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## PRESS RELEASE

### Bank Al-Maghrib Annual Report 2017

His Majesty King Mohammed VI received on Sunday 15 Dhu'l-Qi'dah, 1439 AH (29 July 2018) at Al Hoceima, Mr. Abdellatif Jouahri, Governor of Bank Al-Maghrib, who presented to His Majesty the central bank's annual report on the economic, monetary and financial situation for the year 2017.

In his address before His Majesty, Mr. Jouahri stated that domestic economy grew at a rapid pace in 2017, expanding by 4.1 percent, owing to the favorable weather conditions and the global economic recovery. This improvement, he said, helped create a significant number of jobs which, however, were not enough to absorb the new jobseekers, thereby causing unemployment rate to rise somewhat.

With regard to macroeconomic balances, he pointed out that fiscal deficit narrowed to 3.6 percent of GDP and the current account deficit eased to 3.6 percent of GDP, which helped maintain international reserves at a level providing coverage for around six months of imports. He added that, in this context, inflation slowed down markedly to 0.7 percent, due to larger supply of food products with volatile prices.

Against this background, Bank Al-Maghrib maintained its accommodative monetary policy to support economic activity. It kept the key rate unchanged and further supported the financing of very small, small and medium enterprises. It also continued to strengthen the banking supervision framework while providing particular support to participatory banks which started their activities during the year. In addition, the Bank reinforced the credibility of the systems and means of payment, and enhanced the soundness of financial markets infrastructure. Mr. Jouahri pointed out that 2017 was marked by the completion of preparations for the exchange regime reform, whose implementation began early 2018 and is taking place in good conditions with the adherence of banks and enterprises.

The Governor of Bank Al-Maghrib went on saying that our country has made some progress in 2017, but its pace is below expectations. Indeed, nonagricultural activity remains sluggish and, despite the incentives granted and the effort of public spending, private investment is still limited, therefore reducing opportunities for higher growth and employment. In light of these outcomes, after the remarkable performance during the first decade of 2000, His Majesty the King has on multiple occasions put into question the relevance of our development model in the current context and its ability to respond to the legitimate aspirations of the population, thus calling for its reconsideration and review.

The Governor of Bank Al-Maghrib stressed that, considering the great efforts being undertaken, our country needs not only to pursue and enlarge the scope of reforms, but also and more particularly to see to their successful implementation within the set deadlines. An illustrating example is the reform of the education and training system, whose strategic vision 2030 -adopted three years ago- has not yet been brought into effect. Likewise, the National Plan for Employment still needs concrete measures to achieve its ambitious goals.

In the same context, Mr. Jouahri considers that the reform of the subsidy system should be finalized and generalized as part of a comprehensive policy focused on establishing price reality and providing support for the poorest households. He stressed that the implementation of a population targeting system is all the more urgent as many social programs face severe financial constraints that threaten their viability. Similarly, the pace of depletion of the Moroccan Pension Fund's reserves highlights the necessity to complete the process that started in 2016 in order to ensure pension schemes' sustainability.

The Governor underlined that Morocco, under the judicious leadership of His Majesty the King, has achieved significant progress in terms of consolidating its stability, regional positioning and attractiveness, and continues to enjoy the confidence of international institutions and the positive appreciation of rating agencies. In order to consolidate and sustain these achievements, public authorities should review the governance of public policies for greater coherence, efficiency and cost-effectiveness.

To conclude, he said that our country today needs a real takeoff and a massive mobilization of all its dynamic forces to establish an environment enabling stronger growth and job creation. It will thus be able to ensure better living conditions for its population and give its youth the hope for a better future.