بنك المغرب
BANK AL-MAGHRIB

MONETARY POLICY REPORT

No. 60 / 2021

DOCUMENT PREPARED FOR
THE BANK BOARD
OCTOBER 13, 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, October 22, 2021

1. The Board of Bank Al-Maghrib held its third quarterly meeting of the year 2021 on Wednesday, October 13.

2. During this meeting, it analyzed, in light of the pandemic related developments, the national and international economic situation as well as the Bank›s medium-term macroeconomic projections. In this regard, the Board noted the significant progress Morocco made in vaccination, as well as the ongoing recovery in economic activity and the evolution of inflation at moderate levels despite some increase in external inflationary pressures.

3. The Board also inquired about the latest developments in the foreign exchange market and the impact of the Bank›s recent interventions aiming at resorbing temporary foreign currency surpluses.

4. In view of these assessments, the Board considered that the monetary policy stance remains very accommodative, thereby ensuring adequate financing conditions. In particular, the Board deemed that the current level of the policy rate remains appropriate and thus decided to maintain it unchanged at 1.5%.

5. The Board noted that after a relative acceleration to an average of 1.6 percent in the second quarter of 2021 and to 2.2 percent in July, inflation fell to 0.8 percent in August as a result of a decline in volatile food prices. Against the background of the substantial rise in energy products prices, the recovery of domestic demand and the increase of imported inflation, it should come out at 1.2 percent in 2021 and stand at 1.6 percent in 2022, after 0.7 percent in 2020. Its core component is expected to rise from an average of 0.5 percent in 2020 to 1.4 percent in 2021 and 2.1 percent in 2022.

6. Internationally, the economic outlook appears favorable yet surrounded by high uncertainties. In the United States, after contracting by 3.4 percent in 2020, the economy is expected to rebound by 5.9 percent this year, buoyed by the progress in the vaccination campaign and the strong fiscal stimulus, then its growth should consolidate to 3.2 percent in 2022. Similarly, in the euro area, after the 6.3 percent decline, GDP would grow by 5.2 percent in 2021 and 3.8 percent in 2022. In the labor markets, the situation is expected to improve significantly in the United States, with the unemployment rate falling from 8.1 percent average to 5.6 percent in 2021, then to 4.7 percent in 2022. In the euro area, job retention schemes have highly mitigated the impact of the crisis, with the unemployment rate expected to rise slightly from 7.9 percent in 2020 to 8.1 percent in 2021 before falling to 7.3 percent in 2022, close to pre-crisis levels. In the main emerging countries, growth would accelerate in China, rising from 2 percent in 2020 to 8.6 percent in 2021, before converging to a pace in line with the economy rebalancing policy, i.e. around 5 percent. In India, suffering from the repercussions of the surge in Covid-19 cases in April and May, growth would be limited at 8 percent after a 7.1 percent contraction in 2020, and would accelerate to 12.7 percent in 2022.

7. On the commodity markets, the upward trend in prices continues. For energy products, the price of Brent in particular is expected to rise from an average of $42.3/bl in 2020 to $68.1/bl in 2021, then to $68.5/bl in 2022. As regards phosphate and derivatives, the stronger demand and the rise in input costs led to a significant increase in their prices over the first nine months of the year, up 78.8 percent to $147.5/t for phosphate rock and 79 percent to $643.8/t for DAP. These levels are well above the World Bank›s estimates of last April which projected respective prices of $90/t and $450/t in 2021 and $91.9 /t and $425/t in 2022.

8. This increase in commodity prices, coupled in particular with the recovery in economic activity and supply constraints, should continue to exert strong pressure on consumer prices. Hence, inflation is expected to reach 4.4 percent on average in the United States this year, before slightly easing to 4.2 percent in 2022, while in the euro area it will remain close to the ECB›s target, reaching 2.3 percent in 2021 and 1.9 percent in 2022.

9. In response to inflationary pressures, several central banks in emerging and developing countries tightened their monetary policies. Conversely, the central banks of the major advanced economies, considering these pressures to be temporary, kept accommodative stances. Thus, at its September 9 Board meeting, the ECB left its key rates unchanged, maintained the pace of its monthly purchases under its APP program and indicated that it would continue its PEPP program until at least the end of March 2022. Similarly, the Fed decided at its September 21-22 meeting to keep the target range for the federal funds rate unchanged at [0-0.25 percent] and stated, however, that it would soon begin to reduce its asset purchase program, provided that progress toward its price stability and maximum employment goals continues.

10. At the domestic level, the latest national accounts data related to the second quarter of 2021 indicate a year-on-year growth of 15.2 percent, with an increase of 18.6 percent in agricultural value added and 14.8 percent in nonagricultural activities. The recovery is expected to continue, driven by the notable progress in the vaccination campaign, the very good agricultural campaign as well as the fiscal stimulus and the accommodative monetary policy stance. Thus, according to Bank Al-Maghrib's updated projections, GDP in real terms would end the year with a rebound of 6.2 percent, an upward revision of 0.9 percentage points compared to last June's forecast. This improvement reflects an increase of 18.8 percent in agricultural value added, taking into account a cereal production of 103.2 million quintals, and an increase of 4.6 percent in non-agricultural value added. In 2022, growth would consolidate to 3 percent, covering a 3.3 percent drop in agricultural value added, assuming a return to an average cereal production, and a 3.6 percent increase in non-agricultural activities. On the labor market, the 2021 second quarter data shows the creation of 405 thousand jobs year-on-year, a number that remains below the 533 thousand active people who joined the market during the same period. As a result, the participation rate improved by 1.3 points to 46.1 percent while the unemployment rate worsened by 0.5 points to 12.8 percent.

11. As regards foreign trade, data at the end of August indicate a generalized acceleration of the recovery in goods trade. This dynamic would continue, with exports rising by 21.2 percent in 2021, then by 6 percent in 2022, driven mainly by sales of car manufacturing industry and phosphate and derivatives. At the same time, imports would grow by 19.5 percent in 2021, mainly reflecting the expected increase in purchases of

capital and consumer goods, as well as the rise in the energy bill, before slowing down to 3.8 percent in 2022. Besides, health restrictions continue to weigh on travel revenues, with a further decline of 8.6 percent to 33.3 billion dirhams expected in 2021, following a 53.7 percent fall in 2020. In 2022, assuming a significant easing of these measures, these revenues would rebound to 60.7 billion dirhams, a level that remains well below the 78.7 billion dirhams of 2019. For their part, after a 4.9 percent increase in 2020, remittances would show a significant increase of 27.7 percent in 2021 to a record 87 billion dirhams, before falling by 5 percent to 82.7 billion in 2022. Under these circumstances, the current account deficit would widen from 1.5 percent of GDP in 2020 to 2.8 percent in 2021 before easing to 1.6 percent in 2022. Foreign direct investment flows would hover around the equivalent of 3 percent of GDP over the forecast horizon. Taking into account, in particular, the Treasury's expected external funding and the SDR allocation of 10.8 billion dirhams, official reserve assets would amount to 335 billion dirhams at the end of 2021 and 345.1 billion dirhams at the end of 2022, equivalent to more than 7 months of imports of goods and services.

12. As regards monetary conditions, the real effective exchange rate should end the year with a 0.4 percent increase, as a result of the nominal rise of the value of the dirham and a lower domestic inflation compared to that of partners and competitors. In 2022, it should depreciate by 1.9 percent as a result of the decline in the domestic currency nominal value. As for lending rates, they recorded a quarterly decline of 13 basis points in the second quarter, which mainly benefited businesses. Bank lending to the non-financial sector slowed slightly to 3.3 percent during the second quarter, reflecting, in particular, the deceleration of lending to private non-financial companies after the end of a number of support programs put in place in 2020 in response to the Covid-19 crisis. It is expected to end this year with a 3.7 percent increase followed by a rise by 3.8 percent in 2022.

13. In terms of public finances, budget implementation at the end of the first eight months of the year shows a deficit of 48.8 billion dirhams, widening by 2.2 billion dirhams year-on-year. Current revenues improved by 9.3 percent, driven by the increase in the revenues of all tax categories, except for corporate income tax, which was rather lower. At the same time, overall expenditure grew by 8 percent, due in particular, to increases in expenditure on goods and services, transfers to local governments and subsidy costs. Including a reduction in the stock of pending transactions of 18.5 billion, the cash deficit stood at 67.4 billion against 48.2 billion in the same period in 2020. This requirement was covered by domestic resources of a net amount of 59 billion, proceeds from the sale of State holdings for 5.4 billion and a positive net external flow of 3 billion. Taking into account these developments, the fiscal deficit, excluding privatization, should improve, according to Bank Al-Maghrib's projections, from 7.6 percent of GDP in 2020 to 7.3 percent in 2021 and 6.8 percent in 2022.

بنك المغرب

OVERVIEW

Despite the uncertainties related mainly to the resurgence of infections in several countries and the reappearance of new variants, as well as the uneven roll-out of vaccination, the latest international economic data indicate a revival of the world economy, with a favorable outlook overall. In the United States, GDP rebounded by 12.2 percent year-on-year in the second quarter, reflecting in particular higher household consumption and investment. In the euro area, GDP gained 14.3 percent, with increases of 18.7 percent in France, 17.5 percent in Spain and 17.3 percent in Italy. Similarly, in the UK, growth strengthened significantly in the second quarter to 23.6 percent, following a 5.8 percent decline in GDP, as the lockdown was lifted and the economy reopened following the significant progress in the vaccination campaign.

In the main emerging countries, after the recovery that began in the second quarter of 2020, growth slowed down in China to 7.9 percent in the second quarter. In contrast, it accelerated in India to 18.8 percent, on the back of a significant increase in private spending and investment. Similarly, GDP grew by 12.4 percent in Brazil, driven in particular by rising investment and household consumption, and by 10.5 percent in Russia, boosted mainly by the rebound in world commodity prices.

In the labor markets, the situation continues to improve in most advanced countries. In the United States, the unemployment rate fell from 5.2 percent in August to 4.8 percent in September, with the creation of 194,000 jobs compared to 366,000 one month earlier. In the Eurozone, the unemployment rate fell slightly to 7.5 percent, from 7.6 percent in July.

On the stock markets, prices fell between August and September, in connection with the prospects of monetary tightening, inflationary pressures and the uncertainties surrounding the raising of the public debt ceiling. The Dow Jones fell by 1.5 percent, the Eurostoxx 50 by 0.4 percent and the FTSE 100 by 1 percent. In the emerging countries, with the exception of the MSCI India which rose by 7.6 percent in September, the main stock markets fell by 0.7 percent for China, 7 percent for Brazil and 2.5 percent for Turkey.

On the sovereign debt markets, 10-year Treasury bond yields rose in September and reached 1.37 percent for the USA, 0.33 percent for Spain, -0.04 percent for France and -0.3 percent for Germany. In the emerging economies, yield on bonds of the same maturity rose month-on-month by 1 basis point to 2.87 percent for China and by 7 bp to 16.84 percent for Turkey, while it fell by 5 bp to 6.18 percent for India and stagnated at 10.55 percent for Brazil.

On the foreign exchange market, the euro appreciated between August and September by 0.5 percent against the pound sterling and by 0.3 percent against the Japanese yen, while it stagnated against the dollar. As for the currencies of the main emerging countries, the Chinese renminbi and the Indian rupee gained 0.3 percent and 0.7 percent respectively against the dollar, while the Brazilian real and the Turkish lira were down 0.5 percent and 1.1 percent, respectively. As for bank lending, its pace accelerated in August to 5.7 percent in the USA and slowed slightly to 2.9 percent in the euro area.

As regards commodities, oil prices rose in September compared with August, amid reviving demand and supply disruptions due mainly to Hurricane Ida. The price of Brent crude averaged $74.6 per barrel, up 6.5 percent month-on-month and 36.8 percent year-on-year. Non-energy prices were also on the rise with a 27.5 percent increase year-on-year in September, reflecting the surge of 37.2 percent for metals and ores and 20.9 percent for agricultural products. The prices of phosphate and phosphate derivatives rose sharply between January and September, reaching an average of $111.3/t for raw phosphate, $563/t for DAP and $498.7/t for TSP.

Rising commodity prices, as well as production bottlenecks for some goods and rising freight costs, continue to put strong pressures on prices. In the USA, inflation stood at 5.3 percent in August, after peaking at 5.4 percent in June and July, and in the Euro area, it accelerated to 3.4 percent in September after 3 percent in August.

In terms of monetary decisions, the ECB decided on 9 September to keep its key interest rates unchanged at 0 percent. It indicated that favorable financing conditions can be maintained with a moderately lower pace of net emergency asset purchases (PEPP) compared to the previous two quarters. It also reiterated that its asset purchase program will continue as long as necessary and will be completed before it starts to raise policy rates. Finally, it reiterated that it will continue to provide abundant liquidity through its long-term refinancing operations. It should be noted that the ECB revised its monetary policy strategy on 8 July, adopting a symmetric inflation target of 2 percent over the medium term.

Similarly, the FED decided at its September 21-22 meeting to keep the target range for the federal funds rate unchanged at [0-0.25 percent] until market conditions have reached the desired levels and inflation has risen to 2 percent and is on track to be moderately above this rate for some time. Moreover, it stated that it would continue to increase its holdings of securities by at least $120 billion per month until considerable progress is made in terms of maximal employment and price stability. If progress continues globally as expected, the Committee believes that a moderate pace of asset purchase would be justified.

At the national level, the latest national accounts data for the second quarter show a 15.2 percent year-on-year rebound in GDP, thanks to a strong base effect, progress in the vaccination campaign and the easing of health restrictions. This trend reflects an expansion of 18.6 percent in the agricultural value added and 14.8 percent in non-agricultural value added. On the demand side, it includes a positive contribution of 18.2 percentage points from its domestic component and a negative contribution of 3 percentage points from net exports in volume.

On the labor market, the situation recovered relatively between the second quarter of 2021 and the same period of 2020, with a creation of 405 thousand jobs, after a loss of 589 thousand a year earlier. These creations are concentrated in agriculture with nearly four fifths of the total, followed by construction with 108 thousand jobs and services with 40 thousand. Conversely, industry, including crafts, recorded a loss of 53 thousand jobs. Taking into account a net entry of 533 thousand job seekers, the activity rate increased by 1.3 points to 46.1 percent and the unemployment rate worsened by 0.5 points to 12.8 percent.

As regards foreign trade, end-August data show a trade deficit worsening by 24.9 billion dirhams to 136.5 billion, as a result of the 63.6 billion increase in imports and 38.7 billion in exports. The coverage rate thus shifted from 59.3 percent to 59.6 percent from one year to the other. The improvement of exports concerned all sectors, with in particular important dynamism in phosphate and derivatives sales, their expansion having reached 42.2 percent. As for imports, their development is attributable to a rise of 38.7 percent in purchases of finished consumer goods, 24 percent in acquisitions of semi-finished products and 14.4 percent in those of capital goods. For its part, and due mainly to rising prices, the energy bill increased by 30.6 percent, to 44.8 billion dirhams. At the same time, the recovery of travel receipts during the last three months contributed to mitigate their underperformance since the beginning of the year to 17.6 percent, while the transfers of Moroccan expatriates continued their uptrend, with an increase of 45.7 percent to 63.7 billion at end-August. As for the main financial operations, FDI receipts increased by 16 percent and the expenditure of Moroccan direct investments abroad showed an increase of 6.9 billion to 12.2 billion dirhams. Concerning the official reserve assets, their outstanding amount stood at 312.6 billion dirhams at the end of August, equivalent to 6 months and 28 days of imports of goods and services.

Regarding monetary conditions, the banks' liquidity needs increased to 83.2 billion dirhams per week on average in the third quarter, against 66.3 billion a quarter earlier. Faced with this increase, Bank Al-Maghrib raised the amount of its injections to 97 billion. According to the data available in the second quarter, monetary conditions were marked by an appreciation of the effective exchange rate and by a 13 basis point drop in the overall average lending rate to 4.32 percent. This decline includes a 19-point drop in the rates applied to businesses and stability in rates on loans to individuals. As for bank credit to the non-financial sector, its growth slowed down slightly from 4.1 percent in the first quarter to 3.3 percent in the second, reflecting in particular a deceleration from 5.6 percent to 2.7 percent in the growth rate of loans granted to private non-financial enterprises.

As regards public finances, the budget execution at the end of the first eight months of the year shows a budget deficit of 48.8 billion excluding privatization, with an increase of 2.2 billion from one year to the next. Ordinary expenditure increased by 8.6 percent to 189.5 billion, driven in particular by rises of 6.1 percent in expenditure on goods and services, 22.7 percent in transfers to local authorities and 31.7 percent in subsidization. On the other hand, ordinary revenues excluding privatization improved by 9.3 percent to 173.4 billion, covering an 11.7 percent increase in tax revenues and a 16.5 percent drop in non-tax revenues. Thus, the ordinary balance was negative at 16.2 billion, up by 315 million compared to that recorded a year earlier. As to investment, it increased by 5.4 percent to 42.3 billion, bringing total expenditure to 231.8 billion, up by 8 percent. Under these conditions, the outstanding direct public debt would have increased by 4.5 percent compared to its level at end-December 2020. The Treasury›s financing conditions on the auction market remained favorable, as the average rates applied were down during the first eight months of 2021 compared to the same period of 2020.

On the asset market, property prices in the second quarter of 2021 fell by 5.4 percent quarter-on-quarter, as a result of decreases of 5.6 percent in residential prices, 5 percent in urban land prices and 7.3 percent in business premises prices. As for the number of transactions, it increased by 18.8 percent, reflecting a rise in residential property sales by 22 percent and urban land by 29.2 percent, while acquisitions of property for professional use fell by 20.7 percent. At the level of the Casablanca Stock Exchange, the MASI rose by 6.3 percent at the end of the third quarter, reflecting in particular increases in the sectoral indices of «buildings and construction materials» by 11.2 percent, banks by 6.8 percent and telecommunications by 3.6 percent. As for the volume of transactions, it stood at 16.1 billion after 17.5 billion dirhams a quarter earlier. In this context, market capitalization recorded a quarterly increase of 6.2, percent to 677.3 billion dirhams.

Inflation decelerated slightly from 1.6 percent in the second quarter to 1.5 percent on average in July and August. This trend was due to a decline in the growth rate from 1.6 percent to 0.7 percent for volatile food prices, from 22.3 percent to 13.7 percent for fuel and lubricant prices, and from 1.7 percent to 1.1 percent for regulated tariffs. On the other hand, core inflation continues to trend upwards, reaching 1.6 percent on average in July and August instead of 1 percent in the second quarter.

The global economic outlook remains favorable overall despite uncertainties related in particular to the reappearance of new Covid-19 variants and disparities between countries in the roll-out of vaccination. Global growth is expected to accelerate to 6.2 percent in 2021, before slowing down to 4.1 percent in 2022. In the United States, growth is forecast to reach 5.9 percent this year, driven by the progress of the vaccination campaign and the strong fiscal stimulus, and is expected to return to 3.2 percent in 2022. In the eurozone, growth is projected to recover to 5.2 percent in 2021 and then to consolidate to 3.8 percent in 2022, and the UK economy is forecast to grow by 6.3 percent in 2021, followed by a slowdown to 3.2 percent in 2022.

In the main emerging countries, economic growth in China is expected to reach 8.6 percent in 2021, before returning to a pace in line with the policy of economic rebalancing, i.e. around 5 percent. Growth in India is forecast to accelerate to 8 percent in 2021, as it was revised down due to the second wave of infections that hit the economy in April and May of this year, before rebounding to 12.7 percent in 2022. In Brazil, the economy is expected to grow by 5.4 percent in 2021 as the health situation stabilizes and the terms of trade improve, before going down to 1 percent in 2022 due to the slow pace of vaccination and political uncertainty.

For commodity prices, oil price projections have been revised upwards, with Brent crude oil expected to average $68.1/bl in 2021 and $68.5/bl in 2022. For food, adverse weather conditions, increased demand from China and supply chain disruptions are forecast to keep prices high in 2021, before they ease as these effects dissipate. As regards phosphate and derivatives, the World Bank›s projections of April show increases in 2021 to $90/t for raw phosphate, $450/t for DAP and $410/t for TSP. In 2022, these prices would reach $91.9/t, $425/t and $380/t, respectively. These levels remain well below those recorded over the first nine months of this year.

Rising commodity prices, combined in particular with the recovering economic activity, the base effect and supply constraints will continue to exert strong pressure on prices. Inflation is expected to rise to 4.4 percent for the year as a whole in the United States, before slowing down slightly to 4.2 percent in 2022. In the euro area, it is projected to reach 2.3 percent this year before decelerating to 1.9 percent in 2022.

At the national level, the improvement of exports would continue with an expected increase of 22.6 percent in 2021, then 5.9 percent in 2022, mainly driven by a rise in sales of automotive construction by 34.1 percent to 39.2 billion, then 11.3 percent to 43.6 billion, as well as by shipments of phosphates and derivatives which would increase by 46.2 percent to 74.4 billion in 2021, before declining by 4.8 percent to 70.8 billion dirhams in 2022. At the same time, imports would gain 19.6 percent in 2021, reflecting mainly the expected increase in purchases of capital goods by 9.2 percent to 119.5 billion and consumer goods by 27.6 percent to 121.3 billion, as well as the surge in the energy bill by 50.7 percent to 75.3 billion dirhams, before their pace decelerate to 4 percent in 2022. As for travel receipts, the sanitary restrictions would continue to weigh on their recovery, with a fall of 8.6 percent to 33.3 billion in 2021. In 2022, under the assumption of a significant easing of these restrictions, they would rebound by 82.1 percent to 60.7 billion, a level which remains well below pre-crisis levels. For their part, after an increase of 4.9 percent in 2020, the transfers of Moroccan expatriates would increase by 27.7 percent in 2021 to 87 billion dirhams, before falling by 5 percent in 2022 to 82.7 billion. Taking into account these developments, and under the assumption of donation inflows of 3 billion in 2021 and 1.6 billion in 2022, the current account deficit would reach 2.5 percent of GDP in 2021 before decreasing to 1.4 percent in 2022. FDI receipts are expected to reach around the equivalent of 3 percent of GDP over the forecast horizon.

With regard to the official reserve assets, and taking into account in particular the SDR allocation of 10.8 billion dirhams granted by the IMF to Morocco and the Treasury›s external financing projections, they would end the year at 335 billion and would reach 345.1 billion in 2022, thus ensuring a coverage of more than 7 months of imports of goods and services.

Taking into account in particular the expected change in foreign exchange reserves and the increase of currency in circulation, the bank liquidity deficit would decrease to 58.2 billion dirhams at the end of 2021, before increasing to 64.9 billion at the end of 2022. As for bank credit to the non-financial sector, after increasing by 3.9 percent in 2020, its pace would slow down slightly to 3.7 percent in 2021 and would accelerate to 3.8 percent in 2022. For its part, and under the effect in particular of a domestic inflation level lower than that of partner and competitor countries, the real effective exchange rate would depreciate by 1.9 percent in 2022, after an average annual appreciation of nearly 0.5 percent during the previous three years.

As regards public finance, the budget deficit is projected to narrow slightly, albeit at a slower pace than expected in June, mainly due to the upward revision of current expenditure. After reaching 7.6 percent of GDP in 2020, it would reach, according to BAM projections, 7.3 percent of GDP in 2021 and 6.8 percent in 2022.

After a contraction of 6.3 percent in 2020, the national economy is expected to rebound by 6.2 percent in 2021, backed by the gradual lifting of restrictions, significant progress in vaccination, a very good crop year, fiscal stimulus and accommodating monetary conditions. This improvement reflects an 18.8 percent increase in agricultural value added, based on a cereal harvest of 103.2 million quintals (MQx), and a 4.6 percent increase in non-agricultural value added. In 2022, BAM expects growth to consolidate to 3 percent, covering a fall of 3.3 percent in the value added of the agricultural sector, under the hypothesis of a return to an average cereal production, and an increase of 3.6 percent of that of non-agricultural activities.

Under these conditions, inflation would accelerate from 0.7 percent in 2020 to 1.2 percent in 2021, and to 1.6 percent on average in 2022, driven mainly by the increase in the price of fuels and lubricants and the expected rebound in its underlying component. The core component is forecast to rise from 0.5 percent to 1.4 percent on average in 2021, taking into account the recovery in domestic demand and the increase in imported inflation, and to reach 2.1 percent in 2022.

Risks to the outlook remain considerable and, if they materialize, could affect the central scenario projections. Thus, the balance of risks is balanced for growth and tilted to the upside for inflation. With regard to growth, the accelerated pace of the vaccination campaign, the reopening of the Moroccan economy and the maintenance of an accommodating stance for monetary policy, as well as the expected positive effects of the entry into operation of the Mohammed VI Fund for Investment, are all factors that reinforce optimism as to a more rapid recovery of economic activity. However, several risks related to the emergence of new variants of the virus, the resurgence of infections and disparities between countries in terms of the pace of vaccination, would weigh on the prospects for recovery at both the national and international levels. Concerning inflation, upside risks dominate. Continued increases in commodity and some food prices, rising freight costs, and soaring energy prices, as well as bottlenecks in some supply chains and higher demand, could lead to higher-than-expected consumer price inflation.

1.INTERNATIONAL DEVELOPMENTS

The international economic situation is still marked by a very high level of uncertainty, particularly in relation to the resurgence of infections in several countries, the reappearance of new variants and the uneven roll-out of vaccination. In the main advanced countries, growth improved, albeit at different rates between countries, in the second quarter of 2021 in the United States, the euro zone, the United Kingdom and Japan, mainly due to a base effect. In the main emerging economies, growth in China slowed down in the second quarter, following the recovery that began a year earlier, while economic activity in India, Brazil and Russia rebounded strongly. The situation on the labor market continued to improve in most advanced countries, with unemployment rates trending downwards overall. As to the financial markets, they were marked by a return to risk aversion in September, with the main stock market indices of the advanced economies falling, mainly in connection with the prospects of monetary tightening in the advanced countries. On the other hand, there was a near-universal rise in international commodity prices. Against this background, inflation remained high in both advanced and emerging economies.

1.1 Economic activity and employment

1.1.1 Economic activity

In the United States, GDP rebounded by 12.2 percent year-on-year in the second quarter, reflecting in particular improved household consumption and investment, partly in connection with the progress of vaccination and budget support plans. In addition, after the «US rescue package», a new infrastructure investment plan is under discussion. In the Eurozone, a similar trend was observed, with GDP rising sharply to 14.3 percent year-on-year after contracting by 1.2 percent a quarter earlier. Despite the resurgence of new waves of contamination due to the appearance of new Covid-19 variants, most countries's economies in the area were on the rise again after a decline in activity in the first quarter. Year-on-year growth strengthened significantly, from 1.5 percent to 18.7 percent in France, from -3.1 percent to 9.4 percent in Germany, from -0.7 percent to 17.3 percent in Italy and from -4.2 percent to 17.5 percent in Spain.

In the UK, as the economy reopens after the lockdown of the beginning of the year, the economy rebounded strongly in the second quarter, with growth reaching 23.6 percent after a decline of 5.8 percent in the first quarter. In line with the same trend, GDP grew by 7.7 percent in Japan following a 1.3 percent drop in the previous quarter, mainly due to a significant contribution of household consumption and exports.

Table 1.1: YoY change in quarterly growth (%)

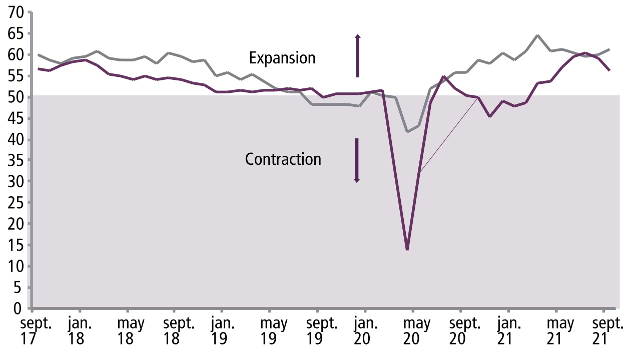
	2019				2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Advanced economies										
United States	**2. 2**	**2. 1**	**2. 3**	**2. 6**	**0. 6**	**-9. 1**	**-2. 9**	**-2. 3**	**0. 5**	**12. 2**
Euro area	**1. 8**	**1. 5**	**1. 7**	**1. 1**	**-3. 0**	**-14. 5**	**-4. 0**	**-4. 4**	**-1. 2**	**14. 3**
France	2. 1	2. 3	2. 0	1. 0	-5. 4	-18. 6	-3. 6	-4. 3	1. 5	18. 7
Germany	1. 6	0. 5	1. 4	0. 9	-1. 9	-11. 3	-3. 7	-2. 9	-3. 1	9. 4
Italy	0. 3	0. 4	0. 5	-0. 1	-5. 8	-18. 2	-5. 2	-6. 5	-0. 7	17. 3
Spain	2. 2	2. 1	1. 8	1. 7	-4. 3	-21. 6	-8. 6	-8. 9	-4. 2	17. 5
United Kingdom	**2. 2**	**1. 8**	**1. 6**	**1. 2**	**-2. 2**	**-21. 4**	**-8. 1**	**-7. 1**	**-5. 8**	**23. 6**
Japan	**0. 1**	**0. 3**	**1. 1**	**-1. 3**	**-2. 2**	**-10. 1**	**-5. 4**	**-0. 8**	**-1. 3**	**7. 7**
Emerging economies										
China	**6. 3**	**6. 0**	**5. 9**	**5. 8**	**-6. 8**	**3. 2**	**4. 9**	**6. 5**	**18. 3**	**7. 9**
India	**4. 9**	**5. 0**	**4. 6**	**3. 4**	**3. 7**	**-22. 4**	**-7. 3**	**1. 0**	**3. 7**	**18. 8**
Brazil	**1. 2**	**1. 5**	**1. 3**	**1. 6**	**-0. 3**	**-10. 9**	**-3. 9**	**-1. 1**	**1. 0**	**12. 4**
Turkey	**-2. 5**	**-1. 6**	**1. 0**	**6. 0**	**4. 4**	**-10. 4**	**6. 3**	**6. 2**	**7. 2**	**21. 7**
Russia	**1. 3**	**1. 2**	**2. 6**	**2. 9**	**1. 4**	**-7. 8**	**-3. 5**	**-1. 8**	**-0. 7**	**10. 5**

Source : Thomson Reuters.

In the major emerging economies, developments continue to differ. In China, growth slowed markedly in the second quarter to 7.9 percent after rebounding to 18.3 percent in the previous quarter. In contrast, growth in India strengthened to 18.8 percent from 3.7 percent on the back of a significant increase in private spending and investment. Similarly, in Brazil, GDP grew by 12.4 percent in the second quarter, compared with 1 percent in the previous quarter, driven in particular by a rebound in investment and household consumption. In the same vein, driven mainly by a rebound in world commodity prices, GDP grew by 10.5 percent in Russia, ending four consecutive quarters of contraction and returning to pre-pandemic levels.

In terms of high-frequency indicators, the Eurozone's composite PMI fell again to 56.2 points in September from 59 points in August, while the US ISM manufacturing index rose to 61.1 in September from 59.9 points in August.

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, the improvement in the labor market slowed in September, with the economy creating only 194,000 jobs, and the unemployment rate falling by 0.4 percentage points to 4.8 percent. In the euro area, the data show a slight decline in the unemployment rate in the month of August to 7.5 percent from 7.6 percent in the previous month. In the main economies, this rate fell from 14.5 percent to 14 percent in Spain, and stagnated at 3.6 percent in Germany, 8 percent in France, and 9.3 percent in Italy. In the UK, according to July figures, the unemployment rate fell to 4.6 percent, down from 4.7 percent a month earlier.

Table 1.2: Change in unemployment rate

(In%)	2019	2020	2021		
			july	august	sept.
United States	**3. 7**	**8. 1**	**5. 9**	**5. 4**	**5. 2**
Euro area	**7. 5**	**7. 8**	**7. 8**	**7. 6**	**7. 5**
France	8. 4	8. 0	8. 0	8. 0	8. 0
Germany	3. 1	3. 8	3. 7	3. 6	3. 6
Italy	10. 0	9. 2	9. 4	9. 3	9. 3
Spain	14. 1	15. 5	15. 0	14. 5	14. 0
United Kingdom	**3. 8**	**4. 5**	**4. 6**	**N.A**	**N.A**

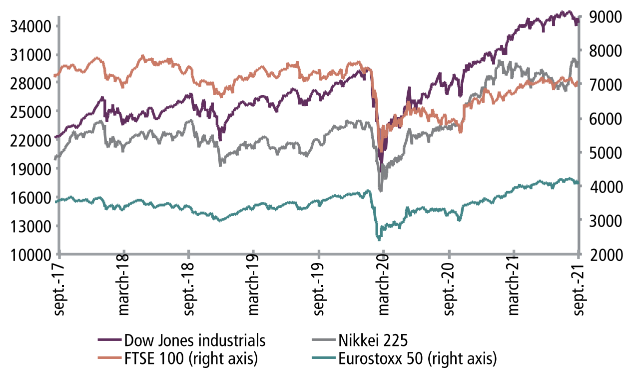
Source : Eurostat and BLS.

1.2 Monetary and financial conditions

Between August and September, stock markets in the major advanced economies fell, held back by the prospect of monetary tightening, inflationary pressures, concerns about China's "Evergrande" group, and the risk of a US default. As a result, the Dow Jones fell by 1.5 percent, the Eurostoxx 50 by 0.4 percent and the FTSE 100 by 1 percent. The Nikkei 225 rose by 8 percent. Volatility increased on both the American and European markets, with the VSTOXX standing at 21.24 and the VIX at 19.67.

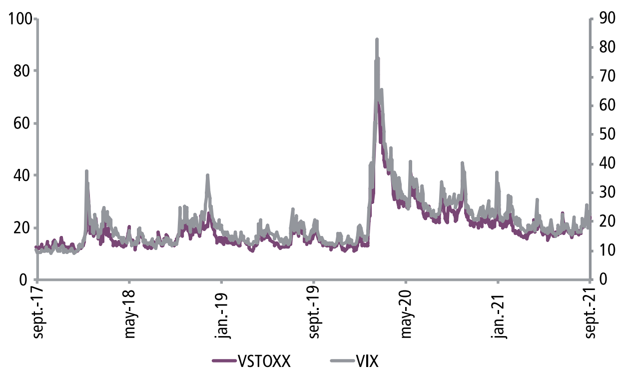
In the emerging countries, with the exception of the MSCI India, which rose by 7.6 percent in September, the major stock markets declined, with 0.7 percent for China, 7 percent for Brazil, and 2.5 percent for Turkey.

Chart 1.2: Change in major stock market indexes of advanced economies



Source: Thomson Reuters.

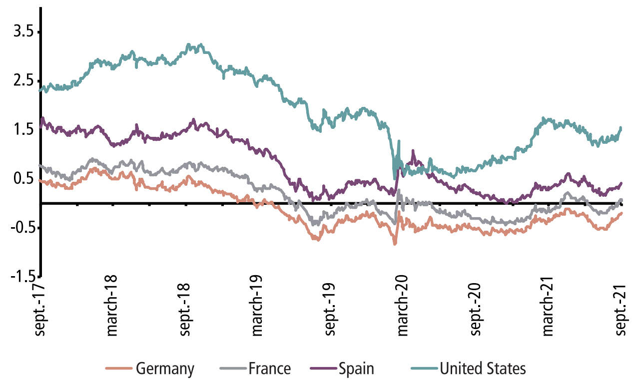
Chart 1.3: Change in VIX and VSTOXX



Source : Thomson Reuters.

In the bond markets, the yields on the 10-year sovereign bonds of the major advanced economies rose between August and September. Thus, the 10-year bond rate increased by 9 basis points (bps) to 1.37 percent for the United States, 20 bps to -0.30 percent for Germany, 14 bps to -0.04 percent for France, 11 bps to 0.33 percent for Spain, and 14 bps to 0.73 percent for Italy. In the emerging economies, the 10-year sovereign rate rose by 1 bp to 2.87 percent for China and by 7 bp to 16.84 percent for Turkey. On the other hand, it fell by 5 bp to 6.18 percent in India and stagnated at 10.55 percent in Brazil.

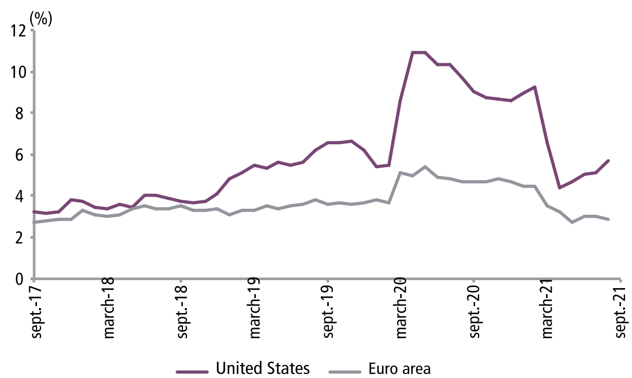
Chart 1.4: Change in 10-year sovereign bond yields



Source : Thomson Reuters.

On the money markets, the 3-month Euribor and the Libor for the same maturity almost stabilized between August and September at -0.55 percent and 0.12 percent, respectively. As for bank lending, it accelerated in August in the USA to 5.7 percent, and fell slightly to 2.9 percent in the euro area.

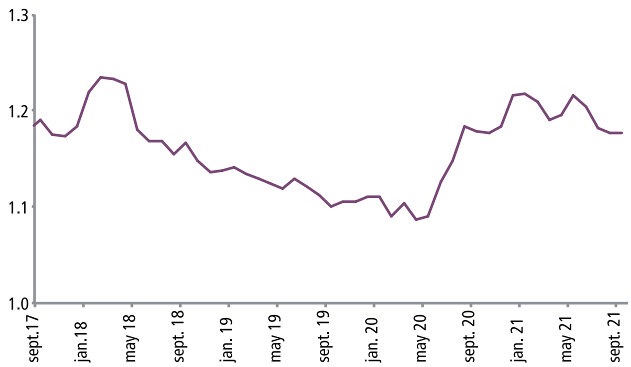
Chart 1.5: YoY change in credit in the United States and the euro area



Source : Thomson Reuters.

In the foreign exchange markets, the euro appreciated between August and September by 0.5 percent against the pound sterling and by 0.3 percent against the Japanese yen, while it stagnated against the dollar. For the currencies of the main emerging countries, the Chinese renminbi and the Indian rupee appreciated by 0.3 percent and 0.7 percent respectively against the dollar, while the Brazilian real and the Turkish lira depreciated by 0.5 percent and 1.1 percent, respectively, against the dollar.

Chart 1.6: Euro/dollar exchange rate



Source : Thomson Reuters.

In terms of monetary policy decisions, the Fed decided at its September 21-22 meeting to keep the target range for the federal funds rate unchanged at [0-0.25 percent] until labor market conditions have reached the desired levels and inflation has risen to 2 percent and is on track to be moderately above that rate for some time. In addition, it has indicated that it will continue to increase its security holdings by at least $120 billion per month until considerable progress has been made towards maximum employment and price stability. If progress continues broadly as expected, the Committee believes that a moderation in the pace of asset purchases may soon be warranted.

For its part, the ECB decided on 9 September to keep its key interest rates unchanged at 0 percent. It noted in this respect that favorable financing conditions can be maintained with a moderately lower pace of net emergency asset purchases (PEPP) compared to the previous two quarters. It also indicated that asset purchases under the APP will continue for as long as necessary and will be completed before it starts to raise its policy rates. Finally, it reiterated that it will continue to provide abundant liquidity through its refinancing operations. It should be noted that the ECB reviewed its monetary policy strategy on 8 July by adopting a symmetrical inflation target of 2 percent over the medium term.

As for the Bank of England, its Committee decided on 23 September to keep its key rate unchanged at 0.1 percent and to maintain asset purchases of £895 billion, including £875 billion in government bonds and £20 billion in "investment grade" non-financial corporate bonds.

In emerging countries, the Brazilian Central Bank decided on 22 September to raise its key rate by 100 bp to 6.25 percent, stressing the need for this adjustment to contain inflationary pressures. It also stated that a further similar increase is envisaged at its next meeting. Similarly, the Central Bank of Russia raised its key rate from 6.5 percent to 6.75 percent on 10 September, in response mainly to rising inflationary pressures. In the same vein, the Reserve Bank of India decided, on 8 October, to keep its key rate unchanged at 4 percent, in particular to boost and support growth. On the other hand, the Central Bank of Turkey decided, on 23 September, to lower its key rate by 100bp to 18 percent, underlining the stronger than expected slowdown in the pace of credit and domestic demand following previous monetary policy tightening.

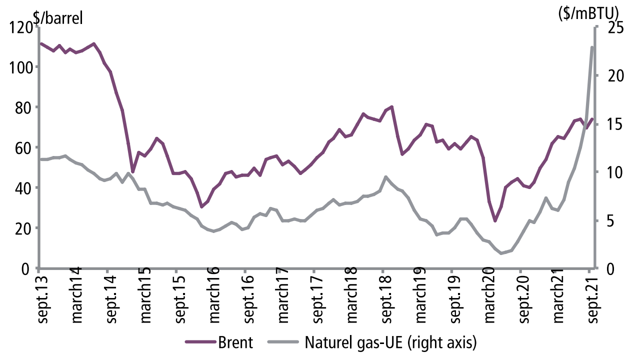
1.3 Commodity prices and inflation

1.3.1 Energy commodity prices

On the oil market, the price of Brent crude oil averaged $74.6 per barrel in September, up 6.5 percent in August and 36.8 percent since the beginning of the year. This upward trend is mainly due to the recovery in demand and supply disruptions due mainly to Hurricane Ida. Following the same trend, the price of natural gas on the European market rose sharply in September by 48.1 percent month-on-month, to $22.84 per mBTU11 , its highest level ever . Year-on-year, the price of Brent crude oil rose by 81.6 percent, while the price of natural gas increased by more than five and a half times.

1 mBTU: Million of British Thermal Unit

Chart 1.7 : World prices of brent and natural gas-EU

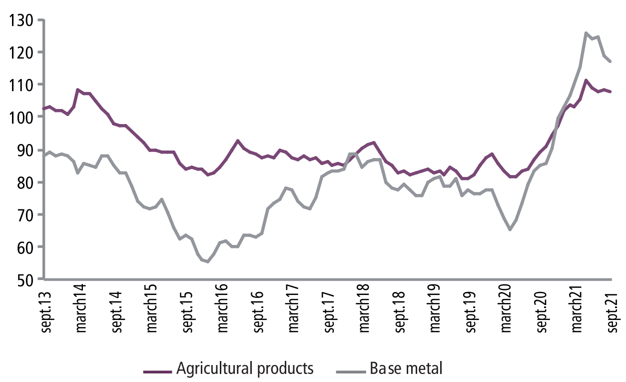


Source: Thomson Reuters.

1.3.2 Non-energy commodity prices

Non-energy commodities rose by 27.5 percent year-on-year in September, reflecting a 37.2 percent increase in the price of metals and ores and a 20.9 percent rise in agricultural products.

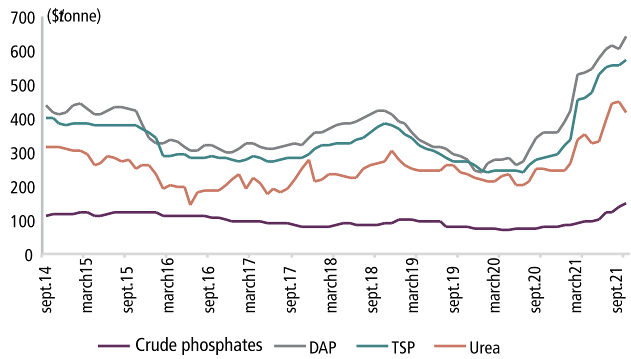
Chart 1.8: Change in non-energy commodity price indexes (2010= 100)



Source : World Bank.

On the phosphates and derivatives market, the monthly change in prices was divergent in September, with rises of 7.8 percent to $147.5/t for raw phosphate, 6.7 percent to $643.8/t for DAP and 3.4 percent to $573.8/t for TSP, while the price of potassium chloride remained unchanged at $221/t and that of urea fell by 6.3 percent to $418.8/t. Year-on-year, prices remained on a strong uptrend, with increases of 85.8 percent for raw phosphate, 79.6 percent for DAP, more than double for TSP, 67.2 percent for urea, while potassium chloride was up 9.1 percent.

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



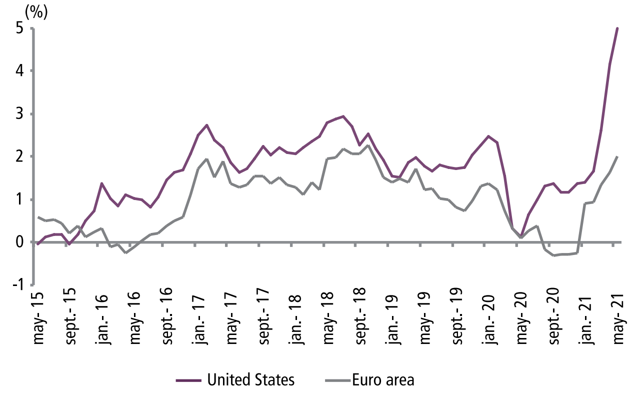
Source: World Bank.

1.3.3 Inflation

Inflationary pressures have intensified in recent months in both advanced and emerging countries (Box 1.1). After peaking at 5.4 percent in June and July, inflation in the USA decelerated slightly to 5.3 percent in August, against the backdrop of a slowdown in the prices for second-hand cars and transport services. In the euro area, inflation accelerated to 3.4 percent in September from 3 percent in August, reflecting increases from 3.4 percent to 4.1 percent in Germany, from 2.4 percent to 2.7 percent in France, from 3.3 percent to 4 percent in Spain and from 2.5 percent to 3 percent in Italy. In the other advanced economies, inflation rose from 2 percent to 3.2 percent in August in the UK, while in Japan the data show that deflation worsened slightly to -0.4 percent from -0.3 percent in July.

In the major emerging countries, inflation accelerated from 9 percent in July to 9.7 percent in August in Brazil and from 6.5 percent to 6.7 percent in Russia, but slowed down from 1 percent to 0.8 percent in China and from 5.6 percent to 5.3 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	2021		
			july	aug.	sept.
United States	**1. 8**	**1. 2**	**5. 4**	**5. 3**	**N.A**
Euro area	**1. 2**	**0. 3**	**2. 2**	**3. 0**	**3. 4**
Germany	1. 4	0. 4	3. 1	3. 4	4. 1
France	1. 3	0. 5	1. 5	2. 4	2. 7
Spain	0. 8	-0. 3	2. 9	3. 3	4. 0
Italy	0. 6	-0. 1	1. 0	2. 5	3. 0
United Kingdom	**1. 8**	**0. 9**	**2. 0**	**3. 2**	**N.A**
Japan	**0. 5**	**0. 0**	**-0. 3**	**-0. 4**	**N.A**

Sources : Thomson Reuters, Eurostat and IMF.

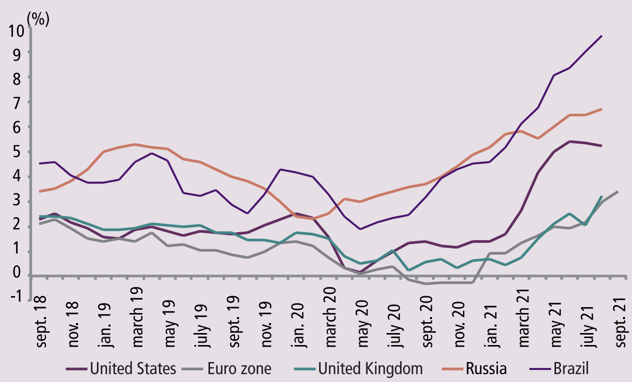
Box 1.1: Return of inflationary pressures and central bank responses

Since the beginning of 2021, global inflation has been on an upward trend, with a marked acceleration in recent months. This rapid rebound has occurred earlier than expected, compared to previous global recessions over the past five decades. It reflects the recovery in economic activity, rising commodity prices, and other transitory factors. These include bottlenecks in some supply chains, the base effect, and the rising cost of freight.

In the advanced economies, the US inflation rate has risen steadily since the beginning of the year, from 1.4 percent in January to 5.3 percent in August, against the backdrop of increased demand driven by the reopening of the economy, substantial financial support and high savings from the 2020 crisis, soaring commodity prices and increased supply constraints. Among the main products that have pushed US inflation upwards are used cars, which have benefited from consumer support measures.

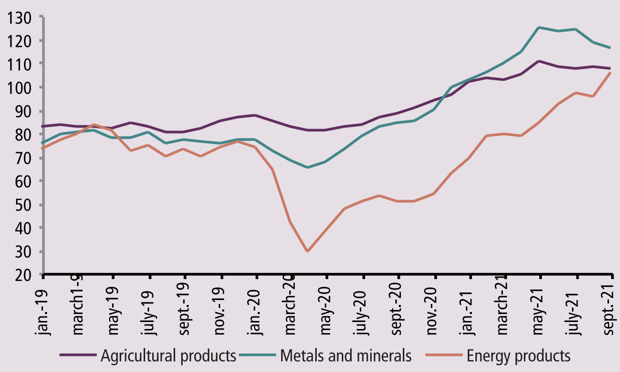
Similarly, euro area inflation has been on an uptrend since January 2021, reaching 3.4 percent in September. In addition to higher commodity prices, their increase is explained by the base effect, the VAT increase in Germany and the change in weights in the reference basket for measuring inflation. In the UK, apart from the deceleration of July 2021, inflation has risen steadily since March, from 0.7 percent to 3.2 percent in August, reflecting in particular the ongoing economic recovery.

Chart B 1.1 : Inflation trend



Source: Thomson Reuters.

Chart B 1.2 : Commodity Index (2010=100)



Source: World Bank

For some emerging and developing economies, in addition to the above factors, inflation has increased as a result of exchange rate depreciations, intensifying the impact of supply shocks that have disrupted supply chains, especially for food. Brazil and Turkey, in particular, have experienced accelerating inflation since the second half of 2020, against the backdrop of a sharp rise in transport prices due to rising fuel, food and electricity prices.

In response to these high inflationary pressures, the central banks of the major advanced economies have consistently reiterated the transitory nature of this increase, as the explanatory factors are cyclical in nature. In emerging and developing economies, the situation is more critical given the high share of food in household consumption. In this context, the central banks of some emerging countries have tightened their monetary policy. Thus, the central banks of Brazil, Russia and Turkey reacted to the rise in inflation by raising their key rates. On the other hand, the Chinese central bank undertook at its August meeting to make its policy more flexible and targeted in order to achieve a long-term balance between stabilizing growth and preventing risks.

2. EXTERNAL ACCOUNTS

Foreign trade data at end-August 2021 indicate a widening of the trade deficit by 24.9 billion, compared to the same period in 2020, to 136.5 billion dirhams. Imports increased by 23.2 percent, while exports gained 23.8 percent. The coverage rate thus increased from 59.3 percent to 59.6 percent. At the same time, the recovery of travel receipts, as from June, contributed to attenuate their underperformance over the first eight months to 17.6 percent. Transfers from Moroccan expatriates remained buoyant, with an increase of 45.7 percent. As regards the main financial operations, FDI receipts increased by 16 percent and Moroccan direct investments abroad amounted to 12.2 billion after 5.3 billion during the same period of 2020.

At the end of August 2021, the official reserve assets of Bank Al-Maghrib stood at 312.6 billion dirhams, covering 6 months and 28 days of imports of goods and services.

2.1 Trade balance

2.1. 1 Exports

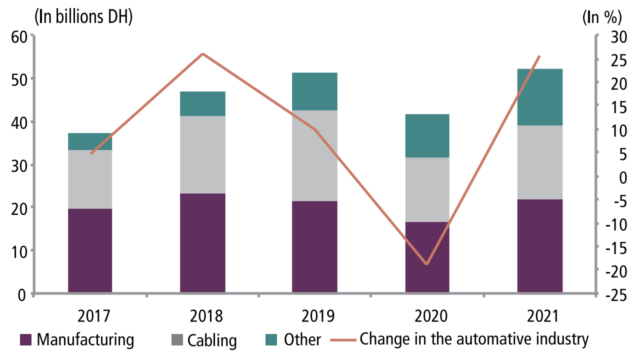
Continuing their recovery after a year marked by the effects of the crisis, exports have increased for all sectors. Sales of the automotive sector increased by 25.5 percent to 52.3 billion dirhams, reflecting rises of 32 percent for the construction segment and 16.5 percent for the wiring segment.

Exports of phosphates and derivatives continued their upward momentum, with an increase of 42.2 percent to 46.3 billion, driven mainly by a rise of 42.2 percent in sales of natural and chemical fertilizers and 63.4 percent in phosphoric acid. As to the sales of the textile and leather sector, they increased by 23.6 percent to 22.9 billion, reflecting rises of 27.5 percent for exports of ready-made garments and 36.2 percent for hosiery articles.

Exports of the "agricultural and agri-food" sector improved by 7.8 percent to 43.9 billion, with increases of 7.9 percent for agricultural products and 8.8 percent for those of the food industry. Similarly, sales of the 'electronics and electricity' and 'mining' sectors posted increases of 34.2 percent and 57.2 percent, to 8.6 billion and 3.2 billion, respectively.

Exports of the aeronautics sector are beginning to show signs of recovery, recording their first post-crisis cumulative increase since January 2020, reaching 7.8 percent to 8.9 billion. This development is the result of improvements of 10.4 percent for the assembling segment and 3.2 percent for EWIS11.

Chart 2.1: Change in automotive industry's exports January-August



Source: Foreign Exchange Office.

1 [1] Electrical Wiring Interconnection System (EWIS).

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

Sectors/Segments	January - august		Change	
	2021	2020	value	In %
Exportations FAB	**201 153**	**162 498**	**38 655**	**23. 8**
Automotive	**52 250**	**41 634**	**10 616**	**25. 0**
Construction	21 817	16 526	5 291	32. 0
cabling	17 296	14 844	2 452	16. 5
Interiors	5 148	4 583	565	12. 3
Phosphates and derivatives	**46 312**	**32 579**	**13 733**	**42. 2**
Textile and Leather	**22 914**	**18 536**	**4 378**	**23. 6**
Ready-made garments	14 215	11 151	3 064	27. 5
Hosiery articles	4 769	3 501	1 268	36. 2
Shoes	1 698	1 557	141	9. 1
Agriculture and Agri-Food	**43 860**	**40 693**	**3 167**	**7. 8**
Agriculture, forestry, hunt	**19 846**	**18 387**	**1 459**	**7. 9**
Food Industry	22 976	21 112	1 864	8. 8
Electronics and Electricity	**8 617**	**6 420**	**2 197**	**34. 2**
Wires, cables and other connectors for electricity	3 443	2 370	1 073	45. 3
electronic components (transistors)	2 509	1 852	657	35. 5
Devices for the disconnection or connection of electrical circuits.	1 130	960	170	17. 7
Other mining extractions	**3 217**	**2 046**	**1 171**	**57. 2**
Copper ore	1 061	575	486	84. 5
Barium Sulfate	629	260	369	-
Aeronautics	**8 939**	**8 295**	**644**	**7. 8**
Assembly	5 798	5 253	545	10. 4
EWIS	3 096	2 999	97	3. 2
Other industries	**15 044**	**12 295**	**2 749**	**22. 4**
Metallurgy and meta-lworking	5 245	3 591	1 654	46. 1
Plastic and rubber industry	1 324	1 243	81	6. 5
Industry pharmaceutical	876	690	186	27. 0

Source: Foreign Exchange Office.

2.1.2 Imports

The recovery in imports was mainly driven by a 38.7 percent increase in purchases of finished consumer goods to 80.6 billion. This trend reflects, in particular, increases of 56.7 percent in the purchase of passenger cars, 45.9 percent in the purchases of their parts and pieces and 61.6 percent in the purchases of medicines and other pharmaceutical products, mainly due to the purchase of anti-Covid19 vaccines. Similarly, imports of semi-finished products increased by 24 percent to 74 billion and those of capital goods improved by 14.4 percent to 79.9 billion.

For its part, and mainly due to the increase in prices, the energy bill rose by 30.6 percent, to 44.8 billion, including in particular rises of 34.9 percent in purchases of "gas-oils and fuel-oils" and 32 percent in those of "petroleum gas and other hydrocarbons".

Imports of crude products rose by 38.4 percent to 18 billion, driven by increases of 57.7 percent in purchases of 'crude and unrefined Sulphur' and 37.3 percent in 'crude and refined soya oil'. Purchases of food products rose by 2.8 percent to 40.2 billion, mainly due to a 30.4 percent increase in corn supplies.

Table 2.2 : Change in imports by user groups (in millions of dirhams)

User groups	January - august		Change	
	2021	2020	value	In %
Total imports CAF	**337 693**	**274 128**	**63 565**	**23. 2**
Finished consumer goods	**80 630**	**58 137**	**22 493**	**38. 7**
Passenger vars	11 885	7 586	4 299	56. 7
Spare parts	13 098	8 977	4 121	45. 9
Pharmaceutical products	8 222	5 087	3 135	61. 6
Semi-finished products	**73 982**	**59 682**	**14 300**	**24. 0**
Plastic products and various items made of plastic	10 617	8 219	2 398	29. 2
Wire, rods and sections of copper	4 073	2 461	1 612	65. 5
Ammonia	4 003	2 843	1 160	40. 8
Energy products	**44 845**	**34 345**	**10 500**	**30. 6**
Petroleum gases and other hydrocarbons	21 522	15 959	5 563	34. 9
Gas and fuel oils	10 654	8 074	2 580	32. 0
Petroleum gasoline	2 673	1 656	1 017	61. 4
Capital goods	**79 892**	**69 849**	**10 043**	**14. 4**
Piston engines, other engines and their parts	6 630	5 048	1 582	31. 3
Wires and cables for electricity	5 555	4 103	1 452	35. 4
Cushion and pneumatic tires	2 633	1 537	1 096	71. 3
Raw products	**18 004**	**13 012**	**4 992**	**38. 4**
Raw and unrefined Sulfur	5 299	3 361	1 938	57. 7
Raw or refined soybean oil refined	3 765	2 743	1 022	37. 3
Food products	**40 189**	**39 103**	**1 086**	**2. 8**
Corn	4 809	3 689	1 120	30. 4
Raw or refined sugar	3 655	3 079	576	18. 7
Industrial gold	**151**	**0**	**151**	**-**

Source: Foreign Exchange Office.

2.2 Other components of the current account

The decline in the surplus of the balance of services attenuated to 2.3 percent to reach 40.1 billion, as a result of an 8.5 percent increase in imports, higher than the 3.4 percent rise in exports.

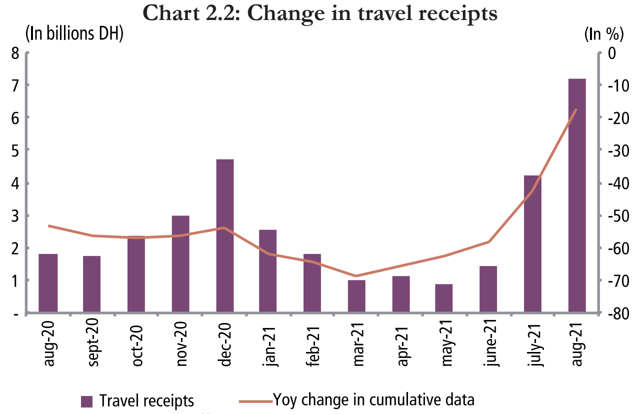
Table 2.3 : Change in the balance of services (in million dirhams)

	January - august		Change	
	2021	2020	value	In %
Imports	48 675	44 852	3 823	8. 5
Exports	88 747	85 849	2 898	3. 4
Balance	40 071	40 997	-926	-2. 3

Source: Foreign Exchange Office.

As regards travel receipts, their decline continues to attenuate, standing at 17.6 percent for the first eight months of the year. Similarly, the monthly flow of expenditure under same heading increased by more than half compared to August 2020. They thus showed a cumulative fall of 9.1 percent to 6.3 billion dirhams.

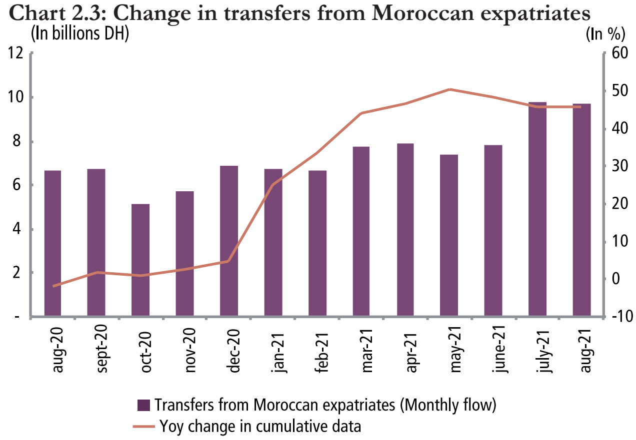
Chart 2.2: Change in travel receipts



Source: Foreign Exchange Office.

Continuing their trend at historically high monthly levels, remittances from Moroccan expatriates increased by 45.7 percent to 63.7 billion in the first eight months of 2021.

Chart 2.3: Change in transfers from Moroccan expatriates



Source: Foreign Exchange Office.

2.3 Financial account

With regard to the main financial operations, the net flow of FDIs rose by 16.9 percent to 12.6 billion, as a result of a rise of 2.8 billion in receipts, more important than the 948 million rise in disposals. As to the net flow of direct investments of Moroccans abroad, it decreased by 16.4 percent to 2.4 billion, reflecting increases of 6.9 billion in expenditure and 7.4 billion in revenues.

By the end of August 2021, the outstanding official reserve assets reached 312.6 billion dirhams, representing the equivalent of 6 months and 28 days of imports of goods and services.

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

	January - august		Change	
	2021	2020	Value	In %
Foreign direct investments	**12 557**	**10 743**	**1 814**	**16. 9**
Revenues	19 982	17 220	2 762	16. 0
Expenses	7 425	6 477	948	14. 6
Investments of Moroccans abroad	**2 363**	**2 827**	**-464**	**-16. 4**
Expenses	12 204	5 266	6 938	-
Revenues	9 841	2 439	7 402	-

Source: Foreign Exchange Office.

3. MONEY, CREDIT AND ASSETS MARKET

During the second quarter of 2021, monetary conditions were marked by a fall in lending rates and an appreciation of the real effective exchange rate. As regards bank credit to the non-financial sector, its growth dropped from 4.1 percent in the first quarter to 3.3 percent, covering a slowdown in the growth rate of loans granted to private non-financial enterprises, a further decline in those granted to public enterprises and an acceleration in loans to households. With regard to the other counterparts of the money supply, the growth rate of the official reserve assets recorded a deceleration from 22.1 percent to 4.8 percent and net claims on the central government increased by 11 percent after 13.4 percent. Overall, money supply growth fell from 8.7 percent to 7.2 percent.

In the real-estate market, asset prices dropped by 5.4 percent in the second quarter, as a result of decreases of 5.6 percent in residential property prices, 5 percent in urban land prices and 7.3 percent in business property prices. As for the number of transactions, it increased by 18.8 percent overall, by 22 percent for residential property and by 29.2 percent for urban land, while acquisitions of business properties decreased by 20.7 percent.

At the Casablanca Stock Exchange, in the third quarter, the MASI rose by 6.3 percent and the volume of trade reached 16.1 billion against 17.5 billion a quarter earlier. As for market capitalization, it showed a quarterly increase of 6.2 percent to 677.3 billion dirhams.

3.1 Monetary conditions

3.1.1 Bank liquidity and interest rates

Reflecting the rise of currency in circulation, banks' liquidity needs increased during the third quarter of 2021 to 83.2 billion dirhams on a weekly average, against 66.3 billion a quarter before. Under these conditions, Bank Al-Maghrib raised the amount of its injections to 97 billion, including 41.2 billion in the form of 7-day advances, 28.3 billion through repurchase agreements, 27.1 billion in the form of guaranteed loans granted within the framework of programs to support the financing of VSMEs and 384.6 million in the form of foreign exchange swaps. In this context, the interbank rate remained in line with the key rate at 1.50 percent.

On the Treasury bill market, rates remained virtually stable in the third quarter on the primary segment for short maturities and increased for medium and long maturities. On the secondary market, rates remained almost stable for short and long maturities and trended upward for medium maturities.

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

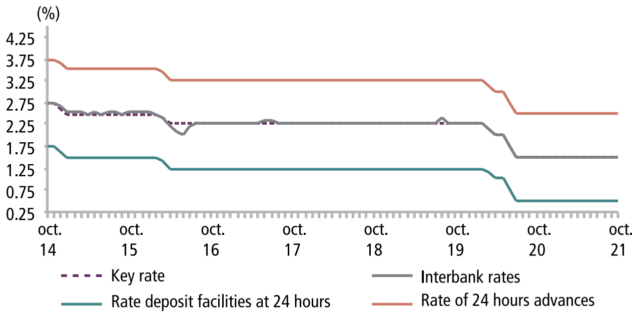
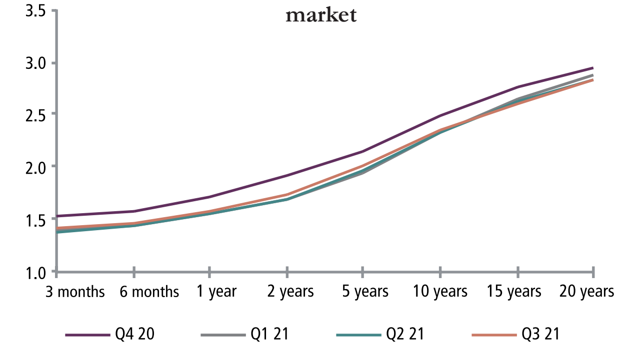


Table 3.1: Change in Treasury bond yields in the primary market

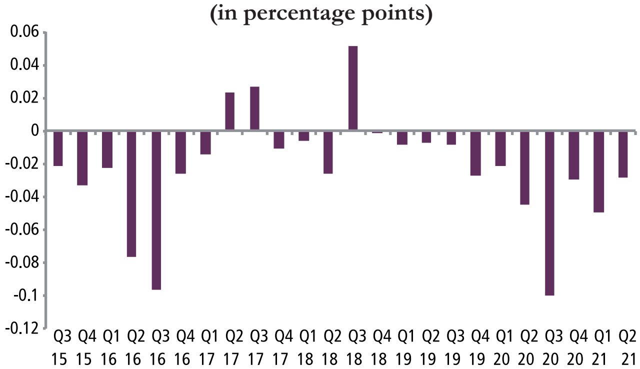
	2020				2021		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
26 weeks	2. 34	2. 16	1. 68	1. 79	1. 43	1. 42	1. 41
2 years	2. 40	2. 22	1. 83	2. 01	1. 70	1. 69	1. 77
5 years	2. 50	2. 42	2. 10	2. 20	1. 96	1. 96	2. 04
10 years	2. 65	2. 40	2. 39	2. 62	2. 34	2. 32	2 . 36
15 years	2. 94	2. 90	-	2. 80	2. 64	2. 63	2. 64

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



On the other markets, rates on certificates of deposit issues trended downward during the second quarter. As for borrowing rates, they dropped by 19 basis points to 2.23 percent on average for 6-month deposits and by 14 basis points to 2.63 percent for 1-year deposits. Under these conditions, banks' cost of financing11 would have decreased slightly compared to the previous quarter.

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



The latest available data indicate monthly decreases in borrowing rates in August by 16 basis points, to 2.25 percent, for 6-month rates and 4 basis points, to 2.54 percent, for 1-year rates.

Regarding lending rates, the results of Bank Al-Maghrib's survey with banks for the second quarter of 2021 show a decrease in the overall average rate by 13 basis points to 4.32 percent. By institutional sector, the rates applied to loans to businesses fell by 19 points, reflecting decreases of 18 points for loans to large companies and 6 points for those to VSMEs. As for rates applied to loans to individuals, they remained stable overall at 5.19 percent, with in particular an increase of 14 points for rates applied to consumer loans and a decrease of 7 points for those applied to housing loans.

Table 3.2 : Change in lending rates

	2020				2021	
	Q1	Q2	Q3	Q4	Q1	Q2
Global	**4. 89**	**4. 55**	**4. 34**	**4. 42**	**4. 45**	**4. 32**
Personal loans	**5. 51**	**5. 14**	**5. 15**	**4. 98**	**5. 19**	**5. 19**
Real estate loans	4. 43	4. 66	4. 31	4. 33	4. 33	4. 26
Consumer loans	6. 55	6. 56	6. 46	6. 40	6. 50	6. 64
Loans to businesses	**4. 76**	**4. 46**	**4. 16**	**4. 28**	**4. 23**	**4. 04**
Cash advances	4. 67	4. 43	3. 96	4. 09	4. 04	3. 96
Equipment loans	4. 53	4. 18	4. 51	4. 23	4. 49	4. 13
Real estate loans	6. 15	6. 12	5. 85	5. 84	5. 81	5. 59

Source : BAM.

Table 3.3: Deposit rates

	2019		2020				2021	
	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
6 months	2. 75	2. 68	2. 73	2. 64	2. 50	2. 36	2. 42	2. 23
12 months	3. 01	2. 98	3. 06	3. 02	2. 71	2. 68	2. 77	2. 63

3.1.2 Exchange rate

During the third quarter of 2021, the euro depreciated by 2.22 percent against the US dollar. Under these conditions, the national currency appreciated by 1.42 percent against the euro and depreciated by 0.78 percent against the US dollar. Compared to the currencies of the main emerging countries, the dirham appreciated by 1.11 percent against the Turkish lira and depreciated by 0.60 percent against the Chinese yuan.

Concerning the effective exchange rate, it appreciated by 0.99 percent in nominal terms and by 0.83 percent in real terms in the second quarter.

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

Chart 3.4: Change in the exchange rate of the dirham

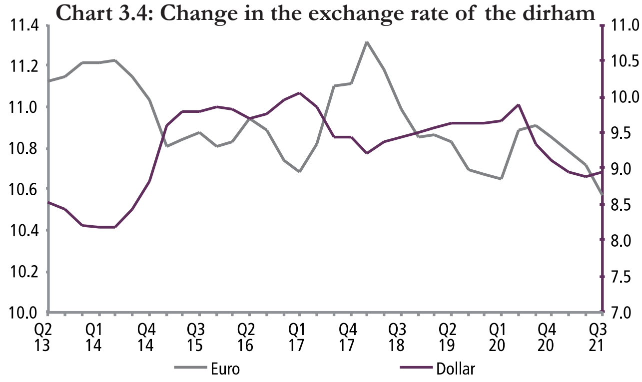
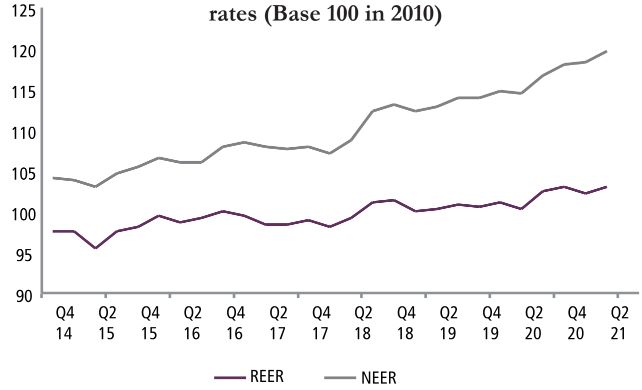


Chart 3.5: Change in the nominal and real effective exchange rates (Base 100 in 2010)



Source : BAM calculations and IMF.

As regards foreign currency transactions, the average volume of banks spot operations with customers increased by 53 percent to 29.7 billion dirhams for sales and by 58.6 percent to 28.8 billion dirhams for purchases. At the same time, forward purchases increased by 109.5 percent to 16.8 billion and forward sales decreased by 4.6 percent to 2.8 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 -1.8 billion at the end of June 2021, against 1.4 billion dirhams at the end of March 2021.

The latest available data relating to the months of July and August indicate an increase by 28.6 percent to 27.6 billion dirhams on average in the volume of spot transactions for sales and 34.2 percent to 24.3 billion for purchases. As for forward transactions, their average volume decreased by 29 percent to 1.7 billion for sales and increased by 28.6 percent to 13 billion for purchases. During the auctions of foreign exchange purchases from 20 to 22 September, the Bank retained a total amount of 671 million dollars, equivalent to 6 billion dirhams. As a result, the foreign exchange position stood at 3.3 billion as of 29 September against 9.5 billion at the end of August 2021.

3.1.3 Monetary situation

The growth rate of the M3 aggregate decelerated from 8.7 percent in the first quarter to 7.2 percent in the second quarter, reflecting in particular a slowdown of the growth in notes and coins from 17.1 percent to 6.4 percent. In the same vein, sight deposits increased by 9.2 percent, after 10.9 percent, following the deceleration of the growth of household deposits from 10.3 percent to 8.6 percent and the decline of those of financial agents by 6 percent, after a rise of 23.9 percent.

As for time deposits, their decline fell from 5.9 percent to 2.5 percent, reflecting an acceleration in the growth rate of those of financial agents from 21.8 percent to 59.4 percent and the attenuation from 27.7 percent to 9.1 percent in the decline of those of the public sector. As to the money market fund shares, they increased by 25.2 percent compared to 22.4 percent in the first quarter.

By main counterpart, the change in the money supply covers in particular decelerations from 22.1 percent to 4.8 percent in the rise of official reserve assets, from 13.4 percent to 11.0 percent in the increase of net claims on the central government and from 3.7 percent to 3.0 percent for bank credit.

Chart 3.6: Contribution of the major counterparts to YoY change in money supply

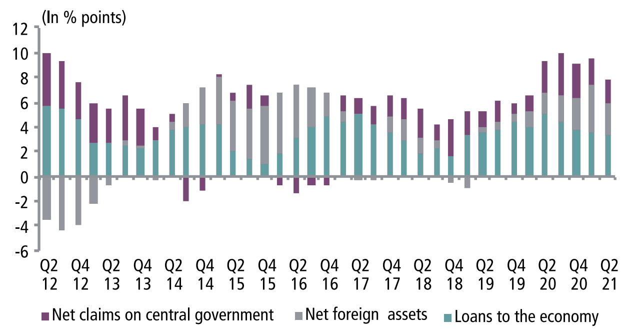
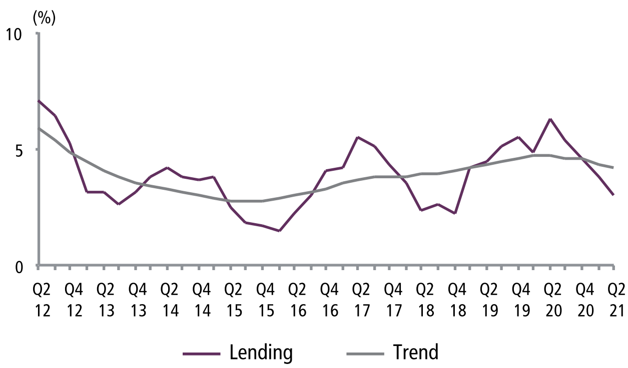


Chart 3.7: YoY change in credit



Concerning in particular credit to the non-financial sector, its annual growth fell from 4.1 percent in the first quarter to 3.3 percent in the second one, covering a slowdown in the growth of loans to private companies, an accentuation of the fall of those granted to public companies and an acceleration in the growth of loans to households.

Thus, the growth rate of loans to private companies went down from 5.6 percent to 2.7 percent, as a result of a deceleration in the growth rate of cash loans from 14.2 percent to 7.1 percent, the attenuation of the fall in equipment loans from 4.9 percent to 4.1 percent and the decrease of 4.7 percent in real-estate loans after a rise of 1.2 percent.

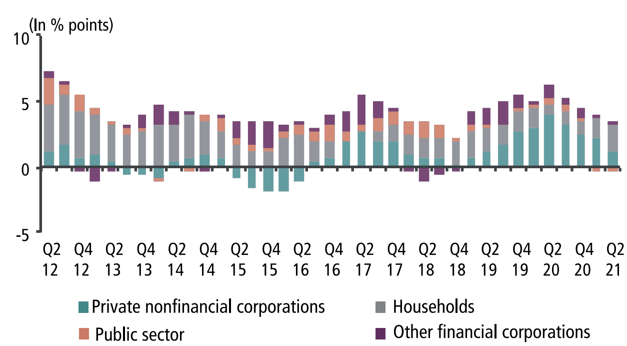
Loans to public companies dropped by 9.1 percent after 6.2 percent in the previous quarter, due to the rise in the drop of equipment loans from 11.3 percent to 14.2 percent. On other hand, cash loans to public companies increased by 12.2 percent after a decrease of 2.2 percent and real-estate loans were up 23.6 percent after a decrease of 19.1 percent.

As to loans to individual entrepreneurs, their rise fell from 8 percent to 5 percent, reflecting a deceleration of the rise in cash loans from 23.7 percent to 20.2 percent and an accentuation of the fall in loans intended for real-estate development from 12.4 percent to 17.0 percent, whereas the drop of equipment loans was attenuated, moving from 2.8 percent to 1.4 percent.

By activity branch, the quarterly data relating to the second quarter of 2021 indicate an increase of 4.6 percent year-on-year in loans intended for the "construction" sector after a fall of 0.6 percent one quarter earlier and an acceleration from 1.2 percent to 11 percent in the rise of those granted to the "chemical and para-chemical industries". On the other hand, the growth rates of loans to the "food and tobacco industries" and "textile, clothing and leather industries" decelerated from 12.5 percent to 9 percent and from 19.2 percent to 13.9 percent, respectively.

As for loans to private individuals, their growth rate rose from 3.8 percent to 6.3 percent, reflecting an improvement from 4.7 percent to 7.7 percent in the growth rate of housing loans and a stability in consumer loans, after a drop of 3.6 percent.

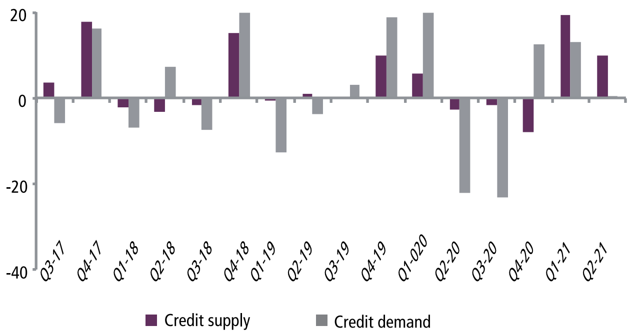
Chart 3.8: Institutional sectors' contribution to YoY change in credit



Source : BAM

As for nonperforming loans, they increased by 11.1 percent and their ratio to outstanding bank credit stood at 8.6 percent. They moved up by 11.9 percent for private non-financial companies and by 9.9 percent for households.

Chart 3.9: Change in supply and demand (Diffusion Index)



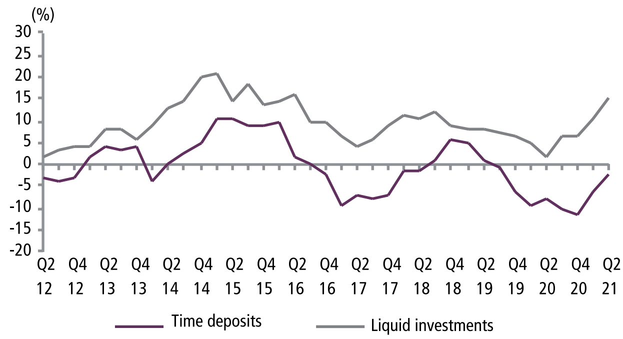
Source : BAM

As regards loans granted by non-bank financial corporations to the non-financial sector, they increased by 0.5 percent after a decline of 1 percent one quarter earlier. This change covers in particular an acceleration from 0.5 percent to 3.7 percent in the rise of loans granted by finance companies and an increase in the decline from 10.1 percent to 26.7 percent, for those granted by offshore banks.

The latest available data indicate an increase in bank credit from 1.6 percent in July to 2.9 percent in August, with in particular an acceleration of the pace of lending to the non-financial sector from 3 percent to 3.5 percent.

As regards liquid investment aggregates, their annual growth rate rose from 10.1 percent in the first quarter to 15 percent in the second quarter of 2021. This change covers an acceleration of the increase in Treasury bills from 6.2 percent to 11.3 percent, from 21.9 percent to 57.4 percent for equity and diversified mutual fund shares and from 11.9 percent to 12.2 percent for bond mutual fund shares.

Chart 3.10: YoY change in liquid investments and time deposits



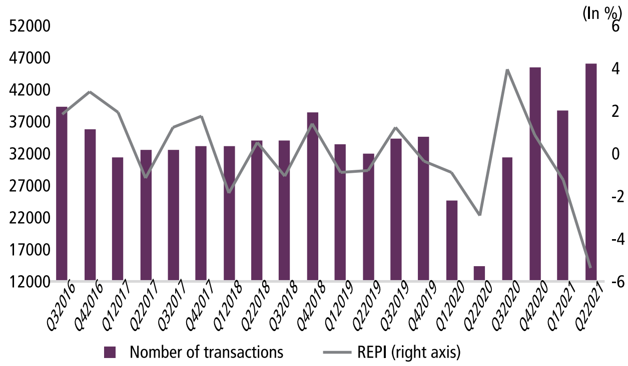
3.2 Asset prices

3.2.1 Real estate assets

After a fall of 1.3 percent in the first quarter of 2021, the real-estate price index declined by a further 5.4 percent in the second quarter. This change reflects decreases of 5.6 percent in the prices of residential property, 5 percent in those of urban land and 7.3 percent in those of business property. The number of transactions rose by 18.8 percent. This rise covers an increase of 29.2 percent of transactions relating to urban land, a rise of 22 percent of sales of residential property, while those of business property dropped by 20.7 percent.

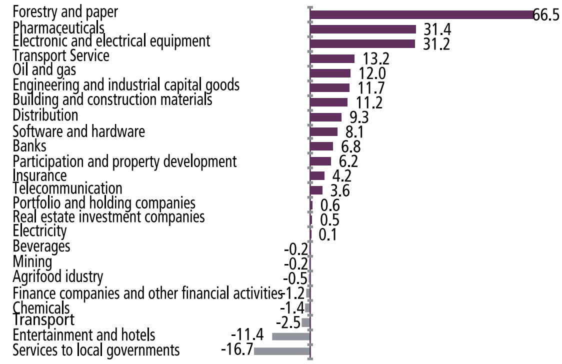
The fall in the prices of real estate assets has concerned all the main cities, with rates ranging from 3.4 percent in Marrakech to 8.8 percent in Fez. As regards the number of transactions, and with the exception of Kenitra which has known a drop of 4.3 percent, all the main cities have recorded rises, with rates reaching notably 28.9 percent in Marrakech, 27.8 percent in El Jadida and 21 percent in Casablanca.

Chart 3.11: Change in the REPI and in the number of real estate transactions



Sources : BAM and the National Land Registry and Mapping Agency

Chart 3.13: Contribution of sectoral indexes in the first quarter 2020 (in%)



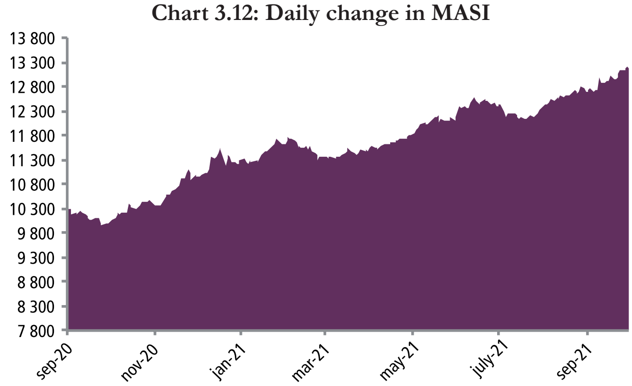
Source : Casablanca Stock Exchange.

3.2.2 Financial assets

3.2.2.1 Shares

At the end of the third quarter of 2021, the MASI recorded a quarterly increase of 6.3 percent, bringing its year-to-date performance to 16.8 percent. This reflects, in particular, the appreciation of the "building and construction materials" sector index by 11.2 percent, the banking sector by 6.8 percent and the telecommunications sector by 3.6 percent. Conversely, the indices for the food industry and services to local communes recorded falls of 0.5 percent and 16.7 percent, respectively.

Chart 3.12: Daily change in MASI



Source : Casablanca Stock Exchange.

As for the volume of transactions, it stood at 16.1 billion against 17.5 billion dirhams during the second quarter of 2021. By compartment, the turnover stood at 7.8 billion after 13.4 billion on the central equity market and went from 1.7 billion to 6.4 billion on the block market.

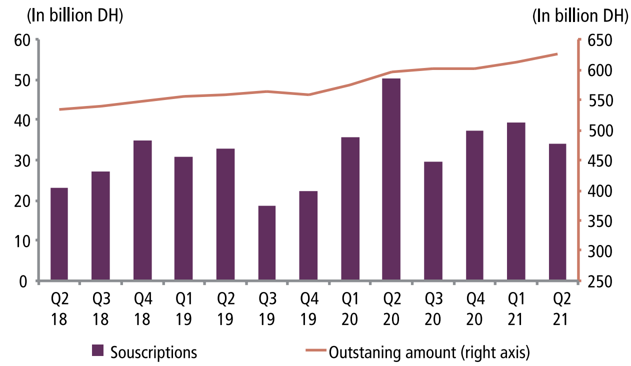
Against this backdrop, market capitalization recorded a quarterly increase of 6.2 percent to 677.3 billion dirhams.

3.2.2.2 Sovereign debt market

In the second quarter of 2021, the Treasury issues on the domestic market amounted to 34.1 billion dirhams, down 13.4 percent from one quarter to the next. They concerned medium maturities for 77 percent, long maturities for 12 percent and 11 percent for long maturities.

In August 2021, the Treasury raised 6.3 billion dirhams, 60 percent of which concerned medium maturities and 34 percent short ones. Taking into account repayments, amounting to 2.8 billion dirhams, the outstanding amount of Treasury bills reached 636 billion dirhams, up 5.9 percent compared to end-December 2020.

Chart 3.14: Change in outstanding Treasury bonds



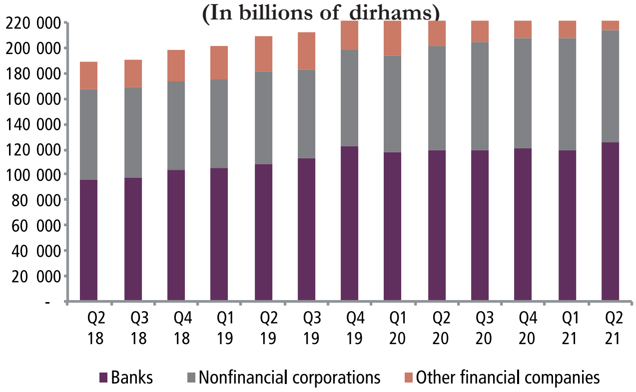
Source : BAM.

3.2.2.3 Private debt market

On the private debt market, issues amounted to 21.1 billion dirhams in the second quarter, with a quarterly increase of 85.3 percent. Banks raised 15.5 billion dirhams against 6.3 billion dirhams in the previous quarter and non-financial companies raised 2.9 billion dirhams after 3.4 billion dirhams.

During the month of August, private debt issues amounted to 4.5 billion, bringing its outstanding amount to 252.8 billion, up 4.7 percent since the beginning of the year.

Chart 3.15: 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 third quarter of the year, subscriptions to mutual fund securities amounted to 259.8 billion dirhams, up 19.7 percent, and redemptions reached 254.4 billion dirhams, up 20 percent, which represents a net inflow of 5.4 billion dirhams. The performance indices continued their upward trend for all funds, with growth rates ranging between 0.3 percent for money market funds and 7.1 percent for equity funds.

4. FISCAL POLICY STANCE

At the end of the first eight months of 2021, the budget execution showed a deficit excluding privatization of 48.8 billion, increasing by 2.2 billion from one year to the next. Ordinary expenditure went up by 8.6 percent to 189.5 billion, driven in particular by rises of 6.1 percent in expenditure on goods and services, 22.7 percent in transfers to local authorities and 31.7 percent in the subsidization charges. On the other hand, non-privatization ordinary revenues improved by 9.3 percent to 173.4 billion, covering an 11.7 percent increase in tax revenues and a 16.5 percent drop in non-tax revenues. Thus, the ordinary balance was negative at 16.2 billion, up 315 million compared to that recorded a year earlier. As for investment, it gained 5.4 percent to 42.3 billion, bringing total expenditure to 231.8 billion, up 8 percent.

Taking into account the reduction in the stock of pending operations by 18.5 billion, the cash deficit excluding privatization stood at 67.4 billion, instead of 48.2 billion in the same period of 2020. This need was covered by domestic resources of a net amount of 59 billion, by privatization receipts worth 5.4 billion and by a positive net external flow of 3 billion. Thus, the outstanding direct public debt would have increased by 4.5 percent compared to its level at end-December 2020. The Treasury's financing conditions on the auction market remained favorable, the average rates having fallen during the first eight months of 2021 compared with the same period in 2020.

4.1 Current receipts

The budget execution for the first eight months of the year shows an increase of 9.3 percent to 173.4 billion in ordinary revenues, excluding privatization, covering an 11.7 percent improvement in tax revenues and a 16.5 percent drop in non-tax ones. The favorable change in tax revenues concerns the main categories except for corporate tax.

Direct tax revenues were generated up to 71.8 percent compared to the Finance Act, showing a drop of 2.1 percent to 57.5 billion, mainly as a result of the 9.9 percent fall to 25.2 billion in corporate tax revenues, in connection, in particular, with the contraction of economic activity in 2020, as well as the non-allocation in 2021 to the general budget of revenues from the social solidarity contribution on profits and income. On the other hand, income tax revenues increased by 12.8 percent to 31.2 billion, with a realization rate of 78.5 percent, reflecting in particular rises of 1.5 billion to 2.9 billion in income tax on real estate profits and 649 million to 6.6 billion in income tax on wages paid by the Personnel Expenses Directorate. The improvement in income tax can also be explained by the two operations of spontaneous regularization of taxpayers' situation, which brought in 836 million dirhams.

As for indirect taxes, they improved by 20.8 percent to 83 billion dirhams, mainly reflecting increases of 22.7 percent to 63.3 billion dirhams in VAT revenues and 15.2 percent to 19.7 billion dirhams in DCT revenues. These include rises of 18.2 percent to 10.8 billion in DCT on energy products and 9.2 percent to 7.5 billion in DCT on tobacco. The improvement in VAT reflects rises of 25.5 percent to 39.5 billion in import VAT receipts and 18.2 percent to 23.8 billion in domestic VAT receipts, mainly due to the recovery in household consumption.

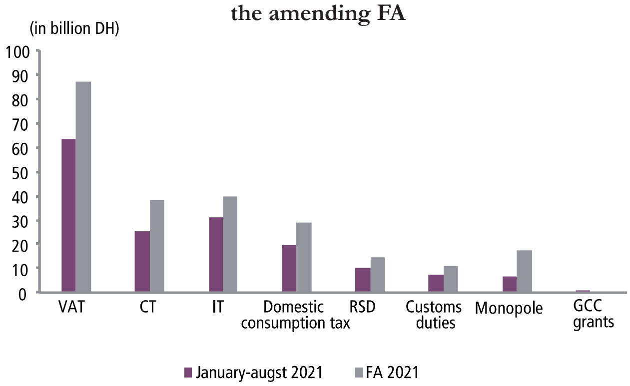
Table 4.1: Change in current revenues (in billions of dirhams)*

	Jan. aug. 2020	Jan. aug. 2021	Change in %	FA 2021	Achievements against the FA (%)
Current revenues	**158. 6**	**173. 4**	**9. 3**	**259. 0**	**66. 9**
Tax revenues	**142. 2**	**158. 8**	**11. 7**	**221. 7**	**71. 7**
- Direct taxes	58. 7	57. 5	-2. 1	80. 1	71. 8
Including CT	28. 0	25. 2	-9. 9	38. 2	66. 0
I.T	27. 7	31. 2	12. 8	39. 8	78. 5
- Indirect taxes	68. 7	83. 0	20. 8	116. 1	71. 5
VAT*	51. 6	63. 3	22. 7	87. 0	72. 8
DCT	17. 1	19. 7	15. 2	29. 1	67. 7
- Customs duties	5. 8	7. 7	31. 5	10. 8	71. 2
- Registration and stamp duties	8. 9	10. 6	20. 1	14. 7	72. 2
Nontax revenues	**14. 5**	**12. 1**	**-16. 5**	**34. 0**	**35. 7**
- Monopoles and shareholdings	6. 0	6. 8	12. 4	17. 1	39. 7
- Other receipts	8. 5	5. 4	-37. 0	16. 9	31. 7
Including GCC grants	0. 1	0. 2	28. 9	0. 0	
TSA revenues	**1. 9**	**2. 4**	**22. 2**	**3. 3**	**71. 9**

*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.

In turn, revenues from customs duties and registration and stamp duties increased, respectively, by 31.5 percent to 7.7 billion and by 20.1 percent to 10.6 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

Non-tax revenues regressed by 16.5 percent to 12.1 billion dirhams, including in particular an 88 percent drop to 498 million dirhams in assistance funds, and a 12.4 percent increase to 6.8 billion dirhams in revenues from monopolies and holdings, mainly from OCP for 3 billion dirhams, ANCFCC (National Land Registry Office) for 2 billion dirhams, and Bank Al-Maghrib for 837 million dirhams.

4.2 Expenditure

At the end of the first eight months of 2021, overall expenditure amounted to 231.8 billion, with an increase of 8 percent. This change reflects rises of 8.6 percent to 189.5 billion in ordinary expenditure and 5.4 percent to 42.3 billion in investment. Expenditure on goods and services reached 135.4 billion, up 6.1 percent compared to the same period in 2020, as a result of increases of 6.5 percent to 94.7 billion in the wage bill and 5.1 percent to 40.7 billion in expenditure on other goods and services. These take into account, in particular, an increase of 32.3 percent to 21.3 billion in transfers to public establishments and enterprises and a decrease of 43.3 percent to 3.4 billion in payments to special Treasury accounts. The change in the wage bill, which takes into consideration the impact of the measures of the 3rd part of the increase decided within the framework of social dialogue, includes increases of 2.7 percent in its structural component and 178.9 percent in the payment of arrears on the part served by the Personnel Expenses Department.

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

	Jan. aug. 2020	Jan. aug. 2021	Change in %	FA 2021	Achievements against the FA (%)
Overall spending	**214. 6**	**231. 8**	**8. 0**	**341. 1**	**67. 9**
Current spending	**174. 5**	**189. 5**	**8. 6**	**273. 0**	**69. 4**
Goods and services	127. 6	135. 4	6. 1	205. 7	65. 8
Personal	88. 9	94. 7	6. 5	139. 9	67. 7
Other goods and services	38. 8	40. 7	5. 1	65. 9	61. 8
Debt interests	21. 7	22. 4	3. 4	27. 7	81. 1
Subsidy	9. 6	12. 7	31. 7	13. 6	93. 7
Transfer to local governments	15. 5	19. 0	22. 7	26. 1	72. 8
Investment	**40. 1**	**42. 3**	**5. 4**	**68. 1**	**62. 1**

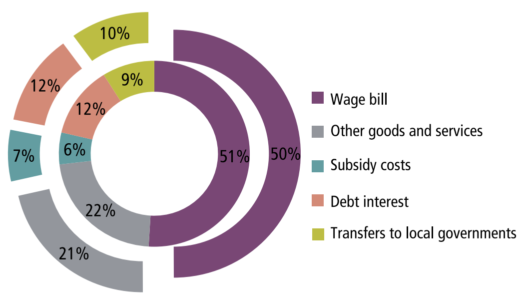
*Taking into account 30 percent of the VAT transferred to local governments.
Sources : Ministry of Economy and Finance and Administration Reform, VAT reprocessing by BAM.

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 payments rose by 3.4 percent to 22.4 billion, reflecting increases of 25.9 percent to 3 billion in interests on external debt and 0.6 percent to 19.4 billion in interests on domestic debt.

Chart 4.3: Structure of current spending



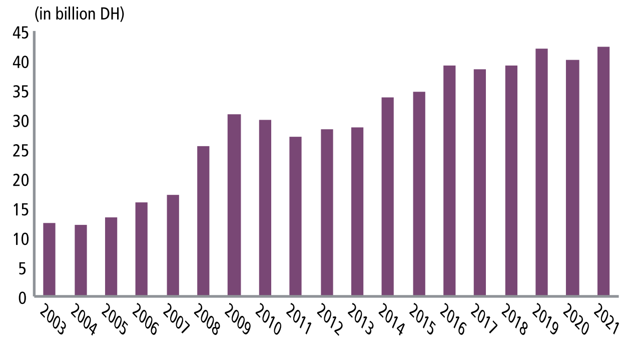
Inner ring : January-August 2020
Outer ring : January-August 2021

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

For its part, the subsidization costs amounted to 12.7 billion, up 31.7 percent, with a realization rate of 93.7 percent, mainly due to the 58.6 percent rise in the average price of butane gas to 563 dollars per ton.

As for capital expenditure, it increased by 5.4 percent to 42.3 billion, with a year-on-year decline of 23.9 percent in the month of August, after rises of 3.6 percent and 64 percent in flows in June and July, respectively. The execution level of this expenditure stands at 62.1 percent compared to the Finance Act.

Chart 4.4: Investment spending, at end of August

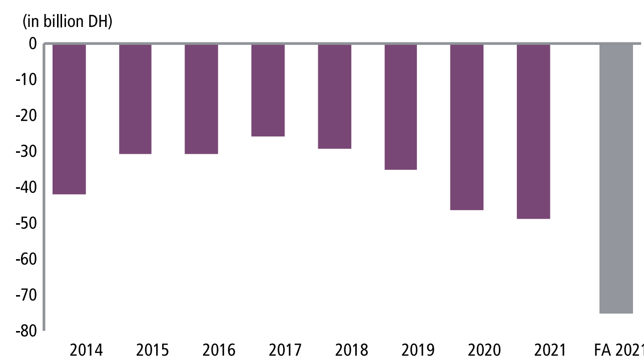


Source : Ministry of Economy and Finance and Administration Reform.

4.3 Deficit and Treasury Financing

Taking into account the change in revenues, expenditures and the improvement of 2.8 percent to 9.6 billion in the balance of the Treasury's special accounts, the budget execution resulted in a deficit excluding privatization of 48.8 billion against 46.6 billion a year earlier. The Treasury also reduced its stock of pending operations by 18.5 billion, thus bringing the cash deficit to 67.4 billion, instead of 48.2 billion in the same period in 2020.

Chart 4.5: Fiscal balance, at end of August



Source : Ministry of Economy and Finance and Administration Reform.

The Treasury's financing requirement was covered by domestic resources for a net amount of 59 billion, including an increase in Treasury deposits by 15.2 billion, by privatization receipts for 5.4 billion and by a positive net external flow of 3 billion, compared with 15.2 billion a year earlier, gross drawings having reached 9.2 billion, including 3.2 billion which came from the World Bank.

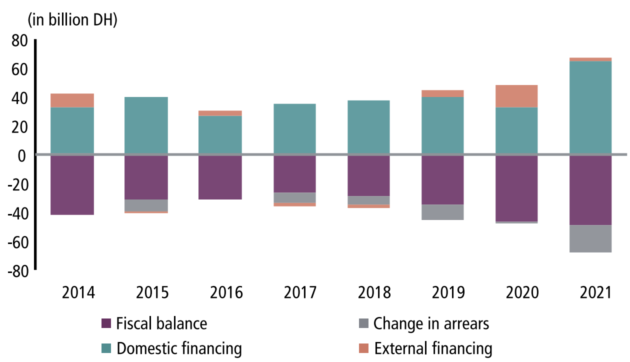
Table 4.3: Deficit financing (in billions of dirhams)

	Jan.-aug. 2020	Jan.-aug. 2021	FA 2021
Current balance	**-15. 8**	**-16. 2**	**-14. 0**
Balance of TSA	9. 3	9. 6	7. 0
Covid-19 Fund	9. 0	-2. 2	
Primary balance	-24. 9	-26. 4	-47. 5
Fiscal balance	**-46. 6**	**-48. 8**	**-75. 1**
Change in arrears	-1. 6	-18. 5	
Financing requirements	**-48. 2**	**-67. 4**	**-75. 1**
Domestic financing	33. 0	59. 0	36. 8
External financing	15. 2	3. 0	34. 4
Privatization	0. 0	5. 4	4. 0

Sources : Ministry of Economy and Finance and Administration Reform.

In terms of domestic financing, recourse to the auction market concerned an amount of 35.2 billion, compared with 44.5 billion a year earlier. The largest net subscriptions concerned in particular 2-year maturities for 22.2 billion, 5-year maturities for 14.4 billion and 20-year maturities for 5.5 billion. Net repayments covered 26-week and 15-year bonds for 5.6 billion and 3.7 billion, respectively.

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



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

The Treasury's funding conditions on the auction market were favorable in the first eight months of the year, with decreases in weighted average rates. The declines reached 71 bps to 1.54 percent for 52-week maturities, 51 bps to 1.37 percent for 13-week maturities and 47 bps to 1.71 percent for 2-year bonds. Similarly, for long maturities, rates continued their downward trend, with declines of 46 bps to 3.29 percent for 30-year bonds, 29 bps to 2.64 percent for 15-year bonds and 24 bps to 2.86 percent for 20-year bonds.

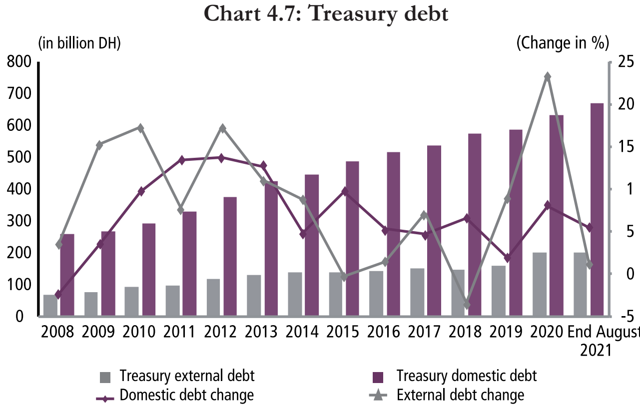
Table 4.4: Treasury debt outlook (in billions of dirhams)

	2016	2017	2018	2019	2020	End august 2021*
Treasury external debt	**142. 8**	**153. 2**	**148. 0**	**161. 5**	**199. 5**	**202. 5**
Change in %	1. 4	7. 3	-3. 4	9. 1	23. 5	1. 5
Treasury domestic debt	**514. 7**	**539. 1**	**574. 6**	**585. 7**	**632. 9**	**667. 7**
Change in %	5. 4	4. 8	6. 6	1. 9	8. 1	5. 5
Outstanding direct debt	**657. 5**	**692. 3**	**722. 6**	**747. 2**	**832. 4**	**870. 2**
Change in %	4. 5	5. 3	4. 4	3. 4	11. 4	4. 5

*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.

As regards direct public debt at end-August 2021, its outstanding amount would have increased by 4.5 percent compared to its level at end-December 2020, with a rise of 5.5 percent in its domestic component and 1.5 percent in the external one.

Chart 4.7: Treasury debt



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

5. DEMAND, SUPPLY AND LABOR MARKET

In the second quarter of 2021, economic activity rebounded by 15.2 percent thanks to a strong baseline effect, progress in the vaccination campaign and the easing of health restrictions. This reflects an increase of 14.8 percent in non-agricultural value added and 18.6 percent in the agricultural one. On the demand side, this change covers a positive contribution of 18.2 percentage points for its domestic component and a negative contribution of 3 percentage points for its external component.

In the third quarter of 2021, GDP is estimated to have risen by 5.1 percent after a fall of 6.7 percent in the same period a year earlier. The value added in the non-agricultural sectors would have recovered by 3.3 percent, while that of agriculture would have continued to improve with a rise of 18.3 percent under the effect of a good agricultural campaign.

Concerning the situation on the labor market, it recovered between the second quarter of 2021 and the same period of 2020, with the creation of 405 thousand jobs of which nearly four fifths were in agriculture. Taking into account a net entry of 533 thousand job seekers, the activity rate increased by 1.3 points to 46.1 percent and the unemployment rate worsened by 0.5 points to 12.8 percent overall and by 2.6 points to 18.2 percent in the cities, while in the countryside, it decreased by 2.4 points to 4.8 percent.

5.1 Domestic demand

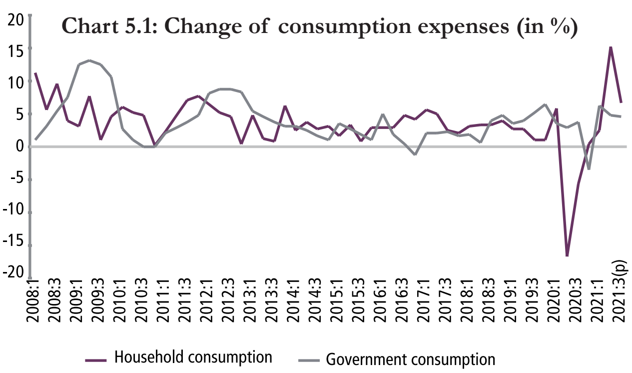
5.1.1 Consumption

National accounts data for the second quarter of 2021 show a continued improvement in household final consumption to 15.2 percent from 2.4 percent in the previous quarter. Its positive contribution to growth thus stood at 8.5 percentage points.

In terms of outlook, the available indicators suggest that household consumption will continue to improve by 6.7 percent in the third quarter. This change would be attributable to the good agricultural campaign and the exceptional rise in transfers from Moroccan expatriates.

With regard to the final consumption of the general government, the figures of the second quarter show an increase of 4.8 percent after that of 6.2 percent a quarter before, thus contributing to growth with 1.1 percentage point. For the third quarter, it would have evolved at around 4.5 percent, as indicated by the increase in expenditure on goods and services, observed in the situation of the Treasury's costs and revenues at the end of August.

Chart 5.1: Change of consumption expenses (in %)



Sources: HCP, and BAM forecasts.

5.1.2 Investment

In the second quarter of 2021, investment rebounded by 28.9 percent after an increase of 4.1 percent in the first quarter, thus contributing 8.6 percentage points to growth.

This dynamic was attenuated in the third quarter with an increase of 8.5 percent, as shown by the change in imports of capital goods and Treasury investment at the end of August.

5.2 Foreign demand

In the second quarter of 2021, exports of goods and services recovered by 25.6 percent, after the successive declines recorded since the first quarter of 2020. Imports increased by 27.2 percent after a 2.5 percent decline in the first quarter of the year. Against this background, the contribution to growth was negative at 3 percentage points.

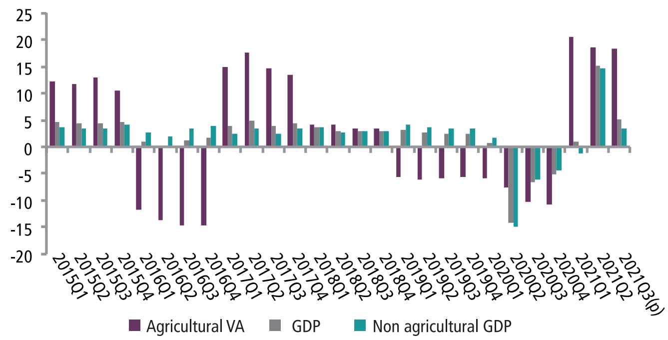
Estimates for the third quarter of 2021 point to a further improvement in the volume of foreign trade. Exports would have shown an increase of around 26.7 percent, as shown by the strong rises in phosphates and derivatives at the end of August. As for imports, they would have improved by 27 percent, in connection with the notable progress in the imports of energy products and capital goods.

5.3 Overall supply

In the second quarter of 2021, GDP rebounded by 15.2 percent, after a fall of 14.2 percent in the same period a year earlier, with an expansion of 14.8 percent in non-agricultural value added and 18.6 percent in agricultural value added.

In the third quarter, economic growth is estimated to have accelerated to 5.1 percent after a fall of 6.7 percent a year earlier. Agricultural value added continued to expand, rising by 18.3 percent thanks to a very good crop year. Non-agricultural value added is estimated to have increased by 3.3 percent, under the effect of improved activity in several sectors, in particular those most affected by the pandemic.

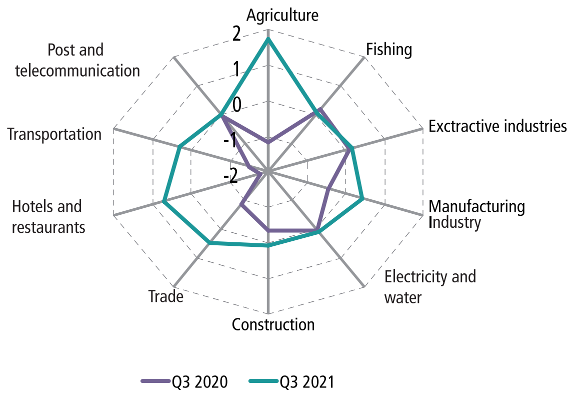
Chart 5.2: GDP per component (chained prices, yoy change in %)



Sources: HCP data, and BAM forecasts.

At the level of the secondary sector, the activity would have increased by 3.9 percent instead of a decrease of 2.7 percent in the same period of the previous year. By activity branch, it would have increased by 8.5 percent after 4.2 percent for extractive industries, by 3.1 percent against a fall of 3.1 percent for processing industries, by 3.5 percent after 1.6 percent for the "Electricity and water" branch and by 4.5 percent instead of 6.7 percent for construction.

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



Sources: HCP data, and BAM forecasts.

As regards tertiary activities, they would have continued their recovery, under the effect of the rebound of the hotel and restaurant activity, thanks in particular to the reopening of borders and the launching of the Marhaba operation 2021, as well as that of transport and trade services.

5.4 Labor market and output capacity

5.4.1 Activity and employment

The situation on the labor market was marked, between the second quarter of 2020 and the same period of 2021, by an increase of 4.5 percent in the number of working people aged 15 and more to almost 12.5 million, with a rise of 6.8 percent in the countryside and 3 percent in the cities.

Taking into account the change in the working-age population, the activity rate improved by 1.3 points to 46.1 percent. This includes an increase of 3.3 points to 52.9 percent in rural areas and 0.4 points to 42.6 percent in urban areas.

At the same time, the economy created 405 thousand jobs, against a loss of 589 thousand a year earlier, bringing the employed population to nearly 10.9 million people, up 3.9 percent. These creations are concentrated in agriculture with nearly four fifths of the total, followed by construction with 108 thousand and services with 40 thousand. Conversely, industry, including handicrafts, has suffered a loss of 53 thousand jobs.

5.4.2 Unemployment and underemployment

The unemployed labor force grew by 8.7 percent to 1.6 million people, and the unemployment rate worsened from 12.3 percent to 12.8 percent nationally and from 15.6 percent to 18.2 percent in the cities, while it decreased from 7.2 percent to 4.8 percent in the countryside. For young people aged 15-24 in particular, this rate fell by 2.6 points to 30.8 percent at national level and by 0.2 points to 47.2 percent for urban dwellers.

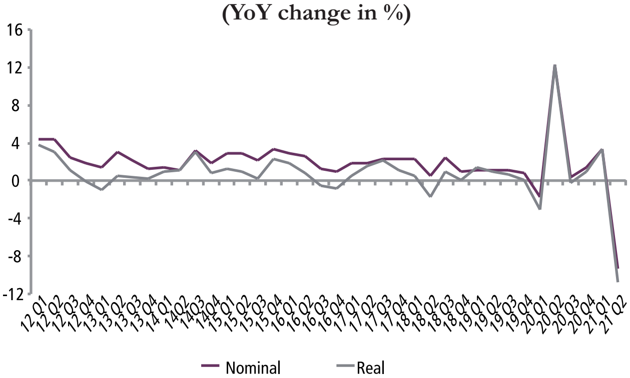
At the same time, the underemployment rate11 dropped overall from 13 percent to 9.2 percent, from 12.2 percent to 8.9 percent in the cities and from 14.1 percent to 9.5 percent in the countryside.

5.4.3 Productivity and wages

In the non-agricultural sectors, apparent labor productivity, as measured by the ratio of value added to employment, improved by 13.4 percent in the second quarter of 2021, after a contraction of 13.3 percent in the same period a year earlier. This is the result of a 14.8 percent increase in the value added and a 1.2 percent increase in the number of employees.

Against this background, the average wage, calculated on the basis of CNSS data as a ratio of the wage bill to the number of employees, fell year-on-year in the second quarter of 2021 by 9.4 percent in nominal terms and by 10.8 percent in real terms.

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

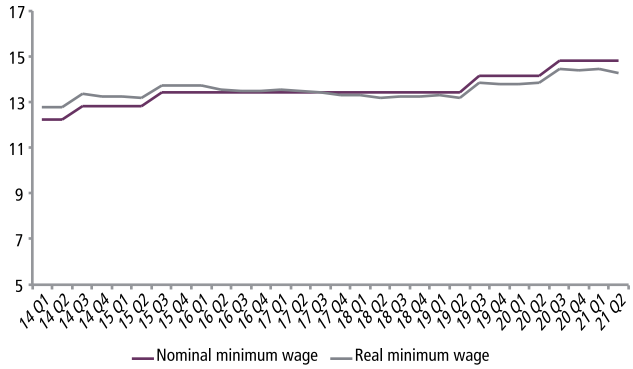


Sources: CNSS, and BAM calculations.

The minimum wage (SMIG) stood at 14.81 dirhams in nominal terms in the second quarter of 2021, with an improvement of 4.8 percent year-on-year. Taking into account a 1.6 percent rise in the consumer price index, it would have increased by 3.2 percent in real terms.

1 [1] The underemployed population consists of persons 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 are willing to change jobs due to mismatch with their training or qualification or the insufficient income perceived.

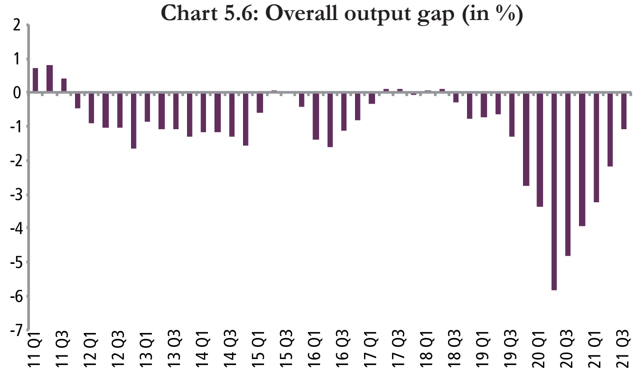
Chart 5.5: Hourly minimum wages in nominal and real terms (in DH/h)



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

Under these conditions, the output gap would have narrowed in the second and third quarters of 2021 while remaining negative.

Chart 5.6: Overall output gap (in %)



Source: BAM estimates.

Table 5.1 : Labor market main indicators

		Q2 2020	Q2 2021
Participation rate (%)		**44. 8**	**46. 1**
Urban		42. 2	42. 6
Rural		49. 6	52. 9
Unemployment rate (%)		**12. 3**	**12. 8**
Youth aged between 15 and 24 years old		33. 4	30. 8
Urban		15. 6	18. 2
Youth aged between 15 and 24 years old		47. 4	47. 2
Rural		7. 2	4. 8
Job creation (in thousands)		**-589**	**405**
Urban		-69	-9
Rural		-520	414
Sectors			
- Agriculture, forest and fishing		-477	318
- Industry including handicraft		-69	-53
- Construction		-9	108
- Services		-30	40
Nonagricultural apparent productivity (change in %)		**-13. 3**	**13. 4**
Average wage index (change in %)	**nominal**	**12. 3**	**-9. 4**
	Real	**12. 3**	**-10. 8**

Sources: HPC, CNSS and BAM calculations.

6. RECENT INFLATION TRENDS

In line with the forecasts of the Monetary Policy Report (RPM) of June, inflation accelerated in the second quarter of 2021, averaging 1.6 percent compared to 0.1 percent a quarter earlier. Inflation continued to rise through July before easing in August, to reach 1.5 percent on average in those two months and 1 percent in the first eight months of the year. This slight deceleration in inflation is explained by the growth rate of volatile food prices, which fell to 0.7 percent over the last two months, instead of 1.6 percent in the second quarter, as well as by the slowdown in the growth rate of the prices of fuels and lubricants from 22.3 percent to 13.7 percent, and that of regulated tariffs from 1.7 percent to 1.1 percent. On the other hand, core inflation maintained its uptrend, reaching 1.6 percent on average in July and August instead of 1 percent in the second quarter.

In the third quarter, inflation is forecast to decelerate slightly to 1.4 percent, with the expected slowdown in fuel and lubricant prices more than offsetting the rise in core inflation. The latter would be linked in particular to the acceleration of imported inflation.

6.1. Inflation trends

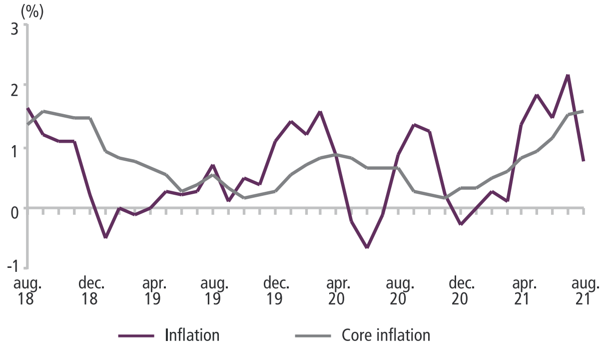
The acceleration in inflation, that began in the second quarter, continued in July 2021, reaching the highest rate since July 2018, at 2.2 percent. However, this trend came to an end in August when inflation fell back to 0.8 percent, bringing its average to 1.5 percent over these last two months instead of 1.6 percent in the second quarter. This slight deceleration is mainly attributable to the growth rate of the prices of volatile food products, fuels and lubricants and regulated products. On the other hand, core inflation continued to accelerate, reaching 1.6 percent on average in July and August instead of 1 percent a quarter earlier.

6.1.1. Prices of goods excluded from core inflation

After their significant increase in the previous quarter, due particular to higher demand during the month of Ramadan as well as the surge in the prices of certain agricultural inputs, especially soybeans, the prices of volatile food products fell on average between July and August 2021. Year-on-year, these prices have risen by an average of 0.7 percent over the last two months, instead of 1.6 percent in the second quarter. By product, this change is mainly linked to the drop of 35.9 percent instead of 15.5 percent in citrus fruit prices, and to the 0.7 percent fall instead of the 6.9 percent increase in fresh fruit prices, which more than offset the 0.4 percent increase, instead of the 3.7 percent drop, in fresh vegetable prices and that of 14.3 percent, instead of 11.6 percent, in poultry and rabbit prices.

Overall, the contribution of the volatile food component to inflation averaged 0.1 percentage points in July and August, compared with 0.2 percentage points a quarter earlier.

Chart 6.1: Headline inflation and core inflation, YoY



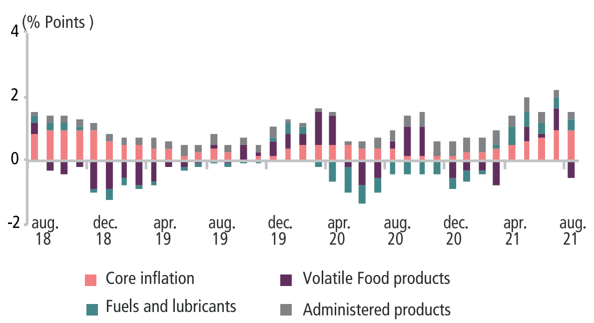
Sources: HCP and BAM calculations.

Table 6.1: Change in inflation and its components

(In %)	Monthly change			YoY change		
	june 21	july 21	aug. 21	june 21	july 21	aug. 21
inflation	**-0. 7**	**0. 4**	**0. 0**	**1. 5**	**2. 2**	**0. 8**
- Volatile food prices	-5. 9	0. 1	-2. 4	0. 9	6. 2	-4. 5
- Administered prices	-0. 1	0. 0	0. 6	1. 4	0. 9	1. 2
- Fuels and lubricants	1. 2	3. 2	0. 5	17. 7	13. 6	13. 7
Core inflation	**0. 1**	**0. 4**	**0. 3**	**1. 1**	**1. 5**	**1. 6**
- Food products	-0. 1	0. 5	0. 5	0. 7	1. 4	1. 4
- Clothing and footwear	-0. 1	-0. 1	0. 1	2. 1	2. 1	2. 4
- Housing, water, gas, electricity and other fuels[1]	0. 2	0. 2	0. 2	1. 7	1. 7	1. 9
- Furniture, household equipment and routine house maintenance	0. 1	0. 2	0. 1	0. 9	1. 1	1. 2
- Health[1]	0. 3	0. 0	0. 0	2. 0	2. 0	2. 0
- Transportation[2]	0. 4	0. 7	0. 2	1. 2	1. 6	1. 3
- Communication	-0. 1	0. 0	0. 0	-0. 3	-0. 3	-0. 4
- Entertainment and culture[1]	0. 0	0. 0	0. 1	1. 0	1. 1	1. 4
- Education	0. 0	0. 0	0. 0	1. 8	1. 8	1. 8
- Restaurants and hotels	0. 1	0. 4	0. 1	1. 1	1. 3	1. 3
- Miscellaneous goods and services [1]	0. 2	1. 4	0. 0	1. 7	2. 9	2. 7

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

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

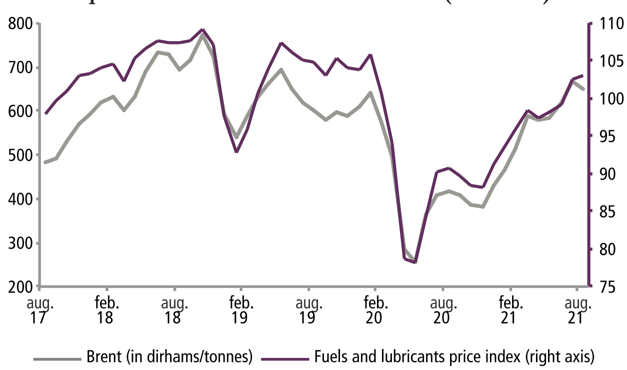


Sources: HCP, and BAM calculations.

Similarly, the growth rate of the prices of fuels and lubricants eased to 13.7 percent on average in July and August instead of 22.3 percent in the second quarter, reflecting, on the one hand, the dynamics of international prices of petroleum products and, on the other hand, the absorption of the base effect that characterized their trend during the first two quarters of the year. The contribution of these products' prices to inflation reached 0.3 percentage points between July and August against 0.5 points in the previous quarter.

Prices of regulated products rose at a slower rate of 1.1 percent instead of 1.7 percent in the second quarter, driven by the slowdown in the rise of prices for "road passenger transport" to 6.1 percent instead of 11.3 percent. This change resulted from the dissipation of the effect of these tariffs revisions in the same period of the previous year. In total, the contribution of regulated prices to inflation fell to 0.2 percentage points in the last two months from 0.4 percentage points in the second quarter.

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



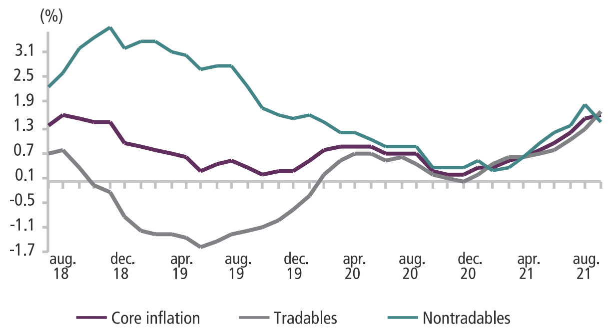
Sources: World Bank, HCP, and BAM calculations.

6.1.2. Core inflation

After an average rate of 1 percent in the second quarter, core inflation reached 1.6 percent on average in July and August. This significant increase reflects a virtually generalized acceleration in the prices of all its components, with the exception of "communications" prices, the fall of which intensified slightly to 0.4 percent from 0.2 percent and those of "health", which evolved at an unchanged rate of 2 percent.

The acceleration was particularly rapid for the prices of food products included in the CPIX, which rose by 1.4 percent instead of 0.4 percent, driven by price increases of 0.4 percent for "fresh meat" and 10.6 percent for "oils", particularly in connection with the rise in international soya prices. Similarly, prices in the "other goods and services" category rose by 2.8 percent compared to 1.5 percent in the second quarter, largely reflecting a rise of 6.6 percent, instead of 3.3 percent, in the prices for "hairdressing salons and beauty salons".

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 continued gradual acceleration in core inflation, since the beginning of the year, is the result of higher prices for these two components.

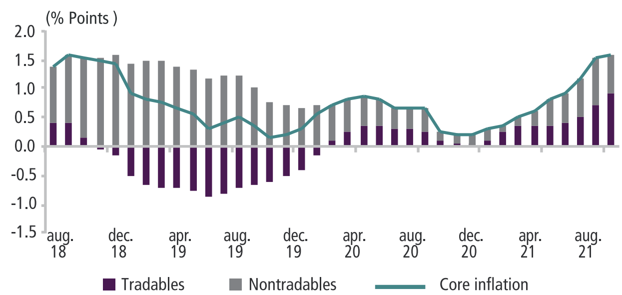
The prices of tradable goods increased by 1.5 percent on average over the last two months after 0.7 percent in the second quarter, particularly in connection with the rise in imported inflation. Similarly, prices of non-tradable goods rose by 1.6 percent instead of 1.1 percent.

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

(In %)	Monthly change			YoY change		
	june 21	july 21	aug. 21	june 21	july 21	aug. 21
Tradables	0. 0	0. 3	0. 4	1. 0	1. 3	1. 7
Nontradables	0. 1	0. 6	0. 1	1. 4	1. 8	1. 5
Core inflation	**0. 1**	**0. 4**	**0. 3**	**1. 1**	**1. 5**	**1. 6**

Sources: HCP, and BAM calculations.

Chart 6.5: Contribution of tradables and nontradables to core inflation



Sources: HCP, and BAM calculations.

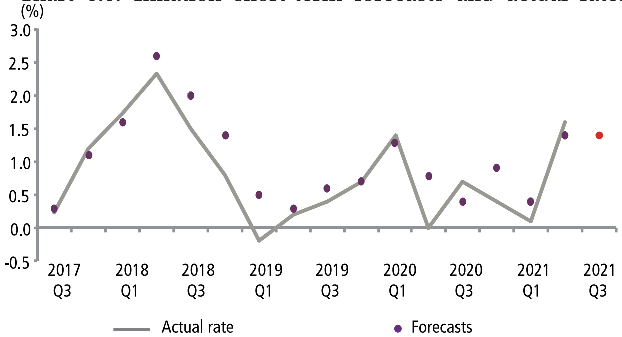
6.2. Short-term outlook for inflation

Inflation is expected to ease slightly to 1.4 percent in the third quarter of 2021 from 1.6 percent a quarter earlier. This easing would be attributable, on the one hand, to a less pronounced increase in regulated tariffs, or 1 percent instead of 1.7 percent one quarter earlier, which would reflect the dissipation of the increases in "passenger road transport" and "tobacco" tariffs recorded during the same period one year earlier. It would reflect, on the other hand, the expected continuation of the deceleration in the prices of fuels and lubricants to 13.7 percent against 22.3 percent in connection with the change in the international prices of oil products.

Similarly, taking into account the data on the prices of fresh products on the wholesale market, the prices of volatile food products would decline by 1 percent on average between July and September instead of an increase of 1.6 percent a quarter earlier.

By contrast, core inflation is forecast to rise to 1.8 percent instead of 1 percent, driven mainly by the increase in the prices of the foodstuffs composing it, in line with the projected change in their international prices.

Chart 6.6: Inflation short-term forecasts and actual rates



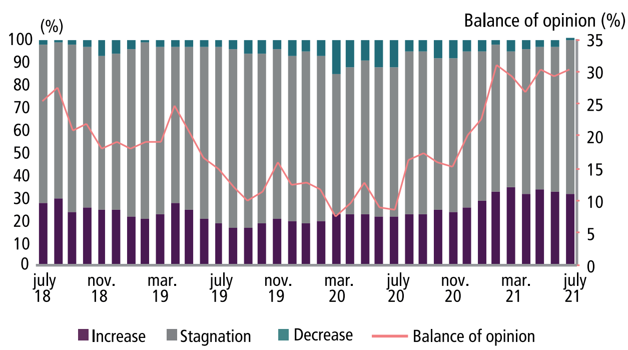
The forecast differences observed between Q1 2018 and Q1 2020 are partly related to the May 2020 HCP overhaul of the CPI. Thus, the CPI base 100=2006 is now replaced by 100=2017

Source: BAM.

6.3. Inflation expectations

The results of Bank Al-Maghrib's business survey in the industry, relating to July 2021, indicate that 68 percent of the industrialists surveyed expect inflation to stagnate over the next three months, 31 percent anticipate an increase while 1 percent of them foresee a decrease. The balance of opinion thus stands at 30 percent, compared with 29 percent in June.

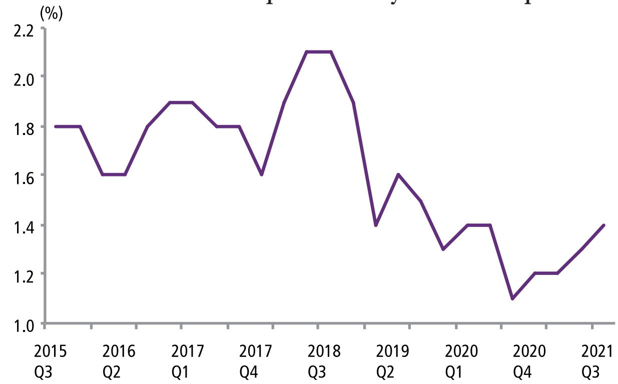
Chart 6.7: Three-month inflation expectations by business owners



Source: BAM's monthly business survey.

In addition, the results of Bank Al-Maghrib's inflation expectations survey for the third quarter of 2021 indicate that financial experts project inflation to rise slightly to 1.4 percent over the next eight quarters, instead of the 1.3 percent expected in the second quarter.

Chart 6.8: Inflation expectations by financial experts*

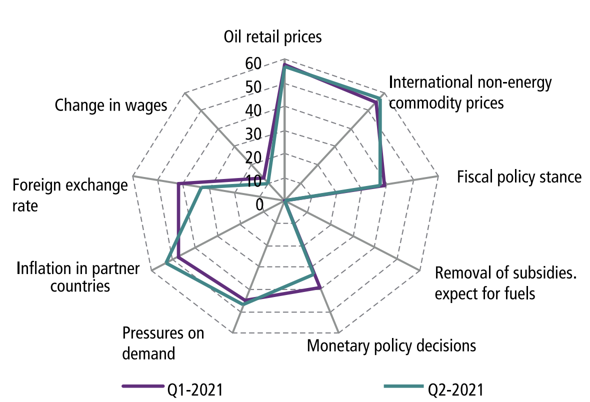


Source: BAM's quarterly survey on inflation expectations.

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

Financial experts consider that the future trend of inflation would be determined mainly by world non-oil commodity prices, monetary policy decisions, demand-driven pressures and inflation in partner countries.

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

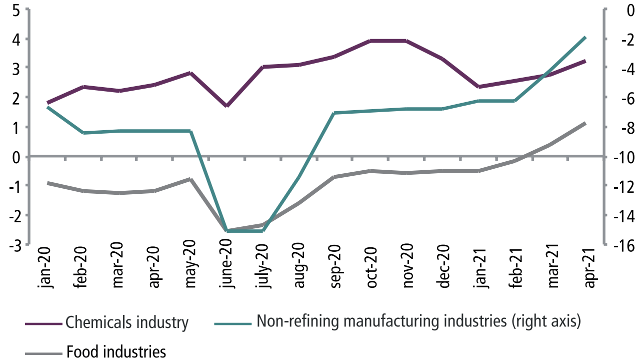


Source: BAM's Quarterly Survey on Inflation Expectations.

6.4. Producer[1] prices

Producer prices in non-refining manufacturing industries accelerated again by an average of 5.6 percent in July and August instead of 2 percent in the second quarter of 2021. This change is mainly driven by the 15.5 percent increase, after that of 1.2 percent, in producer prices in the "chemical industry". It is also attributable, although to a lesser extent, to the surge in the producer prices of the "metal industry", whose increase reached an average of 23.7 percent against 11.5 percent one quarter earlier, as well as those of the "manufacture of electrical equipment" with an average increase of 7.6 percent instead of 1.7 percent. On the other hand, producer prices in "other manufacturing industries" fell by an average of 1.4 percent instead of 5.3 percent in the second quarter.

Chart 6.10: YoY change in the main industrial producer price indexes



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 rapid spread of the Delta variant of Covid-19 and the reintroduction or extension of restrictive measures in several countries, the global economic outlook remains positive overall. However, a high level of uncertainty persists, particularly with regard to the re-emergence of new variants and disparities between countries in the roll-out of vaccination. In the United States, growth is expected to reach 5.9 percent this year, driven by the progress of the vaccination campaign and the strong fiscal stimulus. In 2022, it is expected to return to 3.2 percent. In the euro area, growth is projected at 5.2 percent for the year 2021 as a whole and then at 3.8 percent in 2022, and the UK's economy is forecast to grow by 6.3 percent in 2021, before slowing to 3.2 percent in 2022.

Concerning the main emerging countries, growth in China is expected to accelerate sharply in 2021 and then to return to a pace in line with the policy of economic rebalancing, i.e. around 5 percent. In India, growth in 2021 has been revised downwards, in line with the second wave that hit the economy in April and May this year, before accelerating to 12.7 percent in 2022. The Brazilian economy would benefit from a stabilization of its health situation and better trade terms this year, but its growth is expected to remain limited in 2022, due to the slow pace of vaccination and political uncertainties.

As regards monetary policy, normalization has begun in some emerging economies and is increasingly relevant in advanced economies, amid recovering economic activity, improving labor markets and strong, albeit temporary, inflationary pressures. While the ECB and the Federal Reserve decided at their last meetings to keep their key interest rates unchanged and to continue their asset purchase programs, the latter has recently announced its intention to start reducing its program in 2021, provided that progress towards its objectives of price stability and maximum employment continues. In parallel, fiscal support efforts continue to be made by governments, with new plans particularly in the US.

In commodity markets, the opening-up of economies is leading to strong demand for energy products, while production growth remains limited. As a result, the price of oil has recently risen, with the price of Brent crude oil expected to rebound to an average of $68.1/bl in 2021 and $68.5/bl in 2022. For phosphate and derivatives, prices for the first nine months of the year were higher than the World Bank's annual forecasts issued in April. For food products, adverse weather conditions, increased demand from China and supply chain disruptions would keep prices high in 2021, before easing in 2022 as these effects wear off.

Rising commodity prices, combined with reviving economic activity and rising freight costs, have led to stronger inflationary pressures. In the United States, inflation is expected to accelerate to 4.4 percent for the year as a whole, before slowing slightly to 4.2 percent in 2022. In the euro area, inflation is forecast to reach 2.3 percent this year and 1.9 percent in 2022.

At the national level, this year would be marked by a recovery of foreign trade in goods, low travel receipts as well as continued upward dynamics of transfers from the Moroccan expatriates. The current account deficit would end the year at 2.5 percent of GDP, after 1.5 percent in 2020. In 2022, the recovery of trade would be consolidated for both goods and services, and the current account deficit would return to 1.4 percent of GDP. As for Foreign direct investments (FDI) receipts, they would be around 3 percent of GDP over the forecast horizon. Taking into account in particular the SDR allocation from which Morocco benefited and the hypotheses of inflows of donations worth 3 billion dirhams in 2021 and 1.6 billion in 2022 and of external financing planned by the Treasury from the international market, the official reserve assets would reach 335 billion at the end of 2021 and 345.1 billion at the end of 2022, or the equivalent of more than 7 months of imports of goods and services.

With regard to public finances, the budgetary situation is expected to improve, albeit at a slower pace than expected in the June report, mainly due to the upward revision of current expenditure. After reaching 7.6 percent of GDP in 2020, the budget deficit is projected by BAM at 7.3 percent of GDP in 2021 and 6.8 percent in 2022.

Monetary conditions would remain accommodative and credit to the non-financial sector is expected to grow by 3.7 percent this year and 3.8 percent in 2022. For its part, and after increasing in 2021, the real effective exchange rate would depreciate in 2022.

Benefiting from the reopening of the economy, the notable progress in the vaccination campaign, the very good crop year, the fiscal stimulus and the accommodating monetary conditions, the national economy would rebound by 6.2 percent in 2021, after contracting by 6.3 percent a year earlier. This improvement reflects a net increase of 18.8 percent of the agricultural value added and a 4.6 percent rise in non-agricultural activities. In 2022, BAM expects growth to consolidate to 3 percent, covering a 3.3 percent drop in the value added of the agricultural sector, assuming a return to an average cereal production, and a 3.6 percent rise in that of non-agricultural activities. Concerning demand, growth is expected to be driven by its domestic component, while the contribution to growth from net exports in volume terms would be negative on average.

Against this backdrop, inflation is expected to accelerate from 0.7 percent in 2020 to 1.2 percent in 2021 and 1.6 percent in 2022, reflecting in particular a rebound in its underlying component in the short term, which would gradually moderate over the forecast horizon.

7.1 Underlying assumptions

Despite the wave of the Delta variant, the outlook remains favorable albeit surrounded by uncertainty

Despite the strong spread of the Delta variant of Covid-19 and the reintroduction or extension of restrictive measures in some countries, the global economic outlook remains positive. However, there are uncertainties related to the re-emergence of new variants. Taking into account the recent increase in infections and the effects of the latest health restrictions, the global growth forecast for 2021 has been slightly revised downwards to 6.2 percent. It is then expected to decelerate to 4.1 percent in 2022.

In the USA, growth is expected to reach 5.9 percent this year, driven by the progress of the vaccination campaign and the strong fiscal stimulus, and to go down to 3.2 percent in 2022. In the euro area, the outlook has improved significantly. Growth is projected to rise to 5.2 percent for the year 2021 as a whole and then 3.8 percent in 2022. In the United Kingdom, thanks to the rapid roll-out of vaccination and the opening up of the economy, growth is expected to reach 6.3 percent in 2021, before falling to 3.2 percent in 2022.

In the major emerging economies, growth in China is expected to reach 8.6 percent in 2021 and then to go down to a pace in line with the rebalancing policy, at around 5 percent. In India, GDP is expected to grow by 8 percent in 2021, revised downwards in line with the second wave that hit the economy in April and May this year, and to accelerate to 12.7 percent in 2022. In Brazil, the economy is projected to grow by 5.4 percent in 2021, on the back of an expected stabilization of the health situation and an improvement in the terms of trade, and would then be limited to 1 percent in 2022, due to the slow pace of vaccination and political uncertainties.

Chart 7.1: Growth in the euro area

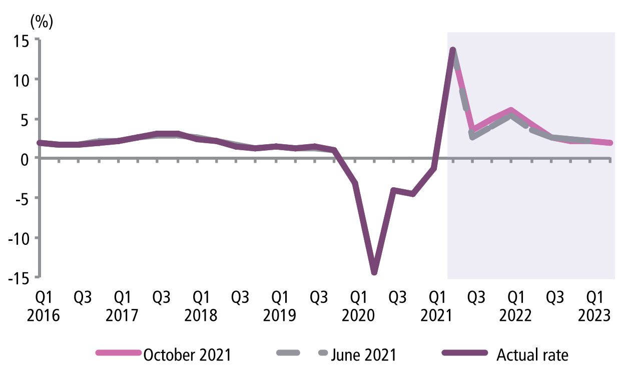
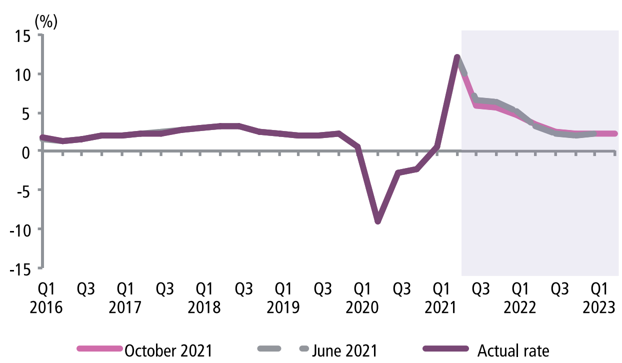


Chart 7.2: Growth in the USA



Source: GPMN[1] forecasts of May 2021.

1 Global Projection Model Network.

Continued monetary and fiscal support and appreciation of the euro against the dollar

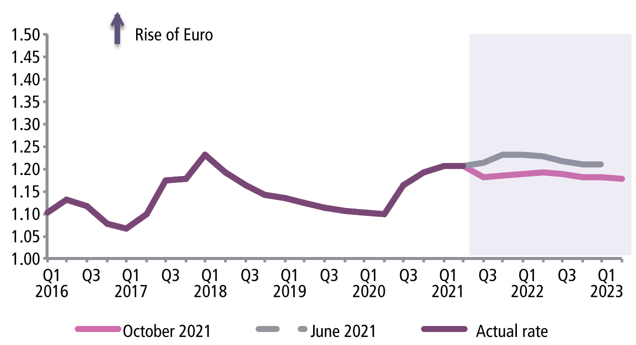
Against a backdrop of improving economic conditions and intensified inflationary pressures, monetary policy normalization has begun in several emerging economies and is increasingly relevant in advanced economies. The FED decided at the end of its meeting of the 22nd September to keep unchanged the target range for the federal funds rate at [0 percent-0.25 percent] and stated, nevertheless, that it would soon begin to slow down its asset purchase program provided that progress towards its objectives of price stability and maximum employment continued.

Maintaining its ultra-accommodative stance, the ECB decided at the end of its meeting on 9 September to keep its key interest rates unchanged at 0 percent. It also maintained the pace of its monthly purchases at 20 billion euros per month for its Asset Purchase Program (APP) and declared that it would continue its Pandemic Emergency Purchase Program (PEPP) program at least until March 2022. It should be noted that the ECB revised its monetary policy strategy on 8 July, including the adoption of a symmetrical medium-term inflation target of 2 percent. Thus, any deviation from the latter, whether positive or negative, is perceived as undesirable.

In parallel, governments continued to make fiscal support efforts. In the USA, following the "financial rescue plan", the Infrastructure Investment and Jobs Act is currently being negotiated. A new "human investment" component of the plan could be approved by year-end. The Infrastructure Investment and Jobs Act targets infrastructure investment in the country, including funding for public transport, roads, bridges, drinking water, and broadband internet. In the European Union, the Commission has begun the implementation of its flagship program ''Next Generation EU" (750 billion euros), with payments to several countries including Germany (2.25 billion), France (5.1 billion), Spain (9 billion) and Italy (24.9 billion). To finance this program, it also issued bonds worth 45 billion euros in June and July, which would reach 80 billion by the end of the year.

In the foreign exchange markets, the euro is expected to appreciate by 4.8 percent to $1.19 on average in 2021 and to remain around this level in 2022, a slight downward revision compared to the June projections, partly linked to a better economic performance in the USA than in the euro area.

Chart 7.3: USD/ EUR exchange rate



Source: GPMN forecasts of May 2021.

Increase in commodity prices and accelerating inflation

The opening up of economies is due to strong demand for energy products, while production growth remained limited. As a result, oil prices have recently been on the rise, with the price of Brent crude oil expected to rebound from 61 percent to an average of $68.1/bl in 2021 and $68.5/bl in 2022.

As for phosphate and derivatives, prices reached an average of $111.25/t for raw phosphate and $563/t for DAP during the first nine months of 2021, compared with forecasts of $90/t and $450/t respectively for the whole of 2021, according to the World Bank. In 2022, the price of phosphate is expected to rise by 2.1 percent while that of DAP would fall by 5.6 percent.

Concerning food products, the FAO food price index rose by 14.8 percent between January and September 2021, reflecting an acceleration in the prices of sugar, meat and vegetable oils. Adverse weather conditions, increased demand from China and supply chain disruptions, particularly in Brazil, are expected to keep prices high in 2021, before easing in 2022 as these effects dissipate.

Against this background, the trend in consumer prices accelerated in both the major advanced and emerging economies. These inflationary pressures are largely due to the revival in economic activity, bottlenecks in certain supply chains, the rise in freight costs and the rebound in commodity prices. In the United States, inflation has risen since the beginning of the year from 1.4 percent in January to a peak of 5.4 percent in June and July, amid higher demand favored in particular by the reopening of the economy and transfers to households, before slowing slightly to 5.3 percent in August. It would then average 4.4 percent in 2021, before slowing slightly to 4.2 percent in 2022. Similarly, in the euro area, it has been on an uptrend since January 2021 and stood at 3.4 percent in September. In addition to the rise in commodity prices, this increase is explained by the base effect, the rise in VAT in Germany and the change in the weights of the various components of the HICP. It is expected to reach 2.3 percent in 2021 before slowing down to 1.9 percent in 2022.

Chart 7.4: Brent price

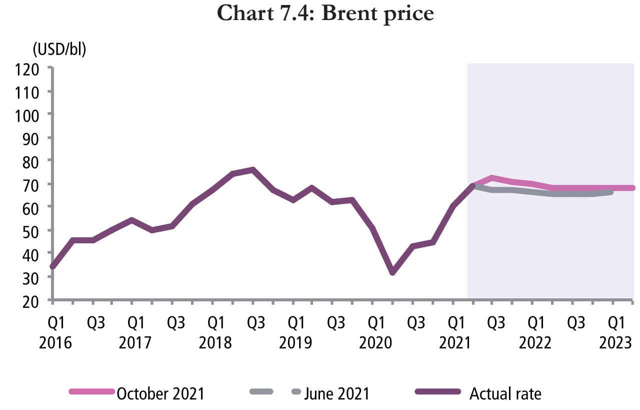


Chart 7.5: FAO food product price index (2014-2016=100)

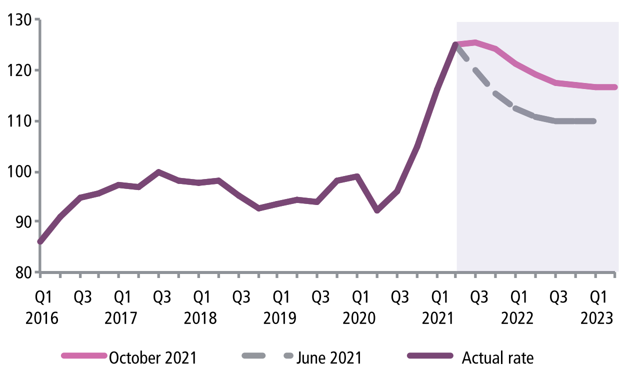


Chart 7.6: Inflation in the euro area

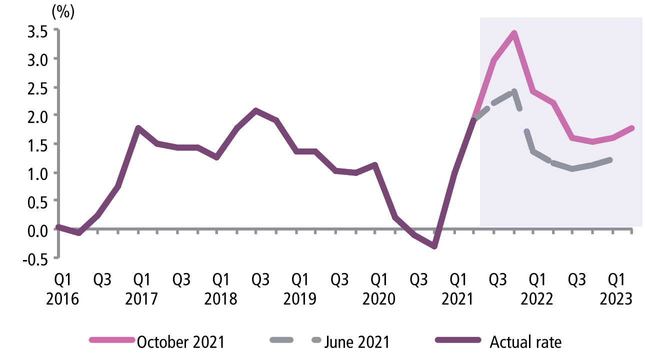
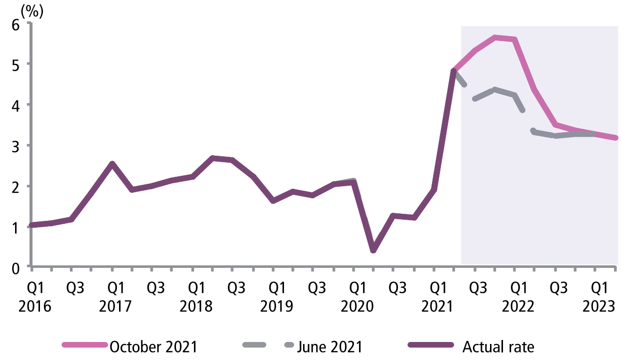


Chart 7.7: Inflation in the United states



Source: GPMN forecasts of May 2021.

Cereal production of 103.2 million quintals in 2020-2021 and an average harvest retained for 2021-2022

The 2020-2021 crop year was marked by very favorable weather conditions. According to the Department of Agriculture, cereal production amounted to 103.2 million quintals (MQx), up 221 percent compared to the previous year and 63.5 percent compared to the average of the last five years. At the same time, other plant crops are in a generally favorable state and the livestock sector is expected to recover, after two years of drought, thanks to the availability of fodder from rangelands and the good cereal season.

For the 2021-2022 crop year, the assumptions of an average cereal harvest of 75 MQx and a continuation of the trend in other crops are retained.

7.2 Macroeconomic projections

Recovery of foreign trade and exceptional increase in the transfers of Moroccan expatriates in 2021

Taking into account data as at end-August, the current account deficit would reach 2.5 percent in 2021 after 1.5 percent in 2020, before easing to 1.4 percent in 2022. In 2021, exports of goods would continue to rise to 22.6 percent, mainly driven by the increase in sales of the automobile construction and phosphate and derivatives sectors. At the same time, imports are expected to grow by 19.6 percent, mainly due to increases in purchases of capital and consumer goods. As for travel receipts, health restrictions continue to weigh on their recovery, with an expected drop of 8.6 percent in 2021. Conversely, after an increase of 4.9 percent in 2020, transfers from Moroccan expatriates would rise by 27.7 percent this year. As regards FDI receipts, they would reach the equivalent of 3 percent of GDP after 2.5 percent in 2020.

Under the hypothesis of donation inflows worth 3 billion dirhams and taking into account in particular the Treasury's planned external financing as well as the allocation of SDR for 10.8 billion dirhams, the official reserve assets would end the year at 335 billion dirhams, or the equivalent of 7 months and 7 days of imports of goods and services.

In 2022, the growth rate of exports would consolidate to 5.9 percent, backed in particular by the increase in sales of automobile construction. Imports are expected to grow by 4 percent, with rising energy bill in particular. Travel receipts, while remaining lower than pre-crisis levels, would rise from 33.3 billion dirhams in 2021 to 60.7 billion in 2022. The increase in remittances from Moroccans expatriates would come to a halt with a decrease of 5 percent to 82.7 billion. Concerning FDI receipts, they would remain equivalent to 3 percent of GDP.

Under the assumption of grant inflows of 1.6 billion dirhams and taking into account in particular the Treasury's projected external financing in 2022, the official reserve assets would reach 345.1 billion dirhams, equivalent to 7 months and 14 days of imports of goods and services.

Table 7.1: Main components of the balance of payments

Change in %, unless otherwise indicated	Actual rates						Forecasts		Gap (oct./june)	
	2015	2016	2017	2018	2019	2020	2021	2022	2021	2022
Exports of goods (FOB)	8. 6	3. 5	10. 3	10. 7	3. 3	-7. 6	22. 6	5. 9	8. 1	0. 3
Imports of goods (CAF)	-4. 9	10. 3	6. 7	9. 9	2. 0	-14. 0	19. 6	4. 0	3. 0	1. 0
Travel receipts	-1. 4	5. 0	12. 3	1. 2	7. 8	-53. 7	-8. 6	82. 1	-30. 3	39. 1
Expatriate remittances	4. 8	4. 0	5. 3	-1. 5	0. 1	4. 9	27. 7	-5. 0	20. 1	-7. 8
Current account balance (% of GDP)	**-2. 1**	**-4. 1**	**-3. 4**	**-5. 3**	**-3. 7**	**-1. 5**	**-2. 5**	**-1. 4**	**1. 3**	**1. 1**
Official reserve assets, in months of imports of goods and services	**6. 1**	**6. 4**	**5. 6**	**5. 4**	**6. 9**	**7. 4**	**7. 2**	**7. 5**	**0. 0**	**0. 0**

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

Favorable monetary conditions and consolidation of bank credit growth to the non-financial sector

The lower domestic inflation compared to trading partners and competitors over the forecast horizon is expected to mitigate the projected effect of the appreciation of the effective exchange rate in nominal terms in 2021. Under these conditions, the real effective exchange rate would appreciate by 0.4 percent in 2021 before depreciating by 1.9 percent in 2022.

On the basis of the expected change in foreign exchange reserves and currency in circulation, the banking liquidity deficit would reach 58.2 billion dirhams at the end of 2021 and 64.9 billion at the end of 2022. As for bank credit to the non-financial sector, its growth decelerated from 4.1 percent in June to 3.2 percent on average in July and August 2021, mainly reflecting the slowdown of loans to private non-financial companies. Concerning the outlook and taking into account the economic growth forecasts and the expectations of the banking system, it would increase by 3.7 percent in 2021 and by 3.8 percent in 2022. Against this backdrop and considering the other counterparts of the money supply, the growth of the M3 aggregate would slow down to 5.5 percent in 2021 and 4.6 percent in 2022.

Table 7.2: Money supply and bank lending

Change in %, unless otherwise indicated	Actual rates				Forecasts		Gap (oct./june)	
	2017	2018	2019	2020	2021	2022	2021	2022
Bank lending to the nonfinancial sector	3. 8	3. 1	5. 5	3. 9	3. 7	3. 8	0. 2	0. 0
M3	5. 5	4. 1	3. 8	8. 5	5. 5	4. 6	0. 5	0. 1
Liquidity surplus or deficit, in billion dirhams	-40. 9	-69. 0	-62. 3	-67. 0	-58. 2	-64. 9	6. 6	6. 5

Drop in the budget deficit over the forecast horizon, but at a slower pace than expected

In 2021, the budget deficit is expected to reach 7.3 percent of GDP, 0.2 percentage points higher than in June projections. This forecast incorporates the new estimates announced by the Ministry of the Economy and Finance in its 2022-2024 multiannual program, including an upward revision of the wage bill and expenditure on other goods and services. On the revenue side, some taxes have been adjusted upwards, taking into account a greater than expected improvement in economic activity.

For the year 2022, the budget deficit is projected at 6.8 percent of GDP, up 0.2 percentage points compared to the issue of June 2021. The updated projections show a larger-than-expected increase in spending on goods and services and in investment, incorporating elements of the multi-annual budgetary programming published by the Ministry of Economy and Finance.

Rebound of the national economy in 2021

Given the significant progress in the vaccination campaign, the reopening of the economy, the very good crop year, the fiscal stimulus and the accommodating monetary conditions, the available economic indicators continue to improve at better rates than expected in June.

Against this background, the national economy would resume its growth this year, going up at 6.2 percent, reflecting namely an increase by 18.8 percent in agricultural value added and a net 4.6 percent rise in non-agricultural activities. The latter would be driven by the recovery of industrial and electrical energy activity as well as by the recovery of the tourism and transport sectors. On the demand side, growth would be driven by its domestic component. The latter would be more dynamic, thanks to the expected recovery of agricultural and non-agricultural incomes, the increase in transfers from Moroccan expatriates and the continued accommodating monetary policy stance. On the other hand, the contribution of net exports to growth is expected to be negative, as the projected increase in the volume of imports of goods and services would more than offset the forecast rebound in exports.

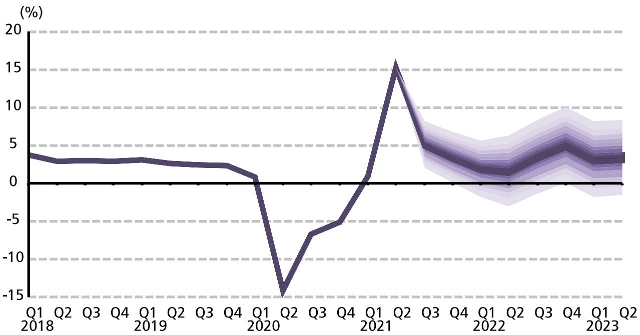
In 2022, growth would consolidate at 3 percent, covering a 3.3 percent drop in agricultural value added, under the assumption of a return to an average cereal production, and a 3.6 percent increase in non-agricultural activities. On the demand side, this development reflects a slowdown in the growth of the various components of domestic demand, while the negative contribution of net exports, in terms of volume, would dissipate.

Table 7.3: Economic growth

Change in %	Actual rates					Forecasts		Gap (oct./june)	
	2016	2017	2018	2019	2020	2021	2022	2021	2022
National growth	**1. 1**	**4. 2**	**3. 1**	**2. 6**	**-6. 3**	**6. 2**	**3. 0**	**0. 9**	**-0. 3**
Agricultural VA	-13. 7	15. 2	3. 7	-5. 8	-8. 6	18. 8	-3. 3	1. 2	-1. 3
Nonagricultural VA	2. 1	2. 9	2. 9	3. 9	-5. 8	4. 6	3. 6	1. 0	-0. 2
Net tax on subsidies	8. 8	3. 1	4. 6	1. 9	-7. 6	5. 4	5. 3	0. 4	0. 8

Sources: HCP data, and BAM forecasts.

Chart 7.8: Growth outlook over the forecast horizon (Q3 2021 - Q2 2023), (YoY)*

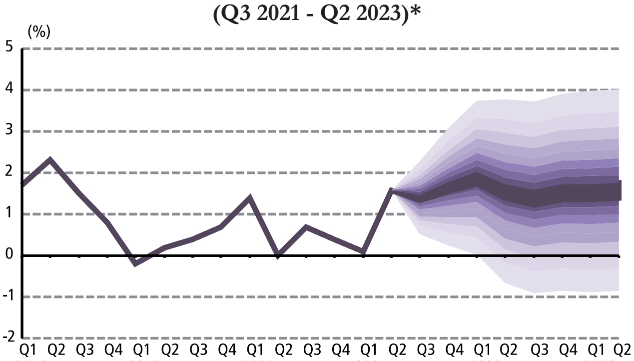


* Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent.

Core inflation accelerated over the forecast horizon while remaining moderate

After a low rate of 0.7 percent in 2020, inflation is expected to accelerate to 1.2 percent in 2021 and then to 1.6 percent on average in 2022, driven by the projected rise in fuels and lubricants and the forecast rebound in its underlying component. The latter is projected to accelerate from 0.5 percent to 1.4 percent on average in 2021, reflecting increases in the world prices of certain food products composing it and the expected revival of domestic demand. It is projected to moderate gradually over the forecast horizon but would remain high at 2.1 percent on average in 2022, thanks to the foreseen continuation of sustained growth in domestic demand and, to a lesser extent, the depreciation of the real effective exchange rate.

Chart 7.9: Inflation forecast over the forecast horizon (Q3 2021 - Q2 2023)*



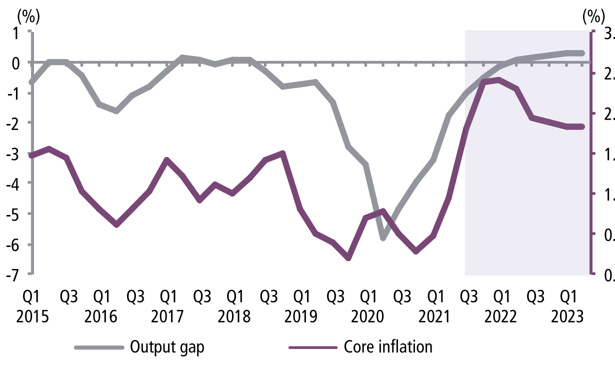
* Uncertainty surrounding the central forecast with confidence intervals ranging between 10 percent and 90 percent.

Table 7.4: Inflation and core inflation

	Actual rates				Forecasts			Gap (oct./june)	
	2017	2018	2019	2020	2021	2022	Horizon de 8 trimestres (Q3 2021-Q2 2023)	2021	2022
Inflation	**0. 7**	**1. 6**	**0. 2**	**0. 7**	**1. 2**	**1. 6**	**1. 6**	**0. 2**	**0. 4**
Core inflation	1. 3	1. 3	0. 5	0. 5	1. 4	2. 1	2. 0	0. 2	0. 6

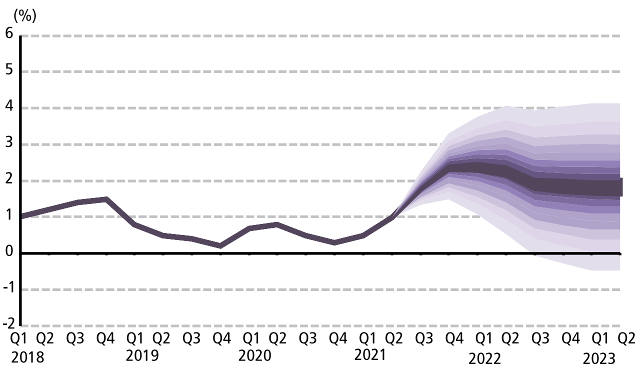
Sources: HCP data, and BAM forecasts and calculations.

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 (Q2 2021 - Q1 2023)*



* 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 considerable and, if they materialize, could affect the central scenario projections. Thus, the balance of risks is balanced for growth and tilted to the upside for inflation.

With regard to growth, the accelerated pace of the vaccination campaign and the reopening of the Moroccan economy, on the one hand, and the maintenance of the accommodating stance of monetary policy as well as the expected positive effects of the entry into operation of the Mohammed VI Fund for Investment, on the other hand, reinforce optimism as to a more pronounced recovery in economic activity. However, several risks related to the emergence of new variants of the virus, the resurgence of infections and disparities between countries in terms of the pace of vaccination roll-out could weigh on the prospects for recovery at both national and international levels. As for inflation, upside risks prevail. Continued increases in commodity and some food prices, as well as higher transport costs and energy prices, bottlenecks in some supply chains and higher demand, could lead to higher-than-expected rise in 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