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## PRESS RELEASE

### Bank Al-Maghrib Annual Report 2019

His Majesty King Mohammed VI received, today, Wednesday July 29, 2020 (*8 Dhou Al Hijja 1441 A.H.*) 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 2019.

In his address before His Majesty the King, Mr. Jouahri indicated that due to a generally adverse external environment and poor weather conditions, domestic economic growth decelerated to 2.5 percent. However, unemployment rate declined to 9.2 percent, following the creation of a significant number of jobs in the services sector.

Concerning macroeconomic balances, the Governor pointed out that the budget deficit widened to 4.1 percent of GDP, while the current account deficit improved to 4.1 percent. Inflows of foreign direct investments reached 33.5 billion dirhams and official reserve assets amounted to the equivalent of 6 months and 8 days of imports. In addition, inflation decelerated sharply to 0.2 percent, mainly reflecting lower food and fuel prices.

In view of these developments, Bank Al-Maghrib maintained the accommodative stance of its monetary policy by broadening its unconventional measures and reducing the monetary reserve rate to 2 percent, contributing to lower interest rates and accelerated bank lending.

In addition, Mr. Jouahri stressed that the year has been particularly marked by the momentum generated by His Majesty's call to support and finance SMEs, young project initiators and graduates. Responding to this call, the government and Bank Al-Maghrib, alongside the banking system, drew up an ambitious program focused mainly on creating new guarantee funds. In addition, the Bank eased the prudential rules and introduced a limitless refinancing mechanism at a preferential rate of 1.25 percent.

With regard to the foreign exchange market reform, the Governor noted that the first phase progressed well, thereby paving the way for the authorities to launch the second phase of the process.

Mr. Jouahri pointed that the review of the year 2019, which marks the end of an entire decade, reveals that despite Morocco's strengthened external positioning owing to its stability, its internal performance remains insufficient to bring about a tangible and large-

scale improvement of living standards. Such findings, noted Mr. Jouahri, are indeed what prompted His Majesty to set up the Special Commission on the Development Model.

Moreover, considering the impact of the current pandemic shock, which will likely not be limited to the short term, Mr. Jouahri recalled the need to establish policies aimed at strengthening the country's social and economic resilience. In this regard, he stressed that the first pillar of this resilience involves human capital protection and valorization, which requires increased investment in the health system, and an accelerated overhaul of social policy to ensure a more efficient targeting of beneficiaries. Furthermore, deployment of the framework law of the strategic vision of education and training entails substantial human and material resources as well as mobilization of all stakeholders to fulfil their commitments, while ensuring its implementation within the set deadlines.

The Governor added that this resilience also requires enhancing the competitiveness of the economy and accelerating its growth. To this end, and further to His Majesty's call, major, integrated and consistent next-generation sectoral plans should be put in place to serve as the backbone of the new development model. Several cross-cutting reforms must also be pursued, notably the new investment charter, deployment of the new framework for public-private partnerships, the advanced regionalization process, as well as the civil service and pension systems reforms.

In terms of public finance, the Governor stressed that economic resilience requires preserving fiscal balance and its sustainability. In this respect, the current circumstances offer an opportunity to effectively optimize public expenditure and ensure more rapid adoption of the expected framework law to implement the recommendations of the latest national tax forum.

Turning to another aspect, Mr. Jouahri recalled the necessity to speed up establishing the legal and regulatory framework to implement the guidelines set by the environment charter. He also highlighted that the current crisis is an occasion to value the range of benefits of the new technologies and to recognize the need to accelerate implementation of a comprehensive digital strategy taking into account the coherence and complementarity of stakeholders.

Lastly, the Governor underlined that, owing to the insightful vision of His Majesty, Morocco was able to contain the pandemic and mitigate its impact, and that the conclusions of the Commission on the Development Model, put in place by His Majesty, should contribute to shaping a new post-crisis vision.

However, in view of the present international and national situation, all vital forces of the country are called upon to move beyond personal or partisan considerations and rally behind His Majesty to preserve and consolidate the achievements of our country and enable it to emerge from this crisis more willing to continue its endeavor towards accelerated, sustainable and inclusive growth.