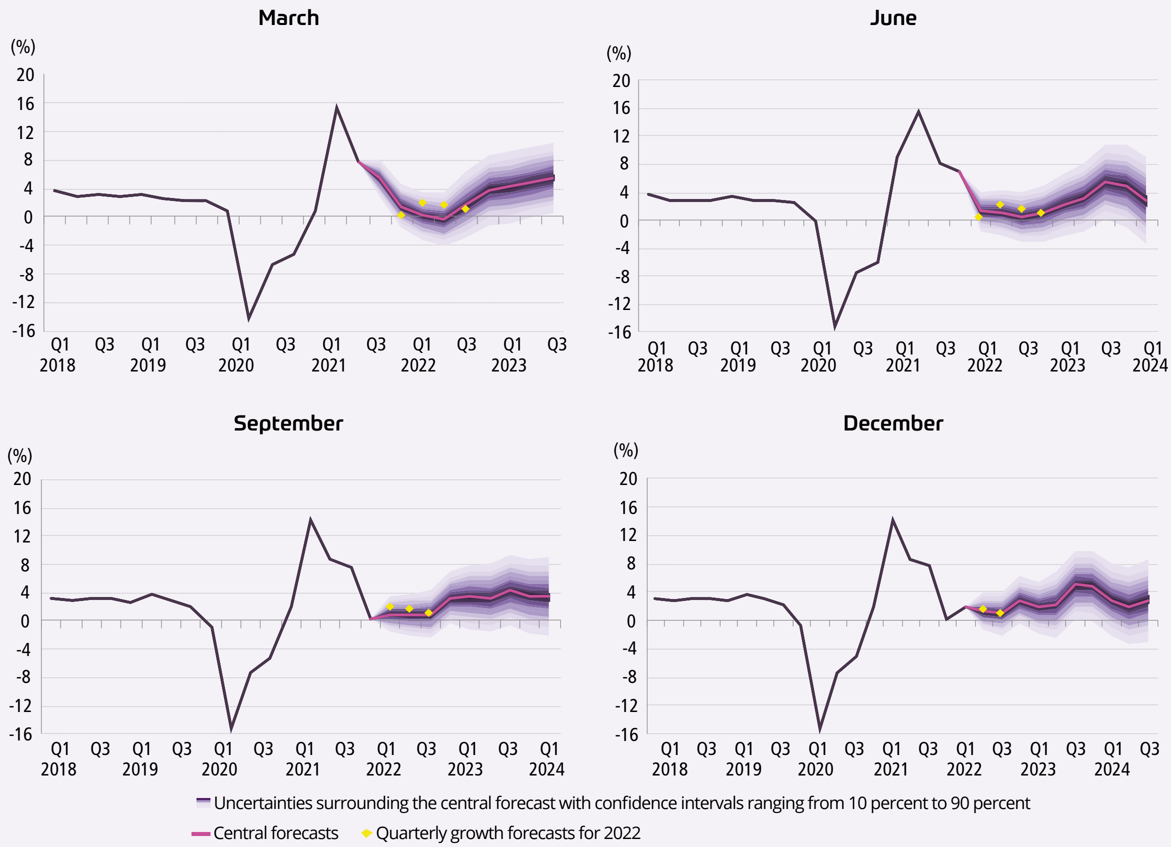
[1] In March 2022, Bank Al-Maghrib had forecast a cereal production of 25 million quintals (MQx) for the 2021-2022 season. In April of the same year, the Department of Agriculture announced an initial crop estimate of 32 MQx, which it revised to 34 MQx in August.

Chart B 2.2.2.3: 2022 growth forecast gap



Fan charts of the growth forecast indicate that quarterly realizations for 2022 fell within the 90 percent confidence interval, at levels close to the central projection overall.

Chart B 2.2.2.4: Growth forecasts fan charts by date of Bank Board meeting in 2022

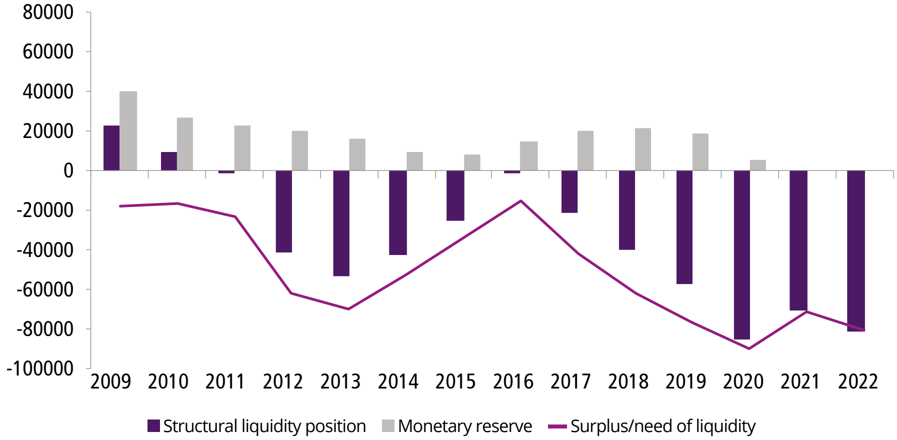


Monetary policy implementation

Interventions in the money market

In 2022, banks' liquidity needs increased significantly, reaching a weekly average of 80.9 billion, compared to 70.8 billion a year earlier. This change is mainly due to the expansion of banknotes and coins in circulation by 24.8 billion instead of 26.4 billion in 2021.

Chart 2.2.1 : Structural liquidity position of Banks[1] and monetary reserve amount (in billion dirhams, averages at the end of the week)



Under these circumstances, Bank Al-Maghrib continued to meet all the requests from the banking system, increasing the volume of its interventions in 2022 to a weekly average of 93.5 billion dirhams from 82.9 billion dirhams a year earlier. By instrument, the Bank increased the volume of its 7-day advances from 34.1 billion in 2021 to 42 billion in 2022, and that of its injections through repurchase agreements to 28.4 billion from 21.2 billion. In addition, the Bank granted 23 billion, after 26.8 billion in 2021, in the form of secured loans, mainly under programs designed to support the financing of SMEs, micro-credit associations, participatory banks and the PIAFE[2] credit-refinancing program. The Bank also carried out three foreign exchange swap transactions for a total of 1.3 billion dirhams and was twice approached for overnight advances totaling 660 million. The average duration of Bank Al-Maghrib's operations thus declined from 55.6 days to 44.3 days.

[1] The structural liquidity position of banks is the sum of Bank Al-Maghrib's foreign exchange reserves, the Treasury's net position and other net factors, minus currency in circulation.

[2] Integrated Business Support and Financing Program (Programme Intégré d'Appui et de Financement des Entreprises).

Chart 2.2.2 : Banks' liquidity (in billion dirhams, averages at the end of the week)

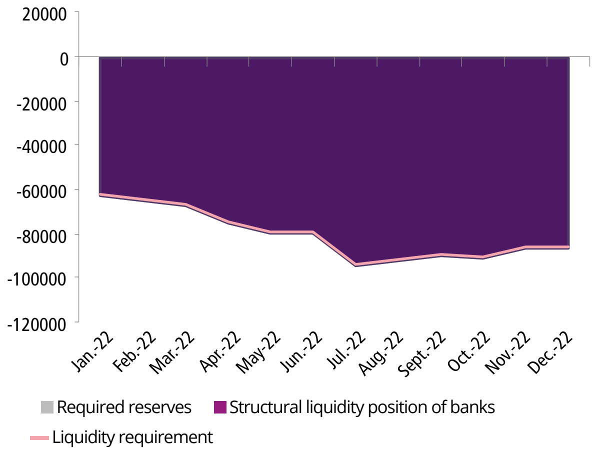
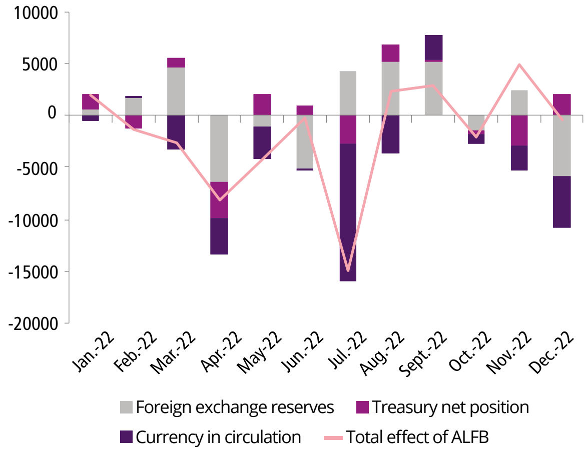
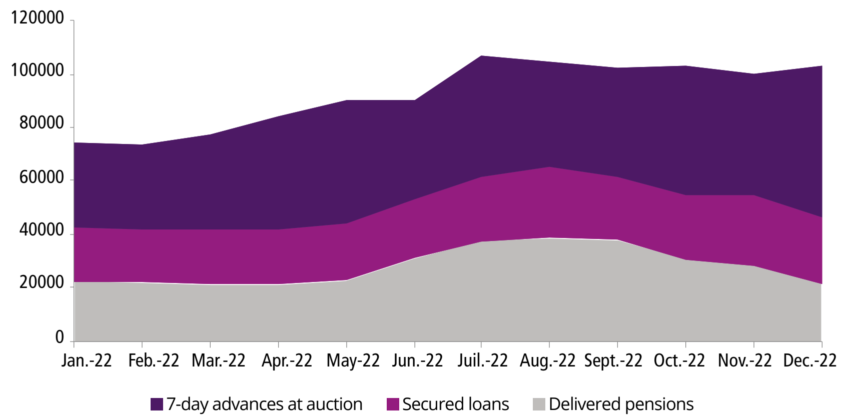


Chart 2.2.3 : Contribution of autonomous factors to the change in liquidity needs (in billion dirhams, averages at the end of the week)



The infra-annual analysis indicates an increasing trend in banks' liquidity needs over the first six months of the year, rising from a weekly average of 62.9 billion dirhams in January to 79.3 billion dirhams in June. This trend reflects a restrictive effect resulting from the surge in currency in circulation and the decline in Bank Al-Maghrib's foreign exchange reserves. The deficit peaked at 94.2 billion dirhams in July, due mainly to the seasonal rise in currency, before fluctuating around 88.9 billion dirhams over the rest of the year.

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



Against this background, the weighted average rate on the interbank market, which is the operational target of monetary policy, was kept in line with the key rate. Trading volume remained stable at a daily average of 4 billion DH.

Chart 2.2.5: Average volume of trade on the interbank market (in billions dirhams)

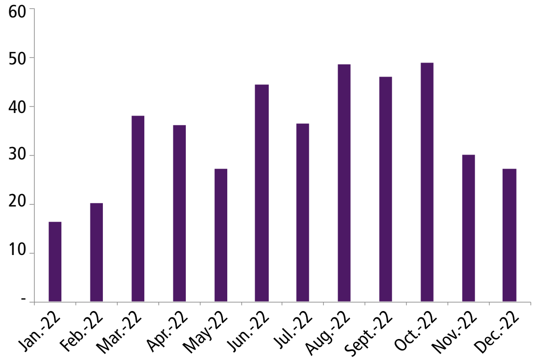
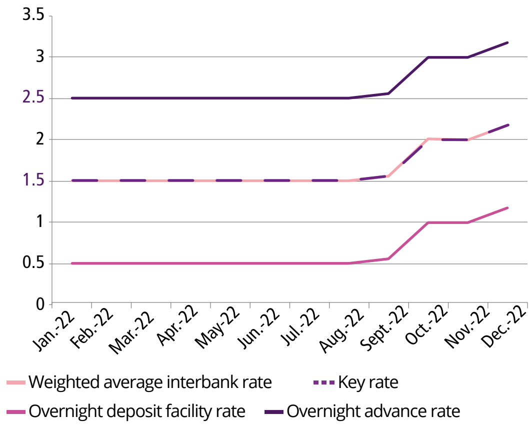


Chart 2.2.6: Weighted Average Interbank Market Rate (monthly averages)



Interventions in the foreign exchange market

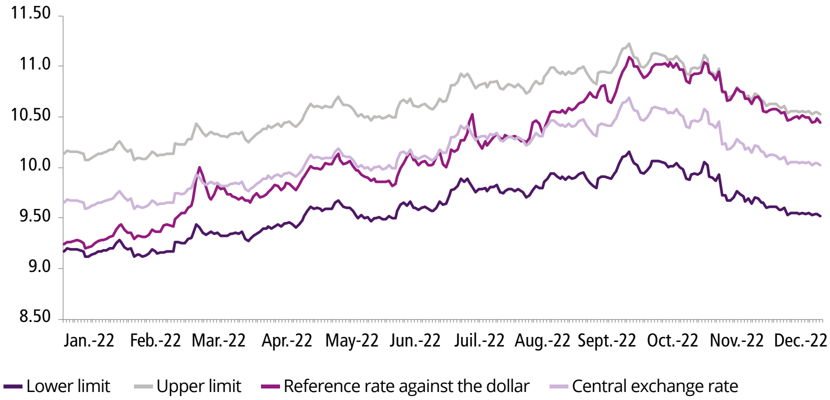
On the foreign exchange market, the year has seen a strong appreciation of the US dollar against the euro over the first ten months, largely due to the faster pace of monetary policy tightening by the US Federal Reserve and the more favorable US terms of trade, linked mainly to soaring energy prices.

This evolution of the euro/dollar parity, combined with a market effect[1] that is unfavorable for the dirham, resulted in an 11.2 percent depreciation of the national currency's reference rate against the dollar at year-end. Given the predominance of imports, notably energy products and wheat, the exchange rate began to move towards the upper limit of the fluctuation band from September onwards. However, the Bank's quarterly assessments indicated that these deviations were cyclical in nature, and that the value of the national currency continued to be broadly in line with economic fundamentals.

In addition, the interbank market continued to expand, boosting transaction volumes by 140 percent to 431.7 billion dirhams, and increasing the use of hedging instruments, the total annual amount and the number of subscribers of which rose respectively by 72 percent to 286.7 billion dirhams and from 1,064 in 2021 to 1,427.

[1] Exchange rate variations can be broken down into two parts: a basket effect resulting from changes in the euro/dollar parity, and a market effect resulting from deviations of the exchange rate from its value calculated based on the basket.

Chart 2.2.7: Exchange rate of the dirham against the US dollar



Therefore, the transition to a more flexible exchange rate regime initiated in January 2018 has continued under good conditions, and the Bank pursued the finalization of the inflation-targeting framework. Moving to the subsequent phases of this reform and implementing inflation targeting should only take place once the prerequisites of macroeconomic balances have been consolidated, and inflation as well as the uncertainty surrounding the global and domestic outlook have sufficiently declined. This is a position that the IMF's mission under Article IV also supports.

2.2.2 Research

Research activity at Bank Al-Maghrib for the year 2022 was marked by the publication of four working papers. These covered the «Contributions of domestic and external factors to inflation dynamics in Morocco», the «Financial cycle, real cycle and monetary policy transmission in Morocco», «A DSGE model for macroprudential policy in Morocco» and «The determining factors of the recovery effort in response to the Covid-19 crisis».

At the same time, Bank Al-Maghrib organized, in partnership with the IMF and IMF Economic Review, a conference entitled «Transformational Recovery: Seizing Opportunities from the Crisis», moderated by Mr. Christopher Pissarides, winner of the 2010 Nobel Prize in Economics. In collaboration with the University of Lausanne and the University of Southern California, it also organized a meeting on «Small businesses, development and growth». On another front, several virtual seminars were held covering the following topics:

- «The impact of the ECB's asset purchase program on debt sustainability» led by Mr. Enrique Alberola, Deputy to the Director General at the Bank of Spain;
- «Review of macro-micro approaches within the framework of computable general modeling» led by Mr. Luc Savard, Professor at Mohammed VI Polytechnic University;

- «The use of multi-agent models in central banks» animated by Mr Michel Alexandre Da Silva, researcher at the Central Bank of Brazil ;
- «Financial inclusion: what place for participatory finance?» presented by Mr Abdelrahman Elzahi Saaid Ali, senior economist at the Islamic Development Bank (IDB) Group.

As part of the «visiting researcher» program, the Bank hosted three researchers from national and international academic circles to further explore themes such as macro-prudential policy, household savings and hoarding. The Bank also launched the first Bank Al-Maghrib Award for Economic and Financial Research, in line with its policy of supporting research in areas relevant to its missions, strengthening synergies with the academic world and contributing to the development of the national research ecosystem.

2.2.3 Statistical activities and data management

Following the definition of the Data and Statistics strategy in 2021, implementation of the first phase began in 2022, over a two years period.

In the area of governance, the organizational model and supporting framework were put in place via the formal establishment and operationalization of dedicated committees, the implementation of the mapping of the Bank's business data domains, the development of a data quality repository, and the definition of the roles and responsibilities of the various players.

Several processes were implemented to ensure standardization of data management and statistics production, especially with regard to the identification of data and statistics requirements. Likewise, Bank Al-Maghrib developed a data and statistics revision policy, which will be rolled out progressively.

To modernize and industrialize data and statistics management processes, efforts were devoted to scoping the main projects in the target data architecture, and to deploying preliminary versions of the data repositories and the distribution solution.

With regard to the development of advanced data analysis, use cases for Advanced Analytics have been implemented, involving the harnessing of new Machine Learning techniques to reinforce data quality controls and profiling of people involved in payment incidents.

As part of the strategy's popularization and Data acculturation drive, a training program was launched for the Bank's staff, with the aim of better anchoring both the governance framework and statistical concepts and methods.

In addition, working to implement the Unified Social Register (USR), the Bank took part in this national project by setting up the technical, operational and regulatory prerequisites for the data exchanged.

2.2.4 Reserves management

Foreign exchange reserve management framework

Bank Al-Maghrib holds and manages the country's foreign exchange reserves. These are held to meet balance of payments financing requirements, to contain external vulnerability by maintaining liquid and adequate foreign exchange reserves, and to intervene on the foreign exchange market whenever necessary.

Foreign exchange reserves (Official Reserve Assets - ORA) consist of foreign currency investments (deposits and securities), gold holdings, SDR holdings, foreign currencies (foreign banknotes) and the IMF reserve position.

They are managed in accordance with four principles, ranked by priority: security, liquidity, yield and sustainability. The principle of security aims to minimize the risk of capital loss, by keeping a diversified portfolio of high credit quality. For liquidity, the aim is to invest in assets that can be sold quickly with minimum loss of value. The yield principle aims to achieve the best possible return while complying with security and liquidity objectives. Finally, the principle of sustainability aims to prioritize investments of a sustainable and responsible nature (ESG) when the first three principles are respected.

To this end, the Bank defines an annual strategic allocation, subject to revision where necessary, which determines the breakdown of reserves into tranches, asset classes and currencies, in compliance with the aforementioned management principles. This strategic allocation is examined by the MFC prior to approval by the Bank Board.

Accordingly, reserves are divided into two tranches, each serving a specific purpose. The «precautionary reserves» tranche, designed to meet one-year foreign currency requirements, includes portfolios booked at market value and invested over a short time horizon. Meanwhile, the «excess reserves» tranche, designed to finance medium and long-term currency requirements, is made up of portfolios booked at market value and others booked at historical value (investment portfolios made up of securities held to maturity), which are invested over a medium to long-term horizon.

In the context of the strategic allocation process, Bank Al-Maghrib also seeks advice from strategists and portfolio managers of international financial institutions to help determine the market parameter scenarios (interest rates, exchange rates, etc.) used to optimize the selection of benchmark indices across the various portfolios making up the reserve tranches.

Foreign exchange reserve context and management for 2022

Throughout 2021 and into early 2022, central bankers in the major developed countries considered inflationary pressures to be «transitional» in nature, and likely to diminish gradually as the pandemic came to an end and disruptions to global production chains gradually dissipated. This outlook had initially led to expectations of moderate increases in key interest rates on both sides of the Atlantic. However, as these pressures gained ground, exacerbated in particular by the Russian-Ukrainian conflict, forecasts of a faster and more pronounced tightening of monetary policies in the USA and the euro area grew considerably.

Thus, reacting to very high and sustained inflation, Central Banks adopted restrictive monetary policies, rapidly and significantly reversing the ultra-accommodative measures introduced during the pandemic. Thus, the Fed raised its key rate seven times, bringing the target Fed Funds rate to a range of [0-0.25 percent] to [4.25-4.5 percent], a cumulative increase of 425 bp against the 75 bp rise anticipated at the start of the year by the markets and the majority of Fed members. In the same vein, the ECB raised its rates four times, taking its deposit facility rate from a negative level of -0.50 percent to 2percent, i.e. a cumulative increase of 250 bp, against a rise of just 10 bp anticipated by the markets at the start of the year.

On the bond markets, US and European sovereign yields posted sharp and rapid surges, particularly on the short and medium ends of the curve.

Chart 2.2.8: Trend of the US yield curve

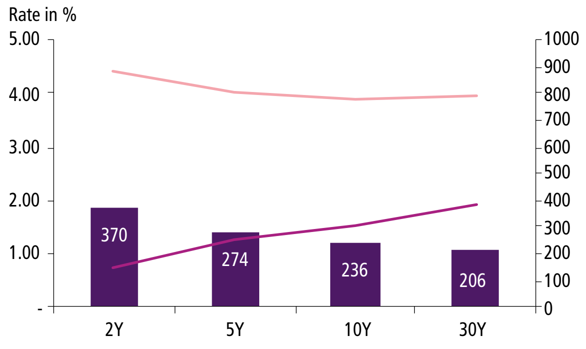
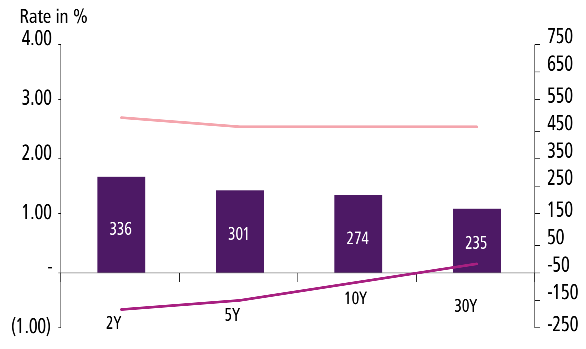


Chart 2.2.9: Evolution of the German yield curve



Furthermore, the unprecedented tightening of financial conditions led to historically negative performances across virtually all asset classes, including euro-denominated and dollar-denominated bond indices, which posted average returns of around -10 percent.

Chart 2.2.10: Annual performance of main asset classes

ST: 1-3 years; MT: 3-5 years; LT: 7-10 years

Source: Bloomberg

In this exceptional environment, the Bank pursued a proactive management strategy intended to limit the impact of the aforementioned rise in interest rates. In mid-year, it adjusted its strategic allocation by deciding to reduce the size and duration of investment portfolios (recorded at market value), with the aim of reducing exposure to interest-rate risk and consequently limiting the growth in provision allocations. At the same time, it expanded the size and duration of investment portfolios held to maturity in order to guarantee higher yield rates. Finally, the Bank kept the overweighting (up to 5%) of dollar-denominated assets offering more attractive yields, at the expense of euro-denominated assets.

The cautious management strategy of the investment portfolios (with a duration of less than 2 years), combined with the strategic allocation adjustment carried out in June, yielded a 35 basis point over performance of these portfolios in comparison with their «Benchmark» index (-2.34% vs. -2.69%). In addition, the fact that investment securities were held to maturity, recorded at historical value, limited the overall underperformance of managed portfolios to -0.45%.

2.2.5 Banking supervision

Microprudential supervision

In 2022, Bank Al-Maghrib's scope of control covered a population of 90 credit institutions and similar bodies. These include 19 conventional banks[1], 5 participatory banks, 29 finance companies, 6 offshore banks, 11 microcredit associations, 18 payment institutions, the Deposit and Management Fund (CDG) and the National Guarantee and Corporate Finance Company (SNGFE)[2]. On the cross-border front, banking groups run 51 subsidiaries and 23 branches in 36 countries, including 27 in Africa, 7 in Europe and 2 in Asia.

In a difficult economic conditions shaped by a slowdown in economic growth and rising inflation, the Bank monitored closely the financing granted by banks to sectors of activity impacted by the surge in international commodity prices, in addition to the quality of assets and their level of coverage by provisions. To this end, and in order to strengthen banks' ability to grant new loans by unlocking capital held in reserve to cover losses on non-performing loans, an inter-ministerial working group pursued work to create a secondary market for outstanding receivables.

In addition, the Bank lifted the last prudential easing measure taken in the context of the Covid-19 pandemic and pursued its policy aimed at strengthening banks' resilience. In this respect, it urged them to be cautious in their dividend pay-outs for 2022. At the same time, against a backdrop of rising bond yields, the Bank continued to pay particular attention to monitoring the impact of this evolution on banking portfolios and results.

As regards cross-border supervision, Bank Al-Maghrib held a meeting of the Africa Committee, hosted the annual meetings of the colleges of supervisors of the three Moroccan banking groups, and chaired, for the third year running, the French-speaking Banking Supervisors Group (GSBF).

1 Three of which hold participatory banking windows.
2 Includes a window dedicated to guaranteeing participatory financing.

With a view to improving its supervisory tools, the Bank developed a new mechanism for assessing banks' profiles, to replace the previous rating tool. It is based on a more proactive approach, and places greater emphasis on business model assessment, stress tests and economic capital evaluation tools. Alongside this, the Bank carried out thematic on-site inspections in the areas of asset quality, compliance with customer information and service pricing requirements, and AML/TF.

On the regulatory front, the Bank regulated the use of cloud computing and the prevention of corruption risks and enacted several texts to support the roll-out of the collaborative financing instrument. It also amended the texts governing payment institutions to support the enrolment of agent networks and the network of merchants accepting mobile payment. Bank Al-Maghrib also issued a recommendation to boost actions taken by the banking sector to promote gender equality and women's economic empowerment.

The Bank also pursued its efforts to support and accelerate the digitization of financial services. In partnership with various stakeholders, it contributed to the set up of the online authentication and identification system for banking service users and develop digital confidence services.

The participatory finance ecosystem was bolstered by the assent granted by the Higher Council of Ulemas to the contractual documentation relating to «administrative and non-administrative securities», «Istisna'a movable property financing products», «Murabaha for commodity financing» and to the technical characteristics of Murabaha Sukuk, Mudaraba, Wakala, Musharaka, Salam and Istisna'a certificates.

With regard to the micro-credit sector, which continues to suffer from the effects of the Covid-19 crisis, the Bank worked with the Ministry of the Economy and Finance to set up a guarantee fund aimed at refinancing medium-sized micro-credit associations, and to ensure that the State would cover part of the interest charges incurred by the rescheduling of receivables. It also extended its mechanism for refinancing bank loans to the sector for an additional year. At the regulatory level, it drew up the implementing regulations for Law No. 50-20 on microfinance, which aims to boost the sector by opening it up to new, non-associative operators and broadening its scope of activity to include micro-savings and micro-insurance.

Green Finance and Climate Risk Management

In the field of sustainable finance, the Bank finalized its program of action on the management and supervision of financial risks linked to climate change. This involved mapping climate-related financial risks in banking portfolios, conducting a study on the vulnerability of the banking sector to climate-related shocks, and building the capacity of the banking ecosystem to assess related risks. At the same time, as part of its efforts to strengthen the banking sector's climate risk management capabilities, it concluded a tripartite memorandum with the GPBM and the EBRD to facilitate compliance of Moroccan banks' climate risk management practices with the provisions of the regulatory directive and with international best practices.

Moreover, the Bank has rallied alongside ministerial authorities to achieve national targets for contributing to the Paris Agreement. To this end, it established a favorable regulatory framework that provides incentives, and is currently working with the relevant authorities to define the national Net Zero Carbon strategy for 2050.

Internationally, the Bank contributed to the work of the Networks of Central Banks for the Greening of the Financial System (NGFS), Sustainable Banks and Financial Systems (SBFN) and the Alliance for Financial Inclusion (AFI) with regard to green and sustainable finance.

Customer protection

Endeavors are underway to enhance transparency and the public's right to information, to improve access to banking products and services, to stimulate competition for the benefit of users, and to develop the complaints management system. In this context, the Bank enacted texts on information for loan applicants and on account closure.

As part of the complaints handling process, the Bank continued promoting the Moroccan Banking Mediation Center (Centre Marocain de Médiation Bancaire), mainly by organising targeted communication campaigns and encouraging banking service users to seek out the Centre's services for amicable settlement of disputes.

2.2.6 Macro-prudential supervision

Amid a risk-prone environment, Bank Al-Maghrib continued to monitor the evolution of risk indicators weighing on the stability of the Moroccan financial sector in its banking, insurance and financial markets components, as part of the monthly activities of the sub-committee of the Systemic risks coordination and surveillance committee (CCSRS).

In terms of governance, alongside the other members of the CCSRS, the Bank initiated the implementation of the financial stability roadmap covering the period 2022-2024. At the analytical level, with the technical assistance of the IMF, the Bank reviewed its financial strength indicators and carried out its biannual macro stress tests to assess the banking sector's resilience to shocks caused by a sharp deterioration in macroeconomic conditions. At the same time, in collaboration with the Ministry of Finance, the Bank analysed the interactions between macroprudential policy and fiscal and budgetary policy, and, with technical support from the World Bank and the IMF, launched macroprudential impact analyses in connection with the «central bank digital currency» project.

With regard to macroprudential policy instruments, the Bank continued to supervise risks emanating from the real estate and household markets, by monitoring and analysing the «loan-to-value» and «debt service to household income» ratios. It also finalized, in coordination with other financial regulators and the Ministry of Finance, the regulatory framework for the supervision of financial conglomerates. Furthermore, the Bank completed, in consultation with the aforementioned Ministry, the mechanism for granting emergency liquidity set out in the law governing the Bank's statute.

2.2.7 Systems and means of payment

In line with its statutory missions, Bank Al-Maghrib carried out further surveillance of Financial Market Infrastructures (FMIs). As part of this, it carried out an assignment with a systemically important MFI, focusing on its governance framework and monitoring implementation of the recommendations issued by the previous assessment mission concerning its compliance with the principles of the Bank for International Settlements (BIS).

Likewise, the Bank continued to accompany projects to modernize and develop market infrastructures, notably the development of the futures market for financial instruments by setting up a Central Counterparty Clearing (CCP) house, as well as the deployment of instant transfers, which should broaden the range of payment methods available to the public and ensure secure real-time settlement for end-users.

In addition, following self-assessments of their cyber resilience maturity, MFIs were asked to commission an external audit to assess their cyber resilience based on the CROE[1] framework. Results from the first reports indicate a generally satisfactory level of maturity, and led the implementation of a corrective action plan to ensure compliance.

[1] Cyber Resilience Oversight Expectations for Financial Market infrastructures.

As part of its oversight of payment systems, the Bank carried out a mission with several payment institutions, focusing on governance, risk management, operational risk control and compliance with legal and regulatory provisions. It also oversaw projects to enhance interoperability between mobile payment players, and to support compliance with regulatory requirements.

With regard to the development of payment methods, the Bank actively pursued its efforts to promote digital financial services, in collaboration with various public and private players. To this end, several initiatives were carried out to encourage the adoption of mobile payment, the improvement of alternative agent networks and the increased use of bankcards. In addition, awareness-raising workshops were held for local retailers, in cooperation with the relevant institutions, to identify potential obstacles to the adoption of electronic payment.

As regards Fintech development, the Bank continued to support and monitor players through its one-stop shop, with a view to fostering their emergence and identifying high value-added innovations for the sector.

2.2.8 Financial inclusion

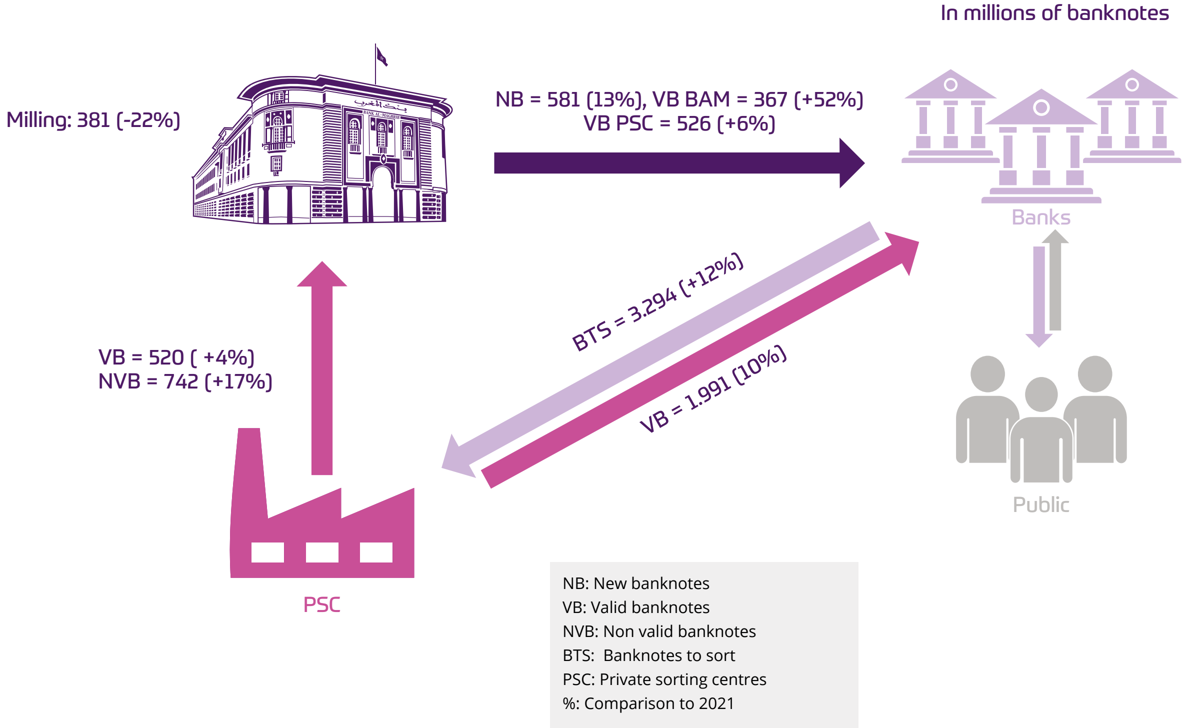
Aware of the obstacles facing rural women, one of the most vulnerable segments of the population when it comes to financial inclusion, Bank Al-Maghrib set about mobilizing public and private players to develop a national roadmap for their economic empowerment. To this end, a support mission was conducted, with the assistance of the EBRD, with the aim of assisting the ecosystem in managing this vast project.

In addition, to implement the Greenback initiative launched in collaboration with the World Bank, a dozen City Tours were organized this year across the Kingdom for 320 beneficiaries, to help them overcome their apprehensions about financial institutions and change their attitudes towards financial services and establishments. In addition, a «Mystery Customer» survey was conducted with the aim of analyzing the process of establishing a relationship between the customer and the financial institution, as well as sales practices towards the target segments of financial inclusion initiatives.

In the same vein of implementing the National Strategy for Financial Inclusion (SNIF), the Bank initiated a project to design a financial capability barometer targeting individuals as well as VSEs and micro-businesses, in order to strengthen the monitoring and evaluation mechanism for financial education programs. It also continued its efforts to develop and improve the reliability of measurement and monitoring indicators, given their central role in steering the policy development and evaluation process.

2.2.9 Currency

Diagram 2.2.1: Key figures for currency activities in 2022



After returning to a normal pace in 2021, banknote circulation increased by 10% in 2022 to reach 372 billion dirhams. Broken down by type of currency, banknotes rose by 9.3% to 2.5 billion, equivalent to 368 billion dirhams, while metallic coins increased by 3.1% to 3.1 billion, equivalent to 4 billion dirhams. In terms of structure, banknotes and coins in circulation remained dominated respectively by the 200 dirham denomination, with a 56% share, and the 1 dirham coin, with a 29% share.

Chart 2.2.11: Structure of banknotes in circulation (in % of volume)

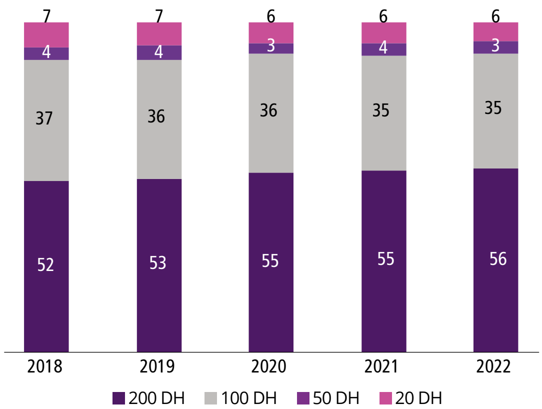
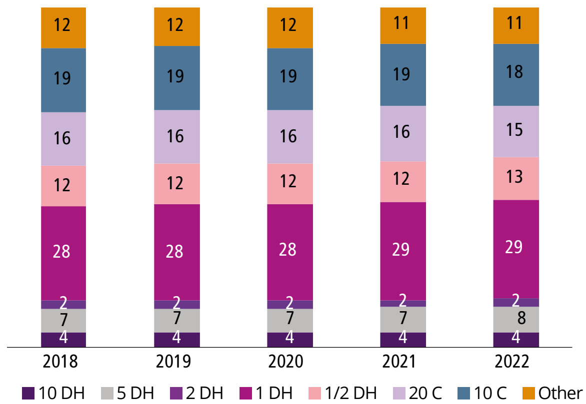


Chart 2.2.12: Structure of coins in circulation (in % of volume)



Other: Commemorative coins and coins to be withdrawn from circulation

To supply the national economy with new banknotes and coins, the Bank produced 530 million banknotes and 95 million coins. Meanwhile, and to meet the growing demand for cash, Bank Al-Maghrib and the Private Sorting Centers (PSC) increased their supply of banknotes and coins by 13.5% to 3.5 billion, including 2.9 billion from recycling operations.

Counterfeiting continued its downward trend, declining to 2.9 counterfeits for every million banknotes in circulation, compared with 3.3 in 2021. The number of counterfeit banknotes detected amounted to 7,090, worth 960,000 dirhams, with the 200-dirham denomination accounting for 52% of the total.

The Bank also produced and delivered 2 million biometric passports, 2.4 million electronic driving licenses and electronic registration certificates, 37 million tax stickers and stamps for various government bodies, in addition to 73,000 firearms licenses.

Box 2.2.3: Commemorative coins issued in 2022

Bank Al-Maghrib issued a commemorative gold coin to celebrate the 59th birthday of His Majesty the King, with a face value of 1000 dirhams. This coin features on the obverse the effigy of His Majesty King Mohammed VI in addition to the inscriptions «محمد السادس» and «المملكة المغربية» with the years 1444-2022 at the bottom. On the reverse side, the coin features the following inscription at the top «الذكرى 59 لميلاد جلالة الملك محمد السادس» and its French translation at the bottom 59»ème anniversaire de Sa Majesté le Roi Mohammed VI«.

59th birthday of his Majesty King Mohammed VI
(50 gold coins)

To mark the 23rd anniversary of the enthronement of His Majesty King Mohammed VI, the Bank issued a gold coin with a face value of 1000 dirhams and a commemorative silver coin with a face value of 250 dirhams. These coins display on the observe the portrait of His Majesty King Mohammed VI in addition to the expressions «محمد السادس» and «المملكة المغربية» with the years 1444-2022 at the bottom. On the reverse side, they show the following inscription: «الذكرى الثالثة والعشرون لتربع جلالة الملك على العرش» At the center of the reverse side of the coins, the Kingdom's coat of arms, a stylized image of the main gate of the Royal Palace in Rabat, and its face value in numbers and Arabic letters are featured.

23rd anniversary of the enthronement of His Majesty King Mohammed VI
(50 silver coins)

(1000 silver coins)

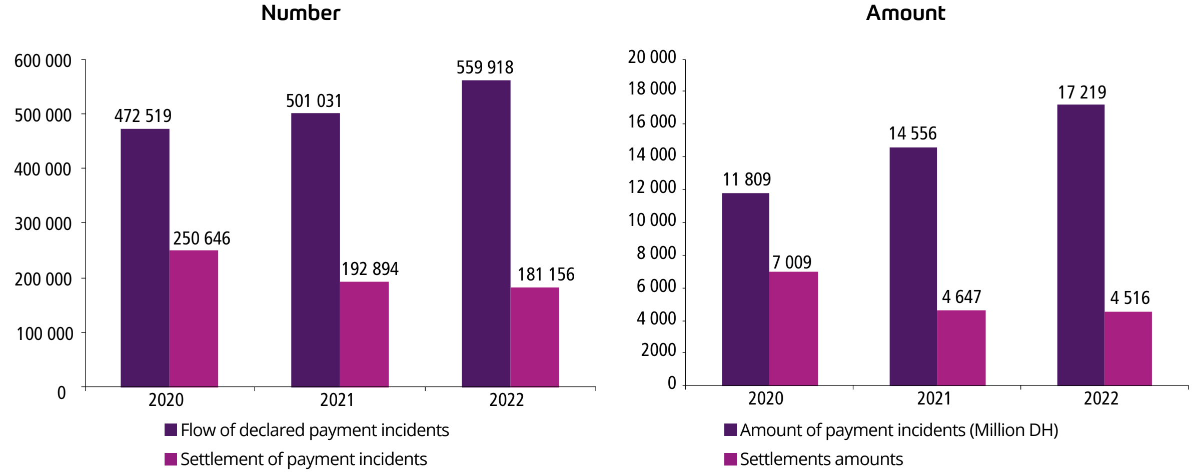
Bank Al-Maghrib issued a commemorative silver medal to mark the 20th anniversary of the institution's Museum. It features the effigy of His Majesty King Mohammed VI on the obverse, in addition to the inscriptions «محمد السادس» and « المملكة المغربية », with the years 1444-2022 below. On the reverse side, the inscription «الذكرى العشرون لتأسيس متحف بنك المغرب»,is displayed at the top, and its French translation «20ème anniversaire de la création du Musée de Bank Al-Maghrib» at the bottom. The center of the medal's reverse side contains the inscription «20 ans», along with the Museum's visual identity and an artistic representation of the Museum's exhibition hall and the dome of Bank Al-Maghrib's historic site.

20th Anniversary of the Bank Al-Maghrib Museum
(1000 silver coins)

2.2.10 Activities of central information registries

The Central Registry of Payment Incidents on Cheques recorded 559,918 incidents declared in 2022, up 12% compared to the previous year, worth 17.2 billion dirhams. Settlement operations dropped by 6% from 192,894 to 181,156, and their amount fell by 2.8 percent to stand at 4.5 billion dirhams.

Charts 2.2.13: Cheque payment incidents and settlements evolution



Outstanding payments on standardized bills of exchange rose by 13% to 590,953. The regularizations remained almost unchanged at 26,732.

The number of active credit contracts entered in the Credit Registries grew by 0.7% to 5.9 million, allocated to almost 3.3 million people, most of them individuals. As for use of the services offered by the credit bureau, credit reports consulted by users totalled 2.8 million. In addition, services provided by the Credit Bureaux handled over 5,300 complaints from both customers and credit institutions.

The Centralization Service for Irregular Cheques, launched in 2021, covered 14 million RIBs with irregularities, including 12.3 million from closed accounts, 1.8 million from accounts affected by a banking or legal ban, 338,000 unavailable accounts and 303,000 blocked accounts. Consultations carried out by users of this service have revealed that for every 100 cheques examined, 7 are irregular.

2.3 Communication and outreach

Bank Al-Maghrib continued to adapt and implement the appropriate tools to ensure that its decisions were better understood by its various target audiences. Thus, in 2022, the press conferences of the Governor, organized at the end of the Board meeting, were held face-to-face again, after two consecutive years of videoconferencing because of health restrictions. This event is also broadcast live on the Bank's YouTube channel for the wider public. In addition, the Bank developed a new communication medium for Parliament, entitled «From Bank Al-Maghrib to Parliament», which summarizes its main decisions and latest news. In addition, to meet the needs of the public, the Bank enriched its content on social networks and on its website through the regular distribution of guides and videos on a wide range of topics. It also continued to improve its welcome system, by launching a new channel dedicated to electronic welcome in order to better deal with questions from the public. Finally, to enhance understanding of corporate publications, new infographics featuring key figures from several documents have been designed and disseminated on social networks on a regular basis.

In 2022, the Bank Al-Maghrib Museum celebrated the twentieth anniversary of its inauguration. To commemorate this event, the Museum put together a rich and original program under the theme of «Art & Money», a ground-breaking theme in Morocco, rooted in its multidisciplinary identity. Celebrations included the following activities: production of a retrospective film retracing the Museum's history through the testimonies of people who have contributed to its development; issuance of a medal and a commemorative stamp in collaboration with Barid Al Maghrib; publication of a retrospective booklet retracing the Museum's history, key moments and major achievements since its inception; in addition to four exhibitions offering an immersive experience of the Kingdom's history. These revealed the iconographic and graphic symbols that adorn Moroccan coins from antiquity to modern and contemporary times, through to the Islamic period. These symbols were set against works of art that testify to the aesthetic value placed on the Cherifian Kingdom in 19th- and early 20th-century Western art, right up to the emergence of Moroccan modern and contemporary art in its various forms.

As regards international cooperation and institutional relations, Bank Al-Maghrib continued to strengthen its ties with its peers. It thus organized dozens of cooperation actions with several Central Banks (France, Spain, England, Luxembourg, Switzerland, Mexico, Chile, Canada and BCEAO) for the benefit of its agents, and carried out actions for the benefit of other Central Banks (COBAC, Madagascar, Tunisia, Mozambique, Gambia and Pakistan). Bank Al-Maghrib also organized four study visits for three central banks (Comoros, Mauritania and Madagascar), and two technical assistances, one for Bank Al-Maghrib delivered by experts from the Bank of Portugal, and the other for the Central Bank of Burundi.

Moreover, Bank Al-Maghrib concluded partnership agreements with various national institutions working on areas of common interest. These agreements were mainly concluded with the national telecommunications regulatory agency (ANRT), CDG Invest, the presidency of the Public Prosecutor's office, the European Bank for Reconstruction and Development (EBRD) and the Moroccan Professional Banking Grouping (GPBM), the General Directorate for Information Systems Security (DGSSI), the National Supervisory Commission for the Protection of Personal Data (CNDP) and the GPBM, in addition to the Foreign Exchange Office.

In parallel, the Bank worked to maintain privileged relations with national, international and multilateral institutions by participating in several high-level events, including:

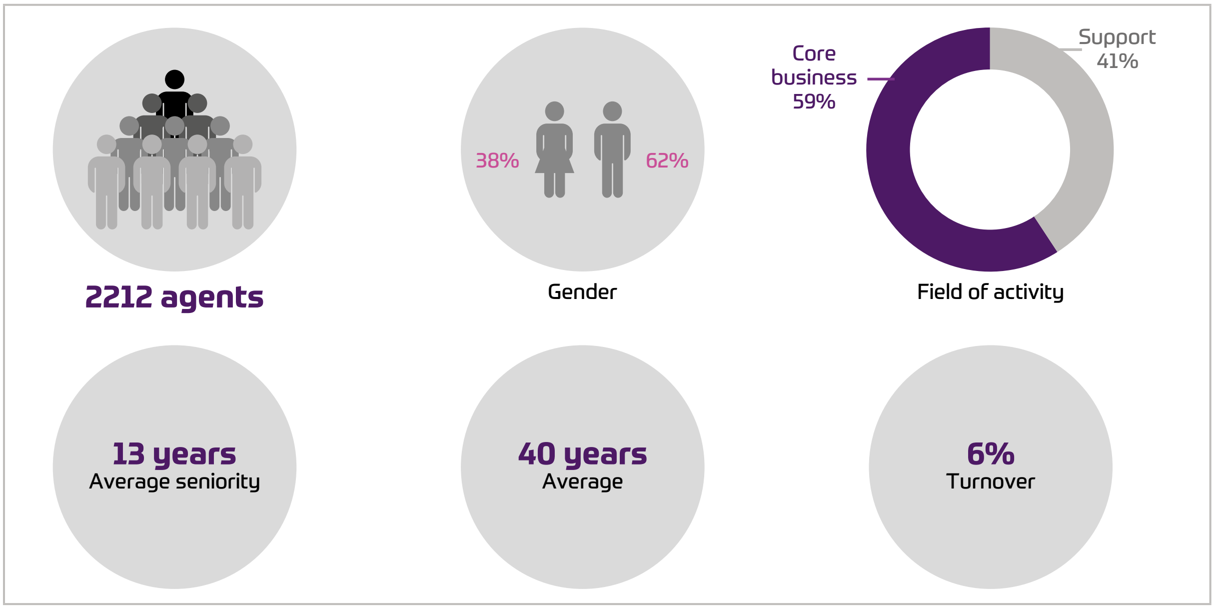
- IMF and World Bank Spring Meetings and Annual Meetings;
- Bimonthly high-level meetings and thematic conferences of the Bank for International Settlements (BIS), notably on «Global Risk, Uncertainty and Volatility» and «Central Bank Digital Currencies in Africa»;
- Meeting of the North African Technical Committee and the 44th Ordinary Meeting of the Board of Governors;
- FMA Round Table on the Circular Carbon Economy;
- General Assembly of the Arab Trade Financing Program;
- 50th anniversary of the Bank of Central African States;
- 60th anniversary of the Western African Economic and Monetary Union (WAEMU) organized by the Central Bank of West African States (BCEAO)
- The Conference-Debate organized by the Court of Accounts as part of the «Vendredis des Juridictions Financières»;
- The High-Level Conference on Informality in North Africa organized by Mohammed V University in partnership with the IMF and the MEF;
- The international conference «Digital transformation: between regulation and competitiveness» organized by the Competition Council;
- The Governor's speeches to parliament.

Furthermore, Bank Al-Maghrib is working closely with the MEF and other stakeholders to prepare for the Annual Meetings of the IMF and World Bank, to be held in Marrakech in October 2023. For this purpose, a Scientific Committee, chaired by the Governor, has been formed, bringing together representatives from Ministries, academia, research centres and civil society, to work together on the themes to be covered at the events.

2.4 Resources

2.4.1 Human resources

Diagram 2.4.1: The Bank's human capital in figures



Faithful to its commitment to developing and enhancing its human capital, Bank Al-Maghrib is striving to cultivate an inclusive working environment that fosters performance and well-being in the workplace. In terms of professional development, it further enriched its training program with new themes tailored to strategic and operational priorities. Hence, over 240 topics were delivered in 297 sessions, benefiting 50% of employees. Another key event of the year was the gradual return to face-to-face training, alongside online sessions. Leadership development also remained high on the HR agenda. In addition to the various training cycles aimed at developing behavioral and managerial skills, a conference was organized for almost 300 managers on the theme of « Caring management: combining performance and well-being at work».

To reinforce its human capital, the Bank pursued its policy of attracting talent by raising awareness about its businesses and expertise, diversifying its sourcing channels and promoting its employer brand. Accordingly, 142 new agents joined Bank Al-Maghrib, thereby enhancing the skills of our teams in several areas of activity. Internally, 109 employees were able to diversify their career paths and enhance their skills portfolios through mobility. Looking forward and with a view to better anticipating needs in terms of skills, the Bank draws up succession plans in order to build up a pool of potential candidates for the next generation.

Consistent with its strategic orientations, the Bank continued to implement projects aimed at fostering a caring and inclusive working environment, which is respectful of the fundamental rights of all. Measures to support parenthood were undertaken to facilitate work-life balance, including longer paternity leave, longer breast-feeding authorizations and a series of benefits to support Kafala. We have also continued our efforts to combat gender stereotypes in the workplace, with the launch of an online awareness campaign designed to raise employees' awareness of their own stereotype levels, enable them to react more effectively to deviations in behavior, and enable managers to promote inclusive management and proactive practices in favor of gender equality.

2.4.2 Information systems

The year under review was marked by major achievements in terms of information systems (IS) development, notably the upgrading of trading room operations management solutions (Murex and Accurate), the overhaul of the Foreign Exchange Office declarations management solution[1] and the implementation of the GMAO[2] solution for the « Fiduciary Money « process. Meanwhile, efforts were maintained to adopt new technological concepts through the set up of the TAFOUID accreditation management solution, based on block chain.

On the technical side, the Bank continued to carry out projects aimed at strengthening its IT infrastructure and security, notably by implementing a «Software Defined» architecture (SD-WAN[3]), web filtering and Patch Management solutions.

At the same time, the Bank has adopted an IS hosting strategy based on a «Hybrid IT» architecture and spread over three modes (the Bank's private Datacenters, National Hosting and Public Cloud). This diverse range of hosting modes helps to reinforce the resilience of our information systems and guarantee the continuous operation of the Bank's business and support processes.

In terms of cyber security, taking into account the growing complexity and complexity of cyber-attacks, the Bank has improved its information systems by strengthening its cyberdefense system, while continuing to involve the Bank's CERT[4] in the international communities concerned by cyber security issues, in order to achieve greater cooperation and coordination to prevent such incidents.

1 Foreign Exchange Central Registration Office (Centrale des Déclarations auprès de l'Office des Changes – CDOC)
2 Computer-aided maintenance management.
3 SD-WAN (Software-Defined Wide-Area Network) is a technique that uses software to enhance the intelligence and flexibility of wide-area networks.
4 Computer Emergency Response Team.

2.4.3 Digital transformation

The Bank continued to explore the use of innovative technologies in its business activities. As part of its «Innovation Lab», it completed experiments to improve the user experience for services of common interest, and to monitor and control outsourced maintenance services.

At the same time, deployment of the change management plan allowed over 500 managers to take part in themed webinars intended to lay the foundations for understanding the challenges and opportunities of Digital Transformation and the development of the Agile Mindset. In addition, almost 70 managers have taken part in an acculturation course to help them grasp the fundamentals of Digital Transformation. A CSR-themed ideation campaign was also organized, with the aim of introducing participants to the innovative approach.

With regard to the Central Bank Digital Currency (CBDC) component, the technical support provided by the WB and the IMF enabled us first to identify the strategic priority objectives to which digital currency could contribute in the national context. These mainly involve contributing to the development of financial inclusion and cash reduction, fostering competition and enhancing the efficiency of payment systems, and improving the efficiency of money transfers. With regard to crypto-assets, the Bank contributed actively to preparing a suitable regulatory framework within the national working group set up for this purpose.

Financial statements of the Bank

Part 3

In this part of the report, figures are rounded to the nearest thousand dirhams. Therefore, totals and sub-totals do not always correspond to the sum of the relevant rounded off figures.

3.1 Overview of the financial position for fiscal 2022[1]

3.1.1 Balance

At end-2022, the Bank's **total assets** showed an annual increase of 15 percent to 498,978,477 KDH. On the assets side, this increase was primarily due to the continued lending operations carried out to meet the banking system's liquidity needs, the rise in foreign currency assets and investments, and the use by the State of the balance of the drawdown under the IMF's PLL carried out in 2020. On the liabilities side, the increase reflects growth in both currency in circulation and in the foreign exchange reserves valuation account.

Table 3.1.1: Balance sheet by transaction

In thousand dirhams	2022	2021	Change (%)
(of which)			
Currency in circulation	372 786 283	337 710 576	10
Transactions with foreign countries	-278 004 179	-284 505 249	-2
Transactions with the State	-16 682 686	5 265 450	<-100
Net position of credit institutions	-82 219 314	-62 875 251	-31
Patrimonial transactions[2]	700 727	1 861 075	-62

Liabilities-Assets

Following a 6 percent increase in 2021, **currency in circulation** rose by 10 percent to 372,786,283 KDH

Foreign transactions fell by 2 percent to 278,004,179 KDH, mainly as a result of the depreciation of investment securities and the decline in SDR holdings.

The balance of **transactions with the State** fell to -16,682,686 KDH, or 21,948,136 KDH lower than in 2021, following the use by the State of the dirham equivalent of the remaining part of the PLL drawdown and, to a lesser extent, the decline in the Treasury's current account availability to 4,087,201 KDH (-22 percent).

The **net position of credit institutions** rose from -62,875,251 KDH to -82,219,314 KDH, as a result of higher lending to banks amid a widening bank liquidity deficit.

As for **asset transactions**, their balance fell by 62 percent to 700,727 KDH, in view of the negative net income of 412,850 KDH recorded this year.

1 The changes in balance sheet and profit and loss items are discussed in more detail in the comments on the summary statements. For analytical purposes, the balance sheet items and the profit and loss account have been grouped together in this first part of the report.
2 Based on the net income for the year.

3.1.2 Income

In an exceptional international context shaped by a sharp rise in sovereign bond rates, tighter monetary conditions and a marked depreciation of the dirham, the Bank's net income stood at -412,850 KDH at the end of 2022, down by 1,349,883 KDH compared with 2021, mainly due to:

- A sharp decline in the net **income generated by foreign exchange reserve management operations** to -1,231,118 KDH (-34 percent in 2021), mainly as a result of the contraction in net bond income (-2,554,344 KDH compared with 2021), heavily impacted by the trend in net allocations to provisions for impairment of investment securities (+2,410,036 KDH). The latter reflects the general rise in sovereign bond rates in the wake of key rate rises by the Fed (+425 bps) and the ECB (+250 bps). Bond and money-market investments generated net interest income of KDH 2,915,446, up 36 percent on end-2021;
- A 24 percent increase in net **income generated by monetary policy operations**, from 1,262,510 KDH to 1,561,971 KDH at the end of 2021. This rise is attributable to the higher average outstanding lending to banks, following the widening of the liquidity deficit, and to the rises in the Bank's key interest rate in September and December for a total of 100 basis points, bringing it to 2.50 percent;
- a 57 percent rise in **income from other operations** to KDH 1,337,652, particularly driven by net foreign exchange commissions (+90 percent), due to higher sales by banks of foreign currency notes to Bank Al-Maghrib and higher sales of secured documents (+23 percent) ;
- a 4 percent increase in **general operating expenses** to 2,010,592 KDH, mainly due to the higher cost of operating expenses (+7 percent) in a context of rising raw material prices, mitigated by the decline in net depreciation, amortization and provisions (-8 percent);
- A rise in **non-recurring income**[1] from +72,065 KDH to -43,751 KDH, which notably includes the social solidarity contribution on profits, worth 96,463 KDH as against 106,939 KDH a year earlier.

[1] Includes non-recurring and prior-year income.

Table 3.1.2: Net income of the financial year

In thousand dirhams	2022	2021	Change (%)
Income from foreign exchange reserves management operations	-1 231 118	1 583 059	<-100
Income from monetary policy operations	1 561 971	1 262 510	24
Income from other operations	1 337 652	849 462	57
Income of activities	**1 668 505**	**3 695 032**	**-55**
General operating expenses	-2 010 592	-1 928 359	4
Gross operating income	**-342 087**	**1 766 673**	**<-100**
Noncurrent income	-43 751	-115 815	62
Income tax	-27 012	-713 824	-96
Net income	**-412 850**	**937 033**	**<-100**

3.2 Summary statements and related notes

3.2.1 Balance sheet (Assets)

Table 3.2.1: Assets as at December 31, 2022

In thousand dirhams	Notes	2022	2021
Assets and investments in gold	**1**	**13 498 946**	**12 008 623**
Assets and investments in foreign currency	**2**	**318 867 128**	**298 416 554**
Holdings and investments held in foreign banks		52 900 450	50 752 727
Foreign Treasury bills and similar securities		257 366 426	239 508 275
Other holdings in foreign currency		8 600 252	8 155 552
Assets with international financial institutions	**3**	**22 770 832**	**21 596 724**
IMF subscription-Reserve tranche		2 248 490	2 097 811
Special Drawings Rights holdings		20 100 998	19 105 311
Subscription to the Arab Monetary Fund		421 344	393 602
Lending to the Government	**4**	**20 853 545**	**-**
Claims on Moroccan credit institutions and similar bodies	**5**	**114 602 736**	**91 359 926**
Securities received under repurchase agreements		21 533 559	22 749 736
Advances to banks		92 886 621	68 474 368
Other facilities		182 557	135 822
Treasury bills - Open market operations		**-**	**-**
Other assets	**6**	**3 706 864**	**3 988 298**
Fixed assets	**7**	**4 678 426**	**4 773 927**
Total assets		**498 978 477**	**432 144 052**

3.2.2 Balance sheet (Liabilities)

Table 3.2.2: Liabilities as at December 31, 2022

In thousand dirhams	Notes	2022	2021
Banknotes and coins in circulation	**8**	**372 786 283**	**337 710 576**
Banknotes in circulation		368 820 223	333 902 150
Coins in circulation		3 966 060	3 808 426
Commitments in gold and foreign currency	**9**	**6 742 577**	**5 102 421**
Commitments in gold		-	-
Commitments in foreign currency		6 742 577	5 102 421
Commitments in convertible dirhams	**10**	**21 230 274**	**19 566 060**
Commitments to international financial institutions		21 212 432	19 554 414
Other liabilities		17 842	11 646
Deposits and commitments in dirhams	**11**	**42 444 609**	**38 967 531**
Current account of the Treasury		4 087 201	5 258 034
Deposits and commitments in dirhams to Moroccan banks		32 383 423	28 484 675
Current accounts		32 383 423	28 484 675
Liquidity-withdrawal accounts		-	-
Deposit facility accounts		-	-
Deposits of general government and public institutions		1 331 794	1 176 044
Other accounts		4 642 191	4 048 778
Other liabilities	**12**	**30 670 166**	**5 735 780**
Special Drawing Rights allocations	**3**	**19 725 415**	**18 426 682**
Equity capital and the like	**13**	**5 792 002**	**5 697 969**
Capital		500 000	500 000
Reserves[1]		5 263 461	5 169 757
Retained earnings		28 542	28 212
Other equity capital		-	-
Net income of the fiscal year		**-412 850**	**937 033**
Total liabilities		**498 978 477**	**432 144 052**

3.2.3 Off-balance sheet

Table 3.2.3: Off-balance sheet as at December 31, 2022

In thousand dirhams	Notes	2022	2021
Spot foreign exchange transactions			
Spot delivery of currencies		-	-
Spot purchase of dirhams		-	-
Forward foreign exchange transactions	**14**		
Foreign currencies receivable		4 834 546	3 747 394
Foreign currencies deliverable		4 851 467	3 745 375
Foreign exchange transactions- currency deposits	**14**	**9 265 794**	**5 142 569**
Foreign exchange transactions-arbitrage operations	**14**		
Foreign currencies receivable		-	-
Foreign currencies deliverable		-	-
Off-balance currency adjustment		**-**	**-**
Commitments on derivatives		**-**	**-**
Commitments on securities	**15**		
Securities received on advances granted		95 487 149	73 832 432
Securities received on advances to be granted		11 492 600	10 324 200
Other guarantees received on advances granted		29 789 531	25 520 307
Advances to be granted		10 917 970	9 807 990
Foreign securities receivable		-	1 177 569
Foreign securities deliverable		-	1 162 318
Other liabilities	**16**		
Received market guarantees		100 424	92 470
Guarantees commitments received for staff loans		922 152	906 678
Financing commitments granted to the staff		13 188	9 159
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, 2022

In thousand dirhams	Notes	2022	2021
Profit		**6 876 041**	**5 282 811**
Interests earned on holdings and investments in gold and in foreign currency	**17**	3 340 653	2 418 155
Interests earned on claims on credit institutions and similar bodies	**18**	1 562 197	1 244 143
Other interests earned	**19**	9 758	12 610
Commissions earned	**20**	1 121 250	651 047
Other financial revenues	**21**	295 166	569 062
Sales of produced goods and services	**22**	382 028	310 627
Miscellaneous revenues	**23**	47 049	16 011
Reversal of depreciation		-	-
Reversal of provisions	**24**	111 191	60 699
Noncurrent revenues	**25**	6 748	458
Expenses		**7 288 891**	**4 345 777**
Interests paid on commitments in gold and in foreign currency	**26**	282 269	108 708
Interests paid on deposits and commitments in dirhams	**27**	200 982	153 540
Commissions paid	**28**	30 810	28 856
Other financial expenses	**29**	1 673 613	769 534
Staff expenses	**30**	898 809	880 452
Purchases of materials and supplies	**31**	370 771	313 924
Other external expenses	**32**	370 044	357 299
Depreciation and provision endowments	**33**	3 323 110	896 435
Noncurrent expenses	**34**	111 468	123 205
Income tax	**35**	27 012	713 824
Net income		**-412 850**	**937 033**

3.2.5 Cash flow statement

Table 3.2.5: Cash flow as at December 31, 2022

In thousand dirhams	2022	2021
Cash and foreign currency deposits at the beginning of the year	**58 108 674**	**91 108 812**
Cash flow from operating activities	**-40 289 051**	**-11 499 848**
Interests received	3 721 084	3 646 418
Commissions on banking transactions received	1 121 250	651 047
Other products received	301 398	384 042
Interests and commissions paid	-510 307	-291 136
Staff expenses paid	-754 750	-883 911
Taxes paid	-490 346	-1 331 431
Other expenses paid	-969 121	-588 725
+/- Change in Treasury deposits in Dirhams	-1 170 833	-984 017
+/- Change in deposits with Moroccan banks in Dirhams	3 898 726	3 665 661
+/- Change in other customer deposits in Dirhams and in foreign currencies	2 195 281	-11 434 621
+/- Change in foreign-currency-denominated investment securities	940 432	1 820 767
+/- Change in foreign currency trading securities	-	1 101 606
+/- Change in advances to banks	-23 196 076	-6 988 536
+/- Change in other liabilities	-25 196 422	-829 865
+/- Change in other assets	-179 368	562 852
Cash flow from investment activities	**-46 526 366**	**-38 594 011**
+/- Change in foreign investment securities in foreign currencies	-44 042 968	-37 175 788
+/- Change in IMF subscription-Reserve branch	-	-
+/- Change in SDR holdings	-2 337 566	-12 082 320
+/- Change in gold assets and investments	-	-
+/- Change in deposits with the IMF	-	-
+/- Change in FMA subscription	-	-
+/- Change in SDR allocations	-	10 937 793
Acquisition of fixed assets	-139 798	-273 710
Proceeds from sale of fixed assets	-6 034	14
Cash flows from financing activities	35 075 708	18 428 407
+/- change in banknotes and currency in circulation	35 075 708	18 428 407
Revaluation of cash and foreign currency deposits	**30 344 679**	**-1 334 685**
Cash and foreign currency deposits at end of year	**36 713 644**	**58 108 674**

3.2.6 Table of changes in shareholders' equity

Table 3.2.6: Change in shareholders' equity at December 31, 2022

In thousand dirhams	2022 opening balance	Appropriation of 2021 income[1]	Distribution of dividends[2]	2022 Income	Capital transactions (+incr. / -decr.)	2022 closing balance	Solde de Clôture 2022
Equity	500 000						500 000
Carry forward	28 212	937 033	-93 703	-843 000			28 542
Reserves	5 169 757		93 703				5 263 461
Income for the year					-412 850		-412 850
Income pending allocation	937 033	-937 033					-
Total	**6 635 002**	**-**	**-**	**-843 000**	**-412 850**	**-**	**5 379 152**

[1] Taking into account the foreign exchange loss reserve established in 2021 for the year 2021 and 2022.

[2] In accordance with regulatory 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 BAM's 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, particularly with regard to inventories and fixed assets' assessments.

The financial statements, as cited under Article 47 of Law No.40-17 bearing Statutes of Bank Al-Maghrib, include the balance sheet, the profit and loss account (PLA) and additional information statement (AIS).

Concurrently, the Bank prepares an annual off-balance sheet statement, the cash-flow statement and the statement of changes in shareholders' equity.

3.2.7.2 Evaluation methods

Assets and liabilities in gold and foreign currency

Foreign exchange transactions

Foreign exchange transactions include spot and forward purchases and sales of foreign currencies that entail:

- A change in an asset or liability in a foreign currency and a change in a liability or asset in Moroccan dirhams ;
- A change in an asset or liability in one currency and a change in an asset or liability in another currency.

These transactions are entered in the corresponding off-balance sheet accounts on the commitment date, then recorded in the balance sheet accounts on the value or delivery date.

Revaluation of gold and foreign currency assets

Assets and liabilities in gold, precious metals and foreign currencies, including SDRs, are valued at the exchange rates prevailing on the last business day of the financial year.

Profits and losses resulting from this operation are entered in the exchange reserves' revaluation account on the liabilities of the Bank's balance sheet, in accordance with the new agreement governing this account, concluded between Bank Al-Maghrib and the State on November &, 2022, superseding the provisions of the agreement signed on December 29, 2006.

By virtue of this agreement, the «foreign exchange reserve evaluation account» must be kept positive at 2.5 percent minimum of the Bank's net foreign assets at the year-end. In case a currency loss causes the balance of this account to fall below this threshold, the difference shall be deducted from the Bank's profit and loss account for the year in question, up to a limit of 10 percent of the net profit for that year, and entered in a «foreign exchange loss reserve» account.

If the «foreign exchange reserve evaluation account» indicates a negative balance, the latter is entered as an asset on the Bank's balance sheet, and no provision is made for risks and charges. Conversely, a reserve for foreign exchange losses is set aside up to a limit of 20 percent of net income.

Securities

The securities acquired as part of the exchange reserves management are sorted on the basis of the purpose for which they are held, either in the portfolio of transaction, of securities held for sale, or of investment.

Transaction portfolio consists of securities purchased with the initial intention of reselling them in the short term. They are recorded at their purchase price, including costs and, if need be, accrued coupons. Gains and losses resulting from the daily evaluation of such 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, where necessary, accrued coupons;
- Unrealized gains on these securities are not recorded;
- Unrealized losses on these securities are recorded only when the Bank judges that the security showing an unrealised loss is likely to be resold in the following year and where there is a probable risk of default by the issuer;
- The differences (discounts or premiums) between securities' prices of purchase and redemption are amortized using an actuarial method over the remaining life of the securities.

As of January 1, 2020, in order to comply with international best practices, the Bank switched from the straight-line method to the actuarial method for spreading discounts/surcharges on investment securities. This method, just like the linear method, is accepted by the accounting plan of Bank Al-Maghrib as approved by the PLA.

As at December 31, 2022, no provision has been recorded for this portfolio.

Portfolio of securities held for sale consists of securities other than those recorded as transaction or investment securities. Their recognition is governed by the following rules:

- 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 the 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. Conversely, unrealized gains are not included.

Discounted interest securities are entered at their redemption price. The discounted interests are spread over the life of the securities and recorded in the profit or loss accounts on the 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 unrealized gains or losses are entered in the appropriate profit and loss accounts, based on the net asset values reported by the managing agent.

Receivables from the Treasury

As part of the agreement signed between Bank Al –Maghrib and the State in November 2022, setting out the terms and conditions governing the use by the State of funds available under the IMF's PLL, this operation has been entered in the Bank's accounts as a receivable from the State, as recommended in the IMF manual.

This claim is periodically revalued at the exchange rate prevailing at the closing date. In its balance sheet presentation of assets, Bank Al-Maghrib's accounting plan only includes the item «Financial assistance to the State» for its relations with the State. However, although this PLL retrocession operation is reported as a claim on the State, it cannot be considered as a financial assistance to the State, as the Bank is merely acting as an intermediary between the IMF and the State.

As a result, and in compliance with the principle of true and fair view, we have :

- changed the heading of «Financial assistance to the State» to «Receivables from the Treasury»;
- inserted a dedicated item «Receivables related to the use of the PLL by the State»; and
- maintained the item «Financial assistance to the State».

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 probable useful life of the asset, by applying the current amortization rates.

Below are the amortization periods that have been adopted for each type of fixed assets:

Table 3.2.7: Delais Amortization periods of fixed assets

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 at their net book value representing their acquisition cost minus the possible provisions set up at the closing date. Meanwhile, the value of foreign holdings is converted into dirhams at the historical rate of the currency.

Non-fully paid up securities are recorded as assets at their total value, including the remaining amount 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 possible provisions for depreciation of these unlisted securities are evaluated at the end of the financial year following the net asset value method, based on the last financial statements available.

Inventories

Inventories are composed of:

- Consumable materials and supplies;
- Raw materials needed for manufacturing banknotes, coins, and secured documents and identity cards (paper, ink, blanks, chips, cards, etc.);
- Finished goods and in-process inventory (secured documents, and miscellaneous); and
- Commemorative coins.

Consumable materials and supplies are recorded in the balance sheet at their purchase price, minus the provisions for their depreciation at the closing date, if need be.

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 Mechanism for managing the financial risks associated with foreign exchange reserve management

Definition of financial risks

Financial risks facing the Bank in the management of foreign exchange reserves are:

- The **credit risk**, defined as:
  - First, the payment default risk (counterparty risk) which refers to the inability of a counterparty to fulfil its obligations;
  - Second, the risk of lowering the credit rating of a counterparty by one or more rating agencies.
- The **market risk**, referring to 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 refers the inability of meeting immediate commitments of the country, by mobilizing assets, without significantly affecting their price.

Governance framework

As part of its mission relating to foreign exchange reserve management, the Bank has set up a financial risk management system, which identifies, monitors, and mitigates the risks inherent in the investment of the foreign reserves, namely credit, market, and liquidity risks.

To achieve this goal, the risk management function at Bank Al-Maghrib is based on a clear and well-structured governance framework.

Each year, the **Bank Board** validates the foreign exchange reserve investment policy and the risk tolerances. It also approves the investment sphere and the strategic asset allocation. The **Monetary and Financial Committee (MFC)** oversees the operational implementation of the strategic allocation and validates the management strategy. It also examines the evolution of the reserve management financial risk indicators. Finally, the **Audit Committee** studies the annual change of the Bank's financial and operational risks.

The purpose behind reserves holding and management, the investment principles, the limits by asset class, and the rules defining the issuer and counterparty eligibility and concentration are all set out in an investment directive, while portfolio benchmarks and management are defined under the strategic allocation approved by the Bank 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 the investment directive and the strategic allocation guidelines.

In this context, these exposures are analysed in detail in regular reports and communicated to the various governance bodies of the Bank.

Any breach of the rules is reported in detail to the Monetary and Financial Committee, for approval.

Financial risks' management

Credit risk

The Bank manages credit risk by setting eligibility criteria for both issuers and counterparties, while keeping investments in line with security and liquidity principles.

The minimum criteria are distinguished based on the credit risk incurred by the different instruments. These are higher for transactions with direct credit risk, such as unsecured deposits, than for transactions processed in a delivery-versus-payment system. At present, the minimum average credit rating is «A-» for money market investments with bank counterparties, and «BBB-» for bond investments.

In addition to the eligibility criteria, the Bank sets limits to avoid excessive risk-taking and concentration. These include limits on exposure by issuer, counterparty, asset class, country and credit rating.

In order to ensure that the overall credit risk exposure is assessed, the Bank daily calculates and monitors the average credit rating of the portfolios under management as well as the 99 percent Credit VaR, which assesses the potential losses over a one-year horizon, associated with a credit event (a rating downgrade or a default).

On December 31, 2022, foreign exchange reserves received an average rating of «AA-», thus indicating a very good credit quality of the assets held.

Chart 3.2.1: Breakdown of portfolio exposures by region

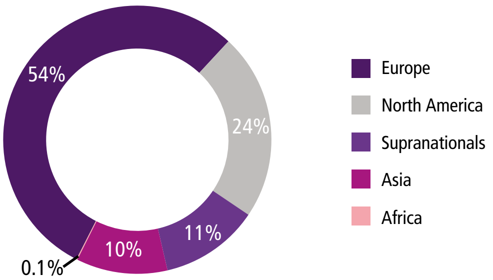


Chart 3.2.2: Breakdown of portfolio exposure by asset class

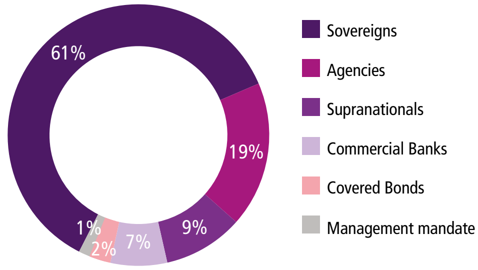
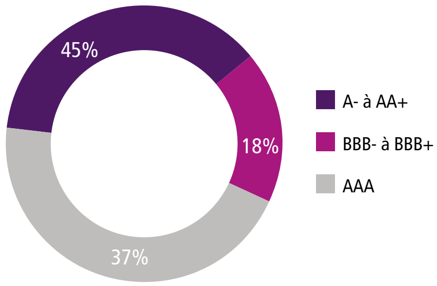


Chart 3.2.3: Breakdown of bond portfolios by rating



Market risks

The market risk associated with foreign exchange reserves management mainly arises from interest rate risk and the foreign exchange risk.

- **Interest rate risk**

The Bank manages interest rate risks through benchmark indices for all portfolios and duration spreads allowed within the strategic allocation against these indices.

Exposure to interest rate risk is measured through various indicators, namely maximum potential loss (VaR), duration and volatility of performance against the benchmark indices (Tracking Error).

At 31 December 2022, the overall duration of the foreign exchange reserves stood on average at 2.1 years, as against 2.4 years at end-2021.

- **Foreign exchange risk**

The foreign exchange risk arises from the fluctuation of foreign exchange rates against the Moroccan dirham. This risk stems from the gap between the currency composition of foreign exchange reserves and the weighting of the dirham basket, which is 60 percent for the euro and 40 percent for the US dollar (defined through a maximum deviation limit of 5 percent set by the strategic allocation). The risk also arises from the variation in the gap between the reference rate and the central rate of the basket.

Liquidity risk

The Bank manages the liquidity risk by building up liquid portfolios within the foreign exchange reserves:

- **Precautionary reserves**: Composed of available and liquid assets that allow financing short-term needs of the Bank. As at December 31, 2022, precautionary reserves reached 58.4 billion DH;
- **Excess reserve portfolios recorded at market value**: made up of liquid assets that can be mobilised in the event of exhaustion of the «precautionary reserves» tranche. The value of these portfolios reached 52.3 billion DH as at December 31, 2022.

Liquidity risk is also addressed, with regard to the above-mentioned liquid portfolios, through minimum size and maximum leverage ratio rules for bond issues.

3.2.9 Comments on the balance sheet items

Assets

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.

Note 1: Assets and investments in gold

This item contains the dirham equivalent of gold assets deposited in Morocco and with foreign depositors, as well as investments in gold made with foreign counterparties. Since the end of 2006, these assets are evaluated at market prices. Gains and losses resulting from this operation are allocated to the re-evaluation account of foreign exchange reserves[1], in accordance with the agreement governing this account signed on November 1, 2020 between Bank Al-Maghrib and the of Ministry of Economy and Finance.

[1] The credit balance in this account may not be credited to current income, distributed, nor applied for any purpose whatsoever.

At the end of 2022, the equivalent value of gold assets stood at 13,498,946 KDH, up 12 percent, under the combined effect of the rising gold price (expressed in dollars) and the depreciation of the dirham against the dollar.

The quantity of gold ounces remained stable, from one year to the next, at 711,032 ounces (equal to 22 tons).

Table 3.2.8: Assets and investments in gold

	2022	2021
Quantity of gold ounces[1]	18 985	16 889
Quantity of gold ounces	711 032	711 032
Market value[2]	**13 498 946**	**12 008 623**
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

This item includes the equivalent in dirhams of assets in convertible foreign currencies, held in the form of money deposits (time and demand deposits) and foreign bond securities.

At end-2022, assets and investments in foreign currencies increased by 7 percent to reach 318,867,128 KDH against 298,416,554 KDH in 2021, mainly due to a positive exchange rate effect resulting from the depreciation of the dirham.

Table 3.2.9: Breakdown by type of investment

In thousand dirhams	2022	Share		2021	Share	
Current accounts	14 950 449	5%		12 860 589	4%	
Term accounts	20 036 244	6%		21 406 349	7%	
Securities held for sale [1]	68 150 160	21%		79 297 421	27%	
Investment securities	189 216 267	59%	**81%**	160 210 855	54%	**80%**
Transaction securities	-	-		-	-	
Other [2]	26 514 010	8%		24 641 341	8%	
Total	**318 867 128**	**100%**		**298 416 554**	**100%**	

[1] Taking into account provisions for depreciation. The market price valuation of securities held for sale at December 31, 2021 amonted to 68,291,970 KDH.

[2] Including accrued interests, management mandates and foreign banknotes.

Foreign currencies, which represent 64 percent (69 percent in 2021) of the Bank's assets, are invested for 81 percent in bonds. Within this category, the investment portfolio grew by 18 percent to 189,216,267 KDH, further to the enhanced investments in the surplus reserves tranche during the second half of the year. In contrast, deposits and monetary investments decreased by 14 percent to 68,150,160 KDH.

Monetary deposits and investments rose by 2 percent from 34,266,938 KDH to 34,986,692 KDH, thus accounting for 11 percent of foreign currency assets and investments.

Table 3.2.10: Breakdown by currency

In thousand dirhams	2022	2021	Change (%)
EUR	180 047 841	166 880 329	8
USD	136 424 149	127 455 073	7
Other currencies	2 395 138	4 081 153	-41
Total	**318 867 128**	**298 416 554**	**7**

Table 3.2.11: Breakdown by residual life*

	2022	2021
≤1 year	23%	17%
> 1 year	77%	83%
Total	**100%**	**100%**

(*) Securities held in internally-managed portfolios, including certificates of deposit.

Note 3: Assets with international financial institutions

This item, which includes positions with the IMF and the AMF, rose by 5 percent to 22,770,832 KDH, largely due to the increase in the equivalent value of SDR assets driven by the rise in the SDR exchange rate (+7 percent).

Position with the IMF

On the assets side:

- IMF subscription - Reserve tranche, which composes the fraction (18.1 percent) covered by Bank Al-Maghrib as Morocco's quota subscription in the IMF. It is composed of:

  - **The available tranche**: 147.35 million SDRs (2,048, 814 KDH), representing Bank Al-Maghrib's contribution to the IMF in foreign currency. This tranche, which can be used if necessary, is included in the foreign exchange reserves of the Bank. It is worth mentioning here that the last subscription of the Bank, which amounted to 76.55 million SDRs, took place in 2016 after the IMF's capital was raised by virtue of the 14th General Quota Review of the said institution;

Table 3.2.12: Position with the IMF

In thousand dirhams	2022	2021	Change (%)
ASSETS			
IMF subscription - Reserve tranche	2 248 490	2 097 811	7
SDR holdings	20 100 998	19 105 311	5
Total	**22 349 488**	**21 203 122**	**5**
LIABILITIES			
SDR allocations	19 725 415	18 426 682	7
Comptes n°1 et 2 (*)	21 169 525	19 496 197	9
Total	**40 894 940**	**37 922 879**	**8**

(*) Holds the PLL drawdown made in 2020, partially refunded in January 2021 (8,806,234 KDH).

  - **The mobilized tranche**: 14.36 million SDR (199,676 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. At end-December 2022, revaluation of the mobilized tranche resulted in an adjustment of +15,784 KDH, as against -10 370 KDH the year before.

- SDR holdings: represent the equivalent of Bank Al-Maghrib's assets with the IMF. This account records, in the debit side, SDRs purchased by the Bank and the remunerations paid by the IMF, while in the credit side, it records quarterly payments of commissions on SDR allocations as well as loans reimbursements made by Morocco. These assets were strengthened in 2021, after the IMF issued a general SDR allocation to member countries worth SDR 456 billion, of which SDR 857.2 million (equivalent to MAD 10.9 billion[1]) represented Morocco's share of this allocation.

  At the end of 2022, their equivalent value in dirhams stood at 20,100,998 KDH, up 995,687 KDH compared with the end of 2021, due to the 7 percent rise observed in the SDR exchange rate to 13.90 DH, which more than offset the fall in SDR assets. The latter, which amounted to 25.2 million SDRs, corresponds in particular to the PLL's financial costs, which were deducted from SDR assets as per the IMF's schedule, for a value of 361,864 KDH as opposed to 244,676 KDH in 2021.

The liabilities side include the «SDR allocations item», which corresponds to the value, in dirhams, of SDR allocations granted by the IMF to Morocco as a member country. In 2009, this account was credited with 5.7 billion dirhams in 2009, representing Morocco's share of the general and special allocations (475.8 million SDRs)[2] granted by the IMF to member countries, and with 10.9 billion dirhams in 2021 covering Morocco's share of the general allocation (857.2 million SDRs) made by the IMF in August of this year.

At the end of 2022, this item rose by 7 percent (+1,298,733 KDH) to 19,725,415 KDH, reflecting the above-mentioned appreciation in the SDR exchange rate against the dirham (+7 percent).

AMF subscription

This account represents the share 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 (5,845 KDH);
- 21.69 million Arab dinars, subscribed in foreign currency, of which 10.10 million Arab dinars subscribed by the Bank (421,344 KDH) remained unchanged since 2018 ;

[1] Impacting SDR holdings on the assets side and SDR allocations on the liabilities side

[2] 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.

- 19.44 million Arab dinars, of which 9.10 million were paid by 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 the Treasury

This item includes the claim resulting from the State's use of the balance of the IMF's Precautionary and Liquidity Line drawdown.

In November 2022, the Treasury drew down the equivalent in dirhams of the entire amount available on the IMF's PLL, i.e. SDR 1,499.8 million, pursuant to the relevant agreement signed on November 11 between Bank Al-Maghrib and the MEF.

Box 3.2.1: Use of PLL by the State

On April 7, 2020, in a proactive response to the Covid-19 pandemic crisis, the Moroccan government **drew** on SDR 2.15 billion from the precautionary and liquidity line (PLL). The latter was granted as part of the agreement concluded with the IMF in 2012 and renewed for the 3rd time in December 2018, for around US$3 billion equivalent, repayable over 5 years with a 3-year grace period. The purpose is to finance the balance of payments and maintain foreign exchange reserves at a comfortable level. The proceeds of the PLL, equivalent to MAD 29 billion, were recorded on the assets side of the balance sheet as foreign currency assets, and on the liabilities side in the IMF's Account No. 1.

On January 8, 2021, a **partial redemption** of the PLL, amounting to SDR 651 million (equivalent to USD 936 million or MAD 8.4 billion), was made to the IMF. This early redemption eased the country's financial commitments while reducing their costs, particularly in view of the very favourable terms applied to the Treasury's external borrowings in 2020. On November 14, 2022, pursuant to an ad hoc agreement signed between Bank Al-Maghrib and the State, the latter drew down all available funds from the PLL to meet the Treasury's liquidity needs. This operation led to recognition on the assets side of the Bank's balance sheet of a SDR receivable from the State totalling SDR 1.5 billion. This operation has no impact on the Bank's ROA or on the level of the Treasury's external indebtedness.

Note 5: Claims on Moroccan credit institutions and similar entities

This item covers refinancing operations of credit institutions made as part of the monetary policy conduct, in conformity with Article 7 of the Bank's Statutes.

In 2022, monetary policy was conducted in a context marked by an unprecedented surge in Inflationary pressures. To prevent Inflation expectations from becoming unhinged, and to secure the conditions for a rapid return to levels in line with the objective of price stability, Bank Al-Maghrib raised its key rate twice, in September and December 2022, by 50 basis points each time, bringing it to 2.50 percent.

Banks' liquidity needs increased sharply in 2022, reaching a weekly average of MAD 80.9 billion, compared with MAD 70.8 billion a year earlier. This change was primarily due to the sharp rise in banknote circulation, partially offset by the higher level of foreign exchange reserves. Under these conditions, the Bank continued to satisfy all the needs of the banking market, thereby increasing the volume of its operations to a weekly average of MAD 93.5 billion, up from MAD 82.9 billion a year earlier.

At December 31, 2022, the bank refinancing totalled 114, 420,180 KDH including:

- 69,084,621 KDH through 7-day advances following a call for tenders, granted at the key rate;
- 21,533,559 KDH corresponding to repurchase agreements (1 and 3 months), initiated since March 2020 and granted at the average key rate;
- 23,802,000 KDH corresponding to secured loans granted within the framework of programs designed to support financing of the economy (VSMEs, the programme of business support and financing (PIAFE)[1], micro credit associations, and participatory banks);

Table 3.2.13: Structure of loans to banks

In thousand dirhams	2022	2021	Change (%)
Repo type operations	**90 618 180**	**70 023 104**	**29**
7-day advances	69 084 621	47 273 368	46
Repurchase agreements	21 533 559	22 749 736	-5
Secured loans (*)	**23 802 000**	**21 201 000**	**12**
Total	**114 420 180**	**91 224 104**	**25**

(*) 1 month, 3 months and 1 year.

[1] 1,962,000 KDH at year-end, at an interest rate of 1.25%.

Note 6 : 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.

Other assets fell by 7 percent, from one year to the next, from 3,988,298 KDH to 3,706,864 KDH.

Note 7 : Net fixed assets

Table 3.2.14: Net fixed assets

In thousand dirhams	2022	2021	Change (%)
(including)			
Fixed loans	777 326	787 976	-1
Equity securities and the like	1 942 407	2 107 218	-8
Tangible and intangible fixed assets	7 885 307	7 574 594	4
Gross fixed assets	**10 605 343**	**10 470 029**	**1**
Depreciation and provision endowments	-5 926 917	-5 696 102	4
Net fixed assets	**4 678 426**	**4 773 927**	**-2**

This item stood at 4,678,426 KDH, down slightly by 2 percent, due to a greater increase in depreciation (+230,816 KDH) than in investments (+135,314 KDH).

Equity securities and the like

Table 3.2.15: Equity securities and the like

In thousand dirhams	2022					2021 Gross book value	change (%)[3]
	Type of activity	Net book value	Gross book value[1]	Accounting net situation[2]	Quote-part (%)		
Securities held in Moroccan institutions and the like (including)		**56 824**	**53 749**			**221 709**	**-74**
Dar Ad-Damane	Financial	1 265	-	233 329	1.69	1 265	-
Maroclear	Financial	4 000	4 000	317 618	20.00	4 000	-
Casablanca Finance City Authority	Financial	50 000	49 690	496 899	10.00	50 000	-
The Moroccan Deposit Insurance corporation (SGFG)	Financial	59	59	9 054 [4]	4.59 [4]	59	-
Receivables attached to equity [5]		-	-			164 885	-100
Securities held in foreign financial institutions		**1 885 583**	**1 873 793**			**1 885 510**	**0.004**
Ubac Curaçao	Financial	23 228	23 228	84 620 USD	6.85	23 228	-
Swift	Financial	519	519	616 152 EUR	0.02	519	-
Arab Monetary Fund	Financial	5 845	5 845	1 423 834 DA[6]	0.02	5 771	1
Arab Trade Financing Program	Financial	16 856	16 856	1 176 045 USD	0.28	16 856	-
Africa50-Project Finance	Financial	175 142	175 142	408 817 USD	4.46	175 142	-
Africa50-Project Development	Financial	19 460	7 670	16 378 USD	4.49	19 460	-
Bank for International Settlements	Financial	1 644 533	1 644 533	23 447 000 SDR[7]	0.53	1 644 533	
Gross total of equity securities and the like		**1 942 407**	**1 927 543**			**2 107 218**	**-8**

[1] Minus of provisions made for the impairment of the Bank's holdings.

[2] Net position the organizations in which the Bank has a participating interest (in thousands), calculated using the net book value method on the basis of the 2021 financial statements.

[3] Variation in gross accounting value between 2021 and 2022.

[4] Increase in share capital in cash by 994 KDH to 4,374 KDH through the issue of new shares, as decided by the Combined General Meeting of June 1, 2021. Bank Al-Maghrib's share has thus been reduced from 5.94% in 2021 to 4.59% in 2022.

[5] Acquisition of office space in the CFC Tower, in accordance with the legal provisions governing this transaction.

[6] Arab Dinars.

[7] SDR: Special Drawing Rights.

Tangible and intangible fixed assets

Table 3.2.16: Tangible and intangible fixed assets

In thousand dirhams	2021 Gross amount	Increase	Decrease	2022 Gross amount
Operating real estate properties	2 122 741	193 363		2 316 104
Operating furniture and equipment	2 844 789	87 956	39 490	2 893 255
Other operating tangible fixed assets	1 057 919	45 731	1 374	1 102 275
Non-operating tangible fixed assets	769 050	2 677	472	771 255
Intangible fixed assets	780 095	45 468	23 146	802 417
Total	**7 574 594**	**375 194**	**64 482**	**7 885 307**

At end-2022, the gross value of tangible and intangible fixed assets posted an annual growth of 310, 712 KDH to reach 7, 885, 307 KDH. Investments made this year are broken down as follows:

- 60 percent for real estate investments, including the acquisition of premises in the 'CFC Tower' to accommodate the DSB and the construction of branches in Errachidia and Dakhla;
- 32 percent corresponding to the upgrade and reinforcement of the IT infrastructure, the upgrade of Dar-As-Sikkah's production equipment and security systems, the renewal of various installations and fittings at the Bank's sites, and the expansion of its numismatic and artistic heritage;
- 6 percent for upgrading certain information systems and acquiring computer licenses.

Disposals mainly concern scrap equipment and furniture sold by the Bank (transport equipment, office furniture, IT equipment, etc.) and donated to a charitable organization.

Liabilities

Note 8 : Banknotes and coins in circulation

In accordance with Article 5 of its Statutes, Bank Al-Maghrib shall issue banknotes and coins. The amount of this item corresponds to the difference between the banknotes and coins issued and those held in the Bank's vaults.

Cash increased by 10 percent to 372,786,283 KDH, thus representing 75 percent of the Bank's balance sheet, compared with 78 percent a year earlier. In line with its seasonal profile, it peaked during the months of June, July and August, coinciding with a concentration of cash-intensive events (summer period, Eid Al Adha celebrations and the start of the school year).

Note 9: Commitments in gold and in foreign currency

These liabilities mainly include currency deposits of foreign banks and non-residents. They decreased by 32 percent from the previous year to reach 6,742,577 KDH, due exclusively to the increase in the Bank's foreign currency liabilities.

Note 10: 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 item. 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. At end-2022, these commitments increased by 9 percent to 21,169,525 KDH, following the revaluation of the IMF's assets in dirhams for the year ended April 30, 2022 by 957,719 KDH, adjusted at end-December 2022 by 715,672 KDH at the exchange rate prevailing on the last business day of the year under review.

Table 3.2.17: Commitments in convertible dirhams

In thousand dirhams	2022	2021	Change (%)
Commitments to international financial institutions	**21 212 432**	**19 554 414**	**8**
Commitments to foreign banks	42 684	57 655	-26
Current accounts of international financial institutions	21 169 747	19 496 759	9
Other commitments	**17 842**	**11 646**	**53**
Total	**21 230 274**	**19 566 060**	**9**

Note 11: Deposits and liabilities in dirhams

This item mainly includes:

- The current account of the Treasury, held by Bank Al-Maghrib by virtue of Article 16 of its Statutes. It is remunerated according to the requirements below, in accordance with the agreement signed between the Ministry of Economy and Finance and Bank Al-Maghrib on July 28, 2009:
  - The tranche lower than or equal to 2 billion dirhams is remunerated at the rate of 7-day advances minus fifty basis points, or 2,00 percent ;

Table 3.2.18: Deposits and liabilities in dirhams

In thousand dirhams	2022	2021	Change (%)
Public Treasury current account	4 087 201	5 258 034	-22
Moroccan banks' current account	32 383 423	28 484 675	14
Liquidity withdrawals	-	-	-
Deposit facilities	-	-	-
Deposits of general government and public institutions	1 331 794	1 176 044	13
Other accounts	4 642 191	4 048 778	15
Total	**42 444 609**	**38 967 531**	**9**

- The tranche above 2 billion dirhams up to 3 billion dirhams is remunerated at the rate of 7-day advances minus one-hundred basis points, or 1.50 percent ;
- The tranche exceeding 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, were totally released to the banks by decision of the Bank 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 2.00 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 1.50 percent

At end -2022, this item grew by 3,477,078 KDH to 42,444,609 KDH, mainly reflecting the 3,898,748 KDH increase in assets of Moroccan banks and the 1,170,833 KDH drop of the cash available in the Treasury's current account.

Note 12: Other liabilities

Table 3.2.19: Other liabilities

In thousand dirhams	2022	2021	Change (%)
Other securities transactions	361	361	-
Miscallaneous creditors	583 006	592 808	-2
Equalization accounts	233 179	465 831	-50
Amounts claimable after receipt of payment	173 226	52 267	>100
Provisions for risks and expenses	245 934	203 023	21
Revaluation account of foreign exchange reserves	29 434 461	4 421 489	>100
Total	**30 670 166**	**5 735 780**	**>100**

Other liabilities particularly include:

• Miscellaneous creditors, primarily consisting of tax and fiscal withholdings, other sums payable to the State and to third parties, and pending contributions to provident funds and institutions for social security.

Their balance at end-2022 stood at 583, 006 KDH, of which 431, 768 KDH as debts to suppliers. at At December 31, 2022, breakdown of these debts by due date, pursuant to the provisions of Law No.32-10 relating to payment deadlines which came into force in 2013, comes as follows:

Table 3.2.20: Breakdown of trade payables by due date

In thousand dirhams	Amount of suppliers' debt at the end of the fiscal year	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 2020	411 251	411 190	7	-	-	54
Fiscal Year 2021	431 768	431 704	-	-	-	64

- The equalization accounts, mainly composed of intersystem transactions, accruals, deferred income and any other debtor amount pending settlement, fell from 465, 831 KDH one year earlier to 233, 179 KDH at the end of the year, between 2021 and 2022.

- Amounts claimable after receipt of payment, whose accounts make up the counterpart of securities presented for payment, fell from 52,267 KDH in 2021 to 170,603 KDH at end-2022.

- Provisions for liabilities and charges, which are intended to cover actual or pending events that are likely to occur but whose realization is not certain, amounted to 245,934 KDH at the end of 2022, as against 203,023 KDH one year earlier. They consist mainly of provisions for social fund commitments, amounting to KDH 180,000, and a provision for penalties incurred for overdue supplier payments, amounting to KDH 36, set aside in accordance with the aforementioned Act no. 32-10 (see Table 3.2.36 of note 33 of the CPC);

- The foreign exchange reserves valuation account, which reflects changes in exchange values resulting from the valuation of assets and liabilities in gold, precious metals and foreign currencies, including SDRs, on the basis of the exchange rates prevailing on the last business day of the year, in compliance with the agreement between Bank Al-Maghrib and the MEF[1] pertaining to this account.

The agreement also states that the valuation balance of foreign exchange reserves must be maintained at a minimum level of 2.5 percent of net foreign assets, and may not be carried forward to income for the year, distributed or used for any purpose whatsoever. In the event of a shortfall in the minimum required, a foreign exchange loss reserve of up to 10 percent is deducted from net income. Should the debit balance not be covered by the balance of the exchange loss reserve, the latter is replenished by deducting up to 20 percent from net income. If the balance exceeds 20 percent of net income, successive deductions are made from net income.

[1] See section on the main accounting policies and valuation methods.

In 2022, the foreign exchange reserve valuation account posted a significant increase, mirroring developments on the foreign exchange market, to reach a peak of 32,536,401 KDH at the end of November, and ended the year with a credit balance of 29,434,461 KDH, up sharply (+25,012,972 KDH) on 2021. This increase was driven in particular by the rise in the value of the US dollar (+13 percent), the ounce of gold (+12 percent) and the EUR (+6 percent).

Table 3.2.21: Change in foreign exchange valuation account

In thousand dirhams	2022	2021
(of which)		
Gold	1 490 323	19 198
USD	15 164 109	4 974 559
EUR	9 836 450	-6 506 960

At the end of December 2022, this balance amounted to 9.9 percent of the Bank's net foreign assets (MAD 298 billion MAD), up from 1.5 percent a year earlier.

Note 13: Equity capital and the like

Under Article 2 of the Bank's Statutes, the capital is set at 500,000 KDH, fully paid-up and held by the State. The capital may be increased by incorporation of reserves by decision of the Bank board, after consulting the government commissioner, up to a maximum of fifty percent of the capital.

The general reserve fund was established in accordance with Article 48 of the above-mentioned Statutes, by deducting 10 percent from the net profit until it reaches the amount of the capital.

Meanwhile, the 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.

The foreign exchange loss reserve has been set aside since 2021 by allocating 10 percent of net income for the years 2020 and 2021, totaling 262,120 KDH, in accordance with the provisions of the Articles of of the Bank's Statues and the agreement governing the foreign exchange reserve valuation account.

Table 3.2.22: Equity capital and the like

In thousand dirhams	2022	2021	Change (%)
Equity	**500 000**	**500 000**	**-**
Reserves	**5 263 461**	**5 169 757**	**2**
General reserve funds	500 000	500 000	-
Special reserve funds	4 501 340	4 501 340	-
Foreign exchange loss reserve	262 120	168 417	56
Retained earnings	**28 542**	**28 212**	**1**
Total	**5 792 002**	**5 697 969**	**2**

3.2.10 Comments on off-balance sheet items

Off-balance sheet items reflect commitments given and received, which cannot be accounted for in the balance sheet accounts:

- Purchases and sales of securities and currencies made between the trade date (commitment date) and the delivery and/or settlement date (value date) ;
- Currency swap transactions carried out between the trade date (commitment date) and the maturity date (maturity date);
- Guarantees received by the Bank as part of its monetary policy conduct and lending facilities;
- bank refinancing commitments;
- Guarantees given or received by the Bank (contracts).

Note 14 : Foreign exchange operations

This item records foreign exchange swap transactions in foreign currencies carried out, in particular, in the context of monetary regulation, as well as of currency transitional arbitrage operations.

Table 3.2.23: Foreign exchange operations

In thousand dirhams	2022	2021
Forward foreign exchange transactions		
Forward currencies receivable	4 834 546	3 747 394
Forward currencies to be delivered	4 851 467	3 745 375
Foreign exchange transactions- currency deposits	**9 265 794**	**5 142 569**
Foreign exchange transactions-arbitrage operations		
Foreign currencies receivable	-	-
Foreign currencies deliverable	-	-

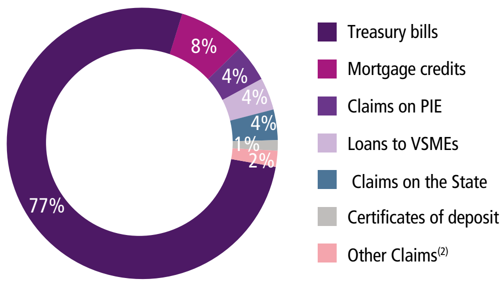
Note 15 : Commitments on securities

This heading mainly covers securities pledged to Bank Al-Maghrib to secure various refinancing operations to banks as well as advances to the participants in the Moroccan Gross Settlement System -SRBM (advance options). 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 3.2.24: Commitments on securities

In thousand dirhams	2022	2021
Securities received on advances granted	95 487 149	73 832 432
Securities received on advances to be granted	11 492 600	10 324 200
Other guarantees received on advances granted	29 789 531	25 520 307
Advances to be granted	10 917 970	9 807 990
Foreign securities receivable	-	1 177 569
Foreign securities deliverable	-	1 162 318

Chart 3.2.4: Structure of commitments on securities [1]



[1] Collateral received on the advances granted by the Bank as part of the monetary policy implementation.

[2] Wakala Bil Istitmar.

Note 16: Other commitments

Table 3.2.25: Other commitments

In thousand dirhams	2022	2021
Received market guarantees	100 424	92 470
Guarantees liabilities received for staff loans	922 152	906 678
Financing liabilities granted to the staff	13 188	9 159
Other granted liabilities	1 000	1 000

3.2.11 Comments on profit and loss account

Note 17: 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 interest earned on the following gold, SDR and foreign currency investment operations carried out by the Bank as part of its foreign reserve management mandate:

- Bond market investments (portfolios of investment, transaction and 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 3.2.26: Interests earned on holdings and investments in gold and in foreign currency

In thousand dirhams	2022	2021	Change (%)
Investments in gold	4 208	-	>100
Bond investments	2 702 879	2 356 292	15
Money market investments	326 676	32 649	>100
Claims on the IMF	262 239	7 164	>100
Other interests (*)	44 650	22 050	>100
Total	**3 340 653**	**2 418 155**	**38**

(*) Mainly include interests on foreign securities loans.

Interests from foreign currency investment operations amounted to 3,340,653 KDH, up 38 percent compared to 2021. This change mainly reflects the upturn in investment and improved rates of return on money-market investments and on SDRs.

Interests from bond investments, which account for 81 percent of the total, rose by 15 percent to 2,702,879 MAD, breaking down as follows:

- 2,202,522 KDH relating to the investment portfolio (+22 percent), reflecting the larger size of this portfolio;
- 500,357 KDH relating to the investment portfolio (-10 percent), reflecting in particular the smaller size and duration of liquid portfolios.

Money-market investments generated revenues of 326,676 KDH, representing an increase of 294,027 KDH compared with 2021, mainly as a result of higher euro and dollar deposit rates.

Interest on SDR holdings rose to KDH 262,239. This increase was mainly due to the 114-bp rise in the average SDR rate to 1.19 percent (0.05 percent in 2021 and 0.20 percent in 2020).

Interest on gold investments totalled 4,208 KDH, reflecting the resumption of gold lending operations.

Note 18: 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 for remuneration conditions).

These interests recorded an annual rise of 26 percent to 1,562,197 KDH, as the stepped up injections and raised the key interest rate by one percentage point to 2.50 percent. They are composed of:

- 710,172 KDH from 7-day advances, which improved by 38 percent, reflecting the 24 percent rise in the average outstanding amount of this instrument to 42,406,479 KDH (34,220,742 KDH in 2021) and the quarterly impact of the key rate hike;
- 470,036 KDH in 1- and 3-month repurchase agreements, which increased by 46 percent, mainly due to the 34 percent rise in average outstanding amounts to 28,761,273 KDH ;

Table 3.2.27: Interests received on loans to credit institutions

In thousand dirhams	2022	2021	Change (%)
(of which)			
7-day advances	710 172	513 311	38
24-hour advances	46	880	-95
Repurchase agreements	470 036	322 162	46
Secured loans	381 692	407 529	-6
Total	**1 562 197**	**1 244 143**	**26**

- 381,692 KDH in secured loan transactions (1 month, 3 months and 1 year), down 6 percent following a 14 percent drop in average outstanding loans to 23,326,653 KDH.

Note 19: Other interests earned

This item mainly covers interests due to the Bank under loans granted to its staff for housing purchase and construction. These interests totalled 9,758 KDH at the end of 2022, as against 12,610 KDH one year earlier.

Note 20 : Commissions earned

The Bank collects commissions for the banking operations it carries out on behalf of its customers, and which mostly cover foreign exchange operations and the centralization of the Treasury's auction operations.

The commissions earned Fee income rose by 72 percent in 2022 to MAD 1,121,250 KDH, largely reflecting foreign exchange commissions, particularly on foreign banknotes, which almost doubled (+95 percent) following the surge in banks' sales of foreign banknotes to Bank Al-Maghrib.

Table 3.2.28: Commissions earned

In thousand dirhams	2022	2021	Change (%)
Foreign exchange commissions	1 051 880	540 804	95
Intermediation margin	3 527	23 161	-85
Management of Treasury bonds	49 433	70 104	-29
Other commissions	16 410	16 978	-3
Total	**1 121 250**	**651 047**	**72**

The commission charged by the Bank for centralizing Treasury bill tenders fell by 29 percent to 49,433 KDH, indicating the Treasury's limited recourse to the primary market in 2022 to finance its deficit.

Note 21 : Other financial revenues

The other financial revenues item mainly covers gains generated from foreign currency transactions, deferral of discounts on investment securities and profits from foreign currency swaps.

At the end of 2022, this income declined by 48 percent to 295,166 KDH, due in particular to the lower capital gains on sales of investment securities (-338,144 KDH) against a backdrop of rising interest rates, partially offset by the evolution of write-downs on investment securities (+109,345 KDH).

The dividend received by the Bank in 2022 from its equity interests in certain foreign entities amounts to 11,471 KDH, including 11,194 KDH from the BIS (19,856 KDH in 2021), calculated on the basis of a unit dividend of 275 SDR (520 SDR in 2021), as decided by its Board of Directors on June 26, 2022.

Table 3.2.29: Other financial revenues

In thousand dirhams	2022	2021	Change (%)
Capital gains on sales of marketable securities	85 966	424 110	-80
Spreading of discounts on foreign securities	175 642	66 297	>100
Capital gains on management mandates	-	18 634	-100
Gains on foreign exchange swap transactions (monetary policy)	162	18 629	-99
Gains on foreign exchange swap transactions (premium/discount)	15 705	17 884	-12
Dividends on equity securities	11 471	20 100	-43
Other revenues	6 221	3 408	83
Total	**295 166**	**569 062**	**-48**

Note 22 : 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 secure identity cards. Their sale price is particularly set on the basis of the costs derived from the Bank's analytical system. This item also consists of changes in inventories of finished products, in-process production and commemorative coins.

At end-2022, these sales amounted to 382,028 KDH, up 71,402 KDH on 2021. This rise was driven by an increase in sales of secure documents to 376,218 KDH, including 197,606 KDH for biometric passports and 162,013 KDH for secure identity cards[1], whose production started in 2020.

Note 23 : 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 settled by Bank Al-Maghrib. From end-2021 to end-2022, these revenues rose from 16,011 KDH to 47,049 KDH, of which 16 795 KDH were from the SRBM billing system.

Note 24 : Reversal of provisions

This item indicates a balance of 111,191 KDH at end-2022 covering, in particular, reversals of: provisions for impairment in value of foreign investment securities amounting to 58,023 KDH (compared with 11,952 KDH in 2021), provisions to cover the pension commitment as part of the roll-out of the financing plan for the gradual transition to the TV 88-90 mortality table amounting to 20,000 KDH; and provisions for impairment in value of equity investments of 9,097 KDH (see table 3.2.36 in note 33 of the PLA).

[1] These are the driver's license and the electronic vehicle registration certificate.

Notes 25 : Noncurrent revenues

This item, which includes exceptional and non-recurring revenues, amounted to 6,748 KDH at-end 2022, as against 458 KDH the year before, linked to the proceeds from the transfer of certain of the Bank's fixed assets.

Note 26: Interests paid on commitments in gold and in foreign currency

These interests grew by 173,561 KDH to 282,269 KDH at end 2022, mainly driven by the rise in commissions on SDR allocations to 237,677 KDH, on the back of the SDR interest rate appreciation (1.19 percent in 2022 vs. 0.05 percent in 2021), mitigated by the fall in interest paid on monetary deposits to 44,593 KDH.

Note 27: 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 11 of the balance sheet). It can also include, in a context of liquidity excess, interests paid by the Bank under 7-day liquidity withdrawals, overnight deposits facilities and swap of dirhams against currencies.

In 2022, this interest rose by 31 percent to 200,982 KDH, due to the higher remuneration of customers' accounts of Bank Al-Maghrib.

Table 3.2.30: Interests paid on commitments in dirhams

In thousand dirhams	2022	2021	Change (%)
(of which)			
Monetary reserve accounts	-	-	-
Other accounts (including)	199 328	152 458	31
Public account	28 689	24 508	17
Total	**200 982**	**153 540**	**31**

Note 28: Commissions paid

This item includes commissions paid in exchange for financial services provided to the Bank as well as the negative intermediation margin[1] on foreign exchange transactions carried out with authorised intermediaries.

At the end of 2022, these commissions amounted to 30,810 KDH, up 7 percent from 2021 (28,856 KDH). The increase was mainly due to higher custody fees for foreign securities (+5,903 KDH), which reflects the larger size of the bond portfolio, and higher commissions on foreign banknotes trading (+4,144 KDH), as well as a lower negative intermediation margin on foreign exchange transactions carried out with authorized intermediaries (-8,131 KDH).

[1] The negative intermediation margin is calculated as the negative difference between the negotiated exchange rate and the reference rate for foreign exchange transfer transactions with Moroccan banks.

Note 29: Other financial expenses

This item covers losses on foreign currency transactions, mainly losses on the sales of investment securities and deferral of premiums on investment securities.

Table 3.2.31: Other financial expenses

In thousand dirhams	2022	2021	Change (%)
Losses in investment securities held for sale (*)	152 785	39 846	>100
Deferral of premiums on foreign securities	769 626	548 384	40
Negative interest rates paid on investment securities	114 166	163 521	-30
Losses on foreign exchange swap transactions	627 014	14 032	>100
Losses on foreign exchange swap transactions (premium/ discount)	1 066	1 134	-6
Other expenses	8 957	2 616	>100
Total	**1 673 613**	**769 534**	**>100**

(*) The difference between the book value and the sale price.

At the end of 2022, these expenses amounted to KDH 1,673,613, up 904,080 KDH. This was mainly due to the sharp rise in capital losses on management mandates (+612,982 KDH) and on investment securities (+112,938 KDH), mainly in USD, which, in turn, was due to the sharp rise in bond yields, as well as to the spreading of premiums on investment securities (+221,242 KDH).

Note 30: Staff expenses

This item mainly includes 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.

Personnel costs amounted to 898,809 KDH, up only 2 percent compared with 2021, mainly due to a moderate increase in the wage bill and the gradual resumption of operations suspended during the health crisis (catering, face-to-face training, etc.).

Table 3.2.32: Staff expenses

In thousand dirhams	2022	2021	Change (%)
Staff salaries	679 773	671 461	1
Social expenses	196 913	192 532	2
Training expenses	5 480	2 419	>100
Other expenses	16 643	14 040	19
Total	**898 809**	**880 452**	**2**

Note 31: Purchase 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 18 percent increase in this item to 370,771 KDH mainly covers an increase in the cost of materials and supplies needed for manufacturing identity documents, mainly paper and coin blanks, due to the growing demand for secure documents and the sharp rise in raw material prices.

Table 3.2.33: Purchase of materials and supplies

In thousand dirhams	2022	2021	Change (%)
Purchase of raw materials	178 513	197 374	-10
Purchase of consumable materials and supplies	140 674	73 143	92
Other purchases	51 585	43 407	19
Total	**370 771**	**313 924**	**18**

Note 32: Other external expenses

This item includes 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.

Year-on-year, other external expenses rose by 4 percent, from 357,299 KDH to 370,044 KDH. This was mainly due to the higher cost of transporting valuables by airfreight, fuel purchases, remote network transmission, computer software rental subsequent to the signing of new contracts, as well as to the costs incurred in organizing events to mark the 20th anniversary of Museum.

Table 3.2.34: Other external expenses

In thousand dirhams	2022	2021	Change (%)
Maintenance and repair of fixed assets	127 444	126 565	1
Rents	43 454	38 855	12
Water, electricity and fuel costs	29 845	26 699	12
Transportation, travel, mission and reception expenses	21 700	7 729	>100
Postal and telecommunication costs	49 928	39 990	25
Taxes and duties	21 333	21 172	1
Other expenses	76 340	96 288	-21
Total	**370 044**	**357 299**	**4**

Note 33: Depreciations and provisions

Depreciations

Table 3.2.35: Depreciations

In thousand dirhams	2022	2021	Change (%)
(of which)			
Depreciations of tangible and intangible fixed assets	**265 228**	**308 369**	**-14**
Properties [1]	121 457	111 696	9
Furniture and equipment	114 431	164 247	-30
Other tangible fixed assets	-	-	-
Intangible fixed assets	29 340	32 426	-10
Depreciations of other costs to be spread out over many fiscal years	**10 080**	**5 035**	**100**
Total	**283 535[2]**	**325 097**	**-13**

[1] Including fixtures, fittings and facilities.

Provisions

Provisions made for depreciation of the securities held to sale closed the year 2022 with a balance of 2,940,197 KDH as opposed to 484,089 KDH a year earlier, to reflect the loss in value of this portfolio in view of the sharp rise in US and euro area sovereign interest rates.

Table 3.2.36: Provisions

In thousand dirhams	Outstanding amount 31/12/2021	Allocations	Reversals	Other variations	Outstanding amount 31/12/2022
Provisions for depreciation					
Foreign treasury bonds and similar securities	531 378	2 940 197	58 023	-581	3 412 971
Miscellaneous stocks and values	7 822	12 180	7 822		12 180
Moroccan equity securities	3 135		60		3 075
Foreign equity securities	18 457	2 370	9 037		11 790
Other provisions[3]	5 677	5 668			11 345
Provisions for risks and expenses posted under liabilities (of which)	**202 635**	**79 161**	**36 250**		**245 546**
Pension liability	140 000	60 000	20 000		180 000
Provisions for risks	50 635	9 703	4 250		56 088
Late payment penalty	262	36	262		36
Other provisions	**389**				**389**
Total		**3 039 575[2]**	**111 191[4]**		

[2] Totalling 3,323,110 KDH, which correspond 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».

Note 34 : Non-current expenses

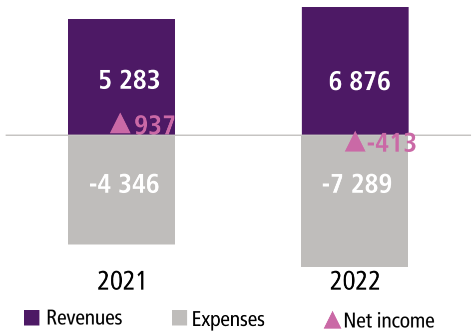
At end-2022, non-current expenses totalled 111,468 KDH, of which 96,463 KDH accounted for the social solidarity contribution on profits, assessed on the basis of 3.5 percent of net income for the previous year, as against 106,939 KDH paid in 2021 on the 2020 income.

Note 35 : Income tax

Considering the income and expense situation for 2022, which resulted in a negative accounting result and therefore a negative tax result, the minimum contribution will be paid to the Treasury in accordance with Article 144 of the General Tax Code. The rate applied is 0.40 percent, given that current income excluding depreciation is positive.

As a result, the minimum contribution amounted to 27,012 KDH at the end of 2022, as opposed to an income tax of 713,824 KDH at the end of 2021.

Chart 3.2.5: Evolution of revenues, expenses and net income (in MDH)



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 Bank's staff members or their dependants with a retirement pension, an invalidity pension, a dependants' pension and a mixed capital-pension allowance. Meanwhile, the FM ensures reimbursement of medical and prescription expenses for the Bank staff and eligible family members.

These two schemes have a separate accounting system but do not have legal personality.

Table 3.3.1: Commitment and financing of social funds

In thousand dirhams	Pension Fund of BAM staff		Mutual Fund	
	2022	2021	2022	2021
Gross commitment	3 933 697	3 723 465	645 612	614 659
hedging assests	3 321 428	3 601 092	453 433	481 715
Net commitement (*)	-612 269	-122 372	-192 179	-132 944

(*) Net liability of social funds partially provisioned at end 2022 for an amount of 180 000 KDH (see Note 11 of the balance sheet).

Pension and health benefits 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 approves 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 both return and risk.

Pursuant to the Charter for the Management of Social Security Funds, an annual report is drafted to present, on the one hand, the conclusions of the internal actuarial balance sheet duly approved and certified by the independent actuary and, on the other hand, the achievements of the hedging assets' financial management. This report is submitted to the Social Funds Steering Committee for review and approval, and the ensuing decisions are submitted to the Bank's Board of Directors for approval.

3.4 Statutory Auditor's Report

STATUTORY AUDITOR'S REPORT YEAR ENDED DECEMBER 31, 2022

AUDIT OF STATUTORY FINANCIAL STATEMENTS

Opinion

In accordance with the terms of our appointment by the Bank's Board, we have audited the accompanying financial statements of BANK AL MAGHRIB including the balance sheet as of December 31st, 2022, the profit and loss statement and the additional disclosures (ETIC). These financial statements show a net equity of 5 379 152 KMAD including a net loss of -412 850 KMAD.

We certify that the financial statements referred to in the first paragraph above are regular, sincere and give, in all material aspects, a true and fair view of the result of operations of the past fiscal year as well as the financial situation and the assets of BANK AL MAGHRIB on December 31st, 2022, in accordance with the accounting principles generally accepted in Morocco.

Basis for opinion

We conducted our audit in accordance with Moroccan auditing standards. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the ethical requirements that are relevant to our audit of the financial statements 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 audit opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Moroccan accounting standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Bank's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with Moroccan auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Moroccan auditing standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our 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.

- Obtain 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 Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance 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

We ensured that the information contained in the Management board’s report is consistent with the Bank’s financial statements.

Casablanca, March 22nd, 2023

The Statutory Auditor

Deloitte Audit

Sakina Bensouda Korachi
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 of the Bank submits the financial statements to the Bank Board for approval.

At its March 21, 2023 meeting, the Board approved the financial statements, after reviewing the auditor's opinion on their sincerity and on their consistency with the information given in the Bank's management report, as well as the net income allocation for the year 2022.

Statistical appendixes

Table A1 Main economic indicators

	2020*	2021*	2022**
World Economy (1)			
Economic growth (in %)			
World	-2.8	6.3	3.4
Euro area	-6.1	5.4	3.5
United States	-2.8	5.9	2.1
United Kingdom	-11.0	7.6	4.0
Brazil	-3.3	5.0	2.9
China	2.2	8.4	3.0
Inflation (in %)			
World	3.2	4.7	8.7
Euro area	0.3	2.6	8.4
United States	1.3	4.7	8.0
United Kingdom	0.9	2.6	9.1
Brazil	3.2	8.3	9.3
China	2.5	0.9	1.9
Unemployment (in %)			
Euro area	8.0	7.8	6.8
United States	8.1	5.4	3.6
United Kingdom	4.6	4.5	3.7
Brazil	14.2	11.1	7.9
China	4.2	4.0	4.2
Moroccan Economy (2)			
National accounts			
At previous year prices (change in %)			
Gross domestic product	-7.2	8.0	1.3
Non-agricultural gross domestic product	-7.1	6.7	3.1
Non-agricultural value added	-6.9	6.3	3.0
Taxes on products net of subsidies	-8.3	10.3	3.9
Agricultural value added	-8.1	19.5	-12.9
Household final consumption	-5.6	6.9	-0.7
General government final consumption	-0.6	7.2	3.3
Investment	-11.9	13.8	-6.5
At current prices (in billions of dirhams)			
Gross domestic product	1 152.5	1 274.7	1 330.2
Gross National Disposable Income	1 222.7	1 362.9	1 436.1
Gross national saving (in % of GDP)	27.6	28.2	26.8
Investment rate (in % of GDP)	28.8	30.5	30.3
Financing requirement or capacity	-13.4	-29.9	-47.0
Financing requirement (in % of GDP)	-1.2	-2.3	-3.5

(*) Revised.
(**) Provisional.
(1) Source: World economic outlook, IMF April 2023.
(2) Source : High Commission for Planning.

TABLE A1 Main economic indicators (continued)

	2020*	2021*	2022**
Moroccan Economy			
Employment and unemployment			
Participation rate (in %)	44.8	45.3	44.3
Employment rate (in %)	39.4	39.7	39.1
Net job creations (in thousands)	-432	230	-24
Unemployment rate (in %)	11.9	12.3	11.8
Apparent labor productivity in non-agricultural sectors (variation in %)	**-4.9**	**3.9**	**0.4**
Prices (change in %)			
Inflation	0.7	1.4	6.6
Core inflation	0.5	1.7	6.6
External accounts			
Exports FOB (in Billions of DH)	263.1	329.4	428.6
Imports CIF (in Billions of DH)	422.9	528.6	737.4
Trade balance (in % of GDP)	13.9	15.6	23.2
Travel receipts (variation in %)	-53.7	-5.1	170.8
Remittances (variation in %)	4.8	40.1	16.0
Current account balance (in % of GDP)	-1.2	-2.3	-3.5
Foreign direct investment receipts (in % of GDP)	2.3	2.6	3.0
Public finance (in % of GDP)			
Overall budget balance (1)	-7.1	-5.9	-5.2
Total treasury debt (Direct debt)	72.2	69.5	71.6
Domestic treasury debt	54.9	53.5	54.3
External treasury debt	17.3	16.0	17.2
Public external debt	32.7	29.8	31.8
Money and monetary conditions			
Surplus or need of banking liquidity (in Billions of dirhams)	-90.3	-70.8	-80.9
Key rate (2) (in %)	1.50	1.50	2.50
Lending rate (3) (in %)	4.42	4.44	4.50
Interbank rate (3) (in %)	1.50	1.50	2.50
Official reserve assets (in Billions of dirhams) (2)	320.57	330.83	337.65
Official reserve assets in months of imports (2)	7.1	5.3	5.4
Bank loans (change in %)	4.7	2.6	7.5
Bank loans to the non financial sector (change in %)	4.2	2.9	7.9
Rate of non-performing loans (in %)	8.4	8.6	8.4
Money supply (M3) (in Billions of dirhams)	1 485.1	1 560.8	1 685.1
Real effective exchange rate (annual change)	1.3	1.3	-4.0

(*) Revised for the sections of : external accounts, public finance and money and monetary conditions.
(**) Provisional for the sections of: external accounts, public finance and money and monetary conditions.
(1) Excluding the proceeds from the sale of state holdings.
(2) At end-December.
(3) Weighted average rates.
Sources : High Commission for Planning, Foreign Exchange Control Office, Ministry of Economy and Finance and Bank Al-Maghrib.

Table A2.1 Gross domestic product at previous year prices

(Changes in %)

	2018	2019	2020*	2021*	2022**
Gross domestic product	**3.1**	**2.9**	**-7.2**	**8.0**	**1.3**
Primary sector	**4.5**	**-3.9**	**-7.1**	**19.0**	**-12.7**
Agriculture and forestry	5.6	-5.0	-8.1	19.5	-12.9
Fishing and aquaculture	-12.5	13.8	12.2	9.9	-9.7
Secondary sector	**3.1**	**4.1**	**-5.2**	**7.1**	**-1.7**
Extraction industry	-0.8	2.3	2.6	7.3	-9.4
Manufacturing industries	3.2	3.4	-7.4	7.8	0.3
Electricity and gas distribution - Water distribution, sewerage system, waste treatment	8.8	14.7	-1.3	7.5	-3.2
Construction	1.3	0.5	-4.1	4.7	-3.6
Tertiary sector	**2.9**	**3.9**	**-7.9**	**5.8**	**5.4**
Wholesale and retail trade, repair of motor vehicles and motorcycles	-0.2	2.1	-6.6	8.2	0.4
Transport and storage	-0.5	5.5	-28.5	10.5	3.8
Accommodation and catering activities	6.2	3.6	-54.6	15.4	53.7
Information and communication	3.5	2.5	5.1	-1.5	2.6
Financial activities and insurance	1.9	5.3	0.6	4.8	7.0
Real estate activities	3.2	1.8	-0.8	2.9	1.4
Research and development and services to companies	6.1	8.3	-13.4	9.6	5.4
Public administration, compulsory social security	3.9	6.6	5.3	5.1	4.2
Education, health and social action activities	4.1	2.0	0.8	3.6	5.5
Other services	1.5	0.2	-23.2	5.0	2.7
Global added value	**3.1**	**3.0**	**-7.0**	**7.8**	**1.0**
Non-agricultural GDP	**2.8**	**3.8**	**-7.1**	**6.7**	**3.1**
Non-agricultural added value	**2.8**	**4.0**	**-6.9**	**6.3**	**3.0**
Taxes on products net of subsidies	**2.4**	**2.3**	**-8.3**	**10.3**	**3.9**

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

Table A2.2 Gross domestic product at current prices by branch of activity

(In millions of dirhams)

	2018	2019	2020*	2021*	2022**
Gross domestic product	**1 195 237**	**1 239 836**	**1 152 477**	**1 274 727**	**1 330 158**
Primary sector	**135 128**	**134 428**	**122 896**	**152 911**	**137 426**
Agriculture and forestry	127 084	127 851	117 094	143 963	130 299
Fishing and aquaculture	8 044	6 577	5 802	8 948	7 127
Secondary sector	**301 694**	**313 058**	**300 147**	**328 875**	**338 886**
Extraction industry	20 789	20 392	16 659	24 298	38 297
Manufacturing industries	177 736	183 041	174 916	192 034	199 747
Electricity and gas distribution - Water distribution, sewerage system, waste treatment	37 031	42 938	44 343	45 360	28 101
Construction	66 138	66 687	64 229	67 183	72 741
Tertiary sector	**634 322**	**663 041**	**613 006**	**661 711**	**724 634**
Wholesale and retail trade, repair of motor vehicles and motorcycles	119 305	122 214	111 643	129 930	151 084
Transport and storage	38 724	43 097	33 754	37 264	36 820
Accommodation and catering activities	48 214	50 617	23 416	26 501	41 736
Information and communication	30 286	31 249	32 727	32 112	32 950
Financial activities and insurance	52 304	52 094	51 956	56 578	59 809
Real estate activities	82 619	86 344	86 599	89 957	93 209
Research and development and services to companies	54 407	59 112	51 623	56 924	64 472
Public administration, compulsory social security	105 827	112 999	119 152	126 029	132 153
Education, health and social action activities	84 471	86 816	87 739	91 233	96 469
Other services	18 165	18 499	14 397	15 183	15 932
Global added value	**1 071 144**	**1 110 527**	**1 036 049**	**1 143 497**	**1 200 946**
Non-agricultural GDP	**1 068 153**	**1 111 985**	**1 035 383**	**1 130 764**	**1 199 859**
Non-agricultural added value	**944 060**	**982 676**	**918 955**	**999 534**	**1 070 647**
Taxes on products net of subsidies	**124 093**	**129 309**	**116 428**	**131 230**	**129 212**

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

Table A2.3 Goods and services account at current prices

(In millions of dirhams)

	2018	2019	2020*	2021*	2022**	Changes in % 2021*/2020	Changes in % 2022**/2021
RESOURCES							
Gross domestic product	1 195 237	1 239 836	1 152 477	1 274 727	1 330 158	10.6	4.3
Imports of goods and services	519 049	519 554	438 514	541 101	748 962	23.4	38.4
EXPENDITURES							
Households final consumption	702 020	723 177	672 606	751 470	813 450	11.7	8.2
General government final consumption	215 092	225 389	223 638	242 213	255 627	8.3	5.5
Final national consumption of NPIs(1)	8 700	8 799	8 204	9 949	10 912	21.3	9.7
Gross fixed capital formation	332 976	337 145	302 245	335 620	360 825	11.0	7.5
Changes in stocks	48 798	40 024	27 596	51 484	39 746	86.6	-22.8
Acquisitions - cessions of valuables	2 370	2 158	1 807	2 089	2 521	15.6	20.7
Exports of goods and services	404 330	422 698	354 895	423 003	596 039	19.2	40.9

(*) Revised.
(**) Provisional.
(1) Non-profit institutions.
Source : High Commission for Planning.

Table A2.4 Gross national disposable income at current prices

(In millions of dirhams)

	2018	2019	2020*	2021*	2022**	Changes in % 2021*/2020	Changes in % 2022**/2021
Gross domestic product	1 195 237	1 239 836	1 152 477	1 274 727	1 330 158	10.6	4.3
Net income of property from outside	-17 982	-18 673	-11 018	-17 606	-18 929	59.8	7.5
Gross national income	1 177 255	1 221 163	1 141 459	1 257 121	1 311 229	10.1	4.3
Net current transfers from outside	74 333	73 111	81 200	105 776	124 889	30.3	18.1
Gross national disposable income	1 251 588	1 294 274	1 222 659	1 362 897	1 436 118	11.5	5.4
Final national consumption	925 812	957 365	904 448	1 003 632	1 079 989	11.0	7.6
Households	702 020	723 177	672 606	751 470	813 450	11.7	8.2
General government	215 092	225 389	223 638	242 213	255 627	8.3	5.5
NPIs	8 700	8 799	8 204	9 949	10 912	21.3	9.7
Gross national saving	325 776	336 909	318 211	359 265	356 129	12.9	-0.9

(*) Revised.
(**) Provisional.
Source : High Commission for Planning.

Table A2.5 Investment and savings at current prices

(In millions of dirhams)

	2018	2019	2020*	2021*	2022**	Changes in % 2021*/2020	Changes in % 2022**/2021
RESOURCES							
Gross national saving	325 776	336 909	318 211	359 265	356 129	12.9	-0.9
Net capital transfers received	0	0	3	0	0	-	-
EXPENDITURES							
Gross fixed capital formation	332 976	337 145	302 245	335 620	360 825	11.0	7.5
Changes in stocks	48 798	40 024	27 596	51 484	39 746	86.6	-22.8
Acquisitions - cessions of valuables	2 370	2 158	1 807	2 089	2 521	15.6	20.7
Financing requirement or capacity	-58 368	-42 418	-13 434	-29 928	-46 963	122.8	56.9

(*) 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 2020-2021			Agricultural campaign 2021-2022		
	Area	Production	Yield	Area	Production	Yield
Principal cereals	**4 354**	**103**	**24**	**3 574**	**34**	**10**
Soft wheat	1 877	51	27	1 602	19	12
Hard wheat	988	25	25	834	8	10
Barley	1 489	28	19	1 137	7	6
Pulse crops	**156**	**3**	**19**	**224**	**1**	**4**
Market garden crops	**238**	**75**	**316**	**228**	**75**	**327**

Sources : Ministry of Agriculture, Fisheries, Rural Development, Water and Forests.

Table A2.7 Electricity production

(In GWh)

	2019	2020	2021	2022*	Changes in % 2022/2021
Net local production (1)	**40 348**	**38 755**	**41 260**	**41 420**	**0.4**
Thermal	32 214	31 045	32 866	33 669	2.4
Hydraulic	1 654	1 290	1 213	679	-44.0
Wind	4 634	4 516	5 024	5 292	5.3
Solar	1 581	1 546	1 839	1 452	-21.0
Electricity trade balance **	**-928**	**232**	**-163**	**1 397**	**-**

(1) The difference between net local production and the total by the source of production represents the contribution of national third parties.
(*) Provisional.
(**) The difference between imports and exports.
Source : The National Office of Electricity and Drinking Water.

Table A2.8 Industrial, energy and mining production index

(Base 100 in 2015)

Sector and Branch	2021	2022	Changes in % 2022/2021
Extractive Industries	**141.6**	**115.2**	**-18.6**
Extraction of metal ores	100.6	103.6	3.0
Other extractive industries	143.7	115.8	-19.4
Manufacturing industries excluding oil refining	**113.2**	**114.1**	**0.8**
Food Industries	125.5	131.4	4.7
Beverage manufacturing	93.4	103.2	10.5
Manufacture of tobacco products	96.7	106.7	10.3
Manufacture of textiles	90.9	90.1	-0.9
Clothing industry	98.0	97.9	-0.1
Manufacture of leather and footwear (except leather clothing)	64.6	75.4	16.7
Woodworking and manufacture of articles of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	85.3	86.7	1.6
Paper and cardboard industry	122.9	115.4	-6.1
Printing and reproduction of recordings	109.5	128.0	16.9
Chemical industry	147.8	135.4	-8.4
Pharmaceutical industry	115.5	128.6	11.3
Manufacture of rubber and plastic products	121.9	122.1	0.2
Other non-metallic mineral product manufacturing	100.1	92.2	-7.9
Metallurgy	91.2	100.4	10.1
Manufacture of fabricated metal products, except machinery and equipment	95.7	90.1	-5.9
Manufacture of computer, electronic and optical products	82.9	88.7	7.0
Manufacture of electrical equipment	107.4	115.2	7.3
Manufacture of machinery and equipment N.C.E.	115.6	113.9	-1.5
Automotive Industry	110.6	124.7	12.7
Manufacture of other transport equipment	113.1	117.3	3.7
Furniture manufacturing	85.5	92.6	8.3
Other manufacturing industries	85.3	86.5	1.4
Repair and installation of machinery and equipment	112.1	94.9	-15.3
Electricity production and distribution	**131.6**	**132.0**	**0.3**

Source : High Commission for Planning.

Table A2.9 Tourism

	2019	2020	2021	2022	Changes in % 2022/2021
Total of tourist arrivals	**12 932 260**	**2 777 802**	**3 721 702**	**10 868 857**	**192.0**
Foreign tourists	**7 043 006**	**1 407 994**	**1 284 335**	**5 064 774**	**294.3**
European Union countries	**5 004 616**	**1 002 807**	**873 634**	**3 799 334**	**334.9**
France	1 990 813	412 179	493 933	1 505 443	204.8
Spain	880 818	200 136	99 495	901 672	806.2
Germany	413 384	79 077	38 894	171 219	340.2
United Kingdom	551 499	113 258	56 435	481 905	753.9
Italy	351 916	57 105	52 588	239 879	356.1
Europe out of EU	**466 595**	**93 912**	**85 330**	**326 191**	**282.3**
America	**603 885**	**99 063**	**94 741**	**383 873**	**305.2**
United States	346 702	54 103	66 991	231 006	244.8
Canada	131 497	21 305	19 485	71 685	267.9
Brazil	47 113	9 596	3 217	22 309	593.5
Middle East (1)	**198 454**	**47 311**	**75 487**	**161 552**	**114.0**
Maghreb	**227 281**	**49 240**	**46 265**	**117 656**	**154.3**
Africa excluding Maghreb	**188 792**	**53 779**	**86 466**	**163 992**	**89.7**
Asia	**307 871**	**55 974**	**20 845**	**92 485**	**343.7**
Other countries	**45 512**	**5 908**	**1 567**	**19 691**	**1 156.6**
Moroccans resident abroad	**5 889 254**	**1 369 808**	**2 437 367**	**5 804 083**	**138.1**

(1) Including Egypt.
Source : Ministry of Tourism, Handicrafts, Social and Solidarity Economy.

Table A3.1 Labor force, employment and unemployment

(Population in thousands and rates in percentage)

	2020	2021	2022
Working age population	**26 750**	**27 127**	**27 502**
Labor force	**11 971**	**12 280**	**12 191**
Urban	7 291	7 511	7 591
Rural	4 680	4 770	4 599
Labor force participation rate	**44.8**	**45.3**	**44.3**
Urban	41.9	42.3	41.9
Rural	50.0	50.9	49.1
Employment rate	**39.4**	**39.7**	**39.1**
Urban	35.3	35.1	35.3
Rural	47.0	48.4	46.5
Unemployment rate	**11.9**	**12.3**	**11.8**
By place of residence			
Urban	15.8	16.9	15.8
Rural	5.9	5.0	5.2
By gender			
Men	10.7	10.9	10.3
Women	16.2	16.8	17.2
By group of age			
15 to 24 years	31.2	31.8	32.7
25 to 34 years	18.5	19.6	19.2
35 to 44 years	6.9	7.0	6.4
45 years and over	4.0	3.8	3.3
By diploma			
Without any diploma	5.6	4.6	4.2
With diploma	18.5	19.6	18.6

Source : High Commission for Planning.

Table A3.2 Sectorial structure of employment (1)

	Structure in %		Changes in percentage point	Job creation (in thousands)
	2021	2022		
Total (in thousands)	**10 772**	**10 749**	**-**	**-24**
Agriculture, forestry and fishing	31.2	29.3	-1.9	-215
Industries including craft	11.7	12.0	0.3	28
Construction and public works	11.2	11.2	0.0	-1
Services	45.8	47.4	1.6	164

(1) Persons aged 15 years and above.
Source : High Commission for Planning.

Table A3.3 Labor force participation, employment and unemployment by region

(in %)

Region	Year	Labor force participation ratio			Employment ratio			Unemployment ratio		
		Urban	Rural	National	Urban	Rural	National	Urban	Rural	National
Tangier-Tetouan-Al Hoceima	2021	45.4	57.6	49.8	38.4	55.7	44.6	15.5	3.2	10.4
	2022	45.6	58.2	50.1	39.1	56.2	45.2	14.1	3.4	9.7
Oriental	2021	40.7	47.4	42.5	32.2	41.7	34.8	20.8	11.9	18.1
	2022	40.8	45.4	42.0	32.9	39.8	34.7	19.4	12.4	17.4
Fez-Meknes	2021	39.2	48.1	42.3	31.8	45.9	36.6	18.9	4.7	13.4
	2022	39.1	48.3	42.2	31.8	45.7	36.5	18.7	5.3	13.5
Rabat-Sale-Kenitra	2021	42.2	50.2	44.2	35.8	47.5	38.8	15.1	5.3	12.2
	2022	42.2	50.6	44.3	36.4	48.5	39.5	13.8	4.2	11.0
Beni Mellal-Khenifra	2021	37.7	52.2	44.4	32.3	49.3	40.2	14.4	5.5	9.6
	2022	36.8	48.6	42.2	31.2	45.5	37.8	15.3	6.3	10.5
Casablanca-Settat	2021	44.8	58.3	47.7	36.7	55.7	40.8	18.2	4.3	14.6
	2022	44.2	56.2	46.7	36.8	53.4	40.3	16.7	5.0	13.8
Marrakech-Safi	2021	41.9	51.0	46.8	36.1	49.4	43.2	13.9	3.2	7.6
	2022	41.4	48.2	45.0	36.5	46.7	41.9	11.8	3.2	6.9
Draa-Tafilalet	2021	38.5	46.6	43.6	32.3	43.6	39.4	16.0	6.4	9.6
	2022	37.6	43.1	41.0	32.4	39.8	37.0	13.8	7.6	9.7
Souss-Massa	2021	41.6	40.8	41.3	35.6	38.4	36.6	14.4	5.9	11.3
	2022	39.7	35.9	38.3	34.2	33.5	34.0	13.9	6.6	11.4
South regions	2021	42.8	51.5	44.5	33.0	46.1	35.5	22.9	10.5	20.1
	2022	42.8	51.6	44.5	33.0	46.3	35.5	22.9	10.3	20.1
Total	**2021**	**42.3**	**50.9**	**45.3**	**35.1**	**48.4**	**39.7**	**16.9**	**5.0**	**12.3**
	2022	**41.9**	**49.1**	**44.3**	**35.3**	**46.5**	**39.1**	**15.8**	**5.2**	**11.8**

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 lubri-cants	Tariff-Regulated Products	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 mainte-nance	Health (1)	Transport (2)	Communi-cations	Leisure and culture (1)	Educa-tion	Restau-rants and hotels	Various goods and ser-vices(1)
2021	**1.4**	**-1.3**	**12.9**	**1.2**	**1.7**	**1.8**	**1.9**	**1.6**	**1.1**	**2.2**	**1.7**	**-0.2**	**1.1**	**1.6**	**1.0**	**2.4**
January	0.0	-2.4	-11.5	2.1	0.4	-0.3	0.4	1.3	0.5	1.6	1.1	0.0	-0.6	1.7	0.6	0.6
February	0.3	-2.8	-4.7	1.9	0.5	0.0	0.7	1.1	0.5	1.7	0.9	-0.1	-0.2	1.7	0.8	0.6
March	0.1	-6.1	4.6	1.8	0.6	0.0	1.0	1.5	0.5	2.0	1.0	-0.1	0.1	1.7	0.9	0.9
April	1.4	0.4	23.6	1.8	0.8	0.1	1.6	1.5	0.7	2.2	1.4	-0.1	0.2	1.7	0.9	1.4
May	1.9	3.5	25.6	1.8	0.9	0.3	1.9	1.7	0.8	1.8	1.0	-0.2	1.0	1.7	1.1	1.5
June	1.5	0.9	17.7	1.4	1.1	0.7	2.1	1.7	0.9	2.0	1.2	-0.3	1.0	1.8	1.1	1.7
July	2.2	6.2	13.6	0.9	1.5	1.4	2.1	1.7	1.1	2.0	1.6	-0.3	1.1	1.8	1.3	2.9
August	0.8	-4.5	13.7	1.2	1.6	1.4	2.4	1.9	1.2	2.0	1.3	-0.4	1.4	1.8	1.3	2.7
September	1.2	-6.6	15.7	0.7	2.6	3.9	2.5	1.9	1.4	2.2	1.9	-0.4	1.5	1.3	1.2	3.0
October	1.7	-4.6	21.2	0.2	3.1	4.6	3.0	1.9	1.5	2.9	2.3	-0.4	2.1	1.4	1.0	4.4
November	2.6	-0.9	25.2	0.2	3.3	5.0	3.1	1.9	2.0	3.2	2.6	-0.3	2.2	1.3	1.0	4.4
December	3.2	3.1	19.9	0.1	3.6	5.5	3.0	2.1	2.4	2.1	3.1	-0.2	3.4	1.3	1.0	4.5
2022	6.6	11.1	42.3	-0.1	6.6	11.9	4.8	2.3	5.1	2.1	4.4	0.3	5.7	2.2	2.8	3.5
January	3.1	1.3	18.3	0.3	3.9	6.0	3.1	2.3	2.7	1.9	3.2	-0.2	2.8	1.3	1.5	4.4
February	3.6	2.9	22.0	-0.1	4.4	7.2	3.2	2.5	3.1	1.9	3.3	0.0	2.8	1.3	1.2	4.6
March	5.3	12.8	28.6	-0.2	4.8	8.2	3.7	2.3	3.3	1.8	3.0	0.0	2.6	1.3	1.2	4.4
April	5.9	9.6	46.9	-0.2	5.5	9.9	4.7	2.3	3.4	2.1	3.2	0.1	2.6	1.3	1.0	4.2
May	5.9	2.9	50.3	-0.1	6.7	12.4	4.8	1.9	4.9	2.7	4.3	0.1	6.4	1.3	1.2	4.4
June	7.2	6.8	62.1	0.0	7.5	13.9	5.1	2.1	5.7	2.9	5.0	0.4	7.4	1.3	2.5	4.4
July	7.7	9.6	64.0	0.0	7.6	14.5	5.4	2.1	6.0	2.9	4.6	0.4	7.5	1.3	3.1	3.1
August	8.0	16.9	46.8	-0.5	7.5	14.0	5.8	2.1	6.2	2.4	5.5	0.6	7.7	1.3	3.6	3.2
September	8.3	20.9	46.1	-0.3	7.4	12.8	5.7	2.3	6.4	1.9	5.1	0.6	7.9	3.5	4.1	3.5
October	8.1	16.8	40.0	0.1	7.6	13.5	5.2	2.2	6.7	1.3	5.6	0.7	7.5	4.2	4.6	2.2
November	8.3	16.1	45.3	0.1	8.0	14.6	5.1	2.5	6.4	2.2	5.4	0.7	7.1	4.5	4.6	2.1
December	8.3	16.4	35.5	0.1	8.3	15.5	5.1	2.4	6.3	1.9	5.6	0.6	6.1	4.5	5.1	2.3

(1) Excluding products and services with regulated tariffs.
(2) Excluding products and services with regulated tariffs and fuels and lubricants.
Source : Calculated on the basis of data from High Commission for Planning.

Table A4.2 Inflation of tradables and non tradables

(In percentage, in annual change)

Period	Price of tradable goods	Price of non tradable goods	Core inflation
2021	1.9	1.4	1.7
January	0.4	0.3	0.4
February	0.6	0.3	0.5
March	0.6	0.6	0.6
April	0.7	1.0	0.8
May	0.7	1.2	0.9
June	1.0	1.4	1.1
July	1.3	1.8	1.5
August	1.7	1.5	1.6
September	3.1	1.9	2.6
October	3.7	2.4	3.1
November	4.2	2.3	3.3
December	4.7	2.3	3.6
2022	9.5	3.1	6.6
January	5.2	2.3	3.9
February	6.0	2.4	4.4
March	6.7	2.4	4.8
April	7.9	2.5	5.5
May	10.0	2.7	6.7
June	11.1	3.0	7.5
July	11.4	3.0	7.6
August	11.4	2.8	7.5
September	10.5	3.5	7.4
October	10.8	3.6	7.6
November	11.4	3.8	8.0
December	11.8	4.1	8.3

Source : Data from High Commission for Planning and BAM calculations.

Table A4.3 Industrial producer price index

(In percentage, in annual change)

(Base 100 = 2018)

	2022												Changes in % 2022/2021
	Jan.	Feb.	March	April	May	June	July	Aug	Sept.	Oct.	Nov.	Dec.	
Extractive industries	**0.0**	**0.1**	**0.2**	**0.1**	**0.1**	**0.2**	**0.2**	**0.2**	**0.4**	**0.4**	**0.4**	**0.4**	**0.2**
Hydrocarbons extraction	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	0.0	0.1	0.2	0.1	0.1	0.2	0.2	0.2	0.4	0.4	0.4	0.4	0.2
Manufacturing industries excluding refining	**13.8**	**14.3**	**14.3**	**15.0**	**15.7**	**15.1**	**13.4**	**13.4**	**11.3**	**11.0**	**10.3**	**6.3**	**12.7**
Food industries	10.5	13.0	13.1	14.2	14.8	16.0	16.3	16.7	13.2	12.6	10.7	10.8	13.5
Beverages manufacturing	1.4	1.4	4.1	4.1	4.1	4.1	4.1	2.6	2.6	2.6	2.3	2.3	2.9
Manufacturing of tobacco products	0.0	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	7.5	6.9
Textile manufacturing	3.7	5.1	7.6	5.5	5.6	5.8	6.8	8.6	8.6	8.7	8.2	8.2	6.8
Manufacturing of wearing apparel	0.6	1.2	2.4	0.7	1.8	3.0	2.2	3.7	3.6	4.0	3.4	4.1	2.6
Manufacturing of leather and footwear except leather clothing	0.0	0.0	-0.1	1.2	4.9	4.9	4.9	6.0	6.0	6.0	6.0	6.0	3.8
Manufacturing of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	3.9	2.0	11.0	14.5	14.4	14.7	13.6	13.0	12.4	12.9	12.9	12.8	11.5
Manufacturing of paper and cardboards	0.0	0.0	0.0	0.1	0.1	1.6	5.8	6.3	6.3	6.3	6.3	6.3	3.2
Printing and reproduction of recorded media	0.0	0.0	0.0	0.0	0.0	1.0	1.0	1.3	1.3	1.3	1.3	1.3	0.7
Chemical industry	53.2	53.2	49.7	46.1	48.4	47.2	37.0	37.3	28.9	28.6	28.4	7.1	37.3
Pharmaceutical industry	0.0	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.8	-0.7
Manufacturing of rubber and plastic products	-1.4	1.3	0.8	0.9	3.7	3.7	3.8	2.8	2.9	5.0	5.0	4.9	2.8
Manufacturing of other non-metallic products	1.0	0.9	2.2	3.8	4.2	4.7	4.8	5.7	5.8	5.6	5.3	4.8	4.0
Manufacturing of base metals	26.8	23.5	19.1	41.7	36.7	18.9	17.9	12.2	10.1	7.9	5.6	4.0	17.9
Manufacturing of metal products, except machinery and equipment	3.0	3.0	4.2	4.3	4.3	4.0	3.9	3.9	4.0	3.9	2.1	2.1	3.5
Computer, electronic and optics products	2.0	2.1	2.0	1.4	1.4	0.1	0.2	0.3	0.3	0.4	0.6	0.6	1.0
Manufacturing of electric equipment	8.9	8.6	10.6	10.2	10.1	9.1	4.3	4.3	4.0	3.8	3.9	4.0	6.7
Manufacturing of machinery and equipment N.E.C	-0.5	-0.4	0.1	0.2	0.5	1.1	1.5	1.6	1.6	1.8	4.8	4.8	1.4
Automotive industry	2.2	2.2	2.2	2.2	3.2	3.2	4.5	4.5	4.5	4.7	4.7	4.7	3.6
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	0.0	0.0	4.8	4.2	4.2	4.2	4.7	4.7	4.7	4.7	4.7	4.7	3.8
Other manufactured industries	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
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

(Volume in thousands of tonnes, Value in millions of dirhams)

	2021*		2022**		Changes				Structure of 2022 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
TOTAL IMPORTS	60 472	528 571	62 920	737 441	2 448	4.0	208 870	39.5	100.0	100.0
FOOD, BEVERAGES AND TOBACCO	11 839	59 868	13 675	86 734	1 836	15.5	26 867	44.9	21.7	11.8
Wheat	4 669	14 294	6 008	25 898	1 339	28.7	11 604	81.2	43.9	29.9
Raw or refined sugar	1 493	5 926	1 562	7 924	69	4.6	1 998	33.7	11.4	9.1
Corn	2 172	6 074	2 097	7 746	-75	-3.4	1 672	27.5	15.3	8.9
Cakes and other residues from food industries	1 708	5 719	1 609	7 008	-99	-5.8	1 289	22.5	11.8	8.1
Barley	305	743	817	3 199	513	168.3	2 457	330.8	6.0	3.7
Fresh or dried fruit, frozen or in brine	146	2 630	153	2 846	7	5.0	216	8.2	1.1	3.3
Tea	66	1 866	82	2 603	15	23.2	737	39.5	0.6	3.0
Miscellaneous food preparations	57	1 789	61	2 219	5	8.5	430	24.1	0.4	2.6
Other food products	1 224	20 827	1 285	27 290	62	5.0	6 463	31.0	9.4	31.5
ENERGY AND LUBRICANTS	24 733	75 792	26 458	153 187	1 726	7.0	77 395	102.1	42.1	20.8
Gas oils and fuel oils	6 926	35 980	7 462	76 369	536	7.7	40 388	112.3	28.2	49.9
Petroleum gas and other hydrocarbons	3 504	17 433	4 893	26 302	1 389	39.6	8 869	50.9	18.5	17.2
Coals; cokes and similar solid fuels	12 422	10 607	12 054	24 213	-369	-3.0	13 606	128.3	45.6	15.8
Other energy products	1 880	11 772	2 049	26 304	169	9.0	14 532	123.5	7.7	17.2
RAW PRODUCTS OF ANIMAL AND PLANT ORIGIN	1 739	15 575	1 676	19 979	-63	-3.6	4 405	28.3	2.7	2.7
Crude or refined soybean oil	506	5 775	525	8 120	18	3.6	2 345	40.6	31.3	40.6
Raw, squared or sawn timber	609	2 948	546	2 981	-64	-10.5	34	1.1	32.6	14.9
Seeds, spores and fruits used to plant	34	1 252	65	1 588	31	92.5	336	26.9	3.9	8.0
Crude or refined palm or palm kernel oil	70	783	78	1 274	8	11.7	491	62.8	4.7	6.4
Live plants and floriculture products	18	807	18	945	0	0.1	138	17.1	1.1	4.7
Other raw products of animal and vegetable origin	502	4 010	445	5 071	-57	-11.4	1 061	26.5	26.6	25.4
RAW MINERAL PRODUCTS	7 573	13 952	7 381	24 278	-193	-2.5	10 326	74.0	11.7	3.3
Crude and unrefined sulfurs	6 716	10 739	6 264	18 768	-452	-6.7	8 029	74.8	84.9	77.3
Scrap metal, waste, scrap copper, cast iron, iron, steel and other minerals	516	2 045	722	3 602	206	40.0	1 557	76.2	9.8	14.8
Other crude products of mineral origin	341	1 168	394	1 907	53	15.7	740	63.3	5.3	7.9

(*) Revised.
(**) Provisional.
(***) Represents the share of each product within its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.1 Imports by main products (continued)

(Volume in thousands of tonnes Value in millions of dirhams)

	2021*		2022**		Changes				Structure of 2022 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
SEMI-FINISHED PRODUCTS	11 772	115 854	10 955	169 685	-818	-6.9	53 831	46.5	17.4	23.0
Plastics and miscellaneous plastic articles	873	16 133	983	21 677	111	12.7	5 544	34.4	9.0	12.8
Ammonia	1 654	6 917	1 885	21 397	231	14.0	14 480	209.3	17.2	12.6
Chemical products	2 966	12 500	2 186	16 873	-780	-26.3	4 373	35.0	20.0	9.9
Paper and cardboard; miscellaneous works of paper and cardboard	652	6 702	788	9 967	136	20.8	3 266	48.7	7.2	5.9
Copper wires, bars and profiles	76	6 221	88	8 221	13	16.9	2 000	32.1	0.8	4.8
Flat-rolled products, of iron or non-alloy steel	350	3 328	427	5 757	78	22.3	2 429	73.0	3.9	3.4
Electronic components (transistors)	1	2 778	1	5 329	0	31.8	2 551	91.8	0.0	3.1
Iron and non-alloy steel wires, bars and shapes	436	3 260	467	5 179	31	7.2	1 918	58.8	4.3	3.1
Natural and chemical fertilizers	846	2 871	606	4 921	-240	-28.4	2 050	71.4	5.5	2.9
Raw aluminium, aluminum scrap and powders	133	2 883	154	4 466	22	16.2	1 583	54.9	1.4	2.6
Pipe fittings and metal construction	98	2 536	123	4 257	25	25.7	1 721	67.9	1.1	2.5
Electrical wires and cables	36	2 690	43	3 771	7	19.7	1 081	40.2	0.4	2.2
Semi-finished products in iron or non-alloy steels.	899	5 177	525	3 737	-374	-41.6	-1 441	-27.8	4.8	2.2
Prepared wood and articles of wood	373	2 663	418	3 683	45	12.1	1 020	38.3	3.8	2.2
Other semi-finished products	2 382	39 195	2 260	50 450	-122	-5.1	11 255	28.7	20.6	29.7
FINISHED PRODUCTS OF AGRICULTURAL EQUIPMENT	38	1 825	29	1 598	-9	-23.8	-227	-12.4	0.0	0.2
Agricultural machinery and tools	28	1 294	21	1 123	-7	-25.9	-171	-13.2	72.6	70.3
Cultivators and agricultural tractors	9	506	8	459	-2	-17.3	-47	-9.2	26.8	28.7
Other finished products of agricultural equipement	0	25	0	16	0	-21.4	-9	-36.4	0.6	1.0
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	954	116 646	973	139 704	19	1.9	23 059	19.8	1.5	18.9
Parts of aircrafts and other air or space vehicles	3	9 515	4	14 976	1	26.5	5 460	57.4	0.4	10.7
Piston engines; other motors and its parts (industrial equipments)	74	10 079	90	13 225	16	21.0	3 146	31.2	9.2	9.5
Wires, cables and other insulated conductors for electricity	48	8 026	60	11 159	12	25.2	3 133	39.0	6.1	8.0
Miscellaneous machines and appliances	90	10 247	81	10 505	-8	-9.4	258	2.5	8.4	7.5
Breaking or connecting electrical circuits and resistors devices	30	9 255	29	10 481	-1	-1.9	1 226	13.2	3.0	7.5

(*) Revised.
(**) Provisional.
(***) Represents the share of each product within its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.1 Imports by main products (end)

(Volume in thousands of tonnes and Value in millions of dirhams)

	2021*		2022**		Changes				Structure of 2022 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
Utility cars	81	6 845	82	7 713	0	0.2	868	12.7	8.4	5.5
Electrical devices for line telephony or telegraphy	4	6 499	4	6 066	0	-7.3	-433	-6.7	0.4	4.3
Pumps and compressors	44	3 922	38	4 195	-6	-13.1	274	7.0	3.9	3.0
Bondages and tires	82	3 713	78	3 904	-4	-4.3	191	5.2	8.0	2.8
Devices for receiving, recording or reproducing sound and images	3	2 366	4	3 749	1	33.0	1 383	58.5	0.4	2.7
Automatic information processing machines and its parts	5	3 155	4	3 587	-1	-12.8	432	13.7	0.4	2.6
Medical-surgical instruments and devices	7	2 885	8	3 301	1	8.8	416	14.4	0.8	2.4
Measuring, control or precision instruments	8	2 628	9	3 075	0	4.9	447	17.0	0.9	2.2
Centrifuges and devices for the filtration of liquids or gases	11	1 454	14	2 608	4	32.7	1 154	79.4	1.5	1.9
Other finished products of industrial equipment	464	36 058	468	41 161	4	0.8	5 103	14.2	48.1	29.5
CONSUMER PRODUCTS	1 824	128 908	1 774	142 006	-50	-2.7	13 098	10.2	2.8	19.3
Parts of cars and passenger vehicles	298	19 727	282	24 138	-16	-5.2	4 411	22.4	15.9	17.0
Tourist vehicules	158	18 502	151	19 223	-6	-4.0	721	3.9	8.5	13.5
Fabrics and yarns of synthetic and artificial fibers	92	8 966	108	11 364	16	17.6	2 398	26.7	6.1	8.0
Medicines and other pharmaceutical products	9	13 124	10	8 616	0	2.1	-4 508	-34.3	0.5	6.1
Miscellaneous articles of plastics	121	6 104	131	7 624	10	8.6	1 520	24.9	7.4	5.4
Knitted fabrics	119	6 976	102	7 016	-17	-14.5	40	0.6	5.7	4.9
Seats, furniture, mattresses and lighting items (consumer)	109	3 755	112	4 875	3	3.0	1 121	29.8	6.3	3.4
Cotton fabrics and yarns	42	3 645	37	3 906	-5	-11.3	261	7.1	2.1	2.8
Perfumery or toiletry products and cosmetic preparations	55	2 952	53	3 419	-2	-2.8	467	15.8	3.0	2.4
Radio and television receivers	16	2 702	17	3 415	1	7.4	712	26.4	1.0	2.4
Shoes	29	2 365	28	2 769	-1	-2.6	404	17.1	1.6	2.0
Hosiery items	16	2 573	15	2 704	-1	-7.3	131	5.1	0.8	1.9
Other consumer products	761	37 517	727	42 936	-34	-4.4	5 419	14.4	41.0	30.2
INDUSTRIAL GOLD	0	152	0	268	0	26.4	116	76.4	0.0	0.0

(*) Revised.
(**) Provisional.
(***) Represents the share of each product within its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.2 Exports by main products

(Volume in thousands of tonnes / Value in millions of dirhams)

	2021*		2022**		Changes				Structure of 2022 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
TOTAL EXPORTS	34 576	329 405	29 977	428 612	-4 599	-13.3	99 207	30.1	100.0	100.0
FOOD PRODUCTS, BEVERAGES AND TOBACCO	4 273	62 990	4 628	75 218	354	8.3	12 228	19.4	15.4	17.5
Crustaceans, molluscs and shellfish	137	11 493	111	10 753	-26	-18.9	-740	-6.4	2.4	14.3
Fresh tomatoes	631	7 711	741	10 411	109	17.3	2 699	35.0	16.0	13.8
Prepared and canned fish and crustaceans	190	7 310	193	8 750	3	1.6	1 440	19.7	4.2	11.6
Fresh, frozen or in brine vegetables	567	5 478	590	6 383	24	4.2	906	16.5	12.8	8.5
Strawberries and raspberries	134	4 481	168	5 695	33	24.8	1 214	27.1	3.6	7.6
Citrus	608	4 819	629	5 518	21	3.4	699	14.5	13.6	7.3
Fresh, salted, dried or smoked fish	332	4 297	370	5 329	38	11.6	1 032	24.0	8.0	7.1
Fresh or dried fruit, frozen or in brine	104	3 997	143	4 984	39	37.3	987	24.7	3.1	6.6
Other food products	1 570	13 404	1 683	17 396	113	7.2	3 992	29.8	36.4	23.1
ENERGY PRODUCTS AND LUBRICANTS	196	2 317	295	4 327	99	50.8	2 010	86.8	1.0	1.0
Petroleum oils and lubricants	174	1 628	279	3 737	104	59.9	2 108	129.5	94.6	86.3
Other energy products	21	689	16	591	-5	-24.0	-98	-14.2	5.4	13.7
RAW PRODUCTS OF ANIMAL AND VEGETABLE ORIGIN	255	7 261	290	8 571	35	13.7	1 309	18.0	1.0	2.0
Plants and parts of plants	41	2 774	34	2 299	-6	-15.6	-474	-17.1	11.8	26.8
Fish fats and oils	30	587	46	1 620	16	52.7	1 033	176.0	15.8	18.9
Crude or refined olive oil	31	611	33	824	2	6.0	213	34.8	11.4	9.6
Inedible animal by-products	16	750	41	783	26	165.7	33	4.4	14.2	9.1
Crude or refined vegetable oil	31	421	32	702	1	4.2	282	67.0	11.1	8.2
Gums; resins and other vegetable saps and extracts	1	422	1	488	0	-10.3	66	15.6	0.2	5.7
Other crude or refined vegetable oils	14	519	2	438	-12	-84.9	-81	-15.6	0.7	5.1
Live plants and floriculture products	9	236	10	277	0	4.0	41	17.5	3.3	3.2
Other raw products of animal and vegetable origin	82	941	91	1 138	8	10.1	197	20.9	31.3	13.3
RAW PRODUCTS OF MINERAL ORIGIN	13 780	16 493	9 708	22 138	-4 072	-29.5	5 645	34.2	32.4	5.2
Phosphates	9 865	8 943	5 321	13 390	-4 545	-46.1	4 447	49.7	54.8	60.5
Scrap metal, waste, scrap copper, cast iron, iron, steel and other minerals	98	2 288	94	2 705	-3	-3.5	417	18.2	1.0	12.2
Copper ore	130	1 658	124	1 634	-5	-4.2	-24	-1.5	1.3	7.4
Barium sulfate	1 103	888	1 177	1 177	74	6.8	289	32.6	12.1	5.3
Other raw products of mniral origin	2 584	2 717	2 992	3 232	407	15.8	515	19.0	30.8	14.6

(*) Revised.
(**) Provisional.
(***) Represents the share of each product in its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.2 Exports by main products (continued and end)

(Volume in thousands of tonnes / Value in millions dirhams)

	2021*		2022**		Changes				Structure of 2022 in %(***)	
					Volume		Value			
	Volume	Value	Volume	Value	Absolute	%	Absolute	%	Volume	Value
SEMI-FINISHED PRODUCTS	14 845	90 895	13 616	125 047	-1 229	-8.3	34 152	37.6	45.4	29.2
Natural and chemical fertilizers	10 788	51 511	9 520	79 266	-1 269	-11.8	27 755	53.9	69.9	63.4
Phosphoric acid	2 106	19 817	2 056	22 827	-49	-2.3	3 010	15.2	15.1	18.3
Electronic components (transistors)	1	4 126	1	6 703	0	-31.0	2 578	62.5	0.0	5.4
Electrical wires and cables	15	1 554	15	1 697	-1	-3.5	143	9.2	0.1	1.4
Other base metals and articles thereof	3	1 267	3	1 426	0	-5.0	159	12.6	0.0	1.1
Shoe parts	3	584	4	909	1	35.4	325	55.6	0.0	0.7
Others semi-finished products	1 929	12 037	2 018	12 219	89	4.6	182	1.5	14.8	9.8
FINISHED PRODUCTS OF AGRICULTURAL EQUIPMENT	0	157	1	184	0	81.4	27	16.9	0.0	0.0
Agricultural machinery and tools	0	12	0	26	0	90.8	14	117.2	50.7	13.9
Tillers and agricultural tractors	0	1	0	7	0	841.2	6	987.8	20.0	3.6
Other finished products of agricultural equipment	0	145	0	152	0	11.0	7	4.7	29.3	82.5
FINISHED PRODUCTS OF INDUSTRIAL EQUIPMENT	272	55 216	306	69 612	34	12.4	14 396	26.1	1.0	16.2
Wires, cables and other insulated conductors for electricity	177	28 570	202	37 350	25	14.3	8 780	30.7	66.0	53.7
Parts of airplanes and other air or space vehicles	2	9 803	3	13 528	1	22.8	3 725	38.0	0.9	19.4
Breaking or connecting electrical circuits and resistors devices	18	6 787	18	7 623	0	-1.5	836	12.3	5.8	11.0
Electrical devices for line telephony or telegraphy	0	1 416	0	1 717	0	15.2	301	21.3	0.1	2.5
Piston engines; other motors and its parts (industrial equipment)	10	1 818	8	1 583	-2	-21.3	-234	-12.9	2.5	2.3
Integrated circuits and electronic micro-assemblies	1	878	2	1 261	0	25.8	382	43.5	0.5	1.8
Other finished products of industrial equipment	64	5 943	74	6 550	10	15.8	607	10.2	24.2	9.4
CONSUMER PRODUCTS	955	93 712	1 134	123 235	178	18.7	29 523	31.5	3.8	28.8
Passenger cars	413	37 886	487	53 120	74	17.9	15 234	40.2	43.0	43.1
Confected garment	79	22 645	87	27 611	8	10.6	4 966	21.9	7.7	22.4
Parts of cars and passenger vehicles	117	7 330	189	11 164	72	61.3	3 834	52.3	16.7	9.1
Hosiery items	46	7 529	46	8 475	1	1.3	945	12.6	4.1	6.9
Seats, furniture, mattresses and lighting items (consumer)	22	2 525	27	3 114	5	20.8	589	23.3	2.3	2.5
Other consumer products	278	15 797	297	19 751	19	6.8	3 954	25.0	26.2	16.0
INDUSTRIAL GOLD	0	363	0	280	0	-28.5	-83	-22.9	0.0	0.1

(*) Revised.
(**) Provisional.
(***) Represents the share of each product within its group, and the share of each group within the total.
Source : Foreign Exchange Office.

Table A5.3 Distribution of foreign trade by main partners

(In millions of dirhams)

	Exports FOB		Imports CIF		Balance	
	2021*	2022**	2021*	2022**	2021*	2022**
TOTAL	**329 405**	**428 612**	**528 571**	**737 441**	**-199 166**	**-308 829**
EUROPE	**219 916**	**275 431**	**323 910**	**410 341**	**-103 994**	**-134 910**
Spain	70 856	84 122	82 965	103 996	-12 109	-19 874
France	67 238	80 523	55 570	78 058	11 668	2 465
Turkey	7 192	11 150	30 501	37 980	-23 309	-26 830
Italy	14 025	19 107	26 719	33 405	-12 694	-14 298
Germany	9 681	13 531	23 113	30 167	-13 433	-16 636
Russian Federation	1 702	905	18 250	22 880	-16 548	-21 975
Portugal	4 640	6 007	14 732	13 628	-10 093	-7 621
Others	44 583	60 084	72 059	90 226	-27 477	-30 142
ASIA	**38 904**	**62 296**	**123 224**	**195 524**	**-84 320**	**-133 229**
China	3 258	3 384	61 941	74 007	-58 682	-70 623
Arabe countries of middle east	3 399	4 435	29 921	71 025	-26 559	-66 626
India	16 242	27 286	9 632	13 952	6 610	13 334
Republic of Korea	520	623	3 745	6 432	-3 225	-5 809
Japan	1 748	3 200	3 902	3 921	-2 154	-721
Indonesia	430	686	1 061	2 645	-630	-1 959
Singapore	1 399	1 006	1 335	2 178	64	-1 172
Thailand	85	127	1 460	2 067	-1 375	-1 940
Others	11 823	21 550	9 047	15 985	2 784	5 568
AMERICA	**37 278**	**44 611**	**60 078**	**102 613**	**-22 800**	**-58 002**
United States	9 924	14 355	33 571	54 713	-23 647	**-40 357**
Brazil	18 244	17 220	7 632	13 128	10 612	4 092
Argentina	2 722	4 491	7 445	12 546	-4 723	-8 056
Canada	1 957	2 391	5 145	7 211	-3 188	-4 821
Mexico	2 749	3 299	1 448	1 707	1 302	1 591
Chile	148	439	359	524	-212	-85
Others	1 535	2 417	4 479	12 784	-2 944	-10 367
AFRICA	**26 146**	**38 842**	**19 896**	**25 589**	**6 250**	**13 253**
Egypt	747	643	7 366	10 378	-6 619	-9 735
South Africa	422	856	1 314	5 569	-892	-4 713
Tunisia	1 296	1 221	2 277	3 147	-981	-1 926
Algeria	1 032	806	5 869	1 694	-4 837	-888
Libya	690	798	328	1 013	362	-215
Ivory Coast	3 223	3 182	242	563	2 980	2 620
Gabon	394	550	234	483	160	68
Nigeria	1 177	1 872	284	391	893	1 481
Others	17 165	28 913	1 981	2 352	15 184	26 561
OCEANIA and OTHER COUNTRIES	**7 160**	**7 432**	**1 463**	**3 373**	**5 698**	**4 059**

(*) Revised.
(**) Provisional.
Source : Foreign Exchange Office.

Table A5.4 Balance of payment

(In millions of dirhams)

	2022*		
	Credit	**Debit**	**Balance**
CURRENT TRANSACTIONS ACCOUNT			
GOODS AND SERVICES	596 039	749 386	-153 347
GOODS	370 893	640 035	-269 142
General merchandise	369 661	639 783	-270 122
Net exports of goods under merchanting	1 079	-	+1 079
Non-monetary gold	153	252	-99
SERVICES	225 146	109 351	+115 795
Manufacturing services performed on physical inputs detained by others	19 075	23	+19 052
Maintenance and repairing services n.i.e (1)	3 182	1 112	+2 070
Transport	35 827	53 553	-17 726
Sea transport	19 209	40 323	-21 114
Air transport	13 197	8 283	+4 914
Other modes of transport	3 292	4 349	-1 057
Postal and courier services	129	598	-469
Travel	93 638	19 255	+74 383
Business	4 214	1 215	+2 999
Personal	89 424	18 040	+71 384
Construction	3 064	2 998	+66
Insurance and pension services	1 337	1 515	-178
Financial services	638	995	-357
Charges for the use of intellectual property n.i.e	27	1 798	-1 771
Telecommunications, computer and information services	21 353	5 795	+15 558
Other business services	41 408	12 912	+28 496
Personal, cultural and recreational services	1 310	740	+570
Government goods and services n.i.e	4 287	8 655	-4 368
PRIMARY INCOME	8 087	27 016	-18 929
Investment income	7 306	26 983	-19 677
Direct investment	4 588	16 942	-12 354
Portfolio investment	48	4 482	-4 434
Other investment	13	5 559	-5 546
Reserve assets	2 657	-	+2 657
Other primary income	781	33	+748
SECONDARY INCOME	131 938	6 625	+125 313
Public	2 016	893	+1 123
Private	129 922	5 732	+124 190
CURRENT ACCOUNT BALANCE	736 064	783 027	-46 963
CAPITAL ACCOUNT	23	-	+23
Net lending (+) / net borrowing (-)			-46 940

(*) Provisional.
(1) Not included elsewhere.
Source : Foreign Exchange Office.

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Table A5.4 Balance of payment (continued)

(In millions of dirhams)

	2022*		
	Net acquisition of financial assets	Net incurrence of liabilities	Balance
FINANCIAL ACCOUNT			
DIRECT INVESTMENTS	**6 250**	**21 758**	**-15 508**
Equity and investment funds shares	3 683	13 525	-9 842
Debt instruments	2 567	8 233	-5 666
PORTFOLIO INVESTMENTS	**1 089**	**-10 006**	**+11 095**
Equity and investment fund shares	1 089	2 910	-1 821
Debt securities	-	-12 916	+12 916
FINANCIAL DERIVATIVES	**-3 668**	**-4 105**	**+437**
OTHER INVESTMENTS	**313**	**20 149**	**-19 836**
Other equity	64	-	+64
Currency and deposits	769	-1 266	+2 035
Loans	4	20 731	-20 727
Insurance, pension and standard guarantee systems	132	178	-46
Trade credits and advances	-656	506	-1 162
RESERVE ASSETS	**-1 685**	**-**	**-1 685**
TOTAL ASSETS/LIABILITIES	**2 299**	**27 796**	**-25 497**
Net lending (+) / net borrowing (-)			**-25 497**
Net errors and omissions			+21 443

(*) Provisional.
Source : Foreign Exchange Office.

Table A5.5 International investment position

(In millions of dirhams)

	2021*			2022**		
	Asset	Liability	Balance	Asset	Liability	Balance
Direct investment	67 986.2	677 413.3	-609 427.1	76 413.4	661 127.1	-584 713.7
Equity and investment fund shares	61 726.7	607 402.9	-545 676.2	67 195.0	582 824.1	-515 629.1
Direct investor in direct investment enterprises	61 726.7	607 402.9	-545 676.2	67 195.0	582 824.1	-515 629.1
Debt instruments	6 259.5	70 010.4	-63 750.9	9 218.4	78 303.0	-69 084.6
Direct investor in direct investment enterprises	6 259.5	70 010.4	-63 750.9	9 218.4	78 303.0	-69 084.6
Portfolio investment	12 209.0	135 372.0	-123 163.0	13 771.9	129 799.5	-116 027.6
Equity and investment funds shares	11 954.8	33 338.0	-21 383.2	13 498.1	30 101.5	-16 603.4
Deposit-taking corporations, except the central bank	986.8	11 788.1	-10 801.3	931.7	10 707.8	-9 776.1
Other sectors	10 968.0	21 549.9	-10 581.9	12 566.4	19 393.7	-6 827.3
Other financial corporations	3 108.3	1 888.1	1 220.2	4 613.7	2 049.6	2 564.1
Nonfinancial corporations, households and NPISHs	7 859.7	19 661.8	-11 802.1	7 952.7	17 344.1	-9 391.4
Debt securities	254.2	102 034.0	-101 779.8	273.8	99 698.0	-99 424.2
Deposit-taking corporations, except the central bank	254.2	-	254.2	273.8	-	273.8
General government	-	71 280.0	-71 280.0	-	66 115.0	-66 115.0
Other sectors	-	30 754.0	-30 754.0	-	33 583.0	-33 583.0
Other financial corporations	-	-	-	-	-	-
Nonfinancial corporations, households and NPISHs	-	30.754.0	-30.754.0	-	33.583.0	-33.583.0
Financial derivatives (other than reserves) and employees stock-options	658.3	130.4	527.9	658.5	344.9	313.6
Other investment	89 990.4	465 076.0	-375 085.6	104 356.2	533 094.0	-428 737.8
Other equity	4 431.8	-	4 431.8	4 529.2	-	4 529.2
Currency and deposits	54 522.6	48 625.4	5 897.2	62 606.3	53 397.8	9 208.5
Central bank	625.1	2 775.2	-2 150.1	908.2	2 919.1	-2 010.9
Deposit-taking corporations, except the central bank	51 904.9	45 850.2	6 054.7	59 387.1	50 478.7	8 908.4
Other sectors	1 992.6	-	1 992.6	2 311.0	-	2 311.0
Other financial corporations	34.8	-	34.8	37.1	-	37.1
Nonfinancial corporations, households and NPISHs	1 957.8	-	1 957.8	2 273.9	-	2 273.9
Loans	718.4	326 505.5	-325 787.1	657.4	373 024.4	-372 367.0
Central bank	-	19 415.2	-19 415.2	-	20 940.8	-20 940.8
Deposit-taking corporations, except the central bank	718.4	7 782.5	-7 064.1	657.4	9 060.8	-8 403.4
General government	-	134 816.0	-134 816.0	-	165 235.0	-165 235.0
Other sectors	-	164 491.8	-164 491.8	-	177 787.8	-177 787.8
Other financial corporations	-	606.3	-606.3	-	737.0	-737.0
Nonfinancial corporations, households and NPISHs	-	163 885.5	-163 885.5	-	177 050.8	-177 050.8
Insurance, pension and standard guarantee systems	3 379.6	2 920.4	459.2	3 511.3	3 098.4	412.9
Trade credit and advances	26 938.0	68 528.0	-41 590.0	33 052.0	83 778.0	-50 726.0
Other sectors	26 938.0	68 528.0	-41 590.0	33 052.0	83 778.0	-50 726.0
Nonfinancial corporations, households and NPISH	26 938.0	68 528.0	-41 590.0	33 052.0	83 778.0	-50 726.0
Other accounts receivable / payable	-	70.0	-70.0	-	70.0	-70.0
Other sectors	-	70.0	-70.0	-	70.0	-70.0
Nonfinancial corporations, households and NPISH	-	70.0	-70.0	-	70.0	-70.0
Special drawing rights	-	18 426.7	-18 426.7	-	19 725.4	-19 725.4
Reserve assets	**330 828.5**	**-**	**330 828.5**	**337 645.1**	**-**	**337 645.1**
Monetary gold	12 008.6		12 008.6	13 498.9		13 498.9
Special drawing rights	19 003.7		19 003.7	19 992.3		19 992.3
Reserve position in the IMF	1 913.9		1 913.9	2 048.8		2 048.8
Other reserve assets	297 902.3		297 902.3	302 105.1		302 105.1
TOTAL ASSETS/LIABILITIES	**501 672.4**	**1 277 991.7**	**-776 319.3**	**532 845.1**	**1 324 365.5**	**-791 520.4**

(*) Revised.
(**) Provisional.
Source : Foreign Exchange Office.

Table A6.1 Treasury revenue and expenditure

(In millions of dirhams)

	2021			2022			Changes in % Realization
	Realization(*)	FL	Implemen-tation rate of finance law (%)	Realization(**)	FL	Impleman-tation rate of finance law (%)	
CURRENT REVENUE	**278 664**	**259 010**	**107.6**	**336 501**	**286 812**	**117.3**	**20.8**
Tax revenues	**242 466**	**221 681**	**109.4**	**284 035**	**251 768**	**112.8**	**17.1**
Direct taxes	90 790	80 112	113.3	113 285	97 693	116.0	24.8
Corporate tax	44 592	38 236	116.6	62 434	51 447	121.4	40.0
Income tax	44 430	39 797	111.6	48 024	43 041	111.6	8.1
Other direct taxes	1 768	2 079	85.1	2 827	3 204	88.2	59.9
Indirect taxes (1)	123 961	116 073	106.8	138 734	127 148	109.1	11.9
VAT	93 001	87 009	106.9	107 129	96 352	111.2	15.2
Interior	31 931	35 305	90.4	28 914	34 780	83.1	-9.4
Import	61 070	51 704	118.1	78 215	61 571	127.0	28.1
CDT	30 960	29 063	106.5	31 605	30 796	102.6	2.1
Tobacco	12 222	11 211	109.0	12 674	11 813	107.3	3.7
Energy products	16 363	15 926	102.7	16 185	16 995	95.2	-1.1
Others	2 376	1 926	123.4	2 745	1 989	138.0	15.5
Customs duties	11 885	10 768	110.4	13 895	12 027	115.5	16.9
Registration fees and stamp duties	15 829	14 729	107.5	18 121	14 901	121.6	14.5
Non-tax revenues (2)	**32 327**	**34 029**	**95.0**	**48 666**	**30 944**	**157.3**	**50.5**
Monopolies and participations	10 711	17 118	62.6	13 146	13 985	94.0	22.7
Other revenues	21 616	16 912	127.8	35 520	16 959	209.4	64.3
Receipts from specific financing mechanisms	11 900	14 000	85.0	25 066	12 000	208.9	110.6
Revenues of Certain Special Treasury accounts	**3 872**	**3 300**	**117.3**	**3 800**	**4 100**	**92.7**	**-1.9**
EXPENDITURE	**357 872**	**341 141**	**104.9**	**414 579**	**368 959**	**112.4**	**15.8**
Current expenditure	**280 101**	**273 041**	**102.6**	**320 770**	**290 967**	**110.2**	**14.5**
Goods and services	203 254	205 710	98.8	217 916	216 967	100.4	7.2
Staff or employees	140 456	139 860	100.4	147 755	147 537	100.1	5.2
Other goods and services	62 798	65 850	95.4	70 161	69 430	101.1	11.7
Public debt	27 106	27 678	97.9	28 600	28 075	101.9	5.5
Interior	22 409	23 560	95.1	23 628	23 390	101.0	5.4
Foreign	4 697	4 118	114.1	4 972	4 684	106.1	5.8
Subsidization	21 840	13 550	161.2	42 115	17 020	247.4	92.8
Transfers to local authorities	27 900	26 103	106.9	32 139	28 905	111.2	15.2
CURRENT BALANCE	**-1 437**	**-14 031**	**-**	**15 731**	**-4 155**	**-**	**-**
Capital expenditure	**77 771**	**68 100**	**114.2**	**93 809**	**77 993**	**120.3**	**20.6**
Special Treasury accounts Balance	**3 579**	**7 000**	**-**	**8 626**	**4 500**	**-**	**-**
BUDGET DEFICIT	**-75 628**	**-75 131**	**-**	**-69 452**	**-77 648**	**-**	**-**
CHANGE IN PENDING TRANSACTIONS	**-4 758**		**-**	**-1 637**		**-**	**-**
FINANCING REQUIREMENTS OR SURPLUS	**-80 387**	**-75 131**	**-**	**-71 088**	**-77 648**	**-**	**-**
Foreign financing	**8 201**	**34 351**	**-**	**6 070**	**20 672**	**-**	**-**
Draws	18 442	41 000	-	29 644	40 000	-	-
Amortization	-10 241	-6 649	-	-23 574	-19 328	-	-
Interior financing	**66 770**	**36 780**	**-**	**65 019**	**51 976**	**-**	**-**
Proceeds from the sale of state holdings	**5 416**	**4 000**	**-**	**0**	**5 000**	**-**	**-**

(*) Revised.
(**) Preliminary.
(1) Including the share of the VAT receipts transferred to local authorities.
(2) Excluding proceeds from the sale of state holdings.
Source : Ministry of Economy and Finance.

Table A7.1 Main foreign exchange rates quoted by Bank Al-Maghrib and effective exchange rate

End of period	2021		2022												
	Annual average	Dec.	Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	Annual average
1 EURO (1)	10.634	10.460	10.514	10.648	10.726	10.625	10.582	10.563	10.437	10.537	10.670	10.782	11.001	11.133	10.687
1 DOLLAR (1)	8.992	9.253	9.289	9.389	9.734	9.822	10.000	9.992	10.245	10.403	10.772	10.964	10.799	10.517	10.166
REAL EFFECTIVE EXCHANGE RATE(*)	102.382	102.880			99.852			99.019			98.594			95.873	98.334
NOMINAL EFFECTIVE EXCHANGE RATE(*)	118.439	120.130			118.992			118.215			117.787			115.090	117.521

(*) 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 2021	2022												Annual average 2022
		Jan.	Feb.	March	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.	
Spot operations														
Currency-againt-currency sale/purchase operations with foreign correspondants	50 326	62 069	78 135	87 300	74 221	77 697	109 653	168 142	114 515	138 561	140 005	129 706	97 556	106 463
Interbank sale/purchase operations against the Moroccan Dirham(*)	19 795	22 108	25 994	47 085	43 881	33 670	53 099	45 902	54 834	54 267	56 111	40 402	38 107	42 955
Currency investments abroad	10 301	11 242	11 361	14 380	19 458	14 074	15 573	14 428	18 719	16 848	11 245	16 800	17 220	15 112
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)	15 601	14 416	19 387	28 390	25 391	24 584	30 650	31 702	30 647	27 304	27 443	37 239	25 896	26 921
Forward sale of currency by banks customers (export coverage)	3 544	4 403	7 235	9 350	5 470	5 108	7 923	6 534	6 531	7 408	8 528	13 945	12 981	7 951

(*) 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 Bank Al-Maghrib interventions[1]

(In millions of dirhams)

	Dec- 21	Jan- 22	Feb- 22	March- 22	April- 22	May- 22	June- 22	July- 22	Aug- 22	Sept- 22	Oct- 22	Nov- 22	Dec- 22
Notes and coins	337 055	337 621	337 571	340 790	344 267	347 309	347 455	360 776	364 391	362 029	362 965	365 294	370 152
Treasury's net position (2)	-4 445	-2 947	-4 162	-3 162	-6 511	-4 436	-3 454	-6 151	-4 430	-4 304	-4 568	-7 500	-5 373
Bank Al-Maghrib net foreign exchange holdings	291 251	291 796	293 519	298 165	291 714	290 635	285 491	289 783	294 956	300 233	298 753	301 241	295 393
Other net factors	-14 590	-14 109	-15 972	-20 927	-15 747	-17 999	-13 840	-17 065	-18 028	-22 895	-22 222	-14 577	-6 385
Bank's structural liquidity position (3)	-64 840	-62 880	-64 187	-66 714	-74 811	-79 109	-79 258	-94 210	-91 893	-88 994	-91 002	-86 130	-86 517
Reserve requirements	0	0	0	0	0	0	0	0	0	0	0	0	0
Surplus or liquidity requirement	-64 840	-62 880	-64 187	-66 714	-74 811	-79 109	-79 258	-94 210	-91 893	-88 994	-91 002	-86 130	-86 517
Bank Al-Maghrib money market interventions	**82 769**	**74 886**	**74 158**	**77 508**	**85 000**	**90 871**	**91 416**	**107 602**	**104 921**	**102 707**	**103 510**	**100 352**	**103 302**
7-days advance on call for tenders	36 494	32 270	31 910	35 348	42 784	46 075	37 175	44 895	39 495	40 434	48 460	44 953	56 632
Repo	22 725	22 699	22 358	21 528	21 487	23 179	31 236	37 984	38 928	38 028	30 893	28 733	21 861
24 hours advances	0	0	0	0	0	0	0	0	0	0	0	0	0
Guaranteed loans	23 490	19 917	19 889	20 632	20 729	21 554	22 593	24 183	26 497	24 245	24 125	26 569	24 809
Change Swap	60	0	0	0	0	63	413	540	0	0	33	98	0

(1) Monthly outstanding amounts calculated on the basis of end-of-week averages.
(2) The Treasury's net position is the difference between, on the one hand, the total of advances granted to the Treasury and the treasury bonds - open market transactions held by Bank Al-Maghrib, and on the other hand, the total of accounts of the Treasury and Hassan II Fund for economic and social development.
(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 2022

(in %)

Month	Bank Al-Maghrib's intervention rate(*)		Interbank market rate	
	7-days advances	24-hours advances	Monthly average	Month end
January	1.50	2.50	1.50	1.50
February	1.50	2.50	1.50	1.50
March	1.50	2.50	1.50	1.50
April	1.50	2.50	1.50	1.50
May	1.50	2.50	1.50	1.50
June	1.50	2.50	1.50	1.50
July	1.50	2.50	1.50	1.50
August	1.50	2.50	1.50	1.50
September	1.55	2.55	1.57	2.00
October	2.00	3.00	2.00	2.00
November	2.00	3.00	2.00	2.00
December	2.16	3.16	2.18	2.50

(*) Monthly avrage.
Source: Bank Al-Maghrib.

Table A7.5 Interest rates of deposits with banks

(in %)

	2021		2022	
	January -June	July- December	January -June	July- December
Savings accounts (1)	1.27	1.03	1.05	1.24

(1) The minimum rate on savings books 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 2022

(in %)

Month	6-month deposits	12- month deposits
January	2.02	2.62
February	2.12	2.36
March	2.16	2.47
April	2.04	2.62
May	2.10	2.45
June	2.02	2.34
July	2.04	2.38
August	2.07	2.39
September	2.11	2.39
October	2.08	2.41
November	2.41	2.63
December	2.24	2.67

Source: Bank Al-Maghrib.

Table A7.7 Weighted average rates of treasury bills issued by auction

(in %)

Months		Maturities										
		32-days bills	45-days bills	13-weeks bills	26-weeks bills	52-weeks bills	2-years bills	5-years bills	10-years bills	15-years bills	20-years bills	30-years bills
2021	January	-	-	1.43	1.47	1.55	1.76	1.99	2.38	2.68	2.94	3.34
	February	-	-	1.36	1.42	1.53	1.67	1.93	2.35	2.63	2.89	-
	March	-	-	1.32	1.41	1.53	1.66	1.95	2.29	2.62	2.82	3.27
	April	-	-	-	-	-	1.71	1.95	-	-	2.83	3.27
	May	-	-	1.32	1.42	1.51	1.68	1.96	2.32	2.63	2.83	-
	June	-	-	-	1.41	1.52	1.69	1.98	2.33	-	2.83	-
	July	-	-	1.39	-	1.57	1.78	2.03	2.36	2.64	2.84	3.28
	August	-	-	1.38	1.41	1.57	1.77	2.04	2.36	2.65	-	-
	September	-	-	1.36	1.40	1.56	1.76	2.06	2.37	-	2.84	-
	October	-	-	-	-	1.55	1.73	2.04	2.38	2.64	-	3.28
	November	-	-	1.35	1.39	1.53	1.71	1.98	2.32	2.64	2.84	3.28
	December	-	-	1.35	1.40	1.56	1.73	2.01	2.32	-	-	-
2022	January	-	-	-	-	-	1.82	2.09	2.43	2.71	-	3.28
	February	-	-	-	-	-	1.83	2.07	2.43	2.69	-	-
	March	-	-	-	1.49	1.61	1.85	-	-	-	-	-
	April	-	-	-	-	1.67	1.85	2.17	-	-	-	-
	May	-	-	1.51	1.64	1.76	1.93	2.32	-	-	-	-
	June	-	-	1.52	1.69	1.79	1.96	2.33	-	-	-	-
	July	-	-	1.62	1.75	1.85	-	-	-	-	-	-
	August	-	-	1.79	1.93	2.03	2.27	-	-	-	-	-
	September	-	-	1.86	2.02	2.18	2.39	2.64	-	-	-	-
	October	-	2.38	2.35	-	-	-	-	3.20	-	-	-
	November	-	-	2.58	-	-	2.44	-	-	-	-	-
	December	2.86	-	2.70	3.07	-	-	-	-	-	-	-

Source: Bank Al-Maghrib

Table A7.8 Interest rates (1) offered on negotiable debt securities

(in %)

	2021	2022
Certificates of deposit		
Under 32 days	-	1.80
32 days to 92 days	1.51 - 2.20	1.71 - 3.35
93 days to 182 days	1.64 - 3.20	1.75 - 2.70
183 days to 365 days	1.64 - 3.00	1.75 - 3.20
366 days to 2 years	1.85 - 3.30	2.03 - 3.50
More than 2 years up to 3 years	2.13 - 2.30	1.75 - 3.20
More than 3 years up to 5 years	2.35 - 2.66	2.16 - 2.85
More than 5 years	2.37 - 3.00	3.55 - 4.30
Financing companies bonds		
2 years	1.98 - 2.28	2.15 - 2.86
More than 2 years up to 3 years	2.04 - 2.39	2.10 - 2.84
More than 3 years up to 5 years	2.24 - 2.71	2.57 - 2.82
More than 5 years	-	2.66
Commercial papers		
Under 32 days	3.80 - 4.35	3.70 - 4.35
32 days to 92 days	2.16 - 4.95	2.48 - 5.25
93 days to 182 days	2.06 - 4.35	2.08 - 4.85
183 days to 365 days	2.05 - 4.15	2.09 - 5.00

(1) Minimum and maximum observed.
(-) No emission.
Source: Bank Al-Maghrib

Table A7.9 Rate (1) of private bonds

(in %)

	2021	2022
Less than 4 years	1.89 - 4.00	2.50 - 3.84
More than 4 years to 5 years	2.38 - 4.97	2.56 - 5.24
More than 5 years to 7 years	2.12 - 5.16	2.61 - 4.69
More than 7 years to 10 years	2.42 - 4.69	2.57 - 4.87
More than 10 years to 15 years	-	2.20 - 3.70
More than 15 years to 20 years	-	-
More than 20 years to 25 years	-	-
More than 25 years to 30 years	3.59	2.37 - 4.11
Over 30 years	3.96*- 4.63*	3.82* - 6.22*

(1) Minimum and maximum observed.
(-) No issue of securities.
(*) These are the perpetual bonds.
Source : Maroclear.

Table A7.10 Lending rates

(in %)

Agent and economic object	Q1-22	Q2-22	Q3-22	Q4-22
Average lending rate	**4.28**	**4.29**	**4.24**	**4.50**
Loans to individuals	**5.23**	**5.14**	**5.33**	**5.72**
Housing loans	4.21	4.19	4.19	4.32
Consumer loans	6.50	6.32	6.39	6.40
Loans to sole proprietors	**4.91**	**5.19**	**5.21**	**7.49**
Accounts receivable and cash advances	5.29	5.39	5.88	8.44
Equipment loans	4.12	3.79	3.75	5.56
Loans to property development	5.64	8.31	5.44	5.70
Loans to enterprises	**4.00**	**4.03**	**4.04**	**4.30**
By economic purpose				
Accounts receivable and cash advances	3.83	3.84	3.93	4.19
Equipment loans	4.31	4.60	4.14	4.38
Loans to property development	5.53	5.83	5.41	5.61
By size of the enterprise				
VSME	4.85	4.82	4.94	5.04
Large companies	3.65	3.79	3.87	4.19

Source: Bank Al-Maghrib.

Table A7.11 Maximum agreed interest rate of credit institutions(1)

(Annual rates in %)

Rates	April 2020 - March 2021	April 2021 - March 2022	April 2022 - March 2023	April 2023 - March 2024
Maximum interest rate agreed (MIRA)	13.52	13.36	13.09	12.94

(1) The maximum conventional interest rate (TMIC) is calculated annually on April 1 of each year, depending on variation recorded during the previous calendar year in the deposit rate on 6-month and 1-year deposits.
Source: Bank Al-Maghrib.

Table A8.1 Monetary and liquid investments aggregates

(In billions of dirhams)

	2020	2021	2022												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2020	2021	2022
Currency in circulation	300.6	320.1	320.7	321.5	324.4	331.5	328.7	333.2	344.4	344.3	342.9	344.5	347.8	354.7	20.1	6.5	10.8
Bank notes and coins in circulation	319.3	337.7	337.3	337.8	341.4	350.0	346.3	352.7	361.9	362.7	361.0	362.4	365.9	372.8	19.7	5.8	10.4
Banks cash holdings (To be deducted)	18.7	17.6	16.6	16.3	17.0	18.5	17.6	19.5	17.5	18.4	18.1	17.9	18.1	18.1	12.8	-5.7	2.6
Bank money	718.8	766.7	755.7	750.0	769.6	763.0	772.5	788.8	783.3	784.4	795.0	795.7	803.6	841.6	8.6	6.7	9.8
Demand deposits with BAM	2.8	2.8	4.7	4.9	5.2	5.1	4.8	3.9	4.0	3.2	3.3	3.1	2.8	3.3	24.4	-3.1	18.4
Demand deposits with banks	649.3	698.7	685.5	680.8	700.0	692.1	698.1	717.8	712.7	711.9	724.4	722.4	727.5	760.5	10.6	7.6	8.8
Demand deposits with the Treasury	66.6	65.3	65.4	64.2	64.4	65.8	69.6	67.1	66.6	69.3	67.3	70.2	73.3	77.8	-7.6	-2.1	19.3
M1	1 019.4	1 086.8	1 076.4	1 071.5	1 094.0	1 094.5	1 101.2	1 122.0	1 127.8	1 128.7	1 137.9	1 140.2	1 151.3	1 196.3	11.8	6.6	10.1
Demand deposits	169.4	174.2	174.6	174.9	175.2	176.1	176.2	176.0	176.9	177.3	178.0	178.5	178.3	179.3	1.7	2.8	2.9
Savings accounts in banks	169.4	174.2	174.6	174.9	175.2	176.1	176.2	176.0	176.9	177.3	178.0	178.5	178.3	179.3	1.7	2.8	2.9
M2	1 188.8	1 261.0	1 251.0	1 246.4	1 269.2	1 270.6	1 277.4	1 298.0	1 304.7	1 306.0	1 315.9	1 318.7	1 329.6	1 375.6	10.2	6.1	9.1
Other monetary assets	296.4	299.8	302.2	309.5	311.3	303.0	302.7	311.2	303.2	316.9	298.7	303.6	326.3	309.4	1.4	1.2	3.2
Time accounts and fixed-term bills with banks	135.6	136.5	131.3	134.8	133.1	130.3	124.7	125.1	124.7	127.5	121.2	122.1	128.5	129.8	-9.5	0.6	-4.9
Money market UCITS	63.9	71.9	74.0	76.2	76.7	70.1	74.8	79.8	76.1	82.7	77.3	83.9	97.1	82.6	17.1	12.5	14.9
Deposits in foreign currencies (1)	39.8	41.9	45.9	45.5	45.5	47.2	47.2	54.7	49.5	51.7	50.6	48.2	52.6	47.6	-5.4	5.4	13.7
Securities sold under repurchase agreements	12.8	10.4	12.2	12.7	11.4	12.9	13.7	10.3	10.8	12.6	8.1	11.0	10.5	9.2	128.7	-19.0	-11.4
Certificates of deposit of a residual maturity of 2 years or less	29.6	28.9	27.4	28.6	28.2	30.4	30.4	29.2	29.1	30.4	27.2	26.9	26.2	25.1	3.5	-2.4	-13.1
Time accounts with the treasury	6.9	7.8	7.8	7.9	8.2	7.7	7.8	8.0	7.6	7.2	7.0	6.9	6.8	5.5	-16.6	13.5	-29.2
Other deposits(2)	7.7	2.4	3.7	3.7	8.2	4.4	4.2	4.3	5.3	4.9	7.3	4.7	4.5	9.5	145.7	-68.8	296.4
M3	1 485.1	1 560.8	1 553.2	1 555.8	1 580.5	1 573.6	1 580.2	1 609.2	1 607.9	1 622.9	1 614.5	1 622.3	1 655.9	1 685.1	8.4	5.1	8.0
LI	796.5	883.6	874.0	874.5	877.1	854.0	840.5	847.3	827.0	833.8	796.3	802.5	782.1	771.4	7.4	10.9	-12.7
LI 1	440.1	478.7	456.8	458.5	464.7	447.0	433.4	454.1	444.9	449.3	444.6	453.4	439.7	447.8	7.5	8.8	-6.5
LI 2	295.2	303.0	313.1	314.5	313.3	305.7	308.7	294.8	284.3	284.9	256.5	258.2	252.6	235.9	8.3	2.6	-22.2
LI 3	61.2	101.9	104.1	101.4	99.1	101.3	98.4	98.4	97.8	99.5	95.1	90.8	89.8	87.8	2.3	66.5	-13.8

(1) Demand and time deposits in foreign currencies with banks.
(2) Loans made by banks from financial corporations.
Source: Bank Al-Maghrib.

Table A8.2 Breakdown of monetary assets by institutional sector

(In billions of dirhams)

	2020	2021	2022												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2020	2021	2022
Households	**773.5**	**794.9**	**794.3**	**796.8**	**802.6**	**807.9**	**809.9**	**818.6**	**820.7**	**823.2**	**828.5**	**832.6**	**835.2**	**853.0**	**5.3**	**2.8**	**7.3**
Demand deposits	486.8	513.9	514.0	516.8	522.8	526.8	528.5	536.3	537.6	538.7	544.1	543.6	545.4	561.9	9.8	5.6	9.3
Savings accounts with banks	169.4	174.2	174.6	174.9	175.2	176.1	176.2	176.0	176.9	177.3	178.0	178.5	178.3	179.3	1.7	2.8	2.9
Time accounts and fixed-term bills with banks	95.4	87.8	86.2	85.5	84.5	84.9	84.2	84.4	83.3	83.7	82.6	83.3	83.7	84.1	-6.7	-8.0	-4.2
Deposits in foreign currencies	11.9	9.3	9.3	9.5	9.6	9.5	9.3	9.8	10.0	9.9	10.0	10.1	10.1	10.0	-2.1	-22.0	7.3
Certificates of deposits of a residual maturity of 2 years or less	3.4	2.6	2.5	2.3	2.4	2.6	2.6	2.6	2.8	2.8	2.9	3.5	3.5	4.1	-1.2	-21.7	55.5
Money market UCITS	6.6	7.1	7.8	7.8	7.9	8.0	9.1	9.7	10.1	10.8	11.0	13.6	14.4	13.7	-2.8	7.0	92.6
Private non-financial corporations	**182.9**	**213.2**	**209.7**	**208.4**	**216.5**	**203.2**	**213.9**	**221.3**	**212.2**	**216.3**	**218.7**	**217.8**	**229.9**	**228.9**	**2.5**	**16.6**	**7.4**
Demand deposits	127.5	142.0	136.6	133.2	139.0	132.4	137.7	141.3	139.0	139.2	143.5	142.5	145.6	154.5	10.8	11.4	8.8
Time accounts and fixed-term bills with banks	17.7	17.4	16.5	17.3	18.0	17.2	17.0	16.5	16.5	18.1	18.1	19.5	20.0	20.2	-17.6	-1.8	16.1
Deposits in foreign currencies	12.1	14.9	15.5	15.9	14.8	15.1	16.1	19.1	16.2	16.5	16.0	15.4	16.3	14.2	3.3	23.1	-4.9
Money market UCITS	25.2	38.1	40.5	41.4	44.0	37.8	42.4	43.6	39.7	41.7	40.5	39.8	47.4	39.7	-12.3	51.4	4.1
Public sector	**32.3**	**37.5**	**36.5**	**38.4**	**41.9**	**38.0**	**35.1**	**41.7**	**36.6**	**39.3**	**34.5**	**36.3**	**47.8**	**47.9**	**14.3**	**16.0**	**27.8**
Demand deposits	12.9	15.6	14.8	14.4	18.9	14.8	15.4	18.2	15.4	15.5	16.8	16.4	16.2	20.5	-2.9	21.1	31.3
Time accounts and fixed-term bills with banks	3.7	6.1	6.2	8.0	7.6	7.6	6.0	5.5	5.8	6.4	3.5	4.8	9.9	10.8	-40.1	64.9	77.5
Money market UCITS	13.9	13.8	11.7	13.1	11.8	11.0	10.5	11.9	12.0	14.4	12.0	13.1	14.7	11.5	105.5	-0.4	-17.0
Other financial corporations	**107.2**	**107.2**	**103.9**	**103.8**	**107.0**	**104.9**	**100.1**	**104.5**	**105.0**	**108.9**	**100.5**	**98.0**	**100.0**	**101.3**	**28.5**	**0.0**	**-5.5**
Demand deposits	13.0	18.4	13.2	10.2	12.2	12.0	9.7	14.5	13.5	11.2	11.9	10.8	11.6	14.4	67.1	41.9	-21.5
Time accounts and fixed-term bills with banks	16.1	22.4	19.6	21.2	20.3	17.8	14.6	15.9	16.3	16.0	14.0	11.4	12.0	11.8	3.8	39.0	-47.4
Other deposits	7.4	2.0	3.4	3.4	7.9	4.0	3.8	3.9	4.9	4.5	7.0	4.3	4.1	9.2	184.9	-72.9	353.2
Deposits in foreign currencies	13.7	15.6	17.3	16.9	17.2	17.8	18.4	19.4	19.7	22.0	22.2	20.4	18.9	18.2	-13.2	14.0	16.7
Certificats of deposits of a residual maturity of 2 years or less	25.9	25.6	24.2	25.6	25.0	27.1	27.0	25.8	25.5	26.8	23.7	22.8	22.2	20.7	4.1	-1.4	-18.9
Money market UCITS	18.2	12.9	13.9	13.9	13.0	13.2	12.9	14.7	14.3	15.7	13.7	17.3	20.7	17.8	48.2	-29.6	38.7
Values given in pension	12.8	10.4	12.2	12.7	11.4	12.9	13.7	10.3	10.8	12.6	8.1	11.0	10.5	9.2	183.6	-18.9	-11.8

Source: Bank Al-Maghrib.

Table A8.3 M3 counterparts

(In billions of dirhams)

	2020**	2021**	2022												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2020	2021	2022
Claims on the economy	**1 132.7**	**1 176.3**	**1 167.3**	**1 168.4**	**1 187.1**	**1 185.5**	**1 189.6**	**1 226.9**	**1 218.1**	**1 227.4**	**1 239.0**	**1 248.2**	**1 245.3**	**1 259.5**	**4.9**	**3.8**	**7.1**
Nets claims of ODC	1 131.1	1 174.9	1 166.0	1 167.1	1 185.8	1 184.3	1 188.5	1 225.8	1 216.9	1 226.2	1 237.6	1 246.3	1 243.4	1 258.5	4.9	3.9	7.1
Banks loans	960.1	984.9	964.9	962.3	988.5	980.1	984.7	1 027.6	1 011.1	1 015.0	1 036.5	1 031.6	1 024.1	1 059.0	4.7	2.6	7.5
Of which participation financing	13.5	19.3	19.6	19.9	20.4	20.7	21.0	21.5	21.7	22.2	22.5	22.8	23.2	23.5	48.1	42.9	21.7
Net claims on central government	**238.3**	**272.5**	**289.9**	**294.1**	**300.3**	**295.1**	**300.6**	**294.1**	**302.1**	**300.6**	**296.0**	**293.8**	**311.1**	**333.1**	**12.2**	**14.3**	**22.3**
Nets claims of ODC	242.6	275.9	292.6	296.0	303.7	296.9	304.6	295.5	303.4	301.8	298.2	297.3	295.4	314.6	14.5	13.7	14.0
Loans	54.1	59.5	59.8	59.9	58.0	58.6	58.9	58.8	57.9	58.0	59.0	55.5	56.1	57.0	-7.6	9.9	-4.2
Treasury bills portfolio	195.8	223.3	248.4	250.5	251.9	250.3	252.9	248.2	253.7	250.2	253.2	251.6	246.0	264.4	22.2	14.0	18.4
Banks	168.7	193.2	218.6	222.2	225.7	224.0	226.0	221.5	223.9	220.8	222.6	219.0	212.9	232.6	15.8	14.5	20.4
Money market UCITS	27.1	30.2	29.8	28.2	26.2	26.3	26.9	26.7	29.8	29.4	30.6	32.6	33.1	31.8	85.9	11.3	5.4
Net claims of depository institutions on non residents	**316.5**	**316.9**	**316.1**	**315.9**	**317.3**	**314.7**	**309.2**	**309.2**	**309.6**	**318.2**	**310.6**	**307.3**	**324.1**	**317.6**	**20.0**	**0.1**	**0.2**
Official reserve assets	320.6	330.8	331.0	335.7	332.7	329.2	325.9	329.4	330.1	337.4	340.7	339.6	344.5	337.6	26.5	3.2	2.1
Monetary Gold	12.0	12.0	12.0	13.0	13.3	13.6	13.0	13.1	12.9	12.9	13.0	12.7	13.4	13.5	15.4	0.2	12.4
Foreign currency	26.1	15.9	15.2	16.3	17.0	14.5	14.9	11.1	15.2	20.0	20.3	16.8	15.4	17.1	314.5	-39.0	7.1
Securities deposits included in the official reserves	274.0	282.0	282.6	285.0	281.0	279.5	276.6	283.6	280.2	282.5	284.9	287.6	293.4	285.1	20.4	2.9	1.1
Reserve position in the IMF	1.9	1.9	1.9	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.1	2.1	2.1	2.0	-3.3	1.3	7.0
SDR holdings	6.6	19.0	19.2	19.4	19.5	19.6	19.4	19.6	19.8	20.0	20.4	20.3	20.2	20.0	-7.3	187.3	5.2
Counterparts of deposits with the Treasury	**73.5**	**73.1**	**73.3**	**72.2**	**72.6**	**73.5**	**77.4**	**75.0**	**74.3**	**76.4**	**74.3**	**77.1**	**80.1**	**83.4**	**-8.5**	**-0.6**	**14.1**
Non-monetary liabilities	**247.0**	**257.7**	**260.1**	**262.6**	**261.8**	**261.8**	**261.1**	**260.6**	**268.6**	**270.9**	**274.9**	**277.3**	**280.9**	**279.6**	**1.3**	**4.3**	**8.5**
DC capital and reserves	164.7	171.5	174.1	178.0	174.9	176.6	176.1	173.2	177.6	180.2	185.2	186.3	190.6	187.3	1.4	4.2	9.2
DC Non-monetary liabilities	82.4	86.2	86.0	84.6	86.9	85.2	85.1	87.3	91.0	90.7	89.7	91.1	90.3	92.3	1.1	4.6	7.1
Others nets items	**-28.9**	**-20.3**	**-33.2**	**-32.1**	**-35.0**	**-33.5**	**-35.4**	**-35.5**	**-27.6**	**-28.9**	**-30.5**	**-26.8**	**-23.9**	**-28.9**	**30.7**	**-30.0**	**42.6**
Total counterparts(*)	**1 485.1**	**1 560.8**	**1 553.2**	**1 555.8**	**1 580.5**	**1 573.6**	**1 580.2**	**1 609.2**	**1 607.9**	**1 622.9**	**1 614.5**	**1 622.3**	**1 655.9**	**1 685.1**	**8.4**	**5.1**	**8.0**

(*) 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.
(**) Revised.
Source: Bank Al-Maghrib.

Table A8.4 Breakdown of loans by economic purpose and by institutional sector (*)

(In billions of dirhams)

	2020**	2021**	2022												Annual change (%)		
			Jan	Feb	Mar	April	May	June	July	Aug	Sept	Oct	Nov	Dec	2020	2021	2022
Bank loans(*)	**960.1**	**984.9**	**964.9**	**962.3**	**988.5**	**980.1**	**984.7**	**1027.6**	**1011.1**	**1015.0**	**1036.5**	**1031.6**	**1024.1**	**1059.0**	**4.7**	**2.6**	**7.5**
By economic purpose																	
Accounts receivable and cash advances	206.1	225.7	224.2	221.3	226.9	236.4	239.2	249.6	254.7	256.7	266.7	268.2	259.5	264.0	8.6	9.5	17.0
Equipment loans	179.8	169.1	169.7	169.8	172.8	173.3	172.6	173.1	174.2	173.4	174.9	175.9	177.7	179.7	-2.1	-6.0	6.3
Real-estate loans	285.3	292.7	293.6	293.1	294.4	294.8	295.6	297.4	296.4	296.8	297.3	298.2	298.5	300.0	3.0	2.6	2.5
Home loans	222.4	232.8	233.4	233.7	234.5	235.0	235.5	236.4	236.5	236.9	237.4	238.0	238.8	239.4	3.4	4.7	2.8
Including: Participatory financing for housing	11.3	15.9	16.1	16.4	16.7	16.9	17.1	17.4	17.7	18.0	18.2	18.5	18.7	18.9	45.3	40.6	18.9
Loans to real-estate developers	60.0	56.0	54.5	55.0	55.8	54.5	56.6	56.7	54.9	53.6	53.0	53.3	52.7	54.9	0.4	-6.8	-1.8
Consumer loans	54.2	55.6	55.7	55.9	56.2	56.4	56.7	57.2	57.2	57.4	57.5	57.7	58.0	57.5	-4.1	2.5	3.3
Various claims on customers	154.4	156.9	137.5	136.3	151.8	133.2	133.2	163.1	140.7	142.1	151.5	142.2	140.8	169.0	10.1	1.6	7.7
Financial loans (1)	138.6	142.4	122.7	122.8	137.3	118.6	118.5	147.1	124.4	125.5	134.8	125.2	122.6	147.2	11.5	2.7	3.4
Other loans (2)	15.8	14.5	14.8	13.4	14.5	14.6	14.7	16.0	16.3	16.5	16.6	16.9	18.2	21.7	-0.6	-8.2	49.9
Non performing loans	80.2	84.8	84.2	85.9	86.3	86.0	87.4	87.2	87.9	88.5	88.6	89.4	89.7	88.8	14.7	5.7	4.7
By institutional sector																	
Loans to the non-financial sector	**818.1**	**842.0**	**841.7**	**842.2**	**846.5**	**853.7**	**862.7**	**876.5**	**881.7**	**886.3**	**896.0**	**901.3**	**898.3**	**908.2**	**4.2**	**2.9**	**7.9**
Public sector excluding the central government	76.8	70.0	70.4	70.4	67.2	66.9	68.1	69.1	70.0	70.1	74.0	75.9	79.0	81.3	4.3	-8.8	16.1
Local governments	24.4	25.4	25.4	25.3	25.3	25.1	25.1	25.2	25.1	25.1	25.1	25.6	25.7	26.1	8.0	4.3	2.6
Public non-financial corporations	52.4	44.6	45.0	45.1	41.9	41.8	43.1	43.9	44.9	45.0	48.8	50.3	53.3	55.2	2.7	-14.9	23.7
Private sector	741.4	772.0	771.3	771.8	779.3	786.8	794.6	807.4	811.8	816.1	822.0	825.4	819.3	826.9	4.1	4.1	7.1
Private non-financial corporations	389.3	405.1	402.1	403.0	409.0	415.2	421.5	431.8	435.2	439.5	444.3	445.6	437.9	446.9	4.7	4.1	10.3
Other resident sectors	352.1	366.9	369.2	368.8	370.3	371.6	373.1	375.5	376.6	376.6	377.7	379.8	381.5	380.0	3.6	4.2	3.6
Households	350.6	365.1	367.6	367.2	368.8	370.0	371.5	373.8	374.9	374.7	375.7	377.8	379.7	378.2	3.6	4.1	3.6
Private individuals and Moroccans living abroad	311.8	326.6	327.8	328.0	328.7	329.7	330.6	331.9	332.3	333.2	333.9	335.6	336.9	335.9	2.9	4.7	2.9
Sole proprietors	38.8	38.6	39.7	39.2	40.0	40.3	40.9	41.9	42.5	41.5	41.8	42.2	42.8	42.3	8.9	-0.6	9.8
NPISH	1.5	1.7	1.6	1.6	1.5	1.6	1.6	1.7	1.7	1.9	2.0	2.0	1.8	1.7	7.9	16.1	0.5
Other financial corporations	**141.9**	**142.9**	**123.2**	**120.1**	**142.0**	**126.4**	**121.9**	**151.1**	**129.4**	**128.7**	**140.4**	**130.3**	**125.8**	**150.9**	**7.8**	**0.7**	**5.6**
Finance companies	51.5	52.7	52.3	51.0	52.3	52.7	53.2	54.5	55.2	54.7	56.0	57.2	58.7	60.9	-1.7	2.5	15.5
Credit institutions and similar bodies(1)	24.0	24.6	25.6	26.0	26.8	27.4	28.1	31.4	33.2	34.1	36.0	35.7	33.3	32.3	-9.0	2.3	31.2
Non-money market UCITS	28.2	25.3	13.6	13.6	25.7	15.1	10.2	24.5	12.5	12.0	16.3	8.5	7.5	16.6	53.3	-10.3	-34.3
Other (3)	38.2	40.3	31.7	29.6	37.1	31.2	30.4	40.7	28.5	28.0	32.2	28.9	26.3	41.0	10.9	5.3	2.0

(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 A8.5 Quarter breakdown of loans by term and by activity sector

(In billions of dirhams)

	2020*	2021*	2022				Annual change (%)		
			March	June	Sept	Dec	2020	2021	2022
Bank loans(1)	960.1	984.9	988.5	1027.6	1036.5	1059.0	4.7	2.6	7.5
By term (2)									
Short term	302.7	287.9	290.1	321.0	338.7	338.3	10.2	-4.9	17.5
Nonperforming maturities	10.2	9.6	10.6	11.8	15.0	13.4	12.2	-5.8	39.0
Medium term	212.2	228.7	225.2	230.9	220.2	229.2	1.0	7.7	0.2
Long term	364.9	383.5	386.8	388.4	389.0	402.7	0.7	5.1	5.0
Non-performing loans;	80.2	84.8	86.3	87.2	88.6	88.8	14.7	5.7	4.7
By activity sector									
Primary sector	36.0	38.7	38.4	40.7	41.2	41.8	-6.0	7.4	8.1
Agriculture and fishing	36.0	38.7	38.4	40.7	41.2	41.8	-6.0	7.4	8.1
Secondary sector	230.1	232.7	237.8	250.4	259.1	262.2	-6.3	1.2	12.7
Extractive industries	25.8	16.5	16.7	18.1	19.5	19.1	20.8	-36.3	15.9
Manufacturing Industries	89.0	97.5	100.0	105.2	109.6	109.8	3.9	9.6	12.7
Food and tobacco industries	33.5	37.1	39.2	41.0	41.6	40.3	4.7	10.9	8.7
Textile, clothing, and leather industries	7.2	8.1	8.1	8.1	8.1	8.0	14.7	11.6	-0.6
Chemical and Para chemical industries	10.3	9.6	9.9	10.2	11.4	11.1	-8.6	-6.6	15.3
Mechanical, electrical, electronic and metal-working industries	18.8	20.3	20.3	22.5	23.9	23.2	-3.3	8.0	14.3
Other manufacturing industries	19.2	22.4	22.5	23.4	24.6	27.2	15.4	16.8	21.5
Electricity, gas and water	35.2	39.8	40.8	47.2	51.5	54.1	-17.1	12.9	36.1
Construction and public works	80.0	79.0	80.3	79.9	78.5	79.1	-16.8	-1.3	0.2
Tertiary sector	694.0	713.5	712.3	736.6	736.2	755.0	9.6	2.8	5.8
Trade, automotive and household goods repairs	65.7	70.0	70.9	77.4	82.6	85.6	9.7	6.5	22.2
Hotels and restaurants	16.6	20.0	20.0	19.8	19.7	20.0	18.5	20.5	0.1
Transport and Communications	40.4	41.1	34.6	36.5	40.4	39.8	1.4	1.7	-3.0
Financial activities	154.5	149.4	149.2	159.3	148.9	159.6	6.7	-3.3	6.9
Individuals and Moroccan living abroad	311.8	326.6	328.7	331.9	333.9	335.9	2.9	4.7	2.9
Local governments	24.4	25.4	25.3	25.2	25.1	26.1	8.0	4.3	2.6
Other sections (3)	80.6	81.0	83.6	86.5	85.5	87.9	64.2	0.6	8.4

(*) Revised.
(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 A8.6 Claims of other financial corporations on non-financial units by economic purpose [1]

(In billions of dirhams)

	2020	2021	2022				Annual change (%)		
			March	June	Sept	Dec	2020	2021	2022
Claims on non-financial units	313.4	339.1	340.6	343.0	345.3	343.9	2.8	8.2	1.4
Loans granted by other financial corporations	148.0	152.7	152.3	156.1	157.8	163.0	-2.4	3.1	6.8
Finance companies	118.1	122.4	123.0	124.9	125.9	130.2	-0.9	3.7	6.4
Consumer loans	30.0	30.9	31.1	31.6	31.9	32.2	-0.2	3.0	4.0
Leasing	65.1	67.2	67.2	67.7	68.2	70.5	-3.4	3.2	4.9
Non performing loans	14.0	15.4	15.9	16.0	16.5	16.3	18.8	10.1	5.7
Offshore banks	10.6	11.6	11.7	12.3	12.6	13.7	-11.4	9.9	17.5
Cash advances	3.2	2.9	2.9	3.7	4.0	4.8	-46.6	-10.9	65.9
Equipment loans	6.9	8.1	8.1	7.9	7.9	8.2	22.3	16.8	1.9
Moroccan Deposit and Management Fund	4.6	1.8	1.0	2.2	2.8	2.3	-22.8	-60.8	25.2
Cash advances	1.9	0.6	0.6	0.7	1.0	1.0	-38.0	-66.1	50.9
Equipment loans	2.1	0.0	0.0	0.7	0.6	1.3	-0.2	-	-
Microcredit associations	8.1	8.3	8.5	8.7	8.6	8.7	9.9	2.2	4.4
Securitization funds	6.2	8.2	7.8	7.6	7.4	7.7	-8.8	31.5	-6.6
Securities issued by non-financial corporations and held by other financial corporations	156.5	178.2	179.5	177.5	177.4	169.8	8.4	13.8	-4.7
Non-money market UCITS	64.5	83.7	84.5	81.6	79.9	72.1	8.8	29.8	-13.9
Insurance and reinsurance companies	56.7	60.3	60.7	61.0	62.1	63.2	5.6	6.3	4.8
Moroccan Deposit and Management Fund	12.4	10.4	10.4	11.1	11.3	11.0	38.4	-16.2	6.1
Pension funds [2]	22.5	23.3	23.3	23.0	23.0	23.0	1.8	3.5	-1.0
Other claims	8.8	8.3	8.7	9.3	10.1	11.2	1.4	-6.1	35.2

(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 A8.7 Change in the interbank market

(In millions of dirhams)

	2021	2022												Average
	Average	Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	
Averge outstanding	8 923	9 081	9 093	8 648	7 086	7 566	6 336	7 521	7 508	9 715	11 662	10 858	12 056	8 918
Average exchanged volume	3 869	4 286	4 319	4 567	3 947	4 110	3 649	3 136	3 271	3 492	5 059	2 362	5 559	3 978

Source : Bank Al-Maghrib.

Table A8.8 Subscriptions to treasury bills by tender

(In millions of dirhams)

Maturities	TOTAL 2021	2022												
		Jan	Feb	March	April	May	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL
Total subscriptions	**144 471**	**30 205**	**11 880**	**2 745**	**2 973**	**9 934**	**9 434**	**5 183**	**6 908**	**7 945**	**12 308**	**5 700**	**23 479**	**128 694**
Short term	**24 579**	**-**	**-**	**1 225**	**1 765**	**7 434**	**8 084**	**5 183**	**5 779**	**3 050**	**12 158**	**1 700**	**17 979**	**64 358**
32 days	-	-	-	-	-	-	-	-	-	-	-	-	10 000	10 000
45 days	-	-	-	-	-	-	-	-	-	-	8 630	-	-	8 630
13 weeks	4 153	-	-	-	-	2 113	1 734	650	3 791	475	3 528	1 700	6 949	20 941
26 weeks	4 428	-	-	100	-	1 130	3 050	3 218	803	1 375	-	-	1 030	10 706
52 weeks	15 998	-	-	1 125	1 765	4 191	3 300	1 315	1 185	1 200	-	-	-	14 081
Medium term	**83 495**	**22 649**	**7 285**	**1 520**	**1 208**	**2 500**	**1 350**	**-**	**1 129**	**4 895**	**-**	**4 000**	**5 500**	**52 035**
2 years	45 310	9 650	5 226	1 520	508	800	700	-	1 129	3 395	-	500	-	23 427
5 years	38 186	12 999	2 059	-	700	1 700	650	-	-	1 500	-	3 500	5 500	28 608
Long term	**36 396**	**7 556**	**4 595**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**150**	**-**	**-**	**12 301**
10 years	21 306	5 331	4 105	-	-	-	-	-	-	-	150	-	-	9 586
15 years	4 437	1 603	490	-	-	-	-	-	-	-	-	-	-	2 093
20 years	6 000	-	-	-	-	-	-	-	-	-	-	-	-	-
30 years	4 654	622	-	-	-	-	-	-	-	-	-	-	-	622

Source : Bank Al-Maghrib.

Table A9.1 Outstanding amount of treasury bills by tender

(By category of initial subcribers)

(In millions of dirhams)

	2018	2019	2020	2021	2022	Changes in %		Share in %	
						2021/2020	2022/2021	2021	2022
UCITS	203 962	197 575	236 533	275 290	240 842	16.4	-12.5	42.6	36.2
Insurance companies and pension institutions	131 910	131 179	129 539	125 246	119 046	-3.3	-4.9	19.4	17.9
Banks	125 184	134 237	146 651	152 686	207 947	4.1	36.2	23.6	31.2
Deposit and management fund(1)	35 021	45 964	44 423	52 956	49 398	19.2	-6.7	8.2	7.4
Other financial enterprises	27 187	24 374	23 918	23 650	29 277	-1.1	23.8	3.7	4.4
Non-financial enterprises	22 269	23 325	19 282	16 361	15 017	-15.1	-8.2	2.5	2.3
Finance companies	672	497	395	388	4 164	-1.7	972.5	0.1	0.6
Non-resident enterprises	-	10	-	56	73	-	29.8	-	-
Total treasury bill auctions	**546 205**	**557 161**	**600 741**	**646 633**	**665 764**	**7.6**	**3.0**	**-**	**-**

(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	2021					2022				
	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	**10 558**	**2 084**	**69 191**	**5 293**	**87 127**	**9 980**	**3 696**	**61 200**	**6 623**	**81 499**
Certificates of deposit	6 779	1 246	43 473	4 664	56 163	5 693	2 268	39 120	6 229	53 310
Bills of financing companies	3 679	838	24 462	629	29 608	3 868	1 426	20 701	396	26 391
Commercial paper	100	-	1 256	-	1 356	419	-	1 379	-	1 798
Issues	**4 289**	**765**	**32 784**	**4 782**	**42 620**	**5 997**	**2 090**	**29 396**	**5 814**	**43 297**
Certificates of deposit	2 646	400	23 944	4 532	31 523	4 423	1 122	23 092	5 562	34 199
Bills of financing companies	1 518	365	6 577	250	8 710	975	855	3 082	231	5 143
Commercial paper	125	-	2 263	-	2 388	599	113	3 222	21	3 955

Source: Bank Al-Maghrib.

Table A9.3 Bond market

(In millions of dirhams)

	2021	2022				2022
		Q1	Q2	Q3	Q4	
Outstanding	**164 910**	**171 490**	**174 164**	**178 305**	**181 191**	**181 191**
Public sector	**89 092**	**89 957**	**89 307**	**92 607**	**94 416**	**94 416**
Non-financial corporations	57 157	57 157	57 507	58 507	59 157	59 157
Banks	31 935	32 800	31 800	34 100	35 260	35 260
Private sector	**75 818**	**81 533**	**84 857**	**85 698**	**86 774**	**86 774**
Banks	32 450	32 450	34 450	34 450	35 065	35 065
Non-financial corporations	35 236	40 951	43 075	43 271	43 521	43 521
Other financial corporations	8 132	8 132	7 332	7 977	8 188	8 188
Bonds issued	**18 422**	**6 715**	**4 600**	**4 680**	**4 450**	**20 445**
Public sector	**4 650**	**1 000**	**350**	**3 300**	**2 300**	**6 950**
Banks	700	1 000	-	2 300	1 300	4 600
Non-financial corporations	3 950	-	350	1 000	1 000	2 350
Private sector	**13 772**	**5 715**	**4 250**	**1 380**	**2 150**	**13 495**
Banks	1 000	-	2 000	-	1 500	3 500
Non-financial corporations	9 372	5 715	2 250	380	250	8 595
Other Financial corporations	3 400	-	-	1 000	400	1 400

Sources : Data from Maroclear and BAM computing.

Table A9.4 Stock exchanges indicators

Period	Turnover (in millions of dirhams)	MASI	MASI 20	Market capitalisation (in millions of dirhams)
2014 December	13 429.6	9 620.1		484 448
2015 December	20 286.6	8 925.7		453 316
2016 December	22 115.5	11 644.2		583 380
2017 December	21 047.7	12 388.8		626 965
2018 December	18 220.2	11 364.3		582 155
2019 December	17 253.4	12 171.9	1 000.0	626 693
2020 December	16 970.9	11 287.4	924.8	584 976
2021 December	20 395.0	13 358.3	1 085.7	690 717
2022 December	19 515.3	10 720.3	857.4	561 104
2021 January	3 308.6	11 630.0	951.9	601 086
February	1 777.2	11 358.2	926.3	585 906
March	9 141.6	11 483.7	935.7	595 331
April	2 148.0	11 811.2	963.7	611 042
May	5 785.0	12 114.5	991.0	626 206
June	9 589.4	12 409.2	1 016.2	637 517
July	9 361.7	12 304.2	1 005.1	633 231
August	2 518.2	12 694.2	1 036.7	653 223
September	4 171.1	13 186.8	1 081.3	677 260
October	3 663.9	13 555.5	1 104.8	697 510
November	2 883.3	13 085.4	1 063.0	674 660
December	20 395.0	13 358.3	1 085.7	690 717
2022 January	3 793.0	13 883.5	1 132.0	719 282
February	4 241.5	13 071.0	1 055.7	681 886
March	2 566.7	12 818.1	1 037.1	667 768
April	2 429.9	13 136.7	1 064.5	685 035
May	2 896.2	12 339.6	995.3	644 961
June	4 982.5	12 009.4	970.1	623 859
July	1 780.4	11 818.5	954.7	614 002
August	1 110.5	12 128.7	981.5	630 219
September	5 395.8	11 613.1	937.3	603 621
October	6 529.5	10 822.6	864.6	562 364
November	2 437.5	10 910.9	874.7	567 329
December	19 515.3	10 720.3	857.4	561 104

Source : Casablanca Stock Exchange.

Table A9.5 Index of real estate assets prices

	REPI		
	2021*	**2022****	**Changes (%)**
Overall	**109.7**	**108.9**	**-0.7**
Residential	**109.2**	**107.9**	**-1.2**
Apartments	106.9	105.1	-1.6
Houses	119.4	119.5	0.1
Villas	120.4	120.4	0.0
Urban Land	**113.6**	**114.5**	**0.7**
Professional	**110.9**	**108.7**	**-2.0**
Business premises	113.5	111.7	-1.6
Offices	100.3	97.9	-2.4

(*) 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 (%)	
	2021/2020	2022/2021
Overall	**33.7**	**-12.3**
Residential	**28.9**	**-12.0**
Apartments	28.1	-12.8
Houses	49.1	-1.0
Villas	23.3	2.1
Urban Land	**50.6**	**-16.5**
Professional	**42.4**	**-6.5**
Business premises	39.7	-6.1
Offices	58.7	-8.6

Source: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

Table A9.7 Index of real estate assets prices and number of transactions in the major cities

CITIES	Changes (%) 2022/2021	
	REPI	NUMBER OF TRANSACTIONS
Agadir	0.6	17.0
Casablanca	-1.7	-14.7
El Jadida	-3.8	-16.1
Fez	-2.5	-11.5
Kenitra	-0.7	-8.1
Marrakech	0.5	-14.4
Meknes	-1.2	-9.9
Oujda	1.4	-8.2
Rabat	-0.5	-23.7
Tangier	-1.4	-0.9

Sources: Data drawn from the National Agency for Land Conservation, Cadastre and Cartography and BAM computing.

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A2Z	: Accelerating to Zero
ACAPS	: The Insurance and Social Security Supervisory Authority
ACP	: Professional Association of Cementers
AFBL	: Autonomous factors of banking liquidity
AFD	: French Development Agency
AFI	: Alliance for Financial Inclusion
AIS	: Additional information statement
AMF	: Arab Monetary Fund
AML/CFT	: Anti-Money Laundering/Combating the Financing of Terrorism
AMMC	: Moroccan Capital Market Authority
AMSS	: Autonomously Managed State Services
ANCFCC	: National Agency for the Land Conservation of Cadastre and Cartography
ANP	: National Ports Agency
APP	: Asset Purchase Programme
BAM	: Bank Al-Maghrib
BATiS	: Balanced trade in services
BBL	: Barrel of oil
BCEAO	: Central Bank of West African States
BCP	: Business Continuity Plan
BEV	: Battery Electric Vehicle
BIS	: Bank of International Settlements
BoE	: Bank of England
BP	: Basis points
BSD	: Banking Supervision Department
BTS	: Banknotes to sort
CBDCC	: Central Bank Digital Currency Committee
CBT	: Central Bank Transparency Code
CCSRS	: Systemic Risk Coordination and Surveillance Committee
CDG	: Deposit and Management Fund
CDS	: Counterfeit Detection System
CERT	: Computer Emergency Response Team
CFC	: Casa Finance City
CGEM	: The General Confederation of Moroccan Companies

CIF	: Cost Insurance and Freight
CNDP	: National Supervisory Commission for the Protection of Personal Data
CNSS	: National Social Security Fund
CO2	: Carbon dioxide
COBAC	: Central African Banking Commission
COP21	: Paris Climate Change Conference 2015
COP27	: Sharm El-Sheikh Climate Change Conference 2022
COSO	: Committee of Sponsoring Organizations of the Treadway Commission
Covid-19	: Corona virus disease 2019
CPI	: Consumer Price Index
CPIX	: Core Inflation Indicator Basket
CROE	: Cyber Resilience Oversight Expectations
CRP	: Bank Al-Maghrib's Staff Pension Fund
CSP	: Concentrated Thermodynamic Solar Power Plant
CSR	: Corporate Social Responsibility
CT	: Corporate Tax
CTHU	: Classified tourist hotel units
DAP	: Diammonium Phosphate
DCT	: Domestic Consumption Tax
DDP	: Personnel Expenses Department
DFB	: Draft Finance Bill
DGSSI	: General Directorate for Information System Security
DH	: Moroccan Dirham
DSC	: Data and Statistics Committee
DSGE	: Dynamic Stochastic General Equilibrium
DTFE	: Treasury and External Finance Department
EBOPS	: Extended Balance of Payments Services
EBRD	: European Bank for Reconstruction and Development
ECB	: European Central Bank
EO	: Exchange Office
ES	: Excess savings
EU	: European Union
EV	: Electric vehicle
EWIS	: Electrical wiring interconnection system
FA	: Finance Act
FAO	: Food and Agriculture Organization
FATF	: Financial Action Task Force
FB	: Foreign banknotes
FC	: Financial Corporations
FCEVs	: Fuel cell electric vehicles
FCL	: Flexible Credit Line
FDI	: Foreign Direct Investments
FED	: US Federal Reserve
FFL	: Funding for Lending
FMIs	: Financial Markets Infrastructure
FOB	: Free on board
FSC	: Financial Stability Committee
FTSE 100	: Financial Times Stock Exchange
G20	: Group of Twenty
GCC	: Gulf Cooperation Council
GDI	: Gross Disposable Income
GDP	: Gross Domestic Product

GEFP	: Global External Financial Position
GFCF	: Gross Fixed Capital Formation
GG	: General Government
GHDI	: Gross Household Disposable Income
GMAO	: Computer-aided maintenance management
GNDI	: Gross National Disposable Income
GOS	: Gross Operating Surplus
GPBM	: Moroccan Professional Banking Grouping
GPMN	: Global Projection Model Network
GWH	: Gigawatt per hour
HCI	: Household Confidence Index
HCP	: High Commission for Planning
HR	: Human Resources
IAM	: Itissalat Al-Maghrib
IBRD	: International Bank for Reconstruction and Development
ICS	: Internal Control System
IDB	: Islamic Development Bank
IEA	: International Energy Agency
IFCA	: International Federation of Chartered Accountants
IFM	: International Financial Market
IIL	: Institute of Internal Auditors
ILO	: International Labour Organization
ILOS	: International Labour Organizations Statistics
IMCC	: Coordination and Internal Management Committee
IMF	: International Monetary Fund
IPI	: Industrial Production Index
IPPI	: Industrial Producer Price Index
IPSFE	: Integrated Program to Support and Finance Enterprises
IS	: Information Systems
ISA	: International Standard on Auditing
IT	: Income Tax
KDH	: Thousand of dirhams
LA	: Local Authorities
LB	: Large Businesses
LI	: Liquid investment
LTC	: Local Tax Commissions
MASI	: Moroccan All Shares Index
MCA	: Microcredit Association
MDH	: Millions of Dirhams
MEFRA	: Ministry of Economy, Finance and Reform of Administration
MENA	: Middle East and North Africa
MFC	: Monetary and Financial Committee
MLA	: Moroccans Living Abroad
Mmbtu	: Million British Thermal Units
MQPM	: Moroccan Quarterly Projection Model
MQs	: Million Quintals
MSCI	: Morgan Stanley Capital International
MSCI-EM	: Morgan Stanley Capital International Emergent Markets
MSCI-FM	: Morgan Stanley Capital International Frontier Markets
MW	: Megawatt
MWh	: Megawatt hour

n.c.e	: Not classified elsewhere
n.i.e	: Not included elsewhere
NAPPFC	: The National Authority of Probity, Prevention and Fight against Corruption
NB	: New banknotes
NDI	: Negotiable debt instruments
NEER	: Nominal Effective Exchange Rate
NFCs	: Non-Financial Corporations
NGFS	: Network for Greening the Financial System
NHCES	: National household consumption and expenditure survey
NISES	: The National Institute of Statistics and Economic Studies
NPISH	: Non-profit institutions serving households
NRCA	: Normalized revealed comparative advantage
NSWF	: National Soft Wheat Flour
NTAC	: National Tax Appeal Commission
NVB	: Non valid banknotes
OCE	: Order of Chartered Accountants
OCP	: Office Chérifien des Phosphates
OECD	: Organisation for Economic Cooperation and Development
OPB	: Other Public Borrowers
OPEC+	: Organization of Petroleum Exporting Countries +
ORA	: Official Reserve Assets
PAC	: Anti-corruption Policy
PCE	: Personal Consumption Expenditures
PDP	: Personal Data Protection
PEPP	: Pandemic Emergency Purchasing Program
PER	: Price Earning Ratio
PIAFE	: Integrated Business Support and Financing Program
PLA	: Profit and loss account
PLL	: Precautionary Liquidity Line
PP	: Percentage points
PSC	: Private Sorting Centres
Q1	: First quintile
Q5	: Fifth quintile
RCA	: Revealed comparative advantage
RCC	: Risk and Conformity Committee
REER	: Real Effective Exchange Rate
REPI	: Real Estate Price Index
RTAC	: Regional Tax Appeal Commissions
SBE	: Standardized Bills of Exchange
SBFN	: Sustainable Banking and Finance Network
SDR	: Special Drawing Rights
SD-WAN	: Software-Defined Wide-Area Network
SMAC	: Anti-Corruption Management System
SMAG	: Guaranteed Minimum Agricultural Wage
SME	: Small and Medium-sized Enterprises
SMIG	: Guaranteed Interprofessional Minimum Wage
SNIF	: National Strategy for Financial Inclusion
SOEs	: State-owned institutions and enterprises
SPC	: Single Professional Contribution
SRBM	: Moroccan Real-time Gross Settlement System
TGR	: General Treasury of the Kingdom

TiVA	: Trade in Value-added
TSA	: Treasury Special Accounts
TSP	: Triple Super Phosphate
TTF	: Title Transfer Facility
TWh	: Terawatt hour
UNCTAD	: United Nations Conference on Trade and Development
USD	: US Dollar
USR	: Unified Social Register
VA	: Value added
VaR	: Value at Risk
VAT	: Value-added tax
VB	: Valid banknotes
VIX	: Volatility index
VSB	: Very Small Business
VSME	: Very Small and Medium Enterprises
WAEMU	: West African Economic and Monetary Union
WB	: World Bank
WTI	: West Texas Intermediate
WTO	: World Trade Organization
WTO	: World Tourism Organization

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