



PRESS RELEASE

Bank Al-Maghrib Annual Report 2018

His Majesty King Mohammed VI received, today, Monday 26 Dhou Al-Qi'da 1440 AH (July 29, 2019) in the Royal Palace of Tetouan, 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 2018.

In his address before His Majesty the King, Mr. Jouahri indicated that amid a global context fraught with uncertainties, domestic economic growth stood at 3.0 percent, particularly due to the slow recovery of nonagricultural sectors. Nevertheless, unemployment rate fell to 9.8 percent, while remaining high among the youth, especially in urban areas.

Concerning macroeconomic balances, he pointed out that fiscal consolidation has slowed down moderately, as the deficit widened to 3.7 percent of GDP. At the same time, the current account deficit expanded to 5.5 percent of GDP, despite the continued strong performance of exports. Besides, inflows of foreign direct investments reached 47.4 billion dirhams and net international reserves stood at the equivalent of slightly over 5 months of imports. Under these conditions, inflation rose significantly to 1.9 percent, mainly driven by higher volatile food prices.

Mr. Jouahri added that in view of these developments, Bank Al-Maghrib maintained the accommodative stance of its monetary policy, which resulted in lower lending rates, to the particular benefit of businesses. The Bank also continued to strengthen the regulatory framework of the banking sector, while assisting the latter in order to ensure its compliance with the international standards, mainly those relating to the fight against money laundering and the financing of terrorism, and to provide appropriate financing of the economy.

In addition, Mr. Jouahri stressed that Bank Al-Maghrib and the Ministry of Economy and Finance, have finalized, through a participatory approach, the National Financial Inclusion Strategy, aiming to absorb the deficit and to reduce the inequalities in this area. The year 2018 was also marked by the launch of the gradual transition to a more flexible exchange rate regime, which particularly aspires to strengthen the national economy's resilience to external shocks and to support its competitiveness. The Governor noted that in the first year of this reform, implementation took place in good conditions.

These major 2018 developments, as ascertained by the Governor of Bank Al-Maghrib, suggest that our economy is not performing well enough to meet the growing social expectations. Hence, in order to place our country back in the path of higher growth, as observed in the first decade of this century, reforms must be pursued with greater efficiency and performance, and take into better consideration the changing international environment.

To address the challenges facing the productive fabric, weakened by structural vulnerabilities and by the competition of the informal sector, Mr. Jouahri pointed out that public policy should establish among its priorities the creation of an environment conducive to developing the Moroccan enterprise and strengthening its competitiveness.

To this end, it has become mandatory, according to Mr. Jouahri, to speed up implementation of the education and training system reform, which has suffered from political calculations, at a time when the digital revolution is enhancing requirements of the labor market.

In terms of public finance, the Governor stated that the temporary slowdown of fiscal consolidation may appear, for some, an appropriate choice in a context of slow growth and pressing social needs. However, he stressed that this should not disguise the high level of public debt, which calls for greater vigilance.

Regarding social policy, Mr. Jouahri added that the current overhaul, which targets households, seems a promising approach, whose finalization in due course requires continuous mobilization, which would also facilitate the completion of the subsidy reform and provide room for maneuver for economic and social investment. He also recalled the urgent need to push forward the reform of the pension scheme so as to ensure its sustainability.

The Governor of Bank Al-Maghrib underlined that despite these challenges, Morocco continues, under the judicious leadership of His Majesty the King, to enjoy a privileged status, both regionally and internationally. To preserve and strengthen such status, genuine action is needed from all vital forces of the country, who are called upon to move beyond the narrow personal and partisan considerations and come together for the interest of the country and its citizens.