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OVERVIEW

The latest data on international conditions indicate continued slowdown in economic activity in emerging and developing countries and slow recovery in advanced economies. In the fourth quarter 2015, year-on-year growth slowed from 2.2 to 2 percent in the United States, from 2.2 to 2.1 percent in the United Kingdom, from 1.7 to 0.8 percent in Japan and stabilized at 1.6 percent in the euro area. In the major emerging economies, growth declined slightly in China from 6.9 to 6.8 percent and in India from 7.5 to 7.1 percent. In Brazil, GDP contraction worsened to -5.9 percent after -4.5 percent, and in Russia it eased somewhat to -3.7 percent after -3.8 percent.

Labor market data for March show a slight increase in the unemployment rate in the United States to 5 percent as against 4.9 percent with a job creation of 215,000. In the euro area, the jobless rate fell slightly in February to 10.3 percent from 10.4 percent in January. In the United Kingdom, the December figures show a stable rate of 5 percent.

Financial conditions in March were characterized by an increase in stock indexes, an easing in the sovereign yields of euro area's peripheral countries and major emerging economies, and appreciation of most emerging economies' currencies against the dollar. Between February and March, the Euro Stoxx 50 by rose 5.8 percent, the Dow Jones by 6.3 percent and the Nikkei 225 by 3.5 percent. Concerning emerging markets, the MSCI EM was up 9.5 percent, reflecting increases of 11.8 percent for Turkey, 8 percent for China and 6.5 percent for India. In the bond markets, the 10-year yield declined between February and March from 10.5 to 9.1 percent for Greece, from 3.2 to 2.8 percent for Portugal, from 1.7 to 1.5 percent for Spain and from 1.6 to 1.3 percent for Italy. It also declined from 0.6 to 0.5 percent for France, while it stagnated at 0.2 percent for Germany. US Treasury bond yields rose somewhat to 1.9 percent from 1.8 percent the previous month. The annual growth of bank credit slowed down slightly in the United States in February to 7.2 percent instead of 7.3 percent in January, while it improved in the euro area to 1.1 percent from 0.8 percent a month earlier. In foreign exchange markets, the euro was unchanged at $1.11 and £0.78 and depreciated 1.2 percent against the Japanese yen. The currencies of major emerging economies appreciated against the dollar, reaching 6.9 percent for the Brazilian real, 1.9 percent for the Indian rupee and 2.2 percent for the Turkish lira, while the Chinese yuan stagnated at $6.5.

In world commodity markets, prices generally increased month on month (MoM), as the Dow Jones-UBS Commodity Index appreciated by 6.2 percent in March. This reflects an increase of 3.6 percent in non-energy prices and 12.5 percent in energy prices. The price of Brent in particular stood at $39.8 per barrel, up 17.9 percent MoM. Prices for phosphates and derivatives grew at varying rates between February and March. The price for crude phosphate remained unchanged at $115 per tonne, while that of DAP increased by 1.4 percent MoM to $360 per tonne.

Under these conditions, inflation in March slowed to 0.9 percent in the United States after 1 percent the previous month. In the euro area, the inflation rate would have risen from -0.2 percent to 0 percent, based on a first estimate from Eurostat for March.

1 This document was prepared on the basis of statistical data as at April 8, 2016.

Regarding monetary policy decisions, the ECB adopted at its March meeting a range of measures to counter risks to its inflation target. In addition to reducing its policy rate from 0.05 to 0 percent, it increased the volume of its asset purchase program from €60 to €80 billion while extending it to certain bonds issued by non-bank corporations. However, the Fed decided on 16 March to keep its key interest rate in a range of 0.25 to 0.5 percent, noting that the timing and magnitude of future adjustments of this range will depend on the assessment of actual and expected economic conditions in relation to its two goals of maximum employment and 2 percent inflation.

At the national level, external accounts data as at end-March 2016 indicate a 5.5 percent widening of the trade deficit, resulting from an increase of 3.1 billion dirhams in imports, larger than the 1.2 billion expansion in exports. The increase in imports results mainly from rises in purchases of capital goods by 16.3 percent and semi-finished products by 9.9 percent. In contrast, energy imports fell 31.5 percent. Exports increased by 1.2 billion dirhams, impacted by the decline of 4.9 percent in sales of phosphates and derivatives after growing 20.7 percent in March 2015. The automobile sector continued its export performance, reflecting a 16.4 percent increase in the "automotive industry". As regards other items of the current account, travel receipts improved by 6.5 percent to 12.1 billion dirhams. Transfers of Moroccan expatriates increased 3.9 percent to 14.5 billion dirhams. In terms of financial operations, net foreign direct investment was down 24.4 percent, in connection with the increase in spending by 1.6 billion to 3.1 billion and to a lesser extent with the decline of 88 million in revenues to 8.2 billion dirhams. Altogether, net international reserves rose by 29.2 percent year on year (YoY) to 235.9 billion dirhams, or the equivalent of 7 months and 4 days of imports of goods and services.

National accounts data for the fourth quarter 2015 indicate that the national economy grew by 5.2 percent, as against 2.2 percent a year earlier, reflecting an increase of 13.5 percent in agricultural value added and 4.2 percent in nonagricultural GDP. On the demand side, the household final consumption increased by 5 percent instead of 2.6 percent a year earlier, while the government consumption was down 1.9 percent as against a 0.7 percent rise, and investment improved by 6.7 percent.

At sectoral level, the crop year is characterized by adverse conditions, with high and widespread rainfall deficit significantly affecting the potential of grain production. Cumulative rainfall as of March 31 is down 58 percent compared to the same period of the previous year and 51 percent compared to the average of the last five years. Concerning the activity of small-scale and coastal fishing, the landed volume as at end-March showed a marked increase of 35 percent in volume and 13 percent in value to 1.64 billion dirhams.

As regards the manufacturing sector, the results of the business survey of Bank Al-Maghrib monthly survey for February indicate stagnation in industrial production and the utilization rate of output capacity at 62 percent. In the construction sector, activity had improved as evidenced by the accelerating pace of cement sales from 2.4 percent to 7.9 percent at the end of February. Likewise, the market production of crude phosphate rose 10.2 percent at end-March, as against a decline of 12.3 percent in the same period of the previous year. Conversely, net electricity production slowed sharply to 0.4 percent at end-February after a rebound by 10.3 percent a year earlier, while demand increased 2.5 percent from 1.3 percent thus generating a 19.5 percent rise in imports. Concerning the tertiary sector, end-February data indicate a deeper decline in tourist arrivals from 0.8 percent to 1.5 percent and a decrease of 1.2 percent in overnight stays in classified tourist establishments. Regarding the telecommunications sector, the customer base declined in the last quarter of 2015 by 2.3 percent for the mobile segment and 10.7 percent for the fixed-line. Conversely, it increased 45.2 percent for the internet.

On the labor market, the national economy in 2015 generated 33,000 jobs from 21,000 jobs a year ago, as a result of the creation of 32,000 jobs in services, 18,000 in construction and 15,000 in the industry including handcrafts and a loss of 32,000 jobs in agriculture. Taking into account a decline in the participation rate by 0.6 percentage point to 47.4 percent, the unemployment rate fell 0.2 percentage points to 9.7 percent. By place of residence, this rate dropped from 14.8 percent to 14.6 percent in urban areas and from 4.2 percent to 4.1 percent in rural areas.

In terms of public finances, the situation of expenses and revenues of the Treasury as at end-February 2016 showed a fiscal deficit of nearly 16 billion, widening by 2.6 billion compared to the same period of 2015. Despite lower revenues from the CT and domestic VAT, tax receipts were up 5.2 percent to 31.3 billion while non-tax receipts dropped 9.7 percent to 2.5 billion. Considering the 17.4 percent increase in capital spending, overall expenditure further rose by 9.3 percent to 54.4 billion. For its part, the balance of the Treasury special accounts turned positive at 4.6 billion, up 17.4 percent compared to February 2015. In view of the constitution of payment arrears amounting to 826 million, the cash deficit stood at 15.1 billion, down by 951 million. This need was covered by domestic resources of a net amount of 11.9 billion and by a net external flow of 3.2 billion instead of a net negative flow of 668 million dirhams at end-February 2015.

On the monetary level, February data show acceleration from 4.8 percent to 5.7 percent of the money supply in February, reflecting in particular the improvement by 8.3 percent of deposits with banks from 5.5 percent, and to a lesser extent, a lesser decline from 13.4 percent to 9.8 percent of the shares of money market funds.

Bank credit continues to grow at a low rate of 1.4 percent from 1.2 in January. In particular, credit to the non-financial sector grew by 0.9 percent in February against 0.5 percent in the previous month and 0.4 percent in December 2015. This change reflects the lesser drop from 1.9 percent to 0.4 percent in loans to businesses, as a result of the rise by 1 percent in equipment loans as against a 0.6 percent drop in January, and a lesser drop from 5.5 percent to 4.6 percent in cash facilities. Regarding loans to households, their growth rate dropped from 3.5 percent to 2.4 percent, reflecting in particular the stronger decrease from 12.2 percent to 26.8 percent of loans to real estate development while housing loans rose 5.5 percent from 5.3 percent in January.

Bank liquidity needs stood in March at 9.2 billion dirhams on end of week average from 11.5 billion a month earlier, in conjunction mainly with the strengthening of foreign exchange reserves. Under these conditions, Bank Al-Maghrib injected an average amount of 10.3 billion, including 1.3 billion in the form of 7-day advances and 9 billion via loans granted under the program to support the financing of micro and medium-size businesses.

In this context, and following the decision of the Board of 22 March to lower the key rate to 2.25 percent, the interbank rate fell from 2.50 percent to 2.42percent on average. On the Treasury bills market, new issuances registered overall a decline in March and the same pattern was observed in the secondary market. As regards deposit rates, the available data for the month of February 2016 indicate that the weighted average rate of 6 and 12-month deposits dropped 7 basis points, to stand at 3.50 percent.

On the assets market, the real-estate price index rose in the fourth quarter by 0.5 percent after falling 1.7 percent in the previous quarter, due to a 0.7 percent increase in residential prices and 1.2 percent in property for commercial use.

Transactions rose 9.8 percent, with rises of 8.7 percent in sales of residential properties, 11.2 percent of urban land and 18 percent in property for professional use.

At the stock market, the MASI edged up 4.7 percent in March, month on month, and 4.5 percent since the beginning of the year. Market capitalization rose 4.5 percent to 470.4 billion dirhams and the trading volume stood at 4 billion, up 2.2 billion compared to the first two months of the year.

Concerning issuances of treasury bills, they were limited to 2.8 billion dirhams in March and centered mainly on medium-term maturities. Taking into account the repayment of 6.2 billion dirhams, the outstanding of treasury bills reached 475.3 billion, up 1.1 percent compared to end-December 2015. As for private securities, issuances of debt securities stood at 1.6 billion dirhams in March from 2.6 billion on average over the first two months of 2016. Taking into account the repayment of 4.8 billion dirhams, the outstanding negotiable debt securities fell to 52.7 billion, down 9 percent compared to end-December 2015. On the bond market, one single operation was carried out by a financial company between January and March, amounting to 150 million dirhams.

Year on year, inflation accelerated to 0.9 percent from 0.3 percent in January, mainly in connection with the increase of 2 percent in volatile food prices from a 3.1 percent drop a month earlier. However, the decline in fuel and lubricant prices further increased from 3.8 percent to 5.1 percent, while prices of regulated products increased again by 1.1 percent. In turn, core inflation remained stable at 0.8 percent, reflecting a virtually stable inflation of tradable products at 0.5 percent and of nontradables at 1.1 percent.

Meanwhile, producer prices in the manufacturing sector posted a monthly drop of 0.1 percent in February, mainly due to the continued decline in the prices of «coking and refining «, in conjunction with the ongoing drop in crude oil prices. Compared with the same month of last year, industrial producer prices remained on a downtrend at 1.3 percent.