BANK AL-MAGHRIB

MONETARY POLICY REPORT

No. 58 / 2021

DOCUMENT PREPARED FOR
THE BANK BOARD
MARCH 23, 2021

Legal deposit: 2020/0033

BANK AL-MAGHRIB
Head office
277, Avenue Mohammed V - P.O. 445 - Rabat
Tel. : (212) 5 37 57 41 04 / 05
Fax : (212) 5 37 57 41 11
E mail : deri@bkam.ma
www.bkam.ma

@BankAlMaghrib

TABLE OF CONTENTS

بنك المغرب

FOREWORD

By virtue of Article 6 of Law No. 40-17 on the Statutes of Bank Al-Maghrib, promulgated by the Royal Decree No. 1-19-82 , dated 21 June 2019 (17 Chaoual 1440 A.H.), "The Bank shall define and conduct monetary policy with full transparency and within the economic and financial policy of the Government. The main objective of the Bank is to maintain price stability."

This stability helps preserving citizens' purchasing power, encourages investment and boosts growth. Price stability does not mean zero inflation; rather, it refers to keeping inflation moderate and stable over the medium term. To achieve such objectives, the Bank intervenes in the money market using the appropriate instruments, mainly the key policy rate and the reserve requirement.

Monetary policy decisions are transmitted to the economy, particularly through their impact on interest rates across the different markets, the expectations of economic units and the asset prices, whose change affects overall demand for goods and services and, eventually, inflation. Since these impacts do not materialize until after a certain period of time, forecasts play an important role in monetary policy formulating and decision-making. They are thus produced by the Bank for an eight-quarter horizon on the basis of an integrated analysis and forecasting framework articulated around a central monetary policy model, itself supplied and supplemented by many satellite models. The central forecasting model used is the semi-structural New-Keynesian one, which relies both on the theoretical underpinnings underlying the general-equilibrium models and on adjustment to the data characterizing the empirical models.

With a view to ensuring transparency of monetary policy decisions, the Bank, after each Board meeting, issues a press release, and the Governor holds a press conference where he reviews the decision and explains its foundations. In addition, the Bank prepares and publishes on its website the quarterly Monetary Policy Report, which outlines all the analyses underlying its decisions. This report , which starts with an overview summing up recent economic, monetary and financial developments as well as the macroeconomic projections, includes two parts. The first part, consisting of six chapters, describes the recent economic developments, namely with regard to: (i) international developments; (ii) external accounts; (iii) money, credit and asset markets; (iv) the stance of fiscal policy; (v) demand, supply and the labor market; and (vi) inflation. The second part is devoted to presenting the medium-term outlook for the national economy, the risks surrounding it and the main underlying hypotheses.

Bank Al-Maghrib Board members (Article 26 of the Statutes of Bank Al-Maghrib)

The Governor, Chairman

The Director General

The Director of Treasury and External Finance, Representative of the Ministry in charge of Finance

Mrs. Mouna CHERKAOUI

Mr. Mohammed DAIRI

Mrs. Najat EL MEKKAOUI

Mr. Larabi JAÏDI

Mr. Mustapha MOUSSAOUI

Mr. Fathallah OUALALOU

The Government Representative shall also attend the meetings of the Board, by virtue of Article 41.

بنك المغرب

PRESS RELEASE

BANK AL-MAGHRIB BOARD MEETING

Rabat, March 23, 2021

1. The Board of Bank Al-Maghrib held its first quarterly meeting of the year 2021 on Tuesday, March 23.

2. During this meeting, the Board analysed the evolution of the national and international economic and social situation as well as the macroeconomic forecasts of the Bank over the medium term. These forecasts reflect a moderate revival of optimism, particularly prompted by the smooth progress of the anti-Covid-19 vaccination campaign and the favourable climatic conditions prevailing in the current crop year. However, the Board noted that the prospects remain surrounded by a high level of uncertainty essentially related to the evolution of the pandemic inside and outside Morocco, considering the spread of new variants of the virus, the current production capacity of vaccines, and their delivery delays.

3. The Board also inquired about the progress made in the various measures put in place since the beginning of the pandemic to promote financing of the economy and mitigate the impact of the crisis on households and businesses.

4. Based on all these assessments, the Board considered that the monetary policy stance remains very accommodative, thereby ensuring adequate financing conditions. More specifically, the Board deemed that the current level of the policy rate remains appropriate and decided to keep it unchanged at 1.5 percent.

5. The Board noted that, as a result of disinflationary pressures stemming from demand, inflation remained low in 2020. With the upturn in activity and the rise in international prices of oil and some food products, inflation is projected to rise, albeit moderately, from 0.7 percent in 2020 to 0.9 percent in 2021 and 1.2 percent in 2022. Its core component is expected to follow a similar pattern, rising from 0.5 percent in 2020 to 1.2 percent in 2021, then accelerating to 1.5 percent in 2022.

6. Internationally, with the start of vaccination campaigns and the continued exceptional fiscal and monetary supports, growth prospects are improving, despite the restrictions put in place in several countries to curb the new waves of virus infection. World economy, which would have contracted by 3.7 percent in 2020, is expected to rebound by 6.2 percent in 2021 and then grow by 3.6 percent in 2022. In the main advanced countries, GDP in the United States, after its 3.5 percent decline, is forecasted to grow by 4.4 percent in 2021 and 2.8 percent in 2022. In the euro area, GDP would grow by 4.9 percent in 2021 and 3.2 percent in 2022, after its 6.8 percent decline in 2020. With

regard to the labour markets, unemployment rate in the United States is expected to fall to slightly above 6 percent in 2021 and 2022, after its sharp increase to 8.1 percent in 2020. In the euro area, this rate is expected to rise by 0.6 point to 8.6 percent in 2021, before falling back to 7.6 percent in 2022. In the major emerging countries, growth in China, the only economy in the category to have recorded positive growth in 2020, at 2 percent, would surge to 9.6 percent in 2021 and stand at 5 percent in 2022. In India, on the other hand, GDP is estimated to have dropped by 7.5 percent and is expected to expand by 13.3 percent in 2021 and 6.6 percent in 2022.

7. On the commodity markets, oil prices continue their upward trend, which began late April 2020, backed by the agreement of OPEC+ members on production levels and by the demand recovery. More specifically, the price of Brent is expected to rise from 42.3 dollars per barrel on average in 2020 to nearly 60 dollars in 2021, and to hover around this level in 2022. As for phosphate fertilizers, World Bank projections issued in October 2020 indicate that the price of DAP per ton would increase from 312.4 dollars in 2020 to 318 dollars in 2021 and 326 dollars in 2022. As for food products, prices are expected to rise by 9.1 percent on average in 2021, followed by a 2.7 percent decline in 2022.

8. Under these circumstances, and after the strong disinflationary pressures in 2020, inflation is expected to accelerate sharply this year. In the United States, it would rise from 1.2 percent in 2020 to 2.5 percent in 2021 before slowing to 2.2 percent in 2022. In the euro area, following a rate of 0.3 percent in 2020, inflation is forecasted to rebound to 1.9 percent in 2021, then slowdown to 1.3 percent in 2022.

9. These evolutions should not impact the monetary policy stance in the major advanced economies, expected to remain strongly accommodative. In fact, the FED decided, at its meeting on the 16th and 17th of this month, to keep the target range for its rate unchanged at [0 percent-0.25 percent] and plans to maintain this target range until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed this level for some time. It also reiterated that it will continue increasing its holdings of securities until substantial further progress has been made towards achieving its objectives. In the same vein, during its last meeting on the 11th of this month, the ECB decided to keep its key interest rates unchanged and confirmed that it will continue to conduct net asset purchases and step up the pace of those made under the pandemic emergency purchase programme. It also declared that it will continue to provide ample liquidity through its refinancing operations, particularly the third series of targeted longer-term refinancing operations. On the other hand, fiscal support continues, particularly as a new relief package of 1,900 billion dollars was approved in the United States earlier this month. Also, the European Union adopted, last December, a 1,800 billion euros stimulus package, based on a long-term budget and on the «Next Generation EU» program, which amounts to 750 billion euros. The exceptional monetary and fiscal easing measures, added to the favourable prospects of growth, led to an upward trend in sovereign rates, with the yield of US 10-year bonds in particular rising from 0.54 percent at the end of July 2020 to around 1.73 percent on March 19, 2021.

10. Domestically, the latest data of national accounts for the third quarter of 2020 suggest a resumption of activity after its strong drop the previous quarter. Considering these observations and the available high frequency indicators, contraction of the national economy over the year as a whole would have reached, according to Bank Al-Maghrib's forecasts, 7 percent, reflecting a decline by 8.1 percent in agricultural value added and by 6.7 percent in non-agricultural one. With regard to the labour market, HCP data point to a sharp deterioration in 2020, due to the loss of 432 thousand jobs, including 273 thousand in agriculture and 107 thousand in services. Participation rate fell from 45.8 percent to 44.8 percent and unemployment rate increased to 11.9 percent overall and 15.8 percent in urban areas.

11. Over the forecast horizon, economic activity is projected to continue recovering, supported by the 120 billion dirhams recovery plan, the accommodative monetary policy stance, and a relative renewal of confidence in view of the progress made in the vaccination campaign and of the favourable weather conditions prevailing during this crop year. However, these prospects are surrounded by considerable uncertainty, mainly with regard to the evolution of the pandemic and to the availability of vaccines, both nationally and internationally. Thus, according to Bank Al-Maghrib forecasts, the value added of non-agricultural activities would increase by 3.5 percent in 2021 and, assuming a projected cereal production of around 95 million quintals, the value added of the agricultural sector would rebound by 17.6 percent, thus bringing the growth of the national economy to 5.3 percent. In 2022, the growth rate would consolidate to 3.2 percent, reflecting an acceleration in its non-agricultural component to 3.8 percent and a 2 percent drop in agricultural value added, assuming a return to an average cereal production of 75 million quintals.

12. In terms of the external accounts, 2020 witnessed a significant decline in trade, with a steeper fall in imports compared to exports. The coverage ratio thus improved by 4.5 points to 62.4 percent and the deficit in the goods trade balance narrowed by 47.8 billion dirhams to 158.7 billion. On the other hand, the surplus in the balance of services narrowed by 27.6 billion to 60.7 billion dirhams, reflecting a 53.8 percent drop in travel receipts to 36.4 billion dirhams, while transfers from Moroccans living abroad showed a strong resilience and increased by 5 percent to 68 billion. Under these conditions, the current account deficit would have narrowed to 1.8 percent of GDP. Over the forecast horizon, this deficit is expected to widen to 4.5 percent of GDP in 2021 before falling to 3 percent in 2022. Imports are expected to grow at a sustained pace, mainly due to the expected increases in the energy bill and in the purchase of consumer goods, while exports recovery would particularly be fostered by the announced increase of production capacity in the automobile industry. At the same time, assuming a gradual rise of foreign tourist inflows as of the second half of this year, travel receipts would grow moderately, while remaining well below pre-crisis levels, to 38.1 billion dirhams this year and 68.2 billion in 2022. As for remittances from Moroccan expatriates, they would stand at 71.9 billion dirhams then 73.4 billion dirhams, respectively. Regarding financial operations, FDI receipts are expected to reach around 3.2 percent of GDP, after having dropped to 2.4 percent in 2020. Considering the expected Treasury external financing, official reserve assets would stand at 310.3 billion dirhams at the end of 2021, representing 6 months and 25 days of imports of goods and services, and increase at end-2022 to 318.6 billion dirhams, equalling 7 months of imports of goods and services.

13. Regarding monetary conditions in 2020, an average of 49-basis-point decline was recorded in lending rates, following Bank Al-Maghrib's key rate cuts in March and June of the same year, as well as the significant rise in the cost of risk. Meanwhile, despite the sharp contraction in economic activity and the increase of non-performing loans, loans to the non-financial sector rose by 3.9 percent, boosted by the support and stimulus measures put in place. This rate is expected to be around 3.6 percent over the forecast horizon. As for the real effective exchange rate, which appreciated by 0.8 percent in 2020, it would fall by the same rate in 2021 and by 0.6 percent in 2022, as a result of a lower level of domestic inflation compared to trading partners and competitors.

14. With respect to public finances, budget implementation carried out under the corrective Finance law revealed a deficit, excluding privatization, of 82.4 billion dirhams or 7.6 percent of GDP, taking account of the positive balance, of 5.3 billion dirhams, generated by the Covid-19 pandemic management fund. Current revenues fell by 7.6 percent, reflecting drops by 6.8 percent in tax revenues and by 12.4 percent in non-tax ones. In contrast, current expenses increased by 2.1 percent, mainly driven by higher wage bill and increased spending on other goods and services. In turn, investment grew by 18.8 percent to 85.9 billion dirhams. Based on the data of the 2021 Finance Law and on the economic growth outlook, fiscal consolidation is expected to resume gradually, as the deficit, excluding privatization, is projected, according to Bank Al-Maghrib, to narrow to 7.2 percent of GDP in 2021 and then to 6.7 percent of GDP in 2022. Under these conditions, the Treasury debt ratio would continue to rise, going from 77.4 percent of GDP in 2020 to 79 percent in 2021 and 81.3 percent in 2022.

OVERVIEW

The launch of the vaccination campaigns and the continued fiscal and monetary support measures have had an overall positive impact on global growth and its outlook. However, the latter are still surrounded by great uncertainty, which in turn remains mainly linked to developments in the health situation.

National accounts data for the fourth quarter of 2020 showed a 2.4 percent decline in GDP in the USA, compared to -2.8 percent a quarter earlier, which mainly reflects higher investment and exports. Similarly, the decline of GDP in the UK continues to moderate from 8.7 percent to 7.8 percent, driven by a smaller fall in household consumption and investment. In contrast, GDP decline in the euro area moved up from 4.2 percent to 4.9 percent, reflecting in particular a further decrease to 4.9 percent in France, 6.6 percent in Italy and 9.1 percent in Spain.

In the main emerging countries, growth strengthened significantly to 6.5 percent in China, thus returning to its pre-crisis pace, and India recorded a first rise of 1 percent in GDP after two quarters of decline, thanks, among other things, to a gradual recovery of economic activities starting from June. In Brazil, the fall of GDP eased significantly to 1.1 percent in the fourth quarter and, in Russia, third quarter data show a decline of 3.4 percent from 8 percent a quarter earlier.

However, the pandemic continues to weigh on the labor market in most advanced countries, with unemployment rates still high. The unemployment rate stabilized month-on-month at 8.1 percent in January 2021 in the Euro area and, in the United States, it returned to 6.2 percent in February, with the creation of 379 thousand new jobs.

In the financial markets, the stock market indices of the major advanced economies continued to rise in February, except for the FTSE 100, which lost 1.5 percent. The EuroStoxx 50 rose by 2.1 percent, the S&P 500 by 2.5 percent, the Dow Jones industrials by 1.6 percent and the Nikkei 225 by 4.8 percent. As for sovereign yields, they were marked between January and February by a rise in long maturities, which led to a steepening of the yield curves. Yields from 10-year U.S. Treasury bonds rose by 19 basis points compared to January, to 1.2 percent, and the 10-year yield in the euro area rose to -0.4 percent for Germany, -0.2 percent for France and 0.2 percent for Spain, and virtually stabilized at 0.6 percent for Italy.

In the foreign exchange markets, the euro dropped in February by 0.6 percent against the dollar and by 2.3 percent against the pound sterling and continued to appreciate against the Japanese yen. The currencies of the main emerging countries strengthened against the dollar over the same period, with the Chinese yuan up 0.2 percent, the Indian rupee up 0.4 percent and the Turkish lira up 4.1 percent. Conversely, the Brazilian real lost 1.1 percent of its value against the dollar. The growth rate of bank credit accelerated from 8.6 percent to 8.9 percent between December and January in the United States and slowed from 4.7 percent to 4.5 percent in the euro area.

On the commodity markets, and particularly following the improved economic outlook and the OPEC+ agreement on production, the price of Brent crude oil continued to rise in February, returning to its pre-pandemic level of

$62 per barrel, which represents an increase of 13.6 percent month-on-month and 12.7 percent year-on-year. Similarly, non-energy commodity prices rose in February by 28.3 percent year-on-year, with a 45.9 percent hike in metals and ores and a 20.4 percent increase in agricultural products. Concerning phosphates and derivatives, their prices increased significantly between January and February, with rises of 3.7 percent for raw phosphate, 25.5 percent for DAP and 34.4 percent for TSP.

Under these conditions, inflation stabilized at 0.9 percent in the euro area between January and February according to a first estimate by Eurostat and accelerated during the same period in the United States, from 1.4 percent to 1.7 percent.

Regarding monetary policy decisions, the ECB decided at the end of its meeting of March 11, to maintain its key rates unchanged and confirmed the continuation of its asset purchases while increasing the pace of those made under the emergency program launched to address the pandemic. It also indicated that it would continue to provide abundant liquidity through its refinancing operations, particularly the third round of targeted longer-term refinancing operations. As to the Fed, it decided at its meeting of 16-17 March to keep unchanged the target range for the federal funds rate at [0 percent-0.25 percent] and intends to keep the range at this level until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to moderately exceed this rate for some time. In addition, it will continue to increase its security holdings by at least $120 billion per month until substantial progress is made toward maximum employment and price stability. It also reiterated its commitment to use all its instruments to support the economy in these difficult times.

At the same time, governments continue to provide massive support in order to address the economic and social impacts of the Covid-19 pandemic, the total cost of which reached, according to the IMF, about $14 trillion by the end of 2020 globally. In the United States, a new stimulus package of $1.900 billion was adopted in March, aiming, among other things, at extending unemployment benefits until early September 2021. In the European union, the European Commission, the European Parliament and EU leaders agreed on a €1.800 billion stimulus package, based on a long-term EU budget for 2021-2027, combined with the €750 billion "Next Generation EU" program.

At the national level, the latest national accounts data for the third quarter of 2020 show a year-on-year 7.2 percent decline in GDP, following the 15.1 percent decrease a quarter earlier. The contraction of non-agricultural activities eased, from one quarter to the next, from 15.5 percent to 6.7 percent and agricultural value added fell by 8.6 percent. On the demand side, these developments include negative contributions to growth of 7.1 percentage points from the domestic component and 0.1 percentage points from net exports.

This underperformance was reflected in the labor market, which deteriorated sharply in 2020. Job losses reached 432 thousand jobs, including 273 thousand in agriculture and 107 thousand in services. Despite a significant withdrawal of 111 thousand job seekers from the market that has reduced the activity rate from 45.8 percent to 44.8 percent, the unemployment rate worsened by 2.7 points to 11.9 percent overall, by 2.9 points to 15.8 percent in the cities and by 2.2 points to 5.9 percent in the countryside.

The year 2020 was also marked by a decline in foreign trade, with a 14.1 percent decrease in imports, higher than the 7.5 percent decline in exports. The trade deficit thus narrowed by 23.1 percent to 158.7 billion dirhams and the coverage rate improved from 57.9 percent to 62.4 percent. The decline in imports affected all product groups, except for food products whose acquisitions increased by 15.7 percent to 55.3 billion and the decline in exports concerned all sectors, except for the sales of phosphates and derivatives and agricultural products and agri-food which increased by 3.7 percent, to 50.8 billion, and 0.7 percent, to 62.6 billion, respectively. At the same time, due to border closures, travel receipts plummeted by 53.8 percent to 36.4 billion, while transfers by Moroccan expatriates showed a notable resilience, with an improvement of 5 percent to 68 billion dirhams. Under these conditions, the current account deficit would have narrowed from 4.1 percent of GDP in 2019 to 1.8 percent of GDP in 2020. As for the main financial operations, FDI receipts fell by 22.3 percent to 26.4 billion and the net flow of direct investment by Moroccans abroad dropped by 53.1 percent to 4.7 billion. In total, and also as a result of the increase in external drawings, the outstanding official reserve assets reached 320.6 billion dirhams in 2020, representing the equivalent of 7 months and 16 days of imports of goods and services.

Concerning monetary conditions, banks' liquidity needs eased during the fourth quarter of 2020 to a weekly average of 91.5 billion dirhams, compared to 102.2 billion dirhams a quarter earlier. As a result, Bank Al-Maghrib reduced the amount of its injections to 101.9 billion. At the end of 2020, banks' liquidity needs reached 67 billion dirhams against 62.3 billion at the end of 2019. Monetary conditions were also marked in 2020 by an annual decline in the average lending rate of 49 basis points, with in particular a drop of 119 basis points for MSMEs, reflecting the reductions of 75 basis points in total in the key rate, as well as by an appreciation of the effective exchange rate. The year was also marked by a sharp increase in nonperforming loans, whose ratio to outstanding bank credit rose from 7.6 percent to 8.4 percent year on year, which affected loan production. The growth of credit to the non-financial sector thus slowed from 5.6 percent in the third quarter to 4.5 percent in the fourth, reflecting a slowdown in the growth rate of loans to non-financial companies and a slight improvement in loans to households. It rose by 3.9 percent over the year 2020 as a whole, backed in particular by the support and stimulus measures put in place.

As far as public finances are concerned, the 2020 budget execution was marked by the impacts of the Covid-19 pandemic. In order to address its social and economic repercussions, a Special Fund for the Management of the Covid-19 Pandemic was created in conformity with the High Royal Instructions. This Fund collected around 34 billion dirhams, i.e. about 3 percent of the GDP, including 10 billion from the State's general budget and 24 billion from various donors. At the same time, an Amending Budget Act was adopted in July 2020, forecasting a budget deficit, excluding privatization, of 7.5 percent of GDP instead of 3.7 percent. At the end of 2020, the implementation of the Amending Budget Act posted a deficit, excluding privatization, of 82.4 billion, or 7.6 percent of GDP, compared with 46.9 billion or 4.1 percent of GDP a year earlier, taking into account the balance of 5.3 billion of the Special Fund for the Management of the Covid-19 Pandemic. Ordinary revenues fell by 7.6 percent to $253.1 billion, reflecting declines of 6.8 percent in tax revenues and 12.4 percent in non-tax revenues. At the same time, ordinary expenditure increased by 2.1 percent to 255.9 billion, mainly as a result of a 4.5 percent increase in the wage bill and a 6.4 percent increase in expenditure on other goods and services, while subsidy costs and transfers to local authorities fell by 15.8 percent and 8.9 percent, respectively. Capital expenditure, on the other hand, rose by 18.8 percent to 85.9 billion. Under these conditions, direct public debt would have risen from 65 percent of GDP at the end of 2019 to 77.4 percent at the end of 2020. Data for the first two months of 2021 show a deficit of 12.6 billion, compared with 12.3 billion a year earlier, the result of a 0.7 percent improvement in ordinary revenue, to 40.1 billion, and a 2.2 percent decline in ordinary expenditure, to 47.1 billion.

On the asset market, real estate prices rose by 0.6 percent in the fourth quarter after an increase of 4.1 percent a quarter earlier, covering a rise of 1.4 percent for residential property and decreases of 1 percent and 0.5 percent, respectively, for business property and urban land. In the same vein, and after a revival of 119.5 percent in the third quarter, transactions recorded an increase of 39.2 percent which concerned all property categories. For the year 2020 as a whole, real estate prices were down by 0.9 percent and transactions dropped by 15.2 percent. On the stock market, data as at end- February indicate a 0.6 percent increase in the MASI since the beginning of the year, after a 7.3 percent underperformance over the whole of 2020, which mainly concerned the sectors most affected by the crisis, with in particular declines of 44.1 percent for "real estate development and holdings", 32.9 percent for "leisure and hotels", 20.3 percent for "transportation", and 14.5 percent for "banks". As for the volume of trade, it stood at 3.3 billion dirhams in January and 1.8 billion in February, after a monthly average of 4.6 billion in 2020. Concerning market capitalization, it reached 585.9 billion at end-February, up 0.2 percent since the beginning of the year.

As regards consumer prices, after increases of 0.7 percent in the third quarter of 2020 and 0.4 percent in the fourth one, the consumer price index rose by an average of 0.7 percent in 2020. Data for January 2021 indicate a slowdown in inflation to 0 percent, attributable exclusively to a 2.4 percent decline in volatile food prices.

Concerning the outlook, the continued recovery of global growth still largely depends on developments in the health situation. After a contraction of 3.7 percent in 2020, the global economy is expected to rebound to 6.2 percent in 2021 and then grow by 3.6 percent in 2022. In the United States, fiscal and monetary stimulus and progress on vaccination are reinforcing optimism about the prospects for growth and higher inflation. After a decline of 3.5 percent in 2020, GDP is expected to grow by 4.4 percent in 2021 and 2.8 percent in 2022. In the euro area, GDP is forecast to have fallen by 6.8 percent in 2020 and to rise by 4.9 percent in 2021 and 3.2 percent in 2022. On the labor market, the unemployment rate is projected to fall sharply from 8.1 percent in 2020 to 6.3 percent in 2021 and then to 6.1 percent in 2022 in the United States and in the euro area, and to continue to rise to 8.6 percent in 2021, before falling slightly to 7.6 percent in 2022.

In the main emerging countries, China stands out as the only economy among the major ones to record positive growth, which would have reached 2 percent in 2020. It is expected to accelerate to nearly 10 percent in 2021, before stabilizing in 2022 at a level consistent with the country's policy of rebalancing the economy. In India, GDP is expected to contract by 7.5 percent in 2020, rebound by 13.3 percent in 2021 and then grow by 6.6 percent in 2022. In Brazil, growth is forecast at no more than 4.2 percent in 2021 and 3 percent in 2022, with the recovery pace still largely dependent on fiscal consolidation.

In commodity markets, the OPEC+ agreement on production, in addition to a more favorable outlook for global demand, are driving oil prices higher. The price of Brent crude oil in particular is expected to rise from an average of $42.3 per barrel in 2020 to $59.7 in 2021 and $60.5 in 2022. Food prices are forecast to end the year 2021 up by 9.1 percent before losing 2.7 percent in 2022. As for phosphates and derivatives, the price of DAP is expected to go on rising, from $312.4 per ton in 2020 to $318 in 2021 and $326 in 2022.

Under these conditions, inflation is expected to accelerate significantly. In the United States, it would rise from 1.2 percent to 2.5 percent in 2021 before slowing to 2.2 percent in 2022. In the euro area, after falling to 0.3 percent in 2020, it would rebound to 1.9 percent in 2021, before decelerating to 1.3 percent in 2022.

At the national level, exports are expected to rebound by 12.6 percent in 2021 and then increase by 6.2 percent in 2022, driven mainly by car manufacturing sales, assuming a doubling of production capacity at the PSA plant. At the same time, imports are forecast to grow by 13.2 percent in 2021, mainly due to a higher energy bill and an increase in purchases of consumer goods, before slowing to 6 percent in 2022. Travel receipts, while remaining lower than pre-crisis levels, will gradually recover to 38.1 billion in 2021 and 68.2 billion in 2022. As for transfers from Moroccan expatriates, they would increase by 5.7 percent to 71.9 billion in 2021 and by 2.2 percent to 73.4 billion in 2022. Assuming inflows of grants of 3 billion in 2021 and 1.6 billion in 2022, the current account deficit is projected to worsen to 4.5 percent of GDP in 2021 before easing to 3 percent in 2022. FDI receipts are expected to return to their average level of around 3.2 percent of GDP over the forecast horizon.

Taking into account these developments and the Treasury's projected borrowings on the international market, official reserve assets would stand at $310.3 billion at the end of 2021 and $318.6 billion at the end of 2022, equivalent to 6 months and 25 days and 7 months of imports of goods and services, respectively. Taking also into account the expected development of currency in circulation, the bank liquidity deficit would worsen from 67 billion at the end of 2020 to 84.1 billion at the end of 2021 and 92.6 billion at the end of 2022. As regards monetary conditions, after an appreciation of 0.8 percent in 2020, the real effective exchange rate is expected to depreciate by 0.8 percent in 2021 and 0.6 percent in 2022. As for bank credit to the non-financial sector and taking into account economic growth forecasts and the expectations of the banking system, it would increase by 3.6 percent in 2021 and 3.7 percent in 2022.

At the level of public finances, and considering the 2020 budget execution, which showed a deficit of 7.6 percent of GDP, and the data of the 2021 Budget Act, the budget deficit would gradually decrease to 7.2 percent of GDP in 2021, and then to 6.7 percent of GDP in 2022.

Under the combined effect of the Covid-19 crisis and unfavorable weather conditions, the national economy is projected to contract by 7 percent in 2020 according to the forecasts of the Bank, following a 2.5 percent increase in 2019. This underperformance reflects projected declines of 8.1 percent in agricultural value added and 6.7 percent in nonagricultural activities. Over the forecast horizon, the recovery of economic activity, which began in the third quarter of 2020, is expected to continue, supported on the one hand by fiscal stimulus measures and the accommodating stance of monetary policy and, on the other, by the renewed confidence of economic operators following the start of the anti-Covid vaccination campaign. On the other hand, the outlook remains surrounded by considerable uncertainty, particularly in relation to the development of the epidemiological situation and the availability of vaccines at the national and international levels. In 2021, growth is expected to rebound to 5.3 percent, with a 17.6 percent increase in agricultural value added, based on BAM's forecast of a cereal production of around 95 MQx, while non-agricultural activities are expected to grow by 3.5 percent. In 2022, it would strengthen to 3.2 percent, covering a 2 percent drop in agricultural value added, assuming an average cereal production of 75 MQx, and an acceleration of non-agricultural growth to 3.8 percent. Against this background, disinflationary pressures are expected to ease gradually over the forecast horizon. In addition, inflation is projected to be driven in 2021 by temporary factors related to the expected increase in the international prices of oil and certain food products, particularly vegetable oils. It is thus expected to increase moderately from 0.7 percent in 2020 to 0.9 percent in 2021, before rising to 1.2 percent in 2022. Its underlying component is forecast to accelerate from 0.5 percent in 2020 to 1.2 percent in 2021, then to 1.5 percent in 2022.

The balance of risks to this outlook is balanced for growth and tilted to the upside as far as inflation is concerned. As regards growth, the rollout of the Covid-19 vaccine, the planned continuation of fiscal and monetary support measures and the expected positive effects of the establishment of the Mohammed VI Fund for Investment reinforce optimism about a stronger economic recovery. However, many downside risks persist and could weigh on the recovery at both the domestic and international levels. These include developments in the health situation and the availability of vaccines. At the same time, less favorable weather conditions for the remainder of the crop year would have a downside effect on growth prospects. With regard to inflation, the risks of stronger-than-expected upward pressures in the central scenario prevail. Disruptions in production and supply chains due to Covid-19, combined with tighter supply of some food products at the global level, could imply a larger-than-expected increase in commodity prices and therefore in inflation, through their direct effects on consumer prices and indirect effects on production costs.

1.INTERNATIONAL DEVELOPMENTS

The launch of the Covid-19 vaccination campaign, combined with continued fiscal and monetary support measures, have mitigated the impact of the health crisis in comparison to early-2020 forecasts. However, the level of uncertainty remains very high, particularly as regards the pace of vaccination and the spread of new virus variants. Thus, a significant drop in the rate of decrease in fourth-quarter GDP was recorded in the United States, the United Kingdom and Japan, while the recovery in the euro area remains slow, against the background of a return of restrictive measures, in different ways depending on countries. In the main emerging countries, growth in China strengthened significantly, while India recorded its first expansion after two quarters of decrease. At the same time, the pandemic continues to weigh on the job market in most advanced countries, with unemployment rates remaining high. In the financial markets, the stock markets of the major advanced and emerging economies continued to rise, while sovereign bond yields on long maturities increased. As for commodity markets, the price of Brent crude oil continued to rise in February, returning to its pre-pandemic level, notably following an improved economic outlook and continued production cuts by the main producing countries. Similarly, prices of non-energy products are trending upwards, driven by both agricultural products and metals and ores. Under these conditions, inflation has stagnated in the euro area, while it has accelerated in the United States.

1.1 Economic activity and employment

1.1.1 Economic activity

In the United States, the easing measures implemented since the third quarter, combined with the launch of the vaccination campaign, impacted growth positively. Thus, after a decline of 2.8 percent year-on-year in the third quarter, GDP fell by a lower 2.4 percent in the fourth quarter, reflecting in particular improved investment and exports. In contrast, the euro area recorded a 4.9 percent year-on-year contraction in GDP in the fourth quarter after a 4.2 percent decline a quarter earlier. By country, growth reached -4.9 percent in France after -3.7 percent in the third quarter, -6.6 percent in Italy after -5.2 percent, and -9.1 percent in Spain after -9 percent in the previous quarter, while in Germany, GDP fell by 3.6 percent after a drop of 4 percent. In the same vein, and despite the emergence of new, faster-spreading Covid-19 variants in the United Kingdom, recent data indicate a continued easing of its GDP decline from 8.7 percent to 7.8 percent in the fourth quarter, reflecting a less marked decrease in household consumption and investment. Similarly, in Japan, GDP fell by 1.1 percent, less than the 5.8 percent decline recorded in the third quarter, as investment and exports improved.

Table 1.1: YoY change in quarterly growth

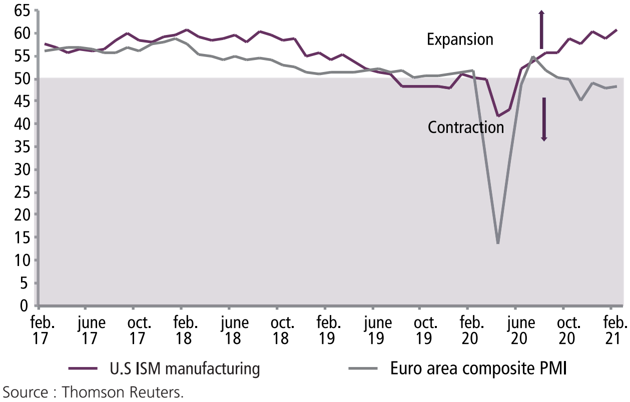
	2018			2019				2020			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Advanced economies											
United States	3.3	3.1	2.5	2.3	2.0	2.1	2.3	0.3	-9.0	-2.8	-2.4
Euro area	2.3	1.6	1.2	1.6	1.3	1.4	1.0	-3.3	-14.6	-4.2	-4.9
France	1.9	1.6	1.4	1.8	1.8	1.6	0.8	-5.6	-18.6	-3.7	-4.9
Germany	2.0	0.8	0.3	1.1	0.1	0.8	0.4	-2.2	-11.3	-4.0	-3.6
Italy	1.1	0.6	0.2	0.4	0.4	0.5	0.1	-5.6	-18.1	-5.1	-6.6
Spain	2.3	2.3	2.3	2.2	2.1	1.8	1.7	-4.2	-21.6	-9.0	-9.1
United Kingdom	1.2	1.4	1.2	1.7	1.5	1.4	1.2	-2.3	-21.0	-8.7	-7.8
Japan	1.2	-0.2	-0.2	0.4	0.5	1.3	-1.0	-2.1	-10.3	-5.8	-1.1
Emerging economies											
China	6.9	6.7	6.5	6.3	6.0	5.9	5.8	-6.8	3.2	4.9	6.5
India	6.9	6.1	5.6	5.6	5.0	4.6	3.4	3.0	-22.4	-7.3	1.0
Brazil	1.6	1.3	1.7	1.2	1.5	1.3	1.6	-0.3	-10.9	-3.9	-1.1
Turkey	5.8	2.5	-2.7	-2.6	-1.7	1.0	6.4	4.5	-10.3	6.3	5.9
Russia	2.6	2.5	2.8	0.4	1.1	1.5	2.1	1.6	-8.0	-3.4	n.d

Source : Thomson Reuters.

In the main emerging economies, China's growth accelerated to 6.5 percent in the fourth quarter from 4.9 percent a quarter earlier, returning to its pre-crisis growth rate. This trend reflects a strong performance in the manufacturing and information technology sectors. In parallel, India recorded a slight 1 percent growth in GDP, after a contraction of 7.3 percent, thanks to a gradual reopening of economic activities from June onwards, an increase in private and public spending, and an improvement in investment. In Brazil, GDP fell by a moderate 1.1 percent in the fourth quarter, down from 3.9 percent, mainly due to a rebound in investment and a smaller decline in private and public spending. Concerning Russia, the data, which is still that of the third quarter, showed a smaller GDP contraction of 3.4 percent after 8 percent a quarter earlier, reflecting in particular a smaller decline in the output of the "hotels and restaurants" sector.

In terms of high-frequency indicators, although 48.8 points higher in February from 47.8 in January, the Euro area composite PMI index has been on a downward trend since August, remaining negative for the last four months of 2020. As for the US ISM manufacturing index, it rose to 60.8 in February from 58.7 a month earlier, continuing the upward trend that began in the second half of 2020.

Chart 1.1: Change in some high-frequency indicators in the U.S and the Euro Area



Source : Thomson Reuters.

1.1.2 Job market

In the United States, unemployment rate dropped slightly to 6.2 percent in February, after 6.3 percent the previous month, with job creation rising to 379,000, compared to 166,000 the previous month.

In the euro area, the rate remained stable at 8.1 percent in January. However, the rate of job creation varied across the zone's major economies. In Germany, this rate remained unchanged at 4.6 percent, in France it rose from 7.8 percent to 7.9 percent, and in Spain it fell from 16.2 percent to 16.0 percent. In Italy, the latest data for December showed an increase in this rate to 9 percent from 8.8 percent the previous month.

In the United Kingdom, the figures of November show a slight increase to 5.1 percent from 5 percent a month earlier.

Table 1.2: Change in unemployment rate (%)

(In%)	2018	2019	2020	2021	
			Dec.	Jan.	Feb.
United States	**3. 7**	**8. 1**	**6. 7**	**6. 3**	**6. 2**
Euro area	**7. 6**	**8. 0**	**8. 1**	**8. 1**	**N.A**
France	8. 5	8. 2	7. 8	7. 9	N.A
Germany	3. 1	4. 2	4. 6	4. 6	N.A
Italy	9. 9	N.A	9. 0	N.A	N.A
Spain	14. 1	15. 6	16. 2	16. 0	N.A
United Kingdom	**3. 8**	**N.A**	**N.A**	**N.A**	**N.A**

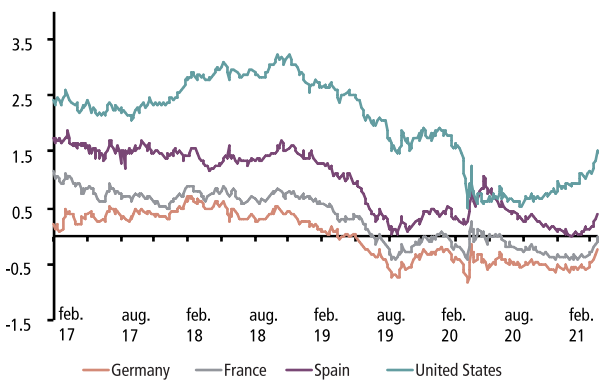
Source : Eurostat and BLS.

1.2 Monetary and financial conditions

The financial markets were marked in February by a rise in sovereign bond yields on long maturities, leading to a steepening of the curves. The rate of 10-year U.S. Treasury bond rose 19 basis points (bps) compared to January and 32 bps since the beginning of the year to 1.2 percent. Similarly, in the Euro area, the 10-year yield rose by about 14 bps to -0.4 percent for Germany, to -0.2 percent for France and 0.2 percent for Spain, while it virtually stabilized at 0.6 percent for Italy.

As regards the main emerging economies, this rate increased by 8 bps to 3.3 percent for China, by 16 bps to 6.1 percent for India, by 61 bps to 8.2 percent for Brazil, while for Turkey it decreased by 15 bps to 12.7 percent.

Chart 1.2: Change in 10-year sovereign bond yields

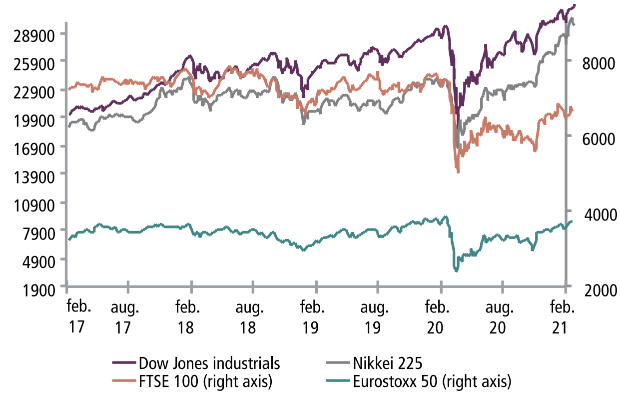


Source: Thomson Reuters.

In stock markets, the main indices of the advanced economies continued to rise in February, except for the FTSE 100, which fell by 1.5 percent after increasing for three months. The EuroStoxx 50 rose by 2.1 percent, the S&P 500 by 2.5 percent, the Dow Jones industrials by 1.6 percent and the Nikkei 225 by 4.8 percent. Volatility eased on both the European and American stock markets, with the VSTOXX falling from 22.8 to 22.1 and the VIX from 24.8 to 23.

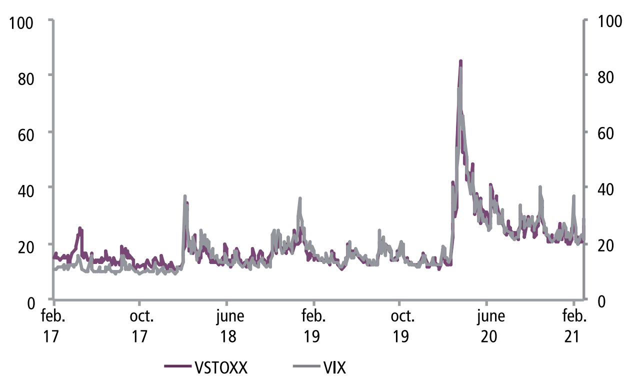
As to the stock markets of the main emerging economies, they were marked by increases of 3.5 percent for the MSCI EM, 7.3 percent for China and 3.7 percent for India, while a decline of 2.3 percent was recorded by the MSCI Brazil.

Chart 1.3: Change in major stock market indexes of advanced economies



Source : Thomson Reuters.

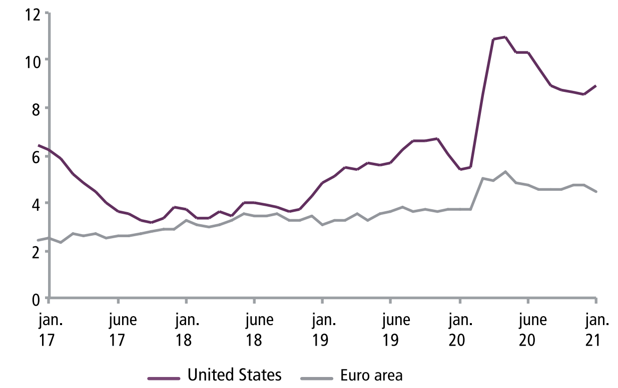
Chart 1.4: Change in VIX and VSTOXX



Source : Thomson Reuters.

In the money markets, the 3-month dollar Libor fell from 0.22 percent in January to 0.19 percent in February, while the Euribor for the same maturity virtually stabilized at -0.54 percent. As for bank credit, its growth rate accelerated from 8.6 percent to 8.9 percent in January in the United States and slowed from 4.7 percent to 4.5 percent in the euro area.

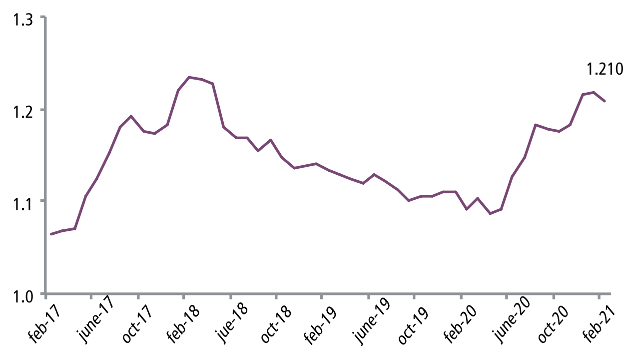
Chart 1.5: YoY change in credit in the United States and the euro area



Source : Thomson Reuters.

In the foreign exchange markets, the euro depreciated by 0.6 percent against the dollar and by 2.3 percent against the pound sterling in February, and continued its appreciation against the Japanese yen, with a rise of 0.9 percent. As regards the currencies of the main emerging countries, they strengthened against the dollar, with rates of 0.2 percent for the Chinese Yuan, 0.4 percent for the Indian rupee and 4.1 percent for the Turkish pound. Conversely, the Brazilian real lost 1.1 percent against the dollar, bringing its depreciation since the beginning of the year to 5.1 percent.

Chart 1.6: Euro/dollar exchange rate



Source : Thomson Reuters.

Regarding monetary policy decisions, the Fed decided at its March 16-17 meeting to keep the target range for the federal funds rate unchanged at [0 percent-0.25 percent] and plans to maintain it at that level until labor market conditions have reached levels consistent with the Committee's assessments of maximum employment and inflation has risen to 2 percent and is on track to be moderately above that rate for some time. In addition, it will continue to increase its security holdings by at least $120 billion per month until substantial progress has been made toward maximum employment and price stability. It also reiterated its commitment to use all its full range of tools to support the economy in these difficult times.

Similarly, the ECB decided, at the end of its meeting on March 11, to keep its key interest rates unchanged and to continue its purchases, at a higher rate, under the Emergency Pandemic Purchasing Program (EPPP), which amounts to €1.850 billion, as well as its net purchases under the asset purchase program (APP) at a monthly rate of €20 billion. It also indicated that it will continue to provide abundant liquidity through its refinancing operations, in particular the third round of targeted longer-term refinancing operations (TLTRO III).

As for the Bank of England, its Committee decided on March 18 to keep its key rate unchanged at 0.1 percent and to maintain its stock of asset purchases at £895 billion, including £875 billion of government bonds and £20 billion of bonds of investment-grade UK non-financial firms.

In the emerging countries, the Brazilian central bank decided on March 17 to raise its key rate by 75 bps to 2.75 percent, indicating that current conditions no longer require an extraordinary degree of monetary stimulus. Similarly, Turkey's central bank raised its key rate from 17 percent to 19 percent on March 18 and said that the restrictive stance of its monetary policy will be maintained for an extended period until solid indicators point to a permanent decline in inflation and price stability. The Central Bank of Russia also raised, on March 19, its key rate by 25 bps to 4.5 and indicated that it is ready to make further increases at its next meetings. For its part, the Reserve Bank of India kept its key rate unchanged at 4 percent on February 5.

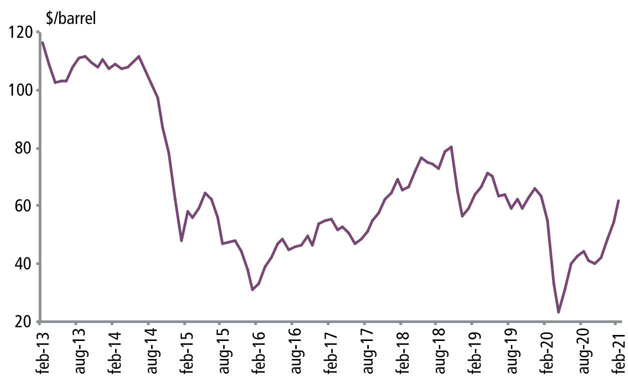
1.3 Commodity prices and inflation

1.3.1 Energy commodity prices

On the oil market, the price of Brent crude rose by 13.6 percent between January and February to average $62 per barrel, with a maximum level of $67.2 reached on February 24, thus returning to its pre-pandemic level11 . This development is explained in particular by the continued reduction in production by the main producing countries and by the improvement in the economic outlook and demand at the global level. Year-on-year, the price of Brent crude oil rose by 12 percent.

The price of natural gas on the European market stood at $6.2 per mBTU22 in February, a decrease of 15.3 percent month-on-month and more than a doubling of its price year-on-year.

Chart 1.7 : Brent prices in dollars

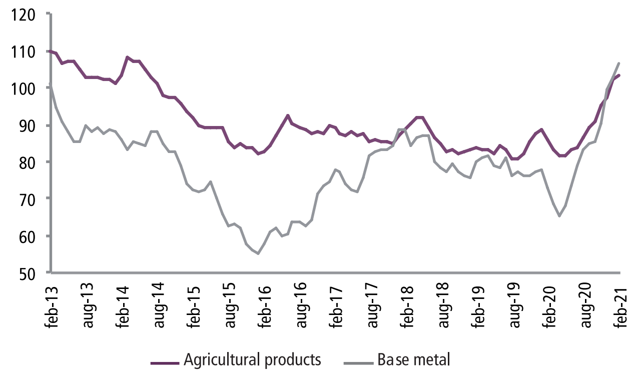


Source: Thomson Reuters.

1.3.2 Non-energy commodity prices

Non-energy commodity prices rose by 28 percent year-on-year in February, reflecting a 45.9 percent increase in metals and ores and a 20 percent rise in agricultural commodities.

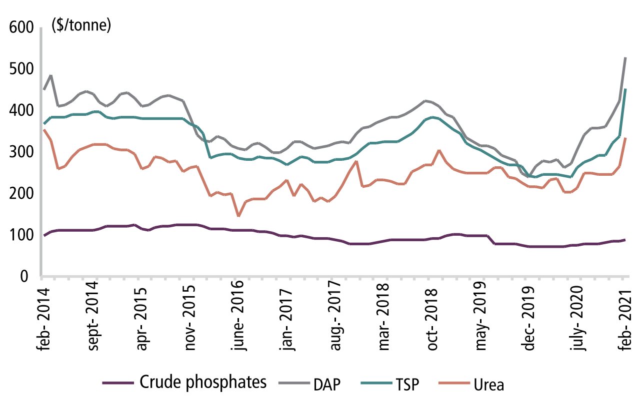
Chart 1.8: Change in non-energy commodity price indexes (2010= 100)



Source : World Bank.

On the phosphate and fertilizer market, prices rose sharply in February, with increases of 3.7 percent for raw phosphate to an average of $88.1/t, 25.5 percent for DAP to $528.9/t, 34.4 percent for TSP to $453.8/t and 26.4 percent to $335/t for urea. For its part, potassium chloride stagnated at $202.5/t. Year-on-year, prices were up 21.6 percent for raw phosphate, 89.3 percent for DAP, 85.2 percent for TSP and 56.3 percent for urea, while potassium chloride was down 17.3 percent.

Chart 1.9: Change in the world prices of phosphate and fertilizers



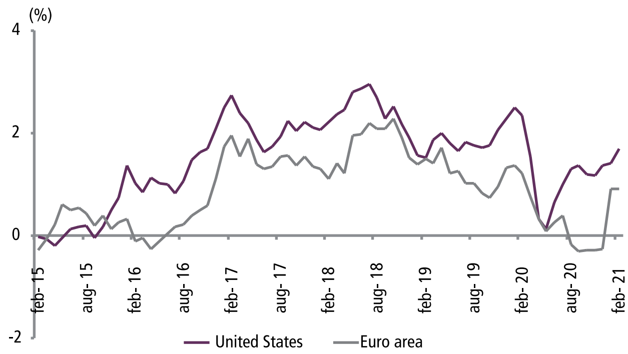
Source: World Bank.

[1] Similar price levels to those recorded on 23 and 08 January 2020 respectively.
[2] mBTU: Million of British Thermal Unit

1.3.3 Inflation

In the Euro area, inflation stabilized month-on-month at 0.9 percent in February. This reflects a stagnation at 1.6 percent in Germany and 0.8 percent in France, a deceleration from 0.4 percent to -0.1 percent in Spain and an increase from 0.7 percent to 1 percent in Italy. As for the other advanced economies, inflation accelerated in February in the US from 1.4 percent to 1.7 percent and from -0.6 percent to -0.4 percent in Japan and from 0.6 percent in December to 0.7 percent in January in the UK. In the main emerging countries, inflation rose from 5.2 percent in January to 5.7 percent in February in Russia, from -0.3 percent to -0.2 percent in China, from 4.6 percent to 5.2 percent in Brazil and from 4.1 percent to 5 percent in India.

Chart 1.10: Inflation in the United States and the euro area



Sources : Eurostat and Thomson Reuters.

Table 1.3 : Recent year-on-year change in inflation in main advanced countries in %

	2019	2020	2020	2021	
			Dec.	Jan.	Feb.
United States	**1. 8**	**1. 2**	**1. 4**	**1. 4**	**1. 7**
Euro area	**1. 2**	**0. 3**	**-0. 3**	**0. 9**	**0. 9**
Germany	1. 4	0. 4	-0. 7	1. 6	1. 6
France	1. 3	0. 5	0. 0	0. 8	0. 8
Spain	0. 8	-0. 3	-0. 6	0. 4	-0. 1
Italy	0. 6	-0. 1	-0. 3	0. 7	1. 0
United Kingdom	**1. 8**	**0. 9**	**0. 6**	**0. 7**	**N.A**
Japan	**0. 5**	**0. 0**	**-1. 2**	**-0. 6**	**-0. 4**

Sources : Thomson Reuters, Eurostat and IMF.

2. EXTERNAL ACCOUNTS

Like world trade as a whole, Morocco's foreign trade in 2020 was marked by the repercussions of the crisis linked to the Covid-19 pandemic, in particular the disruption of value chains and the decline of demand and activity. Despite the recovery recorded in recent months, provisional data for the whole year indicate a decrease of 11.7 percent in trade in goods after an increase of 2.5 percent in 2019. The 14.1 percent drop in imports, which was higher than the 7.5 percent decrease in exports, nevertheless allowed for a 23.1 percent fall in the trade deficit to 158.7 billion dirhams and an improvement in the coverage rate by 4.4 percentage points to 62.4 percent. For its part, the surplus balance of services has marked a clear decline, mainly due to the drop of more than half of travel receipts. On the other hand, transfers from Moroccan expatriates showed a strong resilience with an increase of 5 percent. As for the main financial operations, FDI receipts fell to 26.4 billion dirhams after 33.9 billion a year earlier and the net flow of direct investments by Moroccans abroad fell by 53.1 percent to 4.7 billion. In total, outstanding official reserve assets reached 320.6 billion dirhams in 2020, representing the equivalent of 7 months and 16 days of imports of goods and services.

At the end of January 2021, the trade deficit narrowed by 5.4 billion dirhams, as a result of a 16 percent drop in imports, which was greater than the 5.2 percent fall in exports. At the same time, the decline in travel receipts worsened to 67.2 percent, while transfers from Moroccan expatriates improved by 8.8 percent. As for the main financial operations, the net flow of FDIs decreased by 53.9 percent to 650 million and that of direct investments of Moroccans abroad reached 1.1 billion dirhams. As for the official reserve assets of Bank Al-Maghrib, their outstanding amount stood at 313.9 billion dirhams in January 2021, representing the equivalent of 7 months and 12 days of imports of goods and services.

2.1 Trade balance

2.1. 1 Exports

The decline in exports concerned all sectors, except for sales of phosphates and derivatives and agricultural and food products. Sales of the automotive sector declined by 9.3 percent to 72.7 billion dirhams, reflecting declines of 12.8 percent for the construction segment and 19 percent for the wiring segment. Exports of textiles and leather fell by 19.2 percent to 29.8 billion, reflecting in particular declines of nearly 22 percent for clothing and knitted goods and 15.9 percent for shoes. Similarly, suffering from the slowdown in global demand, sales in the aeronautics sector fell by 28.9 percent to 12.5 billion. For their part, exports of electronics and electricity fell slightly by 0.8 percent to 10.3 billion and those of other mining extractions decreased by 19.6 percent to 3.4 billion.

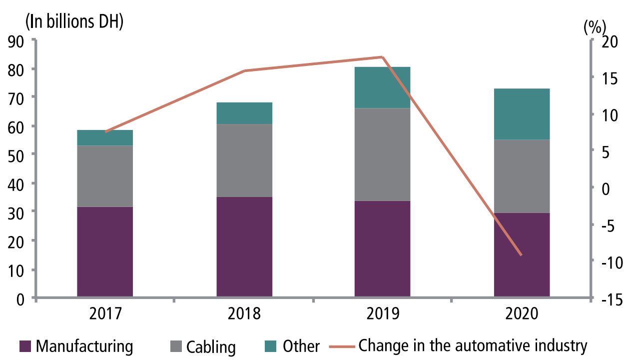
Conversely, exports of the agricultural and food sector increased by 0.7 percent to 62.6 billion, driven by improvements of 2.6 percent for agricultural products and 1.2 percent for those of the food industry. Regarding exports of phosphates and derivatives, they have increased by 3.7 percent to 50.8 billion, in connection with the 14.2 percent rise in sales of natural and chemical fertilizers, due to an increase of 27 percent in the quantities shipped.

Table 2.1: Change in exports
(in millions of dirhams)

Sectors/Segments	2020	2019	Change	
			value	In %
Exports	**263 179**	**284 496**	**-21 317**	**-7. 5**
Automotive	**72 716**	**80 156**	**-7 440**	**-9. 3**
Construction	29 552	33 881	-4 329	-12. 8
cabling	25 829	31 895	-6 066	-19. 0
Vehicle interiors and seats	7 214	7 824	-610	-7. 8
Textile and Leather	**29 827**	**36 936**	**-7 109**	**-19. 2**
Ready-made garments	18 010	23 305	-5 295	-22. 7
Hosiery articles	5 821	7 498	-1 677	-22. 4
Shoes	2 410	2 865	-455	-15. 9
Aeronautics	**12 438**	**17 484**	**-5 046**	**-28. 9**
Assembly	7 595	10 257	-2 662	-26. 0
EWIS	**4 778**	7 152	-2 374	-33. 2
Phosphates and derivatives	50 768	48 945	1 823	3. 7
Agriculture et Agro-alimentaire	**62 546**	**62 094**	**452**	**0. 7**
Agriculture and Agri-Food	32 761	32 373	388	1. 2
Agriculture, forestry, hunt	**28 048**	27 347	701	2. 6
Other mining extractions	**3 378**	**4 201**	**-823**	**-19. 6**
Electronic	**10 326**	**10 408**	**-82**	**-0. 8**
Electronic components	2 749	4 269	-1 520	-35. 6
Wires, cables and other insulated conductors for electricity	4 096	2 402	1 694	70. 5
Electrical shutdown devices	1 624	1 352	272	20. 1
Other industries	**21 180**	**24 272**	**-3 092**	**-12. 7**

Source: Foreign Exchange Office.

Chart 2.1: Change in automotive industry's exports



Source: Foreign Exchange Office.

2.1.2 Imports

In a context of falling prices for energy products and reduced domestic demand, imports dropped by 14.1 percent in 2020. The decrease concerned all product groups, except for food products, due to the decline in local supply.

Over the year as a whole, the energy bill decreased by 34.7 percent to 49.8 billion dirhams. Supplies of «gas oils and fuel oils» fell by 40 percent and those of «petroleum gas and other hydrocarbons» by 14.5 percent, mainly due to respective decreases of 33.5 percent and 13.2 percent in import prices, and purchases of «petroleum oils and lubricants» plummeted by 61.4 percent, reflecting a decline of 60 percent in volume. In addition, imports of finished consumer goods fell by 15.9 percent to 95.1 billion, with declines of 38 percent in imports of «passenger cars» and 15.2 percent in «parts and pieces for passenger cars». Acquisitions of capital goods moved, for their part, to 109.6 billion, down 13.6 percent after an increase of 5.5 percent in 2019, reflecting in particular the significant decline in imports of «aircraft and other aircraft or space vehicles» and a decline of 23.8 percent of those of «wires, cables and other insulated conductors». In the same vein, purchases of semi-finished products fell by 10.9 percent to 93.1 billion and those of raw materials by 14.2 percent to 18.9 billion. On the other hand, imports of food products increased by 15.7 percent to 55.3 billion, including increases of 4.3 billion in wheat supplies to 13.5 billion and 1.5 billion in barley to 2.3 billion dirhams, in connection with the decline in local production.

Table 2.2 : Change in imports
(in millions of dirhams)

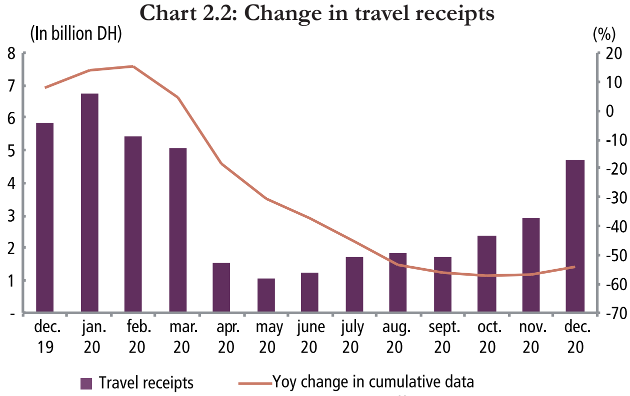
User groups	2020	2019	Change value	Change In %
CIF imports	**421 868**	**490 953**	**-69 085**	**-14. 1**
Energy products	**49 832**	**76 342**	**-26 510**	**-34. 7**
Gas oils and fuel oils	23 276	38 776	-15 500	-40. 0
Petroleum oil and lubricants	3 251	8 428	-5 177	-61. 4
Gaz de pétrole et autres hydrocarbures	12 013	14 055	-2 042	-14. 5
Finished consumer products	**95 052**	**113 024**	**-17 972**	**-15. 9**
Passenger cars	12 594	20 323	-7 729	-38. 0
Parts and spare parts of cars and passenger cars	15 914	18 769	-2 855	-15. 2
Synthetic and artificial fibers fabrics and threads	6 574	8 169	-1 595	-19. 5
capital goods	**109 622**	**126 837**	**-17 215**	**-13. 6**
Aircraft and other space vehicles	646	7 996	-7 350	-91. 9
Electricity cables and wires	6 897	9 052	-2 155	-23. 8
Machines et appareils divers	10 832	12 202	-1 370	-11. 2
Semi finished products	**93 079**	**104 507**	**-11 428**	**-10. 9**
Plastics and miscellaneous plastic articles	13 002	14 396	-1 394	-9. 7
Copper wire, rods and section bars	3 338	4 350	-1 012	-23. 3
Fils et câbles éléctriques	2 602	3 610	-1 008	-27. 9
Raw products	**18 964**	**22 101**	**-3 137**	**-14. 2**
Crude and unrefined sulfur	4 383	6 913	-2 530	-36. 6
Rough, squared off or sawn wood	2 218	2 752	-534	-19. 4
Food products	**55 319**	**47 825**	**7 494**	**15. 7**
Wheat	13 505	9 233	4 272	46. 3
Barley	2 304	753	1 551	-

Source: Foreign Exchange Office.

2.2 Other components of the current account

As regards the balance of services, its surplus balance fell by 31.2 percent to 60.7 billion dirhams, as a result of a drop in exports by 56.1 billion dirhams, greater than the decrease in imports by 28.5 billion dirhams. In particular, and in view of the restrictive measures adopted by Morocco and the issuing countries, travel receipts fell by 53.8 percent to 36.4 billion dirhams and expenditures on the same category fell by 49.6 percent to 10.5 billion dirhams.

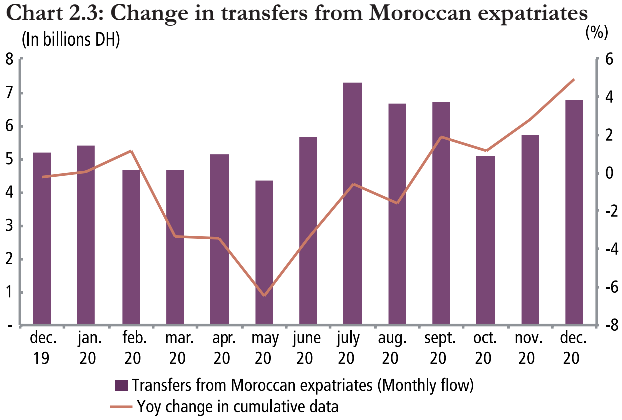
Chart 2.2: Change in travel receipts



Source: Foreign Exchange Office.

As for transfers from Moroccans living abroad, they showed notable resilience to the effects of the crisis, with an improvement of 5 percent to 68 billion dirhams.

Chart 2.3: Change in transfers from Moroccan expatriates



Source: Foreign Exchange Office.

Table 2.3 : Change in the balance of services
(in million dirhams)

	2020	2019	Change value	Change In %
Imports	**69 496**	**97 960**	**-28 464**	**-29. 1**
Exports	**130 244**	**186 304**	**-56 060**	**-30. 1**
Balance	**60 748**	**88 344**	**-27 596**	**-31. 2**

Source: Foreign Exchange Office.

2.3 Financial account

Concerning the main financial operations, the net flow of FDIs increased by 1 percent to 15.5 billion, following a 41.6 percent decrease in disposals, which was more marked than the 22.3 percent drop in receipts. Similarly, the net flow of direct investments by Moroccans abroad fell by 53.1 percent to 4.7 billion, as a result of a 1.5 billion increase in revenues and a 3.8 billion decrease in expenditure on the same category.

In total, the outstanding official reserve assets reached 320.6 billion dirhams in 2020, representing the equivalent of 7 months and 16 days of imports of goods and services.

Table 2.4: Change in Direct investments (in million dirhams)

	2020	2019	Change	
			Value	in %
Foreign direct investments	**15 540**	**15 379**	**161**	**1. 0**
Revenues	26 362	33 916	-7 554	-22. 3
Expenses	10 822	18 537	-7 715	-41. 6
Investments of Moroccans abroad	**4 661**	**9 933**	**-5 272**	**-53. 1**
Expenses	7 748	11 528	-3 780	-32. 8
Revenues	3 087	1 595	1 492	93. 5

Source: Foreign Exchange Office.

Foreign trade data for January 2021 indicate that the trends observed in 2020 continue to exist. The trade deficit thus narrowed by 5.4 billion dirhams, as a result of a 16 percent drop in imports, greater than the 5.2 percent fall in exports, and the coverage rate rose by 7.8 percentage points to 68.4 percent.

The decline in exports of goods affected all major sectors, with the exception of the phosphates and derivatives sector. Sales of the automotive sector in fact declined by 11.6 percent to 6.9 billion dirhams, with in particular a decline of 14.3 percent in the construction segment. Similarly, sales in the textile and leather sector fell by 16.2 percent to 2.5 billion, and those of the aeronautics sector, which still suffer from the effects of the crisis, showed a decline of 24.8 percent to 1.1 billion. In the same vein, exports of agricultural and food products declined slightly by 0.6 percent to 7 billion. Conversely, the growth rate of exports of phosphates and derivatives accelerated by 12.6 percent, mainly as a result of an increase of 44.8 percent in the sales of phosphoric acid and 13.1 percent of those of natural and chemical fertilizers.

As to the decline in imports, it reflects mainly a drop of 30.4 percent of the energy bill to 4.7 billion, a 16.4 percent decrease in imports of capital goods to 9 billion and a 12.7 percent fall in purchases of semi-finished products to 7.7 billion.

At the same time, travel receipts fell by 67.2 percent to 2.2 billion and transfers from Moroccan expatriates improved by 8.8 percent to 5.9 billion.

For its part, the net flow of FDIs fell by 53.9 percent to 650 million dirhams and that of direct investments by Moroccans abroad increased by 693 million to 1.1 billion.

In total, Bank Al-Maghrib's official reserve assets lost 2 percent in January 2021 to 313.9 billion dirhams, mainly due to the early repayment of part of the drawdown on the LPL. This outstanding amount represents the equivalent of 7 months and 12 days of imports of goods and services.

3. MONEY, CREDIT AND ASSETS MARKET

In the fourth quarter of 2020, monetary conditions were marked by a slight increase in lending rates, following the declines recorded in the previous two quarters, and by an appreciation of the effective exchange rate. As for credit to the non-financial sector, its growth fell from 5.6 percent in the third quarter to 4.5 percent in the fourth one, covering a deceleration in the growth rate of loans to non-financial companies as well as a slight improvement in loans to households. Thus, outstanding bank credit to the non-financial sector closed 2020 with an increase of 3.9 percent compared to 5.5 percent in 2019, mainly linked to the downturn in activity following the Covid-19 crisis. Concerning the other counterparts of the money supply, official reserve assets increased by 19.3 percent in the fourth quarter after the 22.3 percent rise of the previous quarter and net claims on the central government rose by 22.4 percent after 25.8 percent. Overall, money supply growth accelerated from 7.1 percent to 7.8 percent, ending the year up 8.4 percent from 3.8 percent in 2019.

After the significant declines in transactions and prices in the first half of 2020 in connection with the repercussions of the crisis, the recovery in the real estate market that began in the third quarter was consolidated in the last quarter of the year. Asset prices rose by 0.6 percent after a 4.1 percent increase in the previous quarter. This included a rise of 1.4 percent for residential property and decreases of 1 percent and 0.5 percent, respectively, for business property and urban land. At the same time, after an increase of 119.5 percent in the third quarter, transactions posted an increase of 39.2 percent which concerned all categories of property. In the same vein, after the sharp fall following the outbreak of the pandemic at the beginning of the year, the recovery of the Casablanca Stock Exchange from May onwards continued in the fourth quarter. The MASI rose by 13 percent and trading volume moved up to 22.5 billion dirhams after 4.7 billion dirhams a quarter earlier. The benchmark index thus closed the year with a decline of 7.3 percent and the volume of trade fell from 75.4 billion in 2019 to 55.8 billion.

3.1 Monetary conditions

3.1.1 Bank liquidity and interest rates

During the fourth quarter of 2020, banks' liquidity needs decreased to 91.5 billion dirhams on a weekly average, against 102.2 billion a quarter earlier. Under these conditions, Bank Al-Maghrib reduced the amount of its injections to 101.9 billion, including 40.7 billion in the form of 7-day advances, 24.9 billion through repurchase agreements, 30.4 billion as guaranteed loans under the programs to support the financing of VSMEs and 5.8 billion in the form of foreign exchange swaps.

For the whole of 2020, banks' liquidity needs thus increased to 90.2 billion dirhams on average per week against 76.6 billion in 2019. This bigger liquidity deficit is mainly explained by the restrictive effect of the expansion of currency in circulation which amounted to 44 billion dirhams on average after 18.5 billion. Conversely, Bank Al-Maghrib's foreign exchange reserves had a positive impact on bank liquidity with an increase averaging 29.2 billion per week after 2.9 billion a year earlier.

The latest available data indicate the continued mitigation of the bank liquidity deficit, down to 64.8 billion on average during the first two months of 2021. This improvement in the bank liquidity situation is largely explained by higher foreign exchange reserves.

Against this background, the interbank rate stabilized at 1.50 percent since the Bank Board's decision to cut the key rate in June 2020. On the Treasury bill market, rates rose overall in the fourth quarter of 2020 on both the primary and secondary segments before falling in January and February 2021 in connection with the decline in the Treasury's needs following its issue on the external market.

Chart 3.1: Change in the interbank rate (daily data)

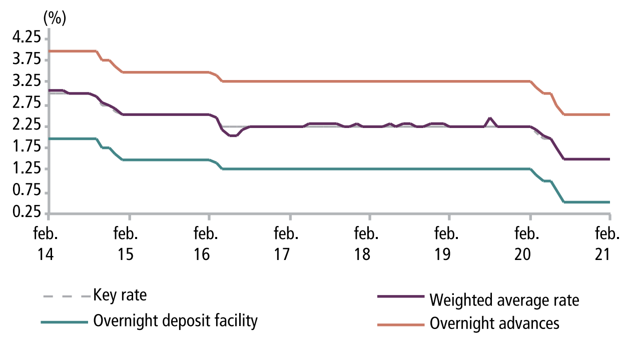
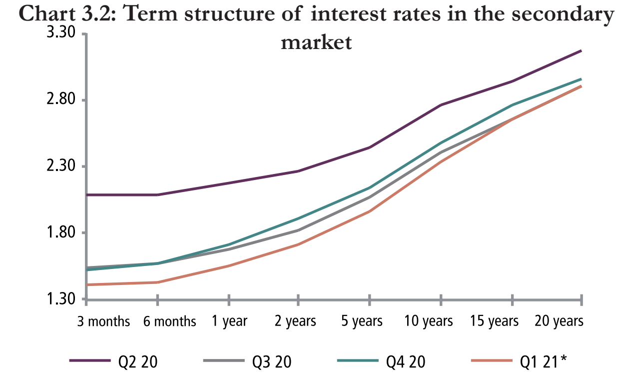


Table 3.1: Change in Treasury bond yields in the primary market

	2019				2020				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	feb.
52 weeks	2. 37	2. 31	2. 31	2. 27	2. 34	2. 16	1. 68	1. 79	1. 53
2 years	2. 51	2. 39	2. 38	2. 32	2. 40	2. 22	1. 83	2. 01	1. 67
5 years	2. 77	2. 60	2. 58	2. 46	2. 50	2. 42	2. 10	2. 20	1. 93
10 years	3. 19	3. 02	2. 97	2. 81	2. 65	2. 40	2. 39	2. 62	2. 35
15 years	3. 64	3. 42	3. 38	3. 10	2. 94	2. 90	-	2. 80	2. 63

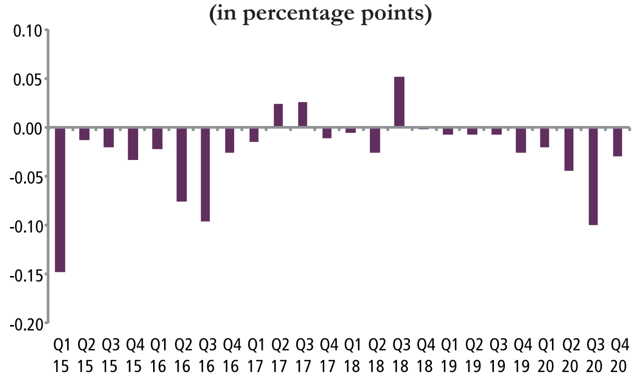
Chart 3.2: Term structure of interest rates in the secondary market



* Average observed in January and February.

In other markets, rates on certificates of deposit rose slightly during the fourth quarter of 2020. As for deposit rates, they declined by 14 basis points to 2.36 percent on average for 6-month deposits and by 3 points to 2.68 percent for 1-year deposits. Under these conditions, banks' cost of financing[1] decreased slightly compared to the previous quarter.

Chart 3.3: Change in cost of bank financing (in percentage points)



Regarding lending rates, the results of Bank Al-Maghrib's survey with banks for the fourth quarter of 2020 indicate an increase of 8 basis points in the overall average rate to 4.42 percent, after a decrease of 21 points in the previous quarter. By institutional sector, rates on loans to companies increased by 12 points, reflecting rises of 17 points for loans to large companies and 3 points for loans to VSMEs. Conversely, rates for private individuals fell by 17 percentage points, reflecting a decrease in rates for debit accounts and consumer loans and stability in rates for housing loans. For the year 2020 as a whole, the average overall lending rate dropped by 49 basis points.

Table 3.2 : Change in lending rates

	2019		2020			
	Q3	Q4	Q1	Q2	Q3	Q4
Global	**5. 09**	**4. 91**	**4. 89**	**4. 55**	**4. 34**	**4. 42**
Personal loans	**5. 69**	**5. 55**	**5. 51**	**5. 14**	**5. 15**	**4. 98**
Real estate loans	4. 51	4. 48	4. 43	4. 66	4. 31	4. 33
Consumer loans	6. 72	6. 66	6. 55	6. 56	6. 46	6. 40
Loans to businesses	**4. 92**	**4. 77**	**4. 76**	**4. 46**	**4. 16**	**4. 28**
Creditor accounts and cash advances	4. 74	4. 65	4. 67	4. 43	3. 96	4. 09
Equipment loans	5. 20	4. 58	4. 53	4. 18	4. 51	4. 23
Real estate loans	6. 07	6. 12	6. 15	6. 12	5. 85	5. 84

Source : BAM.

1 The cost of financing is calculated as a weighted average of the cost of banks' resources.

Table 3.3: Deposit rates

	2019				2020			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
6 months	2. 78	2. 68	2. 75	2. 68	2. 73	2. 64	2. 50	2. 36
12 months	3. 06	3. 00	3. 01	2. 98	3. 06	3. 02	2. 71	2. 68

3.1.2 Exchange rate

During the fourth quarter of 2020, the euro appreciated by 2.09 percent against the US dollar. Under these conditions, the national currency appreciated by 0.49 percent against the euro and by 2.58 percent against the US dollar. Compared to the currencies of the main emerging countries, the dirham appreciated by 11.79 percent against the Turkish lira and by 0.29 percent against the pound sterling and depreciated by 1.76 percent against the Chinese yuan. As a result, the effective exchange rate gained 1.10 percent in nominal terms and 0.82 percent in real terms.

Chart 3.4: Change in the exchange rate of the dirham

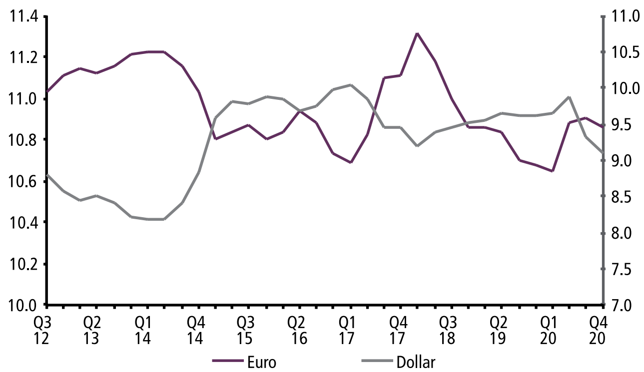
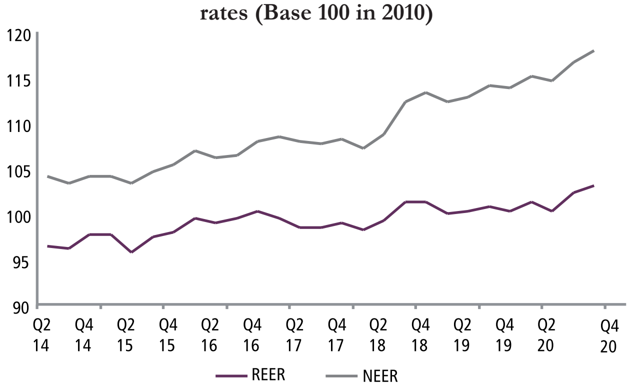


Chart 3.5: Change in the nominal and real effective exchange rates (Base 100 in 2010)



Source : BAM calculations and IMF.

As regards foreign currency transactions, the average volume of banks' spot transactions with customers increased by 19.9 percent to 26.2 billion dirhams for sales and by 27.1 percent to 26 billion dirhams for purchases. At the same time, forward purchases increased by 22.2 percent to 12.5 billion and forward sales rose by 54.7 percent to 4.2 billion. During this period, Bank Al-Maghrib did not carry out any foreign exchange purchase or sale operations with banks. Under these conditions, the net foreign exchange position of banks stood at 7.6 billion dirhams at end-December, against 3.7 billion dirhams at end- September 2020.

3.1.3 Monetary situation

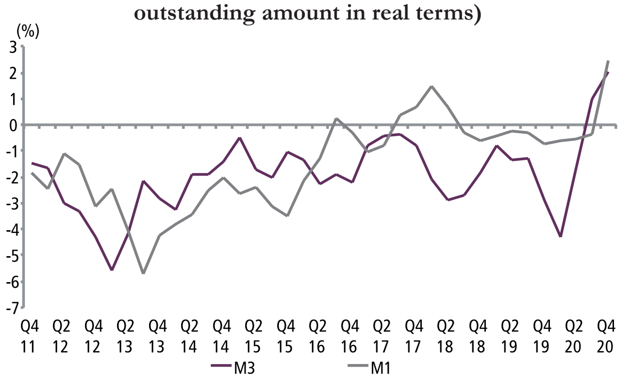
Growth in the M3 aggregate rose from 7.1 percent in the third quarter of 2020 to 7.8 percent in the fourth one. This reflects an acceleration from 9.6 percent to 10.3 percent in the pace of growth of demand deposits, with growth improving from 10.3 percent to 10.6 percent for those of private non-financial companies and from 9.4 percent to 10 percent for those of households. At the same time, shares/units of money market funds grew by 11.8 percent instead of 2.8 percent one quarter earlier.

On the other hand, time deposits fell by 11.5 percent after 10.3 percent, reflecting a further decline from 7.3 percent to 15 percent in deposits of private companies and from 6 percent to 7.9 percent in those of households. As for currency in circulation, it recorded an increase of 21.1 percent after the 22.5 percent rise observed in the third quarter.

Thus, over the whole year 2020, the change in the money supply was marked by the strong rise of currency in circulation which increased by 50.4 billion dirhams against 16.6 billion in 2019 and 14.2 billion on average during the last five years. It was also marked by the expansion of demand deposits by 62.3 billion dirhams, double the average rate since 2015.

By main counterpart, the change in money supply includes decelerations from 22.3 percent to 19.3 percent for official reserve assets, from 25.8 percent to 22.4 percent for net claims on the central government, from 5.3 percent to 4.7 percent for the central government and from 5.3 percent to 4.7 percent for bank credit.

Chart 3.6: Money gap[1] (in % of M3 and M1 equilibrium outstanding amount in real terms)



1: The money gap calculated in real terms is the difference between the observed and equilibrium level of the money stock. The latter, determined on the basis of the quantitative equation for money, corresponds to the rate of change in potential economic activity in real terms, minus the average rate of the decline in the velocity of money circulation.
Source : BAM.

Chart 3.7: Contribution of the major counterparts to YoY change in money supply

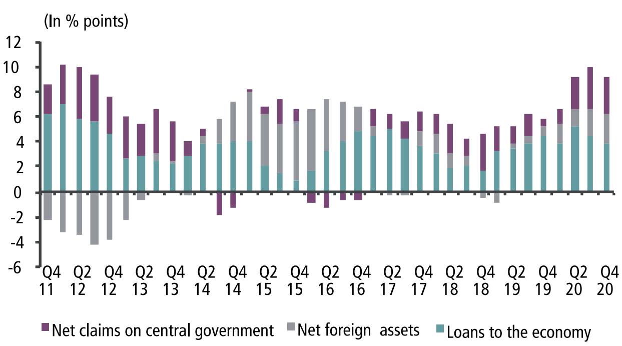
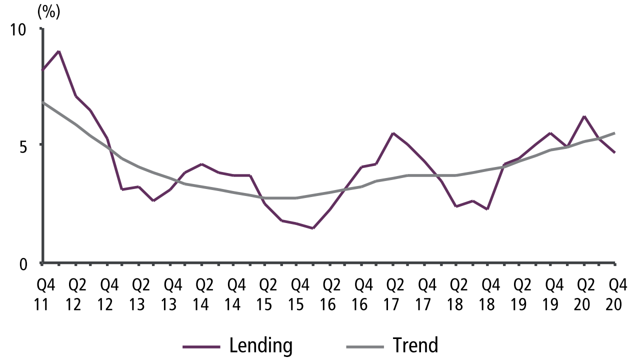


Chart 3.8: YoY change in credit



As for credit to the non-financial sector, its annual growth fell from 5.6 percent in the third quarter to 4.5 percent in the fourth quarter, reflecting a deceleration in the growth rate of loans to private and public non-financial companies and a slight improvement in loans to households.

Thus, loans to private companies increased by 5.8 percent after 8.1 percent in the third quarter, reflecting slowdowns from 13 percent to 12.1 percent for cash facilities and from 2.1 percent to 1 percent for loans for real-estate development. At the same time, equipment loans fell by 3.9 percent, after an increase of 1.5 percent in the previous quarter.

As regards loans granted to public companies, their annual growth rate dropped from 4.9 percent to 2.6 percent, with in particular a hike from 1.1 percent to 16.7 percent in the fall of cash facilities and a deceleration from 2.5 percent to 1.9 percent in the growth of loans to equipment loans.

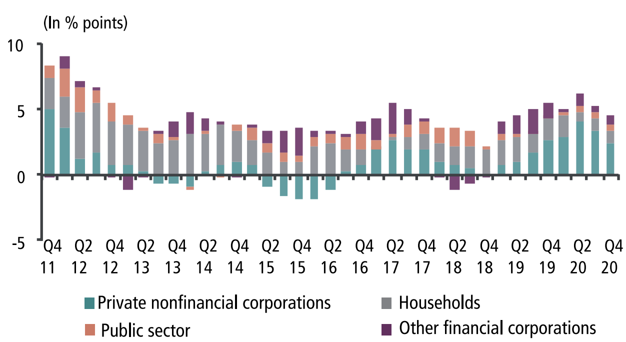
As regards loans to individual entrepreneurs, their growth slowed slightly from 7.1 percent to 6.8 percent, covering in particular an acceleration from 23.4 percent to 24.6 percent in the growth rate of cash facilities and a further fall in equipment loans from 1.9 percent to 4.5 percent.

By activity branch, the quarterly data for December 2020 indicate a deceleration in the growth rate from

2.8 percent in September to 0.7 percent for loans to the "transport and communications" sector and from 2.7 percent to 2.4 percent for those granted to the "trade, car repairs and household goods" sector. At the same time, loans to the "electricity, gas and water" sector fell by 13.3 percent, more than the 3 percent drop observed a quarter earlier. Conversely, loans to companies in the "manufacturing industries" and "Hotels and restaurants" sectors increased by 25.3 percent and 23.1 percent, respectively, instead of 10.2 percent and 22 percent.

As for loans to private individuals, their growth rate moved from 2,5 percent to 2,9 percent, covering an improvement from 2,8 percent to 3,8 percent in the growth of housing loans and a further decline from 2,4 percent to 3,6 percent for consumer loans.

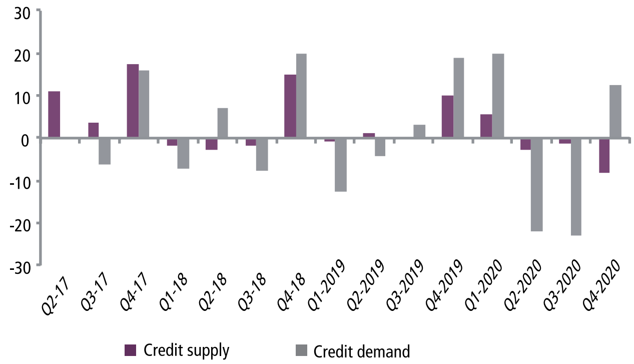
Chart 3.9: Institutional sectors' contribution to YoY change in credit



Source : BAM

As for nonperforming loans, they increased by 14.5 percent and their ratio to outstanding bank credit reached 8.5 percent. They rose by 12.2 percent for private non-financial companies and by 17.6 percent for households.

Chart 3.10: Change in supply and demand (Diffusion Index)



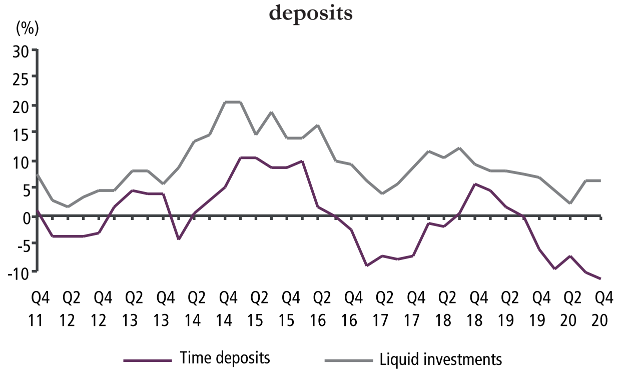
Loans granted by non-bank financial companies to the non-financial sector showed a decline of 2.4 percent instead of an increase of 2.5 percent a quarter earlier. This development reflects declines of 0.9 percent for loans granted by finance companies and 11.4 percent for those distributed by offshore banks after increases of 1.8 percent and 13.5 percent, respectively.

In comparison from year to year, the growth rate of bank credit to the non-financial sector thus decelerated to 3.9 percent against 5.5 percent in 2019. This trend affected all institutional sectors except for loans to public enterprises, whose decline has been slightly reduced.

The latest available data for January 2021 indicate an increase of 4.1 percent in bank credit. In particular, lending to the non-financial sector improved slightly, rising by 4.9 percent year-on-year.

As regards liquid investment aggregates, their annual growth rate rose from 6.3 percent in the third quarter to 6 percent in the fourth quarter of 2020. This reflects an acceleration in the growth rate from 3.3 percent to 2.3 percent for Treasury bills and from 1.9 percent to 4 percent for equity and diversified mutual fund shares. In contrast, growth in the shares of bond mutual funds fell from 10.9 percent to 10.6 percent.

Chart 3.11: YoY change in liquid investments and time deposits



3.2 Asset prices

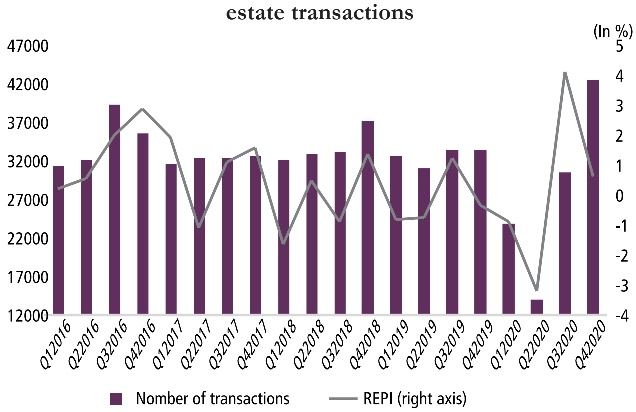
3.2.1 Real estate assets

In the fourth quarter of 2020, the real-estate asset price index recorded a quarter-on-quarter increase of 0.6 percent. This change includes a 1.4 percent increase in residential property and decreases of 0.5 percent and 1 percent in urban land and business property prices, respectively. As for the number of transactions, and after the exceptional surge of 119.5 percent recorded last quarter, it posted a further increase of 39.2 percent which has concerned all categories, with in particular 39.7 percent for residential property and 47.2 percent for urban land.

For the year 2020 as a whole, real estate prices were down 0.9 percent and transactions fell by 15.2 percent. This change concerned all categories of property with respective decreases in sales and prices by 18.2 percent and 1.2 percent for residential property, 7.7 percent and 0.6 percent for urban land and 5.4 percent and 0.4 percent for business property.

In the main cities, in the fourth quarter, apart from Marrakech, Rabat and Agadir where they declined respectively by 6 percent, 2.6 percent and 1.2 percent, prices have shown increases ranging from 0.7 percent in Kenitra and Casablanca to 4.1 percent in Tangier. Regarding the number of transactions, significant increases were noted in all major cities with rates ranging from 6.7 percent in El Jadida to 71.5 percent in Oujda.

Chart 3.12: Change in the REPI and in the number of real estate transactions



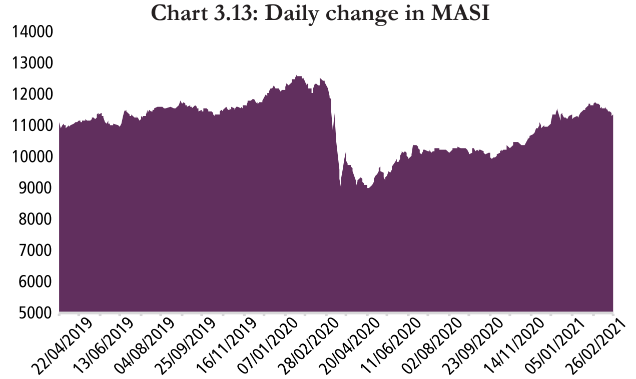
Sources : BAM and the National Land Registry and Mapping Agency

3.2.2 Financial assets

3.2.2.1 Shares

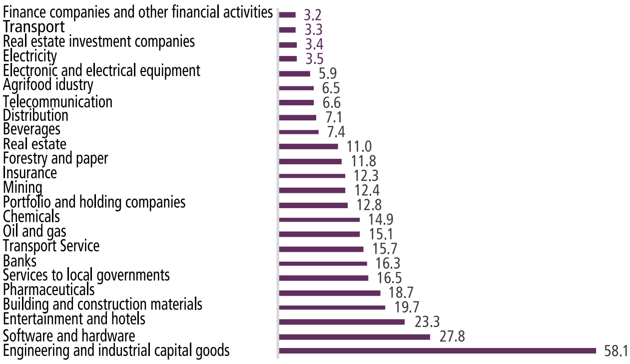
In the last quarter of 2020, the MASI recorded a 13 percent jump. This quarterly development was due, in particular, to increases in the sector indices of "banks" by 16.3 percent, "building and construction materials" by 19.7 percent and "telecommunications" by 6.6 percent.

Chart 3.13: Daily change in MASI



Source : Casablanca Stock Exchange.

Chart 3.14: Contribution of sectoral indexes in the fourth quarter 2020 (in%)



Source : Casablanca Stock Exchange.

As for the volume of transactions, it amounted to 22.5 billion dirhams, compared to 25.9 billion in the fourth quarter of 2019. By compartment, turnover fell from 11 billion to 8.6 billion in the central equity market and from 12.7 billion to 11.4 billion in the block market.

The quarter was also marked by the initial public offering of ARADEI company, the first since 2018.

Under these conditions, market capitalization recorded a quarterly increase of 13 percent, standing at 585 billion dirhams.

At the end of the year 2020, the MASI went down by 7.3 percent, with significant declines for the sectors most impacted by the Covid-19 crisis. The declines in the sectoral indices reached 44.1 percent for "real estate development and holdings", 32.9 percent for "leisure and hotels" and 20.3 percent for "transport". On the other hand, the sector indices for "software and IT services" and "pharmaceutical industries" rose by 52.3 percent and 17.5 percent, respectively.

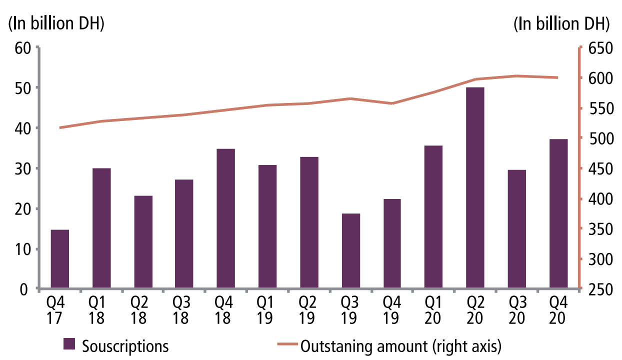
Data as at end-February 2021 indicate a continued recovery of the stock market with an increase in the MASI by 0.6 percent since the beginning of the year, covering sectoral increases of 8.6 percent for "agribusiness", 9.7 percent for "oil and gas" and 9.4 percent for "mining" as well as underperformances of 5.3 percent for "telecommunications", 0.3 percent for "banks" and 4.2 percent for "beverages". As for the overall trading volume, it stood at 3.3 billion in January and 1.8 billion in February, after a monthly average of 4.6 billion in 2020. Market capitalization stood at 585.9 billion at the end of February, up 0.2 percent since the beginning of the year.

3.2.2.2 Sovereign debt market

The Treasury issues on the domestic market reached 37.2 billion dirhams in the fourth quarter, a quarterly increase of 25.6 percent. Short maturities accounted for 51 percent and medium ones for 43 percent of them. At the end of the year 2020, the Treasury's issues on the auction market increased by 46.2 percent to 152.6 billion, against a background of rising Treasury's needs.

In February 2021, the Treasury's issues amounted to 7.4 billion dirhams and concerned long maturities for 42 percent, short ones for 34 percent and medium ones for 24 percent. Taking into account repayments for 5 billion dirhams, outstanding Treasury bills amounted to 607.4 billion, up 1.1 percent compared to the end of December 2019.

Chart 3.15: Change in outstanding Treasury bonds



Source : BAM.

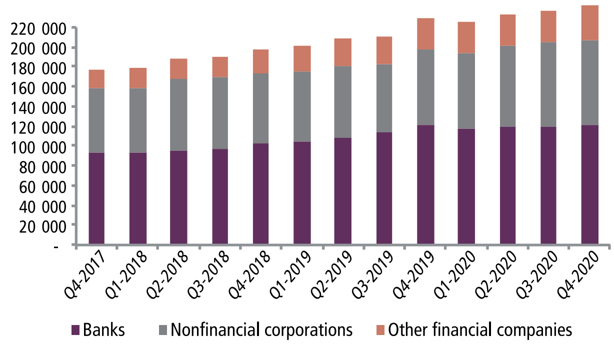
3.2.2.3 Private debt market

In the private debt market, issues decreased by 20.4 percent to 18.4 billion dirhams in the fourth quarter of 2020. Banks raised 11.6 billion against 8.1 billion in the previous quarter and non-financial companies 4.5 billion after 11.7 billion.

In 2020, private security issues fell year-on-year by 9.9 percent to 77.8 billion. This change is mainly due to the contraction of 33.1 percent in the issues of certificates of deposit by banks, in connection with a more important refinancing with Bank Al Maghrib.

In January 2021, issues amounted to 4.8 billion and the outstanding amounted to 242.5 billion against 241.5 billion at the end of December 2020.

Chart 3.16: Change in outstanding private debt per issuer (In billions of dirhams)



Sources : Maroclear and BAM calculations.

3.2.2.4 Mutual fund securities

During the fourth quarter of the year, subscriptions to mutual fund shares fell by 14.2 percent, quarter on quarter, to 197 billion and redemptions by 24 percent to 178.3 billion, representing a net collection of 18.8 billion dirhams. As for performances, they have been on the rise for all funds, with rates varying between 0.4 percent for "money market" funds and 10.8 percent for "equity" funds.

Over the year 2020 as a whole, they amounted to 939.7 billion dirhams, up 11.6 percent compared to 2019. Taking into account redemptions of 899.5 billion dirhams, net inflows rose sharply to 40.2 billion dirhams from 13 billion dirhams in 2019.

February data shows a year-to-date increase of 6.2 percent in net assets of mutual funds to 555.5 billion dirhams. This rise reflects in particular increases of 50.6 percent for "diversified" funds, 12.5 percent for "short-term bond" funds and 2.1 percent for "medium- and long-term bond funds". On the other hand, "contractual" funds fell by 17.5 percent.

4. FISCAL POLICY STANCE

Budget execution for the year 2020 was marked by the impacts of the COVID-19 pandemic, leading to the adoption, in July 2020, of the amending budget act (ABA), thus reviewing the projected budget deficit, excluding privatization, to 7.5 percent of GDP instead of 3.7 percent. At the end of 2020, the implementation of the amending budget act shows a deficit, excluding privatization, of 82.4 billion, or 7.6 percent of GDP, compared to 46.9 billion a year earlier, taking into account the positive balance of 5.3 billion in the Special Fund for the Management of the Covid-19 Pandemic.

In 2021, budget execution at end-February showed a deficit of 12.6 billion, compared with 12.3 billion a year earlier, taking into account the negative balance of 1.8 billion of the Special Fund for the Management of the Covid-19 Pandemic, including the cost of acquiring vaccines for 1.7 billion. This was mainly due to a 0.7 percent improvement in ordinary revenues to 40.1 billion, covering a 1.4 percent decline to 37.8 billion in tax revenues and an inflow of 1.8 billion in non-tax revenues, compared with 1.1 billion at the end of February 2020. At the same time, ordinary expenditure fell by 2.2 percent to 47.1 billion, reflecting a 3.5 percent increase in personnel costs and an 11.8 percent decline in other goods and services. The ordinary balance thus came out with a deficit of 7 billion, down by 1.3 billion compared with the end of February 2020. Investment expenditure fell by 6.5 percent to 15.2 billion, bringing overall expenditure to 62.3 billion, down 3.3 percent.

Taking into account the fall in the stock of pending transactions amounting to 876 million, the Treasury's cash deficit stood at 13.4 billion, down 3.4 billion compared to the same period in 2020. This shortfall was covered by domestic resources amounting to 9.7 billion and by a net positive external flow of 3.7 billion. Thus, the stock of direct public debt would have increased by 1.2 percent compared to its level at end-December 2020. The Treasury's financing conditions on the auction market remained favorable, as evidenced by the change in the weighted average rates for primary market issues.

4.1 Current receipts

Budget execution for the first two months of 2021 showed a 0.7 percent improvement in ordinary revenues to 40.1 billion, covering a 1.4 percent drop in tax revenues to 37.8 billion and a collection of 1.8 billion in non-tax revenues, compared with 1.1 billion at the end of February 2020. The decline in tax revenues is attributable, in particular, to the fall in receipts from domestic consumption tax, import VAT and registration and stamp duties.

Direct taxes amounted to 11.8 billion dirhams, up 6.1 percent, mainly due to the 8.5 percent increase in income tax revenues to 9.4 billion dirhams, with rises of 5.1 percent to 1.6 billion dirhams in income tax on salaries paid by the Personnel Expenses Department and 31.2 percent to 689 million dirhams in income tax on real estate profits. On the other hand, corporate tax revenues, based primarily on 2020 results, fell by 0.3 percent to 2.2 billion.

Table 4.1: Change in current revenues (in billions of dirhams)*

	Jan. Feb. 2020	Jan. Feb. 2021	Change in %	FA 2021	Achievements against the FA (%)
Current revenues	**39. 8**	**40. 1**	**0. 7%**	**259. 0**	**15. 5**
Tax revenues	**38. 3**	**37. 8**	**-1. 4**	**221. 7**	**17. 0**
- Direct taxes	11. 1	11. 8	6. 1	80. 1	14. 7
Including CT	2. 2	2. 2	-0. 3	38. 2	5. 8
I.T	8. 6	9. 4	8. 5	39. 8	23. 6
- Indirect taxes	20. 7	19. 8	-3. 9	116. 1	17. 1
VAT*	15. 9	15. 9	0. 4	87. 0	18. 3
DCT	4. 8	3. 9	-18. 4	29. 1	13. 5
- Customs duties	1. 67	1. 72	2. 9	10. 8	16. 0
- Registration and stamp duties	4. 8	4. 4	-9. 1	14. 7	29. 8
Nontax revenues	**1. 1**	**1. 8**	**66. 4**	**34. 0**	**5. 2**
- Monopoles and shareholdings	0. 1	0. 6	546. 3	17. 1	3. 6
- Other receipts	1. 0	1. 2	19. 2	16. 9	6. 8
Including GCC grants	0. 0	0. 0		0. 0	
TSA revenues	**0. 5**	**0. 6**	**26. 3**	**3. 3**	**17. 5**

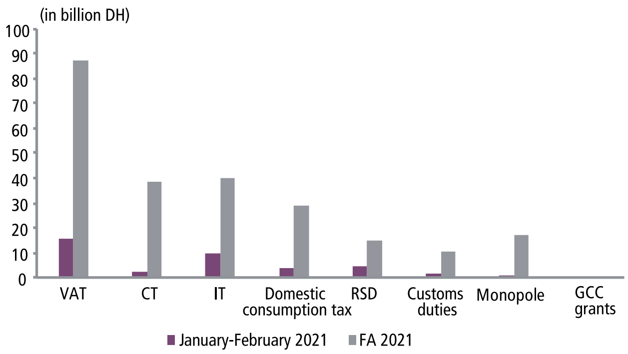
*Taking into account 30 percent of the VAT transferred to local governments.
Sources : Ministry of Economy and Finance and Administration Reform, VAT reprocessing by BAM.

For their part, the receipts of indirect taxes dropped by 3.9 percent to 19.8 billion dirhams, induced mainly by the fall of 5.9 percent to 8.4 billion in receipts from the VAT on imports and 18.4 percent to 3.9 billion in those from the DCT. On the other hand, domestic VAT revenues increased by 8.6 percent to 7.5 billion, taking into account refunds of 1.1 billion instead of 1.9 billion at the end of February 2020.

The decline in DCT revenues mainly reflects a fall of 18.5 percent to 2.2 billion in DCT on energy products and 17 percent to 1.5 billion in DCT on tobacco.

On the other hand, customs duty revenues improved by 2.9 percent to 1.7 billion, while registration and stamp duty revenues fell by 9.1 percent to 4.4 billion.

Chart 4.1: Performances of the major revenues compared to the amending FA



Sources : Ministry of Economy and Finance (TEFD), VAT reprocessing by BAM.
Note :
-VAT : Value added tax - CT : Corporate tax
- IT : Income tax - DCT : Domestic consumption tax
- RSD : Registration and stamp duties - CD : Customs duties

As for non-tax revenues, they rose from 1.1 billion dirhams to 1.8 billion dirhams at the end of February 2021. Out of this total, 614 million dirhams was received from monopolies and holdings, compared with 95 million dirhams a year earlier, of which 500 million dirhams came from the ANCFCC (National Land Registry Office) and 90 million dirhams from Bank Al-Maghrib.

4.2 Expenditure

Overall expenditure at the end of February 2021 fell by 3.3 percent to 62.3 billion, as a result of a 2.2 percent decline to 47.1 billion in ordinary expenditure and a 6.5 percent decrease to 15.2 billion in investment expenditure. Expenditure on goods and services fell by 2 percent to 35.6 billion, reflecting a 3.5 percent increase in the wage bill to 24.1 billion and an 11.8 percent decline in expenditure on other goods and services to 11.5 billion. The latter included a 13.2 percent drop to 5.9 billion dirhams in payments to public entities and companies and a stagnation of payments to special Treasury accounts at 445 million dirhams. Concerning personnel expenses, salaries paid by the Directorate of Personnel Expenses (Kingdom's General Treasury) rose by 3.6 percent, due to the 2.5 percent increase in its structural component and a 55.5 percent rise to 622 million dirhams in reminders.

Table 4.2: Change and execution of public spending (In billions of dirhams)*

	Jan. Feb. 2020	Jan. Feb. 2021	Change in %	FA 2021	Achievements against the FA (%)
Overall spending	**64. 4**	**62. 3**	**-3. 3**	**341. 1**	**18. 3**
Current spending	**48. 2**	**47. 1**	**-2. 2**	**273. 0**	**17. 3**
Goods and services	36. 3	35. 6	-2. 0	205. 7	17. 3
Personal	23. 3	24. 1	3. 5	139. 9	17. 2
Other goods and services	13. 0	11. 5	-11. 8	65. 9	17. 4
Debt interests	4. 3	3. 8	-10. 9	27. 7	13. 9
Subsidy	2. 8	2. 9	4. 5	13. 6	21. 4
Transfer to local governments	4. 75	4. 77	0. 4	26. 1	18. 3
Investment	**16. 2**	**15. 2**	**-6. 5**	**68. 1**	**22. 3**

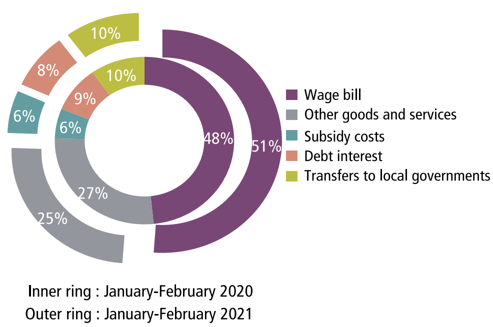
*Taking into account 30 percent of the VAT transferred to local governments.
Sources : Ministry of Economy and Finance and Administration Reform, VAT reprocessing by BAM.

Chart 4.2: spending execution compared to the amending FA

Sources : Ministry of Economy and Finance and Administration Reform, VAT reprocessing by BAM.

Debt interest charges fell by 10.9 percent to 3.8 billion, covering a 20.1 percent decline to 3.1 billion in interests on the domestic debt and a 72.5 percent hike to 737 million in interests on the foreign debt.

Chart 4.3: Structure of current spending

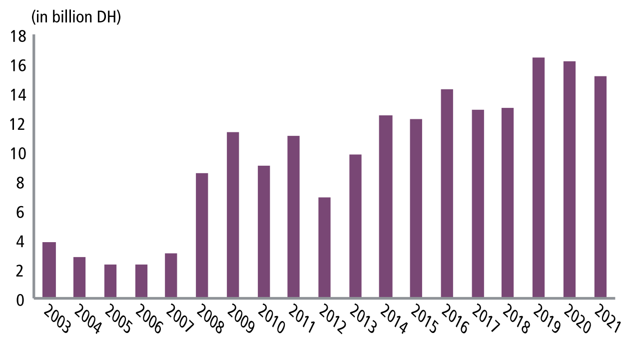


Sources : Ministry of Economy and Finance and Administration Reform, VAT reprocessing by BAM.

Regarding subsidies, expenses increased by 4.5 percent to 2.9 billion at the end of February 2021. Data from the Subsidization Fund indicate increases of 3.8 percent to 539.5 dollars per ton in the average price of butane gas and 6.3 percent to 369.5 dollars per ton in the average price of sugar for the first two months of 2021. According to the same source, the subsidy on butane gas for January 2021 fell by 2.3 percent to 938 million and that of sugar dropped by 6.6 percent to 258 million dirhams. In addition, according to data from the Kingdom's General Treasury, no expenditure was recorded in subsidization on the basis of issues in February 2021, instead of 400 million dirhams a year earlier.

Capital expenditure, which accounted for 22.3 percent of total expenditure, fell by 6.5 percent to 15.2 billion, reflecting a 31.4 percent decline to 3.7 billion in ministries› expenditure.

Chart 4.4: Investment spending, at end of February

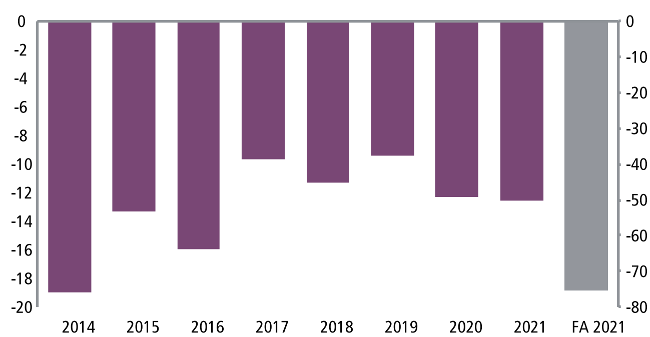


Source : Ministry of Economy and Finance and Administration Reform.

4.3 Deficit and Treasury Financing

Taking into account changes in revenues, expenditures and the balance of the Treasury's special accounts, the public finance situation resulted in a deficit of 12.6 billion, compared with a deficit of 12.3 billion at the end of February 2020. The Treasury also reduced its stock of pending transactions by 876 million, bringing the cash deficit to 13.4 billion, compared with 16.8 billion a year earlier.

Chart 4.5: Fiscal balance, at end of February



Source : Ministry of Economy and Finance and Administration Reform.

The Treasury's financing requirement was covered by net domestic resources of 9.7 billion, compared with 17.7 billion at end-February 2020, and by net external financing of 3.7 billion, compared with a negative net flow of 944 million a year earlier.

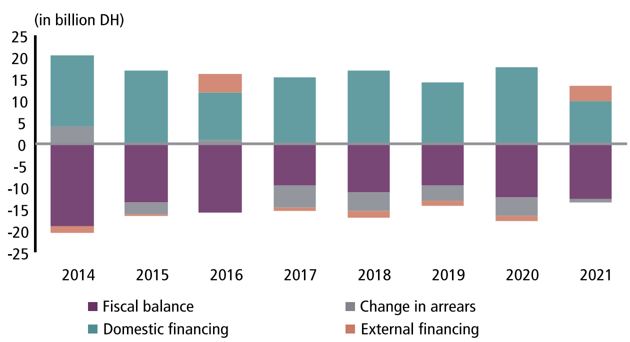
Table 4.3: Deficit financing (in billions of dirhams)

	Jan.-Feb. 2020	Jan.-Feb. 2021	FA 2021
Current balance	**-8. 4**	**-7. 0**	**-14. 0**
Balance of TSA	12. 3	9. 6	7. 0
Covid-19 Fund	0. 0	-1. 8	0. 0
Primary balance	-7. 9	-8. 7	-47. 5
Fiscal balance	**-12. 3**	**-12. 6**	**-75. 1**
Change in arrears	-4. 5	-0. 9	
Financing requirements	**-16. 8**	**-13. 4**	**-75. 1**
Domestic financing	17. 7	9. 7	36. 8
External financing	-0. 9	3. 7	34. 4
Privatization	0. 0	0. 0	4. 0

Sources : Ministry of Economy and Finance and Administration Reform.

In terms of domestic financing, the Treasury's net issues on the auction market amounted to 6.7 billion, compared with 19.5 billion a year earlier. The largest net subscriptions concerned 10-year maturities for 5 billion, 20-year maturities for 3.2 billion, 5-year maturities for 3.1 billion and 30-year bonds for 1.4 billion. Net redemptions concerned mainly 15-year bonds, 13-week and 26-week bills for 4.3 billion, 1.4 billion and 1.1 billion, respectively.

Chart 4.6: Fiscal balance and financing , at end of February*



* Privatization receipts, limited and discontinued over time, were included in domestic financing.
Source : Ministry of Economy and Finance and Administration Reform.

Regarding Treasury's funding conditions on the auction market, they remained favorable for the first two months of 2021, as evidenced by the decline in weighted average rates (WAR) compared to the same period in 2020. Rates fell by 80 bps to 1.4 percent for 13-week bills, 79 bps to 1.4 percent for 13-week bills, 79 bps to 1.54 percent for 52-week bills and 67 bps to 1.71 percent for 2-year bills. Similarly, declines were recorded for 30-year maturities with 53 bps to 3.34 percent, for 20-year maturities with 32 bps to 2.92 percent and for 15- and 10-year maturities with 29 bps each to 2.65 percent and 2.36 percent, respectively.

Table 4.4: Treasury debt outlook (in billions of dirhams)

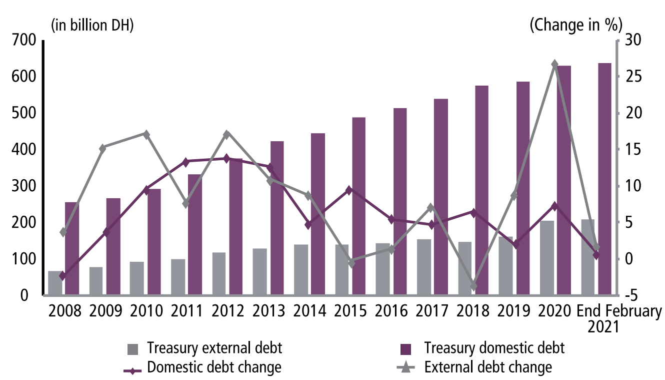
	2016	2017	2018	2019	2020*	End feb. 2021*
Treasury external debt	**142. 8**	**153. 2**	**148. 0**	**161. 5**	**204. 4**	**208. 2**
Change in %	1. 4	7. 3	-3. 4	9. 1	26. 6	1. 8
Treasury domestic debt	**514. 7**	**539. 1**	**574. 6**	**586. 5**	**630. 5**	**636. 5**
Change in %	5. 4	4. 8	6. 6	2. 1	7. 5	1. 0
Outstanding direct debt	**657. 5**	**692. 3**	**722. 6**	**748. 0**	**834. 9**	**844. 7**
Change in %	4. 5	5. 3	4. 4	3. 5	11. 6	1. 2

*Concerning debt at end october 2020, estimates are based on the flows of domestic and external financing.

Source : Ministry of Economy and Finance and Administration Reform.

Under these conditions, estimates of direct debt based on financing flows point to an increase of 1.2 percent in its stock compared to its level at end-December 2020, with an increase of 1 percent in the domestic component and 1.8 percent in the external component.

Chart 4.7: Treasury debt



Sources : Ministry of Economy and Finance and Administration Reform, and BAM estimates.

*BAM estimates.

Box 4.1: 2020 Budget execution

The budgetary situation at the end of 2020 showed a deficit, excluding privatization, of 82.4 billion, compared with 46.9 billion a year earlier, taking into account the positive balance of 5.3 billion in the Special Fund for the management of the Covid-19 pandemic. Ordinary revenues fell by 7.6 percent to 253.1 billion, reflecting declines of 6.8 percent in tax revenues and 12.4 percent in non-tax revenues. At the same time, ordinary expenditure increased by 2.1 percent to 255.9 billion, mainly as a result of a 4.5 percent increase in the wage bill and a 6.4 percent increase in expenditure on other goods and services, while subsidy costs and transfers to local authorities fell by 15.8 percent and 8.9 percent, respectively. Investment expenditure, on the other hand, rose by 18.8 percent to 85.9 billion.

Table E 4.1.1 : Budget execution for 2019 and 2020, in billions

	2019	2020	Ecarts		Exécution / LFR 2020
			in value	in %	
Ordinary receipts	**273. 9**	**253. 1**	**-7. 6**	**-20. 7**	**103. 7**
Tax receipts*	**239. 0**	**222. 8**	**-6. 8**	**-16. 2**	**107. 5**
Direct taxes	96. 5	92. 7	-4. 0	-3. 9	105. 9
Of which corporate tax I.S	48. 9	48. 8	-0. 2	-0. 1	113. 7
Income tax revenues - Indirect taxes	42. 9	40. 2	-6. 5	-2. 8	100. 3
VAT	117. 8	107. 4	-8. 8	-10. 4	108. 3
DCT	87. 9	80. 0	-8. 9	-7. 8	111. 8
- Customs duties	29. 9	27. 4	-8. 4	-2. 5	99. 2
- Registration and stamp	9. 8	9. 5	-2. 9	-0. 3	119. 6
- Enregistrement et timbre	14. 9	13. 3	-11. 4	-1. 7	104. 7
Non tax receipts	**31. 1**	**27. 2**	**-12. 4**	**-3. 8**	**80. 8**
- Monopoles	10. 5	9. 7	-7. 4	-0. 8	66. 2
- Other receipts	20. 6	17. 5	-14. 9	-3. 1	92. 2
Donations from GCC countries	1. 6	0. 3	-83. 0	-1. 4	15. 4
Revenues from innovative mechanisms	9. 4	2. 6	-72. 9	-6. 9	18. 2
Receipts of some TSA	**3. 8**	**3. 1**	**-18. 0**	**-0. 7**	**103. 7**
Overall expenses	**323. 0**	**341. 8**	**5. 8**	**18. 8**	**103. 6**
Ordinary expenses	**250. 7**	**255. 9**	**2. 1**	**5. 2**	**98. 8**
Goods and services	**181. 9**	**191. 1**	**5. 1**	**9. 3**	**96. 9**
Personnel	127. 7	133. 5	4. 5	5. 8	98. 2
Other goods and services	54. 2	57. 6	6. 4	3. 4	93. 9
Public debts interests	**26. 4**	**27. 3**	**3. 2**	**0. 8**	**96. 2**
Subsidy	**16. 1**	**13. 5**	**-15. 8**	**-2. 5**	**114. 1**
Transfers to TA	**26. 4**	**24. 0**	**-8. 9**	**-2. 4**	**111. 8**
Ordinary balance	**23. 1**	**-2. 8**			
Investment	72. 3	85. 9	18. 8	13. 6	121. 3
Balance of TSA	2. 3	6. 3			
Fiscal balance	**-46. 9**	**-82. 4**			
In points of GDP	**-4. 1**	**-7. 6**			
Primary balance	**-20. 4**	**-55. 1**			
Variation of arrears	-4. 5	14. 7			
Financing balance	**-51. 4**	**-67. 6**			
Domestic financing	28. 8	24. 7			
Exterior financing	17. 2	42. 9			
Privatization	5. 3	0. 0			

- Local government VAT reprocessing by BAM.

Sources : - MEFRA (DTFE)

Realized at 107.5 percent of the programming of the amending budget act, the development of tax revenues reflects the regression of all tax categories. This contraction is related to the decline in activity and the fall in the price of imported oil products. Thus, direct taxes decreased by 4 percent to 92.7 billion, mainly due to drops of 6.5 percent to 40.2 billion of the product of the income tax and 0.2 percent to 48.8 billion of that of the corporate tax, while the solidarity contribution on profits showed an increase of 11 percent to 2.2 billion. Indirect taxes fell by 8.8 percent to 107.4 billion, mainly as a result of the 8.9 percent drop in VAT revenues to 80 billion and the 8.4 percent drop in DCT revenues to 27.4 billion, with a 13.2 percent drop to 14.4 billion in DCT on energy products. Regarding VAT, the revenues of import VAT fell by 12.6 percent to 49 billion and domestic VAT by 2.5 percent to 31 billion. For their part, revenues from customs duties and registration and stamp duties were down 2.9 percent to 9.5 billion and 11.4 percent to 13.3 billion, respectively.

As for non-tax revenues, their development is mainly attributable to the 7.4 percent drop to 9.7 billion in revenues from monopolies and holdings, of which 3.6 billion came from OCP, 2 billion from ANCFCC, 1.1 billion from BAM, and 911 million from Maroc Télécom, and to revenues from innovative financing, down from 9.4 billion in 2019 to 2.6 billion. As for grants from GCC countries, they decreased by 83 percent to 278 million dirhams. On the other hand, assistance funds improved from 2 billion to 7.1 billion dirhams at the end of 2020.

The increase in overall expenditure, with an implementation rate of 103.6 percent of the amending budget act, is the result of increases of 2.1 percent to 255.9 billion in ordinary expenditure and by 18.8 percent to 85.9 billion in investment. Expenditure on goods and services reached 191.1 billion, up 5.1 percent, due to increases of 4.5 percent to 133.5 billion in the wage bill and 6.4 percent to 57.6 billion in expenditure on other goods and services. Interest on debt rose by 3.2 percent to 27.3 billion. Subsidy expenses fell by 15.8 percent to 13.5 billion, representing an implementation rate of 114.1 percent of the finance act.

Taking into account a reconstitution of the stock of pending operations for 14.7 billion, the cash deficit excluding privatization stood at 67.6 billion, instead of 51.4 billion at the end of 2019. This need was covered by domestic resources for a net amount of 24.7 billion and by a positive net external flow of 42.9 billion. It should be noted that gross external drawings reached a record level of 62.9 billion dirhams. This mobilization was made possible following the removal of the 31 billion dirhams cap set in the 2020 finance act.

5. DEMAND, SUPPLY AND LABOR MARKET

The easing of restrictions imposed during the third quarter led to a gradual recovery in economic activity, albeit at different rates across sectors. The contraction of non-agricultural activities eased down between the second and third quarters of 2020 from -15.5 percent to -6.7 percent year-on-year. At the same time, and due to unfavorable climatic conditions, agricultural value added continued to decline in the third quarter to -8.6 percent. Overall, GDP fell in volume by 7.2 percent, compared with a 15.1 percent drop in the previous quarter. On the demand side, this development includes negative contributions to growth of 7.1 percentage points from the domestic component and 0.1 percentage points from net exports.

This gradual recovery in activity would have continued in the fourth quarter to close 2020 with a decline of 7 percent on average in GDP, after an increase of 2.5 percent in 2019, with a decrease of 6.7 percent, after an increase of 3.8 percent, in non-agricultural value added and 8.1 percent, after a decrease of 5.8 percent, in agricultural value added. In the first quarter of 2021, GDP is expected to decline further by 1.9 percent year-on-year, due to a 5.2 percent fall in non-agricultural activities and a 17.6 percent improvement in agricultural value added.

As for the labor market, the data for the year 2020 show a clear deterioration of the situation. Job losses reached 432 thousand jobs, after the creation of 165 thousand ones in 2019, including more than 63 percent in agriculture and 25 percent in services. Moreover, the hourly volume of weekly work has contracted by 20 percent or the equivalent of 2.1 million full-time jobs[1]. Despite a significant withdrawal from the market of 111 thousand job seekers, the unemployment rate worsened by 2.7 points to 11.9 percent overall, 2.9 points to 15.8 percent in the cities and 2.2 points to 5.9 percent in the countryside.

5.1 Domestic demand

5.1.1 Consumption

The national accounts for the third quarter of 2020 show a 10.5 percent contraction in household final consumption, compared with a 1 percent increase in the same period a year earlier.

In the fourth quarter, available indicators point to a 7 percent decline in household consumption, compared with a 0.8 percent increase a year earlier, in a context marked by the extension of local and sectoral restrictions and their tightening in the New Year. This forecast is corroborated by the decline in agricultural activities and the loss of 451 thousand jobs in the labor market during the same period compared to the same quarter a year earlier. Similarly, the household confidence index deteriorated, falling to 61.2 points against 77.8 in the same quarter a year earlier.

For the year 2020 as a whole, household consumption would have declined by 9.3 percent instead of an increase of 1.8 percent in 2019. For the first quarter of 2021, the decrease is expected to ease to -2 percent.

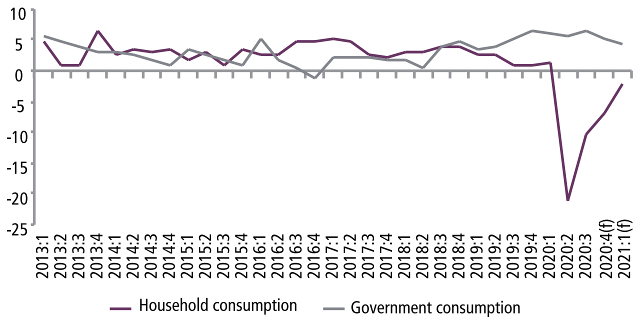
Regarding the final consumption of general government, the figures of the third quarter increased by 6.4 percent instead of 5.3 percent in the same quarter a year earlier, with a contribution to growth of 1.2 percentage points compared to one point.

In the fourth quarter, its growth rate would have slowed to 5.2 percent from 6.4 percent, in line with the slight fall in the flow of operating expenditure. For the year 2020 as a whole, final consumption by

1 A full-time work week is 48 hours.

general government is forecast to have grown by 5.9 percent instead of 4.7 percent in 2019 and is expected to slow to 4.3 percent in the first quarter in connection with the gradual dissipation of the effect of the wage increase provided for in the tripartite agreement of April 2019.

Chart 5.1: Change of consumption expenses (in %)



Sources: HCP, and BAM forecasts.

5.1.2 Investment

In the third quarter of 2020, investment continued the decline that began in the fourth quarter of 2019, posting a 7.8 percent decrease instead of a 2.5 percent rise a year earlier.

This decline would have persisted in the fourth quarter of 2020 with a 7.5 percent fall, following a 0.1 percent drop a year earlier, in conjunction with the decrease in capital goods imports. In contrast, the growth rate of the Treasury investment accelerated, as a quarterly flow, compared to the same period of 2019. In addition, the results of the quarterly business survey conducted by Bank Al-Maghrib in the industrial sector indicate that the business climate has been described as "normal" by nearly half of the industrialists surveyed and "difficult" by 43 percent of them.

Under these conditions, investment would have recorded, over the whole year 2020, a decline of 8 percent against an increase of 0.1 percent.

In the first quarter of 2021, the decrease of investment would drop markedly, assuming a gradual recovery in activity and an acceleration in the pace of the anti-Covid vaccination.

5.2 Foreign demand

In the third quarter of 2020, exports of goods and services as well as imports in volume posted significant declines of 13.7 percent and 11.3 percent after rises of 8.5 percent and 6.8 percent, respectively, in the same quarter of 2019.

In the fourth quarter, exports would have continued to decline at a less pronounced pace compared to developments registered since the second quarter of 2020. Thus, exports would have declined by 7.2 percent instead of increasing by 4.3 percent, mainly as a result of the deceleration in the pace of automotive exports. Similarly, imports would have fallen by 6 percent after an improvement of 1.7 percent, due to the decline in imports of energy products and capital goods.

For the year 2020 as a whole, exports and imports of goods and services would have fallen by 14.6 percent and 11.4 percent respectively, compared with increases of 5.5 percent and 3.3 percent. The contribution of net exports to growth would thus be negative by 0.3 percentage points.

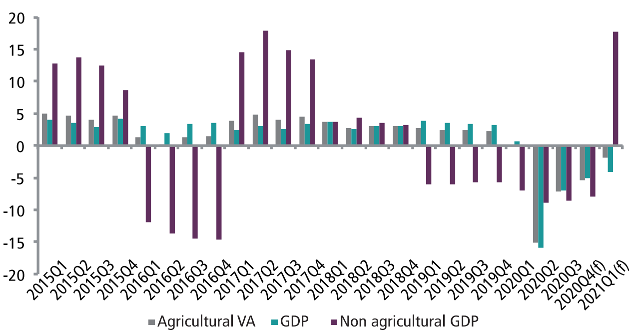
The outlook for the first quarter of 2021 indicates an easing of the decline in exports and an increase in imports for the first time since the fourth quarter of 2019.

5.3 Overall supply

In the third quarter, the easing of travel restrictions led to an easing of the year-on-year decline in GDP compared to the second quarter from -15.1 percent to -7.2 percent, with falls of 6.7 percent in non-agricultural value added and 8.6 percent in agricultural value added.

In the fourth quarter, with the exception of certain heavily impacted sectors, the recovery is expected to continue gradually, given the continued implementation of targeted measures at the territorial and sectoral levels to contain the spread of the pandemic. GDP would have fallen by 5.4 percent, reflecting a similar decline in non-agricultural activities and a 7.9 percent fall in agricultural value added.

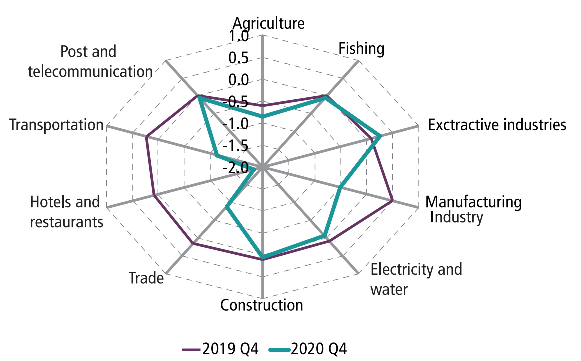
Chart 5.2: GDP per component (chained prices, yoy change in %)



Sources: HCP data, and BAM forecasts.

At the sectoral level, activity would have fallen by 3.2 percent in the processing industries and by 2.3 percent in the "electricity and water" sector. Conversely, the value added of the extractive industry would have increased by 8.5 percent and the construction industry would have improved slightly by 1.1 percent.

Chart 5.3: Sectoral contribution to growth (in % points)



Sources: HCP data, and BAM forecasts.

As regards tertiary activities, the value added would have plummeted by 66.7 percent for the "Hotels and Restaurants" branch, and by 28 percent for transport services, reflecting the persistence of disruptions in air and sea passenger traffic in particular. The decline would reach 11 percent for "trade" and 2.4 percent for "post and telecommunications".

For the year 2020 as a whole, GDP would have fallen by 7 percent, instead of an increase of 2.5 percent in 2019, with decreases of 6.7 percent, against an increase of 3.8 percent in the non-agricultural value added and 8.1 percent, after 5.8 percent, in the agricultural one.

In the first quarter of 2021, agricultural value added is expected to improve by 17.6 percent, after a 7 percent decrease a year earlier, thanks to very favorable weather conditions. Conversely, it is expected to fall by 5.2 percent, compared with an increase of 0.9 percent for the non-agricultural sectors. In total, GDP is expected to contract by 1.9 percent, instead of 0.1 percent a year earlier.

5.4 Labor market and output capacity

5.4.1 Activity and employment

In 2020, the labor market situation deteriorated significantly. The working population aged 15 years and over[1] fell by 0.9 percent to 11.97 million people. It dropped by 4.1 percent in the countryside and rose by 1.2 percent in the cities. Similarly, and taking into account an increase in the working population and the withdrawal of 111 thousand people, the activity rate continued to decline, at a stronger pace, returning from 45.8 percent to 44.8 percent overall, from 42.3 percent to 41.9 percent in urban areas and from 52.2 percent to 50 percent in rural areas.

1 The working population is composed of the employed population and the unemployed population.

At the same time, the economy lost 432 thousand jobs, against 165 thousand jobs created a year earlier, and the employed population thus contracted by 3.9 percent to 10.5 million people. Job losses affected all sectors and amounted to 273 thousand in agriculture, 107 thousand in services, 37 thousand in industry, including handicrafts and 9 thousand in construction.

In addition, the average hourly volume of weekly work fell by 20 percent, from 494 million hours in 2019 to 394 million in 2020, which corresponds to a loss of 2.1 million full-time jobs. By sector, the decline reached 25.4 percent in construction, 22.3 percent in industry including handicrafts, 20.4 percent in services and 17 percent in agriculture.

5.4.2 Unemployment and underemployment

The number of unemployed people rose by 29.1 percent to nearly 1.43 million people, and the unemployment rate rose sharply, from 9.2 percent to 11.9 percent at the national level, from 12.9 percent to 15.8 percent in urban areas and from 3.7 percent to 5.9 percent in rural areas. This increase was more marked for 15- to 24-year old people than for other age groups, reaching 6.2 points to 31.2 percent overall and 6.1 points to 45.3 percent for urban dwellers.

The underemployment rate22 rose from 9.2 percent to 10.7 percent overall, from 8.3 percent to 10.1 percent in the cities and from 10.4 percent to 11.6 percent in the countryside.

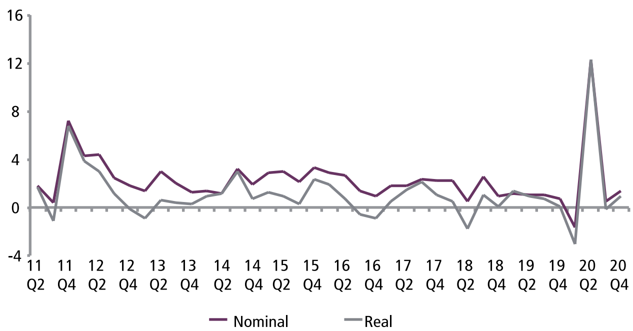
2 The underemployed population consists of people who have worked: i) during the reference week less than 48 hours but are willing to work extra-hours and are available to do so or ii) more than the set threshold and who are looking for another job or willing to change their job due to mismatch with their training or qualification or the insufficient income perceived.

5.4.3 Productivity and wages

In the non-agricultural sectors, apparent labor productivity, as measured by the ratio of value added to employment, fell by a further 2.1 percent in the fourth quarter of 2020, following a 0.7 percent decline in the same period a year earlier. This fall is the result of a 4.9 percent drop in value added and a 2.9 percent decrease in employment.

In this context, the average wage, calculated on the basis of CNSS data as the ratio of the wage bill to the number of employees, increased by 1.3 percent in nominal terms in the last quarter of 2020, after 0.6 percent in the same period a year earlier and 0.9 percent in real terms instead of a decline of 0.1 percent.

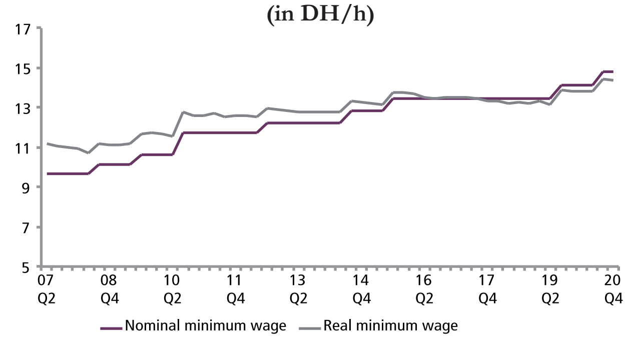
Chart 5.4: Private sector average wage index (YoY change in %)



Sources: CNSS, and BAM calculations.

The hourly minimum wage (SMIG) stood at 14.81 dirhams in nominal terms in the last quarter of 2020, up 4.8 percent year-on-year. Taking into account a 0.4 percent rise in the consumer price index, it would have increased by 4.4 percent in real terms.

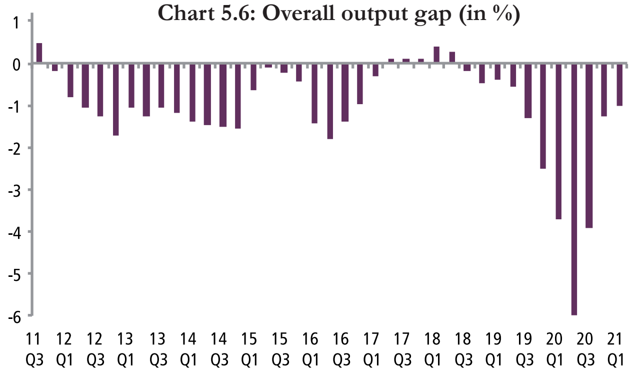
Chart 5.5: Hourly minimum wages in nominal and real terms (in DH/h)



Sources: Ministry of Employment and Social Affairs, and BAM calculations.

Under these conditions, the fall in the output gap that occurred in the second quarter would have eased gradually over the rest of the year.

Chart 5.6: Overall output gap (in %)



Source: BAM estimates.

Table 5.1 : Labor market main indicators

	2019	2020
Participation rate (%)	**45. 8**	**44. 8**
Urban	42. 3	41. 9
Rural	52. 2	50
Unemployment rate (%)	**9. 2**	**11. 9**
Youth aged between 15 and 24 years old	24. 9	31. 2
Urban	12. 9	15. 8
Youth aged between 15 and 24 years old	39. 2	45. 3
Rural	3. 7	5. 9
Job creation (in thousands)	165	-432
Urban	251	-137
Rural	-85	-295
Sectors		
- Agriculture	-146	-273
- Industry including handicraft	17	-37
- Construction	24	-9
- Services	267	-107
Nonagricultural apparent productivity (change in %)	**Q4-2019**	**Q4-2020**
Productivité apparente du travail non agricole (variation en %)	**-0. 7**	**-2. 1**
Average wage index (change in %) **nominal**	**0. 6**	**1. 3**
Average wage index (change in %) **Real**	**-0. 1**	**0. 9**

* Q3-2019 data as to job creation per sector were not published.

Sources: HPC, CNSS and BAM calculations.

6. RECENT INFLATION TRENDS

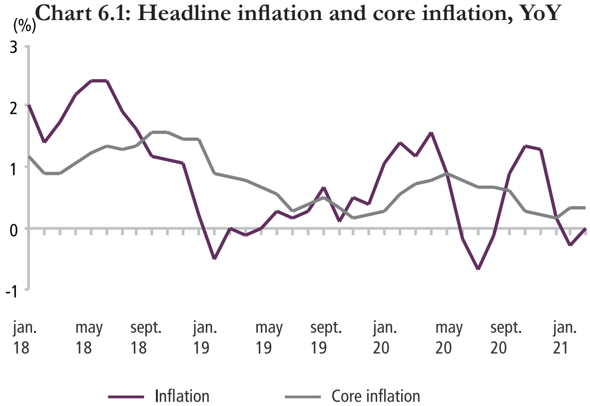
In line with the forecasts published in the MPR of December, inflation reached 0.7 percent on average in 2020 and its underlying component 0.5 percent. The latest available data relating to January 2021 indicate a slowdown in inflation to 0 percent compared to 0.4 percent in the fourth quarter of 2020, due exclusively to the 2.4 percent decline, compared to a 1.5 percent increase, in volatile food prices. The effect of this slowdown was mitigated, on the one hand, by an acceleration in core inflation to 0.4 percent against an average of 0.3 percent in the fourth quarter of 2020 and, on the other hand, by the smaller decline in fuel and lubricants prices to -11.5 percent instead of -14.5 percent, in line with changes in the international prices of petroleum products. Prices of regulated products rose by 2.1 percent in January, compared with 2 percent in the previous quarter, due to the rise in tobacco prices.

In the short term, consumer prices are expected to rise by 0.4 percent in the first quarter of 2021, while underlying inflation is projected to accelerate to 0.6 percent, reflecting in particular the effect of supply shocks on certain food products in connection with changes in their international prices.

6.1. Inflation trends

The deceleration in inflation continued in January 2021. The consumer price index stagnated, year-on-year, after gaining 0.4 percent in the fourth quarter and 0.7 percent in the third quarter of 2020. This further slowdown in inflation can be attributed to the 2.4 percent decline, compared to a 1.5 percent increase in the fourth quarter of 2020, in volatile food prices, which more than offset the slight acceleration in core inflation to 0.4 percent from 0.3 percent, the easing of the decline in fuel and lubricant prices to -11.5 percent from -14.5 percent and the 2.1 percent increase, instead of 2 percent, in the prices of regulated products.

Chart 6.1: Headline inflation and core inflation, YoY



Sources: HCP and BAM calculations.

Table 6.1: Change in inflation and its components

(In %)	Monthly change			YoY change		
	nov. 20	dec. 20	jan. 21	nov. 20	dec. 20	jan. 21
Headline inflation	**-0. 7**	**-0. 5**	**0. 1**	**0. 2**	**-0. 3**	**0. 0**
- Volatile food prices	-4. 4	-4. 6	-0. 6	0. 8	-4. 0	-2. 4
- Administered prices	0. 1	0. 0	0. 2	1. 9	1. 9	2. 1
- Fuels and lubricants	-0. 2	3. 5	2. 5	-15. 3	-12. 1	-11. 5
Core inflation	**0. 1**	**0. 1**	**0. 1**	**0. 2**	**0. 3**	**0. 4**
- Food products	0. 0	0. 3	0. 3	-0. 7	-0. 5	-0. 3
- Clothing and footwear	0. 4	0. 5	0. 1	-0. 3	0. 3	0. 4
- Housing, water, gas, electricity and other fuels[1]	0. 0	0. 0	0. 0	1. 1	1. 3	1. 3
- Furniture, household equipment and routine house maintenance	0. 1	-0. 1	0. 0	0. 5	0. 4	0. 5
- Health[1]	0. 0	1. 2	0. 2	0. 6	1. 6	1. 6
- Transportation[2]	0. 1	-0. 1	0. 1	0. 5	0. 7	1. 1
- Communication	-0. 1	0. 0	0. 0	-0. 1	-0. 1	0. 0
- Entertainment and culture[1]	0. 1	-0. 3	0. 6	-1. 3	-1. 3	-0. 6
- Education	0. 0	0. 0	0. 0	1. 8	1. 7	1. 7
- Restaurants and hotels	0. 2	0. 0	-0. 1	0. 8	0. 7	0. 6
- Miscellaneous goods and services [1]	0. 2	-0. 1	0. 2	1. 5	1. 3	0. 6

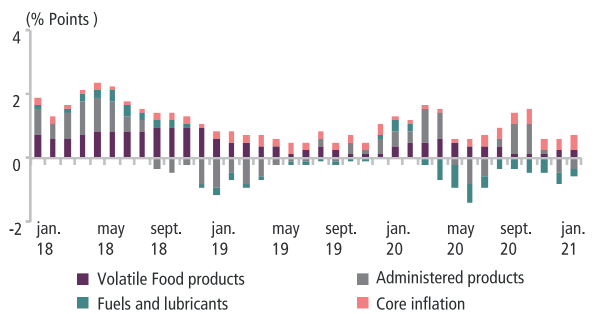
1 Excluding administered goods.
2 Excluding fuels and lubricants and administered products.
Sources: HCP, and BAM calculations.

6.1.1. Prices of goods excluded from core inflation

After a virtually stable growth rate of 1.4 percent on average during the last two quarters of 2020, prices of food products with volatile prices fell by 2.4 percent in January, driven by a 7.3 percent drop in prices, instead of the 1.8 percent fall for fresh vegetables and a 3.9 percent drop instead of the 32.8 percent surge for citrus fruits, as well as by the deceleration in the growth rate of poultry and rabbit prices to 0.8 percent compared to 3.9 percent. In contrast, fresh fish prices rose by 1.9 percent in January after being down 2.5 percent on average in the last quarter of 2020.

All in all, prices of food products with volatile prices had a negative contribution to inflation with -0.3 percentage points compared to a positive contribution of 0.2 percentage points on average in the fourth quarter of 2020.

Chart 6.2: Contribution of the prices of major components to inflation

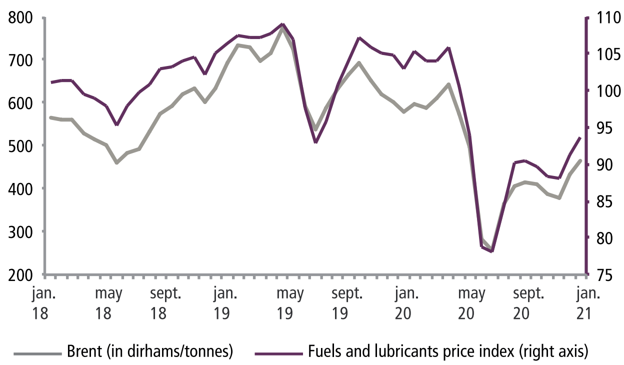


Sources: HCP, and BAM calculations.

As for the prices of regulated products, they continued to evolve at a virtually stable rate of 2.1 percent in January, compared with 2 percent in the fourth quarter, driven in particular by the increase of 4.5 percent, instead of 2.1 percent, in tobacco prices, following the raising of the domestic consumption tax decided as part of the 2021 Finance Act. As to their contribution to inflation, it amounted to 0.5 percentage points in January, compared with 0.4 percentage points in the previous quarter.

As to the prices of fuels and lubricants, their decrease eased from 14.5 percent in the fourth quarter of 2020 to 11.5 percent in January, reflecting the recovery in international oil prices. The price of Brent crude oil, in particular, rose to $54.6/bl in January from an average of $44.5/bl in the fourth quarter, which represents an increase of 22.7 percent. The effect of this price rise would have been mitigated by the 1.94 percent appreciation of the national currency against the US dollar. Overall, the contribution of changes in these products' prices to inflation remained negative at -0.3 percentage points in January after -0.4 percentage points on average in the fourth quarter of 2020.

Chart 6.3: Change in international prices of Brent and the price index of fuels and lubricants (100=2017)

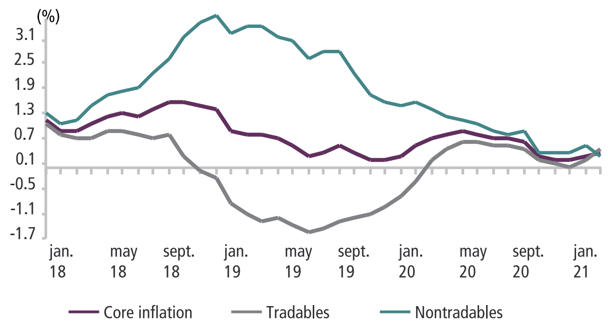


Sources: World Bank, HCP, and BAM calculations.

6.1.2. Core inflation

Despite its slight increase from the previous quarter, core inflation remained low, at 0.4 percent in January. This is mainly due to a decrease in the fall of the food component to -0.3 percent from -0.6 percent, itself due to a 2.7 percent increase in «oil» prices after a 0.7 percent rise and a smaller decline in «fresh meat» prices to 3.6 percent from 3.9 percent. Similarly, prices for «transport» excluding regulated-tariff products rose by 1.1 percent after 0.5 percent on average between October and December.

Chart 6.4: YoY change in the price indexes of tradables and nontradables



Sources: HCP, and BAM calculations.

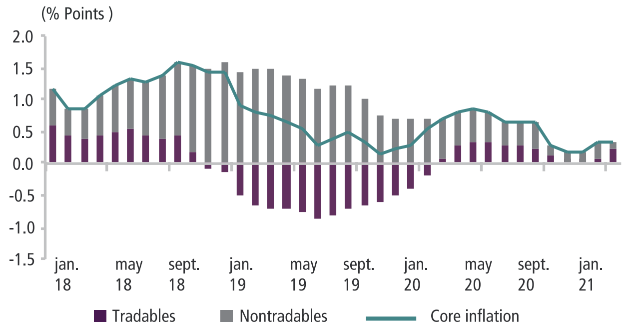
The breakdown into tradable and non-tradable goods indicates that the change in core inflation reflects the acceleration from 0.1 percent to 0.4 percent in the increase of tradable goods prices, which is in turn linked to the rise in imported inflation as evidenced by euro area inflation, which stood at 0.9 percent in January compared to -0.3 percent on average in the fourth quarter of 2020. Non-tradable prices continued to evolve at an almost stable pace of 0.3 percent instead of 0.4 percent.

Table 6.2: Change in the price indexes of tradables and nontradables

(In %)	Monthly change			YoY change		
	nov. 20	dec. 20	jan. 21	nov. 20	dec. 20	jan. 21
Tradables	0. 0	0. 1	0. 2	0. 0	0. 2	0. 4
Nontradables	0. 1	0. 2	0. 0	0. 4	0. 5	0. 3
Core inflation	0. 1	0. 1	0. 1	0. 2	0. 3	0. 4

Sources: HCP, and BAM calculations.

Chart 6.5: Contribution of tradables and nontradables to core inflation



Sources: HCP, and BAM calculations.

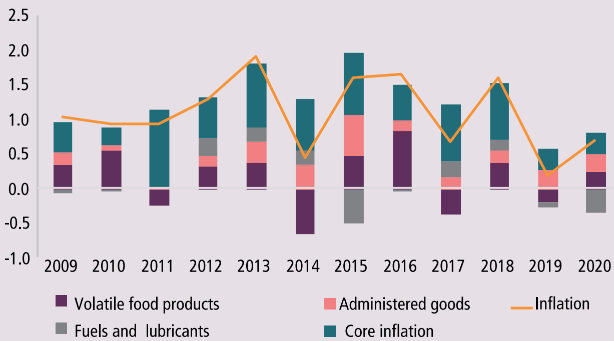
Box 6.1: Inflation trend in 2020

The Covid-19 health crisis and the measures put in place to contain its spread generated major shocks both in terms of demand, which weakened significantly, and in terms of the supply of certain goods and services, which fell considerably. The combination of these factors resulted in opposite developments in the components of the consumer price index. Overall, the preponderance of the effect of the downturn in demand helped keep inflation low at 0.7 percent in 2020 after a historically low level of 0.2 percent a year earlier.

By component, prices of volatile food products rose by 2 percent compared to a 1.5 percent decline in 2019, driven by the exceptional increase in demand for these products particularly at the beginning of the lockdown period and by the decline in supply of some products during the year. Prices of regulated products rose by 1.2 percent compared with 1.3 percent a year earlier, as the dissipation of the effect of the earlier rise in tobacco prices more than offset the increase in road passenger transport services, medical services and the impact of the raising, from August, of tobacco import duties. On the other hand, the fall in the prices of fuels and lubricants rose to 12.4 percent, compared to 2.7 percent, following the drop in the international prices of petroleum products.

Core inflation, which reflects the underlying trend of prices, reached 0.5 percent, the same level as in 2019.

Chart E.6.1.1 : Contributions to inflation (in percentage points)



Source : HCP data and BAM calculations

6.2. Short-term outlook for inflation

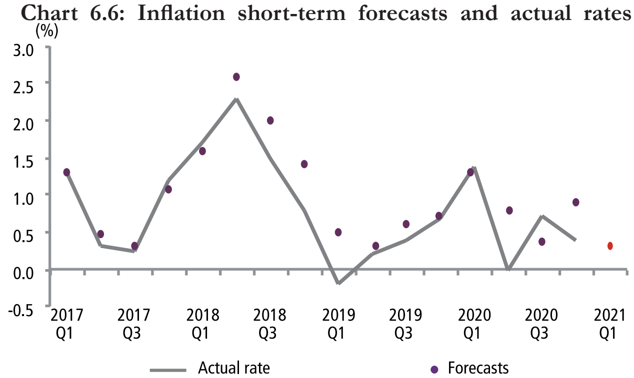
In the first quarter, inflation is expected to evolve at around 0.4 percent, the same level recorded in the fourth quarter of 2020. This stagnation would result, on the one hand, from the expected decline in the prices of volatile food products by an average of 2.9 percent between January and March, as indicated by high-frequency price data at the wholesale level. The decline in prices of these products would be partly related to the base effect caused by their exceptional increase at the beginning of the lockdown period in 2020.

On the other hand, prices of fuels and lubricants would witness a significant easing of their decline to -2.2 percent from -14.5 percent a quarter earlier, reflecting the effect of the recovery in international oil prices.

Similarly, core inflation is projected to accelerate sharply to 0.6 percent from 0.3 percent, reflecting the expected trend in its food component, with in particular an increase in the price of cooking oil, in response to the surge in international soybean and sunflower prices.

In the absence of new government decisions, prices of regulated products are expected to increase at the same rate as in the previous quarter, i.e. 2 percent.

Chart 6.6: Inflation short-term forecasts and actual rates



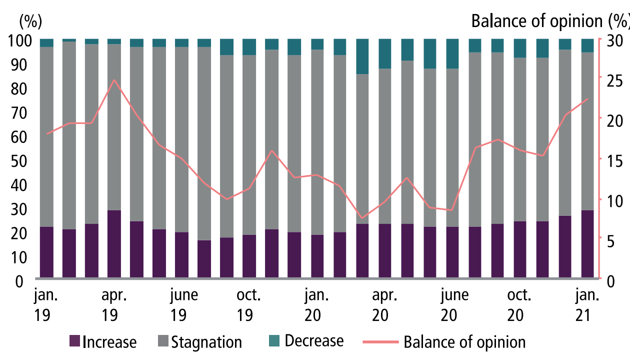
The forecast differences observed between Q1 2018 and Q1 2020 are partly related to the May 2020 HCP overhaul of the CPI. Thus, the CPI base 100=2006 is now replaced by 100=2017

Source: BAM.

6.3. Inflation expectations

The results of the business survey of Bank Al-Maghrib in the industry, relating to the month of January 2021, show that 66 percent of the surveyed industrialists expect a stagnation of inflation in the next three months, 28 percent forecast an increase while 6 percent of them expect a decrease. The balance of opinion thus stands at 23 percent.

Chart 6.7: Three-month inflation expectations by corporate managers



Source: BAM's monthly business survey.

In addition, the results of Bank Al-Maghrib's survey on inflation expectations for the first quarter of 2021 indicate that financial experts forecast inflation to reach 1.2 percent over the next eight quarters, the same rate expected one quarter earlier.

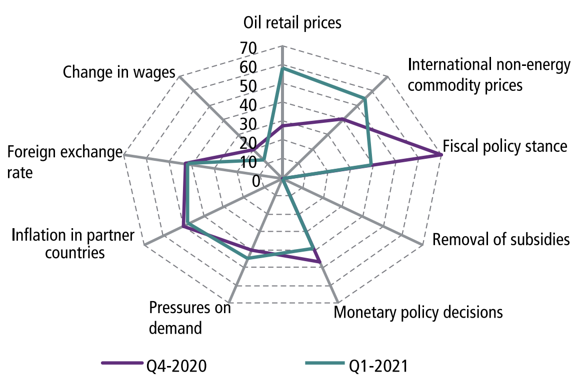
Chart 6.8: Inflation expectations by financial experts*

Source: BAM's quarterly survey on inflation expectations.

* As of the 2nd quarter 2016, the anticipation horizon has been raised to 8 quarters instead of 6 quarters.

The latter consider that the future trend of inflation would be determined mainly by prices at the pump, world non-oil commodity prices and inflation in partner countries.

Chart 6.9: Determinants of the future trend in inflation as expected by financial experts



Source: BAM's Quarterly Survey on Inflation Expectations.

6.4. Producer[1] prices

In January, producer price index increased by 0.2 percent compared to December 2020. This development reflects mainly the rises of 1.4 percent in "textile manufacturing", 0.6 percent in the "chemical industry" and 1 percent in "metallurgy". On the contrary, producer prices of "food industry" dropped by 0.1 percent and those of the "rubber and plastic product manufacturing" fell by 0.9 percent.

Table 6.3: Main industrial producer price indices excluding oil refining (month-on-month)

	dec. 20	jan. 21	change in %
Non-refining producer price index	**99. 2**	**99. 4**	**0. 2**
Including:			
Food industries	103. 9	103. 8	-0. 1
Manufacturing of Beverages	100. 0	101. 2	1. 2
Manufacturing of tobacco products	100. 2	100. 2	0. 0
Manufacturing of textile	101. 2	102. 6	1. 4
Clothing industry	103. 6	103. 7	0. 1
Manufacturing of leather and related products (except leather Clothing)	100. 3	100. 3	0. 0
Manufacturing of rubber and plastic products	99. 0	98. 1	-0. 9
Manufacturing of wood and products of wood and cork, except furniture; manufacture of articles of straw and plaiting materials	101. 1	101. 1	0. 0
Chemical industry	90. 9	91. 4	0. 6
Pharmaceutical industry	99. 9	99. 9	0. 0
Manufacturing of base metals	91. 9	92. 8	1. 0
Manufacturing of metal products, except machinery and equipment	97. 8	98. 1	0. 3
Manufacturing of Electric equipment	101. 9	101. 9	0. 0
Automotive industry	100. 4	100. 8	0. 4
Furniture manufacturing	99. 7	99. 7	0. 0
Other manufacturing industries	116. 2	116. 4	0. 2

Source : HCP

1 The HCP started on February 26, 2021 the publication of a new producer price index with 2018 as base year instead of 2010 for the old index.

7. MEDIUM-TERM OUTLOOK

Summary

Despite the slow pace of vaccination campaigns in some countries and the restrictive measures introduced after the appearance of new variants of the Covid-19 virus, global growth has continued to recover with a gradual easing of the sharp contraction recorded in the second quarter of 2020. It would have fallen to -3.7 percent for the year as a whole and would rebound by 6.2 percent in 2021 and 3.6 percent in 2022. However, this outlook remains highly uncertain and the pace of recovery would depend on the developments in the health situation, but also on the continuation of fiscal and monetary support. In the United States, the exceptional fiscal and monetary stimulus as well as the large-scale mobilization for the vaccination campaign have led to marked optimism regarding growth outlook but also higher inflation. Similarly, in the Euro area, GDP is expected to rebound sharply in 2021, followed by a slight slowdown in 2022. In the United Kingdom, one of the countries most economically impacted by the crisis, the economy would benefit from the optimism linked to the rapid progress in terms of vaccination and the curbing of the pandemic and to the conclusion of the Brexit agreement.

Among the major emerging countries, China stands out as the only one to record positive growth in 2020. This growth is expected to accelerate sharply in 2021, before stabilizing at a level consistent with its policy of rebalancing the economy. In India, GDP is forecast to rebound sharply in 2021 after the sharp contraction in 2020.

In order to cope with the economic and social repercussions of the pandemic, central banks in both advanced and emerging countries are maintaining an accommodating monetary policy stance. The ECB and the FED, in particular, have decided at the end of their latest monetary policy meetings, to keep their key interest rates unchanged, while continuing their asset purchase programs. Similarly, governments are continuing their large-scale fiscal support.

As regards commodities, the rise in oil prices accelerated sharply at the beginning of the year. The price of Brent crude oil in particular has moved well above the threshold of $60/ barrel, in line with the agreement on production by OPEC+ members, in addition to the more favorable outlook for global demand. Forecasts have thus been revised upwards, expecting the price of Brent crude oil to rise from $42.3/bl in 2020 to $59.7/bl in 2021, and then to $60.5/bl in 2022. As for phosphate and its derivatives, prices would gradually increase over the next two years. Food prices are expected to go up significantly in 2021, due in part to increased demand and tightening global supply for some commodities, followed by a correction in 2022.

The rebound in energy and food prices and the stimulus programs have put upward pressure on global inflation early this year. Inflation is expected to close the year accelerating, before falling in 2022.

At the national level, 2020 was marked by a significant decline in trade, with imports of goods and services falling more than exports. The current account deficit thus ended the year at 1.8 percent of GDP, compared with 4.1 percent in 2019. As for FDI receipts, they stood at 2.4 percent of GDP after 2.9 percent in 2019. Over the forecast horizon, the current account deficit is expected to widen to 4.5 percent of GDP in 2021 and then to narrow to 3 percent in 2022, with FDI receipts returning to their average level of around 3.2 percent of GDP. Taking into account the assumptions of grant inflows for 3 billion in 2021 and 1.6 billion in 2022 and the Treasury’s projected borrowings on the international market over the two years, the official reserve assets would stand at 310.3 billion at the end of 2021 and 318.6 billion at the end of 2022, equivalent to 6 months and 25 days and 7 months of imports of goods and services, respectively.

With regard to public finances, and taking into account the budget execution for 2020, which ended with a deficit of 7.6 percent of GDP, and the data of the 2021 Finance Act, the budget deficit would decrease slightly to 7.2 percent of GDP in 2021. In 2022, it is expected to continue to narrow, albeit at a slow pace, to 6.7 percent of GDP, as a result of the continued gradual recovery in tax revenues, increased spending on goods and services, and the Treasury's continued investment effort.

Monetary conditions would remain accommodative. BAM has introduced several measures to facilitate the financing of the economy and strengthen the banking system's capacity to meet the needs of businesses and households. In particular, the key interest rate was lowered by 75 basis points in 2020 and the banks' reserve requirement was fully released. Under these conditions and taking into account the growth forecasts and expectations of the banking system, credit to the non-financial sector is projected to grow by 3.6 percent in 2021 and 3.7 percent in 2022. The real effective exchange rate is forecast to depreciate over the forecast horizon, due to a lower domestic inflation compared to partner and competitor countries.

Due to the combination of lockdown measures introduced to curb the spread of the Covid-19 virus and unfavorable weather conditions, the national economy is expected to contract by 7 percent in 2020, following a 2.5 percent increase in 2019. This underperformance reflects projected declines of 8.1 percent in the agricultural value added and 6.7 percent in nonagricultural activities. Over the forecast horizon, the recovery in economic activity, which began in the third quarter of 2020, is expected to continue, supported, on the one hand, by fiscal stimulus measures and the accommodating stance of monetary policy and, on the other, by the renewed confidence of economic agents following the notable start of the anti-Covid vaccination campaign. Still, the outlook remains surrounded by considerable uncertainty, particularly in relation to the development of the epidemiological situation and the availability of vaccines at the national and international levels. In 2021, national growth is expected to rebound to 5.3 percent, a significant upward revision from December projections, taking into account favorable weather conditions and positive developments in vaccination. Agricultural value added is expected to rise by 17.6 percent, assuming a cereal production forecast by BAM at around 95 MQx, while non-agricultural value added is expected to increase by 3.5 percent. In 2022, it would strengthen by 3.2 percent, covering a 2 percent drop in agricultural value added, under the assumption of an average cereal production of 75 MQx, and an acceleration of non-agricultural growth to 3.8 percent. On the demand side and after declining in 2020, domestic demand would gradually strengthen and its contribution to growth would become positive again starting from 2021, while net exports would maintain a negative contribution, with the expected increase in imports more than offsetting the improvement in exports.

Against this backdrop, the disinflationary pressures that were prevalent in 2020 in connection with the negative impact of Covid-19 on demand are expected to ease gradually over the forecast horizon as demand is projected to recover. In addition, inflation is expected to be driven this year by temporary factors linked to the forecast increase in international oil and food prices, especially for vegetable oils. Inflation is foreseen to rise moderately from 0.7 percent in 2020 to 0.9 percent in 2021, before going up to 1.2 percent in 2022.

7.1 Underlying assumptions

A more favorable outlook for global growth

Despite the slow pace of vaccination campaigns in some countries and the introduction of restrictive measures after the appearance of new variants of the Covid-19 virus, the global economic recovery would continue, after its abrupt halt in Q2-2020. The global economy is expected to end 2021 with a rebound of 6.2 percent, after a projected contraction of 3.7 percent in 2020, and to grow by 3.6 percent in 2022. Yet, this outlook depends largely on the development of the health situation, but also on the maintenance of fiscal and monetary support.

In the United States, the exceptional fiscal and monetary stimulus measures and the intense vaccination effort have increased optimism about the growth outlook. After a 3.5 percent contraction in 2020, GDP is expected to grow by 4.4 percent in 2021 and 2.8 percent in 2022. In the euro area, GDP is forecast to have fallen by 6.8 percent in 2020 and to rise by 4.9 percent in 2021 and 3.2 percent in 2022, a significant upward revision from December, due in part to better-than-expected developments in the fourth quarter of 2020. In the United Kingdom, the economy would have posted a sharp contraction of 9.9 percent in 2020, followed by a growth of 2.4 percent in 2021 and 3.5 percent in 2022. Economic activity is expected to benefit from the optimism associated with rapid progress in terms of vaccination and pandemic control, as well as the conclusion of the Brexit agreement.

Among the major emerging countries, China stands out as the only one among the large economies to record a positive growth of 2 percent in 2020. It would accelerate to almost 10 percent in 2021, before returning to 5 percent, a level compatible with its policy of rebalancing its economy. In India, GDP is expected to have contracted by 7.5 percent in 2020 and is forecast to rebound by 13.3 percent in 2021 and to grow by 6.6 percent in 2022. In Brazil, after a decline of 4.6 percent in 2020, the economy is expected to grow by 4.2 percent in 2021 and 3 percent in 2022. However, the pace of recovery still largely depends on the consolidation of public finances.

On the labor markets, after the sharp rise to 8.1 percent in 2020, the unemployment rate in the United States would fall to 6.3 percent in 2021 and then to 6.1 percent in 2022. In the euro area, it will continue to rise to 8.6 percent in 2021, after having reached 8 percent in 2020, before falling to 7.6 percent in 2022.

Chart 7.1: Growth in the euro area

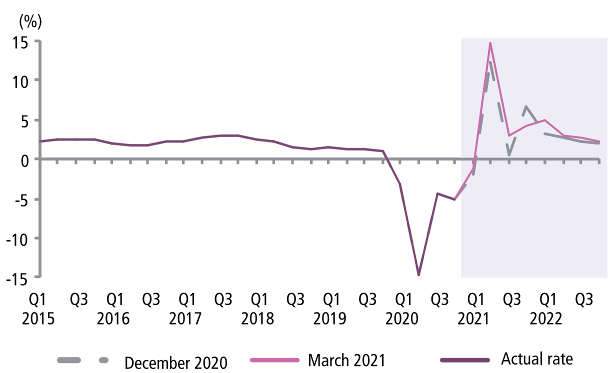
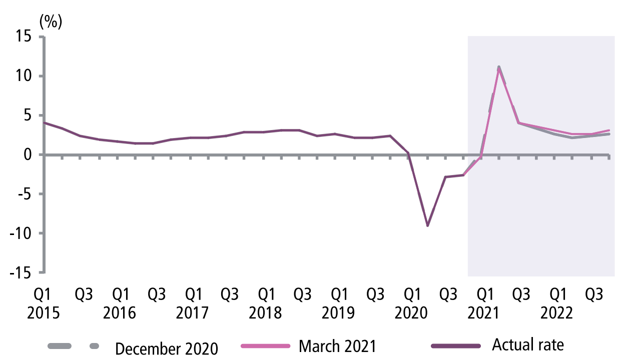


Chart 7.2: Growth in the USA



Source: GPMN[1] forecasts of February 2021.

1 Global Projection Model Network.

Continued monetary and fiscal support and expected strengthening of the euro against the dollar

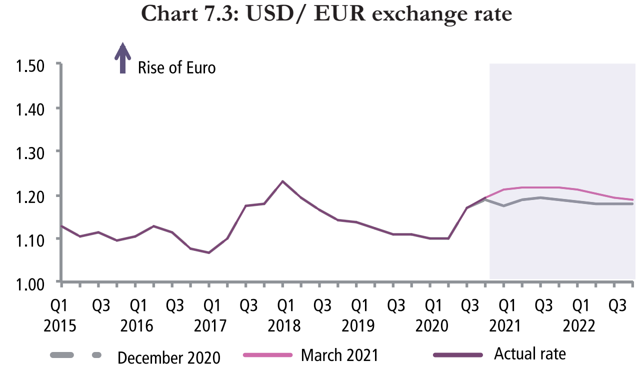
Central banks in both advanced and emerging countries are maintaining their highly accommodative monetary policy stance in order to promote economic recovery. In particular, the ECB decided at the end of its March 11 meeting to keep its key interest rates unchanged, while indicating that they would remain at current or lower levels until the inflation outlook converges sustainably to a level sufficiently close to, but below, 2 percent over its projection horizon. It also indicated that it will increase the pace of its purchases under the €1,850 billion emergency pandemic purchase program. Similarly, its net purchases under the asset purchase program will continue at a monthly rate of 20 billion euros. It will also continue to provide ample liquidity through its refinancing operations.

As to the Fed, it decided at its March 16-17 meeting to keep the target range for the federal funds rate unchanged at [0 percent-0.25 percent] and plans to maintain it at that level until labor market conditions have reached levels consistent with full employment and inflation has risen to 2 percent and is on track to be moderately above that rate for some time. It has also indicated that it will increase its holdings of Treasury securities by at least $80 billion and of mortgage-backed securities by at least $40 billion per month to support a well-functioning market and ensure accommodative financial conditions, thereby supporting credit to households and businesses.

At the same time, governments continue to provide large-scale fiscal support. In Europe, the European Commission, the European Parliament and the UE leaders agreed on a €1,800 billion stimulus package, centered on a long-term EU budget for 2021-2027, combined with the 750 billion «Next Generation EU» program. In the United States, a new stimulus package of $1,900 billion was adopted in March 2021, aimed, among other things, at extending unemployment benefits until early September 2021.

On the foreign exchange markets, the strengthening of the value of the euro against the dollar in 2020, thanks in particular to the European support and recovery plan, would continue in the short term. The single currency is expected to appreciate by 6.5 percent to $1.22 on average in 2021, before depreciating slightly by 1.3 percent to $1.20 in 2022.

Chart 7.3: USD/ EUR exchange rate



Source: GPMN forecasts of February 2021.

Stronger rebound in oil and food prices, leading to higher inflation

The price of Brent crude oil has recently moved above $60/barrel, in line with the OPEC+ members' agreement on production, in addition to a more favorable outlook for global demand. It would end the year higher at $59.7/bl, after reaching $42.3/bl in 2020, before rising to $60.5/bl in 2022, a significant upward revision from the December forecast.

For phosphate and its derivatives, the price of raw phosphate fell by 13.5 percent to $76.1/t in 2020, and would gradually increase, according to the World Bank's October 2020 outlook, to $78/t in 2021 and $81/t in 2022. For DAP, the price rose slightly to $312.4/t in 2020 and is expected to continue to rise over the forecast horizon to $318/t in 2021 and $326/t in 2022. For food commodities, prices have risen sharply early this year, with sugar, cereals and vegetable oils particularly strong, driven by pressures from rising Chinese demand, dry weather in South America, higher ocean freight costs and the announcement of an increase in the Russian export tax on wheat from March. They are expected to end the year 2021 up 9.1 percent before falling by 2.7 percent in 2022.

The rebound in energy and food prices led to a sharp acceleration in inflation at the beginning of the year, which is expected to continue with the large-scale stimulus programs. Inflation in the euro area, which was also impacted by the expiration of temporary VAT cuts in Germany, is expected to rebound from 0.3 percent in 2020 to 1.9 percent in 2021, before falling down to 1.3 percent in 2022. In the United States, inflation is forecast to accelerate from 1.2 percent to 2.5 percent in 2021 before rising to 2.2 percent in 2022.

Chart 7.4: Brent price

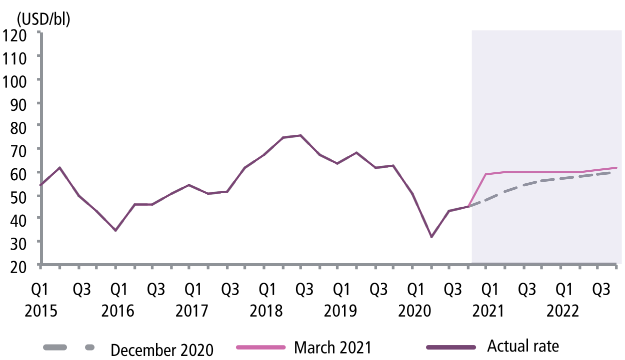


Chart 7.5: FAO food product price index (2014-2016=100)

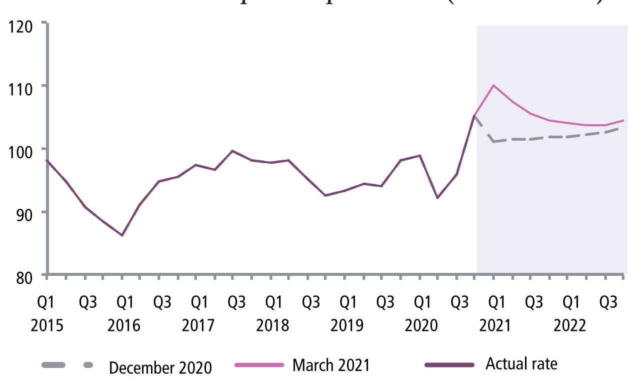


Chart 7.6: Inflation in the euro area

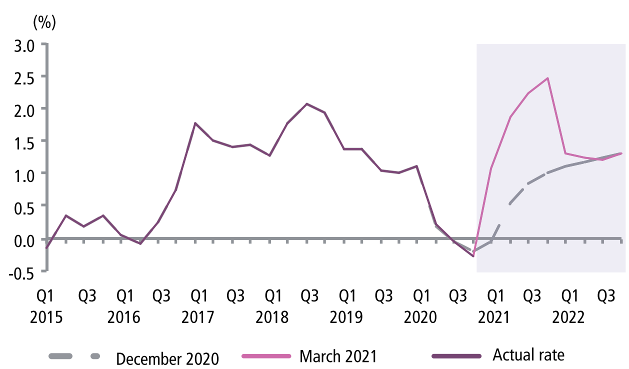
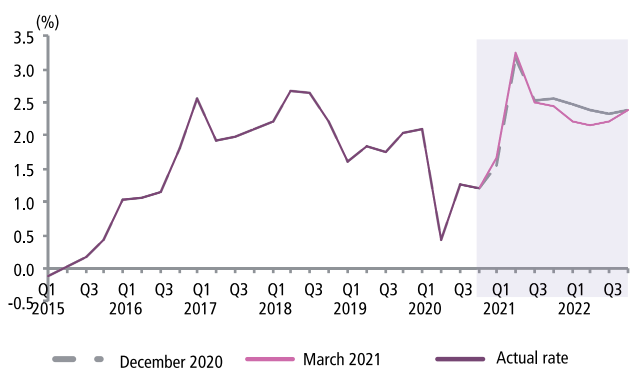


Chart 7.7: Inflation in the United states



Source: GPMN forecasts of February 2021.

Cereal harvest at around 95 MQx for 2021

The 2020-2021 crop year started with unfavorable weather conditions until the end of December. However, from January onwards, abundant and widespread rainfall made it possible to absorb the rainfall deficit, to improve the filling rate of dams, which reached 51 percent on March 15, compared with 37.1 percent at the end of September 2020 and 46.4 percent a year earlier, to promote crop development and to improve cereal crop and plant cover. Cumulative rainfall amounted to 260 mm as of March 10, up 23 percent compared to the average for the past five years, and vegetation conditions[2] have improved by 16.6 percent compared to the average for the past five years. Under these conditions, the cereal harvest for this season would, according to Bank Al-Maghrib's forecasts, be around 95 million quintals (MQx), but still largely depends on the conditions that will prevail during the rest of the crop year. Concerning the other crops, the Department of Agriculture expects increases of 29 percent in production for citrus, 14 percent for olives and 4 percent for dates.

For the 2021-2022 season, the assumptions of an average cereal crop of 75 MQx and a continuation of the trend for other crops are maintained.

7.2 Macroeconomic projections

Sharp decline in foreign trade in 2020 and expected recovery in the medium term

Taking into account the foreign trade data at end-2020, the current account deficit has been revised downwards to 1.8 percent of GDP, after standing at 4.1 percent in 2019. It is expected to widen to 4.5 percent of GDP in 2021 and then to narrow to 3 percent in 2022.

Exports of goods ended 2020 down 7.5 percent, dragged down by declines in automotive and textile sales. More resilient, exports of phosphate and derivatives and those of agri-food were up. Imports, for their part, fell by 14.1 percent, mainly as a result of the decrease of the energy bill and the decline in purchases of consumer and capital goods. At the same time, travel receipts fell by 53.8 percent to 36.4 billion dirhams, while the resilience of remittances from Moroccans expatriates was confirmed with an improvement of 5 percent to 68 billion dirhams after 64.8 billion dirhams in 2019. FDI receipts stood at 26.4 billion, equivalent to 2.4 percent of GDP after 2.9 percent in 2019.

Over the forecast horizon, exports are forecast to rebound by 12.6 percent in 2021 and then increase by 6.2 percent in 2022, driven mainly by car manufacturing sales, assuming the doubling of production capacity at the PSA plant. At the same time, imports are expected to rise by 13.2 percent in 2021, mainly as a result of an increase in the energy bill and a rise in purchases of consumer goods. In 2022, they are expected to rise by 6 percent, mainly due to the forecast increase in purchases of capital goods. Travel receipts, while remaining lower than before the crisis, would gradually recover to 38.1 billion in 2021 and 68.2 billion in 2022. Remittances from Moroccan expatriates would increase by 5.7 percent to 71.9 billion in 2021 and by 2.2 percent to 73.4 billion in 2022. FDI receipts are expected to return to their average level, approaching 3.2 percent of GDP over the forecast period.

2 Assessed by the vegetation index developed by the Royal Centre for Spatial Remote Sensing

Taking these developments into account, and under the assumptions of grant inflows of 3 billion in 2021 and 1.6 billion in 2022, and of expected Treasury borrowings from abroad, the official reserve assets would reach 310.3 billion at the end of 2021 and 318.6 billion at the end of 2022, equivalent to 6 months and 25 days and 7 months of imports of goods and services, respectively.

Table 7.1: Main components of the balance of payments

Change in %, unless otherwise indicated	Actual rates					Forecasts		Gap (march/dec.)	
	2016	2017	2018	2019	2020	2021	2022	2021	2022
Exports of goods (FOB)	3. 5	10. 3	10. 7	3. 3	-7. 5	12. 6	6. 2	2. 9	-0. 7
Imports of goods (CAF)	10. 3	6. 7	9. 9	2. 0	-14. 1	13. 2	6. 0	4. 1	-3. 6
Travel receipts	5. 0	12. 3	1. 2	7. 8	-53. 8	4. 8	78. 8	-67. 6	34. 6
Expatriate remittances	4. 0	5. 3	-1. 5	-0. 2	5. 0	5. 7	2. 2	-0. 6	0. 1
Current account balance (% of GDP)	**-4. 1**	**-3. 4**	**-5. 3**	**-4. 1**	**-1. 8***	**-4. 5**	**-3. 0**	**-1. 2**	**0. 9**
Official reserve assets, in months of imports of goods and services	**6. 4**	**5. 6**	**5. 3**	**6. 9****	**7. 5****	**6. 8**	**7. 0**	**-0. 3**	**-0. 1**

* Estimate
** Updated statistics
Sources: Foreign Exchange Office and BAM forecasts.

Favorable monetary conditions and deceleration in the pace of bank lending to the non-financial sector

Monetary conditions would remain accommodative. BAM has introduced several measures to facilitate the financing of the economy and strengthen the capacity of the banking system to meet the needs of businesses and households. In particular, the key interest rate was lowered by a total of 75 basis points between March and June 2020, to 1.5 percent and the banks' reserve requirement was fully released. As a result, the average lending rate fell year-on-year by 49 basis points to 4.42 percent in the fourth quarter of 2020, with in particular a drop of 119 points for VSMEs.

After an appreciation of 0.8 percent in 2020, the real effective exchange rate is expected to depreciate by 0.8 percent in 2021 and 0.6 percent in 2022. The lower domestic inflation compared to commercial partner and competitor countries over the forecast horizon would more than offset the expected appreciation, particularly in 2021, of the effective exchange rate in nominal terms.

Based on the projected developments in foreign exchange reserves and currency in circulation, the bank liquidity deficit is expected to reach 84.1 billion at end-2021 and 92.6 billion at end-2022. As for bank credit to the non-financial sector, its outstanding amount closed the year 2020 with an increase of 3.9 percent against 5.5 percent in 2019, backed by the support and stimulus measures put in place. Concerning the outlook and taking into account the economic growth forecasts and the expectations of the banking system, it would increase by 3.6 percent in 2021 and 3.7 percent in 2022. Under these conditions and taking into consideration the change of the other counterparts of the money supply, the growth of the M3 aggregate would slow down to 3.2 percent in 2021 before accelerating to 4.3 percent in 2022.

Table 7.2: Money supply and bank lending

Change in %, unless otherwise indicated	Actual rates				Forecasts		Gap (march/dec.)	
	2017	2018	2019	2020	2021	2022	2021	2022
Bank lending to the nonfinancial sector	3. 8	3. 1	5. 5	3. 9	3. 6	3. 7	-0. 7	-0. 8
M3	5. 5	4. 1	3. 8	8. 5	3. 2	4. 3	-0. 4	0. 9
Liquidity surplus or deficit, in billion dirhams	-40. 9	-69. 0	-62. 3	-67. 0	-84. 1	-92. 6	1. 1	19. 4

Public finance would stay under pressure with high deficit levels

After having reached 7.6 percent of GDP in 2020, the budget deficit is expected to return to 7.2 percent of GDP in 2021, instead of the 6.5 percent forecast in December. This projection incorporates a slight increase in tax revenues, taking into account BAM's more optimistic forecasts about economic growth compared to December and a downward revision of revenues from specific financing. On the expenditure side, capital and subsidy expenditures in particular have been revised upwards. These mainly incorporate the new assumptions on gas prices and the exchange rate.

For 2022, assuming a gradual recovery in economic activity, higher expenditure, particularly operating ones, the maintenance of the Treasury's investment effort, and the absence of change at the level of the subsidy system, the budget deficit is expected to reach 6.7 percent of GDP, 0.4 percentage points higher than in the December projections.

More favorable outlook for the domestic economy after the sharp contraction in 2020

The restrictions put in place at both the national and international levels to curb the spread of the Covid-19 pandemic, combined with unfavorable weather conditions, have strongly impacted the performance of the Moroccan economy in 2020. The latter would have contracted by 7 percent, a rate 0.4 percentage points higher than in December, mainly due to a downward revision of agricultural value added. The latter would have fallen by 8.1 percent instead of 5.3 percent, taking into account a downward adjustment of national accounts data for the first two quarters of the year. At the same time, the recovery recorded in the third quarter, a post-lockdown period that was yet characterized by the maintenance of certain local and sectoral restrictions, was less vigorous than expected, implying a slight accentuation of the projected decline in nonagricultural value added to 6.7 percent instead of the 6.6 percent previously assumed. On the demand side, this underperformance reflects a negative contribution to growth from both its domestic component and net exports. Final household consumption is estimated to have fallen sharply as a result of restrictive measures and the contraction of both agricultural and non-agricultural income. In addition, investment is estimated to have contracted, due to the persistence of high uncertainties and the decline in economic activity. On the other hand, the pace of growth of general government consumption would have accelerated, reflecting the fiscal effort made to deal with the economic and social consequences of Covid-19. Exports of goods and services in volume terms are estimated to have fallen, albeit at a slower-than-expected rate in December, reflecting the stronger-than-expected recovery in shipments in some sectors, notably the automotive sector. Similarly, imports of goods and services would have declined, in line with the expected downturn in domestic economic activity.

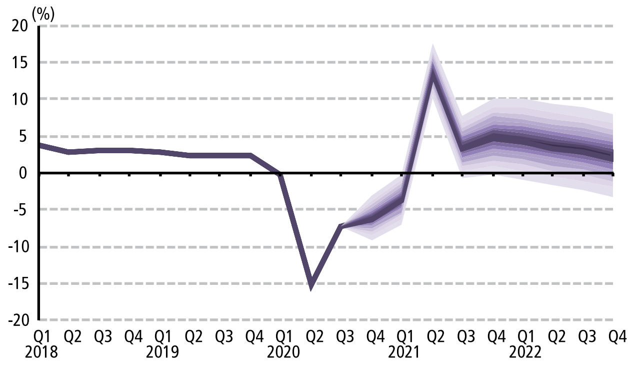
In 2021, despite the optimism linked to the launch of the vaccination campaign and the revival of investment, particularly with the ongoing establishment of the Mohammed VI Fund for Investment, the outlook remains surrounded by considerable uncertainty, mainly linked to the development of the epidemiological situation and the availability of vaccines at the national and international levels. Against this backdrop, non-agricultural activities would grow again, with a slight upward adjustment of 0.2 percentage points to 3.5 percent. As to the agricultural value added, it is expected to increase by 17.6 percent, with in particular a cereal harvest forecast at around Q95 million. Overall, growth is expected to rebound to 5.3 percent from the 4.7 percent forecast in December. For the year 2022, it should consolidate to 3.2 percent, reflecting a 2 percent drop in agricultural value added and a continued rise in non-agricultural activities to 3.8 percent. On the demand side, growth would be driven by its domestic component. The latter would gradually gain momentum, thanks to moderate inflation rates, the accommodative monetary policy stance and budget support measures, on the one hand, and the expected recovery in agricultural and non-agricultural income and the renewed confidence of economic operators, on the other. Net exports, however, would continue to make a negative contribution to growth, as increased imports of goods and services are expected to more than offset the projected rebound in exports.

Table 7.3: Economic growth

Change in %	Actual rates				Forecasts			Gap (march/dec.)		
	2016	2017	2018	2019	2020	2021	2022	2020	2021	2022
National growth	**1. 1**	**4. 2**	**3. 1**	**2. 5**	**-7. 0**	**5. 3**	**3. 2**	**-0. 4**	**0. 6**	**-0. 3**
Agricultural VA	-13. 7	15. 2	3. 7	-5. 8	-8. 1	17. 6	-2. 0	-2. 8	3. 8	-4. 0
Nonagricultural VA	2. 1	2. 9	2. 9	3. 8	-6. 7	3. 5	3. 8	-0. 1	0. 2	0. 2
Net tax on subsidies	8. 8	3. 1	4. 6	2. 0	-8. 0	5. 0	4. 5	0. 1	0. 0	0. 0

Sources: HCP data, and BAM forecasts.

Chart 7.8: Growth outlook over the forecast horizon (Q4 2020 - Q4 2022), (YoY)*



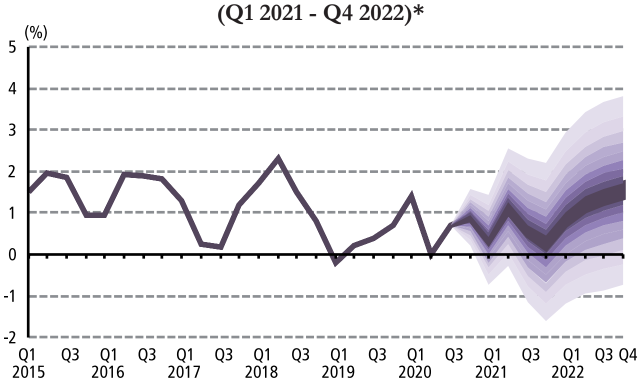
* Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent.

Moderate increase in inflation and acceleration in its underlying component over the forecast horizon

After a rate of 0.2 percent in 2019, inflation rose moderately to 0.7 percent in 2020, driven mainly by higher prices for volatile food products. In contrast, its underlying component remained at a low level of 0.5 percent, stagnant compared to 2019, suffering in particular from disinflationary pressures emanating from the negative impact of Covid-19 on demand.

These downward pressures are expected to ease gradually over the forecast horizon in conjunction with the forecast narrowing of the negative gap between domestic demand and its underlying level, benefiting itself from the expected recovery in income and the continued accommodative stance of monetary policy. In addition, inflation is projectedto be driven this year by temporary factors related to the forecast increase in global oil and food prices, especially vegetable oils. Thus, inflation would continue to rise to 0.9 percent in 2021 and then to 1.2 percent in 2022, while its underlying component would accelerate to 1.2 percent in 2021, before rising to 1.5 percent in 2022.

Chart 7.9: Inflation forecast over the forecast horizon (Q1 2021 - Q4 2022)*



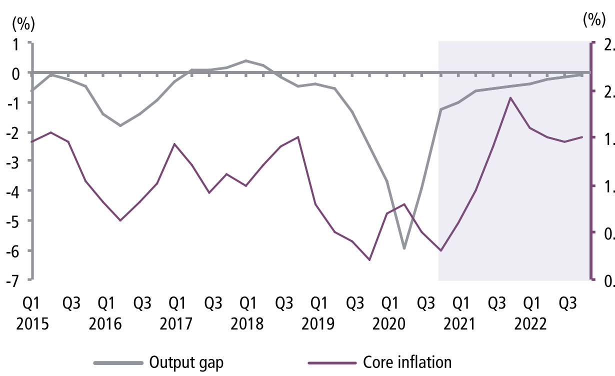
* Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent.

Table 7.4: Inflation and core inflation

	Actual rates				Forecasts			Gap (march/dec.)	
	2017	2018	2019	2020	2021	2022	Horizons of 8 quarters (Q1 2021-Q4 2022)	2021	2022
Inflation	**0. 7**	**1. 6**	**0. 2**	**0. 7**	**0. 9**	**1. 2**	**1. 1**	**0. 3**	**-0. 1**
Core inflation	1. 3	1. 3	0. 5	0. 5	1. 2	1. 5	1. 4	0. 6	0. 0

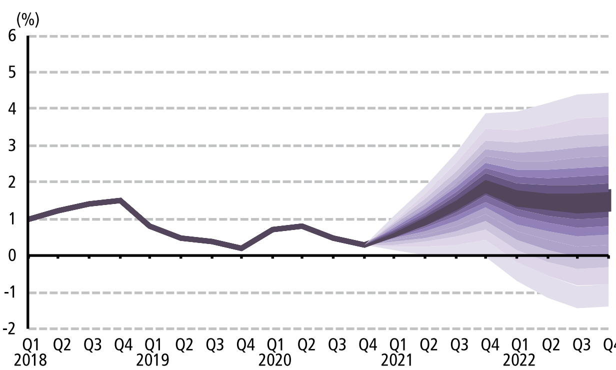
Sources: HCP data, and BAM forecasts and calculations.

Chart 7.10: Change in core inflation and output gap



Sources: HCP, and BAM forecasts and calculations.

Chart 7.11: Projections of core inflation over the forecast horizon (Q1 2021 - Q4 2022)*



* Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent.

7.3 Balance of risks

Risks to the outlook remain very high and, if they materialize, could affect the central projection. The balance of risks is balanced for growth and tilted to the upside as far as inflation is concerned.

As regards growth, the rollout of the Covid-19 vaccine campaign, the planned continuation of fiscal and monetary support measures, and the expected positive effects of the establishment of the Mohammed VI Fund for Investment reinforce optimism about a stronger recovery in economic activity. However, many downside risks persist and could weigh on the recovery at both the domestic and international levels. These include developments in the health situation and the availability of vaccines. In addition, a tightening and/or extension of restrictive measures and a premature withdrawal of fiscal and monetary support measures could dampen the recovery. At the same time, lower-than-expected domestic agricultural production in the central scenario would have a downward effect on growth forecasts. With respect to inflation, the risks of stronger-than-expected upward pressures in the central projection scenario prevail. The disruptions caused by Covid-19 in production and supply chains, combined with the tightening of the global supply chain of some food products could imply a larger-than-forecast increase in commodity prices and thus inflation, through their direct effects on consumer prices and indirect effects on production costs. Another source of risk to the central projections are potential output estimates, because of the high uncertainty about the long-run effects of Covid-19. The latter could accelerate the structural changes already underway in consumption, value chains, and production processes, with more lasting consequences for growth and consumer prices.

LIST OF ABBREVIATIONS

ANCFCC	: National Land Registry Office
APC	: Cement manufacturers professional association
AMMC	: Autorité Marocaine des Marchés de Capitaux (Morroccan Capital Markets Authority)
BAM	: Bank Al-Maghrib
CFG	: Casablanca Finance Group
CNSS	: Caisse nationale de sécurité sociale (National Social Security Fund)
CPI	: Consumer Price Index
CPIX	: Core inflation indicator
CPIXNT	: Consumer price index of nontradables
CPIXT	: Consumer price index of tradables
CT	: Corporate tax
CUR	: Capacity utilization rate
DAP	: Diammonium Phosphate
DCT	: Domestic consumption tax
DH	: Dirham
ECB	: European Central Bank
ESI	: Economic Sentiment Indicator (Indicateur de climat économique)
FA	: Finance Act
FDI	: Foreign direct investments
FISIM	: Financial intermediation services indirectly measured
GCC	: Gulf Cooperation Council
GDP	: Gross domestic product
HCP	: High Commission for Planning
IMF	: International Monetary Fund
IPI	: Import price index
IPPI	: Industrial producer price index
IT	: Income tax
MASI	: Moroccan All Shares Index
MPR	: Monetary Policy Report
MSCI EM	: Morgan Stanley Capital International, Emerging Markets
NPL	: Nonperforming loans
OCP	: Office chérifien des phosphates (Moroccan Phosphates Office)
OECD	: Organization for Economic Cooperation and Development
ONEE	: Office national d'électricité (National Electricity Office)
OPEC	: Organization of the Petroleum Exporting Countries
PER	: Price Earning Ratio
PMI	: Purchasing Managers Index
REPI	: Real estate price index

SMIG	: Salaire Minimum Interprofessionnel Garanti (minimum wage)
TEFD	: Treasury and External Finance Department
TSA	: Treasury special accounts
TSP	: Triple superphosphate
QoQ	: Quarter-on-quarter
YoY	: Year-on-year
UCITS	: Undertakings for collective investment in transferable securities
UPC	: Unit production cost
VA	: Value added
VAT	: Value added tax

LIST OF CHARTS

LIST OF TABLES

LIST OF BOXES